

A nighttime photograph of a city skyline. In the foreground, a large, brightly lit roundabout with a central fountain is visible. Several tall skyscrapers surround the roundabout, their windows glowing with light. The sky is dark, and the overall scene is illuminated by the city lights. The text '@signify' is overlaid in the upper center, and 'Investor presentation' is overlaid in the center.

@signify

Investor presentation

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

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.

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

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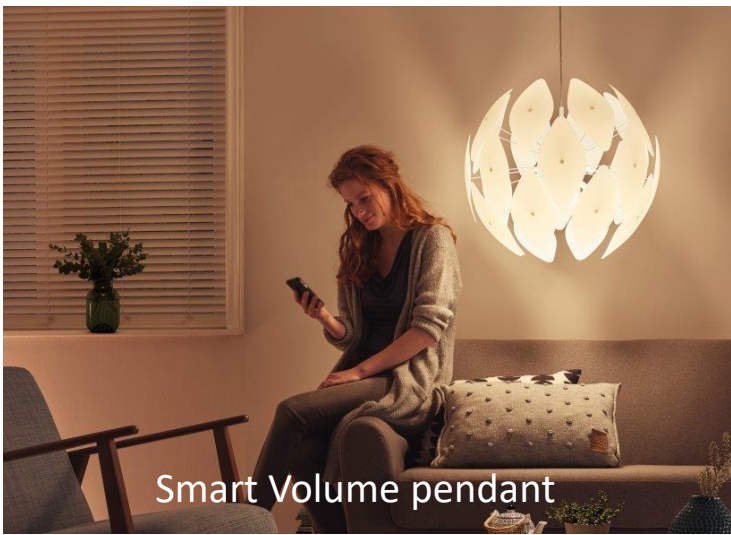
Signify is the world leader in lighting

Light sources



Philips deco LED

Luminaires



Smart Volume pendant

Systems and Services



Allianz Arena, Munich

€7
billion sales
in 2017

32,000
people employed
in 70 countries

4.8%
of sales
invested
in R&D

#1 Conventional
superior lighting
benefits

#1 LED
65% of lighting
sales is LED
(2017)

#1 Connected
lighting systems &
services, rich
partner ecosystem

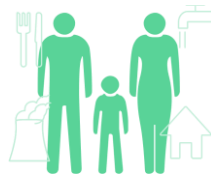
Our world is changing

Global trends shaping our business



Population growth

more light



Resource challenges

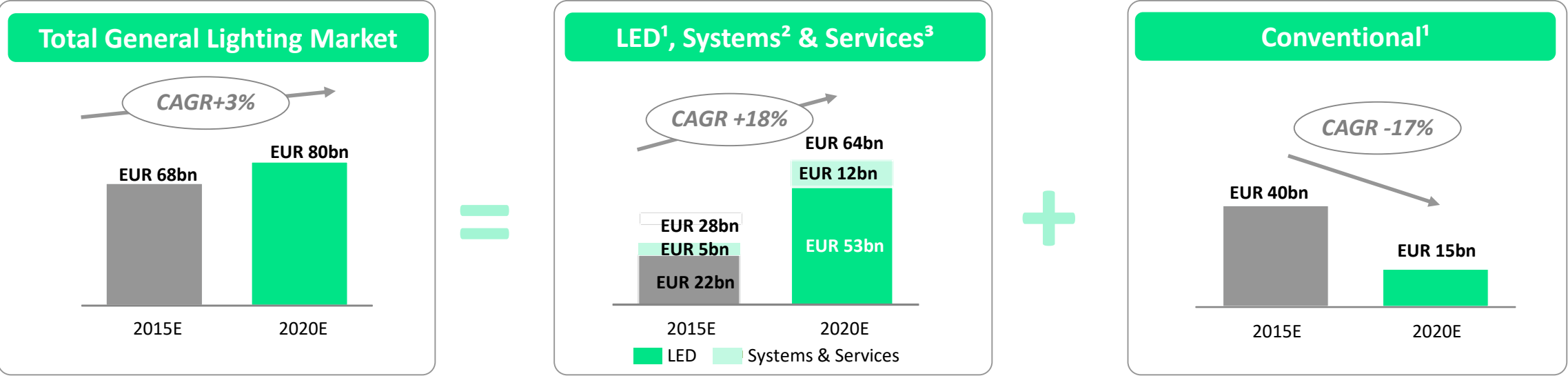
more energy efficient light



Digitalization

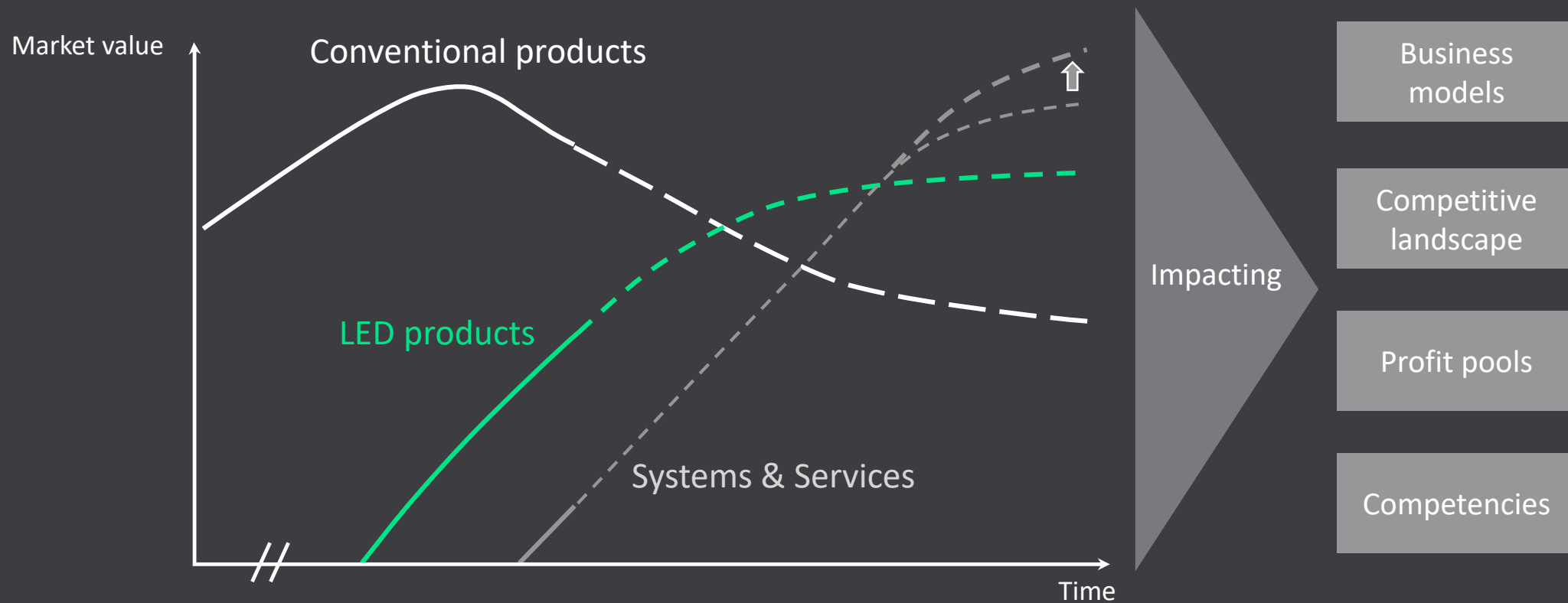
more digital light

Lighting Market Sales 2015-20E (EUR billions)



Industry transformation is creating new opportunities

from conventional to LED, and then to connected lighting



We have unique strengths and competitive advantages

Brands

We proudly market the best lighting brands in the world

PHILIPS

our global brand in professional and consumer lighting

- Most preferred in LED globally
- Innovative sub-brands like Philips Hue for smart home lighting

interact

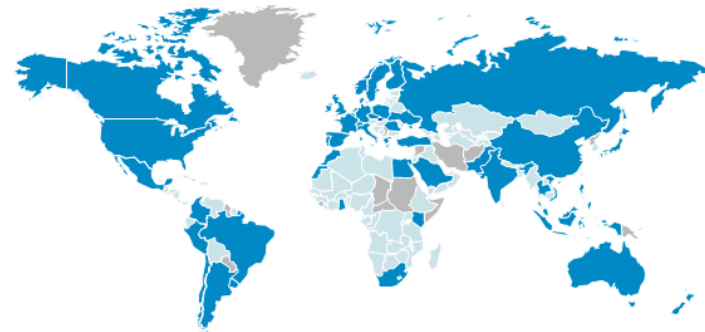
our Internet of Things platform and connected lightings systems

- Secure and scalable IoT platform
 - Added value from data-enabled services
- leveraging our leadership in connected lighting (34M connected light points overall)

Market access

We have a global presence and unrivalled market access

- Sales in ~180 countries and more than 70 sales offices worldwide
- Leadership in conventional channel as a base to drive growth in LED
- Leading Net Promoter Scores with customers



- Countries with direct Philips sales
- Countries with Philips sales via distributors

Innovation

We are leading innovation in lighting and lighting for the Internet of Things

Strong IP portfolio

- Over 17,750 patents rights
- LED luminaires and Retrofit bulbs program with over 900 licensees

Successful ventures

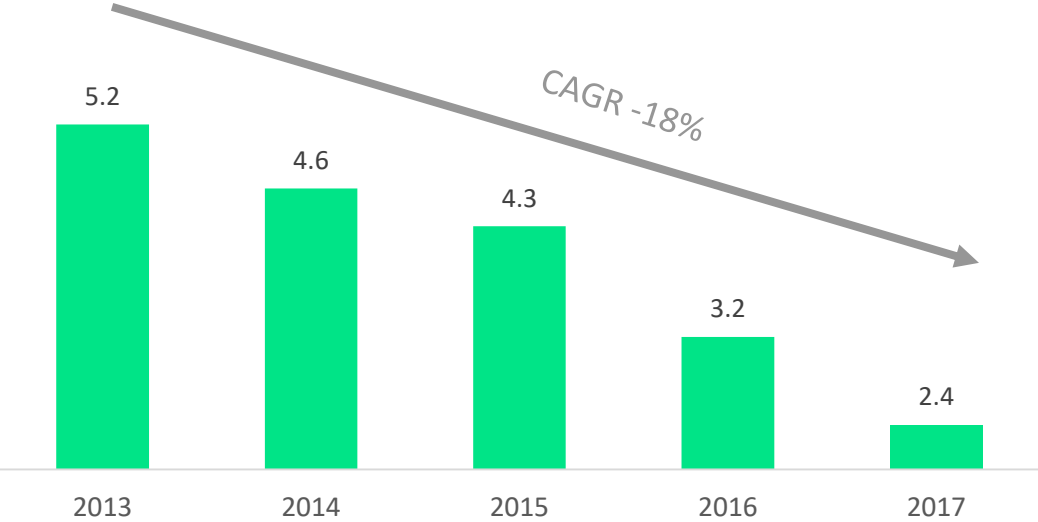


Great alliances

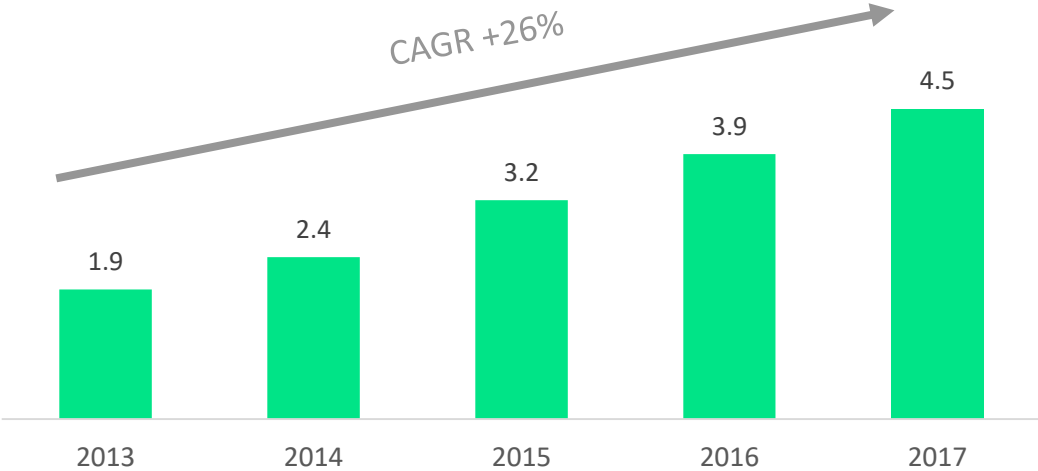


Rapid increase of our LED-based sales whilst having successfully managed the decline in the profitable conventional business

Development of conventional lighting sales
(in EUR billion)

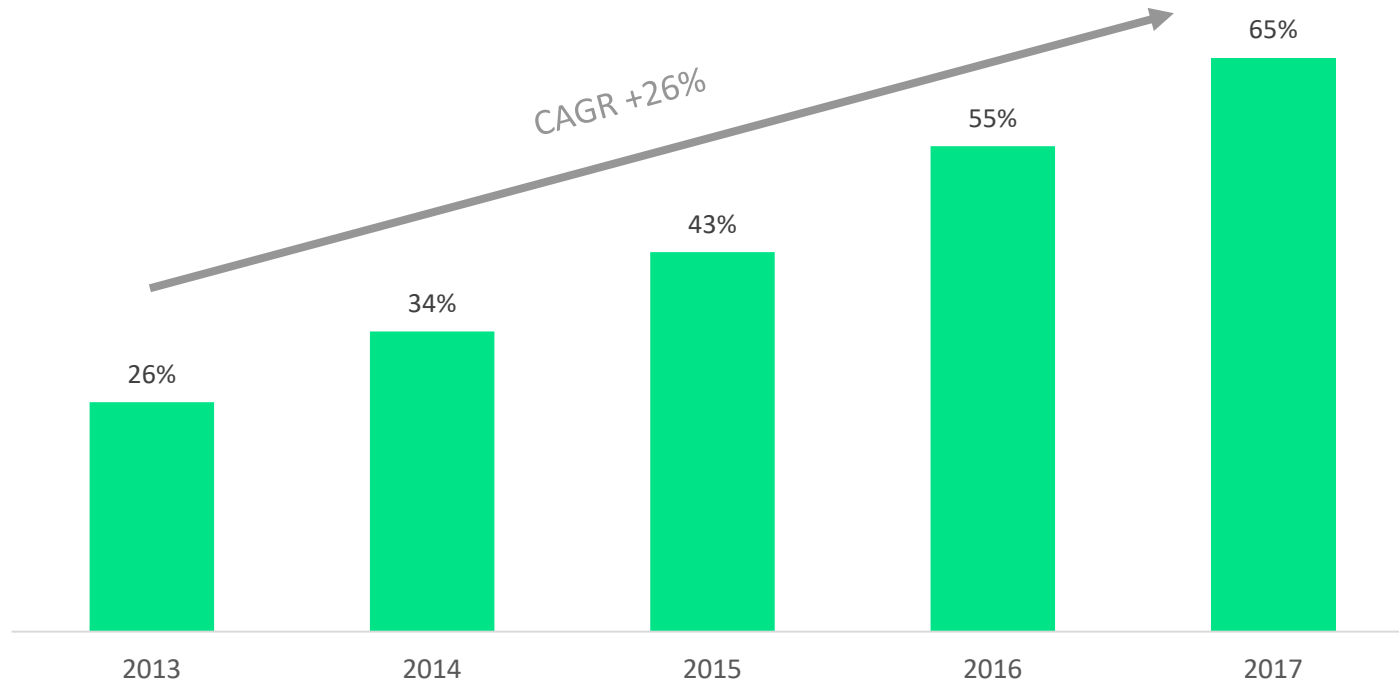


Development of LED lighting sales
(in EUR billion)



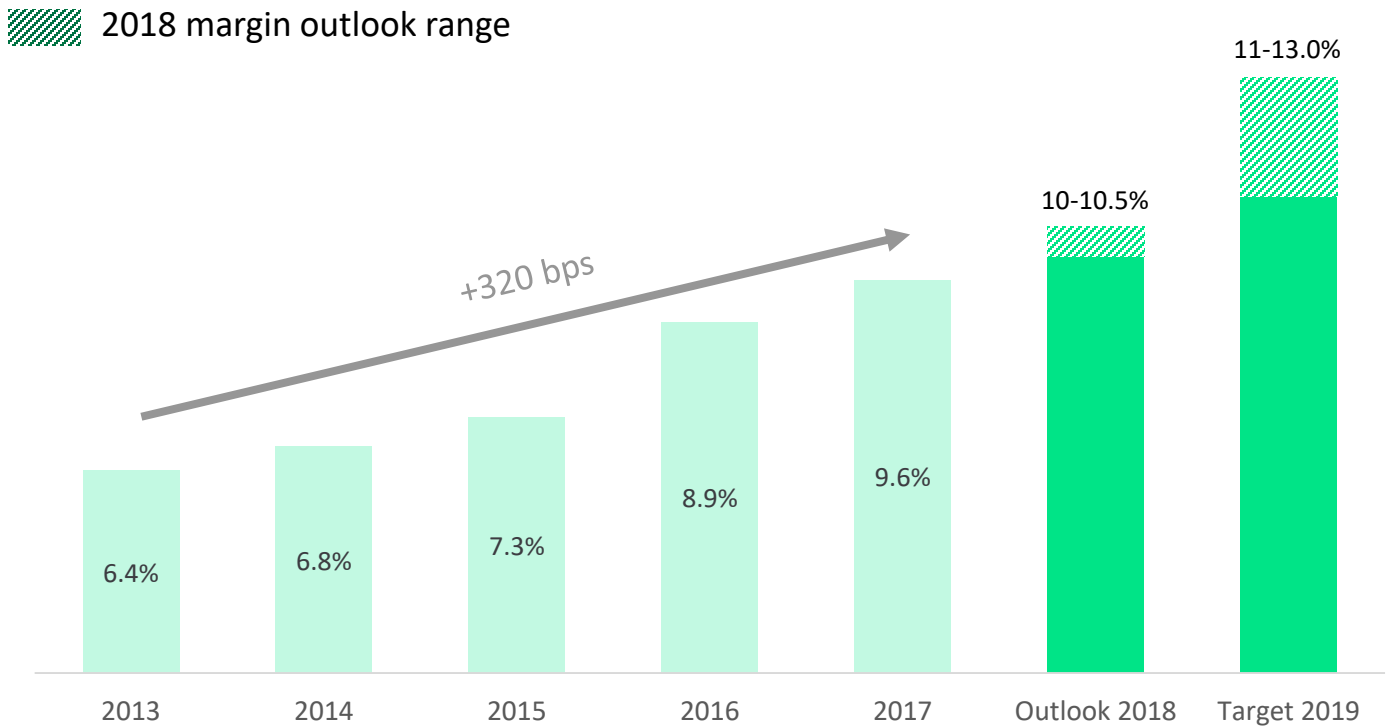
We have rapidly built a world-leading position in LED across our lamps, electronics, and luminaires businesses for Professional and Home

Development of total LED sales (as a % of total sales)

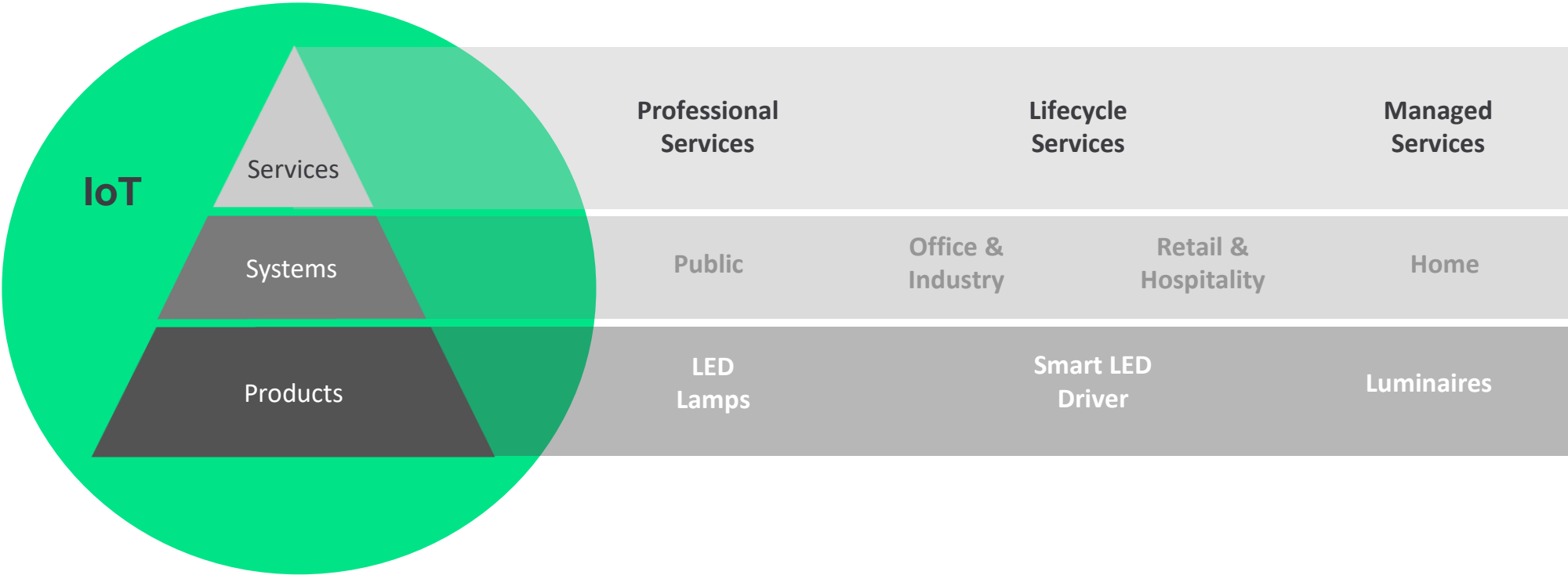


Profitability has been consistently improving during the transition, increasing by ~50% in four years

Development of Adjusted EBITA margin
(as a % of total sales)



Innovation strategy extending leadership in products, systems and services into Internet of Things



4.8%
of sales contribute to
R&D investments

65%
LED based sales

> 1,000
Interact City projects

17,750
Patents

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Business and financial highlights

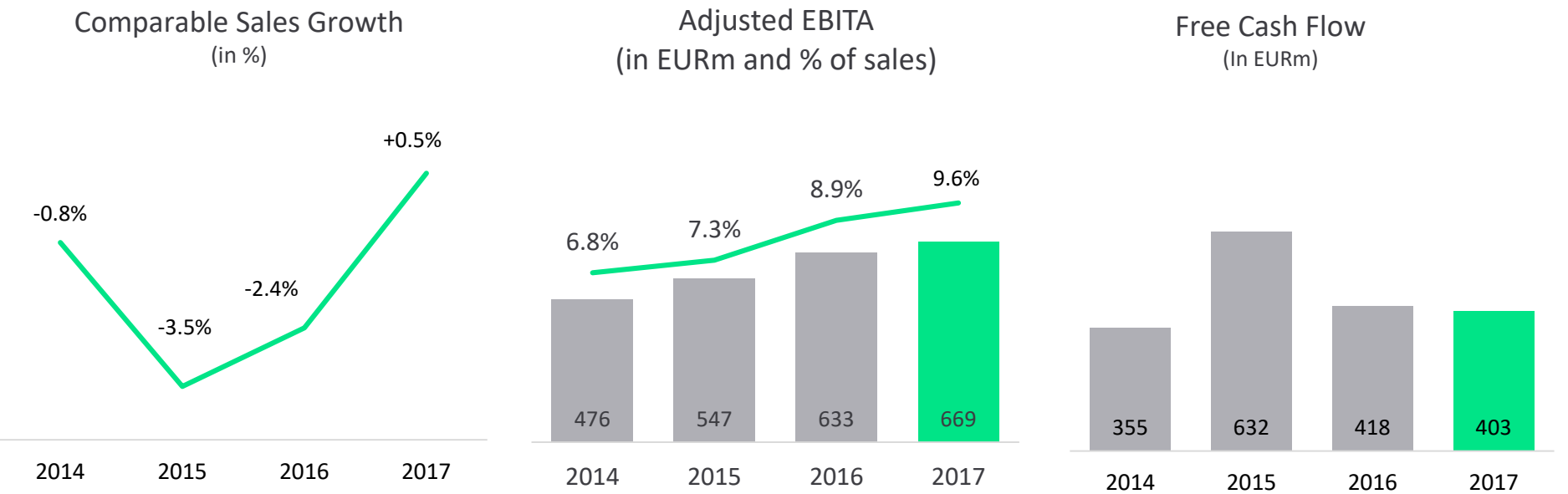
Performance 2017

Performance Q1 2018

Financial outlook

Key takeaways

Substantial progress and solid performance achieved in 2017



Progress in 2017

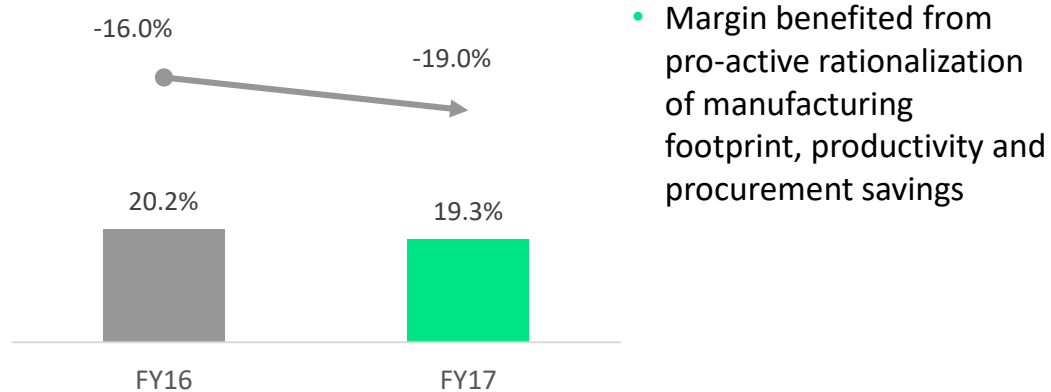
In line with our objectives, we returned to comparable sales growth in 2017

9.6% (+70bps) margin, driven by significant margin improvements in LED, Professional and Home

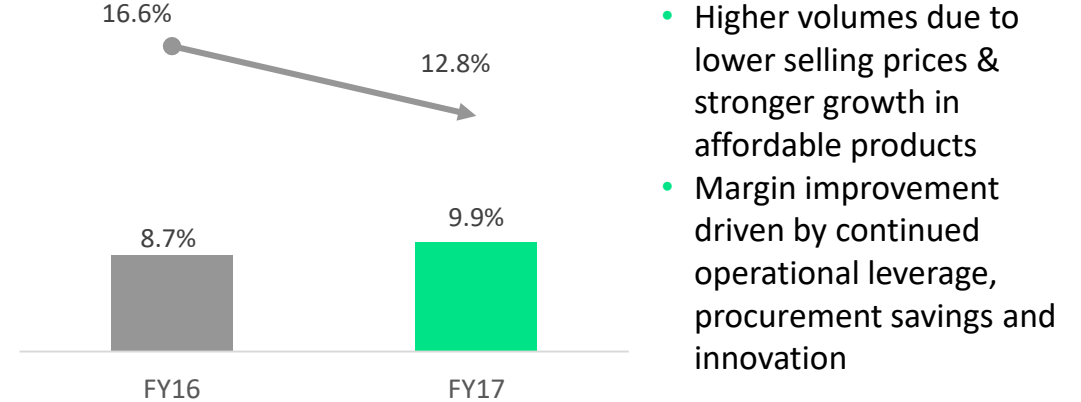
Solid free cash flow
5.8% as a % of sales

Solid performance improvements across all business groups in 2017

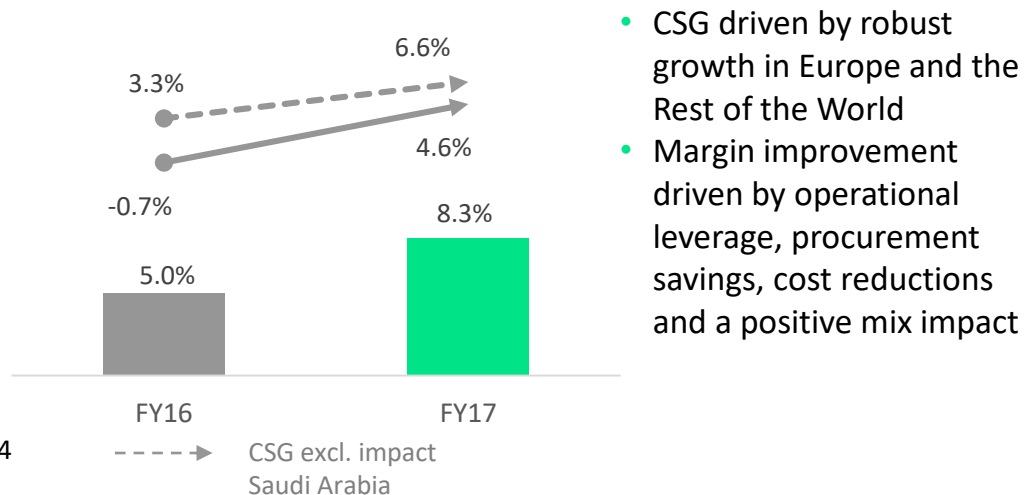
Lamps CSG (%) and Adj. EBITA margin (%)



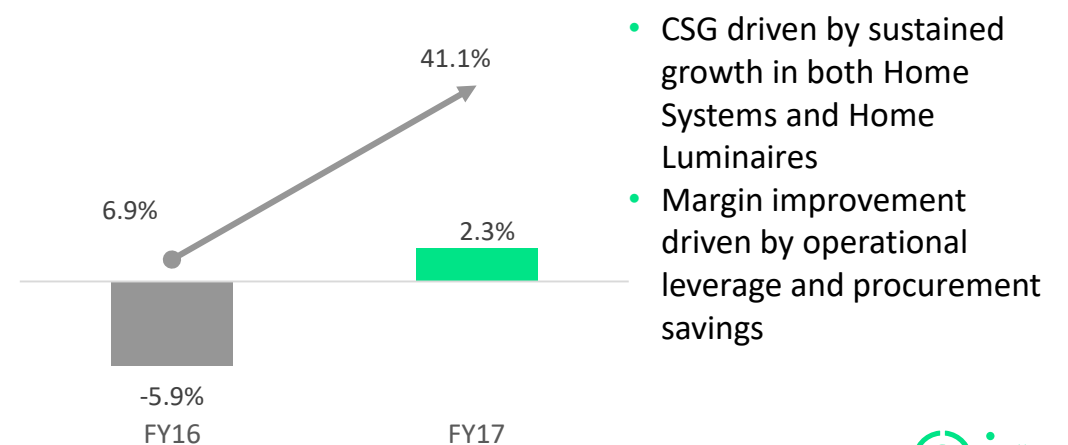
LED CSG (%) and Adj. EBITA margin (%)



Professional CSG (%) and Adj. EBITA margin (%)



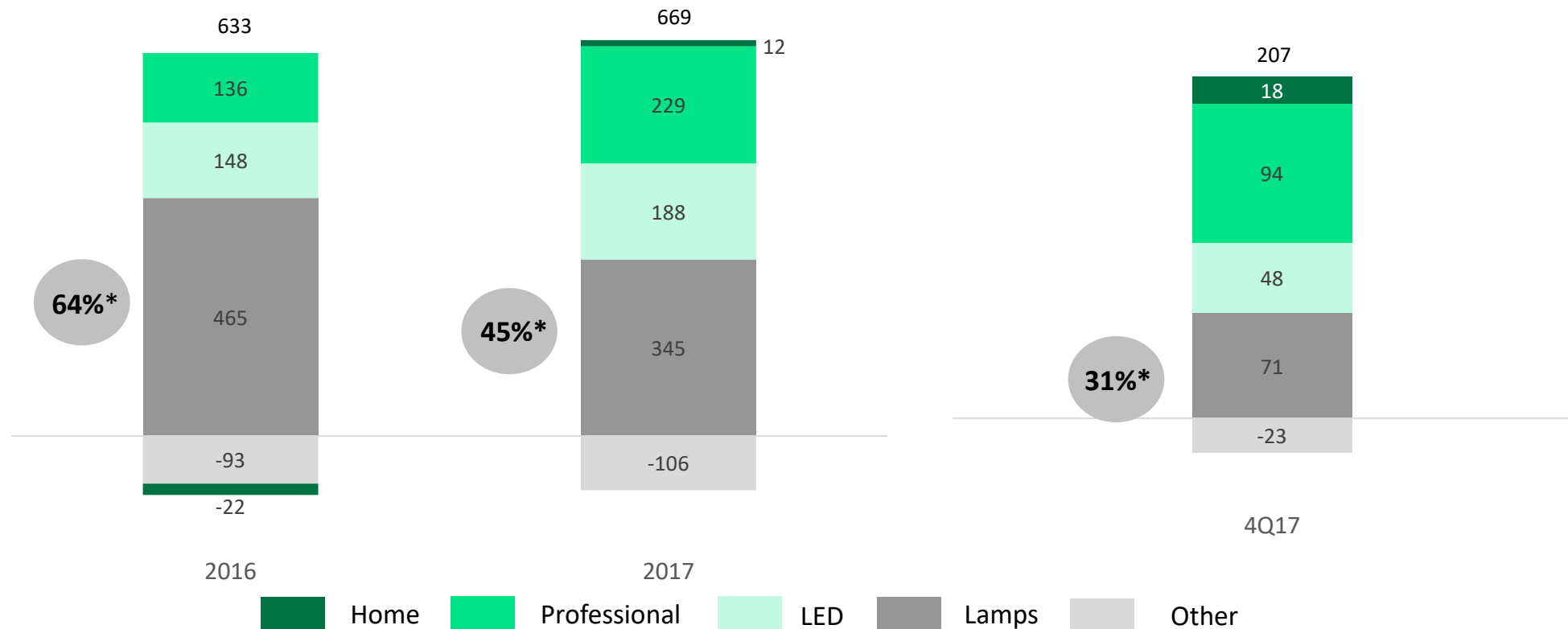
Home CSG (%) and Adj. EBITA margin (%)



Adjusted EBITA continued to increase, while profit drivers are shifting

Lamps represented 31%* of Adjusted EBITA (excl. Other) in 4Q17 compared to 64%* in full year 2016

Adjusted EBITA (EURm)



Sound progress made on our strategic priorities during 2017

Strategic priorities

Optimize cash from conventional products to fund our growth

Innovate in LED products commercially and technologically to outgrow the market

Lead the shift to Systems, building the largest connected installed base

Capture adjacent value through new Services business models

Be our customers' best business partner locally, leveraging our global scale

Continue our operational excellence improvement journey

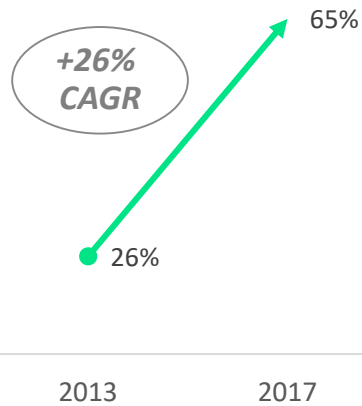
Proof points in 2017

- Free cash flow as % of sales for Lamps improved by 400 bps
- LED lighting share increased from 55% to 65% of total sales
- Connected Systems & Services, for consumers and professionals, represented more than EUR 900m of sales in 2017, CSG +51%
 - Professional Systems & Services sales of around EUR 650m
 - Home Systems sales of close to EUR 300m
- Customer Net Promoter Score improved by 14%
- Adjusted EBITA margin improved by 70 basis points to 9.6%
- Indirect costs reduced by EUR 66m, incl. investments for growth

Our financial measures have significantly improved over the last three years

Transition from conventional to LED

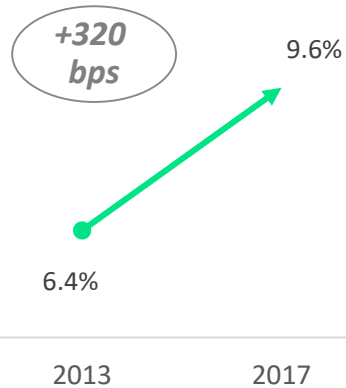
Total LED sales
(as % of sales)



- Total LED sales increased by 150% in the period 2013-2017

Significantly improved profitability

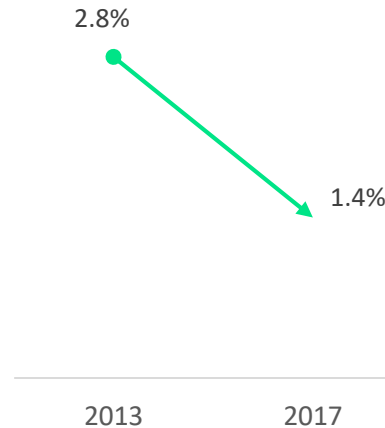
Adjusted EBITA margin



- Significant improvement in Adjusted EBITA margin

Transition to an asset-light business model

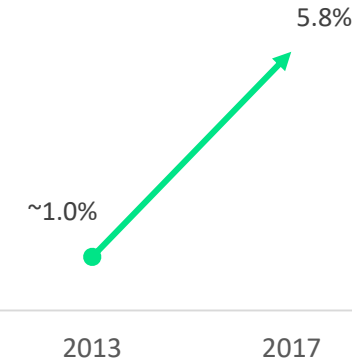
Gross capex as % of sales



- Gross capex as % of sales has been significantly reduced

Strong FCF generation

FCF as % of sales



- Strong FCF generation: EUR 403m of FCF in 2017

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Business and financial highlights

Performance 2017

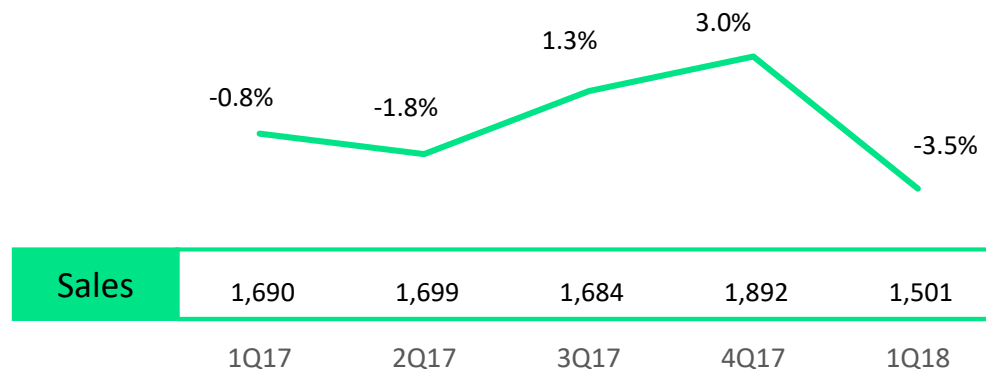
Performance Q1 2018

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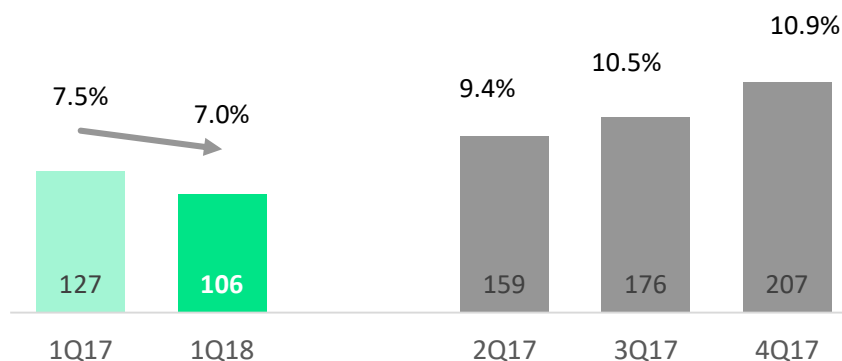
Key takeaways

First quarter sales of EUR 1.5bn and operational profitability of 7%

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



Adjusted EBITA (in EURm & as % of sales)



Key observations for 1Q18

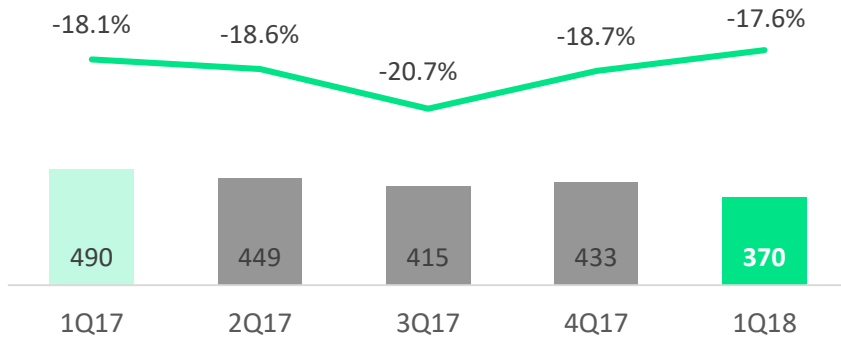
- Weak performance in Home, most notably in the US, led to soft start
- Lamps, LED and Prof delivered solid performances
- Total LED-based sales increased by 5.6%
- Adjusted EBITA margin decreased by 50 bps to 7%
- Improved adjusted indirect cost base by 13%
- Free cash flow of EUR -6m was higher than last year, excluding the proceeds of a real estate sale in 1Q17

Lamps, LED and Professional improved their Adjusted EBITA margin, Home had a weak performance

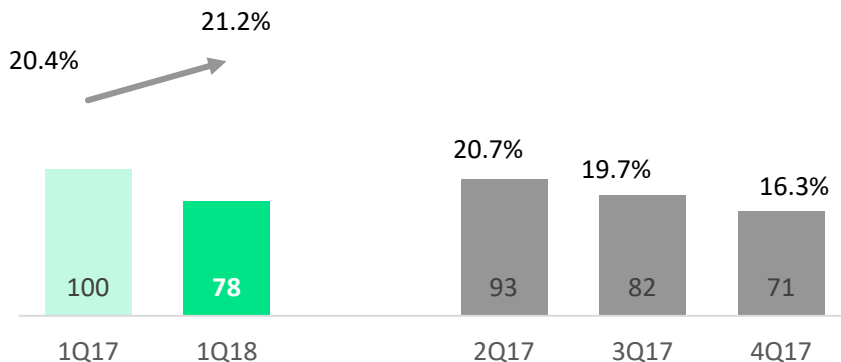
1Q18	CSG %	Adjusted EBITA (EURm)	vs LY (EURm)	Adjusted EBITA %	vs LY (bps)
Lamps	-17.6%	78	-22	21.2%	+80
LED	3.6%	43	+3	9.6%	+110
Professional	3.2%	31	+18	5.2%	+310
Home	-6.4%	-21	-22	-23.1%	-2,360
Signify	-3.5%	106	-21	7.0%	-50

Lamps improved its Adjusted EBITA margin by 80 bps driven by procurement savings, productivity and lower indirect costs

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



Adjusted EBITA (in EURm & as % of sales)

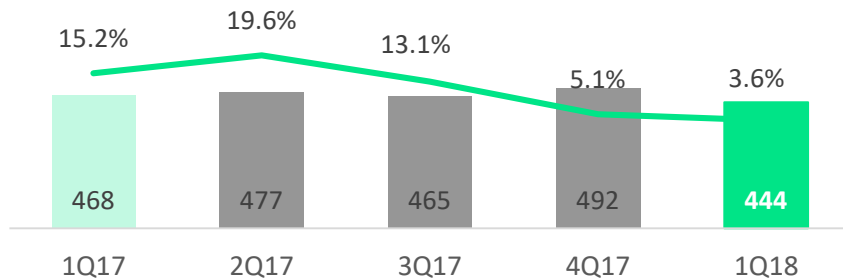


Key observations for 1Q18

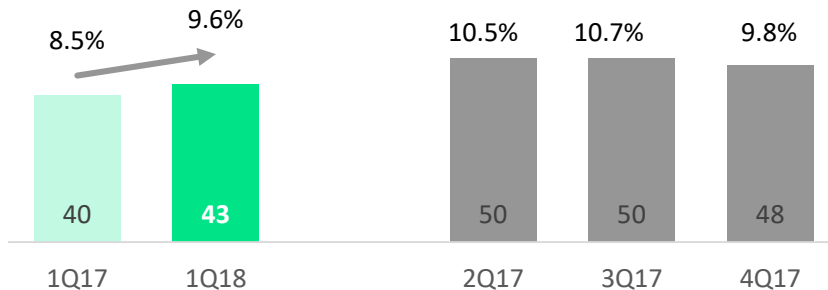
- Comparable sales declined by 17.6%
- Continued market share gains
- Adjusted EBITA margin improved by 80 bps, driven by:
 - Ongoing procurement savings
 - Productivity
 - Lower indirect costs
- In 1Q18, the closure of the Halogen factory in Aachen was announced

LED improved its Adjusted EBITA margin by 110 bps helped by lower price erosion, mix improvement and lower indirect costs

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



Adjusted EBITA (in EURm & as % of sales)

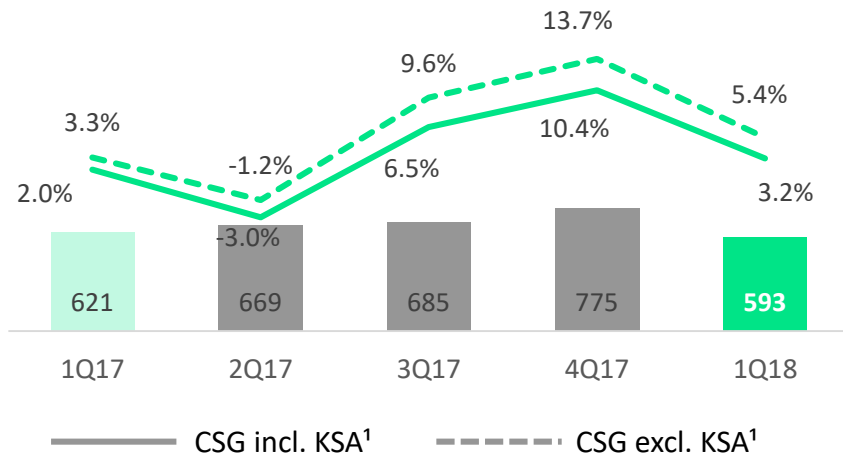


Key observations for 1Q18

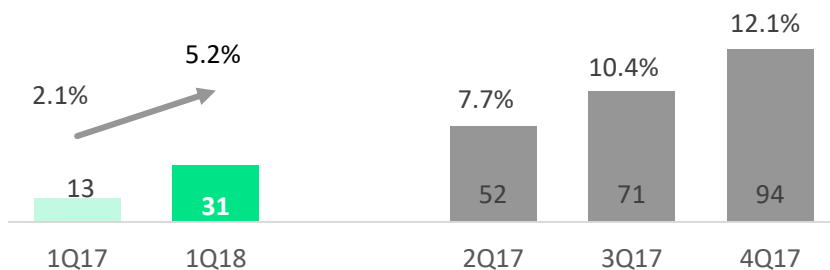
- CSG of 3.6% on the back of a high comparison base
 - Growth in LED lamps remained robust, with volumes gradually converging to market growth while price erosion is reducing
 - LED electronics sales were flat due to lower demand by OEMs, particularly from Tier 1 customers
-
- Adjusted EBITA margin improved by 110 bps, driven by:
 - Lower price erosion
 - Mix improvement
 - Lower indirect costs

Professional Adjusted EBITA margin improved by 310 bps, mainly driven by operational leverage, footprint rationalization and lower indirect costs

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



Adjusted EBITA (in EURm & as % of sales)



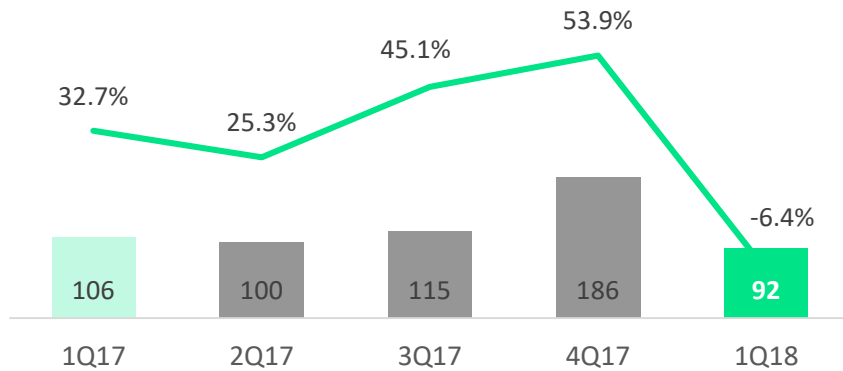
Key observations for 1Q18

- CSG of 3.2%; performance in Europe and the Rest of the World continued to be solid;
- Market conditions in the US continued to be soft, particularly for small- to medium-sized projects
- Market conditions in Saudi Arabia remained challenging, negatively impacting CSG by 220 bps

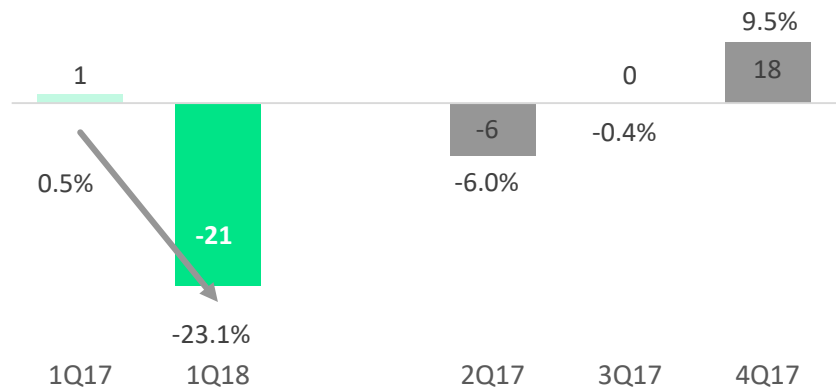
- Adjusted EBITA margin increased by 310 bps to 5.2%, driven by:
 - Operational leverage
 - Manufacturing footprint rationalization
 - Lower indirect costs

Home reported a loss due to lower sales and investments in growth since 1Q17

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



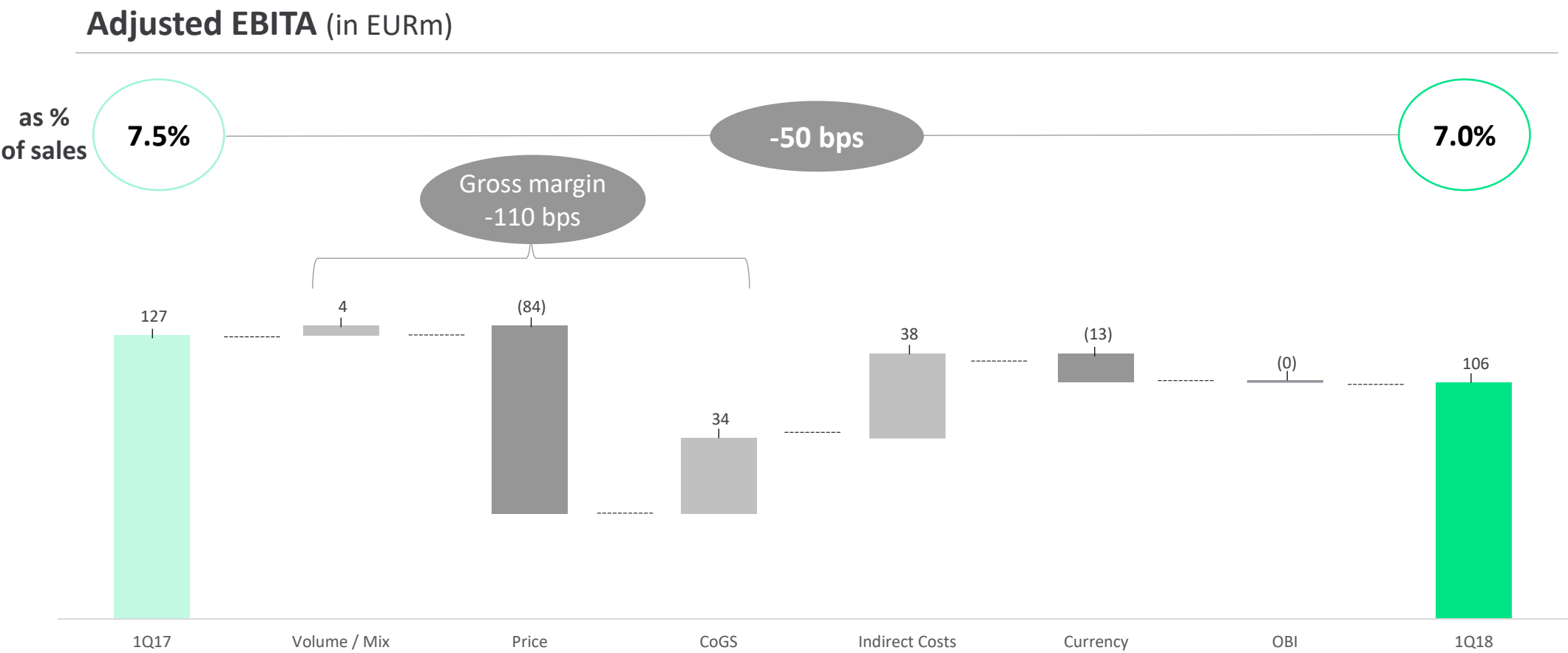
Adjusted EBITA (in EURm & as % of sales)



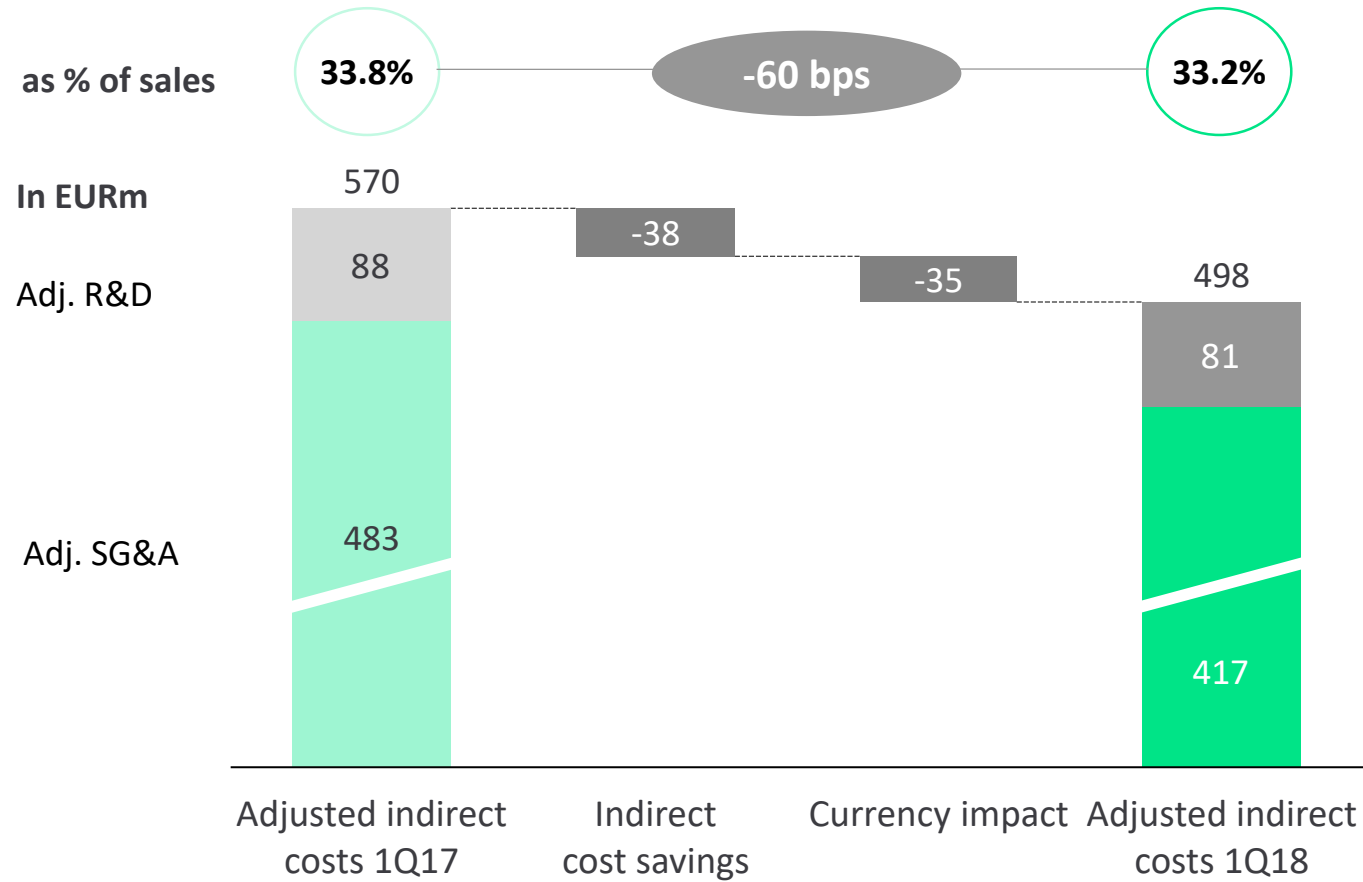
Key observations for 1Q18

- CSG of -6.4%
 - Lower than expected sales at our trade partners in the 4th quarter, most notably in the US
 - Resulted in lower sales in Q1 to allow for inventory reductions at our trade partners
- The Adjusted EBITA margin was -23.1%, due to
 - Lower fixed cost absorption
 - Investments in growth since 1Q17
- Undertaking a set of actions to improve performance:
 - Continuing to broaden our product offering
 - Diversifying our distribution coverage
 - Increasing our marketing activities

Adjusted EBITA margin reduction due to lower gross margin, partly offset by lower indirect costs



Adjusted indirect cost base decreased by 13%

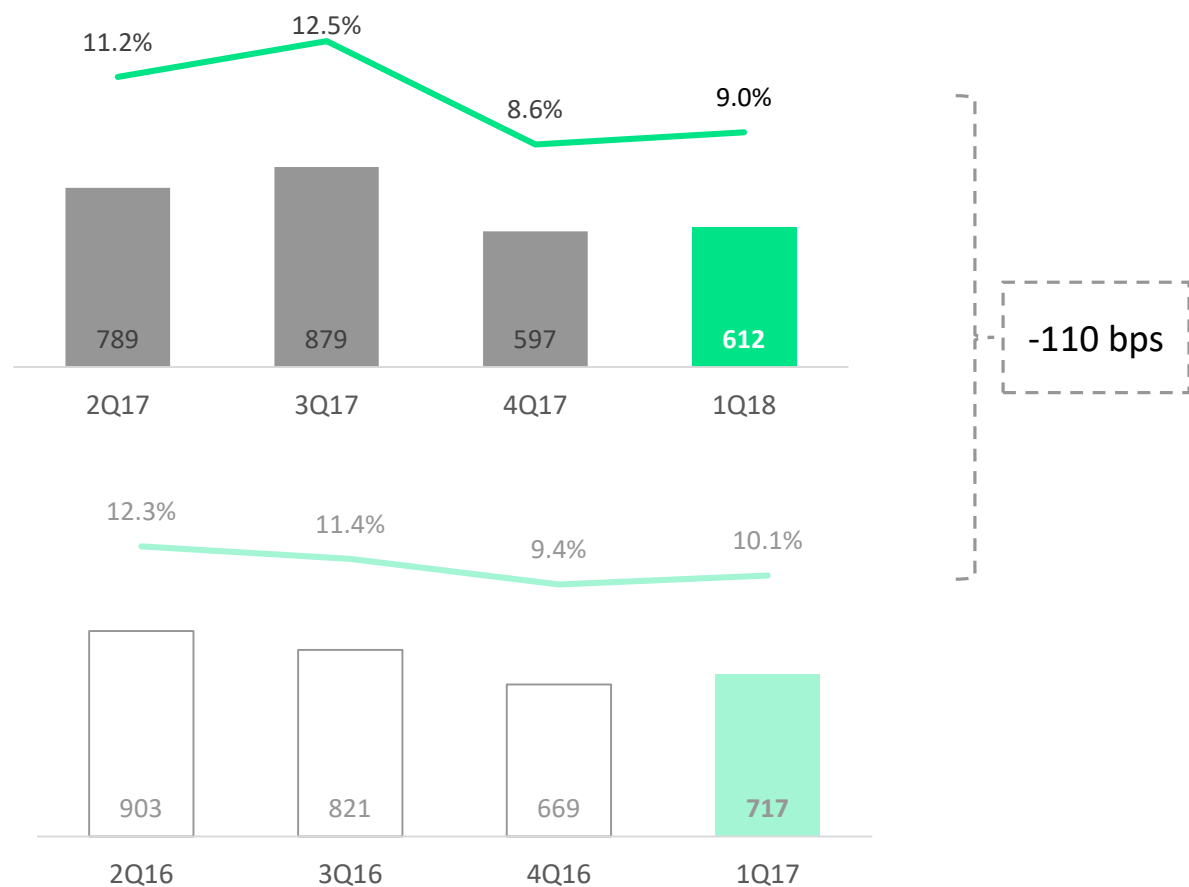


Key observations

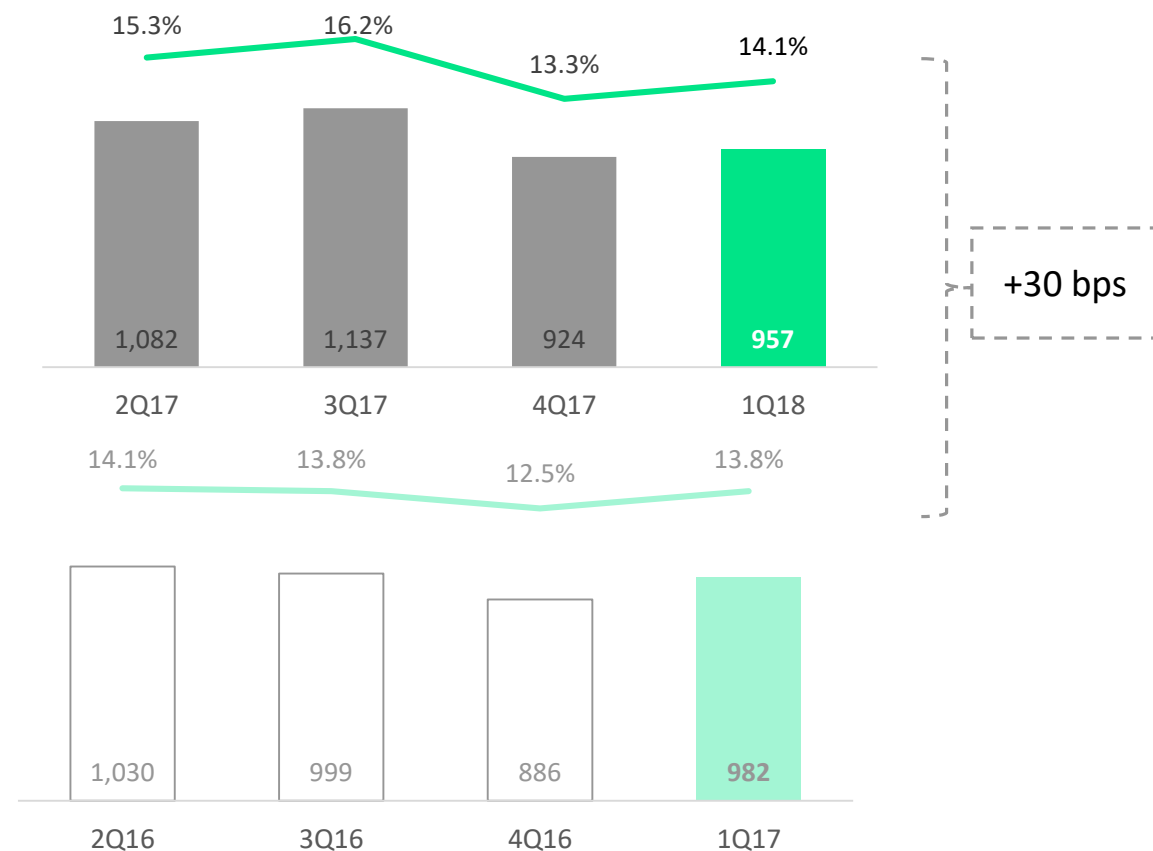
- Indirect cost reduction of EUR 38m
- Positive currency impact of EUR 35m
- Executing multi-year transformation initiatives to simplify the organization to:
 - Improve customer service and quality
 - Become more efficient
 - Capture scale benefits
 - Save to invest

Working capital as % of sales decreased by 110 basis points y-o-y to 9% driven by lower receivables

Working capital¹ (in EURm & as % of sales)

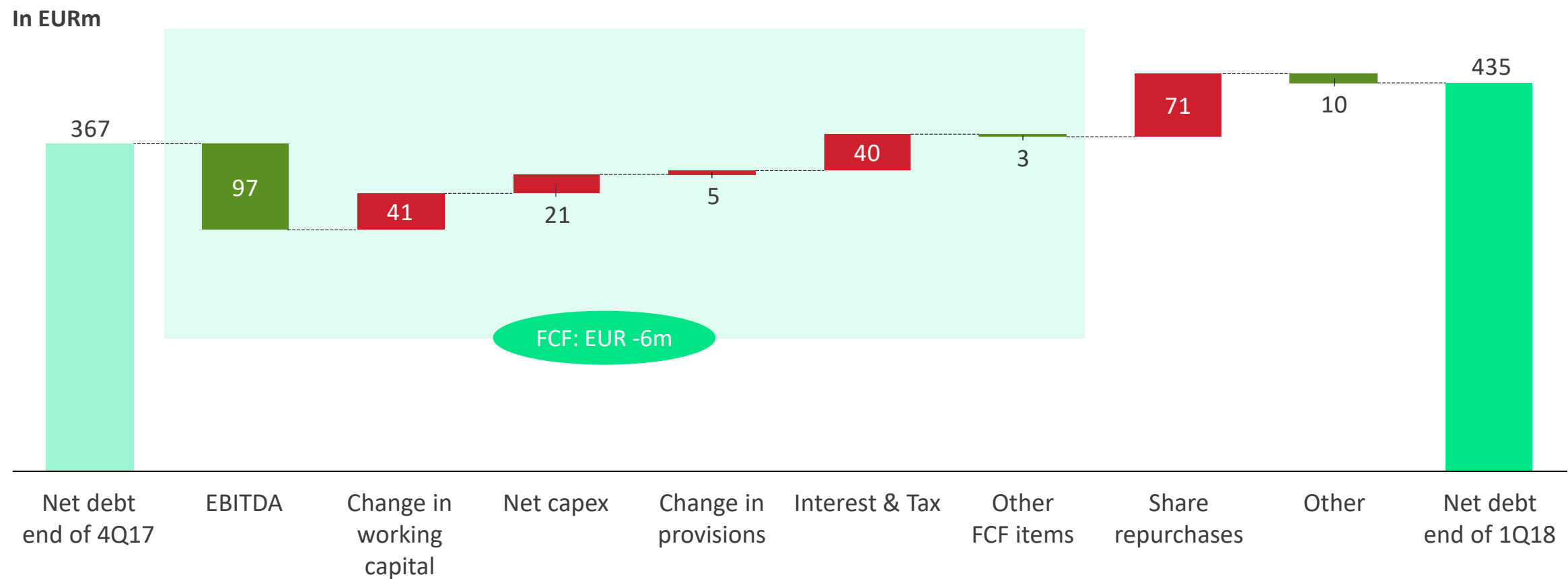


Inventories (in EURm & as % of sales)



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

Net debt increased by EUR 68m



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Outlook 2018



- Aim to deliver **positive comparable sales growth** for the full year, with a soft start in the first quarter



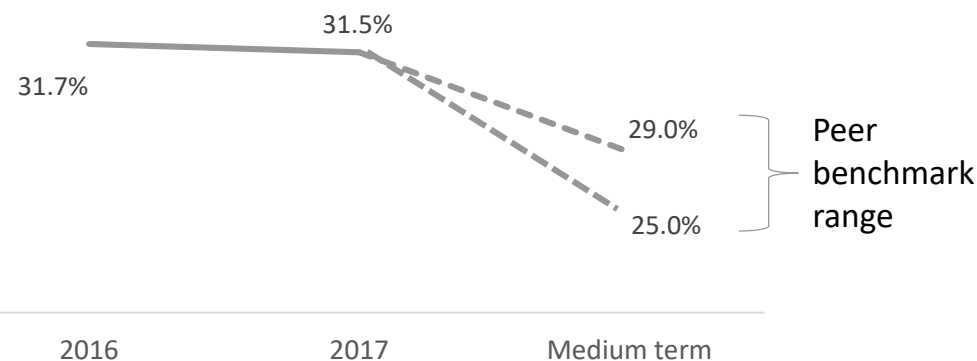
- Further **improvement of Adjusted EBITA margin to 10.0-10.5%**
- Continue to focus on cost reduction initiatives; expect to benefit from higher savings as of the second half of 2018
- Expect restructuring P&L charge in 2018 of 1.5-2.0% of sales



- Aim to generate **solid free cash flow** in 2018, which is, however, expected to be somewhat lower than the level in 2017 due to higher restructuring payments

Benefits of the transformation initiatives increasingly visible from H2 2018

Adjusted indirect costs (as % of sales)



Savings in the adjusted indirect cost base

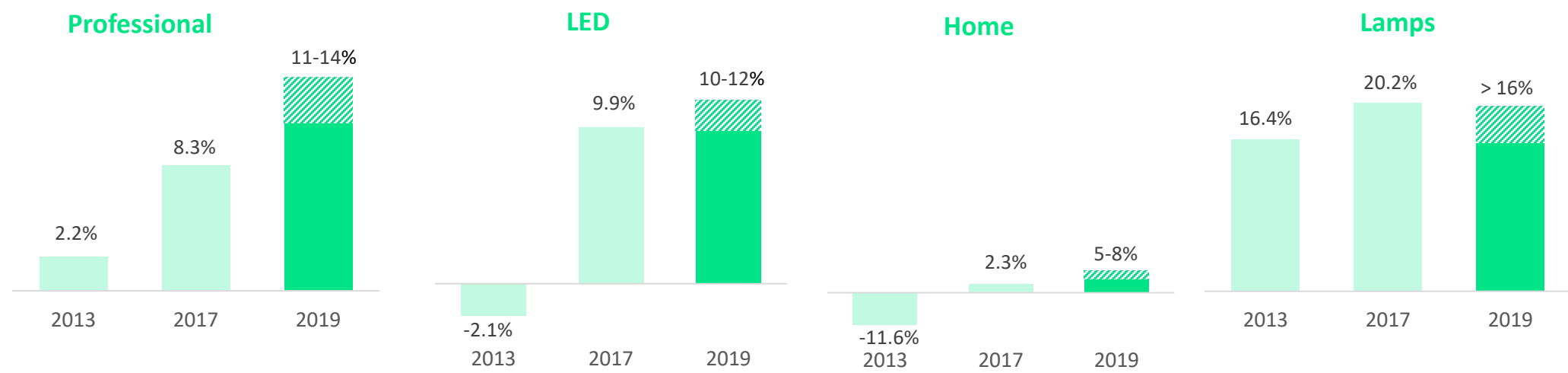
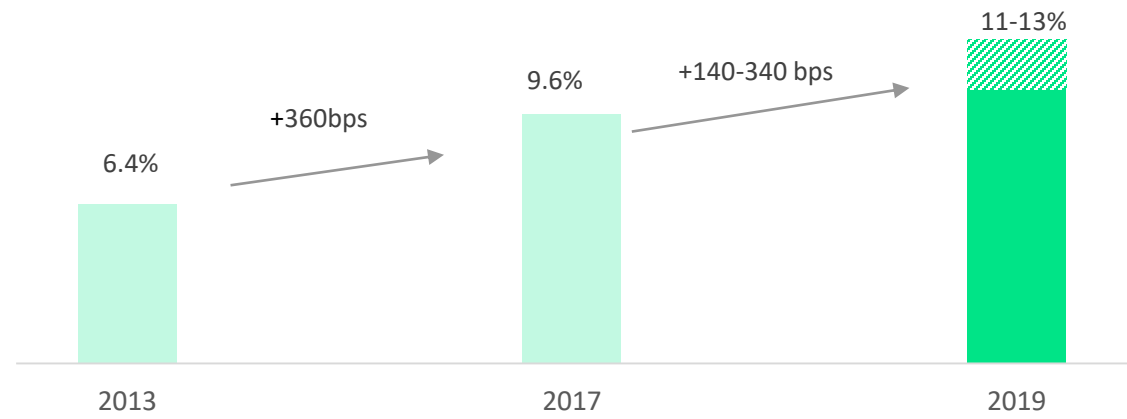
- Achieved EUR 66m savings in FY17, including incremental investments to support growth
- Additional savings should become particularly visible in the second half of 2018 and in 2019

Transformation initiatives

Actions underway to drive benefits across multiple levers:

Organization	Consolidate and rationalize businesses, flatten organizational structure
Processes	Digitize and automate processes, establish shared service centres, improve IT landscape
Footprint	Reduce industrial and office locations
Sourcing	Improve demand management, simplify requirements, strengthen supplier relationships
Products	Simplify our portfolios across businesses and reduce product variants
Continue to invest in innovation, infrastructure and go-to-market to drive growth	

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



Expected margin improvement

+270 to 570 bps

Up to +210bps

Up to +570 bps

Capital allocation policy

Cash available

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

2017

EUR 403m free cash flow

Net leverage stable at 0.5x

Cash uses

- Dividend pay-out within 40-50% of continuing net income*
- Share repurchases
- Balance sheet optimization
- Seizing non-organic opportunities primarily through small- to medium-sized acquisitions

Dividend paid of EUR 157m
Pay-out of 52%

EUR 307m

EUR 42m contribution to US
pension fund

E.g. LiteMagic

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Areas of strategic focus on our path to value

Effectively manage the conventional decline

- Pro-actively optimize the manufacturing footprint and operational costs
- Win market share, be “the last man standing”
- Optimize free cash flow

Profitably grow LED

- Continued innovation
- Pro-actively managing costs down to enable competitive pricing
- Intensifying marketing activities
- Diversifying distribution coverage

Strategic shift to connected lighting systems in Professional and Home driving growth

- Be the first-to-market with breakthrough applications and services
- Build the largest connected installed base

Actively drive down indirect costs in HR, IT, Finance, sellex, restructuring

Drive cash flows through disciplined management of working capital, real estate and restructuring costs



Notes

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