

# PHILIPS

sense **and** simplicity

Royal Philips Electronics

*First Quarter 2011*

*Information booklet*

April 18<sup>th</sup>, 2011

# 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. Examples of forward-looking statements include statements made about our strategy, estimates of sales growth, future EBITA and future developments in our organic business. By their nature, these 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 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 2010.

## *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.

## *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. These non-GAAP financial measures should not be viewed in isolation as alternatives to the equivalent IFRS measures and should be used in conjunction with the most directly comparable IFRS measures. A reconciliation of such measures to the most directly comparable IFRS measures is contained in this document. Further information on non-GAAP measures can be found in our Annual Report 2010.

## *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 quoted prices do not exist, we estimated the fair values using appropriate valuation models, and when observable market data are not available, we used unobservable inputs. 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 our 2010 financial statements. Independent valuations may have been obtained to support management's determination of fair values.

All amounts in millions of euro's unless otherwise stated; data included are unaudited. Financial reporting is in accordance with IFRS, unless otherwise stated. This document comprises regulated information within the meaning of the Dutch Financial Markets Supervision Act 'Wet op het Financieel Toezicht'.

# 1. TV Announcement

2. Management introduction

3. Group results Q1 2011

4. Philips : A general overview

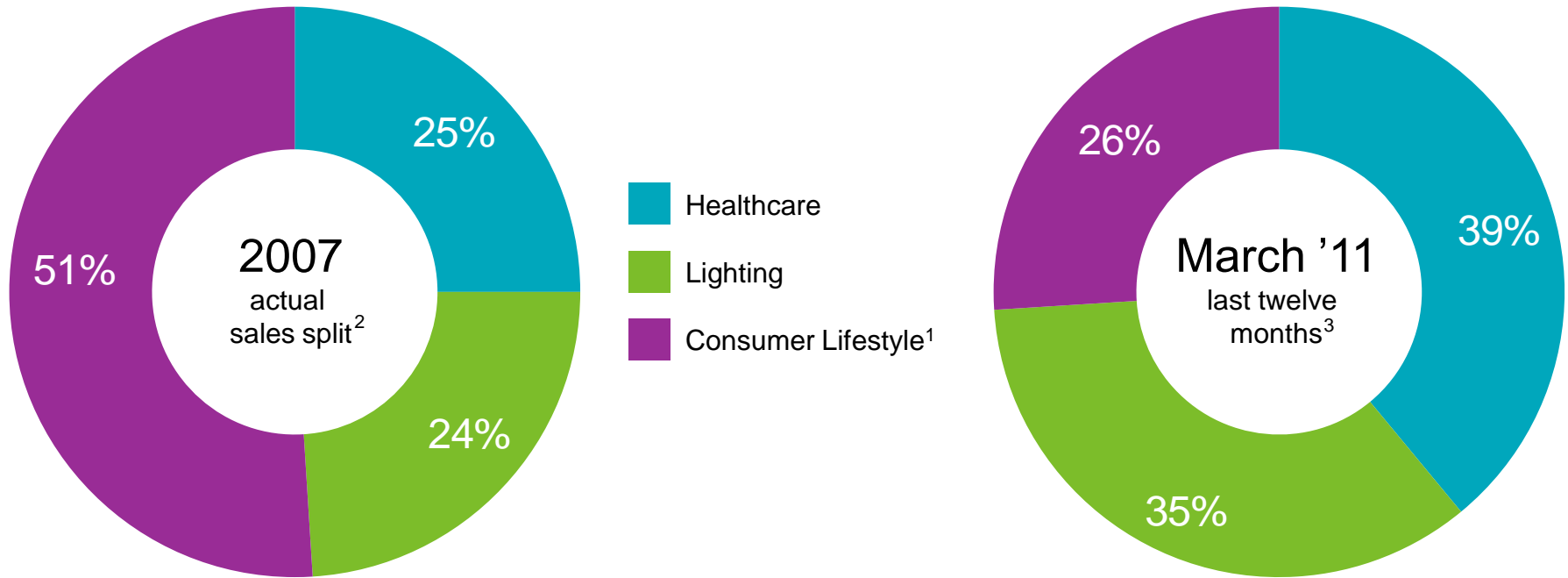
5. Healthcare, Consumer Lifestyle and Lighting

## Creating a new future for TV with priority

- We agreed to create Television joint venture with TPV Technology
  - Global Television player with scale and focus, 70% owned by TPV and 30% by Philips
  - JV will enable a return to profitability of the TV business
  - Long term continuity and seamless transition for trade partners and consumers
  - Leverage Philips' brand, market access and innovation with TPV's manufacturing scale
  - Transfer of Philips TV Management, employees (3600), and global operations<sup>1</sup> into the JV
  - The JV will have a brand license agreement with Philips
- Consideration: deferred payment, brand license agreement (details in press release)
- Definitive agreement is targeted Q3 2011 with closing expected in Q4 2011
- Philips will have improved portfolio focus on health & well-being
  - Report the results of the TV business as discontinued operations starting from Q1 2011
  - Restructuring to be expected in relation to the separation
- This deal does not affect the existing brand license deals with TPV (computer monitors and TV China), Videocon (TV India), and Funai (TV & AVM, USA, Canada, Mexico and certain countries in South America) which stay with Philips

<sup>1</sup> Global TV Marketing & Sales, and IP, Development Sites: Singapore, Bruges (Belgium), Eindhoven (Netherlands), Manufacturing Sites: Szekesfehervar ("Szekes") (Hungary), Manaus (Brazil) and Tierra del Fuego (Argentina)

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



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

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## 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
- **We will drive our strategic priorities with urgency:**
  - Drive our Healthcare businesses to leadership in a changing landscape
  - Reshape our Consumer Lifestyle to leadership in consumer health and well-being
  - Win the Lighting transformation to LED, with adjacent value creation through local lighting solutions
  - Realize full potential in mature and high growth geographies

## 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
    - Clear granular plans and performance transparency across 400 business-market combinations
  - 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
- **Further enabled by:**
  - Building the required performance culture
  - Strengthening customer focus and entrepreneurship
  - Higher empowerment and accountability
  - Reward-system adaptation
  - Improving speed and execution to market



## Disciplined Capital Use

- We re-iterate our objective of retaining an A3/A- rating
- We will drive higher capital efficiency and cash flow yields through improved working capital turns and CAPEX discipline
- We are committed to a stable dividend policy with a 40% to 50% pay-out of continuing net income
- Cash will be used to:
  - Invest in value creating growth (both organic and through acquisitions)
  - Mitigate risk
  - Return capital to shareholders over time
- We will exercise stringent discipline and return criteria (including ROIC hurdles) in our end-to-end acquisition process in line with the nature of the transaction

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## Headlines in Quarter 1 2011

- Philips reports first-quarter net income of EUR 138 million, EBITA of EUR 437 million and sales of EUR 5.3 billion
- Philips and TPV to create strong television company
- Television results reported as discontinued operations
- Nominal sales of EUR 5.3 billion, 6% higher year-on-year
- Comparable sales increased by 4%, with solid growth at Lighting and Healthcare
- Comparable Sales in our growth markets increased by 11%
- EBITA of EUR 437 million at 8% of sales in the quarter
- Net income of EUR 138 million, EUR 63 million below Q1 2010
- Free cash outflow of EUR 615 million

# Key Financials Summary – Q1 2011

*EUR million*

	Q1 2010	Q1 2011
Sales	4,982	5,257
EBITA	495 <sup>1</sup>	437 <sup>1</sup>
Financial income and expenses	(69) <sup>2</sup>	(2) <sup>2</sup>
Income tax	(125)	(97)
Net income (loss)	201	138
Net Operating Capital	13,451	12,654
Net cash from operating activities	160	(391)
Net capital expenditures	(154)	(224)
Free cash flow	6	(615)

<sup>1</sup> 1Q11 includes on balance EUR (15)M of charges; 1Q10 includes on balance EUR (46)M of charges

<sup>2</sup> 1Q11 included a gain on the sale of TCL shares and a favorable effect of the revaluation of the NXP option

Note - All figures from the year 2010 onwards exclude Television as it is treated as discontinued operation

# Sales by sector – Q1 2011

*EUR million*

	Q1 2010	Q1 2011	% nom	% comp
Healthcare	1,821	1,971	8	5
Consumer Lifestyle	1,247	1,303	4	-
Lighting	1,810	1,903	5	6
GM&S	104	80	(23)	(8)
Group sales	4,982	5,257	6	4

# Sales by market cluster – Q1 2011

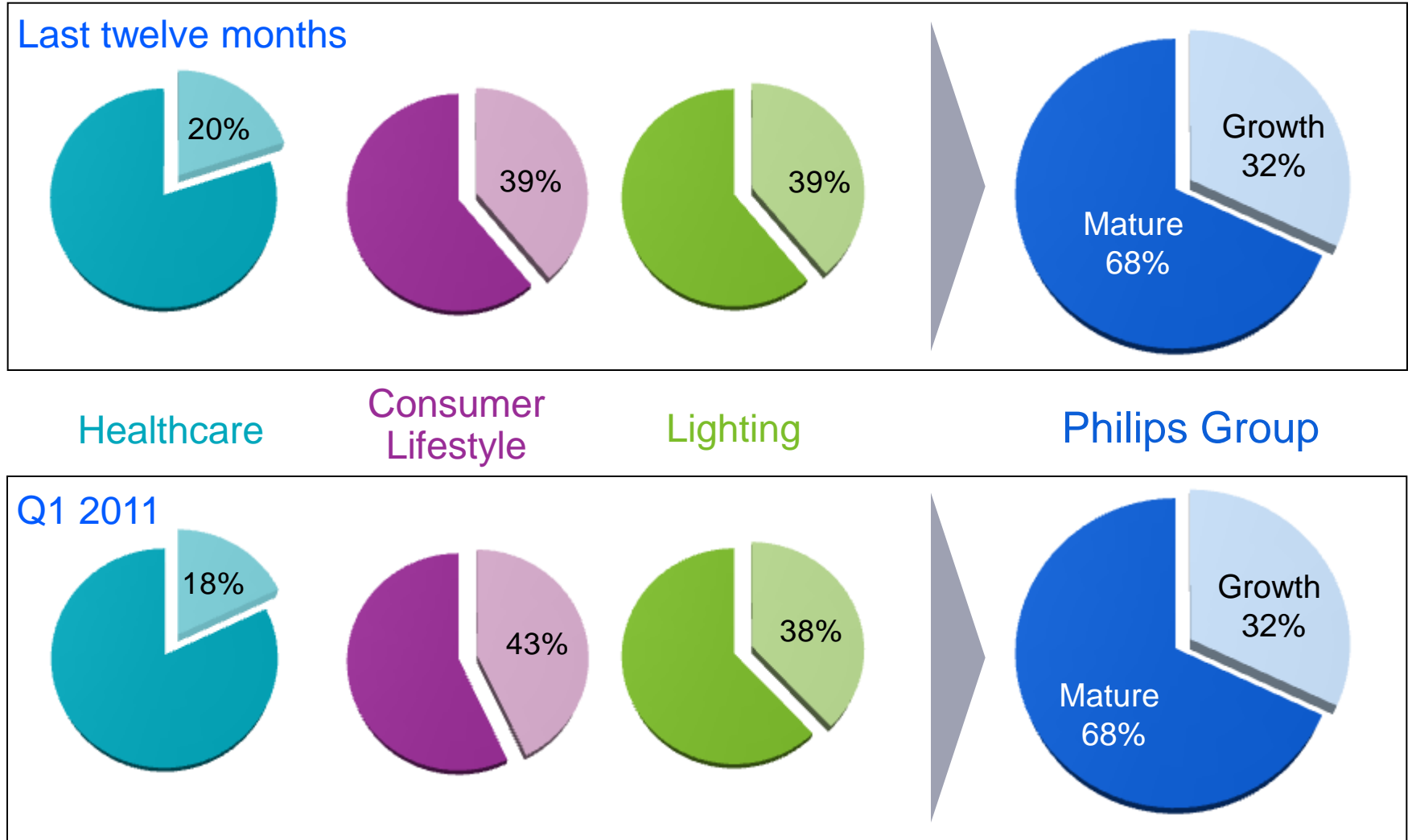
*EUR million*

	Q1 2010	Q1 2011	% nom	% comp
Western Europe	1,524	1,521	-	1
North America	1,599	1,657	4	1
Other mature markets	415	401	(3)	(6)
Growth markets <sup>1</sup>	1,444	1,678	16	11
<b>Group sales</b>	<b>4,982</b>	<b>5,257</b>	<b>6</b>	<b>4</b>

<sup>1</sup> Growth markets are all markets excluding USA, Canada, Western Europe, and the Pacific countries Australia, New-Zealand, South Korea and Japan  
 Note - All figures from the year 2010 onwards exclude Television as it is treated as discontinued operation

## Growth Markets – Q1 2011 and last twelve months

*Sales in growth markets*



# EBITA by sector – Q1 2011

EUR million

	Q1 2010	Q1 2011
Healthcare	166 <sup>1</sup>	199 <sup>1</sup>
Consumer Lifestyle	170 <sup>2</sup>	119 <sup>2</sup>
Lighting	245 <sup>3</sup>	193 <sup>3</sup>
GM&S	(86) <sup>4</sup>	(74) <sup>4</sup>
<b>Philips Group</b>	<b>495</b>	<b>437</b>
as % of sales	9.9%	8.3%

<sup>1</sup> 1Q11 includes EUR 2M of restructuring and acquisition-related gains; 1Q10 included on balance EUR (29)M charges

<sup>2</sup> 1Q11 includes EUR (13)M of restructuring and acquisition-related charges; 1Q10 included on balance EUR (9)M charges

<sup>3</sup> 1Q11 includes EUR (5)M of restructuring and acquisition-related charges; 1Q10 included EUR (9)M charges

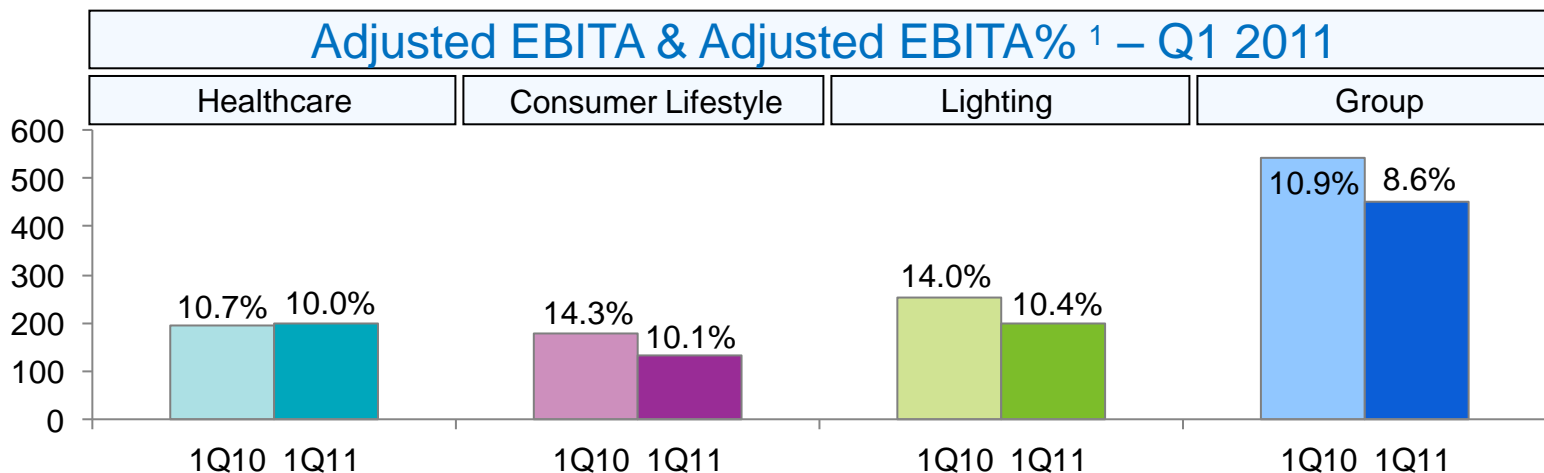
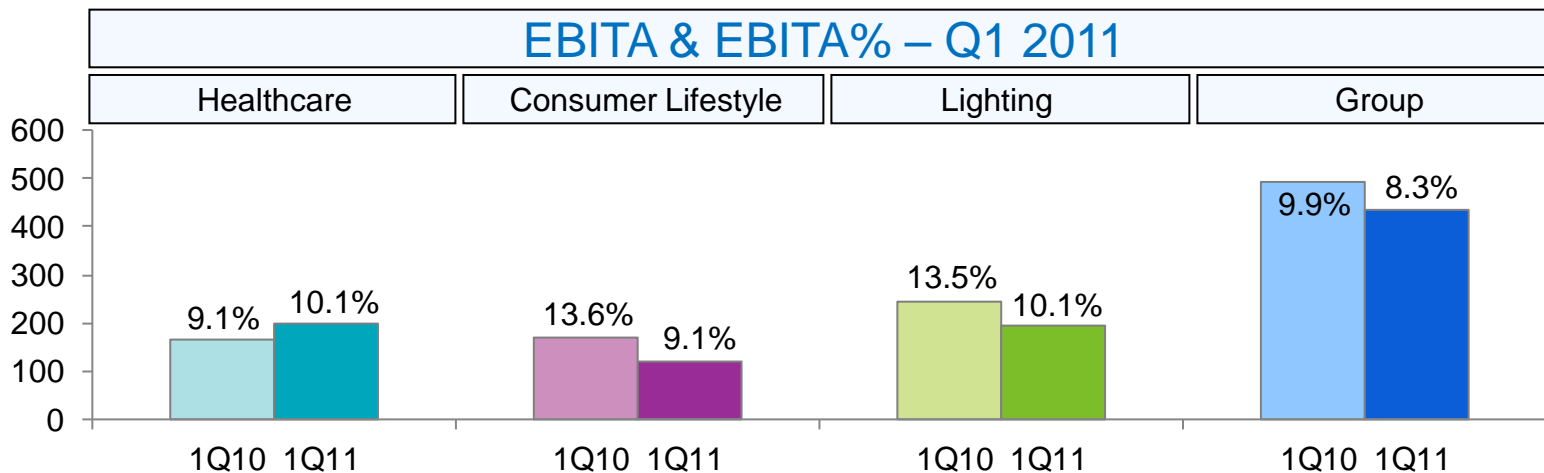
<sup>4</sup> 1Q11 includes EUR 1M of gains; 1Q10 includes EUR 1M of gains

Note - All figures from the year 2010 onwards exclude Television as it is treated as discontinued operation



# EBITA: Q1 2011

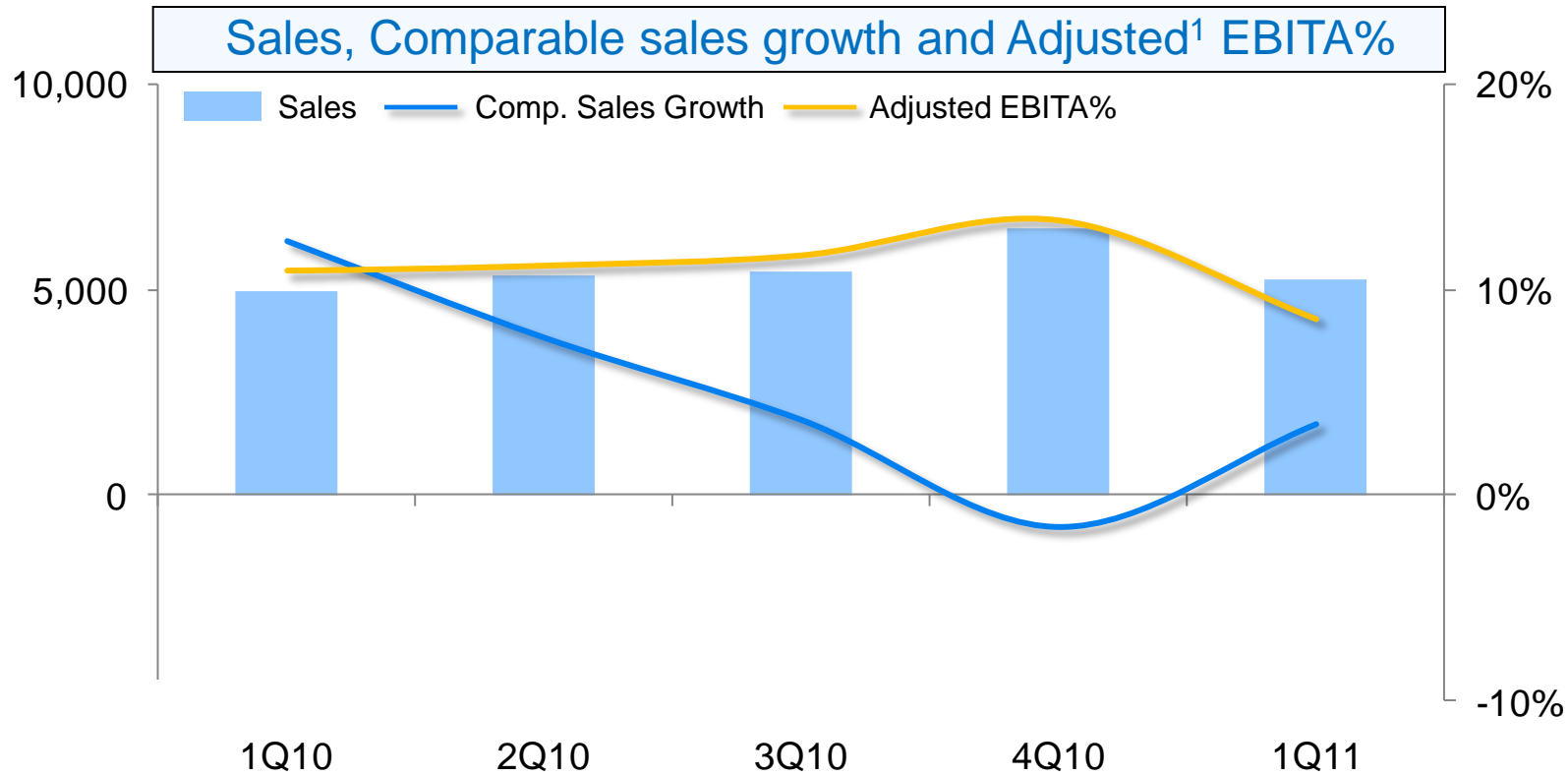
EUR million



<sup>1</sup> Adjusted EBITA is EBITA corrected for incidental charges (details in quarterly information booklet slide 65)  
 Note - All figures from the year 2010 onwards exclude Television as it is treated as discontinued operation

# Philips: financials over the last five quarters

EUR million



<sup>1</sup> Adjusted EBITA is EBITA corrected for incidental charges (details in quarterly information booklet slide 65)  
 Note - All figures from the year 2010 onwards exclude Television as it is treated as discontinued operation

# Free Cash Flow – Q1 2011

EUR million

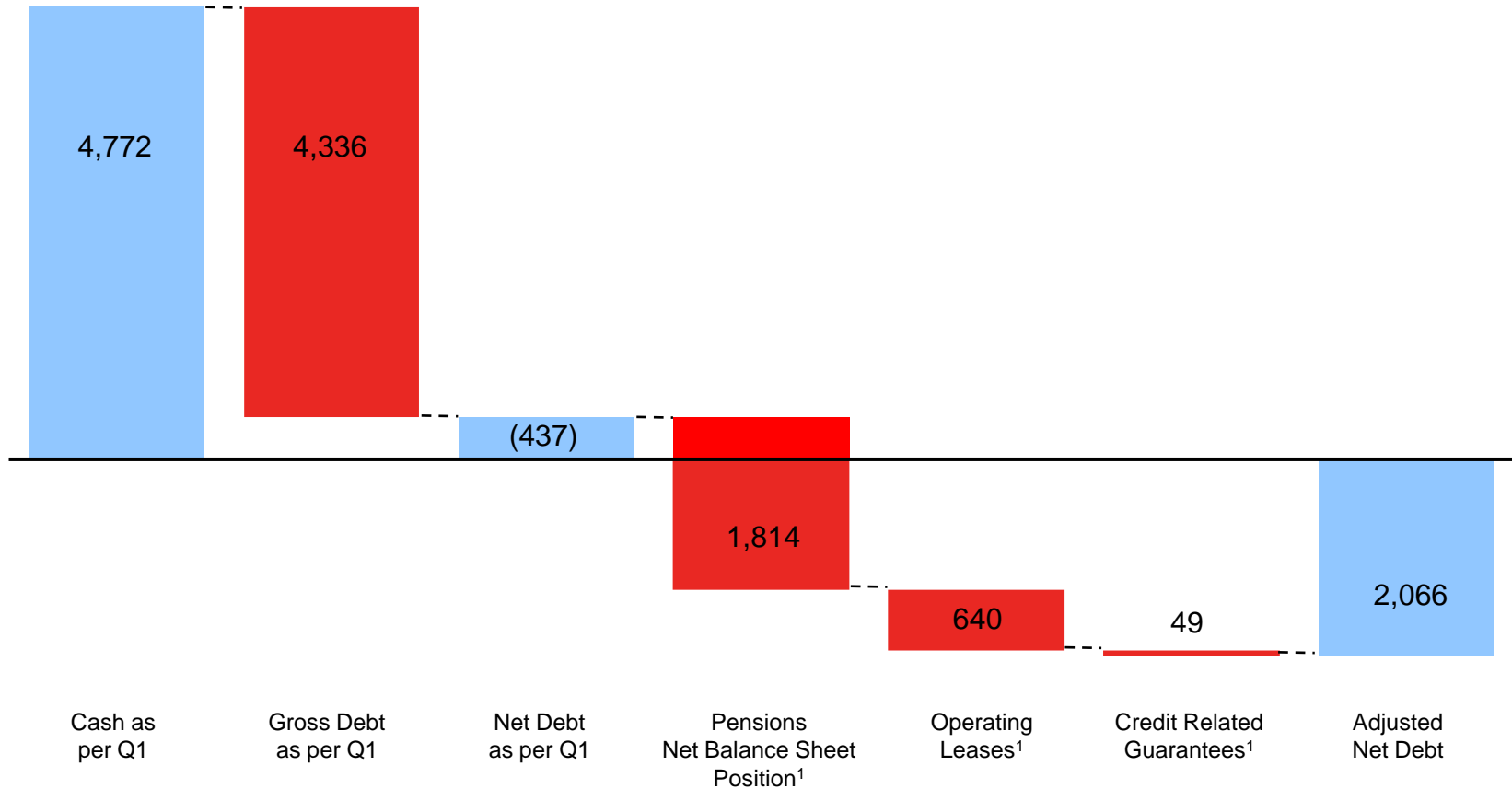
	Q1 2010	Q1 2011
Net income from continuing operations	194	225
Depreciation / amortization / impairments	321	319
Net gain on sale of assets	(6)	(55)
Changes in Working Capital, of which:	(188)	(744)
- changes in Net inventories	(221)	(198)
- changes in Accounts receivable	82	180
- changes in Accounts payable	(49)	(726)
Other	(161)	(136)
<b>Cash flow from operations</b>	<b>160</b>	<b>(391)</b>
Purchase of intangible assets	(8)	(48)
Expenditures on development assets	(44)	(50)
Capital expenditures on PP&E <sup>1</sup>	(123)	(161)
Proceeds from PP&E	21	35
<b>Net capital expenditures</b>	<b>(154)</b>	<b>(224)</b>
<b>Free Cash Flow</b>	<b>6</b>	<b>(615)</b>

<sup>1</sup> PP&E stands for Property, Plant and Equipment

Note - All figures from the year 2010 onwards exclude Television as it is treated as discontinued operation

# Adjusted Net Debt – Q1 2011 of EUR 2.1 billion

*EUR million*



<sup>1</sup> Pensions Net Balance Sheet Position, Operating Leases and Credit related guarantees as per December 31, 2010

Pensions funded status EUR (86)M as per December 31, 2010

Net Balance Sheet Position: the netted funded position under IFRS of our Defined Benefit pension plans (recognized surpluses less the deficits)

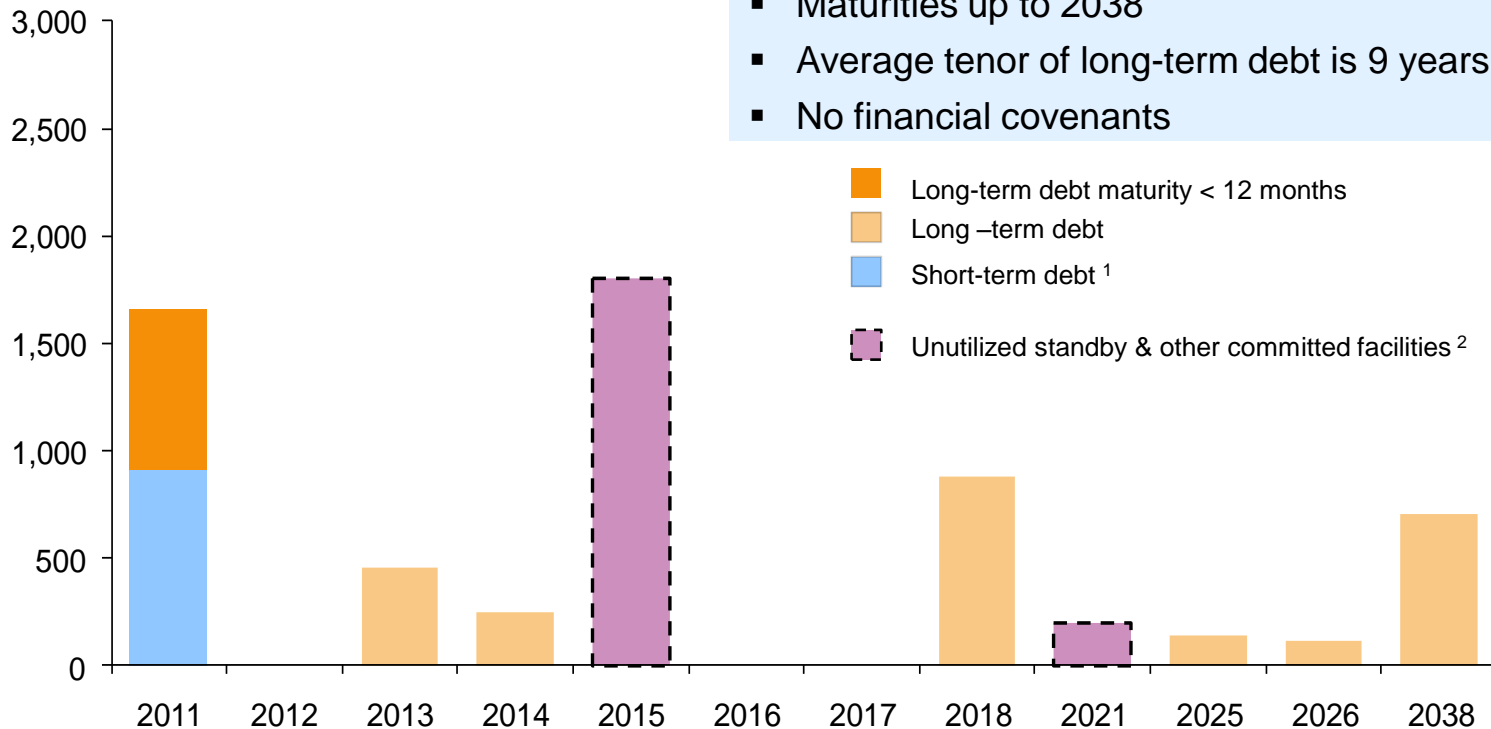
# Philips' debt has a long maturity profile

## Debt maturity profile as of March 2011

Amounts in EUR millions

### Characteristics of long-term debt

- Maturities up to 2038
- Average tenor of long-term debt is 9 years
- No financial covenants



<sup>1</sup> Short term debt consists mainly of local credit facilities that are being rolled forward on a continuous basis.

<sup>2</sup> On April 13<sup>th</sup>, Philips extended the maturity of EUR1.8bn standby to 2016. Additional information is available in Press release of April 14<sup>th</sup>.

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## 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



## Aim for leadership in health & well-being

### Our mission

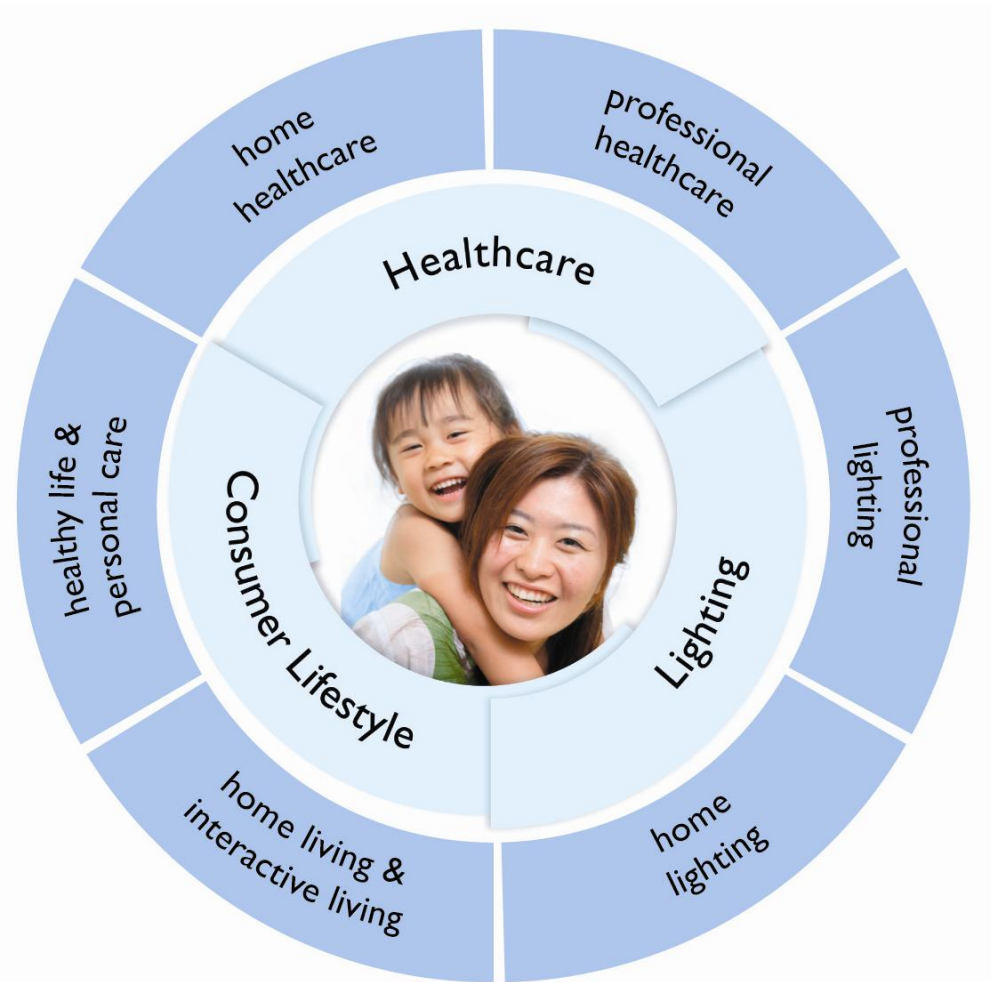
Deliver meaningful innovations to improve people's lives

### Our promise

"Sense and simplicity"

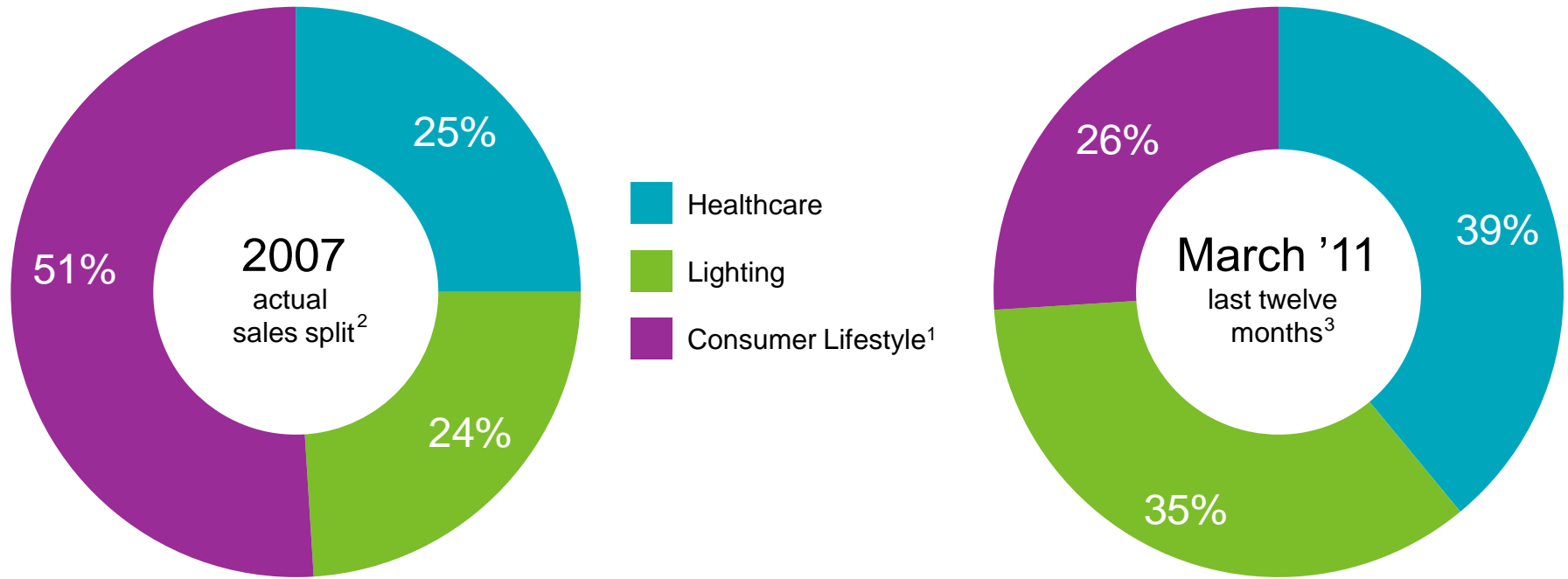
### Our group strengths

- Common, end-user driven innovation process
- Strong global brand
- Market access in over 100 countries
- Engaged workforce
- Ability to attract the best talent
- Technology, know-how and strong IP positions
- Economies of scale e.g. Shared service centers, financing





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



The reported EBITA for Consumer Lifestyle was 6.4%

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

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

## 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

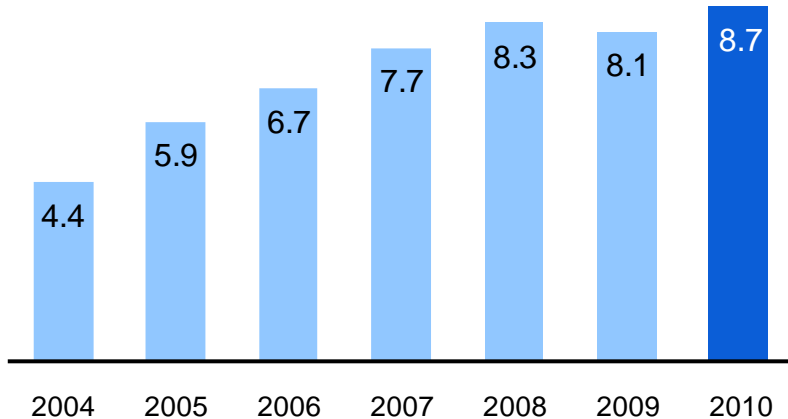
- Efficient health diagnostics and treatment
- Home healthcare
- Healthy lifestyle and preventive health
- Personal well-being
- Light for health and well-being
- Energy efficient lighting
- Growth markets
- Sustainability

# The world's 42nd most valuable brand in 2010

*Brand value doubled since 2004*

## Value of the Philips brand<sup>1</sup>

USD billions



## A strong brand drives sales

A significant amount of sales is attributable to the brand alone:

- Healthcare 29%
- Consumer Lifestyle 24%
- Lighting 21%

## High brand value<sup>1</sup> growth

With a 7% brand value increase in 2010, Philips outpaced the average increase of 4% shown by other brands


## Strong internal brand

82% of employees are “proud to work for Philips”

## Brand campaign 2010


Developing thought leadership in health and well-being and making our trusted brand promise of ‘sense and simplicity’ meaningful in this area

\*because children love learning, but hate paying attention.




**PHILIPS**  
sense and simplicity

\*because when it comes to matters of the heart, men and women differ.



**PHILIPS**  
sense and simplicity

\*because the problem with exercise is a lack of time, not energy.



**PHILIPS**  
sense and simplicity

<sup>1</sup> Source: Interbrand Brand Valuation 2010

## A strong position in growth markets

*Represents a significant and growing part of our global footprint*

Growth markets represent 32% of sales

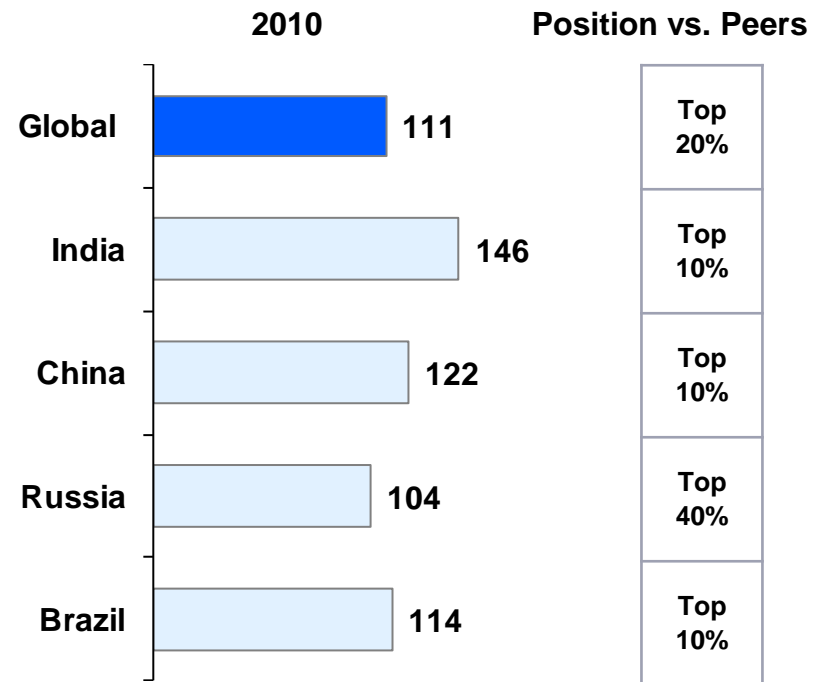
### Championing growth with dedicated strategies

Based on local market insights, supported by increased marketing investments.

### Increasing our footprint

- Domestic Appliances management is located in Shanghai
- Imaging value segment management located in Suzhou
- Patient Care and Clinical Informatics value segment management located in Shenzhen
- LED Lighting competence centre located in Shanghai
- Manufacturing for value segment products located in India
- Four healthcare companies acquired in Brazil

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



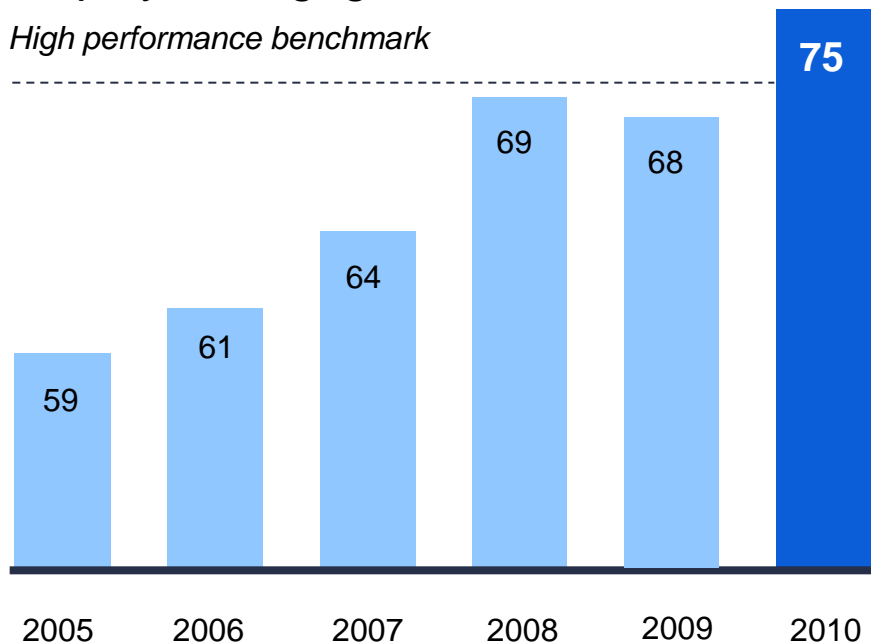
<sup>1</sup> Source: Consumer Heart BEAT brand equity study 2010

## Philips people

*Employee engagement crosses high performance benchmark*

### Employee Engagement Index

*High performance benchmark*



### A strong leadership team

60 culturally diverse top leaders focus on driving our global businesses to reach their short and long term goals.

### A high performance workforce

The 2010 'employee engagement index' polling over 90,000 of the Philips workforce showed we are amongst the world's top-ranking companies.

### Living the values

Philips has four simple values which 'live' within the company and drive the actions of our people.

### An eye on the leaders of tomorrow

We structurally manage our talent, offering fast-track, stretch opportunities for top performers to ensure a quality succession pipeline for our leadership team.

## Sustainability as a driver for growth



### Success of EcoVision4

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

### Launch of our EcoVision5 program

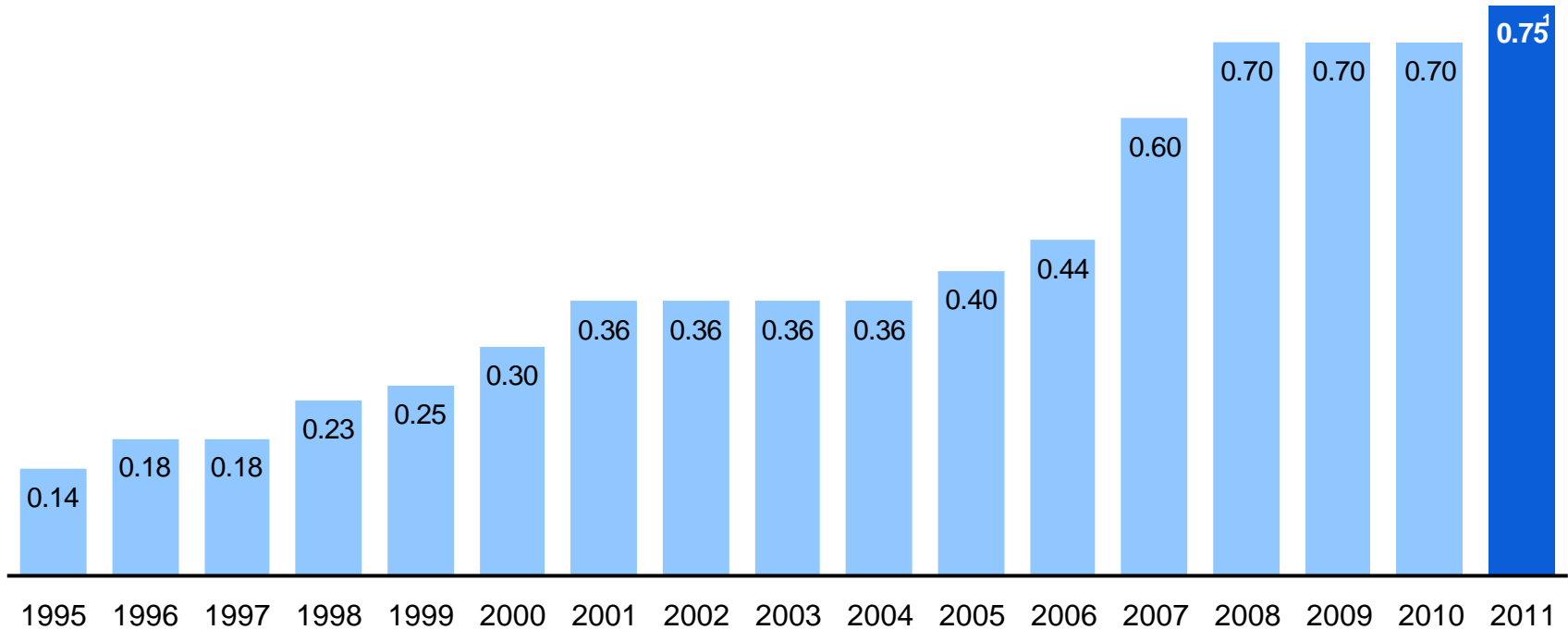
A clear example of how we continue to drive business growth through Sustainability is the launch of our EcoVision5 program in 2010.

### 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

# A history of sustainable dividend growth

*EUR cents per share*



“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 31<sup>st</sup>, 2011



# Last twelve months acquisitions at a glance

## *Healthcare*

Mar-2011	<a href="#">Dameca</a>	Patient Care and Clinical Informatics	Expand portfolio with integrated, advanced anesthesia care solutions
Jan-2011	<a href="#">medSage</a>	Home Healthcare	Strengthen portfolio with by becoming a leading provider of patient interaction and management applications
Sep-2010	<a href="#">Wheb Sistemas</a>	Patient Care and Clinical Informatics	Strengthen clinical informatics portfolio with a leading Brazilian provider of clinical information systems
Aug-2010	<a href="#">CDP Medical</a>	Patient Care and Clinical Informatics	Expand clinical informatics portfolio in high-growth markets in the area of PACS
Jul-2010	<a href="#">Apex</a>	Imaging Systems	Strengthen portfolio of high-quality transducers aimed at the value segment in emerging markets

## *Consumer Lifestyle*

Jan 2011	<a href="#">Preethi</a>	Domestic Appliances	Becoming a leading kitchen appliances company in India
Oct-2010	<a href="#">Discus</a>	Health & Wellness	Expand oral healthcare portfolio with leading manufacturer of professional tooth whitening products

## *Lighting*

Jan-2011	<a href="#">Optimum</a>	Professional Luminaires	Expand portfolio with customized energy-efficient lighting solutions
Dec-2010	<a href="#">NCW Holdings</a>	Professional Luminaires	Expand global leadership position of professional lighting entertainment solutions
Aug-2010	<a href="#">Burton</a>	Professional Luminaires	Expand portfolio with leading provider of specialized lighting solutions for healthcare facilities
Jul-2010	<a href="#">Street light control portfolio</a>	Lighting Electronics	Strengthen outdoor lighting portfolio with acquisition street lighting controls activities of Amplex A/S



## Vision 2015 financial aspirations to be achieved over time

- Comparable sales growth on annual average basis equal to **real GDP + a minimum of 2%**
- Reported **EBITA margin between 10% and 13% of sales** of which:
  - Healthcare 16-18%
  - Consumer Lifestyle 9-11%
  - Lighting 12-14%
- **Grow EPS** at double the rate of comparable annual sales growth
- Generate a **return on invested capital of at least 4% above Weighted Average Cost of Capital**

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*Note - The separation of the Television business will require us to evaluate our financial aspirations on which we will revert during the second half of 2011*

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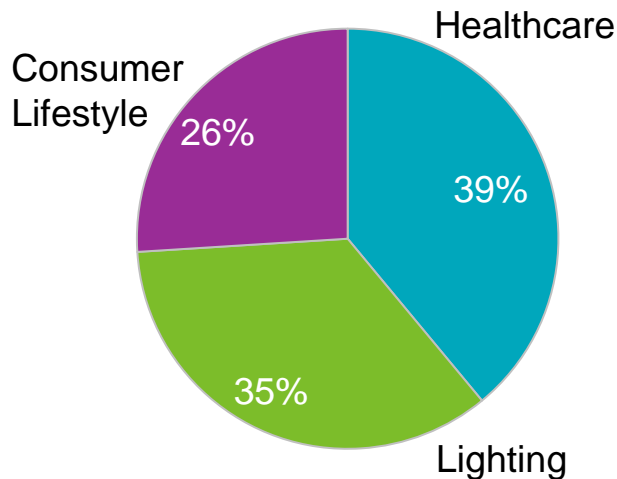
5. Healthcare, Consumer Lifestyle and  
Lighting

# Our focused health & well-being portfolio: Healthcare, Consumer Lifestyle and Lighting

*Last twelve months*

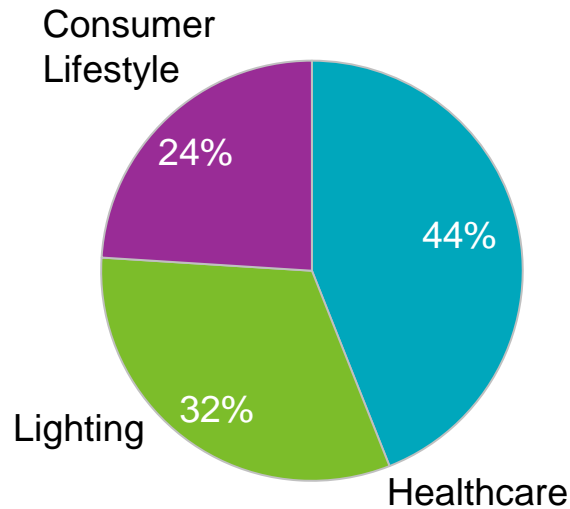
## Sales

100% = EUR 22.2B <sup>1</sup>



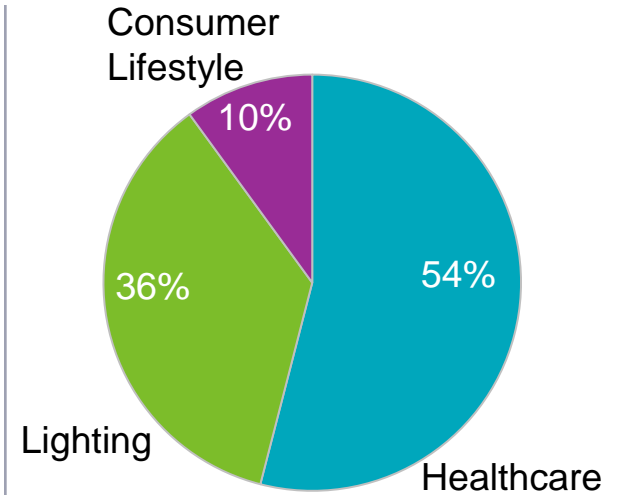
## Adjusted EBITA

100% = EUR 2.9B <sup>1, 2</sup>



## Net Operating Capital

100% = EUR 15.6B <sup>1</sup>



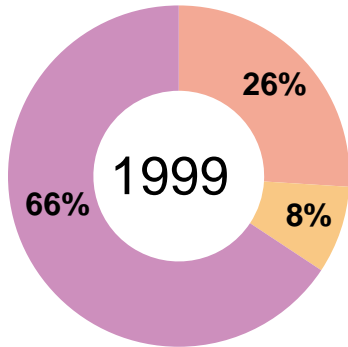
<sup>1</sup> Excluding Central sector (GM&S)

<sup>2</sup> EBITA adjustments based on the following charges; for Healthcare EUR 46M, Consumer Lifestyle EUR 35M and Lighting EUR 93M of charges are excluded.

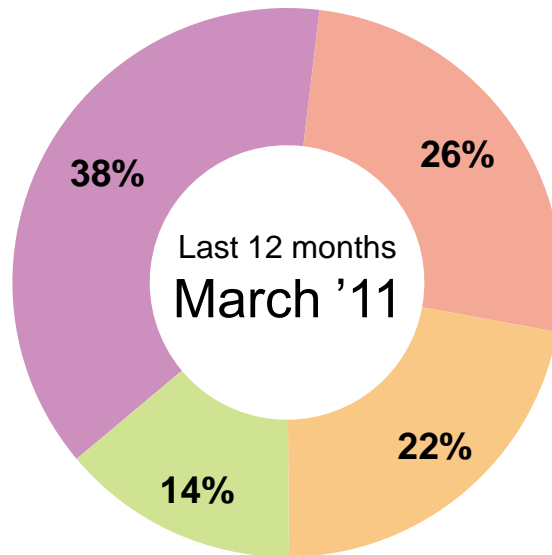
Note - All figures from the year 2010 onwards exclude Television as it is treated as discontinued operation

## Strong development of the Healthcare portfolio

Total sales EUR 2.5 billion



Total sales EUR 8.8 billion



- Imaging
- Customer Service
- Patient Care and Clinical Informatics
- Home Healthcare Solutions



# Healthcare: Current NPS leadership positions<sup>1</sup>



*Regional*  
Cardiovascular



*Global*  
Patient Monitoring



*Regional*  
Cardiac resuscitation



*Regional*  
Radiation Oncology  
Systems



*Global*  
Ultrasound

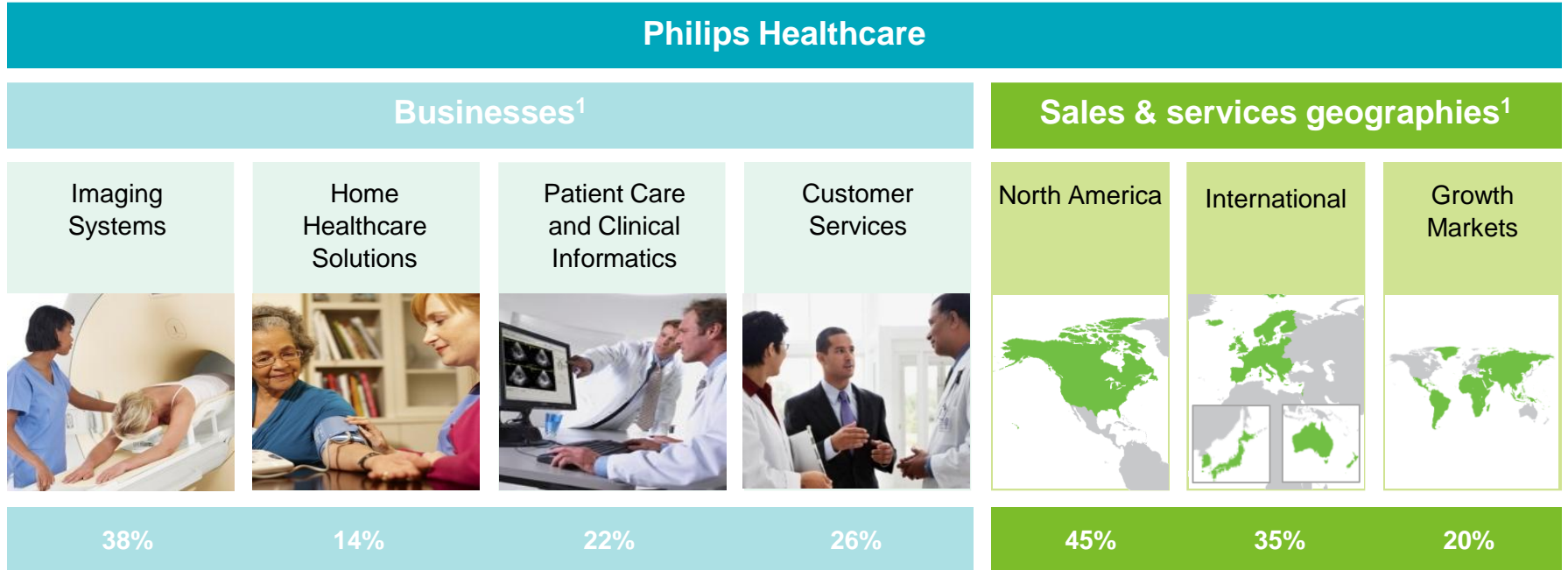


*Regional*  
Home  
Healthcare

<sup>1</sup> (Co)Leadership is defined as outperforming (>5%) or on par with best competitor, globally or regionally

# Depth and reach of Philips Healthcare

*What we do. Where we are.*



**€8.6**

Billion sales  
in 2010

**35,000+**

People employed  
worldwide in 100 countries

**8%**

of sales invested in R&D  
in 2010

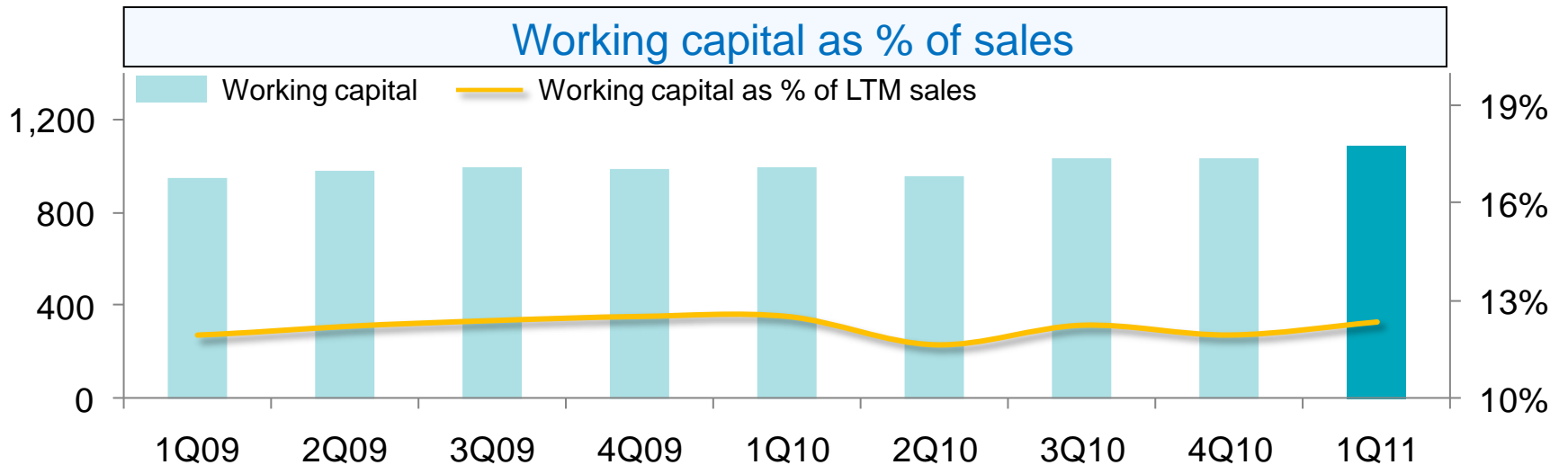
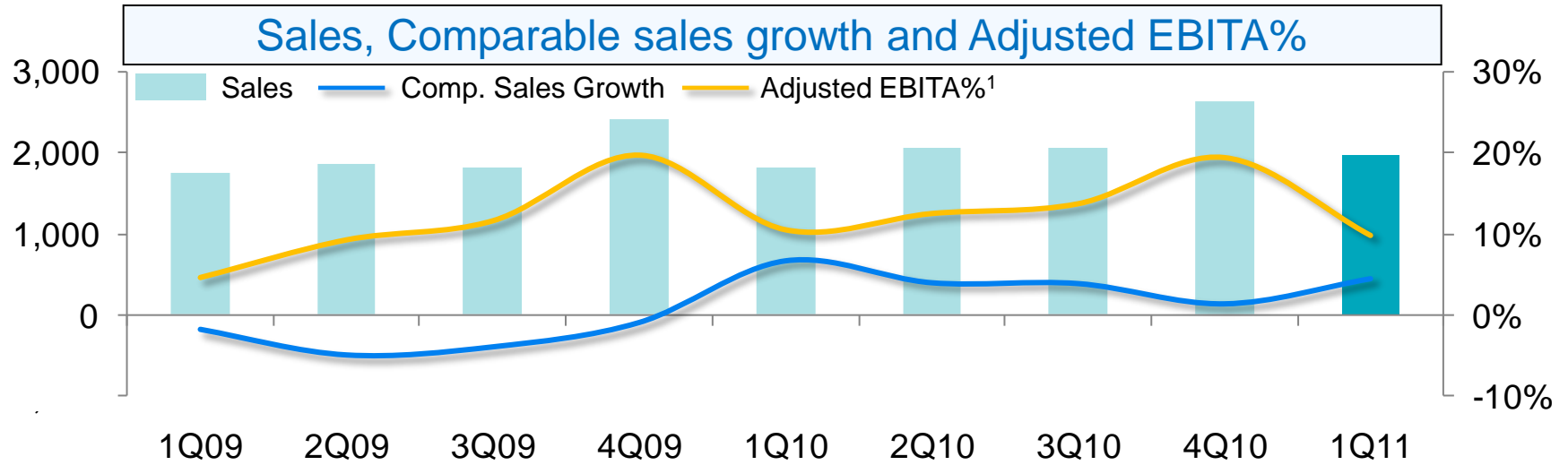
**450+**

Products & services  
offered in over 100 countries

<sup>1</sup> Last twelve months March 2011

# Healthcare: key financials over the last two years

EUR million



<sup>1</sup> Adjusted EBITA is EBITA corrected for incidental charges (details on slide 65)

# Healthcare: Q1 2011 Sector analysis

EUR million

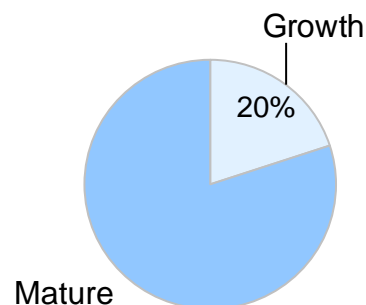
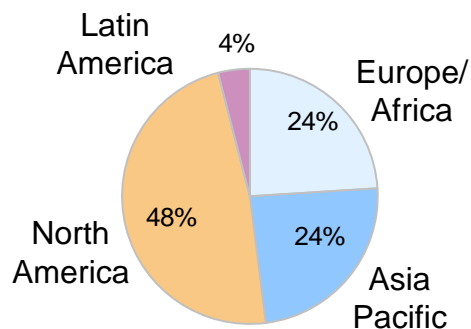
## Key figures

	1Q10	4Q10	1Q11
Sales	1,821	2,642	1,971
<i>% sales growth comp.</i>	7	2	5
EBITA	166	522	199
<i>EBITA as % of sales</i>	9.1	19.8	10.1
EBIT	103	459	138
<i>EBIT as % of sales</i>	5.7	17.4	7.0
NOC	8,831	8,908	8,534
Employees (FTEs)	34,381	35,479	35,756

### Sales per region

1Q11

### Growth markets



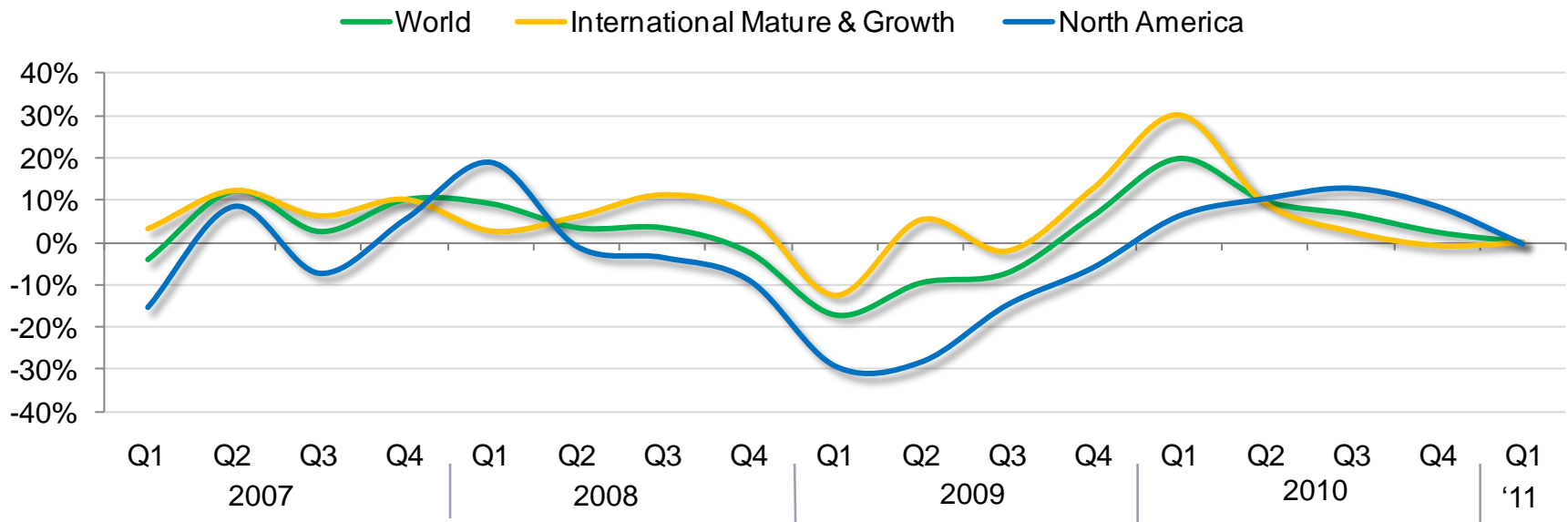
## Financial performance

- Currency-comparable equipment order intake was in line with Q1 2010. Solid equipment orders were seen at Patient Care & Clinical Informatics, while Imaging Systems equipment order intake was lower than in Q1 2010. Excluding the impact of large multi-year orders in Q1 2010, mostly related to Imaging Systems, equipment order intake grew by 5%. Equipment orders in markets outside of NA were flat year-on-year, with growth-market equipment orders growing by 28%. Equipment orders in North American markets were in line with Q1 2010.
- Nominal sales grew 8% compared to Q1 2010. Comparable sales were 5% higher year-on-year, with solid increases in all businesses. Notably higher growth was seen at Patient Care & Clinical Informatics and Home Healthcare solutions. From a regional perspective, comparable sales in North America were 6% higher than in Q1 2010, while in mature markets outside North America sales grew by 3%. Growth market sales growth was 22%, with notably better sales in India and China, particularly at Imaging Systems.
- EBITA increased by EUR 33 million year-on-year to EUR 199 million, or 10.1% of sales. The EBITA improvement was driven by higher sales across all businesses, particularly Patient Care & Clinical Informatics, partly offset by higher selling and R&D costs to support our growth initiatives. Excluding restructuring and acquisition-related charges, EBITA amounted to EUR 197 million, or 10.0% of sales, compared to EUR 195 million, or 10.7% of sales, in Q1 2010.
- Net operating capital decreased by EUR 297 million to EUR 8.5 billion, largely attributable to currency effects.



# Healthcare: Equipment order intake

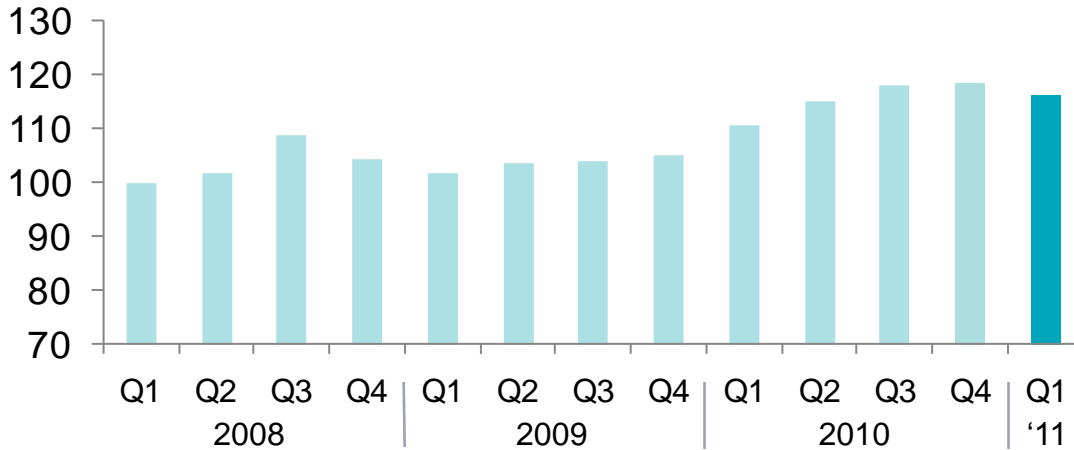
Quarterly currency adjusted equipment order intake



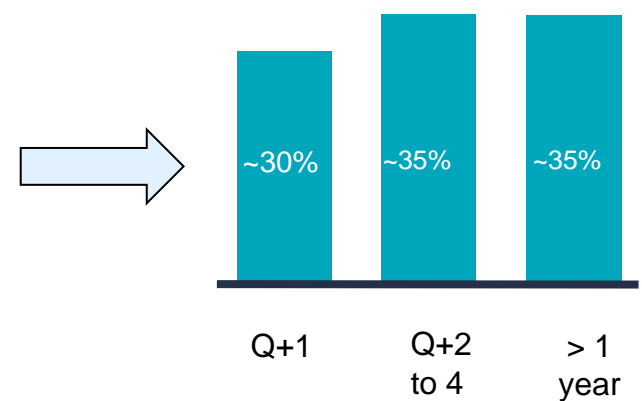
Currency adjusted order intake only relates to the Imaging Systems and Patient Care & Clinical Informatics businesses

# Healthcare: Equipment order intake impact

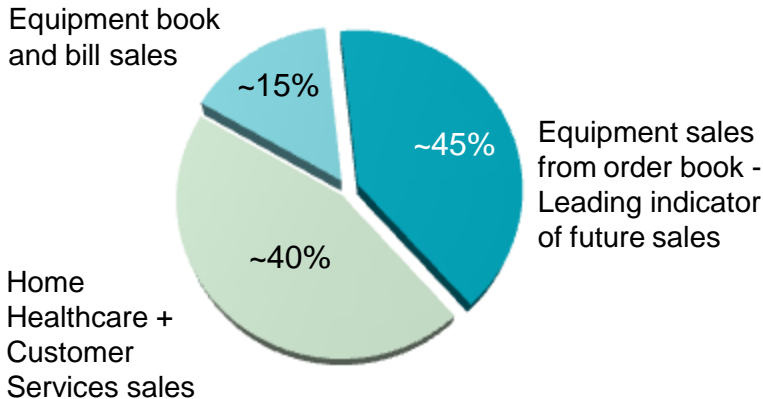
Indexed Equipment Order Book Development



Typical profile of equipment order book conversion to sales



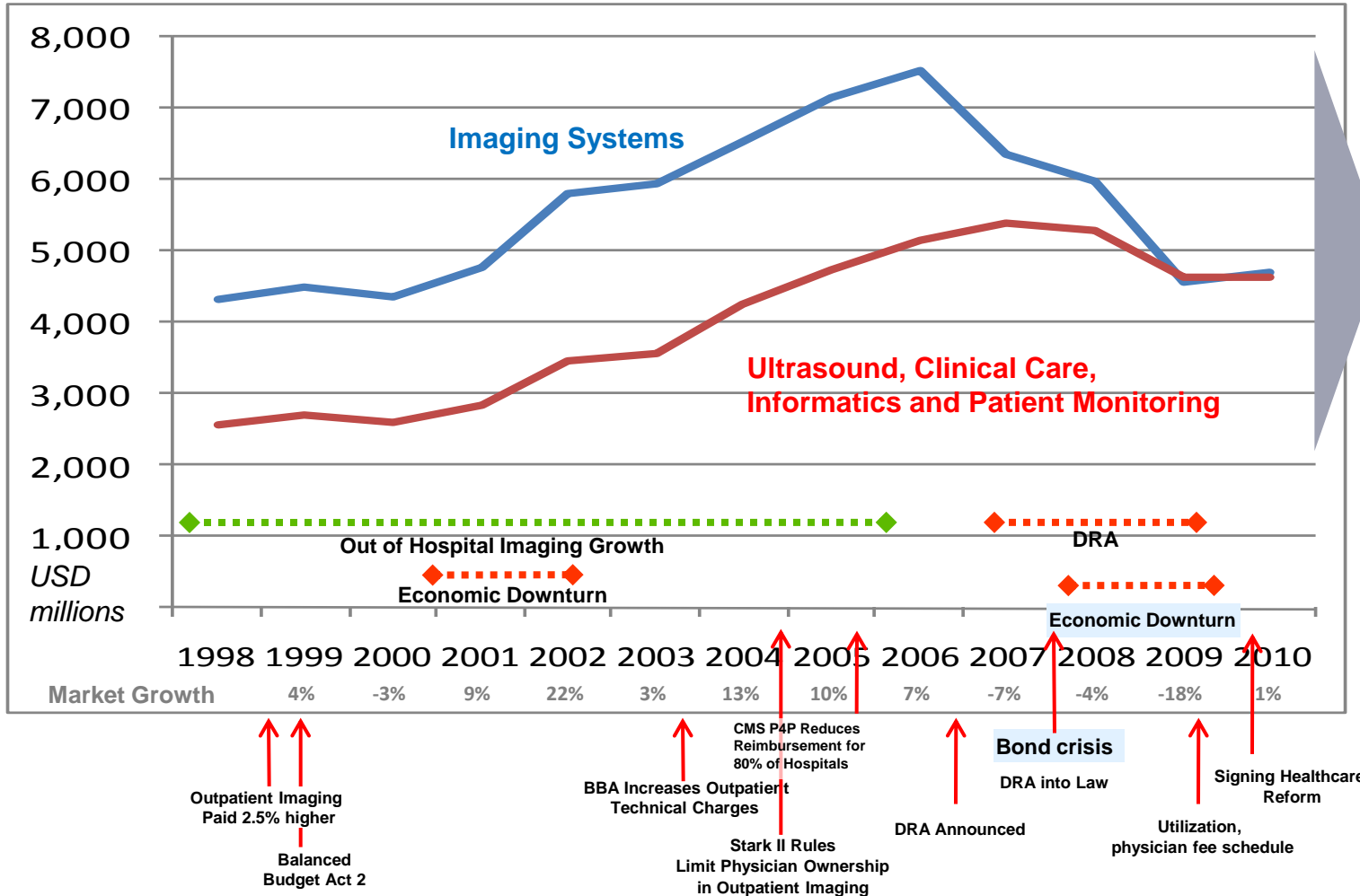
Quarter end equipment order book is a leading indicator for ~45% of sales the following quarters



- Order book level back to pre-crisis levels
- Approximately 65% of the current order book results in sales within a year

# Healthcare historical market development

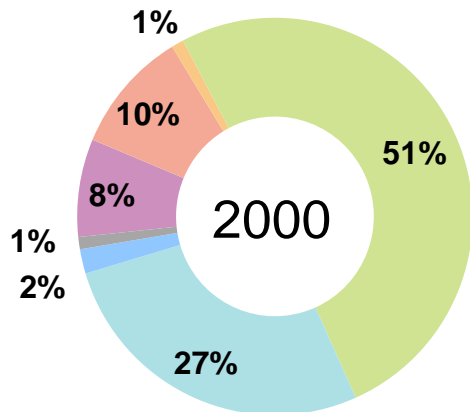
## North America Market Size/Growth and Impacts



*Philips current expectation for the US Imaging Systems market for 2011 and thereafter is 2-4% growth*

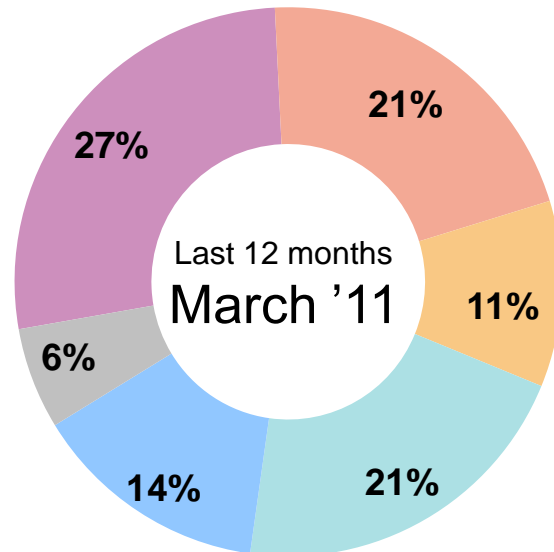
## Transforming Lifestyle beyond the Consumer Electronics legacy

Total sales EUR 11.3 billion<sup>1</sup>



- Domestic appliances
- Personal Care
- Health & wellness
- Audio & video multimedia
- Accessories
- Other incl. Licenses
- Television

Total sales EUR 5.8 billion



<sup>1</sup> DAP and Mainstream part of Consumer Electronics only

# Consumer Lifestyle: Current NPS leadership positions<sup>1</sup>



*Regional*  
Male electric shaving  
and grooming



*Global*  
Mother and  
Child Care



*Regional*  
Power  
Toothbrushes



*Global*  
Female  
depilation



*Global*  
Steam irons



*Regional*  
Blenders



*Global*  
Juicers

<sup>1</sup> (Co)Leadership is defined as outperforming (>5%) or on par with best competitor, globally or regionally

## Consumer Lifestyle

*What we do. Where we are.*

### Philips Consumer Lifestyle

#### Businesses<sup>1 2</sup>

#### Geographies<sup>1</sup>

Personal Care



21%

Health & Wellness



11%

Domestic Appliances



27%

Audio Video Multimedia



21%

Accessories



14%

Mature Markets



61%

Growth Markets



39%

## €5.8

Billion sales  
in 2010

## 14,000+

People employed  
worldwide

## 5%

of sales invested  
in R&D in 2010

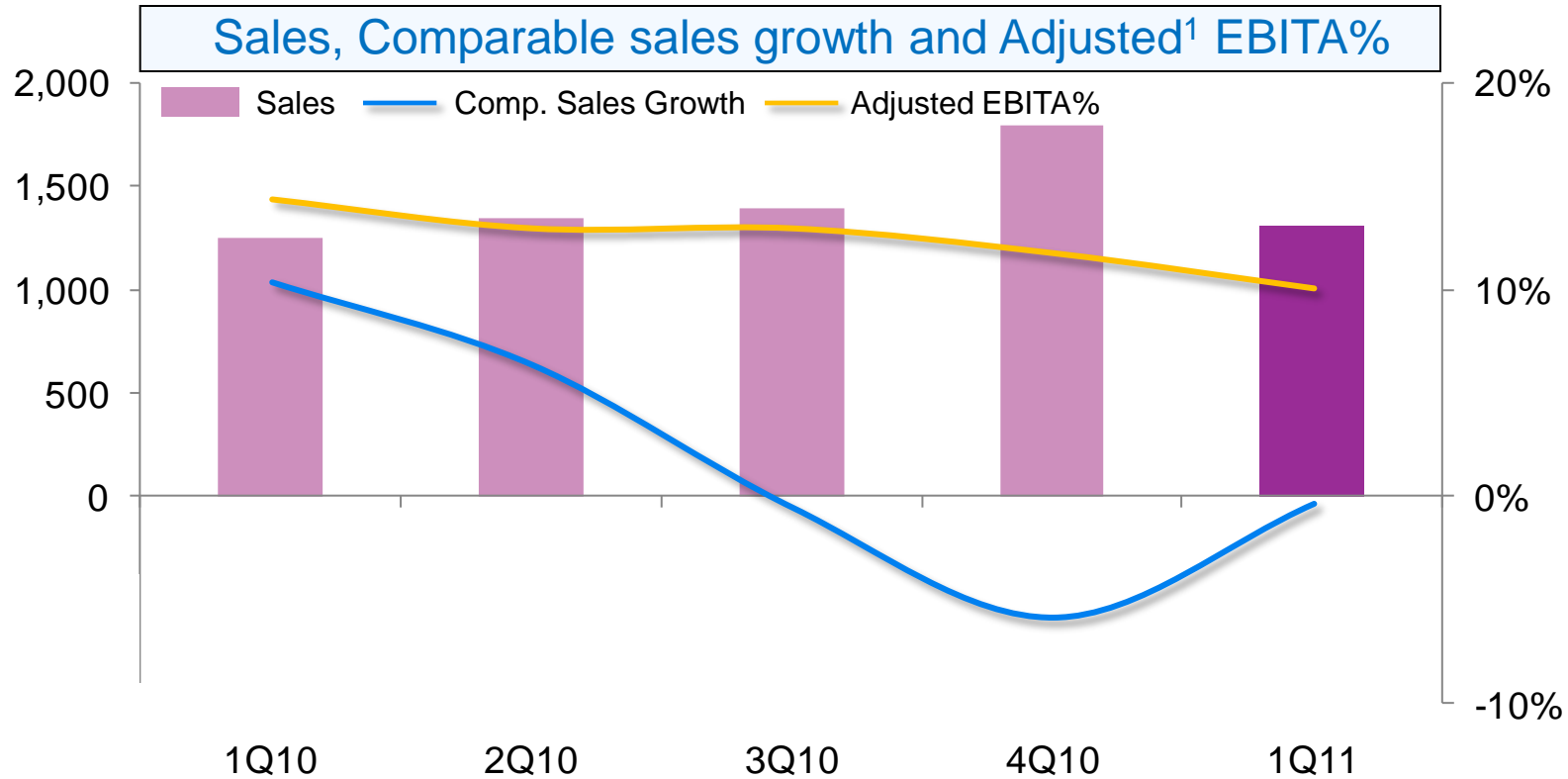
<sup>1</sup> Last twelve months March 2011

<sup>2</sup> Other category (6%) is mainly license income and is omitted from this overview

Note - All figures from the year 2010 onwards exclude Television as it is treated as discontinued operation

# Consumer Lifestyle: financials over the last five quarters

EUR million



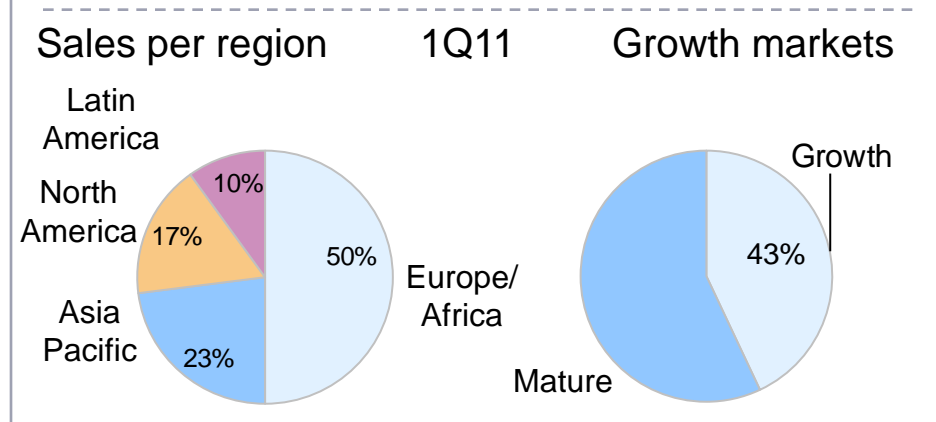
<sup>1</sup> Adjusted EBITA is EBITA corrected for incidental charges (details in quarterly information booklet slide 65)  
 Note - All figures from the year 2010 onwards exclude Television as it is treated as discontinued operation

# Consumer Lifestyle: Q1 2011 Sector analysis

EUR million

## Key figures

	1Q10	4Q10	1Q11
Sales	1,247	1,791	1,303
<i>% sales growth comp.</i>	10	(5.8)	-
EBITA	170	209	119
<i>EBITA as % of sales</i>	13.6	11.7	9.1
EBIT	162	197	104
<i>EBIT as % of sales</i>	13.0	11.0	8.0
NOC	959	911	1,523
Employees (FTEs)	13,963	14,093	14,421



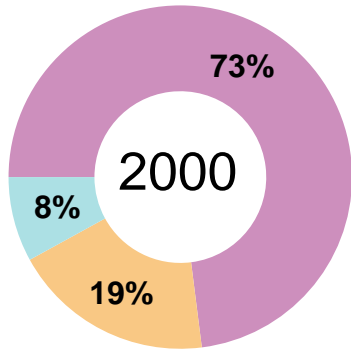
## Financial performance

- Sales grew 4% nominally. On a comparable basis, they were broadly in line with Q1 2010. Double-digit comparable growth was achieved at Health & Wellness, Personal Care and Domestic Appliances, offset by significantly lower license revenue and declines at Accessories and AVM.
- Double-digit growth was achieved in growth markets, led by strong growth in Brazil. Comparable sales declined in mature markets.
- EBITA in Q1 2011 includes an amount of EUR 18 million (EUR 15 million in Q1 2010) of costs formerly reported as part of the Television business in Consumer Lifestyle.
- EBITA was EUR 51 million lower year-on-year, which was almost fully attributable to lower license income. Excluding restructuring and acquisition-related charges of EUR 9 million in Q1 2010 and EUR 13 million in Q1 2011, EBITA declined from 14.4% to 10.1%.
- Net operating capital increased by EUR 564 million, mainly due to Discus and higher inventory to support future growth.

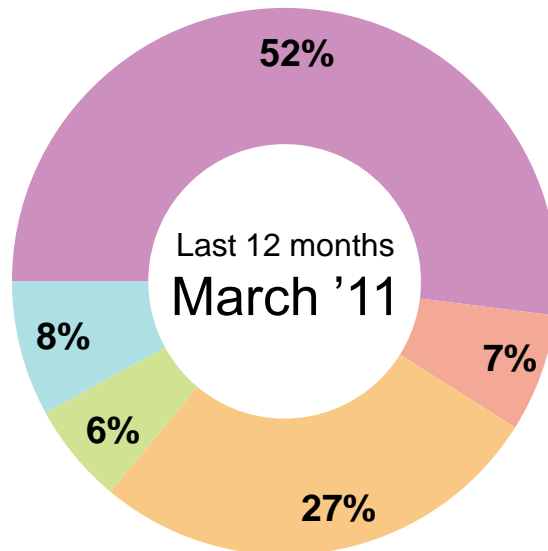







## Transitioning Lighting from light source to solutions

Total sales EUR 4.9 billion<sup>1</sup>



Total sales EUR 7.6 billion



-  Lamps/ lighting systems & controls
-  Professional luminaires
-  Consumer luminaires
-  Automotive
-  Packaged LEDs

<sup>1</sup> Excluding batteries EUR 0.2 billion



# Lighting: Current NPS leadership positions<sup>1</sup>



*Regional*  
Consumer  
Luminaires



*Global*  
Professional  
Luminaires



*Global*  
Lamps



*Regional*  
Automotive  
Lighting



*Global*  
High Power  
LEDs



*Global*  
Lighting  
Electronics

<sup>1</sup> (Co)Leadership is defined as outperforming (>5%) or on par with best competitor, globally or regionally

## We increase our focus towards the people we serve

*Further strengthening our global leadership in Lighting*



**€7.6**

Billion sales  
in 2010

**53,000+**

People employed  
worldwide in 60 countries

**5%**

of sales invested  
in R&D in 2010

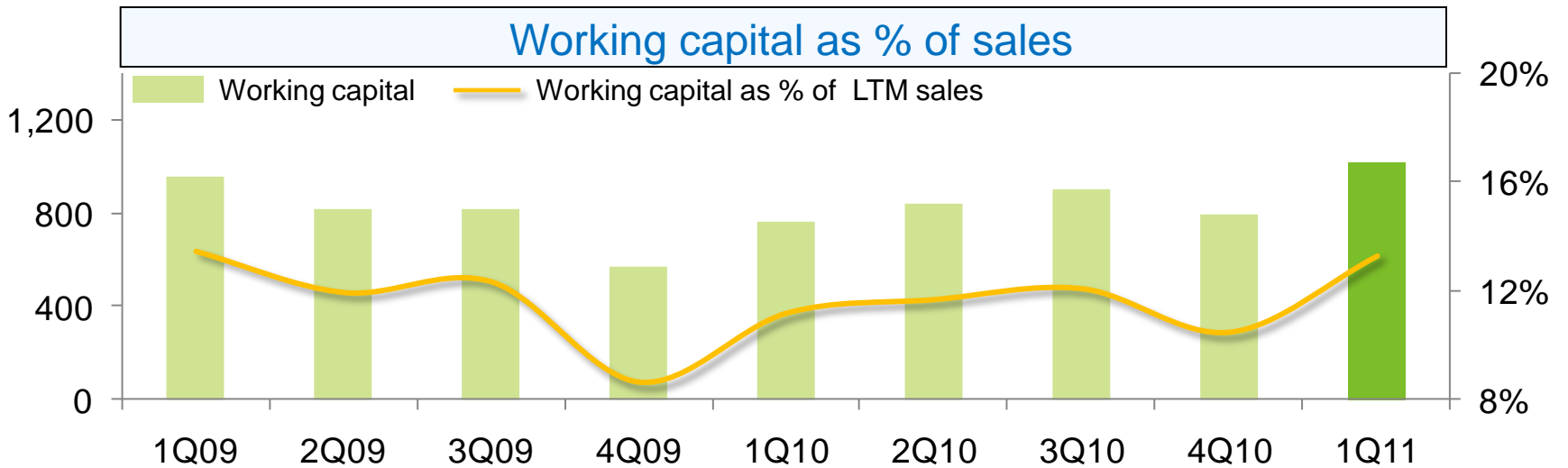
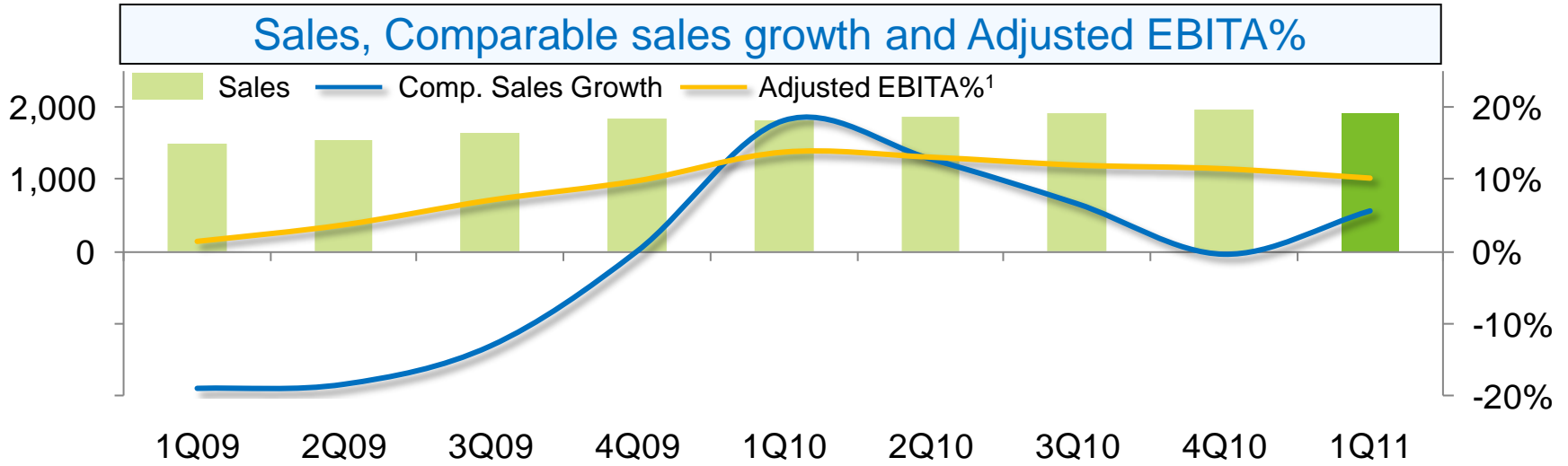
**80,000+**

Products & services  
offered in 2010

<sup>1</sup> Indicative split

# Lighting: key financials over the last two years

EUR million



<sup>1</sup> Adjusted EBITA is EBITA corrected for incidental charges (details on slide 65)

# Lighting: Q1 2011 Sector analysis

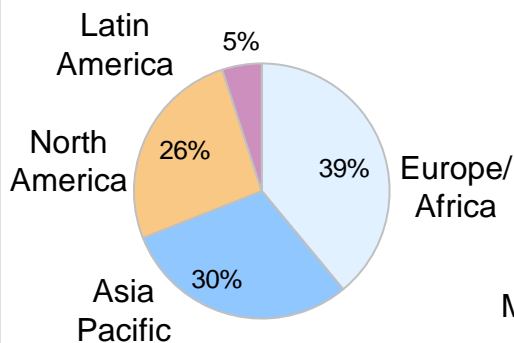
EUR million

## Key figures

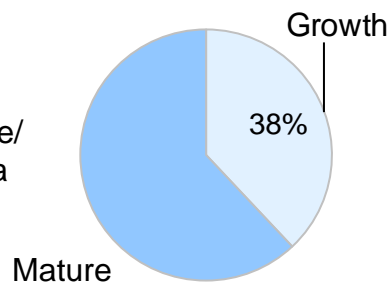
	1Q10	4Q10	1Q11
Sales	1,810	1,975	1,903
<i>% sales growth comp.</i>	18	-	6
EBITA	245	198	193
<i>EBITA as % of sales</i>	13.5	10.0	10.1
EBIT	204	156	152
<i>EBIT as % of sales</i>	11.3	7.9	8.0
NOC	5,528	5,561	5,580
Employees (FTEs)	51,527	53,888	54,856

### Sales per region

1Q11



### Growth markets



## Financial performance

- Lighting comparable sales increased by 6%, with high single-digit sales growth in growth markets and mid single-digit growth in mature markets. Whereas Automotive and Lamps delivered low single-digit growth, Lighting Systems & Controls recorded double-digit sales growth. Professional Luminaires delivered high single-digit growth, while Consumer Luminaires showed a decline.
- LED-based sales grew 27% compared to Q1 2010, representing 14% of total Lighting sales.
- EBITA, excluding restructuring and acquisition-related charges of EUR 5 million (Q1 2010: EUR 9 million), amounted to EUR 198 million, or 10.4% of sales. The year-on-year EBITA decrease was largely due to additional investments in selling and R&D. Q1 2010 EBITA was also favorably impacted by a legal settlement.
- Net operating capital increased by EUR 52 million to EUR 5,580 million, mainly driven by higher working capital.

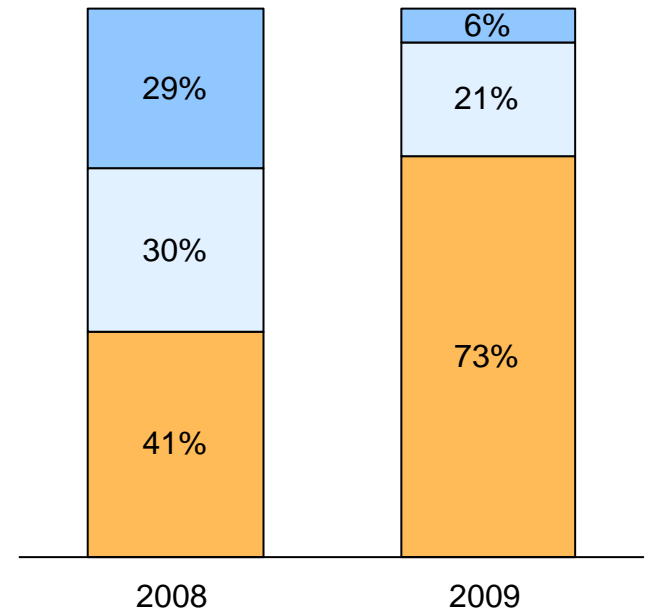
## We are the leading global lighting company

Market leadership across most categories  
Market share per Business Group by Region,  
as at Jun '10

	Europe	North America	Latin America	Asia/Pacific <sup>1</sup>	Total
Lamps	Green	Yellow	Green	Green	Green
Consumer Luminaires	Green	Red	Red	Red	Green
Professional Luminaires	Green	Yellow	Yellow	Green	Green
Lighting Electronics	Green	Green	Green	Green	Green
Automotive	Green	Yellow	Green	Green	Green
Packaged LEDs	Yellow	Yellow	Yellow	Yellow	Yellow
<b>Overall Lighting</b>	Green	Green	Green	Green	Green

■ Number 1   
 ■ Number 2 or 3   
 ■ Not in top 3

Increased customer loyalty  
Net Promoter Score (NPS) in 2008, 2009



■ Not leader   
 ■ Co-leader   
 ■ Leader

<sup>1</sup> Excluding Japan  
Source: Customer panels and Industry associations

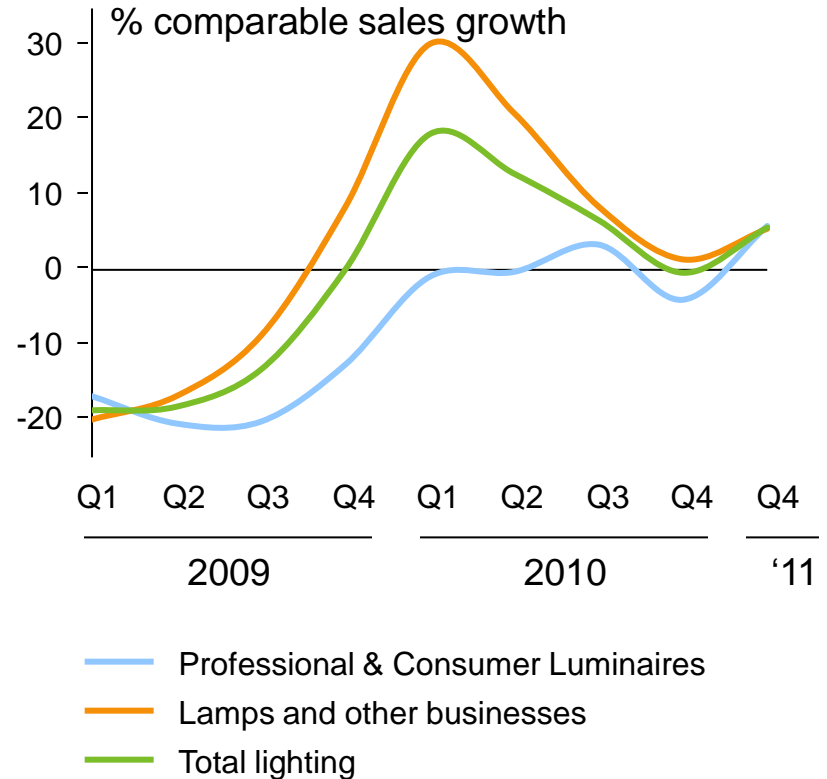
## Sales recovery despite current weakness in the construction market in mature economies

Around 25% of Philips Lighting sales driven by New Build in Western Europe & North America (WE&NA)

Philips Lighting	New Build	Replacement	Total
Residential	12%	13%	25%
Commercial	30%	22%	52%
Other	17%	6%	23%
<b>Total</b>	<b>59%</b>	<b>41%</b>	<b>100%</b>

New Build	WE&NA	ROW	Total
Residential	7%	5%	12%
Commercial	18%	12%	30%
<b>Total</b>	<b>25%</b>	<b>17%</b>	<b>42%</b>

Not yet firing on all cylinders: sales recovery despite soft luminaires market in mature economies

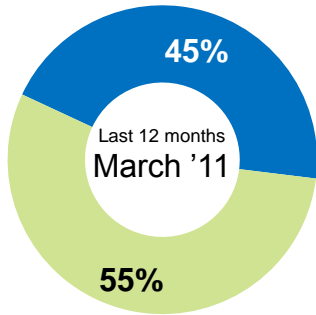




## LED lighting

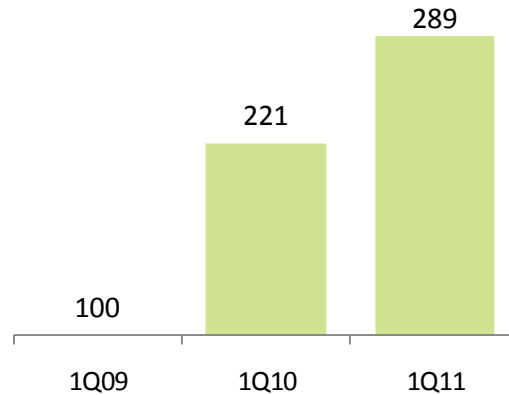
*Exponential growth*

Total sales EUR 1.1 billion



- Packaged LEDs
- LED Lamps and Luminaires

Growth LED Lighting<sup>1</sup>



The move to LED will increasingly drive growth in the general lighting market in the years ahead, notably in luminaires. LED also offers an opportunity to create additional value across the innovation chain.

Philips is the broadest player in both light sources and solutions offering LED lamps, LED luminaire solutions as well as a LED licensing program. Philips is currently the world's largest high power LED company. Leading company in illumination segments, leader in consumer mobile phone camera flash and automotive LED signaling.

LED sales as a percentage of Lighting sales were 14% over the last twelve months.

<sup>1</sup> Indexed Growth, base Q1 2009 = 100

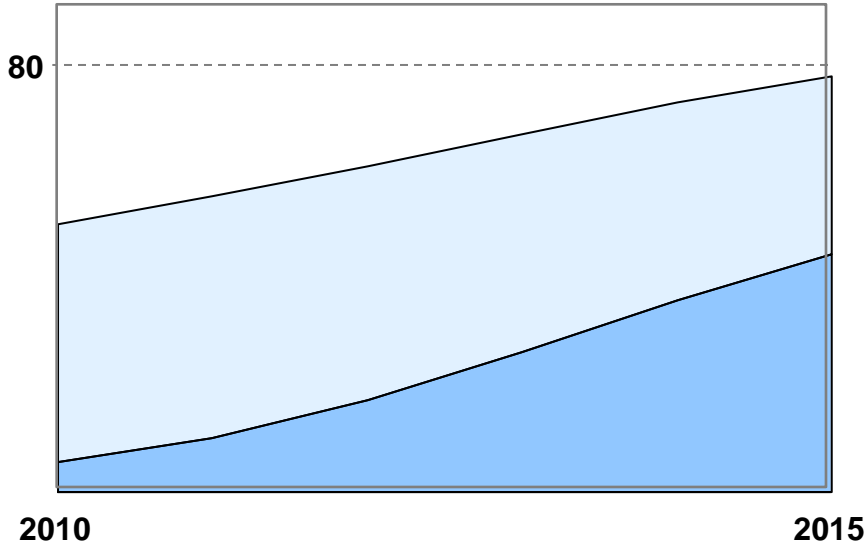




## The general illumination market offers major growth opportunities

### Global illumination market

€ Bln



□ Conventional lighting  
■ LED lighting

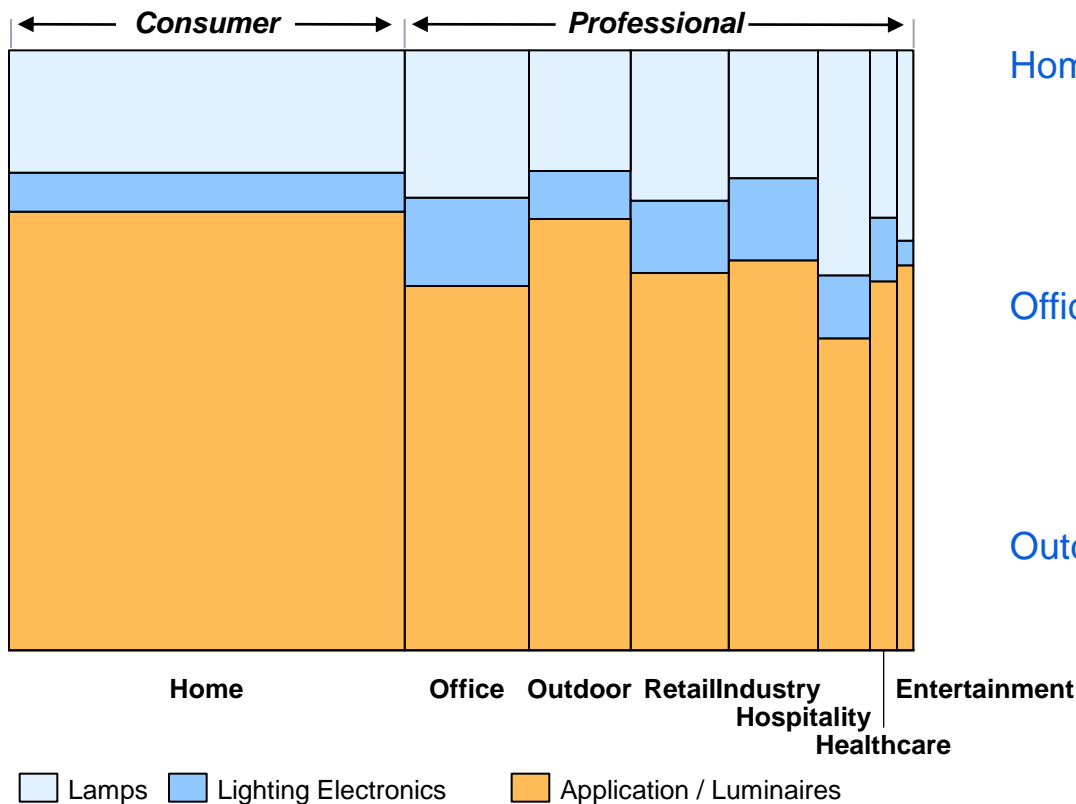
CAGR of 7-9%,  
assuming  
nominal GDP  
growth of ~4%

### Market overview

- The global lighting market is expected to grow at a CAGR of around 7-9% during 2010-15, to around EUR 80 Billion
- Growth in global illumination market is driven by the LED revolution with rapid adoption of LED-based lighting solutions
- Conventional lighting continues to be a large part of the market

## Home, Office, and Outdoor are the biggest segments Professional is the largest channel

Total market size in 2010<sup>1</sup>: 50-55 B€



### Biggest segments

Home



Office



Outdoor



## Group Management & Services

*Adding value to the businesses*

### Corporate Technologies

Philips Corporate Technologies encompasses Corporate Research and Intellectual Property & Standards (IP&S)

### Corporate & Regional Costs

Corporate center and country & regional overheads

### Pensions

Pension and other postretirement benefit costs mostly related to former Philips' employees

### Service Units and Other

Global service units; Shared service centers; Corporate Investments, New venture integration and Philips Design

# Sector analysis Q1 – Group Management & Services

EUR million

## Key figures

	1Q10	4Q10	1Q11
Sales	104	88	80
<i>% sales growth comp.</i>	49	(20)	(8)
<b>EBITA:</b>			
Corporate Technologies	(11)	(25)	(13)
Corporate & Regional Costs	(33)	(47)	(32)
Pensions	(4)	94	(13)
Service Units and Other	(38)	(37)	(16)
-----			
EBITA	(86)	(15)	(74)
EBIT	(88)	(14)	(76)
NOC	(1,867)	(3,309)	(2,982)
Employees (FTEs)	11,715	11,928	12,213

## Financial performance

- Sales declined from EUR 104 million in Q1 2010 to EUR 80 million in Q1 2011, with lower revenues from licenses and services.
- EBITA amounted to a net cost of EUR 74 million, a EUR 12 million improvement year-on-year, largely attributable to real estate transactions.
- EBITA in Q1 2011 includes an amount of EUR 15 million (EUR 13 million in Q1 2010) of costs formerly reported as part of Consumer Lifestyle.
- Net operating capital declined by EUR 1.1 billion year-on-year, mainly due to lower prepaid pension costs.

**PHILIPS**

**sense and simplicity**

# Appendix

# Development cost capitalization & amortization by sector

*EUR million*

	Capitalization		Amortization	
	Q1 2010	Q1 2011	Q1 2010	Q1 2011
Healthcare	24	40	14	16
Consumer Lifestyle	9	8	13	8
Lighting	9	14	5	7
GM&S	1	3	-	-
<b>Group</b>	<b>43</b>	<b>65</b>	<b>32</b>	<b>31</b>

# Fixed assets expenditures & Depreciation by sector<sup>1</sup>

*EUR million*

	Gross CapEx		Depreciation	
	Q1 2010	Q1 2011	Q1 2010	Q1 2011
Healthcare	34	46	43	45
Consumer Lifestyle	25	35	26	27
Lighting	52	71	62	60
GM&S	12	9	21	16
<b>Group</b>	<b>123</b>	<b>161</b>	<b>152</b>	<b>148</b>

<sup>1</sup> Excluding software related capital expenditures and depreciation



# Restructuring, acquisition-related and other incidentals

*EUR million*

	1Q10	2Q10	3Q10	4Q10	2010	1Q11
Acq.-related charges	(9)	(8)	(9)	(3)	<b>(29)</b>	(2)
Restructuring	(20)	(38)	3	7	<b>(48)</b>	4
Other Incidentals					-	
<b>Healthcare</b>	(29)	(46)	(6)	4	<b>(77)</b>	2
Acq.-related charges	(3)	(3)	(7)	(6)	<b>(19)</b>	(10)
Restructuring	(6)	(4)	(5)	3	<b>(12)</b>	(3)
<b>Consumer Lifestyle</b>	(9)	(7)	(12)	(3)	<b>(31)</b>	(13)
Acq.-related charges	(4)	(5)	(6)	(8)	<b>(23)</b>	(2)
Restructuring	(5)	(32)	(11)	(26)	<b>(74)</b>	(3)
<b>Lighting</b>	(9)	(37)	(17)	(34)	<b>(97)</b>	(5)
Restructuring	1		6	(5)	<b>2</b>	1
Other Incidentals			36	83	<b>119</b>	
<b>GM&amp;S</b>	1	-	42	78	<b>121</b>	1
<b>Grand Total</b>	(46)	(90)	7	45	<b>(84)</b>	(15)

