

Rodenstock Danmark A/S

Annual report 2016

The annual report was presented and adopted at the
Company's annual general meeting
on 21st April 20 17
chairman Jørgen Greve

Contents

Statement by the Board of Directors and the Executive Board	2
Independent auditor's report	3
Management's review	6
Operating review	6
Financial statements 1 January – 31 December	7
Income statement	7
Balance sheet	8
Notes	10

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 Rodenstock Danmark 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.

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.


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 should be approved at the annual general meeting.

Aarhus, 31 March 2017.

Executive Board:




Thomas Grouleff

Jørgen Greve

Board of Directors:



Robert Eric Oliver
Kastalio
Chairman

Thomas Grouleff

Peter Michael Andreas
Kleer



Independent auditor's report

To the shareholders of Company B

Opinion

We have audited the financial statements of Rodenstock Danmark 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.



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 financial statement 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



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.

Aarhus, 31 March 2017

KPMG

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98

A handwritten signature in blue ink, appearing to read 'Jakob Westerdahl', written over a vertical line.

Jakob Westerdahl
State Authorised
Public Accountant

Management's review

Operating review

Principal activities

Rodenstock Danmark A/S' business activity is to purchase and sell ophthalmic optics to the Danish market.

Development in the year

The income statement for 2016 shows a profit of DKK 1,160,179 as against DKK 2,741,222 last year. The balance sheet shows equity of DKK 10,301,401. In line with last year, 2016 was characterised by a declining market in which Rodenstock maintained its share. The cost structure was consistent with the structure in 2015. The Company performed satisfactorily in 2016. Also in 2017, positive earnings are expected.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Financial statements 1 January – 31 December

Income statement

DKK	Note	<u>2016</u>	<u>2015</u>
Gross profit		13,654,077	16,323,080
Staff costs	2	-11,967,602	-12,309,401
Depreciation on, amortisation of and impairment losses on property, plant and equipment and of intangible assets		<u>-81,814</u>	<u>-362,660</u>
Operating profit		1,604,661	3,651,019
Financial income	3	18,952	21,052
Financial expenses	4	<u>-72,190</u>	<u>-106,347</u>
Profit before tax		1,551,423	3,565,724
Tax on profit for the year		<u>-391,244</u>	<u>-824,502</u>
Profit for the year		<u>1,160,179</u>	<u>2,741,222</u>
Proposed profit appropriation			
Retained earnings		<u>1,160,179</u>	<u>2,741,222</u>
		<u>1,160,179</u>	<u>2,741,222</u>

Financial statements 1 January – 31 December

Balance sheet

DKK	Note	<u>2016</u>	<u>2015</u>
ASSETS			
Non-current assets			
Intangible assets			
Software		<u>23,685</u>	<u>48,500</u>
		<u>23,685</u>	<u>48,500</u>
Property, plant and equipment			
Fixtures and fittings, tools and equipment		0	937
Leasehold improvements		<u>87,593</u>	<u>115,233</u>
		<u>87,593</u>	<u>116,170</u>
Investments			
Deposits		<u>498,775</u>	<u>498,775</u>
Total non-current assets		<u>610,053</u>	<u>663,445</u>
Current assets			
Inventories			
		<u>1,156,390</u>	<u>1,653,291</u>
Receivables			
Trade receivables		12,814,094	13,218,577
Receivables subsidiaries		1,263,513	103,538
Other receivables		5,369	5,171
Deferred tax assets		752,146	1,143,390
Prepayments		<u>281,777</u>	<u>247,499</u>
		<u>15,116,899</u>	<u>14,718,175</u>
Cash at bank and in hand			
		<u>875,796</u>	<u>2,659,568</u>
Total current assets		<u>17,149,085</u>	<u>19,031,034</u>
TOTAL ASSETS		<u>17,759,138</u>	<u>19,694,479</u>

Financial statements 1 January – 31 December

Balance sheet

DKK		<u>2016</u>	<u>2015</u>
EQUITY AND LIABILITIES	Note		
Equity			
Share capital		6,400,000	6,400,000
Retained earnings		<u>3,901,401</u>	<u>2,741,222</u>
Total equity		<u>10,301,401</u>	<u>9,141,222</u>
Provisions			
Other provisions		<u>397,672</u>	<u>396,371</u>
Total provisions		<u>397,672</u>	<u>396,371</u>
Liabilities other than provisions			
Current liabilities other than provisions			
Trade payables		155,976	227,621
Payables to subsidiaries		2,759,340	5,559,916
Other payables		<u>4,144,749</u>	<u>4,369,349</u>
Total current liabilities other than provisions		<u>7,060,065</u>	<u>10,156,886</u>
Total liabilities other than provisions		<u>7,060,065</u>	<u>10,156,886</u>
TOTAL EQUITY AND LIABILITIES		<u>17,759,138</u>	<u>19,694,479</u>

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of Rodenstock Danmark A/S for 2016 has been presented in accordance with the provisions applying to reporting class B entities under the Danish Financial Statements Act.

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.

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

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

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 recognized in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies 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

Gross profit

With reference to section 32 of the Danish Financial Statements Act, the items 'Revenue', 'Cost of sale', 'Other external costs' and 'Other operating income' are aggregated into one item named "Gross profit".

Financial statements 1 January – 31 December

Notes

1 Accounting policies (Continued)

Revenue

Income from the sale of goods for resale and finished goods is recognized in revenue at the date of delivery and when the risk is transferred to the buyer provided that the income can be measured reliably and is expected to be received.

Revenue is measured net of all types of discounts/rebates granted. Also, revenue is measured net of VAT.

Cost of sales

Cost of sales comprises costs incurred to generate revenue for the year. This item also comprises direct costs for goods for resale and changes to inventory of goods for resale.

Other external costs

Other external costs comprise costs relating to the entity's core activities, including costs relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, et

Staff costs

Staff costs include wages and salaries, including compensated absence and pensions, as well as other social security contributions, etc. made to the entity's employees. The item is net of refunds made by public authorities.

Financial income and expenses

Financial income and expenses are recognized in the income statement at the amounts relating to the financial year. Financial income and expenses comprise interest income and interest expense, costs relating to finance leases, realized and unrealized gains and losses on securities, payables and transactions in foreign currencies, amortization of financial assets and liabilities as well as

Tax on profit/loss for the year

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (Continued)

Balance sheet

Intangible assets

Software is measured at cost less accumulated amortisation and impairment losses.

The basis of depreciation is cost less any projected residual value after the end of the useful life. Depreciation is provided on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Software	5 years
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Gains and losses on the disposal of intangible assets are determined 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 income or other operating costs, respectively.

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost comprises the purchase price and costs directly related to the acquisition until the date on which the asset is ready for use.

Leasehold improvements and 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 on which the asset is available for use. Indirect production overheads and borrowing costs are not recognised in cost.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (Continued)

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

The basis of depreciation is cost less any projected residual value after the end of the useful life. Depreciation is provided on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Leasehold improvements	5 years
Fixtures 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 property, 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 income or other operating costs, respectively.

Impairment of assets

Every year, intangible assets and property, plant and equipment are tested for indications of impairment. Where there is evidence of impairment, an impairment test is made for each individual asset or group of assets, respectively, generating independent cash flows.

The assets are written down to the higher of the value in use and the net selling price of the asset or group of assets (recoverable amount) if it is lower than the carrying amount. Where an impairment loss is recognised on a group of assets, a loss must initially be allocated to goodwill and then to the other assets on a pro rata basis.

Inventories

Inventories are measured at the lower of cost, measured by reference to the FIFO method, and net realisable value.

Goods for resale are measured at cost, which comprises the cost of acquisition plus delivery costs as well as other costs directly attributable to the acquisition.

The net realisable value of inventories is calculated as the selling price 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.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (Continued)

Receivables

Receivables are measured at amortised cost which usually corresponds to nominal value.

Write-downs are made for bad debts on the basis of objective evidence that a receivable or a group of receivables are impaired. Write-downs are made to the lower of net realisable value and the carrying amount.

Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

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 measured on the planned use of the asset or settlement of the liability.

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

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.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (Continued)

Provisions

Provisions comprise anticipated costs of warranty costs. Provisions are recognised when, as a result of past events, the Company has a legal or a constructive obligation, and it is probable that there may be outflow of resources embodying economic benefits to settle the obligation. Provisions are measured at value in use.

Warranties comprise obligations to make good any defects within the warranty period. Provisions are recognised based on the Company's experience with warranties. Provisions expected to be maintained for more than one year from the balance sheet date are discounted at a rate reflecting risk and the due date for payment.

Liabilities other than provisions

Financial liabilities are recognised at the date of borrowing at cost, corresponding to the proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. 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.

Financial statements 1 January – 31 December

Notes

DKK	<u>2016</u>	<u>2015</u>
2 Staff costs		
Wages and salaries	10,680,163	10,981,215
Pensions	942,561	971,569
Other social security costs	175,382	177,866
Other staff cost	<u>169,496</u>	<u>178,751</u>
	<u>11,967,602</u>	<u>12,309,401</u>
Average number of full-time employees	<u>22</u>	<u>24</u>
3 Financial income		
Interest income from group affiliates	7,132	8,787
Other financial expense	<u>11,820</u>	<u>12,265</u>
	<u>18,952</u>	<u>21,052</u>
4 Financial expenses		
Interest expense to group affiliates	24,932	79,207
Other financial expense	<u>47,258</u>	<u>27,140</u>
	<u>72,190</u>	<u>106,347</u>

Financial statements 1 January – 31 December

Notes

5 Contingent assets, liabilities and other financial obligations

Lease and rent obligations

Rent and lease liabilities amounted to DKK 1,760 thousand for 2016 (2015: DKK 2,050 thousand). The remaining term of the lease and rent is between 1-34 months.

Contingent assets

In 2014, the Company sold a property. As part of the transaction, it was agreed with the buyer that the purchase price is to be adjusted if the buyer is granted permission by the local authorities to carry out a planned construction project. No information has been provided on local development plans, etc. rendering possible a reliable purchase price allocation since last year.

6 Mortgages and collateral

No collateral was provided for loans at 31 December 2016.

7 Related parties and ownership

Rodenstock Danmark A/S' related parties comprise the following:

Ownership

The following shareholders are recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

European Optical Manufacturing S.a.r.l.
174, Route de longwy,
L1940 Luxembourg

The consolidated financial statements of European Optical Manufacturing S.a.r.l. can be obtained at the address above or on the Parent Company's website.