

# PHILIPS

sense and simplicity

Building the leading company in  
health and well-being

Gerard Kleisterlee  
President and CEO

# Important information

## *Forward-looking statements*

This document and the related oral presentation, including responses to questions following the presentation contain certain forward-looking statements with respect to the financial condition, results of operations and business of Philips and certain of the plans and objectives of Philips with respect to these items. We caution readers that no forward-looking statement is a guarantee of future performance and that actual results could differ materially from those contained in the forward-looking statements. Examples of forward-looking statements include statements made about our strategy, estimates of future sales growth, future EBITA, future cost savings and future developments in our organic business as well as the benefit of future acquisitions, and our capital position. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances and there are many factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements.

These factors include, but are not limited to, domestic and global economic and business conditions, particularly in light of the ongoing recessionary condition prevailing in many markets, the successful implementation of our strategy and our ability to realize the benefits of this strategy, our ability to develop and market new products, changes in legislation, legal claims, changes in exchange and interest rates, changes in tax rates, pension costs, raw materials and employee costs, our ability to identify and complete successful acquisitions and to integrate those acquisitions into our business, our ability to successfully exit certain businesses or restructure our operations, the rate of technological changes, political, economic and other developments in countries where Philips operates, industry consolidation and competition. As a result, Philips' actual future results may differ materially from the plans, goals, and expectations set forth in such forward-looking statements. Additional risks and factors are identified in our Annual Report for the fiscal year ended December 31, 2008 and our Annual Report on Form 20-F filed with the U.S. Securities and Exchange Commission (the "SEC"), which is available on the SEC's website at [www.sec.gov](http://www.sec.gov). Readers should consider the disclosures in that Report and any additional disclosures that we have made or may make in documents that we have filed or furnished to the SEC or may file with or furnish to the SEC or other regulatory authorities.

Any forward-looking statements made by or on our behalf speak only as of the date they are made. We do not undertake to update forward-looking statements to reflect any changes in expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based. Statements regarding market share, including as to Philips' competitive position, contained in this document are based on outside sources such as specialized research institutes, industry and dealer panels in combination with management estimates. Where information is not yet available to Philips, those statements may also be based on estimates and projections prepared by outside sources or management. Rankings are based on sales unless otherwise stated.

## *IFRS basis of presentation*

The financial information included in this document is based on International Financial Reporting Standards as issued by the International Accounting Standards Board and as adopted by the European Union (IFRS), unless otherwise indicated. As used in this document, the term EBIT has the same meaning as Income from operations (IFO).

## *Use of non-GAAP Information*

In presenting and discussing the Philips Group's financial position, operating results and cash flows, management uses certain non-GAAP financial measures like: comparable growth; EBITA; NOC; net debt (cash); free cash flow; and cash flow before financing activities. These non-GAAP financial measures should not be viewed in isolation as alternatives to the equivalent GAAP measures. In our Quarterly report we've included a reconciliation of such non-GAAP financial measures to the most directly related GAAP measures.

## *Use of fair value measurements*

In presenting the Philips Group's financial position, fair values are used for the measurement of various items in accordance with the applicable accounting standards. These fair values are based on market prices, where available, and are obtained from sources that are deemed to be reliable. Readers are cautioned that these values are subject to changes over time and are only valid at the balance sheet date. When observable market data does not exist, fair values are estimated using valuation models, which we believe are appropriate for their purpose. They require management to make significant assumptions with respect to future developments which are inherently uncertain and may therefore deviate from actual developments. Critical assumptions used are disclosed in the financial statements. In certain cases, independent valuations are obtained to support management's determination of fair values.

1. Building the leading company in health and well-being

2. Managing for the current economic environment

Philips defined: we are...

“...a global company of leading businesses creating value with **meaningful innovations** that improve people’s **health and well-being.**”

## Health and well-being

A commitment to healthy, fulfilled lives in our communities and societies and in our world

## Meaningful innovations

Improving people’s lives  
Going beyond technology  
Introduced at the right time

## Philips portfolio leverages a number of critical global trends

### Aging population

The number of people aged over 60 will double from 500m today to 1 billion by 2015

### Emerging markets

99% of future population growth will be in emerging markets. Emerging markets already produce 28% of global GDP

### Empowered consumers

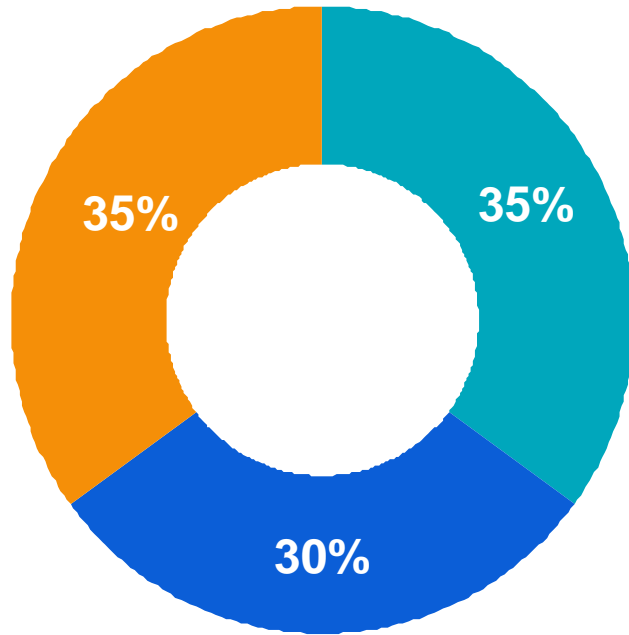
Demanding solutions to fulfill their personal needs

### Climate change and sustainable development




19% of global electricity consumption is used for lighting. We can save 40%...or 600 power stations worth of energy!



# Our health and well-being offer is powered by 3 businesses



2009 indicative sales split

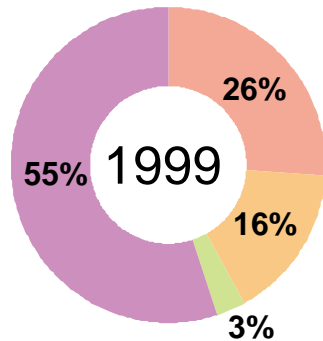
-  Healthcare
-  Lighting
-  Consumer Lifestyle



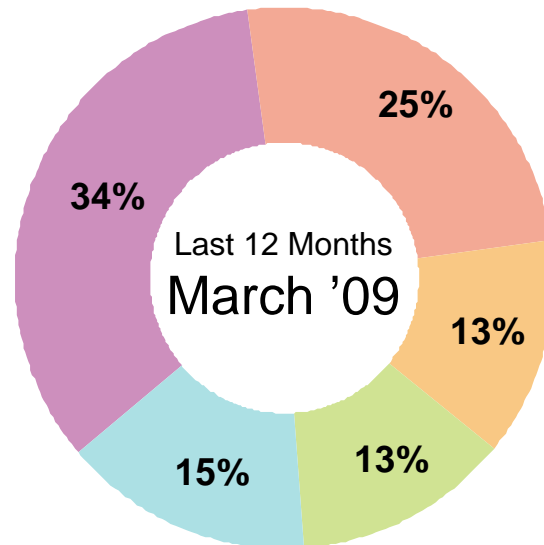
## The power of Healthcare

Further strengthening our global leadership

Total sales EUR 2.5 billion



Total sales EUR 7.9 billion



- Imaging
- Customer service
- Clinical care
- Healthcare informatics and patient monitoring
- Home healthcare solutions



## The power of Healthcare

Further strengthening our global leadership

### Clinical care systems

Global market leadership for automated external defibrillators

### Home healthcare solutions

No.1 provider of personal emergency response services in the US

### Patient monitoring

Leadership position offering significant reduction in mortality and length of stay in ICUs equipped with VISICU eICU

### Imaging systems

Cardiovascular X-ray is no.1 in overall manufacturing satisfaction

### Customer services

No.1 in service performance in patient monitoring systems and ultrasound

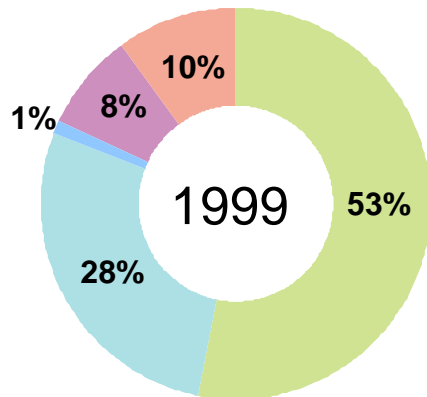
EBITA target of 15-17%



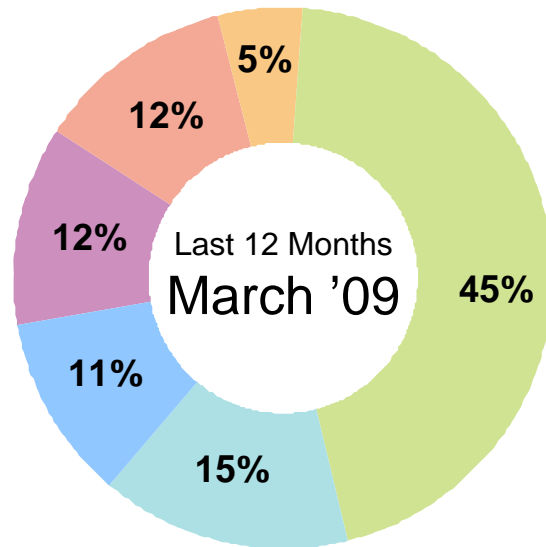
# The power of Consumer Lifestyle

Focusing on differentiating profitable businesses

Total sales EUR 9.5 billion



Total sales EUR 10.0 billion\*



- Domestic appliances
- Shaving & beauty
- Health & wellness
- TV
- Audio & video multimedia
- Peripherals & accessories

\* Pie chart excludes sales 'Other'



## The power of Consumer Lifestyle

Focusing on differentiating profitable businesses

### Mother and childcare

Philips AVENT is market leader. Its feeding bottles have been clinically proven to reduce colic\*

\*At 2 weeks of age, babies fed with the AVENT Bottle experienced less colic than babies fed with a conventional bottle

### Male electric shaving

No.1, with every 2nd shaver in the world is a Philips shaver

### Power toothbrushes

Philips Sonicare is the number 1 recommended sonic toothbrush brand by dental professionals worldwide

### Domestic appliances

Over one million 'healthy living' aluminum Juicers sold since launch

### TVs

Philips invented the successful Ambilight flat TV concept

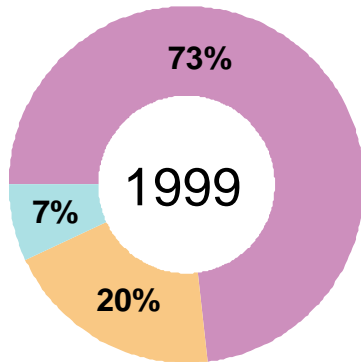
EBITA target of 8-10%



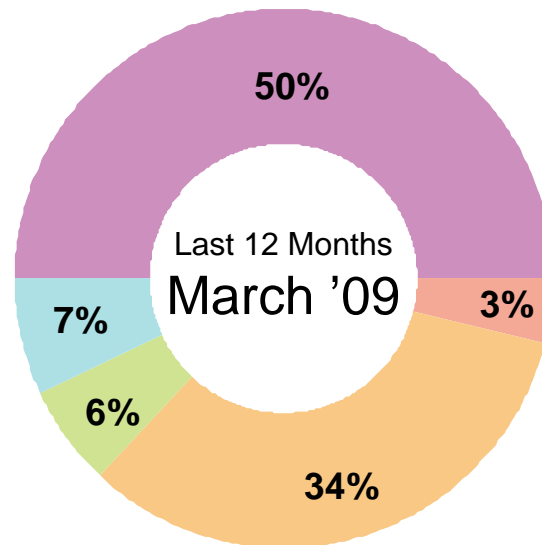
## The power of Lighting






Focusing on differentiating profitable businesses

Total sales EUR 4.5 billion



Total sales EUR 7.1 billion



-  Lamps & lighting electronics
-  LED components/modules
-  Professional luminaires
-  Consumer luminaires
-  Automotive/special applications



## The power of Lighting

Further strengthening our global leadership

### Lamps

Market leader: 1 out of every 4 lamps used worldwide is a Philips lamp

### Professional luminaires

No.1 lighting 65% of world's top airports and 30% of offices, hospitals and landmarks

### Consumer luminaires

Market leader and front runner in driving the switch to energy efficient lighting

### LEDs

Strong presence in the complete solid state lighting chain

### Automotive lighting

Leads the market, with 1 in 3 cars worldwide using Philips automotive lighting

EBITA target of 12-14%



# Building our leadership of tomorrow

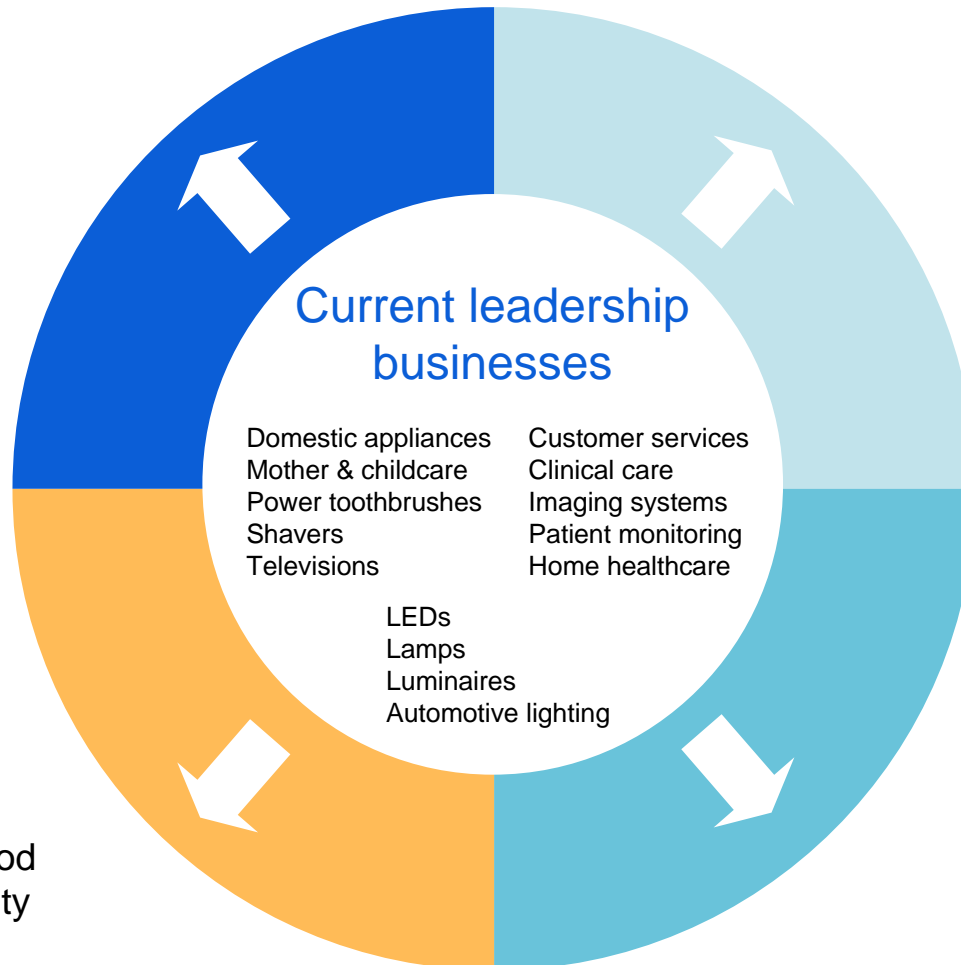
Further strengthening our global leadership

## Healthy living

A focus on sleep and skincare

## Preventive healthcare

Personal health monitoring and coaching



## Sustainable home lifestyle

Efficient use of resources, and good air and water quality

## Independent living

Developing new sales channels, and innovation in the field of respiration

## Our competitive difference will make us win

### Innovation process

We follow a rigorous process to create meaningful innovations

### Driving customer loyalty

We build customer loyalty to promote growth and profitability

### Creating brand value

Driven by our brand promise “sense and simplicity”

### Philips people

We develop highly engaged “Philips people”

### Emerging markets

We keep on expanding our global footprint



# Creating meaningful innovations

Improving lives in new ways



Gain deep insights into people's needs and aspirations

by following a process requiring end-user input at every stage

Transform insights into innovations by combining the diverse perspectives of different disciplines

“Learn fast, fail cheap”

by applying a rigorous process to assess value potential early

Lead in open innovation

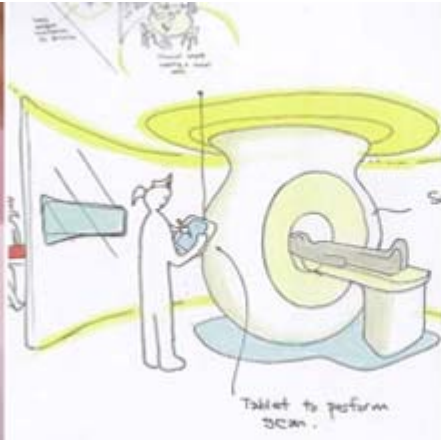
by working closely together with partners in a spirit of open innovation

## End-user input

at every stage of our innovation process



**Insights on needs** and aspirations are gathered by listening, watching and engaging our end-users and customers



**Multiple solutions** are created by in-house Marketing, R&D, and Design teams who collaborate, together with external specialists



**Conclusions are validated** with end-users and customers, both globally and locally



**Product creation process** continues outside-in thinking throughout, with experiential” and “simplicity” testing

# Close customer relationships

Creating promoters of our brand



## Customer loyalty

is fundamental to growth and profitability.

## We win the trust of customers and partners

- by understanding and anticipating their needs
- by sharing our insights
- by providing the right products and solutions

## We monitor our effectiveness

with the Net Promoter Score based on a simple question:

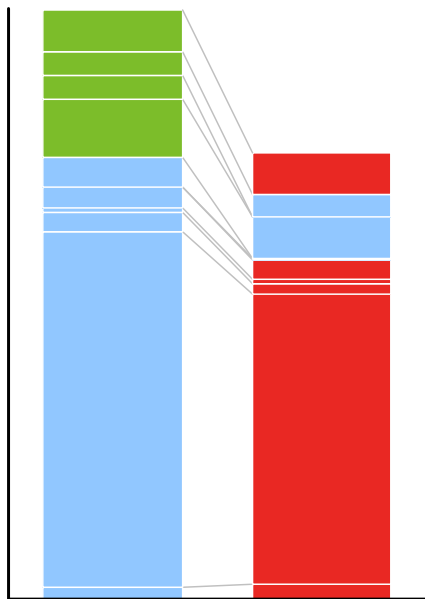
“would you recommend us to a friend or colleague?”

# NPS improvement drives revenue growth

Lighting Accounts with improving NPS show increasing sales

## NPS deteriorated

Annual revenue change (07-08)

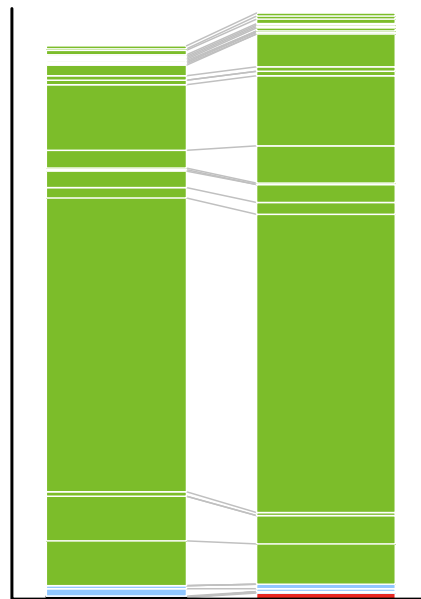


1st wave (2007) 3rd wave (2008)

**-24% decline** (11 accounts)

## NPS remained equal

Annual revenue change (07-08)

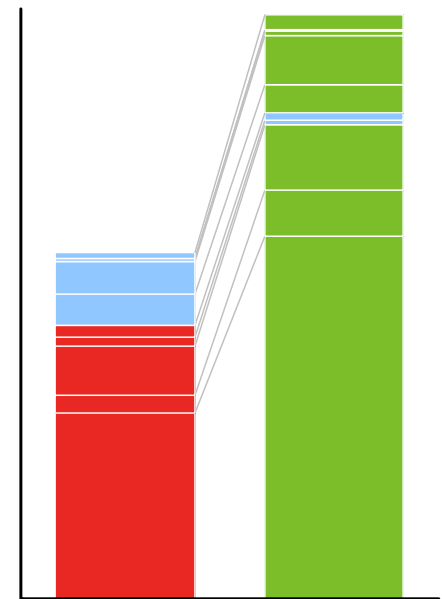


1st wave (2007) 3rd wave (2008)

**6% increase** (35 accounts)

## NPS improved

Annual revenue change (07-08)



1st wave (2007) 3rd wave (2008)

**69% increase** (10 accounts)

■ Promoter ■ Passive

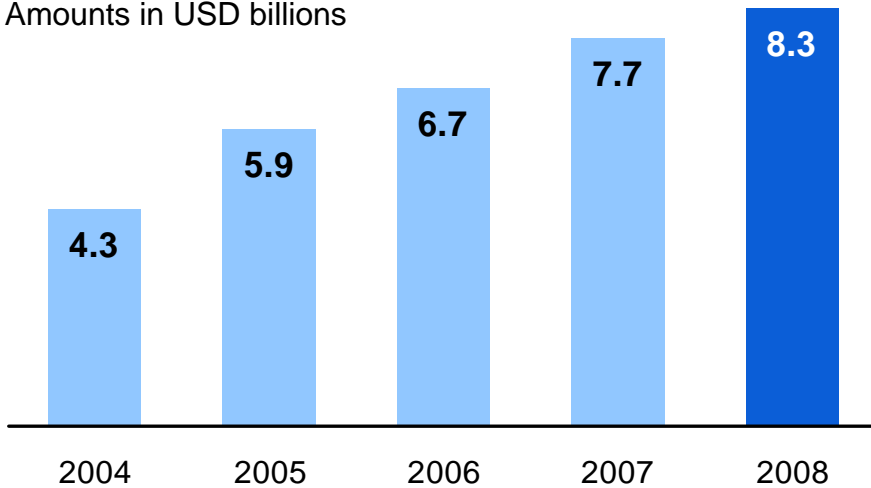
■ Detractor

Note: NPS measured at end 2007 and end 2008; NN Sales compared 2008 vs. 2007

# Continued investment in building our brand

## Value of the Philips brand

Amounts in USD billions



## A strong brand drives sales

A significant amount of sales is attributable to the brand alone:

- Healthcare 29%
- Consumer Lifestyle 24%
- Lighting 21%

## High brand value growth

Philips brand value grew more than twice as fast as that of closest competitors (2008)

## Strong internal brand

83% of employees are “proud to work for Philips”

## Brand campaign 2009

Making our trusted brand promise of ‘sense and simplicity’ meaningful in the health and well-being domain

\*because we would all like to see a heart attack coming from a mile away.

**PHILIPS**

\*because some people can only dream of getting a good night's sleep.

**PHILIPS**

\*because needing an MRI is scary enough.

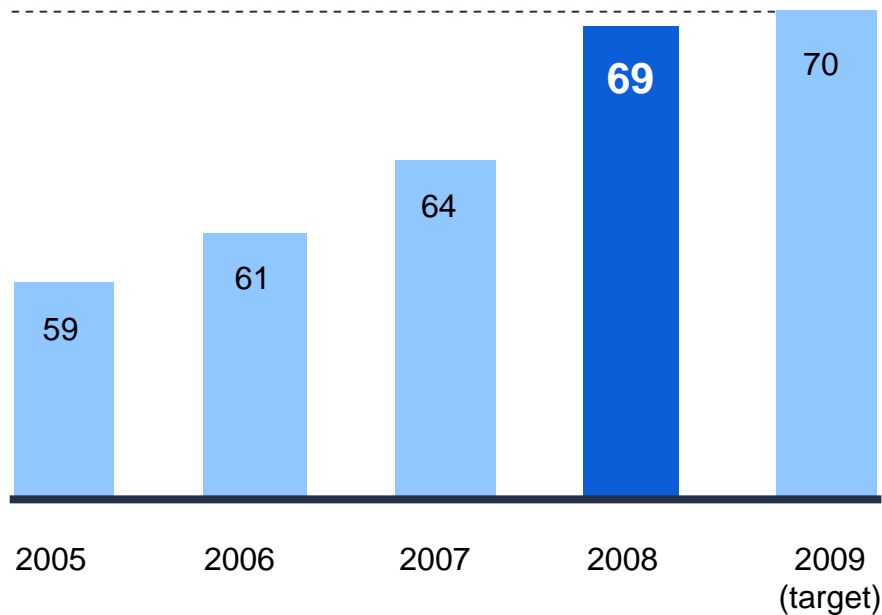
**PHILIPS**

## Philips people

Strong leadership, a highly engaged workforce

### Employee Engagement Index

High performance benchmark



### A strong leadership team

60 culturally diverse top leaders focus on driving our global businesses to reach their short and long term goals

### A high performance workforce

The annual 'employee engagement index' polling over 90,000 of the Philips workforce is touching the high performance benchmark of the 3rd party agency managing the survey

### Living the values

Philips has four simple values which 'live' within the company and drive the actions of our people

### An eye on the leaders of tomorrow

We structurally manage our talent, offering fast-track, stretch opportunities for top performers to ensure a quality succession pipeline for our leadership team

# Emerging markets

represents a significant and growing part of our global footprint



Emerging markets represent over 30% of sales

Continued strong growth – avg. 11.3% in last 6 quarters

Championing growth with dedicated strategies

Based on local market insights, supported by increased marketing investment up 27% (2008 YTD vs. 2007)

Increasing our footprint

Significant increases in R&D, manufacturing and marketing. 5 strategic acquisitions to strengthen local market leadership positions

High corporate brand equity

Consistently among the top-ranking players:  
India: top 10%, China: top 10%,  
Russia: top 40%, Brazil: top 20%

1. Building the leading company in health and well-being

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# Our agenda for 2009: not business as usual

Proactively managing in the current economic environment



**Confidence in our strength**  
based on our balanced portfolio  
of businesses and our strong  
financial position

**Managing the business**  
relative to markets and competition

**Staying the course**  
with unchanged ambitions and  
strategy to build the leading company  
in health and well-being

**Management agenda 2009**  
will put us in a good position to benefit  
from the upturn when it comes

# Management agenda 2009

Staying the course

Drive performance	Accelerate change	Implement strategy
<p><b>Relentlessly manage cash through the year</b></p> <p><b>Proactively align cost structure with market conditions and increase productivity</b></p> <p>Manage risks and opportunities in a balanced way to strengthen our market positions</p>	<p>Organize around customers and markets thereby improving Net Promoter Score</p> <p>Increase employee engagement to high performance level and implement “leading to win”</p> <p>Accelerate sector transformation programs</p>	<p>Further build the brand in the health and well-being space</p> <p>Continue to re-allocate resources to growth opportunities and emerging markets, including selective M&amp;A</p> <p>Increase revenue derived from leadership positions</p>

**Our 4 key financial performance metrics:** Revenue, EBITA, cash, productivity

**Our 2 non - financial performance metrics:** Net Promoter Score, employee engagement

# Tight Cash Flow management paying off

Inventories, Payables & Receivables and Capex well under control

*Cash & Cash  
Equivalents*

*Amounts in EUR billions*



# Acceleration of plans to improve margins

Action taken so far will lower fixed costs by over EUR 500m per year

Restructuring	Cost			Cash out	Benefit	Projected benefits
	FY2008	1Q09	2Q09	2009	2H09	
<i>EUR million</i>						
Healthcare	<b>(65)</b>		(12)	<b>(65)</b>	<b>60</b>	Improve margins, further optimize operations structure
Consumer Lifestyle	<b>(198)</b>	(13)	(30)	<b>(135)</b>	<b>125</b>	Further optimize supply base, particularly in TV business
Lighting	<b>(222)</b>	(16)	(83)	<b>(130)</b>	<b>47</b>	Increase organizational effectiveness and strengthen its position
I&EB	<b>(18)</b>		(20)	<b>(20)</b>	<b>14</b>	Align innovation activities and adapt Assembléon to ongoing weakness
GM&S	<b>(13)</b>			<b>(10)</b>	<b>4</b>	Further simplify management structures
<b>TOTAL</b>	<b>(516)</b>	<b>(29)</b>	<b>(145)</b>	<b>(360)</b>	<b>250</b>	

Note - These numbers exclude acquisition-related charges of EUR 131 million for FY2008, EUR 19m for 1Q09 and EUR 25m for 2Q09

# Management agenda 2009

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# Latest announced acquisitions

Nov-2008	<b>Meditronics</b>	Healthcare – Imaging Systems	Expansion of industrial and commercial footprint in India
Dec-2008	<b>Aerosol therapy</b>	Healthcare – Home Healthcare	Build industrial and commercial presence, strengthen emerging market presence
Feb-2009	<b>Ilti Luce</b>	Lighting – Professional Luminaires	Enhance ability to offer unique indoor architectural lighting solutions
Mar-2009	<b>Dynalite</b>	Lighting – Lighting Electronics	Provide further offering in lighting control systems for integral energy management
Apr-2009	<b>Selecon</b>	Lighting – Professional Luminaires	Strengthen the breadth of solutions in the theatrical and architectural market
May-2009	<b>Traxtal</b>	Healthcare – Clinical Care Systems	Become one of the leading solution providers for image guided medical procedures



# Management agenda 2009

Staying the course

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# Leading today, into tomorrow

## Summing up



- Confident about overall strength of business portfolio
- Balanced portfolio of leading businesses
- Ongoing focus on working capital management
- Stringent approach to cost and cash management
- Strong balance sheet position
- Managing businesses relative to market and competition
- Sustaining investments in R&D and marketing
- Ambitions and strategy unchanged
- Well positioned to build the leading company in health and well-being

