

PHILIPS

Lighting Strategy: Building on strength Growth in Asia

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CEO Philips Lighting Asia Pacific
Lighting analysts' day
September 20, 2006

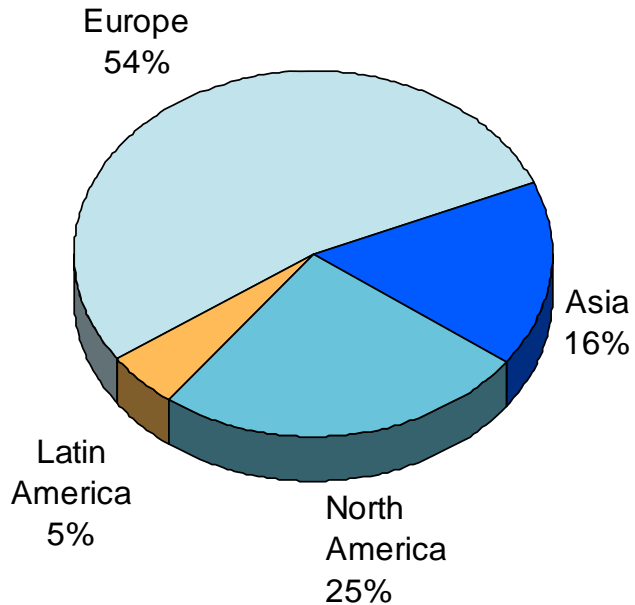
Agenda

- Philips Lighting Market Position in Asia
- Business opportunities:
 - Energy saving solutions
 - China
 - India
 - Japan
 - Automotive lighting
 - Solid State Lighting
- Conclusions

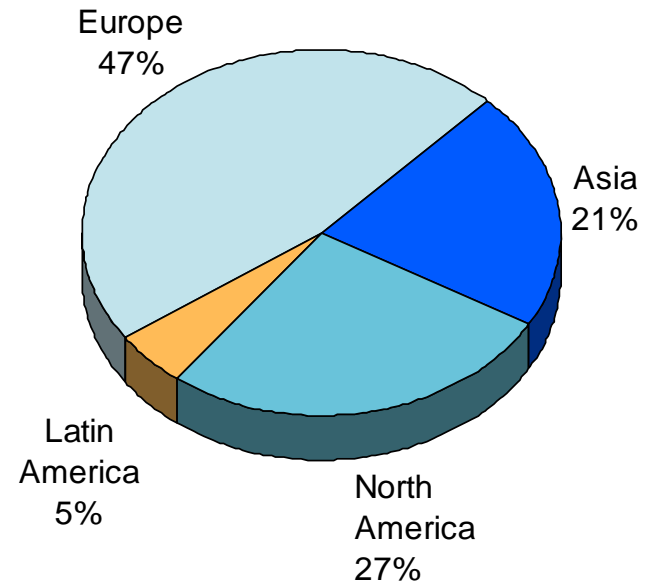
Philips Lighting

Growing importance of Asia in regional portfolio

2000



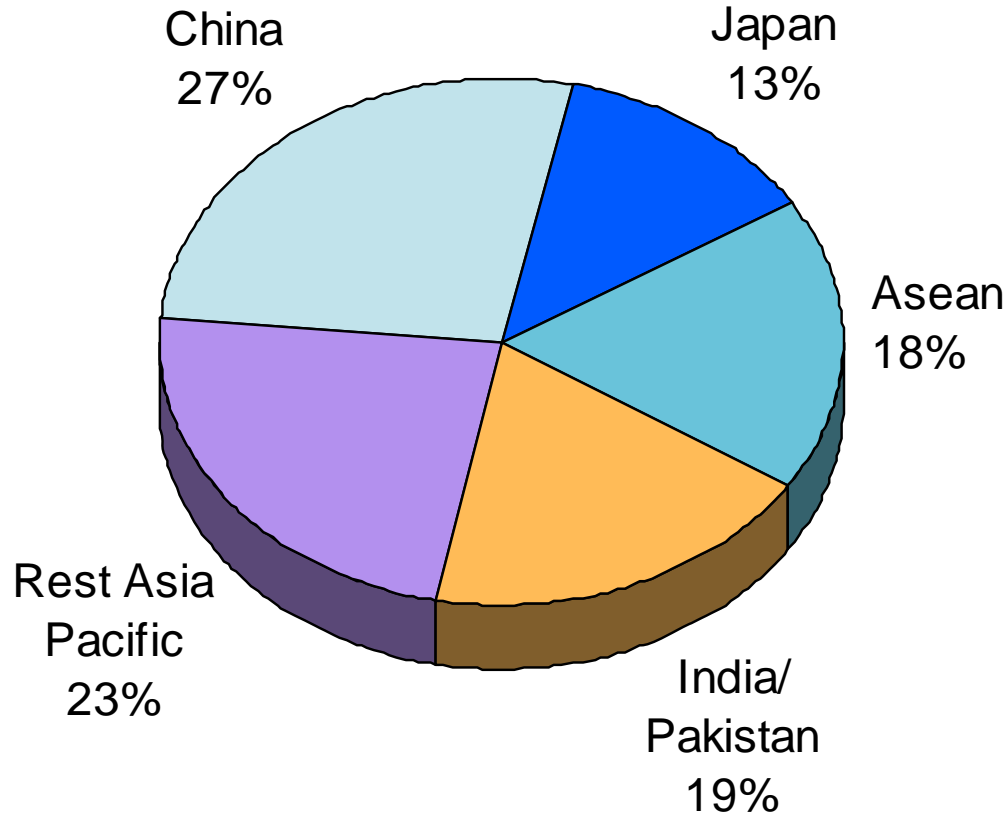
2006 Q2YTD



Philips Lighting: market position in Asia

Regional sales distribution within Asia

2006 Q2YTD



Philips Lighting: market position in Asia

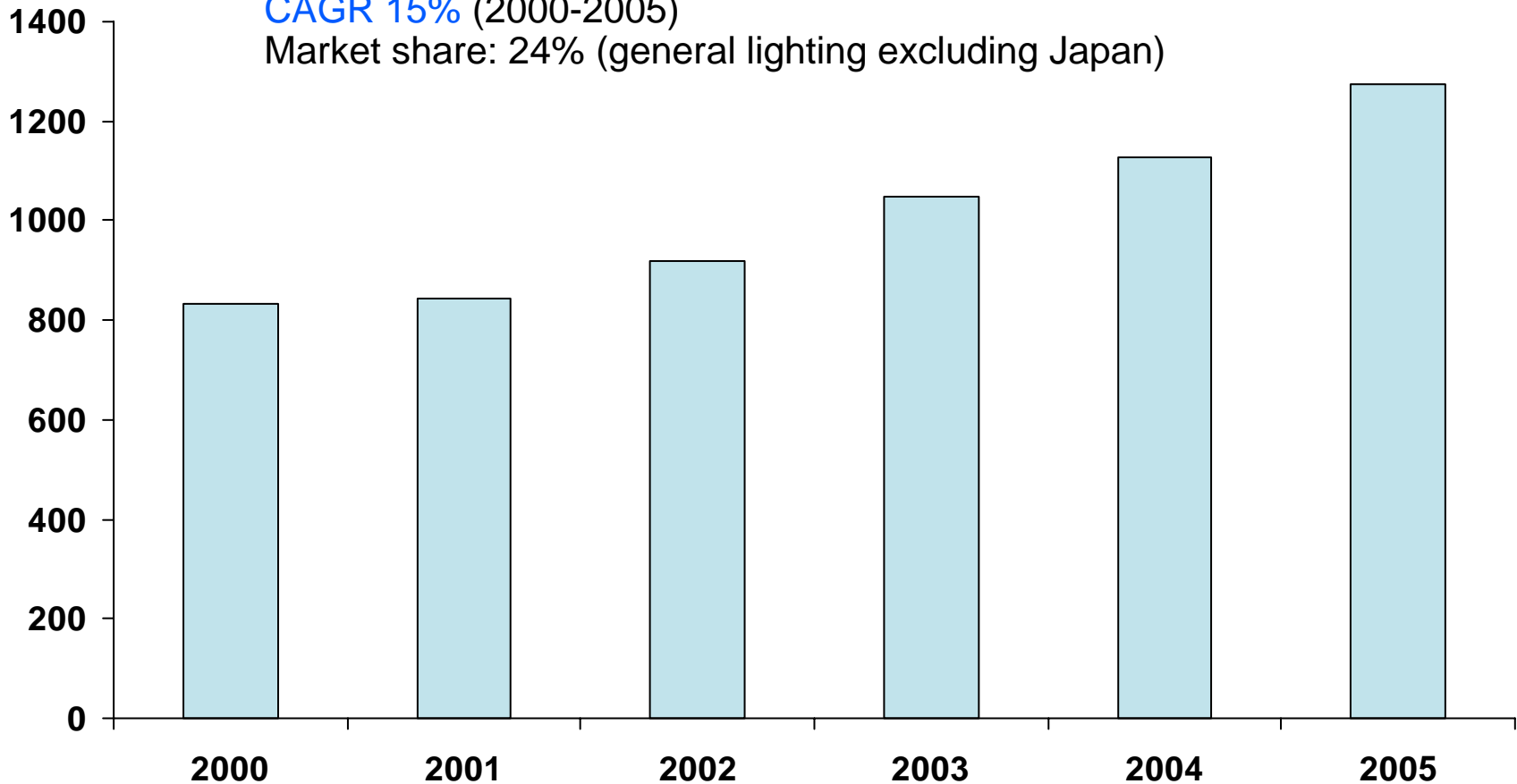
Sales growth

USD million

Sales to thirds: USD1.2 bio (2005)

CAGR 15% (2000-2005)

Market share: 24% (general lighting excluding Japan)



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Business opportunity

Energy Saving: The Opportunity for Lighting in Asia

- Asian economic growth is boosting energy demands by 45% for global oil demand and 25% of natural gas
- Rising energy prices decreases consumer demand and drive inflation
- Economic growth requires energy savings
- Philips is the global leader in lighting industry with broad portfolio of energy efficient lighting solutions

Building on strength

Asia Pacific: untapped potential of existing lighting technology

Today's potential savings

- 14 billion Euros in energy costs/year
- 112 million tons of **CO₂** emissions/year
 - Equivalent of more than 5.6 billion trees
- More than 296 million barrels of oil/year
- Output of more than 70 power plants (@ 2 TWh/yr)



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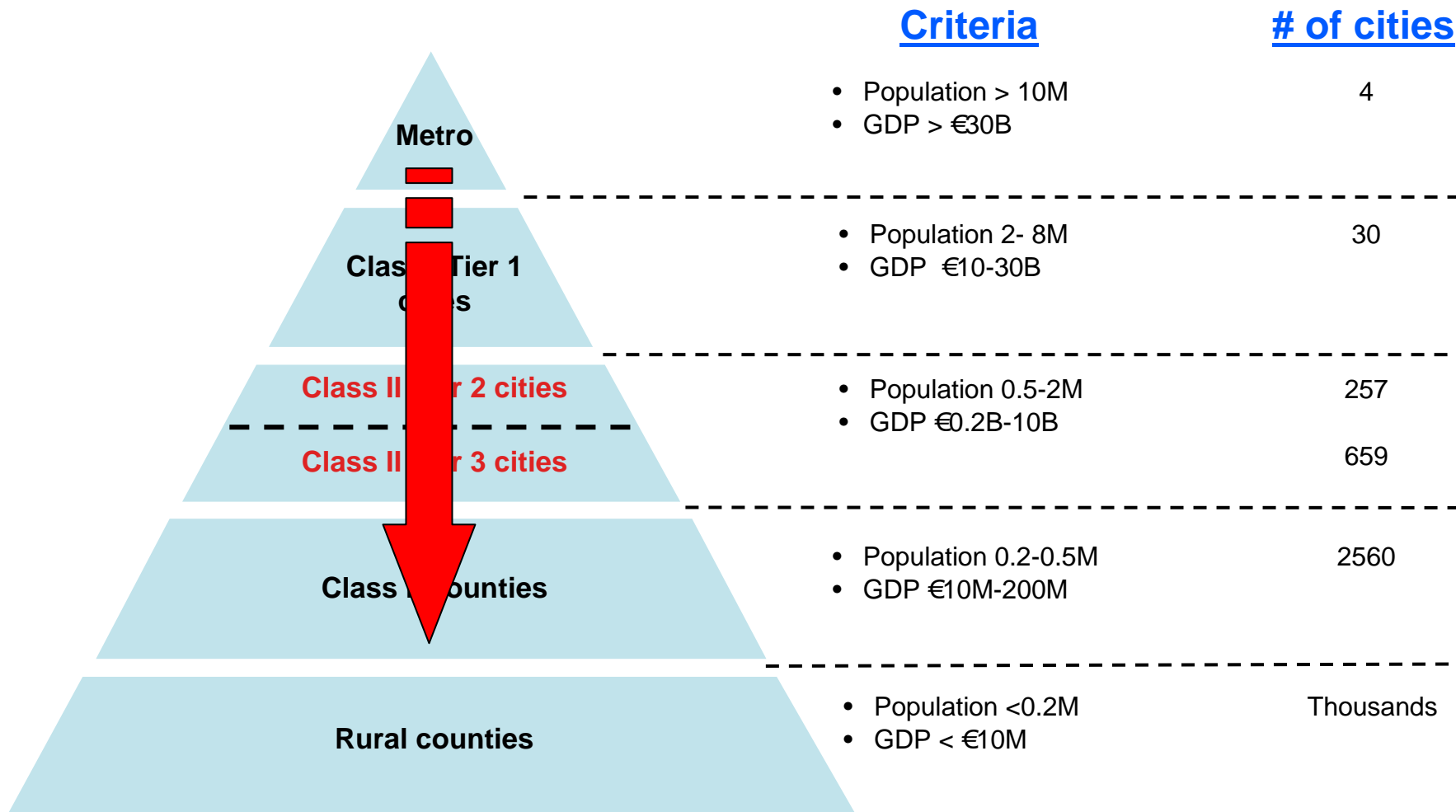
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Business opportunity

China - expansion to rural areas



Business opportunity

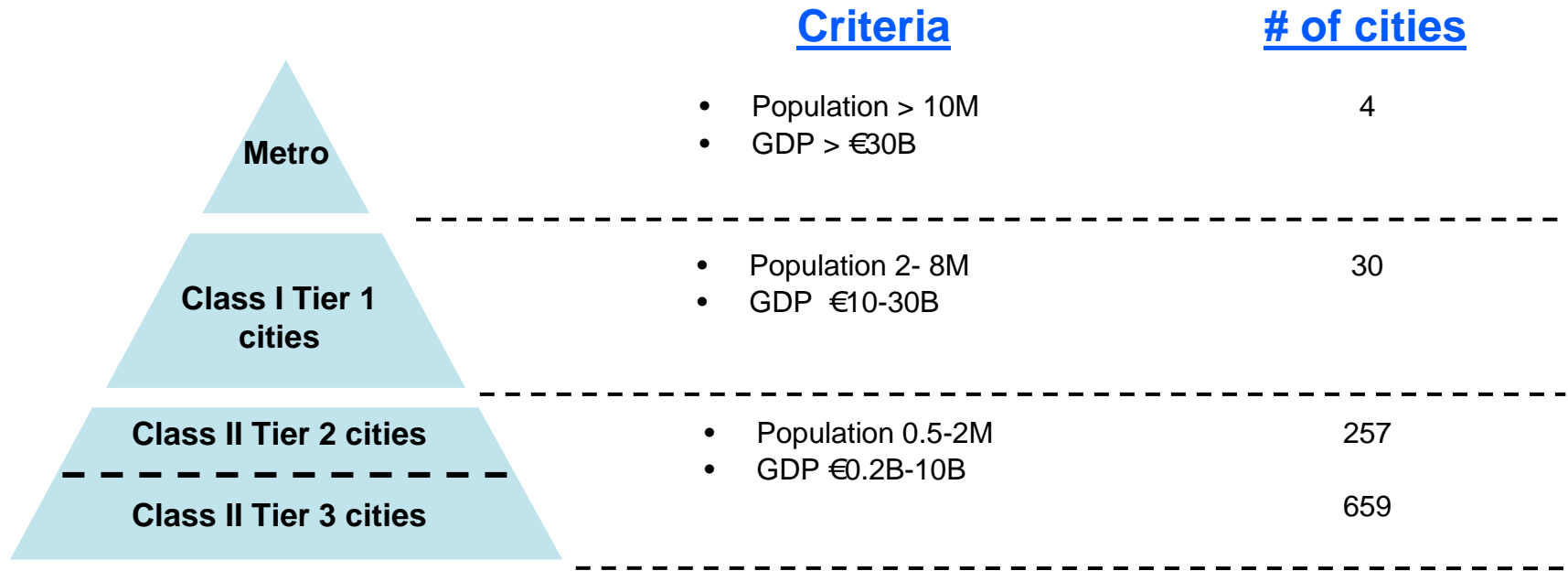
China - BEST Partner program introduced to develop distribution.

Best Partner Program with selected key distributors

- shared marketing programs towards end-user segments & retailers
- dedicated portfolio addressed to local market needs
- knowledge sharing & satisfaction improvement programs
- development thru product & application training
- logistic support from both sides

Business opportunities

China - Further expansion to 2nd/ 3rd tier cities

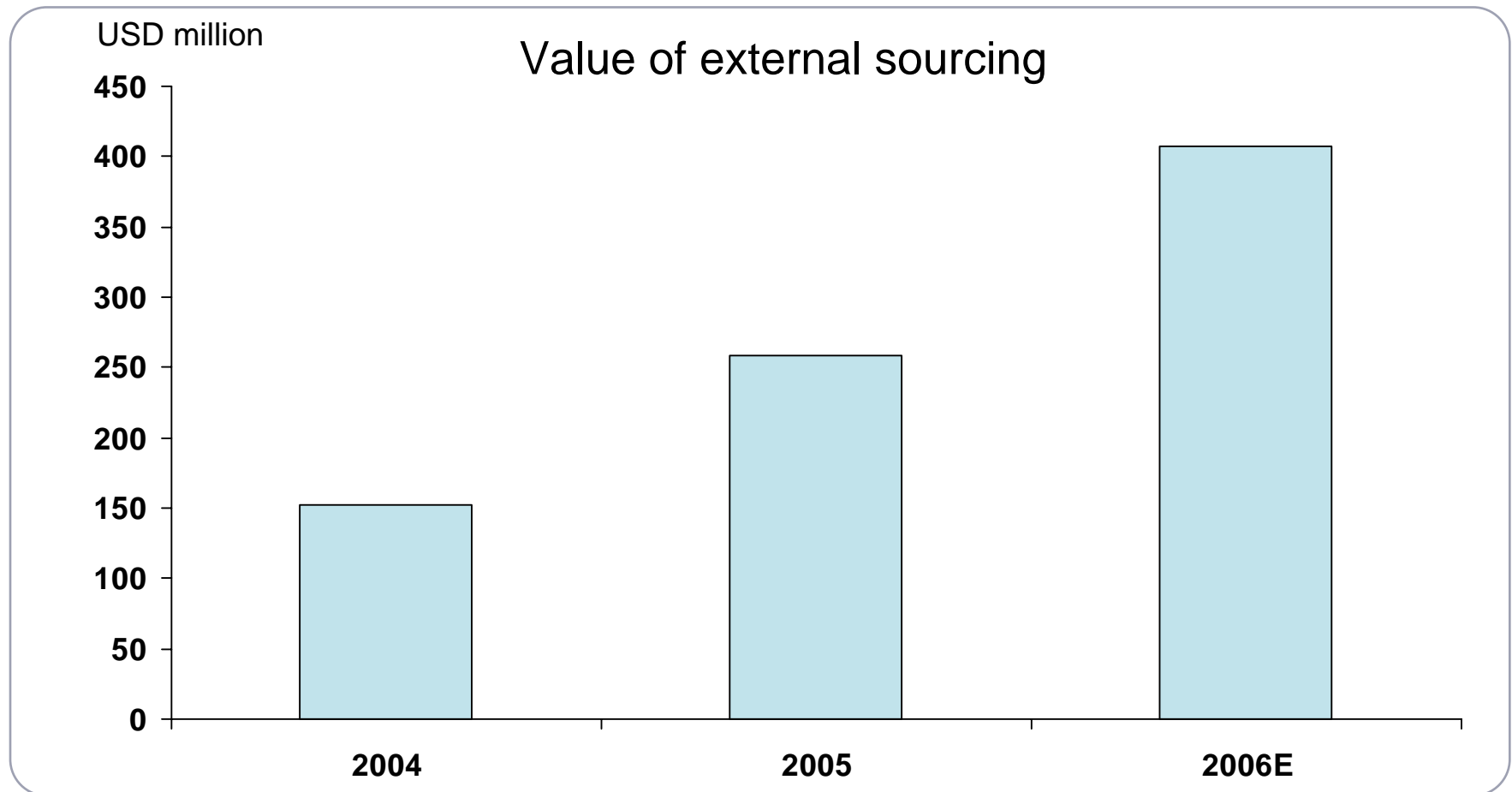


- Tier 2/3 city market size is large
- Fast growing needs of high quality lighting products.
- Build effective distribution coverage (quantity and quality of dealers)
- End-users marketing approach in professional & consumer segments

Business opportunity

China; vast supply base for Philips world-wide

Next to 8 own factories use of Chinese supply base



Intensified R&D investment –

More than 180 lighting engineers Philips Innovation Campus, Shanghai opening December 8th, 2006



Co-allocated with other Research Groups Philips; Linkages with universities & standardization federations; Launching platform for new technologies (SSL,)

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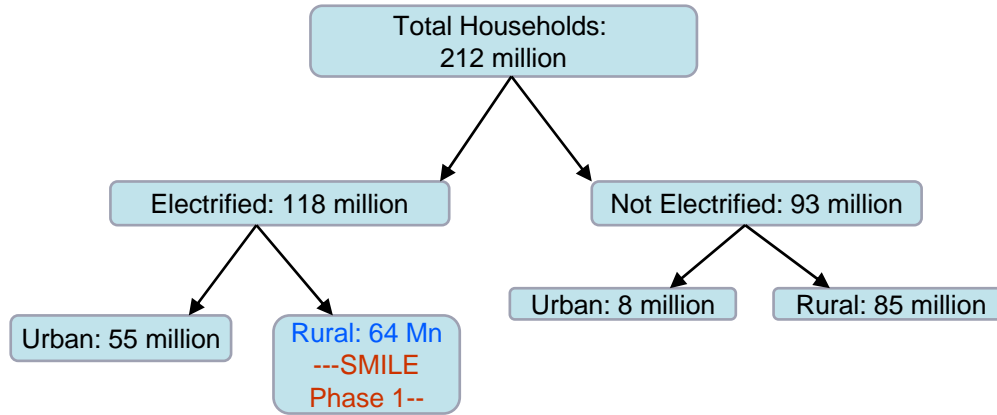
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India - SMILE: Sustainable Model In Lighting Everywhere

Target Markets



Products developed



Uday – rechargeable portable unit for general illumination

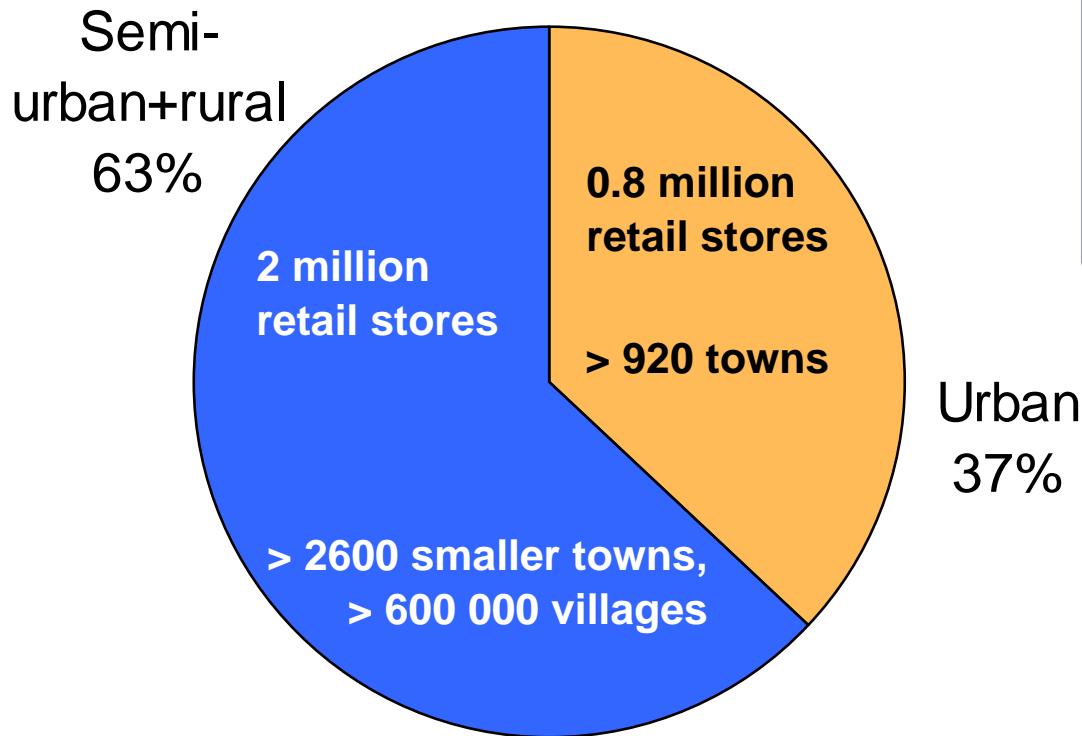


Kiran – hand held, hand cranked LED flashlight

Business opportunity

India: Rural Distribution Initiative in India

GLS Market



The typical rural retailer



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Japan: Niche approach

- We focus on niche opportunities in the professional market.
- Key Account Management is key.
- Our strength: Automotive Lamps, CDM and UHP
- CDM is fastest growing product line in OEM segment



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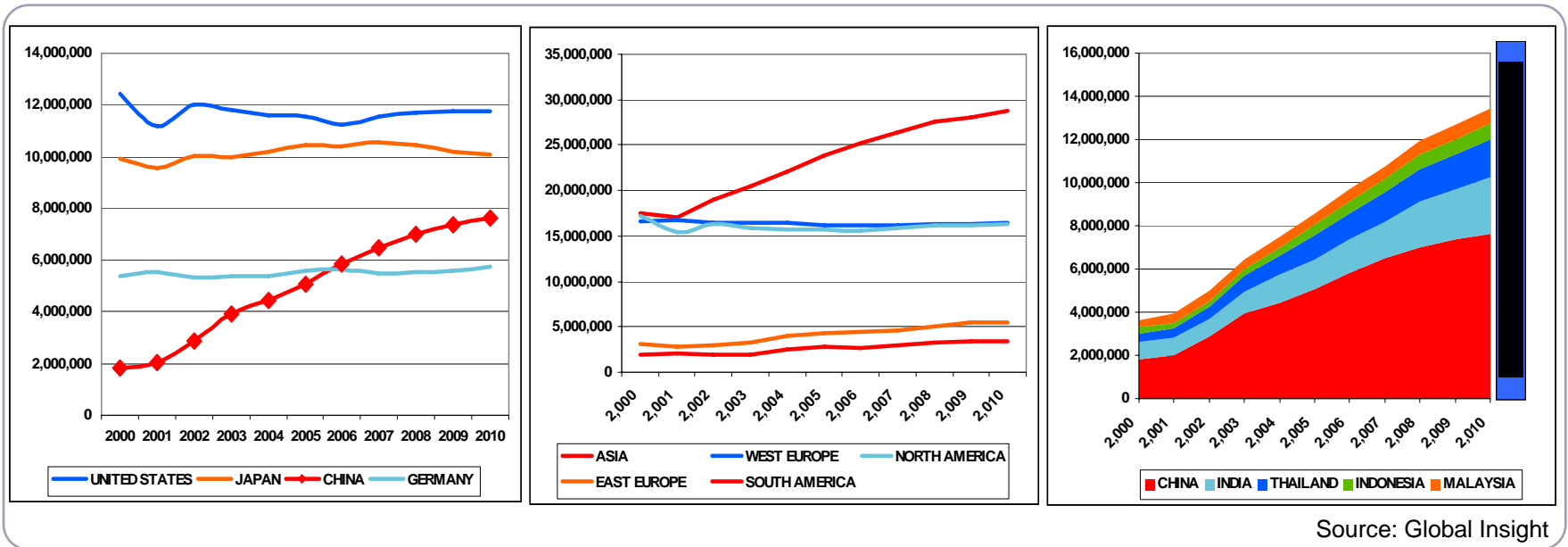
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Automotive Lighting: Emerging Markets, car production



- 2006: China taking over #3 position, after USA and Japan
- 2010: Asia car production nearly 2 times Europe or USA
- 2010: China+India+Thailand+Indonesia+Malaysia = 85% of total Europe production
- Philips Automotive Lighting is market leader in Japan, Korea, China
- Philips Market share in Emerging markets comparable to Japan and Korea

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Solid state lighting (SSL) Focus on Application Segments

- Fast growing market (40% / year)
- Asia is fruitful soil for Solid State Lighting
- Philips in Asia is present as LED supplier (Lumileds), as module supplier and as total solution provider
- Rapidly building capabilities in the region
- Sales growth for total solutions: sales doubled in 2005 and in 2006

SSL- Luminaires Focus Segments

OUTDOOR

City Beautification



Signal & Signage



Road & Tunnel



INDOOR

Offices



Shops



Residential



Hospitality



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Conclusions

Growth in Asia

- The demand for energy saving solutions will accelerate market growth.
- The well structured distribution in India and the ASEAN countries (High market shares) is a sound basis for rapid growth in fast growing markets.
- Expansion of distribution in China will lead to further increase our market share.
- China is important as a supply base.
- Asia, an early adaptor for new technologies, offers great opportunities to enlarge our share in the professional Lighting business.