Louis Poulsen A/S

Kuglegårdsvej 19
1434 Copenhagen K
CVR No. 59 74 28 17

Annual report 2022

The Annual General Meeting adopted the annual report on 03.07.2023

Chairman of the General Meeting

Name: Kristoffer Mejborn

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Entity details

Entity

Louis Poulsen A/S
Kuglegårdsvej 19
1434 Copenhagen K

Central Business Registration No (CVR): 59742817
Registered in: Copenhagen
Financial year: 01.01.2022 - 31.12.2022

Website: www.louispoulsen.com

Board of Directors

Daniel Lalonde
Giovanni Casali
Dalila Dolci
Lars Stilling Pedersen
Jesper Westergaard Jensen

Executive Board

Søren Mygind Eskildsen, CEO

Entity auditors

EY Statsautoriseret Revisionspartnerselskab
Dirch Passers Allé 36
2000 Frederiksberg

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Louis Poulsen A/S for the financial year 2022.

The annual report is presented in accordance with the International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statement Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31 December 2022 and of the results of its operations and cash flows for the financial year 1 January – 31 December 2022

Further, in our opinion, the Management's review gives a fair review of the development in the Company's activities and financial matters, results for the year, cash flows and financial position as well as a description of material risks and uncertainties that the Company faces.

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

Copenhagen, 03.07.2023

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CEO

Board of Directors

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CEO

Board of Directors

Daniel Lalonde | Giovanni Casali | Dalila Dolci

Lars Stilling Pedersen | Jesper Westergaard Jensen

Independent auditor's report

To the shareholder of Louis Poulsen A/S

Opinion

We have audited the consolidated financial statements and the parent Company financial statements of Louis Poulsen A/S for the financial year 1 January – 31 December 2022, which comprise statement of profit and loss, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies, for the Group and the Parent Company. The consolidated financial statements and the parent Company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2022 and of the results of the Group’s and the Parent Company's operations and cash flows for the financial year 1 January – 31 December 2022 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of 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 financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the 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 the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the 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 of the Management's review.

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 International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

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.

Independent auditor's report

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to 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 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 the financial statements.

As part of an audit conducted in accordance with ISAs and 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.

- 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 note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Copenhagen, 3 July 2023
EY Godkendt Revisionspartnerselskab
CVR-no. 30 70 02 28

Steen Skorstengaard State Authorised Public Accountant mne19709	Dan Mose Andersen State Authorised Public Accountant mne35406

Management commentary

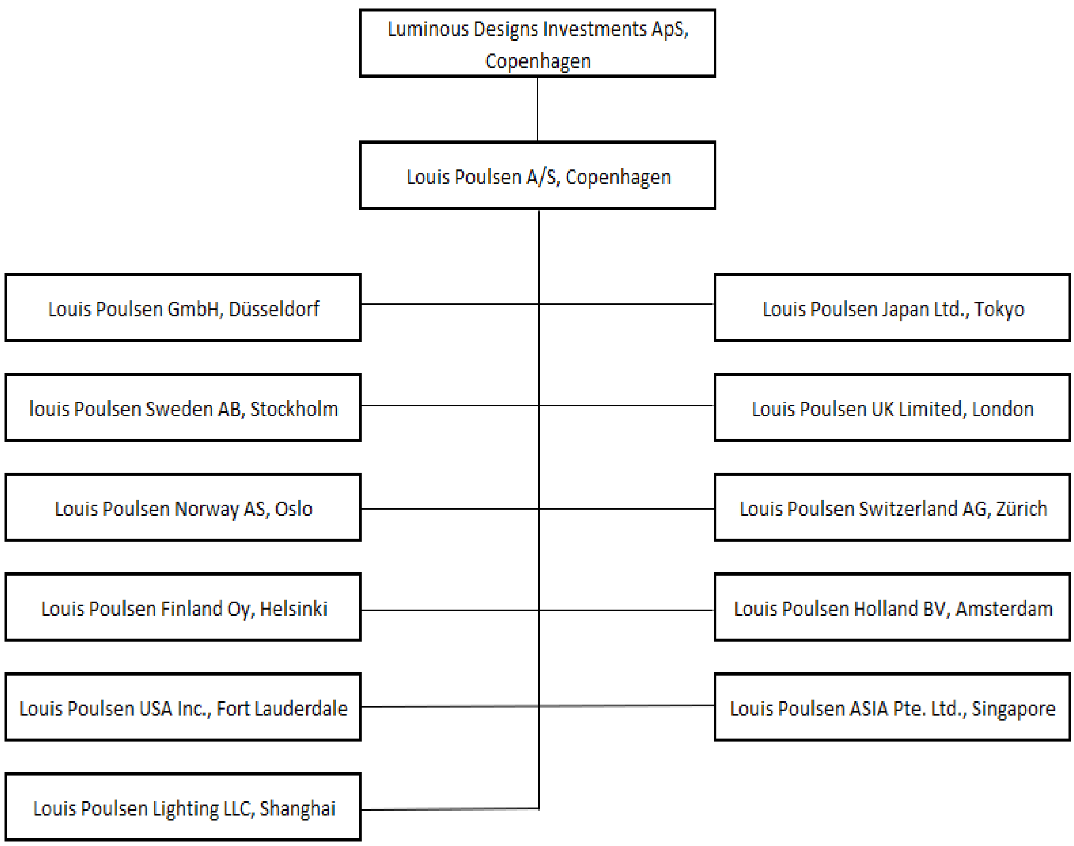
Financial highlights	2022 DKK'm IFRS	2021 DKK'm IFRS	2020 DKK'm IFRS	2019 DKK'm IFRS	2018 DKK'm Danish GAAP
Key figures					
Revenue	1.125	1.094	912	842	807
Gross profit/loss	545	549	438	410	406
EBITDA (Earnings before depreciations and amortisation)	270	310	237	195	164
EBITA (Earnings before amortisation)	210	250	173	136	139
Operating profit/loss	198	237	165	125	116
Net financials	(19)	(16)	(4)	(11)	(2)
Profit/loss for the year	140	172	125	87	86
Total assets	821	864	761	844	726
Investments in property, plant and equipment	27	26	15	25	23
Equity	339	422	394	522	472
Net working capital	(40)	(24)	(107)	84	(21)
Cash flows from (used in) operating activities	129	221	234	144	146
Cash flows from (used in) investing activities	(49)	(48)	(41)	(43)	(54)
Cash flows from (used in) financing activities	(134)	(207)	(121)	(117)	33
Ratios					
Net margin (%)	12,4	15,7	13,7	10,3	10,7
EBITDA ratio (%)	24,0	28,3	26,0	23,3	20,3
EBITA ratio (%)	18,7	22,9	19,0	16,2	17,2
Solvency ratio (%)	41,3	48,8	51,8	61,8	65,2
Primary ratio (%)	48,2	67,8	44,5	29,3	42,9

2022, 2021, 2020 and 2019 figures are prepared in accordance with IFRS and 2018 are prepared in accordance with Danish GAAP. The differences between IFRS and Danish GAAP mainly related to recognition of leasing contracts in accordance with IFRS 16 and reversal of goodwill amortization.

The financial ratios have been calculated as follows:

Management commentary

Ratios	Calculation formula	Calculation formula reflects
Net margin (%)	Profit/loss for the year x 100 / Revenue	The entity's operating profitability.
EBITDA ratio (%)	EBITDA x 100 / Revenue	The entity's profitability before depriciation and amortisation
EBITA ratio (%)	EBITA x 100 / Revenue	The entity's profitability before amortization
Solvency ratio (%)	Equity x 100 / Total assets	The financial strength of the entity
Primary ratio (%)	EBITA x 100 / Average invested capital	The return on invested capital in the entity



Louis Poulsen A/S has local Sales Representation Offices in Spain and France

Management commentary

Primary activities

The Louis Poulsen group manufactures and sells lighting fixtures to private consumers and professionals In Denmark and abroad. The group is internationally recognized for providing exclusive lighting fixtures of high quality and functional design. Louis Poulsen is an internationally acclaimed high-end lighting brand. Louis Poulsen build on a strong heritage, and always aspire to exceed expectations in delivering long-lasting design that shapes light for people and spaces. The products primarily serve the upper segments of the professional and private consumer markets that attach great importance to the unique lighting and the high quality levels. Louis Poulsen´s products fulfil the most stringent international demands for energy optimization and at the same time they meet the demand for a unique design as well as comfortable and glare free lighting.

Development in activities and finances

Sales increased in 2022 despite another year of volatility and complexity. Throughout 2022 we have seen a positive trend in sales, in the segments business to business and e-commerce. The general market conditions in the residential markets has challenged the sales in the business to consumer segment, which has decreased for 2022.

Inflation, geopolitical tension, and supply chain challenges with high transportation costs and raw material price inflation created a margin pressure. The increasing cost drove profitability down as the increasing cost only was partial passed on to the customer.

The integration activities in Design Holding and its subsidiaries Louis Poulsen, FLOS (Italy), B&B Italia (Italy), Fendi Casa (Italy), Ydesign (US) and Audo (DK) has been ongoing in 2022 to secure growth for the group. Cooperation is taking place in many areas such as digital transformation, go-to-market strategies, international opportunities, production and procurement just to mention some. Design Holding has made an acquisition of the Danish group Audo in spring 2022.

In the Annual report for 2021, we expected a turnover in the range of DKK 1,150 - 1,200 million and a Operating profit above DKK 237 million.

The consolidated revenue amounts to DKK 1.125 million representing a growth of 2,9% vs. 2021.

Operating profit (EBIT) reached DKK 198 million. The profit of DKK 140 million does not meet the expectations in the announced in 2021 Annual Report. The integration activities as mentioned above has caused one-off costs for a substantial amount. In total integration costs expenses affects the result by DKK 29,5 million. Management considers the financial development to be satisfactory.

Further information on the financial development for the subsidiaries is available in the annual report pages 11 and forward.

Management commentary

Outlook

Louis Poulsen A/S expect a decrease in the turnover in 2023 by up to 3-10% followed by a similar decrease in capacity costs. The primary result is expected to be in line with 2022.

The volatility and uncertainty in the world have increased substantially in recent years. Geopolitical developments could bring renewed challenges in 2023. Overall, Louis Poulsen is, however, anticipating improving supply chain circumstances with declining freight rates and improvement to the production setup.

It is in general an unpredictable market situation also for 2023, which of course leads to uncertainty for the full year expectations on turnover. We see less uncertainty related to the values in our balance sheet.

Particular risks

Market risks

The group’s products are primarily positioned in the high-end markets. The economic development in the professional and private consumer markets will affect the financial results.

Currency risks

Due to sales activities in foreign markets, cash flow and net positions are influenced by changes in exchange rates for a number of currencies. It is group policy to cover commercial exchange risks. Hedging is primarily used to cover open foreign exchange positions related to trading activities in the next twelve months based on the budget. The group does not use speculative hedging.

Credit risks

The group’s credit risks relate to trade receivables included in the balance sheet. The group has no vital risks related to a single customer or business partner. The company’s credit risk policy involves assessing creditworthiness of all major customers and business partners. This is done on a regular basis.

Intellectual capital resources

The group has an experienced and highly competent staff working throughout the value chain. The group will continue to implement measures to attract and retain highly skilled staff with expertise in the development of lighting to ensure future growth. Great demand is placed on the employees' technical and craftsman skills and their ability to engage in a logistically demanding production process. The Danish labor market has been highly competitive in 2022, and there is a general increase in demand for talent within most areas, which is expected to continue.

To ensure high product quality and competitive production the group continuously optimizes production. This demands a high level of competence, and the group therefore continuously invests in competency development. It is, however, just as important for Louis Poulsen A/S to attract and retain both skilled and unskilled workers and employees with medium to higher education level.

During 2022 Louis Poulsen A/S has recruited competencies within the area of supply chain with focus on production, sourcing, R&D, delivery performance and project management. In order to adapt to the lower expectations in sales, the number of blue collar workers have been adjusted in the factory in Vejen as well as white collar workers in other parts of the group.

Management commentary

Research and development activities

Louis Poulsen continuously invests in development, updates and improvements of its product portfolio. Costs related to development of products are expensed in the income statement, or accounted for as an asset following the accounting policies.

Group relations

The consolidated financial statements comprise the parent company Louis Poulsen A/S and its subsidiaries being incorporated in the annual report of Louis Poulsen A/S. The consolidated accounts include profit and loss for all subsidiaries.

Louis Poulsen's sales organization is based in Copenhagen, and the company's production facilities are based in Vejen. The daily management is carried out from Denmark in close cooperation with our owners.

Sales and distribution outside Denmark are carried out through the 10 subsidiaries or through agents and distributors operating on behalf of Louis Poulsen A/S.

The Louis Poulsen group had 484 employees as of 31 December 2022, including 129 being employed in the subsidiaries abroad. The majority of the Danish employees are engaged in the company's production in Vejen.

Development in staff:	Denmark	Subsidiaries
Number of employees beginning of 2022	383	145
Recruited during 2022	68	7
Leavers during 2022	-96	-23
Number of employees end of 2022	355	129

Statutory report on corporate social responsibility

Business model

Louis Poulsen is a proud Danish manufacturer of premium lighting solutions. Our philosophy is deeply rooted in the Scandinavian design tradition where form follows function. Since our founding we have sought, not only to design lamps, but to shape light.

The Louis Poulsen group is internationally recognized for providing our customers with exclusive lighting solutions of high quality and functional design. Our products are sold to both private consumers and professionals in Denmark and abroad. With our unique lighting and high quality, we serve the upper segments of both markets. All our products meet the demand for a unique design as well as comfortable and glare free lighting while fulfilling international demands for energy optimization.

Our aim is to improve quality of life by providing functional products that make people feel good, both in- and outdoors. Sustainability in terms of long-lasting products has always been a cornerstone of our business. Since our founding in 1874, timelessness has been a key element in our design philosophy. Our products are long-lasting in the sense of durability and design. We believe that the best designs are the ones that can withstand the test of time. Creating long-lasting products and extending products life-time is also a way of decreasing the environmental footprint.

Management commentary

We believe that making business in a manner that respects people and environment is the source of long-term value creation and sustainable economic growth. Being a responsible company entails managing the impact we have towards all our stakeholders. The passion and creativity of our employees are the heart of our company and we want to ensure that Louis Poulsen is an engaging and safe place to work.

For the statutory reporting on corporate sustainability, see the 2022 Annual Sustainability Report. The report is available on the following link:

https://www.louispoulsen.com/en/private/about-us/sustainability

Data ethics

In Louis Poulsen A/S, we care about creating and maintaining strong, positive relationships with our colleagues, our partners, and our customers and we therefore always strive to process data in an ethical manner and with respect for the individual.

Louis Poulsen A/S is collecting and processing data about our employees, consumers, customers, and other partners and since Louis Poulsen A/S is continuously using new technologies to improve its value chain and the consumer and customer experiences, Louis Poulsen A/S makes a clear commitment to always collect and process data in accordance with high ethical standards.

Managing data protection obligations has high priority. To comply with this regulation, Louis Poulsen A/S continuously evaluates the maturity level of our data protection and offers our employees appropriate privacy and data protection training.

Gender distribution

Louis Poulsen A/S wants to give equal access to leadership positions for members of both genders.

Throughout the company the total distribution of women is 54,67% and for men 45,33%. Hence the gender distribution is very even in Louis Poulsen.

The share of women in leadership positions with staff responsibility represented 32% as of end of 2021. This share was 37% by the end of 2022. The company wishes to increase the share of women in leadership positions. To facilitate this development a recruitment policy has been implemented in relation to leadership positions according to which at least one female applicant must be admitted to job interview assuming qualified female applicants are available.

Through this policy and an ongoing focus on development of employees at all levels of the organization irrespective of age and gender, Louis Poulsen wishes to contribute to the education and development of potential female managers and board members.

Louis Poulsen A/S target is to reach equal gender representation on the board. At the end of 2022, the Board of Directors consists of 1 woman (33%) and 2 men (67%), excluding our employee representatives. We therefore find the target of equal gender representation to be fulfilled.

Events after the balance sheet date

No event has occurred after the balance sheet date to this date, which may materially affect the assessment of the Company’s financial position.

Consolidated statement of profit and loss and other comprehensive income

	Notes	2022 DKK'm	2021 DKK'm
Revenue	1	1.125	1.094
Production costs	3,4	-580	-545
Gross profit		**545**	**549**
Sales, distribution and marketing costs	3,4	-245	-210
Administrative expenses	2,3,4	-102	-102
Operating profit (EBIT)		**198**	**237**
Financial income	5	0	0
Financial expenses	6	-19	-16
Profit before tax		**179**	**221**
Tax on profit for the year	7	-39	-49
Profit for the year	8	**140**	**172**
Other comprehensive income			
Hedge reserve from effective hedges		0	2
Total comprehensive income for the year		**0**	**2**

Consolidated balance sheet at 31.12.2022

	Notes	2022 DKK'm	2021 DKK'm
Completed development projects		44	46
Acquired licences		13	13
Acquired trademarks		53	62
Acquired rights		10	13
Goodwill		156	156
Development projcts in progress		26	18
Intangible assets	9	**302**	**308**
Plant and machinery		34	35
Other fixtures and fittings, tools and equipment		11	14
Leasehold improvements		5	7
Right of use assets	15	93	101
Prepayments for property, plant and equipment		12	8
Property, Plant and equipment	10	**155**	**165**
Deposits	11	6	6
Deferred tax assets	13	7	5
Fixed asset investment		**13**	**11**
Non-current assets		**470**	**484**
Raw materials and consumables		89	81
Work in progress		30	40
Manufactured goods and goods for resale		94	74
Inventories		**213**	**195**
Trade receivables	14	67	63
Other receivables		2	2
Prepayments	12	10	7
Receivables		**79**	**72**
Cash		**59**	**113**
Total current assets		**351**	**380**
Total assets		**821**	**864**

Consolidated balance sheet at 31.12.2022

	Notes	2022 DKK'm	2021 DKK'm
Share capital		10	10
Retained earnings		227	186
Reserves		2	2
Dividend proposed for the year		100	224
Equity		**339**	**422**
Deferred tax	18	37	39
Other provisions	19	26	31
Lease financial liabilities	16	87	102
Total non-current liabilities		**150**	**172**
Bank loan		19	0
Trade payables		86	159
Lease financial liabilities	16	14	5
Trade payables to group enterprises		92	0
Other payables	17	121	106
Total current liabilities		**332**	**270**
Total liabilities		**482**	**442**
Equity and Liabilities		**821**	**864**

Financial risk management	17
Unrecognised rental and lease commitments	21
Contingent liabilities	22
Assets charged and collateral	23
Transactions with related parties	24
Group relations	25
Subsidiaries	26
New accounting regulations	27

Consolidated statement of changes in equity for 2022

	Contributed capital DKK'm	Retained earnings DKK'm	Hedging reserve DKK'm	Proposed divided DKK'm	Total DKK'm
2021					
Equity beginning of year	10	234	0	150	394
Exchange rate adjustments	0	4	0	0	4
Paid dividend	0	0	0	-150	-150
Other comprehensive income for the year, net of tax	0	0	2	0	2
Profit/loss for the year	0	-52	0	224	172
Equity end of year	**10**	**186**	**2**	**224**	**422**
2022					
Equity beginning of year	10	186	2	224	422
Exchange rate adjustments	0	1	0	0	1
Paid dividend	0	0	0	-224	-224
Other comprehensive income for the year, net of tax	0	0	0	0	0
Profit/loss for the year	0	40	0	100	140
Equity end of year	**10**	**227**	**2**	**100**	**339**

Contributed capital are unchanged over the last 5 years.

Consolidated cash flow statement for 2022

	Notes	2022 DKK'm	2021 DKK'm
Operating profit/loss		198	237
Amortisation, depreciation and impairment losses	4	72	73
Working capital changes	22	-83	-65
Cash flow from operating activities		**187**	**245**
Financial income received	5	0	0
Financial expenses paid	6	-19	-11
Lease financial charges		6	7
Income taxes refunded/(paid)		-45	-20
Cash flows from operating activities		**129**	**221**
Acquisition etc of intangible assets	9	-29	-27
Acquisition etc of property, plant and equipment	10	-20	-21
Cash flows from investing activities		**-49**	**-48**
Bank loan		19	0
Incurrence of payable to group enterprises		92	-36
Dividend paid		-224	-150
Lease payments		-21	-21
Cash flows from financing activities		**-134**	**-207**
Increase/decrease in cash and cash equivalents		**-54**	**-34**
Cash and cash equivalents beginning of year		113	147
Cash and cash equivalents end of year		**59**	**113**
Cash and cash equivalents at year-end are composed of:			
Cash		59	113
Cash and cash equivalents end of year		**59**	**113**

Notes to consolidated financial statements

	2022	2021
Geografical	DKK'm	DKK'm
1. Revenue		
Scandinavia	626	619
Rest of Europe	161	186
Rest of World	338	289
	1.125	**1.094**
Market segments		
B2B sales	324	275
B2C sales	773	804
E-commerce	28	15
	1.125	**1.094**

All the revenues relates to lighting fixtures and satisfied delivered in accordance with agreed inco term.

	2022	2021
	DKK'm	DKK'm
2. Fees to the auditor appointed by the Annual General Meeting		
Fees for statutory audit (EY)	1	1
Fees for other assurance engagemetns	0	0
Fees for tax services	0	0
Fees for other services	0	0
	1	**1**

	2022	2021
	DKK'm	DKK'm
3. Staff costs		
Wages and salaries	254	264
Pension costs	15	17
Other social security costs	10	11
	279	**292**
Number of employees at balance sheet date	**500**	**528**
Average number of employees	**486**	**496**
Staff costs split by function:		
Production costs	116	135
Distribution, production and marketing costs	134	128
Administrationn costs	29	29
	279	**292**

Notes to consolidated financial statements

3. Staff costs (continued)

	Remunera-tion of management 2022 DKK'm	Remunera-tion of management 2021 DKK'm
Execute Board	5	5
	5	**5**

Remuneration to three board members, incl. the Chairmen is paid by the ultimate parent, Design Holding S.p.A.

Remuneration to two members of the Executive Board is paid by Louis Poulsen A/S and amounts to mDKK 0.1 for 2022 and mDKK 0.1 for 2021.

Shared based payments
Executive Board and some senior managers were in 2019 covered by the parent company Design Holding S.p.A.'s share option program. The program entitles participants to acquire shares (call-option) in Design Holding S.p.A at a price based on a pre-defined price at the time of granting in 2019.
No options were granted in 2021 and 2022. The call-option expires in 2026.

	2022 DKK'm	2021 DKK'm
4. Depreciation, amortisation and impairment losses		
Amortisation of intangible asstes	35	35
Depreciation on property, plant and equipment	37	38
Impairment losses on property, plant and equipment	0	0
	72	**73**
Split by function		
Production costs	35	38
Distribution, production and marketing costs	18	19
Administrationn costs	19	16
	72	**73**

	2022 DKK'm	2021 DKK'm
5. Other financial income		
Exchange gains	0	0
	0	**0**

Notes to consolidated financial statements

	2022 DKK'm	2021 DKK'm
6. Other financial expenses		
Interests on bank accounts	1	1
Financial expenses from group enterprises	2	1
Financial charges on deposits	2	2
Exchange losses	8	5
Lease liabilities	6	7
	19	**16**

7. Tax on profit for the year

The details of taxes is as follows:	2022 DKK'm	2021 DKK'm
Current tax	43	50
Change in deferred tax	-4	-1
	39	**49**

The reconciliation between income taxes and the effective tax rate, resulting from the application of the current rate in Denmark to pre-tax profit for 2021 and 2022 is follow:

	%	2022 DKK'm	%	2021 DKK'm
Profit before tax		**179**		**221**
Corporate tax in Denmark, 22 %	22%	39	22%	49
Prior year´s taxes	0%	0	0%	0
Non-deductible expenses	0%	0	0%	0
Actual taxes recognised in Profit & Loss	**22%**	**39**	**23%**	**49**

	2022 DKK'm	2021 DKK'm
8. Proposed distribution of profit		
Proposed dividend for the financial year	100	224
Retaind earnings	40	-52
	140	**172**

Notes to consolidated financial statements

2021	Completed development projects DKK'm	Acquired licences DKK'm	Acquired trademarks DKK'm	Acquired rights DKK'm
9. Intangible assets				
Cost beginning of the year	83	38	124	31
Additions	16	5	0	0
Disposals	0	0	0	0
Cost end of year	**99**	**43**	**124**	**31**
Amortisation and impairment losses beginning of year	-39	-22	-53	-15
Amortisation for the year	-14	-8	-9	-3
Reversal regarding disposals	0	0	0	0
Amortisation and impairment losses end of year	**-53**	**-30**	**-62**	**-18**
Carrying amount end of year	**46**	**13**	**62**	**13**

2021 continued	Goodwill DKK'm	Development projects in progress DKK'm
9. Intangible assets		
Cost beginning of the year	245	12
Additions	0	14
Disposals	0	-8
Cost end of year	**245**	**18**
Amortisation and impairment losses beginning of year	-89	0
Amortisation for the year	0	0
Reversal regarding disposals	0	0
Amortisation and impairment losses end of year	**-89**	**0**
Carrying amount end of year	**156**	**18**

Notes to consolidated financial statements

2022	Completed development projects DKK'm	Acquired licences DKK'm	Acquired trademarks DKK'm	Acquired rights DKK'm
9. Intangible assets				
Cost beginning of the year	99	43	124	31
Additions	14	7	0	0
Disposals	0	0	0	0
Cost end of year	**113**	**50**	**124**	**31**
Amortisation and impairment losses beginning of year	-53	-30	-62	-18
Amortisation for the year	-16	-7	-9	-3
Reversal regarding disposals	0	0	0	0
Amortisation and impairment losses end of year	**-69**	**-37**	**-71**	**-21**
Carrying amount end of year	**44**	**13**	**53**	**10**

2022 continued	Goodwill DKK'm	Development projects in progress DKK'm
9. Intangible assets		
Cost beginning of the year	245	18
Additions	0	20
Disposals	0	-12
Cost end of year	**245**	**26**
Amortisation and impairment losses beginning of year	-89	0
Amortisation for the year	0	0
Reversal regarding disposals	0	0
Amortisation and impairment losses end of year	**-89**	**0**
Carrying amount end of year	**156**	**26**

Notes to consolidated financial statements

Impairment of goodwill
In the impairment test, the recoverable amount was compraed with the carrying amount. The recoverable amount is based on a calculation of the value in use using cash flow estimates based on the budget for 2023 and expectations for the next 4 years. The long-term growth rate in the terminal period has been set to 2,25% so that it equals. The expected long-term rate of inflation 2022 has shown no indication of impairment.

In the impairment test a discount rate of 9,3% was used for 2022.
Likely changes in key assumptions is not expected to result in a impairment at 31 December.

Development projects
Development projects in progress comprise ongoing development of new lighting fixtures that have not yet been completed.

The cost of development projects comprises costs such as salaries, amortisation and indirect costs.

New lighting fixtures are developed for the domestic market as well as markets abroad. The development projects are regularty evaluated by management. In the evaluation the management evaluates the progress of the projects and the future market for the lighting fixtures.

2021	**Plant and machinery DKK'm**	**Other fixtures and fittings, tools and equipment DKK'm**	**Leasehold Impromen ts DKK'm**	**Prepayments for Property and equipment DKK'm**
10. Property, plant and equipment				
Cost beginning of the year	56	20	13	7
Additions	9	7	4	6
Disposals	0	-3	-1	-5
Cost end of year	**65**	**24**	**16**	**8**
Depreciation and impairment losses beginning of year	-18	-7	-7	0
Depreciation for the year	-12	-6	-3	0
Reversal regarding disposals	0	3	1	0
Amortisation and impairment losses end of year	**-30**	**-10**	**-9**	**0**
Carrying amount end of year	**35**	**14**	**7**	**8**

Notes to consolidated financial statements

2022	Plant and machinery DKK'm	Other fixtures and fittings, tools and equipment DKK'm	Leasehold Impromentss DKK'm	Prepayments for Property and equipment DKK'm
10. Property, plant and equipment				
Cost beginning of the year	65	24	16	8
Additions	11	4	1	11
Disposals	-3	-8	-1	-7
Cost end of year	**73**	**20**	**16**	**12**
Depreciation and impairment losses beginning of year	-30	-10	-9	0
Depreciation for the year	-12	-6	-3	0
Reversal regarding disposals	3	7	1	0
Amortisation and impairment losses end of year	**-39**	**-9**	**-11**	**0**
Carrying amount end of year	**34**	**11**	**5**	**12**

	2022 Deposits DKK'm	2021 Deposits DKK'm
11. Fixed asset investments		
Cost beginning of the year	6	6
Additions	0	0
Cost end of year	**6**	**6**

12. Prepayments

Prepayments comprise incurred insurance costs and other costs relating to subsequent financial years.
Prepayments include a positive fair value of forward exchange contracts of DKK 3.6 million

Notes to consolidated financial statements

	Consolidated statement of financial		Consolidated statement of profit or	
	2022	2021	2022	2021
	DKK'm	DKK'm	DKK'm	DKK'm
13. Defered tax assets				
Fiscal losses carried forward	4	1	-3	-1
Amortisation of fixed assets	1	1	0	0
Provision for doubtful debts	1	2	1	0
Provision for other risks	1	1	0	0
Deferred tax expence/(benefit)			**-2**	**-1**
Deffered tax assets	**7**	**5**		

14. Trade Receivables

The group's credit risks relate to trade receivables included in the balance sheet. The group has no vital risks related to a single customer or business partner. The company's credit risk policy involves assessing creditworthiness of all major customers and business partners. This is done on a regular basis.

At December 31, 2022, trade receivables total DKK 67 million net of the bad debt provision which amounts to DKK 1 million.

The following table shows the breakdown by geographic areas of the amount of trade receivables, including the breakdown by geographic areas of the amount of the provision for write-down:

	2022	2021
	DKK'm	DKK'm
Denmark	21	22
EEC	25	22
Non-EEC	21	19
Total Trade Receivables	**67**	**63**

The changes in the provision for impairment of receivables are summarised below:

Provision for impairment of receivables	2022	2021
	DKK'm	DKK'm
Balance as of January 1	**-1**	**-2**
Usage of Provision	0	1
Allocation to Provision	0	0
Exchange rate difference	0	0
Balance as of December 31	**-1**	**-1**

Notes to consolidated financial statements

Trade receivables, amounting to DKK 68 million, are broken down by maturity, without taking into account the Provision for Impairment of Receivables of DKK 1 million an Bad debts in litigation:

2022	**Total as of December**	**Current**	**Overdue 0-30**	**Overdue 30-60**	**Overdue 60-90**	**Past due more than**
Denmark	22	14	5	1	1	1
EEC	25	16	7	1	1	0
Non-EEC	21	17	3	0	0	1
Total Trade Receivables	**68**	**47**	**15**	**2**	**2**	**2**

2021	**Total as of December**	**Current**	**Overdue 0-30**	**Overdue 30-60**	**Overdue 60-90**	**Past due more than**
Denmark	22	16	5	0	0	1
EEC	22	13	6	2	1	0
Non-EEC	20	17	3	0	0	0
Total Trade Receivables	**64**	**46**	**14**	**2**	**1**	**1**

Notes to consolidated financial statements

2021	Land and Buildings DKK'm	Plant and machinery DKK'm	Total right of Use Asset DKK'm
15. Right of Use			
Cost beginning of the year	92	13	105
Additions	67	2	69
Disposals	-16	0	-16
Cost end of year	**143**	**15**	**158**
Amortisation beginning of year	-33	-7	-40
Depreciation for the year	-14	-3	-17
Reversal regarding disposals	0	0	0
Amortisation end of year	**-47**	**-10**	**-57**
Carrying amount end of year	**96**	**5**	**101**

2022	Land and Buildings DKK'm	Plant and machinery DKK'm	Total right of Use Asset DKK'm
15. Right of Use			
Cost beginning of the year	143	15	158
Additions	5	3	8
Disposals	0	0	0
Cost end of year	**148**	**18**	**166**
Amortisation beginning of year	-47	-10	-57
Depreciation for the year	-13	-3	-16
Reversal regarding disposals	0	0	0
Amortisation end of year	**-60**	**-13**	**-73**
Carrying amount end of year	**88**	**5**	**93**

16. Financial lease liability	2022 DKK'm	2021 DKK'm
Liability beginning of the year	107	67
Additions	8	69
Decreases	0	-15
Interest	6	7
Payments	-20	-21
Liability end of year	**101**	**107**
Current financial lease liability	**14**	**5**
Non-current financial lease liability	**87**	**102**

Notes to consolidated financial statements

17. Financial risk management

Market risk

The group’s products are primarily positioned in the high-end markets. The economic development in the professional and private consumer markets will affect the financial results.

Currency risk

Due to sales activities in foreign markets, cash flow and net positions are influenced by changes in exchange rates for a number of currencies. Louis Poulsen A/S has entered into forward exchange contracts for the following 12 months to secure sales and cost of goods sold in the following currencies JPY 1,248 million, NOK 48 million, SEK 91 million and CNY 65 million. All contracts are subscribed with the company’s bank. Currency risk between DKK and EUR is not covered due to the Danish Goverment's fixed currency rate policy.

It is group policy to cover commercial exchange risks. Hedging is primarily used to cover open foreign exchange positions related to trading activities in the next twelve months based on the budget. Where the budgettet quarterly netposition is above DKK 3 million, 80% for the netexposure is hedged.

The group does not use speculative hedging.

Notes to consolidated financial statements

17. Financial risk management

Interest rate risk
Louis Poulsen has an external interest-bearing debt of DKK 19 million. The debt is a bank loan with a variable interest. Right of use liabilities are fixed and not influenced by interest rates.

Credit risk
The group’s credit risks relate to trade receivables included in the balance sheet. The group has no vital risks related to a single customer or business partner. The company’s credit risk policy involves assessing creditworthiness of all major customers and business partners. This is done on a regular basis.

Liquidity risk
Louis Poulsen has focus on liqidity. Liqidity is budgettet each year and monthly follow up on deviations.
At year end the company has a DKK 59 million positive cash-flow position.

2021	**Less than 1 year DKK'm**	**Between 1 - 5 years DKK'm**	**After 5 years DKK'm**
Trade payables	159	0	0
Lease liabilities	5	48	54
Trade payables from group	0	0	0
Other payables	106	0	0
	270	**48**	**54**

2022	**Less than 1 year DKK'm**	**Between 1 - 5 years DKK'm**	**After 5 years DKK'm**
Trade payables	86	0	0
Lease liabilities	14	45	42
Trade payables from group	92	0	0
Other payables	121	0	0
	313	**45**	**42**

Thers is no difference between the nomial amount and booked value.

Notes to consolidated financial statements

17. Financial risk management

Derivatives
Louis Poulsen uses foreign currency swaps to hedge its exposure against fluctuations in foreign currency prices.

	Assets	Liabilities	Hedge reserve
2021			
Foreign currency swap	**2**	**0**	**2**

	Assets	Liabilities	Hedge reserve
2022			
Foreign currency swap	**4**	**2**	**2**

The fair value at 31 December 2022 and 2021 was measured in accordance with level 2 in the fair value hierarchy (IFRS 13). Level 2 is based on non-quoted prices, observable either directly or indirectly.
Prices from third party specialists are used to quote the prices for unrealisedderivative financial instruments.

The value of the financial instruments recognised in other comprehensive income will be re-cycled from equity to profit & loss at the time the underlying cash flows from the hedging item is recognised in profit & loss i.e. within 12 months. All derivatives are also presented as short term on the balance sheet as maturity is within 12 months.

Notes to consolidated financial statements

	Consolidated statement of financial position		Consolidated statement of profit or loss	
	2022	2021	2022	2021
	DKK'm	DKK'm	DKK'm	DKK'm
18. Defered tax liabilities				
Intangible assets	32	37	-5	0
Property, Plant and Equipment	0	0	0	0
Inventories	5	2	3	0
Deferred tax expence/(benefit)			**-2**	**0**
Deffered tax	**37**	**39**		

19. Other provision

Other provisions mainly consist of provisions regarding pension accrual to employer pension in Germany amounting to DKK 12.6 million. Pension plans in Germany relates to approx. 60 former employees' defined benefit pension plans ending in 1999. The plan is governed by the employment laws of Germany.The level of benefits provided depends on the member's and the employer's annual contributions and the annuity factor at retirement age. The latest actuarial assessments of liabilities and assets have been made in 2022. The present value of the scheme's liabilities have been assessed using the Projected Unit Credit Method. The actuarial gain during the year amounts to DKK 0.6 million. Remaining pension plans are defined contribution pension plans, that are settle on a ongoing basis in accordance with local laws and regulations.

	2022	2021
	DKK'm	DKK'm
20. Change in working capital		
Increase/decrease in inventories	-18	-100
Increase/decrease in receivables	-4	-6
Increase/decrease in trade payables etc	-73	43
Other changes	12	-2
	-83	**-65**

	2022	2021
	DKK'm	DKK'm
21. Unrecognised rental and lease commitments		
Low value lease	1	1
Liabilities under rental or lease agreements until maturity in total	**1**	**1**

	2022	2021
	DKK'm	DKK'm
22. Contingent liabilities		
Recourse and non-recourse guarantee commitments	3	3
Contingent liabilities in total	**3**	**3**

Notes to consolidated financial statements

Louis Poulsen A/S is in a Danish joint taxation arrangement in which Luminous Designs Investments ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities.
The total known net liability of the jointly taxed entities under the joint taxation arrangement is evident from the administration company's financial statements.

The Company is guarantor in a joint Revolver Facility Agreement amounting up to EUR 100 million, together with the parent company International Design Groups Holding S.p.A and its other subsidiaries. The Company has irrevocably and unconditionally jointly given guarantees to the lenders, agents etc. of the Revolver Facility Agreement.

23. Assets charged and collateral
None

24. Transactions with related parties	**2022 DKK'm**	**2021 DKK'm**
Revenues	26	15
Purchased finished goods	9	7
Administrative expenses	21	20
Other financial expenses	2	1
Trade receivables from group enterprises	7	3
Trade payables from group enterprises	103	15

25. Group relations
Name and registered office of the Parent preparing consolidated financial statements for the largest group:
Design Holding SpA, Via Manzoni 38 – 20121 Milan (MI), Italy
Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
International Design Group S.p.A, Via Manzoni 38 – 20121 Milan (MI), Italy
(Annual Reports can be requested by contacting the company)

26. Subsidiaries	**Registered in**	**Corpo- rate form**	**Equity inte- rest %**
Louis Poulsen USA Inc.	Fort Lauderdale, USA	Inc.	100,0
Louis Poulsen Asia Pte. Ltd.	Singapore, Asia	Ltd.	100,0
Louis Poulsen Germany GmbH	Düsseldorf, Germany	GmbH	100,0
Louis Poulsen Sweden AB	Stockholm, Sweden	AB	100,0
Louis Poulsen Norway AS	Oslo, Norway	AS	100,0
Louis Poulsen Finland Oy	Helsinki, Finland	Oy	100,0
Louis Poulsen UK Limited	London Great Britain	Limited	100,0
Louis Poulsen Japan Ltd.	Tokyo, Japan	Ltd.	100,0
Louis Poulsen Switzerland AG	Zürich, Switzerland	AG	100,0
Louis Poulsen Holland B.V.	Amsterdam, Holland	B.V.	100,0
Louis Poulsen Lighting (Shanghai) LLC	Shanghai, China	LLC	100,0

*Equity interest unchanged since last year

Notes to consolidated financial statements

27. New accounting regulations
The IASB has issued a number of new standards and amendments not yet in effect or adopted by the EU and therefore not relevant for the preparation of the 2022 consolidated financial statements.
Louis Poulsen A/S expects to implement these standards when they take effect.

None of the new standards issued are currently expected to have any significant impact on the Group’s financial statements when implemented.

Parent statement of profit and loss and other comprehensive income

	Notes	2022 DKK'm	2021 DKK'm
Revenue	1	889	895
Production costs	2,3	-513	-486
Gross profit/loss		**376**	**409**
Sales, distribution and marketing costs	2,3	-98	-94
Administrative expenses	2,3	-92	-95
Operating profit/loss		**186**	**220**
Dividends		5	13
Other financial income	4	0	0
Other financial expenses	5	-18	-16
Profit/loss before tax		**173**	**217**
Tax on profit/loss for the year	6	-38	-46
Profit/loss for the year	7	**135**	**171**
Other comprehensive income			
Hedge reserve from effective hedges		0	2
Total comprehensive income for the year		**0**	**2**

Parent balance sheet at 31.12.2022

	Notes	2022 DKK'm	2021 DKK'm
Completed development projects		44	47
Acquired licences		13	13
Acquired trademarks		53	62
Acquired rights		10	13
Goodwill		156	156
Development projcts in progress		26	18
Intangible assets	8	**302**	**309**
Plant and machinery		34	35
Other fixtures and fittings, tools and equipment		6	7
Leasehold improvements		5	6
Right of use assets	10	76	84
Prepayments for property, plant and equipment		10	8
Property, Plant and equipment	9	**131**	**140**
Investments in group enterprises	12	107	107
Deposits	12	3	3
Defered tax	14	0	0
Fixed asset investment		**110**	**110**
Non-current assets		**543**	**559**
Raw materials and consumables		92	75
Work in progress		29	40
Manufactured goods and goods for resale		53	45
Inventories		**174**	**160**
Trade receivables	15	21	22
Receivables from group enterprises		55	65
Other receivables		0	0
Prepayments	13	7	5
Receivables		**83**	**92**
Cash		**25**	**60**
Current assets		**282**	**312**
Assets		**825**	**871**

Parent balance sheet at 31.12.2022

	Notes	2022 DKK'm	2021 DKK'm
Contributed capital		10	10
Reserve for development expenditure		53	50
Retained earnings		139	106
Reserves		2	2
Dividend proposed for the year		100	224
Equity		**304**	**392**
Defered tax	16	37	39
Other provisions		0	1
Provisions		**37**	**40**
Payables to group enterprises		225	115
Lease financial liabilities	11	74	81
Other payables		0	0
Non-current liabilities other than provisions		**299**	**196**
Bank loans		19	0
Trade payables		72	137
Lease financial liabilities	11	8	7
Income tax payable		38	38
Other payables		48	61
Current Liabilities other than provisions		**185**	**243**
Liabilities other than provisions		**484**	**439**
Equity and Liabilities		**825**	**871**
Financial risk management	17		
Unrecognised rental and lease commitments	18		
Contingent liabilities	19		
Assets charged and collateral	20		
Related parties with controlling interest	21		
Transactions with related parties	22		

Parent statement of changes in equity for 2022

	Contributed capital DKK'm	Reserve for development expenditure DKK'm	Retained earnings DKK'm	Hedging reserve DKK'm	Proposed dividend DKK'm	Total DKK'm
2021						
Equity beginning of year	10	44	165	0	150	369
Other comprehensive income for the year, net of tax	0	0	0	2	0	0
Transfer to reserves	0	6	-6	0	0	0
Paid dividend	0	0	0	0	-150	-150
Profit/loss for the year	0	0	-53	0	224	171
Equity end of year	**10**	**50**	**106**	**2**	**224**	**392**
2022						
Equity beginning of year	10	50	106	2	224	392
Other comprehensive income for the year, net of tax	0	0	1	0	0	1
Transfer to reserves	0	3	-3	0	0	0
Paid dividend	0	0	0	0	-224	-224
Profit/loss for the year	0		35	0	100	135
Equity end of year	**10**	**53**	**139**	**2**	**100**	**304**

Notes to parent financial statements

	2022 DKK'm	2021 DKK'm
1. Revenue		
Lighting fixtures, domestic	465	438
Lighting fixtures, abroad	424	457
	889	**895**

All the revenues are recognised at a point in time.

	2022 DKK'm	2021 DKK'm
2. Staff costs		
Wages and salaries	179	197
Pension costs	13	13
Other social security costs	0	0
Other staff costs	7	7
	199	**217**
Number of employees at balance sheet date	**357**	**370**
Average number of employees	**357**	**367**
Staff costs split by function:		
Production costs	116	135
Distribution, production and marketing costs	54	49
Administrationn costs	29	33
	199	**217**

	Remunera-tion of manage-ment 2022 DKK'm	Remunera-tion of manage-ment 2021 DKK'm
Executive Board	5	5
	5	**5**

Remuneration to three board members, incl. the Chairmen is paid by the ultimate parent, Design Holding S.p.A.

Remuneration to two members of the Board of Directors is paid by Louis Poulsen A/S and amounts to mDKK 0,1 for 2022 and mDKK 0,1 for 2021.

Please see consolidated report for information on shared based payments

Notes to parent financial statements

	2022 DKK'm	2021 DKK'm
3. Depreciation, amortisation and impairment losses		
Amortisation of intangible asstes	35	35
Depreciation on property, plant and equipment	25	26
Impairment losses on property, plant and equipment	0	0
	60	**61**
Split by function		
Production costs	35	37
Distribution, production and marketing costs	6	8
Administration costs	19	16
	60	**61**

	2022 DKK'm	2021 DKK'm
4. Other financial income		
Exchange rate adjustments	0	0
	0	**0**

	2022 DKK'm	2021 DKK'm
5. Other financial expenses		
Financial expenses from group enterprises	5	4
Exchange rate adjustments	6	5
Lease liabilities	5	6
Other interest expenses	2	1
	18	**16**

Notes to parent financial statements

6. Tax on profit for the year

The details of taxes is as follows:

	2022 DKK'm	2021 DKK'm
Current tax	40	45
Change in deferred tax	-2	2
Adjustment of tax relating to previous year	0	-1
	38	**46**

The reconciliation between income taxes and the theoretical ones, resulting from the application of the current rate in Denmark to pre-tax profit for 2021 and 2022 is follow:

	%	2022 DKK'm	%	2021 DKK'm
Profit before tax		**173**		**217**
Corporate tax in Denmark, 22 %	22%	38	22%	48
Dividend non-taxable	-1%	-1	-1%	-3
Non-deductible expenses	1%	1	0%	1
Actual taxes recognised in Profit & Loss	22%	**38**	22%	**46**

7. Proposed distribution of profit

	2022 DKK'm	2021 DKK'm
Proposed dividend for the financial year	100	224
Retaind earnings	35	-53
	135	**171**

Notes to parent financial statements

2021	Completed development projects DKK'm	Acquired licences DKK'm	Acquired trademarks DKK'm	Acquired rights DKK'm
8. Intangible assets				
Cost beginning of the year	83	38	124	31
Additions	16	5	0	0
Disposals	0	0	0	0
Cost end of year	**99**	**43**	**124**	**31**
Amortisation and impairment losses beginning of year	-39	-22	-53	-15
Amortisation for the year	-14	-8	-9	-3
Reversal regarding disposals	0	0	0	0
Amortisation and impairment losses end of year	**-53**	**-30**	**-62**	**-18**
Carrying amount end of year	**46**	**13**	**62**	**13**

2021 continued	Goodwill DKK'm	Development projects in progress DKK'm
8. Intangible assets		
Cost beginning of the year	245	12
Additions	0	14
Disposals	0	-8
Cost end of year	**245**	**18**
Amortisation and impairment losses beginning of year	-89	0
Amortisation for the year	0	0
Reversal regarding disposals	0	0
Amortisation and impairment losses end of year	**-89**	**0**
Carrying amount end of year	**156**	**18**

Notes to parent financial statements

2022	Completed development projects DKK'm	Acquired licences DKK'm	Acquired trademarks DKK'm	Acquired rights DKK'm
8. Intangible assets				
Cost beginning of the year	99	43	124	31
Additions	14	7	0	0
Disposals	0	0	0	0
Cost end of year	**113**	**50**	**124**	**31**
Amortisation and impairment losses beginning of year	-53	-30	-62	-18
Amortisation for the year	-16	-7	-9	-3
Reversal regarding disposals	0	0	0	0
Amortisation and impairment losses end of year	**-69**	**-37**	**-71**	**-21**
Carrying amount end of year	**44**	**13**	**53**	**10**

2022 continued	Goodwill DKK'm	Development projects in progress DKK'm
8. Intangible assets		
Cost beginning of the year	245	18
Additions	0	20
Disposals	0	-12
Cost end of year	**245**	**26**
Amortisation and impairment losses beginning of year	-89	0
Amortisation for the year	0	0
Reversal regarding disposals	0	0
Amortisation and impairment losses end of year	**-89**	**0**
Carrying amount end of year	**156**	**26**

Notes to parent financial statements

Impairment of goodwill
In the impairment test, the recoverable amount was compraed with the carrying amount. The recoverable amount is based on a calculation of the value in use using cash flow estimates based on the budget for 2023 and expectations for the next 4 years. The long-term growth rate in the terminal period has been set to 2,25% so that it equals. The expected long-term rate of inflation 2022 has shown no indication of impairment.

In the impairment test a discount rate of 9,3% was used for 2022.
Likely changes in key assumptions is not expected to result in a impairment at 31 December.

Development projects
Development projects in progress comprise ongoing development of new lighting fixtures that have not yet been completed.

The cost of development projects comprises costs such as salaries, amortisation and indirect costs.

New lighting fixtures are developed for the domestic market as well as markets abroad. The development projects are regularty evaluated by management. In the evaluation the management evaluates the progress of the projects and the future market for the lighting fixtures.

2021	Plant and machinery DKK'm	Other fixtures and fittings, tools and equipment DKK'm	Leasehold Impromernts DKK'm	Prepayments for Property and equipment DKK'm
9. Property, Plant and equipment				
Cost beginning of the year	142	24	11	7
Additions	8	1	4	6
Disposals	0	-1	-1	-5
Cost end of year	**150**	**24**	**14**	**8**
Amortisation and impairment losses beginning of year	-104	-15	-7	0
Amortisation for the year	-11	-3	-2	0
Reversal regarding disposals	0	1	1	0
Amortisation and impairment losses end of year	**-115**	**-17**	**-8**	**0**
Carrying amount end of year	**35**	**7**	**6**	**8**

Notes to parent financial statements

2022	Plant and machinery DKK'm	Other fixtures and fittings, tools and equipment DKK'm	Leasehold Impromemts DKK'm	Prepayments for Property and equipment DKK'm
9. Property, Plant and equipment				
Cost beginning of the year	150	24	14	8
Additions	11	0	1	9
Disposals	0	-1	0	-7
Cost end of year	**161**	**23**	**15**	**10**
Amortisation and impairment losses beginning of year	-115	-17	-8	0
Amortisation for the year	-12	0	-2	0
Reversal regarding disposals	0	0	0	0
Amortisation and impairment losses end of year	**-127**	**-17**	**-10**	**0**
Carrying amount end of year	**34**	**6**	**5**	**10**

2021	Land and Buildings DKK'm	Plant and machinery DKK'm	Total right of Use Asset DKK'm
10. Right of Use			
Cost beginning of the year	56	9	65
Additions	67	1	68
Disposals	-15	0	-15
Cost end of year	**108**	**10**	**118**
Amortisation beginning of year	-19	-5	-24
Depreciation for the year	-8	-2	-10
Reversal regarding disposals	0	0	0
Amortisation end of year	**-27**	**-7**	**-34**
Carrying amount end of year	**81**	**3**	**84**

Notes to parent financial statements

2022	Land and Buildings DKK'm	Plant and machinery DKK'm	Total right of Use Asset DKK'm
10. Right of Use			
Cost beginning of the year	108	10	118
Additions	1	2	3
Disposals	0	0	0
Cost end of year	**109**	**12**	**121**
Amortisation beginning of year	-27	-7	-34
Depreciation for the year	-9	-2	-11
Reversal regarding disposals	0	0	0
Amortisation end of year	**-36**	**-9**	**-45**
Carrying amount end of year	**73**	**3**	**76**

11. Financial lease liability	2022 DKK'm	2021 DKK'm
Liability beginning of the year	88	43
Additions	2	68
Decreases	0	-16
Interest	5	6
Payments	-13	-13
Liability end of year	**82**	**88**
Current financial lease liability	**8**	**7**
Non-current financial lease liability	**74**	**81**

Notes to parent financial statements

	2022 Investments in group enterprises DKK'm	2022 Deposits DKK'm	2021 Investments in group enterprises DKK'm	2021 Deposits DKK'm
12. Fixed assets investment				
Cost beginning of the year	107	3	107	3
Additions	0	0	0	0
Cost end of year	**107**	**3**	**107**	**3**
Accumulated revaluation beginning of the year	0	0	0	0
Exchange rate adjustment	0	0	0	0
Accumulated revaluation end of year	**0**	**0**	**0**	**0**
Carrying amount end of year	**107**	**3**	**107**	**3**

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

13. Prepayments
Prepayments comprise incurred insurance costs and other costs relating to subsequent financial years. Prepayments include a positive fair value of forward exchange contracts of DKK 3.6 million

	Parent statement of financial position 2022 DKK'm	Parent statement of financial position 2021 DKK'm	Parent statement of profit or loss 2022 DKK'm	Parent statement of profit or loss 2021 DKK'm
14. Defered tax assets				
Fiscal losses carried forward	0	0	0	-2
Deferred tax expence/(benefit)			**0**	**-2**
Deffered tax assets	**0**	**0**		

15. Trade Receivables
The group’s credit risks relate to trade receivables included in the balance sheet. The group has no vital risks related to a single customer or business partner. The company’s credit risk policy involves assessing creditworthiness of all major customers and business partners. This is done on a regular basis.

At December 31, 2022, trade receivables total DKK 22 million net of the bad debt provision which amounts to DKK 1 million.

Notes to parent financial statements

15. Trade Receivables

The following table shows the breakdown by geographic areas of the amount of trade receivables, including the breakdown by geographic areas of the amount of the provision for write-down:

	2022 DKK'm	2021 DKK'm
Domestic	14	14
Abroad	7	8
Total Trade Receivables	**21**	**22**

The changes in the provision for impairment of receivables are summarised below:

Provision for impairment of receivables	2022 DKK'm	2021 DKK'm
Balance as of January 1, 2022	**0**	**-1**
Usage of Provision	0	1
Allocation to Provision	-1	0
Exchange rate difference	0	0
Balance as of December 31, 2022	**-1**	**0**

Trade receivables, amounting to DKK 22 million, are broken down by maturity, without taking into account the Provision for Impairment of Receivables of DKK 1 million an Bad debts in litigation:

2022	**Total as of December**	**Current**	**Overdue 0-30**	**Overdue 30-60**	**Overdue 60-90**	**Past due more than**
Domestic	15	11	3	1	0	0
Abroad	7	4	2	0	1	0
Total Trade Receivables	**22**	**15**	**5**	**1**	**1**	**0**

2021	**Total as of December**	**Current**	**Overdue 0-30**	**Overdue 30-60**	**Overdue 60-90**	**Past due more than**
Domestic	14	9	4	0	0	1
Abroad	8	7	1	0	0	0
Total Trade Receivables	**22**	**16**	**5**	**0**	**0**	**1**

Notes to parent financial statements

	Parant statement of financial position		Parant statement of profit or loss	
	2022	2021	2022	2021
	DKK'm	DKK'm	DKK'm	DKK'm
16. Defered tax liabilities				
Intangible assets	32	38	-6	0
Property, Plant and equipment	0	0	0	0
Inventories	5	1	4	0
Deferred tax expence/(benefit)			**-2**	**0**
Defered tax	**37**	**39**		

17. Financial risk management

Market risk
The group’s products are primarily positioned in the high-end markets. The economic development in the professional and private consumer markets will affect the financial results.

Currency risk
Due to sales activities in foreign markets, cash flow and net positions are influenced by changes in exchange rates for a number of currencies. Louis Poulsen A/S has entered into forward exchange contracts for the following 12 months to secure sales and cost of goods sold in the following currencies JPY 1,248 million, NOK 48 million, SEK 91 million and CNY 65 million. All contracts are subscribed with the company’s bank. Currency risk between DKK and EUR is not covered due to the Danish Goverment's fixed currency rate policy.

It is group policy to cover commercial exchange risks. Hedging is primarily used to cover open foreign exchange positions related to trading activities in the next twelve months based on the budget. Where the budgettet quarterly netposition is above DKK 3 million, 80% for the netexposure is hedged.

The group does not use speculative hedging.

Notes to parent financial statements

17. Financial risk management

Interest rate risk

Louis Poulsen has an external interest-bearing debt of DKK 19 million. The debt is a bank loan with a variable interest. Right of use liabilities are fixed and not influenced by interest rates.

Credit risk

The group’s credit risks relate to trade receivables included in the balance sheet. The group has no vital risks related to a single customer or business partner. The company’s credit risk policy involves assessing creditworthiness of all major customers and business partners. This is done on a regular basis.

Liquidity risk

Louis Poulsen has focus on liqidity. Liqidity is budgettet each year and weekly follow up on deviations.
At year end the company has a DKK 25 million positive cash-flow position.

2021	Less than 1 year DKK'm	Between 1 - 5 years DKK'm	After 5 years DKK'm
Trade payables	137	0	0
Lease liabilities	7	32	49
Other payables	61	0	0
	205	**32**	**49**

2022	Less than 1 year DKK'm	Between 1 - 5 years DKK'm	After 5 years DKK'm
Trade payables	72	0	0
Lease liabilities	8	35	39
Other payables	48	0	0
	128	**35**	**39**

Notes to parent financial statements

17. Financial risk management

Derivatives
Louis Poulsen uses foreign currency swaps to hedge its exposure against fluctuations in foreign currency prices.

2021	Assets	Liabilities	Hedge reserve
Foreign currency swap	**2**	**0**	**2**

2022	Assets	Liabilities	Hedge reserve
Foreign currency swap	**4**	**2**	**2**

The fair value at 31 December 2022 and 2021 was measured in accordance with level 2 in the fair value hierarchy (IFRS 13). Level 2 is based on non-quoted prices, observable either directly or indirectly.
Prices from third party specialists are used to quote the prices for unrealisedderivative financial instruments.

The value of the financial instruments recognised in other comprehensive income will be re-cycled from equity to profit & loss at the time the underlying cash flows from the hedging item is recognised in profit & loss i.e. within 12 months. All derivatives are also presented as short term on the balance sheet as maturity is within 12 months.

Notes to parent financial statements

	2022 DKK'm	2021 DKK'm
18. Unrecognised rental and lease commitments		
Low value lease	1	1
Liabilities under rental or lease agreements until maturity in total	**1**	**1**

	2022 DKK'm	2021 DKK'm
19. Contingent liabilities		
Recourse and non-recourse guarantee commitments	3	3
Contingent liabilities in total	**3**	**3**

Louis Poulsen A/S is in a Danish joint taxation arrangement in which Luminous Designs Investments ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The total known net liability of the jointly taxed entities under the joint taxation arrangement is evident from the administration company’s financial statements.

The Company is guarantor in a joint Revolver Facility Agreement amounting up to EUR 100 million, together with the parent company International Design Groups Holding S.p.A and its other subsidiaries. The Company has irrevocably and unconditionally jointly given guarantees to the lenders, agents etc. of the Revolver Facility Agreement.

Louis Poulsen UK Limited (company no. 01895479) is exempt from the requirements of the Companies Act 2006 relating to the audit of accounts under section 479A of the Companies Act 2006.

20. Assets charged and collateral

None

21. Related parties with controlling interest

Related parties with controlling interest:

- International Design Group S.p.A., Via Montenapoleone No29, Milan, Italy, parent
- Luminous Designs Investments, Kuglegårdsvej 19 ApS, Copenhagen K, parent

Notes to parent financial statements

22. Transactions with related parties

	2022 DKK'm	2021 DKK'm
Revenue	450	314
Purchased finished goods	9	7
Distribution costs	6	10
Administrative expenses	26	27
Other financial expenses	7	5
Receivables from group enterprises	62	68
Trade payables from group enterprises	290	130

Accounting policies

Reporting class
This Annual Report has been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU as well as additional Danish disclosure requirements applying to large reporting class C entities. Further they are prepared in accordance with FIRS as issued by the International Accounting Standards Board ("IASB").

The preparation of these financial statements in conformity with IFRS requires management to exercise its judgement in the process of applying the Company's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. Areas involving a higher degree of judgement or complexity, or areas where estimates and assumptions are significant to the financial statements are further described on page 58 of this document for both the consolidated and parent company.

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

The financial statements are presented in Danish kroner and all values are rounded to the nearest million (DKK'm), except when otherwise indicated.

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.

Functional and presentation currency
The consolidated financial statements are presented in Danish kroner, DKK, which is also the functional currency of the Parent Company. Each subsidiary determines its own functional currency, and items recognised in the financial statements of each entity are measured using that functional currency.

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.

Accounting policies

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.

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

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 as well as out of the translation of income statements from average rates to the exchange rates at the balance sheet date are recognised directly in equity.

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 of the time of acquisition or the time of any subsequent revaluation or write-down. 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.

Derivative financial instruments

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Derivative financial instruments are recognised under other receivables or other payables.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging the fair value of a recognised asset or a recognised liability are recorded in the income statement together with changes in the value of the hedged asset or the hedged liability.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging future transactions are recognised directly in equity. When the hedged transactions are realised, the accumulated changes are recognised as part of cost of the relevant financial statement items.

Accounting policies

For derivative financial instruments that do not comply with the requirements for being treated as hedging instruments, changes in fair value are recognised currently in the income statement as financial income or financial expenses.

Changes in the fair value of derivative financial instruments applied for hedging net investments in independent foreign subsidiaries or associates are classified directly as equity.

Income statement
Revenue
The Company has chosen IFRS 15 as interpretation for revenue recognition. 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.

Production costs

Production costs comprise expenses incurred to earn revenue for the financial year. Production costs comprise direct and indirect costs for raw materials and consumables, wages and salaries, rent and lease as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment included in the production process. In addition, the item includes ordinary write-down of inventories.

Distribution costs
Distribution costs comprise costs incurred for sale and distribution of the Entity's products, including wages and salaries for sales staff, advertising costs, travelling and entertainment expenses, etc as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment attached to the distribution process.

Administrative expenses

Administrative expenses comprise costs incurred for the Entity's administrative functions, including wages and salaries for administrative staff and Management, stationery and office supplies as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment used for administration of the Entity.

Income from investments in group enterprises

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

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 gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Accounting policies

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.

The Entity is jointly taxed with its ultimate owner and all Danish subsidiaries. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet

Goodwill

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group’s cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

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 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 amortisation period is the remaining duration of the relevant rights. The amortisation periods used are 5 years.

Accounting policies

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised over their remaining duration, and licences are amortised over the term of the agreement, but over no more than 20 years.

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

Leases

The Company has chosen IFRS 16 as interpretation for classification and recognition of leases. Leased assets and lease commitments are recognised in the balance sheet when the leased asset under a lease entered into regarding a specific identifiable asset is made available to the Group in the lease term, and when the Group obtains the right to almost all economic benefits from the use of the identified asset and the right to control the use of the identified asset.
On initial recognition, lease commitments are measured at the present value of the future lease payments discounted by an incremental borrowing rate. The following lease payments are recognised as part of the lease commitment:

- Fixed payments.
- Variable payments that change concurrently with changes to an index and an interest rate based on said index or interest rate.
- Payments overdue subject to a residual value guarantee.
- Exercise price of call options that it is highly probable that Management will exercise.
- Payments subject to an extension option that it is highly probable that the Group will exercise.
- Penalty related to a termination option unless it is highly probable that the Group will not exercise the option.

The lease commitment is measured at amortised cost according to the effective interest method. The lease commitment is recalculated when the underlying contractual cash flows change due to changes in an index or an interest rate if the Group's estimate of a residual value guarantee changes or if the Group changes its assessment of whether call options, extension options or termination options can reasonably be expected to be exercised.
On initial recognition, the leased asset is measured at cost, corresponding to the value of the lease commitment adjusted for prepaid lease payments plus directly related costs and estimated costs for demolition, repairs or the like and less discounts or other types of incentive payments received from the lessor.
Subsequently, the asset is measured at cost less accumulated depreciation and impairment losses. The leased asset is depreciated over the shorter of the lease term and the useful life of the leased asset. Depreciation charges are recognised on a straight-line basis in the income statement.
The leased asset is adjusted for changes to the lease commitment due to changes to the terms of the lease or changes to the cash flows of the lease concurrently with changes to an index or an interest rate.
Leased assets are depreciated on a straight-line basis over the expected lease term, which is:

Cars	1-4 years
Office supply	3 years
Properties over lease term	1-15 years

The Group presents the leased asset and the lease commitment separately in the balance sheet.
The Group has chosen not to recognise leased assets of a low value and short-term leases in the balance sheet. Instead, related lease payments are recognised on a straight-line basis in the income statement.

Accounting policies

Property, plant and equipment

Plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

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.

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:

Plant and machinery	5 years
Other fixtures and fittings, tools and equipment	2-5 years
Leasehold improvements	5-14 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

Investment in subsidiaries are measured at cost. If cost exceeds the recoverable amount, a write-down is made to this lower value

Receivables

The Company has chosen IFRS 9 as interpretation for impairment of financial 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 of and impairment losses relating to machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management. Financing costs are not included in cost.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Accounting policies

Inventory obsolescence

In general the majority of the products are evergreens. Finish goods are very rarely sold at prices lower than production prices. Risk on inventories more relates to raw materials or semi fished goods were either quantities are too high compared to consumptions or goods are related to discontinued products.

Procedures and policies are in place to identify and write down on goods, where costs exceeds net realisable value.

Prepayments

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

Cash

Cash comprises cash in hand and bank deposits.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

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

Other provisions

Other provisions comprise anticipated costs of non-recourse guarantee commitments, returns, loss on contract work in progress, decided and published restructuring, etc.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

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.

Cash flow statement

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

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

Accounting policies

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

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, inception of finance leases, instalments on interest-bearing debt, purchase of treasury shares and payment of dividend.

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

Significant accounting judgements, estimates and assumptions

Leases – Estimating the incremental borrowing rate and lease term

The Company cannot readily determine the implicit borrowing rate, therefore it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of similar value to the right-to-use asset in a similar economic environment. The IBR therefore reflects what the Company "would have to pay", which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the leases. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the Company's stand-alone credit rating).

Impairment of goodwill

In accordance with IAS 36, Goodwill is not subject to amortisation and it is instead tested for impairment at least once a year.

For impairment test purposes Louis Poulsen is considered as one single Cash Generating Unit.

The recoverable amount has been determined based on the calculation of value in use. In which the projections of the cash flows were those assumptions made in the initial business plan.

The calculation of the value in use in particular senitive to the following assumptions:

- Revenue trends
- Marginality
- disclount rate
- growth rates

Please refer to note 8 of the consolidated financial statements.