

PHILIPS

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2010 Annual Results

Monday, January 24th 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, 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 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 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’.

Today's agenda

Highlights and summary 2010

Gerard Kleisterlee

Financial performance 2010

Pierre-Jean Sivignon

Looking Forward

Gerard Kleisterlee

Highlights and summary 2010

Gerard Kleisterlee

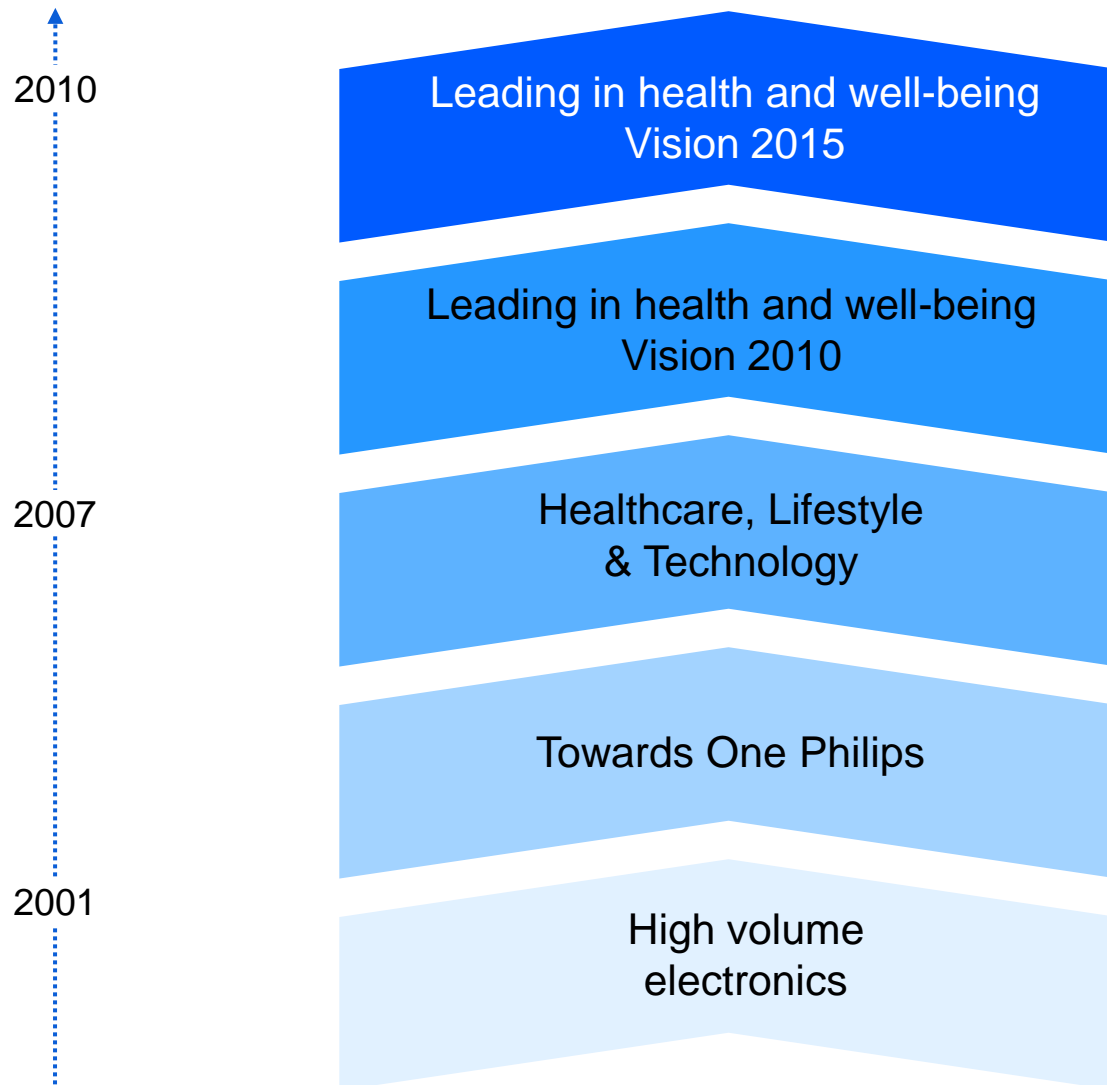
2010 Performance

Group themes of the year

- Emerging from the crisis a stronger company, with profitability the highest in a decade
 - Significantly exceeded Vision 2010 profitability target with adjusted EBITA of 10.5%
- First half of year strong rebound post-financial crisis
- Second half of the year affected by mixed consumer demand
- Launched Vision 2015 articulating new growth agenda
- Seamless transition to new management



Becoming a global leader in health and well-being



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Q4 Performance

Group summary results

Amounts in EUR millions

	Q4 2009	Q4 2010
Sales ¹	7,263	7,392
EBITA	662	873
EBITA %	9.1%	11.8%
Adjusted EBITA	895	840
Adjusted EBITA %	12.3%	11.4%
Net income	260	465
Return on Invested Capital	4.0%	11.7%
Free Cash Flow	726	1,336

¹ Indicates nominal sales

2010 Performance

Group summary results

Amounts in EUR millions

	2009	2010
Sales ¹	23,189	25,419
EBITA	1,050	2,552
EBITA %	4.5%	10.0%
Adjusted EBITA	1,474	2,666
Adjusted EBITA %	6.4%	10.5%
Net income	424	1,452
Return on Invested Capital	4.0%	11.7%
Free Cash Flow	863	1,333

¹ Indicates nominal sales

Healthcare

Performance 2010

Adjusted EBITA 14.7% - Sales EUR 8.6 billion

- Full year comparable sales were 4% higher, largely driven by Home Healthcare Solutions and Customer Care Services. Incoming equipment orders up 9%
- Sales in Emerging Markets increased by 7%, with notable increases in China, India and ASEAN - incoming orders up by 16% year on year

2010 Business Highlights

- Philips and Electron partnered to deliver domestically made healthcare solutions, designed for the Russian market
- At annual RSNA meeting, Philips unveiled “Imaging 2.0”, a concept fueled by 8 breakthrough innovations in imaging, providing Philips with leadership in radiology



Consumer Lifestyle

2010 performance

Adjusted EBITA 7.9% - Sales EUR 8.9 billion

- Strong sales performance in Health and Wellness and Personal Care
- In TV - weak ending to the year driven by slow consumer demand. Continued to take decisive actions with brand license agreements in India and China

2010 Business Highlights

- With the introduction of Senso Touch 3D, Philips has become the most recommended shaving brand in China
- Continuation of growth strategy with the acquisitions of Discus Holdings and today's announcement of Preethi in India
- Global headquarters of Domestic Appliances moving to Shanghai to better serve Asian markets



Lighting

2010 performance

Adjusted EBITA 12.8% - Sales EUR 7.6 billion

- Overall LED sales grew 79% compared to 2009 resulting in 13% total share of sales in 2010
- Double digit growth in Emerging Markets driven by China, Brazil, India and Russia
- Sales of green products contributed over 58% to overall Lighting sales

2010 Business Highlights

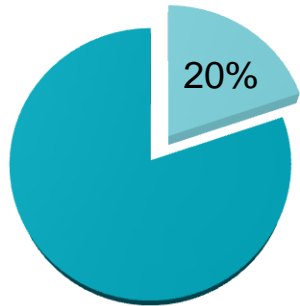
- Philips LED replacement solution for traditional 60-watt bulbs was selected as the best LED replacement lamp of 2010 by the American Lighting Association (ALA), the Consortium for Energy Efficiency (CEE), and the US Department of Energy (DOE)
- We have expanded our portfolio and market leadership with acquisitions of Luceplan, Burton, NCW Holdings and the street lighting control business from Amplex



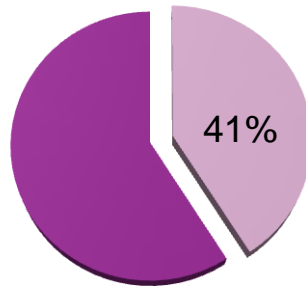
2010 Performance

Sales in emerging markets

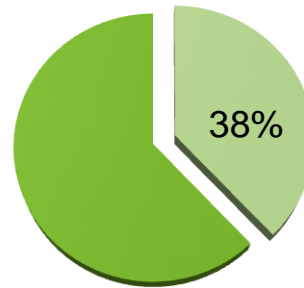
2010



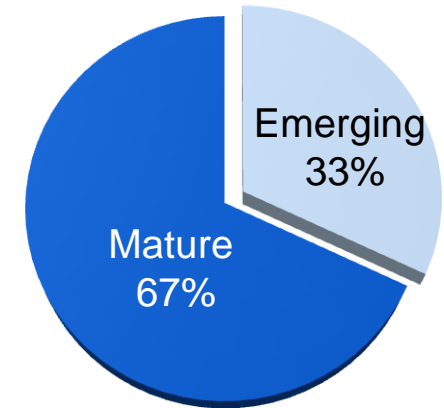
Healthcare



Consumer Lifestyle

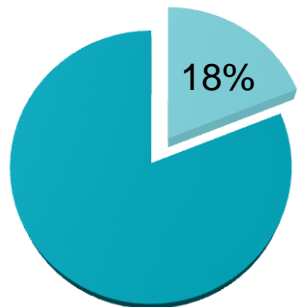


Lighting

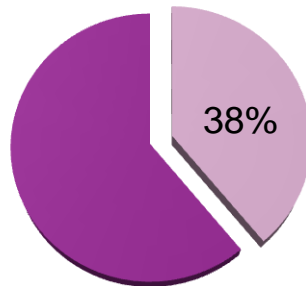


Philips Group

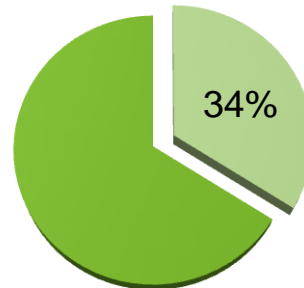
2009



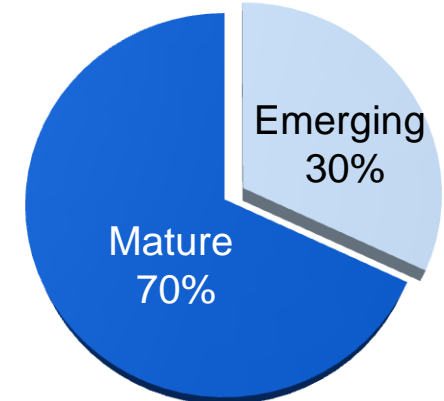
Healthcare



Consumer Lifestyle



Lighting



Philips Group

2010 Performance

We are a leading global brand

Philips ranks 42nd

Brand Value

USD 8.7 billion

Interbrand

Best Global Brands

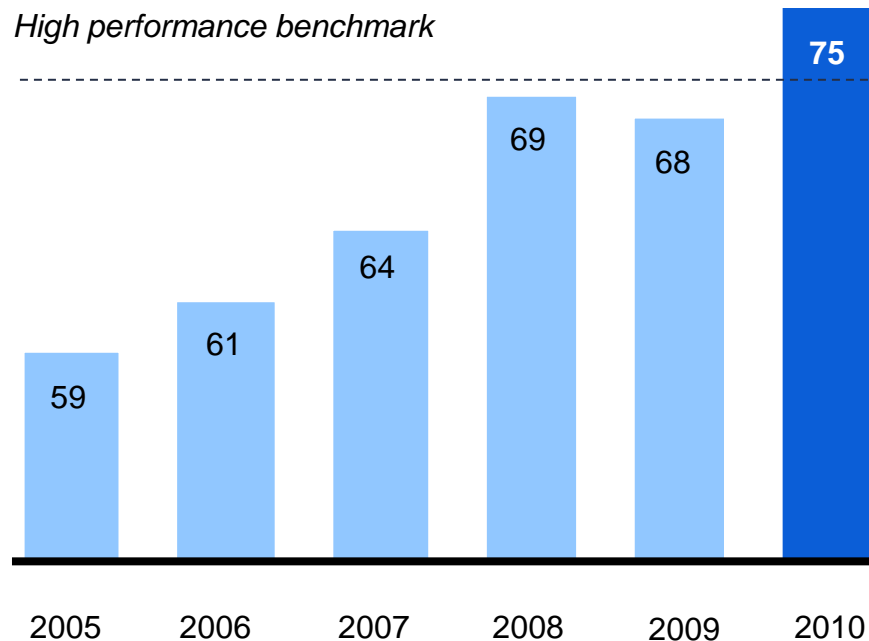
Rank	Previous Rank	Brand	Brand Value (\$m)	Change in Brand Value
40	↓ 36		8,887	-13%
41	↓ 35		8,880	-14%
42	42	PHILIPS	8,696	7%
43	↑ 46		8,453	15%
44	↓ 41	GUCCI	8,346	2%
45	↓ 44	L'ORÉAL	7,981	3%
46	↑ 48		7,534	4%
47	↓ 45	accenture	7,481	-3%
48	↑ 50	ZARA	7,468	10%
49	↓ 47	SIEMENS	7,315	0%

2010 Performance

Philips people drive productivity

Employee Engagement Index

High performance benchmark



Philips at high performance norm

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

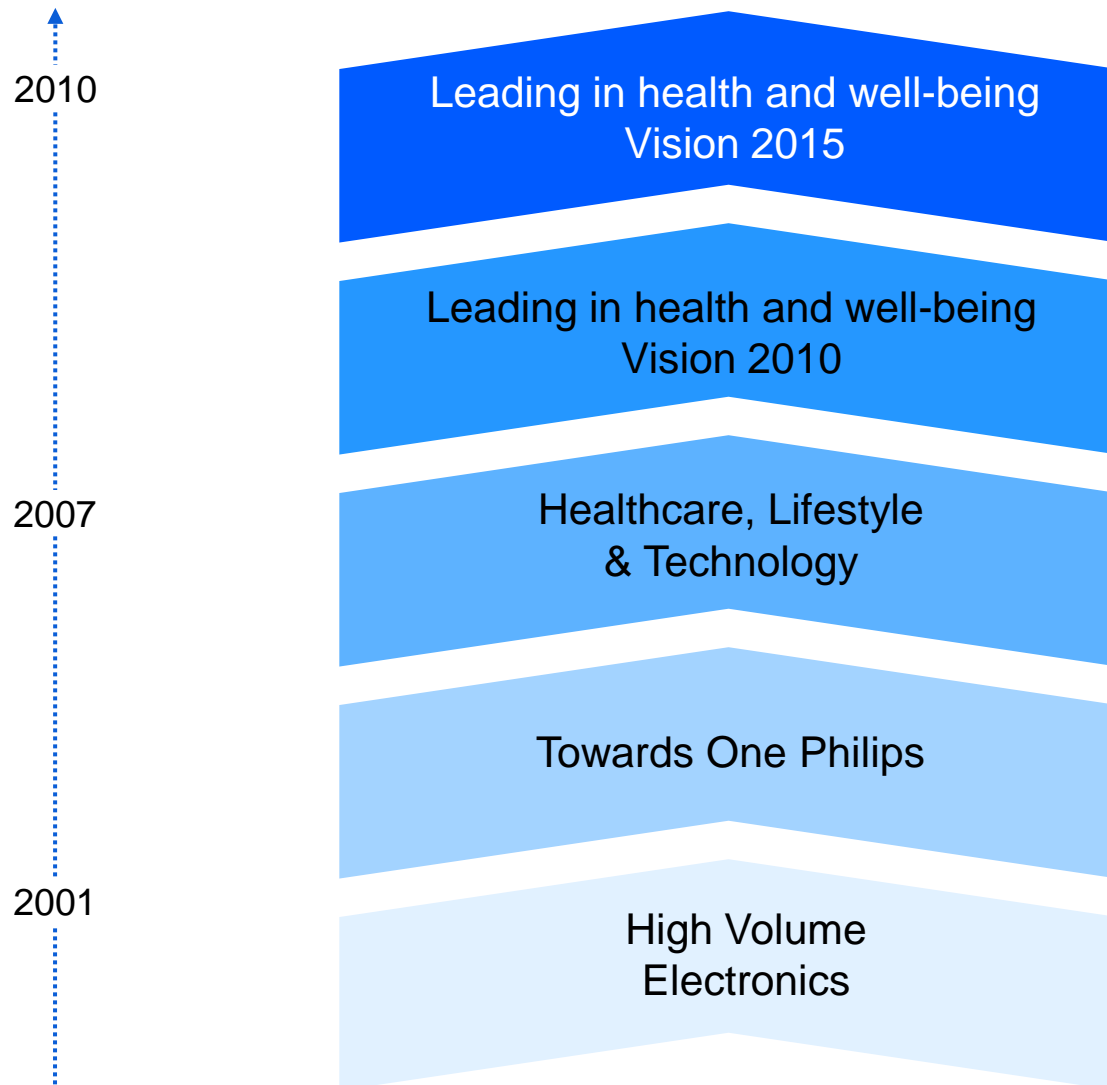
Philips benefits from:

A strong leadership team

A highly engaged workforce

Productivity per employee, which increased by 20% year on year

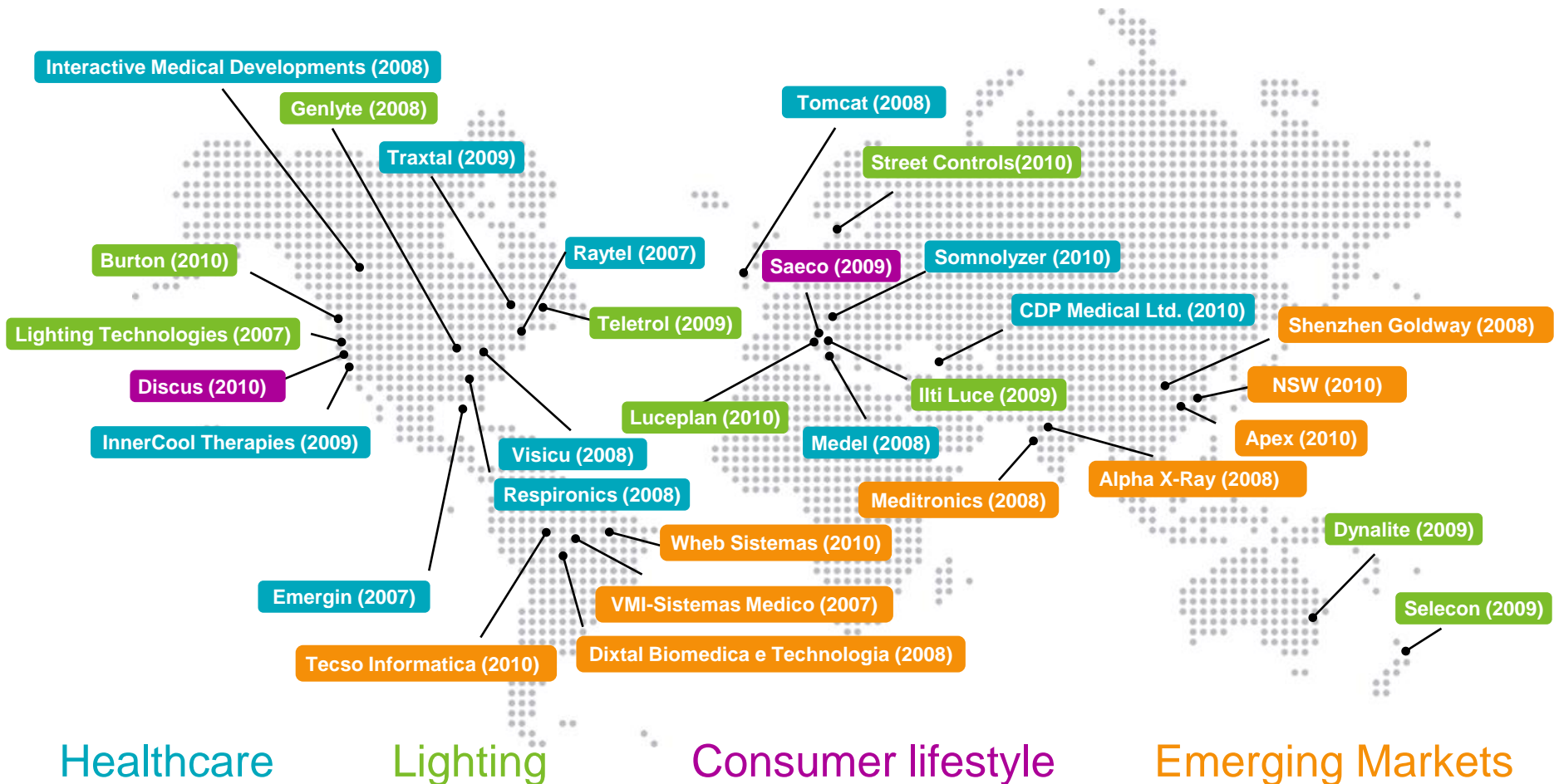
Becoming a global leader in health and well-being



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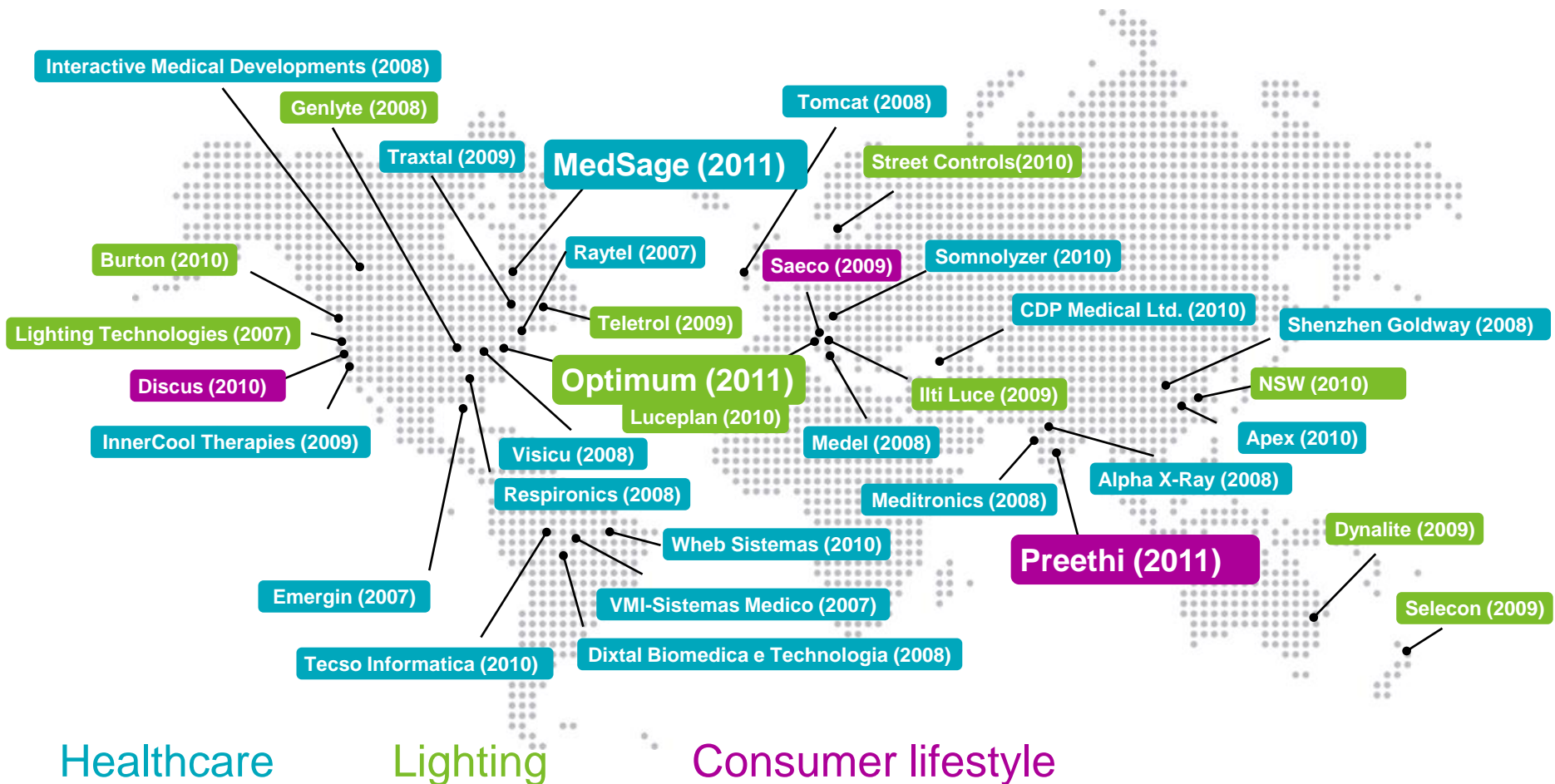
Strategic acquisitions

Capital reallocation laid down the foundation for a more focused portfolio



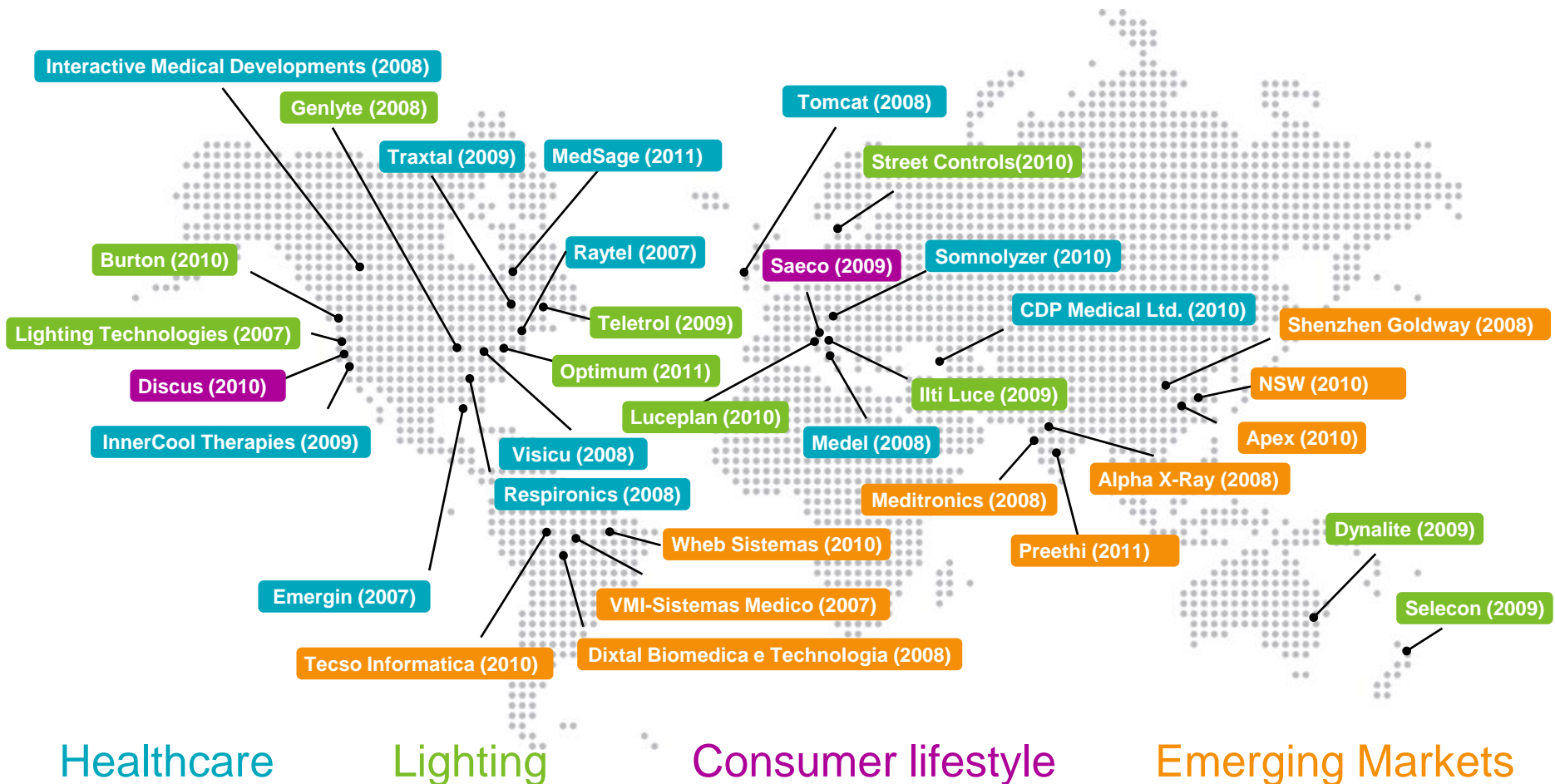
Strategic acquisitions

Capital reallocation laid down the foundation for a more focused portfolio



Strategic acquisitions

Capital reallocation laid down the foundation for a more focused portfolio



Strategic acquisitions

Philips to acquire Preethi

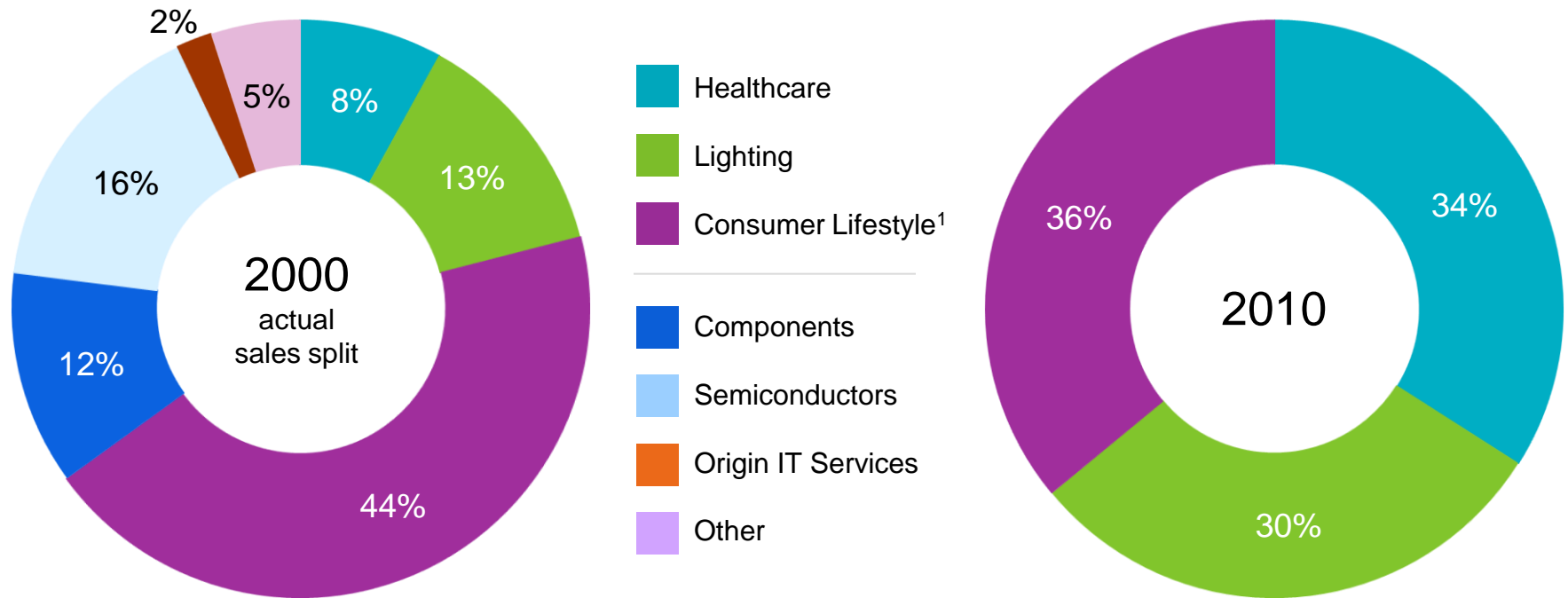
- Philips acquires Preethi to drive kitchen appliance market growth in India
 - This acquisition makes Philips the clear leader in this fast-growing segment in India
 - Preethi has seen several years of double-digit revenue growth
 - Demand for Preethi's products is expected to continue to rise rapidly as India's middle class expands
 - The acquisition demonstrates Philips' commitment to drive local innovation



Transforming Philips

Profound shift towards health and well-being

We have fundamentally simplified our business portfolio, investing proceeds from disposals in our Healthcare, Consumer Lifestyle and Lighting businesses

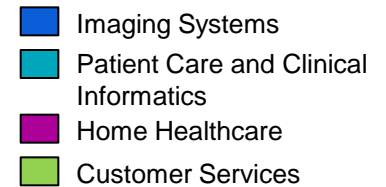
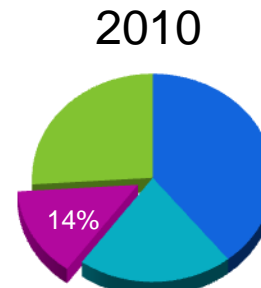
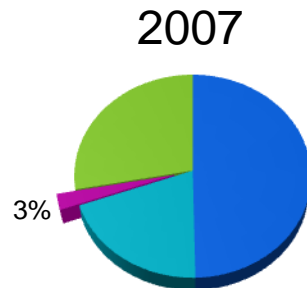


Transforming Philips

We built a portfolio of businesses that stands to grow on the back of global trends

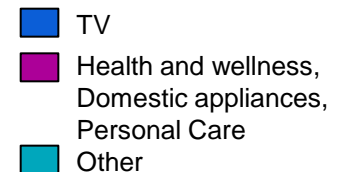
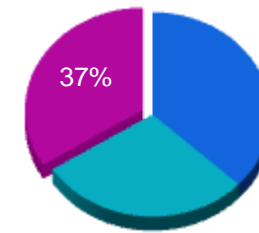
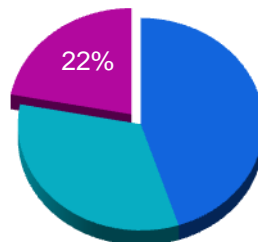
Healthcare

We diversified beyond Imaging Systems and created a significant Home Healthcare business



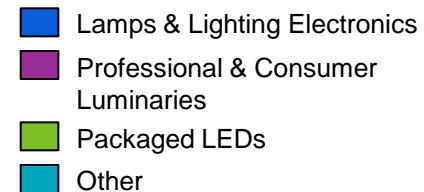
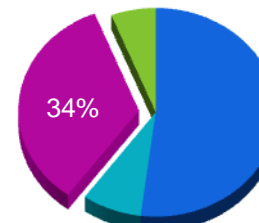
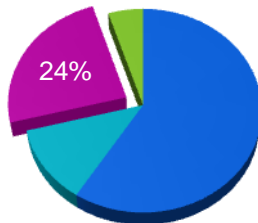
Consumer Lifestyle

We managed to grow higher-margin categories such as Health and Wellness and Domestic Appliances



Lighting

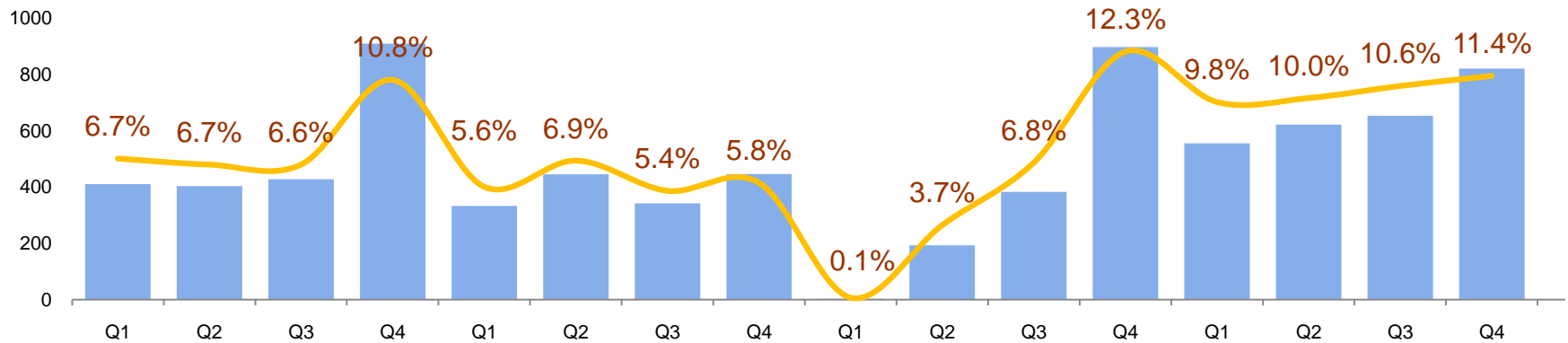
We transformed Lighting from a lamps business to a solutions & applications business while firming up our LED position



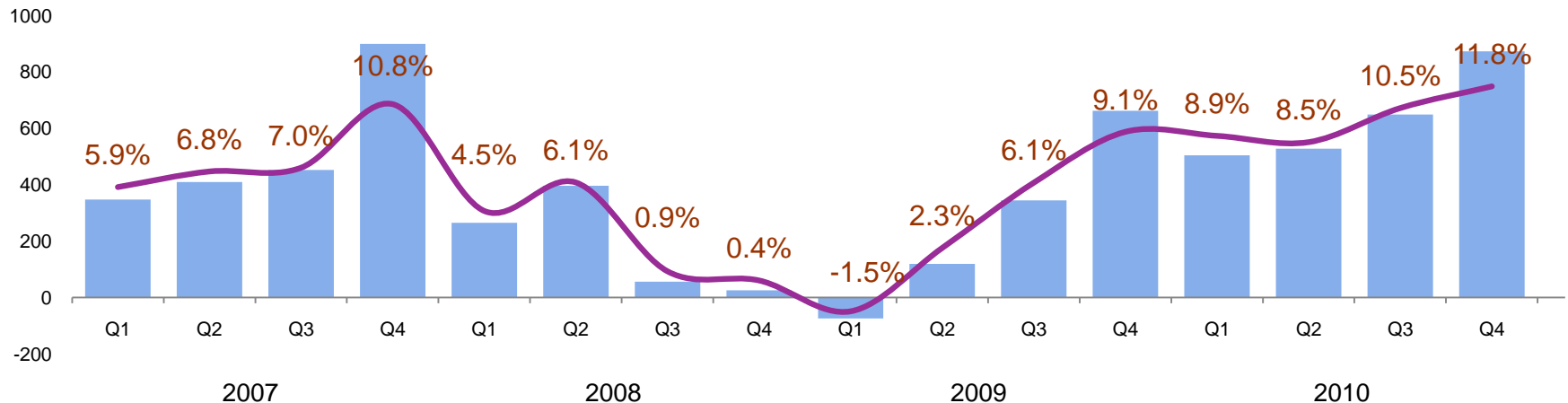
Record profitability in 2010

Adjusted EBITA¹ of 10.5%

In EUR millions

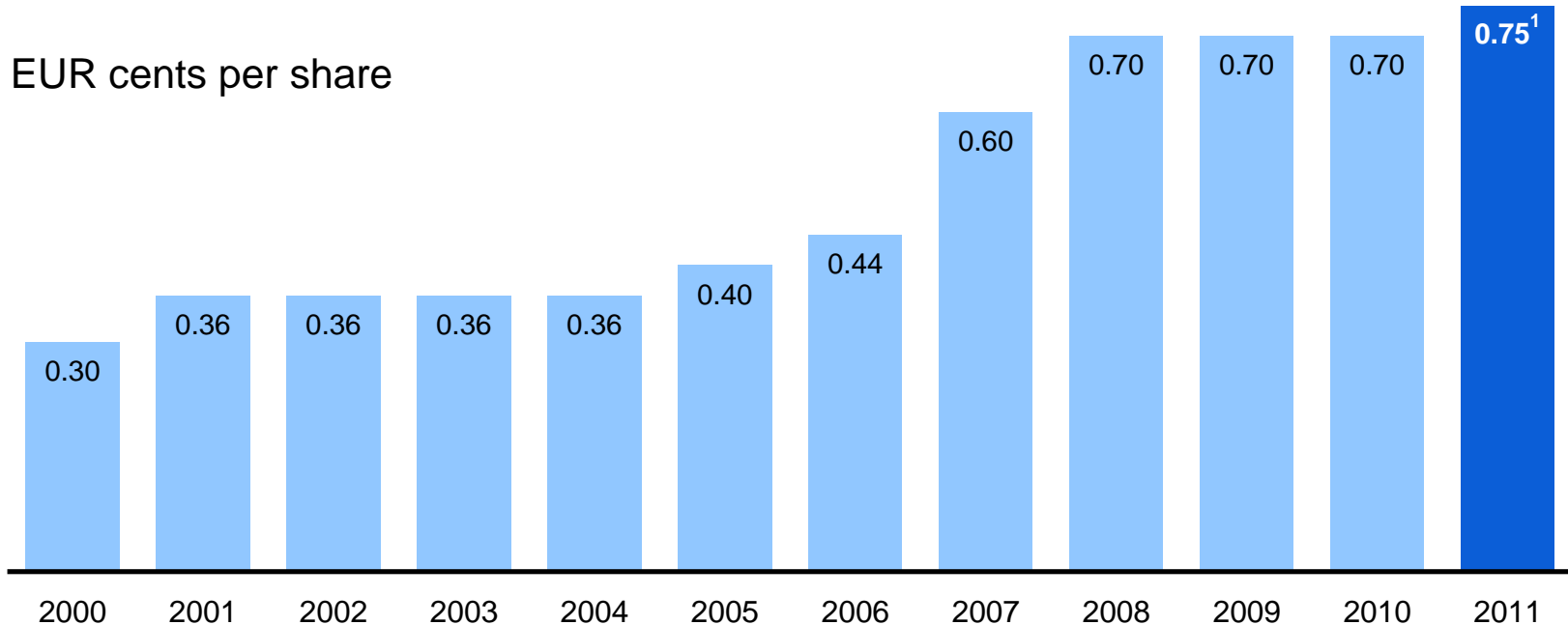


Reported EBITA of 10%



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

Dividend more than doubled in the last decade



“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 31st

Management agenda 2010

The leading company in Health and Well-being

Drive performance

- Drive top-line growth and market share
- Continue to reduce costs and improve cost agility
- Further increase cash flow by managing cash aggressively

Accelerate change

- 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

Implement strategy

- Increase our market position in emerging markets
- Drive key strategy initiatives for each sector
 - 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

Financial performance 2010

Pierre-Jean Sivignon

Summary results Q4 and full year 2010

Q4 2010

- Net income of EUR 465 million, an increase of EUR 205 million compared to Q4 2009
- EBITA of EUR 873 million and sales of EUR 7.4 billion
- Further improvement in asset efficiency generated solid cash flow

Full year 2010

- EBITA margin of 10%, hitting Vision 2010 target. Adjusted EBITA margin of 10.5%, which is significantly higher than the 6.4% in 2009
- Free cash flow of EUR 1.3 billion driven by improvements in all sectors. Strong recovery of ROIC, reaching 11.7% in the last quarter of 2010
- Sales of EUR 25.4 billion, 10% nominal and 4% comparable growth

Q4 2010 results

Q4 2010 – Summary results of the Philips Group

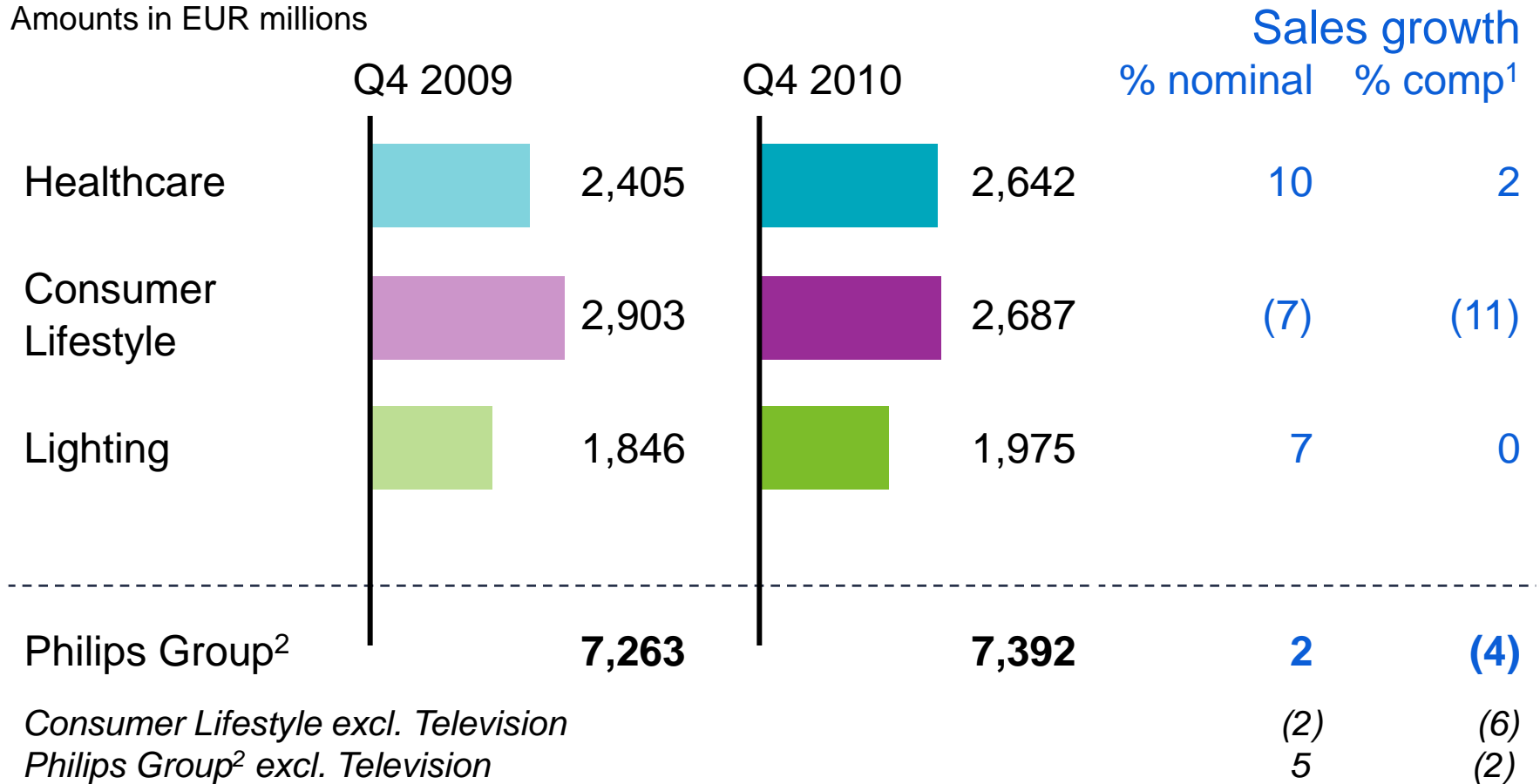
Amounts in EUR millions	Q4 2009	Q4 2010
Sales	7,263	7,392
<i>Comparable sales growth ¹</i>	0%	(4)%
<i>Comparable sales growth excl. Television ¹</i>	(1)%	(2)%
EBITA	662	873
<i>EBITA%</i>	9.1%	11.8%
Net income (loss)	260	465
Net Operating Capital	12,649	12,071
Free Cash Flow	726 ²	1,336
<i>Net debt to group equity</i>	(1) : 101	(8) : 108

¹ Excluding the effects of currency movements and changes in portfolio

² Excluding a EUR 485 million net legal settlement the free cash flow is EUR 1,211 million

Q4 2010 - Sales per business sector

Amounts in EUR millions

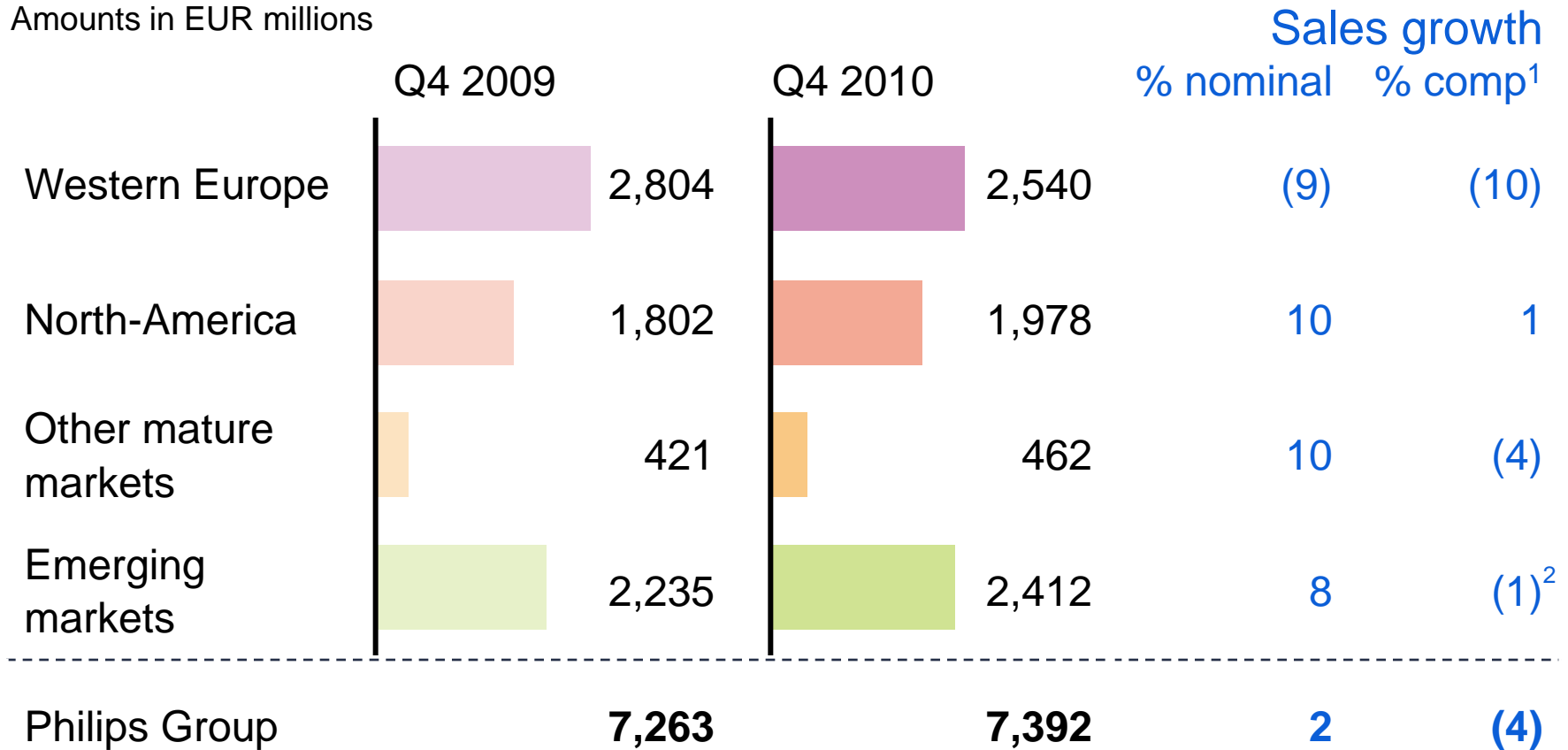


¹ Comparable sales growth; excluding the effects of currency movements and changes in portfolio

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

Q4 2010 - Sales per market cluster

Amounts in EUR millions



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

² Comparable sales in emerging markets excluding TV is +3%, excluding TV and Brazil +7%

Accounting calendar changes

Number of working days in Philips Calendar

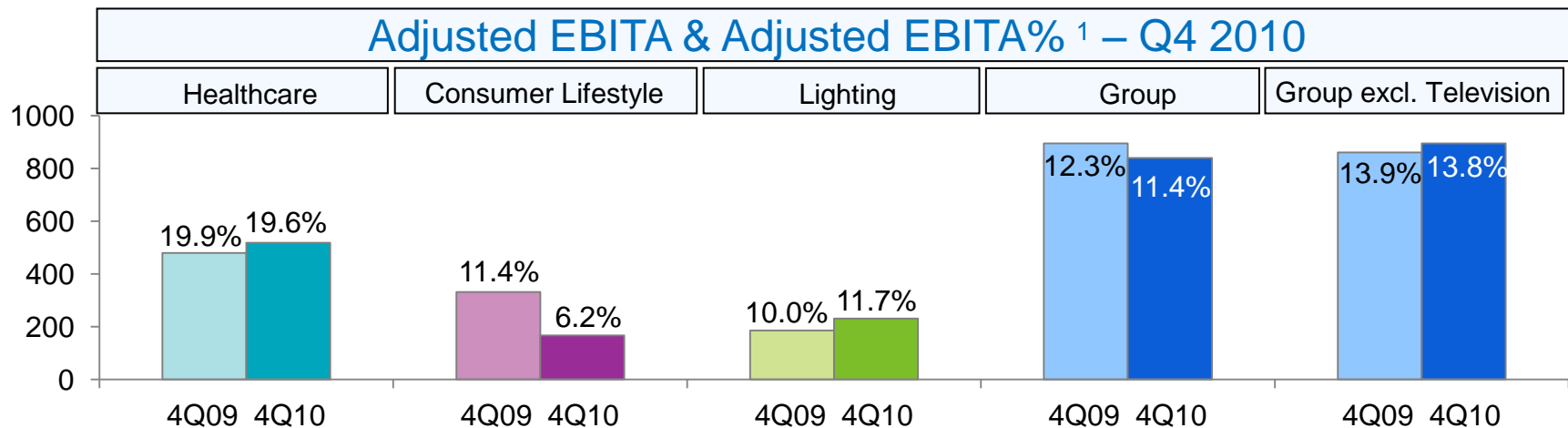
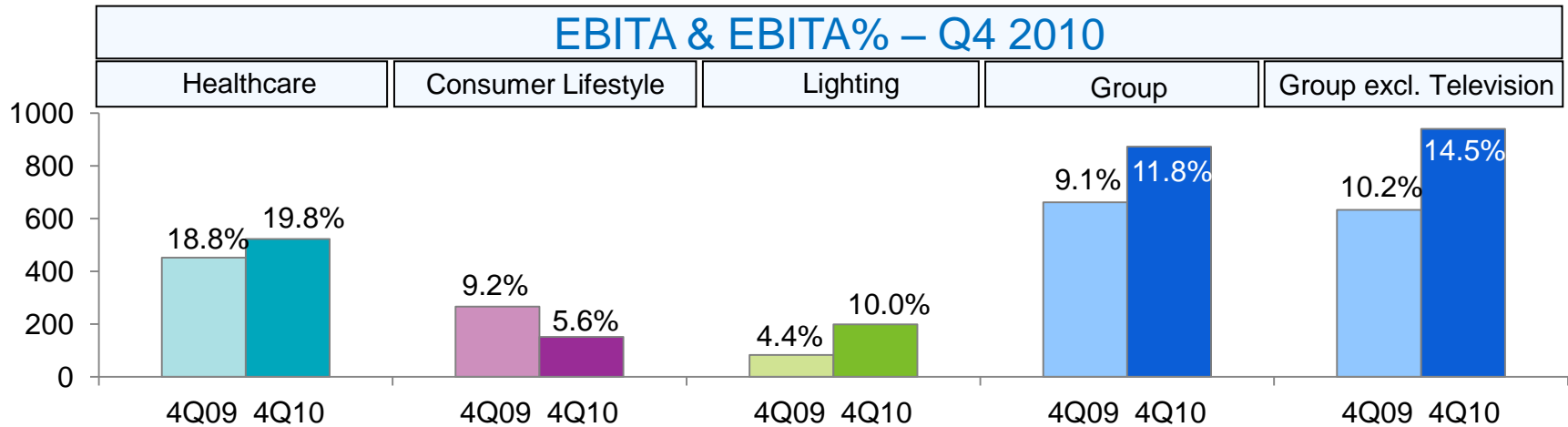
	Q1	Q2	Q3	Q4
2009	61	61	65	68
2010	65	61	65	65
2011	65	62	65	64

- Change in Philips calendar between 2009 and 2010 had major impact on quarterly distribution of working days in 2010
- Due to uneven number of days in 2010 (compared to 2009), quarterly distribution of sales was significantly distorted
- As a result, reported quarterly comparable sales growth in Q1 2010 was positively impacted while growth in Q4 2010 was negatively impacted

Q4 2010 comparable growth negatively impacted by approximately -4%

EBITA development in the quarter

Amounts in EUR millions



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

Q4 '09/'10: (27) 4

(65) (15)

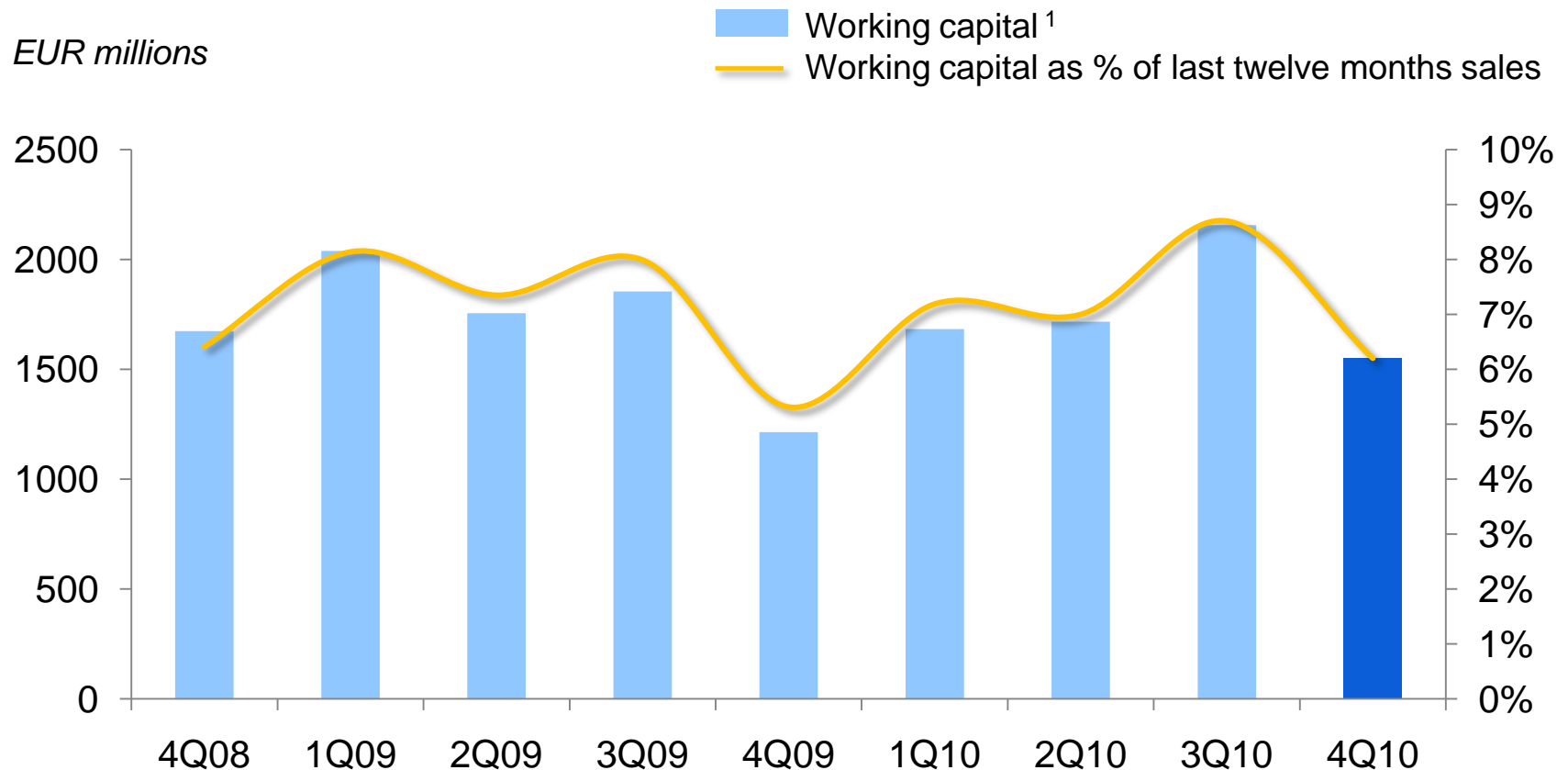
(103) (34)

(233) 33

(228) 45

Continued strict cash flow management

Significant improvement from Q3 2010 position

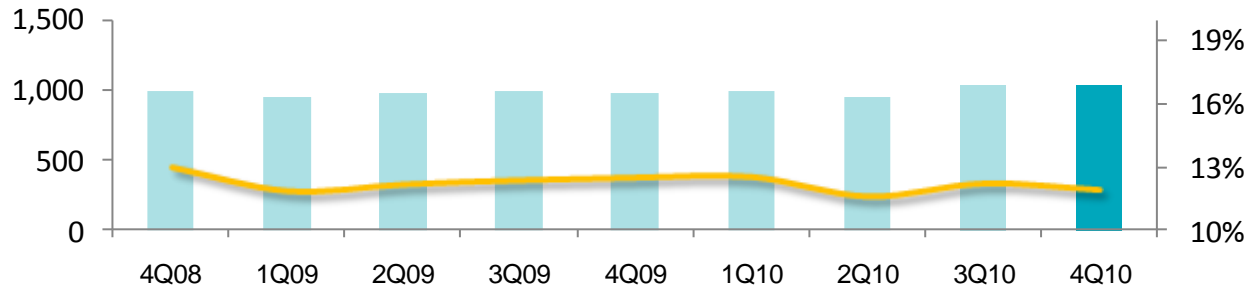


¹ Working Capital of Healthcare, Consumer Lifestyle and Lighting; excluding central sector GM&S

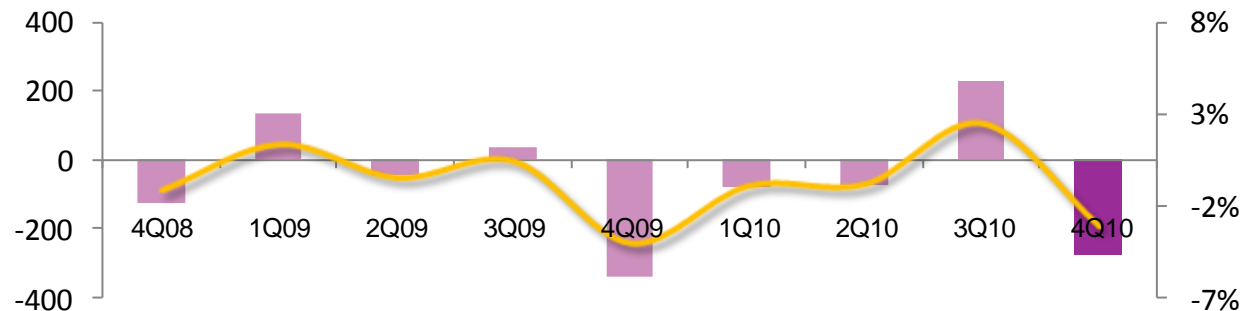
Working capital per business sector

Significant improvement in Consumer Lifestyle

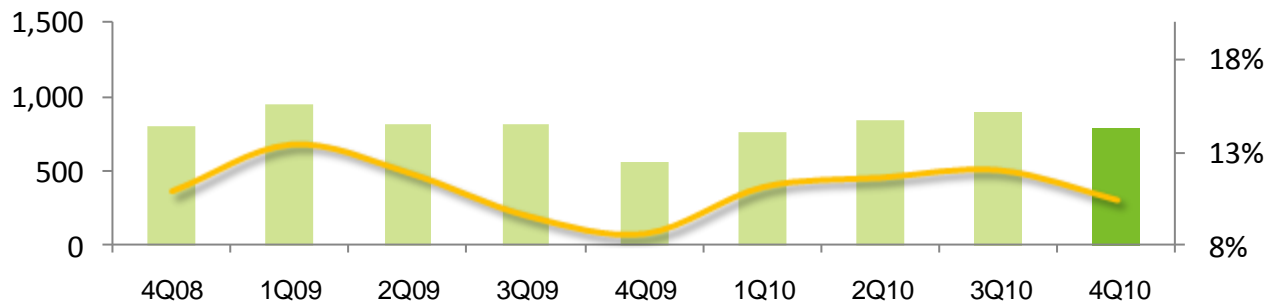
Healthcare



Consumer Lifestyle



Lighting



Amounts in EUR millions

Working capital Average working capital as % for the year

Full year 2010 results

Full year 2010 – summary results of the Philips Group

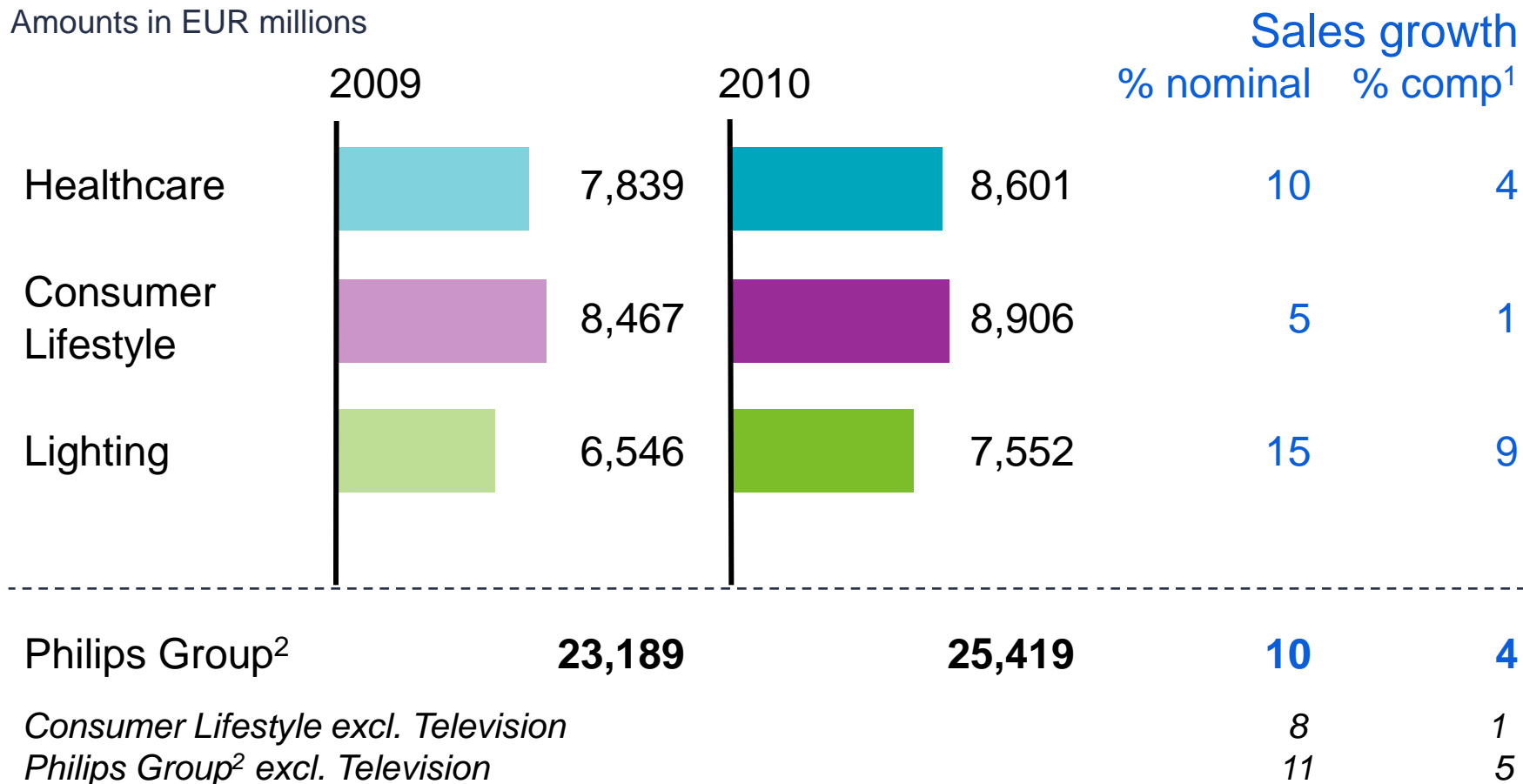
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<i>Comparable sales growth ¹</i>	(11)%	4%
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EBITA	1,050	2,552
<i>EBITA%</i>	4.5%	10.0%
Net income (loss)	424	1,452
Net Operating Capital	12,649	12,071
Free Cash Flow	863 ²	1,333
<i>Net debt to group equity</i>	(1) : 101	(8) : 108

¹ Excluding the effects of currency movements and changes in portfolio

² Excluding a EUR 485 million legal settlement the free cash flow is EUR 1,348 million

Full year 2010 - sales per business sector

Amounts in EUR millions

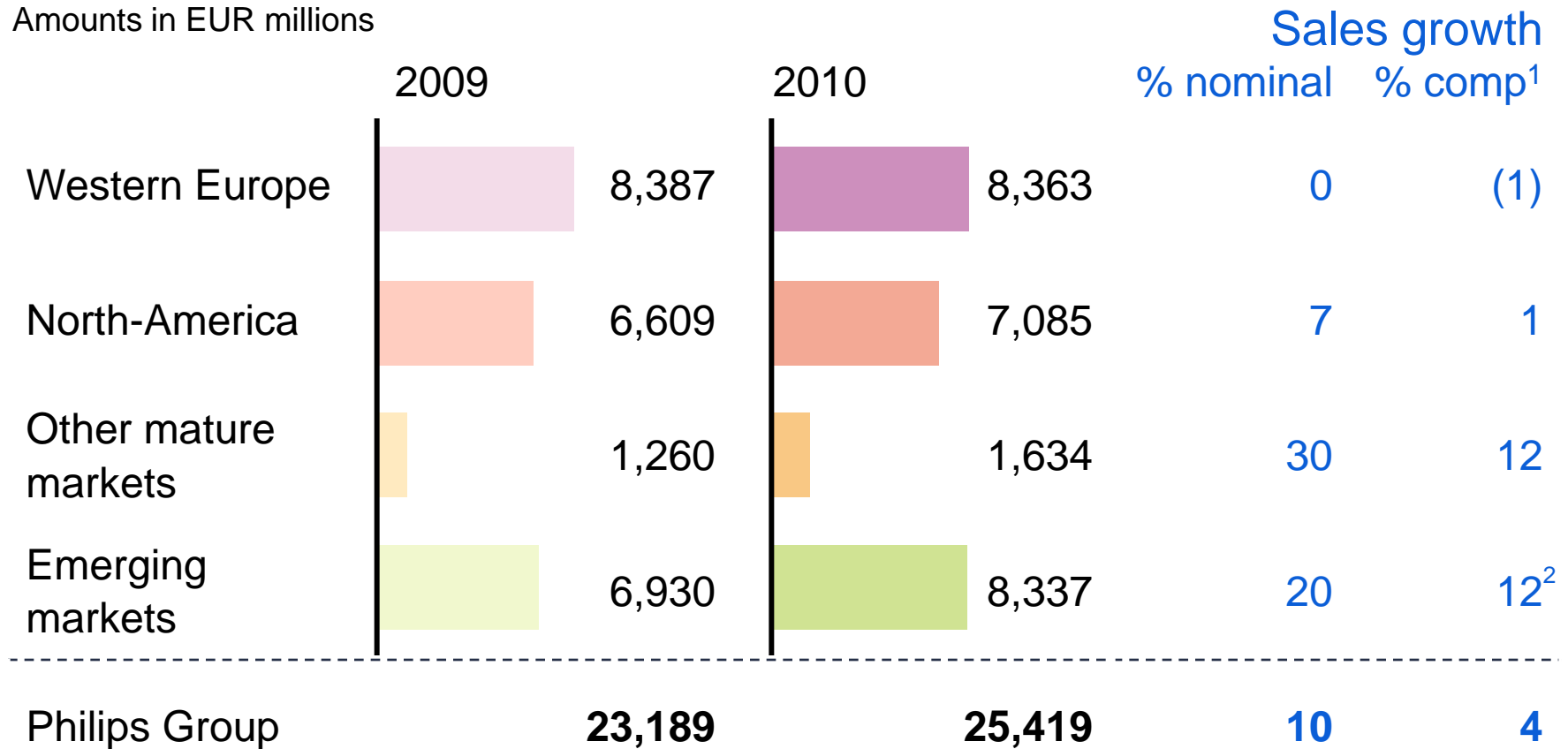


¹ Comparable sales growth; excluding the effects of currency movements and changes in portfolio

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

Full year 2010 - sales per market cluster

Amounts in EUR millions

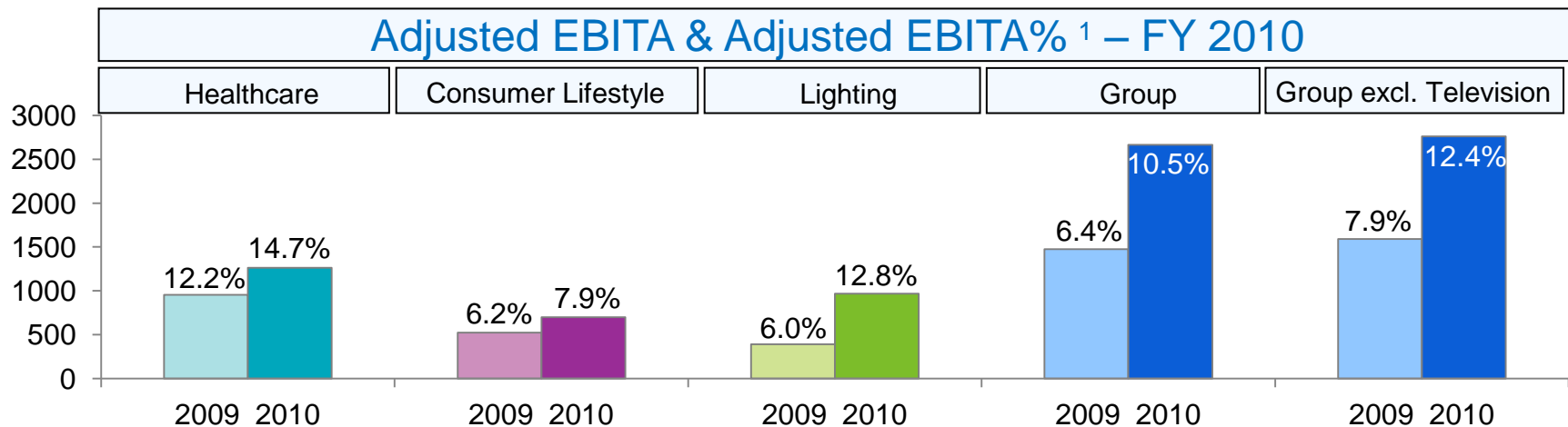
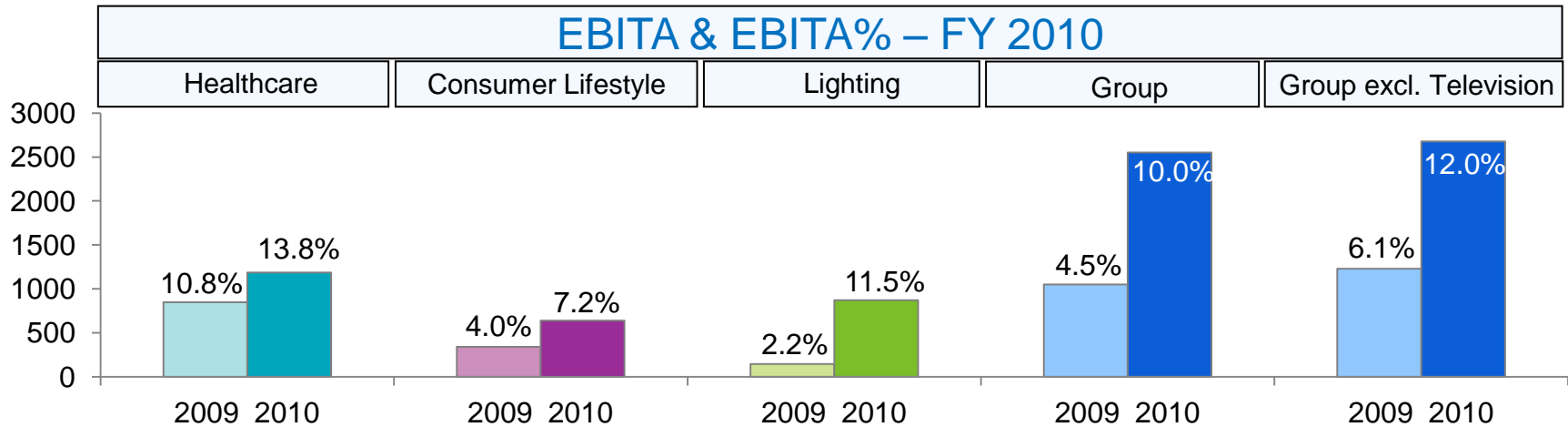


¹ Comparable sales growth; excluding the effects of currency movements and changes in portfolio

² Comparable sales in emerging markets excluding TV is +13%

Full year 2010 - EBITA development

Amounts in EUR millions



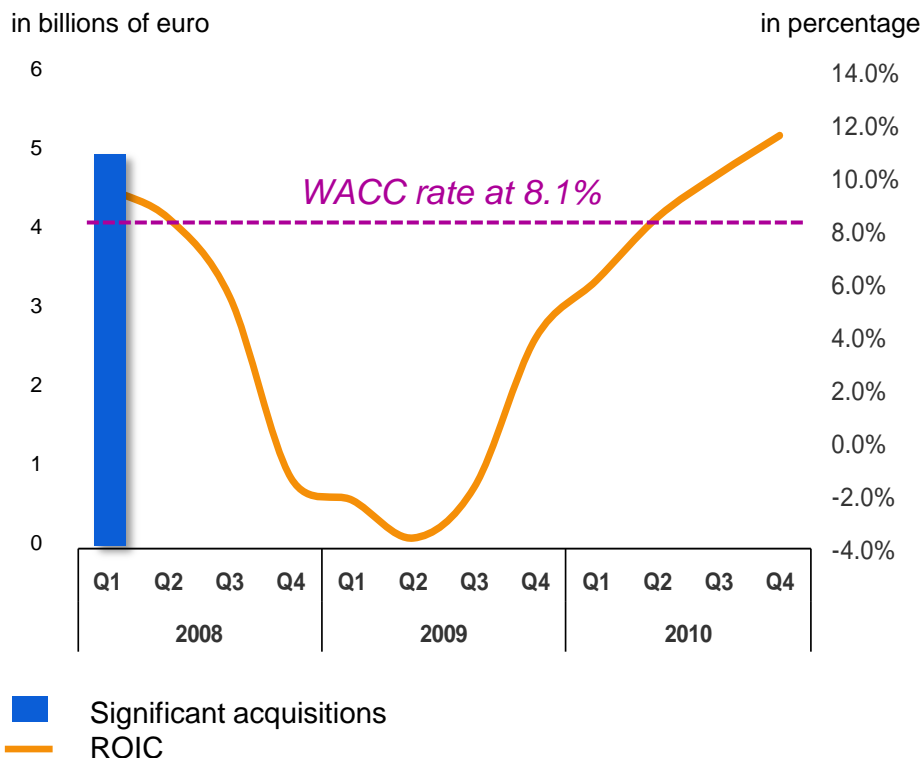
¹ - Net adjustment based on disclosed incidentals (in EUR million)

FY '09/'10: (106) (77) (184) (61) (246) (97) (424) (114) (361) (84)

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

ROIC at 11.7% in Q4 2010

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

Reported tax used to calculate EBIAT

- **Early 2008** we doubled our asset base, as we invested in growing our home healthcare business with the acquisition of Respirationics and strengthened our global leadership in professional luminaires with the acquisition of Genlyte
- **Late 2008 and 2009** the crisis had a severe impact on our revenues and Earnings Before Interest and After Tax (EBIAT), which caused our ROIC to deteriorate sharply
- **In 2010** we emerged as a structurally stronger company with significantly higher profitability levels, our ROIC is now 3.6% above the WACC rate

Delivered on our fixed costs reduction program

In view of macro-economic developments, Philips accelerated their planned initiatives to further increase organizational effectiveness and to lower fixed cost by streamlining operations and simplifying the structure.

Our restructuring plans announced since 2008 has lead to a reduction in our 2010 fixed cost base of EUR 741 million compared to the run rate in 2008.

Restructuring	Cost ¹			Cash out	Benefit ² <i>compared to 2008 baseline</i>	
<i>EUR million</i>	FY2008	FY2009	FY2010	FY2010	FY2009	FY2009 & FY 2010
Healthcare	(63)	(42)	(48)	(24)	105	193
Consumer Lifestyle	(198)	(120)	(42)	(17)	200	294
Lighting	(245)	(225)	(74)	(112)	82	217
GM&S	(31)	(63)	2	(7)	31	37
TOTAL	(537)	(450)	(162)	(160)	418	741

¹ These numbers exclude acquisition-related charges of EUR 130M for FY2008, EUR 101M for FY2009 and EUR 71M for FY2010

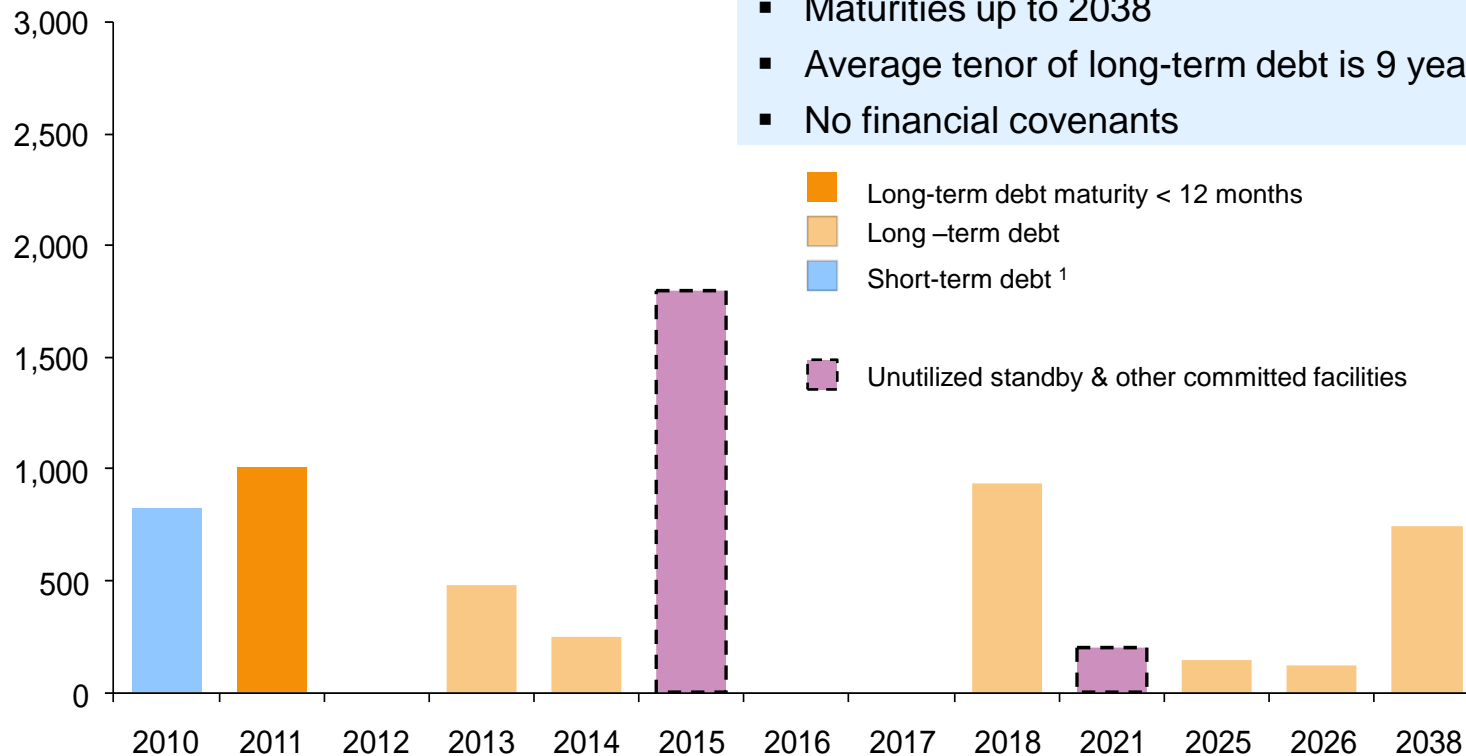
Philips' debt has a long maturity profile

Debt maturity profile as of December 2010

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

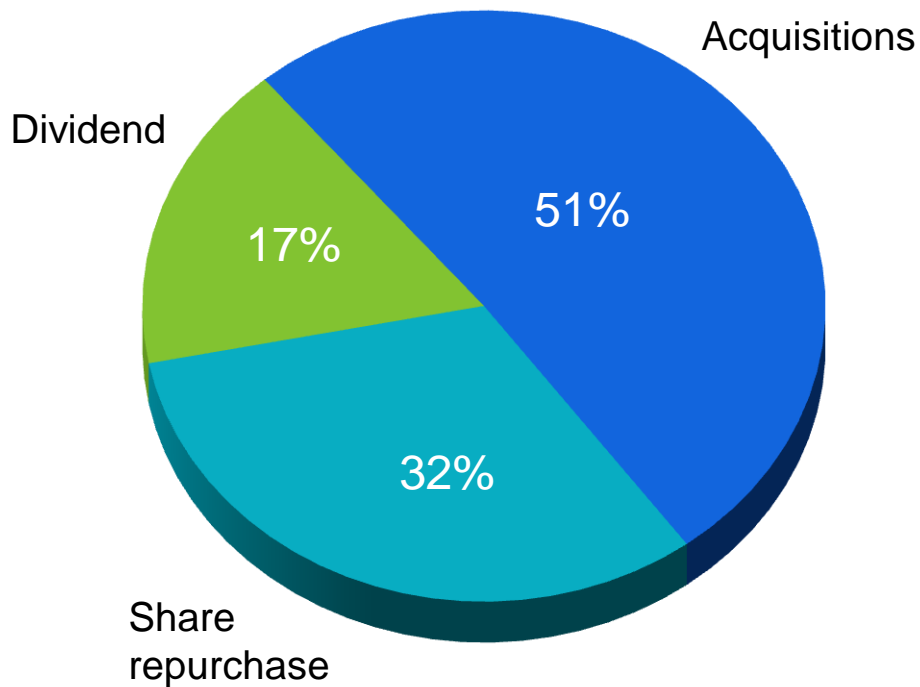


¹ Short term debt consists mainly of local credit facilities that are being rolled forward on a continuous basis.

Capital allocation

Continuing our capital allocation priorities from recent years

2007 – 2010
100% = EUR 13 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

Looking forward

Gerard Kleisterlee

Vision 2015

Our ambition

A background image showing a woman in a white tank top and light-colored pants, standing in a kitchen. She is holding a long-handled object, possibly a whisk or a long spoon, and appears to be in motion. The kitchen has white tiled walls and a countertop with various items, including a rice cooker, a blender, and some bowls. A blue semi-transparent box is overlaid on the image, containing the text.

Philips wants to be a global leader in health and well-being, becoming the preferred brand in the majority of our chosen markets. We believe Philips is uniquely positioned for growth through its ability to simply make a difference to people's lives with meaningful, sustainable innovations.

Vision 2015

Leveraging critical growth trends



Aging population



The rise of
emerging markets



Increased consumer
empowerment and
sustainable lifestyles



Climate change and
sustainable development

Vision 2015

Outlining four key priorities

- Expand leadership positions while benefiting from markets growing faster than GDP
- Be the preferred brand in the majority of our chosen markets
- Lead in sustainability
- Be seen by all stakeholders as making a positive difference in people's lives



Vision 2015

Our financial aspirations 2011-2015

- **Comparable sales** growth on annual average basis equal to real GDP + a minimum of 2%
- **Reported EBITA** between 10% and 13% of sales
- **Growth of EPS** at double the rate of comparable annual sales growth
- **Return on Invested Capital** at least 4% above
- **Weighted Average Cost of Capital**

Vision 2015

Uniquely positioned for continued growth across our sectors

SECTOR	MANAGE FOR CASH	OPTIMIZE POSITION	DRIVE GROWTH	INVEST FOR LONG-TERM GROWTH
Healthcare		<ul style="list-style-type: none"> • Diagnostic imaging 	<ul style="list-style-type: none"> • Home Healthcare • Patient Care and Clinical Informatics • Customer Service 	<ul style="list-style-type: none"> • Image guided intervention / therapy • Clinical decision support • Home Healthcare
Lifestyle	<ul style="list-style-type: none"> • TV 	<ul style="list-style-type: none"> • Personal Care • Domestic Appliances • Accessories • AVM 	<ul style="list-style-type: none"> • Health & Wellness • Kitchen Appliances / Beverage Appliances 	<ul style="list-style-type: none"> • Lifestyle management • Skincare • Water & Air
Lighting		<ul style="list-style-type: none"> • Automotive • Conventional lamps 	<ul style="list-style-type: none"> • LED lamps • Professional Luminaires • Consumer Luminaires 	<ul style="list-style-type: none"> • Smart Lighting Solutions • Service extensions

The company management agenda 2011

Accelerate growth to achieve Vision 2015

Drive performance

- Make the turn to faster growth and gain market share
- Deliver on financial returns
- Deliver on our Ecovision sustainability commitments

Improve capabilities

- Champion customer responsiveness and adopt culture of growth
- Improve speed and execution to market
- “Resource to win” now to ensure to achieve Vision 2015

Implement strategy

- Strengthen and grow in all emerging markets - make China a “home” market
- Execute “must win” strategic battles in key business-market combinations
- Pursue value-creating acquisitions and invest in growth to strengthen our portfolio

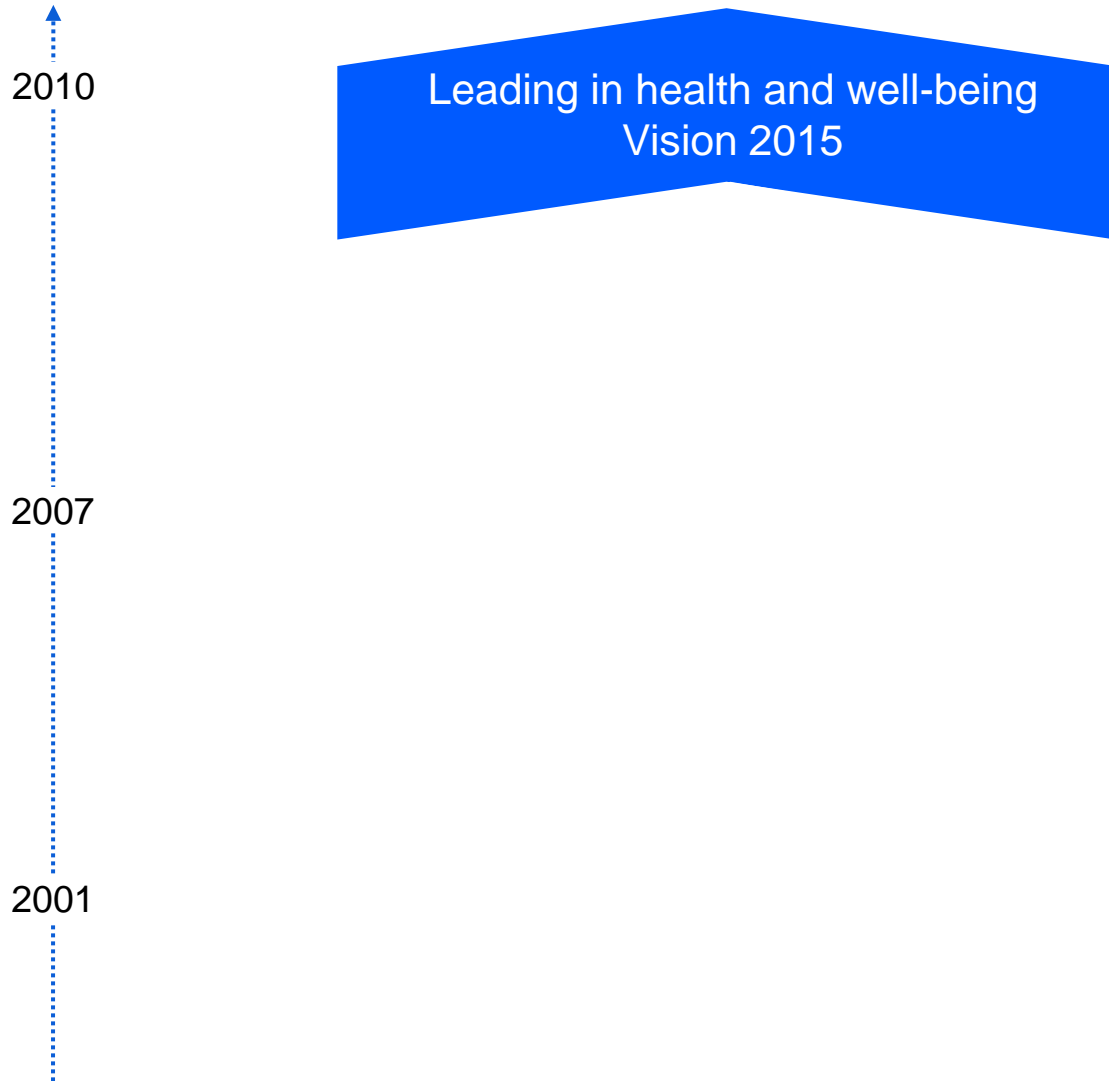
Looking forward

Targeting growth

- Building on our legacy: Philips in its 120th year
- Vision 2015 strategic plan launched
- Philips is well positioned to respond to fast-changing market conditions
- Seamless transition to new management



Becoming a global leader in health and well-being



PHILIPS
sense **and** simplicity

We have reinvented ourselves but one thing never changed, our mission to:

“Improve the quality of people’s lives through timely introduction of meaningful innovations”



PHILIPS

sense **and** simplicity