Innovative solutions

Nordtronic A/S
Flade Engvej 4
9900 Frederikshavn
Denmark

CVR no. 29 80 87 08

Annual report 2016

The annual report was presented and approved at the Company's annual general meeting on

23 March 2017

Robert Gunter Fellner-Feldegg
chairman

Contents

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Nordtronic A/S for the financial year 1 January – 31 December 2016.

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

It is our opinion that the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2016 and of the results of the Company's operations for the financial year 1 January – 31 December 2016.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

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

Übach-Palenberg, Germany 23 March 2017

Executive Board:

Mads Andersen

Board of Directors:

Robert Gunter Fellner-Feldegg chairman	Jens Marcel M. Aertgeerts	Yannick Guido M. Lens

Mads Andersen

KPMG

Independent auditor's report

To the shareholders of Nordtronic A/S

Opinion

We have audited the financial statements of Nordtronic A/S for the financial year 1 January – 31 December 2016 comprising income statement, balance sheet and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2016, and of the results of the Company's operations for the financial year 1 January – 31 December 2016 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 financial statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for 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 rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility for the financial statements

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

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

KPMG

Independent auditor's report

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements in Denmark will always detect a material misstatement when it exists. Misstatements may 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 made on the basis of these 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 company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

— obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

— evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

— conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

— evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

KPMG

Independent auditor's report

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's review

Management is responsible for the Management's review.

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

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Aalborg, 23 March 2017
KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Steffen S. Hansen
State Authorised
Public Accountant

Management's review

Company details

Nordtronic A/S
Flade Engvej 4
9900 Frederikshavn
Denmark

Telephone:	70209531
Fax:	70209532
E-mail:	info@nordtronic.dk
CVR no.:	29 80 87 08
Established:	1 December 2006
Registered office:	Frederikshavn
Financial year:	1 January – 31 December

Board of Directors

Robert Gunter Fellner-Feldegg, chairman
Jens Marcel M. Aertgeerts
Yannick Guido M. Lens
Mads Andersen

Executive Board

Mads Andersen

Auditors

KPMG
Statsautoriseret Revisionspartnerselskab
Østre Havnegade 18
DK-9000 Aalborg
Denmark

Management's review

Operating review

Principal activities

The Company's principal activities consist of development and distribution of electrical products, primarely LED spots.

Significant changes in the Company's activities and financial position

In 2016, Nordtronic A/S became part of a German group - SLV GmbH. This has among other things resulted in changes in the Company's accounting estimates.

Furthermore, the result of the year has been affected by new and more mordern facilities, change in customer mix, amortisation on development projects and investments in continued grothc in general.

Events after the balance sheet date

After the balance sheet date, no material events that can affect the present financial statements occured.

Financial statements 1 January – 31 December

Income statement

DKK	Note	2016	2015
Gross profit		20.350.619	26.133.539
Staff costs	2	-3.922.787	-2.012.331
Depreciation and amortisation		-1.992.880	110.483
Operating profit		14.434.952	24.231.691
Financial income		-101.810	12.001
Financial expenses	3	-125.476	-478.519
Profit before tax		14.207.666	23.765.173
Tax on profit for the year	4	-3.141.957	-5.576.802
Profit for the year		11.065.709	18.188.371

Proposed profit appropriation

Proposed dividend for the financial year	0	18.000.000
Retained earnings	11.065.709	188.371
	11.065.709	18.188.371

Financial statements 1 January – 31 December

Balance sheet

DKK	Note	2016	2015
ASSETS			
Fixed assets			
Intangible assets	5		
Completed development projects		3.751.982	2.617.744
Development projects in progress		155.894	0
		3.907.876	2.617.744
Property, plant and equipment			
Fixture and fittings, tools and equipment		1.206.774	1.027.126
		1.206.774	1.027.126
Investments			
Deposits		0	22.000
		0	22.000
Total fixed assets		5.114.650	3.666.870
Current assets			
Inventories			
Finished goods and goods for resale		13.924.564	21.515.258
Prepayments for goods		200.580	103.605
		14.125.144	21.618.863
Receivables			
Trade receivables		12.970.294	8.485.987
Receivables from group entities		0	318.022
Other receivables		543.078	16.675
Corporation tax		0	543.822
Prepayments		58.800	180.186
		13.572.172	9.544.692
Cash at bank and in hand		6.297.119	2.975.644
Total current assets		33.994.435	34.139.199
TOTAL ASSETS		39.109.085	37.806.069

Financial statements 1 January – 31 December

Balance sheet

DKK	Note	2016	2015
EQUITY AND LIABILITIES			
Equity			
Share capital		500.000	500.000
Reserve for development costs	6	2.172.240	0
Proposed dividend for the year		0	18.000.000
Retained earnings		14.285.335	5.391.866
Total equity		16.957.575	23.891.866
Provisions			
Provision for deferred tax		749.255	621.800
Other provisions		650.000	0
Total provisions		1.399.255	621.800
Liabilities other than provisions			
Current liabilities other than provisions			
Payables to group entities		0	2.773.802
Trade payables		8.610.934	5.642.798
Payables to associates		9.706.541	0
Corporation tax		756.730	0
Other payables		1.678.050	4.852.941
Payables to shareholders and Management		0	22.862
		20.752.255	13.292.403
Total liabilities other than provisions		20.752.255	13.292.403
TOTAL EQUITY AND LIABILITIES		39.109.085	37.806.069

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of Nordtronic A/S for 2016 has been prepared in accordance with the provisions applying to reporting class B pursuant to section 78a of the Danish Financial Statements Act.

The Company have chosen to capitalize development projects in the balance sheet, which is an elective from the higher reporting class C.

As from 1 January 2016, the Company has implemented Act no. 738 of 1 June 2015. This has entailed the following changes to recognition and measurement:

— Going forward, the residual value of intangible assets and property, plant and equipment must be reassessed on an ongoing basis. Pursuant to the transition provisions of the Act, any adjustments to residual values must be made prospectively as an accounting estimate without restatement of comparative figures and without effect on equity.

— Going forward, an amount corresponding to the capitalised development costs will be tied to the restricted reserve "Reserve for development costs" under equity. The reserve cannot be used for dividend, distribution or to cover losses. If the recognised development costs are sold or in other ways excluded from the Company's operations, the reserve will be dissolved and transferred directly to the distributable reserves under equity. If the recognised development costs are written down, the part of the reserve corresponding to the write-down of the developments costs will be reversed. If a write-down of development costs is subsequently reversed, the reserve will be re-established. The reserve is reduced by amortisation of capitalised development costs on an ongoing basis.

The changes have no monetary effect on the income statement or the balance sheet for 2016 or for the comparative figures.

Pursuant to Section 32 of the Financial Statements Act, the Company has decided only to disclose gross profit.

Change in accounting estimates

Due to the Company's entry into a new Group, some accounting estimates have been aligned with the Group policies.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies

Financial statements 1 January – 31 December

Notes

1 **Accounting policies (continued)**

are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Income statement

Revenue

Income from the sale of goods is recognised in revenue when delivery and transfer of risk to the buyer have taken place, and the income may be measured reliably and is expected to be received. The date of transfer of the most significant benefits and risks is determined using standard Incoterms ® 2010.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts granted are recognised in revenue.

Other external costs

Other external costs comprise distribution costs and costs related to sales, sales campaigns, administration, office premises, operating leases, etc.

Staff costs

Staff costs comprise wages and salaries, including holiday allowance, pension and other social security costs, etc., to the Company's employees, excluding reimbursements from public authorities.

Financial income and expenses

Financial income and expenses comprise interest income and expense, financial costs regarding finance leases, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Tax on profit for the year

Tax for the year comprises current corporation tax for the year and changes in deferred tax, including changes in tax rates. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

Financial statements 1 January – 31 December

Notes

1 **Accounting policies (continued)**

Balance sheet

Intangible assets

Development projects

Development costs comprise engineering costs from external supplier directly attributable to development activities.

Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or development opportunities are evidenced, and where the Company intends to produce, market or use the project, are recognised as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings can cover production costs, selling costs and administrative expenses as well development costs. Other development costs are recognised in the income statement as incurred.

Development costs recognised in the balance sheet are measured at cost less accumulated amortisation and impairment losses.

Upon completion of development work, development costs are amortised on a straight-line basis over the estimated useful lives. The amortisation period is usually 3 years.

Plant and equipment

Fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

Where individual components of an item of plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

The depreciable amount, which is calculated as cost less any projected residual values after the end of the useful life, is depreciated on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Fixture and fittings, tools and equipment	3-8 years

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

Gains and losses on the disposal of plant and equipment are stated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating

Financial statements 1 January – 31 December

Notes

1 **Accounting policies (continued)**

income or other operating costs, respectively.

Impairment of fixed assets

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

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

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

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Goods for resale are measured at cost, comprising purchase price plus delivery costs.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable or a portfolio of receivables has been impaired. If there is an objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Write-downs are calculated as the difference between the carrying amount of receivables and the present value of forecast cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Prepayments and deferred income

Prepayments comprise prepayment of costs incurred relating to subsequent financial

Financial statements 1 January – 31 December

Notes

1 **Accounting policies (continued)**

years.

Dividend

The expected dividend payment for the year is disclosed as a separate item under equity.

Corporation tax and deferred tax

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

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities based on the planned use of the asset or settlement of the liability. However, deferred tax is not recognised on temporary differences relating to goodwill non-deductible for tax purposes and on office premises and other items where the temporary differences arise at the date of acquisition without affecting either profit/loss or taxable income.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement or equity, respectively.

Liabilities other than provisions

Other liabilities are measured at net realisable value.

Financial statements 1 January – 31 December

Notes

2 Staff costs

DKK	2016	2015
Wages and salaries	3.441.599	1.734.510
Pensions	167.875	99.454
Other social security costs	313.312	178.367
	3.922.786	2.012.331
Average number of full-time employees	12	12

3 Financial expenses

Interest expense to associates	120.319	374.796
Foreign exchange losses	0	4.154
Other financial expenses	5.156	99.568
	125.475	478.518

4 Tax on profit/loss for the year

Current tax for the year	3.014.502	4.990.178
Deferred tax, adjustment	127.455	586.624
	3.141.957	5.576.802

5 Intangible assets

DKK	Completed development projects	Development projects in progress	Total
Cost at 1 January	2.646.324	0	2.646.324
Additions	2.660.092	155.894	2.815.986
Cost at 31 December 2016	5.306.416	155.894	5.462.310
Amortisation and impairment losses at 1 January 2016	-28.580	0	-28.580
Amortisation	-1.525.854	0	-1.525.854
Amortisation and impairment losses at 31 December 2016	-1.554.434	0	-1.554.434
Carrying amount at 31 December 2016	3.751.982	155.894	3.907.876

Completed development projects relate to external supplier's development of new LED products. The projects were completed in 2015 and 2016 and are amortised over 3 years. The products are lauched to the market and generates the expected revenue and profit.

Development projects in progress comprise of external supplier's development of new LED products. The projects are expected to be completed in 2017 where considerable

Financial statements 1 January – 31 December

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economic benefits in the form of revenue and profit are expected.

6 **Reserve for development costs**

DKK	2016	2015
Capitalized development costs	2.815.986	0
Amortisation on development costs	-643.746	0
	2.172.240	0

7 **Contractual obligations and contingencies, etc.**

Contingent liabilities

Remaining operating renting obligations at the balance sheet date fall due at DKK 9.900 thousand within 9 years (2015: DKK 11.000 thousand).

8 **Related party disclosures**

Nordtronic A/S' related parties comprise the following:

Control

SLV GmbH, Daimlerstrasse 21, 52531 Übach-Palenberg, Germany.
Mads A Holding ApS, Strandkanten 111, 9300 Sæby, Denmark.

Nordtronic A/S is part of the consolidated financial statements of SLV Holding GmbH, Germany, which is the smallest group in which the Company is included as a subsidiary.

The consolidated financial statements of SLV Holding GmbH can be obtained by contacting the Company.