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Lampenwelt GmbH, Schlitz
<b>company</b>
<b>information</b>
<b>designation</b>
Language: German

### Lamp World GmbH

#### slot

Annual financial statements for the business year from 01/01/2016 to 12/31/2016

Management report FOR the 2016 financial year

#### Lampenwelt GmbH, Schlitz

##### 1. Presentation of the overall economic situation

The German economy was able to pick up speed again in 2016, with gross domestic product (GDP) growing by almost 2% compared to the already strong previous years (1.6% and 1.7%). The economy defied the many uncertainties that arose over the course of the year. Neither Brexit nor the tough US election campaign and its surprising outcome or the ongoing political uncertainty in the euro zone have noticeably slowed the German economy. It was even able to cope with the persistent weakness of world trade, the growth of which more than halved in 2016.

This was achieved thanks to the robust domestic growth forces, which were reinforced by a few temporary factors. The real purchasing power of consumers benefited from the weak inflation and, as in the previous year, drove private consumption to an increase of around 2%. State consumption even grew by over 4% and thus even more strongly than during the economic and financial crisis. Expenditures to care for and accommodate the refugees are likely to have played an important role. The strong construction activity did the rest for the domestic economy.

In contrast, foreign trade slowed the economy significantly. Export growth fell from over 5% in 2015 to around 2% in 2016. The slowdown was broad-based; however, the main drag was the falling demand from the USA. As a result, companies barely expanded their investments and even recorded quarters with noticeably declining equipment investments over the course of the year - a mortgage for 2017 - which was probably also due to the considerable political uncertainty.

At just under 2%, overall economic growth was in line with our expectations a year ago; however, the divergence between the domestic economy and foreign trade turned out to be much more pronounced than expected.

The German economy should shift down a gear in 2017. We forecast a growth rate of 1.1%. Although this is almost halving the growth, around half is due to a working day effect. If this is excluded, growth only slows down from 1.8% to 1.4%. However, this would still be above the medium-term potential rate, which results in view of Germany's demographic prospects and productivity development. The slowdown is

based on our expectation that the strong tailwind for private and government consumption will wane due to rising inflation and the severely restricted immigration of refugees. Inflation is likely to rise from 0.5% to 1.6%, driven by the oil price-related rise in energy prices. In addition, we assume that refugee immigration will continue to be similar to that in autumn 2016 (16,000 per month), i.e. significantly less than in autumn 2015 (180,000 per month). With growth of a good one percent, private consumption should remain the most important pillar of the economy thanks to the persistently robust situation on the labor market combined with the increase in the minimum wage. Government consumption and construction investments should also grow by a good 2% more than the average for the last five years, thus driving the domestic economy. In addition, we assume that refugee immigration will continue to be similar to that in autumn 2016 (16,000 per month), i.e. significantly less than in autumn 2015 (180,000 per month). With growth of a good one percent, private consumption should remain the most important pillar of the economy thanks to the persistently robust situation on the labor market combined with the increase in the minimum wage. Government consumption and construction investments should also grow by a good 2% more than the average for the last five years, thus driving the domestic economy. In addition, we assume that refugee immigration will continue to be similar to that in autumn 2016 (16,000 per month), i.e. significantly less than in autumn 2015 (180,000 per month). With growth of a good one percent, private consumption should remain the most important pillar of the economy thanks to the persistently robust situation on the labor market combined with the increase in the minimum wage. Government consumption and construction investments should also grow by a good 2% more than the average for the last five years, thus driving the domestic economy. With growth of a good one percent, private consumption should remain the most important pillar of the economy thanks to the persistently robust situation on the labor market combined with the increase in the minimum wage. Government consumption and construction investments should also grow by a good 2% more than the average for the last five years, thus driving the domestic economy. With growth of a good one percent, private consumption should remain the most important pillar of the economy thanks to the persistently robust situation on the labor market combined with the increase in the minimum wage. Government consumption and construction investments should also grow by a good 2% more than the average for the last five years, thus driving the domestic economy.

Overall, the outlook for the German export industry is mixed. While the global economy should grow faster in 2017, the economy in Europe is likely to slow down. In view of the very high share of this region in German exports, this means that demand is only marginally upward.

Overall, we expect a similar meager export increase for Germany as in 2016, which, together with the ongoing uncertainty, results in an unfavorable investment environment and should dampen industrial production. We expect equipment investments to decline in 2017 despite above-average capacity utilization and a moderate increase in industrial production of just under 1%. However, this should hardly affect the state budget. Thanks to the robust domestic economy, Germany should again generate a small budget surplus.

The global economy should pick up speed in 2017. After around 3% growth in 2016, it could increase by around 3.5% in 2017 - the highest growth rate since 2011. This development is mainly supported by a stronger US economy and by Russia and Brazil, which we assume will be theirs Leaving the recession behind, even if its growth rates should remain moderate overall. The latter countries, like many other commodity-exporting emerging and developing countries, are likely to benefit from rising oil and other commodity prices after prices have been under severe pressure in the past two years. But the global upturn is also likely to solidify beyond these countries. Around two thirds of the countries forecast by research departments of German banks such as Deutsche Bank AG are likely to grow faster in 2017 than in the previous year. In 2016, that was the case for less than half.

The outlook for the USA, one of the reporting company's key export countries, is positive overall. With an increase of around 1.5% in 2016, the US economy probably achieved the lowest growth since the recession in 2009. The two substantial headwinds - the correction of high inventories and the low oil price - which slowed investments in 2015 and 2016, but should decrease noticeably in 2017. In addition, thanks to rising wages, consumption should increase significantly and the plans of the new US government should have a stimulating effect, especially in the second half of the year. US GDP growth could thus rise to around 2.3% in 2017 and even 3.5% in 2018.

Europe, another important market for the reporting company, is the only region in which growth in 2017 is likely to be noticeably lower than in 2016. We expect an increase of 1.3% for the euro zone after 1.7% and almost 2% in both Years ago. The economy in Great Britain is also likely to weaken, which is likely to have a noticeably negative effect on German companies due to the sharp devaluation of the British pound. We see four main reasons for slower growth in the eurozone: After the collapse in the oil price has supported real incomes in the past two years, inflation, which is slowly normalizing, is now becoming a headwind. At the same time, the recovery in the labor market has not progressed far enough for stronger increases in wages to compensate for this. The second headwind is weak growth in credit to the real economy. Most recently it had stabilized at a low level, which indicates that the domestic economy is slowing. We also expect less impetus from fiscal policy, after having made a positive contribution to growth in Germany in 2016 thanks to expansionary policies. The last factor is the high level of political uncertainty, which, as in Germany, is likely to dampen companies' willingness to invest. than that higher wages could compensate for this. The second headwind is weak growth in credit to the real economy. Most recently it had stabilized at a low level, which indicates that the domestic economy is slowing. We also expect less impetus from fiscal policy, after having made a positive contribution to growth in Germany in 2016 thanks to expansionary policies. The last factor is the high level of political uncertainty, which, as in Germany, is likely to dampen companies' willingness to invest. than that higher wages could compensate for this. The second headwind is weak growth in credit to the real economy. Most recently it had stabilized at a low level, which indicates that the domestic economy is slowing. We also expect less impetus from fiscal policy, after having made a positive contribution to growth in Germany in 2016 thanks to expansionary policies. The last factor is the high level of political uncertainty, which, as in Germany, is likely to dampen companies' willingness to invest. Most recently it had stabilized at a low level, which indicates that the domestic economy is slowing. We also expect less impetus from fiscal policy, after having made a positive contribution to growth in Germany in 2016 thanks to expansionary policies. The last factor is the high level of political uncertainty, which, as in Germany, is likely to dampen companies' willingness to invest. Most recently it had stabilized at a low level, which indicates that the domestic economy is slowing. We also expect less impetus from fiscal policy, after having made a positive contribution to growth in Germany in 2016 thanks to expansionary policies. The last factor is the high level of political uncertainty, which, as in Germany, is likely to dampen companies' willingness to invest.

(Source: Outlook 2017: Solid, despite declining tailwind Deutsche Bank AG, Deutsche Bank Research, Frankfurt am Main).

## **2. Presentation of the course of business and the company's position**

### **2.1 Development of the branch**

In 2016, Lampenwelt GmbH is one of the 150 online retailers with the highest sales in Germany (previous year: one of the 250 online retailers with the highest sales). As a so-called "pure player", the reporting company deals almost exclusively with living room lighting, outdoor lighting, commercial lighting, light sources, fans and accessories. Online trading, both nationally and internationally, is mainly carried out via our own web-based internet shops. In the meantime, Lampenwelt GmbH is represented across Europe with its individual country

shops in 13 countries. Lampewelt GmbH has over 40,000 selected items from several hundred manufacturers in its range, including a steadily growing number of own-brand products.

The company's market environment can be viewed as very positive. The entire e-commerce trade in Germany was again dynamic in 2016. The total turnover of the top 1,000 online shops in 2016 was 35.5 billion euros. This corresponds to a growth of 9% compared to the previous year. In the last 8 years, e-commerce sales have doubled. In the individual analysis of the top 1,000 online shops, a steadily increasing market concentration can be seen. The ten top-selling dealers together generate 14.3 billion euros in sales, which corresponds to 40.4% of total sales. The top 100 achieve 24.4 billion euros, which is 68.8% of the total top 1,000 online shops.

(Source: E-Commerce-Markt 2016 - market study of the 1,000 highest-turnover B2C online shops for physical goods, EHI Retail Institute eV and Statista GmbH Cologne and Hamburg, October 2016)

As the entire e-commerce market has grown continuously in recent years, the market for lights and lamps is also growing continuously. This market is subject to rapid change. In the past it was all about saving energy, now the focus is on the dynamism of innovation in the lighting concept sector and the effect of light. In line with this trend, consumer spending by Germans on home lighting has increased by 17% between 2010 and 2015. The increase in outdoor lights for house and garden is even 27.8%. In addition to specialist retailers, online retailing is also participating in the growth of the lighting market, which has increased compared to previous years, particularly in the middle price segment.

(Source: Press-Info Marketmedia24, Cologne "Focus on people: the lighting industry is changing rapidly - 2015 was a year of online trading") Overall, the sales share of e-commerce retailers in the overall lighting market is currently only 5% - although the absolute e-commerce trading volume in the lighting market in 2016 rose by 11.5% compared to the previous year. This confirms the positive market environment of the Lampenwelt GmbH.

(Source: "trend of the european residential lightning market", lighting.csilmilano.com, center for industrial studies, Milan)

## 2.2 Business development in the 2016 financial year

### Earnings situation

Lampewelt GmbH (hereinafter also referred to as "Lampenwelt") was able to further expand its position as the leading pure-play e-commerce specialist for lamps and luminaires in Europe in the 2016 financial year.

The reason for the company's positive development in the 2016 financial year was, among other things, the increase in the conversion rate with a simultaneous increase in the number of visitors to the company's individual web shops. The company's average shopping cart fell for the first time in 2016. This can be attributed to the strong increase in private label sales compared to previous years, the average sales prices of which are cheaper than comparable EU merchandise. However, in 2016 the company was able to stand out from its competitors in home & home thanks to its constant internationalization and the strong expansion of high-margin private label sales.

In the 2016 financial year, Lampenwelt GmbH increased its annual turnover by 23.4% from EUR 49.6 million to EUR 61.2 million. The Accounting Directive Implementation Act (BilRUG for short) was applied for the first time in 2016 to determine sales revenues. Adjustments to the previous year's sales revenues were not necessary. However, revenue for the 2016 financial year includes, by definition, EUR 0.2 million in revenue from the calculation of programming services. The "pure trading turnover" for the 2016 financial year is EUR 61.0 million and is EUR 11.4 million or 23.0% above the previous year's figure.

Due to the strong expansion of private label sales, the lamp world was able to increase the gross profit adjusted for the charging of programming services in 2016 from 27.6 million euros by 27.8% to 35.3 million euros. The gross profit margin increased from 55.7% in the previous year to 57.9% in the reporting year due to the effect of the expansion in private label sales.

As a result of the expansion of business, personnel expenses increased by approx. 1.5 million euros or 24.8%, which is mainly due to the increase in the workforce from an average of 183 employees to 226 employees (including trainees) in the reporting year. Furthermore, the increase in the number of vacation days granted and the reduction in standard working hours resulted in an increase in personnel expenses in the 2016 financial year. The ratio of personnel expenses to gross profit decreased slightly from 22.2% in the previous year to 21.7% in the reporting year. As in previous years, the company is increasingly strengthening itself with qualified employees, in order to be able to cope with the constantly increasing technical and international challenges in the future. With the current number of employees and the current employee structure, the company has already created the prerequisites for the growth planned for the future.

The goodwill to be reported for the first time in the previous year and depreciated over an assumed useful life of 10 years is also decisive in the reporting year for the total depreciation of EUR 3.5 million (previous year: EUR 3.4 million). The depreciation amount, excluding goodwill amortization, is 0.7 million euros, almost the same as the previous year's value of 0.8 million euros.

The other operating expenses increased by 3.3 million euros in the reporting year (from 13.9 million euros in 2015 to 17.2 million euros in the reporting year) and, in relation to sales, are 28.3% (previous year: 28, 1%) almost at the previous year's level. As in previous years, the main cost items in the area of other operating expenses are accounted for by advertising costs and the cost of the delivery of goods. There were no structural changes in the area of other operating expenses compared to the previous year.

The financial result of Lampenwelt GmbH improved from - 1.5 million euros in 2015 to - 1.1 million euros in the financial year due to acquisition fees for liabilities to banks in the previous year in the amount of EUR 0.3 million and loan repayments in the current financial year 2016.

EBITDA for the 2016 financial year was EUR 11.1 million (previous year: EUR 8.2 million).

The annual surplus increased by 146.7% from 1.5 million euros in 2015 to 3.7 million euros in the reporting year. Income tax expenses at company level also rose proportionally to the increase in earnings from EUR 1.7 million in the previous year to EUR 2.7 million in the reporting year. The amortization of goodwill is not to be taken into account to a large extent in the company's tax balance sheet and must therefore be added when determining the tax base.

### Financial position

The balance sheet conditions of the lamp world have changed only slightly compared to the previous year. As in the previous year, the balance sheet items "goodwill" with EUR 23.0 million (previous year: EUR 25.8 million) and "inventories" with EUR 8.9 million (previous year: EUR 6.1 million) are shown on the balance sheet date. essential for the balance sheet total of 46.7 million euros (previous year: 44.6 million euros).

After adjusting the fixed assets by the book value of the goodwill, a reduction in the total volume of fixed assets from EUR 5.7 million to EUR 5.5 million can be recorded, as in 2015.

The steadily increasing total sales volume with a further high expansion of sales with private label products led to a sharp increase in the inventory. Almost exclusively due to the development and strengthening of the company's own brand, the inventory of the lamp world

increased to EUR 8.9 million as of the balance sheet date (previous year: EUR 6.1 million). The advance payments received for goods orders were at 0.9 million euros, at the previous year's level.

The trade receivables are due to the company's sales expansion and individual sales from the charging of development costs for online shops as of the balance sheet date (EUR 0.3 million) from EUR 1.1 million to EUR 1.8 million as of December 31 Increased in 2016. Receivables from the subsidiary Lampenwelt Logistik GmbH, Schlitz, also increased. The increase of 1.5 million euros to 4.4 million euros as of the balance sheet date is solely due to the cost allocation for construction costs of construction phase 1 - expansion of the logistics building.

The other assets are at the previous year's level at EUR 1.0 million.

The reporting company's liquid funds are also at the previous year's level. As of the balance sheet date, the company had liquid funds of EUR 2.1 million.

As of December 31, 2016, Lampenwelt GmbH had equity of EUR 4.8 million (previous year: EUR 1.5 million). The development of equity takes into account a distribution of 0.4 million euros made to the partner of Lampenwelt in the course of the financial year.

At EUR 1.3 million, provisions are EUR 0.4 million higher than the previous year's figure. As in the previous year, the additions to provisions mainly relate to provisions for personnel expenses and for obligations to take back goods.

The liabilities to banks in the amount of 9.2 million euros reported as of the balance sheet date are fully related to the company acquisition of Lampenwelt GmbH & Co. KG in the previous year. In the year under review, Lampenwelt made repayments of 2.5 million euros on acquisition financing for the banks.

Also in connection with the company acquisition of Lampenwelt GmbH & Co. KG are the shareholder loans and atypical silent loans in the total amount of 27.0 million euros, which are shown under other liabilities, unchanged from the previous year. The shareholder loans as well as the atypical silent participation are to be assessed as an equity substitute within the meaning of § 39 InsO due to their respective structure. Including the equity-replacing loans in equity, the equity ratio as of the balance sheet date was 68.1% (previous year: 63.9%).

Liabilities to banks will be repaid in half-yearly installments until June 30, 2022. In addition to the mandatory repayments for bank loans, special repayment obligations and special repayment options were agreed with the financing banks, which will lead to a faster repayment of the loan funds. The equity-replacing loans extended to the company are redemption-free until June 30, 2022.

The trade accounts payable rose by EUR 0.6 million from EUR 2.1 million to EUR 2.7 million, mainly as a result of the expansion of own-brand purchases.

At 9.2 million euros, other liabilities are almost at the previous year's level of 8.9 million euros, despite the considerable increase in sales. The increase in other liabilities is mainly due to increased sales tax payments.

#### **Liquidity situation**

In the 2016 financial year, Lampenwelt GmbH achieved a cash flow from operating activities of EUR 4.7 million (previous year: EUR -0.5 million). The basis for the positive operative cash flow was essentially the annual result adjusted for depreciation of 7.2 million euros (previous year: 4.9 million euros). This figure represented an increase in inventories of EUR 2.8 million (previous year: EUR 2.3 million) as well as an increase in trade receivables and other assets that cannot be allocated to investing or financing activities totaling 2.3 Million euros (previous year: 8.7 million euros). These liquidity-binding items were partially offset by the build-up of provisions (0.4 million).

The cash flow from investing activities amounted to EUR -0.5 million (previous year: EUR -0.4 million - however, without taking account of payments from the merger and growth of companies to or from the reporting company).

The cash flow from financing activities in 2016 amounts to EUR -4.2 million, and EUR 2.5 million relates to payments for the repayment of financial loans. The company also made payments for interest amounting to EUR 1.2 million as well as dividends and profit sharing totaling EUR 0.6 million.

The balance of the various cash flow flows over the 2016 financial year was balanced and therefore results in an unchanged level of financial resources compared to the previous year of EUR 2.1 million.

#### **2.3. The expected development of society**

The management continues to expect a significant increase in sales and gross profit in 2017, which can be attributed to the general market development in e-commerce and the advancing globalization of the business policy of Lampenwelt GmbH, the increasing expansion of the private label business and the development of the B2B business.

In order to sustainably keep the logistics and office capacities required for the company's planned strong sales growth in the future, planning and construction of an expansion of the existing logistics center and a new office building were started in 2016. The completion of the logistics building is planned for mid-2017 and that of the new office building in the course of 2018. After the expansion investment has been completed, the company will have resources ready to process a sales volume of up to EUR 150 million.

The management continues to expect a positive earnings development for 2017 and plans to achieve an EBITDA for 2017 of 12.3 million euros with sales of 75.0 million euros. In connection with the improved EBITDA, the management expects a slightly improved equity ratio.

#### **2.4. Development of the number of employees and employee issues**

The total number of employees rose from 205 at the end of the previous year to 247 on the balance sheet date of December 31, 2016. The increase in the number of employees is accounted for in a ratio of 1/2 to the administration area and 1/2 to the warehouse area.

As of December 31, 2016, the company was training a total of 5 (previous year: 5) trainees. At the same time, as of the balance sheet date, the company had 3 training and study relationships with students at the Cooperative State University (previous year: 1). The company plans to increase the number of apprenticeships as well as the number of apprenticeship and study positions even further in the future.

The basis of the operational activities of the Lampenwelt GmbH and the training and further education of the employees are continuous further training in the work-related processes and in the area of safety. In the year under review, almost all employees attended internal and external training courses and advanced training measures.

#### **3. Financial performance indicators**

We refer to the explanations in Section 2.

#### **4. Non-financial performance indicators**

In the short financial year 2015, the company was named the best e-commerce retailer in the field of lights and illuminants from the digital, independent consumer portal "vergleich.org". For the evaluation of the consumer portal, the indicators customer service, shipping time, navigation through the online shop and the number of items offered were decisive. In the 2016 financial year, the study report "Germany's best (online) retailer", which was prepared by the Cologne-based SeviceValue GmbH in cooperation with the newspaper "Handelsblatt", listed the lamp world GmbH as the best online retailer in Germany in the "lamp shops" sector " on.

#### **5. References to essential opportunities and risks of future development**

From the current perspective, the following significant internal and external opportunities and risks to which the reporting company is exposed can be identified:

One risk in e-commerce are so-called hacker attacks that aim to damage the business activities of companies and to steal user and customer data in a criminal way. Such attacks could damage the business activities of Lampenwelt GmbH to such an extent that sales could decline. To defend against possible hacker attacks, the reporting company has an independent and experienced IT security department and also uses external consultants to ensure the maximum possible IT security for itself and its customers. Due to the rapidly increasing risk of damage as a result of cyber attacks, the company launched a so-called

A failure of the IT systems could also endanger the company's business activities. The lamp world protects itself against this through its own IT department through continuous data backup and back-ups as well as the establishment of a complex safety network. By using so-called UPS systems (uninterruptible power supply), the company is protected against data loss caused by power outages. An emergency plan drawn up by the company's IT department ensures rapid operational readiness after possible problems in the IT area.

A decline in general consumer demand could also lead to a deterioration in the economic situation in the lamp world. From the current point of view, such a tendency - particularly in the area of e-commerce - is not evident. Due to the globalization of the business policy of the lamp world, combined with the cultivation of international sales markets, the company counters the hypothetical danger of declining demand locally directed towards Germany.

The company's positive business development could also be jeopardized by a decline in margins. The globally oriented business policy of the lamp world aims to counter this potential danger and seize opportunities in the international sale of lamps.

As part of the internationalization of business activities, the company is also setting up its purchasing management internationally in order to take advantage of opportunities in improved purchasing conditions.

Due to the customer purchasing conditions and the hedging of receivables through appropriate institutions, the reporting company has almost no bad debt risk. Foreign currency risks are countered as far as possible by concluding transactions denominated in euros. The company is exposed to an interest rate risk due to the conclusion of loans with variable interest rates. The company did not undertake an interest rate hedge because the expected fluctuations in variable interest rates would only have a very limited impact on the company's results. The amount of a hypothetical interest rate risk of variable loans does not endanger the existence of the company.

The main opportunities for society lie in the steadily increasing willingness of customers to purchase consumer goods via the Internet.

Thanks to its position as the leading pure play e-commerce specialist for lamps and luminaires in Europe, which it has achieved over the years, the company participates in this trend in relation to the on Competitors who are less present on the market are disproportionately high.

The expansion of the product range to include niche products in the field of lamps and lights as well as the targeted expansion of the company's LED range and the intensification of the so-called B2B business will also open up great market opportunities in the future, in addition to further internationalization.

#### 6. Miscellaneous

Due to its business activity as an e-commerce company, the company does not conduct any research and development. Furthermore, the Lampenwelt GmbH has no branch offices.

Schlitz, March 29, 2017

**Lamp World GmbH**  
*Managing directors*  
*signed Andreas Rebmann*  
*signed Walter Neumüller*  
*signed Thomas Rebmann*

Balance sheet as of DECEMBER 31, 2016

### LAMPENWELT GMBH, SCHLITZ

#### ASSETS

	12/31/2016	12/31/2015
	EUR	EUR
A. FIXED ASSETS	28,503,971.04	31,542,679.00
I. Intangible Assets	27,698,766.17	30,765,667.00
1. Concessions, industrial property rights and similar rights and values acquired for a fee as well as licenses to such rights and values	4,651,133.00	4,939,237.00
2. Goodwill	22,983,152.00	25,826,430.00
3. Advance payments made	64,481.17	0.00
II. Tangible assets	780,204.87	752,012.00
1. Technical systems and machines	29,544.00	34,913.00
2. Other equipment, factory and office equipment	748,787.00	717,099.00
3. Advance payments and assets under construction	1,873.87	0.00
III. Financial assets	25,000.00	25,000.00
1. Shares in affiliated companies	25,000.00	25,000.00
B. CURRENT ASSETS	18,141,788.92	13,072,524.77
I. Inventories	8,874,557.76	6,053,640.63
1. Goods	9,459,637.08	6,381,399.64
2. Advance payments made	360,969.72	544,234.36
3. Advance payments received on orders	-946,049.04	-871,993.37
II. Receivables and other assets	7,182,481.74	4,943,054.31
1. Accounts receivable from deliveries and services	1,783,711.20	1,076,463.71
2. Receivables from affiliated companies	4,422,819.97	2,902,295.69

	12/31/2016	12/31/2015
	EUR	EUR
3. Other assets	975,950.57	964,294.91
III. Cash and bank balances	2,084,749.42	2,075,829.83
C. PREPAID EXPENSES	39,517.70	30,924.05
	46,685,277.66	44,646,127.82
<b>LIABILITIES</b>		
	12/31/2016	12/31/2015
	EUR	EUR
A. EQUITY	4,802,638.03	1,500,266.05
I. Drawn capital	35,000.00	35,000.00
II. Profit carried forward	1,108,301.05	0.00
III. Annual surplus	3,659,336.98	1,465,266.05
B. PROVISIONS	1,262,600.00	886,300.00
1. Tax provisions	154,100.00	93,800.00
2. Other provisions	1,108,500.00	792,500.00
C. LIABILITIES	40,620,039.63	42,259,561.77
1. Liabilities to banks	9,186,070.00	11,700,000.00
2. Trade accounts payable	2,724,737.39	2,102,865.19
3. Liabilities to shareholders	19,520,000.00	19,520,000.00
4. Other Liabilities	9,189,232.24	8,936,696.58
- of which from taxes: EUR 1,512,833.65 (previous year EUR 1,336,777.80)		
- of which in the context of social security: EUR 3,423.31 (previous year EUR 698.15)		
	46,685,277.66	44,646,127.82

### Income Statement FOR THE 2016 FISCAL YEAR

	2016	Short fiscal year
	EUR	2015
		EUR
1. Sales	61,218,745.71	49,597,938.53
2. Other operating income	402,637.30	514,835.79
- of which from currency conversion within the meaning of Section 256a HGB: EUR 246,966.80 (previous year EUR 252,559.84)		
3. Cost of materials	25,657,370.53	21,976,096.85
4. Personnel expenses	7,655,539.37	6,136,404.62
a) Wages and salaries	6,361,988.21	5,098,300.33
b) Social security and pension and support expenses	1,293,551.16	1,038,104.29
- of which for pensions: EUR 57,336.64 (previous year EUR 45,251.83)		
5. Depreciation on intangible assets and property, plant and equipment	3,497,729.24	3,375,750.88
6. Other operating expenses	17,249,582.29	13,912,796.81
- of which from currency conversion within the meaning of Section 256a HGB: EUR 361,617.52 (previous year EUR 329,445.63)		
7. Income from profit transfer agreements	53,112.08	152,501.59
8. Other Interest and Similar Income	129,891.59	74,291.10
- of which from affiliated companies: EUR 108,721.83 (previous year EUR 53,025.00)		
9. Interest and Similar Expenses	1,195,496.71	1,606,812.80
- of which to affiliated companies: EUR 857,000.00 (previous year EUR 733,075.87)		
10. Taxes on income and earnings	2,672,829.50	1,658,671.30
11. Profit after tax	3,875,839.04	1,673,033.75
12. Other taxes	14,002.06	5,267.70
13. Profits transferred on the basis of partial profit transfer agreements	202,500.00	202,500.00
14. Net income	3,659,336.98	1,465,266.05
15. Profit carried forward after use	0.00	0.00

### Appendix for the 2016 financial year

#### Lampenwelt GmbH, Schlitz

##### A. Accounting Policies

As in the previous year, the provisions of the HGB for large corporations have been applied to the accounting and valuation in the annual financial statements of Lampenwelt GmbH, Schlitz (District Court of Giessen, HRB 8407). In the year under review, the provisions of the HGB amended by the Accounting Directive Implementation Act (BilRUG for short) were applied for the first time. The changes relate in particular to the application of the changed classification scheme for the profit and loss account and to reclassifications from the item "Other operating income" to sales. An adjustment of the previous year's figures for the item "Other operating income" as well as reclassifications within the expense items as a consequence of the new definition of sales revenue were not necessary in the reporting year. Otherwise, the

presentation and structure as well as the approach and assessment of the annual financial statements correspond to the principles of the previous year.

The income statement was drawn up using the total cost method in accordance with Section 275 (2) HGB.

The intangible assets acquired against payment are valued at acquisition cost, if necessary reduced by scheduled depreciation. The depreciation is carried out on a straight-line basis over the normal useful life of three or five years. The goodwill resulting from conversion processes carried out in the 2015 financial year is amortized on a straight-line basis over a period of 10 years.

Tangible fixed assets are shown at the acquisition / production costs that must be capitalized and, if they are subject to wear and tear, reduced by scheduled depreciation. The normal useful lives are between 1 and 15 years.

Additions are only depreciated using the straight-line method. Low-value assets with acquisition costs of up to EUR 410 are written off in full in the year of acquisition 2016. The departure is assumed in the current financial year.

Financial assets are valued at acquisition cost.

The inventory (inventory) is valued at acquisition or manufacturing costs, taking into account the loss-free valuation. The advance payments made are shown net without sales tax. The down payments received on orders were in accordance with Section 268 (5) HGB openly set off from the goods.

Receivables and other assets are shown at their nominal value. All identifiable individual risks are taken into account in the assessment. For the general credit risk, a general bad debt allowance has been made for receivables from deliveries and services in the amount of 0.5% of the receivables not corrected by individual bad debt allowances.

The tax provisions and other provisions are set for all discernible risks and uncertain obligations in the amount of the settlement amount necessary according to a reasonable commercial assessment. Future price and cost increases are taken into account, provided there is sufficient objective evidence that they will occur. Provisions with a remaining term of more than one year are discounted using the average market interest rate for the past seven financial years, which was determined by the Deutsche Bundesbank on the balance sheet date.

The liabilities are stated at the settlement amount.

Receivables and liabilities in foreign currencies with a remaining term of up to one year are converted at the mean spot exchange rate on the balance sheet date. To this extent, these annual financial statements contain unrealized gains and losses from currency translation. If the remaining term is more than one year, the conversion is carried out using the exchange rate at the time of origin. In the event of a change in the exchange rate up to the balance sheet date, the valuation is always based on the exchange rate on the balance sheet date, taking into account the lowest value principle on the assets side and the highest value principle on the liabilities side.

## **B. Notes on the balance sheet and income statement**

### **Balance sheet**

#### **Capital assets**

The separately presented development of fixed assets is an integral part of the notes.

Lampewelt GmbH continues the depreciation and book values of fixed assets transferred to it in 2015 as a result of conversion processes.

The goodwill also to be reported as a result of the conversion processes is Section 266 (2) of the German Commercial Code (HGB) reported under intangible assets and depreciated over the useful life of 10 years using the straight-line method. The reason for the assumption of the useful life of the goodwill was, on the one hand, the stability and duration of the e-commerce sector, in which the acquired company has successfully established itself as a so-called niche provider since 2007. On the other hand, the chances of success of the acquired company are significantly influenced by assets that can be used indefinitely from today's perspective. There were no indications of a shortening of the assumed probable useful life in the financial year.

#### **2. Receivables and other assets**

The trade receivables all have a remaining term of up to one year.

The receivables from affiliated companies relate to receivables from the subsidiary of Lampenwelt Logistik GmbH, Schlitz. As of the balance sheet date, there were receivables with a remaining term of more than one year in the amount of EUR 2,828 thousand.

The other assets include receivables from employees and managing directors with a remaining term of more than one year in the amount of EUR 562 thousand.

#### **3. Cash**

The item contains the cash on hand and bank balances.

#### **4. Prepaid expenses**

The prepaid expenses include expenses that relate to the following year.

#### **5. Deferred Taxes**

Deferred taxes are determined in particular for timing differences between the commercial law and tax law valuations of (self-created) intangible assets, property, plant and equipment, inventories, pension provisions and other provisions. In addition to the timing differences, tax loss carryforwards are taken into account.

The valuation of the temporary differences and the tax loss carryforwards that can be offset within the next five years is based on the tax rate applicable for the financial year for corporation tax, solidarity surcharge and trade tax totaling 29.175%.

Any resulting tax burden would be recognized in the balance sheet as a deferred tax liability. In 2016 there was a surplus of deferred tax assets. This was not activated in exercising the option under Section 274 (1) sentence 2 HGB.

#### **6. Tax provisions and other provisions**

The tax provisions include provisions for corporation tax and trade tax as well as the solidarity surcharge for the 2016 financial year.

The other provisions mainly contain amounts for returned goods (EUR 543 thousand), remaining vacation and overtime entitlements (EUR 336 thousand), expenses for preparing and auditing the annual financial statements (EUR 50 thousand), expenses for accompanying tax audits (EUR 25 thousand), subsequent costs (EUR 103 thousand), BG contributions (EUR 36 thousand) and amounts relating to the obligation to retain business documents (EUR 16 thousand).

#### **7. Liabilities**

The remaining terms of the liabilities are shown in the schedule of liabilities:

Type of liability to	Total amount	thereof with a remaining maturity			Previous year up to 1 year
		up to 1 year	1 to 5 years	over 5 years	
December 31, 2016	KEUR	KEUR	KEUR	TEUR	KEUR
towards credit institutions	9,186	1,800	7,200	186	1,800
from deliveries and services	2,725	2,725	0	0	2,103

Type of liability to	Total amount	thereof with a remaining maturity			Previous year up to 1 year
		up to 1 year	1 to 5 years	over 5 years	
December 31, 2016	KEUR	KEUR	KEUR	TEUR	KEUR
towards shareholders	19,520	0	0	19,520	0
Tax liabilities	1,513	1,513	0	0	1,337
social security	3	3			1
Remaining other liabilities	7,673	173	0	7,500	99
total	40,620	6,214	7,200	27,206	5,340

Movable and immovable assets, rights and participations were assigned by way of security and pledged to secure the liabilities to banks reported on the balance sheet date. The liabilities to banks are fully secured. The customary retention of title applies to trade payables. The reporting company did not provide any separate collateral for liabilities to shareholders or other liabilities.

## II. Profit and Loss Account

### 1. Changes by BilRUG in terms of identification and structure

The presentation and structure of the income statement was adapted in the reporting year to the provisions of the German Commercial Code (HGB) changed by the BilRUG. As a result of the changed classification rule in Section 275 of the German Commercial Code (HGB), the item "Result from ordinary activities" (EUR 3,331,705.05) that was reported in the previous year has been dropped. The item "Earnings after taxes" was added in the reporting year.

As a result of the redefinition of sales in Section 277 (1) of the German Commercial Code (HGB) by the BilRUG, according to the old definition of income, income in the amount of EUR 248,000.00 reported under other operating income was shown in sales in the reporting year. In the absence of corresponding business transactions in the previous year, it was not necessary to adjust the previous year's figures for the purpose of comparability.

### 2. Breakdown of sales according to geographic markets

The reporting company is active in various geographic markets - mainly within Europe. Since a sales breakdown of the commercial sales is suitable, according to a reasonable commercial assessment, to inflict a considerable disadvantage on the corporation. Section 286 (2) of the German Commercial Code (HGB) shows the breakdown of sales in accordance with Section 285 (4) of the German Commercial Code.

### 3. Income and expenses relating to other periods

Other operating expenses include expenses not relating to the accounting period in the amount of EUR 2 thousand, which essentially result from back payments of social security contributions based on an SI audit for previous years.

### 4. Personnel expenses

The item "Social security contributions and expenses for old-age provision" includes expenses for old-age provision in the amount of EUR 57,336.64 (previous year EUR 45,251.83).

### 5. Income from investments

The income from profit transfer agreements relates to affiliated companies with EUR 53,112.08 (previous year EUR 152,501.59).

### 6. Financial result

The other interest and similar income relates to affiliated companies with EUR 108,721.83 (previous year EUR 53,025.00).

Other interest and similar income includes affiliated companies with EUR 857,000.00 (previous year EUR 733,057.87).

## C. Other information

### 1. Contingent liabilities and other financial obligations

Contingent liabilities within the meaning of Section 251 of the German Commercial Code (HGB) consist of joint and several liability for loans from the affiliated company Lampenwelt Logistik GmbH, Schlitz in the amount of EUR 823,200.00 (previous year EUR 0.00). The risk of a claim from joint liability is classified as low, as there are currently no indications that the affiliated company will not meet its obligations from the loan agreements.

The other financial obligations consist of rental and leasing obligations. The future payments until the end of the minimum term of the contracts have the following due dates:

	December 31, 2016 TEUR
Due within one year	748
Maturity after more than one and up to five years	1,732
Due after more than five years	900
total	3,380

The other financial obligations to affiliated companies amount to EUR 300 thousand pa

### 2. Affiliates

The reporting company holds 100% of the shares in Lampenwelt Logistik GmbH, based in Schlitz. The equity of the associated company amounts to EUR 25 thousand as of December 31, 2016. A profit and loss transfer agreement exists between Lampenwelt GmbH and Lampenwelt Logistik GmbH. The 2016 annual result of Lampenwelt Logistik GmbH to be transferred to Lampenwelt GmbH amounts to KEUR 53, the annual result of the subsidiary amounts to KEUR 0.

### 3. Management

The management is carried out by the managing directors with sole power of representation:

Mr. Andreas Rebmann, insurance specialist, (Schlitz)

Mr. Thomas Rebmann, electrical engineer (Schlitz)

Mr. Walter Neumüller, businessman (Rimbach)

The managing directors are exempt from the restrictions of § 181 BGB.

In accordance with Section 286 (4) of the German Commercial Code, the information required in Section 285 No. 9a and b of the German Commercial Code regarding the total remuneration of the management bodies was omitted, as this information can be used to determine the remuneration of a member of this body.

The loans granted to managing directors are valued at EUR 525 thousand on the balance sheet date. The interest on the loans is based on an interest rate calculation with a variable interest rate of 6-month EURIBOR + 2.5%. Interest was charged in the year under review with EUR 12 thousand. The loans are due for repayment on June 30, 2022.

**4. Employees**

The average number of employees in the reporting year was:

	2016	2015
Employees	181	117
marginally / short-term employed. 17 (previous year 12)	2016 38	2015 61
	219	178

**5. Fee for services of the auditor**

The fees for auditing services by the statutory auditor for the 2016 financial year amounted to EUR 40 thousand.

**6. Parent company**

The parent company within the meaning of Section 290 Paragraph 1 Clause 1 of the German Commercial Code (HGB) of Lampenwelt GmbH, Schlitz, is N&B Holding GmbH, based in Rimbach. The company is included in their consolidated financial statements. The parent company prepares the consolidated financial statements for the smallest and largest scope of consolidation. The parent company publishes the consolidated financial statements under permanent.

**7. Supplementary report**

In the first quarter of 2016, the planning and construction of expansion stage 1 of the logistics center in Schlitz-Frauombach began. At the same time, the company is planning to build a new office building in close proximity to the logistics location. The logistics expansion is expected to go into operation in mid-2017. The completion of the company's new administrative headquarters is planned for the course of 2018. With the structural investments, the company is setting the course for the future sales growth planned.

**8. Profit distribution in the 2016 financial year**

At the shareholders' meeting on June 23, 2016, the shareholders of Lampenwelt GmbH resolved a profit distribution of EUR 356,965.00 from the profit carried forward. As a result of the profit distribution, the profit carried forward as of January 1, 2016 in the amount of EUR 1,465,266.05 was reduced by the distribution amount of EUR 356,965.00 and amounted to EUR 1,108,301.05 as of December 31, 2016.

**9. Proposal for the use of earnings**

The management proposes to the shareholders' meeting that the annual surplus for the 2016 financial year in the amount of EUR 3,659,336.98 be carried forward to the new account with the profit carried forward in the amount of EUR 1,108,301.05.

Schlitz, March 29, 2017

**Lamp World GmbH**  
**Managing directors**  
*signed Andreas Rebmann*  
*signed Walter Neumüller*  
*signed Thomas Rebmann*

	Acquisition / production costs				As of December 31, 2016 EUR
	As of 1/1/2016 EUR	Additions EUR	Disposals EUR	Rebookings EUR	
I. Intangible Assets					
1. Concessions, industrial property rights and similar rights and values acquired for a fee as well as licenses to such rights and values	6,542,823.55	202,089.50	0.00	0.00	6,744,913.05
2. Goodwill	28,432,770.34	0.00	0.00	0.00	28,432,770.34
3. Advance payments made	0.00	64,481.17	0.00	0.00	64,481.17
	34,975,593.89	266,570.67	0.00	0.00	35,242,164.56
II. Tangible assets					
1. Technical systems and machines	47,943.35	0.00	0.00	0.00	47,943.35
2. Other equipment, factory and office equipment	1,189,832.46	190,577.74	15,081.11	0.00	1,365,329.09
3. Advance payments and assets under construction	0.00	1,873.87	0.00	0.00	1,873.87
	1,237,775.81	192,451.61	15,081.11	0.00	1,415,146.31
III. Financial assets					
1. Shares in affiliated companies	25,000.00	0.00	0.00	0.00	25,000.00
	36,238,369.70	459,022.28	15,081.11	0.00	36,682,310.87
		Accumulated depreciation			
	As of 1/1/2016 EUR	Additions EUR	Disposals EUR	Rebookings EUR	As of December 31, 2016 EUR
I. Intangible Assets					
1. Concessions, industrial property rights and similar rights and values acquired for a fee as well as licenses to such rights and values	1,603,586.55	490,193.50	0.00	0.00	2,093,780.05
2. Goodwill	2,606,340.34	2,843,278.00	0.00	0.00	5,449,618.34
3. Advance payments made	0.00	0.00	0.00	0.00	0.00
	4,209,926.89	3,333,471.50	0.00	0.00	7,543,398.39
II. Tangible assets					
1. Technical systems and machines	13,030.35	5,369.00	0.00	0.00	18,399.35
2. Other equipment, factory and office equipment	472,733.46	158,888.74	15,080.11	0.00	616,542.09
3. Advance payments and assets under construction	0.00	0.00	0.00	0.00	0.00



