

PHILIPS

sense **and** simplicity

Focus on Growth

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Health Variety Cooker

China Commercial (dubbed into English for Capital Markets Day)





PHILIPS

sense **and** simplicity

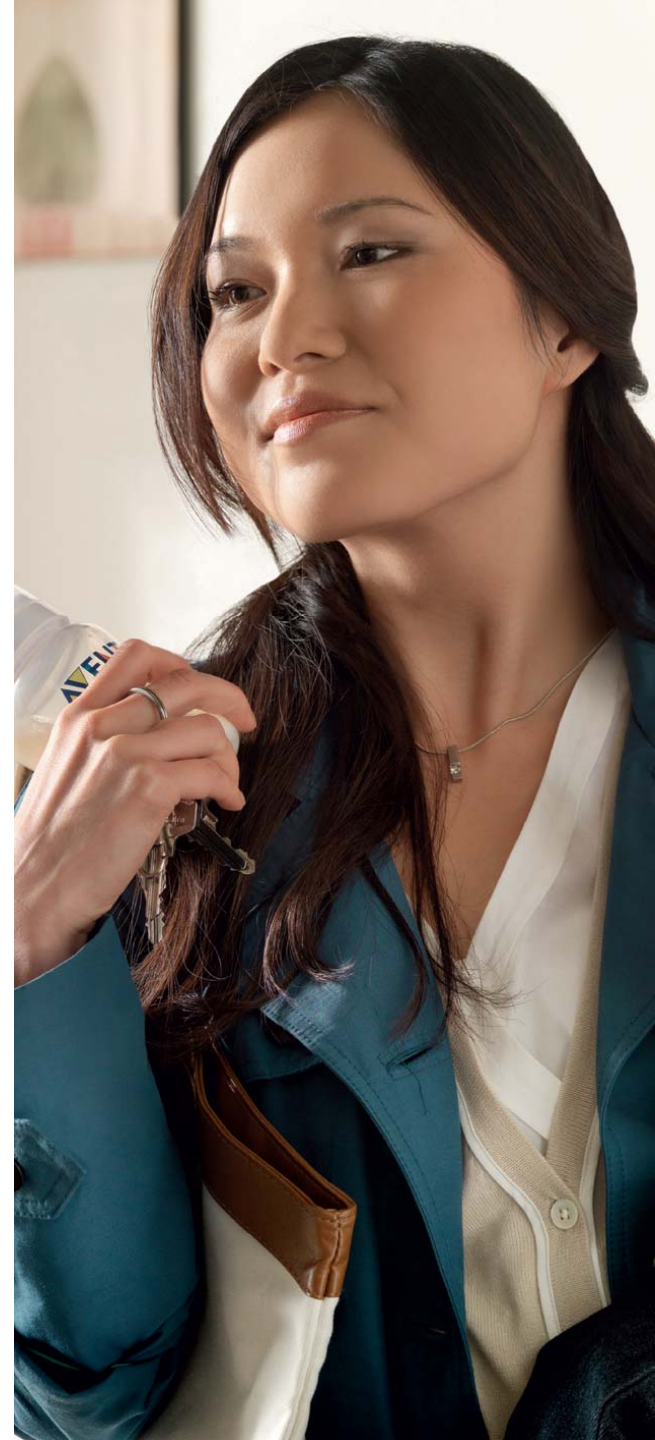
Growing in Emerging Markets

Elwin de Valk

Cluster Leader, Growth Cluster

Key takeaways

- 1 Emerging markets offer significant **profitable growth potential** for Philips Consumer Lifestyle
- 2 Our **leadership position** and global **retailer footprint** sets us up for success
- 3 We will capture growth with strong **local teams**, local **insights** and local **innovation**
- 4 Innovation and success in emerging markets will **deliver innovations** that we can **export to global markets**



1 Emerging Markets are the key source of economic growth

Emerging Markets (CAGR)

GDP growth next 5 years

9%

Growth in households with annual income greater than USD 7,500 (PPP) next 5 years

8%

Growth in consumer expenditure on household appliances next 3 years

9%

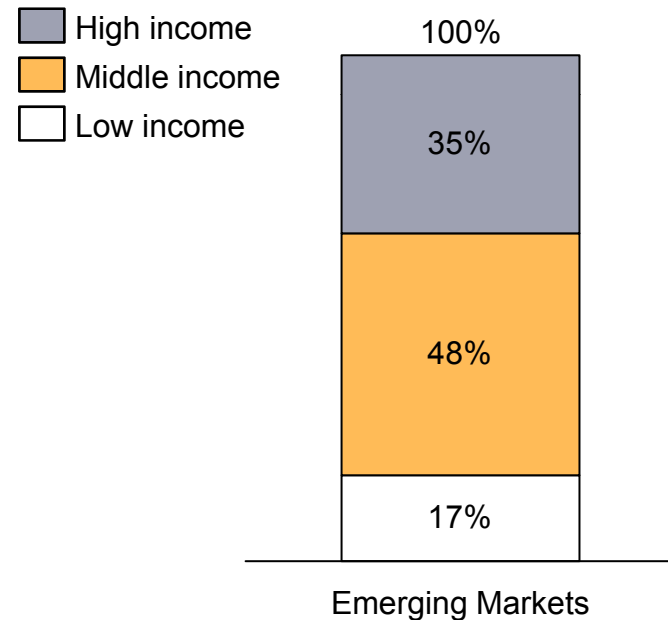
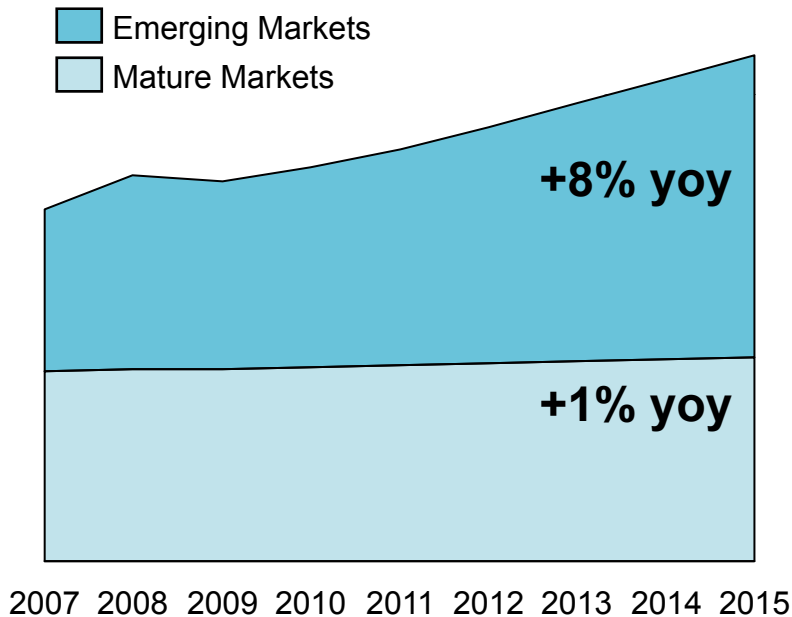
Note: Emerging Markets defined by Brazil, China, India, Poland, Russia, Turkey, Ukraine
PPP = Price Purchasing Parity

Sources: 1. GDP (in USD-PPP) forecast from Economist Intelligence Unit, updated as of Oct. 2009
2. Euromonitor International, 2009; IMF World Economic Outlook Database April 2009 for PPP conversion rate
3. Euromonitor International, 2009

1 Middle and upper income classes in Emerging Markets are growing - core Philips' consumers

Number of Middle & High income households (2007 – 2015)¹

Philips' Customers (by income)²

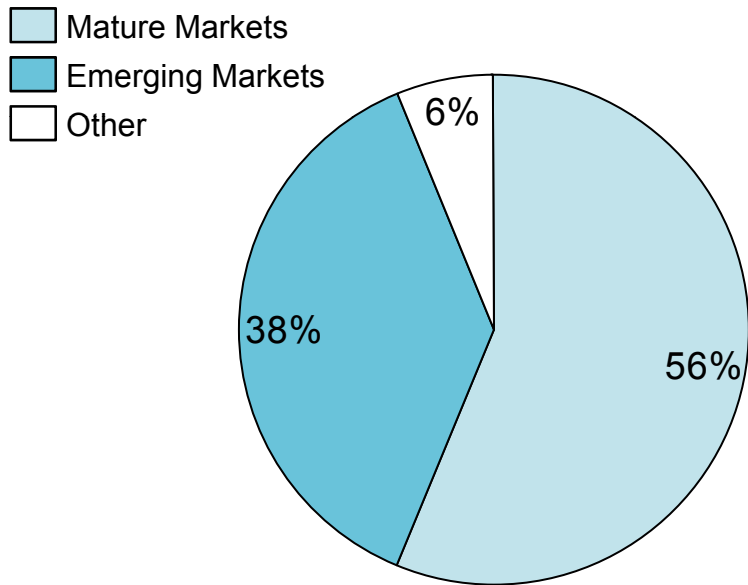


Sources:
 1. Mature markets defined by key countries in Western Europe North America; Emerging Markets defined by Brazil, China, India, Poland, Russia, Turkey, Ukraine; Low income ≈ less than USD-PPP 7,500; High income ≈ greater than USD-PPP 27,500; Middle income ≈ USD-PPP \$7,500 to \$27,500; Euromonitor International, 2009; IMF World Economic Outlook Database April 2009 for PPP conversion rate.
 2. Mature markets defined as: France, Germany, Italy, Netherlands, Spain, UK, USA; Emerging markets defined as BRIC (Brazil, Russia, India, China); Source: Philips Heartbeat 2008; Analysis SEERC

2 Already 38% of sales in Emerging Markets with profitability on par with Mature Markets...

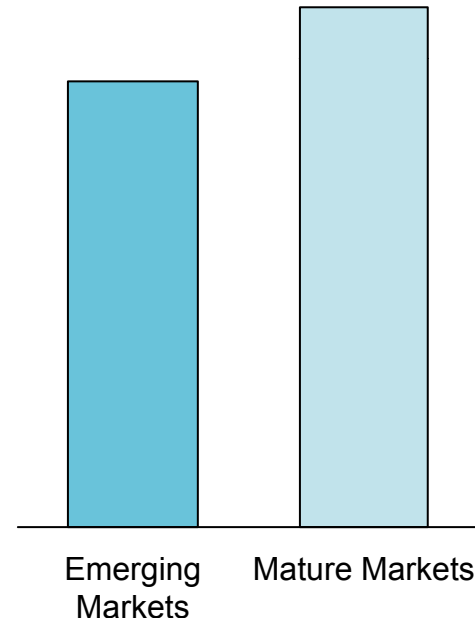
Sales

LTM Sep 2009*



Relative EBITA (excluding TV)

Full Year Outlook 2009*

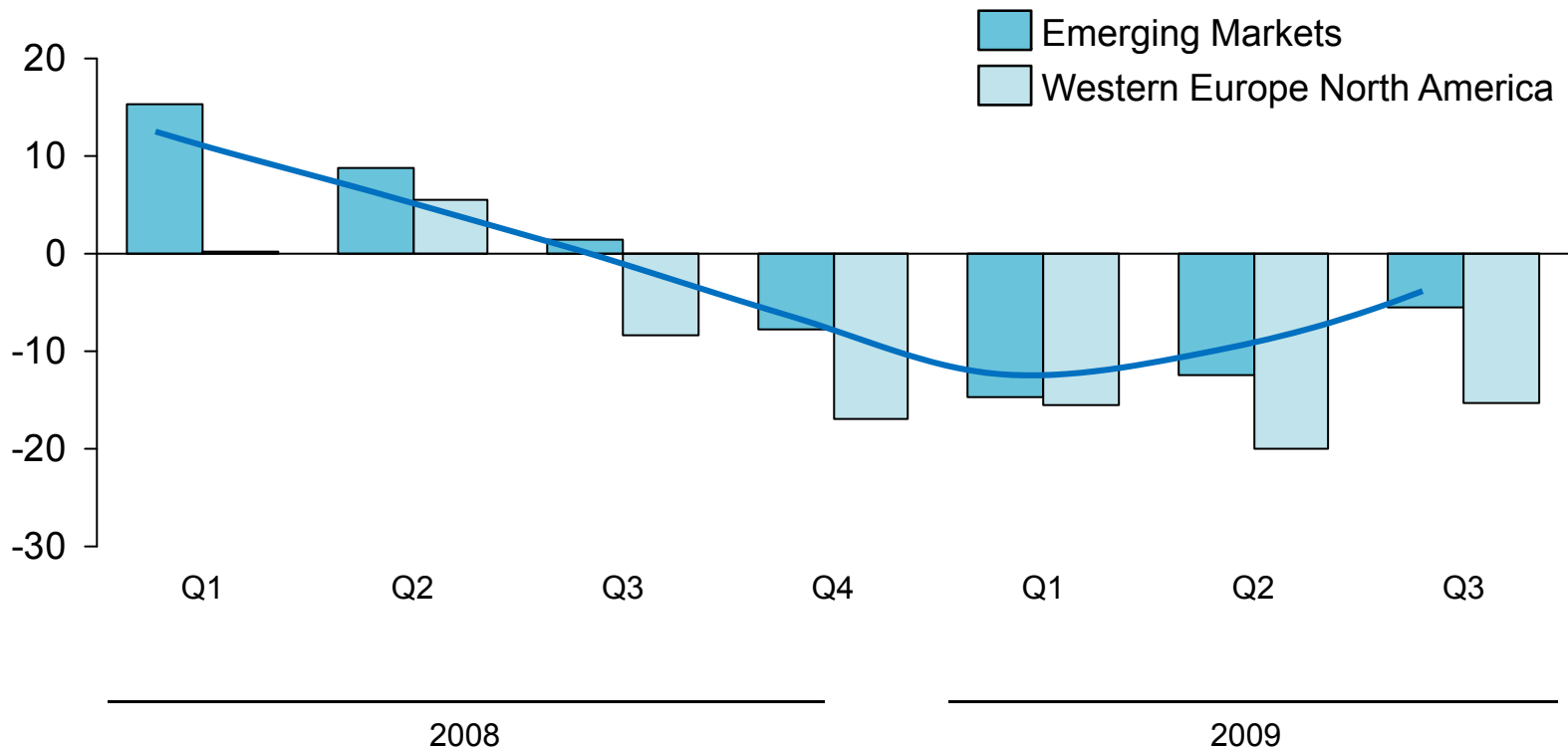


Note:

* Mature markets defined as key countries in Western Europe North America; Emerging Markets defined as Growth markets (Brazil, China, India, Platino, Poland, Russia, Turkey, Ukraine) and ISO (Latin America, Middle East, Africa, Central Eastern Europe, Asia Pacific)
Other includes OEM and licenses

2 ... And sales in Emerging Markets are recovering strongly compared to Mature Markets

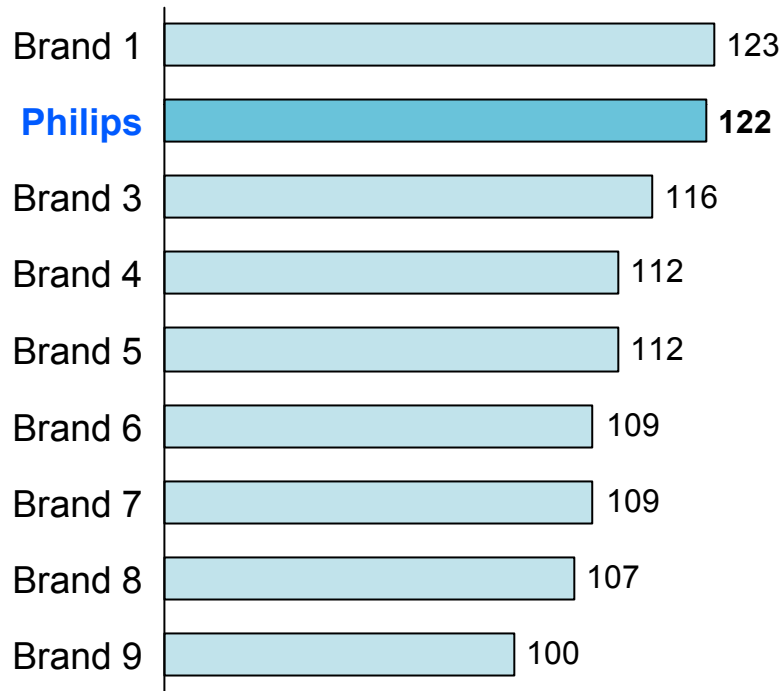
Comp. growth excluding TV in Emerging Markets vs Western Europe North America



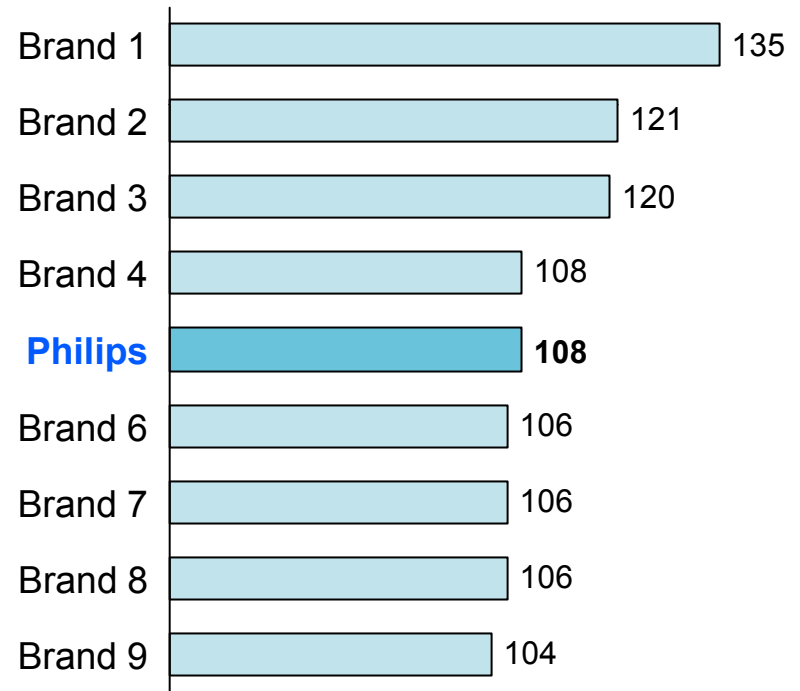
Note: Corrected for Home Networks, Mobile Phones, TV

2 Philips' strong brand equity in Emerging Markets positions us to accelerate growth

**Corporate brand equity index, 2009
Emerging Markets**



**Corporate brand equity index, 2009
Mature Markets**

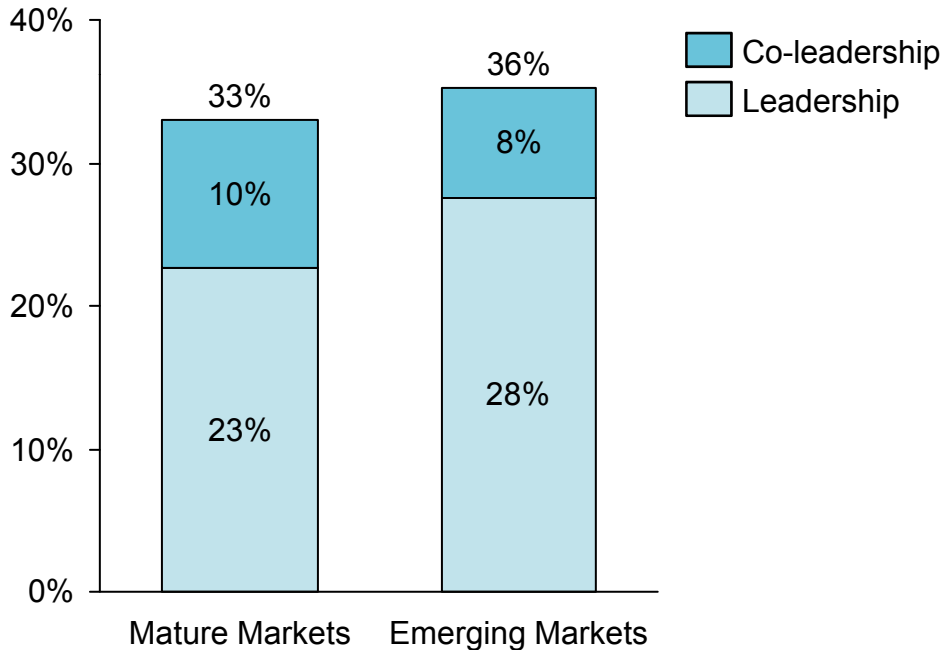


Note: Emerging markets defined as BRIC (Brazil, Russia, India, China)

Source: Philips Heartbeat study 2009; Q4/ TNS proprietary brand equity assessment based on Favorability/Trust, Perceived Quality/Success, and Reputation ; Benchmark includes companies from IT, Electronics, Media & Entertainment, Lighting, Medical Equipment

2 We have more leading market share positions in Emerging Markets than in Mature Markets

Percent Leadership & Co-leadership Market Share positions



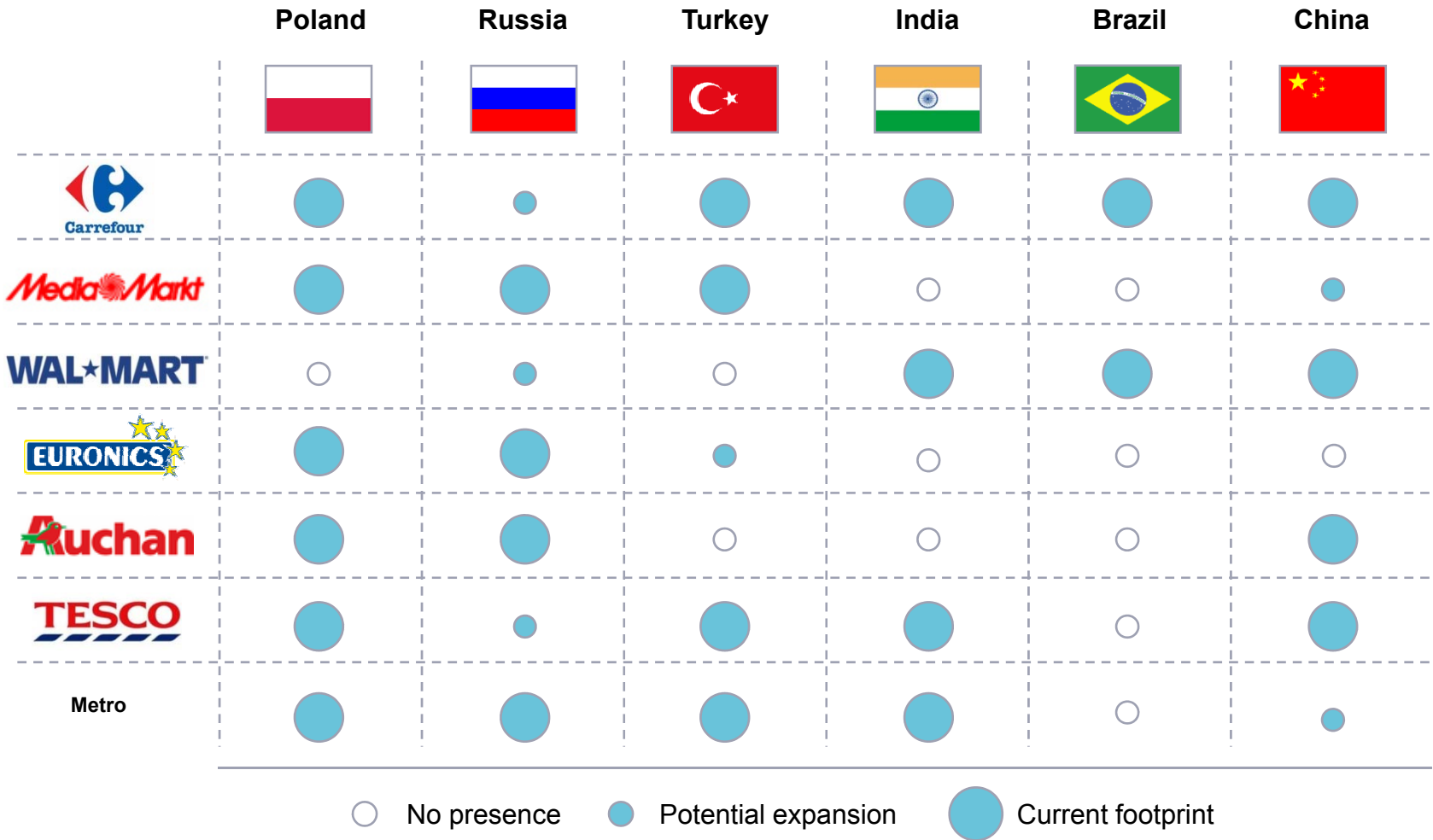
In Emerging Markets Philips has highest percentage of leadership positions

– #1 brand in 28% of our products

– Leader or co-leader positions in 36% of our products

Note: Mature markets taken as Western Europe North America ; Emerging Markets taken as BRIC (Brazil, Russia, India, China)
 Leadership defined as market share leader by more than 5%; co-leadership defined as market leader by less than 5% of market #2 by less than 5%

2 We partner with global retailers as they expand into Emerging Markets



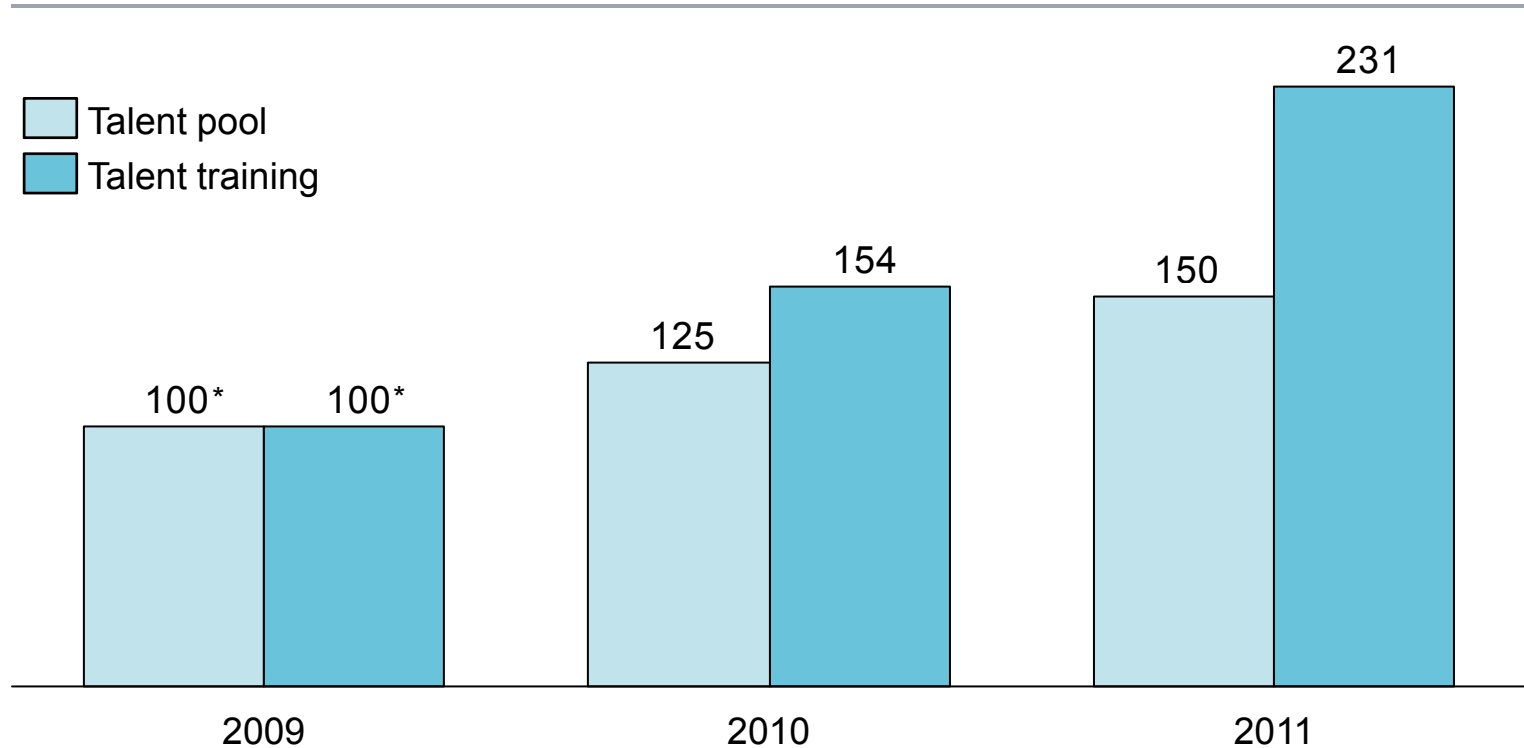
Source: Philips internal assessment based on publically available information

3 We have strong local leadership in 6 out of 7 key emerging markets

Country		Leader Nationality	
	Brazil		Brazilian
	Argentina		Argentinean
	Turkey		Turkish
	Russia		Dutch
	Poland		Polish
	India		Indian
	China		Singaporean-Chinese

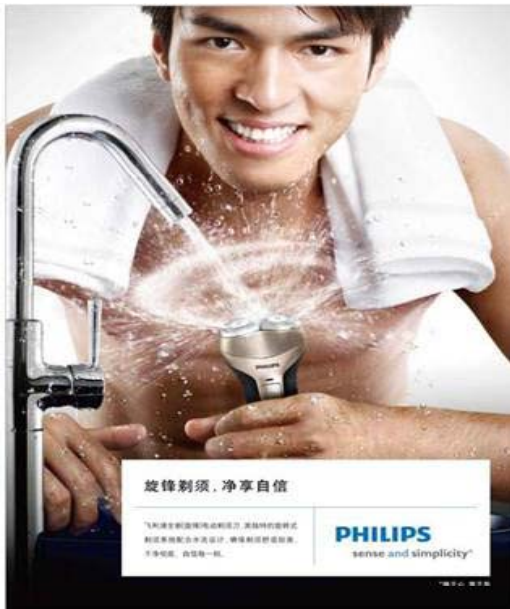
3 Delivering an aggressive organizational and talent development agenda to grow in Emerging Markets

Size of Talent Pool & Talent Training in Growth Markets
 (*index 100 in 2009)



Note: Growth Markets defined as: Brazil, China, India, Platino, Poland, Russia, Turkey, Ukraine

3 Leveraging local insights and local development teams to develop product propositions



Razors designed for local hair & shaving rituals and youth proposition



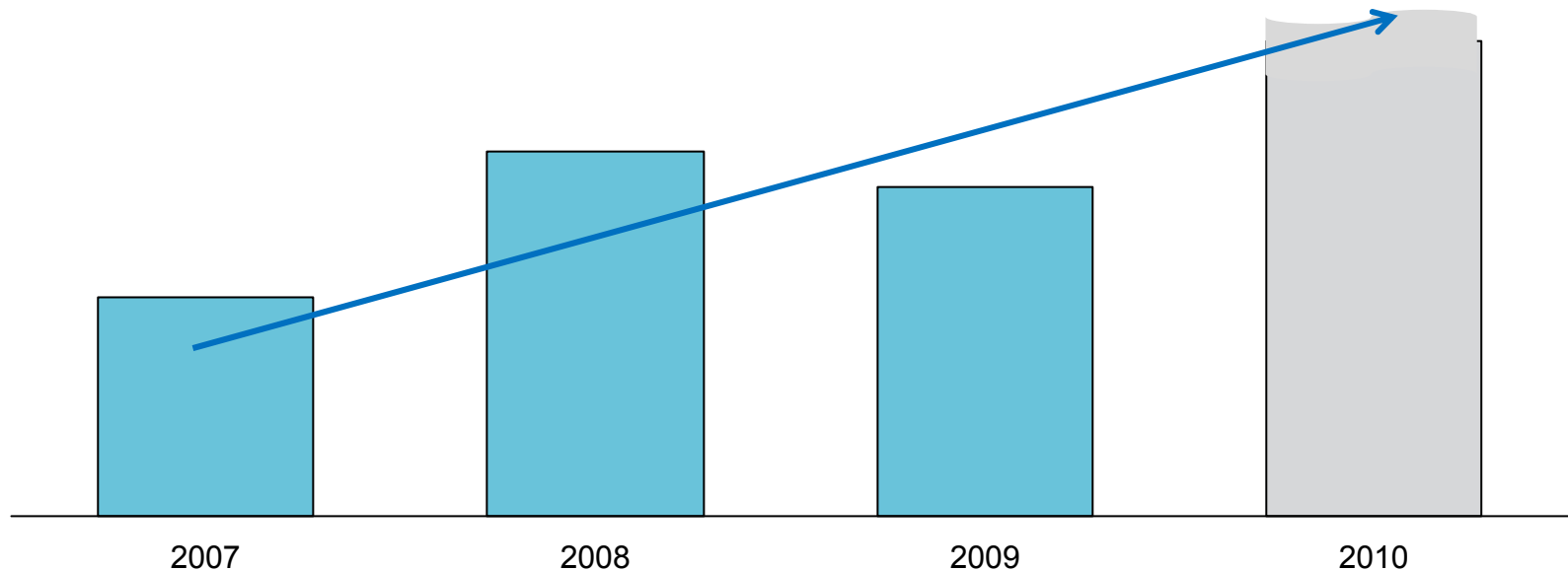
Healthy Variety Cooker for local cooking customs, tastes and recipes



Superior sound quality endorsed locally by Ivete Sangalo, famous Brazilian singer

3 Re-allocation of Advertising and Promotion spend to Emerging Markets

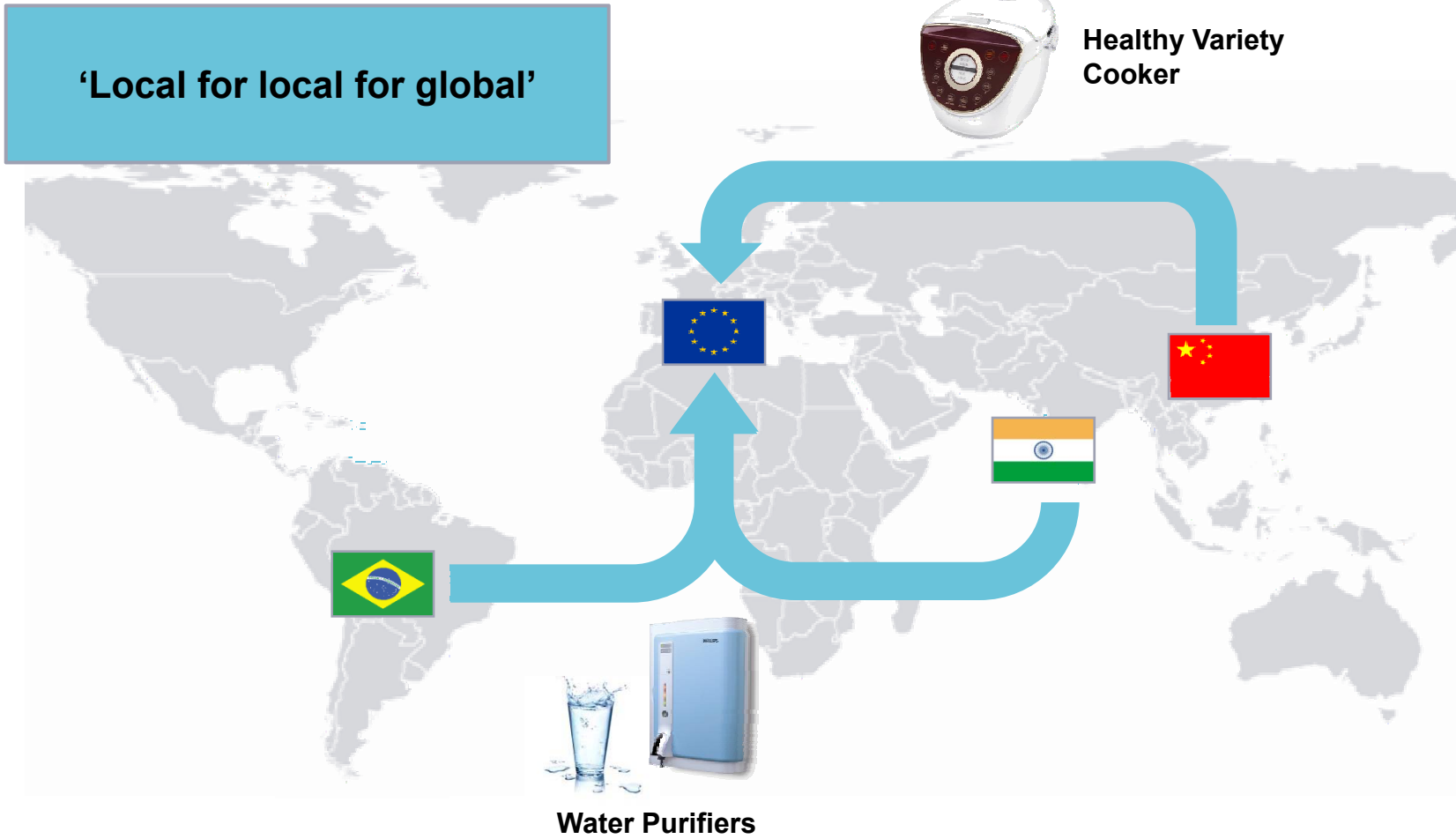
Advertising & Promotion spend in Emerging Markets (*index 100 in 2007)



Note: Emerging markets defined as Growth cluster (Brazil, China, India, Platino, Poland, Russia, Turkey, Ukraine) and ISO (Latin America, Middle East, Africa, Central Eastern Europe, Asia Pacific)

* Index based on % of sales spent on Advertising & Promotion in 2007

4 Emerging Markets are an increasingly significant source of innovation for established markets



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