



LTP Group A/S

Bryghuspladsen 8
1473 København K
CVR No. 17974246

Annual report 2020

The Annual General Meeting adopted the
annual report on 26.03.2021

Jeannett Hvidkjær

Chairman of the General Meeting

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Entity details

Entity

LTP Group A/S

Bryghuspladsen 8

1473 København K

Business Registration No.: 17974246

Date of foundation: 26.03.2021

Registered office: København

Financial year: 01.01.2020 - 31.12.2020

Board of Directors

Jan Jakobsen, chairman

Peter Midtgaard

Astrid Haug

Morten Østergaard

Jon Skovhus Knudsen

Executive Board

Jeannett Hvidkjær, CEO

Henrik Holmgaard Olsson

Camilla Deichmann

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 01.01.2020 - 31.12.2020

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

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

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

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

Copenhagen, 26.03.2021

Executive Board

Jeannett Hvidkjær
CEO

Henrik Holmgaard Olsson

Camilla Deichmann

Board of Directors

Jan Jakobsen
chairman

Peter Midtgaard

Astrid Haug

Morten Østergaard

Jon Skovhus Knudsen

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 01.01.2020 - 31.12.2020, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

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

Basis for opinion

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in

Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and parent financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Statement on the management commentary

Management is responsible for the management commentary.

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

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

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

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

Silkeborg, 26.03.2021

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

	2020	2019	2018	2017	2016
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Key figures					
Revenue	600,227	726,353	614,121	510,202	439,018
Gross profit/loss	192,527	205,330	174,514	150,563	130,553
Operating profit/loss	47,950	55,966	47,643	44,128	40,840
Net financials	2,937	14,613	9,560	1,290	7,918
Profit/loss for the year	44,467	61,693	49,939	40,142	42,443
Balance sheet total	385,602	358,398	353,786	272,486	216,037
Investments in property, plant and equipment	4,759	11,030	37,104	15,441	8,963
Equity	278,281	255,653	214,194	188,613	156,271
Average invested capital incl. goodwill	172,723	193,777	156,862	131,579	114,180
Ratios					
Gross margin (%)	32.08	28.27	28.42	29.51	29.74
Net margin (%)	7.41	8.49	8.13	7.87	9.67
Return on invested capital incl. goodwill (%)	25.74	31.84	31.84	30.51	37.17
Return on equity (%)	16.66	26.26	24.80	23.28	28.2
Equity ratio (%)	72.17	71.33	60.54	69.22	72.34

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

Gross margin (%):

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

Revenue

Net margin (%):

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

Revenue

Return on invested capital incl. goodwill (%):

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

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

Management commentary

There has not been a year like 2020, and the year will undoubtedly be remembered for the global pandemic. It has been a year where the world met changeability and unpredictability impacting our lives and how we do business.

Looking back on a turbulent year, management are proud of how well our colleagues handled the many challenges. The local teams and leadership ensured the safety of our employees and rapidly adjusted the operations and activities to match the changing needs of our customers.

The business and leadership model in LTP Group proved its strength and in overall terms the results for 2020 concluded at a satisfactory level, better than expected 1 year ago. LTP Group operates in 5 countries and every day more than 1,900 employees go to work to create value for our customers. The employees in LTP Group are strengthened by a strong culture in which the challenges are faced as a team. Local management teams and all employees in LTP Group played an important role in navigating safely through 2020.



Care



Trust



Challenge

LTP Group activities and purpose

LTP Group is a leading manufacturer for demanding clothing and furniture brands, eager to innovate and lead the way forward. A specialist in handling textiles for many different products. Together with our customers we continuously keep a focus in strengthening the sustainable offering of technically complex production capabilities and services.

LTP Group is a key development and production partner for nearly 100 premium leading brands having the main markets in Northern Europe and Scandinavia.

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

We support active and conscious lifestyle choices by offering sustainable manufacturing solutions for premium garments

LTP Garment is a global manufacturer with regional innovation centers in Europe and Asia, and with experts in each product category developing more than 1.500 new styles every year. LTP Garment operates in 6 product categories: Active Sport, Cycling, Outdoor, Athleisure, Urban Performance and Sustainable Fashion & Lifestyle.

The division employ more than 1.300 employees and deliver an output of more than 2 million pcs. per year of finished garment, manufactured from 5 fully owned locations and by trusted sub-contracting partners. The 5 factories are located in 4 different countries – Lithuania, Belarus, Ukraine and Vietnam and are approved by the highest certifications including Bluesign and GOTS certification. More than 60 premium brands are served from specialized high-end production setup.

LTP Furniture is a trusted production partner and serve as a 100% OEM setup. Partnering with LTP entail access to numerous services, partners and experts. LTP Furniture offers a total supply chain solution, including full assembly, packaging and logistics.

Management commentary

The division operates in three product categories – Contract Furniture, Design Furniture and Textile solutions and serve more than 30 brands in supplying within the product range of: Visitor chairs, Soft seating & sofas, Design chairs, Public seating, Acoustic panels and screens, Bed textiles and Accessories.

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

From one of the 4 factories in Lithuania more than 2.000.000 pcs are produced every year. The production is lean and efficient designed and powered to handle short lead times and large number of variances. All manufacturing sites are ISO-9001 certified to ensure the highest quality standards.

LTP Furniture has a strategic partnership with Nuvar Inc., located in Michigan, USA, giving the customers a possibility to establish sales in the attractive North American market.

LTP Furniture strive to be the preferred and global partner in sustainable upholstery and textile solutions for superior quality products in thousands of variants

To support the requirements of a dynamic market and to fulfill our strategy LTP Group operate to build a robust and flexible IT landscape. The implementation entails a hybrid platform to manage both on-prem and cloud-based infrastructure – operational systems, data and analytics, customer and supplier integrations. The architecture model enables LTP Group to combine the global presence and local infrastructure towards a high level of digitalization. In 2020 the deployment of a new digital platform for LTP Furniture was completed, and in 2021 a digital platform for LTP Garment in Europe will be deployed. Technology and digitalization are an essential part of LTP Group business strategy to ensure an efficient and competitive production in a dynamic market.

Results for 2020 and outlook for 2021

Considering the impact of the COVID-19 LTP Group's performance during the year was strong. The sales declined overall by 17% and concluded at DKK 600,227k compared to DKK 726,353k in 2019. Operating profit margin shows 8% in line with 2019. Keeping the operating profit margin shows LTP Group's agility and resilience to the pandemic. Profit before tax of DKK 50,887k versus DKK 70,579k in 2019.

Outlook and expectations

The uncertainty related to the extent and length of the ongoing pandemic, government activities, customer reactions and macroeconomic developments remains high and may have significant implication on business performance. The alertness will stay high on the management agenda to continue to act in a responsible manner, keeping a strategic focus on future growth. Based on the trends and activity in the beginning of 2021, management expect to return to deliver a double-digit growth and an estimated profit of DKK 55-65 mill. Both divisions have a solid position and continuously strong momentum in their market segments, which allow LTP to continue to serve and support current and future customers growth journey.

The outlook for 2021 assumes the currency exchange rates, especially the US dollar and VND against the EUR and DKK, will remain at the current rate.

Management commentary

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

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

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

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

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

Attract and retain employees

Employees are a vital resource for LTP Group. The business success depends on highly qualified management teams and employees with technical and operational qualifications at all organisational levels. It is critical for the capability of handling extraordinary situations like the COVID-19 crisis.

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

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

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

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 Euribor 6 months.

Currency exposure is mainly managed in matching income and liabilities in same currencies. Some exposure is present between VND/USD and EUR/USD. No forward cover has been entered into.

Management commentary

IT systems

IT systems, networks and related processes are essential for LTP Groups day-to-day operations. By increase of digitalization of business processes, cyber-attack or non-availability of IT systems can have significant financial consequence.

The majority of the operation and maintenance of networks and servers, back-up, access and firewalls has been outsourced to an external partner. The outsourcing ensures an on-going update of security software and limits the risk of breakdowns. In 2020 the performance of IT platforms and security systems has been stable despite the increased number of employees working from home.

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

Compliance

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

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

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

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

ESG performance

Corporate responsibility is anchored with the Board of Directors and Executive Management, and the ESG strategy focuses on 3 areas which are important for the LTP Group:



Environmental
Environment and recycling



Social
Employee well-being, including health, safety



Governance
Business ethichs and transparency

LTP Groups ambition is to integrate step by step sustainability from strategies to operations. The plans can only be brought to life and targets achieved if the initiatives are driven and implemented by our Responsibility team and the local management teams across the organization.

In carrying out the business, LTP Group strive to comply with all relevant laws, standards and guidelines and consider the well-being of employees a top priority as well as possesses a strong wish to minimize the impact on the environment.

LTP Group's overall vision is to build its sustainability strategy to contribute to the change into the fashion industry. This represents a big challenge.

In 2020 LTP Group continued implementing initiatives to support the corporate responsible business approach in the entire sector trough various actions and cooperating with international organizations, partners, and customers. LTP Group is on a continuous journey for the best way to achieve the real result.

In LTP, the defined main foundations for a responsible business conduct are:

- The United Nations Universal Declaration of Human Rights and the European Convention on Human Rights;
- The International Labor Organization conventions, in particular conventions 29, 105, 138, 182 (child labor and forced labor), 155 (occupational health and safety), 111 (discrimination), 100 (equal remuneration), 87 and 98 (freedom of association, protection of the right to organize and collective bargaining);
- The OECD Guidelines for Multinational Enterprises;
- The United Nations Convention on the Rights of the Child;
- The United Nations Guiding Principles on Business and Human Rights;
- The United Nations Women's Empowerment Principles;
- The United Nations Universal Declaration on Cultural Diversity;
- The United Nations 2030 Agenda for Sustainable Development and associated Sustainable Development Goals;
- The 10 Principles of the United Nations Global Compact.

ESG performance

LTP Group adhere to the UN Global Compact Principles using these principles as the overall framework to guide its policies and processes. The 10 principles are based on internationally adopted declarations and conventions in the 4 following areas:

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

LTP Groups opportunity to support the Sustainable Development Goals takes inspiration from the main international guidelines, recommendations concerning responsible business conduct and in particular the UN 2030 Agenda. LTP participated in engaging the Danish midsize industry's commitment to achieving the UN's 17 sustainable development goals and also partnered with the SDG Accelerator Program. A special focus is on goal number 8, 12 and 13.

Inside LTP Group, 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.



Environment and recycle

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.

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 send for recycling.

Chemicals and nature

Achievement and goals

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. During 2020 the reduction of using solvent based glue has continued.

The goal for 2021 is to fully exclude solvent based glue from our production.

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 was to have all carton and all wooden frames for soft seating to be based on FSC materials. We succeeded to have all cardboard and wood suppliers being FSC certified in 2020 and 75% of purchased cardboard and 30% of wood materials was FSC certified. By 2021 the aim is to have 95% of all carboard materiel to be purchased as FSC and continue working with our customers to change wooden components to FSC certified.

ESG performance

Recycle

Achievement and goals

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 Contract furniture 11% of all plastic bags was recycled in 2019. For 2020 the goal was 25% and for 2022 50%. End of 2020 78% of all plastic bags used was of recycled plastic.

The goal for 2025 is 90%.

LTP Garment 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 of 2020 was to have 25% of the plastic bags replaced by recycled plastic, and we achieved 53%.

The goal for 2022 is 75%.

CO2 emission

LTP Group's policy in energy consumption focus to limit the consumption in all processes in fully owned factories and to reduce the CO2 emission per produced piece. The emission elements are identified and measures to follow the emission related to gas, electricity, solid waste, diesel, flights, inbound transport and internal transport. The count of CO2 emission does not include emission from sub-contractors or material suppliers.

Achievement and goals

The table below illustrates the average output of CO2 in kg per produced item per division for Europe and for Asia:

			2016-18	2019	2020
Garment	Europe	100% green electricity from renewable resources in Lithuania Sourcing green energy in Belarus and Ukraine	1,86	1,83	1,21
	Asia	Sourcing green energy All light in factory LED based	0,67	0,63	0,63
Furniture	Europe	100% green electricity from renewable resources Lithuania Solar panels installed to produce green energy	0,79	0,56	0,63

ESG performance

LTP target is to decrease the CO2 emission by 50% towards 2030. From 2021 targets for 2030 emissions will be set according to Green House Gas Protocol standards.

Employee well-being, including health, safety and development

LTP Group supports and respects the Universal Declaration of Human Rights which is outlined in the UN Global Compact principles 1-6. As an employer 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.

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.

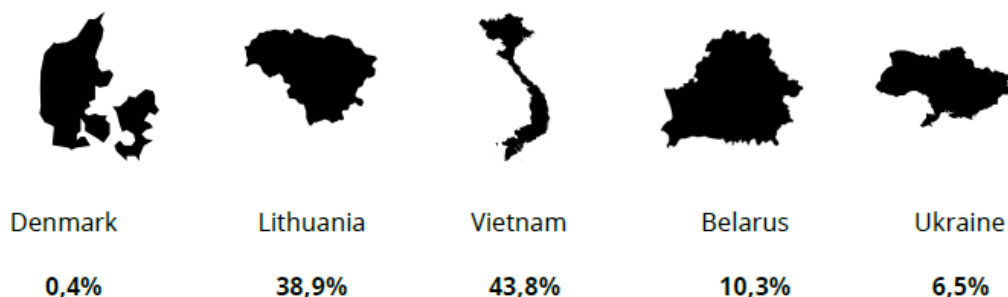
LTP Group believe in having a diverse workforce where employees can realize their potential based on their different individual backgrounds, is an advantage. A diverse workforce situated in an inclusive culture fosters a dynamic work environment. LTP Group recognize and support equal human rights and 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.

LTP Group has around 2.000 employees across our 9 factories and group functions, performing a large variety of jobs – in production, in warehouse and in offices. Regardless the job function, LTP Group is committed to provide a safe and healthy workplace worldwide and to nurture and develop our employees.

Throughout the COVID-19 crisis, the priority has been the health and safety of the employees, who have worked hard to keep LTP Groups global supply chain flowing.

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

Employees by Country:



ESG performance

Risks

LTP recognize *the risk* of breach of human rights and working conditions in the global supply chain.

LTP Groups Ethical Policy and Principles and the Code of Conduct for Suppliers and Subcontractors are implemented to guarantee ethical behavior in the business activities.

In the SDG Accelerator Program, an initiative to create transparency and connection between seamstresses and consumers was initiated and LTP Group has taken the learnings and built a concept supporting more transparency towards the end consumer. The concept which is labelled with LTPs sustainability identity “LTP Consciously Crafted” includes QR coded hangtags and care labels as well as an App solution to share information with consumers. It also encourages consumers to share their sustainable purchase. By involving more stakeholders LTP Group believe in a stronger impact.



Achievements and goals

LTP Group are setting minimum requirements to subcontractors and suppliers to respect labor standards and human rights. At the end of 2020 the Groups Ethical Policy and Principles and the Code of conduct are signed by 100% of subcontractors and 23% of suppliers.

The goal for the LTP Consciously Crafted Concept is to have up to 20% of the customers joining the concept by end of 2022.

In LTP Furniture the Mobelfakta social and environmental compliance checklist is used when auditing LTP own production locations. The checklist supports the furniture companies in their work with social responsibility. All production locations were self-audited and improvement opportunities was identified. Any non-conformities are addressed within 12 month.

To govern the compliance to the highest social and environment standards, LTP Group offers reliable production that meets the toughest standards for environment, health and safety throughout the value chain. LTP Group is approved by the highest certifications:

	bluesign®	GREEN GUARANTEE SYSTEM	REACH COMPLIANCE	FAIR WEAR	Higg Index	amfori	GREEN ENERGY	ISO 14001	FSC	MÖBELFAKTA	TS/CA
Garment - Lithuania	✓	✓	Comply	Participate	✓		✓				
Garment - Belarus	✓	✓	Comply	Customer audit							
Garment - Ukraine	✓	✓	Comply	Customer audit							
Garment - Vietnam	✓		Comply	Customer audit	✓	✓					
Furniture - Lithuania							✓	✓	✓	Comply	
Furniture - US ¹⁾										Comply	Comply

ESG performance

Business ethics and transparency

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 2020). 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.

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.

In 2020 the anti-corruption and fraud policy, for each of the countries having LTP presence, has been revised and tailor-made procedures based on a risk approach is implemented.

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 and 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

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 2020

	Notes	2020 DKK	2019 DKK
Revenue	1	600,226,629	726,352,747
Other operating income		1,058,860	1,070,003
Cost of sales		(381,200,544)	(490,511,767)
Other external expenses	2	(27,558,079)	(31,580,519)
Gross profit/loss		192,526,866	205,330,464
Staff costs	3	(134,035,486)	(139,928,771)
Depreciation, amortisation and impairment losses	4	(10,354,051)	(9,308,103)
Other operating expenses		(187,378)	(127,978)
Operating profit/loss		47,949,951	55,965,612
Income from investments in associates		9,167,018	12,353,255
Other financial income		4,286,737	3,676,005
Other financial expenses		(10,516,973)	(1,415,956)
Profit/loss before tax		50,886,733	70,578,916
Tax on profit/loss for the year	5	(6,419,578)	(8,885,782)
Profit/loss for the year	6	44,467,155	61,693,134

Consolidated balance sheet at 31.12.2020

Assets

	Notes	2020 DKK	2019 DKK
Completed development projects	8	1,090,810	215,878
Acquired intangible assets		19,245,419	2,699,774
Goodwill		942,129	0
Development projects in progress	8	0	15,380,149
Intangible assets	7	21,278,358	18,295,801
Land and buildings		47,618,743	51,078,398
Plant and machinery		2,315,076	2,668,468
Other fixtures and fittings, tools and equipment		16,301,841	18,844,703
Leasehold improvements		4,925,467	7,295,784
Property, plant and equipment in progress		33,064	42,121
Property, plant and equipment	9	71,194,191	79,929,474
Investments in associates		38,215,658	34,165,813
Other receivables		1,270,748	1,376,232
Financial assets	10	39,486,406	35,542,045
Fixed assets		131,958,955	133,767,320
Raw materials and consumables		76,673,462	79,095,020
Work in progress		31,429,577	19,583,791
Manufactured goods and goods for resale		3,144,726	0
Prepayments for goods		8,476,685	9,090,610
Inventories		119,724,450	107,769,421
Trade receivables		65,092,386	71,169,622
Receivables from associates		0	2,514
Deferred tax	11	1,708,024	1,235,807
Other receivables		7,614,306	6,924,727
Tax receivable		91,455	226,694
Prepayments	12	1,245,940	941,836
Receivables		75,752,111	80,501,200

Cash	58,166,733	36,360,224
Current assets	253,643,294	224,630,845
Assets	385,602,249	358,398,165

Equity and liabilities

	Notes	2020 DKK	2019 DKK
Contributed capital		500,000	500,000
Reserve for net revaluation according to equity method		37,548,992	33,499,147
Other statutory reserves		548,320	548,320
Retained earnings		239,684,165	221,105,945
Equity		278,281,477	255,653,412
Deferred tax	11	271,076	118,557
Provisions		271,076	118,557
Mortgage debt		16,763,815	19,842,130
Other payables	13	668,215	242,469
Non-current liabilities other than provisions	14	17,432,030	20,084,599
Current portion of non-current liabilities other than provisions	14	2,997,562	3,989,641
Bank loans		88,073	218,087
Prepayments received from customers		23,426,138	11,600,554
Trade payables		45,774,457	46,965,749
Tax payable		695,106	2,316,831
Other payables		16,543,249	17,357,274
Deferred income	15	93,081	93,461
Current liabilities other than provisions		89,617,666	82,541,597
Liabilities other than provisions		107,049,696	102,626,196
Equity and liabilities		385,602,249	358,398,165
Unrecognised rental and lease commitments	17		
Assets charged and collateral	18		
Subsidiaries	19		

Consolidated statement of changes in equity for 2020

	Contributed capital DKK	Reserve for net revaluation according to the equity method DKK	Other statutory reserves DKK	Retained earnings DKK	Proposed extraordinary dividend DKK
Equity beginning of year	500,000	33,499,147	548,320	221,105,945	0
Extraordinary dividend paid	0	0	0	0	(20,000,000)
Exchange rate adjustments	0	(117,173)	0	(1,721,917)	0
Dividends from associates	0	(5,000,000)	0	5,000,000	0
Profit/loss for the year	0	9,167,018	0	15,300,137	20,000,000
Equity end of year	500,000	37,548,992	548,320	239,684,165	0

	Total DKK
Equity beginning of year	255,653,412
Extraordinary dividend paid	(20,000,000)
Exchange rate adjustments	(1,839,090)
Dividends from associates	0
Profit/loss for the year	44,467,155
Equity end of year	278,281,477

Consolidated cash flow statement for 2020

	Notes	2020 DKK	2019 DKK
Operating profit/loss		47,949,951	55,965,612
Amortisation, depreciation and impairment losses		10,354,051	9,442,729
Working capital changes	16	1,760,239	(21,918,251)
Cash flow from ordinary operating activities		60,064,241	43,490,090
Financial income received		4,286,733	3,676,005
Financial expenses paid		(10,516,973)	(1,415,956)
Taxes refunded/(paid)		(8,225,760)	(8,195,883)
Cash flows from operating activities		45,608,241	37,554,256
Acquisition etc. of intangible assets		(4,404,001)	(7,894,668)
Acquisition etc. of property, plant and equipment		(197,321)	(10,299,169)
Dividends received from associates		5,000,000	5,000,000
Cash flows from investing activities		398,678	(13,193,837)
Free cash flows generated from operations and investments before financing		46,006,919	24,360,419
Repayments of loans etc.		(4,070,396)	(2,072,644)
Dividend paid		(20,000,000)	(20,000,000)
Cash flows from financing activities		(24,070,396)	(22,072,644)
Increase/decrease in cash and cash equivalents		21,936,523	2,287,775
Cash and cash equivalents beginning of year		36,142,137	33,854,362
Cash and cash equivalents end of year		58,078,660	36,142,137
Cash and cash equivalents at year-end are composed of:			
Cash		58,166,733	36,360,224
Short-term bank loans		(88,073)	(218,087)
Cash and cash equivalents end of year		58,078,660	36,142,137

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

	2020	2019
	DKK	DKK
Statutory audit services	58,000	57,000
Other assurance engagements	283,838	235,497
Tax services	48,956	45,277
Other services	60,500	132,858
	451,294	470,632

Fees to foreign auditors not appointed by the Annual General Meeting included in above amount to DKK 323k relating to other assurance engagements (DKK 235k in 2019) and DKK 39k to tax services (DKK 45k in 2019).

3 Staff costs

	2020	2019
	DKK	DKK
Wages and salaries	128,492,588	134,724,691
Pension costs	1,179,135	1,456,485
Other social security costs	4,363,763	3,747,595
	134,035,486	139,928,771

Average number of full-time employees	1,834	1,826
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	Remuneration of manage- ment 2020 DKK	Remuneration of manage- ment 2019 DKK
Executive Board	4,669,711	0
Board of Directors	756,667	0
Total amount for management categories	0	4,689,424
	5,426,378	4,689,424

Remuneration of Management was in 2019 on a total amount for management categories with reference to Section 98b (3) of Danish Financial Statements Act.

4 Depreciation, amortisation and impairment losses

	2020	2019
	DKK	DKK
Amortisation of intangible assets	1,421,444	767,755
Depreciation on property, plant and equipment	8,932,607	8,540,348
	10,354,051	9,308,103

5 Tax on profit/loss for the year

	2020	2019
	DKK	DKK
Current tax	6,711,720	8,803,373
Change in deferred tax	(319,698)	67,076
Adjustment concerning previous years	27,556	15,333
	6,419,578	8,885,782

6 Proposed distribution of profit/loss

	2020	2019
	DKK	DKK
Extraordinary dividend distributed in the financial year	20,000,000	20,000,000
Retained earnings	24,467,155	41,693,134
	44,467,155	61,693,134

7 Intangible assets

	Completed development projects DKK	Acquired intangible assets DKK	Goodwill DKK	Development projects in progress DKK
Cost beginning of year	1,834,335	5,781,972	0	15,380,149
Addition through business combinations etc	0	0	1,177,661	0
Exchange rate adjustments	0	(85,982)	0	(62,593)
Transfers	0	0	0	(16,457,443)
Additions	1,061,042	17,572,927	0	1,139,887
Disposals	0	(53,303)	0	0
Cost end of year	2,895,377	23,215,614	1,177,661	0
Amortisation and impairment losses beginning of year	(1,618,457)	(3,082,198)	0	0
Exchange rate adjustments	0	58,502	0	0
Amortisation for the year	(186,110)	(999,802)	(235,532)	0
Reversal regarding disposals	0	53,303	0	0
Amortisation and impairment losses end of year	(1,804,567)	(3,970,195)	(235,532)	0
Carrying amount end of year	1,090,810	19,245,419	942,129	0

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	71,157,130	3,303,342	52,012,317	9,460,634	42,121
Addition through business combinations etc	0	326,916	0	0	56,412
Exchange rate adjustments	(734,733)	(798,288)	(1,231,297)	(1,255,109)	(10,713)
Transfers	0	0	0	0	(48,888)
Additions	0	424,015	3,667,358	283,869	0
Disposals	0	0	(2,425,897)	(679,612)	(5,868)
Cost end of year	70,422,397	3,255,985	52,022,481	7,809,782	33,064
Depreciation and impairment losses beginning of year	(20,078,732)	(634,875)	(33,167,615)	(2,164,850)	0
Exchange rate adjustments	163,066	224,167	555,229	251,796	0
Depreciation for the year	(2,887,988)	(530,201)	(4,543,160)	(971,261)	0
Reversal regarding disposals	0	0	1,434,906	0	0
Depreciation and impairment losses end of year	(22,803,654)	(940,909)	(35,720,640)	(2,884,315)	0
Carrying amount end of year	47,618,743	2,315,076	16,301,841	4,925,467	33,064

10 Financial assets

	Investments in associates DKK	Other receivables DKK
Cost beginning of year	666,667	1,376,232
Exchange rate adjustments	0	(110,344)
Additions	0	4,860
Cost end of year	666,667	1,270,748
Revaluations beginning of year	33,499,146	0
Exchange rate adjustments	(117,173)	0
Share of profit/loss for the year	9,167,018	0
Dividend	(5,000,000)	0
Revaluations end of year	37,548,991	0
Carrying amount end of year	38,215,658	1,270,748

Associates	Registered in	Ownership %
Theca A/S	Aarhus	33,3

11 Deferred tax

	2020 DKK	2019 DKK
Intangible assets	0	(41,000)
Property, plant and equipment	(595,838)	(413,586)
Inventories	111,589	112,046
Liabilities other than provisions	1,029,458	1,123,653
Tax losses carried forward	891,739	336,137
Deferred tax	1,436,948	1,117,250

Changes during the year	2020 DKK	2019 DKK
Beginning of year	1,117,250	1,184,326
Recognised in the income statement	292,134	(60,560)
Other Changes	27,564	(6,516)
End of year	1,436,948	1,117,250

Deferred tax has been recognised in the balance sheet as follows	2020 DKK	2019 DKK
Deferred tax assets	1,708,024	1,235,807
Deferred tax liabilities	(271,076)	(118,557)
	1,436,948	1,117,250

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

12 Prepayments

Prepayments under current assets relate to costs in subsequent periods

13 Other payables

	2020 DKK	2019 DKK
Holiday pay obligation	668,215	242,469
	668,215	242,469

14 Non-current liabilities other than provisions

	Due within 12 months 2020 DKK	Due within 12 months 2019 DKK	Due after more than 12 months 2020 DKK
Mortgage debt	2,997,562	3,989,641	16,763,815
Other payables	0	0	668,215
	2,997,562	3,989,641	17,432,030

15 Deferred income

Deferred income contains income in subsequent periods

16 Changes in working capital

	2020 DKK	2019 DKK
Increase/decrease in inventories	(11,955,029)	6,653,096
Increase/decrease in receivables	3,469,634	5,005,819
Increase/decrease in trade payables etc.	10,245,634	(33,577,166)
	1,760,239	(21,918,251)

17 Unrecognised rental and lease commitments

	2020 DKK	2019 DKK
Total liabilities under rental or lease agreements until maturity	14,997,624	42,723,925

18 Assets charged and collateral

Mortgage debt is secured by way of mortgages on properties. The carrying amount of mortgaged properties is TDKK 46.114.

19 Subsidiaries

	Registered in	Ownership %
UAB LTP TexDan	Kedaniniai, Lithaunia	100
UAB LTP	Kaunas, Lithaunia	100
UAB JMJ Baltic	Kaunas, Lithaunia	100
LTP Belvit	Vitebsk, Belarus	100
LTP Orlit	Vitebsk, Belarus	100
LTP Vietnam Company Limited	Ho Chi Minh City, Vietnam	100
LTP Ukraine LLC	Lviv, Ukraine	100

Parent income statement for 2020

	Notes	2020 DKK	2019 DKK
Revenue		13,572,463	18,186,404
Other external expenses		(2,430,351)	(4,231,633)
Gross profit/loss		11,142,112	13,954,771
Staff costs	1	(11,643,482)	(13,571,567)
Depreciation, amortisation and impairment losses	2	(213,942)	(379,005)
Operating profit/loss		(715,312)	4,199
Income from investments in group enterprises		37,476,719	47,824,932
Income from investments in associates		9,167,018	12,353,255
Other financial income	3	549,722	1,975,054
Other financial expenses		(2,618,992)	(5,667)
Profit/loss before tax		43,859,155	62,151,773
Tax on profit/loss for the year	4	608,000	(458,639)
Profit/loss for the year	5	44,467,155	61,693,134

Parent balance sheet at 31.12.2020

Assets

	Notes	2020 DKK	2019 DKK
Completed development projects	7	1,090,810	215,878
Intangible assets	6	1,090,810	215,878
Leasehold improvements		30,153	57,985
Property, plant and equipment	8	30,153	57,985
Investments in group enterprises		212,310,716	176,480,978
Investments in associates		38,215,658	34,165,813
Other receivables		157,772	153,960
Financial assets	9	250,684,146	210,800,751
Fixed assets		251,805,109	211,074,614
Trade receivables		1,996	0
Receivables from group enterprises		21,960,478	24,152,876
Receivables from associates		0	2,514
Deferred tax	10	567,000	0
Other receivables		113,778	161,987
Tax receivable		39,000	226,694
Prepayments	11	145,489	181,975
Receivables		22,827,741	24,726,046
Cash		7,855,066	24,631,999
Current assets		30,682,807	49,358,045
Assets		282,487,916	260,432,659

Equity and liabilities

	Notes	2020 DKK	2019 DKK
Contributed capital		500,000	500,000
Reserve for net revaluation according to the equity method		224,183,860	191,833,092
Reserve for development costs		850,831	0
Retained earnings		52,746,788	63,320,320
Equity		278,281,479	255,653,412
Deferred tax	10	0	41,000
Provisions		0	41,000
Other payables	12	668,215	242,469
Non-current liabilities other than provisions	13	668,215	242,469
Bank loans		88,073	218,087
Trade payables		582,302	758,553
Other payables		2,867,847	3,519,138
Current liabilities other than provisions		3,538,222	4,495,778
Liabilities other than provisions		4,206,437	4,738,247
Equity and liabilities		282,487,916	260,432,659
Contingent liabilities	14		
Assets charged and collateral	15		
Related parties with controlling interest	16		

Parent statement of changes in equity for 2020

	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	191,833,092	0	63,320,320	0
Extraordinary dividend paid	0	0	0	0	(20,000,000)
Exchange rate adjustments	0	(1,839,088)	0	0	0
Dividends from group enterprises	0	(7,453,881)	0	7,453,881	0
Dividends from associates	0	(5,000,000)	0	5,000,000	0
Transfer to reserves	0	0	850,831	(850,831)	0
Profit/loss for the year	0	46,643,737	0	(22,176,582)	20,000,000
Equity end of year	500,000	224,183,860	850,831	52,746,788	0

	Total DKK
Equity beginning of year	255,653,412
Extraordinary dividend paid	(20,000,000)
Exchange rate adjustments	(1,839,088)
Dividends from group enterprises	0
Dividends from associates	0
Transfer to reserves	0
Profit/loss for the year	44,467,155
Equity end of year	278,281,479

Notes to parent financial statements

1 Staff costs

	2020 DKK	2019 DKK
Wages and salaries	10,411,320	12,051,125
Pension costs	1,179,135	1,456,485
Other social security costs	53,027	63,957
	11,643,482	13,571,567
Average number of full-time employees	7	8

	Remuneration of manage- ment 2020 DKK	Remuneration of manage- ment 2019 DKK
Executive Board	4,669,711	0
Board of Directors	756,667	0
Total amount for management categories	0	4,689,424
	5,426,378	4,689,424

2 Depreciation, amortisation and impairment losses

	2020 DKK	2019 DKK
Amortisation of intangible assets	186,110	353,497
Depreciation on property, plant and equipment	27,832	25,508
	213,942	379,005

3 Other financial income

	2020 DKK	2019 DKK
Financial income from group enterprises	459,914	846,700
Other interest income	89,808	1,128,354
	549,722	1,975,054

4 Tax on profit/loss for the year

	2020 DKK	2019 DKK
Current tax	0	513,306
Change in deferred tax	(608,000)	(70,000)
Adjustment concerning previous years	0	15,333
	(608,000)	458,639

5 Proposed distribution of profit and loss

	2020 DKK	2019 DKK
Extraordinary dividend distributed in the financial year	20,000,000	20,000,000
Retained earnings	24,467,155	41,693,134
	44,467,155	61,693,134

6 Intangible assets

	Completed development projects DKK
Cost beginning of year	1,834,335
Additions	1,061,042
Cost end of year	2,895,377
Amortisation and impairment losses beginning of year	(1,618,457)
Amortisation for the year	(186,110)
Amortisation and impairment losses end of year	(1,804,567)
Carrying amount end of year	1,090,810

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	(25,508)
Depreciation for the year	(27,832)
Depreciation and impairment losses end of year	(53,340)
Carrying amount end of year	30,153

9 Financial assets

	Investments in group enterprises DKK	Investments in associates DKK	Other receivables DKK
Cost beginning of year	12,167,021	666,667	153,960
Additions	12,433,740	0	3,812
Cost end of year	24,600,761	666,667	157,772
Revaluations beginning of year	164,313,955	33,499,146	0
Exchange rate adjustments	(1,721,941)	(117,173)	0
Amortisation of goodwill	(235,532)	0	0
Share of profit/loss for the year	37,712,251	9,167,018	0
Dividend	(7,453,881)	(5,000,000)	0
Reversal of revaluations	(4,904,897)	0	0
Revaluations end of year	187,709,955	37,548,991	0
Carrying amount end of year	212,310,716	38,215,658	157,772
Goodwill or negative goodwill recognised during the financial year	942,148		

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

Investments in associates	Registered in	Corporate form	Ownership %
Theca A/S	Aarhus	Limited liability company	33,3

10 Deferred tax

	2020 DKK
Intangible assets	40,000
Property, plant and equipment	(12,000)
Tax losses carried forward	(595,000)
Deferred tax	(567,000)

Changes during the year	2020 DKK	2019 DKK
Beginning of year	41,000	111,000
Recognised in the income statement	(608,000)	(70,000)
End of year	(567,000)	41,000

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 Other payables

	2020	2019
	DKK	DKK
Holiday pay obligation	668,215	242,469
	668,215	242,469

13 Non-current liabilities other than provisions

	Due after more than 12 months 2020 DKK
Other payables	668,215
	668,215

14 Contingent liabilities

Liabilities under rental or lease agreements until maturity in total 272.714 DKK.

15 Assets charged and collateral

The Entity has guaranteed the subsidiaries' debt to Sydbank. The subsidiaries' bank debt amounts to DKK 0 as of 31.12.2020.

16 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 common 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.

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.

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.

Cost of sales

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

Other external expenses

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

Staff costs

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

Depreciation, amortisation and impairment losses

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

Other operating expenses

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

Income from investments in group enterprises

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

Income from investments in associates

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

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, sub-suppliers and labour costs. For assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments.

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

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

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

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

Estimated useful lives and residual values are reassessed annually.

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

Investments in group enterprises

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

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

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

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

Investments in associates

Investments in associates are recognised and measured according to the equity method. This

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

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

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

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

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.

Cash

Cash comprises cash in hand and bank deposits.

Dividend

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

Mortgage debt

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

Operating leases

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

Other financial liabilities

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

Prepayments received from customers

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

Deferred income

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

Cash flow statement

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

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

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

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