Press Release

April 26, 2024

Signify reports first quarter sales of EUR 1.5 billion, operational profitability of 8.3% and a free cash flow of EUR 80 million

First quarter 2024[1]

- Signify's installed base of connected light points increased from 124 million in Q4 23 to 126 million in Q1 24
- Achieved reasonable assurance on full Brighter Lives, Better World 2025 program, including scope 3 emissions
- Sales of EUR 1,468 million; nominal sales decline of -12.5% and CSG of -10.1%
- LED-based sales represented 87% of total sales (Q1 23: 82%)
- Adj. EBITA margin of 8.3% (Q1 23: 8.9%)
- Net income of EUR 44 million (Q1 23: EUR 28 million)
- Free cash flow of EUR 80 million (Q1 23: EUR 51 million)

Eindhoven, the Netherlands – Signify (Euronext: LIGHT), the world leader in lighting, today announced the company’s first quarter 2024 results.

“In the first quarter, we saw improving dynamics in our US Professional, OEM and Consumer businesses, while the market in China remained soft and the European Professional business was substantially below our expectation. Our operating margin was resilient, thanks to gross margin expansion as price dynamics normalize, compensated by bill of material improvements. We also began to see the positive impact of our cost reduction program and strong free cash flow generation, as we continued to improve our working capital,” said Eric Rondolat, CEO of Signify.

“On April 1, we successfully implemented our new organizational structure. The new model brings enhanced focus and accountability to our business from an end-customer perspective, and has earned strong support internally and externally. As the year progresses, we anticipate a sequential comparable sales growth improvement, driven by momentum in the Americas and our OEM and Consumer businesses. The continued effort to manage the gross margin, combined with the implementation of our cost reduction program, will deliver a positive effect on our operating margin in the quarters ahead, in line with our guidance for the full year.”

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

Brighter Lives, Better World 2025

The first quarter of 2024 marks the start of Signify's fourth year 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
Signify is ahead of schedule to achieve its 2025 target to reduce emissions across the full value chain by 40% against its 2019 baseline - double the pace required by the Paris Agreement 1.5 degree scenario. In addition, the company has received approval from the Science Based Targets initiative (SBTi) for its ambitious 2040 Net Zero target with a 90% absolute reduction of scope 1, 2 and 3 emissions.

Double Circular revenues
Circular revenues increased to 34%, surpassing the 2025 target of 32%. The main contribution was from serviceable luminaires, with a strong performance from both consumer and professional.

Double Brighter lives revenues
Brighter lives revenues remained at 31%, on track to reach the 2025 target of 32%. This includes a strong contribution from consumer products that support health and well-being, mainly EyeComfort.

Double the percentage of women in leadership
The percentage of women in leadership positions decreased to 28%, a 1% decrease versus last quarter, and slightly behind target. Signify continues its actions to increase women representation through focused hiring practices for diversity across all levels, and through retention and engagement actions to reduce attrition.

In the first quarter, Signify received several external recognitions for its leadership in Sustainability. Signify was placed on CDP's 2023 Climate A-List for the seventh consecutive year. It was also recognized on CDP's 2023 Supplier Engagement Leaderboard for its commitment to engagement in its supply chain to decrease carbon emissions. Lastly, Signify is recognized on the Clean200, a list of companies putting sustainable investments at the heart of their strategy.

In addition, Signify released Environmental Product Declarations that advance transparency and sustainable innovation, covering the vast majority of its LED portfolio. Signify has committed to sharing the environmental impact of its full range of LED products. Being transparent about our products' environmental impact gives customers the information they need to make informed decisions.

Outlook

For 2024, Signify continues to expect:

- An Adjusted EBITA margin improvement of up to 50 bps, including first benefits from the announced restructuring program
- Free cash flow generation of 6-7% of sales, including an incremental and non-recurring negative impact of around EUR 150 million related to the restructuring program and a reduction of US pension liabilities.

Financial review

in millions of EUR, except percentages	First quarter 2023	2024	change
Comparable sales growth			**-10.1%**
Effects of currency movements			*-2.6%*
Consolidation and other changes			*0.2%*
Sales	**1,678**	**1,468**	-12.5%
Adjusted gross margin	659	605	-8.2%
Adj. gross margin (as % of sales)	**39.3%**	**41.2%**	
Adj. SG&A expenses	-461	-431	
Adj. R&D expenses	-74	-70	
Adj. indirect costs	-535	-501	-6.4 %
Adj. indirect costs (as % of sales)	**31.9%**	**34.1%**	
Adjusted EBITA	149	122	-18.3%
Adjusted EBITA margin	**8.9%**	**8.3%**	
Adjusted items	-67	-40	
EBITA	83	82	-1.3%
Income from operations (EBIT)	**61**	**64**	**5.9%**
Net financial income/expense	-30	-16	
Income tax expense	-3	-4	
Net income	**28**	**44**	**56.3%**
Free cash flow	51	80	
Basic EPS (€)	0.20	0.35	
Employees (FTE)	34,408	31,339	

First quarter

Nominal sales decreased by 12.5% to EUR 1,468 million, including a negative currency effect of 2.6%. Comparable sales declined by 10.1%, driven by the expected sharp decline in conventional lighting and lower professional sales in Europe, while OEM and consumer sales showed sequential improvements.

The Adjusted gross margin increased by 190 bps to 41.2%, mainly driven by effective COGS management and a positive sales mix effect. Adjusted indirect costs as a percentage of sales increased by 220 bps to 34.1% due to lower sales volumes.

Adjusted EBITA decreased to EUR 122 million. The Adjusted EBITA margin decreased by 60 bps to 8.3%, as gross margin expansion was offset by the under-absorption of fixed costs.

Restructuring costs were EUR 22 million, acquisition-related charges were EUR 3 million and incidental items were EUR 15 million, mainly related to a one-day FX loss from the devaluation of the Egyptian Pound by the Egyptian government.

Net income increased to EUR 44 million, mainly due to lower financial expenses and higher income from operations.

The number of employees (FTE) decreased from 34,408 at the end of Q1 23 to 31,339 at the end of Q1 24. The year-on-year decrease is mostly related to a reduction of factory personnel due to lower production volumes. In general, the number of FTEs is affected by fluctuations in volume and seasonality.

New organizational structure

As announced on December 1st, 2023, Signify has adapted its organization structure along four verticalized businesses with integrated P&Ls: Professional, Consumer, OEM and Conventional.[1]

The new organizational structure became effective on April 1st 2024 following completion of proceedings with Signify's social partners. As the proceedings were still ongoing during Q1 2024, Signify will only report sales and comparable sales growth by business for the quarter. As of Q2 2024, Signify will report sales and adjusted EBITA by business.

Signify will publish 2023 and Q1 2024 comparable financials for sales and profit by business by the end of June 2024.

Professional

	First quarter		
in millions of EUR, unless otherwise indicated	2023	2024	change
Comparable sales growth	-6.3%	-7.6%	
Sales	1,046	943	-9.8%

Includes Intelligent Lighting Controls since March 1, 2023.

First quarter
Nominal sales decreased by 9.8% to EUR 943 million, including a negative currency effect of 2.5%. Comparable sales declined by 7.6%, mainly due to weak professional sales in Europe offsetting moderate growth in India and emerging markets.

Consumer

	First quarter		
in millions of EUR, unless otherwise indicated	2023	2024	change
Comparable sales growth	-15.0%	-5.7%	
Sales	328	299	-8.8%

First quarter
Nominal sales decreased by 8.8% to EUR 299 million, including a negative currency effect of 3.1%. Comparable sales declined by 5.7%, mainly due to lower LED lamps and luminaires sales, while sales of Hue and Klite continued to stabilize.

OEM

	First quarter		
in millions of EUR, unless otherwise indicated	2023	2024	change
Comparable sales growth	-16.7%	-7.4%	
Sales	114	103	-10.4%

First quarter
Nominal sales decreased by 10.4% to EUR 103 million, including a negative currency effect of 3.0%. Comparable sales declined by 7.4%, reflecting a decreasing destocking effect within the distributor network. Overall, Signify estimates that inventory levels of its OEM distributors have returned to normal levels in the majority of its business by the end of Q1, particularly across Europe and the Americas.

[1]Please see the 'Important information' section for more detail on the four newly created businesses.

Conventional

in millions of EUR, unless otherwise indicated	First quarter 2023	2024	change
Comparable sales growth	-8.5%	-34.1%	
Sales	186	119	-35.7%

First quarter

Nominal sales decreased by 35.7% to EUR 119 million, including a negative currency effect of 1.6%. Comparable sales declined by 34.1%, reflecting the impact of the fluorescent bans in Europe, which became effective in February and August 2023, while the comparison base in Q1 23 benefited from a pre-buying effect prior to the bans.

Working capital

in millions of EUR, unless otherwise indicated	Mar 31, 2023	Dec 31, 2023	Mar 31, 2024
Inventories	1,337	1,050	1,064
Trade and other receivables [1]	1,032	1,012	937
Trade and other payables	-1,710	-1,539	-1,486
Other working capital items	-42	-62	-42
Working capital	**617**	**461**	**473**
As % of LTM* sales	8.3%	6.9%	7.3%

[1] Q1 2024: Trade and other receivables excluding USD 48 million of insurance receivables for which a legal provision is recognized for the same amount.
* LTM: Last Twelve Months

First quarter

In line with the normal seasonality, working capital increased from EUR 461 million at the end of December 2023 to EUR 473 million at the end of March 2024. The slightly higher working capital is driven by a reduction in payables, other working capital items and slightly higher inventories, only partly offset by lower receivables. As a percentage of last twelve-month sales, working capital increased by 40 bps to 7.3%.

Compared with March 2023, working capital decreased by EUR 144 million. This decrease is mainly driven by lower inventories, which benefited from shorter lead times, and lower receivables, partly offset by lower payables. As a percentage of last twelve-month sales, working capital decreased by 100 bps.

Cash flow analysis

in millions of EUR	First quarter 2023	2024
Income from operations (EBIT)	61	64
Depreciation and amortization	71	68
Additions to (releases of) provisions	77	39
Utilizations of provisions	-52	-66
Changes in working capital	-53	1
Net interest and financing costs received (paid)	-4	-3
Income taxes paid	-23	-18
Net capex	-30	-22
Other	4	17
Free cash flow	**51**	**80**

First quarter

Free cash flow increased to EUR 80 million, mainly due to a stabilization of working capital following last year's improvements. Free cash flow included a restructuring payout of EUR 34 million (Q1 23: EUR 21 million).

Net debt and total equity

in millions of EUR	Mar 31, 2023	Dec 31, 2023	Mar 31, 2024
Short-term debt	83	1,038	1,247
Long-term debt	1,942	1,192	1,158
Gross debt	2,025	2,230	2,406
Cash and cash equivalents	694	1,158	1,403
Net debt	**1,331**	**1,071**	**1,003**
Total equity	**3,053**	**2,947**	**3,090**

First quarter

Compared with the end of December 2023, both the cash and gross debt positions increased. The cash position increased by EUR 245 million to EUR 1,403 million, while gross debt increased by EUR 176 million to EUR 2,406 million. As a result, net debt decreased by EUR 68 million to EUR 1,003 million. Total equity increased to EUR 3,090 million (Q4 23: EUR 2,947 million), primarily due to currency translation results and net income.

Compared with the end of March 2023, the cash position increased by EUR 709 million, while the gross debt position increased by 381 million. As a result, the net debt decreased by EUR 328 million year on year. At the end of March 2024, the net debt/EBITDA ratio was 1.6x (Q1 23: 1.4x).

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 Željko Kosanović (CFO) will host a conference call for analysts and institutional investors at 9:00 a.m. CET to discuss the first quarter 2024 results. A live audio webcast of the conference call will be available via the Investor Relations website.

Financial calendar

May 14, 2024	Annual General Meeting
May 16, 2024	Ex-dividend date
May 17, 2024	Dividend record date
June 3, 2024	Dividend payment date
July 26, 2024	Second quarter and half-year results 2024
October 25, 2024	Third quarter results 2024

For further information, please contact:
Signify Investor Relations
Thelke Gerdes
Tel: +31 6 1801 7131
E-mail: thelke.gerdes@signify.com

Signify Corporate Communications
Tom Lodge
Tel: +31 6 5252 5416
E-mail: tom.lodge@signify.com

About Signify
Signify (Euronext: LIGHT) is the world leader in lighting for professionals, consumers and the Internet of Things. Our Philips products, Interact systems and data-enabled services, deliver business value and transform life in homes, buildings and public spaces. In 2023, we had sales of EUR 6.7 billion, approximately 32,000 employees and a presence in over 70 countries. We unlock the extraordinary potential of light for brighter lives and a better world. We have been in the Dow Jones Sustainability World Index since our IPO for seven consecutive years and have achieved the EcoVadis Platinum rating for four consecutive years, placing Signify in the top one percent of companies assessed. News from Signify can be found in the Newsroom, on X, LinkedIn and Instagram. Information for investors is located 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 conflict in the Middle East, the energy crisis in Europe, the expected recovery trajectory of China post COVID, 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 19 Reconciliation of non-IFRS measures” in the Annual Report 2023.

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 2023.

Change in reportable segments
Effective Q1 2024, Signify reports against four businesses with vertically integrated P&Ls, adapted from the previous three divisions as follows:

- The **Professional** business will offer LED lamps, luminaires, connected lighting systems and services to customers in the professional segment.
- The **Consumer** business will offer LED lamps, luminaires, and connected products, including Philips Hue and WiZ, to customers in the consumer segment.
- The **OEM** business will offer lighting components to the industry.
- The **Conventional** business will offer special lighting, digital projection, and lamp electronics.

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

Appendix A – Financial statement information

A. Condensed consolidated statement of income

In millions of EUR unless otherwise stated

	First quarter	
	2023	**2024**
Sales	1,678	1,468
Cost of sales	(1,073)	(886)
Gross margin	**605**	**582**
Selling, general and administrative expenses	(472)	(447)
Research and development expenses	(76)	(71)
Other business income	6	—
Other business expenses	(3)	—
Income from operations	**61**	**64**
Financial income	6	15
Financial expenses	(35)	(31)
Results relating to investments in associates	—	—
Income before taxes	**31**	**48**
Income tax expense	(3)	(4)
Net income	**28**	**44**
Attribution of net income for the period:		
Net income (loss) attributable to shareholders of Signify N.V.	25	44
Net income (loss) attributable to non-controlling interests	3	(1)

Amounts may not add up due to rounding.

B. Condensed consolidated statement of comprehensive income

in millions of EUR

	First quarter	
	2023	**2024**
Net income (loss)	**28**	**44**
Pensions and other post-employment plans:		
Remeasurements	—	4
Income tax effect on remeasurements	—	(1)
Total of items that will not be reclassified to profit or loss	**—**	**3**
Currency translation differences:		
Net current period change, before tax	(59)	83
Income tax effect	—	—
Net investment hedge		
Net current period change, before tax	—	—
Income tax effect	—	—
Cash flow hedges:		
Net current period change, before tax	18	2
Income tax effect	(4)	(1)
Total of items that are or may be reclassified to profit or loss	**(46)**	**85**
Other comprehensive income (loss)	**(46)**	**88**
Total comprehensive income (loss)	**(18)**	**131**
Total comprehensive income (loss) attributable to:		
Shareholders of Signify N.V.	(19)	130
Non-controlling interests	1	1

Amounts may not add up due to rounding.

C. Condensed consolidated statement of financial position

In millions of EUR

	December 31, 2023	March 31, 2024
Non-current assets		
Property, plant and equipment	633	618
Goodwill	2,755	2,813
Intangible assets, other than goodwill	641	636
Investments in associates	12	12
Financial assets	91	44
Deferred tax assets	402	393
Other assets	32	23
Total non-current assets	**4,566**	**4,540**
Current assets		
Inventories	1,050	1,064
Financial assets	2	1
Other assets	147	161
Derivative financial assets	14	9
Income tax receivable	54	61
Trade and other receivables	1,012	982
Cash and cash equivalents	1,158	1,403
Assets classified as held for sale	—	—
Total current assets	**3,438**	**3,682**
Total assets	**8,004**	**8,221**
Equity		
Shareholders' equity	2,817	2,959
Non-controlling interests	129	131
Total equity	**2,947**	**3,090**
Non-current liabilities		
Debt	1,192	1,158
Post-employment benefits	322	311
Provisions	263	204
Deferred tax liabilities	20	19
Income tax payable	79	66
Other liabilities	154	155
Total non-current liabilities	**2,030**	**1,914**
Current liabilities		
Debt, including bank overdrafts	1,038	1,247
Derivative financial liabilities	17	6
Income tax payable	20	19
Trade and other payables	1,539	1,486
Provisions	206	253
Other liabilities	206	207
Liabilities from assets classified as held for sale	—	—
Total current liabilities	**3,027**	**3,218**
Total liabilities and total equity	**8,004**	**8,221**

Amounts may not add up due to rounding.

D. Condensed consolidated statement of cash flows

In millions of EUR

	First quarter	
	2023	2024
Cash flows from operating activities		
Net income (loss)	28	44
Adjustments to reconcile net income (loss) to net cash provided by operating activities:	176	141
• Depreciation, amortization and impairment of non-financial assets	71	68
• Impairment (reversal) of goodwill, other non-current financial assets and investments in associates	—	—
• Net gain on sale of assets	(5)	—
• Net interest expense on debt, borrowings and other liabilities	10	7
• Income tax expense	3	4
• Additions to (releases of) provisions	72	39
• Additions to (releases of) post-employment benefits	5	—
• Other items	19	23
Changes in working capital:	(53)	1
• Changes in trade and other receivables	55	84
• Changes in inventories	9	(5)
• Changes in trade and other payables	(136)	(70)
• Changes in other current assets and liabilities	19	(9)
Changes in other non-current assets and liabilities	9	4
Utilizations of provisions	(42)	(56)
Utilizations of post-employment benefits	(9)	(11)
Net interest and financing costs received (paid)	(4)	(3)
Income taxes paid	(23)	(18)
Net cash provided by (used for) operating activities	**82**	**103**
Cash flows from investing activities		
Net capital expenditures:	(30)	(22)
• Additions of intangible assets	(14)	(12)
• Capital expenditures on property, plant and equipment	(16)	(12)
• Proceeds from disposal of property, plant and equipment	—	2
Net proceeds from (cash used for) derivatives and other financial assets	13	5
Purchases of businesses, net of cash acquired	(14)	—
Proceeds from sale of businesses, net of cash disposed of	—	—
Net cash provided by (used for) investing activities	**(31)**	**(17)**
Cash flows from financing activities		
Dividend paid	—	—
Proceeds from issuance of debt	1	179
Repayment of debt	(23)	(20)
Purchase of treasury shares	—	—
Net cash provided by (used for) financing activities	**(22)**	**159**
Net cash flows	**29**	**244**
Effect of changes in exchange rates on cash and cash equivalents and bank overdrafts	(12)	—
Cash and cash equivalents and bank overdrafts at the beginning of the period [1]	676	1,158
Cash and cash equivalents and bank overdrafts at the end of the period [2]	**693**	**1,402**

[1] *For Q1 2024 and Q1 2023, included bank overdrafts of EUR 0 million and EUR 1 million, respectively.*
[2] *Included bank overdrafts of EUR 1 million and EUR 1 million as at March 31, 2024 and 2023, respectively.*

Amounts may not add up due to rounding.

Appendix B - Reconciliation of non-IFRS financial measures

Sales growth composition per business in %

	First quarter			
	Comparable growth	Currency effects	Consolidation effects	Nominal growth
2024 vs 2023				
Professional	(7.6)	(2.5)	0.3	(9.8)
Consumer	(5.7)	(3.1)	—	(8.8)
OEM	(7.4)	(3.0)	—	(10.4)
Conventional	(34.1)	(1.6)	—	(35.7)
Signify	**(10.1)**	**(2.6)**	**0.2**	**(12.5)**

	First quarter			
	Comparable growth	Currency effects	Consolidation effects	Nominal growth
2023 vs 2022				
Professional	(6.3)	1.7	3.8	(0.8)
Consumer	(15.0)	(0.7)	—	(15.8)
OEM	(16.7)	(0.2)	—	(16.8)
Conventional	(8.5)	0.9	—	(7.6)
Signify	**(9.1)**	**0.9**	**2.1**	**(6.1)**

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

	Signify
First quarter 2024	
Adjusted EBITA	122
Restructuring	(22)
Acquisition-related charges	(3)
Incidental items	(15)
EBITA	**82**
Amortization [1]	(17)
Income from operations (or EBIT)	**64**
First quarter 2023	
Adjusted EBITA	149
Restructuring	(47)
Acquisition-related charges	(3)
Incidental items	(16)
EBITA	**83**
Amortization [1]	(22)
Income from operations (or EBIT)	**61**

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

Amounts may not add up due to rounding.

Income from operations to Adjusted EBITA in millions of EUR

	Reported	Restructuring	Acquisition-related charges	Incidental items[1]	Adjusted
First quarter 2024					
Sales	1,468	—	—	—	1,468
Cost of sales	(886)	12	1	11	(863)
Gross margin	**582**	**12**	**1**	**11**	**605**
Selling, general and administrative expenses	(447)	9	2	4	(431)
Research and development expenses	(71)	1	—	—	(70)
Indirect costs	**(518)**	**11**	**2**	**4**	**(501)**
Impairment of goodwill	—	—	—	—	—
Other business income	—	—	—	—	—
Other business expenses	—	—	—	—	—
Income from operations	**64**	**22**	**3**	**15**	**105**
Amortization	(17)	—	—	—	(17)
Income from operations excluding amortization (EBITA)	**82**	**22**	**3**	**15**	**122**
First quarter 2023					
Sales	1,678	—	—	—	1,678
Cost of sales	(1,073)	37	1	16	(1,019)
Gross margin	**605**	**37**	**1**	**16**	**659**
Selling, general and administrative expenses	(472)	9	3	(1)	(461)
Research and development expenses	(76)	2	—	—	(74)
Indirect costs	**(548)**	**11**	**3**	**(1)**	**(535)**
Impairment of goodwill	—	—	—	—	—
Other business income	6	—	(1)	—	5
Other business expenses	(3)	—	—	—	(2)
Income from operations	**61**	**47**	**3**	**16**	**127**
Amortization	(22)	—	—	—	(22)
Income from operations excluding amortization (EBITA)	**83**	**47**	**3**	**16**	**149**

[1] *Q1 2024: Incidental items are non-recurring items by nature and are related to a one-day FX loss from the devaluation of the Egyptian Pound by the Egyptian government (EUR 10 million), environmental provisions for inactive sites and the discounting effect of long-term provisions (EUR 4 million) and other items with an effect of EUR 1 million loss.*
Q1 2023: Incidental items are non-recurring items by nature and are related to environmental provisions for inactive sites and the discounting effect of long-term provisions (EUR 11 million) and operations in Russia and Ukraine (EUR 5 million).

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). 'Operational profitability' also refers to this metric.

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.

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
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.

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 (excluding insurance receivables for which a legal provision is recognized for the same amount), 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).