# Signify Denmark A/S

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

CVR no. 36 96 72 26

**Annual report 2023**

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

27 June 2024

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 2023.

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 2023 and of the results of the Company's operation for the financial year 1 January – 31 December 2023.

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, 27 June 2024

Executive Board:

Kenneth Karl-Johan Grönholm
CEO

Board of Directors:

| | | |
|---|---|---|
| Åsa Ellinor Maria Wilhelmsson<br>Chairman | Henrik Nørgaard | Claus Jan Sabinsky |

## 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 2023, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement 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 2023 and of the results of the Company's operations and cash flows for the financial year 1 January 31 December 2023 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.

## Independent auditor's report

### 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 intern al 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 dis closures 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.

## Independent auditor's report

- 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, 27 June 2023
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Henrik Pedersen,
State Authorised
Public Accountant
mne35456

# Management's review

## Company details

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

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

## Board of Directors

Åsa Ellinor Maria Wilhelmsson, Chairman
Henrik Nørgaard
Claus Jan Sabinsky

## 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 | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|---|
| **Key figures** | | | | | |
| Revenue | 460.491 | 512.329 | 636.450 | 557.005 | 501.043 |
| Operating profit/loss | 5.613 | 14.032 | 16.707 | 11.683 | 939 |
| Profit/loss from financial income and expenses | -519 | -953 | -761 | -774 | -709 |
| Profit/loss for the year | 3.239 | 10.080 | 9.047 | 8.394 | 2.462 |
| Total assets | 160.696 | 136.663 | 190.177 | 152.931 | 146.243 |
| Equity | 25.050 | 51.811 | 41.731 | 32.684 | 24.290 |
| Investments in property, plant and equipment excluding RoU-assets | 1.496 | 1.051 | 1.063 | 2.032 | 1.160 |
| **Ratios** | | | | | |
| Gross margin | 25,66% | 22,98% | 18,85% | 20,83% | 20,17% |
| Operating margin | 1,22% | 2,74% | 2,63% | 2,10% | 0,19% |
| Current ratio | 157,35% | 173,67% | 130,13% | 208,72% | 269,94% |
| Return on equity | 8,43% | 21,56% | 24,32% | 29,47% | 10,66% |
| Solvency ratio | 15,59% | 37,91% | 21,94% | 21,37% | 16,61% |
| Average number of full time employees | 137 | 136 | 131 | 132 | 135 |

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

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

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

Current ratio $$\frac{\text{Current assets x 100}}{\text{Current liabilities}}$$

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

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

# Management's review

## Operating review

### Principal activities

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

### Development in activities and financial position 2023

Financial sales performance represented DKK 460.491 thousand, reflecting a nominal sales decrease of 10,1%.

As global conditions remained volatile and unpredictable throughout 2023, Signify 's financial profile was significantly strengthened. Despite adverse market conditions, our teams have worked particularly hard to achieve this result and put Signify in a strong financial position for the year ahead.

While the consumer connected segment continued to be squeezed by the double impact of inflation and reduced disposable incomes, business and public customers demonstrated readiness to invest in energy efficiency measures that lend protection from volatile energy markets and help them stay in step with emissions reduction targets.

As expected, there was declining growth in 2023 in the professional channel. The Danish market was among the first to be affected by negative market developments. The low consumer confidence, spend and overall decline across IoT categories, resulted in decline of our Consumer Business in H1, 2023, which turned around in H2 and started growth. Consequent to the overall market weakness, weak demand and component overstock, our OEM sales also suffered mainly in H1 but saw a turnaround in H2 as well. Hence against a target range of DKK 500.000 to 550.000 thousand, actual sales for 2023 were at DKK 460.491 thousand.

Results for the year was a profit of DKK 3.239 thousand after tax as against a profit of DKK after tax as against a profit of DKK 10.080 thousand last year. Operating profit was as DKK 5.613 thousand against a target range of DKK 7.000 to 8.200 thousand, due to restructuring related expenses of DKK 2.163 thousand. Equity stood at DKK 25.050 thousand, which was in line with expectations and satisfactory.

### Proposed Dividend

The profit for the year, after taxation, amounted to DKK 3.239 thousand (2022: DKK 10.080 thousand profit). The directors do recommend the payment of a dividend of DKK 8.500 thousand from the current and accumulated profits from previous years.

### 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

With challenging conditions set to continue through 2024, we will continue our transformation to enable us to execute our strategy at speed and work more closely in line with customers' fast-changing needs. Our new operating model will be organized around four vertically integrated businesses. Three of these will focus on customers: Professional, OEM, and Consumer. The fourth will be dedicated to conventional lighting technologies. These changes will be implemented through 2024, with the majority achieved in Q2.

# Management's review

## Operating review

2024 is still affected by unpredictable market outlook due to heightened geopolitical and macroeconomic tensions. However, we expect an upswing in the macroeconomic situation towards the end of the year. In 2024, we see growth in our wireless solutions, as well as our 3D portfolio. As a result, Signify Denmark is now winning more projects compared to the same period last year, and we expect this development to continue. Due to a positive subsidy situation in the Horticulture market, we expect a growing market here.

The company's revenue for 2024 is expected to either remain stable or slightly decrease (expected revenue in the range of DKK 475.000 to 525.000 thousand) and operating profit in the range of DKK 8.500 to 9.500 thousand.

### Business and financial risk

The company is exposed to a variety of treasury risks and other financial risks including liquidity risk, currency risk, interest rate risk, commodity price risk, credit risk, country risk and other insurable risk. In addition, we recognize financial risks outside our control related to treasury, accounting and reporting, pensions and tax. To minimize their impact, we follow a conservative risk management approach in these areas. Furthermore, the company strives to ensure transparent and truthful accounting and reporting to enable financial statement users to make informed decisions which take the effect of these risks into consideration.

### 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. Signify 's sustainability program Brighter Lives, Better World 2025 is embedded in our purpose and integral to our strategy and the way we do business. We believe we have an important role to play in helping to achieve the United Nations Sustainable Development Goals (SDGs). They served as our strategic compass in creating our Brighter Lives, Better World 2025 program and commitments.

At a group level, we report our contribution to six SDGs where we believe we can make the greatest impact: Good health and well-being (3), Affordable and clean energy (7), Decent work and economic growth (8), Sustainable cities and communities (11), Responsible consumption and production (12) and Climate action (13). Through our activities, we contribute to the achievement of these SDGs.

### Research and development activities

The Company has no research and development activities. In 2023, Signify Group invested 4.2% of our sales in research and development, successfully targeting key strategic technologies. We further expanded our Ultra Efficient portfolio which is 50-60% more energy efficient than first-generation LED light sources. We continued to develop our 3D printing business under the Philips MyCreation brand. For consumers, we extended our home connected proposition, launching deeply integrated lighting and home monitoring solutions under the umbrella of our trusted Philips Hue and WiZ brands.

# 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.

The global landscape continued to evolve this year, marked by ongoing political and economic shifts. Building on the previous year's challenges, despite an easing of resource scarcity and supply chain normalization, higher interest rates, weaker economic outlooks and increased geopolitical uncertainties had a marked impact. These factors influenced both consumer and business spending. The trend towards energy-efficient solutions continues to be of importance, fueled by the desire to mitigate rising costs and adopt sustainable practices.

Our 5 Frontiers Strategy are:

a. Build a customer-centric organization,
b. Deliver differentiated lighting offers,
c. Drive growth for sustainability,
d. Digitalize and transform for the future,
e. 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.

Following our 2023 review, despite a demanding environment that necessitated expedited actions in certain domains, our commitment to the 5 Frontiers strategy and the advancement of our Brighter Lives, Better World 2025 goals remains as pertinent as ever.

# Financial Statements 1 January - 31 December

## Income Statement

| DKK'000 | Note | 2023 | 2022 |
|---|---|---|---|
| **Revenue** | 2 | **460.491** | **512.329** |
| Cost of goods sold | | -292.811 | -354.364 |
| Other operating income | 3 | 16 | 10 |
| Other external costs | | -49.517 | -40.217 |
| **Gross Profit** | | 118.179 | 117.758 |
| Staff costs | 4 | -107.513 | -99.157 |
| Depreciation, amortization and impairment losses | 5 | -5.053 | -4.569 |
| **Operating profit** | | **5.613** | **14.032** |
| Financial expenses | 6 | -519 | -953 |
| **Profit before tax** | | **5.094** | **13.079** |
| **Tax on profit for the year** | 7 | -1.855 | -2.999 |
| **Profit for the year** | 8 | **3.239** | **10.080** |

# Financial Statements 1 January - 31 December
## Balance sheet

| DKK'000 | Note | 12/31/2023 | 12/31/2022 |
|---|---|---|---|
| **ASSETS** | | | |
| **Fixed assets** | | | |
| **Intangible assets** | 9 | | |
| Acquired customer rights | | 0 | 0 |
| **Property, plant and equipment** | 10 | | |
| Property, plant and equipment under construction | | 156 | 666 |
| Fixtures and fittings, tools and equipment | | 1.909 | 1.431 |
| Leasehold improvements | | 1.598 | 1.679 |
| Right-of-use assets | | 18.924 | 22.622 |
| | | 22.587 | 26.398 |
| **Investments** | 11 | | |
| Deposits | | 1.123 | 999 |
| **Total fixed assets** | | 23.710 | 27.397 |
| **Current assets** | | | |
| **Inventories** | | | |
| Raw materials and consumables | | 6.928 | 8.892 |
| Work in progress | | 1.342 | 1.993 |
| Finished goods and goods for resale | | 3.149 | 4.118 |
| | | 11.419 | 15.003 |
| **Receivables** | | | |
| Trade receivables | | 81.046 | 85.157 |
| Receivables from group entities | | 36.190 | 862 |
| Other receivables | | 6.529 | 6.530 |
| Deferred tax asset | 12 | 159 | 892 |
| Corporation tax | | 146 | 0 |
| Prepayments | 13 | 1.488 | 795 |
| | | 125.558 | 94.236 |
| Cash and bank deposits | | 9 | 27 |
| **Total current assets** | | **136.986** | **109.266** |
| **Total ASSETS** | | **160.696** | **136.663** |

# Financial Statements 1 January - 31 December

## Balance sheet

| DKK'000 | Note | 12/31/2023 | 12/31/2022 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Contributed capital | 14 | 3.500 | 3.500 |
| Retained earnings | | 13.050 | 18.311 |
| Proposed dividends | | 8.500 | 30.000 |
| **Total equity** | | 25.050 | 51.811 |
| **Provisions** | 15 | | |
| Other provisions | | 5.015 | 4.422 |
| **Total provisions** | | 5.015 | 4.422 |
| **Liabilities other than provisions** | | | |
| **Non-current liabilities other than provisions** | 16 | | |
| Lease obligations | | 13.571 | 17.513 |
| Long-term loan to group entities | | 30.000 | — |
| | | 43.571 | 17.513 |
| **Current liabilities other than provisions** | | | |
| Current portion of lease obligations | 16 | 4.171 | 3.878 |
| Trade payables | | 7.821 | 12.944 |
| Payables to group entities | | 36.428 | 17.015 |
| Corporation tax | | — | 1.622 |
| Other payables | | 36.864 | 24.802 |
| Deferred income | 17 | 1.776 | 2.656 |
| | | 87.060 | 62.917 |
| **Total liabilities other than provisions** | | **130.631** | **80.430** |
| **TOTAL EQUITY AND LIABILITIES** | | **160.696** | **136.663** |

# Financial Statements 1 January - 31 December

## Notes

## Statement of changes in equity

| DKK'000 | Contributed capital | Retained earnings | Proposed dividend | Total |
|---|---|---|---|---|
| Equity at 1 January 2022 | 3.500 | 38.231 | — | 41.731 |
| Transferred over the profit appropriation | — | -19.920 | 30.000 | 10.080 |
| Equity at 31 December 2022 | 3.500 | 18.311 | 30.000 | 51.811 |
| Dividend distributed | — | — | -30.000 | -30.000 |
| Transferred over the profit appropriation | — | -5.261 | 8.500 | 3.239 |
| Equity at 31 December 2023 | 3.500 | 13.050 | 8.500 | 25.050 |

# Financial Statements 1 January - 31 December

# Notes

## 1. Accounting policies

The annual report of Signify Denmark A/S for 2023 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 2023 are presented in DKK'000.

### Omission of cash flow statement

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

### Recognition and measurement

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.

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

# Financial Statements 1 January - 31 December

# Notes

## 1. Accounting policies (continued)

## Income statement

### Revenue

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

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

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

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

### Cost of sales

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

### Other external costs

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

### Staff costs

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

### Share-based compensation expenses

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

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

### Other operating income and expenses

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

# Financial Statements 1 January - 31 December

# Notes

## 1. Accounting policies (continued)

### Financial income and expenses

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

### Tax on profit/loss for the year

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

## Balance sheet

### Intangible assets

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

### Property, plant and equipment

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

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

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

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

Depreciation period and residual value are re-assessed annually.

### Investments

Deposits are recognised at amortised cost.

### Leases

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

# Financial Statements 1 January - 31 December

# Notes

## 1. Accounting policies (continued)

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.

### 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.

# Financial Statements 1 January - 31 December

# Notes

## 1. Accounting policies (continued)

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

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

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

### Receivables

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

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

### Prepayments

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

### Equity

### Dividends

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

### Provisions

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

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

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

# Financial Statements 1 January - 31 December

# Notes

## 1. Accounting policies (continued)

### Corporation tax and deferred tax

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

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

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

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

# Financial Statements 1 January - 31 December

# Notes

## 2. Revenue

| **DKK'000** | **2023** | **2022** |
|---|---|---|
| **by business area** | | |
| Division Conventional Products | 18.300 | 20.710 |
| Division Digital Products | 231.718 | 272.520 |
| Division Digital Solutions | 210.473 | 219.099 |
| **Total** | 460.491 | 512.329 |
| | | |
| **Geographic breakdown** | | |
| Denmark | 407.960 | 457.093 |
| EU | 52.531 | 55.236 |
| **Total** | 460.491 | 512.329 |

## 3. Other operating income

| | | |
|---|---|---|
| Liabilities write-off | 16 | — |
| Other | — | 10 |
| | 16 | 10 |

## 4. Staff costs

| | | |
|---|---|---|
| Wages and salaries | 98.887 | 91.016 |
| Pensions | 8.616 | 8.022 |
| Other social security costs | 10 | 119 |
| | 107.513 | 99.157 |
| Average number of full-time employees | 137 | 136 |

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

## Incentive schemes

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

# Financial Statements 1 January - 31 December

# Notes

| DKK'000 | 2023 | 2022 |
|---|---|---|

## 5. Depreciation, amortisation and impairment losses

| | | |
|---|---|---|
| Intangible assets | 0 | 0 |
| Property, plant and equipment | 5.053 | 4.569 |
| | 5.053 | 4.569 |

## 6. Financial expenses

| | | |
|---|---|---|
| Interest expense to group entities | 230 | 528 |
| Other financial costs | 289 | 425 |
| | 519 | 953 |

## 7. Tax on profit for the year

| | | |
|---|---|---|
| Current tax for the year | 1.122 | 1.670 |
| Deferred tax for the year | 733 | 1.329 |
| | 1.855 | 2.999 |

## 8. Proposed profit appropriation

| | | |
|---|---|---|
| Proposed dividends from current year profits | 8.500 | 30.000 |
| Retained earnings | -5.261 | -19.920 |
| | 3.239 | 10.080 |

## 9. Intangible assets

| DKK'000 | Acquired customer rights |
|---|---|
| Cost at 1 January 2023 | 18.697 |
| Cost at 31 December 2023 | 18.697 |
| Amortisation and impairment losses at 1 January 2023 | -18.697 |
| Amortisation for the year | 0 |
| Amortisation and impairment losses at 31 December 2023 | -18.697 |
| Carrying amount at 31 December 2023 | 0 |

# Financial Statements 1 January - 31 December

# Notes

## 10. 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 2023 | 666 | 6.543 | 16.301 | 35.089 | 58.599 |
| Additions for the year | — | 1.383 | 237 | 130 | 1.750 |
| Disposals for the year | -510 | — | — | — | -510 |
| Transfers for the year | — | — | — | — | — |
| Cost at 31 December 2023 | 156 | 7.926 | 16.538 | 35.219 | 59.839 |
| Depreciation and impairment losses at 1 January 2023 | — | -5.112 | -14.622 | -12.465 | -32.199 |
| Depreciation for the year | — | -905 | -318 | -3.830 | -5.053 |
| Reversed depreciation and impairment losses on assets sold | — | — | — | — | — |
| Depreciation and impairment losses at 31 December 2023 | — | -6.017 | -14.940 | -16.295 | -37.252 |
| Carrying amount at 31 December 2023 | 156 | 1.909 | 1.598 | 18.924 | 22.587 |

| DKK'000 | 12/31/2023 | 1/1/2023 |
|---|---|---|
| **Right of Use assets** | | |
| Buildings | 18.924 | 22.622 |
| Lease liabilities | | |
| Current | 4.171 | 3.877 |
| Non-current | 13.571 | 17.513 |
| | 17.742 | 21.390 |

Lease costs for short-term and low value leases in 2023 amounts to DKK 5.194.

# Financial Statements 1 January - 31 December

# Notes

## 11. Investments

| | Deposits |
|---|---|
| Cost at 1 January 2023 | 999 |
| Additions for the year | 124 |
| Cost at 31 December 2023 | 1.123 |
| Carrying amount at 31 December 2023 | 1.123 |

## 12. Deferred tax asset

| | 2023 | 2022 |
|---|---|---|
| Deferred tax asset at the beginning of the period | 892 | 2.221 |
| Deferred tax adjustment for the year | -733 | -1.329 |
| | 159 | 892 |
| Deferred tax can be specified as follows | | |
| Property, plant and equipment | -4.245 | -4.967 |
| Provisions | 466 | 973 |
| Liabilities other than provisions | 3.938 | 4.886 |
| | 159 | 892 |

## 13. Prepayments

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

## 14. 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.

# Financial Statements 1 January - 31 December

# Notes

## 15. 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 2,632 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 2029; DKK 3 thousand for Jubilee obligations; 898 thousand DKK for restructuring and DKK 233 thousand other provisions.

| DKK'000 | Within 1 year | Between 1 and 5 years | Total |
|---|---|---|---|
| The provisions are expected to mature as follows: | 1.723 | 3.292 | 5.015 |

## 16. Non-current liabilities other than provisions

Payments due within 1 year are recognized as short-term debt. Other debt is recognized 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 |
|---|---|
| Short-term part | 4.171 |
| Between 1 and 5 years | 13.571 |
| | 17.742 |

Long-term payables to group entities, net DKK -30 000 thousand, consisting of long term loan DKK -30 000 thousand

## 17. Contract assets and liabilities

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

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

| DKK'000 | **2023** | **2022** |
|---|---|---|
| Deferred income | | |
| Short-term (between 1-12 months) | 406 | 925 |
| Long-term (>12 months) | 1.370 | 1.731 |
| **Total** | **1.776** | **2.656** |

# Financial Statements 1 January - 31 December

# Notes

## 18. Contractual obligations, contingencies, etc.

**Contingent liabilities**

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

The Company is a party to a few pending disputes due to nature of its business. In Management's opinion, these disputes will not affect the Company's financial position other than the obligations which are recognized in the balance sheet at 31 December 2023.

The Company is jointly liable by surety for the Group's banking facilities, in total amount of DKK50.034.260,00, , which consists of below positions:

| | | |
|---|---|---|
| SIGNIFY HOLDING B.V. | DKK | 37.266.000 |
| Signify Sweden AB | DKK | 3.361.000 |
| SIGNIFY NORWAY AS | DKK | 5.308.000 |
| SIGNIFY FINLAND OY | DKK | 4.099.260 |

| DKK'000 | 2023 | 2022 |
|---|---|---|
| Operating lease obligations | | |
| Cars | | |
| to be paid within next 12 months | 2.211 | 1.652 |
| to be paid within next 2 years | 1.817 | 1.264 |
| to be paid within next 3 years | 975 | 833 |
| to be paid within next 4 years | 401 | 152 |
| to be paid within next 5 years | 10 | — |
| **Total** | **5.414** | **3.901** |

# Financial Statements 1 January - 31 December

# Notes

## 19. 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 26.922 thousand

Sale of services to group entities, DKK 5.390 thousand

Purchase of goods from group entities, DKK 240.745 thousand

Purchase of services from group entities, DKK 4.488 thousand

Expense on share based incentives, DKK 161 thousand

Interest expenses to group entities, DKK 251 thousand

Receivables from group entities, DKK 36.190 thousand (cash pool DKK 36.005 thousand, other receivables 185 thousand)

Payables to group entities, net DKK -36.428 thousand, consisting of payables DKK -36.428 thousand

Long-term loan, DKK -30.000 thousand

Payables/receivables to/from group entities are disclosed in the balance sheet and interest expenses to group entities are disclosed in note 6.

## 20. Events after the balance sheet date

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

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."

**ÅSA ELLINOR MARIA WILHELMSSON**
**Chariman**
On behalf of: Signify Denmark A/S
*Serial number: 759222a5b2e653[...]12c0a9f2972a8*
*IP: 45.131.xxx.xxx*
*2024-06-27 15:47:25 UTC*

**ÅSA ELLINOR MARIA WILHELMSSON**
**Board of Directors**
On behalf of: Signify Denmark A/S
*Serial number: 759222a5b2e653[...]12c0a9f2972a8*
*IP: 45.131.xxx.xxx*
*2024-06-27 15:47:25 UTC*

**Kenneth Karl-Johan Grönholm**
**CEO**
On behalf of: Signify Denmark A/S
*Serial number: b2341aa6917879[...]5c70bc5734fc3*
*IP: 147.161.xxx.xxx*
*2024-06-27 17:26:24 UTC*

**Claus Jan Sabinsky**
**Board of Directors**
On behalf of: Signify Denmark A/S
*Serial number: 44713d87-7482-47c9-8816-f8ecca8f033a*
*IP: 165.225.xxx.xxx*
*2024-06-27 17:45:25 UTC*

**Henrik Nørgaard**
**Board of Directors**
On behalf of: Signify Denmark A/S
*Serial number: c91b48e9-60b2-442b-9d32-92d28b211203*
*IP: 165.225.xxx.xxx*
*2024-06-28 08:05:33 UTC*

**Henrik West Rohden Pedersen**
**EY Godkendt Revisionspartnerselskab CVR: 30700228**
**State Authorised Public Accountant**
On behalf of: EY Godkendt Revisionspartnerselskab
*Serial number: 4451be11-0282-44db-8cef-9b5a555b77ef*
*IP: 165.225.xxx.xxx*
*2024-06-28 10:34:27 UTC*