Q2 2023 results

July 28, 2023

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 energy crisis in Europe, the expected recovery trajectory of China post COVID, 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

Business and operational performance - Eric Rondolat

Financial performance and highlights - Javier van Engelen

Outlook & closing remarks - Eric Rondolat

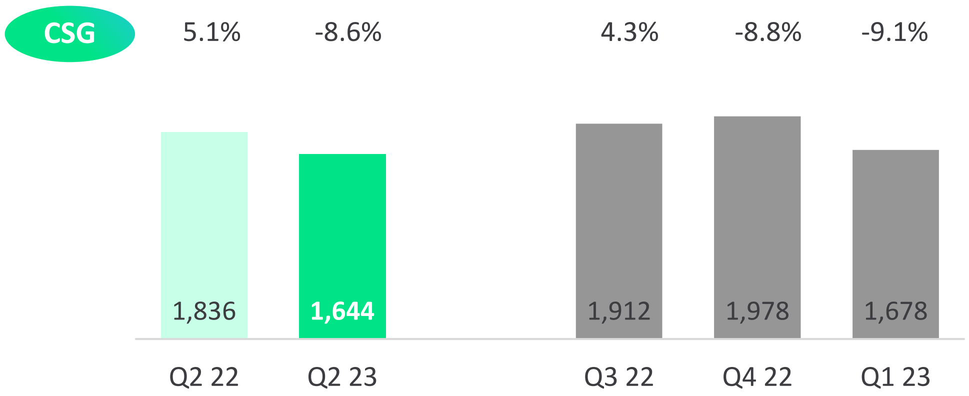
Q&A

Second quarter 2023 highlights

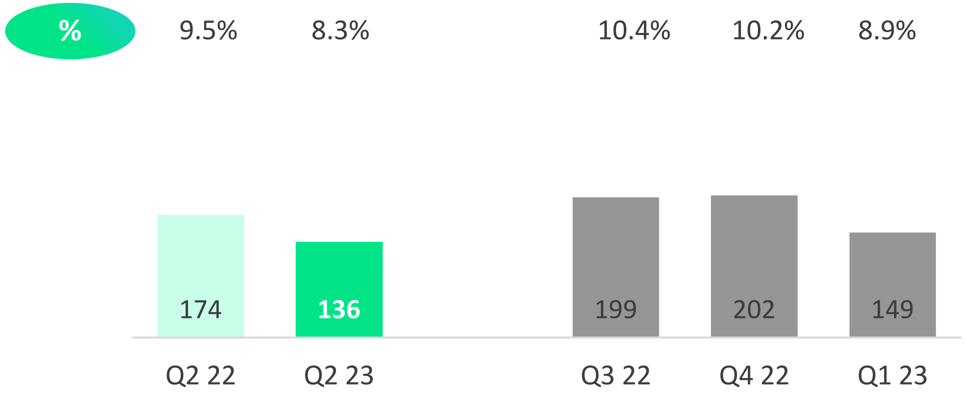
- Persistent weakness in the indoor professional, the consumer and OEM businesses
- Recovery of Chinese market slower than anticipated
- Positive traction in the outdoor professional and professional connected lighting businesses
- Recovery of gross margin thanks to price discipline and effective COGS management
- Digital Products most exposed, resilience in Digital Solutions

Signify reported Q2 23 sales of EUR 1.6 billion, CSG of -8.6% and an adj. EBITA margin of 8.3%

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



Adjusted EBITA (in EURm & as % of sales)



Key observations for Q2 23

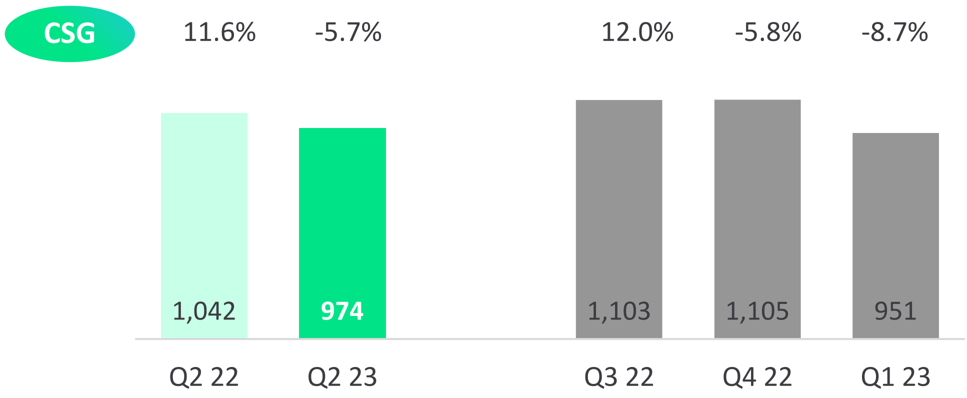
- 119 million connected light points (Q1 23: 117 million)
- LED-based sales were 84% of total sales
- Nominal sales decline of 10.5% to EUR 1,644m
- Comparable sales decline of 8.6%

- Adjusted EBITA margin decline of 120 bps to 8.3%
  - Structural gross margin recovery
  - Under-absorption of fixed costs, particularly impacting Digital Products
- Net income of EUR 45m (Q2 22: EUR 248m[1])
- Free Cash Flow of EUR 88m (Q2 22: EUR 135m[1])

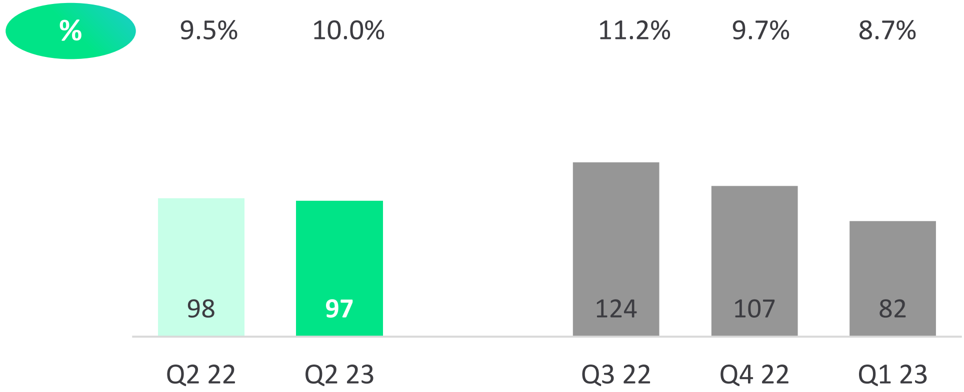
[1]Q2 2022 includes a gain and cash proceeds from the disposal of non-strategic real estate assets.

Digital Solutions reported a CSG of -5.7% and an adj. EBITA margin of 10.0%

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



Adjusted EBITA (in EURm & as % of sales)



Key observations for Q2 23

- Comparable sales decline of 5.7%
  - High base of comparison of 11.6%
  - Weak indoor professional business
  - Softness in horticulture lighting
- Adjusted EBITA margin increased by 50 bps to 10.0%
  - Gross margin improvements from lower COGS, continued price discipline

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Digital Solutions highlights

Upgrading the lighting on two Scandlines ferries

- Installed 3D-printed fixtures from the Philips GreenSpace Downlight PerfectFit series, and Philips LuxSpace Accent Compact Elbow on two ferries
- The 3D-printed fixtures are made from at least 55% recycled polycarbonate
- The lighter materials save 28% of CO2 emissions during transport

Lighting up the Finanzauto headquarters in Arganda del Rey, Spain

- Installed among others Philips and Modular LED luminaires together with the Philips Dynalite control system
- Philips Dynalite enables comprehensive lighting control
- Energy savings of up to 62%

Supporting Dublin Port Tunnel with a fast route to energy efficiency

- Retrofitted all 1,800 light fixtures with new LED trays and gear while reusing the old housing
- Energy savings of 60%, and also minimized carbon footprint
- The project is part of the Irish government's energy efficiency plans and was partially funded through the European Green Deal

Installing new smart lighting at Friends Arena in Solna, Sweden

- The new lighting system enables the programming of different light shows at Sweden's largest arena
- The lighting upgrade consists of 256 Philips ArenaVision LED gen3.5 luminaires, which are controlled through DMX
- Energy savings of 25-30%

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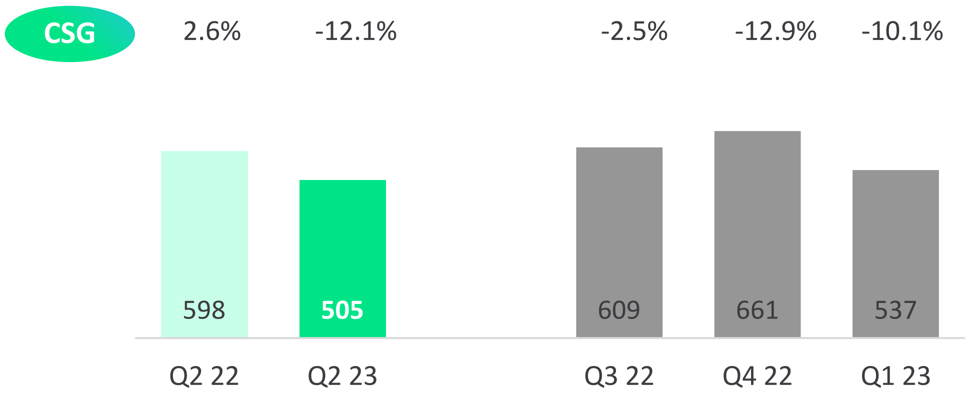
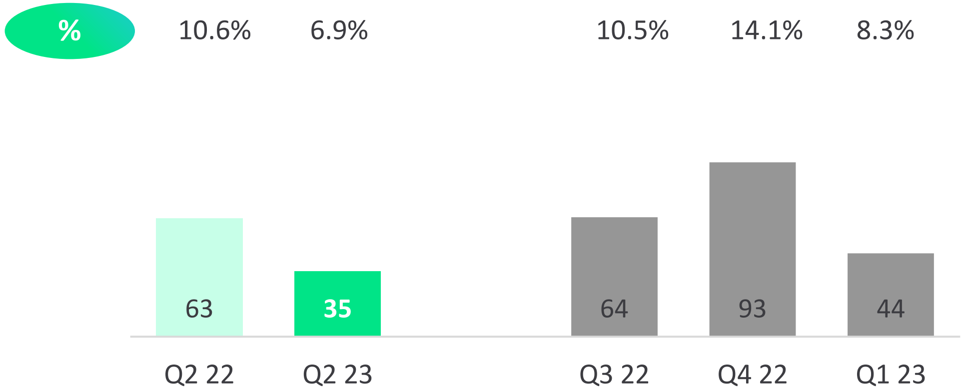
Digital Products reported a CSG of -12.1% and an adj. EBITA margin of 6.9%

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



Adjusted EBITA (in EURm & as % of sales)



Key observations for Q2 23

- Comparable sales decline of 12.1%
  - Continued weakness in the consumer connected and OEM businesses, as well as Klite
  - Partly compensated by higher sales of LED lamps & luminaires
- Adjusted EBITA margin decreased by 370 bps to 6.9%
  - Under-absorption of fixed costs resulting from lower sales volume
  - Stable gross margin

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Digital Products highlights

Launching new WiZ home monitoring technology

- Combining lighting and security in an integrated approach
- The new smart home monitoring WiZ indoor camera is the first of many home monitoring products to complement the portfolio
- WiZ uses the power of light and motion to prevent and deter intruders

Launching new Philips Hue products and app features

- Introduced the new Philips Hue luster E14 bulb and expanded the Philips Hue panels with new shapes
- Added new and enhanced features to the Hue app, such as the brightness balancer and enriched the functionalities of the Philips Hue motion sensors

Winning eight Red Dot awards and eight iF Design awards

- Won Red Dot awards for Innovative Product and Product Design, and iF Design awards for User Interface and Product Design
- Among the winning products are the Philips MyCreation Coastal breeze and Philips Hue Perifo

Introducing new UltraEfficient A-Class Philips LED outdoor lights

- Offering a durable and energy-efficient performance
- A-Class LED outdoor lights include easy-to-install wall lights, posts and pedestals with UltraEfficient technology in both plug-in and solar applications
- Energy savings of up to 50%

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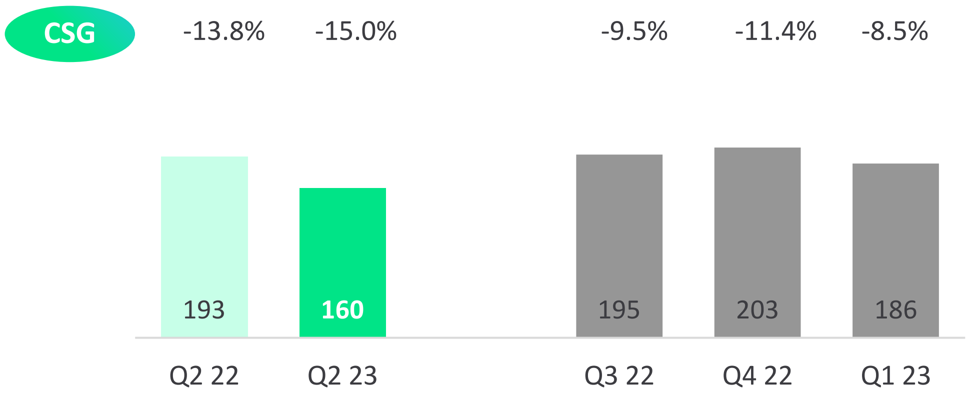
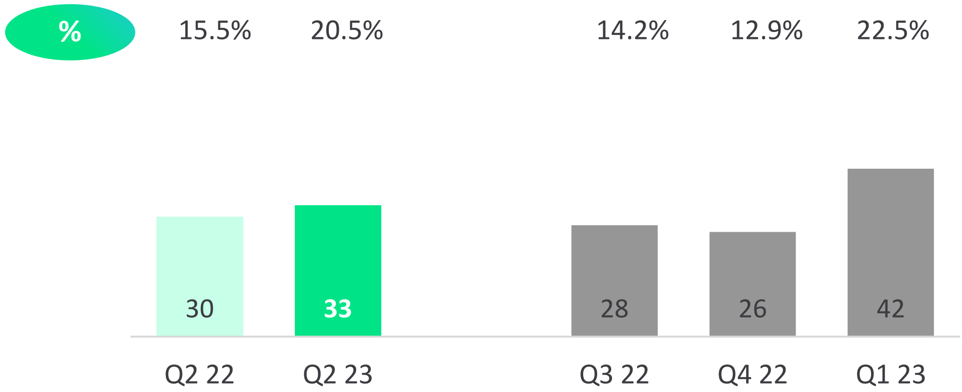
Conventional Products reported a CSG of -15.0% and an adj. EBITA margin of 20.5%

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



Adjusted EBITA (in EURm & as % of sales)



Key observations for Q2 23

- Comparable sales decline of 15.0%
  - Volume decline in line with expectation, partly offset by strong price discipline
- Adjusted EBITA margin increased by 500 bps to 20.5%
  - Strong price discipline
  - Reversal of 2022 headwinds: energy, logistics, FX

Brighter Lives, Better World 2025 – Q2 2023 results

Doubling our positive impact on the environment and society

			2019 Baseline	Q2 2023 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%	29%	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%	28%	32%
Brighter Lives	Great place to work (8 Decent work and economic growth)	Women in leadership positions	17%	30%	34%

CDP™ A list for climate and supply chain leader

Member of Dow Jones Sustainability Indices Powered by the S&P Global CSA — DJSI World Index

PLATINUM Top 1% 2022 ecovadis Sustainability Rating — EcoVadis Platinum Medal and top 1%

On track

Off track

Powering our European operations with clean electricity

- Signify, HEINEKEN, Nobian and Philips secured a renewable electricity guarantee from the new Mutkalampi wind farm in Finland
- Owned and operated by Neoen, the new facility is the largest operating wind farm in Finland
- The 10-year agreement will deliver 330 GWh of renewable electricity per year to the consortium, the equivalent electricity to power 40,000 households
- It helps avoid over 230,000 tons of CO_2 emissions per year
- The facility powers Signify's operational electricity use in the EU, excluding Poland, for which there already is an existing agreement in place

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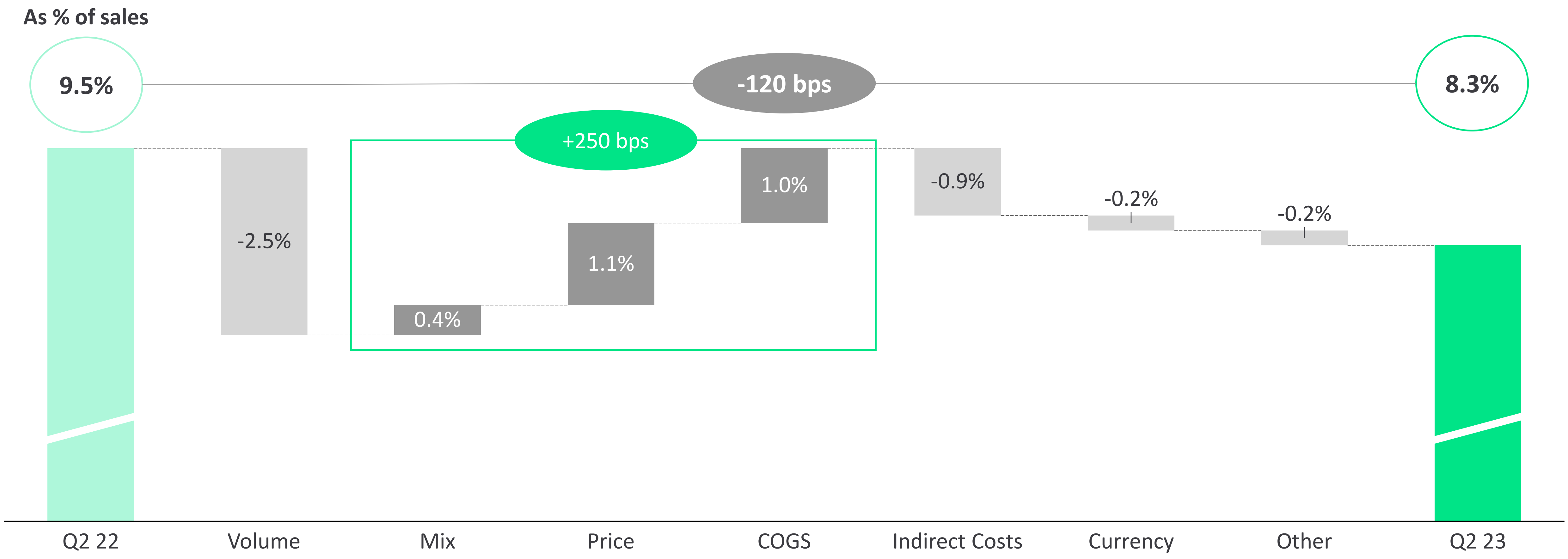
Q&A

Adjusted EBITA margin decreased to 8.3%, mainly due to under-absorption of fixed costs offsetting structural gross margin recovery

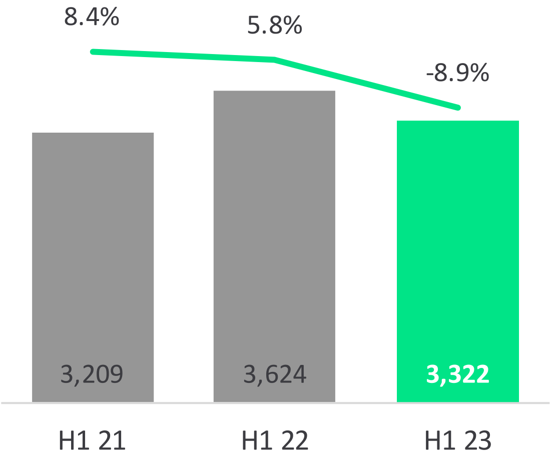


Working capital decreased year on year, mainly driven by a reduction of inventories and lower receivables, partly offset by lower payables

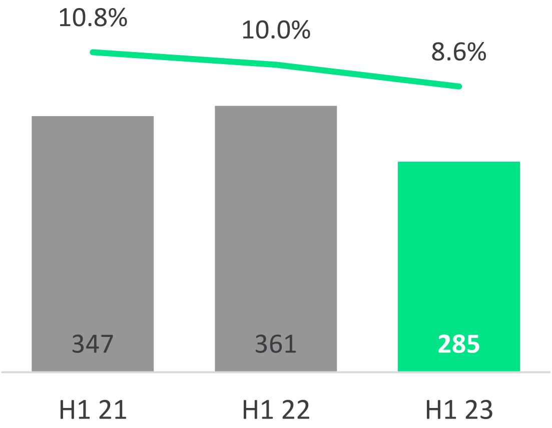
[1]Includes sales of Fluence and Pierlite on a 12-month pro-forma basis.

In H1 2023, the free cash flow generation is back to positive, while the Adjusted EBITA margin is impacted by under-absorption of fixed costs

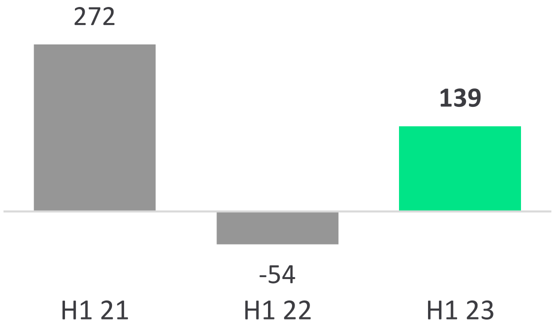
Sales & comparable sales growth
(in EURm and %)



Adjusted EBITA
(in EURm and % of sales)



Free Cash Flow
(in EURm)



H1 23 performance

Comparable sales declined on the back of two strong years

- Weakness in indoor professional lighting, consumer and OEM
- Continued strength in outdoor professional lighting

The Adjusted EBITA margin was mainly impacted by under-absorption of fixed costs

- Under-absorption of fixed costs
- Gross margin improvement, driven by price discipline and effective COGS management

Free cash flow generation back to positive

- Mainly due to lower cash outflow from payables and lower inventories
- Despite proceeds from the sale of real estate in H1 22

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Outlook

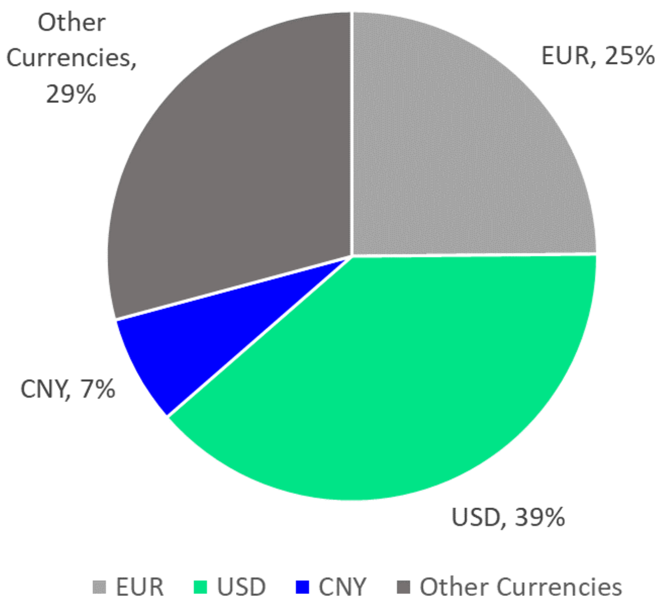
%

- The continued economic softness has led us to apply caution in our outlook for the full year and adjust our Adjusted EBITA margin guidance to 9.5-10.5%.
- On the other hand, our free cash flow generation has and will continue to benefit from supply chain lead time improvements and effective working capital measures. We therefore expect our free cash flow generation to be at the higher end of the 6-8% range.

Q&A

Currency movements had a negative impact on sales and the Adjusted EBITA margin

Q2 23 Sales FX Footprint (% of total)



Key observations

- Overall currency impact on the Adjusted EBITA margin of -20 bps
  - Benefit on main currencies largely offset by hedging
  - Negative FX impact due to devaluation of EGP, TRY, ARS and PKR, yet largely offset through pricing to maintain gross margin

Net income decreased to EUR 45m, mainly due to lower EBIT and higher financial expenses, partly offset by lower income tax expense

From Adjusted EBITA to net income (in EURm)

	Q2 22	Q2 23
Adjusted EBITA	**174**	**136**
- Restructuring	-7	-9
- Acquisition-related charges	-5	-3
1 2 - Other incidental items	177	-16
EBITA	**340**	**108**
Amortization	-34	-20
EBIT	**306**	**88**
3 Net financial income / expenses	11	-31
Income tax expense	-68	-12
Results from investments in associates	0	0
Net income	**248**	**45**

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
   - Results on real estate transactions
   - Environmental provision for inactive sites
   - The discounting effect of long-term provisions

2. In Q2 22, other incidental items included a EUR 184m gain from the disposal of non-strategic real estate

3. In Q2 22, net financial income / expenses includes a benefit from a non-cash fair value adjustment of the Virtual Power Purchase Agreements (VPPAs)

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Free cash flow was EUR 88m, as a lower income from operations was partly offset by a lower cash outflow from working capital

Free cash flow (in EURm)

	Q2 22	Q2 23
Income from operations	306	88
Depreciation and amortization	79	67
Additions to (releases of) provisions	34	36
Utilizations of provisions	-45	-41
Change in working capital	-171	-9
Net interest and financing costs received (paid)	-31	-32
Income taxes paid	-22	-15
Net capex	163	-21
Other	-178	13
Free cash flow	**135**	**88**
As % of sales	*7.4%*	*5.3%*

Key observations

- Free cash flow of EUR 88m
  - Lower income from operations
  - Lower cash outflow from working capital, which benefited from an improving supply chain and strict inventory discipline
- Restructuring pay-out of EUR 12m (Q2 22: EUR 14m)

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