Press Release

May 3, 2023

Signify reports first quarter sales of EUR 1.7 billion, operational profitability of 8.9% and a free cash flow of EUR 51 million

First quarter 2023[1]

- Signify's installed base of connected light points increased from 114 million in Q4 22 to 117 million in Q1 23
- On track to double the pace of the Paris Agreement
- Sales of EUR 1,678 million; nominal sales decline of -6.1% and CSG of -9.1%
- LED-based sales represented 82% of total sales (Q1 22: 84%)
- Adj. EBITA margin of 8.9% (Q1 22: 10.5%)
- Net income of EUR 28 million (Q1 22: EUR 87 million)
- Free cash flow of EUR 51 million (Q1 22: EUR -189 million)

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

"Largely in line with expectations, Q1 2023 saw persistent weakness in the consumer segment and in the indoor professional business, as well as a slowdown in OEM sales. At the same time, we made progress with our 2023 priorities, such as continued price discipline and effective COGS management, which resulted in an improvement in our gross margin. The Adjusted EBITA margin performance of our Conventional Products division returned to historical levels. The company's free cash flow further recovered, driven by working capital improvements. While our adjusted EBITA margin was impacted by lower fixed cost absorption, we remain steadfastly focused on applying our customary cost discipline," said Eric Rondolat, CEO of Signify.

"While we expect the remainder of H1 2023 to remain challenging, we continue to see the potential for an improved second half. Given the structural improvements in our gross margin and free cash flow generation, as well as our intensified measures to reduce fixed costs, we confirm our guidance for the full year."

[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 all 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 driven by energy-efficient and connected LED lighting, which drive emission reductions in the use phase.
- **Double our Circular revenues to 32%:**
  Circular revenues were 29%, stable versus the previous quarter, yet on track to reach the 2025 target. Circular revenues continue to be driven by serviceable and circular luminaires.
- **Double our Brighter lives revenues to 32%:**
  Brighter lives revenues were 27%, on track to reach the 2025 target. The main contribution continues to be the consumer well-being and Safety & security portfolios.
- **Double the percentage of women in leadership positions to 34%:**
  The percentage of women in leadership positions was 29%, an increase versus the previous quarter and on track to reach the 2025 target. The improvement was mainly driven by new external hires and the internal promotion of women.

Outlook

Signify confirms its guidance for 2023. The company continues to focus its efforts on improving the Adjusted EBITA margin and free cash flow. Signify expects for 2023:

- An Adjusted EBITA margin in the range of 10.5-11.5%
- Free cash flow between 6-8% of sales

Financial review

	First quarter		
in millions of EUR, except percentages	2022	2023	change
Comparable sales growth			**(9.1%)**
Effects of currency movements			*0.9%*
Consolidation and other changes			*2.1%*
Sales	**1,788**	**1,678**	(6.1%)
Adjusted gross margin	684	659	(3.6%)
Adj. gross margin (as % of sales)	**38.3%**	**39.3%**	
Adj. SG&A expenses	-456	-461	
Adj. R&D expenses	-72	-74	
Adj. indirect costs	-528	-535	-1.4 %
Adj. indirect costs (as % of sales)	**29.5%**	**31.9%**	
Adjusted EBITA	187	149	(20.2%)
Adjusted EBITA margin	**10.5%**	**8.9%**	
Adjusted items	-41	-67	
EBITA	146	83	(43.4%)
Income from operations (EBIT)	**115**	**61**	**(47.2%)**
Net financial income/expense	-6	-30	
Income tax expense	-22	-3	
Net income	**87**	**28**	**(67.9%)**
Free cash flow	-189	51	
Basic EPS (€)	0.69	0.20	
Employees (FTE)	36,884	34,408	

First quarter
Nominal sales decreased by 6.1% to EUR 1,678 million, including a positive currency effect of 0.9% and a positive effect of 2.1% from the consolidation of Fluence, Pierlite and Intelligent Lighting Controls. Comparable sales declined by 9.1%, driven by continued weakness in the indoor professional business, the consumer segment and the OEM channel. In China, the market was still impacted by COVID-related disruptions, but the company started to see increased economic activity following the reopening.

The Adjusted gross margin increased by 100 bps to 39.3%, mainly driven by continued price discipline and effective COGS management. Adjusted indirect costs as a percentage of sales increased by 240 bps to 31.9%, as the reduction of indirect costs was not sufficient to compensate lower sales.

Adjusted EBITA decreased to EUR 149 million. The Adjusted EBITA margin decreased by 160 bps to 8.9%, mainly due to under-absorption of fixed costs and an adverse currency effect from the weakening of emerging market currencies, the strengthening of the US Dollar, and a one-off impact from the implementation of a new hedging policy.

Restructuring costs were EUR 47 million and were mainly related to Conventional Products. These restructuring costs were in line with the strategy to adjust Conventional Products' footprint to declining sales. Acquisition-related charges were EUR 3 million and incidental items were EUR 16 million, mainly related to additions to environmental provisions.

Net income decreased to EUR 28 million, mainly due to lower income from operations and higher financial expenses, partly offset by lower income tax expense due to lower taxable income and a release of tax liabilities.

The higher financial expenses were mainly related to a non-cash fair value adjustment of the Virtual Power Purchase Agreements due to lower energy prices, and higher interest costs.

The number of employees (FTE) decreased from 36,884 at the end of Q1 22 to 34,408 at the end of Q1 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

	First quarter		
in millions of EUR, unless otherwise indicated	2022	2023	change
Comparable sales growth			-8.7%
Sales	981	951	-3.0%
Adjusted EBITA	95	82	-13.1%
Adjusted EBITA margin	9.7%	8.7%	
EBITA	75	70	-6.4%
Income from operations (EBIT)	47	50	8.0%

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

First quarter

Nominal sales decreased by 3.0% to EUR 951 million, including a positive currency effect of 1.7% and a positive effect of 4.0% from the consolidation of Fluence, Pierlite and Intelligent Lighting Controls. Comparable sales declined by 8.7% on the back of a high base of comparison (Q1 22: +16.9%), and weaker indoor professional and horticulture sales. The Adjusted EBITA margin declined by 100 bps to 8.7%, as gross margin improvements were more than offset by under-absorption of fixed costs and an adverse currency effect.

Digital Products

	First quarter		
in millions of EUR, unless otherwise indicated	2022	2023	change
Comparable sales growth			-10.1%
Sales	601	537	-10.6%
Adjusted EBITA	77	44	-42.1%
Adjusted EBITA margin	12.8%	8.3%	
EBITA	65	39	-40.2%
Income from operations (EBIT)	63	38	-40.9%

First quarter

Nominal sales decreased by 10.6% to EUR 537 million, including a negative currency effect of 0.4%. Comparable sales declined by 10.1%, due to continued weakness in the consumer connected and OEM businesses, which was partly compensated by higher sales of LED lamps and luminaires. The Adjusted EBITA margin declined by 450 bps to 8.3%, mainly reflecting under-absorption of fixed costs due to lower sales volumes, partly offset by a positive impact from price and sales mix.

Conventional Products

in millions of EUR, unless otherwise indicated	First quarter 2022	2023	change
Comparable sales growth			-8.5%
Sales	201	186	-7.6%
Adjusted EBITA	32	42	30.1%
Adjusted EBITA margin	16.0%	22.5%	
EBITA	23	-5	-121.8%
Income from operations (EBIT)	23	-5	-121.8%

First quarter
Nominal sales decreased by 7.6% to EUR 186 million, including a positive currency effect of 0.9%. Comparable sales declined by 8.5%, as lower volumes were partially compensated by price increases. The Adjusted EBITA margin increased by 650 bps to 22.5%, mainly reflecting strong price discipline and a benefit from one offs. EBITA included EUR 47 million of adjusted items, mainly related to restructuring charges and additions to environmental provisions.

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 -19 million (Q1 22: EUR -17 million) and EBITA was EUR -22 million (Q1 22: EUR -18 million). Restructuring costs increased to EUR 3 million (Q1 22: EUR 1 million) and incidental items were a net benefit of EUR 1 million.

Update US legal case
In reference to the legal case disclosed in its Q3 2022 press release, Signify received a decision from the trial judge on April 26th, reducing the jury's award from USD 100 million to approximately USD 46 million and Signify's allocated share to approximately USD 42 million. Both the legal provision and the insurance cover asset have been updated in the balance sheet of the company as per 31 March 2023 without any net P&L impact.

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. Signify will continue to exercise all its rights to appeal this verdict.

Sales by market

in millions of EUR, except percentages	First quarter 2022	2023	Change	CSG
Europe	557	524	-5.9%	-6.2%
Americas	703	653	-7.1%	-10.9%
Rest of the world	394	369	-6.2%	-6.8%
Global businesses	135	132	-1.8%	-16.4%
Total	**1,788**	**1,678**	**-6.1%**	**-9.1%**

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.

First quarter
In the first quarter, most markets saw continued weakness in the consumer segment and softness in the indoor professional segment, in addition to a high base of comparison. In Europe, comparable sales declined by 6.2%, mainly due to Germany, the Benelux and the UK. In the Americas, comparable sales declined by 10.9%, mainly due to the US and Canada. In the Rest of the World, comparable sales declined by 6.8%, as most markets

declined. China was still impacted by COVID-related disruptions. Global businesses' comparable sales declined by 16.4%, mainly due to Klite.

Working capital

in millions of EUR, unless otherwise indicated	Mar 31, 2022	Dec 31, 2022	Mar 31, 2023
Inventories	1,535	1,361	1,337
Trade and other receivables	1,128	1,102	1,032
Trade and other payables	-2,073	-1,859	-1,710
Other working capital items	-30	-41	-42
Working capital	**559**	**564**	**617**
As % of LTM* sales	7.9%	7.5%	8.3%

* LTM: Last Twelve Months

First quarter
Working capital slightly increased from a recurring seasonal low of EUR 564 million at the end of December 2022 to EUR 617 million at the end of March 2023. The higher working capital is driven by a reduction in payables, only partly offset by lower receivables and lower inventories. As a percentage of last twelve-month sales, working capital increased by 80 bps to 8.3%. Including last twelve-month sales pro forma for Fluence and Pierlite, working capital increased by 90 bps to 8.3%.

Compared with March 2022, working capital increased by EUR 58 million. This increase is mainly related to lower payables and other working capital items, partly offset by lower inventories and receivables. As a percentage of last twelve-month sales, working capital increased by 40 bps to 8.3%. Including last twelve-month sales pro forma for Fluence and Pierlite, working capital also increased by 40 bps.

Cash flow analysis

	First quarter	
in millions of EUR	2022	2023
Income from operations (EBIT)	115	61
Depreciation and amortization	76	71
Additions to (releases of) provisions	19	77
Utilizations of provisions	-43	-52
Changes in working capital	-315	-53
Net interest and financing costs received (paid)	—	-4
Income taxes paid	-24	-23
Net capex	-27	-30
Other	9	4
Free cash flow	**-189**	**51**

First quarter
Free cash flow was EUR 51 million, mainly due to a lower cash outflow from working capital, which benefited from improved demand planning reliability and stricter inventory discipline. The increase in additions to provisions was mostly related to restructuring provisions in Conventional Products. Free cash flow included a restructuring payout of EUR 21 million (Q1 22: EUR 14 million).

Net debt and total equity

in millions of EUR	Mar 31, 2022	Dec 31, 2022	Mar 31, 2023
Short-term debt	72	83	83
Long-term debt	1,932	1,950	1,942
Gross debt	2,004	2,033	2,025
Cash and cash equivalents	626	677	694
Net debt	**1,378**	**1,356**	**1,331**
Total equity	**2,716**	**3,065**	**3,053**

First quarter

Compared with the end of December 2022, both the cash and gross debt positions remained relatively stable. The cash position increased by EUR 17 million to EUR 694 million, while gross debt declined by EUR 8 million to EUR 2,025 million. As a result, net debt decreased by EUR 25 million to EUR 1,331 million. Total equity slightly reduced to EUR 3,053 million at the end of March 2023 (Q4 22: EUR 3,065 million), primarily due to currency translation results, partly offset by net income.

Compared with the end of March 2022, the cash position increased by EUR 68 million, while gross debt increased by EUR 21 million. As a result, the net debt decreased by EUR 47 million year on year. At the end of March 2023, the net debt/EBITDA ratio was 1.4x (Q1 22: 1.6x).

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 2023 results. A live audio webcast of the conference call will be available via the Investor Relations website.

Financial calendar

May 16, 2023	Annual General Meeting
May 18, 2023	Ex-dividend date
May 19, 2023	Dividend record date
June 5, 2023	Dividend payment date
July 28, 2023	Second quarter and half-year results 2023
October 27, 2023	Third quarter 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 impacts of COVID-19, supply chain constraints, 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, 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 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.

Appendix A – Financial statement information

A. Condensed consolidated statement of income

In millions of EUR unless otherwise stated

	First quarter	
	2022	**2023**
Sales	1,788	1,678
Cost of sales	(1,124)	(1,073)
Gross margin	**664**	**605**
Selling, general and administrative expenses	(477)	(472)
Research and development expenses	(71)	(76)
Other business income	1	6
Other business expenses	(1)	(3)
Income from operations	**115**	**61**
Financial income	10	6
Financial expenses	(15)	(35)
Results relating to investments in associates	—	—
Income before taxes	**109**	**31**
Income tax expense	(22)	(3)
Net income	**87**	**28**
Attribution of net income for the period:		
Net income (loss) attributable to shareholders of Signify N.V.	86	25
Net income (loss) attributable to non-controlling interests	1	3

Amounts may not add up due to rounding.

B. Condensed consolidated statement of comprehensive income

In millions of EUR

	First quarter	
	2022	**2023**
Net income (loss)	**87**	**28**
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	71	(59)
Income tax effect	—	—
Net investment hedge		
Net current period change, before tax	(3)	—
Income tax effect	—	—
Cash flow hedges:		
Net current period change, before tax	(6)	18
Income tax effect	1	(4)
Total of items that are or may be reclassified to profit or loss	**64**	**(46)**
Other comprehensive income (loss)	**59**	**(46)**
Total comprehensive income (loss)	**146**	**(18)**
Total comprehensive income (loss) attributable to:		
Shareholders of Signify N.V.	142	(19)
Non-controlling interests	3	1

Amounts may not add up due to rounding.

C. Condensed consolidated statement of financial position

In millions of EUR

	December 31, 2022	March 31, 2023
Non-current assets		
Property, plant and equipment	699	687
Goodwill	2,861	2,830
Intangible assets, other than goodwill	700	677
Investments in associates	12	12
Financial assets	165	108
Deferred tax assets	418	428
Other assets	40	34
Total non-current assets	**4,895**	**4,775**
Current assets		
Inventories	1,361	1,337
Financial assets	—	—
Other assets	161	168
Derivative financial assets	34	32
Income tax receivable	56	44
Trade and other receivables	1,102	1,032
Cash and cash equivalents	677	694
Assets classified as held for sale	1	1
Total current assets	**3,391**	**3,308**
Total assets	**8,286**	**8,084**
Equity		
Shareholders’ equity	2,920	2,907
Non-controlling interests	145	146
Total equity	**3,065**	**3,053**
Non-current liabilities		
Debt	1,950	1,942
Post-employment benefits	327	321
Provisions	283	247
Deferred tax liabilities	25	24
Income tax payable	111	92
Other liabilities	160	171
Total non-current liabilities	**2,855**	**2,798**
Current liabilities		
Debt, including bank overdrafts	83	83
Derivative financial liabilities	42	38
Income tax payable	21	27
Trade and other payables	1,859	1,710
Provisions	168	171
Other liabilities	194	204
Liabilities from assets classified as held for sale	—	—
Total current liabilities	**2,367**	**2,233**
Total liabilities and total equity	**8,286**	**8,084**

Amounts may not add up due to rounding.

D. Condensed consolidated statement of cash flows

In millions of EUR

	First quarter	
	2022	**2023**
Cash flows from operating activities		
Net income (loss)	87	28
Adjustments to reconcile net income (loss) to net cash provided by operating activities:	129	176
• Depreciation, amortization and impairment of non-financial assets	76	71
• Impairment (reversal) of goodwill, other non-current financial assets and investments in associates	—	—
• Net gain on sale of assets	—	(5)
• Net interest expense on debt, borrowings and other liabilities	7	10
• Income tax expense	22	3
• Additions to (releases of) provisions	15	72
• Additions to (releases of) post-employment benefits	4	5
• Other items	5	19
Changes in working capital:	(315)	(53)
• Changes in trade and other receivables	65	55
• Changes in inventories	(107)	9
• Changes in trade and other payables	(284)	(136)
• Changes in other current assets and liabilities	10	19
Changes in other non-current assets and liabilities	4	9
Utilizations of provisions	(34)	(42)
Utilizations of post-employment benefits	(8)	(9)
Net interest and financing costs received (paid)	—	(4)
Income taxes paid	(24)	(23)
Net cash provided by (used for) operating activities	**(162)**	**82**
Cash flows from investing activities		
Net capital expenditures:	(27)	(30)
• Additions of intangible assets	(14)	(14)
• Capital expenditures on property, plant and equipment	(14)	(16)
• Proceeds from disposal of property, plant and equipment	1	—
Net proceeds from (cash used for) derivatives and other financial assets	14	13
Purchases of businesses, net of cash acquired	—	(14)
Proceeds from sale of businesses, net of cash disposed of	—	—
Net cash provided by (used for) investing activities	**(12)**	**(31)**
Cash flows from financing activities		
Dividend paid	—	—
Proceeds from issuance of debt	3	1
Repayment of debt	(23)	(23)
Purchase of treasury shares	(36)	—
Net cash provided by (used for) financing activities	**(55)**	**(22)**
Net cash flows	**(230)**	**29**
Effect of changes in exchange rates on cash and cash equivalents and bank overdrafts	8	(12)
Cash and cash equivalents and bank overdrafts at the beginning of the period [1]	847	676
Cash and cash equivalents and bank overdrafts at the end of the period [2]	**625**	**693**

[1] *For Q1 2023 and Q1 2022, included bank overdrafts of EUR 1 million and EUR 4 million, respectively.*
[2] *Included bank overdrafts of EUR 1 million and EUR 0 million as at March 31, 2023 and 2022, 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
2023 vs 2022				
Digital Solutions	(8.7)	1.7	4.0	(3.0)
Digital Products	(10.1)	(0.4)	—	(10.6)
Conventional Products	(8.5)	0.9	—	(7.6)
Total	**(9.1)**	**0.9**	**2.1**	**(6.1)**

Sales growth composition per market in %

	First quarter			
	Comparable growth	Currency effects	Consolidation and other changes	Nominal growth
2023 vs 2022				
Europe	(6.2)	0.1	0.2	(5.9)
Americas	(10.9)	3.6	0.2	(7.1)
Rest of the world	(6.8)	(3.6)	4.2	(6.2)
Global businesses	(16.4)	1.6	13.0	(1.8)
Total	**(9.1)**	**0.9**	**2.1**	**(6.1)**

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

	Signify	Digital Solutions	Digital Products	Conventional Products	Other
First quarter 2023					
Adjusted EBITA	149	82	44	42	(19)
Restructuring	(47)	(6)	(4)	(34)	(3)
Acquisition-related charges	(3)	(3)	—	—	—
Incidental items	(16)	(3)	(1)	(12)	1
EBITA	**83**	**70**	**39**	**(5)**	**(22)**
Amortization[1]	(22)	(20)	(1)	—	—
Income from operations (or EBIT)	**61**	**50**	**38**	**(5)**	**(22)**
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)**

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

Amounts may not add up due to rounding.

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

	Reported	Restructuring	Acquisition-related charges	Incidental items[1]	Adjusted
First quarter 2023					
Sales	1,678	—	—	—	1,678
Cost of sales	(1,073)	37	1	16	(1,019)
Gross margin	**605**	**37**	**1**	**16**	**659**
Selling, general and administrative expenses	(472)	9	3	(1)	(461)
Research and development expenses	(76)	2	—	—	(74)
Indirect costs	**(548)**	**11**	**3**	**(1)**	**(535)**
Impairment of goodwill	—	—	—	—	—
Other business income	6	—	(1)		5
Other business expenses	(3)	—	—	—	(2)
Income from operations	**61**	**47**	**3**	**16**	**127**
Amortization	(22)	—	—	—	(22)
Income from operations excluding amortization (EBITA)	**83**	**47**	**3**	**16**	**149**
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**

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

Amounts may not add up due to rounding.

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).