



Press Release

January 27, 2023

Signify reports full-year sales of EUR 7.5 billion, operational profitability of 10.1% and a free cash flow of EUR 445 million

Full year 2022¹

- Signify's installed base of connected light points increased from 96 million at YE 21 to 114 million at YE 22
- Sales of EUR 7,514 million; nominal sales increase of 9.5% and CSG of 1.2%
- LED-based sales represented 83% of total sales (FY 21: 83%)
- Adj. EBITA margin of 10.1% (FY 21: 11.6%)
- Net income of EUR 532 million (FY 21: EUR 407 million)
- Free cash flow of EUR 445 million (FY 21: EUR 614 million)
- Net debt/EBITDA ratio of 1.3x (YE 21: 1.4x)

Fourth quarter 2022

- Sales of EUR 1,978 million; nominal sales decline of 1.5% and CSG of -8.8%
- Adj. EBITA margin of 10.2% (Q4 21: 13.2%)
- Net income of EUR 86 million (Q4 21: EUR 170 million)
- Free cash flow of EUR 364 million (Q4 21: EUR 257 million)

Dividend

- Proposal to increase its cash dividend to EUR 1.50 per share over 2022 (FY 21: EUR 1.45)

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

"2022 was a year of exceptionally challenging conditions. The external environment grew increasingly more volatile throughout the year, leading us to adapt the company and our objectives accordingly. While margins and cash were impacted by inflation and supply chain disruption respectively, our connected lighting business and growth platforms grew to reach almost EUR 2 billion of sales. The relevance of our products and solutions was further heightened in 2022, as energy efficiency became even more urgent. This strengthened our competitive position as we executed on our strategic priorities. We brought new innovative and sustainable lighting solutions to our customers and continued to make progress towards doubling our impact on environment and society," said Eric Rondolat, CEO of Signify.

"Looking ahead, we expect volatility to persist in the first half of 2023 and our performance to improve in the second half. While top-line growth will be difficult to predict, our key priority in 2023 will be to improve profitability and return to a free cash flow level in line with previous years. We will intensify our focus on managing the decline and profitability of our Conventional Products business, while further driving the transition to energy efficient, connected and sustainable lighting solutions. As we move forward, we remain committed to our strategy to invest and drive innovation in the lighting industry and so create a more sustainable and connected future for all."

¹This 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 fourth quarter, Signify completed the second year of its [Brighter Lives, Better World 2025 sustainability program](#), making continued progress towards doubling its positive impact on the environment and society:

- **Double the pace of the Paris agreement:**
The cumulative carbon reduction over the value chain is on track to reach the 2025 target. This is mainly driven by energy-efficient and connected LED lighting, which reduce emissions in the use phase.
- **Double Circular revenues to 32%:**
Circular revenues were 29% and are on track, mainly driven by serviceable and circular luminaires.
- **Double Brighter lives revenues to 32%:**
Brighter lives revenues of 27%, on track to reach the 2025 target. The consumer well-being and safety & security portfolios continue to be the main contributors to Brighter lives revenues.
- **Double the percentage of women in leadership to 34%:**
The percentage of women in leadership positions was 28%. An improvement versus the end of last year, yet slightly off track to reach the 2025 target. This quarter, Signify focused on improving inclusive hiring practices and internal talent development. These actions help Signify realize its diversity ambitions.

In the fourth quarter, Signify received several external recognitions for its leadership in Sustainability and Climate action. Signify was included on the [CDP's Climate A List](#), and was included in the [DJSI World Index](#) for the 6th consecutive year.

Outlook

Signify continues to aim for growth, both organic and through selected acquisitions. Given the volatility of the current macro environment, Signify does not provide a comparable sales growth guidance for 2023. The company will focus its efforts on improving its Adjusted EBITA margin and free cash flow. Signify expects for 2023:

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

Capital allocation

Signify proposes a cash dividend of EUR 1.50 per share for 2022, in line with its policy to pay an increasing annual cash dividend per share year on year. The dividend proposal will be subject to approval at the Annual General Meeting of Shareholders (AGM) to be held on May 16, 2023. Further details will be provided in the agenda for the AGM.

In 2022, Signify reduced its net debt/EBITDA ratio to 1.3x. Excluding the acquisitions of Fluence and Pierlite, Signify reached its goal of reducing its net debt/EBITDA ratio to 1.0x at the end of 2022, down from 2.7x after the acquisition of Cooper Lighting in March 2020. Signify remains committed to maintaining a robust capital structure and an investment grade credit rating.

Signify will continue to invest in organic and inorganic growth opportunities in line with its strategic priorities.

Financial review

Fourth quarter			in millions of EUR, except percentages	Twelve months		
2021	2022	change		2021	2022	change
		-8.8%	Comparable sales growth			1.2%
		4.7%	Effects of currency movements			6.0%
		2.6%	Consolidation and other changes			2.4%
2,008	1,978	-1.5%	Sales	6,860	7,514	9.5%
794	734	-7.6%	Adjusted gross margin	2,702	2,806	3.8%
39.5%	37.1%		Adj. gross margin (as % of sales)	39.4%	37.3%	
-485	-485		Adj. SG&A expenses	-1,748	-1,877	
-74	-75		Adj. R&D expenses	-284	-294	
-559	-560	-0.2%	Adj. indirect costs	-2,032	-2,171	-6.9%
27.8%	28.3%		Adj. indirect costs (as % of sales)	29.6%	28.9%	
265	202	-24.0%	Adjusted EBITA	795	762	-4.2%
13.2%	10.2%		Adjusted EBITA margin	11.6%	10.1%	
-29	-36		Adjusted items	-159	82	
237	166	-29.9%	EBITA	636	844	32.8%
205	137	-33.4%	Income from operations (EBIT)	514	718	39.8%
-4	-29		Net financial income/expense	-24	-41	
-31	-22		Income tax expense	-83	-145	
170	86	-49.5%	Net income	407	532	31.0%
257	364		Free cash flow	614	445	
1.34	0.67		Basic EPS (€)	3.18	4.18	
36,824	34,619		Employees (FTE)	36,824	34,619	

Full year

Nominal sales increased by 9.5% to EUR 7,514 million, including a positive currency effect of 6.0%, largely driven by the appreciation of the USD, and a positive impact of 2.4% from the consolidation of Fluence and Pierlite. Comparable sales growth was 1.2%, benefiting from traction in the professional segment, partly offset by China, which was impacted by COVID-related measures, and softness in the consumer segment.

The Adjusted gross margin declined by 210 bps to 37.3%, mainly due to an adverse currency impact as price increases largely compensated input and energy cost inflation throughout the year. Adjusted indirect costs as a percentage of sales decreased by 70 bps to 28.9%, mainly driven by indirect cost savings.

Adjusted EBITA declined by 4.2% to EUR 762 million. Digital Solutions and Digital Products further increased their combined share of Signify's Adjusted EBITA excluding 'Other' to 86% (2021: 82%). The Adjusted EBITA margin declined by 150 bps to 10.1%, mainly driven by the lower gross margin.

Total restructuring costs were EUR 64 million, acquisition-related charges were EUR 27 million and other incidental items were a net benefit of EUR 173 million. The other incidental items were mainly related to the gain on the disposal of non-strategic real estate assets. Net income increased by 31.0% to EUR 532 million, mainly driven by the gain on the disposal of non-strategic real estate assets, partly offset by a higher income tax expense, due to higher taxable income, and higher net financial expenses.

Fourth quarter

Nominal sales declined by 1.5% to EUR 1,978 million, with a comparable sales decline of 8.8%. The decline is mainly attributable to a further deterioration of the Chinese market due to COVID-related disruptions, a weaker indoor professional business, continued softness in the consumer segment and lower growth in the OEM channel than anticipated. Nominal sales included a positive currency effect of 4.7%, mainly from the

appreciation of the USD versus Q4 21, and a positive impact of 2.6% from the consolidation of Fluence and Pierlite.

The Adjusted gross margin decreased by 240 bps to 37.1%, mainly driven by an adverse currency impact. Price increases continued to offset higher input costs and the surge in energy costs. On a sequential basis, the gross margin has stabilized since Q2 22. Adjusted indirect costs as a percentage of sales increased by 50 bps to 28.3%, as indirect cost savings did not fully compensate lower sales volumes.

Adjusted EBITA decreased to EUR 202 million. The Adjusted EBITA margin decreased to 10.2%, mainly due to a negative currency impact of 150 bps and fixed cost under-absorption due to lower sales volumes. The negative currency impact was the combination of both the year-on-year weakening of the EUR versus the USD and CNY, and a continued, yet temporary, FX hedging headwind.

Total restructuring costs were EUR 47 million, acquisition-related charges were EUR 4 million and various incidental items were a net benefit of EUR 15 million. Net income decreased to EUR 86 million, as a result of lower income from operations and higher financial expenses. The higher financial expenses were mainly impacted by the Virtual Power Purchase Agreements, higher interest costs and the recognition of a monetary loss due to hyperinflation in Turkey.

The number of employees (FTE) decreased from 36,824 at the end of Q4 21 to 34,619 at the end of Q4 22. The year-on-year decrease is mostly related to factory personnel. The number of FTEs is affected by fluctuations in volume and seasonality.

Digital Solutions

Fourth quarter				Twelve months		
2021	2022	change	in millions of EUR, unless otherwise indicated	2021	2022	change
		-5.8%	Comparable sales growth			7.8%
1,045	1,105	5.8%	Sales	3,524	4,231	20.1%
147	107	-27.2%	Adjusted EBITA	397	424	6.9%
14.1%	9.7%		Adjusted EBITA margin	11.3%	10.0%	
130	98	-24.7%	EBITA	318	374	17.5%
100	70	-30.2%	Income from operations (EBIT)	205	256	25.2%

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

Full year

Nominal sales increased by 20.1% to 4,231 million, including a positive currency effect of 7.3% and a positive impact of 5.0% from the acquisitions of Fluence and Pierlite. Comparable sales growth was 7.8%, driven by growth across most markets, despite a slowdown in the fourth quarter. Connected-based sales were 22% of Digital Solutions' total sales, stable with last year. Adjusted EBITA grew by 6.9% to EUR 424 million. The Adjusted EBITA margin declined by 130 bps to 10.0%, mainly due to a negative currency impact, partly offset by operating leverage from higher sales volumes.

Fourth quarter

Nominal sales increased by 5.8% to EUR 1,105 million, including a positive currency effect of 6.2% and a positive impact of 5.3% from the acquisitions of Fluence and Pierlite. Comparable sales declined by 5.8% on the back of a high base of comparison in the fourth quarter of 2021 (Q4 21: 11.2%). The Chinese market continued to be impacted by COVID-related disruptions and the indoor professional business weakened. The Adjusted EBITA margin declined to 9.7%, due to under-absorption of fixed costs and an adverse currency impact.

Digital Products

Fourth quarter			in millions of EUR, unless otherwise indicated	Twelve months		
2021	2022	change		2021	2022	change
		-12.9%	Comparable sales growth			-3.8%
737	661	-10.3%	Sales	2,452	2,469	0.7%
114	93	-18.7%	Adjusted EBITA	339	297	-12.3%
15.5%	14.1%		Adjusted EBITA margin	13.8%	12.0%	
112	80	-28.5%	EBITA	323	272	-15.9%
110	78	-28.6%	Income from operations (EBIT)	316	265	-16.3%

Full year

Nominal sales increased by 0.7% to EUR 2,469 million, benefiting from a positive currency effect of 4.4%. Comparable sales declined by 3.8%, due to lower consumer sales and a Chinese market that was impacted by COVID-related disruptions. Connected-based sales were 24% of Digital Products' total sales, stable with 2021. The Adjusted EBITA margin declined to 12.0%, mainly due to a negative impact from currency, lower volumes and an adverse sales mix.

Fourth quarter

Nominal sales declined to EUR 661 million, a comparable sales decline of 12.9%. The decline was mainly driven by lower consumer sales and COVID-related disruptions impacting the Chinese market. In addition, the company saw lower than expected growth in the OEM channel. The Adjusted EBITA margin decreased by 140 bps to 14.1%, as indirect cost savings were more than offset by fixed cost under-absorption due to lower volumes.

Conventional Products

Fourth quarter			in millions of EUR, unless otherwise indicated	Twelve months		
2021	2022	change		2021	2022	change
		-11.4%	Comparable sales growth			-12.6%
219	203	-7.3%	Sales	861	793	-7.9%
37	26	-29.3%	Adjusted EBITA	161	116	-28.2%
16.9%	12.9%		Adjusted EBITA margin	18.7%	14.6%	
37	4	-88.4%	EBITA	158	60	-61.9%
37	4	-88.4%	Income from operations (EBIT)	158	60	-61.9%

Full year

Nominal sales decreased by 7.9% to EUR 793 million, including a positive currency effect of 4.6%. Comparable sales declined by 12.6%, as lower volumes were partly offset by price increases. The Adjusted EBITA margin decreased to 14.6%, as an adverse currency impact, lower fixed cost coverage and higher input costs were not fully offset by price increases and indirect cost savings.

Fourth quarter

Nominal sales decreased by 7.3% to EUR 203 million, benefiting from a positive currency effect of 4.2%. Comparable sales declined by 11.4%. The Adjusted EBITA margin decreased to 12.9%. Price increases compensated higher input and energy costs, yet indirect cost savings were not able to compensate one-off effects and an adverse currency impact.

Other

Full year

'Other' represents amounts not allocated to the operating segments and includes costs related both to central R&D activities to drive innovation, and to Group enabling functions. Adjusted EBITA was EUR -75 million (2021: EUR -102 million). EBITA was EUR 138 million (2021: EUR -164 million). Restructuring costs and other incidental items were a net benefit of EUR 213 million (2021: EUR -62 million), largely related to the gain from the disposal of non-strategic real estate assets in Q2.

Fourth quarter

Adjusted EBITA was EUR -25 million (Q4 21: EUR -33 million). EBITA was EUR -16 million (Q4 21: EUR -42 million). Restructuring costs and other incidental items were a net benefit of EUR 8 million (Q4 21: EUR -9 million) during the quarter.

Sales by market

Fourth quarter					Twelve months			
2021	2022	Change	CSG	<i>in millions of EUR, except percentages</i>	2021	2022	change	CSG
666	625	-6.1%	-6.5%	Europe	2,130	2,230	4.7%	3.9%
733	756	3.2%	-8.9%	Americas	2,581	2,978	15.4%	3.2%
457	438	-4.2%	-9.2%	Rest of the world	1,606	1,709	6.5%	-1.5%
152	159	4.3%	-16.3%	Global businesses	543	597	9.9%	-9.2%
2,008	1,978	-1.5%	-8.8%	Total	6,860	7,514	9.5%	1.2%

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

Full year

Across most markets, the professional segment grew despite a slowdown in the fourth quarter, while demand in the consumer segment softened. In Europe, comparable sales grew by 3.9%. All European markets grew, except Eastern Europe, which was impacted by the war in Ukraine, and the United Kingdom. In the Americas, comparable sales grew by 3.2%, with a solid contribution from Cooper Lighting. In the Rest of the world, comparable sales declined by 1.5%, mainly due to China, the Middle East and South Korea. Global businesses' comparable sales declined by 9.2%, mainly due to Klite, which was impacted by COVID-related disruptions in China.

Fourth quarter

In most markets the consumer segment remained weak, while the professional segment softened on the back of a strong comparison base last year. In Europe, comparable sales declined by 6.5%, as most markets, except Spain and Italy, declined. In the Americas, comparable sales declined by 8.9%, mainly due to the US and Canada. In the Rest of the World, comparable sales declined by 9.2%, mainly due to China, which was impacted by COVID-related disruptions, and the Middle East. Global businesses' comparable sales declined by 16.3%, mainly due to Klite.

Working capital

<i>in millions of EUR, unless otherwise indicated</i>	Dec 31, 2021	Sep 30, 2022	Dec 31, 2022
Inventories	1,410	1,696	1,361
Trade and other receivables	1,183	1,265	1,102
Trade and other payables	-2,334	-2,054	-1,859
Other working capital items	-8	-87	-41
Working capital	250	820	564
As % of LTM* sales	3.6%	10.9%	7.5%

* LTM: last twelve months

Fourth quarter

Working capital decreased from EUR 820 million at the end of September 2022 to EUR 564 million at the end of December 2022. The lower working capital is the net result of a strong reduction of inventories, a notable reduction of receivables and a favorable impact from currency, only partly offset by lower payables and other working capital items. As a percentage of last twelve-month sales, working capital decreased by 340 bps to 7.5%. Including last twelve-month sales pro forma for Fluence and Pierlite, working capital declined by 330 bps to 7.4%.

Compared with December 2021, working capital increased by EUR 314 million. This increase was mostly driven by lower payables, as payments for the 2021 inventory build-up were settled. Lower payables were partly offset by lower receivables and lower inventories. As a percentage of last twelve-month sales, working capital increased by 390 bps to 7.5%. Including last twelve-month sales pro forma for Fluence and Pierlite, working capital increased by 380 bps to 7.4%.

Cash flow analysis

Fourth quarter		in millions of EUR	Twelve months	
2021	2022		2021	2022
205	137	Income from operations (EBIT)	514	718
77	86	Depreciation and amortization	312	318
30	41	Additions to (releases of) provisions	151	120
-65	-56	Utilizations of provisions	-221	-199
37	247	Change in working capital	-2	-248
1	-5	Net interest and financing costs received (paid)	-27	-39
-14	-36	Income taxes paid	-59	-99
-29	-36	Net capex	-91	69
16	-14	Other	36	-197
257	364	Free cash flow	614	445

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.

Full year

Free cash flow was EUR 445 million, mainly impacted by higher working capital, partly offset by cash proceeds from the disposal of non-strategic real estate assets. Free cash flow included a restructuring payout of EUR 54 million (2021: EUR 86 million).

In millions of EUR	Twelve months	
	2021	2022
Digital Solutions	364	321
Digital Products	383	170
Conventional Products	136	56
Other*	-270	-101
Signify free cash flow	614	445

** Non-allocated free cash flow items (e.g. tax, interest).*

In 2022, Digital Solutions and Digital Products continued to increase their combined share of Signify's free cash flow excluding 'Other' to 90% (2021: 85%). As a result, Signify continues to become less reliant on Conventional Products' free cash flow generation. 'Other' free cash flow includes the Q2 22 proceeds from the disposal of non-strategic real estate assets.

Fourth quarter

Free cash flow increased to EUR 364 million, mainly driven by a strong improvement of working capital which more than compensated a lower income from operations. Free cash flow included a restructuring payout of EUR 11 million (Q4 21: EUR 26 million).

Net debt and total equity

<i>in millions of EUR</i>	Dec 31, 2021	Sep 30, 2022	Dec 31, 2022
Short-term debt	77	176	83
Long-term debt	1,931	1,978	1,950
Gross debt	2,007	2,154	2,033
Cash and cash equivalents	851	469	677
Net debt	1,156	1,685	1,356
Total equity	2,597	3,302	3,065

Fourth quarter

Compared with the end of September 2022, the cash position increased by EUR 208 million to EUR 677 million, mainly driven by the positive free cash flow. Gross debt decreased by EUR 121 million to EUR 2,033 million, mostly due to the repayment of short-term debt. As a result of the lower gross debt and higher cash position, net debt decreased by EUR 329 million to EUR 1,356 million. Total equity decreased to EUR 3,065 million at the end of December 2022 (Q3 22: EUR 3,302 million), primarily due to currency translation, partly offset by net income.

Compared with the end of December 2021, the cash position decreased by EUR 174 million. This decrease was mainly driven by the acquisitions of Fluence and Pierlite, and the dividend payment, partly offset by free cash flow, which included cash proceeds from the disposal of non-strategic real estate assets. Gross debt remained relatively stable year on year. As a result, the net debt increased by EUR 200 million year on year. At the end of December 2022, the net debt/EBITDA ratio was 1.3x (Q4 21: 1.4x). Excluding the acquisitions of Fluence and Pierlite, Signify reached its goal of reducing its net debt/EBITDA ratio to 1.0x at the end of 2022, from 2.7x after the acquisition of Cooper Lighting in March 2020.

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 fourth quarter and full-year 2022 results. A live audio webcast of the conference call will be available via the [Investor Relations website](#).

Financial calendar

February 28, 2023	Annual Report 2022
May 3, 2023	First quarter results 2023
May 16, 2023	Annual General Meeting
May 18, 2023	Ex-dividend date
May 19, 2023	Dividend record date
June 5, 2023	Dividend payment date
July 28, 2023	Second quarter and half-year results 2023
October 27, 2023	Third quarter results 2023

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. In 2022, we had sales of EUR 7.5 billion, approximately 35,000 employees and a presence in over 70 countries. We unlock the extraordinary potential of light for brighter lives and a better world. We [achieved](#) carbon neutrality in 2020, have [been](#) in the [Dow Jones Sustainability World Index](#) since our IPO for six consecutive years and were named [Industry Leader](#) in [2017](#), [2018](#) and [2019](#). News from Signify is located at the [Newsroom](#), [Twitter](#), [LinkedIn](#) and [Instagram](#). Information for investors can be found on the [Investor Relations](#) page.

Important information

Forward-Looking Statements and Risks & Uncertainties

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

By their nature, these statements involve risks and uncertainties facing the Company and its Group companies, and a number of important factors could cause actual results or outcomes to differ materially from those expressed in any forward-looking statement as a result of risks and uncertainties. Such risks, uncertainties and other important factors include but are not limited to: adverse economic and political developments, in particular the impacts of the Russia-Ukraine conflict, the energy crisis in Europe, the impacts of COVID-19, supply chain constraints, component shortages, cost inflation, rapid technological change, competition in the general lighting market, development of lighting systems and services, successful implementation of business transformation programs, impact of acquisitions and other transactions, reputational and adverse effects on business due to activities in Environment, Health & Safety, compliance risks, ability to attract and retain talented personnel, adverse currency effects, pension liabilities, and exposure to international tax laws.

Additional risks currently not known to the Group or that the Group has not considered material as of the date of this document could also prove to be important and may have a material adverse effect on the business, results of operations, financial condition and prospects of the Group or could cause the forward-looking events discussed in this document not to occur. The Group undertakes no duty to and will not necessarily update any of the forward-looking statements in light of new information or future events, except to the extent required by applicable law.

Market and Industry Information

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

Non-IFRS Financial Measures

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

	Fourth quarter		January to December	
	2021	2022	2021	2022
Sales	2,008	1,978	6,860	7,514
Cost of sales	(1,215)	(1,271)	(4,189)	(4,781)
Gross margin	793	707	2,671	2,732
Selling, general and administrative expenses	(510)	(501)	(1,882)	(1,927)
Research and development expenses	(75)	(76)	(286)	(295)
Impairment of goodwill	–	–	–	–
Other business income	–	12	19	227
Other business expenses	(3)	(5)	(8)	(19)
Income from operations	205	137	514	718
Financial income	10	6	33	47
Financial expenses	(14)	(34)	(57)	(88)
Results relating to investments in associates	–	–	–	–
Income before taxes	202	108	490	678
Income tax expense	(31)	(22)	(83)	(145)
Net income	170	86	407	532
Attribution of net income for the period:				
Net income (loss) attributable to shareholders of Signify N.V.	167	84	397	523
Net income (loss) attributable to non-controlling interests	3	2	9	9
Earnings per ordinary share attributable to shareholders				
Weighted average number of ordinary shares outstanding used for calculation (in thousands):				
Basic	124,896	125,233	124,967	125,004
Diluted	128,554	127,221	128,646	127,597
Net income attributable to shareholders per ordinary share in EUR:				
Basic	1.34	0.67	3.18	4.18
Diluted	1.30	0.66	3.09	4.10

Amounts may not add up due to rounding.

B. Condensed consolidated statement of comprehensive income

In millions of EUR

	Fourth quarter		January to December	
	2021	2022	2021	2022
Net income (loss)	170	86	407	532
Pensions and other post-employment plans:				
Remeasurements	20	21	20	15
Income tax effect on remeasurements	(4)	(5)	(4)	(5)
Total of items that will not be reclassified to profit or loss	16	16	16	11
Currency translation differences:				
Net current period change, before tax	114	(381)	291	159
Income tax effect	–	–	–	–
Net investment hedge				
Net current period change, before tax	(6)	–	(22)	(10)
Income tax effect	–	–	–	–
Cash flow hedges:				
Net current period change, before tax	(4)	42	(26)	(24)
Income tax effect	1	(10)	6	6
Total of items that are or may be reclassified to profit or loss	106	(349)	249	132
Other comprehensive income (loss)	121	(333)	265	143
Total comprehensive income (loss)	292	(247)	671	675
Total comprehensive income (loss) attributable to:				
Shareholders of Signify N.V.	284	(238)	650	663
Non-controlling interests	8	(10)	22	12

Amounts may not add up due to rounding.

C. Condensed consolidated statement of financial position

In millions of EUR

	2021	2022
Non-current assets		
Property, plant and equipment	724	699
Goodwill	2,464	2,861
Intangible assets, other than goodwill	730	700
Investments in associates	12	12
Financial assets	58	165
Deferred tax assets	481	418
Other assets	67	40
Total non-current assets	4,536	4,895
Current assets		
Inventories	1,410	1,361
Other assets	192	161
Derivative financial assets	58	34
Income tax receivable	24	56
Trade and other receivables	1,183	1,102
Cash and cash equivalents	851	677
Assets classified as held for sale	3	1
Total current assets	3,720	3,391
Total assets	8,256	8,286
Equity		
Shareholders' equity	2,459	2,920
Non-controlling interests	138	145
Total equity	2,597	3,065
Non-current liabilities		
Debt	1,931	1,950
Post-employment benefits	363	327
Provisions	215	283
Deferred tax liabilities	27	25
Income tax payable	118	111
Other liabilities	182	160
Total non-current liabilities	2,835	2,855
Current liabilities		
Debt, including bank overdrafts	77	83
Derivative financial liabilities	44	42
Income tax payable	16	21
Trade and other payables	2,334	1,859
Provisions	140	168
Other liabilities	213	194
Liabilities from assets classified as held for sale	–	–
Total current liabilities	2,824	2,367
Total liabilities and total equity	8,256	8,286

Amounts may not add up due to rounding.

D. Condensed consolidated statement of cash flows

In millions of EUR

	Fourth quarter		January to December	
	2021	2022	2021	2022
Cash flows from operating activities				
Net income (loss)	170	86	407	532
Adjustments to reconcile net income (loss) to net cash provided by operating activities:	148	175	580	451
• Depreciation, amortization and impairment of non-financial assets	77	86	312	318
• Impairment (reversal) of goodwill, other non-current financial assets and investments in associates	–	–	–	–
• Net gain on sale of assets	–	(2)	(13)	(182)
• Net interest expense on debt, borrowings and other liabilities	6	12	26	41
• Income tax expense	31	22	83	145
• Additions to (releases of) provisions	25	43	133	110
• Additions to (releases of) post-employment benefits	5	(2)	18	10
• Other items	4	15	21	9
Decrease (increase) in working capital:	37	247	(2)	(248)
• Decrease (increase) in trade and other receivables	(99)	101	1	130
• Decrease (increase) in inventories	(79)	224	(458)	126
• Increase (decrease) in trade and other payables	209	(90)	479	(555)
• Increase (decrease) in other current assets and liabilities	6	11	(24)	52
Increase (decrease) in other non-current assets and liabilities	9	(11)	26	(24)
Utilizations of provisions	(57)	(41)	(187)	(157)
Utilizations of post-employment benefits	(9)	(15)	(34)	(41)
Net interest and financing costs received (paid)	1	(5)	(27)	(39)
Income taxes paid	(14)	(36)	(59)	(99)
Net cash provided by (used for) operating activities	286	400	704	376
Cash flows from investing activities				
Net capital expenditures:	(29)	(36)	(91)	69
• Additions of intangible assets	(12)	(21)	(34)	(62)
• Capital expenditures on property, plant and equipment	(22)	(19)	(84)	(70)
• Proceeds from disposal of property, plant and equipment	5	4	27	201
Net proceeds from (cash used for) derivatives and other financial assets	8	(7)	29	(29)
Purchases of businesses, net of cash acquired	(6)	–	(30)	(297)
Proceeds from sale of businesses, net of cash disposed of	–	–	–	–
Net cash provided by (used for) investing activities	(28)	(43)	(91)	(256)
Cash flows from financing activities				
Dividend paid	(2)	–	(354)	(188)
Proceeds from issuance of debt	283	1	633	217
Repayment of debt	(654)	(104)	(1,064)	(276)
Purchase of treasury shares	–	–	(92)	(48)
Net cash provided by (used for) financing activities	(372)	(103)	(876)	(295)
Net cash flows	(114)	254	(263)	(175)
Effect of changes in exchange rates on cash and cash equivalents and bank overdrafts	35	(46)	80	3
Cash and cash equivalents and bank overdrafts at the beginning of the period ¹	926	467	1,030	847
Cash and cash equivalents and bank overdrafts at the end of the period ²	847	676	847	676

¹ For Q4 2022 and Q4 2021, included bank overdrafts of EUR 2 million and EUR 1 million, respectively. For January to December of 2022 and 2021, included bank overdrafts of EUR 4 million and EUR 3 million, respectively.

² Included bank overdrafts of EUR 1 million and EUR 4 million as at December 31, 2022 and 2021, respectively.

Amounts may not add up due to rounding.

Appendix B - Reconciliation of non-IFRS financial measures

Sales growth composition per business in %

	Fourth quarter			
	Comparable growth	Currency effects	Consolidation and other changes	Nominal growth
2022 vs 2021				
Digital Solutions	(5.8)	6.2	5.3	5.8
Digital Products	(12.9)	2.6	—	(10.3)
Conventional Products	(11.4)	4.2	—	(7.3)
Total	(8.8)	4.7	2.6	(1.5)

	January to December			
	Comparable growth	Currency effects	Consolidation and other changes	Nominal growth
2022 vs 2021				
Digital Solutions	7.8	7.3	5.0	20.1
Digital Products	(3.8)	4.4	—	0.7
Conventional Products	(12.6)	4.6	—	(7.9)
Total	1.2	6.0	2.4	9.5

Sales growth composition per market in %

	Fourth quarter			
	Comparable growth	Currency effects	Consolidation and other changes	Nominal growth
2022 vs 2021				
Europe	(6.5)	—	0.4	(6.1)
Americas	(8.9)	12.2	(0.1)	3.2
Rest of the world	(9.2)	0.6	4.4	(4.2)
Global businesses	(16.3)	2.7	18.0	4.3
Total	(8.8)	4.7	2.6	(1.5)

	January to December			
	Comparable growth	Currency effects	Consolidation and other changes	Nominal growth
2022 vs 2021				
Europe	3.9	0.4	0.4	4.7
Americas	3.2	12.2	—	15.4
Rest of the world	(1.5)	4.1	3.9	6.5
Global businesses	(9.2)	4.5	14.6	9.9
Total	1.2	6.0	2.4	9.5

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
Fourth quarter 2022					
Adjusted EBITA	202	107	93	26	(25)
Restructuring	(47)	(10)	(10)	(25)	(2)
Acquisition-related charges	(4)	(4)	–	–	–
Incidental items	15	5	(3)	4	10
EBITA	166	98	80	4	(16)
Amortization ¹	(29)	(28)	(2)	–	–
Income from operations (or EBIT)	137	70	78	4	(16)

Fourth quarter 2021

Adjusted EBITA	265	147	114	37	(33)
Restructuring	(11)	(3)	–	(2)	(5)
Acquisition-related charges	(13)	(13)	–	–	–
Incidental items	(5)	(2)	(2)	2	(4)
EBITA	237	130	112	37	(42)
Amortization ¹	(32)	(29)	(2)	–	–
Income from operations (or EBIT)	205	100	110	37	(43)

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

	Signify	Digital Solutions	Digital Products	Conventional Products	Other
January to December 2022					
Adjusted EBITA	762	424	297	116	(75)
Restructuring	(64)	(15)	(11)	(34)	(4)
Acquisition-related charges	(27)	(27)	–	–	–
Incidental items	173	(8)	(14)	(22)	217
EBITA	844	374	272	60	138
Amortization ¹	(126)	(118)	(7)	–	(1)
Income from operations (or EBIT)	718	256	265	60	137

January to December 2021

Adjusted EBITA	795	397	339	161	(102)
Restructuring	(86)	(19)	(4)	(5)	(58)
Acquisition-related charges	(50)	(49)	(1)	–	–
Incidental items	(22)	(11)	(10)	2	(4)
EBITA	636	318	323	158	(164)
Amortization ¹	(122)	(114)	(7)	–	(1)
Income from operations (or EBIT)	514	205	316	158	(165)

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

Amounts may not add up due to rounding.

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

	Reported	Restructuring ²	Acquisition-related charges	Incidental items ¹	Adjusted
Fourth quarter 2022					
Sales	1,978	–	–	–	1,978
Cost of sales	(1,271)	29	(2)	–	(1,244)
Gross margin	707	29	(2)	–	734
Selling, general and administrative expenses	(501)	17	4	(5)	(485)
Research and development expenses	(76)	1	–	–	(75)
Indirect costs	(577)	18	4	(5)	(560)
Impairment of goodwill	–	–	–	–	–
Other business income	12	–	–	(10)	2
Other business expenses	(5)	–	2	–	(3)
Income from operations	137	47	4	(15)	172
Amortization	(29)	–	–	–	(29)
Income from operations excluding amortization (EBITA)	166	47	4	(15)	202

Fourth quarter 2021

Sales	2,008	–	–	–	2,008
Cost of sales	(1,215)	2	2	(3)	(1,214)
Gross margin	793	2	2	(3)	794
Selling, general and administrative expenses	(510)	7	10	7	(485)
Research and development expenses	(75)	1	–	–	(74)
Indirect costs	(585)	9	10	7	(559)
Impairment of goodwill	–	–	–	–	–
Other business income	–	–	–	–	–
Other business expenses	(3)	–	–	2	(1)
Income from operations	205	11	13	5	234
Amortization	(32)	–	–	–	(32)
Income from operations excluding amortization (EBITA)	237	11	13	5	265

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.

² Restructuring costs were EUR 47 million for Q4 2022. These mainly consisted of EUR 20 million of employee termination benefits, EUR 10 million of impairment of property, plant and equipment, and EUR 14 million of inventory write-downs related to restructuring programs.

Amounts may not add up due to rounding.

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

	Reported	Restructuring ²	Acquisition-related charges	Incidental items ¹	Adjusted
January to December 2022					
Sales	7,514	–	–	–	7,514
Cost of sales	(4,781)	43	6	25	(4,708)
Gross margin	2,732	43	6	25	2,806
Selling, general and administrative expenses	(1,927)	21	18	11	(1,877)
Research and development expenses	(295)	–	–	–	(294)
Indirect costs	(2,222)	21	19	11	(2,171)
Impairment of goodwill	–	–	–	–	–
Other business income	227	–	(1)	(218)	8
Other business expenses	(19)	–	3	10	(6)
Income from operations	718	64	27	(173)	636
Amortization	(126)	–	–	–	(126)
Income from operations excluding amortization (EBITA)	844	64	27	(173)	762

January to December 2021

Sales	6,860	–	–	–	6,860
Cost of sales	(4,189)	19	8	4	(4,157)
Gross margin	2,671	19	8	4	2,702
Selling, general and administrative expenses	(1,882)	66	43	25	(1,748)
Research and development expenses	(286)	1	–	–	(284)
Indirect costs	(2,168)	67	44	25	(2,032)
Impairment of goodwill	–	–	–	–	–
Other business income	19	–	(2)	(11)	7
Other business expenses	(8)	–	–	4	(5)
Income from operations	514	86	50	22	673
Amortization	(122)	–	–	–	(122)
Income from operations excluding amortization (EBITA)	636	86	50	22	795

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.

² Restructuring costs were EUR 64 million for the year ended December 31, 2022. These mainly consisted of EUR 27 million of employee termination benefits, EUR 12 million of impairment of property, plant and equipment, and EUR 16 million of inventory write-downs related to restructuring programs.

Amounts may not add up due to rounding.

Appendix C – Financial glossary

Acquisition-related charges

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

Adjusted EBITA

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

Adjusted EBITA margin

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

Adjusted gross margin

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

Adjusted indirect costs

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

Adjusted R&D expenses

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

Adjusted SG&A expenses

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

Brighter lives revenues

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

Changes in scope

Consolidation effects related to acquisitions.

Circular revenues

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

Comparable sales growth (CSG)

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

EBIT

Income from operations.

EBITA

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

EBITDA

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

Effects of changes in consolidation and other changes

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

Effects of currency movements

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

Employees

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

Free cash flow

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

Gross margin

Sales minus cost of sales.

Incidental charges

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

Indirect costs

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

Net capital expenditures

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

Net debt

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

Net leverage ratio

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

R&D expenses

Research and development expenses.

Restructuring costs

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

SG&A expenses

Selling, general and administrative expenses.

Working capital

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