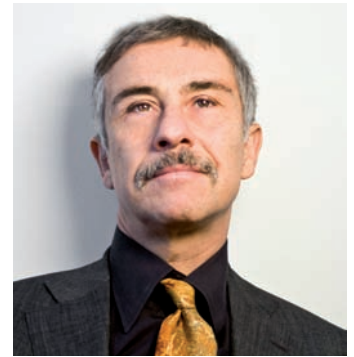


THE EUROPEAN MARKET FOR LIGHTING FIXTURES



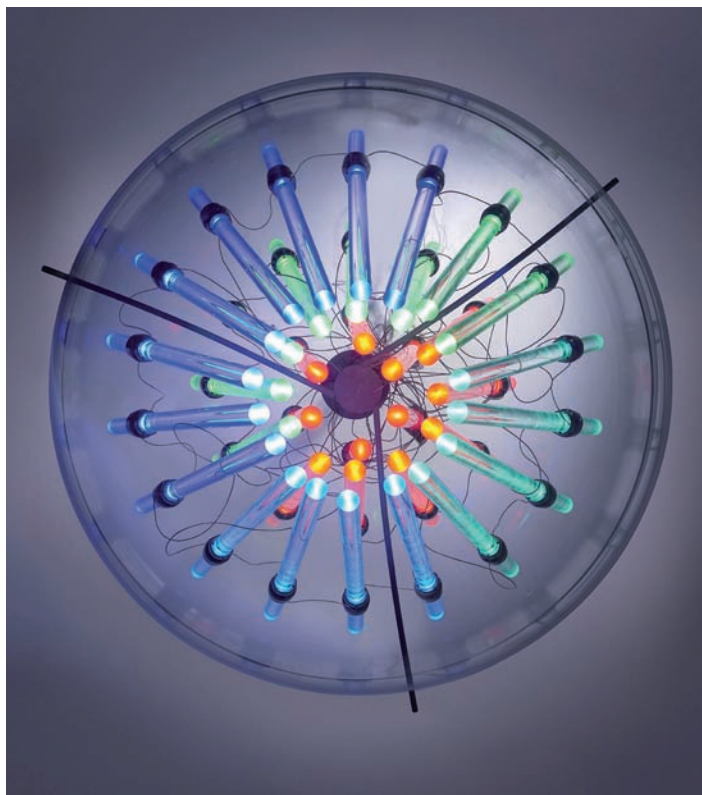
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The 24th edition of CSIL report 'The European Market for Lighting Fixtures' has been published early May 2015. Annually, this Report analyses 16 Western European countries, while other 12 Central European countries are monitored every two years. What's going on in the European market for lighting fixtures?

GROWTH... BUT NOT FOR EVERYONE

Consumption of lighting fixtures in Europe recorded a 5,9% growth during 2014. Not bad for an economy, that is looking pretty flat. Excluding Finland and The Netherlands, almost all 16 monitored countries registered some growth. But beware, growth is not for everyone!

Increase is driven by a 32% growth of LED fixtures and a 16% growth of imports from Asia Pacific. This means that many companies registered huge losses or a decrease of turnover, especially the ones facing tough competition with "Made in China" products, or those with an unsatisfactory LED based catalogue. LED sales were growing about 25%-30% in the Consumer/Residential segment (it was 35% the year before) and around 40% in the Technical Lighting segment (commercial, industrial, outdoor). LEDs are mainly for professional use, but there is an increasingly wide acceptance also for home. 2014



ARTEMIDE. Spectral Light by Philippe Rahm

showed rapid cost downs in all parts of the supply chain for LED lighting, be it LED emitters, light engines, LED drivers or complete fixtures. Such rapid cost downs will continue in 2015. Due to the decrease of price for LED chips, COB, modules, etc., the incidence of their cost on the price of a lighting fixture is reported to have decreased from 20%-22% of some years ago to 14% nowadays.

A few companies registered a double-digit growth in the European market for

lighting fixtures. Among them IKEA (although figures for IKEA are estimates), who is strongly investing on their LED catalogue, while most of other leading furniture and lifestyle chains in Europe do not seem to go the same direction. Another double-digit growing company is Eglo, Austrian leading player for consumer luminaires, with manufacturing plants also in Hungary and China. For Eglo, the share of LED based lighting is over the UE average.

EXPORT GROWING TOWARDS OVERSEAS

Export is growing outside Europe both for German and Italian players. German exports increased by 8,2% in 2014 and by 7,7% as annual average 2009-2014.

Imports increased by 12,8% in 2014, while annual growth rate 2009-2014 amounts to 13,1%.

The trade balance showed a deficit of Eur 95 million in 2014, to be compared with a surplus of Eur 60 million for 2013, as imports are growing faster than exports.

Germany is the first exporter and importer of lighting fixtures in Europe. Europe is still the main market of reference for German exports of lighting fixtures (around 78% of total value) with Austria, France and Switzerland as main markets of destination. In 2014, exports have increased towards the United States (17%) and Poland (+40%). Germany is the major UE exporter of



FAVILLA, installation-event in Milan

lighting fixtures towards North America, Asia Pacific and East Europe, with Eur 178, Eur 211 and Eur 290 million, respectively, in 2014. Exports of lighting fixtures to Italy reached Eur 1534 million in 2014, representing an increase of 3,5% on 2013.

Italy is the second European exporter of lighting fixtures in Europe (after Germany) and it ranks first in terms of net export (the trade balance is positive for around Eur 800 million). Since the value of total imports was about Eur 742 million in 2014 (+18% compared to 2013), the surplus in the balance of trade reduced to Eur 793 million, -7% on 2013. Exports performed relatively better towards Germany, the United Kingdom, the United States and the Middle East, while decreasing exports have been recorded towards France (-8%) and Russia (-18%). Overall exports towards Europe are pretty stable compared to 2009 (+3% between 2009-2014), whereas overseas exports are on the rise, increasing by about 10% per year. Italy is the major UE exporter of lighting fixtures towards the Gulf countries and Russia/CSI regions, with 173 and 152 million Eur, respectively, in 2014.

AND IMPORT FROM ASIA PACIFIC GROWING BY 16%

China accounts for 49% of the total value of Germann imports (+16% in 2014 and +14% over the last five years). Imports from Austria and Italy are on the rise, showing a growth rate of 25% and 11%, respectively, in 2014 on 2013. Among the importing countries, Poland and South Korea deserve attention, since in 2014 they registered a 40% increase in their import flow. China is by far the first supplier of lighting fixtures also to Italy, accounting for Eur 343 million in 2014 (+19% compared to 2013

and +14% during the last five years). Imports from Germany are also on the rise. Although decreasing if compared to 2013 (-2,5%), Austria confirmed to be the third supplier for Belgium and the United Kingdom.

FINANCIAL RESULTS

A sector showing 9% EBITDA on average (according to the CSIL Report) may certainly catch the attention of private investors. EBITDA is sometimes exceeding 20% (for Delta Light, Flos, Thorpe, Comatelec). So there is room for M&A and the 2015 edition of "The European market for lighting fixtures" could record at least ten relevant acquisitions within two years. Latest acquisitions include: Nordeon acquiring Griven (Italy) to complete the architectural offer of the Group (Hess, outdoor); Fagerhult group acquiring Arlight (2014, Turkey, architectural) and Ivalo (Finland, Industrial); Ensto acquiring Alppilux (LED solutions); Sonepar enlarging its wholesale network in the United Kingdom and Colombia, just to quote a few. Targetti is selling the Danish company Louis Poulsen to Polaris Private Equity. TIP Pre-IPO spa (TYPE), investment holding subsidiary from Tamburi Investment Partners, will acquire a 14.29% stake in Finanziaria Mariano Guzzini Spa (Fimag), the holding company of iGuzzini Lighting spa.

WHERE DOES PHILIPS LIGHTING GO?

Philips is splitting off its lighting business in a bold step to expand its higher-margin healthcare and consumer divisions. Putting the lighting business in a separate company is part of a wider strategy that began with Philips' move out of less profitable

consumer electronics and into fast-growing healthcare markets, largely in emerging Asian markets. Philips overall turnover is Eur 21,4 billion within its three divisions of Lighting (33%), Healthcare (44%) and Consumer Lifestyle (22%). LED based sales increased worldwide by 20% during 2014 (despite price reductions) and they account for 37% of sales. Philips Lumileds and Philips automotive lighting business will be rebranded under a new company name in 2015. The two companies were spin-off from Philips Lighting during the second half of 2014 to become an independent company. The merge between Philips Lumileds and Automotive lighting business is expected to generate annual revenues of US\$2 billion.

FLOS Architectural. The Circle of Light

