

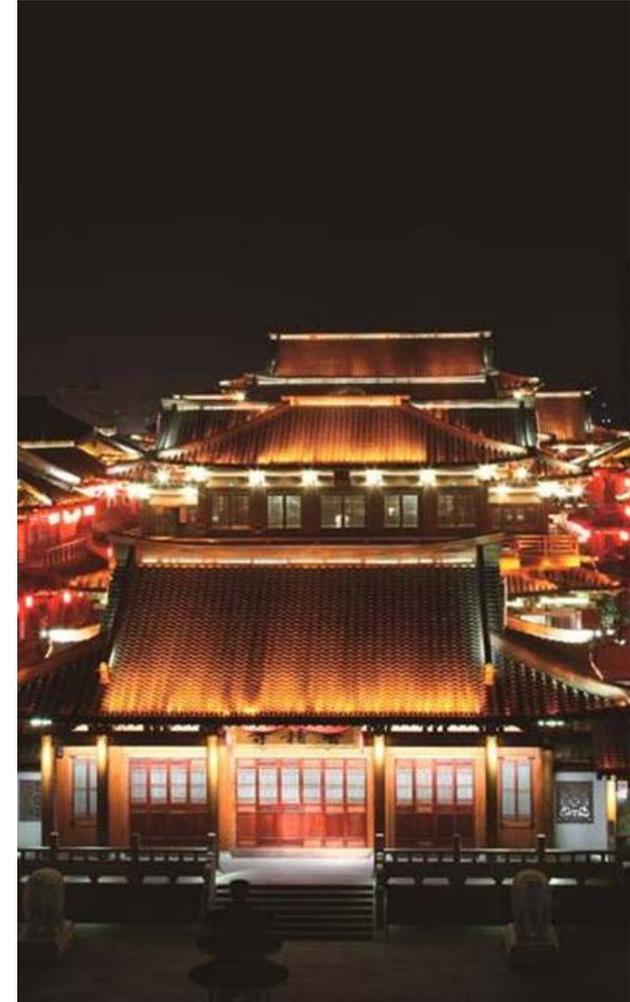
Winning in China

Tommy Leong, President Greater China, Philips Lighting



Key takeaways

- China has significant **growth potential** for lighting and the **LED transformation** is creating additional growth opportunities
- We are **#1** in both **LED** and **conventional lighting** and consistently **outperform** the market
- We focus on **locally relevant propositions**, **tailored go-to-market approaches** and **capability building**
- We are **well positioned** to win in the professional, consumer and OEM lighting markets

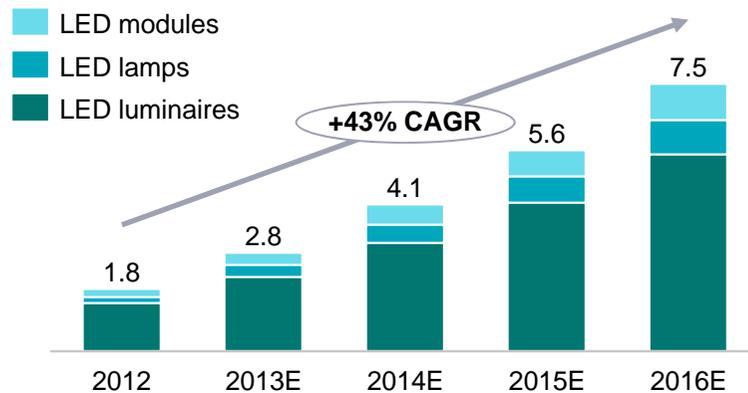


Significant growth opportunities for lighting in China

Well positioned to leverage the LED transformation

Strong forecasted growth in LED market across businesses

China LED lighting market (€ billion)⁴



Philips is the overall leader for LED in China⁵

	Modules	Lamps	Luminaires	Total LED
2013 market position	Leader	Leader	Leader	Leader

Long-term growth opportunity is huge despite current economic headwinds

- **China needs more light**
 - Continued urbanization to 60% in 2020. 170 million first-generation migrants from rural areas¹
 - Higher GDP growth in western and central China, above national target of 7%²
 - Consumption share of GDP is low at 50% and will increase in coming years²
- **China needs more energy-efficient light**
 - Government priority
 - Incandescent fully phased out by 2016, 100W in 2012 and 60W in 2014
 - Government policies and subsidies to promote LED and Energy Management Contracts
- **China needs more digital light**
 - Controls market to grow at 20% CAGR 2013-17³
 - Increasing demand for lighting control systems
 - Opportunity for lighting related services

¹ Source: 'Meet the 2020 Chinese Consumer', McKinsey Consumer & Shopper Insights, March 2012 ² Source: China statistical yearbook 2012

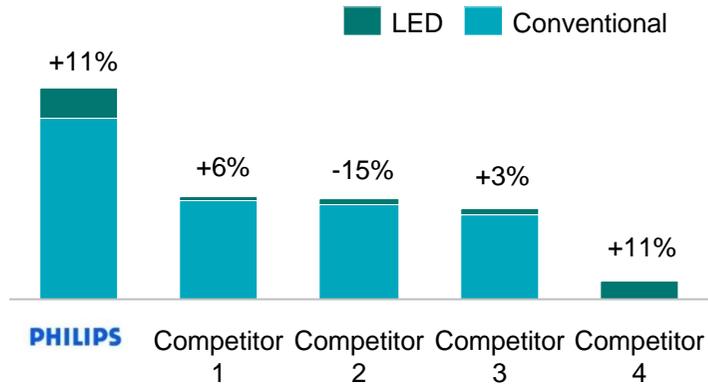
³ Source: Philips Quarterly Reporting and Annual Forecasting Tool ⁴ Source: Philips Quarterly Reporting and Annual Forecasting Tool

⁵ Source: Global Intelligence Alliance, 1H 2013 competitor tracking report

We are winning in the China lighting market

Clear market leadership in both LED and conventional lighting

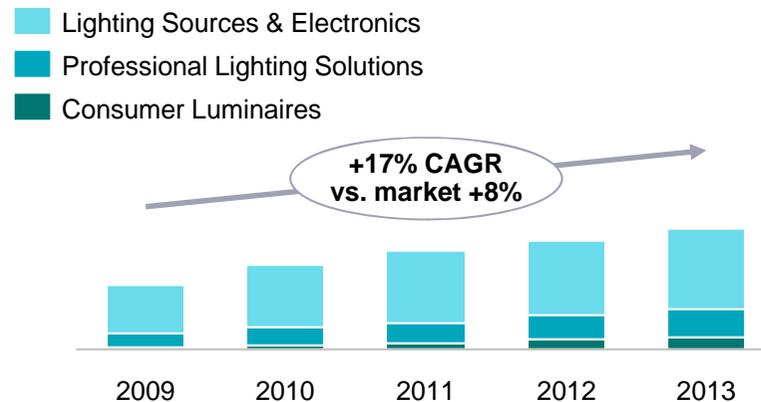
General lighting sales in 2012 in China
(sales growth % in 2012)



- #1 in conventional and LED lighting¹
- 2X the size of nearest competitors (both local and international), and significantly outgrowing them
- Higher LED penetration of total lighting sales¹

Consistently gained market share across all businesses

Philips lighting China sales by business



- Doubled sales in last 5 years, 2X GDP growth
- Out-performed competition in LED sales with 111% CAGR in last 5 years¹
- Grew market share in all businesses:
 - Increased leadership in Light Sources & Electronics¹
 - Moved from #3 to joint leader in Professional Lighting Solutions in 2013¹
 - Entered Consumer Luminaires in 2008 and grew to #2 position by 2012¹

¹ Source: Global Intelligence Alliance, 2012-2013 competitor tracking report

Winning in Professional Lighting Systems and Services

With competitive offerings and go-to-market initiatives

Transformation driving strong LED growth in outdoor



- Drive speed, costs down and locally relevant propositions
- Our LED penetration is 55%
- Turnkey sales quadrupled since 2011
- Outdoor sales to key cities growing at >30% a year
- China Electronics Corporation JV on intelligent road lighting

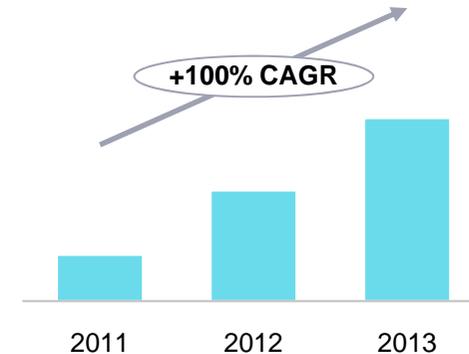
Locally relevant propositions drive competitiveness in indoor



- Local development of cost competitive offerings
- Our LED penetration is 33%
- Strong key account management leading to large contract wins, e.g., Akzo Nobel, New World
- Dedicated 'Energy Management Contract' companies to leverage government subsidies

Growth in LED driving both top and bottom line¹

Philips China Professional Lighting Solutions LED sales



- Growth out-pacing market with 100% CAGR
- Total Professional Lighting Solutions sales growth higher than market with 22% CAGR
- EBITA grew by 4X from 2011 to 2013

¹ Source: Global Intelligence Alliance, 2013 1st half competitor tracking report

Winning in Consumer Luminaires

With locally relevant propositions and retail excellence

Dedicated local portfolio



- Create compelling offers, e.g.
 - Chinese ‘Memories’ range to target local consumers
 - Advanced eye-care desk light via joint research with EENT Hospital¹ of Fudan University
- Our LED penetration is 45% and significantly higher than competition²

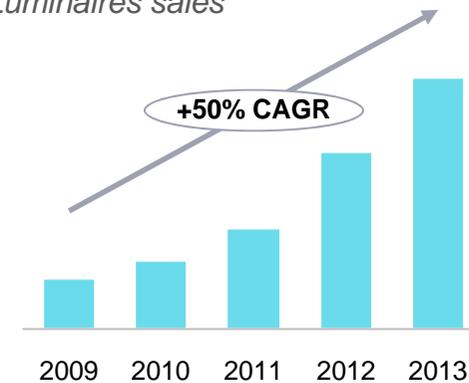
Expand and professionalize branded retail



- Retail footprint of 500+ branded stores and 2,000+ shop-in-shops
- Drive excellence via dedicated team of retail specialists and store operation guidelines
- Roll-out system to track and analyze individual outlet sell-out data

Strong sales growth and profitability improvement

Philips China Consumer Luminaires sales



- Entered market in 2008; #2 position in 2012²
- Growing 3X faster than key competitor
- Profit grew 3X from 2011 to 2013
- On-line sales acceleration – grew 6X within 2 years

¹ EENT Hospital: Eyes, Ears, Nose and Throats Hospital
² Source: Global Intelligence Alliance, 2010-2013 competitor tracking report

Accelerating growth in LED Lamps

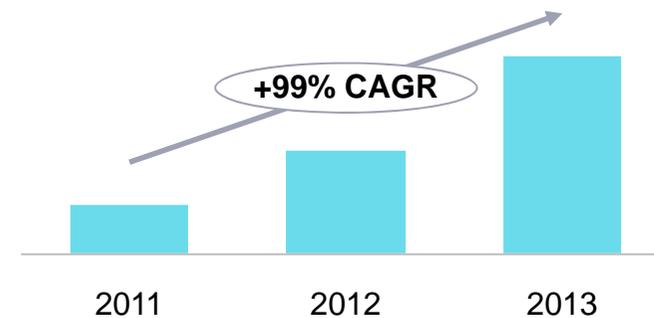
With strong penetration in professional and consumer markets

Winning in the LED retrofit market

- Grew 4X since 2011 and continues to increase rapidly
- Widen product portfolio to meet market requirements and Accelerate! cost-down to drive penetration
- Leverage existing distribution network in 1,500+ cities and 30,000+ outlets, and 'Go West'
- Increase professional end-user development in main segments via key account management and develop new service providers
- Drive new channel development in the fast-growing online sales market



Philips China LED lamps sales



Accelerating growth in LED modules and drivers

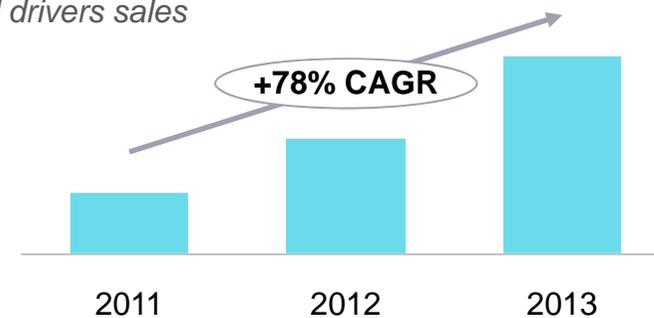
With competitive portfolio and design-in

Growing with OEM customers

- Grew more than 3X since 2011, with potential market of 6,000+ OEM customers
- Competitive portfolio to serve diverse customer requirements from:
 - High-end OEMs to mass assemblers
 - Established brands to new entrants
 - International to domestic customers
- Differentiated go-to-market approach to serve multiple OEM customer types
- Technical design-in, field application support and key account approach to support customer transformation to LED
 - 29% of current OEM sales



Philips China LED modules and drivers sales



Our future is even brighter

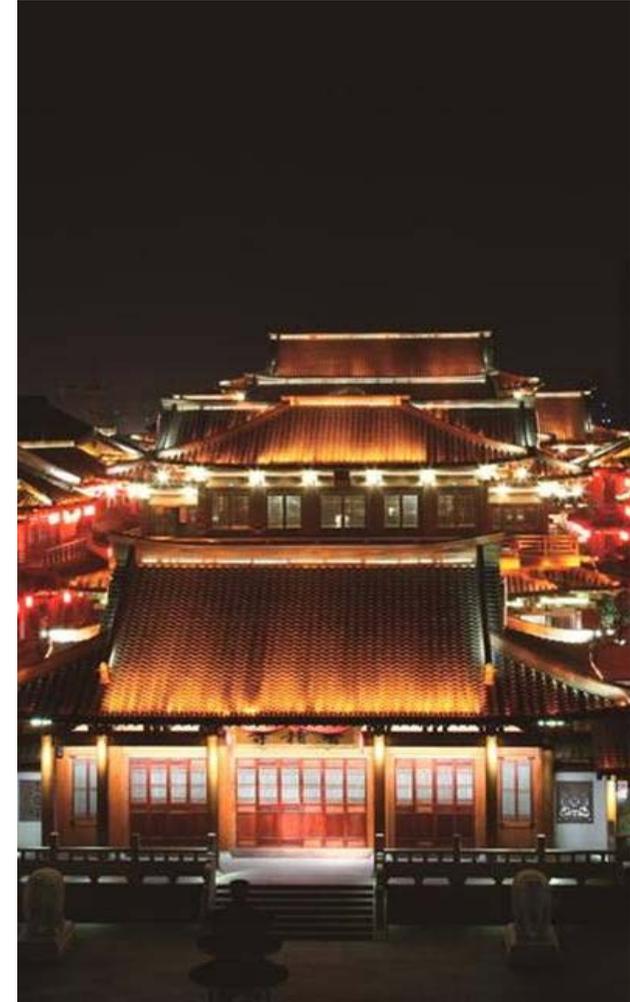
We continue to drive the LED transformation with our 4 Pillar strategy

- Lead the technological revolution with winning propositions in LED lamps, modules, drivers, and tailored go-to-market approaches
- Win in the consumer market by developing competitive propositions and further strengthen our retailing and online capabilities
- Drive innovation in Professional Lighting Systems and Services, and effectively engage the new customer and stakeholder eco-system
- Accelerate! is the transformation platform to execute our strategy



Key takeaways

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