

PHILIPS

sense and simplicity

Royal Philips Electronics

Third Quarter 2010

Information booklet

October 18th, 2010

Important information

Forward-looking statements

This document and the related oral presentation, including responses to questions following the presentation contain certain forward-looking statements with respect to the financial condition, results of operations and business of Philips and certain of the plans and objectives of Philips with respect to these items, in particular the sections "Looking ahead" and "Outlook". Examples of forward-looking statements include statements made about our strategy, estimates of sales growth, future EBITA and future developments in our organic business. By their nature, these statements involve risk and uncertainty because they relate to future events and circumstances and there are many factors that could cause actual results and developments to differ materially from those expressed or implied by these statements.

These factors include but are not limited to domestic and global economic and business conditions, the successful implementation of our strategy and our ability to realize the benefits of this strategy, our ability to develop and market new products, changes in legislation, legal claims, changes in exchange and interest rates, changes in tax rates, pension costs and actuarial assumptions, raw materials and employee costs, our ability to identify and complete successful acquisitions and to integrate those acquisitions into our business, our ability to successfully exit certain businesses or restructure our operations, the rate of technological changes, political, economic and other developments in countries where Philips operates, industry consolidation and competition. As a result, Philips' actual future results may differ materially from the plans, goals and expectations set forth in such forward-looking statements. For a discussion of factors that could cause future results to differ from such forward-looking statements, see the Risk management chapter included in our Annual Report 2009 and the "Risk and uncertainties" section in our semi-annual financial report for the six months ended July 4, 2010.

Third-party market share data

Statements regarding market share, including those regarding Philips' competitive position, contained in this document are based on outside sources such as research institutes, industry and dealer panels in combination with management estimates. Where information is not yet available to Philips, those statements may also be based on estimates and projections prepared by outside sources or management. Rankings are based on sales unless otherwise stated.

Use of non-GAAP Information

In presenting and discussing the Philips Group's financial position, operating results and cash flows, management uses certain non-GAAP financial measures. These non-GAAP financial measures should not be viewed in isolation as alternatives to the equivalent IFRS measures and should be used in conjunction with the most directly comparable IFRS measures. A reconciliation of such measures to the most directly comparable IFRS measures is contained in this document. Further information on non-GAAP measures can be found in our Annual Report 2009.

Use of fair-value measurements

In presenting the Philips Group's financial position, fair values are used for the measurement of various items in accordance with the applicable accounting standards. These fair values are based on market prices, where available, and are obtained from sources that are deemed to be reliable. Readers are cautioned that these values are subject to changes over time and are only valid at the balance sheet date. When quoted prices or observable market data do not exist, we estimated the fair values using appropriate valuation models and unobservable inputs. They require management to make significant assumptions with respect to future developments, which are inherently uncertain and may therefore deviate from actual developments. Critical assumptions used are disclosed in our 2009 financial statements. Independent valuations may have been obtained to support management's determination of fair values.

All amounts in millions of euro's unless otherwise stated; data included are unaudited. Financial reporting is in accordance with IFRS, unless otherwise stated. This document comprises regulated information within the meaning of the Dutch Financial Markets Supervision Act 'Wet op het Financieel Toezicht'.

1. Philips Introduction

2. Vision 2015: Strategy and Investment Proposition

3. Group results Q3 2010

4. Healthcare, Consumer Lifestyle and Lighting

PHILIPS

A blue-chip company leading in health and well-being

Founded in 1891

Headquartered in Amsterdam, the Netherlands

MAT Sales of EUR 25.3 billion

Over 8% comparable growth year-to-date 2010

Emerging Markets

32% of MAT sales generated in Emerging Markets

Globally recognized brand (world top 50)

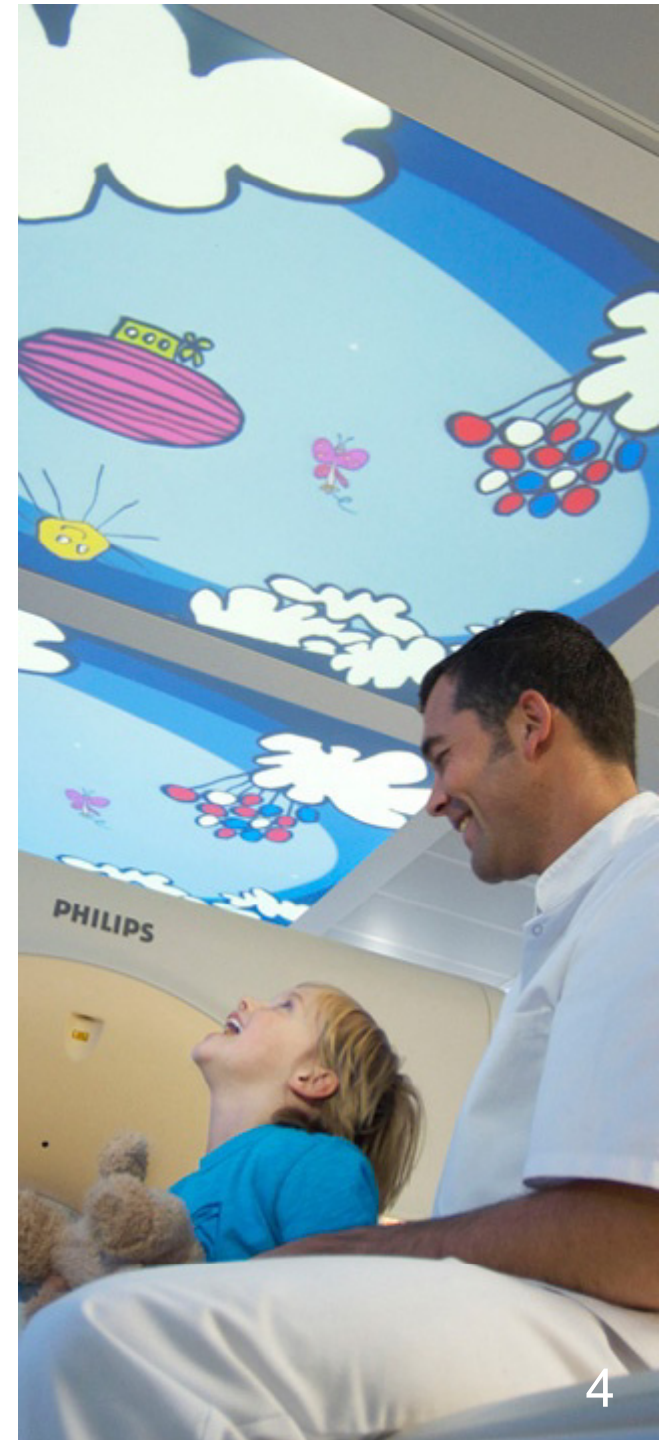
Our brand value doubled to \$8.7bn since 2004

118,000 employees

Sales and service outlets in over 100 countries

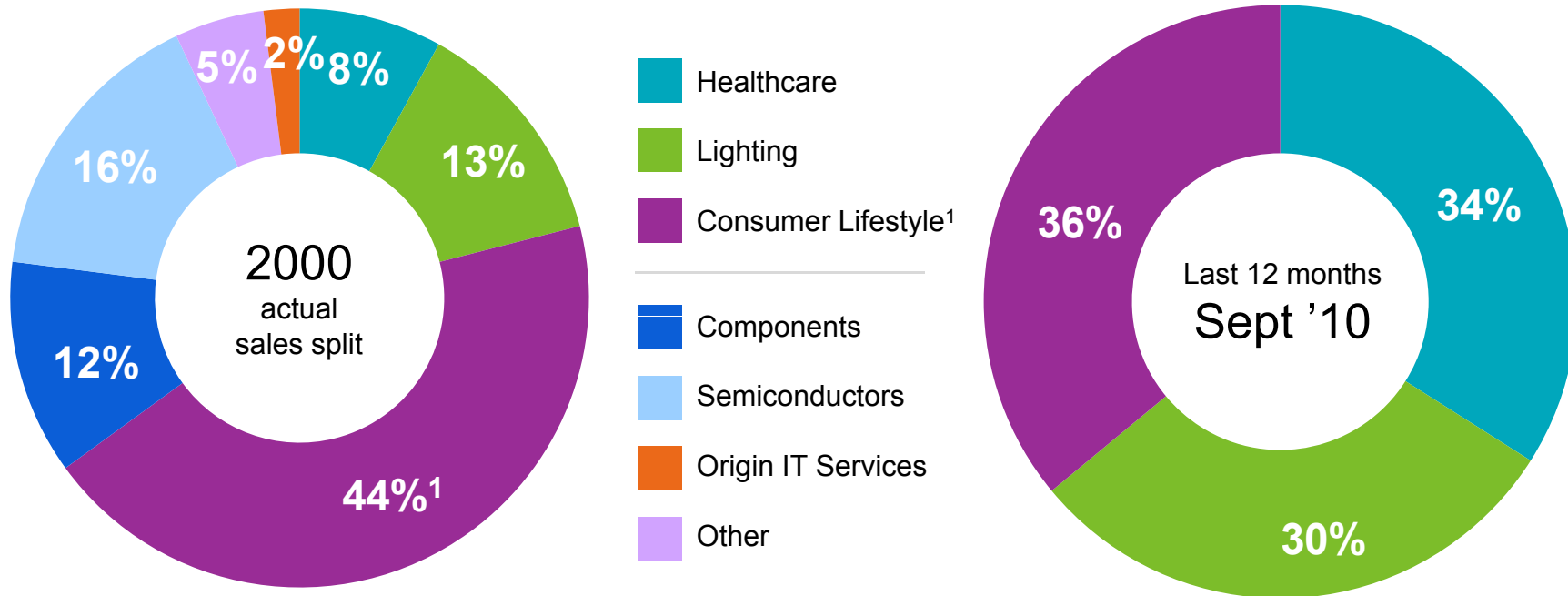
€1.6 billion investment in R&D, 7% of sales

48,000 patent rights – 35,000 registered trademarks –
56,000 design rights



Building a leading company in health and well-being

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



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

Well positioned through focus on health & well-being

Synergies across the portfolio

Our mission

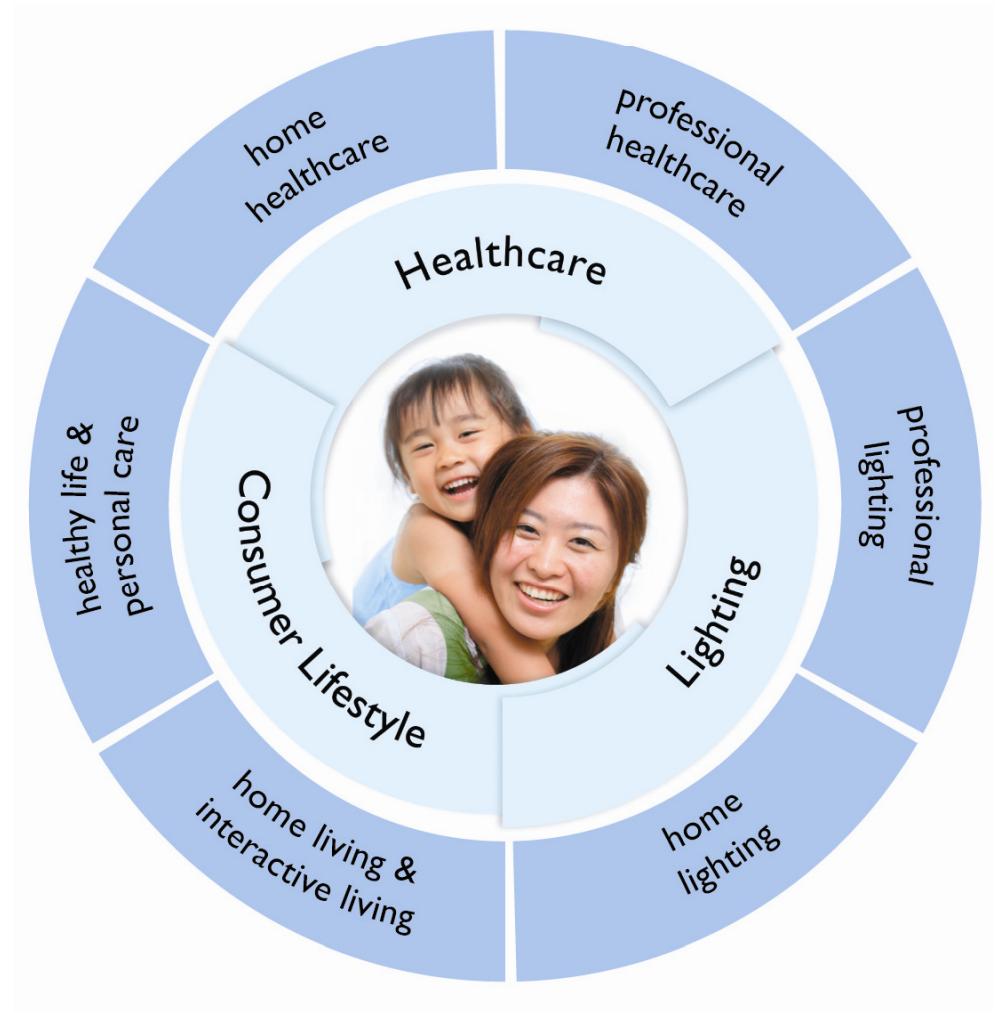
Improving people's lives

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



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



Close customer relationships

Creating promoters of our brand

Customer loyalty

Is fundamental to growth and profitability.

We win the trust of customers and partners

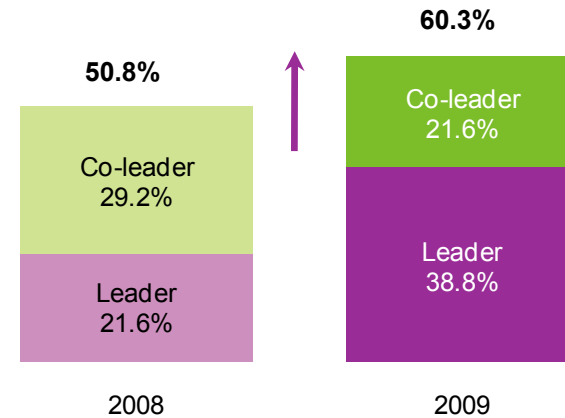
- By understanding and anticipating their needs
- By sharing our insights
- By providing the right products and solutions

We monitor our effectiveness

With the Net Promoter Score based on a simple question:
“Would you recommend us to a friend or colleague?”

Closer customer relationships in 2009

Strengthened our relationships and increased Net Promoter Score leadership positions to over 60%

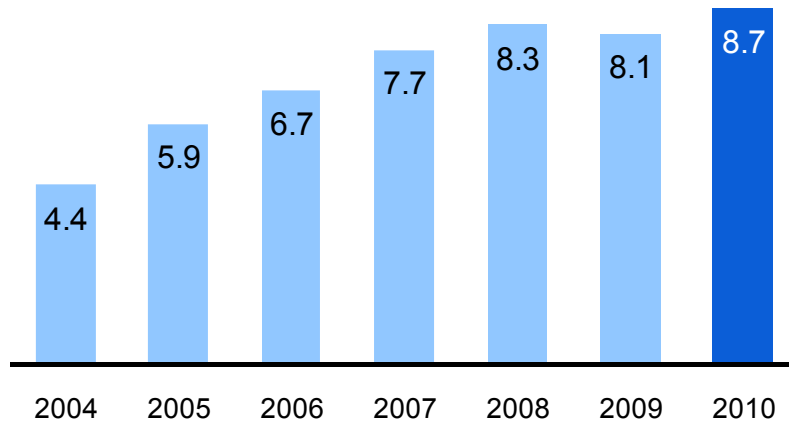





The world's 42nd most valuable brand in 2010

Brand value doubled since 2004

Value of the Philips brand¹

USD billions



<p>*because children love learning, but hate paying attention.</p>  <p>PHILIPS sense and simplicity</p>	<p>*because when it comes to matters of the heart, men and women differ.</p>  <p>PHILIPS sense and simplicity</p>	<p>*because the problem with exercise is a lack of time, not energy.</p>  <p>PHILIPS sense and simplicity</p>
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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 value¹ growth

With a 7% brand value increase in 2010, Philips outpaced the average increase of 4% shown by other brands

Strong internal brand

78% of employees are “proud to work for Philips”

Brand campaign 2010

Developing thought leadership in health and well-being and making our trusted brand promise of ‘sense and simplicity’ meaningful in this area

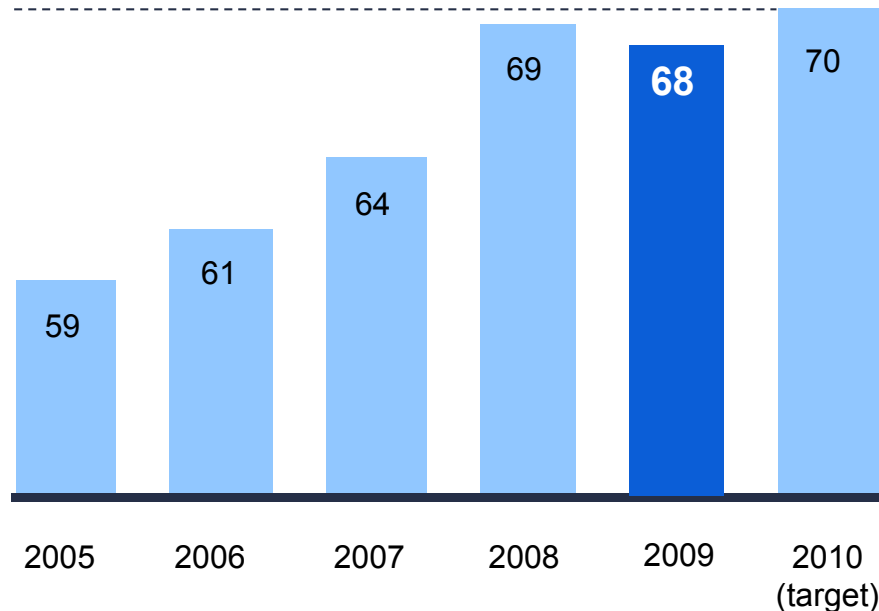
¹ Source: Interbrand Brand Valuation 2010

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.

A strong position in emerging markets

Represents a significant and growing part of our global footprint



Emerging markets represent 32% of sales

In healthcare double-digit growth in sales and order intake

High corporate brand equity¹

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

Championing growth with dedicated strategies

Based on local market insights, supported by increased marketing investments.

Increasing our footprint

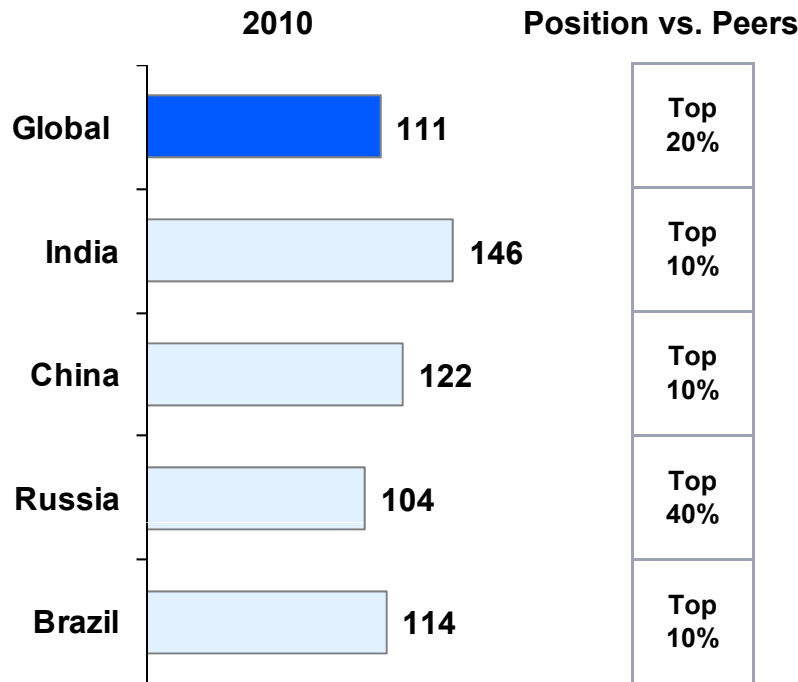
- Opened more than 100 exclusively branded stores in China and India
- Established an Imaging Systems Industrial Campus in Suzhou, China

¹ Source: Consumer Heart BEAT brand equity study 2010

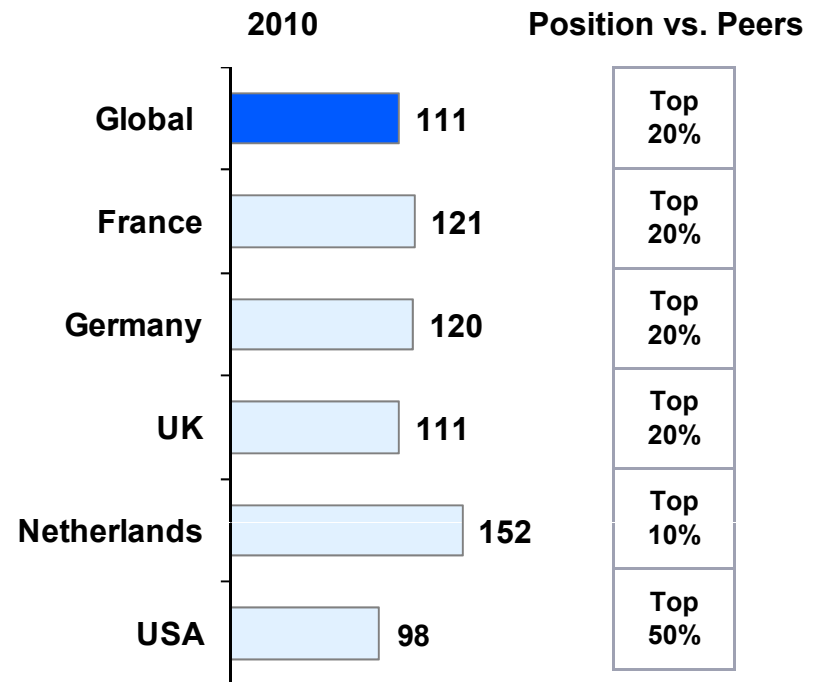
Emerging markets B2C

Continued strong brand equity in Emerging Markets means we are well-pointed to accelerate growth

Corporate brand equity index, 2010
BRIC Markets



Corporate brand equity index, 2010
Mature Markets



Sustainability as a driver for growth



Success of EcoVision4

Our Green Product sales represented around 30% of sales in 2009, 3 years ahead of our 2012 target. And we will complete our 2012 goal of cumulative EUR 1 billion of Green Investment in 2010.

Launch of our EcoVision5 program

A clear example of how we continue to drive business growth through Sustainability is the launch of our EcoVision5 program in 2010.

Targets for the period 2010 – 2015

- To bring care to 500 million people
- To improve the energy efficiency of our overall portfolio by 50%
- To double the amount of recycled materials in our products as well as to double the collection and recycling of Philips products

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Portfolio leverages critical global trends

Fundamental growth trends

Global trends



Population growth, aging, higher healthcare aspirations and lifestyle related diseases mean that *healthcare costs will become unsustainable*



Increased welfare and changing lifestyles will drive *consumer focus on health and well-being*



The fundamental need to reduce our eco-footprint drives demand for *energy efficiency and sustainability*



The lighting industry will face a massive shift from conventional to *digital, dynamic lighting* and the entry of new, non-traditional players



The relative importance of *emerging markets* in the world economy continues to rise

Our opportunities

- Efficient health diagnostics and treatment
- Home healthcare
- Healthy lifestyle and preventive health
- Personal well-being
- Light for health and well-being
- Energy efficient lighting
- Emerging markets
- Sustainability

Vision 2010 outlined 4 key priorities

Build a portfolio of businesses that stands to grow on the back of key global trends

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Vision 2010 outlined 4 key priorities

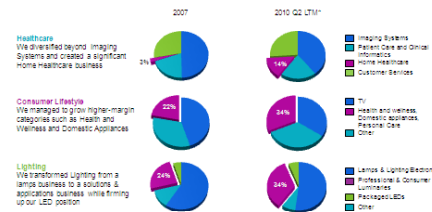
We built a portfolio of businesses that stands to grow on the back of global trends
Since mid September 2007 we acquired 29 businesses



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Vision 2010 outlined 4 key priorities

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

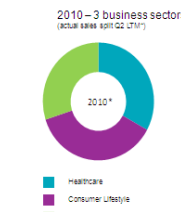


Simplify Philips to optimally tap into market opportunities

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Vision 2010 outlined 4 key priorities

We simplified Philips to optimally tap into market opportunities



Examples of simplification programs

- Merger of Global Management & Services and Innovation & Emerging Businesses to further drive efficiency of our innovation efforts, by reorganizing our innovation activities closer to the sectors and simplifying our reporting structure with the creation of one shared-functions group
- Sectors organized around customers and markets
 - Healthcare go-to-market strategy re-organized geographically
 - Lighting re-organized into customer segment-based market approach
 - DAP and CE combined to create Consumer Lifestyle
- More empowerment of Brazil, India and China organizations through increased accountability
- Reduction of layers within the organization, coupled with an increase in the span of control of managers

Continue to invest where it matters to fuel future growth

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Vision 2010 outlined 4 key priorities

We continued to invest where it matters to fuel future growth

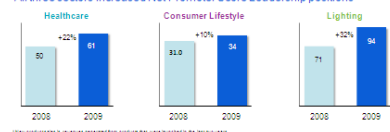
Innovation

- Despite the crisis, we maintained overall spend on R&D at EUR 1.6 billion in 2009, or 7% of sales
- Around 50% of our current revenues stems from new products sales*

Marketing

- In 2009 we became the world's 42nd most valuable brand in the Interbrand global ranking, from 65th place in 2004 (our brand value almost doubled to USD 6.1 billion in 2009 versus 2004)
- Increased Net Promoter Score leadership positions to 60% in 2009 from 51% in 2008

All three sectors increased Net Promoter Score Leadership positions*



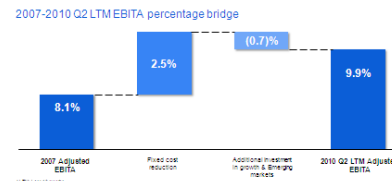
Lower our costs structurally and increase profitability

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Vision 2010 outlined 4 key priorities

We structurally lowered our costs and increased profitability

Our cost management efforts since 2008 will lead to a reduction in our 2010 fixed cost base of more than EUR 700 million compared to 2008 cost levels

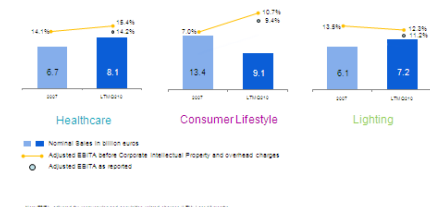


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Vision 2010 outlined 4 key priorities

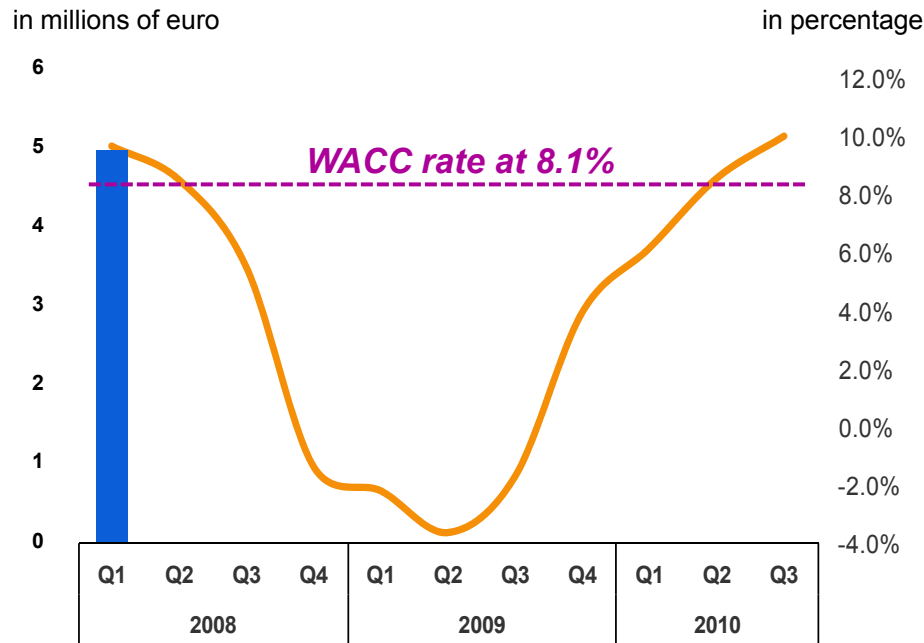
We structurally lowered our costs and increased profitability

Despite the impact of the financial crisis on our revenues, our sectors are on track to deliver on their EBITA margin targets



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

Development of Return on Invested Capital



■ Significant acquisitions
— ROIC

Notes:



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

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





We expect to meet Vision 2010 EBITA margin targets

Despite significantly lower revenues due to the crisis

The 2010 financial targets

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

Sector EBITA targets:

- Healthcare 15-17% 
- Lighting 12-14% 
- Consumer Lifestyle 8-10% 
- Generate ROIC of 12-13% on invested capital 

Vision 2015 outlines four key priorities

Expand leadership positions while benefiting from markets growing faster than GDP

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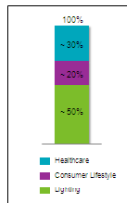
We expect our markets to grow faster than GDP³
Most growth expected to come in lighting and healthcare markets

We expect our markets to grow faster than GDP...



Source: Internal analysis
1. Quarterly %
2. Based on internal analysis

...translating into expected market growth per sector...

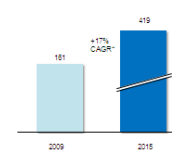


Source: Internal analysis
1. Quarterly %
2. Based on internal analysis

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Emerging markets are a key growth opportunity driven by rapid expansion of the middle class

Middle class households growth in key emerging markets
Millions of households¹



Source: Internal analysis
1. CAGR: compound annual growth rate

- Philips sales show a strong correlation with middle class
- The number of middle class households in key emerging markets will more than double until 2015
- The total middle class income pool in emerging markets will almost double until 2015
- Our sectors will benefit strongly from the rise of the middle class in emerging markets:
 - Increasingly affordable healthcare which will drive demand
 - Building of new and better housing and other infrastructure increasing demand for lighting
 - Increasing demand for a higher quality, and healthier lifestyle

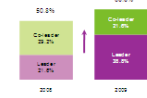
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Be the preferred brand in the majority of our chosen markets

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We aim to further strengthen our market positions and brand

Where we are today
Increased Net Promoter Score (NPS) shows that we continue to build loyalty...



Philips moved up to world's 42nd brand in 2009, up from 65th in 2004, in the Interbrand global ranking

1. 100 countries & 100 brands, based on the Interbrand 2010 global ranking

Our 2015 ambition

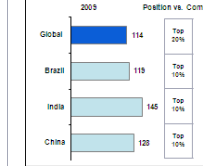
We want to become the preferred brand in the majority of our chosen markets by 2015

PHILIPS

We'll be positioned to capture the emerging markets opportunity

Current presence is a strong base for growth

Corporate brand equity index, 2009
Only emerging markets



Source: Statista, based on Interbrand's 2009 global brand equity index. Philips is ranked 42nd in the world.

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Current sales in Emerging Markets	Q2 2010	Q2 2011
Healthcare	19%	15%
Consumer Lifestyle	39%	42%
Lighting	37%	41%
Global	32%	34%

2015 target is at least 40%

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Lead in sustainability

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Leadership in sustainability is an important driver of growth



asimpleswitch.com
A B C D E F G

In early 2010 we launched our new EcoVision4 program after delivering on most of EcoVision4 targets ahead of time including more than 30% of our sales from green products

- EcoVision4 program targets for 2010-2015
- To bring care to 500 million people
 - To improve the energy efficiency of our overall portfolio by 50%
 - To double the amount of recycled materials in our products as well as to double the collection and recycling of Philips products

Supersector Leader in DJ Sustainability Index
In September 2010 we were recognized as the supersector leader in the Personal and Household Goods category in the 2010 / 2011 review of the Dow Jones Sustainability Index.

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Be seen by all stakeholders as making a positive difference in people's lives

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The four global trends that drove Vision 2010 are becoming increasingly relevant



Aging population



The rise of emerging markets



Increased consumer empowerment and sustainable lifestyles



Climate change and sustainable development

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Our IT transformation journey

Business driven IT Portfolio Management

- Operating under new IT Governance
- Driving business process improvements through Value Spaces
- Value Measurement Framework

Creation of One IT Application organization

- Consolidate IT Applications (*design/build/run*)
- Leverage through sharing
- Reposition Sector IT to drive process improvements

Creation of One IT Infrastructure organization

- Consolidate IT Infrastructure
- Outsource unless
- IT as utility / open enterprise

IT Strategy: One IT focused on Value Creation

2008

2009

2010

Philips investment proposition – Vision 2015

Strategy and main financial objectives

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



Main financial objectives:

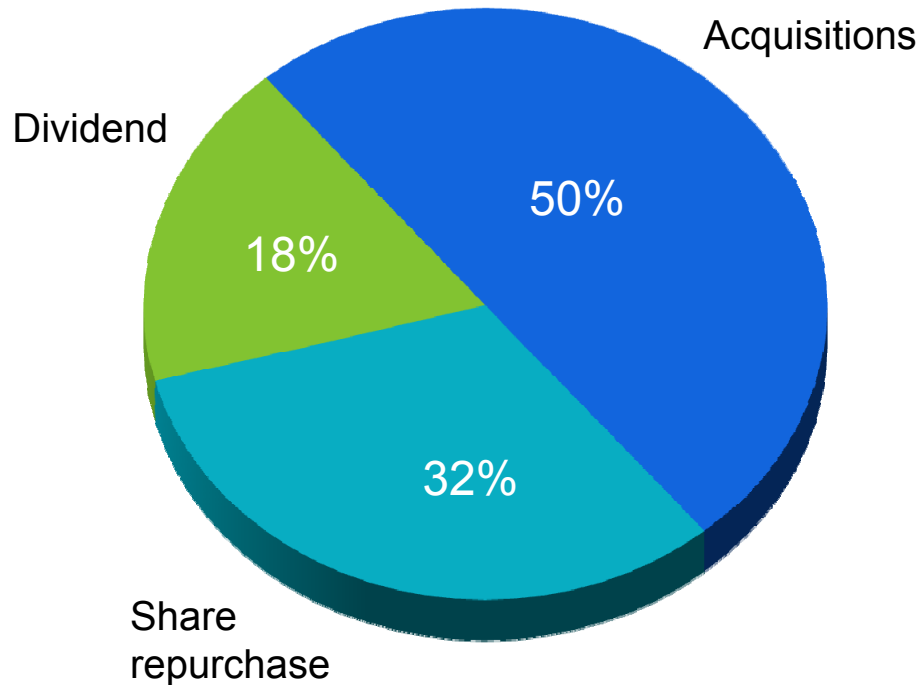
- Comparable sales growth on annual average basis equal to **real GDP + a minimum of 2%**
- Reported **EBITA margin between 10% and 13% of sales** of which:

Healthcare	16-18%
Consumer Lifestyle	9-11%
Lighting	12-14%
- **Grow EPS** at double the rate of comparable annual sales growth
- Generate a **return on invested capital of at least 4% above Weighted Average Cost of Capital**

Supported by the right allocation of capital

Continuing our capital allocation priorities from recent years

2007 – June YtD 2010
100% = EUR 13.2 billion



Capital allocation priorities

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

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Headlines in Quarter 3

- Philips reports third-quarter net income of EUR 524 million, EBITA of EUR 648 million and sales of EUR 6.2 billion
- Net income of EUR 524 million, including a gain of EUR 154 million on the sale of NXP shares
- EBITA of EUR 648 million, or 10.5% of sales, up from 6.1% last year
- Sales up 10% nominally and 1% comparably year-on-year
- Emerging markets sales up 19% nominally and 7% comparably year-on-year
- Healthcare order intake growth of 7%, including 20% growth in emerging markets
- Growth at Lighting and Healthcare tempered by Consumer Lifestyle

Key Financials Summary – Q3 2010

EUR million

	Q3 2009	Q3 2010
Sales	5,621	6,159
EBITA	344 ¹	648 ¹
Financial income and expenses	(44) ²	81 ²
Income tax	(56)	(77)
Net income (loss)	176	524
Net Operating Capital	11,559	14,331
Net cash from operating activities	470	8
Net capital expenditures	(117)	(208)
Free cash flow	353	(200)

1 - 3Q10 includes on balance EUR (40)M of charges and a gain of EUR 36M related to a pension plan change; 3Q09 includes on balance EUR (125)M of charges and a gain of EUR 87M related to a release of a provision for retiree medical benefits

2 - 3Q10 included a negative amount of EUR (7)M related to TPV option fair value adjustment and a positive amount of EUR 154M related to the sale of NXP shares; 3Q09 included a EUR 18M gain related to TPV option fair value adjustment

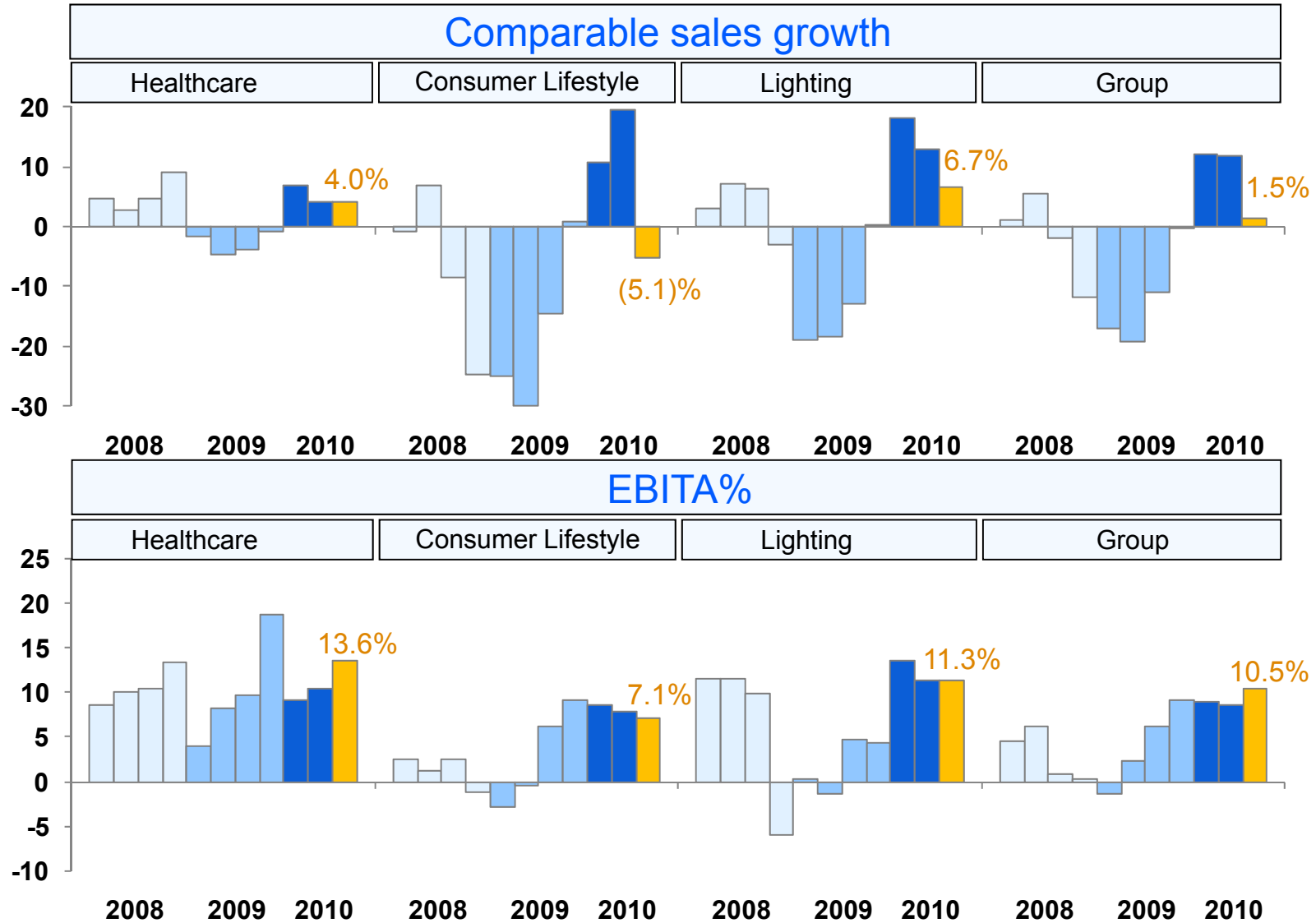
Sales by sector – Q3 2010

EUR million

	Q3 2009	Q3 2010	Sales growth composition (in %)			
			Comp	currency	portfolio	Nom
Healthcare	1,821	2,070	4	9.8	(0.1)	14
Consumer Lifestyle	2,073	2,094	(5)	6.4	(0.3)	1
Lighting	1,646	1,908	7	8.9	0.3	16
GM&S	81	87	2	5.2	0.0	7
Group sales	5,621	6,159	1	8.2	(0.1)	10

Sales Growth and EBITA Margin Development

Comparable sales growth and EBITA%



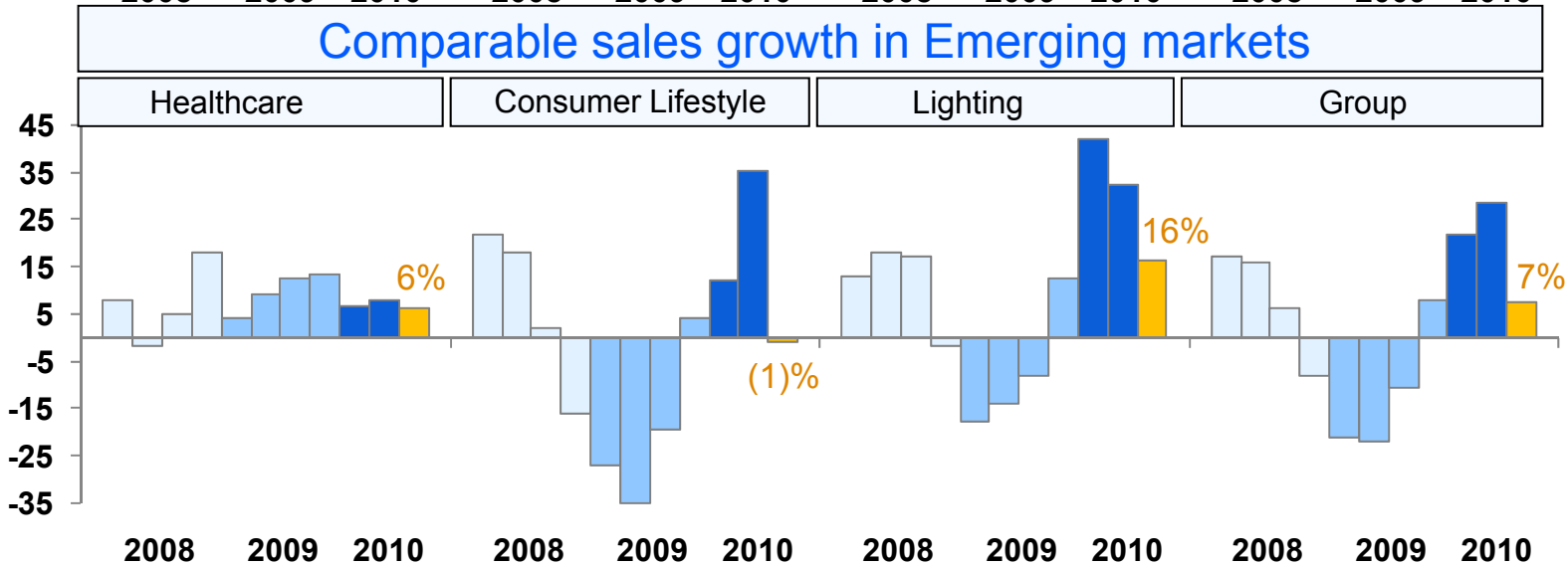
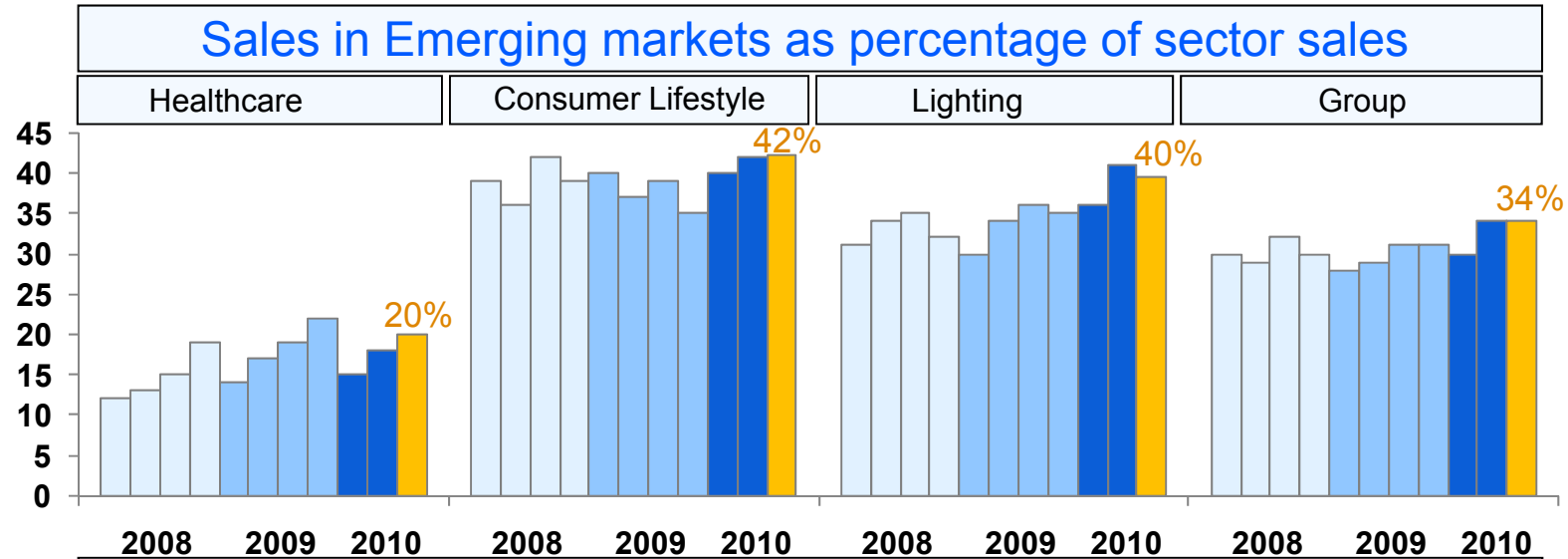
Sales by market cluster – Q3 2010

EUR million

	Q3 2009	Q3 2010	% nom	% comp
Western Europe	1,962	1,918	(2)	(4)
North America	1,587	1,764	11	0
Other mature markets	305	375	23	4
Emerging markets	1,767	2,102	19	7
Group sales	5,621	6,159	10	1

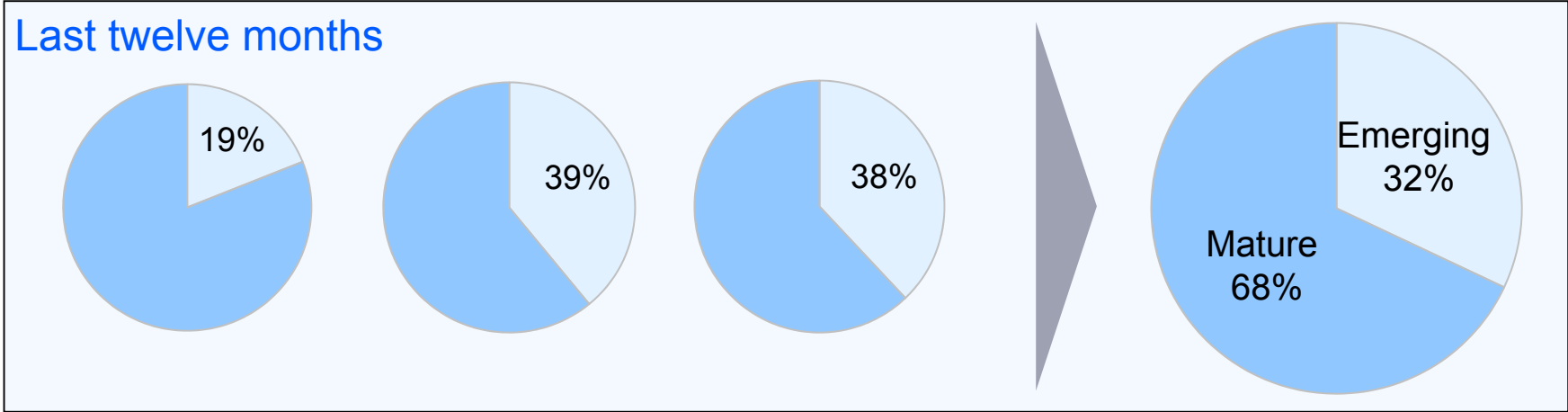
Emerging Markets Sales: trend through Q3 2010

Sales growth in emerging markets



Emerging Markets – Q3 2010 & last twelve months

Sales in emerging markets

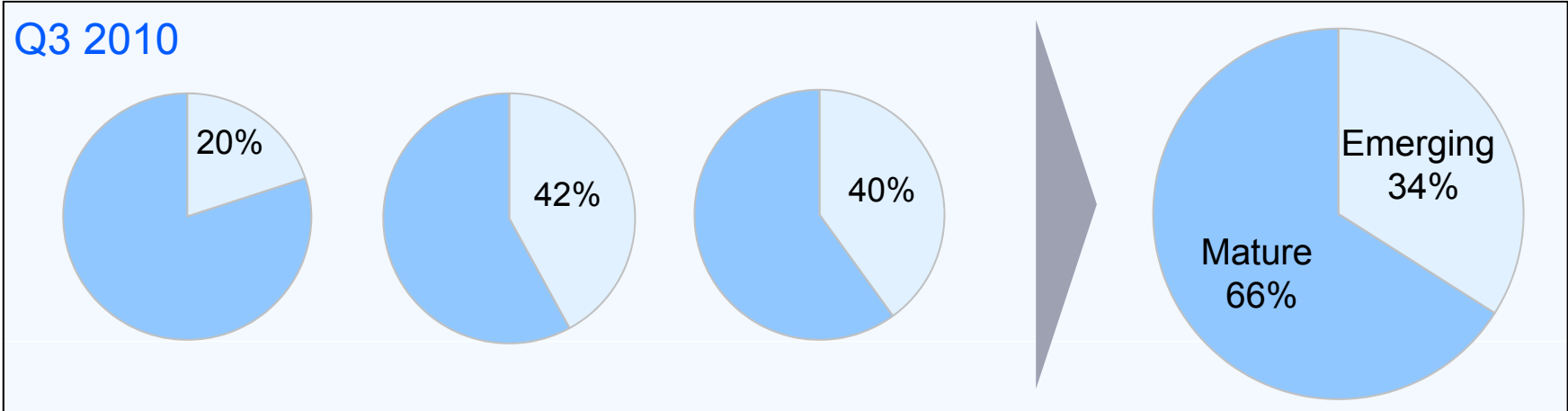


Healthcare

Consumer Lifestyle

Lighting

Philips Group



EBITA by sector – Q3 2010

EUR million

	Q3 2009	Q3 2010
Healthcare	175 ¹	282 ¹
Consumer Lifestyle	129 ²	149 ²
<i>of which Television</i>	(26)	(31)
Lighting	79 ³	216 ³
GM&S	(39) ⁴	1 ⁴
Philips Group	344	648
as % of sales	6.1%	10.5%

1 - 3Q10 includes EUR (6)M of restructuring and acquisition-related charges; 3Q09 included on balance EUR (40)M charges

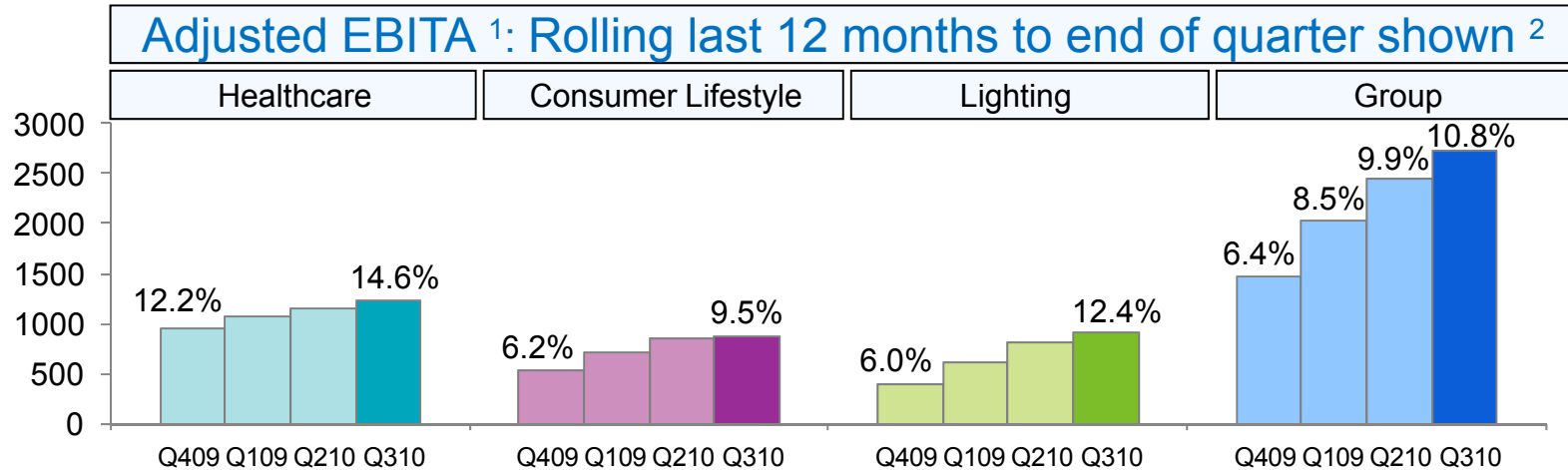
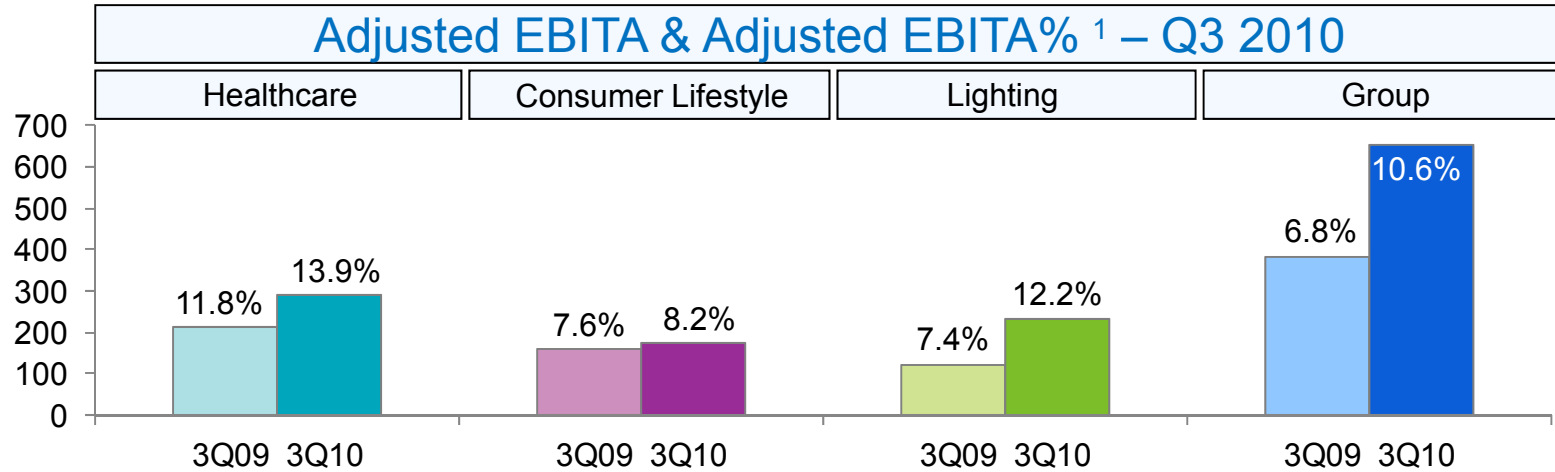
2 - 3Q10 includes EUR (23)M of restructuring and acquisition-related charges; 3Q09 included on balance EUR (29)M charges

3 - 3Q10 includes EUR (17)M of restructuring and acquisition-related charges; 3Q09 included EUR (42)M charges

4 - 3Q10 includes EUR 6M of restructuring provision release and a gain of EUR 36M related to a release of a provision for retiree medical benefits; 3Q09 includes EUR (14)M of restructuring charges and a gain of EUR 87M related to a release of a provision for retiree medical benefits

Adjusted EBITA: Q3 2010 & last twelve months

EUR million

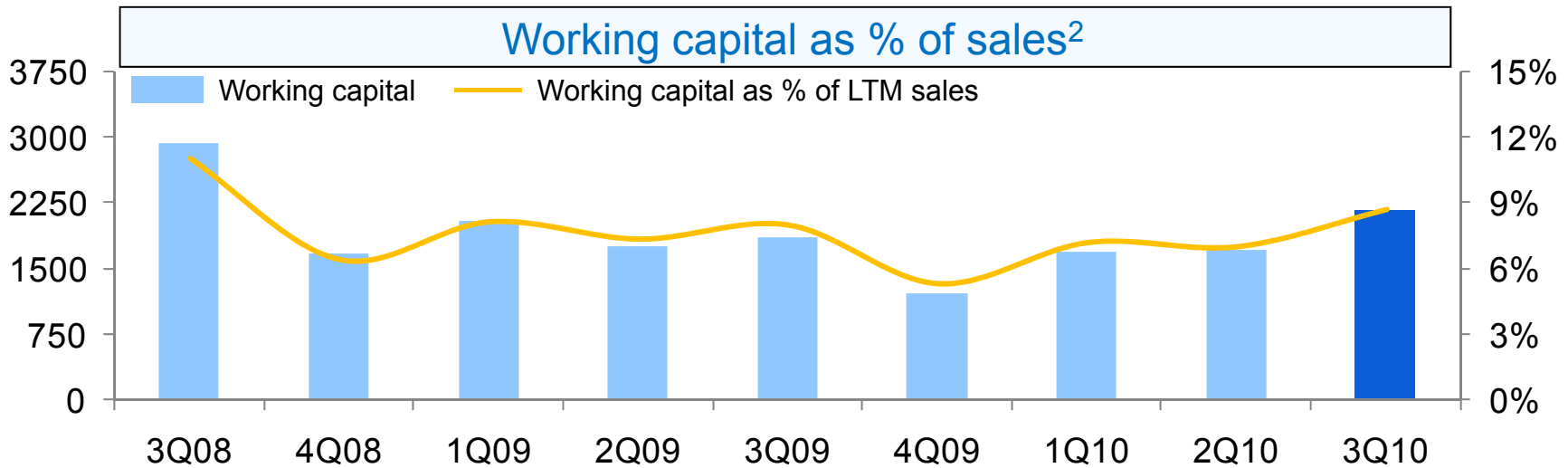
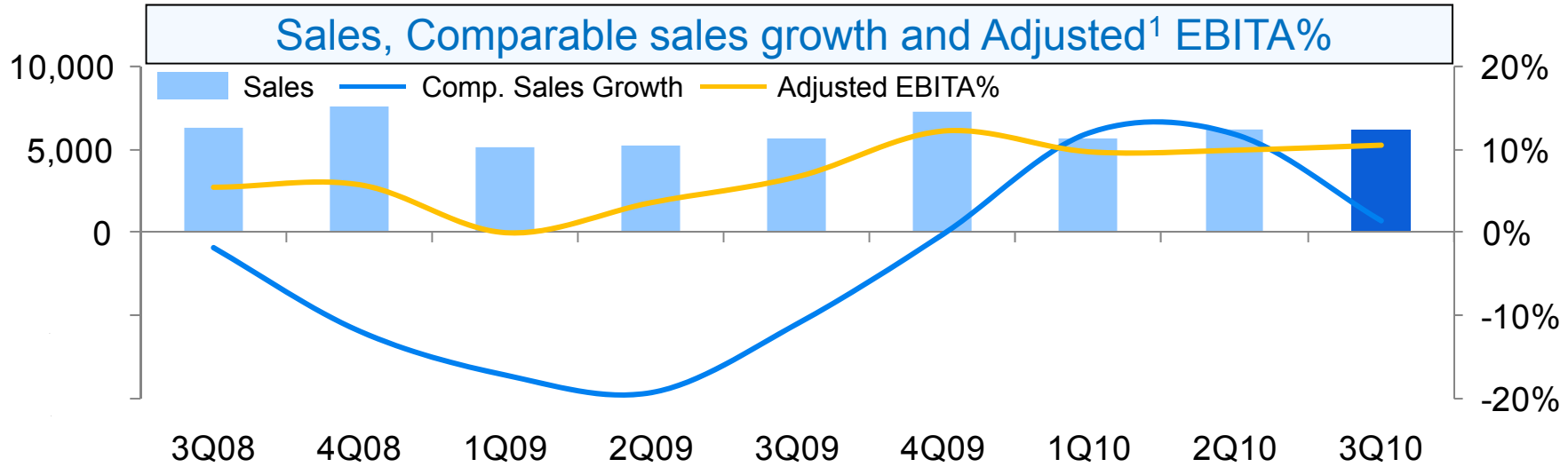


¹ Adjusted EBITA is EBITA corrected for incidental charges (details 2008 in quarterly information booklet Q4 2009 and details 2009/ 2010 in this quarterly information booklet slide 76)

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

Philips: key financials over the last two years

EUR million



¹ Adjusted EBITA is EBITA corrected for incidental charges (details in quarterly information booklet slide 76)

² Working Capital as % of sales of Healthcare, Consumer Lifestyle and Lighting; excluding central sector GM&S

Fixed costs are structurally being reduced

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 will lead to a reduction in our 2010 fixed cost base of well over EUR 700 million compared to the run rate in 2008. Restructuring costs for the full year 2010 are now expected to be around EUR 200M.

Restructuring <i>EUR million</i>	Cost ¹				Cash out Q310	Benefit ² <i>compared to 2008 baseline</i>		
	FY2008	FY2009	3Q10	4Q10E		FY2009	3Q10	4Q10E
Healthcare	(63)	(42)	3	(5)	(11)	105	53	60
Consumer Lifestyle	(198)	(120)	(16)	(10)	(20)	200	70	80
Lighting	(245)	(225)	(11)	(45)	(41)	82	59	60
GM&S	(31)	(63)	6	(5)	(4)	31	9	10
TOTAL	(537)	(450)	(18)	(65)	(76)	418	191	210

¹ These numbers exclude acquisition-related charges of EUR 130M for FY2008, EUR 101M for FY2009 and EUR 22M for 3Q10

² For 2009 actual benefit realized per quarter see slide 77

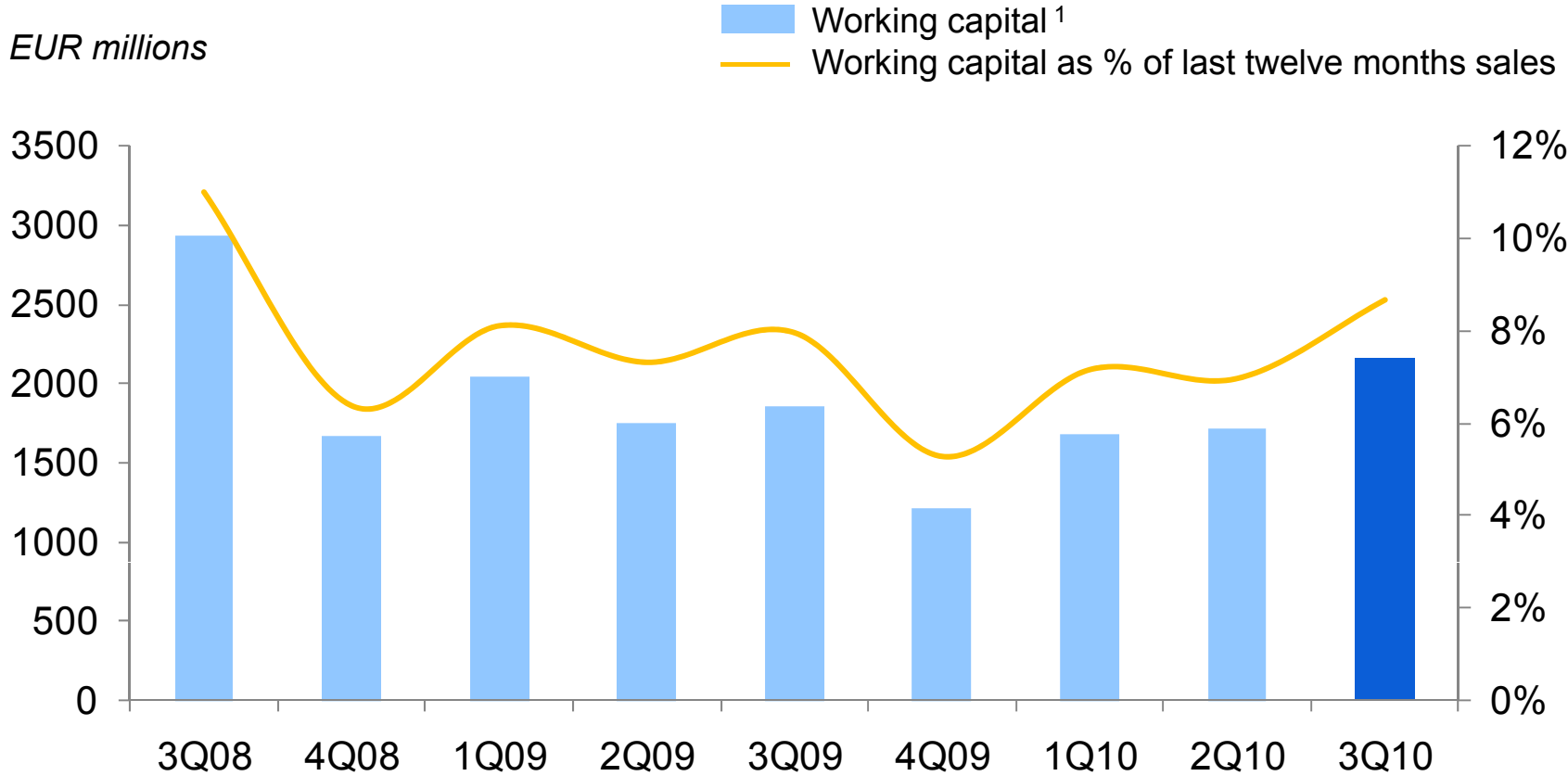
Cash Flow from continuing operations – Q3 2010

EUR million

	Q3 2009	Q3 2010
Net income from continuing operations	176	524
Depreciation / amortization / impairments	334	356
Net gain on sale of assets	(3)	(169)
Changes in Working Capital, of which:	194	(435)
- changes in Net inventories	(85)	(479)
- changes in Accounts receivable	(490)	(72)
- changes in Accounts payable	769	116
Other	(231)	(268)
Cash flow from operations	470	8
Expenditures on development assets	(43)	(48)
Gross capital investments	(121)	(172)
Acquisitions / divestments / other	(161)	159
Cash flow before financing activities	145	(53)

Continued strict cash flow management

Structural reduction in working capital turns

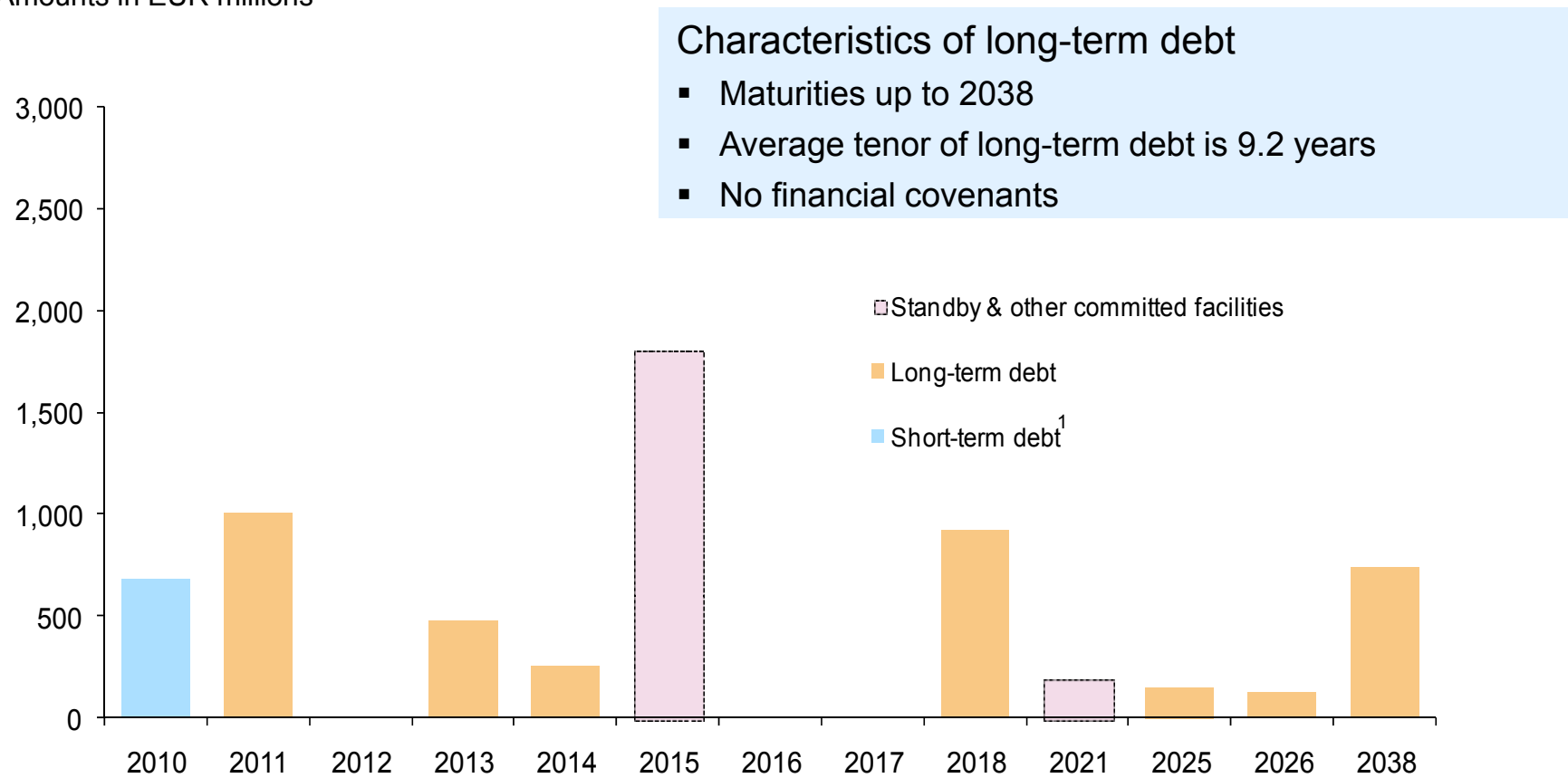


¹ Working Capital of Healthcare, Consumer Lifestyle and Lighting; excluding central sector GM&S

Philips' debt has a long maturity profile

Debt maturity profile as of September 2010

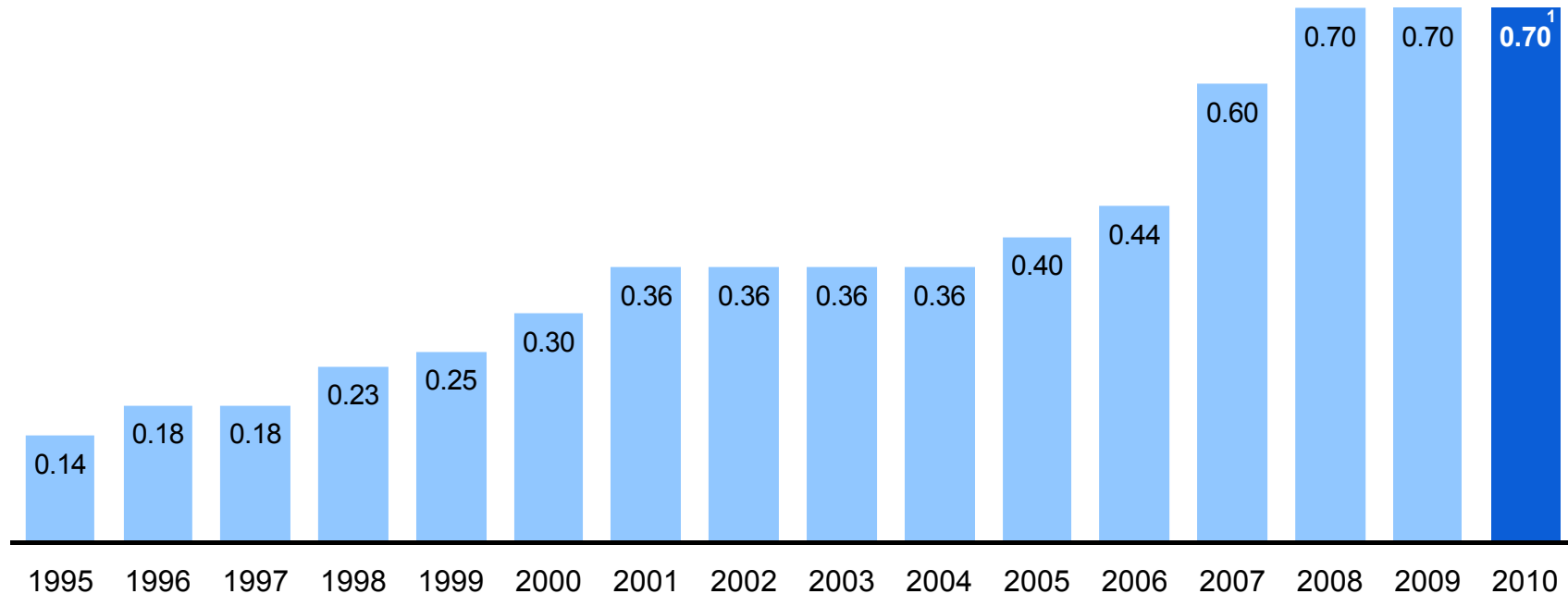
Amounts in EUR millions



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

A history of sustainable dividend growth

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 approved during the General Shareholders Meeting on March 25th, 2010

Last twelve months acquisitions at a glance

Healthcare

Sep-2010	Wheb Sistemas	Patient Care and Clinical Informatics	Strengthen clinical informatics portfolio with a leading Brazilian provider of clinical information systems
Aug-2010	CDP Medical	Patient Care and Clinical Informatics	Expand clinical informatics portfolio in high-growth markets in the area of PACS
Jul-2010	Apex	Imaging Systems	Strengthen portfolio of high-quality transducers aimed at the value segment in emerging markets
Feb-2010	Somnolyzer	Home Healthcare	Somnolyzer 24x7 automated-scoring solution that can improve the productivity of sleep centers

Lifestyle

Oct-2010	Discus	Health & Wellness	Expand oral healthcare portfolio with leading manufacturer of professional tooth whitening products
----------	------------------------	-------------------	-----------------------------------------------------------------------------------------------------

Lighting

Aug-2010	Burton	Professional Luminaires	Expand portfolio with leading provider of specialized lighting solutions for healthcare facilities
Jul-2010	Street light control portfolio	Lighting Electronics	Strengthen outdoor lighting portfolio with acq. street lighting controls activities of Amplex A/S
Feb-2010	Luceplan	Consumer Luminaires	Iconic brand in the premium design segment for residential applications

Management agenda 2010

The leading company in health and well-being

Drive performance	Accelerate change	Implement strategy
<p>Drive top-line growth and market share</p> <p>Continue to reduce costs and improve cost agility</p> <p>Further increase cash flow by managing cash aggressively</p>	<p>Increase customer centricity by empowering local markets and customer facing staff</p> <p>Increase number of businesses with NPS co/leadership positions</p> <p>Increase employee engagement to high performance level</p>	<p>Increase our market position in emerging markets</p> <p>Drive key strategy initiatives for each sector</p> <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 <p>Leverage Sustainability as an integral part of our strategy</p>

Our 3 key financial performance metrics: Revenue, EBITA, Free Cash Flow

Our 3 non - financial performance metrics: Net Promoter Score, Employee Engagement, Productivity

1. Philips Introduction

2. Vision 2015: Strategy and Investment Proposition

3. Group results Q3 2010

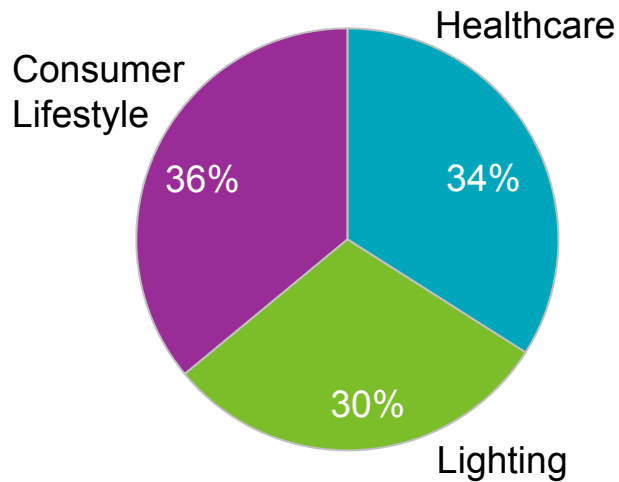
4. Healthcare, Consumer Lifestyle and
Lighting

Our focused health & well-being portfolio: Healthcare, Consumer Lifestyle and Lighting

Last twelve months

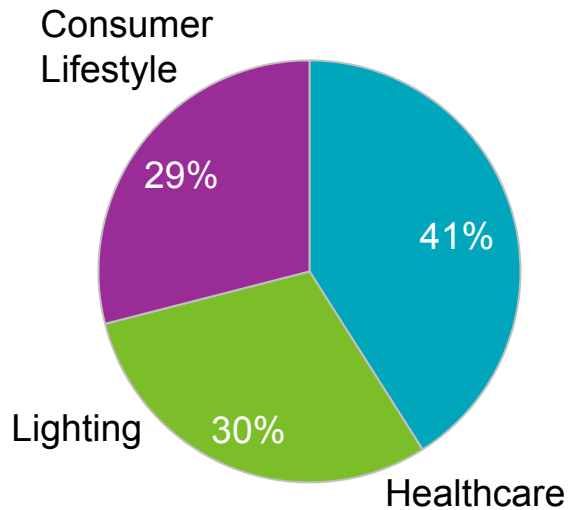
Sales

100% = EUR 24.9B ¹



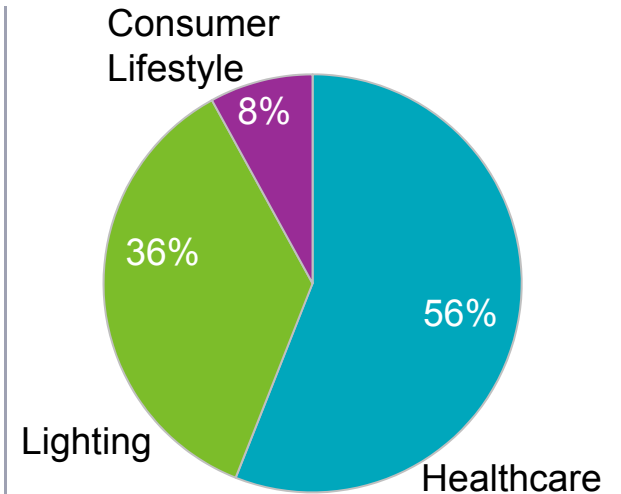
Adjusted EBITA

100% = EUR 3.0B ^{1, 2}



Net Operating Capital

100% = EUR 15.7B ¹



¹ Excluding Central sector (GM&S)

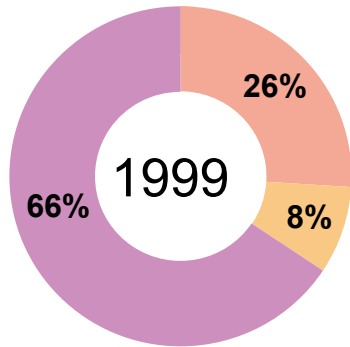
² EBITA adjustments based on the following charges; for Healthcare EUR 108M, for Consumer Lifestyle EUR 111M and for Lighting EUR 166M of charges are excluded.

PHILIPS

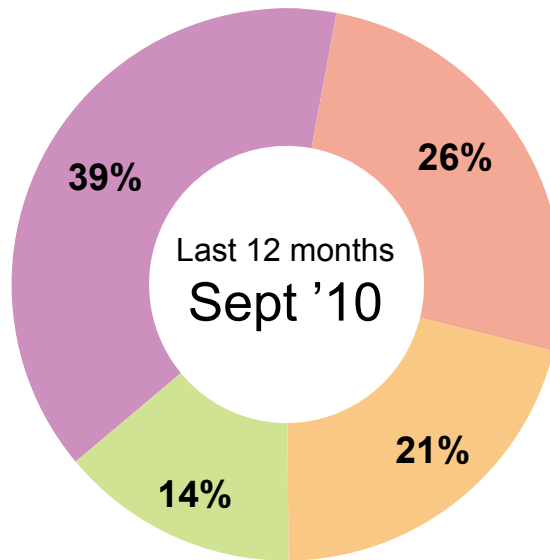
The power of Healthcare

Further strengthening our global leadership

Total sales EUR 2.5 billion



Total sales EUR 8.4 billion



- Imaging
- Customer Service
- Patient Care and Clinical Informatics
- Home Healthcare Solutions







Target margin 2010: 15-17%



Uniquely positioned for continued growth in Healthcare

Prioritization across our portfolio

Current NPS leadership positions¹

					
<i>Regional</i> Cardiovascular	<i>Global</i> Patient Monitoring	<i>Regional</i> Cardiac resuscitation	<i>Regional</i> Radiation Oncology Systems	<i>Global</i> Ultrasound	<i>Regional</i> Home Healthcare



	Manage for cash	Optimize position	Drive growth	Invest for longer 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

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

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

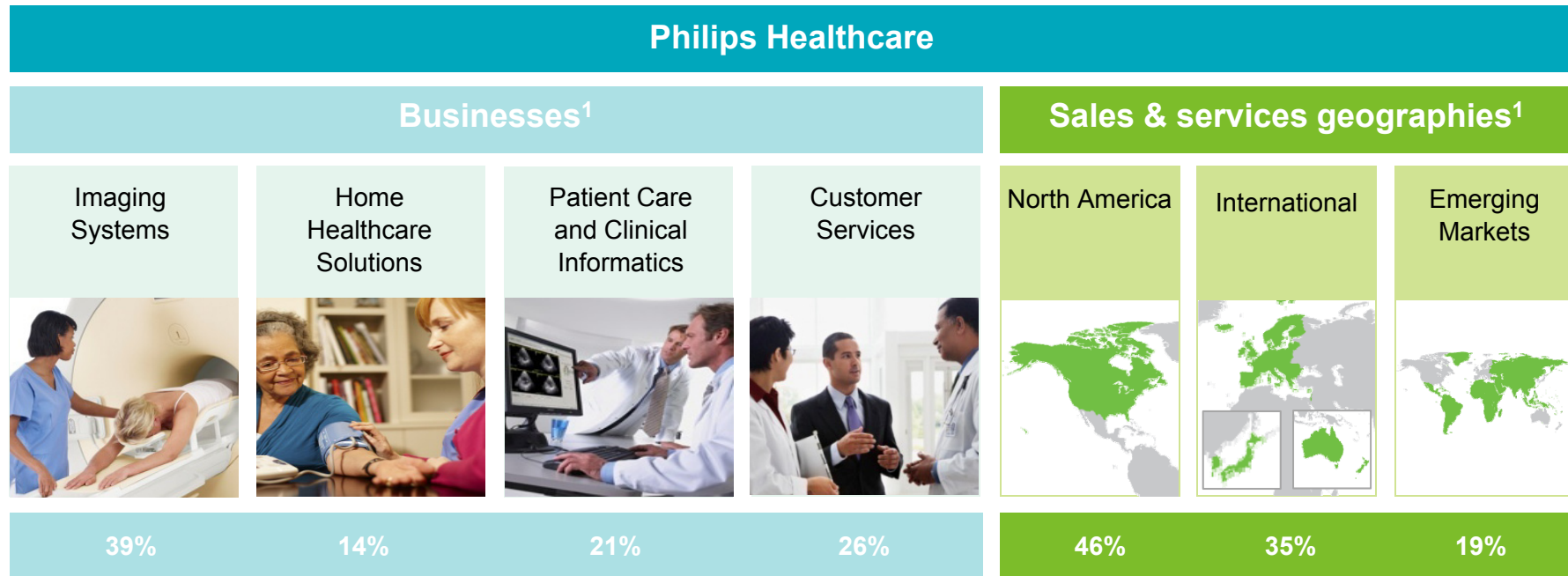
Priorities

- 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:
 - Launch of a new Philips Respironics sleep therapy product range end of 2009
 - Philips Lifeline introduced its next generation medical alert service in the first quarter of 2010



Depth and reach of Philips Healthcare

What we do. Where we are.



€7.8
Billion sales
in 2009

34,000+
People employed
worldwide in 100 countries

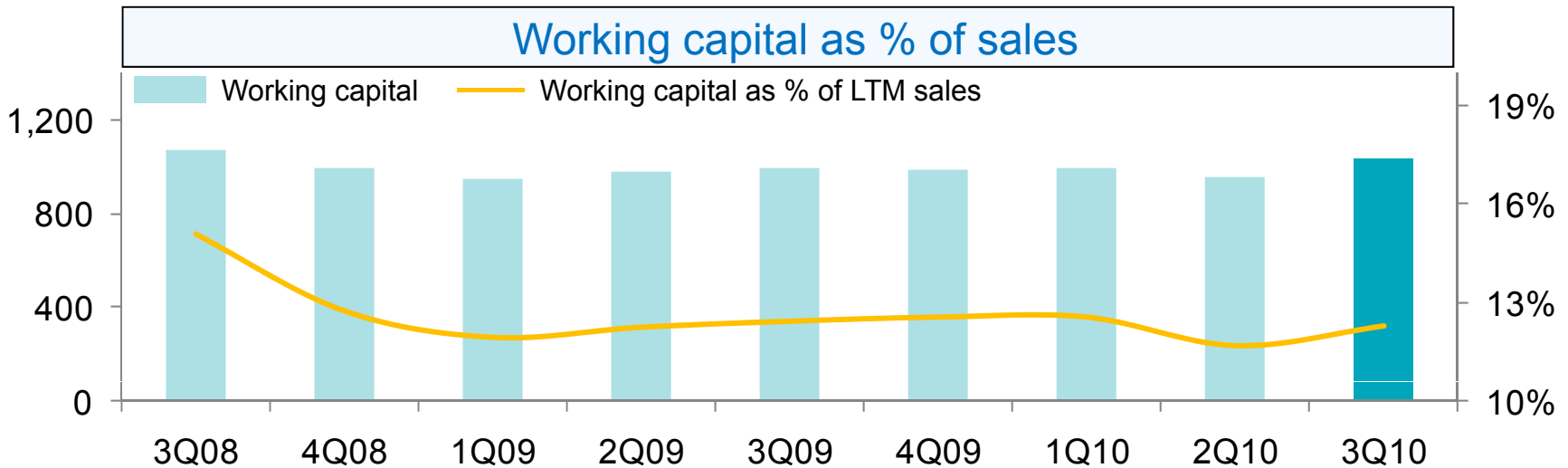
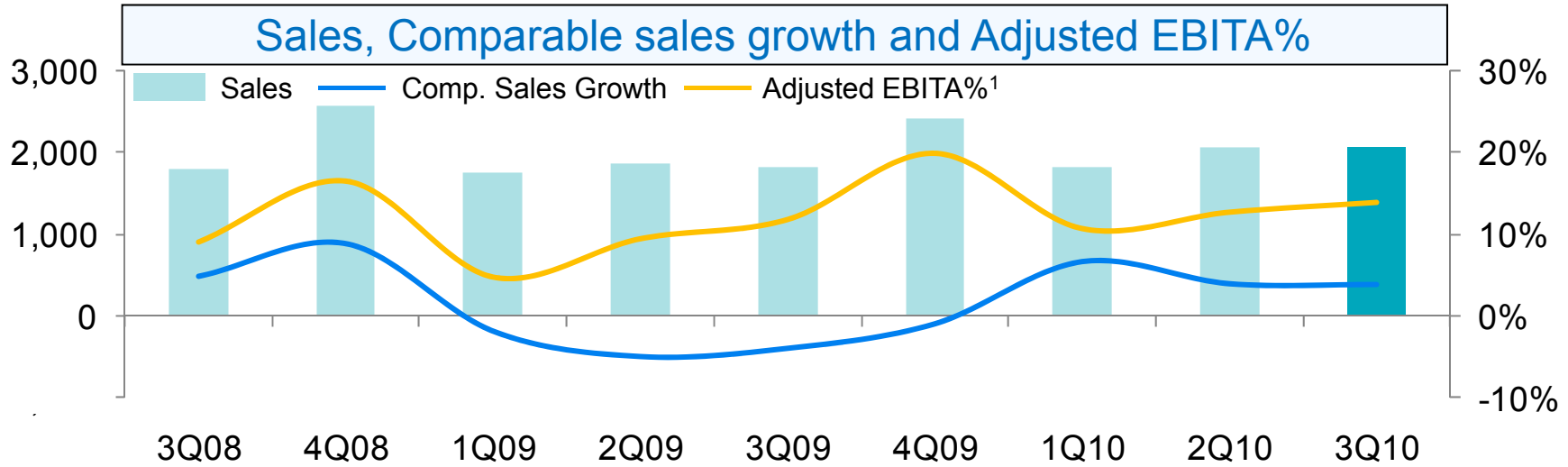
9%
of sales invested in R&D
in 2009

450+
Products & services
offered in over 100 countries

¹ Last 12 months Sept 2010

Healthcare: key financials over the last two years

EUR million



¹ Adjusted EBITA is EBITA corrected for incidental charges (details on slide 76)

Healthcare: Q3 2010 Sector analysis

EUR million

Key figures

	3Q09	2Q10	3Q10
Sales	1,821	2,068	2,070
<i>% sales growth comp.</i>	(4)	4	4
EBITA	175	216	282
<i>EBITA as % of sales</i>	9.6	10.4	13.6
EBIT	110	148	212
<i>EBIT as % of sales</i>	6.0	7.2	10.2
NOC	8,413	9,545	8,771
Employees (FTEs)	34,750	34,344	34,816

Sales per region	3Q10	Emerging markets
Latin America	5%	
Europe/Africa	26%	20%
North America	46%	
Asia Pacific	23%	
		Mature

Financial performance

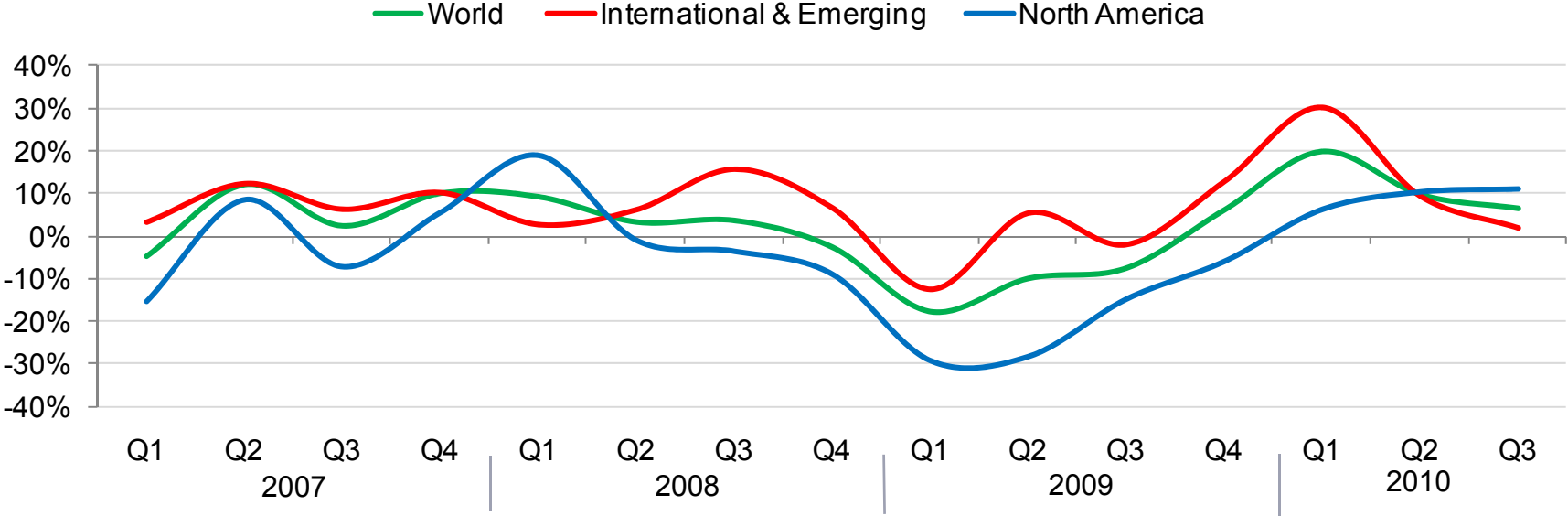
- Currency-comparable equipment order intake increased by 7% year-on-year, with notable improvements at Imaging Systems. Equipment orders in NA markets grew by 11%, while order intake in markets outside NA was 2% higher, including 20% year-on-year growth of equipment orders in emerging markets.
- Comparable sales increased by 4% year-on-year, with higher sales in most businesses, notably Home Healthcare Solutions and Patient Care & Clinical Informatics. From a regional perspective, comparable sales in NA were broadly in line with Q3 2009, while in markets outside NA sales grew by 7%, with key emerging market sales showing double-digit growth.
- EBITA increased by EUR 107 million year-on-year to EUR 282 million, or 13.6% of sales. Excluding restructuring and acquisition-related charges of EUR 6 million, EBITA amounted to EUR 288 million, or 13.9% of sales, compared to EUR 215 million, or 11.8% of sales, in Q3 2009. The improvement was driven by all businesses as a result of higher margins from improved sales and cost management.
- Net operating capital increased by EUR 358 million to EUR 8,771 million, largely due to currency impact.

Looking ahead

- At RSNA 2010, Philips will showcase new radiology solutions, including advances in hybrid imaging, patient safety and radiology informatics, to improve diagnosis and facilitate collaboration between radiologists and referring physicians.
- Restructuring and acquisition-related charges in Q4 2010 are expected to total around EUR 10 million.

Healthcare: Equipment order intake

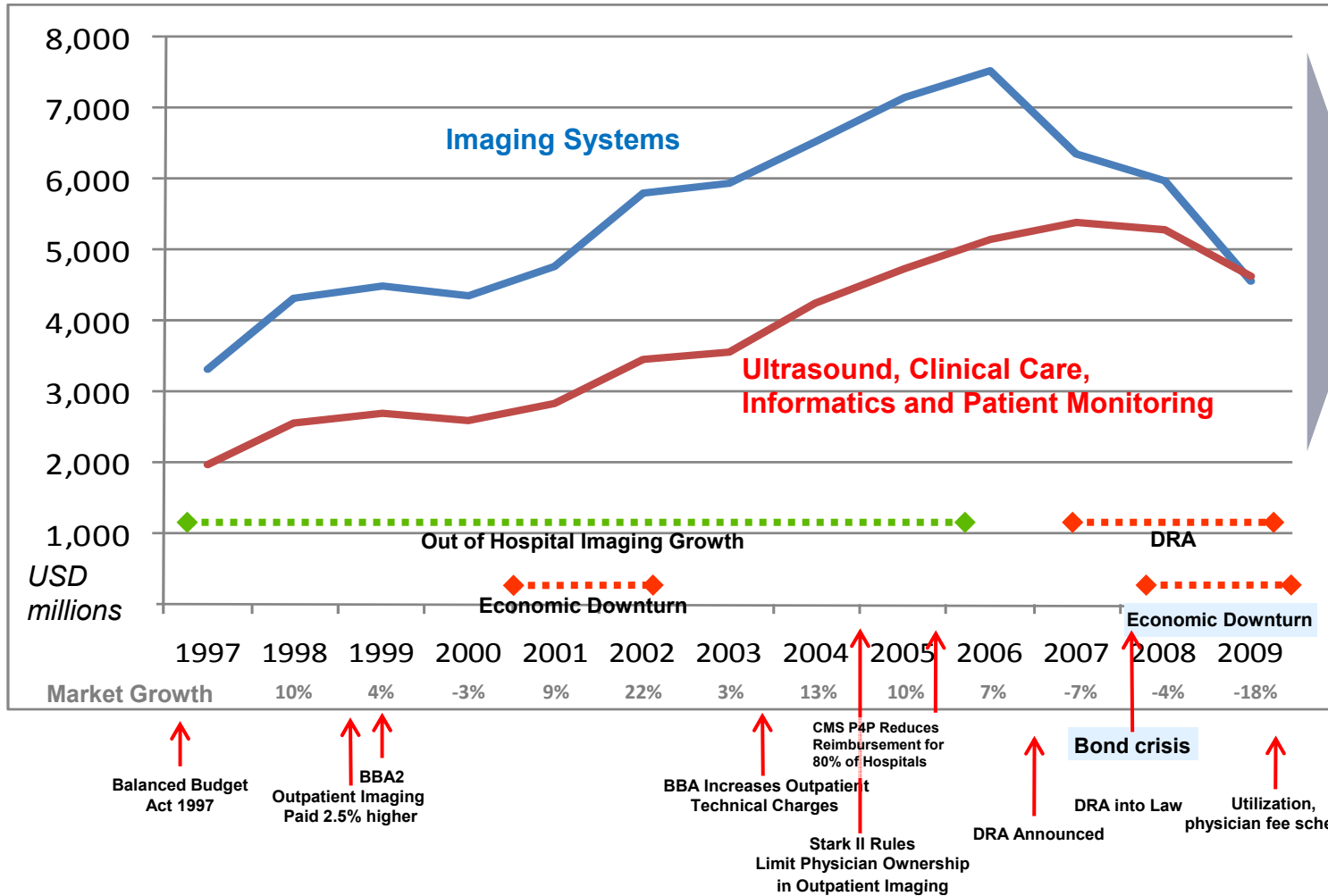
Quarterly currency adjusted equipment order intake



Currency adjusted order intake only relates to the Imaging Systems and Patient Care & Clinical Informatics businesses which account for approximately 60% of the Healthcare portfolio.

Healthcare historical market development

North America Market Size/Growth and Impacts



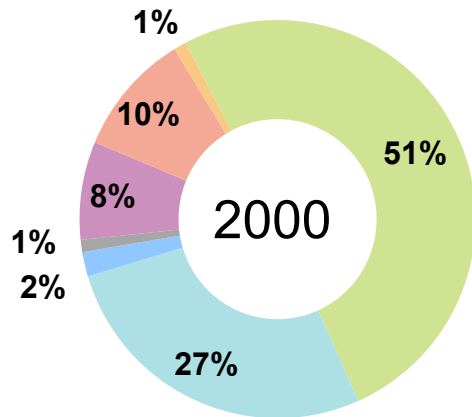
Philips current expectation for the US Imaging Systems market for 2010 and thereafter is 2-4% growth

Legislative actions and recent economic turmoil combine to impact healthcare market over time.

The power of Consumer Lifestyle

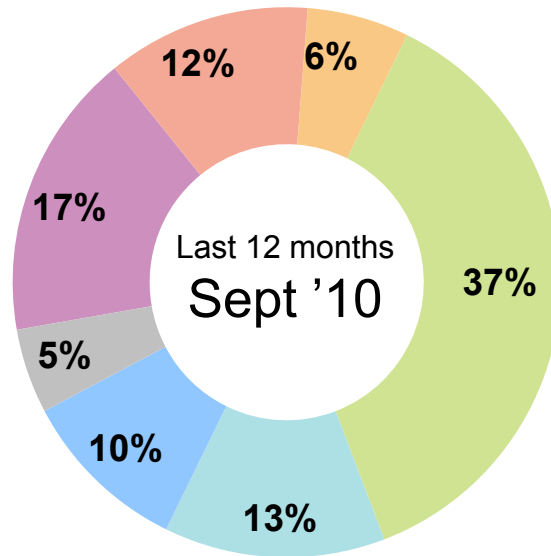
Focusing on differentiating profitable businesses

Total sales EUR 11.3 billion¹



- Domestic appliances
- Personal Care
- Health & wellness
- Television
- Audio & video multimedia
- Accessories
- Other incl. Licenses

Total sales EUR 9.1 billion



Target margin 2010: 8-10%








¹ DAP and Mainstream part of Consumer Electronics only



Uniquely positioned for growth in Consumer Lifestyle

Prioritization across our portfolio

Current NPS leadership positions¹

						
<i>Regional</i> Male electric shaving and grooming	<i>Global</i> Mother and Child Care	<i>Regional</i> Power Toothbrushes	<i>Global</i> Female depilation	<i>Global</i> Steam irons	<i>Regional</i> Blenders	<i>Global</i> Juicers



	Manage for cash	Optimize position	Drive growth	Invest for longer term growth
Lifestyle	<ul style="list-style-type: none"> • TV • AVM 	<ul style="list-style-type: none"> • Personal Care • Domestic Appliances • Accessories 	<ul style="list-style-type: none"> • Health & Wellness • Kitchen Appliances / Beverage Appliances 	<ul style="list-style-type: none"> • Lifestyle management • Skincare • Water & Air

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

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

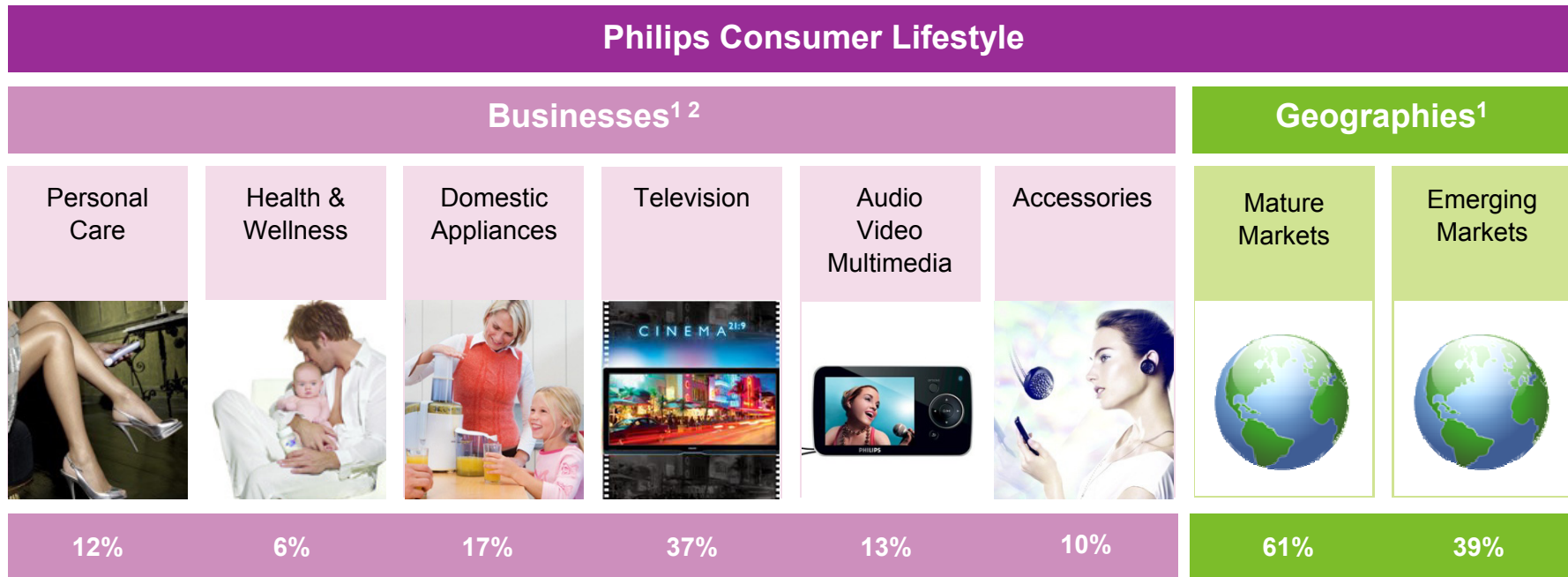
Priorities

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



Consumer Lifestyle

What we do. Where we are.



€8.5
Billion sales
in 2009

18,000+
People employed
worldwide

5%
of sales invested
in R&D in 2009

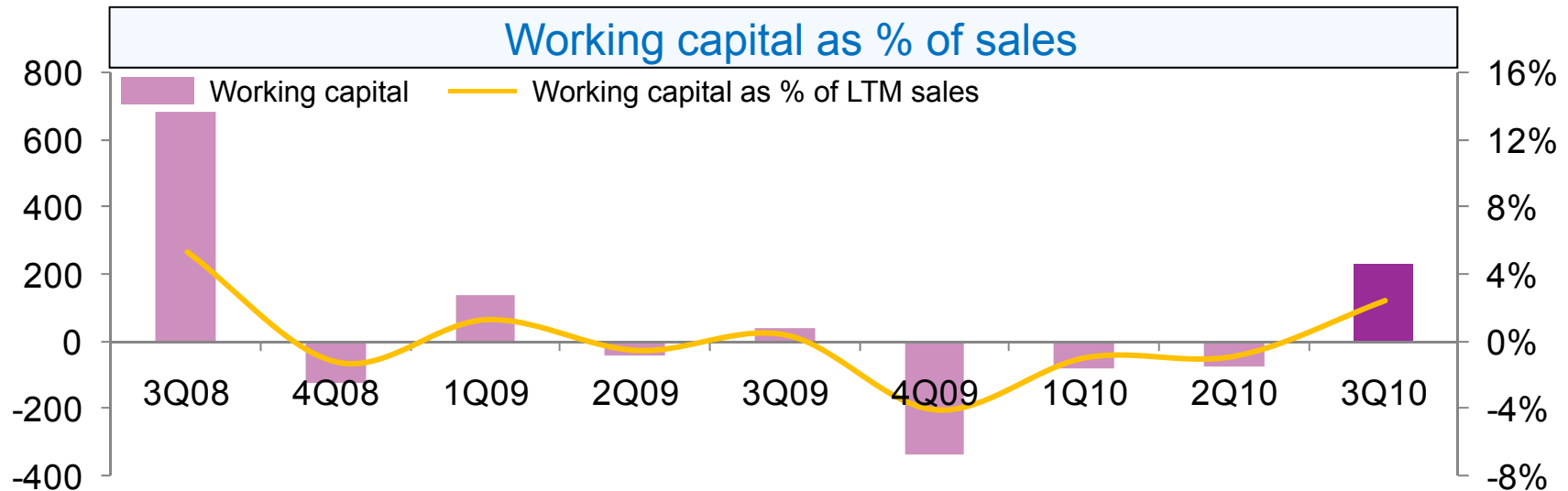
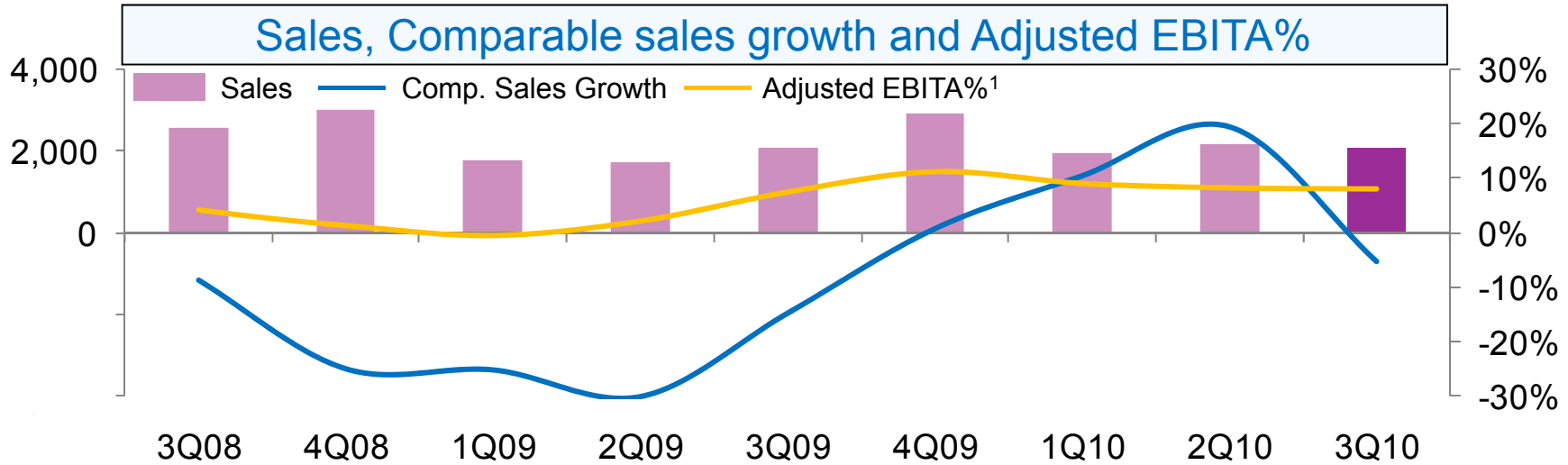
€0.4
Billion negative NOC
for TV end 2009

¹ Last twelve months Sept 2010

² Other category (5%) is mainly license income and is omitted from this overview

Consumer Lifestyle: key financials over the last two years

EUR million



¹ Adjusted EBITA is EBITA corrected for incidental charges (details on slide 76)

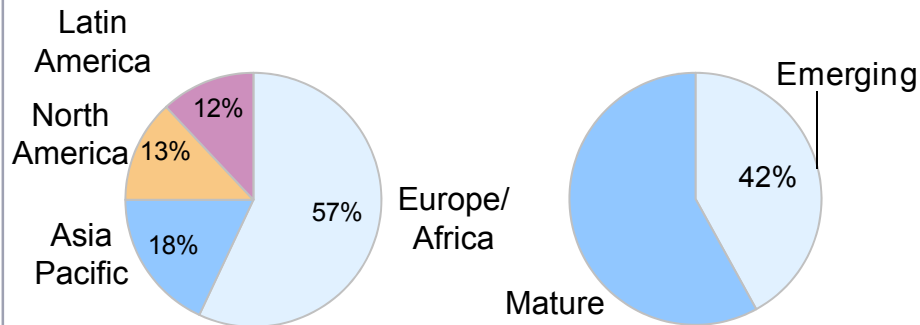
Consumer Lifestyle: Q3 2010 Sector analysis

EUR million

Key figures

	3Q09	2Q10	3Q10
Sales	2,073	2,183	2,094
<i>% sales growth comp.</i>	<i>(15)</i>	<i>20</i>	<i>(5)</i>
EBITA	129	173	149
<i>EBITA as % of sales</i>	<i>6.2</i>	<i>7.9</i>	<i>7.1</i>
EBIT	126	164	137
<i>EBIT as % of sales</i>	<i>6.1</i>	<i>7.5</i>	<i>6.5</i>
NOC	1,041	1,055	1,298
Employees (FTEs)	19,569	18,408	18,853

Sales per region 3Q10 Emerging markets



Financial performance

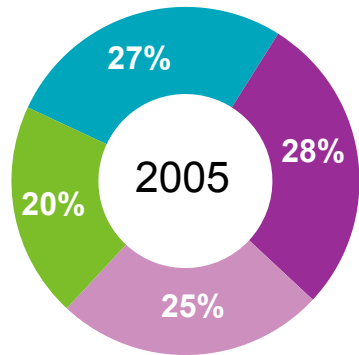
- Sales were EUR 21 million higher than in Q3 2009, though 5% lower on a currency-comparable basis. Double-digit growth was visible at both Health & Wellness and Personal Care, while Domestic Appliances achieved mid-single-digit growth. This was more than offset by lower sales in other businesses. CL excluding Television grew by 7% nominally.
- Comparable sales at Television were 12% below Q3 2009, due to different seasonality in 2010 and higher stock in trade following soccer's World Cup.
- EBITA amounted to EUR 149 million, or 7.1% of sales, which was EUR 20 million higher than in Q3 2009, largely driven by sales growth in higher-margin businesses and lower restructuring charges.
- Excluding restructuring and acquisition-related charges, EBITA improved from EUR 158 million (or 7.6% of sales) in Q3 2009 to EUR 172 million (or 8.2% of sales).

Looking ahead

- Philips expects to complete the implementation of its brand license agreement with display solution provider TPV to license Philips' TV activities in China in Q4 2010. The agreement will strengthen the presence of the Philips brand in the Chinese TV market.
- Following a different seasonality in 2010, with a strong year-on-year increase of license revenues in the first half of the year, license revenue in Q4 is expected to be relatively low.
- CL expects to incur restructuring and acquisition-related charges of around EUR 20 million in Q4 2010.

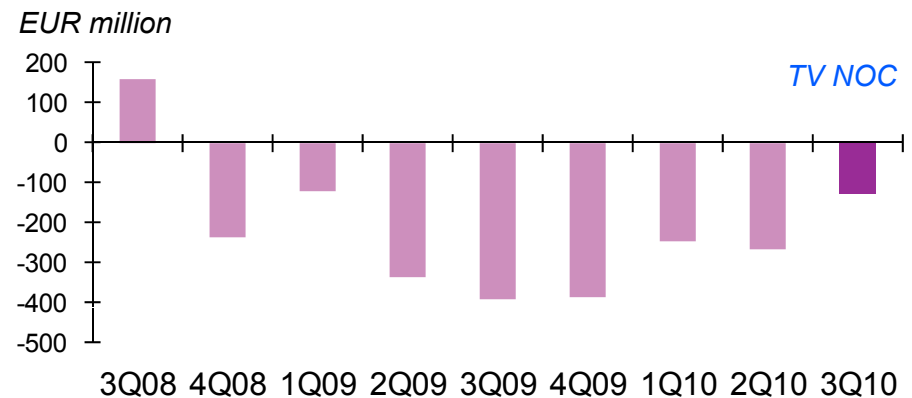
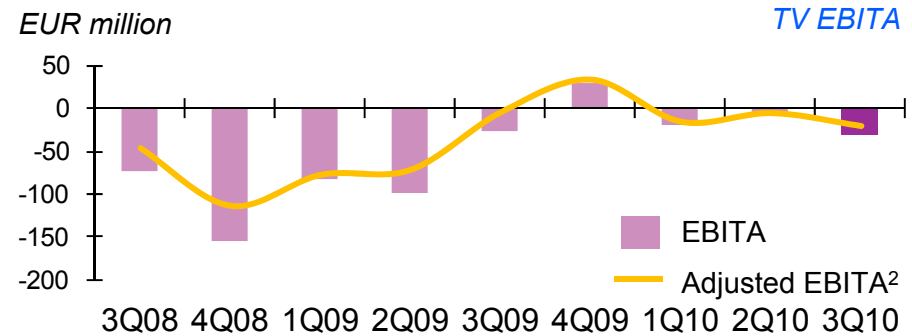
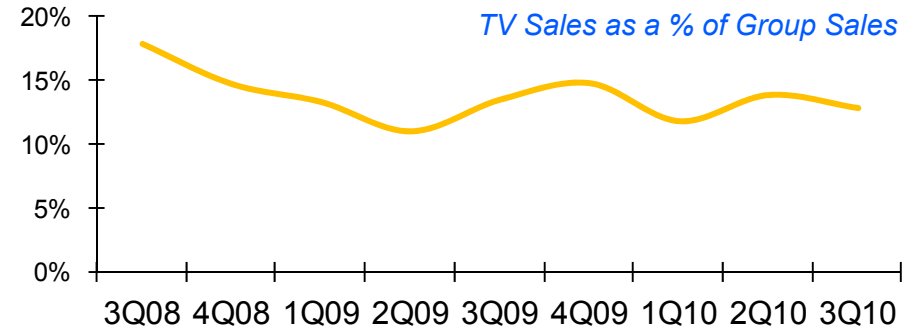
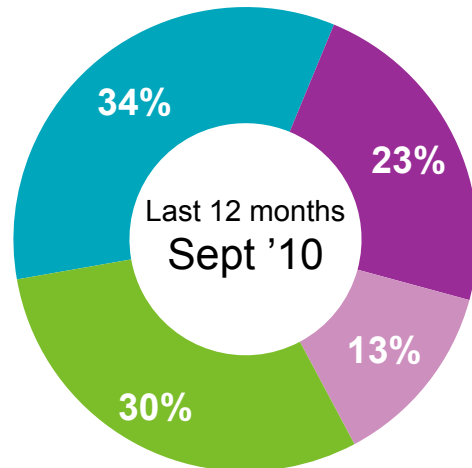
Television within Philips

Total sales EUR 23.7 billion¹



Total sales EUR 24.9 billion¹

- Healthcare
- CL excluding TV
- Television
- Lighting



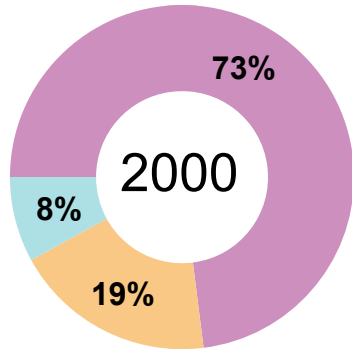
¹ Sales in sectors which are still in portfolio, excluding central sector (GM&S)

² Adjusted EBITA is EBITA corrected for restructuring charges (details on slide 76)

The power of Lighting

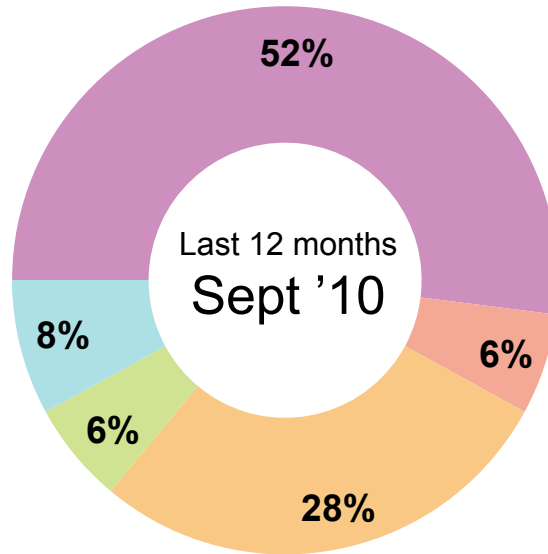
Simply enhancing life with light

Total sales EUR 4.9 billion¹



- Lamps & lighting electronics
- Professional luminaires
- Consumer luminaires
- Automotive
- Packaged LEDs

Total sales EUR 7.4 billion



Target margin 2010: 12-14%

¹ Excluding batteries EUR 0.2 billion



Uniquely positioned for continued growth in Lighting

Prioritization across our portfolio

Current NPS leadership positions¹

					
<i>Regional</i> Consumer Luminaires	<i>Global</i> Professional Luminaires	<i>Global</i> Lamps	<i>Regional</i> Automotive Lighting	<i>Global</i> High Power LEDs	<i>Global</i> Lighting Electronics



	Manage for cash	Optimize position	Drive growth	Invest for longer term growth
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

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

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



We increase our focus towards the people we serve
Further strengthening our global leadership in Lighting



€6.5
 Billion sales
 in 2009

52,000+
 People employed
 worldwide in 60 countries

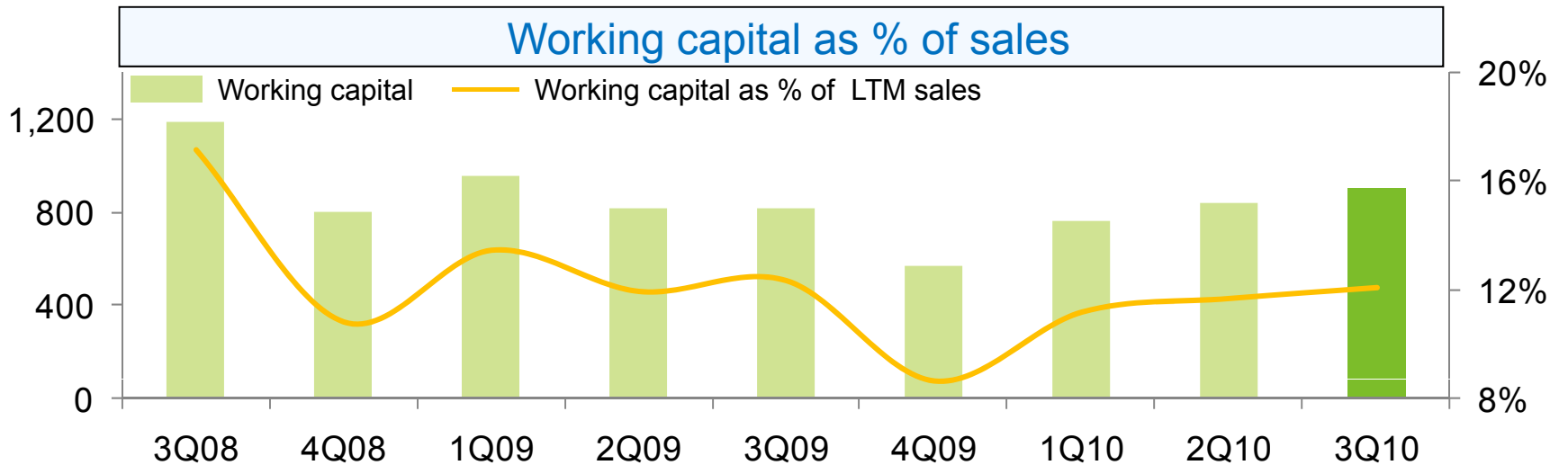
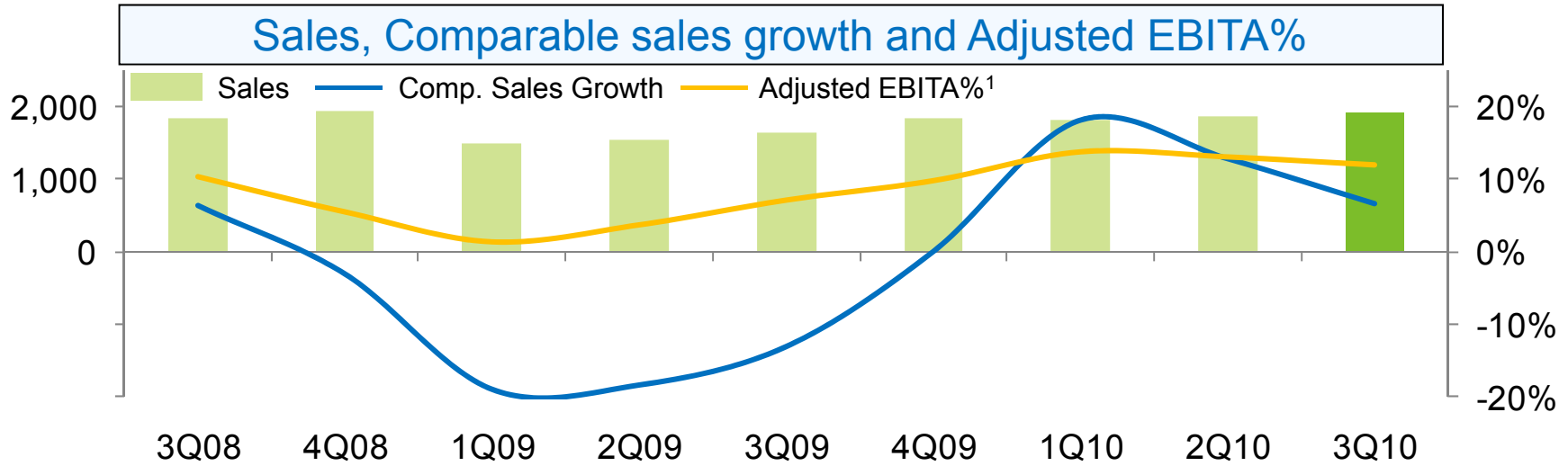
5%
 of sales invested
 in R&D in 2009

80,000+
 Products & services
 offered in 2009

¹ Indicative split

Lighting: key financials over the last two years

EUR million

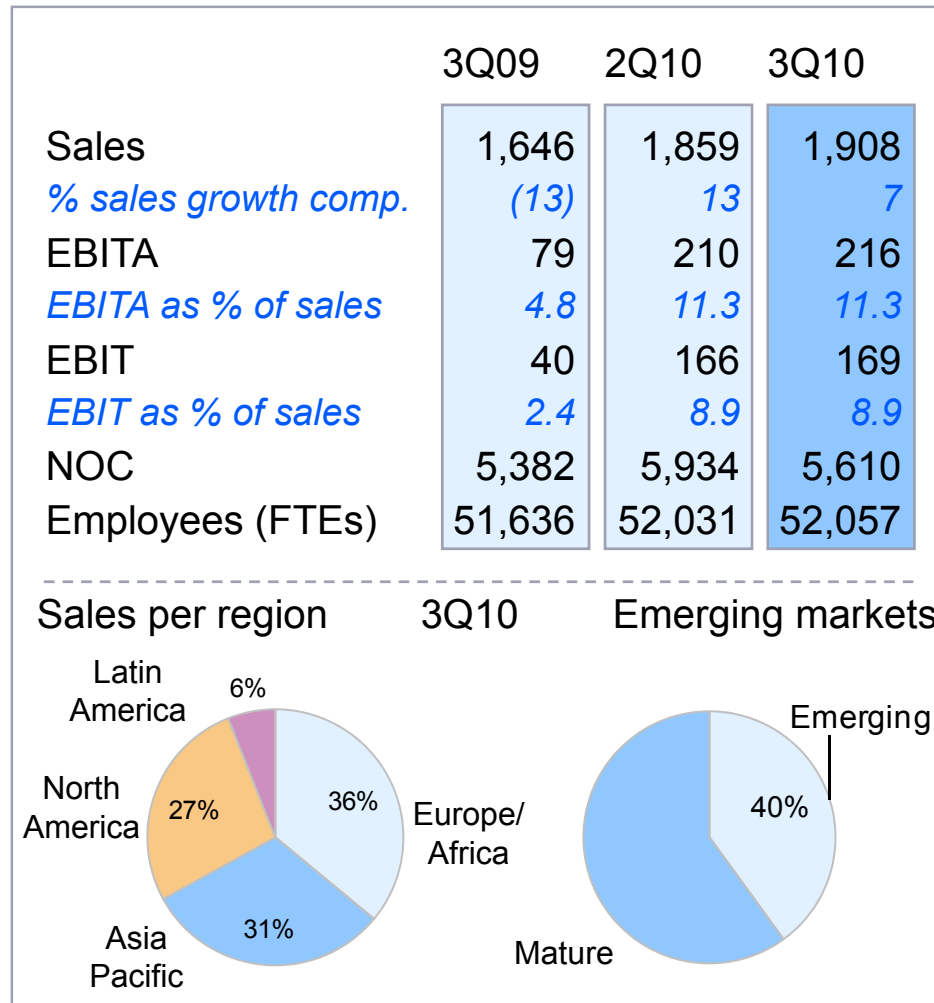


¹ Adjusted EBITA is EBITA corrected for incidental charges (details on slide 76)

Lighting: Q3 2010 Sector analysis

EUR million

Key figures



Financial performance

- Comparable sales were 7% higher year-on-year, driven by growth across all businesses, mainly Lumileds, Lighting Electronics and Automotive. From a geographic perspective, significant growth was seen in emerging markets, led by China.
- LED sales grew 68% compared to Q3 2009, representing 14% of total Lighting sales. Sales at Lumileds grew by 47% year-on-year.
- EBITA, excluding restructuring and acquisition-related charges of EUR 17 million (Q3 2009: EUR 42 million), amounted to EUR 233 million, or 12.2% of sales. The substantial year-on-year EBITA improvement was largely driven by strong sales growth, a favorable product mix and ongoing cost management.
- Net operating capital increased by EUR 228 million to EUR 5,610 million. Excluding currency impact, net operating capital decreased compared to Q3 2009.

Looking ahead

- Restructuring and acquisition-related charges in Q4 2010 are expected to total around EUR 50 million.

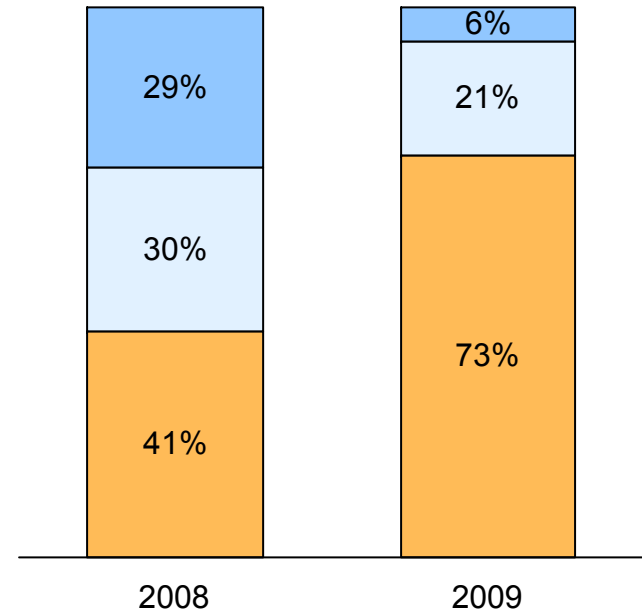
We are the leading global lighting company

Market leadership across most categories
Market share per Business Group by Region,
as at Jun '10

	Europe	North America	Latin America	Asia/Pacific ¹	Total
Lamps	Green	Yellow	Green	Green	Green
Consumer Luminaires	Green	Red	Red	Red	Green
Professional Luminaires	Green	Yellow	Yellow	Green	Green
Lighting Electronics	Green	Green	Green	Green	Green
Automotive	Green	Yellow	Green	Green	Green
Packaged LEDs	Yellow	Yellow	Yellow	Yellow	Yellow
Overall Lighting	Green	Green	Green	Green	Green

■ Number 1
 ■ Number 2 or 3
 ■ Not in top 3

Increased customer loyalty
Net Promoter Score (NPS) in 2008, 2009



■ Not leader
 ■ Co-leader
 ■ Leader

¹ Excluding Japan
Source: Customer panels and Industry associations

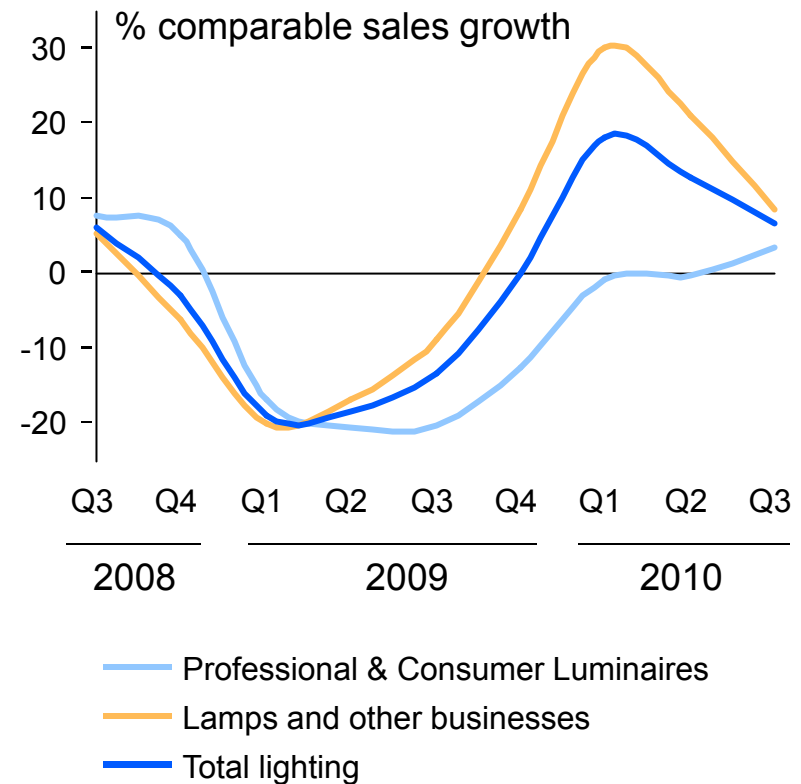
Sales recovery despite current weakness in the luminaires (fixtures) market in mature economies

Around 25% of Philips Lighting sales driven by New Build in Western Europe & North America (WE&NA)

Philips Lighting	New Build	Replacement	Total
Residential	12%	13%	25%
Commercial	30%	22%	52%
Other	17%	6%	23%
Total	59%	41%	100%

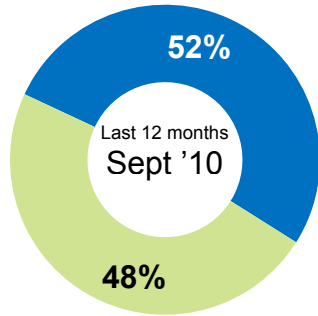
New Build	WE&NA	ROW	Total
Residential	7%	5%	12%
Commercial	18%	12%	30%
Total	25%	17%	42%

Not yet firing on all cylinders: sales recovery despite soft luminaires market in mature economies



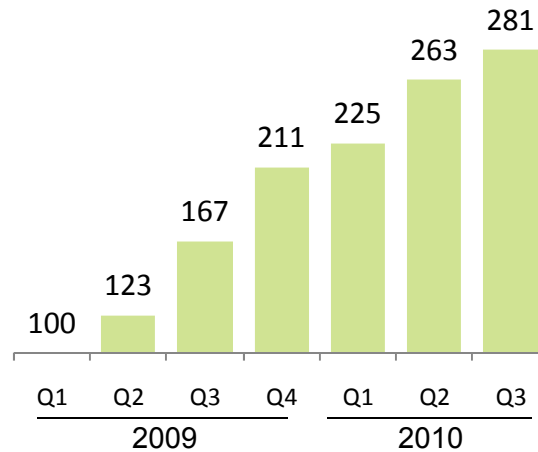
LED lighting *Exponential growth*

Total sales EUR 0.9 billion



- Packaged LEDs
- LED Lamps and Luminaires

Growth LED Lighting¹



The move to LED will increasingly drive growth in the general lighting market in the years ahead, notably in luminaires. LED also offers an opportunity to create additional value across the innovation chain.

Philips is the fastest and broadest player in both light sources and solutions offering LED lamps, LED luminaire solutions as well as a LED licensing program. Philips is currently the world's largest high power LED company. Leading company in illumination segments, leader in consumer mobile phone camera flash and automotive LED signaling.

LED sales as a percentage of Lighting sales were 12% over the last twelve months.

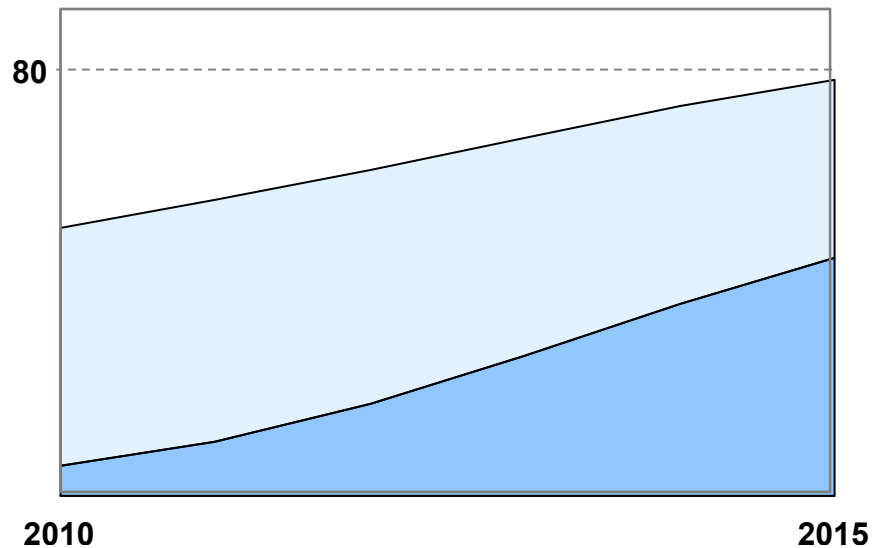
¹ Indexed Growth, base Q1 2009 = 100



The general illumination market offers major growth opportunities

Global illumination market

EUR Bln



Conventional lighting
LED lighting

CAGR of 7-9%,
assuming
nominal GDP
growth of ~4%

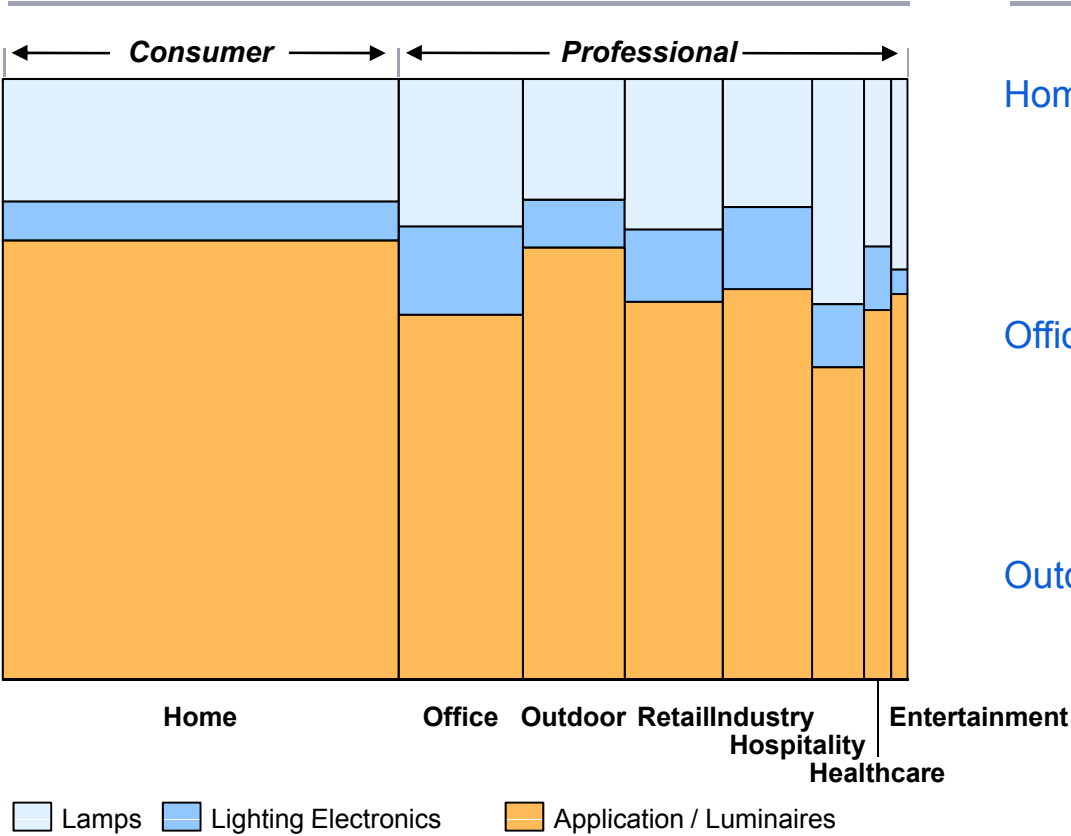
Market overview

- The global lighting market is expected to grow at a CAGR of around 7-9% during 2010-15, to around EUR 80 Billion
- Growth in global illumination market is driven by the LED revolution with rapid adoption of LED-based lighting solutions
- Conventional lighting continues to be a large part of the market

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Home, Office, and Outdoor are the biggest segments Professional is the largest channel

Total market size in 2010¹: EUR 50-55 Bln



Biggest segments

Home



Office



Outdoor



¹ General illumination (excludes Automotive)
Source: Philips Lighting global market study 2009, updated for 2010

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Group Management & Services

Adding value to the businesses

Corporate Technologies

Philips Corporate Technologies encompasses Corporate Research, Intellectual Property & Standards (IP&S) and Applied Technologies

Corporate & Regional Costs

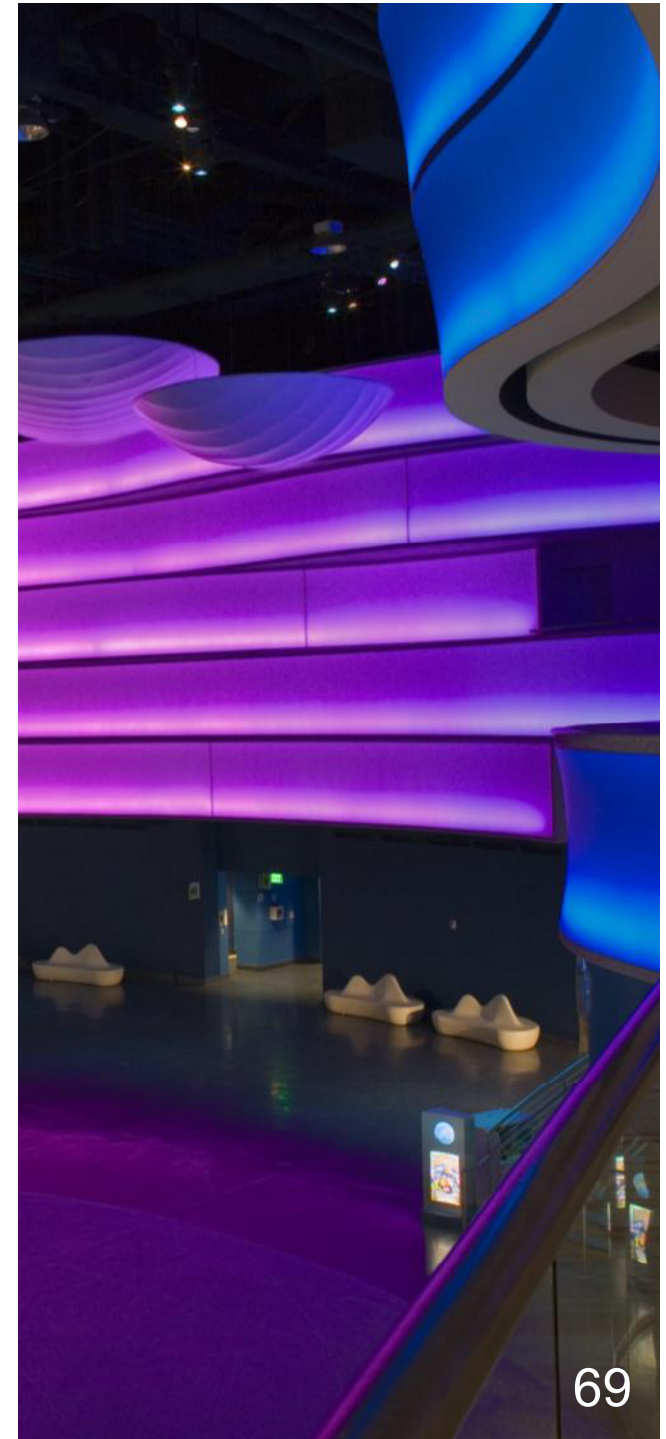
Corporate center; Countries & regions and Brand campaign expenditures

Pensions

Pension and other postretirement benefit costs mostly related to former Philips' employees

Service Units and Other

Global service units; Shared service centers; Corporate Investments, New venture integration and Philips Design



Sector analysis Q3 – Group Management & Services

EUR million

Key figures

	3Q09	2Q10	3Q10
Sales	81	81	87
<i>% sales growth comp.</i>	<i>(24)</i>	<i>11</i>	<i>2</i>
EBITA:			
Corporate Technologies	(45)	(22)	(5)
Corporate & Regional Costs	(44)	(35)	(32)
Pensions	76	(9)	24
Service Units and Other	(26)	(6)	14

EBITA	(39)	(72)	1
EBIT	(39)	(74)	(1)
NOC	(3,277)	(2,451)	(1,348)
Employees (FTEs)	12,270	11,807	11,898

Financial performance

- Sales increased from EUR 81 million in Q3 2009 to EUR 87 million, largely driven by increased license revenues.
- EBITA amounted to EUR 1 million, a EUR 40 million improvement year-on-year.
- EBITA was favorably impacted by a EUR 36 million pension plan change and a EUR 6 million provision release. In Q3 2009, EBITA included a EUR 87 million favorable impact of a release of a provision for retiree medical benefits, partially offset by EUR 14 million restructuring and acquisition-related charges.
- Excluding the above items, the EBITA improvement was driven by higher license income, improved performance at Assembléon and lower overhead and R&D project costs.

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sense and simplicity

Appendix

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Development cost capitalization & amortization by sector

EUR million

	Capitalization		Amortization	
	Q3 2009	Q3 2010	Q3 2009	Q3 2010
Healthcare	21	25	15	19
Consumer Lifestyle	13	9	22	11
Lighting	6	7	5	8
GM&S	1	2	-	-
Group	41	43	42	38

Fixed assets expenditures & Depreciation by sector¹

EUR million

	Gross CapEx		Depreciation	
	Q3 2009	Q3 2010	Q3 2009	Q3 2010
Healthcare	39	43	45	44
Consumer Lifestyle	37	36	34	37
Lighting	39	74	86	62
GM&S	7	19	22	20
Group	122	172	187	163

¹ Excluding software related capital expenditures and depreciation

Fixed assets expenditures & Depreciation by sector¹

EUR million

	Gross CapEx		Depreciation	
	2008	2009	2008	2009
Healthcare	206	164	139	187
Consumer Lifestyle	171	137	170	145
Lighting	305	165	330	311
GM&S	88	58	89	103
Group	770	524	728	746

¹ Excluding software related capital expenditures and depreciation

Restructuring, acquisition-related and other charges

EUR million

	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10
Acq.-related charges	(15)	(14)	(17)	(18)	(64)	(9)	(8)	(9)
Restructuring		(10)	(23)	(10)	(42)	(20)	(38)	3
Other Incidentals					-			
Healthcare	(15)	(24)	(40)	(27)	(106)	(29)	(46)	(6)
Acq.-related charges			(6)	(10)	(16)	(3)	(3)	(7)
Restructuring	(13)	(30)	(23)	(54)	(120)	(10)	(7)	(16)
<i>of which TV</i>	(6)	(28)	(22)	(5)	(61)	(4)	(3)	(11)
Other Incidentals	(30)	(17)			(47)			
Consumer Lifestyle	(43)	(47)	(29)	(64)	(183)	(13)	(10)	(23)
Acq.-related charges	(3)	(6)	(5)	(7)	(21)	(4)	(5)	(6)
Restructuring	(16)	(76)	(37)	(96)	(225)	(5)	(32)	(11)
Other Incidentals					-			
Lighting	(19)	(82)	(42)	(103)	(246)	(9)	(37)	(17)
Restructuring		(12)	(14)	(36)	(63)	1		6
Other Incidentals		90	87	(2)	175			36
GM&S	-	78	73	(38)	112	1	-	42
Grand Total	(77)	(75)	(36)	(233)	(423)	(50)	(93)	(4)

Restructuring benefits 2009 and 2010

EUR million

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 run rate in 2008. The overview below provides the 2009 and 2010 realized benefits per quarter compared to 2008 baseline.

	Benefit <i>compared to 2008 baseline</i>							
	1Q09	2Q09	3Q09	4Q09	FY 2009	1Q10	2Q10	3Q10
Healthcare	17	23	28	37	105	39	46	53
Consumer Lifestyle	32	38	61	69	200	69	70	70
Lighting	10	15	25	32	82	41	52	59
GM&S	5	5	6	15	31	9	10	9
TOTAL	64	81	120	153	418	158	178	191

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