Signify Denmark A/S

Frederikskaj 6
DK-2450 København SV

CVR no. 36 96 72 26

Annual report 2018

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

14 June 2019

Åsa Ellinor Maria Wilhelmsson
chairman

Contents

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Signify Denmark A/S for the financial year 1 January – 31 December 2018.

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 2018 and of the results of the Company's operations for the financial year 1 January – 31 December 2018.

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

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

Copenhagen, 14 June 2019
Executive Board:

Astrid Benedikte Simonsen Joos
CEO

Board of Directors:

Åsa Ellinor Maria Wilhelmsson Chairman	Kirsi Johanna Tiainen	Michael Fallenkamp Kragh

Independent auditor's report

To the shareholders of Signify Denmark A/S

Opinion

We have audited the financial statements of Signify Denmark A/S for the financial year 1 January – 31 December 2018 comprising income statement, balance sheet, statement of changes in equity 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 2018 and of the results of the Company's operations for the financial year 1 January – 31 December 2018 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

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.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements in Denmark will always detect a material misstatement when it exists. Misstatements may arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the 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

Independent auditor's report

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.

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 Statements Act. We did not identify any material misstatement of the Management's review.

Independent auditor's report

Copenhagen, 14 June 2019
Ernst & Young
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Lissen Fagerlin Hammer
State Authorised
Public Accountant
mne27747

Management's review

Company details

Signify Denmark A/S
Frederikskaj 6
DK-2450 København SV

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

Board of Directors

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

Executive Board

Astrid Benedikte Simonsen Joos, CEO

Auditor

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

Management's review

Financial highlights

DKK'000	2018	2017	7. jul 2015 - 31. dec 2016
Key figures			
Revenue	524,719	518,811	513,230
Operating profit	4,413	11,096	760
Profit/loss from financial income and expenses	-932	-1,058	-1,857
Profit/loss for the year	2,608	7,854	-987
Total assets	131,518	152,796	152,657
Equity	21,918	19,310	11,455
Investment in property, plant and equipment	1,285	2,444	18,475
Ratios			
Gross margin	21.78%	22.62%	20.40%
Operating margin	0.84%	2.14%	0.15%
Return on equity	12.65%	51.06%	-17.20%
Solvency ratio	16.67%	12.64%	7.50%
Average number of full-time employees	148	132	135

Financial ratios are calculated in accordance with the recommendations of the Danish Finance Society. The financial ratios have been calculated as follows:

Gross margin $\dfrac{\text{Gross profit/loss x 100}}{\text{Revenue}}$

Operating margin $\dfrac{\text{Operating profit/loss x 100}}{\text{Revenue}}$

Return on equity $\dfrac{\text{Profit/loss from ordinary activities after tax x 100}}{\text{Average equity}}$

Solvency ratio $\dfrac{\text{Equity ex. non-controlling interests at year end x 100}}{\text{Total equity and liabilities at year end}}$

Management's review

Operating review

Principal activities

Signify Denmark A/S is a fully owned subsidiary of its Dutch parent company, Signify Holding N.V. The Company's line of business is lighting, providing customers with high-quality, energy efficient lighting products, systems and services.

Currently, Signify's business is organized and managed on a functional basis by technology and end-markets through four operating Business Groups: Lamps, LED, Professional and Home. The Business Groups are responsible for the development of their strategy, product portfolio and the production and sourcing of their products.

In addition, the company's commercial organization is structured along four geographical Market Groups to manage its global sales channels. The Market Groups are principally responsible for driving and managing sales, managing customer relationships and delivering the commercial activities of the business across the markets, covering commercial activities.

Events after the balance sheet date

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

Development in activities and financial position

2018 Financial performance Sales were DKK 524,719 thousand, reflecting a nominal sales increase of 1.14%.

While our smart home system is growing rapidly, the professional luminaires business faced more challenging market conditions.

The annual result of the year is DKK 2,608 thousand after tax, compared to DKK 7,854 thousand last year and the equity is DKK 21,918 thousand.

Business and financial risk

The company is exposed to a variety of treasury risks and other financial risks including liquidity risk, currency risk, interest rate risk, commodity price risk, credit risk, country risk and other insurable risk.

In addition, we recognize financial risks outside our control related to treasury, accounting and reporting, pensions and tax. To minimize their impact, we follow a conservative risk management approach in these areas. Furthermore, the company strives to ensure transparent and truthful accounting and reporting to enable financial statement users to make informed decisions which take the effect of these risks into consideration.

Outlook

There is a market trend of both professional and consumers switching from buying (LED) lamps and luminaires to integrated LED luminaires, as anticipated in the company's strategy. The company expects this integrated LED functional luminaires market to continue its solid growth path, as the conventional lamps market is expected to continue to decline in the coming years as a result of the ongoing transition from conventional lighting to LED lighting technologies.

The company's ambition is to drive market share gains and leadership in the LED segment. Signify continues to expect that the LED lamps market will peak in 2020 in terms of volumes. The LED electronics market will continue to grow as all LED lighting products require a driver so the market for drivers will increase with the transition to LED lighting. Furthermore, modules are also used in LED luminaires and, as

Management's review

Operating review

a result, this segment is expected to grow on the back of the LED luminaires market growth.

The market for smart home systems is expanding rapidly. At the same time, the Home business is experiencing more connected lighting offerings coming to the market.

Finally, the transition to connected lighting is occurring rapidly, particularly in developed countries. Professional systems typically control a large network of lights. Potential savings based on total cost of ownership tend to be significant. The total number of existing light points worldwide is around 26 billion, showing that the connected lighting market continues to offer significant growth potential for Signify. We expect results to be at similar level than as of 2018.

Intellectual capital

The Company does not hold any specific intellectual capital resources other than those normally held by a sales company.

Environmental matters

The Company operates in accordance with the sustainable development principles of the Signify Group.

Research and development activities

In 2018, the Signify Group invested 4.5% of sales in R&D, the cornerstone of the business. The Company is exploring new approaches to systems and services and applications of lighting for the IoT as well as expanding growth areas like horticulture and solar. Looking to the future, the Company launched LiFi, which offers a fast Internet connection through lighting and the Company is piloting this technology in all corners of the world.

Market overview and strategy

Signify is the world market leader with recognized expertise in the development, manufacture and sale of innovative, energy-efficient lighting systems and services. The Group has pioneered many key breakthroughs in lighting over the past 127 years, has been a driving force behind several leading technological innovations, and is in a leading position as the lighting industry transitions from conventional to LED lighting technologies, and now moves toward connected lighting. The Group’s track record in innovation is strong and the Group invests heavily in R&D to stay at the forefront of technological developments. Signify’s size and position across the value chain provide significant economies of scale, allowing leverage of the development of innovative technologies, products and services.

The Company’s strategy is based on six key strategic priorities:

1. Innovate in LED products commercially and technologically to outgrow the market
2. Lead the shift to systems, building the largest connected installed base
3. Capture adjacent value through new services business models
4. Be our customers’ best business partner locally, leveraging our global scale
5. Drive our operational excellence improvement journey
6. Optimize cash from conventional products to fund our growth

Operating review

The Signify Group’s position as an industry leader in connected lighting for the Home and Professional segments makes Signify the lighting company for the Internet of Things (IoT). By extending the industry leadership into the IoT, the Company can unlock additional value by offering new apps and services to the customers.

Management's review

Operating review

This is part of the broader commitment to deliver Light Beyond Illumination, turning light sources into points of data to connect more devices, places, and people through light. In doing so, the Signify Group makes people safer, more productive, and comfortable; businesses and cities more energy efficient and livable; and the world more sustainable.

In 2018, Signify Group launched Light Fidelity (LiFi): high-speed broadband internet connectivity through light waves. As a highly stable and energy-efficient alternative to WiFi, it allows people to connect and communicate – while maintaining a high quality of light. Innovations like this are possible because the Group brings over a century of lighting industry knowledge to visionary R&D.

Financial statements 1 January – 31 December

Income statement

DKK'000	Note	2018	2017
Revenue		524,719	518,811
Cost of goods sold		-361,248	-346,485
Other operating income		0	139
Other external costs		-49,166	-55,086
Gross profit		114,305	117,379
Staff costs	2	-96,447	-96,818
Depreciation, amortisation and impairment losses	3	-9,668	-9,212
Other operating costs		-3,777	-253
Operating profit		4,413	11,096
Financial expenses	4	-932	-1,058
Profit before tax		3,481	10,038
Tax on profit for the year	5	-873	-2,184
Profit for the year	6	2,608	7,854

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	31/12 2018	31/12 2017
ASSETS			
Fixed assets			
Intangible assets	7		
Acquired patents		7,791	11,530
Property, plant and equipment	8		
Property, plant and equipment under construction		393	221
Fixtures and fittings, tools and equipment		3,727	4,901
Leasehold improvements		3,297	6,939
		7,417	12,061
Investments	9		
Deposits		2,400	2,400
Total fixed assets		17,608	25,991
Current assets			
Inventories	10	8,169	9,676
Receivables			
Trade receivables		97,471	101,471
Receivables from group entities		0	8,784
Other receivables		27	0
Deferred tax asset	11	4,064	3,672
Prepayments	12	4,179	3,202
		105,741	117,129
Total current assets		113,910	126,805
TOTAL ASSETS		131,518	152,796

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	31/12 2018	31/12 2017
EQUITY AND LIABILITIES			
Equity			
Contributed capital	13	3,500	3,500
Retained earnings		18,418	15,810
Total equity		21,918	19,310
Provisions	14		
Other provisions		10,316	12,104
Total provisions		10,316	12,104
Liabilities other than provisions			
Non-current liabilities other than provisions	15		
Lease obligations		14	184
Current liabilities other than provisions			
Current portion of non-current liabilities		176	65
Banks, current liabilities		54	0
Trade payables		12,629	23,289
Payables to group entities		42,997	52,802
Corporation tax		5,151	5,729
Other payables		37,622	38,504
Deferred income		641	809
		99,270	121,198
Total liabilities other than provisions		99,284	121,382
TOTAL EQUITY AND LIABILITIES		131,518	152,796

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Statement of changes in equity

DKK'000	Contributed capital	Retained earnings	Total
Equity at 1 January 2017	3,500	7,956	11,456
Transferred over the profit appropriation	0	7,854	7,854
Equity at 1 January 2018	3,500	15,810	19,310
Transferred over the profit appropriation	0	2,608	2,608
Equity at 31 December 2018	3,500	18,418	21,918

Financial statements 1 January – 31 December

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1 Accounting policies

The annual report of Signify Denmark A/S for 2018 has been prepared in accordance with the provisions applying to reporting class C medium-sized entities under the Danish Financial Statements Act.

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

The financial statements for 2018 are presented in DKK'000.

Omission of cash flow statement

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

Recognition and measurement

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

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

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

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

Leases

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

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

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

Financial statements 1 January – 31 December

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1 Accounting policies (continued)

Foreign currency translation

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

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

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

Income statement

Revenue

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

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

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

Cost of sales

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

Other external costs

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

Staff costs

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

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Other operating income and expenses

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

Financial income and expenses

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

Tax on profit/loss for the year

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

Balance sheet

Intangible assets

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

Property, plant and equipment

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

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

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

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

Depreciation period and residual value are re-assessed annually.

Impairment of fixed assets

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

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

Financial statements 1 January – 31 December

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1 Accounting policies (continued)

Inventories

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

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

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

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

Receivables

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

Prepayments

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

Equity

Dividends

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

Provisions

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

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

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

Financial statements 1 January – 31 December

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1 Accounting policies (continued)

Corporation tax and deferred tax

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

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

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

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

Liabilities other than provisions

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

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

Deferred income

Deferred income comprises advance invoicing regarding income in subsequent years.

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Notes

2 Staff costs

DKK'000	2018	2017
Wages and salaries	88,684	88,918
Pensions	7,377	7,384
Other social security costs	386	516
	96,447	96,818
Average number of full-time employees	148	132

Staff costs include remuneration of the Executive Board as well as remuneration of the Board of Directors of DKK 6,393 thousand (2017: DKK 5,476 thousand). By reference to section 98 b of the Danish Financial Statements Act. remuneration of the Executive Board and the Board of Directors is disclosed as a total figure.

Incentive schemes

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

3 Depreciation, amortisation and impairment losses

Intangible assets	3,739	3,739
Property, plant and equipment	5,929	5,473
	9,668	9,212

4 Financial expenses

Interest expense to group entities	817	829
Other financial costs	115	229
	932	1,058

5 Tax on profit for the year

Current tax for the year	1,265	1,952
Deferred tax for the year	-392	232
	873	2,184

6 Proposed profit appropriation

Retained earnings	2,608	7,854

Financial statements 1 January – 31 December

Notes

7 Intangible assets

DKK'000	Acquired patents
Cost at 1 January 2018	18,697
Cost at 31 December 2018	18,697
Amortisation and impairment losses at 1 January 2018	-7,167
Amortisation for the year	-3,739
Amortisation and impairment losses at 31 December 2018	-10,906
Carrying amount at 31 December 2018	7,791

8 Property, plant and equipment

DKK'000	Property, plant and equipment under construction	Fixtures and fittings, tools and equipment	Leasehold improve-ments	Total
Cost at 1 January 2018	221	7,852	12,845	20,918
Additions for the year	456	694	135	1,285
Transfers for the year	-284	284	0	0
Cost at 31 December 2018	393	8,830	12,980	22,203
Depreciation and impairment losses at 1 January 2018	0	-2,951	-5,906	-8,857
Depreciation for the year	0	-2,152	-3,777	-5,929
Depreciation and impairment losses at 31 December 2018	0	-5,103	-9,683	-14,786
Carrying amount at 31 December 2018	393	3,727	3,297	7,417

9 Investments

DKK'000	Deposits
Cost at 1 January 2018	2,400
Cost at 31 December 2018	2,400
Carrying amount at 31 December 2018	2,400

10 Inventories

DKK'000	31/12 2018	31/12 2017
Raw materials and consumables	7,209	6,978
Work in progress	248	18
Finished goods and goods for resale	712	2,680
	8,169	9,676

Financial statements 1 January – 31 December

Notes

11 Deferred tax asset

DKK'000	2018	2017
Deferred tax asset at the beginning of the period	3,672	3,904
Amounts recognised in the income statement for the year	392	-232
	4,064	3,672
Deferred tax can be specified as follows		
Intangible assets	636	401
Property, plant and equipment	902	211
Provisions	2,526	3,060
	4,064	3,672

12 Prepayments

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

13 Equity

The contributed capital consists of 3,500 shares of a nominal value of DKK 1,000 thousand. The contributed capital represented DKK 500 thousand as of 7 July 2015 and was increased by a capital injection in 2015/16 of DKK 3,000 thosuand to the total of DKK 3,500 thousand.

All shares rank equally.

14 Other provisions

The Company provides warranties on some of its products and is therefore obliged to repair or replace goods which are not satisfactory. Based on previous experience in respect of the level of repairs and returns, other provisions of DKK 6,551 have been recognised for expected warranty claims. Moreover, the Company has recognised other provisions of DKK 3,765 thousand regarding onerous contracts and decommissioning obligations.

DKK'000	Within 1 year	Between 1 and 5 years	Total
The provisions are expected to mature as follows:	5,625	4,691	10,316

15 Non-current liabilities other than provisions

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

Debt falls due for payment as specified below:

DKK'000	31/12 2018	31/12 2017
Between 1 and 5 years	14	184
Short-term part	176	65
	190	249

Financial statements 1 January – 31 December

Notes

16 Contractual obligations, contingencies, etc.

Contingent liabilities

The Company was jointly taxed with the Philips Group's other Danish entities until November 2017.

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

The Company is a party to a few pending disputes due to nature of the its business. In Management's opinion, these disputes will not affect the Company's financial position other than the obligations which are recognised in the balance sheet at 31 December 2018.

DKK'000	2018	2017
Operating lease obligations		
Obligations regarding premises and cars, period of non-terminability up to 5 years	12,431	21,993

17 Related party disclosures

Signify Denmark A/S' related parties comprise the following:

Control

Signify Holding B.V., Holland.

Signify Holding B.V., holds the majority of the contributed capital in the Company.

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

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

High Tech Campus 45, 5656AE Eindhoven, Holland.

Related party transactions

Transactions with related parties for the year comprise the following:

The sale of goods to group entities, DKK 52,348 thousand

The sale of services to group entities, DKK 2,516 thousand

The purchase of goods from group entities, DKK 311,056 thousand

The purchase of services from group entities, DKK 9,732 thousand

Interest expenses to group entities, DKK 817 thousand

Receivables from group entities, DKK 0 thousand

Payables to group entities, short term, DKK 42,997 thousand