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sense and simplicity

Royal Philips Electronics

Fourth Quarter 2008
Information booklet

January 26th, 2009

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Important information

Forward-looking statements

This document and the related oral presentation, including responses to questions following the presentation may 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 sales growth, future EBITA and 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, 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, 2007 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. 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.

US GAAP basis of presentation

The financial information included in this document is based on US GAAP, 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-US GAAP financial measures, like: comparable growth; EBITA; NOC; net debt (cash); and cash flow before financing activities. These non-US GAAP financial measures should not be viewed in isolation as alternatives to the equivalent US GAAP measures. In our Quarterly report, Annual report or form 20-F we've included a reconciliation of such non-US GAAP financial measures to the most directly related US 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 a readily determinable market value 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.

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Agenda

Philips – who we are

- Results Q4 and full year 2008

- Sector insights – Healthcare, Consumer Lifestyle & Lighting

- Philips Strategy & Targets

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- Founded in 1891; headquarters in Amsterdam, The Netherlands
- One of the largest global diversified industrial companies with sales in 2008 of over EUR 26 billion
- Multinational workforce of over 121,000 employees*
- R&D expenditures EUR 1.6 billion; owner of 60,000 patents
- Strong position in emerging markets
- Number 43 of the world’s most valuable brands

As per December 2008

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We are everywhere you go on the planet

- 70% of the top-50 US hospitals have chosen Philips solutions for cardiology
- We light 65% of world's top airports, 30% of offices and hospitals, and landmarks such as the Eiffel Tower, the Sydney Opera House, the Great Pyramids
- One-in-three cars worldwide uses Philips automotive lighting
- Each day more than a million of our consumer lifestyle products are purchased

Agenda

- Philips – who we are

Results Q4 and full year 2008

- Sector insights – Healthcare, Consumer Lifestyle & Lighting

- Philips Strategy & Targets

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Highlights

- Healthcare showed strong Q4 sales growth of 9% and improved results; lower sales at Consumer Lifestyle and parts of Lighting reflect the challenging retail and automotive markets
- Rigorous management of working capital secured strong cash flow; production stops to manage inventory impacted EBITA by EUR 60 million
- Net quarterly loss of EUR 1.5 billion includes EUR 1.3 billion of non-cash value adjustments and EUR 150 million of year-end tax adjustments
- Proposal to distribute EUR 0.70 per share for 2008
- Full-year sales of EUR 26.4 billion delivered EBITA of EUR 931 million

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Summary – Q4 and full year 2008

EUR million

	Q4 2007	Q4 2008	FY 2007	FY 2008
Sales	8,365	7,623	26,793	26,385
EBITA	871 [1]	141 [1]	2,054 [2]	931 [2]
Financial income and expenses	579 [3]	(1,072) [3]	2,613 [3]	(225) [3]
Income tax	(227)	(140)	(619)	(286)
Results equity-accounted investees	628	(54)	763	19
Net income from continuing operations	1,794	(1,469)	4,593	(178)
Discontinued operations	(396) [4]	(1)	(433) [4]	(8)
Net income (loss)	1,398	(1,470)	4,160	(186)
Net cash from operating activities	1,357	1,747	1,519	1,495
Net debt : Group equity ratio	(32) : 132	3 : 97	(32) : 132	3 : 97

1 - 4Q07 includes on balance EUR 33M gain while in 4Q08 in total EUR 390M of various charges were disclosed
2 - 2007 includes in total EUR 80M restructuring and acquisition-related charges, while in 2008 this totaled EUR 654M.
3 - In 2007 several gains were booked related to sale of shares of financial stakes; also in 2008 gains were booked however this was offset by impairments end of 2008.
4 - Discontinued operations relates to an impairment of EUR 325M for MedQuist and EUR 79M in pension settlements stemming from the 2006 sale of Semiconductors.

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Sales by sector – Q4 and full year 2008

EUR million

	Q4 2007	Q4 2008	% nom	% comp	FY 2007	FY 2008	% nom	% comp
Healthcare	1,997	2,569	29	9	6,638	7,649	15	6
Consumer Lifestyle	4,490	3,057	(32)	(24)	13,330	11,145	(16)	(8)
Lighting	1,659	1,871	13	(3)	6,093	7,106	17	3
I&EB	163	85	(48)	(50)	535	337	(37)	(27)
GM&S	56	41	(27)	(27)	197	148	(25)	(24)
Group sales	8,365	7,623	(9)	(12)	26,793	26,385	(2)	(3)

Sales by market cluster – Q4 and full year 2008

EUR million

	Q4 2007	Q4 2008	% nom	% comp	FY 2007	FY 2008	% nom	% comp
Western Europe	3,403	2,754	(19)	(18)	10,275	9,390	(9)	(8)
North America	2,042	2,187	7	(2)	7,147	7,594	6	(2)
Other mature markets	414	371	(10)	(20)	1,331	1,275	(4)	(9)
Emerging markets	2,506	2,311	(8)	(8)	8,040	8,126	1	5
Group sales	8,365	7,623	(9)	(12)	26,793	26,385	(2)	(3)

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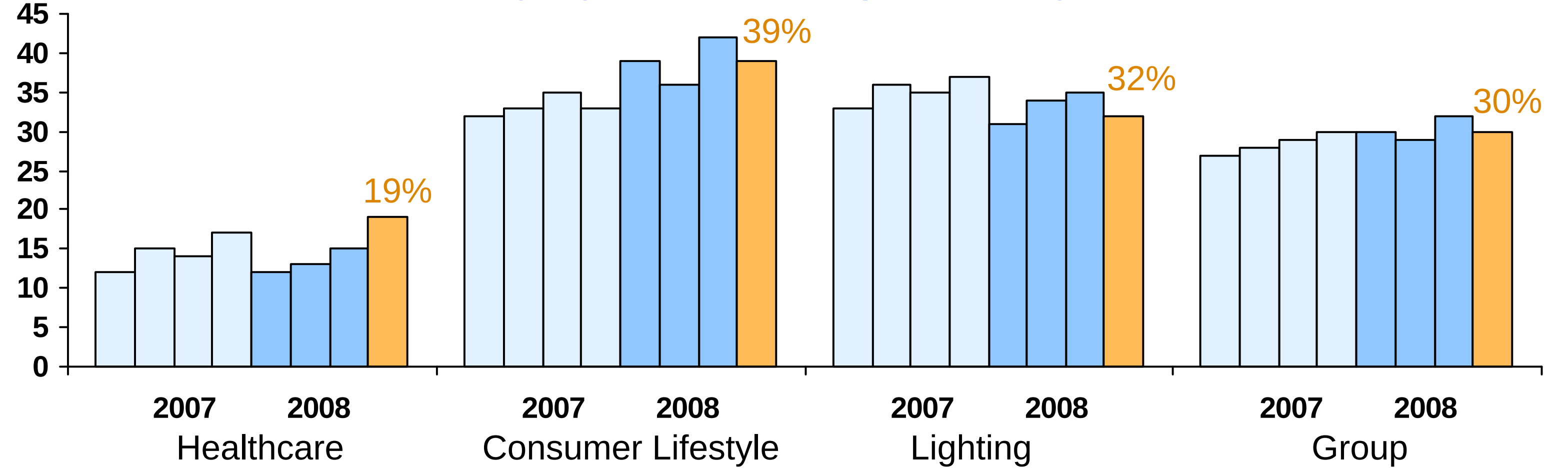
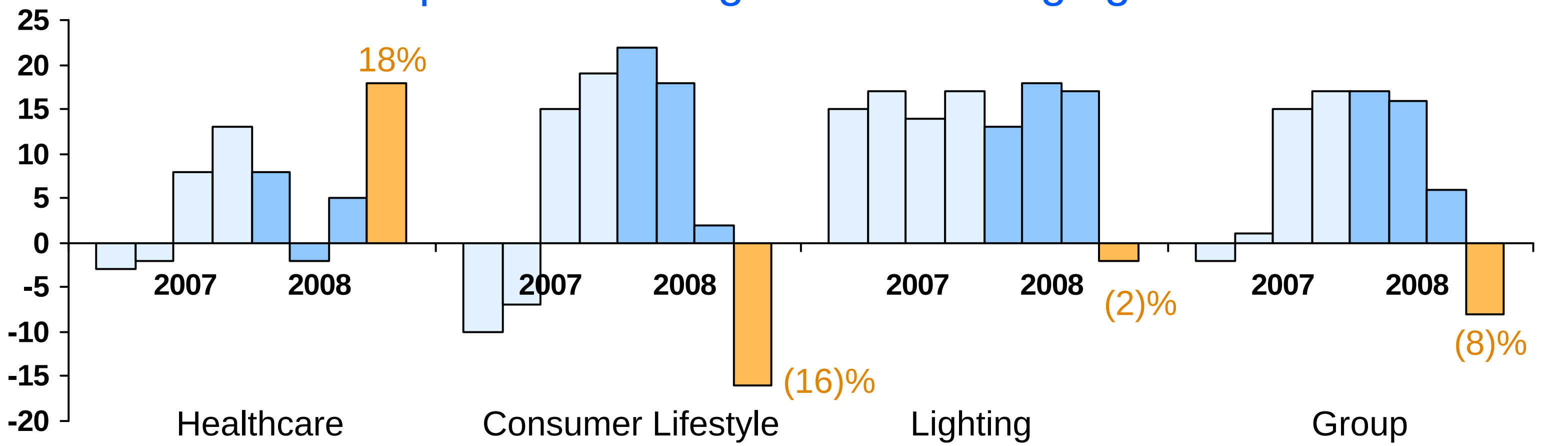
Emerging markets – Q4 2008

Sales growth in emerging markets

Sales in Emerging markets as percentage of sector sales



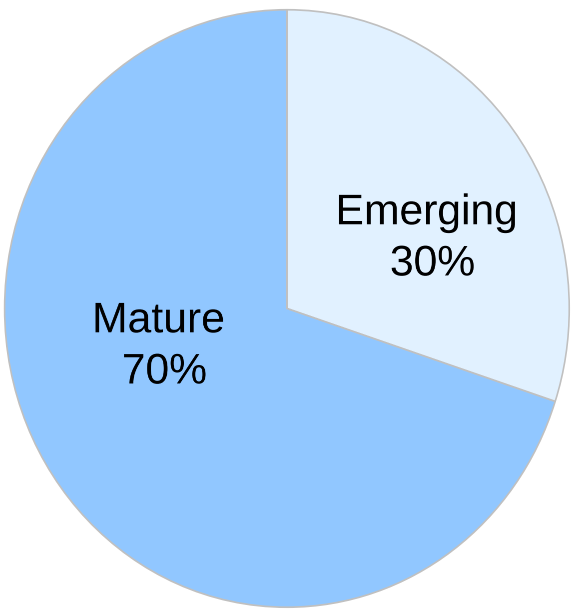
Comparable sales growth in Emerging markets

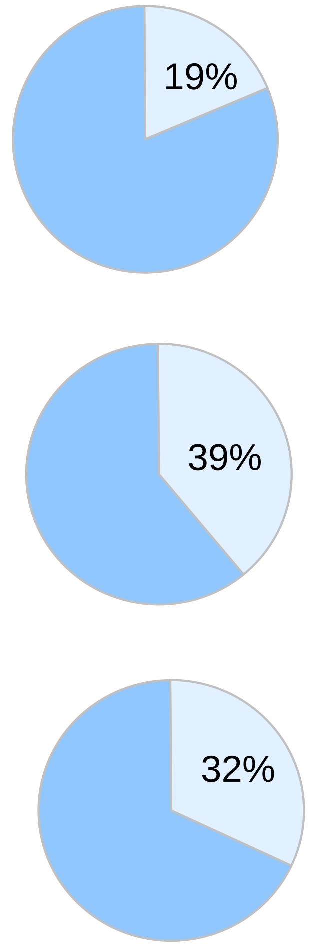


Emerging Markets – Q4 2008

Sales in emerging markets

Philips Group



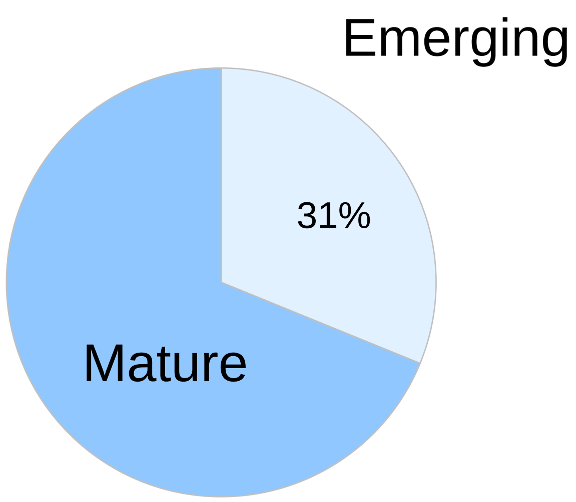


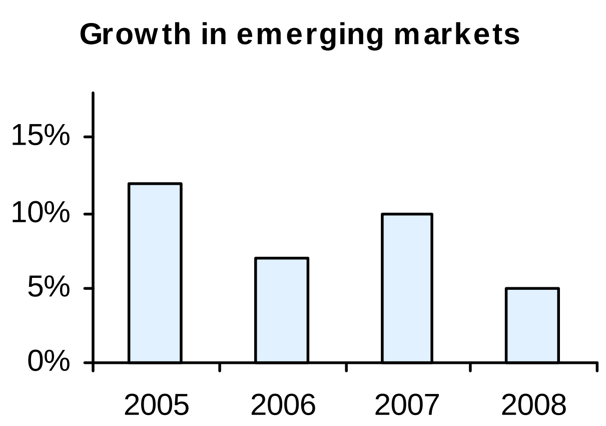
Healthcare 19%

Consumer Lifestyle 39%

Lighting 32%

Full year 2008 Emerging Markets: reached 31% of sales and continue to show strong growth





- The Philips brand is a long-established household name in key emerging markets
- Driven by enhanced consumer insight, we create products specifically tailored to emerging markets needs/tastes
- We continue to enhance our position through smaller but targeted JV or acquisitions of leading companies in emerging markets, particularly in Healthcare
  - Philips-Neusoft JV in China (X-Ray)
  - VMI in Brazil (X-Ray)
  - Goldway in China (Patient Monitoring)
  - Dixtal in Brazil (Patient Monitoring)
  - Alpha X-Ray in India (X-Ray)
  - Meditronics in India (X-Ray)

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EBITA by sector – Q4 and full year 2008

EUR million

	Q4 2007	Q4 2008	FY 2007	FY 2008
Healthcare	354[1]	366[1]	862	863
Consumer Lifestyle	430[2]	26[2]	848	281
of which Television	*95*	*(133)*	*(68)*	*(413)*
Lighting	185[3]	(60)[3]	722	538
I&EB	21[4]	(71)[4]	(81)	(226)
GM&S	(119)[5]	(120)[5]	(297)	(525)
Philips Group	871	141	2,054	931
as % of sales	10.4%	1.8%	7.7%	3.5%

1 - 4Q08 includes EUR 89M of restructuring and acquisition-related charges, while 4Q07 included a small gain related to a provision release
2 - 4Q08 includes EUR 67M restructuring charges; in 4Q07 no gains or charges were disclosed
3 - 4Q08 includes EUR 203M of restructuring and acquisition-related charges compared to EUR 15M in 4Q07
4 - 4Q08 includes EUR 18M restructuring; 4Q07 included a large one-time license payment
5 - 4Q08 includes EUR 13M restructuring, while 4Q07 included in total EUR 8M restructuring and other incidental charges

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Cash Flow from continuing operations – Q4 and full year 2008

EUR million

	Q4 2007	Q4 2008	FY 2007	FY 2008
Net income (loss)	1,398	(1,470)	4,160	(186)
Income/loss discontinued operations	396	1	433	8
Depreciation / amortization / impairments	234	1,698	890	2,780
Net gain on sale of assets	(1,109)	(6)	(3,159)	(1,369)
Income from equity-accounted investees	(100)	(5)	(201)	(22)
Decrease in WC / other current assets	563	1,545	(842)	228
Other	(25)	(16)	238	56
Cash flow from operations	1,357	1,747	1,519	1,495
Gross capital investments	(178)	(257)	(661)	(771)
Acquisitions / divestments / other	2,674	66	4,591	(2,330)
Cash flow before financing activities	3,853	1,424	5,449	(1,606)

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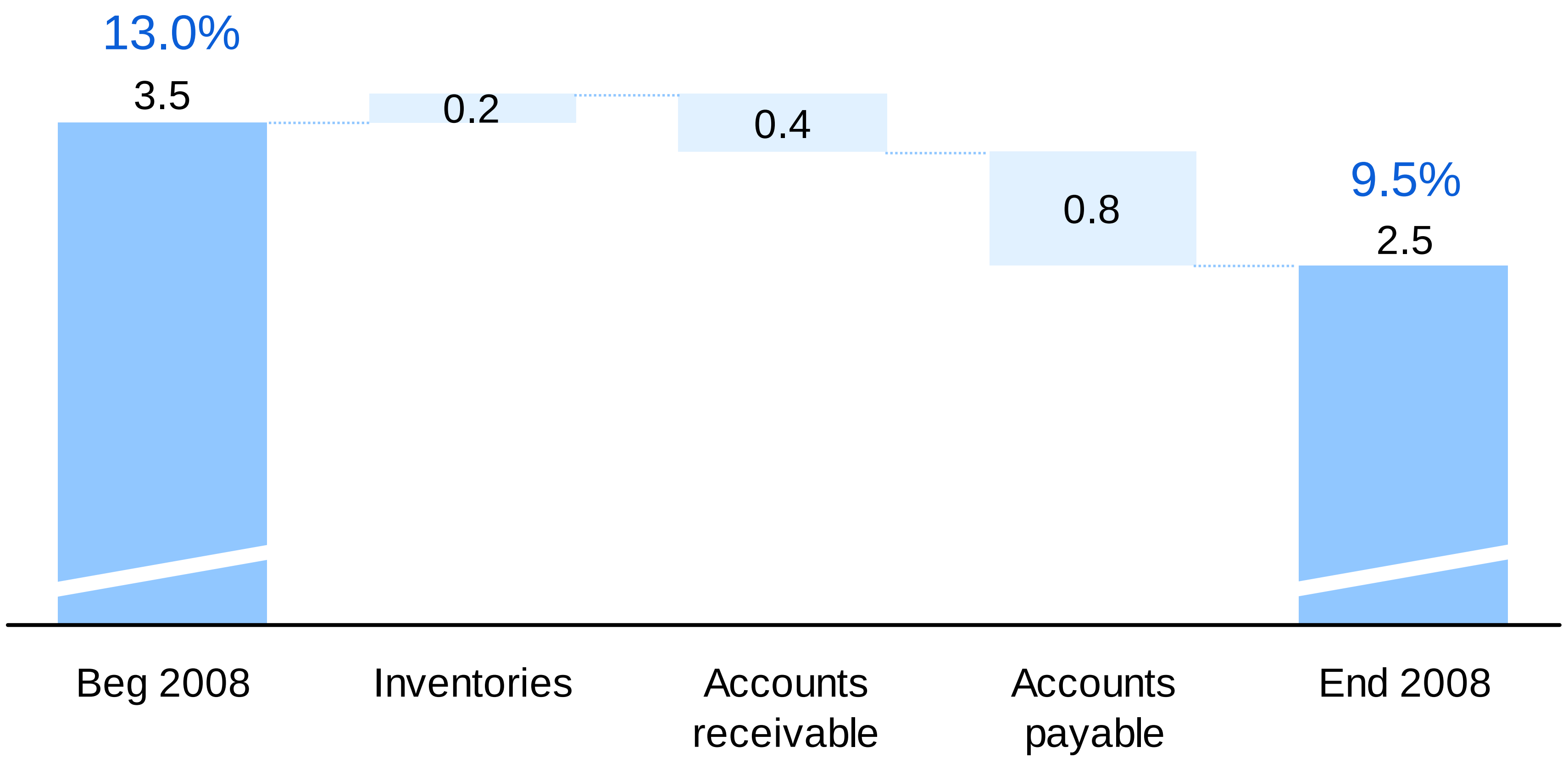
2008 cash flows were supported by stringent working capital management

Working capital

Amounts in EUR billions

As a % of sales



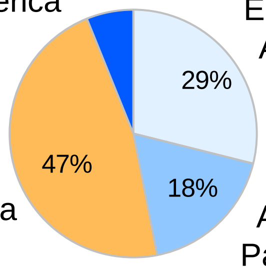
Sector analysis – Healthcare

EUR million

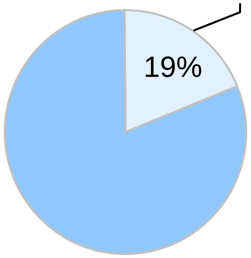
Key figures

	4Q07	4Q08	FY2008
Sales	1,997	2,569	7,649
% sales growth comp.	*3*	*9*	*6*
EBITA	354	366	863
EBITA as % of sales	*17.7*	*14.2*	*11.3*
EBIT	318	301	638
EBIT as % of sales	*15.9*	*11.7*	*8.3*
NOC	4,802	8,830	8,830
Employees (FTEs)	29,191	35,551	35,551

Sales per region 4Q08



Emerging markets



Financial performance

- Equipment order intake declined 2% on a currency-comparable basis, attributable mainly to lower intake at Imaging Systems in North America, notably in CT and MR. Clinical Care Systems and Healthcare Informatics in North America both reported higher order intake than in Q4 2007, as did all businesses in the rest of the world.
- Sales grew 9% comparably year-on-year, driven by good growth at Imaging Systems, Customer Services and Healthcare Informatics. Growth at Imaging Systems was supported by almost all modalities, with CT booking 30 iCT 256-slice systems in the quarter.
- EBITA came in at EUR 366M, including EUR 89M of restructuring and acquisition-related charges. Excluding these charges and favorable inventory value adjustments in Q4 2007, EBITA amounted to EUR 455M (17.7% of sales) compared to EUR 339M (17.0% of sales) in Q4 2007. Almost all businesses generated higher operational earnings compared to Q4 2007.
- NOC increased by EUR 4.0B compared to Q4 2007, mainly due to acquisitions. Given the current economic environment, working capital was tightly managed during the quarter, particularly inventory levels.

Looking ahead

- In Q1 2009, we expect the Healthcare market to weaken, especially in the US
- In Q1 2009 Philips will launch a new cost-effective ultrasound device (HD9) specifically focused on the health needs of women, one of our three care cycles.
- Restructuring and acquisition-related charges for Q1 2009 are expected to be around EUR 25 million.

Respironics: Leading player in respiratory market

Enterprise value EUR 3.2 billion

- Announced on December 21, 2007; Closing March 10, 2008.
- Respironics, with calendar ‘07 revenues of US$ 1.3B, EBITA of US$ 200M and a CAGR in previous 5-years of 19%, strengthens Philips’ leadership position in Home Healthcare as well as “hospital based” healthcare given Respironics’ strong non-invasive ventilation and respiratory products for hospitals and clinics.
- The acquisition provides Philips a leading position in the high growth obstructive sleep apnea and respiratory device market and a top 5 position in Oxygen therapy and ventilation devices
- The transaction further strengthens Philips’ strategy of developing solutions across the patient care cycle and expands its presence in home healthcare
- Respironics is an acquisition that positively differentiates us from our key competitors by market segment, device segment, care cycle focus and disease focus
- Based on Respironics' management plan and our synergies, value would be created after the third year and with a more conservative view that we have used in our decision-making, we will be creating value within year five. The transaction will add to revenue growth and EBITA margin.
- Post merger integration activities on track to deliver the expected synergies
- Q4, as well as full year, sales and EBITA in line with plan





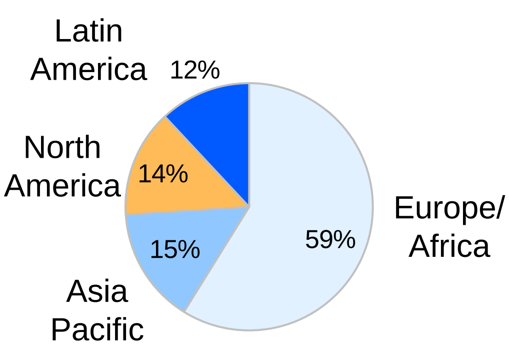
Sector analysis – Consumer Lifestyle

EUR million

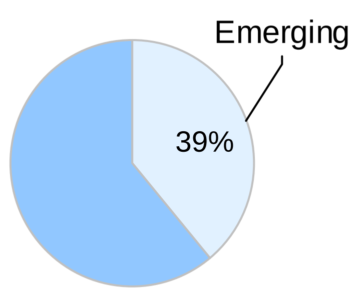
Key figures

	4Q07	4Q08	FY2008
Sales	4,490	3,057	11,145
% sales growth comp.	*10*	*(24)*	*(8)*
EBITA	430	26	281
EBITA as % of sales	*9.6*	*0.9*	*2.5*
EBIT	427	22	265
EBIT as % of sales	*9.5*	*0.7*	*2.4*
NOC	890	728	728
Employees (FTEs)	23,397	17,346	17,346

Sales per region 4Q08



Emerging markets



Financial performance

- The ongoing economic downturn, portfolio management and stringent credit control resulted in a 24% reduction in comparable sales compared to Q4 2007. Sales at TV decreased 36%, mainly due to sharp declines in market demand in both Western and Eastern Europe; Brazil continued to deliver strong double-digit growth.
- EBITA was impacted by EUR 67M of restructuring charges related to various cost reduction projects across the sector. The production cuts to restrict inventory reduced EBITA by approximately EUR 20M, whereas the 'mark-to-market' adjustments of inventory value in mainly TV adversely affected EBITA by around EUR 40M
- NOC improved compared with Q4 2007, mainly as a result of tight credit and inventory management.

Looking ahead

- We expect a very weak consumer environment in Q1 2009.
- In Q1 2009, restructuring charges across most businesses, aimed at further reducing fixed costs, are expected to amount to around EUR 20 million.
- Philips and TPV Technology expect to close a brand licensing agreement in the first half of 2009, under which Philips' global PC monitors and digital signage business will be transferred to TPV.
- Consumer Lifestyle will launch several new products in Q1 2009, including an addition to the Senseo range of coffee makers and the world's first cinema-proportioned television, Cinema 21:9.

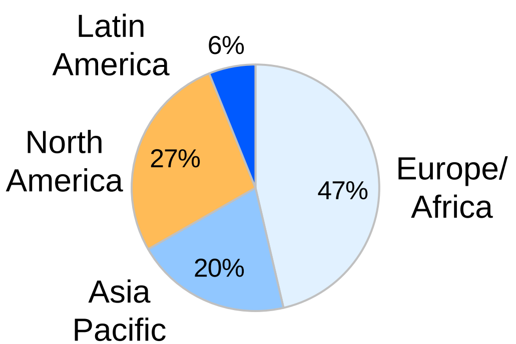
Sector analysis – Lighting

EUR million

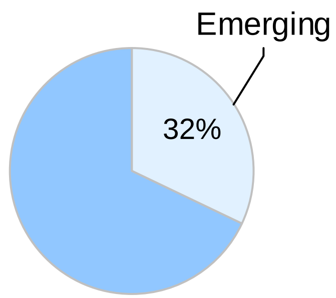
Key figures

	4Q07	4Q08	FY2008
Sales	1,659	1,871	7,106
% sales growth comp.	*8*	*(3)*	*3*
EBITA	185	(60)	538
EBITA as % of sales	*11.2*	*(3.2)*	*7.6*
EBIT	170	(336)	165
EBIT as % of sales	*10.2*	*(18.0)*	*2.3*
NOC	3,886	5,648	5,648
Employees (FTEs)	54,323	57,166	57,166

Sales per region 4Q08



Emerging markets



Financial performance

- Nominal sales increased 13%, but declined 3% on a comparable basis due to the deteriorating economic climate. The automotive and consumer-related markets were particularly weak, resulting in lower sales at Special Lighting Applications and Lumileds. Sales at Lamps remained flat, while both Professional and Consumer Luminaires showed modest growth.
- EBITA included EUR 203 million restructuring and acquisition-related charges, compared to EUR 15 million in Q4 2007. Excluding these charges, EBITA was EUR 143 million, or 7.6% of sales, impacted by lower comparable sales, an adverse product mix and production level cuts taken to optimize inventory levels, which reduced EBITA by EUR 40 million.
- Within EBIT, a non-cash EUR 232 million goodwill impairment charge for Lumileds was recorded, mainly due to weaker demand for LED solutions in the automotive, display and cell phone markets.
- The year-over-year increase in NOC was fully attributable to the Genlyte acquisition, partially offset by lower working capital.

Looking ahead

- We expect a further decline in sales in Q1 2009 as a result of increasing weakness in the construction market.
- Given the ongoing challenging macro-economic climate, Lighting will continue to focus on reducing costs and working capital. Restructuring and acquisition-related charges are expected to amount to around EUR 20 million in Q1 2009.
- The sector will continue to invest in innovation in energy-efficient and LED-based lighting to benefit from the market opportunities in these areas.

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Genlyte: Leading N-A Luminaires manufacturer

Enterprise value EUR 1.8 billion

- Closed on January 22, 2008.
- Acquisition is consistent with Philips' strategy to strengthen its leadership position in Lighting. Combination created the *#1 Lighting company in North America* and established Philips as *the largest Luminaires company globally.*
- Luminaires & Controls are a *spearhead in developing "green" lighting markets, including Solid State Lighting (SSL).* Genlyte will be a cornerstone of growth in SSL.

- Post merger integration is well on track to deliver the expected synergies.
- Despite softening sales related to the economic downturn in the US, Genlyte realized a strong 14.7% clean EBITA margin in Q4 and 16.0% over the full year 2008.

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Sector analysis – Innovation & Emerging Businesses

EUR million

Key figures

	4Q07	4Q08	FY2008
Sales	163	85	337
% sales growth comp.	*39*	*(50)*	*(27)*
EBITA Technologies / Incubators	19	(51)	(172)
EBITA Others	2	(20)	(54)
EBITA	21	(71)	(226)
EBIT	20	(71)	(226)
NOC	246	153	153
Employees (FTEs)	5,888	5,324	5,324

Financial performance

- EBITA declined compared with Q4 2007 due to EUR 18 million restructuring charges at Assembléon and the fact that license revenues in 2007 included EUR 48 million higher IP income mainly related to a large one-time intellectual property transaction.
- Higher investments year-on-year centered mainly on Research and the Incubators.

Looking ahead

- In 2009, Philips' investments in Research and the Incubators are expected to remain at the run-rate of 2008.
- Philips will continue to engage in Open Innovation activities and joint research initiatives in order to improve innovation efficiency and to share the related financial exposure.

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Sector analysis – Group Management & Services

EUR million

Key figures

	4Q07	4Q08	FY2008
Sales	56	41	148
% sales growth comp.	*(20)*	*(27)*	*(24)*
Corporate & Regional Costs	(48)	(49)	(171)
Global Brand campaign	(54)	(31)	(64)
Service units, Pensions and Other	(17)	(40)	(290)
EBITA	(119)	(120)	(525)
EBIT	(119)	(120)	(525)
NOC	705	(492)	(492)
Employees (FTEs)	5,299	6,011	6,011

Financial performance

- Corporate & Regional overhead costs were broadly in line with Q4 2007, despite EUR 6 million restructuring charges aimed at further simplifying regional and country management structures.
- Investment in the global brand campaign was below both Q4 2007 and previous expectation following cost reduction initiatives.
- EBITA at the Service Units was impacted by EUR 7 million restructuring charges and higher project costs.
- The reduction in net operating capital was mainly related to changes in prepaid and accrued pension costs.
- The increase in the level of employees compared to Q4 2007 was due to the transfer of several service functions from the sectors to dedicated centralized Service Units in order to increase standardization and efficiency.

Looking ahead

- Given the ongoing uncertain economic conditions, Philips will further sharpen its supply-base risk management systems.
- Country and regional overhead costs are expected to be broadly in line with 2008. Corporate overhead costs are expected to be lower in 2009.
- Investment in the brand campaign is expected to total approximately EUR 45 million in 2009, with broadly equal spend per quarter.
- Costs of post-retirement benefit plans for GM&S are expected to amount to EUR 35 million in 2009.

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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 costs of approximately EUR 400 million on an annual basis, the benefits of which we expect to see towards the second half of 2009.

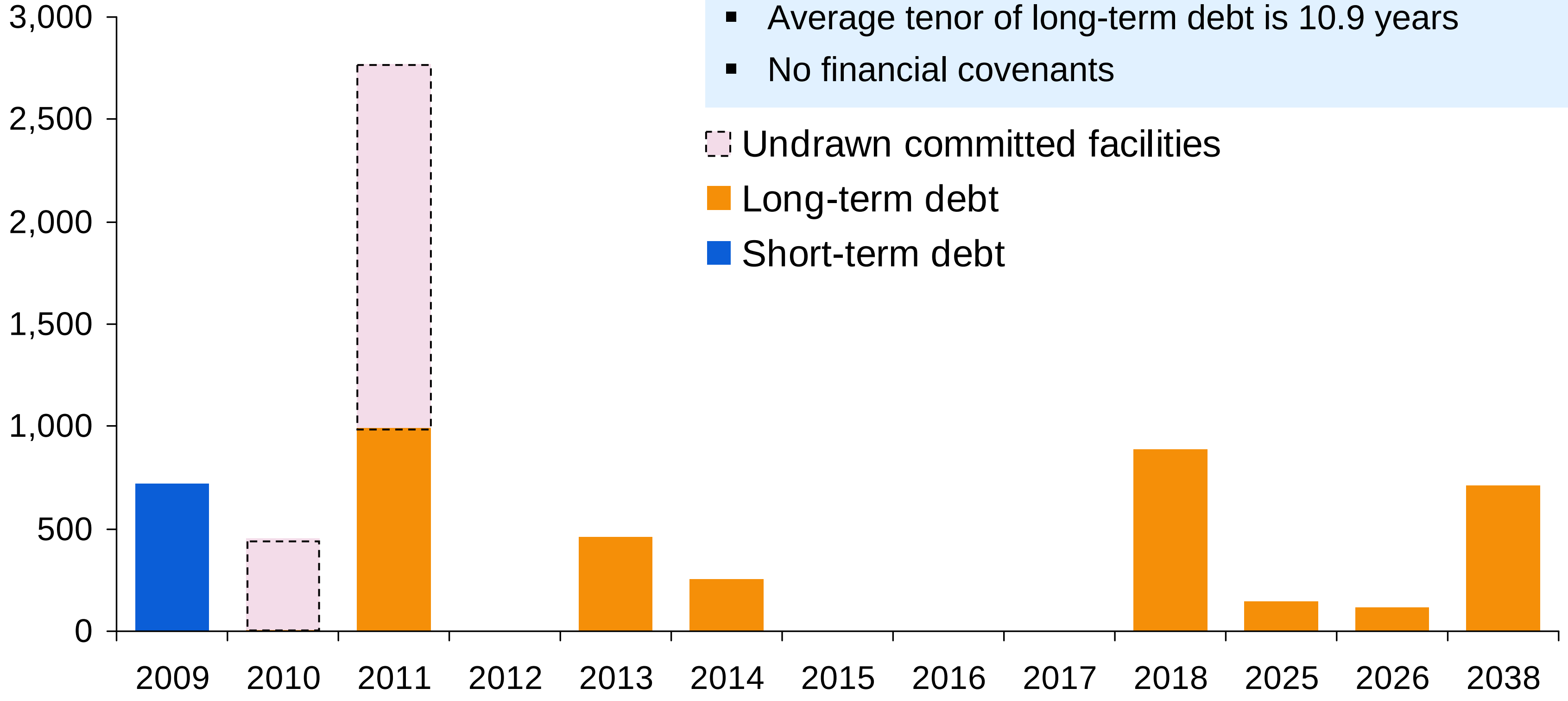
Restructuring *EUR million*	1Q08	2Q08	3Q08	4Q08	FY2008	Projected benefits
Healthcare				(70)	**(70)**	Improve margins, further optimize operations structure, particularly in Imaging Systems
Consumer Lifestyle		(66)	(61)	(67)	**(194)**	Further optimize supply base, particularly in TV business
Lighting	(17)	(8)	(7)	(196)	**(228)**	Increase organizational effectiveness and strengthen its position as an industry leader
I&EB				(18)	**(18)**	Adapt Assembléon to ongoing weakness in Semiconductor market
GM&S				(13)	**(13)**	Further simplify management structures
TOTAL	**(17)**	**(74)**	**(68)**	**(364)**	**(523)**	

Note - These numbers exclude acquisition-related charges of EUR 131 million for FY2008

First long-term debt maturing as of 2011

Debt maturity profile as of January 2009

Amounts in EUR millions



Characteristics of long-term debt Jan 2009

- Maturities up to 2038
- Average tenor of long-term debt is 10.9 years
- No financial covenants

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

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Summary of value declines of financial assets in Q4 2008

Financial assets	Ownership % of total	Value declines[1] in EUR million
LG Display	13.2%	596
Pace Micro Technology	17.0%	30
NXP	19.8%	300
Toppoly	17.4%	71
TPV	12.4%	59
Total		**1,056**

1 – reported in the Financial income & expenses line of the P&L, except TPV (Results equity accounted investees)

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Share repurchase program

To date, we have completed EUR 3.3 billion of our EUR 5.0 billion share repurchase program which we announced in December 2007.

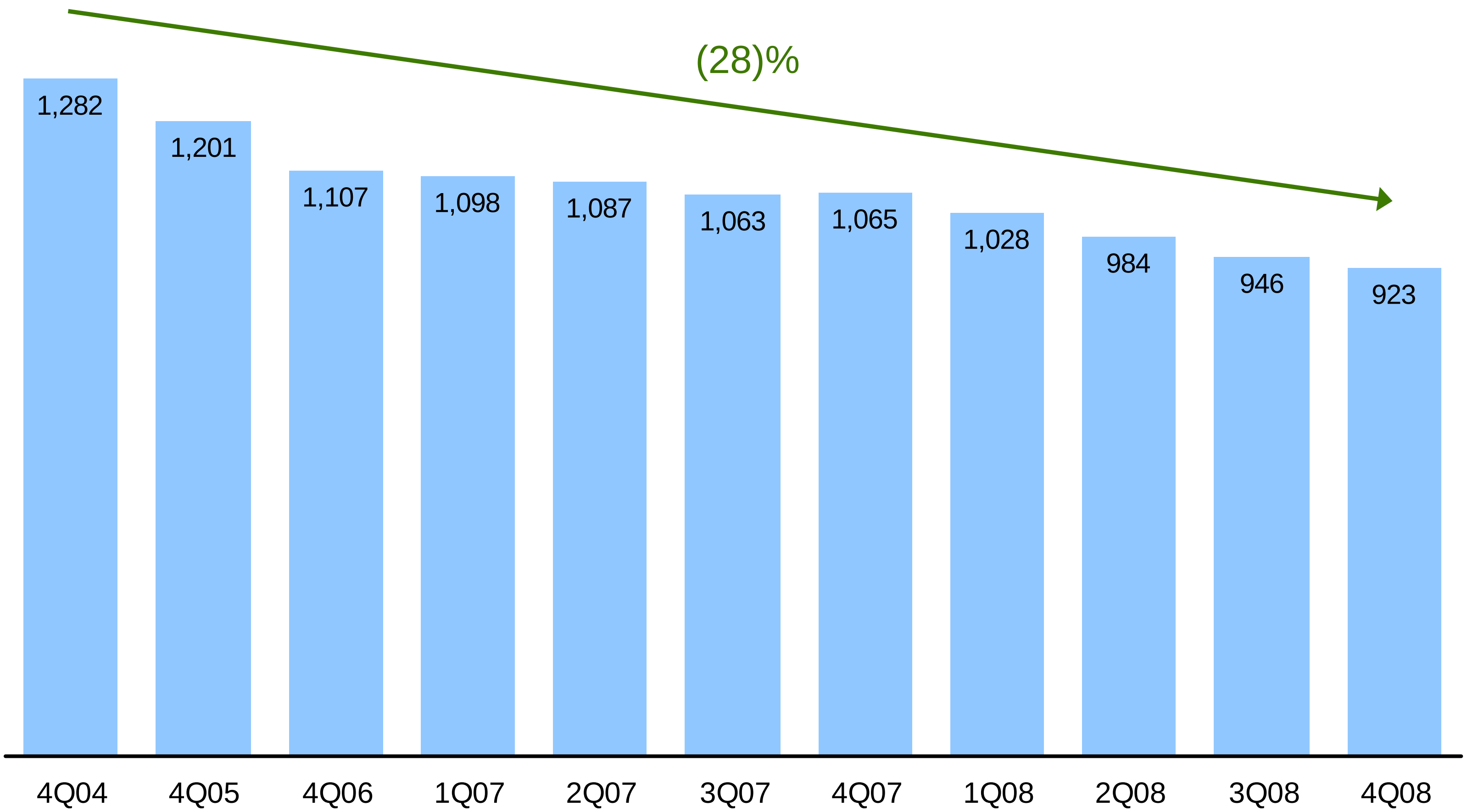
In line with our prudent financial management, we will stop the share repurchase program until further notice.

Status share buy-back

	End 2007	Q1 ‘08	Q2 ’08	Q3 ’08	Q4 ’08	FY2008
Shares repurchased (in EUR M)		(975)	(1,139)	(811)	(374)	(3,299)
Numbers of shares (in M)		37	47	38	24	146
Average share price		*26.10*	*24.12*	*21.25*	*15.77*	*22.53*
Basic shares outstanding	1,065	1,028	984	946	923	

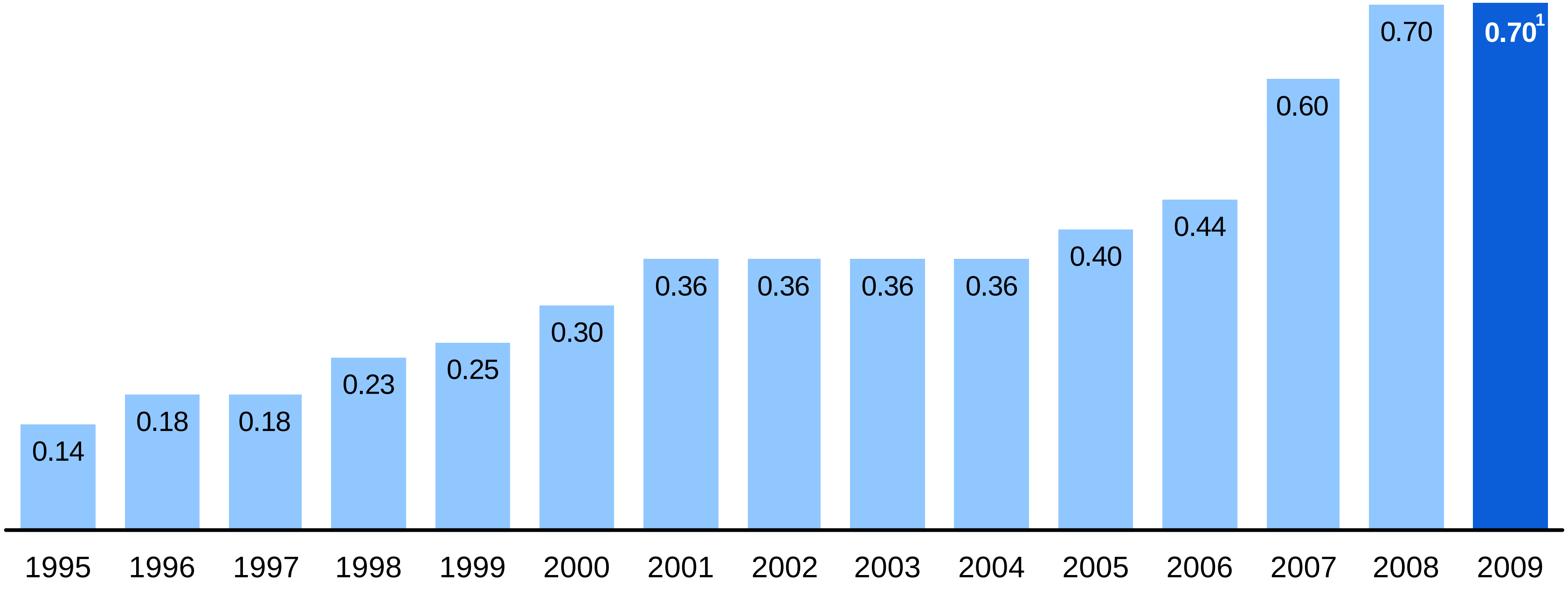
Basic shares outstanding

in million shares



Proposal to maintain dividend payout

Amounts in EUR



1 – Proposal subject to approval in the General Shareholders Meeting on March 27th, 2009

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Philips pensions plans

While our pension plans in total remain adequately funded, the turmoil in financial markets will somewhat impact pension costs and cash flows in 2009.

- **2009 pension cost**

  Total costs of pension plans and other post-retirement benefit plans for 2009 (under IFRS) are anticipated to amount to EUR 155 million (against EUR 105 million in 2008 under IFRS and EUR 153 million under US GAAP) of which EUR 35 million is reported in GM&S and EUR 120 million in the sectors.

- **2009 cash contributions**

  Cash outflows (including both contributions and benefit payments) in 2008 related to defined benefit pension plans were approximately EUR 260 million for the Group as a whole. For 2009, we expect the corresponding cash outflows to be around EUR 320 million (barring unanticipated changes in interest rates).

- **Pension funding**

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

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2008 Management Agenda

Integrate and leverage recent *acquisitions*, delivering anticipated return on investment

Take *decisive steps* to structurally deal with unsatisfactory EBITA margins in *Connected Displays*

Improve *productivity* as a driver for margin expansion

Step up resource investment in *Developing Markets* to accelerate growth in excess of 2x GDP

Increase *innovation focus* in support of Philips growth ambition

Continue to drive a culture of *superior customer experience*

Bring *employee engagement* to high performance benchmark

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Management agenda 2009

Staying the course

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

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Agenda

- Philips – who we are
- Results Q4 and full year 2008

Sector insights – Healthcare, Consumer Lifestyle & Lighting

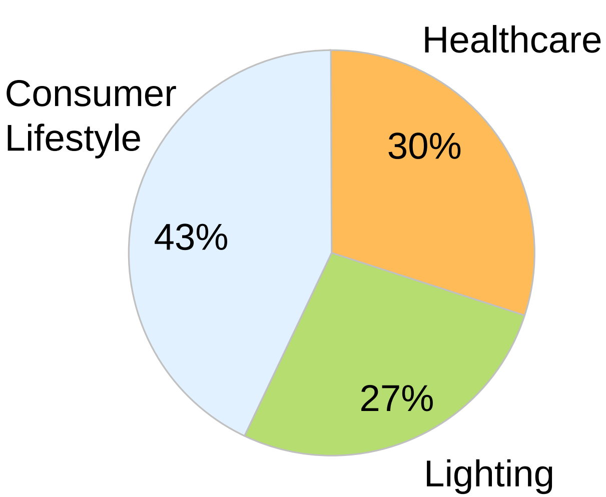
- Philips Strategy & Targets

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

Full year 2008

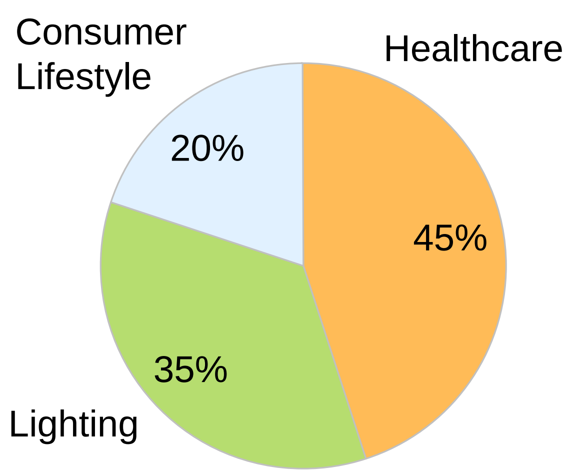
Sales

100% = EUR 26.1B [1]



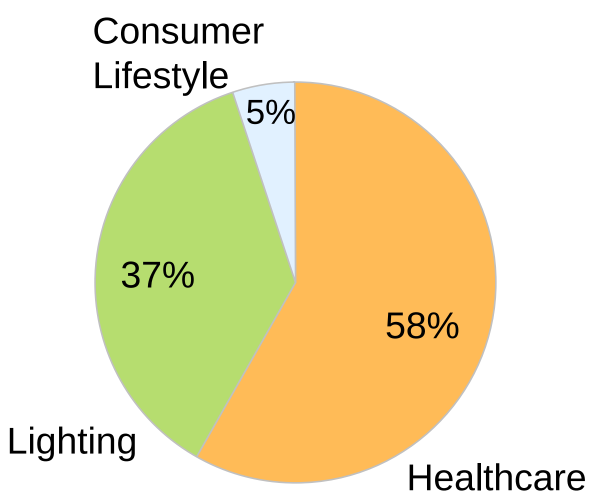
Adjusted EBITA

100% = EUR 2.3B [1, 2]



Net Operating Capital

100% = EUR 15.2B



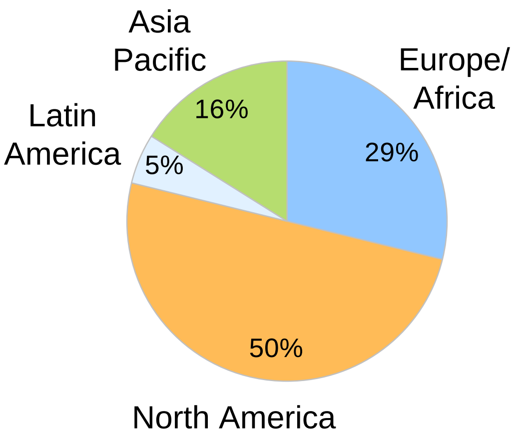
1 – Excluding Central sectors (I&EB; GM&S), including pro forma numbers for Respironics and Genlyte
Sales of EUR 0.2B is included for 1Q08 for Respironics and Genlyte; EBITA of EUR 0.03B is included for 1Q08 for Respironics and Genlyte

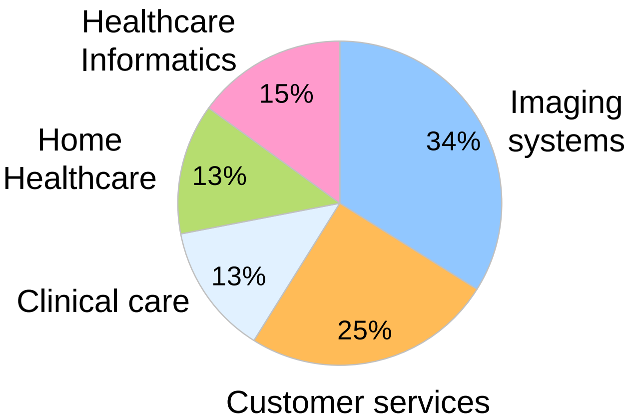
2 – EBITA corrected to exclude restructuring and acquisition-related charges; for Healthcare EUR 160 million, for Consumer Lifestyle EUR 194 million and for Lighting EUR 269 million of charges are excluded.

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 full year 2008





Including pro forma LTM Dec-2008 sales of EUR 0.2B for Respironics

* Annual average comparable sales growth

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Key products and services of Philips Healthcare

Providing comprehensive support

Philips Healthcare

Businesses

Imaging Systems

- Cath Lab
- X-Ray
- CT
- MR
- SPECT
- SPECT/CT
- PET/CT

Home Healthcare Solutions

- Sleep Disorder Breathing
- Medical Alert Services
- Home Cardiac Monitoring
- Home Respiratory
- Senior Living

Clinical Care Systems

- Ultrasound
- Cardiac Resuscitation
- Ventilation
- ECG Solutions

Healthcare Informatics

- Anesthesia Informatics
- Cardiology Informatics
- Critical Care Informatics
- Clinical Decision Support Systems
- Maternal & Perinatal Monitoring Solutions
- Patient Monitoring Systems
- Radiology Informatics

Customer Services

- Ambient Experience
- Value Added Services
  - *Planning*
  - *Start-up*
  - *Peak Usage*
  - *Renewal*

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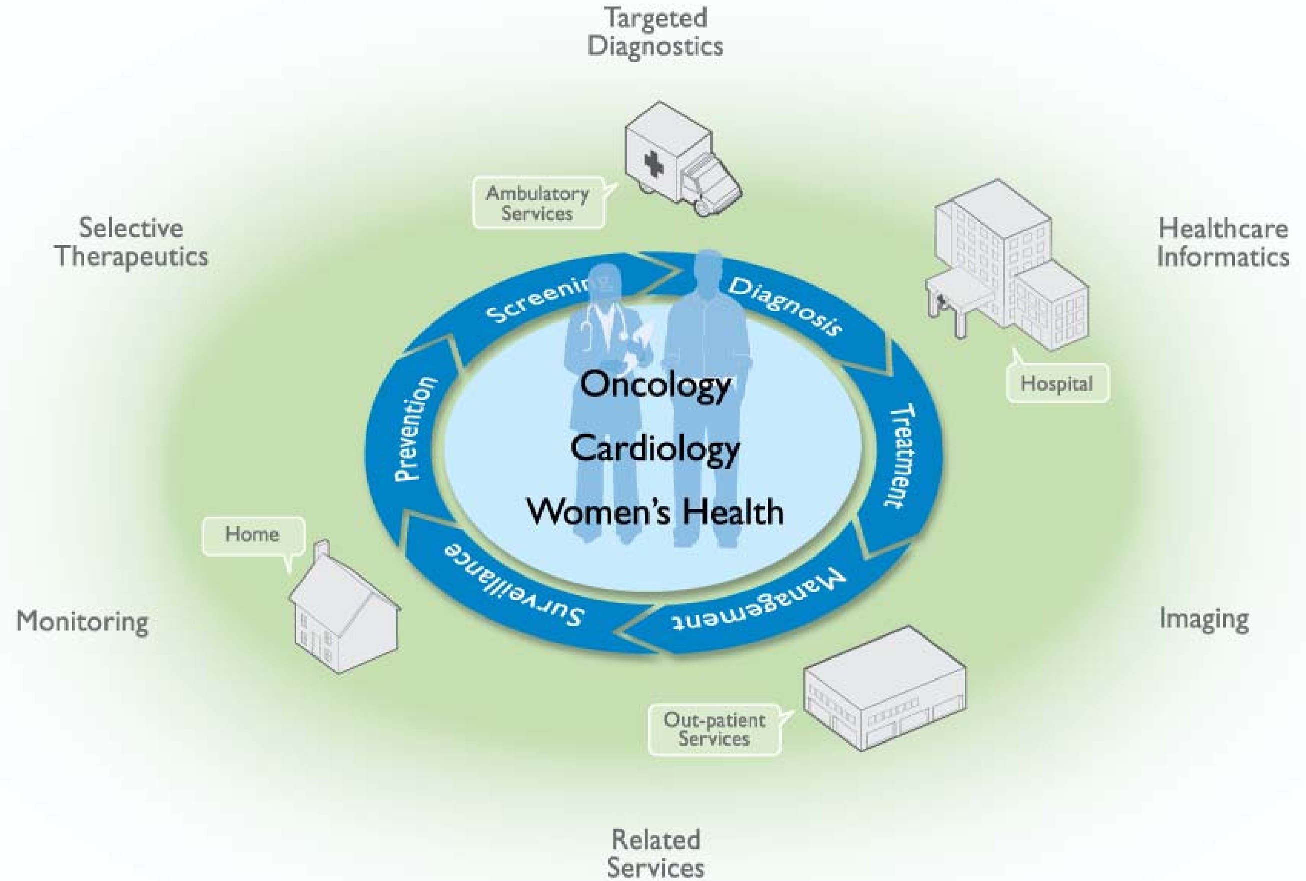
The Philips healthcare difference

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



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To accomplish our targets, we focus on 3 areas

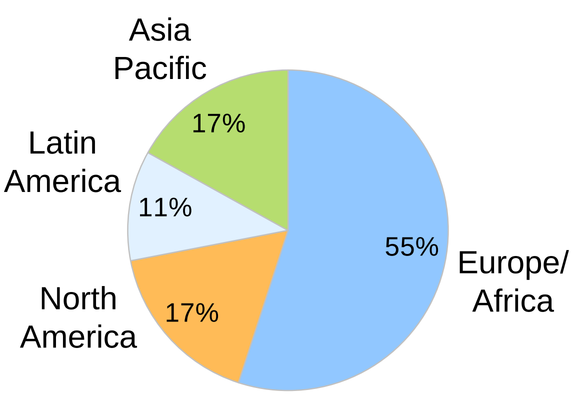
Focus Areas	Initiatives
Accelerate Growth	1. Increase presence in emerging markets 2. Expand mid / low-end product offering 3. Increase sales to home healthcare 4. Drive growth in healthcare informatics 5. Leverage patient/care provider brand
Increase Margins	1. Expand low cost country sourcing 2. Improve 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

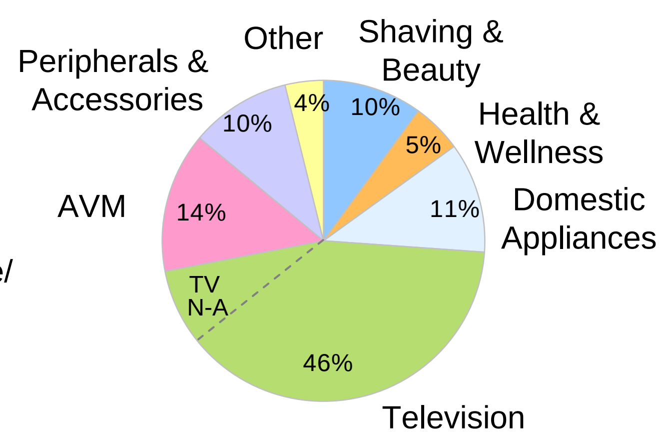
Structured approach in place to ensure we can deliver on commitments

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 full year 2008





Television

Audio, Video & Multimedia

Shaving & Beauty

Domestic Appliances

Peripherals & Accessories

Health & Wellness

Excluding LTM Dec-2008 sales of EUR 0.2B for Home Network business that was divested in Q2 2008

* Annual average comparable sales growth

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Realizing the cost synergies in Consumer lifestyle

Organizational Structure

- Elimination of duplication in functions at the executive level
- Optimization of sales structure through clusters
- Delayering our overall organization

Geographical Footprint

- Footprint rationalization
  - Sales organization
  - Manufacturing & Supply
  - R&D
- Increased efficiency in locations and offices

Process optimization

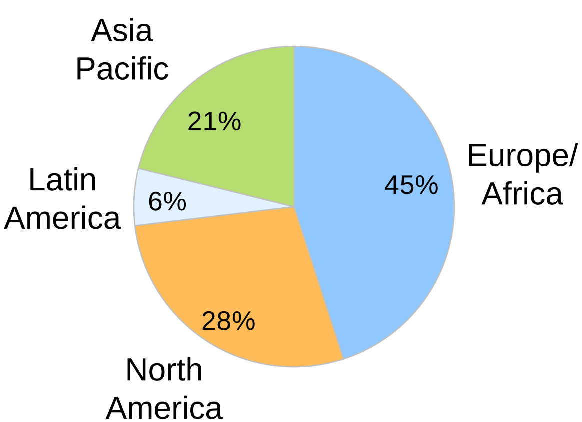
- Functions focused on value delivery for increased efficiency
- Rationalization of back office support
- Greater relevance with 3rd party suppliers and partners
- Improved supply chain effectiveness through shared platforms
- Increased marketing effectiveness

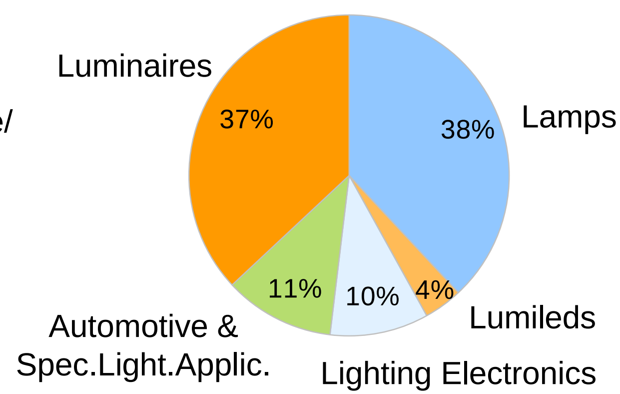
Overall we are well on track to realize the upper end of the
EUR 150 – 200 million savings as announced in September 2007

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 full year 2008



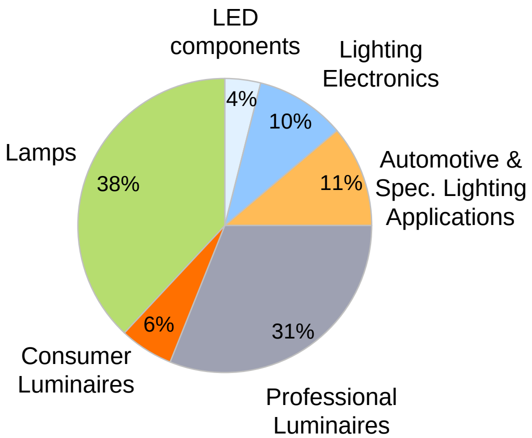


Including pro forma LTM Dec-2008 sales of < EUR 0.1B for Genlyte

* Annual average comparable sales growth

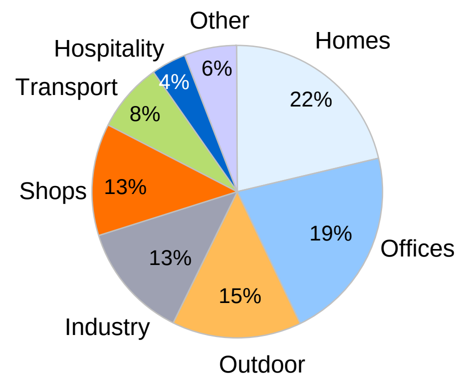
Philips Lighting – balanced portfolio

Business structure *



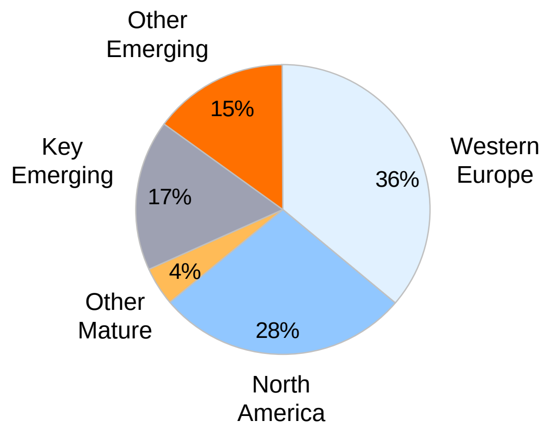
48% Applications
52% Components, Light sources

Market segmentation **



5 key segments cover
82% of our market

Geographic distribution *



32% of Philips Lighting sales
from emerging markets

*) as if Genlyte would be consolidated, LTM Dec-2008
**) as if Genlyte would be consolidated, 2007

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Lighting market - dynamic economic conditions

Lighting sales breakdown

	New Build	Replace-ment	Total
Residential	11%	11%	22%
Commercial	30%	22%	52%
Other	19%	7%	26%
Total	61%	39%	100%

There is a significant correlation between the 'Building & Construction industry dynamics' and 'Residential & Commercial sales for Philips Lighting in Western-Europe & North-America (WENA)' which accounts for around 27% of Lighting sales.

	Total		WENA		Other regions
Residential *	11%	=	**7%**	+	4%
Commercial *	30%	=	**20%**	+	10%
New build	41%	=	**27%**	+	14%

* Residential: Residential, Housing
Commercial: Retail, Office, Industrial, Hospitals, Schools, Hotels, …
Other: Road & Tunnel, City Beatification, Sport & Area, Automotive
Source: Philips Lighting estimates

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Lighting market – full spectrum of measures

Best practices and new ways of working

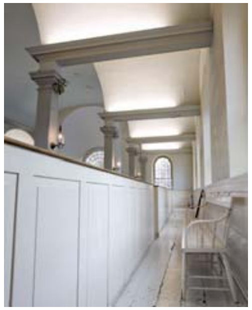
Adequate strategies to deal with the Lighting industry dynamics	Effective execution of Philips Lighting initiatives
• Mix management	✓
• Cost productivity and efficiency	✓
• Purchasing effectiveness	✓
• Supply chain optimization	✓
• Channel diversification	✓
• Acquisition pipeline	✓

State-of-the-art price management

Transaction Pricing	Project Pricing	Trade Pricing	
Components	Light Sources	Applications	
e.g. Lumileds	e.g. Lamps	Prof Lum	Cons Lum

- Active price management in all parts of our business
- Active focus on customer profitability

Faster and better innovation



- Highly energy efficient solutions
- New Solid State Lighting applications
- Symbiosis between art and science, function and fashion

Focus on renovation & Total Cost of Ownership

Rundbau Gerling Konzern, Cologne, Germany

- Renovation, 40 year old building.
- TL-5 luminaires with omnisense;
  - Presence detection
  - Daylight regulation
- Energy saving of up to 70%

Philips Lighting – global leadership

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Agenda

- Philips – who we are
- Results Q4 and full year 2008
- Sector insights – Healthcare, Consumer Lifestyle & Lighting

Philips Strategy & Targets

Philips' targets

Announced April 2008

Doubling of EBITA per share compared to 2007 through:

- Improvement of Group EBITA from 7.7% in 2007 to 10-11%
- Driving annual average comparable sales growth at a minimum of 6%

Achieve a return on invested capital at the level of 12% - 13%

EBITA margin	*2007*	*Target*
Healthcare	13.0%	15 – 17%
Consumer Lifestyle	6.4%	8 – 10%
Lighting	11.9%	12 – 14%

Reduce group overhead cost as % of sales

Well-positioned to leverage a number of key global trends centered around health & well-being

Global trends

Globalization, urbanization and rise of emerging markets

Aging population

Climate Change

Consumer empowerment

Sustainable development

Philips opportunities

Energy efficiency

Personalized experiences and atmospheres

Personal well-being

Home care, independent living

Better healthcare for all at lower cost

Philips focus

Brand
"sense and simplicity"

Innovation
Open innovation

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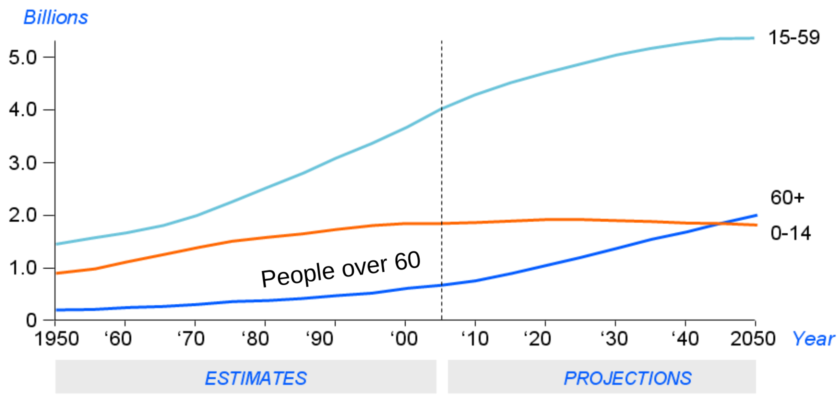
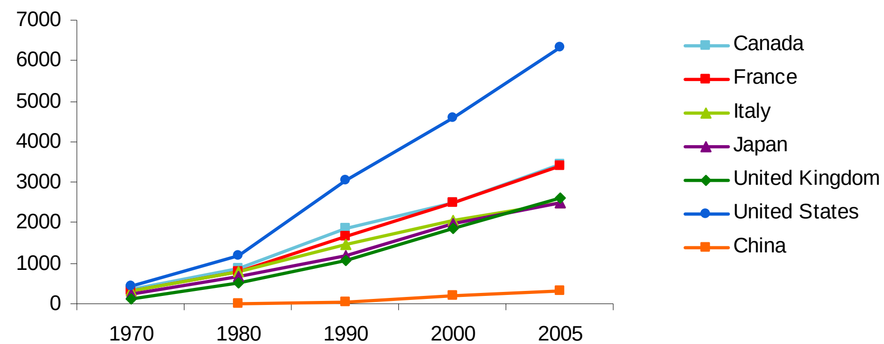
Healthcare trends – aging population, cost pressures, health-at-home, emerging markets growth

- Global population is increasing and continues to age
- People are living longer with chronic diseases
- Healthcare costs – especially in mature economies – are becoming unsustainable
- Healthcare at home is an increasingly viable and cost effective complement to in-hospital care
- People are becoming increasingly aware of the impact of lifestyle on health

World population by age group, 1950-2050



Healthcare expenditure per capita, US $



Source: UN, 2006 Revision of World Population Prospects and World Health Organization website

Lifestyle trends – healthy living/healthy home, more personal care, technology-made-easy, design

- Core well-being consumer shows attractive demographics and is likely to be a highly profitable customer
- The Lifestyle targeted market is 3x the size of the CE market + DAP market
- Increased demand for personal care product categories and technology-advanced, easy-to-use customer solutions
- Design has become an important competitive differentiator
- Consumers are becoming increasingly ‘eco-aware’ of issues facing the planet

Active Crystals

Portable Media devices

Arcitec

Flexcare

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Lighting trends – rising energy costs, increasing awareness of climate change, product innovation

- Energy costs are rising across the globe
- Increased awareness/legislation around climate change is driving a reduction in CO_2
- Atmosphere-creating and safety-enhancing lighting solutions increasingly become part of individual and community well-being
- Demand for (energy-efficient) lighting in emerging markets continues to grow
- Future LED solutions: application IP and luminaries will be key

Significant market opportunities

From conventional light sources to solid state lighting solutions

From components and products to applications and solutions focus

Continuing shift towards energy efficient lighting solutions

Huge potential for energy saving

Area of lighting	Energy saving	CO_2 savings per lamp per year
Road lighting	57%	132 kg CO_2
Shop Lighting	80%	140 kg CO_2
Office & Industrial Lighting	61%	93 kg CO_2
Home Lighting	80%	41 kg CO_2
LEDs	80%	41 kg CO_2

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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 € 1 billion by 2012; and
- Further increase the energy efficiency of our operations by 25% by 2012.

Strategy & Targets summary

- Simplified portfolio of world-class businesses built around a strong, global brand
- Well-positioned to leverage a number of important global trends to drive future growth and profitability
- Superior user-insight driving application of our technology in the simplest way possible resulting in smartly-designed, innovate, easy-to use products and applications
- Focus on integration and leverage of recent acquisitions
- Continued investment in growth in emerging markets
- Improved predictability of results
- Ambition to more than double EBITA per share

Creating Shareholder Value

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sense and simplicity

Appendix

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Key financials

EUR million

	2006	2007	2008
Sales	26,682	26,793	26,385
Comparable sales growth %	*6.4%*	*4.9%*	*(2.7)%*
EBITA [1]	1,383	2,054	931
EBITA as % of sales	5.2%	7.7%	3.5%
Net income	5,381	4,160	(186)
Cash flow from operations	330	1,519	1, 495
Dividend per share [2]	0.60	0.70	0.70
Dividend yield [3]	2.0%	2.3%	5.1%

Including product reliability charges of EUR 256 million

Includes EUR 80 million of restructuring and acquisition-related charges

Includes EUR 654 million of restructuring and acquisition-related charges

Including Pension funding and TSMC tax payment totaling EUR 1 billion

1 – MedQuist has been restated to Discontinued Operations in all years
2 – Dividend per share based on its year's profit; payout in next year; in EUR.
3 – Dividend yield is calculated as dividend based on prior-year profit divided by average share price of prior year

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Cash generated from sale of major participations

EUR million

	2004	2005	2006	2007	2008	Total
Sale securities	883	67	–	–	–	950
Atos Origin	552	554	–	–	–	1,106
NAVTEQ	672	932	–	–	–	1,604
TSMC	–	770	–	4,083	1,806	6,659
LG Display	–	938	–	1,547	670	3,155
FEI	–	–	154	–	–	154
NXP (Semiconductors)	–	–	7,059	(99)	–	6,960
Total	2,107	3,261	7,213	5,531	2,476	20,588

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Cash utilization

EUR million

Consumer Lifestyle, Lighting & Healthcare

	2005/2008	Announced / being implemented	Total**
Acquisition Stentor	194	–	
Acquisition Witt Biomedical	110	–	
Acquisition Lifeline	583	–	
Acquisition Intermagnetics	993	–	
Acquisition VISICU	198	–	
Acquisition Respironics	3,196	–	9,632 *44.1 %*
Acquisition Lumileds	788	–	
Acquisition PLI	561	–	
Acquisition Color Kinetics	515	–	
Acquisition Genlyte	1,805	–	
Acquisition Avent	689	–	
Extra funding pensions (UK&US)	683	–	683 *3.1 %*
Share repurchase program	5,187	–	
Dividend	2,384	646*	11,516 *52.8 %*
EUR 5.0 billion buy-back program	3,299	–	
Total	21,185	646	21,831

* Calculated using 2008 year-end basic shares outstanding

** Excluding acquisitions of Bodine, Power Sentry, TIR, Health Watch, DLO, LTI, Ximis, Raytel, Emergin, Tomcat, Goldway, Dixtal, Alpha X-ray, Aerosol therapy business from Medel and Meditronics because of relative size.

Fixed assets expenditures & Depreciation by sector *

EUR million

	Gross CapEx		Depreciation	
	4Q07	4Q08	4Q07	4Q08
Healthcare	52	67	24	42
Consumer Lifestyle	45	52	47	48
Lighting	72	75	55	149
I&EB	0	4	10	9
GMS	9	59	18	19
Group	178	257	154	267

* Excluding software related capital expenditures and depreciation

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Fixed assets expenditures & Depreciation by sector *

EUR million

	Gross CapEx		Depreciation	
	2007	2008	2007	2008
Healthcare	166	206	90	139
Consumer Lifestyle	164	174	157	170
Lighting	249	303	217	328
I&EB	52	6	40	32
GMS	30	82	58	57
Group	661	771	562	726

* Excluding software related capital expenditures and depreciation

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Peer group adapted to Philips' transformation

Previous peer group (until 2006)

Electrolux
Emerson Electric
General Electric
Hitachi
Panasonic
Siemens

Maintained members

Ericsson
Gillette
IBM
Intel
LG Electronics
Lucent
Marconi
Motorola
NEC
Nokia
Samsung
Sanyo Electric
Sharp
Sony
Texas Instruments
Tyco International
Whirlpool

Existing peer group (2007-)

Maintained members

Electrolux
Emerson Electric
General Electric
Hitachi
Panasonic
Siemens

New members

Honeywell
Johnson & Johnson
Schneider Electric
Toshiba
3M

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Overview

EUR million

Sales and Comparable growth	2007 per quarter 1st	2nd	3rd	4th	2007 Jan.-Dec.	2008 per quarter 1st	2nd	3rd	4th	2008 Jan.-Dec.
Healthcare	1,431	1,625	1,585	1,997	6,638	1,474	1,800	1,806	2,569	7,649
	4%	*4%*	*4%*	*3%*	*4%*	*5%*	*3%*	*5%*	*9%*	*6%*
Consumer Lifestyle *	2,816	2,786	3,238	4,490	13,330	2,662	2,787	2,639	3,057	11,145
	-2%	*-6%*	*10%*	*11%*	*4%*	*0%*	*7%*	*-8%*	*-24%*	*-8%*
Lighting	1,474	1,464	1,496	1,659	6,093	1,711	1,739	1,785	1,871	7,106
	8%	*6%*	*2%*	*8%*	*6%*	*3%*	*6%*	*6%*	*-3%*	*3%*
I&EB	160	110	102	163	535	79	103	70	85	337
GMS	49	48	44	56	197	39	34	34	41	148
Philips Group	**5,930**	**6,033**	**6,465**	**8,365**	**26,793**	**5,965**	**6,463**	**6,334**	**7,623**	**26,385**
	3%	***0%***	***7%***	***8%***	***5%***	***1%***	***6%***	***-2%***	***-12%***	***-3%***
* of which Television business	1,293	1,258	1,511	2,208	6,270	1,227	1,359	1,195	1,199	4,980

EBITA and EBITA%	2007 per quarter 1st	2nd	3rd	4th	2007 Jan.-Dec.	2008 per quarter 1st	2nd	3rd	4th	2008 Jan.-Dec.
Healthcare	110	216	182	354	862	123	184	190	366	863
	8%	*13%*	*11%*	*18%*	*13%*	*8%*	*10%*	*11%*	*14%*	*11%*
Consumer Lifestyle *	141	106	171	430	848	77	83	95	26	281
	5%	*4%*	*5%*	*10%*	*6%*	*3%*	*3%*	*4%*	*1%*	*3%*
Lighting	186	161	190	185	722	200	202	196	(60)	538
	13%	*11%*	*13%*	*11%*	*12%*	*12%*	*12%*	*11%*	*-3%*	*8%*
I&EB	(31)	(36)	(35)	21	(81)	(68)	(41)	(46)	(71)	(226)
GMS	(45)	(63)	(70)	(119)	(297)	(65)	(26)	(314)	(120)	(525)
Philips Group	**361**	**384**	**438**	**871**	**2,054**	**267**	**402**	**121**	**141**	**931**
	6%	***6%***	***7%***	***10%***	***8%***	***4%***	***6%***	***2%***	***2%***	***4%***
* of which Television business	(51)	(69)	(43)	95	(68)	(95)	(112)	(73)	(133)	(413)
	-4%	*-5%*	*-3%*	*4%*	*-1%*	*-8%*	*-8%*	*-6%*	*-11%*	*-8%*

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