

PHILIPS

sense **and** simplicity

Financial Update

Paul Verhagen
Chief Financial Officer

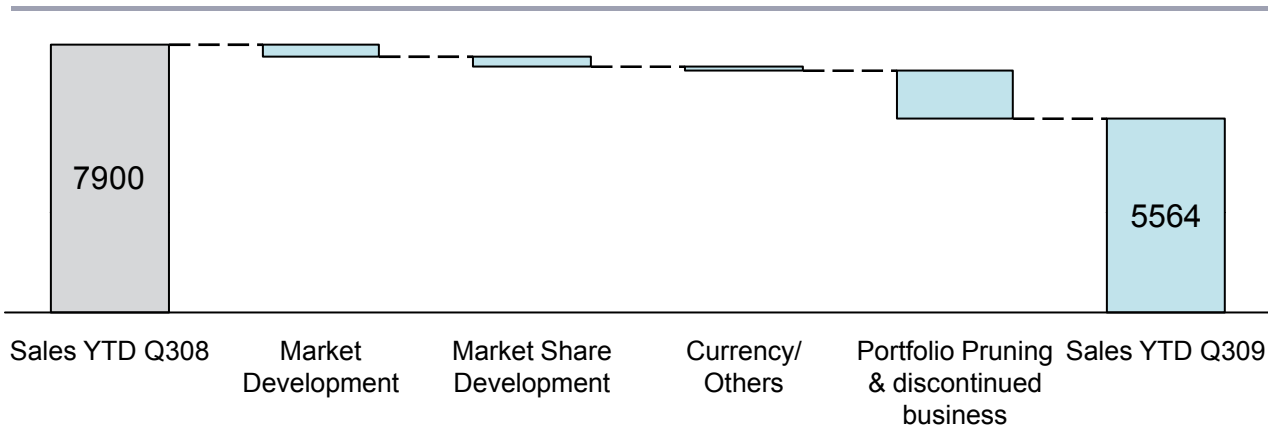
Key takeaways

- Despite double digit sales decline we managed to improve EBITA margin through
 - Ongoing Portfolio Pruning
 - Accelerated and expanded programs to structurally reduce costs well above the synergies from the DAP/CE merge
 - Decisive actions to fix TV
- We have aggressively managed cash through improved working capital management
- We will continue to drive efficiencies, reinvest savings and make acquisitions to drive growth and improve profitability



While many categories experienced market decline, sales drop came mostly from pro-active portfolio pruning to improve margin

Sales bridge from 2008 to 2009 (EUR million)



Discontinued businesses and portfolio pruning include:

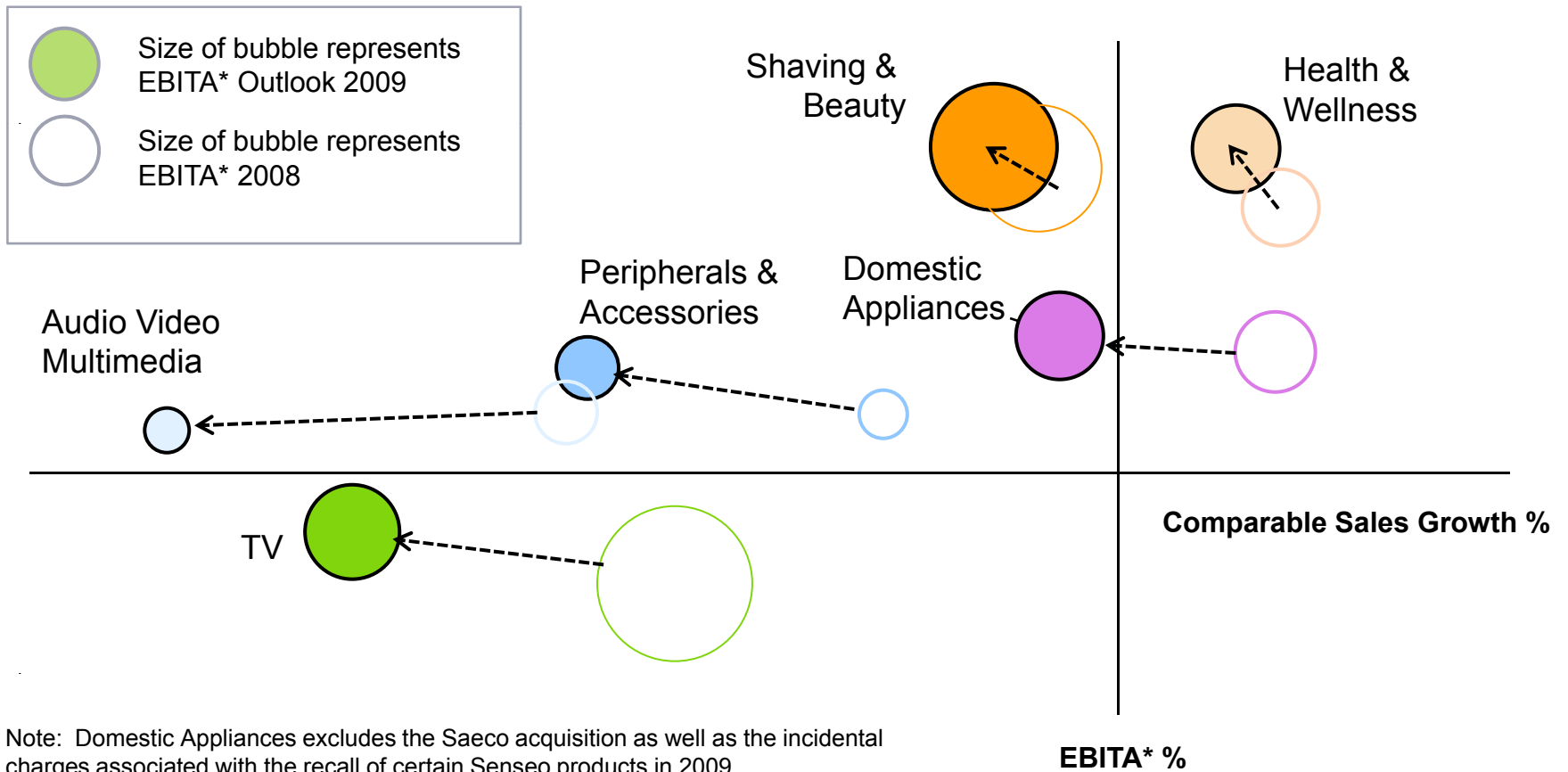
- TV North America
- Monitors
- Home Networks
- AVM
- P&A

Key Category Overview

Value spaces	Healthy life		Personal care		Home living			Interactive living		
Key Categories	Mother & Child Care	Oral Healthcare	Male Dry Shaving	Female Depilation	Garment Care	Coffee	Kitchen Appliances	LCD TV	DVD	Blu-Ray
Market Growth/decline	▼	▬	▼	▼	▼	▲	▲	▲	▼	▲

Portfolio Management: We have achieved year on year profitability improvement in most businesses

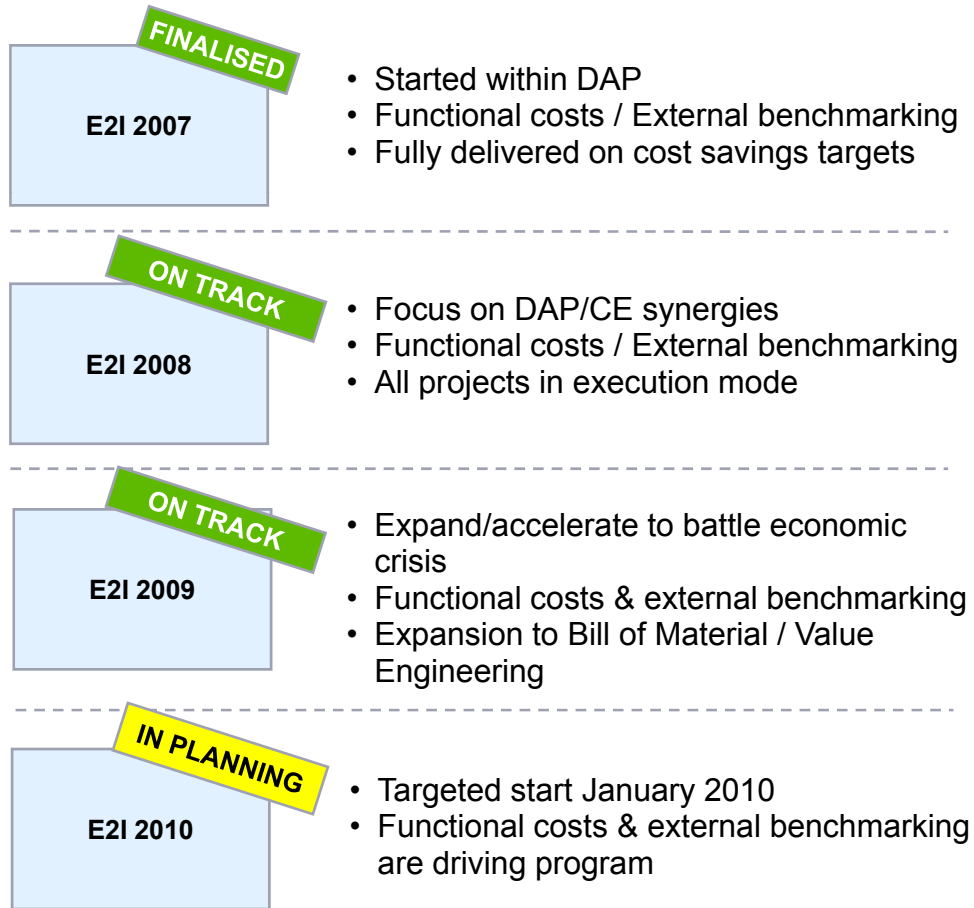
Adjusted EBITA, comparable sales growth and EBITA %



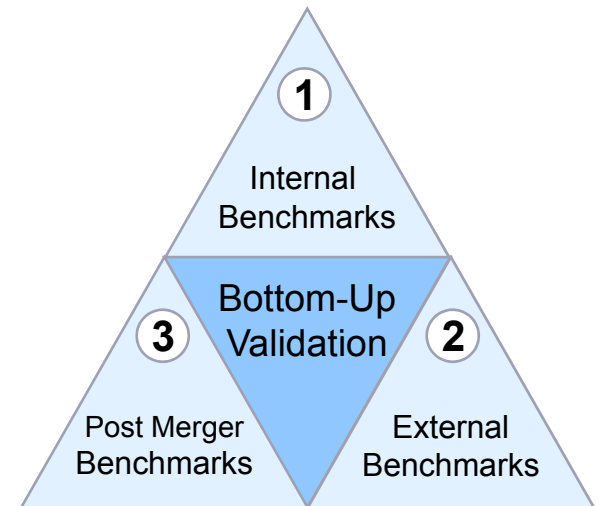
Note: Domestic Appliances excludes the Saeco acquisition as well as the incidental charges associated with the recall of certain Senseo products in 2009

Note 2: *Adjusted EBITA/EBITA % excludes restructuring and acquisition related charges.

We have accelerated and expanded programs to structurally reduce costs well above the synergies from the DAP/CE merge
 Via Earn 2 Invest (E2I), our ongoing business improvement program

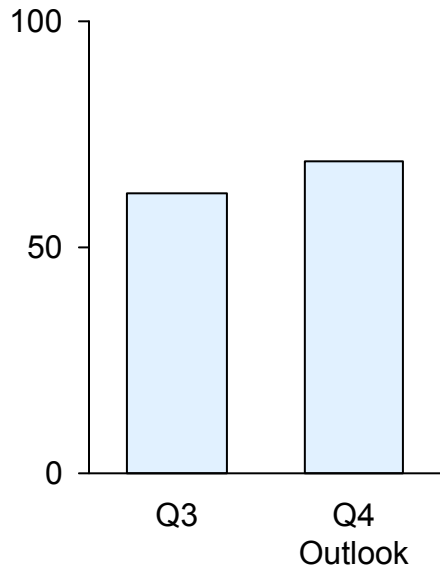


Three-way annual benchmarking validation



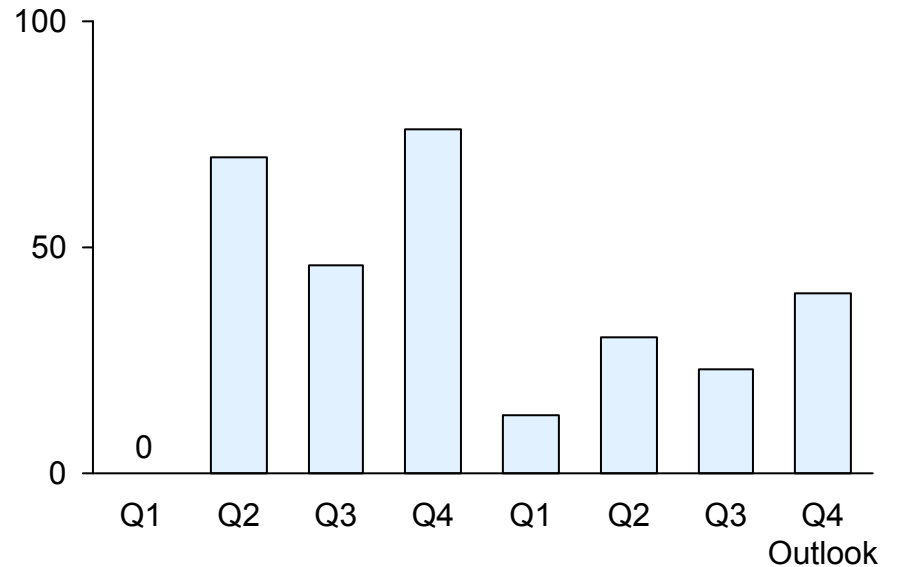
The benefit of early restructuring is clearly visible in the year on year quarterly cost savings...

**Year-on-year Quarterly Fixed Cost Savings
(EUR million)**



2009 vs. 2008

**Restructuring charges
(EUR million)**

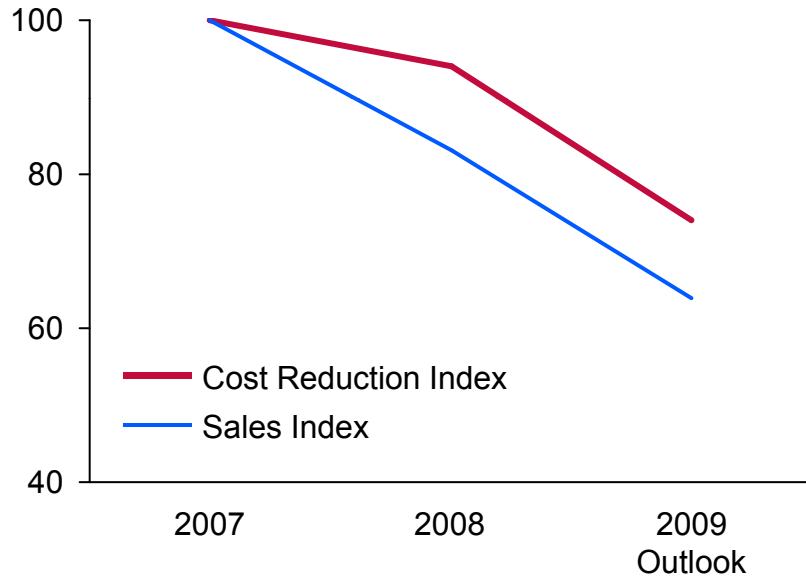


2008

2009

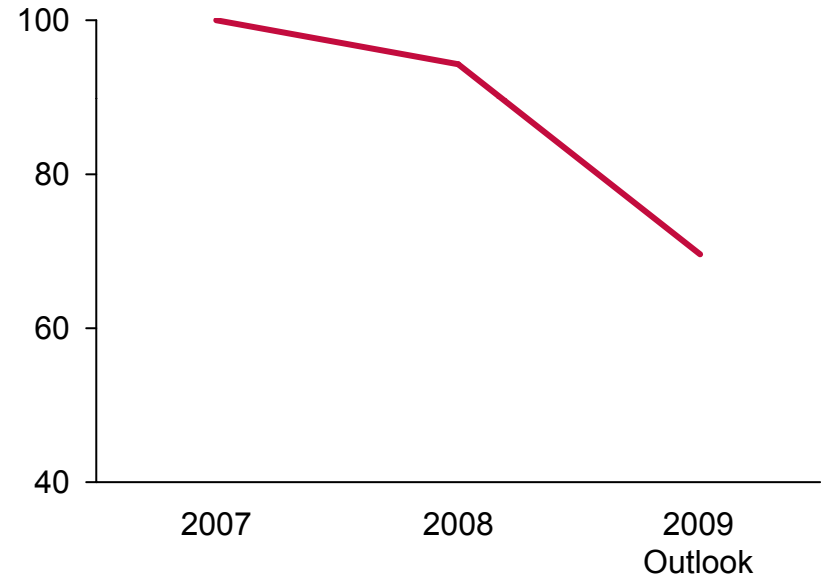
... And these cost savings together with margin management have lowered the break-even point

Sales & Cost Index Curve



- Early start in 2008 focused on implementation of DAP/CE synergies
- In 2009 cost reduction in line with double digit sales decline

Break Even Point

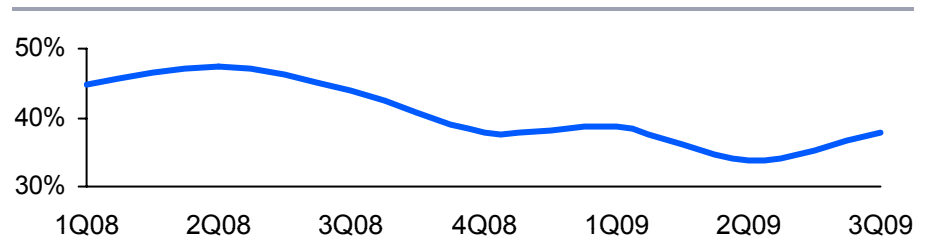


- Reduction of Sales breakeven point of 30% in 2 years
- In addition to aggressive cost reduction margin improvement through portfolio/price management

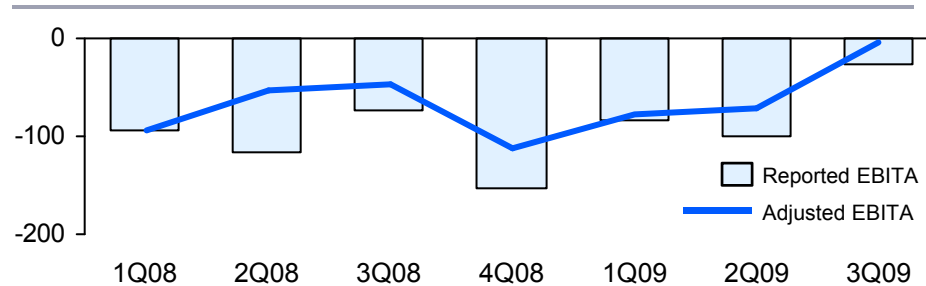
Television: We have taken decisive actions to manage TV business to profitability

- Portfolio pruning and mix management
- Industrial back end consolidation (LGD/Sharp) reaping purchase price benefits
- Forward Integration
- Simplification of Industrial footprint
- Aggressive cost cuts based on E2I
- Competitive range in the volume runners
- Increased ambiLight factor in Western Europe
- Effective Price management
- Currency Benefits (USD)

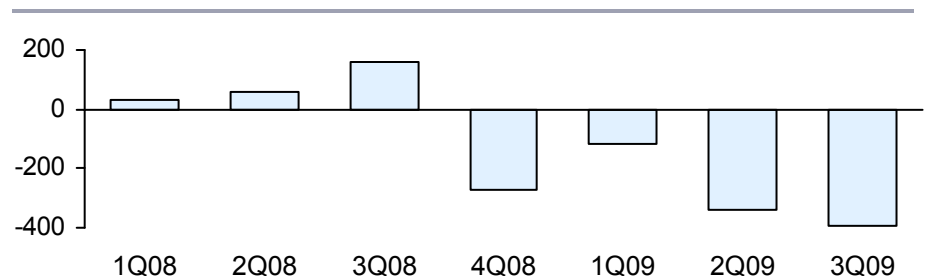
TV Sales as % of CL Sales



Reported EBITA and Adjusted EBITA (EUR million)



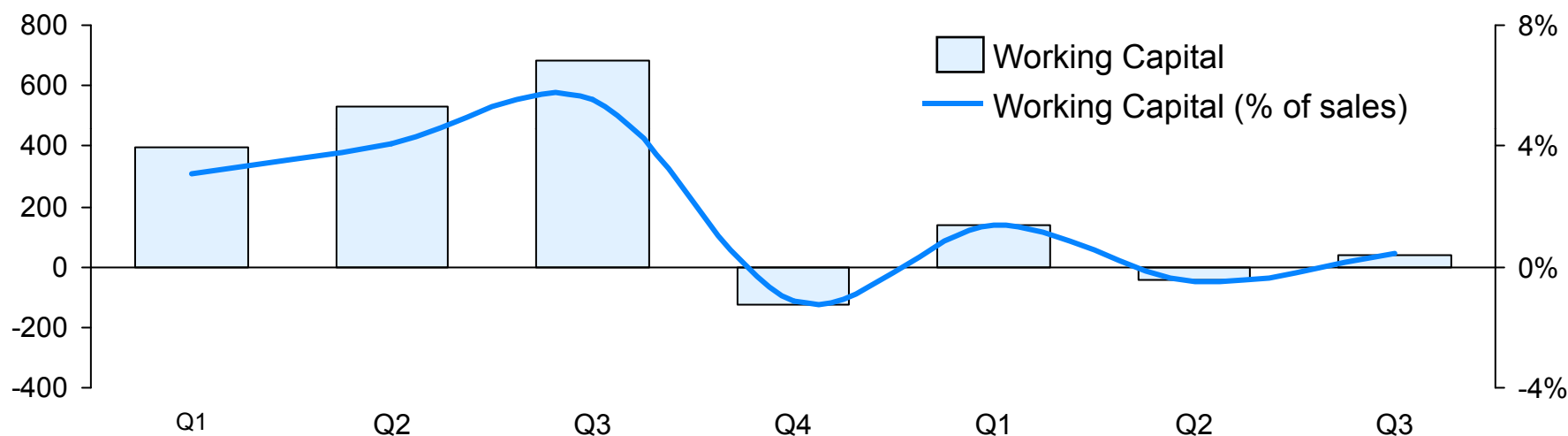
Net Operating Capital (EUR million)



Note: Adjusted EBITA is EBITA corrected for restructuring charges

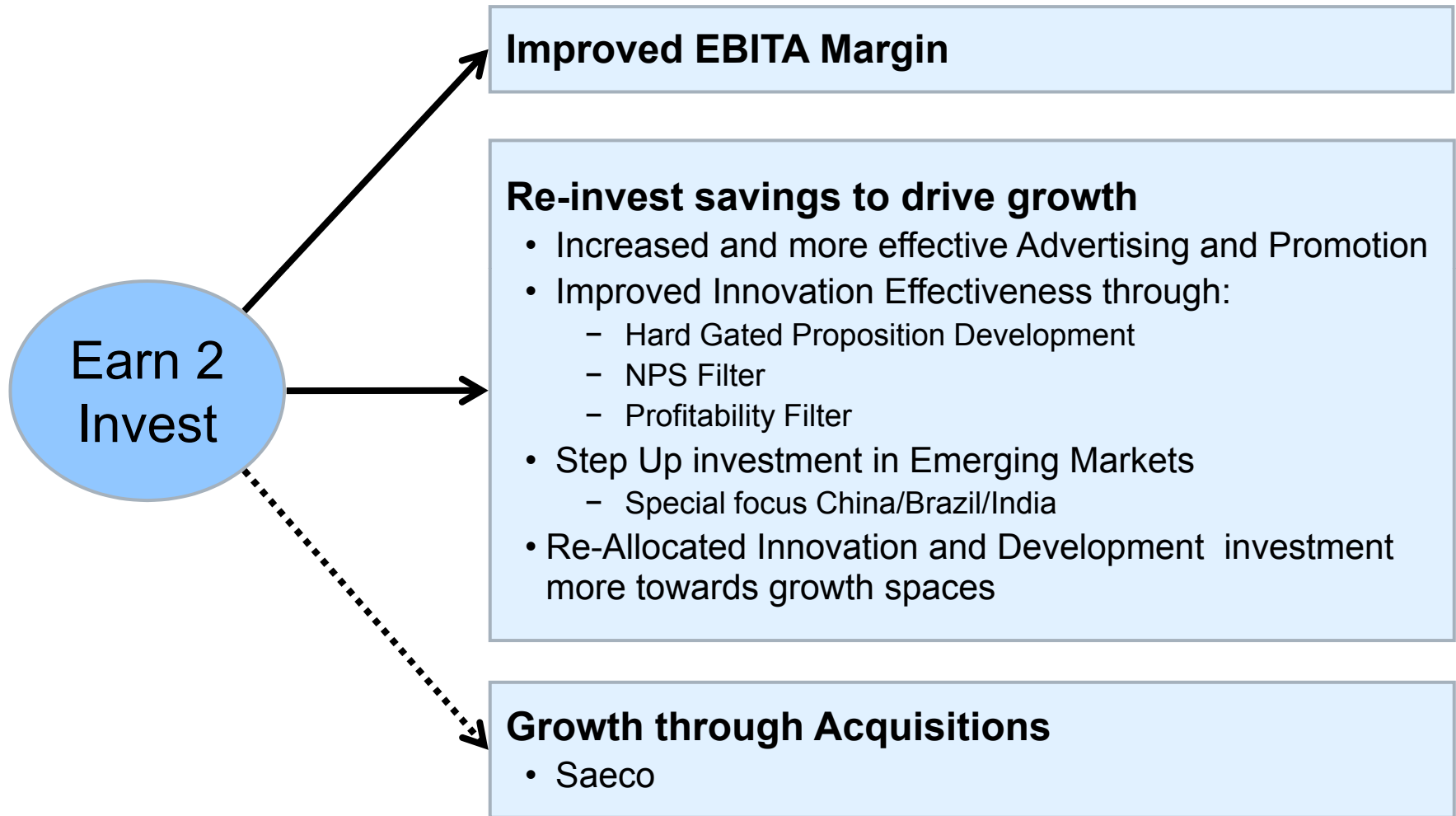
We have aggressively managed cash through improved working capital management

Working Capital (EUR million) and Working Capital as % of sales



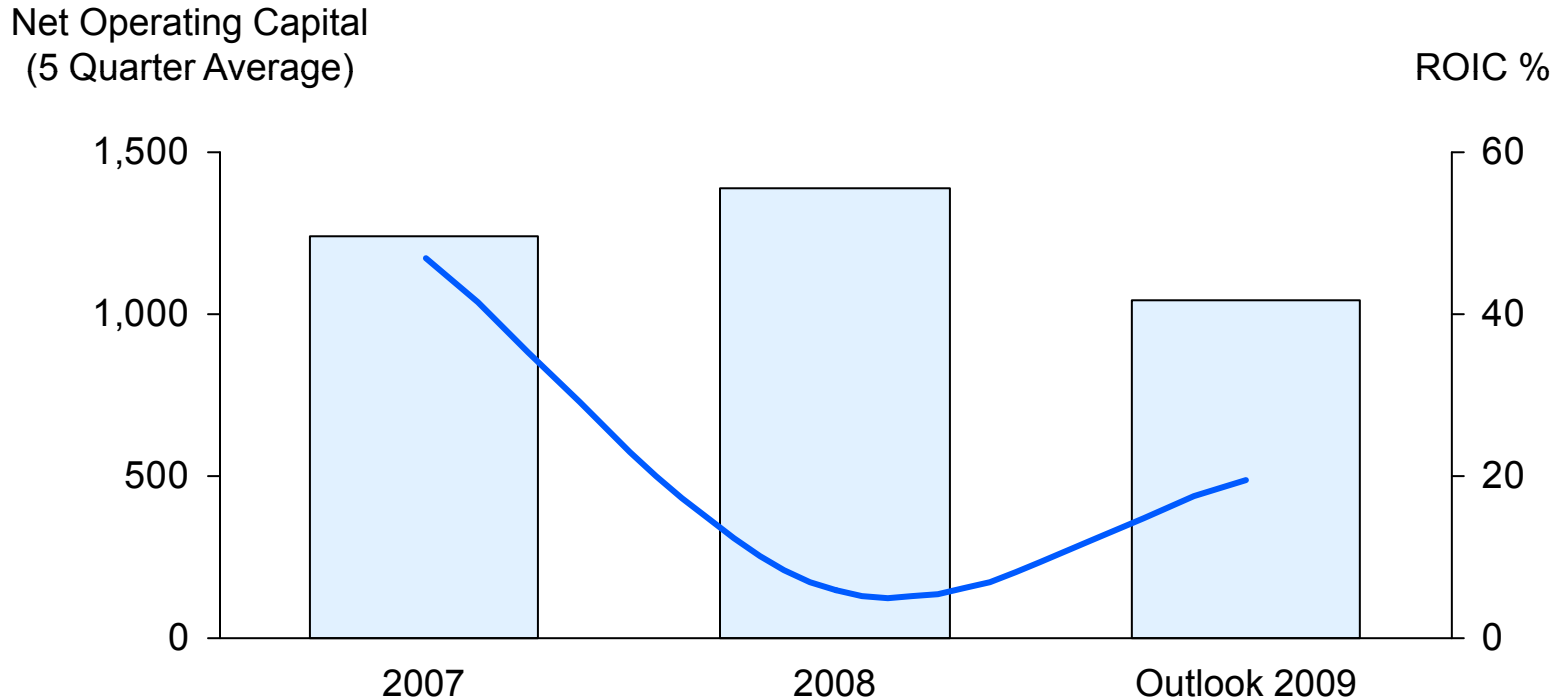
- Effective credit and risk management
 - Receivables days sales reduced by 5 days
 - Overdues by customers reduced by ~50%
- Increased usage of Supplier Financing
- Payment Terms improve by 7 days
- Slow Moving stock reduce by more than 50%
- Days of Inventory improved by 13 days
- 34% SKU reduction vs. 2008 baseline

We are reinvesting savings to drive profitable growth



Successful actions on cost and cash have delivered attractive double digit ROIC

5 Quarter Average Net Operating Capital (EUR million) and Return on Invested Capital (ROIC)



Note: ROIC includes the results of businesses and geographies until closure of transactions. ROIC = EBI/5 Quarter Average NOC

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Q&A

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