

# PHILIPS

sense and simplicity

## Winning in Emerging Markets

Olivier Piccolin  
GM Asia Commercial Lighting

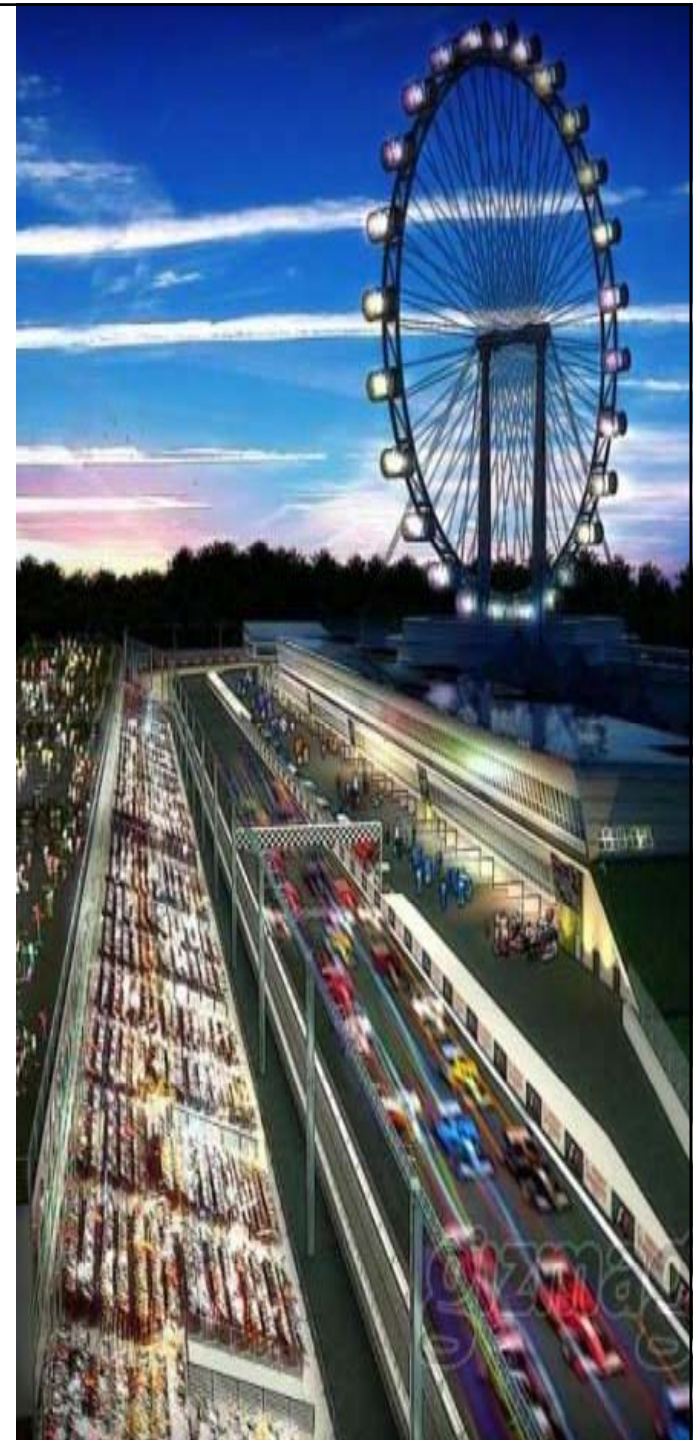
## Key takeaways

- Emerging Markets are growing strongly and becoming increasingly important for our business
- We are uniquely positioned to win in Emerging Markets



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# Great opportunity in Emerging Markets



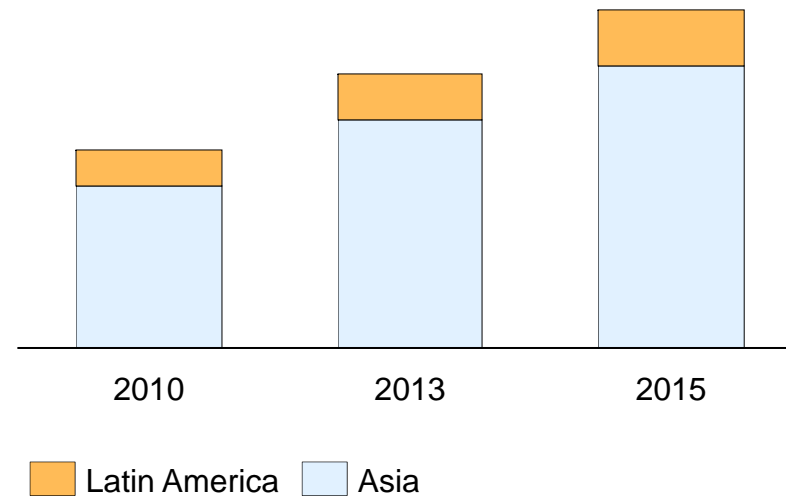
# Great opportunity in Latin America and Asia

## Positive long term trends in Asia

- Robust growth in GDP with an average growth rate of 8%-10%/yr<sup>1</sup>
- Growing population across Asia
- Increasing urbanization and the need for better infrastructure
- Switch to LED
- Increasing end-user awareness on energy efficiency, driven by legislation

## Particularly large market growth in Asia

Latin America and Asia\* market sales in € Mln



1) Source: EIU

Source: Philips Lighting global market study 2009, updated for 2010  
\* Excludes Japan

## Asia Pacific Region: different from rest of the world

Differences offer great opportunity

Rapid **urbanization** and **mega cities**



Short renovation cycle < 2 years for Asian retailers



Adoption of **LED technology** led by government agenda

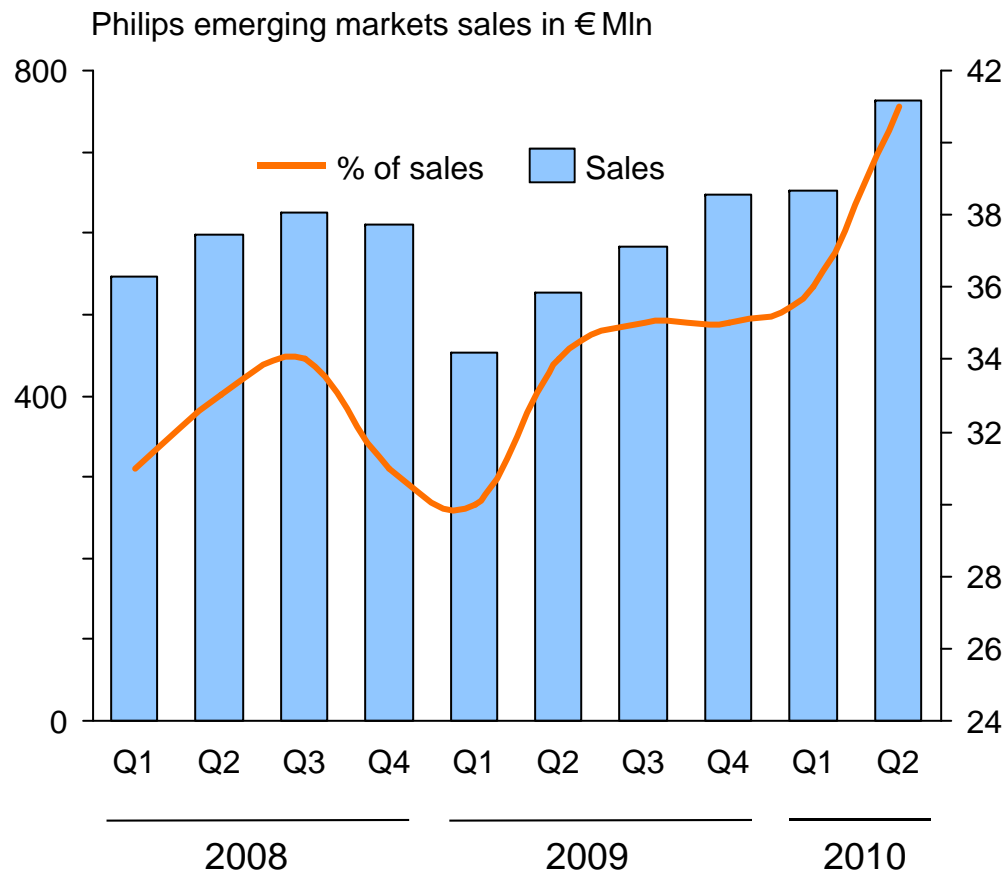


Retail infrastructure - dominated by **small independents**



# Emerging markets a stronghold for Philips Lighting

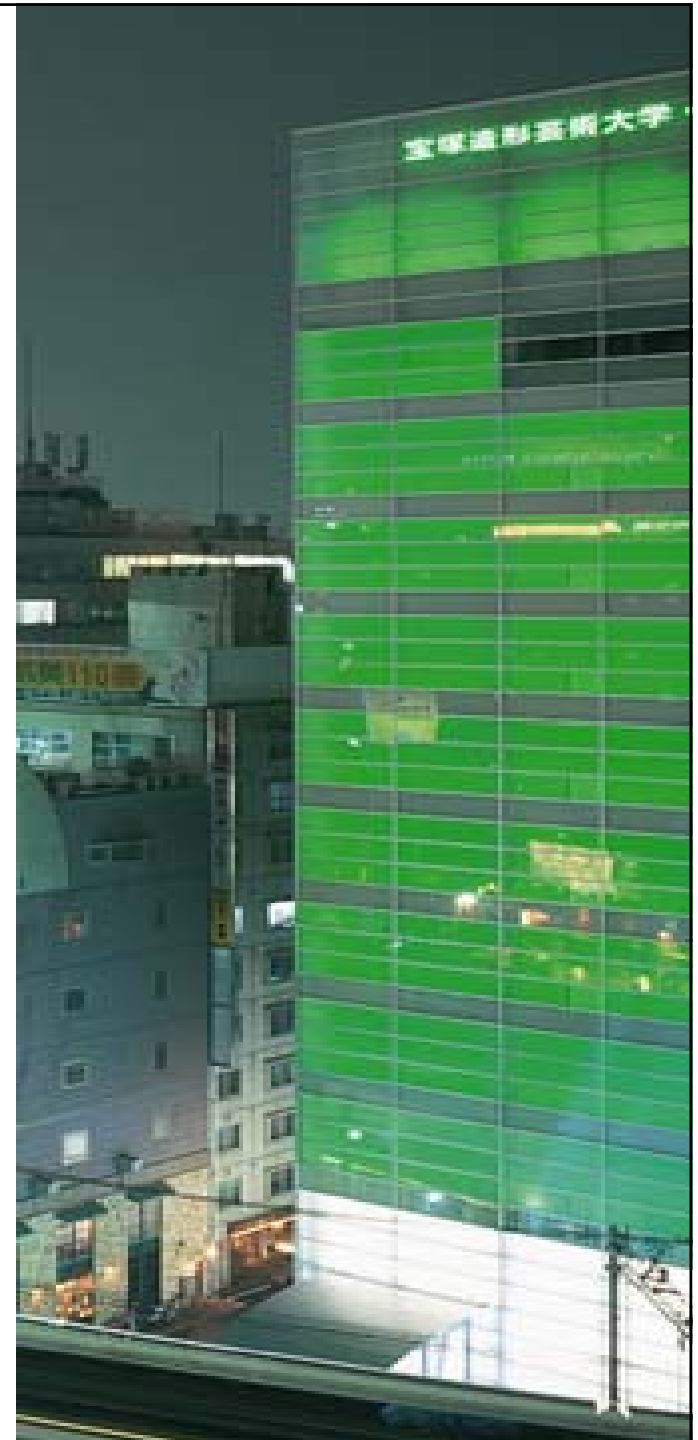
## Emerging markets increasingly important for Philips Lighting



Emerging markets sales grew from 31% of our global sales in Q1 2008 to over 40% of our global sales in Q2 2010

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We are uniquely  
positioned to win in  
Emerging Markets



# Uniquely positioned to win in Emerging Markets

## Our building blocks

## Our unique position

Brand and Net Promoter Score	We have a leading brand and very strong Net Promoter Scores
Distribution	We have an extensive distribution coverage in key emerging markets
Branded stores	Rolling out a network of branded stores to capture consumer market growth
Consumer engagement	Engaging consumers through off-line and online programs
Key account management	Driving growth in professional markets through a key account approach
Turnkey projects & services	Expanding into turnkey projects and services
Strong and dedicated portfolio	Strong portfolio in consumer and professional markets through use of global platforms and local for local development



# We have a leading brand and very strong Net Promoter Scores

## Leading position in Asia across categories<sup>1</sup>

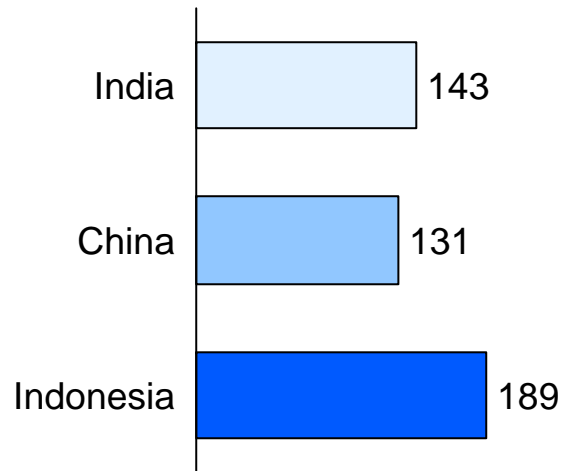
Category	Asia/Pacific*
Lamps	number 1
Consumer Luminaires	not in top 3
Professional Luminaires	number 1
Lighting Electronics	number 1
Automotive	number 1
LED components	number 2 or 3
Overall Lighting	number 1

- number 1
- number 2 or 3
- not in top 3

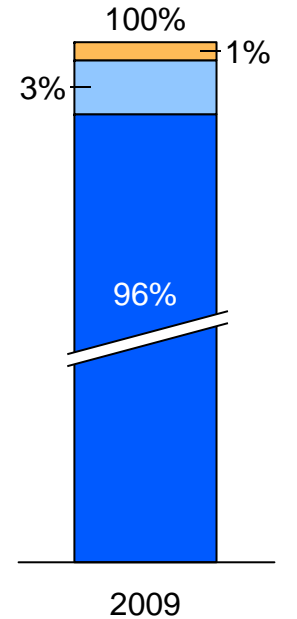
1. Source: Customer panels and Industry associations  
 2. Source: 2010 Heart beat report, TNS data  
 3. NPS score based on survey in India, China, Thailand

## Strong brand equity across Asia<sup>2</sup>

### 2010 brand equity



## Unmatched net promoter score<sup>3</sup>...



- Not leader
- Philips co-leader
- Philips leader

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We have an extensive distribution coverage in key emerging markets

## Examples

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- **China**
  - 25.000 outlets
  - Strong coverage in 4 metros and 32 main cities
  - Expanding in 2<sup>nd</sup> and 3<sup>rd</sup> tier cities, opened 19.000 outlets in last 3 years (25 per day!)
- **India:**
  - 400.000 Philips outlets
  - 1 million selling points through wholesale
- **Indonesia**
  - 60.000 Philips outlets



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## Rolling out a network of branded stores to capture consumer market growth

**Branded shops: 200+ and growing**



- We are rapidly increasing our retail presence for consumer lighting in Asia
- We are increasing our market penetration through expansion in tier-2 and tier-3 cities, which are largely untapped

**Store-in-store: 1400+ and growing**



- We are improving the retail experience we deliver to our consumers from our branded stores

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## Engaging consumers through off-line and online programs

### Off-line consumer activation programs



Retail experience



Print/ Editorial



Engaging Interior Designers



### Online activation by building on our consumer lifestyle platform



## Driving growth in professional markets through a key account approach

### Engaging end-users and key accounts...

- Focus on governments and international accounts in establishing long lasting partnerships
- Strategic discussions with mayors and government officials at the highest level to promote LED in outdoor
- Large opportunity in government sponsored energy efficiency programs and stimulus package



### ... while tracking progress

- Profiling of key accounts per segments
- Pipeline tracking
- Capability built up assessment and training

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**End user driven approach – score card capabilities**  
Focus to close gap of qualified professionals (vacancies) across region

**Organization**

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**China – Focus and dedication is paying off**  
Good progress in last 2 months by profiling big KA's and adding new KA's

Good growth of potential projects except Offices | Outdoor - Focus in top accounts, balance being profiled

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**Professional Key Account Plan – One Page Profiling**

Business Metrics				Projects – Top Box (2008-2010)				
Area	Current	Target	Variance	Phase	2008	2009	2010	2011
Revenue	1000	1000	0	1. New Proj. 8/2008	1	2	3	4
Profit	200	200	0	2. Phase 2/2009	2	3	4	5
Customer Satisfaction	4.5	4.5	0	3. New Proj. 8/2010	3	4	5	6
Employee Retention	90%	90%	0%	4. Phase 3/2010	4	5	6	7
Market Share	15%	15%	0%	5. New Proj. 8/2011	5	6	7	8
Operational Efficiency	85%	85%	0%	6. Phase 4/2011	6	7	8	9
Customer Loyalty	80%	80%	0%	7. New Proj. 8/2012	7	8	9	10
Employee Engagement	75%	75%	0%	8. Phase 5/2012	8	9	10	11
Market Penetration	70%	70%	0%	9. New Proj. 8/2013	9	10	11	12
Customer Retention	65%	65%	0%	10. Phase 6/2013	10	11	12	13
Operational Excellence	60%	60%	0%	11. New Proj. 8/2014	11	12	13	14
Customer Satisfaction	55%	55%	0%	12. Phase 7/2014	12	13	14	15
Employee Retention	50%	50%	0%	13. New Proj. 8/2015	13	14	15	16
Market Share	45%	45%	0%	14. Phase 8/2015	14	15	16	17
Operational Efficiency	40%	40%	0%	15. New Proj. 8/2016	15	16	17	18
Customer Loyalty	35%	35%	0%	16. Phase 9/2016	16	17	18	19
Employee Engagement	30%	30%	0%	17. New Proj. 8/2017	17	18	19	20
Market Penetration	25%	25%	0%	18. Phase 10/2017	18	19	20	21
Customer Retention	20%	20%	0%	19. New Proj. 8/2018	19	20	21	22
Operational Excellence	15%	15%	0%	20. Phase 11/2018	20	21	22	23
Customer Satisfaction	10%	10%	0%	21. New Proj. 8/2019	21	22	23	24
Employee Retention	5%	5%	0%	22. Phase 12/2019	22	23	24	25
Market Share	0%	0%	0%	23. New Proj. 8/2020	23	24	25	26

**Activity Calendar and Key Wielders (2008-2010)**

Activity	Owner	Start	End	Status
1. Phase 1/2008	John Doe	Jan-08	Mar-08	Done
2. Phase 2/2008	Jane Smith	Apr-08	Jun-08	Done
3. Phase 3/2008	Mike Johnson	Jul-08	Sep-08	Done
4. Phase 4/2008	Sarah Lee	Oct-08	Dec-08	Done
5. Phase 5/2008	David Kim	Jan-09	Mar-09	Done
6. Phase 6/2008	Emily White	Apr-09	Jun-09	Done
7. Phase 7/2008	Chris Brown	Jul-09	Sep-09	Done
8. Phase 8/2008	Alex Green	Oct-09	Dec-09	Done
9. Phase 9/2008	Ben Black	Jan-10	Mar-10	Done
10. Phase 10/2008	Mia Grey	Apr-10	Jun-10	Done
11. Phase 11/2008	Noah Blue	Jul-10	Sep-10	Done
12. Phase 12/2008	Liam Red	Oct-10	Dec-10	Done
13. Phase 13/2008	Olivia Purple	Jan-11	Mar-11	Done
14. Phase 14/2008	Lucas Yellow	Apr-11	Jun-11	Done
15. Phase 15/2008	Isabella Pink	Jul-11	Sep-11	Done
16. Phase 16/2008	Ethan Orange	Oct-11	Dec-11	Done
17. Phase 17/2008	Ava Green	Jan-12	Mar-12	Done
18. Phase 18/2008	Noah Blue	Apr-12	Jun-12	Done
19. Phase 19/2008	Liam Red	Jul-12	Sep-12	Done
20. Phase 20/2008	Olivia Purple	Oct-12	Dec-12	Done
21. Phase 21/2008	Lucas Yellow	Jan-13	Mar-13	Done
22. Phase 22/2008	Isabella Pink	Apr-13	Jun-13	Done
23. Phase 23/2008	Ethan Orange	Jul-13	Sep-13	Done
24. Phase 24/2008	Ava Green	Oct-13	Dec-13	Done
25. Phase 25/2008	Noah Blue	Jan-14	Mar-14	Done

# Expanding into turnkey projects and services

Large opportunity in turnkey projects and services

## Expanding in turnkey projects and services

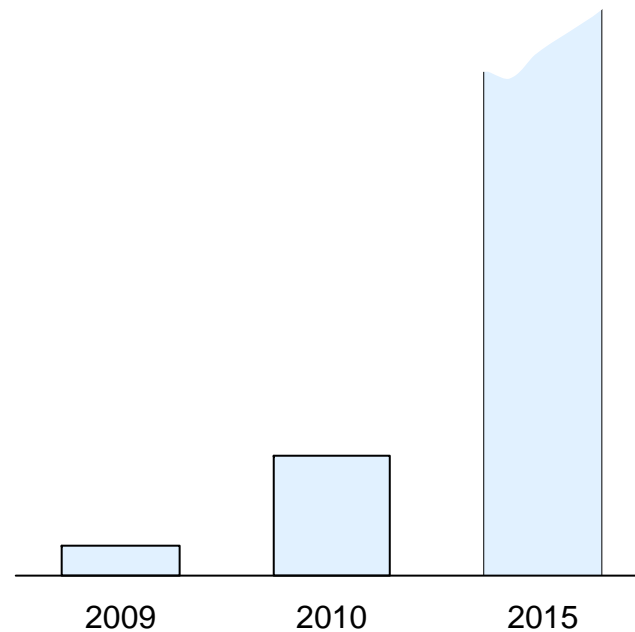
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- Leveraging on end-user key account approach
- Capabilities built up by acquiring and training resources
- Establish partners network locally (3rd party sourcing, contractors, financing partners)

## As a driver for future growth

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Indexed sales growth<sup>1</sup>



1. Base year 2009 = 100

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# Turnkey project & services: Examples

Innovation through new business models

## Examples

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Commonwealth games lighting India



LED freezer lighting Hong Kong



## Strong portfolio in consumer and professional markets

Use of global platforms and local for local development

### Use of global platforms as well as local for local development

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- Leveraging global supply and technology platforms
- Offer global as well as regional designs/styles
- Local R&D teams that develop products and applications in the regions for the local market
- Using design – enabled by technologies as differentiator
- Focus on innovative LED portfolio

### Strong conventional and LED offering in consumer and professional markets

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*Dedicated portfolio for local consumer markets*



*Wide portfolio in both conventional as well as LED for local professional market*

**Range of conventional Applications for retail**



**Ledgine: Asia**





## We are building on our success in Asia

Both in consumer and professional markets

### Korea

Consumer LED



### India

Light lounges



### China

LED Roadlighting



### Argentina

Palacio de Justicia de la Nación



### China

Guangzhou TV Tower



### Indonesia

Suramadu Bridge



## Key takeaways

- Emerging Markets are growing strongly and becoming increasingly important for our business
- We are uniquely positioned to win in Emerging Markets



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## Philips Lighting in summary

- We came out of the crisis as a **stronger company** and have a **structurally better business**
- The lighting market is set to grow and offers **exciting opportunities**
- We have the strength and strategy to **win** in the **LED light source** business while continuing to **leverage** our **conventional** lighting portfolio
- We are very **well positioned** to create value with segment specific lighting solutions, powered by LED ,controls and products designed around the customer
- Our **track record** and expected **market growth** in **Emerging Markets** provide a unique platform for further **expansion**
- In the context of Vision 2015 **Lighting significantly contributes** to the overall **Philips growth**, with a reported **EBITA aspiration level of 12%-14%**



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