

The background of the entire page is a photograph of three Louis Poulsen 'Bak' pendant lamps. One lamp is gold, one is copper, and one is black. They are suspended from thin wires in a minimalist room with a dark textured wall on the left and a light-colored wall on the right. A large window or opening is visible in the upper right, showing a bright blue sky. The lamps are illuminated, casting a warm glow.

**louis
poulsen**

Annual report 2017

Short version

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We design to shape light

Louis Poulsen is a Danish lighting manufacturer founded in 1874 and born out of the Scandinavian design tradition where form follows function. The function and design of our products are tailored to reflect and support the rhythm of natural light. Since our first collaboration with Poul Henningsen in 1924, his views on the dualities of design and light have influenced our light philosophy. Every detail in the design has a purpose. Every design starts and ends with light.

We believe in passionate craftsmanship that produces quality lighting and appealing design products. In close partnership with world-class designers, architects and other talents, as Poul Henningsen, Arne Jacobsen, Verner Panton, Øivind Slaatto, Alfred Homann, Oki Sato and GamFratesi we have established Louis Poulsen as one of the key global suppliers of architectural and decorative lighting across the professional and private lighting markets for both indoor and outdoor applications. Louis Poulsen has a global distribution network, 12 subsidiaries and dedicated showrooms in Copenhagen, Stockholm, Helsinki, Miami, Oslo, Los Angeles, Singapore, Tokyo and Dusseldorf.

Our means are simple and beautiful design. Our purpose is to create an attractive ambience that affects people and spaces.

The world of Louis Poulsen

Louis Poulsen is globally represented with clear strongholds in the Nordics, the US and Japan.

North America

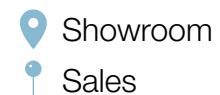
14%
of sales

Europe

72%
of sales

Asia

14%
of sales



2017 at a glance

Strong brand and product development

2017 was a year of strong progress for Louis Poulsen with successful launches of new and award-winning products across customer segments and geographies as well as strong contributions from our existing portfolio of iconic products. We continued the positive trend and were pleased to record significant revenue growth from products developed and launched in collaboration with some of the most renowned modern designers. We also returned to the international lighting fair EuroLucé where we put our strong brand and new products on display.

We accelerated efforts to integrate our brand strategy across platforms, channels and markets, and we made targeted investments in the digital transformation of our business as well as our sales organisation in the US and Central Europe to maintain momentum.

In 2017, our product launches included:
Spring: Flindt Bollard short, Above, AJ in new colours, PH glass lamps with new metal frames

Autumn: PH 5 Mini, Yuh, Ripls, LP Slim Round, LP Capsule, VL38 in black, Doo-wop in new metals, LP Circle in new colours, Limited-edition PH 3½-3

Continued growth and boosted profitability

Based on the positive brand and product development in 2017, we grew revenue by 7% and boosted earnings by 40% on the back of continued efficiency enhancements and a higher share of revenue deriving from newly launched products.

Continued investments in product development, creative management and design strategy have strengthened the portfolio of new products while simultaneously generating renewed brand awareness and sales of the heritage catalogue. In short, these efforts contributed to the profitability increase in 2017 and create a solid foundation for accelerating Louis Poulsen's growth in the years to come.

Our financial and operational progress included:

- Revenue growth of 7% to DKK 801 million driven by strong progress.
- 40% growth in earnings (EBITDA) to DKK 146 million corresponding to an EBITDA margin of 18%.
- A 47% increase in cash flow from operating activities to DKK 146 million.
- Net interest bearing debt was reduced to DKK 34 million.
- 134 new shop-in-shops and 3 new owned web shops added.

Revenue

DKKm 801
DKKm 750 in 2016

EBITDA margin

18%
14% in 2016

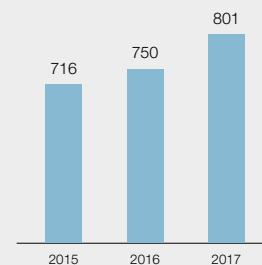
Operating profit

DKKm 98
DKKm 62 in 2016

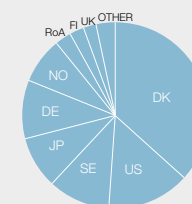
EBITDA

DKKm 146
DKKm 104 in 2016

Revenue (DKKm)



Country sales split 2017





Strong results in 2017

We generated strong results in 2017 and continued to make headway on the priorities that will further develop Louis Poulsen as a truly high-end global lighting brand and business. We are confident that Louis Poulsen is on the right track as we saw our employees' team efforts and hard work materialise in terms of a strengthening of our brand and product development, growth in revenue and earnings as well as significant organisational and operational improvements during the year. Developments in 2017 certainly bode well for Louis Poulsen's future.

Targeted efforts to ensure quality and efficiency in the product development process contributed greatly to our ability to successfully launch 13 new product collections, which fueled growth during the year. The product launches simultaneously served to rejuvenate the Louis Poulsen name and renew the focus on our heritage products. We continued to build on our philosophy – design to shape light – in all aspects of daily business, throughout the value chain and when participating at international events such as the Euro luce fair.

Progress was not brought about by product development alone, though. Our strong financial performance was amplified by continued organizational and operational improvements. Revenue grew 7% to DKK 801 million with new products and investments in our own sales force contributing to the progress, and profitability reached a new level as the EBITDA margin grew to 18%. Based on our global go-to-market strategy, we continued the streamlining and strengthening of Louis Poulsen's sales organisation in several markets – including the US and European markets such as Italy, France and Spain. Initiatives included local management changes, introduction of new sales teams and opening of 134 new shop-in-shops. These efforts were supplemented by the ongoing digitalisation of our business, which resulted in the opening of web shops in Sweden, Norway and Germany to supplement our existing online channel in Denmark.

In the coming years, we will continue the positive developments and pursue profitable growth across Louis Poulsen's markets. We have defined ambitions for 2022 projecting continued expansion of the sales network and further operational improvements. To reach our targets, we will focus mainly on strengthening our footprint in Europe, Asia and the US. Efforts will be made to grow private consumer sales further across physical and digital channels as well as presence on third parties' platforms, while our professional sales will focus on decorative and general lighting to key sectors. Finally, we will facilitate the progress by offering the best digital marketing and solutions as well as trading platforms to customers while simultaneously ensuring optimum supply chain efficiency and sourcing to deliver attractive profitability as well.

In 2018, we will take the next steps towards realising our ambitions. We expect to grow private consumer and professional sales significantly based on strengthened sales and marketing efforts under our global go-to-market strategy, and we look forward to improving our current store network and opening new stores in existing and new markets.

Søren Mygind Eskildsen, CEO of Louis Poulsen

A handwritten signature in blue ink, consisting of a stylized 'S' followed by a series of loops and a long horizontal stroke.

Key figures and ratios

	2017 DKK'm	2016 DKK'm	2015 DKK'm
Key figures			
Revenue	801	750	716
Gross profit/(loss)	386	319	281
EBITDA (earnings before depreciations and amortisation)	146	104	89
EBITA (earnings before amortisation)	121	74	45
Operating profit/(loss)	98	62	33
Net financials	7	(20)	(11)
Profit/(loss) for the year	78	27	13
Profit/(loss) for the year excl. minority interests	78	27	13
Total assets	685	671	699
Investments in property, plant and equipment	32	22	12
Equity	354	278	247
Equity excl. minority interests	354	278	247
Net working capital	(18)	0	26
Cash flows from (used in) operating activities	146	99	85
Cash flows from (used in) investing activities	(56)	(38)	(17)
Cash flows from (used in) financing activities	0	(227)	(52)
Ratios			
Gross margin (%)	48.2	42.5	39.2
Net margin (%)	9.7	3.6	1.8
EBITDA ratio (%)	18.2	13.9	12.4
EBITA ratio (%)	15.1	9.9	6.3
Return on equity (%)	24.7	10.3	5.3
Solvency ratio (%)	51.7	41.4	35.3

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.



Turning heads at Euroluce

Based on the design to shape light philosophy, Louis Poulsen aimed to intrigue and captivate at Euroluce 2017 with an ambitious stand. The Danish duo GamFratesi was commissioned to capture the Louis Poulsen spirit in an out-of-the-ordinary stand design, which was nominated for the FRAME award.

By creating an architectural structure inspired by Japanese paper art, GamFratesi sought to create an out-of-the-box space that made visitors ponder how cuts, lines and shapes may affect light and create ambience.

Flanked by two PH Artichokes and a vast tree, the entrance set the scene and showcased the powerful Danish design tradition that defines Louis Poulsen. The stand invited visitors to explore various angles, corners and sides to uncover exceptional designs both inside and around the space.

Read more [here](#)

Developments in 2017

Primary activities

The Louis Poulsen group manufactures 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 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.

Development in activities and finances

The consolidated revenue amounts to DKK 801 million. The gross profit came to DKK 386 million in 2017 which is above expectations. The positive development derives from profitability improvements in the sales and production areas, and a shift in the sales mix.

Operating profit (EBIT) reached DKK 121 million. The profit of DKK 78 million is in line with expectations.

The management considers the financial development to be satisfactory.

Further information on the financial development for the subsidiaries is available in the annual report of Louis Poulsen A/S.

Financial resources

At year-end 2017 cash and nonutilized drawing facilities in credit institutions amounted to app. DKK 84 million.

Capital structure

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

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

The group had net interest bearing debt of DKK 34 million as per December 31, 2017, 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 2017.

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. At 31 December 2016, this loan represents a total outstanding debt of DKK 87 million, of which DKK 16 million 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 the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Outlook

Louis Poulsen Holding A/S expects an increase in turnover in 2018 followed by increasing capacity costs to cover new initiatives. Increased activities in sales are expected to deliver a positive development in the primary result.



Illuminating a hidden gem

On the Danish west coast, architects from Bjarke Ingels Group (BIG) have created the spectacular yet almost completely hidden Tirpitz museum based on old World War II bunker complex. Light played a key role in designing the 2,800-square-metre exhibition space, which with its large open glass sections stands in strong contrast to the gloomy bunker behind.

Louis Poulsen was responsible for the lighting plan and designed a customised fixture for the project. The new pendant's pure, conical shape effectively directs the light downwards, ensuring proper illumination of the space and the exhibits without disturbing the dramatic effect of the exhibitions.

Read more [here](#)

Corporate information

Intellectual capital resources

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

During 2017 Louis Poulsen A/S has hired a new CEO. Additionally Louis Poulsen A/S has recruited competencies within the area of product development, quality and supply chain with focus on delivery performance and development of new products. In order to meet the increased sales, more blue collar workers have been recruited to the factory in Vejle. In addition, the company has increased its competencies within the area of sales and marketing.

Environmental performance

Energy consumption in 2017 has increased compared to 2016 due to a higher production activity. There have been no specific investments to reduce energy consumptions in 2017.

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.

Research and development activities

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

Group relations

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

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 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 2015, recommend a thorough review in particular regarding corporate governance, financial risks, employee relations and strategy.

Corporate information

Louis Poulsen's sales organisation is based in Copenhagen, whereas the company's production facilities are based in Vejle. 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. During 2017 a subsidiary was established in Italy and a local Sales Representation Office was established in France.

The Louis Poulsen group has 460 employees, of whom 145 are employed in the subsidiaries abroad. The majority of the Danish employees are engaged in the company's production in Vejle.

Development in staff:	Denmark	Subsidiaries
Number of employees beginning of 2017	256	137
Recruited during 2017	105	32
Resigned during 2017	-50	-24
Number of employees end of 2017	311	145

Board of Directors in Louis Poulsen A/S

Thomas Voss, Chairman

Occupation: Director

Other Board roles:

Chairman: JFK A/S, Alterna diversified SA, Alterna Invest SA, Investeringselskabet Elkær, Invest A/S, IEI Portefølje A/S

Board member: Genua AS

Allan Bach Petersen, Deputy Chairman

Occupation: Partner, Polaris Private Equity

Other Board roles:

Board member: PWT Group A/S, Configit A/S, A number of parent companies related to Polaris Private Equity

Per Borgvall, Board Member

Occupation: Director

Other Board roles:

Chairman: Wallvision AB

Board member: Troax Group AB, Nederman Holding AB

Christian Engsted, Board Member

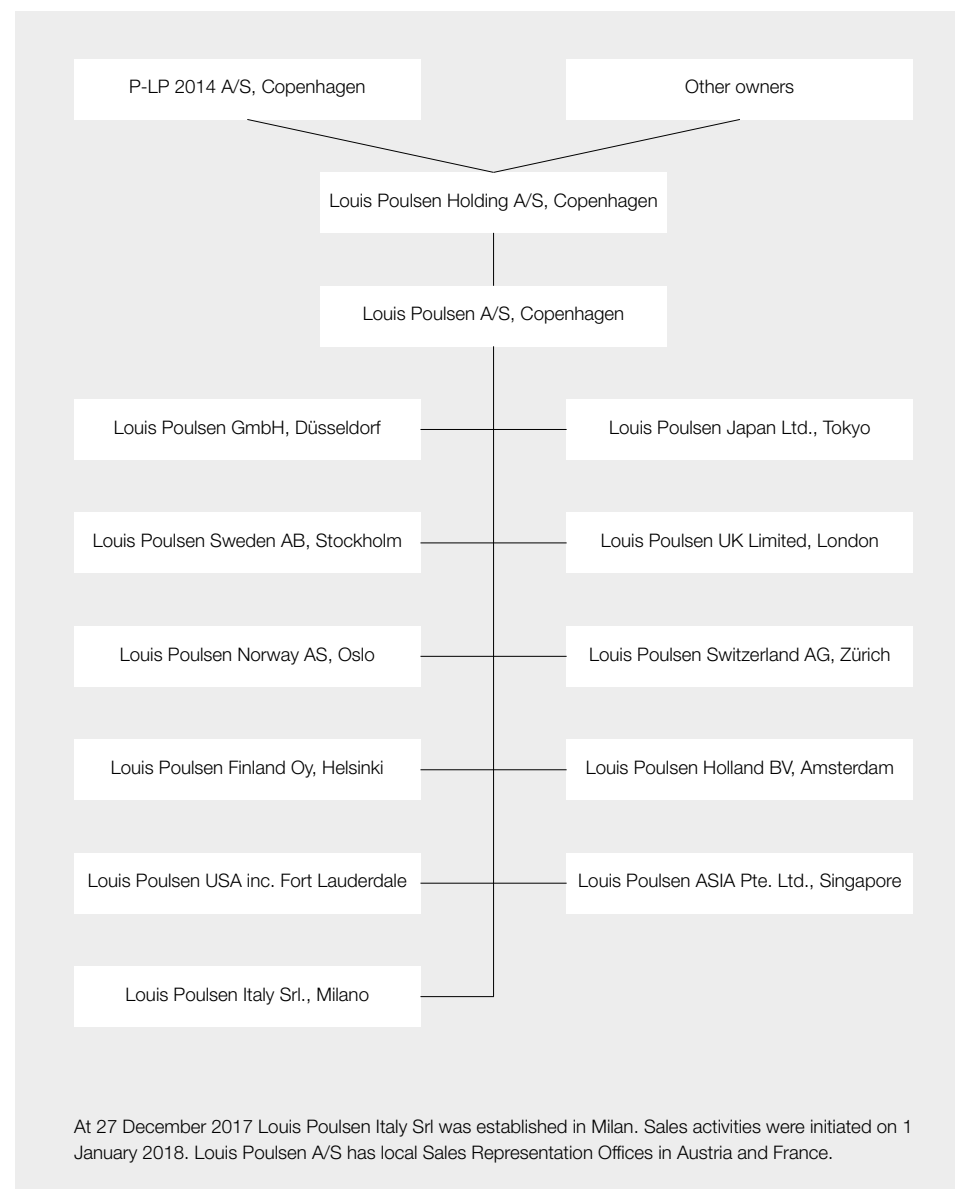
Other Board roles:

Chairman: Stibo A/S

Board member: RTX A/S

Dario Fumagalli, Board Member

Occupation: COO of Kartell S.p.a.



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



Rethinking an icon

A true pioneer of lighting design, Poul Henningsen was among the first to recognise the importance of the shaping of light. In 1958, he followed up on his three-shade system from 1926 and designed the PH 5 pendant, which became a Danish design icon notable for its innovative glare-free shape and uniform illumination.

In the spirit of Poul Henningsen, Louis Poulsen launched PH 5 Mini in 2017. The PH 5 Mini is a resize of the classic pendant developed to cater to contemporary and creative living. The resized icon is available in eight colours based on collaboration with colour expert Louise Sass. Colours start with the darkest tone at the top and soften shade by shade.

Read more [here](#)



Danish design and world-class craftsmanship

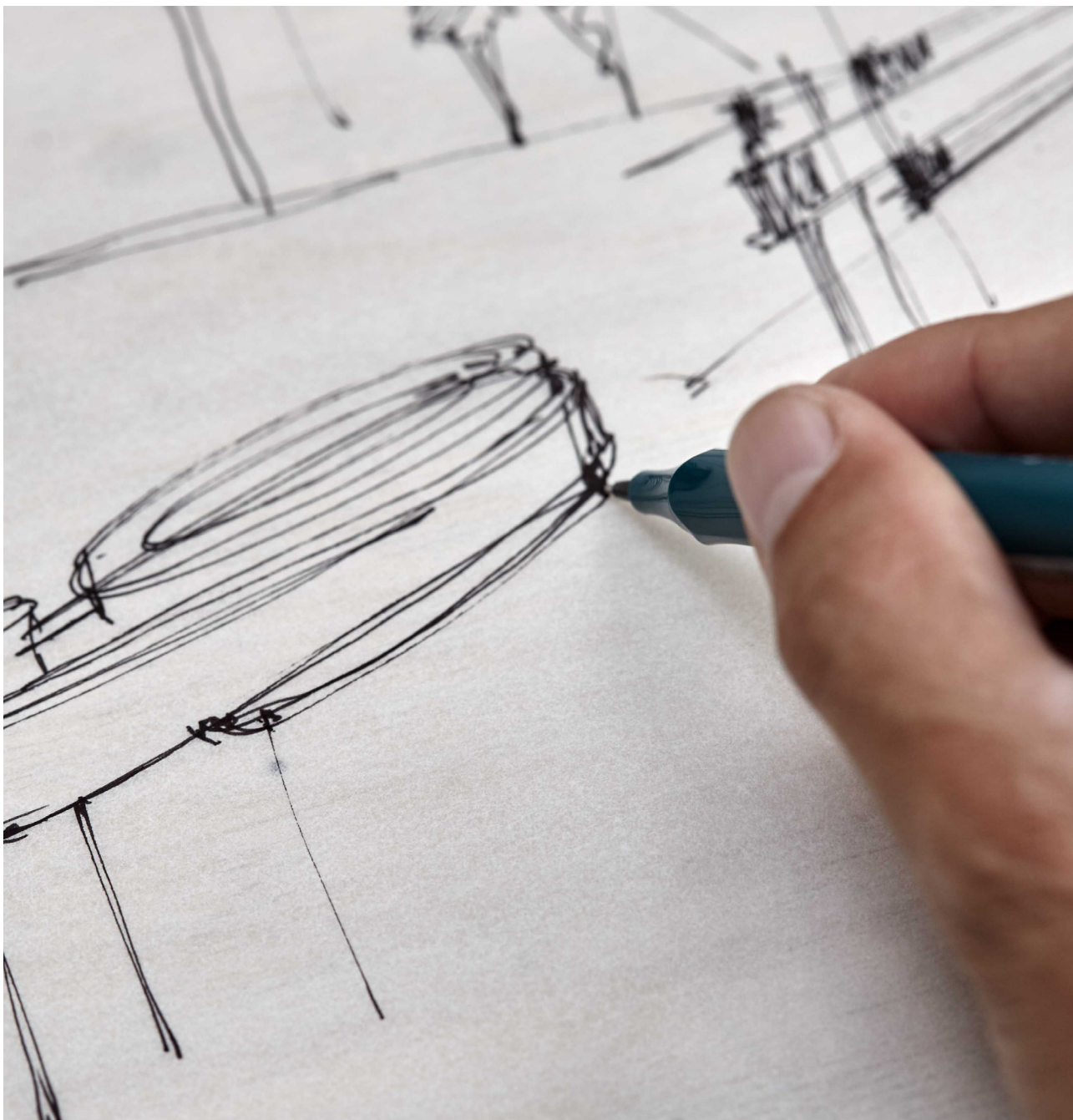
Louis Poulsen has designed and manufactured hand-made lighting systems since 1874 and collaborated with influential Danish and international thinkers, designers, architects and creatives for decades. The company has amassed a vast and valuable body of competence and experience within the design, development and manufacturing of luminaires.

Over the years, Louis Poulsen has earned a reputation for quality. It is critical that we are continuously able to attract and retain highly skilled employees with respect for these values and the necessary understanding of a technically and logistically complex production process. In addition, it is paramount that our collaboration partners and carefully vetted suppliers adhere to the same values and set equally high standards for their work. We place great emphasis on ensuring this whether we recruit and train employees, enter into exciting new collaborations with world-class designers or cooperate closely with our hand-picked suppliers and business partners providing unique components or diligently assembling our products.

Regardless of any specific designer's or employee's nationality, Louis Poulsen's products are based on our values, designed in Denmark and manufactured by skilled craftspersons at the most suitable location with quality components. The product launches in 2017 aptly illustrated

this – from the assembly of the Above in Denmark over the three-layer mouth-blown Limited PH 3½-3 glass shades produced in Murano in Italy to the LED board applied on Yuh in China. Our requirements for craftsmanship, design and quality do not take location or nationality into consideration as we do not compromise on these core parameters.





A shared approach to light

In 2017, Louis Poulsen launched a stunning new addition to the outdoor lighting collection, LP Capsule, which was designed in collaboration with Danish architecture firm Henning Larsen. The design was developed with a view to enhancing the urban environment and people's experience of it, while complying with the requirements and expectations for a post top fixture. The modern LED design emits the pleasant atmospheric light characteristic of Louis Poulsen products – and sets new standards for illumination in parks, pathways and Squares.

The collaboration between Louis Poulsen and Henning Larsen was initiated in 2015 and has since evolved into a successful partnership spanning and impacting several of Louis Poulsen's products during the period.

Read more [here](#)

An exclusive celebration

In 2017, Louis Poulsen celebrated Poul Henningsen's timeless designs and ingenious light play by releasing a limited edition of his PH 3½-3 pendant, which was originally designed in 1926. The exclusive pendant features amber-coloured glass and a brass suspension – and was available for just two months.

Louis Poulsen and Poul Henningsen initially introduced coloured glass lamps in the late 1920s to attract new customers, and the endeavour proved quite successful. The special edition colour accentuates the exceptional warmth of the PH 3½-3, which features Poul Henningsen's legendary three-shade system, invented in 1926 and known for its ability to direct the majority of the light downwards while eliminating glare.

Read more [here](#)





Risk management

Particular risks

Market risks

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

Currency risks

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

Credit risks

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

Financial resources

At year-end 2017 cash and non-utilized drawing facilities in credit institutions amounted to app. DKK 84 million.





Icons collaborating in the Big Apple

When a stunning new Carl Hansen & Son showroom was established on the 13th floor of a Manhattan building, Louis Poulsen fixtures were a good match. Designed to look and feel like a New York City loft – complete with kitchen, dining room, living room and lounge areas – the showroom invites visitors to experience how Scandinavian design aesthetics interact with, transform, and become a natural part of an urban hub environment.

On sunny days, the Louis Poulsen designs become part of the sculptural interior landscape showcasing the organic curves of iconic Danish furniture designs. As evening approaches, the diverse, task-focused lights work together to illuminate their designated spaces while creating a visual connection to the lit-up buildings and bridges outside.

Read more [here](#)

Governance

Statutory report on corporate social responsibility

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.

Education

Louis Poulsen A/S assumes responsibility for educating both younger and more experienced employees. During 2017, the company offered internship to a number of people seeking asylum in Denmark (refugees) and participated in programmes helping vulnerable employees on in the form of flexible jobs. Four refugees were employed permanently, one of them in a two-year education course (IGU).

During 2017 Louis Poulsen A/S hired an employee as warehouse apprentice (a former unskilled employee) and one finance student. In 2017 our former finance student completed his apprenticeship and has been offered permanent employment.

Louis Poulsen A/S has in 2017 continued the culture changing training program for all managers – “The Green Lane”. The purpose is to create awareness of the importance of culture to achieve the goal through common language and behaviour. Furthermore, all managers are trained in avoiding stress for themselves and their employees.

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 4.2% in 2017. Absenteeism for office workers has declined from 2.3% in 2011 to 1.2% in 2017.

The employees are offered 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 2017 a total of 3 work related injuries were recorded of which only 0 resulted in absenteeism for more than a week. The company has thus successfully avoided injuries resulting in extended absenteeism.

Statutory report on the underrepresented gender

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

The share of women in leadership positions with staff responsibility represented 19% as of 1st January 2009. This share was 28% in 2017. 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 gender 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 gender 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 2019 to increase the female share to 20%. 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 ex-

Governance

perience. Relevant knowledge and professional experience are key parameters when nominating new board members. No candidates met these criteria in 2017, which is the reason for the Board of Directors not achieving the recruitment goal during this year.

Statutory report on 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 Danish Financial Statements 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 the 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

No audit committee is established 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.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

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Income statement for 2017

Balance sheet at 31.12.2017

	Notes	2017 DKK'm	2016 DKK'm
Revenue	1	801	750
Production costs	2, 3	(415)	(431)
Gross profit/loss		386	319
Distribution costs	3	(219)	(188)
Administrative expenses	3	(69)	(69)
Operating profit/loss		98	62
Other financial income	4	13	1
Other financial expenses	5	(6)	(21)
Profit/loss before tax		105	42
Tax on profit/loss for the year	6	(27)	(15)
Profit/loss for the year	7	78	27

	Notes	2017 DKK'm	2016 DKK'm
Completed development projects		18	18
Acquired licences		7	5
Acquired trademarks		98	107
Acquired rights		23	26
Goodwill		209	221
Development projects in progress		12	4
Intangible assets	8	367	381
Plant and machinery		47	42
Other fixtures and fittings, tools and equipment		12	9
Leasehold improvements		8	7
Prepayments for property, plant and equipment		8	3
Property, plant and equipment	9	75	61
Receivables from owners and management		3	0
Deposits		4	4
Deferred tax	12	11	17
Fixed asset investments	10	18	21
Fixed assets		460	463
Raw materials and consumables		32	28
Work in progress		13	11
Manufactured goods and goods for resale		41	29
Inventories		86	68
Trade receivables		70	75
Other receivables		8	15
Prepayments	11	7	0
Receivables		85	90
Cash		54	50
Current assets		225	208
Assets		685	671

Balance sheet at 31.12.2017

Statement of changes in equity for 2017

	Notes	2017 DKK'm	2016 DKK'm
Contributed capital		3	3
Retained earnings		351	275
Equity		354	278
Deferred tax	12	37	38
Other provisions	13	17	23
Provisions		54	61
Bank loans		88	174
Trade payables		104	99
Other payables		85	59
Current liabilities other than provisions		277	332
Liabilities other than provisions		277	332
Equity and liabilities		685	671
Financial instruments	15		
Unrecognised rental and lease commitments	16		
Contingent liabilities	17		
Assets charged and collateral	18		
Transactions with related parties	19		
Group relations	20		
Subsidiaries	21		

	Contributed capital DKK'm	Retained earn- ings DKK'm	Total DKK'm
Equity beginning of year	3	275	278
Increase of capital	0	2	2
Exchange rate adjustments	0	(8)	(8)
Fair value adjustments of hedging instru- ments	0	4	4
Profit/loss for the year	0	78	78
Equity end of year	3	351	354

The parent company has issued a total of 467,348 warrants for which the company has received DKK 7.8 million. Each warrant gives the warrant holder a right, but not an obligation, to subscribe for one share in the company of nominally DKK 1 against payment to the company of an exercise price, which amounts to DKK 10 added a hurdle rate of 10 per cent p.a.

Cash flow statement for 2017

	Notes	2017 DKK'm	2016 DKK'm
Operating profit/loss		98	62
Amortisation, depreciation and impairment losses		50	42
Other provisions		(6)	0
Working capital changes	14	15	28
Cash flow from ordinary operating activities		157	132
Financial income received		13	1
Financial income paid		(6)	(21)
Income taxes refunded/(paid)		(18)	(13)
Cash flows from operating activities		146	99
Acquisition etc of intangible assets		(21)	(14)
Acquisition etc of property, plant and equipment		(32)	(22)
Sale of property, plant and equipment		0	(2)
Acquisition of fixed asset investments		(3)	0
Cash flows from investing activities		(56)	(38)
Repayments of loans etc		0	(227)
Cash flows from financing activities		0	(227)
Increase/decrease in cash and cash equivalents		90	(166)
Cash and cash equivalents beginning of year		(124)	42
Cash and cash equivalents end of year		(34)	(124)
Cash and cash equivalents at year-end are composed of:			
Cash		54	50
Short-term debt to banks		(88)	(174)
Cash and cash equivalents end of year		(34)	(124)

Notes to consolidated financial statements

	2017 DKK'm	2016 DKK'm
1. Revenue		
Scandinavia	458	386
Rest of Europe	98	117
Rest of World	245	247
	801	750
2. Staff costs		
Wages and salaries	217	212
Pension costs	13	13
Other social security costs	14	15
	244	240
Number of employees at balance sheet date	459	393
Average number of employees	429	406
Remuneration of management 2017 DKK'm		Remuneration of management 2016 DKK'm
Executive Board	7	5
Board of Directors	1	1
	8	6
3. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	34	29
Depreciation on property, plant and equipment	16	13
	50	42
4. Other financial income		
Other interest income	13	1
	13	1

Notes to consolidated financial statements

	2017 DKK'm	2016 DKK'm
5. Other financial expenses		
Other interest expenses	6	21
	6	21

	2017 DKK'm	2016 DKK'm
6. Tax on profit/loss for the year		
Current tax	25	17
Change in deferred tax	1	(2)
Adjustment concerning previous years	1	0
	27	15

	2017 DKK'm	2016 DKK'm
7. Proposed distribution of profit/loss		
Retained earnings	78	27
	78	27

	Completed devel- opment projects DKK'm	Acquired licences DKK'm	Acquired trade- marks DKK'm	Acquired rights DKK'm
8. Intangible assets				
Cost beginning of year	26	12	124	31
Transfers	2	0	0	0
Additions	4	6	0	0
Cost end of year	32	18	124	31
Amortisation and impair- ment losses beginning of year	(8)	(7)	(17)	(5)
Amortisation for the year	(6)	(4)	(9)	(3)
Amortisation and impairment losses end of year	(14)	(11)	(26)	(8)
Carrying amount end of year	18	7	98	23

8. Intangible assets

Cost beginning of year

Transfers

Additions

Cost end of year

Amortisation and impairment losses beginning of year

Amortisation for the year

Amortisation and impairment losses end of year

Carrying amount end of year

Development projects

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

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

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

Goodwill DKK'm	Development projects in progress DKK'm
245	4
0	(3)
0	11
245	12
(24)	0
(12)	0
(36)	0
209	12

Notes to consolidated financial statements

	Plant and machinery DKK'm	Other fixtures and fittings, tools and equipment DKK'm	Leasehold improvements DKK'm	Prepayments for property, plant and equipment DKK'm
9. Property, plant and equipment				
Cost beginning of year	52	9	9	3
Transfers	3	0	0	0
Additions	13	7	4	8
Disposals	(1)	(3)	(2)	(3)
Cost end of year	67	13	11	8
Depreciation and impairment losses beginning of year	(10)	0	(2)	0
Depreciation for the year	(10)	(4)	(2)	0
Reversal regarding disposals	0	3	1	0
Depreciation and impairment losses end of year	(20)	(1)	(3)	0
Carrying amount end of year	47	12	8	8

	Receivables from owners and management DKK'm	Deposits DKK'm	Deferred tax DKK'm
10. Fixed asset investments			
Cost beginning of year	0	4	17
Additions	3	0	0
Disposals	0	0	(6)
Cost end of year	3	4	11
Carrying amount end of year	3	4	11

11. Prepayments

Prepayments comprise incurred marketing costs and other costs relating to subsequent financial years.

12. Deferred tax

Changes during the year	
Beginning of year	21
Recognised in the income statement	5
End of year	26

13. Other provisions

Other 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.

	2017 DKK'm	2016 DKK'm
14. Change in working capital		
Increase/decrease in inventories	(18)	9
Increase/decrease in receivables	5	12
Increase/decrease in trade payables etc	24	5
Other changes	4	2
	15	28

15. Financial instruments

Other receivables include a positive fair value of forward exchange contracts of DKK 4 million Louis Poulsen A/S hedges future exchange risks relating to sale of goods to subsidiaries. Louis Poulsen A/S has entered into forward exchange contracts for the following 12 months to secure sales in the following currencies JPY 826 million, NOK 29 million and SEK 48 million. All contracts are subscribed with the company's bank.

Notes to consolidated financial statements

	2017 DKK'm	2016 DKK'm
16. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	66	90
	2017 DKK'm	2016 DKK'm
17. Contingent liabilities		
Recourse and non-recourse guarantee commitments	3	5
Contingent liabilities in total	3	5

Louis Poulsen Holding A/S is in a Danish joint taxation arrangement in which P-LP 2014 A/S serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable from the financial year 2013 for income taxes etc for the jointly taxed entities, and from 1 July 2012 for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The total known net liability of the jointly taxed entities under the joint taxation arrangement is evident from the administration company's financial statements.

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

18. Assets charged and collateral

The share capital of Louis Poulsen A/S' DKK 10 million, with a carrying amount of DKK 335 million is provided as collateral for the parent company's bank loans.

The parent company has issued a guarantee of payment regarding the subsidiary Louis Poulsen A/S' bank loans amounting to DKK 72 million at 31 December 2017.

The parent company has issued a guarantee of payment regarding all debts in Louis Poulsen UK Limited.

19. Transactions with related parties

All transactions with related parties during the year have been made on markets terms.

20. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:
P-LP 2014 A/S, Malmøgade 3, 2100 København Ø, CBR. No.: 35 86 20 48

	Registered in	Corpo- rate form	Equity inte- rest %	Equity DKK'm	Profit/ loss DKK'm
21. Subsidiaries					
Louis Poulsen A/S	Copenhagen, Denmark	A/S	100,0	120	83
Louis Poulsen U.S.A Inc	Fort Lauderdale, USA	Inc.	100,0	39	3
Louis Poulsen Asia Pte. Ltd.	Singapore, Asia	Ltd.	100,0	0	0
Louis Poulsen Germany GmbH	Düsseldorf, Germany	GmbH	100,0	15	1
Louis Poulsen Sweden AB	Stockholm, Sweden	AB	100,0	4	4
Louis Poulsen Norway AS	Oslo, Norway	AS	100,0	3	2
Louis Poulsen Finland Oy	Helsinki, Finland	Oy	100,0	5	1
Louis Poulsen UK Limited	London, Great Britain	Limited	100,0	0	0
Louis Poulsen Japan Ltd.	Tokyo, Japan	Ltd.	100,0	26	2
Louis Poulsen Switzerland AG	Zürich, Switzerland	AG	100,0	6	4
Louis Poulsen Holland B.V.	Amsterdam, Holland	B.V.	100,0	1	0
Louis Poulsen Italy S.R.L	Milano, Italy	S.R.L	100,0	0	0



Parent financial statements

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- 30 Statement of changes in equity for 2017
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Income statement for 2017

Balance sheet at 31.12.2017

	Notes	2017 DKK'm	2016 DKK'm
Administrative expenses	1	(16)	(9)
Other operating income		12	11
Operating profit/loss		(4)	2
Income from investments in group enterprises		79	28
Other financial income		4	1
Other financial expenses		(1)	(5)
Profit/loss before tax		78	26
Tax on profit/loss for the year		0	1
Profit/loss for the year	2	78	27

	Notes	2017 DKK'm	2016 DKK'm
Investments in group enterprises		335	332
Fixed asset investments	3	335	332
Fixed assets		335	332
Receivables from group enterprises		43	9
Other receivables		0	1
Income tax receivable		0	1
Receivables from owners and management		3	0
Prepayments	4	1	1
Receivables		47	12
Cash		0	3
Current assets		47	15
Assets		382	347

Balance sheet at 31.12.2017

Statement of changes in equity for 2017

	Notes	2017 DKK'm	2016 DKK'm
Contributed capital		3	3
Retained earnings		351	275
Equity		354	278
Bank loans		15	17
Non-current liabilities other than provisions		15	17
Current portion of long-term liabilities other than provisions		0	40
Other payables		13	12
Current liabilities other than provisions		13	52
Liabilities other than provisions		28	69
Equity and liabilities		382	347
Contingent liabilities	5		
Assets charged and collateral	6		
Related parties with controlling interest	7		
Transactions with related parties	8		

	Contributed capital DKK'm	Retained earn- ings DKK'm	Total DKK'm
Equity beginning of year	3	275	278
Increase of capital	0	2	2
Exchange rate adjustments	0	(8)	(8)
Fair value adjustments of hedging instru- ments	0	4	4
Profit/loss for the year	0	78	78
Equity end of year	3	351	354

The parent company has issued a total of 467,348 warrants for which the company has received DKK 7.8 million. Each warrant gives the warrant holder a right, but not an obligation, to subscribe for one share in the company of nominally DKK 1 against payment to the company of an exercise price, which amounts to DKK 10 added a hurdle rate of 10 per cent p.a.

Notes to parent financial statements

	2017 DKK'm	2016 DKK'm
1. Staff costs		
Wages and salaries	12	7
	12	7
Average number of employees	4	4
	Remuneration of management 2017 DKK'm	Remuneration of management 2016 DKK'm
Executive Board	7	5
Board of Directors	1	1
	8	6
	2017 DKK'm	2016 DKK'm
2. Proposed distribution of profit/loss		
Retained earnings	78	27
	78	27
3. Fixed asset investments		Investments in group enterprises DKK'm
Cost beginning of year		412
Cost end of year		412
Impairment losses beginning of year		(80)
Exchange rate adjustments		(8)
Adjustments on equity		4
Share of profit/loss for the year		79
Dividend		(70)
Other adjustments		(2)
Impairment losses end of year		(77)
Carrying amount end of year		335

Hereof non-amortised goodwill DKK 208 million.

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

4. Prepayments

Prepayments comprise incurred insurance costs and other costs relating to subsequent financial years.

5. Contingent liabilities

Louis Poulsen Holding A/S is in a Danish joint taxation arrangement in which P-LP 2014 A/S serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable from the financial year 2013 for income taxes etc for the jointly taxed entities, and from 1 July 2012 for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The total known net liability of the jointly taxed entities under the joint taxation arrangement is evident from the administration company's financial statements.

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

6. Assets charged and collateral

The share capital of Louis Poulsen A/S' DKK 10 million, with a carrying amount of DKK 335 million is provided as collateral for the parent company's bank loans.

The parent company has issued a guarantee of payment regarding the subsidiary Louis Poulsen A/S' bank loans amounting to DKK 72 million at 31 December 2017.

The parent company has issued a guarantee of payment regarding all debts in Louis Poulsen UK Limited.

7. Related parties with controlling interest

Related parties with controlling interest:

- Polaris Private Equity III K/S, c/o Gorrissen Federspiel, Copenhagen V, share holder
- P-LP 2014 A/S, c/o Polaris Management A/S, Copenhagen Ø, share holder

8. Transactions with related parties

All transactions with related parties during the year have been made on markets terms. All transactions have been made with the company's fully owned subsidiaries.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (large).

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

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Consolidated financial statements

The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence.

Basis of consolidation

The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements.

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

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial in-

come or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Goodwill is considered belonging to the independent foreign entity and is translated using the exchange rate at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates as well as out of the translation of income statements from average rates to the exchange rates at the balance sheet date are recognised directly in equity.

Exchange adjustments of outstanding accounts with independent foreign subsidiaries which are considered part of the total investment in the subsidiary in question are classified directly as equity.

When recognising foreign subsidiaries that are integral entities, monetary assets and liabilities are translated using the exchange rates at the balance sheet date. Non-monetary assets and liabilities are translated at the exchange rate of the time of acquisition or the time of any subsequent revaluation or write-down. The items of the income statement are translated at the average rates of the months; however, items deriving from non-monetary assets and liabilities are translated using the historical rates applicable to the relevant non-monetary items.

Accounting policies

Derivative financial instruments

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

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

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

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

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

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

of cost of the relevant financial statement items.

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

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

Income statement

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Production costs

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

Distribution costs

Distribution costs comprise costs incurred for sale and distribution of the Entity's products, including wages and salaries for sales staff, advertising costs, travelling and entertainment expenses, etc as well as amortisation, depreciation and impairment losses relating to in-

tangible assets and property, plant and equipment attached to the distribution process.

Administrative expenses

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

Income from investments in group enterprises

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

Other financial income

Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises, net capital gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

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

Accounting policies

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

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

Balance sheet

Goodwill

Goodwill is the positive difference between cost and value in use of assets and liabilities taken over as part of the acquisition. Goodwill is amortised straight-line over its estimated useful life which is fixed based on the experience gained by Management for each business area. Useful life is determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. Useful lives are reassessed on an annual basis. The amortisation periods used are 20 years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

Intellectual property rights etc

Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred is taken to equity under Re-serve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

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

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. If the useful life cannot be estimated reliably, it is fixed at 10 years. For development projects, protected by intellectual property rights, the maximum amortisation period is the remaining duration of the relevant rights. The amortisation periods used are 5 years.

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

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

Property, plant and equipment

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

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

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

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

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

Estimated useful lives and residual values are reassessed annually.

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

Investments in group enterprises

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

Accounting policies

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

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

Goodwill is calculated as the difference between cost of the investments and fair value of the pro rata share of assets and liabilities acquired. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. Useful life is determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. If the useful life cannot be estimated reliably, it is fixed at 10 years. Useful lives are reassessed annually. The amortisation periods used are 20 years.

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

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Inventories

Inventories are measured at the lower of cost using the FIFO method

and net realisable value.

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation of and impairment losses relating to machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management. Financing costs are not included in cost.

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

Prepayments

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

Cash

Cash comprises cash in hand and bank deposits.

Deferred tax

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

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Other provisions

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

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

Operating leases

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

Other financial liabilities

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

Cash flow statement

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

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

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

Accounting policies

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

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

Definitions of financial ratios

Ratios	Calculation formula	Calculation formula reflects
Gross margin (%)	$\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$	The entity's operating gearing.
Net margin (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Revenue}}$	The entity's operating profitability.
EBITDA ratio (%)	$\frac{\text{EBITDA} \times 100}{\text{Revenue}}$	The entity's profitability before depreciation and amortisation
EBITA ratio (%)	$\frac{\text{EBITA} \times 100}{\text{Revenue}}$	The entity's profitability before amortisation
Return on equity (%)	$\frac{\text{Profit/loss for the year excl minority interests} \times 100}{\text{Average equity excl minority interests}}$	The entity's return on capital invested in the entity by the owners.
Solvency ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The financial strength of the entity

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Louis Poulsen Holding A/S for the financial year 01.01.2017 - 31.12.2017.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2017 and of the results of its operations and cash flows for the financial year 01.01.2017 - 31.12.2017.

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

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

Copenhagen, 22.03.2018

Executive Board

Søren Mygind Eskildsen

Peter le Fèvre

Peter Rathsach

Board of Directors

Thomas Voss, Chairman

Per Olle Håkan Borgvall

Dario Carlo Fumagalli

Christian Engsted

Allan Bach Pedersen

Otto Ottosen

Lars Stilling Pedersen

Independent auditor's report

To the shareholders of Louis Poulsen Holding A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of Louis Poulsen Holding A/S for the financial year 01.01.2017 - 31.12.2017, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2017, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2017 - 31.12.2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

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

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

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

Auditor's responsibilities for the audit of the

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and parent financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the con-

Independent auditor's report

consolidated financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

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

Statement on the management commentary

Management is responsible for the management commentary.

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

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the

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

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

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

Kolding, 22.03.2018

Deloitte

Statsautoriseret Revisionspartnerselskab

Central Business Registration No (CVR) 33963556

Suzette Demediuk Steen Nielsen

State Authorised Public Accountant

Identification No (MNE) mne32207

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