

# PHILIPS

sense and simplicity

Royal Philips Electronics

*Morgan Stanley China Industrials Summit  
Shanghai, China*

March 2<sup>nd</sup>, 2010

## 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 and actuarial assumptions, 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, 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), and the "Risk and uncertainties" section in our semi-annual financial report for the six months ended June 28, 2009. Readers should consider the disclosures in these reports 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.

### *Third-party market share data*

Statements regarding market share, including those regarding Philips' competitive position, contained in this document are based on outside sources such as 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.

## A well-respected, blue-chip company for over 100 years

Founded in 1891

Headquartered in Amsterdam, the Netherlands

Sales over EUR 23 billion (USD 32 billion)

30% in emerging economies

Emerging Markets

30% of sales generated in Emerging Markets

Globally recognized brand (world top 50)

Our brand value almost doubled to \$8.1bn since 2004

116,000 employees

Sales and service outlets in over 100 countries

€1.6 billion investment in R&D, 7% of sales

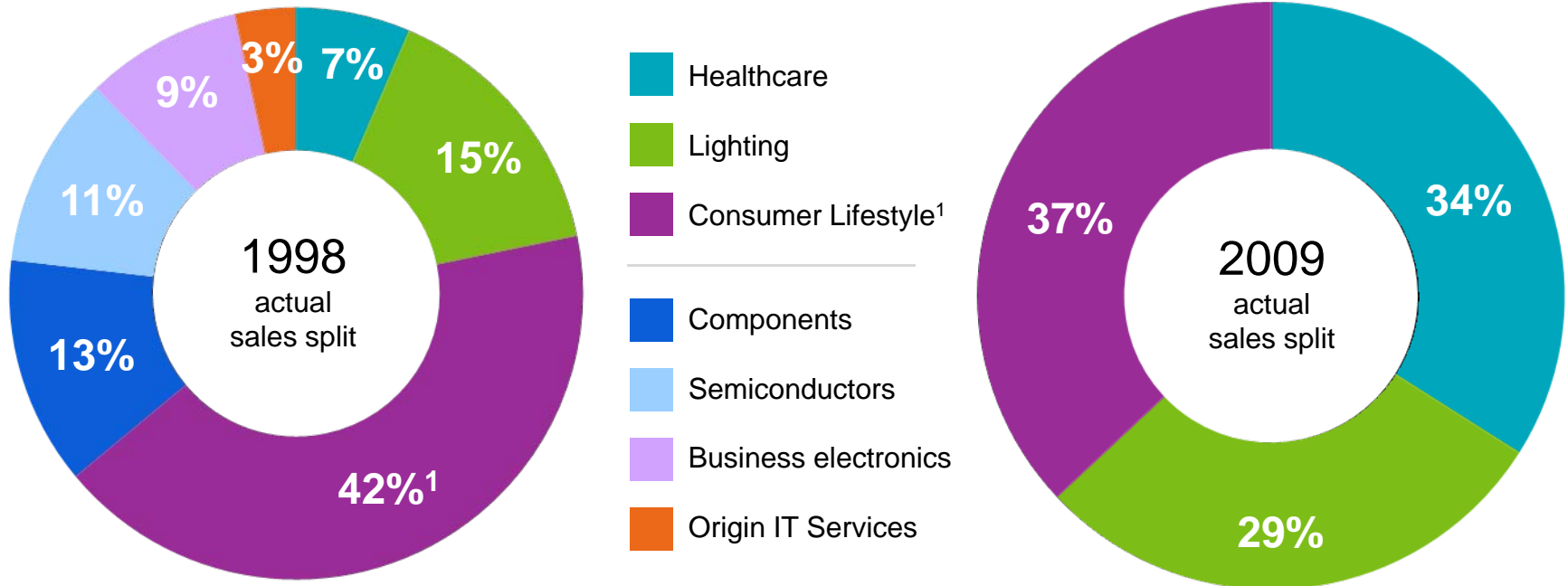
48,000 patent rights – 35,000 registered trademarks –

56,000 design rights



# Building a leading company in Health and Well-being

Over the past decade we have fundamentally simplified our business portfolio, investing proceeds from disposals in our Healthcare, Consumer Lifestyle and Lighting businesses



<sup>1</sup> Consumer Lifestyle in 1998 includes the former DAP and Consumer Electronics divisions

## Well positioned through focus on Health & Well-being

*Leverages critical global trends and synergies across the portfolio*

### Aging population

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

### Emerging markets

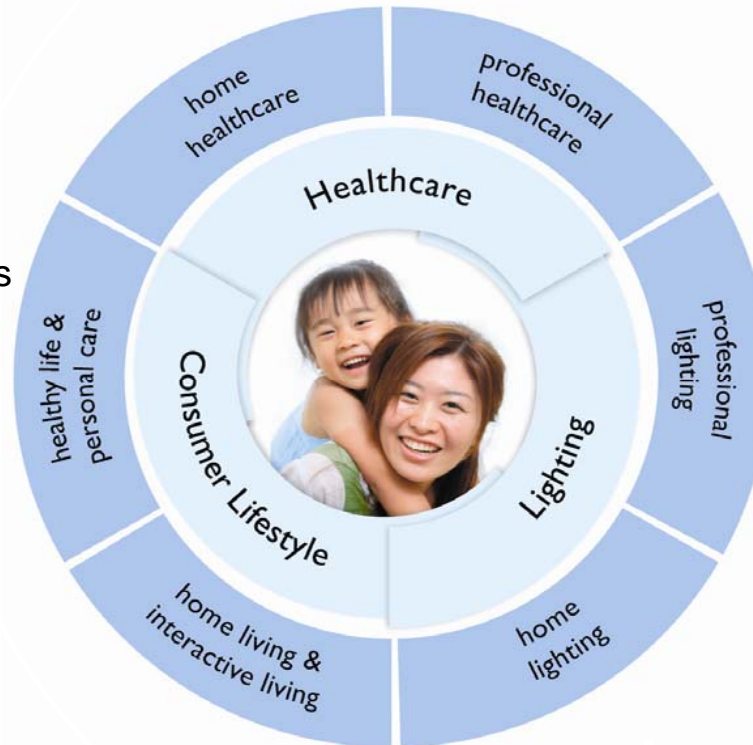
Emerging & developing economies are expected to account for 2/3<sup>rd</sup> of global GDP by 2016

### Empowered consumers

Consumers are increasingly focused on their Health and Well-being and look for products that fit their lifestyle

### Sustainability

Climate change and sustainable Development



### Our mission

Improving people's lives

### Our promise

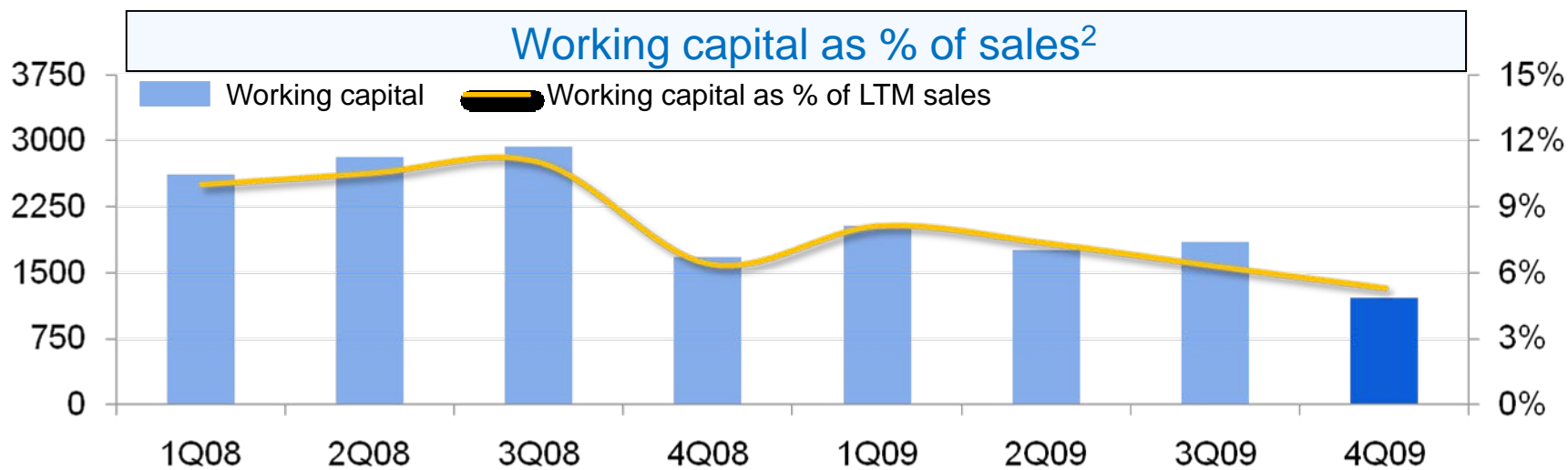
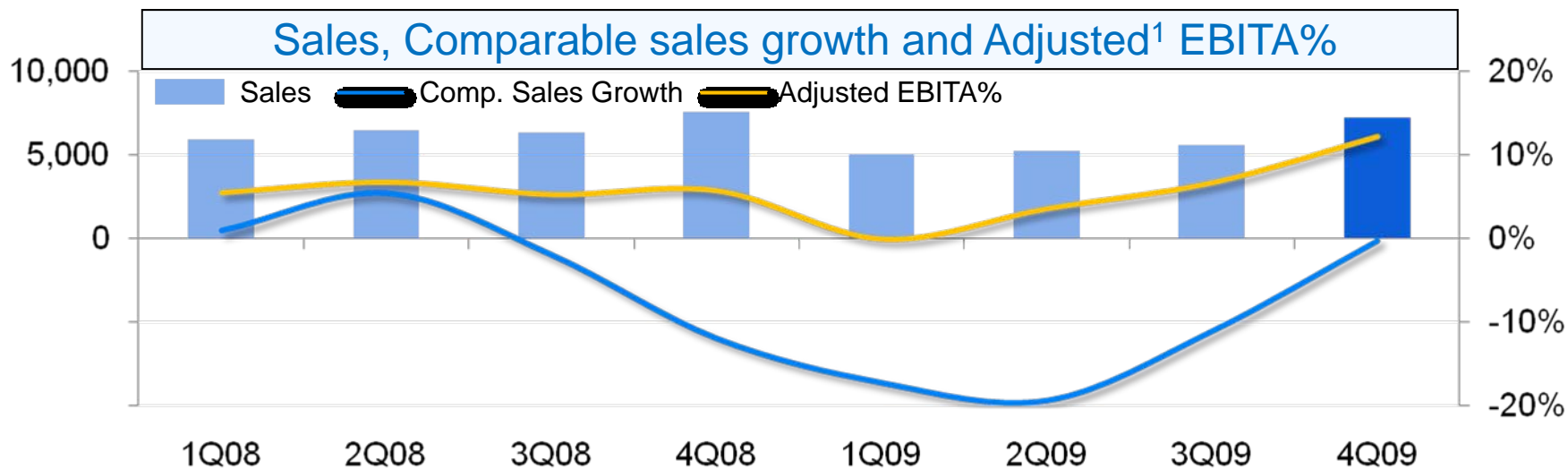
"Sense and simplicity"

### Our company

- Common, end-user driven innovation process
- Strong global brand
- Channel access and global presence
- Engaged workforce
- Technology, know-how and strong IP positions
- Economies of scale e.g. Shared service centers

## Key financials over the last two years

EUR million

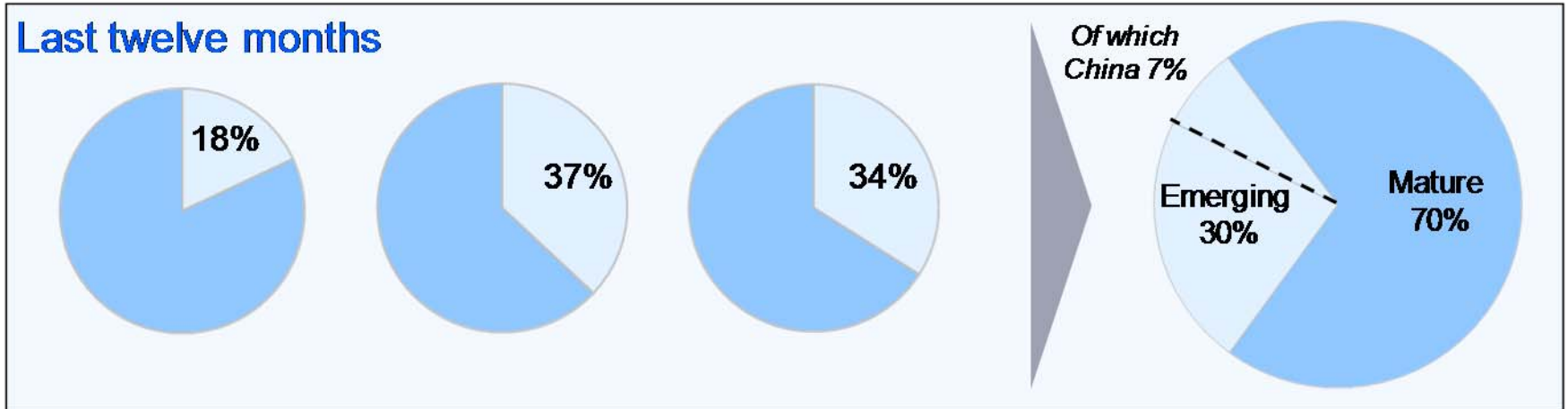


<sup>1</sup> Adjusted EBITA is EBITA corrected for incidental charges (details in quarterly information booklet slide 71)

<sup>2</sup> Working Capital as % of sales of Healthcare, Consumer Lifestyle and Lighting; excluding central sector GM&S

## Emerging Markets – Q4 2009 and FY 2009

Sales per country on a global basis; China is 3<sup>rd</sup> largest market

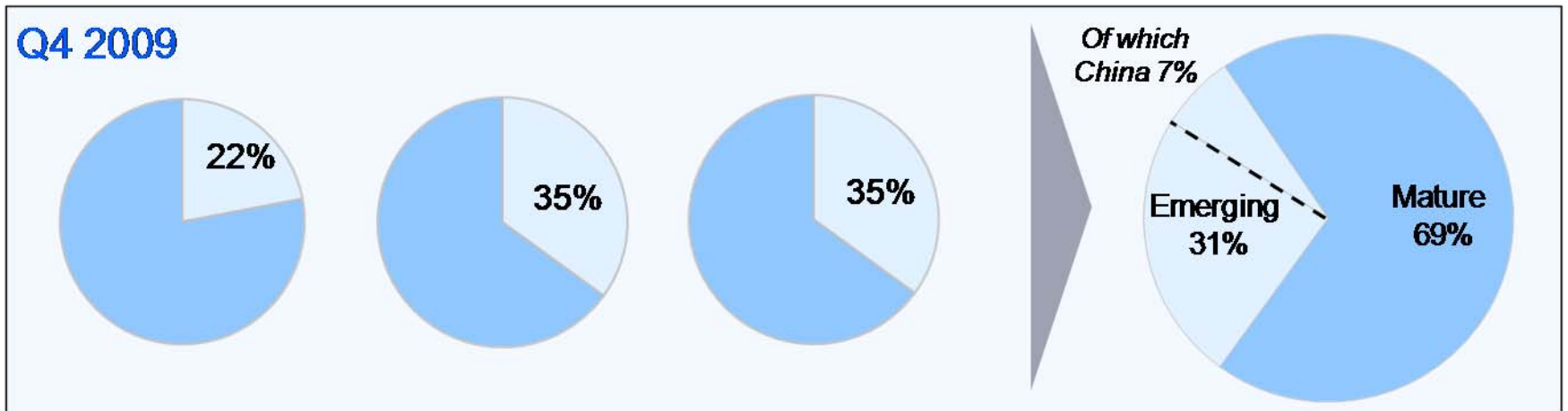


Healthcare

Consumer Lifestyle

Lighting

Philips Group



Q4 2009

22%

35%

35%

Of which  
China 7%

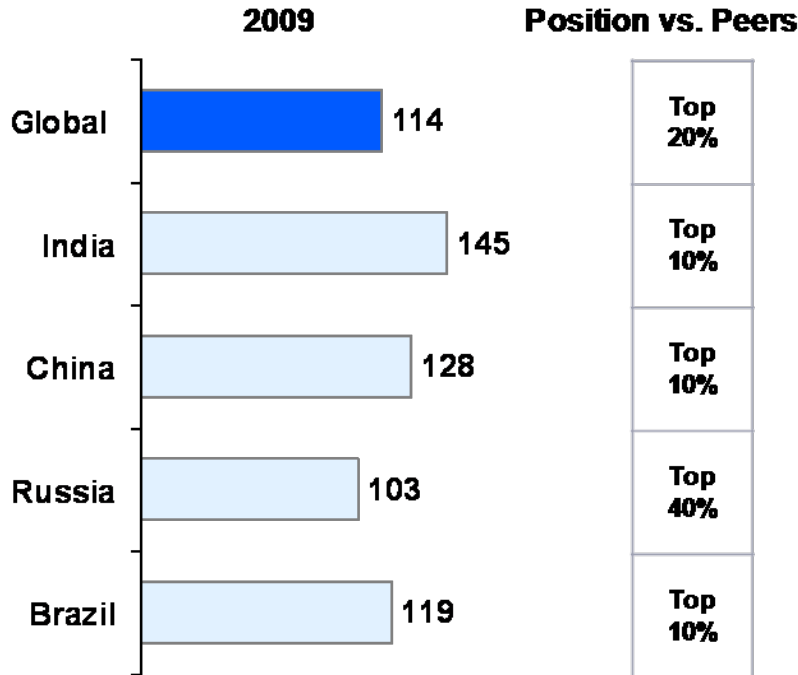
Emerging  
31%

Mature  
69%

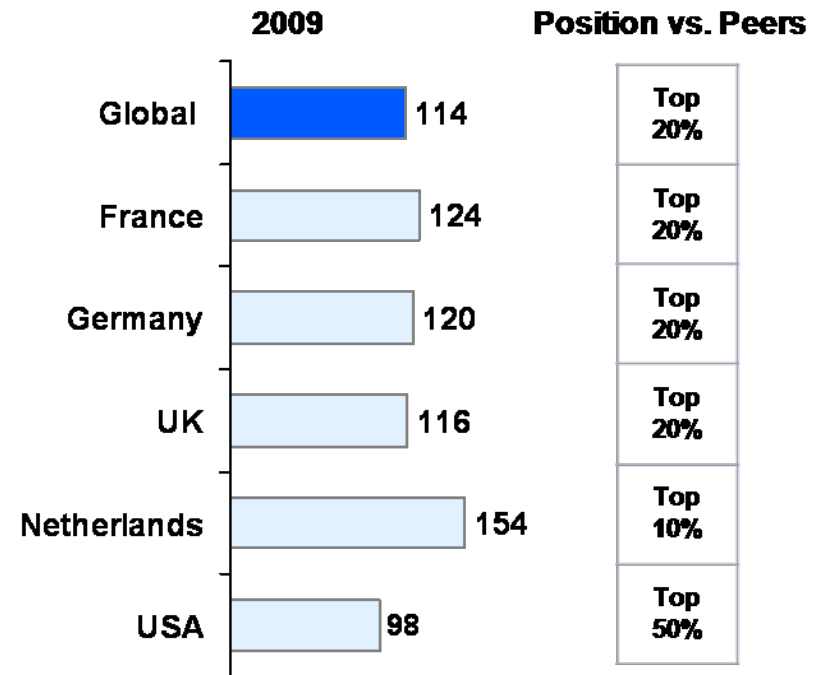
# Emerging markets B2C

*Continued strong brand equity in Emerging Markets means we are well-pointed to accelerate growth*

Corporate brand equity index, 2009  
BRIC Markets



Corporate brand equity index, 2009  
Mature Markets



## Long Philips presence in China

*Products first entered China around the 1920's*



### Philips Healthcare

Philips Healthcare products were used in the Forbidden City in the Qing dynasty

### Philips Lighting

Philips Lighting products entered China in the 1920's

### Philips Consumer Lifestyle

The oldest Philips radio is found in the Summer Palace in Lhasa (1940's)

## Key Milestones in China

*24 years of direct investment*

- 1985 Beijing Philips Co. Ltd. established (first Philips joint venture in China)
- 1985 - 1989 7 Philips JVs established
- 1990 - 2000 25 Philips JVs or WOFEs established
- 1996 Philips China headquarters relocated from Hong Kong to Shanghai
- 1999 Philips (China) Investment Co., Ltd. established
- 2000 Philips Research East Asia (PREA) established
- 2003 Philips 'One China' strategy launched
- 2004 'Sense and Simplicity' launched
- 2005 20th anniversary in China celebrations
- 2008 Acquired Goldway, the first ever local acquisition by Philips in China
- 2009 Opened 80 Philips branded Lighting stores
- 2009 Philips announces the establishment of an Imaging Systems Industrial Campus in Suzhou



## Healthcare in China

### *Our Business*

Among top 3 players, leading in many areas:

- Color Ultrasound
- Patient monitoring solutions
- Cardiovascular X-ray
- Digital Radiography
- Resuscitation Defibrillator and AED
- Oncology simulation and planning
- High end MR&CT

Growing portfolio of breakthrough value products to meet mid-to-low end market needs:

- Joint venture with Neusoft
- Goldway acquisition
- Other acquisitions (Respironics and Medel)

Export products designed/manufactured by Neusoft, Goldway & Respironics for global market

27 offices covering most provinces in China, with hundreds of service specialists



## Consumer Lifestyle in China

### Overview

#### 11 categories with No.1 market share:

- Shaver
- Hair Care
- Female Depilation
- Juicer
- Coffee Maker
- Toaster
- Home Cinema System
- Audio
- Earphone
- Vacuum Cleaner
- Steam Iron

#### 6 categories with No. 2 or 3 market share:

- Air cleaner
- Blender
- Electric toothbrush
- DVD
- DVD portable
- DECT Phone

#### Wide distribution and service network:

- 500+ cities
- 550 service centers
- 6,000 counters
- 9,000 promoters



## Lighting in China

### Overview

No. 1 position in China lighting market

Aggressive expansion to 2nd & 3rd tier cities,  
adding 35 outlets a day to distribution network

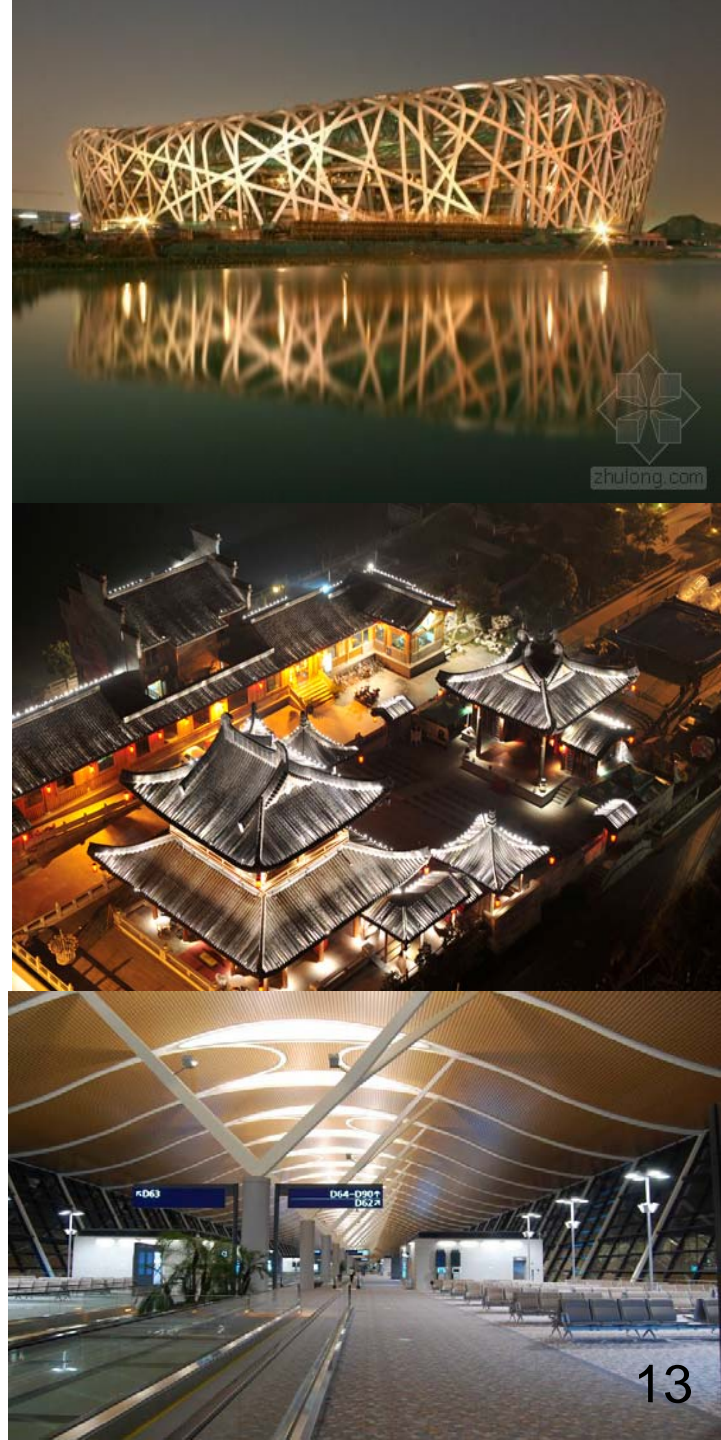
12 factories and workforce of over 10,000 employees

Integrated commercial organization:

- Sales offices in 30+ major cities,
- Distribution network covering 300+ cities
- 600+ direct customers, 1,300+ indirect customers, 19,000+ outlets

As the technology and innovation leader, Philips is driving the transformation towards SSL applications

Provided lighting solutions to the 'Bird Nest' and 23 out of 27 stadiums in the 2008 Beijing Olympics, and the 7th to 11th National Games



## Philips is the only fully integrated Lighting player

*The world's #1 lighting company*

Light sources

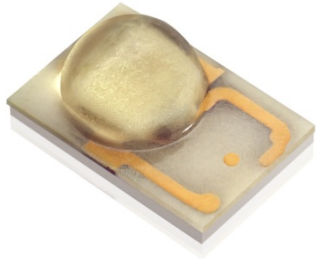
Solutions

Materials & Components

Lamps

Luminaires/ Fixtures & Controls

Services



**Lumileds** (LEDs)

**TIR** (LED modules)

**Bodine** (Emergency ballasts)

**PLI** (Home Lighting solutions)

**LTI** (Entertainment)

**ColorKinetics** (LED applications)

**Genlyte** (Fixtures & services)

**Ilti Luce** (Architectural Indoor solutions)

**Dynalite** (Controls, energy management)

**Selecon** (Entertainment solutions)

**Teletrol** (Building automation systems)

**Luceplan** (Consumer design fixtures)

2005-2007

2006-2008

2009-2010

## Key takeaways

- Philips is a leading global company, over 110 years old and present in China for 90 years
- Philips has become a simpler, more agile company focused on Health and Well-being
- Philips' objective is to become the leading company in Health and Well-being
- Philips plans to increase investments and grow sales in Emerging Markets of which China is the largest

