

# **LEDVANCE A/S**

Dybendalsvænget 3  
2630 Taastrup

Annual report  
1 October 2015 - 30 September 2016

**The annual report has been presented and  
approved on the company's general meeting the**

**03/02/2017**

**Markus Emmert**  
**Chairman of general meeting**

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# Company information

**Reporting company** LEDVANCE A/S  
Dybendalsvænget 3  
2630 Taastrup

Phone number: 43399000

CVR-nr: 63933414

Reporting period: 01/10/2015 - 30/09/2016

**Main financial institution** Danske Bank A/S

Holmens Kanal 2-12  
1092 København K  
DK Danmark

**Auditor** ERNST & YOUNG GODKENDT REVISIONSPARTNERSELSKAB

Osvald Helmuths Vej 4  
2000 Frederiksberg  
DK Danmark

CVR-nr: 30700228

P-number: 1013415044

# Statement by Management

## **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 Ledvance A/S for the financial year 1 October 2015 - 30 September 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 financial position at 30 September 2016 and of the results of the Company's operations for the financial year 1 October 2015 - 30 September 2016

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

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

Taastrup, the 03/02/2017

## **Management**

Erik Hasle Korslund  
CEO

## **Board of directors**

Markus Gregor Emmert  
CFO Nordic, Chairman

Erik Hasle Korslund  
CEO

Hanne Gitte Lungholt  
CFO

# The independent auditor's report on financial statements

## Opinion

In our opinion, the financial statements give a true and fair view of the Company's financial position at 30 September 2016 and of the results of its operations for the financial year 1 October 2015 - 30 September 2016 in accordance with the Danish Financial Statements Act.

## Basis for opinion

We have audited the financial statements of Ledvance A/S for the financial year 1 October 2015 - 30 September 2016 which comprise income statement, balance sheet and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

## Responsibilities of management for the financial statements

Management is responsible for the preparation of the 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 the financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation of financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit has not resulted in any qualification.

## Statement on the management's review

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any other procedures in addition to the audit of the financial statements.

On this basis, it is our opinion that the information provided in the Management's review is consistent with the financial statements.

Copenhagen, 03/02/2017

Søren Gammelgaard  
State Authorized Public Accountant  
ERNST & YOUNG GODKENDT  
REVISIONSPARTNERSELSKAB  
CVR: 30700228

Allan Nørgaard  
State Authorized Public Accountant  
ERNST & YOUNG GODKENDT  
REVISIONSPARTNERSELSKAB  
CVR: 30700228

# Management's Review

## Main Activities

The Company's main activity is the sale of lamps on the Danish market incl. Greenland and the Faroe Islands.

## Development in activities and economic conditions

As per July 2016 the former Osram A/S has been renamed into Ledvance A/S. At the same time a part of Ledvance A/S has been carved out and a new company named Osram A/S has been founded. Both legal entities belong to the

same Group and will therefore be subject to joined taxation.

The current annual report presents the numbers including all Osram A/S activities from 01 October 2015 until 30 June

2016 and the Ledvance A/S activities from 01 July until 30 September 2016-

The impact to the financial statement of the carve-out is a gain of DKK 25,209 thousand which has been recognised in

the income statement as other operating income.

The development of the Company must be regarded as satisfactory. The result is highly influenced by the goodwill

taxation and goodwill payment in connection with the carve out of the Osram activities. Further it is influenced by the

general economic development in Denmark and the strong competition from Asia, especially on our new product line.

However progress in turnover can be noted. The year's result is DKK thousand 25,157 compared to DKK thousand

1,831 in the previous year. The net capital is DKK thousand 29,209 compared to that of the previous year of DKK thousand 9,052.

## Environmental conditions

A Directive was passed in the EU in 2003 regarding the handling of electronic scrap (WEEE). Ledvance A/S is a part of

a trade co-operation to solve tasks within this area.

## Exchange risks

The exchange risks of the company in connection with purchase of merchandise are secured by entering into a

hedging agreement for a period of six months ahead.

Expectations for the future.

There is a signed contract with Chinese Company MLS to purchase Ledvance worldwide including the Danish company. The change of control is expected in the business year 2016/17. Because of extended product

portfolio the expectations for the next year are positive.

# Accounting Policies

The annual report has been prepared in accordance with the regulation applying to Reporting class B.

## Generally

The Annual Report for Ledvance A/S for 2015/16 has been prepared in agreement with the Danish Financial Statements Act for a Class B company.

The Annual Report is drawn up according to the same accounting principles as those used in the previous year.

## Balance sheet

General comments about recognition and measurement

Assets are included in the balance sheet, if it is likely that future economic advantages will accrue in the company

and the value of the asset can be calculated accurately.

Liabilities are included in the balance sheet, if it is likely that future economic advantages will be deducted from

the company and the value of the liability can be calculated accurately.

The assets and liabilities are initially included at cost price.

Subsequently, the assets and liabilities are calculated as described for each financial record below.

In recognition and measuring, profits, losses and risks are taken into account which arise before the Annual Report is submitted and which confirm or deny conditions which are in existence on the date

the balance sheet is made.

Assets are included in the income statement as the assets are earned. Furthermore, all costs are included which arise to achieve the earnings for the year, including depreciations, write-offs and liabilities as well as reversals which are a result of changed accounting estimates of amounts which have been included in an Annual Report in previous years.

## Conversion of foreign currency

Transactions in foreign currency are converted the first time they occur at a fixed calculation rate.

Differences in exchange rates, which arise between the time of calculation of merchandise and the actual exchange rate at the time of payment, are included in the income statement as cost of sales.

Outstanding amounts, liabilities, and other monetary entries in foreign currency are calculated at the exchange rate on the date of the income statement.

The difference in the exchange rate on the date of the income statement and the exchange rate on the actual date

when the amount or debt arose or was included in the previous year's Annual Reports is included in the report

as cost of sales.

Fixed assets, which are bought in foreign currency, are converted at the exchange rate valid on the date of the transaction.

## Income statement

### Net revenue

The net revenue from sale of commodities and finished products are included in the income statement, provided that delivery and risk transfer to the buyer has taken place before the end of the year and provided that the income can be calculated reliably and can be expected to be received.

The net revenue is included exclusive of VAT, duties and discounts in connection with the sale.

### Cost of sales

Cost of sales includes direct expenses for products, exchange rate regulations and



any other processing expenses.

### **Selling expenses**

Selling expenses include expenses which have arisen in regard to distribution of merchandise sold and expenses regarding sales promotions carried out during the year, etc.

Also included are expenses for management and personnel, advertising and exhibition expenses and depreciations.

### **Administrative expenses**

Administrative expenses include expenses which have arisen during the course of the year for the administration of the company, including expenses for administrative personnel, IT and office expenses and depreciation.

### **Financial income and expenses**

Financial income and expenses include interest and extra charges and reimbursements under the tax-on account scheme, etc.

### **Other operating income**

Other operating income and operating expenses comprise items of a secondary nature relative to the entity's core activities, including gains or losses on sale of business activities.

### **Income tax resulting from the result of the year**

The income tax for the year, which consists both of the actual and the deferred tax for the year are included in the income statement as that part which can be related to the year's income and directly in the equity which can be related to postings.

The tax which is included in the income statement is classified either as tax resulting from ordinary activities or tax resulting from extraordinary items.

The tax effect of the joint taxation is distributed to profit and loss making companies in proportion to their taxable income.

## **Balance Sheet**

### **Fixed assets**

Machinery and inventory is recognized at cost price with a deduction for accumulated depreciation and write-offs.

The cost price corresponds to the purchase price and also includes any expenses directly connected to the purchase until the asset is ready for use. Linear depreciations are made on the basis of the expected time of use, based on an evaluation of the assets at time of use. The expected time of use for machinery and inventory is set at from three to ten years.

Depreciations are included in the income statement under selling and administrative expenses, respectively. Fixed assets are depreciated at repurchase value, on condition that this is lower than the accounting value. Profit and loss from sale of fixed assets are calculated as the difference between the sales price with deduction of sales expenses and the accounting value at the time of the sale. The profit or loss is included in the income statement under selling and administrative expenses, respectively.

### **Receivables**

Accounts receivable are taken as amortised costs. These amounts are written off to prevent expected loss at net realization value.

### **Accruals**

Accruals included as assets consist of expenses which are connected to the coming financial year.

**Equity - Dividend**

Proposed dividend is taken as a commitment at the time of being approved at the General Assembly (time of declaration). The profit, which is expected to be paid out for the year, is shown as a separate item under the equity.

**Current tax and deferred tax**

Deferred tax payments are treated in accordance with the balance sheet liability of all temporary differences between the accounted and the taxable value of assets and liabilities. However deferred tax is not included for temporary differences regarding tax purposes, non-depreciable goodwill and office buildings or other items where temporary differences – apart from company take-overs – have arisen at the time of acquisition without having any effect on the result or taxable income. In cases where the calculation of tax value can be made on the basis of various taxable rules, deferred tax is included on the basis of the planned use made by Management of the asset or the liquidation of the liability.

Deferred tax assets, including the tax value of tax loss carry forwards are included as long-term assets with the value, for which they are intended to be used either by balancing out tax of future earnings or by setting off deferred tax commitments within the same legal tax entity or jurisdiction.

Deferred tax is included on the basis of the taxation laws and taxation rates which are valid on the date of the preparation of the income statement when the deferred tax is expected to be activated as actual taxation.

**Other accrued liabilities**

Accrued liabilities include expected costs as guaranteed responsibilities. Accrued liabilities are included whenever the company as a result of a previous occurrence has a legal or actual responsibility and it is likely that redemption of the responsibility will cause a consumption of the economic resources of the company.

Guaranteed responsibilities include responsibilities to carry out repairs within a guarantee period from one to five years.

These responsibilities are calculated and included on basis of experience with work under guarantee.

**Liabilities**

Liabilities are calculated at net realizable value.

**Accruals**

Accruals. Payments received regarding earnings in the coming years, are included

**Cash funds**

Cash includes cash reserves and short term securities which can be realized as cash reserves without any hindrances and where there is only a minimal risk of change in value

# Income statement 1 Oct 2015 - 30 Sep 2016

	Disclosure	2015/16 kr.	2014/15 kr.
Revenue .....		162,501,000	183,784,000
Cost of production .....		-129,487,000	-157,210,000
<b>Gross Result .....</b>		<b>33,014,000</b>	<b>26,574,000</b>
Distribution costs .....		-20,838,000	-20,103,000
Administrative expenses .....		-4,959,000	-3,814,000
Other operating expenses .....	1	25,209,000	
<b>Profit (loss) from ordinary operating activities .....</b>		<b>32,426,000</b>	<b>2,657,000</b>
Other finance income .....	2	1,000	2,000
Other finance expenses .....	3	-74,000	-112,000
<b>Profit (loss) from ordinary activities before tax .....</b>		<b>32,353,000</b>	<b>2,547,000</b>
Tax expense .....	4	-7,196,000	-716,000
<b>Profit (loss) .....</b>		<b>25,157,000</b>	<b>1,831,000</b>
<b>Proposed distribution of profit (loss)</b>			
Proposed dividend recognised in equity .....		25,157,000	1,831,000
<b>Gross .....</b>		<b>25,157,000</b>	<b>1,831,000</b>

# Balance sheet 30 September 2016

## Assets

	Disclosure	2015/16	2014/15
		kr.	kr.
Land and buildings .....		49,000	90,000
Fixtures, fittings, tools and equipment .....		180,000	166,000
<b>Property, plant and equipment .....</b>		<b>229,000</b>	<b>256,000</b>
<b>Total non-current assets .....</b>		<b>229,000</b>	<b>256,000</b>
Trade receivables .....		14,292,000	22,708,000
Receivables from group enterprises .....		29,593,000	1,810,000
Current deferred tax assets .....		309,000	388,000
Other receivables .....		0	189,000
Deferred income assets .....		170,000	503,000
<b>Receivables .....</b>		<b>44,364,000</b>	<b>25,598,000</b>
Cash and cash equivalents .....		2,571,000	2,253,000
<b>Current assets .....</b>		<b>46,935,000</b>	<b>27,851,000</b>
<b>Total assets .....</b>		<b>47,164,000</b>	<b>28,107,000</b>

# Balance sheet 30 September 2016

## Liabilities and equity

	<b>Disclosure</b>	<b>2015/16</b>	<b>2014/15</b>
		<b>kr.</b>	<b>kr.</b>
Contributed capital .....		2,000,000	2,000,000
Other reserves .....		0	2,052,000
Proposed dividend .....		27,209,000	5,000,000
<b>Total equity .....</b>	<b>5</b>	<b>29,209,000</b>	<b>9,052,000</b>
Other provisions .....		1,210,000	1,473,000
<b>Provisions, gross .....</b>	<b>6</b>	<b>1,210,000</b>	<b>1,473,000</b>
Trade payables .....		2,150,000	2,258,000
Payables to group enterprises .....		1,772,000	5,949,000
Tax payables .....		7,120,000	303,000
Other payables, including tax payables, liabilities other than provisions .....		5,703,000	9,072,000
<b>Short-term liabilities other than provisions, gross .....</b>		<b>16,745,000</b>	<b>17,582,000</b>
<b>Liabilities other than provisions, gross .....</b>		<b>16,745,000</b>	<b>17,582,000</b>
<b>Liabilities and equity, gross .....</b>		<b>47,164,000</b>	<b>28,107,000</b>

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# Disclosures

## 1. Other operating expenses

Other operating income consists of gain from carve-out of activities to the newly founded Osram A/S.

The gain mainly arises from goodwill identified as part of the fair value of the carved out activities.

## 2. Other finance income

	<b>2015/16</b>	<b>2014/15</b>
	<b>kr.</b>	<b>kr.</b>
Interest from affiliated companies	1,000	0
Other interest	0	2,000
	<u>1,000</u>	<u>2,000</u>

## 3. Other finance expenses

	<b>2015/16</b>	<b>2014/15</b>
	<b>kr.</b>	<b>kr.</b>
Interest from affiliated companies	-26,000	-82,000
Other interest	-48,000	-30,000
,	<u>-74,000</u>	<u>-112,000</u>

## 4. Tax expense

	<b>2015/16</b>	<b>2014/15</b>
	<b>kr.</b>	<b>kr.</b>
Current tax	-7,117,000	-300,000
Changes in deferred tax	-79,000	-416,000
	<u>-7,196,000</u>	<u>-716,000</u>

## 5. Total equity

	<b>Contributed capital</b>	<b>Reserve for net revaluation according to equity method</b>	<b>Retained earnings</b>	<b>Proposed dividend</b>	<b>Total</b>
	<b>kr.</b>	<b>kr.</b>	<b>kr.</b>	<b>kr.</b>	<b>kr.</b>
Balance, beginning of year	2,000,000	0	2,052,000	5,000,000	9,052,000
Distributed ordinary dividends	0	0	0	-5,000,000	-5,000,000
Profit (loss)	0	0	25,127,000	27,209,000	-2,052,000
<b>Equity, end of year</b>	<b>2,000,000</b>	<b>0</b>	<b>27,209,000</b>	<b>27,209,000</b>	<b>2,000,000</b>

## 6. Provisions, gross

### Guarantee

Ledvance A/S offers a guarantee of certain products, a provision of DKK 1,143,000,- has been made for this purpose.

(2015/15 DKK 1,400,000,-) was set aside for expected guarantee demands on the basis of previous experiences.

## 7. Disclosure of contingent liabilities

The company has entered into contractual commitments regarding leases and operational leasing contracts for a total of DKK 3,399,000 (DKK 3,340,000 in 2014/15), DKK 496,000 (DKK 1,620,000 in 2014/15) relates to the company's lease at Dybendalsvænget 3, 2630 Taastrup. The company has twelve months' notice on this lease.

The company has since 16 November 2015 been jointly taxed with the sister company Osram A/S. The Company is jointly liable with its sister company for Danish corporation taxes and withholding taxes on dividends, interest and royalties in the joint taxation. Any subsequent corrections of the taxable income subject to joint taxation may entail that the Company's liability will increase.

## 8. Disclosure of ownership

### Ownership

The Company has registered the following shareholders holding more than 5% of the voting rights or nominal value:

Ledvance GmbH, Parkring 29-33, 85748 Garching bei München, Germany

The Company accounts can be obtained by contacting the Company or at our homepage [www.Ledvance.com](http://www.Ledvance.com)

## 9. Disclosure of deferred tax assets and liabilities

	<b>2015/16</b>	<b>2014/15</b>
	<b>kr.</b>	<b>kr.</b>
<b>Deferred tax assets</b>		
Balance as of 1 October	-388,000	-805,000
Movements	79,000	-416,000
Balance as of 30 September	<b>-309,000</b>	<b>-388,000</b>
<b>The company's deferred tax assets</b>		
Fixed assets	-65,000	-55,000
Current assets	7,000	-25,000
Current liabilities	-251,000	-308,000
	<b>-309,000</b>	<b>-388,000</b>

## 10. Disclosure of scope and nature of derivative financial instruments

As a part of securing foreign currency risks in connection with purchase of merchandise, LEDVANCE A/S has made hedging agreements regarding the next three months' expected purchases of merchandise which is 0 (2014/15 DKK thousand 76,724). The value of the foreign currency adjustment on these contracts amounts to 0 (2014/15 DKK thousand -46) and is included in the Annual Report as "Other liabilities".