

Signify Denmark A/S

Arne Jacobsens Allé 15-17, level 9
2300 Copenhagen S, Denmark

CVR no. 36 96 72 26

Annual report 2022

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

30 June 2023

Åsa Ellinor Maria Wilhelmsson
Chairman

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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 2022.

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 2022 and of the results of the Company's operation for the financial year 1 January – 31 December 2022.

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, 30 June 2023

Executive Board:

Kenneth Karl-Johan Grönholm
CEO

Board of Directors:

Åsa Ellinor Maria
Wilhelmsson
Chairman

Henrik Nørgaard

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 2022, which comprise 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 financial position of the Company at 31 December 2022 and of the results of the Company's operations for the financial year 1 January – 31 December 2022 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Independent auditor's report (continued)

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

Independent auditor's report

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Independent auditor's report (continued)

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Frederiksberg, 30 June 2023

EY Godkendt Revisionspartnerselskab

CVR no. 30 70 02 28

Henrik Pedersen,
State Authorised
Public Accountant
mne35456

Management's review

Company details

Signify Denmark A/S
Arne Jacobsens Allé 15-17, level 9
2300 Copenhagen S, Denmark

CVR no.:	36 96 72 26
Established:	7 July 2015
Registered office:	Copenhagen
Financial year:	1 January – 31 December

Board of Directors

Åsa Ellinor Maria Wilhelmsson, Chairman
Henrik Nørgaard
Michael Fallenkamp Kragh

Executive Board

Kenneth Karl-Johan Grönholm, CEO

Auditor

EY Godkendt Revisionspartnerselskab
Dirch Passers Allé 36, Postbox 250
DK-2000 Frederiksberg

Management's review

Financial highlights

DKK'000	2022	2021	2020	2019	2018
Key figures					
Revenue	512.329	636.450	557.005	501.043	524.719
Operating profit/loss	14.032	16.707	11.683	939	4.413
Profit/loss from financial income and expenses	-953	-761	-774	-709	-932
Profit/loss for the year	10.080	9.047	8.394	2.462	2.608
Balance sheet					
Total assets	136.663	190.177	152.931	146.243	131.519
Equity	51.811	41.731	32.684	24.290	21.918
Investments in property, plant and equipment excluding RoU-assets	1.051	1.063	2.032	1.160	1.285
Ratios					
Gross margin	22,98%	18,85%	20,83%	20,17%	21,78%
Operating margin	2,74%	2,63%	2,10%	0,19%	0,84%
Current ratio	173,67%	130,13%	208,72%	269,94%	114,73 %
Return on equity	21,56%	24,32%	29,47%	10,66%	12,65 %
Solvency ratio	37,91%	21,94%	21,37%	16,61%	16,67 %
Average number of full time employees	136	131	132	135	137

Financial ratios are calculated in accordance with the guidelines "Recommendations and Ratios" issued by the Danish Society of Financial Analysts. The financial ratios have been calculated as follows:

Due to the implementation of IFRS 15 and IFRS 16 in 2019 with no re-statement of previous years figures, the key figures and financial ratios from previous years are not comparable.

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

Management's review

Operating review

Principal activities

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

Effective Q2 2020, to further adapt to the industry transition and strengthen customer centricity, Signify changed the organizational structure, which included changing the previously four business groups (BG's) to three divisions.

- Division Digital Solutions (formerly BG Professional, including Cooper Lighting Solutions) offers luminaires, lighting systems and services for the Internet of Things to the customers in the professional segment;
- Division Digital Products (combines BG LED and BG Home). This division offers LED lamps, LED luminaires and connected products, including Hue and Wiz, and LED electronics to professional customers, OEM partners and consumers. By bringing together its entire consumer LED portfolio, Signify can better manage this lighting category for its channel partners; and
- Division Conventional Products (formerly BG Lamps) continues to focus on conventional lamps and electronics for professional customers, OEM partners and consumers. It is organized separately to bring a clear distinction between conventional and digital offerings.

In line with this change, effective Q2 2020, Signify's operating segments are Digital Solutions, Digital Products, and Conventional Products. The segments are organized based on the nature of the products and services.

Development in activities and financial position 2022

The world endured a third year of exceptionally tough conditions in 2022. Geopolitical crises, persistent supply chain issues and surging energy costs conspired to create an increasingly volatile and unpredictable external environment that profoundly tested our agility and resilience.

On top of resource scarcity and supply disruptions from last year, heightened geopolitical tensions have contributed to abnormal inflation levels and energy costs. We are seeing a shift towards energy-efficient solutions, driven by consumers tackling rising costs and looking for more sustainable solutions. These key trends have a direct impact on our operations and reflect the need to remain agile in an evolving environment.

The Digital division consumer part was challenged by the increase in inflation and energy prices, which had a high impact on consumer spend. This comes on top of "Corona years" where investments in people's homes had been high. Especially Philips Hue was hit with a below expectation sales whereas Wiz still grew compared to 2021. The strategy to focus on the connected propositions in OEM paid off and contributed to satisfying growth figures. The professional project business had a slight decline on top of a very good 2021. The conventional product sales performance was successful and Signify estimates that the conventional lighting market declined at a faster pace than our conventional products business in 2021 and thus continued to gain market share. .

Management's review

Operating review

Financial sales performance represented DKK 512.329 thousand, reflecting a nominal sales decrease of 19,50% as against an expected increase of 0-5%. As indicated above, the deviation is mainly due to reducing consumer spend and a slight decline in professional project business. Results for the year was a profit of DKK 10.080 thousand after tax as against a profit of DKK 9.047 thousand last year, which was in line with expectations. Equity stood at DKK 51.811 thousand.

Proposed Dividend

The profit for the year, after taxation, amounted to DKK 10.080 thousand (2021: DKK 9.047 thousand profit). The directors do recommend the payment of a dividend of DKK 30.000 thousand from current and accumulated profits from previous years (2021: Nil).

Events after the balance sheet date

After the end of the financial year, one of the company's biggest customers went bankrupt. The possible credit loss is DKK 0-12 million, where the expected loss is approximately DKK 4 million. In addition, no significant events occurred after the balance sheet date.

Outlook

Our teams have rigorously executed our strategy while adapting to the continuing COVID-19 pandemic and its subsequent supply chain disruptions. Our strategic direction has been reinforced around our 5 Frontiers, which focuses on being even more customer centric, delivering differentiated offers, driving growth for sustainability, digitalizing and transforming for the future, and being a great place to work.

Given the volatility of the current macro environment, decrease in consumer spends, but at the same time considering the good demand from professional portfolio, the company's revenue for 2023 is expected to either remain stable or slightly decrease (expected revenue in the range of DKK 500.000 to 550.000 thousand) and operating profit in the range of DKK 7.000 to 8.200 thousand.

- Signify is the world leader in the professional lighting market for products such as LED and systems and services, with strong positions across key geographies. Professional products, systems and services are used in multiple market segments, including offices, commercial buildings, shops, hospitality venues, industry, agriculture and outdoor environments, including smart cities. The products in professional lighting have historically experienced a rapid shift from conventional to LED lighting and have been integrated into broader connected ecosystems. Digital Solutions focuses on strengthening its global professional lighting leadership position by further innovating in LED products globally, winning in connected lighting and unlocking the potential in businesses such as agriculture, solar, and 3D printing. At the same time, Digital Solutions leverages its scale to reduce the cost of production.
- Digital Products sells a wide variety of LED lamps, namely spots, bulbs and tubes, and functional LED luminaires to the consumer and professional channels. In addition, it sells LED electronic components, consisting of LED drivers and LED modules, to OEMs for professional luminaire applications in the retail, office, industry and outdoor segments. It is the global market leader in

Management's review

Operating review

connected home systems and a top-three player in selected home luminaires markets. Philips Hue, introduced in 2012, is the market leader in connected lighting for consumers. The Philips Hue offering is continuously expanding. WiZ Connected further extends the accessibility of consumer-connected lighting, as it provides consumers with a Wi-Fi based connected lighting ecosystem. Signify's combined consumer connected lighting offer enables consumers to connect via Wi-Fi, Bluetooth or the Philips Hue bridge. Digital Products' strategy is focused on capturing growth from the transition to integrated luminaires, driven by sustainability-led socket-base conversion and on IoT-technology for consumer-connected lighting, while strengthening its financial profile.

- Signify is the global market leader in the conventional lighting business. Conventional Products comprises the company's conventional lamps and lamp electronics businesses. This includes HID, TL, compact fluorescent, halogen, incandescent, as well as lamp electronics for conventional lamps (electronic ballasts and drivers) and specialty lighting. Conventional lamps are used in a wide variety of residential and professional applications and are bought by consumers, electrical installers and professional endusers through a wide range of channels. Lamp electronics are mainly sold to luminaire manufacturers directly and as replacement products to electrical wholesalers. Finally, Conventional Products sells digital projection lamps and drivers to the OEM market and the replacement market. While the overall conventional market continues to decline, Conventional Products' focus is on further increasing its leading market share in key segments and markets. This position supports the company's drive to lead the transition to connected LED products.

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.

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. It is integral to our Five Frontiers strategy that our growth must not be at the expense of the earth, but to its benefit. Our strategy identifies five domains for innovative and sustainable growth: contributing to climate action, contributing to a circular economy, increasing food availability, enhancing safety and security, and improving health and wellbeing.

Our sustainability program Brighter Lives, Better World 2025 is not a standalone program. It is embedded in our purpose and integral to our strategy and the way we do business. And we believe we have an important role to play in helping achieve the United Nations Sustainable Development Goals (SDGs).

Management's review

Operating review

They have been our strategic compass in creating our Brighter Lives, Better World 2025 program and commitments.

Research and development activities

The Company has no research and development activities. In 2022, Signify Group invested 3.9% of our sales in R&D, structured within a three-horizon investment schedule - investing in what is stable, what is growing, and what will grow tomorrow.

We continue to innovate in core LED lighting products that meet the world's immediate need to reduce energy consumption. To cite some examples: we have expanded our Ultra Efficient LED portfolio and extended it into the professional sector, offering even greater savings to energy-conscious customers. In luminaires, embracing 3D printing is making supply chain, procurement, manufacturing, and development more sustainable and more efficient.

Our investment in the Internet of Things is bearing fruit, with us now having surpassed 100 million IoT connected devices. And on the consumer side, our WiZ and Philips Hue lamps were the first in the lighting industry to support the Matter standard for smart home interoperability.

Market overview and strategy

Signify group, is the world market leader with recognized expertise in the development, manufacture and sale of innovative, energy-efficient lighting systems and services. We have pioneered many key breakthroughs in lighting over the past 130 years and have been a driving force behind several leading technological innovations.

Over the past few years, Signify further strengthened its leadership position as the lighting industry transitioned from conventional to LED and to connected lighting. In 2020, Signify adapted its strategy and named it the 5 Frontiers strategy. It addresses the challenges and seizes upon the opportunities from major global shifts that are impacting the lighting market. Indeed, the world and our industry are changing fast with new competition, changing geopolitical relationships, and advances in digitalization.

Our 5 Frontiers Strategy will help us address challenges and capture the opportunities in the major global shifts that affect us. Our 5 Frontiers Strategy are:

- Build a customer-centric organization
- Deliver differentiated lighting offers
- Drive growth for sustainability
- Digitalize and transform for the future
- Be a great place to work

Our new 5 Frontiers strategy reinforces our ambition to remain the industry leader and deals with the following equation: increasing our customers and people satisfaction, becoming more digital and developing a growth profile while positively impacting the environment and society.

Management's review

Operating review

As a result of our annual review in 2022, and despite the challenging environment requiring acceleration in some areas, our focus on delivering on our 5 Frontiers strategy and progressing on our Brighter Lives, Better World 2025 commitments is more relevant than ever.

Financial Statements 1 January - 31 December

Income Statement

DKK'000	Note	2022	2021
Revenue	2	512.329	636.450
Cost of goods sold		-354.364	-474.523
Other operating income		10	294
Other external costs		-40.217	-42.248
Gross Profit		117.758	119.973
Staff costs	3	-99.157	-98.160
Depreciation, amortization and impairment losses	4	-4.569	-5.106
Operating profit		14.032	16.707
Financial expenses	5	-953	-761
Profit before tax		13.079	15.946
Tax on profit for the year	6	-2.999	-6.899
Profit for the year	7	10.080	9.047

Financial Statements 1 January - 31 December

Balance sheet

DKK'000	Note	12/31/2022	12/31/2021
ASSETS			
Fixed assets			
Intangible assets	8		
Acquired customer rights		0	0
Property, plant and equipment	9		
Property, plant and equipment under construction		666	471
Fixtures and fittings, tools and equipment		1.431	1.505
Leasehold improvements		1.679	1.669
Right-of-use assets		22.622	20.192
		<u>26.398</u>	<u>23.837</u>
Deposits	10		
Deposits		999	999
Total fixed assets		<u>27.397</u>	<u>24.836</u>
Current assets			
Inventories			
Raw materials and consumables		8.892	6.140
Work in progress		1.993	938
Finished goods and goods for resale		4.118	3.146
		<u>15.003</u>	<u>10.224</u>
Receivables			
Trade receivables		85.157	141.544
Receivables from group entities		862	9.557
Other receivables		6.530	16
Deferred tax asset	11	892	2.221
Prepayments	12	795	1.779
		<u>94.236</u>	<u>155.117</u>
Cash and bank deposits		27	0
Total current assets		<u>109.266</u>	<u>165.341</u>
Total ASSETS		<u>136.663</u>	<u>190.177</u>

Financial Statements 1 January - 31 December

Balance sheet

DKK'000	Note	12/31/2022	12/31/2021
EQUITY AND LIABILITIES			
Equity			
Contributed capital	13	3.500	3.500
Retained earnings		18.311	38.231
Proposed dividends		30.000	0
Total equity		51.811	41.731
Provisions			
Other provisions	14	4.422	5.341
Total provisions		4.422	5.341
Liabilities other than provisions			
Non-current liabilities other than provisions			
Lease obligations	15	17.513	16.050
		17.513	16.050
Current liabilities other than provisions			
Current portion of lease obligations	15	3.878	3.431
Trade payables		12.944	6.302
Payables to group entities		17.015	62.693
Corporation tax		1.622	3.741
Other payables		24.802	49.511
Deferred income		2.656	1.377
		62.917	127.055
Total liabilities other than provisions		80.430	143.105
TOTAL EQUITY AND LIABILITIES		136.663	190.177

Financial Statements 1 January - 31 December

Statement of changes in equity

DKK'000	Contributed capital	Retained earnings	Proposed dividend	Total
Equity at 1 January 2021	3.500	29.184	0	32.684
Transferred over the profit appropriation	0	9.047	0	9.047
Equity at 31 December 2021	3.500	38.231	0	41.731
Transferred over the profit appropriation	0	-19.920	30.000	10.080
Equity at 31 December 2022	3.500	18.311	30.000	51.811

Financial Statements 1 January - 31 December

1. Accounting policies

The annual report of Signify Denmark A/S for 2022 has been prepared in accordance with the provisions applying to reporting class C medium-sized entities under the Danish Financial Statements Act with opt-in from higher reporting classes. The financial statements for 2022 are presented in DKK'000.

Change in accounting policies

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

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

Revenue is 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 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.

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.

Financial Statements 1 January - 31 December

1. Accounting policies (continued)

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

Income statement

Revenue

The Company has chosen IFRS 15 as interpretation for revenue recognition and measurement.

Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally at the time of delivery, provided that the income can be made up reliably and is expected to be received.

The Company considers whether there are separate performance obligations to which a portion of the transaction price needs to be allocated.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties.

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.

Share-based compensation expenses

The cost of equity-settled transactions is determined by the fair value at the grant date using an appropriate valuation model.

The share-based compensation relate to the shares in the parent company, which also administers the share option scheme. Consequently, the parent company invoices Signify Denmark A/S for the expenses relating to the Danish Company. Signify Denmark A/S recognizes a liability corresponding to the fair value of the equity-settled shares in the parent Company.

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 Statements 1 January - 31 December

1. Accounting policies (continued)

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.

Deposits

Deposits are recognised at amortised cost.

Leases

The company has chosen IFRS16 as interpretation for the classification and recognition of lease contracts. When entering into a contract, the Company assesses whether the contract is a lease or contains a lease component. A lease is defined as a contract or part of a contract that conveys the right to control the use of an identified asset

Financial Statements 1 January - 31 December

1. Accounting policies (continued)

for a period of time in exchange for consideration. When assessing whether a contract contains a lease component, it must be considered whether, during the period of use, the lessee has the right to substantially all economic benefits from the use of the identified asset and the right to direct the use of the identified asset.

The Company recognises a right-of-use asset and a lease liability at the commencement date.

The Company leases cars including a service component in the payments to the lessor. This service is separated from the lease payment when measuring the lease liability. If the Company is unable to reliably separate lease components and non-lease components, it is considered a single lease component.

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses its incremental borrowing rate.

The lease payments consist of fixed and variable lease payments that depend on an index or a rate, guaranteed residual values, purchase options and extension options if the Company is reasonably certain to exercise the option and termination penalties if the lease term reflects the Company exercising an option to terminate the lease. The lease liability is subsequently adjusted as follows if:

- The value of the index or rate on which the lease payments are based is changed.
- The exercise of options is changed in order to extend or terminate the lease due to significant events or a significant change in circumstances within the Company's control.
- The lease term is changed if the option is exercised in order to extend or terminate the lease.
- Estimated residual value guarantee is changed.
- The contract is renegotiated or modified.

Any subsequent adjustment of the future lease liability is recognised as an adjustment to the right-of-use asset. If the carrying amount of the right-of-use asset is DKK 0, a negative adjustment to the right-of-use asset is, however, recognised in the income statement.

The right-of-use asset is initially measured at cost comprising amount of initial measurement of the lease liability plus any initial direct costs and any estimated costs of dismantling and removal of the asset at the end of the lease term which the Company is under an obligation to incur and any prepaid lease payments and less any lease incentives received.

The right-of-use asset is depreciated over the shorter of the lease term and the useful life of the right-of-use asset.

Short-term leases with a maximum lease term of 12 months and leases for low-value assets are not recognised in the balance sheet.

Impairment of fixed assets

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

Financial Statements 1 January - 31 December

1. Accounting policies (continued)

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

Inventories

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

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

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

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

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.

Signify estimates lifetime expected loss allowance by calculating the expected credit losses in line with IFRS 9. As soon as individual trade accounts receivable can no longer be collected in a normal course of business and are expected to result in a loss, they are designated as doubtful trade accounts receivable and valued at the expected collectible amounts. They are written off when they are deemed to be uncollectable. Loss allowances are accounted for within other external costs.

Prepayments

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

Cash

Cash comprises cash.

Given the nature of the Group's cash pool arrangement, cash pool balances are not considered cash, but are recognised under Receivables/payables from/to group entities.

Financial Statements 1 January - 31 December

1. Accounting policies (continued)

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 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 net present value.

Corporation tax and deferred tax

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

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

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

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

Financial Statements 1 January - 31 December

1. Accounting policies (continued)

Liabilities other than provisions

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

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

Deferred income

Deferred income comprises advance invoicing regarding income in subsequent years.

Financial Statements 1 January - 31 December

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2. Revenue

DKK'000	2022	2021
by business area		
Division Conventional Products	20.710	26.994
Division Digital Products	272.520	369.072
Division Digital Solutions	219.099	240.384
Total	512.329	636.450
Geographic breakdown		
Denmark	457.093	585.914
EU	55.236	50.536
Total	512.329	636.450
3. Staff costs		
Wages and salaries	91.016	90.803
Pensions	8.022	7.327
Other social security costs	119	31
	99.157	98.160
Average number of full-time employees	136	131

Remuneration to the executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

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 three years after the award date provided the person is still employed with the Group at that time.

Financial Statements 1 January - 31 December

Notes

DKK'000	<u>2022</u>	<u>2021</u>
4. Depreciation, amortisation and impairment losses		
Intangible assets	0	313
Property, plant and equipment	4.569	4.793
	<u>4.569</u>	<u>5.106</u>
5. Financial expenses		
Interest expense to group entities	528	590
Other financial costs	425	171
	<u>953</u>	<u>761</u>
6. Tax on profit for the year		
Current tax for the year	1.670	3.313
Deferred tax for the year	1.329	174
Adjustment of current tax concerning previous years	0	3.412
	<u>2.999</u>	<u>6.899</u>
7. Proposed profit appropriation		
Proposed dividends	30.000	0
Retained earnings	-19.920	9.047
	<u>10.080</u>	<u>9.047</u>

Financial Statements 1 January - 31 December

Notes

8. Intangible assets

DKK'000	Acquired customer rights
Cost at 1 January 2022	18.697
Cost at 31 December 2022	18.697
Amortisation and impairment losses at 1 January 2022	-18.697
Amortisation and impairment losses at 31 December 2022	-18.697
Carrying amount at 31 December 2022	0

9. Property, plant and equipment

DKK'000	Property, plant and equipment under construction	Fixtures and fittings, tools and equipment	Leasehold improvements	Right-of-use assets	Total
Cost at 1 January 2022	471	6.009	16.031	28.958	51.469
Additions for the year	247	534	270	6.131	7.182
Disposals for the year	-52	0	0	0	-52
Cost at 31 December 2022	666	6.543	16.301	35.089	58.599
Depreciation and impairment losses at 1 January 2022	0	-4.504	-14.362	-8.766	-27.632
Depreciation for the year	0	-608	-260	-3.701	-4.569
Depreciation and impairment losses at 31 December 2022	0	-5.112	-14.622	-12.467	-32.201
Carrying amount at 31 December 2022	666	1.431	1.679	22.622	26.398

Financial Statements 1 January - 31 December

Notes

DKK'000	12/31/2022	1/1/2022
Right of Use assets		
Buildings	22.622	20.192
Lease liabilities		
Current	3.877	3.431
Non-current	17.513	16.050
	21.390	19.481

Lease costs for short-term and low value leases in 2022 amounts to DKK 3.608.

10. Deposits

	Deposits
Cost at 1 January 2022	999
Cost at 31 December 2022	999
Carrying amount at 31 December 2022	999

11. Deferred tax asset

	2022	2021
Deferred tax asset at the beginning of the period	2.221	2.395
Deferred tax adjustment for the year	-1.329	-174
	892	2.221
Deferred tax can be specified as follows		
Intangible assets	0	588
Property, plant and equipment	-4.967	-4.329
Provisions	973	1.175
Liabilities other than provisions	4.886	4.787
	892	2.221

Financial Statements 1 January - 31 December

Notes

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 thousand 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 3,032 thousand have been recognised for expected warranty claims. Moreover, the Company has recognized other provisions of DKK 1,249 thousand regarding decommissioning obligations with the expected maturity being at the end of the lease in December 2029; DKK 13 thousand for Jubilee obligations and DKK 128 thousand other provisions.

DKK'000	<u>Within 1 year</u>	<u>Between 1 and 5 years</u>	<u>Total</u>
The provisions are expected to mature as follows:	1.719	2.703	4.422

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	<u>Lease obligations</u>
Above 5 years	4.163
Between 1 and 5 years	13.349
Short-term part	3.878
	<u><u>21.390</u></u>

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 a party to a few pending disputes due to nature of 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 2022.

The Company is jointly liable by surety for the Group's banking facilities, in total amount of DKK 50.272.575,00, which consists of below positions:

SIGNIFY HOLDING B.V.	DKK 37.182.500
Signify Sweden AB	DKK 3.344.000
SIGNIFY NORWAY AS	DKK 5.656.000
SIGNIFY FINLAND OY	DKK 4.090.075

DKK'000	2022	2021
Operating lease obligations		
Cars		
to be paid within next 12 months	1.652	1.230
to be paid within next 2 years	1.264	799
to be paid within next 3 years	833	575
to be paid within next 4 years	152	313
Total	3.901	2.917

17. Contract assets and liabilities

Contract assets mostly comprise of unbilled positions, where Signify has, partially or in full, satisfied performance obligations but not yet billed the customer. These are recorded under either Other current assets or Other non-current assets. The contract assets are transferred to receivables when the rights become unconditional, which is mostly when the customer is billed.

Contract liabilities consist of deferred income and payments received in advance and are recorded under Other current liabilities and Other non-current liabilities. Deferred income includes balances related to extended warranty, life-cycle services as well as other services such as cloud-enabled services. Advances from customers mostly comprises payments received in advance for projects, for which Signify still needs to satisfy (part of) the performance obligations.

Financial Statements 1 January - 31 December

Notes

DKK'000	2022	2021
Deferred income		
Short-term (between 1-12 months)	925	373
Long-term (>12 months)	1.731	1.004
Total	2.656	1.377

18. Related party disclosures

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

Control

Signify Holding B.V., The Netherlands.

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 48, 5656AE Eindhoven, The Netherlands.

Related party transactions

Transactions with related parties for the year comprise the following:

Sale of goods to group entities, DKK 21.780 thousand

Sale of services to group entities, DKK 8.815 thousand

Purchase of goods from group entities, DKK 325.780 thousand

Purchase of services from group entities, DKK 6.255 thousand

Expense on share based incentives, 538 thousand

Interest expenses to group entities, DKK 528 thousand

Sale of tangible fixed assets, DKK 0 thousand

Receivables from group entities, DKK 862 thousand

Payables to group entities, net DKK -17.015 thousand, consisting of payables -5.469 thousand, long term loan DKK – 30.000 thousand and cash pool balance DKK +18.454 thousand.

Payables/receivables to/from group entities are disclosed in the balance sheet and interest expenses to group entities are disclosed in note 5.

19. Events after the balance sheet date

After the end of the financial year, one of the company's biggest customers went bankrupt. The possible credit loss is DKK 0-12 million, where the expected loss is approximately DKK 4 million.

In addition, no significant events occurred after the balance sheet date.

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"By my signature I confirm all dates and content in this document."

Kenneth Karl-Johan Grönholm

Executive Board

On behalf of: Signify Denmark A/S

Serial number: 19690211xxxx

IP: 90.235.xxx.xxx

2023-06-30 15:37:00 UTC



ELLINOR WILHELMSSON

Chairman

On behalf of: Signify Denmark A/S

Serial number: 19800909xxxx

IP: 81.231.xxx.xxx

2023-06-30 16:01:57 UTC



ELLINOR WILHELMSSON

Board of Directors

On behalf of: Signify Denmark A/S

Serial number: 19800909xxxx

IP: 81.231.xxx.xxx

2023-06-30 16:01:57 UTC



Henrik Nørgaard

Board of Directors

On behalf of: Signify Denmark A/S

Serial number: c91b48e9-60b2-442b-9d32-92d28b211203

IP: 165.225.xxx.xxx

2023-06-30 17:15:23 UTC



Michael Fallenkamp

Board of Directors

On behalf of: Signify Denmark A/S

Serial number: 038c16bf-81b8-4b54-8d3a-cd3a2adab2c5

IP: 80.197.xxx.xxx

2023-07-03 07:26:35 UTC



Henrik West Rohden Pedersen

State Authorised Public Accountant

On behalf of: EY Godkendt Revisionspartnerselskab

Serial number: be28c3ef-63c3-4030-ab1f-5b23aee164af

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