Louis Poulsen A/S

Gammel Strand 28, 1202 København K

CVR no. 59 74 28 17

Annual report 2015

Approved at the Company's annual general meeting on 29 March 2016

Contents

Company details

Name:	Louis Poulsen A/S
Address	Gammel Strand 28
zip code, city	1202 Copenhagen K
CVR no.	59 74 28 17
Financial year:	1 January - 31 December
Website:	www.louispoulsen.com
Board of Directors:	Thomas Voss, chairman Dario Carlo Fumagalli Allan Bach Pedersen Per Olle Håkan Borgvall Lars Stilling Pedersen Kurt Grüner Vacker
Executive Board:	Christian Engsted Peter le Fèvre
Auditor:	Ernst & Young Godkendt Revisionspartnerselskab Havnegade 33 6700 Esbjerg

Statement by the management on the annual report

Board of Directors & Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Louis Poulsen A/S for the financial year 1 January - 31 December 2015.

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

It is our opinion that the financial statements give a true and fair view of the Company's financial position at 31 December 2015 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2015.

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

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

Copenhagen, 29 March 2016
Executive Board:

Christian Engsted CEO	Peter le Fèvre CFO

Board of Directors:

Thomas Voss Chairman	Per Olle Håkan Borgvall	Dario Carlo Fumagalli
Allan Bach Pedersen	Lars Stilling Pedersen	Kurt Grüner Vacker

Independent auditors' report

To the shareholders of Louis Poulsen A/S

Independent auditors' report on the financial statements

We have audited the financial statements of Louis Poulsen A/S for the financial year 1 January - 31 December 2015, which comprise income statement, balance sheet, cash flow statement and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility for the financial statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the 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 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 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 financial statements give a true and fair view of the Company's financial position at 31 December 2015 and of the results of its operations and cash flows for the financial year 1 January - 31 December 2015 in accordance with the Danish Financial Statements Act.

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 other procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the financial statements.

Esbjerg, 29 March 2016
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

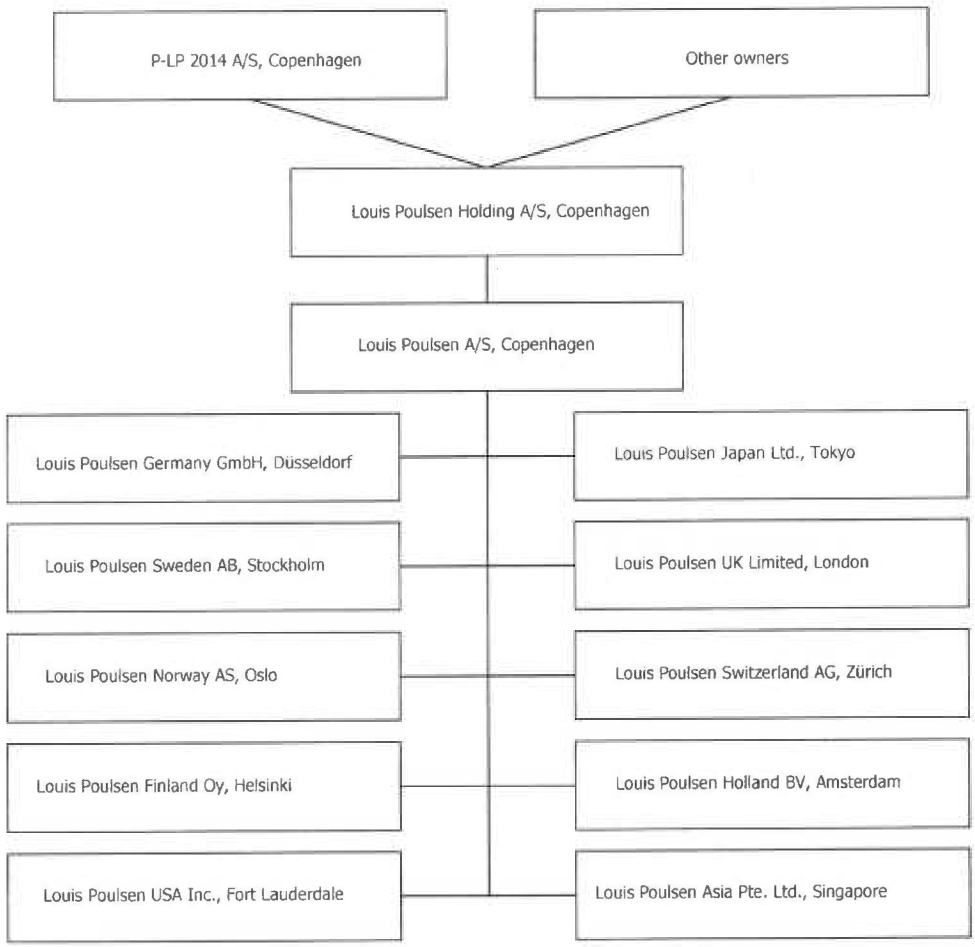
John Lesbo State Authorised Public Accountant	Morten Østergaard Koch State Authorised Public Accountant

Management's review:

The Consolidated Annual Report for the Louis Poulsen A/S Group is prepared by the parent company Louis Poulsen Holding A/S. The annual report for Louis Poulsen A/S solely represents the accounts for Louis Poulsen A/S, hence all subsidiaries listed below are included in the profit and loss as income from investments in subsidiaries after tax and in the balance sheet as investments in subsidiaries.

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

The private equity fund Polaris owns 69% of Louis Poulsen Holding A/S through P-LP 2014 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.



Management's review *(continued)*
Five year summary, main and key figures

DKK millions	2015	2014	2013	2012	2011
Income statement					
Revenue	465	428	402	382	374
Operating income before depreciations and amortisation (EBITDA)	59	48	46	37	33
Operating income (EBIT)	29	18	17	9	5
Financial expenses	(8)	(2)	(2)	(6)	(5)
Profit/loss before tax	33	13	21	7	6
Profit/loss for the year	24	5	12	2	(2)
Balance sheet					
Non-current assets	270	285	222	239	262
Current assets	125	156	171	159	159
Total assets, end of year	395	441	393	398	421
Equity, end of year	114	173	176	200	230
Provisions	10	7	8	8	9
Long term liabilities	174	152	106	80	71
Short term liabilities	97	109	103	110	111
Cash flow					
Cash flow, operating activities	62	68	30	12	27
Cash flow, investing activities	(14)	(101)	(14)	(7)	(13)
- of this amount, investment in property, plant and equipment	(6)	(13)	(7)	(7)	(1)
Cash flow, financing activities	(35)	45	(18)	(20)	(3)
Key figures					
Profit ratio	6,2%	4,2%	4,3%	2,3%	1,3 %
Primary ratio	9,7%	5,7%	5,2%	2,5%	1,4 %
Gross profit	31,9%	30,4%	28,7%	28,6%	26,9 %
Solvency ratio	28,9%	38,9%	44,9%	50,3%	54,7 %
Equity ratio	17,0%	2,9%	6,3%	1,0%	(0,9 %)

For terms and definitions, please see the accounting policies.

Management's review *(continued)*

Consolidated financial statements

Louis Poulsen A/S is included in the consolidated financial statements of Louis Poulsen Holding A/S which show the combined activities of Louis Poulsen Group.

Main business

Louis Poulsen A/S manufactures and sells lighting fixtures to private consumers and professionals at home and abroad. The company is internationally recognized for providing exclusive lighting fixtures of high quality and functional design. 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 optimisation and at the same time they meet the demand for a unique design as well as comfortable and glare free lighting.

Organisation and structure

Louis Poulsen A/S' sales organisation is based in Copenhagen, whereas the company's production facilities are based in Vejen. The daily management is carried out from Denmark in a close cooperation between the executive management and the company's Board of Directors.

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 globally.

Louis Poulsen A/S has app. 280 employees plus app. 140 employees in the subsidiaries. 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 2015	290	151
Recruited during 2015	42	17
Resigned during 2015	(56)	(30)
Number of employees end of 2015	276	138

Financial development

The revenue amounted to 465 million DKK equivalent to an increase of 8.6 % in comparison to the 428 million DKK in 2014, which was above expectations.

The gross profit has developed positively with an increase of 1.5%-points to 31.9%. The development derives from profitability improvements in the production and a shift in the Danish sales mix.

Administration costs of approximately 2,3 million DKK have incurred as a result of further restructuring of the company, which started in 2014.

Louis Poulsen A/S achieved an improvement of the primary result (EBIT), which increased from 18 million DKK to 29 million DKK.

In 2015 the subsidiaries materialised an income of 11.3 million DKK against a loss of 3.4 million DKK last year. The result in subsidiaries is affected negatively by restructuring/optimising costs of 2.4 million DKK in Holland, Germany, Switzerland and the US. Furthermore, restructuring costs in Louis Poulsen A/S amounted to 2.3 million DKK in 2015.

The result before tax ended at 32 million DKK, which is above expectations. The management considers the result as satisfactory.

Expectations for 2016

Louis Poulsen A/S expects an increase in turnover in 2016, followed by increasing capacity costs to cover new initiatives. Increased sales activities are expected to deliver a positive development in the primary result.

Management's review *(continued)*

Special risks

Market risks

The company'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 equity might be influenced by changes in interest levels and exchange rates for a number of currencies. It is company policy to cover commercial exchange risks. Hedging is primarily used to cover open foreign exchange positions in the next twelve months based on the budget. The company does not use speculative hedging.

Credit risks

The company's credit risks relate to trade receivables included in the balance sheet. The company 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.

Financial resources

At year-end 2015 cash and non-utilized drawing facilities in credit institutions amounted to 18 million DKK.

Including certain subsidiaries, the company has a total cash pool including drawing facilities in credit institutions in excess of 30 million DKK, which is sufficient to cover both investments and operation in the company for the coming year.

Capital structure

Louis Poulsen A/S' share capital is not divided into classes.

Management regularly assesses whether Louis Poulsen A/S has an adequate capital structure, the Supervisory Board continuously assesses that the company's capital structure is consistent with the company's and its stakeholders' interests. The overall objective is to ensure a capital structure that supports a profitable long-term growth.

Louis Poulsen A/S had net interest bearing debt of 129 million DKK as per December 31, 2015, which is a sufficient level to ensure financial flexibility. There are no changes to the Group's guidelines and procedures for managing the capital structure in 2015.

In connection with Polaris Private Equity's acquisition of the LP Group in 2014 the purchase price was partly financed by a loan from Sydbank. As per December 31, 2015, this loan represents a total outstanding debt of 225 million DKK, of which 96 million DKK is located in the parent company, Louis Poulsen Holding A/S. Management believes that the current capital structure provides sufficient flexibility to address the future strategy of the Group.

Events after closing of the year-end accounts

No essential events have occurred, which could significantly affect the financial position of the company.

Management's review *(continued)*

Intellectual capital

The company has a both experienced and competent staff working with lighting technology. It will continue 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.

To ensure high product quality and competitive production the company continuously optimizes production. This demands a high level of competence, and the company 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 2015 Louis Poulsen A/S has recruited competencies within the area of business development with focus on growth and the development of new products. A professional executive board and a new board of directors is in place. In addition, the company has increased its competencies within the area of Idea and design and R&D.

Development activities

Louis Poulsen A/S 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.

Reporting on CSR

Policies

The policies of Louis Poulsen A/S 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 company is conscious of its obligation to educate trainees and apprentices.

Louis Poulsen A/S 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 company's compassionate interest in the employee.

Louis Poulsen A/S is continuously working on a formal policy for human rights. Within the above-mentioned policies, there are areas of focus on maintaining a positive working 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 22% in 2015. 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.

Management's review *(continued)*

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

Currently The Board of Directors consists of 0% women and 100% men. It is the goal to recruit 1 female board member by the end of 2017 to increase the female share to 25%. The Board will follow up on the implementation of this goal on a yearly basis and is constantly seeking candidates with both relevant competencies and experience. Relevant knowledge and professional experience are key parameters when nominating new board members. No candidates met these criteria's in 2015 which is the reason for the Board of Directors not achieving the recruitment goal during this year.

Corporate governance

The Board of Directors and the Executive Board constantly strive to ensure that appropriate and sufficient control systems are in place managed by a robust management team structure. The Board of Directors and the Executive Board have a number of duties being defined in, amongst others, the Companies Act, the Annual Accounts Act, the Articles of Association and good practice for companies of the same size and with the same international scope as Louis Poulsen A/S. On this basis, an ongoing series of internal procedures are developed and maintained to ensure active, reliable and profitable management of the company.

Board of directors

The Board of Directors ensures that the Executive Board complies with the approved objectives, strategies and business procedures. The information to the Executive Board is provided systematically before and during meetings as well as through written and oral reports. These reports includes market development, the company's development and profitability. The Board of Directors and Executive Management have overall responsibility for risk management and internal controls related to financial reporting.

The Board of Directors of the company meet at least four times a year. Furthermore, information about the company and the Group's results and financial position is shared with the Board of Directors on a regular basis (monthly). If relevant, extraordinary meetings are held.

Audit Committee

There is not established an audit committee due to the modest size and complexity of the company.

Remuneration to management

To attract and retain Louis Poulsen A/S' management competencies, the remuneration of management and senior employees is based on tasks, value creation and conditions in comparable companies. An incentive program is implemented in the form of bonus schemes and share and warrant-based incentive programs.

Environmental issues

Activities

Within the environmental area the company regularly carries out projects to reduce energy consumption in the production facilities. In 2014 the company made substantial investments to reduce the consumption of heat and electricity. As a consequence the company's overall emission of CO2 was expected to reduce by 175 tons/year, hence reducing negative effects on climate. During 2015 focus has continuously been to reduce energy consumption, and Louis Poulsen A/S has materialised a substantial reduction in CO2 emission, just as the consumption of heating, and water has been successfully reduced.

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

As the only company in Denmark, Louis Poulsen offers training of metal spinners. In 2015 the company employed the country's only apprentice.

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 3.8% in 2015. Absenteeism for office workers has declined from 2.3% in 2011 to 1.7% in 2015.

Management's review *(continued)*

The employees are offered dietary counselling and assistance to abandon smoking. A variety of physical exercise is made available to the staff. The company continuously supports new health promoting initiatives from the employees. Work place exercise has become a natural part of the working day.

Louis Poulsen's working environment organisation continuously works to secure a sound working environment and to minimize the number of work related injuries. In 2015 a total of 4 work related injuries were recorded of which only 1 resulted in longer absenteeism. The company has thus successfully avoided injuries resulting in extended absenteeism.

Board of Directors in Louis Poulsen A/S

Member of the Board of directors in Louis Poulsen A/S

Name:	Thomas Voss	Allan Bach Petersen	Per Borgvall	Dario Fumagalli
Occupation:	Director	Partner, Polaris Private Equity	Director	COO of Kartell S.p.a.
Executive board role at Louis Poulsen:	chairman	Deputy Chairman	member	member
Other Board roles:				
Chairman:	Ventilation Holding ApS JFK A/S Alterna diversified SA Alterna Invest SA	Configit A/S		
Board member:	HTC AB	PWT Group A/S A number of parent companies related to Polaris Private Equity	Troax Group AB Nederman Holding AB	

Board members elected by employees have no appointments in any companies. Members of the Executive board have no appointments outside of Louis Poulsen.

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.

Louis Poulsen A/S has chosen not to prepare consolidated financial statements for the Louis Poulsen A/S Group, as the parent company Louis Poulsen Holding A/S prepares consolidated financial statements. The consolidated financial statements can be obtained at the address mentioned in note 17.

The accounting policies are consistent with those of last year.

In the consolidated financial statements of Louis Poulsen Holding A/S for 2015 an adjustment of the purchase price allocation has been incorporated relating to inventory provision. As a consequence thereof the adjustment has been incorporated in the Annual Report for Louis Poulsen A/S as a prior year adjustment and comparison figures has been updated accordingly. The adjustment has the following effect:

- Profit for the year 2014 has been reduced from 5,4 million DKK to 0,5 million DKK
- Total assets as at 31 December 2014 has been reduced from 440,8 million DKK to 435,0 million DKK
- Equity as at 31 December 2014 has been reduced from 173,4 million DKK to 168,5 million DKK

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 / amortisation are also recognised in the Income Statement.

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 date, are translated based on the exchange rates at the balance sheet date. Both realized and unrealized 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 the 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 equity, are to be transferred to the Income Statement in the period, where the hedged item affects the Income Statement.

Accounting policies *(continued)*

Income Statement

Revenue

Revenue, sales of commodities and of finished goods, 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.

Production costs

Production costs comprise costs, including depreciation and amortisation and salaries, incurred in generating the revenue for the year. Such costs include direct and indirect costs for raw materials and consumables, wages and salaries, rent and leases, and depreciation of production plant.

Production costs also comprise research and development costs that do not qualify for capitalisation and amortisation of capitalised development costs.

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 earnings 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, realized and unrealized 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 current tax and change in deferred tax for 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 upon 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 cost less accumulated amortisation.

Accounting policies *(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.

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 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 costs, if lower.

Capitalised development costs are written off upon 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 amortisation and are written down according to the straight-line method over the expected financial lifetime of 3 - 5 years.

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
- Fixtures and fittings, tools and equipment	2 - 5 years

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.

Impairment of non-current assets

The carrying amount of intangible assets and property, plant and equipment is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the expected net income from the use of the asset or the group of assets and expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Accounting policies *(continued)*

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 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.

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 comprise anticipated costs related to claims, restructurings, etc. Provisions are recognised when, as a result of past events, the Company has a legal or a constructive obligation and it is probable that there may be an outflow of resources embodying economic benefits to settle the obligation. Provisions are measured at net realisable value. If the obligation is expected to be settled far into the future, the obligation is measured at fair value.

The provision for claims 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.

Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where different tax rules can be applied to determine the tax base, deferred tax is measured based on Management's planned use of the asset or settlement of the liability, respectively.

Accounting policies *(continued)*

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Adjustment is made to deferred tax resulting from elimination of unrealised intra-group profits and losses.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax.

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, 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 and short term bank loans.

Financial ratios

The financial ratios stated in the survey of financial highlights have been calculated as follows:

Profit ratio	$\frac{\text{EBIT x 100}}{\text{Revenue}}$
Primary ratio	$\frac{\text{EBIT x 100}}{\text{Invested capital}}$
Gross profit	$\frac{\text{Gross profit x 100}}{\text{Revenue}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total equity and liabilities at year end}}$
Equity ratio	$\frac{\text{Profit for the year after tax x 100}}{\text{Average equity}}$

Income Statement

DKK millions	Note	2015	2014
Revenue	1	465,3	428,1
Production costs	2	(317,0)	(302,5)
Gross profit		148,3	125,6
Distribution & marketing costs	2	(54,6)	(59,1)
Administrative expenses	2	(50,5)	(38,7)
Operating profit before amortisation of goodwill (EBITA)		43,2	27,8
Amortisation of goodwill	2	(14,1)	(14,1)
Operating profit (EBIT)		29,1	13,7
Income from investments in subsidiaries after tax	3	11,9	(4,9)
Financial income	4	0,0	4,8
Financial expenses	5	(8,3)	(6,7)
Profit from ordinary activities before tax		32,7	6,9
Tax on profit from ordinary activities	6	(8,6)	(6,4)
Profit for the year		24,1	0,5
Proposed profit appropriation			
Retained earnings		(15,9)	0,5
Proposed dividend		40,0	0,0
		24,1	0,5

Balance sheet - Assets

DKK millions	Note	2015	2014
Non-current assets			
Intangible assets	7		
Goodwill		84,2	98,3
Software & rights		4,3	6,1
Completed development projects		10,9	10,0
Development projects in progress		3,6	2,7
Total intangible assets		103,0	117,1
Property, plant and equipment	8		
Plant & machinery		17,1	18,8
Other fixtures		5,1	4,7
Leasehold improvements		2,7	3,1
Prepayments		4,0	3,6
Total property, plant and equipment		28,9	30,2
Investments			
Investments in subsidiaries	9	135,6	133,4
Deposits		2,2	2,8
Total Investments		137,8	136,2
Total non-current assets		269,7	283,5
Current assets			
Inventories			
Raw materials and consumables		26,9	31,4
Work in progress		13,0	19,5
Produced goods and goods for resale		9,9	8,3
Total inventories		49,8	59,2
Receivables			
Trade receivables		24,2	50,6
Receivables from affiliated companies		28,5	29,1
Other receivables		2,9	3,4
Prepayments	10	5,1	2,3
Total receivables		60,7	85,4
Cash		14,6	6,9
Total current assets		125,1	151,5
Total assets		394,8	435,0

Balance sheet - Equity & Liabilities

DKK millions	Note	2015	2014
Equity			
Share capital	11	60,0	60,0
Retained earnings		14,4	108,5
Proposed dividend for the financial year		40,0	0,0
Total equity		**114,4**	**168,5**
Provisions			
Deferred tax	12	3,8	4,9
Other provisions		5,7	1,2
Total provisions		**9,5**	**6,1**
Non-current liabilities other than provisions			
Loan, affiliated companies	13	47,7	99,6
Bank loans	13	125,0	50,0
Other long term liabilities	13	1,5	2,0
Total long term liabilities		**174,2**	**151,6**
Current liabilities other than provisions			
Loan, affiliated companies	13	11,0	0,0
Bank loans	13	7,9	12,9
Trade payables	14	20,5	43,3
Payables to affiliated companies		3,4	0,1
Corporation tax		1,5	4,5
Other payables	14	52,4	48,0
Total short term liabilities		96,7	108,8
Total liabilities other than provisions		270,9	260,4
Total equity & liabilities		394,8	435,0
Fees, employees & audit	15		
Contingent liabilities, guarantees etc.	16		
Transactions, related parties	17		

Cash flow Statement

DKK millions	2015	2014
Operating profit, (EBIT)	29,1	13,7
Amortisation and depreciation	28,8	29,9
Cash, generated from operations	57,9	43,6
Change in inventories	9,4	8,8
Change in receivables	25,3	14,0
Change in short term liabilities	(15,1)	10,0
Change in provisions	4,6	(0,3)
Change in equity hedging	0,0	0,0
Change in working capital	24,2	32,5
Cash flow before financial items	82,1	76,1
Financial income	0,0	4,8
Financial expenses	(8,3)	(6,7)
Income tax, paid	(12,1)	(6,6)
Cash flow, operation activities	61,7	67,6
Acquisition, intangible assets	(9,3)	(5,7)
Acquisition, property, plant and equipment	(6,9)	(12,9)
Acquisition, financial assets	0,0	(82,8)
Sale, financial assets	0,0	0,0
Sale, property, plant and equipment	1,9	0,1
Cash flow, investment activities	(14,3)	(101,3)
Free cash flow	47,4	(33,7)
Change in long term receivables from affiliated companies	0,0	5,5
Change in long term payables to affiliated companies	(41,4)	(4,7)
Change in long term payables to banks	75,0	50,0
Dividend paid	(84,0)	(6,0)
Dividend received	15,7	0,0
Cash flow, financing activities	(34,7)	44,8
Change in cash and cash equivalents	12,7	11,1
Net cash year start	(6,0)	(17,1)
Net cash at year end	6,7	(6,0)

Notes

Income Statement

DKK millions	2015	2014
Note 1		
Revenue		
Lighting fixtures, domestic	234,5	203,3
Lighting fixtures, abroad	230,8	224,8
	465,3	428,1
Note 2		
Depreciation, amortisation & write-downs		
Depreciation & write-downs are recognised in:		
Production costs	10,8	10,9
Distribution & marketing costs	0,7	0,6
Administration costs	4,4	4,2
Amortisation of goodwill	14,1	14,1
	30,0	29,8
Recognised net loss on realisations	0,8	0,0
Note 3		
Income from investments in subsidiaries after tax		
Profit, Group companies	16,5	8,7
Loss, Group companies	(0,5)	(10,2)
Change in intercompany profit on stock, Group companies	(1,8)	(3,4)
Amortisation of goodwill	(2,3)	0,0
	11,9	(4,9)
Note 4		
Financial income		
Interest received	0,0	0,1
Interest received, Group companies	0,0	0,2
Gains, foreign exchange	0,0	4,5
	0,0	4,8
Note 5		
Financial expenses		
Interest expenses	(4,1)	(0,7)
Interest expenses, Group companies	(2,3)	(3,5)
Loss, foreign exchange rates	(1,9)	(2,5)
	(8,3)	(6,7)

Notes

Balance sheet

DKK millions	2015	2014
Note 6		
Tax on profit for the year		
Current tax on profit for the year	(9,6)	(8,5)
Change in deferred tax	1,1	1,9
Current tax last year	(0,1)	0,2
	(8,6)	(6,4)

Notes
Balance sheet

DKK millions	Completed develop-ment projects	Software & rights
Note 7		
Intangible assets		
Costs at 1 January 2015	37,3	32,4
Additions	5,0	2,6
Disposals	(0,8)	0,0
Costs at 31 December 2015	41,5	35,0
Amortisation at 1 January 2015	27,3	26,3
Amortisation, disposals	(0,5)	0,0
Amortisation	3,8	4,4
Amortisation 31 December 2015	30,6	30,7
Carrying amount at 31 December 2015	10,9	4,3

DKK millions	Goodwill	Develop-ment pro-jects in progress
Note 7		
Intangible assets		
Costs at 1 January 2015	282,4	2,7
Additions	0,0	1,7
Disposals	0,0	(0,8)
Costs at 31 December 2015	282,4	3,6
Amortisation at 1 January 2015	184,1	0,0
Amortisation, disposals	0,0	0,0
Amortisation	14,1	0,0
Amortisation 31 December 2015	198,2	0,0
Carrying amount at 31 December 2015	84,2	3,6

Notes
Balance sheet

DKK millions	Plant & machinery	Fixtures and fittings, tools and equipment
Note 8		
Property, plant and equipment		
Costs at 1 January 2015	110,4	21,3
Additions	5,0	1,2
Disposals	(1,2)	0,0
Costs at 31 December 2015	114,2	22,5
Depreciation at 1 January 2015	91,6	16,6
Depreciation, disposals	(0,7)	0,0
Depreciation	6,2	0,8
Depreciation at 31 December 2015	97,1	17,4
Carrying amount at 31 December 2015	17,1	5,1

DKK millions	Leasehold improvements	Prepayments
Costs at 1 January 2015	7,1	3,6
Additions	0,3	0,4
Disposals	0,0	0,0
Costs at 31 December 2015	7,4	4,0
Depreciation at 1 January 2015	4,0	0,0
Depreciation, disposals	0,0	0,0
Depreciation	0,7	0,0
Depreciation at 31 December 2015	4,7	0,0
Carrying amount at 31 December 2015	2,7	4,0

Notes

Balance sheet

DKK millions	2015	2014
Note 9		
Investments in subsidiaries		
Cost at 1 January	223,6	141,1
Additions	0,0	82,7
Disposals	0,0	(0,2)
Cost at 31 December	223,6	223,6
Amortisation 1 January 2015 Amortisation	(90,2)	(83,1)
Value adjustment, year-end exchange rates	6,5	(2,4)
Net results	11,9	(4,9)
Dividends	(15,7)	0,0
Reclassification, outstanding amounts	(0,3)	0,2
Amortisation 31 December 2015	(87,8)	(90,2)
Booked value	135,6	133,4
Non-amortised goodwill	43,6	45,9

Notes
Balance sheet

	Share of equity	Nominal capital National currency, Millions		Equity value DKK Millions
Note 9 /continued				
Louis Poulsen U.S.A. Inc., Fort Lauderdale, USA	100%	USD	0,001	36,6
Louis Poulsen Asia Pte. Ltd., Singapore, Asia	100%	EUR	0,002	0,3
Louis Poulsen Germany GmbH, Düsseldorf, Germany	100%	EUR	4,1	13,1
Louis Poulsen Sweden AB, Stockholm, Sweden	100%	SEK	0,5	7,9
Louis Poulsen Norway AS, Oslo, Norway	100%	NOK	1,5	5,5
Louis Poulsen Finland Oy, Helsinki, Finland	100%	EUR	0,3	5,6
Louis Poulsen UK Limited., London, Great Britain	100%	GBP	2,4	(1,2)
Louis Poulsen Japan Ltd., Tokyo, Japan	100%	JPY	5,0	24,1
Louis Poulsen Switzerland AG, Zürich, Switzerland	100%	CHF	0,5	3,6
Louis Poulsen Holland B.V, Amsterdam, Holland	100%	EUR	0,04	1,0
Intercompany profit on inventories 7,1 million DKK less tax 1,4 million DKK				(5,7)
Non-amortised goodwill				43,6
Reclassification, receivables				1,2
				135,6

DKK millions	2015	2014
Note 10		
Prepayments		
Marketing costs	1,0	1,1
Miscellaneous	4,1	1,2
	5,1	2,3

Notes

Balance sheet

DKK millions	Share capital	Retained earnings	Dividend proposed	Total Equity
Note 11				
Equity				
Balance 1 January 2014	60,0	116,4	0,0	176,4
Proposed dividend, interim	0,0	(6,0)	6,0	0,0
Dividend paid	0,0	0,0	(6,0)	(6,0)
Profit for the year	0,0	0,5	0,0	0,5
Value adjustment, accounting value - capital shares	0,0	(2,4)	0,0	(2,4)
Balance 31 December 2014	60,0	108,5	0,0	168,5
Appropriation of profit:				
Proposed dividend, interim	0,0	(84,0)	84,0	0,0
Dividend paid, interim	0,0	0,0	(84,0)	(84,0)
Profit for the year	0,0	(15,9)	40,0	24,1
Value adjustment, accounting value - capital shares	0,0	6,5	0,0	6,5
Net value adjustment, hedging instruments	0,0	(0,7)	0,0	(0,7)
Balance 31 December 2015	60,0	14,4	40,0	114,4

The share capital comprises 600.000 shares of DKK 100 each. All shares rank equally. The share capital has remained unchanged for the last five years.

DKK millions	2015	2014
Note 12		
Deferred tax		
Deferred tax at 1 January	4,9	7,0
Adjustment of deferred tax	(0,8)	(1,5)
Effect of gradual reduction of the Danish corporation tax rate	(0,3)	(0,6)
Miscellaneous	0,0	0,0
	3,8	4,9
Deferred tax relates to:		
Intangible assets	4,1	4,1
Property, plant and equipment	0,6	0,8
Current assets	1,0	1,0
Provisions	(1,9)	(1,0)
	3,8	4,9

Notes
Balance sheet
DKK millions

	2015	2014
Note 13		
Credit facilities & obligations		
Credit institutions		
Bank due within 1 year	7,9	12,9
Bank due within 1 - 5 years	108,0	17,0
Bank due after 5 years	17,0	33,0
	132,9	62,9
Other facilities		
Other facilities due within 1 year	0,5	0,5
Other facilities due within 1 - 5 years	1,0	1,0
Other facilities due after 5 years	0,0	0,5
	1,5	2,0
Loan, Group companies		
Loan, Group companies due within 1 year	11,0	0,0
Loan, Group companies due within 1 - 5 years	47,7	99,6
Loan, Group companies due after 5 years	0,0	0,0
	58,7	99,6
Total liabilities		
Total liabilities, due within 1 year	19,4	13,4
Total liabilities, due within 1 - 5 years	156,7	117,6
Total liabilities, due after 5 years	17,0	33,5
	193,1	164,5

Notes
Balance sheet

DKK millions	2015	2014
Note 14		
Other payables		
VAT, tax and duties	3,9	5,8
Holiday allowances	18,0	18,7
Other short term debt	30,5	23,5
	52,4	48,0

A reclassification of 7,8 million DKK from trade payables has been made in comparison figures.

	2015	2014
Note 15		
Fees & compensations, employees and audit		
Number of employees, average	286	287
Number of employees, year-end	276	290
Salaries and wages	129,4	119,7
Pensions	9,0	9,7
Social security costs	3,6	3,7
	142,0	133,1

Remuneration of the Executive Board amounts to 5,5 million DKK. The Executive Board holds 132.856 warrants as described in note 11 of the Annual Report for Louis Poulsen Holding A/S.
Remuneration of the Board of Directors amounts to 0,6 million DKK. The Board of directors holds 41.664 warrants as described in note 11 of the Annual Report for Louis Poulsen Holding A/S.

	2015	2014
Audit fee, EY		
Audit	0,2	0,3
Tax advisory	0,0	0,0
Other services	0,1	0,1
	0,3	0,4

Notes
Balance sheet

DKK millions	2015	2014
Note 16		
Contingent liabilities, guarantees etc.		
Contract of guarantees	4,5	4,9
Leasing- and leasehold obligations	74,8	87,9
	79,3	92,8

The company is jointly taxed with other companies owned by P-LP 2014 A/S. As a jointly taxed company, which is not wholly-owned, the company has limited and alternatively liability for Danish corporation taxes or with-holding taxes on dividends, interest and royalties in the joint taxation unit. At 31 December 2015 the net taxes payable to SKAT by the companies included in the joint taxation will be no higher than DKK 1 million. Any sub-sequent corrections of the taxable income subject to joint taxation or withholding taxes on dividends, etc., may entail that the companies' liability will increase.

Note 17

Related party disclosure

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

Parties exercising control:	Louis Poulsen Holding A/S, Gl. Strand 28 1202 København K
Other related parties:	Affiliated companies cf. note 9 Executive Board and Board of Directors

Louis Poulsen A/S is included in the consolidated accounts for Louis Poulsen Holding A/S and P-LP 2014 A/S.