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LTP GROUP A/S

Bryghuspladsen 8
1473 København K
Central Business Registration
No 17974246

Annual report 2019

The Annual General Meeting adopted the annual report on 11.05.2020

Chairman of the General Meeting

Name: Morten Østergaard

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Entity details

Entity
LTP GROUP A/S
Bryghuspladsen 8
1473 København K

Central Business Registration No (CVR): 17974246
Registered in: København
Financial year: 01.01.2019 - 31.12.2019

Board of Directors
Jan Jakobsen, Chairman
Morten Østergaard
Jon Skovhus Knudsen
Astrid Haug
Peter Midtgaard

Executive Board
Morten Østergaard, Chief Executive Officer

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 01.01.2019 - 31.12.2019.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2019 and of the results of its operations and cash flows for the financial year 01.01.2019 - 31.12.2019.

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, 11.05.2020

Executive Board

Morten Østergaard
Chief Executive Officer

Board of Directors

Jan Jakobsen Chairman	Morten Østergaard	Jon Skovhus Knudsen
Astrid Haug	Peter Midtgaard	

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 01.01.2019 - 31.12.2019, 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 31.12.2019, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2019 - 31.12.2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

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

Management is responsible for the preparation of consolidated financial statements and parent financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Parent'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 Group or 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

Independent auditor's report

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 these 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 Parent’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 Parent’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.

Independent auditor's report

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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, 11.05.2020

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 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

	2019 DKK'000	2018 DKK'000	2017 DKK'000	2016 DKK'000	2015 DKK'000
Financial highlights					
Key figures					
Revenue	726.353	614.121	510.202	439.018	412.026
Gross profit/loss	205.330	174.514	150.563	130.553	126.518
Operating profit/loss	55.966	47.643	44.128	40.840	47.542
Net financials	14.613	9.560	1.290	7.918	7.840
Profit/loss for the year	61.693	49.939	40.142	42.443	47.538
Total assets	358.398	353.786	272.486	216.037	210.148
Investments in property, plant and equipment	11.030	37.104	15.441	8.963	10.919
Equity	255.653	214.194	188.613	156.271	144.426
Average invested capital incl goodwill	193.777	156.862	131.579	114.180	95.050
Ratios					
Gross margin (%)	28,3	28,4	29,5	29,7	30,7
Net margin (%)	8,5	8,1	7,9	9,7	11,5
Return on invested capital incl goodwill (%)	29,3	30,8	33,9	36,2	50,4
Revenue/Invested capital incl goodwill	3,7	3,9	3,9	3,8	4,3
Return on equity (%)	26,3	24,8	23,3	28,2	36,6
Equity ratio (%)	71,3	60,5	69,2	72,3	68,7

Financial highlights are defined and calculated in accordance with the Danish Finance Society.

Ratios	Calculation formula	Calculation formula reflects
Gross margin (%)	$\frac{\text{Gross profit/loss x 100}}{\text{Revenue}}$	The entity's operating gearing.
Net margin (%)	$\frac{\text{Profit/loss for the year x 100}}{\text{Revenue}}$	The entity's operating profitability.
Return on invested capital incl goodwill (%)	$\frac{\text{EBITA x 100}}{\text{Average invested capital incl goodwill}}$	The return generated by the entity on the investors' funds.
Revenue/Invested capital incl goodwill	$\frac{\text{Revenue}}{\text{Average invested capital incl goodwill}}$	Turnover rate of capital employed by the entity.
Return on equity (%)	$\frac{\text{Profit/loss for the year x 100}}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity x 100}}{\text{Total assets}}$	The financial strength of the entity.

EBITA (Earnings Before Interest, Tax and Amortisation) is defined as operating profit plus the year's amortisation of and impairment losses relating to intangible assets including goodwill.

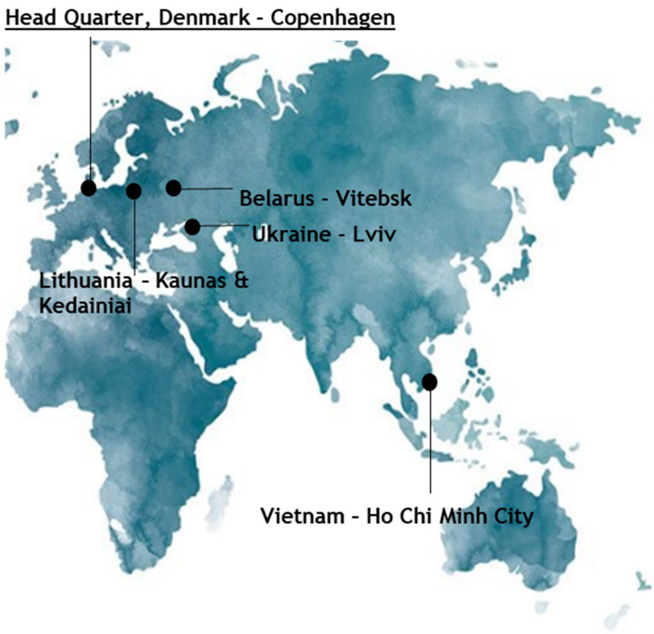
Invested capital including goodwill is defined as net working capital plus the carrying amount of property, plant and equipment and intangible assets as well as accumulated amortisation of intangible assets including goodwill, and less other provisions and long-term operating liabilities. Accumulated impairment losses relating to goodwill are not added.

Net working capital is defined as inventories, receivables and other operating current assets net of trade payables and other short-term operating liabilities. Income taxes receivable and payable as well as cash are not included in net working capital.

Management commentary

Primary activities
LTP Group is grown into a global production partner for forward-thinking garment and furniture brands. LTP continually focus in strengthening the offering of competitive, technically complex production capabilities and services, delivered by our passionate and committed employees.

LTP partner up with ambitious brands that are eager to innovate and lead the way forward. LTP invest in establishing a digitalized customer-focused platform to support a competitive and agile partnership, value-adding-model to our customers.



The production sites are in 4 countries in Europe and Asia and count 9 modern factories.

The Garment division deliver an output of more than 2,5 million pcs. per year of finished garment, manufactured +1.400 skilled and reliable employees and sub-contracting partners. +60 premium brands within active sport, outdoor, athleisure and sustainable fashion are served from our five Bluesign® /GOTS certified factories in Lithuania, Belarus, Ukraine and Vietnam.

In the Contract furniture division, more than 30 brands are supplied within the product range including: Visitor chairs, Soft seating, Design chairs, Public seating, Acoustic panels and screens, Bed textiles and Accessories. From one of the 4 factories – represented > 20.000 square meters of production facilities in Lithuania, employing +600 employees, a new furniture part is completed every 15 second corresponding to > 2 million pcs.

In 2019 LTP established a strategic partnership with Nuvar Inc., located in Michigan, US. A partnership giving our furniture brands a possibility to establish sales in the attractive US market, having the production close to the customers.

LTPs main markets are in North Europe and Scandinavia.

Results for 2019 and outlook for 2020

LTP Group concluded 2019 by presenting a satisfying group profit before tax of DKK 70.579k versus DKK 57,202k in 2018, exceeding the expectations for the year. Revenue grew by 18%, which carried an increase in profit by 24% following a conscious and well controlled cost base.

Outlook and expectations
Ahead of the outbreak and spread of the COVID-19 management expectations for 2020 was kept on a double-digit growth level in revenue and an estimated profit of DKK 55-60 mill. Both divisions have a solid position

Management commentary

and continuously strong momentum in their market segments, notwithstanding the general economic climate at the end of 2019 was considered uncertain.

The outbreak of COVID-19 in the beginning of 2020 did change our daily routines and strategic priorities and created a need for responsible and well considered actions to protect our employees, our operations and our business partners. A crisis-team and -process were urgently established, and the local management teams took considerable responsibility to ensure all LTP factories continuing as normal. Precautions such as high focus on hygiene, social distancing, cough/sneeze behaviour, daily temperature measurement of employees, double shifts, no interactions between production sites, cancellations/postponements of visits from or to business partners were immediately mobilized. In addition, the securing of material supply and distribution of products was critical to ensure fulfilment of the commitments towards the customers.

The full impact of COVID-19 on the garment and furniture industry is uncertain, yet management has acted responsible and agile to limit the impact of the LTP financial performance outlook by cost reductions and cost postponements. At the time of completion of the Annual Report for 2019 management assess the outbreak and spread of COVID-19 will reduce the revenue expectations by more than 20%.

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.

Management do not find it possible to conduct a reliable assessment of the elimination of the COVID-19 impact and the timing for when the revenue will be normalized. The alertness will stay high on the management agenda to continue to act in a responsible manner, yet a strategic focus on post COVID-19 develops rapidly.

Particular risks

Risk management

LTP is exposed to several general and specific commercial and financial risks which may have impact on LTP Group’s future growth, activities, financial position, and results. The risks are deemed as natural related to the garment and furniture industry.

Management consider an efficient risk management to be an integrated part of the LTP group activities and strive to conduct continuously monitoring to mitigate identified risks and to assess if the risks changes. Policies and procedures have been determined to ensure efficient management of the identified risks.

The risks which are deemed to have the largest potential impact on LTP’s business are described below. The risks are not ranked in any order of priority.

Industry

In most markets being a manufacturer within textile is characterized by tough price competition, increased demands for sustainable production and materials, and the competition in getting qualified workers.

Management commentary

Attract and retain employees

LTP focuses on developing individual employees, on career development and on delegating responsibility to the employees. Further LTP strive to offer competitive terms of pay and employment.

Financial risk

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 Euribor 6 months.

Currency exposure is mainly managed with a natural hedge. Some exposure is present between VND/USD and EUR/USD. No forward cover has been entered into.

IT security

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.

Insurance

The company insurance matters and risks are assessed annually in corporation with insurance brokers. Properties, operating equipment and inventories are covered on a replacement cost.

Statutory report on corporate social responsibility

Reporting on responsibility

LTP is part of the global garment and furniture industry, an industry known for having a momentous impact on the environment. The fashion industry is responsible for up to 10% of global CO2 emissions, 20% of the world's industrial wastewater, 24% of insecticides and 11% of pesticides use. In addition, a big part of the 60 million of sewers around the world are still working under poor conditions. LTP acknowledge to have a significant role for acting to create a sustainable world and consider CSR as a strategic imperative. LTP Group's management is committed to ensure that the Group meets its social and environmental responsibilities, and regard sustainability as a prerequisite for continuously business success.

Management commentary

LTP Group adhere to the UN Global Compact Principles and by LTPs participation in the SDG Accelerator Program, LTP in addition participated to engage the Danish midsize industry's commitment in achieving the 17 sustainable development goals defined by UN. The 10 principles are based on internationally adopted declarations and conventions in the 4 following areas:

- Human rights
- Labor standards
- Environment
- Anti-corruption

LTP use these principles as the overall framework to guide our policies and processes. For LTP, corporate sustainability starts with the values, and in LTP the fundamentals of the operations are anchored herein: CARE – TRUST – CHALLENGE. LTPs presence in several markets with a diversity in culture requires LTP to enact the same values and principles wherever they operate to ensure the compliance of social responsibility and ethical behavior.

Human rights and Labor Standards

Policy

LTP supports and respects the Universal Declaration of Human Rights which is outlined in the UN Global Compact principles 1-6. As an employer of approximately 2.000 people from a variety of cultures and locations, we believe our focus in these principles will lead to a shared view of the principles and ensure an ethical approach to employee rights and a Safe and Healthy Working Environment for all employees.

LTP Group warrants to cease from any discrimination regarding race, skin color, religion, political, sexual orientation, gender, national origin or social rank or status. Discrimination is cruel to individuals, minority groups and people in general.

Acknowledgement of the freedom of association and the right to collective bargaining, if not restricted by national laws of the factory/subcontractor/supplier, is always respected by LTP Group. Working by free is essential, and LTP Group takes a strong stance against any form of forced or compulsory labor, and all employees are regulated by contracts ensuring their rights as employees as well as transparency in the relation between employer and employee.

LTP has established procedures for ensuring a safe work environment and to ensure compliance with all local safety legislation at our locations.

Risks

LTP recognize *the risk* of breach of human rights and working conditions in the global supply chain. In the SDG Accelerator Program, an initiative to create transparency and connection between sewers and consumers was initiated in 2018. The platform & labelling concept aims to build a concept which could go far beyond our own network and could improve the working conditions for millions of sewers. The SDG Accelerator Program is concluded, and LTP has taken leanings from the program which has led to an LTP initiative named UNITE.

Management commentary

Achievements and goals

A Business Partner Program for subcontractors and suppliers are setting the minimum requirements to respect labor standards and human rights. Following the development of the concept and establishing the platform and labelling, the program was launched to 2-3 selected customers in 2019. The work to further define the details has been ongoing in 2019.

The UNITE project in the Garment division in Vietnam is a result of the Business Partner Program, which is established together with a key partner. Via UNITE, LTP has taken the initiative to support the UN Sustainable Development Goals: No poverty – good health & well-being – quality education. The project requires manufacturers, brands and consumers to UNITE in setting new standards.

The goal for the UNITE project is together with our customers to educate 100 sewers by 2023 by basic and high school education.

LTP will provide a package of services for the customer to use for transparency and promotion towards the consumer, including among other: The 'Consciously Crafted By LTP' including QR code to lead consumers to relevant information about the social conditions.

The Business Partner Program and planning hereof will continue during 2020. The first group of sewers sign up for education are expected to start in 2021.

In Contract Furniture the Mobelfakta social compliance checklist is used when auditing our production locations. The checklist supports the furniture companies in their work with social responsibility. During 2019 4 production locations were audited and improvement opportunities was identified. For 2020 the goal is to address all improvement opportunities to fully comply to Mobelfakta checklist.

LTP commit to comply to the Code of Conduct as set by the Federation of Danish Textile & Clothing. All our factories are reviewed from the defined LTP factory standard, which is setting the standards in terms of safety and labor rights.

Management commentary

To govern the compliance to the highest social and environmental standards in the industry, LTP Garment has renewed the below described certificates at our four own factories:

Location	Certificate	Validity
LTP UAB, Kaunas, Lithuania	BlueSign System® GOTS Higg Index Ohsas 18001:2007	No expire 1 December 2020 No expire 11 March 2021
LTP Vietnam Ltd, Ho Chi Minh City, Vietnam	BlueSign System® Danish embassy FWF BSCI Higg Index	No expire No expire 31 August 2022 No expire No expire
LTP Belvit, Vitebsk, Belarus	BlueSign System® GOTS FWF	No expire 1 December 2020 1 October 2021
LTP Ukraine, Lviv, Ukraine	BlueSign System® GOTS FWF	No expire 1 December 2020 16 May 2022

BlueSign System® puts the whole production chain in focus. It has focus on the product itself, in terms of sound materials, and also the chain of production, from raw materials to finished products. The certification covers: Resource productivity, consumer safety, water emissions, air emissions and occupational health and safety.

GOTS - Global Organic Textile Standard was developed through collaboration by leading standard setters with the aim of defining requirements that are recognised world-wide and that ensure the organic status of textiles from harvesting of the raw materials through environmentally and socially responsible manufacturing all the way to labelling in order to provide credible assurance to the consumer. Each production step is checked, no chemicals are used.

Fair Wear Foundation (FWF) is a European multi-stakeholder initiative working to improve workplace conditions in the garment and textile industry. Governed by labour unions, NGOs and business associations, FWF verifies that its member companies implement the FWF Code of Labour Practices in their supply chains. FWF is acting is risk countries.

Business Social Compliance Initiative (BSCI) is a leading global business association for open and sustainable trade. The mission for each of the members is to enhance human prosperity, use of natural resources responsibly and drive open trade globally. BSCI has defined a code of conduct including 11 principles. BSCI provides services for monitoring, an auditing programme for the members.

Management commentary

The Higg Index is developed by the Sustainable Apparel Coalition and provide a suite of tolls that enables brands, retailers, and facilities of all sizes to accumulate measure and score a company or product's sustainability performance.

OHSAS 18001:2007 is an International certification for Occupational Health and Safety Management providing a framework to identify, control and decrease the risks associated with health and safety within the workplace.

Environment

Policy

The UN Global Compact principles 7-9 outline the guiding of responsibilities within the area of environment. LTP Group care about the environment, and we continuously aim to minimize our environmental footprint.

Risks

LTP operates in an industry which is known to have a significant impact on the environment in terms of use of chemicals, water waste and CO2. Our inhouse production sites are in Lithuania, Vietnam, Belarus and Ukraine, and LTP use sub-contracting as well. Notwithstanding, all the efforts LTP do and will do to minimize the footprint on the climate, there is a risk of breach of the standards set by LTP somewhere in the value chain.

Achievements and goals

It is the aim of LTP to maintain all certificates.

LTP Contract Furniture is FSC-certified. FSC is a rigorous, credible forest certification system. The Forest Stewardship Council™ (FSC) ensures the full supply chain to follow rigid ecological, social and financial standards. *The goal* for 2020 is to have all carton and all wooden frames for soft seating to be based on FSC materials, and by 2021 al other wooden material as well.

LTP believe that taking charge of the environmental footprint arising from our productions is a must. The focus has been reducing the use of plastic and glue. Today all plastic packaging received is sent for recycling.

The products produced in LTP Group involves the use of plastics bags, and LTP strive to replace the use of traditional plastic bags with recycle plastic bags. In LTP Garment we buy 1,5 mill bags per year. LTP Garment now offer recycled plastic bags as part of the standard offering, and in 2019 12% of the plastic bags outgoing from the production in Lithuania were in recycled plastic. *The short-term goal* by end

Go clean – Get green Day

A great initiative by the LTP Vietnam Co., Ltd. during 2019 supporting the responsibility for employees and for the environment. More than 400 people, LTP managers, employees and their families, joined the 'Go clean – Get green Day'. The purpose of the day was to create awareness of the responsibility for our environment going beyond the responsibility of the companies and the government. It is the responsibility of all of us in taking care of our environment, and to educate our children in being conscious of how to prevent environmental damage.

All participants went to a beach in Vung Tau City and collected garbage. The garbage was sorted in inorganic and organic waste to ensure optimal share of garbage for recycling. The LTP Vietnam team managed to fill up a big truck.

Management commentary

of 2020 is to have 25% of the plastic bags replaced by recycled plastic, and 50% in 2022. In LTP Contract furniture 11% of all plastic bags was recycled in 2019. For 2020 the goal is 25% and for 2022 50%.

The use of solvent based glue damage the environment, and end of 2019 almost all upholstered products leaving the LTP Contract furniture production is manufactured using water-based glue. The goal for 2020 is to fully exclude solvent based glue from our production.

LTP Group's policy in energy consumption focus to limit the consumption in all processes in fully owned factories and to reduce the CO_2 emission per produced piece. In 2019 the emission elements are identified and measures to follow the emission related to gas, electricity, solid waste, diesel, flights, inbound transport and internal transport are defined. The count of CO_2 emission does not include el/gas/waste for sub-contractors or material suppliers.

In the table below the status of CO_2 emissions per division and per location is listed for Europe and for Asia. LTP target is to decrease the CO_2 emission by 50% towards 2030.

		Location	Implemented	Avg. 2016-18 CO2 kg/pcs	2019 CO2 kg/pcs
Garment	Europe	LTP UAB, Kaunas, Lithuania	100% green Lithuanian electricity from renewable sources	1,86	1,83
		LTP Belvit, Vitebsk, Belarus	All lights in the factory are based on LED light		
		LTP Ukraine LLC, Lviv, Ukraine	All lights in the factory are based on LED light		
	Asia	LTP Vietnam Ltd, Ho chi Minh City, Vietnam	Sourcing of green energy All lights in the factory are based on LED light	0,67	0,63
Furniture	Europe	LTP Texdan UAB, Kedainiu, Lithuania	Energy audit completed 100% green Lithuanian electricity from renewable sources Solar panels installed, covering 10% of total electricity used	0,79	0,56

Management commentary

Anti-corruption

Policy

The 10th principle of the UN Global Compact principles sets the guiding for Anti-Corruption. LTP Group focuses on preventing corruption in all its forms, including extortion and bribery. Strong focus on internal policies and processes to prevent corruption challenges.

Risk

LTP assess the risk on a country by country base. The largest *risk* within the area of anti-corruption is seen in LTP presence in Vietnam, having a fully stand-alone setup. LTP also operates in Belarus and in Ukraine, countries that are perceived to have an increased risk (Corruption Perception Index 2019). Nevertheless, in LTP the risk is seen as limited as the locations in Belarus and Ukraine are inhouse sub-contracting serving only one customer: LTP UAB, providing cutting and sewing services.

For LTP Vietnam a strict Anti-corruption and fraud policy has been implemented. *The policy* and related procedures are audited by an external audit company upon request, and actions are immediately taken if any non-compliance is detected.

Achievements and goals

In garment as well as in furniture area, defined standardized customer contracts ensure that our closest business partners adopt the same strict approach. All new customers are introduced to the standard

The goal for 2020 will be to adjust the anti-corruption and fraud policy, for each of the countries having LTP presence, with the purpose of tailor-made procedures based on a risk approach.

Statutory report on the underrepresented gender

Pursuant to the Danish Companies Act, the Board has set a target for the proportion of General Meeting-elected female board members of at least 20% (corresponding to 1 female in the Board of directors with 5 members elected at the general meeting). The present proportion og General Meeting-elected female board members is 1 female and 4 males. The target proportion is met.

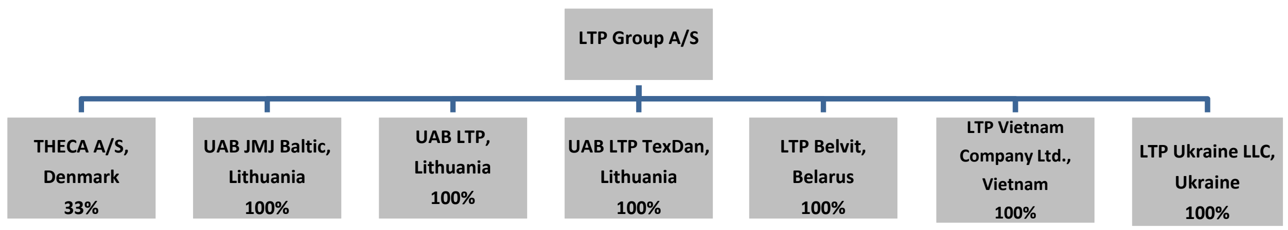
For other layers of management, no policies have been set as there are less than 50 employees in the Danish Company and there is not any requirements for policies for the under-represented gender in foreign subsidiaries.

Events after the balance sheet date

Except for the above mentioned COVID-19 events, no events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Management commentary

Group Overview



Consolidated income statement for 2019

	Notes	2019 DKK	2018 DKK
Revenue	2	726.352.747	614.121.295
Other operating income		1.070.003	810.068
Cost of sales		(490.511.767)	(414.155.632)
Other external expenses	3	(31.580.519)	(26.261.647)
Gross profit/loss		**205.330.464**	**174.514.084**
Staff costs	4	(139.928.771)	(119.551.292)
Depreciation, amortisation and impairment losses	5	(9.308.103)	(7.268.092)
Other operating expenses		(127.978)	(52.078)
Operating profit/loss		**55.965.612**	**47.642.622**
Income from investments in associates		12.353.255	8.289.394
Other financial income		3.676.005	2.785.562
Other financial expenses		(1.415.956)	(1.515.091)
Profit/loss before tax		**70.578.916**	**57.202.487**
Tax on profit/loss for the year	6	(8.885.782)	(7.263.556)
Profit/loss for the year	7	**61.693.134**	**49.938.931**

Consolidated balance sheet at 31.12.2019

	Notes	2019 DKK	2018 DKK
Completed development projects		215.878	502.525
Acquired intangible assets		2.699.774	666.363
Development projects in progress		15.380.149	10.000.000
Intangible assets	8	**18.295.801**	**11.168.888**
Land and buildings		51.078.398	52.585.951
Plant and machinery		2.668.468	1.424.640
Other fixtures and fittings, tools and equipment		18.844.703	17.042.512
Leasehold improvements		7.295.784	6.943.804
Property, plant and equipment in progress		42.121	308.376
Property, plant and equipment	9	**79.929.474**	**78.305.283**
Investments in associates		34.165.813	26.795.323
Other receivables		1.376.232	1.576.862
Fixed asset investments	10	**35.542.045**	**28.372.185**
Fixed assets		**133.767.320**	**117.846.356**
Raw materials and consumables		79.095.020	79.924.611
Work in progress		19.583.791	22.981.575
Prepayments for goods		9.090.610	11.516.331
Inventories		**107.769.421**	**114.422.517**
Trade receivables		71.169.622	67.061.382
Receivables from associates		2.514	0
Deferred tax	12	1.235.807	1.482.699
Other receivables		6.924.727	16.357.888
Income tax receivable		226.694	0
Prepayments		941.836	675.862
Receivables		**80.501.200**	**85.577.831**
Cash		**36.360.224**	**35.939.718**
Current assets		**224.630.845**	**235.940.066**
Assets		**358.398.165**	**353.786.422**

Consolidated balance sheet at 31.12.2019

	Notes	2019 DKK	2018 DKK
Contributed capital		500.000	500.000
Reserve for net revaluation according to the equity method		33.499.147	26.128.656
Other statutory reserves		548.320	548.320
Retained earnings		221.105.945	187.017.313
Equity		**255.653.412**	**214.194.289**
Deferred tax	12	118.557	298.373
Provisions		**118.557**	**298.373**
Mortgage debt		19.842.130	22.707.634
Other payables	13	242.469	0
Non-current liabilities other than provisions	14	**20.084.599**	**22.707.634**
Current portion of long-term liabilities other than provisions	14	3.989.641	3.196.781
Bank loans		218.087	2.085.358
Prepayments received from customers		11.600.554	27.047.606
Trade payables		46.965.749	65.903.416
Income tax payable		2.316.831	1.467.314
Other payables		17.357.274	15.204.597
Deferred income		93.461	1.681.054
Current liabilities other than provisions		**82.541.597**	**116.586.126**
Liabilities other than provisions		**102.626.196**	**139.293.760**
Equity and liabilities		**358.398.165**	**353.786.422**

Events after the balance sheet date	1
Associates	11
Unrecognised rental and lease commitments	16
Assets charged and collateral	17
Transactions with related parties	18
Subsidiaries	19

Consolidated statement of changes in equity for 2019

	Contributed capital DKK	Reserve for net revaluation according to the equity method DKK	Other statutory reserves DKK	Retained earnings DKK
Equity beginning of year	500.000	26.128.656	548.320	187.017.314
Extraordinary dividend paid	0	0	0	0
Exchange rate adjustments	0	17.236	0	(251.248)
Dividends from associates	0	(5.000.000)	0	5.000.000
Profit/loss for the year	0	12.353.255	0	29.339.879
Equity end of year	**500.000**	**33.499.147**	**548.320**	**221.105.945**

	Proposed extraordinary dividend DKK	Total DKK
Equity beginning of year	0	214.194.290
Extraordinary dividend paid	(20.000.000)	(20.000.000)
Exchange rate adjustments	0	(234.012)
Dividends from associates	0	0
Profit/loss for the year	20.000.000	61.693.134
Equity end of year	**0**	**255.653.412**

Consolidated cash flow statement for 2019

	Notes	2019 DKK	2018 DKK
Operating profit/loss		55.965.614	47.447.304
Amortisation, depreciation and impairment losses		9.442.729	7.268.092
Working capital changes	15	(21.918.251)	(2.764.325)
Cash flow from ordinary operating activities		**43.490.092**	**51.951.071**
Financial income received		3.676.005	2.785.562
Financial expenses paid		(1.415.956)	(1.515.091)
Income taxes refunded/(paid)		(8.195.883)	(6.016.949)
Cash flows from operating activities		**37.554.258**	**47.204.593**
Acquisition etc of intangible assets		(7.894.668)	(10.532.398)
Acquisition etc of property, plant and equipment		(10.299.169)	(35.636.592)
Dividends received from associates		5.000.000	4.000.000
Cash flows from investing activities		**(13.193.837)**	**(42.168.990)**
Loans raised		0	20.390.516
Repayments of loans etc		(2.072.644)	(1.446.864)
Dividend paid		(20.000.000)	(24.000.000)
Cash flows from financing activities		**(22.072.644)**	**(5.056.348)**
Increase/decrease in cash and cash equivalents		**2.287.777**	**(20.745)**
Cash and cash equivalents beginning of year		33.854.360	33.875.105
Cash and cash equivalents end of year		**36.142.137**	**33.854.360**
Cash and cash equivalents at year-end are composed of:			
Cash		36.360.224	35.939.718
Short-term debt to banks		(218.087)	(2.085.358)
Cash and cash equivalents end of year		**36.142.137**	**33.854.360**

Notes to consolidated financial statements

1. Events after the balance sheet date

The full impact of COVID-19 on the garment and furniture industry is uncertain, yet management has acted responsible and agile to limit the impact of the LTP financial performance outlook by cost reductions and cost postponements. At the time of completion of the Annual Report for 2019 management assess the outbreak and spread of COVID-19 will reduce the revenue expectations by more than 20%.

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.

Except for the above mentioned COVID-19 events, no events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

2. Revenue

Pursuant to the derogations in section 96 (1) of the Danish Financial Statements Act the Company has not disclosed distribution of revenue across segments as Management estimates that the specification could cause significant damage to the Company.

	2019 DKK	**2018 DKK**
3. Fees to the auditor appointed by the Annual General Meeting		
Statutory audit services	57.000	55.500
Other assurance engagements	235.497	238.370
Tax services	45.277	92.901
Other services	132.858	96.025
	470.632	**482.796**

Fees to foreign auditors not appointed by the Annual General Meeting included in above amount to DKK 235k relating to other assurance engagements (DKK 238k in 2018) and DKK 45k to tax services (DKK 93k in 2018).

	2019 DKK	**2018 DKK**
4. Staff costs		
Wages and salaries	134.724.691	98.893.536
Pension costs	1.456.485	908.817
Other social security costs	3.747.595	19.748.939
	139.928.771	**119.551.292**
Average number of employees	**1.826**	**1.693**

Notes to consolidated financial statements

	Remuneration of management 2019 DKK	Remuneration of management 2018 DKK
Total amount for management categories	4.689.424	4.046.496
	4.689.424	**4.046.496**

Remuneration of Management is present on a total amount for management categories with reference to Section 98b (3) of Danish Financial Statements Act.

	2019 DKK	2018 DKK
5. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	767.755	645.850
Depreciation of property, plant and equipment	8.540.348	6.622.242
	9.308.103	**7.268.092**

	2019 DKK	2018 DKK
6. Tax on profit/loss for the year		
Current tax	8.803.373	7.154.027
Change in deferred tax	67.076	82.929
Adjustment concerning previous years	15.333	26.600
	8.885.782	**7.263.556**

	2019 DKK	2018 DKK
7. Proposed distribution of profit/loss		
Extraordinary dividend distributed in the financial year	20.000.000	24.000.000
Retained earnings	41.693.134	25.938.931
	61.693.134	**49.938.931**

Notes to consolidated financial statements

	Completed develop-ment projects DKK	Acquired intangible assets DKK	Develop-ment projects in progress DKK
8. Intangible assets			
Cost beginning of year	1.767.485	3.395.408	10.000.000
Exchange rate adjustments	0	16.285	0
Additions	66.850	2.443.646	5.380.149
Disposals	0	(73.367)	0
Cost end of year	**1.834.335**	**5.781.972**	**15.380.149**
Amortisation and impairment losses beginning of year	(1.264.960)	(2.729.045)	0
Exchange rate adjustments	0	(12.262)	0
Amortisation for the year	(353.497)	(414.258)	0
Reversal regarding disposals	0	73.367	0
Amortisation and impairment losses end of year	**(1.618.457)**	**(3.082.198)**	**0**
Carrying amount end of year	**215.878**	**2.699.774**	**15.380.149**

Development projects

Development projects in progress comprise of the new IT system applied in the Group. The new IT system will create optimization in operations across the group companies.

Notes to consolidated financial statements

	Land and buildings DKK	Plant and machinery DKK	Other fixtures and fittings, tools and equipment DKK	Leasehold improve-ments DKK
9. Property, plant and equipment				
Cost beginning of year	73.474.055	1.043.238	47.992.628	8.170.039
Exchange rate adjustments	104.006	314.921	225.333	816.908
Transfers	(3.628.401)	816.743	(1.048.137)	0
Additions	1.207.470	1.128.440	7.478.987	1.215.060
Disposals	0	0	(2.636.494)	(741.373)
Cost end of year	**71.157.130**	**3.303.342**	**52.012.317**	**9.460.634**
Revaluations beginning of year	(3.628.401)	554.444	(1.102.165)	0
Transfers	3.628.401	(554.444)	1.102.165	0
Revaluations end of year	**0**	**0**	**0**	**0**
Depreciation and impairment losses beginning of year	(17.259.703)	(173.042)	(29.847.951)	(1.226.234)
Exchange rate adjustments	(16.557)	(69.322)	(83.100)	(101.866)
Depreciation for the year	(2.802.472)	(392.510)	(4.508.616)	(836.750)
Reversal regarding disposals	0	0	1.272.053	0
Depreciation and impairment losses end of year	**(20.078.732)**	**(634.874)**	**(33.167.614)**	**(2.164.850)**
Carrying amount end of year	**51.078.398**	**2.668.468**	**18.844.703**	**7.295.784**

Notes to consolidated financial statements

	Property, plant and equipment in progress DKK
9. Property, plant and equipment	
Cost beginning of year	308.376
Exchange rate adjustments	50.077
Transfers	(316.332)
Additions	0
Disposals	0
Cost end of year	**42.121**
Revaluations beginning of year	0
Transfers	0
Revaluations end of year	**0**
Depreciation and impairment losses beginning of year	0
Exchange rate adjustments	0
Depreciation for the year	0
Depreciation and impairment losses end of year	0
Depreciation and impairment losses end of year	**0**
Carrying amount end of year	**42.121**

	Investments in associates DKK	Other receivables DKK
10. Fixed asset investments		
Cost beginning of year	666.667	1.576.862
Exchange rate adjustments	0	29.631
Additions	0	10.743
Disposals	0	(241.004)
Cost end of year	**666.667**	**1.376.232**
Revaluations beginning of year	26.128.656	0
Exchange rate adjustments	17.235	0
Share of profit/loss for the year	12.353.255	0
Dividend	(5.000.000)	0
Revaluations end of year	**33.499.146**	**0**
Carrying amount end of year	**34.165.813**	**1.376.232**

Notes to consolidated financial statements

	Registered in	Equity interest %
11. Associates		
Theca A/S	Aarhus	33,3

	2019 DKK	2018 DKK
12. Deferred tax		
Intangible assets	(41.000)	(111.000)
Property, plant and equipment	(413.586)	(187.373)
Inventories	112.046	0
Liabilities other than provisions	1.123.653	1.146.670
Tax losses carried forward	336.137	336.029
	1.117.250	**1.184.326**

Changes during the year	
Beginning of year	1.184.326
Recognised in the income statement	(60.560)
Other changes	(6.516)
End of year	**1.117.250**

Deferred tax asset is expected to be actualised in future earnings in the Group over the next 3-5 years.

	2019 DKK	2018 DKK
13. Other long-term payables		
Holiday pay obligation	242.469	0
	242.469	**0**

	Due within 12 months 2019 DKK	Due within 12 months 2018 DKK	Due after more than 12 months 2019 DKK	Outstanding after 5 years DKK
14. Liabilities other than provisions				
Mortgage debt	3.989.641	3.196.781	19.842.130	4.876.556
Other payables	0	0	242.469	0
	3.989.641	**3.196.781**	**20.084.599**	**4.876.556**

Notes to consolidated financial statements

	2019 DKK	2018 DKK
15. Change in working capital		
Increase/decrease in inventories	6.653.096	(19.348.610)
Increase/decrease in receivables	5.005.819	(16.954.386)
Increase/decrease in trade payables etc	(33.577.166)	33.538.671
	(21.918.251)	**(2.764.325)**

	2019 DKK	2018 DKK
16. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	**42.723.925**	**4.698.441**

17. Assets charged and collateral

Mortgage debt is secured by way of mortgages on properties. The carrying amount of mortgaged properties amounts to DKK 36,730k.

18. Transactions with related parties

The Group 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.

	Registered in	Equity interest %
19. Subsidiaries		
UAB LTP TexDan	Kedainiai, Lithuania	100,0
UAB LTP	Kaunas, Lithuania	100,0
UAB JMJ Baltic	Kaunas, Lithuania	100,0
LTP Belvit	Vitebsk, Belarus	100,0
LTP Vietnam Company Limited	Ho Chi Minh City, Vietnam	100,0
LTP Ukraine LLC	Lviv, Ukraine	100,0

Parent income statement for 2019

	Notes	2019 DKK	2018 DKK
Revenue		18.186.404	14.039.610
Cost of sales		0	(61.953)
Other external expenses		(4.231.633)	(3.555.134)
Gross profit/loss		**13.954.771**	**10.422.523**
Staff costs	1	(13.571.567)	(10.774.788)
Depreciation, amortisation and impairment losses	2	(379.005)	(353.497)
Operating profit/loss		**4.199**	**(705.762)**
Income from investments in group enterprises		47.824.932	39.922.513
Income from investments in associates		12.353.255	8.289.394
Other financial income	3	1.975.870	2.938.074
Other financial expenses		(6.483)	(4.837)
Profit/loss before tax		**62.151.773**	**50.439.382**
Tax on profit/loss for the year	4	(458.639)	(500.451)
Profit/loss for the year	5	**61.693.134**	**49.938.931**

Parent balance sheet at 31.12.2019

	Notes	2019 DKK	2018 DKK
Completed development projects		215.878	502.525
Intangible assets	6	**215.878**	**502.525**
Leasehold improvements		57.985	0
Property, plant and equipment	7	**57.985**	**0**
Investments in group enterprises		176.480.978	147.708.759
Receivables from group enterprises		0	6.919.412
Investments in associates		34.165.813	26.795.323
Other receivables		153.960	270.936
Fixed asset investments	8	**210.800.751**	**181.694.430**
Fixed assets		**211.074.614**	**182.196.955**
Receivables from group enterprises		24.152.876	31.745.482
Receivables from associates		2.514	0
Other receivables		166.050	157.418
Income tax receivable		226.694	0
Prepayments	9	177.912	78.387
Receivables		**24.726.046**	**31.981.287**
Cash		**24.631.999**	**3.291.195**
Current assets		**49.358.045**	**35.272.482**
Assets		**260.432.659**	**217.469.437**

Parent balance sheet at 31.12.2019

	Notes	2019 DKK	2018 DKK
Contributed capital	10	500.000	500.000
Reserve for net revaluation according to the equity method		191.833.092	160.920.432
Retained earnings		63.320.320	52.773.858
Equity		**255.653.412**	**214.194.290**
Deferred tax	11	41.000	111.000
Provisions		**41.000**	**111.000**
Other payables	12	242.469	0
Non-current liabilities other than provisions		**242.469**	**0**
Bank loans		218.087	209.251
Trade payables		758.553	439.929
Income tax payable		0	13.837
Other payables		3.519.138	2.501.130
Current liabilities other than provisions		**4.495.778**	**3.164.147**
Liabilities other than provisions		**4.738.247**	**3.164.147**
Equity and liabilities		**260.432.659**	**217.469.437**
Unrecognised rental and lease commitments	13		
Assets charged and collateral	14		
Transactions with related parties	15		

Parent statement of changes in equity for 2019

	Contributed capital DKK	Reserve for net revaluation according to the equity method DKK	Retained earnings DKK	Proposed extraordinary dividend DKK
Equity beginning of year	500.000	160.920.432	52.773.858	0
Extraordinary dividend paid	0	0	0	(20.000.000)
Exchange rate adjustments	0	(234.012)	0	0
Dividends from group enterprises	0	(20.171.596)	20.171.596	0
Dividends from associates	0	(5.000.000)	5.000.000	0
Profit/loss for the year	0	56.318.268	(14.625.134)	20.000.000
Equity end of year	**500.000**	**191.833.092**	**63.320.320**	**0**

	Total DKK
Equity beginning of year	214.194.290
Extraordinary dividend paid	(20.000.000)
Exchange rate adjustments	(234.012)
Dividends from group enterprises	0
Dividends from associates	0
Profit/loss for the year	61.693.134
Equity end of year	**255.653.412**

Notes to parent financial statements

	2019 DKK	2018 DKK
1. Staff costs		
Wages and salaries	12.051.125	9.821.583
Pension costs	1.456.485	908.817
Other social security costs	63.957	44.388
	13.571.567	**10.774.788**
Average number of employees	**8**	**7**

	Remunera-tion of manage-ment 2019 DKK	Remunera-tion of manage-ment 2018 DKK
Total amount for management categories	4.689.424	4.046.496
	4.689.424	**4.046.496**

Remuneration of Management is present on a total amout for management categories with reference to Section 98b (3) of the Danish Financial Statements Act.

	2019 DKK	2018 DKK
2. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	353.497	353.497
Depreciation of property, plant and equipment	25.508	0
	379.005	**353.497**

	2019 DKK	2018 DKK
3. Other financial income		
Financial income arising from group enterprises	846.700	1.448.852
Other interest income	1.129.170	1.489.222
	1.975.870	**2.938.074**

	2019 DKK	2018 DKK
4. Tax on profit/loss for the year		
Current tax	513.306	192.451
Change in deferred tax	(70.000)	308.000
Adjustment concerning previous years	15.333	0
	458.639	**500.451**

Notes to parent financial statements

	2019 DKK	2018 DKK
5. Proposed distribution of profit/loss		
Extraordinary dividend distributed in the financial year	20.000.000	24.000.000
Retained earnings	41.693.134	25.938.931
	61.693.134	**49.938.931**

	Completed develop- ment projects DKK
6. Intangible assets	
Cost beginning of year	1.767.485
Additions	66.850
Cost end of year	**1.834.335**
Amortisation and impairment losses beginning of year	(1.264.960)
Amortisation for the year	(353.497)
Amortisation and impairment losses end of year	**(1.618.457)**
Carrying amount end of year	**215.878**

Completed development projects comprise the IT system applied in the Group.

	Leasehold improve- ments DKK
7. Property, plant and equipment	
Additions	83.493
Cost end of year	**83.493**
Depreciation for the year	(25.508)
Depreciation and impairment losses end of year	**(25.508)**
Carrying amount end of year	**57.985**

Notes to parent financial statements

8. Fixed asset investments	Investments in group enterprises DKK	Receivables from group enterprises DKK	Investments in associates DKK	Other receivables DKK
Cost beginning of year	12.167.022	10.454.219	666.667	270.936
Exchange rate adjustments	0	6.690	0	0
Transfers	0	(10.460.909)	0	0
Additions	0	0	0	7.575
Disposals	0	0	0	(124.551)
Cost end of year	**12.167.022**	**0**	**666.667**	**153.960**
Revaluations beginning of year	135.541.737	0	26.128.656	0
Exchange rate adjustments	(251.249)	0	17.235	0
Share of profit/loss for the year	47.824.934	0	12.353.255	0
Dividend	(20.171.596)	0	(5.000.000)	0
Investments with negative equity value depreciated over receivables	1.370.130	0	0	0
Revaluations end of year	**164.313.956**	**0**	**33.499.146**	**0**
Impairment losses beginning of year	0	(3.534.807)	0	0
Transfers	0	3.534.807	0	0
Impairment losses end of year	**0**	**0**	**0**	**0**
Carrying amount end of year	**176.480.978**	**0**	**34.165.813**	**153.960**

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

	Registered in	Corporate form	Equity interest %
Investments in associates comprise:			
Theca A/S	Aarhus	Limited liability company	33,3

9. Prepayments

Prepayments under currents assets relate to costs in subsequent periods.

Notes to parent financial statements

	Number	Par value DKK	Nominal value DKK
10. Contributed capital			
Shares	500	1.000	500.000
	500		**500.000**

	2019 DKK	2018 DKK
11. Deferred tax		
Intangible assets	41.000	111.000
	41.000	**111.000**

Changes during the year	
Beginning of year	111.000
Recognised in the income statement	(70.000)
End of year	**41.000**

	2019 DKK	2018 DKK
12. Other long-term payables		
Holiday pay obligation	242.469	0
	242.469	**0**

	2019 DKK	2018 DKK
13. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	**556.313**	**846.563**

14. Assets charged and collateral

The Entity has guaranteed the subsidiaries' debt to Sydbank. The subsidiaries' bank debt amounts to DKK 0 as of 31.12.2019.

15. Transactions with related parties

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

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

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

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

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

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

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

Consolidated financial statements
The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence. Enterprises in which the Group, directly or indirectly, holds between 20% and 50% of the voting rights and exercises significant, but not controlling influence are regarded as associates. Reference is made to group overview on page 16.

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' proportionate share of profit or loss is presented as a separate item in Management's proposal for distribution of profit or loss, and their share of subsidiaries' net assets is presented as a separate item in group equity.

Accounting policies

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

Business combinations

Newly acquired or newly established enterprises are recognised in the consolidated financial statements from the time of acquiring or establishing such enterprises. Divested or wound-up enterprises are recognised in the consolidated 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 life. 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 where 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 and accounting estimates. The difference between the consideration agreed and the carrying amount of the acquiree is recognised in equity. The comparative figures are restated.

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. 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 in equity.

Accounting policies

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 from rental.

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 salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to intangible assets and property, plant and equipment comprise depreciation, amortisation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as 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 internal 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 elimination of internal profits or losses.

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

Accounting policies

and transactions in foreign currencies, amortisation of financial assets as well as 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 as well as 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
Intellectual property rights etc
Intellectual property rights etc comprise development projects completed.

Completed development projects comprises software. Software is measured at cost less accumulated depreciation and impairment losses. The cost of software comprises costs that are directly and indirectly attributable to the development projects completed and in progress.

Software is amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. The amortisation period used is five years.

Development projects are written down to the lower of recoverable amount and carrying amount.

Intellecual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised over their remaining duration, and licences are amortised over the term of the agreement.

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

Property, plant and equipment
Land and buildings, plant and machinery as well as 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-manufactured 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 indirect attributable staff costs and amortisation of intangible assets and depreciation of property, plant and equipment used in the development process are recognised in cost based on time spent on each asset.

Accounting policies

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

Buildings	10-20 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 according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity plus or minus unamortised positive, or negative, goodwill and minus or plus unrealised intra-group profits or losses.

Group enterprises with negative equity are measured at DKK 0, and any receivables from these enterprises are written down by the Parent's share of such negative equity value if it is deemed irrecoverable. If the negative equity value exceeds the amount receivable, the remaining amount is recognised under provisions if the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise.

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 under 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 or minus unamortised positive, or negative, goodwill and minus or plus unrealised pro rata internal profits and losses.

Associates with negative equity are measured at DKK 0, and any receivables from these associates are written down by the share of such negative equity if it is deemed irrecoverable. If the negative equity value exceeds the amount receivable, the remaining amount is recognised under provisions if there is a legal or constructive obligation to cover the liabilities of the relevant associate.

Upon distribution of profit or loss, net revaluation of investments in associates is transferred to Reserve for net revaluation according to the equity method under equity.

Accounting policies

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

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 of and impairment losses relating to machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management. Financing 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 tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carry forwards, 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.

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

Cash
Cash comprises cash in hand and bank deposits.

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.

Accounting policies

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.

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

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 as well as 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 income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments as well as 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 as well as the raising of loans, inception of finance leases, instalments on interest-bearing debt, purchase of treasury shares and payment of dividend.

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