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sense and simplicity

Royal Philips Electronics

Second Quarter 2012

Information booklet

July 23rd, 2012

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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, developments within the euro zone, 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 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 2011.

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 2011 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.

Agenda

1. Management update

2. Group results Q2 2012

3. Accelerate! Change and performance

4. Portfolio strength and path to value

5. Group and sector overview

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Management update Q2 2012: Group

Sales	• Comparable sales were 5% higher year-on-year • Sales increased by EUR 676 million to reach EUR 5.9 billion • Nominal sales increased by 13%
EBITA	• EBITA was EUR 450 million or 7.6% of sales • An increase of EUR 79 million compared to Q2 2011, driven by Healthcare and Consumer Lifestyle

Adj. EBITA	• Adjusted EBITA amounted to EUR 504 million, or 8.6% of sales
	• Adjusted EBITA excludes:
	  • A gain on the Speech processing transaction of EUR 20 million
	  • A one-time gain of prior service cost related to a medical retiree benefit plan of EUR 25 million, and
	  • Restructuring and acquisition related charges of EUR 99 million

Net Income & ROIC	• Net income of EUR 167 million • An increase of EUR 1,512 million compared to Q2 2011 which included goodwill and intangible-asset impairments of EUR 1,385 million • ROIC excluding the impairments improves from 8.1% to 8.5%
Cash Flow	• Free Cash Flow amounted to an outflow of EUR 211 million compared to EUR 180 million last year • 56% of EUR 2 billion share buy-back program completed by Q2 2012

Sales growth and cost reductions enable improved operating margins

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Management update Q2 2012: Healthcare

Sales

- Comparable sales were 7% higher year on year, 16% on a nominal basis
- Double-digit growth at Patient Care and Clinical Informatics, high-single-digit growth at Imaging Systems and mid-single digit growth at Home Healthcare Solutions

Order intake

- Currency-comparable equipment order intake grew by 4%
- Mid-single digit growth at both Imaging Systems and Patient Care and Clinical Informatics

EBITA

- EBITA amounted to EUR 333 million, or 13.8% of sales
- Increase of EUR 57 million compared to Q2 2011
- Improvement driven by higher sales volumes and cost reductions

Adj. EBITA

- Adjusted EBITA increased from 13.2% to 14.1% year-on-year
- Adjusted EBITA excludes restructuring and acquisition-related charges of EUR 8 million

Net Operating Capital

- Net operating capital increased by EUR 1.0 billion mainly due to currency effects
- Inventories as a % of sales is 1.2% above last year due to new product launches in Imaging Systems

Solid sales increases in all businesses - Good earnings improvement

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Management update Q2 2012: Consumer Lifestyle

Sales	• Comparable sales were 3% higher year on year, 9% higher nominally • Growth categories, i.e. Personal Care, Health & Wellness and Domestic Appliances grew at 8% • Lifestyle Entertainment registered a high-single-digit decline
EBITA	• EBITA amounted to EUR 103 million or 7.6% of sales • EUR 77 million higher compared to Q2 2011 • EBITA includes a EUR 20 million gain from the divestment of the Speech processing business to Invest AG

Adj. EBITA	• Adjusted EBITA increased from 3.1% to 7.1% year-on-year
	• Adjusted EBITA excludes:
	  • A gain on the Speech processing transaction of EUR 20 million
	  • Restructuring and acquisition-related charges of EUR 13 million

Net Operating Capital	• Working capital as a % of sales improved from 6% to 2%, largely driven by lower accounts receivables related to the Television business • Net operating capital increased by EUR 118 million as lower working capital was impacted by the consolidation of the Povos acquisition
Portfolio	• Speech processing business divested to Invest AG • Distribution agreement signed with Funai for the Lifestyle Entertainment business in North America

Higher earnings across all businesses and lower TV stranded costs

Management update Q2 2012: Lighting

Sales	• Comparable sales were 6% higher year on year, 14% higher nominally • Double-digit sales growth at Lighting Sources & Electronics and high-single digit growth at Automotive • LED-based sales grew 37% compared to Q2 2011, excluding Lumileds growth was 57%
EBITA	• EBITA amounted to EUR 93 million, or 4.6% of sales • Year on year decline mainly due to higher restructuring expenses and operational issues at Lumileds and Consumer Luminaires
Adj. EBITA	• Adjusted EBITA amounted to EUR 131 million or 6.5% of sales • Adjusted EBITA excludes restructuring and acquisition-related charges of EUR 38 million • Year on year improvement in earnings driven by operational improvements and cost savings
Net Operating Capital	• Inventory as a % of sales improved by 40 bps compared to Q2 2011 • NOC increased due to currency effects and the consolidation of Indal in Q1 2012

Operational improvements and cost savings positively impact earnings

Management update Q2 2012: By Geography

North America

- Philips Group sales registered a solid 7% growth
- Healthcare sales grew by 7%. Equipment order intake declined by 3% due to lower government orders compared to last year
- Consumer Lifestyle sales showed mid-single-digit growth
- Lighting sales grew by high-single-digit

Europe

- Economic pressures cause Group sales to decline by 4%
- Healthcare sales declined by 1%. Equipment order intake declined by 6%
- Consumer Lifestyle sales showed a double-digit decline. The combined growth businesses, i.e. Personal Care, Health & Wellness and Domestic Appliances declined by mid-single-digit
- Lighting sales declined by low-single-digit

Growth Geographies

- China, India and Russia contributed strongly to the sales increase of 11% for the Philips Group
- Healthcare sales grew strongly by 22%, equipment order intake increase of 13%
- Consumer Lifestyle sales showed double-digit growth, driven by strong growth in India, China and Russia
- Lighting sales grew by double-digit excluding Lumileds

Growth geographies strong - Macro economic concerns remain in Europe

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Management update Q2 2012: Accelerate!

- Improved overall BMC performance with a 50% reduction in the number of key BMC's with a negative sales performance deviation versus targets. BMC's in weaker geographies proactively reducing costs
- Overhead cost-reduction program on track with cumulative savings of EUR 176 million and over 50% of the total TV stranded costs addressed
- End-to-End projects aimed at improving the customer value chain are showing first signs of impact, e.g. LED lamps now profitable globally and 18% inventory reduction for Male Grooming in North America
- Accelerate! continues to be embedded into the organization with many employees generating great ideas to improve our performance and unlock value

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Key Financials Summary – Q2 2012

EUR million

	Q2 2011	Q2 2012
Sales	5,216	5,892
EBITA	371[1]	450[1]
Financial income and expenses	(74)[2]	(79)
Income tax	(47)	(89)
Net income (loss)	(1,345)	167
Net Operating Capital	11,302	11,531
Net cash from operating activities	63[3]	52
Net capital expenditures	(243)[3]	(263)
Free cash flow	(180)	(211)

[1] 2Q12 includes EUR (99)M of restructuring and acquisition-related charges, a EUR 20M gain on the Speech processing business transaction and a EUR 25M one-time gain of prior service cost related to a medical retiree benefit plan; 2Q11 includes EUR (24)M of charges

[2] 2Q11 includes a fair-value gain on the option related to NXP and a negative adjustment in respect of available-for-sale financial assets

[3] Revised to reflect an adjusted capital expenditures on property, plant and equipment allocation

Note - All figures exclude discontinued operations

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Sales by sector – Q2 2012

EUR million

	Q2 2011	Q2 2012	% nom	% comp
Healthcare	2,080	2,413	16	7
Consumer Lifestyle	1,247	1,356	9	3
Lighting	1,777	2,026	14	6
Innovation, Group & Services	112	97	(13)	(13)
Philips Group	5,216	5,892	13	5

Note - All figures exclude discontinued operations

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Sales by geography – Q2 2012

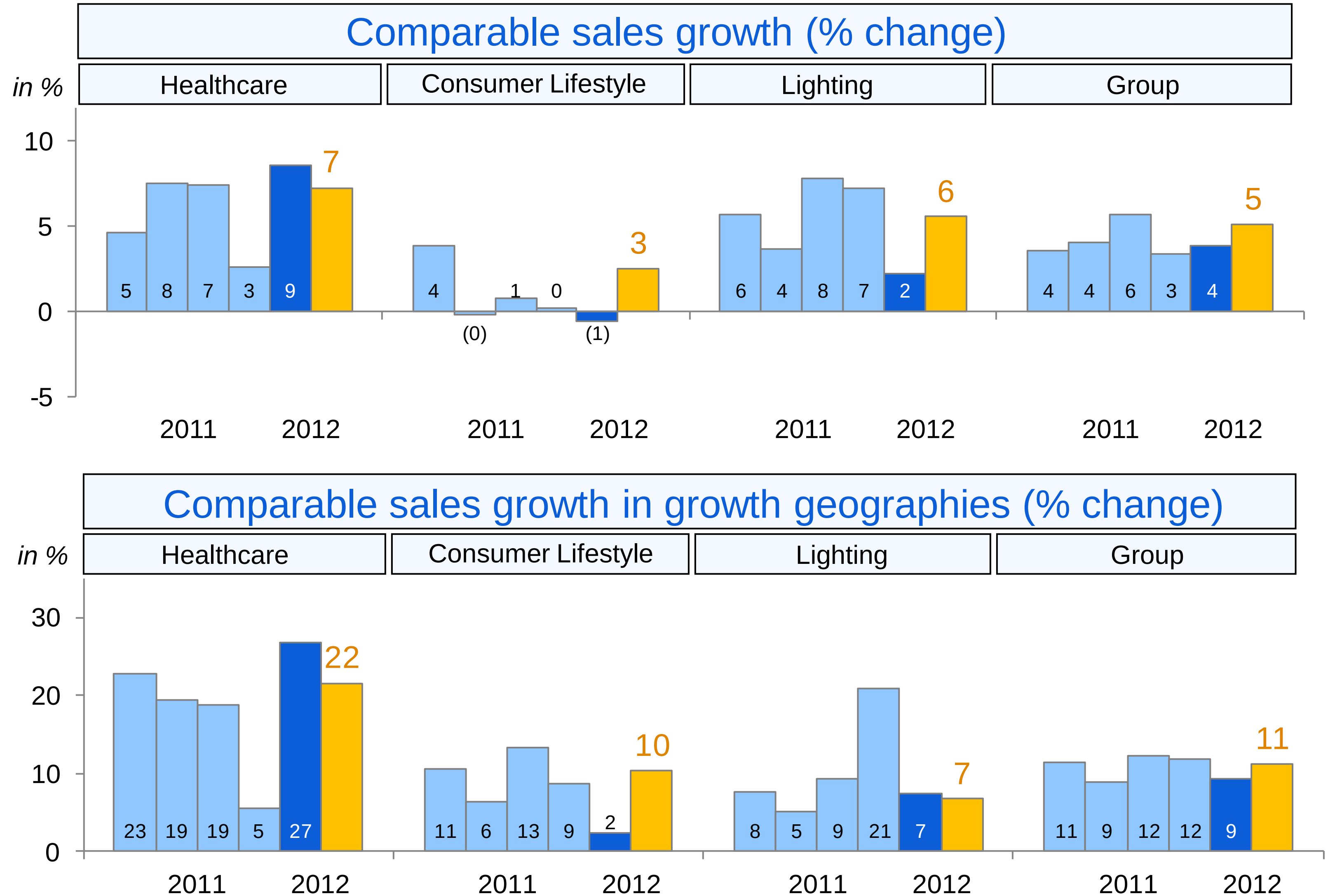
EUR million

	Q2 2011	Q2 2012	% nom	% comp
Western Europe	1,456	1,455	(0)	(4)
North America	1,627	1,935	19	7
Other mature geographies	404	456	13	2
Growth geographies[1]	1,729	2,046	18	11
Philips Group	5,216	5,892	13	5

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

Sales Growth: trend through Q2 2012

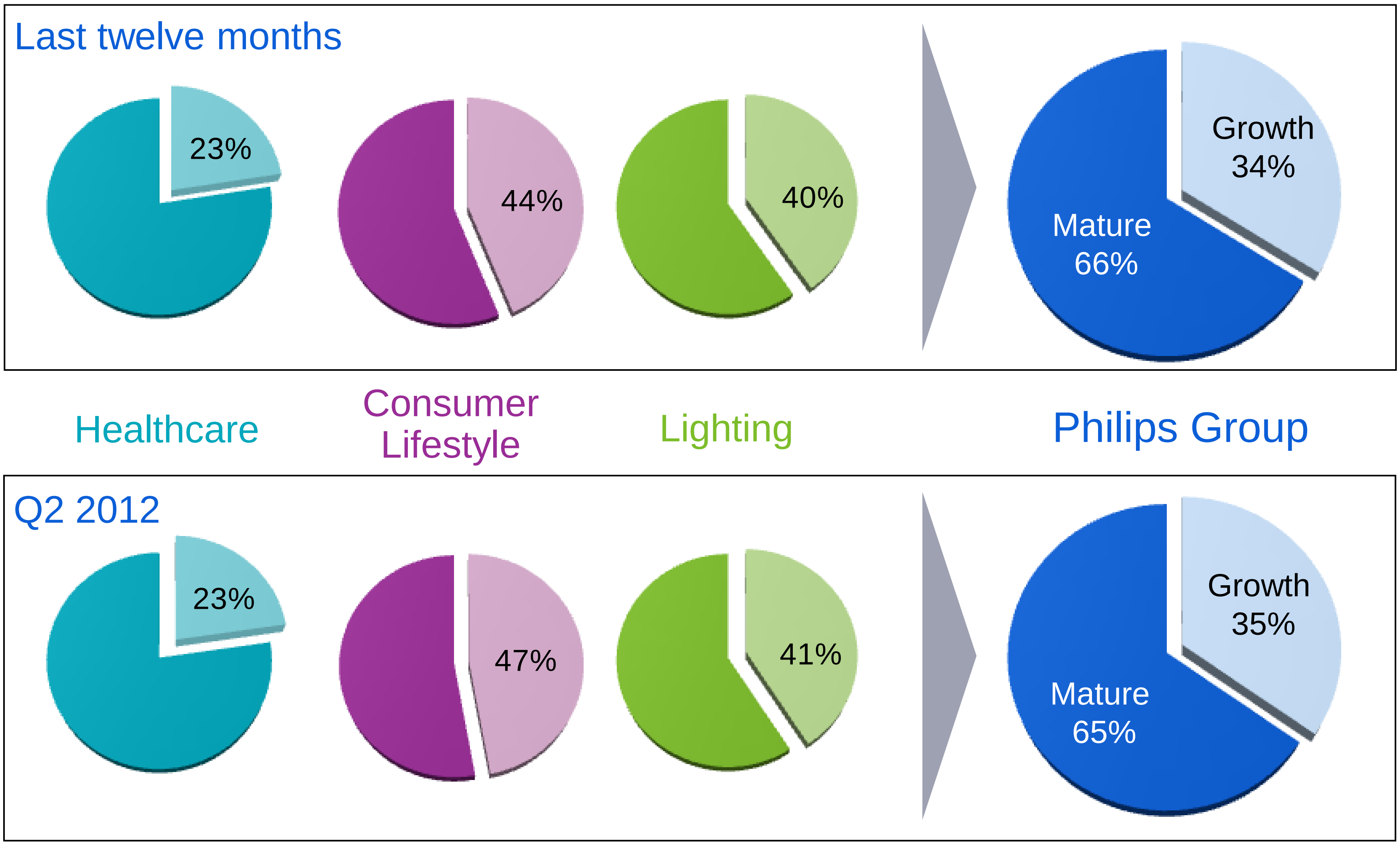
Comparable sales growth world and growth geographies



Note - All figures exclude discontinued operations

Growth geographies – Q2 ‘12 and last twelve months

Sales in growth geographies



Note - All figures exclude discontinued operations

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EBITA by sector – Q2 2012

EUR million

	Q2 2011		Q2 2012	
Healthcare[1]	276	*13.3%*	333	*13.8%*
Consumer Lifestyle[2]	26	*2.1%*	103	*7.6%*
Lighting[3]	101	*5.7%*	93	*4.6%*
Innovation, Group & Services[4]	(32)	-	(79)	-
Philips Group	371	*7.1%*	450	*7.6%*

[1] 2Q12 includes EUR (8)M of restructuring and acquisition-related charges; 2Q11 includes EUR 1M of gains

[2] 2Q12 includes EUR (13)M of restructuring and acquisition-related charges and a EUR 20M gain on the Speech processing business transaction; 2Q11 includes EUR (13)M of charges

[3] 2Q12 includes EUR (38)M of restructuring and acquisition-related charges; 2Q11 includes EUR (14)M of charges

[4] 2Q12 includes EUR (40)M of restructuring charges and a EUR 25M one-time gain of prior service cost related to a medical retiree benefit plan; 2Q11 includes EUR 2M of gains

Note - All figures exclude discontinued operations

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Adjusted EBITA by sector – Q2 2012

EUR million

	Q2 2011		Q2 2012	
Healthcare[1]	275	*13.2%*	341	*14.1%*
Consumer Lifestyle[2]	39	*3.1%*	96	*7.1%*
Lighting[3]	115	*6.5%*	131	*6.5%*
Innovation, Group & Services[4]	(34)	-	(64)	-
Philips Group	395	*7.6%*	504	*8.6%*

[1] 2Q12 excludes EUR (8)M of restructuring and acquisition-related charges; 2Q11 excludes EUR 1M of gains

[2] 2Q12 excludes EUR (13)M of restructuring and acquisition-related charges and a EUR 20M gain on the Speech processing business transaction; 2Q11 excludes EUR (13)M of charges

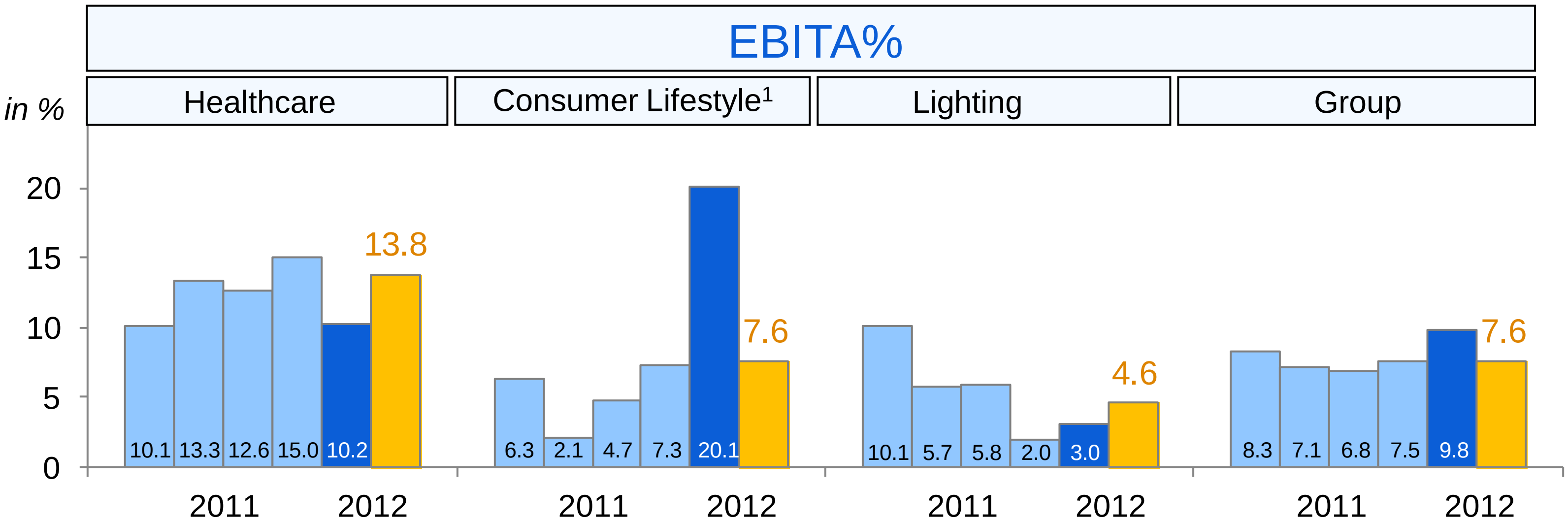
[3] 2Q12 excludes EUR (38)M of restructuring and acquisition-related charges; 2Q11 excludes EUR (14)M of charges

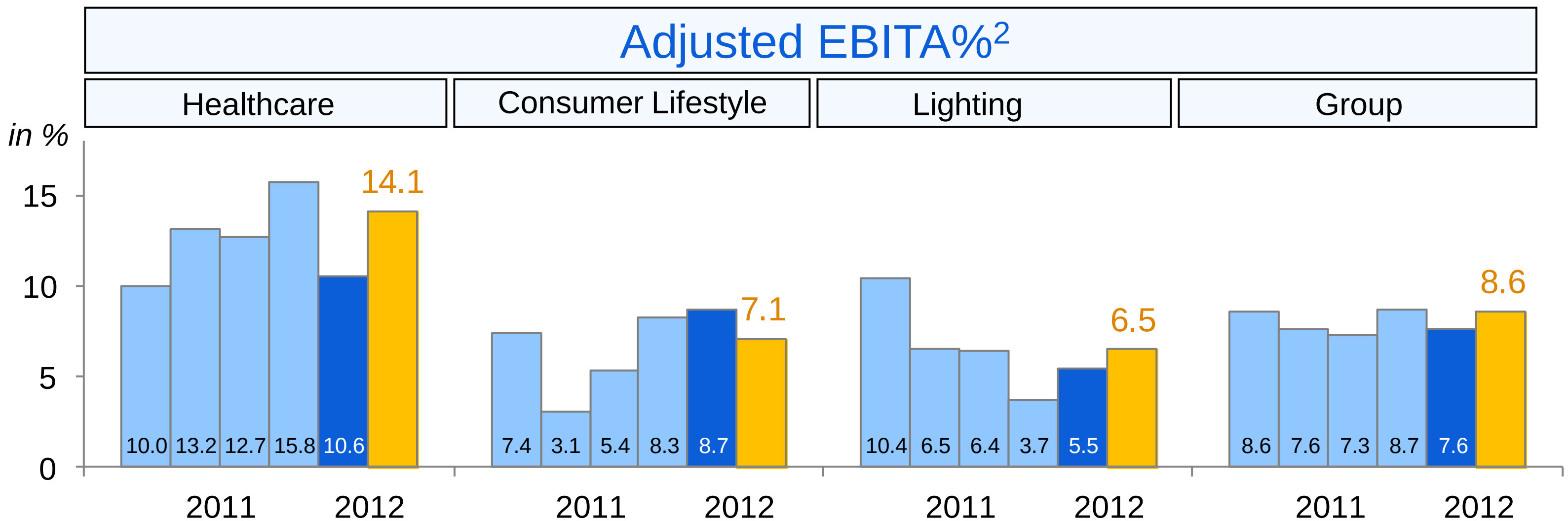
[4] 2Q12 excludes EUR (40)M of restructuring charges and a EUR 25M one-time gain of prior service cost related to a medical retiree benefit plan; 2Q11 excludes EUR 2M of gains

Note - All figures exclude discontinued operations

EBITA and Adjusted EBITA Margin Development

Trend through Q2 2012





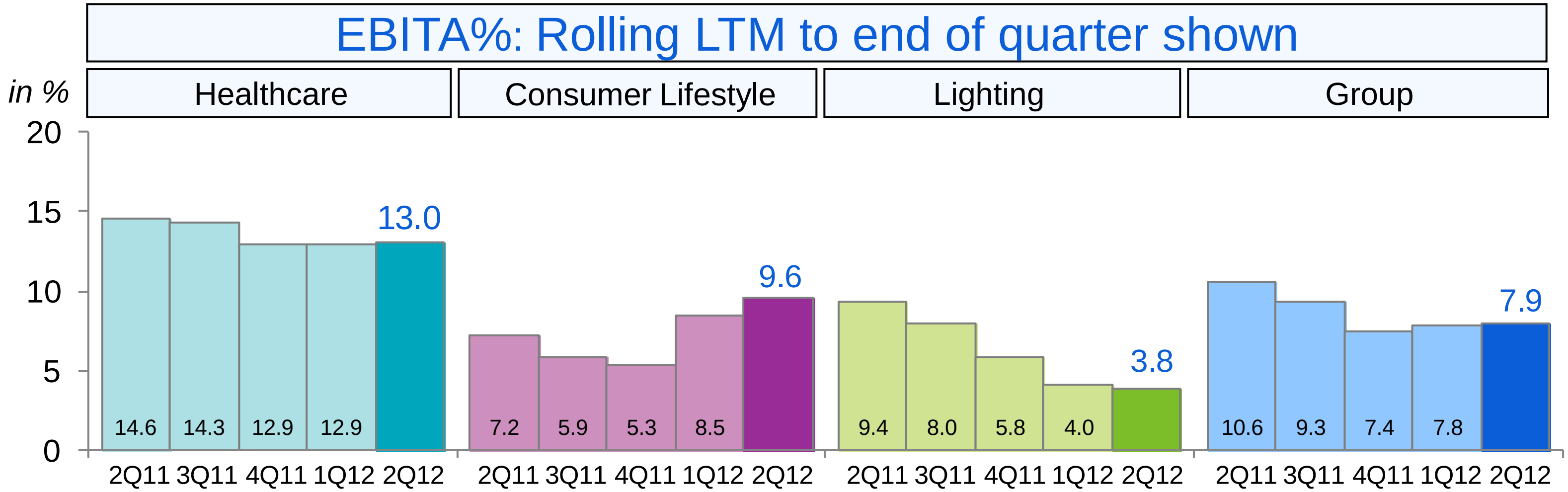
[1] Consumer Lifestyle EBITA Q1 2012 includes a EUR 160M profit on the sale of the Senseo trademark

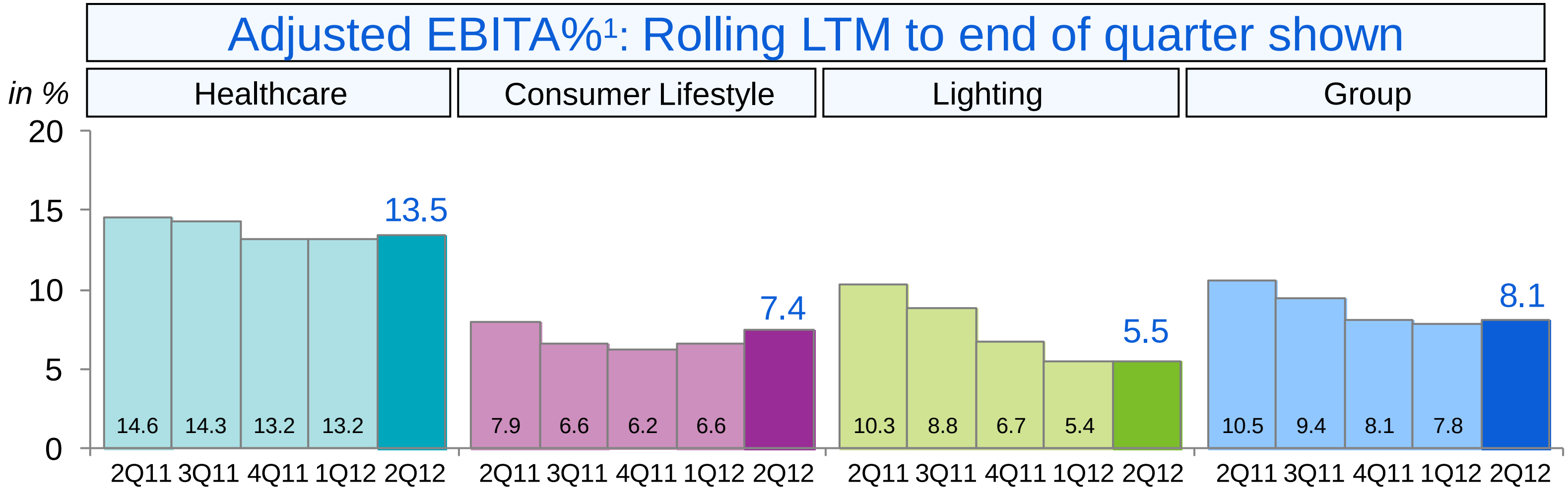
[1] Adjusted EBITA is EBITA corrected for incidental charges (details on slide 87)

Note - All figures exclude discontinued operations

EBITA and Adjusted EBITA Margin Development

Rolling last 12 months





[1] Adjusted EBITA is EBITA corrected for incidental charges (details on slide 87)

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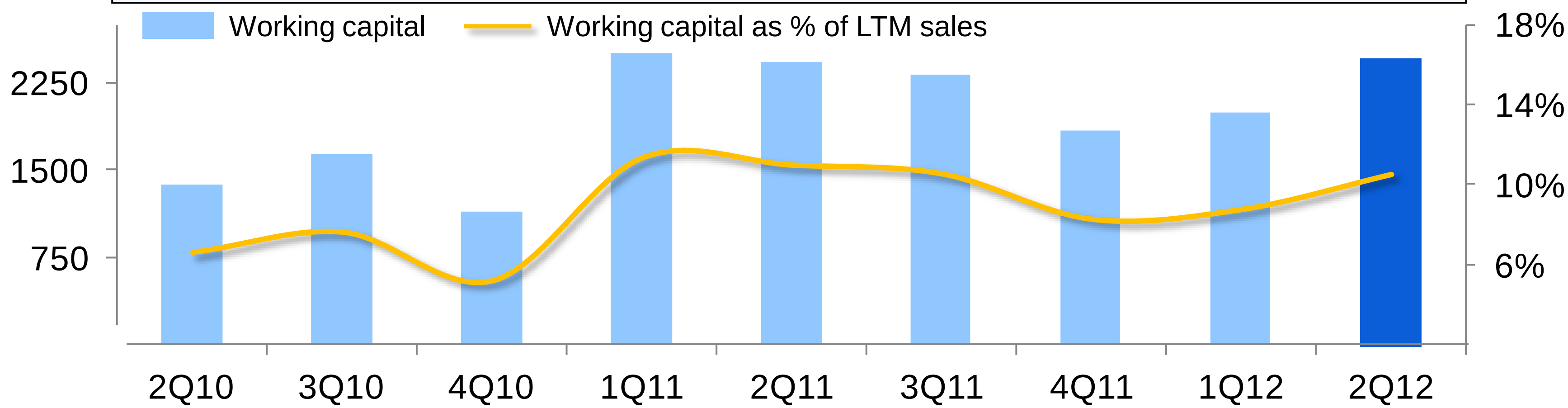
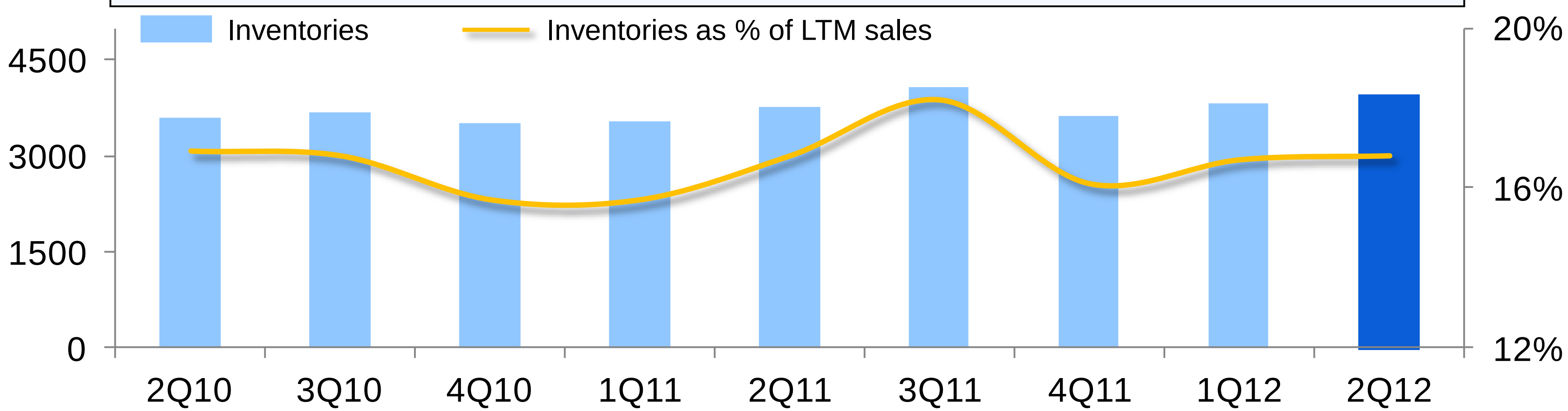
Working capital & inventories over the last two years

EUR million

Working capital as % of sales[1]



Inventories as % of sales



[1] Working Capital as % of sales of Healthcare, Consumer Lifestyle and Lighting; excluding central sector IG&S

Note - All figures exclude discontinued operations

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Free Cash Flow – Q2 2012

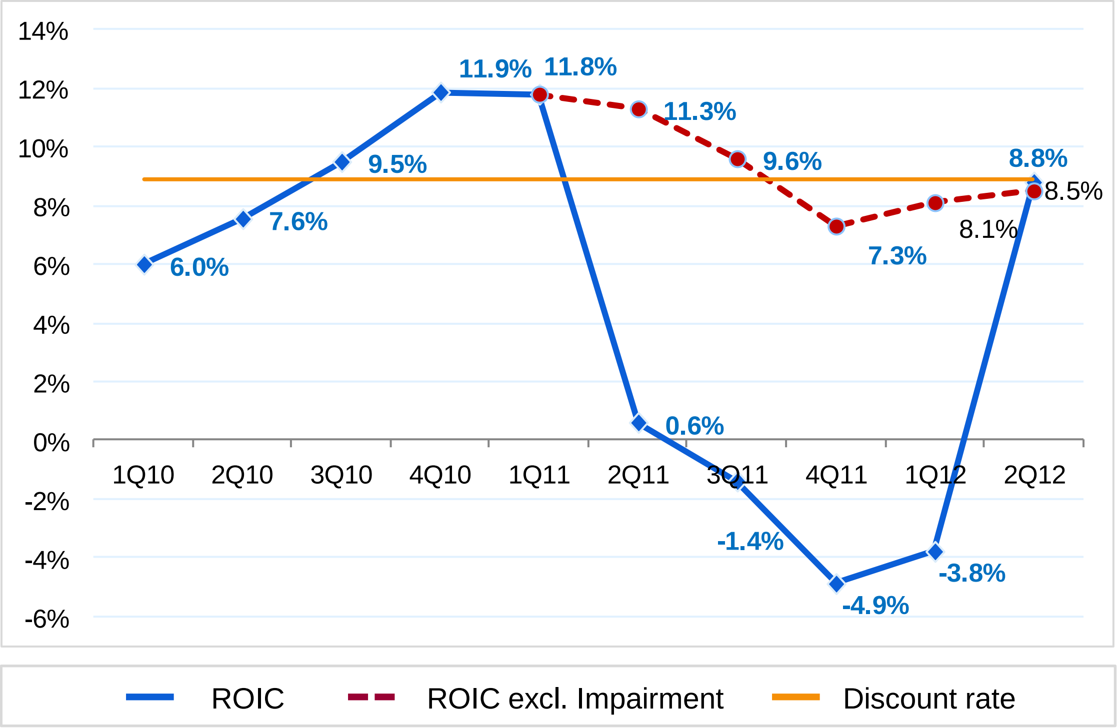
EUR million

	Q2 2011	Q2 2012
Net income from continuing operations	(1,248)	160
Depreciation/ amortization	350[1]	343
Impairment of goodwill and other non-current financial assets	1366	3
Changes in Working Capital, of which:	(213)	(366)
- changes in Net inventories	(254)	(27)
- changes in Accounts receivable	(40)	(216)
- changes in Accounts payable	81	(123)
Increase in non-current receivables, other assets/ liabilities	(145)	(108)
Decrease in provisions	(34)	35
Others	(13)[1]	(15)
Cash flow from operations	63	52
Purchase of intangible assets/ Expenditures on development assets	(86)	(96)
Capital expenditures on property, plant and equipment	(178)[1]	(189)
Proceeds from property, plant and equipment	21	22
Net capital expenditures	(243)	(263)
Free Cash Flow	(180)	(211)

[1] Revised to reflect an adjusted capital expenditures on property, plant and equipment allocation
Note - All figures exclude discontinued operations

ROIC improves sequentially in 2012

Development of Return on Invested Capital (ROIC)



- ROIC excluding impairment increased sequentially due to improved earnings. The EBIAT includes positive incidentals e.g. the Senseo deal and the sale of the High Tech Campus in Q1 2012
- Reported ROIC showed a steep improvement in Q2 2012 as the Q2 2011 impairment no longer affects the EBIAT calculation
- Discount rate now at 8.9%

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

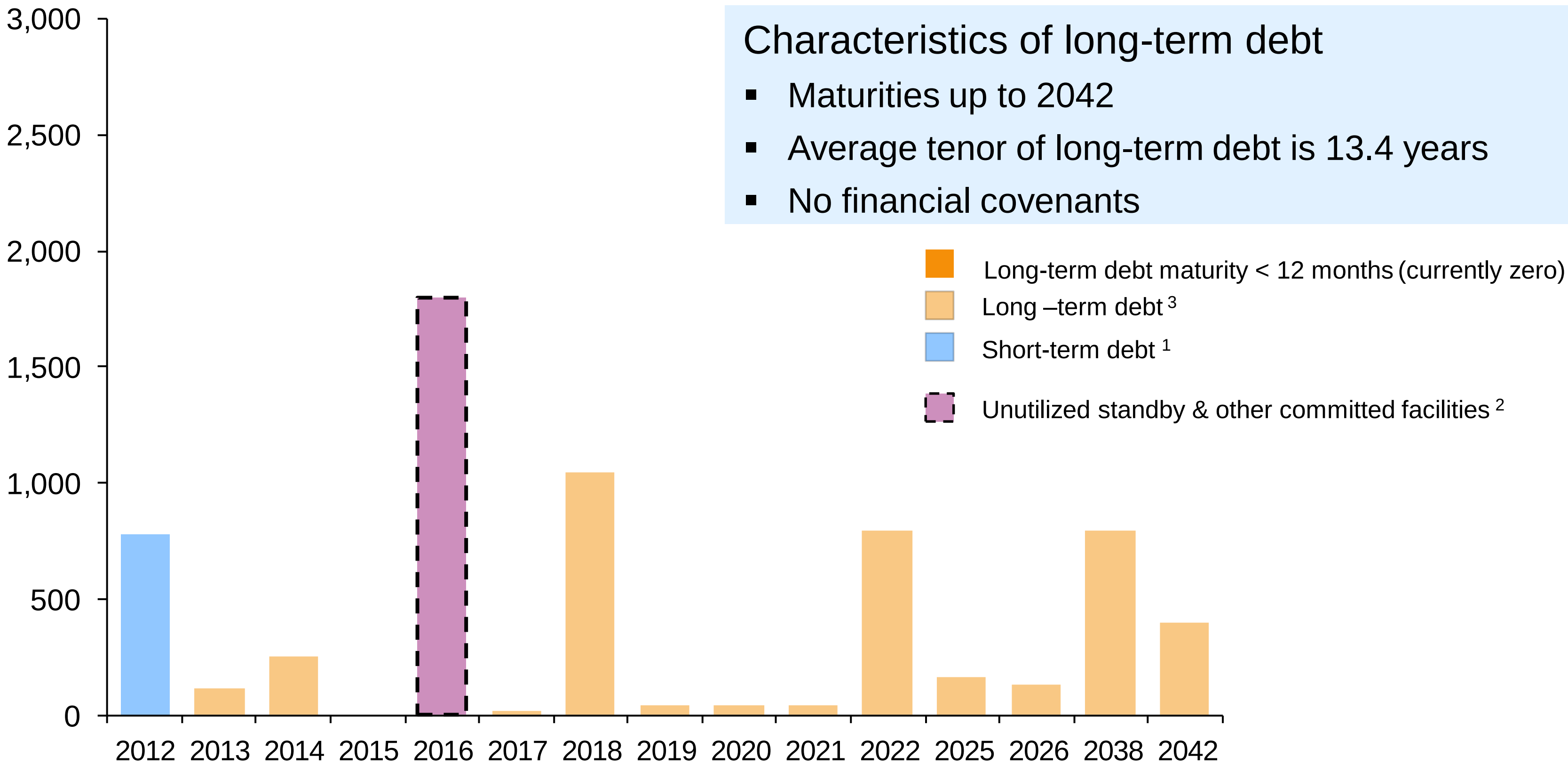
Philips' debt has a long maturity profile

Debt maturity profile as of June 2012

Amounts in EUR millions

Characteristics of long-term debt

- Maturities up to 2042
- Average tenor of long-term debt is 13.4 years
- No financial covenants



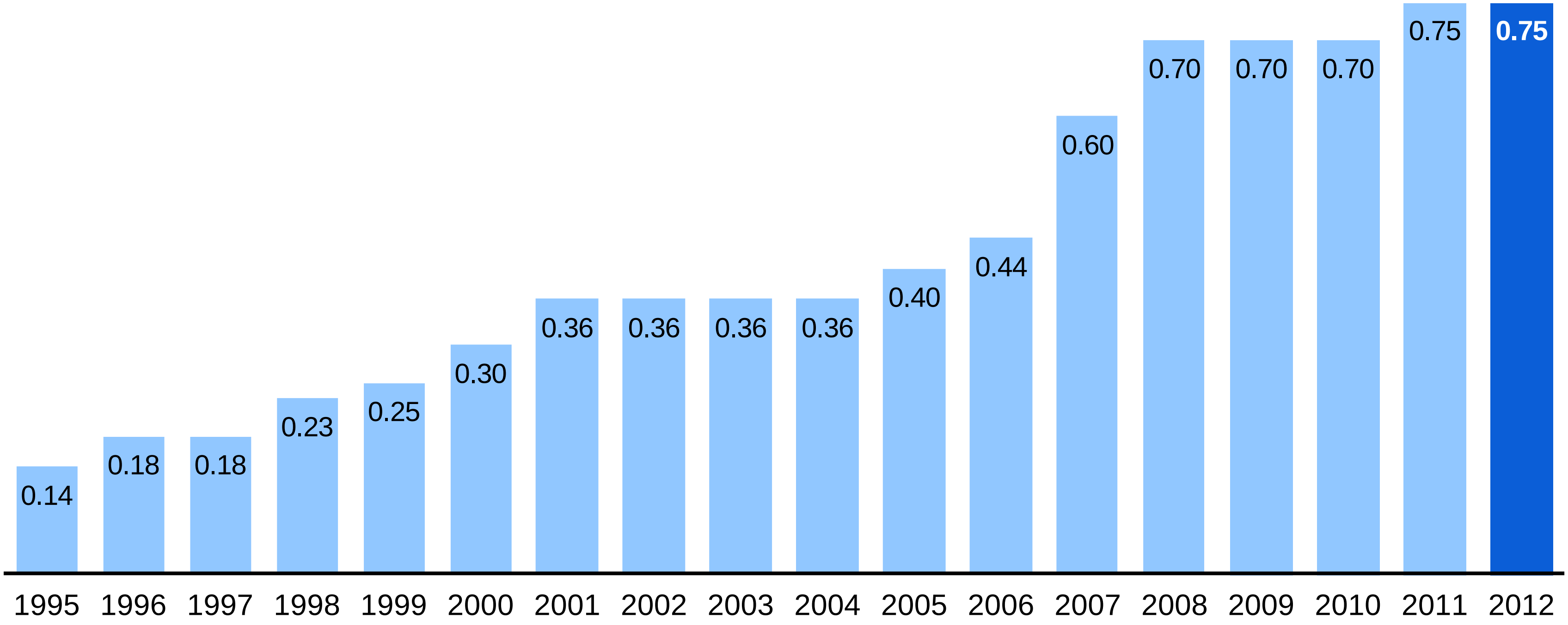
[1] Short term debt consists mainly of local credit facilities that are being rolled forward on a continuous basis

[2] In April 2011 Philips extended the maturity of its EUR1.8B standby facility to February 2016. In April 2012 Philips canceled EUR 500M backstop facility that was related to Share Buy-Back

[3] In March 2012 Philips issued USD 1B 10 years at 3.75% and USD 500M 30 years at 5.0%. On April 10 2012, Philips early redeemed USD 500M originally maturing in March 2013

A history of sustainable dividend growth

EUR cents per share



"We are committed to a stable dividend policy with a 40% to 50% pay-out of continuing net income."

Disciplined Capital Use

- Our objective is to have an A3/A- rating
- We will drive higher capital efficiency and cash flow yields through improved working capital turns and CAPEX discipline
- We are committed to a stable dividend policy with a 40% to 50% pay-out of continuing net income
- Cash will be used to:
  - Invest in value creating growth (both organic and through acquisitions)
  - Mitigate risk
  - Return capital to shareholders over time
- We will exercise stringent discipline and return criteria (including ROIC hurdles) in our end-to-end acquisition process in line with the nature of the transaction

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2011 - 2012 acquisitions at a glance

No acquisitions during the last 4 quarters

Healthcare

Jan-2011	medSage	Home Healthcare	Strengthen portfolio with by becoming a leading provider of patient interaction and management applications
Mar-2011	Dameca	Patient Care and Clinical Informatics	Expand portfolio with integrated, advanced anesthesia care solutions
Jun-2011	AllParts Medical	Customer Services	Expand capabilities in imaging equipment services, strengthening Philips' Multi-Vendor Services business
Jun-2011	Sectra	Imaging Systems	Expand Women's Healthcare portfolio with a unique digital mammography solution in terms of radiation dose

Consumer Lifestyle

Jan-2011	Preethi	Domestic Appliances	Becoming a leading kitchen appliances company in India
Jul-2011	Povos	Domestic Appliances	Expanding product portfolio in China and continue to build business creation capabilities in growth geographies

Lighting

Jan-2011	Optimum	Professional Luminaires	Expand portfolio with customized energy-efficient lighting solutions
Jun-2011	Indal	Professional Luminaires	Strengthen leading position in professional lighting within Europe

Note - Dates refer to announcement date of acquisition

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Philips' equity interests have a book value of EUR 341 million[1,2] as per Q2 2012. Significant interests are:

Equity interest	Ownership (% of total)	Book value (in EUR million)	Valuation	Accounting basis	Source of equity stakes
Intertrust Technologies Corporation	49.5%	41	Not listed	Equity accounted	Acquired in 2002 together with Sony
Innolux Display Corp.	1.2%	28	Listed, Taiwanese Stock Exchange	Fair value	Acquired in 2010 after TPO Displays Corp. merged with Innolux Display Corp. Share in TPO Displays Corp. following merger of Philips Mobile Display Systems with Toppoly Optoelectronics Corporation of Taiwan in 2006
Prime Ventures	26%	35	Not listed	Fair value	Acquired in 2008 in exchange of the transfer of certain incubator activities
Philips Medical Capital	40%	32	Not listed	Equity accounted	Finance company for medical equipment, established in 2005
Shenyang Neusoft Corp. Ltd.	2.0%	27	Listed, Shanghai Stock Exchange	Fair value	Acquired in 2008 following the swap of shares in Neusoft Group Ltd. held by Philips

[1] The equity interests are included in the balance sheet captions *Investments in Associates* and *Other non-current financial assets,* which represent an aggregated book value of EUR 779 million as per June 30, 2012 (EUR 531 million as per June 30, 2011). The increase of EUR 248 million is mainly due to loans provided to TPV Technology Limited (and the television joint venture TP Vision Holding BV) in the context of the divestment of Philips' television business and loans provided in relation to the sale of real estate belonging to the High Tech Campus.

[2] The value of Philips' equity interests as per June 30, 2011 was EUR 328 million.

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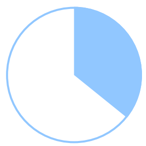
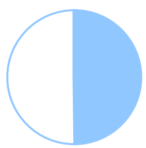
Accelerate! change and performance program to unlock full potential faster

Customer Centricity



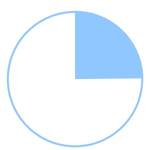
- Increased seniority of market teams; markets are now led by empowered entrepreneurs
- Increase local relevance of product portfolio to gain market share
- Focused Business-to-Government sales channel development to drive growth
- Increase Employee Engagement in markets by 300 bps

Resource to Win



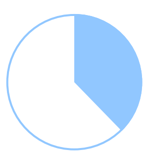
- Granular plans to increase number of BMC's in which we are an outright leader
- Increase performance adherence to plan per BMC > 80%
- Execute on strategic workforce plan for growth markets
- Targeted investment step-ups made (EUR 200 million) to gain market leadership

End2End Execution



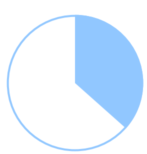
- Transform customer value chains to 7 LEAN business models, enabled by effective IT
- Reduce Cost of Non Quality by 30%
- Accelerate innovation time to market by av. 40%; Increase customer service >95%
- Inventory reduction target of 1% to 1.5% per year for 2012 and 2013

Growth and Performance Culture



- Introduced new behaviors to drive new ways of working
- Personal transformation workshops started to enable culture change
- Monthly pulse check to check for effectiveness of the above
- Incentive and appraisal system changed to align with new culture and mid-term targets

Operating Model



- Decrease number of layers to speed up decision making
- Reduce overhead and support costs by EUR 800 million
- Performance Management for BMC's implemented
- Implement collaborative P&L between businesses & markets with clear accountability

Supported by strong change and program management office to ensure execution

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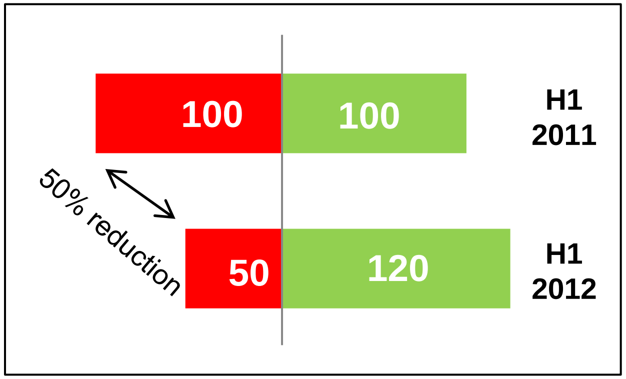
Resource to Win

Benefits of granular performance management

Number of under performing key BMC's down by 50%

Indexed number of key Business Market Combinations with a Sales variation compared to plan



Actions leading to improvement

- BMC tracking and management system installed to monitor progress on monthly basis
- BMC's in weaker geographies proactively reducing their costs
- 100% of the priority BMC plans covering >75% of revenues, have detailed plans to meet their 2013 targets
- Sectors fully operational with BMC planning as per July 2012

End2End Execution

Accelerate! at work: End2End Improvement

Build winning position with local portfolio

Mother & Child Care - China

Potential Improvement

- *50% Sales increase*
- *-55% Time to market*
- *2.5x increased market coverage*

Q2 Update **+24 new products in local product portfolio**

Reignite growth with Wal-Mart

Male grooming - North America

Potential Improvement

- *35% Sales increase*
- *++ ROI growth*
- *-25% Final product stock*

Q2 Update **18% stock reduction: Improved ROI**

Profitable growth in consumer LED lamps

LED Lamps value chain

Potential Improvement

- *-70% Final product stock*
- *-40% Time to market*
- *-44% E2E lead time*

Q2 Update **LED Lamps profitable in Q2**

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Growth and Performance Culture

Embedding culture change in the organization

Monthly Change Adoption survey of 4,000 employees maintains positive outlook

- Urgency: “We believe in Accelerate! as our path to success”
- Impact: “Keep sharing proof points that we can learn from”
- Culture: “I am changing behavior. Let’s keep working on teaming up overall”
- Readiness: “I am ready to change”

5,000+ Accelerate! improvement teams driving a performance culture in the organization

- Providing global tools for granular insights into local margins
- Eliminating quality issues across the End2End value chain resulting in market share increase in key markets
- Reducing cost of non-quality through number of manufacturing process improvements
- Tweaking product offerings to make them locally relevant and driving market share increase

Operating Model

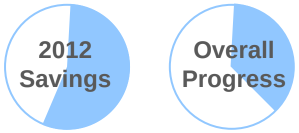
Cost reduction plans on target

>50% of TV stranded costs reduced in the second quarter

- Consumer Lifestyle right-sizing supporting functions well underway
- Restructuring of Central Operations, Supply chain management, and purchasing
- TV specific IT systems discontinued
- Significantly reduced the cost of vacant space left post the disentanglement of the TV business

HR Transformation ahead of plan

- Reducing cost and people by ~25%, while implementing a more effective HR operating model
- Simplified and globally harmonized processes
- Increased manager/employee visibility via automation
- Empowered HR partners for businesses and markets



(representing ~7% of total cost reduction)

Aligning the reward system with mid-term targets

Structural change in the reward system

Short-term incentive changes

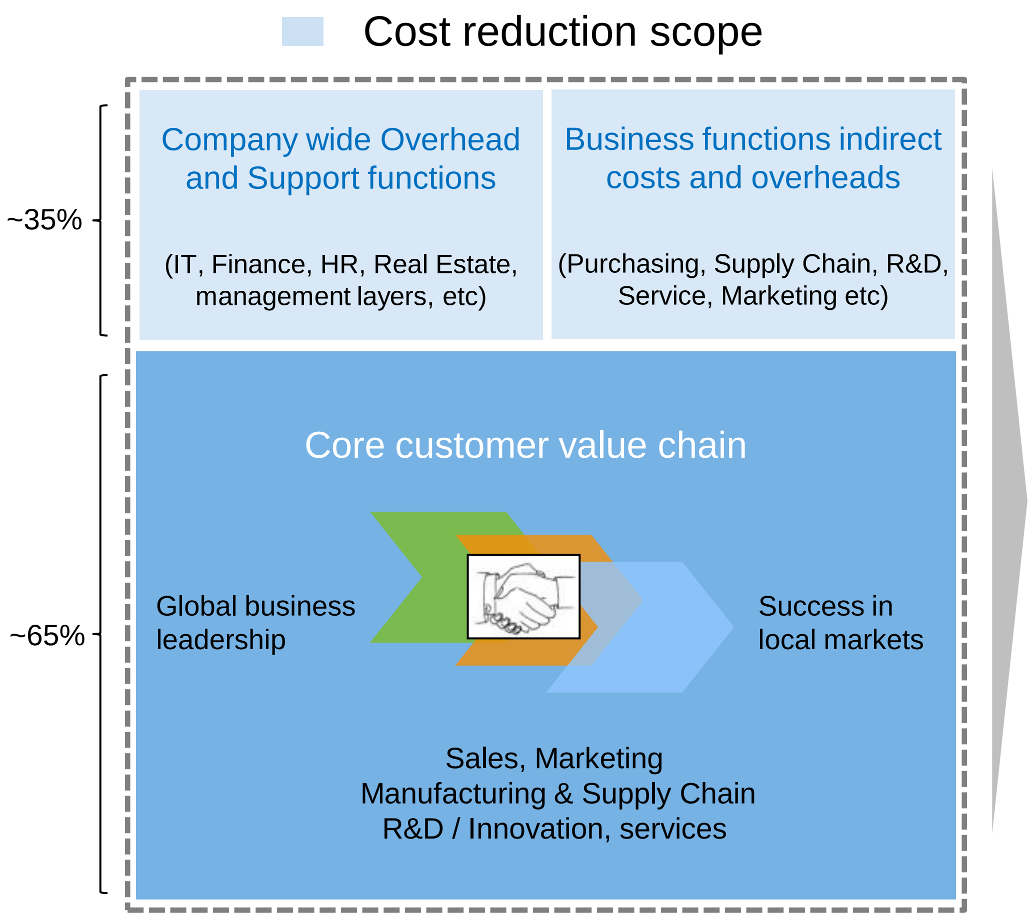
- Incentives are now fully aligned with the 2013 mid-term financial parameters (comparable sales growth, EBITA, ROIC)
- New targets based on line-of-sight accountability
- Non-financial targets focused on strategic and operational improvement KPI's

Long-term incentive changes

- As a first step a special Accelerate! grant[1] introduced;
  - consisting of an equal balance of shares and options (1 to 1)
  - future performance vesting based on achieving the 2013 mid-term targets of;
    - 4 to 6% Sales growth CAGR
    - 10 to 12% reported EBITA
    - 12 to 14% ROIC
- Mandatory share ownership for all key Executives

[1] The Supervisory Board is considering to introduce similar awards for the members of the Board of Management. This will be further reviewed in the course of 2012 and where necessary will be submitted to the AGM for approval.

Cost reduction program targeting overhead & indirect costs will bring EUR 800 million in savings



Clear design principles

- Taking out overhead and support cost
  - *All overheads, layers and support functions*: IT, Finance, HR, Real Estate, Management, etc
  - Indirect business functions not directly involved in the *customer value chain*
  - *Single added value layer* (no duplication) and *reduce complexity*
- All savings against H1 2011 baseline
- Focus on sustainable structural savings instead of "variable" costs

EUR 800 million cost reduction program - Plan

Program started in Q3 2011, expected to be completed by 2014

	Cumulative gross savings			
EUR million	2011	2012	2013	2014
TOTAL	**25**	**400**	**700**	**800**

	Annual restructuring costs			
EUR million	2011	2012	2013	2014
TOTAL	**(37)**	**(125)**	**(80)**	**(40)**

	Annual investments			
EUR million	2011	2012	2013	2014
TOTAL	**(37)**	**(120)**	**(100)**	**(100)**

Deployment

- Strong organizational engagement with 9 functional workstreams and 3 Sector teams
- Highest potential in IT, Finance, HR and Real Estate
- 2012 restructuring costs reduced from earlier estimate of EUR 200 million to EUR 125 million
- Investments are primarily in IT, Real Estate transformation and process reengineering (e.g. F&A and HR), the phasing of which has been slightly modified

Note – All figures (except 2011) are estimated amounts

EUR 800 million cost reduction program - Results

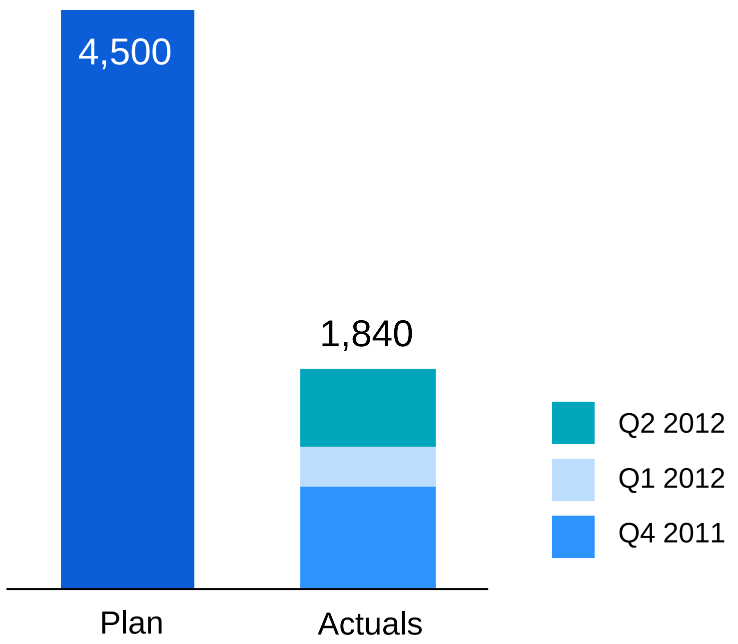
First savings achieved in Q4 2011

	Actuals		
	Cumulative gross savings		
EUR million	2011	1Q12	2Q12
TOTAL	**25**	**62**	**176**

	Restructuring costs		
EUR million	2011	1Q12	2Q12
TOTAL	**(37)**	**(9)**	**(41)**

	Investments		
EUR million	2011	1Q12	2Q12
TOTAL	**(37)**	**(26)**	**(34)**

Approximately 40% of the targeted 4,500 headcount reduction completed by Q2 2012



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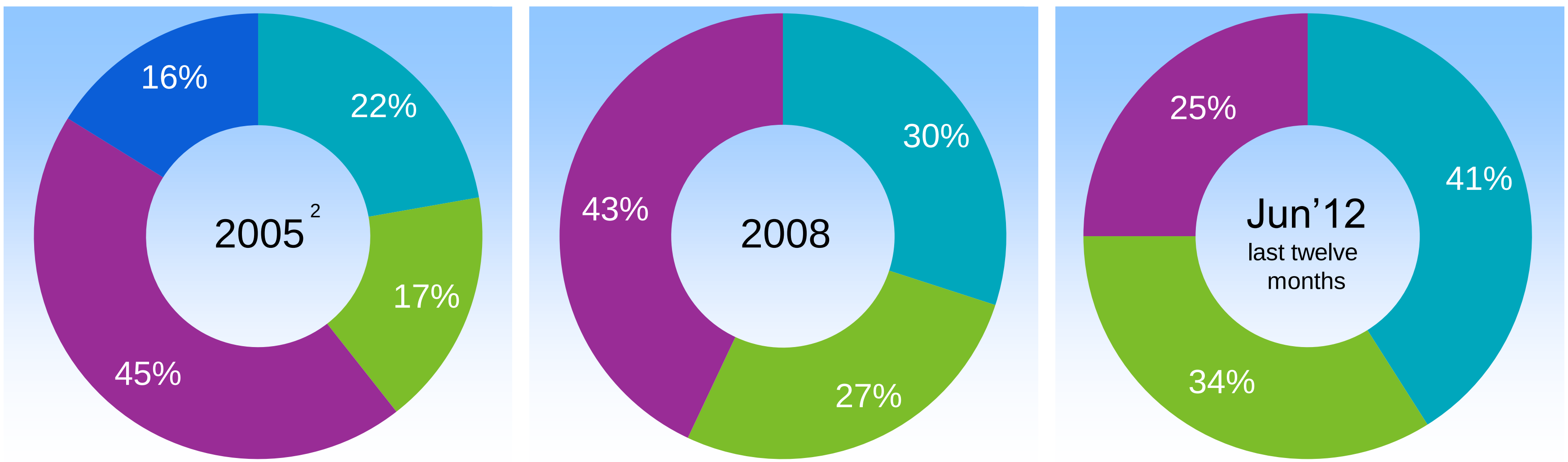
Agenda

1. Management update
2. Group results Q2 2012
3. Accelerate! Change and performance
4. Portfolio strength and path to value
5. Group and sector overview

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



Healthcare | Consumer Lifestyle[1] | Lighting | Semiconductors

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

Strong assets underpin our portfolio

Our assets		Our track record
	Innovation capabilities	• Technology, know-how and strong IP positions (54,000 registered patents)
PHILIPS	Philips brand	• World's 41st most valuable brand 2011 compared to the 65th in 2004
	Global footprint	• Loyal customer base in 100+ countries • 1/3 of group revenues from growth geographies
	People	• Employee Engagement Index[1] 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] Based on annual Philips' Employee Engagement Survey

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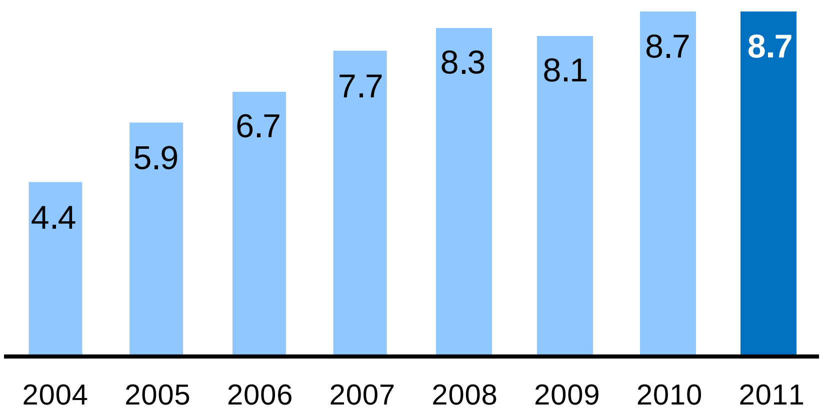
The world’s 41st most valuable brand in 2011

Philips increased brand value by 29% in the last five years

Value of the Philips brand[1]

USD billions



A strong brand drives sales

A significant amount of sales is attributable to the brand alone:

- Healthcare 42%
- Consumer Lifestyle 42%
- Lighting 16%

Brand ranking improves in 2011

Moving up one rank in top 100 global brands list, Philips has reached the highest position ever. Brand value doubled since 2004

Strong internal brand[2]

84% of employees are “proud to work for Philips”

[1] Source: Interbrand Brand Valuation 2011
[2] Employee Engagement Survey 2011

Our market opportunity

Global trends and challenges

Healthcare

- Ageing population leading
- Increase in patients managing chronic conditions
- Growth geographies wealth creating demand
- Lifestyle changes, fueling cardiovascular illnesses and respiratory and sleeping disorders

Consumer Lifestyle

- Consumers focus on the health and well-being
- Rising middle class in growth geographies
- Back to basics: simple propositions
- Trusted brands combined with locally relevant portfolio

Lighting

- Ongoing urbanization and globalization
- Increasing need for energy efficient solutions
- Fast growing global illumination market
- Expanding renovation market
- Rapid adoption of LED-based lighting solutions

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Healthcare: Examples unique leading positions

Global
Cardiovascular
X-ray

- Global #1 position
- Seen as most exciting and interesting Brand by Cardiologists

Global
Patient
Monitoring

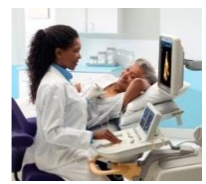
- Global #1 position
- Leader in Cardiology PACS and Critical Care Informatics in the United States and Germany

Global
Cardiac
Resuscitation

- Global #1 position
- Advanced Algorithms for enhanced gender-specific criteria to help recognize and interpret cardiac symptoms in women

Global
Sleep Therapy
Systems

- Global #1 position in sleep therapy systems for OSA[1]
- Full range of solutions with the quietest platform



Regional
Ultrasound

- #1 position in North America
- NPS leader in Ultrasound globally

Regional
Home
Monitoring

- #1 position in North America
- Leading innovation with AutoAlert automatic fall detection

[1] OSA = Obstructive Sleep Apnea

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Consumer Lifestyle: Examples unique leading positions

Global
Male electric shaving

- Global #1 position
- Leading in most major markets, including #1 in the USA and China

Global
Garment Care

- Global #1 ironing brand
- #1 position in China and Russia

Global
Rechargeable Toothbrushes

- Global #2 position
- #1 position in the USA, Korea and Japan

Regional
Kitchen Appliances

- #1 positions in India, Brazil and Russia
- We strive to achieve global leadership through local relevance

Regional.
Electric Hair Care

- #1 position in China and Russia
- #1 in Europe based on unit sales

Regional
Filter Coffee Machines

- #1 position in Europe, and leading position in Brazil
- Strong edge over the next competitor in most European markets

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Lighting: Examples unique leading positions

Global
Lamps

- Global #1 position
- Widest portfolio of lamps
- NPS ‘Best partner’ used & recommended by customers

Global
LED Lamps

- Global #1 position
- Won the L-Prize challenge (60W LED replacement); only company to meet the challenge

Global
Automotive Lighting

- Global #1 position
- 1 out of 3 cars globally equipped with Philips bulbs
- NPS ‘Best partner’ used & recommended by customers

Global
Professional Luminaires

- Global #1 position
- Largest LED luminaires company in the world

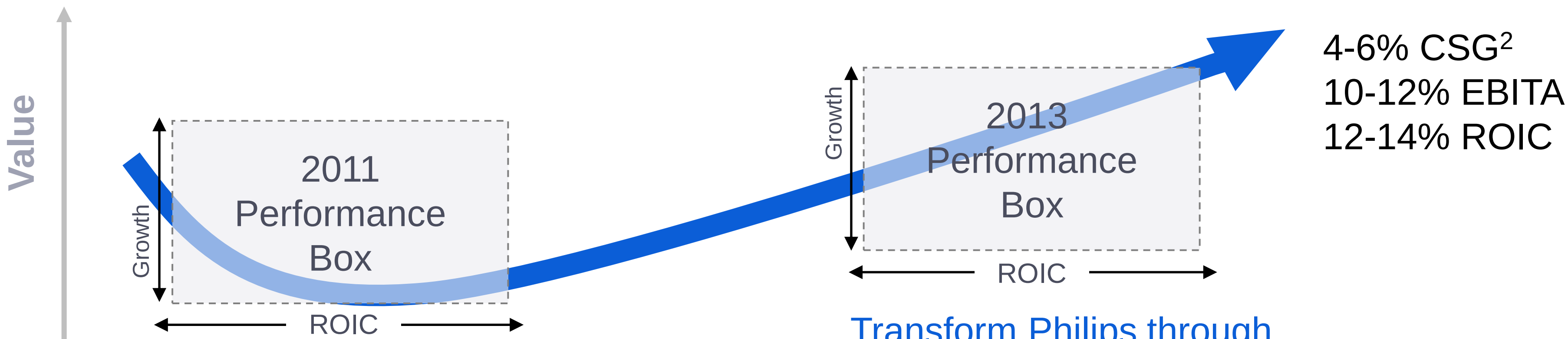
Global
High Power LEDs

- Global #2 position
- #1 in flash and #2 in general Illumination
- NPS ‘Best partner’ used & recommended by customers

Global
Lighting Electronics

- Global #1 position
- NPS ‘Best partner’ used & recommended by customers in Lamp Drivers

Our path to value



Laying the foundation to improve performance

- Executive Committee
- Growth investments
- Philips Business System
- BMC[1] performance management
- Share buy back
- TV Joint Venture
- Improving Lighting performance

Transform Philips through Accelerate!

- Accelerate! Healthcare
- Restoring Lighting profit, LED transformation
- Reshaping Consumer Lifestyle portfolio
- EUR 800 million cost reduction program
- Value delivery from past acquisitions
- Next value creation steps beyond 2013

[1] BMC = Business Market Combination
[2] Assuming 3 to 4% real GDP growth

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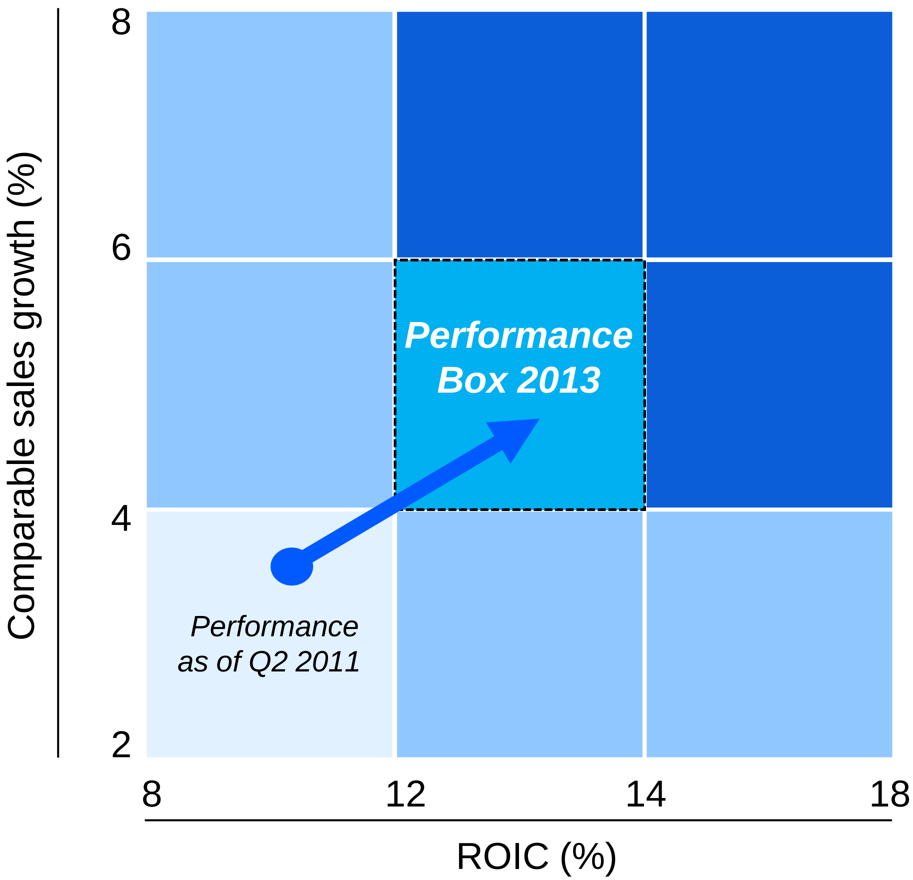
Mid-term Targets: Move into performance box of 12-14% ROIC and 4-6% comparable sales growth

Philips Mid-Term Performance Box



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 unrelated licenses

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Agenda

1. Management update

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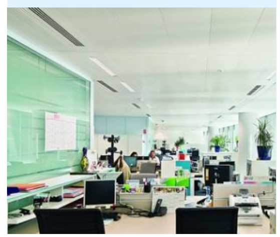
5. Group and sector overview

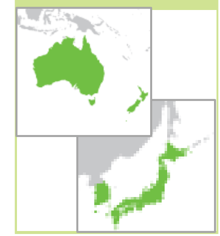
Philips: A strong diversified industrial group leading in health and well-being

Philips

Businesses[1, 2]

Healthcare	Consumer Lifestyle	Lighting
		
41%	25%	34%

Geographies[1]

Western Europe	North America	Other Mature Geographies	Growth Geographies
			
27%	31%	8%	34%

Since 1891
Headquarters in Amsterdam, the Netherlands

€22.6 Billion
Sales in 2011. Portfolio consists of ~65% B2B businesses

121,000+
People employed worldwide in over 100 countries

$8.7 Billion
Brand value in 2011

7% of sales invested in R&D in 2011.
54,000 patent rights,
39,000 trademark rights,
70,000 design rights

[1] Last twelve months June 2012
[2] Excluding Central sector (IG&S)
Note - All figures exclude discontinued operations

Executive Committee

Frans van Houten
CEO

Ron Wirahadiraksa
CFO

Carole Wainaina
Chief HR Officer

Ronald de Jong
Chief Market Leader

Patrick Kung
CEO Greater China

Deborah DiSanzo
CEO Healthcare[1]

Pieter Nota
CEO Consumer Lifestyle

Eric Rondolat
CEO Lighting

Jim Andrew
Chief Strategy & Innovation Officer

Eric Coutinho
Chief Legal Officer

[1] From the 1st of May, 2012

Sustainability as a driver for growth

Success of EcoVision

Green Products represented around 39% of sales in 2011, up from 30% in 2009 driven by investments in Green Innovation.

EcoVision targets for 2015

- 50% of sales from Green Products
- EUR 2 billion Green Innovation investments
- To bring care to 500 million people
- To improve the energy efficiency of our overall portfolio by 50%
- To double the amount of recycled materials in our products as well as to double the collection and recycling of Philips products

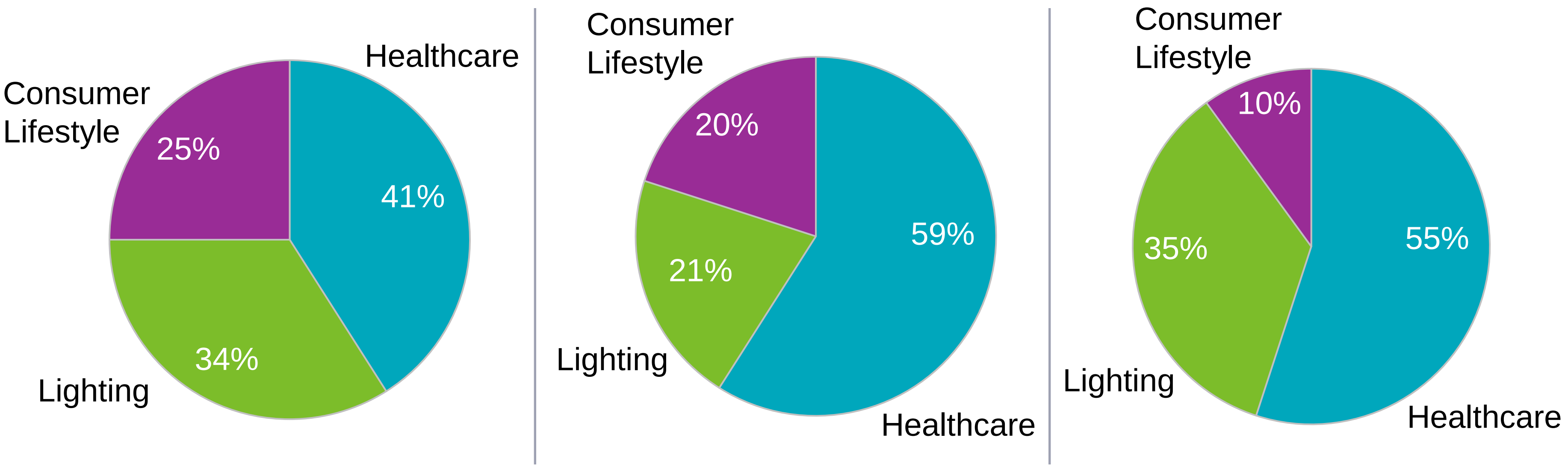
Recent accomplishments

- Philips regained its sector and super sector leadership in the Dow Jones Sustainability Index
- Philips reaches a joint first place in the Global Carbon Disclosure Leadership Index
- Top 10 position in Newsweek Green ranking 2011
- Top 50 position in Best Global Green Brands 2012
- Philips received the prestigious Giga Ton Award (known as the Green Oscar) for its long-standing business leadership to reduce carbon usage
- Philips received an overall global rating of 10.0 (“best in class”), the highest being assigned from GMI, an independent global company in Corporate Governance and ESG

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

Last twelve months

Sales	Adjusted EBITA	Net Operating Capital
100% = EUR 23.2B[1]	*100% = EUR 2.1B*[1, 2]	*100% = EUR 15.4B*[1]



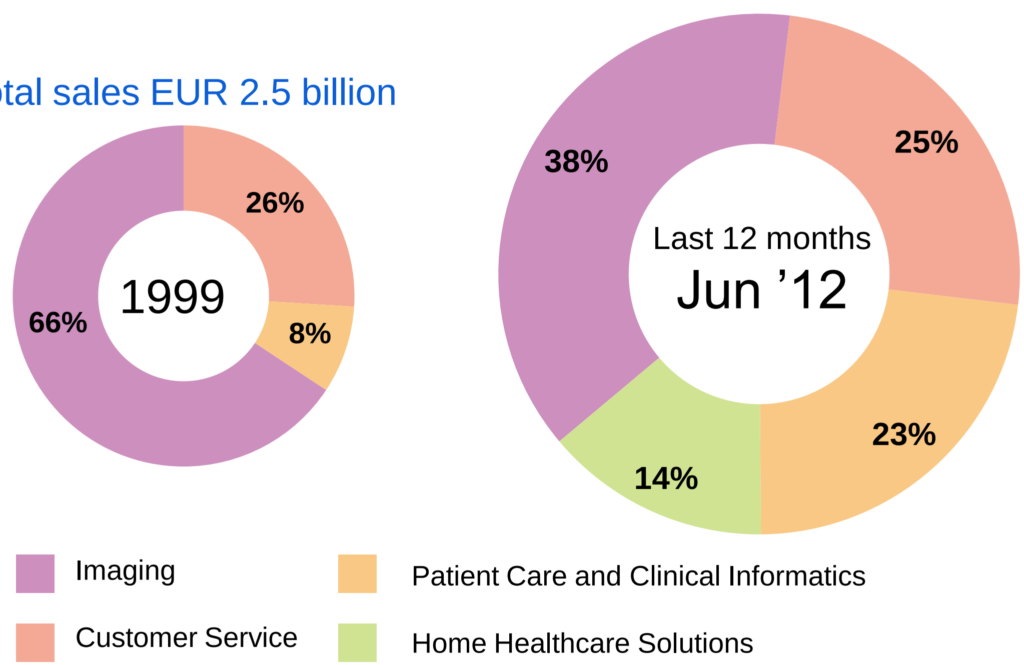
[1] Excluding Central sector (IG&S)
[2] EBITA adjustments based on the following gains/ charges: for Healthcare EUR (40)M, Consumer Lifestyle EUR 126M and Lighting EUR (134)M
Note - All figures exclude discontinued operations

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 geographies
- International expansion of the home healthcare business
- Executing operational excellence initiatives to increase margin and time-to-market

Total sales EUR 2.5 billion

Total sales EUR 9.4 billion



Depth and reach of Philips Healthcare

What we do. Where we are.

Philips Healthcare

Businesses[1]

Imaging Systems

Home Healthcare Solutions

Patient Care and Clinical Informatics

Customer Services

Geographies[1]

North America

Growth Geographies

All Other Geographies[2]

Imaging Systems	Home Healthcare Solutions	Patient Care and Clinical Informatics	Customer Services	North America	Growth Geographies	All Other Geographies[2]
38%	14%	23%	25%	45%	22%	33%

€8.9
Billion sales in 2011

37,000+
People employed worldwide in 100 countries

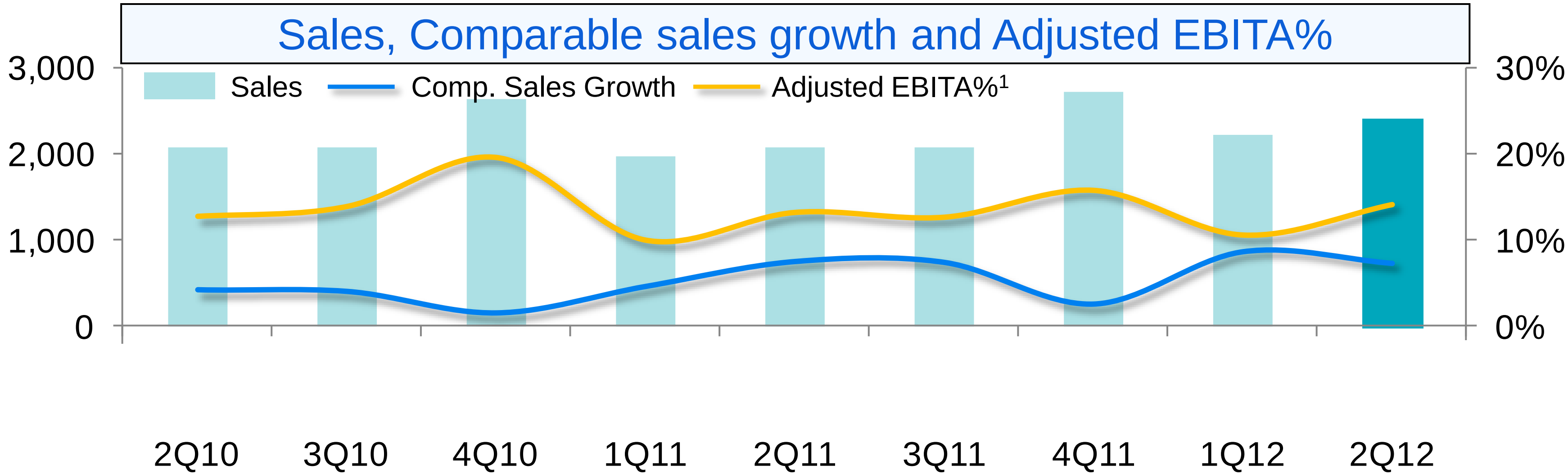
8%
of sales invested in R&D in 2011

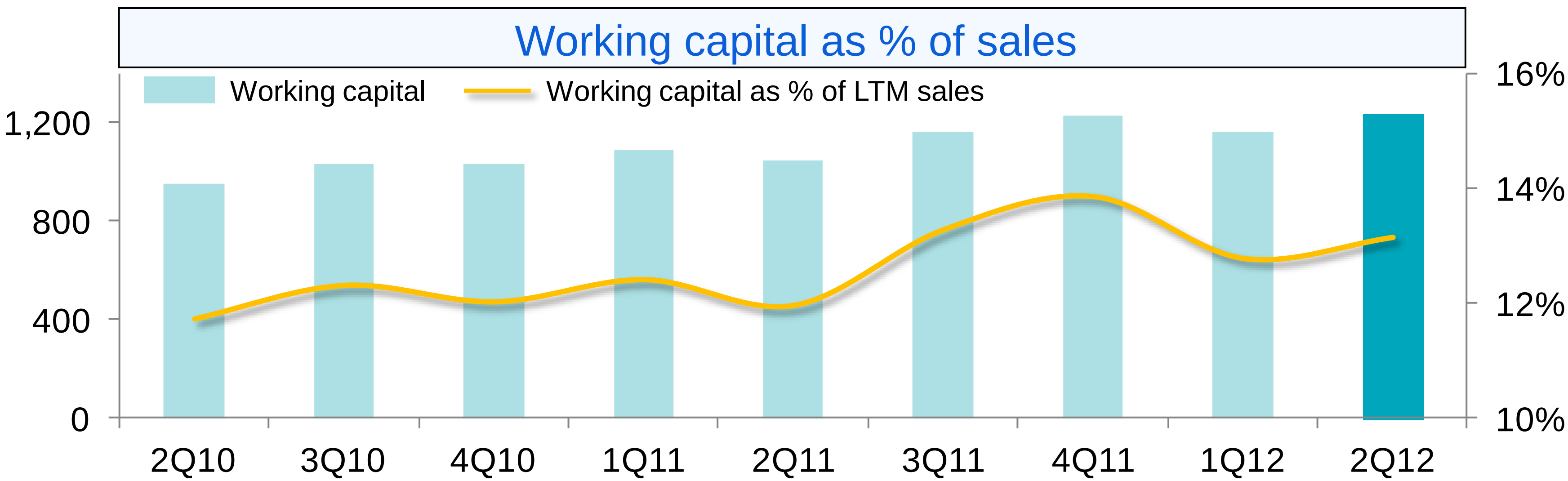
450+
Products & services offered in over 100 countries

[1] Last twelve months June 2012
[2] All other geographies include Western Europe, Australia, New-Zealand, South Korea, Japan and Israel

Healthcare: key financials over the last two years

EUR million





[1] Adjusted EBITA is EBITA corrected for incidental charges (details on slide 87)

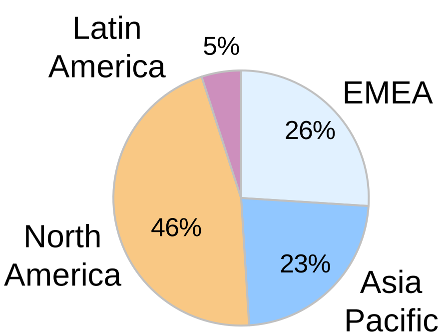
Healthcare: Q2 2012 Sector analysis

EUR million

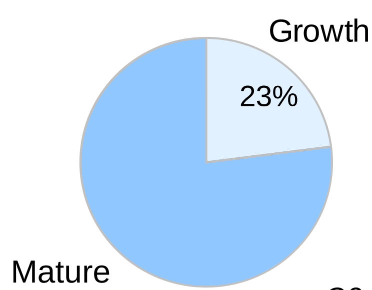
Key figures

	2Q11	1Q12	2Q12
Sales	2,080	2,209	2,413
% sales growth comp.	*8*	*9*	*7*
EBITA	276	225	333
EBITA as % of sales	*13.3*	*10.2*	*13.8*
EBIT	(611)	175	284
EBIT as % of sales	*(29.4)*	*7.9*	*11.8*
NOC	7,534	8,039	8,542
Employees (FTEs)	37,351	37,951	37,887

Sales per region



Growth Geographies



Q2 2012

Financial performance

- Currency-comparable equipment order intake grew 4% year-on-year. Equipment order growth was seen at both Imaging Systems and Patient Care & Clinical Informatics. Equipment orders in North American markets were 3% lower than in Q2 2011, while orders in Western Europe declined by 6%. Equipment orders in growth geographies were 13% higher, while equipment orders in Japan showed strong double-digit growth.

- Comparable sales were 7% higher year-on-year, with solid sales increases in all businesses, notably double digit growth at Patient Care & Clinical Informatics, high single-digit growth at Imaging Systems, and mid-single digit growth at Home Healthcare Solutions. From a regional perspective, comparable sales in mature markets grew 4% year-on-year, with North America growing by 7% and Western Europe declining by 1%. Growth-geography sales grew 22% year-on-year.

- EBITA increased by EUR 57 million year-on-year to EUR 333 million, or 13.8% of sales. EBITA improvement was driven by higher sales volumes and increased operational leverage. Excluding restructuring and acquisition-related charges, EBITA amounted to EUR 341 million, or 14.1% of sales, compared to EUR 275 million, or 13.2% of sales, in Q2 2011.

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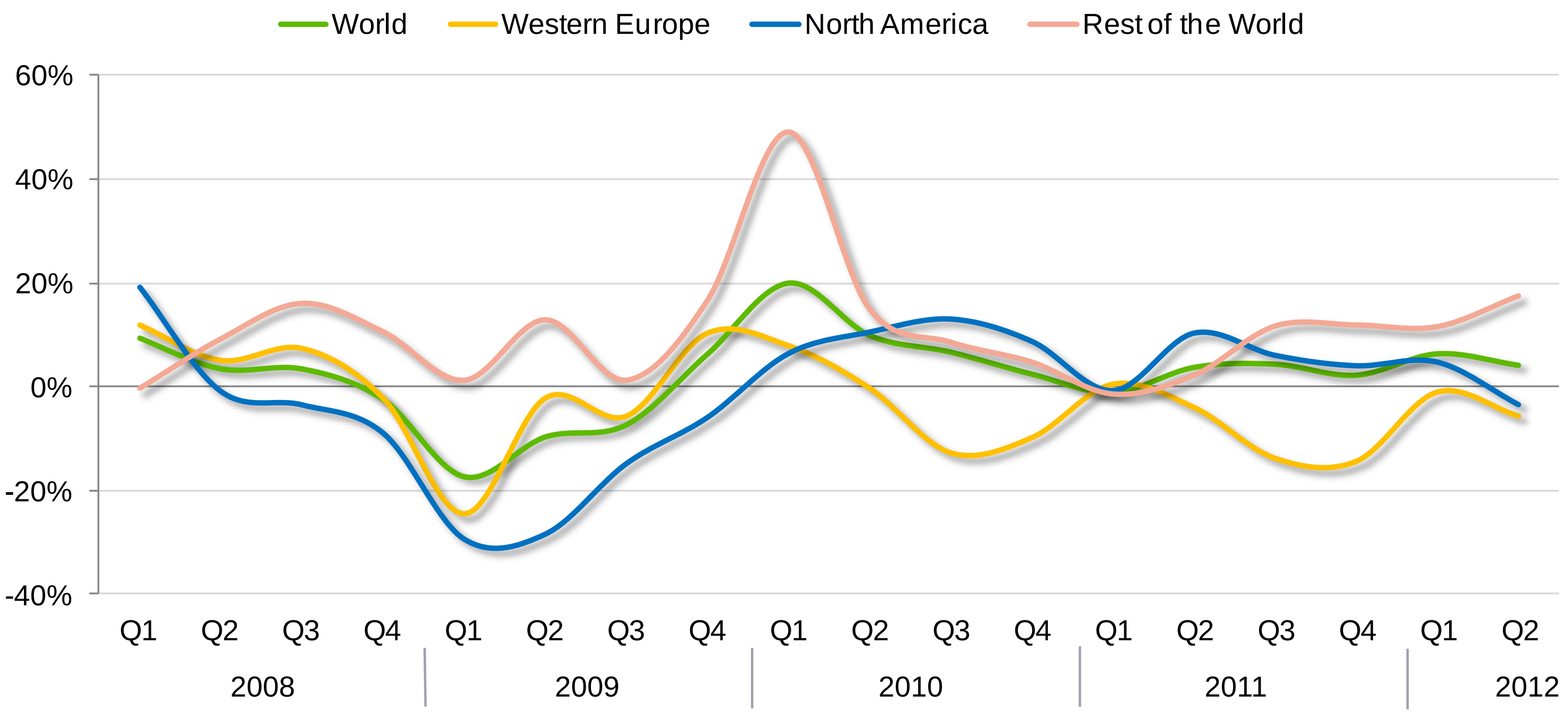
Healthcare: Equipment order intake

Quarterly currency adjusted equipment order intake



Currency adjusted order intake only relates to the Imaging Systems and Patient Care & Clinical Informatics businesses

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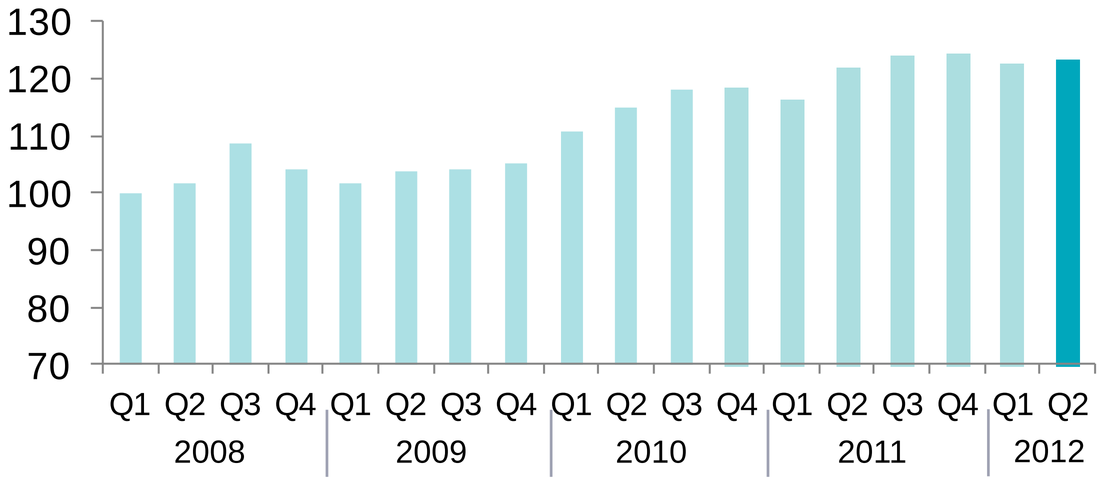
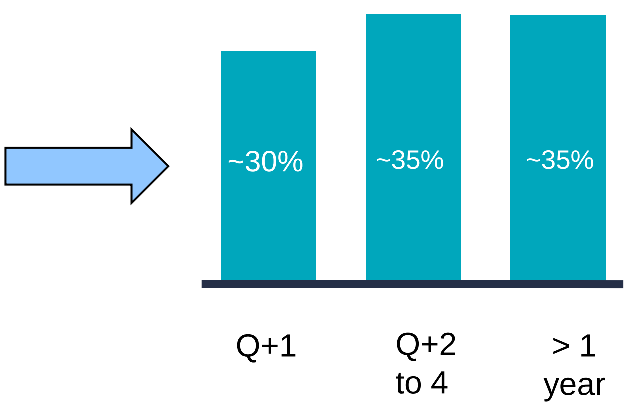
Healthcare: Equipment order book

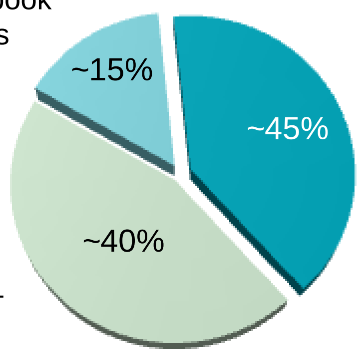
Indexed Equipment Order Book Development



Typical profile of equipment order book conversion to sales



Quarter end equipment order book is a leading indicator for ~45% of sales the following quarters



- Order book level back to pre-crisis levels
- Approximately 60-65% of the current order book results in sales within next 12 months

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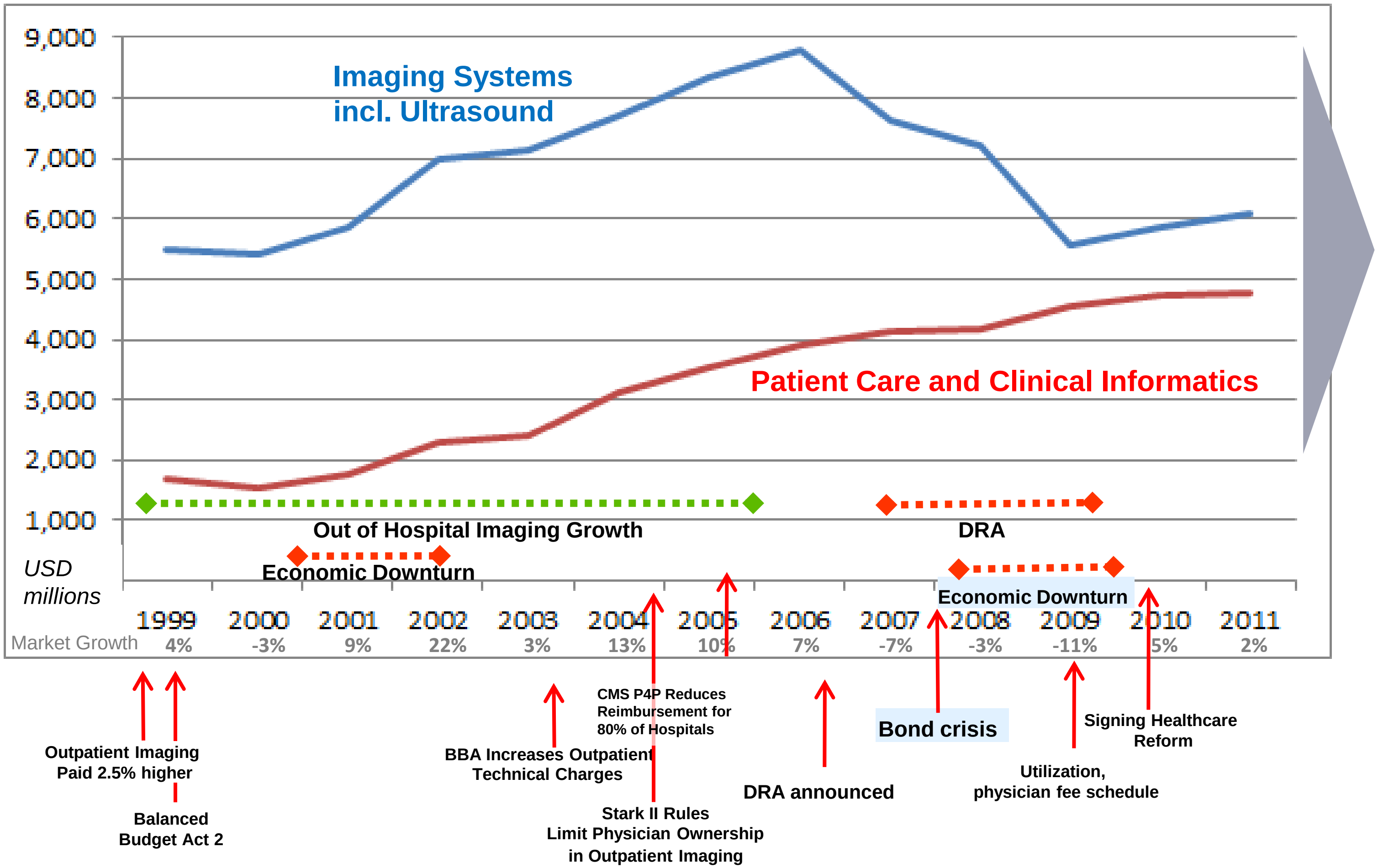
Healthcare historical market development

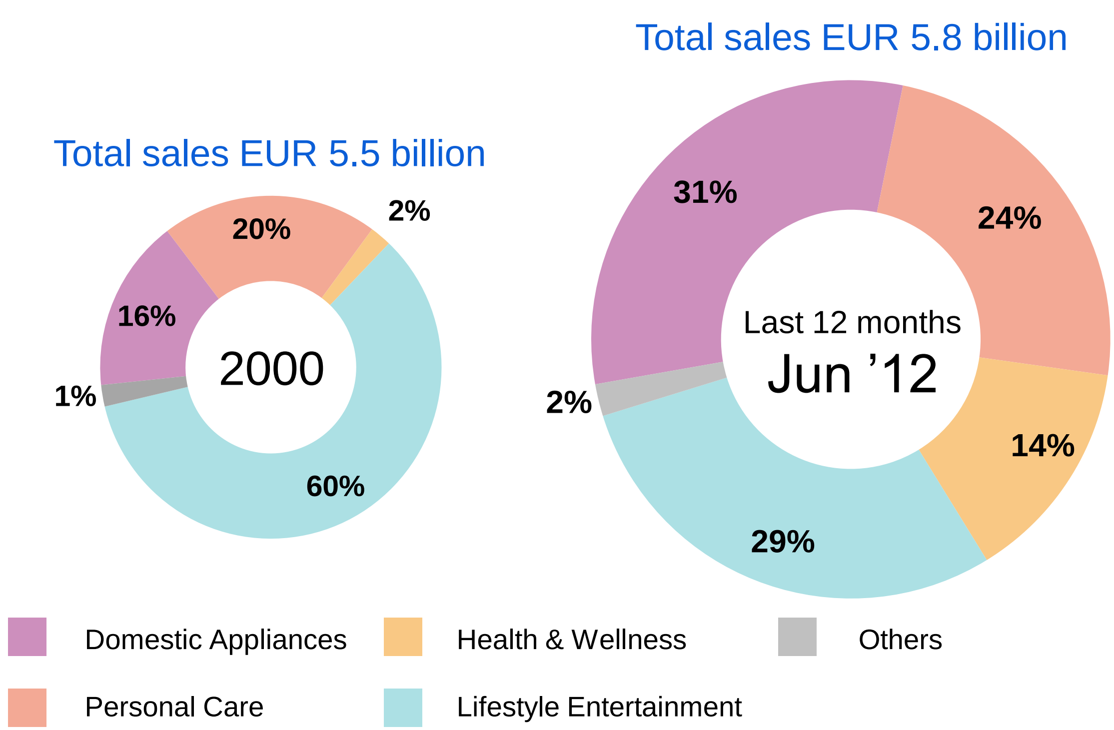
North America Market Size/ Growth and Impacts



Philips current expectation for the US Imaging Systems market for 2012-2015 is low - to mid single-digit growth

Consumer Lifestyle: Reshaping the portfolio towards growth

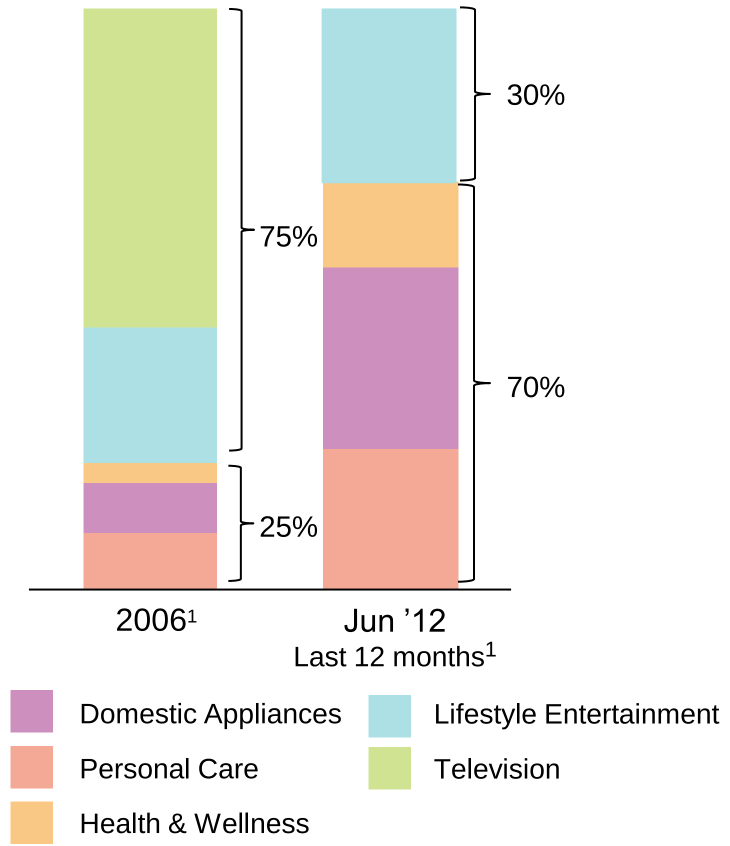
- Right-size the organization post TV JV
- Address Lifestyle Entertainment portfolio and execute turn-around plan
- Continued growth investment in core businesses towards global category leadership
- Regional business creation; leverage acquisitions in China and India



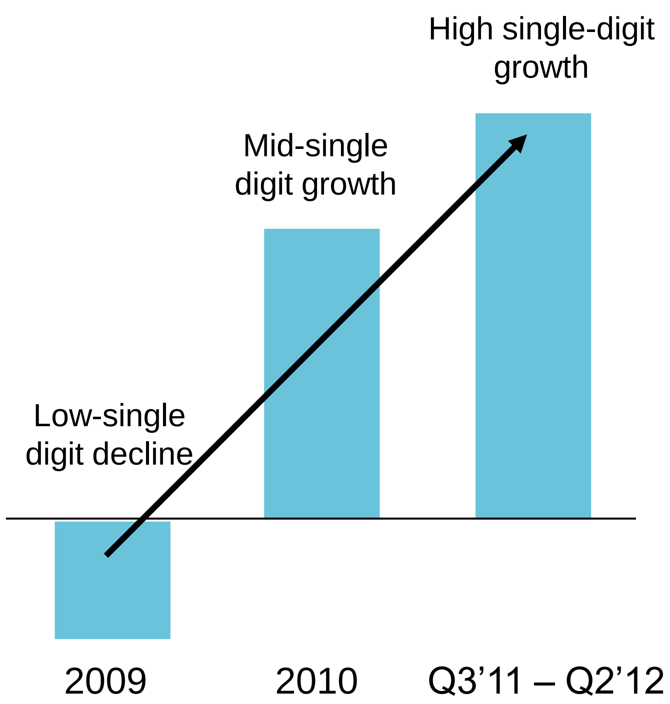
We increase focus

We have reduced our exposure to Consumer Electronics from ~75% towards ~30%

We have reduced our exposure to Consumer Electronics from ~75% towards ~30%



We see strong growth in the combined Personal Care, Health & Wellness and Domestic Appliances businesses[1]



[1] Excluding others

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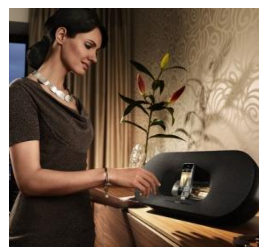
Consumer Lifestyle

What we do. Where we are.

Philips Consumer Lifestyle

Businesses[1, 2]				Geographies[1]	
Personal Care	Health & Wellness	Domestic Appliances	Lifestyle Entertainment	Mature Geographies	Growth Geographies
					
24%	14%	31%	29%	56%	44%

€5.6
Billion sales in 2011

19,000+
People employed worldwide

5%
of sales invested in R&D in 2011

27%
of green product sales in 2011

[1] Last twelve months June 2012
[2] Other category (2%) is omitted from this overview
Note - All figures exclude discontinued operations

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We will drive global scale and category leadership

In Male Grooming, Oral Healthcare, Kitchen Appliances and Coffee. All of these categories show healthy growth and profit potential

Ambitions

Male Grooming

- Grow the #1 leadership position through launching new propositions
- Recruiting young new users and upgrading existing users
- Accelerate the leadership in China through geographical expansion

Oral Healthcare

- Strengthen global #2 position in rechargeable toothbrushes and brush heads
- Expand geographically, addressing more price points and entering new channels
- Expand into adjacencies; e.g. interdental cleaning

Kitchen Appliances

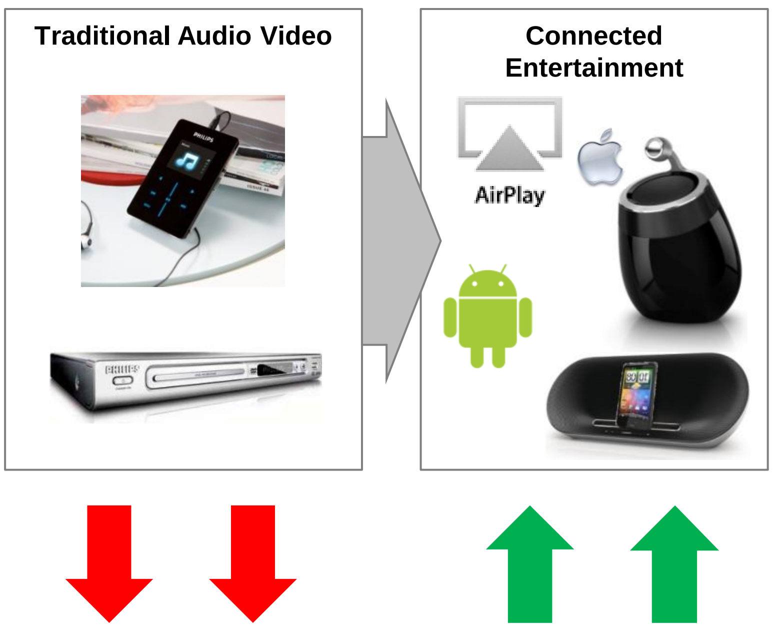
- Global leadership through local relevance
- Establish four regional product creation hubs (leveraging acquisitions)
- Integrated supply chain to differentiate, improve quality and drive costs down

Coffee

- Gaining leadership positions in full automatic espresso
- Launching new portioned initiatives

We are turning around Lifestyle Entertainment focusing the portfolio on growing categories

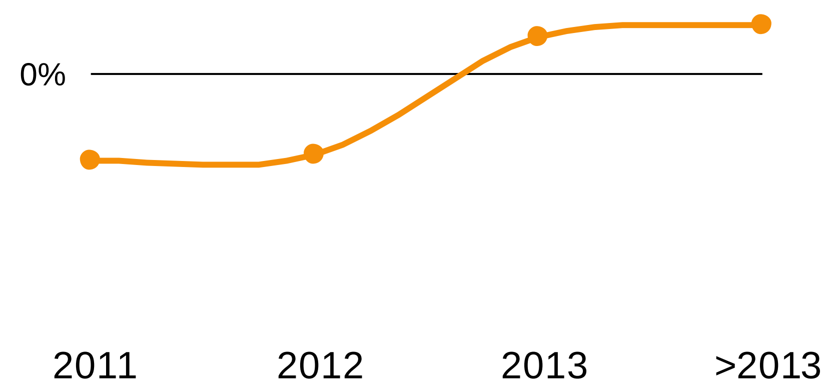
We will transition the Lifestyle Entertainment portfolio towards growing and profitable categories



- Launch Airplay & Android docking
- Grow Connected Entertainment
- Remain close to leading eco-systems (e.g. Apple & Android)

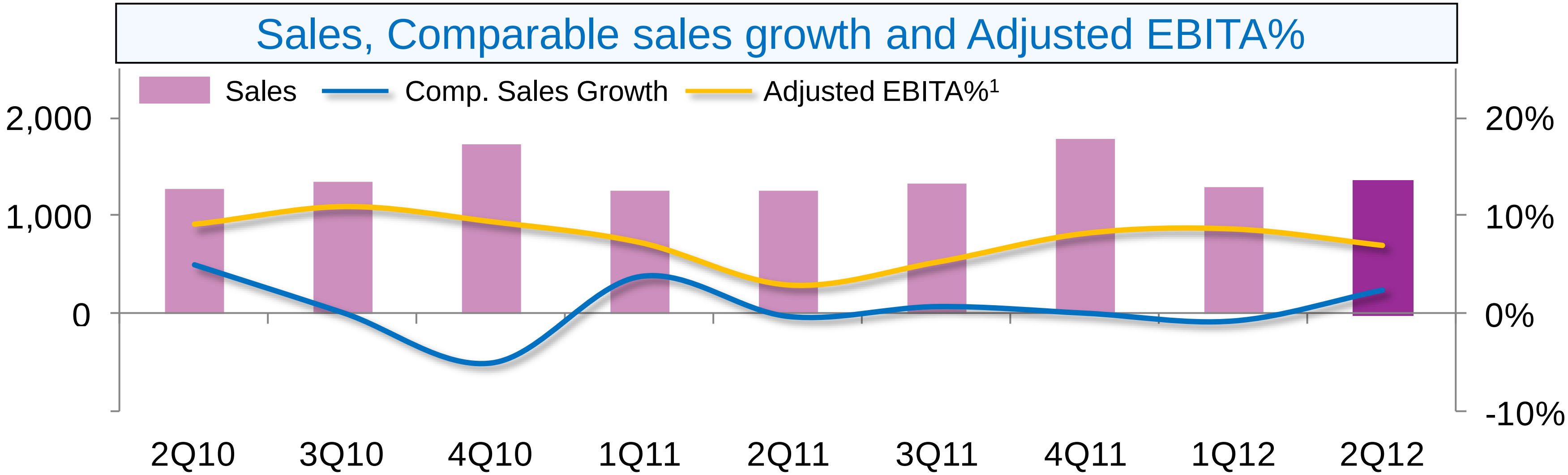
The transition of the portfolio will result in modest sales growth from 2013 onwards

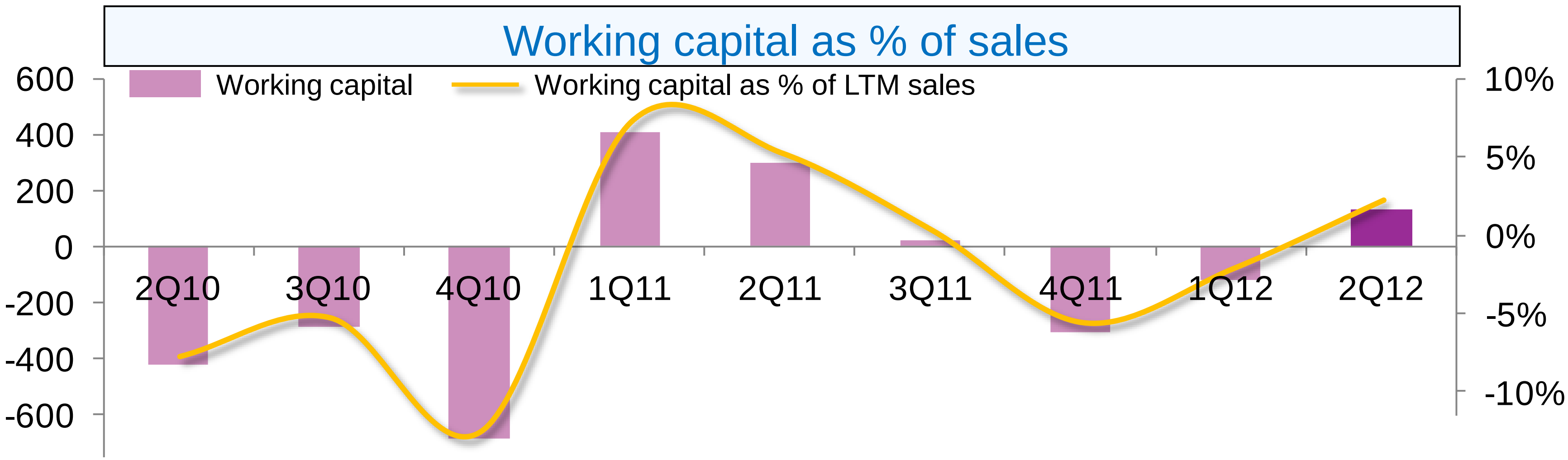
Sales growth development (%)
2011 - 2013



Consumer Lifestyle: financials over the last two years

EUR million





[1] Adjusted EBITA is EBITA corrected for incidental charges (details on slide 87)
Note - All figures exclude discontinued operations

PHILIPS

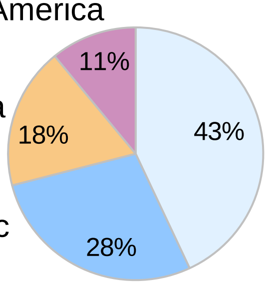
Consumer Lifestyle: Q2 2012 Sector analysis

EUR million

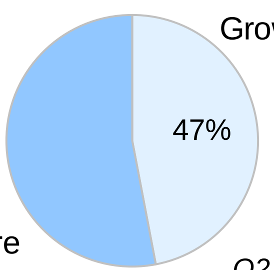
Key figures

	2Q11	1Q12	2Q12
Sales	1,247	1,286	1,356
% sales growth comp.	*(0)*	*(1)*	*3*
EBITA	26	259	103
EBITA as % of sales	*2.1*	*20.1*	*7.6*
EBIT	(9)	241	86
EBIT as % of sales	*(0.7)*	*18.7*	*6.3*
NOC	1,428	1,203	1,546
Employees (FTEs)	17,026	18,742	19,277

Sales per region



Growth Geographies



Financial performance

- Sales increased 9% nominally year-on-year. On a comparable basis sales increased 3%, driven by high single- digit growth in the combined growth businesses, i.e. Personal Care, Health & Wellness and Domestic Appliances, partly offset by a decline at Lifestyle Entertainment. Excluding Licenses and Lifestyle Entertainment, comparable sales increased by 8% year-on-year. Double-digit growth in Asia Pacific and mid-single-digit growth in North America were partly offset by a decline in Western Europe.
- EBITA included EUR 9 million of net costs formerly reported as part of the Television business in Consumer Lifestyle (EUR 18 million in Q2 2011).
- Excluding restructuring and acquisition-related charges of EUR 13 million in both Q2 2011 and Q2 2012 and the EUR 20 million gain on the Speech Processing business transaction in Q2 2012, EBITA margin increased from 3.1% to 7.1%. EBITA improvement was driven by higher earnings across all businesses and by lower net costs formerly reported as part of the Television business.
- Working capital as a % of the last twelve months' sales improved from 6% to 2%, largely driven by lower accounts receivable related to the former Television business in Consumer Lifestyle. Net operating capital increased by EUR 118 million mainly due to the consolidation of the Povos acquisition offsetting the working capital improvement.

Note - All figures exclude discontinued operations

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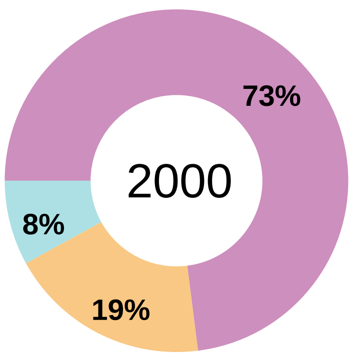
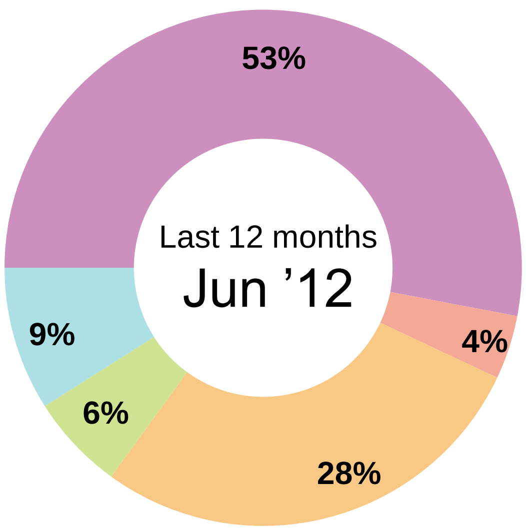
Lighting: Improve profitability on the path to LED and solutions

- Accelerate transformation to LED, applications and solutions
- Strengthen performance management and execution
- Address cost base and margin management
- Deliver on turnaround of Consumer Luminaires and Lumileds

Total sales EUR 4.9 billion[1]



Total sales EUR 8.0 billion



Light Sources & Electronics
Professional Lighting Solutions
Consumer Luminaires
Automotive
Lumileds

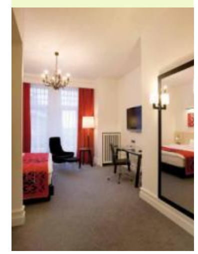
[1] Excluding batteries EUR 0.2 billion

We increase our focus towards the people we serve

Further strengthening our global leadership in Lighting

Philips Lighting

Customer Segments[1]

Homes	Offices	Outdoor	Industry	Retail	Hospitality	Entertainment	Healthcare	Automotive
								
25%	15%	15%	8%	15%	4%	4%	3%	11%

€7.6
Billion sales in 2011

52,000+
People employed worldwide in 60 countries

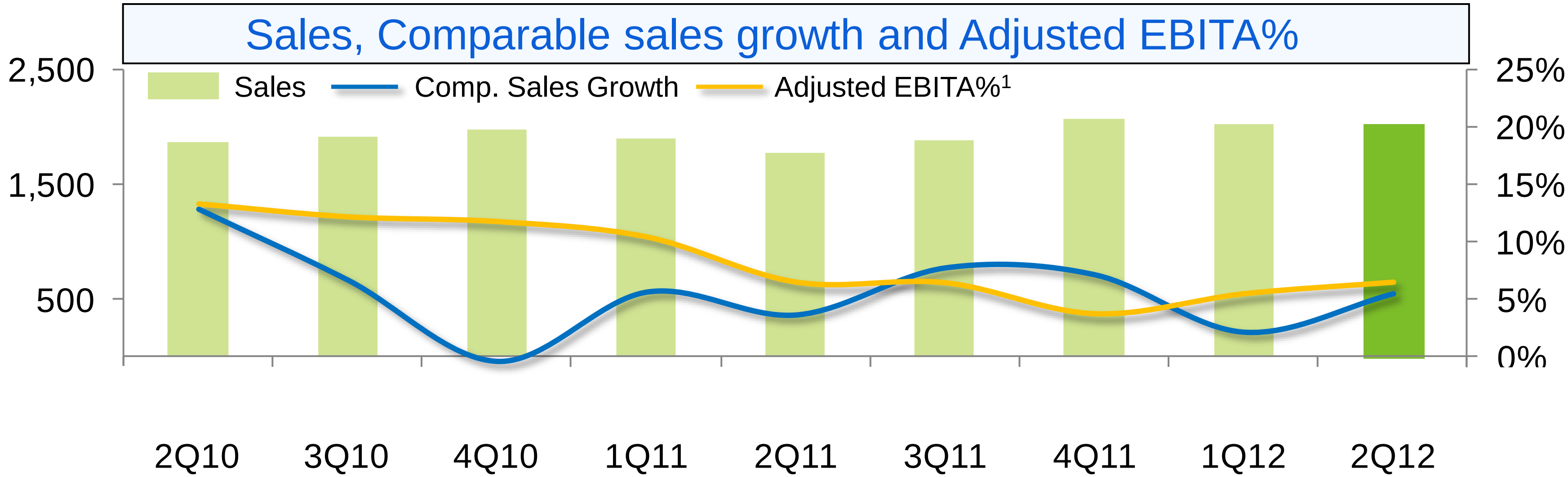
5%
of sales invested in R&D in 2011

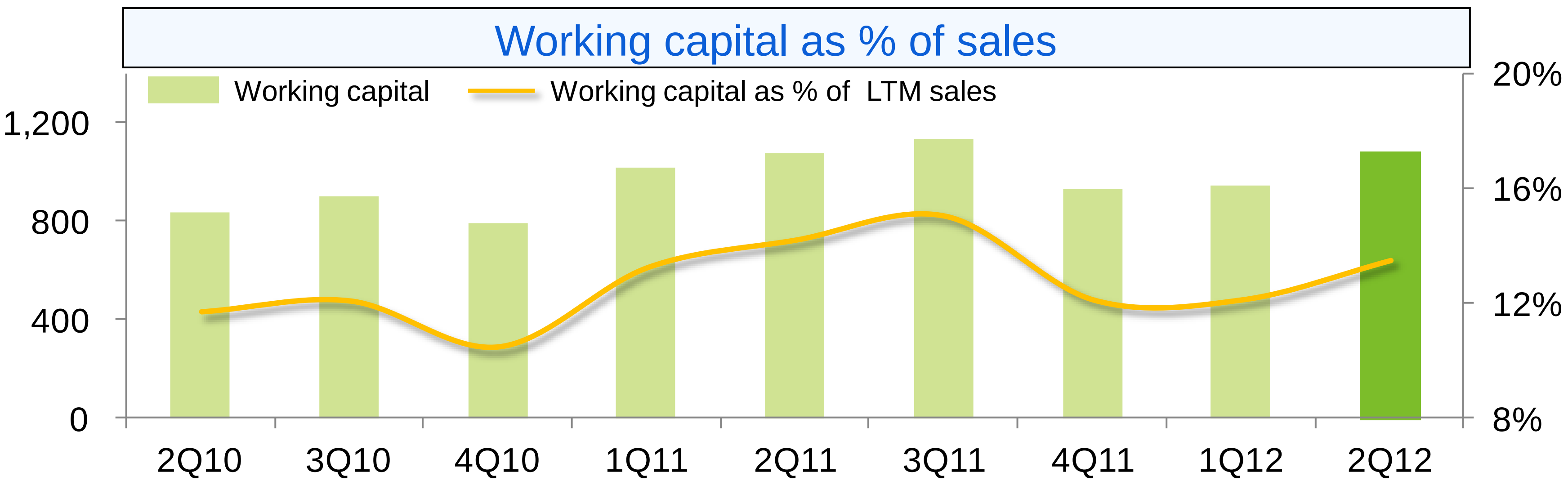
80,000+
Products & services offered in 2011

[1] Indicative split based on last twelve months June 2012

Lighting: financials over the last two years

EUR million





[1] Adjusted EBITA is EBITA corrected for incidental charges (details on slide 87)

PHILIPS

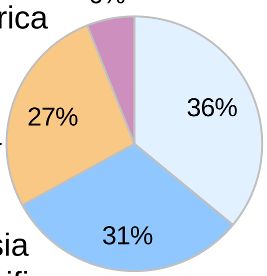
Lighting: Q2 2012 Sector analysis

EUR million

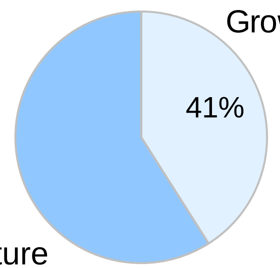
Key figures

	2Q11	1Q12	2Q12
Sales	1,777	2,015	2,026
% sales growth comp.	*4*	*2*	*6*
EBITA	101	61	93
EBITA as % of sales	*5.7*	*3.0*	*4.6*
EBIT	(470)	17	49
EBIT as % of sales	*(26.4)*	*0.8*	*2.4*
NOC	5,021	5,060	5,343
Employees (FTEs)	54,728	53,169	52,749

Sales per region



Growth Geographies



Q2 2012

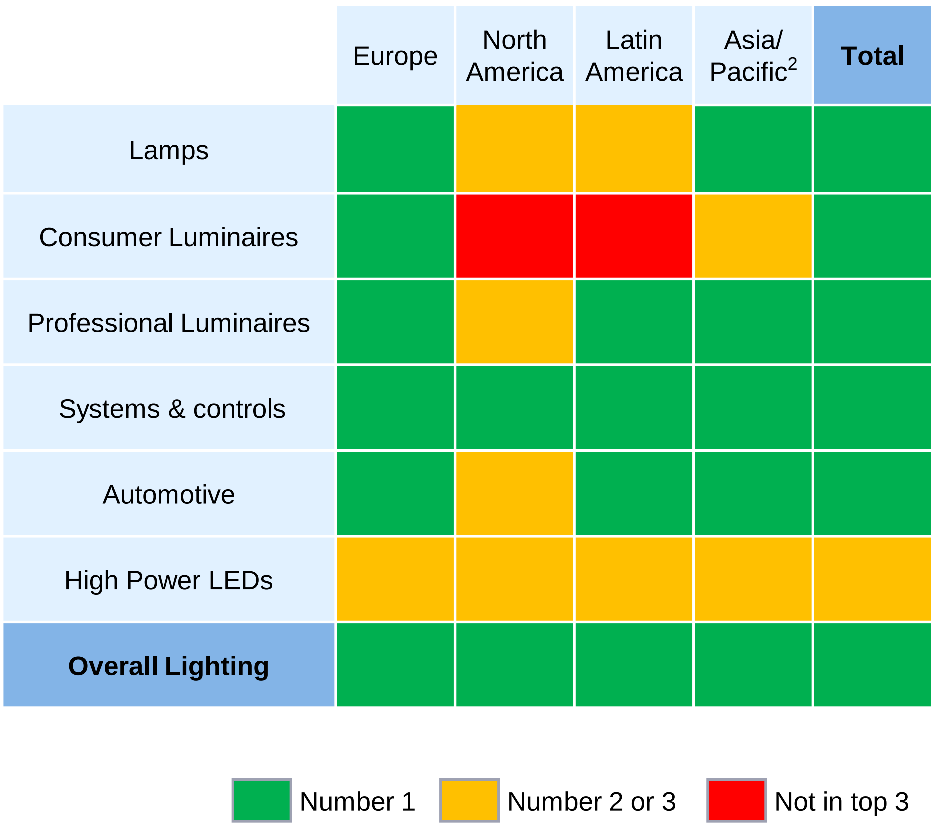
Financial performance

- Comparable sales increased by 6% year-on-year, led by double-digit sales growth at Light Sources & Electronics and high-single-digit sales growth at Automotive.
- From a geographical perspective, sales (excluding Lumileds) in the growth geographies increased by 13%, while high-single-digit growth was recorded in North America. Sales in Europe were slightly below the level of Q2 2011.
- LED-based sales grew 37% compared to Q2 2011, and now represent 20% of total Lighting sales.
- EBITA, excluding restructuring and acquisition-related charges of EUR 38 million (Q2 2011: EUR 14 million), amounted to EUR 131 million, or 6.5% of sales. The year-on-year EBITA increase was driven by sales growth and improvements in our cost structure delivered by the Accelerate! program.
- Inventories as a % of sales improved by 40 basis points year-on-year. The increase in net operating capital is due to currency impact and the consolidation of Indal in Q1 2012.
- The number of employees compared to Q2 2011 decreased by 1,979, which comprises of an increase of 959 employees due to the acquisition of Indal, and a reduction of 2,938 employees. The reduction was related to overhead cost reduction initiatives as well as the rationalization of the industrial footprint.

The leading global lighting company

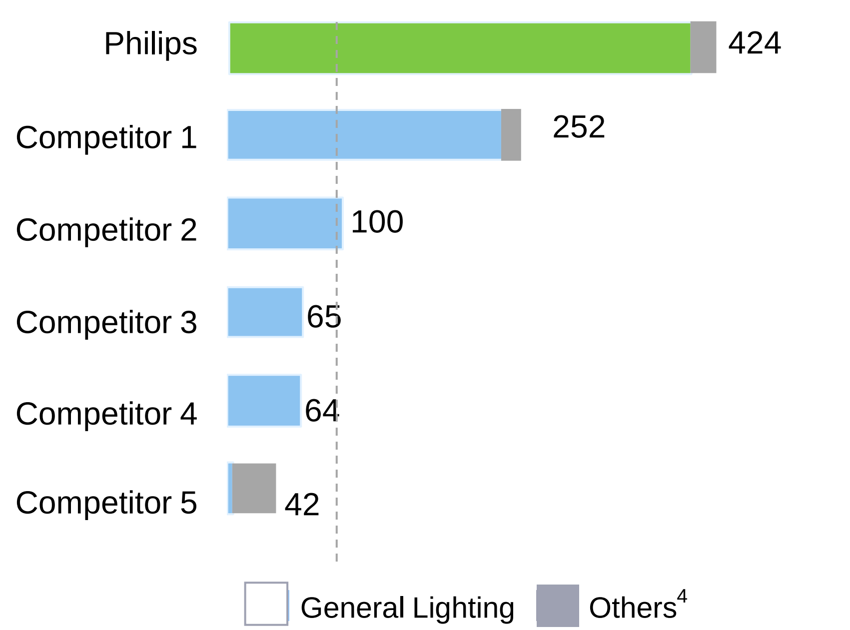
Market leadership[1] across most categories

Market share per Business Group by Region,
as per Q1 2012



We are the largest lighting company…

Indexed sales of Philips lighting and top 5 competitors[3]



[1] Source: customer panels and Industry associations
[2] Excluding Japan
[3] Sales for competitors based on latest fiscal year
[4] Includes backlighting, display/ flash, projector lighting and other non-general illumination categories

PHILIPS

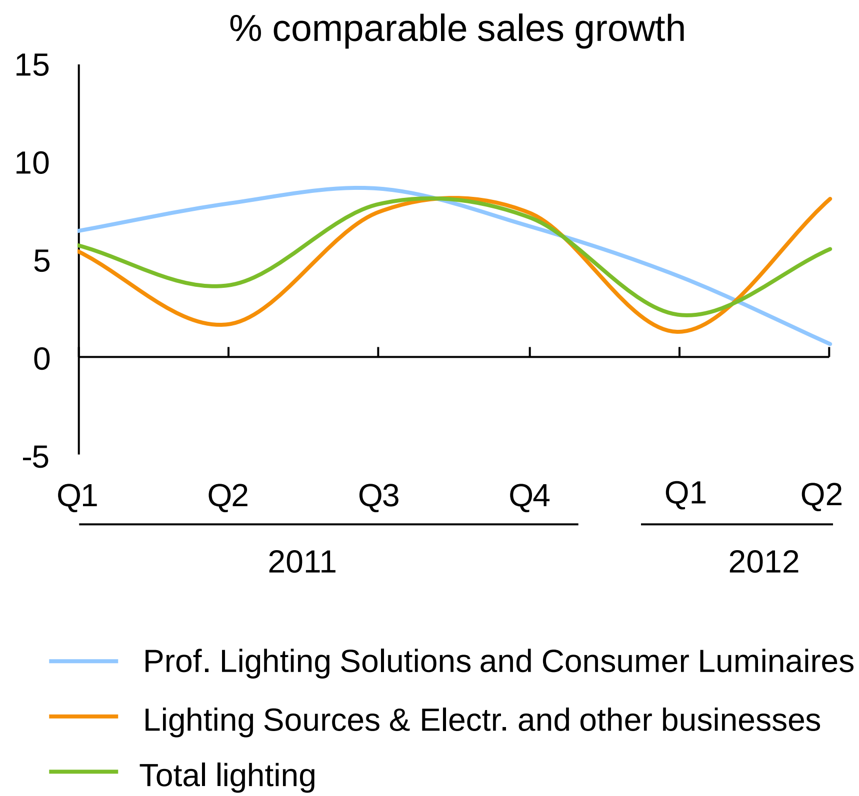
Sales recovery despite current weakness in the construction market in mature economies

Around 20% of Philips Lighting sales driven by New Build in Western Europe & North America (WE&NA)

Philips Lighting	New Build	Replace-ment	Total
Residential	**10%**	13%	23%
Commercial	**30%**	23%	53%
Other	17%	7%	24%
Total	57%	43%	100%

New Build	WE&NA	ROW	Total
Residential	5%	5%	10%
Commercial	15%	15%	30%
Total	20%	20%	40%

Not yet firing on all cylinders: soft construction activity impacts Luminaires market in mature economies



We are the leading LED lighting company

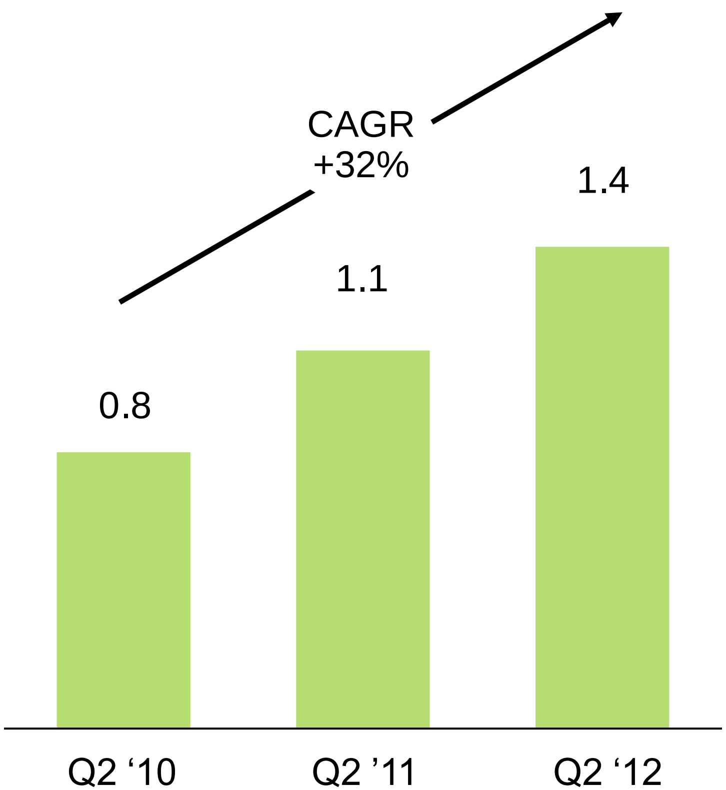
Strong positions in LED lighting

- LED licensing program with over 200 licensees is clear testimony of our LED innovation leadership
- One of the leading lighting packaged LEDs players worldwide
- LED lamps market share exceeds our share in conventional lamps
- Largest LED luminaires company



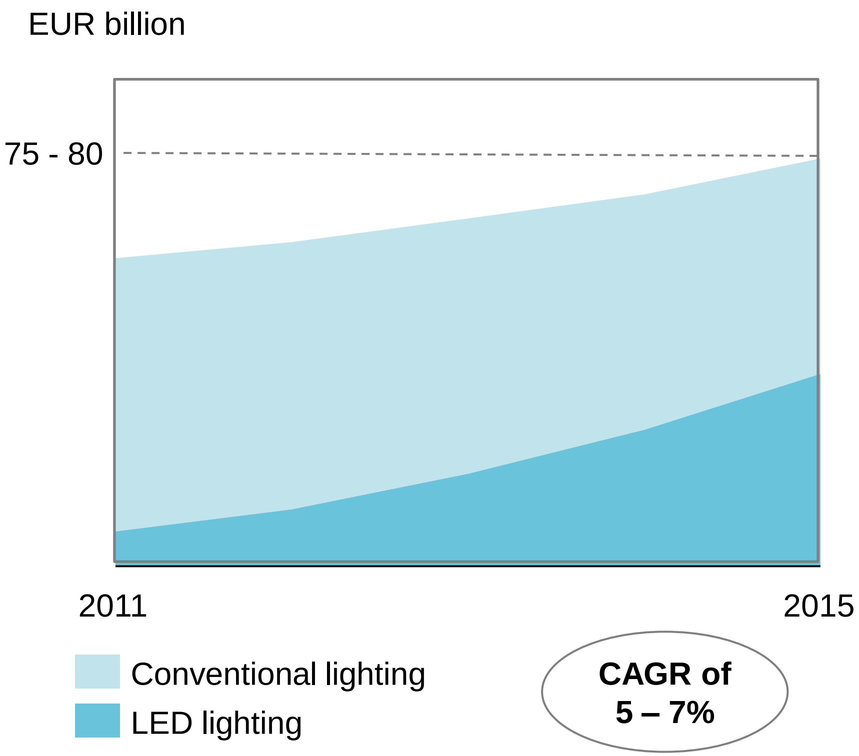

Robust growth across our LED portfolio

Last 12 months sales, EUR billion



The lighting industry is transforming and offers significant growth opportunities

Global General Illumination[1] market forecasted to grow to around EUR 80 billion by 2015…



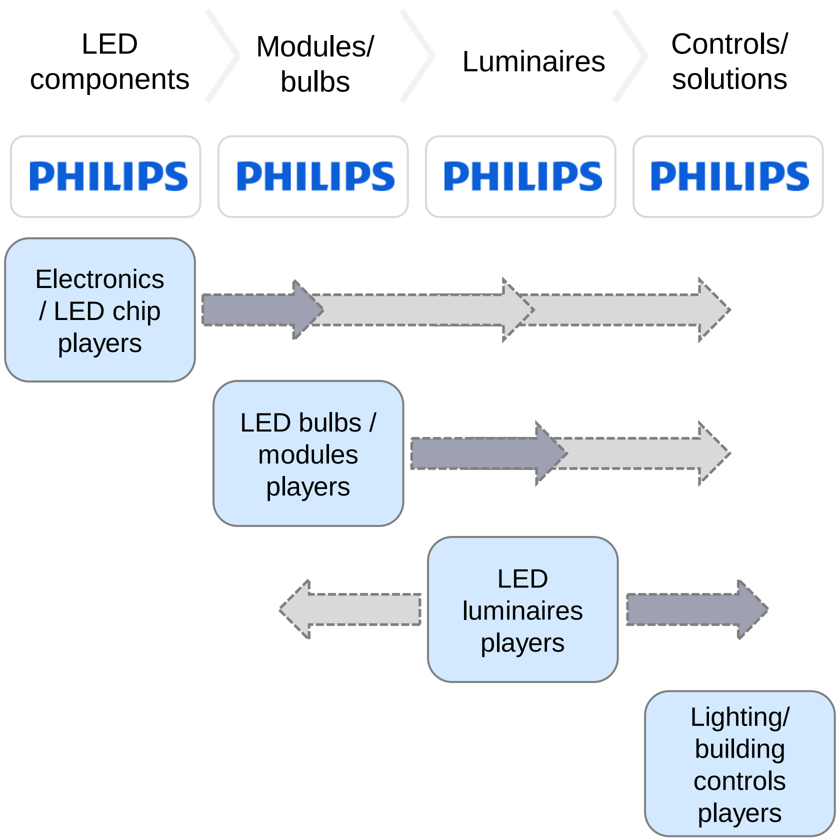
…driven by LED, legislation and increasing light points in growth geographies

- Lighting market will grow faster than GDP, driven by:
  - **LED**: LED penetration forecasted to grow to ~45% by 2015
  - **Energy efficiency**: Many governments are phasing out inefficient lighting technologies
  - **Growth in light points**: Increased electrification leading to strong growth in light points in growth geographies
- Conventional lighting continues to be a large part of the market

[1] Excluding Automotive Lighting and LED components market
Source: Philips Lighting global market study 2010, updated for 2011

Philips has a unique position in a changing lighting competitive landscape

Digital Lighting value chain

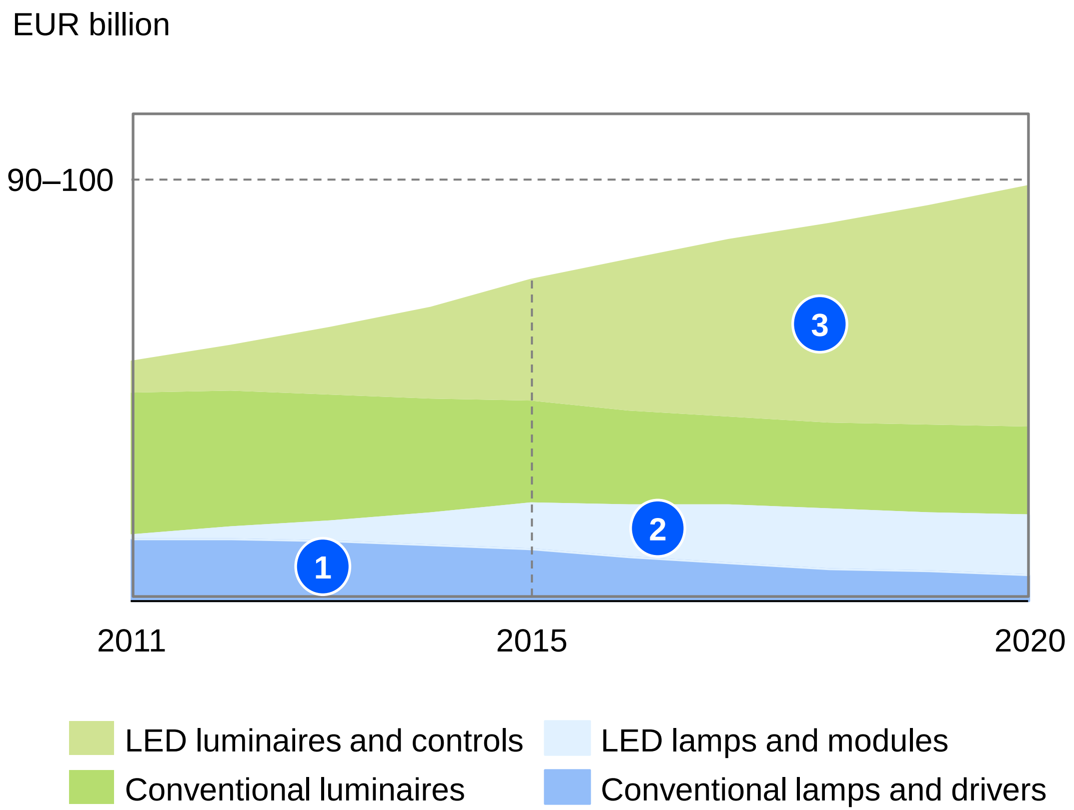


The changing industry landscape

- Traditional value chain had:
  - 3 to 4 global and few local lamps players
  - 6 to 8 regional and thousands of local luminaires players
- Lower barriers to entry in LEDs will initially mean more players across the value chain – not all positioned to win
- Building systems and lighting controls players collaborating on turnkey projects for energy savings
- Philips has an unique advantage, leveraging strong position across the value chain

We have a strategy to maintain leadership in conventional lighting and win in LEDs/ applications

Global General Illumination[1] market



1

Win “golden tail” in conventional lamp and drivers.
Create flexibility to anticipate slower or faster phase out

2

Leverage growth opportunity in LED lamps and modules

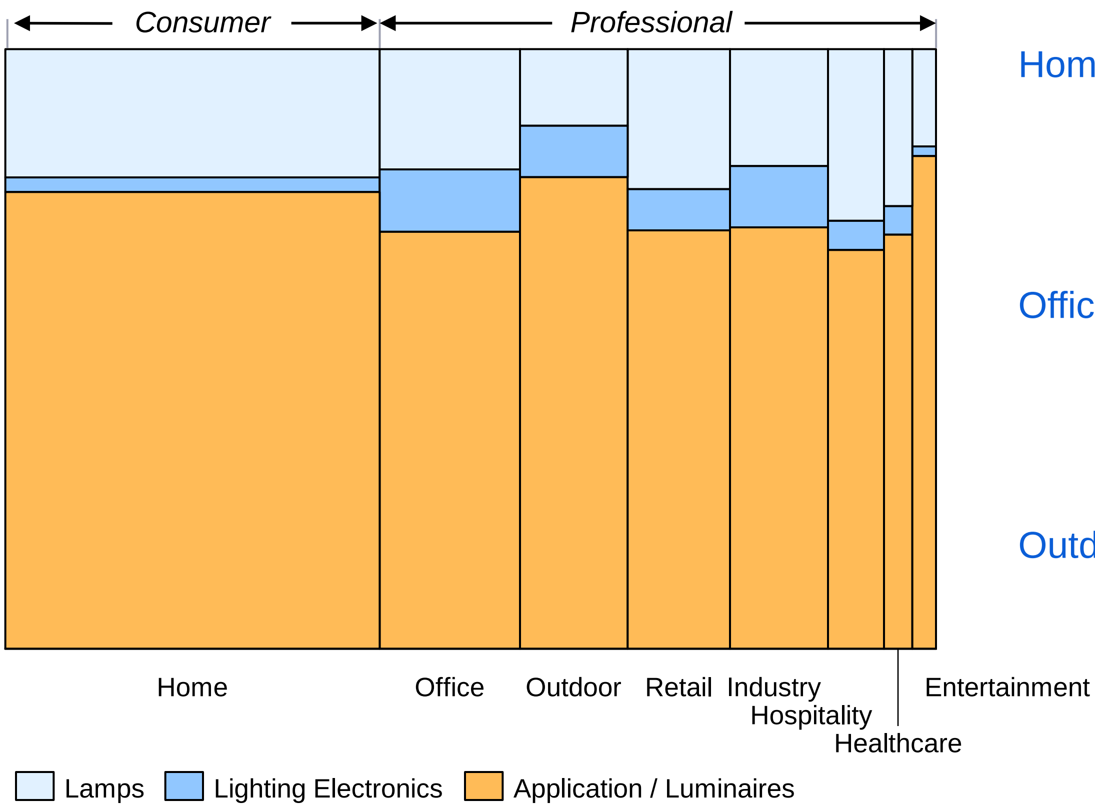
3

Invest in LED luminaires and controls to secure future leadership

[1] Excluding Automotive Lighting and LED components market
Source: Philips Lighting global market study 2010, updated for 2011

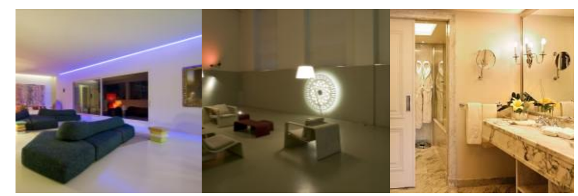
Home, Office, and Outdoor are the biggest segments Professional is the largest channel

Total market size in 2011[1]: EUR 55-60 billion



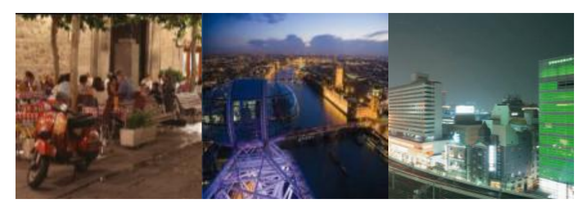
Biggest segments

Home



Office

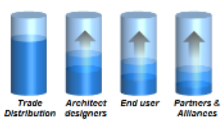
Outdoor



[1] General illumination (excludes Automotive)
Source: Philips Lighting global market study 2010, updated for 2011

Building on necessary strengths for sustainable value creation

Strengths

PHILIPS	Philips brand	• World's 41st most valuable brand in 2011 compared to the 65th in 2004
	Cost-efficiency and responsiveness	• Integrated value chain and end-to-end processes for fastest time-to-market • Low-cost and highly efficient manufacturing and supply base
	Go-to-market strength	• Strong Key Account Management and specifier relations • Strong coverage in 4 metropolitan cities and 32 main cities in China • Over 1 million selling points through wholesale in India
	Innovation leader	• Leader in LED lighting innovation (e.g. L-prize), with an established technology roadmap, ahead of competition • Leading IP position acknowledged across the industry
	Global footprint	• Serving customers in 100 + countries • Growth geographies contributing around 40% of our total revenue • Global presence driving scale

Innovation, Group & Services

Formerly known as Group Management & Services

Group Innovation

Philips Group Innovation encompasses Group Funded Research and Innovation, Design and Emerging Businesses

IP Royalty

Royalty/licensing activities related to the IP on products no longer sold by the sectors

Group Management and Regional Costs

Group headquarters and country & regional overheads

Accelerate! related investments

Costs related to consultancy, investments in IT, and internal departments dedicated to Accelerate! programs and expected to stop by the end of the program in 2014

Pensions

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

Service Units and Other

Global service units; Shared service centers; Corporate Investments, TV stranded costs and other incidentals related to the legal liabilities of the Group

PHILIPS

Innovation,Group & Services: Q2 2012 Sector analysis

EUR million

Key figures

	2Q11	1Q12	2Q12
Sales	112	98	97
% sales growth comp.	*(7)*	*(5)*	*(13)*
EBITA:			
Group Innovation	(6)	(29)	(33)
IP Royalty	50	45	35
Group & Regional Costs	(29)	(31)	(28)
Accelerate! investments	-	(26)	(34)
Pensions	(12)	6	31
Services Units & Other	(35)	42	(50)
EBITA	(32)	7	(79)
EBIT	(33)	5	(81)
NOC	(2,681)[1]	(3,624)	(3,900)
Employees (FTEs)	12,128	12,146	11,888

Financial performance

- Sales decreased from EUR 112 million in Q2 2011 to EUR 97 million in Q2 2012, mainly due to lower license income.
- EBITA amounted to a net cost of EUR 79 million, an increase of EUR 47 million year-on-year, mainly due to investments related to the Accelerate! program and higher restructuring costs. Excluding the Q2 2012 restructuring costs of EUR 40 million (EUR 2 million accrual release in Q2 2011) and the one-time gain of prior service cost related to a medical retiree benefit plan in Q2 2012, EBITA amounted to a net cost of EUR 64 million, compared to EUR 34 million in the prior year.
- EBITA in Pensions was EUR 43 million higher than in Q2 2011, mainly due to a one-time gain of prior service cost related to a retiree medical plan of EUR 25 million.
- Service Units and Other EBITA includes EUR 9 million (EUR 21 million in Q2 2011) of net costs formerly reported as part of the Television business in Consumer Lifestyle, as well as EUR 28 million of additional restructuring charges compared to Q2 2011.
- Excluding both these items, Service Units and Other EBITA was EUR 5 million better than in Q2 2011.

[1] Revised to reflect an adjusted property, plant and equipment reclassification to assets classified as held for sale

PHILIPS

sense and simplicity

Appendix

Publication and AGM dates 2012

January 30	Fourth quarterly and annual results 2011
February 23	Annual Report 2011
April 23	First quarterly results 2012
April 26	Annual General Meeting of Shareholders
July 23	Second quarterly and semi-annual results 2012
October 22	Third quarterly results 2012

PHILIPS

Depreciation and amortization

EUR million

	Q2 2011	Q2 2012
Depreciation	158	170
Amortization of development assets	34	41
Amortization intangibles[1]	139	113
Amortization of software	19	19
Philips Group	350	343

[1] Excluding amortization of software and product development

PHILIPS

Fixed assets expenditures & Depreciation by sector[1]

EUR million

	Gross CapEx		Depreciation	
	Q2 2011[2]	Q2 2012	Q2 2011[2]	Q2 2012
Healthcare	54	46	42	49
Consumer Lifestyle	34	37	25	28
Lighting	73	80	68	73
IG&S	17	26	23	20
Group	178	189	158	170

[1] Excluding software related capital expenditures and depreciation
[2] Revised to reflect an adjusted capital expenditures on property, plant and equipment allocation

PHILIPS

Fixed assets expenditures & Depreciation by sector[1]

EUR million

	Gross CapEx		Depreciation	
	2010	2011[2]	2010	2011[2]
Healthcare	179	202	183	186
Consumer Lifestyle	116	148	112	109
Lighting	273	279	256	262
IG&S	53	74	93	75
Group	621	703	644	632

[1] Excluding software related capital expenditures and depreciation
[2] Revised to reflect an adjusted capital expenditures on property, plant and equipment allocation

PHILIPS

Development cost capitalization & amortization by sector

EUR million

	Capitalization		Amortization	
	Q2 2011	Q2 2012	Q2 2011	Q2 2012
Healthcare	46	59	19	22
Consumer Lifestyle	9	11	8	7
Lighting	14	18	7	12
IG&S	-	-	-	-
Group	69	88	34	41

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Development cost capitalization & amortization by sector

EUR million

	Capitalization		Amortization	
	2010	2011	2010	2011
Healthcare	109	160	69	76
Consumer Lifestyle	32	40	38	32
Lighting	40	59	27	30
IG&S	6	3	-	-
Group	187	262	134	138

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Restructuring, acquisition-related and other incidentals

EUR million

	1Q11	2Q11	3Q11	4Q11	**2011**	1Q12	**2Q12**
Acq.-related charges	(2)	(3)	(3)	(9)	**(17)**	(5)	**(4)**
Restructuring	4	4	1	(12)	**(3)**	(4)	**(4)**
Healthcare	2	1	(2)	(21)	**(20)**	(9)	**(8)**
Acq.-related charges	(10)	(12)	(9)	(14)	**(45)**	(6)	**(5)**
Restructuring	(3)	(1)	(1)	(4)	**(9)**	(7)	**(8)**
Other Incidentals	-	-	-	-	**-**	160[1]	**20**
Consumer Lifestyle	(13)	(13)	(10)	(18)	**(54)**	147	**7**
Acq.-related charges	(2)	(3)	(7)	-	**(12)**	(3)	**(3)**
Restructuring	(3)	(11)	(4)	(36)	**(54)**	(21)	**(35)**
Other Incidentals	-	-	-	-	**-**	(25)	**-**
Lighting	(5)	(14)	(11)	(36)	**(66)**	(49)	**(38)**
Restructuring	1	2	(1)	(25)	**(23)**	1	**(40)**
Other Incidentals	-	-	-	21	**21**	37	**25**
IG&S	1	2	(1)	(4)	**(2)**	38	**(15)**
Total Acq.-related charges	(14)	(18)	(19)	(23)	**(74)**	(14)	**(12)**
Total Restructuring	(1)	(6)	(5)	(77)	**(89)**	(31)	**(87)**
Total Others	-	-	-	21	**21**	172	**45**
Grand Total	(15)	(24)	(24)	(79)	**(142)**	127	**(54)**

[1] Sale of the Senseo trademark

Note – Figures can be used to make the bridge between reported and adjusted EBITA numbers

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