Signify reports Q2 18 sales of EUR 1.5bn, operational profitability of 8.4%

July 27, 2018

Important information

Forward-Looking Statements and Risks & Uncertainties

This document and the related oral presentation contain, and responses to questions following the presentation may contain, forward-looking statements that reflect the intentions, beliefs or current expectations and projections of Signify N.V. (the "Company", and together with its subsidiaries, the "Group"), including statements regarding strategy, estimates of sales growth and future operational results.

By their nature, these statements involve risks and uncertainties facing the Company and its Group Companies and a number of important factors could cause actual results or outcomes to differ materially from those expressed in any forward-looking statement as a result of risks and uncertainties. Such risks, uncertainties and other important factors include but are not limited to: adverse economic and political developments, the impacts of rapid technological change, competition in the general lighting market, development of lighting systems and services, successful implementation of business transformation programs, impact of acquisitions and other transactions, impact of the Group's operation as a separate publicly listed company, pension liabilities and costs, establishment of corporate and brand identity, adverse tax consequences from the separation from Royal Philips and exposure to international tax laws. Please see "Risk Factors and Risk Management" in Chapter 12 of the Annual Report 2017 for discussion of material risks, uncertainties and other important factors which may have a material adverse effect on the business, results of operations, financial condition and prospects of the Group. Such risks, uncertainties and other important factors should be read in conjunction with the information included in the Company's Annual Report 2017. 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 Statements

Certain parts of this document contain non-IFRS financial measures and ratios, such as comparable sales growth, adjusted gross margin, EBITA, adjusted EBITA, EBITDA, adjusted EBITDA and free cash flow, and other related ratios, which are not recognized measures of financial performance or liquidity under IFRS. The non-IFRS financial measures presented are measures used by management to monitor the underlying performance of the Group's business and operations and, accordingly, they have not been audited or reviewed. Not all companies calculate non-IFRS financial measures in the same manner or on a consistent basis and these measures and ratios may not be comparable to measures used by other companies under the same or similar names. A reconciliation of these non-IFRS financial measures to the most directly comparable IFRS financial measures is contained in this document. For further information on non-IFRS financial measures, see "Chapter 18 Reconciliation of non-IFRS measures" in the Annual Report 2017.

Presentation

All amounts are in millions of euros unless otherwise stated. Due to rounding, amounts may not add up to totals provided. All reported data are unaudited. Unless otherwise indicated, financial information has been prepared in accordance with the accounting policies as stated in the Annual Report 2017 and the semi-annual report 2018.

Market Abuse Regulation

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

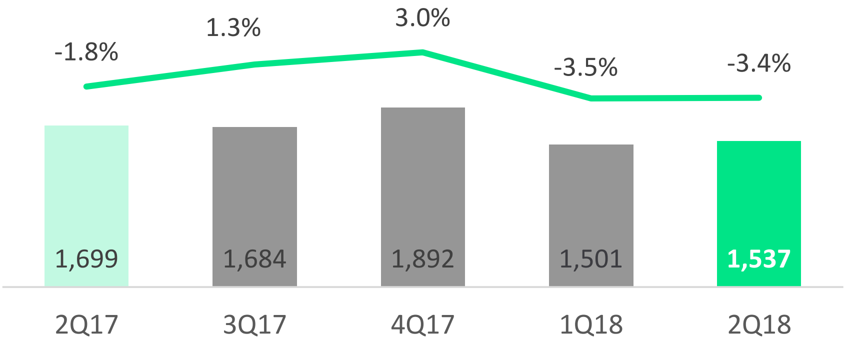
Changes to financial reporting following organizational changes to further align the organizational structure with the strategy

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

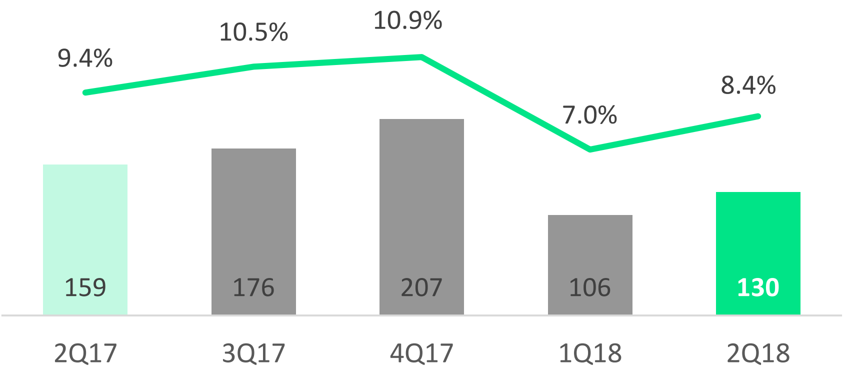
Content

Second quarter sales of EUR 1.5bn and operational profitability of 8.4%

Sales (in EURm) & comparable sales growth (in %)



Adjusted EBITA (in EURm & as % of sales)



Key observations for 2Q18

- CSG decreased by 3.4% due to:
  - Weak performance in Home
  - Challenging market and competitive dynamics
  - Global scarcity in certain electronic components
- Total comparable LED-based sales increased by 4.7% and now represent 70% of total sales
- Adjusted currency comparable indirect costs down EUR 46m, or 150 bps as % of sales
- Adjusted EBITA margin of 8.4%, -80 bps impact of FX
- Free cash flow of EUR -31m was higher than last year, excluding the proceeds of a real estate sale in 2Q17

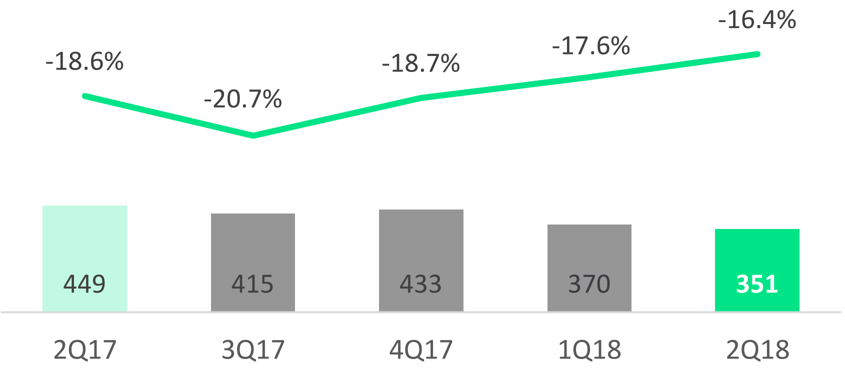
Lamps, LED and Professional improved their Adjusted EBITA margin

2Q18	CSG %	Adjusted EBITA (EURm)	vs LY (EURm)	Adjusted EBITA %	vs LY (bps)
Lamps	-16.4%	74	-19	21.2%	+50
LED	0.0%	47	-3	10.6%	+10
Professional	3.6%	55	+3	8.4%	+70
Home	-5.9%	-25	-19	-27.9%	-2,190
Signify	**-3.4%**	**130***	**-29***	**8.4%**	**-100***

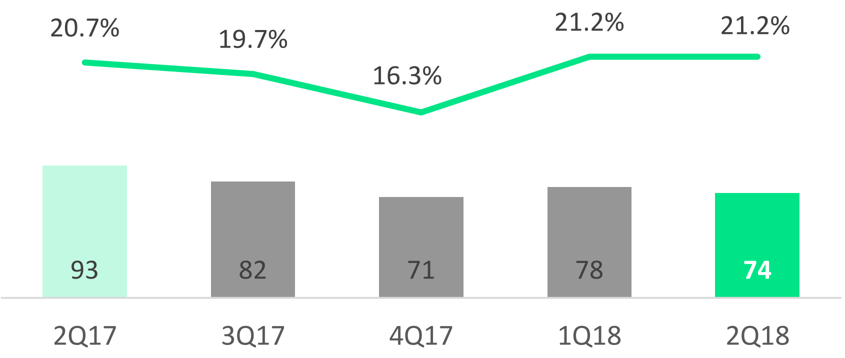
*Adjusted EBITA was negatively impacted by currency effects of EUR 22m, and 80 bps on the Adjusted EBITA margin

Lamps Adjusted EBITA margin improved by 50 bps driven by lower indirect costs, ongoing procurement savings and increased productivity

Sales (in EURm) & comparable sales growth (in %)



Adjusted EBITA (in EURm & as % of sales)



Key observations for 2Q18

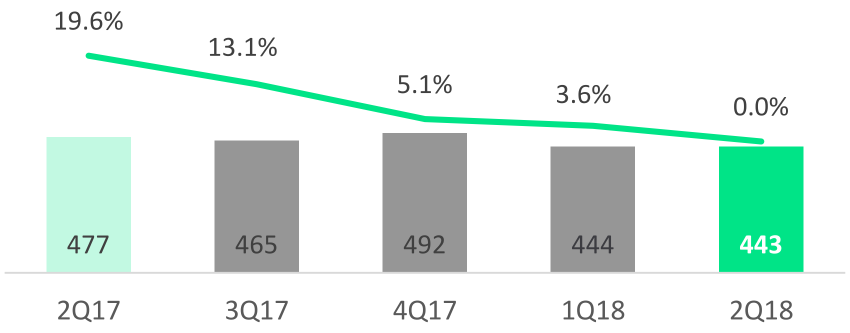
- Comparable sales decreased by 16.4%
- Continued market share gains

- Adjusted EBITA margin improved by 50 bps, driven by:
  - Lower indirect costs
  - Ongoing procurement savings
  - Increased productivity

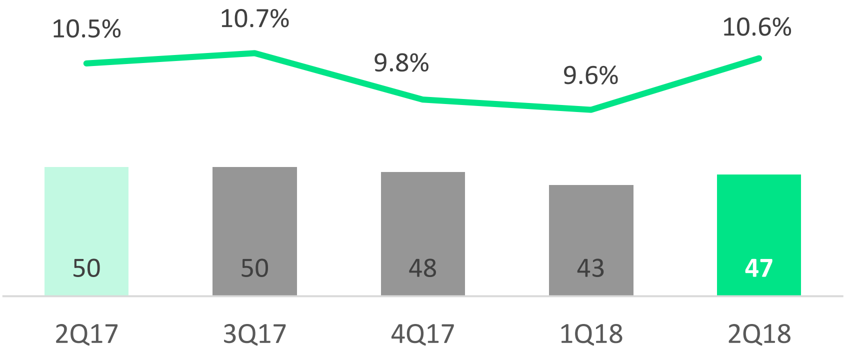
  more than offsetting adverse currency effects

LED Adjusted EBITA margin improved by 10 bps driven by procurement savings and lower indirect costs, partly offset by price erosion and FX effects

Sales (in EURm) & comparable sales growth (in %)



Adjusted EBITA (in EURm & as % of sales)



Key observations for 2Q18

- Flat comparable sales growth on the back of a high comparison base and more challenging market conditions
- Volumes in LED lamps are gradually converging to market growth, while price erosion is slowing down
- Following several quarters of lower demand from OEMs, LED Electronics comparable sales trend improved in the quarter
- Adjusted EBITA margin improved by 10 bps, driven by:
  - Procurement savings
  - Lower indirect costs

  partly offset by price erosion and currency effects

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LED business highlights

Philips MyCare LED launch in Asia

- Designed with patented Interlaced Optics technology
- Reduces glare by 35%
- Results in uniform light that is more comfortable on the eye

T-Bulb launch in India

- The Indian customer prefers a Linear form factor
- Better light spread and decorative look

Private label wins

- 15 tenders won year to date
- Ongoing cost optimization to remain competitive

Universal T-LED launch in Europe

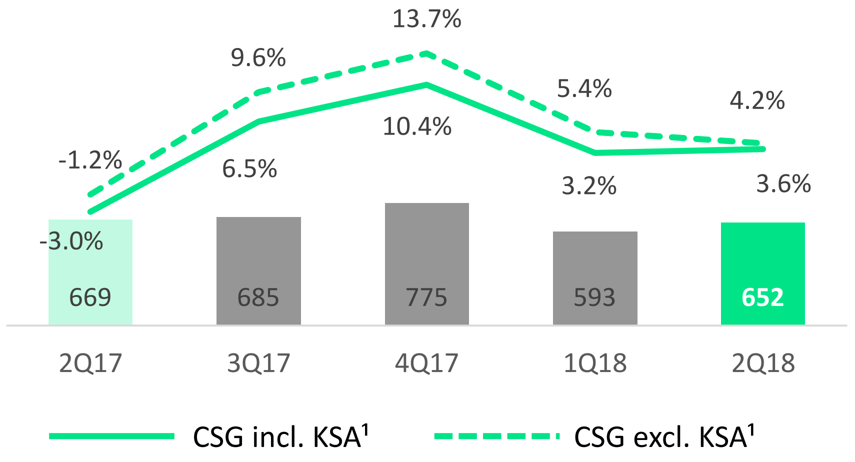
- Makes installing tubes as easy as it used to be with fluorescent tubes
- We now offer the broadest LED tubes range for different applications in the industry

Sensor ready electronics

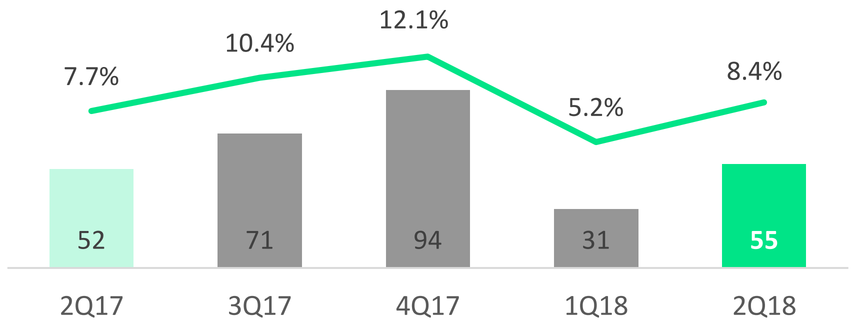
- 180W outdoor driver North America adds diagnostics and asset tracking in cost effective way
- EasySense interface for warehouse and industry

Professional Adjusted EBITA margin improved by 70 bps, mainly driven by lower indirect costs, partly offset by a more challenging pricing environment

Sales (in EURm) & comparable sales growth (in %)



Adjusted EBITA (in EURm & as % of sales)



[1]KSA: Kingdom of Saudi Arabia

Key observations for 2Q18

- CSG of 3.6%, with a robust performance in Europe and the Rest of the World
- Canada and the UK experienced difficult market conditions
- The comparable sales trend in the US improved compared with preceding quarters

- Adjusted EBITA margin increased by 70 bps to 8.4%, mainly driven by lower indirect costs, partly offset by a more challenging pricing environment

Professional business highlights

Interact Landmark win in Ningbo, China

- Façade of 37 buildings lit with Philips Color Kinetics
- Interact Landmark makes individual lights run flawlessly with dashboards for real-time monitoring, control and management

World's largest horticulture LED project

- Philips GreenPower LED toplighting and Philips GreenPower LED interlighting improve crop growth, quality and yields
- Size of Greenhouse is equivalent to 100 soccer pitches

Launch of Interact Pro

- Intuitive dashboard and app bring IoT connected lighting to small and medium enterprises
- Launched through selected distributors
- Leveraging the Hue architecture

Acquisition of lighting company LiteMagic

- Expands our high-end façade lighting portfolio with a complementary portfolio of luminaires and control systems
- Captures growth in the mid segment of the urban market in China
- Closing expected in Q3

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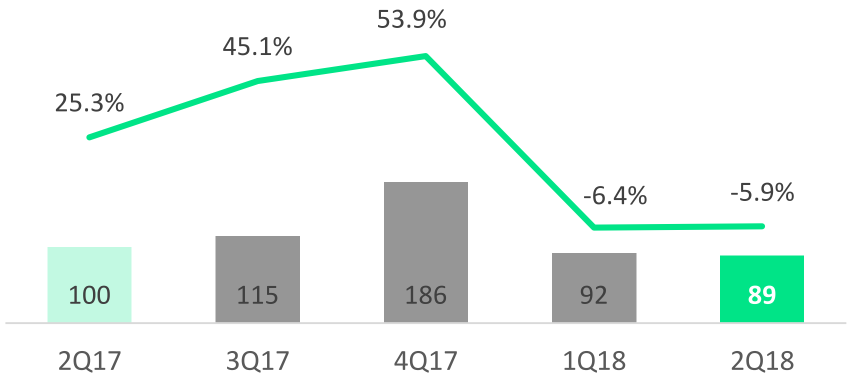
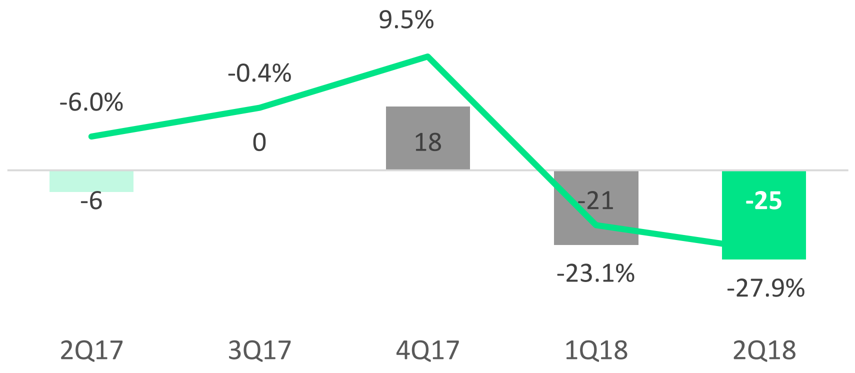
Home impacted by protracted effects of high inventory levels in US retail at the end of 2017, which have now returned to more normalized levels

Sales (in EURm) & comparable sales growth (in %)



Adjusted EBITA (in EURm & as % of sales)



Key observations for 2Q18

- CSG of -5.9%, reflecting
  - Protracted effects of high inventory levels in US retail which have now returned to more normalized levels
- Home Systems CSG improved in Q2 compared to Q1, notably in the US; sell-out continued to show substantial growth

- The Adjusted EBITA margin was -27.9%, due to
  - Lower fixed cost absorption
  - Investments in growth since 2Q17

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Home business highlights

Philips Hue Outdoor launch in US and Europe

- Extends Hue features and functionality to any outside area
- Products span the Hue white and Hue white and color ambiance ranges

Philips Hue App 3.0

- Introduces new features and enhances existing app capabilities
- Available on all iOS and Android-based devices

Philips Hue Sync

- Enhances spatial immersion of games, movies and music
- Works on any Windows 10 or macOS (Sierra and later) computer
- Free to download

Geographical and channel expansion

- Introduced Philips Hue in Indonesia, Malaysia and Thailand
- Extended availability in US retail distribution channels

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Content

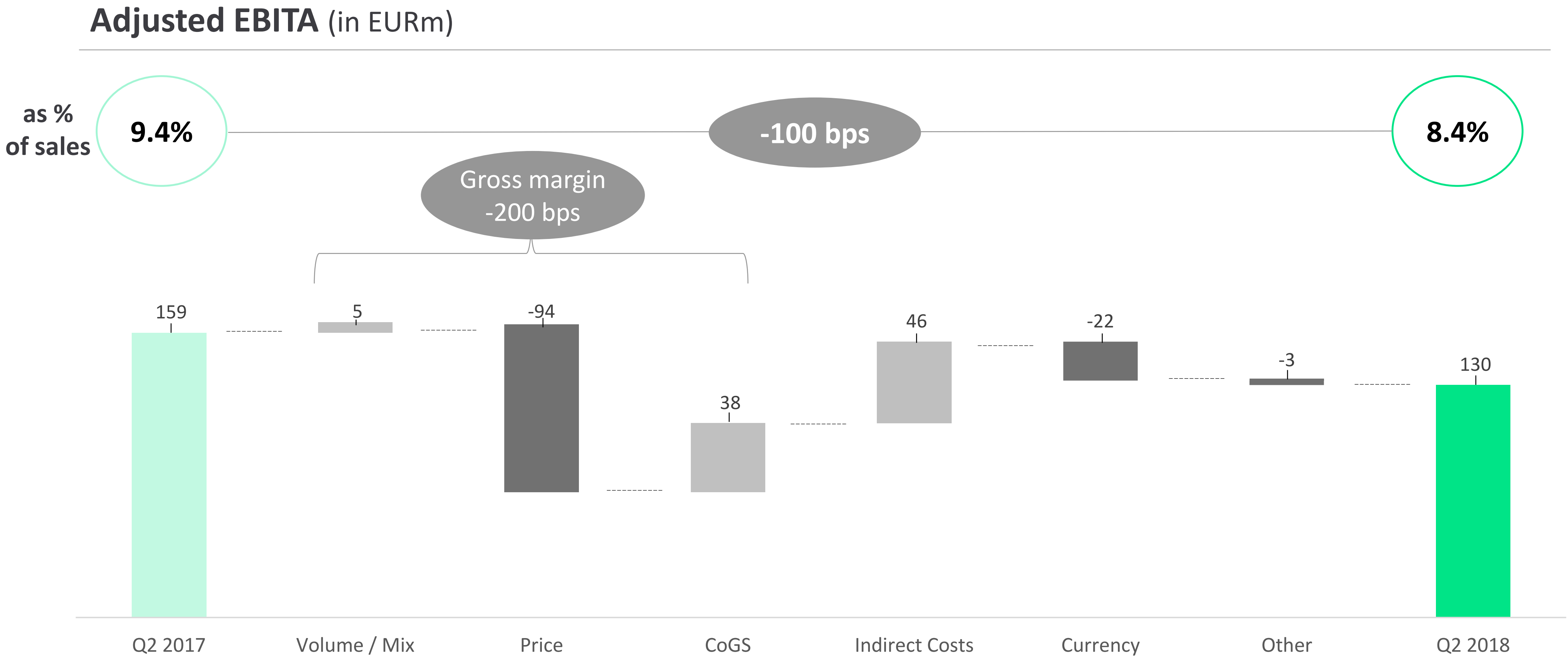
Business and operational performance by Eric Rondolat

Financial performance by Stéphane Rougeot

Outlook and conclusion by Eric Rondolat

Q&A

Adjusted EBITA margin reduction due to lower gross margin and FX, partly offset by lower indirect costs



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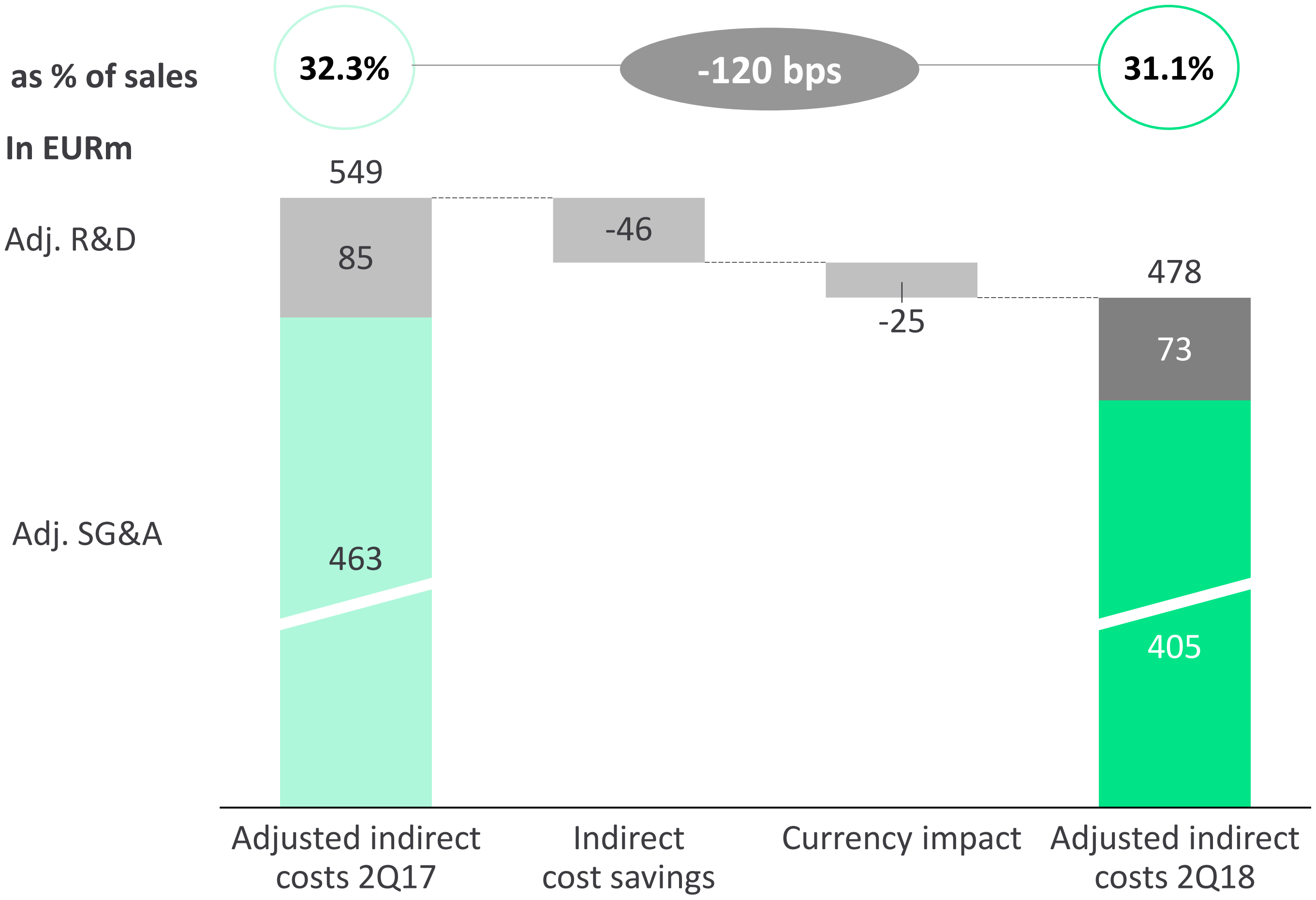
Adjusted currency comparable indirect costs decreased by 8%



Key observations

- Indirect cost reduction of EUR 46m
- Positive currency impact of EUR 25m
- Executing multi-year transformation initiatives to simplify the organization to:
  - Improve customer service and quality
  - Become more efficient
  - Capture scale benefits
  - Save to invest

Benefits of our transformation initiatives already coming through in H1

Actions underway to drive benefits across multiple levers

Levers	Progress made in H1 2018	Actions in H2 2018
Organization	Organization delayering, headcount reductions targeting transversal and support functions; Insourced majority of high-cost contractor roles (80% reduction in contingent workers)	Execution of headcount reduction already engaged; Continued simplification of our organisation (i.e., consolidation, delayering); Targeted hiring of key talent
Processes	Improved direct shipment capabilities; Optimization of online portals, increasing touchless ordering >50% in key markets; Enabled streamlined "buy online" with key wholesale partners	Streamlining our online consumer channel to reduce new product publishing times by 75%+; Optimising positioning/pricing of product portfolio; Further enhancements of our digital capabilities
Footprint	Manufacturing and warehousing footprint optimised; Reduced office space reduced through consolidation / sublease; Offshored select Finance, HR and IT activities	Further real estate consolidation; Establishment of additional shared service capabilities to better leverage our global scale and consolidate additional key functions
Sourcing	Indirect material spend reduction (>10% YoY YTD) via demand control and supplier negotiations	Continued reduction in spend expected for rest of year via additional supplier renegotiations, and further demand reductions
Products	Increased platform/modularity capabilities to accelerate new product introductions (impact expected in H2); Simplified portfolio to reduce low value products	Further simplification of our product portfolios across all business areas; Continued standardization of our platforms to reduce product components

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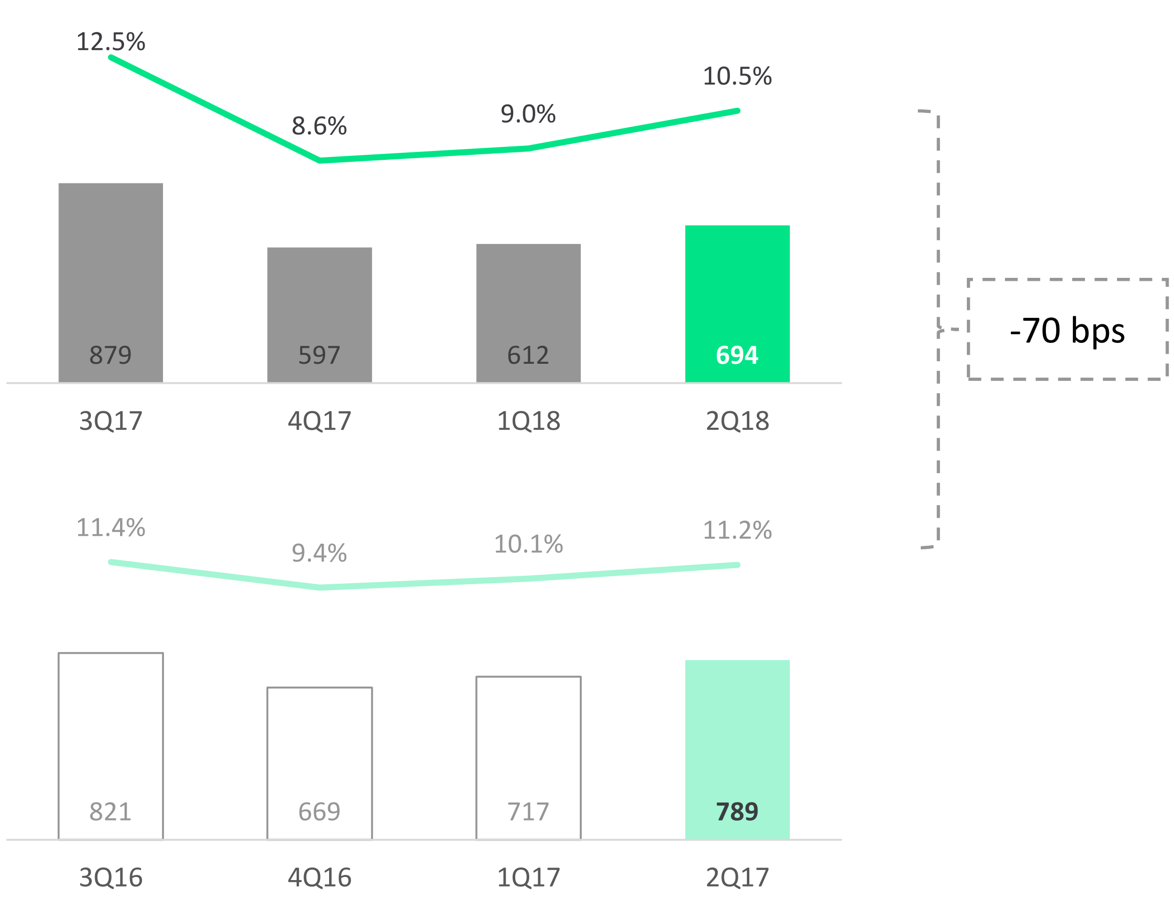
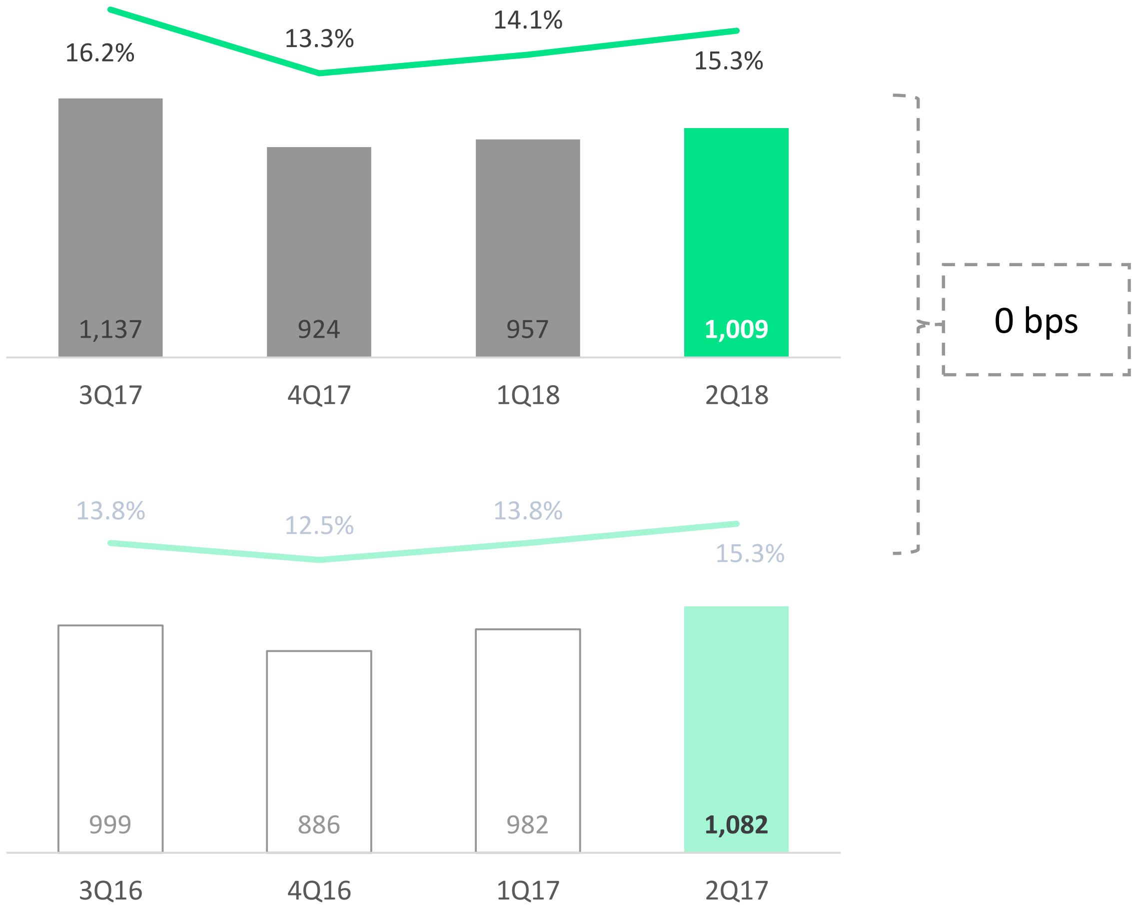
Working capital as % of sales decreased by 70 basis points y-o-y to 10.5% driven by lower receivables

Working capital[1] (in EURm & as % of sales)

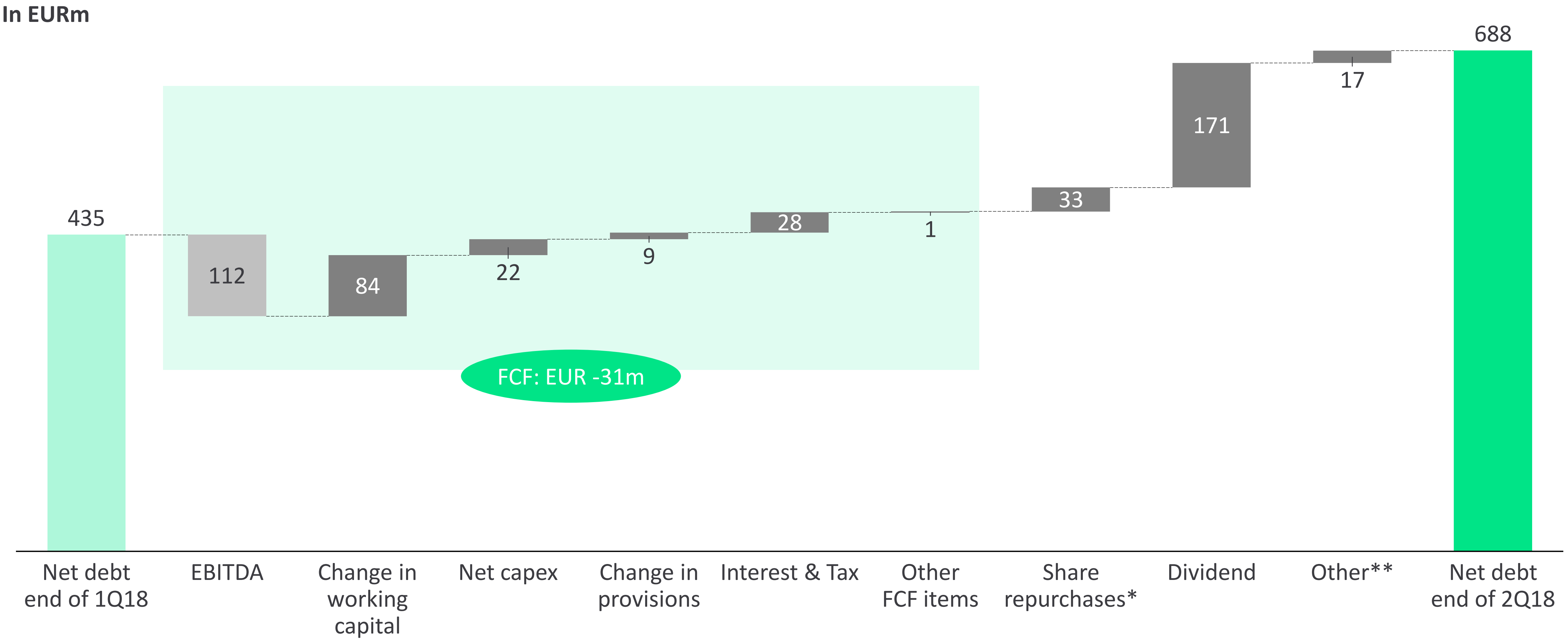


Inventories (in EURm & as % of sales)



[1] Working capital includes inventories, receivables, accounts and notes payable, other current assets & liabilities, derivative financial assets & liabilities, and accrued liabilities

Net debt increased by EUR 253m, mainly due to dividend distribution



*Share repurchases for the long term incentive plan
**Other includes cash used for derivatives, FX effect on cash, cash equivalents and debt

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Capital allocation policy

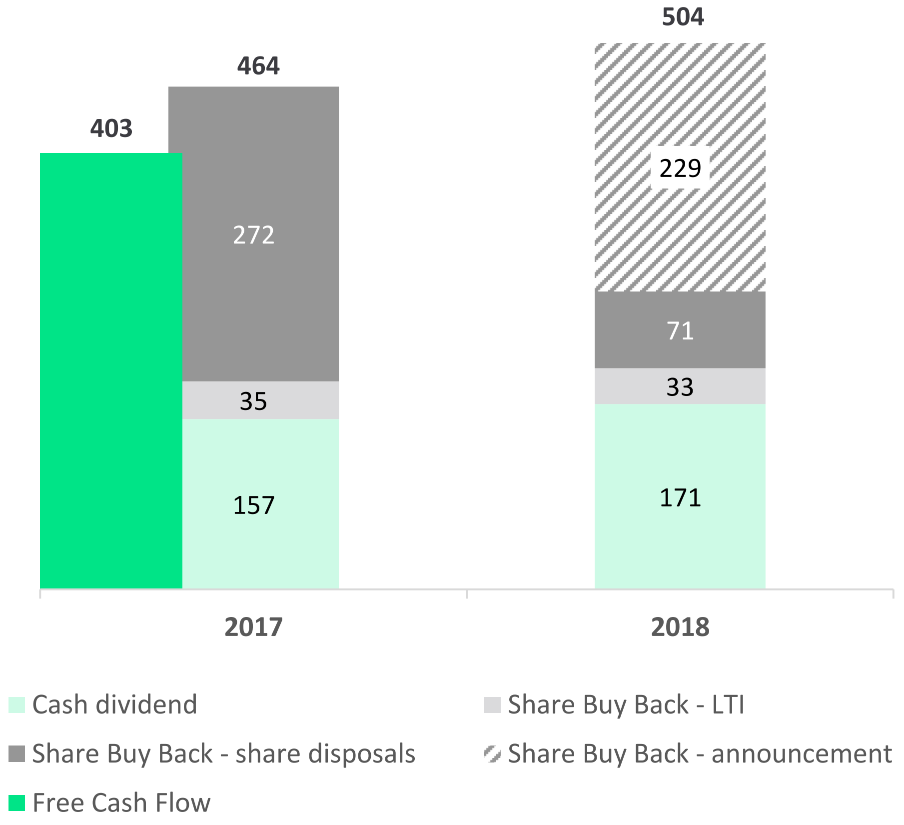
Cash available

- Continued free cash flow generation
- Managing our financial ratios to maintain a financing structure compatible with an investment-grade profile

Cash uses

- Dividend of EUR 171m – paid on 29 May 2018
- Repurchased EUR 71m through share disposals by our main shareholder – done in Feb 2018
- Repurchased EUR 33m to cover performance share plans – completed in Q2 2018
- Second contribution of USD 50m to US Pension Fund - planned for Q3 2018
- Announced acquisition of LiteMagic; continue to seize non-organic opportunities primarily through small- to medium-sized acquisitions
- Share repurchases for 2018: decision made to increase from EUR 150m to EUR 300m
    - EUR 229m remaining for H2 2018

Cash available & uses in 2017 and 2018 (in EURm)



Content

Business and operational performance by Eric Rondolat

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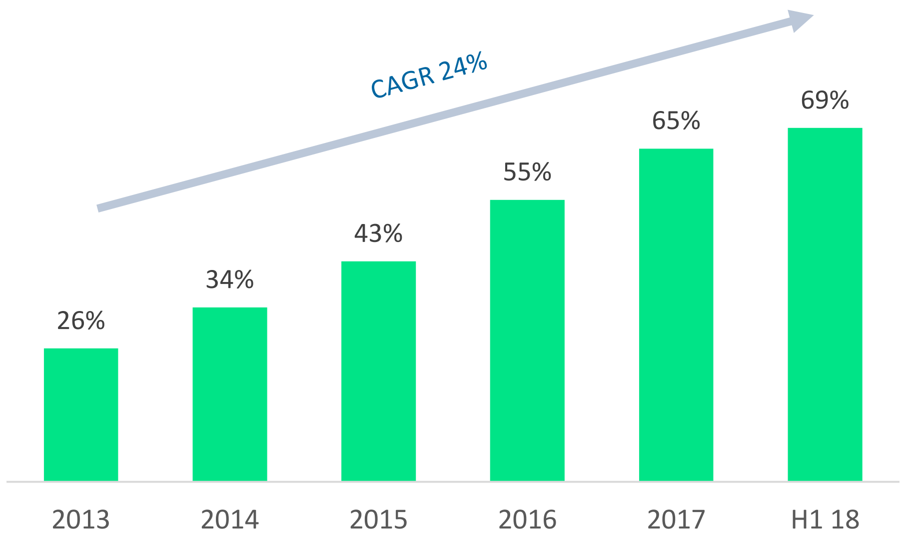
Outlook and conclusion by Eric Rondolat

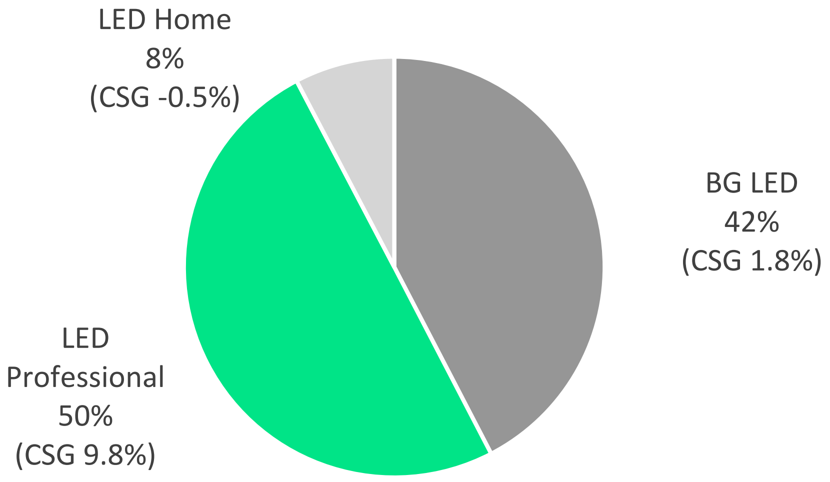
Q&A

Almost 70% of sales is LED-based and growing by 5.3%

LED-based sales continue to grow by CAGR of 24%
(in % of total sales)

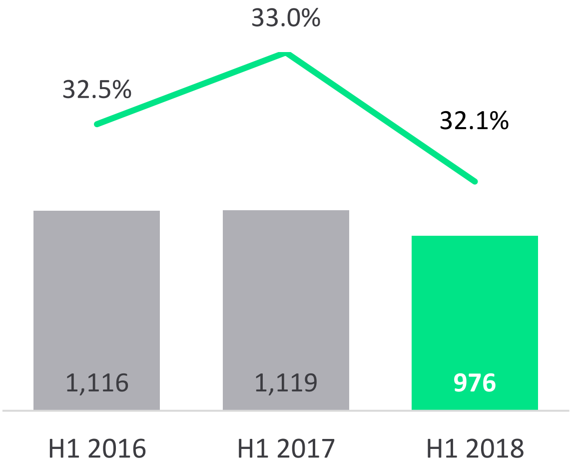


LED-based sales of EUR 2.1bn in H1 18, CSG of 5.3%

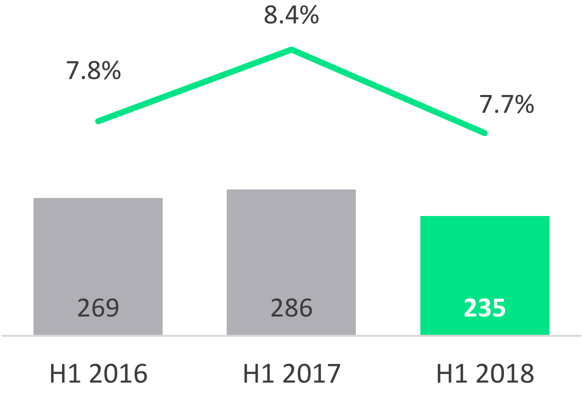


Solid progress made in H1 2018 on reducing our cost base and increasing our FCF generation

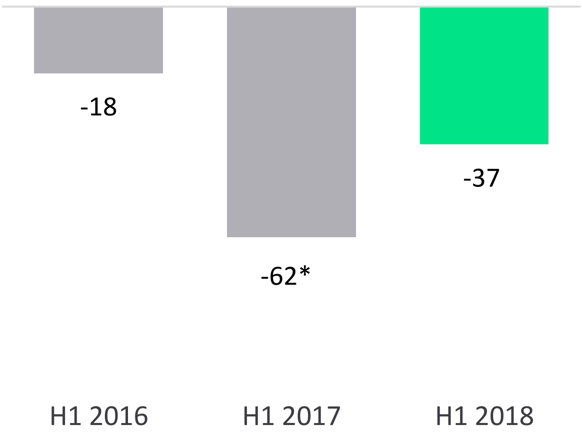
Adjusted indirect costs
(in EURm and % of sales)



Adjusted EBITA
(in EURm and % of sales)



Free Cash Flow
(In EURm)



* excluding EUR 36m real estate proceeds in H1 2017

H1 2018 performance

Good progress made on cost reduction
Adjusted currency comparable indirect costs decreased by EUR 84m, or 120 bps as % of sales

Adjusted EBITA margin impacted by -60 bps of adverse currency effects

Strong cash management
Free cash flow improved compared to last year, excluding EUR 36m real estate proceeds in H1 2017

Outlook 2018

Given the slow start to the year in Home, more challenging market and competitive dynamics in some geographies, as well as global scarcity in certain electronic components, Signify has decided to revise its sales outlook for 2018

- Expect **CSG in the second half to improve** compared to the first half, however, this improvement is not expected to be sufficient to deliver positive CSG for the full year

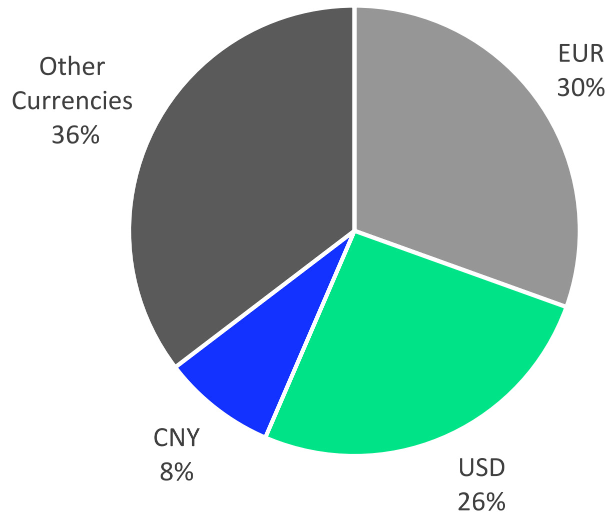
- Taking into account the **anticipated cost savings in H2 2018**, we maintain our earlier outlook to improve the **Adjusted EBITA margin from 9.6% in 2017 to 10.0-10.5% in 2018,** albeit at the lower end of the range

- Continue to expect **solid free cash flow** in 2018, which will be somewhat lower than the level in 2017 due to higher restructuring payments

Q&A

Currency movements had a negative impact on sales and Adjusted EBITA

2Q18 Sales FX Footprint (% of total)



Key observations

- Currency movements had a negative impact on sales and on Adjusted EBITA
  - Sales impact from currencies of EUR -95m, mainly from the US dollar
  - Adjusted EBITA impact of EUR -22m
  - Signify policy is to hedge 100% of committed FX transactions and anticipated transactions up to 80% in layers over the next 15 months

Net income of EUR 29m due to lower operational profitability and a real estate gain in 2Q17

From Adjusted EBITA to net income (in EURm)

	2Q17	2Q18
Adjusted EBITA	**159**	**130**
- Restructuring	-30	-35
- Acquisition related charges	0	0
1 - Other incidental items	10	-17
EBITA	**139**	**77**
Amortization	-28	-23
EBIT	**111**	**54**
Net financial income / expenses	-11	-13
2 Income tax expense	-26	-12
Results relating to investments in associates	-1	0
Net income	**73**	**29**

Key observations

1 Real estate gain of EUR 15m in 2Q17

2 Income tax expense decreased by EUR 14m mainly due to lower taxable earnings in 2Q18

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Free Cash Flow of EUR -31m

Free cash flow (in EURm)

	2Q17	2Q18
Income from operations	111	54
Depreciation and amortization	65	58
Additions to (releases of) provisions	49	53
Utilizations of provisions	-58	-62
Change in working capital	-136	-84
Interest paid	-4	-6
Income taxes paid	-27	-22
Net capex	-10	-22
Other	-15	-1
Free cash flow	**-27**	**-31**
As % of sales	-1.6%	-2.0%

Key observations

- Free cash flow of EUR -31m compared with EUR -44m, excluding real estate proceeds of EUR 17m in 2Q17
- Cash outflow related to restructuring EUR 33m and EUR 10m for company name change

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