

**PHILIPS**

sense and simplicity

**PHILIPS**

sense and simplicity

Staying the course

2008 Annual Results

## 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](http://www.sec.gov). Readers should consider the disclosures in that Report and any additional disclosures that we have made or may make in documents that we have filed or furnished to the SEC or may file with or furnish to the SEC or other regulatory authorities.

Any forward-looking statements made by or on our behalf speak only as of the date they are made. We do not undertake to update forward-looking statements to reflect any changes in expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based. Statements regarding market share, including as to Philips' competitive position, contained in this document are based on outside sources such as specialized research institutes, industry and dealer panels in combination with management estimates. Where information is not yet available to Philips, those statements may also be based on estimates and projections prepared by outside sources or management. Rankings are based on sales unless otherwise stated.

### *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.

## Today's agenda

Highlights and summary 2008

**Gerard Kleisterlee**

Financial performance 2008

**Pierre-Jean Sivignon**

Going forward

**Gerard Kleisterlee**

Highlights and summary 2008

Gerard Kleisterlee

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Highlights 2008

Results reflecting the impact of the financial crisis

Strong year overall for Philips Healthcare

Rigorously managing working capital, securing strong cash flow

Proactively managing in a deteriorating economic environment

Staying the course, implementing our strategy

Proposing to keep dividend unchanged at EUR 0.70

## Full year 2008 – Results of the Philips Group

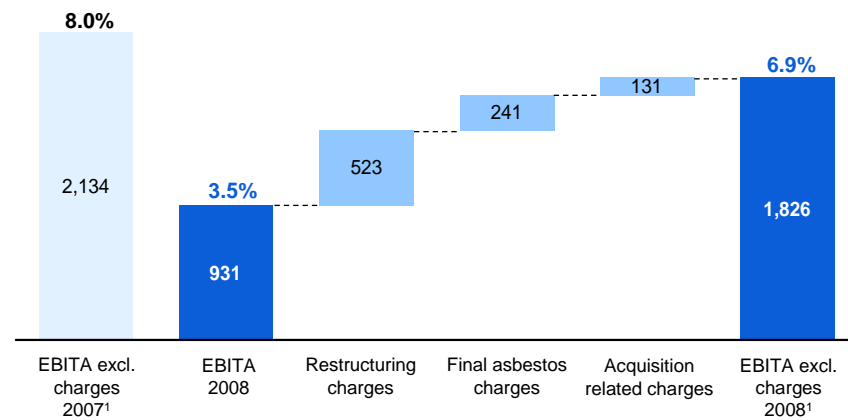
Amounts in EUR millions unless otherwise stated	2007	2008
Sales	26,793	26,385
<i>Comparable sales growth *</i>	4.9%	-2.7%
EBITA	2,054	931
<i>EBITA %</i>	7.7%	3.5%
Income (loss) from continuing operations	4,593	(178)
<b>Net income (loss)</b>	<b>4,160</b>	<b>(186)</b>
Cash flow from operating activities	1,519	1,495
<i>Net debt to group equity</i>	(32) : 132	3 : 97
Employees (continuing operations)	118,098	121,398

\* Excluding the effects of currency movements and changes in consolidation

7

## Full year EBITA excluding charges<sup>1</sup> reached EUR 1,826 million or 6.9%

Amounts in EUR millions  
As a % of sales



<sup>1</sup> Charges for restructuring, acquisition-related and for the final settlement of asbestos liability (2008); 2007 included EUR 38 million of restructuring and EUR 42 million of acquisition-related charges

8

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### Proactively managing in a deteriorating economic environment

Absolute priority for cash flow over EBITA, including production stops

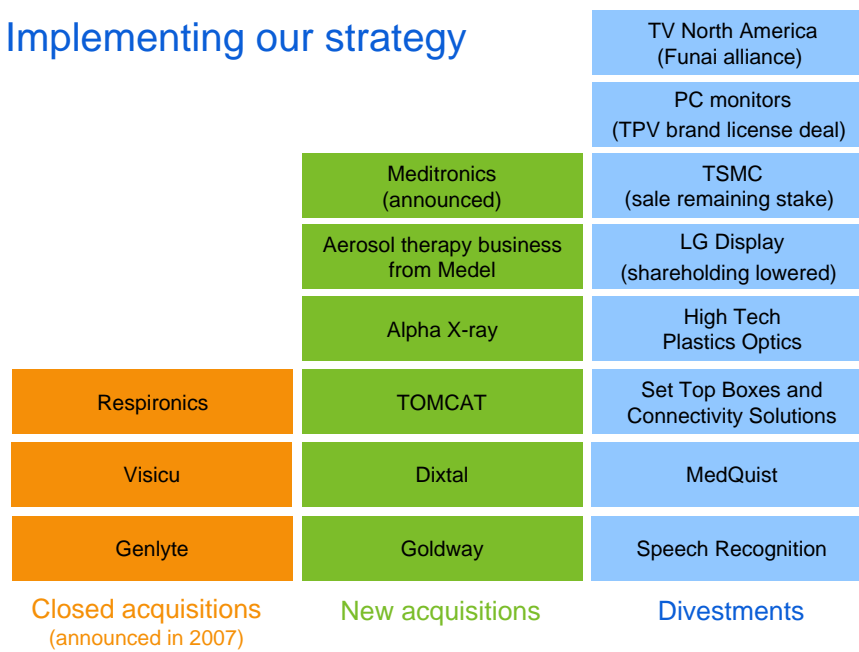
Accelerated restructuring and change programs in all sectors as well as corporate

Sustaining spending levels for R&D and Marketing, continuing to drive innovation

9

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### Implementing our strategy



10

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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*



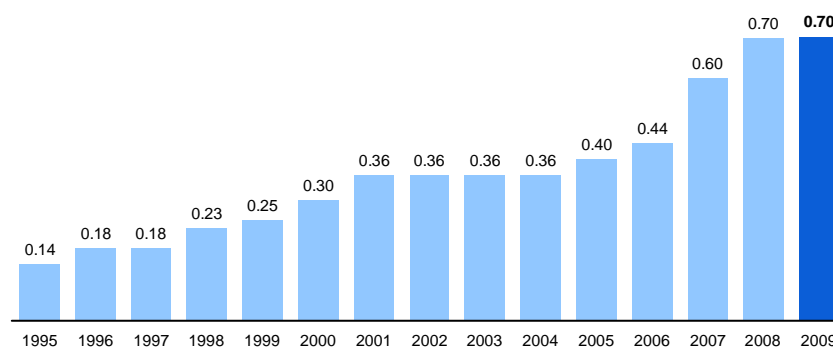
Bring *employee engagement* to high performance benchmark



11

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## Proposing to keep dividend unchanged at EUR 0.70



<sup>1</sup> Proposal subject to approval in the General Shareholders Meeting on March 27th, 2009

12

Financial performance 2008

Pierre-Jean Sivignon

Q4 2008 results

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**Q4 2008 - Results of the Philips Group**

Amounts in EUR millions unless otherwise stated

	Q4 2007	Q4 2008
Sales	8,365	7,623
<i>Comparable sales growth *</i>	8.3%	-11.8%
EBITA	871	141
<i>EBITA%</i>	10.4%	1.8%
Income (loss) from continuing operations	1,794	(1,469)
<b>Net income (loss)</b>	<b>1,398</b>	<b>(1,470)</b>
Cash flow from operating activities	1,357	1,747
Liquid assets	8,769	3,620
<i>Net debt to group equity</i>	<i>(32) : 132</i>	<i>3 : 97</i>

\* Excluding the effects of currency movements and changes in consolidation

15

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**Q4 2008 - Sales by sector**

Amounts in EUR millions

	Q4 2007	Q4 2008	Sales growth	
			% nom	% comp*
Healthcare	1,997	2,569	29	9
Consumer Lifestyle	4,490	3,057	(32)	(24)
Lighting	1,659	1,871	13	(3)
I&EB / GM&S	219	126	(42)	(44)
<b>Philips Group</b>	<b>8,365</b>	<b>7,623</b>	<b>(9)</b>	<b>(12)</b>

\* Excluding the effects of currency movements and changes in consolidation

16

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**Q4 2008 results reflect deteriorating external environment**

Amounts in EUR millions	Q4 2008	Charges <sup>1</sup>	Non-cash impairment
Healthcare	366	(89)	
Consumer Lifestyle	26	(67)	
Lighting	(60)	(203)	
I&EB	(71)	(18)	
GM&S	(120)	(13)	
<b>Group EBITA</b>	<b>141</b>	<b>(390)</b>	
Amortization	(345)		(232)
<b>Group EBIT</b>	<b>(204)</b>	<b>(390)</b>	<b>(232)</b>
Financial income & expenses	(1,072)		(997)
Income tax charges	(140)	~115*	-
Equity-accounted invest.	(54)	-	(59)
<b>Income (loss) from cont. operations</b>	<b>(1,469)</b>	<b>(275)</b>	<b>(1,288)</b>

<sup>1</sup> Charges for restructuring and acquisition-related

\* Income tax on charges<sup>1</sup> based on average statutory tax rate

17

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**Stringent working capital management is paying off**

Amounts in EUR millions unless otherwise stated	Q4 2007	Q4 2008
Cash earnings*	791	202
<b>Changes in</b>		
- Net inventories	498	725
- Accounts receivable	(388)	647
- Accounts payable	431	(53)
<b>Changes in working capital</b>	<b>541</b>	<b>1,319</b>
Changes in provisions*	(99)	146
Changes in deferred taxes	124	80
<b>Cash flow from operating activities</b>	<b>1,357</b>	<b>1,747</b>
<i>as a % of sales</i>	<i>16.2%</i>	<i>22.9%</i>

\* Earnings and provisions impacted by restructuring

18

## Full year 2008 results

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#### Full year 2008 - Results of the Philips Group

Amounts in EUR millions unless otherwise stated

	2007	2008
Sales	26,793	26,385
<i>Comparable sales growth *</i>	4.9%	-2.7%
EBITA	2,054	931
<i>EBITA %</i>	7.7%	3.5%
Income from continuing operations	4,593	(178)
Net income	4,160	(186)
Cash flow from operating activities	1,519	1,495
Liquid assets	8,769	3,620
<i>Net debt to group equity</i>	<i>(32) : 132</i>	<i>3 : 97</i>

\* Excluding the effects of currency movements and changes in consolidation

20

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**Full year 2008 - Sales by sector**

Amounts in EUR millions

	2007		2008		Sales growth	
					% nom	% comp*
Healthcare		6,638		7,649	15	6
Consumer Lifestyle		13,330		11,145	(16)	(8)
Lighting		6,093		7,106	17	3
I&EB / GM&S		732		485	(34)	(26)
<b>Philips Group</b>		<b>26,793</b>		<b>26,385</b>	<b>(2)</b>	<b>(3)</b>

\* Excluding the effects of currency movements and changes in consolidation

21

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**2008 EBITA included EUR 895 million charges for restructuring, acquisitions and asbestos**

Amounts in EUR millions

	EBITA 2007	EBITA 2008	Charges <sup>1</sup> 2007	Charges <sup>1</sup> 2008
Healthcare	862	863	(14)	(160)
Consumer Lifestyle	848	281	(2)	(194)
Lighting	722	538	(56)	(269)
I&EB	(81)	(226)	-	(18)
GM&S	(297)	(525)	(8)	(254)
<b>Philips Group</b>	<b>2,054</b>	<b>931</b>	<b>(80)</b>	<b>(895)</b>

<sup>1</sup> Charges for restructuring, acquisition-related and for the final settlement of asbestos liability (2008); 2007 included EUR 38 million of restructuring and EUR 42 million of acquisition-related charges

22

**PHILIPS****Full year cash flow from operating activities  
in line with 2007**

Amounts in EUR millions unless otherwise stated

	2007	2008
Cash earnings*	2,360	1,268
<b>Changes in</b>		
- Net inventories	(378)	41
- Accounts receivable	(768)	43
- Accounts payable	302	(219)
<b>Changes in working capital</b>	<b>(844)</b>	<b>(135)</b>
Changes in provisions*	(157)	406
Changes in deferred taxes	160	(44)
<b>Cash flow from operating activities</b>	<b>1,519</b>	<b>1,495</b>
<i>as a % of sales</i>	<i>5.7%</i>	<i>5.7%</i>

\* Earnings and provisions impacted by restructuring and asbestos settlement

23

Management of balance sheet  
and liquidity

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## Sale of TSMC and LG Display shares generated EUR 2.5 billion cash and lowered exposure

Asset value\* of main financial stakes  
Amounts in EUR millions

	Dec 2007	Dec 2008	Cash from sale 2008	Non-cash impairment 2008
TSMC <i>Shareholding</i>	1,699 5.0%	-	1,806 5.0%	-
LG Display <i>Shareholding</i>	1,607 19.9%	558 13.2%	670 6.7%	(596)
NXP <i>Shareholding</i>	854 19.8%	255 19.8%	-	(599)
<b>Total</b>	<b>4,160</b>	<b>813</b>	<b>2,476</b>	<b>(1,195)</b>

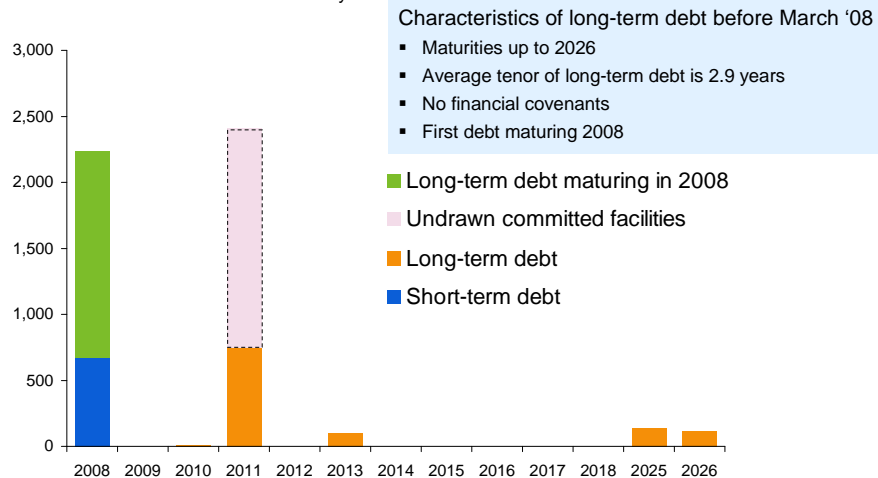
\* Book value for NXP ('07 and '08) and LG Display ('07); Market value for TSMC ('07 and '08) and LG Display ('08)  
Average TSMC share price at time of sale in 2008: TWD 62.0; TSMC share price end of December 2008: TWD 44.4

25

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## Philips proactively refinanced debt early 2008

Debt maturity profile before March 2008  
Amounts in EUR millions / dates of maturity



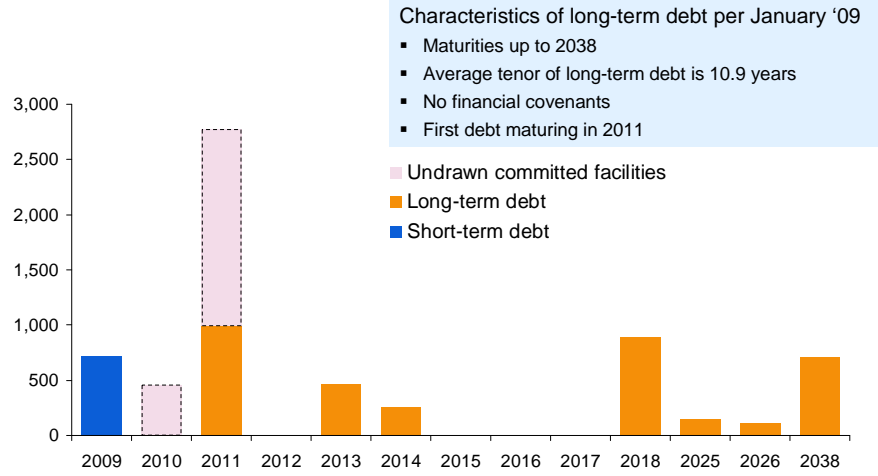
Note: Short term debt consists mainly of local credit facilities that are being rolled forward on a continuous basis.

26

## First long-term debt maturing now as of 2011

### Debt maturity profile as of January 2009

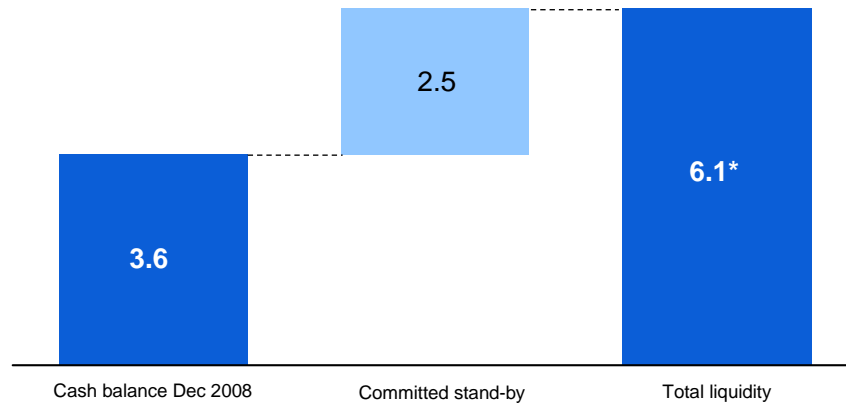
Amounts in EUR millions / dates of maturity



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

## Our total liquidity amounts to EUR 6.1 billion as per January 1, 2009

Amounts in EUR billions



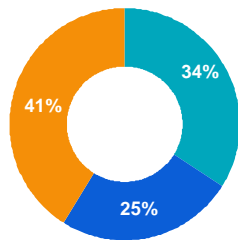
\* Excluding uncommitted credit lines

Going forward  
Gerard Kleisterlee

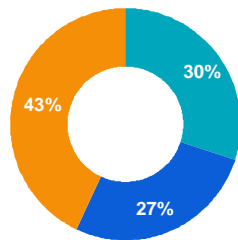
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Continued shift to higher margin businesses

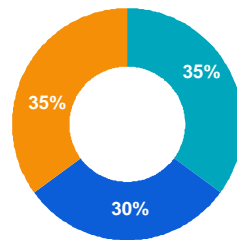
2008  
Q4 sales split



2008  
Full year sales split



2009  
Indicative sales split

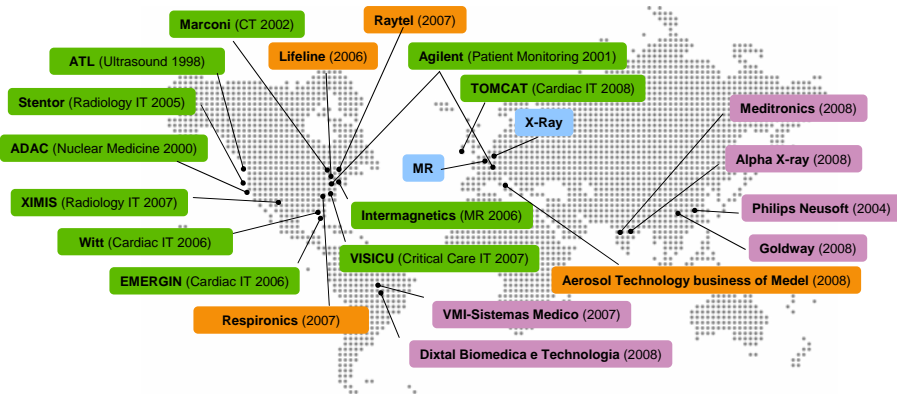


- Healthcare
- Lighting
- Consumer Lifestyle

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Consistent growth of our healthcare business

Our foundation    Aggregating technologies    Expanding care settings    Global footprint

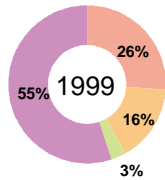


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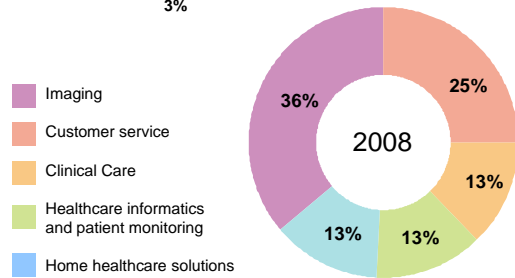
Healthcare

Continuing to build a strong, diversified portfolio

Total sales EUR 2.5 billion



Total sales EUR 7.6 billion



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



## Depth and reach of Philips Healthcare



## Ambient Experience

Turning healthcare into 'human-care'



Philips Ambient Experience helps patients feel more comfortable and relaxed

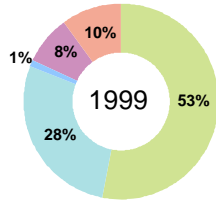
More confident patients mean doctors see more of them in less time, often using lower sedation rates

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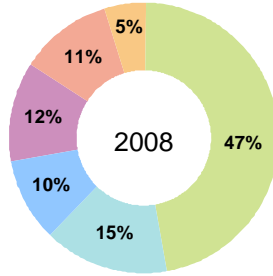
## Consumer Lifestyle

Focusing on differentiating profitable businesses

Total sales EUR 9.5 billion



Total sales EUR 11.1 billion



- Domestic appliances
- Shaving & Beauty
- Health & Wellness
- TV
- Audio & Video Multimedia
- Peripherals & Accessories



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## Consumer Lifestyle

A key player in the Health and Well-Being area

Healthcare **Consumer Lifestyle**

Home Healthcare



Healthy life



Personal care



Home living

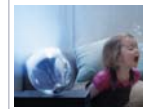


Interactive living



Lighting

Consumer lighting

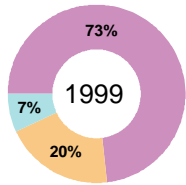


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## Lighting

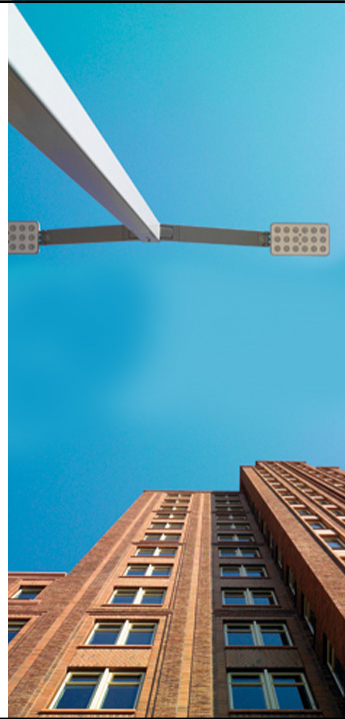
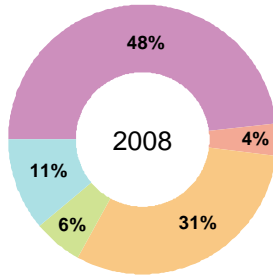
Further strengthening our global leadership

Total sales EUR 4.5 billion



Total sales EUR 7.1 billion

- Lamps & Lighting Electronics
- LED Components/Modules
- Professional Luminaires
- Consumer Luminaires
- Automotive/Special Applications



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## Three trends, three 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**

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Building the leading brand  
in Health and Well-being

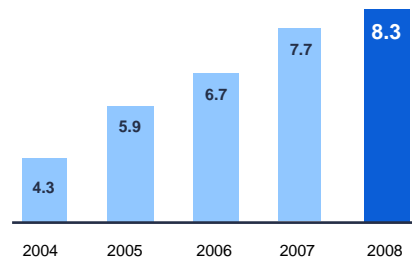


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A growing brand in Health and Well-being

Value of the Philips Brand

Amounts in USD billions



Brand campaign 2009

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

\*because needing an MRI is scary enough.

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

## Strong leadership, highly engaged workforce

### A strong leadership team

Strong and diverse top-60 leadership team focuses on managing the downturn while building the business for future wins

### Promoting our values

Starting with our top leadership, performance appraisal will increasingly include behaviors that we need to achieve our objectives

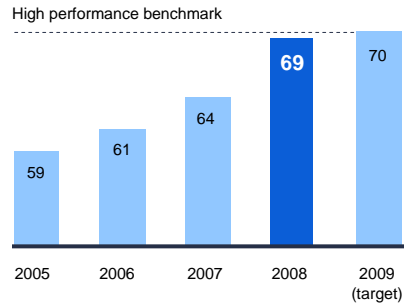
### Our employees

say for example:

"My manager acts as a role model for 'sense and simplicity'" (62%)

In my department we are doing a good job developing a customer oriented mindset" (77%)

### Employee Engagement Index



## Management agenda 2009

Staying the course

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

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

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

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### Summary

Confident about overall strength of business portfolio

Balanced portfolio of leading businesses

Ongoing focus on working capital management

Stringent approach to cost and cash management

Strong balance sheet position

Managing businesses relative to market and competition

Sustaining investments in R&D and marketing

Ambitions and strategy unchanged

Well positioned to build the leading brand in Health and Well-being

43



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