Deloitte.

LTP Group A/S

Bryghuspladsen 8
1473 København K
CVR No. 17974246

Annual report 2023

The Annual General Meeting adopted the annual report on 23.05.2024

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: 01.01.2023 - 31.12.2023

Board of Directors

Morten Østergaard, Chair person
Jon Skovhus Knudsen
Katja Lund Schjølin
Claus Flyger Pejstrup
Kenni Riise

Executive Board

Jeannett Hvidkjær, chief executive officer
Henrik Holmgaard Olsson, director
Rasmus Helt Poulsen

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 01.01.2023 - 31.12.2023.

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 31.12.2023 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2023 - 31.12.2023.

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, 23.05.2024

Executive Board

Jeannett Hvidkjær
chief executive officer

Henrik Holmgaard Olsson
director

Rasmus Helt Poulsen

Board of Directors

Morten Østergaard
Chair person

Jon Skovhus Knudsen

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 01.01.2023 - 31.12.2023, 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 31.12.2023 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2023 - 31.12.2023 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 by relevant law and regulations.

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 in the relevant law and regulations. We did not identify any material misstatement of the management commentary.

Silkeborg, 23.05.2024

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

	2023 DKK'000	2022 DKK'000	2021 DKK'000	2020 DKK'000	2019 DKK'000
Key figures					
Revenue	851,655	1,097,718	831,067	600,227	726,353
Gross profit/loss	270,756	328,645	252,166	192,527	205,330
Operating profit/loss	21,000	74,872	70,364	47,950	55,966
Net financials	781	(5,844)	2,937	14,613	9,560
Profit/loss for the year	14,513	117,428	69,660	44,467	61,693
Balance sheet total	423,583	545,788	469,641	385,602	358,398
Investments in property, plant and equipment	15,350	26,647	16,864	4,759	11,030
Equity	310,015	346,883	300,270	278,281	255,653
Average invested capital incl. goodwill	299,811	296,325	200,195	172,723	193,777
Ratios					
Gross margin (%)	31.79	29.94	30.34	32.08	28.27
Net margin (%)	1.70	10.70	8.38	7.41	8.49
Return on invested capital incl. goodwill (%)	4.84	39.63	34.80	25.74	31.84
Return on equity (%)	4.42	36.29	24.08	16.66	26.26
Equity ratio (%)	73.19	63.56	63.94	72.17	71.33

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

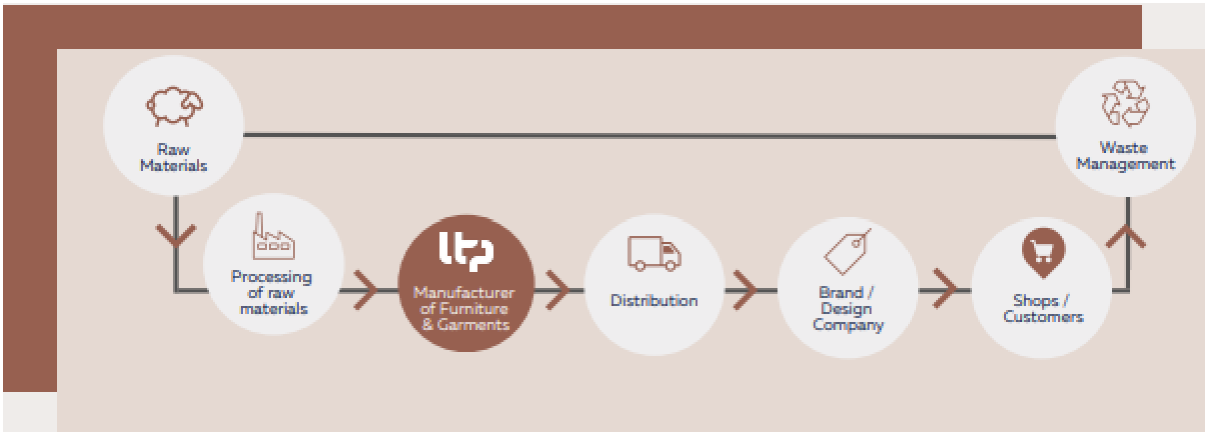
LTP Group at a glance

LTP Group is a supply chain and manufacturing partner that works with premium garment and furniture brands. LTP Group has extensive experience in dealing with textiles for various products and collaborates with the customers to constantly improve the sustainable quality of production skills and services that guarantee the durability of the products supplied.

LTP Group partners with Sport & Outdoor Garment and Interior Furniture brands that share LTP Group's vision of being a quality-focused, creative, and value-creating industry leader.

LTP Group has adapted to the changing market since it started in the 1980s. As a global manufacturer, LTP Group operates 9 modern production sites in 5 countries.

LTP Group is a key link in the supply chain between material suppliers and the brands, providing vital services from the concept stage to the final product delivery.



Performance and progress

Following the exceptional growth of 2022, LTP Group faced a normalizing market environment in 2023 across both our Garment and Furniture divisions.

Garment division:
The Sport & Outdoor garment market experienced a continued decline in customer and consumer demand, compounded by high inventory levels within brands and retailers. Despite a 29% decrease in sales compared to the record-breaking year of 2022, the Garment division remains a leader in its sector, supported by a healthy 10% Compound Annual Growth Rate (CAGR) over the past decade.

Furniture division:
The European contract furniture market faced a general economic slowdown throughout 2023, impacting demand by an estimated 15%. LTP Group's Furniture division sales decreased by 11%. However, the division has maintained a strong foundation with a robust 10% CAGR over the past decade.

LTP Group actively cultivates a reputation as a reliable and adaptable partner for our customers, suppliers, and manufacturing partners. This commitment is backed by our financial strength and flexibility. Our entire team is dedicated to exceeding customer expectations by proactively finding solutions, ensuring on-time deliveries, and adapting to evolving industry needs.

We've transitioned our customer relationships towards a more comprehensive partnership model. This collaborative approach focuses on securing production capacity, optimizing the supply chain, fulfill sustainable needs of tomorrow and jointly balance financial risks.

Despite the market challenges, the impact of the war in Ukraine, LTP group managed to deliver revenue of DKK 0,9 billion. This corresponds to a decrease of 22% compared to 2022.

Strategic priorities
It is LTP Groups vision to be #1 preferred manufacturer in the market segments we operate, preparing for bold decision to expand the scope of business. To excel in a constantly evolving environment, embrace the unknown of tomorrow by building a resilient, agile, innovative, global, and scalable organization comprised by empowered, dedicated and responsible employees.

LTP Group's success is built upon the dedication and expertise of our global workforce. Our employees are the driving force behind our ability to deliver exceptional value to customers, foster innovation, and achieve sustainable growth. We recognize the importance of personal development and fostering strong human connections. LTP Group is committed to cultivating a positive and inclusive company culture that empowers our employees and embraces diversity.

LTP Group has a presence in 6 countries, with the Danish headquarter as the strategic center. The global locations help customers with nearshoring and provide a flexible way to ensure high quality, capacity, and innovation platforms in Europe, Asia, and North America.

LTP Group is strategically investing in technology across our entire operation – manufacturing, logistics, sales, and administration. This focus on data, advanced analytics, and digital solutions drives continued growth, scalability, and a more resilient business. These digital advancements benefit all LTP Group partners. Optimized processes improve efficiency and collaboration, while data-driven insights empower better decision-making. Technology is critical to achieving our sustainability goals. By leveraging data and 3D design technology, we foster eco-friendly innovation. This empowers us to collaborate with customers and reduce their environmental footprint throughout the supply chain.

LTP Group is deeply committed to driving positive change in the industries we serve. We go beyond being a production partner – we believe in creating products that are both functional and long-lasting. To truly embed this commitment, sustainability is woven into the very fabric of our operations, values, and company culture.

Recognizing its critical importance, we have made sustainability a core pillar of our corporate strategy. This translates into four key areas of focus:

- Care for People: We prioritize the well-being of our employees and the communities we touch.

- Embrace Circularity: We champion sustainable practices throughout the product lifecycle, minimizing waste and maximizing resource use.

- Fight for Climate: We actively seek solutions to reduce our environmental impact and combat climate change.
- Unlock Transparency: We believe in open communication and fostering a transparent supply chain.

By focusing on these core commitments, LTP Group aims to be a leader in sustainable manufacturing practices, not just within our own operations, but inspiring across the entire industry.

LTP Group divisional activities and purposes

LTP Group includes two divisions: LTP Garment and LTP Furniture.

LTP Garment empowers premium brands to create active and conscious apparel choices. We're a global manufacturer with regional innovation centers in Europe and Asia, where our dedicated experts develop over 1,500 new styles annually. We offer a comprehensive product portfolio encompassing six key categories: Active Sport, Cycling, Outdoor, Athleisure, Urban Performance, and Sustainable Fashion & Lifestyle.

LTP Garment value proposition resides in the following areas:

- Global & Sophisticated R&D: Our network of innovation centers fosters cutting-edge design and development.

- Cutting-Edge Production: Leverage our highly competitive production facilities equipped with the latest technologies for both large and small batches.

- Dedicated Expertise: Benefit from our in-house specialists in each product category.

- High-End Quality: Our own factories specialize in crafting premium garments.

- Value-Added Services: We go beyond manufacturing. We offer a suite of services to support your success, including collaborative Design of 3D CLO technology allowing co-development of sustainable garments and Industry Insights in our 360° Innovation Book keeps you informed about the latest materials, trims, and trends.

By partnering with LTP Garment, you gain a competitive edge with long-lasting, high-performance apparel that resonates with today's conscious consumers.

LTP Garment boasts a team of over 1,900 talented employees dedicated to delivering exceptional performance. By the end of 2023, we produced more than 2.1 million high-quality finished garments annually.

Our production network spans four strategically located factories across four countries: Lithuania, Ukraine, Romania and Vietnam. These facilities are not only fully owned but also rigorously certified. This includes the industry leading Bluesign and GOTS certifications, ensuring responsible manufacturing practices and the highest environmental standards.

LTP Group have legal ownership of two entities in Belarus, which no longer deliver manufacturing services for the customers. All machinery, tools and equipment are frozen due to local regulations, and the net carrying value was written off at the end of 2022. LTP Group efforts to liquidate the entities has not been successful until the date of this report.

Additionally, we actively participate in FairWear Foundation audits initiated by our brand partners, demonstrating our unwavering commitment to ethical labor practices.

LTP Furniture is a global leader in furniture manufactories and supports customers from product development to mass production, including foam cutting, wood frame production, cutting/sewing of textiles, upholstery, assembly, packaging, logistics and direct-to customer delivery. LTP Furniture is a trusted 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 of textile variants.

Partner with LTP Furniture for exceptional efficiency, unmatched flexibility, and a commitment to quality and sustainability.

The division operates in two main product categories – Contract & Design Furniture and Bed & Sofa Covers and serve more than 30 brands in supplying 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 500 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 is obtained for the European production sites.

LTP Furniture Development Accelerator Center include the latest 3D development software along with in-house wood and foam cutting capabilities to serve customers demands for shorter 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.

During 2023 LTP Furniture production facility in Mexico has been offering our customers manufacturing and easy access to the largest furniture market in the world: North America. The Mexican 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 4 factories in Lithuania and Mexico more than 1,3 million pcs are produced every year.

Development in activities and finances

LTP Group performance during the year was impacted by the market conditions. The total sales have decreased overall by 22% and concluded at DKK 851,655,168 compared to DKK 1,097,718,305 in 2022. Operating profit margin shows 2%.

The build-up of the operations in Romania and Mexico have impacted the result for 2023 negatively.

Profit/loss for the year in relation to expected developments

Profit before tax of DKK 21,780,544 versus DKK 131,681,201 in 2022. The profit before tax in 2022 include proceeds from divesting Theca A/S. 2023 profit before tax is considered an unsatisfactory result and is lower than our expectations for the year.

Outlook

The economic outlook for 2024 continues to remain uncertain. Continued inflation and still high interest rates suggest another challenging time for consumers across markets. While the market shows early signs of recovery, we remain vigilant in navigating potential obstacles for our Garment and Furniture divisions in 2024.

In 2024 we forecast a further decrease of revenue, and with lower sales volume, tight cost control and continued focus on adjusting capacity an operating profit close to zero 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.

The outlook for 2024 assumes the currency exchange rates, especially the US dollar, MXN 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 prioritizes building a resilient organization by proactively identifying and mitigating potential risks. As a global manufacturer, we understand the inherent risks associated with operating in a dynamic international market. These risks can be commercial, financial, or operational and can impact our growth, activities, and financial performance.

LTP Group identify significant risks within social and employee relations, environment and climate, human rights, and anti-corruption. Thus, in our separate sustainability reporting, the identified risks are addressed in all four areas, including mitigating strategies.

The Board of Directors sets the overall framework for risk management, while the Executive Board oversees its daily implementation and continuous improvement. We believe risk management is an ongoing process, and we are committed to evolving our strategies to address the ever-changing risk landscape.

LTP Group has established a comprehensive risk management framework based on a structured approach:

- Identification: We actively identify potential risks across all areas of our business.

- Analysis: We analyse each risk to assess its likelihood and potential impact.

- Reporting: Identified risks are documented and reported to relevant stakeholders.

- Mitigation: We develop and implement action plans to mitigate identified risks to an acceptable level.

LTP Group entities conduct regular risk assessments at least annually. This process involves detailed discussion, scoring, and documentation of all identified risks. While the report below highlights some of the key risks we face, it is not prioritized and does not represent an exhaustive list.

Attract and retain employees

LTP Group recognizes that our employees are the cornerstone of our success. Highly qualified management teams and skilled personnel at all levels are crucial for navigating complex situations and achieving business objectives. This was particularly evident during the recent pandemic and the war in Ukraine where our team's resilience and expertise played a vital role.

We understand the importance of attracting and retaining talented individuals. LTP Group strives to be an employer of choice by fostering:

A Safe and Positive Work Environment:	We provide a safe and supportive physical environment for all employees.
Opportunities for growth:	We are committed to fostering the professional development of our people through training initiatives and career planning support.
Empowerment and ownership:	We believe in empowering employees and delegating responsibility, fostering a culture of ownership.
Competitive compensation and benefits:	We offer competitive compensation packages and employee benefits.

LTP Group empowers local People & Culture teams to focus on key positions, implement effective succession planning, and proactively attract digital, operational, and functional talent to support our strategic vision.

By prioritizing employee well-being, growth, and development, we build a strong foundation for LTP Group's continued success.

Macro-economic and geo-political development

LTP Group recognizes that the economic recession triggered by geopolitical conflicts poses potential challenges to our activity levels and financial results. We are actively monitoring market trends, customer behaviour, and global economic forecasts. The potential slowdown in the global economy and trade volumes for 2024 is already factored into our financial outlook.

LTP Group is building resilience through agility and efficiency and have a proven track record of successfully navigating economic downturns. We achieve this through:

Business model agility:	We continuously adapt our business model to evolving market conditions.
Cost base flexibility:	We maintain a flexible cost structure to optimize resource allocation.
Cost optimization:	We actively pursue cost-saving initiatives to enhance efficiency.
Working capital management:	We focus on tight control of net working capital to ensure financial stability.

By proactively managing risks and implementing these key strategies, LTP Group is well-positioned to weather challenging economic times and maintain strong financial performance.

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, MXN/USD and EUR/USD. No forward cover has been entered.

IT security breaches and break down of IT systems
Protecting our digital core, we focus on security and reliability. LTP Group recognizes the critical role of robust IT systems, networks, and processes in our daily operations. As digitalization increases, the potential consequences of cyberattacks or system downtime become even more significant. We have a fundamental duty to safeguard the data of our customers, partners, employees, and the company itself.

We have partnered with a leading external provider to manage and maintain a significant portion of our network operations. This includes ongoing security software updates, server maintenance, backups, access control, and firewalls. This partnership mitigates the risk of breakdowns and ensures our systems are constantly up to date with the latest security measures.

Despite a significant increase in remote work in 2023, our IT infrastructure has performed well. We are proud of our team's efforts to maintain system stability and security in this evolving landscape.

At LTP Group, we are constantly striving to strengthen our cyber defenses. Our key objectives include reduced attack surface, i.e., we are actively working to reduce the number of applications used across the company through standardization and harmonization. This minimizes potential vulnerabilities; Cross-Organizational Approach, i.e., we foster a company-wide culture of cybersecurity awareness. Standardizing processes and implementing systematic methods help us address security risks effectively.

By prioritizing security and reliability, LTP Group ensures a stable, secure, and trusted digital environment for all our stakeholders.

Compliance
LTP Group is committed to conduct honest and ethical business practice. 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 2023 Sustainability Report. 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, same as in 2022. The target is to comply to a minimum of 33% females in 2025.

For more information refer to the LTP Group Sustainability report for 2023.
https://publications.ltpgroup.com/view/20406431/

Statutory report on the underrepresented gender

	2023	2022
Supreme management body		
Total number of members	5	6
Underrepresented gender (%)	20.00	17.00
Target figures (%)	40.00	40.00
Year of expected achievement of target figures	2028	2028

LTP group aims to have a diverse executive management and Board of Directors representative of surrounding society with respect to gender, age, education, competences, and thus perspectives. The executive management and Board of Directors must, as a group, have knowledge, insight, and qualifications to understand and develop LTP Group.

LTP Group aim to achieve equal gender representation in the Board of Directors by 2028 corresponding to 40% females in the Board of Directors, when having 5 members of the Board of Directors. In 2023 the Board of Directors comprised of 1 female (20%) and 4 males (80%).

In 2023 the Board of Directors was reduced by one member, reducing the number of members from 6 to 5. All recruitment practices in LTP Group include a requirement for a diverse candidate pool. In the event of changes in the Board of Directors, the recruitment practice follows the same requirement for having a diverse candidate pool.

LTP Group correspondingly aims to achieve equal gender representation in executive management. In 2023 the executive management had two members, one female, one male, resulting in equal gender representation. Due to a vacancy in the executive management by year end 2023 and 2022, the management team was down one headcount. The target is based on the preferred headcount of three in executive management.

The company has fewer than 50 employees and is therefore not subject to the rules for setting targets and policies for other management levels. The statutory report on sustainability under section 99(a) of the Danish Financial Statements Act, can be found in LTP Group A/S 2023 Sustainability Report.

Statutory report on data ethics policy

The guidelines on data ethics effective from 2021, in accordance with the Danish Financial Statement Act section 99d, describe how data ethics shall be considered and included in the use of data as well as the design and implementation of technologies 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 2023:
Data Ethic Policy updated based on review of internal procedures.

Planned activities:
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 2023

	Notes	2023 DKK	2022 DKK
Revenue	1	851,655,168	1,097,718,305
Other operating income		5,073,396	733,104
Cost of sales		(547,109,487)	(715,215,973)
Other external expenses	2	(38,862,750)	(54,590,152)
Gross profit/loss		**270,756,327**	**328,645,284**
Staff costs	3	(228,684,101)	(231,385,733)
Depreciation, amortisation and impairment losses	4	(18,799,089)	(19,691,055)
Other operating expenses		(2,273,120)	(2,696,261)
Operating profit/loss		**21,000,017**	**74,872,235**
Income from investments in associates		0	62,660,261
Other financial income		9,425,238	10,142,578
Other financial expenses		(8,644,711)	(15,993,873)
Profit/loss before tax		**21,780,544**	**131,681,201**
Tax on profit/loss for the year	5	(7,267,849)	(14,253,359)
Profit/loss for the year	6	**14,512,695**	**117,427,842**

Consolidated balance sheet at 31.12.2023

Assets

	Notes	2023 DKK	2022 DKK
Completed development projects	8	787,851	1,134,240
Acquired intangible assets		15,405,073	18,288,938
Goodwill		2,549,614	3,196,804
Intangible assets	7	**18,742,538**	**22,619,982**
Land and buildings		46,331,241	44,012,152
Plant and machinery		5,020,724	3,005,477
Other fixtures and fittings, tools and equipment		27,134,325	29,828,737
Leasehold improvements		8,940,199	11,693,963
Property, plant and equipment in progress		1,439,399	821,361
Property, plant and equipment	9	**88,865,888**	**89,361,690**
Other receivables		1,408,001	1,430,267
Financial assets	10	**1,408,001**	**1,430,267**
Fixed assets		**109,016,427**	**113,411,939**
Raw materials and consumables		92,691,791	134,445,614
Work in progress		40,771,984	61,431,440
Manufactured goods and goods for resale		1,598,306	5,139,207
Prepayments for goods		22,040,095	6,383,883
Inventories		**157,102,176**	**207,400,144**
Trade receivables		92,398,615	139,245,552
Deferred tax	11	3,967,586	2,469,423
Other receivables		9,962,386	13,166,247
Tax receivable		5,296,589	3,384,909
Prepayments	12	1,832,880	4,209,607
Receivables		**113,458,056**	**162,475,738**

Other investments	0	27,321,059
Investments	**0**	**27,321,059**
Cash	**44,006,067**	**35,179,369**
Current assets	**314,566,299**	**432,376,310**
Assets	**423,582,726**	**545,788,249**

Equity and liabilities

	Notes	2023 DKK	2022 DKK
Contributed capital	13	500,000	500,000
Translation reserve		(3,837,865)	(457,475)
Other statutory reserves		625,626	715,701
Retained earnings		312,727,646	346,124,876
Equity		**310,015,407**	**346,883,102**
Deferred tax	11	0	332,669
Provisions		**0**	**332,669**
Mortgage debt		7,721,957	9,812,588
Prepayments received from customers		113,895	96,414
Non-current liabilities other than provisions	14	**7,835,852**	**9,909,002**
Current portion of non-current liabilities other than provisions	14	2,857,263	3,594,328
Mortgage debt		0	5,583,927
Bank loans		930,732	10,738,093
Prepayments received from customers		15,870,406	45,479,350
Trade payables		58,945,425	71,648,817
Payables to owners and management		375,161	11,243,636
Tax payable		3,148,473	8,821,718
Other payables		22,959,479	29,692,722
Deferred income	15	644,528	1,860,885
Current liabilities other than provisions		**105,731,467**	**188,663,476**
Liabilities other than provisions		**113,567,319**	**198,572,478**
Equity and liabilities		**423,582,726**	**545,788,249**
Unrecognised rental and lease commitments	17		
Assets charged and collateral	18		
Subsidiaries	19		

Consolidated statement of changes in equity for 2023

	Contributed capital DKK	Translation reserve DKK	Other statutory reserves DKK	Retained earnings DKK	Proposed extraordinary dividend DKK
Equity beginning of year	500,000	(457,475)	715,701	346,124,876	0
Extraordinary dividend paid	0	0	0	0	(48,000,000)
Exchange rate adjustments	0	(3,380,390)	0	0	0
Profit/loss for the year	0	0	(90,075)	(33,397,230)	48,000,000
Equity end of year	**500,000**	**(3,837,865)**	**625,626**	**312,727,646**	**0**

	Total DKK
Equity beginning of year	346,883,102
Extraordinary dividend paid	(48,000,000)
Exchange rate adjustments	(3,380,390)
Profit/loss for the year	14,512,695
Equity end of year	**310,015,407**

Consolidated cash flow statement for 2023

	Notes	2023 DKK	2022 DKK
Operating profit/loss		21,000,017	74,872,235
Amortisation, depreciation and impairment losses		18,799,089	19,691,055
Working capital changes	16	48,626,293	(50,763,401)
Cash flow from ordinary operating activities		**88,425,399**	**43,799,889**
Financial income received		9,425,238	10,410,545
Financial expenses paid		(8,644,711)	(14,733,747)
Taxes refunded/(paid)		(16,683,606)	(12,022,710)
Cash flows from operating activities		**72,522,320**	**27,453,977**
Acquisition etc. of intangible assets		(1,119,577)	(8,292,420)
Acquisition etc. of property, plant and equipment		(15,350,499)	(26,696,243)
Sale of property, plant and equipment		1,895,638	689,754
Acquisition of fixed asset investments		0	(69,998,552)
Sale of fixed asset investments		27,817,681	139,156,713
Exchange rate adjustment, intangible assets		(81,541)	189
Exchange rate adjustment, tangible assets		230,135	862,171
Cash flows from investing activities		**13,391,837**	**35,721,612**
Free cash flows generated from operations and investments before financing		**85,914,157**	**63,175,589**
Loans raised		0	5,583,927
Repayments of loans etc.		(8,411,623)	(3,350,589)
Dividend paid		(48,000,000)	(70,000,000)
Short-term deb to banks		(9,807,361)	5,661,154
Loans from owners and management		(10,868,475)	11,233,080
Cash flows from financing activities		**(77,087,459)**	**(50,872,428)**

Increase/decrease in cash and cash equivalents	**8,826,698**	**12,303,161**
Cash and cash equivalents beginning of year	35,179,369	22,876,208
Cash and cash equivalents end of year	**44,006,067**	**35,179,369**
Cash and cash equivalents at year-end are composed of:		
Cash	44,006,067	35,179,369
Cash and cash equivalents end of year	**44,006,067**	**35,179,369**

Notes to consolidated financial statements

1 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.

2 Fees to the auditor appointed by the Annual General Meeting

	2023 DKK	**2022 DKK**
Statutory audit services	80,000	61,500
Other assurance engagements	376,139	298,157
Tax services	563,235	231,938
Other services	324,027	384,114
	1,343,401	**975,709**

Fees to foreign auditors not appointed by the Annual General Meeting included in above amount to DKK 376k relating to other assurance engagements (DKK 298k in 2022) and DKK 217k to tax services (DKK 0k in 2022).

3 Staff costs

	2023 DKK	**2022 DKK**
Wages and salaries	218,963,376	223,080,787
Pension costs	1,925,681	1,438,499
Other social security costs	7,795,044	6,866,447
	228,684,101	**231,385,733**

Average number of full-time employees	**2,305**	**2,602**

	Remuneration of management 2023 DKK	**Remuneration of management 2022 DKK**
Executive Board	5,953,894	7,120,878
Board of Directors	1,400,000	1,117,915
	7,353,894	**8,238,793**

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 2023 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

	2023 DKK	2022 DKK
Amortisation of intangible assets	5,080,907	4,078,898
Impairment losses on intangible assets	(1,903)	477,940
Depreciation on property, plant and equipment	14,122,460	12,686,618
Impairment losses on property, plant and equipment	(402,375)	2,447,599
	18,799,089	**19,691,055**

5 Tax on profit/loss for the year

	2023 DKK	2022 DKK
Current tax	8,403,485	14,058,915
Change in deferred tax	(1,135,636)	194,444
	7,267,849	**14,253,359**

6 Proposed distribution of profit/loss

	2023 DKK	2022 DKK
Extraordinary dividend distributed in the financial year	48,000,000	70,000,000
Retained earnings	(33,487,305)	47,427,842
	14,512,695	**117,427,842**

7 Intangible assets

	Completed development projects DKK	Acquired intangible assets DKK	Goodwill DKK
Cost beginning of year	3,528,242	26,853,929	4,374,907
Exchange rate adjustments	0	82,249	(10,229)
Additions	0	1,119,577	0
Disposals	0	(14,153)	(1,177,661)
Cost end of year	**3,528,242**	**28,041,602**	**3,187,017**
Amortisation and impairment losses beginning of year	(2,394,002)	(8,564,991)	(1,178,103)
Exchange rate adjustments	0	9,521	0
Reversal of impairment losses	0	1,903	0
Amortisation for the year	(346,389)	(4,097,115)	(637,403)
Reversal regarding disposals	0	14,153	1,178,103
Amortisation and impairment losses end of year	**(2,740,391)**	**(12,636,529)**	**(637,403)**
Carrying amount end of year	**787,851**	**15,405,073**	**2,549,614**

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

	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	71,896,980	6,192,252	74,093,444	17,750,196	838,261
Exchange rate adjustments	(85,494)	(129,892)	(536,912)	36,009	(1,118)
Transfers	2,850,373	1,409,037	(1,882,101)	(2,377,309)	0
Additions	2,864,459	2,034,056	7,485,324	2,350,434	616,226
Disposals	0	(112,843)	(3,018,005)	(467,642)	0
Cost end of year	**77,526,318**	**9,392,610**	**76,141,750**	**17,291,688**	**1,453,369**
Depreciation and impairment losses beginning of year	(27,884,828)	(3,186,775)	(44,264,707)	(6,056,233)	(16,900)
Exchange rate adjustments	3,600	117,909	315,430	50,333	0
Transfers	(254,063)	(153,562)	191,012	216,612	0
Reversal of impairment losses	0	68,618	330,827	0	2,930
Depreciation for the year	(3,059,786)	(1,290,251)	(7,210,222)	(2,562,201)	0
Reversal regarding disposals	0	72,175	1,630,235	0	0
Depreciation and impairment losses end of year	**(31,195,077)**	**(4,371,886)**	**(49,007,425)**	**(8,351,489)**	**(13,970)**
Carrying amount end of year	**46,331,241**	**5,020,724**	**27,134,325**	**8,940,199**	**1,439,399**

10 Financial assets

	Other receivables DKK
Cost beginning of year	1,430,267
Exchange rate adjustments	(72,216)
Additions	49,950
Cost end of year	**1,408,001**
Carrying amount end of year	**1,408,001**

11 Deferred tax

	2023 DKK	2022 DKK
Intangible assets	(173,000)	(250,000)
Property, plant and equipment	46,287	(211,683)
Liabilities other than provisions	2,186,457	1,531,272
Tax losses carried forward	1,907,842	1,067,165
Deferred tax	**3,967,586**	**2,136,754**

Changes during the year	2023 DKK	2022 DKK
Beginning of year	2,136,754	2,099,532
Recognised in the income statement	1,830,832	37,222
End of year	**3,967,586**	**2,136,754**

Deferred tax has been recognised in the balance sheet as follows	2023 DKK	2022 DKK
Deferred tax assets	3,967,586	2,469,423
Deferred tax liabilities	0	(332,669)
	3,967,586	**2,136,754**

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 7,3 mill that are not recognized.

12 Prepayments

Prepayments under current assets relate to costs in subsequent periods.

13 Contributed capital

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

14 Non-current liabilities other than provisions

	Due within 12 months 2023 DKK	Due within 12 months 2022 DKK	Due after more than 12 months 2023 DKK
Mortgage debt	2,857,263	3,594,328	7,721,957
Prepayments received from customers	0	0	113,895
	2,857,263	**3,594,328**	**7,835,852**

15 Deferred income

Deferred income contains income in subsequent periods.

16 Changes in working capital

	2023 DKK	2022 DKK
Increase/decrease in inventories	50,297,968	5,232,808
Increase/decrease in receivables	48,625,639	(60,948,455)
Increase/decrease in trade payables etc.	(50,297,314)	4,952,246
	48,626,293	**(50,763,401)**

17 Unrecognised rental and lease commitments

	2023 DKK	2022 DKK
Total liabilities under rental or lease agreements until maturity	30,608,346	10,093,545

18 Assets charged and collateral

Mortgage debt is secured by way of mortgages on properties. The carrying amount of mortgaged properties is TDKK 40.656.

19 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 2023

	Notes	2023 DKK	2022 DKK
Revenue		19,625,690	25,006,446
Other external expenses		(8,265,013)	(9,218,302)
Gross profit/loss		**11,360,677**	**15,788,144**
Staff costs	1	(17,370,959)	(14,978,150)
Depreciation, amortisation and impairment losses	2	(346,389)	(338,605)
Operating profit/loss		**(6,356,671)**	**471,389**
Income from investments in group enterprises		18,251,980	54,965,025
Income from investments in associates		0	62,660,261
Other financial income	3	3,050,192	3,513,997
Other financial expenses		(1,310,806)	(4,127,830)
Profit/loss before tax		**13,634,695**	**117,482,842**
Tax on profit/loss for the year	4	878,000	(55,000)
Profit/loss for the year	5	**14,512,695**	**117,427,842**

Parent balance sheet at 31.12.2023

Assets

	Notes	2023 DKK	2022 DKK
Completed development projects	7	787,851	1,134,240
Intangible assets	6	**787,851**	**1,134,240**
Leasehold improvements		0	0
Property, plant and equipment	8	**0**	**0**
Investments in group enterprises		286,693,016	284,938,081
Other receivables		194,366	177,107
Financial assets	9	**286,887,382**	**285,115,188**
Fixed assets		**287,675,233**	**286,249,428**
Receivables from group enterprises		13,389,640	35,015,940
Deferred tax	10	767,000	0
Other receivables		190,313	1,194,418
Tax receivable		42,000	118,000
Prepayments	11	271,040	318,548
Receivables		**14,659,993**	**36,646,906**
Other investments		0	27,321,059
Investments		**0**	**27,321,059**
Cash		**19,247,661**	**22,295,448**
Current assets		**33,907,654**	**86,263,413**
Assets		**321,582,887**	**372,512,841**

Equity and liabilities

	Notes	2023 DKK	2022 DKK
Contributed capital		500,000	500,000
Reserve for net revaluation according to equity method		251,334,608	249,579,673
Reserve for development costs		614,524	884,707
Retained earnings		57,566,275	95,918,722
Equity		**310,015,407**	**346,883,102**
Deferred tax	10	0	111,000
Provisions for investments in group enterprises	12	8,219,342	0
Provisions		**8,219,342**	**111,000**
Bank loans		930,732	10,738,093
Trade payables		483,138	865,941
Payables to group enterprises		0	400,000
Payables to owners and management		375,161	11,243,636
Other payables		1,559,107	2,271,069
Current liabilities other than provisions		**3,348,138**	**25,518,739**
Liabilities other than provisions		**3,348,138**	**25,518,739**
Equity and liabilities		**321,582,887**	**372,512,841**
Contingent liabilities	13		
Assets charged and collateral	14		
Related parties with controlling interest	15		

Parent statement of changes in equity for 2023

	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	249,579,673	884,707	95,918,722	0
Extraordinary dividend paid	0	0	0	0	(48,000,000)
Exchange rate adjustments	0	(3,380,390)	0	0	0
Dividends from group enterprises	0	(37,307,376)	0	37,307,376	0
Transfer to reserves	0	0	(270,183)	270,183	0
Profit/loss for the year	0	42,442,701	0	(75,930,006)	48,000,000
Equity end of year	**500,000**	**251,334,608**	**614,524**	**57,566,275**	**0**

	Total DKK
Equity beginning of year	346,883,102
Extraordinary dividend paid	(48,000,000)
Exchange rate adjustments	(3,380,390)
Dividends from group enterprises	0
Transfer to reserves	0
Profit/loss for the year	14,512,695
Equity end of year	**310,015,407**

Notes to parent financial statements

1 Staff costs

	2023 DKK	2022 DKK
Wages and salaries	15,351,206	13,446,867
Pension costs	1,925,681	1,438,499
Other social security costs	94,072	92,784
	17,370,959	**14,978,150**

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

	Remuneration of Manage-ment 2023 DKK	Remuneration of Manage-ment 2022 DKK
Executive Board	5,953,894	7,120,878
Board of Directors	1,400,000	1,117,915
	7,353,894	**8,238,793**

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 2023 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 Excutive Board includes severance pay.

2 Depreciation, amortisation and impairment losses

	2023 DKK	2022 DKK
Amortisation of intangible assets	346,389	336,282
Depreciation on property, plant and equipment	0	2,323
	346,389	**338,605**

3 Other financial income

	2023 DKK	2022 DKK
Financial income from group enterprises	2,221,331	1,507,649
Other interest income	332,239	2,006,348
Fair value adjustments	496,622	0
	3,050,192	**3,513,997**

4 Tax on profit/loss for the year

	2023 DKK	2022 DKK
Change in deferred tax	(878,000)	55,000
	(878,000)	**55,000**

5 Proposed distribution of profit and loss

	2023 DKK	2022 DKK
Extraordinary dividend distributed in the financial year	48,000,000	70,000,000
Retained earnings	(33,487,305)	47,427,842
	14,512,695	**117,427,842**

6 Intangible assets

	Completed development projects DKK
Cost beginning of year	3,528,242
Cost end of year	**3,528,242**
Amortisation and impairment losses beginning of year	(2,394,002)
Amortisation for the year	(346,389)
Amortisation and impairment losses end of year	**(2,740,391)**
Carrying amount end of year	**787,851**

7 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.

8 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	(83,493)
Depreciation and impairment losses end of year	**(83,493)**
Carrying amount end of year	**0**

9 Financial assets

	Investments in group enterprises DKK	Other receivables DKK
Cost beginning of year	35,358,408	177,107
Additions	0	17,259
Cost end of year	**35,358,408**	**194,366**
Revaluations beginning of year	249,579,673	0
Exchange rate adjustments	(3,380,390)	0
Share of profit/loss for the year	18,251,981	0
Dividend	(37,307,376)	0
Investments with negative equity value depreciated over receivables	15,971,378	0
Investments with negative equity value transferred to provisions	8,219,342	0
Revaluations end of year	**251,334,608**	**0**
Carrying amount end of year	**286,693,016**	**194,366**

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

10 Deferred tax

	2023 DKK	2022 DKK
Intangible assets	(173,000)	(250,000)
Property, plant and equipment	5,000	10,000
Tax losses carried forward	935,000	129,000
Deferred tax	**767,000**	**(111,000)**

Changes during the year	2023 DKK	2022 DKK
Beginning of year	(111,000)	(56,000)
Recognised in the income statement	878,000	(55,000)
End of year	**767,000**	**(111,000)**

Deferred tax assets

The tax losses carried forward is expected to be used within the next 3-5 years.

11 Prepayments

Prepayments under current assets relate to costs in subsequent periods.

12 Provisions for investments in group enterprises

Other provisions comprise value of negative equity in investments in group entreprises.

13 Contingent liabilities

Liabilities under rental or lease agreements until maturity in total 779.439 DKK.

14 Assets charged and collateral

The Entity has guaranteed the subsidiaries' debt to Sydbank. The subsidiaries' bank debt amounts to DKK 0 as of 31.12.2023.

15 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, with precaution for few reclassifications.

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 normal 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, including loss from the sale of intangible assets and property, plant and equipment.

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.

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.

Other provisions

Other provisions comprise value of negative equity in investments in group entreprises etc.

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.