

# PHILIPS Lighting

## Press release

July 21, 2017

### **Philips Lighting reports second quarter sales of EUR 1.7 billion and operational profitability of 10.2%**

#### **Second quarter 2017 highlights**

- Sales of EUR 1,699 million, with a decline in comparable sales of 1.8%
- Total LED-based sales growth of 14%, now representing 63% of total sales (Q2 2016: 53%)
- Adjusted EBITA of EUR 174 million (Q2 2016: EUR 161 million)
- Adjusted EBITA margin of 10.2% (Q2 2016: 9.3%)
- Net income of EUR 73 million (Q2 2016: EUR 57 million)
- Free cash flow of EUR -27 million (Q2 2016: EUR 60 million)

#### **Half year 2017 highlights**

- Sales amounted to EUR 3,389 million, with a decline in comparable sales of 1.3%
- Total LED-based sales growth of 17%, now representing 62% of total sales (H1 2016: 52%)
- Adjusted EBITA of EUR 317 million (H1 2016: EUR 282 million)
- Adjusted EBITA margin of 9.4% (H1 2016: 8.2%)
- Net income of EUR 134 million (H1 2016: EUR 71 million)
- Free cash flow of EUR -26 million (H1 2016: EUR -18 million)

**Eindhoven, the Netherlands** - Philips Lighting (Euronext Amsterdam: LIGHT) today announced the company's 2017 second quarter results. "I am pleased that our LED, Professional and Home businesses posted solid operating margin increases, while Lamps maintained its high level of profitability," said CEO Eric Rondolat. "In the first half of the year, our growth profile improved and our profitability continued to increase. This demonstrates the successful implementation of our strategy and reinforces our confidence that we are on track to achieve our outlook for 2017."

# PHILIPS Lighting

## Financial review<sup>1</sup>

Second Quarter				First Half Year		
2016	2017	change	<i>in € million, except percentages</i>	2016	2017	change
<b>1,734</b>	<b>1,699</b>	<b>-2.0%</b>	<b>Sales</b>	<b>3,436</b>	<b>3,389</b>	<b>-1.3%</b>
		-1.8%	<i>Comparable sales growth</i>			-1.3%
		0.8%	<i>Effects of currency movements</i>			1.0%
		-1.0%	<i>Consolidation changes</i>			-1.0%
687	678	-1.3%	Adjusted gross margin	1,327	1,347	1.5%
<b>39.6%</b>	<b>39.9%</b>		<b>Adj. gross margin (as % of sales)</b>	<b>38.6%</b>	<b>39.7%</b>	
-473	-466		Adj. SG&A expenses	-943	-948	
-82	-83		Adj. R&D expenses	-173	-169	
-555	-549	1.1%	Adj. indirect costs	-1,116	-1,117	-0.1%
<b>32.0%</b>	<b>32.3%</b>		<b>Adj. indirect costs (as % of sales)</b>	<b>32.5%</b>	<b>33.0%</b>	
161	174	8.1%	Adjusted EBITA	282	317	12.4%
<b>9.3%</b>	<b>10.2%</b>		<b>Adjusted EBITA margin (%)</b>	<b>8.2%</b>	<b>9.4%</b>	
-38	-35		Adjusted items	-59	-55	
123	139	13.0%	EBITA	223	262	17.5%
<b>96</b>	<b>111</b>	<b>15.6%</b>	<b>Income from operations (EBIT)</b>	<b>167</b>	<b>206</b>	<b>23.4%</b>
-26	-11		Net financial income/expense	-43	-22	
-14	-26		Income tax expense	-54	-50	
<b>57</b>	<b>73</b>	<b>28.1%</b>	<b>Net income</b>	<b>71</b>	<b>134</b>	<b>88.7%</b>
60	-27		Free cash flow	-18	-26	
0.37	0.51		Basic EPS (€)	0.47	0.94	
35,104	34,545		Employees (FTE)	35,104	34,545	

## Outlook

We are on track to further improve our Adjusted EBITA margin by 50-100 basis points for the full year, excluding a EUR 15 million real estate gain in the second quarter, and to deliver solid free cash flow. While we are cautious given global economic uncertainty, we are confident that we will return to positive comparable sales growth in the course of this year.

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[For the full and original version of the press release click here.](#)

[For the presentaton click here.](#)

### Conference call and audio webcast

Eric Rondolat (CEO) and Stéphane Rougeot (CFO) will host a conference call for analysts and institutional investors at 10:00 a.m. CET to discuss second quarter results.

[For the audio webcast click here.](#)

### Financial Calendar 2017

19 October 2017

Third quarter results 2017

26 January 2018

Fourth quarter results 2017

### For further information, please contact:

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### About Philips Lighting

Philips Lighting (Euronext Amsterdam ticker: LIGHT), a global leader in lighting products, systems and services, delivers innovations that unlock business value, providing rich user experiences that help improve lives. Serving professional and consumer markets, we lead the industry in leveraging the Internet of Things to transform homes, buildings and urban spaces. With 2016 sales of EUR 7.1 billion, we have approximately 34,000 employees in over 70 countries. News from Philips Lighting is located at the [Newsroom](#), [Twitter](#) and [LinkedIn](#). 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 Philips Lighting 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 2016 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 2016.

Looking ahead to the second half of 2017, the Group is primarily concerned about the challenging economic conditions, currency headwinds and political uncertainties in the global and domestic markets in which it operates.

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 17 Reconciliation of non-IFRS measures" in the Annual Report 2016.

## Presentation

All amounts are in millions of euros unless otherwise stated. All reported data is unaudited. Unless otherwise indicated, financial information has been prepared in accordance with the accounting policies as stated in the Annual Report 2016.

As part of the financial reporting improvement process, the presentation of the line item "Results relating to investments in associates" was moved into the subtotal "Income before taxes" in the Condensed consolidated statements of income. This change did not impact the income of operations or financial position.

## Market Abuse Regulation

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

<sup>1</sup>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.