



Signify Annual General Meeting of Shareholders

Presentation by CEO Eric Rondolat

May 17, 2022 – Eindhoven, The Netherlands

Good afternoon, ladies and gentlemen. It's a pleasure to speak to you today.

Let me start by looking back at 2021.

The relentless focus on executing our strategy enabled us to deliver on all our objectives for 2021, in an external environment that was even more challenging than in 2020.

The fundamentals of our business are stronger than ever, driven by a growing need for energy-efficient and digital lighting technologies.

We grew our LED-based sales to 83% and increased our installed base of connected light points to 96 million globally.

Comparable sales growth was 3.8%, driven by our digital divisions, despite global component shortages and logistics challenges that made it harder to meet high demand.

Further cost optimizations reduced our adjusted indirect costs to 29.6% of sales. This was a decline of 90 basis points year-on-year.

Our adjusted EBITA margin increased by 90 basis points to 11.6%, driven by the strong performance of our two digital divisions. This was achieved despite significant cost increases in raw materials, components and logistics.

Once again, we had solid free cash flow performance of 614 million euros, representing 8.9% of sales.

We completed the first year of our Brighter Lives, Better World 2025 sustainability program.

And we enhanced our growth profile with the acquisitions of Telensa and Fluence.

Let's focus now on our commitment to sustainability.

In 2021, we further built on previous achievements:

- Our operations worldwide were carbon-neutral and used 100% renewable electricity
- More than 60% of our revenues were Climate action revenues



- We sent zero waste to landfill
- 7.2 million lives were lit through the Signify Foundation
- We had an even more safe & healthy workplace, with a Total Recordable Case rate of 0.17
- Our supplier sustainability performance rate was 98%

In 2020, we launched our Brighter Lives, Better World 2025 sustainability program, with the objective to double our positive impact on the environment and society. By the end of 2021, we had made substantial progress.

We expanded our commitment to carbon neutrality and are on track to deliver against our ambitious goal of doubling the pace of the Paris Agreement's 1.5° scenario by the end of 2025.

Last year, more than 20% of our revenues came from circular products, systems or services. More than a quarter of our revenues were Brighter lives revenues. That means revenues from lighting innovations that increase food availability, safety and security, or health and well-being.

At the same time, we increased the percentage of women in leadership to 25%, bringing us closer to our target of 34% by 2025.

Our sustainability commitment and performance were recognized externally. We came top of the DJSI World Index and were ranked in the top 1% of our industry by Sustainalytics. And we remained on the CDP A-List, where we have been since 2017.

Let's take a deeper look now at how we continued to execute our 5 Frontiers strategy.

Although the external environment was severely disrupted by the pandemic and global supply chain challenges, we made significant achievements on all our 5 strategic frontiers in 2021.

We made further progress in building a truly **customer-centric organization**. Our customer Net Promoter Score improved by 3 points to 44 globally. This was largely driven by significant growth in the Americas, where NPS increased by 10 points.

We are delivering **differentiated offerings**.

We invested 4.1% of our sales in R&D last year.

We launched additional brands to cover the various segments of the market.

We launched our unique ultra-efficient LED lamp, which consumes 60% less energy than a standard Philips LED lamp, and has a lifespan of 50,000 hours.

We are driving to help address the world's greatest sustainability challenges: climate action, circular economy, food availability, safety & security, and health & well-being.



As we drive **growth for sustainability**, our connected lighting sales grew by 21% to 1.4 billion euros.

Revenues from our Growth Platforms – that is, Agriculture, Solar, UV-C and 3D Printing – grew by 19% to 326 million euros.

We continue to **digitalize and transform** for the future. We are improving our digital front-end and back-end, and increasing our data analytics capabilities, so we can better serve our customers.

In 2021, digital sales via our B2C channels increased by 53.6%. And we launched our Digital Academy for employees, to elevate our existing talent pool with the skills needed to drive further growth.

Last year, we invested further in **our people** to create a diverse and inclusive workplace, and to deepen our digital and commercial competencies.

Our Employee Net Promoter Score was 32 in 2021, with more than 80% of staff participating in our survey.

More than 80% of our leadership positions were staffed internally, which confirms our strong internal succession pipeline.

And through the continued COVID-19 pandemic, we kept employees safe with strong safety protocols. This included installing our own UV-C disinfection lighting in 138 Signify locations.

Let's look briefly now at the highlights of where our strategic journey has brought us so far.

We are the world leader in conventional, LED and connected lighting. We provide high quality and efficient light sources, luminaires, systems and services.

We achieved 6.9 billion euros of sales in 2021. We employ 37,000 people in 74 countries.

And we are 100% carbon-neutral in our operations worldwide.

Our company has achieved a major transition in the past decade.

In 2012, we generated just 22% percent of our sales from LED-based activities. By the end of 2021, this had increased to 83%.

A growing number of those were connected. Connected-based sales represented 20% of total Signify sales including Cooper Lighting.



At the same time, we increased our Adjusted EBITA margin to 11.6% by 2021. Our margin has steadily improved year-on-year, for 9 consecutive years, while we transformed Signify.

Let me now talk you through our performance in the first three months of this year.

We reported first-quarter sales of 1.8 billion euros, comparable sales growth of 6.4%, and an operational profitability of 10.5%.

We increased the installed base of connected light points from 96 million in fourth-quarter 2021 to 100 million in first-quarter 2022. LED-based sales represented 84% of our total sales in Q1.

Our main priority in the first quarter was to safeguard and support our Ukrainian employees and their families to the best extent possible. Investments in Russia were stopped and all new business was paused since February 25th. We were also impacted by the return of lockdowns in China towards the end of the quarter.

Throughout these challenging conditions, Signify continued to see strong momentum in the professional channel in the US and in most of the other geographies. Global supply chain disruptions, which brought longer supplier lead times and higher levels of inventory, have negatively affected our cash flow. We expect this to positively readjust as the year progresses.

A few more words now on the outlook for full-year 2022.

Following the solid performance in the first quarter, the strong order intake and the continued momentum in the professional segment, we maintain our guidance for 2022. This assumes that the Chinese market and global supply chain dynamics do not deteriorate further. Our guidance is:

- Comparable sales growth in the range of 3-6%.
- Continued Adjusted EBITA margin improvement of up to 50 basis points.
- Free cash flow to exceed 8% of sales.

Now I'd like to talk a bit more about our **Connected Lighting Systems and Growth platforms**. Last year our Connected lighting sales grew by 21% on a nominal basis. Our Growth platforms' nominal sales grew by 19% and accounted for 25% of our global sales.

Our Professional connected lighting systems support both **Climate Action** and **Safety & security**. For example, we worked with the German city of Herzogenaurach to connect its 3,200 light points, creating optimal safety conditions and generating energy savings.



Our solar-powered solutions also address **Climate Action and Safety & security**. We brought solar-powered and hybrid street lighting to 10 municipalities in Veneto, Italy, enhancing the safety of citizens while supporting Italy's transition to renewable energy.

Our 3-D printing proposition tackles resource scarcity **to make the economy more circular**. We have now sold three-quarters of a million 3D-printed luminaires made from 100% recyclable polycarbonate. Last year we installed almost 9,000 3D-printed downlights and retrofitted over 14,000 luminaires to LEDs at El Dorado International Airport in Colombia.

Our horticulture lighting solutions help address **Food availability** and are used by growers around the world. For example, Ljusgårda, a Swedish vertical farm, has expanded its cultivation area and improved quality and yields using our Philips GreenPower LED production modules and Philips GrowWise control system.

Health and wellbeing is at the forefront of many people's minds. Last year, we introduced 17 new Hue products and 20 WiZ products, which allow consumers to create lighting environments that support their day-to-day rhythm.

Our UV-C solutions also support **health & wellbeing**. With the recognition that Covid-19 is transferred mostly through air, we added several air disinfection products to our UV-C portfolio, contributing to the fight against the pandemic. Our air disinfection products were used for example in schools in Germany, restaurants in Taiwan, and theaters in the Netherlands.

Before I close, I'd like to draw your attention to the great work done by the **Signify Foundation**. The foundation is an independent NGO funded by Signify. It exists to enable underserved communities to access the benefits of sustainable lighting solutions.

The foundation focuses on 3 key areas:

First: **Lighting lives** by supporting a range of sustainable projects.

The foundation has enabled access to sustainable lighting technology for 7.2 million people globally since it began operating in 2017. We are on track towards our target of lighting 10 million lives by the end of 2025.

Second: Supporting **entrepreneurs** with training and knowledge programs.

Since its inception, the foundation has supported more than 11,000 local lighting entrepreneurs, building their competencies to enable community development.

And third: Lighting to help relieve **humanitarian** crises.

The foundation donated 11,000 portable solar lamps for vulnerable groups in locations throughout Syria during 2020 and 2021, and is currently working on a follow-up donation to meet the growing needs there.



Signify has committed more than one million euros in cash and in goods for the Signify Foundation to provide immediate relief and medium-term developmental support for Ukraine. So far, this work includes donating almost 30,000 solar lights to UNHCR and Global Medic. We are also in the process of delivering UV-C disinfection solutions to hospitals in Ukraine.

All this again shows our commitment to unlocking the extraordinary potential of light for brighter lives and a better world.

In closing, on behalf of the Board of Management and the Leadership Team, I'd like to extend my thanks to all our employees, for their commitment and dedication over the past year. We are grateful to our customers for their continued trust, and to our shareholders for their confidence and support, especially as we navigate these challenging circumstances.

Everything we achieved last year came amid the continuing pandemic and in spite of severe supply chain challenges. That is a tribute to our people and to our unity as a company.

Thank you.