signify

Q4 & Full Year 2018 results

February 1, 2019

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 identifying other incidental items as adjusting items when presenting certain non-IFRS measures such as Adjusted EBITA.

Content

Welcome & introduction by Eric Rondolat

Financial performance for Q4 18 by Stéphane Rougeot

FY 18 highlights by Eric Rondolat

Outlook & conclusion by Eric Rondolat

Q&A

Welcome & introduction

- LED-based sales grew by 2.5% in FY 18 on a comparable basis to 71% of sales
- Signify's installed base of connected light points increased from 30m at YE17 to 44m at YE18

- Adj. EBITA margin improved by 50 bps to 10.1%, including a currency impact of -50bps
- Adj. indirect costs decreased by EUR 224m on a currency comparable basis, a reduction of 10%

- FCF of EUR 306m (FY 17: EUR 403m, incl. real estate proceeds of EUR 56m and EUR 40m lower restructuring cash-out)
- EUR 1.1bn returned to shareholders since IPO, incl. proposed 2018 dividend of EUR 1.30 (+4%)

- Solid progress towards achieving our 2020 Sustainability goals
- Continue to focus on new growth platforms to strengthen our market leadership and progressively improve our growth profile
- Execute concrete actions to further simplify thus improving our cost base
- Deliver in 2019 on the mid-term financial targets set at the time of the IPO

Our transformation journey has made Signify the leading company in the new era of the Lighting industry

Growing profit engines

LED | **Professional** | **Home**

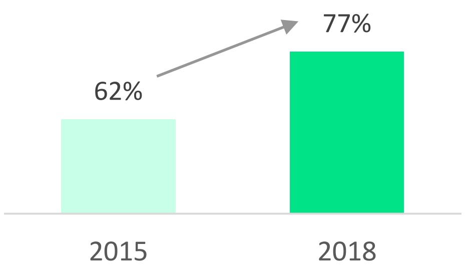
- We have been building a new worldwide leader focusing on our growing profit engines, in line with our strategy to move to LED and connectivity, unleashing new growth platforms and new business models
- Signify is today the leader in LED lighting, and in connected lighting systems and services

Cash engine

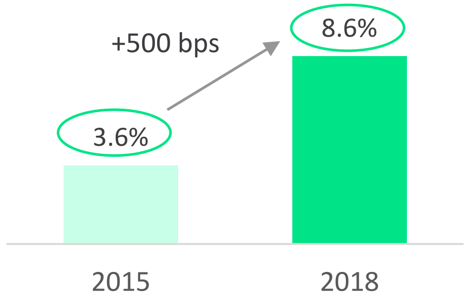
Lamps

- We are increasing our leadership in conventional products, optimizing cash to fund growth

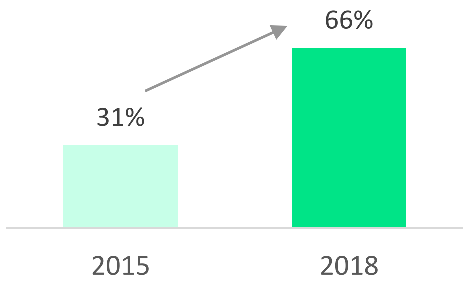
% of total sales from growing profit engines



Adj. EBITA margin development of growing profit engines (in %)



Adj. EBITA contribution from growing profit engines (in %)



Content

Growing profit engines: Adjusted EBITA margin improved by 140 bps

Q4 18	**CSG %**	**Adjusted EBITA** (EURm)	**vs LY** (EURm)	**Adjusted EBITA** %	**vs LY** (bps)
LED	0.2%	69	+21	14.4%	+460
Professional	-6.9%	85	-9	12.0%	-10
Home	-2.6%	16	-2	8.9%	-60
Total	**-4.0%**	**170**	**+11**	**12.4%**	**+140**

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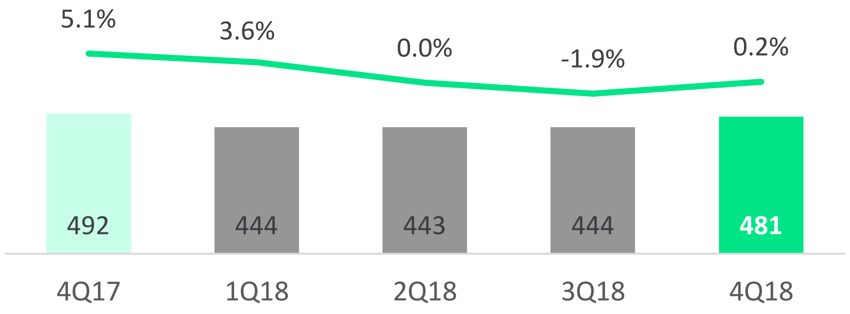
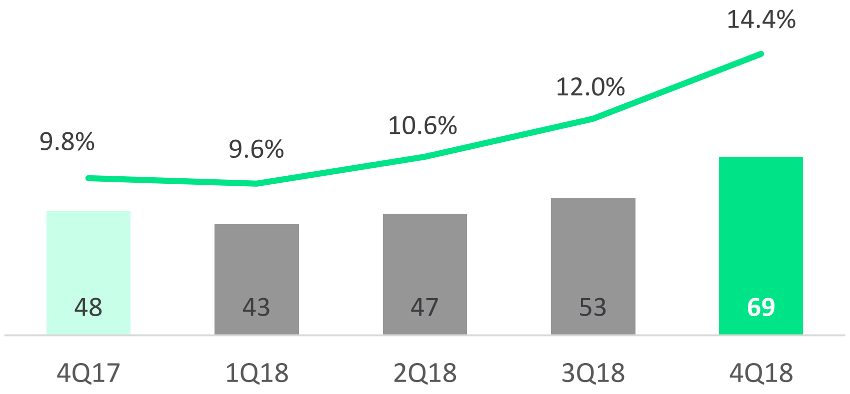
LED Adjusted EBITA margin increased by 460 bps, mainly as a result of indirect cost savings

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



Adjusted EBITA (in EURm & as % of sales)



Key observations for Q4 18

- Comparable sales growth increased by 0.2%. An improvement on a sequential basis due to LED lamps
- Adjusted EBITA margin increased by 460 bps, mainly as a result of indirect cost savings

LED business highlights

Expanded glass filament decorative range

- Uses 80% less energy than traditional bulbs
- Lasts 10x longer
- Maintains classic look

Private label wins

- 24 tenders won in 2018
- Ongoing focus on cost optimization to remain competitive

Launched TrustSight G3 emergency driver in Europe

- Self-contained solution
- Operates LED modules when mains power fails
- Un-switched mains line continuously charges TrustSight batteries

Launched connected EvoKit

- Provides cost-effective solution for renovation
- Offers connected product with sensor at same price as previous non-connected version
- “Clickable” assembly in 2 minutes, saving > 30% on transport volume

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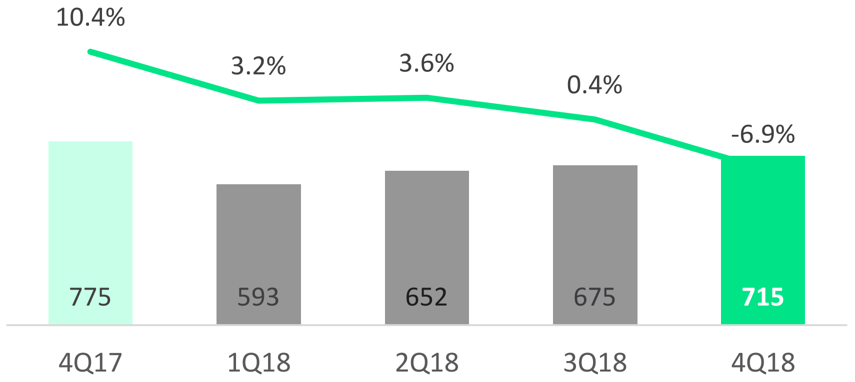
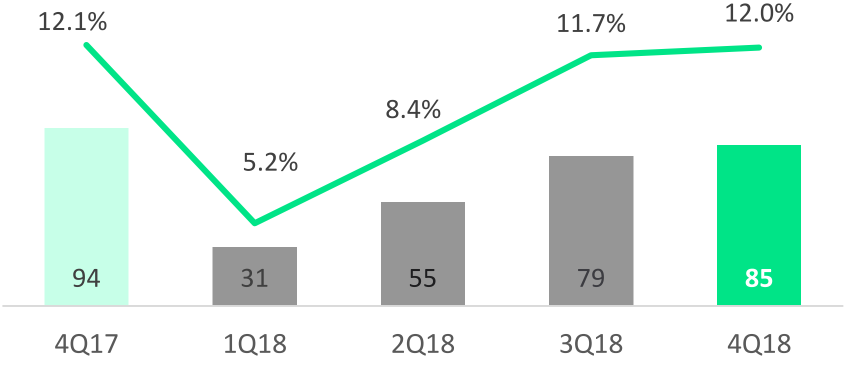
Professional Adjusted EBITA margin solid at 12.0% as continued indirect cost savings largely offset the impact from lower sales volumes

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



Adjusted EBITA (in EURm & as % of sales)



Key observations for Q4 18

- CSG of -6.9%, on the back of a high comparison base which reflected strong market activity in various regions and a large-scale project in the US
  - Deteriorated market conditions compared to Q4 2017, most notably in China and Europe
- Adjusted EBITA margin remained solid at 12.0% as continued indirect cost savings largely offset the impact from lower sales volumes

Professional business highlights

To illuminate Shanghai's buildings, bridges and rivers

- Installed more than 50,000 connected light points
- Managed through Interact Landmark
- Our largest ever implementation of connected architectural lighting

To illuminate up to 15 of London's iconic bridges by 2022

- To install more than 22,000 connected Color Kinetics LED light points
- Managed through Interact Landmark
- To provide lifecycle services for the next 10 years

Installed architectural lighting on façade of Beijing's WTC tower

- Provided 400,000 white LED light points
- Illuminated top by 88 sets of Color Kinetics LED floodlights
- Illustrates growing trend to make cities more attractive with connected lighting technologies

Installed Horti LED lighting at French cucumber growers

- Concerns two greenhouses of 20,000 m^2 and 25,000 m^2
- Increased light levels improve cucumber production
- Enables growers to increase light levels without increasing heat

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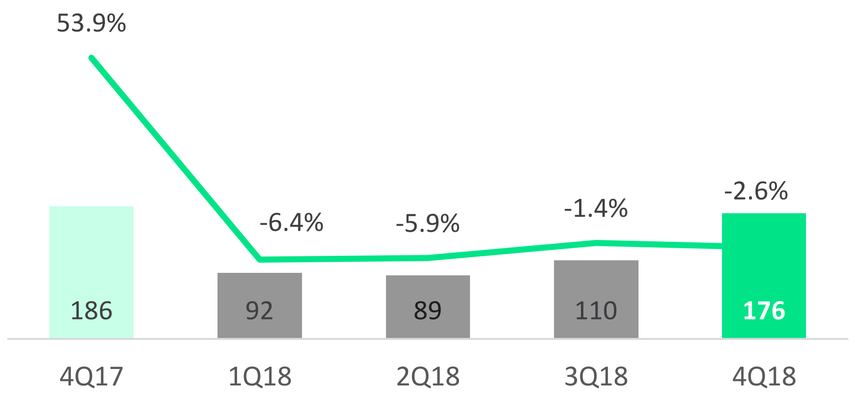
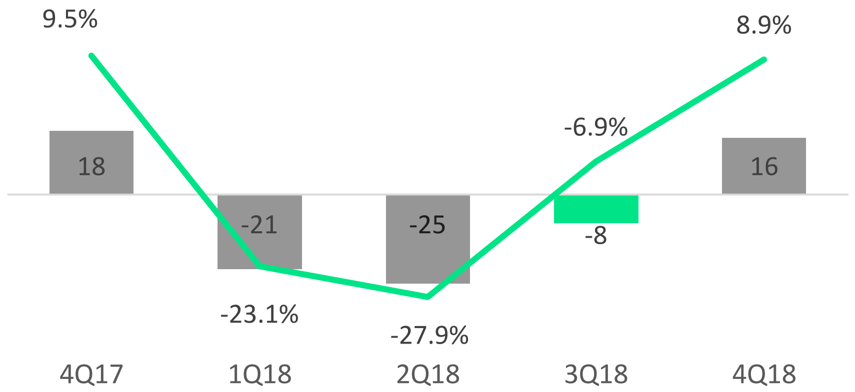
Home's sales performance reflects a high comparison base; profitability is now back on track

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



Adjusted EBITA (in EURm & as % of sales)



Key observations for Q4 18

- CSG of -2.6%, due to a high comparison base as US retail partners built up inventories in H2 17

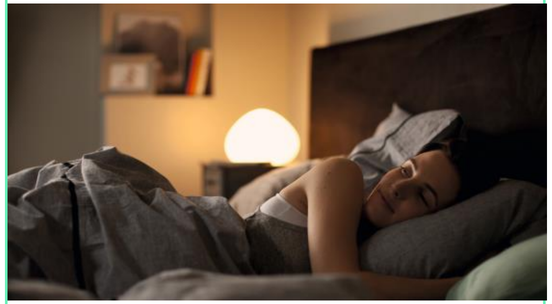
- Adjusted EBITA of EUR 16m showed a significant improvement compared with previous quarters, reflecting:
  - Higher sales levels
  - Ongoing cost optimization

Home business highlights

Extended Philips Hue Outdoor range

- Added sensor, wall-mounted fixtures and new path lighting
- Expands number of options to transform the home

Added Philips Hue and Google Assistant sleep and wake up feature



- Brings voice commands to Google Assistant's sleep and wake up feature
- Showcases first integration of the Philips Hue sleep and wake up feature with a digital assistant

Updated Hue Power-on Behavior in app

- Saves bulb's last setting when turned on and off
- Also saves last setting when power is lost

Added RunLessWire to the Friends of Hue program

- Adds more switches to Philips Hue offering
- Switches are self-powered
- Easy to setup
- Fit seamlessly in home interior

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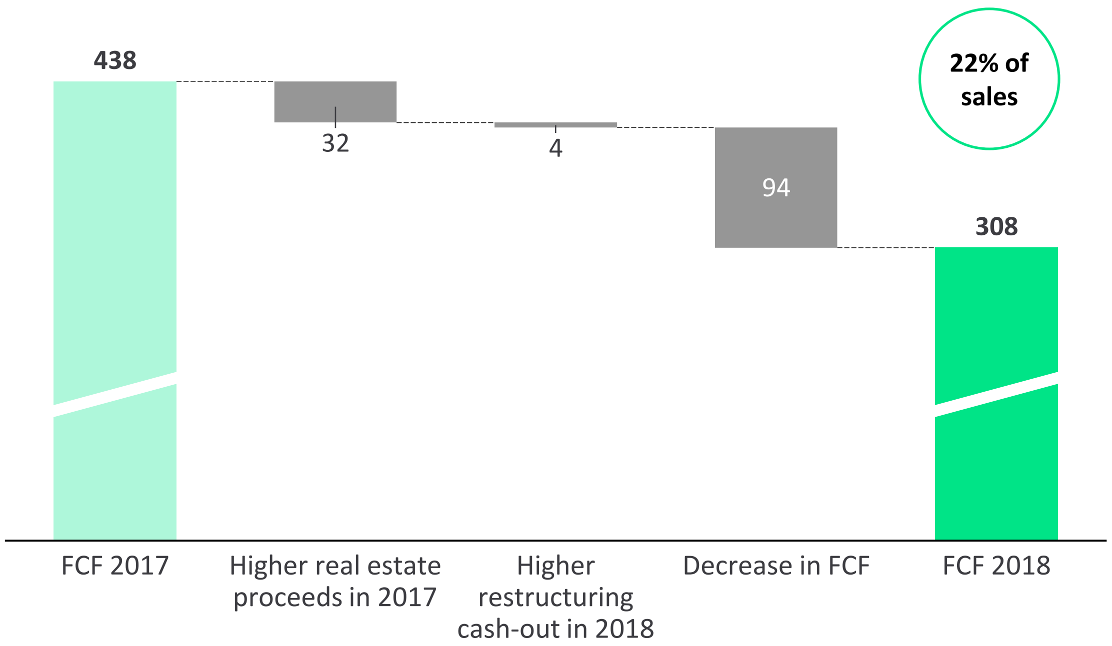
Cash engine: Lamps maintained free cash flow at 22% of sales

Lamps Free Cash Flow bridge* (in EURm)



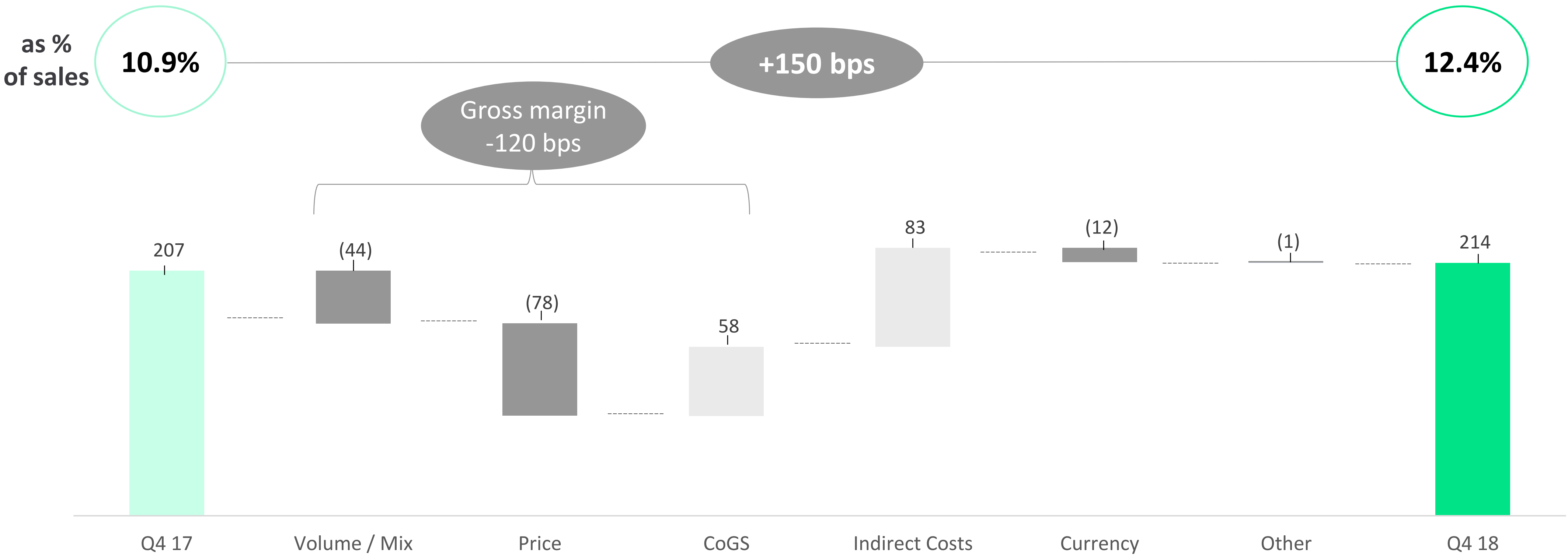
Key observations

- Our cash engine continued to deliver on its “last man standing” strategy
- Further market share gains
- FCF of EUR 308m in FY 18
- FCF as % of sales remained relatively stable at 22%, excluding real estate proceeds in 2017 and higher restructuring cash-out in 2018

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

Signify Adj. EBITA margin: improvement driven by indirect cost reductions

Adjusted EBITA (in EURm)



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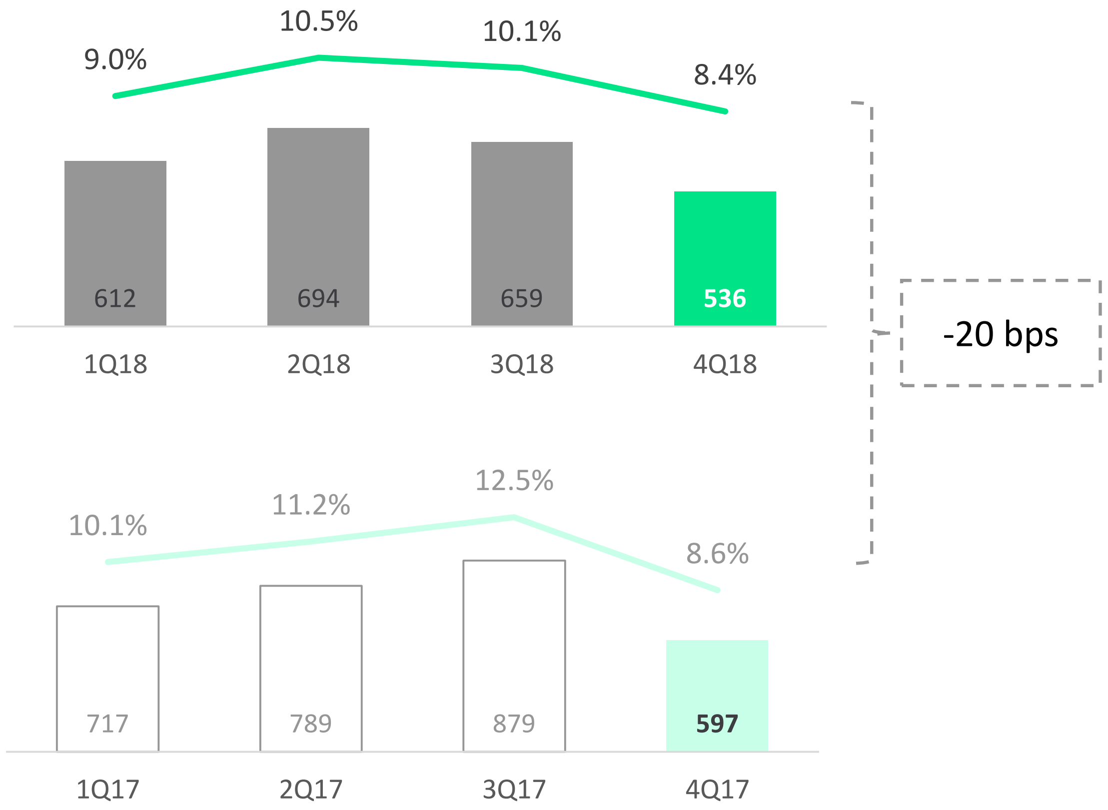
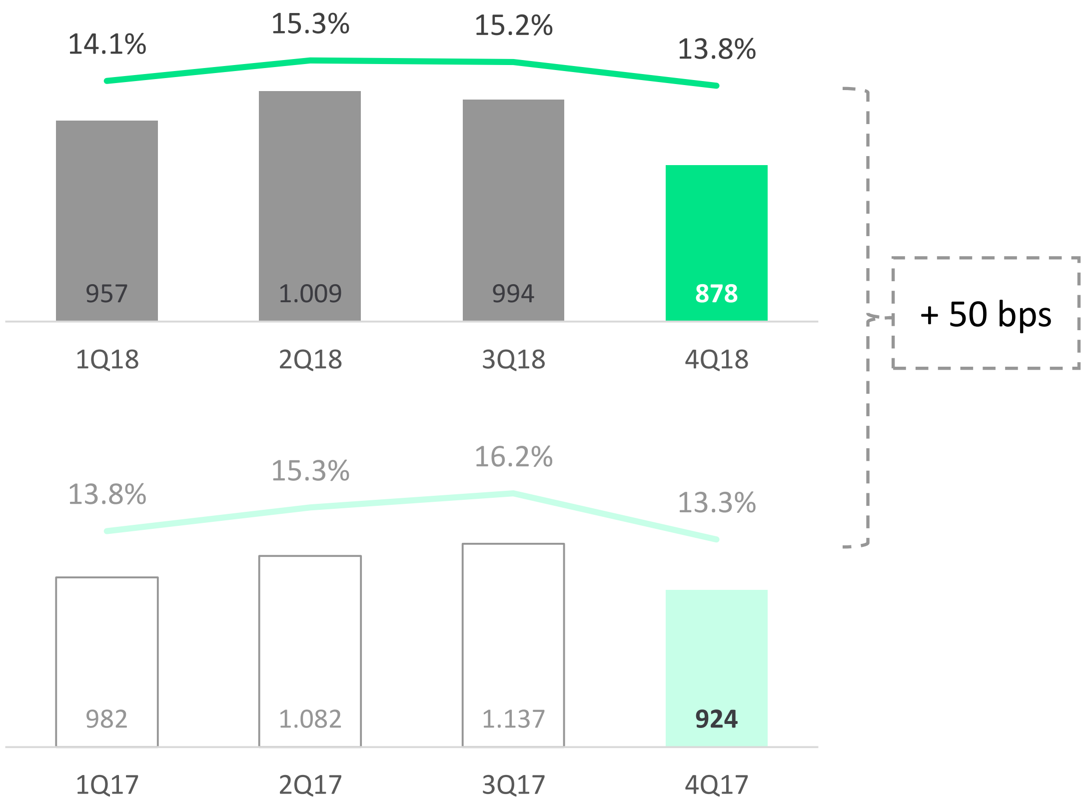
Working capital as % of sales decreased by 20 basis points y-o-y to 8.4% driven by lower receivables

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



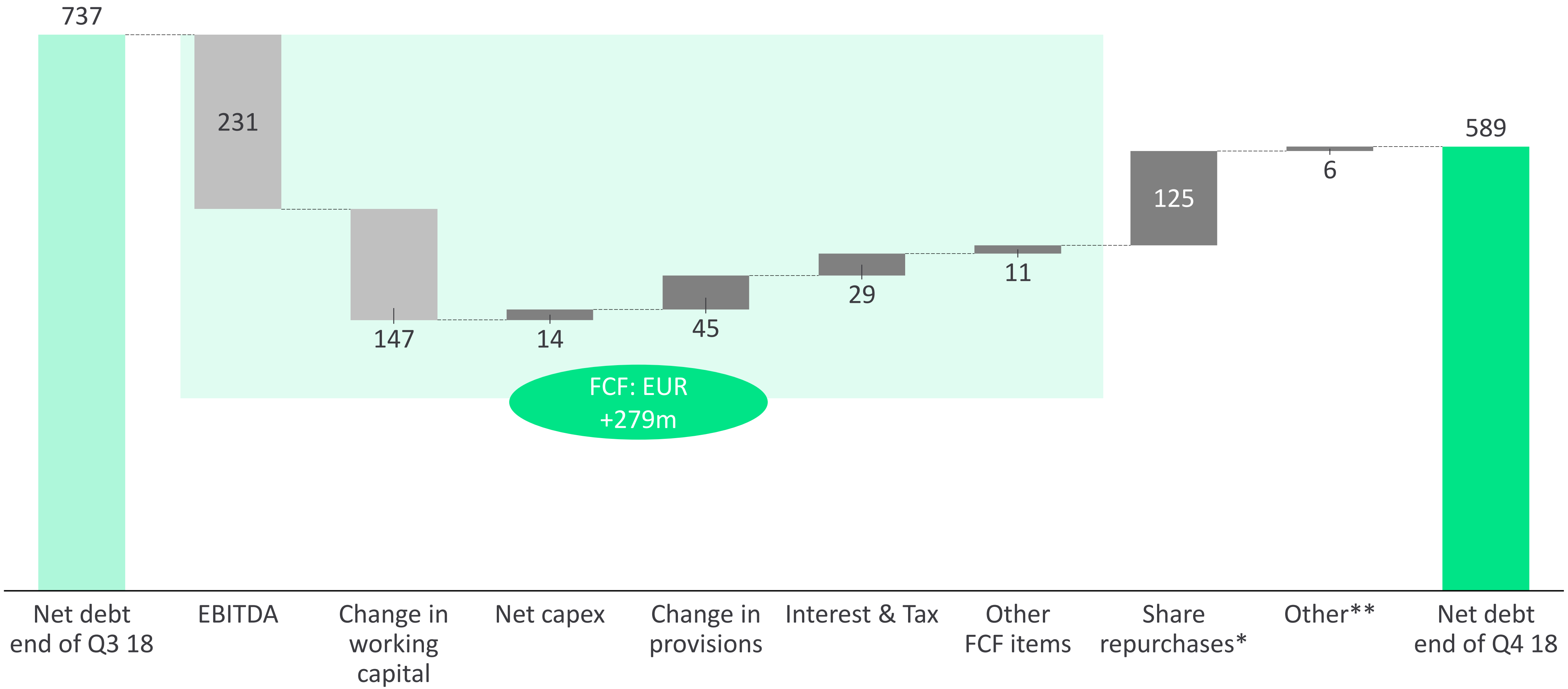
Inventories (in EURm & as % of sales)



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

Net debt decreased by EUR 148m, mainly due to solid FCF generation partly used to complete the share repurchase program

In EURm



*Share repurchases for cancellation purposes

**Other includes cash used for derivatives and acquisition of business, cash received for sale of business, FX effect on cash, cash equivalents and debt

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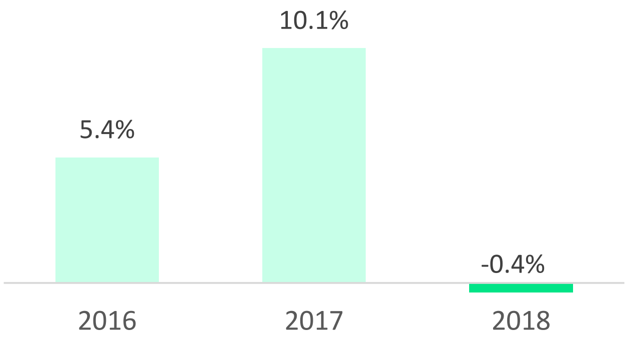
Q&A

Growing profit engines drive profitable growth as we move to LED, connected systems and services

CSG (%)

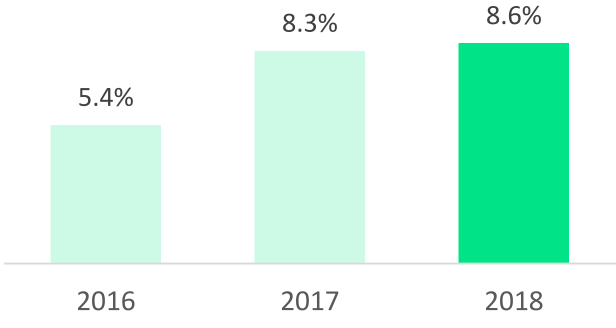
LED. Professional & Home



- CSG of -0.4% for FY18 reflects high comparison base, challenging market conditions, and an unanticipated temporary decline in Home

Adj. EBITA margin (%)

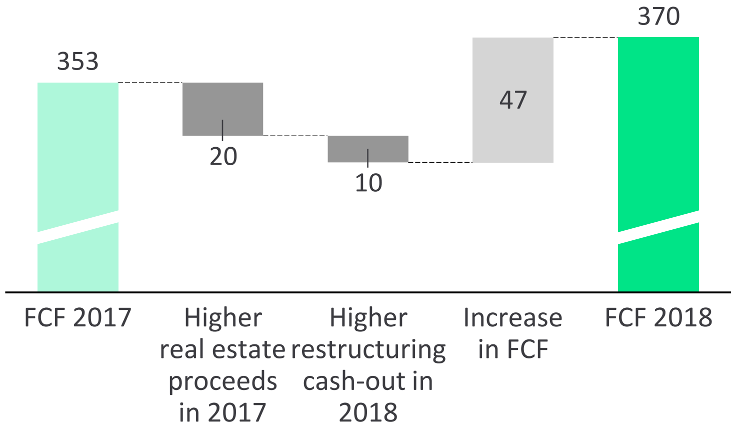
LED, Professional & Home



- Profitability of our growing profit engines increased by 30 bps in 2018, despite a negative impact of Home (-100 bps)

Free Cash Flow* (in EUR m)

LED, Professional & Home



- The growing profit engines already generate a large FCF
- FCF generation continued to increase in 2018 despite an unanticipated negative FCF from Home

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

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Continue to invest in new growth platforms

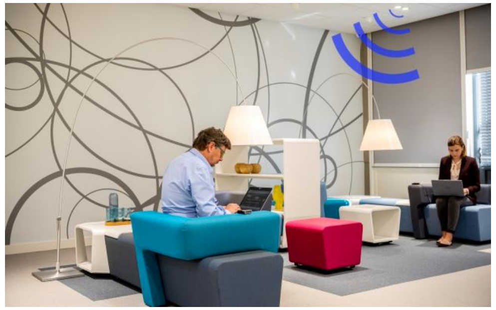
Horticulture

- Growers benefit from customer-centric approach, and market leading products and light recipes
- Better growth predictability, crop quality and yields
- Market projected to grow by more than 20% per year until 2025
- Expanded the world's largest horticulture LED installation to equivalent of 100 soccer pitches

Solar

- More than 1 billion people do not have access to electricity grid
- Solar is safe and sustainable solution vs fuel-based alternatives both for professionals and consumers
- Market expected to grow more than 20% per year until 2024
- Sold more than 300,000 solar lights in 2018

LiFi



- Extra layer of security thanks to line-of-sight
- Able to connect many smart devices and multiple users as LiFi bandwidth is more than 1,000 times the size of radio spectrum
- Ideal for use in radio frequency sensitive areas or areas with poor or no WiFi connection
- Over 30 pilots across the world

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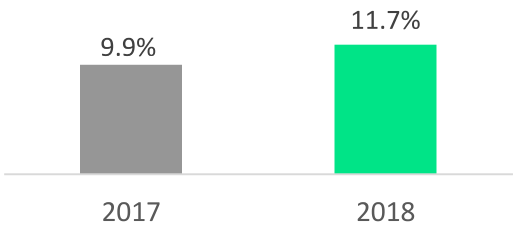
Market dynamics impacted top-line in FY18, solid improvements in margins

Growing profit engines

LED CSG & Adj. EBITA margin (%)

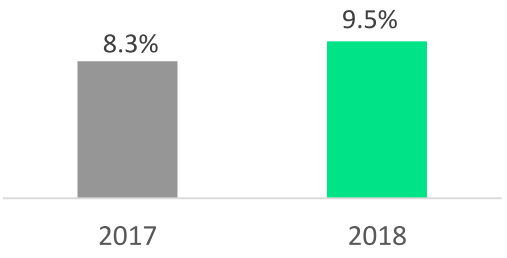
CSG	12.8%	0.4%



- Improving top-line in LED electronics was offset by the anticipated decline in LED lamps
- Margin improvement driven by procurement savings and indirect cost savings

Professional CSG & Adj. EBITA margin (%)

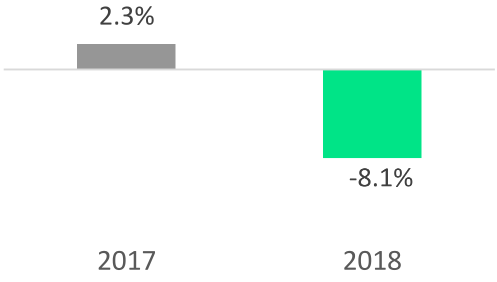
CSG	4.1%	-0.4%



- CSG impacted by deteriorating market conditions in various regions (China, Europe)
- Margin improvement mainly driven by lower indirect costs

Home CSG & Adj. EBITA margin (%)

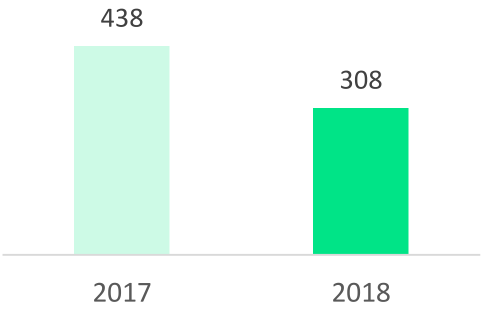
CSG	41.1%	-3.8%



- The decline mainly reflects high demand from trade partners in the US in H2 2017 which led to a high comparison base and lower sales levels in H1 18 to allow for inventory reductions at these trade partners

Cash engine

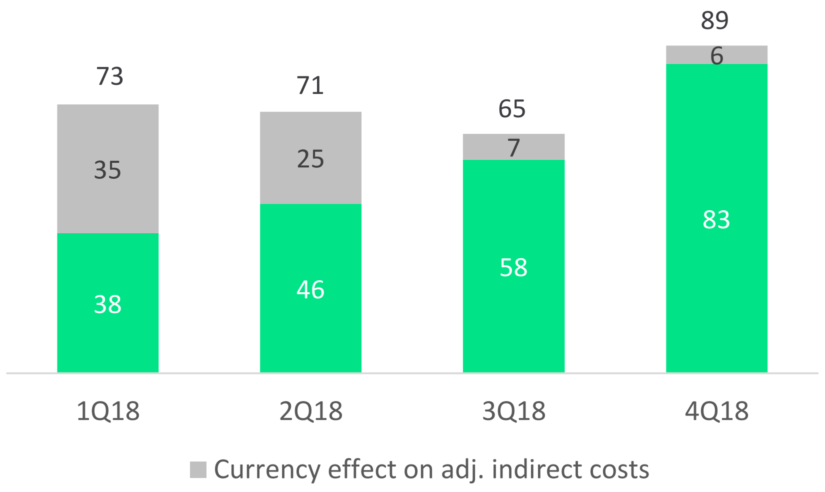
Lamps FCF (in EUR m)

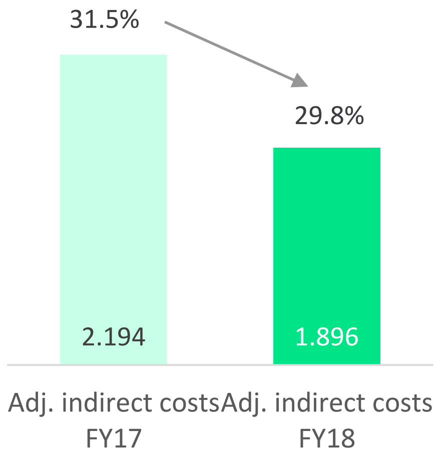


- Continued to optimize cash to fund growth: FCF of our cash engine, Lamps, was EUR 308m

Currency comparable adjusted indirect costs decreased by 10% in FY18

Adj. indirect cost savings per quarter (in EUR m)





Key observations

- EUR 224m saved in FY18, down 10%, or 180 bps of sales, excl. FX
- Progress made in 2018:
  - Reduced non-manufacturing workforce by 10% through organization simplification
    - 80% reduction in contingent workers
  - Indirect material spend lowered by 50 bps as % of sales
  - Office space reduced by 12%
  - Improved direct shipment and digital capabilities

Our 2018 results

		2018 result	Achievement	2020 target
Sustainable revenues	Sustainable revenues	79.0%	Increasing energy efficiency of portfolio	80%
	LED lamps & luminaires delivered	1.7 billion (cumulative from 2015)	87% of our commitment completed	>2 billion
Sustainable operations	Carbon footprint	Net 146 kt CO2	49% decrease vs 2017 9 markets carbon neutral	Net 0 kt CO2
	Waste to landfill	2.4 kt	17% decrease vs 2017	0 tonnes
	Safe & healthy workplace	TRC = 0.29	59% improvement from our 2015 baseline	TRC = 0.35
	Sustainable supply chain	93% performance rate	93% of risk suppliers passed the audit	90% performance rate

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Attractive shareholder return

2018 dividend EUR 1.30 to be paid in 2019

Dividend 2018 (in EURm)

	FY 2018
Net income attributable to shareholders	**263**
Restructuring costs	118
Incidentals*	10
Tax impact	-34
Continuing net income	**357**
Total dividend	**164**
Total number of outstanding shares (million)**	126

EUR 1.30 per share

Key observations

- Proposed dividend increase of 4% at EUR 1.30 per share; pay-out ratio of 46%
- Disciplined management of balance sheet
- Continue to look for non-organic growth opportunities primarily through small- to medium-sized acquisitions
- If in the course of the year, the funds needed for non-organic growth opportunities are substantially less than the capital available, we will consider other use of our capital, which includes returning excess cash to shareholders through share repurchases

* Other incidentals consists of acquisition-related charges, separation costs and other incidentals
** Excluding treasury shares

EUR 1.1bn returned to shareholders since IPO, incl. proposed 2018 dividend

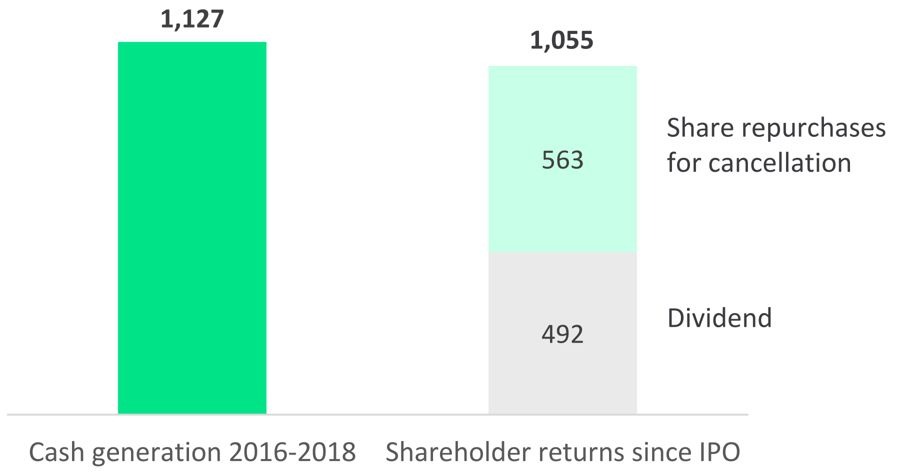
Cash available

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

Cash uses since IPO

- Dividend of EUR 492m since the IPO, including proposed dividend of 2018
- Seized non-organic growth opportunities, e.g. LiteMagic, Stack Lighting, PointGrab
- Contributed EUR 114m to US Pension Fund since the IPO
- Repurchased shares for EUR 68m to cover performance share plans
- Repurchased shares for EUR 563m for cancellation

Return to shareholders since IPO (in EURm)



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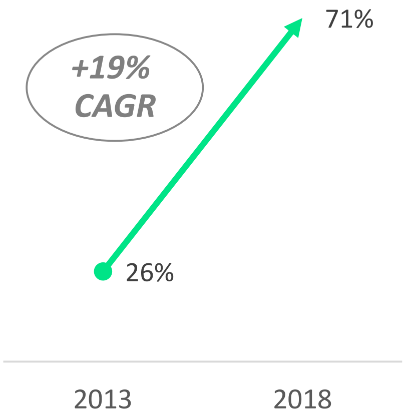
Our financial measures have significantly improved over the last five years

Transition from conventional to LED

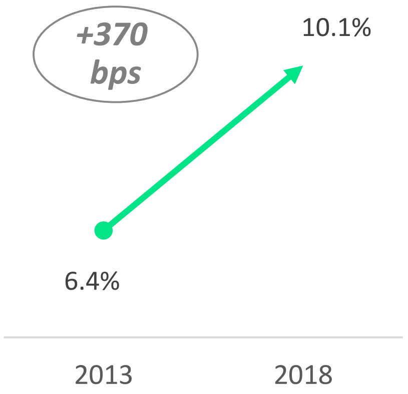
Total LED sales (as % of sales)



In 2018, LED-based sales grew by 2.5% on a comparable basis

Significantly improved profitability

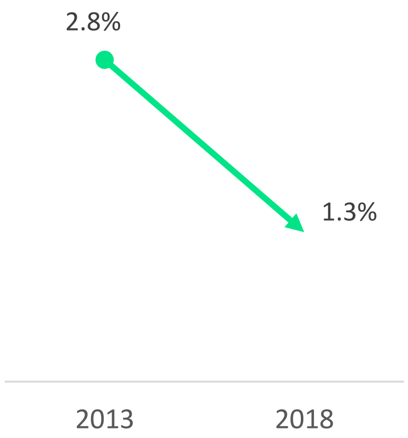
Adjusted EBITA margin



Substantial improvement in Adjusted EBITA margin

Transition to an asset-light business model

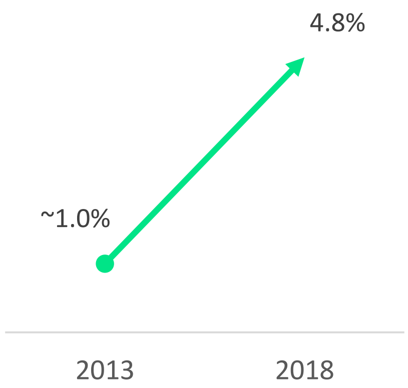
Gross capex as % of sales



Gross capex as % of sales has been strongly reduced

Strong FCF generation

FCF as % of sales



Solid FCF generation: EUR 306m of FCF in 2018

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Outlook 2019

- Our growing profit engines (LED, Professional and Home combined), are expected to deliver a CSG 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 within the range of 11.0-13.0% (as set at the time of the IPO in May 2016)

- Expect free cash flow to be above 5% of sales

Signify Path to value – Targeting Adj. EBITA margin of 11-13% by 2019

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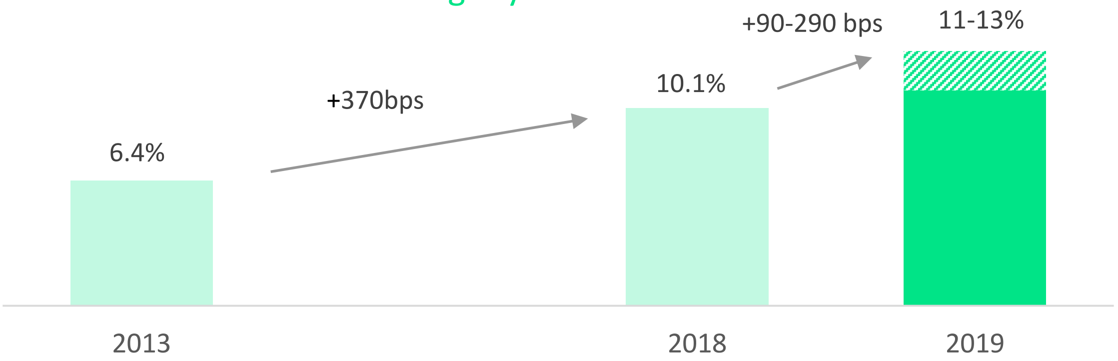
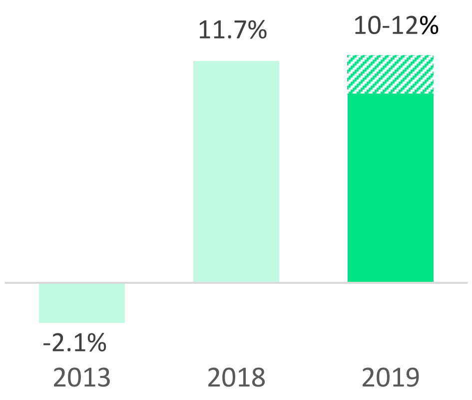


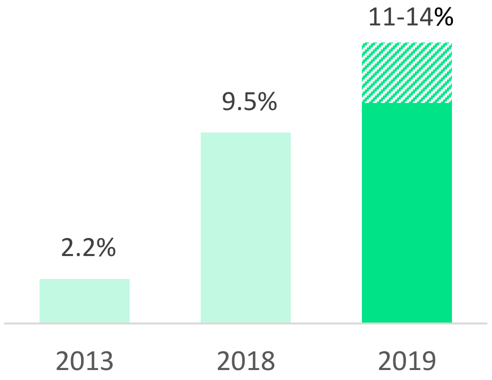
Growing profit engines

LED



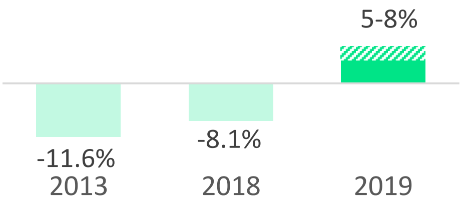
Reached target range

Professional



+150 to 450 bps

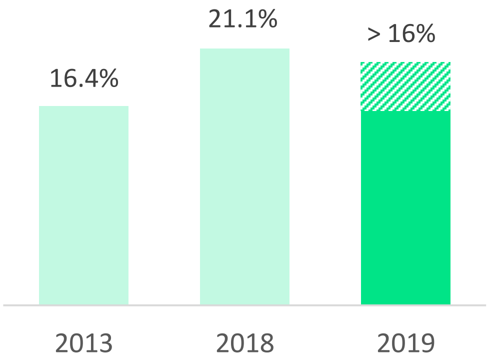
Home



+1,310 to 1,610 bps

Cash engine

Lamps

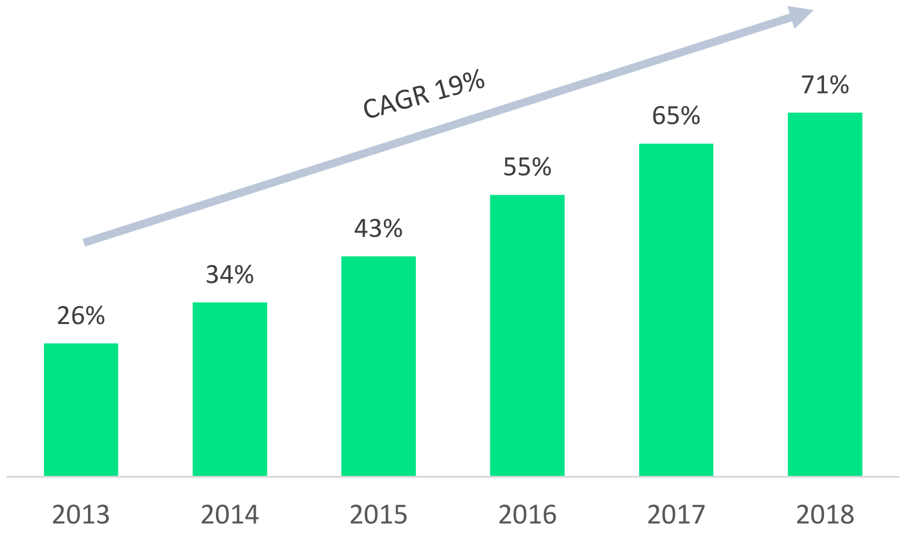


Expected margin improvement

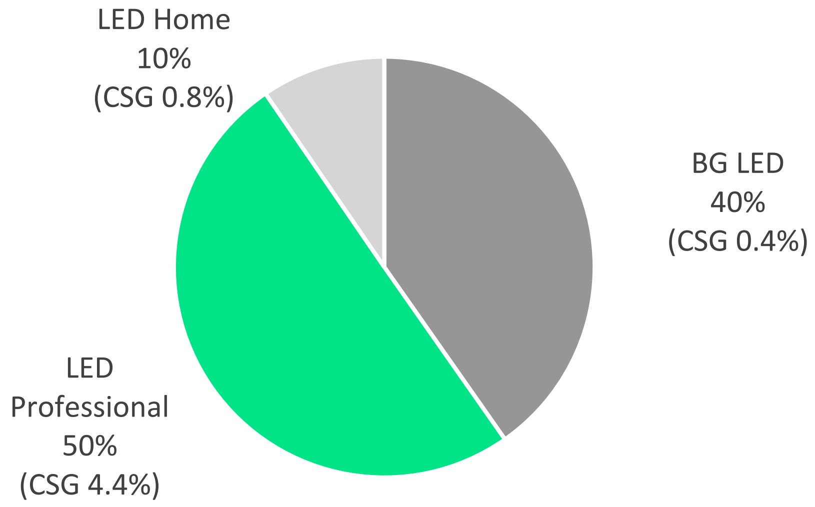
Q&A

71% of sales is LED-based and growing by 2.5% on a comparable basis

LED-based sales continue to grow by CAGR of 22%
(in % of total sales)

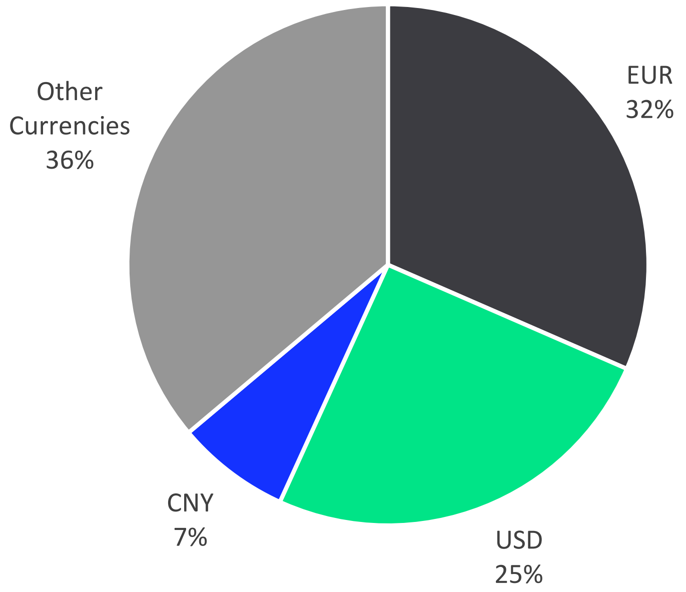


LED-based sales of EUR 4.5bn in FY 18, CSG of 2.5%



Currency movements had a negative impact on sales and Adjusted EBITA

Q4 18 Sales FX Footprint (% of total)



Key observations

- Currency movements negatively impacted sales and Adjusted EBITA
- Sales impact of EUR -32m, mainly coming from the devaluation of emerging market currencies
- Adjusted EBITA impact of EUR -12m, and -50 bps on the Adjusted EBITA margin, mainly from emerging market currencies
- Our policy is to hedge 100% of committed FX transactions and anticipated transactions up to 80% in layers over the next 15 months

Net income improved to EUR 119m, mainly as a result of improved operational profitability and lower restructuring

From Adjusted EBITA to net income (in EURm)

		Q4 17	Q4 18
	Adjusted EBITA	**207**	**214**
	- Restructuring	-75	-27
	- Acquisition related charges	0	-1
1	- Other incidental items	-12	11
	EBITA	**119**	**197**
2	Amortization	-45	-24
	EBIT	**75**	**173**
	Net financial income / expenses	-12	-7
3	Income tax expense	-25	-47
	Results from investments in associates	0	-1
	Net income	**38**	**119**

Key observations

1. Gain of EUR 16m associated with tax related reliefs linked to the separation
2. Last year's amortization included an impairment of other intangible assets related to Professional
3. Income tax expense increased by EUR 22m mainly due to higher taxable earnings in Q4 18

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Free Cash Flow of EUR 279m

Free cash flow (in EURm)

	4Q17	4Q18
Income from operations	75	173
Depreciation and amortization	88	58
Additions to (releases of) provisions	99	28
Utilizations of provisions	-61	-73
Change in working capital	259	147
Interest paid	-5	-7
Income taxes paid	-18	-22
Net capex	-22	-14
Other	18	-11
Free cash flow	**434**	**279**
As % of sales	22.9%	16.2%

Key observations

- Free cash flow of EUR 279m as a result of better working capital management throughout the year
- In Q4 17, we started with a high level of working capital, most notably in inventories
- Free cash flow in Q4 18 included higher restructuring cash-out of EUR 36m (Q4 17: EUR 25m) and an outflow of EUR 5m related to the company name change

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