Philips Lighting Denmark A/S

Frederikskaj 6
DK-2450 København SV

CVR no. 36 96 72 26

Annual report 2017

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

15 June 2018

Åsa Ellinor Maria Wilhelmsson
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 Philips Lighting Denmark A/S for the financial year 1 January – 31 December 2017.

The annual report has been 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 2017 and of the results of the Company's operations for the financial year 1 January – 31 December 2017.

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

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

Copenhagen, 15 June 2018
Executive Board:

Astrid Benedikte Simonsen Joos
CEO

Board of Directors:

Åsa Ellinor Maria Wilhelmsson Chairman	Kirsi Johanna Tiainen	Michael Fallenkamp Kragh

Independent auditor's report

To the shareholders of Philips Lighting Denmark A/S

Opinion

We have audited the financial statements of Philips Lighting Denmark A/S for the financial year 1 January – 31 December 2017, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement 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 financial position of the Company at 31 December 2017 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 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 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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 additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Management's responsibilities 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 as 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.

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 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 the financial statements.

As part of an audit conducted in accordance with ISAs and 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 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.

Independent auditor's report

- 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 note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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.

Copenhagen, 15 June 2018
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Lisse Fagerli Hamme

Lissen Fagerlin Hammer
State Authorised Public Account
MNE-no. 27747

Management's review

Company details

Philips Lighting Denmark A/S
Frederikskaj 6
DK-2450 København SV

CVR no.:	36 96 72 26
Registered office:	Copenhagen
Financial year:	1 January – 31 December

Board of Directors

Åsa Ellinor Maria Wilhelmsson, Chairman
Kirsi Johanna Tiainen
Michael Fallenkamp Kragh

Executive Board

Astrid Benedikte Simonsen Joos, CEO

Auditor

Ernst & Young Godkendt Revisionspartnerselskab
Osvald Helmuths Vej 4
DK-2000 Frederiksberg

Management's review

Financial highlights

DKK'000	2017	7. jul 2015 – 31. dec 2016
Key figures		
Revenue	518,811	513,230
Operating profit/loss	11,096	761
Profit/loss from financial income and expenses	-1,058	-1,857
Profit/loss for the year	7,854	-986
Total assets	152,796	152,657
Equity	19,310	11,456
Investment in property, plant and equipment	2,444	18,475
Ratios		
Gross margin	22.62%	20.40%
Operating margin	1.64%	0.10%
Return on equity	51.06%	-17.20%
Solvency ratio	12.64%	7.50%
Average number of full-time employees	132	135

Seen over a 2-year period, the development of the Company is described by the financial ratios. Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Ratios". The financial ratios have been calculated as follows:

Gross margin	$\frac{\text{Gross profit/loss x 100}}{\text{Revenue}}$
Operating margin	$\frac{\text{Operating profit/loss x 100}}{\text{Revenue}}$
Return on equity	$\frac{\text{Profit/loss from ordinary activities after tax x 100}}{\text{Average equity}}$
Solvency ratio	$\frac{\text{Equity ex. non-controlling interests at year end x 100}}{\text{Total equity and liabilities at year end}}$

Management's review

Operating review

Principal activities

Philips Lighting Denmark A/S is fully owned by, and subsidiary for its Dutch parent company Philips Lighting Holding B.V. The Company's line of business is lighting, consisting of lamps, light sources, softwares, control systems and modules. The activities of the Company are divided into Professional Lighting, Consumer Lighting and OEM businesses. As a part of a global group; Philips Lighting Denmark A/S is a leading expert on lighting who has expertise as a provider of innovative, energy-efficient lighting systems and services.

Events after the balance sheet date

No events have occured after the balance sheet date which could significantly affect the company's financial position.

Philips Lighting Group has announced its intention to change the name from Philips Lighting to Signify. This is according to contractual agreement with Royal Philips and was approved in the General Shareholders Meeting. Company will continue to use Philips brand on its products.

Development in activities and financial position

The income statement of the Company for 2017 shows a profit of T.DKK 7.854 and at 31 December 2017 the balance sheet of the Company shows equity of T.DKK 19.310.

In 2017 we had a successful execution of our strategy, driven by our connected home lighting system Philips Hue and System & Services in the professional channel. We continued our growth of LED based products, and LED as percentage of total business increased. Our conventional business remained very profitable, this is in line with our last man standing strategy.

Outlook

For the financial year 2018, the company expects growth, this through connected lighting systems for home, professional LED luminares, Systems & Services and innovative product portfolio of LED lamps. Company expects to continue to extract value from the conventional business.

Intellectual capital

The company does not hold any specific intellectual capital resources other than what a sales company normally hold.

Environmental matters

The company operates in accordance with the sustainable development principles of Philips Lighting Group.

Research and development activities

The company does not have research and development activity.

Management's review

Operating review

Market overview and strategy

Philips Lighting is the global market leader with recognized expertise in the development, manufactoring and sale of innovative, energy efficient lighting products, systems and services. Philips Lighting have pioneered many key breakthroughs in lighting over the past 126 years and been a driving force behind several leading technological innovations, and is in a leading position as the lighting industry transitions from conventional to LED lighting technologies now moving toward connected lighting. The Company's strategy is based on six key strategic priorities:

- Optimize cash from Conventional products to fund our growth
- Innovate in LED products commercially and technologically to outgrow the market
- Lead the shift to Systems, building the largest connected installed base
- Capture adjacent value through new Services business models
- Be the customers' best business partner locally, leveraging the global scale
- Continue the operational excellence improvement journey

The lighting company for the Internet of Things
The Company's position as an industry leader in connected lighting for the Home and Professional segments makes Philips Lighting the lighting company for the Internet of Things (IoT). By extending the industry leadership into the IoT, the Company can unlock additional value by offering new apps and services to the customers. This is part of the broader commitment to deliver Light Beyond Illumination, turning light sources into points of data to connect more devices, places, and people through light. In doing so, the Company is making people safer, more productive, and comfortable; businesses and cities more energy efficient and livable; and the world more sustainable.

Financial statements 1 January – 31 December

Income statement

DKK'000	Note	1. jan – 31. dec 2017	7. jul 2015 – 31. dec 2016
Revenue		518,811	513,230
Cost of goods sold		-346,485	-356,431
Other operating income		139	148
Other external costs		-55,086	-65,393
Gross profit		117,379	91,554
Staff costs	2	-96,818	-80,529
Depreciation, amortisation and impairment	3	-9,212	-6,812
Other operating costs		-253	-3,452
Operating profit		11,096	761
Financial expenses	4	-1,058	-1,857
Profit/loss before tax		10,038	-1,096
Tax on profit/loss for the year	5	-2,184	110
Profit/loss for the year	6	7,854	-986

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	2017	2016
ASSETS			
Fixed assets			
Intangible assets	7		
Acquired customer rights		11,530	15,269
		11,530	15,269
Property, plant and equipment	8		
Property, plant and equipment in progress		221	43
Fixtures and fittings, tools and equipment		4,901	3,992
Leasehold improvements		6,939	11,055
		12,061	15,090
Investments	9		
Deposits		2,400	2,400
		2,400	2,400
Total fixed assets		25,991	32,759
Current assets			
Inventories	10	9,676	5,754
Receivables			
Trade receivables		101,471	104,156
Receivables from group entities		8,784	5,529
Other receivables		0	15
Deferred tax asset	11	3,672	3,904
Prepayments	12	3,202	540
		117,129	114,144
Total current assets		126,805	119,898
TOTAL ASSETS		152,796	152,657

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	2017	2016
EQUITY AND LIABILITIES			
Equity	13		
Share capital		3,500	3,500
Retained earnings		15,810	7,956
Total equity		19,310	11,456
Provisions			
Other provisions	14	12,104	17,191
Total provisions		12,104	17,191
Liabilities other than provisions			
Non-current liabilities other than provisions	15		
Lease obligations		184	184
		184	184
Current liabilities other than provisions			
Current portion of non-current liabilities		65	65
Trade payables		23,289	14,151
Payables to group entities		52,802	67,989
Corporation tax		5,729	3,777
Other payables		38,504	33,750
Deferred income		809	4,094
		121,198	123,826
Total liabilities other than provisions		121,382	124,010
TOTAL EQUITY AND LIABILITIES		152,796	152,657

Financial statements 1 January – 31 December

Statement of changes in equity

	Share capital	Retained earnings	Total
Equity at 7 July 2015	500	0	500
Cash capital increase	3,000	9,000	12,000
Transferred over the distribution of loss	0	-986	-986
Tax on adjustment of hedging instruments for the year	0	16	16
Fair value adjustment of hedging instruments	0	-74	-74
Equity at 1 January 2017	3,500	7,956	11,456
Transferred over the profit appropriation	0	7,854	7,854
Equity at 31 December 2017	3,500	15,810	19,310

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of Philips Lighting Denmark A/S for 2017 has been prepared in accordance with the provisions applying to reporting class C medium-sized entities under the Danish Financial Statements Act.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Comparative figures in the income statement are not comparable as they do not cover the same period.

Financial Statements for 2017 are presented in TDKK.

Omission of cash flow statement

Pursuant to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are included in the cash flow statement in the consolidated financial statements of Philips Lighting Holding B.V.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Company.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Financial statements 1 January – 31 December

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1 **Accounting policies (continued)**

Foreign currency translation

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are classified as "Other receivables" and "Other payables", respectively.

Changes in the fair values of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is designated and qualify as hedge accounting.

Income statement

Revenue

Revenue is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates, and net of value added taxes.

Revenue for sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, there is no continuing involvement or control over the goods, the associated costs and possible return of the goods can be estimated reliably, recovery of the consideration is probable and the amount of revenue can be estimated reliably.

Revenue from services is recognised when the amount of revenue and the associated cost related to the stage of completion of a contract or transaction can be measured reliably and the recovery of the consideration is considered probable.

Financial statements 1 January – 31 December

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1 Accounting policies (continued)

Cost of sales

Cost of goods sold comprise the raw materials and consumables consumed to achieve revenue for the enterprise.

Other external costs

Other external expenses comprise expenses for premises, sales and distribution as well as office expenses, etc.

Staff costs

Staff costs comprise wages and salaries, including holiday allowance and pensions, and other social security costs, etc., for the Company's employees. Refunds received from public authorities are deducted from staff costs.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company was jointly taxed until November 2017 with wholly owned Danish and foreign subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable income.

Financial statements 1 January – 31 December

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1 **Accounting policies (continued)**

Balance sheet

Intangible assets

Acquired customer rights is measured at cost less accumulated amortisation. Acquired customer rights is amortised on a straight-line basis over its useful life, which is assessed at 5 years.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Fixtures and fittings, tools and equipment	3-10 years
Leasehold improvements	4 years

Depreciation period and residual value are re-assessed annually.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

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.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Prepayments

Prepayments comprise prepaid expenses concerning e.g. rent, insurance premiums and subscriptions.

Equity

Dividends

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Other provisions include warranty obligations in respect of replacing products within the warranty period of up to 5 years as well as onerous contracts and decommissioning obligations.

Provisions for warranty obligations are measured at net realisable value and recognised based on past experience. Other provisions are measured at net realisable value. If the obligation is expected to be settled far into the future, the obligation is measured at fair value.

Corporation tax and deferred tax

Deferred tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial statements 1 January – 31 December

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1 Accounting policies (continued)

Liabilities other than provisions

Financial liabilities are recognised at cost at the date of borrowing, corresponding to the proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost using the effective interest method. Accordingly, the difference between cost and the nominal value is recognised in the income statement over the term of the loan together with interest expenses.

Other liabilities are measured at net realisable value, usually corresponding to nominal value.

Deferred income

Deferred income comprises advance invoicing regarding income in subsequent years.

2 Staff costs

DKK'000	1. jan – 31. dec 2017	7. jul 2015 – 31. dec 2016
Wages and salaries	88,918	73,730
Pensions	7,384	6,294
Other social security costs	516	505
	96,818	80,529
Average number of full-time employees	132	135

Staff costs include remuneration of the Executive Board as well as remuneration of the Board of Directors of DKK 5.476 thousand (2015/16: DKK 2.872 thousand). By reference to section 98 b of the Danish Financial Statements Act. remuneration to the Executive Board and the Board of Directors is disclosed in total.

The Company's Long-Term Incentive plan (L TI plan) offered to the Executive Board and senior officers consists of a performance share plan and a restricted share rights plan. Performance shares are a conditional award of free shares at the start of a three-year performance period. The number of shares that will vest, i.e. will be delivered, after three years depends on the Groups performance against specific goals, assessed at the end of the performance period and provided that the person is still employed at the vesting date. Restricted share rights are the rights to receive shares for free three years after the award date provided the person is still employed with the Group at that time.

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3 Depreciation, amortisation and impairment

DKK'000	1. jan – 31. dec 2017	7. jul 2015 – 31. dec 2016
Intangible assets	3,739	3,428
Property, plant and equipment	5,473	3,072
Impairment of property, plant and equipment	0	312
	9,212	6,812

4 Financial expenses

Interest expense to group entities	829	1,828
Other financial costs	229	29
	1,058	1,857

5 Tax on profit/loss for the year

Current tax for the year	1,952	3,794
Deferred tax for the year	232	-3,904
	2,184	-110

6 Proposed profit appropriation/distribution of loss

Retained earnings	7,854	-986

7 Intangible assets

DKK'000	Acquired customer rights
Cost at 1 January 2017	18,697
Cost at 31 December 2017	18,697
Amortisation and impairment losses at 1 January 2017	-3,428
Amortisation for the year	-3,739
Amortisation and impairment losses at 31 December 2017	-7,167
Carrying amount at 31 December 2017	11,530

Financial statements 1 January – 31 December

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8 Property, plant and equipment

DKK'000	Property, plant and equipment in progress	Fixtures and fittings, tools and equipment	Leasehold improvements	Total
Cost at 1 January 2017	43	5,586	12,845	18,474
Additions for the year	178	2,266	0	2,444
Cost at 31 December 2017	221	7,852	12,845	20,918
Depreciation and impairment losses at 1 January 2017	0	-1,594	-1,790	-3,384
Depreciation for the year	0	-1,357	-4,116	-5,473
Depreciation and impairment losses at 31 December 2017	0	-2,951	-5,906	-8,857
Carrying amount at 31 December 2017	221	4,901	6,939	12,061
Assets held under finance leases	0	123	0	123

9 Investments

DKK'000	Deposits
Cost at 1 January 2017	2,400
Cost at 31 December 2017	2,400
Carrying amount at 31 December 2017	2,400

10 Inventories

DKK'000	2017	2016
Raw materials and consumables	6,978	5,147
Work in progress	18	88
Finished goods and goods for resale	2,680	519
	9,676	5,754

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Notes

11 Deferred tax asset

DKK'000	2017	2016
Deferred tax asset at the beginning of the period	3,904	0
Amounts recognised in the income statement for the year	-232	3,904
	3,672	3,904
Deferred tax can be specified as follows:		
Intangible assets	401	166
Property, plant and equipment	211	-114
Provisions	3,060	3,852
	3,672	3,904

12 Prepayments

Prepayments are costs paid regarding subsequent years, like rent, insurances and subscriptions.

13 Equity

The share capital consists of 3,500 shares of a nominal value of TDKK 1,000. The share capital was TDKK 500 as of 7 July 2015 and was increased with a capital increase in 2015/16 of TDKK 3,000 to the total of TDKK 3,500.

All shares rank equally.

14 Other Provisions

The Company provides warranties on some of its products and is therefore obliged to repair or replace goods which are not satisfactory. Based on previous experience in respect of the level of repairs and returns, other provisions of tDKK 6,333 have been recognised for expected warranty claims. Moreover, the Company has recognised other provisions of TDKK 5,771 regarding onerous contracts and decommissioning obligations.

DKK'000	Within 1 year	Between 1 and 5 years	Total
The provisions are expected to mature as follows:	5,514	6,590	12,104
	5,514	6,590	12,104

Financial statements 1 January – 31 December

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15 Non-current liabilities other than provisions

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

DKK'000	2017	2016
Between 1 and 5 years	184	184
Short-term part	65	65
	249	249

16 Contractual obligations, contingencies, etc.

Contingent liabilities

The Company was jointly taxed with the Philip Group's other Danish entities until November 2017. The Company is jointly and severally liable for tax on the Group's jointly taxed income and withholding taxes on dividend, interest and royalties within the joint taxation group until November 2017.

The company is jointly liable by surety for the Group's banking facilities.

The Company is party in a few pending disputes due to nature of the its business. In Management's opinion, these disputes will not affect the Company's financial position beyond the obligations which are recognised in the balance sheet at 31 December 2017.

DKK'000	2017	2016
Operating lease obligations		
Obligations regarding premises and cars, period of non-terminability up to 5 years	21,993	34,069

17 Related party disclosures

Philips Lighting Denmark A/S' related parties comprise the following:

Control

Philips Lighting Holding B.V., Holland

Philips Lighting Holding B.V., holds the majority of the share capital in the Company

Philips Lighting Holding B.V. is the largest group in which the Company is included as a subsidiary.

The Group Annual Report of Philips Lighting Holding B. V. may be obtained at the following address:

High Tech Campus 45, 5656AE Eindhoven, Holland

Financial statements 1 January – 31 December

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Related party transactions

Transactions with related parties for the year comrpise the following:

The sale of goods to group entities, TDKK 55,217

The sale of services to group entities, TDKK 9

The purchase of goods from group entities, TDKK 314,129

The purchase of services from group entities, TDKK 1,281

Interest expenses to group entities, TDKK 829

Receivables from group entities, TDKK 8,784

Payables to group entities, short term, TDKK 52,802