



Press Release

October 23, 2020

Signify reports third quarter sales of EUR 1.7 billion, operational profitability of 11.5% and free cash flow of EUR 214 million

Third quarter 2020¹

- Signify's installed base of connected light points increased from 64 million in Q2 20 to 71 million in Q3 20
- Sales of EUR 1,728 million, nominal sales growth of 12.1% and CSG of -8.3%
- LED-based sales represented 82% of total sales (Q3 19: 81%)
- Adj. indirect costs down EUR 22 million, or -4.9% excl. FX effects and changes in scope²
- Adj. EBITA margin increased by 50 bps to 11.5%, including currency impact of -30 bps
- Adj. EBITA margin of the growing profit engines increased by 130 bps to 12.3%
- Net income of EUR 90 million (Q3 19: EUR 74 million)
- Free cash flow increased to EUR 214 million (Q3 19: EUR 45 million)
- Cooper Lighting integration and synergies ahead of plan
- Achieved carbon neutrality and set course to double positive impact on environment and society in 2025
- Debt prepayment of EUR 350 million to reduce overall gross debt position; net leverage at 2.2x

Eindhoven, the Netherlands – Signify (Euronext: LIGHT), the world leader in lighting, today announced the company's 2020 third quarter results. "We are very proud of our carbon neutrality achievement in Q3 and of the launch of our new sustainability program aimed at doubling our positive impact on the environment and society in 2025. Amidst difficult market dynamics caused by the COVID-19 pandemic, this financial quarter we are reporting yet another resilient performance underpinned by our consumer and connected lighting. Our gross margin improvement, through rigorous price management, translated into a higher operational margin. Our discipline in working capital management allowed us to generate a solid free cash flow for the quarter, while as previously announced, we reduced our debt by EUR 350 million," said CEO Eric Rondolat. "Given the acceleration of the pandemic in many regions, we remain cautious about market developments, but confident in our ability to further adapt, which we have demonstrated since the beginning of the year. Our teams remain focused on making continued good progress on the integration of Cooper Lighting and Klite, while relentlessly driving our growth platforms to develop new business opportunities in line with our strategy."

Outlook

Given recent developments of the pandemic, Signify does not provide financial guidance for full year 2020. Signify remains confident in the underlying resilience of its businesses and operating model, and that its liquidity needs are well covered by the financial framework it has in place. During the virtual Capital Markets Day 2020, which is scheduled on December 9, Signify will provide more details on its expectations for the medium-term.

¹This press release contains certain non-IFRS financial measures and ratios, such as comparable sales growth, EBITA, adjusted EBITA and free cash flow, and related ratios, which are not recognized measures of financial performance or liquidity under IFRS. For a reconciliation of these non-IFRS financial measures to the most directly comparable IFRS financial measures, see appendix B, Reconciliation of non-IFRS financial measures, of this press release.
²Changes in scope relate to the consolidation of Cooper Lighting and Klite

Financial review

| Third quarter | | | | Nine months | | |
|---------------|--------------|--------------|---|--------------|--------------|---------------|
| 2019 | 2020 | change | <i>in millions of EUR, except percentages</i> | 2019 | 2020 | change |
| | | -8.3% | Comparable sales growth | | | -15.3% |
| | | -3.6% | <i>Effects of currency movements</i> | | | -1.2% |
| | | 24.0% | <i>Consolidation and other changes</i> | | | 19.3% |
| 1,542 | 1,728 | 12.1% | Sales | 4,497 | 4,624 | 2.8% |
| 585 | 689 | 17.8% | Adjusted gross margin | 1,699 | 1,801 | 6.0% |
| 37.9% | 39.9% | | Adj. gross margin (as % of sales) | 37.8% | 39.0% | |
| -377 | -443 | | Adj. SG&A expenses | -1,155 | -1,237 | |
| -65 | -77 | | Adj. R&D expenses | -201 | -211 | |
| -442 | -520 | -17.7% | Adj. indirect costs | -1,356 | -1,448 | -6.8% |
| 28.7% | 30.1% | | Adj. indirect costs (as % of sales) | 30.2% | 31.3% | |
| 169 | 199 | 17.7% | Adjusted EBITA | 416 | 444 | 6.6% |
| 11.0% | 11.5% | | Adjusted EBITA margin | 9.3% | 9.6% | |
| -31 | -38 | | Adjusted items | -80 | -93 | |
| 138 | 161 | 16.6% | EBITA | 336 | 351 | 4.4% |
| 114 | 131 | 14.9% | Income from operations (EBIT) | 263 | 261 | -0.7% |
| -11 | -16 | | Net financial income/expense | -32 | -42 | |
| -28 | -25 | | Income tax expense | -63 | -21 | |
| 74 | 90 | 21.0% | Net income | 169 | 198 | 17.3% |
| 45 | 214 | | Free cash flow | 220 | 484 | |
| 0.58 | 0.67 | | Basic EPS (€) | 1.34 | 1.53 | |
| 27,337 | 37,057 | | Employees (FTE) | 27,337 | 37,057 | |

Third quarter

Sales amounted to EUR 1,728 million, a nominal increase of 12.1%. Adjusted for 3.6% negative currency effects and 24.0% consolidation, comparable sales decreased by 8.3%. LED-based sales decreased by 8.2% and now account for 82% of total sales. The adjusted gross margin increased by 200 bps to 39.9%, including a currency effect of -10 bps, largely as a result of solid pricing management. The adjusted indirect costs increased by EUR 78 million. Excluding currency effects and changes in scope, the adjusted indirect costs are down EUR 22 million, or 4.9%. Adjusted EBITA amounted to EUR 199 million, a 17.7% increase compared to the same period last year. The Adjusted EBITA margin improved by 50 bps to 11.5%, mainly driven by the robust gross margin improvement. Total restructuring costs were EUR 25 million and acquisition-related charges and other incidentals were EUR 13 million. Net income increased from EUR 74 million last year to EUR 90 million in Q3 20. Free cash flow amounted to EUR 214 million, reflecting profitability improvements, strong working capital management and the consolidation of Cooper Lighting and Klite.

Growing profit engines

| <i>In percentages</i> | CSG | | Adj. EBITA margin | |
|-------------------------------|-------------|--------------|-------------------|--------------|
| | Q3 2019 | Q3 2020 | Q3 2019 | Q3 2020 |
| Digital Solutions | 1.7% | -11.2% | 12.3% | 11.7% |
| Digital Products | 0.1% | -2.0% | 9.4% | 13.1% |
| Growing profit engines | 1.0% | -7.9% | 11.0% | 12.3% |

Third quarter

Comparable sales of the growing profit engines declined by 7.9% due to the ongoing spread of COVID-19 and the measures taken by governments and customers. Despite the decline in top-line, the growing profit engines have improved the Adjusted EBITA margin by 130 bps to 12.3%, with a particularly strong margin improvement in the Digital Products division, driven by an increase in gross margin and indirect cost savings.

Digital Solutions

| Third quarter | | | | Nine months | | |
|---------------|-------|--------|---|-------------|-------|--------|
| 2019 | 2020 | change | <i>in millions of EUR, unless otherwise indicated</i> | 2019 | 2020 | change |
| | | -11.2% | Comparable sales growth | | | -16.0% |
| 698 | 916 | 31.2% | Sales | 1,929 | 2,336 | 21.1% |
| 86 | 107 | 24.4% | Adjusted EBITA | 174 | 225 | 29.6% |
| 12.3% | 11.7% | | Adjusted EBITA margin | 9.0% | 9.6% | |
| 86 | 78 | -8.7% | EBITA | 151 | 155 | 2.8% |
| 63 | 50 | -21.3% | Income from operations (EBIT) | 84 | 72 | -14.0% |

Third quarter

Sales amounted to EUR 916 million, a nominal increase of 31.2% as a result of the consolidation of Cooper Lighting. Comparable sales declined by 11.2% and reflects a continued difficult market environment, albeit an improved trend compared with last quarter. The most severely impacted markets were Latin America, Canada, India, Southeast Asia, Italy and France. LED-based sales accounted for 92% of total sales including Cooper Lighting. Connected-based sales represented 27% of total sales excluding Cooper Lighting. Adjusted EBITA amounted to EUR 107 million, resulting in an Adjusted EBITA margin of 11.7%. Adjusted EBITA margin remained stable year-on-year when including the pro-forma Cooper Lighting financials in Q3 19.

Digital Products

| Third quarter | | | | Nine months | | |
|---------------|-------|--------|---|-------------|-------|--------|
| 2019 | 2020 | change | <i>in millions of EUR, unless otherwise indicated</i> | 2019 | 2020 | change |
| | | -2.0% | Comparable sales growth | | | -12.6% |
| 565 | 575 | 1.9% | Sales | 1,681 | 1,577 | -6.2% |
| 53 | 76 | 42.2% | Adjusted EBITA | 145 | 167 | 15.2% |
| 9.4% | 13.1% | | Adjusted EBITA margin | 8.6% | 10.6% | |
| 35 | 73 | 111.3% | EBITA | 118 | 154 | 31.0% |
| 33 | 71 | 115.7% | Income from operations (EBIT) | 114 | 149 | 30.9% |

Third quarter

Sales amounted to EUR 575 million, a nominal increase of 1.9% and a decrease of 2.0% on a comparable basis. Connected-based sales represented 21% of total sales. While demand in the OEM and Professional channels continued to be impacted by the measures taken by governments and customers, sales in the consumer channel showed a strong performance, particularly in the connected home category for which sell-out rates remained robust. Adjusted EBITA amounted to EUR 76 million, resulting in an improvement in the Adjusted EBITA margin of 370 bps driven by a positive mix impact from connected home, solid price management and continued bill-of-material savings, and the ongoing successful integration of Klite.

Conventional Products

| Third quarter | | | | Nine months | | | |
|---------------|-------|--------|---|-------------|-------|--------|--|
| 2019 | 2020 | change | <i>in millions of EUR, unless otherwise indicated</i> | 2019 | 2020 | change | |
| | | -11.0% | Comparable sales growth | | | -18.1% | |
| 274 | 233 | -15.0% | Sales | 869 | 701 | -19.4% | |
| 53 | 42 | -21.4% | Adjusted EBITA | 172 | 124 | -28.0% | |
| 19.4% | 17.9% | | Adjusted EBITA margin | 19.8% | 17.7% | | |
| 41 | 35 | -13.7% | EBITA | 152 | 119 | -21.5% | |
| 41 | 35 | -13.7% | Income from operations (EBIT) | 151 | 119 | -21.4% | |

Third quarter

Sales amounted to EUR 233 million, a comparable decrease of 11.0%. Despite the impact of the pandemic, Conventional Products showed a solid performance mainly as a result of strong demand for consumer lamps, UV-C lighting and horticulture lighting. The division continued to gain market share and generate solid free cash flow.

Other

Third quarter

Other represents amounts not allocated to the operating segments and includes certain costs related to central R&D activities to drive innovation as well as group enabling functions. Adjusted EBITA amounted to EUR -26 million (Q3 19: EUR -23 million). EBITA amounted to EUR -25 million (Q3 19: EUR -23 million). Restructuring costs and other incidentals were insignificant during the quarter.

Sales by market

| Third quarter | | | | Nine months | | | | |
|---------------|--------------|--------------|--------------|---|--------------|--------------|-------------|---------------|
| 2019 | 2020 | Change | CSG | <i>in millions of EUR, except percentages</i> | 2019 | 2020 | change | CSG |
| 553 | 523 | -5.3% | -3.8% | Europe | 1,585 | 1,431 | -9.8% | -8.8% |
| 433 | 659 | 52.1% | -13.2% | Americas | 1,295 | 1,758 | 35.7% | -17.6% |
| 466 | 404 | -13.2% | -8.2% | Rest of the World | 1,356 | 1,050 | -22.5% | -20.7% |
| 91 | 141 | 56.2% | 1.7% | Global businesses | 261 | 385 | 47.3% | -9.9% |
| 1,542 | 1,728 | 12.1% | -8.3% | Total | 4,497 | 4,624 | 2.8% | -15.3% |

In 2020 Americas include Cooper Lighting and Global businesses include Klite

Third quarter

Comparable sales in Europe decreased by 3.8%, following gradual recoveries in markets such as the Benelux, Nordics and Germany. Comparable sales in the Americas decreased by 13.2% reflecting continued challenging market conditions. In the Rest of the World, comparable sales declined by 8.2%, with a negative impact in particular from India, Indonesia and Southeast Asia. In China, demand continues to show signs of recovery.

Working capital

| | 30 Sep, 2019 | 30 Jun, 2020 | 30 Sep, 2020 |
|---|--------------|--------------|--------------|
| <i>in millions of EUR, unless otherwise indicated</i> | | | |
| Inventories | 1,030 | 1,032 | 1,000 |
| Trade and other receivables | 1,213 | 1,096 | 1,155 |
| Trade and other payables | (1,582) | (1,659) | (1,749) |
| Other working capital items 2) | (74) | (17) | 37 |
| Working capital | 588 | 452 | 443 |
| As % of LTM* sales | 9.4% | 7.3% | 7.0% |

* LTM: Last Twelve Months

Third quarter

Working capital improved by EUR 145 million to EUR 443 million year-on-year, reflecting solid inventory and receivables management, notwithstanding the addition of Cooper Lighting's working capital. Working capital represents 7.0% of sales, compared with 9.4% at the end of September 2019. Working capital improved by 300 bps to 6.4% of sales when including pro-forma last twelve-months sales for both Cooper Lighting and Klite.

Cash flow analysis

| Third quarter | | <i>in millions of EUR</i> | Nine months | |
|---------------|------------|---------------------------------------|-------------|------------|
| 2019 | 2020 | | 2019 | 2020 |
| 114 | 131 | Income from operations (EBIT) | 263 | 261 |
| 74 | 82 | Depreciation and amortization | 211 | 245 |
| 44 | 40 | Additions to (releases of) provisions | 113 | 97 |
| -67 | -40 | Utilizations of provisions | -177 | -138 |
| -69 | 46 | Change in working capital | -42 | 120 |
| -3 | -4 | Net interest and financing costs paid | -13 | -27 |
| -25 | -23 | Income taxes paid | -64 | -51 |
| -8 | -26 | Net capex | -44 | -47 |
| -14 | 9 | Other | -27 | 24 |
| 45 | 214 | Free cash flow | 220 | 484 |

Third quarter

Free cash flow amounted to EUR 214 million. This is reflecting higher profitability, strong working capital management and the consolidation of Cooper Lighting and Klite. Free cash flow included a restructuring payout of EUR 11 million (Q3 19: EUR 20 million).

Net debt and total equity

| <i>in millions of EUR</i> | 30 Sep, 2019 | 30 Jun, 2020 | 30 Sep, 2020 |
|---------------------------|--------------|--------------|--------------|
| Short-term debt | 117 | 113 | 100 |
| Long-term debt | 1,379 | 2,619 | 2,251 |
| Gross debt | 1,496 | 2,732 | 2,351 |
| Cash and cash equivalents | 639 | 1,026 | 762 |
| Net debt | 857 | 1,706 | 1,589 |
| Total equity | 2,200 | 2,341 | 2,295 |

Third quarter

Following the debt prepayment of EUR 350 million to reduce our overall gross debt position, our cash position decreased by EUR 264 million to EUR 762 million compared with the end of June 2020. Net debt amounted to EUR 1,589 million, a decrease of EUR 117 million compared with the end of June 2020. Net leverage reduced from 2.4x at the end of June 2020 to 2.2x at the end of September 2020, which is in line with our deleveraging strategy. Total equity decreased to EUR 2,295 million at the end of Q3 (Q2 20: EUR 2,341 million), primarily due to currency translation results and the purchase of treasury shares to cover employee long term incentive plans, offset partly by 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), René van Schooten (CFO) and Javier van Engelen (CFO) will host a conference call for analysts and institutional investors at 9:00 a.m. CET to discuss third quarter 2020 results. A live audio webcast of the conference call will be available via the [Investor Relations website](#).

Financial calendar 2020

| | |
|------------------|---|
| October 27, 2020 | EGM 2020 |
| December 9, 2020 | Capital Markets Day 2020 |
| January 29, 2021 | Fourth quarter and full year results 2020 |

For further information, please contact:

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About Signify

[Signify](#) (Euronext: LIGHT) is the world leader in lighting for professionals and consumers and lighting for the Internet of Things. Our [Philips](#) products, [Interact](#) connected lighting systems and data-enabled services, deliver business value and transform life in homes, buildings and public spaces. With 2019 sales of EUR 6.2 billion, we have approximately 37,000 employees and are present in over 70 countries. We unlock the extraordinary potential of light for brighter lives and a better world. We [achieved](#) carbon neutrality in 2020 and have been named [Industry Leader](#) in the Dow Jones Sustainability Index for three years in a row. 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 2019 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 2019.

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 2019.

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 2019 and semi-annual report 2020.

Change in reporting segments

Effective Q2 2020, to further adapt to the industry transition and strengthen customer centricity, Signify changed the organizational structure, which included changing the previously four business groups (BG’s) to three divisions.

- **Division Digital Solutions** (formerly BG Professional, including Cooper Lighting Solutions) offers luminaires, lighting systems and services for the Internet of Things to the customers in the professional segment;
- **Division Digital Products** (combines BG LED and BG Home). This division offers LED lamps, LED luminaires and connected products, including Hue and Wiz, and LED electronics to professional customers, OEM partners and consumers. By bringing together its entire consumer LED portfolio, Signify can better manage this lighting category for its channel partners; and

- **Division Conventional Products** (formerly BG Lamps) continues to focus on conventional lamps and electronics for professional customers, OEM partners and consumers. It is organized separately to bring a clear distinction between conventional and digital offerings.

In line with this change, effective Q2 2020, Signify's operating segments are Digital Solutions, Digital Products, and Conventional Products. The segments are organized based on the nature of the products and services. 'Other' represents amounts not allocated to the operating segments and includes certain costs related to central R&D activities to drive innovation as well as group enabling functions.

Market Abuse Regulation

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

Appendix A – Financial statement information

A. Condensed consolidated statement of income

In millions of EUR unless otherwise stated

| | Third quarter | | January to September | |
|--|---------------|------------|----------------------|--------------|
| | 2019 | 2020 | 2019 | 2020 |
| Sales | 1,542 | 1,728 | 4,497 | 4,624 |
| Cost of sales | (967) | (1,060) | (2,819) | (2,855) |
| Gross margin | 575 | 668 | 1,678 | 1,768 |
| Selling, general and administrative expenses | (406) | (458) | (1,219) | (1,296) |
| Research and development expenses | (68) | (80) | (207) | (216) |
| Impairment of goodwill | — | — | — | — |
| Other business income | 15 | 4 | 18 | 9 |
| Other business expenses | (2) | (2) | (7) | (5) |
| Income from operations | 114 | 131 | 263 | 261 |
| Financial income | 4 | 4 | 12 | 13 |
| Financial expenses | (15) | (20) | (44) | (55) |
| Results relating to investments in associates | 0 | 0 | 1 | 0 |
| Income before taxes | 103 | 115 | 232 | 219 |
| Income tax expense | (28) | (25) | (63) | (21) |
| Net income | 74 | 90 | 169 | 198 |
| Attribution of net income for the period: | | | | |
| Net income (loss) attributable to shareholders of Signify N.V. | 73 | 85 | 169 | 194 |
| Net income (loss) attributable to non-controlling interests | 1 | 5 | 0 | 4 |

Amounts may not add up due to rounding

B. Condensed consolidated statement of comprehensive income

In millions of EUR

| | Third quarter | | January to September | |
|---|---------------|--------------|----------------------|--------------|
| | 2019 | 2020 | 2019 | 2020 |
| Net income (loss) | 74 | 90 | 169 | 198 |
| Pensions and other post-employment plans: | | | | |
| Remeasurements | — | (5) | (2) | (5) |
| Income tax effect on remeasurements | — | — | — | — |
| Total of items that will not be reclassified to profit or loss | — | (5) | (2) | (5) |
| Currency translation differences: | | | | |
| Net current period change, before tax | 73 | (139) | 91 | (251) |
| Income tax effect | — | — | (1) | — |
| Net investment hedge | | | | |
| Net current period change, before tax | — | 16 | — | 22 |
| Income tax effect | — | — | — | — |
| Cash flow hedges: | | | | |
| Net current period change, before tax | (10) | 19 | (5) | 24 |
| Income tax effect | 2 | (4) | 2 | (5) |
| Total of items that are or may be reclassified to profit or loss | 65 | (108) | 86 | (210) |
| Other comprehensive income (loss) | 65 | (113) | 83 | (216) |
| Total comprehensive income (loss) | 140 | (23) | 252 | (18) |
| Total comprehensive income (loss) attributable to: | | | | |
| Shareholders of Signify N.V. | 135 | (26) | 249 | (18) |
| Non-controlling interests | 4 | 3 | 3 | — |

Amounts may not add up due to rounding.

C. Condensed consolidated statement of financial position

In millions of EUR

| | December 31, 2019 | September 30, 2020 |
|---|----------------------|-----------------------|
| Non-current assets | | |
| Property, plant and equipment | 644 | 738 |
| Goodwill | 1,943 | 2,331 |
| Intangible assets, other than goodwill | 443 | 831 |
| Investments in associates | 14 | 11 |
| Financial assets | 49 | 58 |
| Deferred tax assets | 384 | 468 |
| Other assets | 64 | 60 |
| Total non-current assets | 3,541 | 4,498 |
| Current assets | | |
| Inventories | 874 | 1,000 |
| Financial assets | — | — |
| Other assets | 161 | 213 |
| Derivative financial assets | 16 | 60 |
| Income tax receivable | 48 | 53 |
| Trade and other receivables | 1,223 | 1,155 |
| Cash and cash equivalents | 847 | 762 |
| Assets classified as held for sale | 4 | — |
| Total current assets | 3,174 | 3,243 |
| Total assets | 6,715 | 7,740 |
| Equity | | |
| Shareholders' equity | 2,181 | 2,152 |
| Non-controlling interests | 142 | 143 |
| Total equity | 2,324 | 2,295 |
| Non-current liabilities | | |
| Debt | 1,369 | 2,251 |
| Post-employment benefits | 437 | 420 |
| Provisions | 216 | 228 |
| Deferred tax liabilities | 28 | 26 |
| Income tax payable | 52 | 102 |
| Other liabilities | 135 | 142 |
| Total non-current liabilities | 2,236 | 3,168 |
| Current liabilities | | |
| Debt, including bank overdrafts | 96 | 100 |
| Derivative financial liabilities | 20 | 16 |
| Income tax payable | 22 | 37 |
| Trade and other payables | 1,684 | 1,749 |
| Provisions | 149 | 155 |
| Other liabilities | 183 | 220 |
| Liabilities from assets classified as held for sale | 2 | — |
| Total current liabilities | 2,155 | 2,277 |
| Total liabilities and total equity | 6,715 | 7,740 |

Amounts may not add up due to rounding.

D. Condensed consolidated statement of cash flows

In millions of EUR

| | Third quarter | | January to September | |
|---|-------------------|--------------|----------------------|----------------|
| | 2019 ¹ | 2020 | 2019 ¹ | 2020 |
| Cash flows from operating activities | | | | |
| Net income (loss) | 74 | 90 | 169 | 198 |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | 147 | 169 | 404 | 423 |
| • Depreciation, amortization and impairment of non-financial assets | 74 | 82 | 211 | 245 |
| • Impairment (reversal) of goodwill, other non-current financial assets and investments in associates | — | — | — | — |
| • Net gain on sale of assets | (9) | — | (10) | (1) |
| • Net interest expense on debt, borrowings and other liabilities | 3 | 9 | 11 | 24 |
| • Income tax expense | 28 | 25 | 63 | 21 |
| • Additions to (releases of) provisions | 37 | 35 | 95 | 82 |
| • Additions to (releases of) post-employment benefits | 6 | 4 | 18 | 15 |
| • Other items | 7 | 14 | 15 | 37 |
| Decrease (increase) in working capital: | (69) | 46 | (42) | 120 |
| • Decrease (increase) in trade and other receivables | (2) | (91) | 41 | 214 |
| • Decrease (increase) in inventories | (23) | 5 | (135) | (52) |
| • Increase (decrease) in trade and other payables | (55) | 124 | 38 | (78) |
| • Increase (decrease) in other current assets and liabilities | 10 | 8 | 14 | 36 |
| Increase (decrease) in other non-current assets and liabilities | (4) | 1 | (12) | 7 |
| Utilizations of provisions | (41) | (32) | (133) | (114) |
| Utilizations of post-employment benefits | (27) | (8) | (44) | (24) |
| Net interest and financing costs paid | (3) | (4) | (13) | (27) |
| Income taxes paid | (25) | (23) | (64) | (51) |
| Net cash provided by (used for) operating activities | 53 | 240 | 265 | 532 |
| Cash flows from investing activities | | | | |
| Net capital expenditures: | (8) | (26) | (44) | (47) |
| • Additions of intangible assets | (6) | (10) | (22) | (23) |
| • Capital expenditures on property, plant and equipment | (12) | (17) | (35) | (45) |
| • Proceeds from disposal of property, plant and equipment | 11 | 1 | 13 | 21 |
| Net proceeds from (cash used for) derivatives and other financial assets | (2) | (36) | (1) | (29) |
| Purchases of businesses, net of cash acquired | (4) | (11) | (24) | (1,285) |
| Proceeds from sale of businesses, net of cash disposed of | — | — | 5 | 2 |
| Net cash provided by (used for) investing activities | (14) | (73) | (64) | (1,360) |
| Cash flows from financing activities | | | | |
| Dividend paid | (1) | — | (165) | — |
| Proceeds from issuance of debt | 11 | 1 | 12 | 3,737 |
| Repayment of debt | (41) | (369) | (96) | (2,898) |
| Purchase of treasury shares | — | (32) | (6) | (38) |
| Net cash provided by (used for) financing activities | (32) | (400) | (255) | 801 |
| Net cash flows | 7 | (233) | (54) | (28) |
| Effect of changes in exchange rates on cash and cash equivalents and bank overdrafts | 12 | (28) | 21 | (56) |
| Cash and cash equivalents and bank overdrafts at the beginning of the period ² | 612 | 1,016 | 664 | 840 |
| Cash and cash equivalents and bank overdrafts at the end of the period³ | 631 | 756 | 631 | 756 |

¹ Certain reclassifications have been made to prior year figures to conform with current year presentation. Refer to our Annual Report 2019 for further details of the reclassifications. These reclassifications did not impact net cash flows, or total cash flows from operating, investing and financing activities.

² For Q3 2020 and Q3 2019, included bank overdrafts of EUR 10 million and EUR 9 million, respectively. For January to September of 2020 and 2019, included bank overdrafts of EUR 7 million and EUR 12 million, respectively.

³ Included bank overdrafts of EUR 6 million and EUR 7 million as at September 30, 2020 and 2019, respectively.

Amounts may not add up due to rounding.

Appendix B - Reconciliation of non-IFRS financial measures

Change in reporting segments

As indicated in the Important Information section, Signify changed its segment reporting. The main change relates to combining BG LED and BG Home into division Digital Products. The comparatives 2019 in below tables have been updated to reflect the updated segment structure.

Sales growth composition per business in %

| | Third quarter | | | |
|-----------------------|-------------------|------------------|---------------------------------|----------------|
| | Comparable growth | Currency effects | Consolidation and other changes | Nominal growth |
| 2020 vs 2019 | | | | |
| Digital Solutions | (11.2) | (3.4) | 45.8 | 31.2 |
| Digital Products | (2.0) | (3.9) | 7.8 | 1.9 |
| Conventional Products | (11.0) | (3.8) | (0.3) | (15.0) |
| Total | (8.3) | (3.6) | 24.0 | 12.1 |

| | January to September | | | |
|-----------------------|----------------------|------------------|---------------------------------|----------------|
| | Comparable growth | Currency effects | Consolidation and other changes | Nominal growth |
| 2020 vs 2019 | | | | |
| Digital Solutions | (16.0) | (1.1) | 38.2 | 21.1 |
| Digital Products | (12.6) | (1.4) | 7.8 | (6.2) |
| Conventional Products | (18.1) | (1.1) | (0.2) | (19.4) |
| Total | (15.3) | (1.2) | 19.3 | 2.8 |

Sales growth composition per market in %

| | Third quarter | | | |
|---------------------|-------------------|------------------|---------------------------------|----------------|
| | Comparable growth | Currency effects | Consolidation and other changes | Nominal growth |
| 2020 vs 2019 | | | | |
| Europe | (3.8) | (1.2) | (0.4) | (5.3) |
| Americas | (13.2) | (4.7) | 70.0 | 52.1 |
| Rest of the World | (8.2) | (5.1) | 0.1 | (13.2) |
| Global businesses | 1.7 | (2.8) | 57.2 | 56.2 |
| Total | (8.3) | (3.6) | 24.0 | 12.1 |

| | January to September | | | |
|---------------------|----------------------|------------------|---------------------------------|----------------|
| | Comparable growth | Currency effects | Consolidation and other changes | Nominal growth |
| 2020 vs 2019 | | | | |
| Europe | (8.8) | (0.7) | (0.3) | (9.8) |
| Americas | (17.6) | (1.2) | 54.6 | 35.7 |
| Rest of the World | (20.7) | (1.9) | 0.1 | (22.5) |
| Global businesses | (9.9) | (1.3) | 58.5 | 47.3 |
| Total | (15.3) | (1.2) | 19.3 | 2.8 |

*In 2020 Americas include Cooper Lighting and Global businesses include Klite
Amounts may not add up due to rounding.*

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

| | Signify | Digital Solutions | Digital Products | Conventional Products | Other |
|---|------------|-------------------|------------------|-----------------------|-------------|
| Third quarter 2020 | | | | | |
| Adjusted EBITA | 199 | 107 | 76 | 42 | (26) |
| Restructuring | (25) | (14) | (3) | (8) | — |
| Acquisition-related charges | (14) | (15) | 1 | — | — |
| Incidental items | 1 | (1) | — | 1 | — |
| EBITA | 161 | 78 | 73 | 35 | (25) |
| Amortization ¹ | (31) | (28) | (2) | — | 0 |
| Income from operations (or EBIT) | 131 | 50 | 71 | 35 | (26) |
| Third quarter 2019 | | | | | |
| Adjusted EBITA | 169 | 86 | 53 | 53 | (23) |
| Restructuring | (24) | (1) | (13) | (8) | (2) |
| Acquisition-related charges | (1) | — | (1) | — | — |
| Incidental items | (6) | 1 | (5) | (5) | 3 |
| EBITA | 138 | 86 | 35 | 41 | (23) |
| Amortization ¹ | (25) | (22) | (2) | — | (1) |
| Income from operations (or EBIT) | 114 | 63 | 33 | 41 | (23) |

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

| | Signify | Digital Solutions | Digital Products | Conventional Products | Other |
|---|------------|-------------------|------------------|-----------------------|-------------|
| January to September 2020 | | | | | |
| Adjusted EBITA | 444 | 225 | 167 | 124 | (72) |
| Restructuring | (40) | (19) | (7) | (10) | (4) |
| Acquisition-related charges | (47) | (46) | (1) | — | — |
| Incidental items | (7) | (5) | (4) | 5 | (2) |
| EBITA | 351 | 155 | 154 | 119 | (78) |
| Amortization ¹ | (90) | (83) | (6) | — | (1) |
| Income from operations (or EBIT) | 261 | 72 | 149 | 119 | (79) |
| January to September 2019 | | | | | |
| Adjusted EBITA | 416 | 174 | 145 | 172 | (74) |
| Restructuring | (57) | (16) | (16) | (13) | (12) |
| Acquisition-related charges | (2) | (1) | (1) | — | — |
| Incidental items | (21) | (5) | (10) | (7) | 1 |
| EBITA | 336 | 151 | 118 | 152 | (85) |
| Amortization ¹ | (73) | (67) | (4) | — | (2) |
| Income from operations (or EBIT) | 263 | 84 | 114 | 151 | (86) |

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

Amounts may not add up due to rounding.

Third quarter 2020 Income from operations to Adjusted EBITA in millions of EUR

| | Reported | Restructuring | Acquisition related charges | Incidental items ² | Adjusted |
|--|--------------|---------------|-----------------------------|-------------------------------|--------------|
| Third quarter 2020 | | | | | |
| Sales | 1,728 | — | — | — | 1,728 |
| Cost of sales | (1,060) | 20 | 3 | (1) | (1,039) |
| Gross margin | 668 | 20 | 3 | (1) | 689 |
| Selling, general and administrative expenses | (458) | 2 | 12 | 1 | (443) |
| Research and development expenses | (80) | 3 | — | — | (77) |
| Indirect costs¹ | (538) | 5 | 12 | 1 | (520) |
| Impairment of goodwill | — | — | — | — | — |
| Other business income | 4 | — | (1) | (1) | 1 |
| Other business expenses | (2) | — | — | 1 | (1) |
| Income from operations | 131 | 25 | 14 | (1) | 168 |
| Amortization | (31) | — | — | — | (31) |
| Income from operations excluding amortization (EBITA) | 161 | 25 | 14 | (1) | 199 |
| Third quarter 2019 | | | | | |
| Sales | 1,542 | — | — | — | 1,542 |
| Cost of sales | (967) | 8 | — | 2 | (957) |
| Gross margin | 575 | 8 | — | 2 | 585 |
| Selling, general and administrative expenses | (406) | 13 | 1 | 15 | (377) |
| Research and development expenses | (68) | 2 | — | — | (65) |
| Indirect costs | (474) | 16 | 1 | 15 | (442) |
| Impairment of goodwill | — | — | — | — | — |
| Other business income | 15 | — | — | (11) | 3 |
| Other business expenses | (2) | — | — | 1 | (2) |
| Income from operations | 114 | 24 | 1 | 6 | 144 |
| Amortization | (25) | — | — | — | (25) |
| Income from operations excluding amortization (EBITA) | 138 | 24 | 1 | 6 | 169 |

¹ Adj. indirect costs included a positive currency impact of EUR 12 million and changes in scope of EUR 112 million in Q3 20. Adjusting for the currency and changes in scope, indirect costs reduced by EUR 22 million on a comparable basis.

² Incidental items are non-recurring by nature and relate to separation, company name change, transformation, environmental provision for inactive sites and discounting effect of long-term provisions.

Amounts may not add up due to rounding.

January to September 2020 Income from operations to Adjusted EBITA in millions of EUR

| | Reported | Restructuring | Acquisition related charges | Incidental items ² | Adjusted |
|--|----------------|---------------|-----------------------------|-------------------------------|----------------|
| January to September 2020 | | | | | |
| Sales | 4,624 | — | — | — | 4,624 |
| Cost of sales | (2,855) | 22 | 17 | (6) | (2,823) |
| Gross margin | 1,768 | 22 | 17 | (6) | 1,801 |
| Selling, general and administrative expenses | (1,296) | 13 | 31 | 15 | (1,237) |
| Research and development expenses | (216) | 4 | — | — | (211) |
| Indirect costs | (1,512) | 17 | 31 | 15 | (1,448) |
| Impairment of goodwill | — | — | — | — | — |
| Other business income | 9 | — | (1) | (1) | 7 |
| Other business expenses | (5) | — | — | — | (5) |
| Income from operations | 261 | 40 | 47 | 7 | 354 |
| Amortization | (90) | — | — | — | (90) |
| Income from operations excluding amortization (EBITA) | 351 | 40 | 47 | 7 | 444 |
| January to September 2019 | | | | | |
| Sales | 4,497 | — | — | — | 4,497 |
| Cost of sales | (2,819) | 19 | — | 2 | (2,798) |
| Gross margin | 1,678 | 19 | — | 2 | 1,699 |
| Selling, general and administrative expenses | (1,219) | 32 | 2 | 30 | (1,155) |
| Research and development expenses | (207) | 6 | — | — | (201) |
| Indirect costs | (1,426) | 38 | 2 | 30 | (1,356) |
| Impairment of goodwill | — | — | — | — | — |
| Other business income | 18 | — | — | (12) | 6 |
| Other business expenses | (7) | — | — | 1 | (6) |
| Income from operations | 263 | 57 | 2 | 21 | 343 |
| Amortization | (73) | — | — | — | (73) |
| Income from operations excluding amortization (EBITA) | 336 | 57 | 2 | 21 | 416 |

² Incidental items are non-recurring by nature and relate to separation, company name change, transformation, environmental provision for inactive sites and discounting effect of long-term provisions.

Amounts may not add up due to rounding.

Appendix C – Financial glossary

Acquisition-related charges

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

Adjusted EBITA

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

Adjusted EBITA margin

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

Adjusted gross margin

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

Adjusted indirect costs

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

Adjusted R&D expenses

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

Adjusted SG&A expenses

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

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