Signify Denmark A/S

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

CVR no. 36 96 72 26

Annual report 2021

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

1st July 2022

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 2021.

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 2021 and of the results of the Company's operation for the financial year 1 January – 31 December 2021.

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, 1st July 2022

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 2021, 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 2021 and of the results of the Company's operations for the financial year 1 January – 31 December 2021 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.

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.

- 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.

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, 1st July 2022
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	2021	2020	2019	2018(*)	2017(*)
Key figures					
Revenue	636.450	557.005	501.043	524.719	518.811
Operating profit/loss	16.707	11.683	939	4.413	11.096
Profit/loss from financial income and expenses	-761	-774	-709	-932	-1.058
Profit/loss for the year	9.047	8.394	2.462	2.608	7.854
Total assets	190.177	152.931	146.243	131.519	152.796
Equity	41.731	32.684	24.290	21.918	19.310
Investments in property, plant and equipment excluding RoU-assets	1.063	2.032	1.160	1.285	2.444
Ratios					
Gross margin	18,85%	20,83%	20,17%	21,78%	22,62%
Operating margin	2,63%	2,10%	0,19%	0,84%	2,14%
Current ratio	130,13%	208,72%	269,94%	114,73%	104,47%
Return on equity	24,32%	29,47%	10,66%	12,65%	51,06%
Solvency ratio	21,94%	21,37%	16.61%	16,67%	12,64%
Average number of full-time employees	131	132	135	137	132

The financial ratios have been calculated as follows:

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

(*) Due to the implementation of IFRS 15 and IFRS 16 in 2019 with no re-statement of previous year's figures, the key figures and financial ratios from 2017-2018 are not comparable.

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 2021

Financial sales performance represented DKK 636,450 thousand, reflecting a nominal sales increase of 14.3%.

2021 presented us with extraordinary challenges brought on by the ongoing impact of the COVID-19 pandemic, namely high levels of disruption to global supply chains. We navigated these challenges well and successfully minimized the impact on our customers. The continued health crisis sharpened our focus on the welfare of our employees and in 2021 we went to considerable lengths to protect their physical and mental health, and ensure their well-being.

As per our strategy and similar to result of 2020, the contribution from our digital product division increased substantially in 2021, particular for our consumer connected business, Philips Hue and Wiz.. What stands out in comparison to 2020 is that professional project business grew significantly despite the challenges from supply global supply constraints. 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. In 2021 we improved the operating profitability and had a nominal growth of 14.3%, which was in line with the outlook we set for the year.

Management's review

Operating review

Results for the year was a profit of DKK 9,047 thousand after tax as against a profit of DKK 8,394 thousand last year. Equity stood at DKK 41,731 thousand.

Events after the balance sheet date

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

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. The company's revenue for 2022 is expected to increase in the range of 0% to 5% percent due to higher contribution from the professional portfolio, and profit slightly higher than in 2021.

- Digital Solutions executes its strategy built around growth for sustainability through attractive growth platforms such as connected lighting, agriculture lighting, solar lighting, 3D printed luminaires, disinfection lighting and human-centric lighting. It maintains a strong financial profile with unmatched global scale and is well-positioned to capture growth from the upcoming stimulus programs in Europe and the US.

- Digital Products aims to drive market share growth in LED Lamps through differentiation with a multi-brand offer of A brands,B-brands and Private Label sales. The division also plans to grow sales of LED Luminaires by innovating and expanding its product portfolio and by leveraging its LED R&D and distribution strength. It aims to further accelerate growth in its Consumer Connected business with a two-system offering of Philips Hue and WiZ and by continuing to innovate in relevant consumer benefits, such as ambiance, well-being and security. Digital Products will drive growth in LED electronics through the transition to smart lighting, leveraging its innovation leadership in connected components and through dedicated offers for specialty segments.

- Conventional Products will continue to execute its strategy and optimize free cash flow by leveraging its cost advantage, scale, global footprint and lean manufacturing capabilities, while responding to customer demand for conventional 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.

Management's review

Operating review

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 ambitious sustainability program, Brighter Lives, Better World 2025, builds on our 2020 achievement of carbon neutrality in our operations. Through this program, we will amplify our positive impact by enabling our customers and suppliers to become more sustainable. The company is on track to double our positive impact on the environment and society by the end of 2025.

Research and development activities

The Company has no research and development activities. In 2021, Signify group invested 4.1% of sales in R&D focusing on three pillars: innovating in lighting technology, bringing the Internet of Things (IoT) into lighting, and innovating in our growth areas.

In lighting technology, we launched the Philips Ultra Efficient LED lamp, which is 60% more energy-efficient than other LED lamps, and the Philips TrueForce LED highbay, a universal HID replacement lamp that enables fast and hassle-free conversion to LED for our B2B customers.

In consumer IoT, we upgraded the Philips Hue experience with a deep Spotify integration and a more intuitive app with enhanced functionality. For professional customers, we added new capabilities to our Interact Pro system, enabling gateway-less commissioning of Interact Ready luminaires, sensors and switches.

In our Growth areas, our efforts to standardize UV-C safety requirements around the globe were rewarded with DEKRA certification for our UV-C desk lamp, a first in our industry. We further extended our 3Dprinting capabilities to design unique, one-of a-kind luminaires to customers' specifications. Our fast, secure LiFi connectivity solution was deployed for the first time in commercial aircraft, and at the World Forum in The Hague, where privacy and security are top priorities. And finally, we launched Bright Sites, a new industry-leading innovation that can create a high-speed wireless communication backhaul network using our luminaires.

Management's review

Operating review

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.

As a result of our annual review, in 2021, we furthered our focus on delivering on our 5 Frontiers strategy and on progressing on the commitments of our new Brighter Lives, Better World 2025 sustainability program that we launched in 2020.

Financial Statements 1 January - 31 December

Income Statement

DKK'000	Note	2021	2020
Revenue	2	**636.450**	**557.005**
Cost of goods sold		-474.523	-405.750
Other operating income		294	—
Other external costs		-42.248	-35.236
Gross Profit		119.973	116.019
Staff costs	3	-98.160	-95.592
Depreciation, amortization and impairment losses	4	-5.106	-8.744
Operating profit		**16.707**	**11.683**
Financial expenses	5	-761	-774
Profit before tax		**15.946**	**10.909**
Tax on profit for the year	6	-6.899	-2.515
Profit for the year	**7**	**9.047**	**8.394**

Financial Statements 1 January - 31 December

Balance sheet

DKK'000

ASSETS	Note	**12/31/2021**	**12/31/2020**
Fixed assets			
Intangible assets	8		
Acquired customer rights		-	313
Property, plant and equipment	9		
Property, plant and equipment under construction		471	139
Fixtures and fittings, tools and equipment		1.505	1.827
Leasehold improvements		1.669	1.940
Right-of-use assets		20.192	11.661
		23.837	15.567
Investments	10		
Deposits		999	999
Total fixed assets		24.836	16.879
Current assets			
Inventories			
Raw materials and consumables		6.140	6.648
Work in progress		938	1.095
Finished goods and goods for resale		3.146	1.435
		10.224	9.178
Receivables			
Trade receivables		141.544	89.477
Receivables from group entities		9.557	34.070
Other receivables		16	3
Deferred tax asset	11	2.221	2.395
Prepayments	12	1.779	929
		155.117	126.874
Total current assets		165.341	136.052
Total ASSETS		**190.177**	**152.931**

Financial Statements 1 January - 31 December

Balance sheet

DKK'000	Note	12/31/2021	12/31/2020
EQUITY AND LIABILITIES			
Equity			
Contributed capital	13	3.500	3.500
Retained earnings		38.231	29.184
Total equity		41.731	32.684
Provisions	14		
Other provisions		5.341	4.967
Total provisions		5.341	4.967
Liabilities other than provisions			
Non-current liabilities other than provisions	15		
Lease obligations		16.050	6.302
Payables to group entities		-	34.458
Other payables		-	9.335
		16.050	50.095
Current liabilities other than provisions			
Current portion of lease obligations	15	3.431	3.861
Trade payables		6.302	14.785
Payables to group entities		62.693	-
Corporation tax		3.741	2.413
Other payables		49.511	43.175
Deferred income		1.377	951
		127.055	65.185
Total liabilities other than provisions		**143.105**	**115.280**
TOTAL EQUITY AND LIABILITIES		**190.177**	**152.931**

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Statement of changes in equity

DKK'000	Contributed capital	Retained earnings	Total
Equity at 1 January 2020	3.500	20.790	24.290
Transferred over the profit appropriation	0	8.394	8.394
Equity at 31 December 2020	3.500	29.184	32.684
Transferred over the profit appropriation	0	9.047	9.047
Equity at 31 December 2021	3.500	38.231	41.731

Financial Statements 1 January - 31 December

Notes

1. Accounting policies

The annual report of Signify Denmark A/S for 2021 has been prepared in accordance with the provisions applying to reporting class C medium-sized entities under the Danish Financial Statements Act.
The financial statements for 2021 are presented in DKK'000.

Change in accounting policies

The accounting policies used in the preparation of the financial statements 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

Notes

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.

Financial Statements 1 January - 31 December

Notes

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.

Investments

Deposits are recognised at amortised cost.

Financial Statements 1 January - 31 December

Notes

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 for a period of time in exchange for consideration. When an 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-ofuse 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.

Financial Statements 1 January - 31 December

Notes

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.

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. 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.

Equity

Dividends

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

Financial Statements 1 January - 31 December

Notes

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.

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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2. Revenue

DKK'000	2021	2020
by business area		
Division Conventional Products	26.994	30.416
Division Digital Products	369.072	308.299
Division Digital Solutions	240.384	218.290
Total	636.450	557.005
Geographic breakdown		
Denmark	585.914	487.559
EU	50.536	69.446
Total	636.450	557.005

3. Staff costs

Wages and salaries	90.802	87.820
Pensions	7.327	7.523
Other social security costs	31	249
	98.160	95.592
Average number of full-time employees	131	132

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.

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DKK'000	2021	2020
4. Depreciation, amortisation and impairment losses		
Intangible assets	313	3.739
Property, plant and equipment	4.793	5.004
	5.106	8.744
5. Financial expenses		
Interest expense to group entities	590	541
Other financial costs	171	233
	761	774
6. Tax on profit for the year		
Current tax for the year	3.313	2.080
Deferred tax for the year	174	435
Adjustment of current tax concerning previous years	3.412	0
	6.899	2.515
7. Proposed profit appropriation		
Retained earnings	9.047	8.394

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8. Intangible assets

DKK'000	Acquired customer rights
Cost at 1 January 2021	18.697
Cost at 31 December 2021	18.697
Amortisation and impairment losses at 1 January 2021	-18.384
Amortisation for the year	-313
Amortisation and impairment losses at 31 December 2021	-18.697
Carrying amount at 31 December 2021	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 2021	139	8.596	15.963	16.664	41.362
Additions for the year	995	0	68	12.294	13.357
Disposals for the year	0	-3.250	0	0	-3.250
Transfers for the year	-663	663	0	0	0
Cost at 31 December 2021	471	6.009	16.031	28.958	51.469
Depreciation and impairment losses at 1 January 2021	0	-6.769	-14.023	-5.003	-25.795
Depreciation for the year	0	-691	-339	-3.763	-4.793
Reversed depreciation and impairment losses on assets sold	0	2.956	0	0	2.956
Depreciation and impairment losses at 31 December 2021	0	-4.504	-14.362	-8.766	-27.632
Carrying amount at 31 December 2021	471	1.505	1.669	20.192	23.837

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DKK'000	12/31/2021	1/1/2021
Right of Use assets		
Buildings	20.192	11.661
Lease liabilities		
Current	3.431	3.861
Non-current	16.050	6.302
	19.481	10.163

Lease costs for short-term and low value leases in 2021 amounts to DKK 3.961

10. Investments

	Deposits
Cost at 1 January 2021	999
Cost at 31 December 2021	999
Carrying amount at 31 December 2021	999

11. Deferred tax asset

	2021	2020
Deferred tax asset at the beginning of the period	2.395	2.830
Deferred tax adjustment for the year	-174	-435
	2.221	2.395
Deferred tax can be specified as follows		
Intangible assets	588	1.107
Property, plant and equipment	-4.329	-2.315
Provisions	1.175	1.093
Liabilities other than provisions	4.787	2.510
Tax loss carryforwards		0
	2.221	2.395

12. Prepayments

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

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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 3.877 thousand have been recognised for expected warranty claims. Moreover, the Company has recognized other provisions of DKK 1.249 thousand regarding decomissioning obligations with the expected maturity being at the end of the lease in December 2029; DKK 50 thousand for Jubilee obligations and DKK 165 thousand other provisions.

DKK'000	Within 1 year	Between 1 and 5 years	Total
The provisions are expected to mature as follows:	2.043	3.298	5.341

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. No liabilities fall due more than 5 years after the balance sheet date. Debt falls due for payment as specified below:

DKK'000	Lease obligations
Between 1 and 5 years	16.050
Short-term part	3.431
	19.481

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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 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 2021.

DKK'000	2021	2020
Operating lease obligations		
Cars	2.917	2.857
	2.917	2.857

17. 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 23.781 thousand

Sale of services to group entities, DKK 10.614 thousand

Purchase of goods from group entities, DKK 445.633 thousand

Purchase of services from group entities, DKK 6.500 thousand

Expense on share based incentives, DKK 1.926 thousand

Interest expenses to group entities, DKK 590 thousand

Sale of tangible fixed assets, DKK 495 thousand

Receivables from group entities, DKK 9.557 thousand

Payables to group entities DKK 62.693 thousand.

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

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18. Events after the balance sheet date

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

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The signatures in this document are legally binding. The document is signed using Penneo™ secure digital signature. The identity of the signers has been recorded, and are listed below.

"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: 85.229.xxx.xxx
2022-07-01 12:21:15 UTC
BankID

ELLINOR WILHELMSSON
Chair of the meeting
On behalf of: Signify Denmark A/S
Serial number: 19800909xxxx
IP: 81.231.xxx.xxx
2022-07-01 12:24:43 UTC
BankID

ELLINOR WILHELMSSON
Chair
On behalf of: Signify Denmark A/S
Serial number: 19800909xxxx
IP: 81.231.xxx.xxx
2022-07-01 12:24:43 UTC
BankID

Henrik Nørgaard
Board of Directors
On behalf of: Signify Denmark A/S
Serial number: c91b48e9-60b2-442b-9d32-92d28b211203
IP: 83.95.xxx.xxx
2022-07-01 12:30:08 UTC
MitID

Michael Fallenkamp
Board of Directors
On behalf of: Signify Denmark A/S
Serial number: 038c16bf-81b8-4b54-8d3a-cd3a2adab2c5
IP: 165.225.xxx.xxx
2022-07-01 16:22:07 UTC
MitID

Henrik Pedersen
State Authorised Public Accountant
On behalf of: EY Godkendt Revisionspartnerselskab
Serial number: CVR:30700228-RID:75507388
IP: 165.225.xxx.xxx
2022-07-01 17:01:25 UTC
NEM ID