Press Release

July 28, 2023

Signify reports second quarter sales of EUR 1.6 billion, operational profitability of 8.3% and a free cash flow of EUR 88 million

Second quarter 2023[1]

- Signify's installed base of connected light points increased from 117 million in Q1 23 to 119 million in Q2 23
- On track for all Brighter Lives, Better World 2025 sustainability program commitments
- Sales of EUR 1,644 million; nominal sales decline of -10.5% and CSG of -8.6%
- LED-based sales represented 84% of total sales (Q2 22: 84%)
- Adj. EBITA margin of 8.3% (Q2 22: 9.5%)
- Net income of EUR 45 million (Q2 22: EUR 248 million)
- Free cash flow of EUR 88 million (Q2 22: EUR 135 million)

Eindhoven, the Netherlands – Signify (Euronext: LIGHT), the world leader in lighting, today announced the company's second quarter 2023 results.

"In the second quarter, we saw continued softness in the consumer, indoor professional and OEM channels and a slower than anticipated recovery of the Chinese market. Against this backdrop, our actions to improve gross margin are paying off, although fixed costs reduction plans are not yet fully compensating for the volume decline. While our Digital Solutions and Conventional Products divisions demonstrated resilience in their bottom line, our Digital Products division was more exposed to these challenges," said Eric Rondolat, CEO of Signify.

"The continued economic softness has led us to apply caution in our outlook for the full year and adjust our Adjusted EBITA margin guidance to 9.5-10.5%. On the other hand, our free cash flow generation has and will continue to benefit from supply chain lead time improvements and effective working capital measures. We therefore expect our free cash flow generation to be at the higher end of the 6-8% range. To optimize our global operations, we have begun implementing structural measures to adapt our cost structure to the market environment. These measures will enable enhanced performance and a stronger focus on growth opportunities."

[1] This press release contains certain non-IFRS financial measures and ratios, such as comparable sales growth, EBITA, adjusted EBITA and free cash flow, and related ratios, which are not recognized measures of financial performance or liquidity under IFRS. For a reconciliation of these non-IFRS financial measures to the most directly comparable IFRS financial measures, see appendix B, Reconciliation of non-IFRS financial measures, of this press release.

Brighter Lives, Better World 2025

In the second quarter of the year, Signify remained on track to deliver on its Brighter Lives, Better World 2025 sustainability program commitments:

Double the pace of the Paris Agreement
Signify is on track to reduce emissions across the entire value chain by 40% against the 2019 baseline - double the pace required by the Paris Agreement. This is driven by Signify's leadership in energy efficient and connected LED lighting solutions, which significantly reduce emissions during the use phase.

Double Circular revenues
Circular revenues remained stable at 29%, on track to reach the 2025 target of 32%. The main contribution is from serviceable and upgradeable luminaires, including the first serviceable Horticulture product family.

Double Brighter lives revenues
Brighter lives revenues increased to 28%, on track to reach the 2025 target of 32%. This was driven by the performance of Cooper's tunable products supporting the consumer well-being portfolio and continued strength of the safety & security portfolio.

Double the percentage of women in leadership
The percentage of women in leadership positions continued to improve to 30%, on track to reach the 2025 target of 34%. This was mainly due to the acceleration of hiring practices for diversity across all levels.

Outlook

The continued economic softness has led us to apply caution in our outlook for the full year and adjust our Adjusted EBITA margin guidance to 9.5-10.5%. On the other hand, our free cash flow generation has and will continue to benefit from supply chain lead time improvements and effective working capital measures. We therefore expect our free cash flow generation to be at the higher end of the 6-8% range.

Signify

Financial review

Second quarter 2022	Second quarter 2023	change	*in millions of EUR, except percentages*	Six months 2022	Six months 2023	change
		-8.6%	**Comparable sales growth**			**-8.9%**
		-2.8%	*Effects of currency movements*			*-1.0%*
		0.9%	*Consolidation and other changes*			*1.5%*
1,836	**1,644**	-10.5%	**Sales**	**3,624**	**3,322**	-8.3%
674	639	-5.3%	Adjusted gross margin	1,359	1,298	-4.4%
36.7%	**38.9%**		**Adj. gross margin (as % of sales)**	**37.5%**	**39.1%**	
-465	-454		Adj. SG&A expenses	-921	-915	
-73	-68		Adj. R&D expenses	-144	-143	
-537	-523	2.7%	Adj. indirect costs	-1,065	-1,058	0.7%
29.3%	**31.8%**		**Adj. indirect costs (as % of sales)**	**29.4%**	**31.8%**	
174	136	-22.1%	Adjusted EBITA	361	285	-21.1%
9.5%	**8.3%**		**Adjusted EBITA margin**	**10.0%**	**8.6%**	
166	-28		Adjusted items	125	-95	
340	108	-68.3%	EBITA	486	190	-60.8%
306	**88**	**-71.2%**	**Income from operations (EBIT)**	**421**	**149**	**-64.6%**
11	-31		Net financial income/expense	5	-61	
-68	-12		Income tax expense	-91	-15	
248	**45**	**-81.9%**	**Net income**	**335**	**73**	**-78.3%**
135	88		Free cash flow	-54	139	
1.97	0.32		Basic EPS (€)	2.66	0.52	
35,407	33,181		Employees (FTE)	35,407	33,181	

Second quarter
Nominal sales decreased by 10.5% to EUR 1,644 million, including a negative currency effect of 2.8%, mainly from CNY depreciation, and a positive effect of 0.9% from the consolidation of Fluence, Pierlite and Intelligent Lighting Controls (ILC). Comparable sales declined by 8.6%, as the indoor professional business, the consumer segment and the OEM channel continued to be weak.

The Adjusted gross margin increased by 220 bps to 38.9% driven by effective COGS management and price discipline. Adjusted indirect costs as a percentage of sales increased by 250 bps to 31.8%, as indirect costs did not keep pace with lower sales.

Adjusted EBITA was EUR 136 million. The Adjusted EBITA margin decreased by 120 bps to 8.3%, mainly due to under-absorption of fixed costs. Digital Products was mainly impacted, while Digital Solutions and Conventional Products both achieved Adjusted EBITA margin gains.

Restructuring costs were EUR 9 million, acquisition-related charges were EUR 3 million and incidental items had a negative impact of EUR 16 million.

Net income decreased to EUR 45 million, mainly due to lower income from operations and higher financial expenses, partly offset by lower income tax expense due to lower taxable income. In Q2 2022, income from operations included a EUR 184 million gain from the disposal of non-strategic real estate, while financial income included a benefit from a non-cash fair value adjustment of the Virtual Power Purchase Agreements.

The number of employees (FTE) decreased from 35,407 at the end of Q2 22 to 33,181 at the end of Q2 23. The year-on-year decrease is mostly related to a reduction of factory personnel due to lower production volumes. In general, the number of FTEs is affected by fluctuations in volume and seasonality.

Digital Solutions

Second quarter 2022	Second quarter 2023	change	*in millions of EUR, unless otherwise indicated*	Six months 2022	Six months 2023	change
		-5.7%	Comparable sales growth			-7.2%
1,042	974	-6.5%	Sales	2,022	1,924	-4.8%
98	97	-1.6%	Adjusted EBITA	193	179	-7.2%
9.5%	10.0%		Adjusted EBITA margin	9.6%	9.3%	
92	91	-0.9%	EBITA	167	161	-3.4%
60	73	21.1%	Income from operations (EBIT)	107	123	15.4%

Includes Intelligent Lighting Controls since March 1, 2023, Pierlite since April 29, 2022 and Fluence since May 2, 2022

Second quarter
Nominal sales decreased by 6.5% to EUR 974 million, including a negative currency effect of 2.4% and a positive effect of 1.7% from the consolidation of Fluence, Pierlite and Intelligent Lighting Controls. Comparable sales declined by 5.7%, as continued strength in outdoor professional lighting was more than offset by softness in indoor professional and horticulture lighting. The Adjusted EBITA margin increased by 50 bps to 10.0%, mainly driven by gross margin expansion from lower COGS and continued price discipline.

Digital Products

Second quarter 2022	Second quarter 2023	change	*in millions of EUR, unless otherwise indicated*	Six months 2022	Six months 2023	change
		-12.1%	Comparable sales growth			-11.1%
598	505	-15.4%	Sales	1,198	1,043	-13.0%
63	35	-45.1%	Adjusted EBITA	140	79	-43.4%
10.6%	6.9%		Adjusted EBITA margin	11.7%	7.6%	
63	33	-47.4%	EBITA	128	72	-43.7%
61	31	-48.2%	Income from operations (EBIT)	124	69	-44.4%

Second quarter
Nominal sales decreased by 15.4% to EUR 505 million, including a negative currency effect of 3.4%. Comparable sales declined by 12.1%, due to continued weakness in the consumer connected and OEM businesses, as well as Klite. The Adjusted EBITA margin decreased by 370 bps to 6.9%, mainly reflecting the under-absorption of fixed costs as a result of lower sales volumes.

Conventional Products

Second quarter 2022	Second quarter 2023	change	*in millions of EUR, unless otherwise indicated*	Six months 2022	Six months 2023	change
		-15.0%	Comparable sales growth			-11.6%
193	160	-17.3%	Sales	394	346	-12.4%
30	33	9.6%	Adjusted EBITA	62	75	20.3%
15.5%	20.5%		Adjusted EBITA margin	15.7%	21.6%	
20	27	32.9%	EBITA	43	22	-49.6%
20	27	32.9%	Income from operations (EBIT)	43	22	-49.6%

Second quarter
Nominal sales decreased by 17.3% to EUR 160 million, including a negative currency effect of 2.3%. Comparable sales declined by 15.0%, as lower volumes were partially compensated by price increases. The Adjusted EBITA

margin increased by 500 bps to 20.5%, reflecting a positive effect from price increases in combination with lower COGS, while Adjusted EBITA in the previous year also included one-off obsolescence charges.

Other

Second quarter

'Other' represents amounts not allocated to the operating segments and includes costs related both to central R&D activities to drive innovation, and to Group enabling functions. Adjusted EBITA was EUR -29 million (Q2 22: EUR -17 million) and EBITA was EUR -43 million (Q2 22: EUR 165 million). EBITA included a negative impact from restructuring costs of EUR 2 million and incidental items of EUR 13 million.

Sales by market

Second quarter					Six months			
2022	2023	Change	CSG	*in millions of EUR, except percentages*	2022	2023	change	CSG
502	444	-11.6%	-10.6%	Europe	1,059	968	-8.6%	-8.3%
747	665	-11.0%	-9.5%	Americas	1,450	1,318	-9.1%	-10.2%
433	396	-8.5%	-2.6%	Rest of the world	826	765	-7.4%	-4.7%
154	138	-10.3%	-14.2%	Global businesses	289	271	-6.3%	-15.3%
1,836	**1,644**	**-10.5%**	**-8.6%**	**Total**	**3,624**	**3,322**	**-8.3%**	**-8.9%**

Americas includes Intelligent Lighting Controls since March 1, 2023. Global businesses include Fluence since May 2, 2022. Rest of the world includes Pierlite since April 29, 2022.

Second quarter

The second quarter showed similar dynamics as the first quarter of the year. In addition, most markets had a high base of comparison. In Europe, comparable sales decreased by 10.6%, as most markets declined. In the Americas, comparable sales decreased by 9.5%, mainly reflecting lower sales in the US and Canada. In the Rest of the World, comparable sales decreased by 2.6%, mainly due to China, the Middle East and Indonesia. Global businesses' comparable sales decreased by 14.2%, mainly due to Klite.

Working capital

in millions of EUR, unless otherwise indicated	Jun 30, 2022	Mar 31, 2023	Jun 30, 2023
Inventories	1,635	1,337	1,288
Trade and other receivables	1,191	1,032	1,002
Trade and other payables	-2,030	-1,710	-1,608
Other working capital items	-13	-42	-42
Working capital	**783**	**617**	**640**
As % of LTM* sales	10.8%	8.3%	8.9%

* *LTM: Last Twelve Months*

Second quarter

Compared to March 2023, working capital slightly increased to EUR 640 million, as lower inventories and lower receivables were offset by lower payables. As a percentage of last twelve-month sales, working capital increased by 60 bps to 8.9%. Including last twelve-month sales pro forma for Fluence and Pierlite, working capital also increased by 60 bps.

Compared to June 2022, working capital reduced by EUR 143 million, mainly driven by a strong reduction of inventories and lower receivables, partly offset by lower payables. As a percentage of last twelve-month sales, working capital decreased by 190 bps. Including last twelve-month sales pro forma for Fluence and Pierlite, working capital decreased by 160 bps.

Cash flow analysis

Second quarter 2022	Second quarter 2023	*in millions of EUR*	Six months 2022	Six months 2023
306	88	Income from operations (EBIT)	421	149
79	67	Depreciation and amortization	155	139
34	36	Additions to (releases of) provisions	53	113
-45	-41	Utilizations of provisions	-88	-92
-171	-9	Changes in working capital	-486	-62
-31	-32	Net interest and financing costs received (paid)	-32	-35
-22	-15	Income taxes paid	-46	-38
163	-21	Net capex	137	-51
-178	13	Other	-169	17
135	**88**	**Free cash flow**	**-54**	**139**

The gain related to the disposal of non-strategic real estate assets in Q2 2022, included in EBIT, is eliminated in Other. Total cash proceeds from the disposal of these assets are included in Net capex.

Second quarter
Free cash flow was EUR 88 million, as a lower income from operations was partly offset by a lower cash outflow from working capital, which benefited from an improving supply chain and strict inventory discipline. Free cash flow also included a restructuring payout of EUR 12 million (Q2 22: EUR 14 million).

Net debt and total equity

in millions of EUR	Jun 30, 2022	Mar 31, 2023	Jun 30, 2023
Short-term debt	213	83	755
Long-term debt	1,944	1,942	1,267
Gross debt	2,157	2,025	2,022
Cash and cash equivalents	407	694	584
Net debt	**1,749**	**1,331**	**1,439**
Total equity	**2,927**	**3,053**	**2,853**

Second quarter
Compared with the end of March 2023, the cash position decreased by EUR 110 million to EUR 584 million, mainly due to the dividend payment, partly offset by positive free cash flow. Gross debt remained relatively stable at EUR 2,022 million. As a result of the lower cash position, net debt increased by EUR 108 million to EUR 1,439 million. Total equity decreased to EUR 2,853 million (Q1 23: EUR 3,053 million), primarily due to the dividend distribution.

Compared with the end of June 2022, the cash position increased by EUR 177 million, while gross debt declined by EUR 135 million. As a result, net debt decreased by EUR 310 million year on year. At the end of June 2023, the net debt/EBITDA ratio was 1.9x (Q2 22: 1.7x).

Other information

Appendix A – Selection of financial statements
Appendix B – Reconciliation of non-IFRS financial measures
Appendix C – Financial glossary

Conference call and audio webcast
Eric Rondolat (CEO) and Javier van Engelen (CFO) will host a conference call for analysts and institutional investors at 9:00 a.m. CET to discuss the second quarter 2023 results. A live audio webcast of the conference call will be available via the Investor Relations website.

Financial calendar 2023

October 27, 2023	Third quarter results 2023
January 26, 2024	Fourth quarter and full-year results 2023

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About Signify
Signify (Euronext: LIGHT) is the world leader in lighting for professionals and consumers and lighting for the Internet of Things. Our Philips products, Interact connected lighting systems and data-enabled services, deliver business value and transform life in homes, buildings and public spaces. In 2022, we had sales of EUR 7.5 billion, approximately 35,000 employees and a presence in over 70 countries. We unlock the extraordinary potential of light for brighter lives and a better world. We achieved carbon neutrality in our operations in 2020, have been in the Dow Jones Sustainability World Index since our IPO for six consecutive years and were named Industry Leader in 2017, 2018 and 2019. News from Signify is located at the Newsroom, Twitter, LinkedIn and Instagram. Information for investors can be found on the Investor Relations page.

Important Information

Forward-Looking Statements and Risks & Uncertainties
This document and the related oral presentation contain, and responses to questions following the presentation may contain, forward-looking statements that reflect the intentions, beliefs or current expectations and projections of Signify N.V. (the "Company", and together with its subsidiaries, the "Group"), including statements regarding strategy, estimates of sales growth and future operational results.

By their nature, these statements involve risks and uncertainties facing the Company and its Group companies, 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: adverse economic and political developments, in particular the impacts of the Russia-Ukraine conflict, the energy crisis in Europe, the expected recovery trajectory of China post COVID, component shortages, cost inflation, rapid technological change, competition in the general lighting market, development of lighting systems and services, successful implementation of business transformation programs, impact of acquisitions and other transactions, reputational and adverse effects on business due to activities in Environment, Health & Safety, compliance risks, ability to attract and retain talented personnel, adverse currency effects, pension liabilities, and exposure to international tax laws.

Additional risks currently not known to the Group or that the Group has not considered material as of the date of this document 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.

Market and Industry Information
All references to market share, market data, industry statistics and industry forecasts in this document consist of estimates compiled by industry professionals, competitors, organizations or analysts, of publicly available information or of the Group's own assessment of its sales and markets. Rankings are based on sales unless otherwise stated.

Non-IFRS Financial Measures
Certain parts of this document contain non-IFRS financial measures and ratios, such as comparable sales growth, adjusted gross margin, EBITA, adjusted EBITA, free cash flow, and other related ratios, which are not recognized measures of financial performance or liquidity under IFRS. The non-IFRS financial measures presented are measures used by management to monitor the underlying performance of the Group's business and operations and, accordingly, they have not been audited nor reviewed. Not all companies calculate non-IFRS financial measures in the same manner or on a consistent basis and these measures and ratios may not be comparable to measures used by other companies under the same or similar names. A reconciliation of these non-IFRS financial measures to the most directly comparable IFRS financial measures is contained in this document. For further information on non-IFRS financial measures, see "Chapter 18 Reconciliation of non-IFRS measures" in the Annual Report 2022.

Presentation
All amounts are in millions of euros unless otherwise stated. Due to rounding, amounts may not add up to totals provided. All reported data are unaudited. Unless otherwise indicated, financial information has been prepared in accordance with the accounting policies as stated in the Annual Report 2022.

Market Abuse Regulation
This press release contains information within the meaning of Article 7(1) of the EU Market Abuse Regulation.

Unaudited condensed consolidated interim financial statements

For the six-month period ended June 30, 2023

Index to the unaudited condensed consolidated interim financial statements

Semi-annual report

Introduction

The semi-annual report for the six-month period ended June 30, 2023 of Signify N.V. (the 'Company') consists of the semi-annual condensed consolidated interim financial statements, the semi-annual management report and the responsibility statement by the Company's Board of Management.

The main risks and uncertainties for the second half of 2023 are addressed in the first part of the press release - please refer to the section 'Important Information'.

The information in this semi-annual report is unaudited. The semi-annual condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's Consolidated financial statements for the year ended December 31, 2022.

Responsibility statement

The Board of Management of the Company hereby declares that, to the best of its knowledge, the semi-annual condensed consolidated interim financial statements for the six-month period ended June 30, 2023, which have been prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole, and the semi-annual management report for the six-month period ended June 30, 2023, gives a fair view of the information required pursuant to Section 5:25d(8)-(9) of the Dutch Financial Markets Supervision Act (Wet op het Financieel toezicht).

Eindhoven, July 28, 2023

Board of Management

Eric Rondolat
Javier van Engelen
Maria Letizia Mariani
Harshavardhan Chitale

Management report

Business performance[1]

Market environment

In the first half of 2023, the lighting market was impacted by various dynamics in different geographies and end markets.

The consumer lighting market, in particular connected lighting, softened on the back of two years of solid growth as consumers were impacted by the inflationary environment. Higher interest rates and a tighter credit environment weighed on the indoor professional lighting market. The OEM market was mainly impacted by a destocking effect, as a result of higher channel inventory levels following the supply chain issues.

At the same time, outdoor professional lighting continued to benefit from governmental stimulus programs focused on sustainability.

Financial performance

Nominal sales decreased by 8.3% to EUR 3,322 million, including a negative currency effect of 1.0% and a positive effect of 1.5% from the consolidation of Fluence, Pierlite and Intelligent Lighting Controls. Comparable sales decreased by 8.9%, mainly due to weakness in the indoor professional lighting business, the consumer segment and destocking in the OEM channel.

The gross margin increased by 70 basis points to 37.3%. The adjusted gross margin increased by 160 basis points to 39.1%, mainly driven by price discipline and effective COGS management.

Indirect costs as a percentage of sales increased by 230 basis points to 32.5%. Adjusted indirect costs as a percentage of sales increased by 240 basis points to 31.8%, mainly due to an under-absorption of fixed costs.

EBITA decreased to EUR 190 million. In 2022, EBITA benefited from a gain from the disposal of non-strategic real estate. Restructuring costs were EUR 57 million in the first half of 2023, mainly related to Conventional Products. Acquisition-related charges were EUR 6 million, and incidental items had a negative impact of EUR 32 million. Correcting for these adjusted items, the Adjusted EBITA was EUR 285 million, or 8.6% of sales. Versus last year, the Adjusted EBITA margin decreased by 140 basis points, as the gross margin improvement was more than offset by an under-absorption of fixed costs.

Income from operations decreased to EUR 149 million. The previous year's income from operations benefited from a gain from the disposal of non-strategic real estate. As a result, net income decreased to EUR 73 million in H1 2023.

Net cash from operating activities increased by 381 million to EUR 190 million. The increase was mainly driven by a lower cash outflow from payables and a reduction of inventories. Last year's cash outflow from payables was impacted by the settlement of payments related to the inventory buildup.

Digital Solutions

Nominal sales decreased by 4.8% to EUR 1,924 million, including a negative currency effect of 0.4% and a positive effect of 2.8% from the consolidation of Fluence, Pierlite and Intelligent Lighting Controls. Comparable sales decreased by 7.2%, mainly due to weakness in indoor professional and horticulture lighting, partly offset by outdoor professional lighting.

Income from operations increased to EUR 123 million. EBITA of EUR 161 million included EUR 8 million of restructuring costs, EUR 6 million of acquisition-related charges, and EUR 3 million of other incidental costs. Adjusted EBITA was EUR 179 million, or 9.3% of sales. Versus last year, the Adjusted EBITA margin decreased by 30 basis points, as gross margin improvements partly offset the under-absorption of fixed costs.

Digital Products

Nominal sales decreased by 13.0% to EUR 1,043 million, including a negative currency effect of 1.9%. Comparable sales declined by 11.1%, as the consumer connected and OEM businesses continued to be weak.

Income from operations decreased to EUR 69 million. EBITA of EUR 72 million included EUR 6 million of restructuring costs and EUR 1 million of other incidental costs. Correcting for these adjusted items, Adjusted EBITA was EUR 79 million. The Adjusted EBITA margin decreased by 410 basis points to 7.6%, mainly due to an under-absorption of fixed costs due to lower volumes.

Conventional Products

Nominal sales decreased by 12.4% to EUR 346 million, including a negative currency effect of 0.7%. Comparable sales decreased by 11.6%, as lower volumes were partially compensated by price increases.

Income from operations and EBITA were both EUR 22 million. EBITA included restructuring costs of EUR 37 million and other incidental costs of EUR 16 million. Excluding these items, Adjusted EBITA was 75 million. The Adjusted EBITA margin increased by

[1] *This section contains certain non-IFRS financial measures and ratios, such as comparable sales growth, EBITA, Adjusted EBITA, free cash flow, and related ratios, which are not recognized measures of financial performance or liquidity under IFRS. For a reconciliation of these non-IFRS financial measures to the most directly comparable IFRS measures, see "Reconciliation of non-IFRS financial measures".*

590 basis points to 21.6%, mainly due to the positive effect from price increases and lower COGS.

Other

'Other' represents amounts not allocated to operating segments and includes costs related both to central R&D activities to drive innovation, and to Group enabling functions. Reported EBITA was EUR -65 million. Last year's reported EBITA of EUR 147 million benefited from a gain from the disposal of non-strategic real estate. Adjusted EBITA was EUR -48 million, compared with EUR -34 million in the same period last year.

Outlook

The continued economic softness has led us to apply caution in our outlook for the full year and adjust our Adjusted EBITA margin guidance to 9.5-10.5%. On the other hand, our free cash flow generation has and will continue to benefit from supply chain lead time improvements and effective working capital measures. We therefore expect our free cash flow generation to be at the higher end of the 6-8% range.

I Condensed consolidated financial statements

I.I Condensed consolidated statement of income

In millions of EUR unless otherwise stated

	Note	Second quarter		January to June	
		2022	2023	2022	2023
Sales	1, 2	1,836	1,644	3,624	3,322
Cost of sales		(1,173)	(1,010)	(2,296)	(2,083)
Gross margin		**664**	**633**	**1,328**	**1,239**
Selling, general and administrative expenses		(472)	(464)	(949)	(935)
Research and development expenses		(73)	(69)	(144)	(145)
Other business income	4	188	4	189	10
Other business expenses	4	(1)	(16)	(3)	(19)
Income from operations		**306**	**88**	**421**	**149**
Financial income	9	29	6	39	11
Financial expenses		(18)	(37)	(34)	(72)
Results relating to investments in associates		–	–	(1)	–
Income before taxes		**316**	**57**	**426**	**88**
Income tax expense	5	(68)	(12)	(91)	(15)
Net income		**248**	**45**	**335**	**73**
Attribution of net income for the period:					
Net income (loss) attributable to shareholders of Signify N.V.		246	41	332	66
Net income (loss) attributable to non-controlling interests		2	4	3	7
Earnings per ordinary share attributable to shareholders					
Weighted average number of ordinary shares outstanding used for calculation (in thousands):					
Basic		124,822	125,913	125,001	125,948
Diluted		127,082	127,367	127,778	127,806
Net income attributable to shareholders per ordinary share in EUR:					
Basic		1.97	0.32	2.66	0.52
Diluted		1.93	0.32	2.60	0.52

The accompanying notes are an integral part of these condensed consolidated financial statements.

I.2 Condensed consolidated statement of comprehensive income

In millions of EUR

	Second quarter		January to June	
	2022	2023	2022	2023
Net income (loss)	**248**	**45**	**335**	**73**
Pensions and other post-employment plans:				
Remeasurements	–	–	(5)	–
Income tax effect on remeasurements	–	–	–	–
Total of items that will not be reclassified to profit or loss	**–**	**–**	**(5)**	**–**
Currency translation differences:				
Net current period change, before tax	178	(41)	249	(100)
Income tax effect	–	–	–	–
Net investment hedge				
Net current period change, before tax	(7)	–	(10)	–
Income tax effect	–	–	–	–
Cash flow hedges:				
Net current period change, before tax	(25)	(6)	(31)	11
Income tax effect	6	2	8	(3)
Total of items that are or may be reclassified to profit or loss	**152**	**(45)**	**217**	**(91)**
Other comprehensive income (loss)	**153**	**(45)**	**211**	**(91)**
Total comprehensive income (loss)	**400**	**–**	**546**	**(19)**
Total comprehensive income (loss) attributable to:				
Shareholders of Signify N.V.	393	–	535	(19)
Non-controlling interests	7	–	11	1

The accompanying notes are an integral part of these condensed consolidated financial statements.

I.3 Condensed consolidated statement of financial position

In millions of EUR

	Note	December 31, 2022	June 30, 2023
Non-current assets			
Property, plant and equipment	1	699	665
Goodwill	1	2,861	2,785
Intangible assets, other than goodwill	1	700	669
Investments in associates		12	12
Financial assets	9	165	95
Deferred tax assets		418	415
Other assets		40	32
Total non-current assets		**4,895**	**4,673**
Current assets			
Inventories		1,361	1,288
Other assets		161	182
Derivative financial assets	9	34	37
Income tax receivable		56	57
Trade and other receivables		1,102	1,002
Cash and cash equivalents	9	677	584
Assets classified as held for sale		1	1
Total current assets		**3,391**	**3,150**
Total assets		**8,286**	**7,822**
Equity			
Shareholders' equity	6	2,920	2,717
Non-controlling interests		145	137
Total equity		**3,065**	**2,853**
Non-current liabilities			
Debt	7	1,950	1,267
Post-employment benefits		327	319
Provisions	8	283	234
Deferred tax liabilities		25	23
Income tax payable		111	88
Other liabilities		160	168
Total non-current liabilities		**2,855**	**2,100**
Current liabilities			
Debt, including bank overdrafts	7	83	755
Derivative financial liabilities	9	42	54
Income tax payable		21	31
Trade and other payables		1,859	1,608
Provisions	8	168	189
Other liabilities		194	232
Total current liabilities		**2,367**	**2,869**
Total liabilities and total equity		**8,286**	**7,822**

The accompanying notes are an integral part of these condensed consolidated financial statements.

1.4 Condensed consolidated statement of cash flows

In millions of EUR

	Note	Second quarter		January to June	
		2022	2023	2022	2023
Cash flows from operating activities					
Net income (loss)		248	45	335	73
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		(14)	159	115	335
• Depreciation, amortization and impairment of non-financial assets		79	67	155	139
• Result on sale of assets	4	(188)	13	(189)	8
• Net interest expense on debt, borrowings and other liabilities		12	11	18	21
• Income tax expense	5	68	12	91	15
• Additions to (releases of) provisions	8	29	31	45	103
• Additions to (releases of) post-employment benefits		4	6	9	11
• Other items		(19)	20	(14)	39
Changes in working capital:		(171)	(9)	(486)	(62)
• Changes in trade and other receivables		(8)	15	57	70
• Changes in inventories		(3)	40	(110)	49
• Changes in trade and other payables		(125)	(54)	(409)	(190)
• Changes in other current assets and liabilities		(35)	(10)	(25)	9
Changes in other non-current assets and liabilities		7	1	11	10
Utilizations of provisions	8	(39)	(33)	(73)	(75)
Utilizations of post-employment benefits		(6)	(8)	(15)	(17)
Net interest and financing costs received (paid)		(31)	(32)	(32)	(35)
Income taxes paid		(22)	(15)	(46)	(38)
Net cash provided by (used for) operating activities		**(28)**	**109**	**(191)**	**190**
Cash flows from investing activities					
Net capital expenditures:		163	(21)	137	(51)
• Additions of intangible assets		(13)	(17)	(26)	(31)
• Capital expenditures on property, plant and equipment		(18)	(9)	(31)	(26)
• Proceeds from disposal of property, plant and equipment		194	5	195	6
Net proceeds from (cash used for) derivatives and other financial assets		(19)	(3)	(5)	10
Purchases of businesses, net of cash acquired	3	(297)	–	(297)	(14)
Net cash provided by (used for) investing activities		**(153)**	**(25)**	**(166)**	**(56)**
Cash flows from financing activities					
Dividend paid	6	(183)	(168)	(183)	(168)
Proceeds from issuance of debt	7	137	9	140	9
Repayment of debt	7	(19)	(24)	(41)	(47)
Purchase of treasury shares		–	–	(36)	–
Net cash provided by (used for) financing activities		**(64)**	**(184)**	**(119)**	**(206)**
Net cash flows		**(246)**	**(100)**	**(475)**	**(71)**
Effect of changes in exchange rates on cash and cash equivalents and bank overdrafts		24	(9)	31	(21)
Cash and cash equivalents and bank overdrafts at the beginning of the period [1]		625	693	847	676
Cash and cash equivalents and bank overdrafts at the end of the period [2]		**403**	**583**	**403**	**583**
Non-cash investing and financing activities:					
Acquisition of fixed asset by means of leases		8	16	21	33

1 For Q2 2023 and Q2 2022, included bank overdrafts of EUR 1 million and EUR 0 million, respectively. For the first half of 2023 and 2022, included bank overdrafts of EUR 1 million and EUR 4 million, respectively.

2 Included bank overdrafts of EUR 0 million and EUR 4 million as at June 30, 2023 and 2022, respectively.

The accompanying notes are an integral part of these condensed consolidated financial statements.

1.5 Condensed consolidated statements of changes in equity

In millions of EUR

	Share capital	Share premium	Retained earnings	Currency translation differences	Cash flow hedges	Treasury shares	Total share-holders' equity	Non-controlling interests	Equity
Balance as at January 1, 2022	**1**	**2,174**	**491**	**(80)**	**(2)**	**(126)**	**2,459**	**138**	**2,597**
Net Income	—	—	332	—	—	—	332	3	335
Other comprehensive income (loss)	—	—	(5)	232	(23)	—	203	8	211
Total comprehensive income (loss)	**—**	**—**	**327**	**232**	**(23)**	**—**	**535**	**11**	**546**
Dividend distributed	—	—	(182)	—	—	—	(182)	(1)	(183)
Purchase of treasury shares	—	—	—	—	—	(48)	(48)	—	(48)
Delivery of treasury shares	—	(58)	16	—	—	42	—	—	—
Share-based compensation plans	—	15	—	—	—	—	15	—	15
Balance as at June 30, 2022	**1**	**2,131**	**652**	**152**	**(25)**	**(132)**	**2,779**	**148**	**2,927**
Balance as at January 1, 2023	**1**	**2,139**	**864**	**67**	**(20)**	**(131)**	**2,920**	**145**	**3,065**
Net Income	—	—	66	—	—	—	66	7	73
Other comprehensive income (loss)	—	—	—	(94)	9	—	(85)	(6)	(91)
Total comprehensive income (loss)	**—**	**—**	**66**	**(94)**	**9**	**—**	**(19)**	**1**	**(19)**
Dividend distributed	—	—	(189)	—	—	—	(189)	(9)	(198)
Purchase of treasury shares	—	—	—	—	—	(7)	(7)	—	(7)
Delivery of treasury shares	—	(35)	(22)	—	—	56	—	—	—
Share-based compensation plans	—	10	—	—	—	—	10	—	10
Hyperinflation adjustment	—	—	3	—	—	—	3	—	3
Balance as at June 30, 2023	**1**	**2,114**	**722**	**(27)**	**(11)**	**(82)**	**2,717**	**137**	**2,853**

The accompanying notes are an integral part of these condensed consolidated financial statements.

2 Notes to the consolidated interim financial statements

All amounts are in millions of euros unless otherwise stated. Due to rounding, amounts may not add up to totals provided.

2.1 Reporting entity

Signify N.V. is a public company with limited liability incorporated under the laws of the Netherlands and listed on Euronext Amsterdam under the symbol 'LIGHT'.

As used herein, the term Signify is used for Signify N.V. (the 'Company') and its subsidiaries within the meaning of Section 2:24b of the Dutch Civil Code.

The corporate seat of the Company is in Eindhoven, the Netherlands, and its registered office is at High Tech Campus 48, 5656 AE Eindhoven. The Company is registered in the Commercial Register of the Chamber of Commerce under number 65220692.

2.2 Basis of preparation

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union. Several amendments apply to the accounting standards for the first time in 2023, but do not have a material impact on the condensed consolidated interim financial statements of Signify.

The income tax expense is recognized based on management's estimate of the weighted average effective annual income tax rate expected for the full year.

The accounting policies applied in the condensed consolidated interim financial statements are consistent with those applied in the Consolidated financial statements for the year ended December 31, 2022.

Macroeconomic and geopolitical environment

Signify continuously monitors the development in the macroeconomic and geopolitical environment. Key challenges include: increase of interest rates, increased inflation, business climate uncertainties, the Russia-Ukraine conflict, and the expected recovery trajectory of China post COVID. During the six-month period ended June 30, 2023, there was no significant change compared to our assessment as disclosed in the Consolidated financial statements for the year ended December 31, 2022.

Climate-related matters

Signify continuously monitors risks and opportunities related to climate change. During the six-month period ended June 30, 2023, there was no significant change compared to our assessment as disclosed in the Consolidated financial statements for the year ended December 31, 2022.

Assumptions for post-employment benefits

For the provision for post-employment benefits, Signify reviewed the changes in market conditions during the six-month period ended June 30, 2023. The impact was not material and therefore no remeasurement was recognized.

Critical accounting judgments and key sources of estimation uncertainty

The preparation of the condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from the estimates.

Except as disclosed in previous paragraphs, the areas where the most significant judgments and estimates are made, were the same as those disclosed in the Consolidated financial statements for the year ended December 31, 2022.

2.3 Notes

1 Information by segment and main country

The following is an overview of Signify's sales and results by segment:

	Second Quarter						January to June					
	Digital Solutions[5]	Digital Products	Conventional Products	Other[4]	Intersegment elimination	Signify	Digital Solutions[5]	Digital Products	Conventional Products	Other[4]	Intersegment elimination	Signify
2023												
Sales to external customers	974	505	160	5		1,644	1,924	1,043	346	9		3,322
Sales including intersegment	975	556	161	5	(53)	1,644	1,926	1,145	347	10	(107)	3,322
Depreciation and amortization[1]	(20)	(7)	(6)	(15)		(48)	(40)	(15)	(11)	(31)		(97)
EBITA[2]	**91**	**33**	**27**	**(43)**		**108**	**161**	**72**	**22**	**(65)**		**190**
EBITA as a % of sales	9.3%	6.5%	16.8%			6.6%	8.4%	6.9%	6.3%			5.7%
Amortization[3]						(20)						(41)
Income from operations	73	31	27	(43)		88	123	69	22	(65)		149
Financial income and expenses						(31)						(61)
Results from investments in associates						–						–
Income before taxes						**57**						**88**
2022												
Sales to external customers	1,042	598	193	4		1,836	2,022	1,198	394	10		3,624
Sales including intersegment	1,044	656	194	4	(61)	1,836	2,025	1,311	396	10	(118)	3,624
Depreciation and amortization[1]	(19)	(7)	(4)	(14)		(45)	(38)	(15)	(9)	(28)		(91)
EBITA[2]	**92**	**63**	**20**	**165**		**340**	**167**	**128**	**43**	**147**		**486**
EBITA as a % of sales	8.8%	10.5%	10.5%			18.5%	8.3%	10.7%	11.0%			13.4%
Amortization[3]						(34)						(64)
Income from operations	60	61	20	165		306	107	124	43	147		421
Financial income and expenses						11						5
Results from investments in associates						–						(1)
Income before taxes						**316**						**426**

1 Excluding amortization and impairments of acquisition-related intangible assets and goodwill
2 Income from operations excluding amortization and impairments of acquisition-related intangible assets and goodwill ('EBITA')
3 Amortization and impairments of acquisition-related intangible assets and goodwill
4 Considering the nature of Other, EBITA as a % of sales for Other is not meaningful
5 Includes Intelligent Lighting Controls since March 1, 2023, Fluence since May 2, 2022 and Pierlite since April 29, 2022

Sales between the segments mainly relate to the supply of goods. The pricing of such transactions is determined on an 'arm's length basis'. Sales and tangible and intangible assets are reported based on the country of origin as follows:

	Sales[1]		Tangible and intangible assets[1,2]	
	January to June 2022	January to June 2023	December 31, 2022	June 30, 2023
Netherlands	273	223	604	597
United States	1,231	1,124	2,639	2,550
China	256	217	299	274
Germany	205	189	9	9
Other countries	1,659	1,569	709	689
Total countries	**3,624**	**3,322**	**4,261**	**4,119**

1 Includes Intelligent Lighting Controls since March 1, 2023, Fluence since May 2, 2022 and Pierlite since April 29, 2022
2 Includes goodwill

2 Disaggregated revenue information

Information on sales per segment is disclosed in note 1, Information by segment and main country. For the six-month period ended June 30, 2023, sales consisted primarily (97%) of sales of goods to customers (January to June 2022: 97%). Sales by market are reported as follows:

	Second quarter		January to June	
	2022	**2023**	**2022**	**2023**
Europe	502	444	1,059	968
Americas	747	665	1,450	1,318
Rest of the world	433	396	826	765
Global businesses	154	138	289	271
Total	**1,836**	**1,644**	**3,624**	**3,322**

Americas includes Intelligent Lighting Controls since March 1, 2023. Global businesses include Fluence since May 2, 2022. Rest of the world includes Pierlite since April 29, 2022.

3 Acquisitions

Signify completed one acquisition in the six-month period ended June 30, 2023.

Acquisition of ILC Intelligent Lighting Controls

On March 1, 2023, Signify completed the acquisition of 100% of the equity of ILC Intelligent Lighting Controls, Inc. (ILC), a market-leading U.S. manufacturer of wired control systems, expanding its connected portfolio. ILC is consolidated as part of Cooper Lighting Solutions within Digital Solutions. The acquisition is considered not material to the condensed consolidated financial statements. The fair value of assets and liabilities at the acquisition date is provisional pending closing settlement procedures expected to be finalized during 2023.

Acquisition of Fluence

Fluence was acquired on May 2, 2022. In the six-month period ended June 30, 2023 and within the one-year purchase price accounting period the fair value of assets and liabilities at acquisition date, the final purchase price adjustments and closing settlement accounting were finalized. Final settlement agreements are expected to be signed in 2023.

The opening balance adjustments were mainly related to an indemnification asset booked as part of the closing settlement accounting, the valuation of certain liabilities and goodwill. The changes compared to December 31, 2022 are shown in the table below.

	December 31, 2022	June 30, 2023
Goodwill	258	242
Other intangible assets	20	20
Property, plant and equipment	3	3
Net deferred tax	15	11
Trade and other receivables	10	12
Inventories	30	32
Other assets	3	11
Cash	3	3
Trade and other payables	(20)	(20)
Other liabilities	(64)	(59)
Net assets acquired	**257**	**254**

4 Other business income and expenses

Other business income and expenses consist of the following:

	January to June	
	2022	2023
Result on disposal of businesses	–	5
Result on disposal of fixed assets	189	(13)
Result on other remaining businesses	(2)	(1)
Other business income and expenses	**187**	**(9)**
Total other business income	189	10
Total other business expense	(3)	(19)

For the six-month period ended June 30, 2023, the result on disposal of fixed assets mainly relates to a provision recognized regarding a prior year real estate transaction in 'Other'.

5 Income taxes

The income tax expense in the six-month period ended June 30, 2023 decreased by EUR 76 million compared to the corresponding period of the previous year mainly due to lower income before tax and releases of tax provisions.

The effective tax rate for the six-month period ended June 30, 2023, was 17.2% compared to 21.4% in 2022.

6 Equity

Dividend distribution

In June 2023, the Company settled a dividend of EUR 1.50 per ordinary share, representing a total value of EUR 189 million including costs. An amount of EUR 161 million was paid in cash in June and the remaining dividend tax liability of EUR 26 million presented in Other liabilities as at June 30, was paid in July.

Treasury shares

As at June 30, 2023, the total number of treasury shares amounted to 2,040,468, which were purchased at an average price of EUR 40.26 per share.

7 Debt

	December 31, 2022	June 30, 2023
Facility (EUR)	280	280
Facility (USD)	211	206
Eurobonds	1,268	1,269
Lease liabilities	254	249
Other debt	19	18
Subtotal	**2,032**	**2,022**
Bank overdrafts	1	—
Gross debt	**2,033**	**2,022**
Cash and cash equivalents	(677)	(584)
Net debt (cash)	**1,356**	**1,439**
Total equity	**3,065**	**2,853**
Net debt and total equity	4,421	4,292
Net debt divided by net debt and total equity (in %)	31%	34%
Total equity divided by net debt and total equity (in %)	69%	66%

Eurobonds

As of June 30, 2023, EUR 675 million of fixed rate notes due in May 2024 with an annual coupon of 2.000% became short term. There were no other material changes in Signify's gross debt structure.

8 Provisions

Additions of restructuring provisions during the six-month period ended June 30, 2023, included a restructuring program in Conventional Products in Belgium. Signify expects the provision will be utilized mainly within the next year.

Releases from legal provision were mainly related to the legal case as described below. On October 5, 2022, a jury in trial court in Connecticut awarded compensation of USD 100 million in a lawsuit against Signify and other defendants, allocating USD 90 million of the award against Signify. The accident that was the subject of the trial occurred in a warehouse leased and operated by a Signify customer, where Signify products were pushed off a rack by a worker operating a forklift at the warehouse onto one of the customer's employees.

Signify received a decision from the trial judge on April 26, 2023, reducing the jury's award from USD 100 million to approximately USD 46.5 million and Signify's allocated share to approximately USD 42 million. Signify has a comprehensive global liability insurance and has confirmation that the case is fully covered without reservation of rights, including interest and other costs. Both the legal provision and the insurance cover asset have been adjusted in the balance sheet of the company as per June 30, 2023, without any net P&L impact. Signify will continue to exercise all its rights to appeal the verdict issued in this case.

For more information, refer to note 24, Provisions in the Consolidated financial statements for the year ended December 31, 2022.

Provisions are summarized as follows:

	Restructuring	Environmental	Product warranty	Legal	Other	Total
Balance as at January 1, 2023	**36**	**92**	**115**	**103**	**105**	**451**
Additions	55	23	18	5	24	125
Utilizations	(32)	(4)	(25)	(1)	(12)	(75)
Acquisitions	—	—	(5)	—	—	(5)
Releases	(4)	(5)	(1)	(55)	(3)	(68)
Translation differences and other movements	3	(3)	(2)	(1)	(2)	(5)
Balance as at June 30, 2023	**58**	**103**	**99**	**51**	**112**	**423**
Short-term	53	19	71	5	41	189
Long-term	4	84	29	46	71	234

9 Financial assets and liabilities

Financial risk management

The company assessed global macroeconomic developments and concluded that no material changes to the existing financial risk management objectives were necessary. These objectives are consistent with those disclosed in the Consolidated financial statements for the year ended December 31, 2022.

Effective January 1, 2023, the Company updated its anticipated foreign exchange risk management policy to allow more flexibility in responding to the global macroeconomic developments. The main policy changes relate to the reduction of the time horizon of the hedge period, fewer hedged currencies taking into consideration a higher threshold and the reduction of the hedge ratios.

Fair value hierarchy

The valuation techniques and inputs used to develop measurements for financial assets and liabilities are consistent with those disclosed in the Consolidated financial statements for the year ended December 31, 2022.

During the six-month period ended June 30, 2023, Signify recognized a loss of EUR 21 million in Financial income and expenses related to Signify's participation in Virtual Power Purchase Agreements, which are included in Derivative financial assets not designated as hedging instruments. This non-cash loss results from a fair value remeasurement as calculated per balance sheet date.

	Carried at	Gross amount recognized on the balance sheet	Amounts not offset on the balance sheet, but subject to master netting arrangements	Net amount	Fair value hierarchy level	Estimated fair value
Balance as at June 30, 2023						
Non-current financial assets [1,2]	amortized cost	67	–	67		67
Unquoted equity shares	fair value (FVOCI)	4	–	4	3	4
Trade and other receivables[1]	amortized cost	1,002	–	1,002		1,002
Derivative financial assets designated as hedging instruments	fair value (FVTPL)	37	(33)	4	2	37
Derivative financial assets not designated as hedging instruments	fair value (FVTPL)	24	–	24	3	29
Cash and cash equivalents		584	–	584		584
Debt (Eurobonds)	amortized cost	(1,269)	–	(1,269)	1	(1,213)
Debt (excluding Eurobonds)[1]	amortized cost	(753)	–	(753)	2	(753)
Derivative financial liabilities designated as hedging instruments	fair value (FVTPL)	(54)	33	(21)	2	(54)
Trade and other payables[1]	amortized cost	(1,605)	–	(1,605)		(1,605)
Contingent considerations	fair value (FVTPL)	(3)	–	(3)	3	(3)
Balance as at December 31, 2022						
Non-current financial assets [1,2]	amortized cost	117	–	117		117
Unquoted equity shares	fair value (FVOCI)	3	–	3	3	3
Trade and other receivables [1]	amortized cost	1,102	–	1,102		1,102
Derivative financial assets designated as hedging instruments	fair value (FVTPL)	36	(21)	15	2	36
Derivative financial assets not designated as hedging instruments	fair value (FVTPL)	44	–	44	3	50
Cash and cash equivalents		677	–	677		677
Debt (Eurobonds)	amortized cost	(1,268)	–	(1,268)	1	(1,220)
Debt (excluding Eurobonds)[1]	amortized cost	(765)	–	(765)	2	(765)
Derivative financial liabilities designated as hedging instruments	fair value (FVTPL)	(43)	21	(22)	2	(43)
Trade and other payables[1]	amortized cost	(1,856)	–	(1,856)		(1,856)
Contingent considerations	fair value (FVTPL)	(3)	–	(3)	3	(3)

1 In view of the nature, maturity or the magnitude of the amounts, Signify considers that the fair value of non-current financial assets, trade and other receivables, debt (excluding Eurobonds), trade and other payables are not materially different from their carrying value.
2 Mainly includes the insurance cover asset related to the legal case as disclosed in note 8, Provisions.

10 Events after the balance sheet date

No subsequent events occurred that are material to Signify.

Appendix B - Reconciliation of non-IFRS financial measures

Sales growth composition per business in %

	Second quarter			
	Comparable growth	Currency effects	Consolidation and other changes	Nominal growth
2023 vs 2022				
Digital Solutions	(5.7)	(2.4)	1.7	(6.5)
Digital Products	(12.1)	(3.4)	0.0	(15.4)
Conventional Products	(15.0)	(2.3)	0.0	(17.3)
Total	**(8.6)**	**(2.8)**	**0.9**	**(10.5)**

	January to June			
	Comparable growth	Currency effects	Consolidation and other changes	Nominal growth
2023 vs 2022				
Digital Solutions	(7.2)	(0.4)	2.8	(4.8)
Digital Products	(11.1)	(1.9)	0.0	(13.0)
Conventional Products	(11.6)	(0.7)	0.0	(12.4)
Total	**(8.9)**	**(1.0)**	**1.5**	**(8.3)**

Sales growth composition per market in %

	Second quarter			
	Comparable growth	Currency effects	Consolidation and other changes	Nominal growth
2023 vs 2022				
Europe	(10.6)	(0.9)	0.0	(11.6)
Americas	(9.5)	(2.0)	0.5	(11.0)
Rest of the world	(2.6)	(7.2)	1.4	(8.5)
Global businesses	(14.2)	(0.6)	4.5	(10.3)
Total	**(8.6)**	**(2.8)**	**0.9**	**(10.5)**

	January to June			
	Comparable growth	Currency effects	Consolidation and other changes	Nominal growth
2023 vs 2022				
Europe	(8.3)	(0.4)	0.1	(8.6)
Americas	(10.2)	0.7	0.4	(9.1)
Rest of the world	(4.7)	(5.4)	2.7	(7.4)
Global businesses	(15.3)	0.5	8.5	(6.3)
Total	**(8.9)**	**(1.0)**	**1.5**	**(8.3)**

Amounts may not add up due to rounding.

Adjusted EBITA to Income from operations (or EBIT) in millions of EUR

	Signify	Digital Solutions	Digital Products	Conventional Products	Other
Second quarter 2023					
Adjusted EBITA	136	97	35	33	(29)
Restructuring	(9)	(2)	(2)	(3)	(2)
Acquisition-related charges	(3)	(3)	–	–	–
Incidental items	(16)	–	1	(3)	(13)
EBITA	**108**	**91**	**33**	**27**	**(43)**
Amortization [1]	(20)	(18)	(1)	–	–
Income from operations (or EBIT) [2]	**88**	**73**	**31**	**27**	**(43)**
Second quarter 2022					
Adjusted EBITA	174	98	63	30	(17)
Restructuring	(7)	(2)	–	(4)	(1)
Acquisition-related charges	(5)	(5)	–	–	–
Incidental items	177	–	0	(6)	184
EBITA	**340**	**92**	**63**	**20**	**165**
Amortization [1]	(34)	(32)	(2)	–	–
Income from operations (or EBIT) [2]	**306**	**60**	**61**	**20**	**165**

1 Amortization and impairments of acquisition-related intangible assets and goodwill.
2 For a reconciliation to income before taxes, refer to note 1, Information by segment and main country.

	Signify	Digital Solutions	Digital Products	Conventional Products	Other
January to June 2023					
Adjusted EBITA	285	179	79	75	(48)
Restructuring	(57)	(8)	(6)	(37)	(5)
Acquisition-related charges	(6)	(6)	–	–	–
Incidental items	(32)	(3)	(1)	(16)	(12)
EBITA	**190**	**161**	**72**	**22**	**(65)**
Amortization [1]	(41)	(38)	(3)	–	–
Income from operations (or EBIT) [2]	**149**	**123**	**69**	**22**	**(65)**
January to June 2022					
Adjusted EBITA	361	193	140	62	(34)
Restructuring	(11)	(3)	–	(6)	(2)
Acquisition-related charges	(12)	(12)	–	–	–
Incidental items	148	(10)	(12)	(13)	183
EBITA	**486**	**167**	**128**	**43**	**147**
Amortization [1]	(64)	(60)	(4)	–	–
Income from operations (or EBIT) [2]	**421**	**107**	**124**	**43**	**147**

1 Amortization and impairments of acquisition-related intangible assets and goodwill.
2 For a reconciliation to income before taxes, refer to note 1, Information by segment and main country.

Amounts may not add up due to rounding.

Second quarter 2023 Income from operations to Adjusted EBITA in millions of EUR

	Reported	Restructuring	Acquisition-related charges	Incidental items [1]	Adjusted
Second quarter 2023					
Sales	1,644	—	—	—	1,644
Cost of sales	(1,010)	3	1	1	(1,005)
Gross margin	**633**	**3**	**1**	**1**	**639**
Selling, general and administrative expenses	(464)	5	2	2	(454)
Research and development expenses	(69)	1	—	—	(68)
Indirect costs	**(533)**	**6**	**3**	**2**	**(523)**
Impairment of goodwill	—	—	—	—	—
Other business income	4	—	(2)	(1)	1
Other business expenses	(16)	—	1	13	(1)
Income from operations	**88**	**9**	**3**	**16**	**116**
Amortization	(20)	—	—	—	(20)
Income from operations excluding amortization (EBITA)	**108**	**9**	**3**	**16**	**136**
Second quarter 2022					
Sales	1,836	—	—	—	1,836
Cost of sales	(1,173)	5	2	4	(1,162)
Gross margin	**664**	**5**	**2**	**4**	**674**
Selling, general and administrative expenses	(472)	2	3	3	(465)
Research and development expenses	(73)	—	—	—	(73)
Indirect costs	**(545)**	**2**	**3**	**3**	**(537)**
Impairment of goodwill	—	—	—	—	—
Other business income	188	—	—	(184)	4
Other business expenses	(1)	—	—	—	(1)
Income from operations	**306**	**7**	**5**	**(177)**	**141**
Amortization	(34)	—	—	—	(34)
Income from operations excluding amortization (EBITA)	**340**	**7**	**5**	**(177)**	**174**

[1] Incidental items are non-recurring by nature and relate to impairment and other non-cash charges related to operations in Russia and Ukraine, separation, transformation, results on real estate transactions, environmental provision for inactive sites, and discounting effect of long-term provisions.

Amounts may not add up due to rounding.

January to June 2023 Income from operations to Adjusted EBITA in millions of EUR

	Reported	Restructuring	Acquisition-related charges	Incidental items [1]	Adjusted
January to June 2023					
Sales	3,322	–	–	–	3,322
Cost of sales	(2,083)	40	2	18	(2,023)
Gross margin	**1,239**	**40**	**2**	**18**	**1,298**
Selling, general and administrative expenses	(935)	14	5	1	(915)
Research and development expenses	(145)	3	–	–	(143)
Indirect costs	**(1,081)**	**16**	**5**	**1**	**(1,058)**
Impairment of goodwill	–	–	–	–	–
Other business income	10	–	(2)	(1)	7
Other business expenses	(19)	–	1	14	(4)
Income from operations	**149**	**57**	**6**	**32**	**244**
Amortization	(41)	–	–	–	(41)
Income from operations excluding amortization (EBITA)	**190**	**57**	**6**	**32**	**285**
January to June 2022					
Sales	3,624	–	–	–	3,624
Cost of sales	(2,296)	8	4	19	(2,266)
Gross margin	**1,328**	**8**	**4**	**19**	**1,359**
Selling, general and administrative expenses	(949)	4	8	16	(921)
Research and development expenses	(144)	–	–	–	(144)
Indirect costs	**(1,093)**	**3**	**8**	**16**	**(1,065)**
Impairment of goodwill	–	–	–	–	–
Other business income	189	–	–	(184)	5
Other business expenses	(3)	–	–	1	(2)
Income from operations	**421**	**11**	**12**	**(148)**	**297**
Amortization	(64)	–	–	–	(64)
Income from operations excluding amortization (EBITA)	**486**	**11**	**12**	**(148)**	**361**

[1] Incidental items are non-recurring by nature and relate to impairment and other non-cash charges related to operations in Russia and Ukraine, separation, transformation, results on real estate transactions, environmental provision for inactive sites, and discounting effect of long-term provisions.

Amounts may not add up due to rounding.

Composition of cash flows in millions of EUR

	Second quarter		January to June	
	2022	2023	2022	2023
Cash flows from operating activities	(28)	109	(191)	190
Cash flows from investing activities	(153)	(25)	(166)	(56)
Cash flows before financing activities	**(182)**	**84**	**(356)**	**134**
Cash flows from operating activities	(28)	109	(191)	190
Net capital expenditures:	163	(21)	137	(51)
• Additions of intangible assets	(13)	(17)	(26)	(31)
• Capital expenditures on property, plant and equipment	(18)	(9)	(31)	(26)
• Proceeds from disposal of property, plant and equipment	194	5	195	6
Free cash flows	**135**	**88**	**(54)**	**139**

Working capital to total assets in millions of EUR

	June 30, 2022	December 31, 2022	June 30, 2023
Working capital	**783**	**564**	**640**
Eliminate liabilities comprised in working capital:			
• Trade and other payables	2,030	1,859	1,608
• Derivative financial liabilities	77	42	54
• Other current liabilities [1]	221	194	206
Include assets not comprised in working capital:			
• Non-current assets	4,963	4,895	4,673
• Income tax receivable	45	56	57
• Cash and cash equivalents	407	677	584
• Assets classified as held for sale	—	1	1
Total assets	**8,526**	**8,286**	**7,822**

[1] Other current liabilities excluding EUR 26 million of dividend-related payable as at June 30, 2023.

Appendix C – Financial glossary

Acquisition-related charges
Costs that are directly triggered by the acquisition of a company, such as transaction costs, purchase accounting related costs and integration-related expenses.

Adjusted EBITA
EBITA excluding restructuring costs, acquisition-related charges, and other incidental charges.

Adjusted EBITA margin
Adjusted EBITA divided by sales to third parties (excluding intersegment).

Adjusted gross margin
Gross margin, excluding restructuring costs, acquisition-related charges, and other incidental items attributable to cost of sales.

Adjusted indirect costs
Indirect costs, excluding restructuring costs, acquisition-related charges, and other incidental items attributable to indirect costs.

Adjusted R&D expenses
Research and development expenses, excluding restructuring costs, acquisition-related charges, and other incidental items attributable to research and development expenses.

Adjusted SG&A expenses
Selling, general and administrative expenses, excluding restructuring costs, acquisition-related charges, and other incidental items attributable to selling, general and administrative expenses.

Brighter lives revenues
Percentage of total revenues coming from all products, systems and services contributing to Food availability, Safety & security, or Health & well-being.

Changes in scope
Consolidation effects related to acquisitions.

Circular revenues
Percentage of total revenues coming from products, systems and services designed for a circular economy, categorized as serviceable luminaires (incl. 3D-printing), circular components, intelligent systems, or circular services.

Comparable sales growth (CSG)
The period-on-period growth in sales excluding the effects of currency movements and changes in consolidation and other changes.

EBIT
Income from operations.

EBITA
Income from operations excluding amortization and impairment of acquisition-related intangible assets and goodwill.

EBITDA
Income from operations excluding depreciation, amortization, and impairment of non-financial assets.

Effects of changes in consolidation and other changes
In the event a business is acquired (or divested), the impact of the consolidation (or de-consolidation) on the Group's figures is included (or excluded) in the calculation of the comparable sales growth figures. Other changes include regulatory changes and changes originating from new accounting standards.

Effects of currency movements
Calculated by translating the foreign currency financials of the previous period and the current period into euros at the same average exchange rates.

Employees
Employees of Signify at the end of the period, expressed on a full-time equivalent (FTE) basis.

Free cash flow
Net cash provided by operating activities minus net capital expenditures. Free cash flow includes interest paid and income taxes paid.

Gross margin
Sales minus cost of sales.

Incidental charges
Any item with an income statement impact (loss or gain) that is deemed to be both significant and not part of normal business activity. Other incidental items may extend over several quarters within the same financial year.

Indirect costs
The sum of selling, general and administrative expenses and R&D expenses.

Net capital expenditures
Additions of intangible assets, capital expenditures on property, plant and equipment and proceeds from disposal of property, plant and equipment.

Net debt
Short-term debt, long-term debt minus cash and cash equivalents.

Net leverage ratio
The ratio of consolidated reported net debt to consolidated reported EBITDA for the purpose of calculating the financial covenant.

R&D expenses
Research and development expenses.

Restructuring costs
The estimated costs of initiated reorganizations which have been approved by the company, and generally involve the realignment of certain parts of the organization. Restructuring costs include costs for employee termination benefits for affected employees and other costs directly attributable to the restructuring, such as impairment of assets and inventories.

SG&A expenses
Selling, general and administrative expenses.

Working capital
The sum of inventories, trade and other receivables, other current assets, derivative financial assets minus the sum of trade and other payables, derivative financial liabilities and other current liabilities (excluding dividend-related payables).