Signify Denmark A/S

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

CVR no. 36 96 72 26

Annual report 2020

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

2nd July 2021

Åsa Ellinor Maria Wilhelmsson
Chairman

Signify Denmark A/S
Annual report 2020

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 2020.

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 2020 and of the results of the Company's operation for the financial year 1 January – 31 December 2020.

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, 2nd July 2021

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 2020 comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2020 and of the results of the Company's operations for the financial year 1 January – 31 December 2020 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

Independence

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

Management's responsibility for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements in

Denmark will always detect a material misstatement when it exists. Misstatements may arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

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

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

— obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

— evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

— conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

— evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the Management's review

Management is responsible for the Management's review.

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

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

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

Independent auditor's report

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

Copenhagen, 2nd July 2021.

EY
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Lissen Fagerlin Hammer	Karsten Faurholt
State Authorized	State Authorized
Public Accountant	Public Accountant
mne27747	mne41309

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	2020	2019	2018	2017	7 Jul 2015-31 Dec 2016
Key figures					
Revenue	557.005	501.043	524.719	518.811	513.230
Operating profit/loss	11.683	939	4.413	11.096	760
Profit/loss from financial income and expenses	-774	-709	-932	-1.058	-1.857
Profit/loss for the year	8.394	2.462	2.608	7.854	-987
Total assets	152.931	146.243	131.519	152.796	152.657
Equity	32.684	24.290	21.918	19.310	11.455
Investments in property, plant and equipment excluding RoU-assets	2.032	1.160	1.285	2.444	18.475
Ratios					
Gross margin	20,83 %	20,17 %	21,78 %	22,62 %	20,40 %
Operating margin	2,10 %	0,19 %	0,84 %	2,14 %	0,15 %
Current ratio	208,72 %	269,94 %	114,73 %	104,47 %	96,68 %
Return on equity	29,47 %	10,66 %	12,65 %	51,06 %	-17,20 %
Solvency ratio	21,37 %	16,61 %	16,67 %	12,64 %	7,50 %
Average number of full time	132	135	137	132	135

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:

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 years figures, the key figures and financial ratios from 2016-2018 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 2020

Financial sales performance represented DKK 557.005 thousand, reflecting a nominal sales increase of 11.2%.

2020 presented challenges the likes of which we've never experienced, and while our industry was severely impacted by the COVID-19 pandemic, we managed to strengthen our financial performance and improve our topline. As per our strategy, the contribution from our digital product divisions increased substantially in 2020, particular within our consumer channel. The sales performance in the professional channel was solid.

Results for the year was a profit of DKK 8.394 thousand after tax as against a profit of DKK 2.462 thousand last year. Equity stood at DKK 32.684 thousand, which is in line with expectations and satisfactory.

Management's review

Operating review

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

There is a transition in both professional and consumer segments from LED lamps to functional LED luminaires and connected solutions, as anticipated in the company's strategy. This trend is driven by an increasingly compelling proposition of both integrated LED luminaires and connected solutions in particular, whilst at the same time the replacement cycle of LED Lamps reduces due to its longer lifetime.
The company expects this trend to continue for the foreseeable future. This provides a solid growth path with the ambition to drive market share gains and leadership in functional luminaires as connected lighting. While Signify expects that the LED lamps market will decline in the next few years, the company is well positioned to continue to grow market share in this market, building on its strong position in the lighting distribution.

The LED electronics market is expected to grow, particularly driven by the shift to connected lighting. LED will drive growth in LED electronics through the transition to smart lighting via innovation leadership in connected components and by expanding the market position in indoor LED electronics. The consumer lighting market is expected to benefit from the transition to LED luminaires and the increasing adoption of connected home lighting systems. The market for smart home lighting systems is expanding rapidly. At the same time, Home is experiencing more connected lighting offerings coming to the market.

The professional lighting market is a large, growing and resilient market. As the global leader in this market, the Signify Group is well positioned to benefit from powerful global trends such as the shift to connected lighting. The Signify Group's Interact platform is designed to handle data collected from the growing number of connected light points, sensor devices and systems. The transition to connected lighting is occurring rapidly, particularly in developed countries. Professional systems typically control a large network of lights. Potential savings for customers based on total cost of ownership tend to be significant. The connected lighting market continues to offer significant growth potential for Signify.

The conventional lamps market is expected to continue to decline in the coming years due to the ongoing adoption of LED lighting technologies.

While our industry was severely impacted by the COVID 19 pandemic, Signify at global level managed to strengthen our financial performance. From the start of the crisis, we were disciplined in working capital management. As per our strategy, the contribution from our digital product divisions increased substantially in 2020. We overachieved on our 2020 sustainability goals, including carbon neutrality as Signify at global level.

Management's review

Operating review

The ongoing nature of the pandemic means we remain cautious about market developments in 2021 but we are confident in our ability to further adapt, as demonstrated throughout 2020. We are optimizing our costs in several ways to enhance our competitiveness in a rapidly transforming Lighting industry. We are making our central organization (at global level) leaner to reduce our indirect costs as a percentage of sales, which have increased due to the COVID-19 pandemic. At the same time, we will continue to innovate and develop our growth platforms to capture new business opportunities in line with our strategy.

In 2021 Signify expects an upswing in demand for our professional portfolio as result of easing of lockdown and stimulus packages and a continued growth in our consumer channel, which is expected to result in increased revenue and a result slightly higher than in 2020.

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. Sustainability is central to Signify's strategy. It is the company's purpose to unlock the extraordinary potential of light for brighter lives and a better world. In 2020, at a global level, Signify successfully completed its Brighter Lives, Better World 2020 sustainability program, even outperforming on many of its ambitious commitments. In September 2020, Signify reached a major milestone: becoming carbon neutral in all our operations across the world. This was ahead of our target and ahead of the aspirations set out in the Paris Agreement.

Research and development activities

The Company has no research and development activities. In 2020, Signify group invested 4.4% of sales in R&D. Signify specifically increased investments in UV-C, solar lighting, and connected home lighting, and leveraged more than 35 years of expertise in UV-C lighting to address the growing global need for the disinfection of air, surfaces and objects. UV-C technology is proven to effectively neutralize microorganisms,

Management's review

Operating review

such as bacteria, mold and viruses – including the virus that causes COVID-19 – in a matter of seconds. This was an important part of Signify's commitment to health and safety.

The release of solar hybrid systems is increasing the number of places where solar lighting can be used, as it allows switching between solar power during the sunnier periods and power from the grid during the darker months. This will help increase the usage of clean electricity and reduce carbon footprints. This is an essential part of our commitment to clean energy.

Another groundbreaking innovation is helping to further enhance the home entertainment experience. The Philips Hue Play gradient lightstrip brings the surround lighting effect to the next level and helps TV viewers experience the thrill of a movie theater in their own living room. Meanwhile, WiZ further expanded smart home lighting accessibility as it launched more than 100 products that are easy to set-up with Bluetooth and consumers' existing WiFi networks.

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 129 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 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.

Financial Statements 1 January - 31 December
Income Statement

DKK'000	Note	2020	2019
Revenue	2	**557.005**	**501.043**
Cost of goods sold		-405.750	-355.168
Other operating income		0	46
Other external costs		-35.236	-44.842
Gross Profit		116.019	101.079
Staff costs	3	-95.592	-90.154
Depreciation, amortization and impairment losses	4	-8.744	-9.986
Operating profit		**11.683**	**939**
Financial expenses	5	-774	-709
Profit before tax		**10.909**	**230**
Tax on profit for the year	6	-2.515	2.232
Profit for the year	**7**	**8.394**	**2.462**

Financial Statements 1 January - 31 December
Balance sheet

DKK'000	Note	31/12/2020	31/12/2019
ASSETS			
Fixed assets			
Intangible assets	8		
Acquired customer rights		313	4.052
Property, plant and equipment	9		
Property, plant and equipment under construction		139	270
Fixtures and fittings, tools and equipment		1.827	2.156
Leasehold improvements		1.940	753
Right-of-use assets		11.661	13.967
		15.567	17.146
Investments	10		
Deposits		999	999
Total fixed assets		16.879	22.197
Current assets			
Inventories			
Raw materials and consumables		6.648	8.555
Work in progress		1.095	325
Finished goods and goods for resale		1.435	146
		9.178	9.026
Receivables			
Trade receivables		89.477	111.108
Receivables from group entities		34.070	0
Other receivables		3	41
Deferred tax asset	11	2.395	2.830
Corporation tax		0	92
Prepayments	12	929	949
		126.874	115.020
Total current assets		136.052	124.046
Total ASSETS		**152.931**	**146.243**

Financial Statements 1 January - 31 December
Balance sheet

DKK'000	Note	31/12/2020	31/12/2019
EQUITY AND LIABILITIES			
Equity			
Contributed capital	13	3.500	3.500
Retained earnings		29.184	20.790
Total equity		32.684	24.290
Provisions	14		
Other provisions		4.967	6.961
Total provisions		4.967	6.961
Liabilities other than provisions			
Non-current liabilities other than provisions	15		
Lease obligations		6.302	9.215
Payables to group entities		34.458	57.371
Other payables		9.335	2.453
		50.095	69.039
Current liabilities other than provisions			
Current portion of lease obligations	15	3.861	3.392
Trade payables		14.785	11.628
Corporation tax		2.413	0
Other payables	15	43.175	30.187
Deferred income		951	746
		65.185	45.953
Total liabilities other than provisions		**115.280**	**114.992**
TOTAL EQUITY AND LIABILITIES		**152.931**	**146.243**

Financial Statements 1 January - 31 December

Statement of changes in equity

DKK'000	Contributed capital	Retained earnings	Total
Equity at 1 January 2019	3.500	18.418	21.918
Net effect from implementation of IFRS 16	0	-90	-90
Transferred over the profit appropriation	0	2.462	2.462
Equity at 31 December 2019	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

Financial Statements 1 January - 31 December

Notes

1. Accounting policies

The annual report of Signify Denmark A/S for 2020 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 2020 are presented in DKK'000.

Change in accounting policies

With effect for the financial year 2020, the company has implemented Amendment Act no. 1716 of 27 December 2018 to the Danish Financial Statements Act. The implementation of the amending law has not affected the Company's accounting policies for the recognition and measurement of assets and liabilities but has only meant requirements for further information.

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

Assets are recognized 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 recognized 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.

Financial Statements 1 January - 31 December

Notes

1. Accounting policies (continued)

Foreign currency translation

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

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

Income statement

Revenue

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

Revenue from the sale of goods is recognized 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.

Financial Statements 1 January - 31 December

Notes

1. Accounting policies (continued)

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 relates 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 income and expenses

Financial income and expenses are recognized 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 recognized in the income statement, whereas the tax attributable to equity transactions is recognized directly in equity.

Financial Statements 1 January - 31 December

Notes

1. Accounting policies (continued)

Balance sheet

Intangible assets

Acquired customer rights are measured at cost less accumulated amortization. Acquired customer rights is amortized 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 recognized at amortized cost.

Leases

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 recognizes a right-of-use asset and a lease liability at the commencement date.

Financial Statements 1 January - 31 December

Notes

1. Accounting policies (continued)

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 recognized 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, recognized 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 recognized 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 amortization and depreciation.

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

Financial Statements 1 January - 31 December

Notes

1. Accounting policies (continued)

Inventories

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

The net realizable 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 realizable 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 amortized cost and net realizable 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.

Provisions

Provisions are recognized 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.

Financial Statements 1 January - 31 December

Notes

1. Accounting policies (continued)

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 realizable value and recognized based on past experience. Other provisions are measured at net realizable 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 realized, 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 recognized in the income statement or in equity if the deferred tax relates to items recognized in equity.

Current tax liabilities and receivables are recognized 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 recognized in the income statement as financial income and expenses.

Liabilities other than provisions

Financial liabilities are recognized 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 amortized cost using the effective interest method. Accordingly, the difference between cost and the nominal value is recognized in the income statement over the term of the loan together with interest expenses.

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

Deferred income

Deferred income comprises advance invoicing regarding income in subsequent years.

Financial Statements 1 January - 31 December

Notes

2. Revenue

DKK'000	**2020**	**2019**
by business area		
Division Conventional Products	30.416	27.887
Division Digital Products	308.299	260.233
Division Digital Solutions	218.290	212.923
Total	557.005	501.043
Geographic breakdown		
Denmark	487.559	435.909
EU	69.446	65.134
Total	557.005	501.043

3. Staff costs

Wages and salaries	87.820	82.538
Pensions	7.523	7.420
Other social security costs	249	196
	95.592	90.154
Average number of full-time employees	132	135

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	2020	2019
4. Depreciation, amortization and impairment losses		
Intangible assets	3.739	3.739
Property, plant and equipment	5.005	6.247
	8.744	9.986
5. Financial expenses		
Interest expense to group entities	541	585
Other financial costs	233	124
	774	709
6. Tax on profit for the year		
Current tax for the year	2.080	0
Deferred tax for the year	435	951
Adjustment of current tax concerning previous years	0	-3.466
Adjustment of deferred tax concerning previous years	0	283
	2.515	-2.232
7. Proposed profit appropriation		
Retained earnings	8.394	2.462

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8. Intangible assets

DKK'000	Acquired customer rights
Cost at 1 January 2020	18.697
Cost at 31 December 2020	18.697
Amortization and impairment losses at 1 January 2020	-14.645
Amortization for the year	-3.739
Amortization and impairment losses at 31 December 2020	-18.384
Carrying amount at 31 December 2020	313

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 2020	270	8.236	14.160	15.270	37.936
Additions for the year	229	0	1.803	1.394	3.426
Transfers for the year	-360	360	0	0	0
Cost at 31 December 2020	139	8.596	15.963	16.664	41.362
Depreciation and impairment losses at 1 January 2020	0	-6.080	-13.407	-1.303	-20.790
Depreciation for the year	0	-689	-616	-3.700	-5.005
Depreciation and impairment losses at 31 December 2020	0	-6.769	-14.023	-5.003	-25.795
Carrying amount at 31 December 2020	139	1.827	1.940	11.661	15.567

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DKK'000	31/12/2020	1/1/2020
Right of Use assets		
Buildings	11.661	13.967
Lease liabilities		
Current	3.861	3.392
Non-current	6.302	9.215
	10.163	12.607

Lease costs for short-term and low value leases in 2020 amounts to DKK 4.733.

10. Investments

DKK'000	Deposits
Cost at 1 January 2020	999
Cost at 31 December 2020	999
Carrying amount at 31 December 2020	999

11. Deferred tax asset

DKK'000	2020	2019
Deferred tax asset at the beginning of the period	2.830	4.064
Deferred tax adjustment for the year	-435	-951
Deferred tax adjustment concerning previous years	0	-283
	2.395	2.830
Deferred tax can be specified as follows		
Intangible assets	1.107	872
Property, plant and equipment	-2.315	-2.209
Provisions	1.093	1.045
Liabilities other than provisions	2.510	3.049
Tax loss carryforwards	0	73
	2.395	2.830

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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 3.718 thousand have been recognized 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 2024.

DKK'000	Within 1 year	Between 1 and 5 years	Total
The provisions are expected to mature as follows:	2.457	2.510	4.967

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	Payables to group entities	Other payables
Between 1 and 5 years	6.302	34.458	9.335
Short-term part	3.861	0	43.175
	10.163	34.458	52.510

Non-current other payables consist of frozen holiday obligations

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16. Contractual obligations, contingencies, etc.

Contingent liabilities

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 recognized in the balance sheet at 31 December 2020.

DKK'000	31/12/2020	31/12/2019
Operating lease obligations		
Cars	2.857	3.458
	2.857	3.458

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 40,073 thousand

Sale of services to group entities, DKK 10,549 thousand

Purchase of goods from group entities, DKK 370,217 thousand

Purchase of services from group entities, DKK 7,366 thousand

Expense on share based incentives, DKK 818 thousand

Interest expenses to group entities, DKK 541 thousand

Receivables from group entities, DKK 5,815 thousand

Payables to group entities, long term, DKK 9,741 thousand.

Payables/receivables to/from group entities are disclosed in the balance sheet and interest expenses to group entities are disclosed in note 5. Remuneration of the Board of Directors and Executive Board is disclosed in note 3.

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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.

Underskrifterne i dette dokument er juridisk bindende. Dokumentet er underskrevet via Penneo™ sikker digital underskrift. Underskrivernes identiteter er blevet registereret, og informationerne er listet herunder.

"Med min underskrift bekræfter jeg indholdet og alle datoer i dette dokument."

Kenneth Karl-Johan Grönholm
Executive Board
På vegne af: Signify Denmark A/S
Serienummer: 19690211xxxx
IP: 176.56.xxx.xxx
2021-07-02 14:21:32Z
BankID

Ellinor Wilhelmsson
Chair of the meeting
På vegne af: Signify Denmark A/S
Serienummer: CVR:36967226-RID:86972451
IP: 5.241.xxx.xxx
2021-07-02 14:31:45Z
NEM ID

Ellinor Wilhelmsson
Chairman
På vegne af: Signify Denmark A/S
Serienummer: CVR:36967226-RID:86972451
IP: 5.241.xxx.xxx
2021-07-02 14:31:45Z
NEM ID

Henrik Nørgaard
Board of Directors
På vegne af: Signify Denmark A/S
Serienummer: PID:9208-2002-2-698256827867
IP: 212.97.xxx.xxx
2021-07-02 15:17:59Z
NEM ID

Michael Fallenkamp
Board of Directors
På vegne af: Signify Denmark A/S
Serienummer: PID:9208-2002-2-246656898869
IP: 2.104.xxx.xxx
2021-07-02 17:45:41Z
NEM ID

Karsten Faurholt
State Authorised Public Accountant
På vegne af: EY Godkendt Revisionspartnerselskab
Serienummer: CVR:30700228-RID:55166445
IP: 80.166.xxx.xxx
2021-07-02 18:43:18Z
NEM ID

Lissen Fagerlin Hammer
State Authorised Public Accountant
På vegne af: EY Godkendt Revisionspartnerselskab
Serienummer: CVR:30700228-RID:91143552
IP: 5.186.xxx.xxx
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