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## ANNUAL REPORT 2007/08

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FRITZ HANSEN A/S

Central Business Registration No 14 12 02 11

The Annual General Meeting adopted the annual report on 29 September 2008



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LEFT: T-No.1 table designed by Todd Bracher together with the Oxford chair designed by Arne Jacobsen  
ABOVE: Statens Museum for Kunst, Space Lounge chairs and table designed by Jehs+Laub

## AMBITION

To become the preferred and successful brand within exclusive design furniture.

## MISSION

To enhance our customers' image by supplying exclusive design furniture.

## MAKING STATEMENTS AND LIFESTYLE

At Fritz Hansen, we recognize that our brand's strongest asset is the ability to enhance our customers' image and lifestyle. As a major international design company, we have a qualified view on lifestyle and continue to update and broaden our perspectives with our global approach to design.

We support our customers in creating their own unique statements and special ways of living and working. Our main focus is on international companies and quality conscious individuals with an interest in lifestyle and luxury brands – people who care about expressing their individuality and making unique statements. Just like us.

The latest design release by Fritz Hansen,  
the RIN™ chair, designed by Hironichi Konno

## DESIGN PHILOSOPHY

### TIMELESS AND RELEVANT IN TIME

The design has to be timeless in aspiration and relevant in time. Solutions should be found in timeless simplicity rather than chasing short-lived trends.

### PURE

Searching for beauty – appealing to the heart - in timeless simplicity, minimal excellence and quality in the detail.

### ORIGINAL

The design should always be unique through a strong visual clarity as well as honest in its promise. The design should be innovative in form and function.

### SCULPTURAL

Each design object should be seen as a three-dimensional sculptural object with a high aesthetic quality and a uniqueness of its own, acknowledged by its obvious and immediate recognition.









ABOVE: The original Fritz Hansen Swan™ chair designed by Arne Jacobsen in a special limited anniversary series of only 1958 pieces  
 RIGHT: Milano Showroom, Corso Garibaldi 77. Opened during the 2008 Salone Internazionale del Mobile

## VALUES

Financial perspective:

**BRILLIANT IDEAS COST LESS!**

Behaviour:

Choose the smart way – simple, efficient, bright – and do it right the first time.

Customer perspective:

**SENSE YOUR CUSTOMER!**

Behaviour:

Availability: Be there when your customer needs you - with an open mind.

Flexibility: Find solutions; be proactive and adapt to the customer's needs.

Insight: Understand your customer's business and be prepared.

Partnership: You only succeed if your customer is successful.

Process perspective:

**DO THE BALLET!**

Behaviour:

Plan and coordinate competently. Make excellent results through continuous improvements.

Employee perspective:

**RELEASE YOUR ENERGY!**

Behaviour:

Take responsibility - and your talent will be utilized and developed optimally in your job.





## A HISTORY OF ICONS AND ORIGINAL DESIGNS

The visionary cabinet-maker, Fritz Hansen, whose name is synonymous with beautiful and original design of supreme quality, founded the company in Copenhagen on 24 October 1872. Even in the early years, Fritz Hansen won several prestigious contracts, including the Danish Parliament at Christiansborg Castle and Copenhagen City Hall. The first Danish chair in steam bent wood was produced by Fritz Hansen in 1915 and became an immediate success that paved the way for the demand for functional furniture in the decades to come. The desire to collaborate with leading architects and furniture designers has characterised Fritz Hansen ever since the 1920s.

Since the beginning of the 1930s, Fritz Hansen has adhered to the philosophy of manufacturing furniture of the highest quality in every respect, combining traditional craftsmanship and industrial production processes. Arne Jacobsen joined forces with Fritz Hansen in 1934, and was catapulted to the stars in 1952 with the launch of the Ant. He was also the designer behind Series 7™, the greatest success in the history of Danish furniture. After that, the Egg™ and the Swan™ from 1958 and other

design icons from the 1960s and 1970s joined the series of epoch-making furniture from Fritz Hansen, including Piet Hein's classic from 1968, the Super-Elliptical Table. In 1982, Poul Kjærholm became an indispensable part of Fritz Hansen's history when the rights for the major part of his world famous furniture collection were acquired. Through the 1980s, the 1990s and now in the new millennium, the Fritz Hansen furniture collection has been enriched with a multitude of designs, more recently the Plano tables by Pelikan Design, the Ice Series by Kasper Salto and the Lissoni Lounge Collection by Piero Lissoni. Morten Voss, Jehs+Laub, Cecilie Manz and Hiromichi Konno are the latest designers to join Fritz Hansen. They have already shown that they respect Fritz Hansen's traditions and history, and that they can design beautiful Fritz Hansen furniture of supreme quality with their own personal touch. The Fritz Hansen history continues...

ABOVE: Fritz Hansen's first location in the centre of Copenhagen, 1895

OPPOSITE PAGE TOP: Fritz Hansen, 1963

OPPOSITE PAGE: Fritz Hansen, 1961







LEFT: The Alphabet sofa series designed by Piero Lissoni  
ABOVE: The Anniversary Swan™ in the making

## ENVIRONMENTAL CERTIFICATION AND SUSTAINABILITY

### QUALITY IS IMPORTANT TO US

Fritz Hansen is a luxury brand and our customers expect us to maintain a high quality level. We continuously improve the quality of our products and our production processes, in close cooperation with our entire supplier network. Fritz Hansen's quality control and test workshop are very valuable in this context, which is why additional resources have been allocated to these departments this financial year. Fritz Hansen is certified according to the quality standard ISO 9001 and the environmental standard ISO 14001.

RIGHT: Caja de Arquitectos, Architects Bank, Pamplona, 2008

OPPOSITE PAGE: Caja de Arquitectos, Architects Bank, Pamplona, 2008

BELOW: The Swedish King and Queen visiting Fritz Hansen in Allerød, June 2007



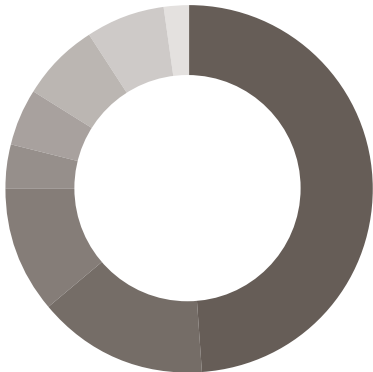




# GLOBAL SALES

## GEOGRAPHICAL

● Nordic	49%
● Central Europe	15%
● Benelux & France	11%
● UK & Eire	4%
● South Europe	5%
● Asia-Pacific	7%
● North America	7%
● Rest of the world	2%



## PRODUCTS

● Tables	16%
● Lounge	38%
● Dining and stackable chairs	36%
● Meeting Chairs	8%
● Others	1%



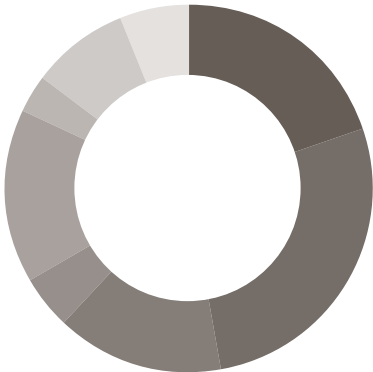
## BUSINESS SEGMENTS

● Professional	59%
● Residential	41%



## DEALER OUTLETS

● Nordic	208
● Central Europe	290
● Benelux & France	154
● UK & Eire	48
● South Europe	162
● Asia-Pacific	35
● North America	89
● Rest of the world	63
Grand Total	1049



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FINANCIAL SECTION

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## COMPANY DETAILS

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### COMPANY

Fritz Hansen A/S  
Allerødvej 8  
DK-3450 Allerød

Phone:  
+45 48 17 23 00

Internet:  
[www.fritzhansen.com](http://www.fritzhansen.com)

Central Business Registration No:  
14 12 02 11

Founded:  
30 March 1955

Financial year:  
1 July – 30 June

### SHAREHOLDER

Skandinavisk Holding A/S  
Tobaksvejen 4  
DK-2860 Søborg

### SUPERVISORY BOARD

Hans Werdelin, *Chairman*  
Anders Jørn Knutsen, *Vice Chairman*  
Jørgen Tandrup  
Anders Obel  
Per-Olav Larsen\*  
Annette Overgaard\*  
Marianne Thompson\*

\*) Employee board member

### EXECUTIVE BOARD

Jacob Holm, *Chief Executive Officer*  
Claus Frees Sørensen, *Chief Financial Officer*

### COMPANY AUDITORS

Deloitte Statsautoriseret Revisionsaktieselskab



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## STATEMENT BY MANAGEMENT ON THE ANNUAL REPORT

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We have today presented the annual report of Fritz Hansen A/S for the financial year 1 July 2007 to 30 June 2008.

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

We consider the applied accounting policies for the annual report to provide a true and fair view of the Group's and the Parent's financial position and results as well as of the consolidated cash flows.

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

Allerød, 28 August, 2008

### EXECUTIVE BOARD

Jacob Holm  
*Chief Executive Officer*

Claus Frees Sørensen  
*Chief Financial Officer*

### SUPERVISORY BOARD

Hans Werdelin

Anders Jørn Knutsen

Anders Obel

Jørgen Tandrup

Per-Olav Larsen

Annette Overgaard

Marianne Thompson

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## INDEPENDENT AUDITOR'S REPORT

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### TO THE SHAREHOLDER OF FRITZ HANSEN A/S

We have audited the annual report of Fritz Hansen A/S for the financial year 1 July 2007 to 30 June 2008, which comprises the statement by Management on the annual report, Management's review, accounting policies, income statement, balance sheet, statement of changes in equity and the notes for the Group as well as the Parent and the consolidated cash flow statement. The annual report has been prepared in accordance with the Danish Financial Statements Act and Danish Accounting Standards.

#### MANAGEMENT'S RESPONSIBILITY FOR THE ANNUAL REPORT

Management is responsible for the preparation and fair presentation of an annual report in accordance with the Danish Financial Statements Act and Danish Accounting Standards. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of an annual report that is free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

#### AUDITOR'S RESPONSIBILITY AND BASIS OF OPINION

Our responsibility is to express an opinion on this annual report based on our audit. We conducted our audit in accordance with Danish Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual report is free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of an annual report 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the annual report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. Our audit has not resulted in any qualification.

#### OPINION

In our opinion, the annual report gives a true and fair view of the Group's and the Parent's financial position at 30 June 2008, and of their financial performance and the consolidated cash flows for the financial year 1 July 2007 to 30 June 2008 in accordance with the Danish Financial Statements Act and Danish Accounting Standards.

Copenhagen, 28 August 2008

Deloitte

*Statsautoriseret Revisionsaktieselskab*

Erik Holst Jørgensen

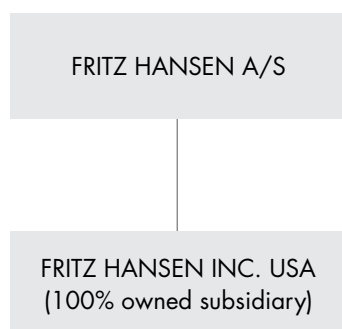
*State Authorised Public Accountant*

Jesper Jørgensen

*State Authorised Public Accountant*

## MANAGEMENT'S REVIEW

### GROUP CHART



DKK'000	2003/04	2004/05	2005/06	2006/07	2007/08
GROUP FINANCIAL HIGHLIGHTS					
Please refer to the accounting policies for definitions and terms.					
KEY FIGURES					
INCOME STATEMENT					
Revenue	351.885	400.055	512.640	607.070	657.223
EBITDA	57.555	52.184	91.273	111.891	119.216
EBIT	28.230	28.852	68.741	91.799	101.701
Net financials	-10.869	-9.060	-7.374	-7.303	-8.660
Profit/loss for the year	12.217	72.735	67.421	52.993	68.886
BALANCE SHEET					
Inventories	31.022	27.286	37.301	42.256	39.453
Trade receivables	44.021	60.719	54.137	86.379	93.639
Equity	139.657	212.002	279.088	231.795	226.388
Balance sheet total	313.824	371.835	438.659	429.415	380.322
Investments	4.991	3.831	7.290	9.004	7.395
Average operating assets	279.011	277.699	310.531	288.171	250.630
RATIOS					
Profit margin (%)	8.0%	7.2%	13.4%	15.1%	15.5%
Return on capital employed (%)	10.1%	10.4%	22.1%	31.9%	40.6%
Return on equity (%)	9.2%	41.4%	27.5%	20.7%	30.1%
Equity ratio (%)	44.5%	57.0%	63.6%	54.0%	59.5%
EMPLOYEES					
Average number of full-time employees	204	206	216	234	279

As group relations between the Parent and Fritz Hansen Inc., USA were established in the financial year 2004/05, key figures and ratios for the first two years are the same as those for the Parent.



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## MANAGEMENT'S REVIEW

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### PRIMARY ACTIVITY

The Group manufactures timeless high-quality designer furniture that has been developed in co-operation with established Danish and international architects and designers.

### DEVELOPMENT IN ACTIVITIES AND FINANCES

#### FINANCIAL DEVELOPMENT

Pre-tax profit is DKK 93 million, including a profit of DKK 10.8 million from land sales. The profit is less than expected at the beginning of the financial year, due to below-budget turnover.

The total increase in sales by 9% is attributable to large investments in sales and marketing in later years.

The year's cash flows from operating activities are DKK 88.0 million against DKK 58.6 million last year.

#### INVESTMENTS

The Group has not made any material investments aside from the normal and ongoing replacement of plant equipment.

#### CAPITAL RESOURCES

The Group is self-supporting and part of the Skandinavisk Holding Group. Dividend payments of DKK 75 million are recommended to the Annual General Meeting.

#### NEW PRODUCTS, RESEARCH AND DEVELOPMENT ACTIVITIES

The Group's development costs totalled DKK 9.2 million for the financial year against DKK 8.8 million last year.

#### EVENTS AFTER THE BALANCE SHEET DATE

No events have occurred after the balance sheet date to this date which would significantly influence the valuation of this annual report.

### OUTLOOK

Revenue and result at last year's level are expected for next year.

### PARTICULAR RISKS

#### GENERAL RISKS

The Group's primary operating risks relate to the general economic developments as its sale of furniture depends heavily on the financial performance development of our customers, who are mostly businesses and public sector institutions in Western Europe, Japan and the USA.

#### FINANCIAL RISKS

As a consequence of its operations, investments and financing, the Group is exposed to changes in the level of interest and exchange rates. The Group pursues a finance policy under which currency exposure, interest rate exposure and credit risks only arise from commercial affairs and conditions. The Group's application of derivative financial instruments is governed by a written policy adopted by the Supervisory Board and by internal business procedures which determine the maximum amounts allowed and what types of derivative financial instruments may be applied.

#### CURRENCY EXPOSURE

The Group's activities are affected by exchange rate fluctuations because revenue is primarily invoiced in foreign currencies whereas costs, including wages and salaries, are incurred primarily in Danish kroner. 62% of the Group's revenue originates from currencies other than Danish kroner, with the primary source being euro.

The Group's currency exposure is primarily hedged by matching payments received and made in the same currency and by applying forward exchange contracts. It is the Group's exchange rate policy to hedge for 80% of estimated currency risks at the beginning of every calendar year if they amount to at least DKK 20 million. Euro currency risks, however, are not hedged. At financial year-end 2007/08, the Group had forward exchange contracts of DKK 20 million.

#### INTEREST RATE EXPOSURE

The Group's net interest-bearing debt, which has been calculated as mortgage debt and back debt less holdings of negotiable securities and cash funds, has gone up from DKK 19.6 million to DKK 23.5 million. The interest-bearing debt is raised primarily in Danish kroner and euro. Based on net liabilities at the end of the financial year 2007/08, an increase by one percentage point in the general interest level would cause the Group's annual pre-tax interest expense to go up by about DKK 0.2 million. The Group does not hedge the interest rate exposure as it is considered insignificant and, accordingly, not profitable.

#### CREDIT RISKS

Credit risks related to financial assets correspond to the values recognised in the balance sheet. The Group is not exposed to major risk from a single customer or partner. As a consequence of the Group's credit risk policy, all major customers and other partners are rated on a current basis.

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## MANAGEMENT'S REVIEW

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### INTELLECTUAL CAPITAL RESOURCES

It is material for Fritz Hansen A/S' continued growth to attract and retain competent and highly skilled employees holding expertise within furniture design and quality.

### ENVIRONMENTAL PERFORMANCE

Fritz Hansen A/S is conscious of the environment green-minded and makes an ongoing effort to reduce the environmental impact of its operating activities.

The Group is not obliged to draw up environmental reports.

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## ACCOUNTING POLICIES

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The annual report of Fritz Hansen A/S has been prepared in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (large) and Danish Accounting Standards.

The annual report of Fritz Hansen A/S and its subsidiary are included in the consolidated financial statements of Skandinavisk Holding A/S.

The accounting policies applied for this annual report are consistent with those applied last year.

### RECOGNITION AND MEASUREMENT

Income is recognised in the income statement when earned. Costs incurred to earn revenue for the year, including amortisation, depreciation, impairment losses and provisions as well as reversals resulting from changed accounting estimates of amounts previously recognised in profit or loss, are also recognised.

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

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

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

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.

### CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements comprise Fritz Hansen A/S (Parent) and Fritz Hansen Inc. (subsidiary), see group chart on page 4.

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.

### BASIS OF CONSOLIDATION

The consolidated financial statements are prepared on the basis of the financial statements of Fritz Hansen A/S and its subsidiary. 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.

### FOREIGN CURRENCY TRANSLATION

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Exchange differences that arise between the rate at the transaction date and the one in effect at the payment date as well as exchange adjustment of accounts denominated in foreign currencies using the balance sheet date exchange rate are recognised as financial income or financial expenses.

Foreign subsidiaries' income statements are translated into Danish kroner at average exchange rates. Balance sheet items are translated using the exchange rates at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates as well as out of the translation of income statements from average rates to the exchange rates at the balance sheet date are recognised directly on equity.

### DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are used to hedge against commercially related financial risks.

Forward exchange contracts entered into to hedge against risks relating to receivables and liabilities in foreign currencies are measured at fair value at the balance sheet date, and value adjustments are recognised in financial income and financial expenses in the income statement.

Forward exchange contracts entered into to hedge future revenues and expenses are measured at fair value at the balance sheet date, and value adjustments are recognised directly in equity. Income and expenses regarding such hedging transactions are transferred from equity at realisation and recognised under the same financial statement item as the hedged amount.

### REVENUE

Revenue from invoiced sales is recognised in the income statement if delivery to the buyer has taken place prior to financial year-end and if revenue can be made up reliably and receipt is expected. Revenue is recognised net of VAT and duties.

### INCOME TAXES AND DEFERRED TAX

The Company is jointly taxed with its Parent Skandinavisk Holding A/S and a number of other group enterprises. Estimated tax on profit for the year, which includes current tax calculated as 25% on the pre-tax profit and the change in deferred tax calculated under the liability

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## ACCOUNTING POLICIES

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method, is recognised in the income statement. Deferred tax is provided for at 25% on differences between carrying amount and tax-based value. Tax is paid to the Parent, for which reason it is recognised as payables to group enterprises.

### INTANGIBLE ASSETS

Intangible assets are measured at cost net of accumulated amortisation and impairment losses. Intangible assets are amortised on a straight-line basis over the assets' estimated useful lives, which is five years for goodwill.

The period of amortisation for goodwill is determined based on Management's experience from the Company's business areas, and Management considers it to reflect the best estimate of the useful life of goodwill.

### PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are measured at the lower of cost less accumulated depreciation and recoverable amount. Land is not depreciated.

Cost comprises the acquisition price and costs directly attributable to the acquisition until the time when the asset is ready to be put into operation.

The basis of depreciation is cost plus any revaluations and minus estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets, however, no more than the following:

GOODWILL: 5 years

### LAND AND BUILDINGS:

Buildings 33 years  
Installations 10 years

### PLANT AND MACHINERY:

Manufacturing machinery 10 years  
Tools 3 years

### OTHER EQUIPMENT, FURNITURE AND FIXTURES:

Factory and warehouse equipment 10 years  
Transport vehicles 5 years  
Office furniture and machinery 5 years  
IT equipment and software 3 years

Leasehold improvements 5 years

Assets costing less than DKK 25 thousand per unit are recognised in the income statement under other external expenses.

IT software costing less than DKK 1 million is recognised in the income statement as well. Any attributable costs are recognised in the total cost of IT software and related development costs.

Gains and losses on current replacement of property, plant and equipment are recognised in the income statement.

### FIXED ASSET INVESTMENTS

Investments in subsidiaries are measured in the parent under the equity method. This implies that investments are measured at the pro rata share of the enterprises' equity minus unrealised intra-group profits and plus goodwill.

The proportionate share of these enterprises' profit/loss after elimination of intra-group profits and minus amortisation of goodwill is recognised in the income statement.

### INVENTORIES

Raw materials, consumables and goods for resale are measured at the lower of cost calculated under the FIFO method and net realisable value.

Finished goods and work in progress are measured at the cost of direct materials and labour plus indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management. The net realisable value of inventories is calculated as the expected sales sum less completion costs and expenses necessary to make the sale and is determined allowing for marketability and obsolescence.

### RECEIVABLES

Receivables are measured at their estimated realisable value based on an individual assessment. Write-down is made for bad and doubtful debts.

### EQUITY - DIVIDENDS

Proposed dividends are recognised as a liability at the time of adoption at the Annual General Meeting (time of declaration). Dividends expected to be distributed for the year are disclosed as a separate equity item.

### FINANCIAL LIABILITIES

Fixed-interest loans, such as mortgage loans and loans with credit institutions, intended to be held to maturity are recognised, at the time of contracting the debt, at the proceeds received net of transaction expenses. Subsequently, the loans are measured at amortised cost equal to the capitalised value using the effective interest method; the difference between the proceeds and the nominal value (capital loss) is recognised in the income statement over the loan period.

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## ACCOUNTING POLICIES

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### CASH FLOW STATEMENT

The cash flow statement is presented using the indirect method and shows the year's consolidated cash flows from operating, investing and financing activities, the year's changes in cash and cash equivalents as well as the Group's cash and cash equivalents at the beginning and the end of the financial year.

#### CASH FLOWS FROM OPERATING ACTIVITIES

Cash flows from operating activities are calculated on the basis of earnings before depreciation and amortisation adjusted for changes in working capital, payments relating to financials as well as income tax paid.

#### CASH FLOWS FROM INVESTING ACTIVITIES

Cash flows from investing activities comprise payments in connection with the purchase and sale of property, plant and equipment as well as fixed asset investments. Upon the acquisition and sale of businesses, cash flows are adjusted for additions to and disposals of assets and liabilities. Cost is stated at acquisition price adjusted for cash and cash equivalents received.

#### CASH FLOWS FROM FINANCING ACTIVITIES

Cash flows from financing activities comprise changes in the size or composition of share capital and related expenses, borrowing, instalments on interest-bearing debt as well as payment of dividends.

#### CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and short-term bank debt.

#### SEGMENT INFORMATION

Segment information is provided for geographical markets (primary segment). Since the Company has only one business area, no segment information has been provided for the secondary segment. Segment disclosures are compiled based on the Company's financial reporting and comply with the applied accounting policies.

#### RATIOS

The ratios have been compiled in accordance with "Recommendations & Ratios" issued by the Danish Society of Financial Analysts. The ratios and figures disclosed in the financial highlights are calculated as follows:

Profit margin	=	$\frac{\text{Profit/loss from primary activities (EBIT)} \times 100}{\text{Revenue}}$
Return on capital employed (ROCE)	=	$\frac{\text{Profit/loss from primary activities (EBIT)} \times 100}{\text{Average operating assets}}$
Average operating assets	=	Operating assets are balance sheet total minus cash and non-interest-bearing debt.
Equity ratio	=	$\frac{\text{Equity} \times 100}{\text{Balance sheet total}}$
Return on equity	=	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$

## INCOME STATEMENT FOR 2007/08

DKK'000	PARENT		GROUP		Notes
	2007/08	2006/07	2007/08	2006/07	
NET TURNOVER	647.467	601.824	657.223	607.070	1
Change in inventories of finished goods and work in progress	4.934	302	4.934	302	2
	652.401	602.126	662.157	607.372	
Costs of raw materials and consumables	197.784	185.236	198.317	185.274	3
Other external expenses	205.606	187.313	209.191	186.727	
Staff costs	131.276	119.005	135.433	123.480	4
PROFIT BEFORE DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES (EBITDA)	117.735	110.572	119.216	a	
Amortisation, depreciation and impairment losses	17.515	20.092	17.515	20.092	5
PROFIT/LOSS FROM PRIMARY OPERATIONS (EBIT)	100.220	90.480	101.701	91.799	
Income from investments in subsidiaries	715	939	0	0	6
PROFIT BEFORE FINANCIAL INCOME/EXPENSES	100.935	91.419	101.701	91.799	
Financial income	1.160	1.869	1.160	1.602	7
Financial expenses	9.606	8.858	9.820	8.905	8
PROFIT/LOSS BEFORE TAX	92.489	84.430	93.041	84.496	
Tax on profit/loss for the year	-23.603	-31.437	-24.155	-31.503	9
PROFIT FOR THE YEAR	68.886	52.993	68.886	52.993	
PROPOSED DISTRIBUTION OF PROFIT/LOSS					
Profit for the year	68.886	52.993	68.886	52.993	
Entries recognised directly in equity	707	-286	707	-286	
Transferred from retained earnings	134.795	157.088	134.795	157.088	
FOR DISTRIBUTION	204.388	209.795	204.388	209.795	
Transferred to retained earnings	129.388	94.540	129.388	134.795	
Proposed dividends for the year	75.000	75.000	75.000	75.000	
	204.388	169.540	204.388	209.795	

## BALANCE SHEET AT 30 JUNE 2008

DKK'000	PARENT		GROUP		Notes
	2007/08	2006/07	2007/08	2006/07	
Goodwill	498	860	498	860	
INTANGIBLE ASSETS	498	860	498	860	10
Land and buildings	126.062	138.602	126.062	138.602	
Plant and machinery	15.811	24.987	15.811	24.987	
Other fixtures and fittings, tools and equipment	4.488	2.982	4.488	2.982	
Prepayment for property, plant and equipment in progress	4.404	2.335	4.404	2.335	
PROPERTY, PLANT AND EQUIPMENT	150.765	168.906	150.765	168.906	11
Deferred tax assets	54.415	85.030	54.415	85.030	9
Deposits	1.877	1.723	1.995	1.859	
Investments in subsidiary	42	0	0	0	12
FIXED ASSET INVESTMENTS	56.334	86.753	56.410	86.889	
FIXED ASSETS	207.597	256.519	207.673	256.655	
INVENTORIES	39.453	42.256	39.453	42.256	13
Trade receivables	85.679	78.877	93.639	86.379	
Receivables from group enterprises	8.434	6.466	0	0	
Other receivables	3.504	5.408	4.018	5.270	
Prepayments	1.517	1.525	1.517	1.525	
RECEIVABLES	99.134	92.276	99.174	93.174	
CASH	33.611	37.302	34.022	37.330	14
CURRENT ASSETS	172.198	171.834	172.649	172.760	
ASSETS	379.795	428.353	380.322	429.415	

## BALANCE SHEET AT 30 JUNE 2008 (CONTINUED)

DKK'000	PARENT		GROUP		Notes
	2007/08	2006/07	2007/08	2006/07	
Share capital	22.000	22.000	22.000	22.000	
Retained earnings	129.388	134.795	129.388	134.795	
Proposed dividends for the financial year	75.000	75.000	75.000	75.000	
EQUITY	226.388	231.795	226.388	231.795	
Mortgage debt	40.696	43.528	40.696	43.528	
LONG-TERM LIABILITIES OTHER THAN PROVISIONS	40.696	43.528	40.696	43.528	
Current portion of long-term liabilities other than provisions	3.026	11.093	3.026	11.093	
Bank debt	13.786	2.299	13.786	2.299	
Trade payables	24.658	45.417	24.652	45.415	
Payables to group enterprises	18.525	52.095	18.525	52.095	
Prepayments received from customers	776	1.501	776	1.501	
Other payables	51.940	40.625	52.473	41.689	
SHORT-TERM LIABILITIES OTHER THAN PROVISIONS	112.711	153.030	113.238	154.092	
LIABILITIES OTHER THAN PROVISIONS	153.407	196.558	153.934	197.620	
EQUITY AND LIABILITIES	379.795	428.353	380.322	429.415	
Currency and interest rate exposure, credit risks					15
Contingent liabilities, etc					16
Related parties					17



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STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD JULY 2007 - JUNE 2008

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	Share capital	Net revalua- tion	Proposed dividends	Total
DKK'000				
EQUITY AT 1 JULY 2006	22.000	157.088	100.000	279.088
Dividends paid	-	-	100.000	-100.000
Dividends distributed	-	-75.000	-75.000	0
Profit for the year	-	52.993	-	-335
Exchange adjustment of subsidiaries	-	-286	-	-286
EQUITY AT 1 JULY 2007	<u>22.000</u>	<u>134.795</u>	<u>75.000</u>	<u>231.795</u>
Dividends paid	-	-	-75.000	-75.000
Dividends distributed	-	-75.000	75.000	0
Profit for the year	-	68.886	-	68.886
Exchange adjustment of subsidiaries	-	55	-	55
Net adjustment, hedging instruments	-	652	-	652
EQUITY AT 30 JUNE 2008	<u>22.000</u>	<u>129.388</u>	<u>75.000</u>	<u>226.388</u>

Share capital consists of

4 shares at DKK 2.500.000	10.000
1 share at DKK 12.000.000	12.000
TOTAL	<u>22.000</u>

There have been no capital increases or reductions in the last 5 years.

## CASH FLOW STATEMENT FOR THE PERIOD JULY 2007 - JUNE 2008

DKK'000	GROUP		Notes
	2007/08	2006/07	
Profit for the year before amortisation, depreciation and impairment losses	119.216	111.891	
Change in inventories	2.803	-4.955	
Change in receivables	-5.293	-35.387	
Change in trade payables and other payables from operating activities	-10.703	18.898	
CASH FLOWS FROM OPERATING ACTIVITIES BEFORE NET FINANCIALS AND TAX	106.023	90.447	
Interest income, etc.	1.160	1.602	
Interest expenses, etc.	-9.820	-9.191	
Income taxes paid	-9.362	-24.253	
CASH FLOWS FROM ORDINARY ACTIVITIES	88.001	58.605	
CASH FLOWS FROM OPERATING ACTIVITIES	88.001	58.605	
Acquisition of property, plant and acquisition	-5.060	-5.762	
Acquisition of fixed asset investments	-136	-518	
Sale of property, plant and equipment	6.048	368	
CASH FLOWS FROM INVESTING ACTIVITIES	852	-5.912	
Instalments on long-term liabilities other than provisions	-10.899	-10.800	
Dividends paid to shareholders in the Parent	-75.000	-100.000	
CASH FLOWS FROM FINANCING ACTIVITIES	-85.899	-110.800	
THE YEAR'S CASH FLOW	2.954	-58.107	
Cash and cash equivalents at 1 July	10.644	68.751	
CASH AND CASH EQUIVALENTS AT 30 JUNE	13.598	10.644	
Cash	34.022	37.330	
Short-term bank debt	-13.786	-2.299	
Cash (Cash pool arrangement at sister company) included in: "Payables to group enterprises"	-6.638	-24.387	
CASH AND CASH EQUIVALENTS AT 30 JUNE	13.598	10.644	

## NOTES

	PARENT		GROUP	
DKK'000	2007/08	2006/07	2007/08	2006/07
1 SEGMENT INFORMATION				
Revenue				
Geographical primary segment				
Europe	550.011	505.645	550.011	505.645
Other	97.456	96.179	107.212	101.425
	<u>647.467</u>	<u>601.824</u>	<u>657.223</u>	<u>607.070</u>
2 CHANGES IN INVENTORIES OF MANUFACTURED GOODS AND WORK IN PROGRESS, ETC.				
Changes in inventories of manufactures				
Goods and work in progress	-5.984	-1.150	-5.984	-1.150
Profit from sales of land	10.800	1.056	10.800	1.056
Other operating income, etc.	118	396	118	396
	<u>4.934</u>	<u>302</u>	<u>4.934</u>	<u>302</u>
3 OTHER EXTERNAL EXPENSES				
This item includes the following expenses				
Statutory audit of the annual report	400	375	400	375
Non-audit services	213	672	213	672
	<u>613</u>	<u>1.047</u>	<u>613</u>	<u>1.047</u>
4 STAFF COSTS				
Total salaries and remuneration, etc. is distributed as follows:				
Wages and salaries	120.665	110.397	124.215	114.297
Pension costs and other social security costs	10.611	8.608	11.218	9.183
	<u>131.276</u>	<u>119.005</u>	<u>135.433</u>	<u>123.480</u>
Supervisory board	1.158	1.158	1.158	1.158
Executive Board	6.049	9.189	6.049	9.189
AVERAGE NUMBER OF EMPLOYEES	<u>271</u>	<u>210</u>	<u>279</u>	<u>234</u>

## NOTES

	PARENT		GROUP	
DKK'000	2007/08	2006/07	2007/08	2006/07
5 AMORTISATION, DEPRECIATION IMPAIRMENT LOSSES				
Goodwill (note 10)	362	361	362	361
Land and buildings	6.797	7.235	6.797	7.235
Plant and machinery	8.811	9.823	8.811	9.823
Other fixtures and fittings, tools and equipment	1.850	2.673	1.850	2.673
Profit/loss from sale of fixed assets	-305	0	-305	0
	<u>17.515</u>	<u>20.092</u>	<u>17.515</u>	<u>20.092</u>
6 PROFIT FROM INVESTMENTS IN SUBSIDIARIES, PRE-TAX PROFIT				
Fritz Hansen Inc., USA	715	939	-	-
	<u>715</u>	<u>939</u>	<u>0</u>	<u>0</u>
7 FINANCIAL INCOME				
Interest income, banks	1.098	1.374	1.098	1.374
Interest income, other	62	495	62	228
	<u>1.160</u>	<u>1.869</u>	<u>1.160</u>	<u>1.602</u>
8 FINANCIAL EXPENSES				
Interest expenses, banks	5.897	4.786	5.945	4.786
Interest expenses, other	30	616	30	652
Cash discounts granted	3.679	3.456	3.845	3.467
	<u>9.606</u>	<u>8.858</u>	<u>9.820</u>	<u>8.905</u>
9 TAX ON PROFIT/LOSS FOR THE YEAR				
Tax on profit/loss for the year	-11.887	-27.708	-12.439	-27.774
Adjustment of deferred tax concerning previous years	-179	-9.510	-179	-9.510
Adjustment of deferred tax	-11.537	5.781	-11.537	5.781
	<u>-23.603</u>	<u>-31.437</u>	<u>-24.155</u>	<u>-31.503</u>

## NOTES

		PARENT				
DKK'000						
10	INTANGIBLE ASSETS					
	Goodwill					
	Cost at 1 July 2007	1.808				
	Additions	<u>0</u>				
	Cost at 30 June 2008	<u>1.808</u>				
	Amortisation and impairment losses at 1 July 2007	948				
	Amortisation	<u>362</u>				
	Amortisation and impairment losses at 30 June 2008	<u>1.310</u>				
	CARRYING AMOUNT AT 30 JUNE 2008	<u>498</u>				
		Land and buildings	Plant and machinery	Other fix- tures and fittings, tools and equipment	Prepay- ments, fixed assets and assets in progress	Total
DKK'000						
11	PROPERTY, PLANT AND EQUIPMENT					
	Cost at 1 July 2007	226.785	111.968	29.855	2.335	370.943
	Reclassification of opening balance		-709	709		
	Additions		344	2.647	4.404	7.395
	Disposals	-5.743			-2.335	-8.078
	COST AT 30 JUNE 2008	<u>221.042</u>	<u>111.603</u>	<u>33.211</u>	<u>4.404</u>	<u>370.260</u>
	Depreciation and impairment losses at 1 July 2007	88.183	86.981	26.873	-	202.037
	Depreciation	6.797	8.811	1.850	-	17.458
	Depreciation relating to disposals for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	DEPRECIATION AND IMPAIRMENT LOSSES AT 30 JUNE 2008	<u>94.980</u>	<u>95.792</u>	<u>28.723</u>	<u>-</u>	<u>219.495</u>
	CARRYING AMOUNT AT 30 JUNE 2008	<u>126.602</u>	<u>15.811</u>	<u>4.488</u>	<u>4.404</u>	<u>150.765</u>
	Carrying amount at 30 June 2007	<u>138.602</u>	<u>24.987</u>	<u>2.982</u>	<u>2.335</u>	<u>168.906</u>

The value of land and buildings according to the latest public assessment is DKK 167 million. The cost of land and buildings includes DKK 5 million in capitalised interest, which is considered part of the building's cost. The carrying amount of capitalised interest is DKK 3.5 million.

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## NOTES

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### PARENT

DKK'000	
12 FIXED ASSET INVESTMENTS	
Investment in subsidiary:	
Cost at 1 July 2007	275
Value adjustment, beginning of year	<u>-39</u>
COST AT 30 JUNE 2008	<u>236</u>
Value adjustments at 1 July 2007	-1.268
Adjustments, beginning of year	267
Exchange rate adjustments, beginning of year	142
Profit for the year	713
Exchange rate adjustment of profit for the year	<u>-48</u>
VALUE ADJUSTMENT AT 30 JUNE 2008	<u>-194</u>
CARRYING AMOUNT AT 30 JUNE 2008	<u>42</u>

Name registered  
Fritz Hansen Inc.

Registered address  
New York City, USA

Voting/ownership share  
100%

## NOTES

DKK'000	PARENT		GROUP	
	2007/08	2006/07	2007/08	2006/07
13 INVENTORIES				
Raw materials and consumables	25.697	22.517	25.697	22.517
Work in progress	4.120	10.712	4.120	10.712
Manufactured goods	5.779	5.170	5.779	5.170
IPO addition	3.857	3.857	3.857	3.857
	<u>39.453</u>	<u>42.256</u>	<u>39.453</u>	<u>42.256</u>

### 14 CASH

At 30 June 2008, amounts are included in the cash pool arrangement with the sister company Skandinavisk Tobakskompagni A/S. The net amount is recognised in "Receivables from group enterprises" and "Payables to group enterprises".

### 15 FINANCIAL INSTRUMENTS

#### TRADE RECEIVABLES

The credit period for trade receivables varies by market from 30 days to 45 days. The credit period for trade receivables is free of interest.

#### MORTGAGE DEBT

The Company's mortgage debt has an average term of 12 years with an average fixed rate of interest of 4.1%. After five years, DKK 28 million of the long-term liabilities falls due.

#### BANK DEBT

The bank debt consists of ordinary credits. The average term is one year. The rate of interest averaged 4.7% at 30 June 2008.

#### DERIVATIVE FINANCIAL INSTRUMENTS

There are forward exchange contracts amounting to DKK 20m at 30 June 2008.

The Group has the following unhedged net positions at 30 June 2008:

DKK'000	Receivables	Cash and bank debt	Net position
Euro	46.615	11.269	57.884
Other foreign currencies	2.763	12.212	14.975
	<u>49.378</u>	<u>23.481</u>	<u>72.859</u>

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## NOTES

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### 16 CONTINGENT LIABILITIES

#### VAT REGISTRATION

The Company, Skandinavisk Holding A/S and other Danish group enterprises are jointly registered for VAT, and they are jointly and severally liable for the VAT payable by the Group. There were no amounts due at 30 June 2008.

#### RENTAL AND LEASE COMMITMENTS

The Company has assumed rental and lease commitments with payments of DKK 24.2 million in the notice period. The payments amount to DKK 9.3 million for the financial year 2008/09. The balance payments of DKK 13.1 million are payable in the financial years 2009/10 to 2011/12. The commitments primarily relate to rental agreements on showrooms and copy machines as well as leased motor vehicles.

#### ASSETS CHARGED AND PROVISION OF SECURITY

Mortgage deeds of DKK 75.670k registered to the mortgager have been entered in the Land Register on the Company's real property; of this, DKK 21.850k remains with the Company, whereas DKK 53.820k has been placed as security for long-term liabilities.

### 17 RELATED PARTIES

Related parties of Fritz Hansen A/S comprise the following:  
The Company's shareholder, Skandinavisk Holding A/S.

#### CONTROLLING INFLUENCE

Skandinavisk Holding A/S, which holds 100% of the share capital.

#### TRANSACTIONS WITH RELATED PARTIES

There have only been limited trade transactions with related parties.

No transactions have been performed with the members of Executive and Supervisory Boards in 2007/08 apart from remuneration to these members.





