Press Release

April 26, 2019

Signify reports first quarter sales of EUR 1.5 billion, operational profitability of 7.8% and free cash flow of EUR 55 million

First quarter 2019[1]

- Signify's installed base of connected light points increased from 34 million in Q1 18 to 47 million in Q1 19
- CSG growing profit engines 1.1%; CSG total Signify -3.3%
- LED-based comparable sales grew by 3.6% to 73% of sales (Q1 18: 68%)
- Adj. indirect costs down EUR 39 million on a currency comparable basis, a reduction of 8%, or 170 bps of sales
- Adj. EBITA margin improved by 80 bps to 7.8%, despite a negative currency impact of -130 bps
- Net income more than doubled to EUR 44 million (Q1 18: EUR 20 million)
- Total free cash flow of EUR 55 million (Q1 18: EUR -6 million)
- Signify 2019 outlook confirmed

Eindhoven, the Netherlands – Signify (Euronext: LIGHT), the world leader in lighting, today announced the company's 2019 first quarter results. "We are satisfied with the 1.1% sales growth of our growing profit engines in the first quarter, against the backdrop of headwinds in China and Europe," said CEO Eric Rondolat. "Continued progress in our simplification actions resulted in a further improvement in our profitability, and our free cash flow remained solid. While market conditions remain challenging, we continue to invest in our growth platforms and rigorously improve our operational efficiency."

Outlook

We confirm our outlook that 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. In 2019, we expect free cash flow, excluding the positive impact from IFRS 16, to be above 5% of sales.

[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.

Financial review

Implementation of IFRS 16 Leases
Signify has adopted IFRS 16 as of January 1, 2019. All lease contracts are recognized on the balance sheet except when certain capitalization exemptions are applied, such as lease contracts with a duration of less than 12 months and lease contracts for low value items. Leases that have a meaningful impact on the company's consolidated financials relate to real estate, car fleet and IT equipment.

- IFRS 16 has no impact on the company's sales, while the Adjusted EBITA is expected to be positively impacted by around EUR 10 million in 2019. When exemptions do not apply, the former operating lease expenses are replaced by depreciation, service costs and interest expenses, of which the latter is recognized outside Adj. EBITA.
- Free cash flow of 2019 is estimated to be positively impacted by around EUR 60 million (Q1 19: EUR 17 million) as, under the new standard, cash payments for the principal part of the lease liability are classified in the cash flow from financing activities instead of in the cash flow from operating activities.
- The estimates referenced above are based on the current lease portfolio and are subject to change if, for example, lease contracts are amended, or new contracts are entered into.
- On January 1, 2019, total assets increased by EUR 238 million due to the increase in Property, Plant and Equipment with capitalized lease assets, and total long-term/short-term debt increased by EUR 259 million due to additional lease liabilities.

	First quarter		
in € million, except percentages	2018	2019	change
Comparable sales growth			**-3.3%**
Effects of currency movements			*1.1%*
Consolidation and other changes			*0.7%*
Sales	**1,501**	**1,478**	**-1.5%**
Adjusted gross margin	580	557	-4.0%
Adj. gross margin (as % of sales)	**38.6%**	**37.7%**	
Adj. SG&A expenses	-417	-395	
Adj. R&D expenses	-81	-69	
Adj. indirect costs	-498	-464	6.7%
Adj. indirect costs (as % of sales)	**33.2%**	**31.4%**	
Adjusted EBITA	106	115	8.8%
Adjusted EBITA margin	**7.0%**	**7.8%**	
Adjusted items	-43	-22	
EBITA	62	93	49.3%
Income from operations (EBIT)	**39**	**69**	**74.9%**
Net financial income/expense	-9	-9	
Income tax expense	-10	-16	
Net income	**20**	**44**	**119.1%**
Free cash flow	-6	55	
Basic EPS (€)	0.15	0.35	
Employees (FTE)	31,615	28,689	

First quarter
Sales amounted to EUR 1,478 million. Adjusted for 1.1% positive currency effects, comparable sales decreased by 3.3%, with LED-based sales increasing by 3.6% and now accounting for 73% of sales. The adjusted gross margin declined by 90 bps to 37.7%, due to a currency effect of -140 bps, partly offset by ongoing procurement savings. Adjusted indirect costs decreased by EUR 34 million, or 180 bps as a percentage of sales, as a result of our ongoing cost reduction initiatives. Adjusted EBITA amounted to EUR 115 million, compared with EUR 106 million in the same period last year, and was negatively impacted by EUR 18 million of currency effects. The Adjusted EBITA margin improved by 80 bps to 7.8%, despite a currency effect of -130 bps. Total restructuring costs were EUR 20 million and other incidentals were EUR 2 million. Net income more than doubled from EUR 20 million last year to EUR 44 million in Q1 19, mainly as a result of better operational profitability and lower restructuring costs. Free cash flow amounted to EUR 55 million, including a positive impact of EUR 17 million related to IFRS 16.

Growing profit engines

	CSG		Adj. EBITA margin	
	Q1 18	**Q1 19**	**Q1 18**	**Q1 19**
LED	3.6%	-0.2%	9.6%	11.9%
Professional	3.2%	-1.5%	5.2%	5.3%
Home	-6.4%	24.4%	-23.1%	-6.1%
LED, Professional and Home combined	**2.5%**	**1.1%**	**4.6%**	**6.7%**

First quarter
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 1.1%, while the Adjusted EBITA margin improved by 210 bps to 6.7%.

LED

	First quarter		
in € million, unless otherwise indicated	2018	2019	change
Comparable sales growth (%)			-0.2%
Sales	444	449	1.1%
Adjusted EBITA	43	54	25.6%
Adjusted EBITA margin (%)	9.6%	11.9%	
EBITA	42	52	
Income from operations (EBIT)	41	51	

First quarter
Sales amounted to EUR 449 million, a slight decrease of 0.2% on a comparable basis. LED lamps showed a solid performance while growth in LED electronics slowed down in Europe. Adjusted EBITA increased by 25.6% to EUR 54 million, mainly driven by ongoing procurement savings and lower indirect costs. This resulted in an Adjusted EBITA margin improvement of 230 bps to 11.9%.

Professional

in € million, unless otherwise indicated	First quarter 2018	2019	change
Comparable sales growth (%)			-1.5%
Sales	593	599	1.0%
Adjusted EBITA	31	32	2.8%
Adjusted EBITA margin (%)	5.2%	5.3%	
EBITA	28	23	
Income from operations (EBIT)	7	1	

First quarter

Comparable sales decreased by 1.5% to EUR 599 million, due to a lower level of market activity in Europe and China, which was partly offset by a solid performance in the Americas. Adjusted EBITA amounted to EUR 32 million, which resulted in an Adjusted EBITA margin of 5.3%, as continued indirect cost savings more than offset the negative impact of currencies and mix.

Home

in € million, unless otherwise indicated	First quarter 2018	2019	change
Comparable sales growth (%)			24.4%
Sales	92	115	25.3%
Adjusted EBITA	-21	-7	67.0%
Adjusted EBITA margin (%)	-23.1%	-6.1%	
EBITA	-22	-7	
Income from operations (EBIT)	-22	-8	

First quarter

Sales amounted to EUR 115 million, an increase of 24.4% on a comparable basis, on the back of a low comparison base in the US while we experienced strong demand for connected offers. Adjusted EBITA amounted to EUR -7 million, including a significant negative impact of currencies. The Adjusted EBITA margin improved from -23.1% to -6.1%.

Cash engine - Lamps

in € million, unless otherwise indicated	First quarter 2018	2019	change
Comparable sales growth (%)			-17.9%
Sales	370	309	-16.7%
Adjusted EBITA	78	63	-19.5%
Adjusted EBITA margin (%)	21.2%	20.5%	
EBITA	62	61	
Income from operations (EBIT)	62	60	

Sales amounted to EUR 309 million, a comparable decrease of 17.9%. The decline in comparable sales is estimated to be lower than the market decline, resulting in continued market share gains. The Adjusted EBITA margin remained solid at 20.5%.

Other

First 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 -27 million (Q1 18: EUR -25 million). EBITA amounted to EUR -35 million (Q1 18: EUR -47 million), including restructuring costs of EUR 7 million (Q1 18: EUR 18 million). Other incidental items not part of the Adjusted EBITA amounted to EUR 2 million (Q1 18: EUR 4 million).

Sales by market

	First quarter			
in € million, except percentages	2018	2019	change	CSG
Europe	560	533	-4.9%	-4.5%
Americas	422	430	1.8%	-2.1%
Rest of the World	434	432	-0.5%	-3.3%
Global businesses	85	84	-0.2%	-1.0%
Total	**1,501**	**1,478**	**-1.5%**	**-3.3%**

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

First quarter

Comparable sales in Europe decreased by 4.5%, mainly reflecting challenging market conditions in Germany, France and Spain. Comparable sales for the Rest of the World decreased by 3.3%, with a solid performance in Southeast Asia and Indonesia, offset by more challenging market conditions in China.

Working capital

in € million, unless otherwise indicated	31 Mar '18	31 Dec '18	31 Mar '19
Inventories	957	878	943
Receivables	1,235	1,231	1,231
Accounts and notes payable	-949	-953	-971
Accrued liabilities	-413	-444	-431
Other	-218	-176	-185
Working capital	**612**	**536**	**587**
As % of LTM* sales	9.0%	8.4%	9.3%

* *LTM: Last Twelve Months*

First quarter

Working capital improved year-on-year by EUR 25 million to EUR 587 million, mainly driven by lower inventories and increased payables. Working capital represents 9.3% of sales, compared with 9.0% at the end of March 2018. Excluding the impact of currencies, working capital improved by 20 basis points year-on-year.

Cash flow analysis

in € million	First quarter 2018	2019
Income from operations (EBIT)	39	69
Depreciation and amortization	58	70
Additions to (releases of) provisions	54	41
Utilizations of provisions	-59	-57
Change in working capital	-41	-29
Interest paid	-5	-4
Income taxes paid	-35	-19
Net capex	-21	-10
Other	3	-5
Free cash flow	**-6**	**55**

First quarter
Free cash flow amounted to EUR 55 million compared with EUR -6 million in the same period last year. Free cash flow in Q1 19 included a positive impact of EUR 17 million related to IFRS 16 and a restructuring pay-out of EUR 25 million (Q1 18: EUR 31 million).

Net debt

in € million	31 Mar '18	31 Dec '18	31 Mar '19
Short-term debt	111	78	151
Long-term debt	1,157	1,187	1,370
Gross debt	1,267	1,265	1,521
Cash and cash equivalents	833	676	733
Net debt	**435**	**589**	**789**
Total equity	**2,202**	**2,119**	**2,208**

First quarter
Net debt amounted to EUR 789 million, an increase of EUR 200 million compared with the end of 2018 which can be explained by the impact of IFRS 16 of EUR 259 million, partly offset by solid free cash flow generation. Total equity increased to EUR 2,208 million at the end of Q1 19 (year-end 2018: EUR 2,119 million), primarily due to currency translation results and net income.

Other information

Appendix A – Selection of financial statements
Appendix B – Reconciliation of non-IFRS financial measures
Appendix C – Financial Glossary

Conference call and audio webcast
Eric Rondolat (CEO) and Stéphane Rougeot (CFO) will host a conference call for analysts and institutional investors at 9:00 a.m. CET to discuss first quarter results. A live audio webcast of the conference call will be available via the Signify Investor Relations website.

Financial calendar

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

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 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 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.

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 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.

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

	First quarter	
	2018	**2019**
Sales	1,501	1,478
Cost of sales	(936)	(927)
Gross margin	**565**	**552**
Selling, general and administrative expenses	(430)	(409)
Research and development expenses	(95)	(72)
Impairment of goodwill	-	-
Other business income	2	2
Other business expenses	(2)	(4)
Income from operations	**39**	**69**
Financial income	4	5
Financial expenses	(13)	(14)
Results relating to investments in associates	0	1
Income before taxes	**30**	**61**
Income tax expense	(10)	(16)
Net income	**20**	**44**
Attribution of net income for the period:		
Net income (loss) attributable to shareholders of Signify N.V.	21	44
Net income (loss) attributable to non-controlling interests	(1)	(0)

Amounts may not add up due to rounding

B. CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

in millions of EUR

	First quarter	
	2018	**2019**
Net income for the period	**20**	**44**
Pensions and other post-employment plans:		
Remeasurements	(3)	(2)
Income tax effect on remeasurements	-	-
Total of items that will not be reclassified to profit or loss	**(3)**	**(2)**
Currency translation differences:		
Net current period change, before tax	(64)	45
Income tax effect	-	(2)
Cash flow hedges:		
Net current period change, before tax	10	17
Income tax effect	(2)	(3)
Total of items that are or may be reclassified to profit or loss	**(56)**	**57**
Other comprehensive income (loss)	**(59)**	**55**
Total comprehensive income (loss)	**(39)**	**99**
Total comprehensive income (loss) attributable to:		
Shareholders of Signify N.V.	(36)	97
Non-controlling interests	(3)	1

Amounts may not add up due to rounding

C. CONDENSED CONSOLIDATED BALANCE SHEET

In millions of EUR

	December 31, 2018	March 31, 2019
Non-current assets		
Property, plant and equipment	431	630
Goodwill	1,771	1,799
Intangible assets, excluding goodwill	493	473
Non-current receivables	38	43
Investments in associates	11	14
Other non-current financial assets	20	18
Deferred tax assets	399	403
Other non-current assets	49	49
Total non-current assets	**3,211**	**3,429**
Current assets		
Inventories	878	943
Current financial assets	4	3
Other current assets	107	133
Derivative financial assets	28	27
Income tax receivable	35	34
Receivables	1,231	1,231
Assets classified as held for sale	9	8
Cash and cash equivalents	676	733
Total current assets	**2,969**	**3,113**
Total assets	**6,181**	**6,542**
Equity		
Shareholders' equity	2,041	2,129
Non-controlling interests	78	79
Total equity	**2,119**	**2,208**
Non-current liabilities		
Long-term debt	1,187	1,370
Long-term provisions	712	703
Deferred tax liabilities	19	18
Other non-current liabilities	173	167
Total non-current liabilities	**2,091**	**2,258**
Current liabilities		
Short-term debt	78	151
Derivative financial liabilities	22	13
Income tax payable	15	18
Accounts and notes payable	953	971
Accrued liabilities	444	431
Short-term provisions	168	159
Liabilities directly associated with assets classified held for sale	0	0
Other current liabilities	288	332
Total current liabilities	**1,970**	**2,075**
Total liabilities and total equity	**6,181**	**6,542**

Amounts may not add up due to rounding

D. CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

In millions of EUR

	First quarter	
	2018	2019
Cash flows from operating activities		
Net income	20	44
Adjustments to reconcile net income to net cash provided by operating activities:	132	131
• Depreciation, amortization and impairment of non-financial assets	58	70
• Impairment (reversal) of goodwill, other non-current fin. assets and inv. in associates	0	(0)
• Net gain on sale of assets	(1)	(0)
• Interest income	(3)	(4)
• Interest expense on debt, borrowings and other liabilities	8	8
• Income tax expense	10	16
• Additions to (releases of) provisions	54	41
• Other items	5	1
Decrease (increase) in working capital:	(41)	(29)
• Decrease (increase) in receivables	98	21
• Decrease (increase) in inventories	(54)	(52)
• Increase (decrease) in accounts payable	(37)	3
• Increase (decrease) in other current assets, accrued and other current liabilities	(48)	(1)
Increase (decrease) in non-current receivables, other assets and other liabilities	3	(1)
Utilization of provisions	(59)	(57)
Interest paid	(5)	(4)
Income taxes paid	(35)	(19)
Net cash provided by (used for) operating activities	**16**	**65**
Cash flows from investing activities		
Net capital expenditures:	(21)	(10)
• Additions of intangible assets	(7)	(4)
• Capital expenditures on property, plant and equipment	(15)	(7)
• Proceeds from disposal of property, plant and equipment	0	1
Net proceeds from (cash used for) derivatives and current financial assets	15	4
Proceeds from other non-current financial assets	1	0
Purchases of other non-current financial assets	(3)	0
Purchases of businesses, net of cash acquired	(0)	(0)
Proceeds from sale of interests in businesses, net of cash disposed of	(0)	-
Net cash used for investing activities	**(9)**	**(5)**
Cash flows from financing activities		
Dividends paid	-	-
Proceeds from issuance (payments) of debt	(17)	(26)
Purchases of treasury shares	(71)	-
Net cash provided by (used for) financing activities	**(88)**	**(27)**
Net cash provided by (used for) operations	**(81)**	**33**
Effect of changes in exchange rates on cash and cash equivalents and bank overdrafts	(20)	15
Cash and cash equivalents and bank overdrafts at the beginning of the period [1)]	925	664
Cash and cash equivalents and bank overdrafts at the end of the period [2)]	**825**	**712**

1) For Q1 2019 and 2018, included bank overdrafts of EUR 12 million and EUR 17 million, respectively.
2) Included bank overdrafts of EUR 20 million and EUR 8 million as at March 31, 2019 and 2018, respectively.
Amounts may not add up due to rounding

Appendix B – Reconciliation of non-IFRS financial measures

Sales growth composition (in %)

	First quarter			
2019 vs 2018	comparable growth	currency effects	consolidation and other changes	nominal growth
Lamps	-17.9	1.2	0.0	-16.7
LED	-0.2	1.3	0.0	1.1
Professional	-1.5	0.9	1.7	1.0
Home	24.4	0.9	0.0	25.3
Other	371.3	29.6	0.0	400.9
Total	**-3.3**	**1.1**	**0.7**	**-1.5**

	First quarter			
2019 vs 2018	comparable growth	currency effects	consolidation and other changes	nominal growth
Europe	-4.5	-0.5	0.0	-4.9
Americas	-2.1	3.9	0.0	1.8
Rest of the World	-3.3	0.5	2.3	-0.5
Global businesses	-1.0	1.1	-0.2	-0.2
Total	**-3.3**	**1.1**	**0.7**	**-1.5**

Amounts may not add up due to rounding

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

	Signify	Lamps	LED	Professional	Home	Other
First quarter 2019						
Adjusted EBITA	115	63	54	32	(7)	(27)
Restructuring	(20)	(3)	(2)	(8)	(0)	(7)
Acquisition-related charges	(0)	-	-	(0)	-	-
Incidental items	(2)	-	-	-	-	(2)
EBITA	**93**	**61**	**52**	**23**	**(7)**	**(35)**
Amortization [1)]	(24)	(0)	(1)	(22)	(0)	(1)
Income from operations (or EBIT)	**69**	**60**	**51**	**1**	**(8)**	**(36)**
First quarter 2018						
Adjusted EBITA	106	78	43	31	(21)	(25)
Restructuring	(39)	(17)	(1)	(3)	(1)	(18)
Acquisition-related charges	(0)	(0)	-	-	-	-
Incidental items	(4)	-	-	-	-	(4)
EBITA	**62**	**62**	**42**	**28**	**(22)**	**(47)**
Amortization [1)]	(23)	(0)	(1)	(21)	(0)	(0)
Income from operations (or EBIT)	**39**	**62**	**41**	**7**	**(22)**	**(47)**

[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)

In millions of EUR

First quarter 2019	Reported	Restructuring	Acquisition related charges	Incidental items	Adjusted
Sales	1,478	-	-	-	1,478
Cost of sales	(927)	5	-	-	(922)
Gross margin	**552**	**5**	**-**	**-**	**557**
Selling, general and administrative expenses	(409)	12	0	2	(395)
Research and development expenses	(72)	3	-	-	(69)
Indirect costs	**(481)**	**15**	**0**	**2**	**(464)**
Impairment of goodwill	-	-	-	-	-
Other business income	2	-	-	-	2
Other business expenses	(4)	-	-	-	(4)
Income from operations	**69**	**20**	**0**	**2**	**91**
Amortization	(24)	-	-	-	(24)
Income from operations excl. amortization (EBITA)	**93**	**20**	**0**	**2**	**115**
First quarter 2018					
Sales	1,501	-	-	-	1,501
Cost of sales	(936)	15	0	0	(921)
Gross margin	**565**	**15**	**0**	**0**	**580**
Selling, general and administrative expenses	(430)	10	-	4	(417)
Research and development expenses	(95)	15	-	-	(81)
Indirect costs	**(526)**	**24**	**-**	**4**	**(498)**
Impairment of goodwill	-	-	-	-	-
Other business income	2	-	-	(0)	2
Other business expenses	(2)	-	-		(2)
Income from operations	**39**	**39**	**0**	**4**	**82**
Amortization	(23)	-	-	-	(23)
Income from operations excl. amortization (EBITA)	**62**	**39**	**0**	**4**	**106**

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.