Press Release

October 28, 2022

Signify reports third quarter sales of EUR 1.9 billion, comparable sales growth of 4.3% and an operational profitability of 10.4%

Third quarter 2022[1]

- Signify's installed base of connected light points increased from 103 million in Q2 22 to 109 million in Q3 22
- Sales of EUR 1,912 million; nominal sales increase of 16.3% and CSG of 4.3%
- LED-based sales represented 83% of total sales (Q3 21: 83%)
- Adj. EBITA margin of 10.4% (Q3 21: 11.1%)
- Net income of EUR 112 million (Q3 21: EUR 94 million)
- Free cash flow of EUR 135 million (Q3 21: EUR 85 million)
- Net debt/EBITDA ratio of 1.5x (Q3 21: 1.8x)

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

"In the third quarter, we delivered solid topline growth in an increasingly volatile environment. The strong performance of our professional business compensated lower consumer demand and the continued slowdown in China. We managed to improve profitability compared to the second quarter despite the impact of energy costs and currency movements. As expected, our free cash flow generation strengthened, driven by improved profitability and the stabilization of our working capital. Given the uncertain near-term outlook, the continued softness of the consumer segment and of the Chinese market, we now expect to achieve comparable sales growth between 2% and 3% for the full year 2022. Regarding the adjusted EBITA margin and free cash flow, we are targeting the lower end of both guidance ranges," said CEO Eric Rondolat.

"As we enter the final quarter of 2022, we have shifted gears to adapt the company to a structurally weaker external environment in the coming quarters, when current headwinds and volatility are likely to persist. We will therefore focus on measures to control costs and cash flow, in line with our track record of delivering margin expansion and strong free cash flow generation in difficult environments. While some areas will be more affected, connected energy efficient lighting solutions will continue to benefit from strong demand given the energy prices surge."

[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 third quarter of the year, Signify continued to deliver on 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, mainly driven by energy-efficient and connected LED lighting
- **Double Circular revenues to 32%:**
  Circular revenues were at 30% and on track. This positive trend is driven by serviceable and circular luminaires
- **Double Brighter lives revenues to 32%:**
  Brighter lives revenues increased to 28%, mainly driven by the Safety & security and consumer well-being portfolios
- **Double the percentage of women in leadership positions to 34%:**
  The percentage of women in leadership positions was 27%, stable with Q2. Signify continued to create action plans to address gaps and accelerate its progress. In addition, Signify published its first-ever Diversity, Equity, and Inclusion report.

Outlook

Given the uncertain near-term outlook and the continued softness both of the consumer segment and of the Chinese market, we now expect to achieve comparable sales growth between 2% and 3% for the full year 2022. We are targeting the lower end of the range for both the 11.0-11.4% Adjusted EBITA margin guidance and the 5-7% free cash flow guidance.

Financial review

Third quarter 2021	Third quarter 2022	change	*in millions of EUR, except percentages*	Nine months 2021	Nine months 2022	change
		4.3%	**Comparable sales growth**			**5.3%**
		8.1%	*Effects of currency movements*			*6.6%*
		4.0%	*Consolidation and other changes*			*2.2%*
1,643	**1,912**	16.3%	**Sales**	**4,852**	**5,536**	14.1%
634	713	12.6%	Adjusted gross margin	1,909	2,072	8.6%
38.6%	**37.3%**		**Adj. gross margin (as % of sales)**	**39.3%**	**37.4%**	
-415	-471		Adj. SG&A expenses	-1,262	-1,392	
-68	-75		Adj. R&D expenses	-210	-219	
-483	-546	-13.0%	Adj. indirect costs	-1,473	-1,611	-9.4%
29.4%	**28.6%**		**Adj. indirect costs (as % of sales)**	**30.4%**	**29.1%**	
182	199	9.1%	Adjusted EBITA	530	560	5.8%
11.1%	**10.4%**		**Adjusted EBITA margin**	**10.9%**	**10.1%**	
-34	-6		Adjusted items	-130	118	
149	193	29.7%	EBITA	399	678	69.9%
118	**161**	**36.3%**	**Income from operations (EBIT)**	**309**	**582**	**88.5%**
-4	-17		Net financial income/expense	-20	-12	
-20	-32		Income tax expense	-52	-123	
94	**112**	**18.4%**	**Net income**	**236**	**447**	**89.0%**
85	135		Free cash flow	357	81	
0.72	0.86		Basic EPS (€)	1.84	3.52	
37,069	34,273		Employees (FTE)	37,069	34,273	

Third quarter

Sales increased by 16.3% to EUR 1,912 million, with a comparable sales growth of 4.3%, as continued strength in the professional channel more than offset weaker consumer channel sales. Nominal sales included a positive currency effect of 8.1%, mainly from the appreciation of the USD, and a positive effect of 4.0% from the Q2 acquisitions of Fluence and Pierlite.

The Adjusted gross margin decreased by 130 bps to 37.3%. While continued price increases more than offset the input cost increases and the surge in energy costs, the Adjusted gross margin was impacted by an adverse currency effect. Adjusted indirect costs as a percentage of sales decreased by 80 bps to 28.6%, driven by operating leverage and strengthened cost discipline.

Adjusted EBITA was EUR 199 million, up 9.1% vs. Q3 2021. The Adjusted EBITA margin decreased by 70 bps to 10.4%, with price increases more than offsetting higher input costs. Yet, the Adjusted EBITA margin was negatively affected by a 220bps currency effect, being the combination both from the weakening of the EUR versus the USD and CNY, and from a temporary FX hedging headwind. Excluding this temporary adverse hedging effect, the Adjusted EBITA margin was stable vs Q3 21.

Adjusted items were EUR -6 million. Restructuring costs decreased year on year to EUR -6 million, while acquisition-related charges of EUR -10 million were fully compensated by incidental items of EUR 10 million. The incidental items benefited from a release of tax indemnification liabilities. Net income increased by 18.4% from EUR 94 million to EUR 112 million.

The number of employees (FTE) decreased from 37,069 at the end of Q3 21 to 34,273 at the end of Q3 22. The employee base was exceptionally high in Q3 21, due to the strong volume recovery and additional staff requirements in factories, following the peak of the COVID-19 pandemic. The number of FTEs is affected by fluctuations in volume and seasonality.

Digital Solutions

Third quarter				Nine months		
2021	2022	change	*in millions of EUR, unless otherwise indicated*	2021	2022	change
		12.0%	Comparable sales growth			13.4%
848	1,103	30.0%	Sales	2,479	3,125	26.1%
89	124	39.0%	Adjusted EBITA	250	317	26.9%
10.5%	11.2%		Adjusted EBITA margin	10.1%	10.1%	
68	109	59.5%	EBITA	189	276	46.5%
40	79	99.3%	Income from operations (EBIT)	104	186	78.4%

Includes Pierlite since April 29, 2022 and Fluence since May 2, 2022

Third quarter
Sales increased to EUR 1,103 million with a comparable sales growth of 12.0% (Q3 21: -7.3%), driven by strong professional demand in most markets. Nominal sales grew by 30.0%, including a positive currency effect of 9.7% and an impact of 8.4% from the acquisition of Fluence and Pierlite in the second quarter. Adjusted EBITA increased by 39.0% to EUR 124 million. The Adjusted EBITA margin improved by 70 bps to 11.2%, as price increases and operating leverage more than compensated higher input costs and a negative impact from currency movements.

Digital Products

Third quarter				Nine months		
2021	2022	change	*in millions of EUR, unless otherwise indicated*	2021	2022	change
		-2.5%	Comparable sales growth			0.1%
588	609	3.7%	Sales	1,715	1,808	5.4%
76	64	-16.5%	Adjusted EBITA	224	204	-9.1%
13.0%	10.5%		Adjusted EBITA margin	13.1%	11.3%	
73	64	-12.6%	EBITA	212	192	-9.3%
72	62	-13.2%	Income from operations (EBIT)	206	186	-9.7%

Third quarter
Nominal sales increased by 3.7% to EUR 609 million, as a comparable sales decline of 2.5% (Q3 21: 2.5%) was compensated by a positive currency effect of 6.2%. During the quarter, the division saw a solid performance of LED Electronics but lower consumer connected sales. Adjusted EBITA decreased by 16.5% to EUR 64 million. The Adjusted EBITA margin decreased by 250 bps to 10.5%, mainly due to lower fixed cost absorption and a negative impact from currency movements.

Conventional Products

Third quarter				Nine months		
2021	2022	change	*in millions of EUR, unless otherwise indicated*	2021	2022	change
		-9.5%	Comparable sales growth			-12.9%
202	195	-3.2%	Sales	642	590	-8.2%
38	28	-26.9%	Adjusted EBITA	124	90	-27.9%
18.8%	14.2%		Adjusted EBITA margin	19.4%	15.2%	
32	13	-61.5%	EBITA	121	56	-53.7%
32	13	-61.5%	Income from operations (EBIT)	121	56	-53.7%

Third quarter
Sales declined to EUR 195 million with a comparable sales decline of 9.5% (Q3 21: -13.2%), as price increases partially compensated volume declines. The nominal sales decline of 3.2% includes a positive currency effect of 6.3%. The Adjusted EBITA margin decreased by 460 bps to 14.2%. With price increases and indirect cost savings fully offsetting input cost increases, the division was disproportionately impacted by a temporary headwind from FX hedging, and lower volume also resulted in lower fixed cost absorption. Excluding the temporary headwind from FX hedging, the Adjusted EBITA margin was above 16%.

Other

Third 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 amounted to EUR -17 million (Q3 21: EUR -21 million). EBITA amounted to EUR 7 million (Q3 21: EUR -26 million). Adjusted items of EUR 23 million include a release of tax indemnification liabilities.

On October 5, 2022, a jury in trial court in Connecticut awarded compensation of USD 90 million in a lawsuit against Signify relating to a workplace accident that occurred in September 2017 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 categorically disagrees with the jury’s findings, which it believes are not supported by either the facts or the law. Signify will therefore exercise all its rights to contest this verdict. 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. As a result, both the amount awarded and insurance cover are recognized as an adjusting event in the balance sheet of the company as per 30 September 2022 without any net P&L impact.

Sales by market

Third quarter					Nine months			
2021	2022	Change	CSG	*in millions of EUR, except percentages*	2021	2022	change	CSG
465	546	17.4%	16.0%	Europe	1,464	1,605	9.6%	8.5%
637	772	21.1%	5.4%	Americas	1,848	2,222	20.2%	7.8%
401	445	10.9%	-0.8%	Rest of the world	1,148	1,272	10.7%	1.6%
140	149	6.6%	-18.7%	Global businesses	391	438	12.1%	-6.3%
1,643	**1,912**	**16.3%**	**4.3%**	**Total**	**4,852**	**5,536**	**14.1%**	**5.3%**

Rest of the world includes Pierlite since April 29, 2022. Global businesses include Fluence since May 2, 2022.

Third quarter
Most markets grew in the third quarter, benefiting from solid professional demand. In Europe, comparable sales grew by 16.0%, driven by solid growth across all markets except Eastern Europe. Americas' comparable sales grew by 5.4%, with solid growth rates across most markets. In the Rest of the World, comparable sales declined by 0.8%, mainly due to a soft performance in China. Global businesses comparable sales declined by 18.7%, as Klite and Fluence were impacted by difficult market environments.

Working capital

in millions of EUR, unless otherwise indicated	Sep 30, 2021	Jun 30, 2022	Sep 30, 2022
Inventories	1,301	1,635	1,696
Trade and other receivables	1,069	1,191	1,265
Trade and other payables	-2,064	-2,030	-2,054
Other working capital items	9	-13	-87
Working capital	**316**	**783**	**820**
As % of LTM* sales	4.7%	10.8%	10.9%

* *LTM: Last Twelve Months*

Third quarter
Working capital increased from EUR 783 million at the end of June 2022 to EUR 820 million at the end of September 2022. When excluding currency effects, inventories have peaked and are starting to come down as lead times are easing. The increases in receivables and payables, and the negative other working capital items are related to seasonality and currency movements. As a percentage of last twelve-month sales, working capital of 10.9% remained relatively stable compared with the end of June 2022. Including last twelve-month sales pro forma for Fluence and Pierlite, working capital increased by 20 bps to 10.7%.

Cash flow analysis

Third quarter			Nine months	
2021	2022	*in millions of EUR*	2021	2022
118	161	Income from operations (EBIT)	309	582
77	78	Depreciation and amortization	235	233
32	25	Additions to (releases of) provisions	121	78
-58	-56	Utilizations of provisions	-155	-143
-66	-9	Change in working capital	-39	-495
1	-2	Net interest and financing costs received (paid)	-28	-34
-14	-17	Income taxes paid	-45	-62
-15	-32	Net capex	-61	105
10	-13	Other	20	-182
85	**135**	**Free cash flow**	**357**	**81**

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

Third quarter
Free cash flow was EUR 135 million, mainly driven by strong income from operations and a stabilization of working capital. Free cash flow also included a restructuring payout of EUR 14 million (Q3 21: EUR 26 million).

Net debt and total equity

in millions of EUR	Sep 30, 2021	Jun 30, 2022	Sep 30, 2022
Short-term debt	422	213	176
Long-term debt	1,916	1,944	1,978
Gross debt	2,338	2,157	2,154
Cash and cash equivalents	927	407	469
Net debt	**1,411**	**1,749**	**1,685**
Total equity	**2,295**	**2,927**	**3,302**

Third quarter
Compared with the end of June 2022, the cash position increased by EUR 62 million to EUR 469 million, driven by the positive free cash flow. Gross debt remained relatively stable at EUR 2,154 million, as higher long-term debt was offset by a repayment of short-term debt. As a result, net debt decreased by EUR 64 million to EUR 1,685 million. Total equity increased to EUR 3,302 million (Q2 22: EUR 2,927 million), primarily due to net income and currency translation.

Compared with the end of September 2021, the cash position declined by EUR 458 million, while gross debt declined by EUR 184 million. As a result, net debt increased year on year. At the end of September 2022, the net debt/EBITDA ratio was 1.5x (Q3 21: 1.8x).

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

Financial calendar 2023

January 27, 2023	Fourth quarter and full-year results 2022
February 28, 2023	Annual Report 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. In 2021, we had sales of EUR 6.9 billion, approximately 37,000 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 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 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 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 and the Semi-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

	Third quarter		January to September	
	2021	**2022**	**2021**	**2022**
Sales	1,643	1,912	4,852	5,536
Cost of sales	(1,025)	(1,214)	(2,974)	(3,510)
Gross margin	**618**	**698**	**1,878**	**2,026**
Selling, general and administrative expenses	(434)	(477)	(1,372)	(1,426)
Research and development expenses	(68)	(75)	(210)	(219)
Impairment of goodwill	—	—	—	—
Other business income	2	26	19	215
Other business expenses	(1)	(11)	(5)	(13)
Income from operations	**118**	**161**	**309**	**582**
Financial income	9	3	22	41
Financial expenses	(13)	(20)	(43)	(54)
Results relating to investments in associates	—	—	—	—
Income before taxes	**114**	**144**	**288**	**569**
Income tax expense	(20)	(32)	(52)	(123)
Net income	**94**	**112**	**236**	**447**
Attribution of net income for the period:				
Net income (loss) attributable to shareholders of Signify N.V.	90	107	230	439
Net income (loss) attributable to non-controlling interests	4	4	6	7

Amounts may not add up due to rounding.

B. Condensed consolidated statement of comprehensive income

In millions of EUR

	Third quarter		January to September	
	2021	2022	2021	2022
Net income (loss)	**94**	**112**	**236**	**447**
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	64	291	177	540
Income tax effect	—	—	—	—
Net investment hedge				
Net current period change, before tax	(5)	—	(17)	(10)
Income tax effect	—	—	—	—
Cash flow hedges:				
Net current period change, before tax	(9)	(35)	(22)	(66)
Income tax effect	2	9	5	16
Total of items that are or may be reclassified to profit or loss	**51**	**265**	**143**	**481**
Other comprehensive income (loss)	**51**	**265**	**143**	**476**
Total comprehensive income (loss)	**146**	**377**	**380**	**923**
Total comprehensive income (loss) attributable to:				
Shareholders of Signify N.V.	139	365	366	900
Non-controlling interests	7	12	14	22

Amounts may not add up due to rounding.

C. Condensed consolidated statement of financial position

In millions of EUR

	December 31, 2021	September 30, 2022
Non-current assets		
Property, plant and equipment	724	750
Goodwill	2,464	3,066
Intangible assets, other than goodwill	730	801
Investments in associates	12	13
Financial assets	58	194
Deferred tax assets	481	441
Other assets	67	52
Total non-current assets	**4,536**	**5,318**
Current assets		
Inventories	1,410	1,696
Other assets	192	206
Derivative financial assets	58	43
Income tax receivable	24	55
Trade and other receivables	1,183	1,265
Cash and cash equivalents	851	469
Assets classified as held for sale	3	—
Total current assets	**3,720**	**3,734**
Total assets	**8,256**	**9,052**
Equity		
Shareholders' equity	2,459	3,148
Non-controlling interests	138	154
Total equity	**2,597**	**3,302**
Non-current liabilities		
Debt	1,931	1,978
Post-employment benefits	363	379
Provisions	215	315
Deferred tax liabilities	27	29
Income tax payable	118	123
Other liabilities	182	182
Total non-current liabilities	**2,835**	**3,007**
Current liabilities		
Debt, including bank overdrafts	77	176
Derivative financial liabilities	44	105
Income tax payable	16	39
Trade and other payables	2,334	2,054
Provisions	140	137
Other liabilities	213	232
Liabilities from assets classified as held for sale	—	—
Total current liabilities	**2,824**	**2,742**
Total liabilities and total equity	**8,256**	**9,052**

Amounts may not add up due to rounding.

D. Condensed consolidated statement of cash flows

In millions of EUR

	Third quarter		January to September	
	2021	2022	2021	2022
Cash flows from operating activities				
Net income (loss)	94	112	236	447
Adjustments to reconcile net income (loss) to net cash provided by operating activities:	137	162	432	277
• Depreciation, amortization and impairment of non-financial assets	77	78	235	233
• Impairment (reversal) of goodwill, other non-current financial assets and investments in associates	—	—	—	—
• Net gain on sale of assets	(2)	9	(13)	(180)
• Net interest expense on debt, borrowings and other liabilities	6	10	20	29
• Income tax expense	20	32	52	123
• Additions to (releases of) provisions	28	22	108	66
• Additions to (releases of) post-employment benefits	4	3	13	12
• Other items	4	7	17	(6)
Decrease (increase) in working capital:	(66)	(9)	(39)	(495)
• Decrease (increase) in trade and other receivables	4	(29)	100	28
• Decrease (increase) in inventories	(167)	11	(379)	(98)
• Increase (decrease) in trade and other payables	91	(57)	270	(466)
• Increase (decrease) in other current assets and liabilities	7	65	(30)	41
Increase (decrease) in other non-current assets and liabilities	6	(23)	17	(13)
Utilizations of provisions	(48)	(43)	(130)	(116)
Utilizations of post-employment benefits	(10)	(12)	(25)	(27)
Net interest and financing costs received (paid)	1	(2)	(28)	(34)
Income taxes paid	(14)	(17)	(45)	(62)
Net cash provided by (used for) operating activities	**100**	**167**	**418**	**(24)**
Cash flows from investing activities				
Net capital expenditures:	(15)	(32)	(61)	105
• Additions of intangible assets	(6)	(15)	(22)	(41)
• Capital expenditures on property, plant and equipment	(17)	(19)	(61)	(51)
• Proceeds from disposal of property, plant and equipment	8	2	22	197
Net proceeds from (cash used for) derivatives and other financial assets	4	(16)	21	(22)
Purchases of businesses, net of cash acquired	(24)	—	(24)	(297)
Proceeds from sale of businesses, net of cash disposed of	—	—	—	—
Net cash provided by (used for) investing activities	**(36)**	**(48)**	**(64)**	**(214)**
Cash flows from financing activities				
Dividend paid	(57)	(5)	(351)	(188)
Proceeds from issuance of debt	—	76	350	217
Repayment of debt	(19)	(131)	(410)	(172)
Purchase of treasury shares	(19)	(13)	(92)	(48)
Net cash provided by (used for) financing activities	**(96)**	**(72)**	**(503)**	**(191)**
Net cash flows	**(31)**	**46**	**(149)**	**(429)**
Effect of changes in exchange rates on cash and cash equivalents and bank overdrafts	15	18	45	49
Cash and cash equivalents and bank overdrafts at the beginning of the period [1]	943	403	1,030	847
Cash and cash equivalents and bank overdrafts at the end of the period [2]	**926**	**467**	**926**	**467**

[1] For Q3 2022 and Q3 2021, included bank overdrafts of EUR 4 million and EUR 2 million, respectively. For January to September of 2022 and 2021, included bank overdrafts of EUR 4 million and EUR 3 million, respectively.

[2] Included bank overdrafts of EUR 2 million and EUR 1 million as at September 30, 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 %

	Third quarter			
	Comparable growth	Currency effects	Consolidation and other changes	Nominal growth
2022 vs 2021				
Digital Solutions	12.0	9.7	8.4	30.0
Digital Products	(2.5)	6.2	—	3.7
Conventional Products	(9.5)	6.3	—	(3.2)
Total	**4.3**	**8.1**	**4.0**	**16.3**

	January to September			
	Comparable growth	Currency effects	Consolidation and other changes	Nominal growth
2022 vs 2021				
Digital Solutions	13.4	8.0	4.7	26.1
Digital Products	0.1	5.3	—	5.4
Conventional Products	(12.9)	4.8	—	(8.2)
Total	**5.3**	**6.6**	**2.2**	**14.1**

Sales growth composition per market in %

	Third quarter			
	Comparable growth	Currency effects	Consolidation and other changes	Nominal growth
2022 vs 2021				
Europe	16.0	0.7	0.7	17.4
Americas	5.4	15.6	0.1	21.1
Rest of the world	(0.8)	5.8	5.9	10.9
Global businesses	(18.7)	5.3	20.0	6.6
Total	**4.3**	**8.1**	**4.0**	**16.3**

	January to September			
	Comparable growth	Currency effects	Consolidation and other changes	Nominal growth
2022 vs 2021				
Europe	8.5	0.6	0.5	9.6
Americas	7.8	12.4	—	20.2
Rest of the world	1.6	5.6	3.6	10.7
Global businesses	(6.3)	5.3	13.1	12.1
Total	**5.3**	**6.6**	**2.2**	**14.1**

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
Third quarter 2022					
Adjusted EBITA	199	124	64	28	(17)
Restructuring	(6)	(2)	—	(3)	(1)
Acquisition-related charges	(10)	(10)	—	—	—
Incidental items	10	(2)	1	(12)	24
EBITA	**193**	**109**	**64**	**13**	**7**
Amortization [1]	(32)	(30)	(2)	—	—
Income from operations (or EBIT)	**161**	**79**	**62**	**13**	**7**
Third quarter 2021					
Adjusted EBITA	182	89	76	38	(21)
Restructuring	(19)	(9)	(1)	(5)	(5)
Acquisition-related charges	(10)	(9)	—	—	—
Incidental items	(5)	(3)	(2)	(1)	1
EBITA	**149**	**68**	**73**	**32**	**(26)**
Amortization [1]	(31)	(29)	(2)	—	—
Income from operations (or EBIT)	**118**	**40**	**72**	**32**	**(26)**

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

	Signify	Digital Solutions	Digital Products	Conventional Products	Other
January to September 2022					
Adjusted EBITA	560	317	204	90	(51)
Restructuring	(17)	(6)	(1)	(8)	(2)
Acquisition-related charges	(22)	(22)	—	—	—
Incidental items	158	(13)	(11)	(25)	207
EBITA	**678**	**276**	**192**	**56**	**154**
Amortization [1]	(97)	(90)	(6)	—	(1)
Income from operations (or EBIT)	**582**	**186**	**186**	**56**	**154**
January to September 2021					
Adjusted EBITA	530	250	224	124	(69)
Restructuring	(76)	(16)	(4)	(4)	(52)
Acquisition-related charges	(37)	(36)	(1)	—	—
Incidental items	(17)	(9)	(8)	—	—
EBITA	**399**	**189**	**212**	**121**	**(122)**
Amortization [1]	(91)	(84)	(5)	—	(1)
Income from operations (or EBIT)	**309**	**104**	**206**	**121**	**(123)**

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

Amounts may not add up due to rounding.

Third quarter 2022 Income from operations to Adjusted EBITA in millions of EUR

	Reported	Restructuring	Acquisition-related charges	Incidental items [1]	Adjusted
Third quarter 2022					
Sales	1,912	—	—	—	1,912
Cost of sales	(1,214)	6	4	5	(1,198)
Gross margin	**698**	**6**	**4**	**5**	**713**
Selling, general and administrative expenses	(477)	—	6	—	(471)
Research and development expenses	(75)	—	—	—	(75)
Indirect costs	**(552)**	**—**	**6**	**—**	**(546)**
Impairment of goodwill	—	—	—	—	—
Other business income	26	—	(1)	(24)	1
Other business expenses	(11)	—	—	9	(1)
Income from operations	**161**	**6**	**10**	**(10)**	**167**
Amortization	(32)	—	—	—	(32)
Income from operations excluding amortization (EBITA)	**193**	**6**	**10**	**(10)**	**199**
Third quarter 2021					
Sales	1,643	—	—	—	1,643
Cost of sales	(1,025)	13	2	—	(1,010)
Gross margin	**618**	**13**	**2**	**—**	**634**
Selling, general and administrative expenses	(434)	6	8	4	(415)
Research and development expenses	(68)	—	—	—	(68)
Indirect costs	**(501)**	**6**	**8**	**4**	**(483)**
Impairment of goodwill	—	—	—	—	—
Other business income	2	—	—	—	2
Other business expenses	(1)	—	—	—	(1)
Income from operations	**118**	**19**	**10**	**5**	**151**
Amortization	(31)	—	—	—	(31)
Income from operations excluding amortization (EBITA)	**149**	**19**	**10**	**5**	**182**

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

Amounts may not add up due to rounding.

January to September 2022 Income from operations to Adjusted EBITA in millions of EUR

	Reported	Restructuring	Acquisition-related charges	Incidental items [1]	Adjusted
January to September 2022					
Sales	5,536	—	—	—	5,536
Cost of sales	(3,510)	14	8	24	(3,464)
Gross margin	**2,026**	**14**	**8**	**24**	**2,072**
Selling, general and administrative expenses	(1,426)	4	14	16	(1,392)
Research and development expenses	(219)	(1)	—	—	(219)
Indirect costs	**(1,645)**	**3**	**14**	**16**	**(1,611)**
Impairment of goodwill	—	—	—	—	—
Other business income	215	—	(1)	(208)	6
Other business expenses	(13)	—	—	10	(3)
Income from operations	**582**	**17**	**22**	**(158)**	**464**
Amortization	(97)	—	—	—	(97)
Income from operations excluding amortization (EBITA)	**678**	**17**	**22**	**(158)**	**560**
January to September 2021					
Sales	4,852	—	—	—	4,852
Cost of sales	(2,974)	17	6	8	(2,943)
Gross margin	**1,878**	**17**	**6**	**8**	**1,909**
Selling, general and administrative expenses	(1,372)	58	33	18	(1,262)
Research and development expenses	(210)	—	—	—	(210)
Indirect costs	**(1,582)**	**59**	**33**	**18**	**(1,473)**
Impairment of goodwill	—	—	—	—	—
Other business income	19	—	(2)	(11)	6
Other business expenses	(5)	—	—	2	(4)
Income from operations	**309**	**76**	**37**	**17**	**439**
Amortization	(91)	—	—	—	(91)
Income from operations excluding amortization (EBITA)	**399**	**76**	**37**	**17**	**530**

[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, legal cases, 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 that 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).