Q1 2022 results

April 29, 2022

Important information

Forward-looking statements

This release contains forward-looking statements that reflect the intentions, beliefs or current expectations and projections of Signify, 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, in particular the impacts of the Russia-Ukraine conflict, the impacts of COVID-19, supply chain constraints, component shortages, 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, 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 2021 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 2021. 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 2021.

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 2021.

Market Abuse Regulation

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

Content

Business and operational performance - Eric Rondolat

Financial performance - Javier van Engelen

Outlook & closing remarks - Eric Rondolat

Q&A

First quarter 2022 highlights

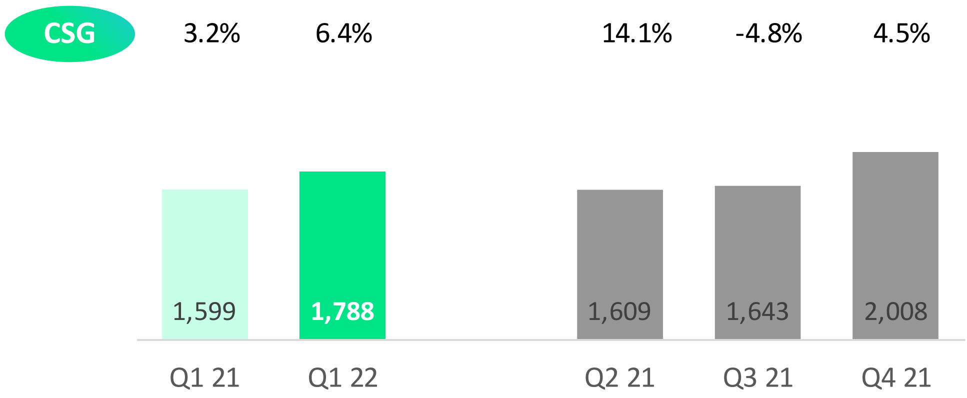
- Top-line growth driven by continued strong momentum in the Digital Solutions division

- Challenging operating environment
  - Investments in Russia were stopped and all new business paused since February 25th
  - Inflationary headwinds
  - Reinstatement of lockdowns in China
- Continued implementation of price increases to offset inflation

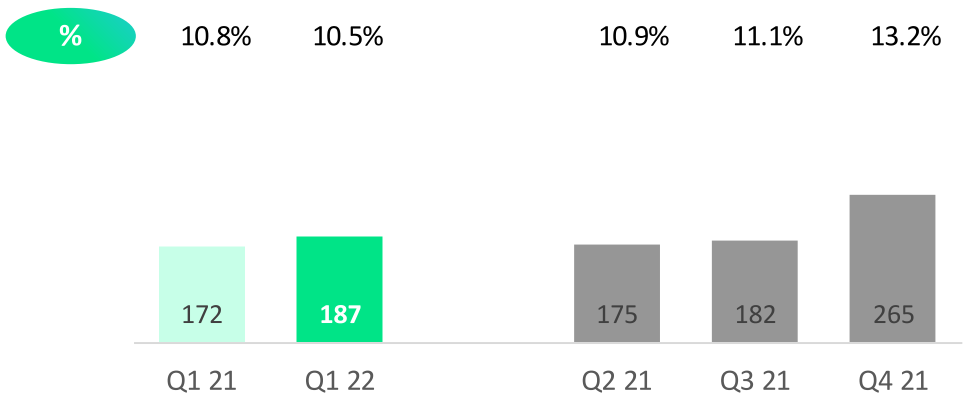
- Strong double-digit Adjusted EBITA margin of 10.5%
- Free cash flow temporarily impacted by higher inventories due to longer supplier lead times

Signify reported a Q1 22 sales of EUR 1.8 billion, CSG of 6.4% and an adj. EBITA margin of 10.5%

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



Adjusted EBITA (in EURm & as % of sales)



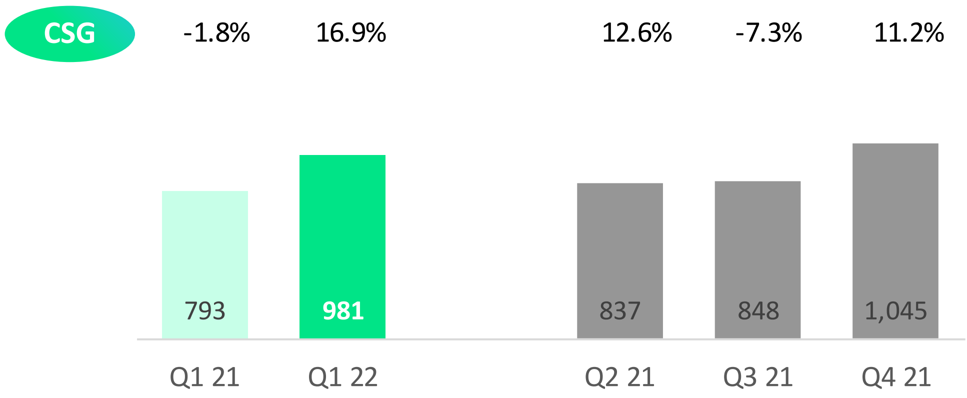
Key observations for Q1 22

- 100 million connected light points (Q4 21: 96 million)
- LED-based sales were 84% of total sales
- Nominal sales growth of 11.8% to EUR 1,788m
- Comparable sales growth of 6.4%

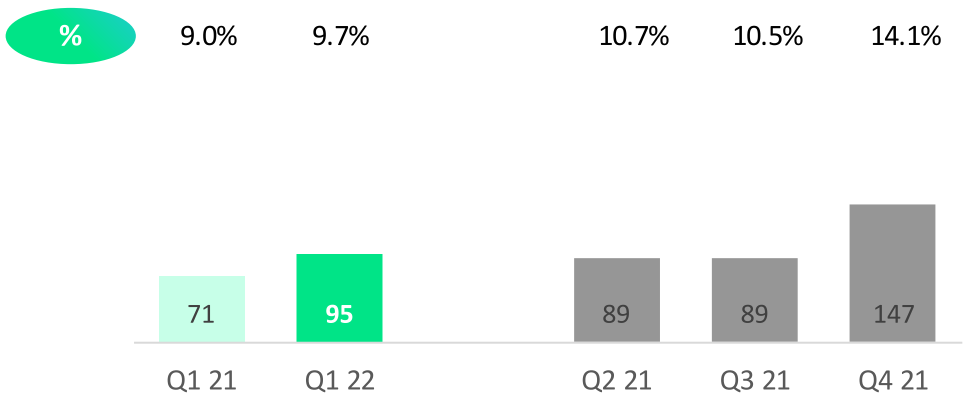
- Adjusted EBITA margin decline of 30 bps to 10.5%
  - Price increases, positive sales mix and operating leverage partly offsetting higher COGS and negative FX
  - Second consecutive year of double-digit Adjusted EBITA margin despite high comparison base
- Net income of EUR 87m (Q1 21: EUR 60m)
- Free Cash Flow of EUR -189m (Q1 21: EUR 168m)

Digital Solutions reported a CSG of 16.9% and an adj. EBITA margin of 9.7%

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



Adjusted EBITA (in EURm & as % of sales)



Key observations for Q1 22

- Comparable sales growth of 16.9%
  - Continued good traction of the professional segment, particularly the US
  - Strong performance of horticulture lighting
- Adjusted EBITA margin increased by 70 bps to 9.7%
  - Operating leverage, price increases and positive sales mix, offsetting higher COGS
  - Strongest Q1 Adjusted EBITA margin so far

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Digital Solutions highlights

Illuminating the world's largest winter sports event in China

- The site combines LEDs from the Philips SportStar and ArenaVision series with Interact Sports software platform
- Optimizes athlete, spectator and viewer experience
- Improves operational efficiency and maintenance

Equipping Belgian schools with fast, secure and reliable LiFi connectivity

- Trulifi by Signify helps Belgian schools accelerate the digitalization in education
- Belgian installations follow successful installations in schools in Italy, Germany, the US and the Netherlands
- Provides students and staff with fast and reliable access to the latest online tools in a highly secure way

Signify LED lights power Iceland's first vertical farm

- Supplying horticultural lighting for VAXA, Iceland's first vertical farm
- The new facility on the outskirts of Reykjavik is equipped with Philips GreenPower LED production modules
- Provides flexibility and precision to the crops' lighting environment

Installing solar lighting in the Algarve

- Philips Sunstay solar luminaires replace the electricity grid with solar energy and thus improve energy efficiency
- Motion sensors detect the presence of people, adjusting and reducing the light intensity as needed, for greater safety and comfort for residents

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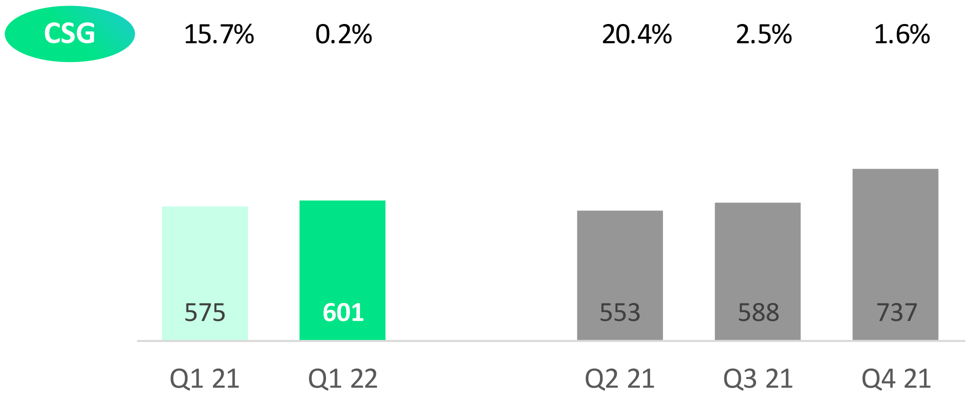
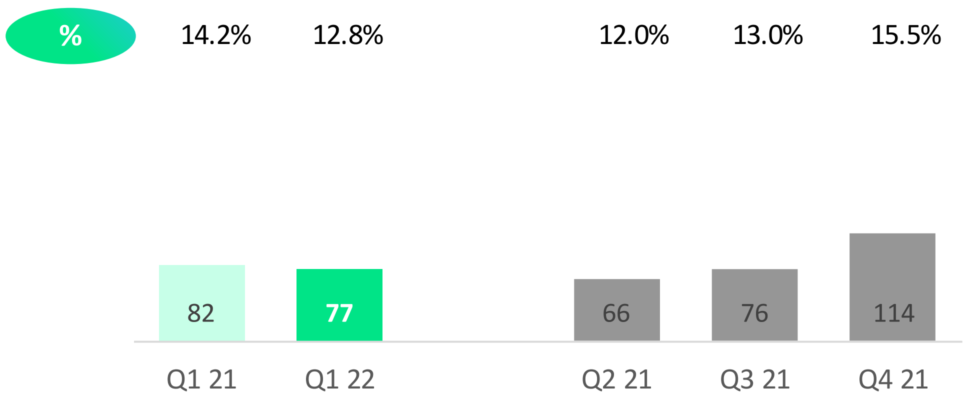
Digital Products reported a CSG of 0.2% and an adj. EBITA margin of 12.8%

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



Adjusted EBITA (in EURm & as % of sales)



Key observations for Q1 22

- Comparable sales growth of 0.2%
  - Strong Q1 21 comparable base
  - Connected home sales maintained at good levels
- Adjusted EBITA margin declined by 140 bps to 12.8%
  - Strong Q1 21 comparison base
  - Gross margin impacted by higher COGS
  - Continued investments in marketing to support future growth

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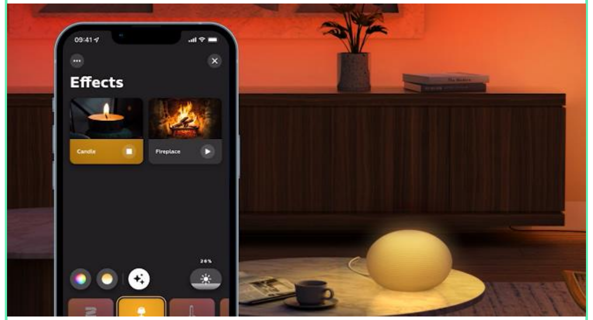
Digital Products highlights

Launching the Philips Ultra Definition in North America

- Philips Ultra Definition is the next level of EyeComfort products
- Successfully prelaunched in Canada
- It provides a natural quality of light with richer and more vibrant colors, and is comfortable for the eyes

Making your home cozier with new effects features in the Philips Hue app



- Adding “Effects” to the Philips Hue app, which include the glowing of candlelight and the atmosphere of a fireplace
- These atmospheric effects are compatible with a range of existing Hue products, including the gradient light tube, and the gradient Signe table or floor lamp

Expanding the WiZ offering in the Indian market

- Launching a localized range of WiZ connected products in India
- Product launches include various downlights and ceiling spots, a desk lamp and light strips
- These are most intuitive in use with the WiZ app and allow users to create the right ambiance

Launching new outdoor luminaire range in Europe

- The new Splay family outdoor luminaire offers bright and comfortable light, with a large and uniform lighting surface
- Integrated sensor switches light on and off automatically
- Stylish curved design with LED integrated technology
- Full range offer with wall light, pedestal and post

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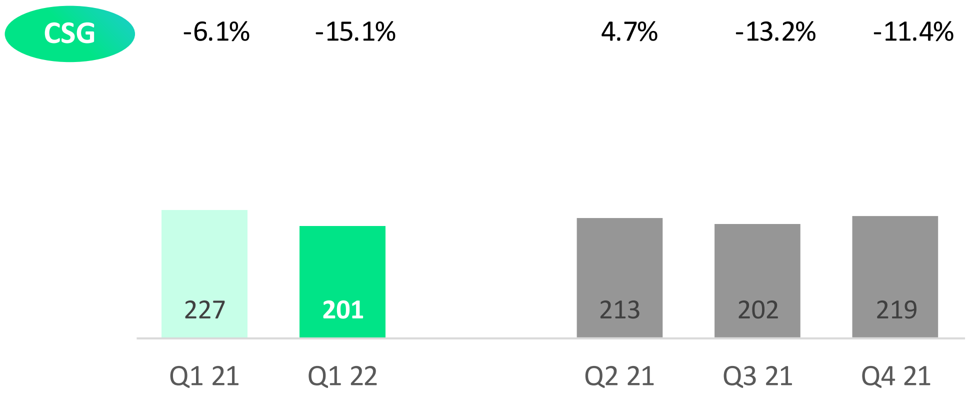
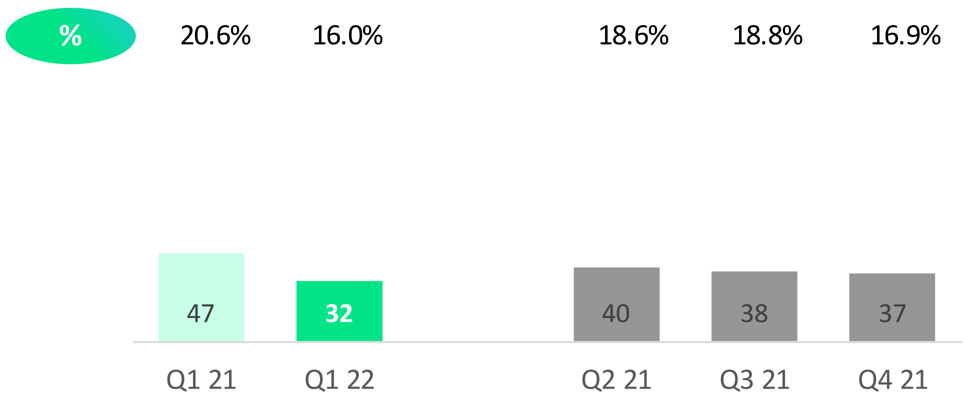
Conventional Products reported a CSG of -15.1% and an adj. EBITA of 16.0%

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



Adjusted EBITA (in EURm & as % of sales)



Key observations for Q1 22

- Comparable sales growth of -15.1%

- Adjusted EBITA margin decreased by 460 bps to 16.0%
  - Strong exposure to energy cost inflation
  - Higher impact from transportation cost increases
  - Further price increases are being implemented

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Brighter Lives, Better World 2025 Q1 2022 results

Doubling our positive impact on the environment and society

			2019 Baseline	Q1 2022 Result	2025 Target
Better World	Climate action	Carbon reduction over value chain against Paris Agreement	0	On track	324 MT
Better World	Circular economy	Circular revenues	16%	30%	32%
Brighter Lives	Food availability Safety & security Health & well-being	Brighter lives revenues	16%	27%	32%
Brighter Lives	Great place to work	Women in leadership positions	17%	26%	34%

CDP™ A list for climate and supply chain

Member of Dow Jones Sustainability Indices Powered by the S&P Global CSA — DJSI World Index and top 1% in our industry

PLATINUM Top 1% 2020 ecovadis Sustainability Rating — EcoVadis Platinum Medal and top 1%

On track

Off track

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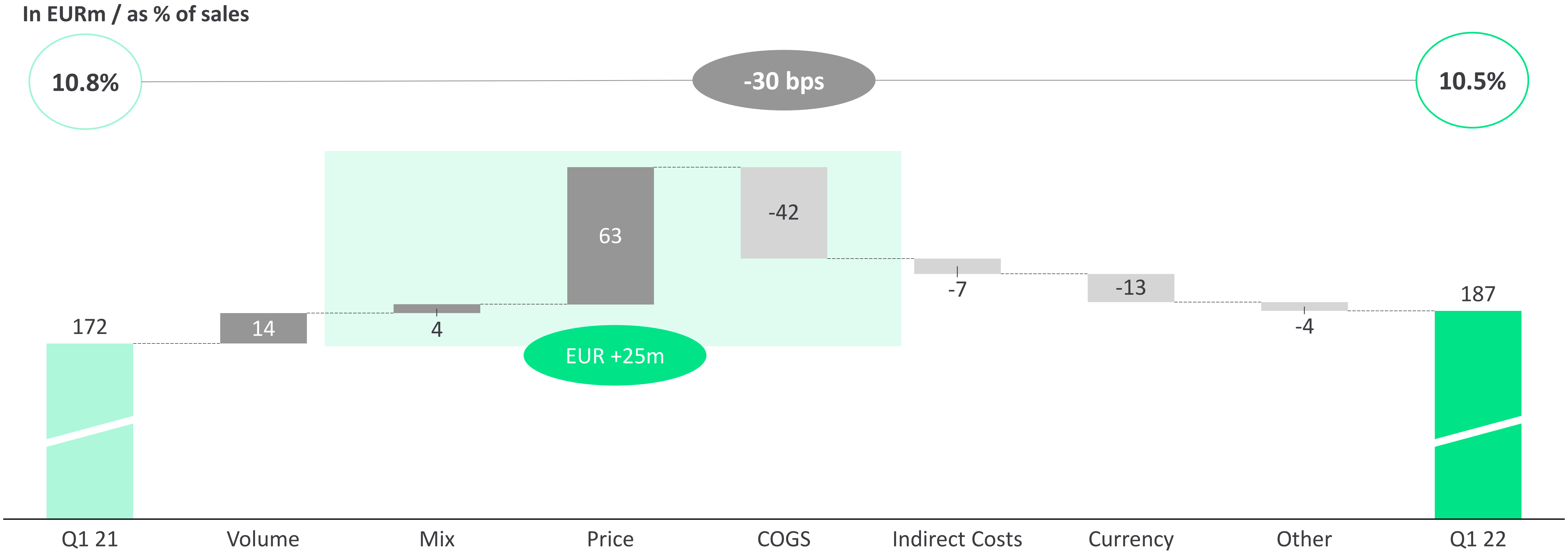
Q&A

Adjusted EBITA margin remaining strong at 10.5%, as higher COGS were partially compensated by price increases and operating leverage



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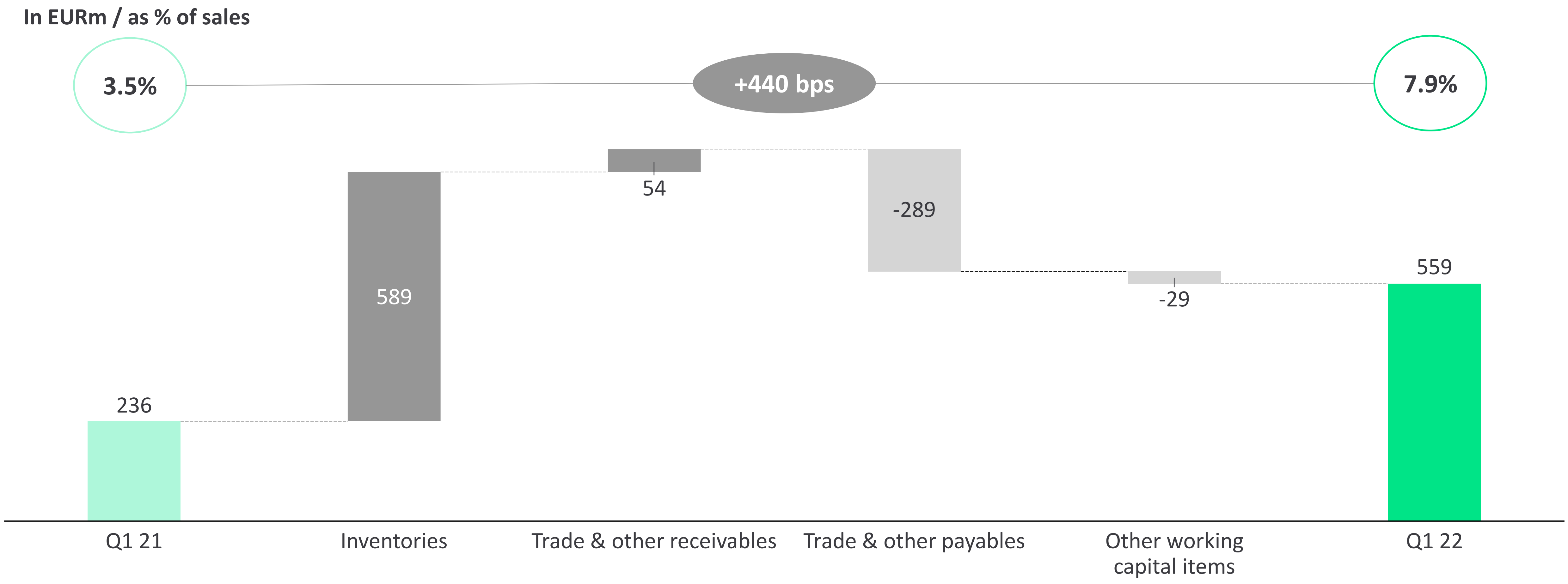
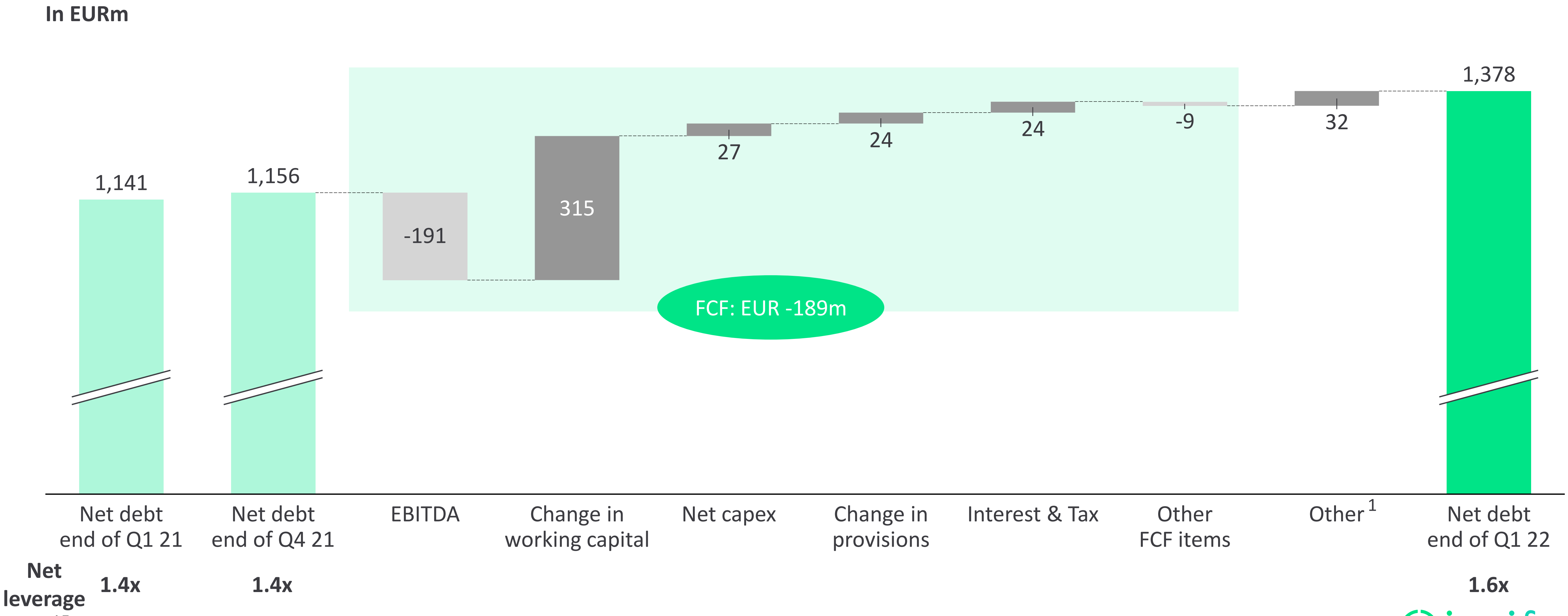
Working capital mostly impacted by higher inventory levels due to longer supplier lead times, partly offset by higher payables



Leverage ratio increased to 1.6x due to negative free cash flow and the repurchase of shares for long-term incentives



[1]Other includes cash used for the purchase of treasury shares (for long-term incentives), new lease liabilities, derivatives, and FX effect on cash, cash equivalents and debt.

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EU Green Deal projects gaining traction

- The project pipeline of EU Green Deal related projects is growing
- Increasing energy prices create an even stronger incentive to generate energy savings

- Installing energy efficient LED Road & Street luminaires in Homburg
- Improving energy efficiency in Bad Salzuflen through our CityTouch system

- Modernizing the public lighting of Kutno with Interact City lighting controls

- Installing 4,220 LED lights in 230 streets and 5 municipal parks in Alcázar de San Juan
- Replacing 9,000 street light points in 7 municipalities in the region of Ciudad Real

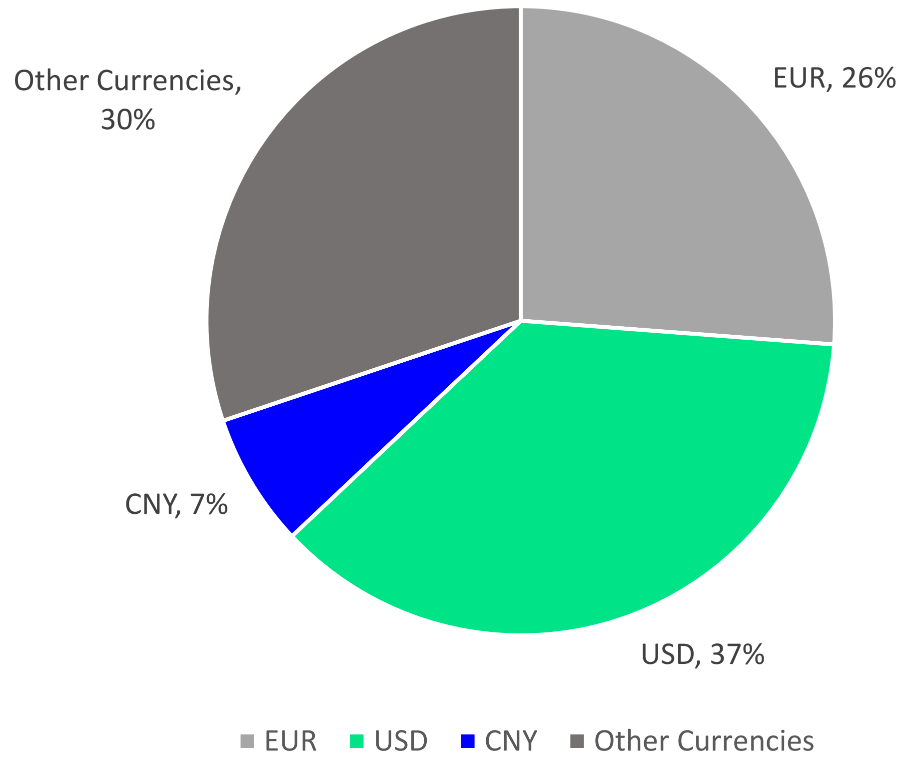
Outlook

- Signify maintains its outlook for 2022. This assumes that the Chinese market and global supply chain dynamics do not deteriorate further
    - Comparable sales growth in the range of 3-6%
    - Continued Adjusted EBITA margin improvement of up to 50 bps
    - Free cash flow in excess of 8% of sales

Q&A

Currency movements had a positive impact on sales and a negative impact on Adjusted EBITA

Q1 22 Sales FX Footprint (% of total)



Key observations

- Currency movements negatively impacted Adjusted EBITA and positively impacted Sales
- Sales impact of +5.2%, mainly from US dollar appreciation.
- Adjusted EBITA impact of EUR -13m, and -130 bps on the Adjusted EBITA margin, mainly coming from CNY appreciation.
- 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 increased to EUR 87m, mainly driven by higher EBIT, partly reduced by impairments related to our operations in Russia and Ukraine

From Adjusted EBITA to net income (in EURm)

	Q1 21	Q1 22
Adjusted EBITA	**172**	**187**
- Restructuring	-47	-4
- Acquisition-related charges	-14	-7
1 - Other incidental items	4	-29
EBITA	**115**	**146**
Amortization	-30	-31
EBIT	**85**	**115**
Net financial income / expenses	-10	-6
Income tax expense	-15	-22
Results from investments in associates	0	0
Net income	**60**	**87**

Key observations

1 Non-recurring by nature and relate to:
- Impairment and other non-cash charges related to operations in Russia and Ukraine
- Separation
- Transformation
- Net real estate gains
- Environmental provision for inactive sites
- The discounting effect of long-term provisions.

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Free cash flow was EUR -189m, mostly due to a strong outflow from working capital, as payables reduced as a result of the settlement of payments

Free cash flow (in EURm)

	Q1 21	Q1 22
Income from operations	85	115
Depreciation and amortization	77	76
Additions to (releases of) provisions	60	19
Utilizations of provisions	-50	-43
Change in working capital	30	-315
Net interest and financing costs received (paid)	-1	0
Income taxes paid	-21	-24
Net capex	-16	-27
Other	3	9
Free cash flow	**168**	**-189**
As % of sales	*10.5%*	*-10.6%*

Key observations

- Free cash flow of EUR -189m
  - Lower payables, due to the settlement of payments related to the inventory buildup
  - Higher inventories due to longer supplier lead times
- Restructuring pay-out of EUR 14m (Q1 21: EUR 13m)

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