

# PHILIPS

sense **and** simplicity

Royal Philips Electronics

*Management Introduction*

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May 26<sup>th</sup>, 2011

## A strong diversified industrial group leading in health and well-being

Founded in 1891

Headquartered in Amsterdam, the Netherlands

Sales over EUR 22.2 billion in 2010

Growth Markets

32% of sales generated in Growth Markets

Globally recognized brand (world top 50)

Our brand value doubled to \$8.7bn since 2004

117,000 employees

Sales and service outlets in over 100 countries

€1.5 billion investment in R&D, 7% of sales



## Portfolio leverages critical global trends

### *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



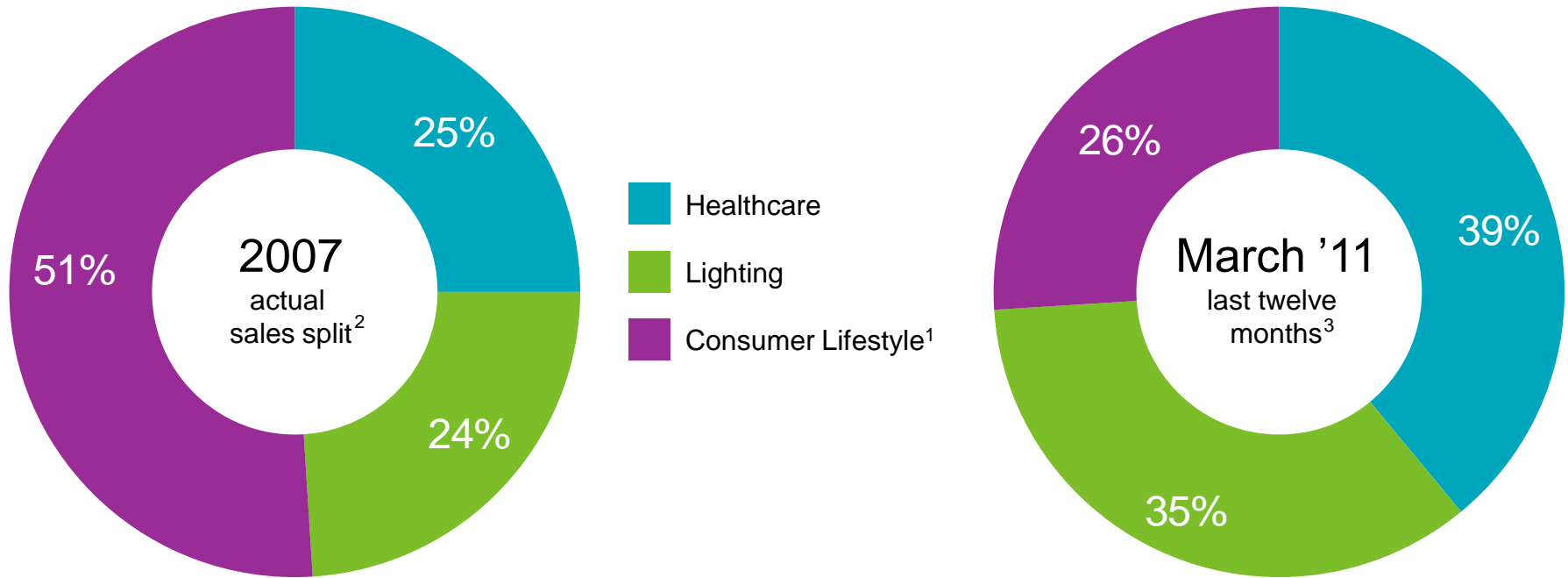
The relative importance of *growth markets* in the world economy continues to rise

#### 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
- Growth markets
- Sustainability

# TV divestment increases focus on the profitable and growing health and well-being portfolio

*Portfolio now consists of ~65% B 2 B businesses*



The reported EBITA for Consumer Lifestyle was 6.4%

The reported EBITA for Consumer Lifestyle was 11.4%, excl. Television, which is treated as discontinued operations

<sup>1</sup> Consumer Lifestyle in 2007 includes the former DAP and Consumer Electronics divisions/ Consumer Lifestyle 2011 is excluding Television activities

<sup>2</sup> 2007 figures are based on US GAAP

<sup>3</sup> All figures from the year 2010 onwards exclude Television as it is treated as discontinued operation

## We are positive about our opportunities

- **Strong Diversified Industrial Group in health & well-being:**
  - Our Healthcare, Lifestyle and Lighting markets have **long term growth and profit potential**. We have a very good starting base to build on
  - We aim to achieve **market leadership** by delivering **meaningful innovations** to improve people's lives, and **value to our customers**
  - We leverage our core competencies and group synergies in innovation, the **Philips brand**, customer **access in 100+ countries**, our **talent base**, shared services, and a **solid balance sheet**
  - We are committed to doing business in a manner that is **sustainable and responsible to society**, with **financial discipline** to drive **shareholder value**

## Near term focus is on performance improvement

- **Accelerate the current “course & speed” (currently below Vision 2015):**
  - Flawlessly **execute** the **TV plan** which will impact short term earnings
  - Roll-out new **Philips Business Management System** to improve **strategy execution**
  - Increase **value delivery** from **past acquisitions**
  - Raise **cost effectiveness** at Group and Sector levels
  - Step up **targeted investments** in **market penetration** and **accelerated innovation**
  - **Mitigate risks** of Japan tragedy (revenue and supply chain impact)
  - Improve **capital turns** and **ROIC**

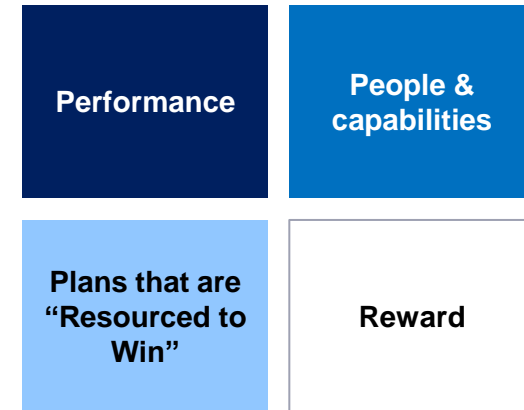
## Implement Philips Business Management System

*Improve strategy execution by clear granular plans and performance transparency across 400 business-market combinations*

Granular performance approach

Clear investment choices/Interventions

Product categories	Sector A			Sector B		B
	B1	B2	B3	B4	B5	
Market 1		█	█	█	█	█
Market 2	█	█	✕	█	█	█
Market 3	█	█	█	█	█	█
Market 4	█	█		█	█	█
Market 5	█		✕	█	█	█
Market 6		█	█	█	█	█
Market 7		█	█			█
Market 8	█	█		█	█	█
Market 9	█		█	█	█	█



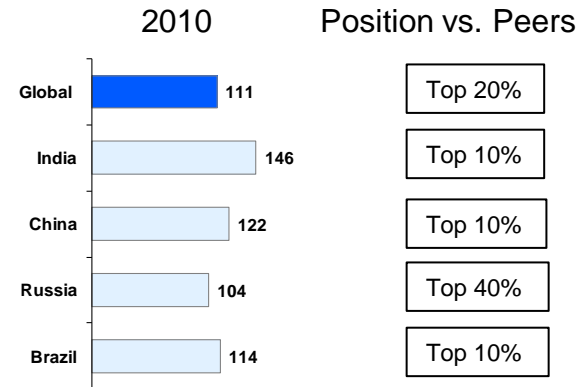
- █ ≥1% above target
- █ On (or no) target
- █ ≥1% below target
- ✕ No position

## Growth Markets – A strong brand leading sales growth

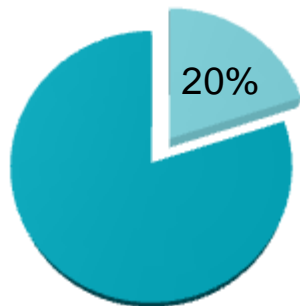
Our long presence in these markets have helped build trust in our brand.

<sup>1</sup> Source: Consumer Heart BEAT brand equity study 2010

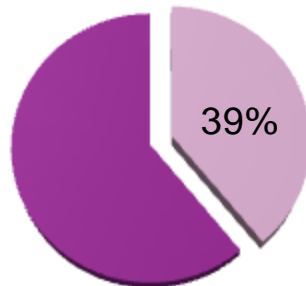
Corporate brand equity index<sup>1</sup>, 2010  
BRIC Markets



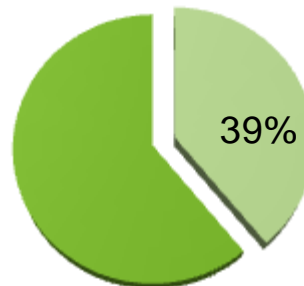
### Last twelve months sales



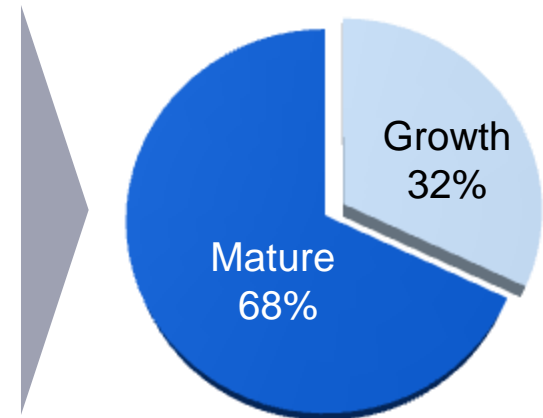
Healthcare



Consumer Lifestyle



Lighting



Philips Group

## Key Milestones in China

*26 years of direct investment*

- 1985 Beijing Philips Co. Ltd. established (first Philips joint venture in China)
- 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
- 2008 Acquired Goldway, the first ever local acquisition by Philips in China
- 2009 Announced the establishment of an Imaging System Industrial Campus in Suzhou and opened 80 Philips branded Lighting stores
- 2010 Acquired Apex and NCW in China
- 2011 Announced our strategic plan to make China another Global Home and Global headquarters of the Domestic Appliances business relocated to Shanghai

## Philips in China today

*A leading multinational company*

### Extensive presence across China

- Operates in more than 500 cities
- With 26 legal entities
- Provides employment in excess of 15,000

### Strong local-for-local and local-for-global R&D competence

- With nearly 1,500 research staff
- Annual investment of over EUR 73 million

### Achievements of Philips China

- In 2010, the total revenue increased over 20%
- Currently, China is the 2<sup>nd</sup> largest market of Philips globally



## Healthcare in China

Among top 3 players, leading in many areas:

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

Strong **local designing** and **manufacturing** capability both organic and through M&A

**Philips Healthcare China Academy** launched in 2010

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



## Consumer Lifestyle in China

*Making a difference to the way people live their lives*

*Market Leader in 12 categories:*

- Shaver
- Floor Care
- DVD Player
- Toasters
- PC Handsets
- Home Cinema Sound
- Hair Care
- Garment Care
- Juicers
- Female Depilation
- Audio Home Systems
- Air cleaner

*No. 2 or 3 in 8 categories :*

- Food Processors
- Headphone
- Mother & Child Care
- Coffee Makers
- Blenders
- Cordless Phones
- PC Mini-speakers
- Powered Toothbrushes

*Wide distribution and service network:*

- Extensive distribution network covering over 500 cities with more than 8,200 counters and more than 9,500 promoters
- Bringing consumer care closer to home, with more than 550 service centers



## Lighting in China

No. 1 position in China lighting market

Cover almost 900 cities in China, with aggressive expansion to 3<sup>rd</sup> & 4<sup>th</sup> tier cities

13 factories, 6 BUs and 4 R&D Centers with workforce of close to 11,000 employees

Integrated commercial organization:

- Sales offices in 36 major cities,
- 1,400+ direct customers, 3,500+ indirect customers, 23,000+ outlets

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

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



Thank you

