

PHILIPS

Lighting

David Hamill

President and CEO of Philips Lighting

Agenda

- Philips Lighting: Position and Strategy
- Marketing Excellence
- End-user driven innovation
- Delivery reliability
- Room for Improvement
- Continued Growth

**still 60.000
to do**

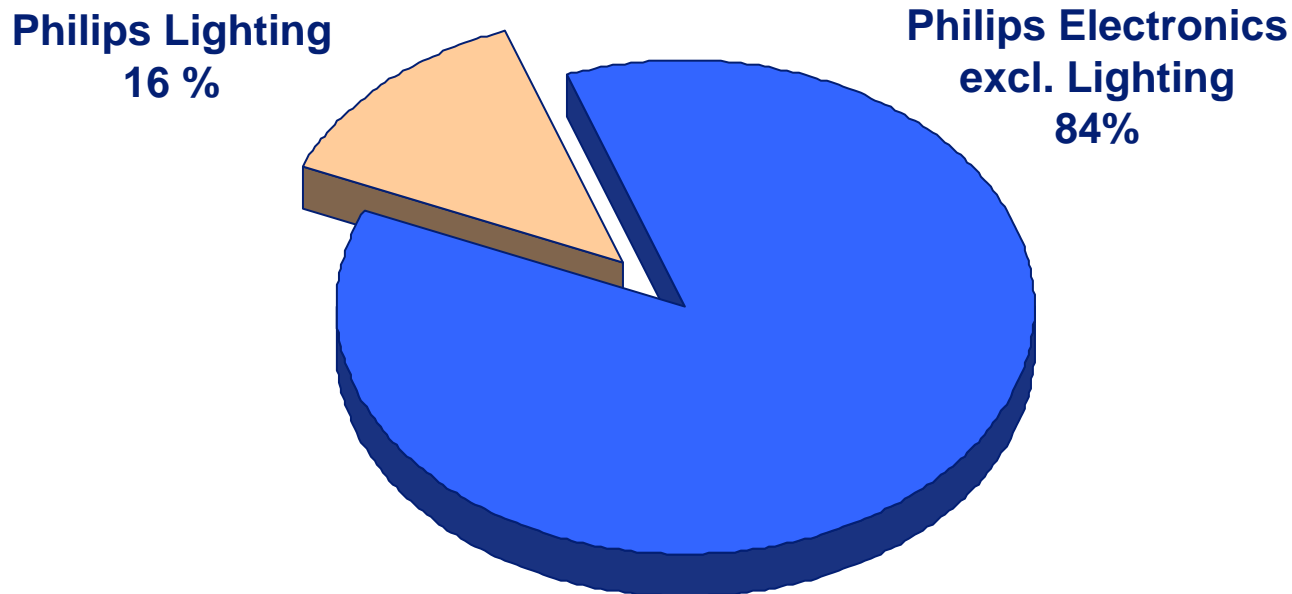
1891

2001: 4.500.000.000 to do



Philips Lighting Sales as % of Philips Electronics

2001



Philips : EUR 32,300 mln
Lighting: EUR 5,083 mln

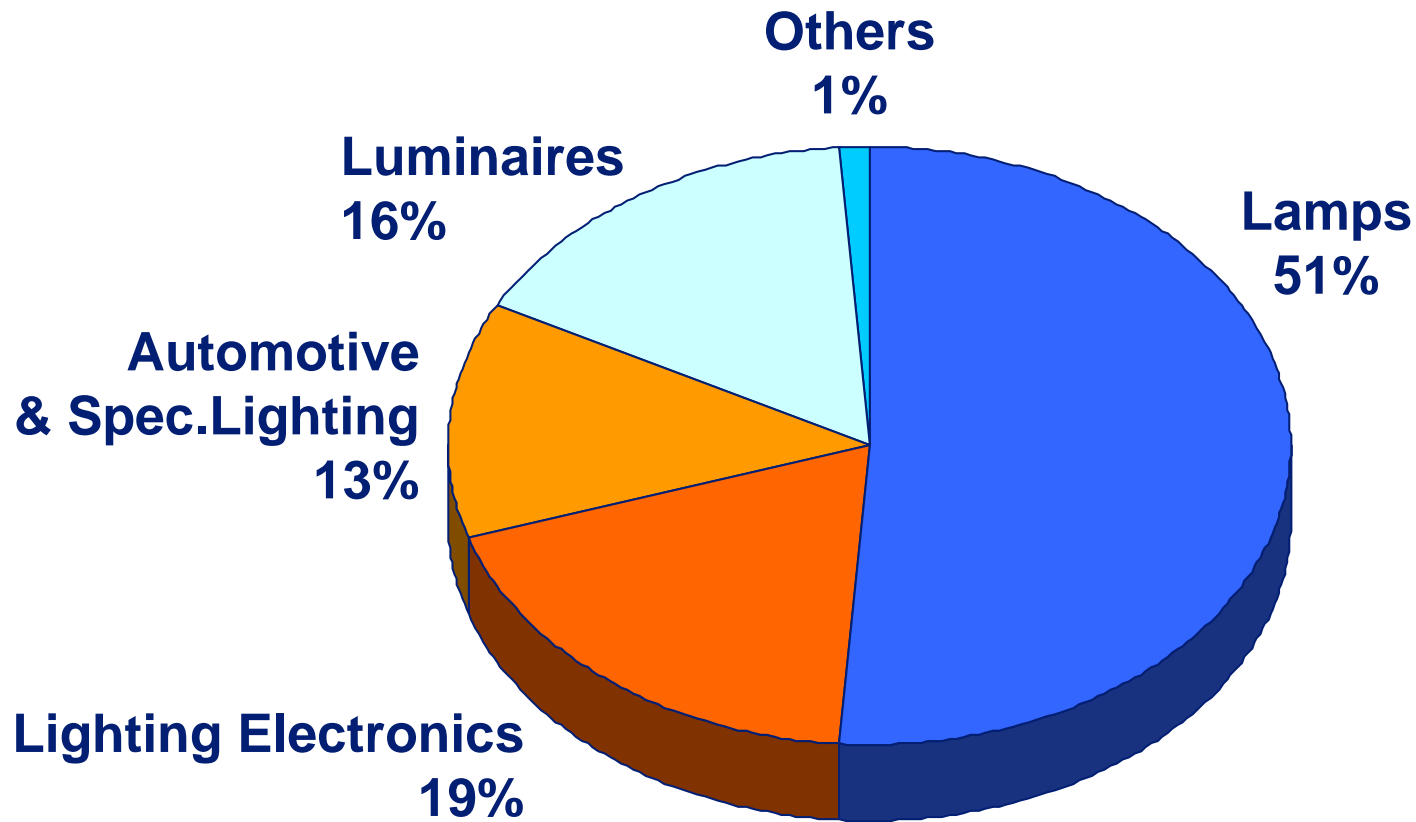
Philips Lighting – 2001

Turnover	EUR 5.1 billion
EBIT	EUR 623 million, or 12.2% of sales
Net operating capital (NOC)	EUR 2.0 billion
Return on NOC	30%
Employees	47,922
Capital expenditure	EUR 224 million

Benchmark – EBIT %

	2001	2002	
		Jan-June	Q3
Philips Lighting	12.2%	11.4%	12.4%
GE Lighting	9.5%	4.5%	- 3.8%
OSRAM	8.2%	8.7%	9.0%

Philips Lighting Sales per Business Group



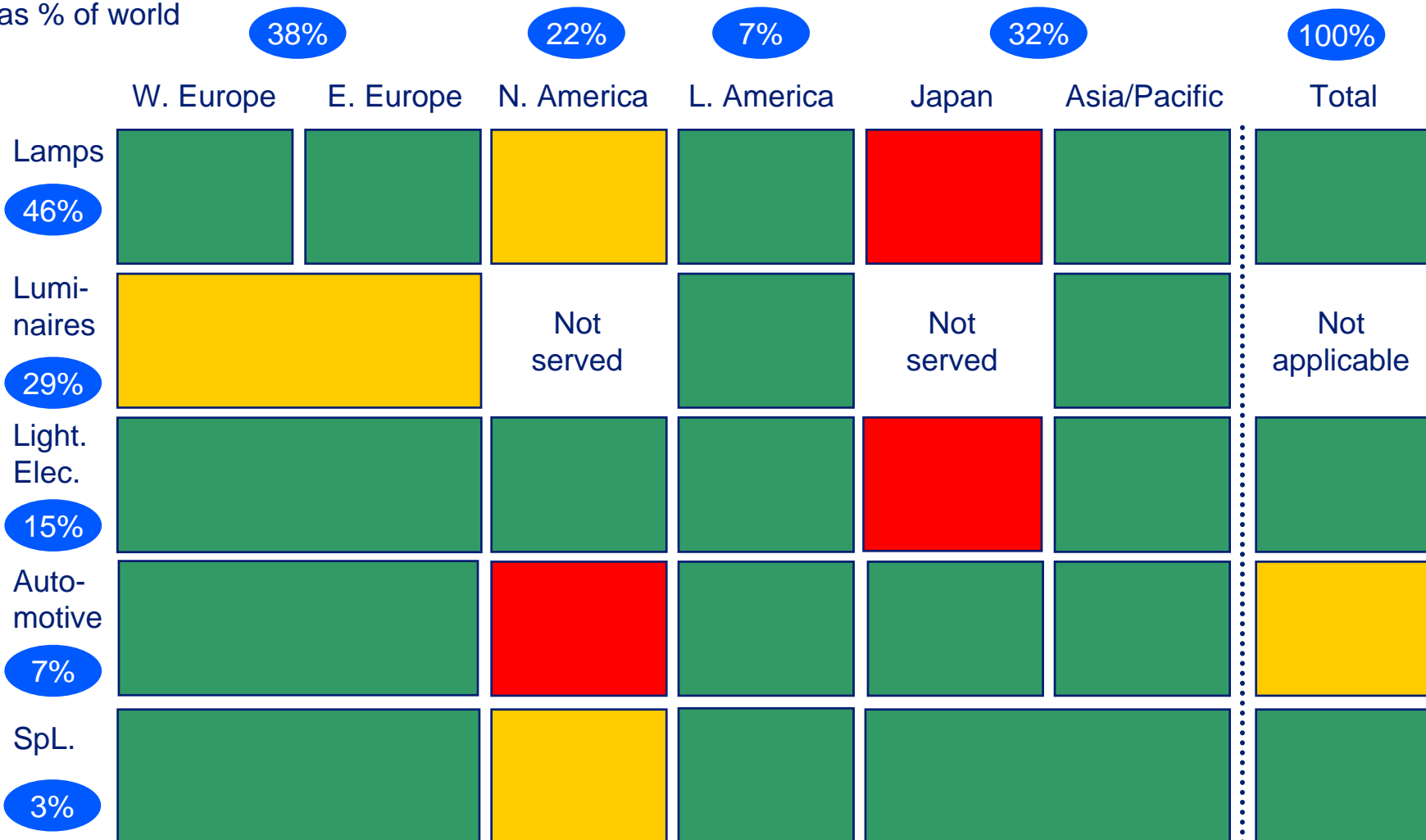
Total Sales to thirds: EUR 5.1 billion

2001 Market Position

Philips position



Size of market
as % of world



Lighting Strategy Overview

Ambition

- Profitable Growth:
 - In developing markets
 - With leading global customers
 - In new segments (NBC)
 - In existing markets
- Recognized as 'Setting the Pace' by our stakeholders

Strategy

- Via:
 - Innovation
 - Marketing Excellence
 - Delivery Reliability
- With:
 - Continuous improvement
 - Control of costs and assets

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We understand people

Light is a visible form of energy

It pushes back the night

Welcomes the weary

Protects those you love

Banishes monsters

from under beds

Makes eyes sparkle

... and improve their lives



Sun-tanning lamps – visible results



International Key Account Management

Global support with local tuning for internationally expanding key customers via

- Innovative product range
- Pull-creation via communication with end-users and influencers
- Reliable logistics
- International Key Account Management structure
- Transparent distribution policy

New In-store Segmentation



Home Depot

- World's leading DIY company
- US\$ 52 B sales through 1400 stores
- Ambition to grow to US\$ 100B
- Philips track record of excellent category management

e.g. HalogenA -

Millennium ball on times square

- Philips as exclusive supplier of branded light bulbs



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Innovation: Create added value and lower costs

Continuing innovation with leading customer involvement based on end-user understanding

Innovative Lamps: Halogen



PAR



Twistline

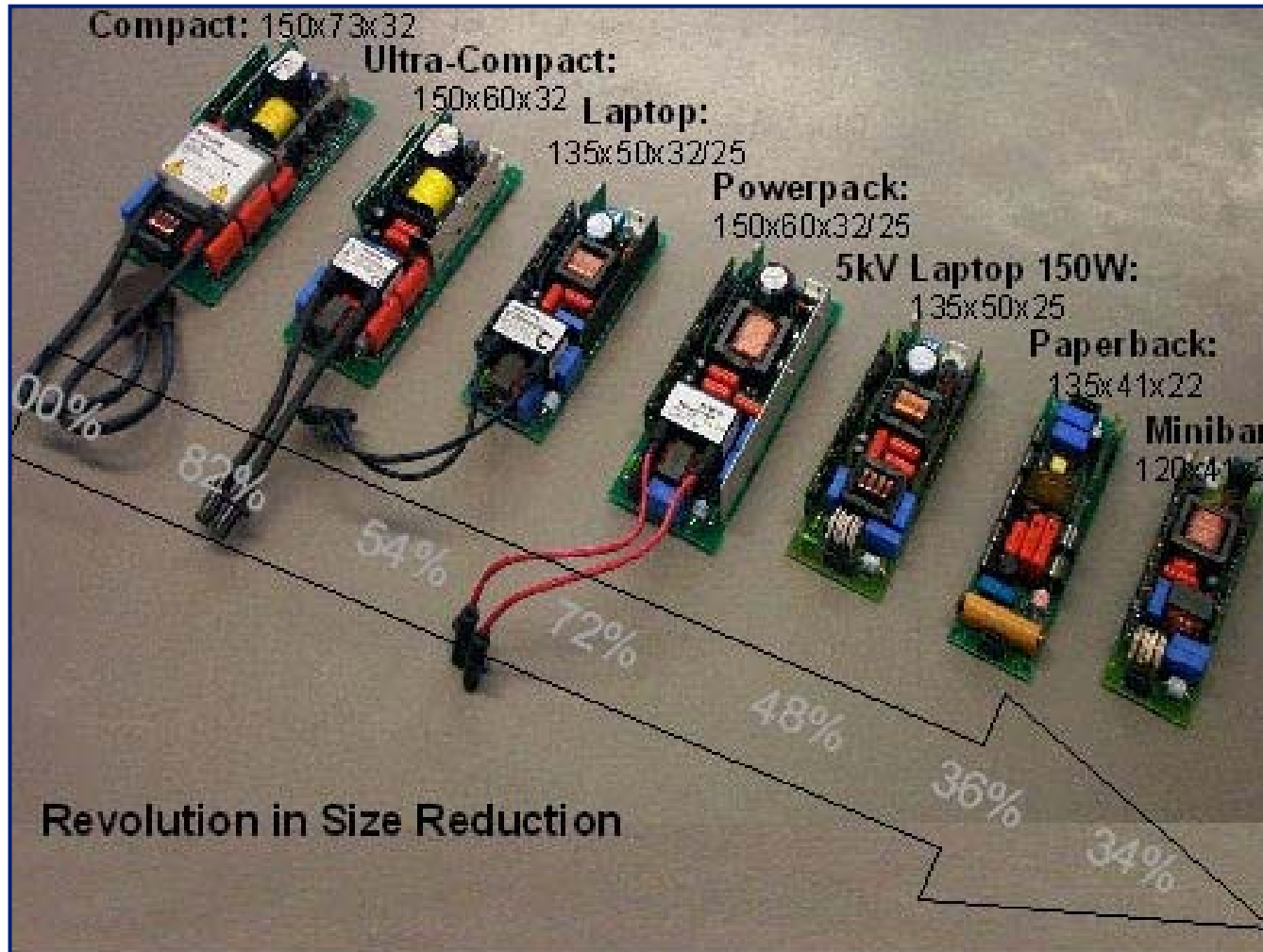


HalogenA



Blown bulb
halogen

UHP Miniaturization



PHILIPS

Xenon Car Lighting



Projection systems

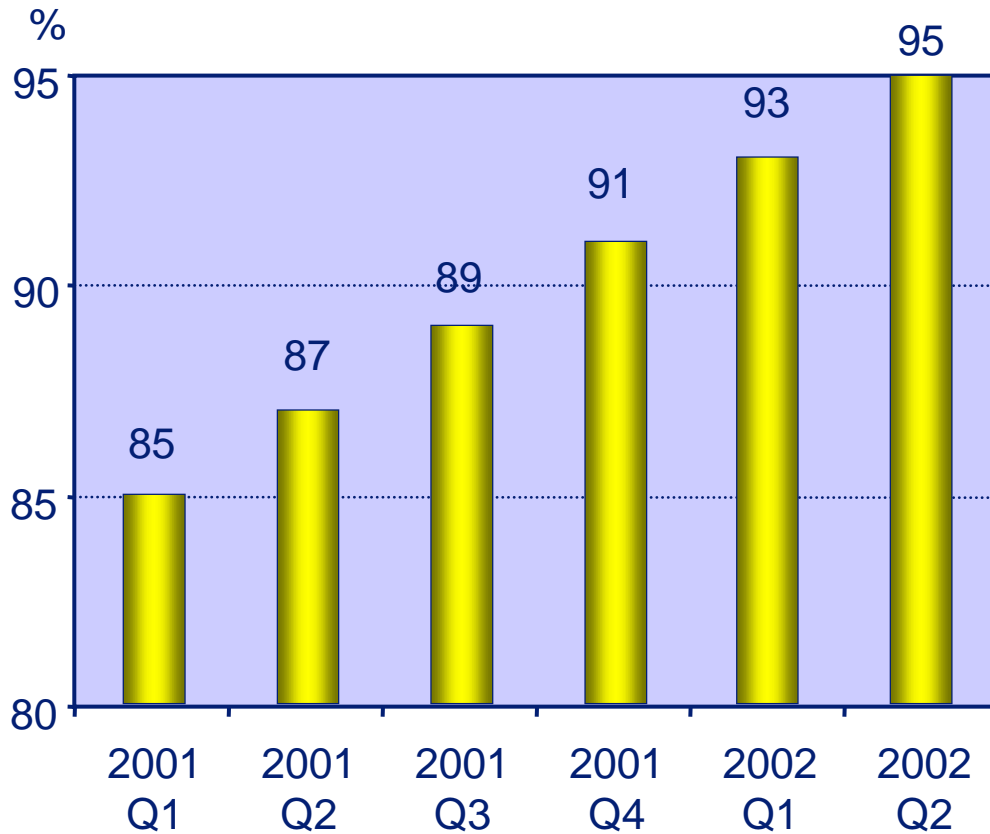


Ignited & driven by ... 

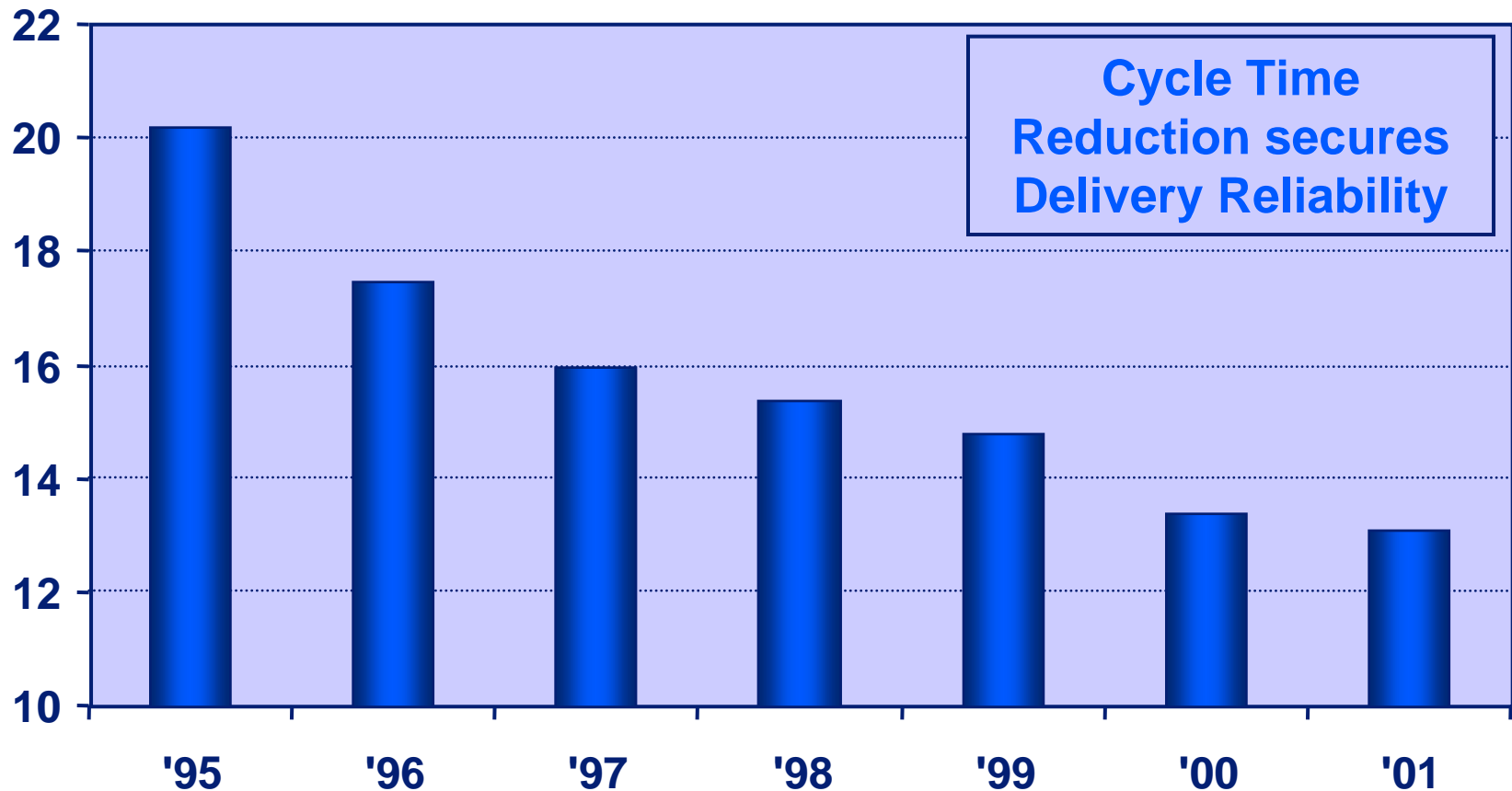
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- **Delivery reliability**
- Room for Improvement
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Delivery Reliability: complete & on time lamps world



Inventory Reduction as % of Sales



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BEST in Philips Lighting

All metrics show ample room for improvement

- Applying model from European Foundation for Quality Management: from 500 points today towards 700 in coming years
- Business Balanced Scorecards: focus on essentials
- Improve Business processes
 - Cycle time reduction
 - Black Belts: growing population of process champions
 - Process Survey Tools: from 4 towards 7 level
- Quality Improvement Competition: from 30 towards 40 % participation

Improvement in Lighting Electronics

Already implemented:

- Global Supply Base organization
- Standard manufacturing processes world-wide
- Product Platform management
- Technology Management approach

Further room for improvement:

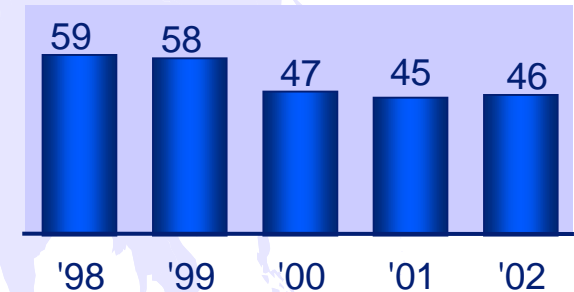
- Uniform way of working across development centers
- One common IT infrastructure
(copy Philips CE/Semiconductors)
- Linking of product development to manufacturing
- Increase commonality of components

Industrial Direction

Optimize the global industrial asset base:

- Inter-regional support supplies
- Non-consolidated participations
- Re-use of “existing” equipment
- Structural purchasing or outsourcing

BG Lamps factories



Realization of ‘world class’ industrial performances:

- Standardization of machine platforms
- Process and maintenance management
- Updating & refreshment industrial competencies

Agenda

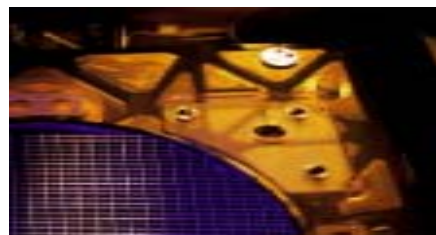
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Expansion in China

- Large market potential
 - 180 cities with more than 1 mio people
- We create and extend distribution
 - With 100+ preferred partners
 - Internet enabled, for streamlining supplies, inventories, cash
- Growing (already leading) market share
- Industrial presence for all Business Groups
- Start for outsourcing
- Track record of profitability



Philips Extreme Ultra Violet for Next generation Wafersteppers (2007)



Solid State Lighting



LumiLeds (50/50 JV with Agilent):

- Continued growth and improving technology
- Current focus on Automotive and LCD Backlighting

Short term application of LEDs:

- Image builder for lighting industry (Decorative)
- Used as signal source (looking into the light vs illumination)
- Customized LED modules

Long-term (> 5 years) shift to Illumination

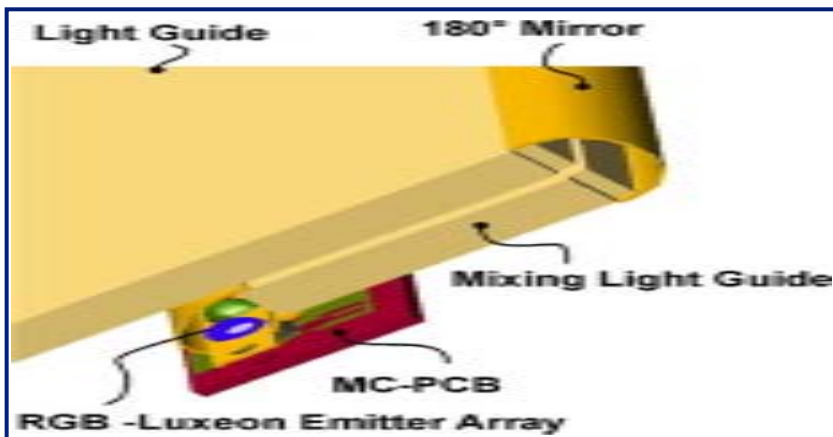
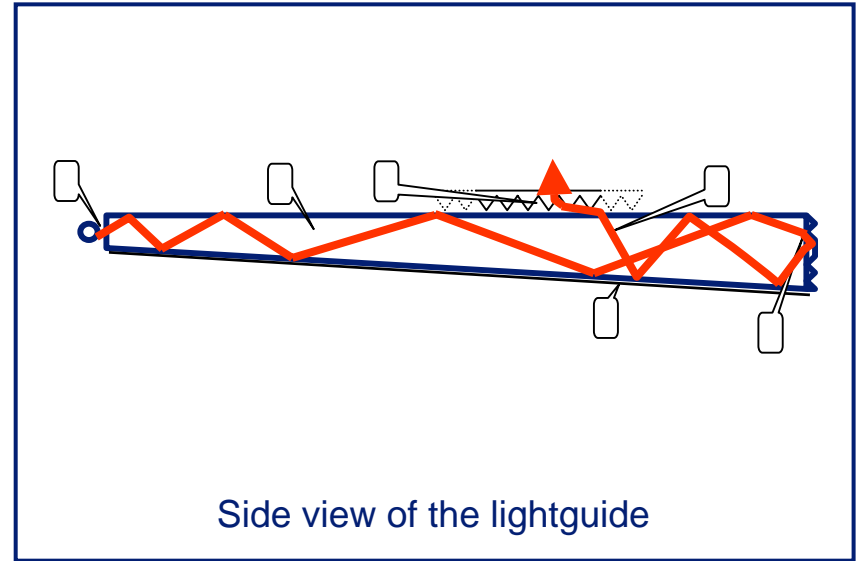
- Strong double digit growth
- Strong margin business



Philips Lighting in-road signs for traffic guidance



LCD Backlighting with LEDs



Philips Lighting – Setting the Pace

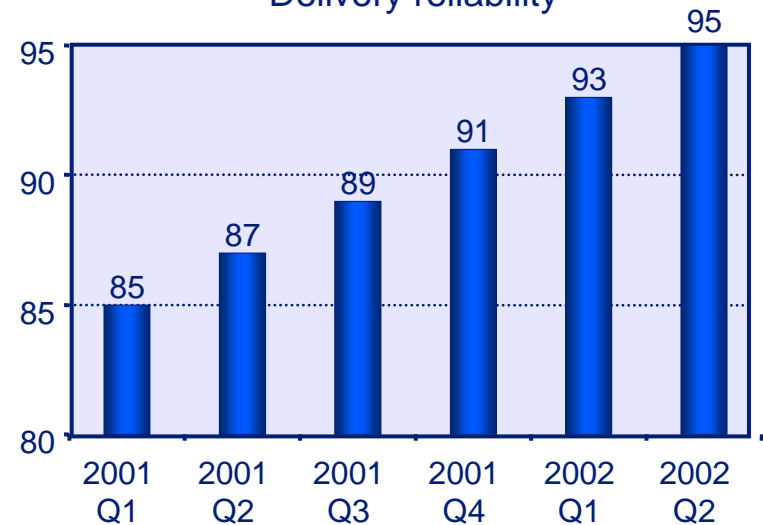
Continued Growth:

- Market share gain:
 - USA - Home depot
 - APR - China distribution expansion
 - Europe - Consumer marketing strategy
- Portfolio enrichment:
 - Solid state lighting

Continued improvement:

- Innovation
- Marketing excellence
- Delivery Reliability
- Cost and asset control

Delivery reliability



Inventory reduction

