Louis Poulsen Holding A/S

CVR no. 35 65 90 21

Annual report 2014

Approved at the Company's annual general meeting on 5th May 2015

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Simon Wille

Contents

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Louis Poulsen Holding A/S for the financial year 7 February – 31 December 2014.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

It is our opinion that the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Company's financial position at 31 December 2014 and of the results of the Group's and the Company's operations and consolidated cash flows for the financial year 7 February – 31 December 2014.

Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Company's operations and financial matters and the results of the Group's and the Company's operations and financial position.

We recommend that the annual report be approved at the annual general meeting.

Vejen, 5 May 2015
Executive Board:

Christian Engsted
CEO

Board of Directors:

Thomas Voss Chairman	Per Olle Håkan Borgvall	Allan Bach Pedersen
Lars Stilling Pedersen	Peter Rathsach	Kurt Grüner Vacker

Independent auditors' report

To the shareholders of Louis Poulsen Holding A/S

Independent auditors' report on the consolidated financial statements and the parent company financial statements

We have audited the consolidated financial statements and the parent company financial statements of Louis Poulsen Holding A/S for the financial year 7 February - 31 December 2014, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group as well as for the parent company and consolidated cash flow statement. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility for the consolidated financial statements and the parent company financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on the consolidated financial statements and the parent company financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements and the parent company financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and the parent company financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements and the parent company financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation of consolidated financial statements and parent company financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements and the parent company financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the parent company's financial position at 31 December 2014 and of the results of the Group's and the parent company's operations and consolidated cash flows for the financial year 7 February - 31 December 2014 in accordance with the Danish Financial Statements Act.

Independent auditors' report

Statement on the Management's review

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any further procedures in addition to the audit of the consolidated financial statements and the parent company financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the consolidated financial statements and the parent company financial statements.

Esbjerg, 5 May 2015
ERNST & YOUNG
Godkendt Revisionspartnerselskab

John Lesbo
State Authorised
Public Accountant

Management's review

Company details

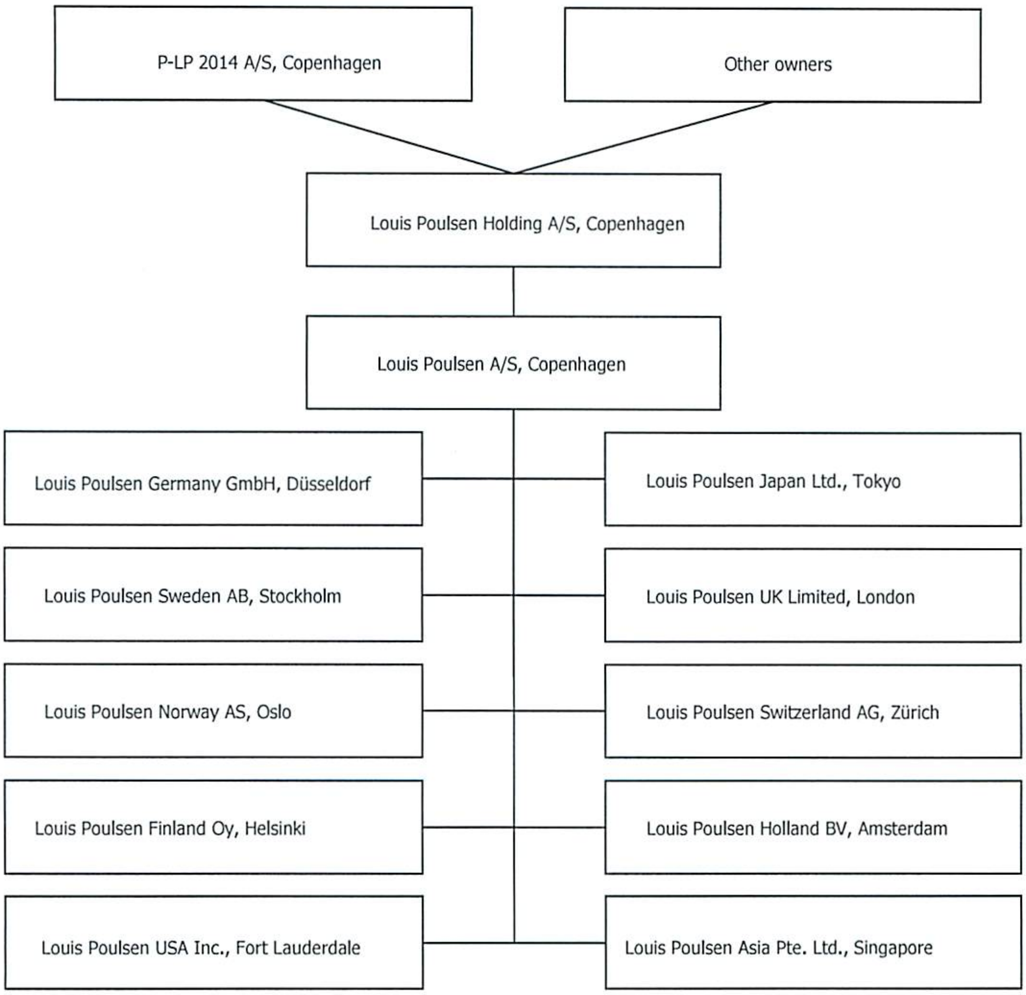
Name	Louis Poulsen Holding A/S
Address, zip code, city	Gammel Strand 28, 1202 København K
CVR no.	35 65 90 21
Established	7 February 2014
Registered office	Copenhagen
Financial year	7 February - 31 December
Website	www.louispoulsen.com
Board of Directors	Christian Engsted
Executive Board	Thomas Voss, chairmann Per Olle Håkan Borgvall Allan Bach Pedersen Lars Stilling Pedersen Peter Rathsach Kurt Grüner Vacker
Auditors	Ernst & Young Godkendt Revisionspartnerselskab

Management's review *(continued)*

The consolidated financial statements comprise the parent company, Louis Poulsen Holding A/S, and subsidiaries and are incorporated in the annual report for Louis Poulsen Holding A/S. The consolidated accounts include the profit and loss for all subsidiaries from the day of acquisition; December 11th 2014 till 31 December 2014.

Group structure: Louis Poulsen Holding A/S owns 100% of Louis Poulsen A/S. All other subsidiaries are 100% owned by Louis Poulsen A/S.

The private equity fund Polaris owns 73% of Louis Poulsen Holding A/S through P-LP A/S. Polaris is a member of the Danish Venture and Private Equity Association ("DVCA") and hence compliant with the DVCA-guidelines; please see www.DVCA.dk . These guidelines, published in June 2008, recommend a thorough review in particular regarding corporate governance, financial risks, employee relations and strategy.
Since Louis Poulsen Holding A/S is owned by a private equity fund, the company will in future have to comply either in full or partly with the DVCA guidelines. We aim to achieve compliance when filing the 2015 annual report.



Management's review *(continued)*

Financial highlights for the Group

DKK millions	2014
Income statement	
Revenue	30.4
Operating profit (EBIT)	(17,7)
Financial expenses	(0.7)
Profit/loss before tax	(18,4)
Profit/loss for the year	(16,9)
Balance	
Total non-current assets	490,4
Total current assets	243,7
Total assets	734,1
Total equity	215,8
Total provisions	66.1
Total non-current liabilities	225.4
Total current liabilities and provisions	226.8
Cash flow, operating activities	(4,8)
Cash flow, investing activities	(473,3)
- of this amount, investment in property, plant and equipment	(57,8)
Cash flow, financing activities	494,3
Total cash flows	25,6
Financial ratios	
Profit ratio	(58,2)%
Primary ratio	(13,0)%
Gross profit	32.9%
Solvency ratio	29,4%
Equity ratio	(15,7)%

The financial ratios have been prepared in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2010". For terms and definitions, please see the accounting policies.

Management's review *(continued)*

Principal activities of the Group

The Louis Poulsen group produces markets and sells lighting fixtures to private consumers and professionals at home and abroad. The group is internationally recognized for providing exclusive lighting fixtures of high quality and functional design. The products thus serve the upper segments of the professional and private consumer markets that attach great importance to the unique lighting and the high quality levels guaranteed by Louis Poulsen. Louis Poulsen´s products fulfil the most stringent international demands for energy optimisation and at the same time they meet the demand for a unique design as well as comfortable and glare free lighting for people.

Organisation and structure

Louis Poulsen's sales organisation is based in Copenhagen, whereas the group's products are primarily produced in Vejen. A minor production (assembly) in the US serves the US market. The management of the group is carried out from Denmark in close cooperation between the management and the group's Board of Directors.

Via Louis Poulsen Holding A/S, Polaris Private Equity, Denmark, in February 2014 acquired Louis Poulsen A/S from the Italian Targetti Sankey S.P.A. group. The actual takeover was completed on 10th December 2014.

In the above-mentioned transaction Louis Poulsen Holding A/S acquired the companies Louis Poulsen A/S, Denmark, Louis Poulsen USA Inc. and Louis Poulsen ASIA Pte. Ltd. On 10th December 2014 the subsidiaries Louis Poulsen USA Inc. and Louis Poulsen ASIA Pte. Ltd. was sold to Louis Poulsen A/S, and all subsidiaries are now fully owned by this company. The selling price of the two companies came to 83 mio. DKK in total.

At the date of the takeover a new board of directors has been appointed and a new Chief Executive Officer, Christian Engsted, joined the company on 1st February 2015.

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

The Louis Poulsen Group employs 436 persons of which app. 300 work in Denmark and 136 works in the foreign subsidiaries.

Financial development

Louis Poulsen Holding A/S was founded on 7th February 2014 and the operating results of the acquired activities in the Louis Poulsen companies are included as from 11th December 2014.

The consolidated turnover amounts to 30.4 mio. DKK and the primary result come to -17,7 mio. DKK. Structural changes carried out after the acquisition has a negative impact on the consolidated result of approximately 9.0 mio. DKK. Additionally the result is affected by depreciations of inventory in subsidiaries by app. 9 mio. DKK. Hence turnover is in line with expectations.

The management considers the financial development to be satisfactory.

Outlook

2015 will be a year of readjustment following the change in ownership. Louis Poulsen Holding A/S expects a slight increase in turnover in 2015, increasing capacity costs to cover restructuring and new initiatives and thus a decline in the primary result.

Management's review *(continued)*

Special Risks

Market risks

The group's products are positioned in the high end markets. The results therefore very much depend on the economic development in the professional and private consumer markets.

Currency risks

Due to activities in foreign markets cash flow and equity are influenced by the development in interest and exchange rates for a series of currencies. It is group policy to cover commercial exchange risks. Hedging is primarily used to cover the open foreign exchange positions in the coming year´s budget. The group does not use speculative hedging.

Credit risks

The group's credit risks are primarily linked to trade receivables included in the balance sheet.

The group has no vital risks related to a single customer or business partner. As a consequence of the group's credit risk policy the creditworthiness of all major customers and business partners is regularly rated.

Financial resources

At year-end 2014 cash and non-utilized drawing facilities in credit institutions amounted to 51 mio. DKK.

Events after closing of the year-end accounts

In January 2015, 84 mio. DKK was distributed from Louis Poulsen A/S to Louis Poulsen Holding A/S. The transaction is part of the restructuring of Louis Poulsen A/S which includes this company's acquisition of the two subsidiaries Louis Poulsen USA Inc. and Louis Poulsen ASIA Pte. Ltd.

Apart from the above no essential events have occurred, which could significantly affect the financial position of the group.

Intellectual capital

The group has one of the most experienced and competent staff within lighting technology and it is vital for its continuous growth to attract and retain highly skilled staff with expertise in the development of lighting. Great demand is placed on the employees' technical and craftsman skills and their ability to engage in a logistically demanding production process.

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.

Development activities

The Louis Poulsen Holding A/S group continuously invests in development, updates and improvements of its product portfolio. Costs related to development activities are in general listed in the income statement and balance sheet- please see the accounting policies regarding development activities.

Protection of immaterial rights

2014 was a landmark for the Louis Poulsen group. In Denmark as well as several other countries rulings of the courts have clearly stated that infringement of immaterial rights is seen as a serious violation of the law.

In 2014 the Louis Poulsen group has strengthened and optimised the efforts to protect immaterial rights. These efforts have among other things resulted in an intensified co-operation with customs and enforcement authorities in the most important markets, which made it possible to have fake products seized and destructed. In 2014 legal action has been taken against rights infringers in various countries to future proof our immaterial rights in these countries.

During the year several court cases have been filed and verdicts have been delivered in Denmark as well as other countries.

Management's review *(continued)*

One case concerning sale of copies to Danish customers via an English webshop should be highlighted. The rights infringers were convicted and the sentence made it possible to order the internet providers to close for access to the involved webpages, which is very unusual and an important achievement.

Reporting on CSR

Policies

The policies of the Louis Poulsen group in relation to CSR contain an environmental policy and various employment policies.

The environmental policy is split into a product philosophy and an operational philosophy. The product philosophy is to develop lighting fixtures of high quality, long life time and long product cycles. The operational philosophy is built on continuous improvement of the daily operation with focus on waste, scrapping, energy losses and consumption.

The employment policies contain a list of initiatives to improve the working environment, health and staff retention. The policies comprise diversity policies, drug/alcohol, staff, smoking, senior and health policies. Furthermore the group is conscious of its obligation to educate trainees and apprentices.

The Louis Poulsen group wants to create a healthy and desirable physical and psychological working environment with focus on the well-being of the employees including sickness absenteeism. The policy regarding sickness absenteeism covers on the one hand follow up on the presence and behaviour of the employee and on the other hand expression of the group's compassionate interest in the employee.

At the moment the Louis Poulsen group is working on a formal policy for human rights. However in the above mentioned employment policies there are areas of focus on maintaining a positive work environment and avoidance of harassment of any kind.

Gender diversity

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

The share of women in leadership positions with staff responsibility represented 19% as of 1st January 2009. This share was 24% in 2013. The company wishes to continue increasing 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 organisation irrespective of age and sex Louis Poulsen A/S wishes to contribute to the education and development of potential female board members.

Target figure for the share of the under-represented sex / women in the Board of Directors

Today the Board of Directors of Louis Poulsen Holding A/S is made up of 6 members elected at the annual general meeting of which none are women. It is the company's objective that at least one of the members will be a woman in 2017.

Environmental issues

Activities

Within the environmental area the group regularly carries out projects to reduce energy consumption in the production facilities. In 2014 the group made substantial investments to reduce the consumption of heat and electricity. As a consequence the group's overall emission of CO_2 is expected to be reduced by 175 tons/year, hence reducing negative effects on climate.

In 2014 the group's environmental report was delivered to GREENET for review. The group was awarded a diploma for documenting the environmental work, which is carried out.

Products from the existing product portfolio are continuously being adapted to the new energy efficient LED light sources without compromise on the group's lighting philosophy. Furthermore, there is a daily focus on test and development of products with prolonged lifetime.

Management's review *(continued)*

As the only group in Denmark, Louis Poulsen offers training of metal spinners. In 2014 the group employed the country's only apprentice.

In June 2014 Louis Poulsen A/S was nominated for the CSR People Prize 2014 based on our social responsibility.

The following reason was given for the nomination:

You deserve to win the prize because you have made it part of your culture to be a healthy group helping your employees to prevent physical disabilities and so helping them to retain their jobs.

Nominated by Signe Bloch-Krarup from Cabi

Louis Poulsen group did not win the prize, which was awarded in October 2014. However, for Louis Poulsen group it is important to see the results of our daily preventive efforts.

Results

A proactive approach to sickness absenteeism combined with ongoing support and guidance of the employees to develop and maintain a healthy lifestyle has contributed to a decline in absenteeism for production workers from 5.2% in 2011 to 4.4% in 2014. Absenteeism for office workers has declined from 2.3% in 2011 to 1.4% in 2014.

The employees are offered dietary counselling and assistance to abandon smoking. Also a number of joint physical exercise activities are offered. The company continuously supports new health promoting initiatives from the employees. Work place exercise has become a natural part of the working day.

In 2014 the factory was inspected by the Danish Working Environment Authority as part of their special focus on the electronic industry. On the basis of this visit Louis Poulsen's working environment organisation initiated a project with special focus on ergonomics. The project was funded by The Fund for Better Working Environment and Labour Retentioned and was used by the fund as a model case on the annual "Working Environment Conference 2014" and in articles about working environment. During the Danish Working Environment Authority's follow-up inspection visit Louis Poulsen received credit for the specific ergonomics initiatives and for the company's general approach to working environment related activities.

Louis Poulsen's working environment organisation continuously works to secure a sound working environment and to minimize the number of work related injuries. In 2014 a total of 6 work related injuries were recorded of which 3 resulted in 1-7 days' absenteeism. The company has thus successfully avoided injuries resulting in extended absenteeism.

Accounting policies

Generally

The Annual Report and the consolidated financial statements are prepared in accordance with the provisions of the Danish Financial Statements Act regarding large class C companies.

Consolidated financial statements

The consolidated financial statements comprise the parent company, Louis Poulsen Holding A/S, and subsidiaries in which Louis Poulsen Holding A/S directly or indirectly holds more than 50% of the voting rights or which it, in some other way, controls.

On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realised and unrealised gains and losses on intra-group transactions are eliminated.

Business combinations

Enterprises acquired or established during the year are recognised in the consolidated financial statements from the date of acquisition or establishment. Enterprises disposed of are recognised in the consolidated income statement until the date of disposal. The comparative figures are not adjusted for acquisitions or disposals.

Gains or losses on disposal of subsidiaries and associates are stated as the difference between the sales amount and the carrying amount of net assets at the date of disposal plus non-amortised goodwill and anticipated disposal costs.

Acquisitions of enterprises are accounted for using the acquisition method, according to which the identifiable assets and liabilities acquired are measured at their fair values at the date of acquisition. Provision is made for costs related to adopted and announced plans to restructure the acquired enterprise in connection with the acquisition. The tax effect of the restatement of assets and liabilities is taken into account.

Any excess of the cost over the fair value of the identifiable assets and liabilities acquired (goodwill), including restructuring provisions, is recognised as intangible assets and amortised on a systematic basis in the income statement based on an individual assessment of the useful life of the asset, not exceeding 20 years. Any excess of the fair values of the identifiable assets and liabilities acquired over the cost of the acquisition (negative goodwill), representing an anticipated adverse development in the acquired enterprises, is recognised in the balance sheet as deferred income and recognised in the income statement as the adverse development is realised. Negative goodwill not related to any anticipated adverse development is recognised in the balance sheet at an amount corresponding to the fair value of non-monetary assets. The amount is subsequently recognised in the income statement over the average useful lives of the non-monetary assets.

Goodwill and negative goodwill from acquired enterprises can be adjusted until the end of the year following the year of acquisition.

Intra-group business combinations

In connection with business combinations such as acquisition and disposal of equity investments, mergers, demergers, addition of assets and exchange of shares, etc., involving enterprises controlled by the parent company, the uniting-of-interests method is used. Differences between the agreed consideration and the carrying amount of the acquired enterprise are recognised in equity. Moreover, comparative figures for previous financial years are restated.

Recognition and measurement

In the Income Statement, income is recognised as earned, including value adjustments of financial assets and liabilities. All costs, including writing down/depreciation and amortisation, are also recognised in the Income Statement.

Accounting principles *(continued)*

Assets are recognised in the balance sheet when it's likely that future financial benefits will flow to the Company and when reliable measurement of the value of the assets is possible.

Liabilities are recognised in the balance sheet when an outflow of future financial benefits is likely, and when reliable measurement of the value of the liabilities is possible.

On initial recognition, assets and liabilities are measured at cost price. Subsequently, assets and liabilities are measured as described below for each individual item.

Some financial assets and liabilities are measured at amortised cost price, where a constant effective interest rate is recognised over the maturity. Amortised cost price is calculated as original cost price, deducted possible repayments and added allowances/discounts of the accumulated amortisation of the difference between cost price and nominal amount.

Foreign exchange and interest

Transactions in foreign currencies are translated at the standard exchange rates, representing the approximate rates of exchange on the transaction date. Differences between the rates of exchange on the transaction date and on the date of payment are recognised in the Income Statement.

Receivables, payables and other financial items in foreign currencies, available at the balance sheet day, are translated based on the exchange rates at the balance sheet day. Both realised and unrealised exchange differences are recognised as financial items in the Income Statement.

Derivative financial instruments

Derivative financial instruments are stated at cost prices on initial recognition in the balance sheet and subsequently measured at current values. Positive and negative current values from the derivative financial instruments are recognised as cut off items under assets or liabilities.

Change in the current value from derivative financial instruments, classified as and fulfilling the criteria for hedging the current value of recognised assets and liabilities, is included in the Income Statement, together with any changes in the current value of the hedged assets or liabilities respectively.

Any change in the current value from the derivative financial instruments, classified as and fulfilling the obligations for hedging future assets and liabilities, is recognised directly in equity.

If the future transaction results in recognition of assets or liabilities, amounts, which are deferred under the equity, are to be transferred from equity and recognised in the cost prices of the assets or liabilities.

If the future transaction results in earnings or costs, amounts, which are deferred under the equity, are to be transferred to the Income Statement in the period, where the hedged item affects the Income Statement.

Income Statement

Revenue

Revenue is recognised in the Income Statement if delivery and the transfer of risk to the buyer has been accomplished by the end of year and if the income can be calculated reliably and its receipt expected. Revenue comprises the invoiced sales of the year, deducted duties, returned goods and volume discounts.

Accounting principles *(continued)*

Distribution costs

Distribution costs comprise costs assigned to distribution and sale of the Company's products, including distribution and marketing costs, salaries within the sales and marketing functions, advertising and exhibition costs, depreciations and other indirect overheads. Furthermore, costs related to write downs on debtors are included in the distribution costs.

Administrative expenses

Administrative expenses comprise costs, which are assigned to the administrative functions including management remuneration and other common overheads.

Other operating income

Other operating income comprises eamings from secondary operation compared to the company's core business.

Profit/loss, capital investments in subsidiaries

The proportional share of the results of the individual subsidiary, after tax, amortisation of goodwill and elimination of intercompany profit, is included in the Income Statement of the company.

Financial income and expenses

Financial income and expenses comprise e.g. items from interest, realised and unrealised exchange gains and losses from foreign currencies and amortisation of financial assets and liabilities.

Income tax and deferred tax assets

Tax on profit or loss on ordinary activities comprises actual tax and change in deferred tax of the year.

Current tax comprises the tax payable of the year's expected taxable profit and allowances, deductions and repayments from the Danish payment-on-account tax scheme.

Apart from differences on capital investments in subsidiaries, provision is made for deferred tax of every difference between accounting and fiscal estimates. Deferred tax assets are calculated based on quoted tax rates, and the effect from the deferred tax of any tax rate changes is recognised in the Income Statement.

Deferred tax assets are recognised at their expected value in use within the same legal tax entity.

Tax, paid on account, and other prepaid taxes appear from the balance sheet as tax receivable.

Balance sheet

Intangible fixed assets

Intangible fixed assets are measured at cost less accumulated amortisation.

Accounting principles *(continued)*

Goodwill

Goodwill is amortised on a straight-line basis through the expected lifetime up to 20 years, as the company's acquisition is estimated to have a long-term earning effect based on the very long life cycle of the products. The accounting value of goodwill is currently subject to evaluation and written down to replacement cost in the Income Statement, if the accounting value exceeds the expected future capitalized net earnings or a realised sales value from the company or activity, to which the goodwill belongs.

Acquired trademarks and customer relations

Acquired trademarks and customer relations are measured on initial recognition at cost, as part of the business combinations, at their fair value at the date of acquisition. Following initial recognition, Acquired trademarks and customer relations are carried at cost less any accumulated amortisation and accumulated impairment losses. Acquired trademarks are amortised on a straight-line basis through the expected lifetime from 8 to 20 years. Acquired customer relationships are amortised on a straight-line basis through the expected lifetime up to 12 years.

Amortisation

Acquired trademarks and customer relations, as well as goodwill is amortised over their estimated useful lives (maximum of 20 years) determined on the basis of Management's experience of the specific markets. Amortisation over 5 years relates to strategic acquired business/trademarks with strong market positions, and long-term earning profiles.

Development projects

Development projects comprise salaries and other costs, which directly or indirectly relate to the development projects of the company.

If sufficient security is available so that the capital value of the future earnings can cover production, sales, and administration costs and the development costs as well - development projects, clearly definable and identifiable, are recognised as intangible fixed assets when the technical rate of utilisation, sufficient resources and a potential future market or development opportunity within the company appear, and when the intention is to produce, market or use the project.

Development projects, which do not fulfil the criteria for recognition in the balance sheet, are recognised as costs in the Income Statement, when realised.

Capitalised development costs are measured at cost prices, less accumulated amortisation or write-downs at replacement cost, if lower.

Capitalised development costs are written off on the project finalisation according to the straight-line method and over the period when it is expected to gain financial advantages. The write off period is 5 years.

Software and rights

Software, rights and its expenses are measured at cost price, less accumulated amortisations and are written down according to the straight-line method over the expected financial lifetime of 3 – 5 years.

Accounting principles *(continued)*

Property, plant and equipment
Property, plant and equipment are measured at purchase price or at cost price less accumulated depreciation and write downs.

Property, plant and equipment are depreciated under the straight-line method over the expected useful lives of the assets, i.e.:

- Major leasehold improvements	14 years
- Technical and fixed installations and leasehold improvements	5 years
- Other installations, operating equipment, furniture and fixtures	5 years

Property, plant and equipment are depreciated at their recoverable value, if this value is lower than the accounting amount, based upon the above depreciation periods.

Public grants, provided to fund purchase of property, plant and equipment, are settled in the purchase price.

Earnings or losses in connection with sale or scrapping are calculated as the difference between the sales price and the booked value and are recognised in the Income Statement under the same items as the pertaining write-downs.

Operational lease costs are expensed continuously. The residual obligations are disclosed under contingent liabilities.

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

Investments in subsidiaries are measured at the proportionate share of the enterprises' net asset values calculated in accordance with the Group's accounting policies minus or plus unrealised intra-group profits and losses and plus or minus any residual value of positive or negative goodwill determined in accordance with the acquisition method.

Investments in subsidiaries with negative net asset values are measured at DKK 0 (nil), and any amounts owed by such enterprises are written down if the amount owed is irrecoverable. If the parent company has a legal or constructive obligation to cover a deficit that exceeds the amount owed, the remaining amount is recognised under provisions.

Net revaluation of investments in subsidiaries is recognised in the reserve for net revaluation in equity under the equity method to the extent that the carrying amount exceeds cost. Dividends from subsidiaries which are expected to be adopted before the approval of the annual report of Louis Poulsen Holding A/S are not recognised in the reserve for net revaluation.

Inventories
Raw materials, consumables and commodities are measured at cost price, calculated according to the FIFO principle or the net realization value, if lower.

Cost price for commodities, raw materials and consumables is equal to the landed cost price.

The cost price for manufactured finished goods and work in progress comprises the costs for raw materials, consumables, and direct payroll cost and production overheads. Borrowing costs are not included.
Obsolete and slow-moving products are written down to net realisable value.

Accounting principles *(continued)*

Receivables

Receivables are measured at amortised cost price, which normally corresponds to the nominal value. Write-downs are made to meet the risk for losses, calculated on the basis of an individual estimate of the debtors' creditworthiness.

Prepayments

Prepayments, recognised under assets, include spent costs related to the subsequent financial year.

Provisions

Provisions include estimated cost for warranty. The provision is based on individual judgment on registered claims.

Equity

Dividend, expected to be paid for the year, is presented as a separate item under equity.

Dividend is recognised as a liability at the time for decision at the annual general meeting.

Liabilities

Liabilities are measured at amortised cost price. Proceeds, received less spent costs, are recognised when raising the loans. In the periods to come, the financial liabilities are recognised at amortised cost price corresponding to the capitalised value, using the effective interest method so that the difference between the proceeds and the nominal value is recognised in the Income Statement over the loan period.

In respect of financial leasing, the capitalised residual liability under the lease is recognised.

Other liabilities, comprising accounts payable, group companies and other debts, are measured at amortised cost price, which usually corresponds to the nominal value.

Cash flow statement

The cash flow statement, calculated on the indirect method, shows the cash flows from operating activities, investing activities, financing activities and the funds, available at the beginning and at the end of the year.

Cash flows from operating activities are stated as the EBIT result, adjusted for write-downs and other non-cash operating items, changes in the working capital, dividends received and paid income taxes and dividend.
Cash flow from investing activities comprises payments in connection with acquisition and sale of companies and or acquisition and sale of tangible and financial assets, respectively.

Cash flow from financing activities comprises rising of loan and payments on interest-bearing debts.

Funds comprise cash and securities portfolio, stated as current assets.

Segment information

The Group has only one business segment.

Consolidated financial statements and parent company financial statements for the period 7 February – 31 December

Income statement

Note	DKK millions	Consolidated 2014	Parent company 2014
1	**Revenue**	30,4	0,0
2	Production costs	(29,6)	0,0
	Gross profit	0,8	0,0
2	Distribution costs	(7,4)	0,0
2	Administrative expenses	(11,1)	(3,8)
	Ordinary operating loss	(17,7)	(3,8)
	Other operating income	0,0	0,0
	Other operating costs	0,0	0,0
	Operating loss	(17,7)	(3,8)
	Share of loss in subsidiaries after tax	0,0	(13,7)
4	Financial income	0,2	0,1
5	Financial expenses	(0,9)	(0,5)
	Loss before tax	(18,4)	(17,9)
6	Tax on loss	1,5	1,0
	Loss for the year	(16,9)	(16,9)

	Proposed distribution of loss		
	Proposed dividends		0,0
	Retained earnings		(16,9)
			(16,9)

Consolidated financial statements and parent company financial statements for the period 7 February – 31 December

Balance sheet

Note	DKK millions	Consolidated 2014	Parent company 2014
	ASSETS		
	Non-current assets		
7	**Intangible assets**		
	Development completed	10,0	0,0
	Software and licences	8,0	0,0
	Acquired trademarks	124,2	0,0
	Acquired customer relations	31,2	0,0
	Goodwill	235,2	0,0
	Development in progress	2,7	0,0
		411,3	0,0
8	**Property, plant and equipment**		
	Plant and machinery	40,7	0,0
	Fixtures and fittings, tools and equipment	8,9	0,0
	Leasehold improvements	4,7	0,0
	Prepayments	3,5	0,0
		57,8	0,0
	Investments		
9	Investments in subsidiaries	0,0	397,9
	Deposits	4,4	0,0
12	Deferred tax asset	16,9	0,0
		21,3	397,9
	Total non-current assets	490,4	397,9
	Current assets		
	Inventories		
	Raw materials and consumables	39,6	0,0
	Work in progress	22,4	0,0
	Finished goods and goods for resale	38,3	0,0
		100,3	0,0
	Receivables		
	Trade receivables	93,9	0,0
15	Corporation tax	0,0	1,1
	Amounts owed by affiliates	0,0	56,4
	Other receivables	19,0	12,0
10	Prepayments	4,9	1,3
		117,8	70,8
	Cash at bank and in hand	25,6	8,9
	Total current assets	243,7	79,7
	TOTAL ASSETS	734,1	477,6

Consolidated financial statements and parent company financial statements for the period 7 February – 31 December

Balance sheet

		Consolidated	Parent company
Note	DKK millions	2014	2014
	EQUITY AND LIABILITIES		
	Equity		
11	Share capital	2,3	2,3
	Reserve for net revaluation under the equity method	0,0	0,0
	Retained earnings	213,5	213,5
	Proposed dividends	0,0	0,0
	Total equity	215,8	215,8
	Provisions		
12	Deferred tax	43,9	0,0
13	Other provisions	22,2	0,0
	Total provisions	66,1	0,0
	Liabilities other than provisions		
	Non-current liabilities other than provisions		
14	Bank loans	225,4	95,7
		225,4	95,7
	Current liabilities other than provisions		
	Current portion of non-current liabilities other than provisions	3,3	0,0
	Bank loans and overdrafts	36,3	116,0
	Trade payables	89,0	15,1
	Amounts owed to affiliated companies	35,0	35,0
15	Corporation tax	4,1	0,0
	Other payables	59,1	0,0
		226,8	166,1
	Total liabilities other than provisions	452,2	261,8
	TOTAL EQUITY AND LIABILITIES	734,1	477,6

16 **Staff costs and incentive programs**
17 **Contractual obligations and contingencies, etc.**
18 **Mortgages and collateral**
19 **Related party disclosures**

Consolidated financial statements and parent company financial statements for the period 7 February – 31 December

Statement of changes in equity

	Consolidated			
DKK millions	**Share capital**	**Retained earnings**	**Proposed dividends**	**Total**
Share capital and premium paid during the year	2,3	230,4	0,0	232,7
Transferred; see distribution of loss	0,0	(16,9)	0,0	(16,9)
Equity at 31 December 2014	2,3	213,5	0,0	215,8

	Parent Company			
DKK millions	**Share capital**	**Retained earnings**	**Proposed dividends**	**Total**
Share capital and premium paid during the year	2,3	230,4	0,0	232,7
Transferred; see distribution of loss	0,0	(16,9)	0,0	(16,9)
Equity at 31 December 2014	2,3	213,5	0,0	215,8

Consolidated financial statements and parent company financial statements for the period 7 February – 31 December

Cash flow statement

Note	DKK millions	Consolidated 2014
	Operating loss	(17,7)
	Depreciation and amortisation	0,9
	Cash generated from operations before changes in working capital	(16,1)
	Changes in working capital	21,6
	Cash generated from operations	4,8
	Interest received	5,8
	Interest paid	(6,5)
	Cash generated from operations	4,1
	Corporation tax paid	0,7
	Cash flows from operating activities	4,8
	Acquisition of intangible assets	(411,1)
	Acquisition of property, plant and equipment	(57,8)
	Acquisition of deposits	(4,4)
	Cash flows from investing activities	(473,5)
	External financing:	
	Increase in bank loans and overdrafts	261,7
	Shareholders:	
	Capital raised	232,6
	Dividends paid	0,0
	Cash flows from financing activities	494,3
	Net cash flows from operating, investing and financing activities	25,6
	Cash and cash equivalents at 7 February	0,0
	Cash and cash equivalents at 31 December	25,6

Consolidated financial statements and parent company financial statements for the period 7 February – 31 December

Notes to the financial statements

1 Segment information

Geographical segment

DKK millions	Scandinavia	Rest of Europe	Rest of world	Total
Revenue	13,5	4,8	12,1	30,4

DKK millions		Consolidated 2014	Parent company 2014
2	**Depreciation, amortisation and impairment losses**		
	Intangible assets	0,4	0,0
	Property, plant and equipment	0,5	0,0
		0,9	0,0
	Depreciation, amortisation and impairment losses are recognised as follows in the consolidated financial statements and the parent company financial statements:		
	Production	0,5	0,0
	Distribution	0,1	0,0
	Administration	0,3	0,0
		0,9	0,0
3	**Fees paid to auditors appointed at the annual general meeting**		
	Total fees to EY	1,1	0,1
	Fee regarding statutory audit	0,7	0,1
	Tax assistance	0,3	0,0
	Other assistance	0,1	0,0
		1,1	0,1
4	**Financial income**		
	Interest income from affiliates	0,0	0,1
	Foreign exchange gains	0,1	0,0
	Other interest income	0,1	0,0
		0,2	0,1

Consolidated financial statements and parent company financial statements for the period 7 February – 31 December

Notes to the financial statements

DKK millions	Consolidated 2014	Parent company 2014
5 Financial expenses		
Interest expense to affiliates	0,0	0,1
Foreign exchange losses	0,0	0,1
Other interest expense	0,9	0,3
	0,9	0,5
6 Tax on the loss for the year		
Current tax for the year	1,0	1,0
Adjustment of deferred tax	0,5	0,0
	1,5	1,1

7 **Intangible assets**

DKK millions	Consolidated: Acquired trade-marks	Acquired customer relations	Develop-ment completed	Software and licences	Goodwill	Develop-ment in progress	Total
Cost at 7 February 2014	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Additions on acquisition of subsidiaries	124,2	31,2	10,2	8,2	235,2	2,7	411,5
Additions	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Transferred	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Cost at 31 December 2014	124,2	31,2	10,2	8,2	235,2	2,7	411,5
Impairment losses and amortisation at 7 February 2014	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Amortisation	0,0	0,0	0,2	0,2	0,0	0,0	0,4
Impairment losses and amortisation at 31 December 2014	0,0	0,0	0,2	0,2	0,0	0,0	0,4
Carrying amount at 31 December 2014	124,2	31,2	10,0	8,0	235,2	0,0	411,3
Amortised over	8-20 years	12 years	5 years	3-5 years	20 years	-	-

Consolidated financial statements and parent company financial statements for the period 7 February – 31 December

Notes to the financial statements

8 Property, plant and equipment

DKK millions	Consolidated				
	Prepayments	Plant and machinery	Fixtures and fittings, tools and equipment	Leasehold improvements	Total
Cost at 7 February 2014	0,0	0,0	0,0	0,0	0,0
Foreign currency translation adjustments, foreign entities	0,0	0,0	0,0	0,0	0,0
Additions on acquisition of subsidiary	3,5	41,0	9,0	4,8	36,7
Additions	0,0	0,0	0,0	0,0	0,0
Transferred	0,0	0,0	0,0	0,0	0,0
Disposals	0,0	0,0	0,0	0,0	0,0
Cost at 31 December 2014	3,5	41,0	9,0	4,8	58,3
Impaiment losses and depreciation at 7 February 2014	0,0	0,0	0,0	0,0	0,0
Foreign currency translation adjustments, foreign entities	0,0	0,0	0,0	0,0	0,0
Depreciation	0,0	0,3	0,1	0,1	0,5
Disposals	0,0	0,0	0,0	0,0	0,0
Impaiment losses and depreciation at 31 December 2014	0,0	0,3	0,1	0,1	0,5
Carrying amount at 31 December 2014	3,5	40,7	8,9	4,7	57,8
Property, plant and equipment include finance leases with a carrying amount totaling	0,0	0,0	0,0	0,0	0,0
Depreciated over	-	5 years	5 years	5-14 years	

Consolidated financial statements and parent company financial statements for the period 7 February – 31 December

Notes to the financial statements

DKK millions	Parent company 2014
9 Investments in subsidiaries	
Cost at 7 February	
Additions	494,4
Disposals	(82,8)
Cost at 31 December	411,6
Value adjustments at 7 February	0,0
Foreign currency translation adjustments	0,0
Loss for the year	(13,7)
Value adjustments at 31 December	(13,7)
Carrying amount at 31 December	397,9
Hereof non-amortised goodwill	235,2

	Share of equity	Nominal capital National currency, Million		Equity value DKK Millions
Louis Poulsen A/S, Copenhagen, Denmark	100%	DKK	60,0	173,4
Louis Poulsen U.S.A. Inc., Fort Lauderdale, USA	100%	USD	0,001	29,4
Louis Poulsen Asia Pte. Ltd., Singapore, Asia	100%	EUR	0,002	0,0
Louis Poulsen Germany GmbH, Düsseldorf, Germany	100%	EUR	4,1	11,5
Louis Poulsen Sweden AB, Stockholm, Sweden	100%	SEK	0,5	13,4
Louis Poulsen Norway AS, Oslo, Norway	100%	NOK	1,5	9,2
Louis Poulsen Finland Oy, Helsinki, Finland	100%	EUR	0,3	6,5
Louis Poulsen UK Limited., London, Great Britain	100%	GBP	2,4	(1,6)
Louis Poulsen Japan Ltd., Tokyo, Japan	100%	JPY	5,0	20,1
Louis Poulsen Switzerland AG, Zürich, Switzerland	100%	CHF	0,5	3,7
Louis Poulsen Holland B.V, Amsterdam, Holland	100%	EUR	0,04	0,6

DKK millions	Consolidated 2014	Parent company 2014
10 Prepayments		
Insurance premiums	1,3	1,3
Other	3,6	0,0
	4,9	1,3

Consolidated financial statements and parent company financial statements for the period 7 February – 31 December

Notes to the financial statements

11 **Share capital**

The share capital comprises:

2.326.423 shares of DKK 1 each

DKK millions	Consolidated 2014	Parent company 2014
12 Deferred tax		
Deferred tax at 7 February	0,0	0,0
Adjustment of deferred tax	0,2	0,0
Acquisition of subsidiary	26,5	0,0
Other	0,3	0,0
Deferred tax at 31 December	27,0	0,0
Deferred tax relates to:		
Intangible assets	38,5	0,0
Property, plant and equipment	6,9	0,0
Current assets	0,2	0,0
Provisions	(12,8)	0,0
Liabilities other than provisions	(0,1)	0,0
Tax loss carry-forward	(5,7)	0,0
	27,0	0,0
Deferred tax asset	(16,9)	0,0
Deferred tax liability	43,9	0,0
	27,0	0,0

13 **Provisions**

Provisions mainly consist of provisions regarding unfavourable lease contracts on premises in Vejen in order to reach a fair market value. Provisions on lease contracts are amortised over the lifespan of the lease contract.

Consolidated financial statements and parent company financial statements for the period 7 February – 31 December

Notes to the financial statements

14 Mortgage credit institutions and banks

The loans are specified as follows:

Banks		
Long-term	225,4	180,0
Short-term	36,3	32,0
	261,7	212,0
Total loans	261,7	212,0

The loans are recognised in the balance sheet as follows:

Non-current liabilities other than provisions	261,7	212,0
	261,7	424,0
Non-current liabilities other than provisions falling due more than five years after the balance sheet date (carrying amount)	117,0	0,0

DKK millions	Consolidated 2014	Parent company 2014
15 Corporation tax payable		
Corporation tax payable at 7 February	0,0	0,0
Tax payable from acquired subsidiaries	4,7	0,0
Tax on taxable income for the year, including jointly taxed subsidiaries	9,3	(1,1)
Corporation tax paid during the year	(9,9)	0,0
Corporation tax payable at 31 December	4,1	0,0

16 Staff costs and incentive programmes		
Wages and salaries	10,6	0,0
Pensions	0,2	0,0
Other social security costs	0,2	0,0
	11,0	0,0
Average number of full-time employees	436	-

Remuneration of the parent company Executive Board and Board of Directors amounts to DKK 0.0 million.

Consolidated financial statements and parent company financial statements for the period 7 February – 31 December

Notes to the financial statements

17 Contractual obligations and contingencies, etc.

Contingent liabilities

Louis Poulsen Holding is jointly taxed with the other Danish subsidiaries to P-LP 2014 A/S. As the administrative company, together with the subsidiary, Louis Poulsen Holding has joint and several unlimited liability for Danish corporation taxes and withholding taxes on dividends, interest and royalties in the joint taxation unit. At 31 December 2014, the net taxes payable to SKAT by the companies included in the joint taxation will be no higher than. DKK 1 million. Any subsequent corrections of the taxable income subject to joint taxation or withholding taxes on dividends, etc., may entail that the companies' liability will increase. The Group is not liable to others.

At 31 December the Group has work guarantees amounting to DKK 4.9 million.

18. Collaterals

DKK'000	Consolidated 2014	Parent company 2014
Collaterals		
The following assets are provided as collateral for the parent company's bank loans:		
Share capital of Louis Poulsen A/S, DKK 60.0 million, with a carrying amount of (*consolidated = net*)	407.0	407.0

The parent company has issued a guarantee of payment regarding the subsidiary Louis Poulsen A/S' bank loans amounting to 62.9 million DKK at 31 December 2014.

Operating lease obligations

The Group's companies have entered into operating leases. The remaining total nominal residual lease payment amounts to DKK116,0 million.

19 Related party disclosures

Louis Poulsen Holding A/S' related parties comprise the following:

Parties exercising control

P-LP 2014 A/S, Malmøgade 3, 2100 København Ø. CVR. Nr.: 35862048
P-LP 2014 A/S holds the majority of the share capital in the Company.

Ownership

The following shareholders are registered in the Company's register of shareholders as holding minimum 5% of the voting rights or minimum 5% of the share capital:

P-LP 2014 A/S

Euro-PE Select Opportunities FPCI, France

Euro-PE Select Opportunities SICAV-SIF SCS, Luxembourg

ICECAPITAL Nordic Secondary Fund SCA, Luxembourg.