



AGM 2019 – May 14, 2019

Presentation by CEO Eric Rondolat

Ladies and Gentlemen, welcome to the Annual General Meeting of Shareholders of Signify for 2019.

It's been one year since we celebrated changing our name to Signify, giving a clear expression of our strategic vision and purpose. We have made huge strides in that time, and I'd like to begin by looking back at 2018.

It was a year of key structural improvements that set us up for future success.

While our topline declined by 4.4 percent on a comparable basis, we grew our LED-based sales by 2.5 percent, lowered our indirect cost base by 224 million euros on a currency comparable basis, and improved our Adjusted EBITA margin to 10.1 percent. Further, we realized a solid free cash flow of 306 million euros.

With our proposal to increase our dividend to 1.30 euros per share, we will have returned more than 1 billion euros to shareholders over the last three years.

Additionally, we are on track to be carbon neutral in 2020, highlighting the significant progress we've made towards our goal of Brighter Lives and a Better World.

Substantial progress was made on our six strategic priorities.

First, we continued to increase our total LED-based sales, which represented 71 percent of total sales in 2018, 6 percentage points more than in 2017.

We released our Interact IoT platform, which is a launchpad for data-enabled services, underlining our commitment to growth and innovation. Professional connected lighting, under our Interact brand, together with Philips Hue's market leadership in connected home lighting, contributed to us having installed a total of 44 million connected light points globally.

As part of our commitment to be our customers' best business partner locally we improved our average Delivery Reliability Metric by 240 basis points.

And we continued to improve our operational excellence, reducing our indirect costs by 224 million euros on a currency comparable basis and improving our Adjusted EBITA margin by 50 basis points to 10.1 percent.

Despite the anticipated market decline, our conventional business remained very profitable and cash generative. Free cash flow as a percentage of sales for Lamps was 22 percent.

Let me now describe our overall positioning. We are the world leader in Connected, LED and conventional lighting. We achieved 6.4 billion euros of sales in 2018 and reinvested 4.5 percent of



that in R&D. Recognizing our achievements in sustainability, for the second year in a row we were named Industry Leader by the Dow Jones Sustainability Index.

We're successfully transforming our business while maintaining our position as the world leader in a lighting industry that is also transforming. In 2012 we generated only 14 percent of our sales through LEDs, by 2018 we increased this to 71 percent.

And while in 2012 our Adjusted EBITA margin was 4.7 percent, we've improved this by 540 basis points to 10.1 percent in 2018, positioning us to end this year within the target range of 11 to 13 percent that we set at the time of the IPO.

Let me now take you to our performance in the first three months of this year: So far in 2019 our growing profit engines (made of LED, Professional and Home combined) have achieved a comparable sales growth of 1.1 percent, and we improved the Adjusted EBITA for those growing profit engines by 210 basis points to 6.7 percent. Company-wide we lowered our adjusted indirect cost base by 34 million euros and we generated free cash flow of 55 million euros in the first quarter, compared to negative 6 million euros in Q1 last year.

Now moving to the 2019 outlook. This year:

- Our growing profit engines are expected to deliver a comparable sales growth in the range of 2 to 5 percent.
- Our cash engine, Lamps, is expected to decline at a slower pace than the market, in the range of -21 to -24 percent on a comparable basis.
- We aim to improve our Adjusted EBITA margin within the range of 11 to 13 percent, in line with the guidance set at the time of our IPO.
- And we also expect free cash flow in 2019, excluding the positive impact from IFRS 16, to be above 5 percent of sales.

Looking ahead, I'm excited about the actions we are taking to maintain our leadership position in key growth areas.

Firstly, the Horticulture market, where growers benefit from better growth predictability, crop quality and higher yields.

This market is projected to grow by more than 20 percent a year over the next five years. We are positioning ourselves to capture one of the most significant growth opportunities we see for the coming years.

Solar lighting can transform the lives of the more than one billion people who do not have access to the electricity grid, providing them with a solution that's safer and more sustainable than fuel-based alternatives, both for professionals and consumers. We sold more than 300,000 solar lights in 2018 and we expect to see this number rise, as the market for solar is expected to grow by more than 20 percent per year until 2024.



LiFi is a stable and highly secure connectivity platform that uses the broader spectrum of light waves to send and receive data. We have more than 30 pilots across the world and are the world leader in this exciting technology.

Lastly, I would like to share with you our commitment to Sustainability. Three years ago, we set very ambitious targets for sustainable revenues and operations through our Brighter Lives, Better World program.

Last year, 79% of revenues came from energy-efficient products, systems or services, bringing us within touching distance of our objective of 80 percent by 2020.

On the operations side: we already source 89 percent of consumed electricity from renewables and are carbon neutral in 9 markets, in line with our 2020 commitment to be one of the very few Carbon Neutral companies.

We recycle 82 percent of our industrial waste and our supply chain is 93 percent sustainable – already ahead of our 2020 target.

I am very pleased that we're on target to meet – or are already exceeding – all our sustainability goals. We have been recognized for our efforts, notably as the Industry Leader in the 'Electrical Components and Equipment' category of the Dow Jones Sustainability Index, for two years in a row.

In closing, I extend my thanks, on behalf of the Board of Management and the Leadership Team, to all our employees, for their commitment and dedication.

We also thank our customers for their continued trust, which motivates us daily.

And finally, we thank our shareholders for the confidence they have shown in our business and their ongoing support for our strategy.

As we move towards completion of our transformation, Signify is uniquely positioned to lead the industry in the next phase of lighting for the future and to continue unlocking the extraordinary potential of light for brighter lives and a better world.

Thank you.