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sense and simplicity

## Sustaining Value Creation in Lamps

René van Schooten  
General Manager Lamps & Operations, Philips Lighting

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### Key takeaways

- The lamps market **remains highly attractive**
- Sustain leadership in conventional lamps **through low cost manufacturing and strong distribution**
- **Portfolio, cost and technology leadership** and **go-to-market** are key factors in our LED success
- **Well positioned to win in Automotive** across OEM and aftermarket



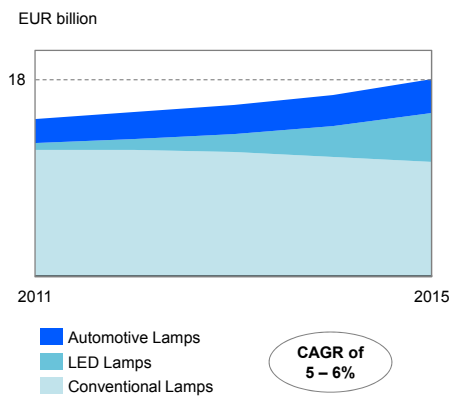
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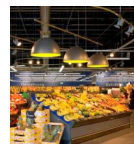


## Lamps market provides good opportunities for value creation across conventional and LED technologies

Global Lamps market



- Global lamps market forecasted to grow at a CAGR of 5-6% to EUR 18B by 2015
- Conventional lamps continue to be a large part of the market
- Strong growth (CAGR of 60%+) forecasted in LED lamps



Source: Philips Lighting global market study 2010, updated for 2011

## Key factors driving the lamps market growth

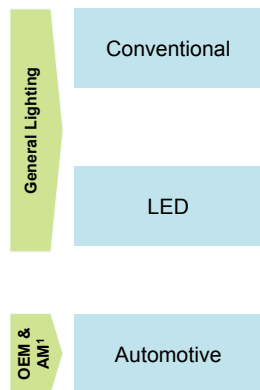
### Key drivers of growth

- Strong growth in the number of light points in growth geographies
- Legislation (e.g. Incandescent bans) driving demand for higher priced, more efficient lamps in mature geographies
- LED lamps penetration to grow to around 30% by 2015
- Strong growth in car sales across growth geographies
- Increasing penetration of Xenon and LED based Automotive lamps



## We are uniquely positioned to capture value across conventional, LED and automotive lamps

### Lamps portfolio



### Our strategy

- Harvest declining technologies (Incandescent, TL, Halogen) while growing CFLi, HID and Eco-Halogen
  - Effectively manage industrial footprint
  - Expand distribution, especially in growth geographies
- 
- Complete product portfolio across professional and consumer
  - Asset light model for LED lamps, maximizing return on invested capital
  - Leverage distribution strength
- 
- Win in OEM through innovation partnership with key industry players
  - Secure profitable growth in the aftermarket, building on our global leadership position

<sup>1</sup> Aftermarket

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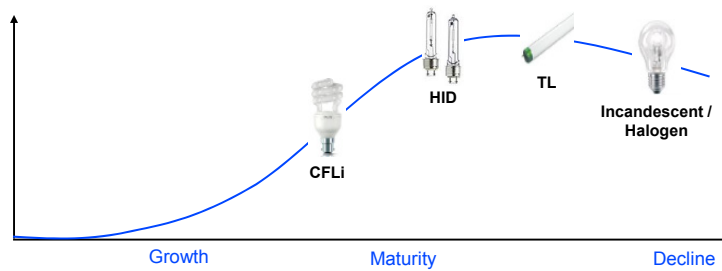
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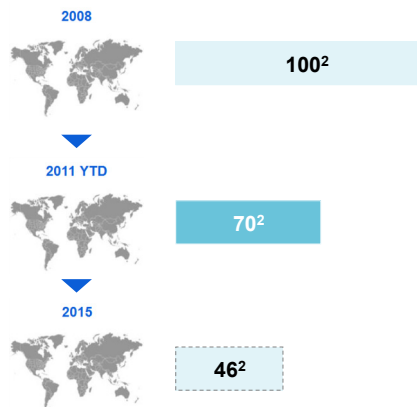
**Extracting maximum value from our conventional lamps portfolio**



CFLi	HID	TL	Incand. / Halogen
<ul style="list-style-type: none"> <li>• Leverage incandescent phase out</li> <li>• Distribution expansion in growth geographies</li> </ul>	<ul style="list-style-type: none"> <li>• Grow through leveraging Philips innovation leadership</li> <li>• Expand on specifier / end user approach</li> </ul>	<ul style="list-style-type: none"> <li>• Cost leadership through economies of scale</li> <li>• Lean factories in low-wage countries</li> </ul>	<ul style="list-style-type: none"> <li>• Price optimization through operational excellence</li> <li>• Capitalize on the short term growth in Eco-Halogen</li> </ul>

## Effectively managing our asset base and optimizing supply chain

Reducing our industrial footprint and optimizing<sup>1</sup> the remaining asset base



<sup>1</sup> Factory efficiency improvement through on-site optimal furnace availability and optimal lamps production capacity  
<sup>2</sup> Indexed number of industrial locations for lamps production at the end of the year

Building agile, end-to-end supply chain to improve efficiency and reduce cost

### Results of end-to-end supply chain in Incandescent

- Portfolio simplification and pack-to-order, reducing inventory levels by ~30%
- Obsolete stock reduction by >50%
- Customer service levels at >95%
- Cost of non-quality reduced by 15%

### Inventory reduction in Incandescent



## We are growing distribution and strengthening relationships with key accounts

Expanding our distribution in growth geographies...

- Expand distribution in Tier 3 / 4 cities in China (750+ stores in China)
- Increase penetration across semi-urban areas in India (reaching 2000 new towns in India)
- Strengthen distribution in top Asian cities through (300+ Philips branded stores in Asia)



Franchise store in China

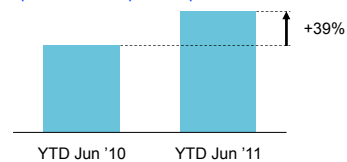


Semi-urban distribution in India

...and strengthening relationship with our key accounts in Europe and NA

- Improve customer service levels (>95%) through end-to-end process excellence
- Build on strong position with key retailers through category management, merchandizing and dedicated promotions
- Strengthen relationship with wholesale partners through dedicated campaigns, phase-in/out management and improved time to market

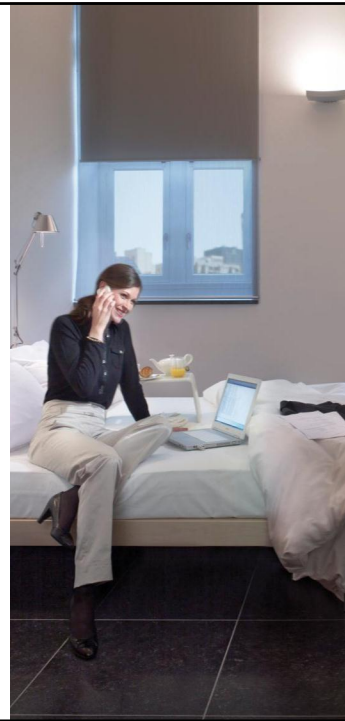
Dedicated campaigns leading to 39% increase in our lamps sales to a top 3 European distributor



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### Building on our strong position in conventional to win in LED lamps

Our strengths	Achievements
Complete LED portfolio to cater the varied needs of our customers	Full range of products for professional customers and targeted product portfolio for consumers
Leader in LED technology	Jul 2011: Launch of 1st 75W equivalent LED lamp in EU and NA Aug 2011: won the L-prize after a thorough review period of 3 years
Asset light LED lamps business model with established EMS partnerships	Well established Electronic manufacturing service (EMS) model, reducing capital expenditure and improving ROIC of our LED lamps business
Building on our strong distribution	Teaming up with leading distributors and retailers around the world to jointly drive LED adoption

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## Leading LED portfolio to cater to the varied needs of our customers

Professional: **higher specs**

- Focus on **total cost of ownership**, sustainable and tuneable / controllable
- Higher specs: Color rendering index, lifetime, Lm/W
- Broad range: beam / color temperature
- Tailored solutions applying common "building blocks" (mass customization)



Professional range



L-prize for 60W replacement LED lamp

Consumer: **initial cost**

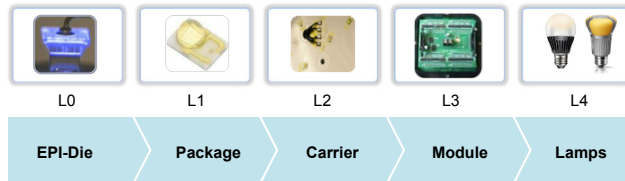
- Focus on **initial costs** and ambiance
- Lower specs relative to professional segment
- Limited range
- Usage of common building blocks across applications



Consumer range = entry level Professional range

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## Vertically integrated, end-to-end, low cost LED lamps manufacturing model



Lumileds will drive performance in LED components

- Leader in LED innovation
- Operational excellence for cost down, quality and reliability

Manage lean supply value chain through design centres and EMS partnerships

- Lamps design with high component sharing
- Fast and flexible value chain with EMS partners for minimal lead times
- Distribution excellence through joint shelf management to reduce inventory levels at retailer

*Leverage technology advantage and scale, reduce cost and increase speed to market across the value chain*





## Well positioned to win in **OEM** through innovation partnerships with key industry players

Technology leadership and deep customer intimacy enables us to:

... bring powerful innovative solutions to the market in conventional

**Making Xenon systems as simple to apply as Halogen**

From more complex 35W Xe...



...to integrated Xe 25 solution



2011 Audi A1 with Xenon 25W

... and in LED

**Wide range of LED solutions**

LED solutions with high-end functional requirements...



2011 Mercedes CLS Full LED Headlamp

...as well as integrated customized solutions



2013 Ford Taurus customized L2+ solution

## Leading OEM market position provides a strong basis for profitable growth in the **aftermarket**

Leading position supported by continuous innovation...

- **Strong position in the OEM market:**  
1 out of 3 cars globally equipped with Philips bulbs



- **Leading in aftermarket innovation:**  
Innovation to lead in product performance and to drive product upgrades

- **Strong automotive reputation :**  
Renown brand for high quality and durability. High appreciation from our customers (e.g. "Best marketing activities 2010" award from ATU)



...drives profitable growth with premium upgrades

Safety upgrade  
100% more light



XtremeVision

Eco-friendly upgrade  
4x longer life time



LongLife EcoVision

Safety upgrade  
30% more light



Vision

Styling upgrade  
Xenon effect



BlueVision ultra

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