signify

Press Release

April 29, 2022

Signify reports first quarter sales of EUR 1.8 billion, CSG of 6.4% and an operational profitability of 10.5%

First quarter 2022[1]

- Signify's installed base of connected light points increased from 96 million in Q4 21 to 100 million in Q1 22
- Sales of EUR 1,788 million; nominal sales increase of 11.8% and CSG of 6.4%
- LED-based sales represented 84% of total sales (Q1 21: 82%)
- Adj. EBITA margin of 10.5% (Q1 21: 10.8%)
- Net income of EUR 87 million (Q1 21: EUR 60 million)
- Free cash flow of EUR -189 million (Q1 21: EUR 168 million)
- Net debt/EBITDA ratio of 1.6x (Q1 21: 1.4x)

Eindhoven, the Netherlands – Signify (Euronext: LIGHT), the world leader in lighting, today announced the company's first quarter 2022 results.

"Our main priority in the first quarter was to safeguard and support our Ukrainian employees and their families to the best extent possible. We are happy to report that all of our people are safe, and we were proud to see the very strong engagement from our colleagues and the Signify Foundation in supporting the people and communities so desperately affected by the war. Investments in Russia were stopped and all new business was paused since February 25th. We were also impacted by the return of lockdowns in China towards the end of the quarter. Throughout these challenging conditions, Signify continued to see strong momentum in the professional channel in the US and in most of the other geographies. We grew by 6.4% in the first quarter and maintained a strong double-digit adjusted EBITA margin. Global supply chain disruptions, which brought longer supplier lead times and higher levels of inventory, have negatively affected our cash flow. We expect this to positively readjust as the year progresses," said CEO, Eric Rondolat.

"Given the world's growing need for sustainable, connected and energy efficient lighting, we remain more focused than ever on our strategic priorities. For the remainder of the year, we anticipate a lower performance from our consumer-focused business due to inflationary headwinds. At the same time, we still expect strong demand for our professional business, driven by ongoing investments in the energy transition. Moving forward, our guidance for the year remains within reach, assuming the Chinese market and global supply chain dynamics do not deteriorate further."

[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 first quarter of the year, Signify was on track for most of its Brighter Lives, Better World 2025 sustainability program commitments that contribute to doubling its positive impact on the environment and society.

- **Double the pace of the Paris Agreement:**
  Cumulative carbon reduction over the value chain is on track. This is mainly due to the accelerated shift to energy efficient and connected LED lighting, which decreases carbon emissions in the use phase, and Signify's ongoing efforts to decarbonize its supply chain.
- **Double our Circular revenues to 32%:**
  Circular revenues increased to 30%, well on track to reach the target. This positive trend is attributable to the recent upgrade of a family of luminaires, which are now serviceable, and to the further expansion of the serviceable portfolio in outdoor luminaires.
- **Double our Brighter lives revenues to 32%:**
  Brighter lives revenues were 27%, on track to reach the target. The main contributions come from the consumer well-being portfolio, as well as UV-C disinfection and emergency lighting.
- **Double the percentage of women in leadership positions to 34%:**
  The percentage of women in leadership positions was 26%, slightly off track, yet Signify expects to see further progress during the year. In Q1, Signify conducted the first all-employee session of the Powering Inclusion Series with more than 5,000 participants across the company, and celebrated International Women's Day with its global #BreakTheBias campaign. Signify participated in the UN Global Compact's Target Gender Equality event to share its mentoring practices for improving diverse representation in its organization.

Outlook

Following the solid performance in the first quarter, the strong order intake and the continued momentum in the professional segment, Signify maintains its guidance for 2022. This assumes that the Chinese market and global supply chain dynamics do not deteriorate further.

- Comparable sales growth in the range of 3-6%
- Continued Adjusted EBITA margin improvement of up to 50 bps
- Free cash flow in excess of 8% of sales

Financial review

in millions of EUR, except percentages	First quarter 2021	2022	change
Comparable sales growth			**6.4%**
Effects of currency movements			*5.2%*
Consolidation and other changes			*0.2%*
Sales	**1,599**	**1,788**	11.8%
Adjusted gross margin	637	684	7.5%
Adj. gross margin (as % of sales)	**39.8%**	**38.3%**	
Adj. SG&A expenses	-424	-456	
Adj. R&D expenses	-72	-72	
Adj. indirect costs	-496	-528	-6.3 %
Adj. indirect costs (as % of sales)	**31.0%**	**29.5%**	
Adjusted EBITA	172	187	8.6%
Adjusted EBITA margin	**10.8%**	**10.5%**	
Adjusted items	-57	-41	
EBITA	115	146	27.1%
Income from operations (EBIT)	**85**	**115**	**35.5%**
Net financial income/expense	-10	-6	
Income tax expense	-15	-22	
Net income	**60**	**87**	**44.7%**
Free cash flow	168	-189	
Basic EPS (€)	0.47	0.69	
Employees (FTE)	37,356	36,884	

First quarter

Sales increased by 11.8% to EUR 1,788 million, with a comparable sales growth of 6.4%. Nominal sales growth included a positive currency effect of 5.2%, mainly attributable to the appreciation of the USD, and a positive impact from consolidation and other changes of 0.2%. LED-based sales increased from 82% in Q1 21 to 84% in Q1 2022.

During the quarter, energy prices increased significantly. Together with higher transportation costs, the increase in energy costs impacted the adjusted gross margin, mainly in Conventional Products due to its energy intensive production processes. As a result of these cost increases, the Adjusted gross margin decreased by 150 bps to 38.3%, yet on the back of a high comparison base in Q1 2021. The company is implementing further price increases to compensate for these effects.

Adjusted indirect costs as a percentage of sales decreased by 150 bps to 29.5%, driven by operating leverage and structural cost savings.

Adjusted EBITA increased by 8.6% to EUR 187 million. The Adjusted EBITA margin was 10.5%, remaining above 10% for the second consecutive year. The Adjusted EBITA margin decline of 30 bps reflects the high comparison base of the previous year, a negative currency effect of 130 bps and higher COGS, which were partly compensated by price increases, positive sales mix and operating leverage.

Restructuring costs were EUR 4 million, acquisition-related charges were EUR 7 million and incidental items were EUR 29 million, largely attributable to impairments related to Signify's operations in Russia and Ukraine.

Net income increased by EUR 27 million to EUR 87 million, mainly reflecting higher income from operations and lower net financial expenses, partly reduced by impairments related to our operations in Russia and Ukraine.

Digital Solutions

	First quarter		
in millions of EUR, unless otherwise indicated	2021	2022	change
Comparable sales growth			16.9%
Sales	793	981	23.6%
Adjusted EBITA	71	95	32.6%
Adjusted EBITA margin	9.0%	9.7%	
EBITA	48	75	57.4%
Income from operations (EBIT)	20	47	130.9%

First quarter

Sales increased to EUR 981 million with a comparable sales growth of 16.9%, driven by continued traction of the professional segment across many markets, particularly the United States, and with a strong performance of horticulture lighting. Nominal sales growth of 23.6% includes a positive impact of 6.2% from currency movements and 0.5% from consolidation and other changes. The Adjusted EBITA margin improved by 70 bps to 9.7%, driven by operating leverage, price increases and positive sales mix, more than offsetting higher COGS.

Digital Products

	First quarter		
in millions of EUR, unless otherwise indicated	2021	2022	change
Comparable sales growth			0.2%
Sales	575	601	4.5%
Adjusted EBITA	82	77	-6.0%
Adjusted EBITA margin	14.2%	12.8%	
EBITA	76	65	-13.7%
Income from operations (EBIT)	74	63	-14.1%

First quarter

Sales were EUR 601 million with a comparable sales growth of 0.2%. This is on the back of a strong Q1 2021, which benefited from the acceleration of connected home sales. Nominal sales growth of 4.5% includes a 4.3% benefit from currency movements. The Adjusted EBITA margin of 12.8% was 140 bps lower than last year reflecting a strong comparison base, higher COGS and continued investments in marketing to support future growth, partly offset by price increases.

Conventional Products

	First quarter		
in millions of EUR, unless otherwise indicated	2021	2022	change
Comparable sales growth			-15.1%
Sales	227	201	-11.5%
Adjusted EBITA	47	32	-31.2%
Adjusted EBITA margin	20.6%	16.0%	
EBITA	53	23	-56.6%
Income from operations (EBIT)	53	23	-56.6%

First quarter
Sales declined to EUR 201 million with a comparable sales decline of 15.1%. The Adjusted EBITA margin declined to 16.0%, driven by gross margin contraction mainly due to the sudden rise in both energy and transportation costs. The division was able to compensate part of this impact by fixed cost savings and is implementing further price increases.

Other

First quarter
'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. Adjusted EBITA was EUR -17 million (Q1 21: EUR -28 million) and EBITA was EUR -18 million (Q1 21: EUR -62 million). Restructuring costs decreased to EUR 1 million (Q1 21: EUR 34 million).

Sales by market

	First quarter			
in millions of EUR, except percentages	2021	2022	Change	CSG
Europe	523	557	6.5%	5.5%
Americas	589	703	19.4%	10.3%
Rest of the world	370	394	6.6%	1.1%
Global businesses	118	135	13.9%	7.9%
Total	**1,599**	**1,788**	**11.8%**	**6.4%**

First quarter
In the first quarter, most markets continued to see strong demand in the professional segment. In Europe, comparable sales grew by 5.5%, as most markets continued to recover. Americas' comparable sales grew by 10.3%, with a strong contribution from the professional segment. Americas' nominal sales growth of 19.4% benefited from a 9.2% currency movement. In the Rest of the World most markets grew, while the top line performance in China was negatively impacted by the reinstated COVID-19 lockdowns in March.

Working capital

in millions of EUR, unless otherwise indicated	31 Mar, 2021	31 Dec, 2021	31 Mar, 2022
Inventories	946	1,410	1,535
Trade and other receivables	1,074	1,183	1,128
Trade and other payables	-1,784	-2,334	-2,073
Other working capital items	-1	-8	-30
Working capital	**236**	**250**	**559**
As % of LTM* sales	3.5%	3.6%	7.9%

** LTM: Last Twelve Months*

First quarter
Working capital increased from EUR 250 million at the end of December 2021 to EUR 559 million at the end of March 2022. Following a buildup of inventory during Q4 2021, which continued into Q1 2022, the payables position subsequently reduced during the quarter, as payments related to a part of this inventory buildup were settled. This led to a higher overall working capital position. As a percentage of last twelve-month sales, working capital increased by 430 bps to 7.9%.

Compared with March 2021, working capital increased by EUR 323 million. This increase is mostly related to higher inventories, due to longer supplier lead times, partly offset by higher payables. As a percentage of last twelve-month sales, working capital increased by 440 bps.

Cash flow analysis

in millions of EUR	First quarter 2021	2022
Income from operations (EBIT)	85	115
Depreciation and amortization	77	76
Additions to (releases of) provisions	60	19
Utilizations of provisions	-50	-43
Change in working capital	30	-315
Net interest and financing costs received (paid)	-1	—
Income taxes paid	-21	-24
Net capex	-16	-27
Other	3	9
Free cash flow	**168**	**-189**

First quarter
Free cash flow was EUR -189 million, mostly due to a strong cash outflow from working capital, as payables reduced following the settlement of payments related to the inventory buildup. At the same time, inventories remained at high levels, as longer supplier lead times led to higher safety stocks and higher goods in transit. Free cash flow included a restructuring payout of EUR 14 million (Q1 21: EUR 13 million).

Net debt and total equity

in millions of EUR	31 Mar, 2021	31 Dec, 2021	31 Mar, 2022
Short-term debt	433	77	72
Long-term debt	1,899	1,931	1,932
Gross debt	2,332	2,007	2,004
Cash and cash equivalents	1,192	851	626
Net debt	**1,141**	**1,156**	**1,378**
Total equity	**2,469**	**2,597**	**2,716**

First quarter
Compared with the end of December 2021, the cash position decreased by EUR 225 million to EUR 626 million, mostly due to the negative cash flow. As gross debt remained relatively stable at EUR 2,004 million, net debt increased by EUR 222 million to EUR 1,378 million. Total equity increased to EUR 2,716 million at the end of March 2022 (Q4 21: EUR 2,597 million), primarily due to net income and currency translation, partly offset by share repurchases to cover obligations arising from long-term employee share plans.

Compared with the end of March 2021, the cash position decreased by EUR 566 million, while gross debt declined by EUR 328 million. As a result, the net debt increased by EUR 237 million to EUR 1,378 million. The net debt/EBITDA ratio increased from 1.4x at the end of March 2021, to 1.6x at the end of March 2022.

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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 first quarter 2022 results. A live audio webcast of the conference call will be available via the Investor Relations website.

Financial calendar 2022

May 17, 2022	Annual General Meeting
May 19, 2022	Ex-dividend date
May 20, 2022	Dividend record date
May 31, 2022	Dividend payment date
July 29, 2022	Second quarter and half-year results 2022
October 28, 2022	Third quarter results 2022

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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. With 2021 sales of EUR 6.9 billion, we have approximately 37,000 employees and are present in over 70 countries. We unlock the extraordinary potential of light for brighter lives and a better world. We achieved carbon neutrality in 2020, have been in the Dow Jones Sustainability World Index since our IPO for five 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 impacts of COVID-19, supply chain constraints, component shortages, 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. Please see "Risk Factors and Risk Management" in Chapter 12 of the Annual Report 2021 for discussion of 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. Such risks, uncertainties and other important factors should be read in conjunction with the information included in the Company's Annual Report 2021.

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, and 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 or 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 2021.

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 2021.

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

Appendix A – Financial statement information

A. Condensed consolidated statement of income

In millions of EUR unless otherwise stated

	First quarter	
	2021	**2022**
Sales	1,599	1,788
Cost of sales	(970)	(1,124)
Gross margin	**629**	**664**
Selling, general and administrative expenses	(484)	(477)
Research and development expenses	(71)	(71)
Other business income	13	1
Other business expenses	(2)	(1)
Income from operations	**85**	**115**
Financial income	5	10
Financial expenses	(15)	(15)
Results relating to investments in associates	—	—
Income before taxes	**75**	**109**
Income tax expense	(15)	(22)
Net income	**60**	**87**
Attribution of net income for the period:		
Net income (loss) attributable to shareholders of Signify N.V.	59	86
Net income (loss) attributable to non-controlling interests	1	1

Amounts may not add up due to rounding.

B. Condensed consolidated statement of comprehensive income

In millions of EUR

	First quarter	
	2021	**2022**
Net income (loss)	**60**	**87**
Pensions and other post-employment plans:		
Remeasurements	—	(6)
Income tax effect on remeasurements	—	—
Total of items that will not be reclassified to profit or loss	**—**	**(6)**
Currency translation differences:		
Net current period change, before tax	147	71
Income tax effect	—	—
Net investment hedge		
Net current period change, before tax	(20)	(3)
Income tax effect	—	—
Cash flow hedges:		
Net current period change, before tax	(18)	(6)
Income tax effect	4	1
Total of items that are or may be reclassified to profit or loss	**113**	**64**
Other comprehensive income (loss)	**113**	**59**
Total comprehensive income (loss)	**173**	**146**
Total comprehensive income (loss) attributable to:		
Shareholders of Signify N.V.	166	142
Non-controlling interests	7	3

Amounts may not add up due to rounding.

C. Condensed consolidated statement of financial position

In millions of EUR

	December 31, 2021	March 31, 2022
Non-current assets		
Property, plant and equipment	724	709
Goodwill	2,464	2,506
Intangible assets, other than goodwill	730	713
Investments in associates	12	13
Financial assets	58	70
Deferred tax assets	481	483
Other assets	67	73
Total non-current assets	**4,536**	**4,566**
Current assets		
Inventories	1,410	1,535
Financial assets	—	—
Other assets	192	204
Derivative financial assets	58	46
Income tax receivable	24	33
Trade and other receivables	1,183	1,128
Cash and cash equivalents	851	626
Assets classified as held for sale	3	6
Total current assets	**3,720**	**3,577**
Total assets	**8,256**	**8,143**
Equity		
Shareholders' equity	2,459	2,574
Non-controlling interests	138	142
Total equity	**2,597**	**2,716**
Non-current liabilities		
Debt	1,931	1,932
Post-employment benefits	363	372
Provisions	215	211
Deferred tax liabilities	27	28
Income tax payable	118	121
Other liabilities	182	191
Total non-current liabilities	**2,835**	**2,854**
Current liabilities		
Debt, including bank overdrafts	77	72
Derivative financial liabilities	44	47
Income tax payable	16	19
Trade and other payables	2,334	2,073
Provisions	140	129
Other liabilities	213	233
Liabilities from assets classified as held for sale	—	—
Total current liabilities	**2,824**	**2,574**
Total liabilities and total equity	**8,256**	**8,143**

Amounts may not add up due to rounding.

D. Condensed consolidated statement of cash flows

In millions of EUR

	First quarter	
	2021	2022
Cash flows from operating activities		
Net income (loss)	60	87
Adjustments to reconcile net income (loss) to net cash provided by operating activities:	156	129
• Depreciation, amortization and impairment of non-financial assets	77	76
• Impairment (reversal) of goodwill, other non-current financial assets and investments in associates	—	—
• Net gain on sale of assets	(11)	—
• Net interest expense on debt, borrowings and other liabilities	7	7
• Income tax expense	15	22
• Additions to (releases of) provisions	56	15
• Additions to (releases of) post-employment benefits	4	4
• Other items	8	5
Decrease (increase) in working capital:	30	(315)
• Decrease (increase) in trade and other receivables	84	65
• Decrease (increase) in inventories	(35)	(107)
• Increase (decrease) in trade and other payables	(8)	(284)
• Increase (decrease) in other current assets and liabilities	(10)	10
Increase (decrease) in other non-current assets and liabilities	9	4
Utilizations of provisions	(42)	(34)
Utilizations of post-employment benefits	(8)	(8)
Net interest and financing costs received (paid)	(1)	—
Income taxes paid	(21)	(24)
Net cash provided by (used for) operating activities	**184**	**(162)**
Cash flows from investing activities		
Net capital expenditures:	(16)	(27)
• Additions of intangible assets	(8)	(14)
• Capital expenditures on property, plant and equipment	(21)	(14)
• Proceeds from disposal of property, plant and equipment	13	1
Net proceeds from (cash used for) derivatives and other financial assets	(5)	14
Purchases of businesses, net of cash acquired	—	—
Proceeds from sale of businesses, net of cash disposed of	—	—
Net cash provided by (used for) investing activities	**(21)**	**(12)**
Cash flows from financing activities		
Dividend paid	(3)	—
Proceeds from issuance of debt	350	3
Repayment of debt	(371)	(23)
Purchase of treasury shares	(24)	(36)
Net cash provided by (used for) financing activities	**(48)**	**(55)**
Net cash flows	**115**	**(230)**
Effect of changes in exchange rates on cash and cash equivalents and bank overdrafts	46	8
Cash and cash equivalents and bank overdrafts at the beginning of the period [1]	1,030	847
Cash and cash equivalents and bank overdrafts at the end of the period [2]	**1,191**	**625**

[1] *For Q1 2022 and Q1 2021, included bank overdrafts of EUR 4 million and EUR 3 million, respectively.*
[2] *Included bank overdrafts of EUR 0 million and EUR 1 million as at March 31, 2022 and 2021, respectively.*

Amounts may not add up due to rounding.

Appendix B - Reconciliation of non-IFRS financial measures

Sales growth composition per business in %

	First quarter			
	Comparable growth	**Currency effects**	**Consolidation and other changes**	**Nominal growth**
2022 vs 2021				
Digital Solutions	16.9	6.2	0.5	23.6
Digital Products	0.2	4.3	—	4.5
Conventional Products	(15.1)	3.6	—	(11.5)
Total	**6.4**	**5.2**	**0.2**	**11.8**

Sales growth composition per market in %

	First quarter			
	Comparable growth	**Currency effects**	**Consolidation and other changes**	**Nominal growth**
2022 vs 2021				
Europe	5.5	0.6	0.4	6.5
Americas	10.3	9.2	(0.1)	19.4
Rest of the world	1.1	5.4	0.1	6.6
Global businesses	7.9	4.9	1.2	13.9
Total	**6.4**	**5.2**	**0.2**	**11.8**

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

	Signify	Digital Solutions	Digital Products	Conventional Products	Other
First quarter 2022					
Adjusted EBITA	187	95	77	32	(17)
Restructuring	(4)	(1)	—	(2)	(1)
Acquisition-related charges	(7)	(7)	—	—	—
Incidental items	(29)	(11)	(11)	(7)	—
EBITA	**146**	**75**	**65**	**23**	**(18)**
Amortization[1]	(31)	(29)	(2)	—	—
Income from operations (or EBIT)	**115**	**47**	**63**	**23**	**(18)**
First quarter 2021					
Adjusted EBITA	172	71	82	47	(28)
Restructuring	(47)	(7)	(3)	(2)	(34)
Acquisition-related charges	(14)	(14)	—	—	—
Incidental items	4	(2)	(2)	9	—
EBITA	**115**	**48**	**76**	**53**	**(62)**
Amortization[1]	(30)	(28)	(2)	—	—
Income from operations (or EBIT)	**85**	**20**	**74**	**53**	**(62)**

[1] *Amortization and impairments of acquisition related intangible assets and goodwill.*

Amounts may not add up due to rounding.

First quarter 2021 Income from operations to Adjusted EBITA in millions of EUR

	Reported	Restructuring	Acquisition related charges	Incidental items[1]	Adjusted
First quarter 2022					
Sales	1,788	—	—	—	1,788
Cost of sales	(1,124)	2	3	15	(1,104)
Gross margin	**664**	**2**	**3**	**15**	**684**
Selling, general and administrative expenses	(477)	2	5	14	(456)
Research and development expenses	(71)	—	—	—	(72)
Indirect costs	**(548)**	**2**	**5**	**14**	**(528)**
Impairment of goodwill	—	—	—	—	—
Other business income	1	—	—	—	1
Other business expenses	(1)	—	—	—	(1)
Income from operations	**115**	**4**	**7**	**29**	**156**
Amortization	(31)	—	—	—	(31)
Income from operations excluding amortization (EBITA)	**146**	**4**	**7**	**29**	**187**
First quarter 2021					
Sales	1,599	—	—	—	1,599
Cost of sales	(970)	5	2	—	(962)
Gross margin	**629**	**5**	**2**	**—**	**637**
Selling, general and administrative expenses	(484)	43	12	5	(424)
Research and development expenses	(71)	(1)	—	—	(72)
Indirect costs	**(555)**	**42**	**12**	**5**	**(496)**
Impairment of goodwill	—	—	—	—	—
Other business income	13	—	—	(9)	4
Other business expenses	(2)	—	—	—	(2)
Income from operations	**85**	**47**	**14**	**(4)**	**142**
Amortization	(30)	—	—	—	(30)
Income from operations excluding amortization (EBITA)	**115**	**47**	**14**	**(4)**	**172**

[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, net real estate gains, environmental provision for inactive sites and discounting effect of long-term provisions.*

Amounts may not add up due to rounding.

Signify

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 (mainly Cooper Lighting).

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 period end 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 which will no longer be in use.

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).