

# PHILIPS

sense and simplicity

Royal Philips Electronics

*First Quarter 2009*

*Information booklet*

April 14<sup>th</sup>, 2009

# 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, 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 and 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](http://www.sec.gov). Readers should consider the disclosures in that Report 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. Statements regarding market share, including as to Philips' competitive position, contained in this document are based on outside sources such as specialized 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.

1. Philips – who we are

2. Results Q1 2009

3. Sector insights – Healthcare, Consumer Lifestyle & Lighting

4. Philips Strategy & Targets

# PHILIPS

A well-respected, blue-chip company  
for over 100 years

Founded in 1891

Headquartered in Amsterdam, the Netherlands

Sales over EUR 26 billion (USD 33 billion)

Over 30% in emerging economies

116,000 employees \*

Sales and service outlets in 100 countries

Globally recognized brand (world top 50)

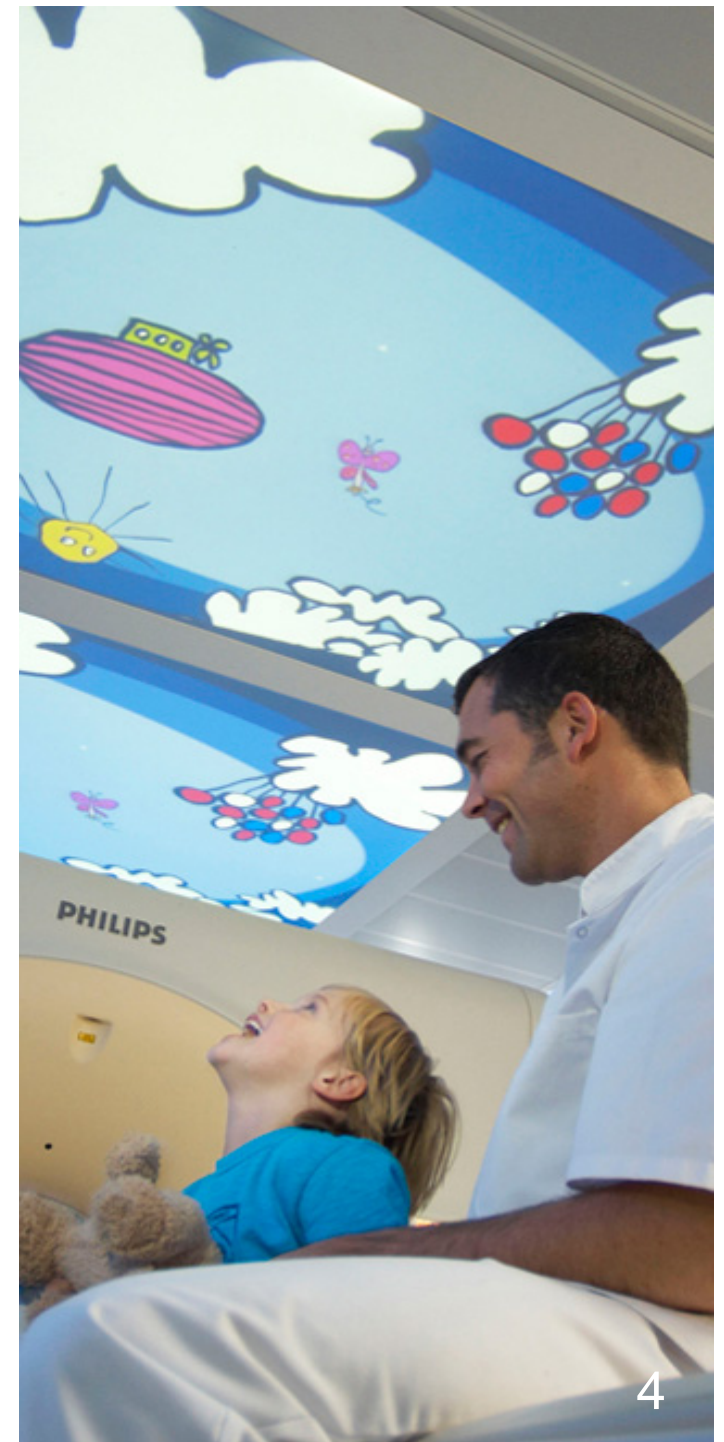
Our brand value has doubled to \$8.3bn since 2004

€1.8 billion investment in R&D, over 6% of sales

55,000 patent rights – 33,000 registered trademarks –

49,000 design rights

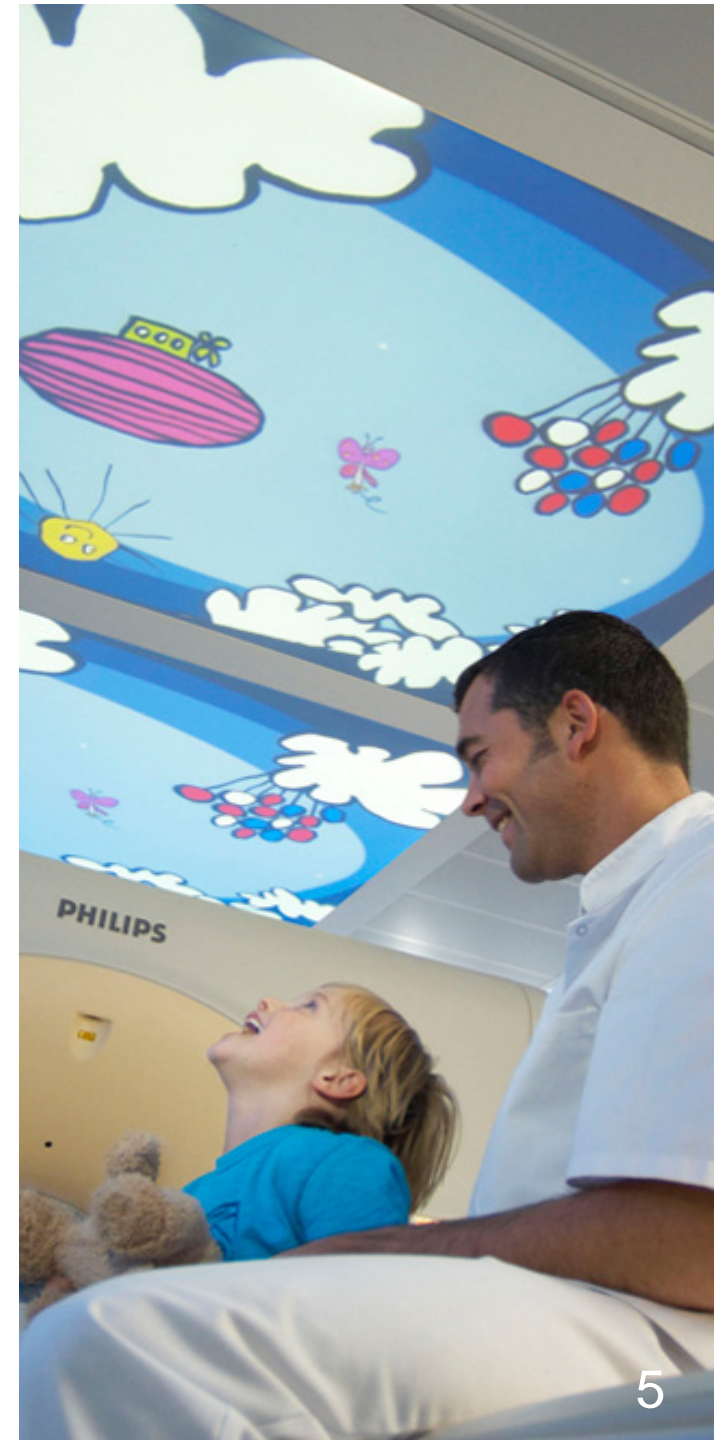
\* As per March 2009



## Philips investment proposition

“We believe that due to macro trends, the demand for **healthcare**, especially outside the hospital, **healthy lifestyle** and high quality, **energy efficient lighting** will grow by 6% per annum and will yield double digit EBITA margins.

We have therefore **centered our portfolio on the leading businesses in these markets**. We have consequently divested our portfolio of semiconductor and electronic components related businesses, including participations, and **reinvested** half the proceeds in **acquiring further leading businesses in these target markets**, with Genlyte and Respironics as the most important 2008 proof-points; the other half of the proceeds was used for **reducing debt** and **returns to shareholders**.”



1. Philips – who we are

2. Results Q1 2009

3. Sector insights – Healthcare, Consumer Lifestyle & Lighting

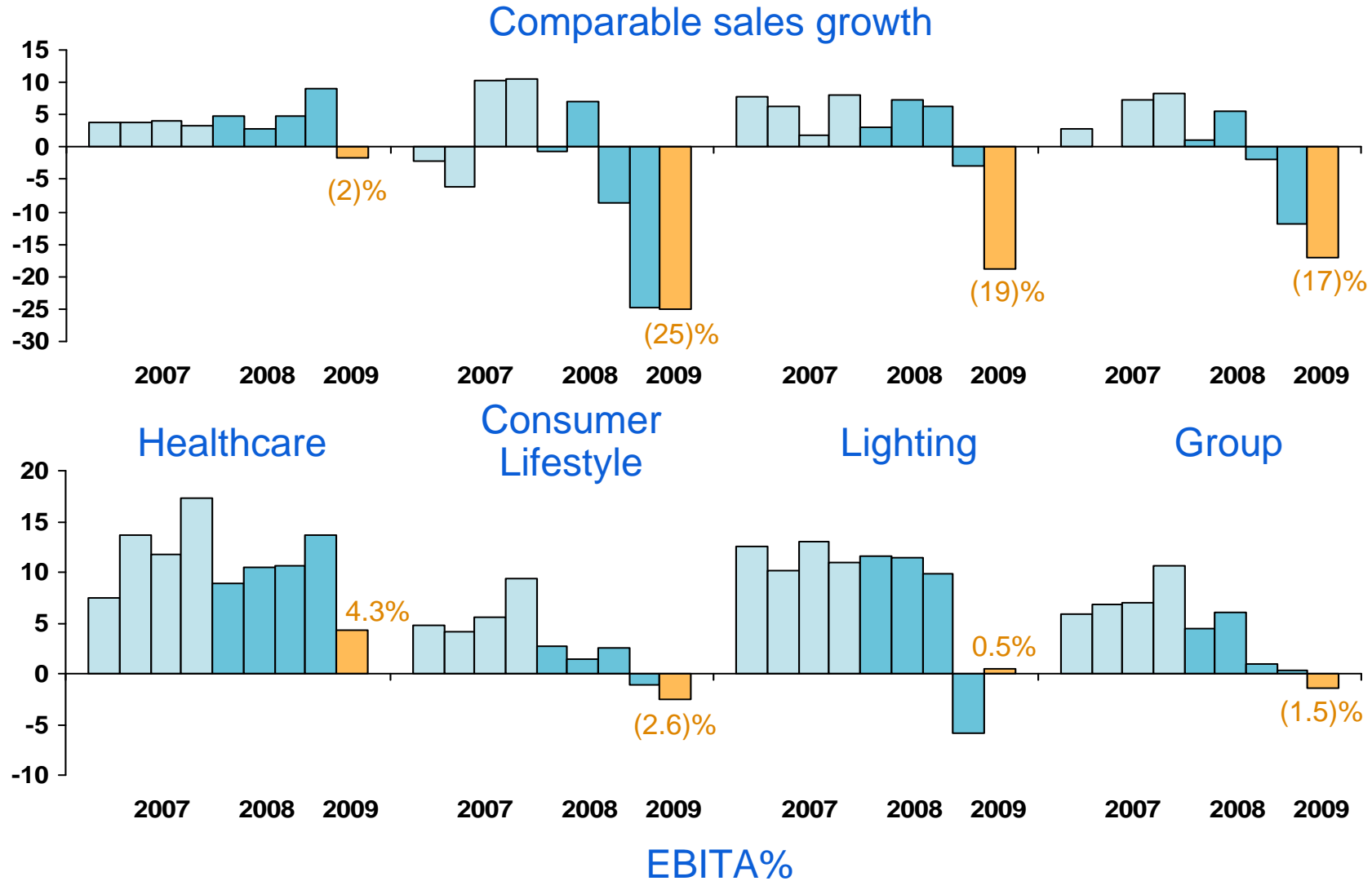
4. Philips Strategy & Targets

## Highlights

- Global downturn in consumer and lighting markets
- Healthcare facing very soft US hospital market; performance in emerging markets and Home Healthcare Solutions remains strong
- EBITA loss of EUR 74 million includes charges of EUR 77 million
- Reduction of fixed cost base progressing well and expected to exceed EUR 500 million annualized by the end of this year
- Rigorous management of working capital continues; cash balance increased, net debt reduced
- We expect demand in the second quarter to be broadly in line with the first three months of 2009

# Sales growth and Margin development – Q1 2009

*Comparable sales growth and EBITA%*





# Summary – Q1 2009

*EUR million*

	Q1 2008	Q1 2009
Sales	5,965	5,075
EBITA	265 <sup>1</sup>	(74) <sup>1</sup>
Financial income and expenses	119 <sup>2</sup>	(41) <sup>2</sup>
Income tax	(58)	171 <sup>3</sup>
Results equity-accounted investees	59	(1)
<b>Net income from continuing operations</b>	<b>307</b>	<b>(57)</b>
Discontinued operations	(13)	–
<b>Net income (loss)</b>	<b>294</b>	<b>(57)</b>
Net cash from operating activities	(514)	(306)
Net debt : Group equity ratio	4 : 96	3 : 97

1 - 1Q09 includes on balance EUR 77M charges while in 1Q08 in total EUR 67M of various charges were disclosed

2 - 1Q09 includes an impairment of EUR 48M related to NXP and EUR 81M related to dividend & the gain on the sale of the remaining shares in LG Display;  
1Q08 includes EUR 158M gain related to the sale of a stake in LG Display and a EUR 26M loss related to a TPV option fair-value adjustment

3 - Lower tax expense was mainly due to EUR 103M of net tax benefits, including the recognition of a deferred tax asset for Lumileds and a number of tax settlements in the quarter

## Sales by sector – Q1 2009

*EUR million*

	Q1 2008	Q1 2009	% nom	% comp
Healthcare	1,474	1,741	18	(2)
Consumer Lifestyle	2,602	1,756	(33)	(25)
Lighting	1,771	1,504	(15)	(19)
I&EB	79	41	(48)	(49)
GM&S	39	33	(15)	(13)
<b>Group sales</b>	<b>5,965</b>	<b>5,075</b>	<b>(15)</b>	<b>(17)</b>

## Sales by market cluster – Q1 2009

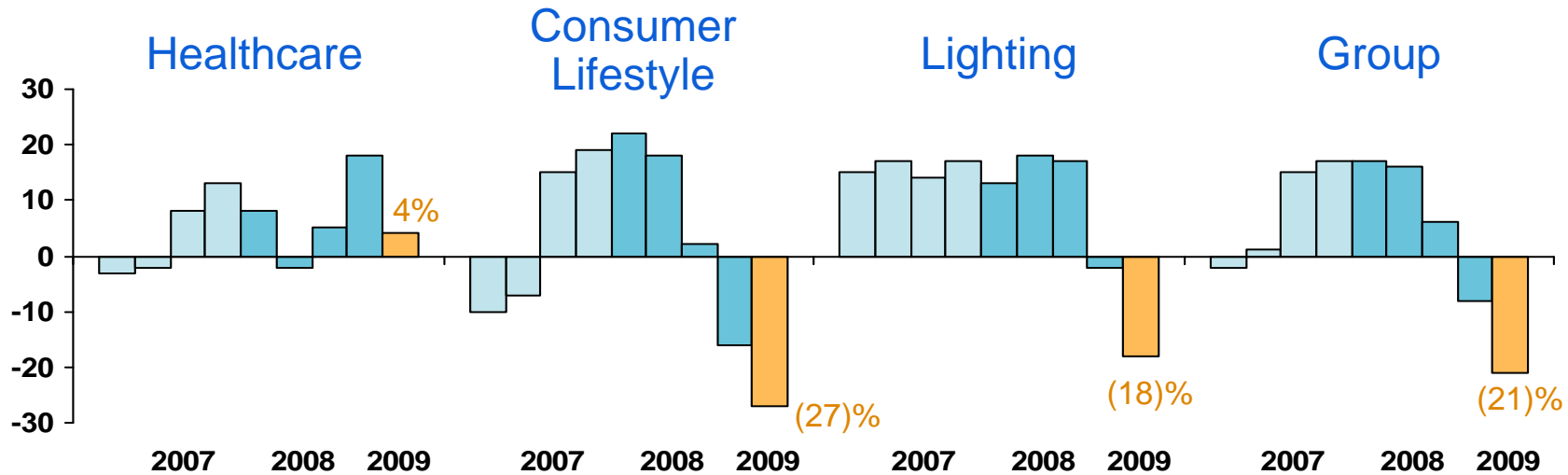
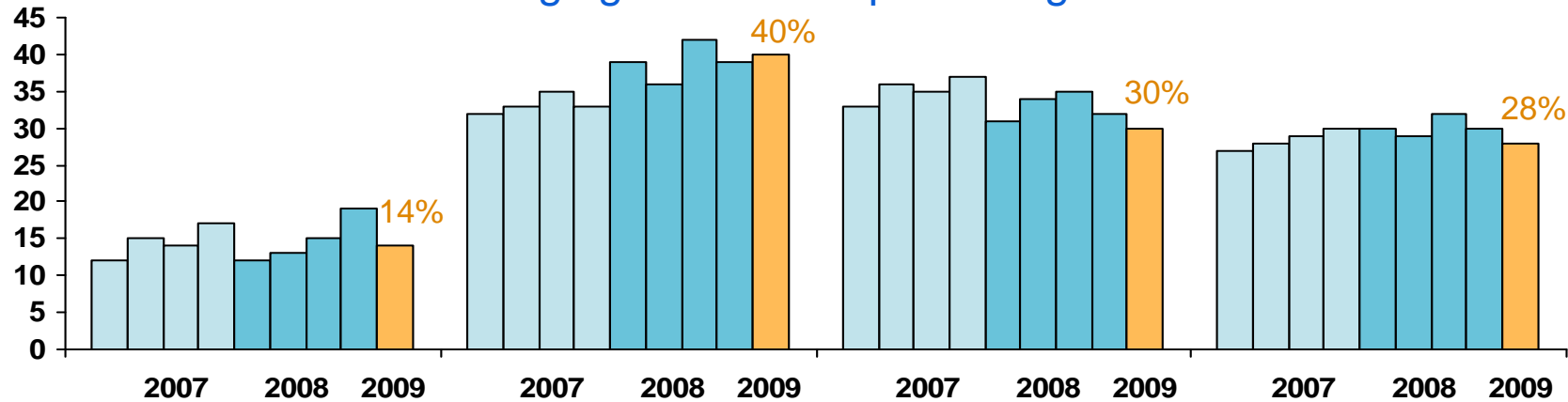
*EUR million*

	Q1 2008	Q1 2009	% nom	% comp
Western Europe	2,266	1,814	(20)	(18)
North America	1,620	1,604	(1)	(11)
Other mature markets	266	240	(10)	(23)
Emerging markets	1,813	1,417	(22)	(21)
Group sales	5,965	5,075	(15)	(17)

# Emerging markets – Q1 2009

*Sales growth in emerging markets*

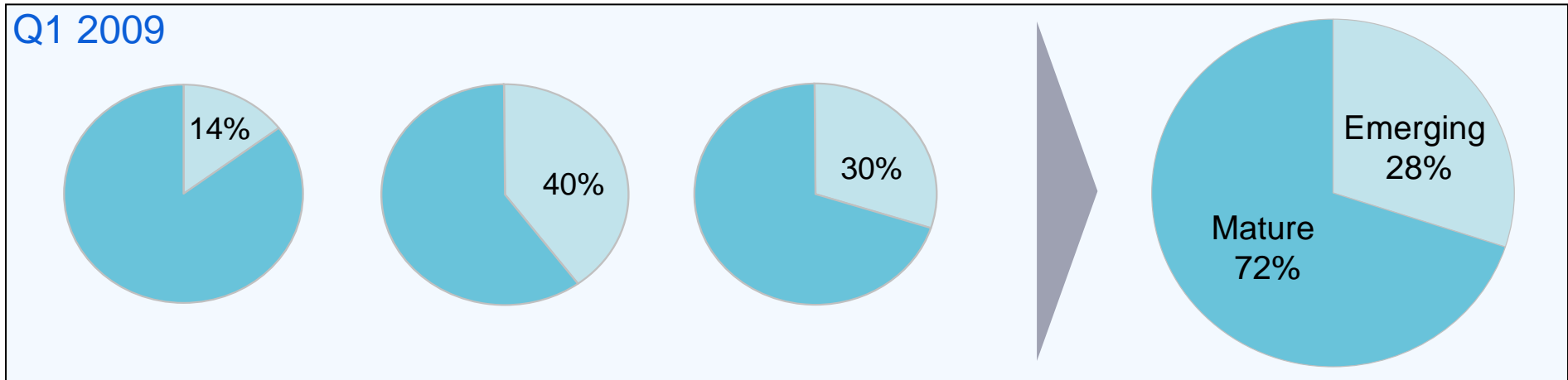
Sales in Emerging markets as percentage of sector sales



Comparable sales growth in Emerging markets

# Emerging Markets – Q1 2009 & last twelve months

*Sales in emerging markets*

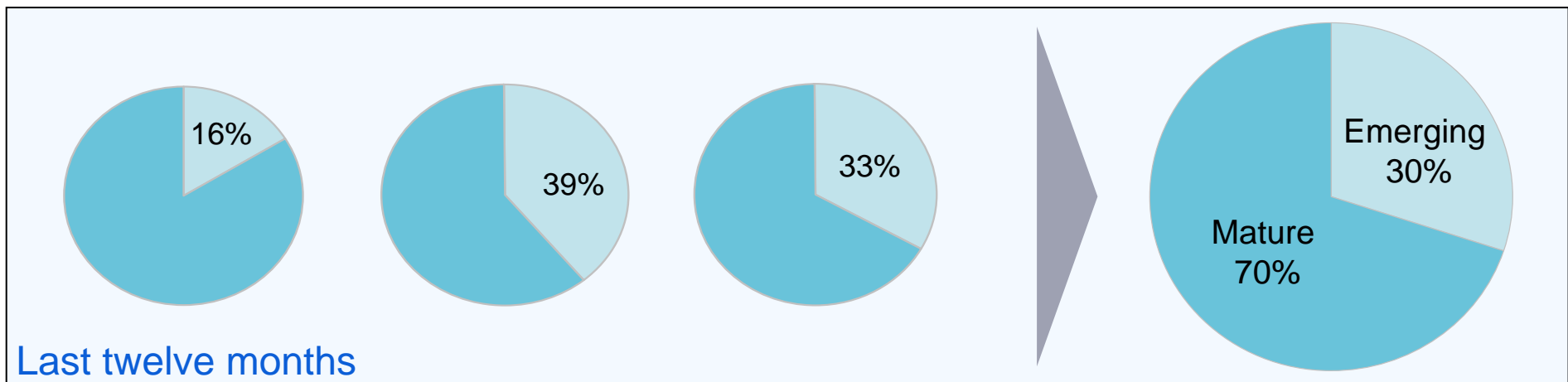


Healthcare

Consumer Lifestyle

Lighting

Philips Group



Last twelve months

## EBITA by sector – Q1 2009

EUR million

	Q1 2008	Q1 2009
Healthcare	131 <sup>1</sup>	75 <sup>1</sup>
Consumer Lifestyle	69 <sup>2</sup>	(46) <sup>2</sup>
<i>of which Television</i>	(93)	(83)
Lighting	205 <sup>3</sup>	7 <sup>3</sup>
I&EB	(67) <sup>4</sup>	(63)
GM&S	(73)	(47)
<b>Philips Group</b>	<b>265</b>	<b>(74)</b>
as % of sales	4.4%	(1.5)%

1 - 1Q09 includes EUR 15M of acquisition-related charges, while 1Q08 included EUR 19M acquisition-related charges

2 - 1Q09 includes EUR 43M restructuring charges and a product recall related charge; in 1Q08 no gains or charges were disclosed

3 - 1Q09 includes EUR 19M charges compared to EUR 35M in 1Q08

4 - 1Q08 included EUR 13M of charges related to the divestment of HTP Optics

## Cash Flow from continuing operations – Q1 2009

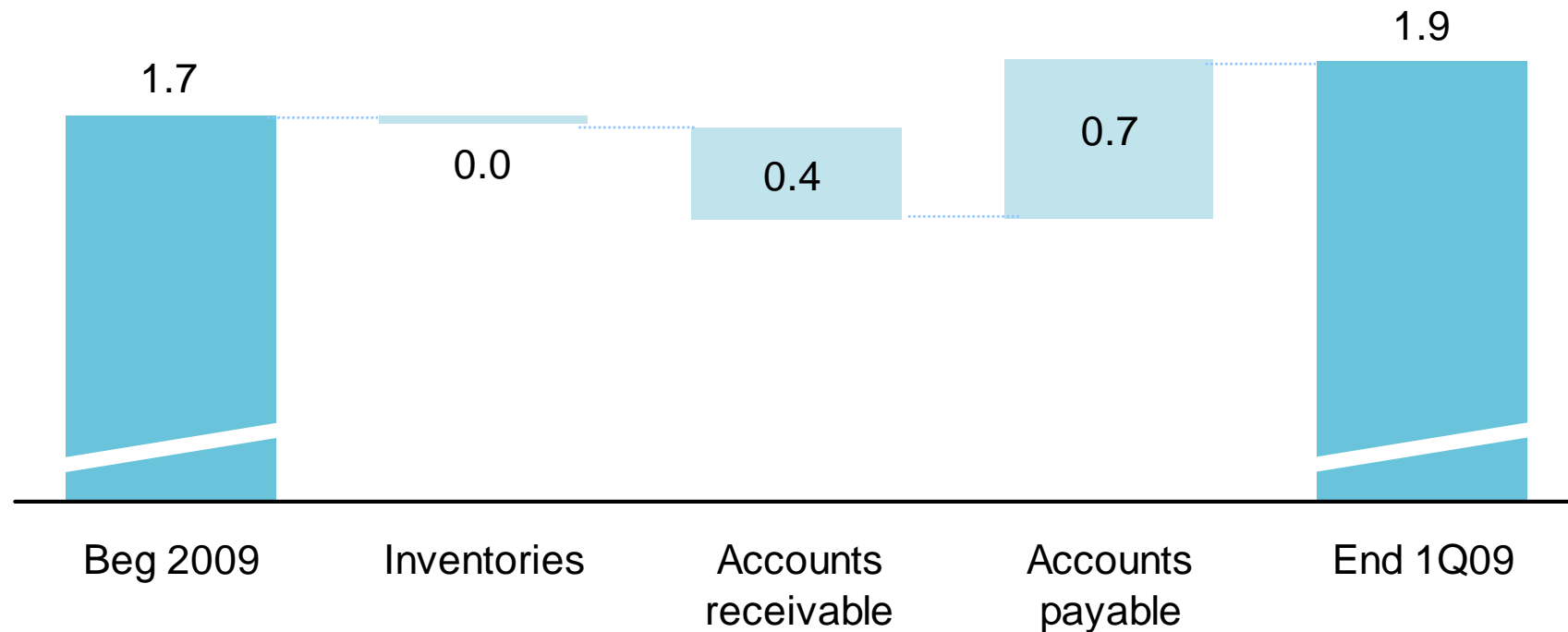
*EUR million*

	Q1 2008	Q1 2009
Net income (loss) from continuing operations	307	(57)
Depreciation / amortization / impairments	294	381
Net gain on sale of assets	(180)	(73)
- changes in Net inventories	(344)	116
- changes in Accounts receivable	(182)	465
- changes in Accounts payable	(407)	(940)
Changes in Working Capital	(933)	(359)
Other	(2)	(198)
<b>Cash flow from operations</b>	<b>(514)</b>	<b>(306)</b>
Expenditures on development assets	(60)	(34)
Gross capital investments	(148)	(112)
Acquisitions / divestments / other	(4,316)	575
<b>Cash flow before financing activities</b>	<b>(5,038)</b>	<b>123</b>

# Cash flows strictly managed; payables decreased on the back of lowered production

*Working capital*

*Amounts in EUR billions*



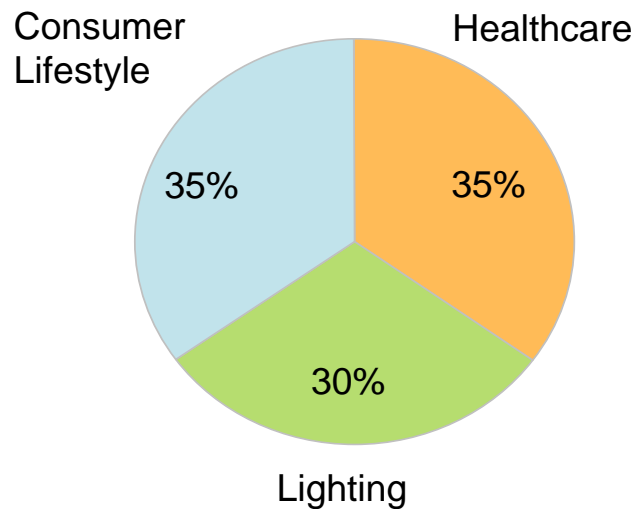


# Simplified business structure in 3 core sectors: Healthcare, Consumer Lifestyle and Lighting

Q1 2009

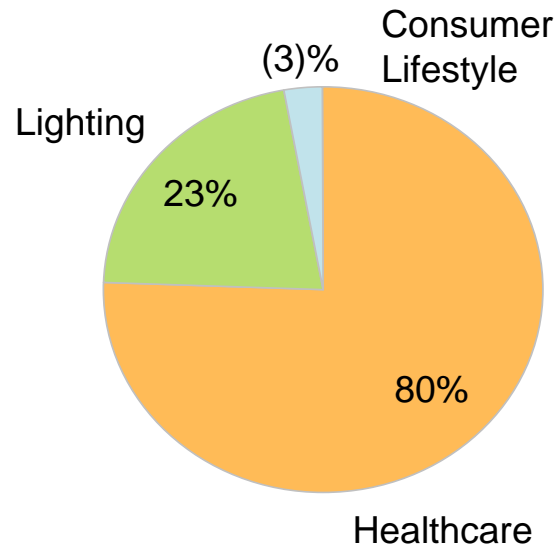
Sales

100% = EUR 5.0B<sup>1</sup>



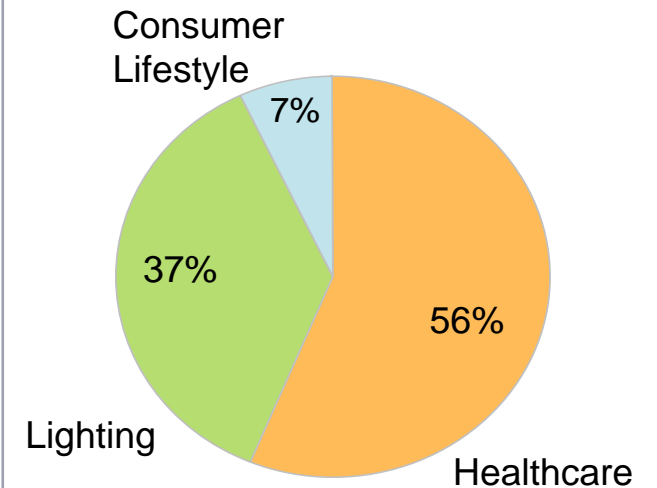
Adjusted EBITA

100% = EUR 0.1B<sup>1,2</sup>



Net Operating Capital

100% = EUR 16.0B<sup>1</sup>



1 – Excluding Central sectors (I&EB; GM&S)

2 – EBITA corrected to exclude disclosed charges; for Healthcare EUR 15M, for Consumer Lifestyle EUR 43M and for Lighting EUR 19M are excluded.

# Sector analysis – Healthcare

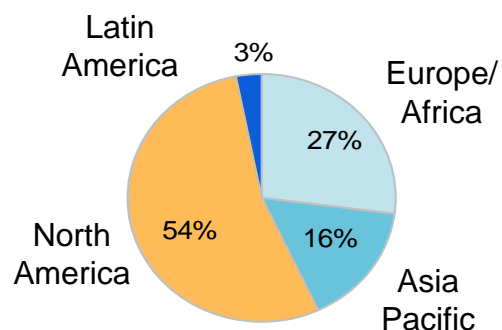
EUR million

## Key figures

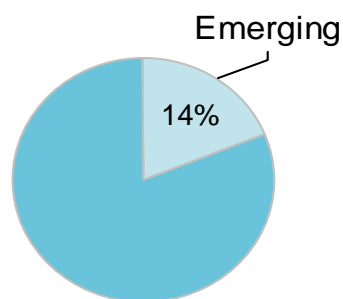
	1Q08	4Q08	1Q09
Sales	1,474	2,569	1,741
<i>% sales growth comp.</i>	5	9	(2)
EBITA	131	350	75
<i>EBITA as % of sales</i>	8.9	13.6	4.3
EBIT	91	286	8
<i>EBIT as % of sales</i>	6.2	11.1	0.5
NOC	8,251	8,668	8,957
Employees (FTEs)	34,645	35,551	34,960

### Sales per region

1Q09



### Emerging markets



## Financial performance

- Equipment order intake declined 17% on a currency-comparable basis, with lower intake – particularly for Imaging Systems – in both North America and mature international markets
- Comparable sales decreased by 2%, as strong growth at Home Healthcare Solutions and Customer Services was more than offset by lower sales at Imaging Systems, Patient Monitoring and Clinical Care Systems. Geographically, sales growth was limited to emerging markets in Central and Eastern Europe, the Middle East and India.
- EBITA was negatively impacted by lower volume at Imaging Systems, Clinical Care Systems and Healthcare Informatics, combined with increased pricing pressure, particularly at Imaging Systems North America. It was also impacted by adverse currency results. This was partly offset by higher earnings at Home Healthcare Solutions (primarily driven by Respiratory) and Customer Services. EBITA for the sector included acquisition-related charges of EUR 15 million.
- Net operating capital increased by EUR 706 million compared to Q1 2008, mainly due to currency effects.

## Looking ahead

- We expect the healthcare market to remain weak, particularly in the US.
- Restructuring and acquisition-related charges of around EUR 30 million are anticipated in Q2. Further reduction of the cost base is to be expected going forward.

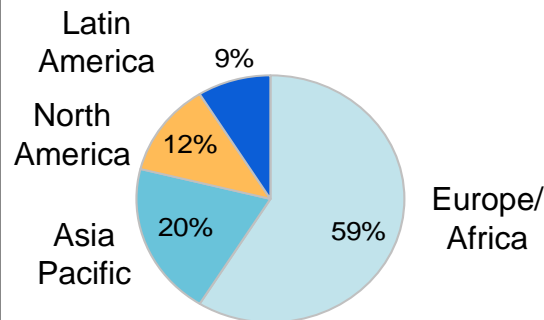
# Sector analysis – Consumer Lifestyle

EUR million

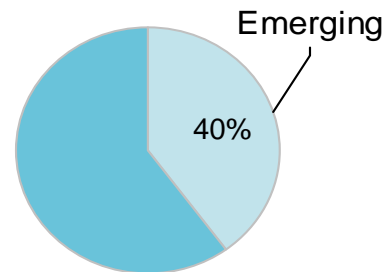
## Key figures

	1Q08	4Q08	1Q09
Sales	2,602	2,989	1,756
<i>% sales growth comp.</i>	(1)	(25)	(25)
EBITA	69	(32)	(46)
<i>EBITA as % of sales</i>	2.7	(1.1)	(2.6)
EBIT	65	(36)	(50)
<i>EBIT as % of sales</i>	2.5	(1.2)	(2.8)
NOC	1,591	798	1,052
Employees (FTEs)	21,694	17,346	16,270

### Sales per region



### Emerging markets



## Financial performance

- Comparable sales declined by 25%, or almost EUR 850 million, due to both proactive portfolio management – notably Television in North America – and weaker demand caused by the global economic downturn.
- TV saw a 33% sales decline. Excluding TV, comparable sales decreased by 18%, with sharper declines at Audio & Video Multimedia and Peripherals & Accessories being somewhat mitigated by a comparatively more resilient sales performance at Shaving & Beauty, Domestic Appliances and especially Health & Wellness, which grew comparable sales by 8%
- EBITA included a EUR 30M provision related to a product recall of prior-generation Senseo products, as well as EUR 13M of restructuring charges. Adjusted for these items, profitability was close to break-even, reflecting the positive impact from proactive portfolio management and cost measures taken to date.

## Looking ahead

- In Q2, Consumer Lifestyle expects to incur restructuring charges of about EUR 30 million in order to further optimize its cost structure given the current economic environment.
- Philips expects to finalize the transfer of its PC monitors business to TPV Technology, entering into a brand -license agreement.
- During Q2, Consumer Lifestyle will introduce a new range of TV sets, blu-ray players and additions to its portfolio of green products for floor care.

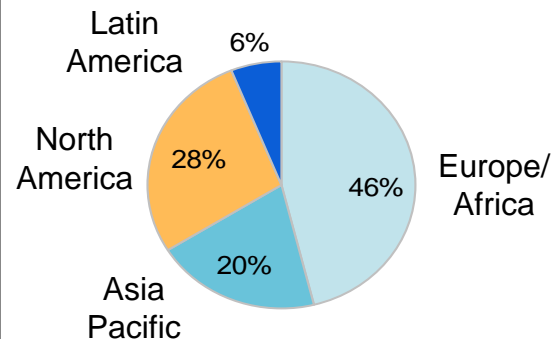
# Sector analysis – Lighting

EUR million

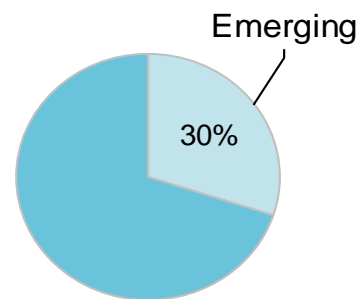
## Key figures

	1Q08	4Q08	1Q09
Sales	1,771	1,939	1,504
<i>% sales growth comp.</i>	3	(3)	(19)
EBITA	205	(115)	7
<i>EBITA as % of sales</i>	11.6	(5.9)	0.5
EBIT	171	(376)	(34)
<i>EBIT as % of sales</i>	9.7	(19.4)	(2.3)
NOC	6,209	5,712	5,964
Employees (FTEs)	61,042	57,166	52,766

### Sales per region



### Emerging markets



## Financial performance

- A further deterioration in the automotive, construction and OEM lighting markets, caused by the ongoing global economic downturn, was the main driver of a 19% decline in comparable sales at Lighting. The more retail-driven Lamps and Consumer Luminaires businesses also saw lower sales.
- The decline in EBITA was due to the lower sales level and adverse product mix, mainly in the automotive headlighting, outdoor and shop lighting segments. It was also impacted by production cuts to continue to prioritize cash flow, for an amount of EUR 40 million.
- EBITA included restructuring and acquisition-related charges of EUR 19 million, compared to EUR 30 million in Q1 2008.

## Looking ahead

- Lighting will step up its efforts to further streamline its fixed cost base. This is expected to lead to restructuring and acquisition-related charges of approximately EUR 90 million in Q2 2009.
- EU legislation phasing out incandescent lamps in homes and professional applications came into effect on April 13. Philips is well positioned to benefit from this through its extensive offering of energy-saving alternatives for both the consumer and business-to-business markets.
- At the EuroLuce International Lighting Fair in Milan, Philips will unveil the first commercially viable interactive OLED- based lighting experiences for both consumer and professional applications. OLEDs – organic light-emitting diodes – promise to revolutionize the lighting market.

# Sector analysis – Innovation & Emerging Businesses

EUR million

## Key figures

	1Q08	4Q08	1Q09
Sales	79	85	41
<i>% sales growth comp.</i>	<i>(22)</i>	<i>(50)</i>	<i>(49)</i>
EBITA Technologies / Incubators	(46)	(50)	(51)
EBITA Others	(21)	(33)	(12)
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EBITA	(67)	(83)	(63)
EBIT	(67)	(83)	(63)
NOC	240	150	152
Employees (FTEs)	5,608	5,324	5,270

## Financial performance

- Sales fell by EUR 38 million year-on-year; this was primarily attributable to Assembléon, which saw lower demand due to the depressed semiconductor market.
- EBITA in Q1 2008 included a EUR 13 million charge on the sale of HTP Optics. Adjusted for this effect, higher losses in Q1 2009 were mainly due to Assembléon, Applied Technologies and accelerated investments in healthcare ventures.
- The year-on-year reduction in net operating capital was mainly driven by working capital reductions.

## Looking ahead

- In Q2, investments in Research and the Incubators are expected to be on par with the previous quarter.
- Restructuring charges of up to EUR 20 million are anticipated for Q2, in order to align innovation activities within the group.

# Sector analysis – Group Management & Services

EUR million

## Key figures

	1Q08	4Q08	1Q09
Sales	39	41	33
<i>% sales growth comp.</i>	<i>(22)</i>	<i>(27)</i>	<i>(13)</i>
Corporate & Regional Costs	(42)	(49)	(28)
Global Brand campaign	(5)	(31)	(7)
Service units, Pensions and Other	(26)	(14)	(12)
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EBITA	(73)	(94)	(47)
EBIT	(73)	(94)	(47)
NOC	863	(1,376)	(1,533)
Employees (FTEs)	5,626	6,011	6,916

## Financial performance

- Corporate and Regional overhead costs were EUR 14 million lower than Q1 2008, driven by a reduction in fixed costs as well as a change in spending pattern.
- Global brand campaign investments of EUR 7 million were largely comprised of expenses related to the ongoing health and well-being campaign.
- EBITA levels at the other businesses were positively affected by a favorable movement related to an environmental provision and lower legal fees, offset in part by higher pension cost.
- The year-over-year decrease in net operating capital was largely attributable to the reduction of net pension assets in Q4 2008.

## Looking ahead

- With its stringent cost reduction measures, Philips aims to further reduce corporate and regional management costs by around EUR 30 million for the full year.
- Brand campaign investment is expected to be at EUR 45 million in 2009.
- Philips continues to sharpen its supply-base risk-management systems aimed at proactively mitigating supplier risks, while leveraging its position to obtain improved conditions from its suppliers, both in pricing as well as payment terms.

## Acceleration of plans to improve margins

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

Our restructuring plans will lead to a reduction in our fixed cost base of more than EUR 500 million on an annual basis by the end of this year.

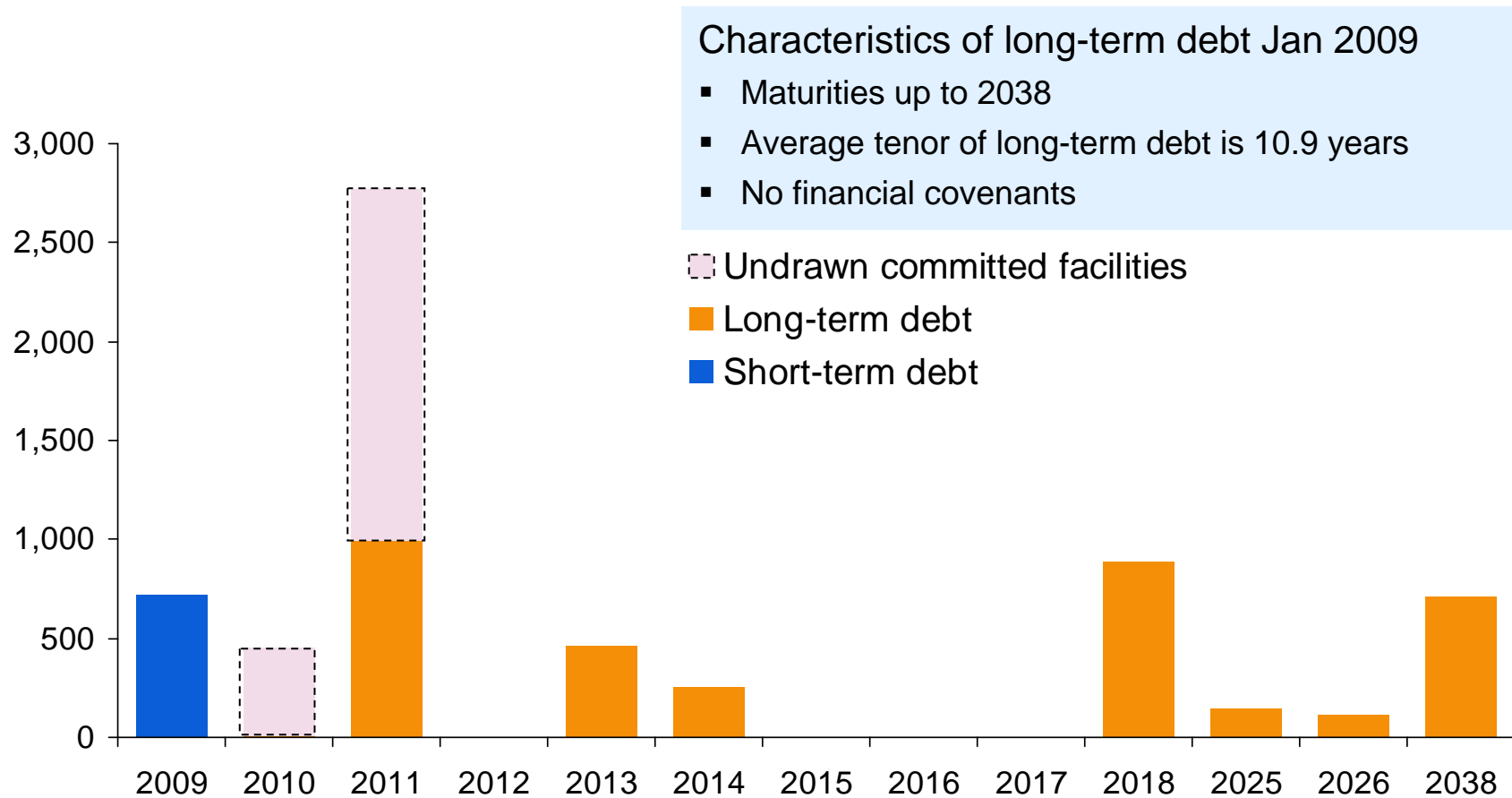
Restructuring	Cost			Cash out	Benefit	
<i>EUR million</i>	FY2008	1Q09	2Q09	2009 <sup>1</sup>	2H09	Projected benefits
Healthcare	<b>(65)</b>		(12)	<b>(65)</b>	<b>60</b>	Improve margins, further optimize operations structure
Consumer Lifestyle	<b>(198)</b>	(13)	(30)	<b>(135)</b>	<b>125</b>	Further optimize supply base, particularly in TV business
Lighting	<b>(222)</b>	(16)	(83)	<b>(130)</b>	<b>47</b>	Increase organizational effectiveness and strengthen its position
I&EB	<b>(18)</b>		(20)	<b>(20)</b>	<b>14</b>	Align innovation activities and adapt Assembléon to ongoing weakness
GM&S	<b>(13)</b>			<b>(10)</b>	<b>4</b>	Further simplify management structures
<b>TOTAL</b>	<b>(516)</b>	<b>(29)</b>	<b>(145)</b>	<b>(360)</b>	<b>250</b>	

Note - These numbers exclude acquisition-related charges of EUR 131 million for FY2008, EUR 19m for 1Q09 and EUR 25m for 2Q09

# First long-term debt maturing as of 2011

## Debt maturity profile as of January 2009

Amounts in EUR millions

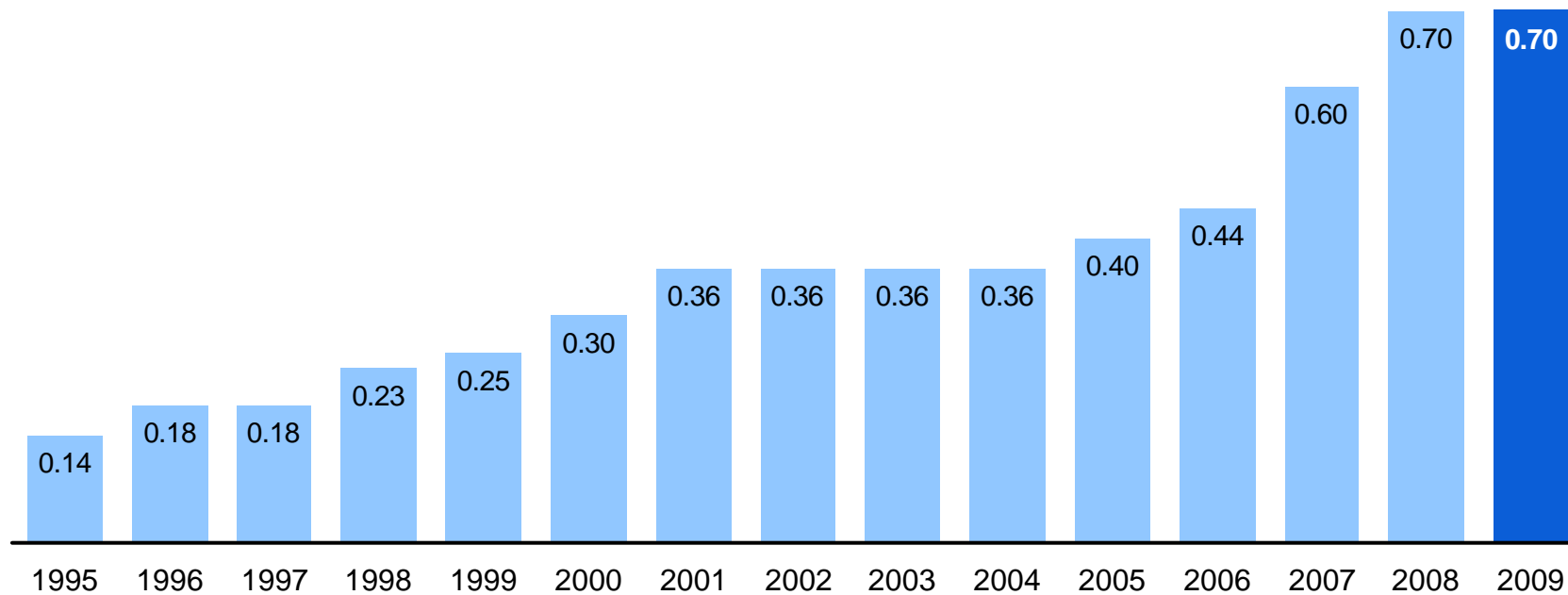


Note: Short term debt consists mainly of local credit facilities that are being rolled forward on a continuous basis.



## Distribution maintained at 70ct per share

*Amounts in EUR*



## Key pensions metrics

*Amounts in EUR millions*

	Netherlands	Other
Funding positions at December 31, 2008		
<i>Funding surpluses (deficits)</i>	2,609	(1,556)
<i>Sensitivity of DBO to 1% decline in discount rates</i>	1,391	972
Target allocation plan assets		
<i>equities</i>	13%	20%
<i>debt securities</i>	75%	74%
<i>other</i>	12%	6%
P&L pension cost 2009	(118)	142
Assumptions		
<i>expected return on assets</i>	6.0%	6.8%
<i>discount rate</i>	5.3%	6.0%

## Philips pensions plans

Financial turmoil impacts pension costs and cash flows in 2009.

### 2009 pension cost

Total costs of pension plans and other post-retirement benefit plans for 2009 are anticipated to amount to EUR 164 million (against EUR 106 million in 2008) of which EUR 32 million will be reported in GM&S and EUR 132 million in the sectors.

### 2009 cash contributions

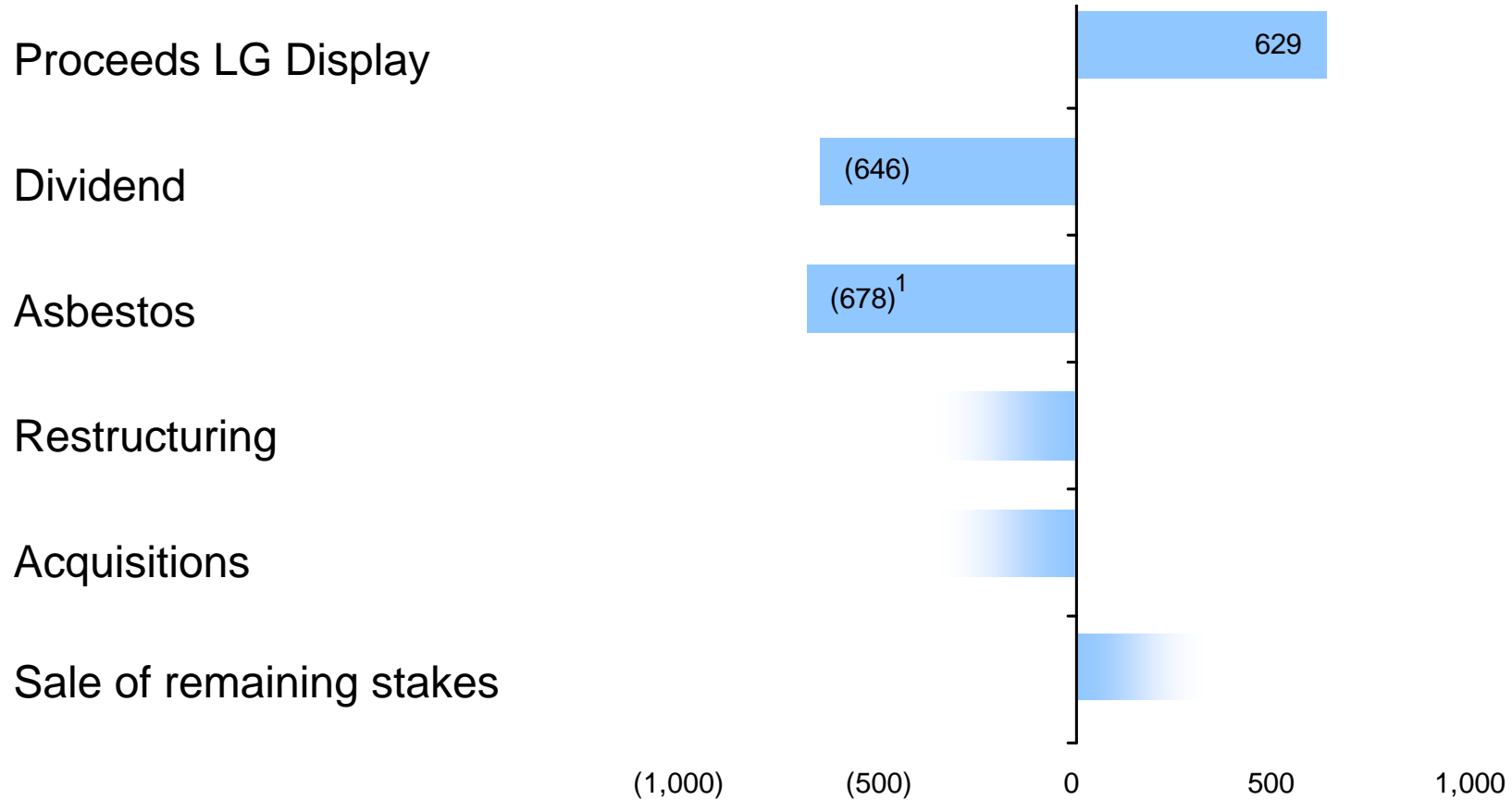
For 2009, we expect cash outflows (including both contributions and benefit payments) related to defined benefit pension plans for the Group as a whole to be around EUR 314 million (barring unanticipated changes in some funding parameters). The corresponding figure for 2008 amounted to EUR 259 million.

### Funding positions

In the Netherlands the funding percentage of our pension fund as per year-end 2008 was 121% in (local) funding terms. Compared to liabilities as reported by Philips in accounting terms, the current funding ratio was 125%. In the UK (where indexation is mandatory, and the funded status is therefore measured against real or indexed liabilities) the funding ratio as per year-end 2008 was 96% in accounting terms. In the US, it was 67%.

# Major cash flow items in 2009

*Amounts in EUR millions*



Note 1: If approved by the US Bankruptcy court Philips will set-up up a USD 900 million trust fund to resolve pending and future product liability charges related to asbestos (exchange rate: ECB fixing of April 9: 1.3273)

## Managing risk

Philips recognizes different risk categories and has taken measures accordingly. Current market situation asks for even more demanding controls which have been put in place.

- 🌐 **Capital expenditures**      Capital expenditure target in place to reduce investments in line with sales decrease
- 🌐 **Supplier risk**              We strengthened the purchase team to more closely assess our supplier risk
- 🌐 **Credit risk**                  Proactive assessment on our stakeholders regarding our exposures and focus on cash flow / liquidity, where necessary at the expense of bottom line
- 🌐 **Risk of obsolescence**      Production carefully managed to prevent excess inventory, risk of obsolescence and write-downs
- 🌐 **Foreign Exchange**          Active hedging policy in place on transactional risk
- 🌐 **Country risk**                  We closely monitor the country default risk

## Better positioned after downturn

Despite weakness in market and the impact on our reported results we clearly see the benefits of the measures we've taken. Once markets recover the adapted portfolio and organization structure with lowered fixed cost base will result in improved performance of the group.

- **Cost savings** Consumer Lifestyle is on track to deliver planned savings of EUR 150 – 200 million as a result of the decision taken to merge the former Consumer Electronics & DAP sectors per Jan 1, 2008.
- **Restructuring** Restructuring charges of EUR 690 million have already been taken or announced in 2008 and 2009, savings from which are now expected to exceed EUR 500 million on an annualized basis by the end of this year
- **Business structure** Divestment of North-American TV business, divestment of Home Networks, transfer of PC monitor business to TPV and further pruning of the portfolio has reduced our exposure to more cyclical and high ticket products leading to a more balanced portfolio
- **Supply chain** Channels are shaken out with respect to inventories leading to tighter and more efficient supply chain going forward

# Global stimulus plans

	Plan size	Timing	Details	Possible impact		
				Healthcare	Lifestyle	Lighting
USA	USD 787B	2009 – 2019	\$121B for Healthcare (\$87B Medicaid, \$20B Electronic records) \$13B for energy efficiency			
China	USD 586B	2009 – 2010	\$464B infrastructure, of which \$51B energy eff. Extra \$124B spending over 3 yrs to improve Healthcare			
Japan	USD 240B	2008 – 2009	Create job opportunities, fixed sum benefit to every household of \$600 for family of four			
Germany	EUR 82B	2009 – 2010	Infrastructure and tax relief; bonus of €2,500 to give up old cars to buy new one			
Italy	EUR 80B		Fiscal stimulus plan, bonus of €2,500 to give up old cars to buy new one			
France	EUR 67B	2009 – 2011	Energy and construction, job subsidies			
United Kingdom	GBP 20B		Cut VAT rate			

Note – ‘Possible impact’ shows own estimation of whether stimulus plan can have positive impact on sector sales.  
Possible impact ranges from no impact (white ball) to definitively positive impact (black ball)

# Latest announced acquisitions

Sep-2008	Alpha X-Ray	Healthcare – Imaging Systems	Strengthen footprint in emerging markets and add offering in economy segment
Nov-2008	Meditronics	Healthcare – Imaging Systems	Expansion of industrial and commercial footprint in India
Dec-2008	Aerosol therapy	Healthcare – Home Healthcare	Build industrial and commercial presence, strengthen emerging market presence
Feb-2009	Ilti Luce	Lighting – Professional Luminaires	Enhance ability to offer unique indoor architectural lighting solutions
Mar-2009	Dynalite	Lighting – Lighting Electronics	Provide further offering in lighting control systems for integral energy management
Apr-2009	Selecon	Lighting – Professional Luminaires	Strengthen the breadth of solutions in the theatrical and architectural market





# Management agenda 2009

## Staying the course

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

**Our 4 key financial performance metrics:** Revenue, EBITA, Cash, Productivity

**Our 2 non - financial performance metrics:** Net Promoter Score, Employee Engagement

1. Philips – who we are

2. Results Q1 2009

3. Sector insights – Healthcare, Consumer  
Lifestyle & Lighting

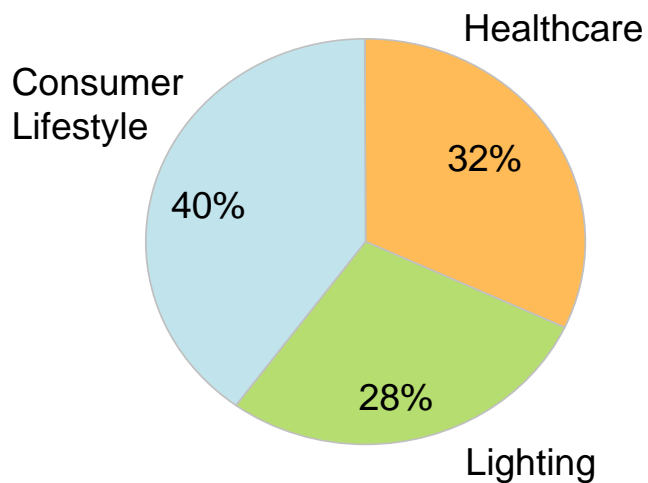
4. Philips Strategy & Targets

# Simplified business structure in 3 core sectors: Healthcare, Consumer Lifestyle and Lighting

*Last twelve months*

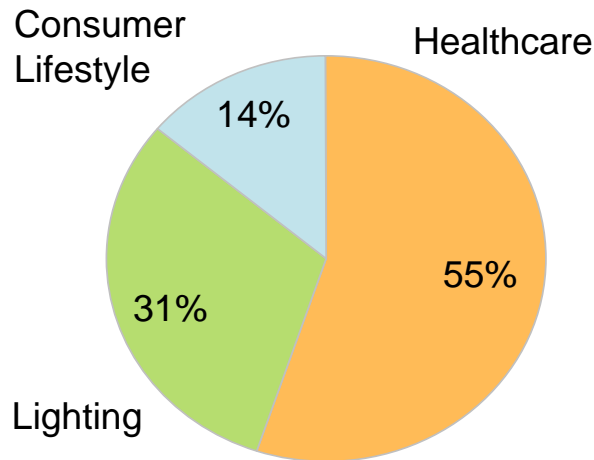
Sales

100% = EUR 25.1B<sup>1</sup>



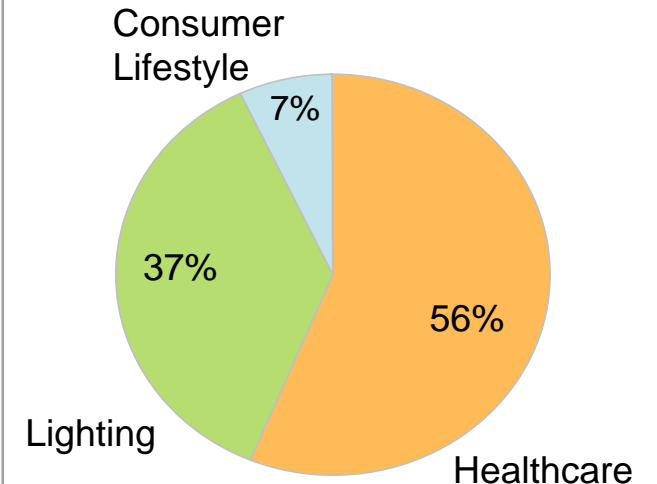
Adjusted EBITA

100% = EUR 1.7B<sup>1,2</sup>



Net Operating Capital

100% = EUR 16.0B<sup>1</sup>



1 – Excluding Central sectors (I&EB; GM&S)

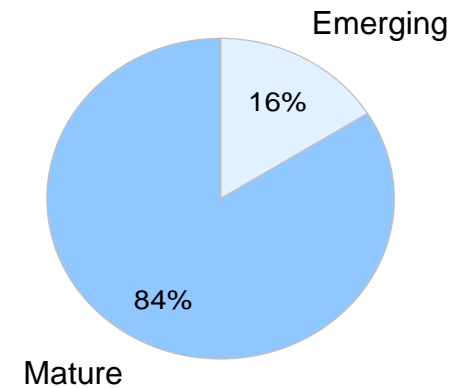
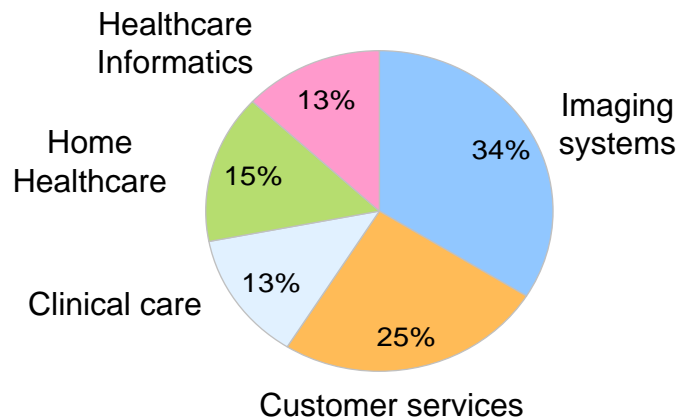
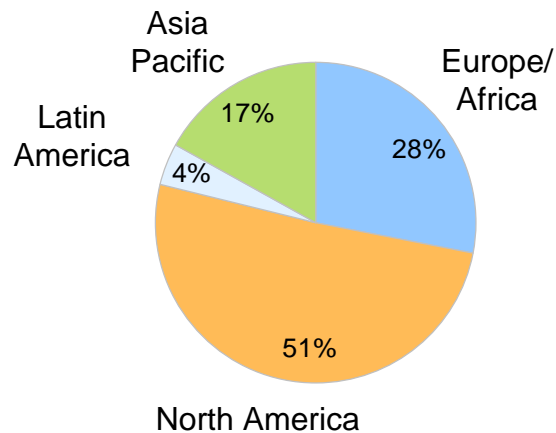
2 – EBITA adjusted to exclude restructuring and acquisition-related charges; for Healthcare EUR 151 million, for Consumer Lifestyle EUR 211 million and for Lighting EUR 252 million of charges are excluded.

# Healthcare: Sales growth\* 6 – 8%; margin 15 – 17%

- Strong market position and market share
- Focused approach to care cycles: Oncology, Cardiology, Women's Health
- Ongoing growth, particularly in Monitoring/HI, Service and Clinical Care
- Leader in new, growing Home Healthcare: Respironics, Lifeline, Raytel
- Strong growth in emerging markets driven by brand and acquisitions
- Margin improvement through increased low-cost sourcing, improved supply chain & industrial footprint and lower IT costs



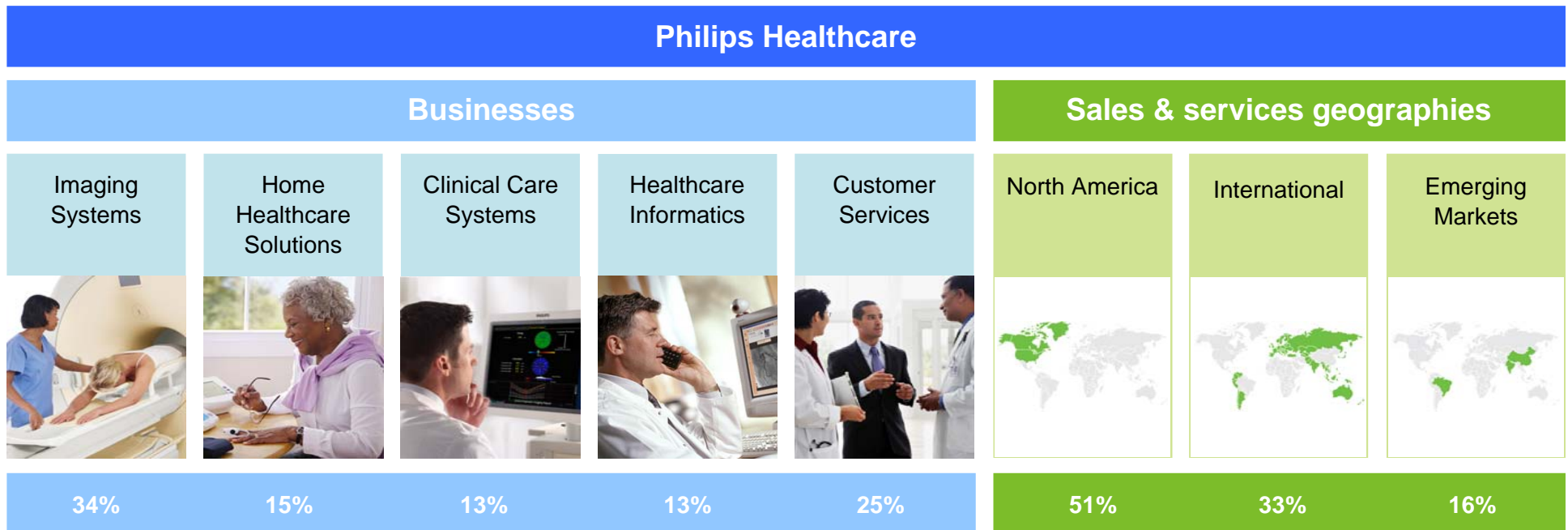
*Sales last twelve months  
March 2009*



\* Annual average comparable sales growth

# Depth and reach of Philips Healthcare

*What we do. Where we are.*



**€7.1**

Billion sales  
2008

in

**30,000+**

People employed worldwide  
in 100 countries

**11%**

of system sales  
invested in R&D\*

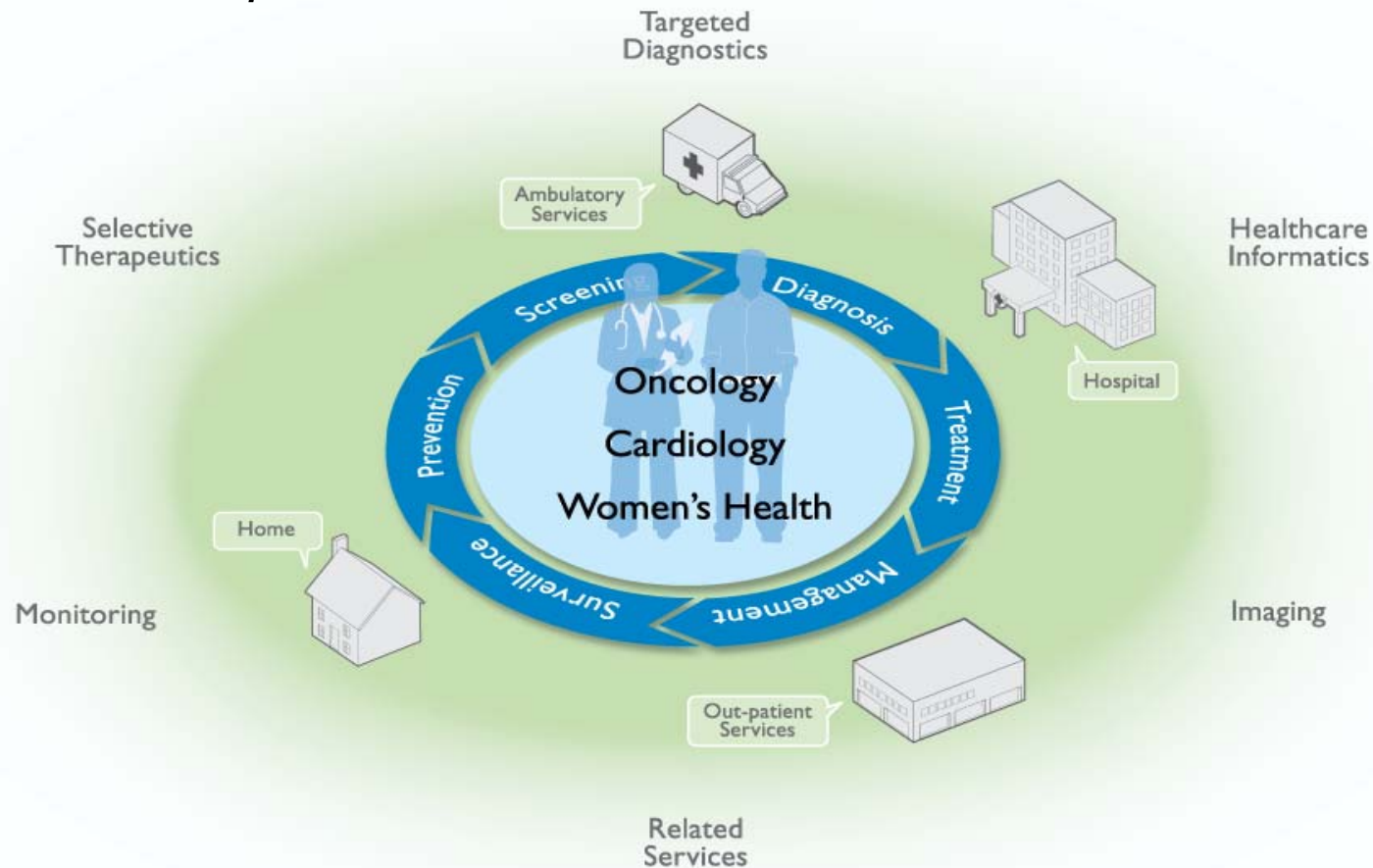
**450+**

Products & services  
offered  
in over 100 countries

\* excludes Customer Services

# The Philips healthcare difference

... we apply our **technology** to improve healthcare quality and reduce cost because **meaningful innovations** create value for patients and care providers.



To accomplish our targets, we focus on 3 areas

## Focus Areas

## Initiatives

**Accelerate Growth**



1. Increase presence in emerging markets
2. Expand mid / low-end product offering
3. Increase sales to home healthcare
4. Drive growth in healthcare informatics
5. Leverage patient/care provider brand

**Increase Margins**



1. Expand low cost country sourcing
2. Improve product reliability costs
3. Increase service productivity / effectiveness
4. Optimize market approach
5. Improve quote to cash

**Capitalize on Acquisitions**



1. Capture value from existing acquisitions
2. Pursue new acquisitions in strategic areas

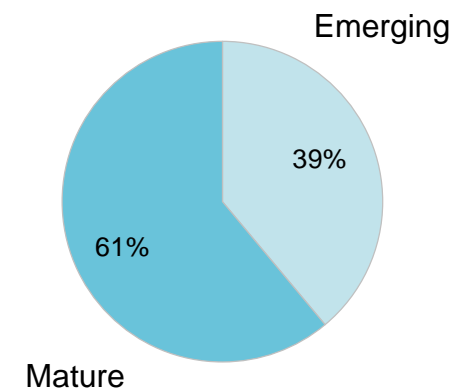
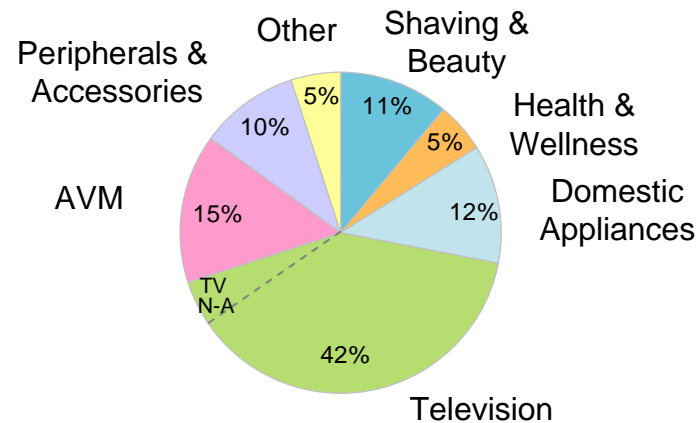
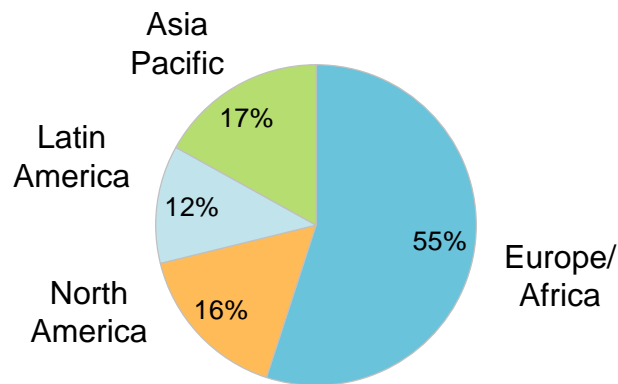
Structured approach in place to ensure we can deliver on commitments

## Consumer Lifestyle: Sales growth\* around 6%; margin 8–10%

- Strong marketing & sales capabilities; leveraging Philips brand
- Focused on innovative lifestyle solutions for personal well-being
- Consumer-driven insights and dedicated business models driving innovation and differentiation
- Expand category management to all businesses and regions
- Deal with unsatisfactory EBITA margins in Television
- Drive growth by strengthening presence in Emerging Markets



Sales last twelve months  
March 2009



\* Annual average comparable sales growth



## Proactive management in Consumer lifestyle

- Well on track to realize the upper end of the EUR 150 – 200 million savings as announced in September 2007

- Television footprint adjusted by divestment of North American business to Funai, stopping sales in selected markets and divesting Philips branded monitors

- Focus on growing Health and Well-being as part of portfolio

- Lower cost base by measures to optimize supply chain

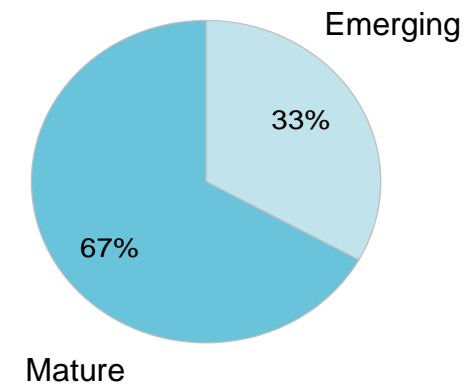
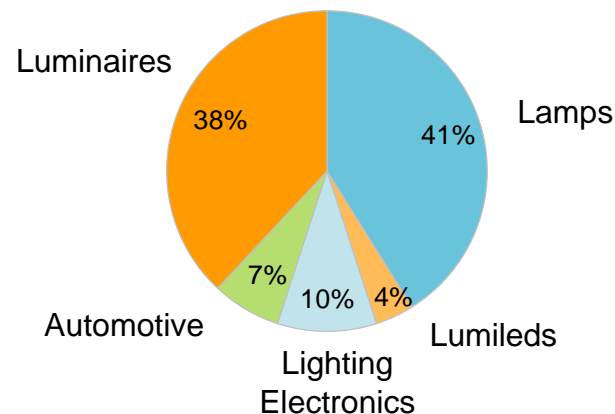
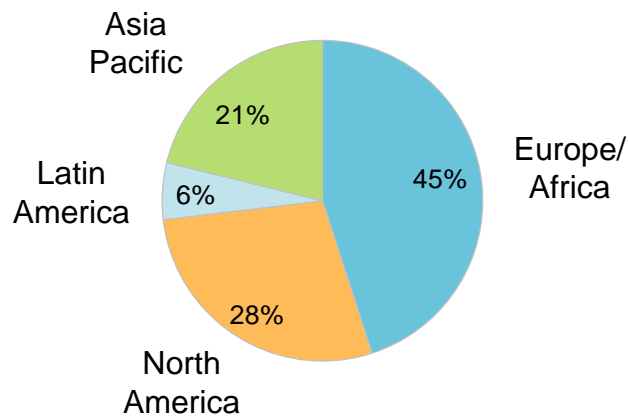
- Reduce fixed cost by further restructuring

## Lighting: Sales growth\* around 6%; margin 12 – 14%

- Global Leader in Lighting
- Strong presence across the complete Solid State Lighting value chain
- Readily available portfolio of innovative, energy efficient lighting solutions
- Technology base and application IP will help to lead the changeover to new lighting solutions
- Profitable growth in fast-growing economies and innovative new market segments
- End-user driven Innovation and Brand both drive our profitable growth



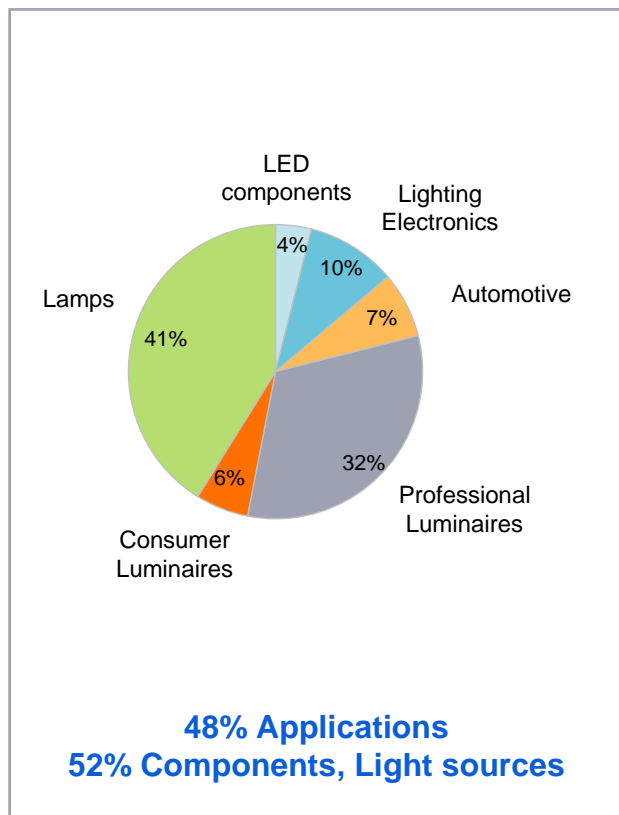
*Sales last twelve months  
March 2009*



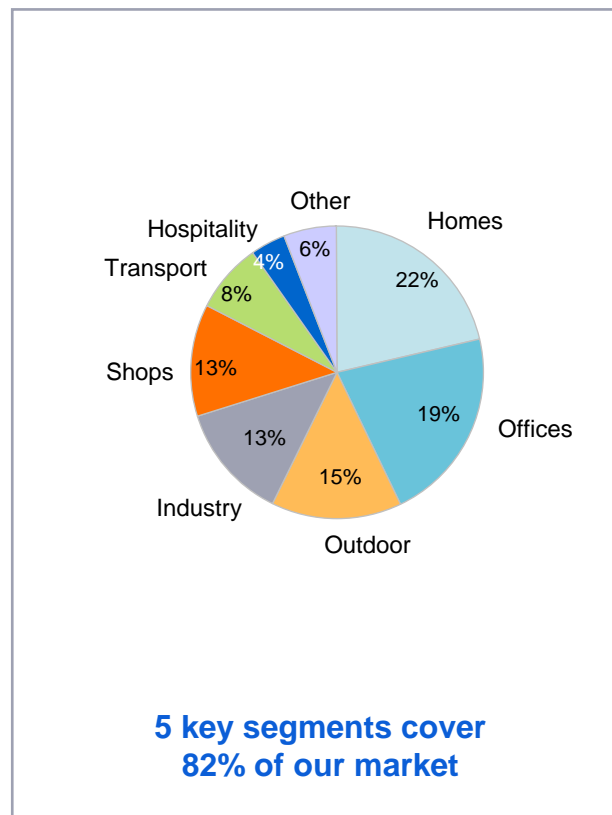
\* Annual average comparable sales growth

# Philips Lighting – balanced portfolio

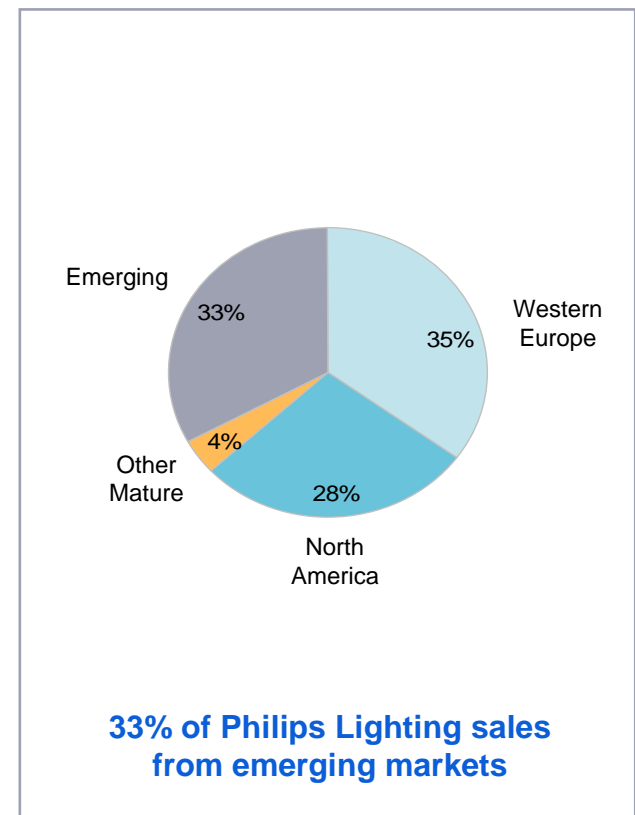
**Business structure \***



**Market segmentation \*\***



**Geographic distribution \***



\*) Last twelve months Mar-2009

\*\*) Approximation

1. Philips – who we are

2. Results Q1 2009

3. Sector insights – Healthcare, Consumer Lifestyle & Lighting

4. Philips Strategy & Targets

## Philips portfolio leverages a number of critical global trends

### Aging population

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

### Emerging markets

99% of future population growth will be in emerging markets. Emerging markets already produce 28% of global GDP.

### Empowered consumers

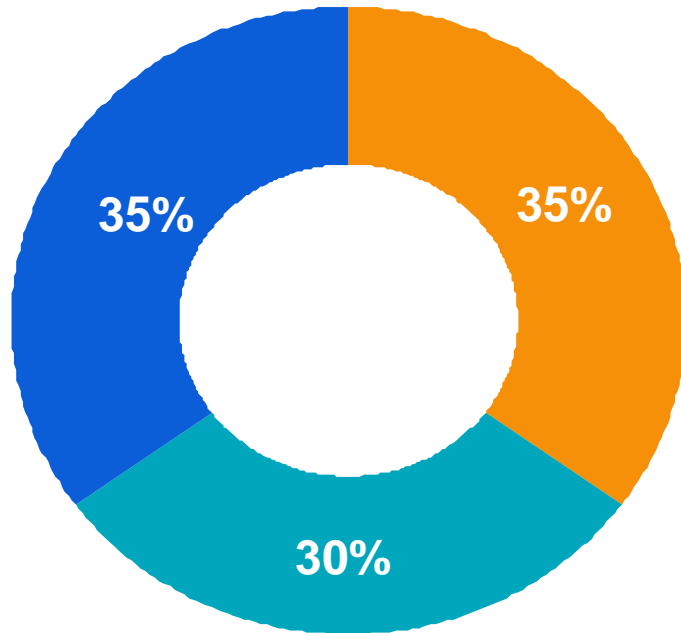
Demanding solutions to fulfill their personal needs.

### Climate change and sustainable development




19% of global electricity consumption is used for lighting. We can save 40%...or 600 power stations worth of energy!



# Our health and well-being offer is powered by 3 businesses



2009 indicative sales split

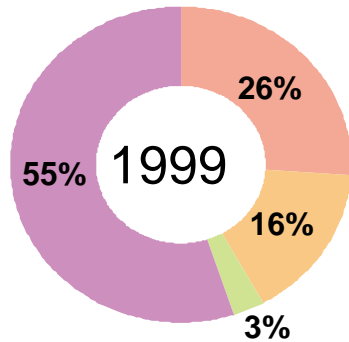
-  Healthcare
-  Lighting
-  Consumer Lifestyle



# The power of Healthcare

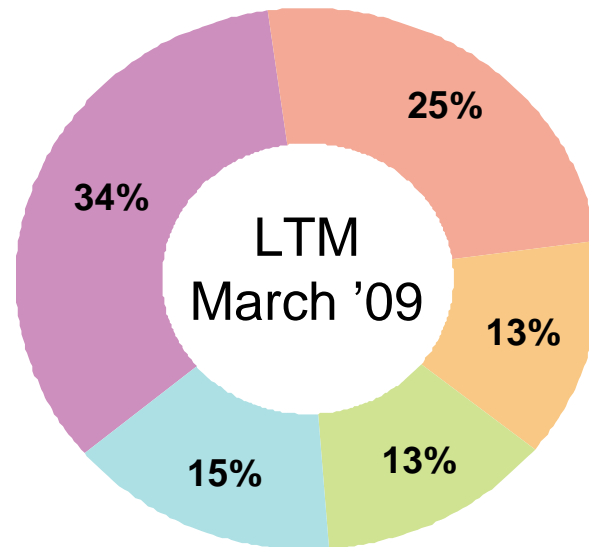
Further strengthening our global leadership

Total sales EUR 2.5 billion



- Imaging
- Customer service
- Clinical care
- Healthcare informatics and patient monitoring
- Home healthcare solutions

Total sales EUR 7.9 billion



Note – LTM is last twelve months



**PHILIPS**

# The power of Healthcare

Further strengthening our global leadership

## Clinical care systems

Global market leadership for automated external defibrillators

## Home healthcare solutions

No.1 provider of personal emergency response services in the US

## Patient monitoring

Leadership position offering significant reduction in mortality and length of stay in ICUs equipped with VISICU eICU

## Imaging systems

Cardiovascular X-ray is no.1 in overall manufacturing satisfaction

## Customer services

No.1 in service performance in patient monitoring systems and ultrasound

EBITA target of 15-17%

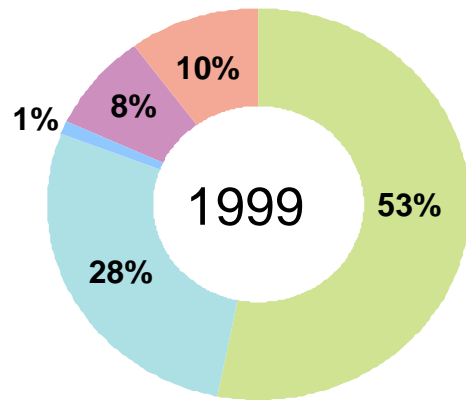




# The power of Consumer Lifestyle

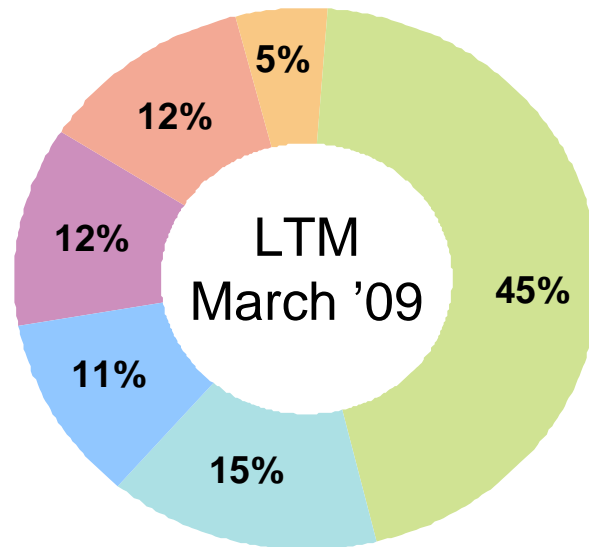
Focusing on differentiating profitable businesses

Total sales EUR 9.5 billion



- Domestic appliances
- Shaving & beauty
- Health & wellness
- TV
- Audio & video multimedia
- Peripherals & accessories

Total sales EUR 10.0 billion\*



\* Pie chart excludes sales 'Other'; LTM is last twelve months



# The power of Consumer Lifestyle

Focusing on differentiating profitable businesses

## Mother and childcare

Philips AVENT is market leader. Its feeding bottles have been clinically proven to reduce colic\*

\*At 2 weeks of age, babies fed with the AVENT Bottle experienced less colic than babies fed with a conventional bottle

## Male electric shaving

No.1, with every 2nd shaver in the world is a Philips shaver

## Power toothbrushes

Philips Sonicare is the number 1 recommended sonic toothbrush brand by dental professionals worldwide

## Domestic appliances

Over one million 'healthy living' aluminum Juicers sold since launch

## TVs

Philips invented the successful Ambilight flat TV concept

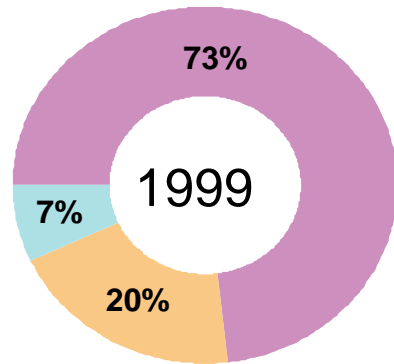
EBITA target of 8-10%



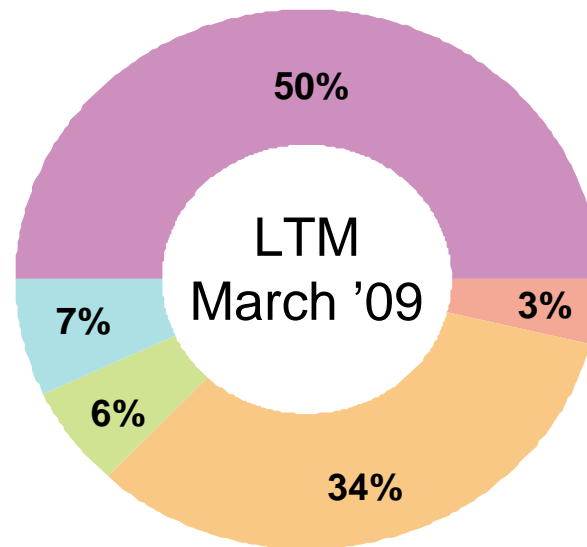
# The power of Lighting

Focusing on differentiating profitable businesses

Total sales EUR 4.5 billion

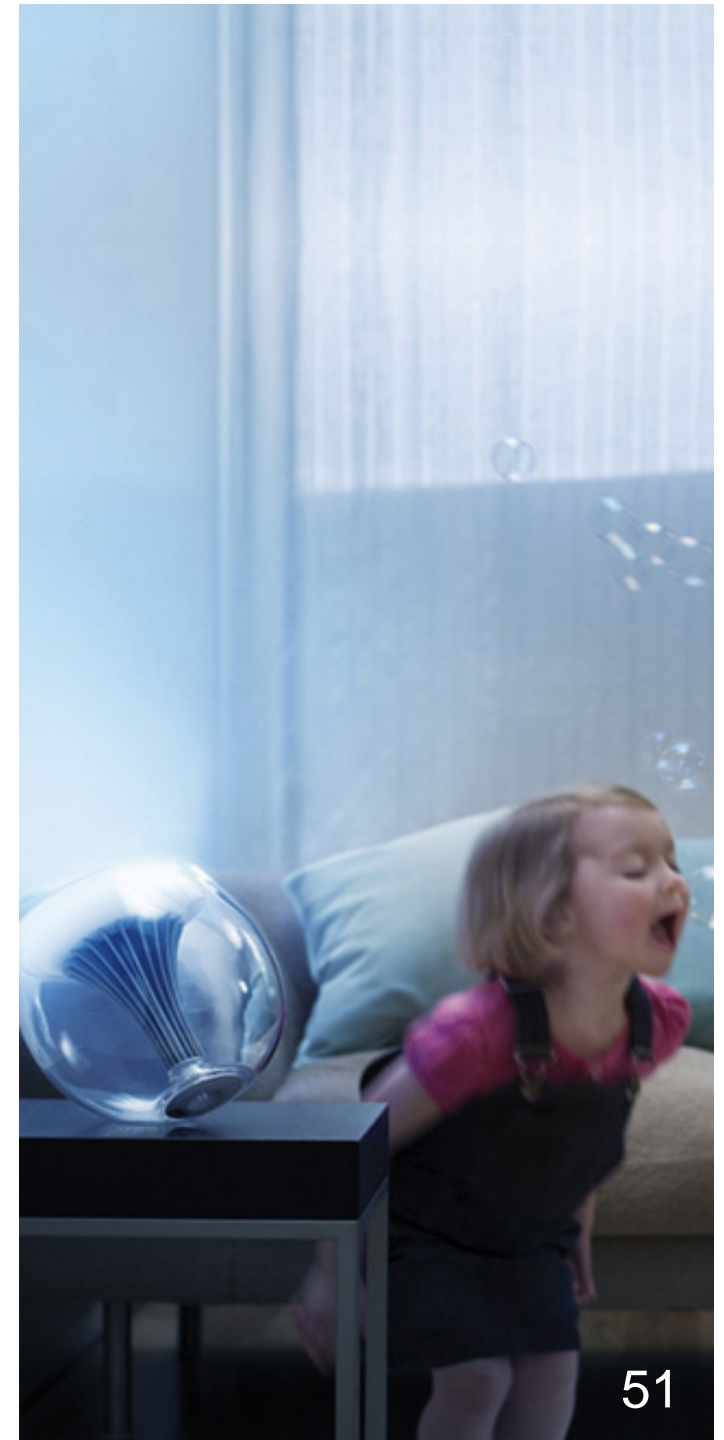


Total sales EUR 7.1 billion



- Lamps & lighting electronics
- LED components/modules
- Professional luminaires
- Consumer luminaires
- Automotive/special applications

Note – LTM is last twelve months



## The power of Lighting

Further strengthening our global leadership

### Lamps

Market leader: 1 out of every 4 lamps used worldwide is a Philips lamp

### Professional luminaires

No.1 lighting 65% of world's top airports and 30% of offices, hospitals and landmarks

### Consumer luminaires

Market leader and front runner in driving the switch to energy efficient lighting

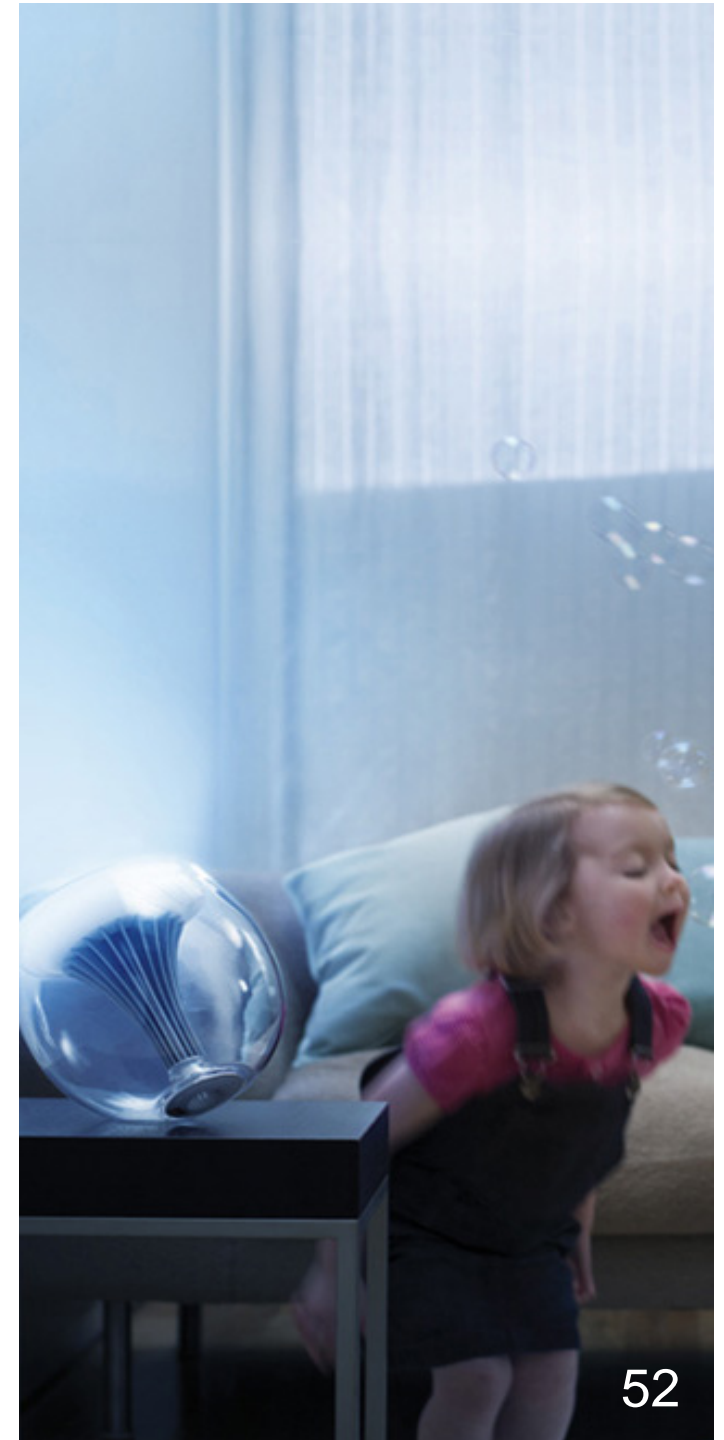
### LEDs

Strong presence in the complete solid state lighting chain

### Automotive lighting

Leads the market, with 1 in 3 cars worldwide using Philips automotive lighting

EBITA target of 12-14%



# Building our leadership of tomorrow

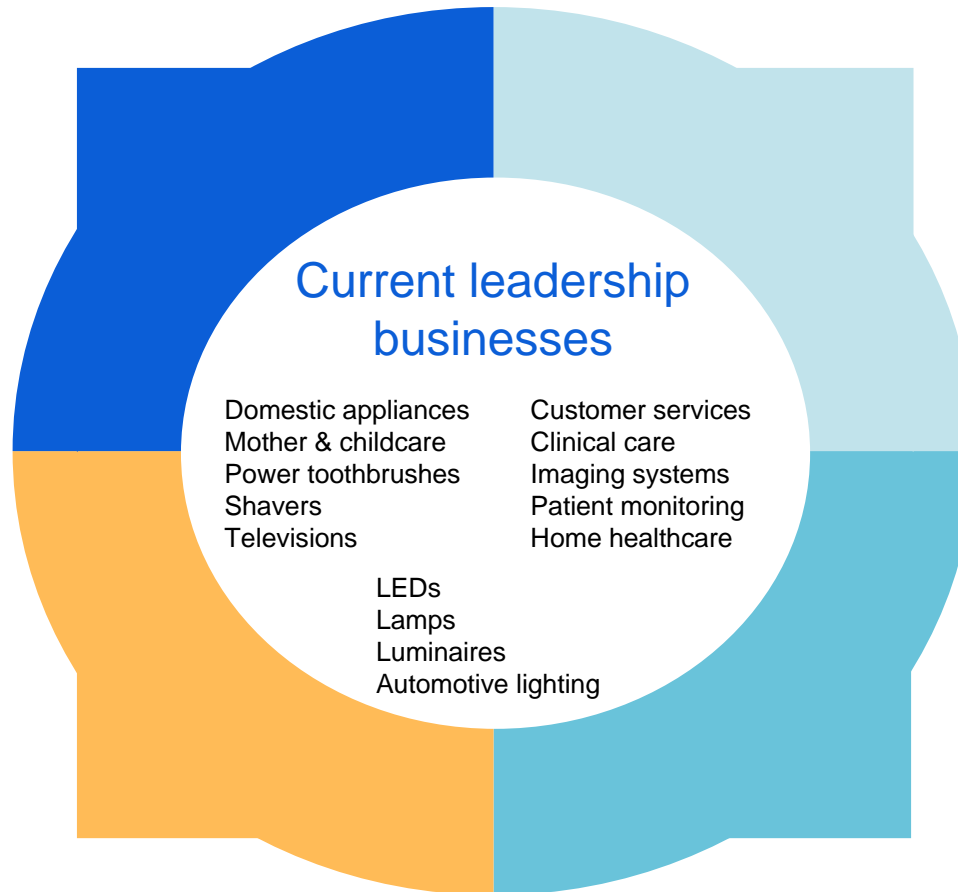
Further strengthening our global leadership

## Healthy living

A focus on sleep and skincare

## Preventive healthcare

Personal health monitoring and coaching



## Sustainable home lifestyle

Efficient use of resources, and good air and water quality

## Independent living

Developing new sales channels, and innovation in the field of respiration

# PHILIPS

## Our competitive difference will make us win

### Innovation process

We follow a rigorous process to create meaningful innovations

### Driving customer loyalty

We build customer loyalty to promote growth and profitability

### Creating brand value

Driven by our brand promise “sense and simplicity”

### Philips people

We develop highly engaged “Philips people”

### Emerging markets

We keep on expanding our global footprint



# Creating meaningful innovations

Improving lives in new ways



Gain deep insights into people's needs and aspirations

by following a process requiring end-user input at every stage

Transform insights into innovations

by combining the diverse perspectives of different disciplines

“Learn fast, fail cheap”

by applying a rigorous process to assess value potential early

Lead in open innovation

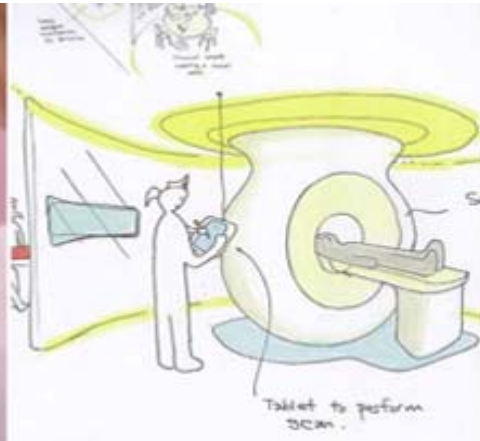
by working closely together with partners in a spirit of open innovation

# End-user input

at every stage of our innovation process



**Insights on needs**  
and aspirations are gathered by listening, watching and engaging our end-users and customers



**Multiple solutions**  
are created by in-house Marketing, R&D, and Design teams who collaborate, together with external specialists



**Conclusions are validated** with end-users and customers, both globally and locally.



**Product creation process** continues outside-in thinking throughout, with experiential” and “simplicity” testing.



# Close customer relationships

Creating promoters of our brand



## Customer loyalty

is fundamental to growth and profitability.

## We win the trust of customers and partners

- by understanding and anticipating their needs
- by sharing our insights
- by providing the right products and solutions

## We monitor our effectiveness

with the Net Promoter Score based on a simple question:

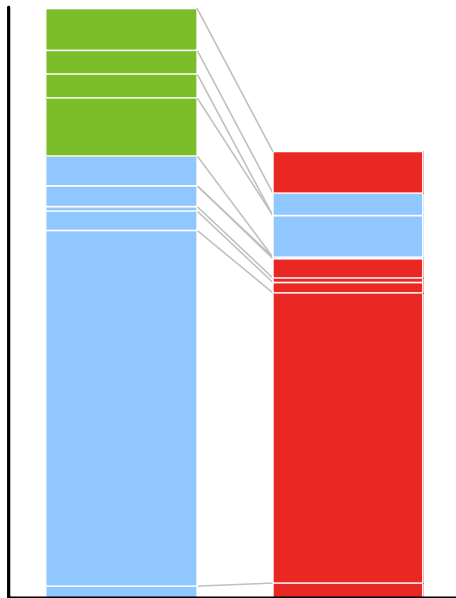
“would you recommend us to a friend or colleague?”

# NPS improvement drives revenue growth

Lighting Accounts with improving NPS show increasing sales

## NPS deteriorated

Annual revenue change (07-08)

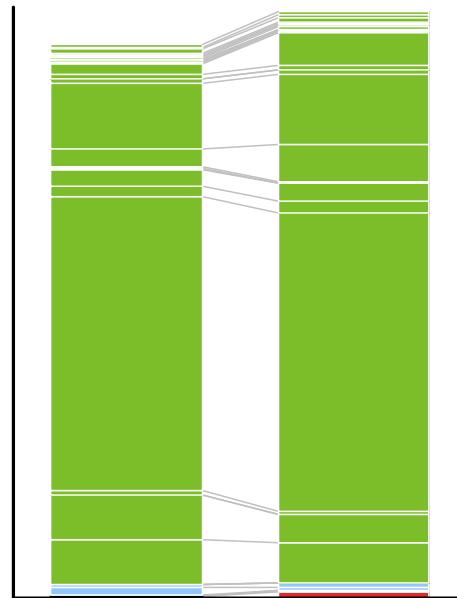


1st wave (2007)      3rd wave (2008)

**-24% decline** (11 accounts)

## NPS remained equal

Annual revenue change (07-08)

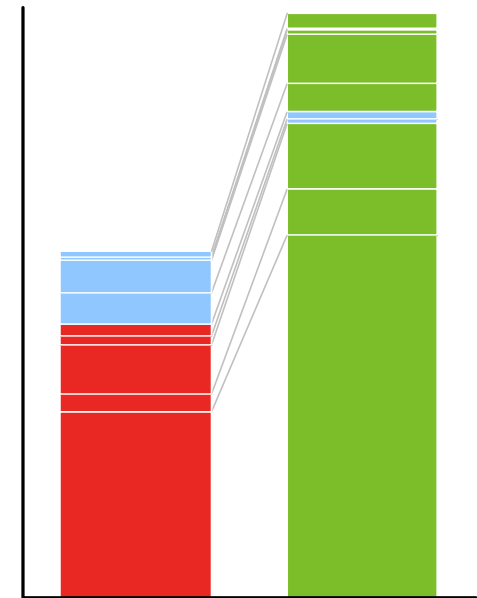


1st wave (2007)      3rd wave (2008)

**6% increase** (35 accounts)

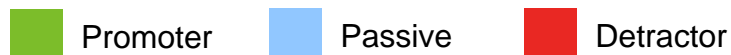
## NPS improved

Annual revenue change (07-08)



1st wave (2007)      3rd wave (2008)

**69% increase** (10 accounts)

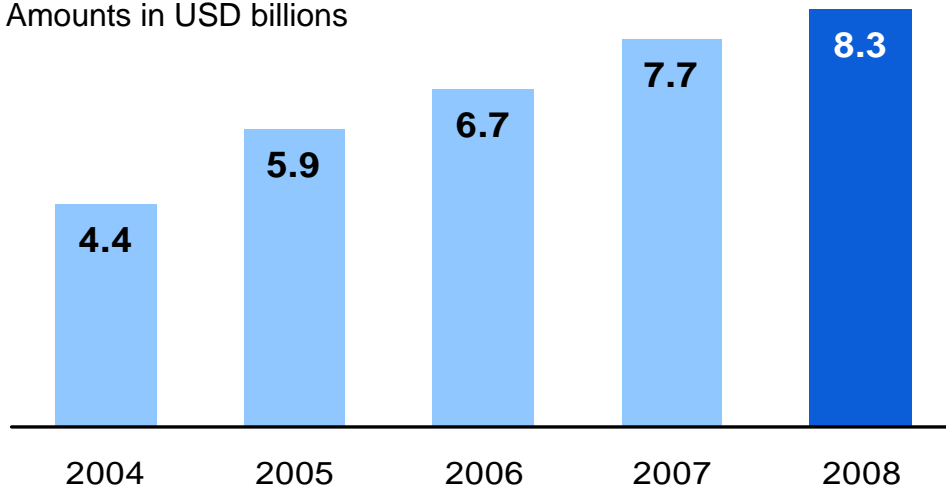


Note: NPS measured at end 2007 and end 2008; NN Sales compared 2008 vs. 2007

# Continued investment in building our brand

## Value of the Philips brand

Amounts in 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 growth

Philips brand value grew more than twice as fast as that of closest competitors (2008)

## Strong internal brand

83% of employees are “proud to work for Philips”

## Brand campaign 2009

Making our trusted brand promise of ‘sense and simplicity’ meaningful in the health and well-being domain

\*because we would all like to see a heart attack coming from a mile away.

**PHILIPS**

\*because some people can only dream of getting a good night's sleep.

**PHILIPS**

\*because needing an MRI is scary enough.

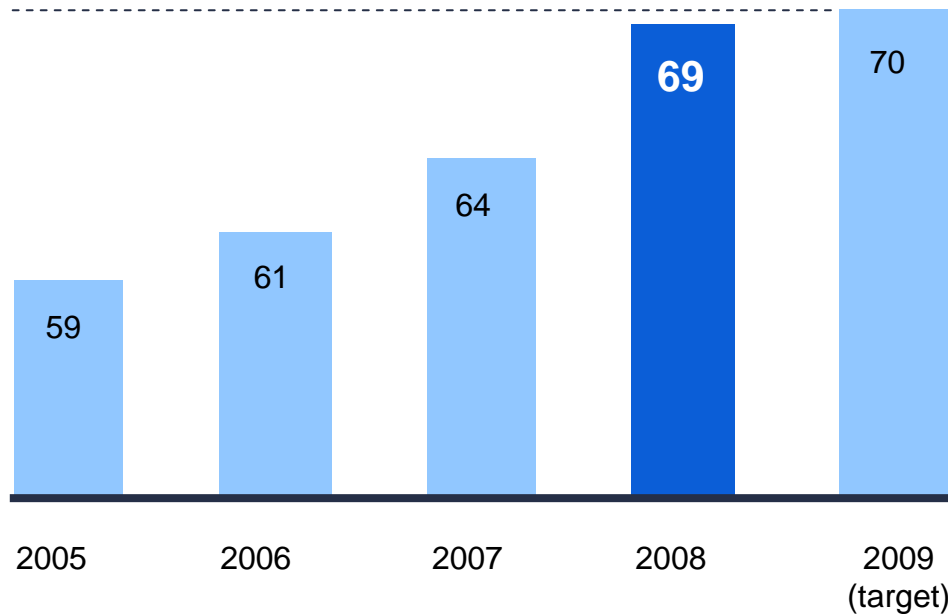
**PHILIPS**

# Philips people

Strong leadership, a highly engaged workforce

## 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 annual 'employee engagement index' polling over 90,000 of the Philips workforce is touching the high performance benchmark of the 3rd party agency managing the survey.

### 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.

# Emerging markets

represents a significant and growing part of our global footprint



## Emerging markets represent over 30% of sales

Sales growth in emerging markets significantly outperformed growth in mature markets in 2008

## Championing growth with dedicated strategies

Based on local market insights, supported by increased marketing investment up 27% (2008 YTD vs. 2007)

## Increasing our footprint

Significant increases in R&D, manufacturing and marketing. 5 strategic acquisitions to strengthen local market leadership positions

## High corporate brand equity

Consistently among the top-ranking players:  
India: top 10%, China: top 10%,  
Russia: top 40%, Brazil: top 20%

## Sustainability is a strategic driver

- ▶ Our superb heritage in innovation and design helps us realize meaningful innovations in **Healthcare**, **Lighting** and **Consumer lifestyle**
- ▶ Our brand promise ***Sense and Simplicity*** and sustainability provide the framework for the way we do business.
- ▶ Our strategy fuels growth through sharpened, market-focused, people-centric strategies
- ▶ One of the strategic drivers behind our targets is a commitment to sustainability and making a difference in energy efficiency

Clear example of how we are driving business growth through Sustainability is the launch of our **EcoVision4** program in 2007:

- Generate 30% of revenues from Green Products over a period of 5 yrs ('07-'12) – up from 15%
- Double our investment in Green Innovations to a cumulative € 1 billion by 2012; and
- Further increase the energy efficiency of our operations by 25% by 2012.



## Leading today, into tomorrow

### Summing up

We're a global company of leading businesses built on 'sense and simplicity'

Strengthened by a growing brand and significant investment in emerging markets

We provide solutions that improve people's health and well-being

A sustainable area of business, driven by global trends

We do this with a relentless people-focus

- Highly engaged Philips people
- Strong relationships with customers
- Continued creation of meaningful innovations



# PHILIPS

**sense and simplicity**



# Appendix

# Development cost capitalization & amortization by sector

*EUR million*

	Capitalization		Amortization	
	Q1 2008	Q1 2009	Q1 2008	Q1 2009
Healthcare	14	16	10	16
Consumer Lifestyle	33	11	38	22
Lighting	11	5	6	2
I&EB	2	2	1	-
GMS	-	-	-	-
<b>Group</b>	<b>60</b>	<b>34</b>	<b>55</b>	<b>40</b>

## Fixed assets expenditures & Depreciation by sector \*

EUR million

	Gross CapEx		Depreciation	
	Q1 2008	Q1 2009	1Q08	1Q09
Healthcare	23	34	26	40
Consumer Lifestyle	48	27	40	34
Lighting	67	38	59	58
I&EB	1	6	8	8
GMS	9	7	12	14
<b>Group</b>	<b>148</b>	<b>112</b>	<b>145</b>	<b>154</b>

\* Excluding software related capital expenditures and depreciation

## Fixed assets expenditures & Depreciation by sector \*

EUR million

	Gross CapEx		Depreciation	
	2007	2008	2007	2008
Healthcare	166	206	91	139
Consumer Lifestyle	164	171	156	170
Lighting	247	304	217	329
I&EB	53	5	39	31
GMS	28	84	59	60
<b>Group</b>	<b>658</b>	<b>770</b>	<b>562</b>	<b>729</b>

\* Excluding software related capital expenditures and depreciation

