Carl Hansen & Søn Holding A/S

Hylkedamvej 77-79, 5591 Gelsted

Annual Report 2018

CVR No. 26 90 09 21

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

on 3/5 2019

Lars Mikkelsen
Chairman

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Management’s Statement

The Board of Directors and the Executive Board have today discussed and approved the Annual Report of Carl Hansen & Søn Holding A/S for the financial year 1 January - 31 December 2018.

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 2018 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 2018.

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, den 14 March 2019

Executive Board

Knud Erik Hansen CEO	Lars Erik Mikkelsen CFO	Lars Hansen COO
Inger Marie Jensen Hansen		

Board of Directors

Clas Nylandsted Andersen Chairman	Knud Erik Hansen	Henrik Hoffmann
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 2018, 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 2018 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 2018, 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 Financial 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.

Independent Auditor’s Report

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.

- 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.

Independent Auditor's Report

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.

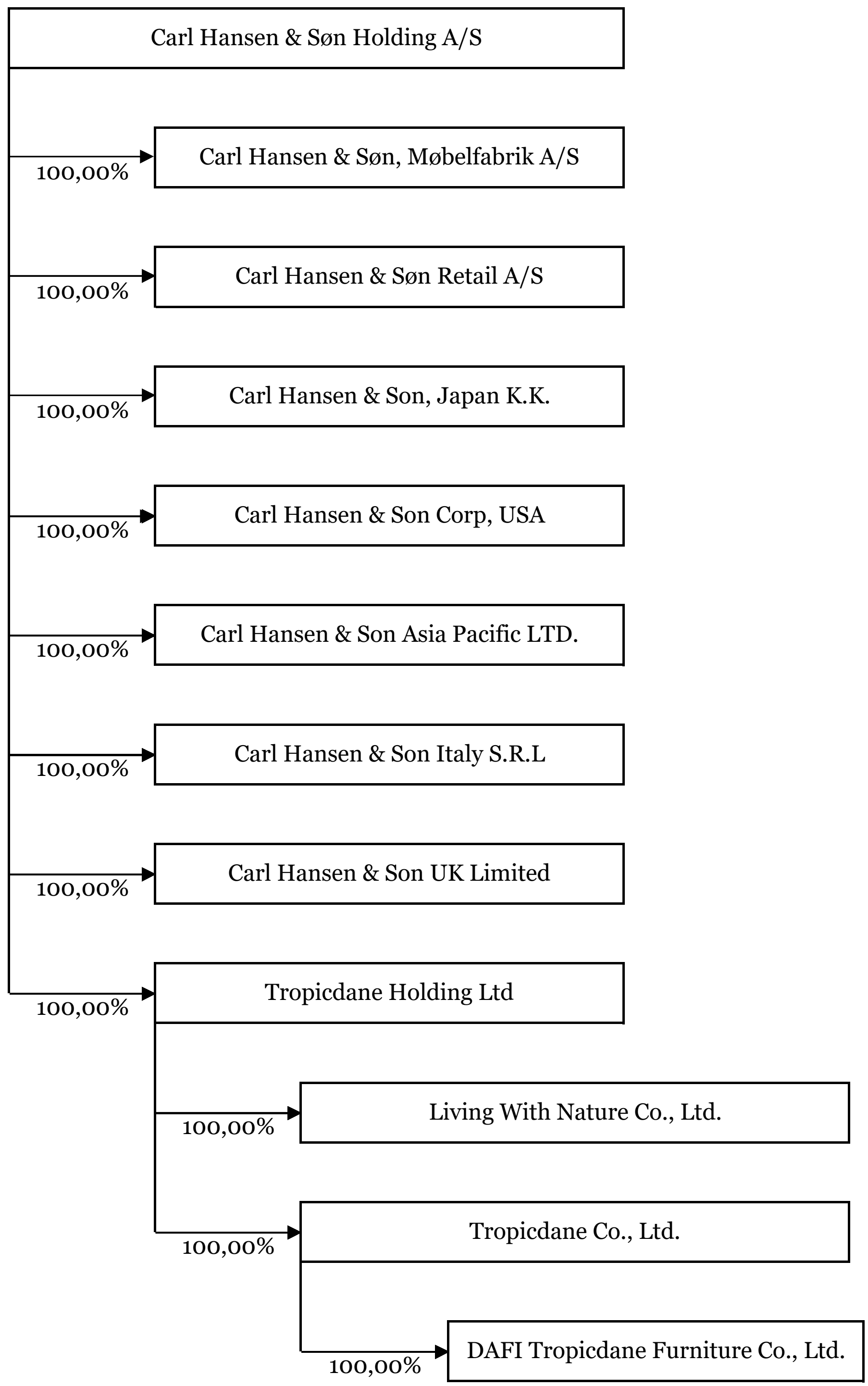
Trekantomraadet, 14 March 2019
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Carsten Dahl
State Authorised Public Accountant
mne28674

Company Information

The Company	Carl Hansen & Søn Holding A/S Hylkedamvej 77-79 DK-5591 Gelsted Telephone: 66 12 14 04 Fax: 65 91 60 04 E-mail: info@carlhansen.dk Website: www.carlhansen.dk CVR No: 26 90 09 21 Financial period: 1 January - 31 December Municipality of reg. office: Middelfart
Board of Directors	Clas Nylandsted Andersen, Chairman Knud Erik Hansen Henrik Hoffmann Ulrich Krasilnikoff Carsten Fode
Executive Board	Knud Erik Hansen Inger Marie Jensen Hansen Lars Erik Mikkelsen Lars Hansen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Herredsvej 32 7100 Vejle

Group chart


Carl Hansen & Søn Holding A/S
100,00%
Carl Hansen & Søn, Møbelfabrik A/S
100,00%
Carl Hansen & Søn Retail A/S
100,00%
Carl Hansen & Son, Japan K.K.
100,00%
Carl Hansen & Son Corp, USA
100,00%
Carl Hansen & Son Asia Pacific LTD.
100,00%
Carl Hansen & Son Italy S.R.L
100,00%
Carl Hansen & Son UK Limited
100,00%
Tropicdane Holding Ltd
100,00%
Living With Nature Co., Ltd.
100,00%
Tropicdane Co., Ltd.
100,00%
DAFI Tropicdane Furniture Co., Ltd.

Financial highlights for the Group

Seen over a five-year period, the development of the Company is described by the following financial highlights:

	2018	2017	2016	2015	2014
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Revenue	628.244	497.395	422.025	369.550	279.937
Gross profit/loss	242.282	212.696	201.290	189.590	138.847
Operating profit/loss	24.317	43.635	35.162	20.291	16.877
Profit/loss before financial income and expenses	23.955	41.362	32.997	20.428	16.763
Net financials	-13.456	-11.302	-5.592	-6.258	-5.879
Net profit/loss for the year	5.423	22.541	20.582	10.557	7.399
Balance sheet					
Balance sheet total	518.404	467.037	234.870	234.790	209.235
Equity	102.381	99.707	80.098	53.504	44.245
Cash flows					
Cash flows from:					
- operating activities	15.087	20.387	37.142	28.413	8.784
- investing activities	-48.429	-178.879	240	-22.728	-39.719
including investment in property, plant and equipment	-36.320	-87.603	-26.722	-18.545	-39.489
- financing activities	29.780	96.102	5.564	-5.372	18.089
Number of employees	1.661	713	286	247	206
Ratios					
Gross margin ratio	38,6%	42,8%	47,7%	51,3%	49,6%
Profit margin	3,8%	8,3%	7,8%	5,5%	6,0%
Return on assets	4,6%	8,9%	14,0%	8,7%	8,0%
Solvency ratio	19,7%	21,3%	34,1%	22,8%	20,9%
Return on equity	5,4%	25,1%	30,8%	21,6%	18,2%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

Management's Review

Main activity of Carl Hansen & Søn Holding A/S

Over the past 110 years, Carl Hansen & Søn has been manufacturing and trading premium Danish designer furniture in Denmark and throughout the world. The sales are undertaken through various channels: business-to-customer, business-to-business, our own flagship stores and e-commerce platforms.

In September 2017, Carl Hansen & Søn Holding A/S (hereafter 'The Group') acquired DAFI, which is a furniture, design and manufacturing company in Vietnam which sells mainly to Europe and North America.

Market overview

The Group achieved a growth rate of some 26% in 2018. Denmark continues to be the largest market with a share of approximately 30%.

In 2018, the most significant growth was generated in North America, Southern Europe and Asia Pacific, where all markets grew by more than 30%.

It is the Group's strategy to continue the growth scenario of recent years organically, while looking for opportunities for strategic business acquisitions in the furniture and design industries.

Development in activities and financial matters

The consolidated income statement for 2018 shows a profit of DKK 5,4 million, which is lower than expected, and the consolidated balance sheet at 31 December 2018 shows equity of DKK 102,8 million.

Carl Hansen & Søn has continued the transition to the Gelsted location in 2018 by terminating the contract with the previous tenants so that the Group now has full disposal of the 37,000 square meters of administration, production and storage facilities in Gelsted. This is an important development for the future expansion of the production capacity.

The Group acquired DAFI in September 2017, therefore 2018 is the first year in which the DAFI figures have been consolidated with the Group figures on a full year basis. The underlying strategy is to implement a higher degree of synergy between the two plants, a transition which will take some years to become fully implemented.

Capital resources

The Group's funds tied up in working capital increased by DKK 10,6 million primarily due to the build-up of stock to support future growth in global markets.

As the Group expects sales growth to continue, the Group also expects a growth in working capital.

Management's Review

Investments totalled DKK 48,6 million; the majority being investments in buildings and machinery to support growth, primarily in Gelsted. Investments for 2019 are expected to amount to approximately DKK 22 million.

After a period of a relatively high level of investment, the Group expects the coming years to normalize at a lower level.

Risks

Operation

The Group has long-term commitments with most of the key suppliers for important raw materials.

Market risks

There is some influence expected from the global pricing of raw materials, but as the Group has long-term agreements and there are currently no material price increases expected, the potential impact has been evaluated as limited. Expected pricing adjustments are already built-in to the pricing structure.

Currency risks

A significant number of the products manufactured by the Group are sold in global markets. In all major markets, the Group trades with its own tariffs in foreign currencies. Such an organized sales strategy implies that the Group's income would be affected by currency fluctuations. However, the Group aims to hedge all these major currency fluctuations with its banks through forward exchange contracts or other financial instruments. The Group does not wish to speculate in any form of currency fluctuations or other matters that are not directly linked to our main activities as described above.

Currency risks associated with investments in subsidiaries are not hedged but are partly off-set by a [illegible]

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 Group makes an effort to avoid, as far as possible, dependence on individual financial institutions, although the Group's long-term funding is presently provided by one bank.

Strategy and objectives

Strategy

It is the Group's strategy to continue investing in the market with showrooms and flagship stores and by employing sales personal.

Moreover, expansion of the product range and growing major markets are key elements in the continued expansion of the Group.

Management’s Review

Product development

During 2018, Carl Hansen & Søn spent some DKK 3,4 million on product development, which is at a similar level to previous years. This amount, relating to the development of new models, has been capitalized.

A development project typically covers a period of six to 12 months, after which time the products are introduced to the markets. The Group expects to develop four to six new products per year.

Targets and expectations for the year ahead

The Management of Carl Hansen & Søn expects that the markets will generally see a continued positive development during 2019. Based on growing sales, the Group expects the results for 2019 to exceed those realized for 2018.

Due to the improvement in the operating profit and a more modest investment program this will have a positive impact on the cash flow in 2019.

Corporate social responsibility Report

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

Regarding our Business Model, please refer to section “Main activity of Carl Hansen & Søn Holding A/S the Group” (page 8)

Risk analysis

As the Group is now operating a manufacturing plant in Asia there is an increased risk of violation of human rights and corruption. The plants are operating according to local law and the Group’s standards which exceeds local legal requirements. Thus, the Group anticipates that any risk is more associated with suppliers.

Policies

The policies of Carl Hansen & Søn in relation to corporate social responsibility comprise our Environmental Policy, Health & Safety Policy and Code of Conduct, which covers our Human Rights and Anti-Corruption 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.

Our Human Rights Policy is designed to underline general labor and human rights.

Management's Review

Our Anti-Corruption Policy is designed to ensure that the Group and suppliers comply with a high level of business integrity.

The Group is experiencing a growing focus on the environmental dimension among customers and the public in general. During 2019 the Group will develop a more cohesive CSR strategy including defining long-term objectives for improving the environmental impact.

The Group has developed a Code of Conduct, which specifies the values of the Group so these can be clearly communicated to suppliers and other stakeholders.

The Group will actively apply this document in dialogue with its suppliers and stakeholders by signing this as a part of the collaboration.

Activities and results

Environmental

In 2017, Management decided to increase recycling of wood chips to generate heat for the production facilities in Gelsted. Therefore investments in plant and installations was made, enabling that all buildings were supplied with heat from an internal central heating system using only wood chips from the furniture production. This initiative created a platform for a successful next phase expansion and corporation with the local heating company, Gelsted Fjernvarme. This project has been successfully implemented during 2018 and being expanded to provide heating also for the local community. This project has major positive environmental impacts on several dimensions.

The Group has during 2018 undertaken an energy overhaul, which will provide valuable input to

Work environment

Within the working environment, the Group is systematically undertaking continuous improvements and this has a high priority.

In 2018, there has been a major focus on the working environment at the plant in Vietnam. An extensive and very important improvement has been several investments in exhaust equipment throughout the manufacturing plant. In addition, the Group has invested in improving toilet facilities, the entire sewerage system and fire prevention.

The Group is heavily engaged in developing the teaching of young cabinet markers and machine operators. In order to strengthen this engagement, the Group has developed a plan for a separate apprentice workshop in Gelsted.

The Group has undertaken a project during 2018 which will potentially make it possible to switch from oil-based to water-based lacquer.

Management's Review

The Group has eliminated formaldehyde in all plywood during 2018, and the long-term ambition is to eliminate formaldehyde in all production.

The initiatives above will have a positive impact on both the working environment and the external environment.

Humans rights

The Group has applied the Code of Conduct Policy during 2018 and has not observed any violations.

Anti-corruption

The Group has applied the Code of Conduct Policy during 2018and has not observed any cases of violation of business integrity.

Intellectual Capital Resources

The Group manufactures a variety of products of the highest quality of craftsmanship, supported by the newest machine technology on the market. These requirements demand a high degree of skilled labor.

The Group 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 five men and no women. The composition of the Board of Directors has changed during 2018 but these changes have not led to meeting the target. 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

The target is to strive towards a more equal distribution but the Group'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 Group's managers with personnel responsibility.

Management's Review

In order to ensure that the Group is able to comply with section 99b of the Danish Financial Statement Act, it remains the Group's objective for future recruitment with equal split between gender based on skills, the participants in the Group's management training must be equally divided between gender over a number of years.

During 2018, there have been no major changes in the management levels, and as a result, the number of female managers and directors is roughly at the same level as last year. As the ratio is below the target of 40% (actual; 38%) the Group will have a target to increase the female/male ratio through ensuring there is always at least one female candidate in the hiring process.

Subsequent events

No events affecting the Management's Review of the results for 2018 have occurred after the balance sheet date.

Income Statement 1 January - 31 December

	Note	Consolidated 2018 TDKK	Consolidated 2017 TDKK	Parent Company 2018 TDKK	Parent Company 2017 TDKK
Revenue	1	**628.244**	**497.395**	0	0
Production costs	2	-385.962	-284.699	0	0
Gross profit/loss		**242.282**	**212.696**	**0**	**0**
Distribution costs	2	-169.097	-130.692	0	0
Administration cost	2	-48.868	-38.369	-13.962	-485
Operating profit/loss		**24.317**	**43.635**	**-13.962**	**-485**
Other income		4.290	1.887	13.200	224
Other expenses		-4.652	-4.160	0	0
Profit/loss before financial income and expenses		**23.955**	**41.362**	**-762**	**-261**
Income from investments in subsidiaries	3	0	0	11.240	24.378
Financial income	4	1.975	820	1.111	614
Financial expenses	5	-15.431	-12.122	-7.803	-2.681
Profit/loss before tax		**10.499**	**30.060**	**3.786**	**22.050**
Tax on profit/loss for the year	6	-5.076	-7.519	1.637	491
Net profit/loss for the year		**5.423**	**22.541**	**5.423**	**22.541**

Balance Sheet 31 December

Assets

	Note	Consolidated 2018 TDKK	Consolidated 2017 TDKK	Parent Company 2018 TDKK	Parent Company 2017 TDKK
Goodwill		1.321	1.558	0	0
Goodwill on consolidation		41.324	43.879	0	0
Development projects		14.091	13.081	0	0
Software		8.006	0	0	0
Patents and licences		5.050	3.239	0	0
Intangible assets	7	**69.792**	**61.757**	**0**	**0**
Leasehold improvements		13.850	7.410	0	0
Land and buildings		84.990	85.453	0	0
Fixtures and fittings, tools and equipment		83.225	78.024	244	181
Property, plant and equipment under construction		1.684	6.197	0	0
Property, plant and equipment	8	**183.749**	**177.084**	**244**	**181**
Investments in subsidiaries	9	0	0	188.611	190.795
Deposits		9.134	7.583	0	0
Investments		**9.134**	**7.583**	**188.611**	**190.795**
Fixed assets		**262.675**	**246.424**	**188.855**	**190.976**
Inventories	10	**131.783**	**120.184**	**0**	**0**
Trade receivables		74.647	74.401	0	0
Amounts receivable from group enterprise		0	0	6.899	62
Corporation tax		0	0	1.122	550
Deferred tax asset	15	1.596	249	1.581	0
Other receivables	11	10.554	7.143	0	0
Prepayments	12	4.348	7.157	0	0
Receivables		**91.145**	**88.950**	**9.602**	**612**
Cash at bank and in hand		**32.801**	**11.476**	**0**	**0**
Current assets		**255.729**	**220.610**	**9.602**	**612**
Assets		**518.404**	**467.034**	**198.457**	**191.588**

Balance Sheet 31 December

Liabilities and equity

	Note	Consolidated 2018	Consolidated 2017	Parent Company 2018	Parent Company 2017
		TDKK	TDKK	TDKK	TDKK
Share capital	13	520	520	520	520
Reserve for net revaluation under the equity method		0	0	57.483	60.493
Retained earnings		101.862	96.688	44.379	36.195
Proposed dividend for the year	14	0	2.500	0	2.500
Equity		**102.382**	**99.708**	**102.382**	**99.708**
Provision for deferred tax	15	12.802	11.052	0	15
Provisions		**12.802**	**11.052**	**0**	**15**
Mortgage debt		18.990	16.556	0	0
Bank debt		58.641	28.418	0	0
Other debt		24.912	32.755	24.912	32.755
Lease obligations		38.296	35.114	0	0
Long-term debt	16	**140.839**	**112.843**	**24.912**	**32.755**
Current portion of long term debt	16	35.947	40.830	10.931	11.550
Trade payables		67.440	68.467	0	0
Bank debt		108.573	83.685	2.646	2.316
Deferred income	17	14.761	14.935	0	0
Amounts owed to group enterprises		0	0	51.146	43.863
Corporation tax		974	3.901	0	0
Other payables	18	34.686	31.613	6.440	1.381
Short-term debt		**262.381**	**243.431**	**71.163**	**59.110**
Debt		**403.220**	**356.274**	**96.075**	**91.865**
Liabilities and equity		**518.404**	**467.034**	**198.457**	**191.588**

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Statement of Changes in Equity

Consolidated

	Share capital	Retained earnings	Proposed dividends	Total
	DKK	DKK	DKK	DKK
Equity at 1 January	520	96.688	2.500	99.707
Change in equity	0	458	0	458
Net profit/loss for the year	0	5.423	0	5.423
translation adjustments, foreign	0	2.584	0	2.584
Ordinary dividend distributed	0	0	-2.500	-2.500
Extraordinary dividend distributed	0	0	0	0
Value adjustments of hedging instruments at 31 December	0	-3.291	0	-3.291
Proposed dividends	0	0	0	0
Equity at 31 December	**520**	**101.862**	**0**	**102.381**

Parent Company

	Share capital	Reserve for net revalua-tion under the equity method	Retained earnings	Proposed dividends	Total
	DKK	DKK	DKK	DKK	DKK
Equity at 1 January	520	60.493	36.195	2.500	99.708
Change in equity	0	0	458	0	458
Net profit/loss for the year	0	-2.303	7.726	0	5.423
Foreign currency translation adjustments, foreign subsidiaries	0	2.584	0	0	2.584
Ordinary dividend distributed	0	0	0	-2.500	-2.500
Extraordinary dividend distributed	0	0	0	0	0
Value adjustments of hedging instruments at 31 December	0	-3.291	0	0	-3.291
Proposed dividends	0	0	0	0	0
Equity at 31 December	**520**	**57.483**	**44.379**	**0**	**102.382**

Cash Flow Statement 1 January - 31 December

	Note	2018	2017
		TDKK	TDKK
Net profit/loss for the year		5.423	22.541
Adjustments	19	39.002	40.044
Change in working capital	20	-10.575	-21.341
Cash flows from operating activities before financial income and expens		**33.850**	**41.244**
Financial income		1.975	820
Financial expenses		-15.431	-12.122
Cash flows from ordinary activities		**20.394**	**29.942**
Corporation tax paid		-5.307	-9.555
Cash flows from operating activities		**15.087**	**20.387**
Acquisition of subsidiaries and activities		-825	-87.942
Acquisition of intangible assets		-11.479	-3.918
Acquisition of property, plant and equipment		-36.320	-87.603
Disposal of property, plant and equipment		1.746	809
Additions, other fixed asset investments		-1.551	-225
Cash flows from investing activities		**-48.429**	**-178.879**
External financing:			
Additions of longterm debt		83.486	127.466
Repayment of long-term debt		-51.206	-28.764
Dividend paid		-2.500	-2.600
Cash flows from financing activities		**29.780**	**96.102**
Change in cash and cash equivalents		**-3.562**	**-62.390**
Cash and cash equivalents at 1 January		-72.210	-9.820
Cash and cash equivalents at 31 December		**-75.772**	**-72.210**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		32.801	11.475
Bank debt		-108.573	-83.685
Cash and cash equivalents at 31 December		**-75.772**	**-72.210**

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

Notes to the Financial Statements

	Consolidated		Parent Company	
	2018	2017	2018	2017
	TDKK	TDKK	TDKK	TDKK

1 Revenue

Geographical markets

	2018	2017	2018	2017
Denmark	180.767	161.004	0	0
Other countries in Europe	235.386	177.939	0	0
USA and Canada	87.324	59.995	0	0
Japan	69.131	74.123	0	0
Asia Pacific	24.211	18.351	0	0
Other	31.425	5.982	0	0
	628.244	**497.394**	**0**	**0**

Activities

	2018	2017	2018	2017
Sale of self-constructed furniture and goods for resale	628.244	497.394		

2 Staff expenses

	2018	2017	2018	2017
Wages and salaries	173.578	135.541	10.278	0
Pensions	10.014	9.559	1.116	0
Other social security expenses	6.444	3.320	22	0
	190.036	**148.420**	**11.416**	**0**
Wages and salaries, pensions and other social security expenses are expensed under the following items:				
Production costs	111.500	81.577	0	0
Distribution costs	52.369	46.331	0	0
Administration cost	26.167	20.511	11.416	0
	190.036	**148.419**	**11.416**	**0**
Hereof remuneration to Executive Board and Board of Directors:	11.188	6.023	10.565	0
Remuneration to Board and Directors	**11.188**	**6.023**	**10.565**	**0**
Average number of employees	**1.661**	**713**	**5**	**0**

Notes to the Financial Statements

	Consolidated		Parent Company	
	2018	2017	2018	2017
	TDKK	TDKK	TDKK	TDKK

3 Income from investments in subsidiaries

Share of profits of subsidiaries			13.501	22.796
Amortisation of goodwill			-2.556	-1.168
Change in intercompany profit on inventories purchased within the Group			295	2.750
			11.240	**24.378**

4 Financial income

Interest, group enterprises	0	0	230	0
Other financial income	1.975	820	881	614
	1.975	**820**	**1.111**	**614**

5 Financial expenses

Interest, group enterprises	0	0	2.165	1.789
Other financial expenses	15.431	12.122	5.638	892
	15.431	**12.122**	**7.803**	**2.681**

6 Tax on profit/loss for the year

Current tax for the year	4.186	3.527	-40	-506
Deferred tax for the year	895	3.718	-1.597	15
Adjustment of tax re prior years	-4	275	0	0
	5.077	**7.520**	**-1.637**	**-491**
Broken down as follows:				
Tax on profit for the year	4.148	6.542	-1.637	-491
Tax on changes in equity	928	977	0	0
	5.076	**7.519**	**-1.637**	**-491**

Notes to the Financial Statements

7 Intangible assets

Consolidated

	Goodwill	Goodwill on conso-lidation	Develop-ment projects	Software	Patents and licences
	TDKK	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	4.466	48.432	22.708	0	3.424
Acquired enterprises	0	0	0	0	0
Foreign currency translation adjustments, foreign entities	0	0	0	0	3
Additions for the year	0	0	3.399	7.628	452
Disposals for the year	0	0	-172	0	0
Transferred	0	0	0	1.300	2.206
Cost at 31 December	4.466	48.432	25.935	8.928	6.085
Impairment losses and amortisation at 1 January	2.908	4.552	9.626	0	235
Foreign currency translation adjustments, foreign entities	0	0	0	0	3
Impairment losses and amortisation for the year	237	2.556	2.351	889	410
Disposals	0	0	-133	0	0
Transferred	0	0	0	33	387
Impairment losses and amortisation at 31 December	3.145	7.108	11.844	922	1.035
Carrying amount at 31 Decembe	**1.321**	**41.324**	**14.091**	**8.006**	**5.050**
Amortised over	10 years	10-20 years	10 years	5 years	10 years

	2018	2017
	TDKK	TDKK
Depreciation and impairment loss of intangible assets are expensed under the following items:		
Production costs	2.462	2.028
Distribution costs	1.189	0
Administration cost	2.793	1.454
	6.444	**3.482**

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 4-6 new products per year.

Notes to the Financial Statements

8 Property, plant and equipment

Consolidated	Leasehold improve-ments	Land and buildings	Fixtures and fittings, tools and equipment	Property, plant and equipment under construction
	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	10.602	90.565	124.553	6.197
Acquired enterprises	0	0	0	0
Foreign currency translation adjustments, foreign entities	227	1.211	983	135
Additions for the year	8.255	5.170	19.327	3.568
Disposals for the year	0	-2.073	-4.301	-8.190
Transferred	0	-2.175	-2.066	-26
Cost at 31 December	19.084	92.698	138.496	1.684
Impairment losses and depreciation at 1 January	3.192	5.111	46.529	0
Foreign currency translation adjustments, foreign entities	82	76	349	0
Depreciation for the year	1.960	3.120	11.483	0
Disposals for the year	0	-784	-2.808	0
Transferred	0	185	-282	0
Impairment losses and depreciation at 31 December	5.234	7.708	55.271	0
Carrying amount at 31 December	**13.850**	**84.990**	**83.225**	**1.684**
Amortised over	10 - 50 years	3-10 years	10 years	
Herof finance leases	0	2.833	47.410	0

	2018	2017
	TDKK	TDKK
Depreciation and impairment loss of property, plant and equipment are expensed under the following items:		
Production costs	12.698	9.616
Distribution costs	2.347	2.176
Administration cost	1.519	1.420
	16.564	**13.212**

Notes to the Financial Statements

9 Property, plant and equipment

Parent Company	Fixtures and fittings, tools and equipment
	TDKK
Cost at 1 January	250
Additions for the year	160
Disposals for the year	0
Transferred	0
Cost at 31 December	410
Impairment losses and depreciation at 1 January	69
Depreciation for the year	97
Disposals for the year	0
Impairment losses and depreciation at 31 December	166
Carrying amount at 31 December	**244**
Amortised over	3-10 years
Herof finance leases	0

	2018	2017
	TDKK	TDKK
Depreciation and impairmentlossis of property, plant and equipment is expensed under the following items:		
Production costs	0	0
Distribution costs	0	0
Administration cost	97	69
	97	**69**

Notes to the Financial Statements

9 Investments in subsidiaries

	Parent Company 2018	Parent Company 2017
	TDKK	TDKK
Cost at 1 January	130.302	70.576
Additions for the year	825	70.994
Disposals for the year	0	-11.268
Cost at 31 December	131.127	130.302
Value adjustments at 1 January	60.493	58.440
Adjustment to beginning-of-year balance	458	0
Foreign currency translation adjustments	2.584	-3.795
Equity adjustments in subsidiaries, financial instruments	-3.291	3.464
Net profit/loss for the year	13.501	22.796
Liquidation proceeds	0	-4.994
Dividend paid	-14.000	-17.000
Adjustment of intercompany profit on inventories	378	3.349
Deferred tax on intercompany profit on inventories	-83	-599
Amortisation, goodwill on consolidation	-2.556	-1.169
Value adjustments at 31 December	57.484	60.492
Carrying amount at 31 December	**188.611**	**190.794**
Non-amortised goodwill	41.323	43.879

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Votes 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 Corp.	New York, USA	100%
Carl Hansen & Son Asia Pacific Ltd.	Kowloon, Hong Kong	100%
Carl Hansen & Son UK Limited	London, United kingdom	100%
Tropicdane Holding Ltd	British Virgin Islands	100%
Living With Nature Co., Ltd	Hong Kong	100%
Tropicdane Co., Ltd	Turks and Caicos Islands	100%
DAFI Tropicdane Furniture Co., Ltd	HCMC, Vietnam	100%

Notes to the Financial Statements

	Consolidated		Parent Company	
	2018	2017	2018	2017
	TDKK	TDKK	TDKK	TDKK

10 Inventories

	2018	2017
Raw materials and consumables	28.818	19.099
Work in progress	67.513	61.166
Finished goods	35.452	39.919
Inventories	**131.783**	**120.184**

11 Other receivables

Other receivables consist of forward exchange contracts entered into to hedge inflow of currency from sales of goods. The value of the year is included under other payables, which is referred to in note 18.

12 Prepayments

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

13 Share capital

	Parent Company 2018	Parent Company 2017
Share capital contributed at foundation	500	500
Capital increase 2003	3	3
Capital increase 2004	7	7
Capital increase 2005	10	10
Capital increase 2009	71	71
Capital increase 2017	-71	-71
Equity at 31 December	**520**	**520**

The share capital consists of 519,556 shares of DKK 1. No shares carry any special rights.

14 Distribution of profit

Proposed distribution of profit

	Parent Company 2018	Parent Company 2017
Proposed dividend for the year	0	2.500
Reserve for net revaluation under the equity method	-2.303	2.384
Retained earnings	7.726	17.657
	5.423	**22.541**

Notes to the Financial Statements

	Consolidated		Parent Company	
	2018	2017	2018	2017
	TDKK	TDKK	TDKK	TDKK

15 Deferred tax

Deferred tax asset	-1.596	-249	0	0
Deferred tax	12.802	11.052	-1.581	15
	11.206	**10.803**	**-1.581**	**15**
Intangible assets	4.936	2.774	0	0
Property, plant and equipment	5.396	5.599	9	15
Current assets	3.304	2.679	0	0
Tax loss carry-forward	-2.430	-249	-1.590	0
	11.206	**10.803**	**-1.581**	**15**

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	10.802	3.506	15	0
Acquired enterprises	0	3.618	0	0
Beginning of year exchange adjustment recognised in equity	-491	-39	0	0
Deferred tax recognised in the income statement	895	3.718	-1.596	16
	11.206	**10.803**	**-1.581**	**15**

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

Notes to the Financial Statements

16 Mortgage credit institutes and banks

The loans are specified as follows:

	Consolidated		Parent Company	
	2018	2017	2018	2017
	TDKK	TDKK	TDKK	TDKK
Mortgage debt				
After 5 years	13.676	11.831	0	0
Between 1 and 5 years	5.314	4.725	0	0
Long-term	18.990	16.556	0	0
Short-term	1.286	1.143	0	0
	20.276	**17.699**	**0**	**0**
Bank debt				
After 5 years	0	0	0	0
Between 1 and 5 years	58.641	28.418	0	0
Long-term	58.641	28.418	0	0
Short-term	15.277	20.798	0	0
	73.918	**49.216**	**0**	**0**
Other debt				
After 5 years	464	464	464	464
Between 1 and 5 years	24.448	32.291	24.448	32.291
Long-term	24.912	32.755	24.912	32.755
Short-term	10.931	11.550	10.931	11.550
	35.843	**44.305**	**35.843**	**44.305**
Lease obligations				
After 5 years	8.428	7.351	0	0
Between 1 and 5 years	29.868	27.763	0	0
Long-term	38.296	35.114	0	0
Short-term	8.453	7.339	0	0
	46.749	**42.453**	**0**	**0**
Total loans	**176.786**	**153.673**	**35.843**	**44.305**

Notes to the Financial Statements

17 Deferred income

Deferred income consists of payments received from customers that may not be recognised until the subsequent financial year.

18 Other payables

Other payables 2018 include negative fair value of forward exchange contracts of DKK 3,197k. The forward exchange contracts have been entered into to hedge inflow of currency from the sale of goods in 2019 at the amount of JPY 1,190,000k, SEK 26,700 and USD 500. All forward exchange contracts expire in 2019.

	Consolidated	
	2018	2017
	TDKK	TDKK

19 Cash flow statement - adjustments

	2018 TDKK	2017 TDKK
Financial income	-1.975	-820
Financial expenses	15.431	12.122
Amortisation of intangible assets	6.444	3.482
Depreciation of property, plant and equipment	16.564	13.211
Other income	-4.290	-1.840
Other expenses	4.652	3.492
Tax on profit/loss for the year	5.076	7.519
Currency adjustments	2.584	-3.795
Other adjustments	-2.193	3.208
Equity adjustments regarding financial instruments	-3.291	3.464
	39.002	**40.043**

20 Cash flow statement - change in working capital

	2018 TDKK	2017 TDKK
Change in inventories	-11.599	-23.997
Change in receivables	-848	-20.609
Change in trade and other payables	1.872	23.265
	-10.575	**-21.341**

Notes to the Financial Statements

21 Contingent assets, liabilities and other financial obligations

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.

Operating lease obligations

The group enterprises have entered into operating lease obligations with total nominal residual lease payments of DKK 3,847k. The leases have a remaining term of up to 56 months.
The group enterprises have entered into contractual obligations with total nominal residual lease payments of DKK 97,816k. The leases have a remaining term of up to 117 months

Mortgages and collateral

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

- As security for bank commitments of DKK 146,000k, a owner's mortgage of nom. DKK 5,000k secured on buildings 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 169,846k.

  As security for bank commitments of DKK 35,789k, a floating charge of DKK 29,479k secured on unsecured claims originating from machinery, equipment and land use rights of a total carrying amount of DKK 33,398k.

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

  DKK 21,000k, secured on property of a carrying amount of DKK 56,068k for a recorded remaining debt of DKK 20,276k.

Notes to the Financial Statements

22 Related party disclosures

Controlling interest	Basis
Knud Erik Hansen, Hellerupvej 20, 5750 Ringe	Controlling shareholder

Other related parties	
Clas Nylandsted Andersen, Revningevej 209, 5300 Kerteminde	Chairman
Henrik Hoffmann, Fuglebakkevej 7, 2000 Frederiksberg	Member of the Board of Directors
Carsten Fode, Strandborgvej 38, 8240 Risskov	Member of the Board of Directors
Ulrich Krasilnikoff, Nøkkentved 18, 4440 Mørkøv	Member of the Board of Directors
Knud Erik Hansen, Hellerupvej 20, 5750 Ringe	Member of the Board of Directors

Transactions

Related party transactions have been carried out on an arm's length basis. With reference to section 98 c(7) of the Danish Financial Statements Act, related party transactions have not been disclosed.

23 Fee to auditors appointed by the general meeting

	PricewaterhouseCoopers		Other	
	2018	2017	2018	2017
	TDKK	TDKK	TDKK	TDKK
Audit fees	596	611	22	20
Other assurance engagements	0	0	0	0
Tax consultancy	111	10	0	0
Other services	1.137	967	15	15
	1.844	**1.589**	**37**	**35**

24 Significant subsequent events

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

Accounting Policies

The Annual Report of Carl Hansen & Søn Holding A/S for 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The accounting policies used in the preparation of the consolidated financial statements and the parent company financial statements are consistent with those of last year.

The consolidated financial statements and the parent company financial statements for 2018 are presented in DKK.

Changing accounting policies

This year, the company has chosen to change the presentation of the income statement from species-divided to function-divided. The change has been made to show a more accurate picture of the company's activities. The change has not affected the company's result, balance sheet and equity. The comparative figures have also been adapted to the new accounting policies, and adjustments have been made to the accounting policies applied.

In addition, the accounting policies used are unchanged from previous years.

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, intercompany income and expenses, shareholdings, intercompany balances and dividends as well as realised, unrealised gains and losses on intercompany 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.

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. The tax effect of the restatement of assets and liabilities is taken into account.

Accounting Policies

Any excess of the cost over the fair value of the identifiable assets and liabilities acquired (goodwill), 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.

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 intercompany 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.

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.

Accounting Policies

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.

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 excluding VAT and taxes charged on behalf of third parties. All discounts granted are recognised in revenue.

Production costs

Production costs comprise the costs incurred to achieve the year's revenue. The cost price includes raw materials, consumables, direct wages and indirect production costs, such as maintenance and depreciation etc. as well as the operation, administration and management of factories.

Also included in production costs are research and development costs that do not meet the criteria for capitalization and depreciation of capitalized development costs. Goodwill amortization is also included to the extent that goodwill relates to the production activity. Furthermore, reservation for losses on construction contracts is recognized.

Distribution costs

Distribution costs include costs in the form of salaries for sales and distribution staff, advertising and marketing costs, as well as auto operations and depreciation etc. Goodwill amortization is also included to the extent that goodwill relates to the distribution activity.

Accounting Policies

Administration cost

Administrative expenses include expenses for management, administrative staff, office expenses, depreciation etc. Amortization of goodwill is also included in the proportion relating to the administration activity.

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.

Income from investments in subsidiaries

The proportionate share of the profits/losses after tax of the individual subsidiaries is recognised in the income statement of the Parent Company after full elimination of intercompany profits/losses.

Financial income and expenses

Financial income and expenses comprise interest income and expenses, 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 taxation 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 contributions 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.

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 10 years. 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 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 as well as fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Accounting Policies

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 labour.

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.

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 intercompany profits and losses and plus or minus any residual value of positive goodwill determined in accordance with the acquisition method.

Accounting Policies

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 & Søn 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.

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 labour and indirect production overheads. Indirect production overheads comprise indirect materials and labour 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.

Accounting Policies

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.

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 under the equity method

Net revaluation of investments in subsidiaries and associates is recognised at cost in the reserve for net revaluation under 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 for prior years and for tax paid on account.

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 base 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 base 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 intercompany 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.

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.

Accounting Policies

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:

Financial Highlights

Explanation of financial ratios

Gross margin ratio	=	Gross profit x 100 / Revenue
Profit margin	=	Operating profit x 100 / Revenue
Return on assets	=	Profit before financials x 100 / Total assets
Solvency ratio	=	Equity at year end x 100 / Total assets at year end
Return on equity	=	Net profit for the year x 100 / Average equity