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sense and simplicity

Royal Philips Electronics

Second Quarter 2011 & Mid-term Performance Trajectory Update

July 18th, 2011

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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. 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 2010 and the "Risk and uncertainties" section in our semi-annual financial report for the six months ended July 3, 2011.

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 2010.

Use of fair-value measurements

In presenting the Philips Group's financial position, fair values are used for the measurement of various items in accordance with the applicable accounting standards. These fair values are based on market prices, where available, and are obtained from sources that are deemed to be reliable. Readers are cautioned that these values are subject to changes over time and are only valid at the balance sheet date. When quoted prices do not exist, we estimated the fair values using appropriate valuation models, and when observable market data are not available, we used unobservable inputs. They require management to make significant assumptions with respect to future developments, which are inherently uncertain and may therefore deviate from actual developments. Critical assumptions used are disclosed in our 2010 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'.

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Introduction

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Management update

- Results impacted by investments for growth, weaker markets, and impairments
  - Healthcare performed strongly on earnings, sales growth and order book development
  - Consumer Lifestyle core businesses grew double digit, investments lead to lower margin
  - Lighting LED grew strongly, results impacted by markets and performance challenges
  - Adjusted business cases and discount rates at annual review, resulted in an EUR 1.4 billion impairment

- A comprehensive change and performance program, "ACCELERATE!" launched
  - EUR 500 million cost reduction program is one element

- We are confident in the strength of our portfolio
  - Well positioned to take advantage of global trends.
  - The majority of our portfolio have the right fundamentals to create value driven by ROIC.

- Accelerating growth and improving profitability is the first step on our PATH TO VALUE
  - Launched a EUR 2 billion share buy back program
  - Mid-term (2013) goals for the group to achieve Sales growth[1] of 4-6%, EBITA 10-12% and ROIC 12-14%

[1] Assuming real GDP growth of 3-4%

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Performance improvement update

New Philips Business System	• Granular performance management in place at 400 BMC[1] level • Strengthen the Executive team • EUR 500 million cost program launched to improve efficiency
Disciplined Capital Use	• Share buy back program launched to address balance sheet efficiency • Deliver on inventory reduction programs • Focused value delivery plan for each past acquisition • Impairment due to change in discount rate and lower post recession recovery
Japan Crisis, and progress on TV disentanglement	• Risk mitigation efforts in Japan for sales and supplies largely successful • TV disentanglement progressing along tight time line for Q4 closing • Stranded cost (EUR 130 million), disentanglement cost and deal result pending finalization
Targeted investing in markets and innovation	• About half of EUR 200 million increase already in annual run rate costs • Selling and R&D expenses expected to remain stable in relation to sales for this year
Short term performance measures	• Lighting: Turn around plan for Consumer Luminaires , increase prices to compensate for higher input costs, strengthen performance management • Consumer Lifestyle: turn-around plan Lifestyle Entertainment (AVM and Accessories); TV disentanglement, operational improvement plans

[1] BMC = Business Market Combination

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Headlines: Q2 2011

Group	• Comparable sales increased 4%, led by strong growth at Healthcare • Growth markets now represent one third of Group sales • EBITA of EUR 370 million, 7.1% of sales • Goodwill impairment leads to net loss of EUR 1.3 billion • Free cash outflow of EUR 210 million
Healthcare	• Comparable sales increased 8%, with solid increases in all businesses • Equipment Order Intake growth of 4%, led by strong growth of 10% in NA • EBITA increased by EUR 60 million y-o-y to EUR 276 million, or 13.3% of sales
Consumer Lifestyle	• Comparable sales declined 2%, excluding licenses up 1% • EBITA was low at EUR 60 million compared to last year's EUR 168 million • Lower license income, investments in Advertising & Promotion, and sales decline at Lifestyle Entertainment led to the decline in earnings
Lighting	• Comparable sales increased 4%, LED-based sales grew 21% • EBITA, excl. restructuring and acquisition-related charges, amounted to EUR 115 million, compared to EUR 247 million in Q2 2010 • Pressure on margins, weaker consumer markets, specifically in Western Europe, and incremental investments in growth caused decline in EBITA

Note - All figures exclude discontinued operations

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Sales by sector – Q2 2011

EUR million

	Q2 2010	Q2 2011	% nom	% comp
Healthcare	2,068	2,080	1	8
Consumer Lifestyle	1,338	1,293	(3)	(2)
Lighting	1,859	1,777	(4)	4
GM&S	81	63	(22)	27
Philips Group	5,346	5,213	(2)	4

Note - All figures exclude discontinued operations

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Sales by market cluster – Q2 2011

EUR million

	Q2 2010	Q2 2011	% nom	% comp
Western Europe	1,531	1,446	(6)	(4)
North America	1,745	1,627	(7)	4
Other mature markets	365	405	11	12
Growth markets[1]	1,705	1,735	2	9
Philips Group	5,346	5,213	(2)	4

[1] Growth markets are all markets excluding USA, Canada, Western Europe, and the Pacific countries Australia, New-Zealand, South Korea and Japan
Note - All figures exclude discontinued operations

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Adjusted EBITA by sector – Q2 2011

EUR million

	Q2 2010	Q2 2011
Healthcare [1]	262	275
Consumer Lifestyle [2]	175	73
Lighting [3]	247	115
GM&S [4]	(88)	(69)
Philips Group	596	394
as % of sales	11.1%	7.6%

[1] 2Q11 excludes EUR 1M of restructuring and acquisition-related gains; 2Q10 excluded on balance EUR (46)M charges
[2] 2Q11 excludes EUR (13)M of restructuring and acquisition-related charges; 2Q10 excluded on balance EUR (7)M charges
[3] 2Q11 excludes EUR (14)M of restructuring and acquisition-related charges; 3Q10 excluded on balance EUR (37)M charges
[4] 2Q11 excludes EUR 2M of gains
Note - All figures exclude discontinued operations

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Free Cash Flow – Q2 2011

EUR million

	Q2 2010	Q2 2011
Net income from continuing operations	240	(1,248)
Depreciation / amortization	340	362
Impairment of goodwill	-	1,355
Changes in Working Capital, of which:	97	(213)
- changes in Net inventories	(209)	(255)
- changes in Accounts receivable	(5)	(41)
- changes in Accounts payable	311	83
Other	(172)	(208)
Cash flow from operations	**497**	**39**
Purchase intangible assets/ Exp. on development assets	(66)	(86)
Capital expenditures on PP&E[1]	(158)	(184)
Proceeds from PP&E	26	21
Net capital expenditures	**(198)**	**(249)**
Free Cash Flow	**299**	**(210)**

[1] PP&E stands for Property, Plant and Equipment
Note - All figures exclude discontinued operations

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Goodwill impairment EUR 1.4 billion

Our annual impairment review which led to certain adjustments of the pre-recession businesses cases, and an adjustment of the discount rate across Philips, resulted in an EUR 1.4 billion impairment

Healthcare: Home Healthcare Solutions - EUR 830 million

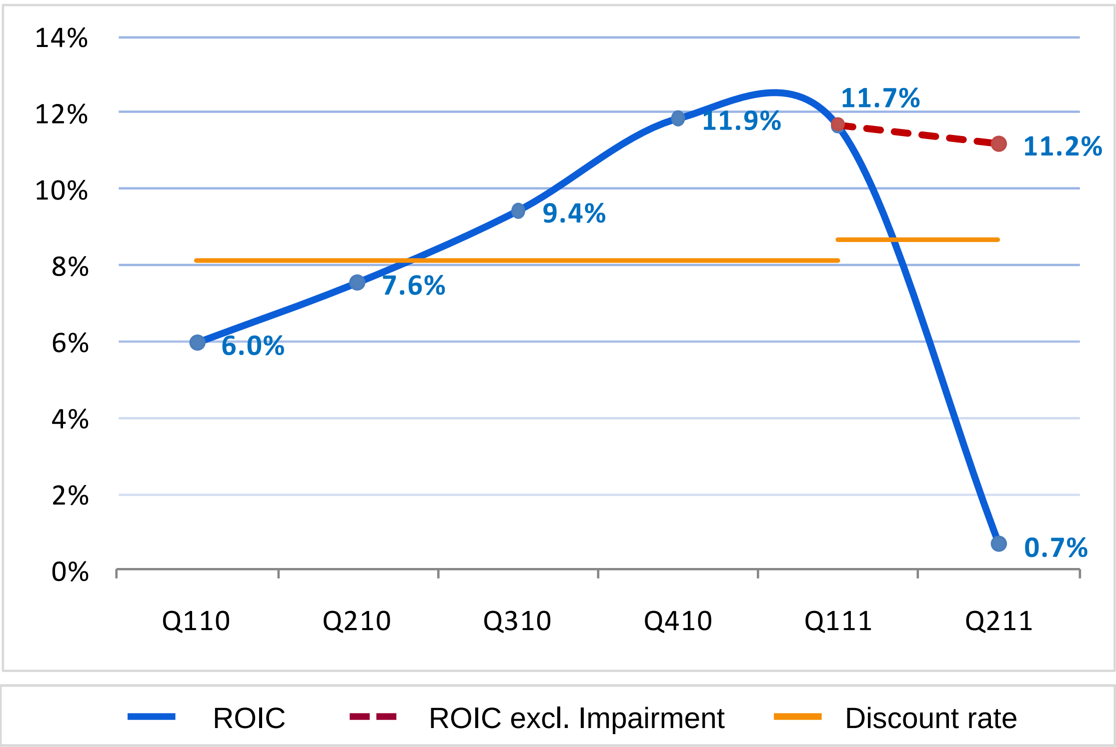
- Slower growth of US sleep market, lower reimbursement rates for remote cardiac monitoring
- Recovery from recession set-back, in particular in the US
- Impact of adjustments of discount rates

Lighting: Professional and Consumer Luminaires - EUR 530 million

- Slower growth of US and European markets
- Recovery from recession set-back, in particular construction and mature consumer markets
- Impact of adjustments of discount rates

ROIC impacted by impairment charge

Development of Return on Invested Capital (ROIC)



- Reported ROIC declines strongly because of impairment in Q2 2011, due to a change in discount rate and lower post-recession recovery.
- ROIC excluding impairment declined mainly due to lower earnings in Consumer Lifestyle and Lighting
- Discount rate now at 8.7%, from 8.1% mainly due to an increase in certain risk free rates and adjustments in certain peer groups

Notes:

EBIAT are earnings before interest after tax

Philips calculates ROIC % as: EBIAT/ NOC

Quarterly ROIC % is based on LTM EBIAT and average NOC over the last 5 quarters

Reported tax used to calculate EBIAT

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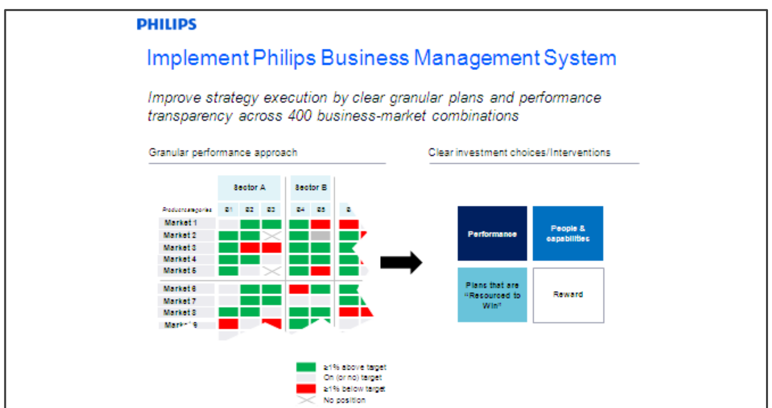
Accelerate! Change and performance program to unlock full potential and deliver our strategy faster

Philips Business System	• Performance Management, leaner operating model • Strengthened executive team
Resources	• Granular plans for key Business Market Combinations • Increase seniority of market teams; entrepreneurship • Targeted investment step-up to gain market leadership
Execution Focus	• Speeding up *time-to-market* and improved service levels • Higher capital turns • Increased margins, market penetration and growth
Performance Culture	• New behaviors introduced • Reward system modified (modified for 2011, structural change 2012)



"Business Market Combination"
Effective Customer value chain

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Sector acceleration trajectories

	Mid-term targets - 2013	
	Sector	**Group**
Healthcare: Continue to accelerate strategy and performance • Driving to co-leadership in Imaging Systems and leadership in Patient Care and Clinical Informatics • Invest for leadership in growth markets • International expansion of the home healthcare business • Executing operational excellence initiatives to increase margin and time-to-market	Reported EBITA 15-17%	Sales Growth CAGR* : 4-6% *Assuming real GDP growth of 3-4%
Consumer Lifestyle: Reshaping the portfolio towards growth • Right-size the organization post TV exit • Address Lifestyle Entertainment portfolio and execute turn-around plan • Continued growth investment in core businesses towards global category leadership • Regional business creation; leverage fill-in acquisitions in China and India	Reported EBITA 8-10% Excluding License Income	Reported EBITA 10-12%
Lighting: Improve profitability on the path to LED and solutions • Accelerate transformation to LED, applications and solutions • Strengthen performance management and execution • Address cost base and margin management • Deliver on turnaround of Consumer Luminaires	Reported EBITA 8-10%	ROIC 12-14%

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Cost efficient and simplified operating model

EUR 500 million cost reduction program launched

- Short Term (2011 - 2012) saving plan of EUR 250 million
  - Reducing operating complexity with savings in a.o. IT costs, Real Estate Costs and other functional areas
- Medium Term (2013 - 2014) saving plan of EUR 250 million
  - further reduction of overhead costs enabled by systematic process re-engineering and business model diversity reduction and improved IT solutions
- The cost program will be margin accretive from 2013 onwards
- Baseline for cost reductions is 1st half of 2011

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Strengthen management: New Executive Committee

Frans van Houten
Group CEO
Acting CEO Lighting

Steve Rusckowski
CEO Healthcare

Ron Wirahadiraksa
Group CFO
Acting CFO Lighting

Pieter Nota
CEO Consumer Lifestyle

Gottfried Dutiné *
Chief Innovation Officer

Jim Andrew ***
Group strategy

Patrick Kung
CEO Greater China

Ronald de Jong
Chief Market Leader

Carole Wainaina**
Group HR

Eric Coutinho
General Counsel

* Gottfried Dutiné will retire from Philips as of December 31, 2011.
** Carole Wainaina will join Philips as of September 1, 2011.
*** In the course of 2011, Jim Andrew will also take over the innovation portfolio from Gottfried Dutiné.

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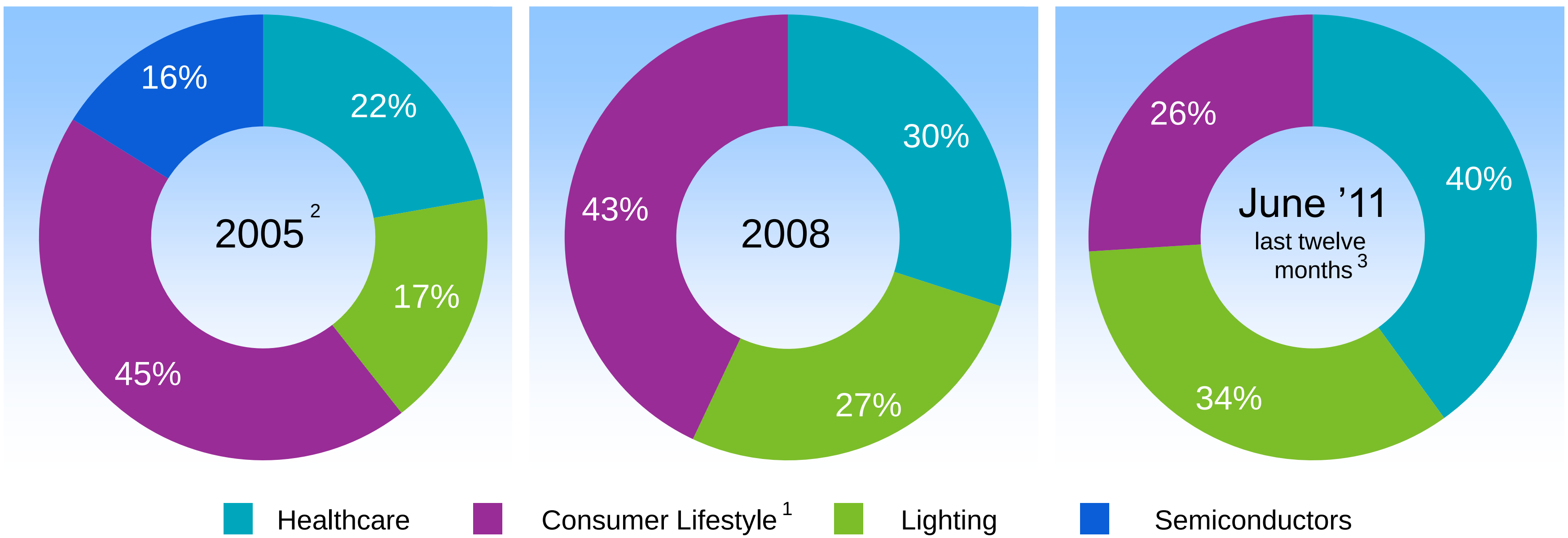
Improving our portfolio: Starting point of our journey

Portfolio now consists of ~65% B2B businesses

Healthcare
Lighting
Consumer Lifestyle
Semiconductor

Healthcare
Lighting
Consumer Lifestyle

Healthcare
Lighting
Consumer Lifestyle excl. TV



Large majority of our businesses have the right fundamentals for profitable growth

[1] Consumer Lifestyle in 2005 includes the former DAP and Consumer Electronics divisions
[2] 2005 figures are based on US GAAP
[3] Figures exclude Television as it is treated as discontinued operation

Strong assets underpin our portfolio

Our assets		Our track record
	Innovation capabilities	• New product sales increased from 48% of total sales ‘09 to 52% ‘10 • Technology, know-how and strong IP positions (48,000 registered patents)
PHILIPS	Philips brand	• World’s 42nd most valuable brand 2010 compared to the 65th 2004 • Consistently among top-ranked players, top 10% in India, China and Brazil, top 20% globally in the Corporate brand equity index[1]
	Global footprint	• Loyal customer base in 100+ countries • 1/3 of group revenues from growth markets
	People	• Employee Engagement Index[2] exceeds high performance benchmark value of 70% • Culturally diverse top-200 leadership team
	Domain leadership	• Global market leader in Lighting • Top 3 Healthcare player • Leading Consumer Lifestyle brands: E.g. Philips, Sonicare, Avent, Saeco
	Solid balance sheet	• A3 rating by Moody’s and A- by Standard & Poor’s

[1] Consumer Heart BEAT brand equity study 2010
[2] Based on annual Philips’ Employee Engagement Survey

Unique leadership positions in many markets

Examples of current NPS leadership positions[1]

Healthcare

Global
Cardiovascular X-ray

Global
Patient Monitoring

Regional
Cardiac resuscitation

Global
Ultrasound

Regional (USA)
Home Monitoring

Consumer Lifestyle

Global
Male electric shaving

Global
Mother and Child Care

Global
Oral Healthcare

Regional (China)
Haircare

Regional (LatAm, China)
Kitchen Appliances

Lighting

Global
Professional Lamps

Global
Professional Luminaires

Global
General Illumination LED

Global
Automotive Lighting

Global
Lighting Systems & Controls

[1] Leadership is made up of outright leadership (outperforming the best competitor by >5%) and co-leadership (on par with best competitor, within 5%), globally or regionally

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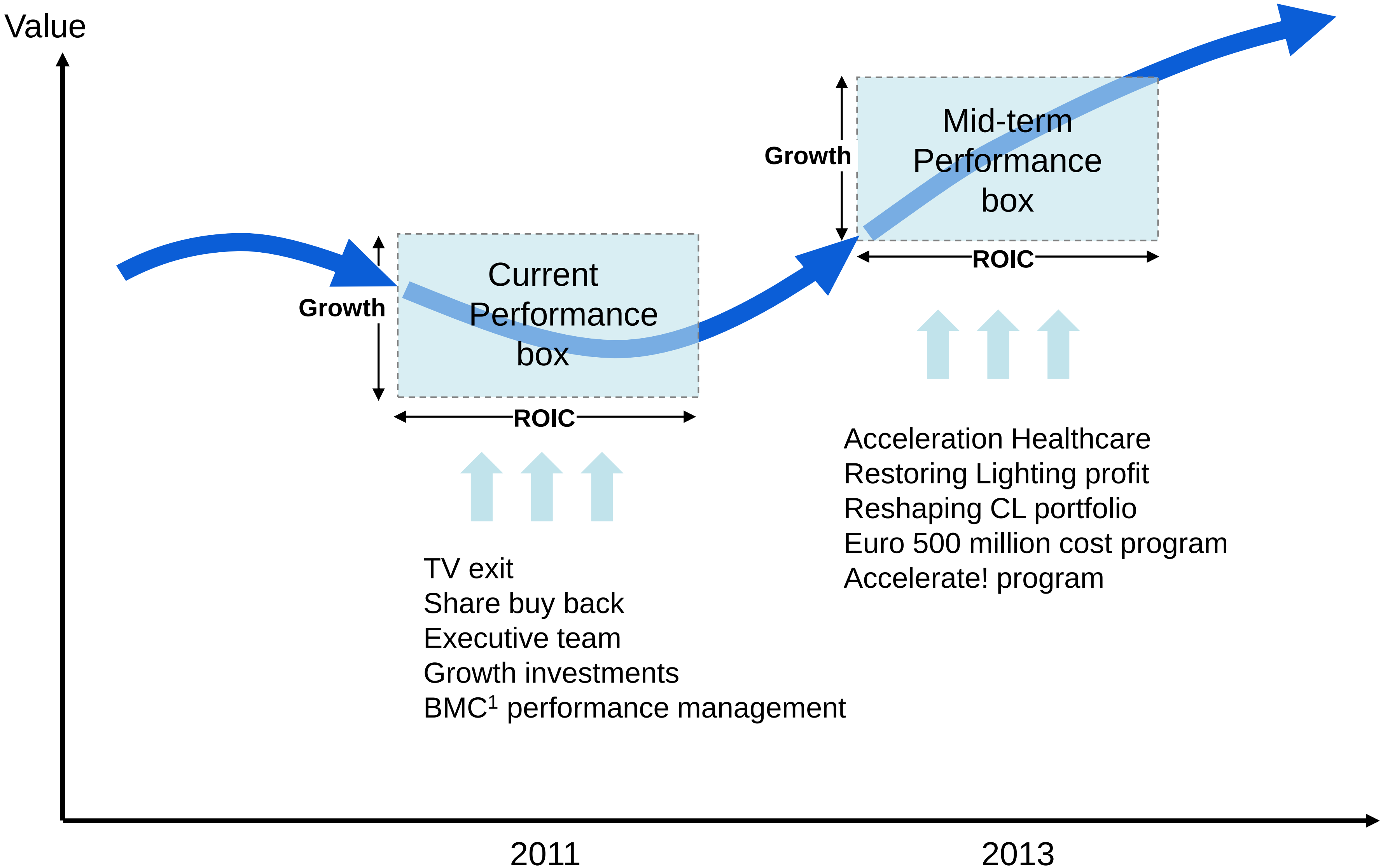
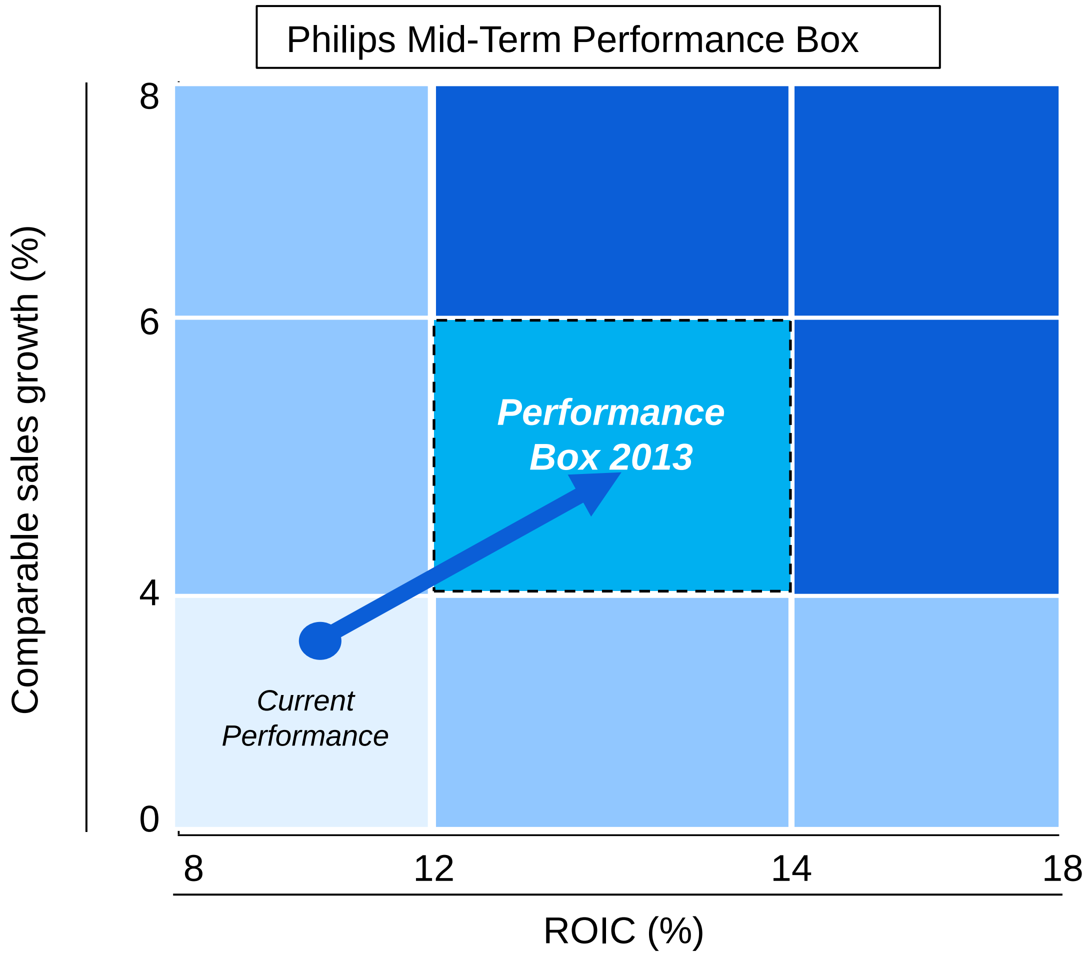
Our path to value



[1] BMC = Business Market Combination

Mid-term Targets: Move into performance box of 12-14% ROIC and 4-6% comparable sales growth



Mid-Term financial objectives (2013)

Sales growth CAGR[1]	4 - 6%
Group Reported[2] EBITA	10 - 12%
- Healthcare	15 - 17%
- Consumer Lifestyle[3]	8 - 10%
- Lighting	8 - 10%
Group ROIC	12 - 14%

[1] Assuming real GDP growth of 3-4%
[2] Including restructuring and acquisition related charges
[3] Excluding licenses

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Share buy back program of EUR 2 billion

- Given our confidence in our future performance trajectory we have launched a share buyback program of EUR 2 billion. This is:
  - Based on thoroughly assessing the capital structure under various economic scenarios addressing the financial needs for organic growth, bolt-on acquisitions and risk mitigation
  - Consistent with our Capital Allocation policy, driven by the disciplined use of capital
  - Addressing the efficiency of the balance sheet
- The buy back program of EUR 2 billion shares for cancellation purposes starts immediately and is to be completed by mid – 2012

Note 1: Subject to approval by the Annual General Meeting of Shareholders, to be held in April 2012, all shares repurchased under this new program will be cancelled, resulting in a reduction of Philips' outstanding share capital.

Note 2: Philips has entered into a discretionary management agreements with a bank to repurchase Philips shares within the limits of relevant laws and regulations (in particular EC Regulation 2273/2003) and Philips' articles of association.

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So, what will be different this time?

- We have a strong portfolio, with good positions in growth and mature markets

and

- Have identified the operational issues which we will deal with decisively

to

- Drive granular execution of our plans and make the necessary investments in people, systems, and markets to deliver profitable growth and return on invested capital

by

- Leveraging a new culture of entrepreneurship and accountability