Press Release

January 31, 2020

Signify reports full-year sales of EUR 6.2 billion, improvement in profitability by 30 bps to 10.4% and a free cash flow of EUR 529 million

Full year 2019[1]

- Signify's installed base of connected light points increased from 44 million at YE 18 to 56 million at YE 19
- CSG growing profit engines -0.3%; CSG total Signify -4.6%
- LED-based comparable sales grew by 1.4%, representing 78% of sales (FY 18: 71%)
- Adj. indirect costs down EUR 125 million, or -6.6%, excl. currency effects and change in scope
- Adj. EBITA margin improved by 30 bps to 10.4%, despite a negative currency impact of 20 bps
- Adj. EBITA margin of the growing profit engines increased by 180 bps with each of the three BGs improving
- Net income increased to EUR 267 million (FY 18: EUR 261 million)
- Free cash flow amounted to EUR 529 million (FY 18: EUR 306 million) or 8.5% of sales
- Solid progress made on our sustainability goals for 2020; well on track to be carbon neutral in 2020

Fourth quarter 2019[1]

- Sales of EUR 1.8 billion; 1.4% nominal sales growth
- CSG growing profit engines -0.7%; CSG total Signify -4.2%
- LED-based sales represent 80% of total sales
- Adj. indirect costs down EUR 25 million, or -5.4%, excl. currency effects and change in scope
- Adj. EBITA margin improved by 80 bps to 13.2%, including a positive currency impact of 30 bps
- Adj. EBITA margin of the growing profit engines increased by 180 bps
- Net income decreased to EUR 98 million compared with EUR 119 million last year
- Strong free cash flow of EUR 308 million (Q4 18: EUR 279 million)

Shareholder returns

- In 2019, EUR 164 million of capital was returned through the annual dividend payment
- Propose to pay a cash dividend of EUR 1.35 per share over 2019, an increase of 3.8% and a pay-out ratio of 47%

Eindhoven, the Netherlands – Signify (Euronext: LIGHT), the world leader in lighting, today announced the company's fourth quarter and full-year 2019 results. "We are pleased that we've improved our Adjusted EBITA margin for the sixth consecutive year, which has led to a 400 basis points increase since 2013. During the same period, our LED-based sales increased from 26% to 78%, reflecting our successful transformation from conventional lighting technologies to LED lighting products, systems and services. Our free cash flow of EUR 529 million is at the highest level since the IPO. The profit and cash contribution from the growing profit engines is now more than twice that of Lamps. This demonstrates that we have significantly strengthened the business and financial profile of the company.

[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.*

We are also seeing positive traction from the acquisitions we completed in 2019 and look forward to welcoming Cooper Lighting Solutions in 2020, which will strengthen our market position in North America and our overall business mix," said CEO Eric Rondolat. "We propose a dividend of EUR 1.35 per share which brings the total return to shareholders to more than EUR 1.2 billion since the IPO. While we continue to face challenging market conditions, we are confident that our relentless focus on our growth initiatives will further strengthen our market leadership and progressively improve our growth profile."

Sustainability

Sustainability is central to Signify's strategy. It is the company's purpose to unlock the extraordinary potential of light for brighter lives and a better world. In 2019, 82.5% of the company's revenues came from its portfolio of sustainable products, systems and services, exceeding its 2020 target of 80%. Signify sold 2.3 billion LED lamps and luminaires in 2015-2019, in line with its commitment to deliver more than 2 billion LED lamps and luminaires by the end of 2020. The company also decreased its waste to landfill by 70% and is ahead of its targets related to a safe & healthy workplace and a sustainable supply chain. The company reduced its carbon footprint by 10%, achieving carbon neutrality in 15 out of its 19 markets, demonstrating it is well on track to become carbon neutral this year. In 2019, Signify was named Industry Leader in the Dow Jones Sustainability Index for the third consecutive year and is included in CDP's prestigious 'A List' for climate change since the IPO.

Outlook

For 2020, Signify aims to achieve a further improvement in the Adjusted EBITA margin and to deliver a free cash flow of at least 6% of sales. This outlook excludes the announced acquisition of Cooper Lighting Solutions. An update on the outlook will be provided after the closing of the Cooper Lighting Solutions acquisition, which is expected in Q1 2020, as previously indicated.

Capital allocation

Capital allocation
Signify intends to maintain a robust capital structure and continues to aim towards a financing structure that is compatible with an investment grade profile. Following the announced acquisition of Cooper Lighting Solutions, the company will prioritize deleveraging with strong free cash flows expected to drive down Signify's net leverage ratio from around 2x at closing to below 1x net debt/EBITDA within three years. The company intends to use EUR 350 million to reduce its debt in 2020.

The company plans to continue to pay a stable to increased dividend per share. While Signify will prioritize deleveraging, it will continue to invest in R&D and other organic growth opportunities. As Signify will focus on integrating Cooper Lighting Solutions, M&A will have a lower priority.

Dividend
The company proposes to pay a dividend of EUR 1.35 per share in cash related to full year 2019, which represents an increase of 3.8% compared with last year, and a pay-out ratio of 47%. The dividend payment is subject to approval by the Annual General Meeting of Shareholders (AGM) to be held on May 19, 2020. Further details will be provided in the agenda for the AGM.

Financial review

Fourth quarter				Twelve months		
2018	2019	change	*in millions of EUR, except percentages*	2018	2019	change
		-4.2%	**Comparable sales growth**			**-4.6%**
		2.0%	*Effects of currency movements*			*1.6%*
		3.5%	*Consolidation and other changes*			*1.3%*
1,726	**1,750**	1.4%	**Sales**	**6,358**	**6,247**	-1.8%
647	661	2.2%	Adjusted gross margin	2,433	2,360	-3.0%
37.5%	**37.8%**		**Adj. gross margin (as % of sales)**	**38.3%**	**37.8%**	
-398	-389		Adj. SG&A expenses	-1,609	-1,544	
-64	-68		Adj. R&D expenses	-288	-270	
-463	-457	1.1%	Adj. indirect costs	-1,896	-1,813	4.4%
26.8%	**26.1%**		**Adj. indirect costs (as % of sales)**	**29.8%**	**29.0%**	
214	232	8.4%	Adjusted EBITA	640	648	1.3%
12.4%	**13.2%**		**Adjusted EBITA margin**	**10.1%**	**10.4%**	
-17	-67		Adjusted items	-136	-148	
197	164	-16.7%	EBITA	504	500	-0.7%
173	**138**	**-19.9%**	**Income from operations (EBIT)**	**410**	**401**	**-2.0%**
-7	-11		Net financial income/expense	-41	-43	
-47	-29		Income tax expense	-106	-93	
119	**98**	**-17.3%**	**Net income**	**261**	**267**	**2.3%**
279	308		Free cash flow	306	529	
0.90	0.74		Basic EPS (€)	1.95	2.08	
29,237	32,005		Employees (FTE)	29,237	32,005	

Fourth quarter
Sales amounted to EUR 1,750 million, a nominal increase of 1.4%. Adjusted for 2.0% currency effects and 3.5% consolidation and other changes, comparable sales declined by 4.2%. LED-based sales represent 80% of total sales. The adjusted gross margin increased by 30 bps to 37.8%, including a positive currency effect of 30 bps. Adjusted indirect costs decreased by EUR 5 million, or 70 bps as a percentage of sales. Excluding currency effects and change in scope, indirect costs decreased by EUR 25 million. Adjusted EBITA amounted to EUR 232 million compared with EUR 214 million in the same period last year. The Adjusted EBITA margin increased by 80 bps to 13.2%, including a positive currency impact of 30 bps. Total restructuring costs were EUR 42 million, acquisition-related charges EUR 11 million and incidental items EUR 15 million. Net income decreased from EUR 119 million last year to EUR 98 million in Q4 19, mainly due to higher restructuring costs and other incidentals. Free cash flow, which includes a positive impact of EUR 18 million related to IFRS 16, amounted to EUR 308 million compared with EUR 279 million last year.

Full year
Sales amounted to EUR 6,247 million, a nominal decrease of 1.8%. Adjusted for 1.6% currency effects and 1.3% consolidation and other changes, comparable sales decreased by 4.6%. LED-based sales grew by 1.4% on a comparable basis and represented 78% of sales compared with 71% in 2018. The adjusted gross margin declined by 50 bps to 37.8%, including a negative currency effect of 30 bps. Adjusted indirect costs decreased by EUR 83 million, or 80 bps as a percentage of sales.

Excluding currency effects and changes in scope, indirect costs decreased by EUR 125 million, as a result of continued rigorous implementation of cost reduction initiatives. Adjusted EBITA amounted to EUR 648 million compared with EUR 640 million last year and was negatively impacted by EUR 4 million of currency effects. The Adjusted EBITA margin improved by 30 bps to 10.4%, including an adverse currency effect of 20 bps. This improvement was driven by LED, Professional and Home. Total restructuring costs were EUR 99 million, acquisition-related charges were EUR 13 million and incidental items were EUR 36 million. Net income was EUR 267 million compared with EUR 261 million last year. Free cash flow, which includes a positive impact of EUR 71 million related to IFRS 16, amounted to EUR 529 million compared with EUR 306 million last year. Free cash flow was 8.5% of sales in 2019.

Growing profit engines

in millions of EUR, except percentages	**CSG**		**Adj. EBITA margin**		**Free cash flow***	
	FY 18	**FY 19**	**FY 18**	**FY 19**	**FY 18**	**FY 19**
LED	0.4%	-1.1%	11.7%	12.7%		
Professional	-0.4%	-1.7%	9.5%	10.0%		
Home	-3.8%	11.3%	-8.1%	3.8%		
Growing profit engines	**-0.4%**	**-0.3%**	**8.6%**	**10.4%**	**370**	**559**

** Excluding non-allocated free cash flow items (e.g. tax, interest) that are accounted for in Other. Please refer to page 8 for more information.*

Full year

Comparable sales growth of the growing profit engines was -0.3%, reflecting a challenging macro environment resulting in lower market activity in Europe, India and the United States. Our growth platforms, connected systems, IoT platform services, horticulture, solar, LiFi and 3D printing, showed positive momentum in 2019. The Adjusted EBITA margin of the growing profit engines improved by 180 bps to 10.4%, with each of the three business groups improving profitability. The growing profit engines substantially increased free cash flow to EUR 559 million and each of the three business groups generated positive free cash flow.

LED

Fourth quarter				Twelve months		
2018	2019	change	*in millions of EUR, unless otherwise indicated*	2018	2019	change
		-2.9%	Comparable sales growth			-1.1%
481	541	12.3%	Sales	1,812	1,891	4.4%
69	77	11.3%	Adjusted EBITA	212	240	13.2%
14.4%	14.3%		Adjusted EBITA margin	11.7%	12.7%	
68	69		EBITA	204	217	
67	67		Income from operations (EBIT)	200	212	

Fourth quarter

Sales amounted to EUR 541 million, a nominal increase of 12.3%, reflecting the consolidation of the Klite acquisition as of October 1, 2019. On a comparable basis, sales declined by 2.9%. LED lamps delivered a solid performance while sales in LED electronics were impacted by lower customer demand in most regions. The Adjusted EBITA margin remained solid at 14.3%.

Full year

Sales amounted to EUR 1,891 million, a decrease of 1.1% on a comparable basis. LED lamps delivered a solid performance while sales in LED electronics were impacted by lower customer demand in most regions. Adjusted EBITA amounted to EUR 240 million. The Adjusted EBITA margin improved by 100 bps to 12.7%, benefiting from ongoing procurement savings and lower indirect costs.

Professional

Fourth quarter				Twelve months		
2018	2019	change	*in millions of EUR, unless otherwise indicated*	2018	2019	change
		-1.5%	Comparable sales growth			-1.7%
715	720	0.7%	Sales	2,635	2,649	0.5%
85	92	7.2%	Adjusted EBITA	251	265	5.8%
12.0%	12.7%		Adjusted EBITA margin	9.5%	10.0%	
79	71		EBITA	208	222	
56	49		Income from operations (EBIT)	121	133	

Fourth quarter

Comparable sales decreased by 1.5% to EUR 720 million, mainly due to continued challenging market conditions, most notably in India and China, and lower market activity in the United States. Adjusted EBITA amounted to EUR 92 million, resulting in an improvement in the Adjusted EBITA margin of 70 bps to 12.7% which was mainly driven by indirect cost reductions.

Full year

Professional was impacted by weaker market conditions in 2019, most notably in certain markets in Europe and in India. As a result, comparable sales declined by 1.7%. Adjusted EBITA increased by 5.8% to EUR 265 million, improving the Adjusted EBITA margin by 50 bps to 10.0%, as procurement and indirect cost savings more than offset the negative impact of price and mix.

Home

Fourth quarter				Twelve months		
2018	2019	change	*in millions of EUR, unless otherwise indicated*	2018	2019	change
		9.5%	Comparable sales growth			11.3%
176	191	8.6%	Sales	467	521	11.6%
16	38	140.5%	Adjusted EBITA	-38	20	151.7%
8.9%	19.8%		Adjusted EBITA margin	-8.1%	3.8%	
16	35		EBITA	-43	5	
15	34		Income from operations (EBIT)	-44	3	

Fourth quarter

Home delivered a strong performance in Q4. Sales amounted to EUR 191 million, an increase of 9.5% on a comparable basis. This reflects a particularly strong performance in Europe and the successful introduction of innovative offerings. Adjusted EBITA more than doubled to EUR 38 million, improving the Adjusted EBITA margin from 8.9% to 19.8%.

Full year

Sales amounted to EUR 521 million, an increase of 11.3% on a comparable basis. Adjusted EBITA increased by EUR 58 million to EUR 20 million. The Adjusted EBITA margin improved from -8.1% to 3.8%, driven by a higher top line, gross margin improvement and cost optimization.

Cash engine - Lamps

Fourth quarter				Twelve months		
2018	2019	change	*in millions of EUR, unless otherwise indicated*	2018	2019	change
		-18.3%	Comparable sales growth			-20.5%
345	290	-15.9%	Sales	1,428	1,159	-18.8%
60	50	-16.5%	Adjusted EBITA	302	222	-26.3%
17.5%	17.3%		Adjusted EBITA margin	21.1%	19.2%	
50	17		EBITA	270	168	
50	17		Income from operations (EBIT)	269	168	
			Free cash flow*	308	222	

** Excluding non-allocated free cash flow items (e.g. tax, interest) that are accounted for in Other. Please refer to page 8 for more information.*

Lamps continued to deliver on its 'last man standing' strategy, which resulted in further market share gains and solid free cash flow generation of EUR 222 million in 2019. The Adjusted EBITA margin remained robust at 19.2% in 2019.

Other

Fourth quarter

Other represents amounts not allocated to the operating segments and includes certain costs related to central R&D activities to drive innovation as well as group enabling functions. Adjusted EBITA amounted to EUR -26 million (Q4 18: EUR -17 million). EBITA amounted to EUR -28 million (Q4 18: EUR -15 million), including restructuring costs of EUR 2 million (Q4 18: EUR 9 million).

Full year

Adjusted EBITA amounted to EUR -100 million in 2019 (2018: EUR -87 million). EBITA amounted to EUR -112 million (2018: EUR -135 million), including restructuring costs of EUR 14 million (2018: EUR 39 million) and a net gain in incidentals of EUR 1 million.

Sales by market

Fourth quarter					Twelve months			
2018	2019	Nominal change	CSG	*in millions of EUR, except percentages*	2018	2019	Nominal change	CSG
662	652	-1.5%	-2.1%	Europe	2,337	2,238	-4.3%	-4.4%
485	452	-6.8%	-9.2%	Americas	1,830	1,747	-4.5%	-7.5%
483	500	3.5%	-0.3%	Rest of the World	1,840	1,855	0.8%	-2.0%
95	145	53.1%	-8.8%	Global businesses	352	406	15.5%	-4.4%
1,726	**1,750**	**1.4%**	**-4.2%**	**Total**	**6,358**	**6,247**	**-1.8%**	**-4.6%**

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

Fourth quarter
Comparable sales in Europe decreased by 2.1%, mainly reflecting challenging market conditions in Germany and Italy. Comparable sales in the Americas decreased by 9.2%, mainly driven by the ongoing decline of conventional and more challenging market conditions in LED electronics and Professional. In the Rest of the World, comparable sales decreased by 0.3%, with a solid performance in the Middle East largely offset by India.

Full year
Comparable sales in Europe decreased by 4.4%, mainly reflecting challenging market conditions in Germany, Italy and France. Comparable sales in the Americas decreased by 7.5%, mainly as a result of the ongoing decline of conventional and more challenging market conditions in LED electronics. In the Rest of the World, comparable sales decreased by 2.0%, particularly due to India.

Changes in presentation of balance sheet and cash flow statement

The presentation of the balance sheet and cash flow statement has been amended to further improve transparency and readability of these statements, in line with market practice. The changes in presentation are reclassifications of amounts and do not impact total amounts. Refer to page 15 and 18 in the Appendix for an overview of the changes.

Working capital

in millions of EUR, unless otherwise indicated	31 Dec '18	30 Sep '19	31 Dec '19
Inventories	878	1,030	874
Trade and other receivables	1,231	1,213	1,223
Trade and other payables	-1,507	-1,582	-1,684
Other working capital items	-66	-74	-25
Working capital	**536**	**588**	**388**
As a % of last-twelve-months sales	8.4%	9.4%	6.2%

A reconciliation of the changes in working capital can be found on page 16

Fourth quarter
In the fourth quarter, working capital decreased by EUR 200 million to EUR 388 million, representing 6.2% of sales, mainly driven by lower inventories and higher payables compared with last quarter.

Full year
Working capital decreased year-on-year by EUR 148 million to EUR 388 million. As a percentage of sales, working capital improved by 220 bps to 6.2% of sales, mainly driven by higher payables. This is the result of initiatives we implemented during the year focused on optimizing receivables and payables policies.

Cash flow analysis

Fourth quarter 2018	Fourth quarter 2019	*in millions of EUR*	Twelve months 2018	Twelve months 2019
173	138	Income from operations (EBIT)	410	401
58	77	Depreciation and amortization	231	288
28	65	Additions to (releases of) provisions	170	178
-73	-69	Utilizations of provisions	-286	-246
147	152	Change in working capital	8	110
-7	-4	Interest paid	-23	-17
-22	-26	Income taxes paid	-123	-90
-14	-26	Net capex	-75	-70
-11	1	Other	-6	-26
279	**308**	**Free cash flow**	**306**	**529**

Fourth quarter
Free cash flow amounted to EUR 308 million, an increase of EUR 29 million compared with last year, including a positive impact of EUR 18 million related to IFRS 16. Free cash flow included a restructuring payout of EUR 25 million (Q4 2018: EUR 36 million).

Full year
Free cash flow amounted to EUR 529 million, or 8.5% of sales, an increase of EUR 223 million compared with 2018, including a EUR 71 million positive impact from IFRS 16. The free cash flow improved largely as a result of a better working capital position, and also benefited from a lower restructuring payout and income taxes paid.

in millions of EUR	**Free cash flow**		
	FY 17	**FY 18**	**FY 19**
Growing profit engines	353	370	559
Cash engine - Lamps	438	308	222
Other*	-388	-372	-252
Signify total	**403**	**306**	**529**

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

In 2019, the free cash flow of the growing profit engines LED, Professional and Home combined amounted to EUR 559 million, a EUR 189 million increase compared with 2018, including a EUR 53 million positive impact from IFRS 16. The free cash flow of Lamps amounted to EUR 222 million, or 19.2% of sales, which is a decrease of EUR 86 million and includes a EUR 9 million positive impact from IFRS 16. For the first time, the free cash flow of the growing profit engines was more than twice the level of the free cash flow of Lamps.

Net debt and total equity

in millions of EUR	31 Dec '18	30 Sep '19	31 Dec '19
Short-term debt	78	117	96
Long-term debt	1,187	1,379	1,369
Gross debt	1,265	1,496	1,465
Cash and cash equivalents	676	639	847
Net debt	**589**	**857**	**618**
Total equity	**2,119**	**2,200**	**2,324**

Fourth quarter

Net debt amounted to EUR 618 million, a decrease of EUR 239 million compared with the end of the third quarter, mainly driven by strong free cash flow. The cash position increased to EUR 847 million. Total equity increased to EUR 2,324 million at the end of the fourth quarter (Q3 19: EUR 2,200 million), primarily due to net income and non-controlling interest in Klite, offset by currency effects.

Full year

Net debt increased by EUR 29 million to EUR 618 million compared with the end of 2018, due to a EUR 200 million increase in gross debt mainly related to IFRS 16. This was partly offset by an increase in the cash position. Total equity increased by EUR 205 million to EUR 2,324 million, primarily driven by net income, non-controlling interest in Klite and currency effects, partly offset by the dividend distribution.

Other information

Appendix A – Financial statements information
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 2019 results. A live and on-demand audio webcast of the conference call will be available via the Investor Relations website.

Financial calendar 2020

February 25	Annual report 2019
April 24	First quarter results 2020
May 19	Annual General Meeting of Shareholders
May 21	Ex-dividend date
May 22	Dividend record date
June 2	Dividend payment date
June 18	Capital Markets Day
July 24	Second quarter and half year results 2020
October 23	Third quarter results 2020

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About Signify
Signify (Euronext: LIGHT) is the world leader in lighting for professionals and consumers and lighting for the Internet of Things. Our Philips products, Interact connected lighting systems and data-enabled services, deliver business value and transform life in homes, buildings and public spaces. With 2019 sales of EUR 6.2 billion, we have approximately 32,000 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.

Changes to financial reporting following announced organizational changes

On January 20, 2020, Signify announced its intent to adapt its business structure to enable a stronger customer focus and enhanced specialization to further increase execution speed. To this end, the company intends to move from its current four business groups (BG) to three divisions: Digital Solutions, formerly known as BG Professional, Digital Products, which combines BG LED and BG Home, and Conventional Products, which is the current BG Lamps. As a consequence, Signify intends to adapt its segment reporting accordingly.

Market Abuse Regulation

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

Signify

Appendix A – Financial statement information

A. CONSOLIDATED STATEMENTS OF INCOME

in millions of EUR unless otherwise stated

	Fourth quarter		January to December	
	2018	**2019**	**2018**	**2019**
Sales	1,726	1,750	6,358	6,247
Cost of sales	(1,092)	(1,121)	(3,976)	(3,940)
Gross margin	**634**	**629**	**2,382**	**2,307**
Selling, general and administrative expenses	(415)	(418)	(1,675)	(1,637)
Research and development expenses	(67)	(76)	(312)	(283)
Impairment of goodwill	-	-	-	-
Other business income	23	5	32	22
Other business expenses	(2)	(1)	(17)	(8)
Income from operations	**173**	**138**	**410**	**401**
Financial income	5	5	20	17
Financial expenses	(11)	(16)	(61)	(60)
Results relating to investments in associates	(1)	(0)	(2)	1
Income before taxes	**165**	**127**	**367**	**360**
Income tax expense	(47)	(29)	(106)	(93)
Net income	**119**	**98**	**261**	**267**
Attribution of net income for the period:				
Net income (loss) attributable to shareholders of Signify N.V.	115	93	263	262
Net income (loss) attributable to non-controlling interests	4	5	(2)	5
Earnings per ordinary share attributable to shareholders				
Weighted average number of ordinary shares outstanding used for calculation (in thousands):				
Basic	128,163	125,937	134,306	126,028
Diluted	128,482	127,594	134,672	127,626
Net income attributable to shareholders per ordinary share in EUR:				
Basic	0.90	0.74	1.95	2.08
Diluted	0.90	0.73	1.95	2.06

Amounts may not add up due to rounding

Signify

B. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

in millions of EUR

	Fourth quarter		January to December	
	2018	**2019**	**2018**	**2019**
Net income (loss)	**119**	**98**	**261**	**267**
Pensions and other post-employment plans:				
Remeasurements	(4)	9	(10)	6
Income tax effect on remeasurements	1	(3)	1	(3)
Total of items that will not be reclassified to profit or loss	**(4)**	**6**	**(9)**	**4**
Currency translation differences:				
Net current period change, before tax	53	(53)	61	38
Income tax effect				(1)
Cash flow hedges:				
Net current period change, before tax	18	7	(11)	1
Income tax effect	(4)	(1)	1	1
Total of items that are or may be reclassified to profit or loss	**67**	**(47)**	**51**	**39**
Other comprehensive income (loss)	**64**	**(41)**	**42**	**42**
Total comprehensive income (loss)	**182**	**57**	**303**	**309**
Total comprehensive income (loss) attributable to:				
Shareholders of Signify N.V.	177	55	301	304
Non-controlling interests	5	3	2	6

Amounts may not add up due to rounding

C. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in millions of EUR	December 31, 2018[1]	December 31, 2019
Non-current assets		
Property, plant and equipment	431	644
Goodwill	1,771	1,943
Intangible assets, other than goodwill	493	443
Investments in associates	11	14
Financial assets	49	49
Deferred tax assets	399	384
Other assets	58	64
Total non-current assets	**3,211**	**3,541**
Current assets		
Inventories	878	874
Financial assets	4	0
Other assets	107	161
Derivative financial assets	28	16
Income tax receivable	35	48
Trade and other receivables	1,231	1,223
Cash and cash equivalents	676	847
Assets classified as held for sale	9	4
Total current assets	**2,969**	**3,174**
Total assets	**6,181**	**6,715**
Equity		
Shareholders' equity	2,041	2,181
Non-controlling interests	78	142
Total equity	**2,119**	**2,324**
Non-current liabilities		
Debt	1,187	1,369
Post-employment benefits	475	437
Provisions	237	216
Deferred tax liabilities	19	28
Income tax payable	48	52
Other liabilities	125	135
Total non-current liabilities	**2,091**	**2,236**
Current liabilities		
Debt, including bank overdrafts	78	96
Derivative financial liabilities	22	20
Income tax payable	15	22
Trade and other payables	1,507	1,684
Provisions	168	149
Other liabilities	179	183
Liabilities from assets classified as held for sale	0	2
Total current liabilities	**1,970**	**2,155**
Total liabilities and total equity	**6,181**	**6,715**

Amounts may not add up due to rounding;

[1] This consolidated statement of financial position was updated for certain reclassification changes made

C. CONSOLIDATED STATEMENT OF FINANCIAL POSITION – RECLASSIFICATIONS 2018

in millions of EUR

	2018 before changes	Changes	2018 after changes
Non-current assets			
Property, plant and equipment	431	-	431
Goodwill	1,771	-	1,771
Intangible assets, excluding goodwill	493	-	493
Investments in associates	11	-	11
Non-current receivables	38	(38)	-
Other non-current financial assets	20	(20)	-
Financial assets[1]		49	49
Deferred tax assets	399	-	399
Other assets[2]	49	8	58
Total non-current assets	**3,211**	**-**	**3,211**
Current assets		-	
Inventories	878	-	878
Current financial assets	4	-	4
Other assets	107	-	107
Derivative financial assets	28	-	28
Income tax receivable	35	-	35
Trade and other receivables	1,231	-	1,231
Cash and cash equivalents	676	-	676
Assets classified as held for sale	9	-	9
Total current assets	**2,969**	**-**	**2,969**
Total assets	**6,181**	**-**	**6,181**
Equity			
Shareholders' equity	2,041	-	2,041
Non-controlling interests	78	-	78
Total equity	**2,119**	-	**2,119**
Non-current liabilities			
Debt	1,187	-	1,187
Post-employment benefits[3]		475	475
Provisions	712	(475)	237
Deferred tax liabilities	19	-	19
Income tax payable[4]	-	48	48
Other liabilities	173	(48)	125
Total non-current liabilities	**2,091**	**-**	**2,091**
Current liabilities			
Debt, including bank overdrafts	78	-	78
Derivative financial liabilities	22	-	22
Income tax payable	15	-	15
Accounts and notes payable[5]	953	(953)	-
Accrued liabilities[5]	444	(444)	-
Trade and other payables		1,507	1,507
Provisions	168	-	168
Other liabilities[6,7]	288	(109)	179
Liabilities directly associated with assets classified held for sale	0	-	-
Total current liabilities	**1,970**	**-**	**1,970**
Total liabilities and total equity	**6,181**	**-**	**6,181**

Amounts may not add up due to rounding;

[1] Non-current receivables and other non-current financial assets were merged into the line "Financial assets"; [2] Non-current income tax receivable was moved from "Non-current receivables" to "Other assets" within "Non-current assets"; [3] Post-employment benefits were separated from Provisions; [4] Income tax payable was separated from other liabilities;

[5] Accounts and notes payable and Accrued liabilities were merged into the line "Trade and other payables"; [6] Rebates payable EUR 163 million were moved from "Other liabilities" into "Trade and other payables"; [7] Contract liabilities EUR 54 million were moved from "Accrued liabilities" to "Other liabilities".

WORKING CAPITAL BRIDGE FOR THE FOURTH QUARTER 2018

in millions of EUR

	Before changes	Accrued liabilities	Customer rebates	Contract liabilities	After changes	
Inventories	878				878	Inventories
Trade and other receivables	1,231				1,231	Trade and other receivables
Accounts and notes payable	(953)	(444)	(163)	54	(1,507)	Trade and other payables
Accrued liabilities	(444)	444			0	
Other working capital items	(176)		163	(54)	(66)	Other working capital items
Working capital	**536**	**0**	**0**	**0**	**536**	**Working capital**

D. CONSOLIDATED STATEMENTS OF CASH FLOWS

in millions of EUR

	Fourth quarter		January to December	
	2018[1]	2019	2018[1]	2019
Cash flows from operating activities				
Net income (loss)	119	98	261	267
Adj. to reconcile net income (loss) to net cash provided by operating activities:	140	182	547	586
• Depreciation, amortization and impairment of non-financial assets	58	77	231	288
• Impairment (reversal) of goodwill, other non-current fin. assets and inv. in assoc.	1	-	2	(0)
• Net gain on sale of assets	(5)	(3)	(8)	(13)
• Net interest expense on debt, borrowings and other liabilities	5	4	15	15
• Income tax expense	47	29	106	93
• Additions to (releases of) provisions	27	59	151	154
• Additions to (releases of) post-employment benefits	1	6	19	24
• Other items	6	10	31	25
Decrease (increase) in working capital:	147	152	8	110
• Decrease (increase) in trade and other receivables	47	42	113	83
• Decrease (increase) in inventories	136	170	43	35
• Increase (decrease) in trade and other payables	(26)	(17)	(92)	21
• Increase (decrease) in other current assets and liabilities	(10)	(44)	(56)	(30)
Increase (decrease) in other non-current assets and liabilities	(11)	1	(3)	(11)
Utilizations of provisions	(63)	(56)	(223)	(189)
Utilizations of post-employment benefits	(10)	(13)	(63)	(57)
Interest paid, net	(7)	(4)	(23)	(17)
Income taxes paid	(22)	(26)	(123)	(90)
Net cash provided by (used for) operating activities	**294**	**334**	**381**	**599**
Cash flows from investing activities				
Net capital expenditures:	(14)	(26)	(75)	(70)
• Additions of intangible assets	(7)	(7)	(26)	(29)
• Capital expenditures on property, plant and equipment	(13)	(22)	(57)	(58)
• Proceeds from disposal of property, plant and equipment	6	4	8	16
Net proceeds from (cash used for) derivatives and other financial assets	(4)	6	(13)	5
Purchases of businesses, net of cash acquired	(2)	(71)	(7)	(95)
Proceeds from sale of businesses, net of cash disposed of	4	10	5	15
Net cash provided by (used for) investing activities	**(16)**	**(81)**	**(90)**	**(145)**
Cash flows from financing activities				
Dividend paid	(1)	(0)	(171)	(165)
Proceeds from issuance of debt	3	(0)	28	12
Repayment of debt	(29)	(31)	(87)	(127)
Purchase of treasury shares	(125)	(0)	(324)	(6)
Net cash provided by (used for) financing activities	**(152)**	**(31)**	**(554)**	**(286)**
Net cash flows	**126**	**223**	**(263)**	**168**
Effect of changes in exchange rates on cash and cash equivalents and bank overdrafts	9	(14)	2	7
Cash and cash equivalents and bank overdrafts at the beginning of the period[2]	529	631	925	664
Cash and cash equivalents and bank overdrafts at the end of the period[3]	**664**	**840**	**664**	**840**

Amounts may not add up due to rounding; [1] This consolidated cash flow was updated for certain reclassification changes made. [2]For Q4 2019 and 2018, included bank overdrafts of EUR 7 million and EUR 5 million, respectively. For January to December of 2019 and 2018, included bank overdrafts of EUR 12 million and EUR 17 million, respectively. [3] Included bank overdrafts of EUR 7 million and EUR 12 million as of December 31, 2019 and 2018, respectively.

D. CONSOLIDATED STATEMENTS OF CASH FLOWS - RECLASSIFICATIONS 2018

in millions of EUR

	2018 before changes	Changes	2018 after changes
Cash flows from operating activities			
Net income (loss)	261		261
Adjustments to reconcile net income (loss) to net cash provided by operating activities:	547		547
• Depreciation, amortization and impairment of non-financial assets	231		231
• Impairment (reversal) of goodwill, other non-current financial assets and investments in associates	2		2
• Net gain on sale of assets	(8)		(8)
• Interest income [1)]	(16)	16	-
• Net interest expense on debt, borrowings and other liabilities[1]	31	(16)	15
• Income tax expense	106		106
• Additions to (releases of) provisions[2]	170	(19)	151
• Additions to (releases of) post-employment benefits[2]		19	19
• Other items	31		31
Decrease (increase) in working capital:	8		8
• Decrease (increase) in trade and other receivables	113		113
• Decrease (increase) in inventories	43		43
• Increase (decrease) in trade and other payables[3]	(54)	(38)	(92)
• Increase (decrease) in other current assets and liabilities[3]	(95)	38	(56)
Increase (decrease) in other non-current assets and liabilities	(3)		(3)
Utilizations of provisions[4]	(286)	63	(223)
Utilizations of post-employment benefits[4]		(63)	(63)
Interest paid, net	(23)		(23)
Income taxes paid	(123)		(123)
Net cash provided by (used for) operating activities	**381**	**-**	**381**
Cash flows from investing activities			
Net capital expenditures:	(75)		(75)
• Additions of intangible assets	(26)		(26)
• Capital expenditures on property, plant and equipment	(57)		(57)
• Proceeds from disposal of property, plant and equipment	8		8
Net proceeds from (cash used for) derivatives and other financial assets[5]	(4)	(9)	(13)
Proceeds from other non-current financial assets[5]	2	(2)	-
Purchases of other non-current financial assets[5]	(11)	11	-
Purchases of businesses, net of cash acquired	(7)		(7)
Proceeds from sale of businesses, net of cash disposed of	5		5
Net cash provided by (used for) investing activities	**(90)**	**-**	**(90)**
Cash flows from financing activities			
Dividend paid	(171)		(171)
Proceeds from issuance of debt[6]	(59)	87	28
Repayment of debt[6]		(87)	(87)
Purchase of treasury shares	(324)		(324)
Net cash provided by (used for) financing activities	**(554)**	**-**	**(554)**
Net cash flows	**(263)**		**(263)**
Effect of changes in exchange rates on cash and cash equivalents and bank overdrafts	2		2
Cash and cash equivalents and bank overdrafts at the beginning of the period	925		925
Cash and cash equivalents and bank overdrafts at the end of the period	**664**		**664**

[1] Interest income and expense are presented at net. These items were presented at gross previously.

[2] Additions to (releases of) post-employment benefits are presented separately. They were presented in "Additions to (releases of) provisions" previously.

[3] "Increase (decrease) in trade and other payables" now includes movements for customer rebates and accrued liabilities other than contract liabilities. They were presented in "Increase (decrease) in other current asset and liabilities" previously.

[4] Utilizations of post-employment benefits are presented separately. They were presented in "Utilizations of provisions" previously.

[5] "Net proceeds from (cash used for) derivatives and other financial assets" includes purchases and proceeds from non-current financial assets. They were presented in "Proceeds from other non-current financial assets" and "Purchases of other non-current financial assets" previously.

[6] Proceeds and repayment of debt are presented separately. These items were presented at net previously.

Appendix B – Reconciliation of non-IFRS Financial Measures

Sales growth composition in %

	Fourth quarter			
	comparable growth	currency effects	consolidation and other changes	nominal growth
2019 vs 2018				
LED	-2.9	2.4	12.8	12.3
Professional	-1.5	1.6	0.5	0.7
Home	9.5	1.3	-2.2	8.6
Lamps	-18.3	2.5	0.0	-15.9
Total	-4.2	**2.0**	**3.5**	**1.4**

	January to December			
	comparable growth	currency effects	consolidation and other changes	nominal growth
2019 vs 2018				
LED	-1.1	1.9	3.5	4.4
Professional	-1.7	1.3	1.0	0.5
Home	11.3	1.1	-0.8	11.6
Lamps	-20.5	1.7	0.0	-18.8
Total	-4.6	**1.6**	**1.3**	**-1.8**

Sales growth composition in %

	Fourth quarter			
	comparable growth	currency effects	consolidation and other changes	nominal growth
2019 vs 2018				
Europe	-2.1	0.3	0.3	-1.5
Americas	-9.2	2.4	-0.1	-6.8
Rest of the World	-0.3	4.1	-0.3	3.5
Global businesses	-8.8	1.2	60.7	53.1
Total	-4.2	**2.0**	**3.5**	**1.4**

	January to December			
	comparable growth	currency effects	consolidation and other changes	nominal growth
2019 vs 2018				
Europe	-4.4	-0.1	0.2	-4.3
Americas	-7.5	3.0	0.0	-4.5
Rest of the World	-2.0	2.2	0.6	0.8
Global businesses	-4.4	1.0	18.9	15.5
Total	-4.6	**1.6**	**1.3**	**-1.8**

Amounts may not add up due to rounding

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

	Signify	LED	Professional	Home	Lamps	Other
Fourth quarter 2019						
Adjusted EBITA	232	77	92	38	50	(26)
Restructuring	(42)	(1)	(6)	(2)	(31)	(2)
Acquisition-related charges	(11)	(3)	(8)	-	-	-
Incidental items	(15)	(4)	(6)	(1)	(3)	(0)
EBITA	**164**	**69**	**71**	**35**	**17**	**(28)**
Amortization[1]	(26)	(2)	(23)	(1)	(0)	(0)
Income from operations (or EBIT)	**138**	**67**	**49**	**34**	**17**	**(28)**
Fourth quarter 2018						
Adjusted EBITA	214	69	85	16	60	(17)
Restructuring	(27)	(2)	(6)	(0)	(10)	(9)
Acquisition-related charges	(1)	-	(1)	-	-	(0)
Incidental items	11	(0)	-	(0)	(0)	11
EBITA	**197**	**68**	**79**	**16**	**50**	**(15)**
Amortization[1]	(24)	(1)	(22)	(0)	(0)	(0)
Income from operations (or EBIT)	**173**	**67**	**56**	**15**	**50**	**(15)**

	Signify	LED	Professional	Home	Lamps	Other
January to December 2019						
Adjusted EBITA	648	240	265	20	222	(100)
Restructuring	(99)	(8)	(22)	(11)	(44)	(14)
Acquisition-related charges	(13)	(3)	(9)	-	-	(0)
Incidental items	(36)	(12)	(11)	(4)	(10)	1
EBITA	**500**	**217**	**222**	**5**	**168**	**(112)**
Amortization[1]	(99)	(5)	(90)	(2)	(0)	(2)
Income from operations (or EBIT)	**401**	**212**	**133**	**3**	**168**	**(114)**
January to December 2018						
Adjusted EBITA	640	212	251	(38)	302	(87)
Restructuring	(118)	(8)	(34)	(5)	(32)	(39)
Acquisition-related charges	(1)	-	(1)	-	(0)	(0)
Incidental items	(17)	(0)	(8)	(0)	(0)	(9)
EBITA	**504**	**204**	**208**	**(43)**	**270**	**(135)**
Amortization[1]	(94)	(4)	(86)	(1)	(1)	(2)
Income from operations (or EBIT)	**410**	**200**	**121**	**(44)**	**269**	**(137)**

Amounts may not add up due to rounding

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

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

Fourth quarter 2019	Reported	Restructuring	Acquisition related charges	Incidental items[2]	Adjusted
Sales	1,750	-	-	-	1,750
Cost of sales	(1,121)	31	2	(1)	(1,089)
Gross margin	**629**	**31**	**2**	**(1)**	**661**
Selling, general and administrative expenses	(418)	4	9	17	(389)
Research and development expenses	(76)	8	0	0	(68)
Indirect costs[1]	**(494)**	**11**	**9**	**17**	**(457)**
Impairment of goodwill	-	-	-	-	-
Other business income	5	-	-	(1)	3
Other business expenses	(1)	-	-	(0)	(1)
Income from operations	**138**	**42**	**11**	**15**	**206**
Amortization	(26)	-	-	-	(26)
Income from operations excl. amortization (EBITA)	**164**	**42**	**11**	**15**	**232**
Fourth quarter 2018					
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[1]	**(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**

Amounts may not add up due to rounding

[1] Adj. indirect costs included a negative currency impact of EUR 7 million and scope effect of EUR 12 million in Q4 19. Adjusting for the currency and scope impact, indirect costs reduced by EUR 25 million on a comparable basis. [2]Incidental items are non-recurring by nature and relate to the separation, company name change, transformation and real estate gains.

January to December 2019	Reported	Restructuring	Acquisition related charges	Incidental items[2]	Adjusted
Sales	6,247	-	-	-	6,247
Cost of sales	(3,940)	50	2	1	(3,887)
Gross margin	**2,307**	**50**	**2**	**1**	**2,360**
Selling, general and administrative expenses	(1,637)	36	11	47	(1,544)
Research and development expenses	(283)	13	0	0	(270)
Indirect costs[1]	**(1,920)**	**50**	**11**	**47**	**(1,813)**
Impairment of goodwill	-	-	-	-	-
Other business income	22	-	-	(13)	9
Other business expenses	(8)	-	-	1	(7)
Income from operations	**401**	**99**	**13**	**36**	**549**
Amortization	(99)	-	-	-	(99)
Income from operations excluding amortization (EBITA)	**500**	**99**	**13**	**36**	**648**

January to December 2018					
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)]	**(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**

Amounts may not add up due to rounding

[1] Adj. indirect costs included a negative currency impact of EUR 7 million and scope effect of EUR 12 million in Q4 19. Adjusting for the currency and scope impact, indirect costs reduced by EUR 25 million on a comparable basis. [2]Incidental items are non-recurring by nature and relate to the separation, company name change, transformation and real estate gains.

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.