Press Release

October 26, 2018

Signify reports third quarter sales of EUR 1.6 billion, improvement in operational profitability by 150 bps to 12.0% and free cash flow to EUR 64 million

Third quarter 2018[1]

- Sales of EUR 1,594 million; a comparable sales growth of -3.2%
- LED-based sales represented 70% of total sales (Q3 2017: 68%) and grew by 0.1% on a comparable basis
- Currency comparable adj. indirect costs down EUR 58 million, a reduction of 11%, or 260 basis points of sales
- Adj. EBITA of EUR 191 million (Q3 2017: EUR 176 million), impacted by currency effects of EUR -14 million
- Adj. EBITA margin of 12.0% (Q3 2017: 10.5%), including a currency impact of -60 basis points
- Net income of EUR 93 million (Q3 2017: EUR 110 million including a net real estate gain of EUR 21 million), with EUR 8 million higher restructuring costs compared with last year
- Working capital improved by 240 basis points to 10.1% of sales
- Free cash flow of EUR 64 million (Q3 2017: EUR -5 million including EUR 21 million real estate proceeds)

Eindhoven, the Netherlands – Signify (Euronext: LIGHT), the world leader in lighting, today announced the company's 2018 third quarter results. "We substantially improved our profitability and free cash flow in the third quarter, while our sales performance was impacted by more challenging market conditions in several geographies and a strong base of comparison. We are pleased with the progress of our simplification and cost reduction actions which contributed to our operating margin and cash performances," said CEO Eric Rondolat. "Meanwhile, we continue to invest in growth and innovation to capture the strategic opportunities of smart and connected lighting and our teams remain focused on strengthening our leadership in changing market conditions."

Outlook

The company expects its comparable sales growth in the second half of the year to be similar to the first half. Taking into account the solid progress in cost savings, the company remains confident that it will be able to improve the Adjusted EBITA margin to the lower end of the 10.0-10.5% range. The company also continues to expect to generate a solid free cash flow in 2018, which will be somewhat lower than the level in 2017 due to higher restructuring payments.

[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.

Share repurchase program

On July 30, 2018, Signify announced the start of a share repurchase program to buy back up to EUR 230 million of its own shares to reduce the company's capital. Up to October 19, 2018, the company repurchased 5,930,512 shares under this program for a total consideration of EUR 138 million. More details can be found on the Signify Investor Relations website.

Financial review

Changes to financial reporting

Since the first quarter of 2018, Signify reports and discusses its financial performance based on the portfolio changes that were announced in the first quarter of 2018. In March 2018, the company provided an update to show the effect of changes to the business portfolio as well as changes to the allocation methods of centrally-managed costs and to the threshold for other incidental items as adjusting items when presenting certain non-IFRS measures such as Adjusted EBITA. More details can be found on page 9.

Third quarter				Nine months		
2017	2018	change	*in € million, unless otherwise indicated*	2017	2018	change
		-3.2%	**Comparable sales growth**			**-3.4%**
		-2.1%	*Effects of currency movements*			*-4.9%*
		0.0%	*Consolidation and other changes*			*-0.4%*
1,684	**1,594**	-5.3%	**Sales**	**5,073**	**4,633**	-8.7%
674	623	-7.6%	Adjusted gross margin	2,023	1,786	-11.7%
40.0%	**39.1%**		**Adj. gross margin (as % of sales)**	**39.9%**	**38.5%**	
-436	-388		Adj. SG&A expenses	-1,382	-1,210	
-87	-70		Adj. R&D expenses	-260	-223	
-523	-458	12.4%	Adj. indirect costs	-1,642	-1,434	12.7%
31.1%	**28.7%**		**Adj. indirect costs (as % of sales)**	**32.4%**	**30.9%**	
176	191	8.1%	Adjusted EBITA	462	426	-7.8%
10.5%	**12.0%**		**Adjusted EBITA margin**	**9.1%**	**9.2%**	
14	-24		Adjusted items	-10	-119	
191	167	-12.5%	EBITA	452	307	-32.2%
161	**143**	**-11.0%**	**Income from operations (EBIT)**	**367**	**237**	**-35.4%**
-10	-12		Net financial income/expense	-32	-34	
-42	-37		Income tax expense	-91	-59	
110	**93**	**-15.1%**	**Net income**	**244**	**142**	**-41.6%**
-5	64		Free cash flow	-30	27	
0.80	0.71		Basic EPS (€)	1.74	1.08	
33,422	29,646		Employees (FTE)	33,422	29,646	

Third quarter

Sales amounted to EUR 1,594 million. Adjusted for -2.1% currency effects, comparable sales decreased by 3.2%. This was mainly due to a high comparison base and challenging market dynamics in several geographies. Comparable LED-based sales now represent 70% of total sales compared with 68% in Q3 2017. The adjusted gross margin declined by 90 basis points to 39.1%, reflecting a negative currency effect of 50 basis points and a high comparison base. Adjusted indirect costs decreased by EUR 65 million, or 230 basis points as a percentage of sales, as we continued to deliver on our cost reduction initiatives. Adjusted EBITA amounted to EUR 191 million, compared with EUR 176 million in the same period last year, and was negatively impacted by EUR 14 million of currency effects. The Adjusted EBITA margin improved by 150 basis points to 12.0%, despite a currency effect of -60 basis points. Restructuring costs were EUR 17 million and incidental charges were EUR 7 million. Net income was EUR 93 million compared with EUR 110 million last year, due to EUR 8 million higher restructuring costs in Q3 2018 and a net real estate gain of EUR 21 million related to Lamps in Q3 2017. Free cash flow amounted to EUR 64 million compared with EUR -5 million last year, mainly driven by an improvement in working capital. Free cash flow in Q3 2017 included proceeds of a real estate sale of EUR 21 million.

Lamps

Third quarter				Nine months		
2017	2018	change	*in € million, unless otherwise indicated*	2017	2018	change
		-11.1%	Comparable sales growth			-15.1%
415	361	-13.0%	Sales	1,355	1,083	-20.0%
82	89	8.4%	Adjusted EBITA	275	242	-12.0%
19.7%	24.6%		Adjusted EBITA margin	20.3%	22.3%	
104	86		EBITA	308	220	
104	86		Income from operations (EBIT)	307	219	

Third quarter

Sales amounted to EUR 361 million, a comparable decrease of 11.1%. This is better than previous quarters, driven by the halogen bulb ban in Europe that came into effect on September 1, 2018, and a solid performance in consumer lamps and certain specialty lighting categories. The decline in comparable sales is estimated to be lower than the market decline, resulting in continued market share gains. The Adjusted EBITA margin improved by 490 basis points to 24.6%. This was mainly driven by a better comparable sales growth performance and a continued reduction in indirect costs. Adjusted EBITA amounted to EUR 89 million.

LED

Third quarter				Nine months		
2017	2018	change	*in € million, unless otherwise indicated*	2017	2018	change
		-1.9%	Comparable sales growth			0.5%
465	444	-4.5%	Sales	1,410	1,331	-5.6%
50	53	6.7%	Adjusted EBITA	140	143	1.9%
10.7%	12.0%		Adjusted EBITA margin	9.9%	10.7%	
49	52		EBITA	140	137	
48	51		Income from operations (EBIT)	137	134	

Third quarter
Sales amounted to EUR 444 million. On a comparable basis, sales declined by 1.9%. While the comparable sales trend in LED electronics continued to improve, the comparable sales growth of LED lamps was impacted by a high comparison base and a soft level of activity with retailers in Europe and the US. Adjusted EBITA increased to EUR 53 million, improving the Adjusted EBITA margin by 130 basis points to 12.0%. The improvement mainly resulted from procurement savings and lower indirect costs, partly offset by price erosion which is slowing.

Professional

Third quarter				Nine months		
2017	2018	change	*in € million, unless otherwise indicated*	2017	2018	change
		0.4%	Comparable sales growth			2.3%
685	675	-1.5%	Sales	1,975	1,920	-2.8%
71	79	11.1%	Adjusted EBITA	136	165	21.6%
10.4%	11.7%		Adjusted EBITA margin	6.9%	8.6%	
62	71		EBITA	101	129	
37	50		Income from operations (EBIT)	25	65	

Third quarter
On a comparable basis, sales increased by 0.4% to EUR 675 million, on the back of a high comparison base in Q3 2017. Growth slowed due to a lower level of market activity, most notably in Europe and China, and a slowdown in medium- to large-sized projects in the US. Adjusted EBITA amounted to EUR 79 million, improving the Adjusted EBITA margin by 130 basis points to 11.7%, mainly driven by lower indirect costs.

Home

Third quarter				Nine months		
2017	2018	change	*in € million, unless otherwise indicated*	2017	2018	change
		-1.4%	Comparable sales growth			-4.4%
115	110	-4.0%	Sales	321	291	-9.3%
0	-8		Adjusted EBITA	-6	-54	
-0.4%	-6.9%		Adjusted EBITA margin	-1.8%	-18.4%	
0	-8		EBITA	6	-59	
-3	-8		Income from operations (EBIT)	1	-60	

Third quarter
Sales amounted to EUR 110 million, a decrease of 1.4% on a comparable basis reflecting a high comparison base as US retail partners started to build up inventories in the third quarter last year. Sales performance improved sequentially as activity returned to more normalized levels. The Adjusted EBITA of EUR -8 million in the third quarter showed a significant improvement compared with the first two quarters of the year, reflecting more normalized activity and the ongoing adaptation of our cost base.

Other

Third quarter
Adjusted EBITA amounted to EUR -23 million (Q3 2017: EUR -26 million). It 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. EBITA amounted to EUR -35 million (Q3 2017: EUR -25 million), including restructuring costs of EUR 5 million (Q3 2017: EUR 1 million). Other incidental items not part of the Adjusted EBITA included EUR 5 million of costs related to the company name change (Q3 2017: EUR 3 million of separation costs and a net gain of EUR 6 million related to the release of a provision originating from the separation).

Sales by market

Third quarter					Nine months			
2017	2018	Change	CSG*	*in € million, except percentages*	2017	2018	change	CSG*
576	560	-2.8%	-2.2%	Europe	1,676	1,642	-2.0%	-1.3%
514	464	-9.7%	-6.6%	Americas	1,587	1,324	-16.6%	-8.3%
470	454	-3.5%	-0.6%	Rest of the World	1,475	1,355	-8.1%	-0.5%
124	117	-5.7%	-3.7%	Global businesses	335	312	-6.8%	-3.0%
1,684	**1,594**	**-5.3%**	**-3.2%**	**Total**	**5,073**	**4,633**	**-8.7%**	**-3.4%**

* *CSG: Comparable sales growth*
***Russia & Central Asia is included in Market Group Europe (was previously part of Rest of the World)*

Third quarter
Comparable sales in Europe decreased by 2.2% which was mostly due to the UK, Spain, Germany and France. In the Americas, comparable sales declined by 6.6%, mainly due to the ongoing decline in Lamps and a high comparison base in Home. Comparable sales for the Rest of the World decreased by 0.6%, with a solid performance in India and Indonesia offset by more challenging market conditions in China.

Working capital

in € million, unless otherwise indicated	30 Sep '17	30 Jun '18	30 Sep '18
Inventories	1,137	1,009	994
Receivables	1,447	1,243	1,259
Accounts and notes payable	-1,015	-967	-957
Accrued liabilities	-452	-414	-431
Other working capital items	-237	-178	-206
Working capital	**879**	**694**	**659**
As % of LTM* sales	12.5%	10.5%	10.1%

* *LTM: Last Twelve Months*

Third quarter
Working capital improved by EUR 220 million to EUR 659 million year-on-year, driven by lower receivables and inventories. As a percentage of sales, working capital reached 10.1% of sales, an improvement of 240 basis points compared with the end of September 2017.

Cash flow analysis

Third quarter 2017	Third quarter 2018	*in € million*	Nine months 2017	Nine months 2018
161	143	Income from operations (EBIT)	367	237
67	57	Depreciation and amortization	197	173
22	35	Additions to (releases of) provisions	102	142
-97	-92	Utilizations of provisions	-221	-213
-107	-14	Change in working capital	-292	-139
-4	-5	Interest paid	-11	-16
-29	-45	Income taxes paid	-84	-101
3	-18	Net capex	-9	-61
-22	3	Other	-80	5
-5	**64**	**Free cash flow**	**-30**	**27**

Third quarter
Free cash flow amounted to EUR 64 million, an improvement compared with EUR -5 million in the same period last year, mainly driven by a reduction in working capital. Free cash flow in Q3 2017 included proceeds of a real estate sale of EUR 21 million.

Free cash flow in the third quarter included a higher restructuring cash-out of EUR 39 million (Q3 2017: EUR 22 million), and an outflow of EUR 4 million related to the company name change (Q3 2017: EUR 8 million related to the separation).

In addition, the company made a contribution of EUR 26 million (USD 30 million) to its pension fund in the US to reduce liabilities and to lower future interest expenses. The contribution was lower than the originally anticipated amount of USD 50 million due to better than anticipated equity returns within the US pension fund.

Net debt

in € million	30 Sep '17	30 Jun '18	30 Sep '18
Short-term debt	139	101	92
Long-term debt	1,176	1,185	1,179
Gross debt	1,314	1,286	1,271
Cash and cash equivalents	605	598	534
Net debt	**709**	**688**	**737**
Total equity	**2,432**	**2,133**	**2,067**

Net debt amounted to EUR 737 million, an increase of EUR 49 million compared with the end of June 2018. This is mainly due to the repurchase of 4.2 million shares for a total consideration of EUR 95 million in the third quarter. Total equity reduced to EUR 2,067 million at the end of Q3 2018 (Q2 2018: EUR 2,133 million), primarily due to share repurchases and currency effects, partly offset 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) and Stéphane Rougeot (CFO) will host a conference call for analysts and institutional investors at 9:00 a.m. CET to discuss third quarter results. For the audio webcast click here.

Financial calendar

February 1, 2019	Fourth quarter and full year results 2018
February 26, 2019	Annual report 2018
April 26, 2019	First quarter results 2019
May 14, 2019	Annual General Meeting of Shareholders
July 26, 2019	Second quarter and half year results 2019
October 25, 2019	Third quarter results 2019

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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 2017 sales of EUR 7.0 billion, we have approximately 30,000 employees and are present in over 70 countries. We unlock the extraordinary potential of light for brighter lives and a better world. We have been named Industry Leader in the Dow Jones Sustainability Index for two years in a row. News from Signify is located at the Newsroom, Twitter and LinkedIn. 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 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, impact of the Group's operation as a separate publicly listed company, pension liabilities and costs, establishment of corporate and brand identity, adverse tax consequences from the separation from Royal Philips and exposure to international tax laws. Please see "Risk Factors and Risk Management" in Chapter 12 of the Annual Report 2017 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 2017 and the semi-annual report for 2018.

Looking ahead to the fourth quarter of 2018, the Group is primarily concerned about the challenging economic conditions, currency headwinds and political uncertainties in the global and domestic markets in which it operates. 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 2017.

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 2017 and semi-annual report 2018.

Changes to financial reporting following organizational changes to further align the organizational structure with the strategy

As the market trend of both professionals and consumers switching from buying lamps and luminaires to integrated LED luminaires is accelerating, the company has decided to modify the current portfolios of its business groups. As of January 1, 2018, Signify has implemented the following changes to the following portfolios:

- Consumer and professional trade downlights, the recessed spots portfolio and the LED Light strips moved from Home and Professional to LED;
- Consumer LED functional ceiling products moved from Home to LED;
- LED battens moved from Home to Professional; and
- Consumer and professional trade LED panels moved from Home and LED to Professional.
- Next to this, the financial performance of the Ventures activities is reported in Other instead of in Professional and in Home, as these activities are managed outside of the aforementioned business groups. In addition, the switches business within Lamps has been moved to LED.

Therefore, with effect from the first quarter of 2018, Signify reports and discusses its financial performance based on the above portfolio changes. In March 2018, the company provided an update to show the effect of changes to the business portfolio as well as changes to the allocation methods of centrally-managed costs and expenses and threshold for other incidental items as adjusting items when presenting certain non-IFRS measures such as Adjusted EBITA.

In addition, the cash flow presentation has been amended to better correspond to the balance sheet and to further improve transparency on cash flow movements. As of the first quarter of 2018, Signify provides cash flow statements per quarter.

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 STATEMENTS OF INCOME

In millions of EUR

	Q3		January to September	
	2017	**2018**	**2017**	**2018**
Sales	1,684	1,594	5,073	4,633
Cost of sales	(1,014)	(978)	(3,061)	(2,884)
Gross margin	**669**	**616**	**2,012**	**1,748**
Selling, general and administrative expenses	(446)	(402)	(1,431)	(1,260)
Research and development expenses	(87)	(71)	(269)	(245)
Impairment of goodwill	(1)	-	(1)	-
Other business income	31	3	65	8
Other business expenses	(6)	(3)	(10)	(15)
Income from operations	**161**	**143**	**367**	**237**
Financial income	2	8	6	15
Financial expenses	(12)	(20)	(38)	(50)
Results relating to investments in associates	0	(1)	0	(1)
Income before taxes	**151**	**130**	**335**	**201**
Income tax expense	(42)	(37)	(91)	(59)
Net income	**110**	**93**	**244**	**142**
Attribution of net income for the period:				
Net income (loss) attributable to shareholders of Signify N.V.	113	95	251	147
Net income (loss) attributable to non-controlling interests	(3)	(2)	(8)	(5)

Amounts may not add up due to rounding

B. CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

in millions of EUR

	Q3		January to September	
	2017	**2018**	**2017**	**2018**
Net income for the period	**110**	**93**	**244**	**142**
Pensions and other post-employment plans:				
Remeasurements	(1)	(0)	(1)	(6)
Income tax effect on remeasurements	-	-	-	-
Total of items that will not be reclassified to profit/loss	**(1)**	**(0)**	**(1)**	**(6)**
Currency translation differences:				
Net current period change, before tax	(64)	(43)	(240)	8
Income tax effect	-	-	-	-
Cash flow hedges:				
Net current period change, before tax	-	(27)	(16)	(29)
Income tax effect	-	6	3	4
Total of items that are/may be reclassified to profit/loss	**(64)**	**(65)**	**(253)**	**(16)**
Other comprehensive income (loss)	**(65)**	**(65)**	**(254)**	**(22)**
Total comprehensive income (loss)	**45**	**28**	**(10)**	**121**
Total comprehensive income (loss) attributable to:				
Shareholders of Signify N.V.	51	32	8	124
Non-controlling interests	(6)	(3)	(18)	(4)

Amounts may not add up due to rounding

C. CONDENSED CONSOLIDATED BALANCE SHEET

In millions of EUR

	December 31, 2017	September 30, 2018
Non-current assets		
Property, plant and equipment	492	443
Goodwill	1,694	1,732
Intangible assets, excluding goodwill	562	505
Non-current receivables	49	54
Investments in associates	21	11
Other non-current financial assets	12	18
Deferred tax assets	440	460
Other non-current assets	35	33
Total non-current assets	**3,306**	**3,255**
Current assets		
Inventories	924	994
Current financial assets	0	5
Other current assets	77	104
Derivative financial assets	16	12
Income tax receivable	39	32
Receivables	1,373	1,259
Assets classified as held for sale	1	13
Cash and cash equivalents	942	534
Total current assets	**3,372**	**2,954**
Total assets	**6,678**	**6,209**
Equity		
Shareholders' equity	2,242	1,994
Non-controlling interests	79	73
Total equity	**2,321**	**2,067**
Non-current liabilities		
Long-term debt	1,170	1,179
Long-term provisions	777	725
Deferred tax liabilities	27	22
Other non-current liabilities	167	175
Total non-current liabilities	**2,140**	**2,102**
Current liabilities		
Short-term debt	140	92
Derivative financial liabilities	8	29
Income tax payable	79	52
Account and notes payable	1,001	957
Accrued liabilities	475	431
Short-term provisions	204	185
Other current liabilities	309	293
Total current liabilities	**2,216**	**2,041**
Total liabilities and total equity	**6,678**	**6,209**

Amounts may not add up due to rounding

D. CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

In millions of EUR

	Q3		January to September	
	2017	2018	2017	2018
Cash flows from operating activities				
Net income	110	93	244	142
Adjustments to reconcile net income to net cash provided by operating activities:	117	140	337	407
• Depreciation, amortization & impairment of non-financial assets	67	57	197	173
• Impairment (reversal) of goodwill, other non-current fin. assets & inv. in associates	1	1	0	2
• Net gain on sale of assets	(21)	(1)	(53)	(3)
• Interest income	(2)	(8)	(5)	(14)
• Interest expense on debt, borrowings and other liabilities	7	8	17	23
• Income tax expense	42	37	91	59
• Additions to (releases of) provisions	22	35	102	142
• Other items	2	11	(12)	24
Decrease (increase) in working capital:	(107)	(14)	(292)	(139)
• Decrease (increase) in receivables	(62)	(44)	42	67
• Decrease (increase) in inventories	(79)	(7)	(325)	(93)
• Increase (decrease) in accounts payable	5	16	66	(32)
• Increase (decrease) in other current assets, accrued and other current liabilities	30	22	(75)	(81)
Increase (decrease) in non-current receivables, other assets and other liabilities	2	4	6	7
Utilization of provisions	(97)	(92)	(221)	(213)
Interest paid	(4)	(5)	(11)	(16)
Income taxes paid	(29)	(45)	(84)	(101)
Net cash provided by (used for) operating activities	**(7)**	**81**	**(21)**	**88**
Cash flows from investing activities				
Net capital expenditures:	3	(18)	(9)	(61)
• Additions of intangible assets	(4)	(7)	(15)	(19)
• Capital expenditures on property, plant and equipment	(17)	(11)	(54)	(44)
• Proceeds from disposal of property, plant and equipment	24	1	60	2
Net proceeds from (cash used for) derivatives & current fin. assets	4	3	4	(0)
Proceeds from other non-current financial assets	1	1	2	2
Purchases of other non-current financial assets	(2)	(7)	(5)	(11)
Purchases of businesses, net of cash acquired	0	(11)	(1)	(6)
Proceeds from sale of interests in businesses, net of cash disposed	-	1	(2)	1
Net cash used for investing activities	**7**	**(30)**	**(10)**	**(75)**
Cash flows from financing activities				
Funding by (distribution to) Royal Philips	0	0	4	(0)
Dividends paid	(0)	0	(157)	(171)
Proceeds from issuance (payments) of debt	19	(1)	(7)	(32)
Purchases of treasury shares	(15)	(95)	(218)	(199)
Net cash provided by (used for) financing activities	**5**	**(96)**	**(378)**	**(402)**
Net cash provided by (used for) operations	**4**	**(45)**	**(410)**	**(389)**
Effect of changes in exchange rates on cash and cash equivalents and bank overdrafts	(11)	(14)	(25)	(7)
Cash and cash equivalents and bank overdrafts at the beginning of the period [1)]	612	588	1,040	925
Cash and cash equivalents and bank overdrafts at the end of the period [2)]	**605**	**529**	**605**	**529**

[1)] For Q3 2018 and 2017, included bank overdrafts of EUR 10 million and EUR nil million, respectively. For Jan. to Sep. 2018 and 2017, included bank overdrafts of EUR 17 million and EUR nil million, respectively.

[2)] Included bank overdrafts of EUR 5 million and EUR nil million as of September 30, 2018 and 2017, respectively.

Appendix B – Reconciliation of non-IFRS Financial Measures

Sales growth composition (in %)

	Third quarter			
	comparable growth	currency effects	consolidation & other changes	nominal growth
2018 vs 2017				
Lamps	-11.1	-1.8	0.0	-13.0
LED	-1.9	-2.6	0.0	-4.5
Professional	0.4	-2.2	0.3	-1.5
Home	-1.4	-0.7	-2.0	-4.0
Other	7.9	-1.6	0.0	6.2
Total	**-3.2**	**-2.1**	**0.0**	**-5.3**

	January to September			
	comparable growth	currency effects	consolidation & other changes	nominal growth
2018 vs 2017				
Lamps	-15.1	-4.7	-0.2	-20.0
LED	0.5	-5.8	-0.4	-5.6
Professional	2.3	-4.8	-0.3	-2.8
Home	-4.4	-2.8	-2.1	-9.3
Other	-38.5	-2.5	0.0	-40.9
Total	**-3.4**	**-4.9**	**-0.4**	**-8.7**

	Third quarter			
	comparable growth	currency effects	consolidation & other changes	nominal growth
2018 vs 2017				
Europe	-2.2	-0.6	0.0	-2.8
Americas	-6.6	-2.6	-0.4	-9.7
Rest of the World	-0.6	-3.9	1.0	-3.5
Global businesses	-3.7	-0.2	-1.8	-5.7
Total	**-3.2**	**-2.1**	**0.0**	**-5.3**

	January to September			
	comparable growth	currency effects	consolidation & other changes	nominal growth
2018 vs 2017				
Europe	-1.3	-0.7	0.0	-2.0
Americas	-8.3	-7.9	-0.4	-16.6
Rest of the World	-0.5	-7.1	-0.5	-8.1
Global businesses	-3.0	-1.8	-1.9	-6.8
Total	**-3.4**	**-4.9**	**-0.4**	**-8.7**

Amounts may not add up due to rounding

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

	Signify	Lamps	LED	Professional	Home	Other
July to September 2018						
Adjusted EBITA	191	89	53	79	(8)	(23)
Restructuring	(17)	(3)	(1)	(8)	(0)	(5)
Acquisition-related charges	(0)	-	-	(0)	-	-
Incidental items	(7)	-	-	-	-	(7)
EBITA	**167**	**86**	**52**	**71**	**(8)**	**(35)**
Amortization[1)]	(24)	(0)	(1)	(22)	(0)	(0)
Income from operations (or EBIT)	**143**	**86**	**51**	**50**	**(8)**	**(35)**
July to September 2017						
Adjusted EBITA	176	82	50	71	(0)	(26)
Restructuring	(9)	2	(1)	(9)	0	(1)
Acquisition-related charges	-	-	-	-	-	-
Incidental items	23	21	-	-	-	3
EBITA	**191**	**104**	**49**	**62**	**0**	**(25)**
Amortization[1)]	(30)	(0)	(1)	(25)	(3)	(0)
Income from operations (or EBIT)	**161**	**104**	**48**	**37**	**(3)**	**(25)**

	Signify	Lamps	LED	Professional	Home	Other
January to September 2018						
Adjusted EBITA	426	242	143	165	(54)	(70)
Restructuring	(91)	(22)	(6)	(28)	(5)	(31)
Acquisition-related charges	(0)	(0)	-	(0)	-	-
Incidental items	(28)	-	-	(8)	-	(20)
EBITA	**307**	**220**	**137**	**129**	**(59)**	**(120)**
Amortization [1)]	(70)	(1)	(3)	(64)	(1)	(1)
Income from operations (or EBIT)	**237**	**219**	**134**	**65**	**(60)**	**(121)**
January to September 2017						
Adjusted EBITA	462	275	140	136	(6)	(82)
Restructuring	(49)	2	(4)	(36)	(3)	(8)
Acquisition-related charges	(0)	-	-	(0)	-	-
Incidental items	39	31	3	2	15	(12)
EBITA	**452**	**308**	**140**	**101**	**6**	**(102)**
Amortization [1)]	(86)	(1)	(3)	(76)	(4)	(1)
Income from operations (or EBIT)	**367**	**307**	**137**	**25**	**1**	**(103)**

[1)] *Amortization and impairments of acquisition related intangibles and goodwill*

Amounts may not add up due to rounding

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

July to September 2018	Reported	Restructuring	Acq. related charges	Incidental items	Adjusted
Sales	1,594	-	-	-	1,594
Cost of sales	(978)	7	-	-	(971)
Gross margin	**616**	**7**	**-**	**-**	**623**
Selling, general and administrative expenses	(402)	8	0	5	(388)
Research and development expenses	(71)	2	-	-	(70)
Indirect costs	**(474)**	**10**	**0**	**5**	**(458)**
Impairment of goodwill	-	-	-	-	-
Other business income	3	-	-	-	3
Other business expenses	(3)	-	-	1	(1)
Income from operations	**143**	**17**	**0**	**7**	**167**
Amortization	(24)	-	-	-	(24)
Income from operations excl. amortization (EBITA)	**167**	**17**	**0**	**7**	**191**
July to September 2017					
Sales	1,684	-	-	-	1,684
Cost of sales	(1,014)	5	-	-	(1,009)
Gross margin	**669**	**5**	**-**	**-**	**674**
Selling, general and administrative expenses	(446)	7	-	3	(436)
Research and development expenses	(87)	1	-	-	(87)
Indirect costs	**(534)**	**8**	**-**	**3**	**(523)**
Impairment of goodwill	(1)	-	-	-	(1)
Other business income	31	-	-	(27)	4
Other business expenses	(6)	-	-	1	(5)
Income from operations	**161**	**12**	**-**	**(23)**	**150**
Amortization	(30)	4	-	-	(26)
Income from operations excluding amortization (EBITA)	**191**	**9**	**-**	**(23)**	**176**

January to September 2018	Reported	Restructuring	Acq. related charges	Incidental items	Adjusted
Sales	4,633	-	-	-	4,633
Cost of sales	(2,884)	37	0	0	(2,847)
Gross margin	**1,748**	**37**	**0**	**0**	**1,786**
Selling, general and administrative expenses	(1,260)	32	0	17	(1,210)
Research and development expenses	(245)	22	-	-	(223)
Indirect costs	**(1,505)**	**54**	**0**	**17**	**(1,434)**
Impairment of goodwill	-	-	-	-	-
Other business income	8	-	-	(1)	8
Other business expenses	(15)	-	-	11	(4)
Income from operations	**237**	**91**	**0**	**28**	**356**
Amortization	(70)	-	-	-	(70)
Income from operations excluding amortization (EBITA)	**307**	**91**	**0**	**28**	**426**
January to September 2017					
Sales	5,073	-	-	-	5,073
Cost of sales	(3,061)	11	-	(0)	(3,050)
Gross margin	**2,012**	**11**	**-**	**(0)**	**2,023**
Selling, general and administrative expenses	(1,431)	32	0	16	(1,382)
Research and development expenses	(269)	10	-	-	(260)
Indirect costs	**(1,700)**	**42**	**0**	**16**	**(1,642)**
Impairment of goodwill	(1)	-	-	-	(1)
Other business income	65	-	-	(56)	9
Other business expenses	(10)	-	-	1	(9)
Income from operations	**367**	**53**	**0**	**(39)**	**380**
Amortization	(86)	4	-	-	(82)
Income from operations excluding amortization (EBITA)	**452**	**49**	**0**	**(39)**	**462**

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
Comparable sales growth	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 operations minus net capital expenditures. Free cash flow includes interest paid and income taxes paid

Gross margin	Sales minus cost of sales
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, and intangible assets
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
Net debt	Short-term debt, long-term debt minus cash and cash equivalents
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, Receivables, Other current assets, Derivative financial assets, minus the sum of Accounts and notes payable, Accrued liabilities, Derivative financial liabilities, and Other current liabilities.