

PHILIPS

sense and simplicity

PHILIPS

sense **and** simplicity

Staying focused, acting decisively

2009 Annual Results

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.

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.

Today's agenda

Highlights and summary 2009

Gerard Kleisterlee

Financial performance 2009

Pierre-Jean Sivignon

Going forward

Gerard Kleisterlee

Highlights and summary 2009

Gerard Kleisterlee

2009: In a tough economic environment..

-8% Construction market across Europe shows a steep decline

-3.9% Decline in GDP in the Euro area

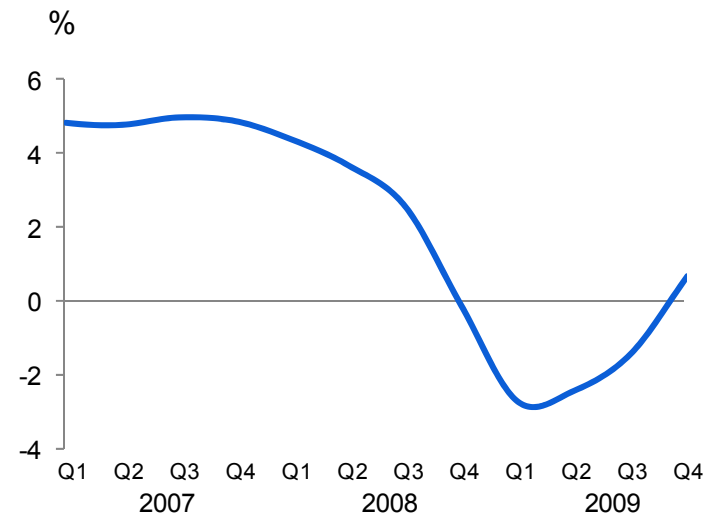
-39% Total new US housing construction plummets to the lowest level since 1945

-2.5% Decline in GDP in the US

-24% Global decline in registration of new commercial vehicles

10% Unemployment rose in both the US and Europe. In Europe the highest level since 1999 is reached

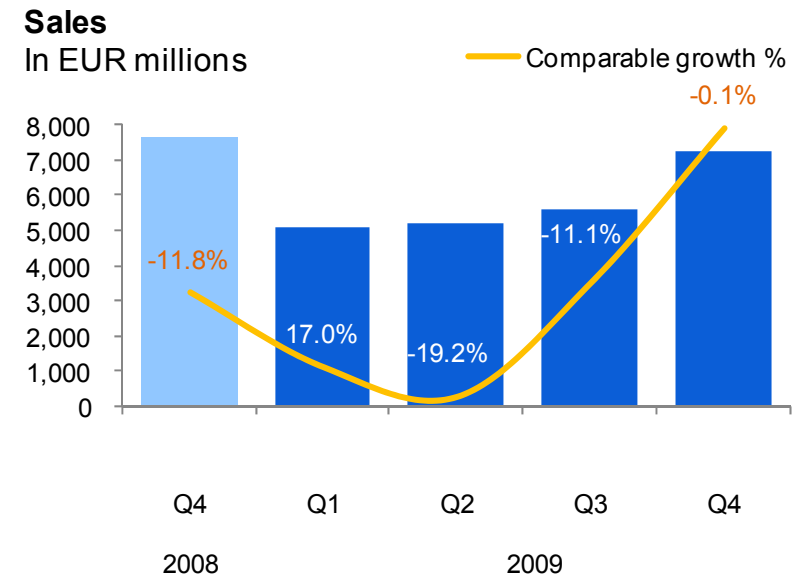
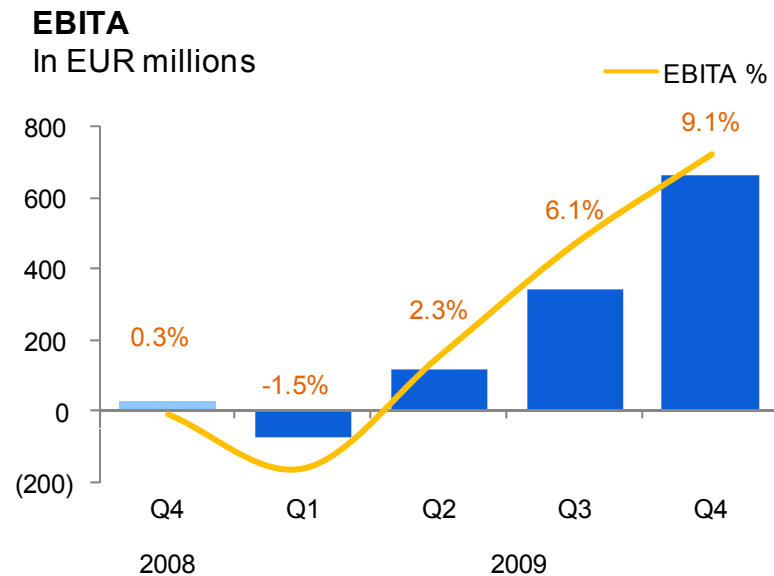
Global GDP decline 2%



..Philips delivered encouraging, improving results

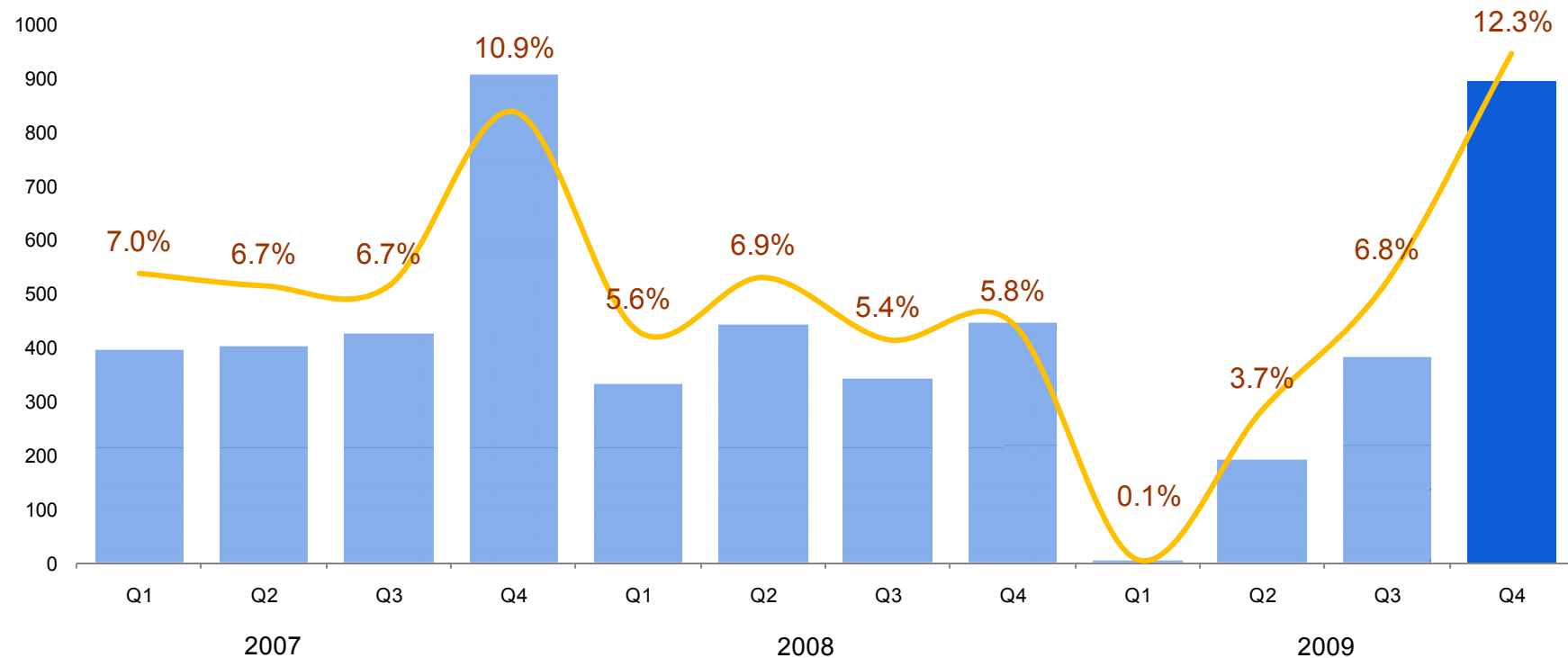
Reported EBITA rebounded strongly to 9.1% of sales in Q4

Sales back at Q4 2008 level



Adjusted EBITA¹ of 12.3% at record level

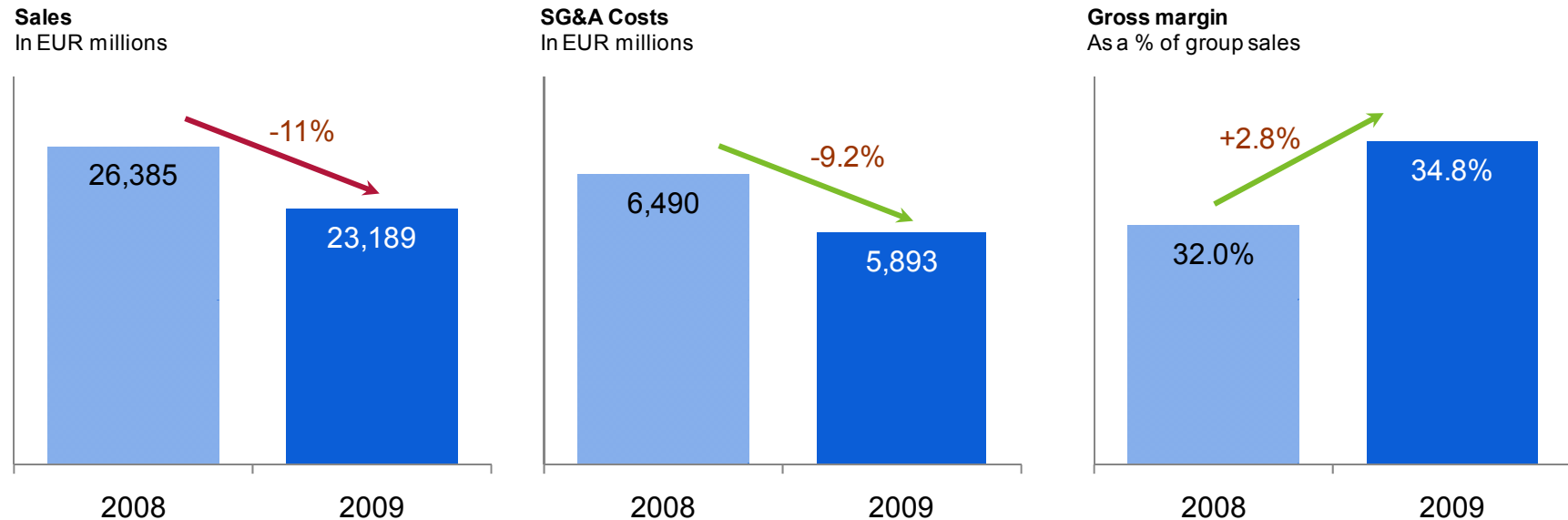
In EUR millions



¹ Adjusted EBITA: EBITA excluding exceptional items such as restructuring charges and acquisition-related charges; year 2007 US GAAP, years 2008-2009 IFRS

We responded swiftly and effectively to the downturn

Our restructuring efforts have led to a reduction of our 2009 fixed cost base of more than EUR 400 million compared to 2008 levels. These savings are expected to increase to well over **EUR 700 million** in 2010



While we continued to make focused investments

Innovation

- EUR 1.6 billion investment in R&D, over 7% of sales
- We significantly expanded the 'Green' portion of total sales in 2009

Marketing

- We became world's 42nd most valuable brand, compared with 65th place in 2004 (total brand value of \$ 8.1 billion in 2009)
- We increased Net Promoter Score leadership positions from 51% to 60% of sales

Acquisitions

- [Saeco](#), leader in high-growth, high-margin espresso machine market
- [Traxtal](#), strengthening our position in image-guided healthcare
- [InnerCool](#), broadening our offering in emergency care
- [Ilti Luce](#), [Dynalite](#), [Selecon](#) and [Teletrol](#), moving to complete Lighting solutions



Our Health & Well-being portfolio leverages critical global trends

Ageing population

- The number of people aged over 60 will double from 500 million today to 1 billion by 2015

Emerging markets

- 99% of future population growth will be in emerging markets; Emerging economies are expected to account for 2/3rd of global GDP by 2016

Empowered consumers

- Consumers are increasingly focused on their Health and Well-being and look for products that fit their lifestyle

Climate change and sustainable development

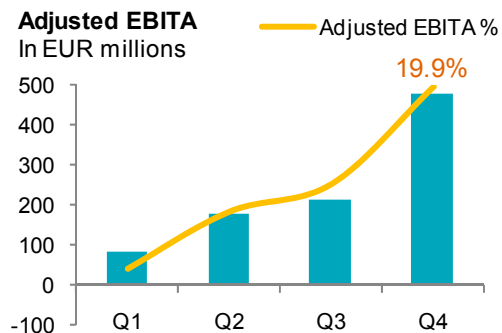
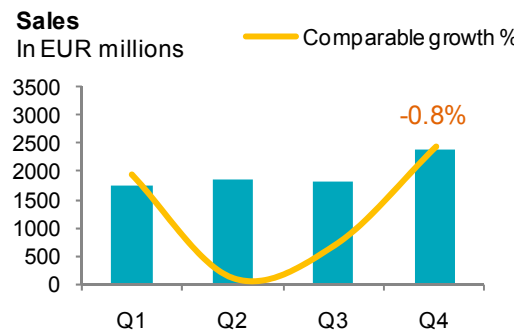
- 19% of global electricity consumption is used for lighting; Energy efficient lighting can save 40%...or 600 power stations worth of energy



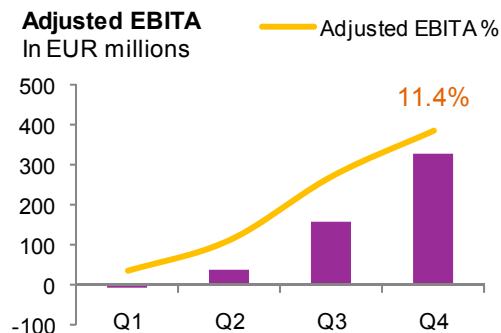
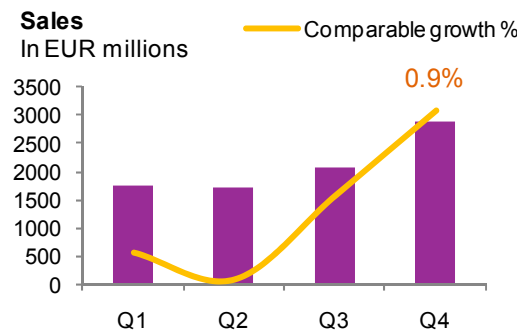
Sector performance improved throughout the year

Sales and adjusted EBITA¹ per sector

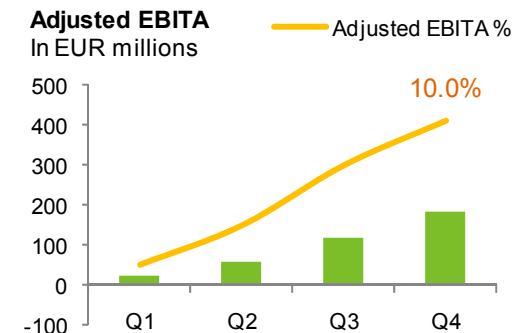
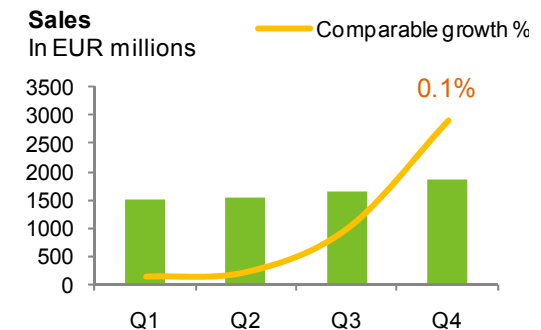
Healthcare



Consumer Lifestyle



Lighting



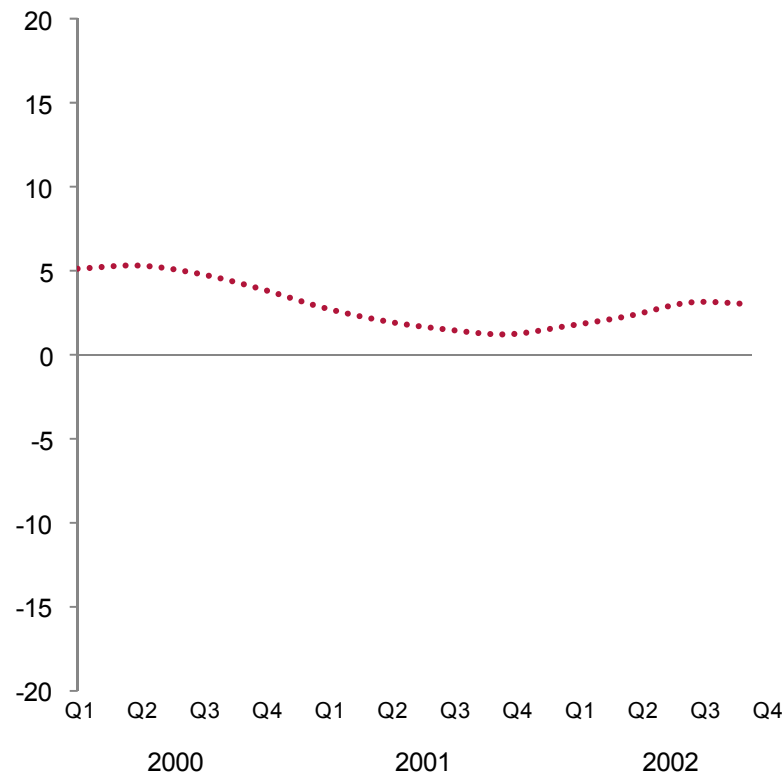
¹ Adjusted EBITA: EBITA excluding exceptional items such as restructuring charges and acquisition-related charges

A more resilient company in much tougher times

..... Global GDP growth¹

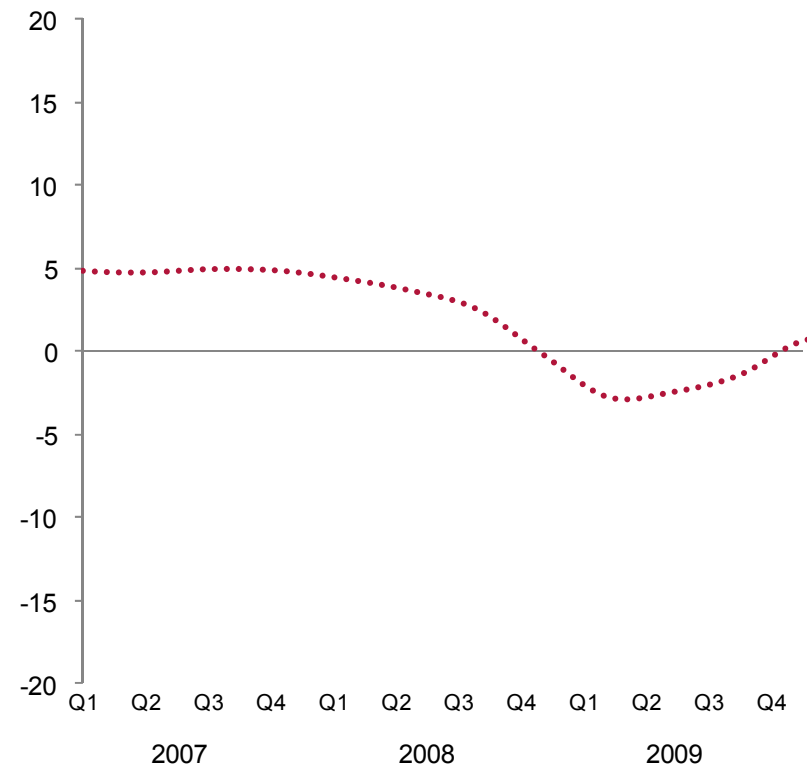
Previous crisis

Numbers in %



Current crisis

Numbers in %



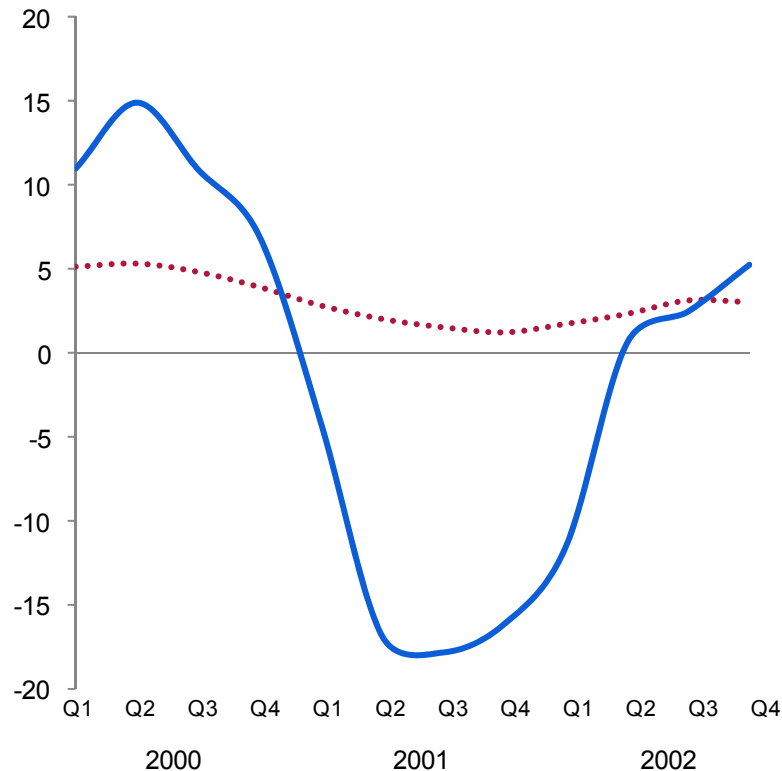
1 – Real GDP growth; Source: EIU

A more resilient company in much tougher times

..... Global GDP growth¹
 — Comparable sales growth²

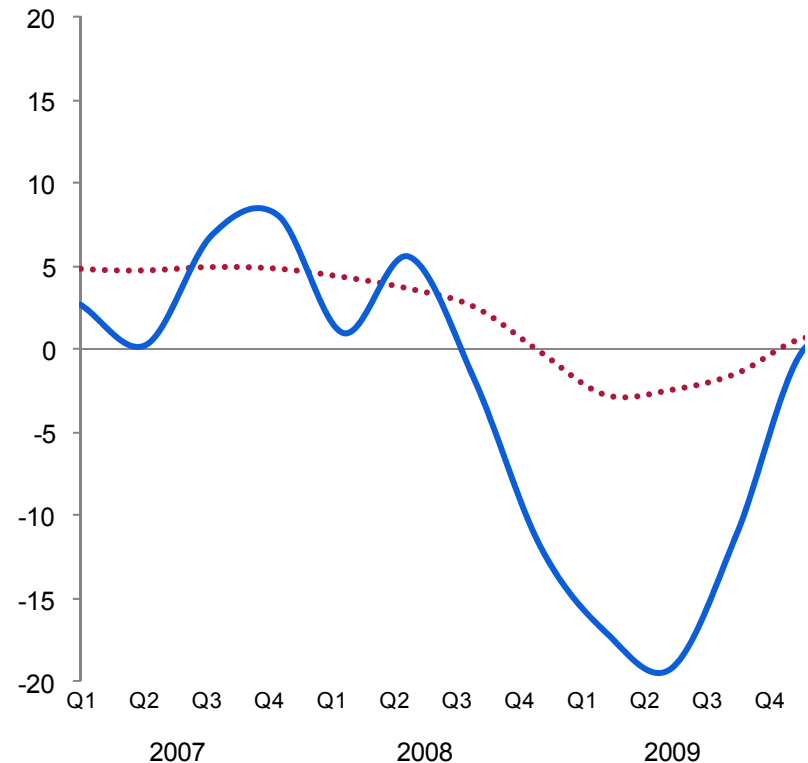
Previous crisis

Numbers in %



Current crisis

Numbers in %

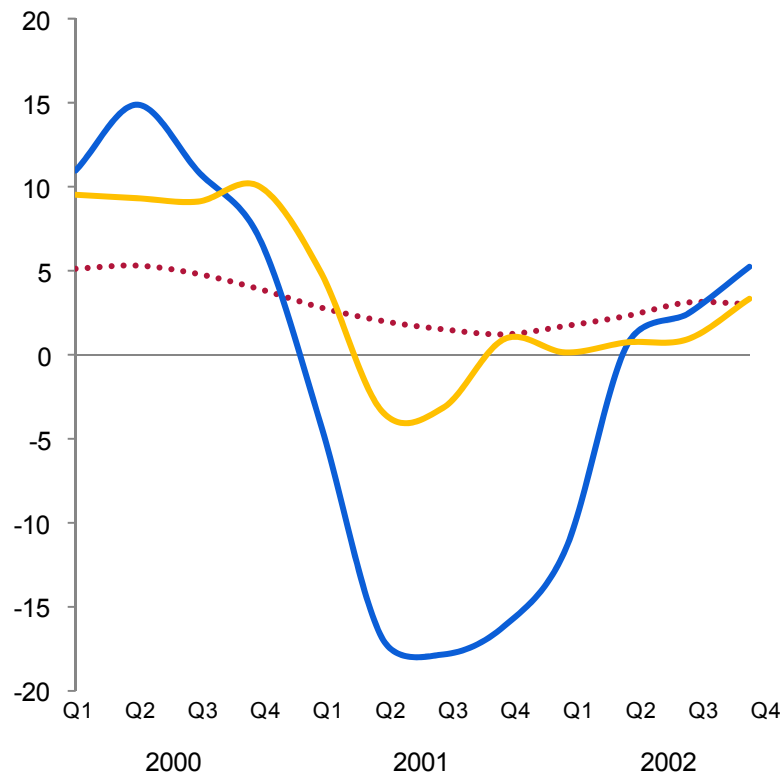


A more resilient company in much tougher times

..... Global GDP growth¹
 — Comparable sales growth²
 — Adjusted EBITA³

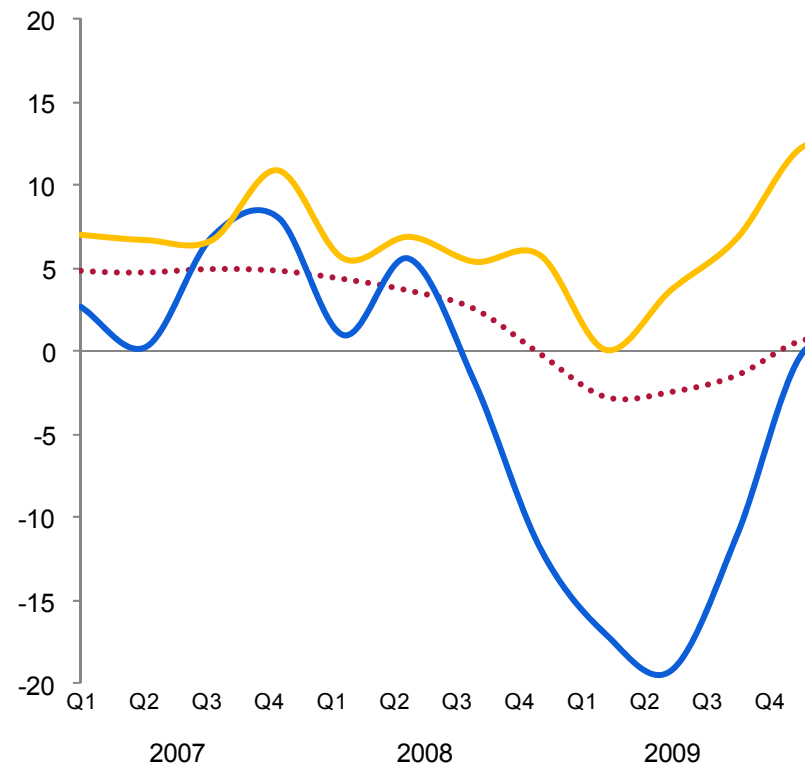
Previous crisis

Numbers in %



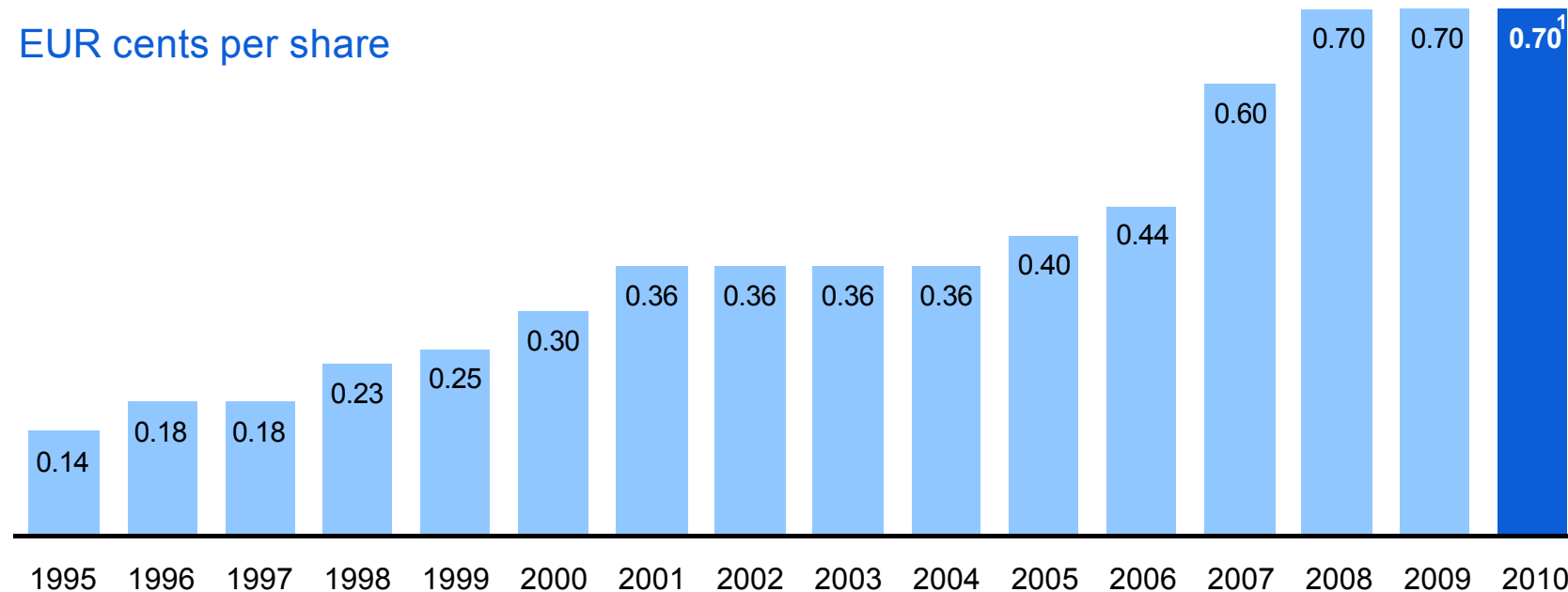
Current crisis

Numbers in %



Maintain dividend at stable level¹










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.”

¹ Elective dividend, proposal subject to approval in the General Shareholders Meeting on March 25th, 2010

Management agenda 2009

Drive performance	Accelerate change	Implement strategy
Relentlessly manage cash through the year 	Organize around customers and markets thereby improving Net Promoter Score 	Further build the Brand in the Health and Well-being space 
Proactively align cost structure with market conditions and increase productivity 	Increase Employee Engagement to high performance level and implement "Leading to Win" 	Continue to re-allocate resources to growth opportunities and emerging markets, including selective M&A 
Manage risks and opportunities in a balanced way to strengthen our market positions 	Accelerate sector transformation programs 	Increase revenue derived from leadership positions 

Financial performance 2009

Pierre-Jean Sivignon

Summary results Q4 and full year 2009

Q4 2009

- Third consecutive quarter of improving profitability
- Improved performance seen across all our business sectors
- Rebound in emerging markets; Europe improving; US still tough
- Further improvement in asset efficiency generated solid cash flow

Full year 2009

- Sales down 11% compared with 2008 due to very tough first half year
- EBITA, Net Income and Cash Flow all higher than 2008
- Stronger, more efficient balance sheet

Q4 2009 results

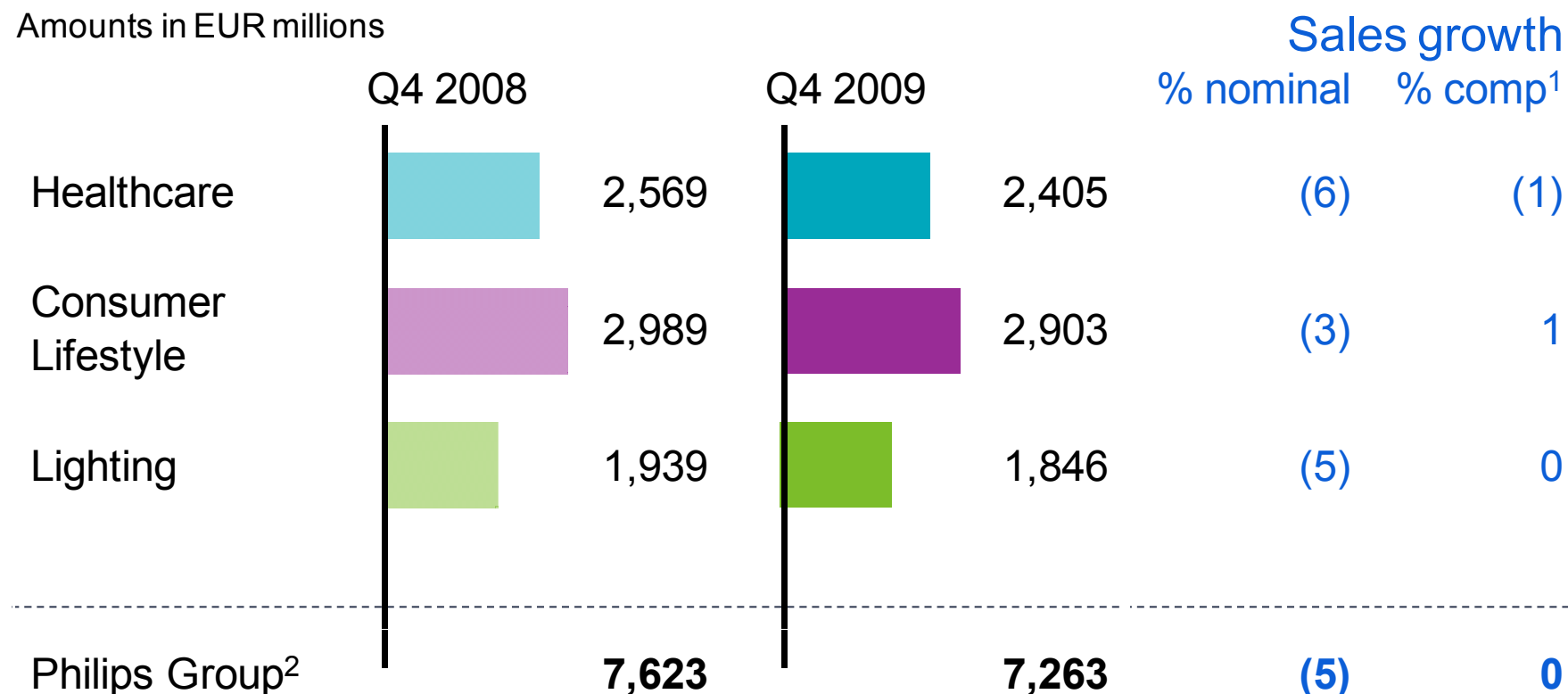
Q4 2009 – Summary results of the Philips Group

Amounts in EUR millions	Q4 2008	Q4 2009
Sales	7,623	7,263
<i>Comparable sales growth ¹</i>	-12%	0%
EBITA	26	662
<i>EBITA%</i>	0.3%	9.1%
Net income (loss)	(1,179)	260
Net Operating Capital	14,069	12,649
Free Cash Flow	1,467	726
<i>Net debt to group equity</i>	4 : 96	(1) : 101

¹ Excluding the effects of currency movements and changes in portfolio

Q4 2009 - Sales per business sector

Amounts in EUR millions



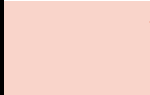







¹ Comparable sales growth; excluding the effects of currency movements and changes in portfolio

² Philips Group includes results Group Management & Services (GM&S)

Q4 2009 - Sales per market cluster

Amounts in EUR millions

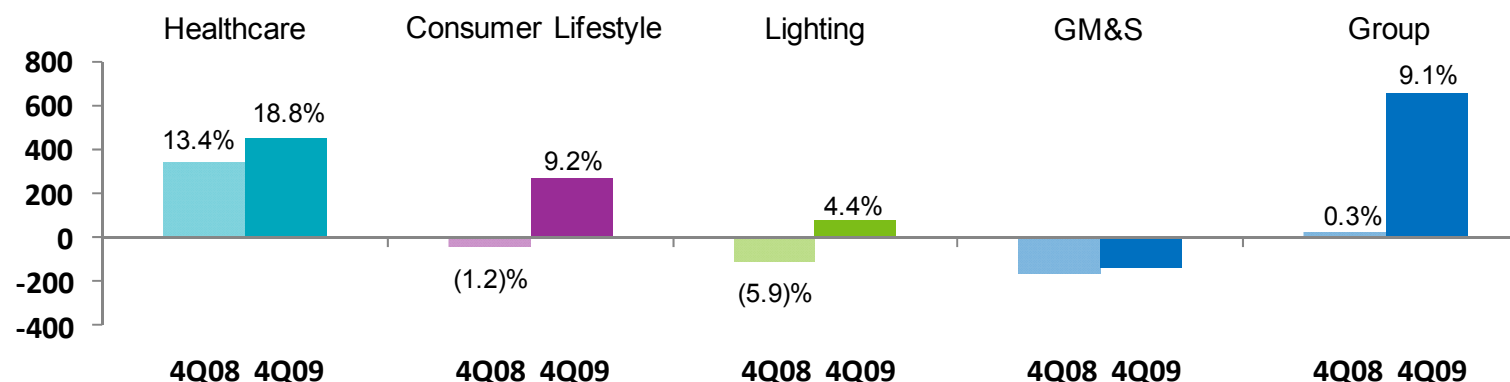
	Q4 2008	Q4 2009	Sales growth	
			% nominal	% comp ¹
Western Europe	 2,834	 2,832	(0)	0
North-America	 2,178	 1,794	(18)	(10)
Other mature markets	 370	 416	12	12
Emerging markets	 2,241	 2,221	(1)	8
Philips Group	7,623	7,263	(5)	0

¹ Comparable sales growth; excluding the effects of currency movements and changes in portfolio

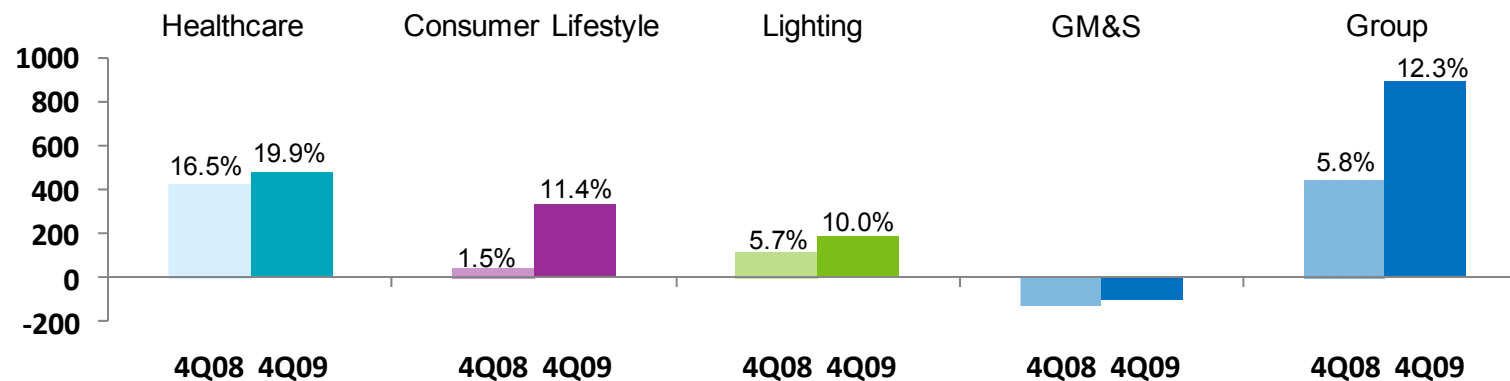
EBITA development in the quarter

Amounts in EUR millions

EBITA & EBITA% - Q4 2009



Adjusted EBITA & Adjusted EBITA% ¹ - Q4 2009



¹ - Net adjustment based on disclosed incidentals (in EUR million)

Q4 2008/2009: (82) (27)

(80) (64)

(226) (103)

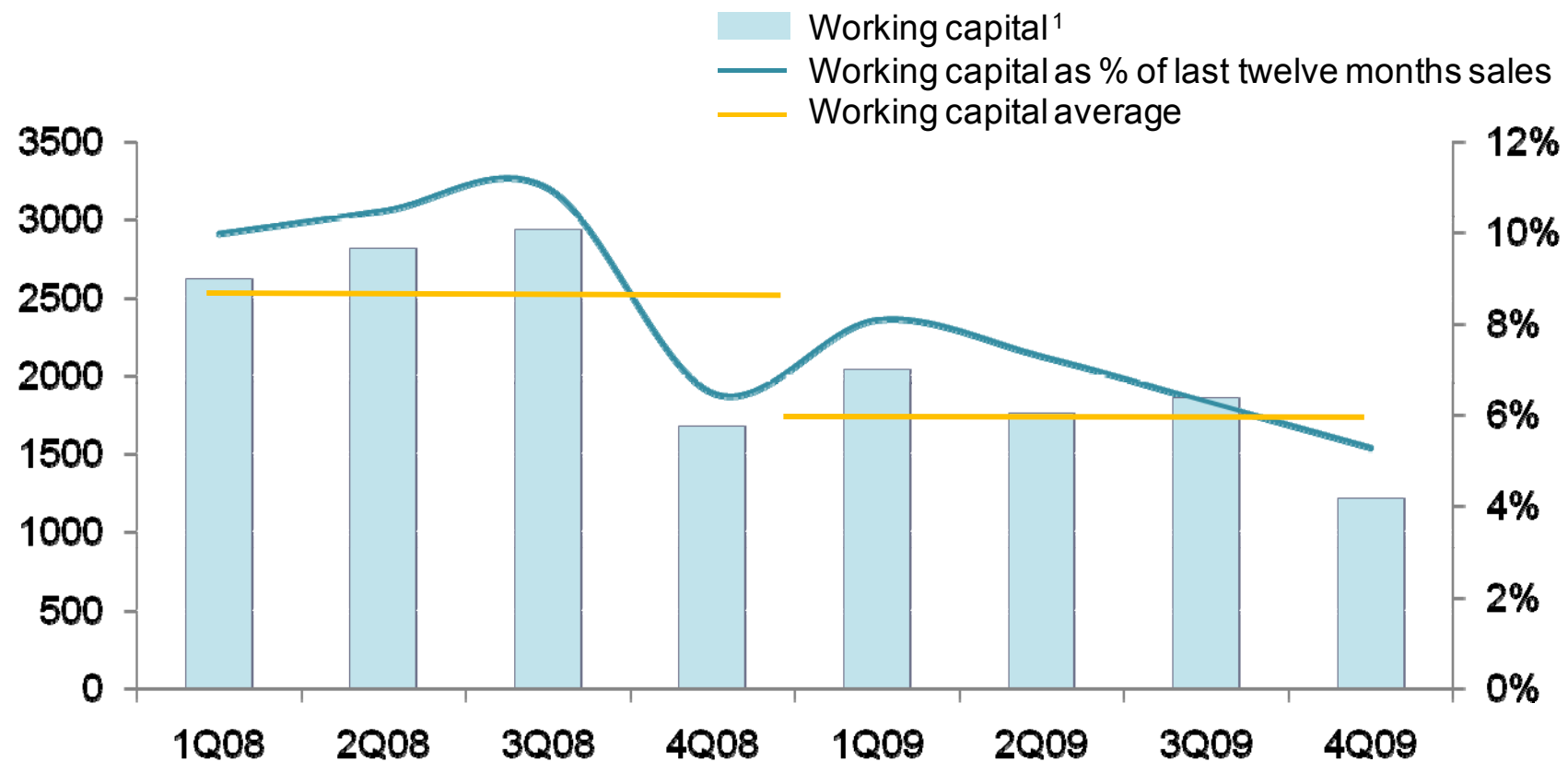
(31) (38)

(419) (232)

Strict cash flow management

Structural reduction in Inventories, Payables and Receivables

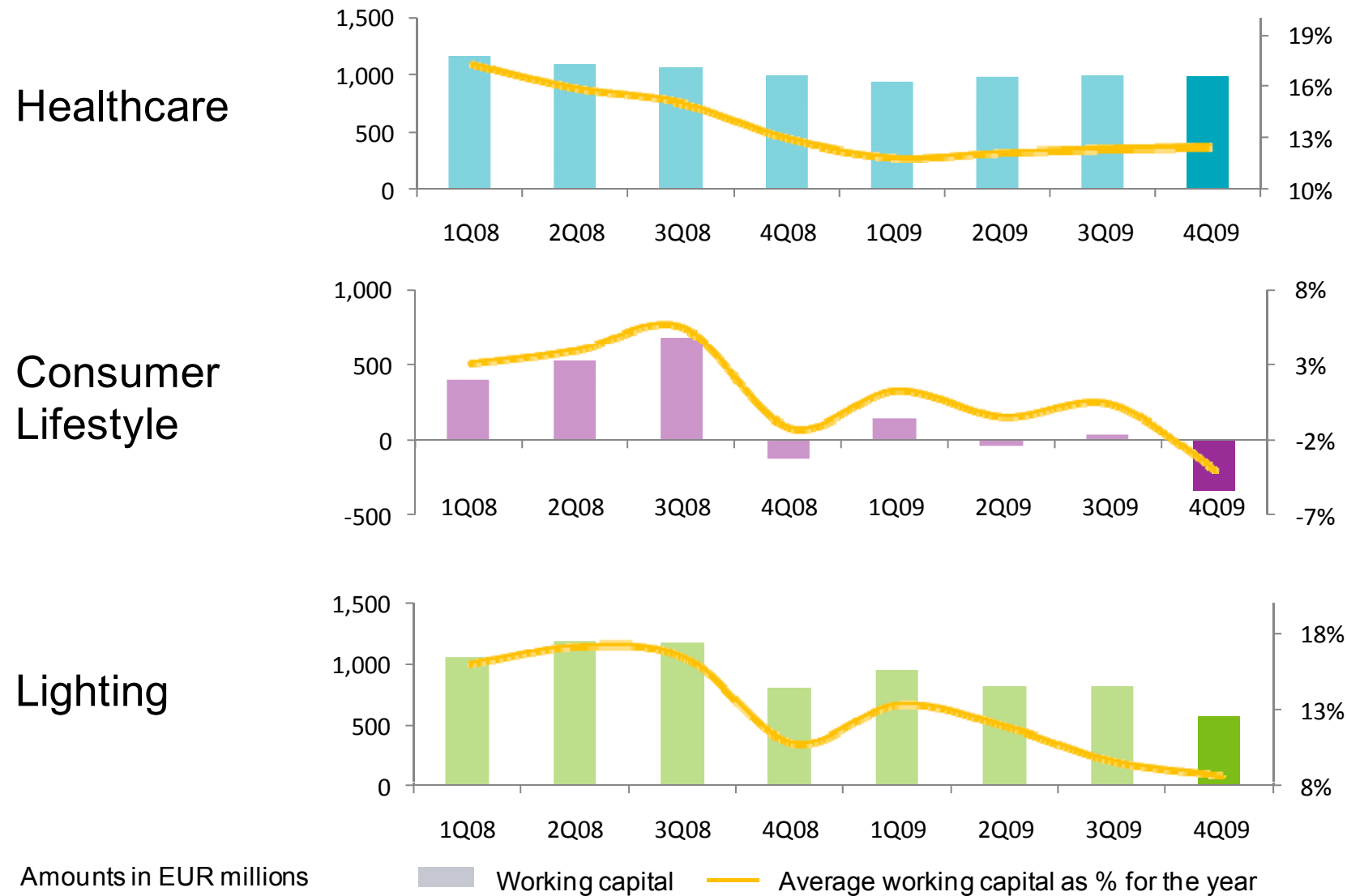
Amounts in EUR millions



¹ Working Capital of Healthcare, Consumer Lifestyle and Lighting; excluding central sector Group Management & Services (GM&S)

Working capital per business sector

Structural reduction in Inventories, Payables and Receivables



Full year 2009 results

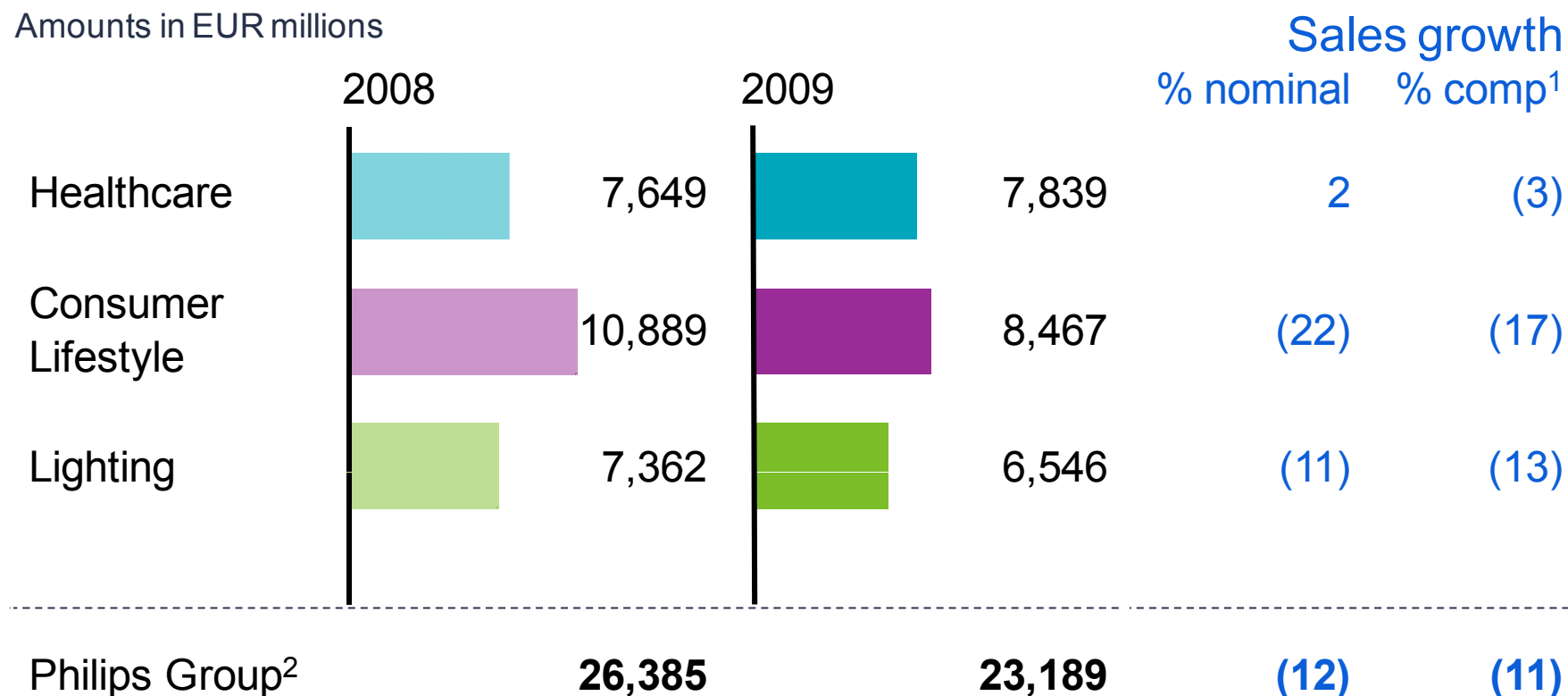
Full year 2009 – summary results of the Philips Group

Amounts in EUR millions	2008	2009
Sales	26,385	23,189
<i>Comparable sales growth ¹</i>	-3%	-11%
EBITA	744	1,050
<i>EBITA%</i>	2.8%	4.5%
Net income (loss)	(92)	424
Net Operating Capital	14,069	12,649
Free Cash Flow	773	863
<i>Net debt to group equity</i>	4 : 96	(1) : 101

¹ Excluding the effects of currency movements and changes in portfolio

Full year 2009 - sales per business sector

Amounts in EUR millions



¹ Comparable sales growth; excluding the effects of currency movements and changes in portfolio

² Philips Group includes results Group Management & Services (GM&S)

Full year 2009 - sales per market cluster

Amounts in EUR millions

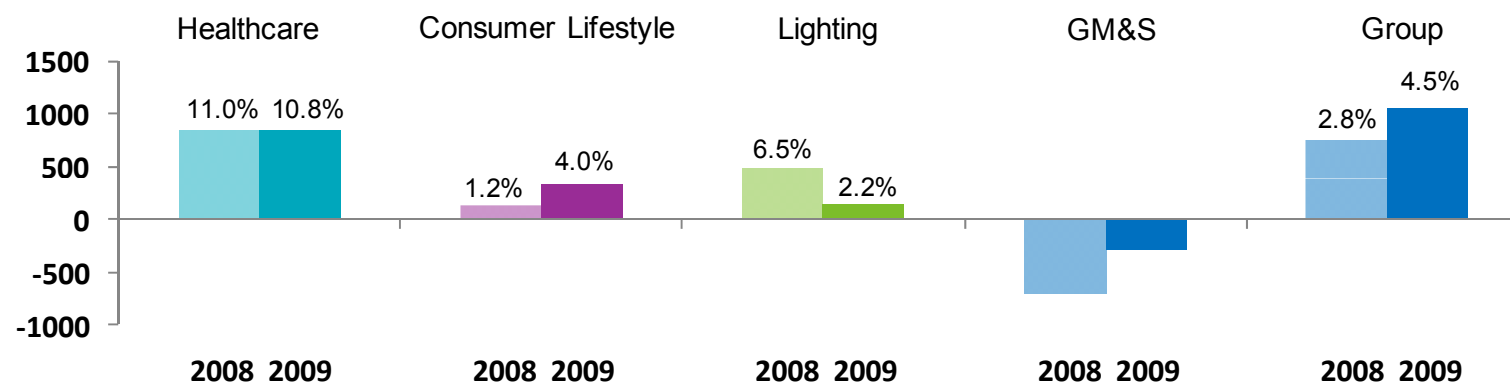
	2008	2009	Sales growth	
			% nominal	% comp ¹
Western Europe	9,514	8,431	(11)	(10)
North-America	7,579	6,597	(13)	(14)
Other mature markets	1,290	1,252	(1)	(8)
Emerging markets	8,022	6,908	(14)	(11)
Philips Group	26,385	23,189	(12)	(11)

¹ Comparable sales growth; excluding the effects of currency movements and changes in portfolio

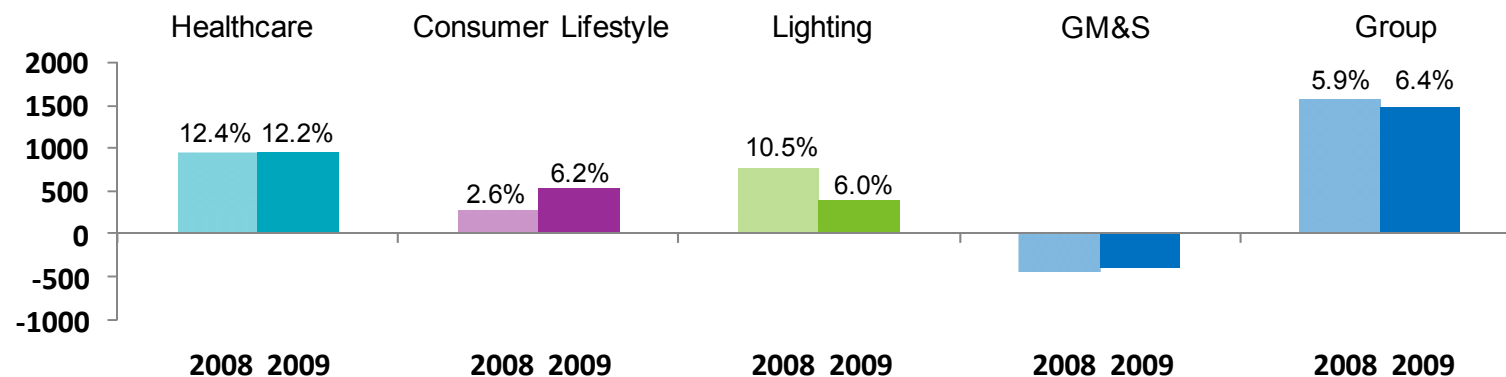
Full year 2009 - EBITA development

Amounts in EUR millions

EBITA & EBITA% - FY 2009



Adjusted EBITA & Adjusted EBITA% ¹ - FY 2009



¹ - Net adjustment based on disclosed incidentals (in EUR millions)

FY 2008/2009: (108) (106) (156) (183) (290) (247) (264) 113 (818) (423)

Fixed costs are structurally being reduced

Our restructuring plans announced since 2008 will lead to a reduction in our 2010 fixed cost base of well over EUR 700 million compared to the level in 2008. The expected restructuring costs for full year 2010 amount to EUR 150-250 million.

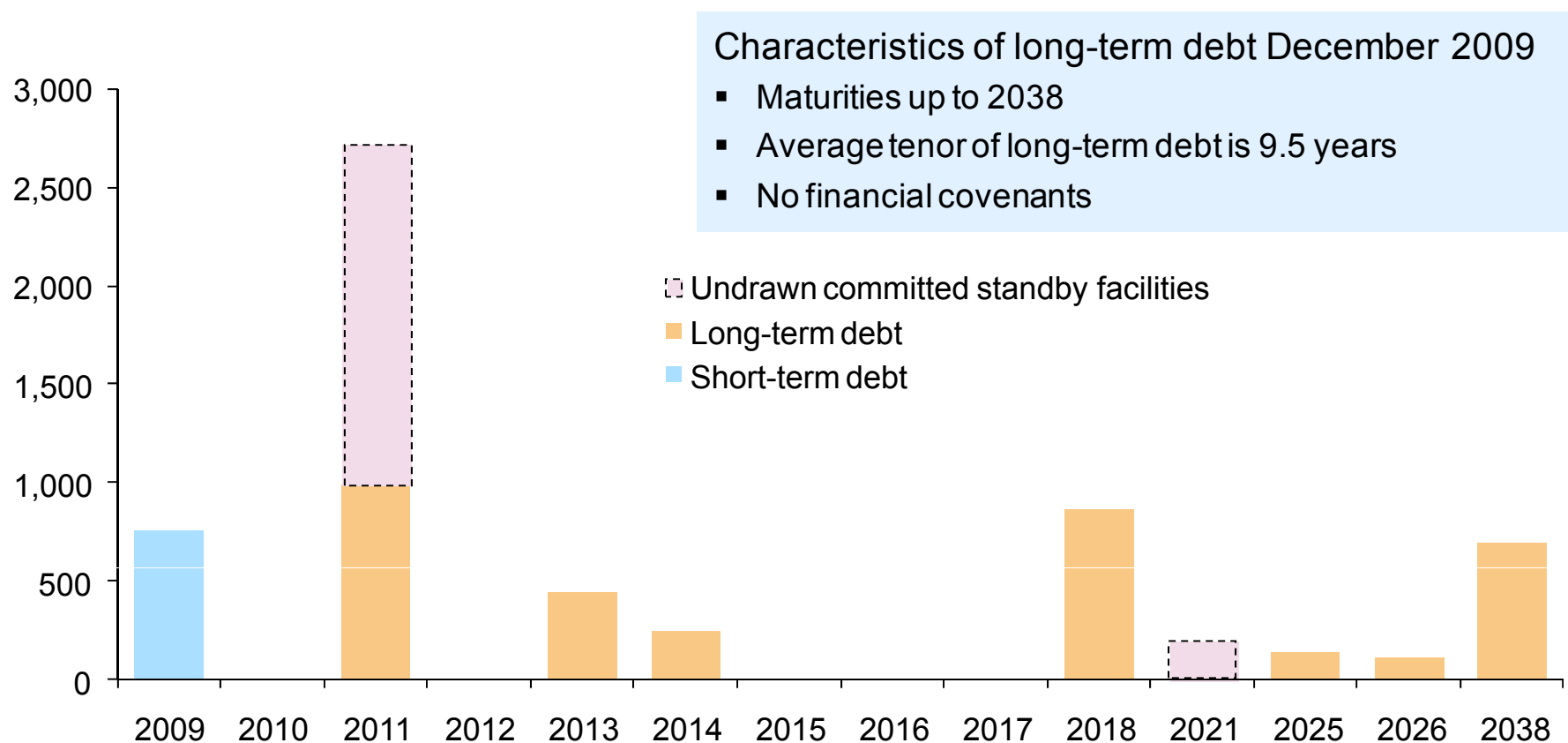
Restructuring	Cost				Cash out	Benefit <i>compared to 2008 baseline</i>		
<i>EUR million</i>	FY2008	4Q09	FY2009	1Q10E	2009	4Q09	FY2009	1Q10E
Healthcare	(63)	(10)	(43)	(14)	(61)	37	105	45
Consumer Lifestyle	(198)	(54)	(120)	(15)	(109)	69	200	69
Lighting	(245)	(96)	(225)	(15)	(116)	32	82	44
GM&S	(31)	(36)	(62)	-	(37)	15	31	15
TOTAL	(537)	(196)	(450)	(44)	(323)	153	418	173

Note: These numbers exclude acquisition-related charges of EUR 130M for FY2008 and EUR 101M for FY2009

First long-term debt maturing as of 2011

Debt maturity profile as of December 2009

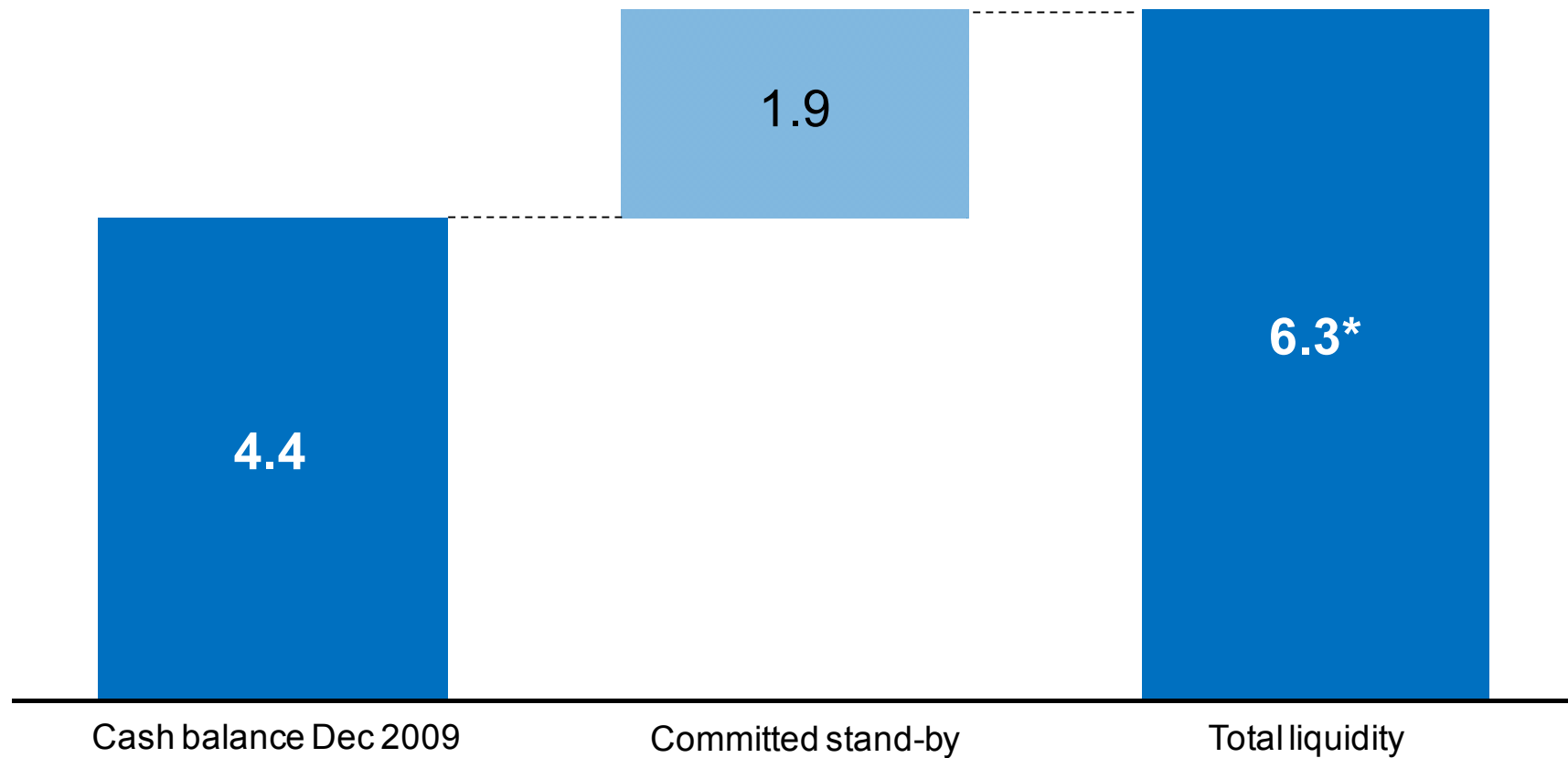
Amounts in EUR millions



Note: Short term debt consists mainly of local credit facilities that are being rolled forward on a continuous basis.

We ended 2009 with a strong liquidity position

Amounts in EUR billions



* Excluding uncommitted credit lines

Going forward

Gerard Kleisterlee



Well positioned through our focus on Health and Well-being

Synergies across the portfolio

Our mission

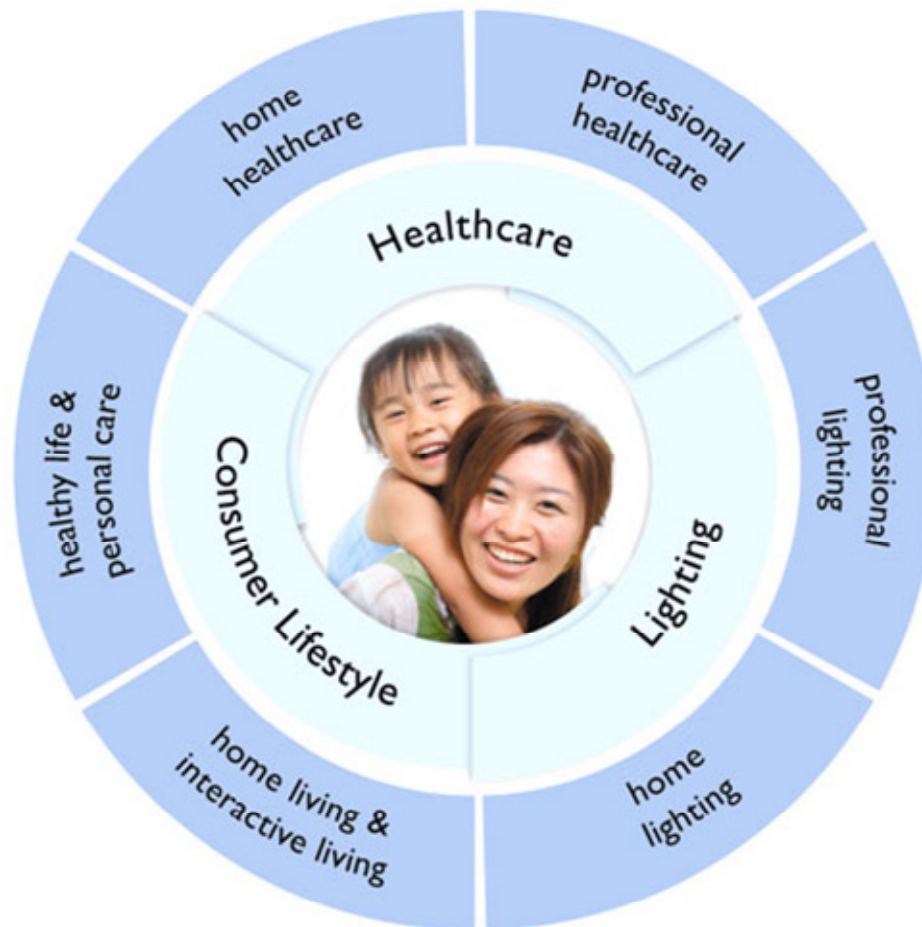
Improving people's lives

Our promise

"sense and simplicity"

Our company

- Common, end-user driven innovation process
- Strong global brand
- Channel access and global presence
- Engaged workforce
- Technology, know-how and strong IP positions
- Economies of scale e.g. Shared service centers



A strong position in emerging markets



Emerging markets represent 30% of sales

In Healthcare double-digit growth in sales and order intake

High corporate brand equity

Consistently among the top-ranking players in India, China, Russia and Brazil

Championing growth with dedicated strategies

Based on local market insights, supported by increased marketing investments

Increasing our footprint

- Opened more than 100 exclusively Philips branded lighting stores in China and India
- Established an Imaging Systems Industrial Campus in Suzhou, China

Coupled with leadership in many markets

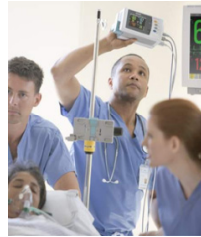
Examples of key leadership positions

Healthcare



Cardiovascular Market

#1 Global, Cath Labs



Patient Monitoring

#1 Global, Critical Care



Care and Resuscitation

#1 Global, AEDs (Automated External Defibrillators)

Consumer Lifestyle



Male shaving

#1 Global, Arcitec and Nivea for men



Coffee makers

#1 Western Europe, Senseo



Rechargeable toothbrushes

#1 US
2 Global, Flexcare

Lighting



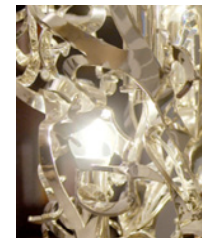
Professional Lighting

#1 Global, City Beautification; sports lighting



Consumer Lighting

#1 Global, LED-based luminaires



Lamps

#1 Global, Energy-efficient lighting

Sustainability as a driver for growth



Our commitment

One of the strategic drivers behind our targets is a commitment to sustainability and making a difference in energy efficiency

EcoVision4 program

A clear example of how we are driving business growth through Sustainability is the launch of our EcoVision4 program in 2007

Targets for the period 2007 – 2012¹

- Generate 30% of revenues from Green Products up from 15%
- Double our investment in Green Innovations to a cumulative EUR 1 billion
- Further increase the energy efficiency of our operations by 25%

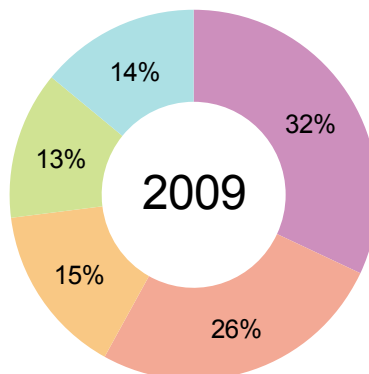
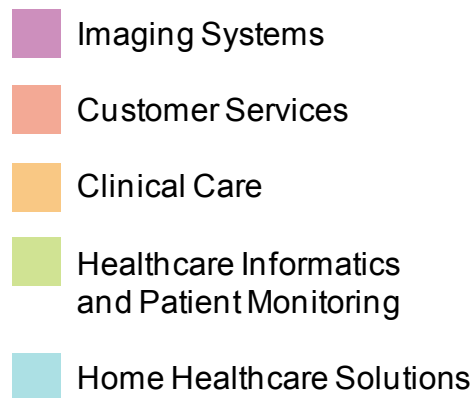
¹ We will give a full update of our integrated financial, social and environmental report on February 22

Healthcare performance

Highlights

- Nominal sales were up fueled by growth in Home Healthcare Solutions and Customer Services
- Emerging markets enjoyed double-digit growth in sales and order intake, lessening the sector's dependence on North-America
- We gained share in Imaging Systems

Total sales EUR 7.8 billion, EBITA EUR 848 million



Healthcare opportunities

Global trends

- Ageing population leading to a spike in chronic diseases
- Urbanization and rise of emerging markets leading to lifestyle changes, fueling cardiovascular illnesses and respiratory and sleeping disorders

Priorities

- Move towards leadership position in Imaging Systems:
 - New products addressing the needs of customers in all segments – such as breakthrough PET/CT system and value 16 slice CT scanner – well perceived
 - New Industrial Campus for Imaging Systems in China
- Grow our Home Healthcare business:
 - Recent launch of a new Philips Respironics sleep therapy product range
 - Philips Lifeline will introduce its next generation medical alert service in the first quarter of 2010

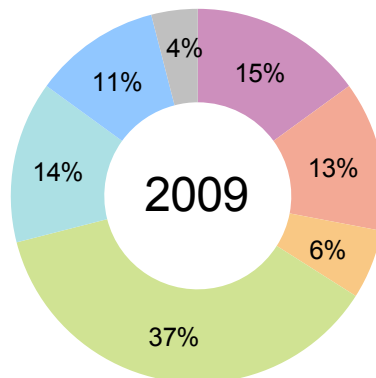
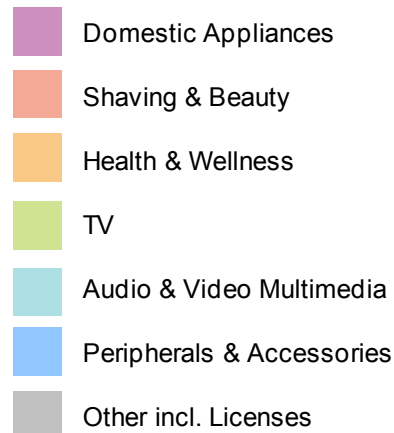


Consumer Lifestyle performance

Highlights

- Improved profitability in virtually all businesses
- Domestic Appliances and Health & Wellness posted nominal sales growth
- Successful execution of the merger of DAP and CE and over-delivery on synergies
- Substantially improved our performance in the TV business
- Became the world's largest coffee appliances maker with the acquisition of espresso machine maker Saeco

Total sales EUR 8.5 billion, EBITA EUR 339 million



Consumer Lifestyle opportunities

Global trends

- Consumers are increasingly focused on their Health and Well-being
- The already substantial middle and upper income segments of Emerging Markets are growing fast
- Back to basics: consumers want simple propositions from trusted brands

Priorities

- Accelerate growth in four defined value spaces: Healthy Life; Personal Care; Home Living; Interactive living
- Maximize Health and Wellness opportunity
- Invest and prioritize Asia-first innovations for local and global markets
- Improve market shares in BRIC and key markets
- Manage TV to profitability for the year



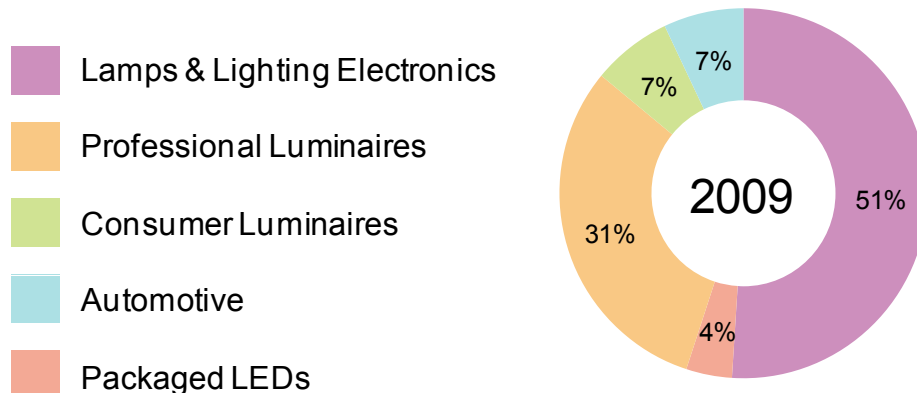


Lighting performance

Highlights

- Philips was the first to enter an important US Department of Energy contest calling for viable 60W LED replacements for 'normal' lamps: our submission was named the year's 3rd best innovation by TIME Magazine
- We complemented our portfolio with several strategic acquisitions: Ilti Luce, Dynalite, Selecon and Teletrol
- We opened more than 100 exclusively Philips branded lighting stores in China and India in 2009
- Q4 LED product sales amounted to 10% of total for the first time

Total sales EUR 6.5 billion, EBITA EUR 145 million



Lighting opportunities

Global trends

- Ongoing urbanization and globalization
- Increasing need for energy efficient solutions
- Fast growing global illumination market, partly driven by expanding renovation market
- Rapid adoption of LED-based lighting solutions worldwide

Priorities

- Launch new professional solutions with specific emphasis on being a leader in professional outdoor lighting solutions
- Substantially grow home lighting solutions business for consumers
- Develop and market new forms of versatile and energy efficient LED innovations
- Maximize the profitability of our conventional lighting business



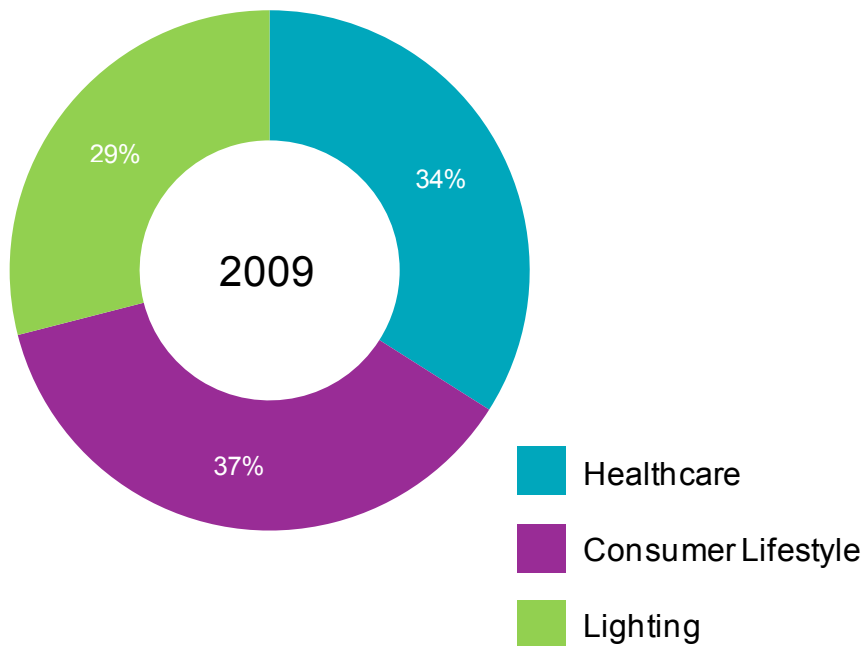
Management agenda 2010

The leading company in Health and Well-being

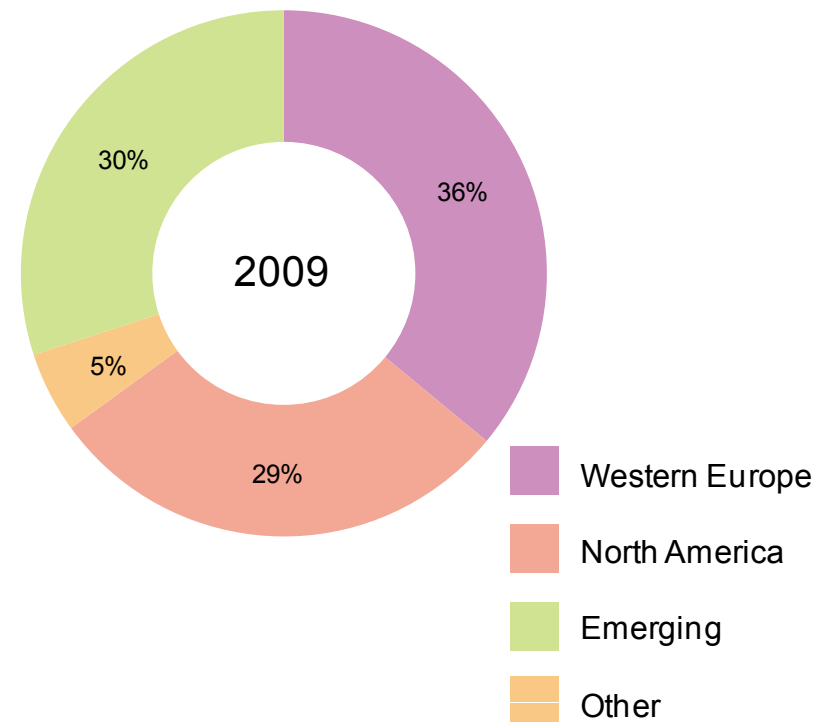
Drive performance	Accelerate change	Implement strategy
<ul style="list-style-type: none"> • Drive top-line growth and market share • Continue to reduce costs and improve cost agility • Further increase cash flow by managing cash aggressively 	<ul style="list-style-type: none"> • Increase customer centricity by empowering local markets and customer facing staff • Increase number of businesses with NPS co/leadership positions • Increase employee engagement to high performance level 	<ul style="list-style-type: none"> • Increase our market position in emerging markets • Drive key strategy initiatives for each sector <ul style="list-style-type: none"> – Move towards leadership position in imaging – Grow Home Healthcare – Grow Health and Wellness – Manage TV to profitability – Become lighting solutions leader in outdoor – Grow consumer luminaires – Optimize lamps lifecycle • Leverage Sustainability as an integral part of our strategy

A balanced portfolio from every perspective

Balanced spread of business sectors
(actual sales split)



Balanced regional spread
(actual sales split)



Conclusions

- We successfully managed through the downturn while staying our strategic course and we became a stronger company
- We are a much simpler, more resilient and agile company than we used to be
- We are confident we will continue to improve our financial performance in 2010





PHILIPS

sense and simplicity