



CARL HANSEN & SØN

PASSIONATE CRAFTSMANSHIP



Annual Report 2020

The Annual General Meeting
adopted the annual report

31/5-2021

Carl Hansen & Søn Holding A/S
Hylkedamsvej 77-79
5591 Gelsted
CVR No. 26900921

Knud Erik Hansen
Chairman of the General Meeting

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Entity details

Entity

Carl Hansen & Søn Holding A/S

Hylkedamvej 77-79

5591 Gelsted

Business Registration No.: 26900921

Registered office: Middelfart

Financial year: 01.01.2020 - 31.12.2020

Board of Directors

Clas Nylandsted Andersen, Chairman

Knud Erik Hansen

Carsten Fode

Ulrich Alexander Krasilnikoff

Rune Stephansen

Executive Board

Knud Erik Hansen, Managing director

Inger Marie Jensen Hansen, Director

Torben Agerbak, Director

Lars Hansen, Director

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Tværkajen 5

P. O. Box 10

5100 Odense

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Carl Hansen & Søn Holding A/S for the financial year 01.01.2020 - 31.12.2020

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2020 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2020 - 31.12.2020.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Gelsted, 23.04.2021

Executive Board

Knud Erik Hansen
Managing director

Inger Marie Jensen Hansen
Director

Torben Agerbak
Director

Lars Hansen
Director

Board of Directors

Clas Nylandsted Andersen
Chairman

Knud Erik Hansen

Carsten Fode

Ulrich Alexander Krasilnikoff

Rune Stephansen

Independent auditor's report

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

Opinion

We have audited the consolidated financial statements and the parent financial statements of Carl Hansen & Søn Holding A/S for the financial year 01.01.2020 - 31.12.2020, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2020 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2020 - 31.12.2020 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 consolidated financial statements and the parent financial statements" section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of 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.

Management's responsibilities for the consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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 consolidated financial statements and parent 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 consolidated financial statements and the parent 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 Entity'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 consolidated financial statements and the parent 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 Entity'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 consolidated financial statements and the parent 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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient and 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.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Odense, 23.04.2021

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Lars Knage Nielsen

State Authorised Public Accountant
Identification No (MNE) mne10074

Allan Dydensborg Madsen

State Authorised Public Accountant
Identification No (MNE) mne34144

Management commentary

Financial highlights

	2020 DKK'000	2019 DKK'000	2018 DKK'000	2017 DKK'000	2016 DKK'000
Key figures					
Revenue	707,182	673,210	628,244	497,395	422,025
Profit/loss before financial income and expenses	96,806	46,855	23,955	41,362	32,997
Operating profit/loss	98,795	45,893	24,317	43,635	35,162
Net financials	(5,530)	(9,257)	(13,456)	(11,302)	(5,592)
Profit/loss for the year	71,617	27,701	5,423	22,541	20,582
Balance sheet total	579,767	522,394	518,404	467,037	234,870
Equity	174,185	132,914	102,381	99,707	80,098
Cash flows from operating activities	183,023	43,133	15,087	20,387	37,142
Cash flows from investing activities	(51,446)	(24,741)	(48,429)	(178,879)	240
Cash flows from financing activities	(53,978)	(27,070)	29,780	96,102	5,564
Average number of employees	1,212	1,458	1,661	713	286
Ratios					
Gross margin (%)	44,0	38,6	38,6	42,8	47,7
Return on assets	17,0	8,8	4,6	8,9	14,0
Solvency ratio	30,0	25,4	19,7	21,3	34,1

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the CFA Society Denmark.

Gross margin (%):

Gross profit * 100

Revenue

Return on assets (%):

Profit before financials * 100

Total assets

Solvency ratio (%):

Equity at year end * 100

Total assets at year end

Primary activities

Over the past 111 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.

Raw materials are sourced from local markets in Europe and South East Asia respectively.

Development in activities and finances

The consolidated income statement for 2020 shows a profit of DKK 71,6 million, which is higher than expected, and the consolidated balance sheet at 31 December 2020 shows equity of DKK 174,2 million.

The Management find the result satisfying.

The Company did not experience a negative impact on the business due to Covid-19 pandemic.

Carl Hansen & Søn has continued the exploitation of Gelsted location in 2020 and expanded the production facilities further. This is an important development for the future expansion of the production capacity.

The Group achieved a growth rate of some 5% in 2020. Denmark continues to be the largest market with a share of approximately 34%.

In 2020, the most significant growth was generated by Denmark and Scandinavia.

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.

Outlook

The Management of Carl Hansen & Søn expects that the markets will generally see a continued positive development during 2021. Based on growing sales, the Group expects the results for 2021 to exceed those realized for 2020. Profit before tax is expected to increase at a level about 20%.

The improvement in the operating profit will have a positive impact on the cash flow in 2021, even though the group expect a minor increase in the investment program.

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.

Particular 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.

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.

Capital resources

The Group's funds tied up in working capital decreased by DKK 63,8 million primarily due to higher payables. As the Group expects sales growth to continue, the Group also expects a growth in working capital. Investments totalled DKK 51,4 million; the majority being investments in buildings and machinery to support growth, primarily in Gelsted. Investments for 2021 are expected higher than 2020.

The Group expects in the coming years to continue to expand the production capacity.

Use of financial instruments

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 for the next 12-24 months 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 long-term loan in the same underlying currency.

Knowledge 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.

Research and development activities

Product development

During 2020, Carl Hansen & Søn spent DKK 5,5 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.

Foreign branches

Carl Hansen & Søn A/S branch, Stockholm, Sweden

Statutory report on corporate social responsibility

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"

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 CSR-Policy, Environmental Policy, Health & Safety Policy, Procurement Policy and Code of Conduct, which covers our Human Rights and Anti-Corruption Policy.

Our CSR-Policy is based on UN global goals, where we will select some of these and take them into everyday goals.

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 Procurement Policy describes how we are working with our suppliers, and how they treat humans, environment and economy.

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

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 2021 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 2020, the company continued to work on the recycling of chips and waste wood. New wires have been established for halls that have been commissioned. The collaboration with Gelsted District Heating continued in

2020, and a decentralized district heating plant was inaugurated, which provides the local community with heating, which we consider to be a positive result on the local environment.

As a part of our CSR strategy, we have focused on increasing the proportion of FSC certified wood in our production as well as all packaging and our ambition is that all printed matter must be FSC certified paper.

Work environment

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

In 2020, we have continued to focus on the working environment at the plant in Vietnam and made further improvements.

The Group is heavily engaged in developing the teaching of young cabinet makers and machine operators. The apprentice workshop in Gelsted is running, and our goal is to have approx. 15 apprentices per year.

In 2020, the process is ongoing of changing surface treatments to more environmentally friendly alternatives, including water-based varnish and low-emission oil.

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 applied a Code of Conduct Policy in 2019 and has not observed any violations during 2020.

Anti-corruption

The Group applied a Code of Conduct Policy in 2019 and has not observed any cases of violation of business integrity during 2020.

Statutory report on the underrepresented gender

Target for the Board of Directors

The board of directors consist of five men and no women. The composition of the Board of Directors has changed during 2020 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.

Statutory report on diversity

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.

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 2020, 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; 37%) 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.

Consolidated income statement for 2020

	Notes	2020 DKK'000	2019 DKK'000
Revenue	2	707,182	673,210
Production costs		(395,910)	(413,123)
Gross profit/loss		311,272	260,087
Distribution costs		(167,664)	(164,782)
Administrative expenses	3	(46,802)	(48,450)
Other operating income		5,399	521
Other operating expenses		(3,410)	(1,483)
Operating profit/loss		98,795	45,893
Other financial income	5	4,602	5,232
Other financial expenses	6	(10,132)	(14,489)
Profit/loss before tax		93,265	36,636
Tax on profit/loss for the year	7	(21,648)	(8,935)
Profit/loss for the year	8	71,617	27,701

Consolidated balance sheet at 31.12.2020

Assets

	Notes	2020 DKK'000	2019 DKK'000
Acquired intangible assets		6,516	7,176
Acquired patents		2,473	2,744
Goodwill		37,019	39,832
Development projects in progress	10	17,493	15,630
Intangible assets	9	63,501	65,382
Land and buildings		110,089	88,688
Other fixtures and fittings, tools and equipment		85,335	82,712
Leasehold improvements		10,605	12,060
Property, plant and equipment in progress		513	68
Property, plant and equipment	11	206,542	183,528
Deposits		9,731	9,103
Financial assets	12	9,731	9,103
Fixed assets		279,774	258,013
Raw materials and consumables		39,820	37,226
Work in progress		74,049	57,361
Manufactured goods and goods for resale		53,148	62,690
Inventories		167,017	157,277

Trade receivables		77,728	70,244
Deferred tax	13	45	6
Other receivables		18,475	8,021
Prepayments	14	5,678	5,019
Receivables		101,926	83,290
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Cash		31,050	23,814
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Current assets		299,993	264,381
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Assets		579,767	522,394
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Equity and liabilities

	Notes	2020 DKK'000	2019 DKK'000
Contributed capital		520	520
Translation reserve		(5,354)	0
Reserve for fair value adjustments of hedging instruments		3,631	0
Retained earnings		175,388	132,394
Equity		174,185	132,914
Deferred tax	13	14,650	13,736
Provisions		14,650	13,736
Mortgage debt		16,367	17,687
Bank loans		28,500	43,500
Lease liabilities		30,785	33,481
Other payables		18,003	18,780
Non-current liabilities other than provisions	15	93,655	113,448
Current portion of non-current liabilities other than provisions	15	32,083	36,268
Bank loans		46,836	117,199
Prepayments received from customers		28,527	13,544
Trade payables		107,466	61,173
Payables to owners and management		18,435	0
Tax payable		20,718	3,341
Other payables	16	43,212	30,771
Current liabilities other than provisions		297,277	262,296
Liabilities other than provisions		390,932	375,744
Equity and liabilities		579,767	522,394
Events after the balance sheet date	1		
Staff costs	4		
Financial instruments	18		
Unrecognised rental and lease commitments	19		
Contingent liabilities	20		
Assets charged and collateral	21		
Transactions with related parties	22		
Subsidiaries	23		

Consolidated statement of changes in equity for 2020

	Contributed capital DKK'000	Translation reserve DKK'000	Reserve for fair value adjustments of hedging instruments DKK'000	Retained earnings DKK'000	Proposed extraordinary dividend DKK'000
Equity beginning of year	520	0	0	132,394	0
Extraordinary dividend paid	0	0	0	0	(30,000)
Exchange rate adjustments	0	(5,354)	0	0	0
Other entries on equity	0	0	3,631	1,377	0
Profit/loss for the year	0	0	0	41,617	30,000
Equity end of year	520	(5,354)	3,631	175,388	0

	Total DKK'000
Equity beginning of year	132,914
Extraordinary dividend paid	(30,000)
Exchange rate adjustments	(5,354)
Other entries on equity	5,008
Profit/loss for the year	71,617
Equity end of year	174,185

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

Consolidated cash flow statement for 2020

	Notes	2020 DKK'000	2019 DKK'000
Operating profit/loss		98,795	45,893
Amortisation, depreciation and impairment losses		24,714	24,376
Working capital changes	17	63,812	(30,628)
Equity adjustments regarding financial instruments		6,421	1,117
Other adjustments		(1,848)	6,784
Cash flow from ordinary operating activities		191,894	47,542
Financial income received		4,602	5,232
Financial expenses paid		(10,132)	(14,489)
Taxes refunded/(paid)		(3,341)	(4,087)
Cash flows from operating activities		183,023	34,198
Acquisition etc. of intangible assets		(7,330)	(5,346)
Acquisition etc. of property, plant and equipment		(44,233)	(20,026)
Disposal of property, plant and equipment		745	600
Additions, other fixed asset investments		(628)	31
Cash flows from investing activities		(51,446)	(24,741)
Free cash flows generated from operations and investments before financing		131,577	9,457
Dividend paid		(30,000)	0
Additions of longterm debt		16,022	8,123
Repayment of long-term debt		(40,000)	(35,193)
Cash flows from financing activities		(53,978)	(27,070)
Increase/decrease in cash and cash equivalents		77,599	(17,613)
Cash and cash equivalents beginning of year		(93,385)	(75,772)

Cash and cash equivalents end of year	(15,786)	(93,385)
----------------------------------------------	-----------------	-----------------

Cash and cash equivalents at year-end are composed of:

Cash	31,050	23,814
Short-term bank loans	(46,836)	(117,199)
Cash and cash equivalents end of year	(15,786)	(93,385)

Notes to consolidated financial statements

1 Events after the balance sheet date

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

2 Revenue

	2020 DKK'000	2019 DKK'000
Denmark	238,960	198,652
Other countries in Europe	252,604	237,537
USA and Canada	72,798	110,066
Japan	99,366	80,457
Asia Pacific	40,273	40,214
Other	3,181	6,284
Total revenue by geographical market	707,182	673,210
Sale of self-constructed furniture and goods for resale	707,182	673,210
Total revenue by activity	707,182	673,210

3 Fees to the auditor appointed by the Annual General Meeting

	2020 DKK'000	2019 DKK'000
Statutory audit services	697	570
Other assurance engagements	109	0
Tax services	190	45
Other services	924	649
	1,920	1,264

Of this years fee is 1,496 k.DKK to Deloitte, 358 k.DKK to PWC and 65 k.DKK to others. Last year 1,120 k.DKK was to PWC and 144 K.DKK for others.

4 Staff costs

	2020	2019
	DKK'000	DKK'000
Wages and salaries	165,075	174,934
Pension costs	11,568	10,385
Other social security costs	4,027	6,589
Other staff costs	19,098	18,571
	199,768	210,479
Average number of full-time employees	1,212	1,458

	Remuneration of manage- ment 2020	Remuneration of manage- ment 2019
	DKK'000	DKK'000
Board of Directors	12,592	10,137
	12,592	10,137

5 Other financial income

	2020	2019
	DKK'000	DKK'000
Other financial income	4,602	5,232
	4,602	5,232

6 Other financial expenses

	2020	2019
	DKK'000	DKK'000
Other financial expenses	10,132	14,489
	10,132	14,489

7 Tax on profit/loss for the year

	2020	2019
	DKK'000	DKK'000
Current tax	20,762	6,176
Change in deferred tax	904	2,627
Adjustment concerning previous years	(18)	132
	21,648	8,935

8 Proposed distribution of profit/loss

	2020 DKK'000	2019 DKK'000
Extraordinary dividend distributed in the financial year	30,000	0
Retained earnings	41,617	27,701
	71,617	27,701

9 Intangible assets

	Acquired intangible assets DKK'000	Acquired patents DKK'000	Goodwill DKK'000	Development projects in progress DKK'000
Cost beginning of year	10,687	3,778	52,898	29,849
Exchange rate adjustments	(77)	(38)	0	0
Transfers	0	0	0	68
Additions	1,750	98	0	5,482
Disposals	0	0	0	(859)
Cost end of year	12,360	3,838	52,898	34,540
Amortisation and impairment losses beginning of year	(3,511)	(1,034)	(13,066)	(14,219)
Exchange rate adjustments	38	13	0	0
Impairment losses for the year	0	0	0	(3,156)
Amortisation for the year	(2,371)	(344)	(2,813)	0
Reversal regarding disposals	0	0	0	328
Amortisation and impairment losses end of year	(5,844)	(1,365)	(15,879)	(17,047)
Carrying amount end of year	6,516	2,473	37,019	17,493

10 Development projects

Development projects includes new products to be introduced to the market. A development project typically spans over 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.

11 Property, plant and equipment

	Land and buildings DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improvements DKK'000	Property, plant and equipment in progress DKK'000
Cost beginning of year	100,451	150,600	19,536	68
Exchange rate adjustments	(784)	(2,190)	(207)	0
Transfers	0	0	0	(68)
Additions	25,564	17,567	589	513
Disposals	(275)	(2,321)	(53)	0
Cost end of year	124,956	163,656	19,865	513
Depreciation and impairment losses beginning of year	(11,763)	(67,888)	(7,476)	0
Exchange rate adjustments	178	682	177	0
Depreciation for the year	(3,301)	(11,544)	(2,014)	0
Reversal regarding disposals	19	429	53	0
Depreciation and impairment losses end of year	(14,867)	(78,321)	(9,260)	0
Carrying amount end of year	110,089	85,335	10,605	513
Recognised assets not owned by Entity	1,848	46,994		

12 Financial assets

	Deposits DKK'000
Cost beginning of year	9,103
Additions	628
Cost end of year	9,731
Carrying amount end of year	9,731

13 Deferred tax

	2020 DKK'000	2019 DKK'000
Intangible assets	5,462	5,178
Property, plant and equipment	6,540	6,248
Fixed asset investments	2,603	2,304
Deferred tax	14,605	13,730

	2020	2019
	DKK'000	DKK'000
Changes during the year		
Beginning of year	13,730	11,206
Recognised in the income statement	904	2,627
Recognised directly in equity	(29)	(103)
End of year	14,605	13,730

	2020	2019
	DKK'000	DKK'000
Deferred tax has been recognised in the balance sheet as follows		
Deferred tax assets	(45)	(6)
Deferred tax liabilities	14,650	13,736
	14,605	13,730

Provision for deferred tax has been made at the tax rate at which the temporary differences are expected realised. Deferred tax assets are expected utilised within the next 1-2 years.

14 Prepayments

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

15 Non-current liabilities other than provisions

	Due within 12 months 2020 DKK'000	Due within 12 months 2019 DKK'000	Due after more than 12 months 2020 DKK'000	Outstanding after 5 years 2020 DKK'000
Mortgage debt	1,320	1,303	16,367	10,913
Bank loans	15,000	15,141	28,500	0
Lease liabilities	10,417	8,643	30,785	5,192
Other payables	5,346	11,181	18,003	0
	32,083	36,268	93,655	16,105

Other payables includes holiday pay obligations with 12,799k

16 Other payables

	2020	2019
	DKK'000	DKK'000
VAT and duties	4,966	3,958
Wages and salaries, personal income taxes, social security costs, etc. payable	29,137	16,806
Other costs payable	9,109	10,007
	43,212	30,771

17 Changes in working capital

	2020	2019
	DKK'000	DKK'000
Increase/decrease in inventories	(9,740)	(25,494)
Increase/decrease in receivables	(18,597)	6,265
Increase/decrease in trade payables etc.	92,149	(11,399)
	63,812	(30,628)

18 Derivative financial instruments

The Group has entered forward exchange contracts to hedge currency from future sale of goods covering the following amounts and periods:

- 1.262 k.JPY until april 2022
- 138.950 k.SEK until december 2022
- 1.500 k.GBP until april 2021
- 1.500 k.USD until july 2021

The fair value of forward exchange contracts is included in other receivables, with a value of positive 4.655k.DKK.

19 Unrecognised rental and lease commitments

The group enterprises have entered into operating lease obligations with total nominal residual lease payments of 3,047k.DKK The leases have a remaining term of up to 37 months.

The group enterprises have entered into contractual obligations with total nominal residual lease payments of 79.912k.DKK The leases have a remaining term of up to 81 months.

20 Contingent liabilities

A claim have been raised from the district heating supplier for post-regulation of payment regarding a cooperation-agreement.

The company does not agree with the claims raised, as the company has a different view of the company's obligations under the cooperation- agreement.

21 Assets charged and collateral

As security for bank commitments of 70,906 k.DKK, a owner's mortgage of nom. 5,000 k.DKK secured on buildings has been issued, as well as a floating charge of 15,000 k.DKK secured on unsecured claims originating from sale of goods, machinery and equipment, inventories as well as goodwill and patents of a total carrying amount of 206,326 k.DKK.

As security for mortgage debt a morgtage of nom. 21,000 k.DKK, secured on property of a carrying amount of 83,704 k.DKK for recorded remaning debt of 17,687 k.DKK has been deposited.

22 Transactions with related parties

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 Subsidiaries

	Registered in	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
Carl Hansen & Son France SAS	Paris, France	100
Carl Hansen & Son Germany GmbH	Hamburg, Germany	100
Carl Hansen & Son Poland sp. z o.o.	Warszawa, Poland	100
Carl Hansen & Son (Shanghai) Furniture CO., Ltd.	Shanghai, China	100
Carl Hansen & Søn Norway A/S	Oslo, Norway	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 Company Limited	HCMC, Vietnam	100

Parent income statement for 2020

	Notes	2020 DKK'000	2019 DKK'000
Administrative expenses		(16,615)	(14,927)
Other operating income		24,144	16,800
Other operating expenses		(271)	(47)
Operating profit/loss		7,258	1,826
Income from investments in group enterprises		66,328	30,947
Other financial income	3	5,650	3,679
Other financial expenses	4	(6,086)	(9,389)
Profit/loss before tax		73,150	27,063
Tax on profit/loss for the year	5	(1,533)	638
Profit/loss for the year	6	71,617	27,701

Parent balance sheet at 31.12.2020

Assets

	Notes	2020 DKK'000	2019 DKK'000
Other fixtures and fittings, tools and equipment		546	1,891
Property, plant and equipment	7	546	1,891
Investments in group enterprises		283,512	212,387
Financial assets	8	283,512	212,387
Fixed assets		284,058	214,278
Receivables from group enterprises		9,967	7,103
Deferred tax	9	44	0
Tax receivable		0	3,692
Prepayments	10	149	459
Receivables		10,160	11,254
Current assets		10,160	11,254
Assets		294,218	225,532

Equity and liabilities

	Notes	2020 DKK'000	2019 DKK'000
Contributed capital		520	520
Reserve for net revaluation according to the equity method		147,241	80,946
Retained earnings		26,424	51,448
Equity		174,185	132,914
Deferred tax	9	0	34
Provisions		0	34
Other payables	11	5,647	14,406
Non-current liabilities other than provisions	12	5,647	14,406
Current portion of non-current liabilities other than provisions	12	5,346	11,322
Bank loans		5,599	4,425
Trade payables		964	0
Payables to group enterprises		76,846	57,954
Payables to owners and management		18,435	940
Tax payable		892	0
Other payables	13	6,088	3,100
Deferred income	14	216	437
Current liabilities other than provisions		114,386	78,178
Liabilities other than provisions		120,033	92,584
Equity and liabilities		294,218	225,532
Events after the balance sheet date	1		
Staff costs	2		
Contingent liabilities	15		
Assets charged and collateral	16		
Related parties with controlling interest	17		
Transactions with related parties	18		

Parent statement of changes in equity for 2020

	Contributed capital DKK'000	Reserve for net revaluation according to the equity method DKK'000	Retained earnings DKK'000	Proposed extraordinary dividend DKK'000	Total DKK'000
Equity beginning of year	520	80,946	51,448	0	132,914
Extraordinary dividend paid	0	0	0	(30,000)	(30,000)
Exchange rate adjustments	0	(5,354)	0	0	(5,354)
Value adjustments	0	5,008	0	0	5,008
Other entries on equity	0	314	(314)	0	0
Profit/loss for the year	0	66,327	(24,710)	30,000	71,617
Equity end of year	520	147,241	26,424	0	174,185

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

Notes to parent financial statements

1 Events after the balance sheet date

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

2 Staff costs

	2020	2019
	DKK'000	DKK'000
Wages and salaries	11,128	10,112
Pension costs	1,098	1,093
Other social security costs	29	38
	12,255	11,243
Average number of full-time employees	5	5

	Remuneration of manage- ment 2020	Remuneration of manage- ment 2019
	DKK'000	DKK'000
Board of Directors	11,208	9,335
	11,208	9,335

3 Other financial income

	2020	2019
	DKK'000	DKK'000
Financial income from group enterprises	485	108
Other interest income	5,165	3,571
	5,650	3,679

4 Other financial expenses

	2020	2019
	DKK'000	DKK'000
Financial expenses from group enterprises	2,960	2,928
Other interest expenses	1,251	1,636
Exchange rate adjustments	1,859	4,813
Other financial expenses	16	12
	6,086	9,389

5 Tax on profit/loss for the year

	2020	2019
	DKK'000	DKK'000
Current tax	1,611	(2,254)
Change in deferred tax	(78)	1,616
	1,533	(638)

6 Proposed distribution of profit and loss

	2020	2019
	DKK'000	DKK'000
Extraordinary dividend distributed in the financial year	30,000	0
Retained earnings	41,617	27,701
	71,617	27,701

7 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK'000
Cost beginning of year	2,321
Disposals	(1,361)
Cost end of year	960
Depreciation and impairment losses beginning of year	(430)
Depreciation for the year	(330)
Reversal regarding disposals	346
Depreciation and impairment losses end of year	(414)
Carrying amount end of year	546

8 Financial assets

	Investments in group enterprises DKK'000
Cost beginning of year	131,127
Additions	5,144
Cost end of year	136,271
Revaluations beginning of year	81,260
Exchange rate adjustments	(5,354)
Adjustments on equity	5,008
Amortisation of goodwill	(2,577)
Share of profit/loss for the year	68,709
Adjustment of intra-group profits	195
Revaluations end of year	147,241
Carrying amount end of year	283,512

A specification of investments in subsidiaries is evident from the notes to the consolidated financial statements.

9 Deferred tax

	2020 DKK'000	2019 DKK'000
Property, plant and equipment	(44)	34
Deferred tax	(44)	34

	2020 DKK'000	2019 DKK'000
Changes during the year		
Beginning of year	34	(1,581)
Recognised in the income statement	(78)	1,615
End of year	(44)	34

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

10 Prepayments

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

11 Other payables

	2020 DKK'000	2019 DKK'000
Holiday pay obligation	442	124
Other costs payable	5,205	14,282
	5,647	14,406

12 Non-current liabilities other than provisions

	Due within 12 months 2020 DKK'000	Due within 12 months 2019 DKK'000	Due after more than 12 months 2020 DKK'000
Bank loans	0	141	0
Other payables	5,346	11,181	5,647
	5,346	11,322	5,647

All debt is due within 5 years.

13 Other payables

	2020 DKK'000	2019 DKK'000
VAT and duties	2,501	2,095
Wages and salaries, personal income taxes, social security costs, etc. payable	3,587	996
Other costs payable	0	9
	6,088	3,100

14 Deferred income

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

15 Contingent liabilities

The Entity serves as the administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc. for the jointly taxed entities, and also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for these entities.

16 Assets charged and collateral

None

Collateral provided for group enterprises

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

17 Related parties with controlling interest

Morten Hai van Bui Hansen, Steen Billes Torv 3, 8200 Århus N - Controlling shareholder

Other related parties:

Knud Erik Hansen, Hellerupvej 20, 5750 Ringe - Member of the Board of Directors and co-owner

Inger Marie Jensen Hansen, Hellerupvej 20, 5750 Ringe - Member of the Board of Directors and co-owner

Clas Nylandsted Andersen, Revningevej 209, 5300 Kerteminde - Chairman

Carsten Fode, Strandborgvej 38, 8240 Risskov - Member of the Board of Directors

Ulrich Krasilnikoff, Nøkkentved 18, 4440 Mørkøv - Member of the Board of Directors

Rune Stephansen, Trättefjällsvägen 30, 434 94 Vallda, Member of the Board of Directors

18 Transactions with related parties

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.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (large).

The accounting policies applied to these consolidated financial statements and parent financial statements are consistent with those applied last year.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Consolidated financial statements

The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence. Enterprises in which the Group, directly or indirectly, holds between 20% and 50% of the voting rights and exercises significant, but not controlling influence, are regarded as associates.

Basis of consolidation

The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the takeover date, with net assets having been calculated at fair value.

Business combinations

Newly acquired or newly established enterprises are recognised in the financial statements from the time of acquiring or establishing such enterprises. Divested or wound-up enterprises are recognised in the income statement up to the time of their divestment or winding-up.

The purchase method is applied at the acquisition of new enterprises, under which identifiable assets and liabilities of these enterprises are measured at fair value at the acquisition date. Provisions for costs of restructuring of the enterprise acquired are only made in so far as such restructuring was decided by the enterprise acquired prior to acquisition. Allowance is made for the tax effect of restatements.

Positive differences in amount (goodwill) between cost of the acquired share and fair value of the assets and liabilities taken over are recognised under intangible assets, and they are amortised systematically over the income statement based on an individual assessment of their useful lives. If the useful life cannot be estimated reliably, it is fixed at 20 years. Useful life is reassessed annually. Negative balances (negative goodwill) are recognised as income in the income statement.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses.

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Goodwill is considered belonging to the independent foreign entity and is translated using the exchange rate at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates and out of the translation of income statements from average rates to the exchange rates at the balance sheet date are recognised directly in translation reserve in equity.

Exchange adjustments of outstanding accounts with independent foreign subsidiaries, which are considered part of the total investment in the subsidiary in question, are recognised directly in translation reserve in equity.

When recognising foreign subsidiaries that are integral entities, monetary assets and liabilities are translated using the exchange rates at the balance sheet date. Non-monetary assets and liabilities are translated at the exchange rate at the time of acquisition or the time of any subsequent revaluation or writedown. The items of the income statement are translated at the average rates of the months; however, items deriving from non-monetary assets and liabilities are translated using the historical rates applicable to the relevant non-monetary items.

Derivative financial instruments

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Derivative financial instruments are recognised under other receivables or other payables.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements

for hedging the fair value of a recognised asset or a recognised liability are recorded in the income statement together with changes in the value of the hedged asset or the hedged liability.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging future transactions are recognised directly in reserve for fair value adjustments of hedging instruments in equity. When the hedged transactions are realised, the accumulated changes are recognised as part of cost of the relevant financial statement items.

For derivative financial instruments that do not comply with the requirements for being treated as hedging instruments, changes in fair value are recognised currently in the income statement as financial income or financial expenses.

Changes in the fair value of derivative financial instruments applied for hedging net investments in independent foreign subsidiaries or associates are recognised directly in translation reserve in equity.

Income statement

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer.

Production costs

Production costs comprise expenses incurred to earn revenue for the financial year.

Production costs comprise direct and indirect costs for raw materials and consumables, wages and salaries, rent and lease, and amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment included in the production process. In addition, the item includes ordinary writedown of inventories.

Distribution costs

Distribution costs comprise costs incurred for sale and distribution of the Entity's products, including wages and salaries for sales staff, advertising costs, travelling and entertainment expenses, etc., and amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment involved in the distribution process.

Administrative expenses

Administrative expenses comprise expenses incurred for the Entity's administrative functions, including wages and salaries for administrative staff and Management, stationery and office supplies, and amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment used for administration of the Entity.

Other operating income

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

Other operating expenses

Other operating expenses comprise expenses of a secondary nature as viewed in relation to the Entity's primary activities.

Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of intra-group profits or losses.

Other financial income

Other financial income comprises including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets, and tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities, and tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Balance sheet**Goodwill**

Goodwill is the positive difference between cost and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. The amortisation periods used are 20 years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

Intellectual property rights etc.

Intellectual property rights etc. comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred less deferred tax is taken to equity under reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Indirect production costs in the form of indirectly attributable staff costs and amortisation of intangible assets and depreciation on property, plant and equipment used in the development process are recognised in cost based on time spent on each project.

Completed development projects are amortised on a straight-line basis using their estimated useful lives

which are determined based on a specific assessment of each development project. If the useful life cannot be estimated reliably, it is fixed at 10 years. For development projects protected by intellectual property rights, the maximum period of amortisation is the remaining duration of the relevant rights. The amortisation periods used are 10 years.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised on a straight-line basis over their remaining duration, and licences are amortised on a straight-line basis over the term of the agreement.

Intellectual property rights etc. are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

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

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation. For self-constructed assets, cost comprises direct and indirect costs of materials, components, sub-suppliers and labour costs. For assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments.

Indirect production costs in the form of indirectly attributable staff costs and amortisation of intangible assets and depreciation on property, plant and equipment used in the manufacturing process are recognised in cost based on time spent on each asset.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

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

Showroom furniture are recognised at cost.

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Investments in group enterprises

Investments in group enterprises are recognised and measured in the parent financial statements according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus unamortised goodwill and plus or minus unrealised intra-group profits or losses.

Group enterprises with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation will involve a loss, a provision is recognised that is measured at present value of the costs necessary to settle the obligations at the balance sheet date.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to reserve for net revaluation according to the equity method in equity.

Goodwill is the difference between cost of investments and fair value of the pro rata share of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. Useful lives are reassessed annually. The amortisation periods used are 20 years.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

Inventories

Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation on and impairment losses relating to machinery, factory buildings and equipment used in the manufacturing process, and costs of factory administration and management. Finance costs are not included in cost.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value, less writedowns for bad and doubtful debts.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset. However, no deferred tax is recognised for amortisation of goodwill disallowed for tax purposes and temporary differences arising at the date of acquisition that do not result from a business combination and that do not have any effect on profit or loss or on taxable income.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Tax payable or receivable

Current tax payable or receivable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity. Extraordinary dividend adopted in the financial year is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

Mortgage debt

At the time of borrowing, mortgage debt to mortgage credit institutions is measured at cost which corresponds to the proceeds received less transaction costs incurred. Mortgage debt is subsequently measured at amortised cost. This means that the difference between the proceeds at the time of borrowing and the nominal repayable amount of the loan is recognised in the income statement as a financial expense over the term of the loan applying the effective interest method.

Lease liabilities

Lease commitments relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease commitments are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

Deferred income

Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities, and cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments, and purchase, development, improvement and sale, etc. of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs, and the raising of loans, inception of finance leases, repayments of interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank loans.