Press Release

February 1, 2019

Signify reports full year sales of EUR 6.4 billion, improvement in operational profitability by 50 bps to 10.1% and free cash flow of EUR 306 million

Full year 2018[1]

- Signify's installed base of connected light points increased from 30 million at YE 17 to 44 million at YE 18
- LED-based sales grew by 2.5% on a comparable basis to 71% of sales (FY 17: 65%); CSG total Signify -4.4%
- Adj. indirect costs down EUR 224 million on a currency comparable basis, a reduction of 10%, or 180 bps of sales
- Adj. EBITA margin improved by 50 bps to 10.1%, despite a negative currency impact of -50 bps
- Net income of EUR 261 million (FY 17: EUR 281 million including net real estate gains of EUR 52 million)
- Working capital improved by 20 bps to 8.4% of sales
- Free cash flow of EUR 306 million (FY 17: EUR 403 million, which included EUR 56 million real estate proceeds and EUR 40 million lower restructuring cash-out)

Fourth quarter 2018[1]

- LED-based sales grew by 0.2% on a comparable basis; CSG total Signify -7.3% (Q4 17: 3.0%)
- Adj. indirect costs down EUR 83 million on a currency comparable basis, a reduction of 15%, or 250 bps of sales
- Adj. EBITA margin improved by 150 bps to 12.4%, despite a negative currency impact of -50 bps
- Net income improved to EUR 119 million compared with EUR 38 million last year
- Free cash flow of EUR 279 million (Q4 17: EUR 434 million)

Shareholder returns

- In 2018, EUR 462 million of capital was returned through share repurchases and ordinary dividends
- Propose to pay a cash dividend of EUR 1.30 per share over 2018, an increase of 4% and a pay-out ratio of 46%
- Signify will have returned EUR 1.1 billion to shareholders since IPO, including 2018 dividend

Eindhoven, the Netherlands – Signify (Euronext: LIGHT), the world leader in lighting, today announced the company's fourth quarter and full-year results 2018. "We continued to make solid progress with our simplification and cost reduction actions in 2018, resulting in a substantial increase in profitability and strong free cash flow delivery. In line with our strategy, our growing profit engines – LED, Professional and Home - have strongly contributed to these improvements and our LED-based sales have grown by 2.5%, now representing 71% of total revenues," said CEO Eric Rondolat. "While market conditions are challenging, we continue to focus on new growth platforms to strengthen our market leadership and progressively improve our growth profile. With our proposal to increase our dividend to EUR 1.30 per share, we will have returned more than EUR 1 billion to shareholders over the last three years. Looking forward, I'm confident we have built a solid foundation to deliver in 2019 on the mid-term targets set at the time of the IPO."

[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.

Outlook

In 2019, our growing profit engines (LED, Professional and Home combined) are expected to deliver a comparable sales growth in the range of 2 to 5%. Our cash engine, Lamps, is expected to decline at a slower pace than the market, in the range of -21 to -24% on a comparable basis. For total Signify, we aim to reach an Adjusted EBITA margin in 2019 within the range of 11 to 13% set at the time of the IPO in May 2016. We expect free cash flow in 2019 to be above 5% of sales.

Capital allocation

Capital allocation
Signify continues to exercise strict financial discipline in the generation and use of cash and remains committed to managing its financial ratios to maintain a financing structure compatible with an investment-grade profile, including disciplined management of its balance sheet. Furthermore, the company continues to consider non-organic opportunities primarily through small- to medium-sized acquisitions to accelerate growth.

Dividend
In 2018, Signify paid a dividend of EUR 171 million over full-year 2017. The company proposes a dividend of EUR 1.30 per share in cash related to full year 2018, which represents an increase of 4% compared with last year, and a pay-out ratio of 46%. The dividend payment is subject to approval by the Annual General Meeting of Shareholders (AGM) to be held on May 14, 2019. Further details will be provided in the agenda for the AGM.

Share repurchases
In 2018, the company repurchased shares for an amount of EUR 291 million by repurchasing in the open market and by participating in share disposals by its main shareholder. Furthermore, the company repurchased shares for a total consideration of EUR 33 million to cover obligations arising from its long-term incentive performance share plan and other employee share plans.

In line with its capital allocation policy, Signify will continue to look for non-organic growth opportunities primarily through small- to medium-sized acquisitions. If, in the course of the year, the funds needed for non-organic growth opportunities are substantially less than the capital available, the company will consider other use of its capital, which includes returning excess cash to shareholders through share repurchases.

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 12.

Fourth quarter				Twelve months		
2017	2018	change	*in € million, unless otherwise indicated*	2017	2018	change
		-7.3%	**Comparable sales growth**			**-4.4%**
		-1.7%	*Effects of currency movements*			*-4.0%*
		0.1%	*Consolidation and other changes*			*-0.3%*
1,892	**1,726**	-8.8%	**Sales**	**6,965**	**6,358**	-8.7%
732	647	-11.6%	Adjusted gross margin	2,755	2,433	-11.7%
38.7%	**37.5%**		**Adj. gross margin (as % of sales)**	**39.6%**	**38.3%**	
-470	-398		Adj. SG&A expenses	-1,852	-1,609	
-82	-64		Adj. R&D expenses	-342	-288	
-552	-463	16.2%	Adj. indirect costs	-2,194	-1,896	13.6%
29.2%	**26.8%**		**Adj. indirect costs (as % of sales)**	**31.5%**	**29.8%**	
207	214	3.2%	Adjusted EBITA	669	640	-4.4%
10.9%	**12.4%**		**Adjusted EBITA margin**	**9.6%**	**10.1%**	
-88	-17		Adjusted items	-98	-136	
119	197	65.0%	EBITA	571	504	-11.9%
75	**173**	**131.8%**	**Income from operations (EBIT)**	**441**	**410**	**-7.2%**
-12	-7		Net financial income/expense	-43	-41	
-25	-47		Income tax expense	-117	-106	
38	**119**	**215.6%**	**Net income**	**281**	**261**	**-7.2%**
434	279		Free cash flow	403	306	
0.30	0.90		Basic EPS (€)	2.04	1.95	
32,130	29,237		Employees (FTE)	32,130	29,237	

Fourth quarter
Sales amounted to EUR 1,726 million. Adjusted for -1.7% currency effects, comparable sales decreased by 7.3%. LED-based sales grew by 0.2% on a comparable basis and were impacted by a high comparison base and challenging market conditions, most notably in China and Europe. The adjusted gross margin declined by 120 bps to 37.5%, including a currency effect of -50 bps. Adjusted indirect costs decreased by EUR 89 million, or 240 bps as a percentage of sales, as a result of our ongoing cost reduction initiatives. Adjusted EBITA amounted to EUR 214 million, compared with EUR 207 million in the same period last year, and was negatively impacted by EUR 12 million of currency effects. The Adjusted EBITA margin improved by 150 bps to 12.4%, despite a currency effect of -50 bps. Total restructuring costs were EUR 27 million and other incidentals reflect a gain of EUR 11 million. Net income improved to EUR 119 million in Q4 2018 from EUR 38 million last year, mainly as a result of improved operational profitability, lower restructuring & other incidentals, and lower net financial expenses. Free cash flow amounted to EUR 279 million.

Full year
Sales amounted to EUR 6,358 million. Adjusted for -4.0% currency effects, comparable sales decreased by 4.4%. LED-based sales grew by 2.5% on a comparable basis and now represent 71% of total sales compared with 65% in FY 17. The adjusted gross margin declined by 130 bps to 38.3%. This decline includes a currency effect of -40 bps. Adjusted indirect costs decreased by EUR 298 million, or 170 bps as a percentage of sales, as a result of rigorous implementation of cost reduction initiatives. Adjusted EBITA amounted to EUR 640 million compared with EUR 669 million last year, and was negatively impacted by EUR 61 million of currency effects. The Adjusted EBITA margin improved by 50 bps to 10.1%, including a currency effect of -50 bps. This improvement was driven by Lamps, LED and Professional. Total restructuring costs were EUR 118 million and incidental charges were EUR 17 million. Net income was EUR 261 million this year compared with EUR 281 million last year, which included real estate gains of EUR 52 million. Free cash flow amounted to EUR 306 million compared with EUR 403 million last year, reflecting EUR 40 million higher restructuring cash-out in 2018 and real estate proceeds of EUR 56 million in 2017, which was partly offset by a EUR 16 million lower contribution to the US pension fund in 2018.

Update on transformation initiatives

Signify continued to make solid progress on its simplification and cost reduction initiatives in 2018. These initiatives are centered around simplification of the organization and processes, optimization of the manufacturing footprint as well as cost savings in procurement and the indirect cost base. This has, among others, reduced the adjusted indirect cost base by EUR 224 million, or 10%, on a currency comparable basis in 2018. As a result, the adjusted indirect cost base decreased by 170 bps to 29.8% of sales, keeping the company well on track to further improve the adjusted indirect cost base.

In 2019, Signify will continue its journey to operational excellence. This will enhance growth, productivity and cash generation. Our initiatives for 2019 include accelerating our new growth platforms, driving sales excellence, and increasing efficiency of our manufacturing, supply chain, procurement and support functions.

Growing profit engines

in € million, except percentages	**CSG**		**Adj. EBITA margin**		**Free cash flow***	
	FY 17	**FY 18**	**FY 17**	**FY 18**	**FY 17**	**FY 18**
LED	12.8%	0.4%	9.9%	11.7%		
Professional	4.1%	-0.4%	8.3%	9.5%		
Home	41.1%	-3.8%	2.3%	-8.1%		
LED, Professional and Home combined	**10.1%**	**-0.4%**	**8.3%**	**8.6%**	**353**	**370**

** Excluding non-allocated free cash flow items (e.g. tax, interest) that are accounted for in Other*

Full year
Our growing profit engines, LED, Professional and Home, represent the foundations we are building and investing in, in line with our strategy to move to LED and connectivity, unleashing new growth platforms. These include connected systems, IoT platform services, horticulture, solar, and LiFi. Comparable sales growth of the three businesses combined was -0.4%, on the back of a high comparison base and an unanticipated temporary decline in Home, while the Adjusted EBITA margin improved by 30 bps to 8.6%. The free cash flow profile of the three businesses combined also improved by EUR 17 million to EUR 370 million, despite a substantial negative contribution from Home.

Operational performance by business group

LED

Fourth quarter				Twelve months		
2017	2018	change	*in € million, unless otherwise indicated*	2017	2018	change
		0.2%	Comparable sales growth			0.4%
492	481	-2.2%	Sales	1,902	1,812	-4.7%
48	69	44.2%	Adjusted EBITA	188	212	12.7%
9.8%	14.4%		Adjusted EBITA margin	9.9%	11.7%	
47	68		EBITA	187	204	
46	67		Income from operations (EBIT)	183	200	

Fourth quarter
Sales amounted to EUR 481 million, a 0.2% increase on a comparable basis, which is an improvement on a sequential basis due to LED lamps. Adjusted EBITA increased from EUR 48 million to EUR 69 million, improving the Adjusted EBITA margin by 460 bps to 14.4%. The significant improvement mainly resulted from indirect cost savings.

Full year
Sales amounted to EUR 1,812 million, an increase of 0.4% on a comparable basis. LED Electronics continued to show an improving top-line trend. While volumes in LED lamps continued to grow, the business faced more challenging market conditions in some geographies, most notably China, and continued price erosion although at a slower pace. Adjusted EBITA increased by 12.7% to EUR 212 million, driven by ongoing procurement savings and solid progress in indirect cost savings. This resulted in an Adjusted EBITA margin improvement of 180 bps to 11.7%.

Our focus on innovation and indirect cost savings enabled us to reach the high end of our 2019 Adjusted EBITA margin objective of 10-12% for BG LED already in 2018.

Professional

Fourth quarter				Twelve months		
2017	2018	change	*in € million, unless otherwise indicated*	2017	2018	change
		-6.9%	Comparable sales growth			-0.4%
775	715	-7.7%	Sales	2,750	2,635	-4.2%
94	85	-8.8%	Adjusted EBITA	229	251	9.2%
12.1%	12.0%		Adjusted EBITA margin	8.3%	9.5%	
86	79		EBITA	186	208	
43	56		Income from operations (EBIT)	67	121	

Fourth quarter
On a comparable basis, sales decreased by 6.9% to EUR 715 million, on the back of a high comparison base (Q4 17: CSG of 10.4%), which reflected strong market activity in various regions and a large-scale project in the US. In Q4 18, market conditions deteriorated, most notably in China and Europe. Adjusted EBITA amounted to EUR 85 million, which resulted in an Adjusted EBITA margin of 12.0%, as continued indirect cost savings largely offset the impact of lower sales volumes.

Full year
After a strong CSG performance in 2017 of 4.1%, sales decreased by 0.4% to EUR 2,635 million in 2018, on the back of deteriorating market conditions in various regions, most notably in China and Europe. Adjusted EBITA increased by 9.2% to EUR 251 million, improving the Adjusted EBITA margin by 120 bps to 9.5%, mainly driven by lower indirect costs.

Professional continues to implement its strategy focused on Systems & Services, LED luminaire sales and the continued rationalization of its cost structure, supporting the objective to increase the Adjusted EBITA margin to 11-14% in 2019.

Home

Fourth quarter				Twelve months		
2017	2018	change	*in € million, unless otherwise indicated*	2017	2018	change
		-2.6%	Comparable sales growth			-3.8%
186	176	-5.8%	Sales	508	467	-8.0%
18	16	-11.3%	Adjusted EBITA	12	-38	
9.5%	8.9%		Adjusted EBITA margin	2.3%	-8.1%	
16	16		EBITA	22	-43	
16	15		Income from operations (EBIT)	18	-44	

Fourth quarter
Sales amounted to EUR 176 million, a decrease of 2.6% on a comparable basis, reflecting a high comparison base as US retail partners built up inventories in H2 17. As indicated last quarter, activity has returned to more normalized levels, which has resulted in a significant sequential improvement in profitability to 8.9%, driven by higher sales levels and ongoing cost optimization.

Full year
Sales amounted to EUR 467 million, a decrease of 3.8% on a comparable basis. The decline mainly reflects high demand from trade partners in the US in H2 17 which led to lower sales levels in H1 18, to allow for inventory reductions at these trade partners, and a high comparison base in H2 18. Adjusted EBITA amounted to EUR -38 million. The Adjusted EBITA margin of -8.1% mainly reflects the unanticipated temporary decline in sales which consequently led to under absorption of the fixed cost base. In the course of 2018, a set of actions have been taken to improve performance, including optimization of the cost base, which started to deliver results in H2 18.

Home's strategic focus is to realize profitable growth by driving the transition to connected lighting for consumers in and around the house. Its strategic priorities include strengthening the Philips Hue offering, expanding in growth markets, and broadening the lower cost portfolio to drive volumes. As operational performance in Home has now returned to more normalized levels, these priorities are expected to enable Home to be within the Adjusted EBITA margin range of 5-8% for 2019, as indicated earlier.

Lamps

Fourth quarter				Twelve months		
2017	2018	change	*in € million, unless otherwise indicated*	2017	2018	change
		-19.3%	Comparable sales growth			-16.2%
433	345	-20.5%	Sales	1,788	1,428	-20.1%
71	60	-14.8%	Adjusted EBITA	345	302	-12.6%
16.3%	17.5%		Adjusted EBITA margin	19.3%	21.1%	
27	50		EBITA	335	270	
27	50		Income from operations (EBIT)	334	269	
			Free cash flow	438	308	

This business, being the world leader in conventional lighting, enables Signify to leverage strong commercial synergies in brand coverage and customer reach. As a cash engine, Lamps continues to deliver on its 'last man standing' strategy, which resulted in further market share gains and strong free cash flow generation of EUR 308 million in 2018.

Other

Fourth quarter

Adjusted EBITA amounted to EUR -17 million (Q4 17: EUR -23 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 -15 million (Q4 17: EUR -57 million), including restructuring costs of EUR 9 million (Q4 17: EUR 21 million). Other incidental items not part of the Adjusted EBITA included a gain of EUR 16 million associated with tax related reliefs linked to the separation, which was partly offset by EUR 5 million of company name change costs (Q4 17: EUR 8 million of separation costs).

Full year

Adjusted EBITA amounted to EUR -87 million in 2018 (2017: EUR -106 million). The improvement is mainly the result of the focus on indirect cost savings. EBITA amounted to EUR -135 million (2017: EUR -159 million), including EUR 39 million restructuring costs (2017: EUR 29 million).

Sales by market

Fourth quarter					Twelve months			
2017	2018	Change	CSG*	*in € million, except percentages*	2017	2018	change	CSG*
683	655	-4.0%	-3.3%	Europe**	2,359	2,297	-2.6%	-1.9%
564	479	-15.0%	-13.0%	Americas	2,151	1,803	-16.2%	-9.6%
525	482	-8.1%	-6.7%	Rest of the World	2,000	1,837	-8.1%	-2.2%
121	109	-9.9%	-5.3%	Global businesses	456	421	-7.6%	-3.6%
1,892	**1,726**	**-8.8%**	**-7.3%**	**Total**	**6,965**	**6,358**	**-8.7%**	**-4.4%**

* *CSG: Comparable sales growth*

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

Fourth quarter

Comparable sales in Europe decreased by 3.3%, mainly reflecting the very challenging market conditions in the UK and deteriorating market conditions in a number of other countries in Europe, most notably Germany and France. In the Americas, comparable sales declined by 13.0%, mainly reflecting the ongoing decline in Lamps and a high comparison base in Professional and Home, partly offset by a solid performance in Latin America. Comparable sales for the Rest of the World decreased by 6.7%, with a solid performance in India and Indonesia, offset by more challenging market conditions in China.

Full year

Comparable sales in Europe decreased by 1.9% which was mostly due to the UK, and deteriorating market conditions across various European countries since the summer. In the Americas, comparable sales declined by 9.6%, mainly due to the ongoing decline in Lamps and the challenging situation for Home in the US as explained in the Home section on page 6. Comparable sales for the Rest of the World decreased by 2.2%, with a solid performance in India and Southeast Asia offset by more challenging market conditions in China.

Working capital

in € million, unless otherwise indicated	31 Dec '17	30 Sep '18	31 Dec '18
Inventories	924	994	878
Receivables	1,373	1,259	1,231
Accounts and notes payable	-1,001	-957	-953
Accrued liabilities	-475	-431	-444
Other working capital items	-224	-206	-176
Working capital	**597**	**659**	**536**
As % of LTM* sales	8.6%	10.1%	8.4%

* *LTM: Last Twelve Months*

Fourth quarter

In the fourth quarter, working capital decreased by EUR 123 million to EUR 536 million, representing 8.4% of sales, mainly driven by lower inventories and receivables compared with last quarter.

Full year

Working capital decreased year-on-year by EUR 61 million to EUR 536 million. As a percentage of sales, working capital improved by 20 bps to 8.4% of sales, driven by lower inventories and receivables.

Cash flow analysis

Fourth quarter			Twelve months	
2017	2018	*in € million*	2017	2018
75	173	Income from operations (EBIT)	441	410
88	58	Depreciation and amortization	286	231
99	28	Additions to (releases of) provisions	201	170
-61	-73	Utilizations of provisions	-282	-286
259	147	Change in working capital	-33	8
-5	-7	Interest received (paid)	-15	-23
-18	-22	Income taxes paid	-101	-123
-22	-14	Net capex	-31	-75
18	-11	Other	-61	-6
434	**279**	**Free cash flow**	**403**	**306**

Fourth quarter

Free cash flow amounted to EUR 279 million compared with EUR 434 million last year. The delta is largely explained by better management of working capital throughout 2018, compared with 2017 when the company started the fourth quarter with a high level of working capital, most notably in inventories. In addition, free cash flow in the fourth quarter included higher restructuring cash-out of EUR 36 million (Q4 17: EUR 25 million) and an outflow of EUR 5 million related to the company name change.

Full year

Free cash flow amounted to EUR 306 million, or 4.8% of sales, compared with EUR 403 million last year. The delta largely reflects EUR 40 million higher restructuring cash-out in 2018 and EUR 56 million real estate proceeds in 2017, which were partly offset by a EUR 16 million lower contribution to the US pension fund.

in € million	**Free cash flow**	
	FY 17	**FY 18**
LED, Professional and Home	353	370
Lamps	438	308
Other*	(388)	(372)
Signify total	**403**	**306**

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

In 2018, the free cash flow of the growing profit engines LED, Professional and Home combined increased by EUR 17 million to EUR 370 million. The free cash flow of Lamps amounted to EUR 308 million, or 22% of sales, which is approximately the same level as in 2017, when excluding the real estate proceeds in 2017.

Net debt

in € million	31 Dec '17	30 Sep '18	31 Dec '18
Short-term debt	140	92	78
Long-term debt	1,170	1,179	1,187
Gross debt	1,309	1,271	1,265
Cash and cash equivalents	942	534	676
Net debt	**367**	**737**	**589**
Total equity	**2,321**	**2,067**	**2,119**

Fourth quarter

Net debt amounted to EUR 589 million, a decrease of EUR 148 million compared with the end of the third quarter, which was mainly driven by free cash flow, partly offset by the repurchase of shares of EUR 125 million. The cash position increased to EUR 676 million. Total equity increased to EUR 2,119 million at the end of the fourth quarter (Q3 18: EUR 2,067 million), primarily due to net income and currency effects, partly offset by share repurchases.

Full year

Net debt increased by EUR 222 million to EUR 589 million compared with the end of 2017, driven by a reduction in cash which was partly offset by a reduction in gross debt. The net leverage ratio was 0.9x. The decrease in the cash position and subsequent increase in net debt mainly reflect the cash used to return EUR 462 million to shareholders through share repurchases and dividend. Total equity decreased by EUR 202 million to EUR 2,119 million due to the repurchase of shares and dividend distribution, partly offset by net income and currency effects.

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 fourth quarter and full year results. A live audio webcast of the conference call will be available via the Signify Investor Relations website.

Financial calendar

26 February 2019	Annual report 2018
26 April 2019	First quarter results 2019
14 May 2019	Annual General Meeting of Shareholders
26 July 2019	Second quarter and half year results 2019
25 October 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 2018 sales of EUR 6.4 billion, we have approximately 29,000 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, 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 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, 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.

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 € million, unless otherwise indicated

	Q4		January to December	
	2017	**2018**	**2017**	**2018**
Sales	1,892	1,726	6,965	6,358
Cost of sales	(1,201)	(1,092)	(4,262)	(3,976)
Gross margin	**691**	**634**	**2,704**	**2,382**
Selling, general and administrative expenses	(523)	(415)	(1,954)	(1,675)
Research and development expenses	(92)	(67)	(362)	(312)
Impairment of goodwill	-	-	(1)	-
Other business income	7	23	72	32
Other business expenses	(9)	(2)	(18)	(17)
Income from operations	**75**	**173**	**441**	**410**
Financial income	2	5	8	20
Financial expenses	(14)	(11)	(51)	(61)
Results relating to investments in associates	0	(1)	0	(2)
Income before taxes	**63**	**165**	**398**	**367**
Income tax expense	(25)	(47)	(117)	(106)
Net income	**38**	**119**	**281**	**261**
Attribution of net income for the period:				
Net income (loss) attributable to shareholders of Signify N.V.	42	115	294	263
Net income (loss) attributable to non-controlling interests	(5)	4	(12)	(2)
Earnings per ordinary share attributable to shareholders				
Weighted average number of ordinary shares outstanding used for calculation (in thousands):				
Basic	141,025	128,163	143,778	134,306
Diluted	141,559	128,482	144,202	134,672
Net income attributable to shareholders per ordinary share in EUR:				
Basic	0.30	0.90	2.04	1.95
Diluted	0.30	0.90	2.04	1.95

Amounts may not add up due to rounding

B. CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

in € million

	Q4		January to December	
	2017	**2018**	**2017**	**2018**
Net income for the period	**38**	**119**	**281**	**261**
Pensions and other post-employment plans:				
Remeasurements	4	(4)	3	(10)
Income tax effect on remeasurements	(2)	1	(2)	1
Total of items that will not be reclassified to profit or loss	**2**	**(4)**	**1**	**(9)**
Currency translation differences:				
Net current period change, before tax	(49)	53	(289)	61
Income tax effect	-	-	-	-
Cash flow hedges:				
Net current period change, before tax	13	18	(3)	(11)
Income tax effect	(3)	(4)	-	1
Total of items that are/may be reclassified to profit or loss	**(39)**	**67**	**(292)**	**51**
Other comprehensive income (loss)	**(37)**	**64**	**(291)**	**42**
Total comprehensive income (loss)	**1**	**182**	**(10)**	**303**
Total comprehensive income (loss) attributable to:				
Shareholders of Signify N.V.	7	177	14	301
Non-controlling interests	(6)	5	(24)	2

Amounts may not add up due to rounding

C. CONDENSED CONSOLIDATED BALANCE SHEET

in € million

	December 31, 2017		December 31, 2018	
Non-current assets				
Property, plant and equipment				
· At cost	2,333		2,230	
· Less accumulated depreciation	(1,841)		(1,798)	
Property, plant and equipment		492		431
Goodwill		1,694		1,771
Intangible assets, excluding goodwill				
· At cost	2,018		2,065	
· Less accumulated amortization	(1,455)		(1,572)	
Intangible assets, excluding goodwill		562		493
Non-current receivables		49		38
Investments in associates		21		11
Other non-current financial assets		12		20
Deferred tax assets		440		399
Other non-current assets		35		49
Total non-current assets		**3,306**		**3,211**
Current assets				
Inventories		924		878
Current financial assets		0		4
Other current assets		77		107
Derivative financial assets		16		28
Income tax receivable		39		35
Receivables:				
· Accounts receivable	1,311		1,167	
· Other current receivables	62		64	
Receivables		1,373		1,231
Assets classified as held for sale		1		9
Cash and cash equivalents		942		676
Total current assets		**3,372**		**2,969**
Total assets		**6,678**		**6,181**
Equity				
Shareholders' equity		2,242		2,041
Non-controlling interests		79		78
Total equity		**2,321**		**2,119**
Non-current liabilities				
Long-term debt		1,170		1,187
Long-term provisions		777		712
Deferred tax liabilities		27		19
Other non-current liabilities		167		173
Total non-current liabilities		**2,140**		**2,091**
Current liabilities				
Short-term debt		140		78
Derivative financial liabilities		8		22
Income tax payable		79		15
Account and notes payable		1,001		953
Accrued liabilities		475		444
Short-term provisions		204		168
Liabilities assoc. with assets held for sale		0		0
Other current liabilities		309		288
Total current liabilities		**2,216**		**1,970**
Total liabilities and total equity		**6,678**		**6,181**

Amounts may not add up due to rounding

D. CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

in € million

	Q4		January to December	
	2017	**2018**	**2017**	**2018**
Cash flows from operating activities				
Net income	38	119	281	261
Adj. to reconcile net income to net cash provided by operating activities:	242	140	578	547
• Depreciation, amortization and impairment of non-financial assets	88	58	286	231
• Impairment of goodwill, other non-current fin. assets & investments in assoc.	-	1	0	2
• Net gain on sale of assets	(0)	(5)	(53)	(8)
• Interest income	(2)	(2)	(7)	(16)
• Interest expense on debt, borrowings and other liabilities	8	7	24	31
• Income tax expense	25	47	117	106
• Additions to (releases of) provisions	99	28	201	170
• Other items	22	6	10	31
Decrease (increase) in working capital:	259	147	(33)	8
• Decrease (increase) in receivables	55	47	97	113
• Decrease (increase) in inventories	201	136	(124)	43
• Increase (decrease) in accounts payable	(11)	(22)	55	(54)
• Increase (decrease) in other current assets, accrued & other current liabilities	14	(14)	(61)	(95)
Increase (decrease) in non-current receivables, other assets & liabilities	2	(11)	7	(3)
Utilization of provisions	(61)	(73)	(282)	(286)
Interest received (paid)	(5)	(7)	(15)	(23)
Income taxes paid	(18)	(22)	(101)	(123)
Net cash provided by (used for) operating activities	**456**	**294**	**435**	**381**
Cash flows from investing activities				
Net capital expenditures:	(22)	(14)	(31)	(75)
• Additions of intangible assets	(5)	(7)	(20)	(26)
• Capital expenditures on property, plant and equipment	(22)	(13)	(76)	(57)
• Proceeds from disposal of property, plant and equipment	4	6	64	8
Net proceeds from (cash used for) derivatives and current fin. assets	2	(4)	7	(4)
Proceeds from other non-current financial assets	1	0	3	2
Purchases of other non-current financial assets	(1)	0	(5)	(11)
Purchases of businesses, net of cash acquired	(2)	(2)	(3)	(7)
Proceeds from sale of interests in businesses, net of cash disposed of	6	4	4	5
Net cash used for investing activities	**(15)**	**(16)**	**(26)**	**(90)**
Cash flows from financing activities				
Funding by (distribution to) Royal Philips	(0)	0	3	(0)
Dividends paid	(1)	(1)	(158)	(171)
Proceeds from issuance (payments) of debt	(16)	(27)	(22)	(59)
Purchases of treasury shares	(90)	(125)	(307)	(324)
Net cash provided by (used for) financing activities	**(106)**	**(152)**	**(484)**	**(554)**
Net cash provided by (used for) operations	**335**	**126**	**(75)**	**(263)**
Effect of changes in exch. rates on cash, cash equivalents & bank overdrafts	(15)	9	(39)	2
Cash and cash equivalents and bank overdrafts at the beginning of the period [1)]	605	529	1,040	925
Cash and cash equivalents and bank overdrafts at the end of the period [2)]	**925**	**664**	**925**	**664**

[1)] For Q4 2018 and 2017, included bank overdrafts of EUR 5 million and EUR nil million, respectively. For January to December 2018 and 2017, included bank overdrafts of EUR 17 million and EUR nil million, respectively.

[2)] Included bank overdrafts of EUR 12 million and EUR 17 million as of December 31, 2018 and 2017, respectively.

Amounts may not add up due to rounding

Appendix B – Reconciliation of non-IFRS Financial Measures

Sales growth composition in %

	Fourth quarter			
	comparable growth	currency effects	consolidation and other changes	nominal growth
2018 vs 2017				
Lamps	-19.3	-1.2	0.0	-20.5
LED	0.2	-2.4	0.0	-2.2
Professional	-6.9	-1.8	1.0	-7.7
Home	-2.6	-0.2	-2.9	-5.8
Other	72.1	-2.3	0.0	69.8
Total	**-7.3**	**-1.7**	**0.1**	**-8.8**

	January to December			
	comparable growth	currency effects	consolidation and other changes	nominal growth
2018 vs 2017				
Lamps	-16.2	-3.8	-0.2	-20.1
LED	0.4	-4.9	-0.3	-4.7
Professional	-0.4	-3.9	0.1	-4.2
Home	-3.8	-1.9	-2.4	-8.0
Other	-6.1	-3.0	0.0	-9.1
Total	**-4.4**	**-4.0**	**-0.3**	**-8.7**

Sales growth composition in %

	Fourth quarter			
	comparable growth	currency effects	consolidation & other changes	nominal growth
2018 vs 2017				
Europe	-3.3	-0.7	0.0	-4.0
Americas	-13.0	-1.7	-0.3	-15.0
Rest of the World	-6.7	-3.2	1.8	-8.1
Global businesses	-5.3	-0.1	-4.4	-9.9
Total	**-7.3**	**-1.7**	**0.1**	**-8.8**

	January to December			
	comparable growth	currency effects	consolidation and other changes	nominal growth
2018 vs 2017				
Europe	-1.9	-0.7	0.0	-2.6
Americas	-9.6	-6.2	-0.4	-16.2
Rest of the World	-2.2	-6.0	0.1	-8.1
Global businesses	-3.6	-1.4	-2.6	-7.6
Total	**-4.4**	**-4.0**	**-0.3**	**-8.7**

Amounts may not add up due to rounding

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

October to December 2018	Signify	Lamps	LED	Professional	Home	Other
Adjusted EBITA	214	60	69	85	16	(17)
Restructuring	(27)	(10)	(2)	(6)	(0)	(9)
Acquisition-related charges	(1)	-	-	(1)	-	(0)
Incidental items	11	(0)	(0)	-	(0)	11
EBITA	**197**	**50**	**68**	**79**	**16**	**(15)**
Amortization [1]	(24)	(0)	(1)	(22)	(0)	(0)
Income from operations (or EBIT)	**173**	**50**	**67**	**56**	**15**	**(15)**

October to December 2017	Signify	Lamps	LED	Professional	Home	Other
Adjusted EBITA	207	71	48	94	18	(23)
Restructuring	(75)	(43)	(1)	(8)	(1)	(21)
Acquisition-related charges	-	-	-	-	-	-
Incidental items	(12)	-	-	-	0	(12)
EBITA	**119**	**27**	**47**	**86**	**16**	**(57)**
Amortization [1]	(45)	(0)	(1)	(43)	(0)	(1)
Income from operations (or EBIT)	**75**	**27**	**46**	**43**	**16**	**(57)**

January to December 2018	Signify	Lamps	LED	Professional	Home	Other
Adjusted EBITA	640	302	212	251	(38)	(87)
Restructuring	(118)	(32)	(8)	(34)	(5)	(39)
Acquisition-related charges	(1)	(0)	-	(1)	-	(0)
Incidental items	(17)	(0)	(0)	(8)	(0)	(9)
EBITA	**504**	**270**	**204**	**208**	**(43)**	**(135)**
Amortization [1]	(94)	(1)	(4)	(86)	(1)	(2)
Income from operations (or EBIT)	**410**	**269**	**200**	**121**	**(44)**	**(137)**

January to December 2017	Signify	Lamps	LED	Professional	Home	Other
Adjusted EBITA	669	345	188	229	12	(106)
Restructuring	(125)	(41)	(5)	(45)	(4)	(29)
Acquisition-related charges	(0)	-	-	(0)	-	-
Incidental items	27	31	3	2	15	(24)
EBITA	**571**	**335**	**187**	**186**	**22**	**(159)**
Amortization [1]	(130)	(1)	(4)	(119)	(5)	(2)
Income from operations (or EBIT)	**441**	**334**	**183**	**67**	**18**	**(161)**

[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)

October to December 2018	Reported	Restructuring	Acquisition related charges	Incidental items	Adjusted
Sales	1,726	-	-	-	1,726
Cost of sales	(1,092)	13	-	-	(1,079)
Gross margin	**634**	**13**	**-**	**-**	**647**
Selling, general and administrative expenses	(415)	11	1	5	(398)
Research and development expenses	(67)	3	-	-	(64)
Indirect costs	**(482)**	**14**	**1**	**5**	**(463)**
Impairment of goodwill	-	-	-	-	-
Other business income	23	-	-	(17)	6
Other business expenses	(2)	-	-	1	(1)
Income from operations	**173**	**27**	**1**	**(11)**	**189**
Amortization	(24)	-	-	-	(24)
Income from operations excl. amortization (EBITA)	**197**	**27**	**1**	**(11)**	**214**

October to December 2017					
Sales	1,892	-	-	-	1,892
Cost of sales	(1,201)	40	-	1	(1,161)
Gross margin	**691**	**40**	**-**	**1**	**732**
Selling, general and administrative expenses	(523)	25	-	28	(470)
Research and development expenses	(92)	10	-	-	(82)
Indirect costs	**(615)**	**36**	**-**	**28**	**(552)**
Impairment of goodwill	-	-	-	-	-
Other business income	7	-	-	(1)	6
Other business expenses	(9)	-	-	5	(3)
Income from operations	**75**	**75**	**-**	**32**	**182**
Amortization	(45)	-	-	20	(25)
Income from operations excl. amortization (EBITA)	**119**	**75**	**-**	**12**	**207**

January to December 2018	Reported	Restructuring	Acquisition related charges	Incidental items	Adjusted
Sales	6,358	-	-	-	6,358
Cost of sales	(3,976)	50	0	0	(3,926)
Gross margin	**2,382**	**50**	**0**	**0**	**2,433**
Selling, general and administrative expenses	(1,675)	43	1	23	(1,609)
Research and development expenses	(312)	25	-	-	(288)
Indirect costs	**(1,988)**	**68**	**1**	**23**	**(1,896)**
Impairment of goodwill	-	-	-	-	-
Other business income	32	-	-	(17)	14
Other business expenses	(17)	-	-	11	(5)
Income from operations	**410**	**118**	**1**	**17**	**545**
Amortization	(94)	-	-	-	(94)
Income from operations excluding amortization (EBITA)	**504**	**118**	**1**	**17**	**640**

January to December 2017					
Sales	6,965	-	-	-	6,965
Cost of sales	(4,262)	51	-	1	(4,210)
Gross margin	**2,704**	**51**	**-**	**1**	**2,755**
Selling, general and administrative expenses	(1,954)	58	0	44	(1,852)
Research and development expenses	(362)	20	-	-	(342)
Indirect costs	**(2,316)**	**78**	**0**	**44**	**(2,194)**
Impairment of goodwill	(1)	-	-	-	(1)
Other business income	72	-	-	(57)	15
Other business expenses	(18)	-	-	6	(13)
Income from operations	**441**	**128**	**0**	**(7)**	**562**
Amortization	(130)	4	-	20	(107)
Income from operations excluding amortization (EBITA)	**571**	**125**	**0**	**(27)**	**669**

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
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 operating activities 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.