



Press Release

October 25, 2019

Signify reports third quarter sales of EUR 1.5 billion, operational profitability of 11.0% and free cash flow of EUR 45 million

Third quarter 2019¹

- Signify's installed base of connected light points increased from 50 million in Q2 19 to 53 million in Q3 19
- CSG growing profit engines +1.0%; CSG total Signify -5.0%
- LED-based comparable sales grew by 2.6% to 78% of sales (Q3 18: 70%)
- Adj. indirect costs down EUR 22 million on a currency comparable basis, a reduction of 4.7%
- Adj. EBITA margin reduced by 100 bps to 11.0%, due to a very high comparison base in BG Lamps and currency impact of -30 bps
- Adj. EBITA margin of the growing profit engines increased by 80 bps with each of the three BGs improving
- Net income of EUR 74 million (Q3 18: EUR 93 million), reflecting lower operational profitability and higher restructuring costs
- Free cash flow amounted to EUR 45 million (Q3 18: EUR 64 million) reflecting phasing of payables and receivables as previously indicated at the end of Q2

Eindhoven, the Netherlands – Signify (Euronext: LIGHT), the world leader in lighting, today announced the company's 2019 third quarter results. "We are pleased with the comparable sales growth and improved operational profitability of our growing profit engines in the third quarter, against the backdrop of ongoing economic headwinds across the world. In the first nine months, we delivered a solid improvement in operational profitability, net income and free cash flow," said CEO Eric Rondolat. "While market conditions continue to deteriorate, we remain confident that we will be able to improve our profitability for 2019, albeit somewhat less than we previously anticipated."

Outlook

Although sales in the second half of the year are impacted by continuing deteriorating market conditions, Signify remains confident that it will be able to improve its Adjusted EBITA margin for 2019, albeit somewhat less than previously anticipated. Signify now expects the Adjusted EBITA margin to be in the range of 10.3% to 10.6%.

The comparable sales growth of the growing profit engines (LED, Professional and Home combined) for 2019 is expected to be flat. The comparable sales growth of BG Lamps for 2019 is expected to decline at a pace which is towards the higher end of the previously indicated range of -24% to -21%.

The company confirms that its free cash flow, excluding the positive impact from IFRS 16, is expected to be above 5% of sales.

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.

Financial review

Third quarter			in € million, except percentages	Nine months		
2018	2019	change		2018	2019	change
		-5.0%	Comparable sales growth		-4.8%	
		1.4%	<i>Effects of currency movements</i>		1.4%	
		0.3%	<i>Consolidation and other changes</i>		0.5%	
1,594	1,542	-3.3%	Sales	4,633	4,497	-2.9%
623	585	-6.1%	Adjusted gross margin	1,786	1,699	-4.9%
39.1%	37.9%		Adj. gross margin (as % of sales)	38.5%	37.8%	
-388	-377		Adj. SG&A expenses	-1,210	-1,155	
-70	-65		Adj. R&D expenses	-223	-201	
-458	-442	3.4%	Adj. indirect costs	-1,434	-1,356	5.4%
28.7%	28.7%		Adj. indirect costs (as % of sales)	30.9%	30.2%	
191	169	-11.3%	Adjusted EBITA	426	416	-2.2%
12.0%	11.0%		Adjusted EBITA margin	9.2%	9.3%	
-24	-31		Adjusted items	-119	-80	
167	138	-17.2%	EBITA	307	336	9.6%
143	114	-20.6%	Income from operations (EBIT)	237	263	11.0%
-12	-11		Net financial income/expense	-34	-32	
-37	-28		Income tax expense	-59	-63	
93	74	-20.1%	Net income	142	169	18.6%
64	45		Free cash flow	27	220	
0.71	0.58		Basic EPS (€)	1.08	1.34	
29,646	27,337		Employees (FTE)	29,646	27,337	

Third quarter

Sales amounted to EUR 1,542 million. Adjusted for 1.4% positive currency effects and 0.3% consolidation and other changes, comparable sales decreased by 5.0%. LED-based sales increased by 2.6% and now account for 78% of total sales. The adjusted gross margin declined by 120 bps to 37.9%, mainly due to lower sales volumes in Lamps following a very high comparison base. Adjusted indirect costs decreased by EUR 16 million as a result of ongoing cost reduction initiatives. Adjusted EBITA amounted to EUR 169 million compared with EUR 191 million in the same period last year. While each of the growing profit engines improved its Adjusted EBITA margin in the quarter, the company's overall Adjusted EBITA margin decreased by 100 bps to 11.0% due to the very high comparison base in Lamps. Total restructuring costs were EUR 24 million, acquisition-related charges EUR 1 million and incidental items EUR 6 million. Net income decreased from EUR 93 million last year to EUR 74 million in Q3 19, mainly due to lower operational profitability and higher restructuring costs. Free cash flow, which included a positive impact of EUR 18 million related to IFRS 16, amounted to EUR 45 million and included a negative effect from the phasing of payables and receivables of around EUR 60 million, as previously indicated at the end of Q2, and a contribution to the US pension fund of EUR 18 million (Q3 18: EUR 26 million).

Growing profit engines

<i>in € million, except percentages</i>	CSG		Adj. EBITA margin	
	Q3 18	Q3 19	Q3 18	Q3 19
LED	-1.9%	0.9%	12.0%	12.3%
Professional	0.4%	1.7%	11.7%	12.3%
Home	-1.4%	-3.1%	-6.9%	-2.6%
LED, Professional and Home combined	-0.6%	1.0%	10.2%	11.0%

Third quarter

Comparable sales growth of the growing profit engines was 1.0%, despite a challenging macro environment with lower market activity in Europe, the United States and Greater China, as well as a major impact as a result of tightening liquidity in India. Our growth platforms, connected systems, IoT platform services, horticulture, solar, and LiFi, continue to show positive momentum. The Adjusted EBITA margin of the growing profit engines improved by 80 bps to 11.0%, with each of the three business groups improving profitability.

LED

Third quarter			<i>in € million, unless otherwise indicated</i>	Nine months		
2018	2019	change		2018	2019	change
		0.9%	Comparable sales growth		-0.4%	
444	457	3.0%	Sales	1,331	1,351	1.5%
53	56	5.3%	Adjusted EBITA	143	163	14.2%
12.0%	12.3%		Adjusted EBITA margin	10.7%	12.1%	
52	47	-9.6%	EBITA	137	147	7.7%
51	46	-10.0%	Income from operations (EBIT)	134	144	7.7%

Third quarter

Sales amounted to EUR 457 million, an increase of 0.9% on a comparable basis. LED lamps delivered a solid performance while sales in LED electronics continued to be impacted by lower customer demand in most regions. Adjusted EBITA increased by 5.3% to EUR 56 million, mainly as a result of ongoing procurement savings. This resulted in an Adjusted EBITA margin improvement of 30 bps to 12.3%.

Professional

Third quarter			<i>in € million, unless otherwise indicated</i>	Nine months		
2018	2019	change		2018	2019	change
		1.7%	Comparable sales growth		-1.8%	
675	698	3.5%	Sales	1,920	1,929	0.5%
79	86	8.7%	Adjusted EBITA	165	174	5.1%
11.7%	12.3%		Adjusted EBITA margin	8.6%	9.0%	
71	86	19.9%	EBITA	129	151	17.1%
50	63	27.1%	Income from operations (EBIT)	65	84	29.4%

Third quarter

Comparable sales increased by 1.7% to EUR 698 million, mainly driven by a solid performance in China and the Middle East. The increase was partly offset by a low level of market activity in Europe, most notably in Germany, and in India. Adjusted EBITA amounted to EUR 86 million, resulting in an improvement in the Adjusted EBITA margin of 60 bps to 12.3% as procurement and indirect cost savings more than offset the negative impact of price and mix.

Home

Third quarter			in € million, unless otherwise indicated	Nine months		
2018	2019	change		2018	2019	change
		-3.1%	Comparable sales growth			12.4%
110	108	-2.3%	Sales	291	330	13.3%
-8	-3	62.7%	Adjusted EBITA	-54	-18	66.2%
-6.9%	-2.6%		Adjusted EBITA margin	-18.4%	-5.5%	
-8	-12	-62.6%	EBITA	-59	-29	49.8%
-8	-13	-60.3%	Income from operations (EBIT)	-60	-31	48.7%

Third quarter

Sales amounted to EUR 108 million, a decrease of 3.1% on a comparable basis. While Europe continues to show good momentum, performance in the United States was lower due to a strict application of our commercial policies. Investments were made to prepare the launch of innovative offerings in Q4. Adjusted EBITA increased by EUR 5 million to EUR -3 million thereby improving the Adjusted EBITA margin from -6.9% to -2.6%.

Cash engine - Lamps

Third quarter			in € million, unless otherwise indicated	Nine months		
2018	2019	change		2018	2019	change
		-25.5%	Comparable sales growth			-21.2%
361	274	-24.2%	Sales	1,083	869	-19.8%
89	53	-40.1%	Adjusted EBITA	242	172	-28.7%
24.6%	19.4%		Adjusted EBITA margin	22.3%	19.8%	
86	41	-52.5%	EBITA	220	152	-30.9%
86	41	-52.4%	Income from operations (EBIT)	219	151	-30.9%

Third quarter

Sales amounted to EUR 274 million, a comparable decrease of 25.5% due to a very high comparison base related to the halogen bulb ban in Europe in Q3 18. Our cash engine continues to deliver on its 'last man standing' strategy, which resulted in further market share gains and solid free cash flow generation. The Adjusted EBITA margin remained robust at 19.4%.

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 -23 million (Q3 18: EUR -23 million). EBITA amounted to EUR -23 million (Q3 18: EUR -35 million), including restructuring costs of EUR 2 million (Q3 18: EUR 5 million). Other incidental items not part of the Adjusted EBITA included a net gain of EUR 4 million related to movements in the provisions originating from the separation.

Sales by market

2018	Third quarter			<i>in € million, except percentages</i>	2018	Nine months		
	2019	Change	CSG*			2019	change	CSG*
582	553	-5.0%	-5.1%	Europe	1,675	1,585	-5.3%	-5.3%
470	433	-7.9%	-10.1%	Americas	1,344	1,295	-3.6%	-6.9%
454	466	2.6%	0.3%	Rest of the World	1,357	1,356	-0.1%	-2.6%
88	91	2.4%	-3.1%	Global businesses	257	261	1.6%	-1.7%
1,594	1,542	-3.3%	-5.0%	Total	4,633	4,497	-2.9%	-4.8%

Horticulture is included in Market Groups Europe, Americas and Rest of the World (was previously part of Global businesses)

Third quarter

Comparable sales in Europe decreased by 5.1%, mainly reflecting challenging market conditions in Germany and the Benelux. Comparable sales in the Americas decreased by 10.1%, mainly driven by the ongoing decline of conventional and more challenging market conditions in Home and LED electronics. In the Rest of the World, comparable sales increased by 0.3%, with a solid performance in China and the Middle East largely offset by India.

Working capital

<i>in € million, unless otherwise indicated</i>	30 Sep '18	30 Jun '19	30 Sep '19
Inventories	994	999	1,030
Receivables	1,259	1,203	1,213
Accounts and notes payable	-957	-1,052	-975
Accrued liabilities	-431	-460	-450
Other working capital items	-206	-187	-230
Working capital	659	503	588
As % of LTM* sales	10.1%	8.0%	9.4%

* LTM: Last Twelve Months

Third quarter

Working capital decreased by EUR 71 million to EUR 588 million and by 70 basis points to 9.4% as a percentage of sales, compared with the end of September 2018, mainly as a result of lower receivables and higher payables.

Cash flow analysis

Third quarter		<i>in € million</i>	Nine months	
2018	2019		2018	2019
143	114	Income from operations (EBIT)	237	263
57	74	Depreciation and amortization	173	211
35	44	Additions to (releases of) provisions	142	113
-92	-67	Utilizations of provisions	-213	-177
-14	-69	Change in working capital	-139	-42
-5	-3	Interest paid	-16	-13
-45	-25	Income taxes paid	-101	-64
-18	-8	Net capex	-61	-44
3	-14	Other	5	-27
64	45	Free cash flow	27	220

Third quarter

Free cash flow amounted to EUR 45 million, including a positive impact of EUR 18 million related to IFRS 16, compared with EUR 64 million in the same period last year. Free cash flow included the impact of around EUR -60 million from the phasing of payables & receivables, as previously indicated at the end of Q2, a restructuring payout of EUR 20 million (Q3 18: EUR 39 million) and a contribution to our US pension fund of EUR 18 million (Q3 18: EUR 26 million) to reduce liabilities and to lower future interest expenses.

Net debt

<i>in € million</i>	30 Sep '18	30 Jun '19	30 Sep '19
Short-term debt	92	147	117
Long-term debt	1,179	1,339	1,379
Gross debt	1,271	1,486	1,496
Cash and cash equivalents	534	621	639
Net debt	737	865	857
Total equity	2,067	2,056	2,200

Third quarter

Net debt amounted to EUR 857 million, a decrease of EUR 8 million compared with the end of June 2019. Total equity increased to EUR 2.2 billion at the end of Q3 19 (end of June 2019: EUR 2,056 million), primarily due to net income and positive currency translation results.

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. A live and on-demand audio webcast of the conference call will be available via the [Investor Relations website](#).

Financial calendar

January 31, 2020	Fourth quarter & full-year results 2019
February 25, 2020	Annual Report 2019
May 19, 2020	Annual General Meeting of Shareholders

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 2018 sales of EUR 6.4 billion, we have approximately 27,000 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 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 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, establishment of corporate and brand identity, 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 2018 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 2018 and semi-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 2018.

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 2018 and semi-annual report 2019.

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 unless otherwise stated

	Third quarter		January to September	
	2018	2019	2018	2019
Sales	1,594	1,542	4,633	4,497
Cost of sales	(978)	(967)	(2,884)	(2,819)
Gross margin	616	575	1,748	1,678
Selling, general and administrative expenses	(402)	(406)	(1,260)	(1,219)
Research and development expenses	(71)	(68)	(245)	(207)
Impairment of goodwill	-	-	-	-
Other business income	3	15	8	18
Other business expenses	(3)	(2)	(15)	(7)
Income from operations	143	114	237	263
Financial income	8	4	15	12
Financial expenses	(20)	(15)	(50)	(44)
Results relating to investments in associates	(1)	(0)	(1)	1
Income before taxes	130	103	201	232
Income tax expense	(37)	(28)	(59)	(63)
Net income	93	74	142	169
Attribution of net income for the period:				
Net income (loss) attr to shareholders of Signify N.V.	95	73	147	169
Net income (loss) attributable to non-controlling interests	(2)	1	(5)	(0)

Amounts may not add up due to rounding

B. CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

in millions of EUR

	Third quarter		January to September	
	2018	2019	2018	2019
Net income (loss)	93	74	142	169
Pensions and other post-employment plans:				
Remeasurements	(0)	(0)	(6)	(2)
Income tax effect on remeasurements	-	-	-	-
Total of items that will not be reclassified to profit/loss	(0)	(0)	(6)	(2)
Currency translation differences:				
Net current period change, before tax	(43)	73	8	91
Income tax effect	-	-	-	(1)
Cash flow hedges:				
Net current period change, before tax	(27)	(10)	(29)	(5)
Income tax effect	6	2	4	2
Total of items that are/may be reclassified to profit/loss	(65)	65	(16)	86
Other comprehensive income (loss)	(65)	65	(22)	83
Total comprehensive income (loss)	28	140	121	252
Total comprehensive income (loss) attributable to:				
Shareholders of Signify N.V.	32	135	124	249
Non-controlling interests	(3)	4	(4)	3

Amounts may not add up due to rounding

C. CONDENSED CONSOLIDATED BALANCE SHEET

In millions of EUR	December 31, 2018	September 30, 2019
Non-current assets		
Property, plant and equipment		
· At cost	2,230	2,490
· Less accumulated depreciation	(1,798)	(1,884)
Property, plant and equipment	431	606
Goodwill	1,771	1,874
Intangible assets, excluding goodwill		
· At cost	2,065	2,157
· Less accumulated amortization	(1,572)	(1,705)
Intangible assets, excluding goodwill	493	452
Non-current receivables	38	43
Investments in associates	11	13
Other non-current financial assets	20	17
Deferred tax assets	399	408
Other non-current assets	49	54
Total non-current assets	3,211	3,466
Current assets		
Inventories	878	1,030
Current financial assets	4	0
Other current assets	107	126
Derivative financial assets	28	18
Income tax receivable	35	32
Receivables:		
· Accounts receivable	1,167	1,135
· Other current receivables	64	78
Receivables	1,231	1,213
Assets classified as held for sale	9	17
Cash and cash equivalents	676	639
Total current assets	2,969	3,075
Total assets	6,181	6,541
Equity		
Shareholders' equity	2,041	2,120
Non-controlling interests	78	80
Total equity	2,119	2,200
Non-current liabilities		
Long-term debt	1,187	1,379
Long-term provisions	712	679
Deferred tax liabilities	19	16
Other non-current liabilities	173	182
Total non-current liabilities	2,091	2,256
Current liabilities		
Short-term debt	78	117
Derivative financial liabilities	22	27
Income tax payable	15	22
Accounts and notes payable	953	975
Accrued liabilities	444	450
Short-term provisions	168	142
Liabilities associated with assets classified held for sale	0	4
Other current liabilities	288	348
Total current liabilities	1,970	2,085
Total liabilities and total equity	6,181	6,541

Amounts may not add up due to rounding

D. CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

In millions of EUR

	Third quarter		January to September	
	2018	2019	2018	2019
Cash flows from operating activities				
Net income	93	74	142	169
Adj. to reconcile net income to net cash provided by oper. activities:	140	147	407	404
• Depreciation, amortization and impairment of non-financial assets	57	74	173	211
• Impairment (reversal) of goodwill, other non-current fin. assets & inv. in associates	1	-	2	(0)
• Net gain on sale of assets	(1)	(9)	(3)	(10)
• Interest income	(8)	(3)	(14)	(11)
• Interest expense on debt, borrowings and other liabilities	8	6	23	22
• Income tax expense	37	28	59	63
• Additions to (releases of) provisions	35	44	142	113
• Other items	11	7	24	15
Decrease (increase) in working capital:	(14)	(69)	(139)	(42)
• Decrease (increase) in receivables	(44)	(2)	67	41
• Decrease (increase) in inventories	(7)	(23)	(93)	(135)
• Increase (decrease) in accounts payable	16	(87)	(32)	4
• Increase (decrease) in other curr. assets, accrued & other curr. liabilities	22	43	(81)	48
Increase (decrease) in non-current receivables, other assets & other liabilities	4	(4)	7	(12)
Utilization of provisions	(92)	(67)	(213)	(177)
Interest paid	(5)	(3)	(16)	(13)
Income taxes paid	(45)	(25)	(101)	(64)
Net cash provided by (used for) operating activities	81	53	88	265
Cash flows from investing activities				
Net capital expenditures:	(18)	(8)	(61)	(44)
• Additions of intangible assets	(7)	(6)	(19)	(22)
• Capital expenditures on property, plant and equipment	(11)	(12)	(44)	(35)
• Proceeds from disposal of property, plant and equipment	1	11	2	13
Net proceeds from (cash used for) derivatives and current fin. assets	3	(3)	(0)	(1)
Proceeds from other non-current financial assets	1	1	2	3
Purchases of other non-current financial assets	(7)	(1)	(11)	(3)
Purchases of businesses, net of cash acquired	(11)	(4)	(6)	(24)
Proceeds from sale of interests in businesses, net of cash disposed of	1	-	1	5
Net cash used for investing activities	(30)	(14)	(75)	(64)
Cash flows from financing activities				
Dividends paid	0	(1)	(171)	(165)
Proceeds from issuance (payments) of debt	(1)	(31)	(32)	(84)
Purchases of treasury shares	(95)	(0)	(199)	(6)
Net cash provided by (used for) financing activities	(96)	(32)	(402)	(255)
Net cash provided by (used for) operations	(45)	7	(389)	(54)
Effect of changes in exch. rates on cash, cash equivalents & bank overdrafts	(14)	12	(7)	21
Cash, cash equiv. & bank overdrafts at the beginning of the period ¹⁾	588	612	925	664
Cash, cash equivalents and bank overdrafts at the end of the period ²⁾	529	631	529	631
Non cash investing and financing activities:				
Acquisition of fixed asset by means of leases		21		34

1) For Q3 2019 and 2018, included bank overdrafts of EUR 9 million and EUR 10 million, respectively. For January to September of 2019 and 2018, included bank overdrafts of EUR 12 million and EUR 17 million, respectively.

2) Included bank overdrafts of EUR 7 million and EUR 5 million as at September 30, 2019 and 2018, respectively.

Amounts may not add up due to rounding

Appendix B – Reconciliation of non-IFRS Financial Measures

Sales growth composition in %

	Third quarter			
	comparable growth	currency effects	consolidation and other changes	nominal growth
2019 vs 2018				
LED	0.9	1.8	0.2	3.0
Professional	1.7	1.2	0.6	3.5
Home	-3.1	0.8	0.0	-2.3
Lamps	-25.5	1.4	0.0	-24.2
Other	15.9	1.8	0.0	17.8
Total	-5.0	1.4	0.3	-3.3

	January to September			
	comparable growth	currency effects	consolidation and other changes	nominal growth
2019 vs 2018				
LED	-0.4	1.8	0.1	1.5
Professional	-1.8	1.1	1.1	0.5
Home	12.4	1.0	0.0	13.3
Lamps	-21.2	1.5	0.0	-19.8
Other	139.0	9.5	0.0	148.5
Total	-4.8	1.4	0.5	-2.9

Sales growth composition in %

	Third quarter			
	comparable growth	currency effects	consolidation and other changes	nominal growth
2019 vs 2018				
Europe	-5.1	-0.1	0.2	-5.0
Americas	-10.1	2.3	0.0	-7.9
Rest of the World	0.3	2.4	-0.1	2.6
Global businesses	-3.1	0.6	4.9	2.4
Total	-5.0	1.4	0.3	-3.3

	January to September			
	comparable growth	currency effects	consolidation and other changes	nominal growth
2019 vs 2018				
Europe	-5.3	-0.2	0.2	-5.3
Americas	-6.9	3.3	0.0	-3.6
Rest of the World	-2.6	1.5	1.0	-0.1
Global businesses	-1.7	0.9	2.4	1.6
Total	-4.8	1.4	0.5	-2.9

Amounts may not add up due to rounding

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

	<u>Signify</u>	<u>LED</u>	<u>Professional</u>	<u>Home</u>	<u>Lamps</u>	<u>Other</u>
Third quarter 2019						
Adjusted EBITA	169	56	86	(3)	53	(23)
Restructuring	(24)	(4)	(1)	(8)	(8)	(2)
Acquisition-related charges	(1)	(1)	(0)	-	-	(0)
Incidental items	(6)	(4)	1	(1)	(5)	3
EBITA	138	47	86	(12)	41	(23)
Amortization ¹⁾	(25)	(1)	(22)	(0)	(0)	(1)
Income from operations (or EBIT)	114	46	63	(13)	41	(23)

Third quarter 2018

Adjusted EBITA	191	53	79	(8)	89	(23)
Restructuring	(17)	(1)	(8)	(0)	(3)	(5)
Acquisition-related charges	(0)	-	(0)	-	-	-
Incidental items	(7)	-	-	-	-	(7)
EBITA	167	52	71	(8)	86	(35)
Amortization ¹⁾	(24)	(1)	(22)	(0)	(0)	(0)
Income from operations (or EBIT)	143	51	50	(8)	86	(35)

	<u>Signify</u>	<u>LED</u>	<u>Professional</u>	<u>Home</u>	<u>Lamps</u>	<u>Other</u>
January to September 2019						
Adjusted EBITA	416	163	174	(18)	172	(74)
Restructuring	(57)	(7)	(16)	(9)	(13)	(12)
Acquisition-related charges	(2)	(1)	(1)	-	-	(0)
Incidental items	(21)	(7)	(5)	(2)	(7)	1
EBITA	336	147	151	(29)	152	(85)
Amortization ¹⁾	(73)	(3)	(67)	(1)	(0)	(2)
Income from operations (or EBIT)	263	144	84	(31)	151	(86)

January to September 2018

Adjusted EBITA	426	143	165	(54)	242	(70)
Restructuring	(91)	(6)	(28)	(5)	(22)	(31)
Acquisition-related charges	(0)	-	(0)	-	(0)	-
Incidental items	(28)	-	(8)	-	-	(20)
EBITA	307	137	129	(59)	220	(120)
Amortization ¹⁾	(70)	(3)	(64)	(1)	(1)	(1)
Income from operations (or EBIT)	237	134	65	(60)	219	(121)

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

	Reported	Restructuring	Acq. related charges	Incidental items ²	Adjusted
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 costs¹	(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 excl. amortiz. (EBITA)	138	24	1	6	169
Third quarter 2018					
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. amortiz. (EBITA)	167	17	0	7	191
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 excl. amortiz. (EBITA)	336	57	2	21	416
January to September 2018					
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 excl. amortiz. (EBITA)	307	91	0	28	426

¹Adj. indirect costs included a negative currency impact of EUR 6 million in Q3 19. Adjusting for the currency impact, indirect costs reduced by EUR 22 million on a currency comparable basis; ²Incidental items are non-recurring by nature and relate to separation, company name change, transformation and real estate gains.

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 (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
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

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.