



Press Release

July 29, 2022

Signify reports second quarter sales of EUR 1.8 billion, comparable sales growth of 5.1% and an operational profitability of 9.5%

Second quarter 2022¹

- Signify's installed base of connected light points increased from 100 million in Q1 22 to 103 million in Q2 22
- Sales of EUR 1,836 million; nominal sales increase of 14.1% and CSG of 5.1%
- LED-based sales represented 84% of total sales (Q2 21: 82%)
- Adj. EBITA margin of 9.5% (Q2 21: 10.9%)
- Net income of EUR 248 million (Q2 21: EUR 82 million)
- Free cash flow of EUR 135 million (Q2 21: EUR 104 million)
- Net debt/EBITDA ratio of 1.7x (Q2 21: 1.7x)
- Completed the acquisitions of Fluence and Pierlite, divested non-strategic real estate assets

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

"In the second quarter, we continued to deliver top-line growth. This was driven by strong traction of the professional segment, which more than compensated headwinds from the lockdowns in China, the effect of the war in Ukraine on our Eastern European market, and a weaker consumer environment. This top-line increase – achieved despite a challenging comparison base – illustrates our improved profile for growth, fueled by the continuing shift towards connected lighting. At the same time, currency movements and inflationary pressures affected our gross margin and adjusted EBITA, although the impact on the latter was partially compensated by cost management. We maintain our CSG guidance for the full year, given continued momentum in the professional segment and our solid order book. The challenging external environment has led us to revise our outlook for the adjusted EBITA margin. In addition, persistent supply chain disruption and long supplier lead times will impact our free cash flow performance," said CEO Eric Rondolat.

"We are taking adaptive measures and expect margin headwinds to ease in the second half of the year. Cash flow generation will normalize once supplier lead times shorten. We remain firmly committed to investing in our business and driving our long-term growth objectives. Our extensive portfolio of sustainable and connected lighting solutions uniquely positions Signify to capture the heightened demand for energy efficient lighting."

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



Brighter Lives, Better World 2025

In the second quarter of the year, Signify was on track for three 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 ahead of track. This is mainly driven by the sales of energy-efficient and connected LED lighting, which drive emissions reduction in the use phase.
- **Double Circular revenues to 32%:**
Circular revenues increased to 31%, well on track for the 2025 target of 32%. This positive trend continues to be driven by the upgrade of luminaires to serviceable luminaires.
- **Double Brighter lives revenues to 32%:**
Brighter lives revenues of 26% were off track, yet Signify remains confident that it will achieve the 2025 target of 32%.
- **Double the percentage of women in leadership positions to 34%:**
The percentage of women in leadership positions was 27%, on track. This quarter, Signify continued to drive actions to achieve its 2025 commitment, including inclusive job posting and diverse hiring panels. In addition, Signify conducted training sessions together with Hult International Business School. These training sessions equip teams with the right tools to realize the company's diversity ambitions.

Outlook

Signify maintains its CSG guidance of 3-6% for the year, driven by continued momentum in the professional segment and its solid order book.

The company revises its Adjusted EBITA margin guidance for the full year to 11.0-11.4%, reflecting the lower margin performance in Q2 2022.

Signify also revises its 2022 free cash flow guidance to 5-7% of sales, including the proceeds from real estate divestments. Signify expects to return to the target of over 8% as soon as supplier lead times ease and no longer require the company to carry higher inventory.

Financial review

Second quarter			in millions of EUR, except percentages	Six months		
2021	2022	change		2021	2022	change
		5.1%	Comparable sales growth			5.8%
		6.6%	Effects of currency movements			5.9%
		2.4%	Consolidation and other changes			1.3%
1,609	1,836	14.1%	Sales	3,209	3,624	13.0%
638	674	5.6%	Adjusted gross margin	1,275	1,359	6.5%
39.7%	36.7%		Adj. gross margin (as % of sales)	39.7%	37.5%	
-423	-465		Adj. SG&A expenses	-847	-921	
-70	-73		Adj. R&D expenses	-142	-144	
-493	-537	-9.0%	Adj. indirect costs	-989	-1,065	-7.6%
30.6%	29.3%		Adj. indirect costs (as % of sales)	30.8%	29.4%	
175	174	-0.5%	Adjusted EBITA	347	361	4.0%
10.9%	9.5%		Adjusted EBITA margin	10.8%	10.0%	
-39	166		Adjusted items	-97	125	
136	340	149.9%	EBITA	251	486	93.7%
106	306	189.0%	Income from operations (EBIT)	191	421	120.6%
-7	11		Net financial income/expense	-16	5	
-17	-68		Income tax expense	-32	-91	
82	248	202.8%	Net income	142	335	135.9%
104	135		Free cash flow	272	-54	
0.65	1.97		Basic EPS (€)	1.12	2.66	
39,143	35,407		Employees (FTE)	39,143	35,407	

Second quarter

Sales increased by 14.1% to EUR 1,836 million, with a comparable sales growth of 5.1%, largely driven by continued strong professional demand across most markets except China, which was impacted by lockdowns during the quarter. Nominal sales included a positive currency effect of 6.6%, mainly from the appreciation of the USD, and a positive contribution from the recently acquired Fluence and Pierlite businesses.

The Adjusted gross margin decreased from 39.7% to 36.7%. While continued price increases more than offset the input cost increases, Signify was not able to offset within the quarter the surge of energy costs, nor the negative impact from currency movements.

Adjusted indirect costs as a percentage of sales decreased by 130 bps to 29.3%, driven by operating leverage and strengthened cost discipline in view of the pressure on gross margin.

Adjusted EBITA decreased slightly to EUR 174 million. The Adjusted EBITA margin decreased by 140 bps to 9.5%, reflecting the lower gross margin, which was partly offset by operating leverage and indirect cost savings. Currency movements also had a negative effect of 110 bps on the Adjusted EBITA margin.

Adjusted items of EUR 166 million include a EUR 184 million gain from the disposal of non-strategic real estate, while year-on-year restructuring and acquisition-related costs decreased from EUR 22 million to EUR 12 million. As a result, net income increased from EUR 82 million to EUR 248 million.

The number of employees (FTE) decreased from 39,143 to 35,407, reflecting the exceptionally high base in the previous year related to the strong volume recovery and additional staff requirements in factories, following the COVID-19 pandemic. The number of FTE can be affected by fluctuations in volume and seasonality.

Digital Solutions

Second quarter				Six months		
2021	2022	change	in millions of EUR, unless otherwise indicated	2021	2022	change
		11.6%	Comparable sales growth			14.1%
837	1,042	24.4%	Sales	1,631	2,022	24.0%
89	98	10.3%	Adjusted EBITA	161	193	20.2%
10.7%	9.5%		Adjusted EBITA margin	9.9%	9.6%	
72	92	27.0%	EBITA	120	167	39.1%
44	60	35.9%	Income from operations (EBIT)	65	107	65.6%

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

Second quarter

Sales increased to EUR 1,042 million with a comparable sales growth of 11.6% (Q2 21: 12.6%), driven by continued strong professional demand in most markets. Nominal sales growth of 24.4% included a positive currency effect of 7.8% and an impact of 5.0% mainly from the consolidation of Fluence and Pierlite. Adjusted EBITA increased to EUR 98 million, yet as a percentage of sales it declined by 120 bps to 9.5%, as price increases compensated higher input costs, but with positive sales mix and operating leverage only partly offsetting a negative currency effect.

Digital Products

Second quarter				Six months		
2021	2022	change	in millions of EUR, unless otherwise indicated	2021	2022	change
		2.6%	Comparable sales growth			1.4%
553	598	8.0%	Sales	1,128	1,198	6.2%
66	63	-4.5%	Adjusted EBITA	148	140	-5.3%
12.0%	10.6%		Adjusted EBITA margin	13.1%	11.7%	
63	63	—%	EBITA	138	128	-7.5%
61	61	-0.2%	Income from operations (EBIT)	135	124	-7.8%

Second quarter

Sales increased to EUR 598 million with a comparable sales growth of 2.6% (Q2 21: 20.4%), driven by strong demand for LED Electronics, however consumer connected sales were impacted by lower consumer confidence. Nominal sales growth of 8.0% included a positive currency effect of 5.5%. Adjusted EBITA decreased to EUR 63 million, representing a decrease of 140 bps to 10.6%, mainly due to a negative currency effect and a negative mix impact.

Conventional Products

Second quarter				Six months		
2021	2022	change	in millions of EUR, unless otherwise indicated	2021	2022	change
		-13.8%	Comparable sales growth			-14.5%
213	193	-9.3%	Sales	440	394	-10.5%
40	30	-24.8%	Adjusted EBITA	86	62	-28.3%
18.6%	15.5%		Adjusted EBITA margin	19.6%	15.7%	
35	20	-42.1%	EBITA	88	43	-50.9%
35	20	-42.1%	Income from operations (EBIT)	88	43	-50.9%

Second quarter

Sales declined to EUR 193 million with a comparable sales decline of 13.8%. The nominal sales decline of 9.3% benefited from a positive currency effect of 4.5%. The Adjusted EBITA margin decreased by 310 bps to 15.5%, as significant Q2 price increases were not sufficient to compensate the impact of the sudden rise in energy prices on the division's costs and demand, and the negative currency effect.

Other

Second quarter

'Other' represents amounts not allocated to the operating segments and includes costs related both to central R&D activities to drive innovation, and to group enabling functions. Adjusted EBITA amounted to EUR -17 million (Q2 21: EUR -20 million). EBITA amounted to EUR 165 million (Q2 21: EUR -34 million). Adjusted items of EUR 183 million include a EUR 184 million gain from the disposal of non-strategic real estate, while year-on-year restructuring costs decreased from EUR 13 million to EUR 1 million.

Sales by market

Second quarter					Six months			
2021	2022	Change	CSG	<i>in millions of EUR, except percentages</i>	2021	2022	change	CSG
477	502	5.4%	4.5%	Europe	999	1,059	6.0%	5.0%
623	747	20.0%	8.0%	Americas	1,211	1,450	19.7%	9.1%
377	433	14.6%	4.5%	Rest of the world	747	826	10.6%	2.9%
133	154	16.1%	-3.6%	Global businesses	251	289	15.1%	1.5%
1,609	1,836	14.1%	5.1%	Total	3,209	3,624	13.0%	5.8%

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

Second quarter

In the second quarter, most markets continued to see strong demand in the professional segment. In Europe, comparable sales grew by 4.5%, driven by growth across most markets. Americas' comparable sales growth was 8.0%, with a solid contribution from Cooper Lighting. In the Rest of the world, comparable sales growth was 4.5%, with a solid contribution from India, Southeast Asia and Australia, while sales in China were impacted by the reinstated lockdowns.

Working capital

in millions of EUR, unless otherwise indicated	Jun 30, 2021	Mar 31, 2022	Jun 30, 2022
Inventories	1,120	1,535	1,635
Trade and other receivables	1,056	1,128	1,191
Trade and other payables	-1,935	-2,073	-2,030
Other working capital items	29	-30	-13
Working capital	269	559	783
As % of LTM* sales	4.0%	7.9%	10.8%

* LTM: Last Twelve Months

Second quarter

Working capital increased from EUR 559 million at the end of March 2022 to EUR 783 million at the end of June 2022. Excluding currency effects and acquisitions, inventories were stable versus the end of Q1, yet remained at a high level due to the continuing longer supply chain lead times. Changes in receivables, payables and other working capital reflect currency movements and seasonality. In total, working capital as a percentage of last twelve-month sales increased by 290 bps to 10.8%. When including last twelve-month sales pro forma for Fluence and Pierlite, working capital increased by 260 bps to 10.5%.

Cash flow analysis

Second quarter		in millions of EUR	Six months	
2021	2022		2021	2022
106	306	Income from operations (EBIT)	191	421
81	79	Depreciation and amortization	158	155
29	34	Additions to (releases of) provisions	89	53
-48	-45	Utilizations of provisions	-98	-88
-3	-171	Change in working capital	27	-486
-28	-31	Net interest and financing costs received (paid)	-29	-32
-10	-22	Income taxes paid	-31	-46
-30	163	Net capex	-46	137
7	-178	Other	10	-169
104	135	Free cash flow	272	-54

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.

Second quarter

Free cash flow was EUR 135 million as the cash proceeds from the disposal of non-strategic real estate assets were partly offset by higher working capital. Free cash flow also included a restructuring payout of EUR 14 million (Q2 21: EUR 20 million).

Net debt and total equity

in millions of EUR	Jun 30, 2021	Mar 31, 2022	Jun 30, 2022
Short-term debt	427	72	213
Long-term debt	1,893	1,932	1,944
Gross debt	2,320	2,004	2,157
Cash and cash equivalents	945	626	407
Net debt	1,375	1,378	1,749
Total equity	2,149	2,716	2,927

Second quarter

Compared with the end of March 2022, the cash position decreased by EUR 219 million to EUR 407 million, with the cash outflow for the Fluence acquisition, the Pierlite acquisition, and the dividend payment, only partly offset by the Q2 operating profit and the proceeds from the disposal of non-strategic real estate assets. Gross debt increased to EUR 2,157 million, mainly due to an increase in short-term debt. As a result, net debt increased by EUR 371 million to EUR 1,749 million. Total equity increased to EUR 2,927 million (Q1 22: EUR 2,716 million), primarily due to net income and currency translation, offset by dividend distribution.

Compared with the end of June 2021, the cash position decreased by EUR 538 million, while gross debt declined by EUR 163 million. As a result, net debt increased to EUR 1,749 million. At the end of June 2022, the net debt/EBITDA ratio was 1.7x, in line with June 2021.



Other information

Appendix A – Selection of financial statements

Appendix B – Reconciliation of non-IFRS financial measures

Appendix C – Financial Glossary

Conference call and audio webcast

Eric Rondolat (CEO) and Javier van Engelen (CFO) will host a conference call for analysts and institutional investors at 9:00 a.m. CET to discuss the second quarter 2022 results. A live audio webcast of the conference call will be available via the [Investor Relations website](#).

Financial calendar 2022

October 28, 2022

Third quarter results 2022

January 27, 2023

Fourth quarter and full-year results 2022

For further information, please contact:

Signify Investor Relations

Thelke Gerdes

Tel: +31 6 1801 7131

E-mail: thelke.gerdes@signify.com

Signify Corporate Communications

Leanne Carmody

Tel: +31 6 3928 0201

E-mail: leanne.carmody@signify.com

Abigail Levene

Tel: +31 6 2939 3895

E-mail: abigail.levene@signify.com

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, 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.

Looking ahead to the second half of 2022, the Group's key concerns are about the further impact of the Russia-Ukraine conflict, the high level of inflation, the worsening global macro-economic conditions, the continued supply chain constraints, and the uncertainties related to the resurgence of the COVID-19 pandemic in the global and domestic markets in which it operates. The main challenge remains the visibility on how these topics will develop. 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.



Unaudited condensed consolidated interim financial statements

For the six-month period ended June 30, 2022

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Semi-annual report

Introduction

The semi-annual report for the six-month period ended June 30, 2022 of Signify N.V. (the 'Company') consists of the semi-annual condensed consolidated interim financial statements, the semi-annual management report and the responsibility statement by the Company's Board of Management.

The main risks and uncertainties for the second half of 2022 are addressed in the first part of the press release – please refer to the section 'Important Information'.

The information in this semi-annual report is unaudited. The semi-annual condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's Consolidated financial statements for the year ended December 31, 2021.

Responsibility statement

The Board of Management of the Company hereby declares that, to the best of its knowledge, the semi-annual condensed consolidated interim financial statements for the six-month period ended June 30, 2022, which have been prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by the European Union, gives a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole, and the semi-annual management report for the six-month period ended June 30, 2022, gives a fair view of the information required pursuant to Section 5:25d(8)-(9) of the Dutch Financial Markets Supervision Act (Wet op het Financieel toezicht).

Eindhoven, July 29, 2022

Board of Management

Eric Rondolat
Javier van Engelen
Maria Letizia Mariani

Management report

Business performance¹

Market environment

In the first half of 2022, the market environment was affected by a multitude of factors.

Following the outbreak of war in Ukraine in the first quarter, Signify's main priority was to safeguard and support its Ukrainian employees and their families to the best extent possible. Signify stopped all investments in Russia and all new business was paused. As a result of the war, Signify incurred impairments for part of its Ukrainian and Russian operations.

Throughout the first half of the year, inflation continued to have a strong impact on the overall economy. To compensate the effect of higher input, logistics and energy costs, Signify increased its prices across most markets and segments.

The surge in inflation also affected consumer demand for Signify's connected home products. By contrast, professional sales benefited from strong demand for energy efficient lighting solutions.

Signify's sales in China were also affected by COVID-19 related lockdowns.

Financial performance

Sales increased to 3,624 million, a nominal sales growth of 13.0%. Adjusted for a 5.9% currency effect and a 1.3% impact from consolidation and other changes (mainly related to the acquisitions of Fluence and Pierlite), comparable sales grew by 5.8%, driven by strong professional demand.

The gross margin decreased by 270 basis points to 36.6%. The adjusted gross margin of 37.5% was 220 basis points below last year's level, affected by cost inflation and an adverse currency effect, partly compensated by price increases, higher volumes, and positive sales mix.

Indirect costs as a percentage of sales decreased by 350 basis points to 30.2%, driven by operating leverage. Adjusted indirect costs as a percentage of sales decreased by 140 basis points to 29.4%.

EBITA was EUR 486 million, an increase of 93.7% over last year. Restructuring costs were EUR 11 million, acquisition-related charges were EUR 12 million, and incidental items were EUR 148 million. The incidental items included a gain from the disposal of non-strategic real estate and impairments to Signify's operations in Russia and

Ukraine. Correcting for these adjusted items, the Adjusted EBITA was EUR 361 million, or 10.0% of sales. The Adjusted EBITA margin decline of 80 basis points versus last year was mostly related to a negative currency effect, while cost inflation was more than offset by price increases.

Income from operations more than doubled to EUR 421 million, mainly due to a gain from the disposal of non-strategic real estate, only partly offset by impairments related to Signify's operations in Russia and Ukraine. As a result, net income was EUR 335 million compared with EUR 142 million last year.

Net cash from operating activities was EUR -191 million. This was mainly impacted by a cash outflow from payables, as payments related to last year's inventory buildup were settled, and by an increase of inventories, which was the result of longer supplier lead times.

Digital Solutions

Sales grew by 24.0% to EUR 2,022 million. Nominal sales growth included a positive currency effect and a positive impact from the consolidation of Fluence and Pierlite. Comparable sales grew by 14.1%, mainly driven by strong traction in the professional market.

Income from operations increased by EUR 42 million to EUR 107 million. EBITA of EUR 167 million included EUR 25 million of restructuring costs, acquisition-related charges, and other incidental costs. Adjusted EBITA increased to 193 million. The decrease of the Adjusted EBITA margin by 30 basis points to 9.6% was mainly due to input cost inflation, higher logistics costs and a negative currency effect, which were partly offset by price increases, higher sales volumes and positive sales mix.

Digital Products

Sales were EUR 1,198 million, representing a nominal sales growth of 6.2%. Adjusting for a positive currency effect, comparable sales growth was 1.4%, driven by strong demand for LED Electronics, partly offset by lower connected home sales.

Income from operations decreased by EUR 11 million to EUR 124 million. EBITA of EUR 128 million included EUR 12 million of incidental costs. Correcting for these adjusted items, Adjusted EBITA was EUR 140 million. The Adjusted EBITA margin decreased by 140 basis points to 11.7%, due to a negative currency effect, input cost inflation and negative sales mix, partly compensated by price increases and indirect cost savings.

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

Conventional Products

Sales decreased by 10.5% to EUR 394 million. Correcting for a positive currency effect of 4.0%, comparable sales decreased by 14.5%.

Income from operations and EBITA both decreased by EUR 45 million to EUR 43 million. Excluding restructuring costs of EUR 6 million and incidental costs of EUR 13 million, Adjusted EBITA was 62 million. The Adjusted EBITA margin decreased by 390 basis points to 15.7%, mainly as a result of the sudden energy price increases and a negative currency effect.

Other

'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. Reported EBITA was EUR 147 million, and included a gain from the disposal of non-strategic real estate and a negative impact from restructuring costs. Adjusted EBITA was EUR -34 million, compared with EUR -48 million in the same period last year.

Outlook

Signify maintains its CSG guidance of 3-6% for the year, driven by continued momentum in the professional segment and its solid order book.

The company revises its Adjusted EBITA margin guidance for the full year to 11.0-11.4%, reflecting the lower margin performance in Q2 2022.

Signify also revises its 2022 free cash flow guidance to 5-7% of sales, including the proceeds from real estate divestments. Signify expects to return to the target of over 8% as soon as supplier lead times ease and no longer require the company to carry higher inventory.

I Condensed consolidated financial statements

I.I Condensed consolidated statement of income

In millions of EUR unless otherwise stated

	Note	Second quarter		January to June	
		2021	2022	2021	2022
Sales	1, 2	1,609	1,836	3,209	3,624
Cost of sales		(979)	(1,173)	(1,949)	(2,296)
Gross margin		631	664	1,260	1,328
Selling, general and administrative expenses		(455)	(472)	(938)	(949)
Research and development expenses		(71)	(73)	(143)	(144)
Other business income	4	3	188	16	189
Other business expenses	4	(2)	(1)	(4)	(3)
Income from operations		106	306	191	421
Financial income	9	8	29	13	39
Financial expenses		(14)	(18)	(29)	(34)
Results relating to investments in associates		—	—	(1)	(1)
Income before taxes		99	316	174	426
Income tax expense	5	(17)	(68)	(32)	(91)
Net income		82	248	142	335
Attribution of net income for the period:					
Net income (loss) attributable to shareholders of Signify N.V.		81	246	140	332
Net income (loss) attributable to non-controlling interests		1	2	2	3
Earnings per ordinary share attributable to shareholders					
Weighted average number of ordinary shares outstanding used for calculation (in thousands):					
Basic		124,668	124,822	124,945	125,001
Diluted		128,200	127,082	128,814	127,778
Net income attributable to shareholders per ordinary share in EUR:					
Basic		0.65	1.97	1.12	2.66
Diluted		0.63	1.93	1.08	2.60

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

I.2 Condensed consolidated statement of comprehensive income

In millions of EUR

	Second quarter		January to June	
	2021	2022	2021	2022
Net income (loss)	82	248	142	335
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	(34)	178	113	249
Income tax effect	—	—	—	—
Net investment hedge				
Net current period change, before tax	8	(7)	(11)	(10)
Income tax effect	—	—	—	—
Cash flow hedges:				
Net current period change, before tax	6	(25)	(12)	(31)
Income tax effect	(2)	6	3	8
Total of items that are or may be reclassified to profit or loss	(21)	152	92	217
Other comprehensive income (loss)	(21)	153	92	211
Total comprehensive income (loss)	61	400	234	546
Total comprehensive income (loss) attributable to:				
Shareholders of Signify N.V.	61	393	227	535
Non-controlling interests	—	7	7	11

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

I.3 Condensed consolidated statement of financial position

In millions of EUR

	Note	December 31, 2021	June 30, 2022
Non-current assets			
Property, plant and equipment	1	724	719
Goodwill	1	2,464	2,834
Intangible assets, other than goodwill	1	730	812
Investments in associates		12	12
Financial assets	9	58	96
Deferred tax assets		481	437
Other assets		67	52
Total non-current assets		4,536	4,963
Current assets			
Inventories		1,410	1,635
Other assets		192	243
Derivative financial assets	9	58	42
Income tax receivable		24	45
Trade and other receivables		1,183	1,191
Cash and cash equivalents	9	851	407
Assets classified as held for sale		3	—
Total current assets		3,720	3,563
Total assets		8,256	8,526
Equity			
Shareholders' equity	6	2,459	2,779
Non-controlling interests		138	148
Total equity		2,597	2,927
Non-current liabilities			
Debt	7	1,931	1,944
Post-employment benefits		363	375
Provisions	8	215	205
Deferred tax liabilities		27	30
Income tax payable		118	121
Other liabilities		182	200
Total non-current liabilities		2,835	2,875
Current liabilities			
Debt, including bank overdrafts	7	77	213
Derivative financial liabilities	9	44	77
Income tax payable		16	36
Trade and other payables		2,334	2,030
Provisions	8	140	148
Other liabilities		213	221
Total current liabilities		2,824	2,724
Total liabilities and total equity		8,256	8,526

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

I.4 Condensed consolidated statement of cash flows

In millions of EUR

	Note	Second quarter		January to June	
		2021	2022	2021	2022
Cash flows from operating activities					
Net income (loss)		82	248	142	335
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		139	(14)	295	115
• Depreciation, amortization and impairment of non-financial assets		81	79	158	155
• Net gain on sale of assets	4	—	(188)	(11)	(189)
• Net interest expense on debt, borrowings and other liabilities		7	12	14	18
• Income tax expense	5	17	68	32	91
• Additions to (releases of) provisions	8	24	29	80	45
• Additions to (releases of) post-employment benefits		5	4	9	9
• Other items		5	(19)	13	(14)
Decrease (increase) in working capital:		(3)	(171)	27	(486)
• Decrease (increase) in trade and other receivables		13	(8)	96	57
• Decrease (increase) in inventories		(176)	(3)	(211)	(110)
• Increase (decrease) in trade and other payables		187	(125)	179	(409)
• Increase (decrease) in other current assets and liabilities		(26)	(35)	(37)	(25)
Increase (decrease) in other non-current assets and liabilities		2	7	11	11
Utilizations of provisions	8	(41)	(39)	(82)	(73)
Utilizations of post-employment benefits		(7)	(6)	(15)	(15)
Net interest and financing costs received (paid)		(28)	(31)	(29)	(32)
Income taxes paid		(10)	(22)	(31)	(46)
Net cash provided by (used for) operating activities		134	(28)	318	(191)
Cash flows from investing activities					
Net capital expenditures:		(30)	163	(46)	137
• Additions of intangible assets		(8)	(13)	(16)	(26)
• Capital expenditures on property, plant and equipment		(23)	(18)	(44)	(31)
• Proceeds from disposal of property, plant and equipment		1	194	14	195
Net proceeds from (cash used for) derivatives and other financial assets		23	(19)	18	(5)
Purchases of businesses, net of cash acquired	3	—	(297)	—	(297)
Net cash provided by (used for) investing activities		(7)	(153)	(28)	(166)
Cash flows from financing activities					
Dividend paid	6	(292)	(183)	(294)	(183)
Proceeds from issuance of debt	7	—	137	350	140
Repayment of debt	7	(19)	(19)	(391)	(41)
Purchase of treasury shares	6	(48)	—	(72)	(36)
Net cash provided by (used for) financing activities		(360)	(64)	(407)	(119)
Net cash flows		(233)	(246)	(117)	(475)
Effect of changes in exchange rates on cash and cash equivalents and bank overdrafts		(16)	24	30	31
Cash and cash equivalents and bank overdrafts at the beginning of the period ¹		1,191	625	1,030	847
Cash and cash equivalents and bank overdrafts at the end of the period ²		943	403	943	403
Non-cash investing and financing activities:					
Acquisition of fixed asset by means of leases		12	8	34	21

¹ For Q2 2022 and Q2 2021, included bank overdrafts of EUR 0 million and EUR 1 million, respectively. For the first half of 2022 and 2021, included bank overdrafts of EUR 4 million and EUR 3 million, respectively.

² Included bank overdrafts of EUR 4 million and EUR 2 million as at June 30, 2022 and 2021, respectively.

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

I.5 Condensed consolidated statements of changes in equity

In millions of EUR

	Share capital	Share premium	Retained earnings	Currency translation differences	Cash flow hedges	Treasury shares	Total share-holders' equity	Non-controlling interests	Equity
Balance as at January 1, 2021	1	2,201	387	(337)	17	(74)	2,196	124	2,321
Net Income	—	—	140	—	—	—	140	2	142
Other comprehensive income (loss)	—	—	—	97	(10)	—	88	5	92
Total comprehensive income (loss)	—	—	140	97	(10)	—	227	7	234
Dividend distributed	—	—	(343)	—	—	—	(343)	—	(343)
Purchase of treasury shares	—	—	7	—	—	(83)	(77)	—	(77)
Delivery of treasury shares	—	(57)	26	—	—	30	—	—	—
Share-based compensation plans	—	15	—	—	—	—	15	—	15
Balance as at June 30, 2021	1	2,159	217	(239)	8	(127)	2,018	131	2,149
Balance as at January 1, 2022	1	2,174	491	(80)	(2)	(126)	2,459	138	2,597
Net Income	—	—	332	—	—	—	332	3	335
Other comprehensive income (loss)	—	—	(5)	232	(23)	—	203	8	211
Total comprehensive income (loss)	—	—	327	232	(23)	—	535	11	546
Dividend distributed	—	—	(182)	—	—	—	(182)	(1)	(183)
Purchase of treasury shares	—	—	—	—	—	(48)	(48)	—	(48)
Delivery of treasury shares	—	(58)	16	—	—	42	—	—	—
Share-based compensation plans	—	15	—	—	—	—	15	—	15
Balance as at June 30, 2022	1	2,131	652	152	(25)	(132)	2,779	148	2,927

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

2 Notes to the consolidated interim financial statements

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

2.1 Reporting entity

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

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

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

2.2 Basis of preparation

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union. Several amendments apply to the accounting standards for the first time in 2022, but do not have a material impact on the condensed consolidated interim financial statements of Signify.

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

The accounting policies applied in the condensed consolidated interim financial statements are consistent with those applied in the Consolidated financial statements for the year ended December 31, 2021.

Russia-Ukraine conflict

As a result of the war in Ukraine, several countries have imposed sanctions against Russia and certain Russian individuals.

Our main priority has been to safeguard and support our Ukrainian employees and their families to the best extent possible. Investments in Russia were stopped and all new business has been paused since February 25, 2022. During the six-month period ended June 30, 2022, we reported EUR 23 million of charges in our condensed consolidated statement of income

resulting from the war in Ukraine. The most significant items are further described as follows:

Inventories

Signify has reviewed the impact from the war in Ukraine, such as its ability to control and sell inventories in the region. The analysis has resulted in a write down of inventories of EUR 10 million during the six-month period ended June 30, 2022.

Trade receivables

Signify has reviewed the collectability of its trade accounts receivables. During the six-month period ended June 30, 2022, Signify recorded EUR 9 million of impairment of trade receivables, mainly attributed to increased risk of uncollectible receivables.

Impact of supply chain disruptions

In response to the global supply chain disruptions, Signify has been implementing several mitigating actions. As a result of these actions, availability of components has improved. However, logistics were still affected by longer supplier lead times, which in turn impacted our inventory levels.

Climate-related matters

Signify continuously monitors risks and opportunities related to climate change. During the six-month period ended June 30, 2022, there was no significant change compared to our assessment as disclosed in the Consolidated financial statements for the year ended December 31, 2021.

Assumptions for post-employment benefits

For the provision for post-employment benefits, Signify reviewed the changes in market conditions during the six-month period ended June 30, 2022. The impact was not material and therefore no remeasurement was recognized.

Critical accounting judgments and key sources of estimation uncertainty

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

Except as disclosed in previous paragraphs, the areas where the most significant judgments and estimates are made, were the same as those disclosed in the Consolidated financial statements for the year ended December 31, 2021.

2.3 Notes

I Information by segment and main country

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

	Second quarter						January to June					
	Digital Solutions ⁵	Digital Products	Conventional Products	Other ⁴	Inter-segment elimination	Signify	Digital Solutions ⁵	Digital Products	Conventional Products	Other ⁴	Inter-segment elimination	Signify
2022												
Sales to external customers	1,042	598	193	4		1,836	2,022	1,198	394	10		3,624
Sales including intersegment	1,044	656	194	4	(61)	1,836	2,025	1,311	396	10	(118)	3,624
Depreciation and amortization ¹	(19)	(7)	(4)	(14)		(45)	(38)	(15)	(9)	(28)		(91)
EBITA²	92	63	20	165		340	167	128	43	147		486
EBITA as a % of sales	8.8%	10.5%	10.5%			18.5%	8.3%	10.7%	11.0%			13.4%
Amortization ³						(34)						(64)
Income from operations	60	61	20	165		306	107	124	43	147		421
Financial income and expenses						11						5
Results from investments in associates						—						(1)
Income before taxes						316						426
2021												
Sales to external customers	837	553	213	6		1,609	1,631	1,128	440	10		3,209
Sales including intersegment	838	605	215	6	(55)	1,609	1,632	1,231	444	11	(110)	3,209
Depreciation and amortization ¹	(20)	(7)	(4)	(20)		(51)	(41)	(14)	(8)	(35)		(98)
EBITA²	72	63	35	(34)		136	120	138	88	(96)		251
EBITA as a % of sales	8.6%	11.3%	16.4%			8.4%	7.4%	12.3%	20.0%			7.8%
Amortization ³						(30)						(60)
Income from operations	44	61	35	(34)		106	65	135	88	(97)		191
Financial income and expenses						(7)						(16)
Results from investments in associates						—						(1)
Income before taxes						99						174

¹ Excluding amortization and impairments of acquisition-related intangible assets and goodwill

² Income from operations excluding amortization and impairments of acquisition-related intangible assets and goodwill ('EBITA')

³ Amortization and impairments of acquisition-related intangible assets and goodwill

⁴ Considering the nature of Other, EBITA as a % of sales for Other is not meaningful

⁵ Includes Fluence since May 2, 2022 and Pierlite since April 29, 2022

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

	Sales		Tangible and intangible assets ¹	
	January to June 2021	January to June 2022	December 31, 2021	June 30, 2022
Netherlands	249	273	555	608
United States	1,010	1,231	2,311	2,680
China	256	256	329	325
Germany	184	205	12	12
Other countries	1,510	1,659	710	740
Total countries	3,209	3,624	3,917	4,365

¹ Includes goodwill

2 Disaggregated revenue information

Information on sales per segment is disclosed in note 1, Information by segment and main country. For the six-month period ended June 30, 2022, sales consisted primarily (97%) of sales of goods to customers (January to June 2021: 96%). Sales by market are reported as follows:

	Second quarter		January to June	
	2021	2022	2021	2022
Europe	477	502	999	1,059
Americas	623	747	1,211	1,450
Rest of the world	377	433	747	826
Global businesses	133	154	251	289
Total	1,609	1,836	3,209	3,624

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

3 Acquisitions

Signify completed two acquisitions in the six-month period ended June 30, 2022.

Acquisition of Fluence

On May 2, 2022, Signify completed the acquisition of 100% interest in Fluence Bioengineering, Inc (Fluence) and the purchase of certain related assets for a total consideration of EUR 257 million. The initial consideration was paid in cash and closing settlement procedures are expected to be finalized during 2022. The transaction price does not include any contingent and/or deferred considerations. The overall cash position of Fluence on the transaction date was EUR 3 million.

Fluence is based in Austin, TX, United States and is a provider of agricultural lighting. The acquisition adds Fluence's complementary technology and market segments to Signify's existing horticultural lighting operations and provides Signify with access to Fluence's strong multi-channel go-to-market approach in the attractive North American horticultural lighting market. As of May 2, 2022, Fluence was fully consolidated as part of Digital Solutions.

Acquisition-related costs that were recognized in General and administrative expenses amounted to EUR 3 million.

The condensed balance sheet of Fluence at the acquisition date was as follows:

	At acquisition date
Goodwill	181
Other intangible assets	81
Property, plant and equipment	3
Trade and other receivables	10
Inventories	40
Other assets	3
Cash	3
Trade and other payables	(19)
Other liabilities	(34)
Net deferred tax assets	(11)
Net assets acquired	257

The other intangible assets were reported as follows:

	At acquisition date	Amortization period
Brand names	31	15 years
Customer relationships	47	10-15 years
Order backlog	3	3-6 months
Total other intangible assets	81	

The fair value of assets and liabilities at the acquisition date is provisional due to the timing of the acquisition in relation to Signify's interim reporting. Receivables and other current assets are assumed to be valued against their fair value. Goodwill recognized for the amount of EUR 181 million is primarily related to the synergies expected to be achieved from integrating Fluence within Digital Solutions. The goodwill recognized is expected to be deductible for tax purposes.

From the acquisition date, the contribution of Fluence to the sales and net income of the Company was not material. If the acquisition had taken place on January 1, 2022, sales and net income for the Company are considered not material for the condensed consolidated financial statements.

Acquisition of Pierlite

On April 29, 2022, Signify completed the acquisition of Pierlite, strengthening its position in the Australian and New Zealand lighting markets.

The acquisition involved a total consideration of EUR 44 million, resulting in EUR 23 million goodwill and EUR 17 million intangible assets. Pierlite is consolidated within Digital Solutions. The acquisition is considered not material to the condensed consolidated financial statements. The fair value of assets and liabilities at the acquisition date is provisional and closing settlement procedures are expected to be finalized during 2022.

4 Other business income and expenses

Other business income and expenses consist of the following:

	January to June	
	2021	2022
Result on disposal of fixed assets:		
• Income	11	189
• Expense	—	—
Result on other remaining businesses:		
• Income	5	—
• Expense	(4)	(2)
Other business income and expenses	12	187
Total other business income	16	189
Total other business expense	(4)	(3)

For the six-month period ended June 30, 2022, the result on disposal of fixed assets includes a EUR 184 million income related to a sale of real estate in 'Other', in France, which was recognized as Assets classified as held for sale as of December 31, 2021.

For the six-month period ended June 30, 2021, the result on disposal of fixed assets includes a EUR 10 million income related to a sale of real estate in Conventional Products, in India.

5 Income taxes

The income tax expense in the six-month period ended June 30, 2022 increased by EUR 59 million compared to the corresponding period of the previous year.

The effective tax rate for the six-month period ended June 30, 2022, was 21.4% compared to 18.5% in 2021.

6 Equity

Dividend distribution

In May 2022, the Company settled a dividend of EUR 1.45 per ordinary share, representing a total value of EUR 182 million including costs.

Share repurchases

During the six-month period ended June 30, 2022, the Company purchased shares to cover obligations arising from its long-term incentive performance share plans and other employee share plans. The total number of shares repurchased was 1,174,595 for a total consideration of EUR 48 million.

Treasury shares

As at June 30, 2022, the total number of treasury shares amounted to 3,122,359, which were purchased at an average price of EUR 42.20 per share.

8 Provisions

Utilizations of restructuring provisions during the six-month period ended June 30, 2022 were mainly related to the restructuring of the central organization and programs in Digital Solutions.

Translation differences and other movements primarily relates to a reclassification of refund liabilities from Other provisions to Trade and other payables.

Provisions are summarized as follows:

	Restructuring provisions	Environmental provisions	Product warranty	Other provisions	Total
Balance as at January 1, 2022	62	97	66	129	355
Additions	7	13	21	16	57
Utilizations	(27)	(12)	(22)	(10)	(71)
Acquisitions	—	—	28	2	30
Releases	(5)	—	—	(4)	(9)
Translation differences and other movements	1	1	3	(14)	(9)
Balance as at June 30, 2022	38	100	96	119	353
Short-term	28	25	62	34	148
Long-term	11	75	34	85	205

7 Debt

	December 31, 2021	June 30, 2022
Facility (EUR)	280	280
Facility (USD)	199	214
Eurobonds	1,265	1,266
Lease liabilities	249	246
Other debt	11	146
Subtotal	2,003	2,152
Bank overdrafts	4	4
Gross debt	2,007	2,157
Cash and cash equivalents	(851)	(407)
Net debt (cash)	1,156	1,749
Total equity	2,597	2,927
Net debt and total equity	3,753	4,676
Net debt divided by net debt and total equity (in %)	31%	37%
Total equity divided by net debt and total equity (in %)	69%	63%

As of June 30, 2022, there was an increase of EUR 135 million in short-term borrowings included in Other debt. Signify's long-term facilities remained unchanged.

9 Financial assets and liabilities

Financial risk management

The Company assessed global macroeconomic developments and concluded that no material changes to the existing financial risk management objectives and policies were necessary. The Company's financial risk management objectives and policies are consistent with those disclosed in the Consolidated financial statements for the year ended December 31, 2021.

Fair value hierarchy

The valuation techniques and inputs used to develop measurements for financial assets and liabilities are consistent with those disclosed in the Consolidated financial statements for the year ended December 31, 2021.

	Carried at	Gross amount recognized on the balance sheet	Amounts not offset on the balance sheet, but subject to master netting arrangements	Net amount	Fair value hierarchy level	Estimated fair value
Balance as at June 30, 2022						
Non-current financial assets ¹	amortized cost	43	—	43		43
Unquoted equity shares	fair value (FVOCI)	3	—	3	3	3
Trade and other receivables ¹	amortized cost	1,191	—	1,191		1,191
Derivative financial assets designated as hedging instruments	fair value (FVTPL)	43	(32)	10	2	43
Derivative financial assets not designated as hedging instruments	fair value (FVTPL)	50	—	50	3	56
Cash and cash equivalents		407	—	407		407
Debt (Eurobonds)	amortized cost	(1,266)	—	(1,266)	1	(1,232)
Debt (excluding Eurobonds) ¹	amortized cost	(891)	—	(891)	2	(891)
Derivative financial liabilities designated as hedging instruments	fair value (FVTPL)	(78)	32	(46)	2	(78)
Trade and other payables ¹	amortized cost	(2,028)	—	(2,028)		(2,028)
Contingent considerations	fair value (FVTPL)	(2)	—	(2)	3	(2)
Balance as at December 31, 2021						
Non-current financial assets ¹	amortized cost	37	—	37		37
Unquoted equity shares	fair value (FVOCI)	3	—	3	3	3
Trade and other receivables ¹	amortized cost	1,183	—	1,183		1,183
Derivative financial assets designated as hedging instruments	fair value (FVTPL)	59	(30)	28	2	59
Derivative financial assets not designated as hedging instruments	fair value (FVTPL)	18	—	18	3	25
Cash and cash equivalents		851	—	851		851
Debt (Eurobonds)	amortized cost	(1,265)	—	(1,265)	1	(1,355)
Debt (excluding Eurobonds) ¹	amortized cost	(743)	—	(743)	2	(743)
Derivative financial liabilities designated as hedging instruments	fair value (FVTPL)	(45)	30	(14)	2	(45)
Trade and other payables ¹	amortized cost	(2,332)	—	(2,332)		(2,332)
Contingent considerations	fair value (FVTPL)	(2)	—	(2)	3	(2)

¹ In view of the nature, maturity or the magnitude of the amounts, Signify considers that the fair value of non-current financial assets, trade and other receivables, debt (excluding Eurobonds), trade and other payables are not materially different from their carrying value.

During the six-month period ended June 30, 2022, Signify recognized a gain of EUR 33 million in Financial income related to our participation in Virtual Power Purchase Agreements, which are included in Derivative financial assets not designated as hedging instruments. This non-cash gain results from a fair value remeasurement as calculated per balance sheet date.

10 Events after the balance sheet date

No subsequent events occurred that are material to Signify.

Appendix B - Reconciliation of non-IFRS financial measures

Sales growth composition per business in %

	Second quarter			
	Comparable growth	Currency effects	Consolidation and other changes	Nominal growth
2022 vs 2021				
Digital Solutions	11.6	7.8	5.0	24.4
Digital Products	2.6	5.5	0.0	8.0
Conventional Products	(13.8)	4.5	0.0	(9.3)
Total	5.1	6.6	2.4	14.1

	January to June			
	Comparable growth	Currency effects	Consolidation and other changes	Nominal growth
2022 vs 2021				
Digital Solutions	14.1	7.0	2.8	24.0
Digital Products	1.4	4.9	0.0	6.2
Conventional Products	(14.5)	4.0	0.0	(10.5)
Total	5.8	5.9	1.3	13.0

Sales growth composition per market in %

	Second quarter			
	Comparable growth	Currency effects	Consolidation and other changes	Nominal growth
2022 vs 2021				
Europe	4.5	0.5	0.4	5.4
Americas	8.0	12.0	0.0	20.0
Rest of the world	4.5	5.6	4.5	14.6
Global businesses	(3.6)	5.8	13.9	16.1
Total	5.1	6.6	2.4	14.1

	January to June			
	Comparable growth	Currency effects	Consolidation and other changes	Nominal growth
2022 vs 2021				
Europe	5.0	0.5	0.4	6.0
Americas	9.1	10.7	0.0	19.7
Rest of the world	2.9	5.5	2.3	10.6
Global businesses	1.5	5.4	8.2	15.1
Total	5.8	5.9	1.3	13.0

Amounts may not add up due to rounding.

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

	Signify	Digital Solutions	Digital Products	Conventional Products	Other
Second quarter 2022					
Adjusted EBITA	174	98	63	30	(17)
Restructuring	(7)	(2)	—	(4)	(1)
Acquisition-related charges	(5)	(5)	—	—	—
Incidental items	177	—	—	(6)	184
EBITA	340	92	63	20	165
Amortization ¹	(34)	(32)	(2)	—	—
Income from operations (or EBIT)	306	60	61	20	165
Second quarter 2021					
Adjusted EBITA	175	89	66	40	(20)
Restructuring	(9)	—	—	4	(13)
Acquisition-related charges	(13)	(13)	—	—	—
Incidental items	(16)	(4)	(4)	(8)	—
EBITA	136	72	63	35	(34)
Amortization ¹	(30)	(28)	(2)	—	—
Income from operations (or EBIT)	106	44	61	35	(34)

¹ Amortization and impairments of acquisition-related intangible assets and goodwill.

	Signify	Digital Solutions	Digital Products	Conventional Products	Other
January to June 2022					
Adjusted EBITA	361	193	140	62	(34)
Restructuring	(11)	(3)	—	(6)	(2)
Acquisition-related charges	(12)	(12)	—	—	—
Incidental items	148	(10)	(12)	(13)	183
EBITA	486	167	128	43	147
Amortization ¹	(64)	(60)	(4)	—	—
Income from operations (or EBIT)	421	107	124	43	147
January to June 2021					
Adjusted EBITA	347	161	148	86	(48)
Restructuring	(56)	(7)	(3)	1	(47)
Acquisition-related charges	(28)	(27)	—	—	—
Incidental items	(12)	(6)	(6)	—	(1)
EBITA	251	120	138	88	(96)
Amortization ¹	(60)	(56)	(3)	—	(1)
Income from operations (or EBIT)	191	65	135	88	(97)

¹ Amortization and impairments of acquisition-related intangible assets and goodwill.

Amounts may not add up due to rounding.

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

	Reported	Restructuring	Acquisition- related charges	Incidental items ¹	Adjusted
Second quarter 2022					
Sales	1,836	—	—	—	1,836
Cost of sales	(1,173)	5	2	4	(1,162)
Gross margin	664	5	2	4	674
Selling, general and administrative expenses	(472)	2	3	3	(465)
Research and development expenses	(73)	—	—	—	(73)
Indirect costs	(545)	2	3	3	(537)
Impairment of goodwill	—	—	—	—	—
Other business income	188	—	—	(184)	4
Other business expenses	(1)	—	—	—	(1)
Income from operations	306	7	5	(177)	141
Amortization	(34)	—	—	—	(34)
Income from operations excluding amortization (EBITA)	340	7	5	(177)	174
Second quarter 2021					
Sales	1,609	—	—	—	1,609
Cost of sales	(979)	(1)	2	7	(971)
Gross margin	631	(1)	2	7	638
Selling, general and administrative expenses	(455)	10	13	8	(423)
Research and development expenses	(71)	1	—	—	(70)
Indirect costs	(526)	11	13	8	(493)
Impairment of goodwill	—	—	—	—	—
Other business income	3	—	(2)	(1)	1
Other business expenses	(2)	—	—	1	(1)
Income from operations	106	9	13	16	145
Amortization	(30)	—	—	—	(30)
Income from operations excluding amortization (EBITA)	136	9	13	16	175

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.

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

	Reported	Restructuring	Acquisition- related charges	Incidental items ¹	Adjusted
January to June 2022					
Sales	3,624	—	—	—	3,624
Cost of sales	(2,296)	8	4	19	(2,266)
Gross margin	1,328	8	4	19	1,359
Selling, general and administrative expenses	(949)	4	8	16	(921)
Research and development expenses	(144)	—	—	—	(144)
Indirect costs	(1,093)	3	8	16	(1,065)
Impairment of goodwill	—	—	—	—	—
Other business income	189	—	—	(184)	5
Other business expenses	(3)	—	—	1	(2)
Income from operations	421	11	12	(148)	297
Amortization	(64)	—	—	—	(64)
Income from operations excluding amortization (EBITA)	486	11	12	(148)	361
January to June 2021					
Sales	3,209	—	—	—	3,209
Cost of sales	(1,949)	4	4	7	(1,933)
Gross margin	1,260	4	4	7	1,275
Selling, general and administrative expenses	(938)	53	25	14	(847)
Research and development expenses	(143)	—	—	—	(142)
Indirect costs	(1,081)	52	25	14	(989)
Impairment of goodwill	—	—	—	—	—
Other business income	16	—	(2)	(11)	4
Other business expenses	(4)	—	—	2	(2)
Income from operations	191	56	28	12	288
Amortization	(60)	—	—	—	(60)
Income from operations excluding amortization (EBITA)	251	56	28	12	347

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.

Composition of cash flows in millions of EUR

	Second quarter		January to June	
	2021	2022	2021	2022
Cash flows from operating activities	134	(28)	318	(191)
Cash flows from investing activities	(7)	(153)	(28)	(166)
Cash flows before financing activities	127	(182)	290	(356)
Cash flows from operating activities	134	(28)	318	(191)
Net capital expenditures:	(30)	163	(46)	137
• Additions of intangible assets	(8)	(13)	(16)	(26)
• Capital expenditures on property, plant and equipment	(23)	(18)	(44)	(31)
• Proceeds from disposal of property, plant and equipment	1	194	14	195
Free cash flows	104	135	272	(54)

Working capital to total assets in millions of EUR

	June 30, 2021	December 31, 2021	June 30, 2022
Working capital	269	250	783
Eliminate liabilities comprised in working capital:			
• Trade and other payables	1,935	2,334	2,030
• Derivative financial liabilities	21	44	77
• Other current liabilities ¹	242	213	221
Include assets not comprised in working capital:			
• Non-current assets	4,363	4,536	4,963
• Income tax receivable	35	24	45
• Cash and cash equivalents	945	851	407
• Assets classified as held for sale	3	3	—
Total assets	7,814	8,256	8,526

¹ Other current liabilities excluding EUR 49 million of dividend-related payable as at June 30, 2021.

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 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).