Press Release

July 23, 2021

Signify reports second quarter sales of EUR 1.6 billion, operational profitability of 10.9% and a free cash flow of EUR 104 million

Second quarter 2021[1]

- Signify's installed base of connected light points increased from 83 million in Q1 21 to 86[2] million in Q2 21
- Sales of EUR 1,609 million; 9.6% nominal sales growth and CSG of 14.1%
- LED-based sales represented 82% of total sales (Q2 2020: 80%)
- Adj. EBITA margin improved by 190 bps to 10.9%
- Net income increased to EUR 82 million (Q2 20: EUR 81 million)
- Free cash flow of EUR 104 million (Q2 20: EUR 158 million)
- Net debt/EBITDA ratio of 1.7x (Q2 20: 2.4x)

Eindhoven, the Netherlands – Signify (Euronext: LIGHT), the world leader in lighting, today announced the company's second quarter 2021 results.

"In the second quarter we saw an acceleration of the pace of recovery in comparison to the first three months of the year. We successfully executed our strategy as demand for our connected lighting offers and our growth platforms remained strong. The consumer segment held its momentum and demand for conventional products proved resilient. The professional lighting segment showed sequential improvements, while still impacted by both extended lockdowns and supply constraints. Overall, we managed to improve the operating margin by 190 basis points and generated a solid free cash flow. We again progressed on our Brighter Lives, Better World 2025 program, well on track to achieving our four key objectives. Looking back at the first half year, we are pleased with the pace of our recovery in a volatile and disrupted environment, achieving more than 8 percent comparable sales growth with an operating margin improvement of 230 basis points and generating EUR 272 million of free cash flow," said CEO Eric Rondolat.

"While we are seeing increasing COVID-19 cases, new variants leading to continued lockdowns in parts of the world and supply constraints continuing to impact us into the second half of the year, we are confident that the measures we have taken will enable us to counter those challenges and deliver our guidance for the 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.
[2] Excludes 2 million connected light points for Telensa, as acquisition closed on July 1, 2021

Brighter Lives, Better World 2025

In the second quarter of the year, Signify continued on the journey to achieving its ambitious goals for the Brighter Lives, Better World 2025 sustainability program, progressing on all four commitments that contribute to doubling its positive impact on environment and society:

- **Double the pace of the Paris agreement:**
  Cumulative carbon reduction over value chain was 33 million tonnes, ahead of track for the 2025 target of 340 million tonnes. This is mainly caused by an accelerated shift to energy efficient and connected LED lighting in the first two quarters of 2021, decreasing our carbon emissions in the use phase.
- **Double our Circular revenues to 32%:**
  Circular revenues increased to 24%, compared to the 2019 baseline of 16%. We are on track for the 2025 target of 32%. This is mainly due to our strong portfolio of serviceable luminaires and the further expansion of our 3D printing footprint.
- **Double our Brighter lives revenues to 32%:**
  Brighter lives revenues were 25%, progressing well towards the 2025 target of 32%. We had several customer wins that contribute to our Brighter lives revenues, including 'quality of light' EyeComfort products, horticulture lighting and UV-C disinfection lighting.
- **Double the percentage of women in leadership positions to 34%:**
  The percentage of women in leadership positions was 25%, on track to reach the 2025 target of 34%. This target is part of a broader program, where we focus our efforts on attracting, retaining and developing diverse talents, while ensuring equal opportunities, fairness and impartiality for all.

In addition, Signify received recognition for its leadership in sustainability, amongst which a first place ranking in our industry and top 5% of the ESG Risk Ratings Universe from Sustainalytics.

Outlook

Signify continues to expect comparable sales growth of 3% to 6% for the full year 2021. In addition, Signify expects to achieve an Adjusted EBITA margin of 11.5% to 12.5% and free cash flow to exceed 8% of sales for the full year 2021. As previously stated, the company reassesses its medium-term guidance after each financial year.

Financial review

Second quarter 2020	Second quarter 2021	change	*in millions of EUR, except percentages*	Six months 2020	Six months 2021	change
		14.1%	**Comparable sales growth**			**8.4%**
		-4.5%	*Effects of currency movements*			*-5.5%*
		0.0%	*Consolidation and other changes*			*8.0%*
1,469	**1,609**	9.6%	**Sales**	**2,896**	**3,209**	10.8%
567	638	12.5%	Adjusted gross margin	1,112	1,275	14.7%
38.6%	**39.7%**		**Adj. gross margin (as % of sales)**	**38.4%**	**39.7%**	
-401	-423		Adj. SG&A expenses	-794	-847	
-67	-70		Adj. R&D expenses	-134	-142	
-468	-493	-5.4%	Adj. indirect costs	-928	-989	-6.6%
31.9%	**30.6%**		**Adj. indirect costs (as % of sales)**	**32.0%**	**30.8%**	
133	175	32.0%	Adjusted EBITA	245	347	41.8%
9.0%	**10.9%**		**Adjusted EBITA margin**	**8.5%**	**10.8%**	
-13	-39		Adjusted items	-55	-97	
119	136	13.8%	EBITA	189	251	32.3%
87	**106**	**21.5%**	**Income from operations (EBIT)**	**130**	**191**	**46.7%**
-16	-7		Net financial income/expense	-26	-16	
10	-17		Income tax expense	4	-32	
81	**82**	**0.8%**	**Net income**	**108**	**142**	**31.3%**
158	104		Free cash flow	270	272	
0.62	0.65		Basic EPS (€)	0.85	1.12	
35,789	39,143		Employees (FTE)	35,789	39,143	

** For comparability purposes please note that FY 2020 includes only 10 months of Cooper Lighting performance*

Second quarter

Sales increased by 9.6% to EUR 1,609 million, including 4.5% negative currency effects. Comparable sales increased by 14.1%, driven by continued strong demand for connected lighting offers and traction on the consumer side. The adjusted gross margin increased by 110 bps to 39.7%, driven by both carefully balancing pricing decisions versus cost increases, and a favorable mix. Adjusted indirect costs increased by EUR 25 million, mainly reflecting last year's positive effect of solidarity measures by our employees, and government contributions. Adjusted EBITA amounted to EUR 175 million, a 32.0% increase compared to the same period last year. The Adjusted EBITA margin improved by 190 bps to 10.9%, mainly driven by a gross margin improvement and operating leverage.

Total restructuring costs were EUR 9 million, acquisition-related charges were EUR 13 million and other incidental costs were EUR 16 million, mainly related to environmental provisions for inactive sites and transformation costs. Net income increased to EUR 82 million, as higher operational profitability in 2021 was offset by the impact of a significant one-time tax benefit in the second quarter of 2020. Free cash flow was EUR 104 million, reflecting a healthy balance between profitability and some reinvestment in continued top line recovery.

Digital Solutions

Second quarter 2020	2021	change	*in millions of EUR, unless otherwise indicated*	Six months 2020*	2021	change
		12.6%	Comparable sales growth			5.1%
781	837	7.2%	Sales	1,420	1,631	14.8%
75	89	19.2%	Adjusted EBITA	118	161	36.5%
9.6%	10.7%		Adjusted EBITA margin	8.3%	9.9%	
59	72	21.9%	EBITA	77	120	55.6%
29	44	51.5%	Income from operations (EBIT)	23	65	184.8%

** For comparability purposes please note that first quarter 2020 includes only 1 month of Cooper Lighting performance*

Second quarter
Sales increased by 7.2% to EUR 837 million, with a comparable sales growth of 12.6%, demonstrating a sequential improvement that is only partially offset by supply constraints. Adjusted EBITA increased to EUR 89 million, resulting in an Adjusted EBITA margin of 10.7%, supported by operating leverage.

Digital Products

Second quarter 2020	2021	change	*in millions of EUR, unless otherwise indicated*	Six months 2020	2021	change
		20.4%	Comparable sales growth			17.9%
473	553	16.9%	Sales	1,002	1,128	12.6%
44	66	50.3%	Adjusted EBITA	91	148	62.1%
9.3%	12.0%		Adjusted EBITA margin	9.1%	13.1%	
43	63	45.1%	EBITA	81	138	70.1%
41	61	47.4%	Income from operations (EBIT)	77	135	74.3%

Second quarter
Sales increased by 16.9% to EUR 553 million, with a comparable sales growth of 20.4%. The segment continued to benefit from strong consumer demand for connected products, even if also hampered by supply constraints. The Adjusted EBITA margin improved by 270 basis points to 12.0%, mainly driven by a solid gross margin improvement behind a continued strong demand for connected home lighting.

Conventional Products

Second quarter 2020	2021	change	*in millions of EUR, unless otherwise indicated*	Six months 2020	2021	change
		4.7%	Comparable sales growth			-1.2%
211	213	1.2%	Sales	468	440	-5.9%
37	40	7.4%	Adjusted EBITA	82	86	5.2%
17.5%	18.6%		Adjusted EBITA margin	17.6%	19.6%	
45	35	-21.7%	EBITA	84	88	5.4%
45	35	-21.7%	Income from operations (EBIT)	84	88	5.4%

Second quarter
Sales increased by 1.2% to EUR 213 million, with a comparable growth of 4.7%, mainly as a result of the market recovery and traction across most of its segments. The division continues to deliver market share gains and to generate a solid free cash flow. The Adjusted EBITA margin increased by 110 bps to 18.6%, mainly driven by pricing discipline and operational efficiencies.

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 -20 million (Q2 20: EUR -23 million). EBITA amounted to EUR -34 million (Q2 20: EUR -28 million). Restructuring costs and other incidentals were EUR 14 million (Q2 20: EUR 4 million) during the quarter.

Sales by market

Second quarter					Six months			
2020	2021	Change	CSG	*in millions of EUR, except percentages*	2020	2021	change	CSG
406	477	17.5%	17.5%	Europe	908	999	10.1%	11.2%
619	623	0.7%	9.4%	Americas	1,104	1,211	9.7%	0.3%
323	377	17.0%	20.8%	Rest of the world	647	747	15.4%	21.8%
122	133	8.9%	8.1%	Global businesses	237	251	6.1%	5.0%
1,469	**1,609**	**9.6%**	**14.1%**	**Total**	**2,896**	**3,209**	**10.8%**	**8.4%**

Americas includes Cooper Lighting from March 1, 2020, and Global businesses includes Klite
Wiz Connected is included in Market Groups Europe, Americas and Rest of the world (was previously part of Global businesses)

Second quarter
In the second quarter most markets benefited from a low comparison base, as the impact of COVID-19 came into full effect during the second quarter of last year. In the second quarter of this year, comparable sales in Europe grew by 17.5%, as most markets accelerated their recovery. In the Americas, comparable sales grew by 9.4%. The Rest of the world grew by 20.8%, as the underlying recovery path showed robustness across most geographies.

Working capital

in millions of EUR, unless otherwise indicated	30 Jun,2020	31 Mar, 2021	30 Jun, 2021
Inventories	1,032	946	1,120
Trade and other receivables	1,096	1,074	1,056
Trade and other payables	-1,659	-1,784	-1,935
Other working capital items	-17	-1	29
Working capital	**452**	**236**	**269**
As % of LTM* sales	7.3%	3.5%	4.0%

* *LTM: Last Twelve Months*

Second quarter
Working capital decreased by EUR 183 million year on year to EUR 269 million, mainly driven by higher payables, partly offset by higher inventories and other working capital items. As a percentage of sales, working capital improved by 330 bps to 4.0% of sales. When including last twelve-month sales pro-forma Cooper Lighting and Klite, working capital improved by 230 bps.

Cash flow analysis

Second quarter 2020	Second quarter 2021	*in millions of EUR*	Six months 2020	Six months 2021
87	106	Income from operations (EBIT)	130	191
86	81	Depreciation and amortization	164	158
24	29	Additions to (releases of) provisions	57	89
-47	-48	Utilizations of provisions	-99	-98
22	-3	Change in working capital	74	27
-13	-28	Net interest and financing costs paid	-23	-29
0	-10	Income taxes paid	-28	-31
-5	-30	Net capex	-21	-46
3	7	Other	16	10
158	**104**	**Free cash flow**	**270**	**272**

Second quarter
Free cash flow of EUR 104 million was EUR 54 million lower than last year, reflecting an increased investment in growth, as higher income from operations was offset by higher net capex, financing costs, an outflow from working capital and higher taxes paid. Free cash flow included a restructuring payout of EUR 20 million (Q2 20: EUR 12 million).

Net debt and total equity

in millions of EUR	30 Jun,2020	31 Mar, 2021	30 Jun, 2021
Short-term debt	113	433	427
Long-term debt	2,619	1,899	1,893
Gross debt	2,732	2,332	2,320
Cash and cash equivalents	1,026	1,192	945
Net debt	**1,706**	**1,141**	**1,375**
Total equity	**2,341**	**2,469**	**2,149**

Second quarter
Our cash position decreased by EUR 247 million to EUR 945 million compared to the end of March 2021, impacted by the dividend payments and the purchase of treasury shares in the second quarter. Net debt amounted to EUR 1,375 million, an increase of EUR 234 million compared with the end of March 2021. Net leverage improved from 2.4x at the end of June 2020 to 1.7x at the end of June 2021. Total equity decreased to EUR 2,149 million at the end of the second quarter (Q1 21: EUR 2,469 million), with dividend distribution and share repurchases to cover obligations arising from long-term employee share plans offsetting the increase in net income.

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 2021 second quarter results. A live audio webcast of the conference call will be available via the Investor Relations website.

Financial calendar 2021

October 29, 2021	Third quarter results 2021
January 28, 2022	Fourth quarter and full year results 2021

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

Signify Corporate Communications
Elco van Groningen
Tel: +31 6 1086 5519
E-mail: elco.van.groningen@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 2020 sales of EUR 6.5 billion, we have approximately 39,000 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 four 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, the impacts of COVID-19, 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. Please see "Risk Factors and Risk Management" in Chapter 12 of the Annual Report 2020 for discussion of material risks, uncertainties and other important factors which may have a material adverse effect on the business, results of operations, financial condition and prospects of the Group. Such risks, uncertainties and other important factors should be read in conjunction with the information included in the Company's Annual Report 2020.

Looking ahead to the second half of 2021, the Group's key concerns are about both the supply chain constraints and shortage of certain components, and the uncertainties related to the COVID-19 pandemic in the global and domestic markets in which it operates. The main challenge remains the visibility on how quickly the general lighting market may recover to (pre-COVID-19) 2019 levels. This is relevant to the Group as a large part of its business relates to the professional market which has been, and continues to be, significantly impacted by government lockdowns. 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 2020.

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 2020 and Semi-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, 2021

Index to the unaudited condensed consolidated interim financial statements

Semi-annual report

Introduction

The semi-annual report for the six-month period ended June 30, 2021 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 2021 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, 2020.

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, 2021, 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, 2021, 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 23, 2021

Board of Management

Eric Rondolat
Javier van Engelen
Maria Letizia Mariani

Management report

Business performance [1]

Market environment
The first half of 2021 showed early signs of an economic recovery as vaccination rollouts led to an easing of lockdowns in many parts of the world. The strongest market recovery was seen in China and across Europe, while the Americas region continued to be more strongly impacted by the pandemic.

Signify saw particularly strong consumer demand for connected lighting products, a resilient performance of conventional lighting, while professional demand continued to be impacted by government measures to curb the spread of the virus as well as supply constraints caused by component shortages and logistics challenges.

Financial performance
Sales amounted to EUR 3,209 million, an increase of 10.8% on a nominal basis. Adjusted for a -5.5% currency effect and an 8.0% consolidation and other impact (mainly related to the acquisition of Cooper Lighting), comparable sales grew by 8.4%. LED-based sales accounted for 82% of total sales, including Cooper Lighting.

The gross margin increased by 130 basis points to 39.3%. The adjusted gross margin of 39.7% was 130 basis points higher than last year. Indirect costs as percentage of sales increased by 10 basis points to 33.7%, while the adjusted indirect costs as percentage of sales were 120 basis points lower at 30.8%. Income from operations amounted to EUR 191 million. EBITA amounted to EUR 251 million, which is an increase of 32.3% over last year. When adjusting for EUR 56 million of restructuring costs, partly related to the restructuring of the central organization, EUR 28 million of acquisition-related charges and EUR 12 million of incidental items, the Adjusted EBITA amounted to EUR 347 million, or 10.8% of sales. Net income was EUR 142 million compared with EUR 108 million last year, mainly driven by higher income from operations.

Compared with the end of June 2020, working capital as percentage of sales decreased by 330 basis points to 4.0% of sales, reflecting structural working capital improvement. Net cash from operating activities was EUR 318 million, an increase of EUR 27 million over last year, mainly driven by higher profitability.

Digital Solutions
Sales amounted to EUR 1,631 million, reflecting a nominal sales increase of 14.8%, mainly as a result of the consolidation of Cooper Lighting. Comparable sales grew by 5.1%, gradually improving on the back of a stronger COVID-19 impact in 2020.

Income from operations amounted to EUR 65 million. EBITA of EUR 120 million included EUR 41 million of restructuring costs, acquisition-related charges and other incidental costs. Adjusted EBITA amounted to 161 million, resulting in an improvement in the Adjusted EBITA margin of 160 bps to 9.9% which was driven by continued gross margin management and operating leverage.

Digital Products
Sales amounted to EUR 1,128 million, an increase of 12.6% on a nominal basis and an increase of 17.9% on a comparable basis, driven by strong consumer demand.

Income from operations amounted to EUR 135 million. EBITA of EUR 138 million included EUR 10 million of restructuring and other incidental costs. Adjusted EBITA was EUR 148 million. The adjusted EBITA margin improved by 400 basis points to 13.1%, mainly driven by a solid gross margin improvement, benefiting from a strong consumer business.

Conventional Products
Sales amounted to EUR 440 million, a decline of 5.9% on a nominal and 1.2% on a comparable basis, which is estimated to be lower than the market decline and hence results in continued market share gains.

Income from operations and EBITA both increased by EUR 4 million to EUR 88 million. This includes EUR 2 million positive impact of restructuring and other incidental costs. The Adjusted EBITA margin improved by 200 basis points to 19.6%, mainly driven by pricing discipline and operational efficiencies.

Other
Reported EBITA amounted to EUR -96 million. This represents amounts not allocated to the operating segments and includes certain costs related to group enabling functions as well as central R&D activities to drive innovation. Adjusted EBITA amounted to EUR -48 million, compared with EUR -46 million in the same period last year. Restructuring and other incidental costs were EUR 48 million, which were mainly related to the restructuring of the central organization.

[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”.

Outlook

Signify continues to expect comparable sales growth of 3% to 6% for the full year 2021. In addition, Signify expects to achieve an Adjusted EBITA margin of 11.5% to 12.5% and free cash flow to exceed 8% of sales for the full year 2021. The company reassesses its medium-term guidance for the period 2021-2023 after each financial year.

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	
		2020	2021	2020	2021
Sales	1, 2	1,469	1,609	2,896	3,209
Cost of sales		(901)	(979)	(1,795)	(1,949)
Gross margin		**568**	**631**	**1,101**	**1,260**
Selling, general and administrative expenses		(416)	(455)	(838)	(938)
Research and development expenses		(67)	(71)	(136)	(143)
Impairment of goodwill		–	–	–	–
Other business income	3	4	3	6	16
Other business expenses	3	(1)	(2)	(3)	(4)
Income from operations		**87**	**106**	**130**	**191**
Financial income		4	8	9	13
Financial expenses		(20)	(14)	(35)	(29)
Results relating to investments in associates		–	–	–	(1)
Income before taxes		**71**	**99**	**104**	**174**
Income tax expense	4	10	(17)	4	(32)
Net income		**81**	**82**	**108**	**142**
Attribution of net income for the period:					
Net income (loss) attributable to shareholders of Signify N.V.		79	81	109	140
Net income (loss) attributable to non-controlling interests		2	1	(1)	2
Earnings per ordinary share attributable to shareholders					
Weighted average number of ordinary shares outstanding used for calculation (in thousands):					
Basic		126,715	124,668	126,646	124,945
Diluted		127,814	128,200	128,008	128,814
Net income attributable to shareholders per ordinary share in EUR:					
Basic		0.62	0.65	0.86	1.12
Diluted		0.62	0.63	0.85	1.08

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	
	2020	2021	2020	2021
Net income (loss)	**81**	**82**	**108**	**142**
Pensions and other post-employment plans:				
Remeasurements	–	–	–	–
Income tax effect on remeasurements	–	–	–	–
Total of items that will not be reclassified to profit or loss	**–**	**–**	**–**	**–**
Currency translation differences:				
Net current period change, before tax	(81)	(34)	(113)	113
Income tax effect	–	–	–	–
Net investment hedge				
Net current period change, before tax	6	8	6	(11)
Income tax effect	–	–	–	–
Cash flow hedges:				
Net current period change, before tax	(9)	6	5	(12)
Income tax effect	2	(2)	(1)	3
Total of items that are or may be reclassified to profit or loss	**(82)**	**(21)**	**(102)**	**92**
Other comprehensive income (loss)	**(82)**	**(21)**	**(102)**	**92**
Total comprehensive income (loss)	**(1)**	**61**	**6**	**234**
Total comprehensive income (loss) attributable to:				
Shareholders of Signify N.V.	(1)	61	8	227
Non-controlling interests	–	–	(3)	7

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, 2020	June 30, 2021
Non-current assets			
Property, plant and equipment	1	708	704
Goodwill	1	2,251	2,329
Intangible assets, other than goodwill	1	775	740
Investments in associates		12	12
Financial assets	8	55	43
Deferred tax assets		473	464
Other assets		60	71
Total non-current assets		**4,334**	**4,363**
Current assets			
Inventories		885	1,120
Other assets		171	229
Derivative financial assets	8	104	63
Income tax receivable		39	35
Trade and other receivables		1,140	1,056
Cash and cash equivalents	8	1,033	945
Assets classified as held for sale		3	3
Total current assets		**3,376**	**3,450**
Total assets		**7,710**	**7,814**
Equity			
Shareholders' equity	5	2,196	2,018
Non-controlling interests		124	131
Total equity		**2,321**	**2,149**
Non-current liabilities			
Debt	6	2,221	1,893
Post-employment benefits		390	389
Provisions	7	224	229
Deferred tax liabilities		22	22
Income tax payable		108	104
Other liabilities		159	170
Total non-current liabilities		**3,123**	**2,807**
Current liabilities			
Debt, including bank overdrafts	6	86	427
Derivative financial liabilities	8	44	21
Income tax payable		20	12
Trade and other payables		1,731	1,935
Provisions	7	172	171
Other liabilities		213	290
Liabilities from assets classified as held for sale		–	–
Total current liabilities		**2,266**	**2,857**
Total liabilities and total equity		**7,710**	**7,814**

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

1.4 Condensed consolidated statement of cash flows

In millions of EUR

	Note	Second quarter		January to June	
		2020	2021	2020	2021
Cash flows from operating activities					
Net income (loss)		81	82	108	142
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		120	139	254	295
• Depreciation, amortization and impairment of non-financial assets		86	81	164	158
• Impairment (reversal) of goodwill, other non-current financial assets and investments in associates		–	–	–	–
• Net gain on sale of assets	3	(1)	–	(1)	(11)
• Net interest expense on debt, borrowings and other liabilities		7	7	14	14
• Income tax expense	4	(10)	17	(4)	32
• Additions to (releases of) provisions	7	18	24	47	80
• Additions to (releases of) post-employment benefits		5	5	11	9
• Other items		15	5	23	13
Decrease (increase) in working capital:		22	(3)	74	27
• Decrease (increase) in trade and other receivables		85	13	305	96
• Decrease (increase) in inventories		(48)	(176)	(57)	(211)
• Increase (decrease) in trade and other payables		(17)	187	(202)	179
• Increase (decrease) in other current assets and liabilities		2	(26)	28	(37)
Increase (decrease) in other non-current assets and liabilities		(1)	2	5	11
Utilizations of provisions	7	(39)	(41)	(82)	(82)
Utilizations of post-employment benefits		(8)	(7)	(17)	(15)
Net interest and financing costs paid		(13)	(28)	(23)	(29)
Income taxes paid		–	(10)	(28)	(31)
Net cash provided by (used for) operating activities		**163**	**134**	**291**	**318**
Cash flows from investing activities					
Net capital expenditures:		(5)	(30)	(21)	(46)
• Additions of intangible assets		(8)	(8)	(13)	(16)
• Capital expenditures on property, plant and equipment		(16)	(23)	(28)	(44)
• Proceeds from disposal of property, plant and equipment		19	1	20	14
Net proceeds from (cash used for) derivatives and other financial assets		(4)	23	7	18
Purchases of businesses, net of cash acquired		(5)	–	(1,275)	–
Proceeds from sale of businesses, net of cash disposed of		2	–	2	–
Net cash provided by (used for) investing activities		**(11)**	**(7)**	**(1,288)**	**(28)**
Cash flows from financing activities					
Dividend paid	5	–	(292)	–	(294)
Proceeds from issuance of debt	6	1,280	–	3,735	350
Repayment of debt	6	(1,311)	(19)	(2,529)	(391)
Purchase of treasury shares	5	–	(48)	(6)	(72)
Net cash provided by (used for) financing activities		**(31)**	**(360)**	**1,201**	**(407)**
Net cash flows		**121**	**(233)**	**205**	**(117)**
Effect of changes in exchange rates on cash and cash equivalents and bank overdrafts		(24)	(16)	(29)	30
Cash and cash equivalents and bank overdrafts at the beginning of the period [1]		919	1,191	840	1,030
Cash and cash equivalents and bank overdrafts at the end of the period [2]		**1,016**	**943**	**1,016**	**943**
Non-cash investing and financing activities:					
Acquisition of fixed asset by means of leases		8	12	17	34

1 For Q2 2021 and Q2 2020, included bank overdrafts of EUR 1 million and EUR 5 million, respectively. For the first half of 2021 and 2020, included bank overdrafts of EUR 3 million and EUR 7 million, respectively.

2 Included bank overdrafts of EUR 2 million and EUR 10 million as at June 30, 2021 and 2020, 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, 2020	**1**	**2,195**	**53**	**7**	**(7)**	**(68)**	**2,181**	**142**	**2,324**
Net Income	–	–	109	–	–	–	109	(1)	108
Other comprehensive income (loss)	–	–	–	(105)	4	–	(101)	(2)	(102)
Total comprehensive income (loss)	**–**	**–**	**109**	**(105)**	**4**	**–**	**8**	**(3)**	**6**
Movement in non-controlling interests	–	–	–	–	–	–	–	1	1
Purchase of treasury shares	–	–	–	–	–	(6)	(6)	–	(6)
Delivery of treasury shares	–	(29)	(2)	–	–	31	–	–	–
Share-based compensation plans	–	16	–	–	–	–	16	–	16
Balance as at June 30, 2020	**1**	**2,182**	**160**	**(98)**	**(3)**	**(42)**	**2,201**	**141**	**2,341**
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**
Movement in non-controlling interests	–	–	–	–	–	–	–	–	–
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**

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 other amendments apply to the accounting standards for the first time in 2021, but do not have an 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 chapter 14.6 of the Consolidated financial statements for the year ended December 31, 2020.

Impact of the COVID-19 pandemic

The COVID-19 pandemic has created an unprecedented situation globally. From the outset, Signify has taken considerable action focused on the health and safety of its employees, on customer engagement and supply chain continuity and on free cash flow generation and operating expenses optimization.

Signify continues to closely monitor the development of the COVID-19 outbreak by analyzing the risks which the pandemic imposes for its financial results, position and cash flows and implementing mitigating actions promptly.

In Signify's Consolidated financial statements for the year ended December 31, 2020, Signify included an analysis of the impact of COVID-19 on certain areas where the most significant judgments and estimates are made. During the six-month period ended June 30, 2021, no significant events and transactions were identified which resulted in an update of the previous views and observations disclosed.

Signify has not identified events during the six-month period ended June 30, 2021 that required an update of the goodwill impairment tests that were performed in the fourth quarter of 2020.

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.

The areas where the most significant judgments and estimates are made, were the same as those disclosed in Signify's Consolidated financial statements for the year ended December 31, 2020.

2.3 Notes

1 Information by segment and main country

The following is an overview of Signify revenues and results by segment:

	Second Quarter						January to June					
	Digital Solutions[5]	Digital Products	Conventional Products	Other[4]	Intersegment elimination	Signify	Digital Solutions[5]	Digital Products	Conventional Products	Other[4]	Intersegment elimination	Signify
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)
EBITA[2]	**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**
2020												
Sales to external customers	781	473	211	4		1,469	1,420	1,002	468	6		2,896
Sales including intersegment	781	515	212	4	(44)	1,469	1,421	1,084	471	6	(87)	2,896
Depreciation and amortization[1]	(22)	(7)	(8)	(17)		(54)	(37)	(14)	(18)	(35)		(105)
EBITA[2]	**59**	**43**	**45**	**(28)**		**119**	**77**	**81**	**84**	**(53)**		**189**
EBITA as a % of sales	7.6%	9.1%	21.2%			8.1%	5.4%	8.1%	17.9%			6.5%
Amortization[3]						(32)						(59)
Income from operations	29	41	45	(28)		87	23	77	84	(53)		130
Financial income and expenses						(16)						(26)
Results from investments in associates						–						–
Income before taxes						**71**						**104**

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 Cooper Lighting from March 1, 2020

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 2020[2]	January to June 2021	December 31, 2020	June 30, 2021
Netherlands	228	249	466	470
United States	923	1,010	2,261	2,283
China	258	256	291	306
Germany	179	184	14	13
France	104	123	13	12
Canada	90	112	44	50
India	91	112	31	36
Other countries	1,024	1,163	615	604
Total countries	**2,896**	**3,209**	**3,734**	**3,773**

1 Includes goodwill
2 Includes Cooper Lighting from March 1, 2020

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, 2021, sales consisted primarily (96%) of sales of goods to customers (January to June 2020: 97%). Sales by market:

	Second quarter[2]		January to June[2]	
	2020	**2021**	**2020**	**2021**
Europe	406	477	908	999
Americas [1]	619	623	1,104	1,211
Rest of the world	323	377	647	747
Global businesses	122	133	237	251
Total	**1,469**	**1,609**	**2,896**	**3,209**

1 Includes Cooper Lighting from March 1, 2020
2 Wiz Connected is included in Market Groups Europe, Americas and Rest of the world (was previously part of Global businesses)

3 Other business income and expenses

Other business income and expenses consists of the following:

	January to June	
	2020	2021
Result on disposal of businesses:		
• Income	–	–
• Expense	–	–
Result on disposal of fixed assets:		
• Income	2	11
• Expense	–	–
Result on other remaining businesses:		
• Income	4	5
• Expense	(2)	(4)
Other business income and expenses	**3**	**12**
Total other business income	6	16
Total other business expense	(3)	(4)

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.

4 Income taxes

The income tax expense in the first six months of 2021 increased by EUR 36 million compared to the corresponding period of the previous year.

The effective tax rate for the six-month period ended June 30, 2021, was 18.5% compared to (3.6%) in 2020. The increase in the effective tax rate is mainly caused by one-time non cash tax benefits from changes in the organizational structure in the first six months of 2020.

5 Equity

Dividend distribution

In June 2021, the Company settled an extraordinary dividend of EUR 1.35 per ordinary share, representing a total value of EUR 169 million including costs. In addition, the Company also settled the regular dividend of EUR 1.40 per ordinary share, representing a total value of EUR 175 million including costs. An amount of EUR 292 million was paid in cash in June and the remaining dividend tax liability of EUR 49 million presented in Other liabilities as at June 30, 2021 was paid in July.

Share repurchases

Between February and May 2021, 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 1,937,489 for a total consideration of EUR 83 million.

An adjustment to dividend withholding tax liability, in connection with the Company's purchase of treasury shares for capital reduction purposes in 2018, is recorded in retained earnings.

Treasury shares

As at June 30, 2021, the total number of treasury shares amounted to 3,512,890 which were purchased at an average price of EUR 36.23 per share.

6 Debt

In millions of EUR	December 31, 2020	June 30, 2021
Facility (EUR)	389	40
Facility (USD)	406	418
Eurobonds	1,262	1,263
Lease liabilities	233	234
Other Debt	15	363
Subtotal	**2,305**	**2,318**
Bank overdrafts	3	2
Gross debt	**2,307**	**2,320**
Cash and cash equivalents	(1,033)	(945)
Net debt (cash)	**1,275**	**1,375**
Total equity	**2,321**	**2,149**
Net debt and total equity	3,595	3,524
Net debt divided by net debt and total equity (in %)	35%	39%
Total equity divided by net debt and total equity (in %)	65%	61%

In March 2021, Signify refinanced EUR 350 million of its long-term facility with short-term loans maturing in December 2021, which are included in "Other Debt" in the table above.

As of June 2021, our long-term facilities consist of EUR 40 million and USD 275 million maturing in January 2023, and USD 225 million maturing in January 2025.

7 Provisions

Additions to restructuring provisions during the six-month period ended June 30, 2021 were mainly related to the restructuring of the central organization.

Provisions are summarized as follows:

In millions of EUR	Restructuring provisions	Environmental Provisions	Product warranty	Other provisions	Total
Balance as at January 1, 2021	**84**	**109**	**70**	**133**	**396**
Additions	52	7	14	22	96
Utilizations	(33)	(11)	(20)	(19)	(82)
Acquisitions	–	–	–	–	–
Releases	(12)	–	–	(3)	(15)
Changes in discount rate	–	–	–	–	–
Accretion	–	–	–	–	–
Translation differences and other movements	1	1	2	3	6
Balance as at June 30, 2021	**92**	**107**	**66**	**136**	**400**
Short-term	78	22	33	38	171
Long-term	14	84	32	98	229

8 Financial assets and liabilities

Financial risk management

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, 2020.

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, 2020.

	Carried at	Gross amount recognised on the balance sheet	Amounts not offset on the balance sheet, but are subject to master netting arrangements	Net amount	Fair value hierarchy level	Estimated fair value
Balance as at December 31, 2020						
Non-current financial assets[1]	amortised cost	34	–	34		34
Unquoted equity shares	fair value (FVOCI)	3	–	3	3	3
Trade and other receivables[1]	amortised cost	1,140	–	1,140		1,140
Derivative financial assets designated as hedging instruments	fair value (FVTPL)	122	(41)	81	2	122
Derivative financial assets not designated as hedging instruments	fair value (FVTPL)	–	–	–	3	9
Cash and cash equivalents		1,033	–	1,033		1,033
Debt (Eurobonds)	amortised cost	(1,262)	–	(1,262)	1	(1,378)
Debt (excluding Eurobonds)[1]	amortised cost	(1,046)	–	(1,046)	2	(1,046)
Derivative financial liabilities designated as hedging instruments	fair value (FVTPL)	(45)	41	(4)	2	(45)
Trade and other payables[1]	amortised cost	(1,727)	–	(1,727)		(1,727)
Contingent considerations	fair value (FVTPL)	(4)	–	(4)	3	(4)
Balance as at June 30, 2021						
Non-current financial assets[1]	amortised cost	34	–	34		34
Unquoted equity shares	fair value (FVOCI)	3	–	3	3	3
Trade and other receivables[1]	amortised cost	1,056	–	1,056		1,056
Derivative financial assets designated as hedging instruments	fair value (FVTPL)	64	(21)	43	2	64
Derivative financial assets not designated as hedging instruments	fair value (FVTPL)	6	–	6	3	14
Cash and cash equivalents		945	–	945		945
Debt (Eurobonds)	amortised cost	(1,263)	–	(1,263)	1	(1,375)
Debt (excluding Eurobonds)[1]	amortised cost	(1,057)	–	(1,057)	2	(1,057)
Derivative financial liabilities designated as hedging instruments	fair value (FVTPL)	(22)	21	(1)	2	(22)
Trade and other payables[1]	amortised cost	(1,933)	–	(1,933)		(1,933)
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.

q Events after the balance sheet date

On July 1, 2021, Signify acquired Telensa Holdings Ltd, a UK-based expert in wireless monitoring and control systems for smart cities. Telensa is headquartered in Cambridge, UK, employs 58 people and had preliminary sales of GBP 11 million for the year ending March 2021. The acquisition supports Signify's strategic priority to grow in professional systems and services.

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
2021 vs 2020				
Digital Solutions	12.6	(5.4)	0.0	7.2
Digital Products	20.4	(3.5)	0.0	16.9
Conventional Products	4.7	(3.5)	0.0	1.2
Total	**14.1**	**(4.5)**	**0.0**	**9.6**

	January to June			
	Comparable growth	Currency effects	Consolidation and other changes	Nominal growth
2021 vs 2020				
Digital Solutions	5.1	(6.1)	15.9	14.8
Digital Products	17.9	(5.0)	(0.3)	12.6
Conventional Products	(1.2)	(4.6)	(0.1)	(5.9)
Total	**8.4**	**(5.5)**	**8.0**	**10.8**

Sales growth composition per market in %

	Second quarter			
	Comparable growth	Currency effects	Consolidation and other changes	Nominal growth
2021 vs 2020				
Europe	17.5	0.0	0.1	17.5
Americas	9.4	(8.3)	(0.4)	0.7
Rest of the world	20.8	(3.6)	(0.2)	17.0
Global businesses	8.1	(1.6)	2.5	8.9
Total	**14.1**	**(4.5)**	**0.0**	**9.6**

	January to June			
	Comparable growth	Currency effects	Consolidation and other changes	Nominal growth
2021 vs 2020				
Europe	11.2	(0.9)	(0.2)	10.1
Americas	0.3	(8.7)	18.1	9.7
Rest of the world	21.8	(6.6)	0.1	15.4
Global businesses	5.0	(2.2)	3.3	6.1
Total	8.4	(5.5)	8.0	10.8

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 2021					
Adjusted EBITA	175	89	66	40	(20)
Restructuring	(9)	–	–	4	(13)
Acquisition-related charges	(13)	(13)	–	–	–
Incidental items	(16)	(4)	(4)	(8)	0
EBITA	**136**	**72**	**63**	**35**	**(34)**
Amortization [1]	(30)	(28)	(2)	–	–
Income from operations (or EBIT)	**106**	**44**	**61**	**35**	**(34)**
Second quarter 2020					
Adjusted EBITA	133	75	44	37	(23)
Restructuring	(2)	(1)	–	1	(2)
Acquisition-related charges	(15)	(14)	–	–	–
Incidental items	4	–	0	7	(2)
EBITA	**119**	**59**	**43**	**45**	**(28)**
Amortization [1]	(32)	(30)	(2)	–	–
Income from operations (or EBIT)	**87**	**29**	**41**	**45**	**(28)**

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

	Signify	Digital Solutions	Digital Products	Conventional Products	Other
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)**
January to June 2020					
Adjusted EBITA	245	118	91	82	(46)
Restructuring	(15)	(5)	(4)	(2)	(4)
Acquisition-related charges	(33)	(31)	(2)	–	–
Incidental items	(7)	(4)	(4)	3	(2)
EBITA	**189**	**77**	**81**	**84**	**(53)**
Amortization [1]	(59)	(55)	(4)	–	(1)
Income from operations (or EBIT)	**130**	**23**	**77**	**84**	**(53)**

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

Amounts may not add up due to rounding.

Second quarter 2021 Income from operations to Adjusted EBITA in millions of EUR

	Reported	Restructuring	Acquisition related charges	Incidental items [1]	Adjusted
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**
Second quarter 2020					
Sales	1,469	—	—	—	1,469
Cost of sales	(901)	(1)	7	(7)	(901)
Gross margin	**568**	**(1)**	**7**	**(7)**	**567**
Selling, general and administrative expenses	(416)	3	8	4	(401)
Research and development expenses	(67)	—	—	—	(67)
Indirect costs	**(483)**	**3**	**8**	**4**	**(468)**
Impairment of goodwill	—	—	—	—	—
Other business income	4	—	—	(1)	2
Other business expenses	(1)	—	—	—	(1)
Income from operations	**87**	**2**	**15**	**(4)**	**100**
Amortization	(32)	—	—	—	(32)
Income from operations excluding amortization (EBITA)	**119**	**2**	**15**	**(4)**	**133**

[1] Incidental items are non-recurring by nature and relate to separation, transformation, net real estate gains, environmental provision for inactive sites and the effect of changes in discount rates on long-term provisions.

Amounts may not add up due to rounding.

January to June 2021 Income from operations to Adjusted EBITA in millions of EUR

	Reported	Restructuring	Acquisition related charges	Incidental items [1]	Adjusted
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)	0	—	—	(142)
Indirect costs	**(1,081)**	**52**	**25**	**14**	**(989)**
Impairment of goodwill	—	—	—	—	—
Other business income	16	—	(2)	(11)	4
Other business expenses	(4)	—	0	2	(2)
Income from operations	**191**	**56**	**28**	**12**	**288**
Amortization	(60)	—	—	—	(60)
Income from operations excluding amortization (EBITA)	**251**	**56**	**28**	**12**	**347**
January to June 2020					
Sales	2,896	—	—	—	2,896
Cost of sales	(1,795)	3	13	(5)	(1,784)
Gross margin	**1,101**	**3**	**13**	**(5)**	**1,112**
Selling, general and administrative expenses	(838)	11	19	14	(794)
Research and development expenses	(136)	1	—	—	(134)
Indirect costs	**(973)**	**12**	**19**	**14**	**(928)**
Impairment of goodwill	—	—	—	—	—
Other business income	6	—	—	(1)	4
Other business expenses	(3)	—	—	—	(3)
Income from operations	**130**	**15**	**33**	**7**	**186**
Amortization	(59)	—	—	—	(59)
Income from operations excluding amortization (EBITA)	**189**	**15**	**33**	**7**	**245**

[1] Incidental items are non-recurring by nature and relate to separation, transformation, net real estate gains, environmental provision for inactive sites and the effect of changes in discount rates on long-term provisions.

Amounts may not add up due to rounding.

Composition of cash flows in millions of EUR

	Second quarter		January to June	
	2020	2021	2020	2021
Cash flows from operating activities	163	134	291	318
Cash flows from investing activities	(11)	(7)	(1,288)	(28)
Cash flows before financing activities	**151**	**127**	**(996)**	**290**
Cash flows from operating activities	163	134	291	318
Net capital expenditures:	(5)	(30)	(21)	(46)
• Additions of intangible assets	(8)	(8)	(13)	(16)
• Capital expenditures on property, plant and equipment	(16)	(23)	(28)	(44)
• Proceeds from disposal of property, plant and equipment	19	1	20	14
Free cash flows	**158**	**104**	**270**	**272**

Working capital to total assets in millions of EUR

	June 30, 2020	December 31, 2020	June 30, 2021
Working capital	**452**	**313**	**269**
Eliminate liabilities comprised in WoCa:			
• Trade and other payables	1,659	1,731	1,935
• Derivative financial liabilities	34	44	21
• Other current liabilities [1]	223	213	242
Include assets not comprised in WoCa:			
• Non-current assets	4,641	4,334	4,363
• Income tax receivable	59	39	35
• Cash and cash equivalents	1,026	1,033	945
• Assets classified as held for sale	—	3	3
Total assets	**8,094**	**7,710**	**7,814**

[1] Other current liabilities excluding EUR 49 million of dividend related payables as of 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.

Changes in scope
Consolidation effects related to acquisitions (mainly Cooper Lighting).

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 period end 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, the most significant of which have been approved by the group, and which generally involve the

realignment of certain parts of the industrial and commercial organization.

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).