PHILIPS

sense and simplicity

Building the leading company in health and well-being

Société Générale – Premium Review Conference, Paris
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CFO

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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, in particular the sections “Looking ahead” and “Outlook”. 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 2009 and the “Risk and uncertainties” section in our semi-annual financial report for the six months ended July 4, 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 2009.

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 or observable market data do not exist, we estimated the fair values using appropriate valuation models and 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 2009 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. Philips Strategy and Investment Proposition

2. Consumer Lifestyle update

3. Current Performance

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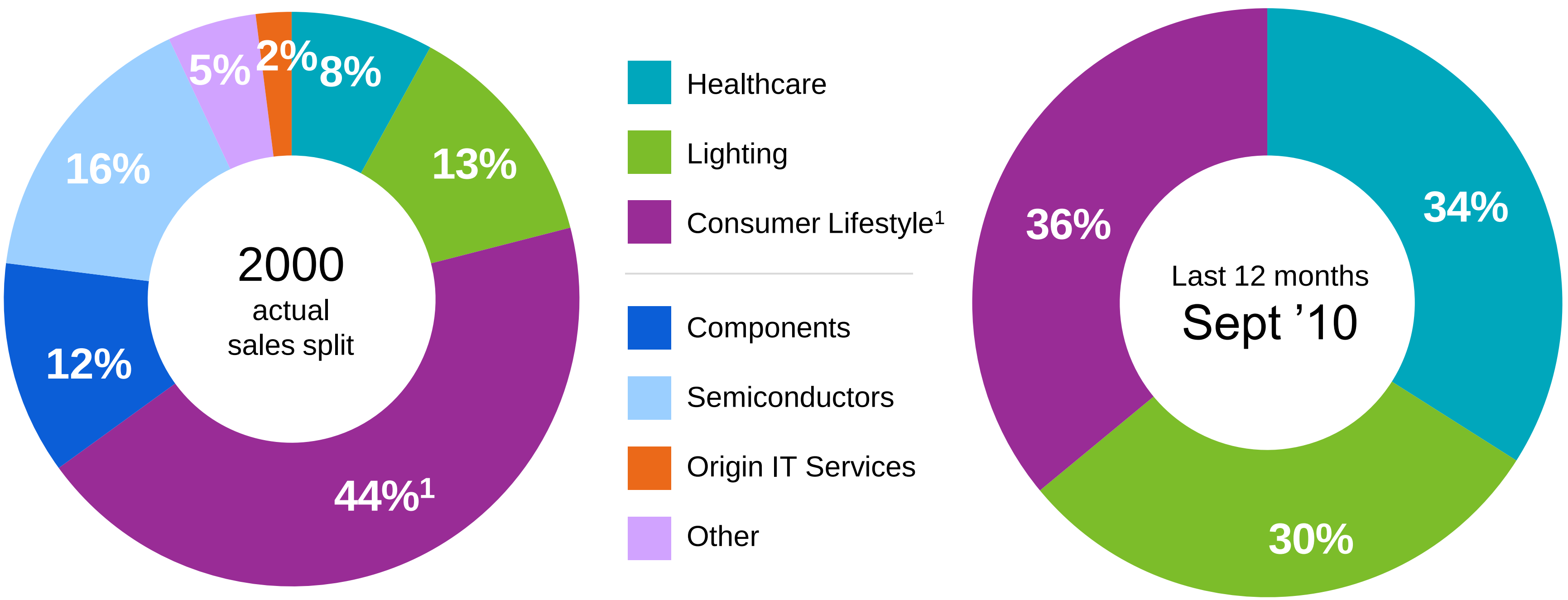
Building a leading company in health and well-being

Over the past decade we have fundamentally simplified our business portfolio, investing proceeds from disposals in our Healthcare, Consumer Lifestyle and Lighting businesses



[1] Consumer Lifestyle in 2000 includes the former DAP and Consumer Electronics divisions

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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 *emerging 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
- Emerging markets
- Sustainability

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We expect to meet Vision 2010 EBITA margin targets

Despite significantly lower revenues due to the crisis

The 2010 financial targets

- Comparable sales growth of 6% average per year ✗
- Group EBITA margin of 10-11% ✓

Sector EBITA targets:

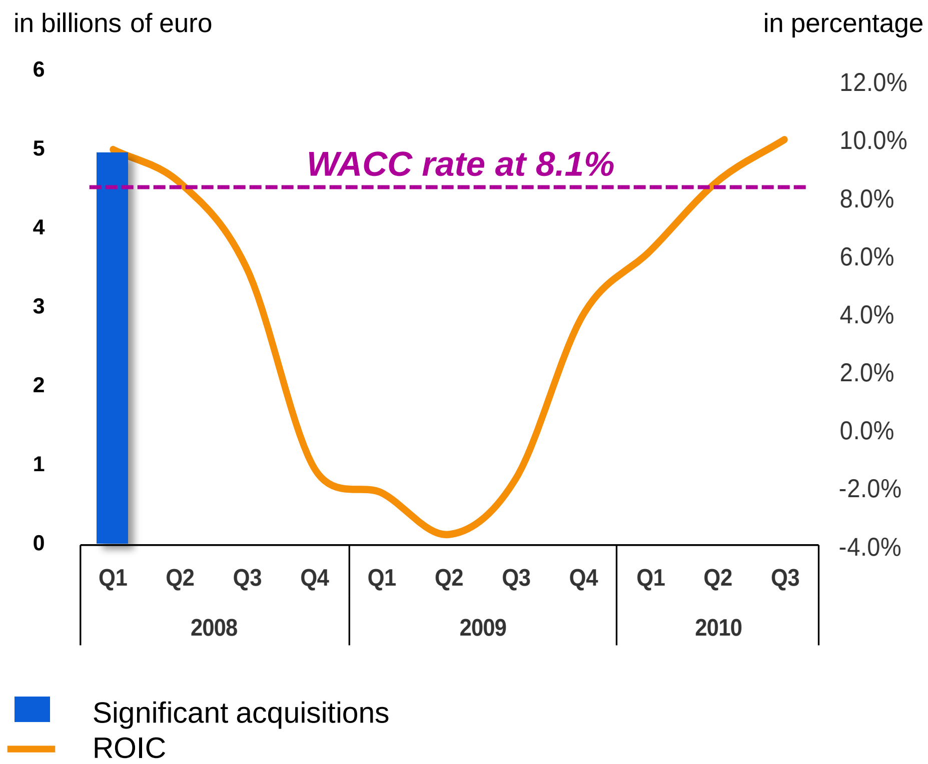
- Healthcare 15-17% ✓
- Lighting 12-14% ✓
- Consumer Lifestyle 8-10% ✓

- Generate ROIC of 12-13% on invested capital ✗

Note: based on year-to-date performance and current expectations for Quarter 4 2010

Our ROIC is on the right trajectory after significant M&A

Development of Return on Invested Capital



Notes:
EBIAT are earnings before interest after tax
Philips calculates ROIC % as: EBIAT/ NOC
Quarterly ROIC % is based on LTM EBIAT and average NOC over the last 5 quarters
Effective Tax Rate used to calculate EBIAT

- We doubled our asset base, as we invested in growing our home healthcare business with the acquisition of Respironics and strengthened our global leadership in professional luminaires with the acquisition of Genlyte in 2008
- The crisis had a severe impact on our revenues and Earnings Before Interest and After Tax (EBIAT), which caused our ROIC to deteriorate sharply
- As we made our way out of the crisis a structurally stronger company with significantly higher profitability levels, our ROIC is again back in positive territory

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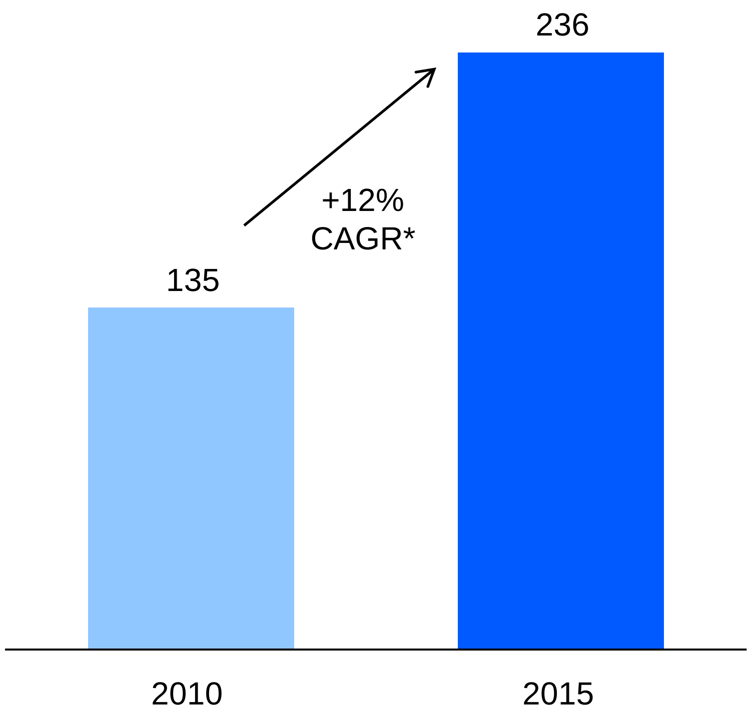
We see strong growth in Emerging markets where spending power is set to explode, especially China

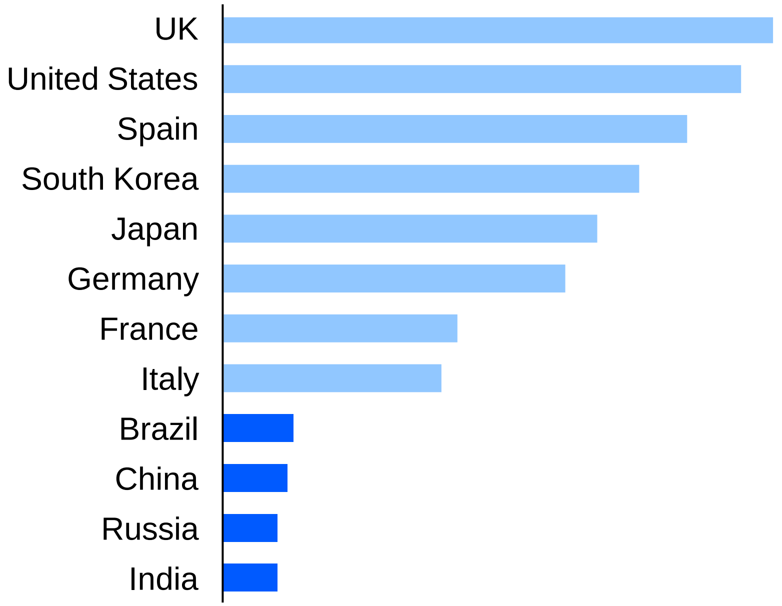
The urban middle class in emerging markets will encompass more than 200M households by 2015[1]

Emerging markets (BRIC) urban households (millions)



Consumers in emerging markets have low personal debt compared to developed markets[2]

Household debt as % of GDP

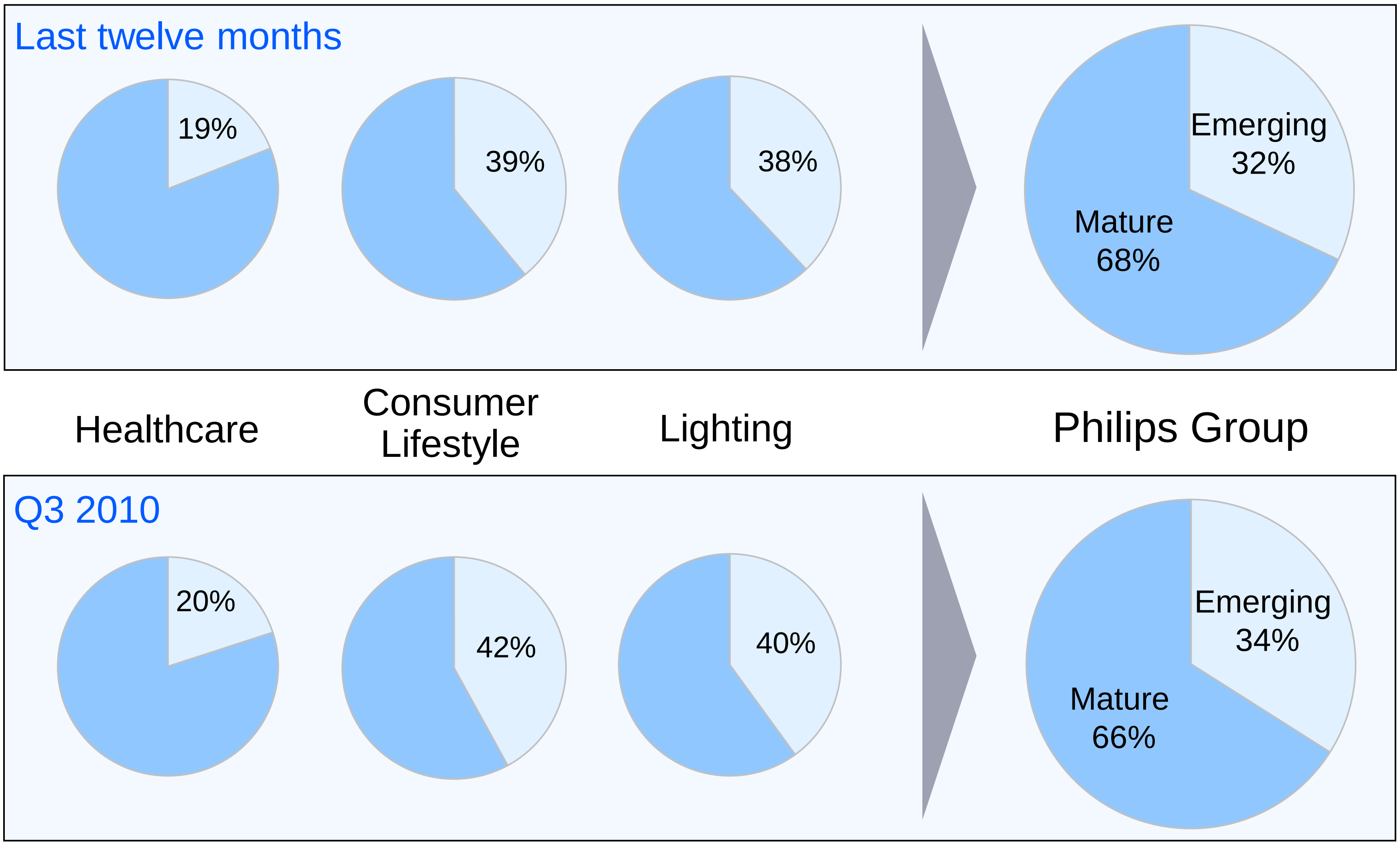


Source: 1. BCG, Winning in Emerging Market Cities - BRIC
2. McKinsey analysis, Economist 2010

Note: * Compound Annual Growth Rate

Emerging Markets – Q3 2010 & last twelve months

Sales in emerging markets



Uniquely positioned for continued growth in Healthcare

Prioritization across our portfolio

Current NPS leadership positions[1]

Regional
Cardio vascular

Global
Patient Monitoring

Regional
Cardiac resuscitation

Regional
Radiation Oncology Systems

Global
Ultrasound

Regional
Home Healthcare

	Manage for cash	Optimize position	Drive growth	Invest for longer term growth
Healthcare		• Diagnostic imaging	• Home Healthcare • Patient Care and Clinical Informatics • Customer Service	• Image guided intervention / therapy • Clinical decision support • Home Healthcare

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

Uniquely positioned for growth in Consumer Lifestyle

Prioritization across our portfolio

Current NPS leadership positions[1]

Regional
Male electric shaving and grooming

Global
Mother and Child Care

Regional
Power Toothbrushes

Global
Female depilation

Global
Steam irons

Regional
Blenders

Global
Juicers

	Manage for cash	Optimize position	Drive growth	Invest for longer term growth
Lifestyle	• TV • AVM	• Personal Care • Domestic Appliances • Accessories	• Health & Wellness • Kitchen Appliances / Beverage Appliances	• Lifestyle management • Skincare • Water & Air

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

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Uniquely positioned for continued growth in Lighting

Prioritization across our portfolio

Current NPS leadership positions[1]

Regional
Consumer Luminaires

Global
Professional Luminaires

Global
Lamps

Regional
Automotive Lighting

Global
High Power LEDs

Global
Lighting Electronics

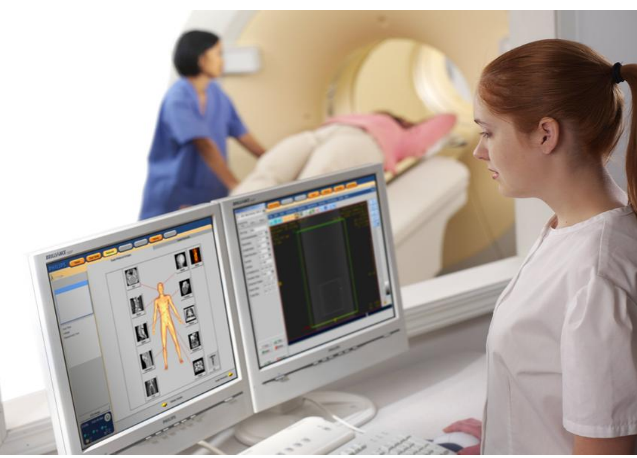
	Manage for cash	Optimize position	Drive growth	Invest for longer term growth
Lighting		• Automotive • Conventional lamps	• LED lamps • Professional Luminaires • Consumer Luminaires	• Smart Lighting Solutions • Service extensions

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

Philips investment proposition – Vision 2015

Strategy and main financial objectives

"Philips' strategy is to become the leading company in health and well-being. We believe that a steadily growing demand for healthcare, a healthy lifestyle and energy-efficient lighting solutions will – driven by an aging population, increased environmental awareness and expanding emerging markets – allow Philips to generate double-digit EBITA margins."



Main financial objectives:

- 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:

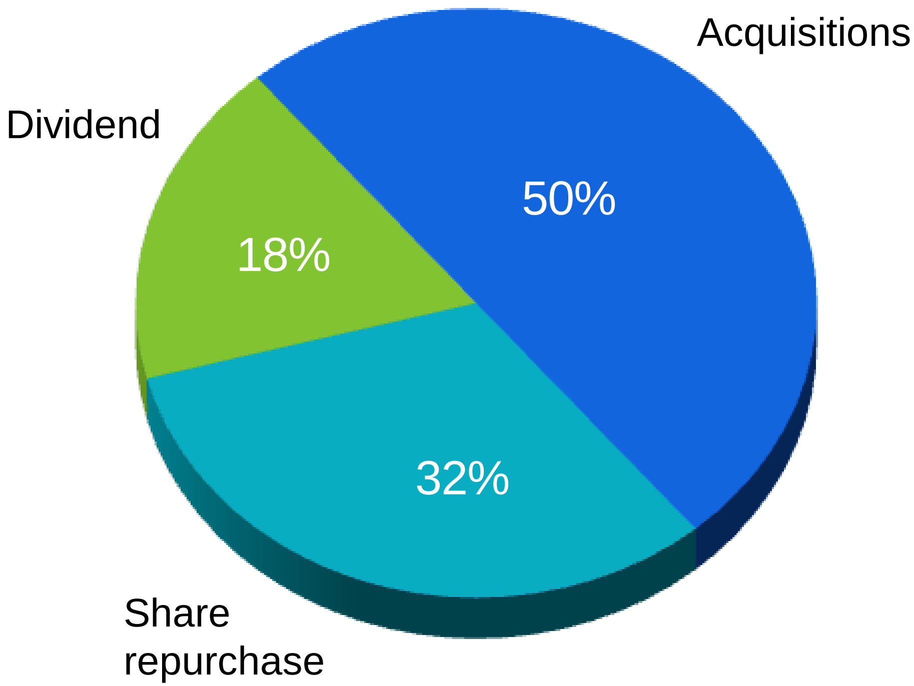
Healthcare	16-18%
Consumer Lifestyle	9-11%
Lighting	12-14%

- **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**

Supported by the right allocation of capital

Continuing our capital allocation priorities from recent years

2007 – June YtD 2010
100% = EUR 13.2 billion



Capital allocation priorities

1. Maintain our A-rating
2. Sustainable dividend growth (40-50% of continuing net income)
3. Acquisitions / investments in growth markets
4. Share repurchase

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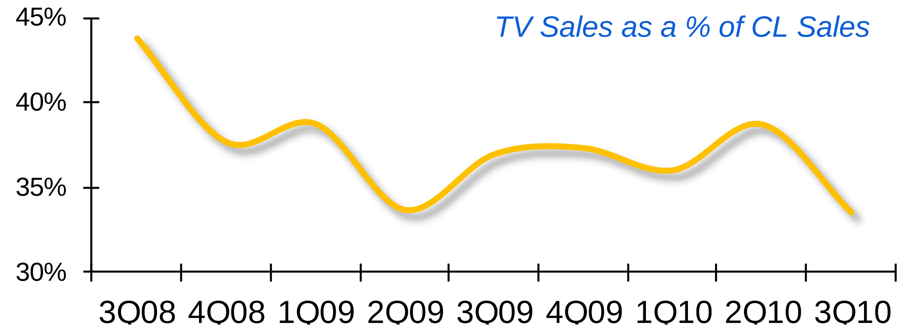
Improvement actions taken in TV

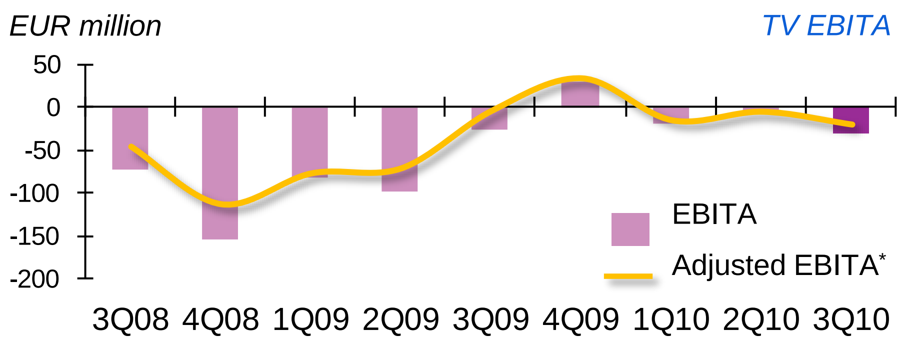
Brand licensing
Successfully extended licensing partnerships in 2010 with Videocon (India) and TPV (China), which will both contribute positively in 2011

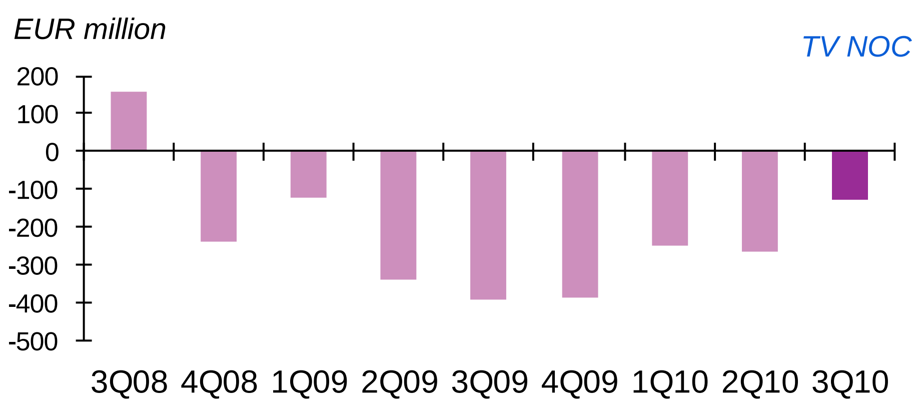
Cost improvements
Continue to reduce costs to improve profitability in 2011

Strong supply partnerships
Established forward integration and co-location partnerships with TPV, LGD and Sharp

Negative NOC, positive ROIC impact
We continue to manage TV with a negative NOC, meaning a positive contribution to CL and Philips ROIC







Note: *Adjusted EBITA is EBITA corrected for restructuring charges

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Outlook for TV in 2010

Reduced losses during the first 9 months of 2010	• We have reduced adjusted EBITA loss in TV from EUR 150 million, in the first 9 months of 2009, to EUR 40 million in the same period of 2010
Taking swift action in an adverse market environment	• Our TV revenue will be higher in Q4 than in Q3, however the environment is increasingly challenging, and we see: – High stock levels in retail and strong price erosion – Deterioration of results in China as a consequence of a delay in closing the licensing agreement. We now expect to close the agreement around year end • Given the market conditions we are taking swift actions to manage our net operating capital
Outlook full year 2010	• TV will still deliver a significant year on year improvement in profitability and will generate a 2% to 3% adjusted EBITA loss on a revenue of around 3 billion in 2010

We will maintain our position in Audio, Video and Multimedia (AVM)

Audio Video Multimedia categories

Docking stations

Home Cinema Systems

DVD

MP3/4 Players

We are transitioning our portfolio from product areas such as DVD and MP3/4 players to growing segments such as Docking systems, Bluray and Home cinema systems

Vision 2015: evolution of Consumer Lifestyle portfolio

Consumer Lifestyle Businesses

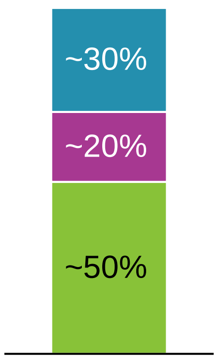
Personal Care	Health & wellness	Domestic Appliances	Television	Audio Video Multimedia	Accessories
					

Strong growth (Personal Care, Health & wellness, Domestic Appliances)

Manage for cash (Television)

Maintain position (Audio Video Multimedia, Accessories)

Contribution to Philips Growth per Sector



Healthcare
Consumer Lifestyle
Lighting

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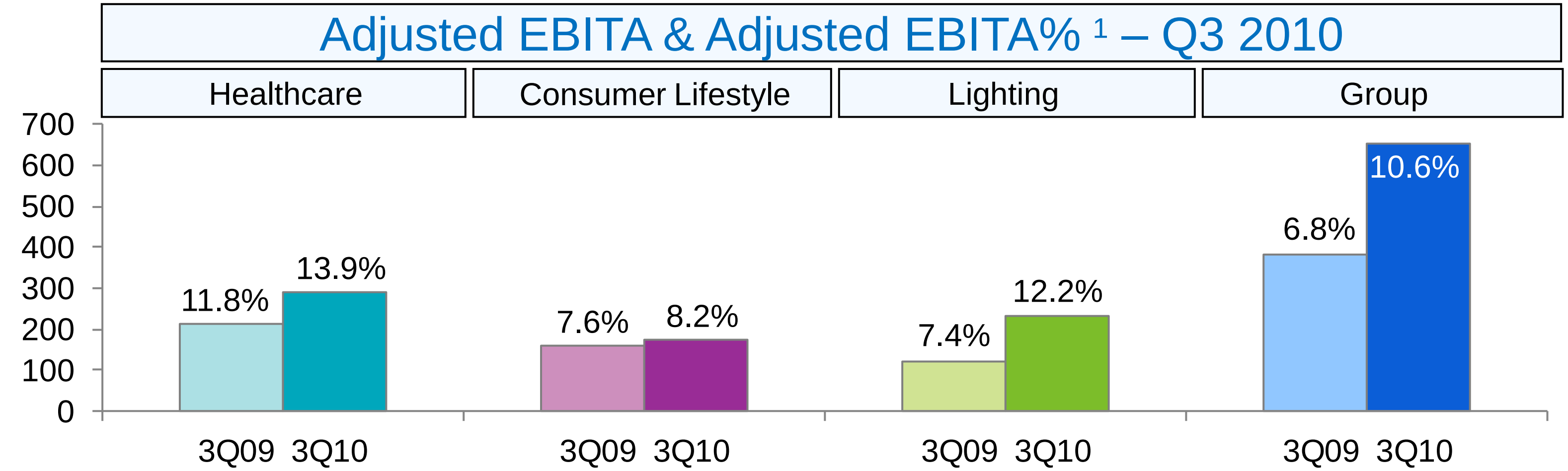
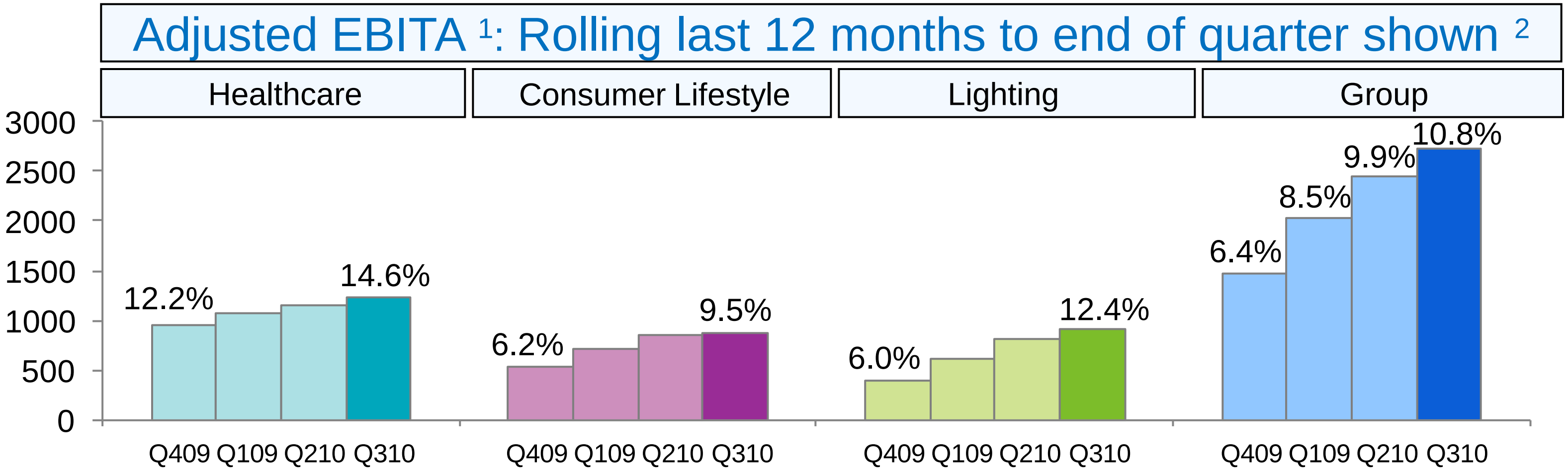
Adjusted EBITA: Q3 2010 & last twelve months

EUR million





[1] Adjusted EBITA is EBITA corrected for incidental charges (details 2008 in quarterly information booklet Q4 2009 and details 2009/ 2010 in quarterly information booklet Q3 2010)

[2] The lower chart shows the last twelve months adjusted EBITA ending in each of the four quarters shown

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