Press Release

January 29, 2021

Signify reports full year 2020 sales of EUR 6.5 billion, an Adj. EBITA margin of 10.7% and a free cash flow of EUR 817 million

Fourth quarter 2020[1]

- Sales of EUR 1,878 million; 7.4% nominal sales growth and CSG of -5.9%
- Adj. indirect costs down EUR 18 million, or -3.9% excl. FX effects, changes in scope[2] and provisions for the reimbursement of employee contributions
- Adj. EBITA margin improved by 20 bps to 13.4%
- Net income increased by 39.4% to EUR 137 million
- Free cash flow of EUR 332 million (Q4 19: EUR 308 million)

Full year 2020

- Signify's installed base of connected light points increased from 56 million at YE 19[3] to 77 million at YE 20
- Sales of EUR 6,502 million, nominal sales growth of 4.1% and CSG of -12.7%
- LED-based sales represented 80% of total sales (FY 19: 79%[4])
- Adj. indirect costs down EUR 166 million, or -9.1% excl. FX effects and changes in scope[2]
- Adj. EBITA grew by 7.2% to EUR 695 million
- Adj. EBITA margin improved by 30 bps to 10.7%
- Net income increased by 25.4% to EUR 335 million (FY 19: EUR 267 million)
- Free cash flow amounted to EUR 817 million (FY 19: EUR 529 million), representing 12.6% of sales
- Net debt position of 1,275 million at year-end 2020 with a net debt/EBITDA ratio of 1.7x
- Cooper Lighting and Klite integration and synergies ahead of plan
- Successful completion of Brighter Lives, Better World 2020 sustainability program and achievement of carbon neutrality for all operations across the world

Dividend

- Proposal to pay extraordinary cash dividend of 1.35 per share, announced on January 13, 2021
- Proposal to pay regular cash dividend of EUR 1.40 per share over 2020

Eindhoven, the Netherlands – Signify (Euronext: LIGHT), the world leader in lighting, today announced the company's 2020 full year results.

"While our industry was severely impacted by the pandemic, we managed to strengthen our financial performance. Our gross margin increased due to rigorous price and cost management, resulting in our seventh consecutive year of Adjusted EBITA margin improvement. From the start of the crisis, we were disciplined in working capital management, allowing us to generate a record-high free cash flow of EUR 817 million. As per our strategy, the contribution from our digital divisions increased substantially in 2020. In line with our governance principles, we decided to pay back both our employees and our shareholders, who have supported us since the beginning of the crisis. At the same time, we confirmed a continued deleveraging commitment. It was also a year in which we increased the installed base of connected light points to 77 million, illustrating the growing interest for connected lighting. Lastly, we overachieved on our 2020 sustainability goals, including carbon neutrality," said CEO Eric Rondolat.

[1]This press release contains certain non-IFRS financial measures and ratios, such as comparable sales growth, EBITA, adjusted EBITA and free cash flow, and related ratios, which are not recognized measures of financial performance or liquidity under IFRS. For a reconciliation of these non-IFRS financial measures to the most directly comparable IFRS financial measures, see appendix B, Reconciliation of non-IFRS financial measures, of this press release.
[2]Changes in scope relate to the consolidation of Cooper Lighting and Klite.
[3]2019 includes pro-forma Cooper Lighting and WiZ.
[4]2019 includes pro-forma Cooper Lighting.

"The ongoing nature of the pandemic means we remain cautious about market developments in 2021 but we are confident in our ability to further adapt, as demonstrated throughout 2020. As outlined during our Capital Markets Day in December, we are optimizing our costs in several ways to enhance our competitiveness in a rapidly transforming Lighting industry. We are making our central organization leaner in order to reduce our indirect costs as a percentage of sales, which have increased due to the COVID-19 pandemic. Regrettably, these changes will result in a number of positions being lost and we will support impacted employees. At the same time, we will continue to innovate and develop our growth platforms to capture new business opportunities in line with our strategy. I see the further integrations of Cooper and Klite positively impacting our performance. 2021 is also the first year of our new sustainability program and marks a great opportunity to embark on the exciting journey to double our positive impact on the environment and society in the next five years."

Environment, Society & Governance

Sustainability is central to Signify's strategy. It is the company's purpose to unlock the extraordinary potential of light for brighter lives and a better world. In 2020, Signify successfully completed its Brighter Lives, Better World 2020 sustainability program, even outperforming on many of its ambitious commitments.

Sustainable revenues:

- 84.1% of revenues from a portfolio of sustainable products, systems and services, exceeding the 2020 target of 80%
- 2.9 billion LED lamps and luminaires delivered since 2015 compared to a target of more than 2 billion

Sustainable operations:

- Carbon neutrality for all operations across the world
- Usage of 100% renewable electricity
- Zero waste to landfill across all manufacturing sites
- Best-ever safety performance (Total Recordable Case rate of 0.22, target <0.35)
- 99% performance rate in supplier sustainability (target 90%)
- Lit the lives of 5 million people through expansion of solar lighting

In September 2020, Signify embarked on a course to have doubled its positive impact on the environment and society in 2025 with the following ambitions:

- Double the pace at which we achieve the 1.5 C scenario of the Paris Agreement
- Double our Circular revenues to 32%
- Double our Brighter Lives revenues to 32%
- Double our % of women in leadership to 34%

Signify's commitment is recognized in the Dow Jones Sustainability World Index and the CDP A-List for Climate.

Outlook

Signify is committed to the following medium-term guidance for the period 2021-2023:

- Yearly comparable sales growth of 0% to 5%
- Adj. EBITA margin of 11% to 13% in 2023
- Free cash flow above 8% of sales for the period 2021-2023
- ROCE of at least 11% for the period 2021-2023

For 2021, Signify expects positive comparable sales growth, the level of which will depend on the recovery pattern in its markets. In addition, the company expects to continue its steady progress towards its medium-term Adj. EBITA margin objective. Cash flow, following two years of significant structural working capital improvements, is expected to exceed 8% of sales. As guided for the mid-term, this includes a higher initial cash outflow for cost restructuring and continued post-merger integration activities.

Capital allocation

Signify remains focused on maintaining a robust capital structure and is committed to an investment grade rating. The company plans to pay an increasing annual dividend per share in cash year-on-year and will continue to prioritize deleveraging to strengthen its balance sheet and return to a leverage ratio of reported net debt/ EBITDA of less than 1x by the end of 2022. Signify will also continue to invest in R&D and other growth opportunities, while pursuing selective M&A opportunities in line with its strategic priorities.

In line with its commitment to its shareholders, Signify proposes to declare a cash dividend of EUR 1.40 per share for 2020. This is in addition to the previously proposed extraordinary cash dividend of EUR 1.35 per share, announced on January 13, 2021. The amount of extraordinary dividend is in line with the dividend proposal of EUR 1.35 for 2019, which was withdrawn to ensure the company's resilience and to strengthen its financial position during the COVID-19 crisis. Both dividend proposals will be subject to approval at the Annual General Meeting of Shareholders (AGM) to be held on May 18, 2021. Further details will be provided in the agenda for the AGM.

In addition to this, the company announced on January 13, 2021, that it intends to repay a minimum of EUR 350 million of debt in 2021, thereby confirming its commitment to further deleverage.

Financial review

Fourth quarter				Twelve months		
2019	2020	change	*in millions of EUR, except percentages*	2019	2020*	change
		-5.9%	**Comparable sales growth**			**-12.7%**
		-4.8%	*Effects of currency movements*			*-2.2%*
		18.0%	*Consolidation and other changes*			*19.0%*
1,750	**1,878**	7.4%	**Sales**	**6,247**	**6,502**	4.1%
661	755	14.2%	Adjusted gross margin	2,360	2,556	8.3%
37.8%	**40.2%**		**Adj. gross margin (as % of sales)**	**37.8%**	**39.3%**	
-389	-458		Adj. SG&A expenses	-1,544	-1,695	
-68	-76		Adj. R&D expenses	-270	-287	
-457	-534	-16.7%	Adj. indirect costs	-1,813	-1,982	-9.3%
26.1%	**28.4%**		**Adj. indirect costs (as % of sales)**	**29.0%**	**30.5%**	
232	251	8.3%	Adjusted EBITA	648	695	7.2%
13.2%	**13.4%**		**Adjusted EBITA margin**	**10.4%**	**10.7%**	
-67	-66		Adjusted items	-148	-159	
164	185	12.8%	EBITA	500	536	7.1%
138	**155**	**11.8%**	**Income from operations (EBIT)**	**401**	**416**	**3.6%**
-11	-12		Net financial income/expense	-43	-54	
-29	-6		Income tax expense	-93	-27	
98	**137**	**39.4%**	**Net income**	**267**	**335**	**25.4%**
308	332		Free cash flow	529	817	
0.74	1.05		Basic EPS (€)	2.08	2.58	
32,005	37,926		Employees (FTE)	32,005	37,926	

** For comparability purposes please note that FY 2020 includes only 10 months of Cooper Lighting performance*

Fourth quarter
Sales amounted to EUR 1,878 million, a nominal increase of 7.4%. Adjusted for 18.0% changes in consolidation and other changes and 4.8% negative currency effects, comparable sales decreased by 5.9%. LED-based sales accounted for 82% of total sales. The adjusted gross margin increased by 240 bps to 40.2% largely driven by a robust performance in the connected home category, rigorous price management, procurement savings and the consolidation of Cooper Lighting. The adjusted indirect costs increased by EUR 77 million. Excluding currency effects, changes in scope, and provisions for the reimbursement of solidarity contributions to its employees, the adjusted indirect costs decreased by EUR 18 million, or -3.9%. Adjusted EBITA amounted to EUR 251 million, an 8.3% increase compared to the same period last year. The Adjusted EBITA margin improved by 20 bps to 13.4%, mainly driven by gross margin improvement.

Total restructuring costs were EUR 43 million and acquisition-related charges and other incidentals were EUR 22 million. Net income increased from EUR 98 million last year to EUR 137 million in Q4 20, driven by higher EBIT and lower income tax expense due to a one-time non-cash tax benefit resulting from the revaluation of deferred tax assets. Free cash flow amounted to EUR 332 million, reflecting profitability improvements and structural working capital improvement.

Full year
Sales amounted to EUR 6,502 million, a nominal increase of 4.1%. Adjusted for 19.0% changes in consolidation and other changes and 2.2% negative currency effects, comparable sales decreased by 12.7%. LED-based sales represented 80% of sales compared with 79% in 2019. Adjusted gross margin improved by 150 bps to 39.3%, driven by the consolidation of Cooper Lighting, a strong performance in connected home lighting and rigorous price and cost management. Adjusted indirect costs increased by EUR 169 million, or 150 bps as a percentage of sales. Excluding currency effects and changes in scope, adjusted indirect costs decreased by EUR 166 million, as a result of continued implementation of cost reduction initiatives. Adjusted EBITA amounted to EUR 695 million compared with EUR 648 million last year and was negatively impacted by EUR 38 million of currency effects. The Adjusted EBITA margin improved by 30 bps to 10.7%, including an adverse currency effect of 30 bps. This improvement was mainly driven by Digital Products and Digital Solutions, as both divisions are maturing their profit margin profile.

Total restructuring costs were EUR 83 million, acquisition-related charges were EUR 63 million and incidental items were EUR 13 million. Net income was EUR 335 million compared with EUR 267 million last year, largely driven by lower income tax expense, primarily due to a one-time non-cash tax benefit from changes in the organizational structure as well as from the revaluation of deferred tax assets. Free cash flow amounted to EUR 817 million compared with EUR 529 million last year, largely driven by a second year of structural working capital improvement and lower restructuring payout. Free cash flow was 12.6% of sales in 2020.

Digital Solutions

Fourth quarter				Twelve months		
2019	2020	change	*in millions of EUR, unless otherwise indicated*	2019	2020*	change
		-10.2%	Comparable sales growth			-14.4%
720	917	27.3%	Sales	2,649	3,252	22.8%
92	105	15.1%	Adjusted EBITA	265	330	24.6%
12.7%	11.5%		Adjusted EBITA margin	10.0%	10.2%	
71	75	4.9%	EBITA	222	230	3.5%
49	47	-4.1%	Income from operations (EBIT)	133	119	-10.4%

** For comparability purposes please note that FY 2020 includes only 10 months of Cooper Lighting performance*

Fourth quarter
Sales amounted to EUR 917 million, a nominal increase of 27.3%, as a result of the consolidation of Cooper Lighting, while comparable sales declined by 10.2%, reflecting the continued market weakness, particularly in the Americas, parts of Europe and Southeast Asia. LED-based sales accounted for 89% of total sales including Cooper Lighting. Connected-based sales represented 22% of total sales excluding Cooper Lighting. Adjusted EBITA amounted to EUR 105 million, resulting in an Adjusted EBITA margin of 11.5%.

Full year
Sales amounted to EUR 3,252 million, a nominal increase of 22.8%, as a result of the consolidation of Cooper Lighting. Comparable sales declined by 14.4% due to the impact of the COVID-19 pandemic. LED-based sales accounted for 91% of total sales including Cooper Lighting. Connected-based sales represented 22% of total sales excluding Cooper Lighting. Adjusted EBITA amounted to EUR 330 million. The Adjusted EBITA margin improved by 20 bps to 10.2%, with a positive impact from the consolidation of Cooper Lighting as well as synergy realization.

Digital Products

Fourth quarter				Twelve months		
2019	2020	change	*in millions of EUR, unless otherwise indicated*	2019	2020	change
		2.5%	Comparable sales growth			-8.3%
731	711	-2.8%	Sales	2,412	2,288	-5.1%
115	128	11.0%	Adjusted EBITA	260	295	13.4%
15.7%	18.0%		Adjusted EBITA margin	10.8%	12.9%	
104	122	17.9%	EBITA	222	277	24.8%
101	121	19.1%	Income from operations (EBIT)	215	269	25.3%

Fourth quarter
Sales amounted to EUR 711 million, a nominal decrease of 2.8%. On a comparable basis, sales improved by 2.5%, with a robust performance particularly in the connected home category. Connected-based sales represented 30% of total sales. Adjusted EBITA amounted to EUR 128 million, resulting in an improvement in the Adjusted EBITA margin of 230 bps to 18.0%, mainly driven by positive mix impact from higher connected home sales, solid price management and procurement savings.

Full year
Sales amounted to EUR 2,288 million, a decrease of 8.3% on a comparable basis. Overall, sales in the consumer channel have shown a solid performance in weak market conditions, specifically online sales. Connected-based sales represented 21% of total sales. Adjusted EBITA amounted to EUR 295 million. The Adjusted EBITA margin improved by 210 bps to 12.9%, a sign of Digital Products maturing its profit margin profile.

Conventional Products

Fourth quarter				Twelve months		
2019	2020	change	*in millions of EUR, unless otherwise indicated*	2019	2020	change
		-11.6%	Comparable sales growth			-16.5%
290	242	-16.7%	Sales	1,159	943	-18.7%
50	46	-8.9%	Adjusted EBITA	222	170	-23.7%
17.3%	18.9%		Adjusted EBITA margin	19.2%	18.0%	
17	30	80.8%	EBITA	168	149	-11.4%
17	30	80.8%	Income from operations (EBIT)	168	149	-11.2%

Fourth quarter
Sales amounted to EUR 242 million, a comparable decrease of 11.6%. Despite the impact of the pandemic, Conventional Products showed a solid performance mainly as a result of strong demand for UV-C and horticulture lighting. The division continues to deliver on its ‘last company standing’ strategy, which resulted in further market share gains and solid free cash flow generation. The Adjusted EBITA margin improved by 160 bps to 18.9%, driven by adjusted indirect cost savings and higher productivity, offsetting lower volume.

Full year
Sales amounted to EUR 943 million, a comparable decrease of 16.5%. The Adjusted EBITA margin decreased by 120 bps to 18.0%, mainly due to lower volume.

Other

Fourth quarter
'Other' represents amounts not allocated to the operating segments and includes certain costs related both to central R&D activities to drive innovation and to group enabling functions. Adjusted EBITA amounted to EUR -28 million (Q4 19: EUR -26 million). EBITA amounted to EUR -42 million (Q4 19: EUR -28 million). Restructuring costs and other incidentals were EUR -14 million (Q4 19: EUR -2 million) during the quarter.

Full year
Adjusted EBITA amounted to EUR -100 million in 2020 (2019: EUR -100 million). EBITA amounted to EUR -120 million (2019: EUR -112 million), including restructuring costs and other incidentals of EUR -20 million (2019: EUR -13 million).

Sales by market

Fourth quarter					Twelve months			
2019	2020	Change	CSG	*in millions of EUR, except percentages*	2019	2020	change	CSG
652	630	-3.5%	-1.8%	Europe	2,238	2,060	-7.9%	-6.8%
452	656	44.9%	-11.5%	Americas	1,747	2,414	38.1%	-15.9%
500	450	-9.9%	-3.9%	Rest of the World	1,855	1,500	-19.1%	-16.3%
145	143	-1.6%	0.3%	Global businesses	406	528	29.8%	-7.3%
1,750	**1,878**	**7.4%**	**-5.9%**	**Total**	**6,247**	**6,502**	**4.1%**	**-12.7%**

In 2020 Americas includes Cooper Lighting and Global businesses includes Klite

Fourth quarter
Europe saw a sequential recovery with a comparable sales decline of 1.8%, with positive developments in the Benelux, Nordics and Germany. In the Rest of the World, China and the Middle East show signs of recovery, despite continued softness in India, Indonesia and Southeast Asia. Americas experienced continued challenging market conditions with a comparable sales decline of 11.5%.

Full year
Comparable sales in Europe decreased by 6.8%, reflecting challenging market conditions, particularly in France, the UK, Spain and Italy. Comparable sales in Americas decreased by 15.9% with a negative impact from all markets. In the Rest of the World, comparable sales declined by 16.3%, particularly due to China, India, Southeast Asia and Indonesia.

Working capital

in millions of EUR, unless otherwise indicated	31 Dec, 2019	30 Sep, 2020	31 Dec, 2020
Inventories	874	1,000	885
Trade and other receivables	1,223	1,155	1,140
Trade and other payables	(1,684)	(1,749)	(1,731)
Other working capital items	(25)	37	19
Working capital	**388**	**443**	**313**
As % of LTM* sales	6.2%	7.0%	4.8%

* *LTM: Last Twelve Months*

Fourth quarter
In the fourth quarter, working capital decreased by EUR 130 million to EUR 313 million, representing 4.8% of sales, mainly driven by seasonally lower inventories.

Full year
Working capital decreased by EUR 75 million to EUR 313 million year-on-year, reflecting structural changes in receivables and other working capital items, and higher payables, notwithstanding the addition of Cooper Lighting's working capital. Working capital represented 4.8% of sales at the end of December 2020, compared with 6.2% at the end of December 2019. Working capital improved by 130 bps to 4.7% of sales when including pro-forma last twelve-months sales for both Cooper Lighting and Klite.

Cash flow analysis

Fourth quarter			Twelve months	
2019	2020	*in millions of EUR*	2019	2020
138	155	Income from operations (EBIT)	401	416
77	86	Depreciation and amortization	288	332
65	75	Additions to (releases of) provisions	178	172
-69	-59	Utilizations of provisions	-246	-197
152	119	Change in working capital	110	239
-4	-6	Net interest and financing costs paid	-17	-33
-26	-23	Income taxes paid	-90	-73
-26	-27	Net capex	-70	-75
1	13	Other	-26	37
308	**332**	Free cash flow	**529**	**817**

Fourth quarter
Free cash flow amounted to EUR 332 million, as a result of higher income from operations and structural working capital improvement. Free cash flow included a restructuring payout of EUR 10 million (Q4 19: EUR 25 million).

Full year
Free cash flow amounted to EUR 817 million, or 12.6% of sales, an increase of EUR 288 million compared with 2019. The improvement in free cash flow is largely driven by a second year of structural working capital improvement and lower restructuring payout.

In millions of EUR	Free cash flow	
	FY 2019	FY 2020
Digital Solutions	319	436
Digital Products	240	406
Conventional Products	222	188
Other*	-252	-213
Signify total	**529**	**817**

** Non-allocated free cash flow items (e.g. tax, interest)*

In 2020, the free cash flow of Digital Solutions and Digital Products combined accounted for 82% of company free cash flow excluding 'other', which shows the maturing cash profiles of Digital Solutions and Digital Products and the lower dependency on Conventional Products. Free cash flow of Digital Solutions significantly increased by EUR 117 million to EUR 436 million. Free cash flow of Digital Products almost doubled to EUR 406 million, an increase of EUR 166 million over last year. In Conventional Products, free cash flow remained robust at EUR 188 million, a decrease of EUR 34 million over last year.

Net debt and total equity

in millions of EUR	31 Dec, 2019	30 Sep, 2020	31 Dec, 2020
Short-term debt	96	100	86
Long-term debt	1,369	2,251	2,221
Gross debt	1,465	2,351	2,307
Cash and cash equivalents	847	762	1,033
Net debt	**618**	**1,589**	**1,275**
Total equity	**2,324**	**2,295**	**2,321**

Fourth quarter

Our cash position increased by EUR 271 million to EUR 1,033 million compared with the end of September 2020. Net debt amounted to EUR 1,275 million, a decrease of EUR 314 million compared with the end of September 2020. Net leverage reduced from 2.2x at the end of September 2020 to 1.7x at the end of December 2020, which is in line with our deleveraging strategy. Total equity increased to EUR 2,321 million at the end of Q4 (Q3 20: EUR 2,295 million), primarily due to net income and adjustments in pension positions recognized in equity, offset by currency translation results.

Full year

Compared with the end of 2019, net debt increased by EUR 657 million to EUR 1,275 million, mainly due to an increase in long-term debt related to the acquisition of Cooper Lighting, partly offset by an increase in the cash position. Total equity remained broadly stable at EUR 2,321 million at the end of 2020 (2019: EUR 2,324 million), as the impact of currency translation results and the purchase of treasury shares for employee long term incentive plans were offset by net income.

Other information

Appendix A – Selection of financial statements
Appendix B – Reconciliation of non-IFRS financial measures
Appendix C – Financial Glossary

Conference call and audio webcast
Eric Rondolat (CEO) and Javier van Engelen (CFO) will host a conference call for analysts and institutional investors at 9:00 a.m. CET to discuss the fourth quarter and full year 2020 results. A live audio webcast of the conference call will be available via the Investor Relations website.

Financial calendar 2021

February 23, 2021	Annual Report publication
April 30, 2021	First quarter results 2021
May 18, 2021	Annual General Meeting
May 20, 2021	Ex-dividend date
May 21, 2021	Dividend record date
June 1, 2021	Dividend payment date
July 23, 2021	Second quarter results 2021
October 29, 2021	Third quarter results 2021

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About Signify
Signify (Euronext: LIGHT) is the world leader in lighting for professionals and consumers and lighting for the Internet of Things. Our Philips products, Interact connected lighting systems and data-enabled services, deliver business value and transform life in homes, buildings and public spaces. With 2020 sales of EUR 6.5 billion, we have approximately 38,000 employees and are present in over 70 countries. We unlock the extraordinary potential of light for brighter lives and a better world. We achieved carbon neutrality in 2020, have been in the Dow Jones Sustainability World Index since our IPO for four consecutive years and were named Industry Leader in 2017, 2018 and 2019. News from Signify is located at the Newsroom, Twitter, LinkedIn and Instagram. Information for investors can be found on the Investor Relations page.

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 COVID-19, 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. Please see "Risk Factors and Risk Management" in Chapter 12 of the Annual Report 2019 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 2019.

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 Measures

Certain parts of this document contain non-IFRS financial measures and ratios, such as comparable sales growth, adjusted gross margin, EBITA, adjusted EBITA, 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 2019.

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 2019 and semi-annual report 2020.

Change in reporting segments

Effective Q2 2020, to further adapt to the industry transition and strengthen customer centricity, Signify changed the organizational structure, which included changing the previously four business groups (BG's) to three divisions.

- **Division Digital Solutions** (formerly BG Professional, including Cooper Lighting Solutions) offers luminaires, lighting systems and services for the Internet of Things to the customers in the professional segment;
- **Division Digital Products** (combines BG LED and BG Home). This division offers LED lamps, LED luminaires and connected products, including Hue and Wiz, and LED electronics to professional customers, OEM partners and consumers. By bringing together its entire consumer LED portfolio, Signify can better manage this lighting category for its channel partners; and

- **Division Conventional Products** (formerly BG Lamps) continues to focus on conventional lamps and electronics for professional customers, OEM partners and consumers. It is organized separately to bring a clear distinction between conventional and digital offerings.

In line with this change, effective Q2 2020, Signify's operating segments are Digital Solutions, Digital Products, and Conventional Products. The segments are organized based on the nature of the products and services. 'Other' represents amounts not allocated to the operating segments and includes certain costs related to central R&D activities to drive innovation as well as group enabling functions.

Market Abuse Regulation

This press release contains information within the meaning of Article 7(1) of the EU Market Abuse Regulation.

Appendix A – Financial statement information

A. Condensed consolidated statement of income

In millions of EUR unless otherwise stated

	Fourth quarter		January to December	
	2019	**2020**	**2019**	**2020**
Sales	1,750	1,878	6,247	6,502
Cost of sales	(1,121)	(1,148)	(3,940)	(4,004)
Gross margin	**629**	**730**	**2,307**	**2,499**
Selling, general and administrative expenses	(418)	(485)	(1,637)	(1,781)
Research and development expenses	(76)	(91)	(283)	(307)
Other business income	5	3	22	12
Other business expenses	(1)	(2)	(8)	(7)
Income from operations	**138**	**155**	**401**	**416**
Financial income	5	5	17	18
Financial expenses	(16)	(17)	(60)	(72)
Results relating to investments in associates	0	0	1	0
Income before taxes	**127**	**143**	**360**	**362**
Income tax expense	(29)	(6)	(93)	(27)
Net income	**98**	**137**	**267**	**335**
Attribution of net income for the period:				
Net income (loss) attributable to shareholders of Signify N.V.	93	132	262	325
Net income (loss) attributable to non-controlling interests	5	5	5	9
Earnings per ordinary share attributable to shareholders				
calculation (in thousands):				
Basic	125,937	125,577	126,028	126,223
Diluted	127,594	129,247	127,626	129,692
Net income attributable to shareholders per ordinary share in EUR:				
Basic	0.74	1.05	2.08	2.58
Diluted	0.73	1.02	2.06	2.51

Amounts may not add up due to rounding

B. Condensed consolidated statement of comprehensive income

In millions of EUR

	Fourth quarter		January to December	
	2019	**2020**	**2019**	**2020**
Net income (loss)	**98**	**137**	**267**	**335**
Pensions and other post-employment plans:				
Remeasurements	9	17	6	11
Income tax effect on remeasurements	(3)	(1)	(3)	(1)
Total of items that will not be reclassified to profit or loss	**6**	**16**	**4**	**11**
Currency translation differences:				
Net current period change, before tax	(53)	(143)	38	(395)
Income tax effect	—	—	(1)	—
Net investment hedge				
Net current period change, before tax	—	20	—	42
Income tax effect	—	1	—	1
Cash flow hedges:				
Net current period change, before tax	7	7	1	31
Income tax effect	(1)	(2)	1	(7)
Total of items that are or may be reclassified to profit or loss	**(47)**	**(118)**	**39**	**(328)**
Other comprehensive income (loss)	**(41)**	**(102)**	**42**	**(318)**
Total comprehensive income (loss)	**57**	**35**	**309**	**17**
Total comprehensive income (loss) attributable to:				
Shareholders of Signify N.V.	55	34	304	16
Non-controlling interests	3	1	6	1

Amounts may not add up due to rounding.

C. Condensed consolidated statement of financial position

In millions of EUR

	December 31, 2019	December 31, 2020
Non-current assets		
Property, plant and equipment	644	708
Goodwill	1,943	2,251
Intangible assets, other than goodwill	443	775
Investments in associates	14	12
Financial assets	49	55
Deferred tax assets	384	473
Other assets	64	60
Total non-current assets	**3,541**	**4,334**
Current assets		
Inventories	874	885
Financial assets	—	—
Other assets	161	171
Derivative financial assets	16	104
Income tax receivable	48	39
Trade and other receivables	1,223	1,140
Cash and cash equivalents	847	1,033
Assets classified as held for sale	4	3
Total current assets	**3,174**	**3,376**
Total assets	**6,715**	**7,710**
Equity		
Shareholders' equity	2,181	2,196
Non-controlling interests	142	124
Total equity	**2,324**	**2,321**
Non-current liabilities		
Debt	1,369	2,221
Post-employment benefits	437	390
Provisions	216	224
Deferred tax liabilities	28	22
Income tax payable	52	108
Other liabilities	135	159
Total non-current liabilities	**2,236**	**3,123**
Current liabilities		
Debt, including bank overdrafts	96	86
Derivative financial liabilities	20	44
Income tax payable	22	20
Trade and other payables	1,684	1,731
Provisions	149	172
Other liabilities	183	213
Liabilities from assets classified as held for sale	2	—
Total current liabilities	**2,155**	**2,266**
Total liabilities and total equity	**6,715**	**7,710**

Amounts may not add up due to rounding.

D. Condensed consolidated statement of cash flows

In millions of EUR

	Fourth quarter		January to December	
	2019	**2020**	**2019**	**2020**
Cash flows from operating activities				
Net income (loss)	98	137	267	335
Adjustments to reconcile net income (loss) to net cash provided by operating activities:	182	183	586	606
• Depreciation, amortization and impairment of non-financial assets	77	86	288	332
• Impairment (reversal) of goodwill, other non-current financial assets and investments in associates	—	—	—	—
• Net gain on sale of assets	(3)	—	(13)	(1)
• Net interest expense on debt, borrowings and other liabilities	4	7	15	31
• Income tax expense	29	6	93	27
• Additions to (releases of) provisions	59	70	154	152
• Additions to (releases of) post-employment benefits	6	4	24	20
• Other items	10	9	25	46
Decrease (increase) in working capital:	152	119	110	239
• Decrease (increase) in trade and other receivables	42	(4)	83	211
• Decrease (increase) in inventories	170	96	35	44
• Increase (decrease) in trade and other payables	(17)	28	21	(50)
• Increase (decrease) in other current assets and liabilities	(44)	(1)	(30)	35
Increase (decrease) in other non-current assets and liabilities	1	9	(11)	15
Utilizations of provisions	(56)	(48)	(189)	(162)
Utilizations of post-employment benefits	(13)	(11)	(57)	(35)
Net interest and financing costs paid	(4)	(6)	(17)	(33)
Income taxes paid	(26)	(23)	(90)	(73)
Net cash provided by (used for) operating activities	**334**	**359**	**599**	**891**
Cash flows from investing activities				
Net capital expenditures:	(26)	(27)	(70)	(75)
• Additions of intangible assets	(7)	(9)	(29)	(32)
• Capital expenditures on property, plant and equipment	(22)	(23)	(58)	(67)
• Proceeds from disposal of property, plant and equipment	4	4	16	25
Net proceeds from (cash used for) derivatives and other financial assets	6	26	5	(4)
Purchases of businesses, net of cash acquired	(71)	(17)	(95)	(1,303)
Proceeds from sale of businesses, net of cash disposed of	10	—	15	2
Net cash provided by (used for) investing activities	**(81)**	**(19)**	**(145)**	**(1,379)**
Cash flows from financing activities				
Dividend paid	—	(17)	(165)	(17)
Proceeds from issuance of debt	—	7	12	3,744
Repayment of debt	(31)	(34)	(127)	(2,932)
Purchase of treasury shares	—	—	(6)	(38)
Net cash provided by (used for) financing activities	**(31)**	**(44)**	**(286)**	**757**
Net cash flows	**223**	**297**	**168**	**269**
Effect of changes in exchange rates on cash and cash equivalents and bank overdrafts	(14)	(23)	7	(80)
Cash and cash equivalents and bank overdrafts at the beginning of the period[1]	631	756	664	840
Cash and cash equivalents and bank overdrafts at the end of the period[2]	**840**	**1,030**	**840**	**1,030**

1 *For Q4 2020 and Q4 2019, included bank overdrafts of EUR 6 million and EUR 7 million, respectively. For January to December of 2020 and 2019, included bank overdrafts of EUR 7 million and EUR 12 million, respectively.*

2 *Included bank overdrafts of EUR 3 million and EUR 7 million as at December 31, 2020 and 2019, respectively.*

Amounts may not add up due to rounding.

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Appendix B - Reconciliation of non-IFRS financial measures

Change in reporting segments

As indicated in the Important Information section, Signify changed its segment reporting in Q2 2020. The main change relates to combining BG LED and BG Home into division Digital Products. The comparatives 2019 in below tables have been updated to reflect the updated segment structure.

Sales growth composition per business in %

	Fourth quarter			
	Comparable growth	Currency effects	Consolidation and other changes	Nominal growth
2020 vs 2019				
Digital Solutions	(10.2)	(4.8)	42.3	27.3
Digital Products	2.5	(4.8)	(0.6)	(2.8)
Conventional Products	(11.6)	(4.9)	(0.2)	(16.7)
Total	**(5.9)**	**(4.8)**	**18.0**	**7.4**

	January to December			
	Comparable growth	Currency effects	Consolidation and other changes	Nominal growth
2020 vs 2019				
Digital Solutions	(14.4)	(2.1)	39.3	22.8
Digital Products	(8.3)	(2.3)	5.5	(5.1)
Conventional Products	(16.5)	(2.0)	(0.2)	(18.7)
Total	**(12.7)**	**(2.2)**	**19.0**	**4.1**

Sales growth composition per market in %

	Fourth quarter			
	Comparable growth	Currency effects	Consolidation and other changes	Nominal growth
2020 vs 2019				
Europe	(1.8)	(1.8)	0.2	(3.5)
Americas	(11.5)	(6.8)	63.2	44.9
Rest of the World	(3.9)	(6.1)	0.2	(9.9)
Global businesses	0.3	(2.6)	0.7	(1.6)
Total	**(5.9)**	**(4.8)**	**18.0**	**7.4**

	January to December			
	Comparable growth	Currency effects	Consolidation and other changes	Nominal growth
2020 vs 2019				
Europe	(6.8)	(1.0)	(0.2)	(7.9)
Americas	(15.9)	(2.7)	56.8	38.1
Rest of the World	(16.3)	(3.0)	0.1	(19.1)
Global businesses	(7.3)	(1.6)	38.8	29.8
Total	**(12.7)**	**(2.2)**	**19.0**	**4.1**

In 2020 Americas includes Cooper Lighting and Global businesses includes Klite
Amounts may not add up due to rounding.

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Adjusted EBITA to Income from operations (or EBIT) in millions of EUR

	Signify	Digital Solutions	Digital Products	Conventional Products	Other
Fourth quarter 2020					
Adjusted EBITA	251	105	128	46	(28)
Restructuring	(43)	(12)	(3)	(14)	(15)
Acquisition-related charges	(16)	(16)	—	—	—
Incidental items	(6)	(3)	(2)	(2)	1
EBITA	**185**	**75**	**122**	**30**	**(42)**
Amortization[1]	(30)	(28)	(2)	—	0
Income from operations (or EBIT)	**155**	**47**	**121**	**30**	**(43)**
Fourth quarter 2019					
Adjusted EBITA	232	92	115	50	(26)
Restructuring	(42)	(6)	(3)	(31)	(2)
Acquisition-related charges	(11)	(8)	(3)	—	—
Incidental items	(15)	(6)	(6)	(3)	—
EBITA	**164**	**71**	**104**	**17**	**(28)**
Amortization[1]	(26)	(23)	(3)	—	—
Income from operations (or EBIT)	**138**	**49**	**101**	**17**	**(28)**

[1] *Amortization and impairments of acquisition related intangible assets and goodwill.*

	Signify	Digital Solutions	Digital Products	Conventional Products	Other
January to December 2020					
Adjusted EBITA	695	330	295	170	(100)
Restructuring	(83)	(30)	(10)	(23)	(19)
Acquisition-related charges	(63)	(62)	(1)	—	—
Incidental items	(13)	(8)	(6)	3	(1)
EBITA	**536**	**230**	**277**	**149**	**(120)**
Amortization[1]	(120)	(111)	(8)	—	(1)
Income from operations (or EBIT)	**416**	**119**	**269**	**149**	**(122)**
January to December 2019					
Adjusted EBITA	648	265	260	222	(100)
Restructuring	(99)	(22)	(19)	(44)	(14)
Acquisition-related charges	(13)	(9)	(3)	—	—
Incidental items	(36)	(11)	(16)	(10)	1
EBITA	**500**	**222**	**222**	**168**	**(112)**
Amortization[1]	(99)	(90)	(7)	—	(2)
Income from operations (or EBIT)	**401**	**133**	**215**	**168**	**(114)**

[1] *Amortization and impairments of acquisition related intangible assets and goodwill.*

Amounts may not add up due to rounding.

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Fourth quarter 2020 Income from operations to Adjusted EBITA in millions of EUR

	Reported	Restructuring	Acquisition related charges	Incidental items[2]	Adjusted
Fourth quarter 2020					
Sales	1,878	—	—	—	1,878
Cost of sales	(1,148)	18	4	2	(1,124)
Gross margin	**730**	**18**	**4**	**2**	**755**
Selling, general and administrative expenses	(485)	9	13	5	(458)
Research and development expenses	(91)	15	—	—	(76)
Indirect costs[1]	**(577)**	**25**	**13**	**5**	**(534)**
Impairment of goodwill	—	—	—	—	—
Other business income	3	—	(1)	(1)	1
Other business expenses	(2)	—	—	—	(2)
Income from operations	**155**	**43**	**16**	**6**	**220**
Amortization	(30)	—	—	—	(30)
Income from operations excluding amortization (EBITA)	**185**	**43**	**16**	**6**	**251**
Fourth quarter 2019					
Sales	1,750	—	—	—	1,750
Cost of sales	(1,121)	31	2	(1)	(1,089)
Gross margin	**629**	**31**	**2**	**(1)**	**661**
Selling, general and administrative expenses	(418)	4	9	17	(389)
Research and development expenses	(76)	8	—	—	(68)
Indirect costs	**(494)**	**11**	**9**	**17**	**(457)**
Impairment of goodwill	—	—	—	—	—
Other business income	5	—	—	(1)	3
Other business expenses	(1)	—	—	—	(1)
Income from operations	**138**	**42**	**11**	**15**	**206**
Amortization	(26)	—	—	—	(26)
Income from operations excluding amortization (EBITA)	**164**	**42**	**11**	**15**	**232**

[1] *Adj. indirect costs included a positive currency impact of EUR 17 million and changes in scope of EUR 96 million in Q4 20. Adjusting for the currency and changes in scope, indirect costs reduced by EUR 3 million on a comparable basis. This indirect costs reduction includes provisions for the reimbursement of employee contributions.*

[2] *Incidental items are non-recurring by nature and relate to separation, company name change, transformation, environmental provision for inactive sites and discounting effect of long-term provisions.*

Amounts may not add up due to rounding.

January to December 2020 Income from operations to Adjusted EBITA in millions of EUR

	Reported	Restructuring	Acquisition related charges	Incidental items[2]	Adjusted
January to December 2020					
Sales	6,502	—	—	—	6,502
Cost of sales	(4,004)	41	21	(4)	(3,946)
Gross margin	**2,499**	**41**	**21**	**(4)**	**2,556**
Selling, general and administrative expenses	(1,781)	23	44	20	(1,695)
Research and development expenses	(307)	20	1	—	(287)
Indirect costs[1]	**(2,088)**	**42**	**45**	**20**	**(1,982)**
Impairment of goodwill	—	—	—	—	—
Other business income	12	—	(2)	(2)	8
Other business expenses	(7)	—	—	—	(7)
Income from operations	**416**	**83**	**63**	**13**	**575**
Amortization	(120)	—	—	—	(120)
Income from operations excluding amortization (EBITA)	**536**	**83**	**63**	**13**	**695**
January to December 2019					
Sales	6,247	—	—	—	6,247
Cost of sales	(3,940)	50	2	1	(3,887)
Gross margin	**2,307**	**50**	**2**	**1**	**2,360**
Selling, general and administrative expenses	(1,637)	36	11	47	(1,544)
Research and development expenses	(283)	13	—	—	(270)
Indirect costs	**(1,920)**	**50**	**11**	**47**	**(1,813)**
Impairment of goodwill	—	—	—	—	—
Other business income	22	—	—	(13)	9
Other business expenses	(8)	—	—	1	(7)
Income from operations	**401**	**99**	**13**	**36**	**549**
Amortization	(99)	—	—	—	(99)
Income from operations excluding amortization (EBITA)	**500**	**99**	**13**	**36**	**648**

1. *Adj. indirect costs incl*uded a positive currency impact of EUR 26 million and changes in scope of EUR 361 million in 2020. Adjusting for the currency and changes in scope, indirect costs reduced by EUR 166 million on a comparable basis.
2. *Incidental items are non-recurring by nature and relate to separation, company name change, transformation, environmental provision for inactive sites and discounting effect of long-term provisions.*

Amounts may not add up due to rounding.

Appendix C – Financial glossary

Acquisition-related charges
Costs that are directly triggered by the acquisition of a company, such as transaction costs, purchase accounting related costs and integration-related expenses

Adjusted EBITA
EBITA excluding restructuring costs, acquisition-related charges and other incidental charges

Adjusted EBITA margin
Adjusted EBITA divided by sales to third parties (excluding intersegment)

Adjusted gross margin
Gross margin, excluding restructuring costs, acquisition-related charges and other incidental items attributable to cost of sales

Adjusted indirect costs
Indirect costs, excluding restructuring costs, acquisition-related charges and other incidental items attributable to indirect costs

Adjusted R&D expenses
Research and development expenses, excluding restructuring costs, acquisition-related charges and other incidental items attributable to research and development expenses

Adjusted SG&A expenses
Selling, general and administrative expenses, excluding restructuring costs, acquisition-related charges and other incidental items attributable to selling, general and administrative expenses

Changes in scope
Consolidation effects related to acquisitions (mainly Cooper Lighting)

Comparable sales growth (CSG)
The period-on-period growth in sales excluding the effects of currency movements and changes in consolidation and other changes

EBIT
Income from operations

EBITA
Income from operations excluding amortization and impairment of acquisition related intangible assets and goodwill

EBITDA
Income from operations excluding depreciation, amortization and impairment of non-financial assets

Effects of changes in consolidation and other changes
In the event a business is acquired (or divested), the impact of the consolidation (or de-consolidation) on the Group's figures is included (or excluded) in the calculation of the comparable sales growth figures. Other changes include regulatory changes and changes originating from new accounting standards

Effects of currency movements
Calculated by translating the foreign currency financials of the previous period and the current period into euros at the same average exchange rates

Employees
Employees of Signify at period end expressed on a full-time equivalent (FTE) basis

Free cash flow
Net cash provided by operating activities minus net capital expenditures. Free cash flow includes interest paid and income taxes paid

Gross margin
Sales minus cost of sales

Incidental charges
Any item with an income statement impact (loss or gain) that is deemed to be both significant and not part of normal business activity. Other incidental items may extend over several quarters within the same financial year

Indirect costs
The sum of selling, general and administrative expenses and R&D expenses

Net capital expenditures
Additions of intangible assets, capital expenditures on property, plant and equipment and proceeds from disposal of property, plant and equipment

Net debt
Short-term debt, long-term debt minus cash and cash equivalents

Net leverage ratio
The ratio of consolidated reported net debt to consolidated reported EBITDA for the purpose of calculating the financial covenant

R&D expenses
Research and development expenses

Restructuring costs
The estimated costs of initiated reorganizations, the most significant of which have been approved by the group, and which generally involve the realignment of certain parts of the industrial and commercial organization

SG&A expenses
Selling, general and administrative expenses

Working capital
The sum of inventories, trade and other receivables, other current assets, derivative financial assets minus the sum of trade and other payables, derivative financial liabilities and other current liabilities