

PHILIPS Lighting

Philips Lighting reports comparable sales growth of 1.3% and continued improvement in operational profitability

Press release

October 19, 2017

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Third quarter 2017 highlights

- Sales of EUR 1,684 million, with an increase in comparable sales of 1.3%
- Total LED-based sales growth of 22%, now representing 68% of total sales (Q3 2016: 56%)
- Adjusted EBITA of EUR 176 million (Q3 2016: EUR 175 million)
- Adjusted EBITA margin improvement of 50 basis points to 10.5% (Q3 2016: 10.0%)
- Net income of EUR 110 million (Q3 2016: EUR 51 million)
- Free cash flow of EUR -5 million (Q3 2016: EUR 164 million)

Eindhoven, the Netherlands - Philips Lighting (Euronext: LIGHT), the world leader in lighting, today announced the company's third quarter results 2017. "In line with our objectives, Philips Lighting returned to comparable sales growth in the quarter. For the first time in our transformation, the growth of LED and connected lighting systems & services more than offset the decline of our conventional business," said CEO Eric Rondolat. "At the same time, we continued to improve our profitability, with LED and connected lighting systems & services being substantial contributors. This demonstrates the successful execution of our strategy as we remain on track to reach our outlook for 2017."

Financial review

Third quarter		change	in € million, except percentages	First nine months	
2016	2017			2016	2017
1,745	1,684	-3.5%	Sales	5,181	5,073
		1.3%	Comparable sales growth		
		-3.5%	Effects of currency movements		
		-1.3%	Consolidation and other changes		
692	674	-2.7%	Adjusted gross margin	2,019	2,021
39.7%	40.0%		Adj. gross margin (as % of sales)	39.0%	39.8%
-467	-437		Adj. SG&A expenses	-1,410	-1,386
-81	-85		Adj. R&D expenses	-254	-254
-548	-522	4.7%	Adj. indirect costs	-1,664	-1,640
31.4%	31.0%		Adj. indirect costs (as % of sales)	32.1%	32.3%
175	176	0.7%	Adjusted EBITA	457	492
10.0%	10.5%		Adjusted EBITA margin (%)	8.8%	9.7%
-55	14		Adjusted items	-114	-40
120	191	59.0%	EBITA	343	452
93	161	73.0%	Income from operations (EBIT)	260	367
-12	-10		Net financial income/expense	-55	-32
-30	-42		Income tax expense	-84	-91
51	110	114.8%	Net income	122	244
164	-5		Free cash flow	146	-30
0.37	0.80		Basic EPS (€)	0.83	1.74
34,251	33,422		Employees (FTE)	34,251	33,422

Outlook

Achieving positive comparable sales growth in the third quarter is an important step in the improvement of the growth profile of the company. We are on track to 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. In addition, we expect a strong free cash flow in the fourth quarter based on a substantial reduction in inventories.

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

[For the presentation 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 third quarter results. A live audio webcast of the conference call will be available via the [Philips Lighting Investor Relations website](#).

For further information, please contact:

Philips Lighting Investor Relations

Robin Jansen

Tel: +31 6 1594 4569

E-mail: robin.j.jansen@philips.com

Philips Lighting Communications

Elco van Groningen

Tel: +31 6 1086 5519

E-mail: elco.van.groningen@philips.com

About Philips Lighting

Philips Lighting (Euronext: LIGHT), the world 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 and the semi-annual report for the first half of 2017.

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

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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. 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 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.

¹This 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.