

Value Creation in Light Sources & Electronics

René van Schooten, CEO Light Sources & Electronics



Key takeaways

- The Light Sources & Electronics business will see **solid value growth** in the next few years, primarily driven by LED
- We are on track to extract **maximum value from the Golden Tail**
- We are **leading the transformation** in LED lamps, LED modules, and LED drivers
- We are **investing in further game-changing innovations**
 - Connected Lighting
 - OLED



The market for light sources will see solid value growth

Market expected to grow to EUR 24 billion by 2016 primarily driven by LED

The world needs more light

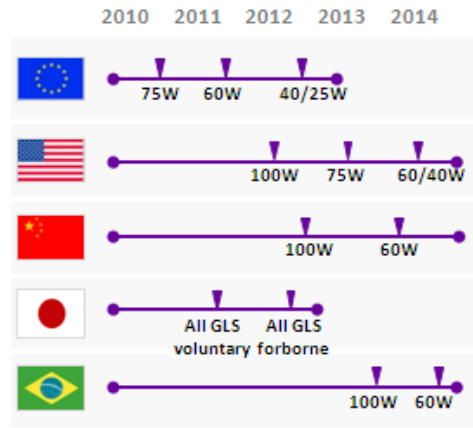
Growth geographies driving the increase in number of light points



- 3 Billion more people in cities by 2050
- Increasing electrification in rural areas
- Lighting moving into broader applications

With a focus to more energy-efficient light

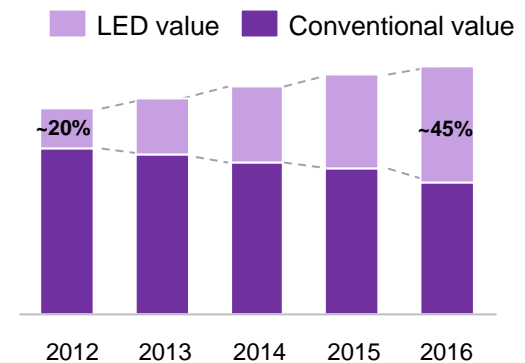
GLS Legislation bans¹



- Legislation helps drive the move from cheap, inefficient products to higher value, energy saving lamps

Digital light sources

Global LS&E² market value



- Overall market will grow >4% per year to ~EUR 24 billion by 2016
- High-value LED products more than offset overall unit sales decline

¹ Excluding reflector lamps

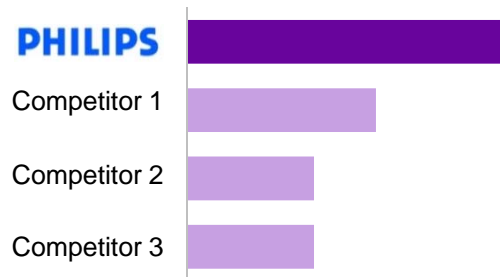
² Light Sources & Electronics

Source: Philips, internal analysis, competitors' annual reports, customer panels, and industry associations

Maximizing value from the Golden Tail

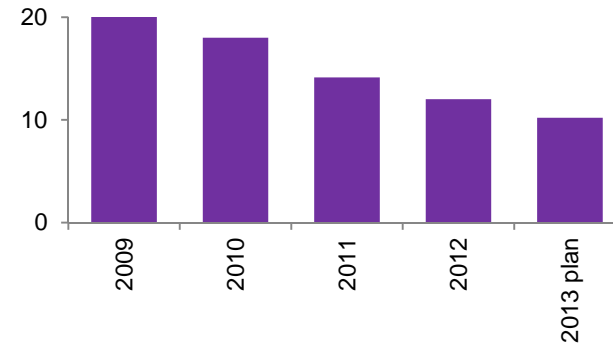
Continuing to increase market share by leveraging our strong distribution and portfolio

LS&E¹ market share²



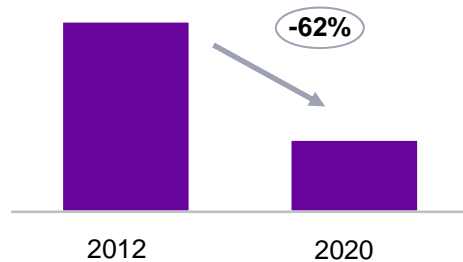
Rationalizing our product portfolio by reducing number of SKUs³ in our conventional business

of conventional SKUs³ in portfolio



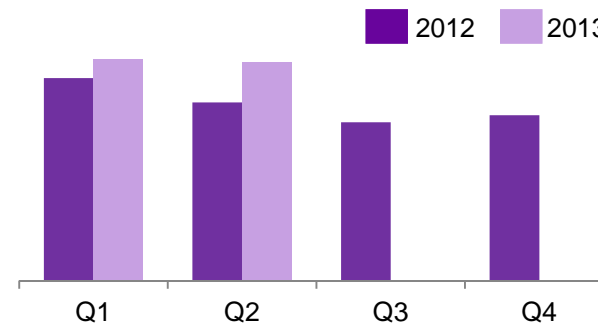
Pro-actively rationalizing our industrial footprint faster than sales reduction

of Industrial sites decline



Improving our margins

Adjusted⁴ EBITA margin LS&E¹ (%)

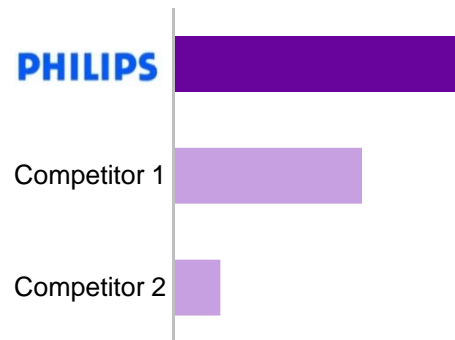


¹ Light Sources & Electronics ² internal Study and IMS research September 2012 ³ Stock Keeping Units ⁴ EBITA adjusted for restructuring and acquisition-related charges
Source: Philips, internal analysis, competitor reports

Leading the transformation in LED

Holding leading positions in Europe, Asia (excl. Japan) and Americas

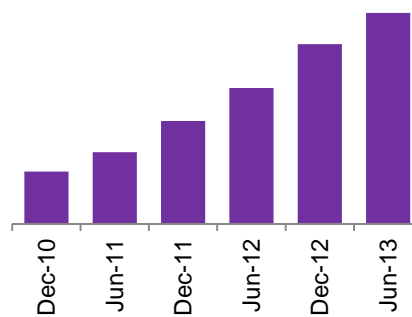
Global LED lamps market share¹
As of Dec-12



- With our CAPs² we are well placed to continue to be the primary player in the market

Rapid sales growth in LED lamps and LED systems

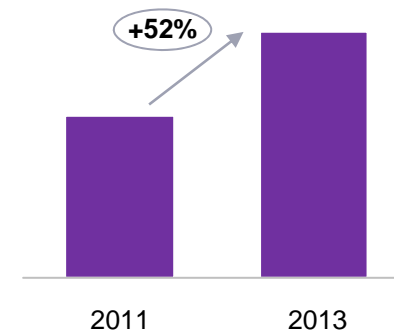
MAT sales for LED lamps and LED systems



- Rapid sales growth in LED lamps and LED systems and we expect continued solid growth for H2 2013-2016

Leading the technological revolution

of LED SKUs³ increased Indexed



- Leading the technological revolution by directing our R&D investments to LED

¹ Excluding Japan, Internal Study ² Capabilities, Assets and Positions ³ Stock Keeping Units
Source: Philips, internal analysis, competitor reports, customer panels, and industry associations

Our key priorities to win in LED lamps ...

Offer a leading product portfolio

Premium features and best “value over lifetime”



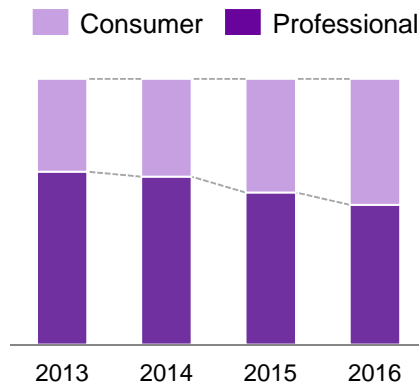
Entry level:



- Further innovation in leading premium propositions
- Aggressively driving down cost and offering entry level ranges at an affordable price

Win in the consumer market

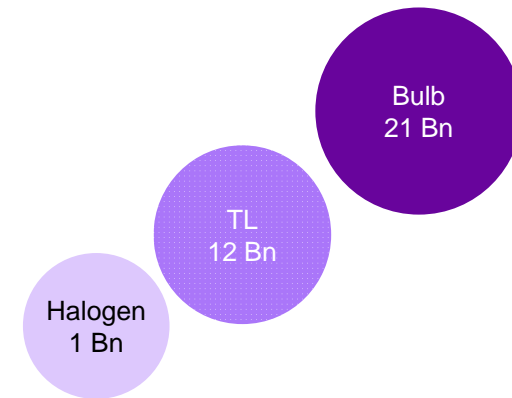
Channel split sales LED Lamps



- Win by offering relevant propositions at the “Magic” Retail price point

Win in TLED and Bulbs

of Light sockets worldwide 2012

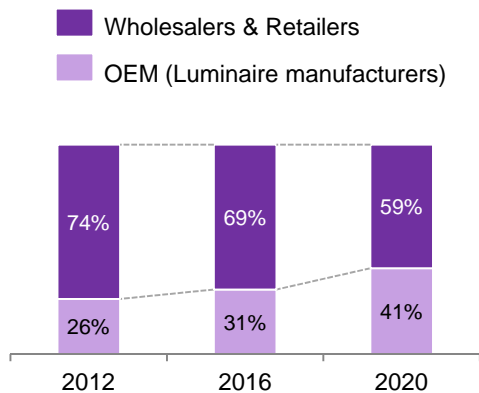


- LED Bulbs and TLED are the next big opportunities because of their much larger socket base
- Market of LED Bulbs and TLED to grow at 30% CAGR until 2016

... and LED systems (drivers and modules)

The OEM market is rapidly growing due to the need for LED drivers and modules while the replacement market is slowing

Total LS&E¹ market² – OEM vs. rest of the market



- Luminaire manufactures need advanced LED components (modules and drivers) for integration in their products
- We are leveraging our **strong OEM Channel** to be the preferred partner not just in conventional but also in LED

We successfully lead the change in technology from analog to digital



- **Strongly leveraging our R&D Capabilities, Assets and Positions** to lead in LED systems technologies

¹ Light Sources & Electronics

² Conventional + LED

Source: Philips, internal analysis, customer panels, and industry associations

Lead in LED innovation, quality, and global market activation

TLED accelerating in professional specification business

- Reduced payback time by better LED efficiency combined with steep cost down
- More applications, such as public transport, retail and industry lighting
- We announced **the world's first 200 lm/watt TLED** and continue to lead in innovation



First 200 lm/watt TLED prototype



Paris Metro: 250k light points

New consumer ranges are a big success with consumers and retail partners

- Winning market share in Europe and Asia with leading LED consumer ranges
- Adoption driven by focused market activation and enabling price points



Beautify your home with Philips LED lighting



Investing further in game-changing innovations

Philips is leading the industrialization & commercialization of OLED



- Offering the **brightest OLED panel**, more than 6,000 candela/m² - the **best Lumen/\$** in the market
- Delivering the **most advanced OLED** production line for lighting applications
- Winning **several awards** for our OLED designs
- Working with major car makers for design-ins of **OLED rear lighting**

We shape the future of Connected Lighting



Hue – Home Lighting Automated System

- Building an ecosystem of connected solutions
- Expanding portfolio with other lamp types and friends of Hue luminaires
- Adding new features and benefits
- Exploring new segments and professional applications

Our Path-to-Value with Accelerate!

Make the transition to a digital world

- ✓ Continue to switch R&D investment from conventional to digital
- ✓ Create brand preference & end-user pull
- ✓ Reduce non-manufacturing costs



✓ According to plan

Capitalize on the Golden Tail

- ✓ Expand distribution reach
- ✓ Asset rationalization
- ✓ SKU¹ rationalization
- ✓ Extending selective product-life cycles



✓ Area of ongoing focus in 2013/14

Position ourselves as the primary LED player

- ✓ Launch winning LED portfolio with speed
- ✓ Drive cost-leadership
- ✓ “Asset-light” outsourced manufacturing with trusted partners
- ✓ Build outstanding End2End supply chains



¹ Stock Keeping Units

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