

PHILIPS

sense **and** simplicity

Royal Philips Electronics
Lighting Analysts' Day

Boston, September 24th, 2009

PHILIPS

sense **and** simplicity

Philips Lighting

Rudy Provoost
CEO Philips Lighting

Agenda of today

11:45 – 12:45

Philips Lighting

Rudy Provoost

CEO Philips Lighting

12:45 – 13:30

Value Creation

Renier Vree

CFO Philips Lighting

13:30 – 14:30

Lunch

14:30 – 15:30

Winning in Segments

Marc de Jong

CEO BG Professional Luminaires Philips Lighting

Agenda of today - continued

- | | |
|----------------------|--|
| 15:30 – 15:45 | Break |
| 15:45 – 16:15 | Winning in Key Markets:
A North American Perspective
Zia Eftekhar
<i>CEO Philips Lightolier Group</i> |
| 16:15 – 16:25 | Lighting Summary
Rudy Provoost
<i>CEO Philips Lighting</i> |
| 16:25 – 16:30 | Closing
Pierre-Jean Sivignon
<i>CFO Royal Philips Electronics</i> |

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, 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. 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.

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.

Key takeaways

- We have **addressed the recession** head on and will come out **stronger**, ready for the **upturn**
- The Lighting industry is undergoing a **radical transformation** with **attractive opportunities** ahead
- We have the **right strategy to win** in both **light sources** and **solutions**



Philips profile

Becoming the leader in Health and Wellbeing

Who we are

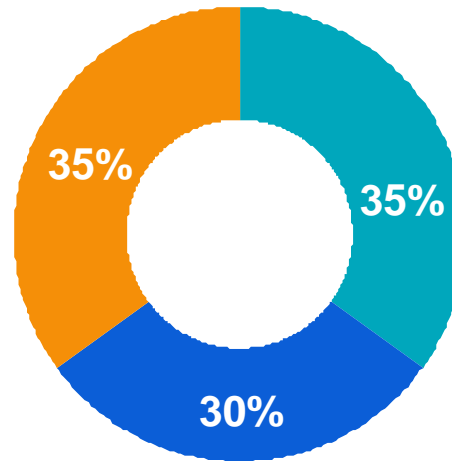
Sales **over EUR 26 billion**
(USD 33 billion)
Over 30% in emerging economies




116,000 employees
Sales and service outlets in 100
countries

Globally recognized brand
(42nd most valuable brand
according to Interbrand)
Our brand value has almost
doubled to \$8.1bn since 2004

**€1.6 billion investment in
R&D**, over 6% of sales
55,000 patent rights – 33,000
registered trademarks – 49,000
design rights

Our businesses*



-  Healthcare
-  Lighting
-  Consumer Lifestyle

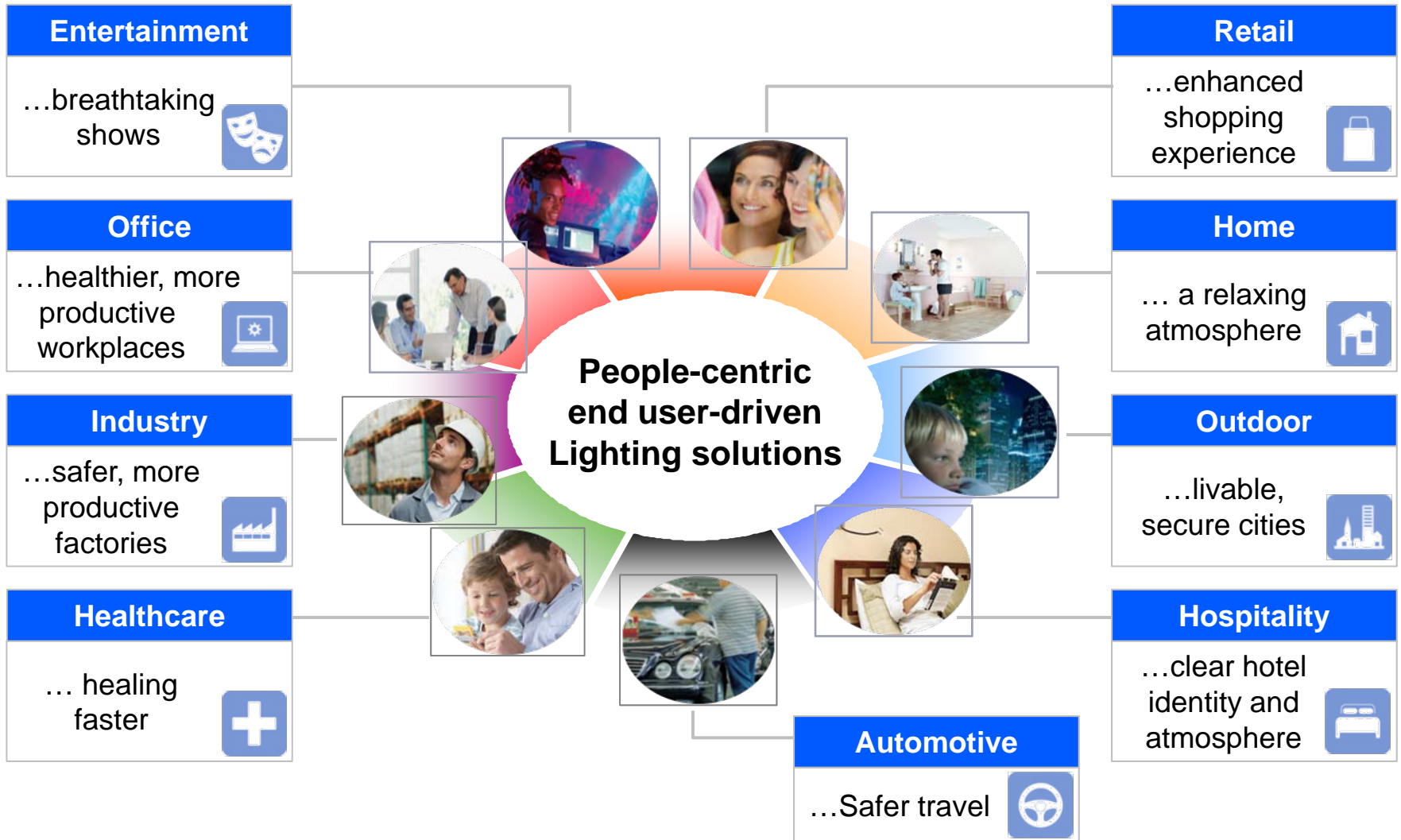
PHILIPS
sense and simplicity

Our mission

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

Philips Lighting: simply enhancing life with light

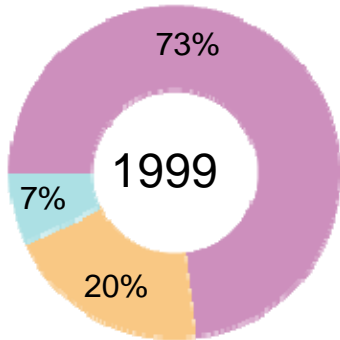
What lighting means for Health and Well-Being...



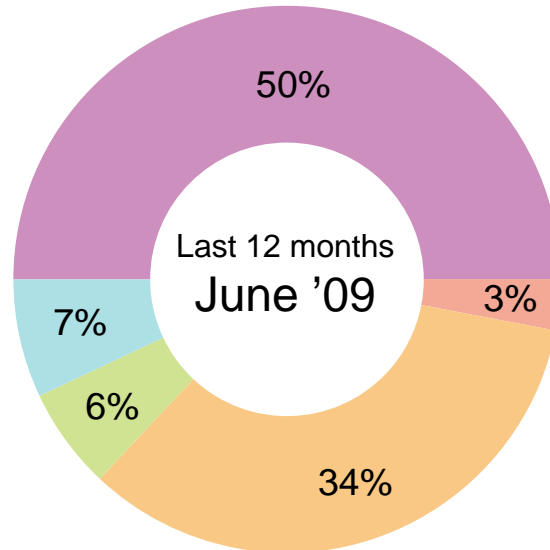
Our businesses...

Focusing on differentiating profitable businesses

Total sales EUR 4.5 billion



Total sales EUR 6.8 billion



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

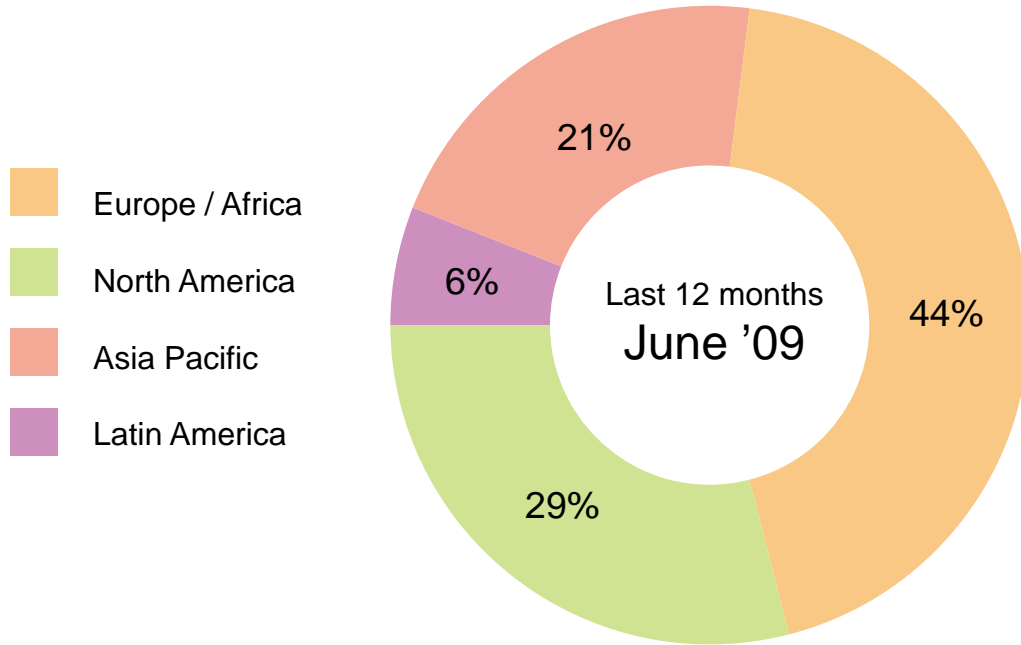
EBITA target of 12-14%



... and regional focus

Increasing our emerging market sales

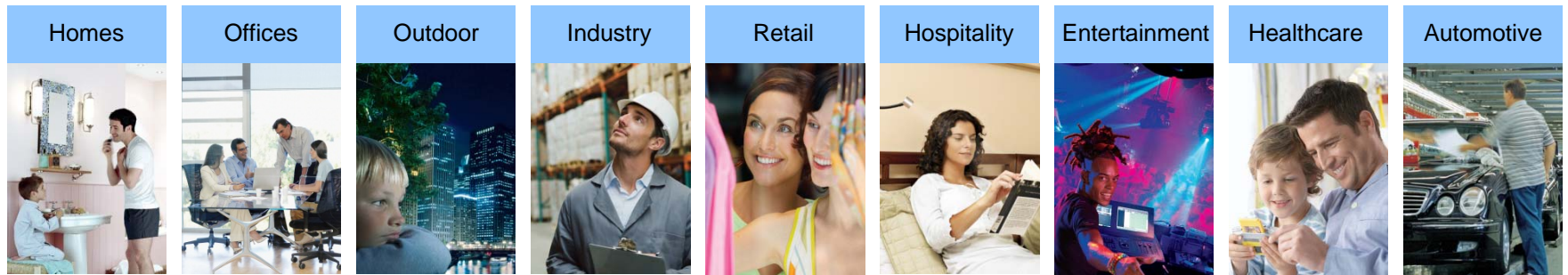
Total sales EUR 6.8 billion



We increase our focus towards the people we serve

Philips Lighting

Customer Segments



The distribution of our business*

24%	16%	16%	10%	12%	10%	3%	3%	7%
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€7.4

Billion in sales in 2008

50,000+

People employed worldwide in 60 countries

4.6%

of sales invested in R&D in 2008

80,000

Products as of 08/09

* LTM, as a % of sector sales

We have
addressed the
recession head on
and will come out
stronger, ready for
the upturn



We have 2 priorities: managing today's reality while getting ready for the future

Philips
management
agenda

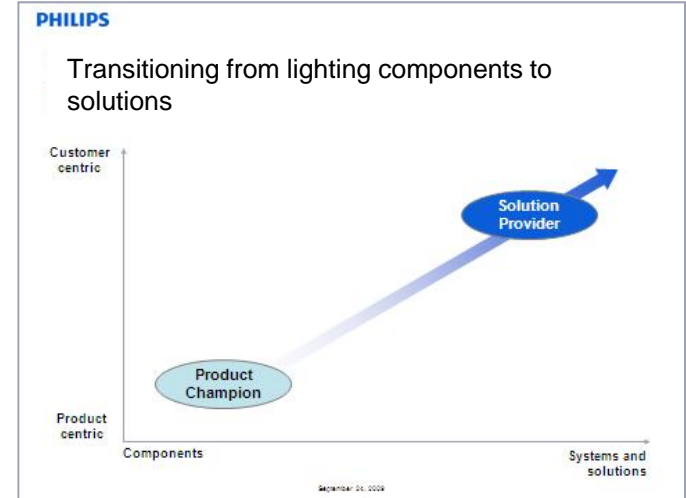
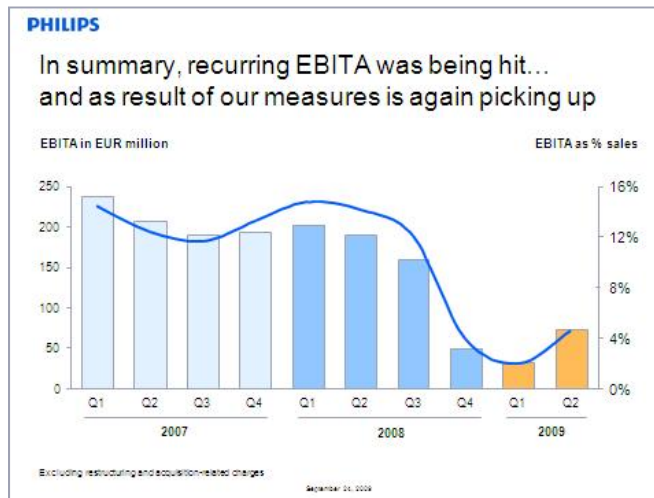
Manage today's reality

- Manage **cash**
- Adapt **cost structure**
- Manage **risks and opportunities** to strengthen our market positions

Getting ready for the future

- Further build the leading company in **the health and well-being**
- Focus resources on **growth opportunities** and **emerging markets**
- Increase revenue derived from **leadership positions**

Philips Lighting
agenda



Lighting structurally more competitive

Carefully managed actions position us well for the upturn

Key Philips Lighting actions

Manage today's reality:

- Reduce cost base
- Strengthen pricing discipline to manage margins
- Manage cash through reduced working capital
- Accelerate streamlining of our manufacturing footprint
- Reduce capital investment

Get ready for the future

- Continued M&A
- Continued R&D investment
- Invest in emerging markets
- Broaden portfolio in strategic areas such as controls
- Leverage Intellectual Property

Lowering our break even point

Variable costs

Variable cost control

- Supply contract renegotiation
- Reduce discretionary spending

Fixed cost variabilization

- Reduce headcount
- Streamline industrial production

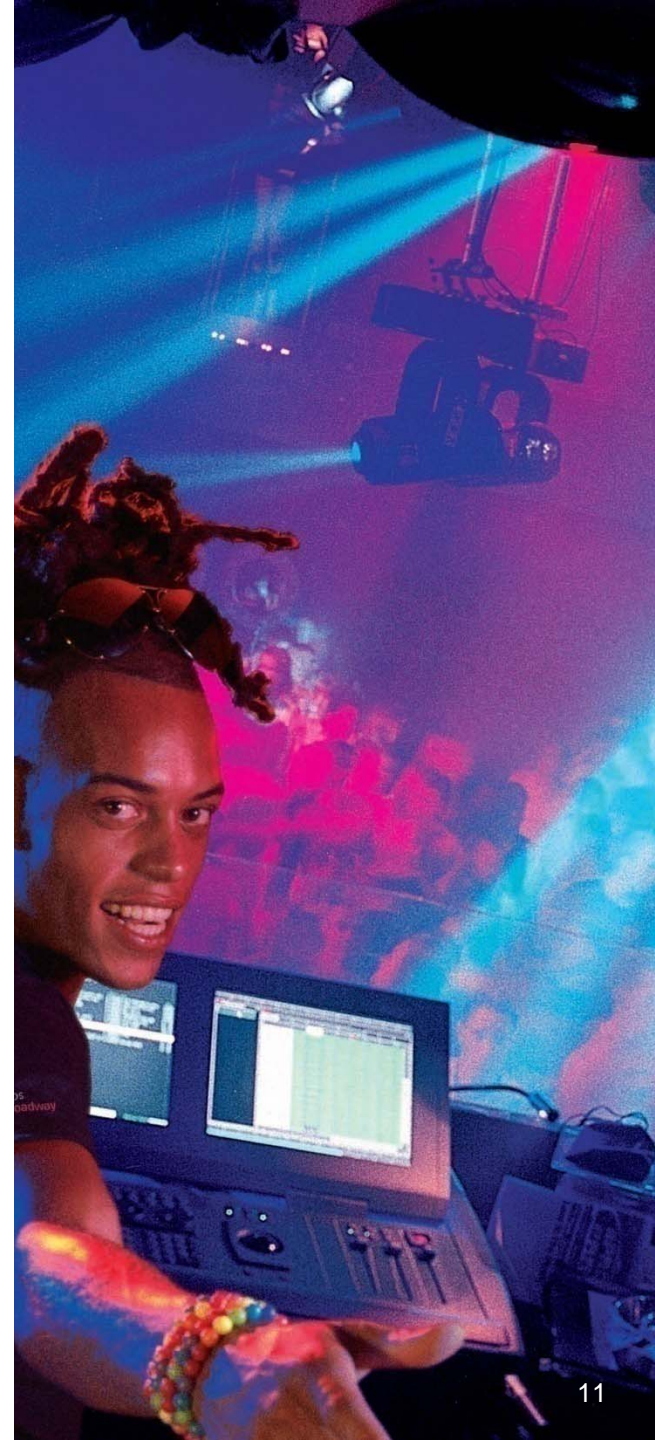
Optimized fixed costs

- Reduced SG&A
- Optimized CAPEX

Fixed costs



The Lighting industry
is undergoing a
radical transformation
with attractive
opportunities ahead



A changing world is our opportunity

Outside-in perspective



Differentiated lifestyles



Urbanization & globalization



Environmental awareness



Transition to digital

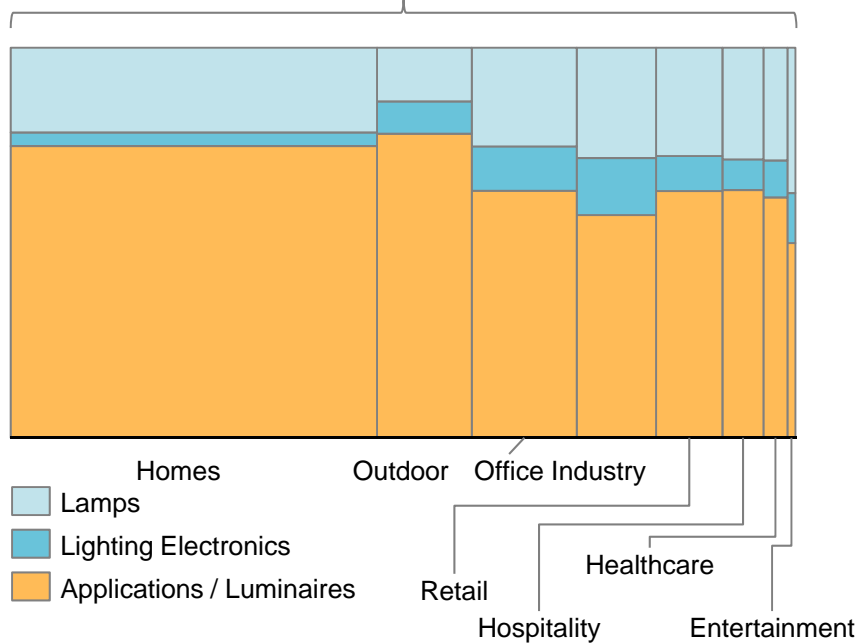


Lighting solutions & services

The general illumination market will grow over the next decade

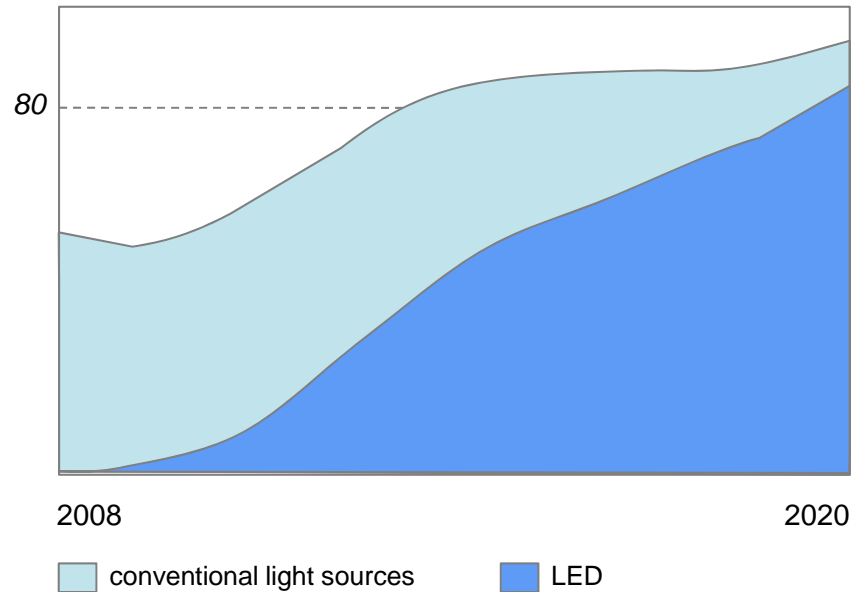
2009 general illumination market overview

Total market size: 45-50 B€



Applications: ~70% and growing

Value (global, B€)



CAGR 2010 - 2020: 6 %

Source: Philips Lighting

The why and how of LED adoption

Why LED will be adopted

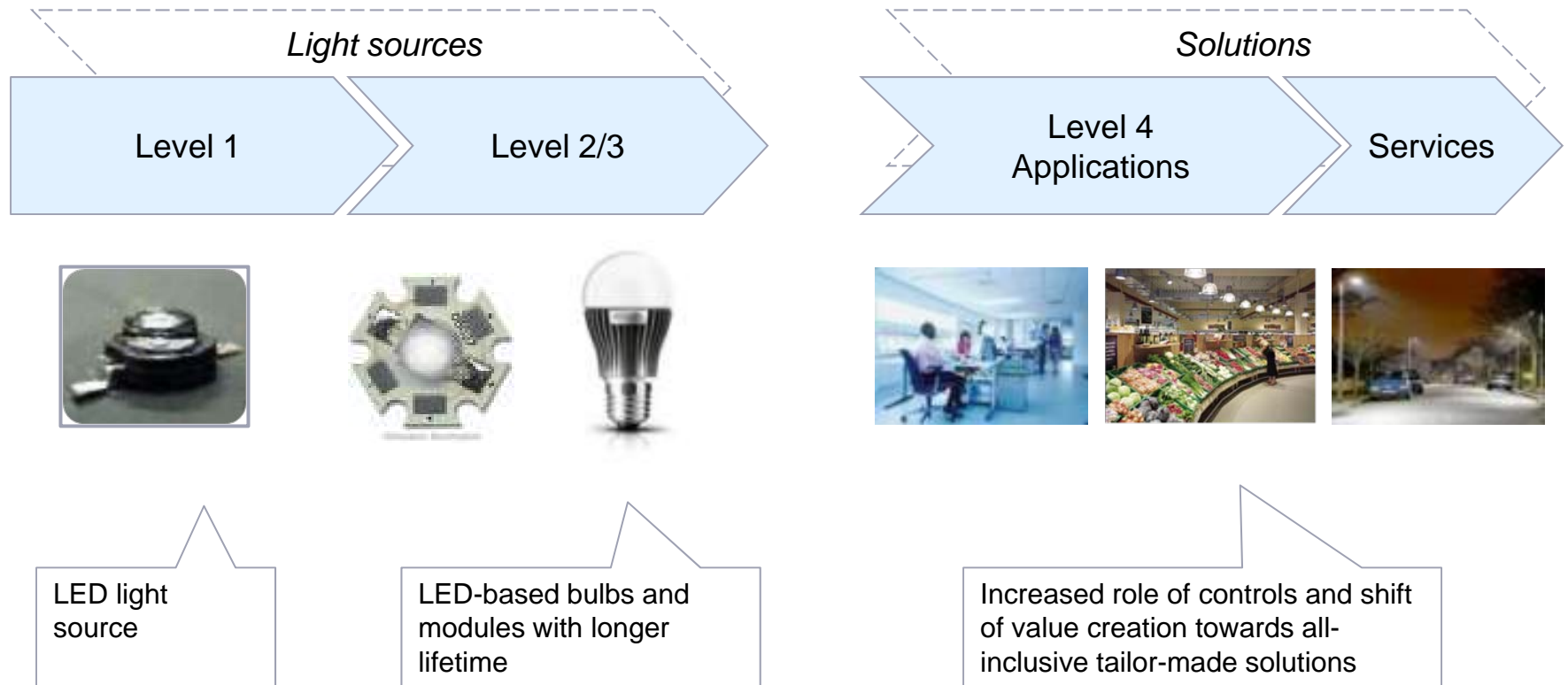
- **Customers** becoming increasingly aware of the benefits of LED:
 - Cost and energy savings
 - Sustainability / environmental awareness
 - New possibilities for design and colors
 - Mood management
 - Potential for more productivity and safety
 - Longevity
- **Governments** driving for sustainable energy solutions (i.e., incandescent ban and stimulus packages)

How LED will be adopted

- Adoption of LED based lamps (**“Retrofit”**), modules and full integration
- **Accelerated renovation** of lighting current installed base
- **New building and infrastructure projects**

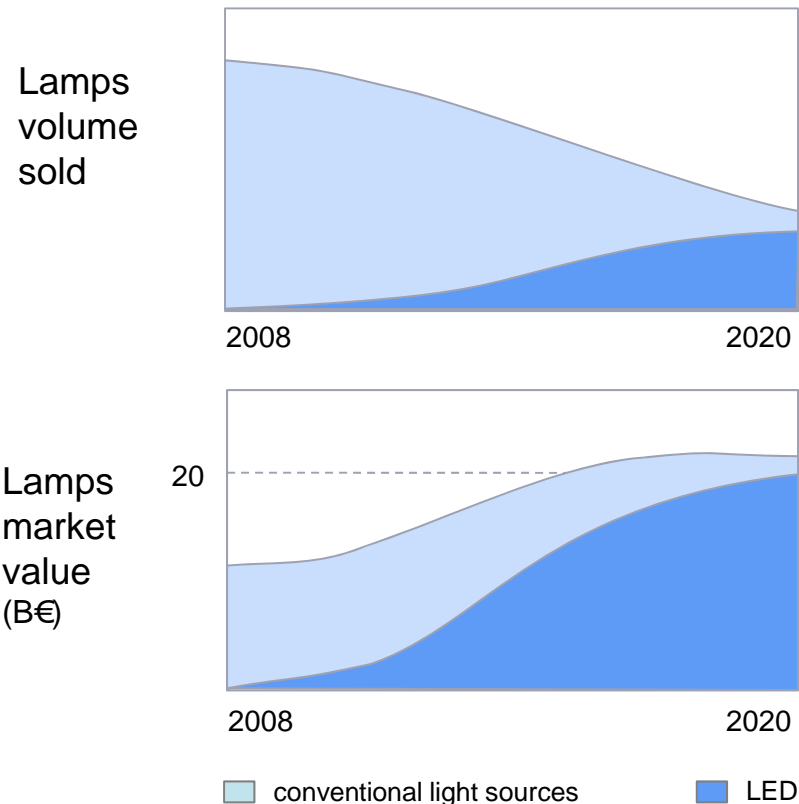


LED offers an opportunity to create additional value across the innovation chain



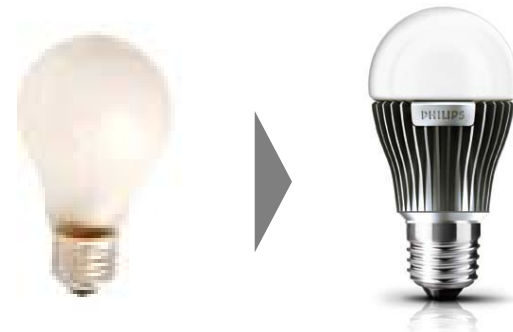
LED higher prices offset the decrease in volume of conventional lamps

Global lamp market evolution



Drivers

Decrease in volume due to replacement of conventional lamps by LED with longer lifespan

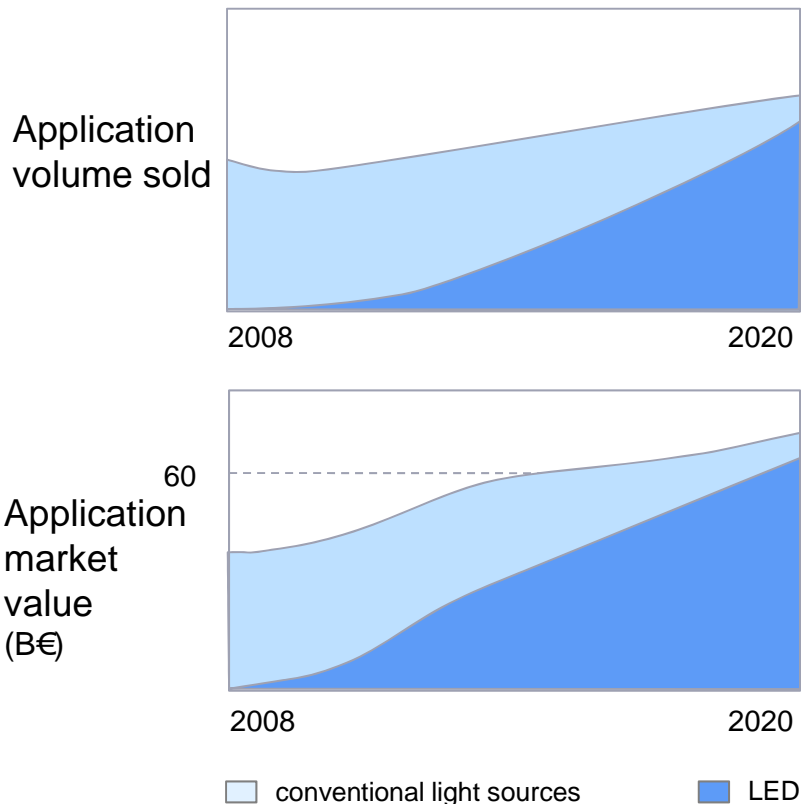


Higher prices for LED-based lamps (Retrofit), justified by:

- longer lifespan
- energy savings

Higher added value of LED-based applications lead to an increase in value

Global application market evolution



Drivers

Increase in volume of the overall solution market driven by **increasing demand** for all-inclusive, tailor-made solutions



LED-based applications offer **increased possibilities for customers**:

- Intelligent solutions including controls and system integration
- Dynamic ambience creation
- Breakthrough in Total Cost of Ownership ... Which triggers a **higher willingness to invest**, thus fueling a significant **market value increase**

We have the **right**
strategy to win in
both **light sources**
and **solutions**



On light sources, lifecycle management of our portfolio is key

From asset heavy to asset light

Example with Incandescent factories

- From 2001 till 2009 downsized from 20 to 7 incandescent factories
- Further reductions are planned following demand curves



● = downsized

Leveraging our portfolio while transitioning to LED

Leading positions in

- **Fluorescent** (#1 position with global reach)
- **CFL-I**
- **HID**
- **Incandescent**

LED Retrofit lamps:

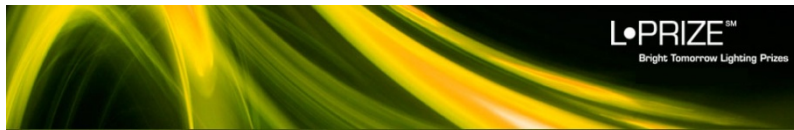
- **Leverage market leadership:** improve portfolio and cost down
- **Educate customer,** establish differentiation

LED Modules:

- **Establish product leadership** through portfolio expansion and design-in support
- Enable segment-specific **solutions** and **services**

We are the fastest and broadest player in LED

We are the fastest player...



Philips the first company to enter L prize competition...

- Organized by US Department of Energy

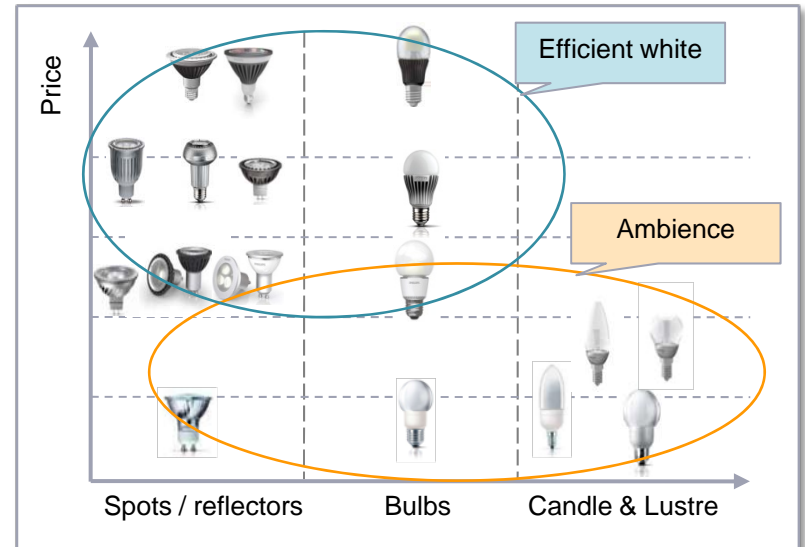
... i.e. to have developed a LED light bulb:

- As replacement of 60W bulb
- Ready to enter mass market (no prototype)
- At an affordable price point
- Exceeding the required brightness and performance standards



... with the broadest portfolio

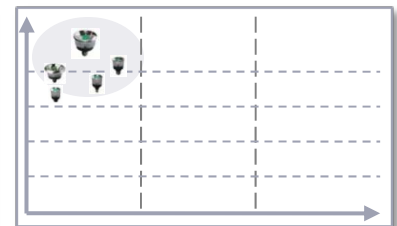
Philips



Key competitor 1

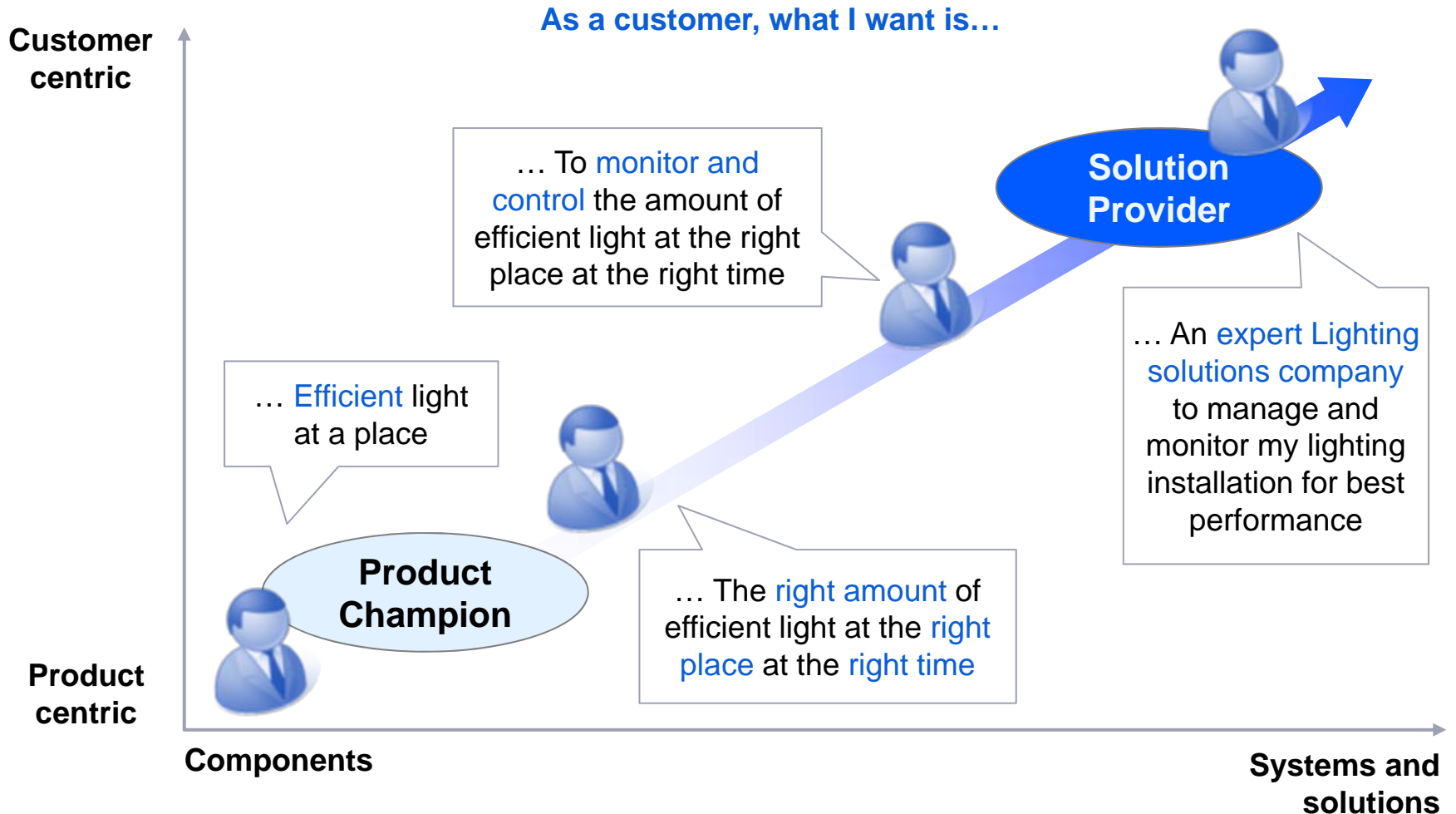


Key competitor 2



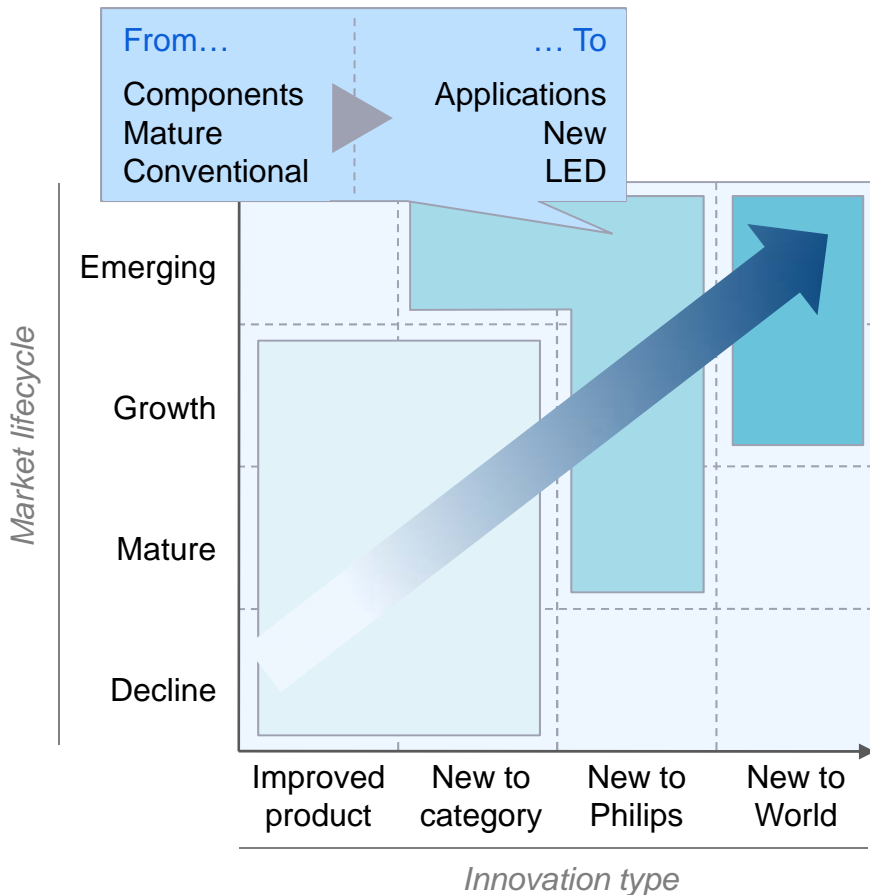
Solutions is the right business for the future

In line with evolving customer needs

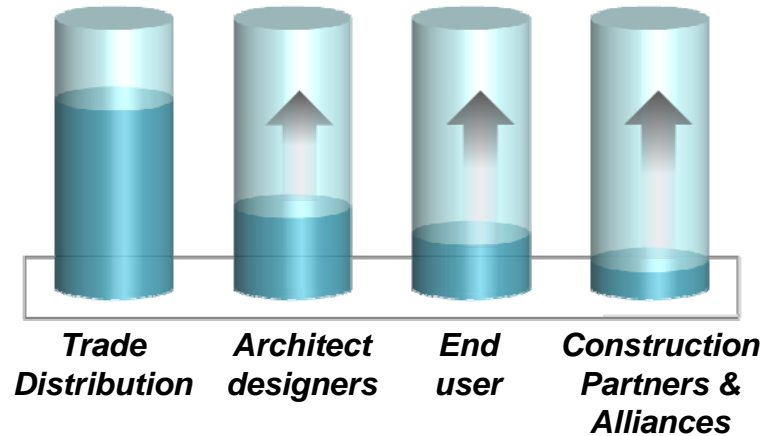


We know where to invest in order to grow and win in solutions...

Upstream: focused R&D spend to ensure strong product portfolio

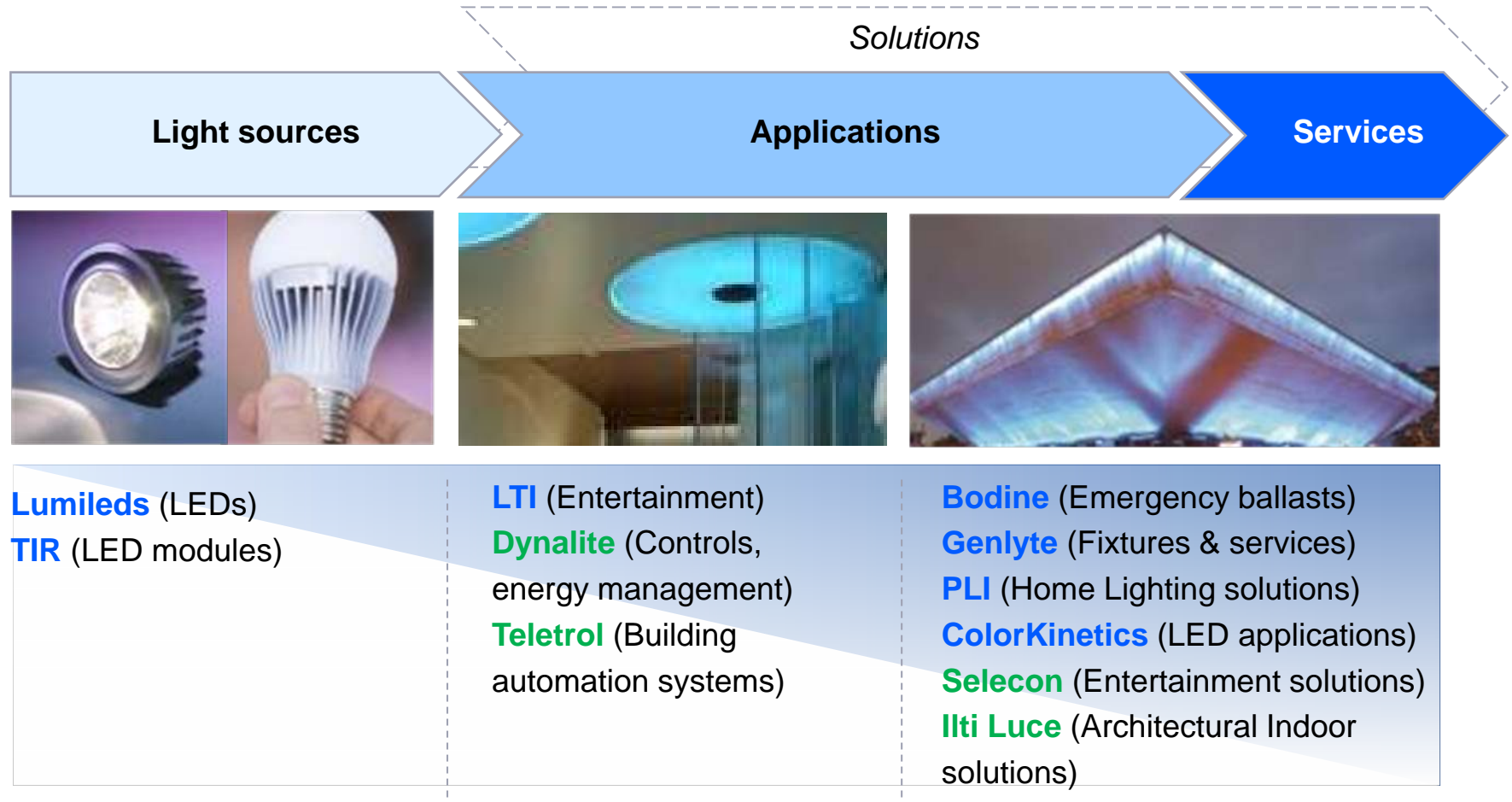


Downstream: increasing end-market reach to enable go-to-market advantage



- **End user Approach** – build frontline resources and penetrate new / grow existing end user accounts
- **Services Offer** – develop a range of service propositions by building on existing pilots
- **Trade Position** – reinforce collaboration with wholesalers and distributors

...and continue to acquire in support of our strategy...



... while creating value with our IP

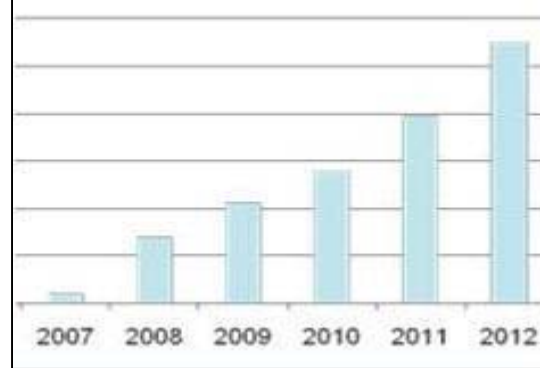
Building our IP strength...

- We built a **great IP portfolio**
 - LED
 - System level
 - Scene Setting... And are **continuing to grow it**
- We **license basic technology**
 - LED Control technology
 - Cosmopolis lamp technology
 - AllnGaP LED technology... To **grow the market**
- We preserve our **differentiators**
 - Take copies out of the market
 - Protect our brand... To maintain a **competitive edge**.

...is paying off

- The value of our Intellectual Property is recognized by our peers:
 - Osram
 - Zumtobel
 - Sylvania

License revenues



The brand preference continues to increase

Lighting contributes to the overall Philips brand value

Philips brand value



Philips was the 42nd most valuable brand according to Interbrand in 2009

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



Driven by:

- Product **innovation**
- Corporate **campaigns**
- B2C **media communication**
- Targeted **regional communication** (Asia-Pacific)

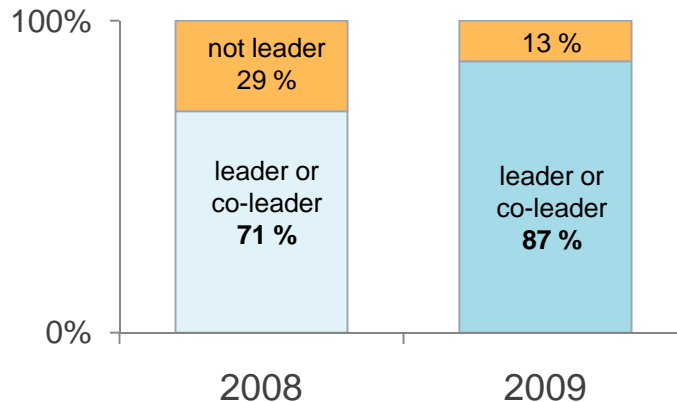
Customer loyalty

Measured through NPS (Net Promoter Score)

Improvements achieved through:

- Global account management providing **one-face-to-customer**
- Simple **pricing**
- Strong **after-sales** management
- Promotion of **product benefits**

Philips Lighting NPS result



* Brand value measured by Interbrand; NPS measured by Philips

Our unique focus is setting us apart

Philips Lighting: delivering Health and Well-Being



People
focused



Partners in
innovation



Meaningful
solutions

“Simply enhancing life with light”

Key takeaways

- We have **addressed the recession** head on and will come out **stronger**, ready for the **upturn**
- The Lighting industry is undergoing a **radical transformation** with **attractive opportunities** ahead
- We have the **right strategy to win** in both **light sources** and **solutions**



Q&A

Rudy Provoost



