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sense and simplicity

Royal Philips Electronics

Fourth Quarter and Annual Results 2012
Information booklet

January 29th, 2013

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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 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.

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Agenda

1. Management update

2. Group results Q4 2012 and annual results

3. Accelerate! Change and performance

4. Portfolio strength and path to value

5. Group and sector overview

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Management update Q4 2012: Group

Sales

- Comparable sales increased by 3% year-on-year to reach EUR 7.2 billion
- Comparable sales growth was 4% in both Healthcare and Lighting, while Consumer Lifestyle grew by 2%

Adjusted EBITA

- Adj. EBITA improved to EUR 875 million, 12.2% of sales, from 8.7% in Q4 2011
- Adjusted EBITA excludes the following:
  - EUR 313[1] million fine from the European Commission[2]
  - EUR 358 million restructuring and acquisition related charges
  - EUR 154 million for various legal matters and a loss on the sale of industrial assets

Cost savings & Net Income

- Cost savings on track with EUR 471 million cumulative savings by Q4 2012
- Net income was a loss of EUR 355 million and included a charge of EUR 509[1] million due to a fine from the European Commission[2]

Asset management & ROIC

- Inventories as a % of sales improved by 2.0 percentage points, attributable to all sectors
- ROIC declined to 6.8%, impacted by the fine from the European Commission[2], excl. the fine, ROIC improved to 9.7% from 7.3% last year
- Free Cash Flow amounted to EUR 899 million

Others

- Philips signs agreement with Funai Electric Co., Ltd. to transfer the Audio/Video Entertainment business
- 73% of EUR 2 billion share buy-back program completed by Q4 2012

Operating margins and inventories improve across all sectors

[1] EUR 313 million of the European Commission fine impacts the EBITA and EUR 196 million impacts the Results relating to investments in associates. Total impact on Net income is EUR 509 million. [2] Related to CRT (Cathode-Ray Tubes), a business divested by Philips in 2001. Philips intends to appeal the decision

Management update Q4 2012: Healthcare

Sales	• Comparable sales were 4% higher year-on-year, to reach EUR 2.9 billion • High-single-digit growth at Home Healthcare Solutions and mid-single-digit growth at Customer Services. Imaging Systems and Patient Care and Clinical Informatics both showed low-single-digit growth
Order intake	• Currency-comparable equipment order intake grew by 4% • Mid-single-digit growth at Imaging Systems and low-single-digit growth at Patient Care and Clinical Informatics • North America declined by 4%, Europe and growth geographies grew by 11% and 7% respectively
Adjusted EBITA	• Adjusted EBITA increased to EUR 548 million, 18.8%, from 15.8% in Q4 2011 • Adjusted EBITA excludes restructuring and acquisition-related charges of EUR 114 million
EBITA	• EBITA increased to EUR 434 million, 14.9% of sales, from EUR 409 million in Q4 2011 • Year-on-year improvement was driven by Home Healthcare Solutions and Customer Services
Net Operating Capital	• Currency comparable, Net operating capital decreased by EUR 228 million to EUR 8 billion • Inventories as a % of sales improved by 3.2 percentage points, with the improvement coming from all businesses

Solid sales growth; order intake in North America declines

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Management update Q4 2012: Consumer Lifestyle

Sales	• Comparable sales were 2% higher year-on-year • Growth businesses, i.e. Personal Care, Health & Wellness and Domestic Appliances combined grew by 10% • Lifestyle Entertainment registered a double-digit decline
Adjusted EBITA	• Adjusted EBITA increased to 11.7%, from 8.3% in Q4 2011 • Adjusted EBITA excludes restructuring and acquisition-related charges of EUR 40 million
EBITA	• EBITA improved to EUR 177 million, or 9.5% of sales, from 7.3% in Q4 2011 • Improvement driven by higher sales, lower non-manufacturing costs and improved gross margins, notably at Domestic Appliances • TV stranded costs decreased from EUR 17 million in Q4 2011 to EUR 5 million in Q4 2012
Net Operating Capital	• Inventories as a % of sales improved by 0.7 percentage points compared to Q4 2011, improvements were seen across all growth businesses • Working capital as a % of sales was -2.7%
Portfolio	• Audio/Video Entertainment business transferred to Funai Electric Co., Ltd. • Consumer Lifestyle portfolio now focused on Health & Well-being businesses

Double-digit sales increase in growth businesses

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Management update Q4 2012: Lighting

Sales	• Comparable sales were 4% higher year-on-year • Sales increased in all businesses, notably double-digit growth at Lumileds and mid-single-digit growth at Consumer Luminaires and Automotive • LED-based sales grew 43% compared to Q4 2011 and now represent 25% of Lighting sales
Adjusted EBITA	• Adjusted EBITA improved to 8.6% of sales compared to 3.7% in Q4 2011 • Adjusted EBITA excludes restructuring and acquisition-related charges of EUR 185 million and a loss on the sale of industrial assets of EUR 22 million • Operating earnings improved across all businesses
EBITA	• EBITA amounted to a loss of EUR 13 million, or -0.6% of sales • EBITA was impacted by higher restructuring charges and a loss on the sale of industrial assets amounting to EUR 207 million
Net Operating Capital	• Inventories as a % of sales improved by 1.9 percentage points year-on-year • Net operating capital decreased by EUR 330 million to EUR 4.6 billion, decrease was largely driven by an increase in provisions for restructuring and lower inventories

Lumileds and Consumer Luminaires profitable in Q4

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Management update Q4 2012: By Geography

North America

- Philips Group sales declined by 3% reflecting market uncertainty
- Healthcare sales declined by low-single-digit and equipment order intake declined by mid-single-digit
- Consumer Lifestyle sales excluding Lifestyle Entertainment grew by mid-single-digit, driven by the Health and Wellness business
- Lighting sales declined by low-single-digit in the quarter

Europe

- Group sales excluding Lifestyle Entertainment grew by low-single-digit for the quarter despite the challenging economic environment
- Healthcare sales declined by 4%. Equipment order intake grew by double-digits including 2 multi-year projects in the Benelux
- In Consumer Lifestyle sales of the combined growth businesses, i.e. Personal Care, Health & Wellness and Domestic Appliances grew by low-single-digit, while sales for the sector declined by mid-single-digit
- Lighting sales grew by mid-single-digit

Growth Geographies

- Group sales increased by 10%, driven by China, India, Russia and Brazil
- Strong Healthcare sales growth of 19%. Equipment order intake was up by high-single-digit. China, India, Russia and Latam up double-digits
- Consumer Lifestyle sales showed high-single-digit growth, driven by solid growth in Russia, Brazil and India
- Lighting sales grew by mid-single-digits driven by China, India and Brazil

Sales and order growth in Europe as uncertainty causes decline in North America

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Key Financials Summary – Q4 2012 and FY 2012

EUR million

	Q4 2011	Q4 2012	FY 2011	FY 2012
Sales	6,712	7,161	22,579	24,788
EBITA	503[1]	50[1]	1,680[2]	1,502[2]
Financial income and expenses	(71)	(19)	(240)	(246)
Income tax	(79)	(59)	(283)	(308)
Net income (loss)	(160)	(355)	(1,291)	231
Net Operating Capital	10,372	9,307	10,372	9,307
Net cash from operating activities	1,189[3]	1,209	768[3]	2,198
Net capital expenditures	(223)[3]	(310)	(872)[3]	(475)
Free cash flow	966	899	(104)	1,723

[1] 4Q12 includes on balance EUR (825)M of gains and charges while 4Q11 includes in total EUR (79)M gains and charges
[2] 2012 includes on balance EUR (864)M of gains and charges while 2011 includes in total EUR (142)M gains and charges
[3] Revised to reflect an adjusted cash flow presentation of finance lease cash inflows
Note - All figures exclude discontinued operations

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Sales by sector – Q4 2012

EUR million

	Q4 2011	Q4 2012	% nom	% comp
Healthcare	2,724	2,918	7	4
Consumer Lifestyle	1,787	1,858	4	2
Lighting	2,072	2,262	9	4
Innovation, Group & Services	129	123	(5)	(5)
Philips Group	6,712	7,161	7	3

Note - All figures exclude discontinued operations

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Sales by sector – FY 2012

EUR million

	2011	2012	% nom	% comp
Healthcare	8,852	9,983	13	6
Consumer Lifestyle	5,615	5,953	6	2
Lighting	7,638	8,442	11	4
Innovation, Group & Services	474	410	(13)	(7)
Philips Group	22,579	24,788	10	4

Note - All figures exclude discontinued operations

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Sales by geography – Q4 2012

EUR million

	Q4 2011	Q4 2012	% nom	% comp
Western Europe	1,909	1,929	1	(2)
North America	2,049	2,074	1	(3)
Other mature geographies	514	620	21	16
Growth geographies[1]	2,240	2,538	13	10
Philips Group	6,712	7,161	7	3

[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 by geography – FY 2012

EUR million

	2011	2012	% nom	% comp
Western Europe	6,367	6,373	0	(3)
North America	6,978	7,672	10	2
Other mature geographies	1,742	2,101	21	12
Growth geographies[1]	7,492	8,642	15	10
Philips Group	22,579	24,788	10	4

[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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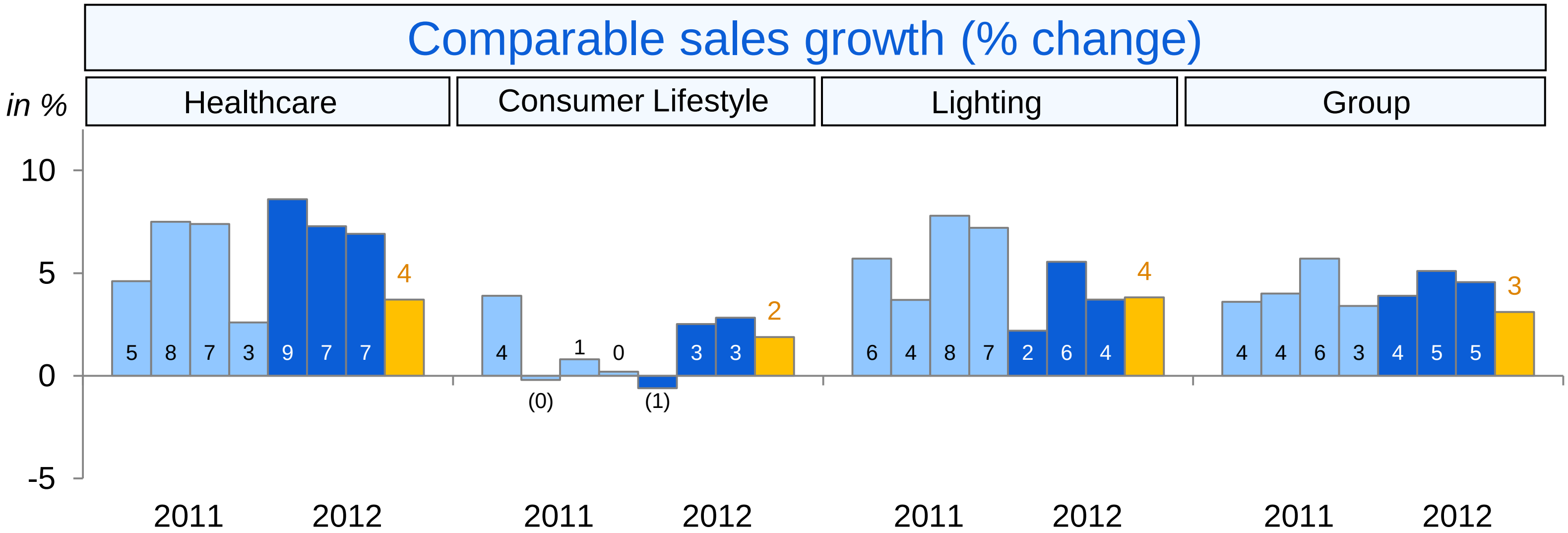
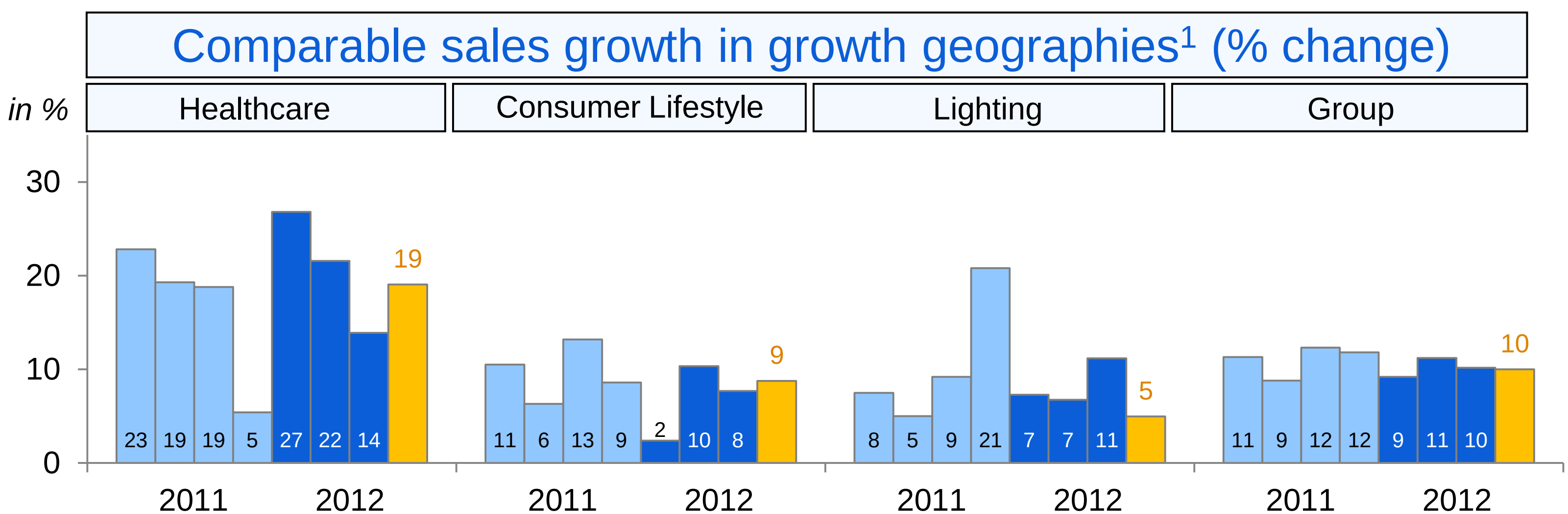
Sales growth: Trend through Q4 2012

Comparable sales growth world and growth geographies[1]

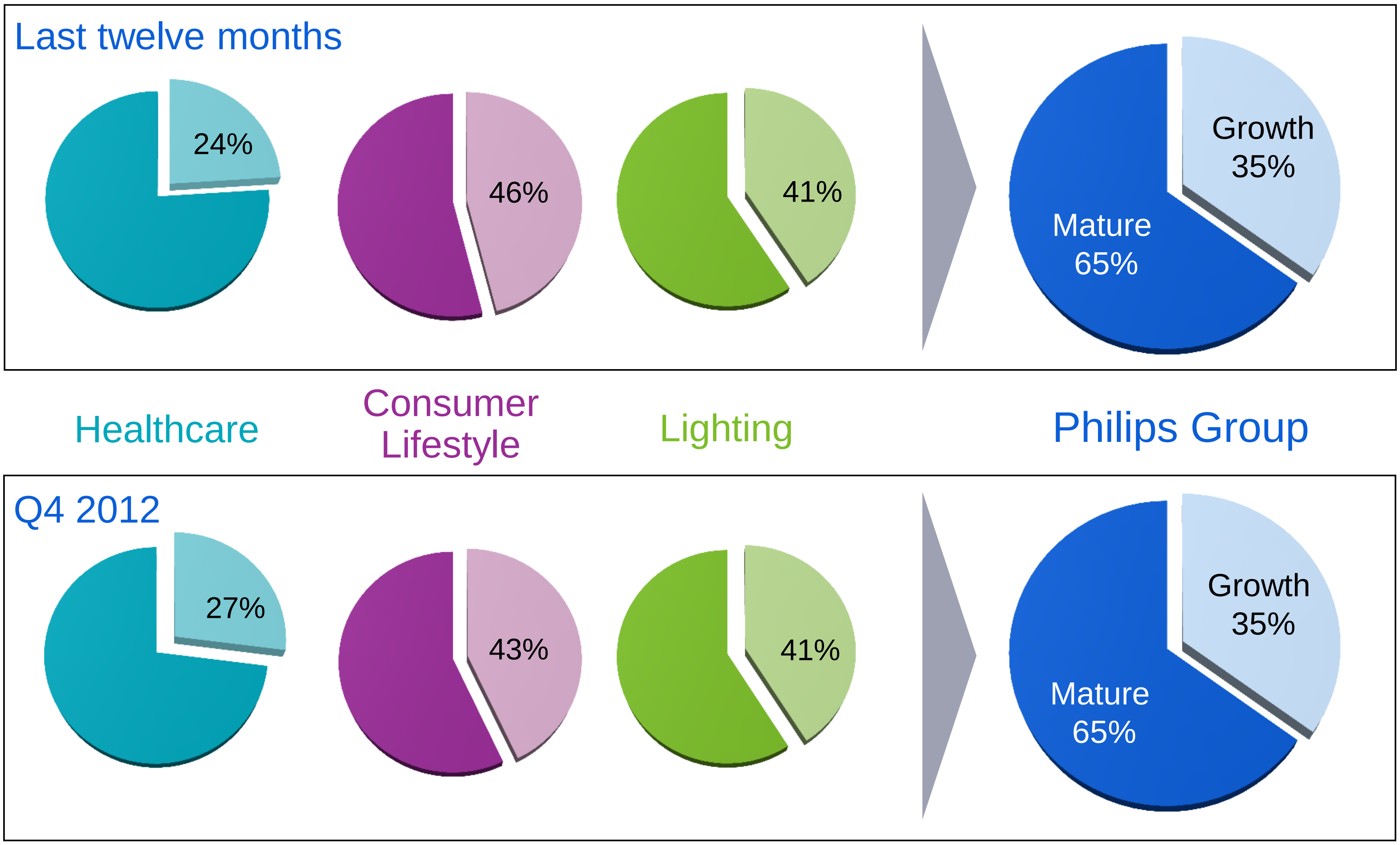




[1] Growth geographies are all geographies excluding USA, Canada, Western Europe, Australia, New Zealand, South Korea, Japan and Israel
Note - All figures exclude discontinued operations

Growth geographies – Q4 ‘12 and last twelve months

Sales in growth geographies[1]



[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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EBITA by sector – Q4 2012

EUR million

	Q4 2011		Q4 2012	
Healthcare[1]	409	*15.0%*	434	*14.9%*
Consumer Lifestyle[2]	130	*7.3%*	177	*9.5%*
Lighting[3]	41	*2.0%*	(13)	*(0.6)%*
Innovation, Group & Services[4]	(77)	-	(548)	-
Philips Group	503	*7.5%*	50	*0.7%*

[1] 4Q12 includes EUR (114)M of restructuring and acquisition-related charges; 4Q11 includes EUR (21)M of charges
[2] 4Q12 includes EUR (40)M of restructuring and acquisition-related charges; 4Q11 includes EUR (18)M of charges
[3] 4Q12 includes EUR (185)M of restructuring and acquisition-related charges and a EUR (22)M loss on the sale of industrial assets; 4Q11 includes EUR (36)M of charges
[4] 4Q12 includes EUR (19)M of restructuring charges, a EUR (313)M impact of the European Commission fine related to alleged violation of competition rules in the Cathode-Ray Tubes (CRT) industry and EUR (132)M of provisions related to various legal matters; 4Q11 includes EUR (4)M of charges
Note - All figures exclude discontinued operations

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Adjusted EBITA by sector – Q4 2012

EUR million

	Q4 2011		Q4 2012	
Healthcare[1]	430	*15.8%*	548	*18.8%*
Consumer Lifestyle[2]	148	*8.3%*	217	*11.7%*
Lighting[3]	77	*3.7%*	194	*8.6%*
Innovation, Group & Services[4]	(73)	-	(84)	-
Philips Group	582	*8.7%*	875	*12.2%*

[1] 4Q12 excludes EUR (114)M of restructuring and acquisition-related charges; 4Q11 excludes EUR (21)M of charges
[2] 4Q12 excludes EUR (40)M of restructuring and acquisition-related charges; 4Q11 excludes EUR (18)M of charges
[3] 4Q12 excludes EUR (185)M of restructuring and acquisition-related charges and a EUR (22)M loss on the sale of industrial assets; 4Q11 excludes EUR (36)M of charges
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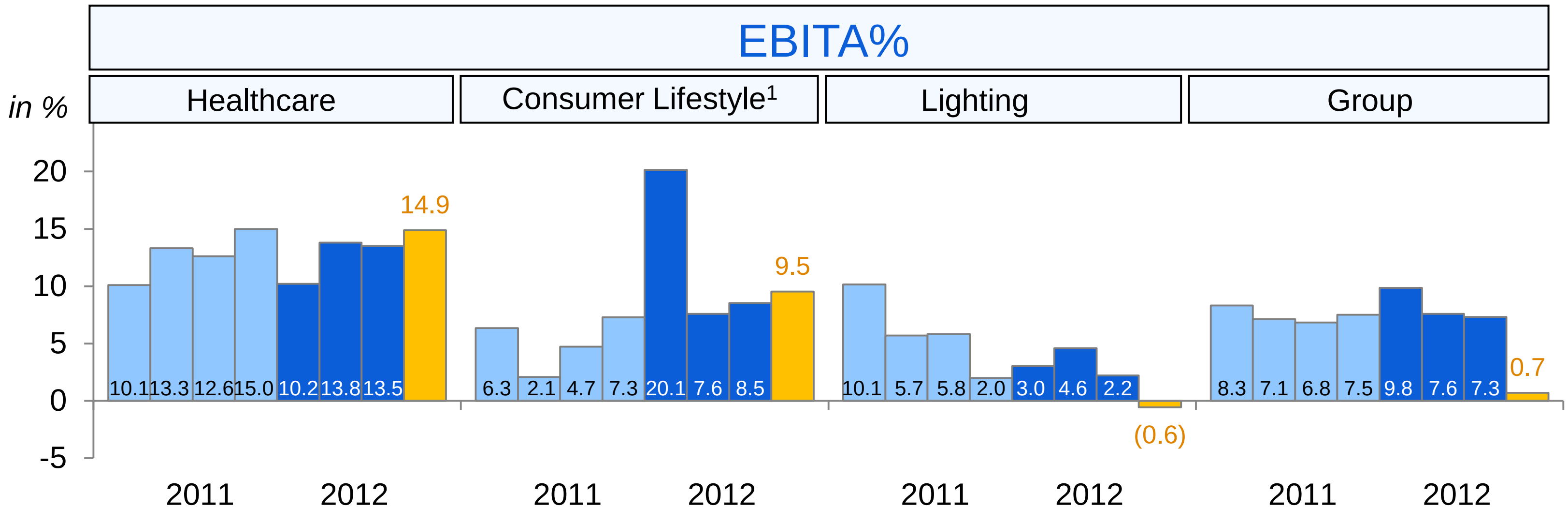
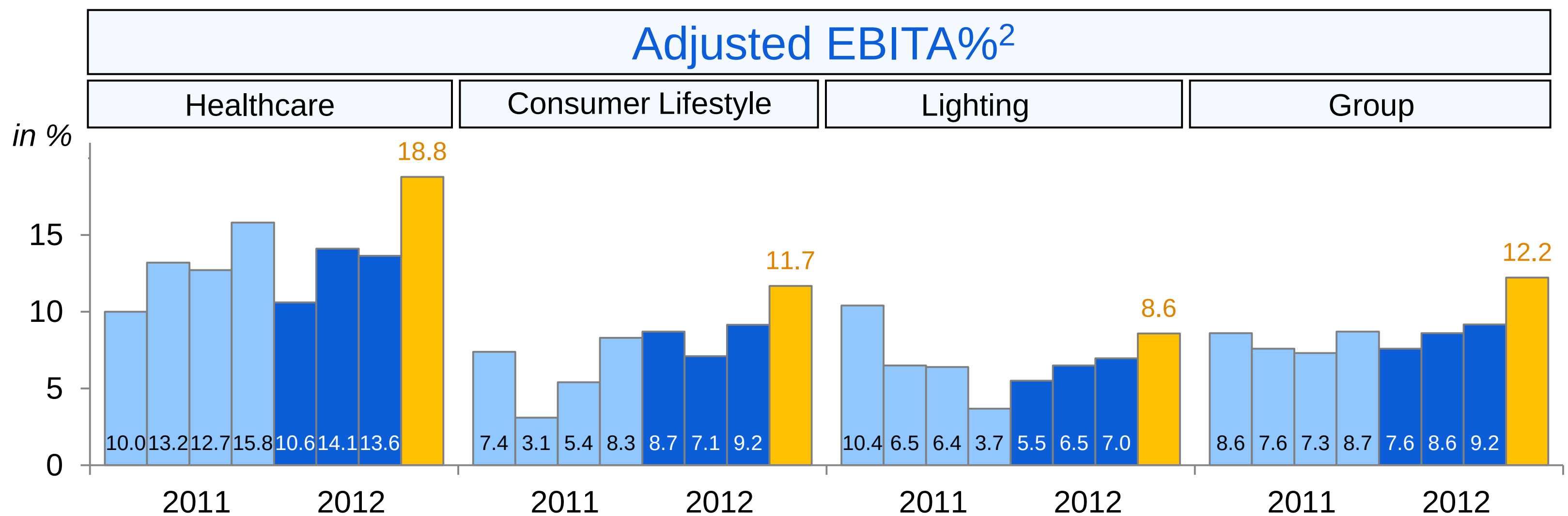
Note - All figures exclude discontinued operations

EBITA and Adjusted EBITA Margin development

Trend through Q4 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 90)

Note - All figures exclude discontinued operations

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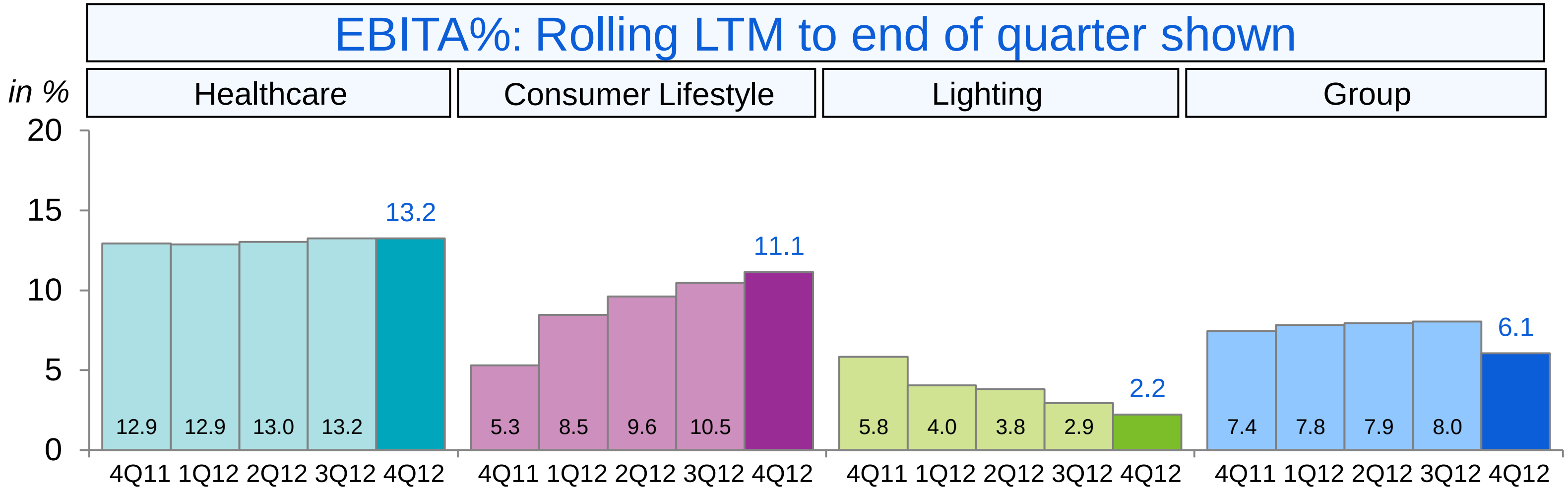
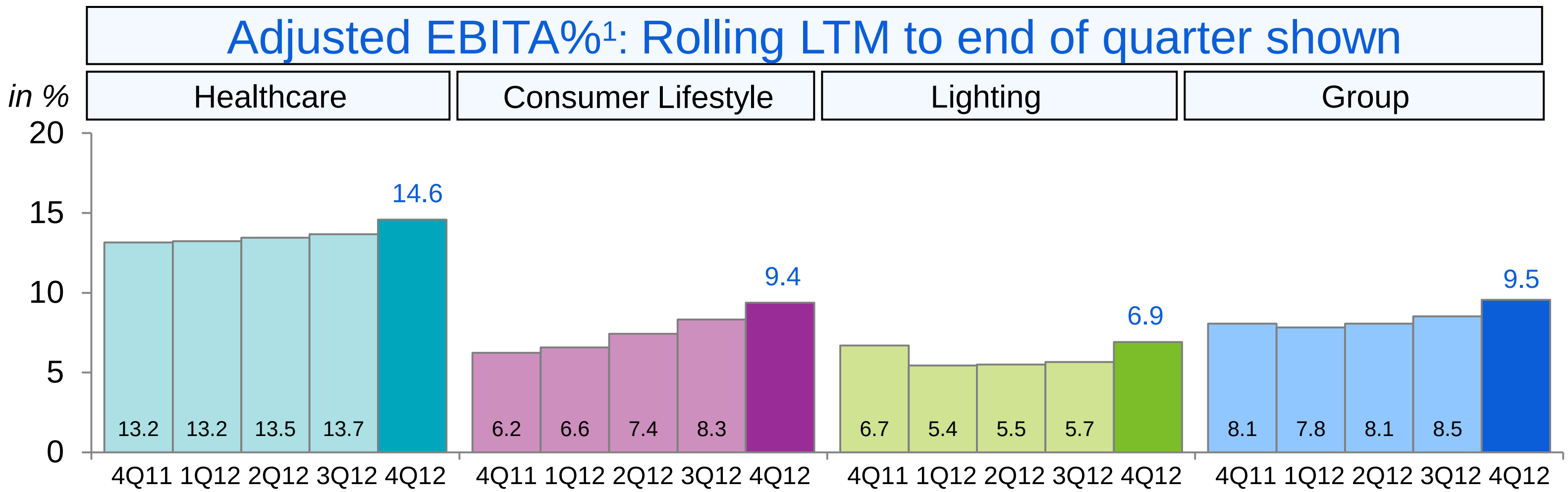
EBITA and Adjusted EBITA Margin development

Rolling last 12 months



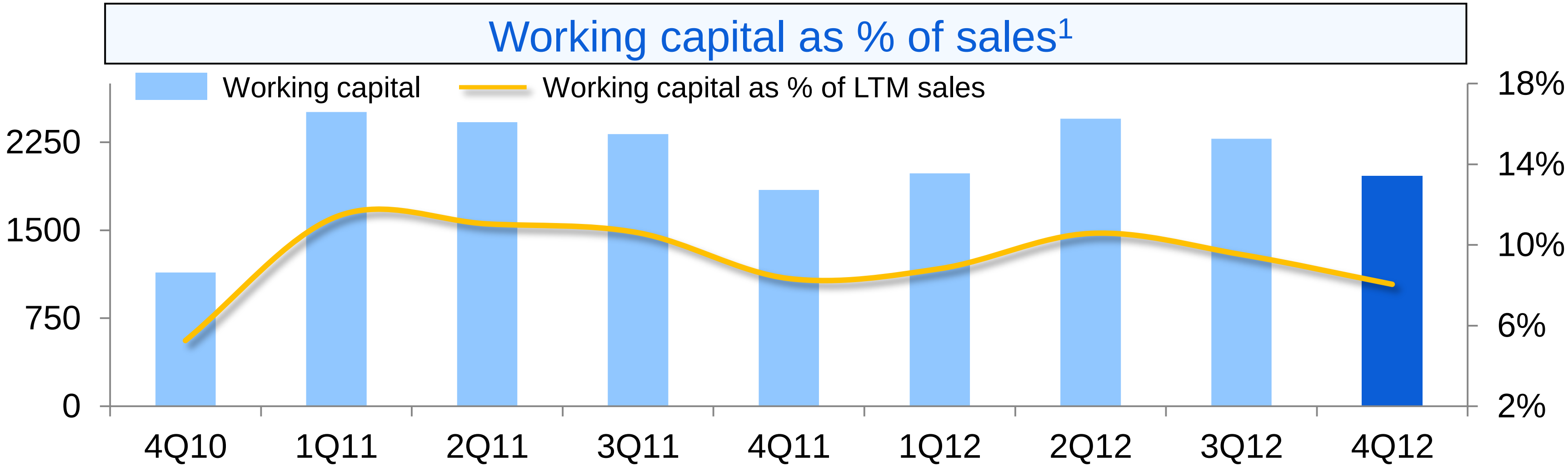


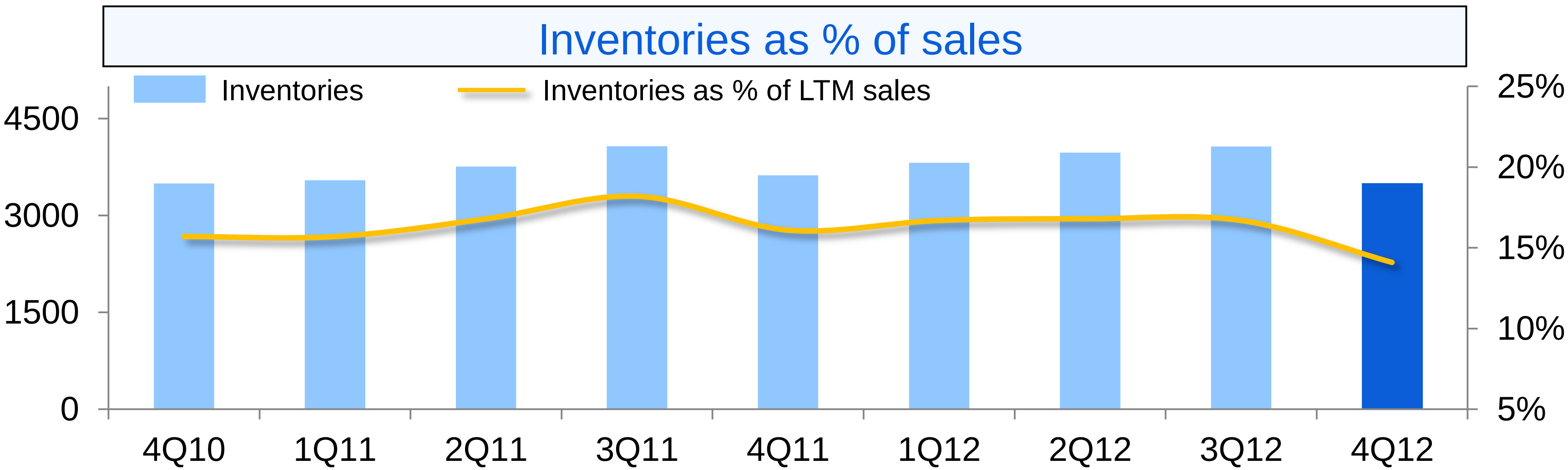
[1] Adjusted EBITA is EBITA corrected for incidental charges (details on slide 90)

Note - All figures exclude discontinued operations

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 – Q4 2012

EUR million

	Q4 2011	Q4 2012
Net income from continuing operations	112	(350)
Depreciation and amortization	475[1]	391
Impairment of goodwill and other non-current financial assets	5	2
Changes in working capital, of which:	658	893
- changes in receivables and other current assets	(126)[2]	(96)
- changes in inventories	551[4]	458
- changes in accounts payable, accrued and other liabilities	233[2]	531
Increase in non-current receivables, other assets and other liabilities	(186)	(199)
Increase in provisions	86	322
Others	39[1]	150
Net cash flow from operating activities	1,189	1,209
Purchase of intangible assets/ Expenditures on development assets	(90)[3]	(109)
Capital expenditures on property, plant and equipment	(181)[4]	(214)
Proceeds from disposals of property, plant and equipment	48	13
Net capital expenditures	(223)	(310)
Free Cash Flow	966	899

[1] Revised to reflect appropriate elimination of intercompany profit on property, plant and equipment

[2] Revised to reflect appropriate netting of customer payables previously reported in accounts receivable now reported in other current liabilities

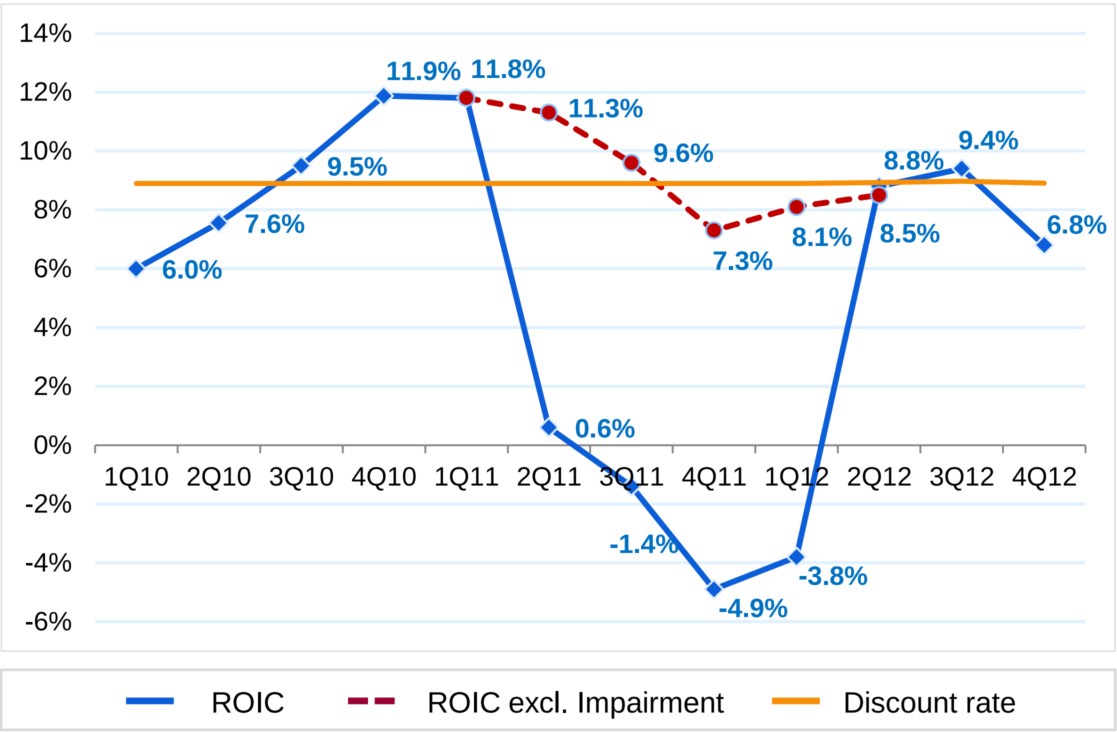
[3] Revised to reflect an adjusted allocation of internally developed software intended to be marketed from purchase of intangible assets to expenditures on development assets

[4] Revised to reflect an adjusted cash flow presentation of finance lease cash inflows

Note - All figures exclude discontinued operations

Q4 ROIC impacted by CRT[1]-related fine

Development of Return on Invested Capital (ROIC)



- ROIC declined in Q4 2012 due to the European Commission fine on CRT[1]. Excl. the fine ROIC improved sequentially to 9.7%
- Higher restructuring and a loss on the sale of industrial assets had a negative impact in the quarter
- Average NOC was positively impacted by improved working capital management
- 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

Historical ROIC numbers have not been restated as the impact is immaterial

[1] CRT=Cathode-Ray Tubes, a business divested by Philips in 2001. Philips intends to appeal the decision

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Philips' equity interests have a book value of EUR 336 million[1,2] as per Q4 2012. Important interests are:

Equity interest	Ownership (% of total)	Book value (in EUR million)	Valuation	Accounting basis	Source of equity stakes
Intertrust Technologies Corporation	49.5%	39	Not listed	Equity accounted	Acquired in 2002 together with Sony
Innolux Display Corp.	1.2%	35	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%	26	Not listed	Equity accounted	Finance company for medical equipment, established in 2005
Shenyang Neusoft Corp. Ltd.	2%	23	Listed, Shanghai Stock Exchange	Fair value	Acquired in 2008 following the swap of shares in Neusoft Group Ltd. held by Philips
Total		**158**			

[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 726 million as per December 31, 2012 (EUR 549 million as per December 30, 2011). The increase 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 December 31, 2011 was EUR 336 million.

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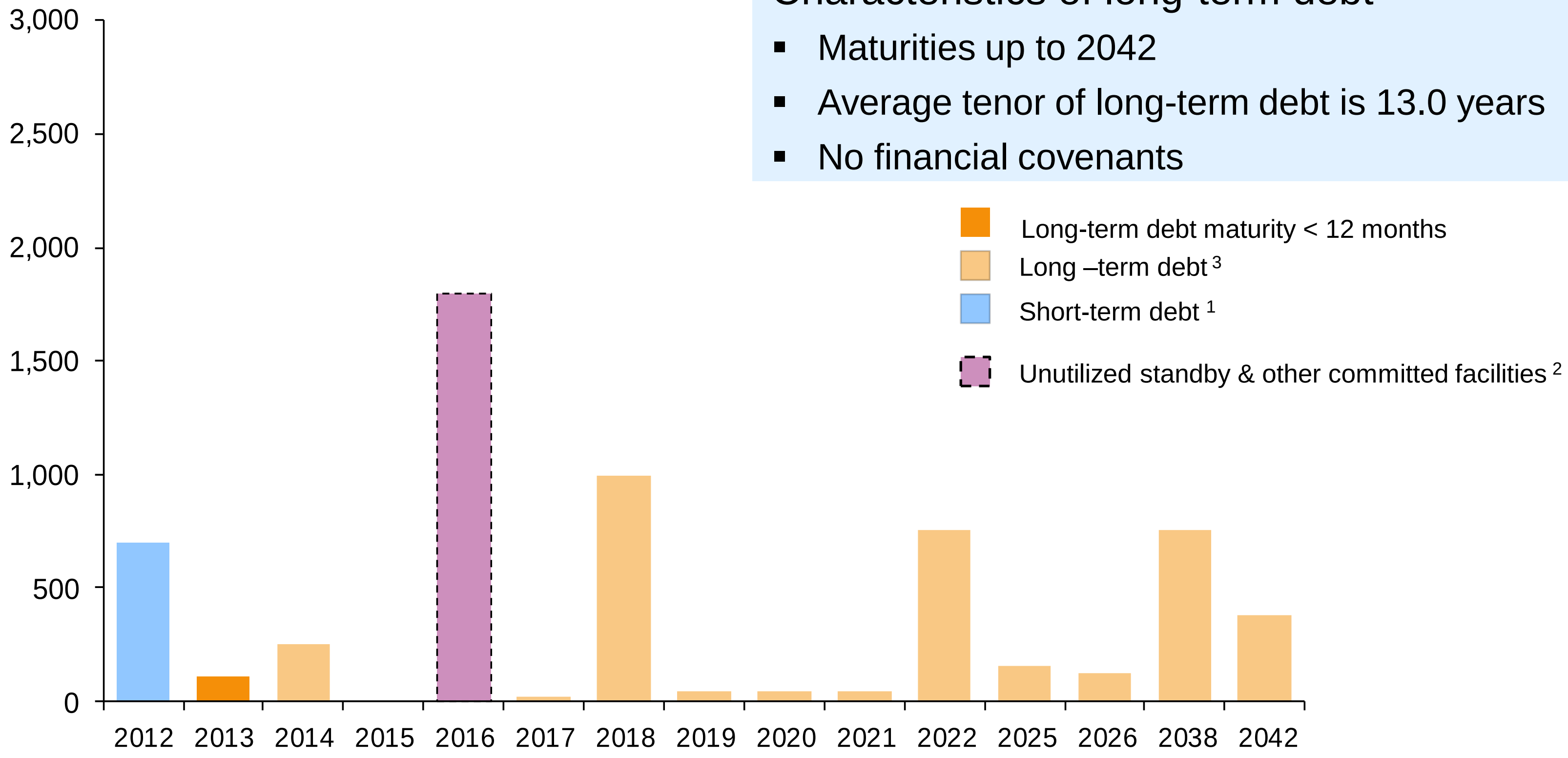
Philips' debt has a long maturity profile

Debt maturity profile as of December 2012

Amounts in EUR millions

Characteristics of long-term debt

- Maturities up to 2042
- Average tenor of long-term debt is 13.0 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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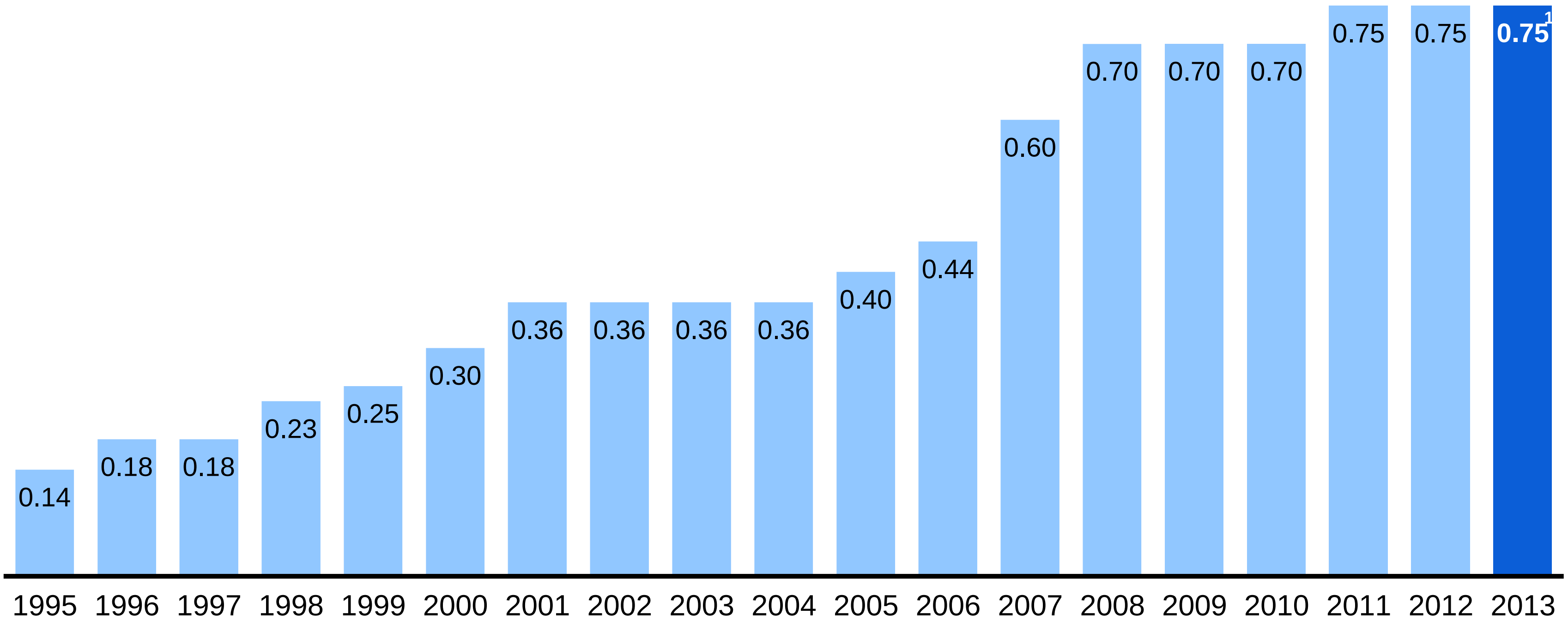
A history of sustainable dividend growth

EUR cents per share



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

[1] Elective dividend, proposal subject to approval in the General Shareholders Meeting on May 3rd, 2013

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Update funded status pension plans (IFRS basis)

EUR million

	December 31, 2011		December 31, 2012	
	Funded Status	Balance sheet position	Funded Status	Balance sheet position
Netherlands Pre-paid pension asset	453	0	553	0
Other major plans	(1,406)	(1,805)	(1,237)	(1,823)
Major plans	(953)	(1,805)	(684)	(1,823)
Minor plans	(211)	(213)	(195)	(199)
Total	(1,164)	(2,018)	(879)	(2,022)

- Funded status: in spite of lower discount rates and negative longevity impact in NL and UK, the funded status improved due to returns on plans assets and buy-out of the Swiss plan
- Balance Sheet: surplus The Netherlands, UK and Brazil are not recognized (asset-ceiling test)

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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Acquisitions at a glance

No acquisitions during the last 6 quarters

Healthcare

Jan-2011	medSage	Home Healthcare	Strengthen portfolio 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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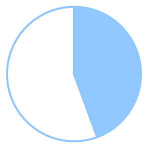
Accelerate! change and performance program to unlock full potential faster

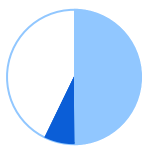
Dark blue indicates quarter over quarter improvement

Customer Centricity



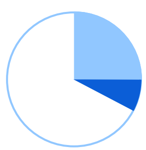
- Increased seniority of market teams; markets are now led by empowered entrepreneurs
- Increase local relevance of product portfolio to gain market share
- Focused Business-to-Government sales channel development to drive growth
- Increase Employee Engagement in markets by 300 bps

Resource to Win



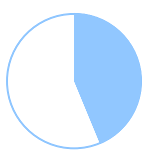
- Granular plans to increase number of BMC[1]'s in which we are an outright leader
- Increase performance adherence to plan per BMC > 80%
- Execute on strategic workforce plan for growth markets
- Targeted investment step-ups made (EUR 200 million) to gain market leadership

End-to-End Execution



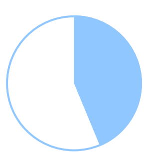
- Transform customer value chains to 4 LEAN business models, enabled by effective IT
- Reduce Cost of Non Quality by 30%
- Accelerate innovation time to market by av. 40%; Increase customer service >95%
- Inventory reduction target of 1% to 1.5% of sales per year for 2012 and 2013

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

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Accelerate!: Improvements in 2012

- End-to-End transformation projects covered around 20% of revenues
- Inventory as a % of sales reduced by 2.0 percentage points
- Time to market reduced by around 40% on executed projects
- End-to-End process training completed by around 800 employees

- Simplified Healthcare and Lighting organizations
  - Eliminating 2 levels and increasing the span of control
- Overhead cost-reduction program on track
  - EUR 471 million cumulative gross savings

- 700 leaders have been through a behavior change program to drive LEAN End-to-End orientation, better collaboration and a high performance culture
- Program now being rolled out to the next levels in the organization

- Strong employee scoring on impact of Accelerate!
  - 85% on uptake of new behaviors
  - >80% of employees surveyed confirm that Accelerate! initiatives have been cascaded to all levels of the organization

Accelerate! is working deep in the organization

Market impact of improvement actions

End-to-End projects scaling up to >40% of Philips revenue in 2013 from around 20% in 2012

Professional Lighting : USA

Consolidating multiple backend operations into one LEAN base. Integrated sales force to have one face to the customer. New pricing policy reduced the number of unprofitable orders. Significant additional revenue opportunities in the coming years

Go West strategy : China

Increased sales >25% by using locally relevant integrated marketing campaigns, including online media, to reach and influence more target consumers in tier 3 and 4 cities and suburbs of metro tier 1 cities for Consumer Lifestyle products

Solar LED Street Lighting : India

Executed a locally relevant solution to meet stringent customer requirements of energy efficiency through renewable energy sources and a reduction of maintenance costs, to win the largest ever Solar LED street lighting order

AlluraClarity[1] : Japan

Tailoring innovation to the needs of the dose sensitive Japanese market, to make the biggest breakthrough in the Industry since the introduction of the flat panel X-Ray with up to 75% dose reduction and equivalent image quality

[1]Pending FDA approval for sale in the US

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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

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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 Actual	2012 Plan	2012 Actual	2013 Plan	2014 Plan
TOTAL	**25**	**450**	**471**	**900**	**1,100**

EUR million	Annual restructuring costs				
	2011 Actual	2012 Plan	2012 Actual	2013 Plan	2014 Plan
TOTAL	**(37)**	**(210)**	**(249)**	**(125)**	**(60)**

EUR million	Annual investments				
	2011 Actual	2012 Plan	2012 Actual	2013 Plan	2014 Plan
TOTAL	**(37)**	**(120)**	**(128)**	**(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

EUR 1.1 Billion cost reduction program - Results

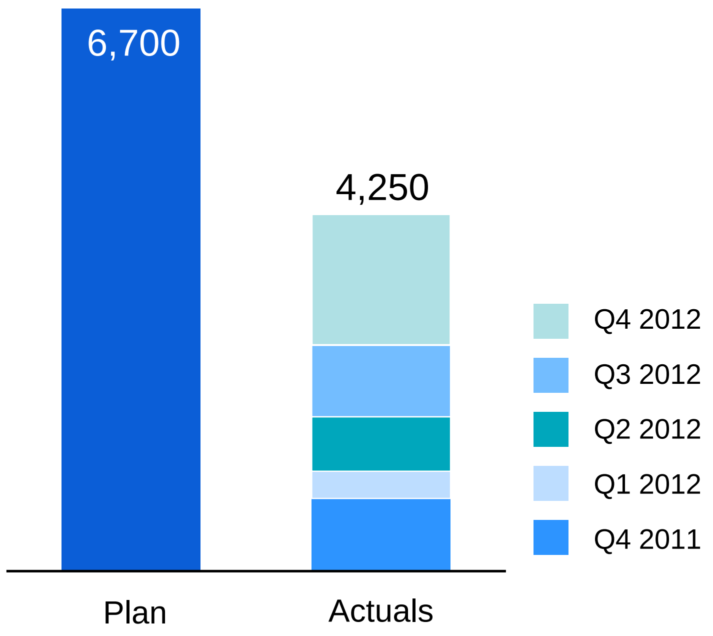
Actuals

Cumulative gross savings						
EUR million	2011	1Q12	2Q12	3Q12	4Q12	2012
TOTAL	**25**	**62**	**176**	**306**	**471**	**471**

Restructuring costs						
EUR million	2011	1Q12	2Q12	3Q12	4Q12	2012
TOTAL	**(37)**	**(9)**	**(41)**	**(22)**	**(177)**	**(249)**

Investments						
EUR million	2011	1Q12	2Q12	3Q12	4Q12	2012
TOTAL	**(37)**	**(26)**	**(34)**	**(34)**	**(34)**	**(128)**

Approximately 63% of the targeted 6,700 headcount reduction completed by Q4 2012



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

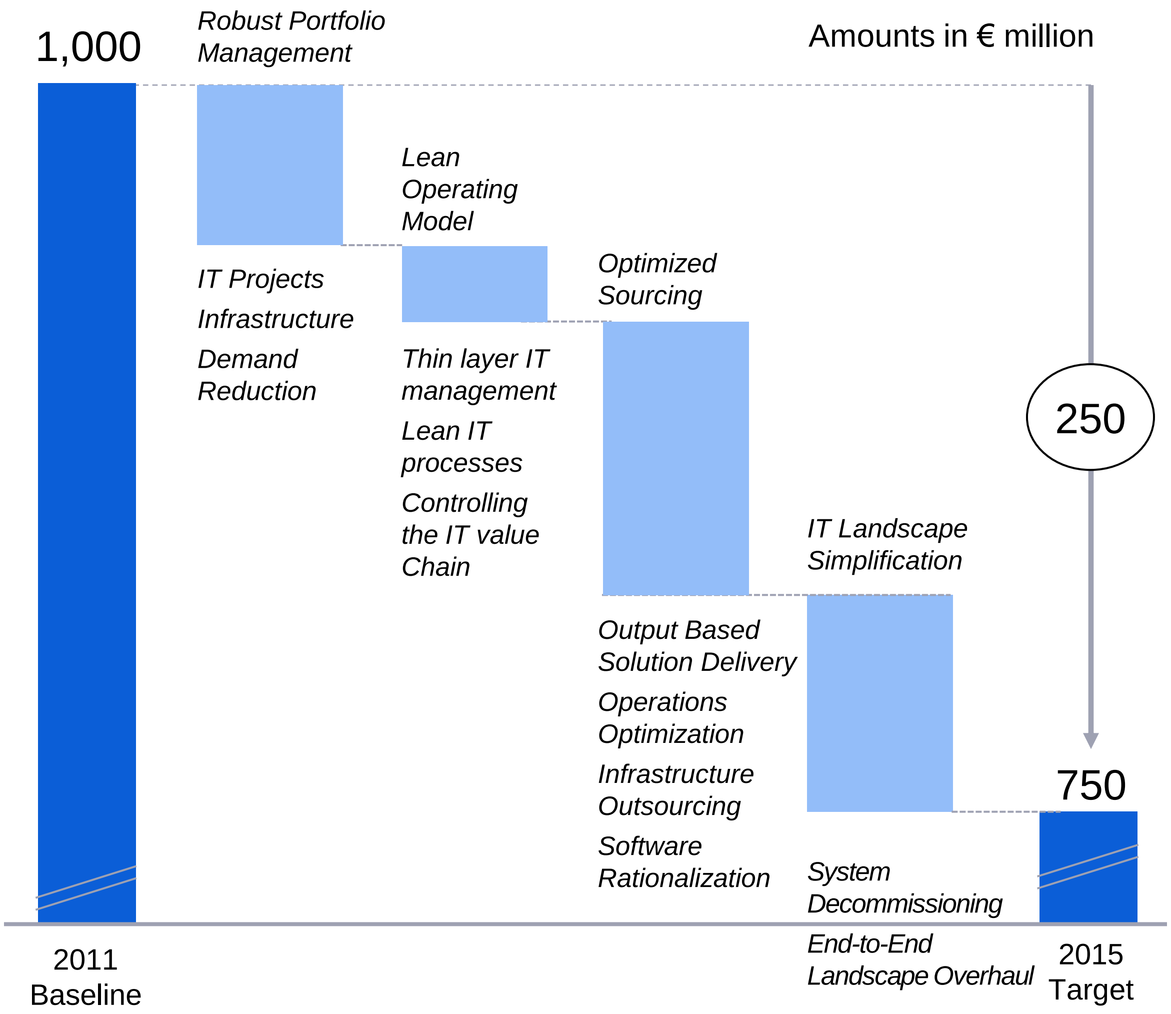
3 Optimized sourcing

- 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

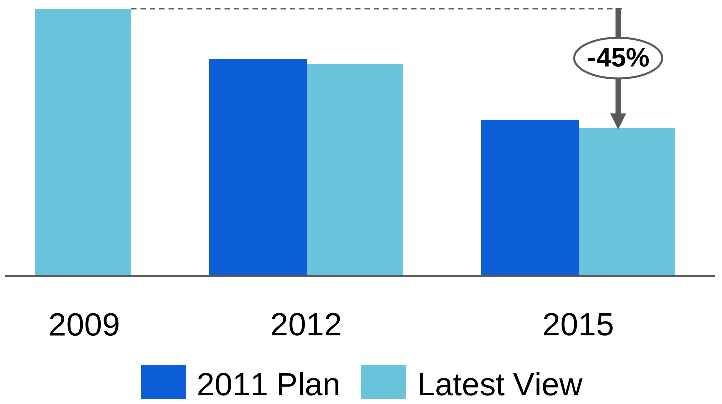
Focused actions to drive Gross Margins

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 Q4 2012 and annual results
3. Accelerate! Change and performance
4. Portfolio strength and path to value
5. Group and sector overview

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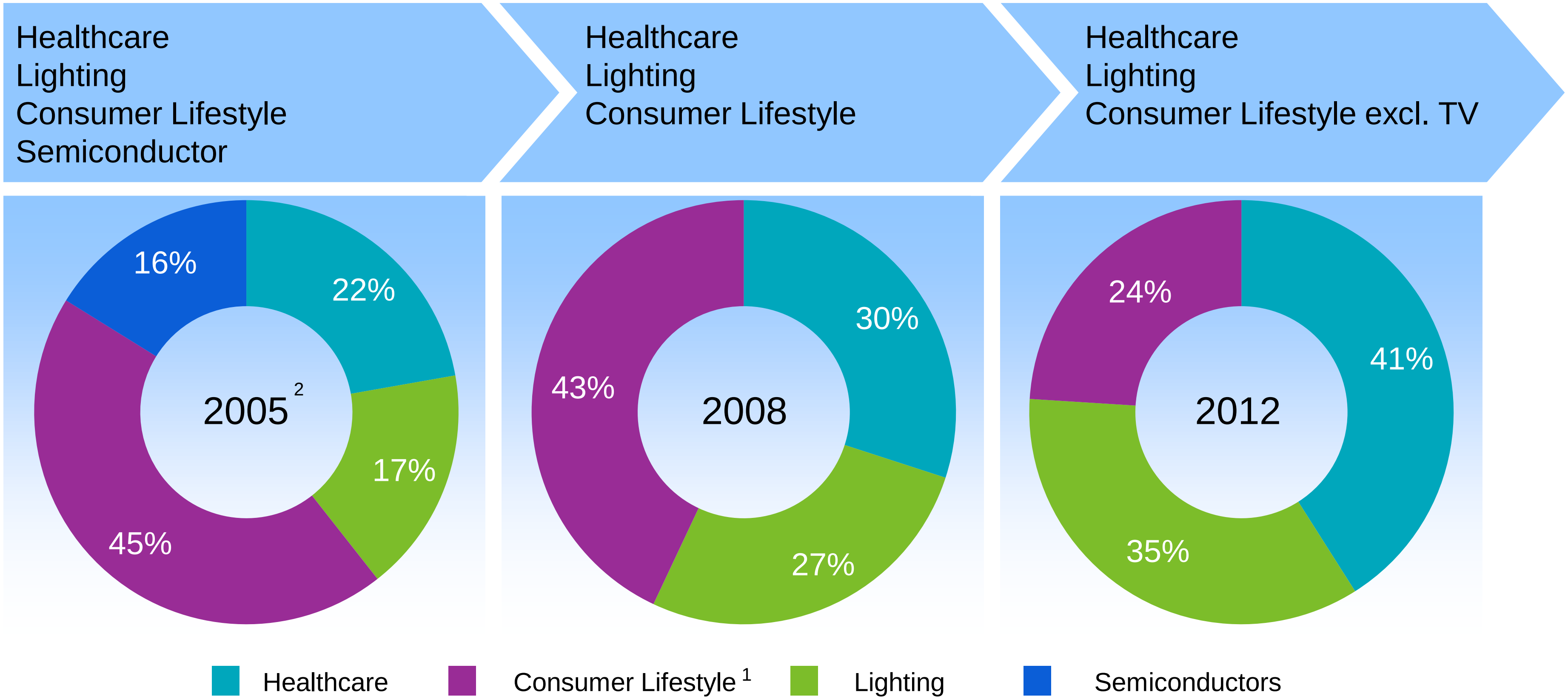
Improving our portfolio: Starting point of our journey

Portfolio now consists of ~65% B2B businesses



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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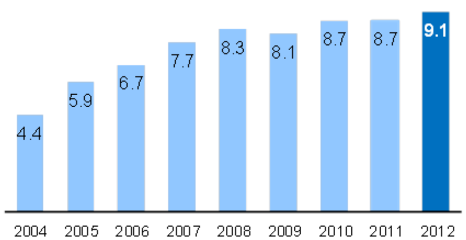
Strong assets underpin our portfolio

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 • 35% of group revenues from growth geographies[1]
 People	• Employee Engagement Index[2] exceeds high performance benchmark value of 70% • Culturally diverse top-200 leadership team
 Domain leadership	• Global market leader in Lighting • Top 3 Healthcare player • Leading Consumer Lifestyle brands: E.g. Philips, Sonicare, Avent, Saeco
 Solid balance sheet	• A3 rating by Moody's and A- by Standard & Poor's
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] Growth geographies are all geographies excluding USA, Canada, Western Europe, Australia, New Zealand, South Korea, Japan and Israel
[2] Based on annual Philips' Employee Engagement Survey

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We have strong leadership[1] 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

[1] Global or Regional #1 or #2 position in the market

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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[1] 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[1]
- 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

[1] Growth geographies are all geographies excluding USA, Canada, Western Europe, Australia, New Zealand, South Korea, Japan and Israel

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

Accelerating performance improvement

- ✓ Good sales growth
- ✓ Improved operating margins
- ✓ Increased cost reduction plan
- ✓ Inventory improvement
- ✓ Share buy back
- ✓ Lumileds and Consumer Luminaires returned to profitability
- ✓ Culture change

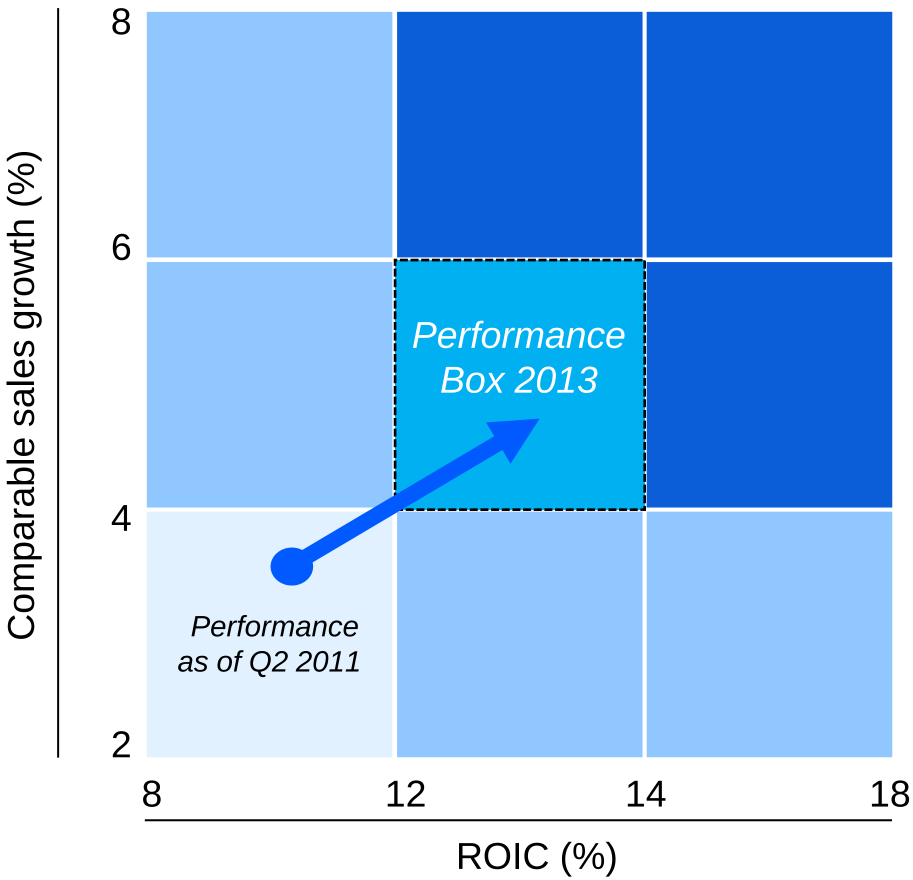
Transform Philips through Accelerate!

- Accelerate! Healthcare
- Restoring Lighting profitability, leading the LED transformation
- Reshaping Consumer Lifestyle portfolio
- EUR 1.1 billion cost reduction program
- Cost savings on procurement
- Value delivery from past acquisitions
- Next value creation steps beyond 2013
- Performance culture

[1] BMC = Business Market Combination

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

Philips Mid-Term Performance Box

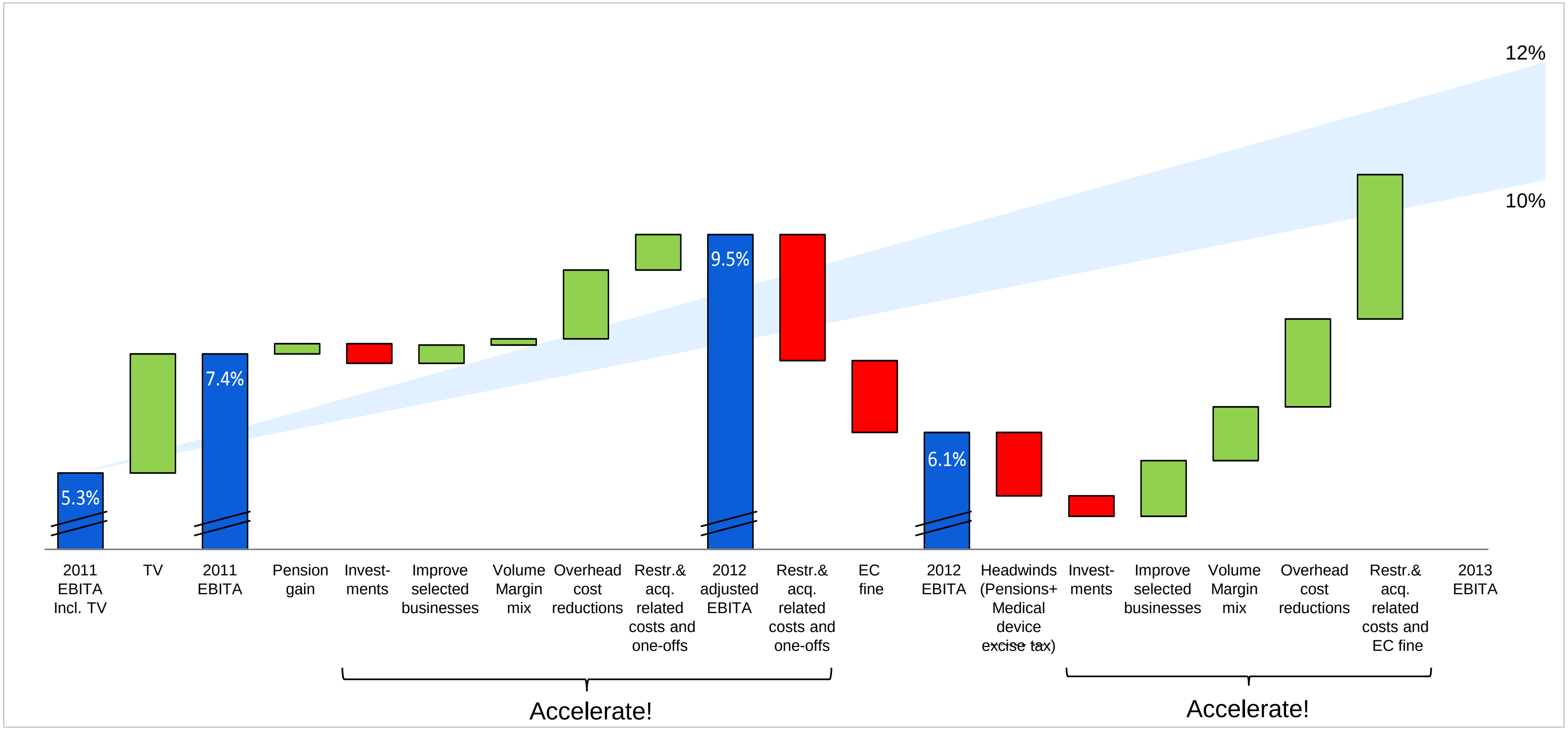


Mid-Term financial objectives (2013)

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

Our path to value 2011.....2013



Agenda

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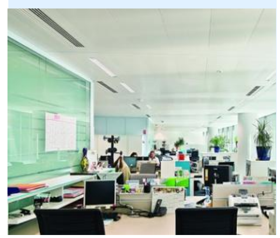
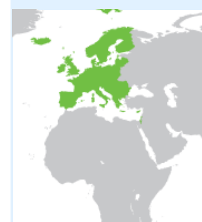
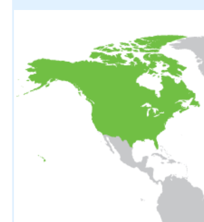
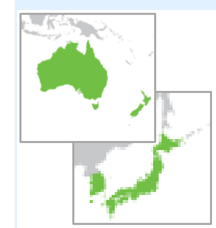
5. Group and sector overview

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

Philips

Businesses[1, 2]			Geographies[1]			
Healthcare	Consumer Lifestyle	Lighting	Western Europe	North America	Other Mature Geographies	Growth Geographies[3]
						
41%	24%	35%	26%	31%	8%	35%

Since 1891
Headquarters in Amsterdam, the Netherlands

€24.8 Billion
Sales in 2012. Portfolio consists of ~65% B2B businesses

118,000+
People employed worldwide in over 100 countries

$9.1Billion
Brand value in 2012

7% of sales invested in R&D in 2012
54,000 patent rights, 39,000 trademark rights, 70,000 design rights

[1] Full year 2012
[2] Excluding Central sector (IG&S)
[3] 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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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 45% of sales in 2012, up from 39% in 2011 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 was ranked first for the fifth time in six years for Responsible Supply Chain Management by the Dutch Association of Investors for Sustainable Development (VBDO)
- Philips again achieved top scores in the Carbon Disclosure Project
- 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

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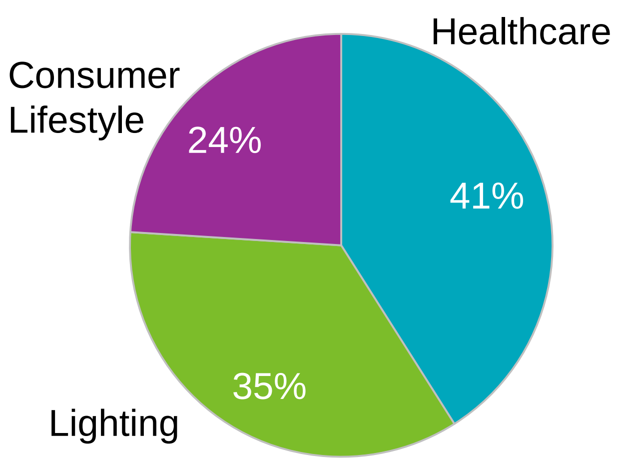
Our focused health and well-being portfolio: Healthcare, Consumer Lifestyle and Lighting

Last twelve months

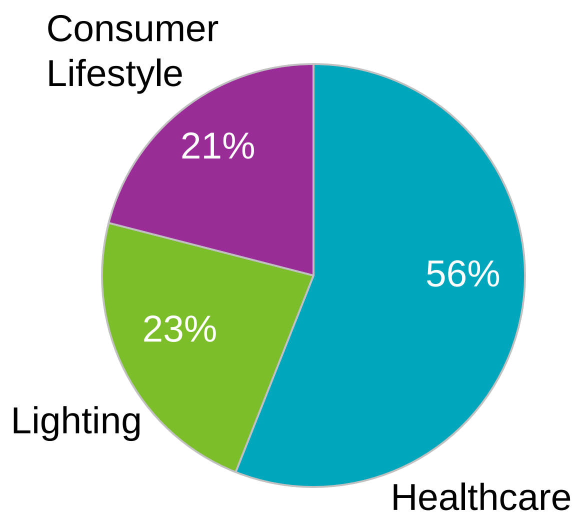
Sales

100% = EUR 24.4B[1]



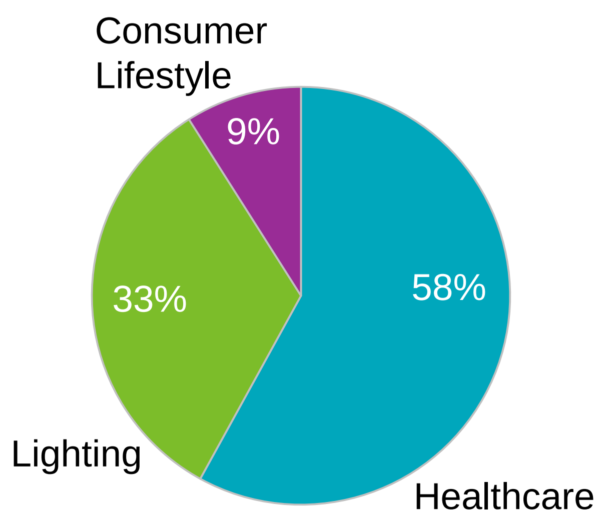
Adjusted EBITA

100% = EUR 2.6B[1, 2]



Net Operating Capital

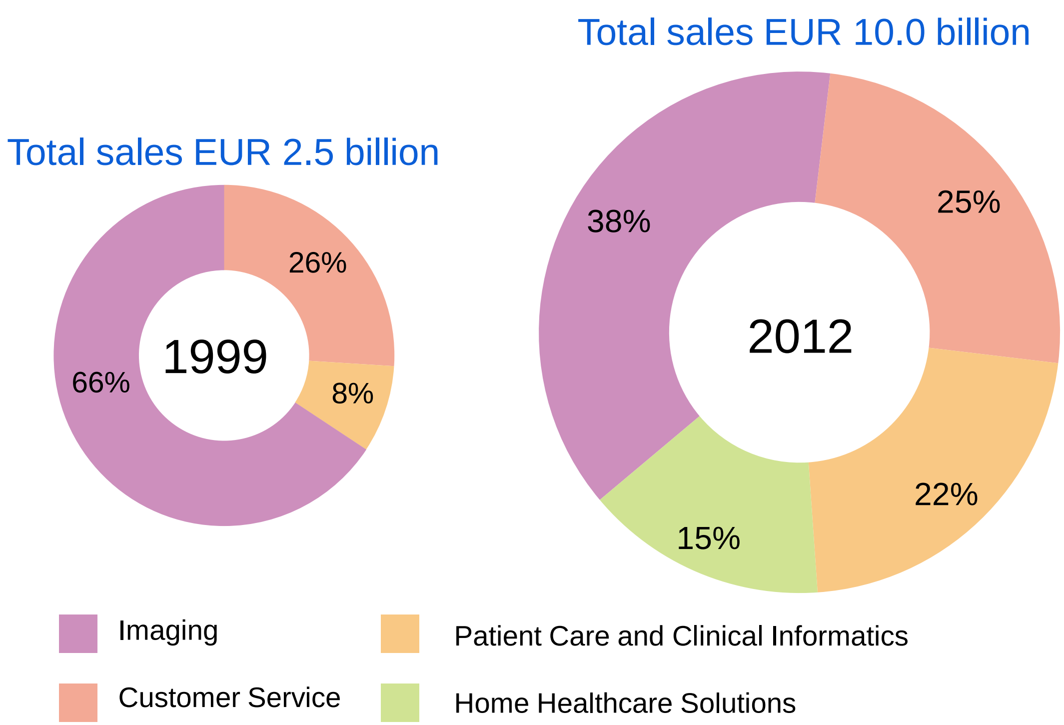
100% = EUR 13.8B[1]



[1] Excluding Central sector (IG&S)
[2] EBITA adjustments based on the following gains/ charges: for Healthcare EUR (134)M, Consumer Lifestyle EUR 105M and Lighting EUR (396)M
Note - All figures exclude discontinued operations

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



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Healthcare

What we do. Where we are.

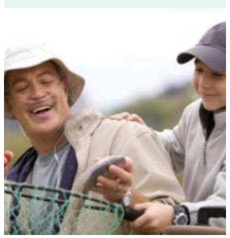
Philips Healthcare

Businesses[1]

Imaging Systems

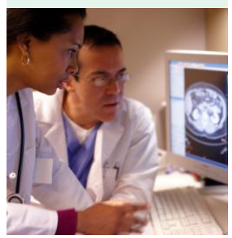
38%

Home Healthcare Solutions



15%

Patient Care and Clinical Informatics



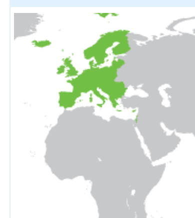
22%

Customer Services

25%

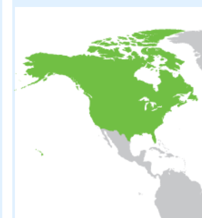
Geographies[1]

Western Europe



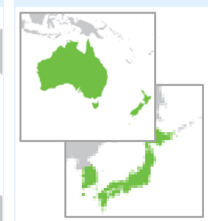
20%

North America



44%

Other Mature Geographies



12%

Growth Geographies[2]

24%

€10.0
Billion sales in 2012

37,000+
People employed worldwide in 100 countries

8%
of sales invested in R&D in 2012

450+
Products & services offered in over 100 countries

[1] Full year 2012
[2] Growth geographies are all geographies excluding USA, Canada, Western Europe, Australia, New Zealand, South Korea, Japan and Israel

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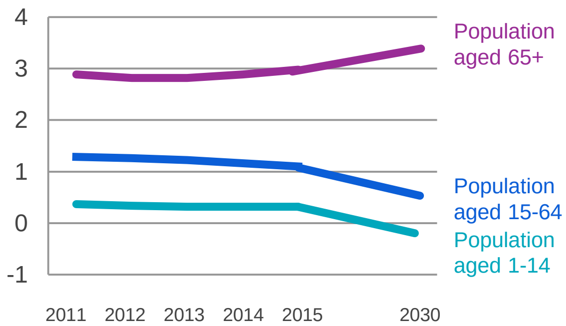
Healthcare: Changing industry dynamics necessitates innovation

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

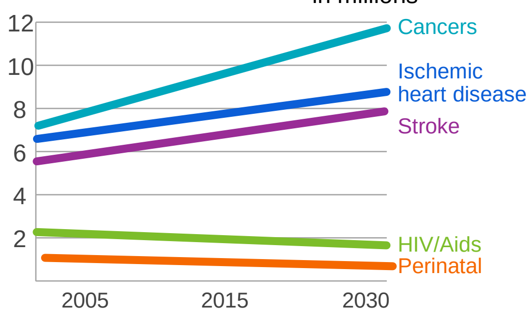


A rise in chronic disease

"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

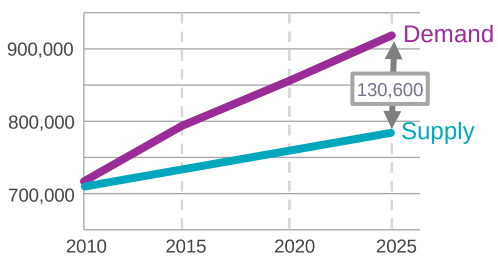


Together with a shortage of care providers = a perfect storm

"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

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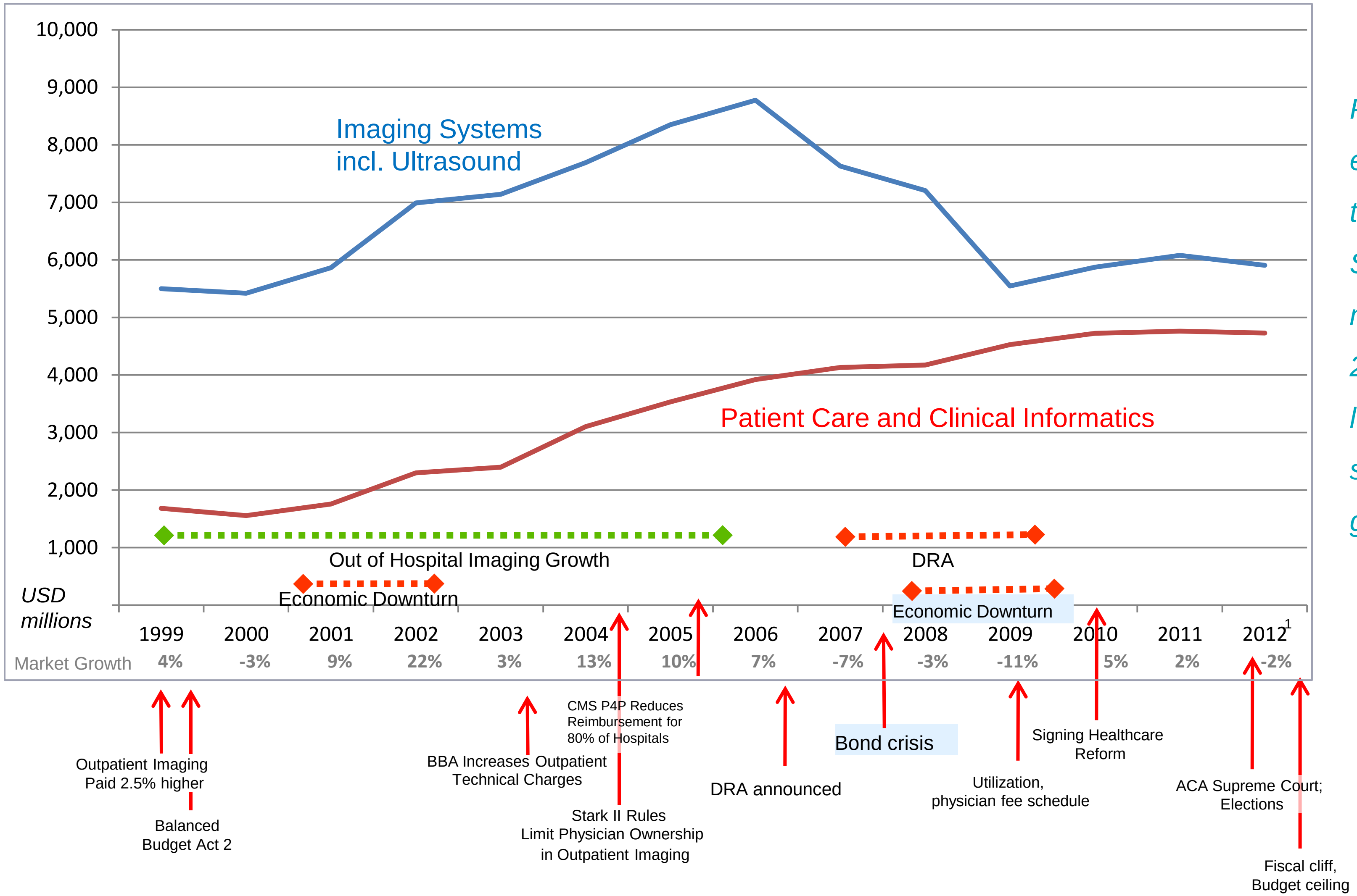
Healthcare historical market development

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

[1] 2012 based on Forecast data

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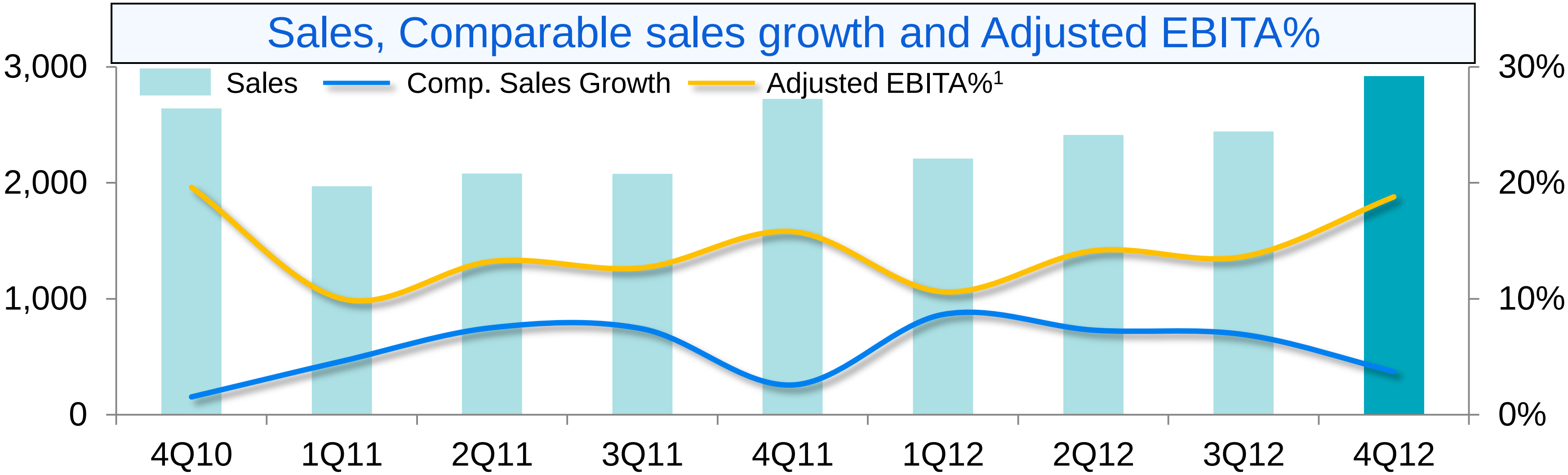
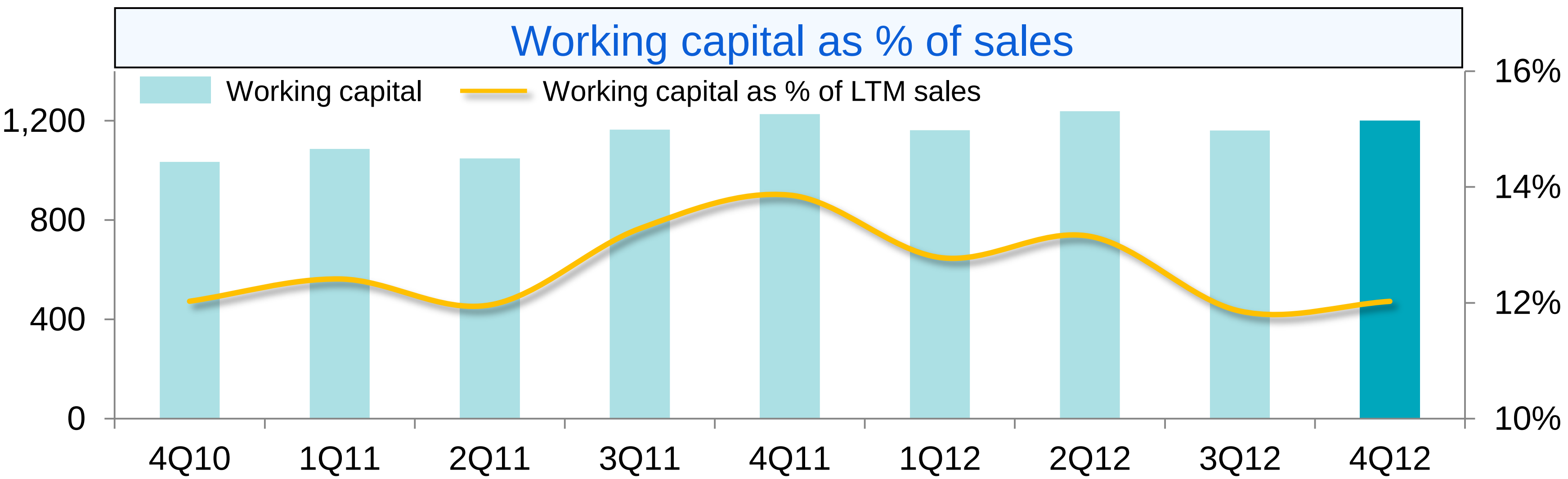
Healthcare: Financials over the last two years

EUR million





[1] Adjusted EBITA is EBITA corrected for incidental charges (details on slide 90)

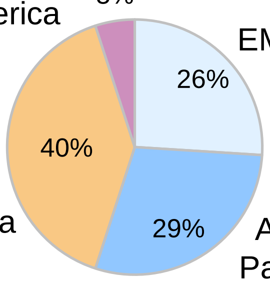
Healthcare: Q4 2012 Sector analysis

EUR million

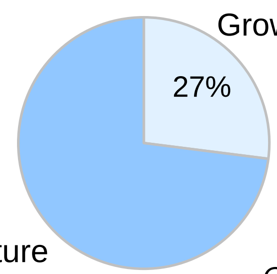
Key figures

	4Q11	4Q12	FY2012
Sales	2,724	2,918	9,983
% sales growth comp.	*3*	*4*	*6*
EBITA	409	434	1,322
EBITA as % of sales	*15.0*	*14.9*	*13.2*
EBIT	359	385	1,122
EBIT as % of sales	*13.2*	*13.2*	*11.2*
NOC	8,418	7,976	7,976
Employees (FTEs)	37,955	37,460	37,460

Sales per region



Growth Geographies[1]



Q4 2012

Financial performance

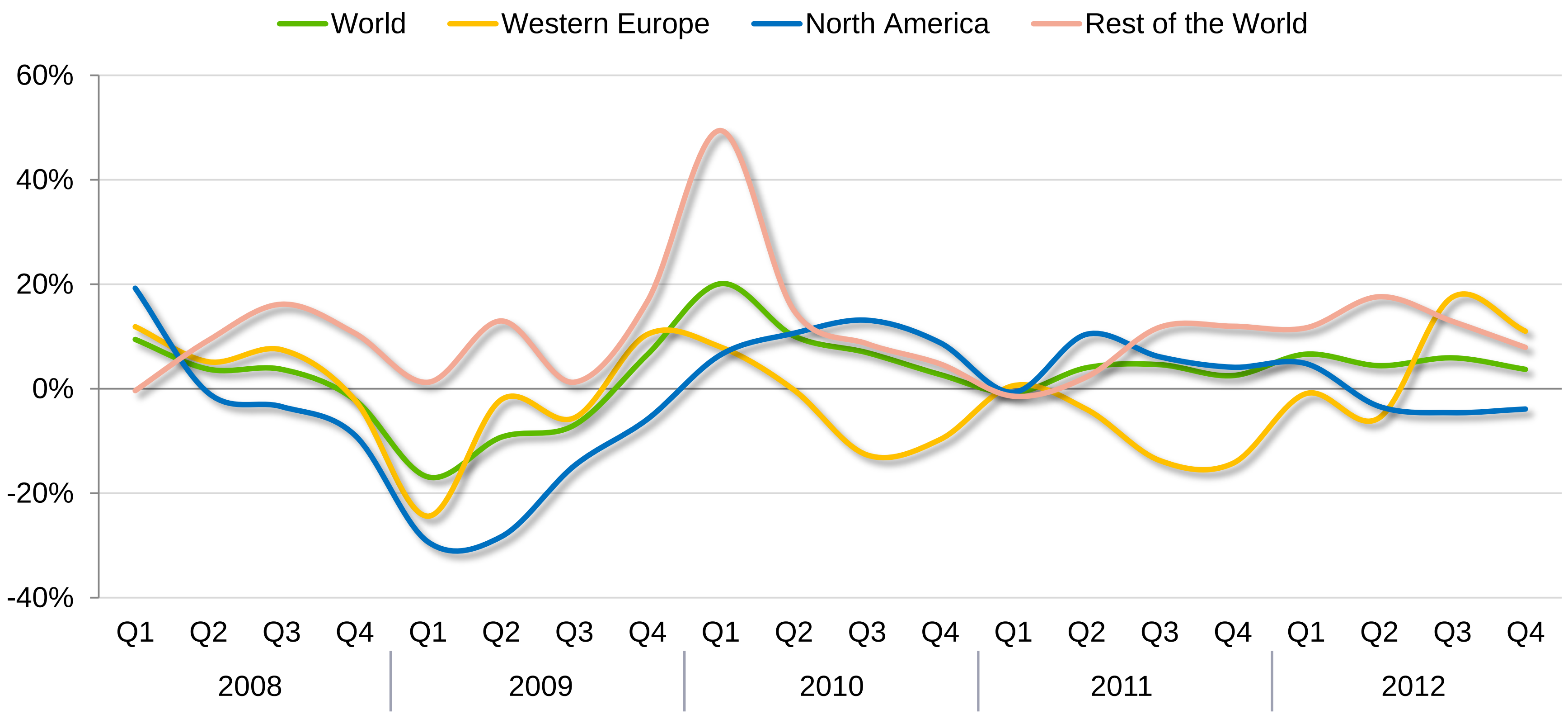
- Currency-comparable equipment order intake grew 4% year-on-year. Imaging Systems realized mid-single-digit growth, while Patient Care & Clinical Informatics recorded low-single-digit growth. Equipment orders in Europe showed double-digit growth despite continuing market softness in southern Europe. Orders in NA declined by mid-single-digits, reflecting the continued market uncertainties pertaining to the 'fiscal cliff' and the elections. Equipment orders in growth geographies grew by 7%. Comp. sales were 4% higher y-o-y, with high-single-digit growth at Home Healthcare Solutions and mid-single-digit growth at Customer Services. Patient Care & Clinical Informatics and Imaging Systems both showed low-single-digit growth. From a regional perspective, comparable sales in growth geographies increased by 19%, while sales in mature geographies decreased by 1%, with low-single-digit decline in NA and mid-single-digit decline in Europe. Comp. sales in other mature geographies showed strong double-digit growth.
- EBITA amounted to EUR 434 million, compared to EUR 409 million in Q4 2011, and included restr. and acq.-related charges of EUR 114 million, EUR 93 million higher than in Q4 2011. Excluding restr. and acq.-related charges, EBITA grew to EUR 548 million, or 18.8% of sales, compared to EUR 430 million, or 15.8% of sales, in Q4 2011. The strong year-on-year improvement was driven by sales growth, non-manufacturing cost reductions, and gross margin improvements at Imaging Systems and Customer Services.
- Net operating capital, excl. a currency impact of EUR 214 million, decreased by EUR 228 million to EUR 8.0 billion. The decrease was largely driven by lower working capital needs as a result of inventory productivity improvement, as well as an increase in provisions related to the restructuring charges taken in Q4 2012. Inventories as a % of sales improved by 3.2 percentage points y-o-y.

[1] Growth geographies are all geographies excluding USA, Canada, Western Europe, Australia, New Zealand, South Korea, Japan and Israel

PHILIPS

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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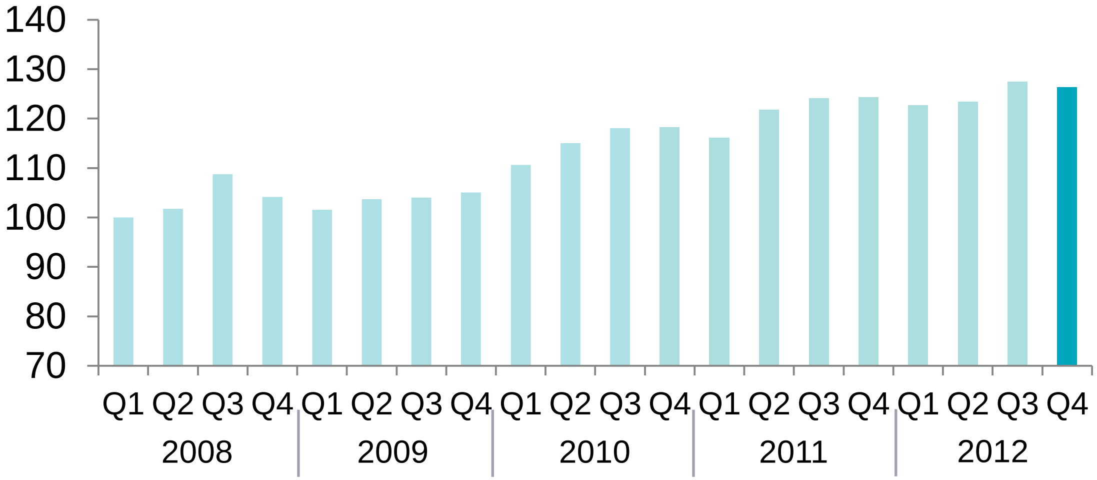
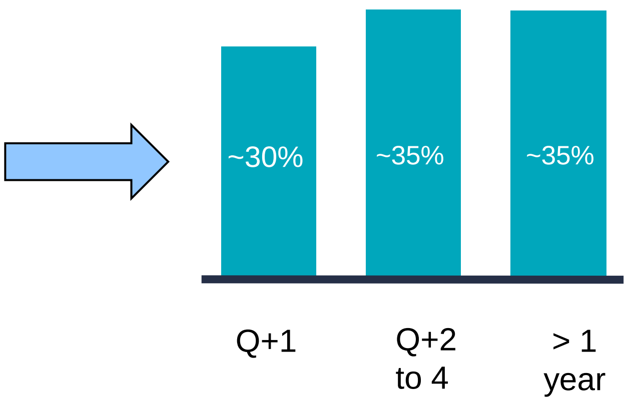
Healthcare: Equipment order book

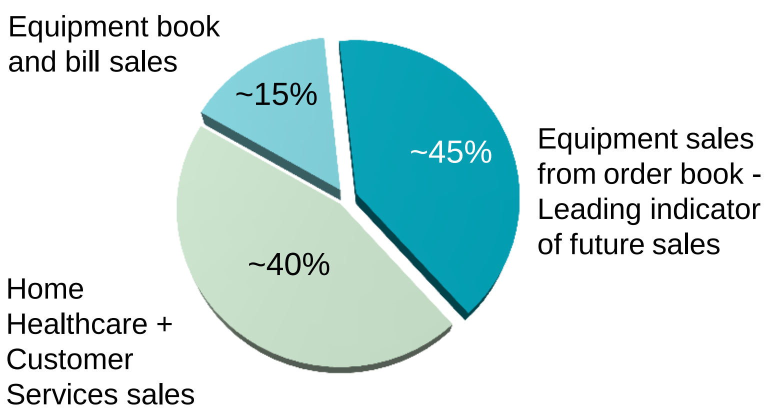
Indexed Equipment Order Book Development



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



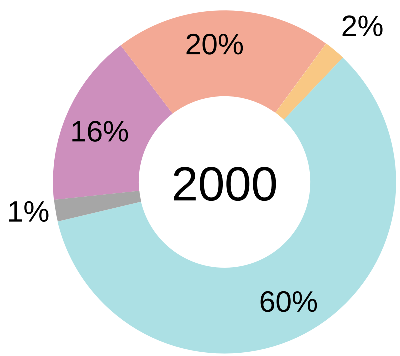
- Approximately 60-65% of the current order book results in sales within next 12 months

PHILIPS

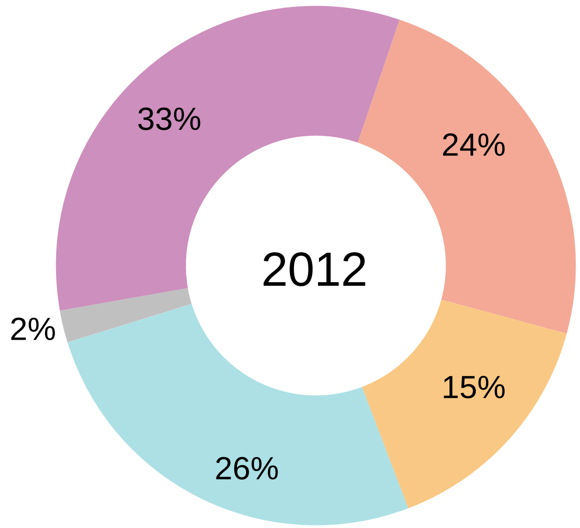
Consumer Lifestyle: Reshaping the portfolio towards growth

- Right-size the organization post TV JV, Lifestyle Entertainment sale
- Continued growth in core businesses towards global category leadership
- Regional business creation; leverage acquisitions in China and India

Total sales EUR 5.5 billion



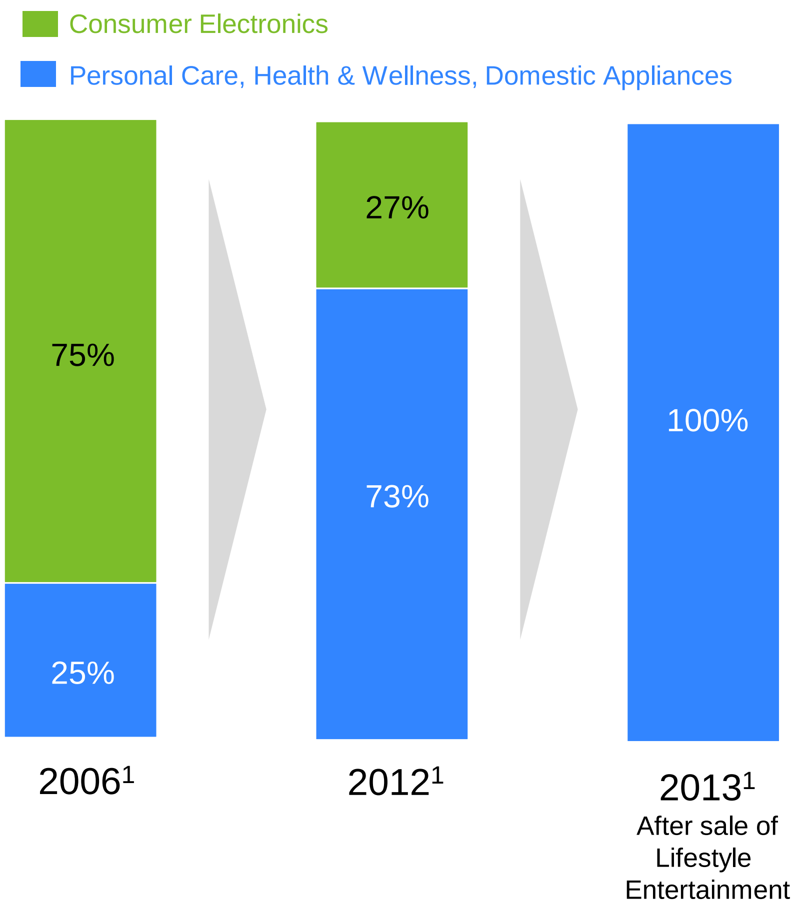
Total sales EUR 6.0 billion



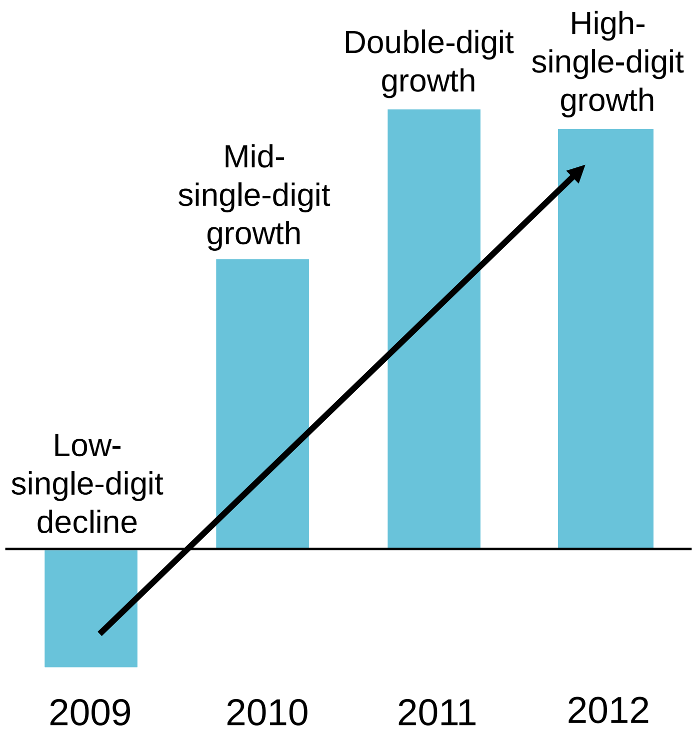
Domestic Appliances | Health & Wellness | Others
Personal Care | Lifestyle Entertainment

Focused portfolio in the Health and Well-being domain

We have exited Consumer Electronics



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

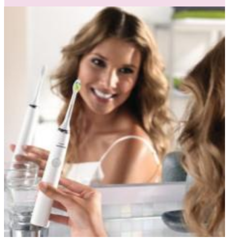
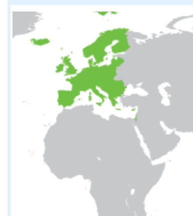
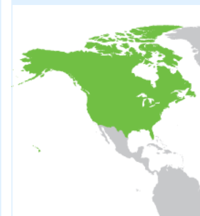
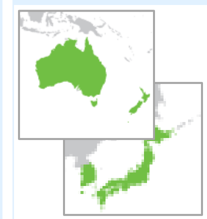


[1] Excluding others
Note - All figures exclude discontinued operations

Consumer Lifestyle

What we do. Where we are.

Philips Consumer Lifestyle

Businesses[1, 2]				Geographies[1]			
Personal Care	Health & Wellness	Domestic Appliances	Lifestyle Entertainment	Western Europe	North America	Other Mature Geographies	Growth Geographies[3]
							
24%	15%	33%	26%	31%	18%	5%	46%

€6.0
Billion sales in 2012

18,000+
People employed worldwide

5%
of sales invested in R&D in 2012

32%
of green product sales in 2012

[1] Full year 2012
[2] Other category (2%) is omitted from this overview
[3] Growth geographies are all geographies excluding USA, Canada, Western Europe, Australia, New Zealand, South Korea, Japan and Israel
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[1]
- 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[2] 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] Growth geographies are all geographies excluding USA, Canada, Western Europe, Australia, New Zealand, South Korea, Japan and Israel
[2] #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

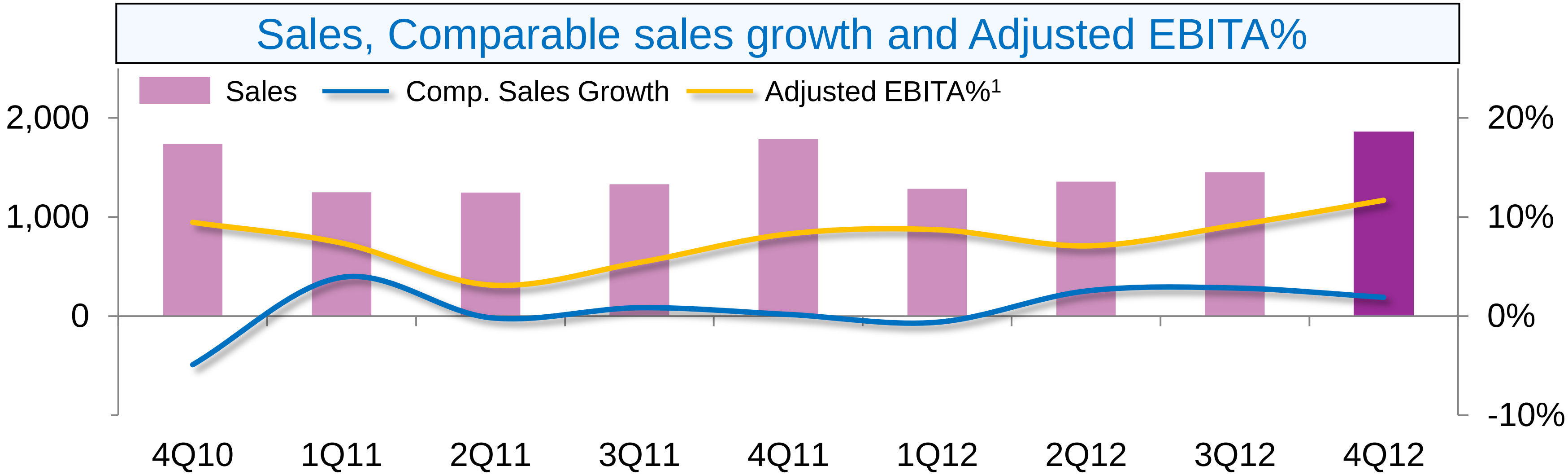
- New, long-term agreement with D.E. Master Blenders 1753 to further strengthen the Senseo business
- Successfully launched the breakthrough innovation Senseo Sarista

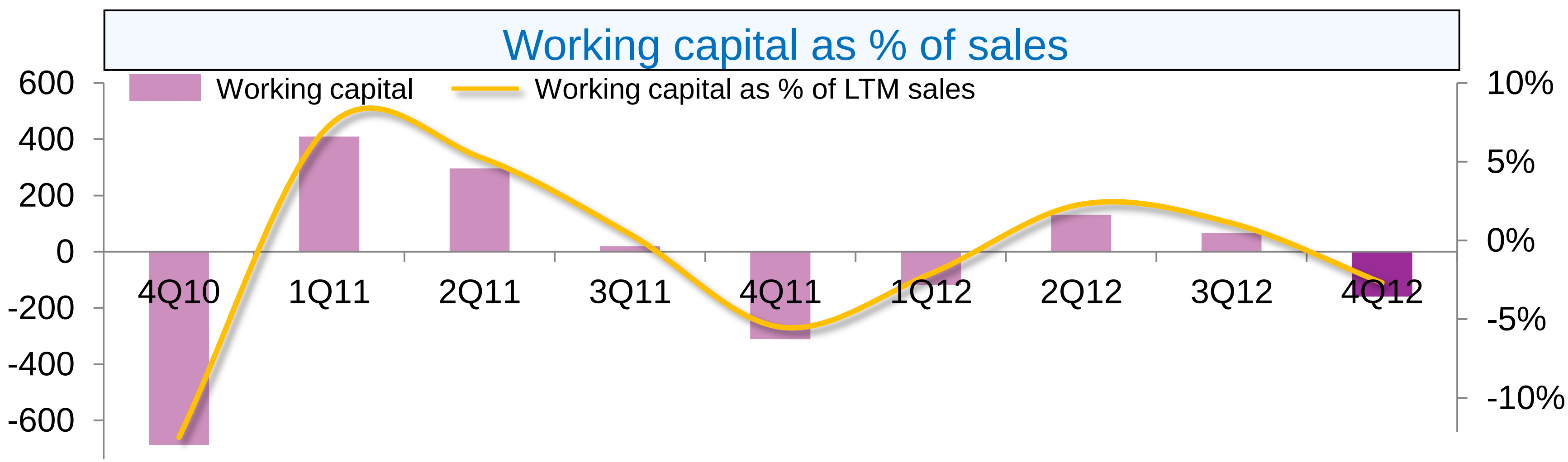
Source: GfK, ZYK YTD-Jun 2012

PHILIPS

Consumer Lifestyle: Financials over the last two years

EUR million





[1] Adjusted EBITA is EBITA corrected for incidental charges (details on slide 90)
Note - All figures exclude discontinued operations

PHILIPS

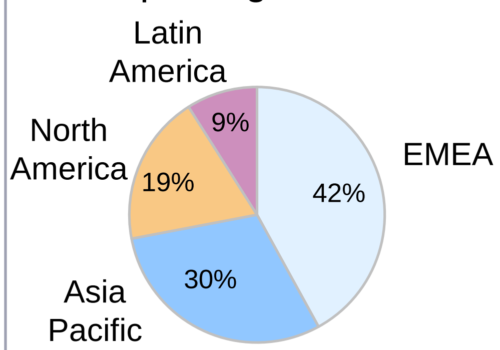
Consumer Lifestyle: Q4 2012 Sector analysis

EUR million

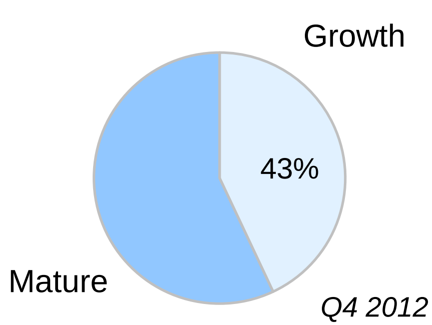
Key figures

	4Q11	4Q12	FY2012
Sales	1,787	1,858	5,953
% sales growth comp.	*0*	*2*	*2*
EBITA	130	177	663
EBITA as % of sales	*7.3*	*9.5*	*11.1*
EBIT	113	160	593
EBIT as % of sales	*6.3*	*8.6*	*10.0*
NOC	884	1,217	1,217
Employees (FTEs)	18,291	18,911	18,911

Sales per region



Growth Geographies[1]



Financial performance

- Comparable sales were 2% higher year-on-year, driven by double-digit growth in the combined growth businesses, i.e. Personal Care, Health & Wellness and Domestic Appliances, partly offset by a decline at Lifestyle Entertainment. From a regional perspective, the growth businesses achieved a double-digit comparable sales increase in growth geographies and strong mid-single-digit growth in North America, while comparable sales in Western Europe remained flat.
- EBITA amounted to EUR 177 million, compared to EUR 130 million in Q4 2011, and included restructuring and acquisition-related charges of EUR 40 million, EUR 22 million higher than in Q4 2011. EBITA also included EUR 5 million of net costs formerly reported as part of the Television business in Consumer Lifestyle (EUR 17 million in Q4 2011). Excluding restructuring and acquisition-related charges, EBITA was EUR 217 million, or 11.7% of sales, compared to EUR 148 million, or 8.3% of sales, in Q4 2011. EBITA improvement was driven mainly by higher sales, lower non-manufacturing costs and improved gross margins, notably at Domestic Appliances.
- Net operating capital increased by EUR 333 million y-o-y. Lower working capital across the growth businesses was more than offset by changes in the remaining balance of the Television business in Consumer Lifestyle. Inventories as a % of sales improved by 0.7 percentage points y-o-y.

[1] Growth geographies are all geographies excluding USA, Canada, Western Europe, Australia, New Zealand, South Korea, Japan and Israel

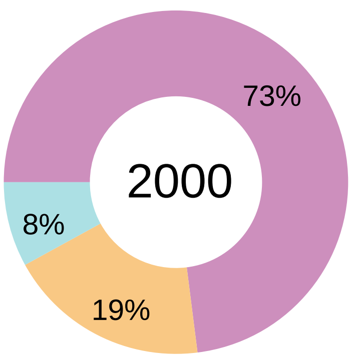
Note - All figures exclude discontinued operations

PHILIPS

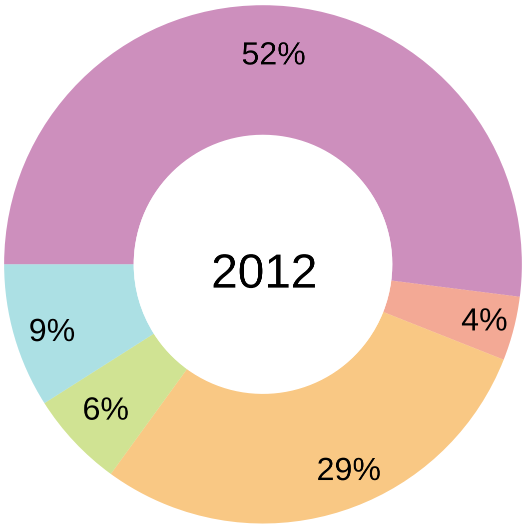
Lighting: Improve profitability on the path to LED and solutions

- 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 8.4 billion

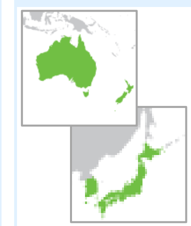


Light Sources & Electronics
Professional Lighting Solutions
Consumer Luminaires
Automotive
Lumileds

[1] Excluding batteries EUR 0.2 billion

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[2]
								
52%	29%	4%	9%	6%	28%	25%	6%	41%

€8.4
Billion sales in 2012

50,000+
People employed worldwide in 60 countries

5%
of sales invested in R&D in 2012

80,000+
Products & services offered in 2012

[1] Full year 2012
[2] Growth geographies are all geographies excluding USA, Canada, Western Europe, Australia, New Zealand, South Korea, Japan and Israel

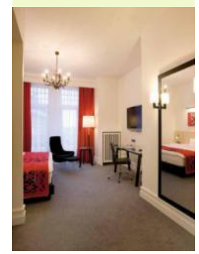
PHILIPS

We increase our focus towards the people we serve

Further strengthening our global leadership in Lighting

Philips Lighting

Customer Segments[1]

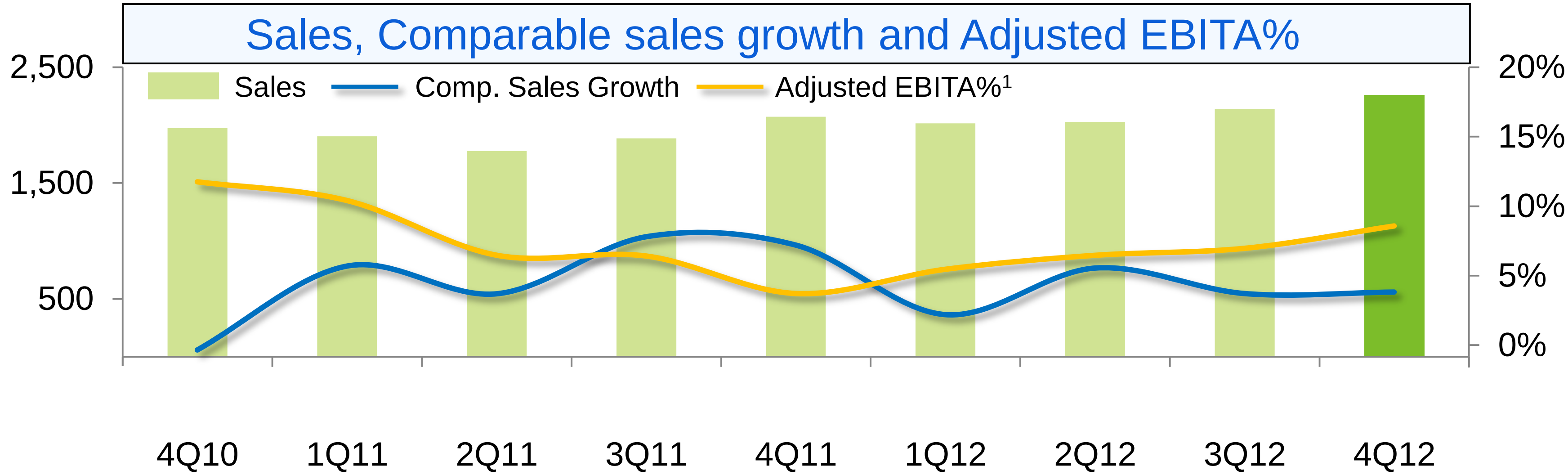
Homes	Offices	Outdoor	Industry	Retail	Hospitality	Entertainment	Healthcare	Automotive
								
27%	14%	20%	8%	13%	2%	4%	3%	9%

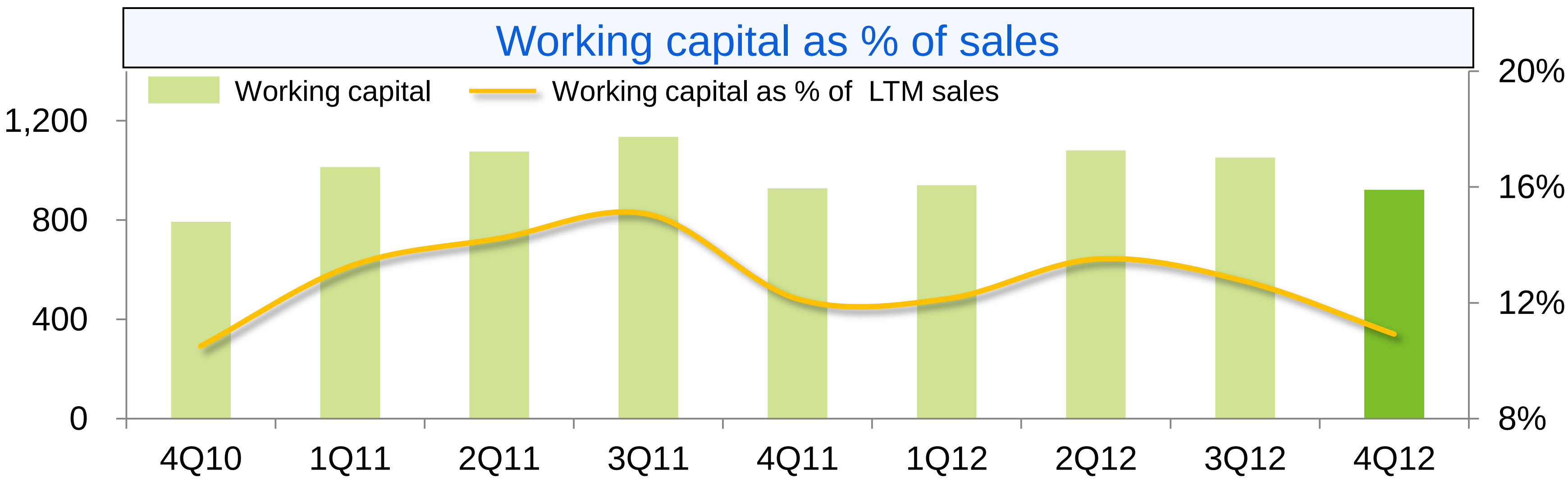
- ~ 75% of Lighting sales is B2B
- ~ 25% of the Lighting portfolio is LED lighting

[1] Indicative split based on full year 2012

Lighting: Financials over the last two years

EUR million





[1] Adjusted EBITA is EBITA corrected for incidental charges (details on slide 90)

PHILIPS

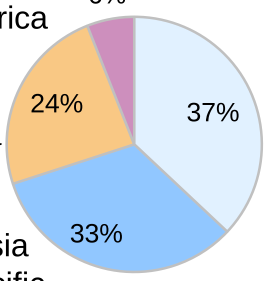
Lighting: Q4 2012 Sector analysis

EUR million

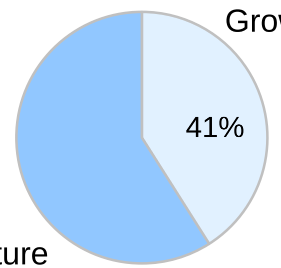
Key figures

	4Q11	4Q12	FY2012
Sales	2,072	2,262	8,442
% sales growth comp.	*7*	*4*	*4*
EBITA	41	(13)	188
EBITA as % of sales	*2.0*	*(0.6)*	*2.2*
EBIT	(130)	(73)	(6)
EBIT as % of sales	*(6.3)*	*(3.2)*	*(0.1)*
NOC	4,965	4,635	4,635
Employees (FTEs)	53,168	50,224	50,224

Sales per region



Growth Geographies[1]



Q4 2012

Financial performance

- Comparable sales were 4% higher year-on-year, with sales increases in all businesses, notably double-digit sales growth at Lumileds and mid-single-digit sales growth at Consumer Luminaires and Automotive. From a regional perspective, comp. sales (excluding the OEM Lumileds sales) in mature geographies were flat, with Western Europe growing by 4% and North America declining by 4%. Sales in growth geographies increased by 8% compared to Q4 2011. Comparable LED-based sales were 43% higher year-on-year, and now represent 25% of total Lighting sales.
- Restructuring and acquisition-related charges of EUR 185 million (Q4 2011: EUR 36 million), as well as a loss on the sale of industrial assets of EUR 22 million, resulted in an EBITA loss of EUR 13 million, compared to EUR 41 million profit in Q4 2011. Excluding restructuring and acquisition-related charges and the loss on the sale of industrial assets, EBITA was EUR 194 million, or 8.6% of sales, compared to EUR 77 million, or 3.7% of sales, in Q4 2011. This year-on-year EBITA improvement was driven by higher operating earnings across all businesses, notably Lumileds and Consumer Luminaires, which were both profitable in Q4 2012, as well as Light Sources & Electronics.
- Net operating capital, excluding a currency impact of EUR 156 million, decreased by EUR 174 million. The decrease was largely driven by an increase in provisions related to restructuring and lower inventories, partly offset by the consolidation of Indal. Inventories as a % of sales improved by 1.9 percentage points y-o-y.

[1] Growth geographies are all geographies excluding USA, Canada, Western Europe, Australia, New Zealand, South Korea, Japan and Israel

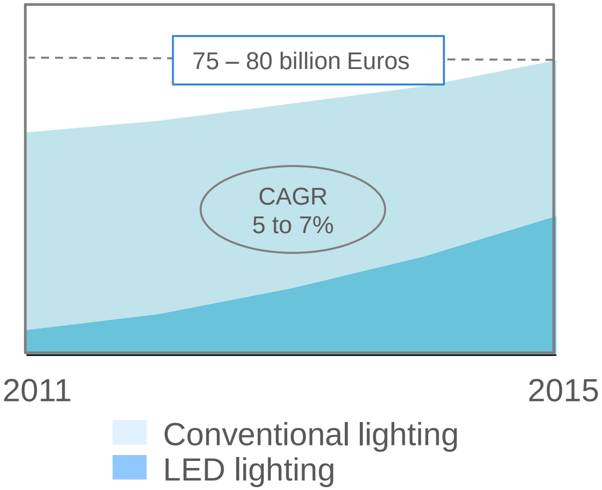
PHILIPS

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

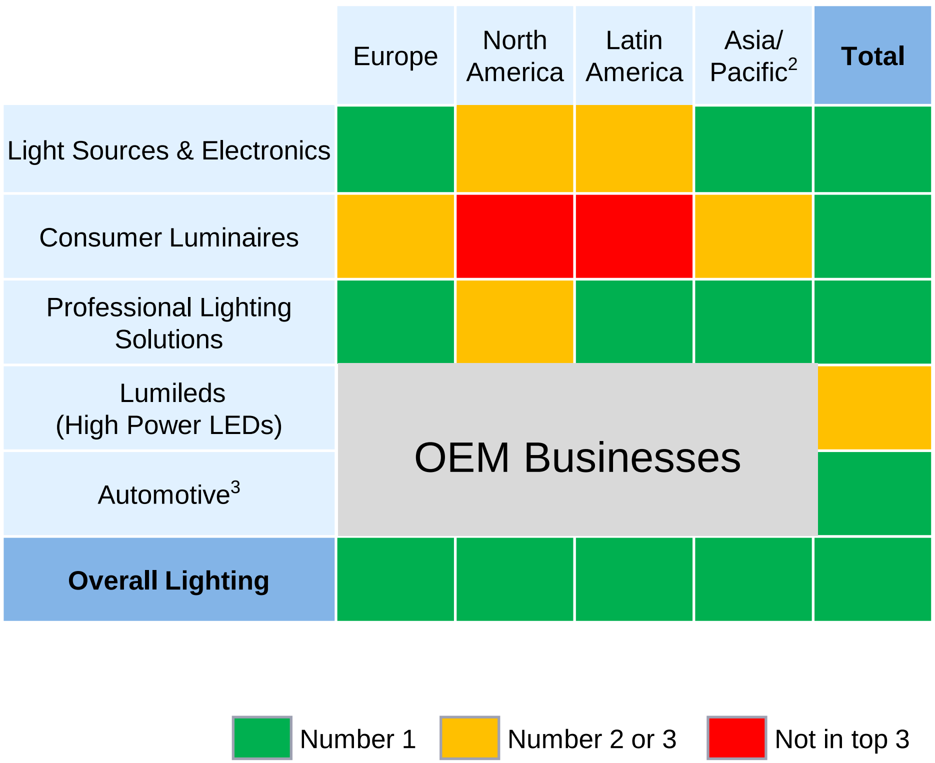
LED lighting expected to be around 45% of the market by 2015[1]



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

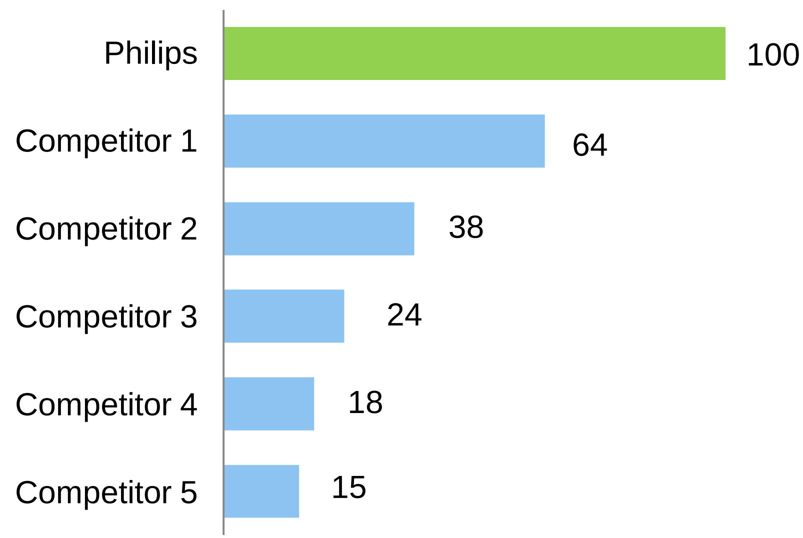
The leading global lighting company

Market leadership[1] across most categories
Market share per Business Group by Region,
as per Q3 2012



We are the largest lighting company…

Indexed sales of Philips lighting and top 5 competitors[4]



[1] Source: customer panels, Industry associations and internal analysis
[2] Excluding Japan
[3] Excluding Interior Lighting
[4] Sales for competitors based on latest fiscal year

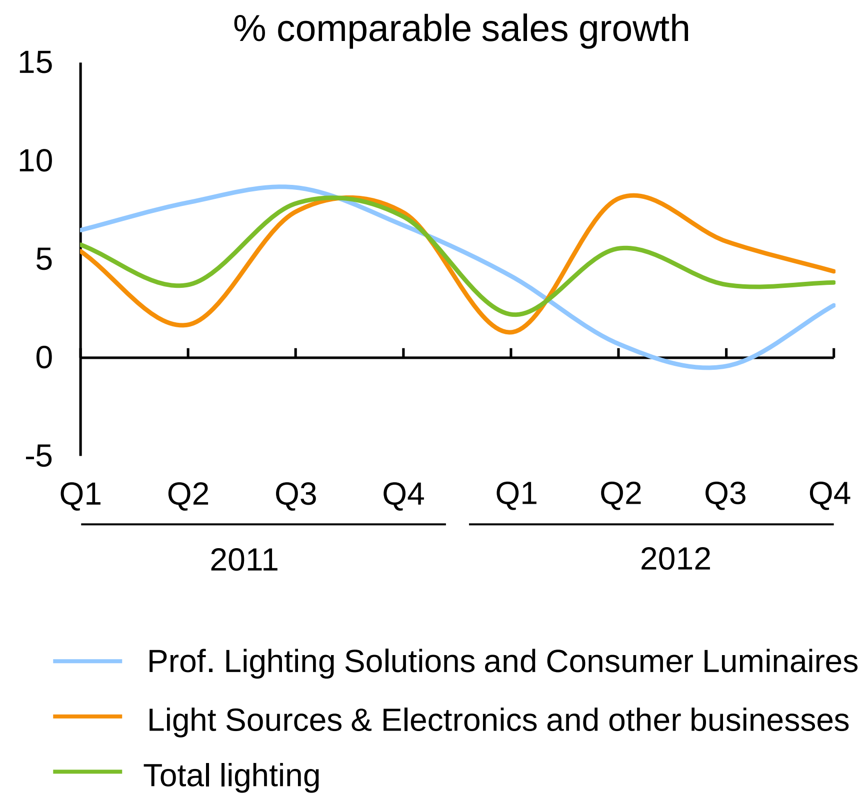
Sales recovery despite current weakness in the construction market in mature economies

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[1]	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%

Consumer Luminaires makes the turn to growth



[1] Others = Automotive and Outdoor

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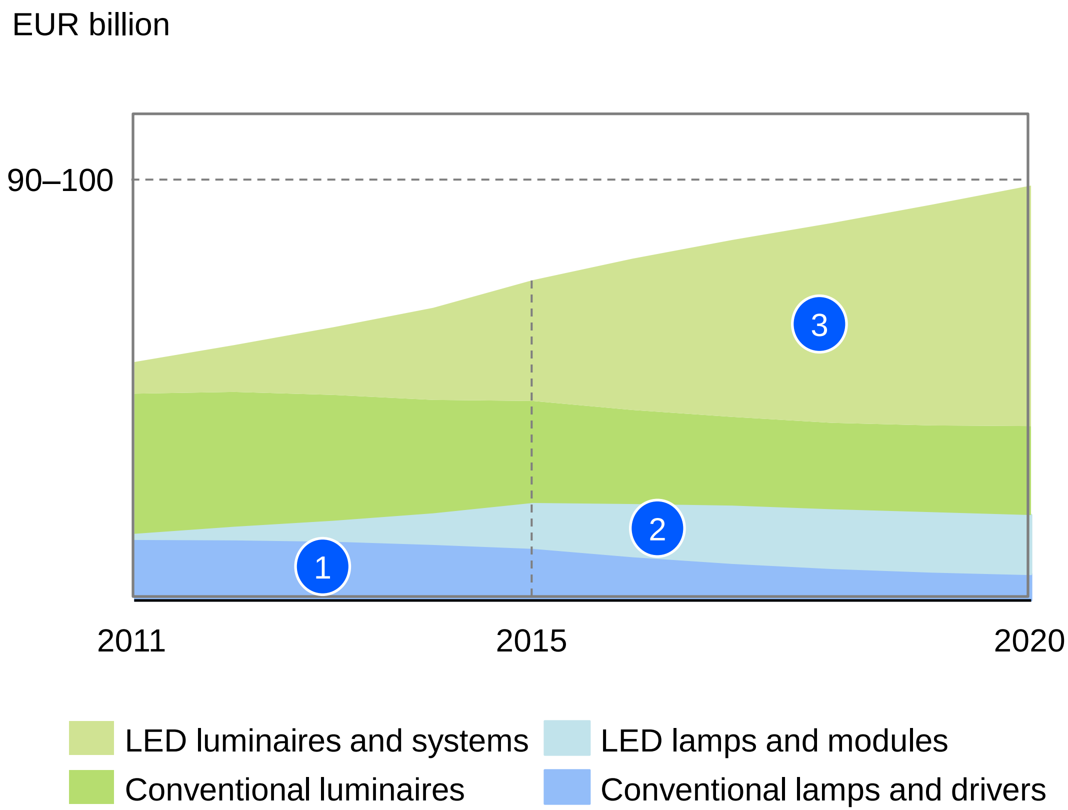
We have a strategy to maintain leadership in conventional lighting and win in LEDs/ applications

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 systems to secure future leadership

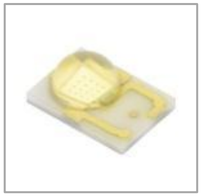
[1] Excluding Automotive Lighting and LED components market
Source: Philips Lighting global market study 2010, updated for 2011

PHILIPS

We are the leading LED lighting company

Leveraging Intellectual Property

- Scope: LED Controls and Basic Optics
- Philips Lighting Patent Portfolio:
  - 85% LED related
  - 15% Conventional related
- 1400 Rights licensed
- Licensing Program has already 275 licensees


Packaged LED's

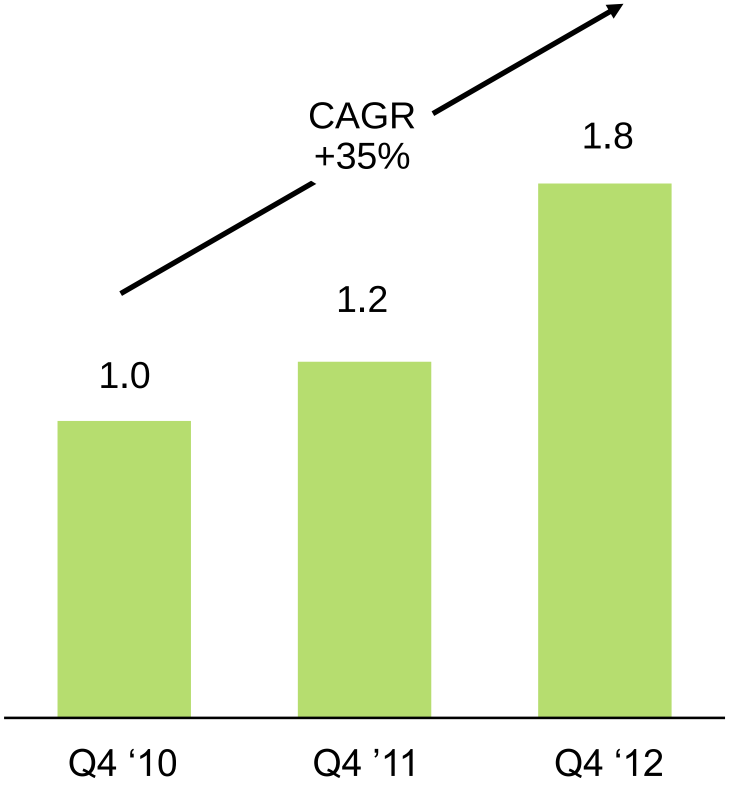

Lamps and Modules


Luminaires


Solutions

Robust growth across our LED portfolio

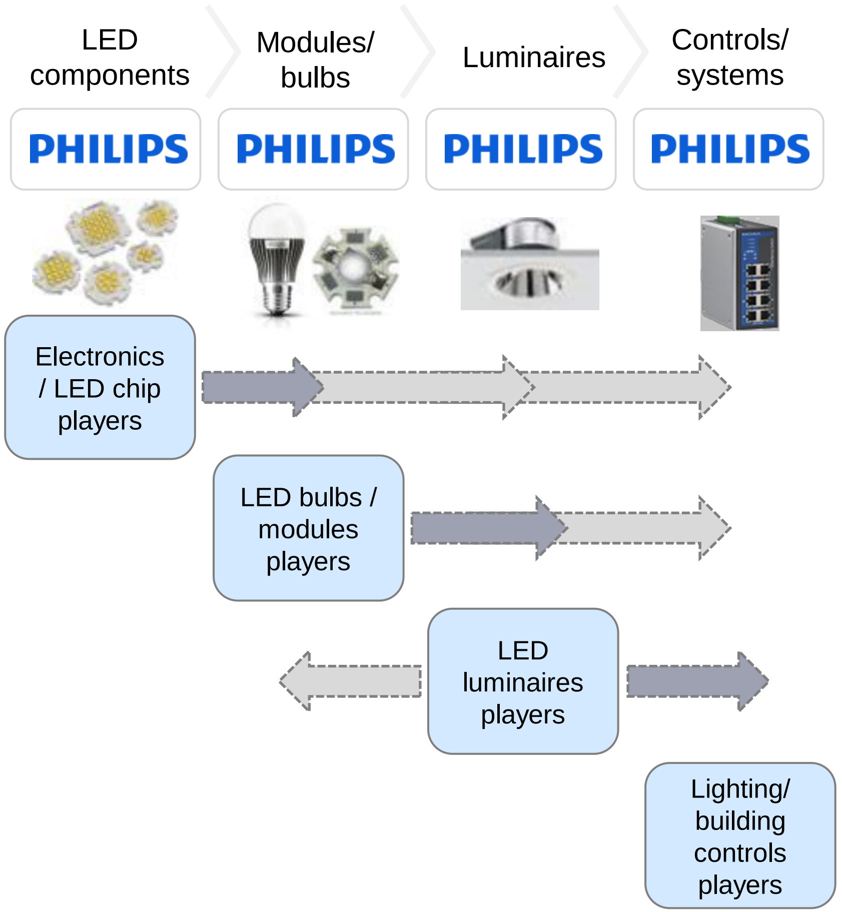
Last 12 months sales, EUR billion



PHILIPS

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

We cover the entire value chain

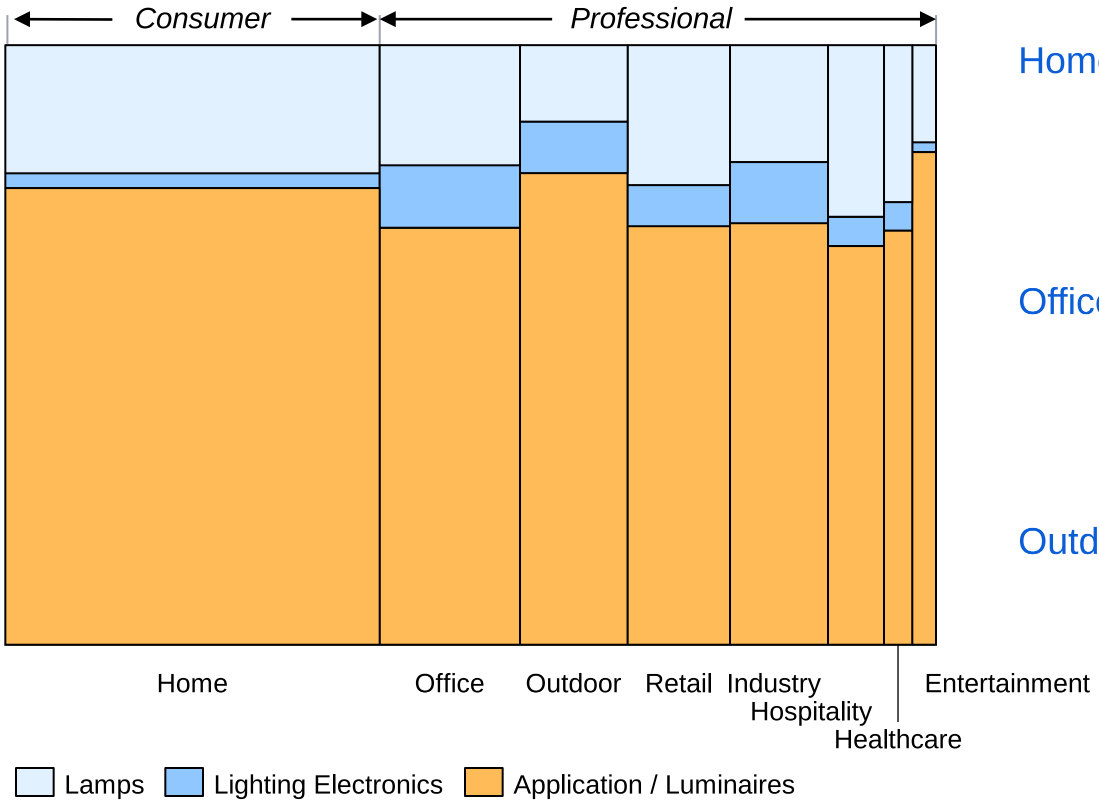


Vertical integration and superior LEDs are our key differentiators

- 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 2012[1]: EUR 60-65 billion



Biggest segments

Home

Office

Outdoor

[1] General illumination (excludes Automotive)
Source: Philips Lighting global market study 2012

PHILIPS

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

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: Q4 2012 Sector analysis

EUR million

Key figures

	4Q11	4Q12	FY2012
Sales	129	123	410
% sales growth comp.	*10*	*(5)*	*(7)*
EBITA:			
Group Innovation	(16)	(33)	(122)
IP Royalty	53	62	179
Group & Regional Costs	(45)	(59)	(154)
Accelerate! investments	(19)	(35)	(129)
Pensions	15	5	48
Services Units & Other	(65)	(488)	(493)
EBITA	(77)	(548)	(671)
EBIT	(80)	(551)	(679)
NOC	(3,895)	(4,521)	(4,521)
Employees (FTEs)	12,474	11,492	11,492

Financial performance

- Sales decreased from EUR 129 million in Q4 2011 to EUR 123 million in Q4 2012.
- EBITA amounted to a net cost of EUR 548 million, compared to a net cost of EUR 77 million in Q4 2011. EBITA, excluding restructuring charges of EUR 19 million (Q4 2011: EUR 25 million), was a EUR 477 million higher net cost than in Q4 2011. This was mainly attributable to the EUR 313 million impact of the European Commission fine related to alleged violation of competition rules in the Cathode-Ray Tubes (CRT) industry and EUR 132 million of provisions related to various legal matters.
- Service Units and Other EBITA was negatively impacted in Q4 2011 by EUR 25 million of net costs formerly reported as part of the Television business in Consumer Lifestyle (Q4 2012: EUR 3 million).
- Compared to Q4 2011, the number of employees decreased by 982, primarily due to restructuring activities in the Service Units, particularly in IT and Financial Operations.
- Net operating capital decreased by EUR 626 million, mainly due to an increase in payables and provisions related to legal matters.

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Appendix

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Publication and AGM dates 2013

January 29	Fourth quarterly and annual results 2012
February 25	Annual Report 2012
April 22	First quarterly results 2013
May 3	Annual General Meeting of Shareholders
July 22	Second quarterly and semi-annual results 2013
October 21	Third quarterly results 2013

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Depreciation and amortization

EUR million

	Q4 2011	Q4 2012	FY 2011	FY 2012
Depreciation	171	190	632	696
Amortization of development assets	47	59	173	220
Amortization intangibles	242	129	594	472
Amortization of software	15	13	55	45
Philips Group	475[1]	391	1,454[1]	1,433

[1] Revised to reflect appropriate elimination of intercompany profit on property, plant and equipment

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Fixed assets expenditures & Depreciation by sector

EUR million

	Gross CapEx[1]		Depreciation	
	Q4 2011[2]	Q4 2012	Q4 2011	Q4 2012
Healthcare	43	41	52	51
Consumer Lifestyle	47	45	27	34
Lighting	67	95	71	85
IG&S	24	33	21	20
Group	181	214	171	190

[1] Capital expenditures on property, plant and equipment only
[2] Revised to reflect an adjusted cash flow presentation of finance lease cash inflows

Fixed assets expenditures & Depreciation by sector

EUR million

	Gross CapEx[1]		Depreciation	
	2011[2]	2012	2011	2012
Healthcare	153	135	186	200
Consumer Lifestyle	148	146	109	124
Lighting	279	290	262	298
IG&S	73	104	75	74
Group	653	675	632	696

[1] Capital expenditures on property, plant and equipment only
[2] Revised to reflect an adjusted cash flow presentation of finance lease cash inflows

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Development cost capitalization & amortization by sector

EUR million

	Capitalization		Amortization	
	Q4 2011	Q4 2012	Q4 2011	Q4 2012
Healthcare	47	67	30	37
Consumer Lifestyle	13	9	8	8
Lighting	15	17	9	14
IG&S	-	14	-	-
Group	75	107	47	59

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Development cost capitalization & amortization by sector

EUR million

	Capitalization		Amortization	
	2011	2012	2011	2012
Healthcare	182	247	105	128
Consumer Lifestyle	40	38	36	41
Lighting	59	66	32	51
IG&S	3	14	-	-
Group	284	365	173	220

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Restructuring, acquisition-related and other incidentals

EUR million

	1Q11	2Q11	3Q11	4Q11	**2011**	1Q12	2Q12	3Q12	4Q12	**2012**
Acq.-related charges	(2)	(3)	(3)	(9)	**(17)**	(5)	(4)	(4)	(5)	**(18)**
Restructuring	4	4	1	(12)	**(3)**	(4)	(4)	1	(109)	**(116)**
Healthcare	2	1	(2)	(21)	**(20)**	(9)	(8)	(3)	(114)	**(134)**
Acq.-related charges	(10)	(12)	(9)	(14)	**(45)**	(6)	(5)	(2)	(5)	**(18)**
Restructuring	(3)	(1)	(1)	(4)	**(9)**	(7)	(8)	(7)	(35)	**(57)**
Other Incidentals	-	-	-	-	**-**	160[1]	20	-	-	**180**
Consumer Lifestyle	(13)	(13)	(10)	(18)	**(54)**	147	7	(9)	(40)	**105**
Acq.-related charges	(2)	(3)	(7)	-	**(12)**	(3)	(3)	(3)	(5)	**(14)**
Restructuring	(3)	(11)	(4)	(36)	**(54)**	(21)	(35)	(65)	(180)	**(301)**
Other Incidentals	-	-	-	-	**-**	(25)	-	(34)	(22)	**(81)**
Lighting	(5)	(14)	(11)	(36)	**(66)**	(49)	(38)	(102)	(207)	**(396)**
Restructuring	1	2	(1)	(25)	**(23)**	1	(40)	2	(19)	**(56)**
Other Incidentals	-	-	-	21	**21**	37	25	-	(445)[2]	**(383)**
IG&S	1	2	(1)	(4)	**(2)**	38	(15)	2	(464)	**(439)**
Total Acq.-related charges	(14)	(18)	(19)	(23)	**(74)**	(14)	(12)	(9)	(16)	**(50)**
Total Restructuring	(1)	(6)	(5)	(77)	**(89)**	(31)	(87)	(69)	(343)	**(530)**
Total Others	-	-	-	21	**21**	172	45	(34)	(467)	**(284)**
Grand Total	(15)	(24)	(24)	(79)	**(142)**	127	(54)	(112)	(825)	**(864)**

[1] Sale of the Senseo trademark

[2] Includes a EUR (313)M impact of the European Commission fine related to alleged violation of competition rules in the Cathode-Ray Tubes (CRT) industry and EUR (132)M of provisions related to various legal matters

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

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