

Lighting overview

Eric Rondolat, CEO Philips Lighting



Lighting overview

Our guiding statement

- *“We are improving people’s lives with light by delivering unique value and energy efficient solutions to consumers and professional customers, every day, everywhere.*
- *We are using deep customer insights and technological innovations, coupled with our trusted brand and global leadership positions, to lead the digital lighting revolution”*

Our 4 pillar strategy: a clear Path-to-Value



Key takeaways – We continue to execute on our strategy and strengthen our position as the #1 in the lighting market

1

Ecosystem is transforming



It is competitive, it is attractive and with our capabilities we are playing an important part in shaping it

2

Operational performance is improving



We manage our operational issues and have made steady progress over the last 6 quarters

3

Strategy is in execution



We execute a clear “4 Pillar” strategy to reinforce our market position mid- and long-term

4

Path-to-Value is defined



We are making steady progress to deliver on our 2013 targets with Accelerate! and have a clear Path-to-Value towards 2016

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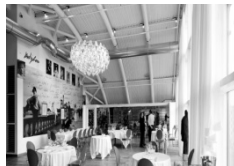
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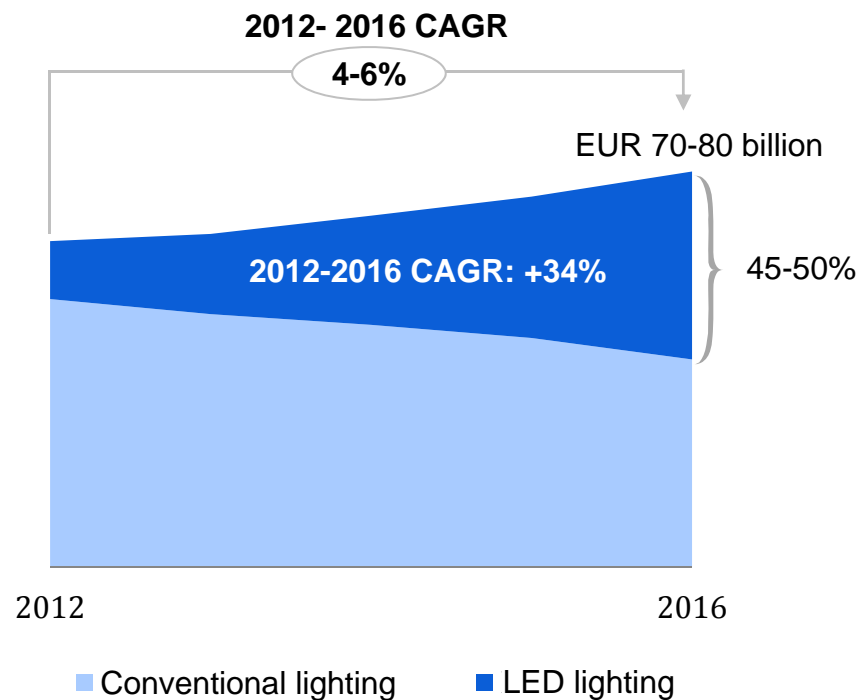


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The lighting market is fundamentally attractive with expected growth of 4-6% CAGR until 2016

The lighting market is growing steadily with an attractive profit pool which will drive value creation

Global lighting product-related market forecast¹:



We are pushing the boundaries of lighting by driving innovative systems and services

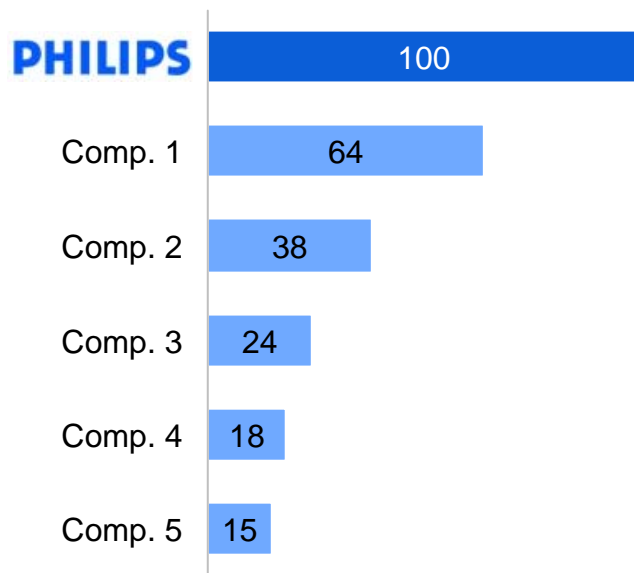
- Overall global product-related lighting market offers sustainable long-term growth, driven by 3 major trends:
 - The world needs more light
 - The world needs more energy-efficient light
 - The world needs more digital light
- Conventional lighting is contracting by mid single-digit CAGR (2012-2016)
- LED penetration progressing fast at +34% CAGR (2012-2016)
- Added value of systems and services delivering significantly higher margin profile and additional opportunity to current product-related market

¹ Source: Philips Lighting global market study 2013. Excluding Automotive Lighting and LED components market

We are the global leader in lighting

We are the largest lighting company in the world ...

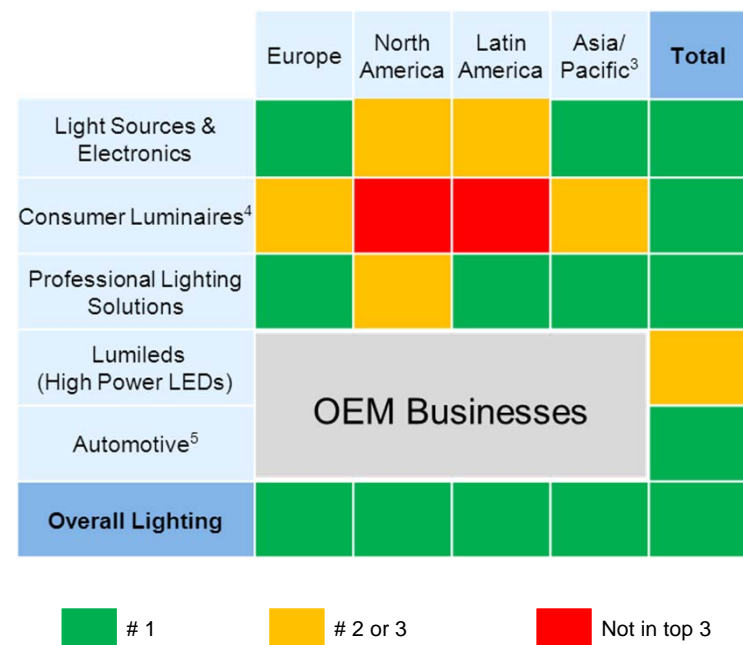
Indexed sales of Philips Lighting and Top 5 competitors¹



We are #1 in sold LED lighting globally

... with market leadership positions across all categories and regions

Market share per Business Group by Region²



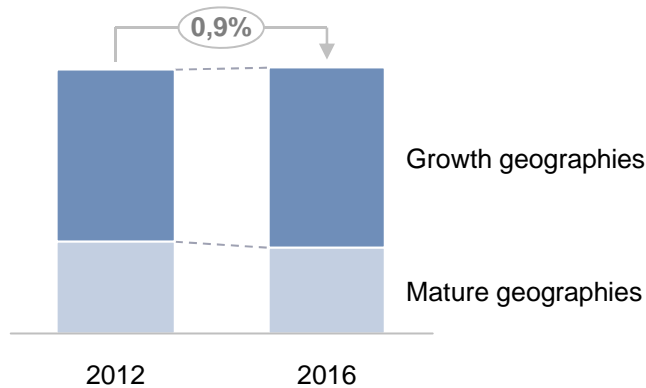
Our market share in LED is higher than in conventional

¹ Sales for competitors based on latest fiscal year ² Source: customer panels, industry associations and internal analysis ³ Excluding Japan ⁴ #1 position globally as nearest competitors play only on specific regions ⁵ Excluding Interior Lighting

We continue to be in the best position to capture value in the conventional market...

Conventional market will remain sizeable for many years...

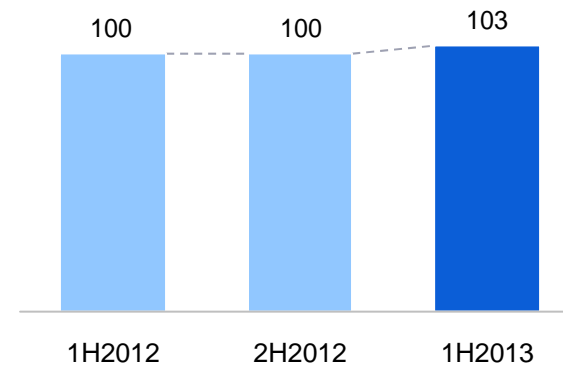
Global Conventional Light sources installed base¹
In units x Bn



- Conventional market has a significant installed base and growing demand from growth geographies
- Conventional market will represent around 50% of total Lighting market revenue by 2016

... we are best positioned to extract long term value

Conventional gross margin index (1H2012 = 100)



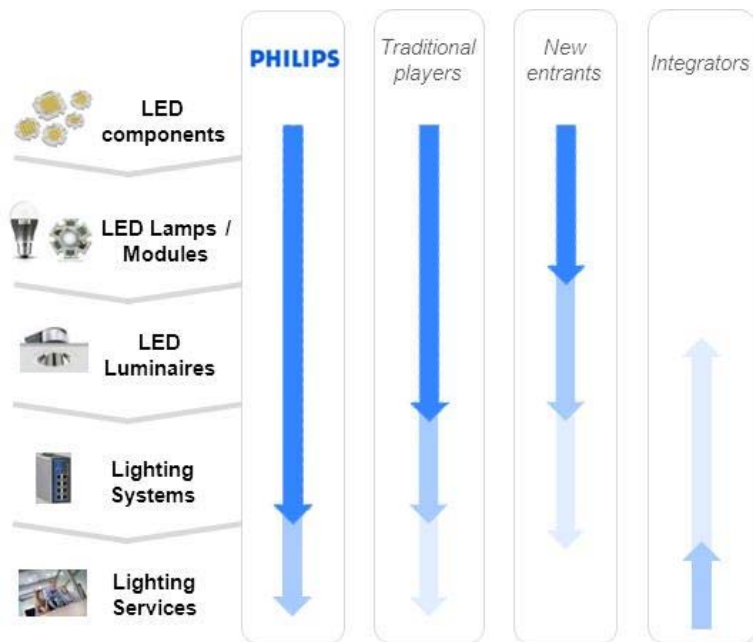
- We are improving margins in conventional lighting
- We continue to manage our industrial footprint ahead of market developments
- We capture value by leveraging our Capabilities, Assets and Positions:
 - Global market presence
 - Leading technology and trusted brand
 - Extensive customer channels

¹ Source: Philips Lighting global market study 2013

... and we are shaping the future of Digital lighting

We have a unique competitive position in LED lighting

Market presence in the digital value chain¹:

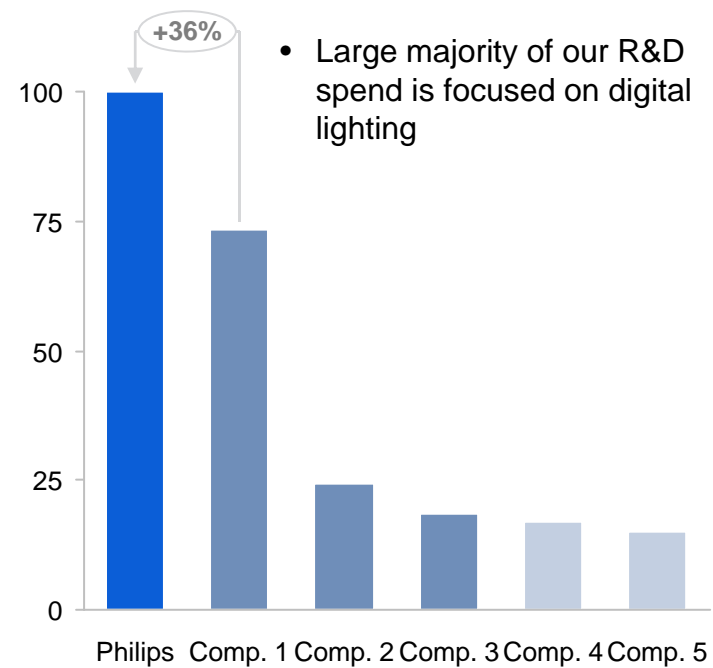


↓ Strong presence

↓ Developing presence

We spend 36% more on R&D than our closest competitor

Total Lighting R&D Spending Index (Philips = 100)²



¹ Source: 2012 Competitors' annual reports, LEDs magazine, LEDinside.com

² Source: 2012 Competitors' annual reports, Digitimes Research, March 2013, internal estimates, excluding General Electric and Japanese lighting companies for lack of data

Key takeaways – We execute on our strategy & continue to strengthen our position as the #1 in the lighting market

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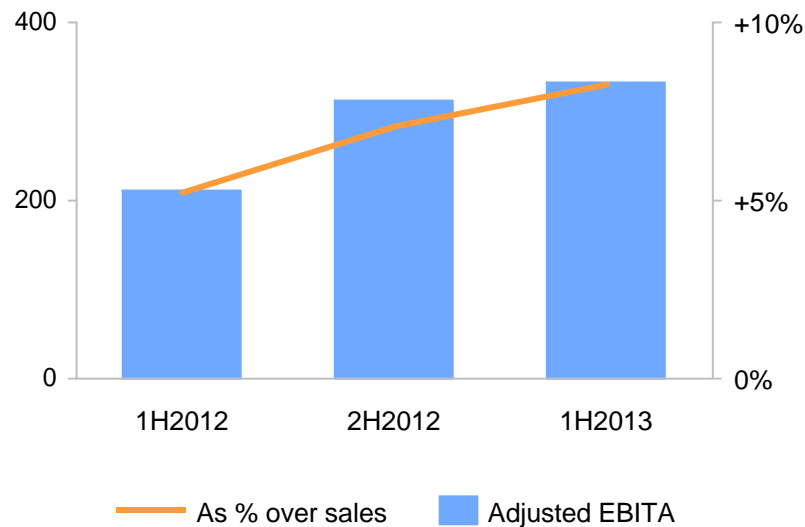


We are making steady progress to deliver on our 2013 targets with Accelerate! and have a clear Path-to-Value towards 2016

We are steadily improving our operational performance

Our operational performance has improved sequentially over 3 semesters...

Adjusted EBITA¹
 EUR million as % of sales



... supported by strong growth, margin management and structural cost savings

- Grown 2X global real GDP over the last 3 years
- Consistent gross margin improvement in both conventional and LED applications
- Improved cost base significantly by adjusting to the new realities of the industry
- Additional opportunities identified to reduce costs beyond 2013
- Strong working capital management leading to an improvement of 100bps year-over-year
- Lumileds on track to turnaround and be profitable for 2013
- Consumer Luminaires: strong profitable growth in Asia while globally driving cost out and improving supply chain. Europe still facing challenging market conditions

¹ EBITA excluding restructuring and acquisition related charges

Our Accelerate! program is delivering results as we transform and lead the new world of Lighting!

Customer centricity

- Full coverage of our markets with [Salesforce.com](#) by April 2014
- Understanding customer needs resulting in [breakthrough innovations](#) like CityTouch and Hue

Resource to win

- Seamless [Business Market Combination](#) teamed with car makers during initial stages of design: [resulted in the largest ever LED Automotive deal](#)
- Redirected resources to [digital innovation](#) and [increased the sales and marketing force in growth geographies](#) by e.g. 10% in Asia Pacific and 20% in Africa over the last year

End2End

- Projects currently [covering 30% of sales](#): strong improvement in customer service, shortened time to market and new go to market channels for LED portfolio
- Our [M2O¹ process becoming leaner](#) in line with customer needs: first pilot in UK shows quote creation >80% faster than before

Culture

- Ownership of transformation significantly elevated via Accelerate! leadership programs and change survey, e.g. 10% increase in [speed of decision making](#)
- Over 1,100 leaders completed [Accelerate! leadership and team programs](#)

Operating model

- [Lean organization structure](#) to simplify and speed up decision making
- On track to achieve 2013 cost [savings](#)

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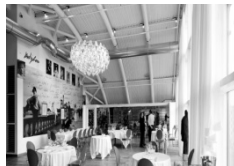
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Lead the technological revolution Our R&D LED investments lead to game-changing innovation

With leading range of High Power products, we capture high value in the market



- **LUXEON T**
 - Key application e.g. outdoor lighting (road / tunnel), shops and hospitality
 - Leading industry player in lumens per watt



- **LUXEON Chip-on-Board**
 - Key application in industrial directional lighting, retail, retrofit

We leverage our leading R&D capabilities in High Power into Mid Power LED



- We extend our innovative Mid Power product portfolio:
 - Covering all major segments
 - Industry leading efficacy and lumen maintenance

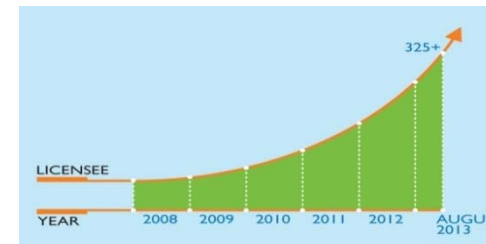


- Outsourced manufacturing model with secure access to stable supply base
- We partner with leading players across the value chain to Accelerate! our Mid Power extension; optimize speed and performance

With our innovations, we are shaping the transformation to digital lighting

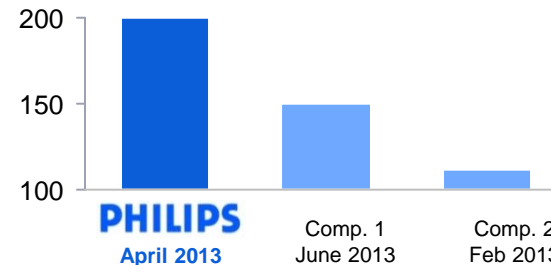
- LED luminaire licensing program attracts a wide variety of companies

Growth of number of licensees since 2008



- We continue to develop game-changing innovations e.g., the world most energy efficient TLED

TLED Corrected Efficacy¹ - Lm/W



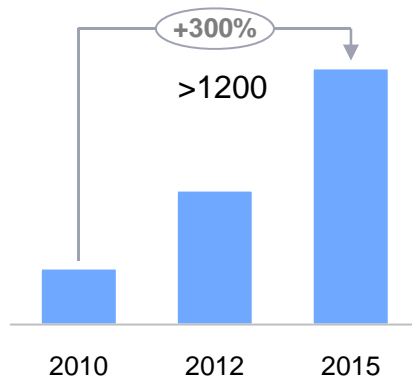
¹ Source: competitor analysis; Lm/W calibrated to the following measurement conditions: 4,000K, CRI 80

Win in the Consumer market

Our brand, innovation and distribution contribute to our successful growth

Distribution – We expand our branded franchise stores

2010–2015 CAGR



- Continued expansion of store concept by leveraging our strong brand
- Current focus on concept in Asia
- Some 3500 shop-in-shops - intent to increase by ~10% per year

Innovation – We innovate to capture more value



- Connected intelligent lighting a focus area for future innovation in home application
- Successful Hue product is just the start!

Brand – We team with top brands to increase value



Imaginative Lighting
PHILIPS | **Disney**

- Revolutionizing children lighting category by teaming with Disney
- Strategic partnerships as a key success factor to improve consumer propositions

Drive innovation in professional lighting systems and services Some examples of systems business model innovation

Miami Tower
Miami, Florida



- Dynamic LED Façade System enhances Brand & Cityscape
- 382 metal halide lamps replaced with 216 LEDs
- 92% energy savings
- USD 260k annual reduction in energy, maintenance & operating costs

Rijksmuseum
Amsterdam, NL



- One of world's largest LED interior connected lighting systems
- Dynamic LED façade lighting accentuates architecture, provides safe bike & waypoints
- EUR 1.5 million in savings over 10 years in energy & operating costs

Town of Rietberg
Rietberg, Germany



- Connected LED street lighting system with CityTouch Software
- Exceptional light quality for ambiance & safety
- 50% energy reduction
- 29 tons of CO₂ reduction

Westfield Sydney
Sydney, Australia



- Office integrated lighting system with sensors and network controls
- Over 30% energy reduction
- Scene setting & scheduling to enhance retail experience using software & controls

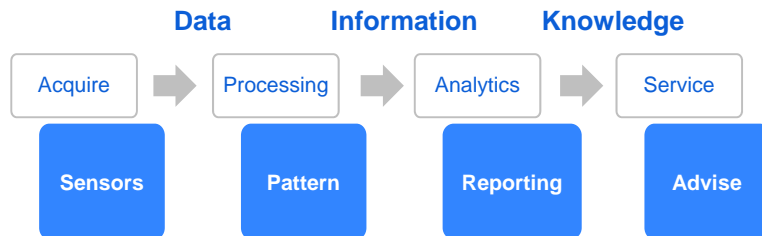
Westin Bund Center
Shanghai, China



- Enhances luxury branded hotel and retail shopping experience
- Dynamic LED lighting system with sensors and controls
- Interactive light, sound and music to create a dazzling customer experience

Drive innovation in professional lighting systems and services Innovations lead to a new services business model

Internet of Things & Big Data – From real-time data of lighting systems to actionable insights



Intelligent and connected lighting offers huge opportunities to improve urban life



- **Optimal light operation**
 - Right light @ right place @ right time
 - Service operator is still in control



- **Predictive light maintenance**
 - Right fix @ right time
 - Minimal cost
 - High up-time



- **Light planning**
 - “Before-after” scenario evaluation
 - Best benefits for defined goals



- **Real-time city monitoring, analysis & visualization**
 - Traffic => mobility
 - Environment => pollution
 - Accidents => safety

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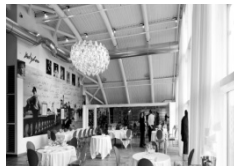
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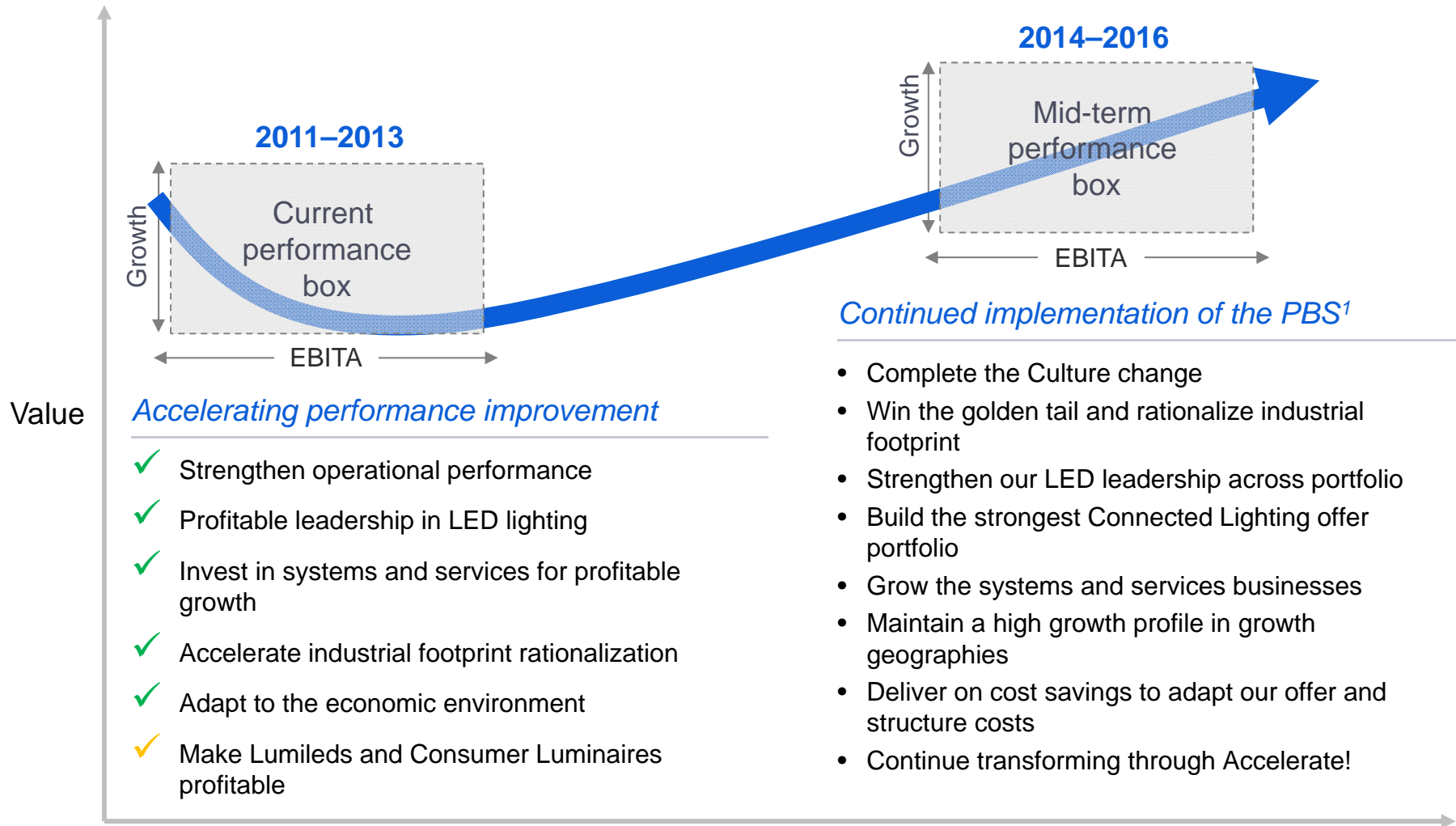
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The Accelerate! journey will continue...
 Drive performance towards 9% to 11% EBITA in 2016



¹ Philips Business System

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The transformation of our company is also reflected by the strong and diverse new Lighting Leadership Team



Eric Rondolat, CEO



Paul Verhagen, CFO



Marja Koopmans
Head of Marketing



Karen Tobiasen
Chief Human Resources Officer



Jukka Jäämaa
Head of Operations



Ellen Trager
Head of Business Transformation



Olivia Qiu
Head of Strategy & Innovation



Rene van Schooten
CEO Light Sources & Electronics



Amy Huntington
CEO Professional Lighting Solutions



Eric Rondolat
CEO Consumer Luminaires (a.i.¹)



Pierre-Yves Lesaichere
CEO Lumileds



Dominiek Plancke
CEO Automotive



Bruno Biasiotta
President Market Group Americas



Maria Letizia Mariani
President Market Group Europe



Christoph Schell
President Market Group Growth



Tommy Leong
President Market Group Greater China

Our team

- Consists of 10 different nationalities
- Has a background from leading companies
- In both mature and growth geographies

¹ Ad Interim

PHILIPS

