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P-LP 2014 A/S

Malmøgade 3
2100 København Ø
Central Business Registration
No 35862048

Annual report 2017

The Annual General Meeting adopted the annual report on 30.04.2018

Chairman of the General Meeting

Name: Henrik Bonnerup

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Entity details

Entity
P-LP 2014 A/S
Malmøgade 3
2100 København Ø

Central Business Registration No (CVR): 35862048
Founded: 28.05.2014
Registered in: København
Financial year: 01.01.2017 - 31.12.2017

Website: www.louispoulsen.com

Board of Directors
Henrik Bonnerup, Chairman
Allan Bach Pedersen
Jan Johan Kühl

Executive Board
Allan Bach Pedersen

Auditors
Deloitte Statsautoriseret Revisionspartnerselskab
Egtved Allé 4
6000 Kolding

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of P-LP 2014 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, 30.04.2018

Executive Board

Allan Bach Pedersen

Board of Directors

Henrik Bonnerup Chairman	Allan Bach Pedersen	Jan Johan Kühl

Independent auditor's report

To the shareholders of P-LP 2014 A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of P-LP 2014 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

Independent auditor's report

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 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.

Independent auditor's report

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, 30.04.2018

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

Suzette Demediuk Steen Nielsen
statsautoriseret revisor
Identification No (MNE) mne32207

Management commentary

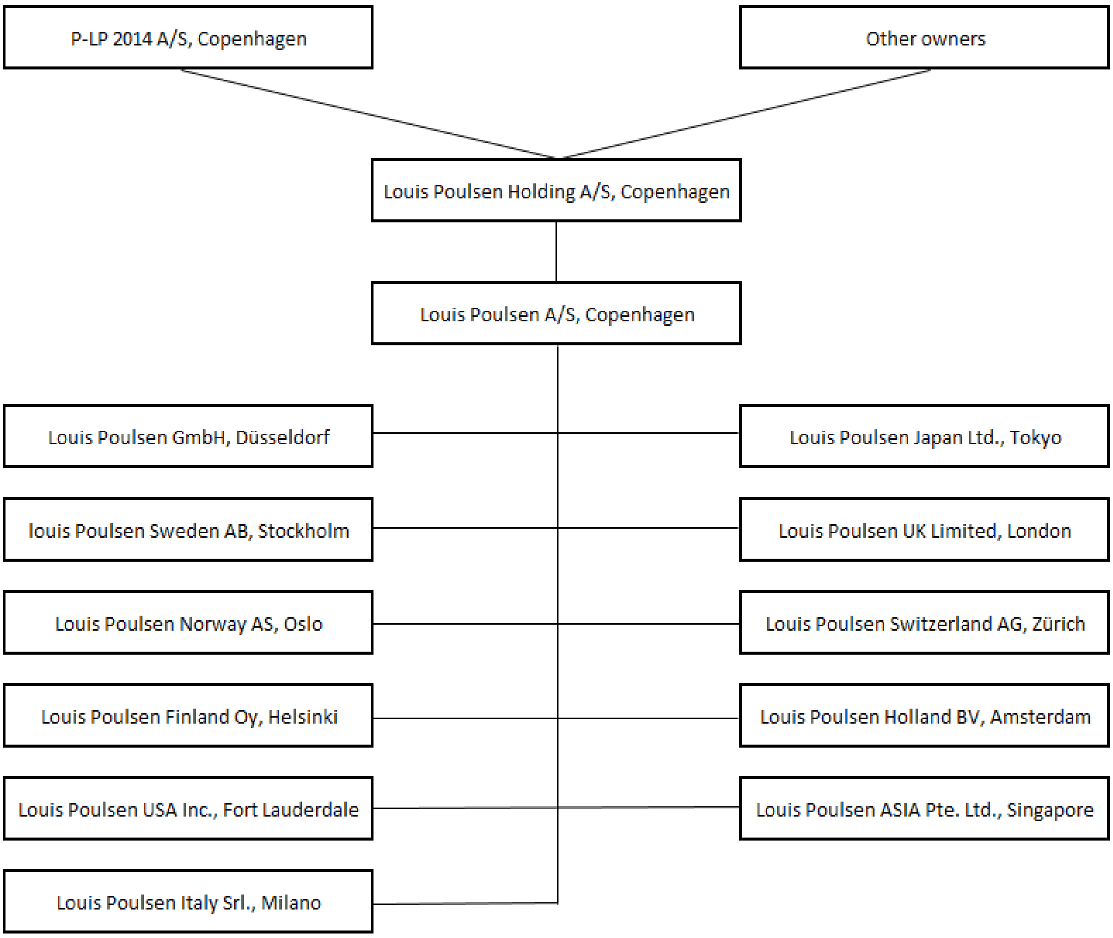
	2017 DKK'm	2016 DKK'm	2015 DKK'm	2014 DKK'm
Financial highlights				
Key figures				
Revenue	801	750	716	30
Gross profit/loss	386	319	281	1
EBITDA (Earnings before depreciations and amortisation)	146	104	89	(17)
EBITA (Earnings before amortisation)	121	74	45	(18)
Operating profit/loss	98	62	33	(18)
Net financials	7	(20)	(11)	(1)
Profit/loss for the year	78	27	13	(17)
Profit/loss for the year excl minority interests	53	19	9	0
Total assets	685	672	699	734
Investments in property, plant and equipment	32	22	12	60
Equity	352	279	248	216
Equity excl minority interests	241	193	171	0
Net working capital	(18)	0	26	70
Cash flows from (used in) operating activities	146	99	115	5
Cash flows from (used in) investing activities	(56)	(38)	(1)	(474)
Cash flows from (used in) financing activities	0	(227)	(16)	494
Ratios				
Gross margin (%)	48,2	42,5	39,2	3,3
Net margin (%)	9,7	3,6	1,8	(56,7)
EBITDA ratio (%)	18,2	13,9	12,4	(55,3)
EBITA ratio (%)	15,1	9,9	6,3	(58,2)
Return on equity (%)	24,4	10,4	5,3	(15,7)
Solvency ratio (%)	51,7	41,4	35,3	29,4

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

Management commentary

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

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



At 27 December 2017 Louis Poulsen Italy Srl was established in Milan. Sales activities will start up on 1 January 2018. Louis Poulsen A/S has local Sales Representation Offices in Austria and France.

Management commentary

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 98 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.

Outlook

Louis Poulsen group 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.

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.

Management commentary

Capital structure

Management regularly assesses whether P-LP 2014 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 at 31 December 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 2017, this loan represents a total outstanding debt of DKK 87 million, of which DKK 16 million is located in Louis Poulsen Holding A/S. Management believes that the current capital structure provides sufficient flexibility to address the future strategy of the Group.

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 Vejen. 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 group 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.

Management commentary

Group relations

The consolidated financial statements comprise the parent company, P-LP 2014 A/S, and subsidiaries are incorporated in the annual report of P-LP 2014 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.

Louis Poulsen'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. 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 Vejen.

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

Management commentary

Board of Directors in P-LP 2014 A/S:

Board of directors in P-LP 2014 A/S

Name:	Allan Bach Pedersen	Henrik Bonnerup	Jan Johan Kühl
Occupation:	Partner, Polaris Private Equity	Partner, Polaris Private Equity	Managing partner, Polaris Private Equity
Executive board role at P-LP 2014 A/S:	Member	Chairman	Member
Other board roles:			
Chairman:			
Boardmember:	Louis Poulsen A/S PWT Group A/S Configit A/S Menu A/S	Allianceplus Holding A/S Jetpak Top Holding AB	Det Danske Madhus A/S Triax A/S Molslinjen A/S PWT Group A/S Menu A/S Inter Primo A/S Brøndum Holding A/S Brøndum A/S Part Unique ApS
	A number of parent companies related to Polaris Private Equity	A number of parent companies related to Polaris Private Equity	A number of parent companies related to Polaris Private Equity

Statutory report on corporate social responsibility

Policies

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

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

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

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

Louis Poulsen group 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 group 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)

Management commentary

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 group 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 group 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 group 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 group 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

Management commentary

competencies and experience. 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 group. 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 group’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.

Consolidated income statement for 2017

	Notes	2017 DKK'm	2016 DKK'm
Revenue	1	801	750
Production costs	3, 4	(415)	(431)
Gross profit/loss		**386**	**319**
Distribution costs	4	(219)	(188)
Administrative expenses	2, 4	(69)	(69)
Operating profit/loss		**98**	**62**
Other financial income	5	13	1
Other financial expenses	6	(6)	(21)
Profit/loss before tax		**105**	**42**
Tax on profit/loss for the year	7	(27)	(15)
Profit/loss for the year	8	**78**	**27**

Consolidated balance sheet at 31.12.2017

	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	9	**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	10	**75**	**61**
Receivables from owners and management		3	0
Deposits		4	4
Deferred tax	12	11	17
Fixed asset investments	11	**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		7	0
Receivables		**85**	**90**
Cash		**54**	**51**
Current assets		**225**	**209**
Assets		**685**	**672**

Consolidated balance sheet at 31.12.2017

	Notes	2017 DKK'm	2016 DKK'm
Contributed capital		17	17
Retained earnings		224	176
Equity attributable to the Parent's owners		**241**	**193**
Share of equity attributable to minority interests		**111**	**86**
Equity		**352**	**279**
Deferred tax	12	37	38
Other provisions		17	23
Provisions		**54**	**61**
Bank loans		88	174
Trade payables		104	99
Payables to group enterprises		2	0
Other payables		85	59
Current liabilities other than provisions		**279**	**332**
Liabilities other than provisions		**279**	**332**
Equity and liabilities		**685**	**672**
Financial instruments	14		
Unrecognised rental and lease commitments	15		
Contingent liabilities	16		
Assets charged and collateral	17		
Transactions with related parties	18		
Subsidiaries	19		

Consolidated statement of changes in equity for 2017

	Contributed capital DKK'm	Retained earnings DKK'm	Share of equity attributable to minority interests DKK'm	Total DKK'm
Equity beginning of year	17	176	86	279
Effect of mergers and business combinations	0	(2)	0	(2)
Exchange rate adjustments	0	(3)	0	(3)
Profit/loss for the year	0	53	25	78
Equity end of year	**17**	**224**	**111**	**352**

Consolidated 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	13	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		(3)	(2)
Cash flows from investing activities		**(56)**	**(38)**
Repayments of loans etc		0	(227)
Incurrence of debt to group enterprises		2	0
Acquisition of treasury shares		(2)	0
Cash flows from financing activities		**0**	**(227)**
Increase/decrease in cash and cash equivalents		**90**	**(166)**
Cash and cash equivalents beginning of year		(124)	43
Cash and cash equivalents end of year		**(34)**	**(123)**
Cash and cash equivalents at year-end are composed of:			
Cash		54	51
Short-term debt to banks		(88)	(174)
Cash and cash equivalents end of year		**(34)**	**(123)**

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**

	2017 DKK'm	2016 DKK'm
2. Fees to the auditor appointed by the Annual General Meeting		
Statutory audit services	1	1
	1	**1**

	2017 DKK'm	2016 DKK'm
3. 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**

	2017 DKK'm	2016 DKK'm
4. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	34	29
Depreciation on property, plant and equipment	16	13
	50	**42**

Notes to consolidated financial statements

	2017 DKK'm	2016 DKK'm
5. Other financial income		
Other interest income	13	1
	13	**1**

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

	2017 DKK'm	2016 DKK'm
7. 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
8. Proposed distribution of profit/loss		
Retained earnings	53	19
Minority interests' share of profit/loss	25	8
	78	**27**

Notes to consolidated financial statements

	Completed development projects DKK'm	Acquired licences DKK'm	Acquired trademarks DKK'm	Acquired rights DKK'm
9. 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 impairment 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**

	Goodwill DKK'm	Development projects in progress DKK'm
9. Intangible assets		
Cost beginning of year	245	4
Transfers	0	(3)
Additions	0	11
Cost end of year	**245**	**12**
Amortisation and impairment losses beginning of year	(24)	0
Amortisation for the year	(12)	0
Amortisation and impairment losses end of year	**(36)**	**0**
Carrying amount end of year	**209**	**12**

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.

Notes to consolidated financial statements

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.

	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
10. 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
11. 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**

Notes to consolidated financial statements

	2017 DKK'm
12. Deferred tax	
Changes during the year	
Beginning of year	21
Recognised in the income statement	5
End of year	**26**

	2017 DKK'm	2016 DKK'm
13. 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**

14. 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.

	2017 DKK'm	2016 DKK'm
15. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	**66**	**90**

	2017 DKK'm	2016 DKK'm
16. Contingent liabilities		
Recourse and non-recourse guarantee commitments	3	5
Contingent liabilities in total	**3**	**5**

The Entity serves as an administration company in a Danish joint taxation arrangement. 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 also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for these entities.

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.

Notes to consolidated financial statements

17. 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.

18. Transactions with related parties

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

	Registered in	Corporate form	Equity interest %	Equity DKK'm	Profit/loss DKK'm
19. Subsidiaries					
Louis Poulsen Holding A/S	Copenhagen, Denmark	A/S	68,7	354	78
Louis Poulsen A/S	Copenhagen, Denmark	A/S	100,0	120	83
Louis Poulsen USA 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 income statement for 2017

	Notes	2017 DKK'm	2016 DKK'm
Income from investments in group enterprises		53	19
Profit/loss for the year	1	**53**	**19**

Parent balance sheet at 31.12.2017

	Notes	2017 DKK'm	2016 DKK'm
Investments in group enterprises		243	192
Fixed asset investments	2	**243**	**192**
Fixed assets		**243**	**192**
Cash		**0**	**1**
Current assets		**0**	**1**
Assets		**243**	**193**

Parent balance sheet at 31.12.2017

	Notes	2017 DKK'm	2016 DKK'm
Contributed capital	3	17	17
Reserve for net revaluation according to the equity method		73	23
Retained earnings		151	153
Equity		**241**	**193**
Payables to group enterprises		2	0
Current liabilities other than provisions		**2**	**0**
Liabilities other than provisions		**2**	**0**
Equity and liabilities		**243**	**193**
Contingent liabilities	4		
Assets charged and collateral	5		
Related parties with controlling interest	6		
Transactions with related parties	7		

Parent statement of changes in equity for 2017

	Contributed capital DKK'm	Reserve for net revaluation according to the equity method DKK'm	Retained earnings DKK'm	Total DKK'm
Equity beginning of year	17	23	153	193
Effect of mergers and business combinations	0	0	(2)	(2)
Value adjustments	0	(3)	0	(3)
Profit/loss for the year	0	53	0	53
Equity end of year	**17**	**73**	**151**	**241**

Notes to parent financial statements

	2017 DKK'm	2016 DKK'm
1. Proposed distribution of profit/loss		
Transferred to reserve for net revaluation according to the equity method	53	19
	53	**19**

	Invest-ments in group enterprises DKK'm
2. Fixed asset investments	
Cost beginning of year	169
Additions	1
Cost end of year	**170**
Revaluations beginning of year	23
Exchange rate adjustments	(3)
Share of profit/loss for the year	53
Revaluations end of year	**73**
Carrying amount end of year	**243**

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

	Number	Par value DKK'm	Nominal value DKK'm
3. Contributed capital			
A-shares	16.830.000	0	17
B-shares	170.000	0	0
	17.000.000		**17**

4. Contingent liabilities

The Entity serves as the administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for these entities.

Notes to parent financial statements

5. Assets charged and collateral

The share capital of Louis Poulsen Holding A/S' DKK 3 million, with a carrying amount of DKK 354 million is provided as collateral for the parent company's bank loans.

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

6. Related parties with controlling interest

Related parties with controlling interest:

- Polaris Private Equity III K/S, c/o Gorrisen Federspiel, Copenhagen V, Shareholder

7. Transactions with related parties

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

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. Minority interests' proportionate share of profit or loss is presented as a separate item in Management's proposal for distribution of profit or loss, and their share of subsidiaries' net assets is presented as a separate item in group equity.

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.

Accounting policies

Foreign currency translation

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

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

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

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

Derivative financial instruments

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

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

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

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.

Accounting policies

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 writedown of inventories.

Distribution costs

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

Administrative expenses

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

Income from investments in group enterprises

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

Other financial income

Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises, net capital or exchange 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 or exchange 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.

Balance sheet
Goodwill
Goodwill is the positive difference between cost and fair value of assets and liabilities arising from acquisitions. 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 annually. 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 Reserve for development costs that is reduced as the development projects are amortised and written down.

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

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

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

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.

Accounting policies

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
In the parent financial statements, 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 unamortised goodwill and plus or minus unrealised intra-group profits and losses.

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 straigth-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

Accounting policies

of a temporary nature that cannot be separated and recognised as separate assets. 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 on 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. Finance 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 the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset or the planned settlement of each liability.

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.

Accounting policies

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.

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.