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sense and simplicity

Royal Philips Electronics

Third Quarter 2012
Information booklet

October 22nd, 2012

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 and the "Risk and uncertainties" section in our semi-annual financial report for the six months ended July 1, 2012.

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 our Annual Report 2011. 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 Q3 2012
3. Accelerate! Change and performance
4. Portfolio strength and path to value
5. Group and sector overview

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Management update Q3 2012: Group

Sales	• Comparable sales were 5% higher year-on-year to reach EUR 6.1 billion • Comparable sales growth in Healthcare was 7%, Lighting 4% and Consumer Lifestyle 3%
EBITA & Net Income	• EBITA improved to EUR 450 million or 7.3% of sales, from 6.8% in Q3 2011 • The improvement was driven by Consumer Lifestyle and Healthcare • Cost savings on track with EUR 306 million cumulative savings in Q3 2012 • Net income was EUR 170 million compared to EUR 76 million in Q3 2011
Adjusted EBITA	• Adj. EBITA improved to EUR 562 million, 9.2% of sales, from 7.3% in Q3 2011 • Adjusted EBITA excludes: a loss on the sale of industrial assets of EUR 34 million and restructuring and acquisition-related charges of EUR 78 million
Net Operating Capital (NOC) & ROIC	• NOC as a % of sales declined by 6% year-on-year, mainly due to a 3.5% reduction in working capital of which inventories declined by 1.5% • ROIC improved to 9.4% • Free Cash Flow amounted to EUR 395 million compared to an outflow of EUR 172 million last year
Others	• Philips was awarded sector and super sector leader for the second consecutive year in the Dow Jones Sustainability Index • Philips brand value crosses the USD 9 billion mark • 63% of EUR 2 billion share buy-back program completed by Q3 2012

Margins improve due to higher sales volumes and cost reductions

Management update Q3 2012: Healthcare

Sales	• Comparable sales were 7% higher year-on-year, 18% on a nominal basis • Double-digit growth at Imaging Systems, high-single-digit growth at Home Healthcare Solutions. Mid-single-digit growth at Customer Services and Patient Care and Clinical Informatics
Order intake	• Currency-comparable equipment order intake grew by 6% • Double-digit growth at Patient Care and Clinical Informatics and low-single-digit growth at Imaging Systems
EBITA	• EBITA improved to EUR 330 million, 13.5% of sales, from 12.6% in Q3 2011 • Higher sales volumes and improved gross margins, mainly in Imaging Systems and Customer Services drove the year-on-year improvement
Adjusted EBITA	• Adjusted EBITA increased from 12.7% to 13.6% year-on-year • Adjusted EBITA excludes restructuring and acquisition-related charges of EUR 3 million
Net Operating Capital	• Net operating capital increased by EUR 180 million to EUR 8.3 billion, excluding currency impact it decreased by EUR 230 million • Inventory as a % of sales improved by 160 bps, with the strongest improvement in Imaging Systems

Solid sales and order intake – inventories improve across all businesses

Management update Q3 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 combined grew by 10%
- Lifestyle Entertainment registered a double-digit decline

EBITA

- EBITA improved to EUR 124 million, or 8.5% of sales, from 4.7% in Q3 2011
- Improvement driven by higher sales across all businesses except Lifestyle Entertainment
- TV stranded costs decreased by EUR 9 million, from EUR 16 million in Q3 2011 to EUR 7 million in Q3 2012

Adjusted EBITA

- Adjusted EBITA increased to 9.2%, from 5.4% in Q3 2011
- Adjusted EBITA excludes restructuring and acquisition-related charges of EUR 9 million

Net Operating Capital

- Inventories as a % of sales improved by 250 bps versus Q3 2011 Improvements were seen across all businesses
- Working capital as a % of sales was 1.1%

Better results due to operating improvements in growth businesses

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Management update Q3 2012: Lighting

Sales	• Comparable sales were 4% higher year-on-year, 13% higher nominally • Double-digit sales growth at Lumileds and Automotive, and low-single-digit growth at Light Sources & Electronics • LED-based sales grew 51% compared to Q3 2011 and now represent 24% of Lighting sales
EBITA	• EBITA amounted to EUR 47 million, or 2.2% of sales • EBITA was impacted by higher restructuring charges due to the rationalization of the industrial footprint, overhead cost reduction program and the loss on the sale of an asset
Adjusted EBITA	• Adjusted EBITA improved to 7.0% of sales compared to 6.4% in Q3 2011 • Adjusted EBITA excludes a loss on the sale of industrial assets of EUR 34 million and restructuring and acquisition-related charges of EUR 68 million • Professional Lighting Solutions, Lumileds and Automotive were the main contributors to the improved performance
Net Operating Capital (NOC)	• Inventory as a % of sales improved by 100 bps compared to Q3 2011 • NOC decreased by EUR 131 million compared to Q3 2011 due to improved working capital management and an increase in provisions for restructuring

Improved operating earnings in all businesses except Consumer Luminaires

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Management update Q3 2012: By Geography

North America	• Philips Group sales registered a 2% growth reflecting market uncertainty • Healthcare sales grew by 3%. Equipment order intake declined by 5% • Consumer Lifestyle sales showed a mid-single-digit growth, led by Personal Care and Health & Wellness • Lighting sales declined by low-single-digit
Europe	• Group sales declined by 2% due to economic headwinds • Healthcare sales were flat. Equipment order intake grew by double-digits due to large project wins in the Netherlands, UK and Finland • Consumer Lifestyle sales showed a high-single-digit decline due to Lifestyle Entertainment. The combined growth businesses, i.e. Personal Care, Health & Wellness and Domestic Appliances were slightly above the Q3 2011 level • Lighting sales declined by low-single-digit
Growth Geographies	• Group sales increased by 10%, driven by China, India, Russia and Brazil; good growth, but slower than Q2 • Solid Healthcare sales growth of 14%. Equipment order intake up by 9% • Consumer Lifestyle sales showed high-single-digit growth, driven by solid growth in China and Russia • Lighting sales grew by double-digits driven by China, India, Russia and Brazil

Continued growth in weaker global economy

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Management update Q3 2012: Accelerate!

- Quality of leadership in the markets improved, with a 50% increase in the number of Executive positions. Over 500 of our leaders have participated in the behavior change program

- Overhead cost-reduction program on track with cumulative gross savings of EUR 306 million and over 70% of the total TV stranded costs addressed. Net cost savings in the quarter were EUR 74 million. Overall cost savings program increased to EUR 1.1 billion

- End-to-End projects aimed at improving the customer value chain are showing good impact. Inventory reduced by 1.5%. End-to-End projects now covering 15% of Group revenue

- Accelerate! continues to be embedded into the organization with quarterly survey results showing around 80% of employees seeing the impact of the program in their workplace

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Key Financials Summary – Q3 2012

EUR million

	Q3 2011	Q3 2012
Sales	5,394	6,127
EBITA	368[1]	450[1]
Financial income and expenses	(93)[2]	(94)[2]
Income tax	(64)	(64)
Net income (loss)	76	170
Net Operating Capital	11,624	11,094
Net cash from operating activities	45[3]	651
Net capital expenditures	(217)[3]	(256)
Free cash flow	(172)	395

[1] 3Q12 includes EUR (78)M of restructuring and acquisition-related charges and a EUR (34)M loss on the sale of assets; 3Q11 includes EUR (24)M of charges

[2] 3Q12 includes a negative impact of EUR 12M due to a fair-value adjustment of the option related to NXP; 3Q11 includes a negative impact of EUR 17M due to a fair-value adjustment of the option related to NXP.

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

Note - All figures exclude discontinued operations

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Sales by sector – Q3 2012

EUR million

	Q3 2011	Q3 2012	% nom	% comp
Healthcare	2,077	2,443	18	7
Consumer Lifestyle	1,332	1,453	9	3
Lighting	1,886	2,139	13	4
Innovation, Group & Services	99	92	(7)	(7)
Philips Group	5,394	6,127	14	5

Note - All figures exclude discontinued operations

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Sales by geography – Q3 2012

EUR million

	Q3 2011	Q3 2012	% nom	% comp
Western Europe	1,480	1,495	1	(2)
North America	1,645	1,904	16	2
Other mature geographies	411	535	30	15
Growth geographies[1]	1,858	2,193	18	10
Philips Group	5,394	6,127	14	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

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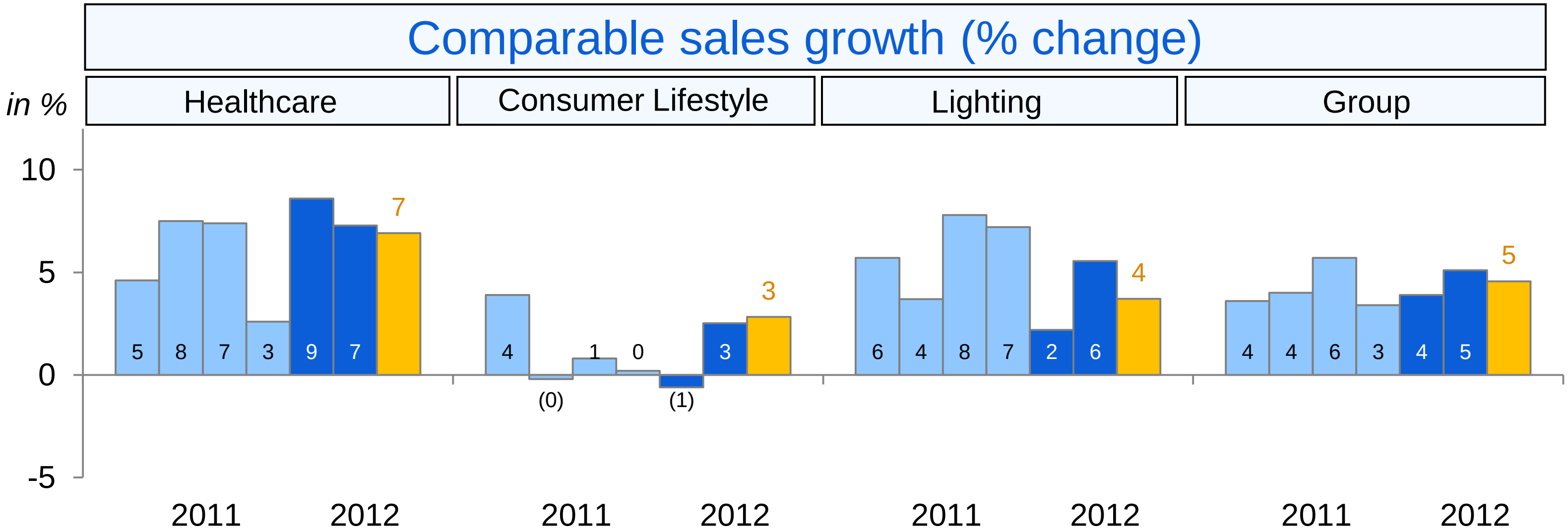
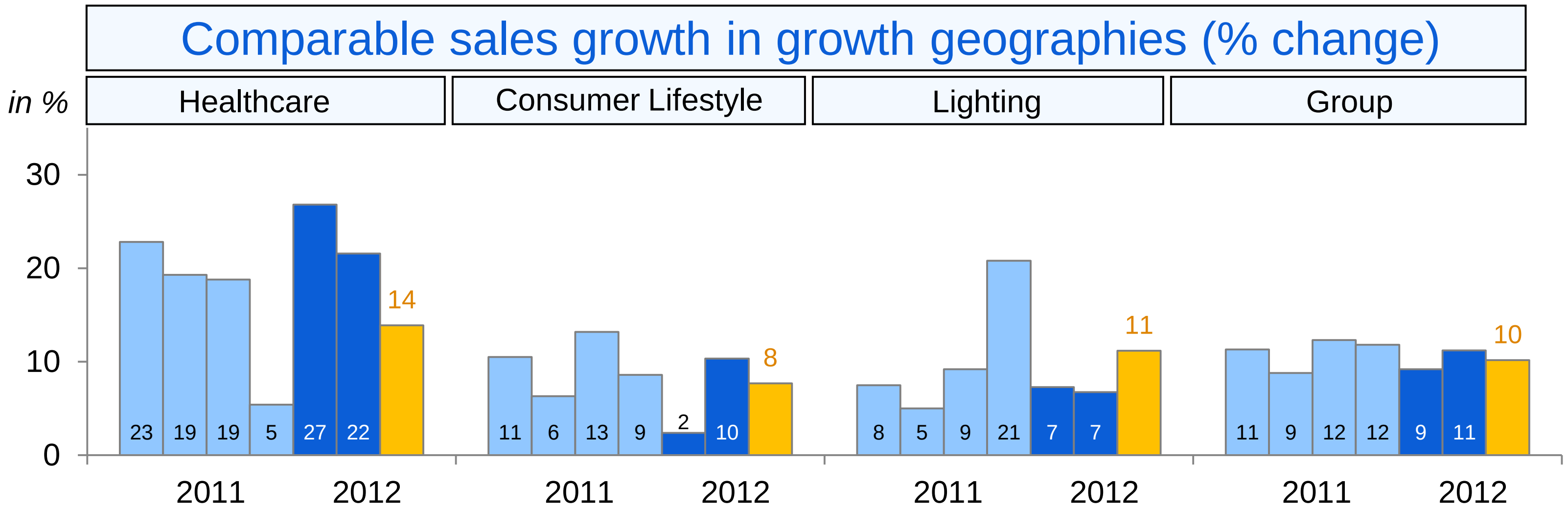
Sales growth: Trend through Q3 2012

Comparable sales growth world and growth geographies

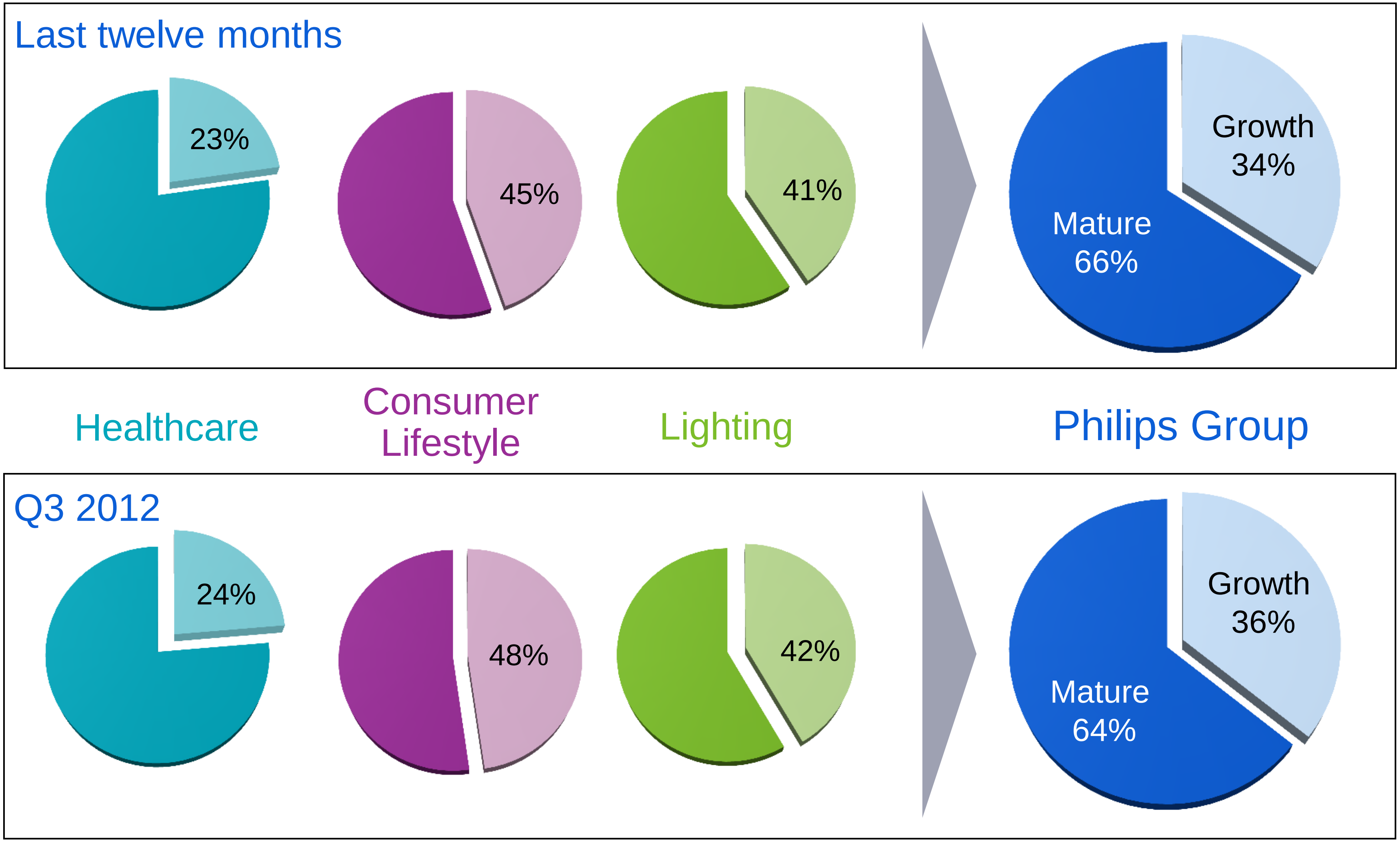




Note - All figures exclude discontinued operations

Growth geographies – Q3 '12 and last twelve months

Sales in growth geographies



Note - All figures exclude discontinued operations

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EBITA by sector – Q3 2012

EUR million

	Q3 2011		Q3 2012	
Healthcare[1]	261	*12.6%*	330	*13.5%*
Consumer Lifestyle[2]	62	*4.7%*	124	*8.5%*
Lighting[3]	110	*5.8%*	47	*2.2%*
Innovation, Group & Services[4]	(65)	-	(51)	-
Philips Group	368	*6.8%*	450	*7.3%*

[1] 3Q12 includes EUR (3)M of restructuring and acquisition-related charges; 3Q11 includes EUR (2)M of charges
[2] 3Q12 includes EUR (9)M of restructuring and acquisition-related charges; 3Q11 includes EUR (10)M of charges
[3] 3Q12 includes EUR (68)M of restructuring and acquisition-related charges and a EUR (34)M loss on the sale of the assets; 3Q11 includes EUR (11)M of charges
[4] 3Q12 includes EUR 2M of restructuring gains; 3Q11 includes EUR (1)M of charges
Note - All figures exclude discontinued operations

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Adjusted EBITA by sector – Q3 2012

EUR million

	Q3 2011		Q3 2012	
Healthcare[1]	263	*12.7%*	333	*13.6%*
Consumer Lifestyle[2]	72	*5.4%*	133	*9.2%*
Lighting[3]	121	*6.4%*	149	*7.0%*
Innovation, Group & Services[4]	(64)	-	(53)	-
Philips Group	392	*7.3%*	562	*9.2%*

[1] 3Q12 excludes EUR (3)M of restructuring and acquisition-related charges; 3Q11 excludes EUR (2)M of charges
[2] 3Q12 excludes EUR (9)M of restructuring and acquisition-related charges; 3Q11 excludes EUR (10)M of charges
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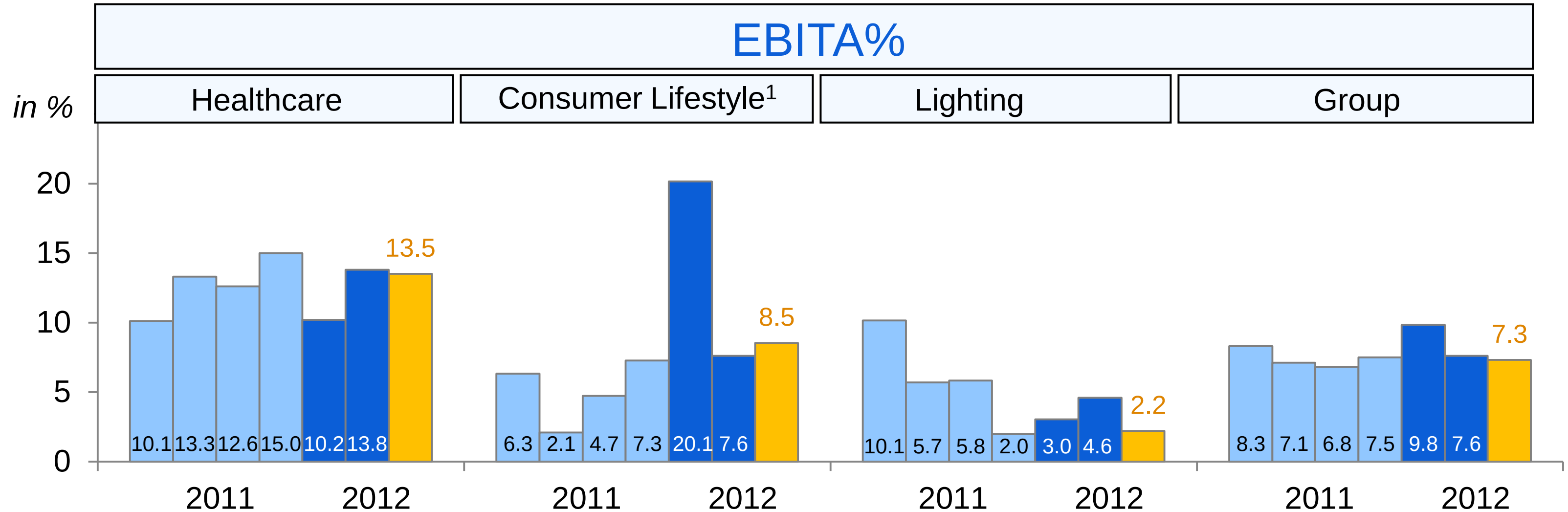
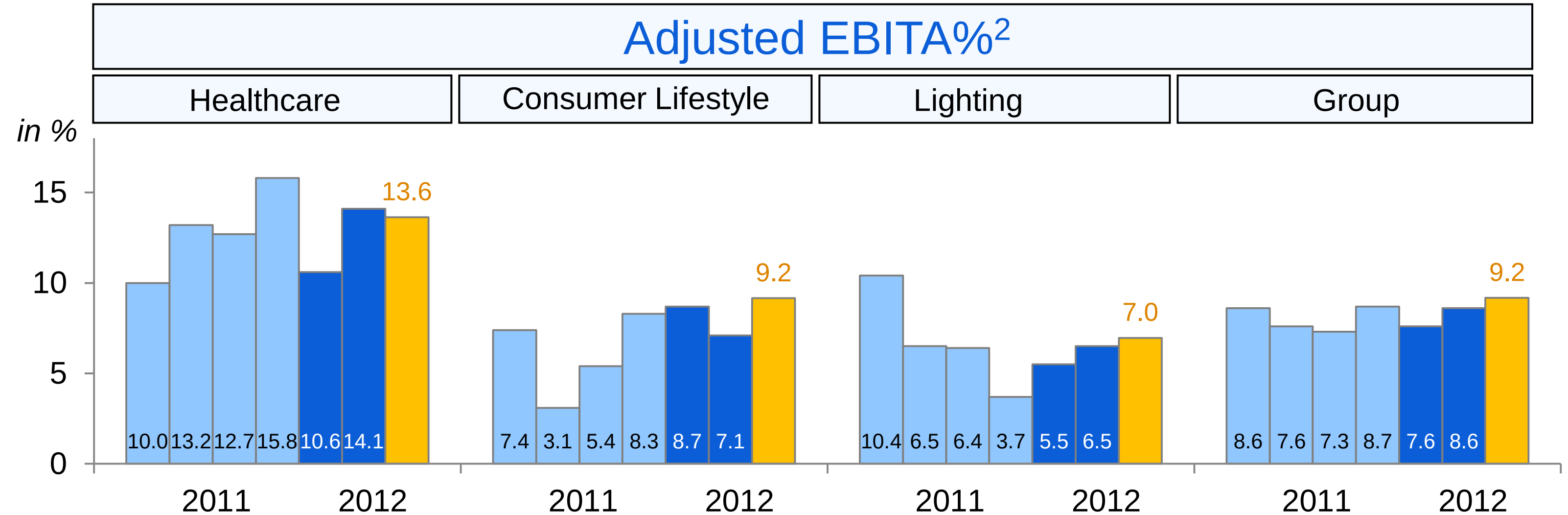
Note - All figures exclude discontinued operations

EBITA and Adjusted EBITA Margin development

Trend through Q3 2012





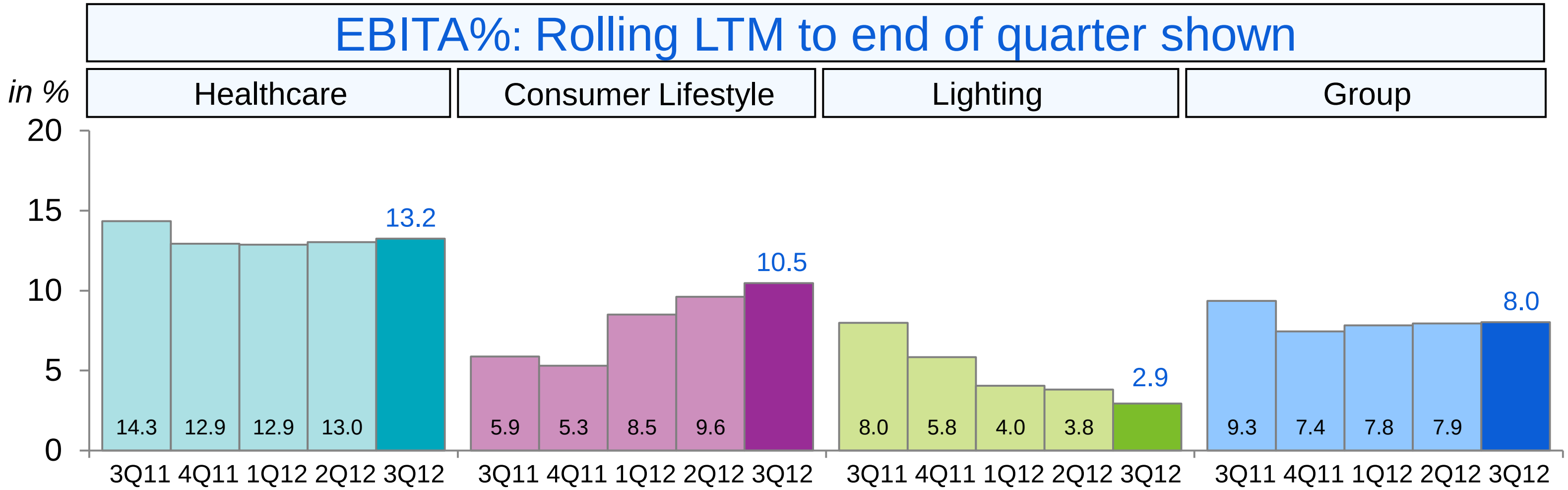
[1] Consumer Lifestyle EBITA Q1 2012 includes a EUR 160M profit on the sale of the Senseo trademark

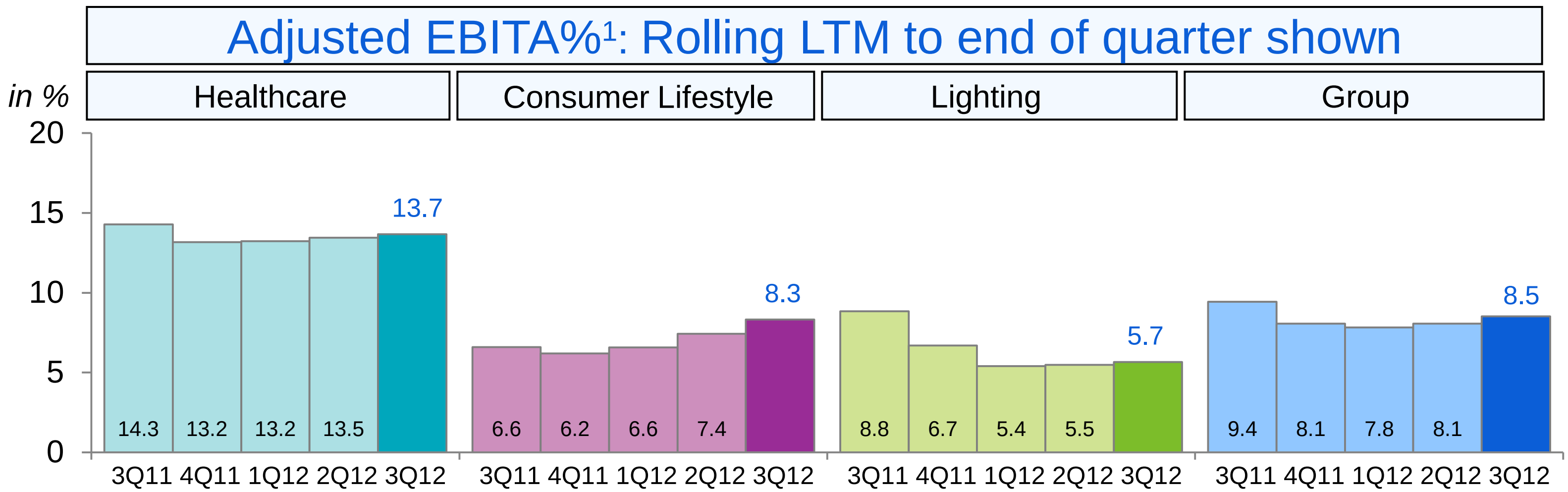
[2] Adjusted EBITA is EBITA corrected for incidental charges (details on slide 88)

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 88)
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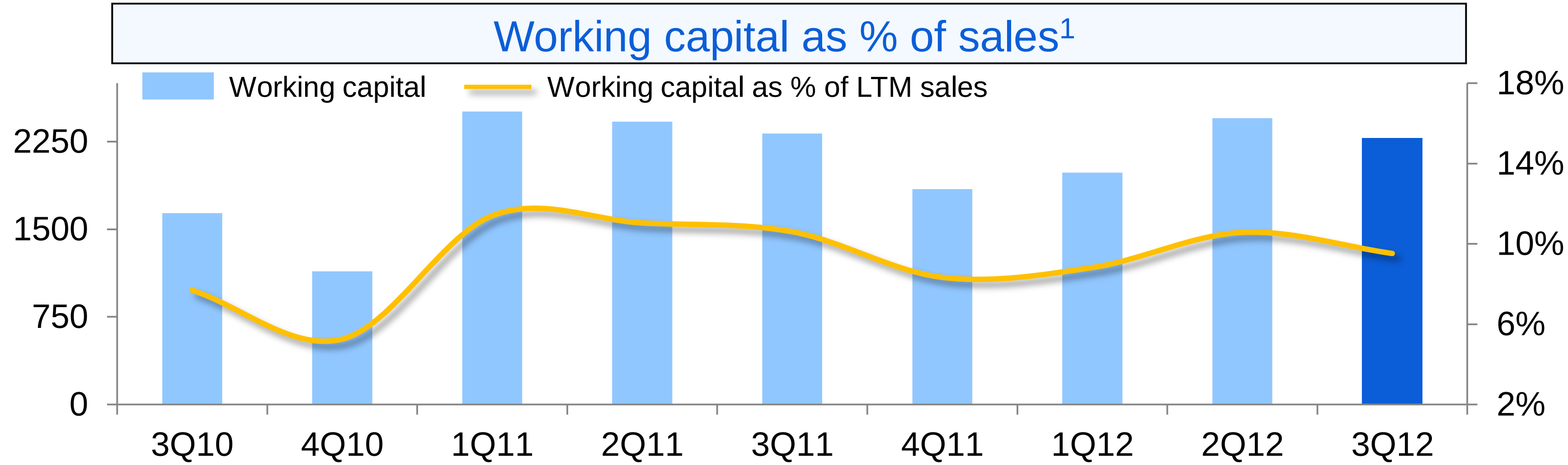
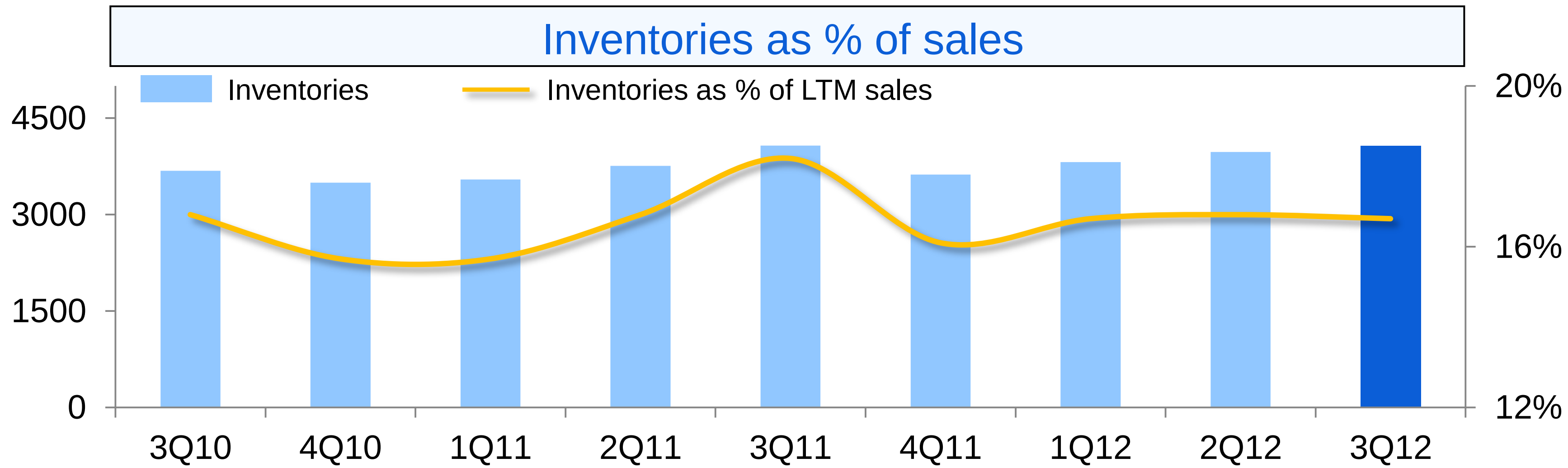
Working capital & Inventories over the last two years

EUR million





[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 – Q3 2012

EUR million

	Q3 2011	Q3 2012
Net income from continuing operations	130	170
Depreciation/ amortization	308[1]	355
Impairment of goodwill and other non-current financial assets	16	9
Changes in Working Capital, of which:	(292)	222
- changes in Net inventories	(198)	(165)
- changes in Accounts receivable	(189)	(196)
- changes in Accounts payable	95	583
Increase in non-current receivables, other assets/ liabilities	(135)	(217)
Increase in provisions	1	54
Others	17[1]	58
Cash flow from operations	**45**	**651**
Purchase of intangible assets/ Expenditures on development assets	(72)	(98)
Capital expenditures on property, plant and equipment	(169)[1]	(161)
Proceeds from property, plant and equipment	24	3
Net capital expenditures	**(217)**	**(256)**
Free Cash Flow	**(172)**	**395**

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

Note - All figures exclude discontinued operations

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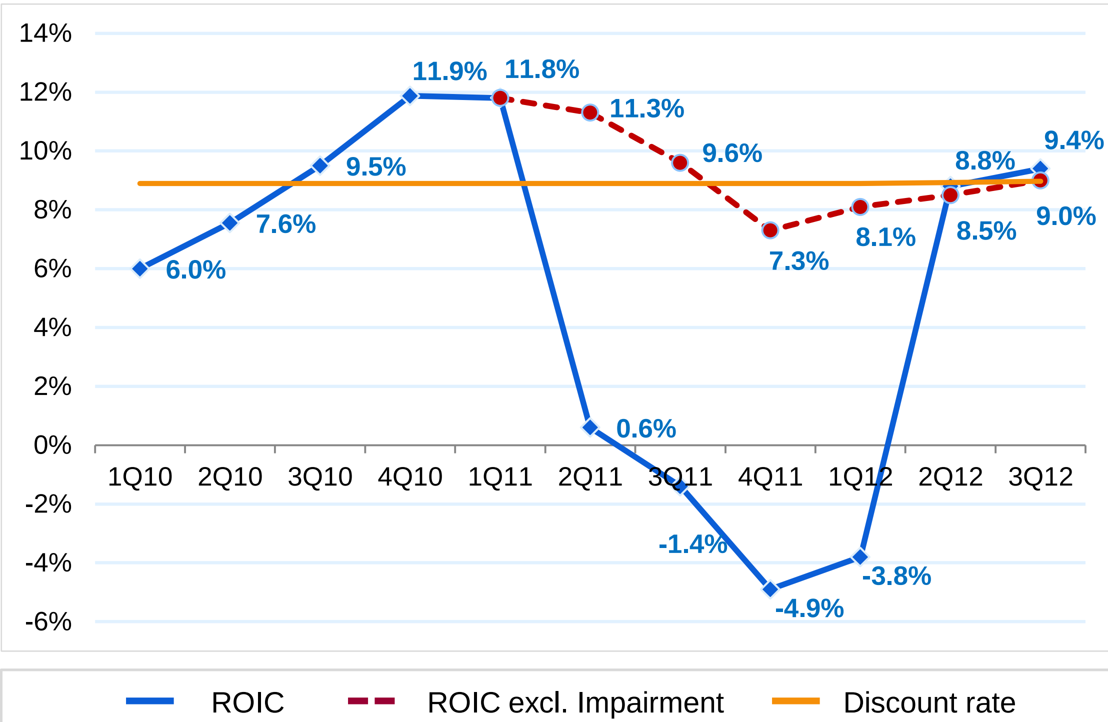
ROIC improves sequentially in 2012

Development of Return on Invested Capital (ROIC)



- ROIC excluding impairment increased sequentially due to improved earnings
- Higher restructuring and a loss on the sale of industrial assets had a negative impact in the quarter
- The EBIAT in Q3 2012 was positively impacted by higher sales and a lower effective tax rate
- Reported ROIC showed a steep improvement in Q2 2012 as the Q2 2011 impairment no longer affects the EBIAT calculation
- Discount rate now at 8.97%

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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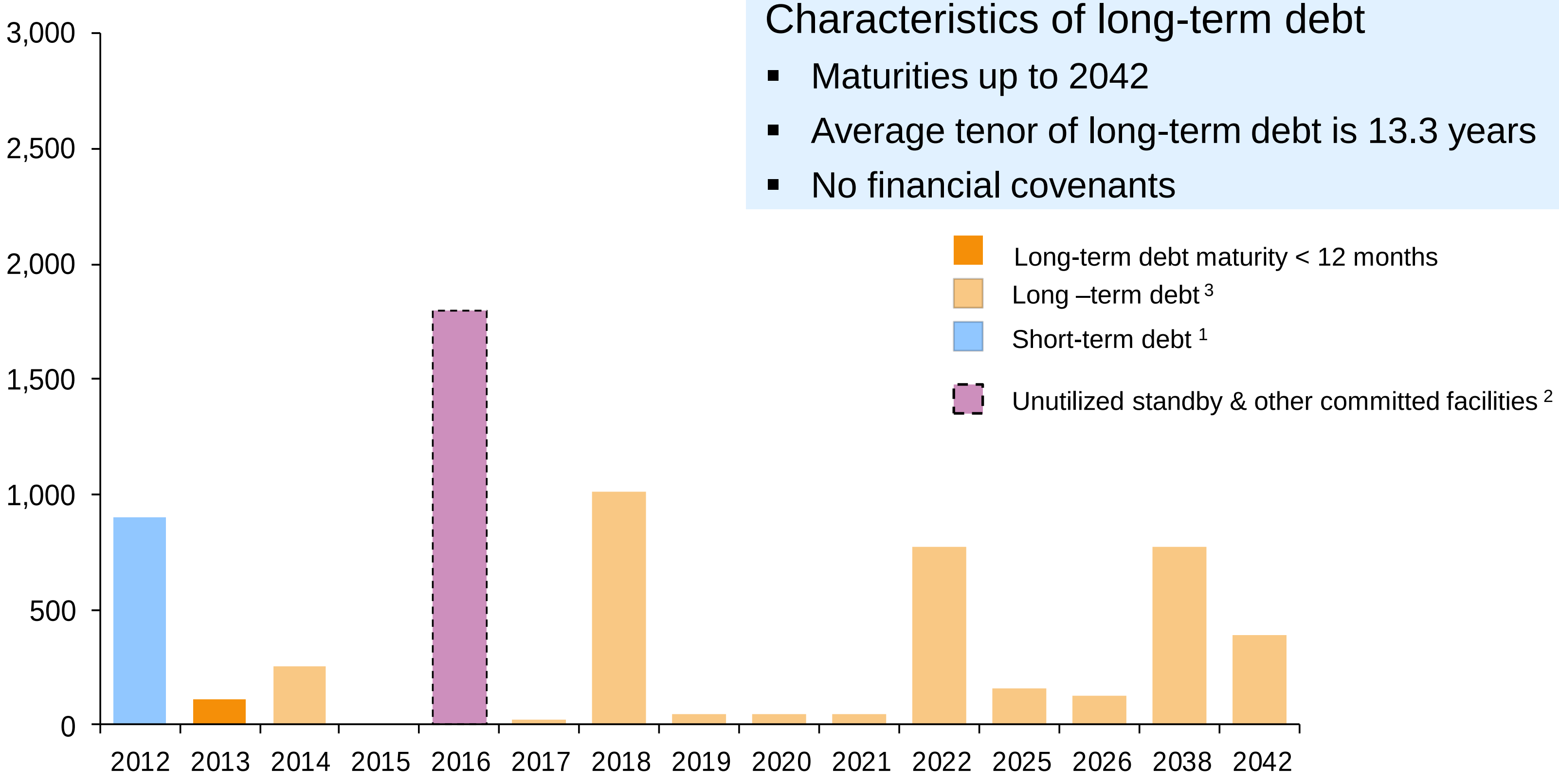
Philips' debt has a long maturity profile

Debt maturity profile as of September 2012

Amounts in EUR millions

Characteristics of long-term debt

- Maturities up to 2042
- Average tenor of long-term debt is 13.3 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 1,000M 10 years at 3.75% and USD 500M 30 years at 5.0%. On Apr 10th 2012, Philips early redeemed USD 500M originally maturing in March 2013

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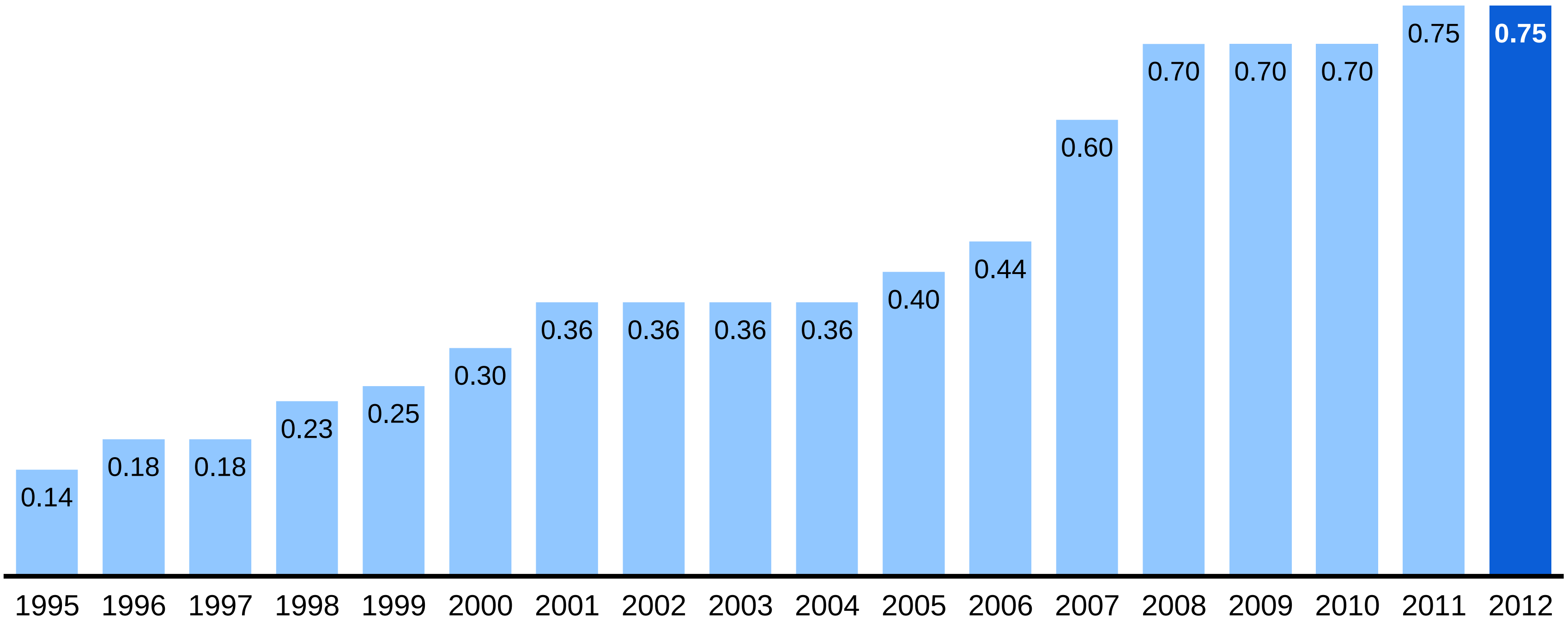
A history of sustainable dividend growth

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

Acquisitions at a glance

No acquisitions during the last 5 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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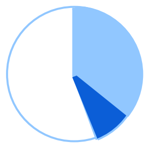
Accelerate! change and performance program to unlock full potential faster

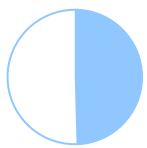
Dark blue indicates quarter over quarter improvement

Customer Centricity



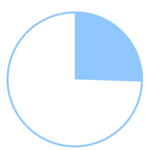
- Increased seniority of market teams; markets are now led by empowered entrepreneurs
- Increase local relevance of product portfolio to gain market share
- Focused Business-to-Government sales channel development to drive growth
- Increase Employee Engagement in markets by 300 bps

Resource to Win



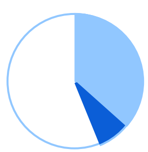
- Granular plans to increase number of BMC[1]'s in which we are an outright leader
- Increase performance adherence to plan per BMC > 80%
- Execute on strategic workforce plan for growth markets
- Targeted investment step-ups made (EUR 200 million) to gain market leadership

End-to-End Execution



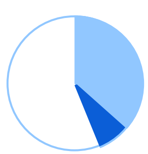
- Transform customer value chains to 4 LEAN business models, enabled by effective IT
- Reduce Cost of Non Quality by 30%
- Accelerate innovation time to market by av. 40%; Increase customer service >95%
- Inventory reduction target of 1% to 1.5% of sales per year for 2012 and 2013

Growth and Performance Culture



- Introduced new behaviors to drive new ways of working
- Personal transformation workshops started to enable culture change
- Quarterly 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 1.1 billion
- 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

[1] BMC = Business Market Combination

Accelerate! is working deep in the organization

Examples of improvement actions in 2012

- 50% increase in Executive positions in markets
- Over 50% of top 200 managers have been replaced or reassigned
- Granular 2 year business plans for 100% of our BMC[1]'s implemented and strengthened performance management
- Over 500 leaders have participated in the behavior change program to drive a performance culture
- Employees rating 4 out of 5 on impact of Accelerate!:
  - 83%, on uptake of new behaviors
  - 74%, on impact of new ways of working

Market impact of improvement actions

End-to-End projects scaling up to >40% of Philips revenue in 2013 from 15% in 2012

<u>LED: North America</u>

Growth rate doubled with significant improvement in profitability

<u>Male Grooming: China</u>

Time to market reduction of 50%. Significant reduction in development cost

<u>PCCI: North America</u>

Tiered offerings tailored to customer segments, increasing attach rates for Customer Service

<u>Leadership in Turkey</u>

Domestic Appliances takes #1 position with ~40% growth and ~30% growth in Floor Care

[1] BMC = Business Market Combination

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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] was 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
- Long term incentive plans for 2013 and beyond are being reviewed

[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.

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Cost reduction program targeting overhead & indirect costs will bring EUR 1.1 billion in savings

Cost reduction scope

~35%

Company wide Overhead and Support functions

(IT, Finance, HR, Real Estate, management layers, etc)

Business functions indirect costs and overheads

(Purchasing, Supply Chain, R&D, Service, Marketing etc)

~65%

Core customer value chain

Global business leadership

Success in local markets

Sales, Marketing
Manufacturing & Supply Chain
R&D / Innovation, services

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

Overhead cost savings to reach EUR 1.1 Billion

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

EUR million	Cumulative gross savings			
	2011	2012	2013	2014
Earlier Plan	**25**	**400**	**700**	**800**
New Plan	**25**	**450**	**900**	**1,100**

EUR million	Annual restructuring costs			
	2011	2012	2013	2014
Earlier Plan	**(37)**	**(125)**	**(80)**	**(40)**
New Plan	**(37)**	**(210)**	**(125)**	**(60)**

EUR million	Annual investments			
	2011	2012	2013	2014
Earlier Plan	**(37)**	**(120)**	**(100)**	**(100)**
New Plan	**(37)**	**(120)**	**(100)**	**(100)**

Additional savings

- Using the design principles of our overhead cost reduction program, operating teams have identified additional opportunities to reduce complexity and lean out processes
- Overhead and duplication in the end-to-end customer value chains have now been included in the scope of savings
- Among others, we see significant opportunities as Healthcare and Lighting deploy Accelerate! deeper
- Head count reduction will go from 4,500 to approx. 6,700

Note – All figures (except 2011) are estimated amounts

EUR 1.1 Billion cost reduction program - Results

Actuals

Cumulative gross savings

EUR million	2011	1Q12	2Q12	3Q12
TOTAL	**25**	**62**	**176**	**306**

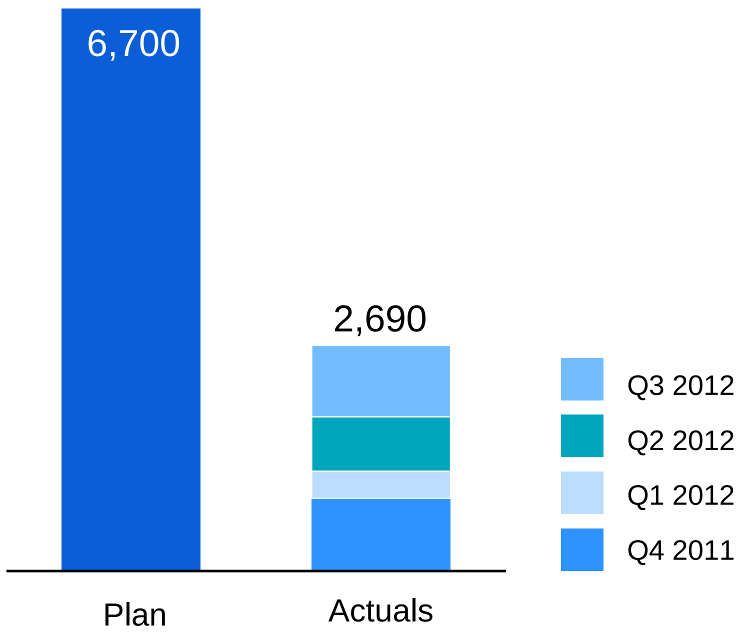
Restructuring costs

EUR million	2011	1Q12	2Q12	3Q12
TOTAL	**(37)**	**(9)**	**(41)**	**(22)**

Investments

EUR million	2011	1Q12	2Q12	3Q12
TOTAL	**(37)**	**(26)**	**(34)**	**(34)**

Approximately 40% of the targeted 6,700 headcount reduction completed by Q3 2012



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Accelerating IT: Rebuilding the IT backbone of Philips

The 4 Initiatives

2011 | 2012 - 2013 | 2014+

1 Robust portfolio management

- Rigorous IT investment screening
- Compliance with business - IT roadmaps
- Service level optimization

2 LEAN operating model

- Thin layer IT management with fast decision making
- LEAN IT processes
- Controlling the IT value chain

3 Optimized sourcing

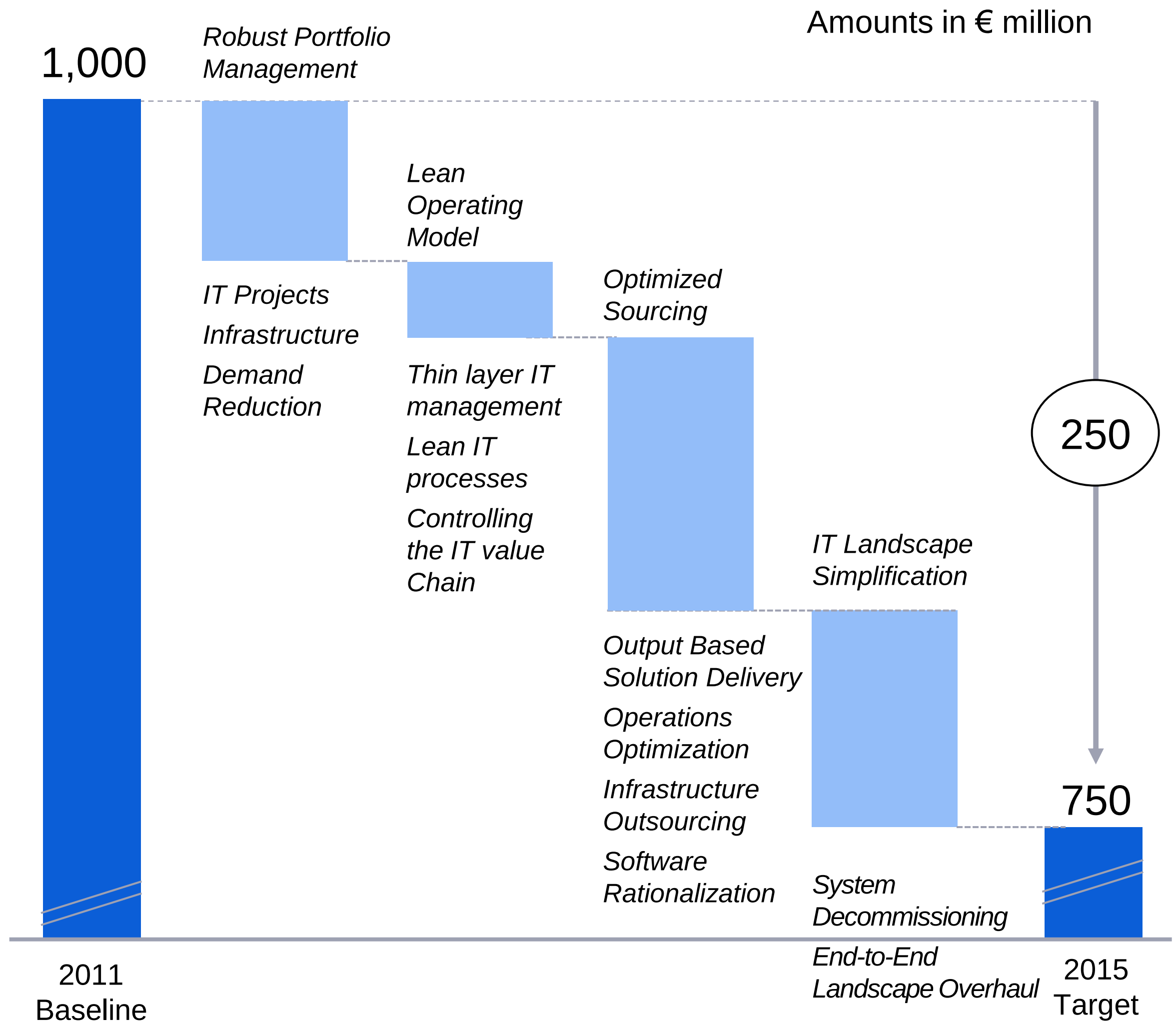
- From input (time & material contracting) to output (deliverables) to business outcomes
- Strategic vendor partner management and scale efficiency

4 Overhaul and simplification of IT landscape

- Radical IT landscape simplification in context of Accelerate! End-to-End
- Legacy systems decommissioning
- Infrastructure efficiency, cloud-based

Accelerating IT: Bringing IT costs to below 3% of sales

- 4 initiatives to reduce IT cost by 25% in 2015
- 15% run rate reduction by end of 2013
- Shift in allocation to support of business transformation and differentiating capabilities



Accelerating Gross Margin improvement

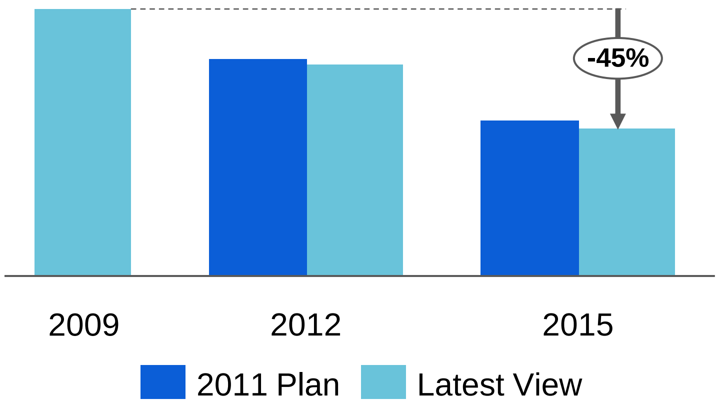
Focused actions to drive Gross Margins

1. Rationalizing the industrial and distribution footprint to drive improved margins in Lighting and Healthcare. Higher restructuring costs in the second half of 2012

2. New product introductions will positively impact margins, e.g.:
   - Value segments products for the Imaging systems range
   - New design wins in Lumileds
   - Significant range renewal in Consumer Lifestyle

3. Significant opportunities to increase the annual savings in Bill of Materials with new initiatives led by newly appointed CPO Fredrick Spalcke

Accelerating the Lighting industrial footprint rationalization



Significant improvement opportunities for 2013 and beyond

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Agenda

1. Management update
2. Group results Q3 2012
3. Accelerate! Change and performance
4. Portfolio strength and path to value
5. Group and sector overview

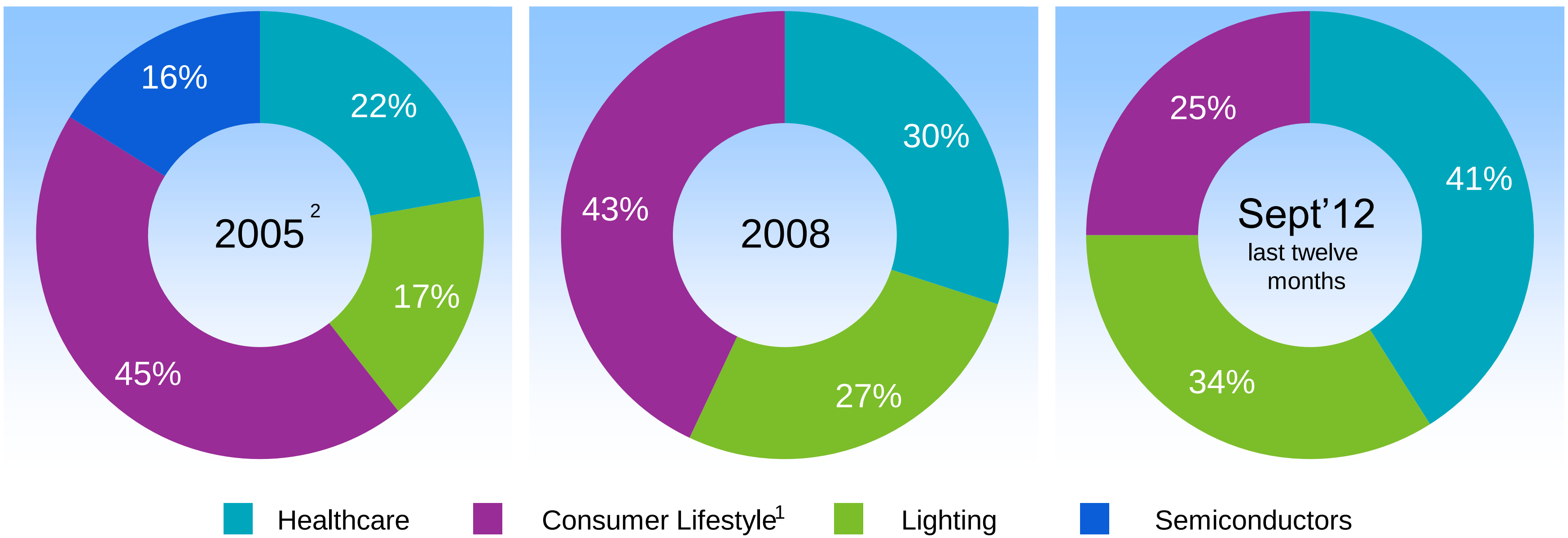
Improving our portfolio: Starting point of our journey

Portfolio now consists of ~65% B2B businesses

Healthcare
Lighting
Consumer Lifestyle
Semiconductor

Healthcare
Lighting
Consumer Lifestyle

Healthcare
Lighting
Consumer Lifestyle excl. TV



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

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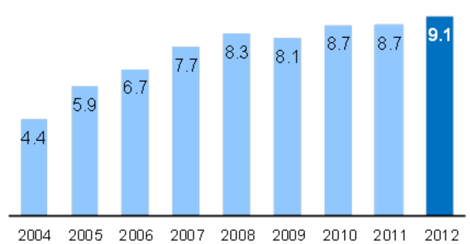
Strong assets underpin our portfolio

Our assets		Our track record
	Innovation capabilities	• Technology, know-how and strong IP positions (54,000 registered patents)
	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
PHILIPS	Philips Brand	• World’s 41st most valuable brand 2012 compared to the 65th in 2004. For the first time in history, our brand value reached a level of more than 9 billion USD



[1] Based on annual Philips’ Employee Engagement Survey

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We are well positioned to benefit from societal trends

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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We have strong leadership positions in many markets across the globe

Healthcare

Global
Cardiovascular X-ray

Global
Patient Monitoring

Global
Cardiac Resuscitation

Global
Sleep Therapy Systems

Regional
Ultrasound

Consumer Lifestyle

Global
Male Electric Shaving

Global
Garment Care

Global
Rechargeable Toothbrushes

Regional
Kitchen Appliances

Regional
Electric Hair Care

Lighting

Global
Lamps

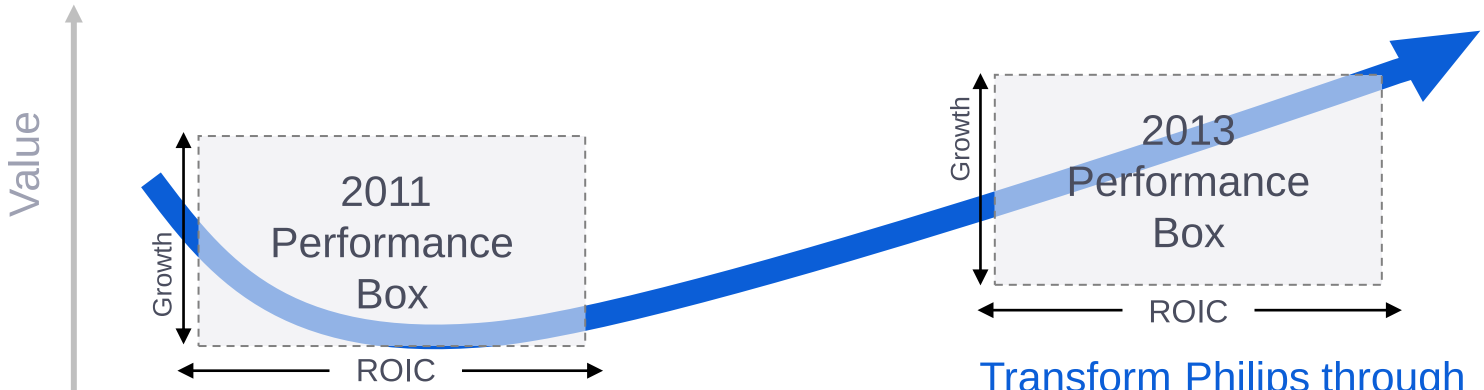
Global
LED Lamps

Global
Automotive Lighting

Global
Professional Luminaires

Global
High Power LEDs

Progressing on our Path to Value



Laying the foundation to improve performance

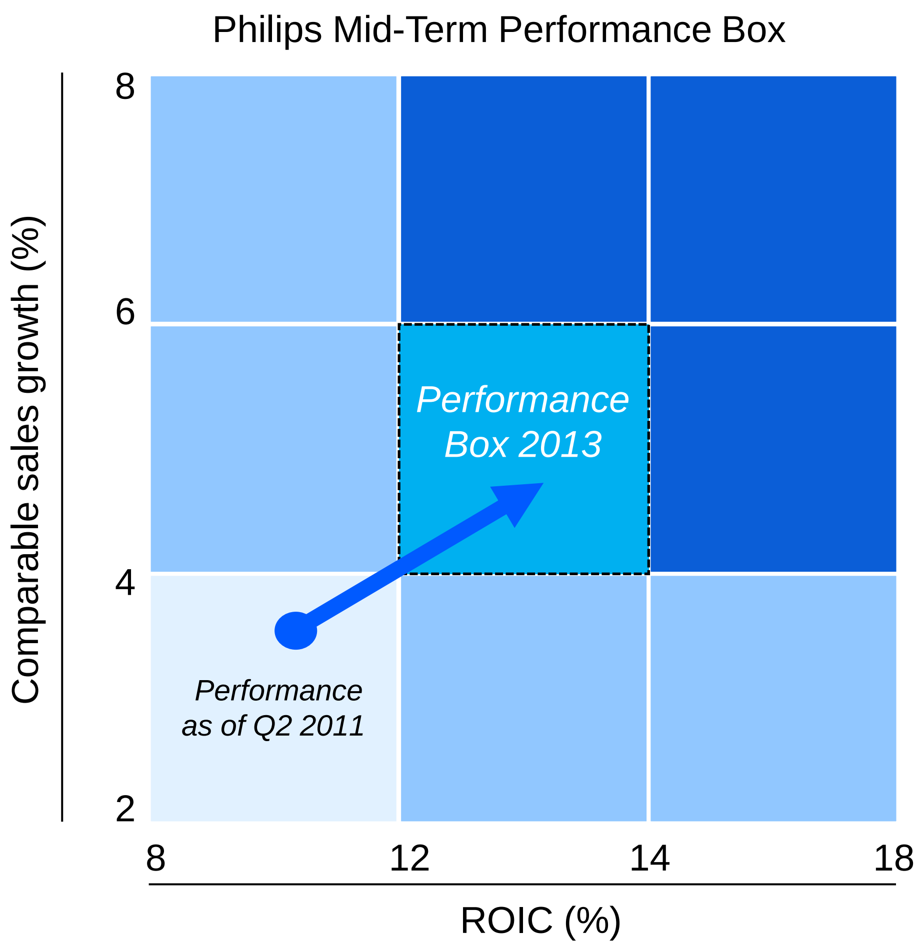
- Executive Committee
- Growth investments
- Philips Business System
- BMC[1] performance management
- Share buy back
- TV Joint Venture
- Improving Lighting performance

Transform Philips through Accelerate!

- Accelerate! Healthcare
- Restoring Lighting profitability, Leading the LED transformation
- Reshaping Consumer Lifestyle portfolio
- EUR 1.1 billion cost reduction program
- Bill of material procurement program
- Value delivery from past acquisitions
- Next value creation steps beyond 2013

[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 unrelated licenses

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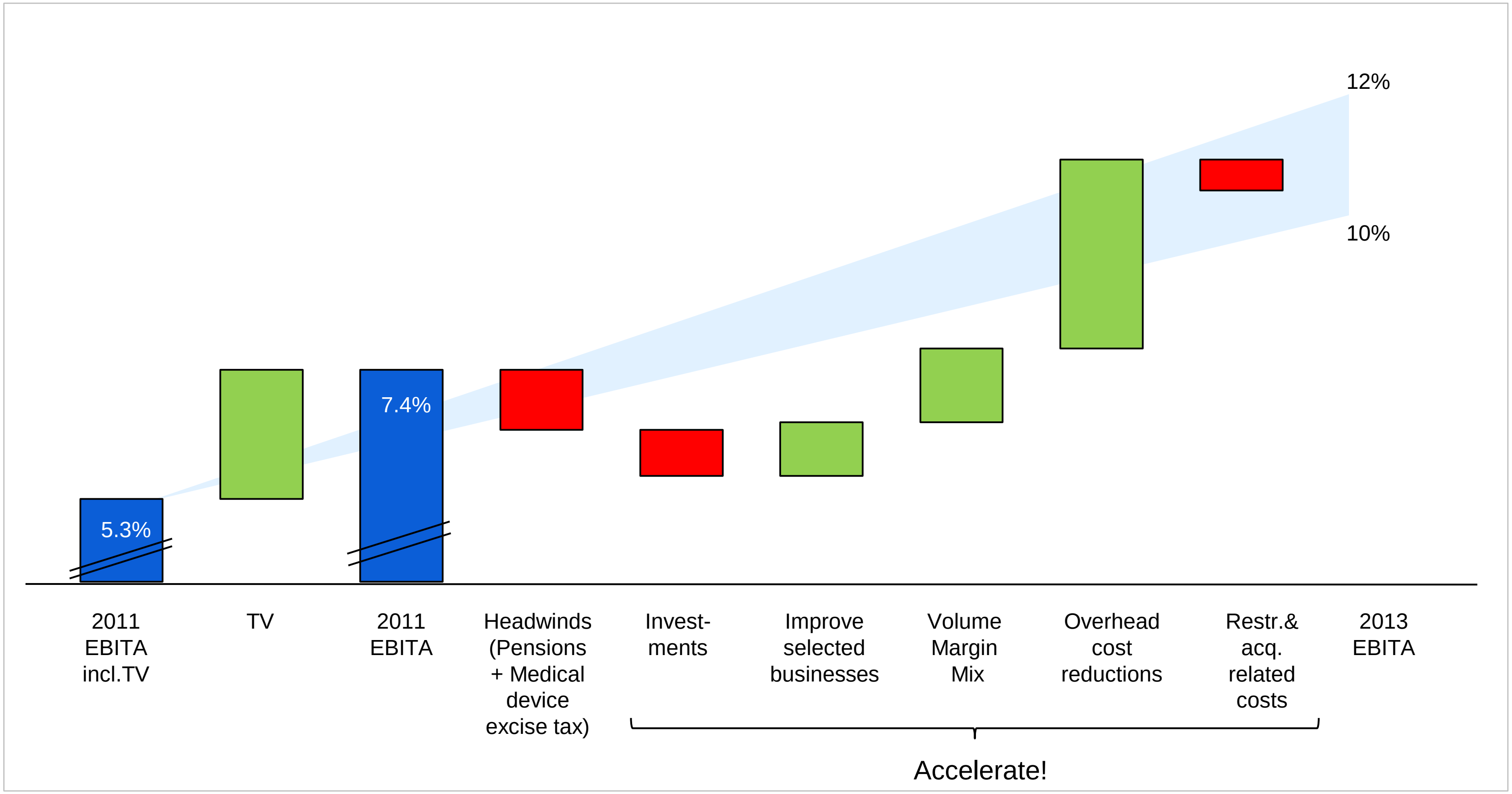
Our path to value 2011.....2013



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Agenda

1. Management update

2. Group results Q3 2012

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4. Portfolio strength and path to value

5. Group and sector overview

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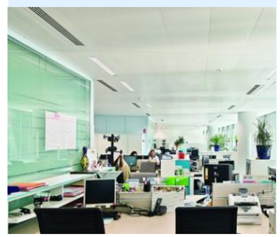
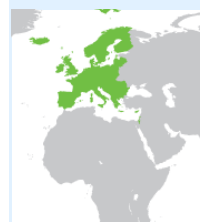
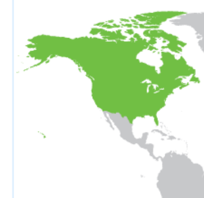
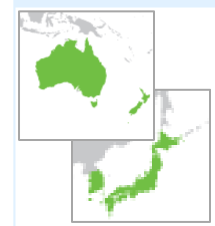
Philips: A strong diversified industrial group leading in health and well-being

Philips

Businesses[1, 2]			Geographies[1]			
Healthcare	Consumer Lifestyle	Lighting	Western Europe	North America	Other Mature Geographies	Growth Geographies
						
41%	25%	34%	26%	32%	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

$9.1 Billion
Brand value in 2012

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 September 2012
[2] Excluding Central sector (IG&S)
Note - All figures exclude discontinued operations

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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

Pieter Nota
CEO Consumer Lifestyle

Eric Rondolat
CEO Lighting

Jim Andrew
Chief Strategy & Innovation Officer

Eric Coutinho
Chief Legal Officer

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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 was awarded sector and super sector leader in the Dow Jones Sustainability Index for the second consecutive year with highest scores ever
- Philips again achieved top scores in the Carbon Disclosure Project
- Top 50 position in Best Global Green Brands 2012
- Top 10 position in Newsweek Green ranking 2011
- 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

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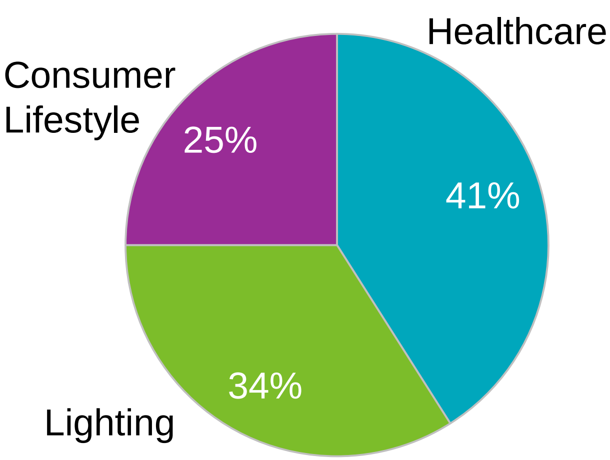
Our focused health and well-being portfolio: Healthcare, Consumer Lifestyle and Lighting

Last twelve months

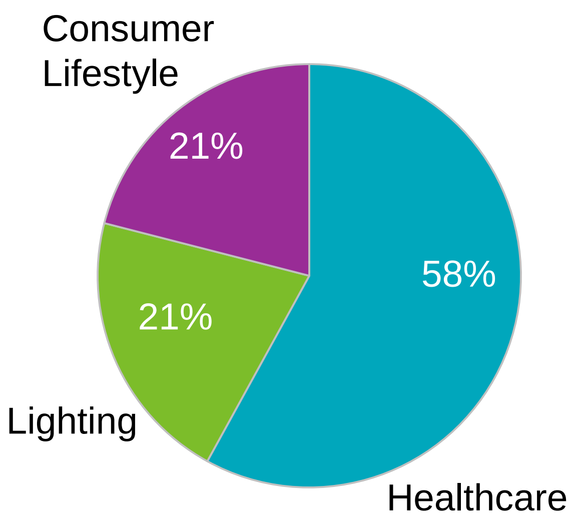
Sales

100% = EUR 23.9B[1]



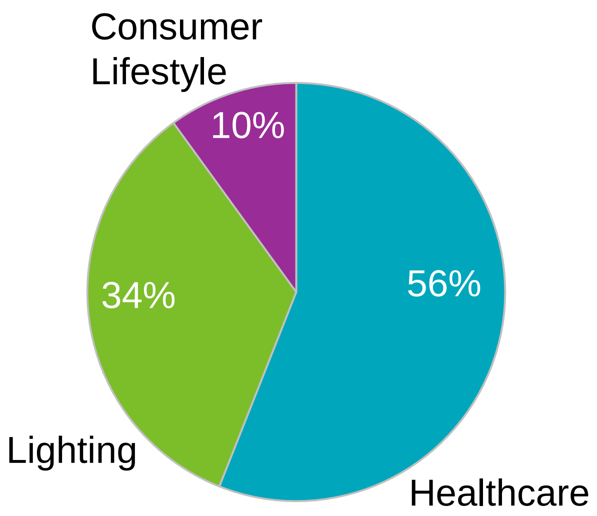
Adjusted EBITA

100% = EUR 2.3B[1, 2]



Net Operating Capital

100% = EUR 14.8B[1]



[1] Excluding Central sector (IG&S)

[2] EBITA adjustments based on the following gains/ charges: for Healthcare EUR (41)M, Consumer Lifestyle EUR 127M and Lighting EUR (225)M

Note - All figures exclude discontinued operations

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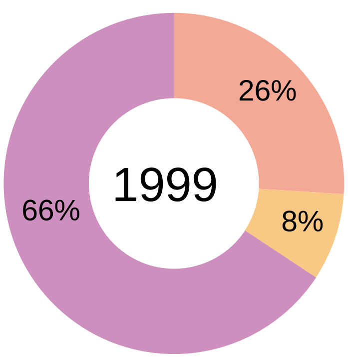
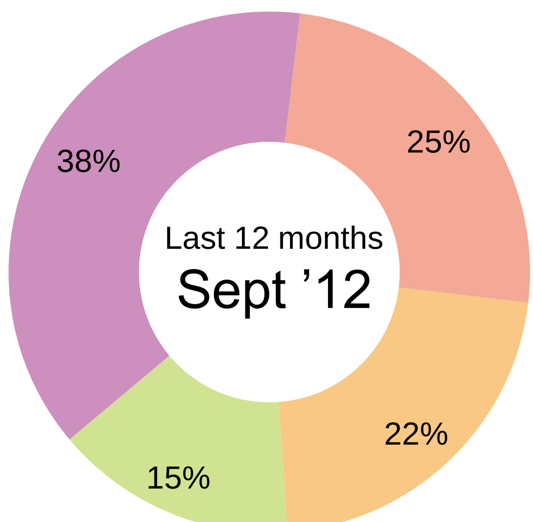
Healthcare: Accelerate performance

- 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 9.8 billion



Imaging

Customer Service

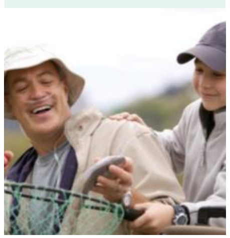
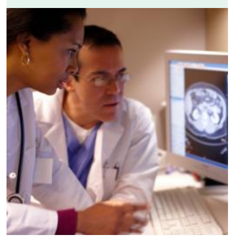
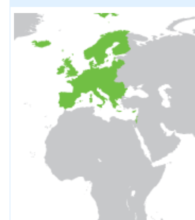
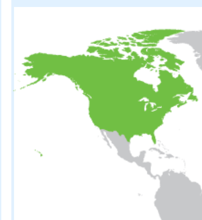
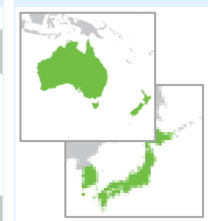
Patient Care and Clinical Informatics

Home Healthcare Solutions

Healthcare

What we do. Where we are.

Philips Healthcare

Businesses[1]				Geographies[1]			
Imaging Systems	Home Healthcare Solutions	Patient Care and Clinical Informatics	Customer Services	Western Europe	North America	Other Mature Geographies	Growth Geographies
							
38%	15%	22%	25%	20%	45%	12%	23%

€8.9
Billion sales in 2011

38,000+
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 September 2012

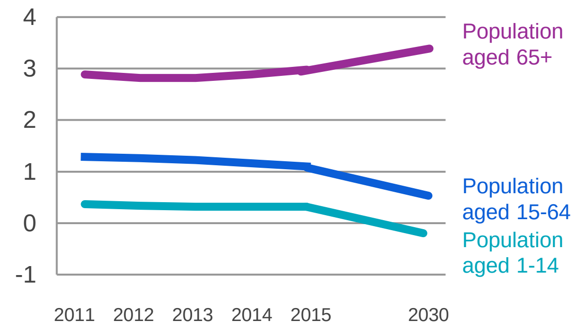
Healthcare: Changing industry dynamics necessitates innovation

We face an aging population and in the U.S. alone:

"By 2030, there will be approximately 72.1 million older persons, more than twice the number in 2000."

Department of Health and Human Services
Administration on Aging

World population growth rates

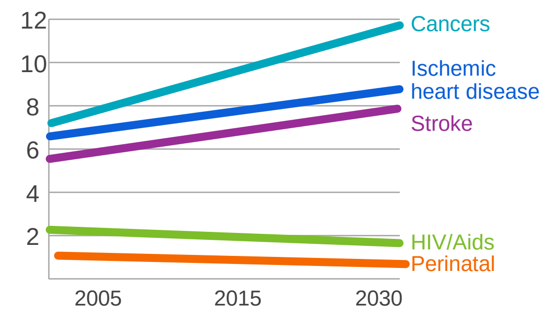


A rise in chronic disease

"Without action, almost 400 million people will die from chronic diseases in the next 10 years…"

Dr. Catherine Le Galès-Camus,
WHO Assistant Director-General,
Non-communicable Diseases and Mental Health

Projected global deaths from select causes in millions

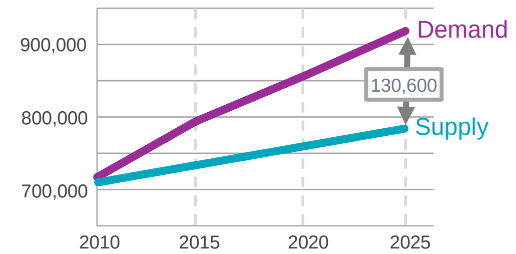


Together with a shortage of care providers = a perfect storm

"Between now and 2015…the shortage of doctors across all specialties will quadruple."

Association of American Medical Colleges,
Center for Workforce Studies, 2011

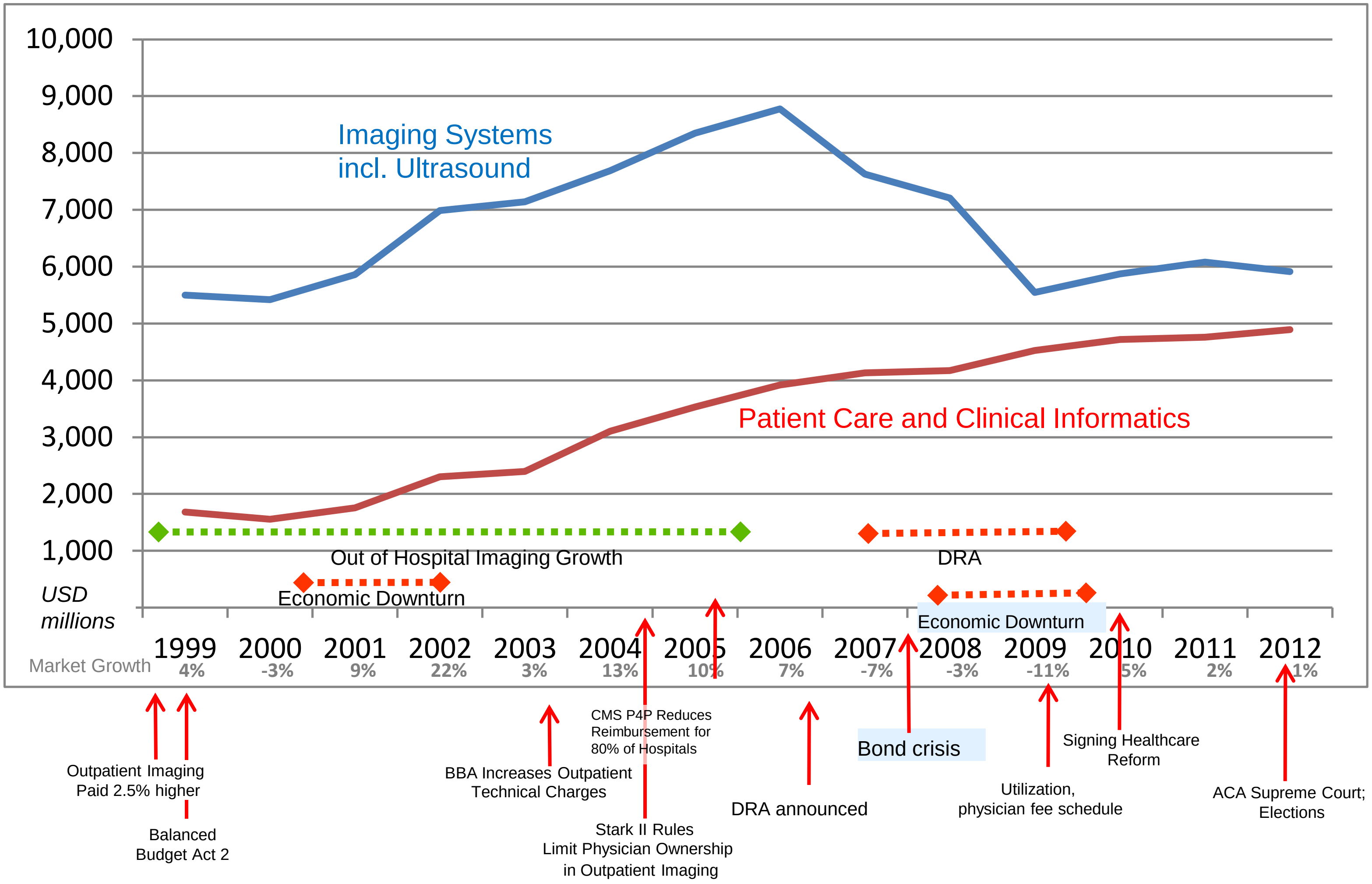
Projected national physician shortage



Source: United Nation, World Population Prospects, the 2010 Revision: Annual Population

Healthcare historical market development

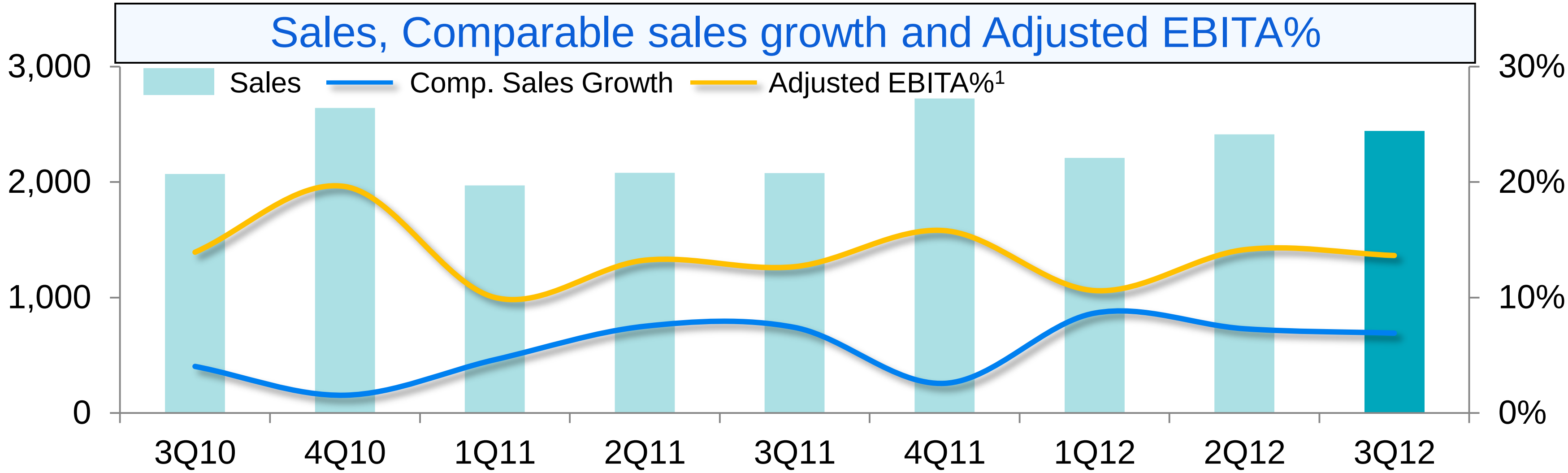
North America Market Size/ Growth and Impacts

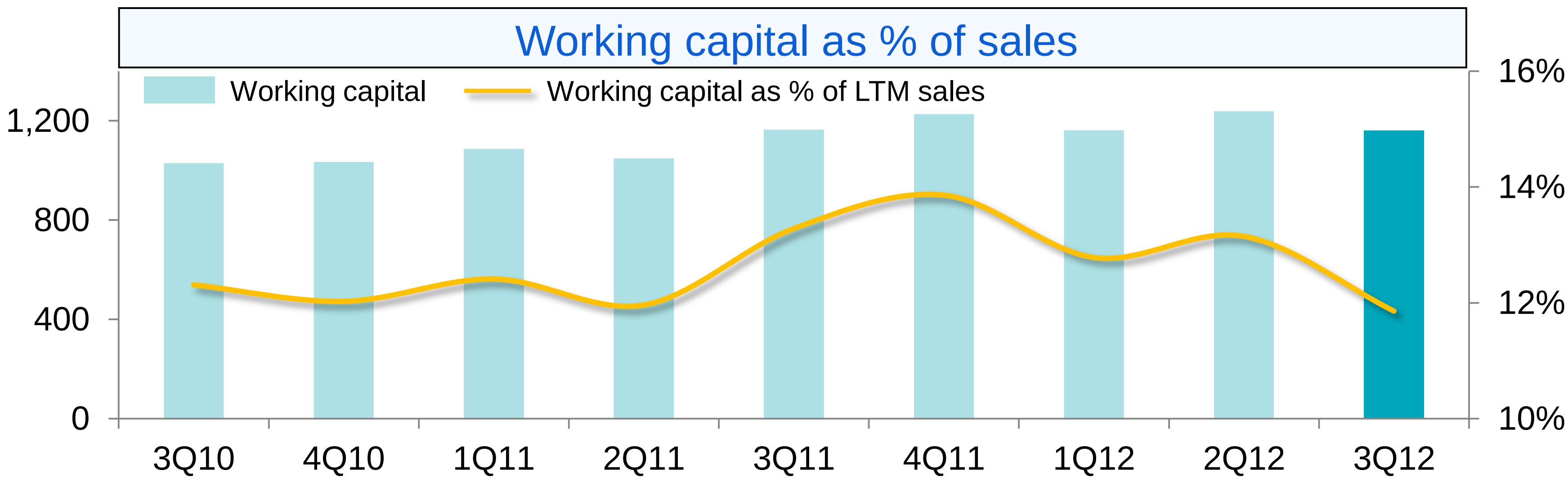


Philips current expectation for the US Imaging Systems market for 2012-2015 is low- to mid-single-digit growth

Healthcare: Financials over the last two years

EUR million





[1] Adjusted EBITA is EBITA corrected for incidental charges (details on slide 88)

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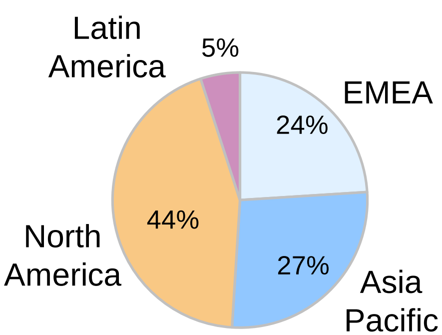
Healthcare: Q3 2012 Sector analysis

EUR million

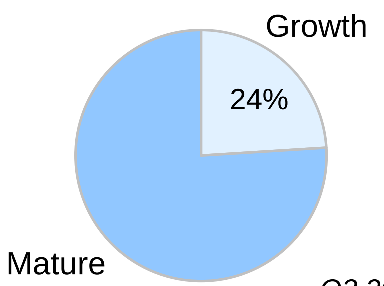
Key figures

	3Q11	2Q12	3Q12
Sales	2,077	2,413	2,443
% sales growth comp.	*7*	*7*	*7*
EBITA	261	333	330
EBITA as % of sales	*12.6*	*13.8*	*13.5*
EBIT	207	284	278
EBIT as % of sales	*10.0*	*11.8*	*11.4*
NOC	8,081	8,542	8,261
Employees (FTEs)	37,887	37,887	38,228

Sales per region



Growth Geographies



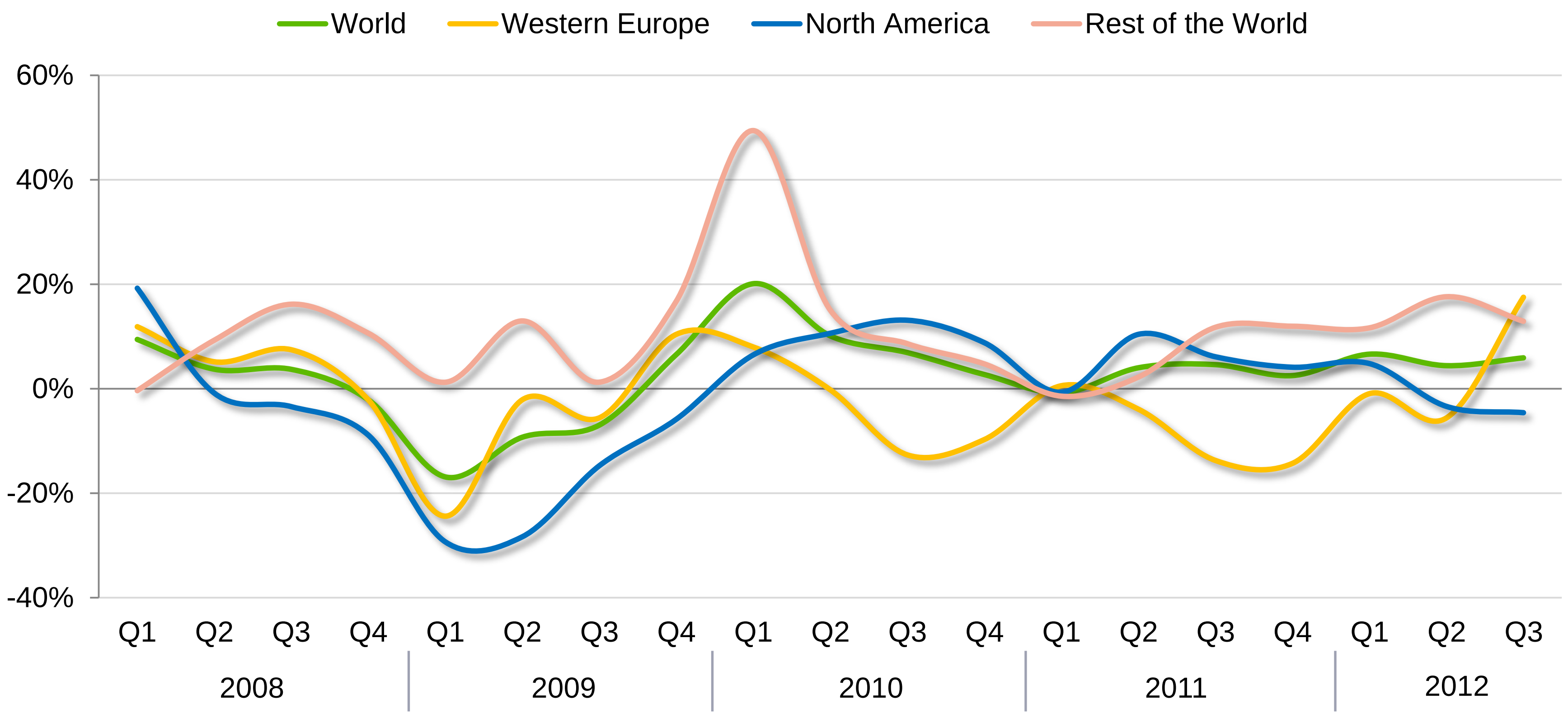
Q3 2012

Financial performance

- Currency-comparable equipment order intake grew 6% year-on-year. Double-digit growth was seen at Patient Care & Clinical Informatics, and low-single-digit growth at Imaging Systems. Equipment orders in Europe showed double-digit growth, while in North America equipment order intake showed a mid-single-digit decline. Equipment orders in growth geographies grew by 9%.
- Comp. sales were 7% higher year-on-year, driven by double-digit growth at Imaging Systems and high-single-digit growth at Home Healthcare Solutions. Mid-single-digit growth was seen at Customer Services and Patient Care & Clinical Informatics. On a comp. basis, sales in growth geographies increased by 14% while sales in mature geographies grew by 5%, with low-single-digit growth in NA, flat sales in Europe, and strong double-digit growth in other mature Geographies
- EBITA was EUR 330 million, or 13.5% of sales, compared to EUR 261 million, or 12.6% of sales in Q3 2011. Strong sales-driven gross margin, mainly at Imaging Systems, and productivity improvements at Customer Services drove the year-on-year EBITA improvement. Excluding restructuring and acquisition-related charges, EBITA grew to EUR 333 million, or 13.6% of sales, compared to EUR 263 million, or 12.7% of sales in Q3 2011.
- Net operating capital increased by EUR 180 million to EUR 8.3 billion, mainly due to currency effects, with all businesses showing improved efficiency in inventory usage y-o-y.

Healthcare: Equipment order intake

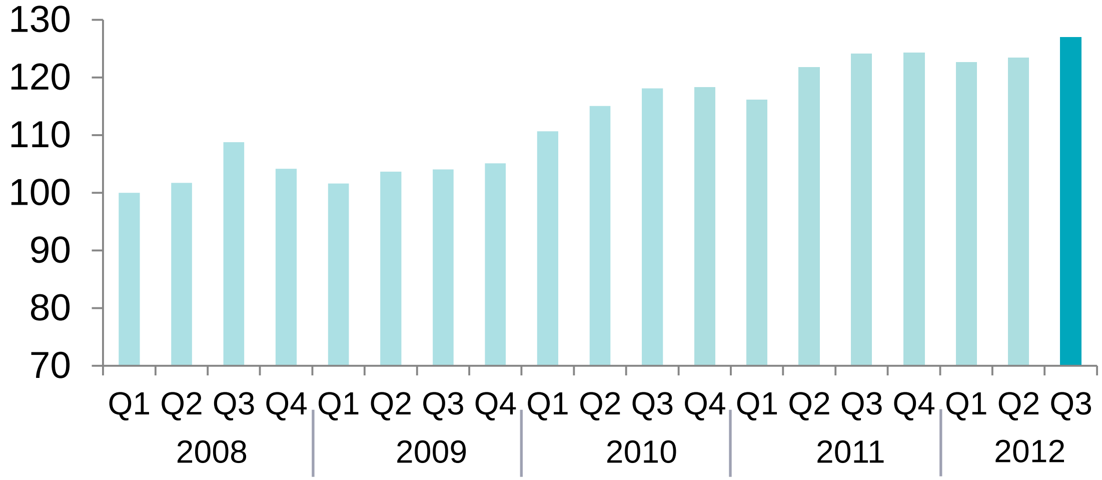
Quarterly currency adjusted equipment order intake



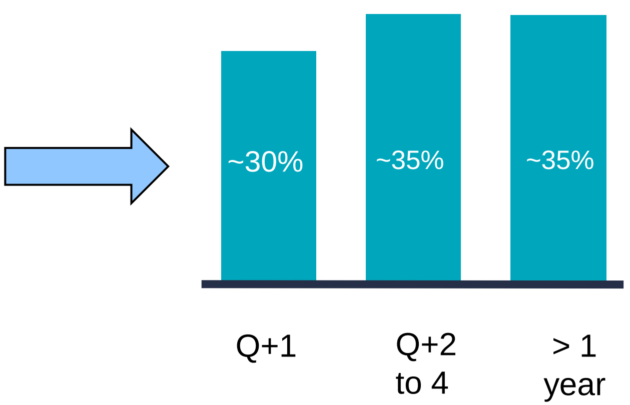
Currency adjusted order intake only relates to the Imaging Systems and Patient Care & Clinical Informatics businesses

Healthcare: Equipment order book

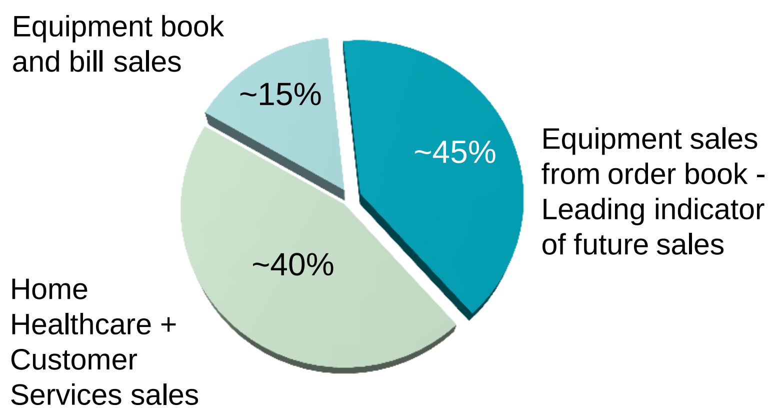
Indexed Equipment Order Book Development



Typical profile of equipment order book conversion to sales



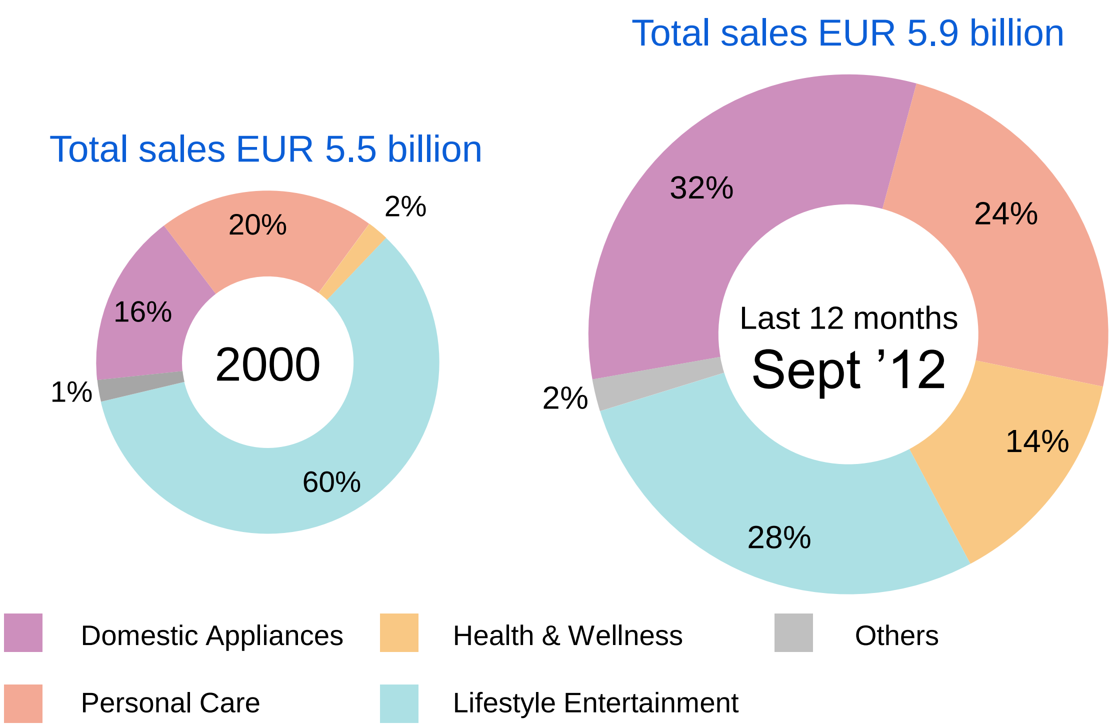
Quarter end equipment order book is a leading indicator for ~45% of sales the following quarters



- Approximately 60-65% of the current order book results in sales within next 12 months

Consumer Lifestyle: Reshaping the portfolio towards growth

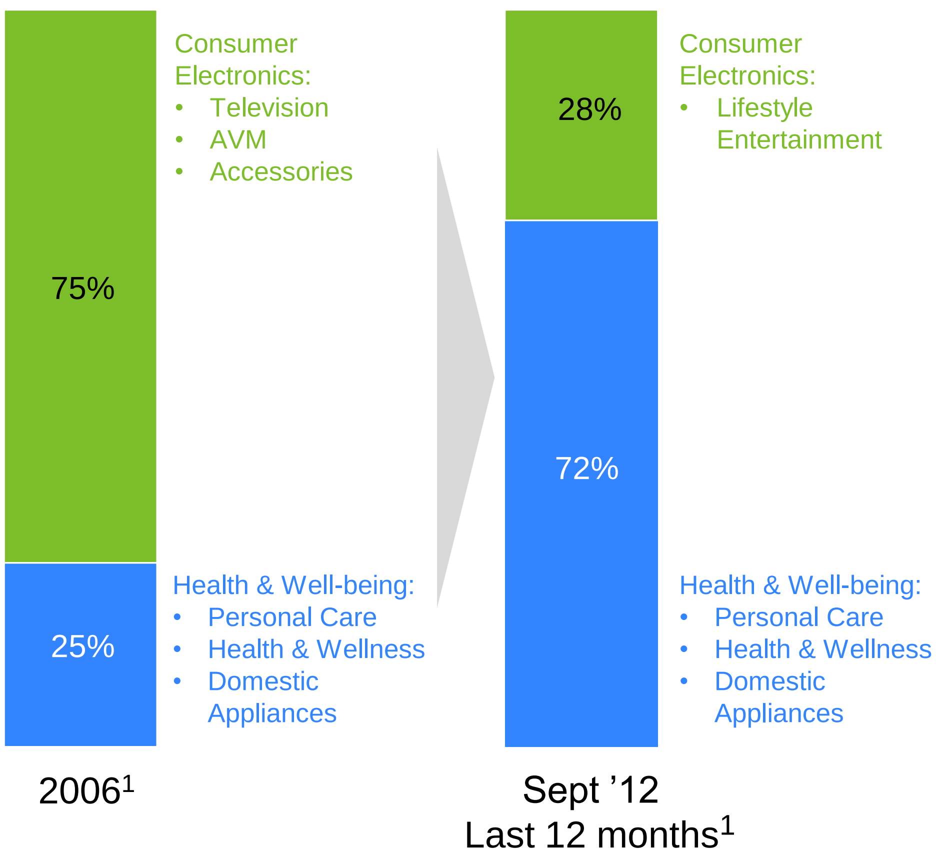
- Right-size the organization post TV JV
- Address Lifestyle Entertainment portfolio and execute turn-around plan
- Continued growth investment in core businesses towards global category leadership
- Regional business creation; leverage acquisitions in China and India



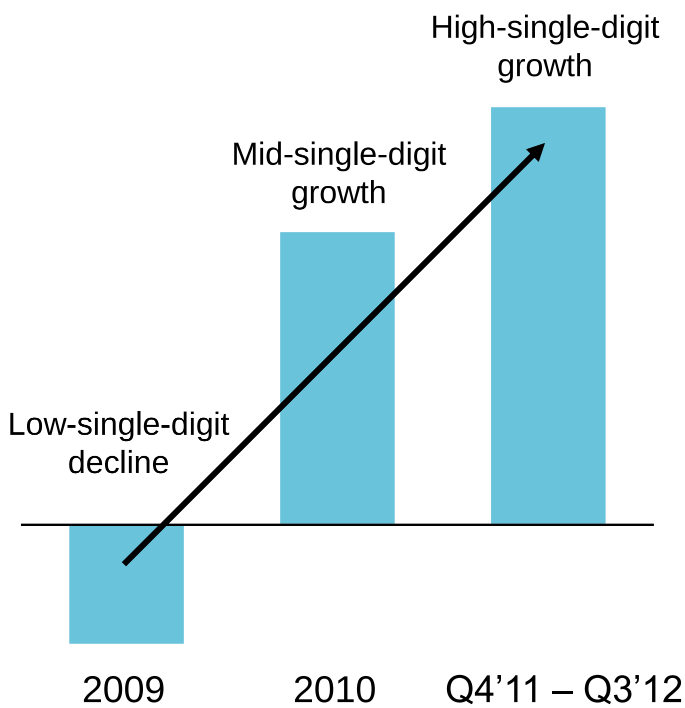
We are increasing focus

Towards the Health and Well-being domain

We have reduced our exposure to Consumer Electronics from ~75% towards ~28%



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



[1] Excluding others

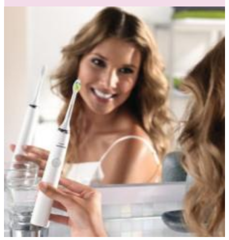
Note - All figures exclude discontinued operations

Consumer Lifestyle

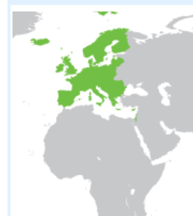
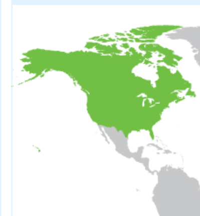
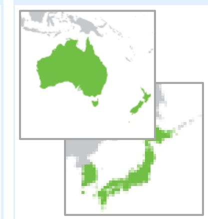
What we do. Where we are.

Philips Consumer Lifestyle

Businesses[1, 2]

Personal Care	Health & Wellness	Domestic Appliances	Lifestyle Entertainment
			
24%	14%	32%	28%

Geographies[1]

Western Europe	North America	Other Mature Geographies	Growth Geographies
			
32%	18%	5%	45%

€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 September 2012
[2] Other category (2%) is omitted from this overview
Note - All figures exclude discontinued operations

PHILIPS

Strong progress in driving scale and category leadership

Through innovation and customer intimacy, tapping into attractive profit pool

Focusing on the following businesses:

Personal Care

Male Grooming

- 40% of SensoTouch and AquaTouch users recruited from blade
- Increasing our leading position in the total Male Grooming market in key geographies
- Further strengthening leadership in China by introducing new value propositions and expanding to lower tier cities

Beauty

- Philips has #1 positions in hair care in growth geographies
- Philips is #1 in Intense Pulse Light hair removal, since Lumea launch
- Active Care dryer strengthens #1 position of dryers in Europe

Health & Wellness

Oral Healthcare

- Increasing number of leadership positions[1] from 5 to 13
- Entering new channels, launching PowerUp in drugstores this quarter
- Successful expansion into interdental cleaning with Airfloss

Mother & Childcare

- Natural range launched, first consumer reviews are very positive
- Significant value growth and an increase of premium sales share
- Awards won in several countries from leading baby magazines

[1] #1 or #2 position

Source: GfK, ZYK YTD-Jun 2012

PHILIPS

Strong progress in driving scale and category leadership

Through innovation and customer intimacy, tapping into attractive profit pool

Focusing on the following businesses:

Domestic Appliances

Kitchen Appliances

- Double-digit growth in first half of 2012 driven by strong innovation impetus
- Acquisitions and local product creation drive a strong increase of new product offers
- Leadership in key markets strengthened through local relevance

Garment Care

- Optimal Temp Innovation confirms global leadership in steam generators
- Locally relevant innovations like steamers drive leadership in China and expand portfolio globally

Coffee

- New, long-term agreement with D.E. Master Blenders 1753 to further strengthen the Senseo business
- Successfully launched the breakthrough innovation Senseo Sarista

Source: GfK, ZYK YTD-Jun 2012

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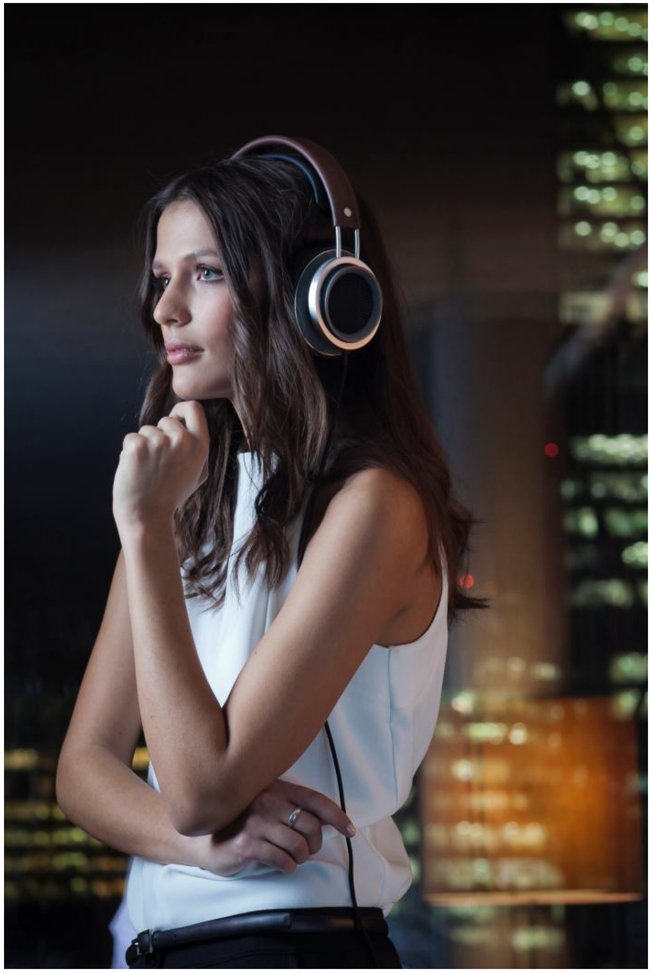
We are transforming the Consumer Lifestyle portfolio

Establishing new business models, driving more value in Lifestyle Entertainment

- We created Lifestyle Entertainment by combining Accessories with Audio, Video and Multimedia: Eliminated management layers and headquartered the operation in Hong Kong
- We are transitioning the portfolio towards growing categories like connected entertainment, away from rapidly declining categories like MP3, MP4 and DVD players
- Cost base significantly reduced to adjust to lower revenue base, enabling mid-single-digit margin for the first half of 2012
- We are looking at new business models to further drive value, e.g. North American distribution agreement with Funai



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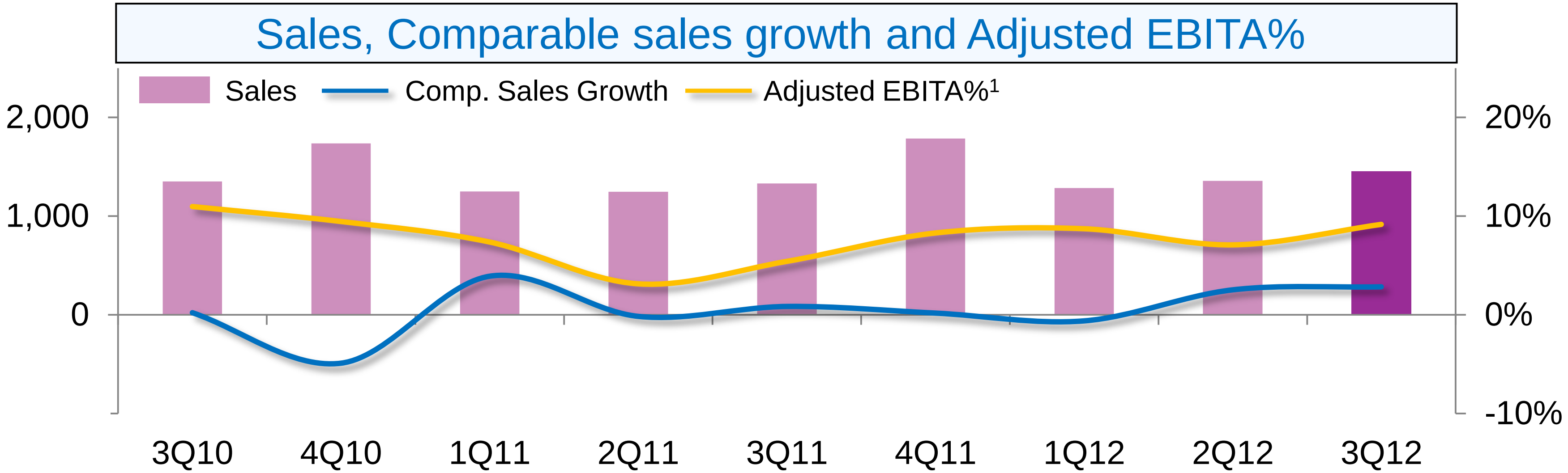
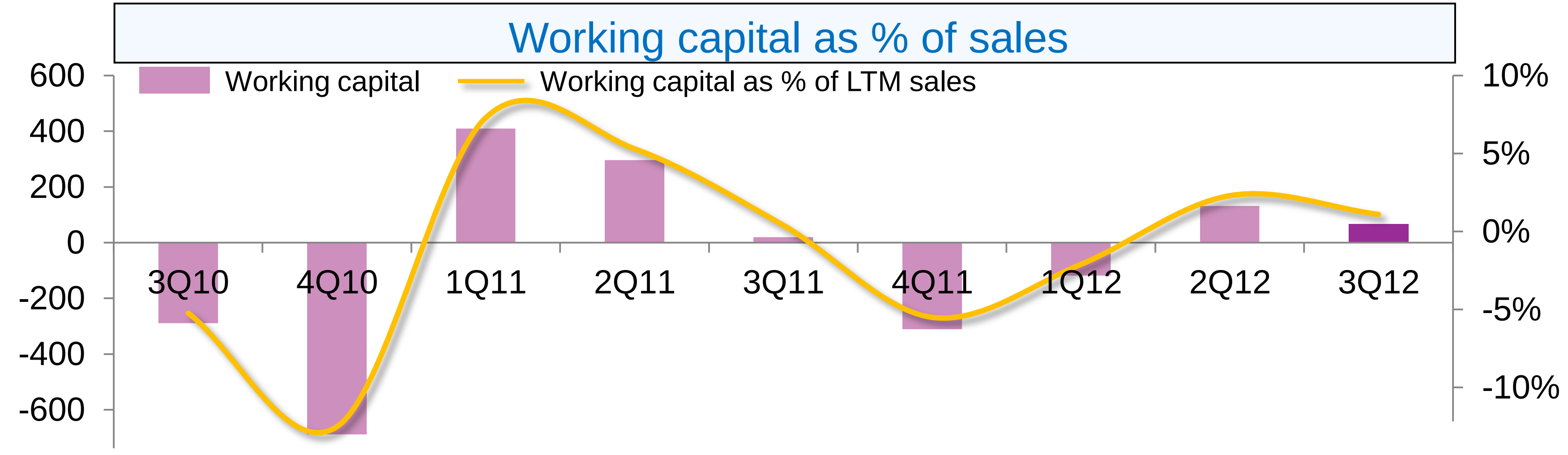
Consumer Lifestyle: Financials over the last two years

EUR million





[1] Adjusted EBITA is EBITA corrected for incidental charges (details on slide 88)

Note - All figures exclude discontinued operations

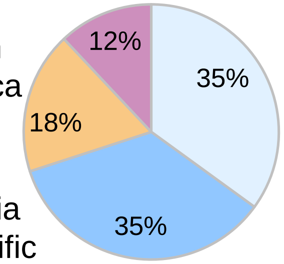
Consumer Lifestyle: Q3 2012 Sector analysis

EUR million

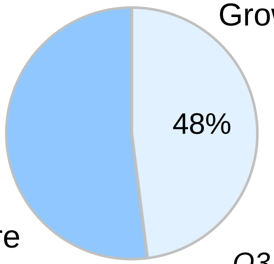
Key figures

	3Q11	2Q12	3Q12
Sales	1,332	1,356	1,453
% sales growth comp.	*1*	*3*	*3*
EBITA	62	103	124
EBITA as % of sales	*4.7*	*7.6*	*8.5*
EBIT	49	86	106
EBIT as % of sales	*3.7*	*6.3*	*7.3*
NOC	1,181	1,546	1,460
Employees (FTEs)	16,893	19,277	19,647

Sales per region



Growth Geographies



Q3 2012

Financial performance

- Sales increased 9% nominally year-on-year. On a comparable basis, sales increased 3%, driven by double-digit growth in the combined growth businesses, i.e. Personal Care, Health & Wellness and Domestic Appliances, partly offset by a double-digit decline at Lifestyle Entertainment. On a regional basis, comparable sales in growth geographies registered a high-single-digit increase. North America saw mid-single-digit growth while comparable sales in Western Europe declined 7%.
- EBITA included EUR 7 million of net costs formerly reported as part of the Television business in Consumer Lifestyle (Q3 2011: EUR 16 million).
- Excluding restructuring and acquisition-related charges of EUR 9 million in Q3 2012 and EUR 10 million in Q3 2011, EBITA margin increased from 5.4% to 9.2%. The EBITA improvement was driven by higher sales across all growth businesses, higher License revenue, non-manufacturing cost efficiencies, and lower net costs formerly reported as part of the Television business.
- Net operating capital increased by EUR 279 million as lower working capital was more than offset by higher intangible assets related to the Povos acquisition and by a reduction in the accounts payable balance related to the former Television business in Consumer Lifestyle. Inventories as a percentage of sales improved by 2.5 percentage points compared to Q3 2011.

Note - All figures exclude discontinued operations

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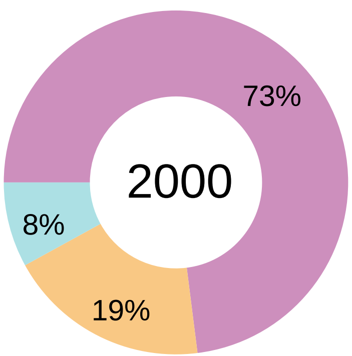
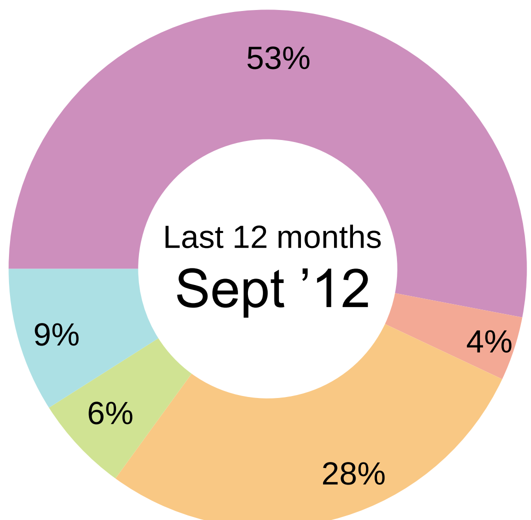
Lighting: Improve profitability on the path to LED and solutions

- 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 8.3 billion

Total sales EUR 4.9 billion[1]





- Light Sources & Electronics
- Professional Lighting Solutions
- Consumer Luminaires
- Automotive
- Lumileds

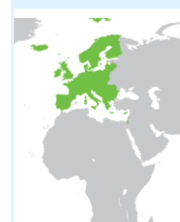
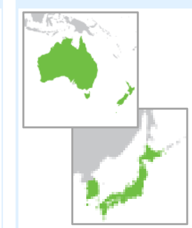
[1] Excluding batteries EUR 0.2 billion

PHILIPS

Lighting

What we do. Where we are.

Philips Lighting

Businesses[1]					Geographies[1]			
Light Sources & Electronics	Professional Lighting Solutions	Lumileds	Automotive	Consumer Luminaires	Western Europe	North America	Other Mature Geographies	Growth Geographies
								
53%	28%	4%	9%	6%	28%	26%	5%	41%

€7.6
Billion sales in 2011

51,000+
People employed worldwide in 60 countries

5%
of sales invested in R&D in 2011

80,000+
Products & services offered in 2011

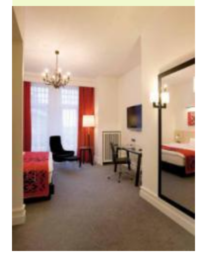
[1] Last twelve months September 2012
Note - All figures exclude discontinued operations

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%

- ~ 75% of Lighting sales is B2B
- ~ 24% of the Lighting portfolio is LED lighting

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

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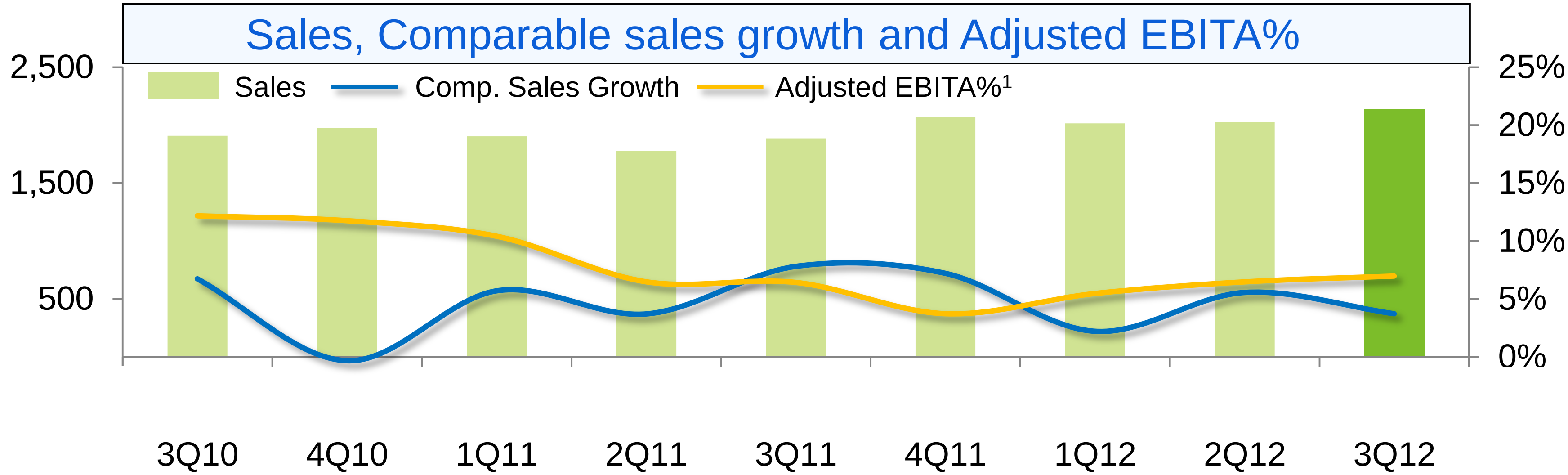
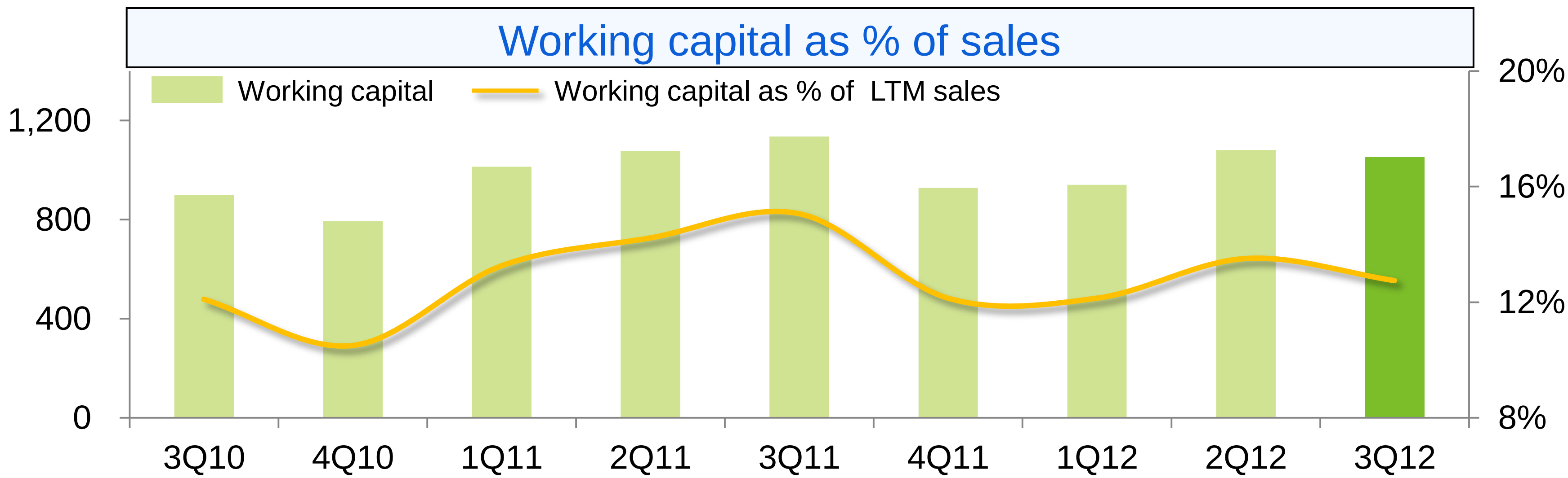
Lighting: Financials over the last two years

EUR million





[1] Adjusted EBITA is EBITA corrected for incidental charges (details on slide 88)

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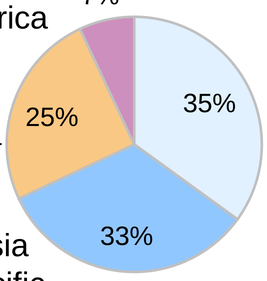
Lighting: Q3 2012 Sector analysis

EUR million

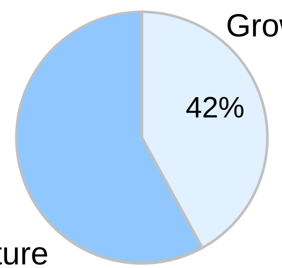
Key figures

	3Q11	2Q12	3Q12
Sales	1,886	2,026	2,139
% sales growth comp.	*8*	*6*	*4*
EBITA	110	93	47
EBITA as % of sales	*5.8*	*4.6*	*2.2*
EBIT	86	49	1
EBIT as % of sales	*4.6*	*2.4*	*0.0*
NOC	5,238	5,343	5,107
Employees (FTEs)	54,140	52,749	51,751

Sales per region



Growth Geographies



Q3 2012

Financial performance

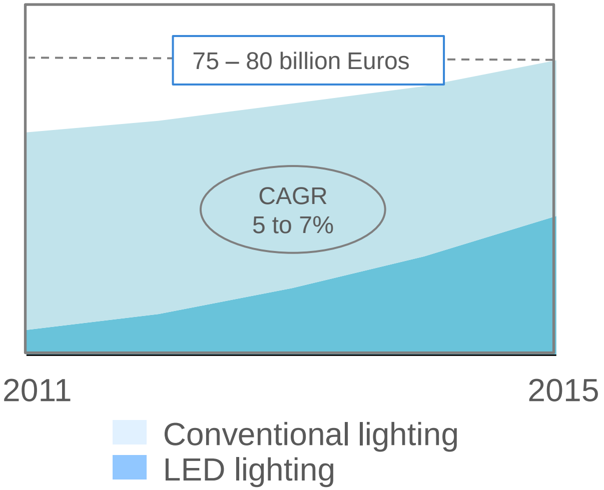
- Comparable sales were 4% higher year-on-year, driven by double-digit sales growth at Lumileds and Automotive, and low-single-digit sales growth at Light Sources & Electronics. Sales at Professional Lighting Solutions were flat, while Consumer Luminaires' sales were slightly below the Q3 2011 level. From a regional perspective, comparable sales in growth geographies increased by 11% compared to Q3 2011, partly offset by a low-single-digit decline in NA and Europe. LED-based sales grew 51% compared to Q3 2011, and now represent 24% of total Lighting sales.
- EBITA amounted to EUR 47 million, compared to EUR 110 million in Q3 2011. Earnings were impacted by an increase in restructuring and acquisition-related charges, as well as a loss on the sale of industrial assets. EBITA, excluding restructuring and acquisition-related charges of EUR 68 million (Q3 2011: EUR 11 million) and a loss on the sale of industrial assets of EUR 34 million, was EUR 149 million, or 7.0% of sales (Q3 2011: EUR 121 million, or 6.4% of sales). This year-on-year EBITA improvement was driven by revenue growth and improvements in the cost structure. Lumileds, Automotive and Professional Lighting Solutions were the main contributors to the EBITA improvement.
- Net operating capital decreased by EUR 131 million to EUR 5,107 million. The decrease was largely driven by improved working capital management and an increase in provisions related to restructuring charges, partly offset by the consolidation of Indal in Q1 2012 as well as currency impact. Inventories as a % of sales improved by 1% y-o-y.

The lighting market is large and attractive

5 to 7% growth rate will take the market to EUR 80 billion in 2015

- The world needs more light:
  - 3 billion more people in cities by 2050
  - New applications in healthcare, water purity and food
- The world needs more energy efficient lighting
  - Inefficient lighting technologies are being phased out
  - Digital lighting and controls can reduce worldwide electricity consumption by up to 16%
- Digitization enables new solutions and services business opportunities
  - Lighting solutions enabled by the integration of LED, luminaires, controls and software
  - Services enabled by the management and monitoring of connected light points

LED lighting expected to be around 45% of the market by 2015[1]



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

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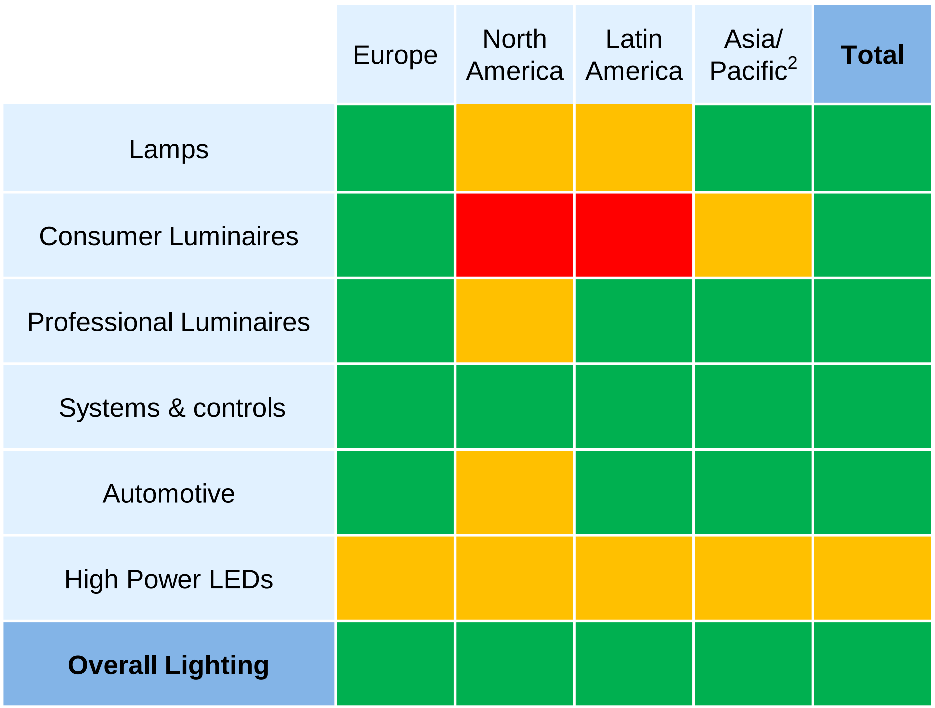
The leading global lighting company

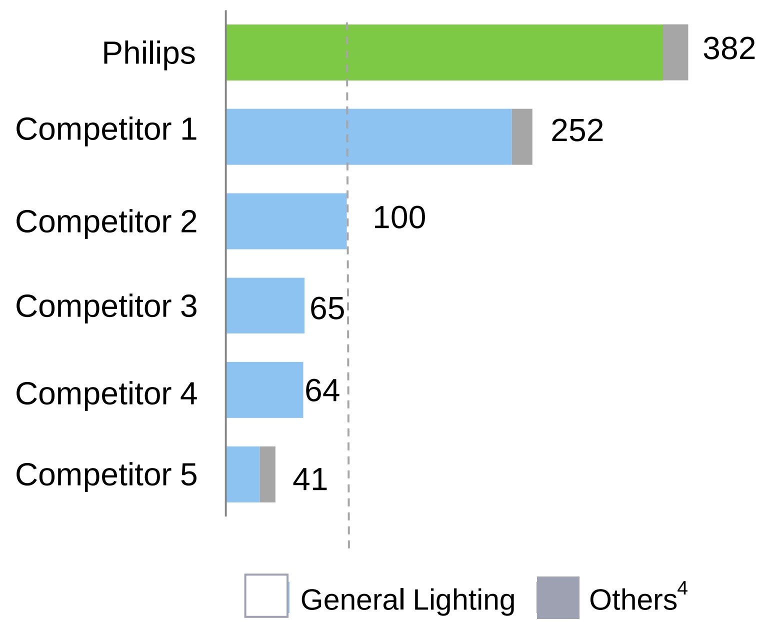
Market leadership[1] across most categories
Market share per Business Group by Region, as per Q1 2012



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

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

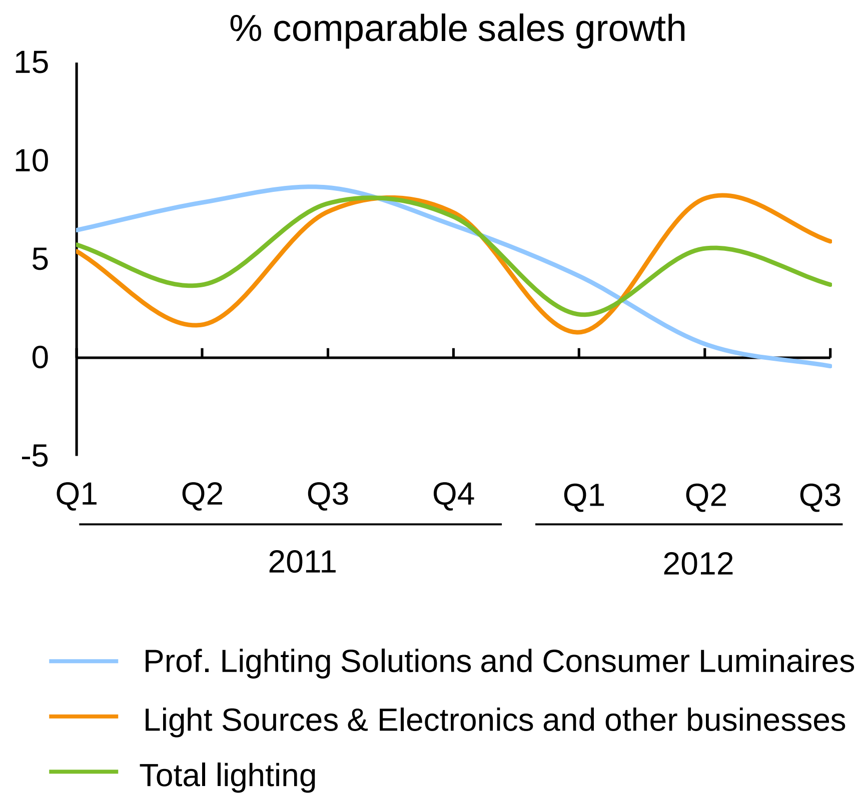
Sales recovery despite current weakness in the construction market in mature economies

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	**12%**	13%	25%
Commercial	**26%**	22%	48%
Other	19%	8%	27%
Total	57%	43%	100%

New Build	WE&NA	ROW	Total
Residential	6%	6%	12%
Commercial	13%	13%	26%
Total	19%	19%	38%

Soft construction activity and consumer confidence impact Luminaires market in mature economies



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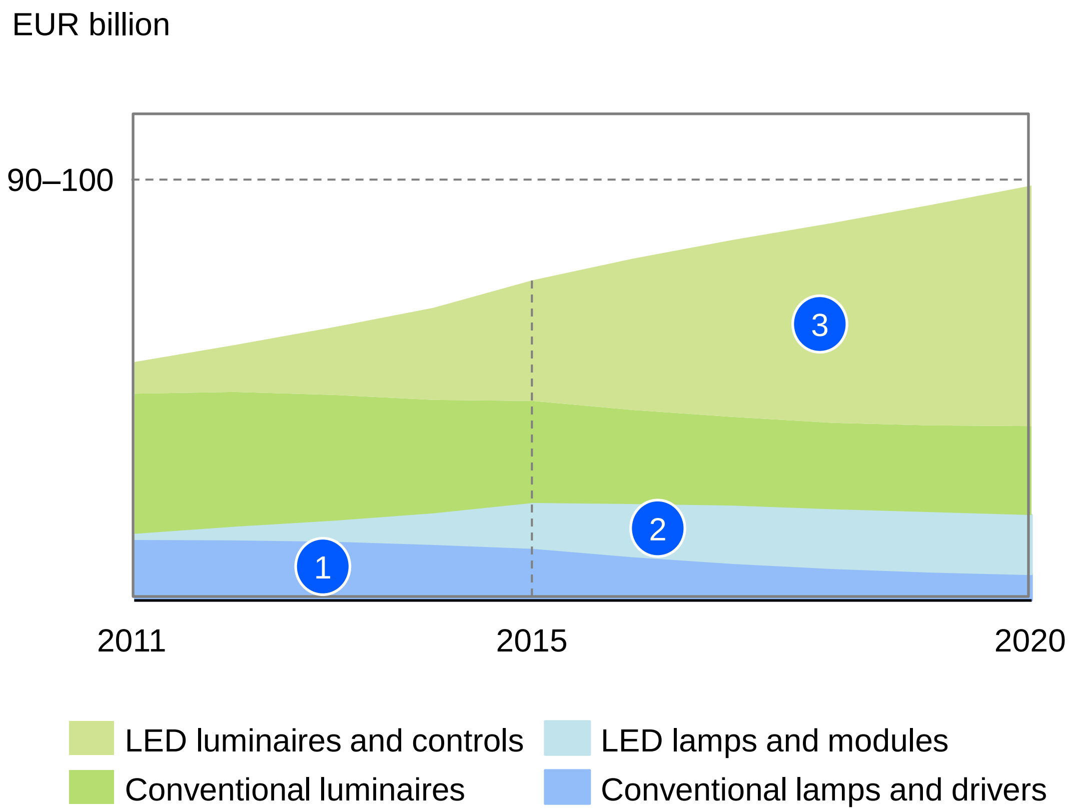
We have a strategy to maintain leadership in conventional lighting and win in LEDs/ applications

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

We are the leading LED lighting company

Leveraging Intellectual Property

- Scope: LED Controls and Basic Optics
- Philips Lighting Patent Portfolio:

  - 80% LED related
  - 20% Conventional related

- 1400 Rights licensed
- Licensing Program has already 230 licensees

Packaged LED's

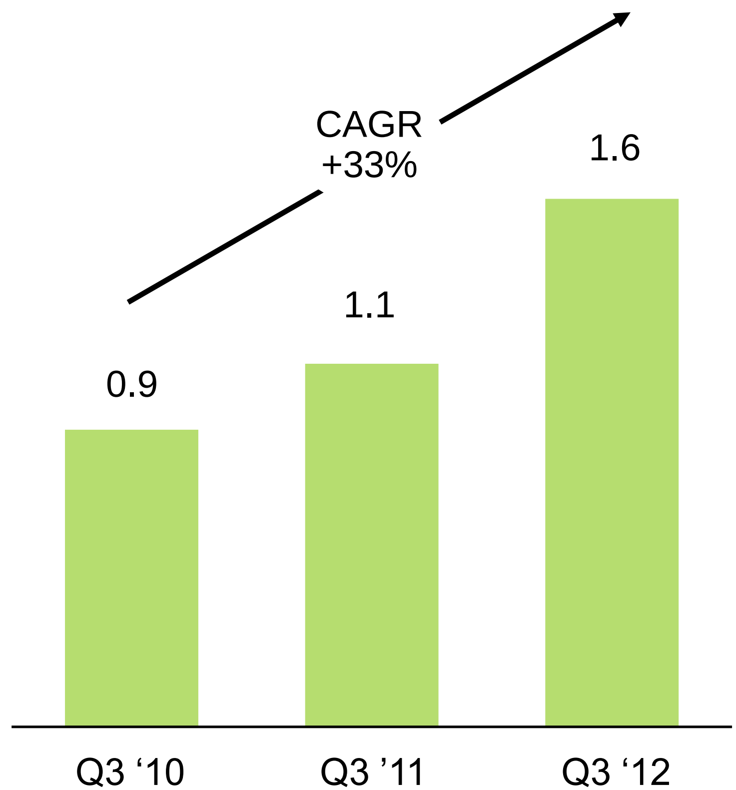
Lamps and Modules

Luminaires

Solutions

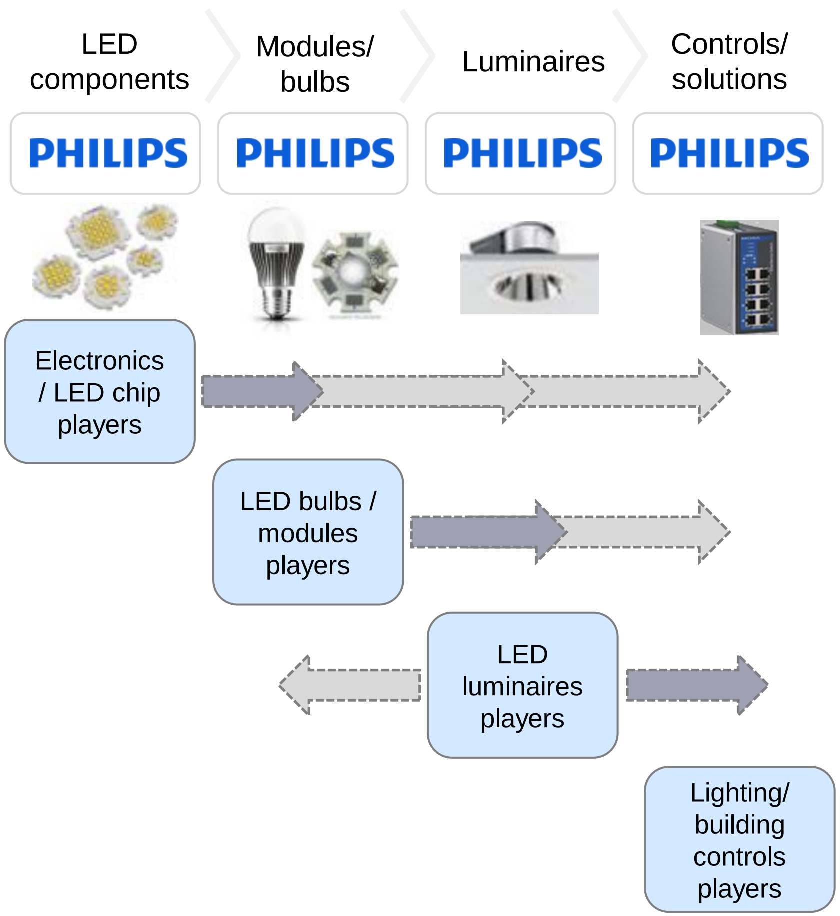
Robust growth across our LED portfolio

Last 12 months sales, EUR billion



Vertical integration gives Philips a competitive advantage in the changing Lighting landscape

We cover the entire value chain

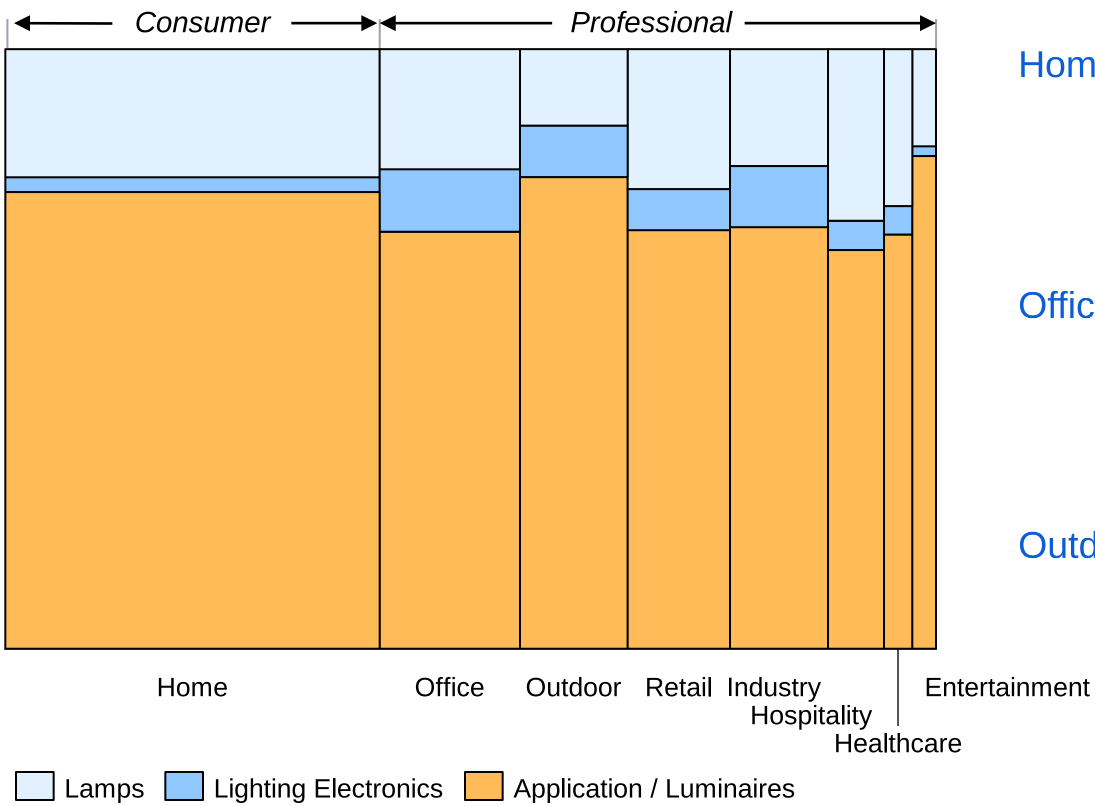


Vertical integration and superior LEDs are our key differentiators

- Philips uses its application know-how to specify and design superior lighting solutions and luminaires …
- … its luminaire know-how for superior LED modules …
- … its module know-how for superior LEDs
- Superior LEDs are key for leading lighting solutions
  - Leading lighting designs
  - First to market
  - Better cost performance
  - Deliver customer value and drive margin

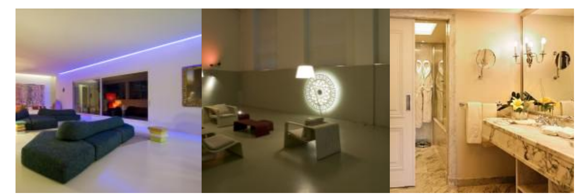
Home, Office, and Outdoor are the biggest segments Professional is the largest channel

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

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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

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Innovation,Group & Services: Q3 2012 Sector analysis

EUR million

Key figures

	3Q11	2Q12	3Q12
Sales	99	97	92
% sales growth comp.	*(3)*	*(13)*	*(7)*
EBITA:			
Group Innovation	(12)	(33)	(27)
IP Royalty	45	35	37
Group & Regional Costs	(30)	(28)	(36)
Accelerate! investments	(9)	(34)	(34)
Pensions	(12)	31	6
Services Units & Other	(47)	(50)	3
EBITA	(65)	(79)	(51)
EBIT	(69)	(81)	(52)
NOC	(2,876)	(3,900)	(3,734)
Employees (FTEs)	12,334	11,888	11,658

Financial performance

- Sales decreased from EUR 99 million in Q3 2011 to EUR 92 million in Q3 2012, due to lower royalty income.
- EBITA amounted to a net cost of EUR 51 million, which is a EUR 14 million lower net cost than in Q3 2011. The year-on-year change was largely due to legal and environmental expenses incurred in Q3 2011 (in Service Units and Other) and favorable results in Pensions, partly offset by higher investments in Group Innovation and Accelerate!.
- Service Units and Other EBITA was negatively impacted in Q3 2011 by EUR 38 million of legal and environmental provisions related to a discount rate change, as well as EUR 17 million of net costs formerly reported as part of the Television business in Consumer Lifestyle (Q3 2012: EUR 3 million).
- Compared to Q3 2011, the number of employees decreased by 676, primarily due to restructuring activities in the Service Units, particularly in IT.
- Net operating capital decreased by EUR 858 million, mainly due to an increase in net pension liabilities in Q4 2011 and a decrease in the value of currency hedges held at Group level.

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sense and simplicity

Appendix

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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
January 29, 2013	Fourth quarterly and annual results 2012

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Depreciation and amortization

EUR million

	Q3 2011	Q3 2012
Depreciation	153	175
Amortization of development assets	39	46
Amortization intangibles	95	116
Amortization of software	21	18
Philips Group	308[1]	355

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

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Fixed assets expenditures & Depreciation by sector

EUR million

	Gross CapEx[1]		Depreciation	
	Q3 2011[2]	Q3 2012	Q3 2011[2]	Q3 2012
Healthcare	46	44	46	51
Consumer Lifestyle	33	35	30	32
Lighting	68	57	62	74
IG&S	22	25	15	18
Group	169	161	153	175

[1] Capital expenditures on property, plant and equipment only

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

Fixed assets expenditures & Depreciation by sector

EUR million

	Gross CapEx[1]		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] Capital expenditures on property, plant and equipment only
[2] Revised to reflect an adjusted allocation of capital expenditures on property, plant and equipment

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Development cost capitalization & amortization by sector

EUR million

	Capitalization		Amortization	
	Q3 2011	Q3 2012	Q3 2011	Q3 2012
Healthcare	33	63	21	24
Consumer Lifestyle	8	8	10	8
Lighting	17	16	8	14
IG&S	-	-	-	-
Group	58	87	39	46

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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

Restructuring, acquisition-related and other incidentals

EUR million

	1Q11	2Q11	3Q11	4Q11	**2011**	1Q12	2Q12	**3Q12**
Acq.-related charges	(2)	(3)	(3)	(9)	**(17)**	(5)	(4)	**(4)**
Restructuring	4	4	1	(12)	**(3)**	(4)	(4)	**1**
Healthcare	2	1	(2)	(21)	**(20)**	(9)	(8)	**(3)**
Acq.-related charges	(10)	(12)	(9)	(14)	**(45)**	(6)	(5)	**(2)**
Restructuring	(3)	(1)	(1)	(4)	**(9)**	(7)	(8)	**(7)**
Other Incidentals	-	-	-	-	**-**	160[1]	20	**-**
Consumer Lifestyle	(13)	(13)	(10)	(18)	**(54)**	147	7	**(9)**
Acq.-related charges	(2)	(3)	(7)	-	**(12)**	(3)	(3)	**(3)**
Restructuring	(3)	(11)	(4)	(36)	**(54)**	(21)	(35)	**(65)**
Other Incidentals	-	-	-	-	**-**	(25)	-	**(34)**
Lighting	(5)	(14)	(11)	(36)	**(66)**	(49)	(38)	**(102)**
Restructuring	1	2	(1)	(25)	**(23)**	1	(40)	**2**
Other Incidentals	-	-	-	21	**21**	37	25	**-**
IG&S	1	2	(1)	(4)	**(2)**	38	(15)	**2**
Total Acq.-related charges	(14)	(18)	(19)	(23)	**(74)**	(14)	(12)	**(9)**
Total Restructuring	(1)	(6)	(5)	(77)	**(89)**	(31)	(87)	**(69)**
Total Others	-	-	-	21	**21**	172	45	**(34)**
Grand Total	(15)	(24)	(24)	(79)	**(142)**	127	(54)	**(112)**

[1] Sale of the Senseo trademark

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

PHILIPS