

ANNUAL REPORT

2022



LIEWOOD

LIEWOOD A/S

BLEGDAMSVEJ 124 / 2100 COPENHAGEN Ø
CVR NO. 36 97 15 09

The Annual Report was presented and adopted
at the Annual General Meeting of the company

30th of June 2023

Anne Marie Lie Norvig

Chairman of the general meeting

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MANAGEMENT'S STATEMENT

The Executive Board and Board of Directors have today considered and adopted the Financial Statements of LIEWOOD A/S for the financial year 1 January - 31 December 2022.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2022 of the Company and of the results of the Company operations for 2022.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Financial Statements be adopted at the Annual General Meeting.

Copenhagen Ø
30th of June 2023

Executive Board

Anne Marie Lie Norvig

Dennis Westerdahl Hollender

Sofie Sine Lindahl-Jessen

Board of Directors

Lars Radoor Sørensen

Anne Marie Lie Norvig

Marianne Kolenda Kruse

Kent Ernst Hansen

INDEPENDENT AUDITOR'S REPORT

To the shareholders of LIEWOOD A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2022 and of the results of the Company's operations for the financial year 1 January - 31 December 2022 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of LIEWOOD A/S for the financial year 1 January - 31 December 2022, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Company 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.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

INDEPENDENT AUDITOR'S REPORT

Management's responsibilities for the Financial Statements

Management is responsible for the preparation of 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

INDEPENDENT AUDITOR'S REPORT

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the 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 Company'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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

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.

Hellerup,
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

30th of June 2023
Ulrik Ræbild
State Authorised Public Accountant
mne33262

COMPANY INFORMATION

The Company	LIEWOOD A/S Blegdamsvej 124 DK-2100 Copenhagen Ø CVR No: 36 97 15 09 Financial period: 1 January - 31 December Financial year: 7th financial year Municipality of reg. office: Copenhagen
Board of Directors	Lars Radoor Sørensen Anne Marie Lie Norvig Marianne Kolenda Kruse Kent Ernst Hansen
Executive board	Anne Marie Lie Norvig Dennis Westerdahl Hollender Sofie Sine Lindahl-Jessen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 2900 Hellerup

FINANCIAL HIGHLIGHTS

Seen over a 5-year period, the development of the Company is described by the following financial highlights:

DKK in thousands.	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
KEY FIGURES					
Profit/loss					
Revenue	383,011	365,943	193,850	95,491	40,886
Gross profit/loss	106,398	130,543	73,816	27,485	13,738
Profit/loss before financial income and expenses	27,670	86,271	50,811	16,575	4,101
Profit/loss of financial income and expenses	-12,708	-3,627	293	-767	-412
Net profit/loss	11,377	64,208	39,799	12,300	2,852
Balance sheet					
Balance sheet total	221,357	190,652	80,762	27,381	12,847
Investment in property, plant and equipment	12,205	5,469	2,233	504	420
Equity	60,816	85,729	45,005	12,309	4,010
Number of employees	102	64	31	19	15
Ratios					
Gross margin	27.8%	35.7%	38.1%	28.8%	33.6%
Profit margin	7.2%	23.6%	26.2%	17.4%	10.0%
Return on assets	12.5%	45.3%	62.9%	60.5%	31.9%
Solvency ratio	27.5%	45.0%	55.7%	45.0%	31.2%
Return on equity	15.5%	98.2%	138.9%	150.7%	110.4%

The Financial Ratios have been calculated as described in Accounting Policies.

MANAGEMENT REPORT

Key activities

LIEWOOD engages in the design, development, production, marketing, and sale of products withing children's interiors, toys, lifestyle, and wear, as well as any other related activities as deemed appropriate by the Executive Board.

Development in the year

The company experienced both an exciting and challenging year, with a focus on strengthening its market position and increasing earnings. LIEWOOD continued its strategy of developing its product portfolio to customers in core markets, with an emphasis on innovation and sustainability.

The launch of several new products has garnered additional recognition in the market and contributed positively to revenue. Additionally, the company invested in new market entries outside Europe, ERP systems, an upgraded organization with new hires and improved workplace facilities in its new headquarters in central Copenhagen.

The Company's income statement shows a profit of 11,3 million DKK, and as of December 31, 2022, the balance sheet shows positive equity of 60,8 million DKK.

LIEWOOD has grown overall by 5% compared to the previous year. The revenue growth primarily arises from core activities in the European markets, including extension of customer base in key markets Germany and France.

Compared to previous years LIEWOOD experienced limited revenue growth due to challenges faced by the European lifestyle industry. The industry is impacted by increased cost and lowered margins due to inflation and the war in Ukraine causing a decreased customer confidence. At the same time following the COVID-19 pandemic, several customers are facing challenges with excessive inventory. Increase in raw material costs, driven by USD fluctuations and inflation, as well as higher freight rates primarily in the first half of the year, resulted in declining product margins for 2022 compared to previous years.

LIEWOOD has also seen a rise in sales, marketing and customer acquisition costs compared to 2021, both originating from expenses involving renewed participation in trade shows across Europe after Covid and investment in high quality brand presentation. As a separate project the move to the new headquarters in Copenhagen commenced in December 2021, has led to a significant increase in the overall external costs in 2022.

MANAGEMENT REPORT

Having successfully transitioned from a “startup” to a “company with a global presence”, LIEWOOD has been able to attract passionate and specialized employees ready to achieve great results. In 2022, the company invested in LIEWOOD employees releasing former agreement with sales agents as well as in new hires and functions. Together with contract employment on ERP systems projects the initiatives almost doubled the total number of employees. LIEWOOD invested in further propelling its transformation into a global organization while remaining rooted in Denmark. The company strategy remains dedicated to continuing to attract and retaining the most talented employees.

At the end of 2022, LIEWOOD implemented new ERP systems which resulted in expected operational disruptions and extraordinary pressure on the organization, in second half of the year. The implementation is completed and laying the foundation for the company’s further development, operational and geographical expansion and efficiency improvements expected in 2023. The year 2022 proved to be a test of LIEWOOD’s organizational and cultural quality above all else. The shifting market and working conditions necessitated new workflows throughout the entire organization.

The financial year 2022 has been a year in which LIEWOOD has made long-term investments in the business through new IT systems and acquiring more talent, aiming to prepare LIEWOOD for future growth.

Design and Environmental Conditions

LIEWOOD is founded on exceptional designs and a coherent product offering forming a children’s universe of categories. All designs are created by LIEWOOD itself and contracted for production internationally. Designs are legally protected and monitored and moulds are registered and accounted for.

In its design philosophy LIEWOOD focuses on creating high-quality, long-lasting products offering sustainable advantages to the consumer.

The company’s growth also entails a greater responsibility to run the business in a sustainable way.

LIEWOOD uses sustainable materials like organic cotton, recycled polyester, nylon and plastic and other sustainable materials, as well as mono materials for a large part of textile production. The focus is continuously on sourcing responsible materials and suppliers.

To ensure that all materials used in the supply chain meet the REACH standards and EU regulations, LIEWOOD has an internal RSL (Restricted Substances List). The Code of Conduct and Supplier Manual is updated twice a year to make sure LIEWOOD follows the updated requirements.

After an extended period of preparation, LIEWOOD achieved GOTS (Global Organic Textile Standard) and GRS (Global Recycled Standard) certification in June 2022. The company takes great pride in these important certifications, which are in line with its environmental and social responsibility strategy.

MANAGEMENT REPORT

In addition, LIEWOOD has an Internal Compliance Team who makes sure that all products are being tested for both safety and hazardous chemicals. All the production goes through rigid QC inspections from our partners.

Systematic approach to social responsibility

For a description of our business model please refer to the section on principal activities in the management review.

LIEWOOD A/S has decided to align with the ten fundamental principles the United Nations Global Compact for corporate social responsibility. We are committed to integrating these principles into our strategy and corporate culture, with a specific focus on human rights, labor rights, environmental preservation, and anticorruption measures.

For 2023/24, we have planned to perform materiality assessment for materials within our value chain covering the areas of environment, human rights, and corruption among others. This assessment will provide a detailed understanding of the specific impacts our products and materials have. Our goals encompass both preventive and forward-looking measures, aiming to identify areas for improvement in supplier selection and development, production processes, raw material usage, transportation, CO2 emissions, waste management, and more.

The value chain including raw materials through processing, transport, and the final presentation of our products to end customers involves multiple stages, each with potential risks to people and the environment. Consequently, we consider it our duty to enhance our understanding of this process and continually improve transparency. Simultaneously, we strive to simplify and promote transparency for end customers, empowering them to make informed and responsible choices.

To structure and focus our efforts, we have adopted a systematic approach based on GOTS and GRS goals. In 2022, we implemented all certification objectives and targets to meet compliance demands from GOTS, and we continue to expand and follow GOTS certification requirements in our growing supply chain.

Our people are our most important resource and crucial for the future success of our company, as we depend on their knowledge and expertise. As a result, LIEWOOD's Working Committee has been established to ensure that the organization focuses on maintaining a safe and healthy work environment. The committee conducts regular employee surveys to ensure a proper work environment. The employee survey for 2022 was generally satisfactory. There have been findings in the survey that the Working Committee and LIEWOOD are continuously working on improving. As part of this effort, a performance and engagement process has been established for employees, allowing for more continuous follow-up on development and performance. It is expected that the committee will continue its work in the future.

MANAGEMENT REPORT

IN LIEWOOD we believe we can enact change and positively impact our stakeholders. We are committed to being a responsible business and respecting the fundamental human rights throughout our value chain - in from our HQ in Copenhagen and through operations and those of external stakeholders. Given the structure of our organisation and the nature of our activities, it is our assesment that risks related to human rights and corruption are most prevalent along our value chain. We respect and uphold all human rights stated in the International Bill of Human Rights, including the labor rights expressed by the International Labor Law (ILO), and recognize the “protect, respect and remedy” framework outlined by the UN Guiding Principles on Business and Human Rights. Likewise, we also have a zero-tolerance policy to corruption and bribery.

In 2022 LIEWOOD launched the Whistleblower portal - an anonymous reporting tool to report and address any incidents involving misconduct, fraud, corruption, human rights breaches or other violations to company policy. In 2023 we will spread the word about the Whistleblower portal to customers, suppliers, and employees, making sure that it reaches a larger part of the relevant stakeholders.

Gender composition in management

LIEWOOD has a diversity and inclusion policy that emphasizes the importance of competencies and personal fit when hiring new employees. Employee skills and experience determine salary, not gender, ethnicity, or similar factors. LIEWOOD strives for gender equality. The gender distribution in the board of directors as well as top management is 50/50, and the same applies to the rest of the management level.

Future Expectations

LIEWOOD aims to continue its growth in the future, offering bestselling products to new countries and customers and continue it's growth within own Direct to Consumer channel in existing markets. LIEWOOD anticipates entering the Asian and American markets within a reasonable period. Although consumer confidence and consumption remain low, we expect 2023 to be characterized by the same trends as 2022 and we do not expect growth in 2023. We have planned for a minor decline in turnover and expect the year to end around DKK 380 M. As a result of the many cost adjustments, however, we expect an EBITDA around 8-10 %.

Financial Risks

Production and procurement take place outside of Denmark, and a considerable portion of the revenue is earned outside Denmark and settled in currencies other than DKK. This exposes LIEWOOD to continued fluctuations in exchange rates that affect both earnings and cash flows. To minimize risks, the company conducts ongoing hedging. However, the USD had a negative impact on the annual result. LIEWOOD only hedges cash flows and not speculative transactions.

MANAGEMENT REPORT

Statement on data ethics

LIEWOOD has implemented both an external personal data policy concerning the processing of personal information from consumers, customers, and partners, as well as an internal personal data policy specifically targeting employee-related personal data. Furthermore, LIEWOOD has a privacy policy for recruitment and a policy for IT-safety. Together, these policies form the foundation of our data ethics policy. LIEWOOD only processes personal data to the extent necessary to fulfill contractual, legal, or managerial obligations. Due to the limited processing of personal data within the company, there has been a minimal need for internal evaluation and training of employees in data ethics.

The legal department is conducting a series of internal GDPR courses for the employees. These courses are part of our commitment to ensure that all employees have the necessary knowledge of the General Data Protection Regulation (GDPR) and our internal policies. LIEWOOD takes responsibility for data ethics and the protection of personal information seriously, and the policies and training programs help ensure that employees are aware of their responsibilities and obligations regarding the handling of personal data.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

INCOME STATEMENT

1 JANUARY - 31 DECEMBER

<u>Note</u>	DKK	<u>2022</u>	<u>2021</u>
1	Revenue	383,010,934	365,942,820
	Work on own account recognised in assets	3,542,293	0
	Cost of goods sold	-229,065,870	-196,332,998
	Other external expenses	-51,088,924	-39,067,303
	Gross profit	106,398,433	130,542,519
2	Staff expenses	-70,694,844	-43,178,794
3	Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment	-8,033,501	-980,485
	Other operating expenses	0	-112,255
	Profit/loss before financial income and expenses	27,670,088	86,270,985
	Income from investments in subsidiaries	-1,065,777	-725,373
4	Financial income	57,206	0
5	Financial expenses	-11,699,694	-2,901,817
	Profit/loss before tax	14,961,823	82,643,795
6	Tax on profit/loss for the year	-3,584,833	-18,435,318
7	Net profit/loss for the year	11,376,990	64,208,477

BALANCE SHEET 31 DECEMBER

ASSETS

<u>Note</u>	DKK	<u>2022</u>	<u>2021</u>
	Completed development projects	18,279,806	2,623,241
	Acquired trademarks	1,113,412	0
8	Intangible assets	<u>19,393,218</u>	<u>2,623,241</u>
	Other fixtures and fittings, tools and equipment	14,864,463	8,983,873
	Leasehold improvements	1,731,443	1,549,821
9	Property, plant and equipment	<u>16,595,906</u>	<u>10,533,694</u>
10	Investments in subsidiaries	0	0
11	Deposits	323,755	313,720
	Fixed asset investments	<u>323,755</u>	<u>313,720</u>
	Fixed assets	<u>36,312,879</u>	<u>13,470,655</u>
	Finished goods and goods for resale	94,430,358	100,956,533
	Prepayments for goods	31,746,334	12,461,241
	Inventories	<u>126,176,692</u>	<u>113,417,774</u>
	Trade receivables	36,061,510	44,139,568
	Receivables from group enterprises	7,344,049	623,857
	Other receivables	2,668,720	3,874,384
	Corporation tax receivable from group enterprises	2,504,000	0
12	Prepayments	6,847,387	10,398,996
	Receivables	<u>55,425,666</u>	<u>59,036,805</u>
	Cash at bank and in hand	<u>3,442,115</u>	<u>4,726,349</u>
	Current assets	<u>185,044,473</u>	<u>177,180,928</u>
	Assets	<u>221,357,352</u>	<u>190,651,583</u>

BALANCE SHEET 31 DECEMBER

LIABILITIES AND EQUITY

<u>Note</u>	DKK	<u>2022</u>	<u>2021</u>
	Share capital	400,000	400,000
	Reserve for development costs	14,258,248	0
	Reserve for hedging transactions	-878,540	411,565
	Retained earnings	47,035,974	49,917,232
	Proposed dividend for the year	0	35,000,000
	Equity	<u>60,815,682</u>	<u>85,728,797</u>
13	Provision for deferred tax	4,146,341	925,384
	Provisions relating to investments in group enterprises	1,604,158	538,381
	Provisions	<u>5,750,499</u>	<u>1,463,765</u>
	Credit institutions	79,060,183	41,297,844
	Trade payables	32,414,691	27,682,051
	Payables to group enterprises	28,033,490	1,016,321
	Payables to group enterprises relating to corporation tax	0	17,218,534
	Other payables	15,282,807	16,244,271
	Short-term debt	<u>154,791,171</u>	<u>103,459,021</u>
	Debt	<u>154,791,171</u>	<u>103,459,021</u>
	Liabilities and equity	<u>221,357,352</u>	<u>190,651,583</u>
14	Contingent assets, liabilities and other financial obligations		
15	Related parties		
16	Subsequent events		
17	Accounting Policies		

STATEMENT OF CHANGES IN EQUITY

DKK	Share capital	Reserve for development costs	Reserve for hedging transactions	Retained earnings	Proposed dividend for the year	Total
Equity at 1 January	400,000	0	411,565	49,917,232	35,000,000	85,728,797
Ordinary dividend paid	0	0	0	0	-35,000,000	-35,000,000
Fair value adjustment of hedging instruments, end of year	0	0	-1,653,981	0	0	-1,653,981
Tax on adjustment of hedging instruments for the year	0	0	363,876	0	0	363,876
Development costs for the year	0	15,728,666	0	-15,728,666	0	0
Depreciation, amortisation and impairment for the year	0	-1,470,418	0	1,470,418	0	0
Net profit/loss for the year	0	0	0	11,376,990	0	11,376,990
Equity at 31 December	400,000	14,258,248	-878,540	47,035,974	0	60,815,682

NOTES TO THE FINANCIAL STATEMENTS

DKK	<u>2022</u>	<u>2021</u>
1. REVENUE		
Geographical segments		
Europe	315,274,619	290,055,949
Non-Europe	<u>67,736,315</u>	<u>75,886,871</u>
	<u>383,010,934</u>	<u>365,942,820</u>
2. STAFF EXPENSES		
Wages and salaries	63,722,802	39,101,062
Pensions	6,305,525	3,673,282
Other social security expenses	231,749	144,757
Other staff expenses	<u>434,768</u>	<u>259,693</u>
	<u>70,694,844</u>	<u>43,178,794</u>
Including remuneration to the Executive Board and Board of Directors:		
Executive board	9,626,351	7,738,174
Board of directors	<u>40,000</u>	<u>240,000</u>
	<u>9,666,351</u>	<u>7,978,174</u>
 Average number of employees	 <u>102</u>	 <u>64</u>
3. AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES OF INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT		
Amortisation of intangible assets	1,890,315	79,844
Depreciation of property, plant and equipment	<u>6,143,186</u>	<u>900,641</u>
	<u>8,033,501</u>	<u>980,485</u>

NOTES TO THE FINANCIAL STATEMENTS

DKK	<u>2022</u>	<u>2021</u>
4. FINANCIAL INCOME		
Interest received from group enterprises	55,648	0
Other financial income	<u>1,558</u>	<u>0</u>
	57,206	0
5. FINANCIAL EXPENSES		
Interest paid to group enterprises	96,487	150,000
Other financial expenses	3,022,348	1,082,821
Exchange adjustments, expenses	<u>8,580,859</u>	<u>1,668,996</u>
	11,699,694	2,901,817
6. INCOME TAX EXPENSE		
Current tax for the year	0	17,892,534
Deferred tax for the year	<u>3,220,957</u>	<u>542,784</u>
	3,220,957	18,435,318
Thus distributed:		
Income tax expense	3,584,833	18,435,318
Tax on equity movements	<u>-363,876</u>	<u>0</u>
	3,220,957	18,435,318
7. PROFIT ALLOCATION		
Proposed dividend for the year	0	35,000,000
Retained earnings	<u>11,376,990</u>	<u>29,208,477</u>
	11,376,990	64,208,477

NOTES TO THE FINANCIAL STATEMENTS

DKK

	Completed development projects	Acquired trademarks
8. INTANGIBLE FIXED ASSETS		
Cost at 1 January	2,703,085	0
Additions for the year	<u>17,461,872</u>	<u>1,198,420</u>
Cost at 31 December	<u>20,164,957</u>	<u>1,198,420</u>
Impairment losses and amortisation at 1 January	79,844	0
Amortisation for the year	<u>1,805,307</u>	<u>85,008</u>
Impairment losses and amortisation at 31 December	<u>1,885,151</u>	<u>85,008</u>
Carrying amount at 31 December	<u>18,279,806</u>	<u>1,113,412</u>

LIEWOOD'S development projects consist of development, improvement and upgrading of the Company's Webshop for the B2B-segment and Enterprise Resource Planning system. The development, improvements and upgrading are completed on an ongoing basis and are ready for use upon completion. The software platforms forms the basis of a large part of the Company's existing business. The improvements and upgrading is expected to have lives of three years which are considered to reflect the useful lives. The projects are progressing according to plan through the use of the resources allocated by Management to the development.

	Other fixtures and fittings, tools and equipment	Leasehold improvements
9. PROPERTY, PLANT AND EQUIPMENT		
Cost at 1 January	10,011,526	2,150,366
Additions for the year	<u>11,578,527</u>	<u>626,870</u>
Cost at 31 December	<u>21,590,053</u>	<u>2,777,236</u>
Impairment losses and depreciation at 1 January	1,027,654	600,545
Depreciation for the year	<u>5,697,936</u>	<u>445,248</u>
Impairment losses and depreciation at 31 December	<u>6,725,590</u>	<u>1,045,793</u>
Carrying amount at 31 December	<u>14,864,463</u>	<u>1,731,443</u>

NOTES TO THE FINANCIAL STATEMENTS

DKK	<u>2022</u>	<u>2021</u>
10. INVESTMENTS IN SUBSIDIARIES		
Cost at 1 January	186,992	0
Additions for the year	<u>00</u>	<u>186,992</u>
Cost at 31 December	<u>186,992</u>	<u>186,992</u>
Value adjustments at 1 January	-725,373	0
Net profit/loss for the year	<u>-1,065,777</u>	<u>-725,373</u>
Value adjustments at 31 December	<u>-1,791,150</u>	<u>-725,373</u>
Equity investments with negative net asset value transferred to provisions	<u>1,604,158</u>	<u>538,381</u>
Carrying amount at 31 December	<u>0</u>	<u>0</u>

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Ownership	Equity	Net profit/loss for the year
LIEWOOD GmbH	Germany	EUR 25.000	100,00%	-94,668	-56,849
LIEWOOD UK Limited	UK	GBP 1	100,00%	<u>-100,639</u>	<u>-74,482</u>
				<u>-195,307</u>	<u>-131,331</u>

DKK	<u>Deposits</u>
11. OTHER FIXED ASSET INVESTMENTS	
Cost at 1 January	313,720
Additions for the year	<u>10,035</u>
Cost at 31 December	<u>323,755</u>
Carrying amount at 31 December	<u>323,755</u>

12. PREPAYMENTS

Prepayments under assets are made up of prepaid costs relating to rent, insurance premiums and subscriptions.

NOTES TO THE FINANCIAL STATEMENTS

DKK	<u>2022</u>	<u>2021</u>
13. PROVISION FOR DEFERRED TAX		
Deferred tax liabilities at 1 January	925,384	-43,951
Amounts recognised in the income statement for the year	3,542,293	969,335
Amounts recognised in equity for the year	<u>-321,336</u>	<u>0</u>
Deferred tax liabilities at 31 December	<u>4,146,341</u>	<u>925,384</u>
14. CONTINGENT ASSETS, LIABILITIES AND OTHER FINANCIAL OBLIGATIONS		
Charges and security		
The following assets have been placed as security with bankers:		
Other fixtures and fittings, tools and equipment	14,864,463	8,983,873
Completed development projects and acquired trademarks	19,393,218	2,623,241
Leasehold improvements	1,731,443	1,549,821
Inventories	126,176,692	113,417,774
Trade receivables	36,061,510	44,139,568

The security with bankers comprise of a business mortgage registered to LIEWOOD A/S totalling kDKK 40,000, providing security for bank loans in LIEWOOD A/S of kDKK 79,060.

Rental and lease obligations

The company has entered into operational leases with an average annual lease payment of kDKK 83. The leases have up to 34 months to maturity and total outstanding lease payments total kDKK 200.

The company has entered into a lease on premises. This contract is non cancellable until 1 March 2028. The annual rent amounts to kDKK 5,102.

The company has entered into a variable lease agreement for stock facilities. This contract is non cancellable until 31 July 2023.

The bank has issued a payment guarantee of kDKK 3,880.

Other contingent liabilities

The Company has issued a letter of financial support to the subsidiaries LIEWOOD GmbH and LIEWOOD UK Limited to cover negative equity balances.

NOTES TO THE FINANCIAL STATEMENTS

The Danish group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of Lie ApS, which is the management company of the joint taxation purposes. Moreover, the Danish group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

15. RELATED PARTIES AND DISCLOSURE OF CONSOLIDATED FINANCIAL STATEMENTS

Controlling interest

Lie ApS

Basis

Majority shareholder

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company of the largest and smallest group:

Name

Lie ApS

Place of registered office

Copenhagen

The Group Annual Report of Lie ApS may be obtained at the following address:

Lie ApS

Blegdamsvej 124

2100 Copenhagen Ø

16. SUBSEQUENT EVENTS

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

17. ACCOUNTING POLICIES

The Annual Report of LIEWOOD A/S for 2022 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2022 are presented in DKK.

Adjustment of comparative figures

Certain reclassifications have been made in the income statement and balance sheet for the Company. Comparative and key figures have been adjusted accordingly.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements for 2022 of Lie ApS, the Company has not prepared consolidated financial statements.

With reference to the exemption in section 96(3) of the Danish Financial Statements Act and to the notes regarding fee to auditors appointed at the general meeting included in the Consolidated Financial Statements of Lie ApS, the Company has excluded the information in the Financial Statement.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of Lie ApS, the Company has not prepared a cash flow statement.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

NOTES TO THE FINANCIAL STATEMENTS

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Translation policies

Danish kroner is used as the presentation currency. All other currencies are regarded as foreign currencies.

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are classified as "Other receivables" and "Other payables", respectively.

Changes in the fair values of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is designated and qualify as hedge accounting, see below.

Hedge accounting

Changes in the fair values of financial instruments that are designated and qualify as fair value hedges of a recognised asset or a recognised liability are recognised in the income statement as are any changes in the fair value of the hedged asset or the hedged liability related to the hedged risk.

NOTES TO THE FINANCIAL STATEMENTS

Changes in the fair values of derivative financial instruments that are designated and qualify as hedges of expected future transactions are recognised in the fair value reserve under equity as regards the effective portion of the hedge. The ineffective portion is recognised in the income statement. If the hedged transaction results in an asset or a liability, the amount deferred in equity is transferred from equity and recognised in the cost of the asset or the liability, respectively. If the hedged transaction results in an income or an expense, the amount deferred in equity is transferred from equity to the income statement in the period in which the hedged transaction is recognised. The amount is recognised in the same item as the hedged transaction.

Changes in the fair values of financial instruments that are designated and qualify as hedges of net investments in independent foreign subsidiaries or associates are recognised directly in equity as regards the effective portion of the hedge, whereas the ineffective portion is recognised in the income statement.

Segment information on revenue

Information on geographical segments is based on the Company's risks and returns and its internal financial reporting system.

INCOME STATEMENT

Net sales

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Cost of goods sold

Cost of goods sold comprise the purchase price etc. for goods sold in the year.

Other external expenses

Other external expenses comprise expenses for premises, sales as well as office expenses, etc.

Staff expenses

Staff costs include wages and salaries including compensated absence and pensions as well as other social security contributions etc. made to the entity's employees. The item is net of refunds made by public authorities.

NOTES TO THE FINANCIAL STATEMENTS

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

Income from investments in subsidiaries

The item "Income from investments in subsidiaries" in the income statement includes the proportionate share of the profit for the year.

Financial income and expenses

Financial income and expenses comprise interest, financial expenses in respect of finance leases, realised and unrealised exchange adjustments, price adjustment of securities, amortisation of mortgage loans as well as extra payments and repayment under the on-account taxation scheme.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with Danish group enterprises. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

NOTES TO THE FINANCIAL STATEMENTS

BALANCE SHEET

Intangible fixed assets

Development projects

Costs of development projects comprise salaries, amortisation and other expenses directly or indirectly attributable to the Company's development activities.

Development projects that are clearly defined and identifiable and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the enterprise can be demonstrated, and where it is the intention to manufacture, market or use the project, are recognised as intangible assets. This applies if sufficient certainty exists that the value in use of future earnings can cover cost of sales, distribution and administrative expenses involved as well as the development costs.

Development projects that do not meet the criteria for recognition in the balance sheet are recognised as expenses in the income statement as incurred.

Capitalised development costs are measured at cost less accumulated amortisation and impairment losses or at a lower recoverable amount. An amount corresponding to the recognised development costs is allocated to the equity item 'Reserve for development costs'. The reserve comprises only development costs recognised in financial years beginning on or after 1 January 2016. The reserve is reduced by amortisation of and impairment losses on the development projects on a continuing basis.

As of the date of completion, capitalised development costs are amortised on a straight-line basis over the period of the expected economic benefit from the development work. The amortisation period is 3 year.

Other intangible fixed assets

Patents are measured at cost less accumulated amortisation and less any accumulated impairment losses or at a lower value in use.

Patents are amortised over the remaining patent period or a shorter useful life. The amortisation period is 10 years.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Interest expenses on loans are not recognised in cost during construction and reconstruction periods.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other fixtures and fittings, tools and equipment 3 - 8 years

Leasehold improvements 3 - 8 years

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment and investments are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method.

The item "Investments in subsidiaries" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

NOTES TO THE FINANCIAL STATEMENTS

Other fixed asset investments

Other fixed asset investments consist of deposits.

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses and costs of completion. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

EQUITY

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate Dividend item.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

NOTES TO THE FINANCIAL STATEMENTS

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Loans, such as loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the term of the loan at the date of raising the loan.

Other debts are measured at amortised cost, substantially corresponding to nominal value.

FINANCIAL HIGHLIGHTS

Explanation of financial ratios

Gross margin	$\text{Gross profit} \times 100 / \text{Revenue}$
Profit margin	$\text{Profit before financials} \times 100 / \text{Revenue}$
Return on assets	$\text{Profit before financials} \times 100 / \text{Total assets at year end}$
Solvency ratio	$\text{Equity at year end} \times 100 / \text{Total assets at year end}$
Return on equity	$\text{Net profit for the year} \times 100 / \text{Average equity}$