



**Signify N.V.**

*(Incorporated as a public company with limited liability (naamloze vennootschap) under the laws of the Netherlands registered at the Dutch Chamber of Commerce with number 65220692)*

**as Issuer**

**€675,000,000 2.000 per cent. Fixed Rate Notes due 2024**

**€600,000,000 2.375 per cent. Fixed Rate Notes due 2027**

**Issue price: 99.582 per cent. for the 2024 Notes and 99.624 per cent. for the 2027 Notes**

The €675,000,000 2.000 per cent. Fixed Rate Notes due 2024 (the “**2024 Notes**”) and the €600,000,000 2.375 per cent. Fixed Rate Notes due 2027 (the “**2027 Notes**”, together with the 2024 Notes, the “**Notes**”) will be issued by Signify N.V. (the “**Issuer**”) on 11 May 2020 (the “**Issue Date**”).

The 2024 Notes will bear interest on their principal amount from (and including) the Issue Date to (but excluding) 11 May 2024 at the rate of 2.000 per cent. per annum payable annually in arrear on 11 May of each year commencing on 11 May 2021, as all more particularly described in Condition 4 (*Interest*) of the 2024 Notes. The 2027 Notes will bear interest on their principal amount from (and including) the Issue Date to (but excluding) 11 May 2027 at the rate of 2.375 per cent. per annum payable annually in arrear on 11 May of each year commencing on 11 May 2021, as all more particularly described in Condition 4 (*Interest*) of the 2027 Notes. Payments on the Notes will be made in euro without deduction for or on account of taxes imposed or levied by the Netherlands to the extent described under Condition 7 (*Taxation*) of the Notes.

On 15 October 2019, the Issuer announced that it had entered into a definitive agreement with Eaton Corporation plc (“**Eaton**”) to acquire Cooper Lighting Solutions (“**Cooper**”), the lighting business of Eaton (the “**Acquisition**”). Closing of the Acquisition occurred on 2 March 2020. The Issuer intends to apply the net proceeds of the offering of the Notes towards the repayment of the Cooper Acquisition Bridge Loan (as defined herein) which was entered into in connection with the Acquisition and for general corporate purposes.

The Issuer has the option to redeem the Notes at any time at the applicable make-whole redemption price described herein and at their principal amount during a 90-day period prior to the Maturity Date (as this term is defined in Condition 6.1 (*Redemption on the Maturity Date*) of each of the Notes). Furthermore, if 80 per cent. or more in aggregate principal amount of the 2024 Notes or the 2027 Notes originally issued (and, for these purposes, any Further Notes (as defined in Condition 15 (*Further Issues*) of each of the Notes) issued pursuant to Condition 15 (*Further Issues*) of each of the Notes will be deemed to have been originally issued) have been redeemed or purchased, the Issuer may, at its option, redeem all (but not some only) of the relevant outstanding Notes at their principal amount together with interest accrued but unpaid to (but excluding) the date fixed for redemption.

The Notes are subject to redemption in whole at their principal amount at the option of the Issuer at any time in the event of certain changes affecting taxation in the Netherlands.

Following the occurrence of a Change of Control Put Event (as defined herein), each holder of Notes shall have the option to require the Issuer to redeem or, at the Issuer’s option, purchase (or procure the purchase of) that Note at its principal amount together with interest accrued to but unpaid to (but excluding) the Put Date (as defined herein), as described in Condition 6.4 (*Redemption at the option of the Holders following a Change of Control Put Event*) of each of the Notes.

Unless previously repaid, redeemed, purchased and cancelled or substituted, the Notes will be redeemed on the Maturity Date (as this term is defined in Condition 6.1 (*Redemption on the Maturity Date*) of each of the Notes) at their principal amount, together with any accrued and unpaid interest up to (but excluding) such date.

This prospectus (the “**Prospectus**”) has been approved by the Luxembourg Commission de Surveillance du Secteur Financier (the “**CSSF**”), which is the Luxembourg competent authority for the purpose of Regulation (EU) 2017/1129,

(the “**Prospectus Regulation**”). The CSSF only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation and the Luxembourg law dated 16 July 2019 on prospectuses for securities (the “**Luxembourg Prospectus Law**”). Such approval should not be considered as an endorsement of the Issuer or the quality of the Notes that are the subject of this Prospectus. In the context of such approval, the CSSF gives no undertaking as to the economic and financial soundness of the operation or the quality or solvency of the Issuer in accordance with Article 6(4) of the Luxembourg Prospectus Law. Investors should make their own assessment as to the suitability of investing in the Notes. Application has also been made to the Luxembourg Stock Exchange for the Notes to be listed on the official list of the Luxembourg Stock Exchange (the “**Official List**”) and to be admitted to trading on the Luxembourg Stock Exchange’s regulated market. References in this Prospectus to the Notes being “listed” (and all related references) shall mean that the Notes have been admitted to the Official List and listed on the Luxembourg Stock Exchange’s regulated market. The Luxembourg Stock Exchange’s regulated market is a regulated market for the purposes of Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments (as amended, “**MiFID II**”). This Prospectus constitutes a prospectus for the purposes of Article 6 of the Prospectus Regulation and for the purposes of the Prospectus Act 2019. This Prospectus is available for viewing on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”). Accordingly, the Notes are not being offered, sold or delivered within the United States of America (the “**United States**” or the “**U.S.**”) or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from the registration requirements of the Securities Act. The Notes are subject to U.S. tax law requirements.

The denomination of the Notes shall be €100,000 and integral multiples of €1,000 in excess thereof, up to and including €199,000.

The Issuer has a long-term corporate credit rating of Baa3 from Moody’s Deutschland GmbH (“**Moody’s**”) and BBB- from S&P Global Ratings Europe Limited (“**S&P**”). The 2024 Notes are rated Baa3 by Moody’s and BBB- by S&P, and the 2027 Notes are rated Baa3 by Moody’s and BBB- by S&P. In accordance with Moody’s rating definitions, obligations rated Baa are judged to be medium-grade and subject to moderate credit risk and as such may possess certain speculative characteristics. In accordance with S&P’s rating definitions, obligations rated BBB exhibit adequate protection parameters; however, adverse economic conditions or changing circumstances are more likely to weaken the obligor’s capacity to meet its financial commitments on the obligation. For the purposes of the credit ratings included and referred to in this Prospectus, each of Moody’s and S&P are established in the European Union and are included in the list of credit rating agencies registered in accordance with Regulation (EC) No. 1060/2009 on Credit Rating Agencies as amended by Regulation (EU) No. 513/2011. This list is available on the European Securities and Markets Authority’s (“**ESMA**”) website (<https://www.esma.europa.eu/supervision/credit-rating-agencies/risk>) (last updated 14 November 2019). A rating is not a recommendation to buy, sell or hold notes and may be subject to suspension, reduction or withdrawal at any time by the assigning rating organisation.

The 2024 Notes and the 2027 Notes will each initially be represented by a temporary global note (each, a “**Temporary Global Note**”), without interest coupons. The 2024 Notes and the 2027 Notes are issued in new global note (“**NGN**”) form and will be deposited on or about the Issue Date with a common safekeeper for Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking, S.A. (“**Clearstream, Luxembourg**”). Interests in each Temporary Global Note will be exchangeable for interests in a permanent global note (each, a “**Permanent Global Note**” and, together with the Temporary Global Notes, the “**Global Notes**”), without interest coupons, on or after 20 June 2020 (the “**Exchange Date**”), upon certification as to non-U.S. beneficial ownership. The Global Notes are intended to be eligible collateral for the central banking system for the euro (the “**Eurosystem**”) monetary policy. Whether NGNs are recognisable as eligible collateral for Eurosystem monetary policy and intra-day credit operations will depend upon satisfaction of the Eurosystem eligibility criteria. Interests in the Permanent Global Note will be exchangeable for definitive Notes only in certain limited circumstances (see “*Overview of Provisions Relating to the Notes While Represented by the Global Notes*”).

**An investment in the Notes involves certain risks. Prospective investors should have regard to the factors described under the heading “*Risk Factors*” on page 1.**

*Joint Lead Managers*

**BofA Securities**

**Citigroup**

**HSBC**

**ING**

**ABN AMRO**

**BNP PARIBAS**

**Banca IMI**

**Rabobank**

The date of this Prospectus is 6 May 2020.

## IMPORTANT NOTICES

The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuer the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Prospectus is to be read in conjunction with the documents which are incorporated herein by reference (see “*Information Incorporated by Reference*”).

The Issuer, having made all reasonable enquiries, has confirmed to the Joint Lead Managers (as defined in “*Subscription and Sale*”) that this Prospectus contains all material information with respect to the Issuer and the Notes (including all information which, according to the particular nature of the Issuer and of the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, and prospects of the Issuer and of the rights attaching to the Notes and the reasons for the issuance and its impact on the Issuer), that the information contained or incorporated in this Prospectus is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed in this Prospectus are honestly held or made and that there are no other facts the omission of which would make this Prospectus or any of such information or the expression of any such opinions or intentions misleading. The Issuer accepts responsibility accordingly.

None of the Joint Lead Managers (as described under “*Subscription and Sale*”, below) or Citicorp Trustee Company Limited (the “**Trustee**”) has independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Joint Lead Managers or the Trustee as to the accuracy or completeness of the information contained or incorporated in this Prospectus or any other information provided by the Issuer in connection with the offering of the Notes. No Joint Lead Manager nor the Trustee accepts any liability in relation to the information contained or incorporated by reference in this Prospectus nor any other information provided by the Issuer in connection with the offering of the Notes or their distribution.

No person is or has been authorised by the Issuer, the Joint Lead Managers or the Trustee to give any information or to make any representation not contained in or not consistent with this Prospectus or any other information supplied in connection with the offering of the Notes and approved for such purpose by the Issuer and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, any of the Joint Lead Managers or the Trustee.

Neither this Prospectus nor any other information supplied in connection with the offering of the Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer, any of the Joint Lead Managers or the Trustee that any recipient of this Prospectus or any other information supplied in connection with the offering of the Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Prospectus nor any other information supplied in connection with the offering of the Notes constitutes an offer or invitation by or on behalf of the Issuer, any of the Joint Lead Managers or the Trustee to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Prospectus nor the offering, sale or delivery of the Notes shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the offering of the Notes is correct as of any time subsequent to the date indicated in the document containing the same. The Joint Lead Managers and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Notes or to advise any investor in the Notes of any information coming to their attention. The Notes have not been and will not be registered under the Securities Act and are subject to U.S. tax law requirements. The Notes are being offered in offshore transactions outside the United States in reliance on Regulation S of the Securities Act (“**Regulation S**”). Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to U.S. persons. For a further description of certain restrictions on the offering and sale of the Notes and on distribution of this document, see “*Subscription and Sale*” below.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy the Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer, the Joint Lead Managers and the Trustee do not represent that this Prospectus may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Joint Lead Managers or the Trustee which is intended to permit a public offering of the Notes or the distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Prospectus nor

any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or any Notes may come must inform themselves about, and observe any such restrictions on the distribution of this Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Notes in the European Economic Area, the United Kingdom and Japan (see “*Subscription and Sale*”).

## **PROHIBITION OF SALES TO EEA AND UK RETAIL INVESTORS**

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“**EEA**”) or in the United Kingdom (the “**UK**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “**PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPs Regulation.

## **MIFID II PRODUCT GOVERNANCE/TARGET MARKET**

Solely for the purposes of each manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the manufacturers’ target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers’ target market assessment) and determining appropriate distribution channels.

**IN CONNECTION WITH THE ISSUE OF THE NOTES, CITIGROUP GLOBAL MARKETS LIMITED AS STABILISING MANAGER(S) (THE “STABILISING MANAGER(S)”) (OR PERSONS ACTING ON BEHALF OF ANY STABILISING MANAGER(S)) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILISATION MAY NOT NECESSARILY OCCUR. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILISING MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILISING MANAGER(S)) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.**

All references in this document to:

- “**Africa**” refer to Egypt, Ghana, Kenya, Morocco, South Africa and Tunisia;
- “**Agency Agreements**” refer to the Agency Agreements for the Notes;
- “**ASEAN**” refer to Malaysia, Philippines, Singapore, Thailand and Vietnam;
- “**euro**”, “**€**” and “**EUR**” refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended;
- “**Far East**” refer to Japan and South Korea;
- “**Greater China**” refer to mainland China, Hong Kong and Taiwan;
- the “**Group**” refer to the group consisting of Signify N.V. and its direct and indirect subsidiaries;
- “**Latin America**” refer to Argentina, Brazil, Chile, Colombia, Ecuador, El Salvador, Mexico, Panama, Peru, and Uruguay;
- the “**Middle East**” refer to Pakistan, Saudi Arabia and the United Arab Emirates;

- “**Pacific**” refer to Australia and New Zealand;
- “**Trust Deeds**” refer to the Trust Deeds for the Notes, as defined in the sections of this Prospectus entitled “*Terms and Conditions of the 2024 Notes*” and “*Terms and Conditions of the 2027 Notes*”; and
- “**U.S.\$**” refer to the currency of the United States of America.

Certain figures included in this Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor’s currency;
- understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

## MARKET AND INDUSTRY INFORMATION

This Prospectus includes and refers to industry and market data derived from or based upon a variety of official, non-official and internal sources, such as internal surveys and management estimates, the Issuer’s own assessment of its sales and markets, market research, publicly available information and industry publications.

Market share, ranking and other data contained in this Prospectus may also be based on the Group’s good faith estimates, the Group’s own knowledge and experience and such other sources as may be available. Industry publications and surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of included information. The information in this Prospectus that has been sourced from third parties has been accurately reproduced and, as far as the Issuer is aware and has been able to ascertain from information published by such third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading. Neither the Issuer, the Trustee nor the Joint Lead Managers make any representation as to the accuracy or completeness of any such third party information in this Prospectus. Although the Issuer believes that this information is reliable, the Issuer has not independently verified the data from third party sources.

## FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements that reflect the intentions, beliefs or current expectations and projections of the Issuer together with its subsidiaries, including statements regarding strategy, estimates of sales growth and future operational results. These forward-looking statements may be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “plans”, “projects”, “anticipates”, “expects”, “intends”, “may”, “will” or “should” or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts.

By their nature, forward-looking statements involve risks and uncertainties facing the Group and a number of important factors could cause actual results or outcomes to differ materially from those expressed in any forward-looking statement as a result of risks and uncertainties. Such risks, uncertainties and other important factors include but are not limited to: fundamental shifts in the Group’s industry, the impacts of the coronavirus (“**COVID-19**”), the adoption and development of lighting systems and services, adverse economic and political developments, competition in the general lighting market, successful implementation of business transformation programmes, impact of acquisitions and other

transactions, reputational and adverse effects on business due to activities related to the environment, health and safety, compliance risks, ability to attract and retain talented personnel, adverse currency effects, pension liabilities and costs and exposure to international tax laws. Investors are encouraged to read the sections of this Prospectus entitled “*Risk Factors*” and “*Description of the Issuer and the Group*” for a more detailed discussion of the material risks, uncertainties and other important factors which may have a material adverse effect on the business, results of operations, financial condition and prospects of the Group.

Additional risks currently not known to the Group or that the Group has not considered material as of the date of this Prospectus could also prove to be important and may have a material adverse effect on the business, results of operations, financial condition and prospects of the Group or could cause the forward-looking events discussed in this document not to occur. The Group undertakes no duty to and will not necessarily update any of the forward-looking statements in light of new information or future events, except to the extent required by applicable law.

## CONTENTS

### Page

Risk Factors .....	1
Presentation of Financial Information .....	13
Information Incorporated by Reference .....	19
Terms and Conditions of the 2024 Notes .....	21
Terms and Conditions of the 2027 Notes .....	34
Overview of Provisions Relating to the Notes While Represented by the Global Notes.....	47
Use and Estimated Net Amount of Proceeds .....	50
Description of the Issuer and the Group .....	51
The Acquisition .....	64
Taxation.....	67
Subscription and Sale .....	71
General Information .....	73
Unaudited Pro Forma Financial Information .....	76
Financial Information of Cooper, the Lighting Business of Eaton Corporation Plc .....	85

## RISK FACTORS

*Any investment in the Notes is subject to a number of risks. Prior to investing in the Notes, prospective investors should carefully consider risk factors associated with any investment in the Notes, the business of the Issuer and the industries in which it operates together with all other information contained in this Prospectus, including, in particular, the risk factors described below.*

*The Issuer believes that the factors described below may affect its ability to fulfil its obligations under the Notes. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring. The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons and the Issuer does not represent that the statements regarding the risks of holding any Notes are exhaustive. Additional risks and uncertainties relating to the Issuer that are not currently known to the Issuer or that it currently deems immaterial, may individually or cumulatively have a material adverse effect on the business, prospects, results of operations and/or financial position of the Issuer and, if any such risk should occur, the price of the Notes may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the Notes is suitable for them in light of the information in this Prospectus and their personal circumstances. The Issuer may be unable to pay interest, principal or other amounts on or in connection with any Notes for other reasons and the Issuer does not represent that the statements below regarding the risks of holding any Notes are exhaustive. Investors should also read the detailed information set out elsewhere in this Prospectus (including any documents incorporated by reference herein) and reach their own views prior to making any investment decision.*

*Words and expressions defined in “Terms and Conditions of the 2024 Notes” (the “**2024 Note Conditions**”) and “Terms and Conditions of the 2027 Notes” (the “**2027 Note Conditions**”) and together with the 2024 Note Conditions, the “**Conditions**”) shall have the same meanings in these risk factors.*

### **Factors which may affect the Issuer’s ability to fulfil its obligations under the Notes**

#### **Strategic risks**

***Fundamental shifts in the Group’s industry, and an inability of the Group to adapt swiftly to such changes, could have a material adverse effect on its financial condition and operating results.***

Fundamental shifts in the industry, such as the transition from conventional to light-emitting diode (“**LED**”) lighting and adoption of connected lighting systems (systems that allow dynamic lighting control through connectivity with sensors, the cloud and networks) and services based on LED technologies may drastically change the business environment.

This rapid technological change has had, and is expected to continue to have, significant effects on the Group’s business model. For example, the transition to LED lighting is characterised by lower entry barriers, increased competition, price erosion, the commoditisation of products and offerings (which may result in further price erosion), stronger dependency on third party assembly and manufacturing, continuous innovation, as well as the increasing importance of digital capabilities and technology such as Internet of Things (“**IoT**”) driven offerings.

In particular, in view of this technological change, the Group believes that connected lighting systems will be increasingly important in the general lighting market. As a result, part of the Group’s strategy is to focus on and invest in connected lighting systems and services, such as its ‘Interact’ offerings for the professional market and Philips Hue smart lighting offerings for the consumer market. However, it is difficult to predict the extent and speed of the adoption of connected lighting systems and the development of new business models through value-added service offerings, including data-enabled life cycle (such as maintenance and remote monitoring) and managed (such as outcome versus performance commitment based contracts) services.

If the Group is unable to adjust its business processes and business models to effectively address the characteristics of the LED lighting business, particularly increased competition and commoditisation, or is unable to successfully implement its offering of connected lighting systems and related services, this may have a material adverse effect on the Group’s financial condition and operating results.

***As the Group’s business is global, its operations are exposed to economic and political developments in countries across the world that could adversely impact its financial condition and results.***

The Group has a global reach with commercial activities that cover almost all countries in the world with its main markets in Europe, the United States and Asia. The Group owns operational manufacturing plants in 16 countries and



sources its products and services mainly from the U.S., Mexico, Europe and China. Mature economies are the main source of revenues and emerging economies are an increasing source of revenues.

Changes in the monetary policy and trade and tax laws of the U.S., China and EU can have a significant adverse impact on other mature economies, emerging economies and international financial markets. Such changes, including competitive or nationalistic tariffs and sanctions, may trigger reactions and countermeasures, leading to adverse impacts on global trade levels and flows, economic growth and political stability, all of which may have an adverse effect on business growth and stability in the international financial markets. Furthermore, it is uncertain whether the Group will be able to pass on any additional costs resulting from these events to its customers.

It is difficult to predict changes, and the impact of such changes, in, among others, U.S., Chinese and EU macro-economic outlook, foreign policy, monetary policy, government budgets, and trade and tax laws. The Group may encounter difficulty in planning and managing operations due to the lack of adequate infrastructure, foreign currency import or export controls, increased regulation, nationalisation of assets or restrictions on the repatriation of returns from foreign investments.

Economic and political uncertainty may have a material adverse impact on the Group's financial condition or results of operations and is expected to become more prominent. See also the risk factor entitled "*The present COVID-19 pandemic could have a material adverse effect on the Group's cash flow, financial condition and results of operations. The impact of the COVID-19 pandemic on the Group is uncertain and cannot be predicted.*" These risks may also make it more difficult for the Group to budget and forecast accurately. Instability and volatility in international financial markets could have a negative impact on the Group's access to funding. Uncertainty remains as to the levels of (public) capital expenditure in general, unemployment levels, and consumer and business confidence, all of which could adversely affect demand for the products and services offered by the Group. Given that growth in emerging economies is correlated to U.S., Chinese and European economic growth and that such emerging economies are increasingly important to the Group's business operations, in particular India, the Middle East and Latin America, the above-mentioned risks are also expected to grow and could have an increasingly material adverse effect on the Group's financial condition and results.

***The present COVID-19 pandemic could have a material adverse effect on the Group's cash flow, financial condition and results of operations. The impact of the COVID-19 pandemic on the Group is uncertain and cannot be predicted.***

The recent COVID-19 pandemic has negatively impacted economic conditions and brought economic uncertainty on a global level. Initially, the primary impact of this pandemic on the Group in the first quarter of 2020 was disruptions in the Group's supply chain and to its production capabilities. However, as the pandemic has continued, the impact of this pandemic on the Group has further been exacerbated due to a decline in demand as a result of countermeasures taken by governments and customers across the world. As a result of these impacts, on 27 March 2020, the Issuer announced the suspension of its financial outlook for 2020 as previously announced on 31 January 2020.

Depending on the spread and continued impact of COVID-19, it is reasonable to assume that disruptions due to the COVID-19 pandemic will continue to have a negative impact on the Group's business and customer demand, which could have a material adverse effect on the Group's cash flow, financial condition and results of operations. If the situation deteriorates or persists for an extended period of time in key geographies and/or key segments (such as the professional lighting business in North America that, especially since the recent Cooper acquisition, represents a significant portion of the Group's revenues), then the risk of a significant impact on the Group's business due to the COVID-19 pandemic will increase. The impact of the COVID-19 pandemic on the Group's business will depend on a range of factors, which the Group is not able to accurately predict, including the duration and scope of the pandemic, the geographies impacted, the impact on economic activity and the severity of measures adopted by governments. See also the section headed "*Description of the Issuer and the Group—Recent Developments*".

***The general lighting market in which the Group operates is highly competitive.***

The transition to LED lighting has provided entry points for new competitors and opportunities for rapid market share shifts. The growth in the market for LED technologies has encouraged new competitors (particularly from Asia) to enter the market for LED lighting products, in particular with low-priced offerings. As a result, the general lighting market in which the Group operates is highly competitive.

In particular, the Group faces competition from niche players, start-ups and other companies that target only a certain product range or limited geographic area and are able to more quickly customise their offerings locally.

Further, the shift to connected lighting may result in non-lighting companies entering the lighting market, particularly with respect to connected systems and services as they seek to expand applications for their existing software and control systems and applications.

As a result of this highly competitive landscape combined with continuous innovation, the Group has experienced and is expected to continue to experience rapidly changing market circumstances (for example, increasing commoditisation of offerings in certain market segments) as well as significant price erosion on LED products such as LED lamps and components and increasingly (integrated) LED luminaires.

In addition, the LED lamps market, to which the Group is significantly exposed, has experienced saturation and may experience accelerated saturation, shifting faster to integrated LED luminaires, which has led to a decline in market for LED lamps and, as a result, may lead to over-capacity in the industry and further price erosion, which could have a material adverse effect on the Group's revenues and profitability in this market segment.

To the extent the Group is unable to successfully address competition in some or all of its market segments, for example through differentiated LED propositions and distinguishing its products and services from those of competitors, sales of the Group's products, systems and services will be negatively impacted, which may have a material adverse effect on the business, results of operations, financial condition and prospects of the Group.

***Acquisitions, such as the acquisition of Cooper, could expose the Group to integration risks, failure to realise planned synergies and may lead to a diversion of management resources.***

The Group has made several acquisitions in the past few years, most notably the acquisition of a majority stake in Klite which closed on 1 October 2019, and the acquisition of Cooper for U.S.\$ 1.4 billion which closed on 2 March 2020.

These, and other, acquisitions may expose the Group to integration risks in areas such as sales and after-sales force integration, logistics, regulatory compliance, information technology and finance. Integration difficulties and complexity may adversely impact the realisation of an increased contribution from acquisitions. The Group may incur significant acquisition, administrative and other costs in connection with these transactions, including costs related to the integration of acquired businesses. Acquisitions may divert management attention from other business priorities and risks. In addition, the Group may face challenges in delivering the originally envisaged value creation of an acquisition due to various factors, including some beyond the control of the Group, such as changes in economic conditions. Acquisitions may also lead to a substantial increase in long-lived assets, including goodwill, which may later be subject to write-down if an acquired business does not perform as expected, and as such may have a material adverse effect on the Group's earnings, financial condition and prospects.

***The Group's inability to secure and maintain intellectual property rights for products and services, or the unauthorised use of the Group's intellectual property rights, could have a material adverse effect on its results.***

The Group produces and sells products and services which may be protected by intellectual property rights which the Group develops. To enforce its intellectual property rights, the Group may initiate litigation against third parties, which may result in counter-claims, considerable costs and damage to these rights.

Third parties may claim to own the intellectual property rights to technology applied in the Group's products and services. This may particularly be applicable in the areas of connected solutions and IoT. In the event that any such claims of infringement of these intellectual property rights are successful, the Group may be required to pay licence fees to such third parties, or may incur other costs or losses. Technology covered by third party intellectual property rights may be unavailable or available only on unfavourable terms to the Group, which may require the Group to redesign the relevant products and services. Such events may have a material adverse effect on the business, results of operations, financial condition and prospects of the Group.

## **Operational risks**

***The Group's cost savings initiatives needed to maintain or improve profitability margins and cash generation may not be successful.***

The Group has experienced a challenging and highly competitive general lighting market in recent years, as well as significant price erosion and an increasing focus on commoditised offerings and products, all of which have had an adverse impact on the Group's sales.

In order to maintain and improve profitability margins and to remain competitive in the current market, the Group's focus is on the re-allocation of its resources to high priority areas and stopping non/low value add activities in an environment where costs (in particular non-manufacturing costs) are to be reduced through cost saving initiatives. There

is no assurance that the Group's cost savings initiatives will be successfully implemented, that the benefits of its cost savings initiatives will outweigh the costs, or that the cost savings initiatives will be sufficient to address the price erosion in the general lighting market or the increased focus on commoditised, low cost offerings and products, any of which may have a material adverse effect on the business, results of operations, financial condition and prospects of the Group.

***The Group's current and future business transformation programmes may not be successful.***

The Group has previously implemented and is currently implementing certain business transformation programmes intended to ensure sustainable performance by transforming processes, operations, organisation and culture.

The measures taken in connection with such business transformation programmes may be significant, including a reduction in production footprint, changes in the go-to-market approach, improvements in information technology ("IT") systems and investments in digital capabilities (for example, digitalisation of commercial and supply chain processes for customers), a reduction in the number of local brands, portfolio pruning and headcount reductions, which may each result in significant costs to the Group and may have other adverse impacts on the business and operations of the Group, as well as the risk that these programmes may not be successfully implemented or continued and may not improve the overall performance of the Group's business.

***Failure to drive operational excellence, productivity and speed in the Group's process to create and bring product and solution innovations to market could hamper its profitable growth ambitions.***

To realise the Group's growth ambitions, it is important that the Group continuously makes improvements in its product and solution creation process, ensuring timely delivery of new products and solutions at lower cost, and in customer service levels, to gain sustainable competitive advantage.

Rigorously executing this process is a prerequisite for successful launches, requiring the new products to be available in the right quantities to meet the anticipated demand and to respond quickly to changes in demand, in either case at the appropriate cost and at the right quality even in the early stages of introduction. In addition, failure to put more emphasis on the ability to capture end-user insights in a timely manner and structurally feed them into the innovation process, could impact the Group's ability to launch relevant new products and solutions in a timely manner. This is particularly relevant in view of the high speed of technological developments with respect to LED lighting product features and the shorter refurbishment trends for products, systems and services based on LED technology. In view thereof, these factors will require the Group to manage its external suppliers and production levels more closely in order to align supply and production levels with actual market demand in order to avoid excessive or obsolete inventory and associated costs.

The Group cannot determine in advance the ultimate effect that new solutions and product creations will have on its financial condition and operating results. If the Group fails to make improvements to its innovation-to-market processes or fails to ensure that end-user insights are fully captured and translated into systems and product creations that improve product mix, it may lose market share and competitiveness, which could have a material adverse effect on its financial condition and operating results.

***If the Group is unable to ensure effective supply chain management, for example due to an interruption of its supply chain through a natural disaster, pandemic disease or the inability of third parties to deliver parts, components or services on time, or if it is subject to rising raw material prices, it may be unable to sustain its competitiveness in its markets.***

The Group is continuing the process of creating a leaner supply base with fewer suppliers, while maintaining dual or multiple sourcing strategies where possible. This strategy requires close cooperation with suppliers to enhance, among other things, time to market and quality. In addition, the Group is continuing initiatives to reduce assets through outsourcing the production of certain components and products. These processes may result in increased dependency on external suppliers and providers. Although the Group works closely with its suppliers to avoid supply-related problems, there can be no assurance that it will not encounter supply-related problems in the future or that it will be able to replace a supplier that is not able to meet its demand in a timely manner to avoid disruptions.

Shortages or delays of (raw) materials or components could materially harm the Group's business. For example, the Group depends for a large part on the production of products and components from Asian countries. This dependency constitutes a risk that production and shipping of products and components could be interrupted by conflicts, natural disaster, pandemic diseases or extreme weather events resulting from climate change. The recent COVID-19 outbreak, for instance, has had and may continue to have an impact on the Group's production capabilities, its suppliers as well as the availability of transportation (which has been and may continue to be disrupted as a result of the outbreak). See also the risk factor entitled "The present COVID-19 pandemic could have a material adverse effect on the Group's cash

*flow, financial condition and results of operations. The impact of the COVID-19 pandemic on the Group is uncertain and cannot be predicted.”* In addition, the Group depends on external suppliers for certain raw materials (such as rare earth metals, copper, phosphor, steel, aluminium, noble gases and oil-related products). Market prices for such raw materials are subject to significant volatility. During periods of increasing costs of raw materials, the Group may not be able to compensate for cost increases through productivity improvements or by passing cost increases on to customers. By contrast, in times of falling prices for raw materials, the Group may not fully benefit from such price decreases, for example, because it attempts to reduce the risk of rising raw material prices through long-term contracting.

A general shortage of raw materials or components may also result in increases in market prices and potential disruption to production. Furthermore, as a result of the introduction of carbon-pricing mechanisms (such as cap-and-trade schemes, carbon taxes and carbon pricing) in response to government measures to reduce carbon dioxide (“CO<sub>2</sub>”) emissions, additional costs in relation thereto incurred by the Group’s suppliers of materials, goods and services may be passed on to the Group.

Any failure by the Group to effectively address these risks may have a material adverse effect on its business, results of operations, financial condition and prospects.

***A breach in the security of, or a significant disruption to, the Group’s information technology systems could adversely affect its operating results, financial condition, reputation and brand.***

The Group relies on IT to operate and manage its businesses and store confidential data relating to employees, customers, intellectual property, suppliers and other partners. Additionally, the integration of new acquisitions and the successful outsourcing of business processes are highly dependent on secure and well-controlled IT systems. The Group’s products, solutions and services increasingly contain sophisticated IT and generate confidential data related to customers and users. Potential geopolitical conflicts and criminal activity continue to drive increases in the number and severity of cyber-attacks in general. Like many other multinational companies, the Group is therefore inherently and increasingly exposed to the risk of cyber-attacks. Information systems may be damaged, disrupted or shut down due to cyber-attacks by hackers, computer viruses or other malware. The provision of services to customers may also be disrupted by such attacks. In addition, breaches in the security of the Group’s systems (or the systems of the Group’s customers, suppliers or other business partners) could result in the misappropriation, destruction or unauthorised disclosure of confidential information (including intellectual property) or personal data belonging to the Group or to its employees, partners, customers or suppliers. This is particularly significant with respect to the connected lighting offerings and its systems and services strategy which involve processing of personal data.

Successful cyber-attacks may result in substantial costs and other negative consequences, which may include, but are not limited to, lost revenues, reputational damage, remediation costs, and other liabilities to regulators, customers and partners and may involve incurrence of civil and/or criminal penalties. Furthermore, enhanced protection measures can involve significant costs.

The Group has experienced cyber-attacks but to date has not incurred any significant damage as a result, or incurred significant monetary cost in taking corrective action. However, there can be no assurance that in the future the Group will be as successful in avoiding damage from cyber-attacks, which could lead to financial losses and other penalties and consequences as described above. Any failure to avoid damage from cyber-attacks may result in a material adverse effect on the Group’s operating results, financial condition, reputation and brand.

***Failure to comply with quality standards may reduce sales, result in costs associated with warranty or product liability claims or require recall of affected items.***

Manufacturing of the Group’s products involves complex processes and defects might occur. In addition, it is possible that certain of the Group’s products may not perform as expected (for example, in terms of estimated life span and projected energy savings). These defects or shortfalls may cause the Group to incur significant warranty, support and replacement costs.

Failures or malfunctions of the Group’s products (such as fluorescent lamps, ballasts and high-intensity discharge metal halide lighting systems) may lead to claims for property damage and personal injury, alleged to have been caused by such failure or malfunction. The Group is also exposed to the risk that its products, including components or materials procured from suppliers, may prove not to be compliant with regulations and/or the Group’s quality standards. In addition, issues relating to quality or energy saving commitments and/or liability claims related to products and services could affect the Group’s reputation and its relationships with key customers as well as demand for the Group’s products.

Furthermore, the Group may become subject to actions by regulatory authorities related to alleged failures of products. These actions may result in fines or costs incurred in connection with product recalls or the defence of such actions.

Costs incurred in conducting recalls and exchanging defective or non-performing products may significantly exceed the cost of the product.

As a result, any failure to comply with quality standards may lead to a material adverse effect on the business, results of operations, financial condition and prospects of the Group.

***The Group is dependent on its people for leadership and specialised skills and, as a result, the loss of its ability to attract and retain such personnel would have an adverse effect on its business.***

The attraction and retention of talented employees is critical to the Group's success. This is particularly the case in the areas of digital, IoT, research and development ("R&D") and end-user sales and marketing. For example, the Group will need to adapt and educate its sales force to develop the necessary technical know-how and expertise as lighting systems and related services are increasingly becoming a more important part of the Group's product portfolio.

Furthermore, bringing connected lighting to the market will require highly specialised (technical) personnel. The loss of employees with specialised skills could also result in business interruptions. There can be no assurance that the Group will continue to be successful in attracting and retaining the highly-qualified employees and key personnel needed in the future. Any failure to do so may result in a material adverse effect on the business, results of operations, financial condition and prospects of the Group.

***The Group is exposed to a wide range of health, safety, security and environment risks due to its past, present and future operations.***

The health, safety, security and environment ("HSSE") risks to which the Group is potentially exposed cover a wide spectrum, given the geographic spread of its past and present operations.

The Group has been in the business of manufacturing products for the past 128 years. During that period, the Group has opened, discontinued and acquired many manufacturing plants and sites. Some of these plants and sites have been used for industrial purposes for decades and as such, there is a latent risk that these premises may have environmental conditions that require corrective actions as a result of such use.

In addition, the Group is currently operating several large manufacturing plants and sites located in various jurisdictions across the world.

As a result, the Group's operations are subject to a wide variety of HSSE regulatory requirements that often change and are likely to become more stringent over time. The Group could incur significant additional costs in the future due to compliance with these requirements or as a result of, or liabilities under, laws and regulations, such as fines, clean-up costs and third party claims. Therefore, if HSSE risks materialise, this may have a material adverse effect on the Group's reputation and its business, results of operations, financial condition and prospects.

***Rising climate change concerns have led and could lead to additional legal and/or regulatory measures which could result in an accelerated decrease in demand for conventional lighting products and a stronger need for increasingly more energy efficient lighting products and solutions.***

Rising climate concerns generate opportunities for and challenges to the Group's existing and future lighting products and solutions portfolio. The United Nations' Paris Agreement on Climate Change aims to limit increases in global temperatures to well below 2 degrees Celsius. As a result, the Group expects continued and increased attention to climate change from all sectors of society. This attention has led, and the Group expects it to continue to lead, to additional regulations designed to reduce CO<sub>2</sub> emissions and adoption of more energy efficient products and solutions. As lighting represents a significant portion of global electricity consumption, the lighting industry will need to adapt to such changing environmental regulations.

In particular, the movement towards energy efficient technologies has led, and is expected to continue to lead, to the implementation of additional regulatory measures aimed at phasing out conventional lighting technologies, such as the phase out by the EU of halogen lighting technologies in September 2018.

If the Group is unable to successfully address this need for increasingly more energy efficient lighting products and is unable to meet customer expectations related to the energy efficiency potential of the Group's LED lighting products and solutions, this could adversely affect the Group's operating results, financial condition, reputation and brand.

## **Compliance risks**

***A material change in applicable laws and regulations, or in their interpretation or enforcement, may materially adversely affect the Group's business, results of operations, financial condition and prospects.***

The Group's business, including its lighting products and services and operations, is subject to extensive laws, regulations and industry standards in the various jurisdictions where the Group operates, and markets and distributes its products. Among others, they include environmental, health and safety, financial and tax laws and regulations, which vary from jurisdiction to jurisdiction. Compliance with this complex array of laws, regulations and standards imposed on the Group's products, services and operations is difficult and may require significant capital and operating expenditures or lead to additional manufacturing, servicing and quality control measures.

Many of the applicable laws and regulations that affect the Group's products and operations and the enforcement thereof have become increasingly complex, stringent and expensive to comply with over time. New laws and regulations, the amendment of existing laws and regulations, increased government enforcement or other developments may require the Group to make additional unforeseen expenditures, in particular changes in relation to the phase out of certain inefficient lamps and the recycling and collection of the Group's products.

A material change in applicable laws and regulations, or in their interpretation or enforcement, may require the Group to alter its business strategy, leading to additional costs or loss of revenue, which may have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

***The Group is exposed to business conduct and compliance risks, third party risks, and governmental investigations and legal proceedings in relation thereto.***

The Group has a global reach with commercial activities in almost all countries in the world, including countries that are subject to high(er) compliance risks. These risks are heightened in growth geographies which have a less developed legal and regulatory environment than more mature geographies. The Group is also exposed to risks of fraud (such as corruption, bribery or embezzlement by, for example, employees, business partners or other third parties) or other illegal conduct, such as violation of applicable competition, export controls or money laundering laws.

The Group's business operations are in both the private and public sectors, with governments or parties affiliated with governments as business partners or end customers. The Group is exposed to third party risks with a large pool of business partners across the globe, including sales intermediaries. Its businesses include high-value contracts and involvement in tender processes. Activities such as acquisitions, partnerships and joint ventures bring opportunities but also heightened liability risks.

The Group may be subject to investigations by regulators or legal proceedings that can have a severe impact on the Group's business. Cases of non-compliant conduct may lead to significant criminal or administrative penalties, civil claims or other measures, such as withdrawal of licenses or debarment from business. Government investigations could affect the Group's business relationships and can be highly disruptive for the Group in terms of costs, resources and impact on business activities and can also have a material adverse effect on the Group's financial condition and operating results.

***The Group is exposed to non-compliance with privacy and data protection and various other regulatory regimes its products, systems and services are subject to.***

In light of the Group's digital strategy, data privacy and data protection laws are increasingly important. The Group's attempts to realise its growth ambitions could expose it to the risk of non-compliance with applicable data protection laws. In a connectable product and service offering, more data is processed and with this, the risk of data incidents and complaints of users may increase. New personal data protection regulations or data security laws may also have negative consequences for cross-border or overseas transfers of data which could have an impact on the Group in terms of costs, resources and impact on business activities.

The Group's products, systems and services are additionally subject to a broad variety of regulations applicable to the design, development or provision of connected products and/or online services. The regulatory landscape is maturing and not all technologies, especially new technologies, are fully regulated. Conditions imposed by regulatory authorities could result in increased development and implementation costs in roll-out of products, systems and (mobile) services. The Group may be subject to potential future investigations by regulators or legal proceedings that can have a severe impact (administrative penalties, civil claims or other measures). These risks could materially adversely affect the Group's financial condition, reputation and brand.

## Financial risks

***The Group is exposed to a variety of treasury risks and other financial risks including liquidity risk, currency risk, interest rate risk, credit risk and other insurable risk.***

Negative developments impacting the bank and global liquidity markets could affect the ability of the Group to raise or re-finance debt or could lead to significant increases in the cost of such borrowing in the future. If the markets expect a downgrade of the Group by the rating agencies or if such a downgrade takes place, this could increase the cost of borrowing, reduce the Group's potential investor base and adversely affect its business.

The Group has operations in more than 70 countries and earnings from over 140 countries and is therefore exposed to fluctuations in exchange rates of foreign currencies against the euro, the Issuer's reporting currency. The Group's sales are sensitive, in particular, to movements in the U.S. dollar, Chinese renminbi and a wide range of other currencies from developed and emerging markets. However, the Group's sourcing and manufacturing spend is concentrated in the Eurozone, U.S. and China. The sensitivity of income from operations to movements in the U.S. dollar (and U.S. dollar linked currencies) and Chinese renminbi is most significant.

The credit risk of financial and non-financial counterparties with outstanding payment obligations creates exposure for the Group, particularly in relation to accounts receivable with customers and liquid assets, fair values of derivatives and insurance receivables contracts with financial counterparties. A default by counterparties in such transactions could have a material adverse effect on the Group's financial condition and operating results.

The Group is also exposed to interest rate risk, particularly in relation to its debt position; this risk can take the form of both fair value and cash flow risk and failure to hedge against this risk could impact the Group's financial condition and operating results.

***The Group is exposed to various tax risks and uncertainties which could impact the local tax results.***

The Group is exposed to a number of different tax uncertainties, which could result in double taxation, penalties and interest payments. These risks and uncertainties include transfer pricing with regard to intercompany cross-border deliveries of goods and services, tax losses and tax credits carried forward, risks relating to permanent establishments and potential changes in tax law that could result in higher tax expense and payments. All of these factors could adversely affect the Group's financial condition and operating results.

In the field of transfer pricing, the Group is closely monitoring the Organisation for Economic Cooperation and Development's Base Erosion and Profit Shifting Project developments in order to be compliant with changing local and international tax laws and regulations. The Group already reports income in the countries where the value is created, in accordance with internationally accepted standards and applying the arm's length principle. In the field of tax losses and tax credits carried forward, the value of these tax attributes is subject to having sufficient taxable income available within the loss-carry forward period, and also to having sufficient taxable income within the foreseeable future in case of losses carried forward with an indefinite term. The ultimate realisation of the Group's deferred tax assets, including tax losses and credits carried forward, is dependent upon the generation of future taxable income in the countries where the temporary differences, unused tax losses and unused tax credits were incurred and during the periods in which the deferred tax assets become deductible. Additionally, in certain instances, realisation of such deferred tax assets is dependent upon the successful execution of tax planning strategies. Accordingly, there can be no absolute assurance that all net tax losses and credits carried forward will be realised.

The Issuer's business is subject to various taxes in the Netherlands and elsewhere as it operates on a global basis. The various taxes to which the Group is subject include, among others, corporate income tax, regional trade tax, value-added tax, excise duty, registration tax and other direct and indirect taxes. This exposes the Group to the risk that the overall tax burden that it suffers may increase in the future. Also, as a global business, the Group's effective average tax rate from period to period will be affected by many factors, including changes in tax legislation, global mix of earnings, the tax characteristics of the Group's income, the timing and recognition of goodwill impairments, acquisitions and dispositions and adjustments to the Group's reserves related to uncertain tax positions.

Changes in tax laws or regulations or in the position of the relevant tax authorities regarding the application, administration or interpretation of these laws or regulations, particularly if applied retrospectively, could have negative effects on the Group's current business model and have a material adverse effect on the Group's operating results, business and financial condition. In addition, tax laws are complex and subject to subjective evaluations and interpretative decisions, and the Group will periodically be subject to tax audits aimed at assessing its compliance with direct and indirect taxes. The tax authorities may not agree with the Group's interpretations of, or with the positions it has taken or intends to take on, tax laws applicable to its ordinary activities and extraordinary transactions. In case of challenges by the tax authorities to these interpretations, the Group could face long tax proceedings that could result in

the payment of penalties and have a material adverse effect on the Group's operating results, business and financial condition.

***The Group has defined-benefit and other post-employment benefit plans such as retirement plans in several countries. The funding level and the cost of maintaining these plans are influenced by movements in financial markets and demographic developments, creating volatility in the Group's financials.***

A significant number of (former) employees are covered by defined-benefit post-employment benefit plans. The accounting for such plans requires management to make estimates on assumptions such as discount rates, inflation, longevity, expected cost of medical care and expected rates of compensation. Actual experience differing from these assumptions and adjustments of these assumptions can have a significant impact on the defined benefit obligation and net interest cost, which could have a material adverse effect on the business, results of operations, financial condition and prospects of the Group.

## **Factors which are material for the purpose of assessing the risks associated with the Notes**

### **Risks relating to the structure of the Notes**

***The Notes are subject to interest rate risks.***

Investment in the Notes, which bear a fixed rate of interest, involves the risk that if market interest rates subsequently increase above the rate paid on the Notes, this will adversely affect the value of the Notes. While the nominal interest rate of a security with a fixed interest rate is fixed during the life of such security or during a certain period of time, market interest rates typically change on a daily basis. As market interest rates change, the price of such security changes in the opposite direction. If market interest rates increase, the price of such security typically falls, until the yield of such security is approximately equal to the prevailing market interest rate. Conversely, if market interest rates fall, the price of a security with a fixed interest rate typically increases, until the yield of such security is approximately equal to the prevailing market interest rate. Investors should be aware that the market price of the Notes may fall as a result of movements in market interest rates.

***The Notes may be redeemed prior to maturity.***

The Notes contain an optional redemption feature, as set out in Condition 6.3 (*Redemption at the option of the Issuer*) of each of the Notes, which is likely to limit their market value. During any period when the Issuer may elect to redeem the Notes, the market value of the Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem the Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate.

In addition, in the event that the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by or on behalf of the Netherlands or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may redeem all outstanding Notes in accordance with the applicable Conditions.

If the Issuer calls and redeems the Notes in the circumstances mentioned above, the holder of any of such Notes (each a "Noteholder") may not be able to reinvest the redemption proceeds in securities offering a comparable yield. Potential investors should consider reinvestment risk in light of other investments available at that time.

### **Risks relating to the Notes generally**

***The Conditions may be modified and/or the Issuer may be substituted.***

The Conditions contain provisions for calling meetings of the relevant class of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Conditions also provide that the Trustee may, without the consent of the relevant class of Noteholders, agree to (i) certain modifications of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of Notes, the Trust Deeds or the Agency Agreements, or (ii) determine without the consent of the Noteholders that any Event of Default or Potential Event of Default (as defined in the Trust Deeds) shall not be treated as such, in the



circumstances described in Condition 13 (*Meetings of Noteholders, Modification, Waiver, Authorisation and Determination, Substitution*) of each of the Notes.

The Conditions and the Trust Deeds also provide for the substitution of another entity in place of the Issuer without the consent of the relevant Noteholders (subject to certain conditions as referred to therein). See Condition 13 (*Meetings of Noteholders, Modification, Waiver, Authorisation and Determination, Substitution*) of each of the Notes.

***The Notes do not restrict the amount of debt which the Issuer may incur.***

The Conditions do not contain any restriction on the amount of indebtedness which the Issuer and its subsidiaries may from time to time incur. In the event of any insolvency or winding-up of the Issuer, the Notes will rank equally with the Issuer's other unsecured senior indebtedness and, accordingly, any increase in the amount of the Issuer's unsecured senior indebtedness in the future may reduce the amount recoverable by Noteholders. In addition, the Notes are unsecured and, save as provided in Condition 3 (*Negative Pledge*) of each of the Notes, do not contain any restriction on the giving of security by the Issuer and its subsidiaries over present and future indebtedness. Where security has been granted over assets of the Issuer to secure indebtedness, in the event of any insolvency or winding-up of the Issuer, subject to Condition 3 (*Negative Pledge*) of each of the Notes, such indebtedness will rank in priority to the Notes and other unsecured indebtedness of the Issuer in respect of such assets. In relation to the assets and indebtedness of the Issuer's subsidiaries, see also "*Risk Factors—Factors which are material for the purpose of assessing the risks associated with the Notes—Risks relating to the Notes generally—The Issuer is a holding company*" below.

***Because the Global Notes are held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on their procedures for transfer, payment and communication with the Issuer.***

The Notes will be represented by the Global Notes except in certain limited circumstances described in the relevant Permanent Global Note. The Global Notes will be deposited with a common safekeeper for Euroclear and Clearstream, Luxembourg. Except in certain limited circumstances described in the relevant Permanent Global Note, investors will not be entitled to receive definitive Notes. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Notes and, while the Notes are represented by the Global Notes, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

The Issuer will discharge its payment obligations under the Notes by making payments to or to the order of the common safekeeper for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Note must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies.

***No assurance can be given as to the impact of any change of law.***

The Conditions are based on English law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Prospectus. In addition, any change in law or regulation that obliges the Issuer to increase the amount payable in respect of the Notes for withholding or other taxes may entitle the Issuer to redeem the Notes. See "*Risk Factors—Factors which are material for the purpose of assessing the risks associated with the Notes—Risks relating to the structure of the Notes—The Notes may be redeemed prior to maturity*" above.

***Denominations involve integral multiples: definitive Notes.***

The Notes have denominations consisting of a minimum specified denomination of €100,000 plus one or more higher integral multiples of €1,000 in excess thereof up to and including €199,000 as set out in Condition 1 (*Form, Denomination and Title*) of each of the Notes and as such it is possible that the Notes may be traded in amounts in excess of the minimum specified denomination that are not integral multiples of such minimum specified denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum specified denomination in his account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a principal amount of Notes at or in excess of the minimum specified denomination such that its holding amounts to a specified denomination. Further, a holder who, as a result of trading such amounts, holds an amount which is less than the minimum specified denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be

printed) and would need to purchase a principal amount of Notes at or in excess of the minimum specified denomination such that its holding amounts to a specified denomination.

If such Notes in definitive form are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum specified denomination may be illiquid and difficult to trade.

***Legal investment considerations may restrict certain investments.***

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) the Notes are legal investments for it, (ii) the Notes can be used as collateral for various types of borrowing, and (iii) other restrictions apply to its purchase or pledge of the Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

***The Notes may not, or may cease to, satisfy the criteria to be recognised as eligible collateral for the Eurosystem.***

The Notes are issued in new global note form. The new global note form has been introduced to allow for the possibility of debt instruments being issued and held in a manner which will permit them to be recognised as eligible collateral for monetary policy of the Eurosystem and intra-day credit operations by the Eurosystem upon issue or at any or all times during their existence. However, in any particular case such recognition will depend upon satisfaction of the Eurosystem eligibility criteria at the relevant time and the Notes may not, or may cease to, qualify as eligible collateral for the Eurosystem. Investors should make their own assessment as to whether the Notes meet such Eurosystem eligibility criteria.

***Payments under the Notes may become subject to Dutch withholding tax as a result of new Dutch legislation.***

Under current law, payments on the Notes are not subject to withholding tax in the Netherlands. The Dutch Parliament has, however, adopted the Withholding Tax Act 2021 (*Wet bronbelasting 2021*). This Act stipulates that the Netherlands will levy a withholding tax from the beneficiary of interest if the interest is paid (i) to group entities resident in low-taxed jurisdictions or jurisdictions that are included on the EU list of non-cooperative jurisdictions, (ii) to (reverse) hybrid group entities, (iii) to group entities in abusive situations, and (iv) to other group entities if such entities attribute that interest to a permanent establishment situated in a low-taxed jurisdiction or a jurisdiction that is included on the EU list of non-cooperative jurisdictions. The withholding tax on interest will become effective in respect of interest payments made on or after 1 January 2021. The Withholding Tax Act 2021 has not entered into force as of the date of this Prospectus and may be amended. There is no administrative guidance on the Withholding Tax Act 2021 yet, including guidance regarding the information a Dutch issuer may be requested to provide to the Dutch tax authorities for the purpose of determining whether Dutch withholding tax is due in respect of the Notes. Therefore, it cannot be ruled out that payments under the Notes will become subject to Dutch withholding tax in situations other than those described above.

Should payments under the Notes become subject to Dutch withholding tax on or after 1 January 2021 pursuant to the Withholding Tax Act 2021, the Issuer shall not be required to pay additional amounts (as set out in Condition 7.1 (*Payment without withholding*) of each of the Notes) in respect of such withholding.

***The Issuer is a holding company.***

The Issuer is a holding company and the operations of the Group are carried out through Signify Holding B.V., a direct and wholly-owned subsidiary of the Issuer, and its subsidiaries and, to such extent, the Issuer depends on the earnings and cash flows of, and the distribution of funds from, these subsidiaries to meet its debt obligations, including its obligations with respect to the Notes. Generally, creditors of a subsidiary, including trade creditors, secured creditors and creditors holding indebtedness and guarantees issued by the subsidiary, will have a claim over the assets of that subsidiary before any of those assets can be distributed to shareholders upon liquidation or winding up. As a result, the Issuer's obligations in respect of the Notes will, to the extent described above, effectively be subordinated to the prior payment of all the debts and other liabilities of the Issuer's direct and indirect subsidiaries, including the rights of trade creditors, secured creditors and creditors holding indebtedness and guarantees issued by the subsidiaries, all of which could be substantial.

## **Risks related to the market generally**

### ***The Notes are subject to exchange rate risks and exchange controls.***

The Issuer will pay principal and interest on the Notes in euro. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "Investor's Currency") other than the euro. These include the risk that exchange rates may significantly change (including changes due to devaluation of the euro or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the euro would decrease (i) the Investor's Currency-equivalent yield on the Notes, (ii) the Investor's Currency-equivalent value of the principal payable on the Notes, and (iii) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

### ***An active secondary market in respect of the Notes may never be established or may be illiquid and this could adversely affect the value at which an investor could sell its Notes.***

The Notes are new securities which may not be widely distributed and for which there is currently no active trading market. If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. Although applications have been made for the Notes to be admitted to listing on the Official List and to trading on the Luxembourg Stock Exchange's regulated market, there is no assurance that an active trading market will develop, and if a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. In addition, liquidity may be limited if the Notes are allocated to a limited number of investors.

### ***Changes in the credit rating assigned to the Notes could adversely affect the value of the Notes.***

Any rating agency that rates the Notes has the ability to lower the rating currently assigned to the Notes as a result of its views about the Group's current or future business, financial condition, results of operations or other matters. Any ratings decline could adversely affect the value of the Notes. In addition, any credit rating ascribed to the Notes is intended to reflect the Issuer's ability to meet its repayment obligations in respect of the Notes, and may not reflect the potential impact of all risks related to the structure, the market, the Group and other factors on the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating organisation. Any rating should be evaluated independently of any other rating.

## PRESENTATION OF FINANCIAL INFORMATION

### Presentation of Financial Information

#### *Information relating to the Group*

The Group's unaudited condensed consolidated interim financial statements for the first quarter period ended 31 March 2020 (the "**Q1 2020 Unaudited Condensed Consolidated Interim Financial Statements**"), and its audited consolidated financial statements as of and for the financial years ended 31 December 2019 (the "**Audited Consolidated Financial Statements 2019**") and 2018 (the "**Audited Consolidated Financial Statements 2018**") are incorporated by reference herein, as described under "*Information Incorporated by Reference*". The Audited Consolidated Financial Statements 2019 and Audited Consolidated Financial Statements 2018 have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") and as endorsed by the European Union (the "**EU**") and with the statutory provisions of Part 9 of Book 2 of the Dutch Civil Code. The Q1 2020 Unaudited Condensed Consolidated Interim Financial Statements have been prepared in accordance with the accounting policies stated in the Annual Report 2019 (as later defined) but does not represent a formal IAS 34 interim financial reporting report.

#### *Information relating to Cooper*

The audited combined balance sheets of Cooper as of and for the financial years ended 31 December 2019 and 31 December 2018, the related combined statements of income, comprehensive income, net parent investment and cash flows for the years then ended and the notes thereto (the "**Audited Combined Financial Statements**") contained in this Prospectus have been prepared in accordance with generally accepted accounting principles in the United States ("**U.S. GAAP**") on a standalone basis and reflect a combination of entities under common control that have been "carved out" of and derived from the audited consolidated financial statements and accounting records of Eaton as of and for the financial year ended 31 December 2019. Accordingly, Eaton's net investment in Cooper is presented in lieu of stockholders' equity in the Audited Combined Financial Statements, and the Audited Combined Financial Statements reflect Cooper's historical combined financial position, results of operations and cash flows as the business was historically operated as part of Eaton prior to the Acquisition. The preparation of the Audited Combined Financial Statements required considerable judgment from the management of Eaton and reflects significant assumptions and allocations that the management of Eaton and Cooper believe are reasonable. As a result, the Audited Combined Financial Statements may not be indicative of Cooper's future performance and do not necessarily reflect what Cooper's combined results of operations, financial condition and cash flows would have been had Cooper operated as a separate company during the periods presented.

#### *Pro forma financial information*

This Prospectus includes unaudited pro forma consolidated financial information ("**Unaudited Pro Forma Financial Information**") that is presented to illustrate the financial impact on the Group of the Acquisition. The unaudited pro forma consolidated statement of income for the year ended 31 December 2019 has been compiled assuming that the Acquisition had been completed on 1 January 2019 and the unaudited pro forma consolidated balance sheet as at 31 December 2019 has been compiled assuming that the Acquisition had been completed on 31 December 2019. The Unaudited Pro Forma Financial Information has been prepared on the basis of the Audited Consolidated Financial Statements 2019 and the Audited Combined Financial Statements for illustrative purposes only in accordance with Annex 20 of Commission Delegated Regulation (EU) 2019/980 and on the basis of the notes set out therein. The Unaudited Pro Forma Financial Information is prepared in a manner consistent with the accounting principles applied in the Audited Consolidated Financial Statements 2019.

### Explanation of Non-IFRS Financial Measures

The Group uses financial measures that are not measures of financial performance or liquidity under IFRS. These are commonly referred to as non-IFRS financial measures and include items such as comparable sales growth, adjusted gross margin, income from operations excluding amortisation and impairment of acquisition-related intangible assets ("**EBITA**"), EBITA excluding restructuring costs, acquisition-related charges and other incidental charges ("**Adjusted EBITA**"), free cash flow, net debt, net debt divided by net debt and total equity (in %), total equity divided by net debt and total equity (in %), net debt divided by EBITDA (as later defined) and other related ratios.

Although the non-IFRS financial measures presented are not measures of financial performance or liquidity under IFRS, the Group uses these measures to monitor the underlying performance of its business and operations. These measures have not been audited or reviewed by the Group's external auditor. Further, these measures may not be indicative of the Group's historical operating results, nor are such measures meant to be predictive of the Group's future results. These measures are presented herein because the Group considers them an important supplemental measure of

its performance and believes that these and similar measures are widely used in the industry in which the Group operates as a means of evaluating a company's operating performance and liquidity.

The Group's non-IFRS financial measures are defined as follows:

### ***Comparable sales growth***

The Group discloses comparable sales growth as a supplemental non-IFRS financial measure, as the Group believes that the presentation of comparable sales growth is a meaningful measure for investors to evaluate the performance of the Group's business activities over time. The Group determines comparable sales growth by deducting the percentage figures for changes from the nominal change of sales. Interaction effects between currency movements, changes in consolidation, regulatory changes and changes in accounting standards (second order effects) are not taken into account. The Group presents comparable sales growth on both a Business Group (as defined herein) and Market Group (as defined herein) basis. Comparable sales growth is also used by the Group as a key financial measure to assess the operating performance of the Business Groups and Market Groups.

<b>Sales growth composition per business in %</b>				
<b>2019</b>	<b>Comparable growth</b>	<b>Currency effects</b>	<b>Consolidation and other changes</b>	<b>Nominal growth</b>
Lamps	(20.5)	1.7	(0.0)	(18.8)
LED	(1.1)	1.9	3.5	4.4
Professional	(1.7)	1.3	1.0	0.5
Home	11.3	1.1	(0.8)	11.6
<b>Group</b>	<b>(4.6)</b>	<b>1.6</b>	<b>1.3</b>	<b>(1.8)</b>

<b>Sales growth composition per market in %</b>				
<b>2019</b>	<b>Comparable growth</b>	<b>Currency effects</b>	<b>Consolidation and other changes</b>	<b>Nominal growth</b>
Europe	(4.4)	(0.1)	0.2	(4.3)
Americas	(7.5)	3.0	0.0	(4.5)
Rest of the world	(2.0)	2.2	0.6	0.8
Global businesses	(4.4)	1.0	18.9	15.5
<b>Total</b>	<b>(4.6)</b>	<b>1.6</b>	<b>1.3</b>	<b>(1.8)</b>

### ***EBITA and Adjusted EBITA***

The Group discloses EBITA, Adjusted EBITA and Adjusted EBITA margin (calculated as Adjusted EBITA divided by sales to third parties) as supplemental non-IFRS financial measures, as the Group believes these are meaningful measures to evaluate the performance of the Group's business activities over time. The Group understands that these measures are used by analysts, rating agencies and investors in assessing the Group's performance. The Group presents EBITA, Adjusted EBITA and Adjusted EBITA margin on a business group basis (each of the LED, Professional, Home and Lamps business groups, together the "**Business Groups**"). The Group also believes that the presentation of EBITA, Adjusted EBITA and Adjusted EBITA margin provides useful information to investors on the development of the Group's business and enhances the ability of investors to compare profitability across the Business Groups. In the case of EBITA, the Group believes that EBITA makes the underlying performance of its businesses more transparent by factoring out the amortisation and impairment of acquisition-related intangible assets and goodwill, which arises when acquisitions are consolidated by the Group. In the case of Adjusted EBITA and Adjusted EBITA margin, the Issuer believes that these measures make the underlying performance of its businesses more transparent by factoring out restructuring costs, acquisition-related charges and incidental charges which are not directly related to the operational performance of a Business Group. EBITA, Adjusted EBITA and Adjusted EBITA margin are also used by the Group as key financial measures to assess the operating performance of the Business Groups.

**Adjusted EBITA to Net Income in millions of EUR**

	<b>Signify</b>	<b>Lamps</b>	<b>LED</b>	<b>Professional</b>	<b>Home</b>	<b>Other</b>
<b>2019</b>						
Adjusted EBITA	648	222	240	265	20	(100)
Restructuring	(99)	(44)	(8)	(22)	(11)	(14)
Acquisition-related charges	(13)	—	(3)	(9)	—	(0)
Incidental items <sup>(1)</sup>	(36)	(10)	(12)	(11)	(4)	1
<b>EBITA</b>	<b>500</b>	<b>168</b>	<b>217</b>	<b>222</b>	<b>5</b>	<b>(112)</b>
Amortisation <sup>(2)</sup>	(99)	(0)	(5)	(90)	(2)	(2)
<b>Income from operations (or EBIT) <sup>(3)</sup></b>	<b>401</b>	<b>168</b>	<b>212</b>	<b>133</b>	<b>3</b>	<b>(114)</b>
Financial income	17	—	—	—	—	—
Financial expenses	(60)	—	—	—	—	—
Results from investments in associates	1	—	—	—	—	—
<b>Income before taxes</b>	<b>360</b>	—	—	—	—	—
Income tax expense	(93)	—	—	—	—	—
<b>Net Income</b>	<b>267</b>	—	—	—	—	—
<b>2018</b>						
Adjusted EBITA	640	302	212	251	(38)	(87)
Restructuring	(118)	(32)	(8)	(34)	(5)	(39)
Acquisition-related charges	(1)	(0)	—	(1)	—	(0)
Incidental items <sup>(1)</sup>	(17)	(0)	(0)	(8)	(0)	(9)
<b>EBITA</b>	<b>504</b>	<b>270</b>	<b>204</b>	<b>208</b>	<b>(43)</b>	<b>(135)</b>
Amortisation <sup>(2)</sup>	(94)	(1)	(4)	(86)	(1)	(2)
<b>Income from operations (or EBIT) <sup>(3)</sup></b>	<b>410</b>	<b>269</b>	<b>200</b>	<b>121</b>	<b>(44)</b>	<b>(137)</b>
Financial income	20	—	—	—	—	—
Financial expenses	(61)	—	—	—	—	—
Results from investments in associates	(2)	—	—	—	—	—
<b>Income before taxes</b>	<b>367</b>	—	—	—	—	—
Income tax expense	(106)	—	—	—	—	—
<b>Net Income</b>	<b>261</b>	—	—	—	—	—

<sup>1)</sup> Incidental items are non-recurring by nature and relate to the separation from Koninklijke Philips N.V. (“**KPNV**”), company name change, transformation and real estate gains.

<sup>2)</sup> Amortisation and impairment of acquisition-related intangible assets and goodwill.

<sup>3)</sup> For a reconciliation to income before taxes, refer to Note 3 (*Information by segment and main country*) of the Annual Consolidated Financial Statements 2019.

### Adjusted gross margin

The Group discloses adjusted gross margin as a supplemental non-IFRS financial measure. The Issuer believes it is a meaningful measure to evaluate the Group's gross margin on a comparable basis over time. The measure factors out restructuring costs, acquisition-related charges and other incidental charges attributable to cost of sales which are not directly related to the operational performance of the Group. Adjusted gross margin is also used by the Group as a key financial measure to assess the operating performance of the Group.

### Adjusted indirect costs: adjusted gross selling general and administrative ("SG&A") costs and adjusted R&D costs

The Group discloses adjusted gross SG&A costs and adjusted R&D costs as a supplemental non-IFRS financial measure. The Group believes it is a meaningful measure to evaluate the Group's SG&A costs and R&D costs on a comparable basis over time. The measure factors out restructuring costs, acquisition-related charges and other incidental charges attributable to SG&A and R&D costs which are not directly related to the operational performance of the Group. Adjusted SG&A costs and adjusted R&D costs are also used by the Group as key financial measures to assess the operating performance of the Group.

#### Income from operations to Adjusted EBITA in millions of EUR

	Reported	Restructuring	Acquisition- related charges	Incidental Items <sup>(2)</sup>	Adjusted
<b>2019</b>					
Sales	6,247	—	—	—	6,247
Cost of Sales	(3,940)	50	2	1	(3,887)
<b>Gross Margin</b>	<b>2,307</b>	<b>50</b>	<b>2</b>	<b>1</b>	<b>2,360</b>
Selling, general and administrative expense	(1,637)	36	11	47	(1,544)
Research and development expenses	(283)	13	—	—	(270)
<b>Indirect costs</b>	<b>(1,920)</b>	<b>50</b>	<b>11</b>	<b>47</b>	<b>(1,813)</b>
Impairment of goodwill	—	—	—	—	—
Other business income	22	—	—	(13)	9
Other business expenses	(8)	—	—	1	(7)
<b>Income from operations</b>	<b>401</b>	<b>99</b>	<b>13</b>	<b>36</b>	<b>549</b>
Amortisation <sup>(1)</sup>	(99)	—	—	—	(99)
<b>Income from operations excluding amortisation (EBITA)</b>	<b>500</b>	<b>99</b>	<b>13</b>	<b>36</b>	<b>648</b>
<b>2018</b>					
Sales	6,358	—	—	—	6,358
Cost of Sales	(3,976)	50	—	0	(3,926)
<b>Gross Margin</b>	<b>2,382</b>	<b>50</b>	<b>—</b>	<b>0</b>	<b>2,433</b>
Selling, general and administrative expense	(1,675)	43	1	23	(1,609)
Research and development expenses	(312)	25	—	—	(288)
<b>Indirect costs</b>	<b>(1,988)</b>	<b>68</b>	<b>1</b>	<b>23</b>	<b>(1,896)</b>
Impairment of goodwill	0	—	—	—	0
Other business income	32	—	—	(17)	14
Other business expenses	(17)	—	—	11	(5)
<b>Income from operations</b>	<b>410</b>	<b>118</b>	<b>1</b>	<b>17</b>	<b>545</b>
Amortisation <sup>(1)</sup>	(94)	0	—	0	(94)
<b>Income from operations excluding amortisation (EBITA)</b>	<b>504</b>	<b>118</b>	<b>1</b>	<b>17</b>	<b>640</b>

<sup>1)</sup> Amortisation and impairment of acquisition-related intangible assets and goodwill.

<sup>2)</sup> Incidental items are non-recurring by nature and relate to the separation from KPNV, company name change, transformation and real estate gains.

## Free cash flow

The Group discloses free cash flow as a supplemental non-IFRS financial measure, as the Group believes it is a meaningful measure to evaluate the performance of the Group's business activities over time. The Group understands that free cash flow is broadly used by analysts, rating agencies and investors in assessing the Group's performance. The Group also believes that the presentation of free cash flow provides useful information to investors regarding the cash generated by the Group's operating activities after deducting cash outflows for additions of intangible assets, capital expenditures on property, plant and equipment and proceeds from disposal of property, plant and equipment. Therefore, the measure gives an indication of the long-term cash generating ability of the Group's business. In addition, because free cash flow is not impacted by purchases of businesses, it is less volatile than the total of cash flows from operating activities and investing activities. Free cash flow is also used by the Group as a key financial measure to assess the operating performance of the Group.

### Composition of cash flows in millions of EUR

	2018	2019
Cash flows from operating activities <sup>(1)</sup>	381	599
Cash flows from investing activities	(90)	(145)
<b>Cash flows before financing activities</b>	<b>291</b>	<b>454</b>
Cash flows from operating activities	381	599
Net capital expenditures:		
• Additions of intangible assets	(26)	(29)
• Capital expenditures on property, plant and equipment	(57)	(58)
• Proceeds from disposal of property, plant and equipment	8	16
<b>Free cash flows</b>	<b>306</b>	<b>529</b>

<sup>1)</sup> 2019 includes a positive impact of €71 million from IFRS 16 adoption. Reference is made to Note 1 (*Basis of preparation*) of the Audited Consolidated Financial Statements 2019.

### Free cash flow in millions of EUR

	2018	2019
LED, Professional and Home <sup>(1)</sup>	370	559
Lamps <sup>(1)</sup>	308	222
Other	(372)	(252)
<b>Signify total</b>	<b>306</b>	<b>529</b>

<sup>1)</sup> Excluding non-allocated free cash flow items (e.g., tax, interest).

## Net debt

Net debt is the sum of short-term debt and long-term debt minus cash and cash equivalents (each as shown in the table below). The net debt position as a percentage of the sum of the Group's equity (shareholders' equity and non-controlling interests) and net debt is presented as a supplemental non-IFRS measure to express the financial strength of the Group. The Issuer understands that this measure is used by analysts, rating agencies and investors in assessing the Group's performance.

### Composition of net debt to total equity in millions of EUR unless otherwise stated

	2018	2019 <sup>(1)</sup>
Short-term debt	78	96
Long-term debt	1,187	1,369
<b>Gross debt</b>	<b>1,265</b>	<b>1,465</b>
Cash and cash equivalents	(676)	(847)
<b>Net debt</b>	<b>589</b>	<b>618</b>
Shareholders' equity	2,041	2,181
Non-controlling interests	78	142
<b>Total equity</b>	<b>2,119</b>	<b>2,324</b>
Net debt and total equity	2,709	2,942
Net debt divided by net debt and total equity (in %)	22%	21%
Total equity divided by net debt and total equity (in %)	78%	79%

<sup>1)</sup> 2019 includes impact from IFRS 16 adoption. Reference is made to Note 1 (*Basis of preparation*) of the Audited Consolidated Financial Statements 2019.



## EBITDA

“EBITDA” is the sum of income from operations excluding depreciation, amortisation and impairment of non-financial assets (each as shown in the table below). EBITDA is disclosed as a non-IFRS measure by the Group in order to calculate the net leverage ratio.

EBITDA in millions of EUR		
	2018	2019
<b>Net income</b>	<b>261</b>	<b>267</b>
Income tax expense	(106)	(93)
<b>Income before taxes</b>	<b>367</b>	<b>360</b>
Results from investments in associates	(2)	1
Financial expenses	(61)	(60)
Financial income	20	17
<b>Income from operations (or EBIT)</b>	<b>410</b>	<b>401</b>
Depreciation and impairment <sup>(1)</sup>	(117)	(167)
Amortisation and impairment <sup>(2)</sup>	(114)	(122)
<b>EBITDA</b>	<b>641</b>	<b>690</b>

<sup>1)</sup> Property, plant and equipment

<sup>2)</sup> Internal-use software, other intangibles and development costs

## Net leverage ratio

The net leverage ratio is the ratio of net debt to EBITDA over a given period and is presented as a non-IFRS measure to express the financial strength of the Group. The Issuer understands that this measure is used by analysts and investors in assessing the Group’s financial strength.

Net leverage ratio in millions of EUR unless otherwise stated		
	2018	2019
Net debt	589	618
EBITDA	641	690
Net leverage ratio	0.9x	0.9x

## Working capital

The Group discloses working capital as a supplemental non-IFRS financial measure, as the Group believes it is a meaningful measure to evaluate the Group’s ability to maintain a solid balance between growth, profitability and liquidity. Working capital is broadly analysed and reviewed by analysts and investors in assessing the Group’s performance. This measure serves as a metric for how efficiently the Group is operating and how financially stable it is in the short-term. It is an important measure of the Group’s ability to pay off short-term expenses or debts.

Working capital to total assets in millions of EUR		
	2018	2019
<b>Working capital</b>	<b>536</b>	<b>388</b>
Eliminate liabilities comprised in working capital:		
• Trade and other payables <sup>(1)</sup>	1,507	1,684
• Derivative financial liabilities	22	20
• Other current liabilities <sup>(1)</sup>	179	183
Include assets not comprised in working capital:		
• Non-current assets	3,211	3,541
• Income tax receivable	35	48
• Current financial assets	4	0
• Cash and cash equivalents	676	847
• Assets classified as held for sale	9	4
<b>Total assets</b>	<b>6,181</b>	<b>6,715</b>

<sup>1)</sup> Prior year balances have been restated for comparison purposes. Reference is made to Note 1 (*Basis of preparation*) of the Audited Consolidated Financial Statements 2019.

## INFORMATION INCORPORATED BY REFERENCE

The information set out below, which has previously been published or is published simultaneously with this Prospectus and has been filed with the CSSF, shall be incorporated by reference in, and form part of, this Prospectus.

Any non-incorporated parts of a document referred to herein are either deemed not relevant for an investor or are otherwise covered elsewhere in this Prospectus.

- (a) The Issuer's press release of 24 April 2020 entitled "*Signify reports first quarter sales of EUR 1.4 billion, operational profitability of 7.9% and a free cash flow of EUR 112 million*" (the "**Q1 2020 Press Release**"), which includes the Q1 2020 Unaudited Condensed Consolidated Interim Financial Statements, which are set out in Appendix A on the following pages of the Q1 2020 Press Release:

Consolidated statements of income.....	Page 10
Consolidated statements of comprehensive income.....	Page 11
Consolidated statement of financial position .....	Page 12
Consolidated statements of cash flows.....	Page 13

The Q1 2020 Press Release is available on the Issuer's website at the link below:

[https://www.signify.com/static/quarterlyresults/2020/q1\\_2020/signify-first-quarter-results-2020-report.pdf](https://www.signify.com/static/quarterlyresults/2020/q1_2020/signify-first-quarter-results-2020-report.pdf);

- (a) The Audited Consolidated Financial Statements 2019, which are set out on the following pages of the Group's annual report for the year ended 31 December 2019 (the "**Annual Report 2019**"):

Consolidated statement of income .....	Page 75
Consolidated statement of comprehensive income .....	Page 76
Consolidated statement of financial position .....	Pages 77 – 78
Consolidated statement of cash flows .....	Pages 79 – 80
Consolidated statement of changes in equity .....	Page 81
Notes to the consolidated financial statements.....	Pages 82 – 124

The Annual Report 2019 is available on the Issuer's website at the link below:

<https://www.signify.com/static/2019/signify-annual-report-2019.pdf>;

- (b) The Audited Consolidated Financial Statements 2018, which are set out on the following pages of the Group's annual report for the year ended 31 December 2018 (the "**Annual Report 2018**"):

Consolidated statements of income.....	Page 68
Consolidated statements of comprehensive income.....	Page 69
Consolidated balance sheets.....	Pages 70 – 71
Consolidated statements of cash flows.....	Pages 72 – 73
Consolidated statements of changes in equity.....	Page 74
Explanatory Notes.....	Pages 75 – 125

The Annual Report 2018 is available on the Issuer's website at the link below:

<https://www.signify.com/static/2018/signify-annual-report-2018.pdf>;

- (c) The combined independent auditor's report on the Audited Consolidated Financial Statements 2019 is set out on pages 157 to 168 of the Annual Report 2019, which is available on the Issuer's website at the link below:

<https://www.signify.com/static/2019/signify-annual-report-2019.pdf>; and

- (d) The combined independent auditor's report on the Audited Consolidated Financial Statements 2018 is set out on pages 160 - 170 of the Annual Report 2018, which is available on the Issuer's website at the link below:

<https://www.signify.com/static/2018/signify-annual-report-2018.pdf>

(together, the "**Information Incorporated by Reference**").

Copies of the Information Incorporated by Reference have been filed with the CSSF and the Luxembourg Stock Exchange and may be inspected on the website of the Issuer at the links provided above. The Information Incorporated by Reference will also be available on the website of the Luxembourg Stock Exchange ([www.bourse.lu/cssf-approvals](http://www.bourse.lu/cssf-approvals)). Any websites referred to in this Prospectus are for information purposes only and do not form part of this Prospectus.

Any documents themselves incorporated by reference in the Information Incorporated by Reference shall not form part of this Prospectus.

## TERMS AND CONDITIONS OF THE 2024 NOTES

*The following is the text of the Terms and Conditions of the 2024 Notes which (subject to modification) will be endorsed on each 2024 Note in definitive form (if issued):*

The €675,000,000 2.000 per cent. Notes due 2024 (the “**Notes**”, which expression shall in these terms and conditions (the “**Conditions**”), unless the context otherwise requires, include any further notes issued pursuant to Condition 15 (*Further Issues*) and forming a single series with the Notes) of Signify N.V. (the “**Issuer**”) are constituted by a trust deed dated 11 May 2020 (as amended or supplemented from time to time, the “**Trust Deed**”) made between the Issuer and Citicorp Trustee Company Limited as trustee (the “**Trustee**”, which expression shall include its successor(s)) as trustee for the holders of the Notes (the “**Noteholders**”) and the holders of the interest coupons appertaining thereto (the “**Couponholders**” and the “**Coupons**”, respectively) and are the subject of an agency agreement dated 11 May 2020 (as amended or supplemented from time to time, the “**Agency Agreement**”) made between the Issuer, Citibank, N.A., London Branch as principal paying agent (the “**Principal Paying Agent**” and, together with any other paying agents appointed in accordance with such agreement, the “**Paying Agents**”, which expressions shall include any successor(s)), Citibank, N.A., London Branch as calculation agent (the “**Calculation Agent**”) and the Trustee.

Certain provisions of these Conditions are summaries of, and are subject to, the detailed provisions of and definitions in the Trust Deed and the Agency Agreement. The Noteholders and the Couponholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of all the provisions of the Agency Agreement applicable to them.

Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours by appointment by the Noteholders and the Couponholders at the principal office for the time being of the Trustee, being at the date of issue of the Notes at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB and at the specified office of each of the Paying Agents.

### 1. FORM, DENOMINATION AND TITLE

#### 1.1 Form and Denomination

The Notes are in bearer form, serially numbered, in the denominations of €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000 each with Coupons attached on issue. Notes of one denomination may not be exchanged for Notes of another denomination.

#### 1.2 Title

Title to the Notes and to the Coupons will pass by delivery.

#### 1.3 Holder Absolute Owner

The bearer of any Note or Coupon will (except as ordered by a court of competent jurisdiction or as otherwise required by law) be deemed and treated as the absolute owner for all purposes (whether or not the Note or Coupon shall be overdue and notwithstanding any notice of ownership, trust or interest or writing on the Note or Coupon or any notice of previous loss or theft of the Note or Coupon) and shall not be required to obtain any proof thereof or as to the identity of such bearer and no person shall be liable for so treating the bearer.

### 2. STATUS

The Notes and the Coupons are direct, unconditional and (subject to the provisions of Condition 3 (*Negative Pledge*)) unsecured obligations of the Issuer and (subject as provided above) rank and will rank *pari passu*, without any preference among themselves. The payment obligations of the Issuer under the Notes and the Coupons shall, save for such exceptions as may be provided by applicable laws relating to creditors' rights and subject to Condition 3 (*Negative Pledge*), at all times rank *pari passu* with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future.

### 3. NEGATIVE PLEDGE

So long as any Note or Coupon remains outstanding (as defined in the Trust Deed), the Issuer shall not create or permit to subsist any mortgage, charge, pledge, lien or other security interest upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure (i) any Relevant Indebtedness (as defined below) or (ii) any guarantee of any Relevant Indebtedness, without, at the same time or prior thereto:

- (a) ensuring that the Issuer's obligations under the Notes are secured equally and rateably therewith to the satisfaction of the Trustee; or
- (b) providing such other security or guarantee or other arrangement (whether or not comprising security) as the Trustee may in its absolute discretion consider to be not materially less beneficial to the interests of the Noteholders or as may be approved by an Extraordinary Resolution (as defined in the Trust Deed).

In this Condition 3 (*Negative Pledge*):

**"Relevant Indebtedness"** means any indebtedness which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other debt security which, is, or is intended to be, listed, quoted or traded on any stock exchange or on any other recognised securities market (including, without limitation, any over-the-counter securities market).

## 4. INTEREST

### 4.1 Accrual of interest

The Notes bear interest on their outstanding principal amount from and including 11 May 2020 at the rate of 2.000 per cent. per annum, payable annually in arrear on 11 May in each year (each, an **"Interest Payment Date"**), subject to Condition 5 (*Payments*), commencing on 11 May 2021. The amount of interest payable on each Interest Payment Date shall be €20.00 per €1,000 of outstanding principal amount (the **"Calculation Amount"**) of the Notes. Each Note will cease to bear interest from and including its due date for redemption unless, upon due presentation, payment of the principal in respect of the Note is improperly withheld or refused or unless default is otherwise made in respect of payment. In such event interest will continue to accrue in respect of the principal amount of, and any unpaid amounts on, the Notes, both before and after judgment, as provided in the Trust Deed.

### 4.2 Calculation of Broken Interest

When interest is required to be calculated in respect of an interest payment on a date other than an Interest Payment Date, it shall be calculated by applying the rate of 2.000 per cent. per annum to each Calculation Amount and on the basis of (a) the actual number of days in the period from and including the date from which interest begins to accrue (the **"Accrual Date"**) to but excluding the date on which it falls due divided by (b) the actual number of days from and including the Accrual Date to but excluding the next following Interest Payment Date. The resultant figure shall be rounded to the nearest cent, half a cent being rounded upwards. The interest payable in respect of a Note shall be the product of such rounded figure and the amount by which the Calculation Amount is multiplied to reach the denomination of the relevant Note, without any further rounding. The Trustee and the Paying Agents shall not be responsible for, nor incur any liability in connection with, any loss resulting from any calculation made or intended to be made by the Calculation Agent.

## 5. PAYMENTS

### 5.1 Payments in respect of the Notes

Payments of principal, premium and interest in respect of each Note will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the Note, except that payments of interest due on an Interest Payment Date will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the relevant Coupon, in each case, at the specified office outside the United States of any of the Paying Agents.

### 5.2 Method of Payment

Payments will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee with a bank in a city in which banks have access to the TARGET2 system.

### 5.3 Missing Unmatured Coupons

Each Note should be presented for payment together with all relative unmatured Coupons, failing which the full amount of any relative missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the full amount of the missing unmatured Coupon which the amount so paid bears to the total

amount due) will be deducted from the amount due for payment. Each amount so deducted will be paid in the manner mentioned above against presentation and surrender (or, in the case of part payment only, endorsement) of the relative missing Coupon at any time before expiry of 10 years after the Relevant Date (as defined in Condition 7 (*Taxation*)) in respect of the relevant Note (whether or not the Coupon would otherwise have become void pursuant to Condition 8 (*Prescription*)).

#### **5.4 Payments subject to applicable laws**

Payments in respect of principal, premium and interest on the Notes are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*).

#### **5.5 Payment only on a Presentation Date**

A holder shall be entitled to present a Note or Coupon for payment only on a Presentation Date and shall not, except as provided in Condition 4 (*Interest*), be entitled to any further interest or other payment if a Presentation Date is after the due date for payment.

In this Condition 5 (*Payments*):

“**Presentation Date**” means a day which (subject to Condition 8 (*Prescription*)):

- (a) is or falls after the relevant due date;
- (b) is a Business Day; and
- (c) in the case of payment by credit or transfer to a euro account as referred to above, is a TARGET2 Settlement Day.

“**Business Day**” means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in that place and “**TARGET2 Settlement Day**” means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System is open.

#### **5.6 Initial Paying Agents**

The names of the initial Paying Agents and their initial specified offices are set out at the end of these Conditions. The Issuer reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents provided that:

- (a) there will at all times be a Principal Paying Agent;
- (b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be at least one Paying Agent (which may be the Principal Paying Agent) having a specified office in any place required by the rules and regulations of the relevant stock exchange or any other relevant authority; and
- (c) there will at all times be a Paying Agent in a jurisdiction within Europe, other than the jurisdiction in which the Issuer is incorporated.

Notice of any variation, termination, appointment and/or of any changes in specified offices will be given to the Noteholders promptly by the Issuer in accordance with Condition 12 (*Notices*).

### **6. REDEMPTION AND PURCHASE**

#### **6.1 Redemption on the Maturity Date**

Unless previously redeemed or purchased and cancelled as provided below, the Issuer will redeem the Notes at their principal amount on 11 May 2024 (the “**Maturity Date**”).

## 6.2 Redemption for Taxation Reasons

The Issuer may, at its option, subject to giving notice to the Trustee and the Principal Paying Agent in accordance with this Condition 6.2 (*Redemption for Taxation Reasons*), and having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 12 (*Notices*) (which notice shall be irrevocable, shall specify that the Notes are to be redeemed pursuant to this Condition 6.2 (*Redemption for Taxation Reasons*) and shall specify the date fixed for redemption), redeem all (but not some only) of the outstanding Notes at any time at their principal amount together with interest accrued but unpaid to (but excluding) the date fixed for redemption if:

- (a) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction, or any change in the application or official interpretation of the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective after 11 May 2020, on the next Interest Payment Date the Issuer would be required to pay additional amounts as provided or referred to in Condition 7 (*Taxation*); and
- (b) the requirement cannot be avoided by the Issuer taking reasonable measures available to it,

*provided* that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts, were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption to the Noteholders pursuant to this Condition 6.2 (*Redemption for Taxation Reasons*), the Issuer shall deliver to the Trustee (i) a certificate signed by one director or other authorised signatory of the Issuer stating that the Issuer is entitled to effect such redemption, and setting forth a statement of facts showing that the conditions precedent as set out in this Condition 6.2 (*Redemption for Taxation Reasons*) to the right of the Issuer so to redeem have occurred and (ii) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of the change or amendment referred to above. The Trustee shall be entitled to accept the certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out in paragraphs (a) and (b) above, in which event they shall be conclusive and binding on the Noteholders and the Couponholders and the Trustee shall be entitled to rely on such certificate and opinion without further enquiry and without liability to any person.

For the purposes of these Conditions:

**“Relevant Jurisdiction”** means the Netherlands or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject by reason of its tax residence in respect of payments made by or on behalf of it of principal, premium and interest on the Notes and Coupons.

## 6.3 Redemption at the option of the Issuer

### (A) *Issuer Maturity Par Call*

The Issuer may, at its option, having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 12 (*Notices*) (which notice shall be irrevocable, shall specify that the Notes are to be redeemed pursuant to this Condition 6.3(A) (*Issuer Maturity Par Call*) and shall specify the date fixed for redemption) and to the Trustee and the Principal Paying Agent, redeem all (but not some only) of the outstanding Notes at any time during the period commencing on (and including) the day that is 90 days prior to the Maturity Date to (but excluding) the Maturity Date, at their principal amount, together with interest accrued but unpaid to (but excluding) the date fixed for redemption.

### (B) *Issuer Clean-up Call*

If 80 per cent. or more in aggregate principal amount of the Notes originally issued (and, for these purposes, any Further Notes issued pursuant to Condition 15 (*Further Issues*) will be deemed to have been originally issued) have been redeemed or purchased pursuant to Condition 6.4 (*Redemption at the option of the Holders following a Change of Control Put Event*) or Condition 6.5 (*Purchases*), the Issuer may, at its option, and having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 12 (*Notices*) (which notice shall be irrevocable, shall specify that the Notes are to be redeemed pursuant to this Condition 6.3(B) (*Issuer Clean-up Call*) and shall specify the date fixed for redemption) and to the Trustee and

the Principal Paying Agent, redeem all (but not some only) of the outstanding Notes at their principal amount together with interest accrued but unpaid to (but excluding) the date fixed for redemption.

(C) *Make-Whole Redemption by the Issuer*

The Issuer may, at its option, and having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 12 (*Notices*) (which notice shall be irrevocable, shall specify that the Notes are to be redeemed pursuant to this Condition 6.3(C) (*Make-Whole Redemption by the Issuer*) and shall specify the date fixed for redemption (the "**Make-Whole Redemption Date**")) and to the Trustee and the Principal Paying Agent, redeem all (but not some only) of the outstanding Notes at any time prior to the day that is 90 days prior to the Maturity Date at an amount per Note calculated by the Calculation Agent, which will be an amount in euro rounded to the nearest cent (half a cent being rounded upwards) and equal to the greater of:

- (a) 100 per cent. of the principal amount of the Note; or
- (b) the sum of the then present values of the remaining scheduled payments of principal and interest on such Note (not including any interest accrued but unpaid to, but excluding, the Make-Whole Redemption Date) discounted to the Make-Whole Redemption Date on an annual basis (based on the actual number of days elapsed divided by 365 or (in the case of a leap year) by 366) at the Reference Rate (as defined below) plus 0.450 per cent.,

plus, in each of (a) and (b) above, any interest accrued but unpaid to (but excluding) the Make-Whole Redemption Date.

The Reference Rate, and if applicable, details of the Similar Security, will be published by the Issuer in accordance with Condition 12 (*Notices*) as soon as reasonably practicable after determination of the same.

After a notice of redemption has been given pursuant to this Condition 6.3(C) (*Make-Whole Redemption by the Issuer*), the Issuer may not give notice of redemption pursuant to any other provision of these Conditions.

In this Condition 6.3 (*Redemption at the option of the Issuer*):

**"Business Day"** means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System is open;

**"Reference Dealers"** means each of the four banks selected by the Issuer which are (i) primary European government securities dealers or (ii) market makers in pricing corporate bond issues;

**"Reference Rate"** means the average of the quotations given by the Reference Dealers on the third Business Day prior to the Make-Whole Redemption Date (the "**Calculation Date**") of the mid-market annual yield to maturity of the German government bond bearing interest at 0 per cent. per annum and maturing in April 2024 with (as at the Issue Date) ISIN DE0001141794 (the "**Reference Bond**") as at 11.00 a.m. (Brussels time) on the Calculation Date. If, at 11.00 a.m. (Brussels time) on the Calculation Date, the Reference Bond is no longer outstanding, a Similar Security will be chosen by the Reference Dealers at 11.00 a.m. (Brussels time) on the Calculation Date, quoted in writing by the Reference Dealers to the Issuer and published by the Issuer in accordance with Condition 12 (*Notices*); and

**"Similar Security"** means a reference bond or reference bonds selected by the Issuer and which is issued by the issuer of the Reference Bond having an actual or interpolated maturity comparable with the remaining term of the Notes that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Notes.

#### 6.4 **Redemption at the option of the Holders following a Change of Control Put Event**

Following the occurrence of a Change of Control Put Event, unless the Issuer has exercised its right to redeem the Notes in accordance with Condition 6.2 (*Redemption for Taxation Reasons*) or Condition 6.3 (*Redemption at the option of the Issuer*), each Noteholder shall have the option to require the Issuer to redeem or, at the Issuer's option, purchase (or procure the purchase of) that Note on the Put Date (as defined below) at its principal amount together with interest accrued but unpaid to (but excluding) the Put Date.



Within 60 days following the date upon which the Change of Control Put Event has occurred, the Issuer shall give notice to the Noteholders in accordance with Condition 12 (*Notices*) and to the Trustee and the Principal Paying Agent of the occurrence of a Change of Control Put Event and shall, in the notice, specify a date being not less than 30 nor more than 60 days after the date on which the notice is given as the **“Put Date”**.

To exercise such option, the Noteholder must deliver such Note to be redeemed or purchased, together with all Coupons relating to it maturing after the Put Date, to the specified office of any Paying Agent at any time during normal business hours together with a duly completed notice of exercise in the form obtainable from the specified office of any Paying Agent (a **“Change of Control Put Notice”**), not less than 15 nor more than 30 days before the Put Date. A Change of Control Put Notice, once given, shall be irrevocable.

In this Condition 6.4 (*Redemption at the option of the Holders following a Change of Control Put Event*):

A **“Change of Control”** means the occurrence of either of the following events: (i) Control is acquired or held by any Person or any Persons acting in concert (**“acting in concert”** to be within the meaning of Section 5:45, subsection 5 of the Dutch Act on financial supervision (*Wet op het financieel toezicht*)) as to the exercise of Voting Rights or (ii) the Issuer consolidates with, or merges with or into, any Person, or any Person consolidates with, or merges with or into, the Issuer, in any such event pursuant to a transaction in which any of the outstanding Voting Shares of the Issuer or such other Person are converted into or exchanged for cash, securities or other property, other than any such transaction where the Voting Shares of the Issuer outstanding immediately prior to such transaction constitute, or are converted into or exchanged for, a majority of the Voting Shares of the surviving Person immediately after giving effect to such transaction, provided that a Change of Control shall be deemed not to occur (x) solely as a result of the issuance or transfer of any preference shares in the Issuer’s share capital to the foundation Stichting Continuïteit Signify or its successor; or (y) if the event which would otherwise have constituted a Change of Control occurs or is carried on terms previously approved by the Trustee or by an Extraordinary Resolution.

**“Change of Control Put Event”** means the Notes are rated below Investment Grade by each of the Rating Agencies on any date during the period (the **“Change of Control Period”**) commencing on the date of the first public announcement by the Issuer of any Change of Control (or pending Change of Control) and ending 60 days following consummation of such Change of Control (which Change of Control Period will be extended following consummation of a Change of Control for so long as either of the Rating Agencies has publicly announced that it is considering a possible ratings downgrade) and are not, within the Change of Control Period, subsequently upgraded to an Investment Grade rating by either Rating Agency provided that a Change of Control Put Event otherwise arising by virtue of a particular reduction in rating shall not be deemed to have occurred in respect of a particular Change of Control (and shall not be deemed a Change of Control Put Event) if either the Rating Agency making the reduction in rating to which this definition would otherwise apply does not announce or publicly confirm or inform the Trustee in writing at its request that the reduction was the result, in whole or in part, of any event or circumstance comprised of or arising as a result of, or in respect of, the applicable Change of Control (whether or not the applicable Change of Control shall have occurred at the time of the Change of Control Put Event). Notwithstanding the foregoing, no Change of Control Put Event will be deemed to have occurred in connection with any particular Change of Control unless and until such Change of Control has actually been consummated.

**“Control”** means the acquisition, ownership or control of more than 50 per cent. of the Voting Rights of the Issuer.

**“Investment Grade”** means a rating of Baa3 or better by Moody’s (or its equivalent under any successor rating category of Moody’s); or a rating of BBB- or better by S&P (or its equivalent under any successor rating category of S&P).

**“Person”** means any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case, whether or not being a separate legal entity).

**“Rating Agency”** means each of Moody’s Deutschland GmbH (**“Moody’s”**) or S&P Global Ratings Europe Limited (**“S&P”**) and their respective successors.

**“Voting Rights”** means the right generally to vote at a general meeting of shareholders of the Issuer (irrespective of whether or not, at the time, shares of any other class or classes have, or might have, voting power by reason of the happening of any contingency).

**“Voting Shares”** means shares in the issued share capital of the Issuer carrying Voting Rights.

## 6.5 Purchases

The Issuer or any of its Subsidiaries (as defined in Condition 9 (*Events of Default*)) may at any time purchase Notes (provided that all unmatured Coupons appertaining to the Notes are purchased with such Notes) in any manner and at any price.

## 6.6 Cancellations

All Notes which are (a) redeemed or (b) purchased by or on behalf of the Issuer or any of its Subsidiaries may be cancelled, together with all relative unmatured Coupons attached to the Notes or surrendered with the Notes or may be reissued or resold.

## 6.7 Notices Final

Upon the expiry of any notice as is referred to in Condition 6.2 (*Redemption for Taxation Reasons*), Condition 6.3 (*Redemption at the option of the Issuer*) or Condition 6.4 (*Redemption at the option of the Holders following a Change of Control Put Event*) above, the Issuer shall be bound to redeem the Notes to which the notice refers on the date fixed for redemption in accordance with the terms of such paragraph.

# 7. TAXATION

## 7.1 Payment without Withholding

All payments in respect of the Notes by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (“**Taxes**”) imposed or levied by or on behalf of any Relevant Jurisdiction, unless such withholding or deduction of the Taxes is required by law. In that event, the Issuer will pay such additional amounts as may be necessary in order that any amount received by the Noteholders or Couponholders after such withholding or deduction is equal to the amount that would have been received in respect of the Notes or, as the case may be, Coupons, in the absence of such withholding or deduction; except that no additional amounts shall be payable in relation to any payment in respect of any Note or Coupon:

- (a) the holder or beneficial owner (for the purposes of the relevant Tax) of which is liable for Taxes in respect of such Note or Coupon by reason of having or having had a present or former connection with the Relevant Jurisdiction other than a mere holding of the Notes; or
- (b) presented for payment in the Netherlands; or
- (c) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days assuming that day to have been a Presentation Date (as defined in Condition 5 (*Payments*)); or
- (d) presented for payment by, or on behalf of, a holder where the holder or the beneficial owner for the purposes of the relevant Tax is entitled to avoid such withholding or deduction in respect of such Note or Coupon by making a declaration or any other statement to the relevant tax authority, including, but not limited to, a declaration of residence or non-residence or other similar claim for exemption; or
- (e) where such withholding or deduction is required to be made on or after 1 January 2021 pursuant to the Dutch Withholding Tax Act 2021 (*Wet bronbelasting 2021*); or
- (f) where the additional amounts are payable due to any combination of items (a) to (e) above.

Notwithstanding any other provisions contained herein, the Issuer shall be permitted to withhold or deduct any amounts required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any amended or successor provisions), any regulations or agreements thereunder, official interpretations thereof or any law implementing an intergovernmental approach thereto (“**FATCA Withholding**”). The Issuer will have no obligation to pay additional amounts or otherwise indemnify an investor for any such FATCA Withholding deducted or withheld by the Issuer, any Paying Agent or any other party.

For the avoidance of doubt, the obligation of the Issuer to pay additional amounts in respect of Taxes will not apply to (i) any estate, inheritance, gift, sales, transfer, personal property or any similar tax, duty, assessment

or other governmental charge or (ii) any Taxes payable otherwise than by deduction or withholding from payments of principal of, or premium in respect of, or interest on, the Notes or, as the case may be, Coupons.

In this Condition 7 (*Taxation*):

“**Relevant Date**” means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the Principal Paying Agent or the Trustee on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect has been duly given to the Noteholders by the Issuer in accordance with Condition 12 (*Notices*).

## 7.2 Additional Amounts

Any reference in these Conditions to any amounts in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this Condition 7 (*Taxation*) or under any undertakings given in addition to, or in substitution for, this Condition 7 (*Taxation*) pursuant to the Trust Deed.

## 8. PRESCRIPTION

Notes and Coupons will become void unless presented for payment within periods of 10 years (in the case of principal or premium) and 5 years (in the case of interest) from the Relevant Date (as defined in Condition 7 (*Taxation*)) in respect of the Notes or, as the case may be, the Coupons, subject to the provisions of Condition 5 (*Payments*).

## 9. EVENTS OF DEFAULT

If any of the following events (each, an “**Event of Default**”) occurs and is continuing, the Trustee at its discretion may and, if so requested in writing by holders of at least one-quarter in principal amount of the Notes then outstanding or, if so directed by an Extraordinary Resolution, shall (subject, in the case of the happening of any of the events mentioned in paragraphs (b) to (g) (other than (d) below), to the Trustee having certified in writing that the happening of such events is in its opinion materially prejudicial to the interests of the Noteholders and subject, in all cases, to the Trustee having been indemnified and/or secured and/or prefunded to its satisfaction) give written notice to the Issuer declaring the Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their principal amount together with accrued interest without further action or formality:

- (a) **Non-payment:** the Issuer fails to pay any amount of principal or interest due in respect of the Notes and that failure to pay continues for more than 14 days after the due date for payment; or
- (b) **Breach of other obligations:** the Issuer defaults in the performance or observance of any one or more other obligations under or in respect of the Notes or the Trust Deed required to be performed or observed by the Issuer and such default is either:
  - (i) in the opinion of the Trustee, incapable of remedy, in which case no notice referred to in (ii) below will be required; or
  - (ii) in the opinion of the Trustee, capable of remedy and the default remains unremedied for 30 days (or such longer period as the Trustee may agree) after the Trustee has given written notice to the Issuer specifying the default and requiring that default to be remedied; or
- (c) **Cross-acceleration:** (i) the repayment of any indebtedness for borrowed money owing by the Issuer or any of its Material Subsidiaries is accelerated by reason of default (however expressed) and such acceleration has not been rescinded, waived, cancelled or annulled, or (ii) the Issuer or any of its Material Subsidiaries is in default (after the expiry of any originally applicable grace period) in any payment when due of such indebtedness for borrowed money; provided that no such event shall constitute an Event of Default (A) if it is being contested in good faith by, in the reasonable opinion of the Issuer, appropriate proceedings; or (B) unless the aggregate outstanding amount of such accelerated or unpaid indebtedness for borrowed money, whether alone or when aggregated with all other such outstanding accelerated or unpaid indebtedness for borrowed money, exceeds the greater of €100 million (or its equivalent in another currency or currencies) and three per cent. of Shareholders’ Equity; or
- (d) **Winding-up:** any final order is made by any competent court or other authority, or an effective resolution is passed for the liquidation, dissolution or winding-up of the Issuer or any of its Material

Subsidiaries otherwise than (i) for the purposes of a Permitted Reorganisation; or (ii) on terms previously approved by the Trustee or by an Extraordinary Resolution; or

- (e) **Insolvency, etc.:** (i) the Issuer or any of its Material Subsidiaries admits in writing that it is insolvent, or unable to pay its debts as they fall due, (ii) an administrator or liquidator is appointed (or application for any such appointment is made) in respect of the Issuer or any of its Material Subsidiaries or the whole or substantially all of the undertaking, assets and revenues of the Issuer or any of its Material Subsidiaries, (iii) the Issuer or any of its Material Subsidiaries makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its indebtedness or any guarantee of any indebtedness given by it or (iv) the Issuer or any of its Material Subsidiaries ceases or threatens to cease to carry on all or substantially all of its business otherwise, in each of (i) to (iv), than (x) for the purposes of a Permitted Reorganisation; or (y) on terms previously approved by the Trustee or by an Extraordinary Resolution;
- (f) **Security enforced:** a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or substantially all of the undertaking, assets and revenues of the Issuer or any of its Material Subsidiaries; or
- (g) **Analogous Event:** if any event occurs which, under the laws of any Relevant Jurisdiction (as defined in Condition 6.2 (*Redemption for Taxation Reasons*)), has or may have an analogous effect to any of the events referred to in subparagraphs (d) to (f) above.

In this Condition 9 (*Events of Default*):

“**Available Assets**” means the consolidated Net Assets Employed of the Issuer.

“**Available EBITDA**” means the consolidated income from operations (EBIT) of the Issuer as reported by the Issuer in its consolidated financial statements, excluding depreciation, amortisation and impairment of non-financial assets as reported by the Issuer in its consolidated statements of cash flows.

“**Holding Company**” of any other person means a company in respect of which that other person is a Subsidiary.

“**Material Subsidiary**” means, at any time, each Subsidiary of the Issuer whose (i) Reported EBITDA represents at least 5 per cent. of Available EBITDA; or (ii) Net Assets Employed represent at least 5 per cent. of Available Assets, and in each case, is directly or indirectly wholly-owned by the Issuer.

For this purpose:

- (a) the Reported EBITDA or Net Assets Employed of a Subsidiary shall be calculated by reference to:
  - (i) the accounts of that Subsidiary (or, as the case may be, a consolidation of the accounts of it and its consolidated subsidiaries) used for the purpose of the latest audited consolidated financial statements of the Issuer; or
  - (ii) if the company became a Subsidiary after the end of the financial period to which the latest audited consolidated financial statements of the Issuer relate, the then-latest accounts, or audited accounts to the extent available, of that Subsidiary and its consolidated subsidiaries;
- (b) the Available EBITDA or Available Assets of the Issuer shall be calculated by reference to the latest audited consolidated financial statements of the Issuer, adjusted as appropriate to reflect the Reported EBITDA or Net Assets Employed of any company which has become or ceased to be a consolidated subsidiary of the Issuer after the end of the financial period to which those accounts relate; and
- (c) where a Material Subsidiary transfers all or substantially all of its assets to the Issuer or another Subsidiary, the transferor (if it is not the Holding Company of the transferee) shall cease to be a Material Subsidiary and (if the transferee is a wholly-owned Subsidiary but not a Material Subsidiary) the transferee shall become a Material Subsidiary.

“**Net Assets Employed**” means the management financial metric of the applicable person calculated as the sum of intangible assets, tangible fixed assets, working capital, provisions and investments in associates.

**“Permitted Reorganisation”** means (i) any merger, consolidation, amalgamation, reorganisation, transfer of all or substantially all of the business, assets or undertaking (by operation of law or by way of sale, contribution, lease, conveyance, demerger or otherwise), reconstruction or restructuring on a solvent basis of the Issuer or a Material Subsidiary, and in the case of the Issuer, pursuant to which the surviving or acquiring company (if not the Issuer) assumes all obligations of the Issuer under the Notes and the Trust Deed either expressly, by operation of law or by universal succession; or (ii) for the purposes of or in connection with, and followed by, a substitution of the relevant entity pursuant to and in accordance with Condition 13.5 (*Substitution*).

**“Reported EBITDA”** means the consolidated earnings before interest, tax, depreciation and amortisation of the applicable person, calculated on the same basis as Available EBITDA.

**“Shareholders’ Equity”** at any time means the aggregate (expressed in Euros) at such time of: (i) Group equity minus (ii) third party minority interests, all as shown in or determined from the latest audited consolidated financial statements of the Group and **“Group”** for this purpose means the Issuer and its Subsidiaries (as defined below).

**“Subsidiary”** means a consolidated entity of which a person has direct or indirect control or owns directly or indirectly more than 50 per cent. of the voting rights or similar right of ownership, but excluding any joint venture arrangements in which the Issuer owns (directly or indirectly) less than 80 per cent. of the issued share capital of such joint venture and **“control”** for this purpose means the power to direct the management and the policies of the entity whether through the ownership of voting capital, by contract or otherwise.

## **10. ENFORCEMENT**

### **10.1 Enforcement by the Trustee**

The Trustee may at any time, at its discretion and without notice, take such proceedings and/or other steps or action (including lodging an appeal in any proceedings) against or in relation to the Issuer as it may think fit to enforce the provisions of the Trust Deed, the Notes and the

Coupons or otherwise, but it shall not be bound to take any such proceedings or other steps or action unless (a) it has been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by the holders of at least one-quarter in principal amount of the Notes then outstanding and (b) it has been indemnified and/or secured and/or pre-funded to its satisfaction.

### **10.2 Limitation on Trustee actions**

The Trustee may refrain without liability from doing anything which in its reasonable opinion would or may be illegal or contrary to any law of any state or jurisdiction (including but not limited to the laws of the U.S., the European Union or any jurisdiction forming part of either of them and England & Wales) or any directive or regulation of any agency of any such state or jurisdiction and may without liability do anything which is, in its reasonable opinion, necessary to comply with any such law, directive or regulation.

### **10.3 Enforcement by the Noteholders**

No Noteholder or Couponholder shall be entitled to (i) take any steps or action against the Issuer to enforce the performance of any of the provisions of the Trust Deed, the Notes or the Coupons or (ii) take any other proceedings (including lodging an appeal in any proceedings) in respect of or concerning the Issuer, in each case, unless the Trustee, having become bound so to take any such action, steps or proceedings, fails so to do within a reasonable period and such failure shall be continuing.

## **11. REPLACEMENT OF NOTES AND COUPONS**

Should any Note or Coupon be lost, stolen, mutilated, defaced or destroyed it may be replaced subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Principal Paying Agent upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

## **12. NOTICES**

All notices to the Noteholders will be valid if published in a leading English language daily newspaper published in London and, so long as the Notes are admitted to listing on the Official List and to trading on the regulated market of the Luxembourg Stock Exchange and the rules of that exchange so require, a daily newspaper of general circulation in Luxembourg or the website of the Luxembourg Stock Exchange (at [www.bourse.lu](http://www.bourse.lu)). It is expected that publication in a newspaper will normally be made in the *Financial Times* in London and the *Luxemburger Wort* in Luxembourg. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not practicable, notice will be given in such other manner, and shall be deemed to have been given on such date, as the Trustee may approve. Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Noteholders in accordance with this paragraph.

## **13. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER, AUTHORISATION AND DETERMINATION, SUBSTITUTION**

### **13.1 Meetings of Noteholders**

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the modification of any of these Conditions or any of the provisions of the Trust Deed. Any such modification may be made if sanctioned by an Extraordinary Resolution (as defined in the Trust Deed). Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Trustee (subject to it being indemnified and/or secured and/or prefunded to its satisfaction) upon the request in writing of Noteholders holding not less than one-quarter of the aggregate principal amount of the outstanding Notes.

The quorum at any meeting convened to vote on an Extraordinary Resolution will be one or more persons present holding or representing more than 50 per cent. in principal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons present whatever the principal amount of the Notes held or represented by him or them, except that, at any meeting the business of which includes any matter defined in the Trust Deed as a Basic Terms Modification, including, amongst other things, the modification of certain of the provisions of these Conditions and certain of the provisions of the Trust Deed (including the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal, premium or interest payable in respect of the Notes, altering the currency of payment of the Notes, altering the method of calculating the amount of any payment in respect of the Notes or changing the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution), the necessary quorum required to pass an Extraordinary Resolution will be one or more persons present holding or representing not less than two-thirds, or at any adjourned such meeting not less than one-third, of the principal amount of the Notes for the time being outstanding.

In addition, the Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than two-thirds in principal amount of the Notes for the time being outstanding or consent given by way of electronic consents through the relevant clearing system(s) by or on behalf of the holders of not less than two-thirds in principal amount of the Notes for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Noteholders. An Extraordinary Resolution passed by the Noteholders will be binding on all Noteholders, whether or not they are present at any meeting and whether or not they voted on the resolution, and on all Couponholders.

### **13.2 Modification, Waiver, Authorisation and Determination**

The Trustee may agree, without the consent of the Noteholders or Couponholders (i) (other than in relation to any Basic Terms Modifications (as defined in the Trust Deed)) to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Trust Deed or the Agency Agreement, or determine, without any such consent as aforesaid, that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such if such an Event of Default or Potential Event of Default is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders, or (ii) to any modification which, in its opinion, is of a formal, minor or technical nature or to correct a manifest error or an error which is, in the opinion of the Trustee, proven or to comply with mandatory provisions of law.

### **13.3 Trustee to have Regard to Interests of Noteholders as a Class**

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or determination), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders or Couponholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders except to the extent already provided for in Condition 7 (*Taxation*) and/or any undertaking given in addition to, or in substitution for, Condition 7 (*Taxation*) pursuant to the Trust Deed.

### **13.4 Notification to the Noteholders**

Any modification, abrogation, waiver, authorisation or determination made in accordance with this Condition 13 (*Meetings of Noteholders, Modification, Waiver, Authorisation and Determination, Substitution*) shall be binding on the Noteholders and the Couponholders and, unless the Trustee agrees otherwise, any modification shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 12 (*Notices*).

### **13.5 Substitution**

The Trustee may agree, without the consent of the Noteholders or the Couponholders, to the substitution of (i) any Subsidiary of the Issuer or (ii) any company which directly or indirectly owns 100 per cent. of the shares or other equity interests (as the case may be) carrying the right to vote in the Issuer in place of the Issuer as issuer and principal debtor under the Trust Deed, the Notes and the Coupons; provided that the Notes are unconditionally and irrevocably guaranteed by the Issuer; the Trustee is of the opinion that the interests of the Noteholders will not be materially prejudiced thereby and certain other conditions specified in the Trust Deed are fulfilled. Any such substitution shall be binding on the Noteholders and Couponholders and shall be notified to the Noteholders within 14 days thereafter. For the purpose of this Condition 13.5 (*Substitution*), “**Subsidiary**” has the meaning given to it in Condition 9 (*Events Of Default*).

## **14. INDEMNIFICATION AND PROTECTION OF THE TRUSTEE AND ITS CONTRACTING WITH THE ISSUER**

### **14.1 Indemnification and protection of the Trustee**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility and liability towards the Issuer, the Noteholders and the Couponholders, including (i) provisions relieving it from taking action unless indemnified and/or secured and/or pre-funded to its satisfaction and (ii) provisions limiting or excluding its liability in certain circumstances.

### **14.2 Trustee Contracting with the Issuer**

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with the Issuer and/or any of the Issuer’s Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any of the Issuer’s Subsidiaries, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders or Couponholders, and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

## **15. FURTHER ISSUES**

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further notes, having terms and conditions the same as those of the Notes, or the same except for the amount and date of the first payment of interest, which may be consolidated and form a single series with the outstanding Notes. Any further notes or bonds which are to form a single series with the outstanding notes or bonds of any series (including the Notes) constituted by the Trust Deed or any supplemental deed ("**Further Notes**") shall, and any other further notes or bonds may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of notes or bonds of other series in certain circumstances where the Trustee so decides.

## **16. GOVERNING LAW AND SUBMISSION TO JURISDICTION**

### **16.1 Governing Law**

The Trust Deed, the Notes and the Coupons and any non-contractual obligations arising out of or in connection with the Trust Deed, the Notes and the Coupons are governed by, and construed in accordance with, English law.

### **16.2 Submission to Jurisdiction**

- (a) Subject to Condition 16.2(c) below, the English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Trust Deed, the Notes or the Coupons, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Trust Deed, the Notes or the Coupons (a "**Dispute**") and each of the Issuer, the Trustee and any Noteholders or Couponholders in relation to any Dispute submits to the exclusive jurisdiction of the English courts.
- (b) For the purposes of this Condition 16.2 (*Submission to Jurisdiction*), the Issuer waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.
- (c) To the extent allowed by law, the Trustee, the Noteholders and the Couponholders may, in respect of any Dispute or Disputes, take (i) proceedings in any other court with jurisdiction and (ii) concurrent proceedings in any number of jurisdictions.

### **16.3 Appointment of Process Agent**

The Issuer irrevocably appoints Signify Commercial UK Limited (Attention: Company Secretary) as its agent for service of process in any proceedings before the English courts in relation to any Dispute and agrees that, in the event that the Issuer does not for any reason have such an agent, it will immediately appoint another person as its agent for service of process in England in respect of any Dispute and will notify the Trustee and the Noteholders (in accordance with Condition 12 (*Notices*)) of such appointment. The Issuer agrees that failure by a process agent to notify it of any process will not invalidate service. Nothing in this Condition 16.3 (*Appointment of Process Agent*) shall affect the right to serve process in any other manner permitted by law.

### **16.4 Other Documents**

The Issuer has in the Agency Agreement and the Trust Deed submitted to the jurisdiction of the English courts and appointed an agent in England for service of process, in terms substantially similar to those set out above.

## **17. RIGHTS OF THIRD PARTIES**

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.



## TERMS AND CONDITIONS OF THE 2027 NOTES

*The following is the text of the Terms and Conditions of the 2027 Notes which (subject to modification) will be endorsed on each 2027 Note in definitive form (if issued):*

The €600,000,000 2.375 per cent. Notes due 2027 (the “**Notes**”, which expression shall in these terms and conditions (the “**Conditions**”), unless the context otherwise requires, include any further notes issued pursuant to Condition 15 (*Further Issues*) and forming a single series with the Notes) of Signify N.V. (the “**Issuer**”) are constituted by a trust deed dated 11 May 2020 (as amended or supplemented from time to time, the “**Trust Deed**”) made between the Issuer and Citicorp Trustee Company Limited as trustee (the “**Trustee**”, which expression shall include its successor(s)) as trustee for the holders of the Notes (the “**Noteholders**”) and the holders of the interest coupons appertaining thereto (the “**Couponholders**” and the “**Coupons**”, respectively) and are the subject of an agency agreement dated 11 May 2020 (as amended or supplemented from time to time, the “**Agency Agreement**”) made between the Issuer, Citibank, N.A., London Branch as principal paying agent (the “**Principal Paying Agent**” and, together with any other paying agents appointed in accordance with such agreement, the “**Paying Agents**”, which expressions shall include any successor(s)), Citibank, N.A., London Branch as calculation agent (the “**Calculation Agent**”) and the Trustee.

Certain provisions of these Conditions are summaries of, and are subject to, the detailed provisions of and definitions in the Trust Deed and the Agency Agreement. The Noteholders and the Couponholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of all the provisions of the Agency Agreement applicable to them.

Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours by appointment by the Noteholders and the Couponholders at the principal office for the time being of the Trustee, being at the date of issue of the Notes at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB and at the specified office of each of the Paying Agents.

### 1. FORM, DENOMINATION AND TITLE

#### 1.1 Form and Denomination

The Notes are in bearer form, serially numbered, in the denominations of €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000 each with Coupons attached on issue. Notes of one denomination may not be exchanged for Notes of another denomination.

#### 1.2 Title

Title to the Notes and to the Coupons will pass by delivery.

#### 1.3 Holder Absolute Owner

The bearer of any Note or Coupon will (except as ordered by a court of competent jurisdiction or as otherwise required by law) be deemed and treated as the absolute owner for all purposes (whether or not the Note or Coupon shall be overdue and notwithstanding any notice of ownership, trust or interest or writing on the Note or Coupon or any notice of previous loss or theft of the Note or Coupon) and shall not be required to obtain any proof thereof or as to the identity of such bearer and no person shall be liable for so treating the bearer.

### 2. STATUS

The Notes and the Coupons are direct, unconditional and (subject to the provisions of Condition 3 (*Negative Pledge*)) unsecured obligations of the Issuer and (subject as provided above) rank and will rank *pari passu*, without any preference among themselves. The payment obligations of the Issuer under the Notes and the Coupons shall, save for such exceptions as may be provided by applicable laws relating to creditors' rights and subject to Condition 3 (*Negative Pledge*), at all times rank *pari passu* with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future.

### 3. NEGATIVE PLEDGE

So long as any Note or Coupon remains outstanding (as defined in the Trust Deed), the Issuer shall not create or permit to subsist any mortgage, charge, pledge, lien or other security interest upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure (i) any Relevant Indebtedness (as defined below) or (ii) any guarantee of any Relevant Indebtedness, without, at the same time or prior thereto:

- (a) ensuring that the Issuer's obligations under the Notes are secured equally and rateably therewith to the satisfaction of the Trustee; or
- (b) providing such other security or guarantee or other arrangement (whether or not comprising security) as the Trustee may in its absolute discretion consider to be not materially less beneficial to the interests of the Noteholders or as may be approved by an Extraordinary Resolution (as defined in the Trust Deed).

In this Condition 3 (*Negative Pledge*):

**"Relevant Indebtedness"** means any indebtedness which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other debt security which, is, or is intended to be, listed, quoted or traded on any stock exchange or on any other recognised securities market (including, without limitation, any over-the-counter securities market).

## 4. INTEREST

### 4.1 Accrual of interest

The Notes bear interest on their outstanding principal amount from and including 11 May 2020 at the rate of 2.375 per cent. per annum, payable annually in arrear on 11 May in each year (each, an **"Interest Payment Date"**), subject to Condition 5 (*Payments*), commencing on 11 May 2021. The amount of interest payable on each Interest Payment Date shall be €23.75 per €1,000 of outstanding principal amount (the **"Calculation Amount"**) of the Notes. Each Note will cease to bear interest from and including its due date for redemption unless, upon due presentation, payment of the principal in respect of the Note is improperly withheld or refused or unless default is otherwise made in respect of payment. In such event interest will continue to accrue in respect of the principal amount of, and any unpaid amounts on, the Notes, both before and after judgment, as provided in the Trust Deed.

### 4.2 Calculation of Broken Interest

When interest is required to be calculated in respect of an interest payment on a date other than an Interest Payment Date, it shall be calculated by applying the rate of 2.375 per cent. per annum to each Calculation Amount and on the basis of (a) the actual number of days in the period from and including the date from which interest begins to accrue (the **"Accrual Date"**) to but excluding the date on which it falls due divided by (b) the actual number of days from and including the Accrual Date to but excluding the next following Interest Payment Date. The resultant figure shall be rounded to the nearest cent, half a cent being rounded upwards. The interest payable in respect of a Note shall be the product of such rounded figure and the amount by which the Calculation Amount is multiplied to reach the denomination of the relevant Note, without any further rounding. The Trustee and the Paying Agents shall not be responsible for, nor incur any liability in connection with, any loss resulting from any calculation made or intended to be made by the Calculation Agent.

## 5. PAYMENTS

### 5.1 Payments in respect of the Notes

Payments of principal, premium and interest in respect of each Note will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the Note, except that payments of interest due on an Interest Payment Date will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the relevant Coupon, in each case, at the specified office outside the United States of any of the Paying Agents.

### 5.2 Method of Payment

Payments will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee with a bank in a city in which banks have access to the TARGET2 system.

### 5.3 Missing Unmatured Coupons

Each Note should be presented for payment together with all relative unmatured Coupons, failing which the full amount of any relative missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the full amount of the missing unmatured Coupon which the amount so paid bears to the total

amount due) will be deducted from the amount due for payment. Each amount so deducted will be paid in the manner mentioned above against presentation and surrender (or, in the case of part payment only, endorsement) of the relative missing Coupon at any time before expiry of 10 years after the Relevant Date (as defined in Condition 7 (*Taxation*)) in respect of the relevant Note (whether or not the Coupon would otherwise have become void pursuant to Condition 8 (*Prescription*)).

#### **5.4 Payments subject to applicable laws**

Payments in respect of principal, premium and interest on the Notes are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*).

#### **5.5 Payment only on a Presentation Date**

A holder shall be entitled to present a Note or Coupon for payment only on a Presentation Date and shall not, except as provided in Condition 4 (*Interest*), be entitled to any further interest or other payment if a Presentation Date is after the due date for payment.

In this Condition 5 (*Payments*):

“**Presentation Date**” means a day which (subject to Condition 8 (*Prescription*)):

- (a) is or falls after the relevant due date;
- (b) is a Business Day; and
- (c) in the case of payment by credit or transfer to a euro account as referred to above, is a TARGET2 Settlement Day.

“**Business Day**” means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in that place and “**TARGET2 Settlement Day**” means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System is open.

#### **5.6 Initial Paying Agents**

The names of the initial Paying Agents and their initial specified offices are set out at the end of these Conditions. The Issuer reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents provided that:

- (a) there will at all times be a Principal Paying Agent;
- (b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be at least one Paying Agent (which may be the Principal Paying Agent) having a specified office in any place required by the rules and regulations of the relevant stock exchange or any other relevant authority; and
- (c) there will at all times be a Paying Agent in a jurisdiction within Europe, other than the jurisdiction in which the Issuer is incorporated.

Notice of any variation, termination, appointment and/or of any changes in specified offices will be given to the Noteholders promptly by the Issuer in accordance with Condition 12 (*Notices*).

### **6. REDEMPTION AND PURCHASE**

#### **6.1 Redemption on the Maturity Date**

Unless previously redeemed or purchased and cancelled as provided below, the Issuer will redeem the Notes at their principal amount on 11 May 2027 (the “**Maturity Date**”).

## 6.2 Redemption for Taxation Reasons

The Issuer may, at its option, subject to giving notice to the Trustee and the Principal Paying Agent in accordance with this Condition 6.2 (*Redemption for Taxation Reasons*), and having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 12 (*Notices*) (which notice shall be irrevocable, shall specify that the Notes are to be redeemed pursuant to this Condition 6.2 (*Redemption for Taxation Reasons*) and shall specify the date fixed for redemption), redeem all (but not some only) of the outstanding Notes at any time at their principal amount together with interest accrued but unpaid to (but excluding) the date fixed for redemption if:

- (a) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction, or any change in the application or official interpretation of the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective after 11 May 2020, on the next Interest Payment Date the Issuer would be required to pay additional amounts as provided or referred to in Condition 7 (*Taxation*); and
- (b) the requirement cannot be avoided by the Issuer taking reasonable measures available to it,

*provided* that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts, were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption to the Noteholders pursuant to this Condition 6.2 (*Redemption for Taxation Reasons*), the Issuer shall deliver to the Trustee (i) a certificate signed by one director or other authorised signatory of the Issuer stating that the Issuer is entitled to effect such redemption, and setting forth a statement of facts showing that the conditions precedent as set out in this Condition 6.2 (*Redemption for Taxation Reasons*) to the right of the Issuer so to redeem have occurred and (ii) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of the change or amendment referred to above. The Trustee shall be entitled to accept the certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out in paragraphs 6.2(a) and 6.2(b) above, in which event they shall be conclusive and binding on the Noteholders and the Couponholders and the Trustee shall be entitled to rely on such certificate and opinion without further enquiry and without liability to any person.

For the purposes of these Conditions:

**"Relevant Jurisdiction"** means the Netherlands or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject by reason of its tax residence in respect of payments made by or on behalf of it of principal, premium and interest on the Notes and Coupons.

## 6.3 Redemption at the option of the Issuer

### (A) *Issuer Maturity Par Call*

The Issuer may, at its option, having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 12 (*Notices*) (which notice shall be irrevocable, shall specify that the Notes are to be redeemed pursuant to this Condition 6.3(A) (*Issuer Maturity Par Call*) and shall specify the date fixed for redemption) and to the Trustee and the Principal Paying Agent, redeem all (but not some only) of the outstanding Notes at any time during the period commencing on (and including) the day that is 90 days prior to the Maturity Date to (but excluding) the Maturity Date, at their principal amount, together with interest accrued but unpaid to (but excluding) the date fixed for redemption.

### (B) *Issuer Clean-up Call*

If 80 per cent. or more in aggregate principal amount of the Notes originally issued (and, for these purposes, any Further Notes issued pursuant to Condition 15 (*Further Issues*) will be deemed to have been originally issued) have been redeemed or purchased pursuant to Condition 6.4 (*Redemption at the option of the Holders following a Change of Control Put Event*) or Condition 6.5 (*Purchases*), the Issuer may, at its option, and having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 12 (*Notices*) (which notice shall be irrevocable, shall specify that the Notes are to be redeemed pursuant to this Condition 6.3(B) (*Issuer Clean-up Call*) and shall specify the date fixed for redemption) and to the Trustee and

the Principal Paying Agent, redeem all (but not some only) of the outstanding Notes at their principal amount together with interest accrued but unpaid to (but excluding) the date fixed for redemption.

(C) *Make-Whole Redemption by the Issuer*

The Issuer may, at its option, and having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 12 (*Notices*) (which notice shall be irrevocable, shall specify that the Notes are to be redeemed pursuant to this Condition 6.3(C) (*Make-Whole Redemption by the Issuer*) and shall specify the date fixed for redemption (the "**Make-Whole Redemption Date**")) and to the Trustee and the Principal Paying Agent, redeem all (but not some only) of the outstanding Notes at any time prior to the day that is 90 days prior to the Maturity Date at an amount per Note calculated by the Calculation Agent, which will be an amount in euro rounded to the nearest cent (half a cent being rounded upwards) and equal to the greater of:

- (a) 100 per cent. of the principal amount of the Note; or
- (b) the sum of the then present values of the remaining scheduled payments of principal and interest on such Note (not including any interest accrued but unpaid to, but excluding, the Make-Whole Redemption Date) discounted to the Make-Whole Redemption Date on an annual basis (based on the actual number of days elapsed divided by 365 or (in the case of a leap year) by 366) at the Reference Rate (as defined below) plus 0.500 per cent.,

plus, in each of (a) and (b) above, any interest accrued but unpaid to (but excluding) the Make-Whole Redemption Date.

The Reference Rate, and if applicable, details of the Similar Security, will be published by the Issuer in accordance with Condition 12 (*Notices*) as soon as reasonably practicable after determination of the same.

After a notice of redemption has been given pursuant to this Condition 6.3(C) (*Make-Whole Redemption by the Issuer*), the Issuer may not give notice of redemption pursuant to any other provision of these Conditions.

In this Condition 6.3 (*Redemption at the option of the Issuer*):

**"Business Day"** means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System is open;

**"Reference Dealers"** means each of the four banks selected by the Issuer which are (i) primary European government securities dealers or (ii) market makers in pricing corporate bond issues;

**"Reference Rate"** means the average of the quotations given by the Reference Dealers on the third Business Day prior to the Make-Whole Redemption Date (the "**Calculation Date**") of the mid-market annual yield to maturity of the German government bond bearing interest at a rate of 0.250 per cent. per annum and maturing in February 2027 with (as at the Issue Date) ISIN DE0001102416 (the "**Reference Bond**") as at 11.00 a.m. (Brussels time) on the Calculation Date. If, at 11.00 a.m. (Brussels time) on the Calculation Date, the Reference Bond is no longer outstanding, a Similar Security will be chosen by the Reference Dealers at 11.00 a.m. (Brussels time) on the Calculation Date, quoted in writing by the Reference Dealers to the Issuer and published by the Issuer in accordance with Condition 12 (*Notices*); and

**"Similar Security"** means a reference bond or reference bonds selected by the Issuer and which is issued by the issuer of the Reference Bond having an actual or interpolated maturity comparable with the remaining term of the Notes that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Notes.

#### 6.4 **Redemption at the option of the Holders following a Change of Control Put Event**

Following the occurrence of a Change of Control Put Event, unless the Issuer has exercised its right to redeem the Notes in accordance with Condition 6.2 (*Redemption for Taxation Reasons*) or Condition 6.3 (*Redemption at the option of the Issuer*), each Noteholder shall have the option to require the Issuer to redeem or, at the Issuer's option, purchase (or procure the purchase of) that Note on the Put Date (as defined below) at its principal amount together with interest accrued but unpaid to (but excluding) the Put Date.

Within 60 days following the date upon which the Change of Control Put Event has occurred, the Issuer shall give notice to the Noteholders in accordance with Condition 12 (*Notices*) and to the Trustee and the Principal Paying Agent of the occurrence of a Change of Control Put Event and shall, in the notice, specify a date being not less than 30 nor more than 60 days after the date on which the notice is given as the **“Put Date”**.

To exercise such option, the Noteholder must deliver such Note to be redeemed or purchased, together with all Coupons relating to it maturing after the Put Date, to the specified office of any Paying Agent at any time during normal business hours together with a duly completed notice of exercise in the form obtainable from the specified office of any Paying Agent (a **“Change of Control Put Notice”**), not less than 15 nor more than 30 days before the Put Date. A Change of Control Put Notice, once given, shall be irrevocable.

In this Condition 6.4 (*Redemption at the option of the Holders following a Change of Control Put Event*):

A **“Change of Control”** means the occurrence of either of the following events: (i) Control is acquired or held by any Person or any Persons acting in concert (**“acting in concert”** to be within the meaning of Section 5:45, subsection 5 of the Dutch Act on financial supervision (*Wet op het financieel toezicht*)) as to the exercise of Voting Rights or (ii) the Issuer consolidates with, or merges with or into, any Person, or any Person consolidates with, or merges with or into, the Issuer, in any such event pursuant to a transaction in which any of the outstanding Voting Shares of the Issuer or such other Person are converted into or exchanged for cash, securities or other property, other than any such transaction where the Voting Shares of the Issuer outstanding immediately prior to such transaction constitute, or are converted into or exchanged for, a majority of the Voting Shares of the surviving Person immediately after giving effect to such transaction, provided that a Change of Control shall be deemed not to occur (x) solely as a result of the issuance or transfer of any preference shares in the Issuer’s share capital to the foundation Stichting Continuïteit Signify or its successor; or (y) if the event which would otherwise have constituted a Change of Control occurs or is carried on terms previously approved by the Trustee or by an Extraordinary Resolution.

**“Change of Control Put Event”** means the Notes are rated below Investment Grade by each of the Rating Agencies on any date during the period (the **“Change of Control Period”**) commencing on the date of the first public announcement by the Issuer of any Change of Control (or pending Change of Control) and ending 60 days following consummation of such Change of Control (which Change of Control Period will be extended following consummation of a Change of Control for so long as either of the Rating Agencies has publicly announced that it is considering a possible ratings downgrade) and are not, within the Change of Control Period, subsequently upgraded to an Investment Grade rating by either Rating Agency provided that a Change of Control Put Event otherwise arising by virtue of a particular reduction in rating shall not be deemed to have occurred in respect of a particular Change of Control (and shall not be deemed a Change of Control Put Event) if either Rating Agency making the reduction in rating to which this definition would otherwise apply does not announce or publicly confirm or inform the Trustee in writing at its request that the reduction was the result, in whole or in part, of any event or circumstance comprised of or arising as a result of, or in respect of, the applicable Change of Control (whether or not the applicable Change of Control shall have occurred at the time of the Change of Control Put Event). Notwithstanding the foregoing, no Change of Control Put Event will be deemed to have occurred in connection with any particular Change of Control unless and until such Change of Control has actually been consummated.

**“Control”** means the acquisition, ownership or control of more than 50 per cent. of the Voting Rights of the Issuer.

**“Investment Grade”** means a rating of Baa3 or better by Moody’s (or its equivalent under any successor rating category of Moody’s); or a rating of BBB- or better by S&P (or its equivalent under any successor rating category of S&P).

**“Person”** means any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case, whether or not being a separate legal entity).

**“Rating Agency”** means each of Moody’s Deutschland GmbH (**“Moody’s”**) or S&P Global Ratings Europe Limited (**“S&P”**) and their respective successors.

**“Voting Rights”** means the right generally to vote at a general meeting of shareholders of the Issuer (irrespective of whether or not, at the time, shares of any other class or classes have, or might have, voting power by reason of the happening of any contingency).

**“Voting Shares”** means shares in the issued share capital of the Issuer carrying Voting Rights.

## 6.5 Purchases

The Issuer or any of its Subsidiaries (as defined in Condition 9 (*Events of Default*)) may at any time purchase Notes (provided that all unmatured Coupons appertaining to the Notes are purchased with such Notes) in any manner and at any price.

## 6.6 Cancellations

All Notes which are (a) redeemed or (b) purchased by or on behalf of the Issuer or any of its Subsidiaries may be cancelled, together with all relative unmatured Coupons attached to the Notes or surrendered with the Notes or may be reissued or resold.

## 6.7 Notices Final

Upon the expiry of any notice as is referred to in Condition 6.2 (*Redemption for Taxation Reasons*), Condition 6.3 (*Redemption at the option of the Issuer*) or Condition 6.4 (*Redemption at the option of the Holders following a Change of Control Put Event*) above, the Issuer shall be bound to redeem the Notes to which the notice refers on the date fixed for redemption in accordance with the terms of such paragraph.

# 7. TAXATION

## 7.1 Payment without Withholding

All payments in respect of the Notes by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (“**Taxes**”) imposed or levied by or on behalf of any Relevant Jurisdiction, unless such withholding or deduction of the Taxes is required by law. In that event, the Issuer will pay such additional amounts as may be necessary in order that any amount received by the Noteholders or Couponholders after such withholding or deduction is equal to the amount that would have been received in respect of the Notes or, as the case may be, Coupons, in the absence of such withholding or deduction; except that no additional amounts shall be payable in relation to any payment in respect of any Note or Coupon:

- (a) the holder or beneficial owner (for the purposes of the relevant Tax) of which is liable for Taxes in respect of such Note or Coupon by reason of having or having had a present or former connection with the Relevant Jurisdiction other than a mere holding of the Notes; or
- (b) presented for payment in the Netherlands; or
- (c) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days assuming that day to have been a Presentation Date (as defined in Condition 5 (*Payments*)); or
- (d) presented for payment by, or on behalf of, a holder where the holder or the beneficial owner for the purposes of the relevant Tax is entitled to avoid such withholding or deduction in respect of such Note or Coupon by making a declaration or any other statement to the relevant tax authority, including, but not limited to, a declaration of residence or non-residence or other similar claim for exemption; or
- (e) where such withholding or deduction is required to be made on or after 1 January 2021 pursuant to the Dutch Withholding Tax Act 2021 (*Wet bronbelasting 2021*); or
- (f) where the additional amounts are payable due to any combination of items (a) to (e) above.

Notwithstanding any other provisions contained herein, the Issuer shall be permitted to withhold or deduct any amounts required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any amended or successor provisions), any regulations or agreements thereunder, official interpretations thereof or any law implementing an intergovernmental approach thereto (“**FATCA Withholding**”). The Issuer will have no obligation to pay additional amounts or otherwise indemnify an investor for any such FATCA Withholding deducted or withheld by the Issuer, any Paying Agent or any other party.

For the avoidance of doubt, the obligation of the Issuer to pay additional amounts in respect of Taxes will not apply to (i) any estate, inheritance, gift, sales, transfer, personal property or any similar tax, duty, assessment

or other governmental charge or (ii) any Taxes payable otherwise than by deduction or withholding from payments of principal of, or premium in respect of, or interest on, the Notes or, as the case may be, Coupons.

In this Condition 7 (*Taxation*):

“**Relevant Date**” means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the Principal Paying Agent or the Trustee on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect has been duly given to the Noteholders by the Issuer in accordance with Condition 12 (*Notices*).

## 7.2 Additional Amounts

Any reference in these Conditions to any amounts in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this Condition 7 (*Taxation*) or under any undertakings given in addition to, or in substitution for, this Condition 7 (*Taxation*) pursuant to the Trust Deed.

## 8. PRESCRIPTION

Notes and Coupons will become void unless presented for payment within periods of 10 years (in the case of principal or premium) and 5 years (in the case of interest) from the Relevant Date (as defined in Condition 7 (*Taxation*)) in respect of the Notes or, as the case may be, the Coupons, subject to the provisions of Condition 5 (*Payments*).

## 9. EVENTS OF DEFAULT

If any of the following events (each, an “**Event of Default**”) occurs and is continuing, the Trustee at its discretion may and, if so requested in writing by holders of at least one-quarter in principal amount of the Notes then outstanding or, if so directed by an Extraordinary Resolution, shall (subject, in the case of the happening of any of the events mentioned in paragraphs (b) to (g) (other than (d) below), to the Trustee having certified in writing that the happening of such events is in its opinion materially prejudicial to the interests of the Noteholders and subject, in all cases, to the Trustee having been indemnified and/or secured and/or prefunded to its satisfaction) give written notice to the Issuer declaring the Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their principal amount together with accrued interest without further action or formality:

- (a) **Non-payment:** the Issuer fails to pay any amount of principal or interest due in respect of the Notes and that failure to pay continues for more than 14 days after the due date for payment; or
- (b) **Breach of other obligations:** the Issuer defaults in the performance or observance of any one or more other obligations under or in respect of the Notes or the Trust Deed required to be performed or observed by the Issuer and such default is either:
  - (i) in the opinion of the Trustee, incapable of remedy, in which case no notice referred to in (ii) below will be required; or
  - (ii) in the opinion of the Trustee, capable of remedy and the default remains unremedied for 30 days (or such longer period as the Trustee may agree) after the Trustee has given written notice to the Issuer specifying the default and requiring that default to be remedied; or
- (c) **Cross-acceleration:** (i) the repayment of any indebtedness for borrowed money owing by the Issuer or any of its Material Subsidiaries is accelerated by reason of default (however expressed) and such acceleration has not been rescinded, waived, cancelled or annulled, or (ii) the Issuer or any of its Material Subsidiaries is in default (after the expiry of any originally applicable grace period) in any payment when due of such indebtedness for borrowed money; provided that no such event shall constitute an Event of Default (A) if it is being contested in good faith by, in the reasonable opinion of the Issuer, appropriate proceedings; or (B) unless the aggregate outstanding amount of such accelerated or unpaid indebtedness for borrowed money, whether alone or when aggregated with all other such outstanding accelerated or unpaid indebtedness for borrowed money, exceeds the greater of €100 million (or its equivalent in another currency or currencies) and three per cent. of Shareholders’ Equity; or
- (d) **Winding-up:** any final order is made by any competent court or other authority, or an effective resolution is passed for the liquidation, dissolution or winding-up of the Issuer or any of its Material



Subsidiaries otherwise than (i) for the purposes of a Permitted Reorganisation; or (ii) on terms previously approved by the Trustee or by an Extraordinary Resolution; or

- (e) **Insolvency, etc.:** (i) the Issuer or any of its Material Subsidiaries admits in writing that it is insolvent, or unable to pay its debts as they fall due, (ii) an administrator or liquidator is appointed (or application for any such appointment is made) in respect of the Issuer or any of its Material Subsidiaries or the whole or substantially all of the undertaking, assets and revenues of the Issuer or any of its Material Subsidiaries, (iii) the Issuer or any of its Material Subsidiaries makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its indebtedness or any guarantee of any indebtedness given by it or (iv) the Issuer or any of its Material Subsidiaries ceases or threatens to cease to carry on all or substantially all of its business otherwise, in each of (i) to (iv), than (x) for the purposes of a Permitted Reorganisation; or (y) on terms previously approved by the Trustee or by an Extraordinary Resolution;
- (f) **Security enforced:** a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or substantially all of the undertaking, assets and revenues of the Issuer or any of its Material Subsidiaries; or
- (g) **Analogous Event:** if any event occurs which, under the laws of any Relevant Jurisdiction (as defined in Condition 6.2 (*Redemption for Taxation Reasons*)), has or may have an analogous effect to any of the events referred to in subparagraphs (d) to (f) above.

In this Condition 9 (*Events of Default*):

“**Available Assets**” means the consolidated Net Assets Employed of the Issuer.

“**Available EBITDA**” means the consolidated income from operations (EBIT) of the Issuer as reported by the Issuer in its consolidated financial statements, excluding depreciation, amortisation and impairment of non-financial assets as reported by the Issuer in its consolidated statements of cash flows.

“**Holding Company**” of any other person means a company in respect of which that other person is a Subsidiary.

“**Material Subsidiary**” means, at any time, each Subsidiary of the Issuer whose (i) Reported EBITDA represents at least 5 per cent. of Available EBITDA; or (ii) Net Assets Employed represent at least 5 per cent. of Available Assets, and in each case, is directly or indirectly wholly-owned by the Issuer.

For this purpose:

- (a) the Reported EBITDA or Net Assets Employed of a Subsidiary shall be calculated by reference to:
  - (i) the accounts of that Subsidiary (or, as the case may be, a consolidation of the accounts of it and its consolidated subsidiaries) used for the purpose of the latest audited consolidated financial statements of the Issuer; or
  - (ii) if the company became a Subsidiary after the end of the financial period to which the latest audited consolidated financial statements of the Issuer relate, the then-latest accounts, or audited accounts to the extent available, of that Subsidiary and its consolidated subsidiaries;
- (b) the Available EBITDA or Available Assets of the Issuer shall be calculated by reference to the latest audited consolidated financial statements of the Issuer, adjusted as appropriate to reflect the Reported EBITDA or Net Assets Employed of any company which has become or ceased to be a consolidated subsidiary of the Issuer after the end of the financial period to which those accounts relate; and
- (c) where a Material Subsidiary transfers all or substantially all of its assets to the Issuer or another Subsidiary, the transferor (if it is not the Holding Company of the transferee) shall cease to be a Material Subsidiary and (if the transferee is a wholly-owned Subsidiary but not a Material Subsidiary) the transferee shall become a Material Subsidiary.

“**Net Assets Employed**” means the management financial metric of the applicable person calculated as the sum of intangible assets, tangible fixed assets, working capital, provisions and investments in associates.

**“Permitted Reorganisation”** means (i) any merger, consolidation, amalgamation, reorganisation, transfer of all or substantially all of the business, assets or undertaking (by operation of law or by way of sale, contribution, lease, conveyance, demerger or otherwise), reconstruction or restructuring on a solvent basis of the Issuer or a Material Subsidiary, and in the case of the Issuer, pursuant to which the surviving or acquiring company (if not the Issuer) assumes all obligations of the Issuer under the Notes and the Trust Deed either expressly, by operation of law or by universal succession; or (ii) for the purposes of or in connection with, and followed by, a substitution of the relevant entity pursuant to and in accordance with Condition 13.5 (*Substitution*).

**“Reported EBITDA”** means the consolidated earnings before interest, tax, depreciation and amortisation of the applicable person, calculated on the same basis as Available EBITDA.

**“Shareholders’ Equity”** at any time means the aggregate (expressed in Euros) at such time of: (i) Group equity minus (ii) third party minority interests, all as shown in or determined from the latest audited consolidated financial statements of the Group and **“Group”** for this purpose means the Issuer and its Subsidiaries (as defined below).

**“Subsidiary”** means a consolidated entity of which a person has direct or indirect control or owns directly or indirectly more than 50 per cent. of the voting rights or similar right of ownership, but excluding any joint venture arrangements in which the Issuer owns (directly or indirectly) less than 80 per cent. of the issued share capital of such joint venture and **“control”** for this purpose means the power to direct the management and the policies of the entity whether through the ownership of voting capital, by contract or otherwise.

## **10. ENFORCEMENT**

### **10.1 Enforcement by the Trustee**

The Trustee may at any time, at its discretion and without notice, take such proceedings and/or other steps or action (including lodging an appeal in any proceedings) against or in relation to the Issuer as it may think fit to enforce the provisions of the Trust Deed, the Notes and the Coupons or otherwise, but it shall not be bound to take any such proceedings or other steps or action unless (a) it has been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by the holders of at least one-quarter in principal amount of the Notes then outstanding and (b) it has been indemnified and/or secured and/or pre-funded to its satisfaction.

### **10.2 Limitation on Trustee actions**

The Trustee may refrain without liability from doing anything which in its reasonable opinion would or may be illegal or contrary to any law of any state or jurisdiction (including but not limited to the laws of the U.S., the European Union or any jurisdiction forming part of either of them and England & Wales) or any directive or regulation of any agency of any such state or jurisdiction and may without liability do anything which is, in its reasonable opinion, necessary to comply with any such law, directive or regulation.

### **10.3 Enforcement by the Noteholders**

No Noteholder or Couponholder shall be entitled to (i) take any steps or action against the Issuer to enforce the performance of any of the provisions of the Trust Deed, the Notes or the Coupons or (ii) take any other proceedings (including lodging an appeal in any proceedings) in respect of or concerning the Issuer, in each case, unless the Trustee, having become bound so to take any such action, steps or proceedings, fails so to do within a reasonable period and such failure shall be continuing.

## **11. REPLACEMENT OF NOTES AND COUPONS**

Should any Note or Coupon be lost, stolen, mutilated, defaced or destroyed it may be replaced subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Principal Paying Agent upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

## **12. NOTICES**

All notices to the Noteholders will be valid if published in a leading English language daily newspaper published in London and, so long as the Notes are admitted to listing on the Official List and to trading on the

regulated market of the Luxembourg Stock Exchange and the rules of that exchange so require, a daily newspaper of general circulation in Luxembourg or the website of the Luxembourg Stock Exchange (at [www.bourse.lu](http://www.bourse.lu)). It is expected that publication in a newspaper will normally be made in the *Financial Times* in London and the *Luxemburger Wort* in Luxembourg. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not practicable, notice will be given in such other manner, and shall be deemed to have been given on such date, as the Trustee may approve. Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Noteholders in accordance with this paragraph.

### **13. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER, AUTHORISATION AND DETERMINATION, SUBSTITUTION**

#### **13.1 Meetings of Noteholders**

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the modification of any of these Conditions or any of the provisions of the Trust Deed. Any such modification may be made if sanctioned by an Extraordinary Resolution (as defined in the Trust Deed). Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Trustee (subject to it being indemnified and/or secured and/or prefunded to its satisfaction) upon the request in writing of Noteholders holding not less than one-quarter of the aggregate principal amount of the outstanding Notes.

The quorum at any meeting convened to vote on an Extraordinary Resolution will be one or more persons present holding or representing more than 50 per cent. in principal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons present whatever the principal amount of the Notes held or represented by him or them, except that, at any meeting the business of which includes any matter defined in the Trust Deed as a Basic Terms Modification, including, amongst other things, the modification of certain of the provisions of these Conditions and certain of the provisions of the Trust Deed (including the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal, premium or interest payable in respect of the Notes, altering the currency of payment of the Notes, altering the method of calculating the amount of any payment in respect of the Notes or changing the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution), the necessary quorum required to pass an Extraordinary Resolution will be one or more persons present holding or representing not less than two-thirds, or at any adjourned such meeting not less than one-third, of the principal amount of the Notes for the time being outstanding.

In addition, the Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than two-thirds in principal amount of the Notes for the time being outstanding or consent given by way of electronic consents through the relevant clearing system(s) by or on behalf of the holders of not less than two-thirds in principal amount of the Notes for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Noteholders. An Extraordinary Resolution passed by the Noteholders will be binding on all Noteholders, whether or not they are present at any meeting and whether or not they voted on the resolution, and on all Couponholders.

#### **13.2 Modification, Waiver, Authorisation and Determination**

The Trustee may agree, without the consent of the Noteholders or Couponholders (i) (other than in relation to any Basic Terms Modifications (as defined in the Trust Deed)) to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Trust Deed or the Agency Agreement, or determine, without any such consent as aforesaid, that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such if such an Event of Default or Potential Event of Default is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders, or (ii) to any modification which, in its opinion, is of a formal, minor or technical nature or to correct a manifest error or an error which is, in the opinion of the Trustee, proven or to comply with mandatory provisions of law.

#### **13.3 Trustee to have Regard to Interests of Noteholders as a Class**

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or determination), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders or Couponholders (whatever their number) and, in

particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders except to the extent already provided for in Condition 7 (*Taxation*) and/or any undertaking given in addition to, or in substitution for, Condition 7 (*Taxation*) pursuant to the Trust Deed.

#### **13.4 Notification to the Noteholders**

Any modification, abrogation, waiver, authorisation or determination made in accordance with this Condition 13 (*Meetings of Noteholders, Modification, Waiver, Authorisation and Determination, Substitution*) shall be binding on the Noteholders and the Couponholders and, unless the Trustee agrees otherwise, any modification shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 12 (*Notices*).

#### **13.5 Substitution**

The Trustee may agree, without the consent of the Noteholders or the Couponholders, to the substitution of (i) any Subsidiary of the Issuer or (ii) any company which directly or indirectly owns 100 per cent. of the shares or other equity interests (as the case may be) carrying the right to vote in the Issuer in place of the Issuer as issuer and principal debtor under the Trust Deed, the Notes and the Coupons; provided that the Notes are unconditionally and irrevocably guaranteed by the Issuer; the Trustee is of the opinion that the interests of the Noteholders will not be materially prejudiced thereby and certain other conditions specified in the Trust Deed are fulfilled. Any such substitution shall be binding on the Noteholders and Couponholders and shall be notified to the Noteholders within 14 days thereafter. For the purpose of this Condition 13.5 (*Substitution*), “**Subsidiary**” has the meaning given to it in Condition 9 (*Events Of Default*).

### **14. INDEMNIFICATION AND PROTECTION OF THE TRUSTEE AND ITS CONTRACTING WITH THE ISSUER**

#### **14.1 Indemnification and protection of the Trustee**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility and liability towards the Issuer, the Noteholders and the Couponholders, including (i) provisions relieving it from taking action unless indemnified and/or secured and/or pre-funded to its satisfaction and (ii) provisions limiting or excluding its liability in certain circumstances.

#### **14.2 Trustee Contracting with the Issuer**

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with the Issuer and/or any of the Issuer’s Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any of the Issuer’s Subsidiaries, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders or Couponholders, and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

## **15. FURTHER ISSUES**

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further notes, having terms and conditions the same as those of the Notes, or the same except for the amount and date of the first payment of interest, which may be consolidated and form a single series with the outstanding Notes. Any further notes or bonds which are to form a single series with the outstanding notes or bonds of any series (including the Notes) constituted by the Trust Deed or any supplemental deed (“**Further Notes**”) shall, and any other further notes or bonds may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of notes or bonds of other series in certain circumstances where the Trustee so decides.

## **16. GOVERNING LAW AND SUBMISSION TO JURISDICTION**

### **16.1 Governing Law**

The Trust Deed, the Notes and the Coupons and any non-contractual obligations arising out of or in connection with the Trust Deed, the Notes and the Coupons are governed by, and construed in accordance with, English law.

### **16.2 Submission to Jurisdiction**

- (a) Subject to Condition 16.2(c) below, the English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Trust Deed, the Notes or the Coupons, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Trust Deed, the Notes or the Coupons (a “**Dispute**”) and each of the Issuer, the Trustee and any Noteholders or Couponholders in relation to any Dispute submits to the exclusive jurisdiction of the English courts.
- (b) For the purposes of this Condition 16.2 (*Submission to Jurisdiction*), the Issuer waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.
- (c) To the extent allowed by law, the Trustee, the Noteholders and the Couponholders may, in respect of any Dispute or Disputes, take (i) proceedings in any other court with jurisdiction and (ii) concurrent proceedings in any number of jurisdictions.

### **16.3 Appointment of Process Agent**

The Issuer irrevocably appoints Signify Commercial UK Limited (Attention: Company Secretary) as its agent for service of process in any proceedings before the English courts in relation to any Dispute and agrees that, in the event that the Issuer does not for any reason have such an agent, it will immediately appoint another person as its agent for service of process in England in respect of any Dispute and will notify the Trustee and the Noteholders (in accordance with Condition 12 (*Notices*)) of such appointment. The Issuer agrees that failure by a process agent to notify it of any process will not invalidate service. Nothing in this Condition 16.3 (*Appointment of Process Agent*) shall affect the right to serve process in any other manner permitted by law.

### **16.4 Other Documents**

The Issuer has in the Agency Agreement and the Trust Deed submitted to the jurisdiction of the English courts and appointed an agent in England for service of process, in terms substantially similar to those set out above.

## **17. RIGHTS OF THIRD PARTIES**

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

## OVERVIEW OF PROVISIONS RELATING TO THE NOTES WHILE REPRESENTED BY THE GLOBAL NOTES

The Notes will, in each case, initially be in the form of a Temporary Global Note which will be deposited on or around the Issue Date with a common safekeeper for Euroclear and Clearstream, Luxembourg.

The Notes will be issued in NGN form. On 13 June 2006 the European Central Bank (the “ECB”) announced that Notes in NGN form are in compliance with the “Standards for the use of EU securities settlement systems in ESCB credit operations” of the Eurosystem, *provided that* certain other criteria are fulfilled. At the same time the ECB also announced that arrangements for notes in NGN form will be offered by Euroclear and Clearstream, Luxembourg as of 30 June 2006 and that debt securities in global bearer form issued through Euroclear and Clearstream, Luxembourg after 31 December 2006 will only be eligible as collateral for Eurosystem operations if the NGN form is used.

The Notes are intended to be held in a manner which would allow Eurosystem eligibility, that is, in a manner which would allow the Notes to be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

So long as the Notes are represented by a Temporary Global Note or a Permanent Global Note and the relevant clearing system(s) so permit, the Notes will be tradeable only in the minimum authorised denomination of €100,000 and higher integral multiples of €1,000, notwithstanding that no definitive Notes will be issued with a denomination above €199,000.

In addition, each Temporary Global Note and Permanent Global Note will contain provisions which modify the Conditions as they apply to the relevant Temporary Global Note and Permanent Global Note. The following is a summary of certain of those provisions:

### Accountholders

For so long as all of the 2024 Notes or the 2027 Notes (as applicable) are represented by one or both of the relevant Global Notes for such 2024 Notes or 2027 Notes (as applicable) and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular principal amount of such Notes (each an “**Accountholder**”) (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal amount of such Notes standing to the account of any person shall, in the absence of manifest error, be conclusive and binding for all purposes) shall be treated as the holder of such principal amount of such Notes for all purposes (including, but not limited to, for the purposes of any quorum requirements of, or the right to demand a poll at, meetings of the 2024 Noteholders or the 2027 Noteholders (together with the 2024 Noteholders, the “**Noteholders**”) (as applicable)) other than with respect to the payment of principal and interest on such principal amount of such Notes, the right to which shall be vested, as against the Issuer and the Trustee, solely in the bearer of the relevant Global Note in accordance with and subject to its terms and the terms of the Trust Deeds. Each Accountholder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the bearer of the relevant Global Note.

### Payments

On or after the Exchange Date, no payment will be made on the relevant Temporary Global Note unless exchange for an interest in the relevant Permanent Global Note is improperly withheld or refused. Payments of principal and interest in respect of Notes represented by a Global Note will, subject as set out below, be made to the bearer of such Global Note and each payment so made will discharge the Issuer’s obligations in respect thereof. Upon any payment of principal or interest in respect of Notes represented by a Global Note, the Issuer shall procure that the amount so paid shall be entered *pro rata* in the records of Euroclear or Clearstream, Luxembourg and the principal amount of the Notes recorded in the records of Euroclear and Clearstream, Luxembourg and represented by such Global Note will be reduced accordingly. Any failure to make such entries shall not affect the discharge of the Issuer’s obligations in respect thereof. Payments of interest on the Temporary Global Note (if permitted by the first sentence of this paragraph) will be made only upon certification as to non-U.S. beneficial ownership unless such certification has already been made. For the purpose of any payments made in respect of a Global Note, Condition 5.5 (*Payment only on a Presentation Date*) of each of the Notes shall not apply, and all such payments shall be made on a day on which commercial banks and foreign exchange markets are open in the financial centre of the currency of the Notes.

## Notices

For so long as all of the 2024 Notes or the 2027 Notes (as applicable) are represented by one or both of the relevant Global Notes for such 2024 Notes or 2027 Notes (as applicable) and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, notices to the relevant Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg (as the case may be) for communication to the relevant Accountholders rather than by publication as required by Condition 12 (*Notices*) of each of the Conditions, provided that, so long as the Notes are listed on the Luxembourg Stock Exchange's regulated market and the rules of that Exchange so require, notices shall also be published either on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) or in a leading newspaper having general circulation in Luxembourg (which is expected to be *the Luxemburger Wort*). Any such notice shall be deemed to have been given to the relevant Noteholders on the day on which such notice is delivered to Euroclear and/or Clearstream, Luxembourg (as the case may be) as aforesaid.

Whilst any of the Notes held by a Noteholder are represented by a Global Note, notices to be given by such Noteholders may be given by such Noteholders through the applicable clearing system's operational procedures approved for this purpose and otherwise in such manner as the Principal Paying Agent and the applicable clearing system may approve for this purpose.

## Exchange

The relevant Permanent Global Note will be exchangeable in whole but not in part (free of charge to the holder) for definitive Notes only:

- (a) upon the happening of any of the events defined in Condition 9 (*Events of Default*) as an Event of Default of each of the Notes;
- (b) if both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holidays, statute or otherwise), or have announced an intention permanently to cease business, or have in fact done so, and, in either case, no successor clearing system satisfactory to the Trustee is available; or
- (c) if the Issuer has or will become subject to adverse tax consequences which would not be suffered were the relevant Notes in definitive form and a certificate to such effect signed by one director or other authorised signatory of the Issuer is given to the Trustee.

Thereupon (in the case of (a) and (b) above) the holder of such Permanent Global Note (acting on the instructions of one or more of the Accountholders) or the Trustee may give notice to the Issuer and the Principal Paying Agent and (in the case of (c)) the Issuer may give notice to the Trustee, the Principal Paying Agent and the Noteholders, of its intention to exchange such Permanent Global Note for definitive Notes. Any exchange shall occur no later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

Exchanges will be made upon presentation of the relevant Permanent Global Note to or to the order of the Principal Paying Agent on any day on which banks are open for general business in London. In exchange for such Permanent Global Note the Issuer will deliver, or procure the delivery of, an equal aggregate principal amount of definitive Notes (having attached to them all Coupons (as such term is defined in the applicable Conditions) for the relevant Notes in respect of interest which has not already been paid on the Permanent Global Note), security printed in accordance with any applicable legal and stock exchange requirements and in or substantially in the form set out in the Trust Deeds. On exchange of such Permanent Global Note, the Issuer will procure that it is cancelled.

## Trustee's Powers

In considering the interests of Noteholders in circumstances where the relevant Global Note is held on behalf of any one or more of the relevant Clearing Systems, the Trustee may, to the extent it considers it appropriate to do so in the circumstances, (a) have regard to such information as may have been made available to it by or on behalf of each relevant Clearing System or its operator as to the identity of its Accountholders (either individually or by way of category) with entitlements in respect of the relevant Global Note and (b) consider such interests and treat such Accountholders on the basis that such Accountholders were the holder of the relevant Global Note.

## Prescription

Claims against the Issuer in respect of principal and interest on the Notes represented by a Global Note will be prescribed after 10 years (in the case of principal) and 5 years (in the case of interest) from the Relevant Date (as defined in Condition 7 (*Taxation*)) of each of the Notes.

**Cancellation**

Cancellation of any Note represented by a Global Note and required by the Conditions to be cancelled following its redemption or purchase will be effected by endorsement by or on behalf of the Principal Paying Agent of the reduction in the principal amount of the relevant Global Note on the relevant part of the schedule thereto.

**Euroclear and Clearstream, Luxembourg**

Notes represented by a Global Note are transferable in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as appropriate. References in the Global Notes and this summary to Euroclear and/or Clearstream, Luxembourg shall be deemed to include references to any other clearing system approved by the Trustee.

**Exercise of put option**

In order to exercise the change of control put option contained in the applicable Conditions, the bearer of the relevant Permanent Global Note must, within the period specified in the relevant Conditions for the deposit of the relevant Note and change of control put notice, give written notice of such exercise to the Principal Paying Agent specifying the principal amount of Notes in respect of which such put option is being exercised. Any such notice shall be irrevocable and may not be withdrawn.



## USE AND ESTIMATED NET AMOUNT OF PROCEEDS

The estimated net proceeds of the issue of the Notes, after deduction of commissions, amounting to approximately €1,268,340,000 will be applied by the Issuer towards the repayment of the U.S.\$1,400,000,000 bridge facility made available by, among others, Bank of America Merrill Lynch International Designated Activity Company, Citigroup Global Markets Limited, HSBC Bank PLC and ING Bank N.V. as the arranger under the facilities agreement dated 13 November 2019 made between, *inter alia*, the Issuer, as borrower, ING Bank N.V. as facility agent and the financial institutions named as the original lenders thereunder (the “**Cooper Acquisition Bridge Loan**”), a description of which is set out in “*Description of the Issuer and the Group – Material Contracts – Cooper Acquisition Bridge Loan*” and which was entered into for the purpose of financing the Acquisition, as defined and described in “*The Acquisition*”. The remainder of the estimated net proceeds, if any, will be used for the Issuer’s general corporate purposes.

## DESCRIPTION OF THE ISSUER AND THE GROUP

### History and Development

The Issuer is a public company with limited liability (*naamloze vennootschap*) incorporated under the laws of the Netherlands and is the parent company of the Group, headquartered in Eindhoven, the Netherlands. The Issuer was incorporated as a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) under the laws of the Netherlands on 1 February 2016 and was named Philips Lighting NewCo B.V. It was converted to a public company with limited liability (*naamloze vennootschap*) on 31 May 2016 pursuant to a notarial deed of conversion and amendment. The legal name of the Issuer was then changed to Philips Lighting N.V. Its shares have been listed on the Amsterdam Stock Exchange, Euronext Amsterdam, since May 2016. On 15 May 2018, the Issuer changed its name to Signify N.V. The Issuer's corporate seat (*statutaire zetel*) is in Eindhoven, the Netherlands, and its registered office is located at the High Tech Campus 48, 5656 AE Eindhoven, the Netherlands.

The Issuer is registered with the Dutch Chamber of Commerce with number 65220692. Its telephone number is +31 40 2791111.

### *Separation from KPNV*

In September 2014, KPNV announced its plan to sharpen its strategic focus by establishing two standalone companies focused on healthtech and lighting opportunities respectively. A stand-alone structure was established for the Group within the KPNV group, effective 1 February 2016. Prior to this date, the Issuer had existed as the lighting business of KPNV for more than 120 years. On 27 May 2016, the Issuer's shares were listed on Euronext Amsterdam. Following the IPO of the Issuer, KPNV retained a 71.23 per cent. stake in the issued share capital of the Issuer. KPNV decreased its stake in the Issuer via several sell downs in the years thereafter and in September 2019, it sold its remaining shares in the capital of the Issuer. To effect the separation and to provide a framework for the relationship between the two companies, KPNV and Signify Holding B.V., a wholly-owned subsidiary of the Issuer, entered into a separation agreement (the “**Separation Agreement**”), as further described under “*Description of the Issuer and the Group—Material Contracts—Separation Agreement*” below.

### Business of the Group

The Group is a world market leader measured by sales with recognised expertise in the development, manufacture and sale of innovative, energy-efficient lighting systems and services. It has pioneered many of the key breakthroughs in lighting over the past 128 years, including incandescent lighting, high-intensity discharge (“**HID**”), fluorescent lighting and compact fluorescent lamps, and has been a driving force behind several leading technological innovations. Based on internal research, the Issuer believes that the Group is in a leading position as the lighting industry transitions from conventional to LED lighting, and as the industry moves towards connected lighting. The Group has a strong track record in innovation and it invests heavily in R&D (adjusted R&D expenses of 4.3 per cent. of sales for the year ended 31 December 2019) to stay at the forefront of technological developments. The Group believes that its size and position across the value chain provide significant economies of scale, allowing it to leverage the development of innovative technologies, products and services.

As of the date of this Prospectus, the Group's business is organised and managed on a functional basis by technology and end-markets through four operating Business Groups: LED, Professional, Home and Lamps (each as more fully described below). The Business Groups are responsible for the development of their strategy, product portfolio and the production and sourcing of their products. The Group is focused on its ‘growing profit engines’ (LED, Professional and Home) in line with its strategy to move to LED and connectivity. The growing profit engines reported sales of €5,061 million for the year ended 31 December 2019, or 81 per cent. of total sales. The Adjusted EBITA margin of the growing profit engines was 10.4 per cent., with an Adjusted EBITA contribution (i.e., the sum of the Adjusted EBITA for the growing profit engines divided by the sum of the Adjusted EBITA for the four operating Business Groups) of 70 per cent.

Comparable sales growth of the growing profit engines in 2019 was -0.3 per cent., mainly due to a challenging macro environment resulting in lower market activity in Europe, India and the U.S. The Group's growth platforms, connected systems, IoT platform services, Horticulture, Solar, light fidelity technology (“**LiFi**”) and 3D printing, showed positive momentum in 2019. The growing profit engines substantially increased free cash flow to €559 million in 2019 and each of the three Business Groups generated positive free cash flow.

In addition, the Group's commercial organisation is structured along four geographical market groups: Americas (Canada, Latin America and the U.S.), Europe, Rest of the World (Africa, ASEAN, Indonesia, Greater China, India, Far East, Middle East & Turkey, and Pacific) and Global Businesses (together, the “**Market Groups**”), to manage its global sales channels. The Market Groups are principally responsible for driving and managing sales, managing

customer relationships and delivering the commercial activities of the business across the markets in which the Group is active, covering commercial activities in almost all countries in the world. The Issuer operates in many countries via its subsidiaries and affiliated companies as well as via a limited number of branch offices, which primarily act under the Signify trade name.

These Business Groups and Market Groups are supported by centralised shared services with respect to, among other functions, legal, finance, human resources, business transformation, strategy, marketing, innovation and operations.

In January 2020, the Issuer announced that it intends to move from the current four Business Groups to three Divisions: Division Digital Solutions, Division Digital Products and Division Conventional Products. The changes are expected to take effect in 2020 and are subject to works council proceedings, depending on local legislation.

For the year ended 31 December 2019, the Group's sales were €6,247 million, a nominal decrease from 2018 of 1.8 per cent., split between (i) Business Groups as follows: LED accounted for 30 per cent. of sales, Professional for 43 per cent., Home for 8 per cent. and Lamps for 19 per cent; and (ii) by geography as follows: the Americas accounted for 28 per cent. of sales, Europe for 36 per cent., Rest of the World for 30 per cent. and Global Businesses for 6 per cent. For the year ended 31 December 2019, 78 per cent. of the Group's sales were LED-based (i.e., based on sales of products, systems and services based on LED lighting technologies across the LED, Professional and Home Business Groups) compared to 71 per cent. of sales for the year ended 31 December 2018.

At the end of 2019, the Group employed 32,005 full-time equivalents ("FTEs") in 74 countries, compared with 29,237 at year-end 2018.

In 2019, the Group identified the following strategic priorities to achieve its objectives:

- **To create segmented and differentiated LED offers to increase the Group's share of the market.** The Group's global reach and client proximity allow it to deliver a product portfolio that addresses local market needs with both high-volume products and differentiating propositions, addressing customer needs across all product segments.
- **To drive systems growth to increase the Group's connected installed base.** Connected lighting is becoming increasingly important in the general and specialty lighting markets, and the Group is actively shaping the industry migration to lighting systems in both the professional and consumer markets.
- **To develop recurring data-enabled services revenues.** The Group is realising additional revenues from its installed base by offering new, value-added services. In doing so, the Issuer considers that it makes people's lives safer, more productive and more comfortable; businesses and cities more efficient and liveable; and the world more sustainable.
- **To invest in growth, organically and inorganically.** The Group invests to help define the next developments in lighting to remain ahead of the industry. From 3D luminaires to LiFi, the Group is redefining the capabilities of lighting to help its customers solve more complex problems. The Group's investments can also include the acquisition of (stakes in a) business complementing its portfolio.
- **To increase its market share in the conventional lighting market.** While the overall conventional market continues to decline, the Group expects its market share to decrease at a lesser rate whilst at the same time, capturing market share and optimising free cash flow. The Group's manufacturing footprint rationalisation and product portfolio simplification brings additional efficiency gains and cost reductions.
- **To digitalise and improve the Group's commercial and supply chain processes for its customers.** The Group continuously strengthens its commercial excellence capabilities across all channels. By investing in digitalisation, the Group aims to further improve its longstanding local customer relations and global distribution network.
- **To achieve operational excellence.** The Group aims to leverage operational excellence capabilities across the organisation by implementing programmes that focus on minimising waste, reducing defects and increasing the efficiency of its entire value chain while reducing the Group's fixed costs.

## LED

### Overview

LED sells a wide variety of LED lamps, namely spots, bulbs and tubes, to the professional and consumer channels. In addition, the Business Group sells LED electronic components, consisting of LED drivers and LED modules, to luminaire original equipment manufacturers (“OEMs”) for professional luminaire applications in the retail, office, industry and outdoor segments. In October 2019, the Group acquired a 51 per cent. stake in Klite, one of the leading providers of high-quality, cost-efficient LED lamps and luminaires.

Based on internal research, the Group believes that LED held the number one position in sales in the global LED lamps and electronics market in 2019.

Key figures in millions of € unless stated otherwise		
	2018	2019
Sales	1,812	1,891
Nominal sales growth (%)	(4.7%)	4.4%
Comparable sales growth (%)	0.4%	(1.1%)
Income from operations (or EBIT)	200	212
EBITA	204	217
Adjusted EBITA	212	240
as a % of sales	11.7%	12.7%
Number of employees (in FTEs)	5,979	11,790

### Strategic Priorities

LED aims to further strengthen its leadership position in LED lamps and LED electronics by continuously improving customer value through feature differentiation (for example, EyeComfort, a range of LED light products that conform to the Group’s EyeComfort standard, which measures the Group’s products against a set of key comfort criteria: flicker, glare, stroboscopic effect, photobiological safety, dimmable, tuning and colour rendering, each of which are factors that can impact the comfort of the user’s eyes) and leading the transition towards connectivity. On the LED lamps side, this includes winning market share by providing the most complete and compelling offering to its customers and enlarging distribution. In LED electronics, the aim is to lead the transition to smart lighting through innovation leadership in connected components and digitisation of design and supply chain to serve its OEM partners.

### Acquisitions

In 2019, the Group closed the acquisition of Klite, which will strategically strengthen the Group’s position in the supply chain of LED lamps and luminaires. The combined expertise, innovation power and distribution scale will help to deliver cost-efficient innovations to customers faster, including connected lighting offers. In addition, Klite will allow LED to capture more value from the growing private label segment.

The Group also acquired WiZ Connected, developers of the WiZ wireless-fidelity (“Wi-Fi”) based connected lighting ecosystem. The addition of WiZ enables the Group to extend its leadership by stepping into the Wi-Fi-based smart lighting market.

### Business Highlights in 2019

In 2019, the Group introduced the UniversalFit tubular LED in North America. This product is compatible with any ballast, making replacement of fluorescent tubes easier than ever before.

The Group introduced TrueForce Urban in Europe, a lamp used to replace conventional HID lamps. It creates a pleasant and safe atmosphere in outdoor environments with LED retrofit. The lamp is easy to install, creates 80 per cent. energy savings and has a payback period of less than two years.

Wi-Fi based smart lighting was introduced in the United States, Europe and India, which provides consumers with easy-to-install smart lighting, which operates with the ‘WiZ Connected Ecosystem’ via the ‘WiZ App’. The retrofit light bulbs fit any table lamp, luminaire or downlight.

Dual-zone ceiling luminaires were introduced in China with a radio frequency remote control to set innovative unique light effects and light features such as ‘going to sleep’. The product is offered in many different design styles to seamlessly integrate in various interiors.

The Group also launched what it considers to be the world's smartest outdoor LED driver. It enables connect-ready and connected outdoor lighting. The driver offers 'IntelliStart', a driver-integrated feature enabling a maximum number of light poles on a single circuit breaker and energy metering with 99 per cent. accuracy.

### *2019 Financial Performance*

Sales for the year ended 31 December 2019 were €1,891 million, reflecting a nominal sales increase of 4.4 per cent. compared to the year ended 31 December 2018 as a result of the 51 per cent. stake in Klite. Comparable sales declined by 1.1 per cent. compared to the year ended 31 December 2018. LED lamps delivered a solid performance, outgrowing the market mainly in Europe and Asia, while sales in LED electronics were impacted by lower customer demand in most regions.

For the year ended 31 December 2019, income from operations increased to €212 million compared with €200 million in 2018, driven by management of price and mix. Adjusted EBITA amounted to €240 million. This resulted in an improvement of the Adjusted EBITA margin of 100 basis points to 12.7 per cent.

### *Market Developments*

There is a transition in both professional and consumer segments from LED lamps to functional LED luminaires and connected solutions, as anticipated in the Group'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 Group expects this trend to continue for the foreseeable future. This provides the Group with an attractive opportunity to drive market share gains and leadership in functional luminaires and connected lighting. The Group continues to expect that the LED lamps market will peak in 2020 in terms of volumes. 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.

## **Professional**

### *Overview*

Based on internal research, the Group believes that it is a global leader in the professional lighting market for products such as LED and conventional luminaires, systems and services with strong positions across key geographies. Professional products, systems and services are used in multiple market segments such as offices, commercial buildings, shops, hospitality, industry and outdoor environments including smart cities. The products in the professional business have historically experienced a rapid shift from conventional lighting to LED and have been integrated into broader systems and services capabilities.

<b>Key figures in millions of € unless stated otherwise</b>		
	<b>2018</b>	<b>2019</b>
Sales	2,635	2,649
Nominal sales growth (%)	(4.2%)	0.5%
Comparable sales growth (%)	(0.4%)	(1.7%)
Income from operations (or EBIT)	121	133
EBITA	208	222
Adjusted EBITA	251	265
as a % of sales	9.5%	10.0%
Number of employees (in FTEs)	11,275	10,570

### *Strategic Priorities*

Professional focuses on strengthening its global lighting leadership position by further innovating in LED products, gaining market share in systems and services and unlocking the potential in businesses such as Horticulture, Solar, LiFi and 3D printing. Systems and services accounted for 24 per cent. of sales in 2019. At the same time, Professional leverages its scale to reduce cost of production. Another strategic priority is to successfully integrate the recent acquisition of Cooper.

### *Acquisitions*

In October 2019, the Group entered into a definitive agreement with Eaton to acquire Cooper. The acquisition will strengthen the Group's position in the attractive North American lighting market, with increased innovation power and more competitive offerings. In addition, the acquisition will improve the business mix with Professional revenues

increasing from 43 per cent. of total sales (which is the percentage of total sales the Group derived from the Professional Business Group in 2019) to 53 per cent. of total sales, based on 2019 pro forma combined sales. Closing took place on 2 March 2020. Please see the “*The Acquisition*” section of this Prospectus for further information on the Acquisition.

In 2019, the Group also acquired animal-centric lighting experts Once Inc. and iLOX to capture attractive growth in agricultural lighting. With this acquisition, the Group adds know-how, technology and expertise in animal lighting that complements the horticulture lighting business. These tailor-made lighting systems improve the quality of life for livestock, which leads to healthier and enhanced production for the farmer.

#### *Business Highlights in 2019*

In 2019, the Group launched tailor-made 3D-printed luminaires for the circular economy. 3D printing reduces the carbon footprint by 47 per cent. compared with metal luminaires. The Group expands its 3D-printing capabilities with facilities in the United States, India and Indonesia.

The Group also launched ‘Trulifi’, which is the world’s fastest commercial LiFi system and provides highly reliable and secure high-speed wireless communication through existing and future lighting infrastructure. The Group has extended partnerships with key participants in this market, including Vodafone for 5G, Latecoere for commercial airplanes, and Ellamp for buses and trains. There are already more than 100 pilots worldwide using Trulifi.

‘BrightSites’, which offers a ready platform for lighting and city-wide 4G/5G and Wi-Fi infrastructure, was another offering the Group launched in 2019. It accommodates a wide variety of IoT sensors.

In addition, the Group installed Philips ‘SunStay’ solar streetlights in a park in Seville. This installation helps Seville, a city committed to sustainability and ecology, to reduce energy costs and improve its carbon footprint, while enhancing the safety of visitors to the park.

Furthermore, through research, the Group helped Prime Delica to develop an optimal light recipe to increase vitamin levels and the nutritional value of lettuce, which enabled Prime Delica to grow healthier and safer crops for 7-Eleven customers in Japan.

#### *2019 Financial Performance*

Sales for the year ended 31 December 2019 increased 0.5 per cent. on a nominal basis to €2,649 million. This represents a decrease of 1.7 per cent. on a comparable basis. During the year, Professional was impacted by weak market conditions, most notably in certain markets in Europe and in India.

Professional reported income from operations of €133 million in 2019. Adjusted EBITA amounted to €265 million. The Adjusted EBITA margin improved by 50 basis points to 10.0 per cent., as procurement and indirect cost savings more than offset the negative impact of price and mix. Restructuring charges amounted to €22 million, mainly related to simplification of business structures, reduction of indirect costs and industrial footprint rationalisation.

#### *Market Developments*

Based on internal research, the Issuer believes that it is a global leader in the large professional lighting market and that the Group is well positioned to benefit from global trends such as the shift to connected lighting. The 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. As an example, Interact City enables cities to centrally manage street lighting and adapt intensity depending on weather, traffic movement or organised events, thereby realising significant energy cost savings. As of 31 December 2019, the Group has completed over 1,900 road and street lighting projects in close to 60 countries. In 2019, the Group installed 12 million connected light points world-wide to a total of 56 million across all segments (both professional and consumer). The total number of existing light points worldwide is around 26 billion, showing that the connected lighting market continues to offer significant growth potential for the Group.

### **Home**

#### *Overview*

Based on internal research, the Issuer believes that it is a global market leader in connected home systems in terms of sales and a top three participant in selected home luminaires markets. This Business Group develops and sells

connected lighting systems, and luminaires. For the development of its offering, Home builds on the Group's strong in-house R&D capabilities and knowledge in LED and lighting applications, complemented by extensive qualitative and quantitative consumer research.

Based on research performed internally, the Group believes that Philips Hue, introduced in 2012, is the market leader in connected lighting for consumers. The system enables users to personalise their lighting to suit their preferences and needs. Users can control lights wirelessly through apps and smart devices, with their voice or with remote control switches. The Philips Hue offering is continuously expanding. Recent examples of new innovations include the launch of the Philips Hue Bluetooth bulbs, the Philips Hue Play HDMI Sync box and new smart accessories such as the smart button and the smart plug.

Key figures in millions of € unless stated otherwise		
	2018	2019
Sales	467	521
Nominal sales growth (%)	(8.0%)	11.6%
Comparable sales growth (%)	(3.8%)	11.3%
Income from operations (or EBIT)	(44)	3
EBITA	(43)	5
Adjusted EBITA	(38)	20
as a % of sales	(8.1%)	3.8%
Number of employees (in FTEs)	1,656	1,516

### *Strategic Priorities*

Home aims to realise profitable growth by driving the transition to connected lighting for consumers in and around the house. Its strategic priorities include strengthening the Philips Hue offering and broadening the lower cost portfolio to drive volumes. The aim is to achieve this by investing in marketing and broadening the portfolio to drive volumes and to further expand in growth markets.

### *Business Highlights in 2019*

In 2019, Philips Hue with Bluetooth was launched. This new offering enables direct light control from a smart device without the need for a bridge and provides consumers with an easy entry into the smart home lighting market.

Moreover, the Philips Hue Play HDMI Sync box was introduced to provide an easy way to synchronise all digital content with up to ten Philips Hue lights. The system is compatible with movies, TV shows and games.

Furthermore, certain smart accessories were launched by the Group in 2019. First, the smart button allows consumers to control their Philips Hue lights with a single press, or press and hold to brighten and dim. In addition, the smart plug turns any light point with power plug into a Philips Hue smart light.

### *2019 Financial Performance*

Sales for the year ended 31 December 2019 amounted to €521 million in 2019, with a nominal sales increase of 11.6 per cent. and comparable sales growth of 11.3 per cent. This was on the back of a particularly strong performance in Europe as Home experienced robust demand for connected offers.

Income from operations amounted to €3 million compared with €(44) million last year, driven by a higher top-line, gross margin improvement and cost optimisation. Adjusted EBITA amounted to €20 million, resulting in an Adjusted EBITA margin of 3.8 per cent.

### *Market Developments*

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 systems is expanding rapidly. At the same time, Home is experiencing more connected lighting offerings coming to the market.

## **Lamps**

### *Overview*

Lamps is a global market leader in the conventional lighting business based on sales. This Business Group comprises the Group's conventional lamps and lamp electronics business. It produces and sells lamps based on a wide variety of non-LED based technologies including HID, tubular linear lamps, compact fluorescent, halogen, incandescent, as well

as electronic components (electronic ballasts and drivers) and specialty lighting. Conventional lamps are used in a wide variety of residential and professional applications and are bought by consumers, electrical installers and professional end-users through a wide range of channels. Lamp electronics are mainly sold to luminaire manufacturers directly and as replacement products to electrical wholesalers. Lamps also sells digital projection lamps and drivers to the OEMs market and the replacement market.

<b>Key figures in millions of € unless stated otherwise</b>		
	<b>2018</b>	<b>2019</b>
Sales	1,428	1,159
<i>Nominal sales growth (%)</i>	<i>(20.1%)</i>	<i>(18.8%)</i>
<i>Comparable sales growth (%)</i>	<i>(16.2%)</i>	<i>(20.5%)</i>
Income from operations (or EBIT)	269	168
EBITA	270	168
Adjusted EBITA	302	222
<i>as a % of sales</i>	<i>21.1%</i>	<i>19.2%</i>
Free cash flow <sup>(1)</sup>	308	222
Number of employees (in FTEs)	9,393	7,312

<sup>1)</sup> Excluding non-allocated free cash flow items (e.g., tax, interest)

### *Strategic Priorities*

Lamps enables the Group to leverage strong commercial synergies in brand coverage and customer reach and aims to optimise free cash flow, and is therefore referred to as the ‘cash engine’ of the Group. While the overall conventional market continues to decline, Lamps’ focus is on winning market share in key segments and markets. Lamps continues to pro-actively manage its manufacturing footprint and reduce operational costs.

### *Business Highlights in 2019*

Legislation to ban certain conventional technologies remains an important factor impacting the development of the conventional market. Lamps invests in R&D to maintain a legislation compliant portfolio and still looks at opportunities for innovation such as for specialty lighting and conventional horticultural lighting.

As part of its strategy, Lamps is proactively managing its manufacturing footprint. The Group operated 13 manufacturing plants for conventional lamps at the end of 2019 compared with 45 at the end of 2008. In the fourth quarter of 2019, the production site in Hamilton, United Kingdom, was closed.

### *2019 Financial Performance*

Sales for the year ended 31 December 2019 amounted to €1,159 million, a decline of 18.8 per cent. on a nominal basis and 20.5 per cent. on a comparable basis. Income from operations reduced to €168 million, due to the ongoing decrease in sales and higher restructuring costs, partly offset by proactive rationalisation of the manufacturing footprint and a reduction in indirect costs. Restructuring costs amounted to €44 million and were mainly related to further optimisation of the manufacturing footprint. Adjusted EBITA for 2019 decreased to €222 million compared with €302 million in 2018. The Adjusted EBITA margin remained robust at 19.2 per cent. in 2019. As a ‘cash engine’, Lamps continues to deliver on its ‘last company standing’ strategy (namely, to continue to extract value from conventional sources), which resulted in further market share gains and strong free cash flow generation of €222 million in 2019.

### *Market Developments*

The Group estimates that the conventional lighting market declined at a faster pace than its Lamps business in 2019 and thus, the Group continued to gain market share.

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

## **Sustainability**

### *Overview*

The world is increasingly experiencing the pressures of population growth, resource scarcity and climate change. At the same time, the Group’s stakeholders show increasing attention to the circular economy, food availability and health and well-being. As a purpose-driven organisation, the Group understands the importance of taking urgent action and for this



reason, aligns its business strategies with the United Nations Sustainable Development Goals (“UN SDGs”) provided by the United Nations.

As part of the Group’s “Brighter Lives, Better World” programme, the Group has defined commitments for 2020 which are aligned with the UN SDGs: 80 per cent. of revenues to be sustainable revenues (i.e., revenues from sales of products with an energy efficiency of 66 lumens/Watt and higher, as well as all systems and services, as these provide additional energy savings); to deliver more than 2 billion LED lamps and luminaires (cumulative from 2015); to be 100 per cent. carbon neutral; to send zero manufacturing waste to landfill; to have a safe and healthy workplace with a total recordable case (“TRC”) rate (i.e., the central lagging indicator through which the Group measures overall safety performance) of less than 0.35 per 100 FTEs; and to have a sustainable supply chain with a 90 per cent. ‘supplier performance rate’ (which represents the percentage of risk suppliers that have an audit score of at least 90 out of 100 points).

#### *Progress in 2019*

At the end of 2019, the Group was well on track to achieving all of its commitments. In 2019, 82.5 per cent. of the Group’s revenues were sustainable revenues. As of the end of 2019, the Group had delivered 2.3 billion LED lamps and luminaires. The Group’s operational carbon footprint in 2019 was 363 kilotonnes, a decrease of 9.5 per cent. compared with 2018. This was due to a decrease in emissions from logistics and manufacturing activities. The Group also invested in carbon offsets resulting in a 56 per cent. net carbon footprint reduction year-on-year. In 2019, the Group was able to effectively reduce the amount of waste sent to landfill, as defined by its commitment, by 70 per cent. compared to 2018. In 2019, 90 per cent. of the Group’s total waste was recycled. The Group’s TRC rate in 2019 was 0.32 per 100 FTEs. The Group’s supplier performance rate (as described in the preceding paragraph) in 2019 was 99 per cent.

Additionally, and for the third consecutive year, the Issuer achieved the status of Industry Leader in the Electrical Components and Equipment category of the 2019 Dow Jones Sustainability Index, with top scores (100/100) obtained in Materiality, Innovation Management, Environmental Reporting, Operational Eco-Efficiency and Labor Practices Indicators.

#### **Organisational Structure**

Set out below is a list of material subsidiaries as at 31 December 2019 representing greater than 5 per cent. of either consolidated company sales, income from operations or net income (before any intra-company eliminations). All the entities are 100 per cent. owned by the Issuer.

<b>Legal entity name</b>	<b>Principal country of business</b>
Signify (China) Investment Co., Ltd	China
Signify GmbH	Germany
Signify Holding B.V.	The Netherlands
Signify Hong Kong Limited	Hong Kong
Signify Netherlands B.V.	The Netherlands
Signify North America Corporation	United States of America
Signify Poland Sp. z o.o.	Poland

#### **Share Capital**

The Issuer, a public company with limited liability organised under Dutch law, is the parent company of the Group.

The authorised share capital of the Issuer amounts to €6 million, divided into 300 million ordinary shares with a nominal value of one eurocent each and 300 million preference shares with a nominal value of one eurocent each. As of 31 December 2019, the issued and fully paid share capital of the Issuer consisted of €1.28 million, divided into 128,344,238 ordinary shares and no preference shares. All shares are fully paid up. The shares are in registered form. There are currently no limitations either under Dutch law or the Issuer’s Articles of Association, as to the transfer of ordinary shares in the share capital of the Issuer.

#### **Major Shareholders**

The Issuer has a broad base of international shareholders. The Dutch Financial Markets Supervision Act (the “**Dutch FSMA**”) requires institutions and individuals holding a (potential) capital and/or voting interest of 3 per cent. or more in the Issuer to disclose such interest to the Netherlands Authority for the Financial Markets (the “**AFM**”). The AFM processes these disclosures in its publicly available register, which can be found at [www.afm.nl](http://www.afm.nl).

The table below includes the shareholders with (potential) capital and/or voting interests of 3 per cent. or more registered with the AFM as at 31 December 2019, and the related actual interests.

<b>Issuer shareholders</b>	<b>% Actual Interest <sup>1)</sup></b>	<b>Total % registered <sup>2)</sup></b>
Baillie Gifford & Co	5.1%	5.1%
Blackrock, Inc.	3.0%	3.5%
Dimensional Fund Advisors LP	3.1%	3.1%
Goldman Sachs Group Inc.	2.7%	3.1%
LSV Asset Management	3.0%	3.0%
Amundi Asset Management	3.0%	3.0%
Norges Bank	0.8%	3.0%

<sup>1)</sup> The actual interest reflects the % registered interest, excluding potential interests, such as options, futures, forward-rate agreements and other derivatives contracts.

<sup>2)</sup> The total % registered includes the actual and potential interests such as options, futures, swaps, forward-rate agreements and other derivatives contracts.

## **Management and Supervisory Bodies**

### ***Introduction***

The Issuer has a two-tier board structure consisting of a Board of Management and a Supervisory Board. The two boards are independent of each other and are accountable to the annual general meeting of shareholders (“AGM”) for the performance of their duties.

The Board of Management and the Supervisory Board are responsible for maintaining an appropriate corporate governance structure of the Issuer. The Issuer’s corporate governance framework is based on its Articles of Association, the requirements of the Dutch Civil Code, the Dutch Corporate Governance Code, the Dutch FSMA and any other applicable laws and regulations. Additionally, the Board of Management has implemented a code of conduct, policies, directives and authorisation schedules throughout the Group in order to strengthen its governance framework.

### ***The Board of Management***

The Board of Management is responsible for the management of the operations of the Group, subject to supervision by the Supervisory Board. The Board of Management focuses on long-term value creation for the Issuer and its business, and takes the relevant stakeholders’ interests into account. Among other responsibilities, the Board of Management drives the Issuer’s management agenda, defines and deploys the strategic direction, identifies opportunities and risks connected with its business activities and strategy, pursues the operational and financial objectives of the Issuer and monitors corporate social responsibility issues relevant to the Issuer. In performing its duties, the Board of Management is guided by the interests of the Issuer and its affiliated enterprises, taking into consideration the interests of its stakeholders.

The Board of Management is accountable to the Supervisory Board and is answerable to shareholders of the Issuer at the Issuer’s AGM.

### **Composition**

Set forth below is the name, year of birth and position of each of the persons currently serving on the Board of Management of the Issuer. The business address of each person listed below is c/o Signify N.V., High Tech Campus 48, 5656 AE Eindhoven, the Netherlands.

<b>Name</b>	<b>Year of Birth</b>	<b>Position</b>
Eric Rondolat	1966	Chief Executive Officer (“CEO”), Chairman of the Board of Management
René van Schooten	1959	Chief Financial Officer (“CFO”), Member of the Board of Management

#### ***Eric Rondolat***

Eric Rondolat has held the position of Chief Executive Officer and Chairman of the Board of Management at the Issuer since the company was listed on the Euronext Amsterdam stock exchange in May 2016. He was Executive Vice President and Chief Executive Officer for Lighting at KPNV from April 2012 to May 2016.

Previously, Eric held the position of Executive Vice President for Asia Pacific at Schneider Electric in China from 2010 to 2012 and Executive Vice President for the Power Business at Schneider Electric in France from 2006 to 2010. He

worked in various senior management positions at Schneider Electric in Australia, Argentina, France and Singapore from 1990 to 2006.

Eric, a French and Italian national, holds an Engineering degree from the Institut National Polytechnique de Grenoble and a master's degree in International Marketing at Ecole Supérieure de Commerce de Grenoble, both in France.

#### *René van Schooten*

René van Schooten has been a Member of the Board of Management at the Issuer since the company's listing on the Euronext Amsterdam stock exchange in May 2016. Previously, he was Business Group Leader Lamps for Lighting at KPNV from 2009. In April 2017, René assumed overall responsibility for the company's Business Groups and the role of Head of Business Transformation. As of 1 March 2020, Stéphane Rougeot has left the Issuer as its CFO. As of that date, René took over the responsibility as the CFO of the Issuer to ensure a smooth transition until a new CFO has been appointed.

René was also CFO from October 2015 to August 2016 during the Issuer's separation from KPNV and subsequent initial public offering. Before that, he worked as CEO for Professional Luminaires and as CFO for Lighting and the Lamps Business.

Previously, René held various financial roles at Unilever in the United Kingdom and the Netherlands from 1988 to 1999, and Esso in the United Kingdom and the Netherlands from 1982 to 1988.

René, a Dutch national, holds a degree in Industrial Engineering and Management Science from Eindhoven University of Technology, in the Netherlands.

#### *Maria Letizia Mariani*

The Supervisory Board has proposed to appoint Maria Letizia Mariani as a Member of the Board of Management. Her appointment is subject to the approval by the shareholders of the Issuer at its AGM to be held on 19 May 2020.

### ***Supervisory Board***

The Supervisory Board, in the two-tier board structure under Dutch law, is a separate body that is independent of the Board of Management. The Supervisory Board supervises the policies and management and the general affairs of the Issuer. The Supervisory Board also provides advice to the Board of Management. In performing its duties, the members of the Supervisory Board are guided by the interests of the Issuer and the business of the Group, taking into consideration the interests of its stakeholders.

### ***Composition***

Set forth below is the name and year of birth of each of the persons currently serving on the Supervisory Board, as well as details of their involvement in other committees of the Issuer. The business address of each person listed below is c/o Signify N.V., High Tech Campus 48, 5656 AE Eindhoven, the Netherlands:

<b>Name</b>	<b>Year of Birth</b>	<b>Positions outside the Issuer</b>
Arthur van der Poel <sup>2), 3)</sup>	1948	Chairman of the Supervisory Board of BDR Thermea Group B.V.
Gerard van de Aast <sup>1), 2)</sup>	1957	Chairman of Supervisory Board of Nederlandse Spoorwegen (Dutch Railways).
Eelco Blok <sup>1), 3)</sup>	1957	Member of the Supervisory Board of Witteveen+Bos. Adviser of investment company, Reggeborgh. Member of the Supervisory Board of PostNL and VolkerWessels.
Rita Lane <sup>2), 3)</sup>	1962	Non-executive director of Telstra and the OTE Group. Member of the Board of Directors of Sanmina Corp and L3Harris Technologies.
Jill Lee <sup>1)</sup>	1963	Chief Financial Officer and Member of the Executive Committee of Sulzer. Nominated as an independent member of the Board of Directors of Schneider Electric.

- 1) Member of the Audit Committee
- 2) Member of the Remuneration Committee
- 3) Member of the Nomination & Selection Committee

The Supervisory Board has proposed to appoint Frank Lubnau and Pamela Knapp as members of the Supervisory Board. Their appointments are subject to the approval by the shareholders of the Issuer at its AGM to be held on 19 May 2020.

## **Material Contracts**

### ***Separation Agreement***

On 1 February 2016, Signify Holding B.V. and KPNV entered into the Separation Agreement and a set of ancillary agreements, together effectuating the separation of the Group from KPNV (the “**Separation**”) and providing a framework for the relationship between KPNV and the Group after the Separation. An addendum to the Separation Agreement was entered into on 4 May 2016. The Separation Agreement and ancillary agreements were assigned to the Issuer prior to 31 May 2016. The Separation Agreement allocates assets, liabilities, employees and contracts of the former KPNV between the current groups of the Issuer and KPNV. The transfer thereof has been effected at the level of the relevant group companies on or around 1 February 2016, except for a limited number of transfers which took place thereafter (for example, in India, Turkey and Mexico).

As part of the Separation, certain historical exposures and liabilities of KPNV have been allocated to each of KPNV and the Group, which are unrelated to their respective businesses. These include, in particular, liabilities relating to pensions and environmental issues. The assets and liabilities that have been allocated to the Group are reflected in the Group’s audited consolidated financial statements. In addition to the amounts reflected in this financial information, the Group will be responsible for certain other contingent liabilities related and unrelated to the lighting business after the Separation.

The assets and liabilities that have been allocated to the Group have been transferred to the Group either by way of an asset transfer, demerger, contribution or indirectly through a transfer of the shares in the legal entity in which the relevant asset or liability resided. Conversely, legal entities forming part of the Group have transferred certain assets and liabilities that were allocated to KPNV, to subsidiaries of KPNV. Assets and liabilities have been transferred between KPNV and the Group on an “as is” basis (i.e., net book value) and on a going concern basis.

### ***Trademark Licence Agreement***

On 1 February 2016, Signify Holding B.V. and KPNV entered into a trademark licence agreement (the “**TMLA**”), pursuant to which KPNV licenced certain trademarks to the Group, including the Philips trademark, the Philips shield emblem and the brand line “innovation and you”. The Group was granted:

- an exclusive worldwide license for dedicated lighting products and services such as light sources, lighting controllers and lighting-related services;
- a sole worldwide license for, amongst other things, lighting systems designed for hospitals and medical solar products; and
- a non-exclusive worldwide license for smart home/connected products controlling lighting systems for domestic use such as switches and dimmers.

The licence was granted for a period of ten years commencing on 1 February 2016. The term may be extended with two periods of five years if certain financial targets in terms of net turnover are met and provided that the Group as licensee has acted in compliance with the conditions of the TMLA. The financial targets are a minimum combined net turnover in the sixth year of the initial license term of €3 billion and a minimum combined net turnover of €2.5 billion in the first year of the second license term. If these targets are not met, the parties shall enter into good faith discussions regarding potential renewal. The licence is subject to compliance with brand identity, quality and sustainability requirements. Both parties may terminate the agreement in the event of certain material breaches that are not remedied timely and in case of bankruptcy of the other party or certain of its affiliates. As a result, any such breach may result in damages to be paid to KPNV and loss of the license for a subset of or all products and services.

Under the TMLA, the Group is obliged to pay a royalty on the net turnover of all licenced products and services. The applicable royalty percentages are 0.6 per cent. for the first five years, 0.7 per cent. for the second five years and 1 per cent. after the tenth year. For the first ten years, a minimum annual guaranteed royalty payment of €30 million applies.

Thereafter, a minimum annual guaranteed royalty payment of €20 million applies. The Group is also subject to various other obligations, including for example in respect of control mechanisms and consumer care for the licensed products.

### ***Stock and Asset Purchase Agreement***

For details of this agreement, see “*The Acquisition–Summary of the Stock and Asset Purchase Agreement*”.

### ***Cooper Acquisition Bridge Loan***

On 13 November 2019, the Issuer, as borrower, entered into the Cooper Acquisition Bridge Loan, a U.S.\$1,400 million term loan facility agreement with a consortium of international banks to finance the Acquisition. The initial maturity date of this facility is 15 October 2020, which may be extended at the option of the Issuer for two additional periods of six months each.

Given closing of the Acquisition took place prior to the completion of the issuance of the Notes, the Issuer has drawn the Cooper Acquisition Bridge Loan to finance the Acquisition. Under the terms of the Cooper Acquisition Bridge Loan, the proceeds from the Notes issuance will need to be applied in prepayment of any outstanding loans promptly upon receipt or on the next interest payment date of the loan.

The Cooper Acquisition Bridge Loan includes a financial covenant providing that the Issuer maintains a net leverage ratio of no greater than 3.5x, which can temporarily increase to 4.0x within 12 months of the closing of the Acquisition or material acquisitions. The covenant does not apply if the Issuer has at least one investment grade rating. As of the date of this Agreement, the Issuer has a long-term corporate credit rating of Baa3 from Moody’s and BBB- from S&P.

### ***Term Loan and Revolving Credit Facility***

On 6 January 2020, the Issuer, as borrower, entered into a credit agreement (the “**Credit Agreement**”) with a syndicate of financial institutions which established (i) €340,000,000 and U.S.\$225,000,000 term loan facilities with maturity dates of five years from the date of the Credit Agreement (the “**Five Year Term Loan Facilities**”), (ii) €400,000,000 and U.S.\$275,000,000 term loan facilities with maturity dates of three years from the date of the Credit Agreement (the “**Three Year Term Loan Facilities**” and together with the Five Year Term Loan Facilities, the “**Term Loan Facilities**”) and (iii) a multi-currency revolving credit facility in a maximum amount of €500 million containing a €300 million accordion option (the “**RCF**”). The RCF has a term of five years from the date of the Credit Agreement, although the Issuer has the right to extend the maturity date of the RCF by an additional two years during the first two years of the term of the Credit Agreement.

The Term Loan Facilities and RCF may be prepaid during the term at the option of the borrower under the Credit Agreement without penalty. The Term Loan Facilities were drawn in full by the borrower under the Credit Agreement on 31 January 2020 to refinance outstanding financial indebtedness of the Issuer. At present, no amounts under the RCF have been drawn down.

The terms of the financial covenant of the Credit Agreement are identical to the Cooper Acquisition Bridge Loan.

### ***Legal and Arbitration Proceedings***

Neither the Issuer nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this Prospectus which may have or have in such period had a significant effect on the financial position or profitability of the Issuer or the Group. The Group determines on the basis of applicable accounting principles whether or not it needs to form a provision for threatened or pending proceedings. With respect to total amounts of provisions taken by the Group in relation to legal, regulatory and arbitration proceedings, please see Note 24 (*Provisions*) of the Audited Consolidated Financial Statements 2019.

## Recent Developments

In view of the ongoing COVID-19 outbreak, the Issuer has:

- (i) suspended its financial outlook for 2020 as previously announced on 31 January 2020. Considering the uncertainty about the future course of the outbreak, and the length and depth of the impact on the global economy, the Issuer does not provide financial guidance at this point in time; and
- (ii) withdrawn its previously announced proposal to pay a dividend of €1.35 per ordinary share. Once market conditions have stabilised, the Issuer will revisit its capital allocation to shareholders.

On 24 April 2020, the Issuer issued its Q1 2020 Press Release, which is incorporated in this Prospectus by reference and contains a financial review of the Issuer's financial results for the first quarter of 2020.

In the Q1 2020 Press Release, the Issuer noted that its global manufacturing capacity had been restored to more than 80 per cent. of overall capacity.

The Issuer also announced a variety of mitigating measures that it has been, and will be, taking in light of the COVID-19 pandemic. The Group has implemented a variety of policies, including a ban on domestic and international travel, access restrictions to its sites, homeworking and very stringent hygiene and health measures across its plants, logistic hubs and R&D centres. The Group also provided protective equipment, such as hand sanitisers, masks and temperature measurement tools.

The Group has also implemented a broad range of mitigating actions to preserve profitability. These measures include savings in, amongst others, selling expenses, travel costs and procurement costs. In addition, the Group has implemented a range of measures to safeguard cash flow, including rigorous working capital management, a curtailment of uncommitted and non-essential capital expenditure, and the withdrawal of the dividend proposal (as noted in the paragraph above).

Moving forward, the Group is accelerating and extending mitigating measures, including the following:

- the Group's Supervisory Board and leadership team have implemented a 20 per cent. salary reduction in the second quarter of 2020;
- a significant part of the Group's employees voluntarily supported a 20 per cent. worktime and pro rata pay adjustment for a period of 3 months;
- a 6 month delay in merit increases, where possible; and
- an external hiring freeze.

## THE ACQUISITION

### Overview

On 15 October 2019, the Issuer announced that it had entered into a conditional stock and asset purchase agreement (the “**Stock and Asset Purchase Agreement**”) with Eaton Corporation plc (“**Eaton**”) to acquire certain equity interests and assets relating to the core lighting business (“**Cooper**”) from Eaton for cash consideration of U.S.\$1.4 billion (approximately €1.3 billion) on a cash and debt-free basis (the “**Acquisition**”). The equity interests transferred include Cooper Lighting LLC, which is the primary operating entity of Cooper and which became a wholly-owned subsidiary of the Issuer following closing of the Acquisition.

Closing of the Acquisition took place on 2 March 2020.

The Issuer funded the Acquisition through the Cooper Acquisition Bridge Loan, a description of which is set out in “*Description of the Issuer and the Group – Material Contracts – Cooper Acquisition Bridge Loan*”.

### Information on Cooper

Based on sales, Cooper is a leading provider of professional lighting, lighting controls and connected lighting solutions in North America, delivering a range of innovative and reliable indoor and outdoor lighting solutions designed to maximise performance, energy efficiency and cost savings.

Cooper serves customers in commercial, industrial, residential and municipal markets throughout North America and select international markets. For the year ended 31 December 2019, 98 per cent. of Cooper’s sales were derived from the North American market (90 per cent. from the U.S. and 8 per cent. from Canada and Mexico) and 2 per cent. of sales were from international markets.

Cooper has an extensive product portfolio, providing customers with a range of options across a wide variety of lighting and lighting control applications. Its products include recessed, ambient, industrial, outdoor lighting, connected lighting solutions and lighting controls. To support the development of smart buildings, smart cities and smart homes, Cooper offers a growing portfolio of lighting controls and connected lighting solutions, including sensors, hardware, software and data analytics.

Cooper markets its lighting products and control solutions under leading brand names in North America, including Corelite, Halo, McGraw Edison and Metalux, across a number of product lines. Cooper sells its lighting portfolio through a strong agent network of more than 125 agents and has direct relationships with retailers, distributors and other end-user customers.

For the year ended 31 December 2019, Cooper generated U.S.\$1.7 billion of sales, based on the Audited Combined Financial Statements.

Cooper is headquartered in Peachtree City, Georgia and has 11 manufacturing sites across the United States. Cooper employs approximately 5,100 people.

### Rationale for the Acquisition

The Issuer believes that the Acquisition will deliver the following strategic and financial benefits to the Group:

- *The Acquisition will strengthen the Issuer’s position in the North American professional lighting market*

For the year ended 31 December 2019, Cooper generated 98 per cent. of its sales in North America. The Acquisition is therefore expected to enhance the Issuer’s market position in the region. Moreover, given completion of the Acquisition, the Issuer is better positioned to benefit from the growing U.S.\$12 billion (based on internal research) professional lighting market in North America. Market growth is also expected to be driven by the conversion to LED and the increased demand for connected lighting systems and controls.

- *Increased innovation power and more competitive offerings*

Combined innovation capabilities and investments in R&D will further strengthen the Group’s position in the North American professional lighting market, particularly in connected lighting. The increased scale is also expected to enable substantial operational synergies resulting in more cost-efficient offerings. The Issuer and Cooper have maintained and will continue to maintain separate front offices, sales forces, agent networks,

product and brand portfolios and marketing and development teams but both businesses will be able to strengthen their respective product portfolios as a result of the combined innovation capabilities.

- *The Acquisition is expected to generate substantial cost synergies*

The Issuer expects that the Acquisition will generate cost synergies, principally related to savings and significant value creation in the bill of materials, including through negotiation, supplier consolidation and product re-engineering, as well as from supply chain savings through the collaborative implementation of manufacturing standards and operational excellence and sourcing optimisation through the Group's supply of drivers and other electronic components.

- *The Acquisition is expected to improve the Group's business mix and increasing presence in North America*

Cooper is well-positioned across commercial, industrial and residential sectors and the Issuer expects that the combination of the Issuer and Cooper will increase the Group's presence in North America, with an increase in revenues from North America.

- *The Acquisition is expected to expand the Group's channel coverage*

The Group has gained access to a strong agent network of more than 125 agents as well as with Cooper's direct relationships with retailers, distributors and other end-user customers.

- *Maintenance of robust capital and financing structure*

Following the Acquisition, the Issuer will prioritise deleveraging with the aim of driving down its net leverage ratio from around 2.7x at the end of the first quarter of 2020 to below 1x net debt/EBITDA within 3 years. The Issuer's dividend policy is to aim to continue to pay a stable or increased dividend per share. In light of the ongoing COVID-19 outbreak however, on 27 March 2020, the Issuer announced a withdrawal of its previously announced proposal to pay a dividend of €1.35 per ordinary share. Once market conditions have stabilised, the Issuer will revisit its capital allocation to shareholders.

## **Financial information on Cooper**

Cooper did not constitute a separate legal entity during the years ended 31 December 2018 and 2019 and therefore the historical financial information of Cooper has been prepared on a standalone basis reflecting the entities that have been "carved-out" from the historical consolidated financial information and accounting records of Eaton. These combined financial statements are included in this Prospectus under the section headed "*Financial Information of Cooper, the Lighting Business of Eaton Corporation plc*" in accordance with the basis of preparation described therein.

## **Further details on the financial impact of the Acquisition**

Information on the expected impact of the Acquisition on the consolidated income statement and consolidated balance sheet of the Group is set out in the section of this Prospectus headed "*Unaudited Pro Forma Financial Information*". The unaudited pro forma financial information has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and does not, therefore, represent the Issuer's or the Group's actual financial position or results. The pro forma financial information has been prepared in a manner consistent with the accounting policies adopted by the Issuer in reporting its consolidated financial statements for the year ended 31 December 2019 and in accordance with Annex 20 of Commission Delegated Regulation (EU) 2019/980 and on the basis of the notes set out therein.

The Acquisition is reflected in the Q1 2020 Unaudited Condensed Consolidated Interim Financial Statements.

## **Summary of the Stock and Asset Purchase Agreement**

Certain key terms of the Stock and Asset Purchase Agreement are summarised below.

### *Scope of Cooper*

Subject to the terms and conditions of the Stock and Asset Purchase Agreement, Eaton transferred the following assets, among others, to the Issuer. The below are considered by the Issuer to be the most material assets that were transferred:



- each agreement to which Eaton or certain of its subsidiaries was bound at the time of the closing of the Acquisition to the extent such agreement relates to Eaton's core lighting business;
- certain real property owned and leased by Eaton and certain of its subsidiaries at the time of the closing of the Acquisition; and
- all intellectual property owned by Eaton or certain of its subsidiaries and held for use primarily in Eaton's core lighting business at the time of the closing of the Acquisition.

Eaton also transferred certain equity interests relating to the core lighting business of Eaton to the Issuer, including Cooper Lighting LLC, which became a subsidiary of the Issuer upon the closing of the Acquisition.

In connection with its acquisition of Cooper pursuant to the Stock and Asset Purchase Agreement, the Issuer assumed certain liabilities of Eaton and certain of its subsidiaries to the extent related to Cooper. Notwithstanding the foregoing, Eaton retained certain liabilities, including, among others, liabilities relating to the presence or use of asbestos in products sold by Eaton, certain of its subsidiaries or Cooper prior to the closing of the Acquisition and certain environmental liabilities.

#### *Consideration*

The purchase price consideration paid by the Issuer to Eaton was U.S.\$1.4 billion in cash, subject to customary adjustments.

#### *Overview of Key Terms of the Stock and Asset Purchase Agreement*

The Stock and Asset Purchase Agreement contains various representations and warranties customary for an acquisition of the size and nature of the Acquisition. In accordance with the terms of the Stock and Asset Purchase Agreement, the Issuer has obtained a representations and warranties insurance policy.

Eaton has agreed to indemnify the Issuer, its affiliates and certain of their respective representatives for losses to the extent resulting from (a) the inaccuracy of certain specified representations made by Eaton in the Stock and Asset Purchase Agreement, (b) any breach by Eaton of its covenants contained in the Stock and Asset Purchase Agreement and (c) certain liabilities that are retained by Eaton pursuant to the terms of the Stock and Asset Purchase Agreement. Eaton has also agreed to indemnify the Issuer with respect to certain losses for environmental contamination at specified sites. The Issuer has agreed to indemnify Eaton, its affiliates and certain of their respective representatives for losses to the extent resulting from (a) the inaccuracy of certain specified representations made by the Issuer in the Stock and Asset Purchase Agreement, (b) a breach by the Issuer of its covenants contained in the Stock and Asset Purchase Agreement and (c) certain liabilities that are to be assumed by the Issuer under the terms of the Stock and Asset Purchase Agreement.

Under the terms of the Stock and Asset Purchase Agreement, Eaton has agreed that it and its controlled affiliates will not, directly or indirectly, own, manage, operate or otherwise engage in any business that competes with Cooper anywhere in the world for two years following the closing date of the Acquisition, subject to certain exceptions set forth in the Stock and Asset Purchase Agreement.

#### *Ancillary Agreements*

Upon consummation of the Acquisition, the Issuer and Eaton entered into certain ancillary agreements, including among others, a Transition Services Agreement, an Intellectual Property Licence Agreement, a Software Licence Agreement and a Trademark Licence Agreement.

## TAXATION

### Taxation in the Netherlands

This section outlines the principal Dutch tax consequences of the acquisition, holding, settlement, redemption and disposal of the Notes. It does not present a comprehensive or complete description of all aspects of Dutch tax law which could be of relevance to Noteholders. For Dutch tax purposes, a Noteholder may include an individual, or an entity, that does not hold the legal title of the Notes, but to whom nevertheless the Notes, or their income, are attributed based either on this individual or entity owning a beneficial interest in the Notes or based on specific statutory provisions. These include statutory provisions under which Notes are attributed to an individual who is, or who has directly or indirectly inherited from a person who was, the settlor, grantor or similar originator of a trust, foundation or similar entity that holds the Notes.

This paragraph is intended as general information only. A prospective Noteholder should consult his own tax adviser regarding the tax consequences of any acquisition, holding or disposal of Notes.

This paragraph is based on Dutch tax law as applied and interpreted by Dutch tax courts and as published and in effect on the date of the Prospectus, including, for the avoidance of doubt, the tax rates applicable on that date, without prejudice to any amendments introduced at a later date and implemented with or without retroactive effect.

This paragraph therefore does not take into account the Dutch Withholding Tax Act 2021 (*Wet Bronbelasting 2021*) as this act is not yet in effect as of the date of the Prospectus. Once the Dutch Withholding Tax Act 2021 becomes effective on 1 January 2021 as announced, interest paid or accrued to certain entities related to the Issuer may be subject to Dutch withholding tax equal to the highest tax rate at the time of the interest payment.

Any reference in this paragraph made to Dutch taxes, Dutch tax or Dutch tax law must be construed as a reference to taxes of whatever nature levied by or on behalf of the Netherlands or any of its subdivisions or taxing authorities or to the law governing such taxes, respectively. The Netherlands means the part of the Kingdom of the Netherlands located in Europe.

Any reference made to a treaty for the avoidance of double taxation concluded by the Netherlands includes the Tax Regulation for the Kingdom of the Netherlands (*Belastingregeling voor het Koninkrijk*), the Tax Regulation for the country of the Netherlands (*Belastingregeling voor het land Nederland*), the Tax Regulation the Netherlands Curacao (*Belastingregeling Nederland Curacao*), the Tax Regulation the Netherlands Saint Martin (*Belastingregeling Nederland Sint Maarten*) and the agreement between the Taipei Representative Office in the Netherlands and the Netherlands Trade and Investment Office in Taipei for the avoidance of double taxation.

This section does not describe the possible Dutch tax considerations or consequences that may be relevant to a Noteholder:

- (i) who is an individual and for whom the income or capital gains derived from the Notes are attributable to employment activities, the income from which is taxable in the Netherlands;
- (ii) which has a substantial interest (*aanmerkelijk belang*) or a fictitious substantial interest (*fictief aanmerkelijk belang*) in the Issuer within the meaning of chapter 4 of the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*). Generally, a substantial interest in the Issuer arises if the Noteholder, alone or – in case of an individual – together with his partner, owns or holds certain rights to shares, including rights to directly or indirectly acquire shares, representing, directly or indirectly, 5 per cent. or more of the Issuer's issued capital as a whole or for any class of shares or profit participating certificates (*winstbewijzen*) relating to 5 per cent. or more of the Issuer's annual profits or 5 per cent. or more of the Issuer's liquidation proceeds;
- (iii) that is an entity which under the Dutch Corporate Income Tax Act 1969 (*Wet op de vennootschapsbelasting 1969*) (the “CITA”), is not subject to Dutch corporate income tax or is in full or in part exempt from Dutch corporate income tax (such as a qualifying pension fund); or
- (iv) that is an investment institution (*beleggingsinstelling*) as described in Section 6a or 28 CITA.

### Withholding Tax

Any payments made under the Notes will not be subject to withholding or deduction for, or on account of, any Dutch Taxes (as defined in the Conditions to each of the Notes).

## ***Taxes on Income and Capital Gains***

### **Residents of the Netherlands**

The description of certain Dutch tax consequences in this paragraph is only intended for the following Noteholders:

- (i) individuals who are resident or deemed to be resident in the Netherlands (“**Dutch Individuals**”); and
- (ii) entities or enterprises that are subject to the CITA and are resident or deemed to be resident in the Netherlands (“**Dutch Corporate Entities**”).

#### ***Dutch Individuals engaged or deemed to be engaged in an enterprise or in miscellaneous activities***

Dutch Individuals engaged or deemed to be engaged in an enterprise or in miscellaneous activities (*resultaat uit overige werkzaamheden*) are generally subject to income tax at statutory progressive rates with a maximum of 49.50 per cent. with respect to any benefits derived or deemed to be derived from the Notes, including any capital gains realised on their disposal, that are attributable to:

- (i) an enterprise from which a Dutch Individual derives profits, whether as an entrepreneur (*ondernemer*) or pursuant to a co-entitlement (*medegerechtigde*) to the net worth of this enterprise other than as an entrepreneur or a shareholder; or
- (ii) miscellaneous activities, including, without limitation, activities which are beyond the scope of active portfolio investment activities (*meer dan normaal vermogensbeheer*).

#### ***Dutch Individuals not engaged or deemed to be engaged in an enterprise or in miscellaneous activities***

Generally, the Notes held by a Dutch Individual who is not engaged or deemed to be engaged in an enterprise or in miscellaneous activities, or who is so engaged or deemed to be engaged but the Notes are not attributable to that enterprise or such miscellaneous activities, will be subject to an annual income tax imposed on a fictitious yield on the Notes under the Dutch regime for savings and investments (*inkomen uit sparen en beleggen*). Irrespective of the actual income or capital gains realised, the annual taxable benefit of the assets and liabilities of a Dutch Individual that are taxed under this regime, including the Notes, is set at a percentage of the positive balance of the fair market value of these assets, including the Notes, and the fair market value of these liabilities. The percentage, which is annually indexed, increases:

- (i) from 1.79 per cent. over the first €72,797 of such positive balance;
- (ii) to 4.19 per cent. over any excess positive balance between €72,797.01 up to and including €1,005,572; and
- (iii) to a maximum of 5.28 per cent. over any excess positive balance of €1,005,572.01 or higher.

No taxation occurs if this positive balance does not exceed a certain threshold (*heffingvrij vermogen*). The fair market value of assets, including the Notes, and liabilities that are taxed under this regime is measured once in each calendar year on 1 January. The tax rate under the regime for savings and investments is a flat rate of 30 per cent.

#### ***Dutch Corporate Entities***

Dutch Corporate Entities are generally subject to corporate income tax at statutory rates up to 25 per cent. with respect to any benefits derived or deemed to be derived from the Notes, including any capital gains realised on their disposal and any currency exchange rate fluctuation.

### **Non-residents of the Netherlands**

The description of certain Dutch tax consequences in this paragraph is only intended for the following Noteholders:

- (i) individuals who are not resident and not deemed to be resident in the Netherlands (“**Non-Dutch Individuals**”); and
- (ii) entities that are not resident and not deemed to be resident in the Netherlands (“**Non-Dutch Corporate Entities**”).

### *Non-Dutch Individuals*

A Non-Dutch Individual will not be subject to any Dutch taxes on income or capital gains in respect of the purchase, ownership and disposal or transfer of the Notes, unless:

- (i) the Non-Dutch Individual derives profits from an enterprise, whether as entrepreneur or pursuant to a co-entitlement to the net worth of this enterprise other than as an entrepreneur or a shareholder, which enterprise is, in whole or in part, carried on through a permanent establishment (*vaste inrichting*) or a permanent representative (*vaste vertegenwoordiger*) in the Netherlands, to which the Notes are attributable;
- (ii) the Non-Dutch Individual derives benefits from miscellaneous activities carried on in the Netherlands in respect of the Notes, including (without limitation) activities which are beyond the scope of active portfolio investment activities; or
- (iii) the Non-Dutch Individual is entitled to a share in the profits of an enterprise, other than by way of securities, which enterprise is effectively managed in the Netherlands and to which enterprise the Notes are attributable.

### *Non-Dutch Corporate Entities*

A Non-Dutch Corporate Entity will not be subject to any Dutch taxes on income or capital gains in respect of the purchase, ownership and disposal or transfer of the Notes, unless:

- (i) the Non-Dutch Corporate Entity derives profits from an enterprise, which enterprise is, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands, to which the Notes are attributable; or
- (ii) the Non-Dutch Corporate Entity is entitled to a share in the profits of an enterprise or a co-entitlement to the net worth of an enterprise, other than by way of securities, which enterprise is effectively managed in the Netherlands and to which enterprise the Notes are attributable.

Under certain specific circumstances, Dutch taxation rights may be restricted for Non-Dutch Individuals and Non-Dutch Corporate Entities pursuant to treaties for the avoidance of double taxation.

### ***Dutch Gift Tax or Inheritance Tax***

No Dutch gift tax or inheritance tax is due in respect of any gift of the Notes by, or inheritance of the Notes on the death of, a Noteholder, unless:

- (i) at the time of the gift or death of the Noteholder, the Noteholder is resident, or is deemed to be resident, in the Netherlands;
- (ii) the Noteholder dies within 180 days after the date of the gift of the Notes while being, or being deemed to be, resident in the Netherlands at the time of his death but not at the time of the gift; or
- (iii) the gift of the Notes is made under a condition precedent and the Noteholder is resident, or is deemed to be resident, in the Netherlands at the time the condition is fulfilled.

### ***Other Taxes and Duties***

No other Dutch taxes, including taxes of a documentary nature, such as capital tax, stamp or registration tax or duty, are payable by the Issuer or by, or on behalf of, the Noteholders by reason only of the issue, acquisition or transfer of the Notes.

### ***Residency***

A Noteholder will not become resident, or deemed resident, in the Netherlands by reason only of holding the Notes. Subject to the exceptions above, a Noteholder will not become subject to Dutch taxes by reason only of the Issuer's performance, or the Noteholder's purchase (by way of issue or transfer to the Noteholder), ownership or disposal of the Notes.

### **The proposed financial transactions tax**

On 14 February 2013, the European Commission published a proposal (the “**Commission’s Proposal**”) for a Directive for a common financial transactions tax (“**FTT**”) in Austria, Belgium, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia, and Spain (the “**participating Member States**”) and Estonia. However, Estonia has since stated that it will not participate.

The Commission’s Proposal has very broad scope and could, if introduced in its current form, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No. 1287/2006 are expected to be exempt.

Under the Commission’s Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, “established” in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The Commission’s Proposal remains subject to negotiation among the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate and/or certain of the participating Member States may decide to withdraw.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

## SUBSCRIPTION AND SALE

Citigroup Global Markets Limited, HSBC Bank plc, ING Bank N.V. and Merrill Lynch International (the “**Active Joint Lead Managers**”), as well as ABN AMRO Bank, N.V., BNP Paribas, Banca IMI S.p.A. and Coöperatieve Rabobank U.A. (the “**Passive Joint Lead Managers**”, together with the Active Joint Lead Managers, the “**Joint Lead Managers**”), have, pursuant to a subscription agreement (the “**Subscription Agreement**”) dated 6 May 2020, jointly and severally agreed to subscribe or procure subscribers for the Notes. The Issuer will pay certain commissions to the Joint Lead Managers and will reimburse them in respect of certain of their expenses, and has also agreed to indemnify the Joint Lead Managers against certain liabilities, incurred in connection with the issue of the Notes. The Subscription Agreement provides that the obligations of the Joint Lead Managers to subscribe for the Notes may be subject to certain conditions precedent, including (among other things) receipt of legal opinions from counsel. The Subscription Agreement may be terminated in certain circumstances prior to payment of the Issuer.

### United States

The Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

Each Joint Lead Manager has represented that, except as permitted by the Subscription Agreement, it has not offered, sold or delivered, and agreed that it will not offer, sell or deliver the Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and 11 May 2020, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Notes within the United States.

In addition, until 40 days after the commencement of the offering of the Notes, an offer or sale of Notes within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 (the “**Code**”) and Treasury regulations promulgated thereunder.

### Prohibition of Sales to EEA or UK Retail Investors

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the EEA or the UK. For the purposes of this provision, the expression “retail investor” means a person who is one (or more) of the following:

- a) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
- b) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

### United Kingdom

Each Joint Lead Manager has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000, as amended (the “**FSMA**”)) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

## **Japan**

*Each Joint Lead Manager has represented and agreed that the Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended the “Financial Instruments and Exchange Act”). Accordingly, each Joint Lead Manager represents and agrees that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.*

## **General**

No action has been taken or will be taken in any jurisdiction by the Issuer, or any of the Joint Lead Managers that would, or is intended to, permit a public offer of the Notes, or possession or distribution of this Prospectus (in preliminary, proof or final form) or any other offering or publicity material relating to the Notes (including roadshow materials and investor presentations), in any country or jurisdiction where any such action for that purpose is required. Accordingly, each Joint Lead Manager has undertaken that it will not, directly or indirectly, offer or sell any Notes or distribute or publish any offering circular, prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations. Persons into whose hands this Prospectus comes are required by the Issuer and the Joint Lead Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Prospectus or any other offering material relating to the Notes, in all cases at their own expense.

## GENERAL INFORMATION

### Authorisation

The issue of the Notes was duly authorised by a resolution of the Board of Management of the Issuer dated 2 March 2020 and approved by the Supervisory Board of the Issuer in its meeting held on 30 January 2020.

### Listing and Admission to Trading

Application has been made for the Notes to be admitted to listing on the Official List and admitted to trading on the regulated market of the Luxembourg Stock Exchange with effect from 11 May 2020. The total expenses relating to the admission to listing and trading are expected to be approximately €8,600.

### Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN for the 2024 Notes is XS2128498636 and the Common Code is 212849863 and the ISIN for the 2027 Notes is XS2128499105 and the Common Code is 212849910. The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

### Legal Entity Identifier

The Legal Entity Identifier (LEI) code of the Issuer is 549300072P3J1X8NZO35.

### No Significant or Material Adverse Change

Other than as disclosed in the risk factor entitled “*The present COVID-19 pandemic could have a material adverse effect on the Group’s cash flow, financial condition and results of operations. The impact of the COVID-19 pandemic on the Group is uncertain and cannot be predicted*” and the section headed “*Description of the Issuer and the Group—Recent Developments*”, there has been (i) no significant change in the financial performance or financial position of the Issuer or the Group since 31 March 2020; and (ii) no material adverse change in the prospects of the Issuer or the Group since 31 December 2019.

### Material Contracts

Other than as disclosed in the section headed “*Description of the Issuer and the Group—Material Contracts*” on pages 61 to 62 of this Prospectus, neither the Issuer nor any other member of the Group has entered into any material contracts outside the ordinary course of business which could result in its being under an obligation or entitlement which is, or may be, material to the ability of the Issuer to meet its obligations in respect of the Notes.

### Potential Conflicts of Interest

There are no potential conflicts of interest between any duties of the members of either of the Board of Management or the Supervisory Board and their private interests in relation to the Issuer.

### Auditors

The statutory auditors of the Group for the period covered by the historical financial information are Ernst & Young Accountants LLP (“**EY Netherlands**”), whose principal place of business is at Boompjes 258, 3011 XZ Rotterdam, the Netherlands. EY Netherlands is registered at the Chamber of Commerce of Rotterdam in the Netherlands under number 24432944. The office address of the independent auditor of EY Netherlands that signed the combined independent auditor’s report is Cross Towers, Antonio Vivaldistraat 150, 1083 HP Amsterdam, the Netherlands.

EY Netherlands has audited and issued an unqualified combined independent auditor’s report on the consolidated financial statements of the Group for the financial years ended 31 December 2019 and 31 December 2018.

EY Netherlands is currently the Issuer’s independent registered audit firm and the registered accountants of EY Netherlands are members of the Royal Netherlands Institute of Chartered Accountants (*Koninklijke Nederlandse Beroepsorganisatie van Accountants*).



The statutory auditors of Cooper for the financial years ended 31 December 2018 and 31 December 2019 are Ernst & Young LLP (“**EY Atlanta**”), whose principal place of business is at 55 Ivan Allen Jr. Boulevard, Atlanta, Georgia 30308, United States of America.

EY Atlanta has audited and issued an unqualified independent auditor’s report on the Audited Combined Financial Statements.

EY Atlanta is currently Eaton’s independent registered audit firm.

No other information in this Prospectus has been audited.

## **U.S. tax**

The Notes and Coupons will contain the following legend: *“Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code.”*

## **Documents Available**

Electronic copies of the following documents will be available for inspection on the website of the Issuer at <https://www.signify.com> for the period set out next to their descriptions below:

- (a) the constitutional documents (with an English translation thereof) of the Issuer for so long as the Notes remain outstanding;
- (b) the Q1 2020 Press Release for a period of 10 years following the date of this Prospectus;
- (c) the Audited Consolidated Financial Statements 2019, together with the combined independent auditor’s report thereon, for a period of 10 years following the date of this Prospectus;
- (d) the Audited Consolidated Financial Statements 2018, together with the combined independent auditor’s report thereon, for a period of 10 years following the date of this Prospectus;
- (e) in respect of each of the Notes, the relevant Trust Deed, Agency Agreement, forms of the Global Notes, Notes in definitive form and Coupons, for so long as such Notes remain outstanding; and
- (f) a copy of this Prospectus for a period of 10 years following the date of this Prospectus.

This Prospectus will also be published on the website of the Regulatory News Service operated by the Luxembourg Stock Exchange at <https://www.bourse.lu/cssf-approvals>.

## **Indication of Yield**

The yield on the 2024 Notes will be 2.110 per cent. calculated on an annual basis. The yield on the 2027 Notes will be 2.434 per cent. calculated on an annual basis. These indications of yield have been calculated as at 11 May 2020 on the basis of the relevant issue price and are not an indication of future yield.

## **Joint Lead Managers transacting with the Issuer**

Each of the Joint Lead Managers and its affiliates (including their parent companies) has engaged, and may in future engage, in investment banking and/or commercial banking (including derivatives contracts, the provision of loan facilities and consultancy services) and other related transactions with, and may perform services for the Issuer and its affiliates (including other members of the Group) in the ordinary course of business.

In addition, in the ordinary course of their business activities, the Joint Lead Managers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or its affiliates or any entity related to the Notes. The Joint Lead Managers or their respective affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk-management policies. Typically, such Joint Lead Managers and their respective affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short

positions in the Issuer's securities, including potentially the Notes offered hereby. Any such short positions could adversely affect future trading prices of the Notes. The Joint Lead Managers and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. For the purposes of this paragraph, the term "affiliates" includes also parent companies.

Furthermore, each Joint Lead Manager (and/or its affiliates) has a significant lending relationship with the Issuer and certain subsidiary companies within the Group, and has provided the Issuer with investment banking services in the last twelve months and therefore has a conflict of interest to the extent that the proceeds from the issue of the Notes are used to repay previous loans granted to the Issuer. In particular, the net proceeds from the issue of the Notes will be applied to repay the Cooper Acquisition Bridge Loan, under which affiliates of each of the Joint Lead Managers are lenders (see the "*Use and Estimated Net Amount of Proceeds*" section for further detail).

As further described in the section "*Subscription and Sale*", each of the Joint Lead Managers will receive a commission.

### **Validity of Prospectus**

This Prospectus will be valid under the Prospectus Regulation for 12 months from 6 May 2020. The obligation to supplement this Prospectus in the event of significant new factors, material mistakes or material inaccuracies will not apply following the expiry of that period.

## UNAUDITED PRO FORMA FINANCIAL INFORMATION

### 1. Unaudited Pro Forma Financial Information

The Unaudited Pro Forma Financial Information has been prepared to illustrate the impact of the Acquisition completed on 2 March 2020 and the Notes offering expected to be completed on 11 May 2020, respectively, and the repayment of the Cooper Acquisition Bridge Loan in relation to the Acquisition.

The Unaudited Pro Forma Financial Information includes historical financial information of the Group and Cooper. The Group's financial statements are presented in euros and in accordance with IFRS as endorsed by the EU and Part 9 of Book 2 of the Dutch Civil Code. Cooper's financial statements are presented in U.S. dollars and in accordance with U.S. GAAP, which has subsequently been adjusted as described below. The historical financial information of Cooper included in this Prospectus has been provided by Eaton. The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only, and because of its nature addresses a hypothetical financial position and results and therefore does not represent the actual financial position and results of operations of the Issuer or the Group as of and for the year ended 31 December 2019.

The Issuer completed the Acquisition on 2 March 2020 based on a total enterprise value of U.S.\$1.4 billion, (approximately €1.3 billion) on a cash and debt free basis, with the purchase price being subject to customary adjustment criteria including a working capital adjustment. The Acquisition was fully financed with debt through the Cooper Acquisition Bridge Loan.

The Acquisition has been accounted for in accordance with IFRS 3 using the acquisition method of accounting under which the Acquisition consideration is allocated to assets acquired and liabilities assumed based on their estimated fair values as of the date of closing of the Acquisition. Goodwill of €463 million has been provisionally recorded in the unaudited pro forma consolidated balance sheet. The actual calculation and allocation of the consideration outlined above will be based on the assets purchased and liabilities assumed at the closing date of the Acquisition and other information available at that date. Accordingly, the actual amounts for each of these assets and liabilities will vary from the pro forma amounts disclosed above and the variations may be material.

#### *Basis of presentation*

The Unaudited Pro Forma Financial Information presented in this Prospectus is derived from (a) the Audited Consolidated Financial Statements 2019 and (b) the Audited Combined Financial Statements. The Audited Consolidated Financial Statements 2019 are presented in euros and in accordance with IFRS as endorsed by the EU and Part 9 of Book 2 of the Dutch Civil Code, and the Audited Combined Financial Statements are presented in U.S. dollars and in accordance with U.S. GAAP. The Unaudited Pro Forma Financial Information presented in this Prospectus should be read in conjunction with the Audited Consolidated Financial Statements 2019 and the Audited Combined Financial Statements, the accompanying notes thereto and the other information contained in or incorporated by reference into this Prospectus.

For the purpose of the Unaudited Pro Forma Financial Information, the presentation of the income statement and balance sheet of the Group has been adjusted to report in accordance with the presentation of the income statement and balance sheet of Cooper as the audited income statement and balance sheet of Cooper is presented in a more comprehensive fashion. As a result, certain line items are combined for presentation purposes in the Unaudited Pro Forma Financial Information. These adjustments are solely related to presentation adjustments and, therefore, by nature do not have an impact on any of the reported net results or net assets reported by Cooper. The Unaudited Pro Forma Financial Information also reflects the application of pro forma adjustments based on the conversion of the Audited Combined Financial Statements from U.S. GAAP to IFRS as endorsed by the EU, as the pro forma financial information must be prepared in a manner consistent with the accounting policies of the Group, which are in accordance with IFRS as endorsed by the EU. This initial U.S. GAAP to IFRS conversion adjustment also includes the adjustment to align Cooper's accounting policies to those of the Group. The Issuer notes that differences have been identified with respect to lease accounting, calculation of warranty reserve, pensions and allowances for bad debt and inventory. None of these identified differences is expected to have a material effect on the Unaudited Pro Forma Financial Information. Actual results may differ materially from the assumptions made for the purpose of the Unaudited Pro Forma Financial Information. The Unaudited Pro Forma Financial Information is not necessarily indicative of the financial position or results of operations of the Group, nor is it meant to be indicative of any anticipated financial position or results of operations that the Group will experience going forward. In addition, the unaudited pro forma income statements do not reflect any expected cost savings, synergies or restructuring-related costs that the Group expects to generate or incur.

The unaudited pro forma consolidated balance sheet as of 31 December 2019 gives effect to the Acquisition, the issuance of the Notes and the repayment of the Cooper Acquisition Bridge Loan as if they had occurred on that date and combines the audited consolidated balance sheet of the Group as of 31 December 2019 and the audited balance sheet of

Cooper as of 31 December 2019. Similarly, the unaudited pro forma combined income statement for the financial year ended 31 December 2019, gives effect to the Acquisition, the issuance of the Notes and the repayment of the Cooper Acquisition Bridge Loan as if they had occurred on 1 January 2019 and combines the audited consolidated income statement of the Group for the financial year ended 31 December 2019 and the audited combined income statement of Cooper for the financial year ended 31 December 2019.

The Unaudited Pro Forma Financial Information reflects adjustments to historical, consolidated financial statements to give pro forma effect to events that are (i) directly attributable to the Acquisition, the issuance of the Notes and the repayment of the Cooper Acquisition Bridge Loan, (ii) clearly shown and explained and (iii) factually supportable.

The Acquisition has been accounted for as a business combination using the acquisition method of accounting under IFRS 3. The IFRS 3 acquisition method of accounting applies to the fair value concept defined in IFRS 13 and requires, among other things, that the assets acquired and the liabilities assumed in a business combination be recognised by the acquirer at their fair values as of the acquisition date, with any excess of the purchase consideration over the fair value of identifiable net assets acquired and recognised as goodwill. The purchase price calculation and purchase price allocation presented in the Unaudited Pro Forma Financial Information are preliminary.

Following closing of the Acquisition, final valuations are being performed, and the Issuer anticipates that the values assigned to the assets acquired and liabilities assumed will be finalised during the one-year measurement period following the date of closing of the Acquisition. The finalisation includes the update of the prospective financial information that is used to value the acquired assets with the information available as of the closing date of the Acquisition, since the value assigned to the assets acquired and liabilities assumed in the Unaudited Pro Forma Financial Information is based on the forecast used in the deal transaction in 2019. Differences between these preliminary estimates and the final acquisition accounting will occur and these differences could have a material impact on the Unaudited Pro Forma Financial Information and the Group's future results of operations and balance sheet.

# Unaudited Pro Forma Consolidated Balance Sheet as of 31 December 2019

In millions of EUR	Group (audited) (1)	Cooper U.S. GAAP translated (2)	Pro forma adjustments relating to GAAP and Accounting Policy differences (unaudited) (3)	Pro forma adjustments relating to Purchase Price Allocation (unaudited) (4)	Cooper (unaudited) (5)	Eliminations (unaudited) (6)	Pro forma adjustments relating to Financing (unaudited) (6)	Pro Forma Total (unaudited)
<b>Non-current assets</b>								
Property, plant and equipment	644	154	(1)	34	187	—	—	831
Goodwill	1,943	810	—	(347)	463	—	—	2,406
Intangible assets, other than goodwill	443	289	—	205	494	—	—	937
Investments in associates	14	—	—	—	—	—	—	14
Financial assets	49	—	—	—	—	—	—	49
Deferred tax assets	384	4	—	4	8	—	—	392
Other assets	64	5	—	—	5	—	—	69
<b>Total non-current assets</b>	<b>3,541</b>	<b>1,262</b>	<b>(1)</b>	<b>(104)</b>	<b>1,157</b>	<b>—</b>	<b>—</b>	<b>4,698</b>
<b>Current assets</b>								
Inventories	874	143	(3)	11	151	(0)	—	1,024
Other assets	161	8	—	—	8	—	—	169
Derivative financial assets	16	—	—	—	—	—	—	16
Trade, income tax and other receivables	1,271	188	(1)	—	187	(5)	—	1,453
Cash and cash equivalents	847	—	—	—	—	—	46	893
Assets classified as held for sale	4	—	—	—	—	—	—	4
<b>Total current assets</b>	<b>3,174</b>	<b>339</b>	<b>(4)</b>	<b>11</b>	<b>346</b>	<b>(5)</b>	<b>46</b>	<b>3,561</b>
<b>Total assets</b>	<b>6,715</b>	<b>1,601</b>	<b>(6)</b>	<b>(93)</b>	<b>1,503</b>	<b>(5)</b>	<b>46</b>	<b>8,260</b>
<b>Equity</b>								
Shareholders' equity	(2,181)	(1,275)	6	75	(1,195)	0	1,224	(2,151)
Non-controlling interest	(142)	—	—	—	—	—	—	(142)
<b>Total equity</b>	<b>(2,324)</b>	<b>(1,275)</b>	<b>6</b>	<b>75</b>	<b>(1,195)</b>	<b>0</b>	<b>1,224</b>	<b>(2,294)</b>
<b>Non-current liabilities</b>								
Debt	(1,369)	(15)	—	—	(15)	—	(1,270)	(2,654)
Post-employment benefits	(437)	—	—	—	—	—	—	(437)
Provisions	(216)	(3)	(1)	(7)	(11)	—	—	(227)
Deferred tax liabilities	(28)	(41)	—	28	(13)	—	—	(41)
Income tax payable	(52)	—	—	—	—	—	—	(52)
Other liabilities	(135)	(16)	1	—	(15)	—	—	(150)
<b>Total non-current liabilities</b>	<b>(2,236)</b>	<b>(75)</b>	<b>(0)</b>	<b>21</b>	<b>(54)</b>	<b>—</b>	<b>(1,270)</b>	<b>(3,561)</b>
<b>Current liabilities</b>								
Debt, including bank overdrafts	(96)	—	—	—	—	—	—	(96)
Derivative financial liabilities	(20)	—	—	—	—	—	—	(20)
Trade, income tax and other payables	(1,706)	(163)	—	—	(163)	5	—	(1,864)
Provisions	(149)	—	—	—	—	—	—	(149)
Other liabilities	(183)	(88)	—	(3)	(91)	—	—	(274)
Liabilities from assets classified as held for sale	(2)	—	—	—	—	—	—	(2)
<b>Total current liabilities</b>	<b>(2,155)</b>	<b>(251)</b>	<b>—</b>	<b>(3)</b>	<b>(254)</b>	<b>5</b>	<b>—</b>	<b>(2,405)</b>
<b>Total liabilities and total equity</b>	<b>(6,715)</b>	<b>(1,601)</b>	<b>6</b>	<b>93</b>	<b>(1,503)</b>	<b>5</b>	<b>(46)</b>	<b>(8,260)</b>

# **Unaudited Pro Forma Consolidated Statement of Income for the year ended 31 December 2019**

<b>In millions of EUR</b>	<b>Group</b>	<b>Cooper</b>	<b>Pro forma</b>	<b>Pro forma</b>			<b>Pro forma</b>	<b>Pro Forma</b>
	<b>(audited)</b>	<b>U.S.</b>	<b>adjustments</b>	<b>adjustments</b>	<b>Cooper</b>	<b>Eliminations</b>	<b>adjustments</b>	<b>Total</b>
	<b>(1)</b>	<b>GAAP</b>	<b>relating to</b>	<b>relating to</b>	<b>(unaudited)</b>	<b>(unaudited)</b>	<b>relating to</b>	<b>(unaudited)</b>
		<b>translated</b>	<b>GAAP and</b>	<b>Purchase</b>			<b>Financing</b>	
		<b>(2)</b>	<b>Accounting</b>	<b>Price</b>			<b>(unaudited)</b>	
			<b>differences</b>	<b>Allocation</b>			<b>(6)</b>	
			<b>(3)</b>	<b>(4)</b>		<b>(5)</b>		
Sales	6,247	1,477	—	—	1,477	(23)	—	7,701
Cost of sales	(3,940)	(983)	121	(30)	(891)	23	—	(4,808)
<b>Gross margin</b>	<b>2,307</b>	<b>494</b>	<b>121</b>	<b>(30)</b>	<b>586</b>	<b>0</b>	<b>—</b>	<b>2,893</b>
Selling, general and administrative expenses	(1,637)	(318)	(119)	(0)	(438)	—	(7)	(2,082)
Research and development expenses	(283)	(50)	—	—	(50)	—	—	(333)
Other business income (expenses)	14	15	(2)	—	14	—	—	28
<b>Income from operations</b>	<b>401</b>	<b>141</b>	<b>0</b>	<b>(29)</b>	<b>112</b>	<b>0</b>	<b>(7)</b>	<b>506</b>
Financial income (expenses)	(43)	—	(1)	—	(1)	—	(33)	(77)
Results from investments in associates	1	—	—	—	—	—	—	1
<b>Income before taxes</b>	<b>360</b>	<b>141</b>	<b>(1)</b>	<b>(29)</b>	<b>111</b>	<b>0</b>	<b>(40)</b>	<b>431</b>
Income tax expense	(93)	(25)	—	7	(18)	—	10	(101)
<b>Net Income</b>	<b>267</b>	<b>116</b>	<b>(1)</b>	<b>(22)</b>	<b>93</b>	<b>0</b>	<b>(30)</b>	<b>330</b>

## **2. Notes to the Unaudited Pro Forma Financial Information (Pro Forma Adjustments)**

On 11 May 2020, the Issuer expects to complete the Notes Offering. The 2024 Notes and the 2027 Notes are expected to be issued at 99.582 per cent. and 99.624 per cent. of their nominal value respectively, with an interest rate of 2.000 per cent. and 2.375 per cent. respectively, payable annually in arrear. This amount is recorded as a liability on an amortised cost basis using the effective interest method until it is extinguished upon conversion or at the instrument's maturity date.

Interest expense relating to the Notes has been calculated based on the effective interest rate, consisting of the market interest rate and amortisation of transaction costs. Average yearly interest expenses of €29 million have therefore been included as an adjustment in the unaudited pro forma consolidated income statement.

The increase in borrowings amounting to €1,270 million consists of the fair value of the liability of the Notes (i.e., €1,275 million) less the allocated transaction costs of €5 million.

The Unaudited Pro Forma Financial Information presented in this Prospectus is derived from:

### **(1) Audited consolidated financial statements of the Group**

The Audited Consolidated Financial Statements 2019, as incorporated by reference herein, as described under *“Information Incorporated by Reference”*.

### **(2) Translated audited combined financial statements of Cooper**

The Audited Combined Financial Statements are presented in U.S. dollars which have been translated in euro. This translation has been performed using the average U.S. dollar to euro exchange rate for the fiscal year 2019 of 0.8943 for the income statement accounts and the average U.S. dollar to euro exchange rate as at 31 December 2019 of 0.8923 for the balance sheet accounts.

The exchange rates described above are determined on a monthly basis. The average of the monthly exchange rates is taken in order to determine the overall financial year 2019 average exchange rate.

The Audited Combined Financial Statements are included in this Prospectus in the section headed *“Financial Information of Cooper, the Lighting Business of Eaton Corporation Plc”*.

### **(3) Pro forma adjustments relating to GAAP and Accounting Policy differences**

The Unaudited Pro Forma Financial Information reflects the application of pro forma adjustments based on the U.S. GAAP to IFRS conversion of Cooper. Included in this analysis is the alignment of accounting policies of the Group and Cooper to identify significant differences between the accounting policies that will need to be adjusted for as further described below.

As of the date of this Prospectus, the Issuer notes that differences have been identified with respect to:

- The accounting for leases, where, mainly with respect to the income statement, U.S. GAAP deviates from the lease accounting model under IFRS. U.S. GAAP allows an entity to recognise operating and financial leases. All leases held by Cooper are recognised as operating lease liabilities on the balance sheet. IFRS only permits a single lease classification, which is similar to a financial lease under U.S. GAAP. As a result in the income statement a reclassification is made between ‘Cost of Sales’ and ‘Financial expenses’. This adjustment has been based on the accounting records of Cooper and is expected to remain applicable.

Under IFRS a lower gain (reported under other business income) has been realised on a sale & leaseback transaction in 2019 compared to the treatment under U.S. GAAP. This adjustment has been based on the accounting records of Cooper and applying IFRS 16. This adjustment is not expected to have a continuing impact.

- Calculation of warranty reserve, where under U.S. GAAP this reserve was recognised at nominal value, IFRS states that long-term liabilities should be discounted for. This adjustment has been based on the accounting records of Cooper and is expected to remain applicable.

- Cooper did not account for certain jubilee plans in Mexico and the United States which are required under IAS 19. The adjustment is based on the number of employees eligible to these jubilee plans and an estimated liability per employee. This adjustment is expected to remain applicable.
- Allowances for bad debt and inventory obsolescence, where methodologies to determine the required allowances were aligned with the Group's policies. These adjustments have been based on the accounting records of Cooper and is expected to remain applicable.
- A reclassification of €21 million was made related to amortisation of customer relations and brand related intangible assets, which were included in 'Cost of Sales' under the Cooper accounting policies and that are to be reported as 'Selling, general and administrative expenses' to align to the accounting policies of the Group. This adjustment has been based on the accounting records of Cooper and is expected to remain applicable.
- A reclassification was made relating to shipping and handling expenses of €99 million related to sales to third parties included in 'Cost of Sales' under the Cooper accounting policies to 'Selling, general and administrative expenses' to align to the accounting policies of the Group. This adjustment has been based on the accounting records of Cooper and is expected to remain applicable.

#### **(4) Pro forma adjustments relating to Purchase Price Allocation**

The preliminary allocation of the aggregate estimated purchase price is based upon estimates that the Issuer believes are reasonable. The Issuer is in the process of conducting a detailed valuation of all assets and liabilities as of the closing date of the Acquisition at which point the fair value of assets and liabilities may differ materially from the amounts presented herein. This includes the update of the prospective financial information that is used to value the acquired assets with the information available as of the closing date of the Acquisition.

The preliminary purchase price allocation is based on the book values of Cooper as at 31 December 2019 is based on a base purchase price of U.S.\$1.4 billion (on a cash and debt free basis), with the purchase price being subject to customary adjustments including a working capital adjustment.

The Acquisition has been accounted for in accordance with IFRS 3 using the acquisition method of accounting under which the purchase consideration is allocated to assets acquired and liabilities assumed based on their estimated fair values as of the date of the consummation of the merger. The excess of preliminary estimated purchase consideration over the preliminary estimated fair value of identifiable net assets acquired has been allocated to goodwill in the Unaudited Pro Forma Financial Information. The pro forma adjustments relating to Purchase Price Allocation will remain applicable to the Group, while values may change as the Purchase Price Allocation becomes final.

#### **(5) Eliminations**

Balances receivable and payable between the Group and Cooper have been eliminated. The balances have been reconciled to the accounting records of both the Group and Cooper. Furthermore, unrealised intercompany profit in inventories of goods sold by the Group to Cooper has been eliminated using on estimates based on average sales margins and average days held in inventories. Intercompany eliminations of balances due and unrealised intercompany profit are expected to continue to be applicable.

#### **(6) Pro forma adjustments relating to Financing**

The unaudited pro forma consolidated balance sheet as of 31 December 2019 gives effect to the Acquisition, the issuance of the Notes and the repayment of the Cooper Acquisition Bridge Loan as if they had occurred on that date. The unaudited pro forma consolidated income statement for the financial year ended 31 December 2019 gives effect to the Acquisition, the issuance of the Notes for an amount of €1,275 million and the repayment of the Cooper Acquisition Bridge Loan for an amount of €1,218 million as if they had occurred on 1 January 2019.

The Issuer completed the Acquisition on 2 March 2020. The total consideration for the Acquisition is based on an enterprise value of U.S.\$1.4 billion (approximately €1.3 billion) on a cash and debt free basis, with the purchase price being subject to customary adjustment criteria including a working capital adjustment. The Acquisition is fully financed with debt, with committed bridge financing arranged.



### 3. Assurance report of the independent auditor

To: the annual general meeting of shareholders and supervisory board of Signify N.V.

#### Our opinion

We have examined the compilation of the pro forma consolidated financial information of Signify N.V. (the Company) based in Eindhoven, included on the pages 76 to 81 of the prospectus dated 6 May 2020 of the Company for the proposed offering of notes by the Company to be admitted to listing on the official list of the Luxembourg Stock Exchange and to trading on the regulated market of the Luxembourg Stock Exchange (the Prospectus).

In our opinion:

- The pro forma consolidated financial information has been properly compiled based on the applicable criteria stated in sections 1. and 2. of the pro forma consolidated financial information.
- Such basis is consistent with the accounting policies of the Company as described in the notes to the consolidated financial statements of the Company for the year ended 31 December 2019.

The pro forma consolidated financial information comprises the pro forma consolidated balance sheet as at 31 December 2019, the pro forma consolidated income statement for the year ended 31 December 2019, and related notes as set out on the pages 76 to 81 of the Prospectus issued by the Company.

#### Basis for our opinion

We conducted our examination in accordance with Dutch law, including the Dutch Standard 3420, “Assurance-opdrachten om te rapporteren over het opstellen van pro forma financiële informatie die in een prospectus is opgenomen” (Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus). This engagement is aimed to obtain reasonable assurance about whether management compiled the pro forma consolidated financial information, in all material aspects, based on the applicable criteria. Our responsibilities under this standard are further described in the section “Our responsibilities for the examination of the compilation of the pro forma consolidated financial information”.

We are independent of the Company in accordance with the “Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten” (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the “Verordening gedrags- en beroepsregels accountants” (VGBA, Dutch Code of Ethics).

We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Applicable criteria

For this engagement, the following criteria apply:

- The Commission Delegated Regulation (EU) 2019/980 to the proper compilation of the pro forma consolidated financial information and the consistency of accounting policies
- The assumptions made and disclosed by management in the basis of preparation of the pro forma consolidated financial information, as set out in the notes to the pro forma consolidated financial information

#### Relevant matters relating to the scope of our examination

The unadjusted historical financial information has been derived from the audited consolidated financial statements of the Company for the year ended 31 December 2019. For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma consolidated financial information, nor have we, in the course of this engagement,

performed an audit or review of the financial information used in compiling the pro forma consolidated financial information.

The purpose of pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Company as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 1 January 2019 for the consolidated income statement and at 31 December 2019 for the consolidated balance sheet would have been as presented.

Our opinion is not modified in respect of these matters.

#### Restriction on use

The pro forma consolidated financial information is prepared for the purpose of inclusion in the Prospectus. As a result, the pro forma financial information may not be suitable for another purpose. This report is required by the Commission Delegated Regulation (EU) 2019/980 and is given for the purpose of complying with that Delegated Regulation and inclusion in the Prospectus and for no other purpose.

#### Responsibilities of management and the supervisory board for the pro forma financial information

Management is responsible for preparing the pro forma financial information in accordance with the applicable criteria. Furthermore, management is responsible for such internal control as it determines is necessary to enable the compilation of the pro forma financial information that is free from material misstatement, whether due to error or fraud. The supervisory board is responsible for overseeing the (financial) reporting process of Signify N.V.

#### Our responsibilities for the examination of the compilation of the pro forma consolidated financial information

Our responsibility is to plan and perform our examination in a manner that allows us to obtain sufficient and appropriate assurance evidence for our opinion.

Our examination has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud.

We apply the “Nadere voorschriften kwaliteitssystemen” (NVKS, regulations for quality management systems) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our examination included amongst others:

- Identifying and assessing the risks of material misstatement in the compilation of the pro forma consolidated financial information, whether due to errors or fraud, designing and performing assurance procedures responsive to those risks, and obtaining assurance-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 errors, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- Obtaining an understanding of internal control relevant to the examination in order to design assurance 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
- Assessing whether the criteria applied by management in the compilation of the pro forma consolidated financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient and appropriate assurance-evidence about whether:
  - The related pro forma adjustments give appropriate effect to those criteria
  - The pro forma consolidated financial information reflects the proper application of those adjustments to the unadjusted financial information

- Evaluating the procedures undertaken by the Company in compiling the pro forma consolidated financial information and evaluating the consistency of the pro forma consolidated financial information with the accounting policies of the Company as described in the notes to the consolidated financial statements of the Company for the period ended 31 December 2019
- Evaluating the overall presentation of the pro forma consolidated financial information

Amsterdam, 6 May 2020

Ernst & Young Accountants LLP

Signed by O.E.D. Jonker

**FINANCIAL INFORMATION OF COOPER, THE LIGHTING BUSINESS OF EATON  
CORPORATION PLC**

**The Lighting Business of Eaton Corporation plc**

Combined Financial Statements

As of December 31, 2019 and 2018 and for the years ended December 31, 2019 and 2018

## **Report of Independent Registered Public Accounting Firm**

To the Shareholders and the Board of Directors of Eaton Corporation plc

### **Opinion on the Financial Statements**

We have audited the accompanying combined balance sheets of The Lighting Business of Eaton Corporation plc (the Company) as of December 31, 2019 and 2018, the related combined statements of income, comprehensive income, net parent investment and cash flows for the years then ended, and the related notes (collectively referred to as the “combined financial statements”). In our opinion, the combined financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

### **Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2018.

Atlanta, Georgia  
February 28, 2020

**The Lighting Business of Eaton Corporation plc**  
**Combined Statements of Income**

(In millions)	Year ended December 31	
	2019	2018
<b>Net sales</b>	\$ 1,652	\$ 1,657
Cost of products sold	1,099	1,119
<b>Gross profit</b>	553	538
Selling, general and administrative expense	412	405
<b>Operating profit</b>	141	133
Other income - net	17	4
<b>Income before income taxes</b>	158	137
Income tax expense	28	16
<b>Net income</b>	<u>\$ 130</u>	<u>\$ 121</u>

The accompanying notes are an integral part of the Combined Financial Statements.

**The Lighting Business of Eaton Corporation plc**  
**Combined Statements of Comprehensive Income**

(In millions)	Year ended December 31	
	2019	2018
<b>Net income</b>	<u>\$ 130</u>	<u>\$ 121</u>
<b>Other comprehensive income (loss), net of tax</b>		
Currency translation	6	(5)
Cash flow hedges	<u>(3)</u>	<u>4</u>
<b>Other comprehensive income (loss)</b>	<u>3</u>	<u>(1)</u>
<b>Total comprehensive income</b>	<u><u>\$ 133</u></u>	<u><u>\$ 120</u></u>

The accompanying notes are an integral part of the Combined Financial Statements.



**The Lighting Business of Eaton Corporation plc**  
**Combined Balance Sheets**

(In millions)	Year ended December 31	
	2019	2018
<b>Assets</b>		
Current assets		
Cash	\$ -	\$ -
Accounts receivable - net	211	260
Inventory	160	152
Prepaid expenses and other current assets	9	14
Total current assets	380	426
Property, plant and equipment		
Land and buildings	95	103
Machinery and equipment	208	184
Gross property, plant and equipment	303	287
Accumulated depreciation	(153)	(134)
Net property, plant and equipment	150	153
Goodwill	908	907
Other intangible assets	324	351
Operating lease assets	23	-
Deferred tax assets	5	5
Other assets	6	7
<b>Total assets</b>	<b>\$ 1,796</b>	<b>\$ 1,849</b>
<b>Liabilities and net parent investment</b>		
Current liabilities		
Accounts payable	\$ 183	\$ 168
Accrued compensation	12	9
Other current liabilities	87	89
Total current liabilities	282	266
Noncurrent liabilities		
Operating lease liabilities	17	-
Deferred tax liabilities	46	49
Other noncurrent liabilities	22	22
Total noncurrent liabilities	85	71
Net parent investment	1,468	1,554
Accumulated other comprehensive loss	(39)	(42)
Total net parent investment	1,429	1,512
<b>Total liabilities and net parent investment</b>	<b>\$ 1,796</b>	<b>\$ 1,849</b>

The accompanying notes are an integral part of the Combined Financial Statements.

**The Lighting Business of Eaton Corporation plc**  
**Combined Statements of Cash Flows**

(In millions)	Year ended December 31	
	2019	2018
<b>Operating activities</b>		
Net income	\$ 130	\$ 121
Adjustments to reconcile to net cash provided by operating activities		
Depreciation and amortization	52	53
Deferred income taxes	(4)	(6)
Cash flow hedges	(3)	4
Gain on sale of building	(18)	-
Changes in working capital		
Accounts receivable - net	51	(17)
Inventory	(7)	2
Prepaid expenses and other current assets	5	(7)
Accounts payable	15	35
Accrued compensation	3	(4)
Other current liabilities	(11)	(6)
Other assets	(3)	(3)
Other noncurrent liabilities	5	-
Other - net	2	(4)
Net cash provided by operating activities	217	168
<b>Investing activities</b>		
Capital expenditures for property, plant and equipment	(31)	(25)
Cash received on sale of property, plant and equipment	30	-
Net cash used in investing activities	(1)	(25)
<b>Financing activities</b>		
Repayment of related party debt	-	(16)
Net transfers to parent	(216)	(127)
Net cash used in financing activities	(216)	(143)
Total increase (decrease) in cash	-	-
Cash at the beginning of the period	-	-
Cash at the end of the period	\$ -	\$ -

The accompanying notes are an integral part of the Combined Financial Statements.

**The Lighting Business of Eaton Corporation plc**  
**Combined Statements of Net Parent Investment**

(In millions)	Net parent investment	Accumulated other comprehensive income (loss)	Total
Balance at January 1, 2018	\$ 1,569	\$ (41)	\$ 1,528
Cumulative effect adjustment upon adoption of ASU 2016-16	(9)	-	(9)
Net income	121	-	121
Other comprehensive loss, net of tax	-	(1)	(1)
Net transfers to parent	(127)	-	(127)
Balance at December 31, 2018	\$ 1,554	\$ (42)	\$ 1,512
Net income	130	-	130
Other comprehensive income, net of tax	-	3	3
Net transfers to parent	(216)	-	(216)
Balance at December 31, 2019	\$ 1,468	\$ (39)	\$ 1,429

The accompanying notes are an integral part of the Combined Financial Statements.

## **The Lighting Business of Eaton Corporation plc**

### **Notes to Combined Financial Statements**

Dollar amounts are in millions unless indicated otherwise.

#### **Note 1. BASIS OF PRESENTATION**

##### **The Transaction**

On October 15, 2019, Eaton Corporation plc (“Eaton” or “Parent”) executed a Stock and Asset Purchase Agreement to sell its lighting business (“Lighting” or “the business”) to Signify N.V. The transaction is subject to customary closing conditions and regulatory approvals and is expected to close in the first quarter of 2020.

##### **Nature of Operations**

Lighting is one of the world’s leading providers of lighting, lighting controls and connected lighting solutions, delivering a range of innovative and reliable indoor and outdoor lighting solutions designed to maximize performance, energy efficiency and cost savings. Lighting serves customers in commercial, industrial, residential and municipal markets throughout North America and select international markets. Lighting has an extensive product portfolio, providing customers a range of options across a wide variety of lighting and lighting control applications. Lighting’s products include recessed, ambient, industrial, specialty and outdoor lighting. To support the development of smart buildings, smart cities and smart homes, Lighting offers a growing portfolio of lighting controls and connected lighting solutions, including sensors, hardware, software and data analytics. Lighting markets its lighting products and control solutions under leading brand names, including Halo, Metalux and McGraw-Edison across a number of product lines.

##### **Basis of Presentation**

Lighting’s Combined Financial Statements have been prepared on a stand-alone basis and reflect a combination of entities under common control that have been “carved out” of and derived from Eaton’s historical Consolidated Financial Statements and accounting records. Accordingly, Eaton’s net investment in this business (“Net parent investment”) is presented in lieu of stockholders’ equity in the Combined Financial Statements for the years ended December 31, 2019 and 2018. Therefore, the Combined Financial Statements reflect Lighting’s historical combined financial position, results of operations and cash flows as the business was historically operated as part of Eaton prior to the distribution. The preparation of the Combined Financial Statements required considerable judgment of management and reflects significant assumptions and allocations that management of Eaton and Lighting believe are reasonable. As a result, Lighting’s Combined Financial Statements may not be indicative of Lighting’s future performance and do not necessarily reflect what Lighting’s combined results of operations, financial condition and cash flows would have been had Lighting operated as a separate company during the periods presented.

Lighting is comprised of certain stand-alone legal entities for which discrete financial information is available, as well as portions of legal entities for which discrete financial information is not available (shared legal entities). In some cases, discrete financial information was not available for Lighting within these shared entities as Eaton does not record every transaction at a discrete Lighting level. For the shared entities for which discrete financial information was not available, allocation methodologies were applied to certain accounts to allocate amounts to Lighting as discussed further in Note 11 – Relationship with Parent and Related Entities.

The Combined Statements of Income include all sales and costs directly attributable to Lighting, including costs for facilities, functions and services used by Lighting. Certain shared costs have been directly charged to Lighting based on usage or other allocation methods. The results of operations also include allocations of (i) costs for administrative functions and services performed on behalf of Lighting by centralized staff groups within Eaton, (ii) Eaton’s general corporate expenses and (iii) certain pension and other postretirement benefit costs (See Note 8 – Retirement Benefit Plans for a description of the allocation methodologies employed). As more fully described in Note 10 – Income Taxes, current and deferred income taxes and related income tax expense have been determined based on the stand-alone results of Lighting by applying Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) No. 740, Income Taxes, to the Lighting operations in each country as if it were a separate taxpayer (i.e., following the separate return methodology).

**The Lighting Business of Eaton Corporation plc**  
**Notes to Combined Financial Statements**

Eaton uses a centralized approach to cash management and financing its operations, including the operations of Lighting. Accordingly, no cash or cash equivalents have been allocated to Lighting in the Combined Financial Statements. Transactions between Eaton and Lighting are accounted for through Net parent investment. Eaton's short-term and long-term debt, including any related interest expense as well as its derivative activity, have been pushed down to Lighting's Combined Financial Statements when they are specifically identifiable to Lighting. See Note 11 – Relationship with Parent and Related Entities, for a further description of related party transactions between Eaton and Lighting.

All charges and allocations of cost for facilities, functions and services performed by Eaton have been deemed paid by Lighting to Eaton, in cash, in the period in which the cost was recorded in the Combined Statements of Income. All intercompany accounts and transactions between the businesses comprising Lighting have been eliminated in the accompanying Combined Financial Statements.

**Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Combined Financial Statements of the business have been prepared in accordance with generally accepted accounting principles in the United States. Preparation of the Combined Financial Statements requires management to make estimates and assumptions that affect amounts reported in the Combined Financial Statements and Notes. Actual results could differ from these estimates. Management has evaluated subsequent events through the date the Combined Financial Statements were issued on February 28, 2020.

Lighting's functional currency is United States Dollars (USD). The functional currency for most subsidiaries is their local currency. Financial statements for these subsidiaries are translated at year-end exchange rates as to assets and liabilities and weighted-average exchange rates as to revenues and expenses. The resulting translation adjustments are recognized in Accumulated other comprehensive loss.

**Adoption of New Accounting Standards**

Lighting adopted Accounting Standards Update 2016-02, Leases (Topic 842), and related amendments, in the first quarter of 2019 using the optional transition method and has not restated prior periods. Lighting elected to use the package of practical expedients permitted under the transition guidance within the new standard which, among other things, allowed the carry forward of historical lease classification of existing leases. The adoption of the new standard resulted in the recording of lease assets and lease liabilities for operating leases of \$20 and \$20, respectively, as of January 1, 2019. The adoption of the standard did not have a material impact to the Combined Statements of Income or Combined Statements of Cash Flows.

Lighting adopted Accounting Standards Update 2017-12, Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities, in the first quarter 2019 using the modified retrospective approach for hedge instruments that existed at the date of adoption. ASU 2017-12 is intended to better align Lighting's risk management activities with financial reporting for hedging relationships. The standard eliminates the requirement to separately measure and report hedge ineffectiveness, expands the ability to hedge specific risk components, and generally requires the change in value of the hedge instrument and hedged item to be presented in the same income statement line. The new disclosure requirements were applied on a prospective basis and comparative information has not been restated. The adoption of the standard did not have a material impact on the Combined Financial Statements.

Lighting adopted Accounting Standards Update 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, in the first quarter of 2020. This standard introduces new guidance for accounting for credit losses on receivables. The Company did not recognize a cumulative-effect adjustment to Net parent investment as of January 1, 2020. The adoption of this standard did not have a material impact on the Combined Financial Statements.

**The Lighting Business of Eaton Corporation plc**  
**Notes to Combined Financial Statements**

## **Revenue Recognition**

Sales are recognized when control of promised goods or services is transferred to customers in an amount that reflects the consideration the business expects to be entitled to in exchange for those goods or services. Control is transferred when the customer has the ability to direct the use of and obtain benefits from the goods or services. The majority of Lighting's sales agreements contain performance obligations satisfied at a point in time when control is transferred to the customer. For agreements with multiple performance obligations, judgment is required to determine whether performance obligations specified in these agreements are distinct and should be accounted for as separate revenue transactions for recognition purposes. In these types of agreements, Lighting generally allocates sales price to each distinct obligation based on the price of each item sold in separate transactions.

Payment terms vary by the type and location of the customer and the products or services offered. Generally, the time between when revenue is recognized and payment is due is not significant. Lighting does not evaluate whether the selling price includes a financing interest component for contracts that are less than a year. Sales, value added, and other taxes collected concurrent with revenue are excluded from net sales. Shipping and handling costs are treated as fulfillment costs and are included in Cost of products sold.

Lighting records reductions to sales for returns, and customer and distributor incentives, primarily comprised of rebates, at the time of the initial sale. Rebates are estimated based on sales terms, historical experience, trend analysis, and projected market conditions in the various markets served. The rebate programs vary among customers, but the most common incentives relate to amounts paid or credited to customers for achieving defined volume levels. Returns are estimated at the time of the sale primarily based on historical experience and recorded gross on the Combined Balance Sheets. See Note 4 – Revenue Recognition, for additional information.

## **Goodwill and Indefinite Life Intangible Assets**

Lighting operates under one reporting segment and one reporting unit.

Goodwill is evaluated annually for impairment as of October 1 using either a quantitative or qualitative analysis in addition to whenever an event occurs or circumstances change that would indicate that it is more likely than not that the fair value of the reporting unit is less than its carrying amount.

Goodwill impairment testing for 2019 was performed using a quantitative analysis under which the fair value for the reporting unit was estimated using two generally accepted valuation approaches, the market approach and the income approach. The market approach was incorporated by using the transaction price determined for the Lighting business as a result of the Stock and Asset Purchase Agreement executed on October 15, 2019 between Eaton and Signify N.V. The transaction price was considered a reasonable indicator of fair value because it was derived during an orderly sales process and the date of execution was in close proximity to the annual impairment testing date. The income approach was based on a discounted cash flow model, which considered forecasted cash flows discounted at an estimated weighted-average cost of capital. The forecasted cash flows were based on Lighting's long-term operating plan and a terminal value was used to estimate Lighting's cash flows beyond the period covered by the operating plan. The weighted-average cost of capital is an estimate of the overall after-tax rate of return required by equity and debt market holders of a business enterprise. These analyses require the exercise of significant judgments, including judgments related to discount rates, perpetual growth rates and the timing of expected future cash flows of the reporting unit. The fair value was determined using a combination of both the market and income valuation approaches.

Goodwill impairment testing for 2018 was performed using a quantitative analysis under which the fair value for the reporting unit was estimated using a discounted cash flow model, which considered forecasted cash flows discounted at an estimated weighted-average cost of capital. The forecasted cash flows were based on Lighting's long-term operating plan and a terminal value was used to estimate Lighting's cash flows beyond the period covered by the operating plan. The weighted-average cost of capital is an estimate of the overall after-tax rate of return required by equity and debt market holders of a business enterprise. These analyses require the exercise of significant judgments, including judgments about appropriate discount rates, perpetual growth rates and the timing of expected future cash flows of the reporting unit. Sensitivity analyses were performed around these assumptions in order to assess the reasonableness of the assumptions and the resulting estimated fair values.

## **The Lighting Business of Eaton Corporation plc**

### **Notes to Combined Financial Statements**

Based on quantitative analyses performed in 2019 and 2018, the fair value of Lighting's reporting unit continues to exceed the carrying amount.

Indefinite life intangible assets consist of certain trademarks. They are evaluated annually for impairment as of October 1 using either a quantitative or qualitative analysis to determine whether their fair values exceed their respective carrying amounts. Indefinite life intangible asset impairment testing for 2019 and 2018 was performed using a quantitative analysis. Lighting determines the fair value of these assets using a royalty relief methodology similar to that employed when the associated assets were acquired, but using updated estimates of future sales, cash flows and profitability. Additionally, indefinite life intangible assets are evaluated for impairment whenever an event occurs or circumstances change that would indicate that it is more likely than not that the asset is impaired. For 2019 and 2018, the fair values of indefinite lived intangible assets exceeded the respective carrying values.

#### **Leases**

Lighting determines if an arrangement is a lease at inception. Operating lease assets and liabilities are recognized at the commencement date of the lease based on the present value of lease payments over the lease term. Lease assets represent Lighting's right to use an underlying asset for the lease term and lease liabilities represent Lighting's obligation to make lease payments arising from the lease. As most leases do not provide an implicit interest rate and the lease contracts were entered into while under Eaton ownership, Lighting utilized Eaton's incremental borrowing rate based on the information available at the lease commencement date in determining the present value of lease payments. The length of a lease term includes options to extend or terminate the lease when it is reasonably certain that Lighting will exercise those options. Lighting made an accounting policy election to not recognize lease assets or liabilities for leases with a term of 12 months or less. Additionally, when accounting for leases, Lighting combines payments for leased assets, related services and other components of a lease.

#### **Other Long-Lived Assets**

Depreciation and amortization for property, plant and equipment and intangible assets subject to amortization are generally computed by the straight-line method and included in Cost of products sold or Selling, general and administrative expense, as appropriate. Cost of buildings are depreciated generally over 40 years and machinery and equipment over 3 to 10 years. Lighting recognized total depreciation expense of \$25 and \$26 for the years ended December 31, 2019 and 2018, respectively. At December 31, 2019, the weighted-average amortization period for intangible assets subject to amortization was 16 years for customer relationships and 15 years for certain trademarks. Patents and technology are generally amortized up to a life of 10 years.

Other long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. Upon indications of impairment, assets and liabilities are grouped at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. The asset group would be considered impaired when the estimated future net undiscounted cash flows generated by the asset group are less than its carrying value. Determining asset groups and underlying cash flows requires the use of significant judgment.

#### **Retirement Benefits Plans**

Certain Lighting employees participate in defined benefit pension plans and other postretirement benefit plans sponsored by Eaton which includes participants of other Eaton businesses. Lighting accounts for its participation in these plans as a multiemployer benefit plan. Accordingly, Lighting does not record an asset or liability to recognize the funded status of the plans. The related pension expense is based on annual service cost of active Lighting participants and reported within Cost of products sold and Selling, general and administrative expense as applicable in the Combined Statements of Income. Non-service costs are reflected as a component of Other Income – net.

#### **Warranty Reserves**

Product warranty reserves are established at the time the related sale is recognized through a charge to Cost of products sold based on an estimate of the amount that will eventually be required to settle such obligations. Warranty reserve estimates are based on factors such as historical warranty claim experience, product failure rates, specific customer contracts and various other considerations. Provisions for warranty reserves are comprised of

**The Lighting Business of Eaton Corporation plc**  
**Notes to Combined Financial Statements**

basic warranties for products sold, as well as reserves for product recalls and other events when they are known and estimable. These estimates are adjusted from time to time based on facts and circumstances that impact the status of existing claims.

Lighting's products commonly have a standard warranty term of one to ten years. In addition, in certain circumstances, Lighting offers assurance and service type warranties that generally extend coverages for products beyond standard warranties for an additional one to five years. For assurance warranties, Lighting records an allowance for the estimated amount of these future warranty costs when the related revenue is recognized. For service warranties, the amount billed to customers for these warranties is deferred from revenue and recognized on a straight-line basis over the respective warranty period. Estimated future warranty costs are primarily based on historical experience of identified warranty claims and various other factors.

### **Income Taxes**

Lighting's operations have historically been included in the tax returns filed by the Parent of which the Lighting business was a part. Income tax expense and other income tax related information contained in these Combined Financial Statements are presented on a separate return basis as if Lighting filed its own tax returns. Income taxes as presented in the Combined Financial Statements attribute current and deferred income taxes in a manner that is systematic, rational and consistent with the asset and liability method prescribed by the accounting guidance for income taxes. The separate return method applies the accounting guidance for income taxes to the Combined Financial Statements as if Lighting was a separate taxpayer and a stand-alone company for the periods presented. Any income tax liabilities resulting from operations prior to the anticipated legal date of the transaction, are assumed to be settled with the Parent on the last day Lighting is part of the Parent group and will be relieved through the Net parent investment.

Deferred income tax assets and liabilities are determined based on the difference between the financial statement and tax basis of the respective assets and liabilities, using enacted tax rates in effect for the year when the differences are expected to reverse. Deferred income tax assets are recognized for income tax loss carryforwards and income tax credit carryforwards. Judgment is required in determining and evaluating income tax provisions and valuation allowances for deferred income tax assets. Lighting recognizes the income tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Lighting evaluates and adjusts these accruals based on changes in facts and circumstances. Lighting's policy is to release income tax effects from Accumulated other comprehensive loss when individual units of account are sold, terminated, or extinguished. Any unrecognized income tax liabilities will remain with the Parent and no unrecognized income tax liabilities (including any associated penalties or interest) were recorded in Lighting's Combined Balance Sheets.

### **Equity-Based Compensation**

Lighting recognizes equity-based compensation expense based on the grant date fair value of the award. Awards with service conditions or both service and market conditions are expensed over the period during which an employee is required to provide service in exchange for the award. Awards with both service and performance conditions are expensed over the period an employee is required to provide service based on the number of units for which achievement of the performance objective is probable. The fair values of restricted stock units ("RSUs") awarded in 2019 and 2018, restricted stock awards ("RSAs") and performance stock units ("PSUs") with performance conditions are determined based on the closing market price of Eaton's ordinary shares at the date of grant. A Monte Carlo simulation is used to estimate the fair value of PSUs with market conditions, which incorporates assumptions regarding expected stock price volatility and the risk-free interest rate. Stock options ("SOs") are granted with an exercise price equal to the closing market price of Eaton's ordinary shares on the date of grant. The fair value of SOs is determined using a Black-Scholes option-pricing model, which incorporates assumptions regarding the expected stock price volatility, the expected option life, the risk-free interest rate, and the expected dividend yield. See Note 13 – Equity-Based Compensation for additional information on equity based compensation plans of the Parent in which certain employees of Lighting participate in.



## **The Lighting Business of Eaton Corporation plc**

### **Notes to Combined Financial Statements**

#### **Derivative Financial Instruments and Hedging Activities**

Lighting uses derivative financial instruments to manage the exposure to the volatility in currency rates. These instruments are marked to fair value in the accompanying Combined Balance Sheets. Changes in the fair value of derivative assets or liabilities (i.e., gains or losses) are recognized depending upon the type of hedging relationship and whether an instrument has been designated as a hedge. For those instruments that qualify for hedge accounting, Lighting designates the hedging instrument, based upon the exposure being hedged, as a cash flow hedge or a fair value hedge. Changes in fair value of these instruments that do not qualify for hedge accounting are recognized immediately in net income. See Note 15 – Derivative Financial Instruments and Hedging Activities for additional information about hedges and derivative financial instruments.

#### **Net Parent Investment**

Lighting's equity on the Combined Balance Sheets represents Eaton's net investment in the Lighting business and is presented as Net parent investment in lieu of stockholders' equity. The Combined Statements of Net Parent Investment include net cash transfers and other property transfers between Eaton and Lighting as well as intercompany receivables and payables between Lighting and other Eaton affiliates that were deemed settled on a current basis. Eaton performs cash management and other treasury-related functions on a centralized basis for nearly all of its legal entities, which includes Lighting. The Net parent investment account includes assets and liabilities incurred by Eaton on behalf of Lighting such as accrued liabilities related to corporate allocations including shared services and infrastructure provided. These costs include information technology, accounting, legal, real estate and facilities, corporate advertising, risk and insurance services, treasury, shareholder services and other corporate and infrastructure services. Other assets and liabilities recorded by Eaton, whose related income and expenses have been pushed down to Lighting, are also included in Net parent investment.

All transactions reflected in Net parent investment in the accompanying Combined Balance Sheets have been considered cash receipts and payments for purposes of the Combined Statements of Cash Flows and are reflected in financing activities in the accompanying Combined Statements of Cash Flows.

#### **Self-Insurance**

Lighting is self-insured for the majority of its medical benefits for employees. Lighting estimates its aggregate liability for claims incurred by applying a lag factor to Lighting's historical claims. The appropriateness of Lighting's lag factor is evaluated and revised, if necessary, quarterly. Although management believes that the current estimates are reasonable, significant differences related to claim reporting patterns, plan design, legislation, and general economic conditions could materially affect Lighting's medical benefit plan liabilities, future expense, and cash flow.

Lighting also has self-insured retentions on many of its property and casualty insurance programs and on its workers' compensation insurance program. Lighting has estimated its aggregate liability for all retained claims using the known incurred claim costs for reported claims and an estimated amount for incurred but not reported claims costs. Although management believes that the current estimated aggregate amount is reasonable, significant differences related to claim reporting patterns, future product and operational changes, and economic conditions could materially affect Lighting's property, casualty and workers' compensation liabilities, future expenses, and cash flow.

#### **Segment Information**

Lighting has operations located primarily in North America and the United Kingdom. The operating results are regularly reviewed by Lighting's chief operating decision maker on a combined basis. The chief operating decision maker is the Chief Executive Officer. Lighting delivers lighting, lighting controls and connected lighting solutions designed to serve customers in commercial, industrial, residential and municipal markets. Accordingly, Lighting has one operating and one reportable segment.

**The Lighting Business of Eaton Corporation plc**  
**Notes to Combined Financial Statements**

**Note 3. RESEARCH AND DEVELOPMENT EXPENSE**

Research and development expense is recognized within Selling, general and administrative expense in the Combined Statements of Income and is summarized in the below table:

	Year ended December 31	
	2019	2018
Research and development expense	\$ 56	\$ 54

**Note 4. REVENUE RECOGNITION**

Lighting recognizes revenue when the business transfers control of goods and services to customers. Revenue is measured as the amount of consideration Lighting expects to receive in exchange for goods and services and is recognized net of allowances for cash discounts to customers, sales incentives, primarily comprised of rebates, and product returns. Sales and use taxes collected on behalf of governmental authorities are excluded from revenues. Payment is generally due and received within 60 days from the point of sale or prior to the transfer of control of certain goods and services. No payment terms extend beyond one year, and Lighting applies the practical expedient within ASC 606 to conclude that no significant financing terms exist within Lighting's contracts with customers. Allowances for cash discounts and rebates to customers are estimated based on sales terms, historical experience, trend analysis, and projected market conditions in the various markets served. Lighting's standard terms and conditions of sale allow for the return of certain products subject to certain restrictions within twelve months from the date of shipment. Lighting also provides for limited product return rights to certain distributors and other customers, primarily for slow moving or damaged items subject to certain defined criteria. The limited product return rights generally allow customers to return resalable products purchased within a specified time period and subject to certain limitations. At the time revenue is recognized, Lighting records a refund liability for the expected value of future returns primarily based on historical experience or based on contractual terms with the respective customers. Although historical product returns generally have been within expectations, there can be no assurance that future product returns will not exceed historical amounts.

Total refund liabilities recorded under ASC 606 related to rights of return were \$10 and \$11 as of December 31, 2019 and 2018, respectively, and are reflected within Other current liabilities in the Combined Balance Sheets. Additionally, Lighting records right of return assets for inventory expected to be returned, which was \$5 and \$6 at December 31, 2019 and 2018, respectively, and is included within Prepaid expenses and other current assets in the Combined Balance Sheets.

Costs to obtain contracts, such as sales commissions, are expensed as incurred given that the terms of the contract are generally less than one year.

**Nature of Goods and Services**

*Products*

Approximately 99% of revenue is generated from short-term contracts to deliver tangible lighting solution products. Lighting records revenue from these contracts when the customer obtains control of those goods. For sales designated free on board shipping point, control is transferred at the time of shipment. For sales designated free on board destination, customers take control when a product is delivered to the customer's delivery site.

*Services*

Lighting collects fees associated with training, installation, and technical support services, primarily related to the installation of lighting solutions. Lighting recognizes revenue over time as services are completed. Lighting also sells certain service-type warranties that extend coverages for products beyond the standard warranties. Lighting accounts for service-type warranties as a distinct performance obligation and recognizes revenue for these contracts ratably over the life of the additional warranty period. Claims related to service-type warranties are expensed as incurred.

**The Lighting Business of Eaton Corporation plc**  
**Notes to Combined Financial Statements**

**Shipping and Handling Activities**

Lighting accounts for all shipping and handling activities as activities to fulfill the promise to transfer products to its customers. As such, Lighting does not consider shipping and handling activities to be separate performance obligations, and these costs are expensed as incurred and included in Cost of products sold.

**Contract Balances**

Lighting's rights related to collections from customers are unconditional and are reflected within Accounts receivable - net in the Combined Balance Sheets. Lighting does not have any other significant contract assets. Contract liabilities arise when Lighting receives cash or an unconditional right to collect cash prior to the transfer of control of goods or services.

**Deferred Revenue**

The deferred revenues are included within Other current liabilities and Other noncurrent liabilities in the Combined Balance Sheets.

Balance at January 1, 2018	\$ 6
Customer deposits and billings	7
Revenue recognized in the period	(7)
Translation	-
Balance at December 31, 2018	<u>\$ 6</u>
Customer deposits and billings	7
Revenue recognized in the period	(7)
Translation	-
Balance at December 31, 2019	<u>\$ 6</u>

**Disaggregated Revenues**

The lighting products and services of the business are sold primarily by independent sales agents who cover specific geographic areas and market channels. Lighting also sells through a direct sales network which covers retail businesses and national account customers. The following table shows net sales from contracts with customers by sales channel for the years ended December 31, 2019 and 2018, respectively:

	Year ended December 31, 2019	Year ended December 31, 2018
Independent Sales Network	\$ 1,333	\$ 1,308
Direct Sales Network	319	349
Total	<u>\$ 1,652</u>	<u>\$ 1,657</u>

**The Lighting Business of Eaton Corporation plc**  
**Notes to Combined Financial Statements**

**Note 5. RESTRUCTURING CHARGES**

Lighting has engaged in restructuring initiatives in order to reduce its cost structure. The multi-year initiative concluded in 2018.

A summary of liabilities related to workforce reductions in connection with the restructuring initiatives is as follows:

Balance at January 1, 2018	\$ 2
Liability recognized	2
Payments	(3)
Other adjustments	(1)
Balance at December 31, 2018	<u>\$ -</u>

These charges were included in Cost of products sold or Selling, general and administrative expense, as appropriate.

**Note 6. GOODWILL AND OTHER INTANGIBLE ASSETS**

Changes in the carrying amount of goodwill follow:

Balance at January 1, 2018	\$ 906
Translation	1
Balance at December 31, 2018	<u>\$ 907</u>
Translation	1
Balance at December 31, 2019	<u>\$ 908</u>

A summary of other intangible assets follows:

	<b>2019</b>		<b>2018</b>	
	<b>Historical cost</b>	<b>Accumulated amortization</b>	<b>Historical cost</b>	<b>Accumulated amortization</b>
Intangible assets not subject to amortization:				
Trademarks	<u>\$ 110</u>		<u>\$ 110</u>	
Intangible assets subject to amortization:				
Customer relationships	\$ 332	\$ (147)	\$ 332	\$ (125)
Patents and technology	24	(17)	24	(14)
Trademarks	42	(20)	42	(18)
Total intangible assets subject to amortization	<u>\$ 398</u>	<u>\$ (184)</u>	<u>\$ 398</u>	<u>\$ (157)</u>

Amortization expense related to intangible assets subject to amortization amounted to \$27 and \$27 for the years ended December 31, 2019 and 2018, respectively. Estimated amortization expense for each of the next five years follows:

2020	\$ 26
2021	26
2022	26
2023	24
2024	24

**The Lighting Business of Eaton Corporation plc**  
**Notes to Combined Financial Statements**

**Note 7. LEASES**

Lighting leases certain real properties and equipment. Most real estate leases contain renewal options. The exercise of lease renewal options is at Lighting's sole discretion. Lighting's lease agreements typically do not contain any significant residual value guarantees or restrictive covenants, and payments within certain lease agreements are adjusted periodically for changes in an index or rate. The components of lease expense follow:

	Year ended December 31, 2019
Operating lease cost	\$ 10
Short-term lease cost	3
Variable lease cost	1
Total lease cost	<u>\$ 14</u>

Supplemental cash flow information related to leases follow:

	Year ended December 31, 2019
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash outflows - payments on operating leases	\$ (8)
Lease assets obtained in exchange for new lease obligations:	
Operating leases	\$ 9

Supplemental balance sheet information related to leases follow:

	December 31, 2019
<b>Operating Leases</b>	
Operating lease assets	\$ 23
Other current liabilities	7
Operating lease liabilities	17
Total operating lease liabilities	<u>\$ 24</u>

Lighting's weighted-average remaining lease term for its operating leases is 5.5 years. Further, the weighted-average discount rate is 3.8%.

Maturities of lease liabilities at December 31, 2019 follows:

	Operating Leases
2020	\$ 8
2021	5
2022	4
2023	2
2024	2
Thereafter	6
Total lease payments	\$ 27
Less imputed interest	3
Total present value of lease liabilities	<u>\$ 24</u>

**The Lighting Business of Eaton Corporation plc**  
**Notes to Combined Financial Statements**

Lighting leases certain real properties and equipment. A summary of minimum rental commitments at December 31, 2018 under non-cancelable operating leases, which expire at various dates and in most cases contain renewal options, for each of the next five years and thereafter in the aggregate, are as follows:

2019	\$	8
2020		7
2021		6
2022		4
2023		1
Thereafter		3
Total noncancelable lease commitments	\$	29

A summary of rental expense follows:

2018	\$	11
2017	\$	10

On January 3, 2019, Lighting sold a building in Rialto, California for total proceeds of \$30. The net gain recorded on the sale leaseback transaction for the year ended December 31, 2019 was \$18.

#### **Note 8. RETIREMENT BENEFITS PLANS**

Lighting's employees participate in defined benefit pension plans and other postretirement benefit plans sponsored by Eaton. Lighting accounts for its participation in these plans as a multiemployer benefit plan. Since Eaton provides these benefits to eligible employees and retirees of Lighting, the costs to participating employees of Lighting in these plans are reflected in the Combined Statements of Income, while the related assets and liabilities are retained by Eaton. Expense allocations for these benefits were determined based on a review of personnel assigned to the Lighting business as well as an allocation of corporate function personnel.

The following is a listing of defined benefit pension and other postretirement benefit plans sponsored by Eaton in which eligible employees and retirees of Lighting participate:

<b>Country</b>	<b>Name of Defined Benefit Pension and Other Postretirement Benefit Plans</b>
U.S.	Pension Plan for Eaton Corporation Employees Cooper Pension Plan (merged into the plan above effective 12/31/2018) Eaton Corporation Excess Benefits Plan II The Eaton Corporation Supplemental Benefits Plan II Eaton Corporation Medical Plan for Retired U.S. Employees
Canada	Cooper Industries Postretirement Benefit Plan
Mexico	Cooper Components Seniority Premium Plan Cooper Wiring Seniority Premium Plan Eaton Mexico Unfunded Pension Plans Eaton Mexico Unfunded Seniority Premium Plans Eaton Mexico Unfunded Termination Indemnity Plans

#### **Defined Benefit Plans**

The total Eaton defined benefit pension plan expenses allocated to Lighting for the years ended December 31, 2019 and 2018 were \$2 and \$2, respectively. Service costs are reflected in the Combined Statements of Income as a component of Cost of products sold and Selling, general and administrative expense, and non-service costs are reflected as a component of Other income – net. These costs were funded through intercompany transactions with Eaton, which are reflected within the Net parent investment balance.

**The Lighting Business of Eaton Corporation plc**  
**Notes to Combined Financial Statements**

**Other Postretirement Benefit Plans**

Eaton provides retiree medical benefits and other postretirement benefits to its employees, including employees at Lighting. The total Eaton retiree medical benefits and other postretirement benefits expenses allocated to Lighting were immaterial for the years ended December 31, 2019 and 2018.

**Defined Contribution Plans**

Eaton has various defined contribution benefit plans, primarily consisting of the plans in the United States, in which Lighting employees participate. The total contributions related to these plans are charged to expense and for the years ended December 31, 2019 and 2018 were \$12 and \$11, respectively. These costs are reflected in the Combined Statements of Income as a component of Cost of products sold and Selling, general and administrative expense.

**Note 9. COMMITMENTS AND CONTINGENCIES**

**Legal Contingencies**

Lighting is subject to a broad range of claims, administrative and legal proceedings such as lawsuits that relate to contractual allegations, patent infringement, personal injuries and employment-related matters. Insurance may cover some of the costs associated with these claims and proceedings. Although it is not possible to predict with certainty the outcome or cost of these matters, Lighting believes they will not have a material adverse effect on the Combined Financial Statements.

**Environmental Contingencies**

Lighting's operations are subject to numerous laws and regulations relating to the generation, storage, handling, transportation, and disposal of hazardous substances as well as solid and hazardous wastes, and to the remediation of contaminated sites. Lighting allocates resources to comply with these environmental regulations, including capital investments and operating costs. Lighting has also established corporate policies regarding the compliance of its operations with good corporate citizenship practices and making a positive commitment to the protection of the natural and workplace environments. Lighting's manufacturing facilities are required to be certified to ISO 14001, an international standard for environmental management systems. Lighting also routinely reviews environmental performance at its facilities and continuously strives to improve pollution prevention capabilities.

Lighting is voluntarily conducting remedial response and environmental remediation at one operated property, which is not material to Lighting. The relevant remediation activities, generally involving soil and groundwater contamination, include investigation, risk assessment, feasibility study, and implementation of active remedial actions such as contaminant removal, along with associated monitoring. Lighting accrues an amount on an undiscounted basis, consistent with the estimates of these costs, when it is probable that a liability has been incurred. At both December 31, 2019 and 2018, Lighting had an accrual totaling \$4, for these costs.

**Warranty Reserves**

Product warranty reserves are established at the time the related sale is recognized through a charge to Cost of products sold based on an estimate of the amount that will eventually be required to settle such obligations. Warranty reserves estimates are based on factors such as historical warranty claim experience, product failure rates, specific customer contracts and various other considerations. Provisions for warranty reserves are comprised of basic warranties for products sold, as well as reserves for product recalls and other events when they are known and estimable.

**The Lighting Business of Eaton Corporation plc**  
**Notes to Combined Financial Statements**

A summary of the current and long-term warranty reserves follows:

	2019	2018
Balance at January 1	\$ 20	\$ 19
Provision	7	10
Settled	(10)	(9)
Balance at December 31	<u>\$ 17</u>	<u>\$ 20</u>

**Note 10. INCOME TAXES**

During the periods presented in the Combined Financial Statements, Lighting was included in the tax grouping of other Parent entities. The income tax provision has been calculated using the separate return method, which is meant to reflect how taxes would have been recorded, had Lighting filed its own tax returns.

Lighting is domiciled in Ireland. Income before income taxes and Income tax expense are summarized below based on the geographic location of the operation to which such earnings and income taxes are attributable.

Income before income taxes	2019	2018
Ireland	\$ 34	\$ 36
Foreign	\$ 124	\$ 101
Income before income taxes	<u>\$ 158</u>	<u>\$ 137</u>

Income tax expense (benefit)	2019	2018
Current		
Ireland	\$ 4	\$ 4
Foreign		
United States	23	18
Non-United States	3	2
Current income tax expense	30	24
Deferred		
Ireland	-	-
Foreign		
United States	(2)	(8)
Non-United States	-	-
Deferred income tax benefit	(2)	(8)
Income tax expense	<u>\$ 28</u>	<u>\$ 16</u>



**The Lighting Business of Eaton Corporation plc**  
**Notes to Combined Financial Statements**

Reconciliations of income taxes from the Ireland national statutory rate of 25% to the combined effective income tax rate follow:

	2019	2018
Income tax at the applicable statutory rate	25.0%	25.0%
Ireland operations		
Ireland tax on trading income	(2.4)%	(3.0)%
Foreign operations		
United States operations (earnings taxed at other than the applicable statutory rate)	(3.1)%	(1.9)%
Credits for research activities	(1.2)%	(1.4)%
U.S. Foreign-Derived Intangible Income Deduction	(1.9)%	(5.1)%
U.S. Other - net	2.1%	1.7%
Non-U.S. operations (earnings taxed at other than the applicable statutory tax rate)	(3.3)%	(6.2)%
Non-U.S. operations - other items	(0.2)%	(0.1)%
Worldwide operations		
Adjustments to tax liabilities	3.0%	2.5%
Adjustments to valuation allowances	(0.3)%	0.2%
Effective income tax expense rate	17.7%	11.7%

During 2019, income tax expense of \$28 was recognized (an effective tax rate of 17.7%), compared to income tax expense of \$16 in 2018 (an effective tax rate of 11.7%). The increase in the tax rate from 11.7% for 2018 to 17.7% for 2019 was due primarily to a reduction in the Foreign-Derived Intangible Income Deduction in 2019 and greater levels of income in higher tax jurisdictions.

The foreign results included in these Combined Financial Statements reflect the allocation of activities conducted by many foreign affiliates of the Parent, however, no cash of any foreign affiliates is reflected in the Combined Balance Sheets as it is not directly attributable to Lighting. Additionally, the Parent does not provide deferred income taxes on basis differences related to investments in its foreign subsidiaries. Accordingly, it is not reasonable to estimate and disclose basis differences related to the Parent's investment in their foreign affiliates for which a portion of their activities have been allocated to Lighting.

Worldwide income tax payments, net of tax refunds, follow:

<b>(in millions)</b>		
2019	\$	2
2018		2

**The Lighting Business of Eaton Corporation plc**  
**Notes to Combined Financial Statements**

**Deferred Income Tax Assets and Liabilities**

Components of noncurrent deferred income taxes follow:

	Noncurrent assets and liabilities	
	2019	2018
Accruals and other adjustments		
Other accruals and adjustments	\$ 26	\$ 28
Employee benefits	4	5
Depreciation and amortization	(72)	(77)
Operating Lease Obligation	5	-
Operating Lease Asset	(4)	-
Ireland income tax loss carryforwards	2	2
Foreign income tax loss carryforwards	-	-
Valuation allowance for income tax loss and income tax credit carryforwards	(2)	(2)
Other valuation allowances	-	-
Total deferred income taxes	\$ (41)	\$ (44)

At December 31, 2019, Lighting and certain Irish and foreign subsidiaries had tax loss carryforwards that are available to reduce future taxable income and tax liabilities. These carryforwards and their respective expiration dates are summarized below:

	2020 through 2024	2025 through 2029	2030 through 2034	2035 through 2044	Not subject to expiration	Valuation allowance
Ireland and Foreign income tax loss carryforwards	\$ 2	\$ -	\$ -	\$ -	\$ 9	\$ -
Ireland and Foreign deferred income tax assets for income tax loss carryforwards	-	-	-	-	2	(2)

Tax loss carryforwards reflected in the table above are the result of the separate return filing method. Such losses are not indicative of actual loss carryforwards as they may have been previously included in the Parent's income tax filings.

**Recoverability of Deferred Income Tax Assets**

Lighting is subject to the income tax laws in the jurisdictions in which it operates. In order to determine its income tax provision for financial statement purposes, Lighting must make significant estimates and judgments about its business operations in these jurisdictions. These estimates and judgments are also used in determining the deferred income tax assets and liabilities that have been recognized for differences between the financial statement and income tax basis of assets and liabilities, and income tax loss carryforwards and income tax credit carryforwards.

Management evaluates the realizability of deferred income tax assets for each of the jurisdictions in which it operates. If Lighting experiences cumulative pretax income in a particular jurisdiction in the three-year period including the current and prior two years, management normally concludes that the deferred income tax assets will more likely than not be realizable and no valuation allowance is recognized, unless known or planned operating developments, or changes in tax laws, would lead management to conclude otherwise. However, if Lighting experiences cumulative pretax losses in a particular jurisdiction in the three-year period including the current and prior two years, management then considers a series of factors in the determination of whether the deferred income tax assets can be realized. These factors include historical operating results, known or planned operating developments, the period of time over which certain temporary differences will reverse, consideration of the utilization of certain deferred income tax liabilities, tax law carryback capability in the particular country, prudent and feasible tax planning strategies, changes in tax laws, and estimates of future earnings and taxable income using the same assumptions as those used for Lighting's goodwill and other impairment testing. After evaluation of these factors, if the deferred income tax assets are expected to be realized within the tax carryforward period allowed for that specific country, management would conclude that no valuation allowance would be required. To the extent that the deferred income tax assets exceed the amount that is expected to be realized within the tax carryforward period for a particular jurisdiction, management would establish a valuation allowance.

Applying the above methodology, valuation allowances have been established for certain deferred income tax assets to the extent they are not expected to be realized within the particular tax carryforward period.

**The Lighting Business of Eaton Corporation plc**  
**Notes to Combined Financial Statements**

**Unrecognized Income Tax Benefits**

Lighting's operations have historically been included in the tax returns filed by Parent of which the Lighting business was a part. As a result, any unrecognized income tax liabilities will remain with Parent and no unrecognized income tax liabilities (including any associated penalties or interest) were recorded in Lighting's Combined Balance Sheets. Lighting recorded income tax expense of \$5 and \$4 for 2019 and 2018, respectively, for Lighting's contribution to Parent's unrecognized income tax liability.

Lighting recognizes an income tax benefit from an uncertain tax position only if it is more likely than not that the benefit would be sustained upon examination by taxing authorities, based on the technical merits of the position. Lighting evaluates and adjusts the amount of unrecognized income tax benefits based on changes in facts and circumstances. Lighting does not enter into any of the United States Internal Revenue Service (IRS) Listed Transactions as set forth in Treasury Regulation 1.6011-4.

Lighting was included in the tax grouping of other Parent entities. As a result, Lighting is included in Parent's income tax returns in Ireland, the U.S., and several countries around the world, and any audit liabilities from those returns will remain with the Parent. With respect to returns filed solely by Lighting foreign subsidiaries on a stand-alone basis, Lighting is no longer subject to examinations by tax authorities for years before 2012, with only a few exceptions.

**Note 11. RELATIONSHIP WITH PARENT AND RELATED ENTITIES**

Historically, Lighting has been managed and operated in the normal course of business with other affiliates of Eaton. Accordingly, certain shared costs have been allocated to Lighting and reflected as expenses in the stand-alone Combined Financial Statements. Management of Eaton and Lighting consider the allocation methodologies used to be reasonable and appropriate reflections of historical expenses of Eaton attributable to Lighting for purposes of the stand-alone financial statements; however, the expenses reflected in the Combined Financial Statements may not be indicative of the actual expenses that would have been incurred during the periods presented if Lighting historically operated as a separate, stand-alone entity. In addition, the expenses reflected in the Combined Financial Statements may not be indicative of expenses that will be incurred in the future by Lighting.

Transactions between Eaton and Lighting, with the exception of sales and purchase transactions, are reflected in equity in the Combined Balance Sheets as Net parent investment and in the Combined Statements of Cash Flows as a financing activity in Net transfers to parent.

**Corporate Costs/Allocations**

The Combined Financial Statements include corporate costs incurred by Eaton for services that are provided to or on behalf of Lighting. These costs consist of allocated cost pools and direct costs. Corporate costs have been directly charged to, or allocated to, Lighting using methods management believes are consistent and reasonable. The method for allocating corporate function and administrative costs to Lighting is based on revenue, headcount, or other relevant metrics. However, the expenses reflected in the Combined Financial Statements may not be indicative of the actual expenses that would have been incurred during the periods presented if Lighting historically operated as a separate, stand-alone entity. All corporate charges and allocations have been deemed paid by Lighting to Eaton in the period in which the cost was recognized in the Combined Statements of Income.

Allocated corporate costs included in Cost of products sold and Selling, general and administrative expense were for shared services and infrastructure provided, which includes costs such as information technology, accounting, legal, corporate advertising, risk and insurance services, treasury, shareholder services and other corporate and infrastructure services.

**The Lighting Business of Eaton Corporation plc**  
**Notes to Combined Financial Statements**

**Cash Management and Financing**

Eaton uses a centralized approach to cash management and financing its operations, including the operations of Lighting. Accordingly, none of the cash and cash equivalents have been allocated to Lighting in the Combined Financial Statements. Disbursements are made through centralized accounts payable systems, which are operated by Eaton. Cash receipts are transferred to centralized accounts, also maintained by Eaton. As cash is disbursed and received by Eaton, it is accounted for by Lighting through the Net parent investment. All debt is financed by Eaton and financing decisions for wholly and majority owned subsidiaries are determined by Eaton's corporate treasury operations.

**Transactions with other Eaton Businesses**

Throughout the periods covered by the Combined Financial Statements, Lighting sold finished goods to other Eaton businesses. Related party sales to other Eaton businesses amount to \$6 and \$5 for the years ended December 31, 2019 and 2018, respectively.

**Related Party Balances**

For the years ended December 31, 2019 and 2018, Lighting had a line of credit available from Eaton, for a total amount of \$25. The line of credit is currently available until November 24, 2020, and no amounts have been drawn down as of December 31, 2019 or December 31, 2018. The interest rate for the line of credit is the LIBOR rate plus 2.94%.

**Note 12. COMPREHENSIVE INCOME (LOSS)**

Comprehensive income (loss) consists primarily of net income, currency translation, and changes in the effective portion of open derivative contracts designated as cash flow hedges. The following table summarizes the after-tax amounts recognized in Other comprehensive income (loss):

	Year ended December 31	
	2019	2018
Currency translation gain	\$ 6	\$ (5)
Cash flow hedges		
Gain (loss) on derivatives designated as cash flow hedges	(1)	4
Changes in cash flow hedges reclassified to earnings <sup>1</sup>	(2)	-
Cash flow hedges, net of reclassification adjustments	(3)	4
Other comprehensive income (loss)	\$ 3	\$ (1)

<sup>1</sup> Amounts reclassified to Cost of products sold in the Combined Statements of Income.

The changes in Accumulated other comprehensive loss follow:

	Currency translation	Cash flow hedges	Total
Balance at January 1, 2019	\$ (45)	\$ 3	\$ (42)
Other comprehensive income (loss) before reclassifications	6	(1)	5
Amounts reclassified from Accumulated other comprehensive loss	-	(2)	(2)
Net current-period Other comprehensive income (loss)	6	(3)	3
Balance at December 31, 2019	\$ (39)	\$ -	\$ (39)

**The Lighting Business of Eaton Corporation plc**  
**Notes to Combined Financial Statements**

**Note 13. EQUITY-BASED COMPENSATION**

Eligible Lighting employees receive equity-based awards issued by the Parent. These awards include RSUs and RSAs, PSUs, and SOs. Lighting recognizes equity-based compensation expense based on the grant date fair value of the award. Awards with service conditions or both service and market conditions are expensed over the period during which an employee is required to provide service in exchange for the award. Awards with both service and performance conditions are expensed over the period an employee is required to provide service based on the number of units for which achievement of the performance objective is probable. Eaton estimates forfeitures as part of recording equity-based compensation expense.

Total compensation expense recognized by Lighting related to PSUs and SOs is immaterial.

**Restricted Stock Units and Awards**

RSUs and RSAs have been issued to certain employees. The fair values of RSUs awarded in 2019 and 2018, and RSAs, are determined based on the closing market price of Eaton's ordinary shares at the date of grant. The RSUs entitle the holder to receive one ordinary share for each RSU upon vesting, generally over three years. RSAs are issued and outstanding at the time of grant, but remain subject to forfeiture until vested, generally over three or four years. A summary of the RSU and RSA activity for Lighting specific employees for 2019 follows:

(Restricted stock units and awards)	Number of restricted stock units and awards	Weighted-average fair value per unit and award
Non-vested at January 1	44,921	\$ 72.42
Granted	24,525	80.49
Vested	(23,755)	67.47
Forfeited	(8,107)	79.75
Non-vested at December 31	37,584	\$ 79.38

Lighting recognized total stock compensation expense for RSUs and RSAs of \$3 and \$4 (pre-tax), and \$2 and \$3 (net of tax) in the Combined Statements of Income for the years ended December 31, 2019 and 2018, respectively. These costs include amounts for individuals specifically identifiable to the Lighting business as well as an allocation of costs attributable to individuals in corporate functions.

The weighted-average grant-date fair values of stock awards granted to Lighting specific employees were \$2 and \$2 for the years ended December 31, 2019 and 2018, respectively.

The fair value of RSUs and RSAs granted to Lighting employees vested in 2019 and 2018 was \$2 for each of the years. As of December 31, 2019, total compensation expense not yet recognized related to non-vested RSUs and RSAs was \$2 for Lighting specific employees and the weighted-average period in which the expense is expected to be recognized is 1.8 years.

Excess tax benefit for RSUs and RSAs totaled \$2 and \$1 for 2019 and 2018, respectively.

**Note 14. FAIR VALUE MEASUREMENTS**

Fair value is measured based on an exit price, representing the amount that would be received to sell an asset or paid to satisfy a liability in an orderly transaction between market participants. Fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, a fair value hierarchy is established, which categorizes the inputs used in measuring fair value as follows: (Level 1) observable inputs such as quoted prices in active markets; (Level 2) inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and (Level 3) unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

**The Lighting Business of Eaton Corporation plc**  
**Notes to Combined Financial Statements**

A summary of financial instruments recognized at fair value, and the fair value measurements used, follows:

	Total	Quoted prices in active markets for identical assets (Level 1)	Other observable inputs (Level 2)	Unobservable inputs (Level 3)
<u>December 31, 2019</u>				
Net derivative liabilities	\$ -	-	-	-
<u>December 31, 2018</u>				
Net derivative assets	\$ 4	-	4	-

Lighting values its financial instruments using an industry standard market approach, in which prices and other relevant information is generated by market transactions involving identical or comparable assets or liabilities. No financial instruments were measured using unobservable inputs.

**Note 15. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES**

In the normal course of business, Lighting is exposed to certain risks related to fluctuations in currency exchange rates. Lighting uses various derivative and non-derivative financial instruments, primarily currency forward exchange contracts, to manage risks from these market fluctuations. The instruments used by Lighting are straightforward, non-leveraged instruments. The ultimate counterparties to these instruments are financial institutions with strong credit ratings. Lighting maintains control over the size of positions entered into with any one counterparty and regularly monitors the credit rating of these institutions. Such instruments are not purchased and sold for trading purposes.

Derivative financial instruments are accounted for at fair value and recognized as assets or liabilities in the Combined Balance Sheets. Accounting for the gain or loss resulting from the change in the fair value of the derivative financial instrument depends on whether it has been designated, and is effective, as part of a hedging relationship and, if so, as to the nature of the hedging activity. Lighting formally documents all relationships between derivative financial instruments accounted for as designated hedges and the hedged item, as well as its risk-management objective and strategy for undertaking the hedge transaction. This process includes linking derivative financial instruments to a recognized asset or liability, specific firm commitment, or forecasted transaction. These financial instruments can be designated as:

- Hedges of the change in the fair value of a recognized fixed-rate asset or liability, or the firm commitment to acquire such an asset or liability (a fair value hedge); for these hedges, the gain or loss from the derivative financial instrument, as well as the offsetting loss or gain on the hedged item attributable to the hedged risk, are recognized in income during the period of change in fair value.
- Hedges of the variable cash flows of a recognized variable-rate asset or liability, or the forecasted acquisition of such an asset or liability (a cash flow hedge); for these hedges, the effective portion of the gain or loss from the derivative financial instrument is recognized in Accumulated other comprehensive loss and reclassified to income in the same period when the gain or loss on the hedged item is included in income.

The gain or loss from a derivative financial instrument designated as a hedge is classified in the same line of the Combined Statements of Income as the offsetting loss or gain on the hedged item. The change in fair value of a derivative financial instrument that is not effective as a hedge is immediately recognized in income. The cash flows resulting from these financial instruments are classified in operating activities on the Combined Statements of Cash Flows.

**The Lighting Business of Eaton Corporation plc**  
**Notes to Combined Financial Statements**

For derivatives that are not designated as a hedge, any gain or loss is immediately recognized in income. The majority of derivatives used in this manner relate to risks resulting from assets or liabilities denominated in a foreign currency.

The fair values of derivative financial instruments recognized in the Combined Balance Sheets follow:

	Notional Amount	Other current assets	Other noncurrent assets	Other current liabilities	Other noncurrent liabilities	Type of hedge	Term
<u>December 31, 2019</u>							
Derivatives designated as hedges							
Currency exchange contracts	\$ 33	\$ -	\$ -	\$ -	\$ -	Cash flow	1 to 18 months
Derivatives not designated as hedges							
Currency exchange contracts	\$ 122	\$ 1		\$ 1			1 to 4 months
<u>December 31, 2018</u>							
Derivatives designated as hedges							
Currency exchange contracts	\$ 76	\$ 1	\$ 4	\$ -	\$ -	Cash flow	1 to 24 months
Derivatives not designated as hedges							
Currency exchange contracts	\$ 116	\$ 1		\$ 2			1 to 4 months

The pre-tax impact of hedging activities to the Combined Statements of Income are as follows:

	Year ended December 31, 2019
	Cost of Products Sold
Amounts from Combined Statements of Income	\$ 1,099
Gain (loss) on derivatives designated as cash flow hedges	
Currency exchange contracts	
Hedged Item	\$ (3)
Derivative designated as hedging instrument	3

The impact of derivatives not designated as hedges to the Combined Statements of Income was immaterial for the years ended December 31, 2019 and 2018.

The pre-tax impact of derivative instruments to the Combined Statements of Income and Comprehensive Income follows:

	Gain (loss) recognized in other comprehensive income (loss)		Location of gain (loss) reclassified from Accumulated other comprehensive loss	Gain (loss) reclassified from Accumulated other comprehensive loss	
	Year ended			Year ended	
	December 31			December 31	
	2019	2018		2019	2018
Derivatives designated as cash flow hedges					
Currency exchange contracts	\$ (2)	\$ 7	Cost of products sold	\$ 3	\$ -

The after-tax gain (loss) recognized in Accumulated other comprehensive loss was \$(1) for the year ended December 31, 2019 and \$4 for the year ended December 31, 2018. The after-tax gain (loss) reclassified from Accumulated other comprehensive loss was \$2 for the year ended December 31, 2019 and \$0 for the year ended December 31, 2018.

**The Lighting Business of Eaton Corporation plc**  
**Notes to Combined Financial Statements**

At December 31, 2019 and December 31, 2018, a loss of \$(0) and a gain of \$2, respectively, of estimated unrealized net gains or losses associated with our cash flow hedges were expected to be reclassified to income from Accumulated other comprehensive loss within the next twelve months.

**Note 16. ACCOUNTS RECEIVABLE AND INVENTORY**

**Accounts Receivable**

Lighting performs ongoing credit evaluation of its customers and maintains sufficient allowances for potential credit losses. Lighting evaluates the collectability of its accounts receivable based on the length of time the receivable is past due and any anticipated future write-off based on historic experience. Accounts receivable balances are written off against an allowance for doubtful accounts after a final determination of non-collectability has been made. Accounts receivable are net of reserves, which includes allowance for doubtful accounts, as well as cash discounts, customer rebate programs, and sales returns as discussed in Note 4 – Revenue Recognition.

A summary of accounts receivable reserves follows:

	2019	2018
Balance at January 1	\$ 33	\$ 34
Adoption Impact of ASC 606	-	(5)
Additions	81	82
Deductions	(84)	(78)
Balance at December 31	<u>\$ 30</u>	<u>\$ 33</u>

Concentrations of credit risk with respect to receivables, which are typically unsecured, are generally limited to the wide variety of Lighting customers. Only one customer accounted for more than 10% of Net sales for the years ended December 31, 2019 and 2018.

**Inventory**

Inventory is carried at lower of cost or net realizable value using the first-in, first-out method. Cost components include raw materials, purchased components, direct labor, indirect labor, utilities, depreciation, inbound freight charges, purchasing and receiving costs, inspection costs, warehousing costs, and costs of the distribution network.

Management reviews inventory quantities on hand and records a provision for excess or obsolete inventory primarily based on estimated future demand and current market conditions. A significant change in customer demand, market conditions, or technology could render certain inventory obsolete and thus could have a material adverse impact on Lighting's operating results in the period the change occurs.

The components of inventory follow:

	2019	2018
Raw materials	\$ 54	\$ 51
Work-in-process	13	13
Finished goods	93	88
Total Inventory	<u>\$ 160</u>	<u>\$ 152</u>



**The Lighting Business of Eaton Corporation plc**  
**Notes to Combined Financial Statements**

A summary of inventory reserves follows:

	2019	2018
Balance at January 1	\$ 6	\$ 6
Additions	13	13
Deductions	(11)	(13)
Balance at December 31	<u>\$ 8</u>	<u>\$ 6</u>

**Note 17. OTHER CURRENT LIABILITIES**

Other current liabilities consist of the following:

	2019	2018
Accrued Commissions	\$ 16	\$ 18
Accrued Rebates	31	32
Other	40	39
Total Other Current Liabilities	<u>\$ 87</u>	<u>\$ 89</u>

**Note 18. SUPPLEMENTAL GEOGRAPHIC REGION INFORMATION**

Lighting has one reportable segment. The geographic distribution of Lighting's net sales, income before income taxes, and long-lived assets is summarized in the following table for the years ended December 31, 2019 and 2018:

	Year ended December 31	
	2019	2018
<b>Net sales:</b>		
Domestic	\$ 1,484	\$ 1,471
International	168	186
Total	<u>\$ 1,652</u>	<u>\$ 1,657</u>
<b>Income before income taxes:</b>		
Domestic	\$ 148	\$ 118
International	10	19
Total	<u>\$ 158</u>	<u>\$ 137</u>
<b>Long-lived assets:</b>		
Domestic	\$ 96	\$ 105
International	54	48
Total	<u>\$ 150</u>	<u>\$ 153</u>

**Note 19. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through the date the Combined Financial Statements were issued on February 28, 2020. No subsequent events were identified.

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