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LTP Group A/S

Bryghuspladsen 8
1473 København K
CVR No. 17974246

Annual report 2022

The Annual General Meeting adopted the annual report on 31.05.2023

Jeannett Hvidkjær
Chairman of the General Meeting

Contents

Entity details

Entity

LTP Group A/S

Bryghuspladsen 8

1473 København K

Business Registration No.: 17974246

Registered office: København

Financial year: 01.01.2022 - 31.12.2022

Board of Directors

Jan Jakobsen, chairman
Jon Skovhus Knudsen
Morten Østergaard
Katja Lund Schjølin
Claus Flyger Pejstrup
Kenni Riise

Executive Board

Jeannett Hvidkjær, chief executive officer
Henrik Holmgaard Olsson, director
Hans Maasbøl

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Papirfabrikken 26
8600 Silkeborg

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of LTP Group A/S for the financial year 01.01.2022 - 31.12.2022.

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 31.12.2022 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2022 - 31.12.2022.

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.

Copenhagen, 30.05.2023

Executive Board

Jeannett Hvidkjær
chief executive officer

Henrik Holmgaard Olsson
director

Hans Maasbøl

Board of Directors

Jan Jakobsen
chairman

Jon Skovhus Knudsen

Morten Østergaard

Katja Lund Schjølin

Claus Flyger Pejstrup

Kenni Riise

Independent auditor's report

To the shareholders of LTP Group A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of LTP Group A/S for the financial year 01.01.2022 - 31.12.2022, 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 31.12.2022 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2022 - 31.12.2022 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 for Accountants’ International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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 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.

Silkeborg, 30.05.2023

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Peter Mølkjær
State Authorised Public Accountant
Identification No (MNE) mne24821

Heidi Julitta Østergaard Jensen
State Authorised Public Accountant
Identification No (MNE) mne34163

Management commentary

Financial highlights

	2022 DKK'000	2021 DKK'000	2020 DKK'000	2019 DKK'000	2018 DKK'000
Key figures					
Revenue	1,097,718	831,067	600,227	726,353	614,121
Gross profit/loss	328,394	252,166	192,527	205,330	174,514
Operating profit/loss	74,865	70,364	47,950	55,966	47,643
Net financials	(5,844)	2,937	14,613	9,560	1,290
Profit/loss for the year	117,428	69,660	44,467	61,693	49,939
Balance sheet total	545,788	469,641	385,602	358,398	353,786
Investments in property, plant and equipment	26,647	16,864	4,759	11,030	37,104
Equity	346,883	300,270	278,281	255,653	214,194
Average invested capital incl. goodwill	296,325	200,195	172,723	193,777	156,862
Ratios					
Gross margin (%)	29.92	30.34	32.08	28.27	28.42
Net margin (%)	10.70	8.38	7.41	8.49	8.13
Return on invested capital incl. goodwill (%)	39.63	34.80	25.74	31.84	31.84
Return on equity (%)	36.29	24.08	16.66	26.26	24.80
Equity ratio (%)	63.56	63.94	72.17	71.33	60.54

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

Gross margin (%):

$$\frac{\text{Gross profit/loss} * 100}{\text{Revenue}}$$

Net margin (%):

$$\frac{\text{Profit/loss for the year} * 100}{\text{Revenue}}$$

Return on invested capital incl. goodwill (%):

$$\frac{\text{Profit/loss for the year} * 100}{\text{Average invested capital incl. goodwill}}$$

Return on equity (%):
Profit/loss for the year * 100
Average equity

Equity ratio (%):
Equity * 100
Balance sheet total

Primary activities

LTP Group at a glance
LTP Group serves premium garment and furniture brands, offering manufacturing expertise developed and refined through years of experience. LTP Group is a true specialist in handling textiles for many different products and together with the customers LTP Group continuously keeps a focus on strengthening the sustainable offering of technically complex production capabilities and services to ensure longevity of products delivered.

LTP Group works with Sport & Outdoor Garment and Contract furniture brands whose ambitions match to LTP Group, as an industry innovator demonstrating an ambitious commitment to quality through manufacturing practices, combined with both functionality and innovation.

Since LTP Groups foundation in the 1980s, the company has kept pace with an ever-changing marketplace. Being a global manufacturer, LTP Group today delivers its offering from 12 modern production sites, located in six countries.

LTP Group occupies a strategic position in the supply chain between material suppliers and the brands, serving a critical role from idea stage through to the delivery of the final product.

Performance and progress
2022 was another year of growth and significant strategic progress for LTP Group. LTP Group has been able to remain and act as a reliable and stable partner for customers, suppliers, and manufacturing partners, showing strength and flexibility. All colleagues worked vigorously towards delivering value for customers by constantly seeking solutions securing and fulfilling deliveries, meeting the changing needs. The dialog with our customers has become more directed to a holistic partnership model to ensure capacity, the supply chain and at the same time balancing the financing risk.

Despite the disruption in the global supply chain, the impact of the war in Ukraine, inflationary pressure, LTP group managed to deliver a record-high revenue of DKK 1,1 billion. This corresponds to a growth of 32% compared to 2021.

Strategic priorities
In LTP Group the business foundation continues to be strengthened by investing in People & Culture, Digitalization and Sustainability.

Our highly committed and skilled staff remains the foundation for LTP Group as a company. The ability to deliver value to the customers, to innovate, to grow, and deliver long-term growth is contributed by the LTP employees around the world. LTP Group strives to be a company who recognizes the value of personal development and human relations, nursing a strong culture ensuring room for diversities.

In 2022 LTP Group welcomed a new country to the global footprint, establishing garment manufacturing in Botoșani, Romania, thus LTP Group now operates in 6 countries, including the Danish strategic headquarter.

Investing in technology across manufacturing, logistics, sales and administration supports the continued growth, scale and resilience of the LTP Group business. More use of data and advanced analytics in everything we do is a must. We will continue to introduce digital solutions to the benefit of all partners of LTP Group. Technology plays a critical role in fulfilling sustainability ambitions. By investing in data and designing with 3D technology we can foster new ideas to support customers in reducing the climate footprint.

LTP Group is committed to significantly improving the overall sustainability performance and driving positive change across the industries in which the company operates. LTP Group is a production partner embodying the link between functionality and longevity, and to anchor the commitment, it is essential that sustainability is kept as an integrated part of operations, values, and culture. Therefore, we have made sustainability one of our corporate strategic pillars. The 4 commitments themes include: **Care for People; Embrace Circularity; Fight for Climate; Unlock Transparency.**

LTP Group divisional activities and purposes
LTP Group includes two divisions: LTP Garment and LTP Furniture. The divisions share the vision to be the preferred partner in the market for premium garment and contract furniture brands. LTP group is led by passion and excel in a constantly evolving environment, embracing the unknown of tomorrow by a resilient, agile, innovative, global, and scalable organization comprised by empowered, dedicated and responsible employees who lead the daily operational/tactical level.

LTP Garment supports active and conscious lifestyle choices by offering sustainable manufacturing solutions for premium garment brands. LTP Garment is a global manufacturer with regional innovation centers in Europe and Asia, and with experts in each product category developing more than 1.500 new styles every year. LTP Garment operates in 6 product categories: Active Sport, Cycling, Outdoor, Athleisure, Urban Performance and Sustainable Fashion & Lifestyle.

LTP Garment's value proposition resides in its global and sophisticated R&D setup, highly competitive production with the newest technology and own factories specialised in high-end quality, well-suited for handling production of smaller as well as larger batches. LTP Garment also offer its brand customers a strong suite of Value-Added services such as 3-D CLO to co-develop the garments in a sustainable way, a 360◦ Innovation book sharing industry insight on the latest materials and trims development and trend analysis. Design & Development Innovation and creation brings new a strong international design network to the forefront of co-creation.

The division employs more than 2.100 employees end of 2022 and delivers an output of more than 3,5 million pcs. per year of finished garment, manufactured from 6 fully owned locations and by trusted sub-contracting partners. The factories are located in 5 different countries and are approved by the highest certifications including Bluesign and GOTS certification and FairWear Foundation audits initiated by brand customers. There is a strong focus to collaborating with brand customers on increasing transparency.

LTP Furniture is a global leader in furniture outsourcing and supports customers from product development to mass production, including assembly, packaging, logistics and direct-to customer delivery. LTP Furniture is a trusted production partner for international demanding contract and design furniture brands. Skills are evolved in an area where it is a must to be an expert in handling 1.000s variants.

The division operates in two main product categories – Contract& Design Furniture and Bed & Sofa Covers and serve more than 30 brands in suppling within the product range of: sofas, poufs, lounges, mattress covers, sofa covers, headboards, bed frames, dining chairs, office chairs, conference chairs, bar stools, acoustic panels and numerous variants of sewn accessories.

The dedicated team of more than 600 employees handles great volume and flexibility emphasised by the fact that every 15 seconds a new furniture item is finished at LTP.

The production is lean and efficient designed and powered to handle short lead times and large number of variances. All European manufacturing sites are ISO-9001 & ISO-14001 certified to ensure the highest quality and environmental standards. To secure transparency in the Supply Chain STEP certifications was obtained during 2022.



As part of the LTP Furniture Development Accelerator Center, a new location was opened in 2022 in Lithuania near by the main manufacturing locations. The in-house woodcutting capabilities will improve the ability to serve customers demands for shorter lead time to market on new product development as well as creating fewer prototypes of each piece of furniture leading to faster decision making and minimizing waste.

In November 2021 LTP Furniture opened its first furniture production facility in Mexico. From Spring 2022 the facility has supported the first customers with sustainable manufacturing and easy access to the largest furniture market in the world: North America. The new production facility counts 4.000 square meters and is located in Saltillo, which is an optimal logistic hub to reach the border of the United States in just hours.

From one of the 5 factories in Lithuania and Mexico more than 1,6 million pcs are produced every year.

Development in activities and finances

LTP Group performance during the year was strong. The total sales have increased overall by 32% and concluded at DKK 1,097,718,305 compared to DKK 832,377,498 in 2021. Operating profit margin shows 7% slightly down from 2021. The operating profit is impacted by extraordinary writing off in total DKK 2,925,539 related to inventory, machinery and goodwill in the Belarusian entities.

In the beginning of 2022 LTP Group sold the shareholding of Theca A/S, impacting the profit before tax positively and as expected.

The establishment and build of the operation in Romania and Mexico have impacted the result for 2022 negatively.

Profit/loss for the year in relation to expected developments

Profit before tax of DKK 131,681,201 versus DKK 79,754,720 k in 2021. This is considered a very satisfactory result, and it exceed our expectations for the year.

Outlook

Following an extraordinary 2022 we expect a decline in our earnings for 2023. The geopolitical and macroeconomic environment remains highly uncertain and unforeseen changes may therefore impact the financial result of LTP Group. Growing concerns over inflation, higher interest rates, and the war in Ukraine led to a slowdown in most businesses, which has been especially visible in the second half of 2022. Whilst continuing to invest in digitalization, automation and sustainability, the capacity in LTP Group is closely monitored and adjusted to align with market demand. At the end of 2022 the global growth picture pointed to a market downturn in both divisions.

The situation in Ukraine continue to bring LTP Groups capacity safety in Europe at risk. LTP Group has during 2022 initiated a restructure of the production capacity in Europe. The establishment in Romania as of June 2022 were the first step, and further restructure continues throughout 2023.

As noted in the beginning of 2022, vigilance is called for, and LTP Group Management will stay focused to evaluate the situation and adjust our actions with consideration of all our stakeholders, from employees to customers.

In 2023, based on the market situation and the estimated uncertainty, management expect negative impact to the activities and cost levels in Europe as well as in Asia. Based on the lower demand seen in the past months.

We forecast a net sale for the full year declining up to 20% in local currencies. With lower sales volume, tight cost control and continued focus on adjusting capacity an operating profit of DKK 35-40 mill. is expected.

Despite the outlook, both divisions have a solid position and continuously strong momentum in their market segments, which allow LTP Group to continue to serve and support current and future customers growth journey.

In the beginning of January 2022, the shareholding of Theca A/S was divested. The proceeds are included in the profit and loss for 2022.

The outlook for 2023 assumes the currency exchange rates, especially the US dollar and VND against the EUR and DKK, will remain at the current rate.

Management has not found any need to change the carrying value of receivables despite the financial impact on the customers, and the production equipment and tools are kept at carrying value without further impairment needs.

Risk management

LTP Group's ability to manage crises and use the learnings to strengthen and maintain a resilient organization continues to be important.

As a global manufacturer, LTP Group is exposed to a variety of general and specific commercial and financial risks which may have impact on LTP Group's future growth, activities, financial position, and results.

The Board of Directors is responsible for the LTP Group risk management strategy and the overall framework for identifying and mitigating risks.

The Executive Board is responsible for the day-to-day risk management processes as well as the continuous development of the company's risk management activities.

Risks are a natural and integral part of LTP Groups business activities. The risk landscape is changing continuously and LTP Group aim to mitigate the risks and reduce them to an acceptable level trough risk management.

LTP Groups risk management framework is based on a structured risk identification, analysis and reporting process providing the basis for risk assessments and subsequent mitigating actions.

Management in LTP Group entities conduct a risk review within their areas of responsibility at least once a year. The risks are discussed, described, scored for severity and likelihood. The risks which are identified to have the largest potential impact on LTP's business are described below. The risks are not ranked in any order of priority.

Attract and retain employees
Employees are a vital resource for LTP Group. The business success depends on highly qualified management teams and employees with technical and operational qualifications at all organisational levels. It is critical for the capability of handling extraordinary situations like the pandemic and the war in Ukraine.

Failure to attract new talents or retaining existing, experienced key employees can potentially have long-term consequences for the operational and strategic development of LTP Group.

LTP Group strive to ensure the company to be an attractive place to work. This includes a good and safe physical environment and a focus on developing individual employees, on career development and on delegating responsibility to the employees. The local People & Culture organizations are strengthened to enhance focus on key positions and succession planning as well as attracting digital, operational, and functional talents to support the business strategic priorities.

All employees are regulated by contracts to ensure their rights as employees, and the terms offered to the employees are competitive.

Macro-economic and geo-political development
Economic recession triggered by geopolitical conflicts, rising inflation, or pandemic will have an impact on LTP Groups activity levels and, consequently, on the financial results.

LTP Group monitor its markets carefully as well as the customers behaviour and their outlook. The slowdown in the global economy and trade volumes for 2023 is included in the financial outlook. Navigating in economical down turns and consequently the demands is known in LTP Group. Keeping an agility in the business model, flexibility in the cost bases, continuously pursuit cost savings and focusing on keeping the net working capital under control are all tools to resist challenging times.

Financial affairs
The result and equity of LTP Group are impacted by several financial risks, including foreign exchange risks, interest rate risks, liquidity risks and credit risks as well as by the risk that the conditions of the international trade are changed. LTP Group does not engage in speculative transactions.

The credit risk policy includes an ongoing credit assessment, and credit insurance are established on a case-by-case basis.

LTP Group's credit facilities carry floating interest rate. The development in interest is linked to Cibor 3 months. Currency exposure is mainly managed in matching income and liabilities in same currencies. Some exposure is present between VND/USD and EUR/USD. No forward cover has been entered into.

IT security breaches and break down of IT systems
IT systems, networks and related processes are essential for LTP Groups day-to-day operations. By increase of digitalization of business processes, cyber-attack or non-availability of IT systems can have significant financial consequence. In addition, LTP Group has a duty to safeguard the data of customers, partners and employees as well as the company's data.

The majority of the operation and maintenance of networks and servers, back-up, access and firewalls has been outsourced to an external partner. The outsourcing ensures an on-going update of security software and limits the risk of breakdowns. In 2022 the performance of IT platforms and security systems has been stable despite the continued increased number of employees working from home.

LTP Group's IT objectives comprises a continued effort to increase the protection against attempts to penetrate LTP Groups IT infrastructure. The focus on heightening and strengthening the security position include reduction of the number of applications used through group wide standardization and harmonisation as well as a cross-organisational approach and systematic methods and processes to address exposure.

Compliance
At all levels in LTP Group a commitment to conduct honest and ethical business practice is a must. As a result of performing global operations, LTP Group is subject to extensive international regulatory requirements. In particular regulations related to customs, VAT, tax and data privacy.

Non-compliance may carry a long-term impact on the relationships with customers and stakeholders as well as leading to fines, claims etc.

The internal procedures, systems and employee training programmes are established to ensure compliance relevant legislation and LTP Groups Code of Conduct.

Significant compliance-related risks are monitored and managed from Group level in close cooperation with the local business units.

Statutory report on corporate social responsibility
The statutory report on sustainability under section 99(a) and for statutory report of gender distribution under section 99(b) of the Danish Financial Statements Act, can be found in LTP Group A/S 2022 Sustainability Report.

For more information refer to LTP Group Sustainability report for 2022.
https://publications.ltpgroup.com/view/312955303/

Statutory report on the underrepresented gender
LTP Group is subject to the rules on target figures and policies for the gender composition of management.

LTP Group measure the composition from managers to executive management and Board of Directors. The Board of Directors comprises in the year of 17% female and 83% male, changed from 20% and 80% relatively in 2021. The target is to comply to a minimum of 33% females in 2025.

The statutory report on the underrepresented gender is included in our sustainability report for 2022 which is available at the above-mentioned link.

Statutory report on data ethics policy
In 2021, guidelines on data ethics were implemented in accordance with the Danish Financial Statement Act section 99d. The guidelines describe how data ethics shall be considered and included in the use of data as well as the design and implementation of technologized used for processing data within LTP Group. Data ethics principles will be implemented through the Data Ethics Policy to ensure data management standards.

Achievements in 2022:
LTP Group has carried out a review, supported by an external consultant, of internal procedures and improvements were identified and are in process of being implemented.

Process established for reporting of data ethical concerns, incl. use of the whistleblower hotline for internal parties.

Planned activities:
Data Ethic Policy updated based on review of internal procedures.

Continuously review and assess the adequacy of data ethic.

Events after the balance sheet date

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

Consolidated income statement for 2022

	Notes	2022 DKK	2021 DKK
Revenue	1	1,097,718,305	831,067,098
Other operating income		1,062,862	1,310,400
Cost of sales		(713,616,635)	(536,831,315)
Other external expenses	2	(56,770,251)	(43,380,387)
Gross profit/loss		**328,394,281**	**252,165,796**
Staff costs	3	(231,141,882)	(167,033,079)
Depreciation, amortisation and impairment losses	4	(19,691,055)	(12,888,432)
Other operating expenses		(2,696,261)	(1,880,412)
Operating profit/loss		**74,865,083**	**70,363,873**
Income from investments in associates	5	62,660,261	7,136,996
Other financial income		10,145,611	8,517,512
Other financial expenses		(15,989,754)	(6,263,661)
Profit/loss before tax		**131,681,201**	**79,754,720**
Tax on profit/loss for the year	6	(14,253,359)	(10,095,204)
Profit/loss for the year	7	**117,427,842**	**69,659,516**

Consolidated balance sheet at 31.12.2022

Assets

	Notes	2022 DKK	2021 DKK
Completed development projects	9	1,134,240	1,243,259
Acquired intangible assets		18,288,938	16,887,627
Goodwill		3,196,804	753,703
Intangible assets	8	**22,619,982**	**18,884,589**
Land and buildings		44,012,152	46,798,535
Plant and machinery		3,005,477	2,508,652
Other fixtures and fittings, tools and equipment		29,828,737	23,712,983
Leasehold improvements		11,693,963	6,232,819
Property, plant and equipment in progress		821,361	145,757
Property, plant and equipment	10	**89,361,690**	**79,398,746**
Investments in associates		0	35,351,231
Other receivables		1,430,267	1,385,204
Financial assets	11	**1,430,267**	**36,736,435**
Fixed assets		**113,411,939**	**135,019,770**
Raw materials and consumables		134,445,614	121,260,277
Work in progress		61,431,440	72,004,923
Manufactured goods and goods for resale		5,139,207	5,731,962
Prepayments for goods		6,383,883	13,635,790
Inventories		**207,400,144**	**212,632,952**
Trade receivables		139,245,552	81,962,501
Deferred tax	12	2,469,423	2,285,747
Other receivables		13,166,247	10,247,198
Tax receivable		3,384,909	293,430
Prepayments	13	4,209,607	4,323,105
Receivables		**162,475,738**	**99,111,981**

Other investments		27,321,059	0
Investments		**27,321,059**	**0**
Cash	14	**35,179,369**	**22,876,208**
Current assets		**432,376,310**	**334,621,141**
Assets		**545,788,249**	**469,640,911**

Equity and liabilities

	Notes	2022 DKK	2021 DKK
Contributed capital	15	500,000	500,000
Translation reserve		(457,475)	0
Reserve for net revaluation according to equity method		0	34,684,565
Other statutory reserves		715,701	689,670
Retained earnings		346,124,876	264,395,815
Equity		**346,883,102**	**300,270,050**
Deferred tax	12	332,669	186,215
Provisions		**332,669**	**186,215**
Mortgage debt		9,812,588	12,291,441
Prepayments received from customers		96,414	0
Non-current liabilities other than provisions	16	**9,909,002**	**12,291,441**
Current portion of non-current liabilities other than provisions	16	3,594,328	4,466,064
Mortgage debt		5,583,927	0
Bank loans		10,738,093	5,076,939
Prepayments received from customers		45,479,350	50,671,258
Trade payables		71,648,817	65,738,594
Payables to owners and management		11,243,636	10,556
Tax payable		8,821,718	3,460,845
Other payables		29,692,722	26,795,086
Deferred income	17	1,860,885	673,863
Current liabilities other than provisions		**188,663,476**	**156,893,205**
Liabilities other than provisions		**198,572,478**	**169,184,646**
Equity and liabilities		**545,788,249**	**469,640,911**
Fair value information	19		
Unrecognised rental and lease commitments	20		
Assets charged and collateral	21		
Subsidiaries	22		

Consolidated statement of changes in equity for 2022

	Contributed capital DKK	Translation reserve DKK	Reserve for net revaluation according to the equity method DKK	Other statutory reserves DKK	Retained earnings DKK
Equity beginning of year	500,000	0	34,684,565	689,670	264,395,815
Extraordinary dividend paid	0	0	0	0	0
Exchange rate adjustments	0	(457,475)	0	0	(357,315)
Profit/loss for the year	0	0	(34,684,565)	26,031	82,086,376
Equity end of year	**500,000**	**(457,475)**	**0**	**715,701**	**346,124,876**

	Proposed extraordinary dividend DKK	Total DKK
Equity beginning of year	0	300,270,050
Extraordinary dividend paid	(70,000,000)	(70,000,000)
Exchange rate adjustments	0	(814,790)
Profit/loss for the year	70,000,000	117,427,842
Equity end of year	**0**	**346,883,102**

Consolidated cash flow statement for 2022

	Notes	2022 DKK	2021 DKK
Operating profit/loss		74,865,083	70,363,873
Amortisation, depreciation and impairment losses		19,691,055	12,888,432
Working capital changes	18	(39,530,321)	(56,899,419)
Other adjustments		0	(1,396,768)
Cash flow from ordinary operating activities		**55,025,817**	**24,956,118**
Financial income received		10,410,545	8,517,512
Financial expenses paid		(14,726,595)	(6,263,661)
Taxes refunded/(paid)		(12,022,710)	(8,194,024)
Cash flows from operating activities		**38,687,057**	**19,015,945**
Acquisition etc. of intangible assets		(8,292,420)	(1,133,153)
Acquisition etc. of property, plant and equipment		(26,696,243)	(16,864,381)
Sale of property, plant and equipment		689,754	1,706,069
Acquisition of fixed asset investments		(69,998,552)	0
Sale of fixed asset investments		139,156,713	0
Dividends received from associates		0	10,000,000
Exchange rate adjustment, intangible assets		189	0
Exchange rate adjustment, tangible assets		862,171	0
Cash flows from investing activities		**35,721,612**	**(6,291,465)**
Free cash flows generated from operations and investments before financing		**74,408,669**	**12,724,480**
Loans raised		5,583,927	0
Repayments of loans etc.		(3,350,589)	(3,003,872)
Dividend paid		(70,000,000)	(50,000,000)
Short-term deb to banks		5,661,154	4,988,866
Cash flows from financing activities		**(62,105,508)**	**(48,015,006)**

Increase/decrease in cash and cash equivalents	**12,303,161**	**(35,290,526)**
Cash and cash equivalents beginning of year	22,876,208	58,166,734
Cash and cash equivalents end of year	**35,179,369**	**22,876,208**
Cash and cash equivalents at year-end are composed of:		
Cash	35,179,369	22,876,208
Cash and cash equivalents end of year	**35,179,369**	**22,876,208**

Notes to consolidated financial statements

1 Revenue

	2022 DKK	2021 DKK
Garment segment	697,440,328	466,814,719
Furniture segment	400,277,977	364,252,379
Total revenue by activity	**1,097,718,305**	**831,067,098**

2 Fees to the auditor appointed by the Annual General Meeting

	2022 DKK	2021 DKK
Statutory audit services	61,500	61,500
Other assurance engagements	298,157	287,056
Tax services	231,938	41,236
Other services	384,114	240,622
	975,709	**630,414**

Fees to foreign auditors not appointed by the Annual General Meeting included in above amount to DKK 298k relating to other assurance engagements (DKK 287k in 2021) and DKK 0k to tax services (DKK 31k in 2021).

3 Staff costs

	2022 DKK	2021 DKK
Wages and salaries	223,678,218	159,695,656
Pension costs	1,438,499	2,037,807
Other social security costs	6,025,165	5,299,616
	231,141,882	**167,033,079**

Average number of full-time employees	**2,602**	**2,058**

	Remuneration of management 2022 DKK	Remuneration of management 2021 DKK
Executive Board	7,120,878	5,299,983
Board of Directors	1,117,915	845,000
	8,238,793	**6,144,983**

Special incentive programmes
LTP Group has established a warrant program for members of the Executive Management. The warrant are granted in accordance with the authorizations given to the Board of Directors by the shareholders. The Board of Directors has fixed the terms of and the size of the grants of warrants, taking into account authorizations from the shareholders, and an assessment of expectations of the Group´s growth. 20.000 warrants are grated at the end of 2022 that each gives the right to subscripe 1 share in the company. Exercise of warrants is by default subject to continuing employment with LTP Group and can only be exercised within 1. January 2028 - 31. January 2028 or in case of an exit.

Remuneration to executive Board includes severance pay.

4 Depreciation, amortisation and impairment losses

	2022 DKK	2021 DKK
Amortisation of intangible assets	4,078,898	3,535,281
Impairment losses on intangible assets	477,940	0
Depreciation on property, plant and equipment	12,686,618	9,353,151
Impairment losses on property, plant and equipment	2,447,599	0
	19,691,055	**12,888,432**

5 Income from investments in associates

Income from investments in associates include profit from sale of shares.

6 Tax on profit/loss for the year

	2022 DKK	2021 DKK
Current tax	14,058,915	10,509,573
Change in deferred tax	194,444	(276,132)
Adjustment concerning previous years	0	(138,237)
	14,253,359	**10,095,204**

7 Proposed distribution of profit/loss

	2022 DKK	2021 DKK
Extraordinary dividend distributed in the financial year	70,000,000	50,000,000
Retained earnings	47,427,842	19,659,516
	117,427,842	**69,659,516**

8 Intangible assets

	Completed development projects DKK	Acquired intangible assets DKK	Goodwill DKK
Cost beginning of year	3,300,979	22,027,278	1,177,661
Exchange rate adjustments	0	16,514	0
Additions	227,263	4,867,911	3,197,246
Disposals	0	(57,774)	0
Cost end of year	**3,528,242**	**26,853,929**	**4,374,907**
Amortisation and impairment losses beginning of year	(2,057,720)	(5,139,651)	(423,958)
Exchange rate adjustments	0	(16,703)	0
Impairment losses for the year	0	(6,876)	(471,064)
Amortisation for the year	(336,282)	(3,459,535)	(283,081)
Reversal regarding disposals	0	57,774	0
Amortisation and impairment losses end of year	**(2,394,002)**	**(8,564,991)**	**(1,178,103)**
Carrying amount end of year	**1,134,240**	**18,288,938**	**3,196,804**

9 Development projects

Development project comprise of new IT systems and solutions supporting BI, development of a new homepage etc. The systems creates optimization in operations across the group companies.

10 Property, plant and equipment

	Land and buildings DKK	Plant and machinery DKK	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK	Property, plant and equipment in progress DKK
Cost beginning of year	71,854,094	4,018,150	61,877,855	10,256,416	145,757
Exchange rate adjustments	(15,524)	(596,921)	(1,847)	(852,932)	(1,283)
Transfers	0	2,530,293	(2,526,403)	0	(3,890)
Additions	58,410	270,904	17,270,755	8,346,712	700,146
Disposals	0	(30,174)	(2,526,916)	0	(2,469)
Cost end of year	**71,896,980**	**6,192,252**	**74,093,444**	**17,750,196**	**838,261**
Depreciation and impairment losses beginning of year	(25,055,559)	(1,509,498)	(38,164,872)	(4,023,597)	0
Exchange rate adjustments	3,870	272,348	35,199	294,919	0
Transfers	0	(1,819)	1,819	0	0
Impairment losses for the year	0	(1,084,515)	(1,346,184)	0	(16,900)
Depreciation for the year	(2,833,139)	(871,751)	(6,654,173)	(2,327,555)	0
Reversal regarding disposals	0	8,460	1,863,504	0	0
Depreciation and impairment losses end of year	**(27,884,828)**	**(3,186,775)**	**(44,264,707)**	**(6,056,233)**	**(16,900)**
Carrying amount end of year	**44,012,152**	**3,005,477**	**29,828,737**	**11,693,963**	**821,361**

11 Financial assets

	Investments in associates DKK	Other receivables DKK
Cost beginning of year	666,667	1,385,204
Exchange rate adjustments	0	29,736
Additions	0	15,327
Disposals	(666,667)	0
Cost end of year	**0**	**1,430,267**
Revaluations beginning of year	34,684,564	0
Reversal regarding disposals	(34,684,564)	0
Revaluations end of year	**0**	**0**
Carrying amount end of year	**0**	**1,430,267**

Theca A/S is sold at the beginning of 2022 with a significant gain.

12 Deferred tax

	2022 DKK	2021 DKK
Intangible assets	(250,000)	(274,000)
Property, plant and equipment	(211,683)	(115,215)
Inventories	0	111,548
Liabilities other than provisions	1,531,272	1,432,917
Tax losses carried forward	1,067,165	944,282
Deferred tax	**2,136,754**	**2,099,532**

Changes during the year	2022 DKK	2021 DKK
Beginning of year	2,099,532	1,436,948
Recognised in the income statement	37,222	662,584
End of year	**2,136,754**	**2,099,532**

Deferred tax has been recognised in the balance sheet as follows	2022 DKK	2021 DKK
Deferred tax assets	2,469,423	2,285,747
Deferred tax liabilities	(332,669)	(186,215)
	2,136,754	**2,099,532**

Deferred tax assets

Deferred tax asset is expected to be actualised in future earnings in the Group over the next 3-5 years. There is a tax losses carried forward of DKK 2,4 mill that are not recognized.

13 Prepayments

Prepayments under current assets relate to costs in subsequent periods.

14 Cash

DKK 10 mill. is locked in an Escrow account. The amount will be desbursed at the latest in June 2023.

15 Contributed capital

	Number	Par value DKK	Nominal value DKK
Share capital	50	10,000.00	500,000
	50		**500,000**

16 Non-current liabilities other than provisions

	Due within 12 months 2022 DKK	Due within 12 months 2021 DKK	Due after more than 12 months 2022 DKK
Mortgage debt	3,594,328	4,466,064	9,812,588
Prepayments received from customers	0	0	96,414
	3,594,328	**4,466,064**	**9,909,002**

17 Deferred income

Deferred income contains income in subsequent periods.

18 Changes in working capital

	2022 DKK	2021 DKK
Increase/decrease in inventories	5,232,808	(92,908,502)
Increase/decrease in receivables	(60,948,455)	(21,375,133)
Increase/decrease in trade payables etc.	16,185,326	57,384,216
	(39,530,321)	**(56,899,419)**

19 Fair value information

	Other investments DKK
Fair value end of year	27,321,059
Unrealised fair value adjustments recognised in the income statement	(1,532,272)

20 Unrecognised rental and lease commitments

	2022 DKK	2021 DKK
Total liabilities under rental or lease agreements until maturity	10,093,545	13,022,593

21 Assets charged and collateral

Mortgage debt is secured by way of mortgages on properties. The carrying amount of mortgaged properties is TDKK 40.730.

22 Subsidiaries

	Registered in	Ownership %
UAB LTP TexDan	Kedaniniai, Lithaunia	100.00
UAB LTP	Kaunas, Lithaunia	100.00
UAB JMJ Baltic	Kaunas, Lithaunia	100.00
LTP Belvit	Vitebsk, Belarus	100.00
LTP Orlit	Vitebsk, Belarus	100.00
LTP Vietnam Company Limited	Ho Chi Minh City, Vietnam	100.00
LTP Ukraine LLC	Lviv, Ukraine	100.00
LTP Furniture Mexico	Saltillo, Mexico	100.00
LTP Balkan SRL	Botosani, Romania	100.00

Parent income statement for 2022

	Notes	2022 DKK	2021 DKK
Revenue		25,006,446	18,695,331
Other external expenses		(9,218,303)	(5,948,629)
Gross profit/loss		**15,788,143**	**12,746,702**
Staff costs	1	(14,978,150)	(12,659,350)
Depreciation, amortisation and impairment losses	2	(338,605)	(280,983)
Operating profit/loss		**471,388**	**(193,631)**
Income from investments in group enterprises		54,965,025	60,880,370
Income from investments in associates	3	62,660,261	7,136,996
Other financial income	4	3,513,998	2,576,344
Other financial expenses		(4,127,830)	(117,563)
Profit/loss before tax		**117,482,842**	**70,282,516**
Tax on profit/loss for the year	5	(55,000)	(623,000)
Profit/loss for the year	6	**117,427,842**	**69,659,516**

Parent balance sheet at 31.12.2022

Assets

	Notes	2022 DKK	2021 DKK
Completed development projects	8	1,134,240	1,243,259
Intangible assets	7	**1,134,240**	**1,243,259**
Leasehold improvements		0	2,323
Property, plant and equipment	9	**0**	**2,323**
Investments in group enterprises		284,938,081	229,893,076
Investments in associates		0	35,351,231
Other receivables		177,107	161,780
Financial assets	10	**285,115,188**	**265,406,087**
Fixed assets		**286,249,428**	**266,651,669**
Receivables from group enterprises		35,015,940	38,805,181
Other receivables		1,194,418	319,780
Tax receivable		118,000	59,000
Prepayments	11	318,548	1,091,585
Receivables		**36,646,906**	**40,275,546**
Other investments		27,321,059	0
Investments		**27,321,059**	**0**
Cash	12	**22,295,448**	**610,693**
Current assets		**86,263,413**	**40,886,239**
Assets		**372,512,841**	**307,537,908**

Equity and liabilities

	Notes	2022 DKK	2021 DKK
Contributed capital		500,000	500,000
Reserve for net revaluation according to equity method		249,579,673	233,220,430
Reserve for development costs		884,707	969,742
Retained earnings		95,918,722	65,579,878
Equity		**346,883,102**	**300,270,050**
Deferred tax	13	111,000	56,000
Provisions		**111,000**	**56,000**
Bank loans		10,738,093	2,493,365
Trade payables		865,941	1,501,399
Payables to group enterprises		400,000	0
Payables to owners and management		11,243,636	10,556
Other payables		2,271,069	3,206,538
Current liabilities other than provisions		**25,518,739**	**7,211,858**
Liabilities other than provisions		**25,518,739**	**7,211,858**
Equity and liabilities		**372,512,841**	**307,537,908**
Fair value information	14		
Contingent liabilities	15		
Assets charged and collateral	16		
Related parties with controlling interest	17		

Parent statement of changes in equity for 2022

	Contributed capital DKK	Reserve for net revaluation according to the equity method DKK	Reserve for development costs DKK	Retained earnings DKK	Proposed extraordinary dividend DKK
Equity beginning of year	500,000	233,220,430	969,742	65,579,878	0
Extraordinary dividend paid	0	0	0	0	(70,000,000)
Exchange rate adjustments	0	(814,790)	0	0	0
Dividends from group enterprises	0	(6,688,416)	0	6,688,416	0
Transfer to reserves	0	0	(85,035)	85,035	0
Profit/loss for the year	0	23,862,449	0	23,565,393	70,000,000
Equity end of year	**500,000**	**249,579,673**	**884,707**	**95,918,722**	**0**

	Total DKK
Equity beginning of year	300,270,050
Extraordinary dividend paid	(70,000,000)
Exchange rate adjustments	(814,790)
Dividends from group enterprises	0
Transfer to reserves	0
Profit/loss for the year	117,427,842
Equity end of year	**346,883,102**

Notes to parent financial statements

1 Staff costs

	2022 DKK	2021 DKK
Wages and salaries	13,446,867	10,554,377
Pension costs	1,438,499	2,037,807
Other social security costs	92,784	67,166
	14,978,150	**12,659,350**

Average number of full-time employees	**12**	**9**

	Remuneration of Management 2022 DKK	Remuneration of Management 2021 DKK
Executive Board	7,120,878	5,299,983
Board of Directors	1,117,915	845,000
	8,238,793	**6,144,983**

Special incentive programmes
LTP Group has established a warrant program for members of the Executive Management. The warrant are granted in accordance with the authorizations given to the Board of Directors by the shareholders. The Board of Directors has fixed the terms of and the size of the grants of warrants, taking into account authorizations from the shareholders, and an assessment of expectations of the Group´s growth. Grant takes place as of January 1, 2023. Exercise of warrants is by default subject to continuing employment with LTP Group.

Remuneration to Excutive Board includes severance pay.

2 Depreciation, amortisation and impairment losses

	2022 DKK	2021 DKK
Amortisation of intangible assets	336,282	253,153
Depreciation on property, plant and equipment	2,323	27,830
	338,605	**280,983**

3 Income from investments in associates

Income from investments in associates include profit from sale of shares.

4 Other financial income

	2022 DKK	2021 DKK
Financial income from group enterprises	1,507,649	366,944
Other interest income	2,006,349	2,209,400
	3,513,998	**2,576,344**

5 Tax on profit/loss for the year

	2022 DKK	2021 DKK
Change in deferred tax	55,000	623,000
	55,000	**623,000**

6 Proposed distribution of profit and loss

	2022 DKK	2021 DKK
Extraordinary dividend distributed in the financial year	70,000,000	50,000,000
Retained earnings	47,427,842	19,659,516
	117,427,842	**69,659,516**

7 Intangible assets

	Completed development projects DKK
Cost beginning of year	3,300,979
Additions	227,263
Cost end of year	**3,528,242**
Amortisation and impairment losses beginning of year	(2,057,720)
Amortisation for the year	(336,282)
Amortisation and impairment losses end of year	**(2,394,002)**
Carrying amount end of year	**1,134,240**

8 Development projects

Development project comprise of new IT systems and solutions supporting BI, development of a new homepage etc. The systems creates optimization in operations across the group companies.

9 Property, plant and equipment

	Leasehold improvements DKK
Cost beginning of year	83,493
Cost end of year	**83,493**
Depreciation and impairment losses beginning of year	(81,170)
Depreciation for the year	(2,323)
Depreciation and impairment losses end of year	**(83,493)**
Carrying amount end of year	**0**

10 Financial assets

	Investments in group enterprises DKK	Investments in associates DKK	Other receivables DKK
Cost beginning of year	31,032,099	666,667	161,780
Additions	4,326,309	0	15,327
Disposals	0	(666,667)	0
Cost end of year	**35,358,408**	**0**	**177,107**
Revaluations beginning of year	198,860,977	34,684,564	0
Exchange rate adjustments	(814,790)	0	0
Amortisation of goodwill	(753,703)	0	0
Share of profit/loss for the year	55,718,729	0	0
Dividend	(6,688,416)	0	0
Investments with negative equity value depreciated over receivables	3,256,876	0	0
Reversal regarding disposals	0	(34,684,564)	0
Revaluations end of year	**249,579,673**	**0**	**0**
Carrying amount end of year	**284,938,081**	**0**	**177,107**

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

Theca A/S is sold at the beginning of 2022 with a significant gain.

11 Prepayments

Prepayments under current assets relate to costs in subsequent periods.

12 Cash

The entity has 10 mil. DKK locked in an Escrow account. The amount will be disbursed at the latest in june 2023.

13 Deferred tax

	2022 DKK	2021 DKK
Intangible assets	250,000	274,000
Property, plant and equipment	(10,000)	(15,000)
Tax losses carried forward	(129,000)	(203,000)
Deferred tax	**111,000**	**56,000**

Changes during the year	2022 DKK	2021 DKK
Beginning of year	56,000	(567,000)
Recognised in the income statement	55,000	623,000
End of year	**111,000**	**56,000**

14 Fair value information

	Other investments DKK
Fair value end of year	27,321,059
Unrealised fair value adjustments recognised in the income statement	(1,532,272)

15 Contingent liabilities

Liabilities under rental or lease agreements until maturity in total 834.832 DKK.

16 Assets charged and collateral

The Entity has guaranteed the subsidiaries' debt to Sydbank. The subsidiaries' bank debt amounts to DKK 4.096.630 as of 31.12.2022.

17 Related parties with controlling interest

The Entity did not carry out any substantial transactions with related parties that were not concluded on market conditions. According to Section 98c (7) of the Danish Financial Statements Act, information is provided only about transactions that have not been concluded on commen market conditions.

Accounting policies

Reporting class

The consolidated financial statements have been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (large). The parent financial statements have been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

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. Minority interests' pro rata shares of the profit/loss and the net assets are disclosed as separate items in Management's proposal for the distribution of net profit/loss and equity, respectively.

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 10 years. Useful life is reassessed annually. Negative balances (negative goodwill) are recognised as income in the income statement.

The uniting-of-interests method is applied on acquisition of enterprises, mergers, demergers, contributions of assets and exchanges of shares, etc. in which the enterprises concerned are controlled by the Parent. Under the uniting-of-interests method, the acquiree's assets and liabilities are recognised at their carrying amounts, adjusted for any differences in accounting policies. The difference between the consideration agreed and the carrying amount of the acquiree is recognised in equity. The comparative figures are restated.

Profit or loss from divestment of enterprises

Profits or losses from divestment or winding-up of enterprises are calculated as the difference between selling price or settlement price and the carrying amount of the net assets at the time of divestment and winding-up, respectively.

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. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

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 classified directly as equity.

Exchange adjustments of outstanding accounts with independent foreign subsidiaries, which are considered part of the total investment in the subsidiary in question, are classified directly as 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.

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. Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Other operating income

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

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs

Staff costs comprise wages and salaries, and social security contributions, pension contributions, etc. for entity staff.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, and gains and losses from the sale of intangible assets and property, plant and equipment.

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.

Income from investments in associates
Income from investments in associates comprises the pro rata share of the individual associates, profit/loss after pro rata elimination of intra-group profits or losses. In addition the accounting item this year consists of a significant gain from sale of shares.

Other financial income
Other financial income comprises dividends etc. received on other investments, interest income, 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. For one amount of goodwill, it has not been possible to estimate useful life reliably, for which reason such useful life has been set at 10 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.

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, subsuppliers 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:

	Useful life
Buildings	10-20 years
Plant and machinery	2-10 years
Leasehold improvements	2-5 years

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

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.

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

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

Associates with negative equity value are measured at DKK 0. Any receivables from these associates 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 associate, 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 associates is transferred to reserve for net revaluation according to the equity method in equity.

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

Investments in associates fall within the definitions of both participating interests and associates, yet in these consolidated financial statements they have been presented as investments in associates because this designation reflects more accurately the Group's involvement in the relevant entities.

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

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.

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.

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.

Other investments (current assets)
Other current asset investments comprise listed securities measured at fair value (market price) at the balance sheet date.

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.

Operating leases
Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

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, short-term bank loans, purchase of treasury shares and payment of dividend.

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