PHILIPS

sense and simplicity

Frans van Houten
CEO Royal Philips Electronics
Important information

Forward-looking statements
This document and the related oral presentation, including responses to questions following the presentation contain certain forward-looking statements with respect to the financial condition, results of operations and business of Philips and certain of the plans and objectives of Philips with respect to these items. Examples of forward-looking statements include statements made about our strategy, estimates of sales growth, future EBITA and future developments in our organic business. By their nature, these statements involve risk and uncertainty because they relate to future events and circumstances and there are many factors that could cause actual results and developments to differ materially from those expressed or implied by these statements. These factors include but are not limited to domestic and global economic and business conditions, the successful implementation of our strategy and our ability to realize the benefits of this strategy, our ability to develop and market new products, changes in legislation, legal claims, changes in exchange and interest rates, pension costs and actuarial assumptions, raw materials and employee costs, our ability to identify and complete successful acquisitions and to integrate those acquisitions into our business, our ability to successfully exit certain businesses or restructure our operations, the rate of technological changes, political, economic and other developments in countries where Philips operates, industry consolidation and competition. As a result, Philips’ actual future results may differ materially from the plans, goals and expectations set forth in such forward-looking statements. For a discussion of factors that could cause future results to differ from such forward-looking statements, see the Risk management chapter included in our Annual Report 2010 and the "Risk and uncertainties" section in our semi-annual financial report for the six months ended July 3, 2011.

Third-party market share data
Statements regarding market share, including those regarding Philips’ competitive position, contained in this document are based on outside sources such as research institutes, industry and dealer panels in combination with management estimates. Where information is not yet available to Philips, those statements may also be based on estimates and projections prepared by outside sources or management. Rankings are based on sales unless otherwise stated.

Use of non-GAAP Information
In presenting and discussing the Philips Group’s financial position, operating results and cash flows, management uses certain non-GAAP financial measures. These non-GAAP financial measures should not be viewed in isolation as alternatives to the equivalent IFRS measures and should be used in conjunction with the most directly comparable IFRS measures. A reconciliation of such measures to the most directly comparable IFRS measures is contained in this document. Further information on non-GAAP measures can be found in our Annual Report 2010.

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

All amounts in millions of euro’s unless otherwise stated; data included are unaudited. Financial reporting is in accordance with IFRS, unless otherwise stated. This document comprises regulated information within the meaning of the Dutch Financial Markets Supervision Act ‘Wet op het Financieel Toezicht’.
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We operate in the right markets
Addressing key societal issues

Demand for affordable healthcare
Need for energy efficient solutions
Desire for increased personal well-being

Group Sales: 67% Mature Geographies 33% Growth Geographies
Philips won the ‘L-Prize’ for LED replacement of 60W light bulb in a competition by the US Department of Energy.

Since launch of Sonicare AirFloss in key geographies, Philips increased market share.

Philips received Food and Drug Administration (FDA) clearance to market its whole-body PET-MR imaging system in the US.

Ultrasound ClearVue manufactured in China and sold locally and globally.

The new mixer grinder co-developed with Preethi for local Indian market launched in record time.

Philips InstantTrust: innovative water solution based on cutting-edge UV disinfection technology.
We are eager to build on our strong assets

**Innovation capabilities**
- Technology, know-how, strong IP positions (53,000 registered patents)

**Philips brand**
- World’s 41st most valuable brand 2011

**Global footprint**
- 33% of group revenues from growth geographies

**People**
- Employee Engagement Index1 exceeds high performance benchmark value of 70%

**Domain leadership**
- Global market leader in Lighting; Top 3 Healthcare player; Leading Consumer Lifestyle brands (e.g. Philips Sonicare, Avent, Saeco)

1 Based on annual Philips’ Employee Engagement Survey
We want to excel through innovation
We launched Accelerate!
Change and performance program

- Markets now led by empowered entrepreneurs
- Cost reduction program of EUR 800 mln started
- Stepping up investments in innovation and R&D
- Decreasing number of layers to speed up decision making
- New behaviors driving new ways of working
We are fully committed to improve operational performance to achieve our mid-term targets.

**Philips Mid-Term Performance Box**

**Mid-Term financial objectives (2013)**

- **Sales growth CAGR**<sup>1</sup> 4 - 6%
- **Group Reported**<sup>2</sup> EBITA 10 - 12%
  - Healthcare 15 - 17%
  - Consumer Lifestyle<sup>3</sup> 8 - 10%
  - Lighting 8 - 10%
- **Group ROIC** 12 - 14%

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<sup>1</sup> Assuming real GDP growth of 3-4%

<sup>2</sup> Including restructuring and acquisition related charges

<sup>3</sup> Excluding unrelated licenses
We reduced our exposure to consumer electronics

1 Excluding others (e.g. Licenses)
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### Key Financials Summary
#### Q4 2011 and FY 2011

<table>
<thead>
<tr>
<th>EUR million</th>
<th>Q4 2010</th>
<th>Q4 2011</th>
<th>FY 2010</th>
<th>FY 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>6,495</td>
<td>6,712</td>
<td>22,287</td>
<td>22,579</td>
</tr>
<tr>
<td>EBITA</td>
<td>913(^1)</td>
<td>503(^1)</td>
<td>2,562(^2)</td>
<td>1,680(^2)</td>
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<tr>
<td>Net income (loss)</td>
<td>465</td>
<td>(160)</td>
<td>1,452</td>
<td>(1,291)</td>
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<tr>
<td>Free cash flow</td>
<td>1,152</td>
<td>961</td>
<td>1,356</td>
<td>(108)</td>
</tr>
</tbody>
</table>

1 - 4Q11 includes on balance EUR (79)M of gains and charges while 4Q10 included in total EUR 45M gains and charges
2 - 2011 includes on balance EUR (142)M of gains and charges while 2010 included in total EUR (84)M gains and charges

Note - All figures exclude discontinued operations
Healthcare

Q4 Total Sales EUR 2.7 billion
- Comparable sales growth 3%
- EBITA EUR 409 million
- Sales in North America grew 6%; in growth geographies 5%

Full Year Total Sales EUR 8.9 billion
Consumer Lifestyle

Q4 Total Sales EUR 1.8 billion

- Comparable sales growth 1%
- EBITA EUR 184 million
- Sales in growth geographies grew 8%; offset by declines in mature geographies

Full Year Total Sales EUR 5.8 billion

- 28% Domestic Appliances
- 22% Personal Care
- 13% Health & Wellness
- 31% Lifestyle Entertainment
- 6% Other incl. Licenses
Lighting

Q4 Total Sales EUR 2.1 billion
• Comparable sales growth 7%
• EBITA EUR 41 million
• Sales increased 21% in growth geographies
• LED growth of 37%, representing 18% of total Lighting sales

Full Year Total Sales EUR 7.6 billion

- Lamps/Lighting Systems & Controls: 54%
- Professional Luminaires: 6%
- Consumer Luminaires: 8%
- Automotive: 5%
- Packaged LEDs: 27%
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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.”

1 Elective dividend, proposal subject to approval in the General Shareholders Meeting on April 26th, 2012
Our 2012 Commitment

1. Accelerate our growth and improve our performance…

2. …by executing the Accelerate! transformation…

3. …and progressing on our strategic priorities
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