

# Philips to sell majority interest in combined LED components and Automotive lighting business to consortium led by GO Scale Capital

March 31, 2015

Amsterdam, the Netherlands – Royal Philips (NYSE: PHG, AEX: PHIA) today announced that it has signed an agreement with a consortium led by GO Scale Capital through which they will acquire an 80.1% interest in Philips' combined LED components and Automotive lighting business, with Philips retaining the remaining 19.9%\* interest. The transaction values the business at an enterprise value of approximately USD 3.3 billion. Philips expects to receive cash proceeds, before tax and transaction related costs, of approximately USD 2.8 billion and a deferred contingent payment of up to USD 100 million. The transaction is expected to be completed in the third quarter of 2015, subject to closing conditions, including customary regulatory approvals.

Following the transaction, the new company will continue under the name Lumileds, led by CEO Pierre-Yves Lesaichere. Philips' Lighting Solutions business will remain an important customer of Lumileds and will continue the existing innovation and supply partnership.

"Philips is very positive about this transaction with GO Scale Capital as its principals are long-term, growth-oriented investors with a track record of building and expanding technology companies," said Frans van Houten, CEO of Royal Philips. "We have significantly improved the performance of the LED components business and optimized the industrial footprint in the Automotive lighting business over the last few years, and established a strong management team and innovation pipeline. We are therefore convinced that together with GO Scale Capital, Lumileds can grow further, attract more customers and increase scale as a stand-alone company."

GO Scale Capital is a new investment fund sponsored by GSR Ventures and Oak Investment Partners. The consortium partners are Asia Pacific Resource Development, Nanchang Industrial Group and GSR Capital. The GO Scale Capital team has deep technology expertise and a track record in scaling up disruptive technologies. Current investments include Boston Power, a U.S.-based manufacturer of electric vehicle batteries, and Xin Da Yang, a leading Eco-EV company in China. The team brings deep knowledge of the LED components and automotive technology industries. Through their past investments in the LED industry, they have access to complementary technologies and manufacturing capacity. This uniquely complements Lumileds' high-power LED manufacturing footprint and expertise, and the combination offers opportunities for the company to pursue further growth and scale.

Sonny Wu, co-founder and managing director of GSR Ventures and chairman of GO Scale Capital, who will serve as interim chairman of Lumileds following the completion of the transaction, stated that: "The Lumileds acquisition will be a perfect example of how GO Scale turns cutting edge technologies into world class companies. GO Scale Capital will focus on expanding Lumileds' opportunities by investing in its global centers of operation and in the fast growing general lighting and automotive industries. Through Lumileds' world-leading technology in key verticals such as LED chips, LED mobile flash and automotive lighting, together with a customer base including the likes of BMW, Volkswagen and Audi, we expect to see significant growth and unparalleled inroads into new opportunities such as electric vehicles."

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“I am convinced that together with the new investors led by GO Scale Capital, Lumileds will extend its leading product portfolio of lighting components and continue to achieve robust growth,” said Pierre-Yves Lesaicherre, CEO of Lumileds. “With our strong technology leadership, we are ready to address the future needs of our customers. We will work closely with our industry partners and customers to lead innovation and the transformation of our industry.”

Lumileds is a leading supplier of lighting components to the general illumination, automotive and consumer electronics markets with operations in more than 30 countries and has approximately 8,300 employees worldwide. In 2014, it generated sales of approximately USD 2 billion and a double-digit EBITA margin.

Following the separation of Lumileds, Philips Lighting will focus on the exciting and growing lighting solutions markets in which it has leading market positions. As previously announced in September 2014, Philips has started the process of creating two market-leading companies focused on HealthTech and Lighting Solutions opportunities. As part of that strategic repositioning, Philips will transition the Lighting Solutions business into a separate legal structure and it is the current intention to effectuate the separation through an initial public offering, although other options will continue to be reviewed.

\* including a 34% interest in the Lumileds US operations.