

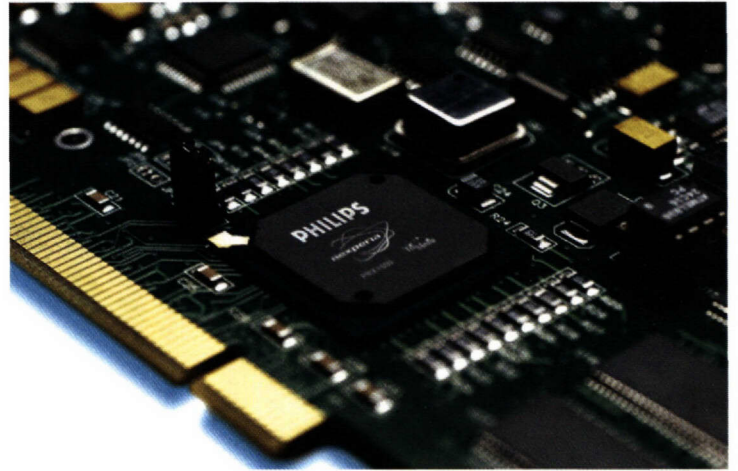


### THE MARKET

Royal Philips Electronics of the Netherlands is one of the world's biggest electronics companies and the largest in Europe, with sales of €30.3 billion in 2004. With 160,900 employees in more than 60 countries, it holds market leader positions in medical diagnostic imaging and patient monitoring, colour television sets, electric shavers, lighting and silicon system solutions.

As a Fortune 500 company, Philips Electronics takes a leading position in the three interlocking domains of healthcare, lifestyle and technology. Translated into figures, it produces over 2.4 billion energy-saving lamps every year. Thirty percent of offices around the world are lit by Philips Lighting, which also lights 65 percent of the world's top airports, 55 percent of all soccer stadiums, and 30 per cent of all hospitals. Around 2.5 million heart procedures (scans and interventional procedures) on X-ray equipment are carried out each year using Philips' technology. One in seven television sets worldwide contains a Philips picture tube, and

now has 35 joint ventures and wholly-owned enterprises with over 60 offices in the country, employing about 20,000 nationwide. Total revenue in China is about US\$9 billion in 2004 and total international purchasing in China amounted to US\$3.2 billion. Philips China has achieved double-digit export growth for many years running and has been recognised for its extraordinary contributions to China's electronics sector.



### ACHIEVEMENTS

Philips China was named the sole recipient of the Extraordinary Contribution Award of 2002 by China Foreign Invested Enterprises Association for leading in turnover and exports among all the FIEs in China.

Philips is number one in the global lighting market and in the global electric shaver market.

It is ranked number one by the Dow Jones Sustainability Index World in corporate sustainability in the Cyclical Goods & Services market sector.

It ranks number one in Europe and third in the world in the television, hearing aid, computer monitors, consumer communications tools and set-top box markets.

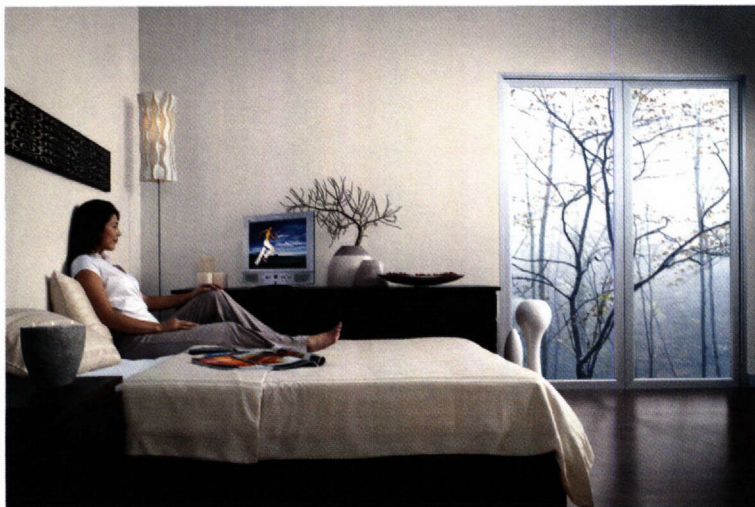
Philips ranks one in the world for recordable DVD devices.

### HISTORY

Philips was first founded in 1891. In the years between 1900 and 1910, Philips began to mass produce light bulbs as the use of electricity proliferated and the market for light bulbs boomed. By 1910 Philips was already Holland's largest company, with over 2,000 employees. In 1927, its acquisition of CHF Müller was the start of a new chapter in its history.

In 1946, Philips began experimenting with the broadcasting of television signals. Three years later, the Dutch government started to promote the use of televisions to the general public. In 1956, Philips began testing its triple blade razors and in 1963, it invented the compact cassette and established the standard for audio recording which is still in use today. In 1972, a Philips subsidiary joined hands with Siemens in setting up Polygram – a highly successful company with interests in music and movies. A decade later in 1983, Philips invented the CD which revolutionised the way people appreciate music.

In 1985, Philips established its first joint venture in China, becoming one of the largest investors in the country's electronics industry.



60 percent of all telephones contain Philips products.

Philips first entered China in the 1920s and formed its first joint venture in China in 1985. From that point on it has been firmly established in China and has pursued a long-term commitment to the country. Philips has brought leading technologies, products and service to the China market with all five product divisions – Medical Systems, DAP, Consumer Electronics, Lighting and Semiconductors – active in the PRC.

Philips has become one of the largest industrial investors in China, with total investment exceeding US\$3.4 billion. It



### THE PRODUCT

Philips has been an inventor and innovator ever since it made its first light bulb in 1891. It has developed leading and defining technology for televisions, X-ray machines, transistors, integrated circuits and optical technology. It gave the world its first razor blade, CD, recordable DVD, 100-Hertz television and defibrillator, and continues to be a market leader in monitors, storage, networks and digital cameras.

Philips clearly leads the Chinese market in lighting, razors, irons, monitors and mobile displays, and is number three in cathode-ray tubes, medical systems and optical storage. It has also established 15 research and development



centers for lighting, televisions, sound systems, semiconductors, medical systems and mobile displays.

**RECENT DEVELOPMENTS**

Philips is active in the three interlocking domains of healthcare, lifestyle and technology, and possesses the technological insights and innovative products to enrich lives. Philips believes that it is only by listening to the voice of consumers that it can understand and change the way they make use of technology.

Philips holds on to this very same promise in China, as it seeks to grow with the country. Since the establishment of its first joint venture in 1985, Philips has invested over US\$3.4 billion to become one of China's largest foreign investors. It has also established 15 research and development centers in China. Philips Research East Asia – established in Shanghai in 2000 – is the R&D centre for Philips in Asia Pacific. Holding on to its China promise, Philips has actively sought strategic partnerships with local companies, and worked with the government and research institutions in setting new standards in China. It is by helping China to improve its overall competitiveness that Philips hopes to achieve a win-win relationship.

As a company with over 100 years of history of technological innovations, Philips believes that the only goal of technology breakthroughs should be to improve the lives of people. For this reason, Philips is now taking steps to transform itself into a truly market-oriented enterprise, with a new brand promise – Sense and Simplicity. This revolves around three central concepts – Design Around You, Easy to Experience, and Advanced.

The ultimate goal of Philips is to make itself the first name that comes to mind when people think of an exciting lifestyle, exceptional health and wellness, and the most creative technology.

**PROMOTION**

China holds an important position in Philips' global strategy. It supports the smooth integration of China into the global economy and is also highly supportive of the Chinese government's efforts to

create a stable economic environment. Philips China has set its sights on achieving double that of 2002 in annual sales by 2007 and being the clear market leader in the electronics industry with unsurpassed customer satisfaction levels – a company well-loved by both employees and partners.

In facing the challenges of a new digital world, Philips will continue what it has been doing all along – bringing Chinese consumers first-rate products and services. It has always sought to understand the way consumers experience technology, for it is only by understanding the interactions that happen every moment every day that it can constantly create and innovate and bring new levels of simplicity and convenience. It also actively makes use of the core technologies of its strategic partners to complement its own strengths, in order to pioneer new areas in the market. Companies that Philips works with include Dell, Nike, Douwe Egberts, Ikea, Hewlett-Packard, Apple and Ericsson.

Today, Philips continues to harness its technologies, its rich traditions, the passion of its employees and its understanding of the needs of consumers to make the world a better place. In facing the challenges ahead, Philips will continue to hold fast to these values as it embraces the future.

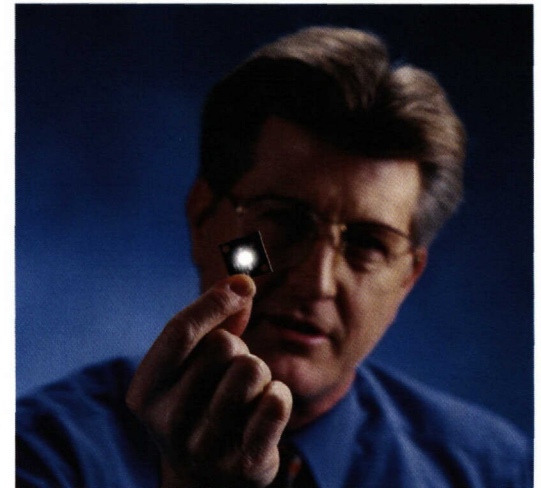
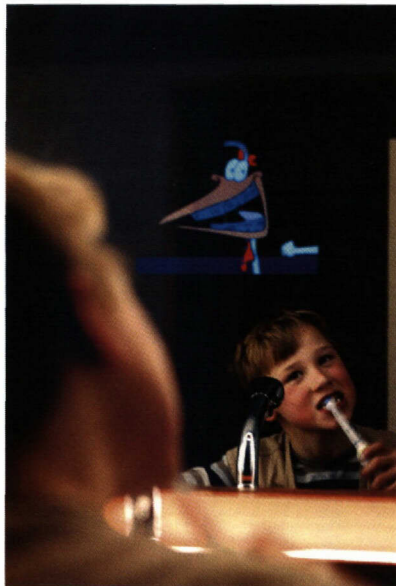
**BRAND VALUES**

As a leading multinational electronics firm, Philips believes in investing in local talent. It has established comprehensive plans and programmes that will help to develop human resources in China, and to improve the leadership and managerial skills of local talent. With its

financial support of Tsinghua University, People's University of China, Fudan University, Shanghai Jiaotong University, Southeast University and the China-Europe International Business School, Philips hopes to develop and unlock the future for the next generation of technology and management talents.

Philips has also sought to be a positive influence in the world around it, supporting the work of selected charities and educational and environmental foundations wherever it is. Since 1998, it has donated over RMB 6 million in Inner Mongolia, Gansu, Hubei, Jianxi and other poverty-afflicted regions and established 14 Hope Schools and 307 Hope Libraries. It has also funded the return to school for 583 young school dropouts and the training of over 200 Hope teachers so as to improve the quality of instruction in the Hope project. In 2004, the company launched the "Philips Hope Initiative", and called for the active participation of all of its staff to further the work of the Hope project. This project is a long-term corporate social responsibility initiative for Philips.

Philips is also a strong supporter of Chinese football, and has sponsored the China Football Association Cup since 1995. It was also the main sponsor of Team China in 2001 and helped to put the Chinese soccer team on the world stage. Philips has also supported the China Universities Soccer Championships for five consecutive years, unearthing the stars of tomorrow.



**THINGS YOU DIDN'T KNOW ABOUT PHILIPS**

- Philips lights up 65% of the world's airports
- Philips lights up 35% of the world's cars
- Philips is the world's leading supplier of medical equipment, including automatic defibrillators, X-ray imaging systems and nuclear magnetic resonance
- 28% of the world's recordable DVD devices and 70% of DVD+RW recordable devices make use of Philip's Nexperia platform
- Philips holds more than 115,000 registered patents, 22,000 trademarks and 2,000 domain names