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Q2 2022 results

July 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, cost inflation, 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.

Looking ahead to the second half of 2022, the Group's key concerns are about the further impact of the Russia-Ukraine conflict, the high level of inflation, the worsening global macro-economic conditions, the continued supply chain constraints, and the uncertainties related to the resurgence of the COVID-19 pandemic in the global and domestic markets in which it operates. The main challenge remains the visibility on how these topics will develop. 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

Second quarter 2022 highlights

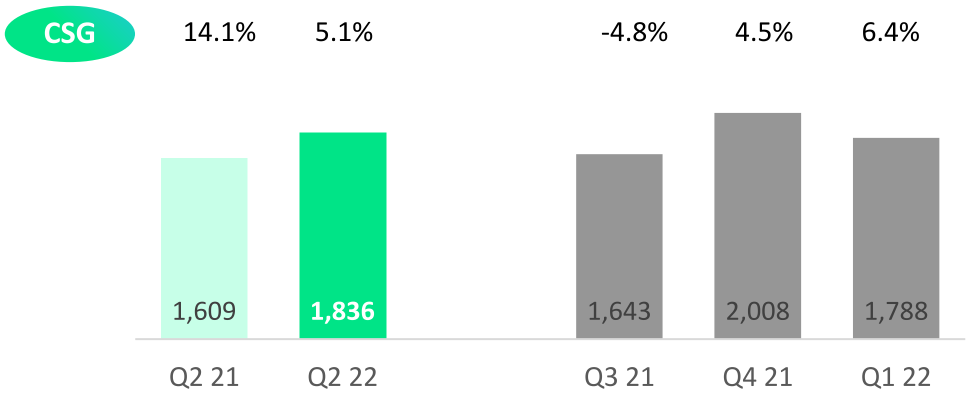
- 5.1% CSG driven by strong traction in professional segment
- Signify's growth profile improves, fueled by continuing shift towards connected lighting
- Nominal sales increase of 14.1%

- Adjusted EBITA margin of 9.5% as lower gross margin was partly offset by price increases and indirect cost savings
- Net income of EUR 248 million
- Free cash flow of EUR 135 million

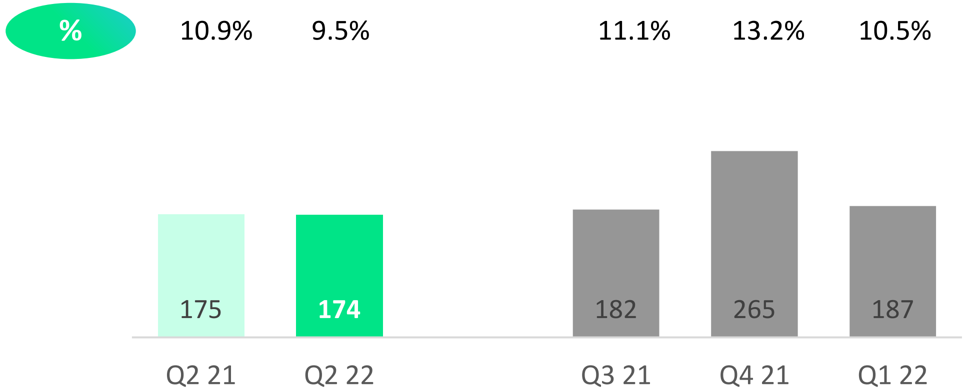
- Successfully closed acquisitions of Fluence and Pierlite
- Divested non-strategic real estate assets

Signify reported Q2 22 sales of EUR 1.8 billion, CSG of 5.1% and an adj. EBITA margin of 9.5%

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



Adjusted EBITA (in EURm & as % of sales)



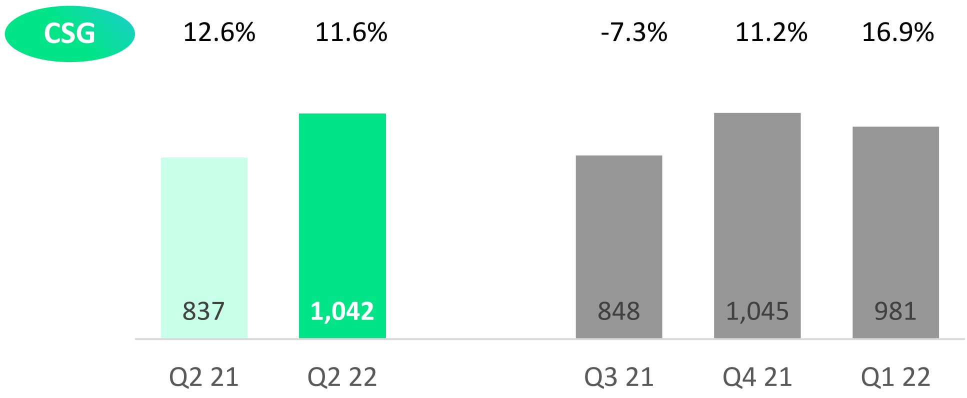
Key observations for Q2 22

- 103 million connected light points (Q1 22: 100 million)
- LED-based sales were 84% of total sales
- Nominal sales growth of 14.1% to EUR 1,836m
- Comparable sales growth of 5.1%

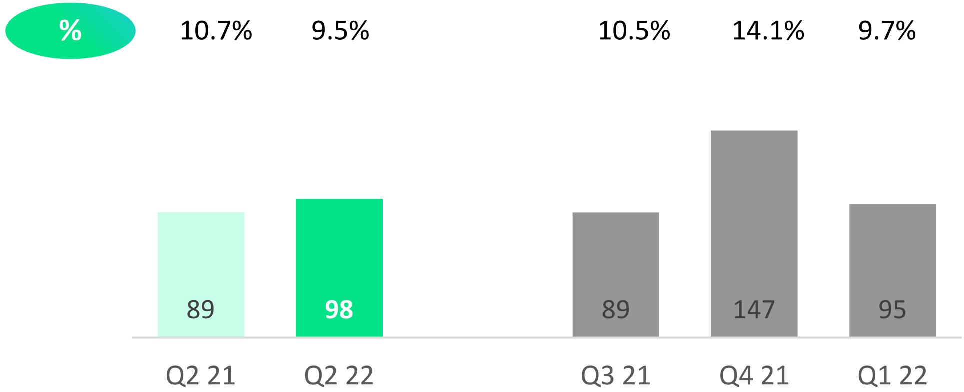
- Adjusted EBITA margin decline of 140 bps to 9.5%
  - Lower gross margin, partly offset by operating leverage and indirect cost savings
- Net income of EUR 248m (Q2 21: EUR 82m)
- Free Cash Flow of EUR 135m (Q2 21: EUR 104m)

Digital Solutions reported a CSG of 11.6% and an adj. EBITA margin of 9.5%

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



Adjusted EBITA (in EURm & as % of sales)



Key observations for Q2 22

- Comparable sales growth of 11.6%
  - Continued strong professional demand across most markets
  - Nominal sales growth of 24.4% including Fluence and Pierlite
- Adjusted EBITA margin decreased by 120 bps to 9.5%
  - Higher input costs and negative FX movements
  - Positive impact from price increases, sales mix and operating leverage

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Digital Solutions highlights

Installing BrightSites in the City of Tampere

- Together with Edzcom, Signify delivers wireless connectivity through existing streetlight infrastructure
- BrightSites provides super-fast wireless communication using high-quality LED streetlights
- Removes the need to dig and lay fiber connections
- Installation requires less time and costs

Lighting up the Stadio Comunale Piero Torrini in Sesto Fiorentino

- Philips OptiVision LED gen3.5 luminaires improve the visibility and experience for both athletes and spectators
- Three different light scenarios can be selected depending on the type of event, optimizing energy consumption

Equipping Bad Dürkheim’s public facilities with UV-C devices

- Installing air disinfection devices for a total of four elementary schools, seven day-care centers, two after-school care centers and parts of the town hall
- By using the devices, the district is making a long-term investment in additional protection against germs and viruses

Helping Kwekerij Loos make the switch to full LED horticulture lighting

- The strawberry and asparagus grower will equip both of its cultivation sites with 100% LED lighting for its strawberries
- Provides considerably more light in its greenhouses, more efficient plant growth and energy savings of around 40%
- Follows a successful first installation

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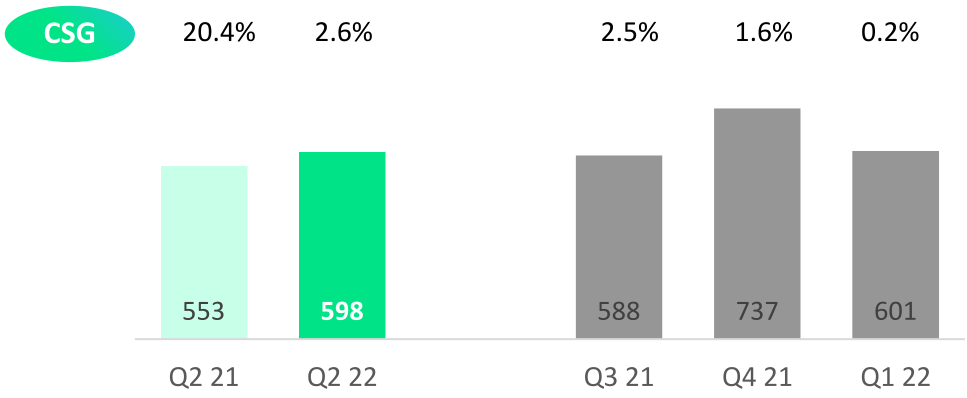
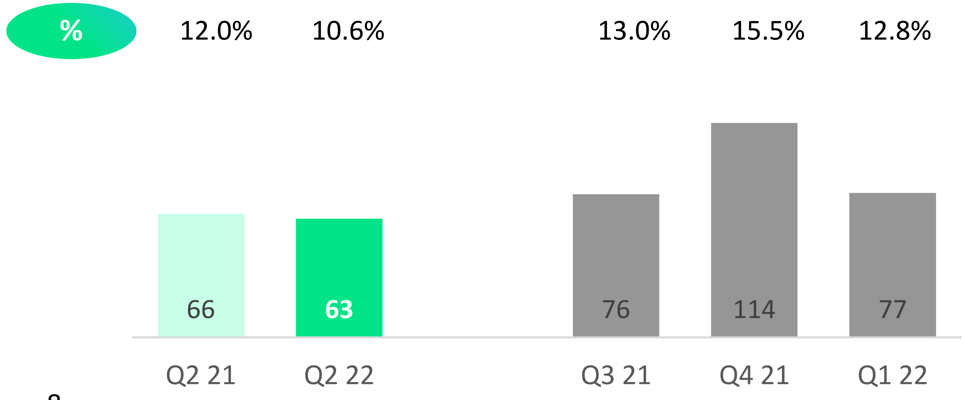
Digital Products reported a CSG of 2.6% and an adj. EBITA margin of 10.6%

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



Adjusted EBITA (in EURm & as % of sales)



Key observations for Q2 22

- Comparable sales growth of 2.6%
  - Solid professional demand in LED Electronics
  - Unfavorable sales mix
- Adjusted EBITA margin declined by 140 bps to 10.6%
  - Higher input costs and unfavorable sales mix due to lower connected home sales
  - Positive impact from price increases and indirect cost savings

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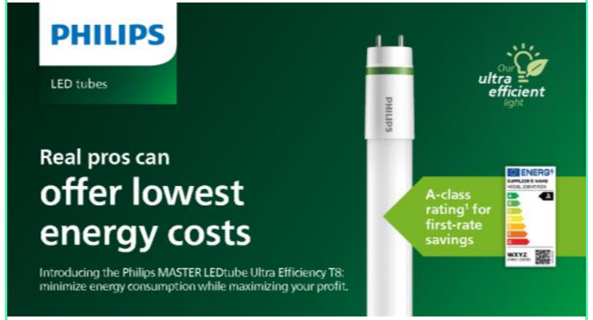
Digital Products highlights

Expanding the Philips Hue portfolio with new products and features

- New products launched, including the Philips Hue Signe gradient in oak, the Philips Hue Xamento black bathroom range and the Philips Hue Tap dial switch
- Enhancement of daily well-being with the new Sunrise wake-up style
- Experience Philips Hue with the new Demo mode implementation

Launching the Ultra Efficiency TLED Class A

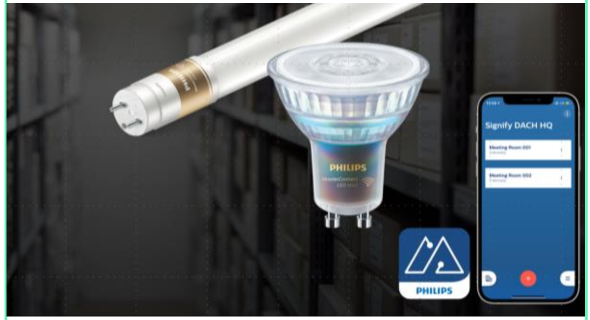


- Extends the Ultra Efficiency family with the most efficient LED tube in our portfolio
- Innovation breakthrough with unmet performance: 210 lumen per watt and 100,000 hours lifetime
- Helps achieve energy savings in demanding applications
- Launched in Europe

Introducing the Ozziet Ceiling family

- Layered light effects help create an enjoyable atmosphere
- SceneSwitch dual zone technology enables scene setting for gathering, activities and relaxation
- Stylish and minimalist design to fit modern home interiors
- Launched in Europe and China

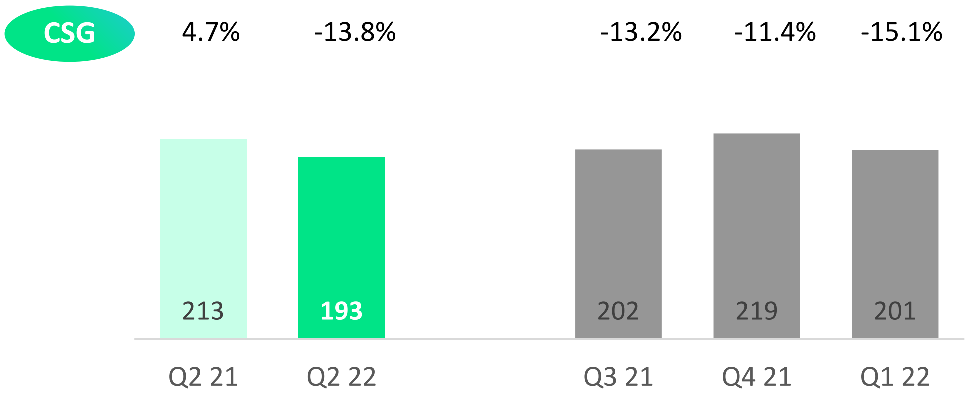
Integrating LED Lamps in the MasterConnect system



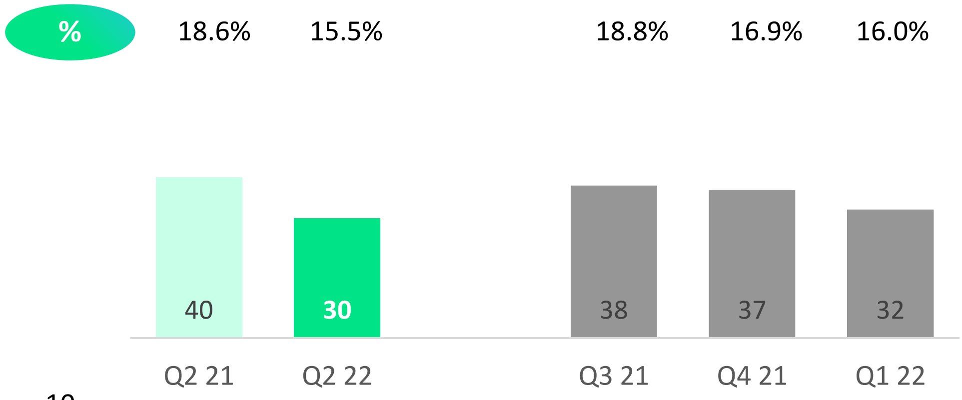
- Updated the MasterConnect app to version 1.9
- Allows for sensor- and switch-based wireless control of the new MasterConnect LEDtubes and LEDspots
- Opens up the MasterConnect app to new applications and projects

Conventional Products reported a CSG of -13.8% and an adj. EBITA of 15.5%

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



Adjusted EBITA (in EURm & as % of sales)



Key observations for Q2 22

- Comparable sales decline of 13.8%
- Adjusted EBITA margin decreased by 310 bps to 15.5%
  - Higher input, supply chain and energy costs
  - Positive impact from price increases and indirect cost savings

Brighter Lives, Better World 2025 - Q2 2022 results

Doubling our positive impact on the environment and society

			2019 Baseline	Q2 2022 Result	2025 Target
Better World	Climate action (13 Climate action; 7 Affordable and clean energy)	Carbon reduction over value chain against Paris Agreement	0	On track	324 MT
Better World	Circular economy (12 Responsible consumption and production)	Circular revenues	16%	31%	32%
Brighter Lives	Food availability Safety & security Health & well-being (11 Sustainable cities and communities; 3 Good health and well-being)	Brighter lives revenues	16%	26%	32%
Brighter Lives	Great place to work (8 Decent work and economic growth)	Women in leadership positions	17%	27%	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

Successfully completed the acquisitions of Fluence and Pierlite

Fluence

- Strengthens global Agriculture lighting growth platform
- Extends our position in the attractive North American horticulture lighting market
- Generated sales of USD 141m from October 2020 to September 2021
- Fluence will operate as an entity within the Agricultural lighting business in Digital Solutions

Pierlite

- Strengthens our position in the Australian and New Zealand lighting markets
- Combines Pierlite's indoor portfolio with Signify's Philips brand of indoor and outdoor lighting portfolios
- Adds Pierlite's access to the wholesale channel in the Pacific

Content

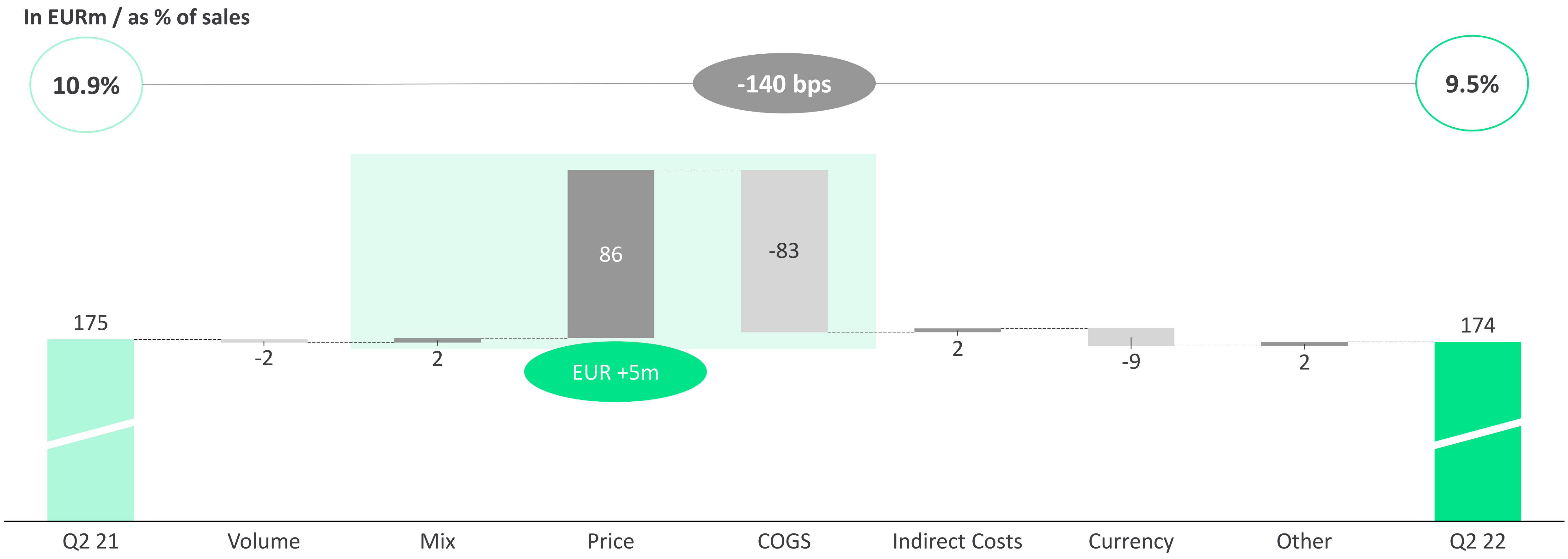
Business and operational performance - Eric Rondolat

Financial performance and highlights - Javier van Engelen

Outlook & closing remarks - Eric Rondolat

Q&A

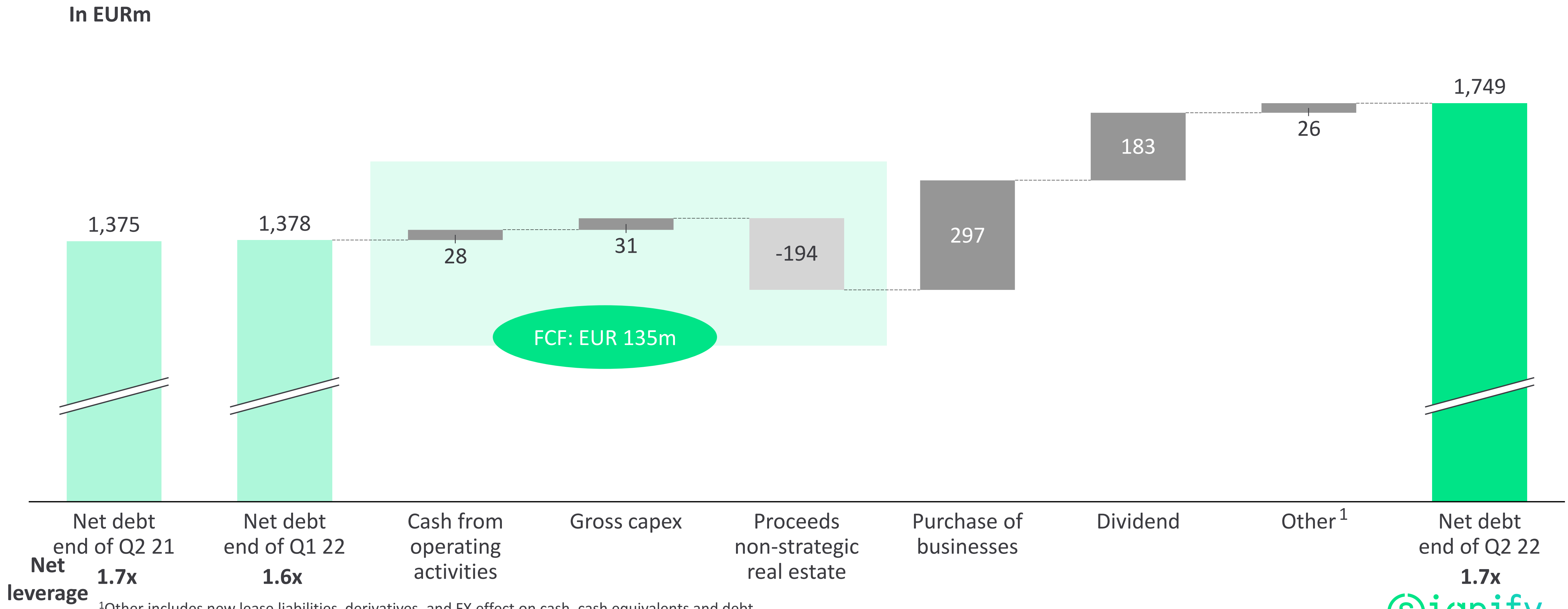
Adjusted EBITA margin decreased to 9.5%, mostly due to a negative currency effect and cost inflation, while price increases compensated higher input cost



Working capital continues to be impacted by higher inventories due to longer supplier lead times, and higher receivables

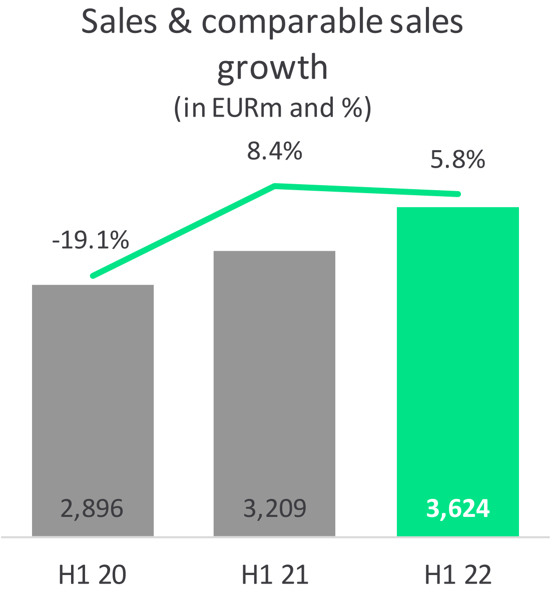
[1]Includes sales of Fluence and Pierlite on a 12-month pro-forma basis.

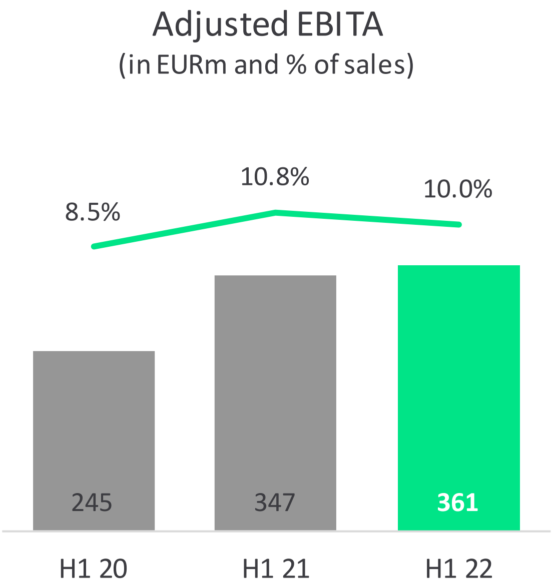
Leverage ratio slightly increased to 1.7x due to acquisitions and the payment of dividend, partly offset by proceeds from the sale of real estate

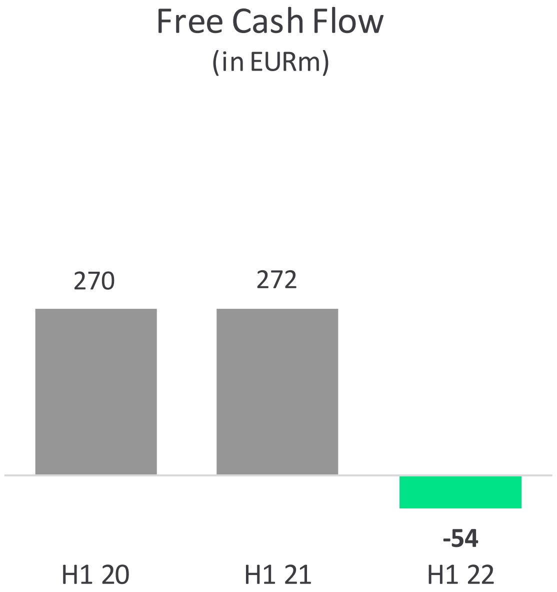


[1]Other includes new lease liabilities, derivatives, and FX effect on cash, cash equivalents and debt.

Second year of solid growth and a double-digit Adjusted EBITA margin in the first half of the year, while free cash flow was impacted by longer lead times







H1 22 performance

Continued solid growth in the first half of the year
- Strong traction in the professional segment
- Consumer impacted by lower demand, while cycling a high base of comparison

Second year of double-digit Adjusted EBITA margin
- Cost inflation was more than offset by price increases and indirect cost savings
- Negative currency effect from the appreciation of the CNY

Free cash flow turned negative due to working capital
- Inventories were impacted by longer supplier lead times
- Settlement of payments related to last year's inventory buildup
- Positive impact from the disposal of non-strategic real estate assets

Content

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Q&A

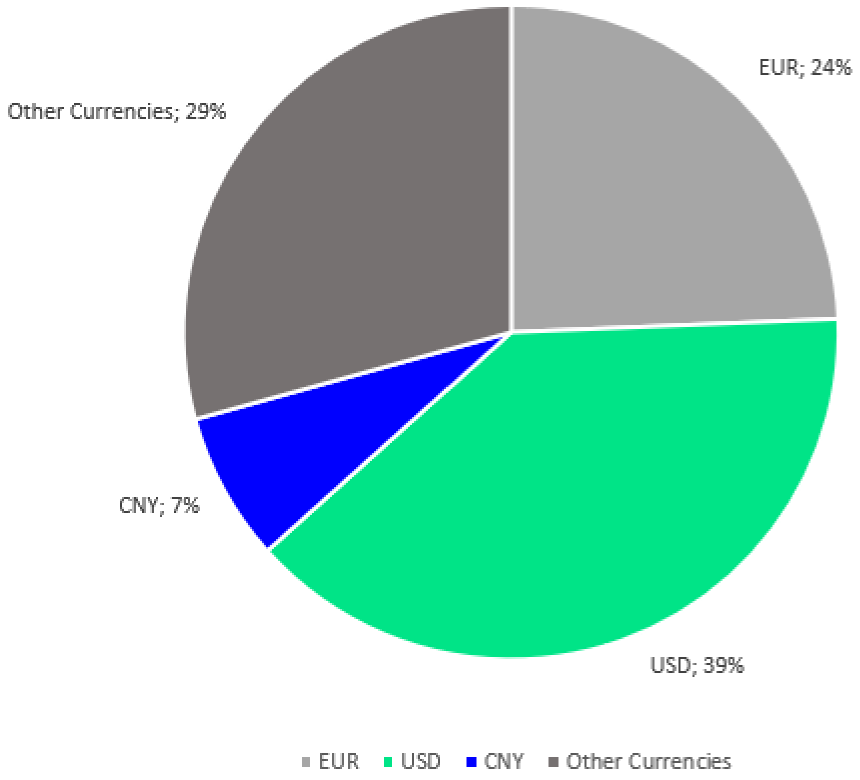
Outlook

- Signify maintains its CSG guidance of 3-6% for the year, driven by continued momentum in the professional segment and its solid order book.
- The company revises its Adjusted EBITA margin guidance for the full year to 11.0-11.4%, reflecting the lower margin performance in Q2 2022.
- Signify also revises its 2022 free cash flow guidance to 5-7% of sales, including the proceeds from real estate divestments.
- Signify expects to return to the target of over 8% as soon as supplier lead times ease and no longer require the company to carry higher inventory.

Q&A

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

Q2 22 Sales FX Footprint (% of total)



Key observations

- Currency movements negatively impacted Adjusted EBITA and positively impacted Sales
- Sales impact of +6.6%, mainly from US dollar appreciation.
- Adjusted EBITA impact of EUR -9m, and -110 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 248m, mainly driven by the sale of non-strategic real estate assets

From Adjusted EBITA to net income (in EURm)

	Q2 21	Q2 22
Adjusted EBITA	**175**	**174**
- Restructuring	-9	-7
- Acquisition-related charges	-13	-5
1 - Other incidental items	-16	177
EBITA	**136**	**340**
Amortization	-30	-34
EBIT	**106**	**306**
2 Net financial income / expenses	-7	11
Income tax expense	-17	-68
Results from investments in associates	0	0
Net income	**82**	**248**

Key observations

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

2. Net financial income / expenses includes non-cash financial income from the revaluation of Virtual Power Purchase Agreements (VPPAs)

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Free cash flow of EUR 135m benefited from the sale of real estate, yet continued to be negatively impacted by working capital

Free cash flow (in EURm)

	Q2 21	Q2 22
Income from operations	106	306
Depreciation and amortization	81	79
Additions to (releases of) provisions	29	34
Utilizations of provisions	-48	-45
Change in working capital	-3	-171
Net interest and financing costs received (paid)	-28	-31
Income taxes paid	-10	-22
Net capex	-30	163
Other	7	-178
Free cash flow	**104**	**135**
As % of sales	*6.5%*	*7.4%*

Key observations

- Free cash flow of EUR 135m
    - Positive impact from the disposal of non-strategic real estate assets
    - Inventories continue to be impacted by long supplier lead times
    - Buildup of receivables
- Restructuring pay-out of EUR 14m (Q2 21: EUR 20m)

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