

# PHILIPS

sense and simplicity

Building the leading company in  
health and well-being

J.P. Morgan Cazenove Capital Goods CEO Conference, Surrey  
June 10, 2010

Gerard Kleisterlee  
President & 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, 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. For a discussion of factors that could cause future results to differ from such forward-looking statements, see the Risk management chapter included in our Annual Report 2009 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 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.

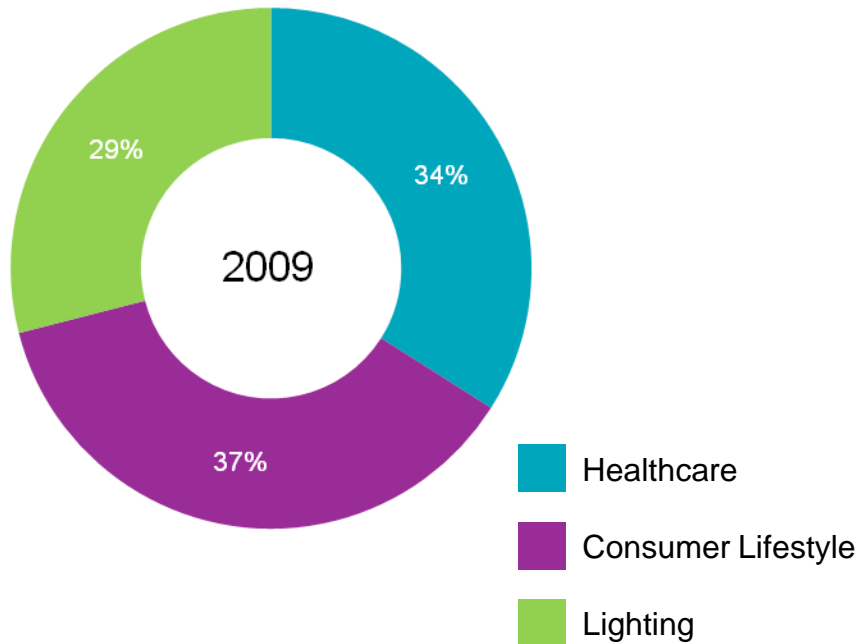
## *Use of fair value measurements*

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.

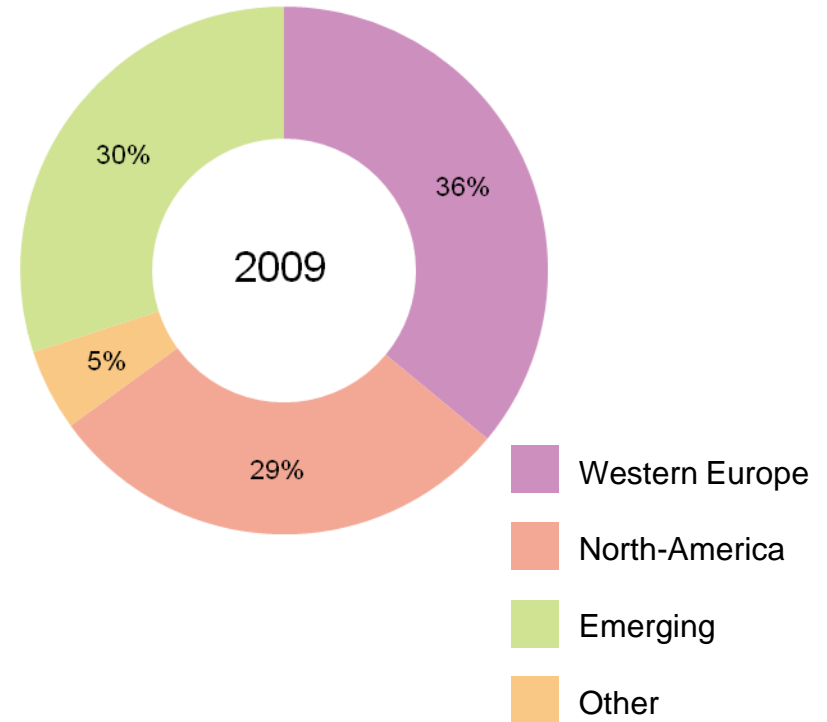
# Building the leading company in health & well-being

A balanced portfolio from every perspective

Balanced spread of business sectors  
(actual sales split)



Balanced regional spread  
(actual sales split)



## Building the leading company in health & well-being

### Fundamental growth trends

#### Global trends



Population growth, aging, higher healthcare aspirations and lifestyle related diseases mean that *healthcare costs will become unsustainable*



Increased welfare and changing lifestyles will drive *consumer focus on health and well-being*



The fundamental need to reduce our eco-footprint drives demand for *energy efficiency and sustainability*



The lighting industry will face a massive shift from conventional to *digital, dynamic lighting* and the entry of new, non-traditional players



The relative importance of *emerging markets* in the world economy continues to rise

#### Our opportunities

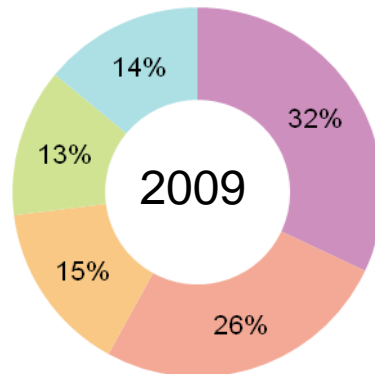
- Efficient health diagnostics and treatment
- Home healthcare
- Healthy lifestyle and preventive health
- Personal well-being
- Light for health and well-being
- Energy efficient lighting
- Emerging markets
- Sustainability

## Healthcare

### Priorities

- Move towards leadership position in Imaging Systems:
  - New products addressing the needs of customers in all segments – such as breakthrough PET/CT system and value 16 slice CT scanner – well perceived
  - New Industrial Campus for Imaging Systems in China
- Grow our Home Healthcare business:
  - Recent launch of a new sleep therapy product range
  - Just introduced its next generation Philips Lifeline medical alert service with automated fall detection system

Total sales EUR 7.8 billion, EBITA EUR 848 million



EBITA margin target 15-17%

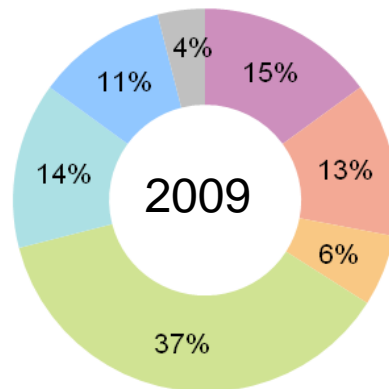
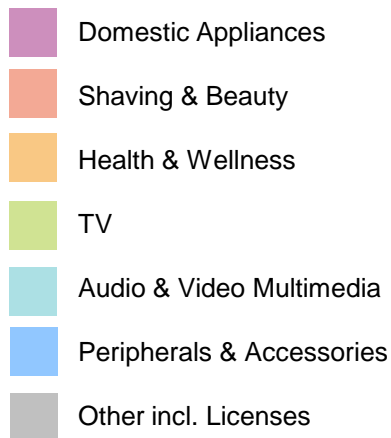


# Consumer Lifestyle

## Priorities

- Maximize Health and Wellness opportunity
- Invest and prioritize Asia-first innovations for local and global markets
- Improve market shares in BRIC and key markets
- Manage TV to profitability for the year

Total sales EUR 8.5 billion, EBITA EUR 339 million



EBITA margin target 8-10%

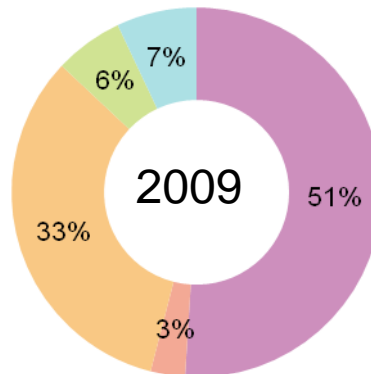


## Lighting

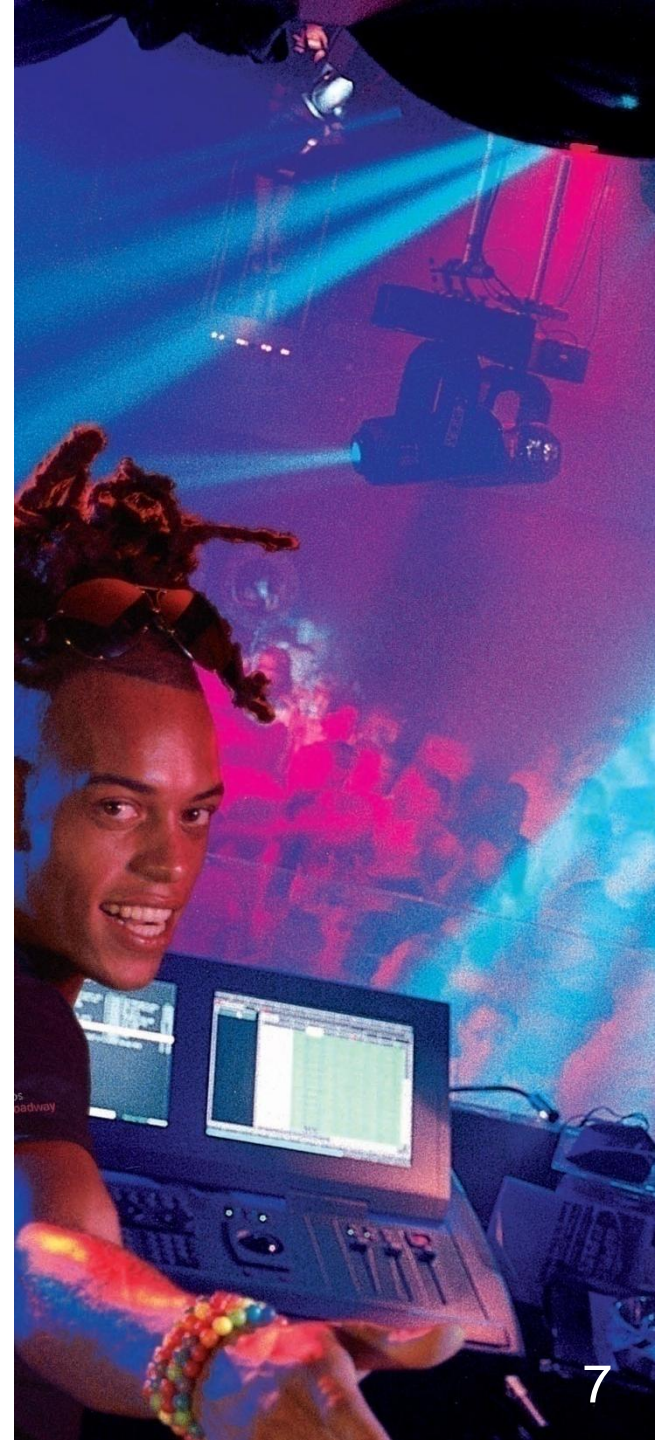
### Priorities

- Launch new professional solutions with specific emphasis on being a leader in professional outdoor lighting solutions
- Substantially grow home lighting solutions business for consumers
- Develop and market new forms of versatile and energy efficient LED innovations
- Maximize the profitability of our conventional lighting business

Total sales EUR 6.5 billion, EBITA EUR 145 million



EBITA margin target 12-14%



# Building the leading company in health & well-being

A strong position in emerging markets



## Emerging markets represent 30% of sales

Double-digit growth in sales and order intake in Healthcare in 2009

## High corporate brand equity

Consistently among the top-ranking players in India, China, Russia and Brazil

## Championing growth with dedicated strategies

Based on local market insights, supported by increased marketing investments

## Increasing our footprint

- Opened more than 100 exclusively Philips branded lighting stores in China and India
- Established an Imaging Systems Industrial Campus in Suzhou, China

# Building the leading company in health & well-being

Sustainability as a driver for growth



asimpleswitch.com



## Success of EcoVision4

Our Green Product sales represented around 30% of sales in 2009, 3 years ahead of our 2012 target. And we will complete our 2012 goal of cumulative EUR 1 billion of Green Investment in 2010.

## Launch of our EcoVision5 program

A clear example of how we continue to drive business growth through Sustainability is the launch of our EcoVision5 program in 2010.

## Targets for the period 2010 – 2015

- To bring care to 500 million people
- To improve the energy efficiency of our overall portfolio by 50%
- To double the amount of recycled materials in our products as well as to double the collection and recycling of Philips products

## We strengthened our market positions

We have leadership positions in many markets

### Healthcare



*Global*  
Cardio-vascular



*Global*  
Patient Monitoring



*Global*  
Cardiac resuscitation



*Global*  
Radiation Oncology Systems



*Regional*  
Ultrasound



*Global*  
Home Healthcare

### Consumer Lifestyle



*Global*  
Male dry shaving and grooming



*Global*  
Mother and Child Care



*Regional*  
Power Toothbrushes



*Regional*  
Female depilation



*Regional*  
Garment care



*Regional*  
Hair care



*Regional*  
Coffee



*Regional*  
Food

### Lighting



*Global*  
Consumer Luminaires



*Global*  
Professional Luminaires



*Global*  
Lamps



*Global*  
Automotive Lighting



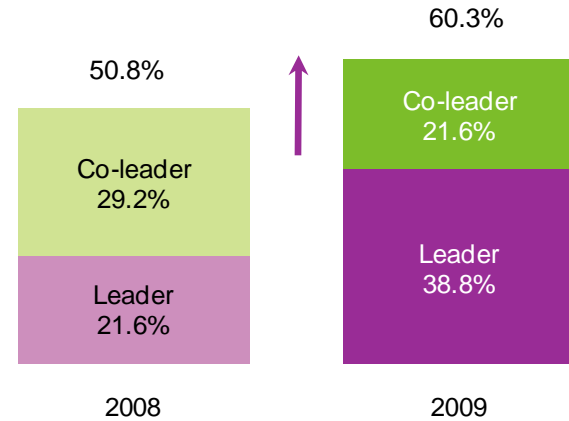
*Global*  
Lighting Electronics

# We strengthened our market positions

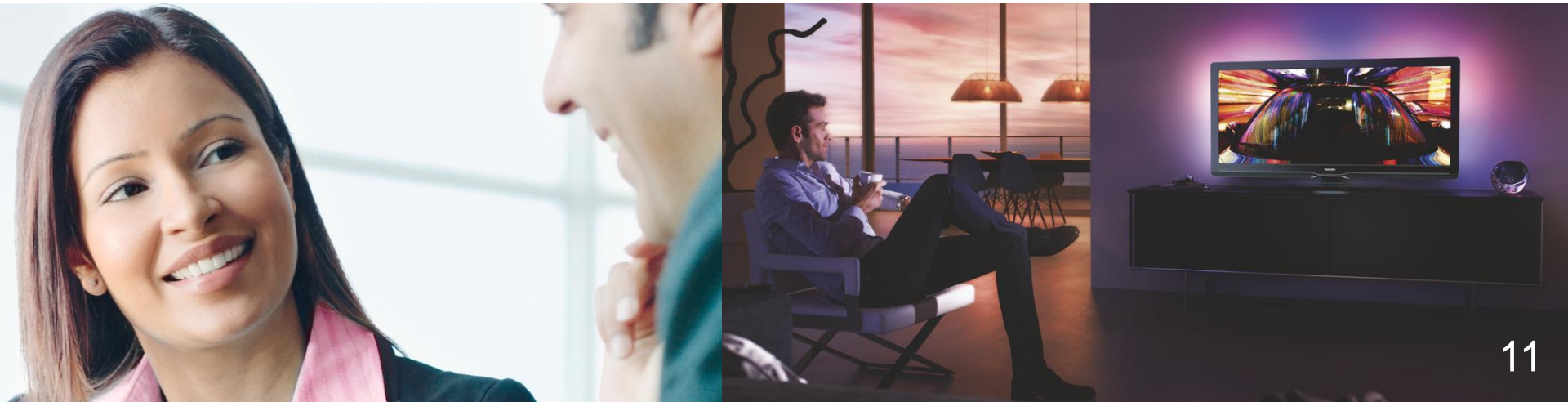
Customers increasingly prefer our products

## Stronger customer relationships in 2009

Increased Net Promoter Score (NPS) shows that we continue to build loyalty; NPS leadership positions\* climbed to over 60% with a significant increase in outright leadership



\* The NPS leadership calculation is based on performance of our product portfolio relative to competitors' position in the measured market



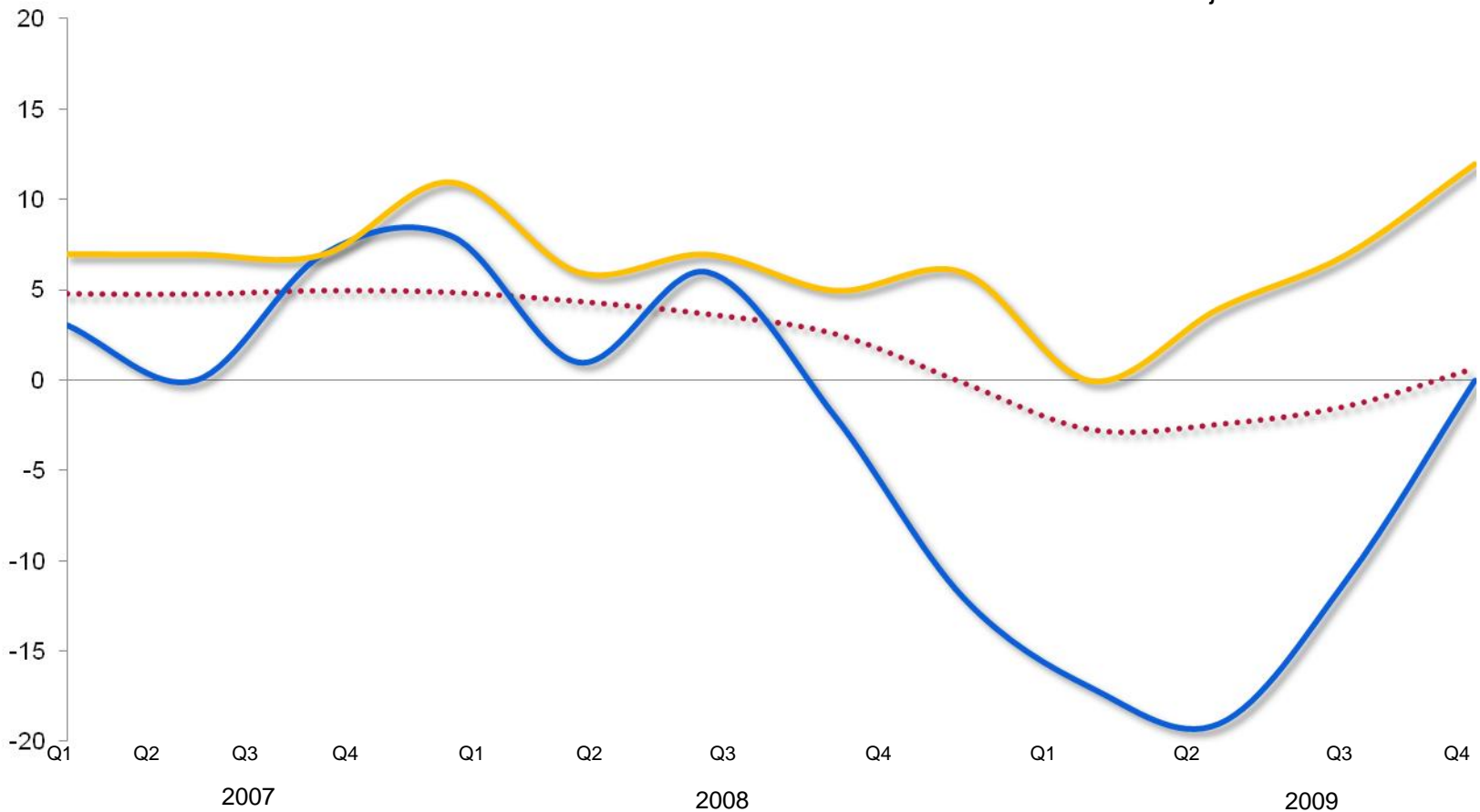
# Building the leading company in health & well-being

Resilient in tough economic times

## Development of GDP, sales and EBITA in 2007-2009

Numbers in %

- ..... Global GDP growth<sup>1</sup>
- Comparable sales growth<sup>2</sup>
- Adjusted EBITA<sup>3</sup>



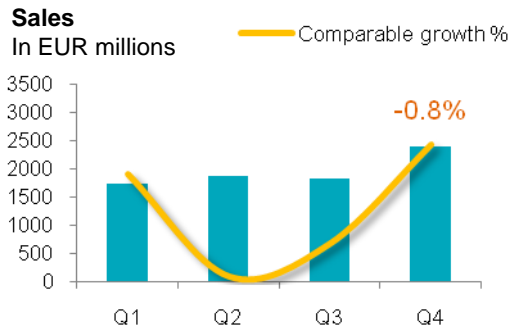
1 – Real GDP growth; Source: EIU 2 – Comparable sales growth, quarter on quarter 3 – EBITA excluding restructuring, acquisition-related and other charges

# We improved our operational performance

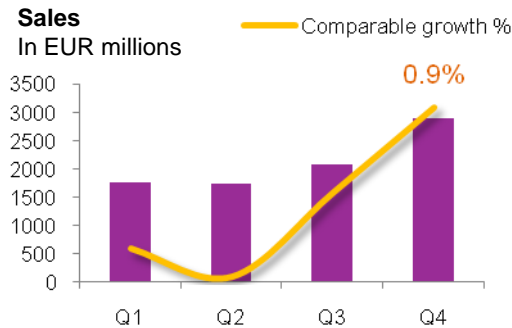
Sector performance improved throughout 2009

## Sales and adjusted EBITA<sup>1</sup> per sector

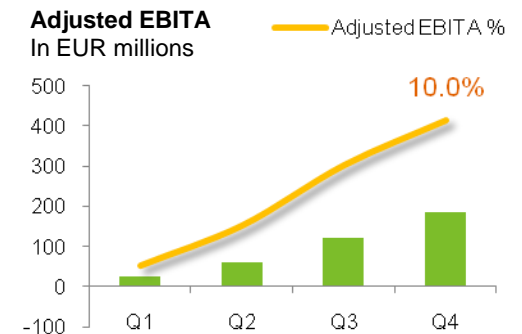
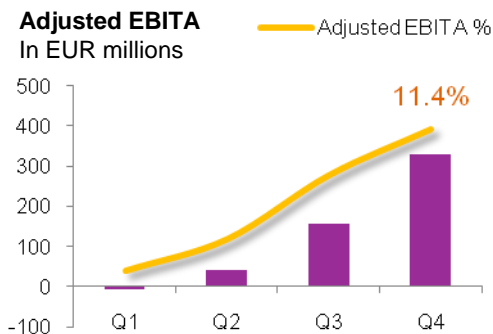
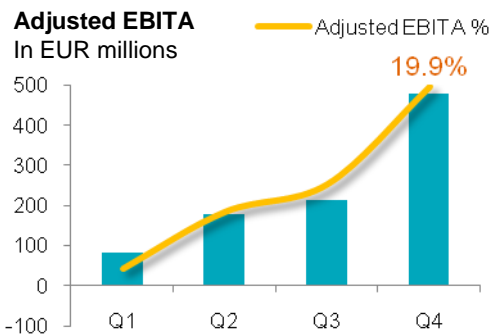
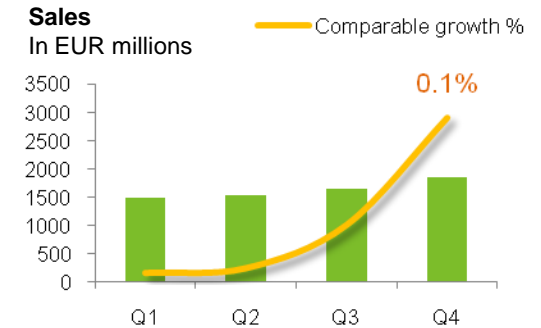
### Healthcare



### Consumer Lifestyle



### Lighting

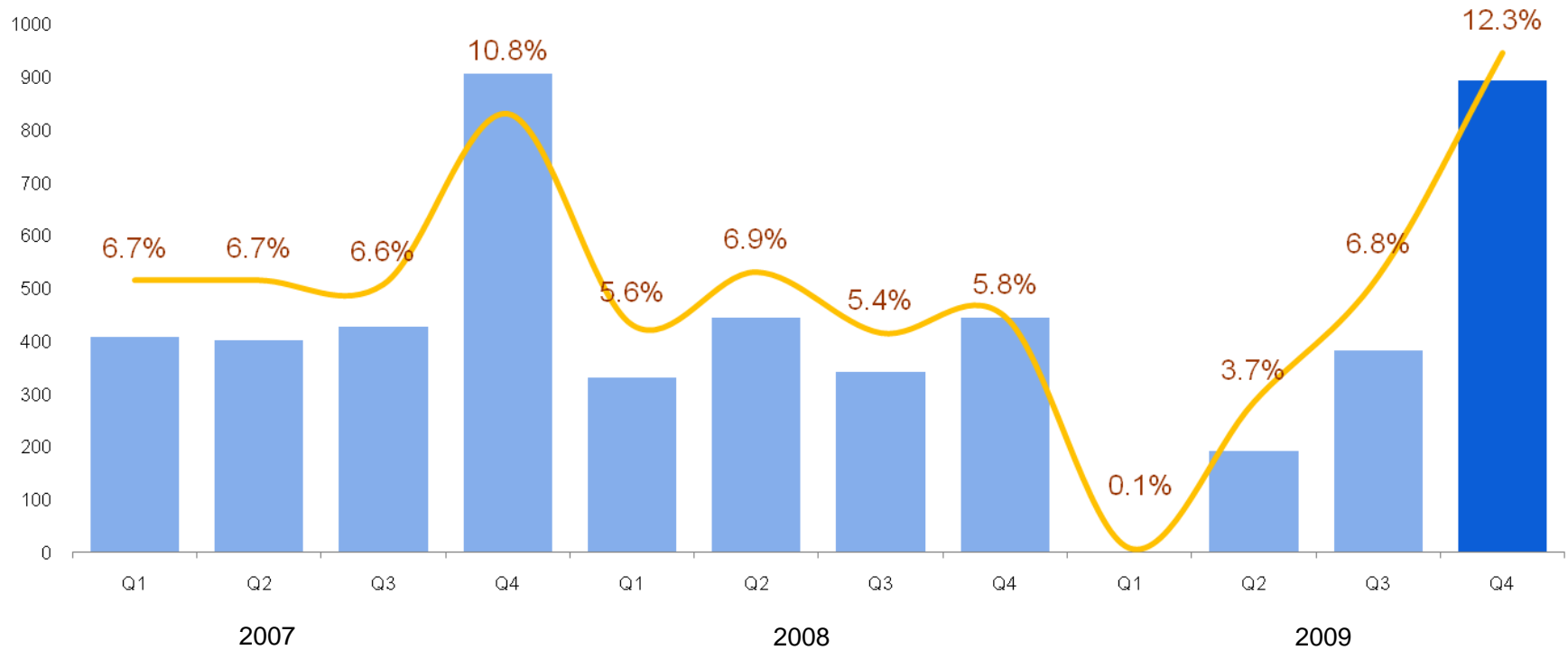


<sup>1</sup> Adjusted EBITA: EBITA excluding exceptional items such as restructuring charges and acquisition-related charges

# We improved our operational performance

4th quarter adjusted EBITA<sup>1</sup> of 12.3% at record level

In EUR millions



<sup>1</sup> Adjusted EBITA: EBITA excluding exceptional items such as restructuring charges and acquisition-related charges; year 2007 US GAAP, years 2008 -2009 IFRS

## We continue to make focused investments

### Innovation

- EUR 1.6 billion investment in R&D, over 7% of sales
- We significantly expanded the 'Green' portion of total sales in 2009 to approximately 30%

### Marketing

- We became world's 42<sup>nd</sup> most valuable brand, compared with 65<sup>th</sup> place in 2004 (total brand value of \$ 8.1 billion in 2009)
- We increased Net Promoter Score leadership positions from 51% to 60% of sales

### Acquisitions

- [Auto-scoring business of the Siesta Group](#), strengthening our sleep diagnostic portfolio
- [Luceplan](#), a leading design luminaires company
- [Saeco](#), leader in high-growth, high-margin espresso machine market
- [Traxtal](#), strengthening our position in image-guided healthcare
- [InnerCool](#), broadening our offering in emergency care
- [Ilti Luce](#), [Dynalite](#), [Selecon](#) and [Teletrol](#), moving to complete Lighting solutions



# Employee engagement remained high

Strong leadership, highly engaged workforce

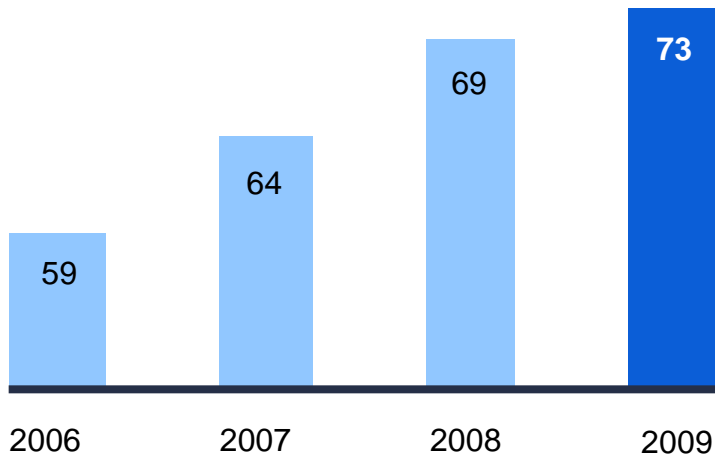
## A strong leadership team

Strong and diverse top-60 leadership team focuses on delivering strong results while igniting growth by operating closer to our markets and customers

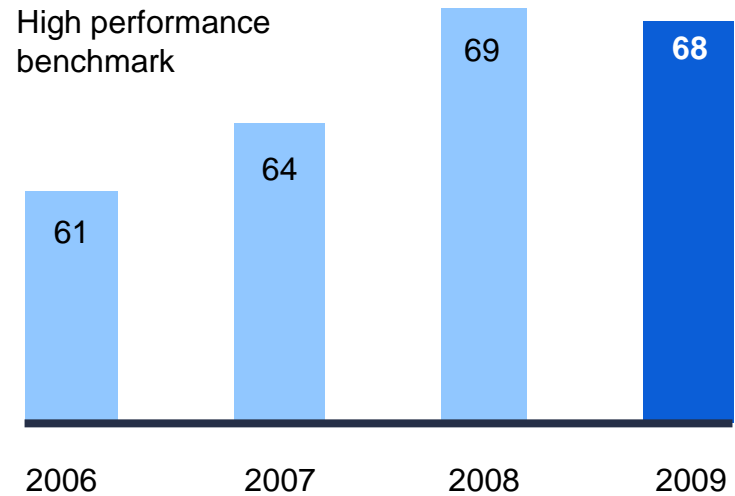
## Our employees tell us:

- That they increasingly appreciate the quality of the interaction with their managers and colleagues
- That they feel part of a team (86%)
- Philips rewards outstanding performance (56%)
- Philips deals effectively with poor performance (45%)

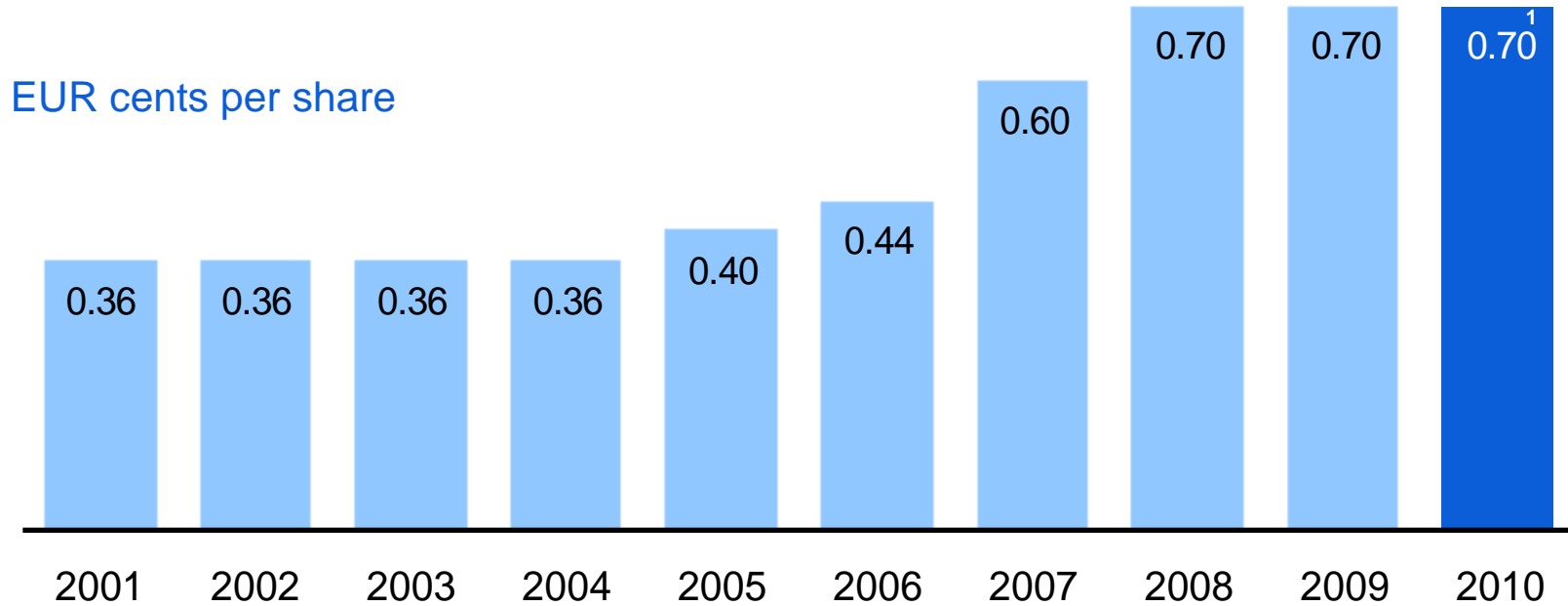
Philips Leadership Index (% favorable)



Employee Engagement Index



# Maintain dividend at stable level

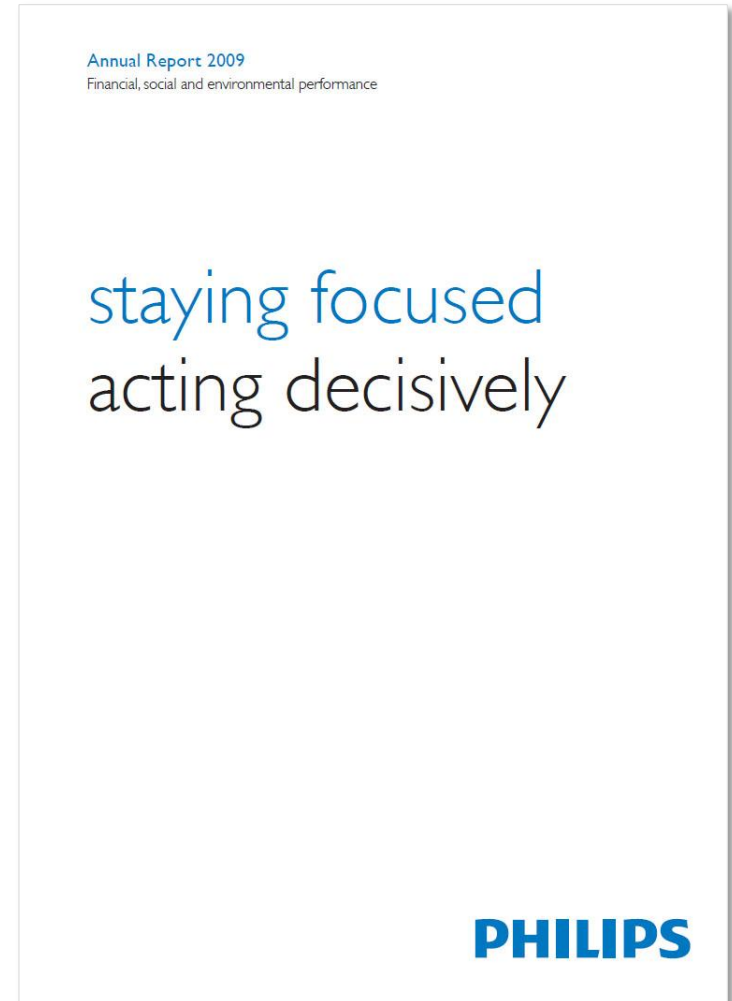


“Our aim is to sustainably grow our dividend over time. Philips’ present dividend policy is based on an annual pay-out ratio of 40% to 50% of continuing net income.”

<sup>1</sup> Elective dividend, proposal approved during the General Shareholders Meeting on March 25th, 2010

# 2009: A successful year

- That validated our health & well-being strategy
- We strengthened our market positions
- We improved our operational performance across the board
- We continued to make focused investments
- Employee engagement remained high
- We maintained our dividend



# Management agenda 2010

The leading company in health and well-being

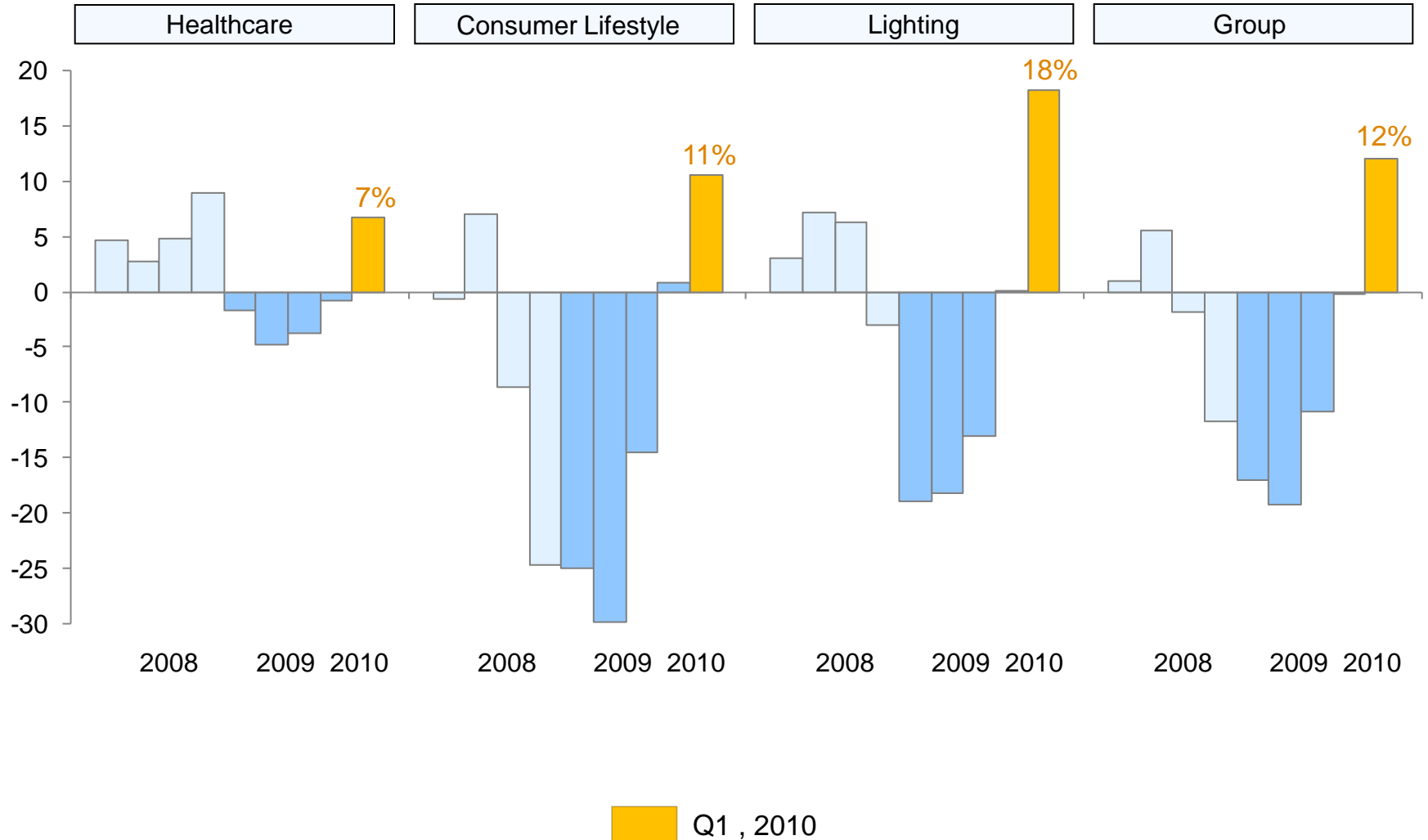
Drive performance	Accelerate change	Implement strategy
<p>Drive top-line growth and market share</p> <p>Continue to reduce costs and improve cost agility</p> <p>Further increase cash flow by managing cash aggressively</p>	<p>Increase customer centricity by empowering local markets and customer facing staff</p> <p>Increase number of businesses with NPS co/leadership positions</p> <p>Increase employee engagement to high performance level</p>	<p>Increase our market position in emerging markets</p> <p>Drive key strategy initiatives for each sector</p> <ul style="list-style-type: none"> <li>• Move towards leadership position in imaging</li> <li>• Grow Home Healthcare</li> <li>• Grow Health and Wellness</li> <li>• Manage TV to profitability</li> <li>• Become lighting solutions leader in outdoor</li> <li>• Grow consumer luminaires</li> <li>• Optimize lamps lifecycle</li> </ul> <p>Leverage Sustainability as an integral part of our strategy</p>

**Our 3 key financial performance metrics:** Revenue, EBITA, Free Cash Flow

**Our 3 non - financial performance metrics:** Net Promoter Score, Employee Engagement, Productivity

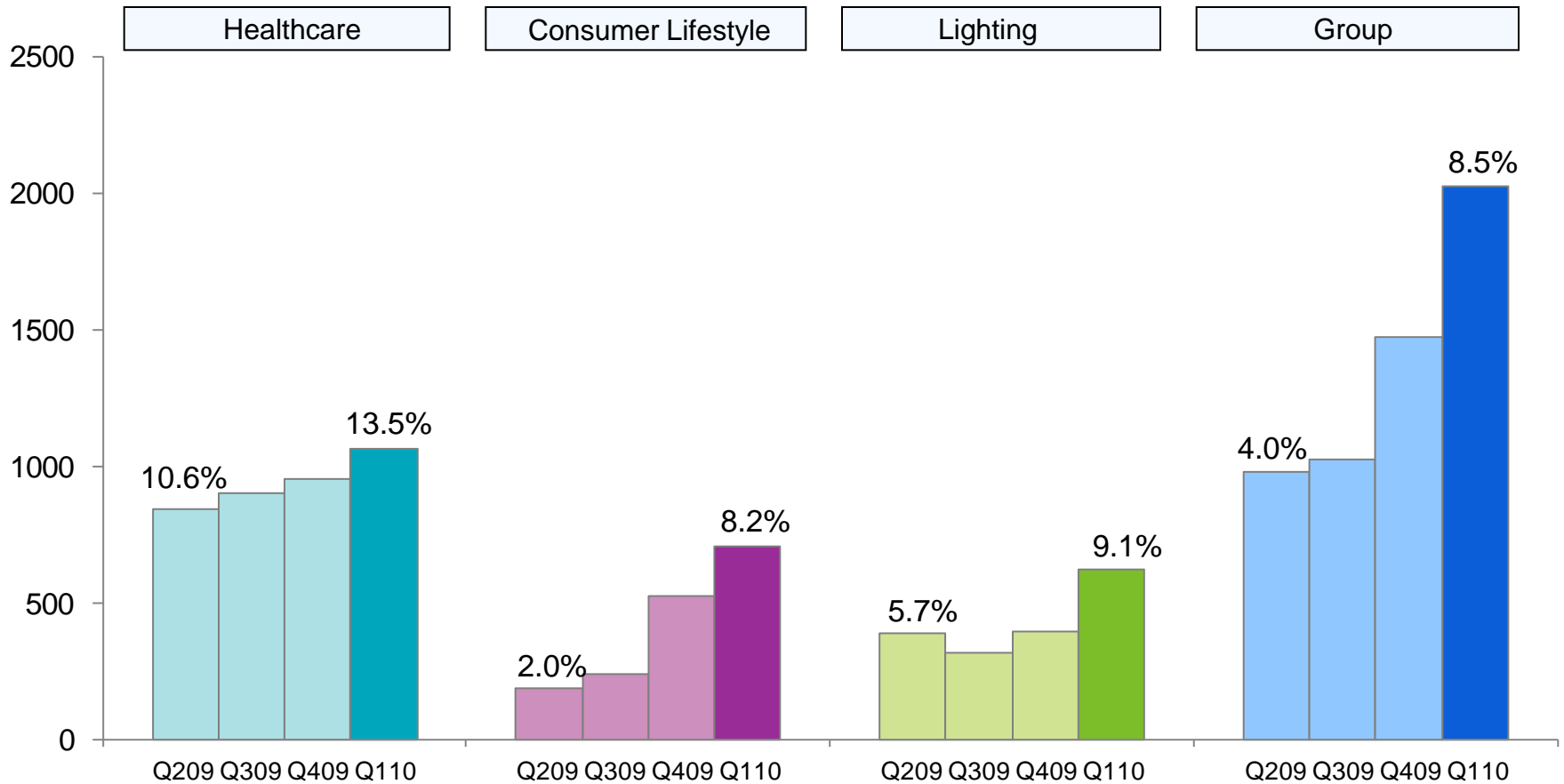
# Sales off to a very strong start in 2010...

% comparable sales growth for 9 quarters through Q1 2010



# ...delivering further earnings growth

Rolling last 12 months adjusted EBITA to end of quarter shown <sup>1</sup>



<sup>1</sup> Adjusted EBITA is EBITA corrected for incidental charges (details in annex Information Booklet Q4 and Q1)

# Conclusions

- We successfully managed through the downturn while staying our strategic course; we became a stronger company
- We are a much simpler, more resilient and agile company than we used to be, with a lower fixed cost base
- While market developments remain uncertain for the second half of the year, we are increasingly confident that we will be able to deliver an adjusted EBITA of 10% as early as 2010



