

PHILIPS

sense **and** simplicity

Philips Company Update

Pan European Strategic Decisions Conference

Sanford C. Bernstein Conference
September 20th, 2011

Important information

Forward-looking statements

This document and the related oral presentation, including responses to questions following the presentation contain certain forward-looking statements with respect to the financial condition, results of operations and business of Philips and certain of the plans and objectives of Philips with respect to these items. Examples of forward-looking statements include statements made about our strategy, estimates of sales growth, future EBITA and future developments in our organic business. By their nature, these statements involve risk and uncertainty because they relate to future events and circumstances and there are many factors that could cause actual results and developments to differ materially from those expressed or implied by these statements.

These factors include but are not limited to domestic and global economic and business conditions, the successful implementation of our strategy and our ability to realize the benefits of this strategy, our ability to develop and market new products, changes in legislation, legal claims, changes in exchange and interest rates, changes in tax rates, pension costs and actuarial assumptions, raw materials and employee costs, our ability to identify and complete successful acquisitions and to integrate those acquisitions into our business, our ability to successfully exit certain businesses or restructure our operations, the rate of technological changes, political, economic and other developments in countries where Philips operates, industry consolidation and competition. As a result, Philips' actual future results may differ materially from the plans, goals and expectations set forth in such forward-looking statements. For a discussion of factors that could cause future results to differ from such forward-looking statements, see the Risk management chapter included in our Annual Report 2010 and the "Risk and uncertainties" section in our semi-annual financial report for the six months ended July 3, 2011.

Third-party market share data

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

Use of non-GAAP Information

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

Use of fair-value measurements

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

All amounts in millions of euro's unless otherwise stated; data included are unaudited. Financial reporting is in accordance with IFRS, unless otherwise stated. This document comprises regulated information within the meaning of the Dutch Financial Markets Supervision Act 'Wet op het Financieel Toezicht'.

Summary

- Continued growth in our core businesses
- Accelerate!, our performance improvement and change program is gaining traction
- Overhead cost reduction scope now EUR 800 million, of which EUR 500 million detailed
- We will continue to invest in market penetration and accelerated innovation (EUR 200 million program)
- We are confident in our mid-term performance targets of 4-6% comparable sales growth, 10-12% EBITA and 12-14% ROIC by 2013



1. Management update

2. Portfolio strength

3. Accelerate! Change and performance

4. Path to value

5. Group results Q2 2011

6. Group and sector overview

Performance improvement update

Accelerate! Change and performance improvement

- ✓ • Cost program deployed: first savings expected in Q4. Total program will result in EUR 800 million savings versus original goal of EUR 500 million
- ✓ • Modified reward system for 2011 implemented (structural change to be prepared for 2012)
- ✓ • Operating model: design principles deployed
- ✓ • New set of behaviors introduced. Training programs running to drive culture change
- ✓ • Strengthen Executive Committee: New head of Strategy and head of HR on board
- Selling and R&D expenses expected to remain stable in relation to sales for this year

Addressing operational issues

- Lighting:
 - execute turn-around plan for Consumer Luminaires
 - address cost base and margin management
 - strengthen performance management and execution
 - Lumileds: performance improvement
- Consumer Lifestyle:
 - execute turn-around plan Lifestyle Entertainment
 - TV disentanglement

Portfolio

- TV Joint Venture:
 - final negotiations with TPV are progressing
 - disentanglement progressing along tight timeline for Q4 closing
 - disentanglement cost and deal result pending finalization

Disciplined Capital Use

- ✓ • 23% (per Sept 12, 2011) of EUR 2 billion share buy back program completed
- Deliver on inventory reduction programs
- Focused value delivery plan for each past acquisition

Strengthened management: New Executive Committee



Frans van Houten
Group CEO
Acting CEO Lighting



Ron Wirahadiraksa
Group CFO
Acting CFO Lighting



Steve Rusckowski
CEO Healthcare



Gottfried Dutiné *
Chief Innovation Officer



Pieter Nota
CEO Consumer Lifestyle



Patrick Kung
CEO Greater China



Jim Andrew **
Group strategy



Carole Wainaina
Group HR



Ronald de Jong
Chief Market Leader



Eric Coutinho
General Counsel

* Gottfried Dutiné will retire from Philips as of December 31, 2011.

** In the course of 2011, Jim Andrew will also take over the innovation portfolio from Gottfried Dutiné.

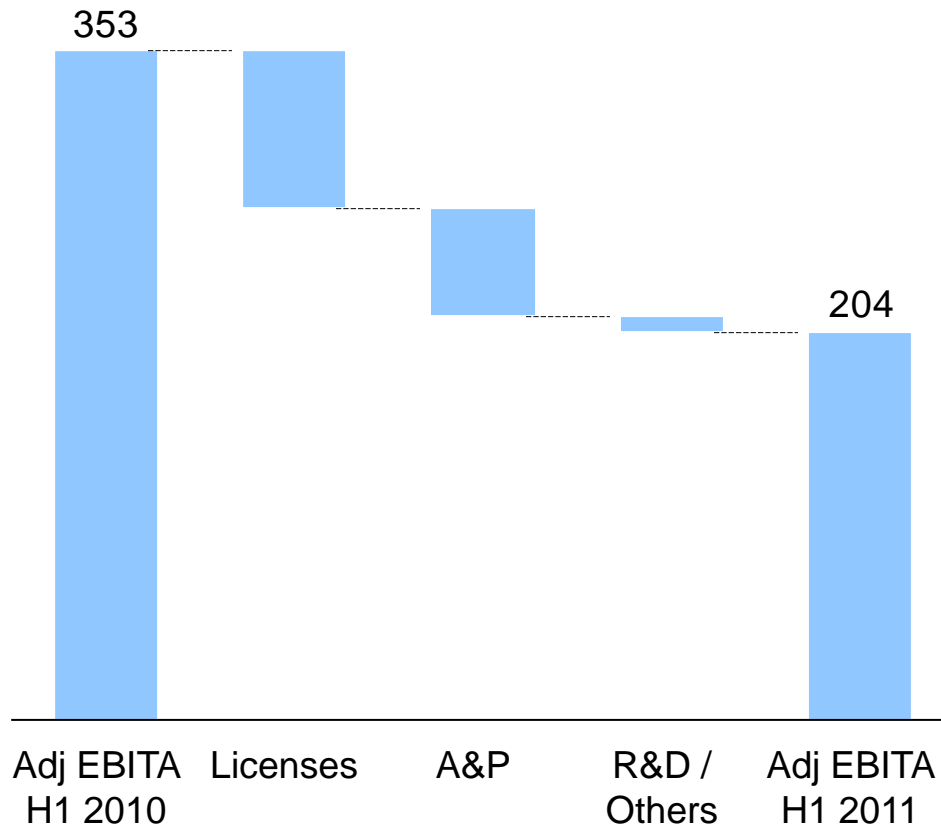
Healthcare: 1H 2011 continued strong results

- Comparable sales increased 6%, with solid increases in all businesses
- Equipment Order Intake growth of 2%, led by strong growth of 6% in North America
- EBITA increased by EUR 93 million y-o-y to EUR 475 million, or 11.7% of sales
- We continue to closely follow the overall economic environment and the impact it may have in the short term



Consumer Lifestyle: 1H 2011 impacted by lower licenses and increased investments for growth

Adj. EBITA bridge 1H 2011 versus 1H 2010

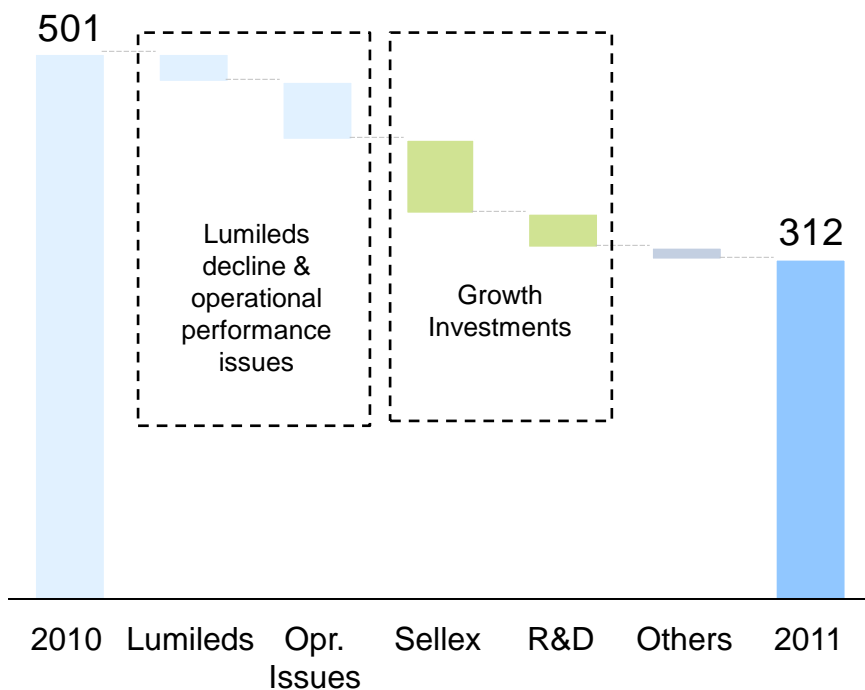


- First half 2011 adjusted EBITA is 7.9% of sales vs. 13.7% in first half 2010
- Structural decline in license income in combination with lower settlements in first half 2011
- Increased investments in A&P focused on high margin businesses and growth geographies

Lighting: 1H 2011 earnings performance impacted by operational issues and investments for growth

Adj. EBITA bridge 1H 2011 versus 1H 2010

All amounts in EUR million



- 1H2011 adjusted EBITA is 8.5% of sales vs. 13.6% in 1H2010
- Lumileds decline driven by display business, and technology investments
- Operational issues:
 - Consumer Luminaires DIY channel in EMEA affected
 - LatAm affected by logistics issues
- Margin pressure:
 - Increased raw material prices
- Growth investments:
 - R&D investments in digital lighting¹
 - Key account management and solutions selling capabilities

¹ Digital lighting includes LED lamps, LED luminaires and Controls

1. Management update

2. Portfolio strength

3. Accelerate! Change and performance

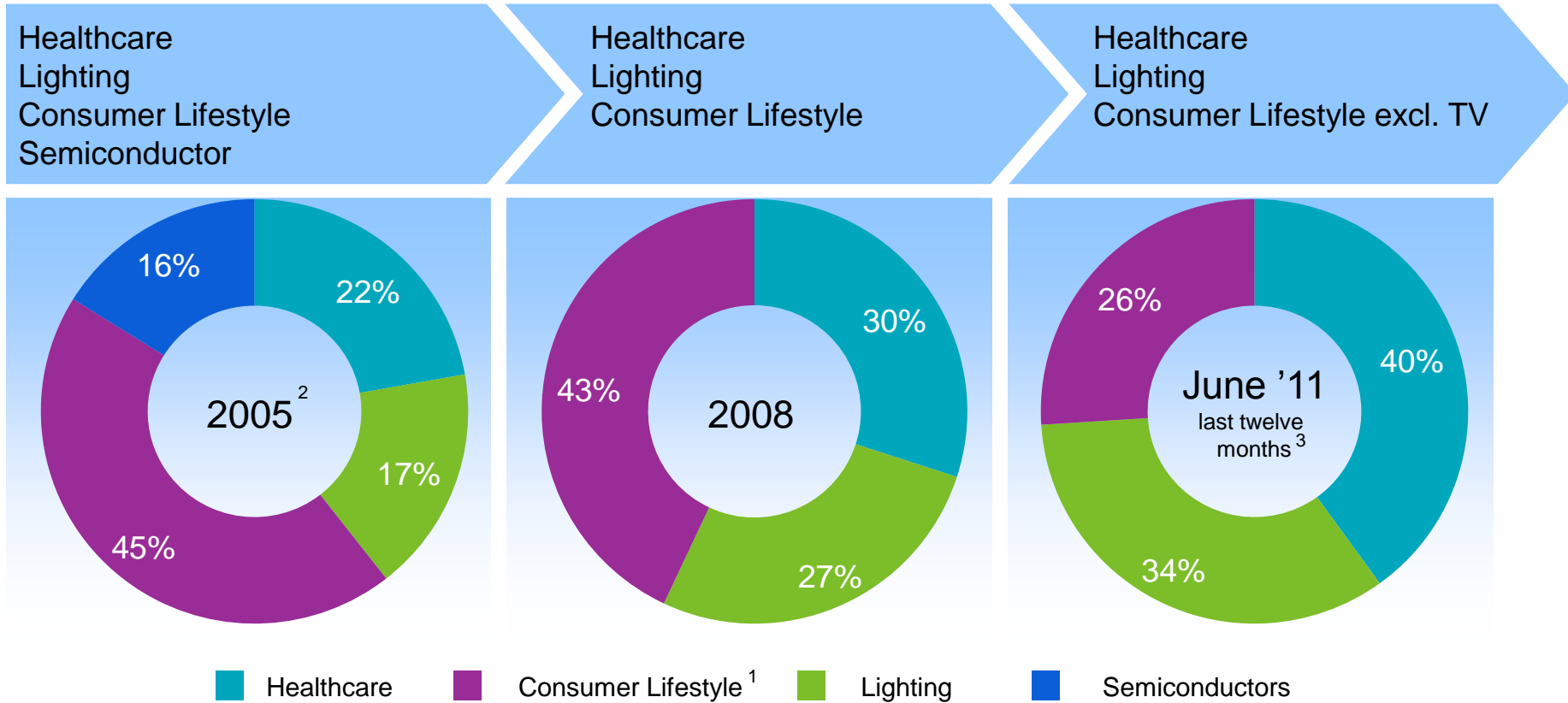
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Improving our portfolio: Starting point of our journey

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

³ Figures exclude Television as it is treated as discontinued operation

Strong assets underpin our portfolio

Our assets	Our track record
 <p data-bbox="291 411 662 451">Innovation capabilities</p>	<ul data-bbox="803 382 1818 489" style="list-style-type: none"> • New product sales increased from 48% of total sales '09 to 52% '10 • Technology, know-how and strong IP positions (48,000 registered patents)
 <p data-bbox="291 546 510 586">Philips brand</p>	<ul data-bbox="803 518 1827 625" style="list-style-type: none"> • World's 42nd most valuable brand 2010 compared to the 65th 2004 • Consistently among top-ranked players, top 10% in India, China and Brazil, top 20% globally in the Corporate brand equity index¹
 <p data-bbox="291 682 548 722">Global footprint</p>	<ul data-bbox="803 675 1470 746" style="list-style-type: none"> • Loyal customer base in 100+ countries • 1/3 of group revenues from growth markets
 <p data-bbox="291 832 411 872">People</p>	<ul data-bbox="803 789 1846 896" style="list-style-type: none"> • Employee Engagement Index² exceeds high performance benchmark value of 70% • Culturally diverse top-200 leadership team
 <p data-bbox="291 968 604 1008">Domain leadership</p>	<ul data-bbox="803 932 1889 1046" style="list-style-type: none"> • Global market leader in Lighting • Top 3 Healthcare player • Leading Consumer Lifestyle brands: E.g. Philips, Sonicare, Avent, Saeco
 <p data-bbox="291 1103 620 1143">Solid balance sheet</p>	<ul data-bbox="803 1110 1570 1146" style="list-style-type: none"> • A3 rating by Moody's and A- by Standard & Poor's

¹ Consumer Heart BEAT brand equity study 2010

² Based on annual Philips' Employee Engagement Survey

Unique leadership positions in many markets²

Supported by 54,000 patent rights

Healthcare



Global
Cardiovascular
X-ray



Global
Patient
Monitoring



Regional
Cardiac
resuscitation



Global
Ultrasound



Regional (USA)
Home
Monitoring

Consumer Lifestyle



Global
Male electric
shaving



Global
Mother and Child
Care



Global
Oral
Healthcare

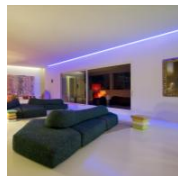


*Regional
(China)*
Haircare



*Regional
(LatAm, China)*
Kitchen
Appliances

Lighting



Global
Professional
Lamps



Global
Professional
Luminaires



Global
General
Illumination LED



Global
Automotive
Lighting



Global
Lighting Systems
& Controls

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

² Examples of current NPS leadership positions

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Accelerate! change and performance program to unlock full potential faster

Customer Centricity

- Markets led by empowered Entrepreneurs
- Locally relevant product portfolio to gain market share
- Increase performance adherence to plan per BMC > 80%
- Increase Employee Engagement in markets by 300 bps

Resource to Win

- Increase number of BMC's in which we are an outright leader
- Granular plans and Performance Management for key BMC's
- Increase seniority of market teams
- Targeted investment step-ups (EUR 200 million) to gain market leadership

End2End Execution Focus

- Transform customer value chains to 7 LEAN business models, enabled by effective IT
- Reduce Cost of Non Quality by 30%
- Accelerate innovation time to market by average 40%; Increase customer service >95%
- Inventory reduction plans and targets under preparation

Growth and Performance Culture

- Introduce new behaviors; Training programs to drive culture change
- Strengthen executive teams
- Overhaul reward system

Operating Model

- Decrease number of layers to speed up decision making
- Reduce overhead and support costs by EUR 800 million
- Implement integral BMC reporting
- Implement collaborative P&L between businesses & markets with clear accountability



Improving growth and performance by leveraging granular performance management

Granular performance approach



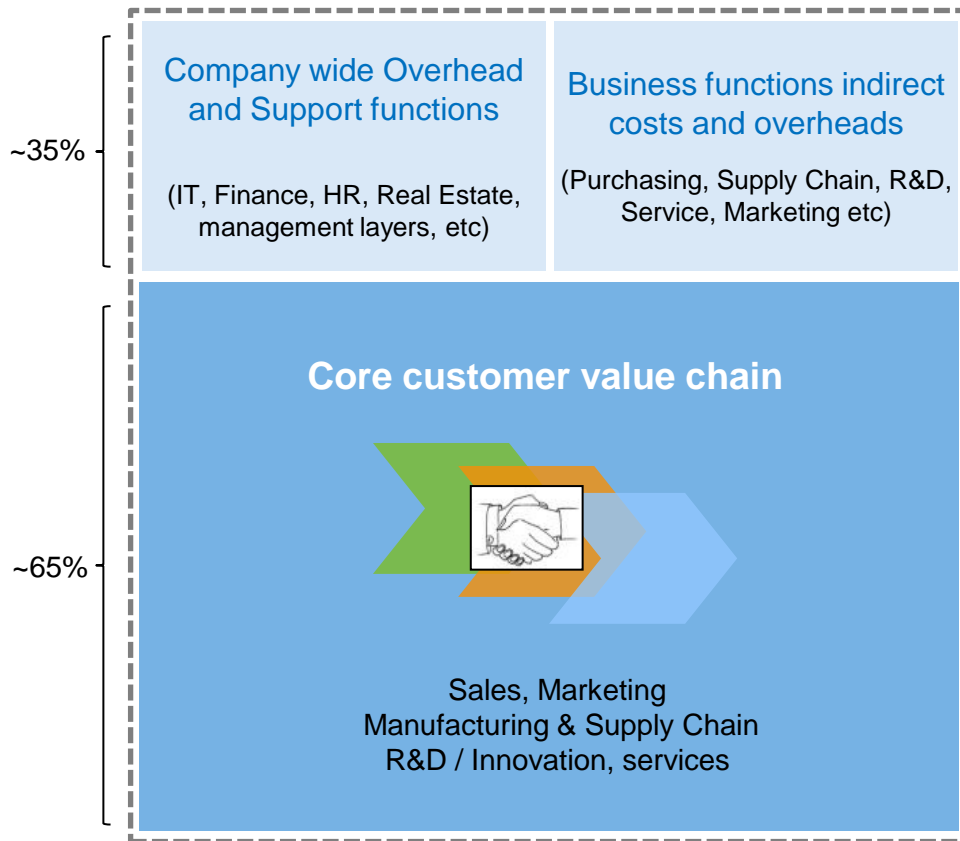
Some valuable insights

- Second quarter of new performance management approach
- Our growth businesses in Consumer Lifestyle show early signs of success in the targeted BMC's, which we can now replicate
- Granular performance management has given us insight based on which we have made management changes
- Sales underperformance in smaller BMC's, calling for strengthening of management & tighter plans



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

■ Cost reduction scope



Clear design principles

- Taking out overhead and support cost
 - *All overheads, layers and support functions*: IT, F&A, 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



Detailing of EUR 500 million cost reduction done, with additional EUR 300 million identified

First savings expected in Q4 2011 and completion by 2014

	Net savings ¹			
<i>EUR million</i>	2011	2012	2013	2014
TOTAL	40	350	475	500

	Restructuring costs ¹			
<i>EUR million</i>	2011	2012	2013	2014
Sectors	5	45	45	10
GM&S	15	155	85	15
TOTAL	20	200	130	25

Deployment

- Strong organizational engagement with 9 functional workstreams and 3 Sector teams
- Highest potential in IT, Finance, HR and Real Estate
- First savings commitments signed off 31st August, deployment from Q4 '11
- First savings expected in Q4 2011
- Most of GM&S savings will flow back to sectors
- Additional saving opportunities of EUR 300 million are being detailed

¹ Estimated amounts

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Sector acceleration trajectories

Mid-term targets - 2013

Sector

Group

Healthcare: Continue to accelerate strategy and performance

- Driving to co-leadership in Imaging Systems and leadership in Patient Care and Clinical Informatics
- Invest for leadership in growth markets
- International expansion of the home healthcare business
- Executing operational excellence initiatives to increase margin and time-to-market

Reported
EBITA
15-17%

Sales Growth
CAGR* : 4-6%

*Assuming real GDP growth of 3-4%

Consumer Lifestyle: Reshaping the portfolio towards growth

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

Reported
EBITA
8-10%

Reported
EBITA
10-12%

Excluding License Income

Lighting: Improve profitability on the path to LED and solutions

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

Reported
EBITA
8-10%

ROIC
12-14%

Share buy back program of EUR 2 billion

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

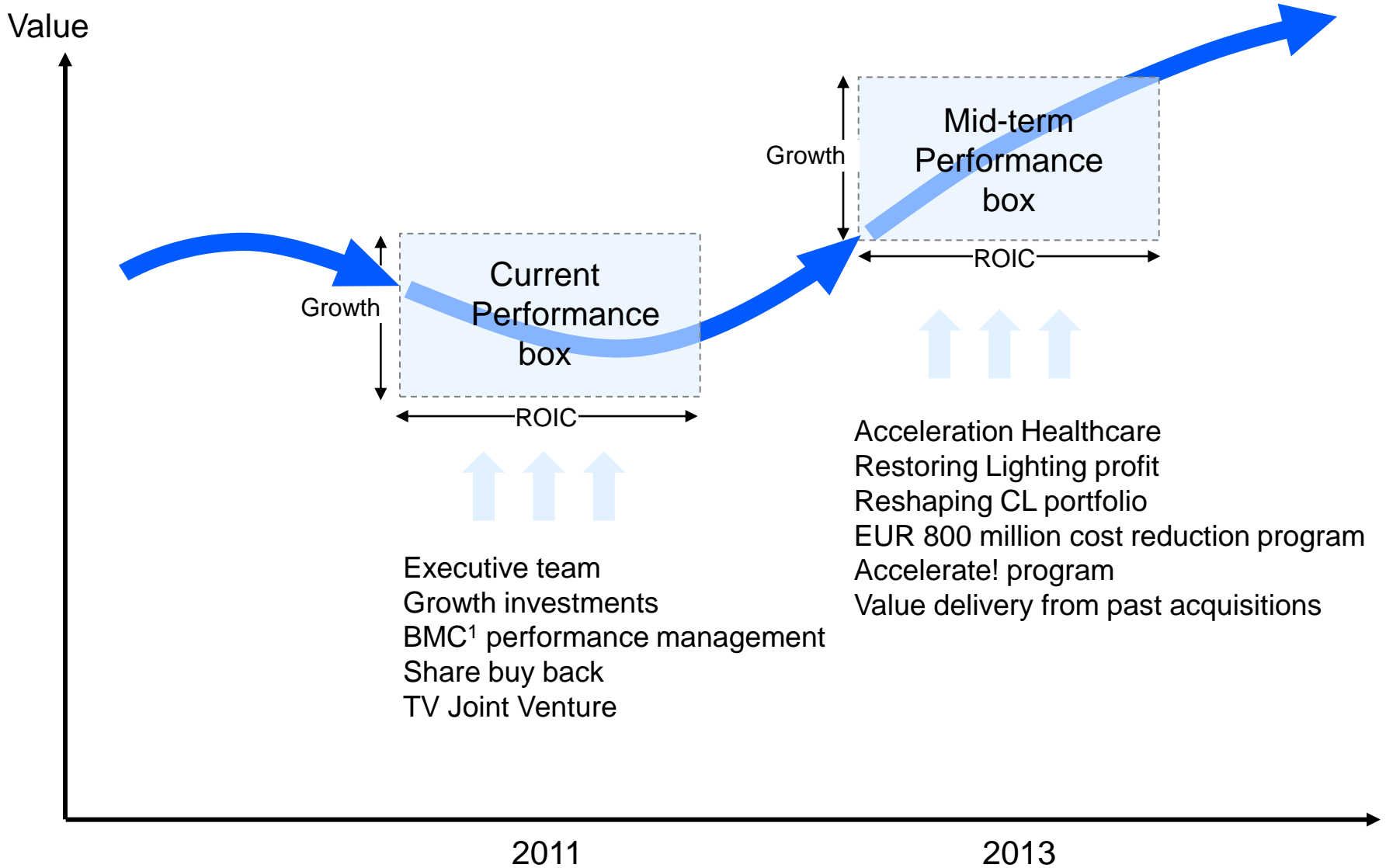
Note 1: Subject to approval by the Annual General Meeting of Shareholders, to be held in April 2012, all shares repurchased under this new program will be cancelled, resulting in a reduction of Philips' outstanding share capital.

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

Disciplined Capital Use

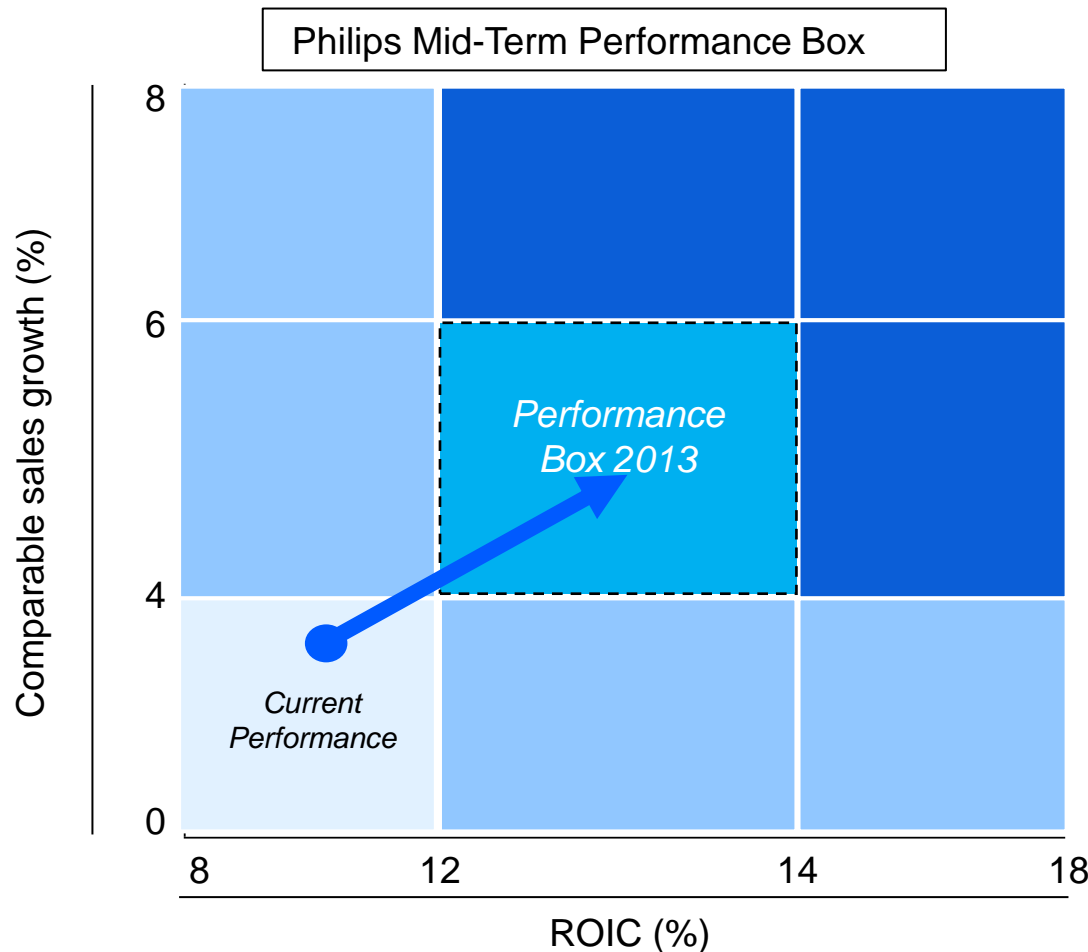
- We re-iterate our objective of retaining an A3/A- rating
- We will drive higher capital efficiency and cash flow yields through improved working capital turns and CAPEX discipline
- We are committed to a stable dividend policy with a 40% to 50% pay-out of continuing net income
- Cash will be used to:
 - 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

Our path to value



¹ BMC = Business Market Combination

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



Mid-Term financial objectives (2013)

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

¹ Assuming real GDP growth of 3-4%

² Including restructuring and acquisition related charges

³ Excluding licenses

Key takeaways

- Continued growth in our core businesses
- We are addressing our operational issues decisively
- We have a focused portfolio, with strong potential in growth and mature markets
- Accelerate! will drive granular execution of our plans and enable the necessary investments in innovation, people, systems, and markets to deliver improved profitable growth
- We will leverage our new culture of entrepreneurship and accountability
- Despite economic challenges, we are confident in delivering our mid-term financial targets by 2013

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Headlines: Q2 2011

Group

- Comparable sales increased 4%, led by strong growth at Healthcare
- Growth markets now represent one third of Group sales
- EBITA of EUR 370 million, 7.1% of sales
- Goodwill impairment leads to net loss of EUR 1.3 billion
- Free cash outflow of EUR 210 million

Healthcare

- Comparable sales increased 8%, with solid increases in all businesses
- Equipment Order Intake growth of 4%, led by strong growth of 10% in NA
- EBITA increased by EUR 60 million y-o-y to EUR 276 million, or 13.3% of sales

Consumer Lifestyle

- Comparable sales declined 2%, excluding licenses up 1%
- EBITA was low at EUR 60 million compared to last year's EUR 168 million
- Lower license income, investments in Advertising & Promotion, and sales decline at Lifestyle Entertainment led to the decline in earnings

Lighting

- Comparable sales increased 4%, LED-based sales grew 21%
- EBITA, excl. restructuring and acquisition-related charges, amounted to EUR 115 million, compared to EUR 247 million in Q2 2010
- Pressure on margins, weaker consumer markets, specifically in Western Europe, and incremental investments in growth caused decline in EBITA

Key Financials Summary – Q2 2011

EUR million

	Q2 2010	Q2 2011
Sales	5,346	5,213
EBITA	506 ¹	370 ¹
Financial income and expenses	(70)	(75) ²
Income tax	(85)	(46)
Net income (loss)	262	(1,345)
Net Operating Capital	14,074	11,302
Net cash from operating activities	497	39
Net capital expenditures	(198)	(249)
Free cash flow	299	(210)

¹ 2Q11 includes EUR (24)M of charges; 2Q10 includes EUR (90)M of charges

² 2Q11 benefited from lower interest expense due to lower debt and a fair-value gain on the option related to NXP, offset by higher interest expense related to tax positions and value adjustments in respect of available-for-sale financial assets.

Note - All figures exclude discontinued operations

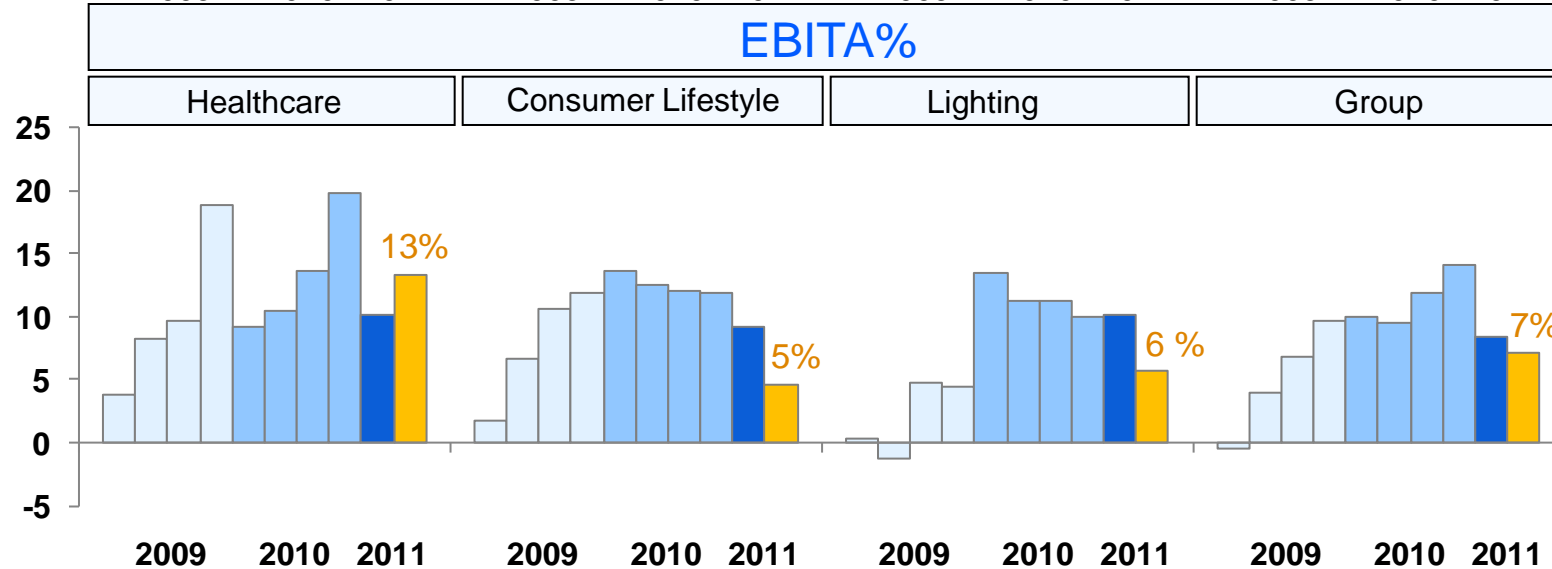
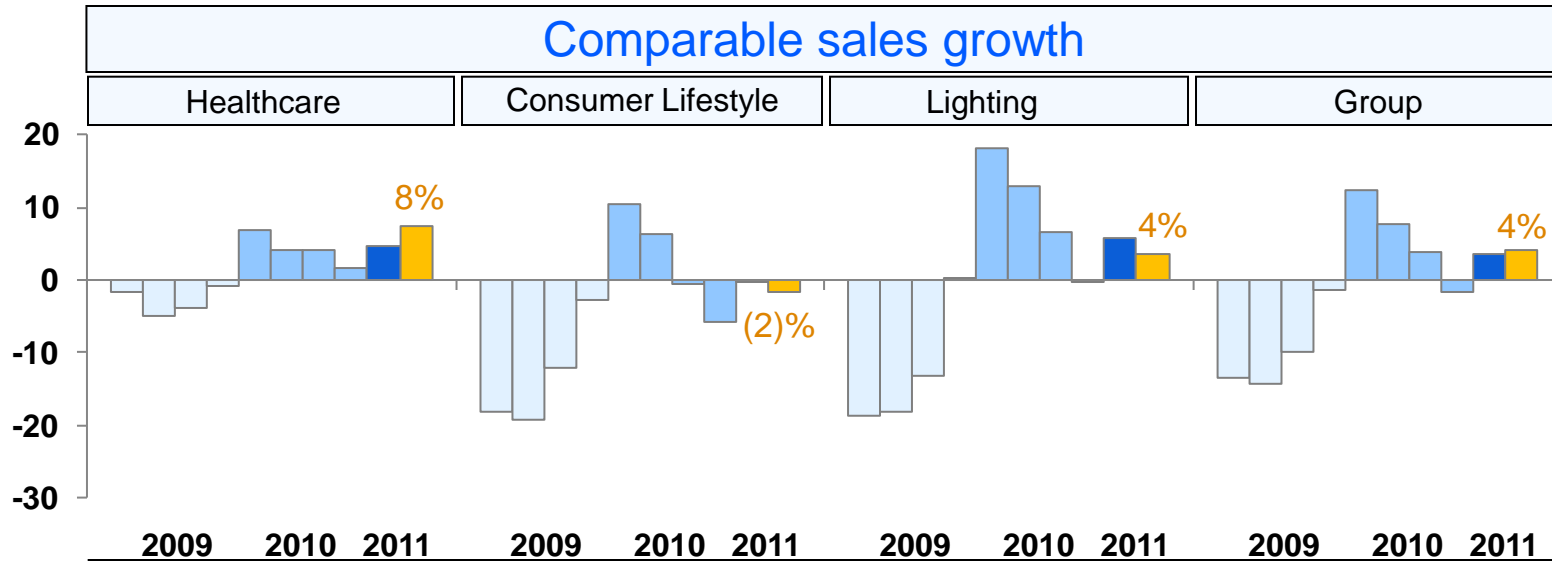
Sales by sector – Q2 2011

EUR million

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

Sales Growth and EBITA Margin Development

Comparable sales growth and EBITA%



Sales by market cluster – Q2 2011

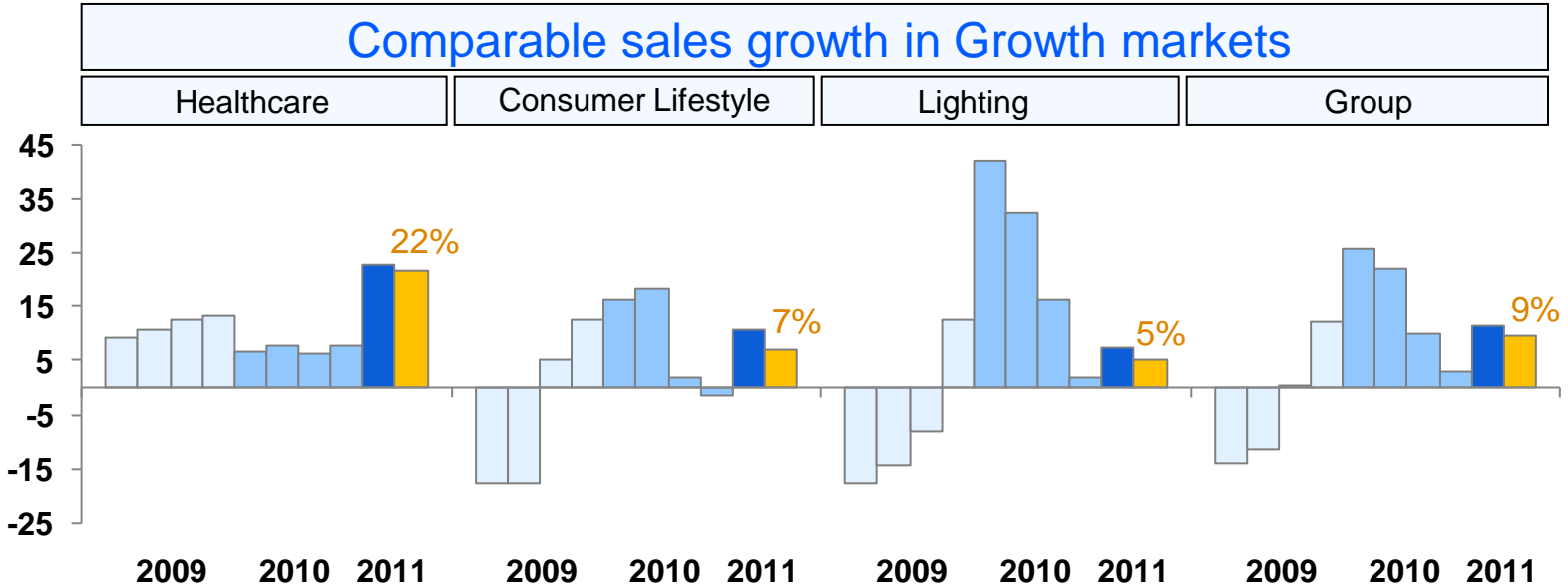
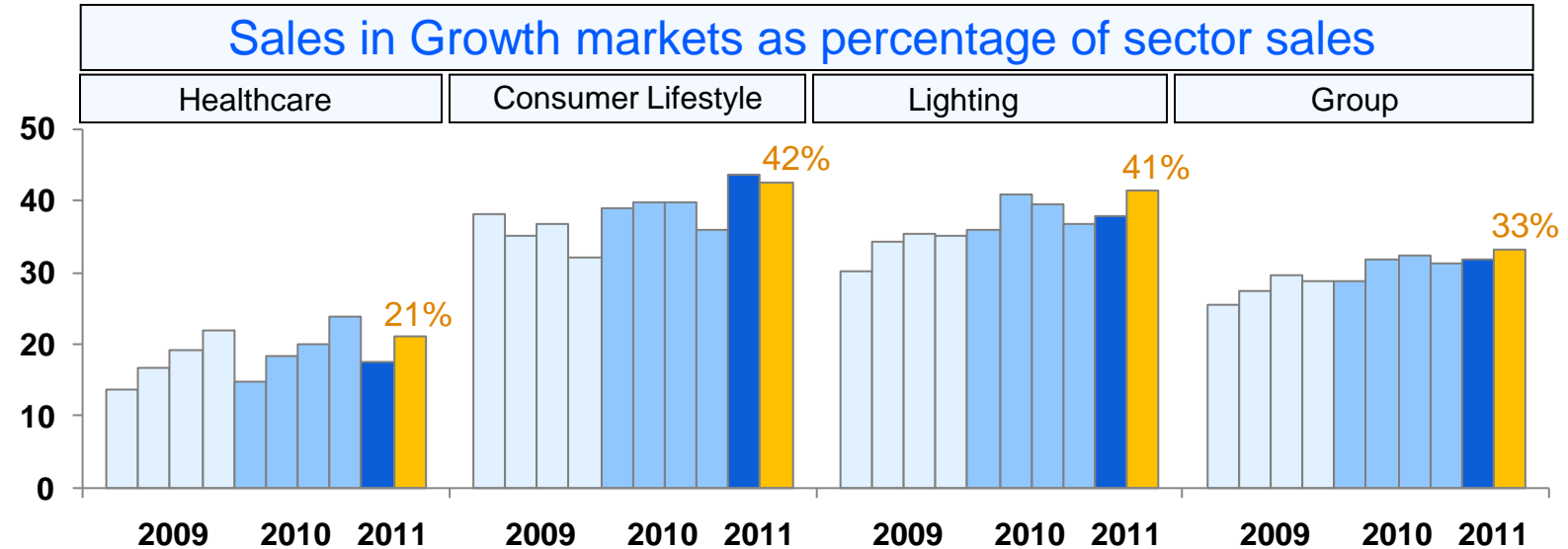
EUR million

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

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

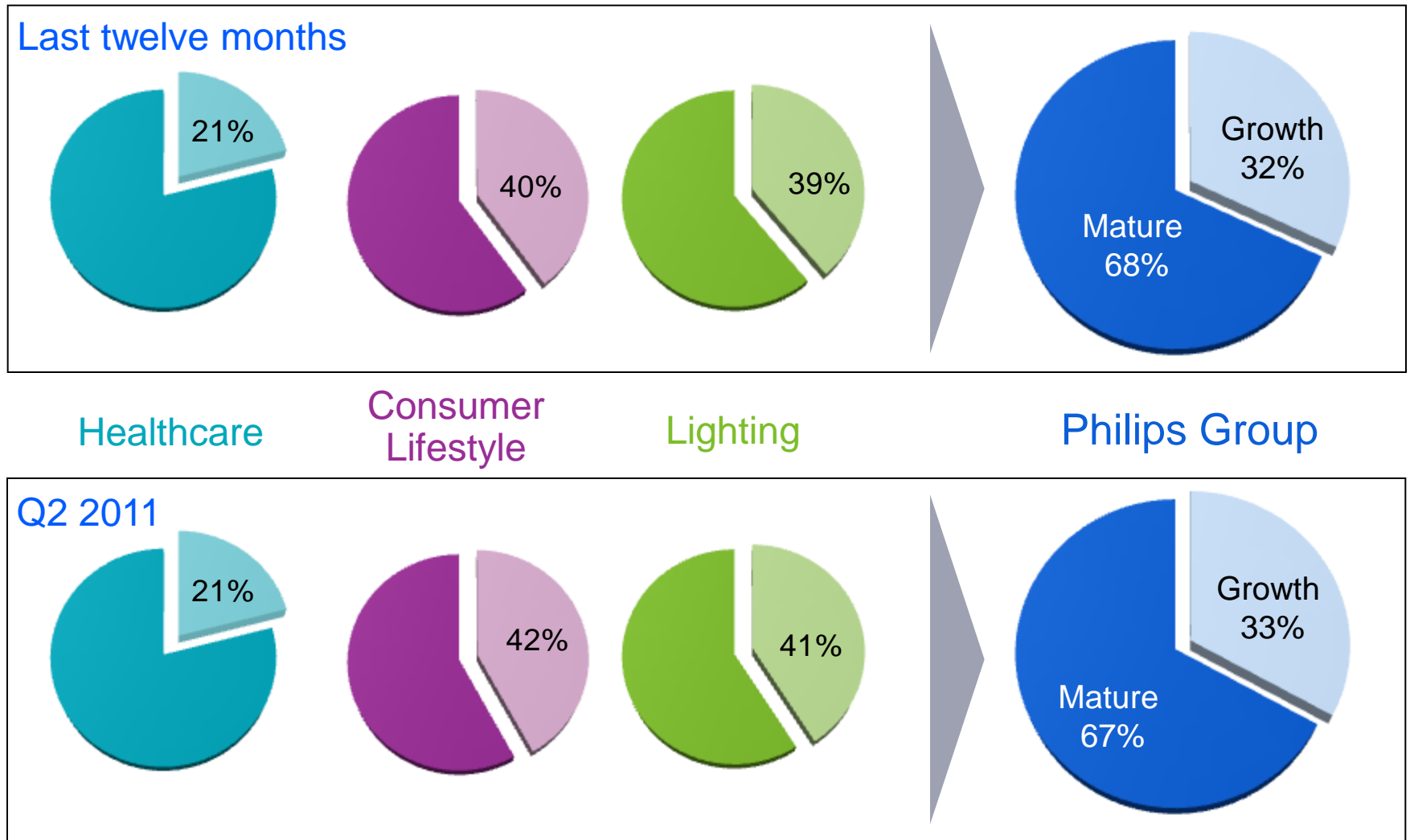
Growth Markets: trend through Q2 2011

Sales development in growth markets



Growth Markets – Q2 2011 and last twelve months

Sales in growth markets



EBITA by sector – Q2 2011

EUR million

	Q2 2010	Q2 2011
Healthcare ¹	216	276
Consumer Lifestyle ²	168	60
Lighting ³	210	101
GM&S ⁴	(88)	(67)
Philips Group	506	370
as % of sales	9.5%	7.1%

¹ 2Q11 includes EUR 1M of restructuring and acquisition-related gains; 2Q10 includes EUR (46)M of charges

² 2Q11 includes EUR (13)M of restructuring and acquisition-related charges; 2Q10 includes EUR (7)M of charges

³ 2Q11 includes EUR (14)M of restructuring and acquisition-related charges; 3Q10 includes EUR (37)M of charges

⁴ 2Q11 includes EUR 2M of gains

Note - All figures from the year 2010 onwards exclude Television as it is treated as discontinued operation

Adjusted EBITA by sector – Q2 2011

EUR million

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

¹ 2Q11 excludes EUR 1M of restructuring and acquisition-related gains; 2Q10 excludes EUR (46)M of charges

² 2Q11 excludes EUR (13)M of restructuring and acquisition-related charges; 2Q10 excludes EUR (7)M of charges

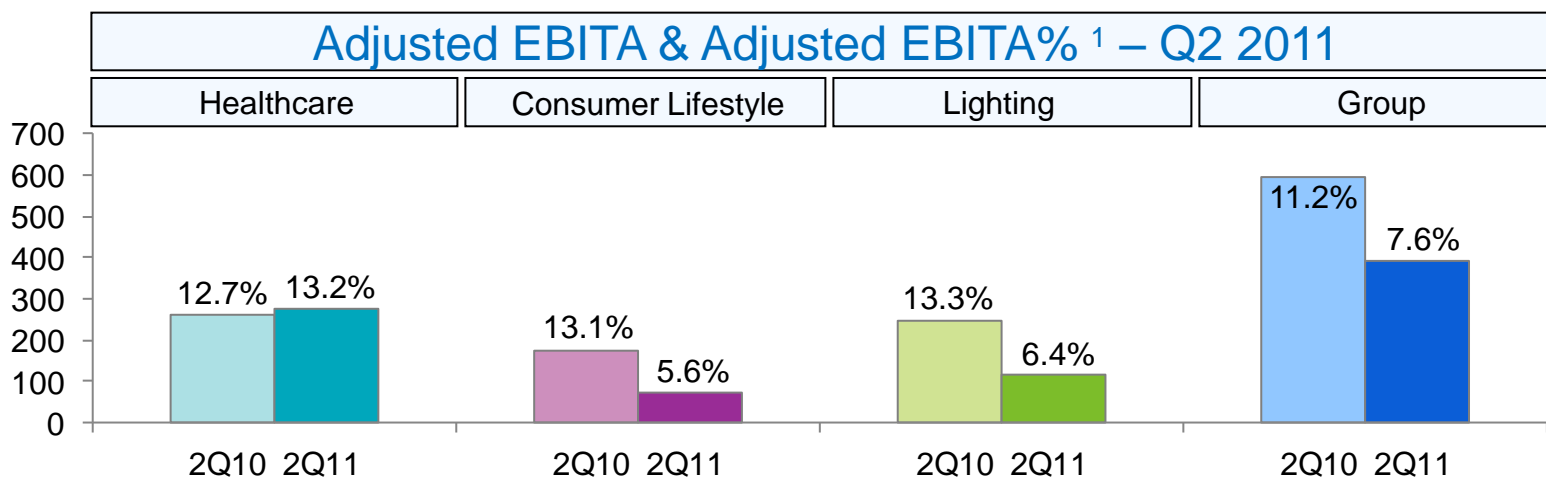
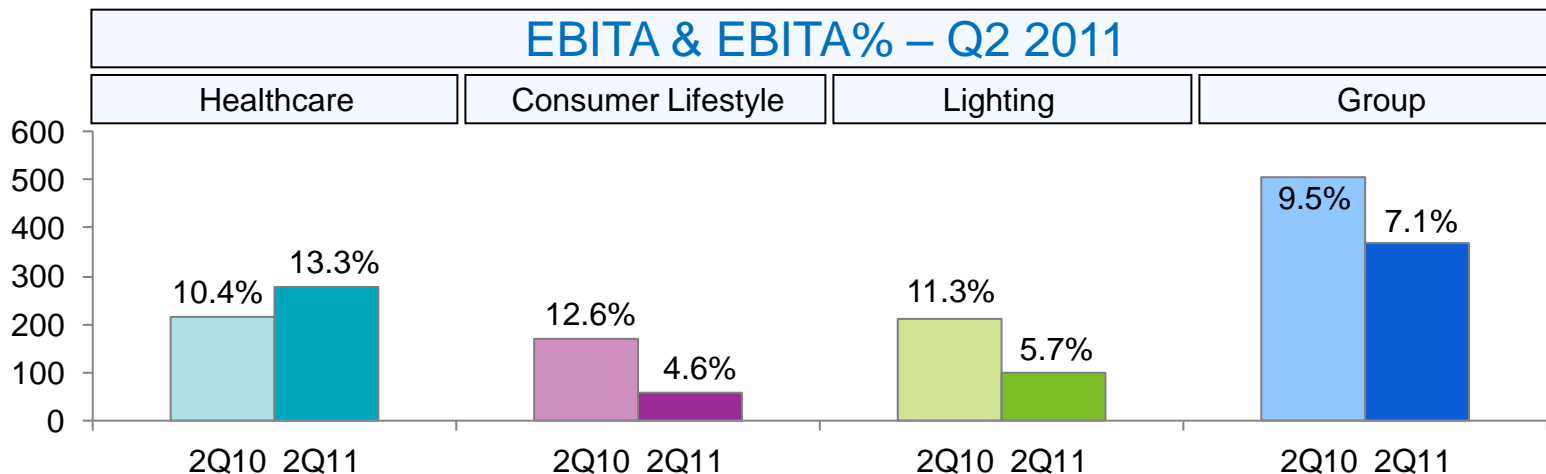
³ 2Q11 excludes EUR (14)M of restructuring and acquisition-related charges; 3Q10 excludes EUR (37)M of charges

⁴ 2Q11 excludes EUR 2M of gains

Note - All figures exclude discontinued operations

EBITA: Q2 2011

EUR million

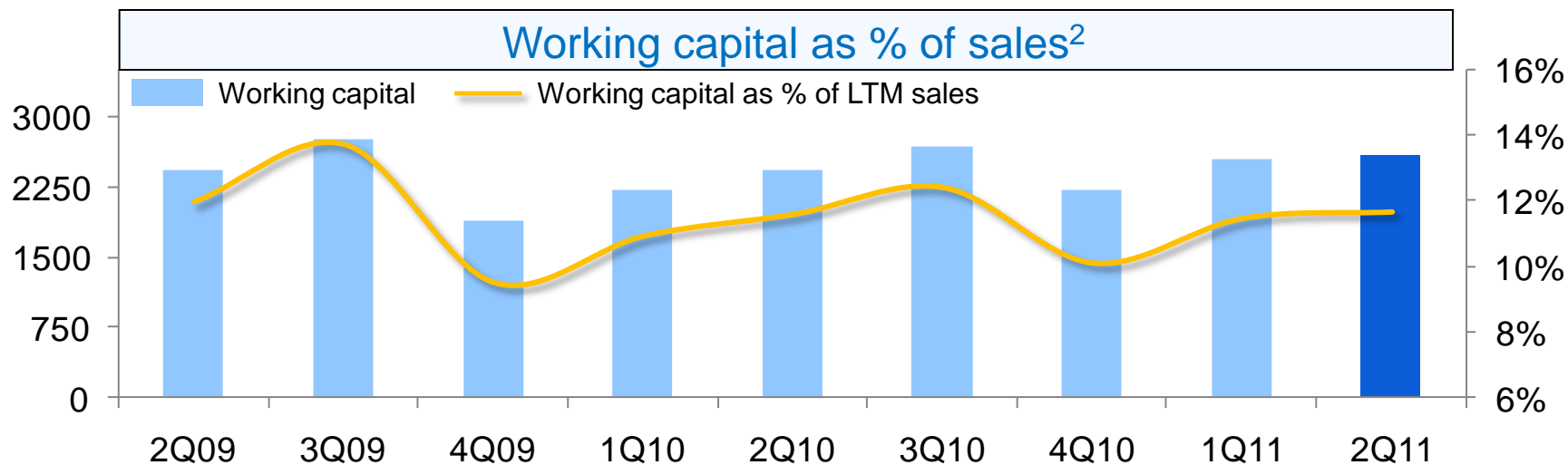
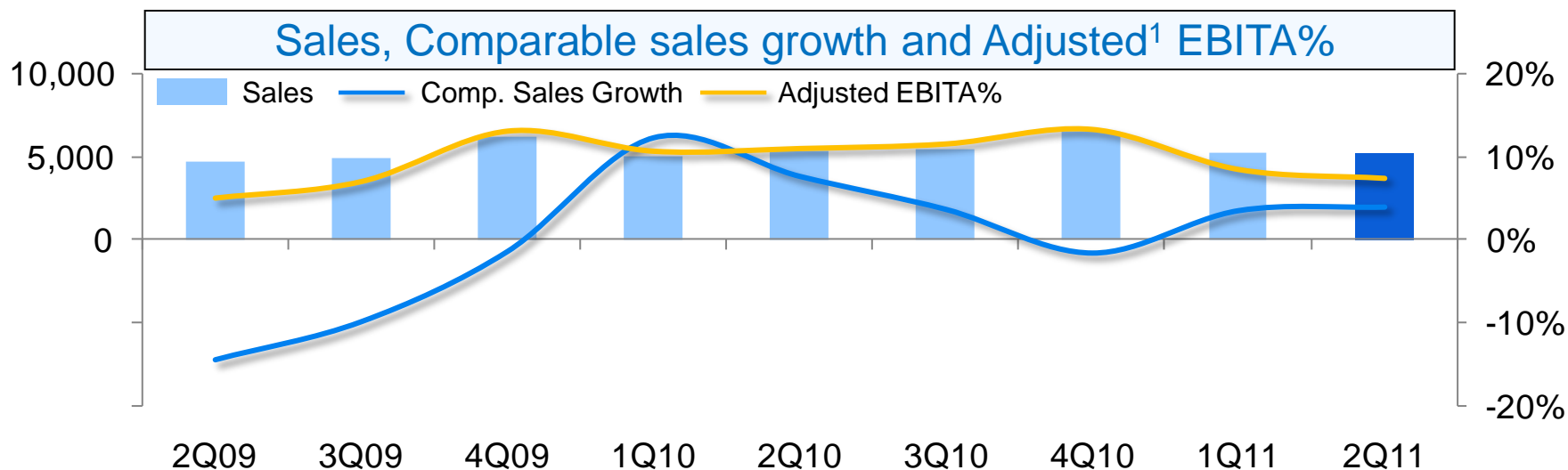


¹ Adjusted EBITA is EBITA corrected for incidental charges (details in quarterly information booklet slide 71)

Note - All figures exclude discontinued operations

Philips: key financials over the last two years

EUR million



¹ Adjusted EBITA is EBITA corrected for incidental charges (details in quarterly information booklet slide 71)

² Working Capital as % of sales of Healthcare, Consumer Lifestyle and Lighting; excluding central sector GM&S

Note - All figures exclude discontinued operations

Free Cash Flow – Q2 2011

EUR million

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

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

Goodwill impairment EUR 1.4 billion

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

Healthcare: Home Healthcare Solutions - EUR 824 million

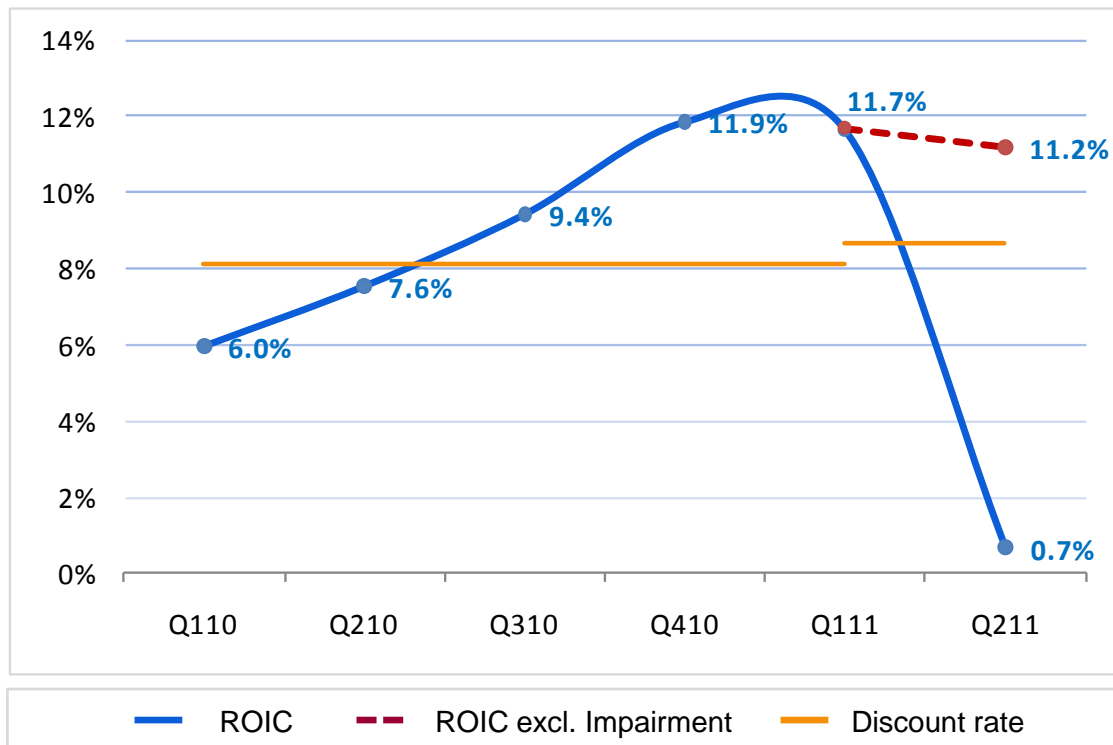
- Slower growth of US sleep market, lower reimbursement rates for remote cardiac monitoring
- Recovery from recession set-back, in particular in the US
- Impact of adjustments of discount rates

Lighting: Professional and Consumer Luminaires - EUR 531 million

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

ROIC impacted by impairment charge

Development of Return on Invested Capital (ROIC)



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

Notes:

EBIAT are earnings before interest after tax

Philips calculates ROIC % as: $EBIAT / NOC$

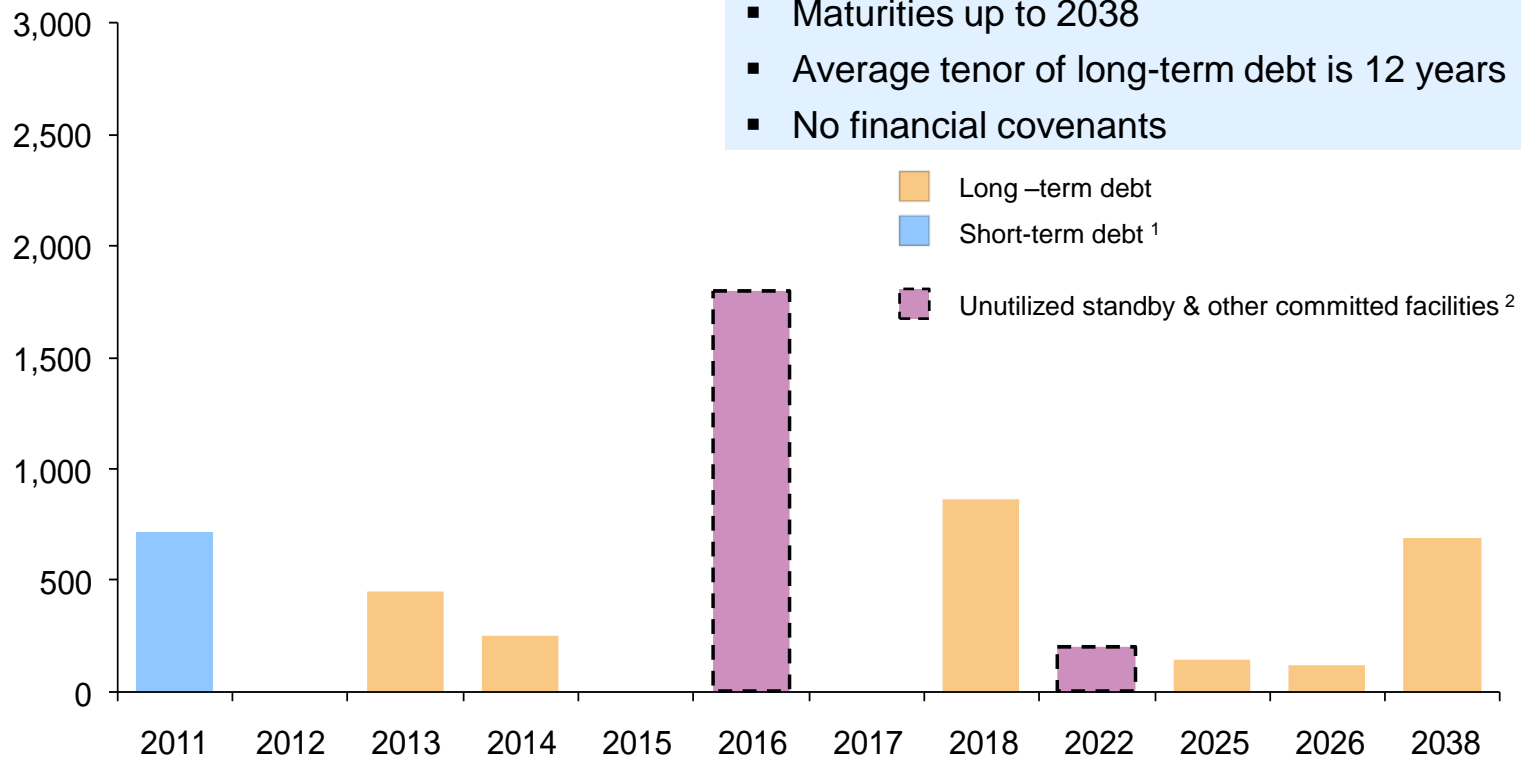
Quarterly ROIC % is based on LTM EBIAT and average NOC over the last 5 quarters

Reported tax used to calculate EBIAT

Philips' debt has a long maturity profile

Debt maturity profile as of June 2011

Amounts in EUR millions

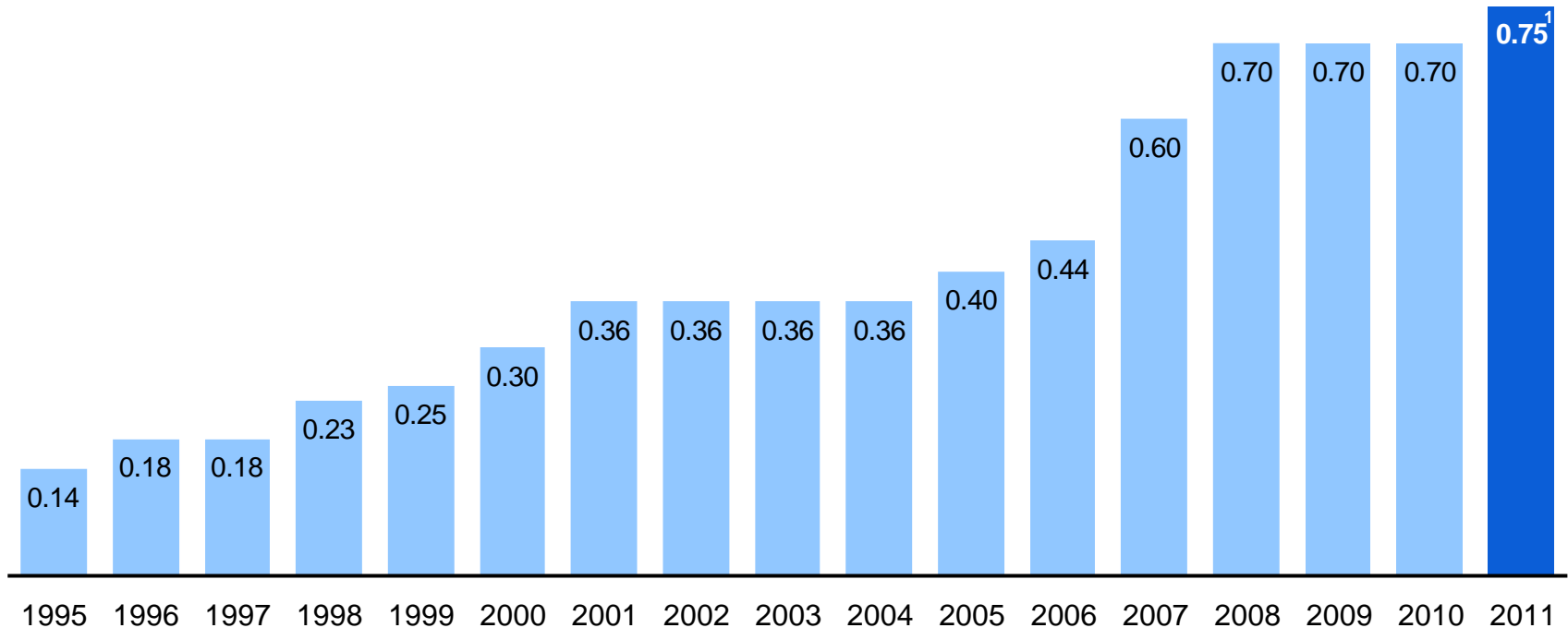


¹ Short term debt consists mainly of local credit facilities that are being rolled forward on a continuous basis.

² On April 13th, Philips extended the maturity of EUR1.8bn standby to 2016. Additional information is available in Press release of April 14th.

A history of sustainable dividend growth

EUR cents per share



“Our aim is to sustainably grow our dividend over time. Philips’ present dividend policy is based on an annual pay-out ratio of 40 to 50% of continuing net income.”

¹ Elective dividend, proposal approved during the General Shareholders Meeting on March 31st, 2011

2011 acquisitions at a glance

Healthcare

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

Consumer Lifestyle

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

Lighting

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

1. Management update
2. Portfolio strength
3. Accelerate! Change and performance
4. Path to value
5. Group results Q2 2011
6. Group and sector overview

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

Founded in 1891

Headquartered in Amsterdam, the Netherlands

Sales over EUR 22.3 billion in 2010

Portfolio now 65% business-to-business

Growth Markets

32% of sales generated in Growth Geographies

Globally recognized brand (world top 50)

Our brand value doubled to \$8.7bn since 2004

120,000 employees

Sales and service outlets in over 100 countries

€1.5 billion investment in R&D, 7% of sales

54,000 patent rights – 39,000 trademark rights –
70,000 design rights



Our market opportunity

Global trends and challenges

Examples market positions

Healthcare

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

- #1 cardiovascular X-ray
- #1 home healthcare
- #1 patient monitoring
- Close #3 imaging



Consumer Lifestyle

- Consumers focus on the health and well-being
- Rising middle class in growth markets
- Back to basics: simple propositions, trusted brands

- #1 male electric shaving & grooming
- #1 garment care
- #1 food preparation
- #2 oral healthcare



Lighting

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

- #1 lamps
- #1 luminaires
- #1 automotive
- #2 high power LEDs
- #1 in overall LED illumination



A strong position in growth markets

Represents a significant and growing part of our global footprint

Growth markets represent 32% of sales

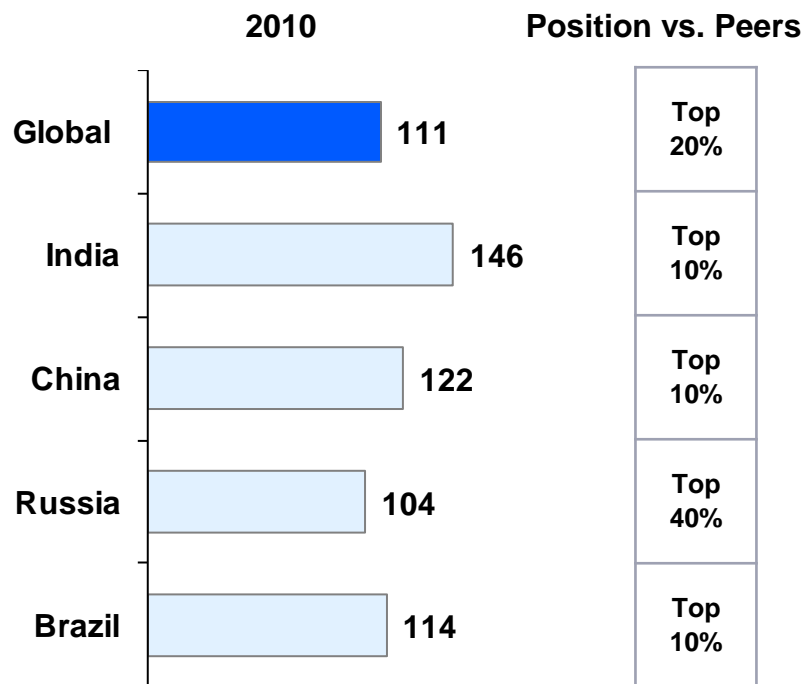
Championing growth with dedicated strategies

Based on local market insights, supported by increased marketing investments.

Increasing our footprint

- Domestic Appliances management is located in Shanghai
- Imaging value segment management located in Suzhou
- Patient Care and Clinical Informatics value segment management located in Shenzhen
- LED Lighting competence centre located in Shanghai
- Manufacturing for value segment products located in India
- Four healthcare companies acquired in Brazil

Corporate brand equity index,¹ 2010
BRIC Markets



¹ Source: Consumer Heart BEAT brand equity study 2010

Sustainability as a driver for growth



Success of EcoVision4

Our Green Product sales represented around 30% of sales in 2009, 3 years ahead of our 2012 target. And we have completed our 2012 goal of cumulative EUR 1 billion of Green Investment in 2010.

Launch of our EcoVision5 program

A clear example of how we continue to drive business growth through Sustainability is the launch of our EcoVision5 program in 2010.

Targets for the period 2010 – 2015

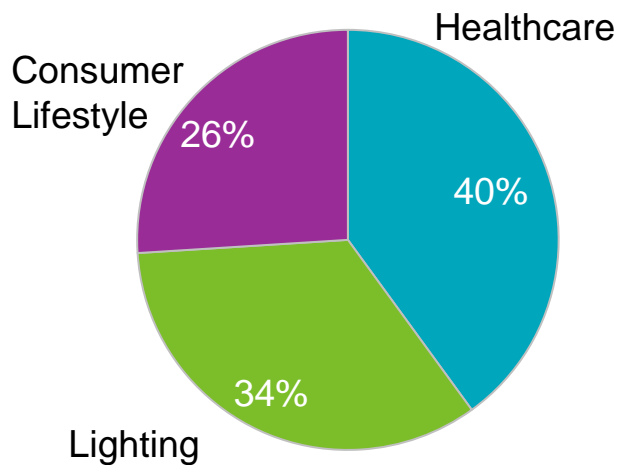
- To bring care to 500 million people
- To improve the energy efficiency of our overall portfolio by 50%
- To double the amount of recycled materials in our products as well as to double the collection and recycling of Philips products

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

Last twelve months

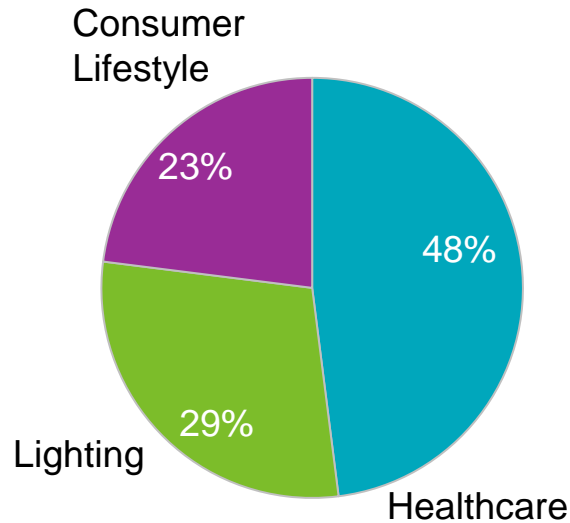
Sales

100% = EUR 22.1B ¹



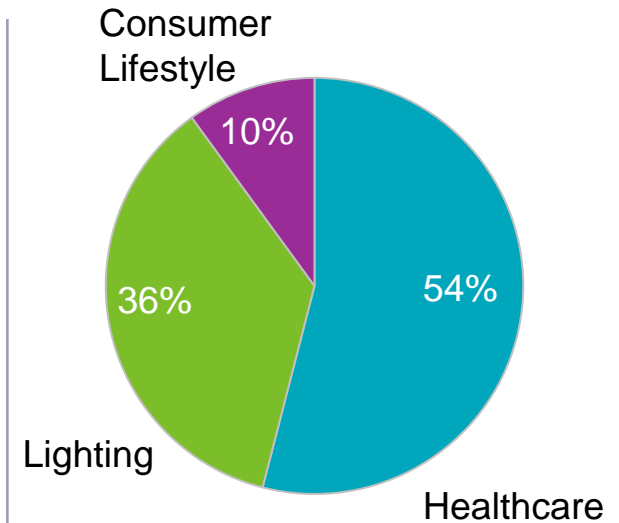
Adjusted EBITA

100% = EUR 2.7B ^{1, 2}



Net Operating Capital

100% = EUR 14.0B ¹



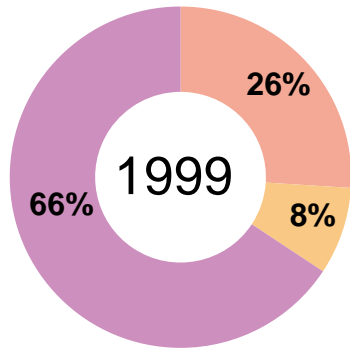
¹ Excluding Central sector (GM&S)

² EBITA adjustments based on the following gains/ charges; for Healthcare EUR 1M, Consumer Lifestyle EUR (41)M and Lighting EUR (70)M

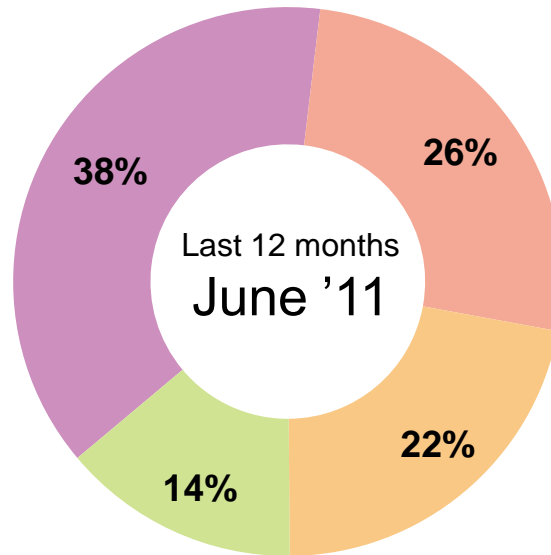
Note - All figures exclude discontinued operations

Strong development of the Healthcare portfolio

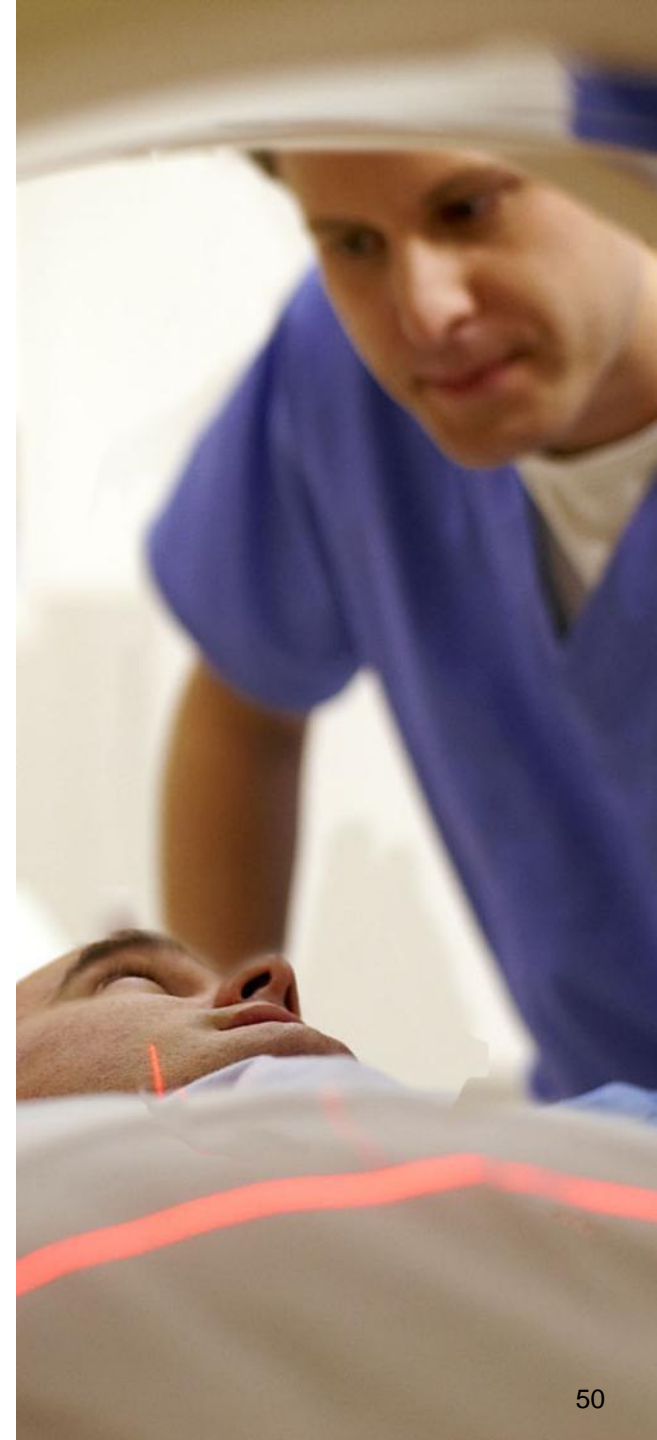
Total sales EUR 2.5 billion



Total sales EUR 8.8 billion

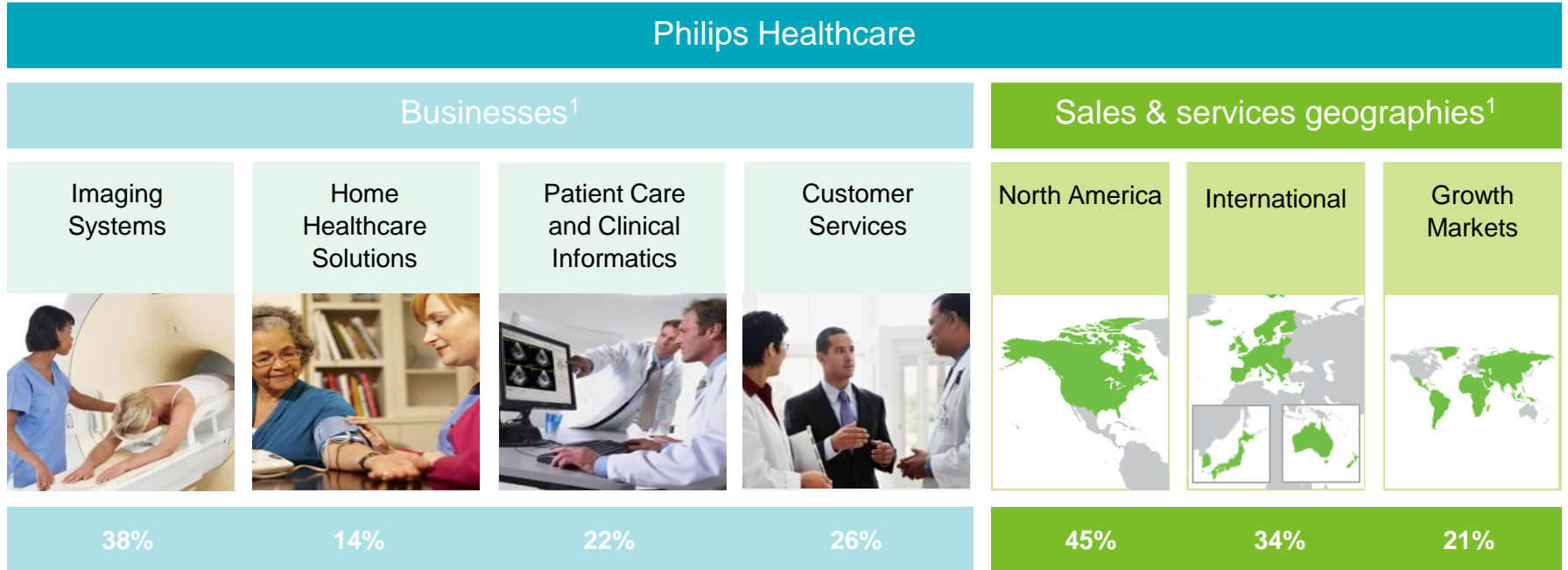


- Imaging
- Customer Service
- Patient Care and Clinical Informatics
- Home Healthcare Solutions



Depth and reach of Philips Healthcare

What we do. Where we are.



€8.6
Billion sales
in 2010

36,000+
People employed
worldwide in 100 countries

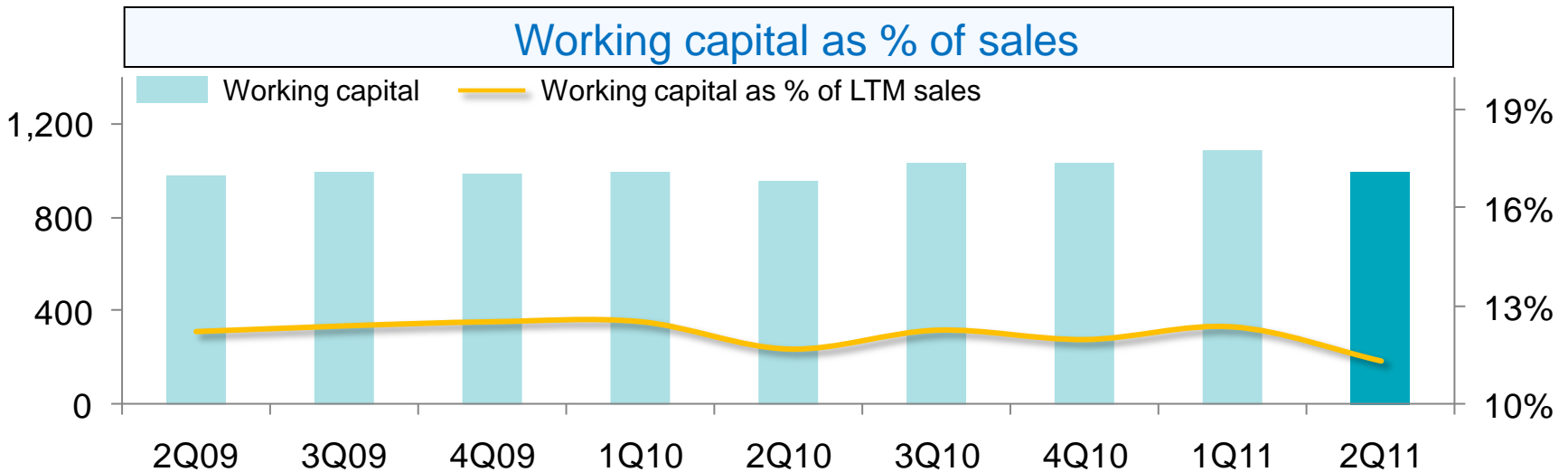
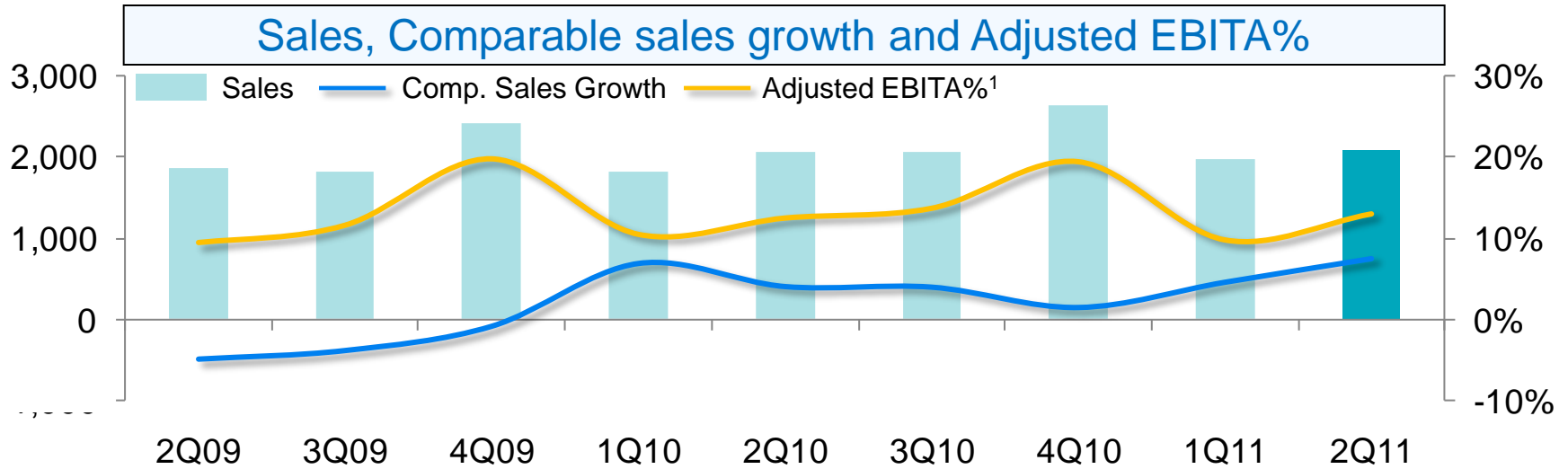
8%
of sales invested in R&D
in 2010

450+
Products & services
offered in over 100 countries

¹ Last twelve months June 2011

Healthcare: key financials over the last two years

EUR million



¹ Adjusted EBITA is EBITA corrected for incidental charges (details on slide 71)

Healthcare: Q2 2011 Sector analysis

EUR million

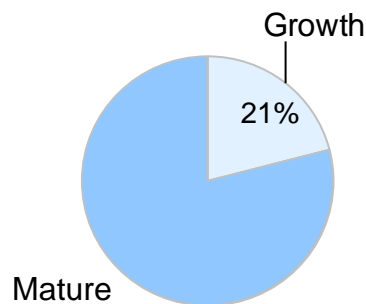
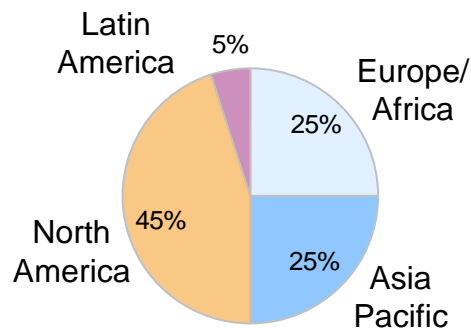
Key figures

	2Q10	1Q11	2Q11
Sales	2,068	1,971	2,080
<i>% sales growth comp.</i>	4	5	8
EBITA	216	199	276
<i>EBITA as % of sales</i>	10.4	10.1	13.3
EBIT	148	138	(611)
<i>EBIT as % of sales</i>	7.2	7.0	(29.4)
NOC	9,545	8,534	7,534
Employees (FTEs)	34,344	35,756	36,469

Sales per region

2Q11

Growth markets

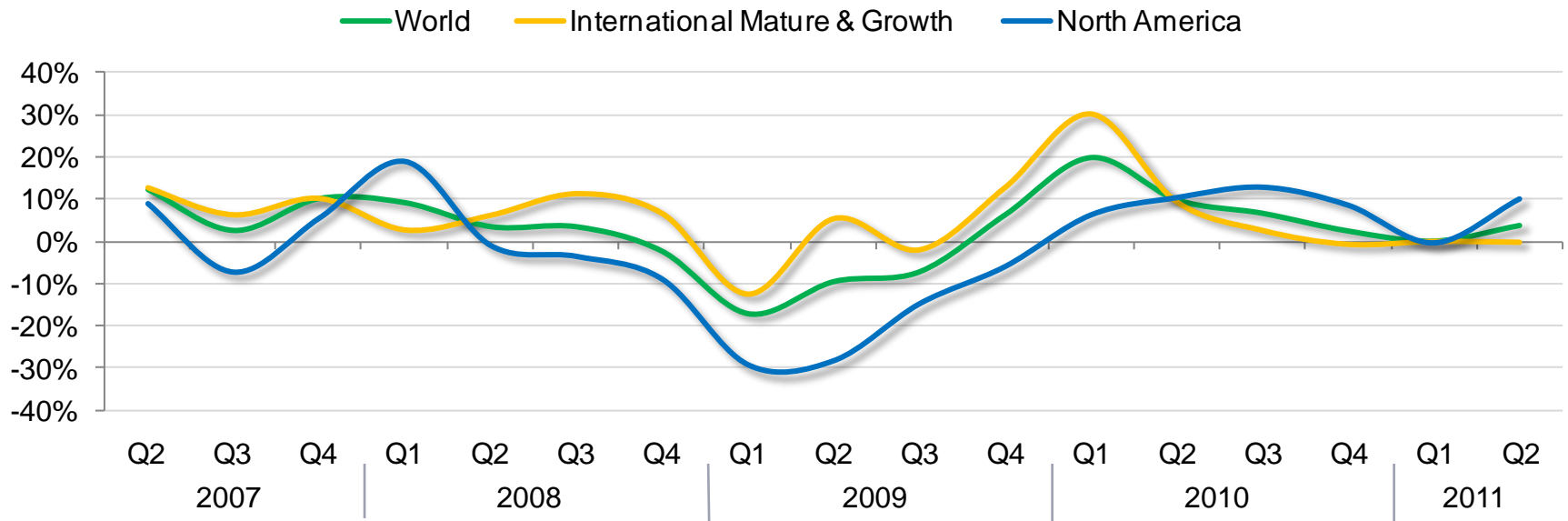


Financial performance

- Comparable sales were 8% higher year-on-year, with solid sales increases in all businesses, notably high single-digit growth at Home Healthcare and Imaging Systems. From a regional perspective, comparable sales in mature markets grew 4% year-on-year, with sales in North America 8% higher than in Q2 2010. Growth market sales grew 22%, with notably better sales at Imaging Systems.
- EBITA increased by EUR 60 million year-on-year to EUR 276 million, or 13.3% of sales. EBITA improvement was driven by gross margin improvements in most businesses. Excluding restructuring and acquisition related charges, EBITA amounted to EUR 275 million, or 13.2% of sales, compared to EUR 262 million, or 12.7% of sales, in Q2 2010.
- EBIT decreased by EUR 759 million year-on-year. EBIT was impacted by a EUR 824 million goodwill impairment charge at Home Healthcare Solutions following a slower-than-planned post-recession recovery and revised growth projections for the US sleep market. It includes a value adjustment from a discount rate increase, reflecting growing economic uncertainties.
- Net operating capital decreased by EUR 2.0 billion to EUR 7.5 billion, mainly due to currency effects and goodwill impairment.

Healthcare: Equipment order intake

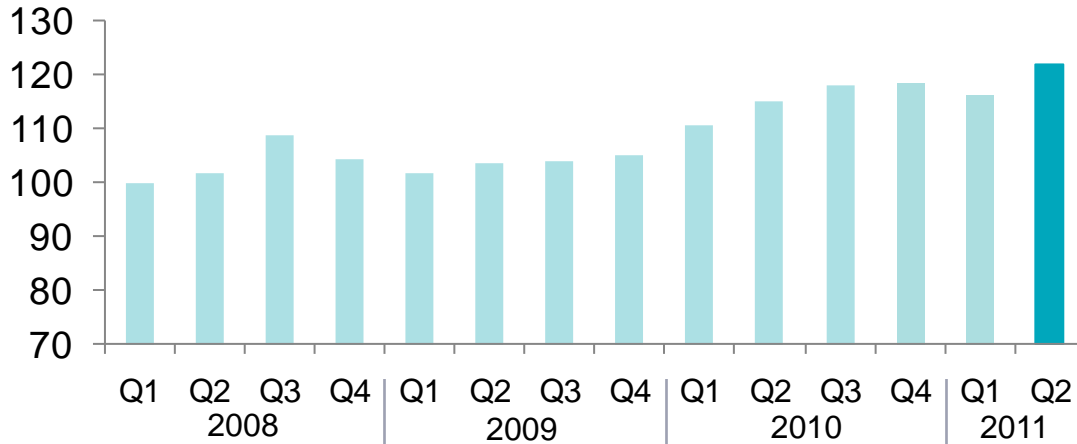
Quarterly currency adjusted equipment order intake



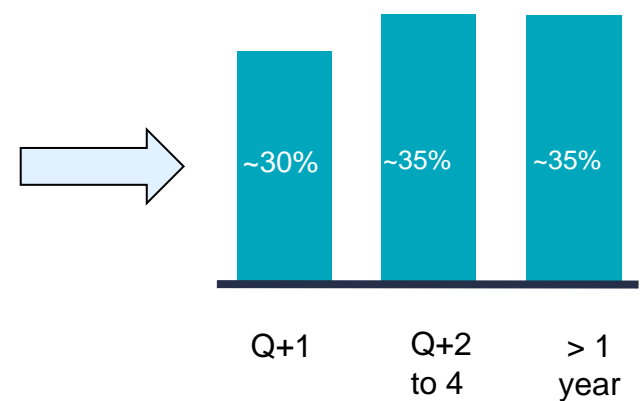
Currency adjusted order intake only relates to the Imaging Systems and Patient Care & Clinical Informatics businesses

Healthcare: Equipment order intake impact

Indexed Equipment Order Book Development

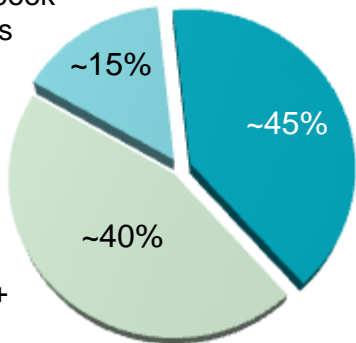


Typical profile of equipment order book conversion to sales



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

Equipment book and bill sales



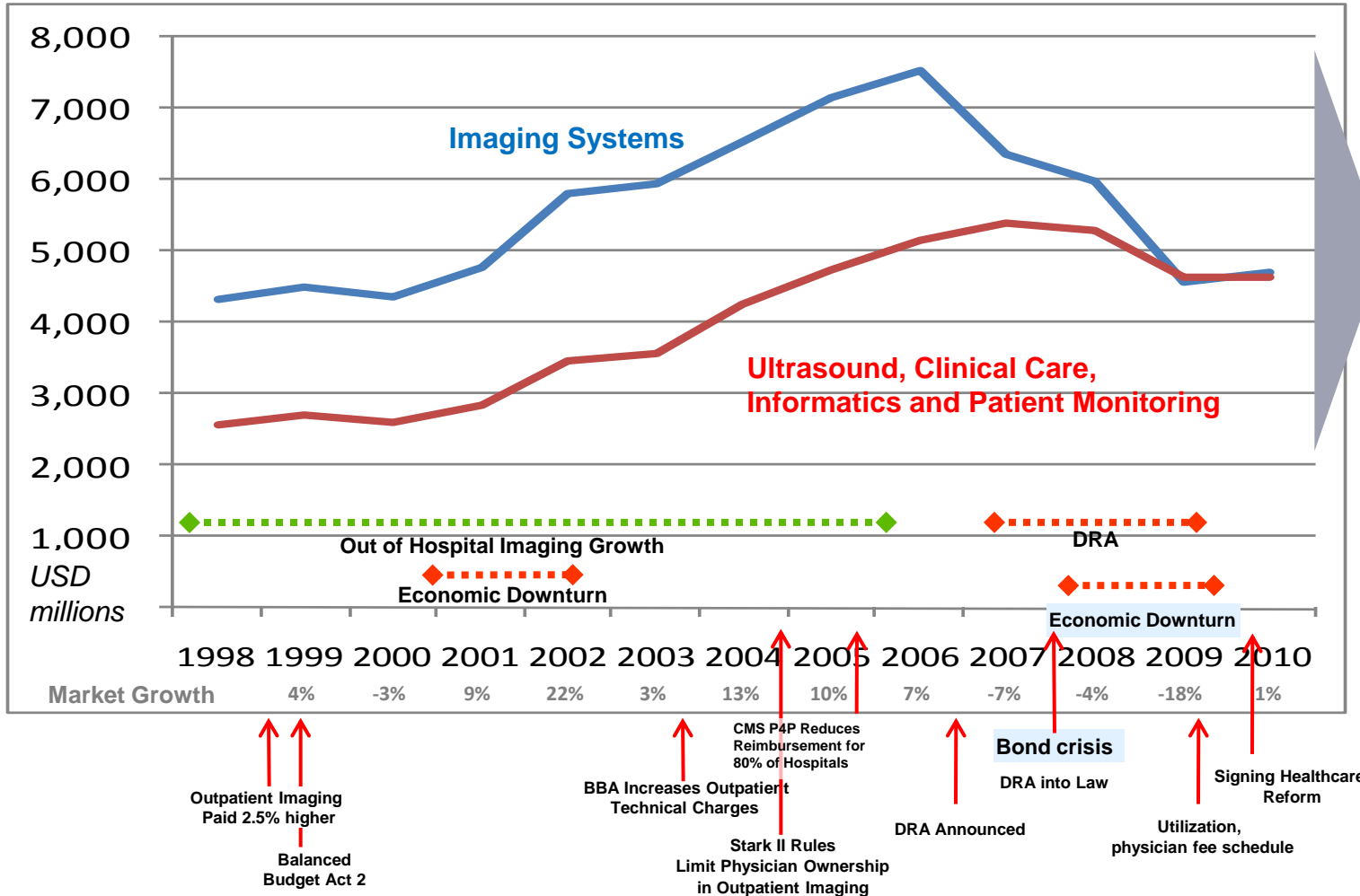
Equipment sales from order book - Leading indicator of future sales

Home Healthcare + Customer Services sales

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

Healthcare historical market development

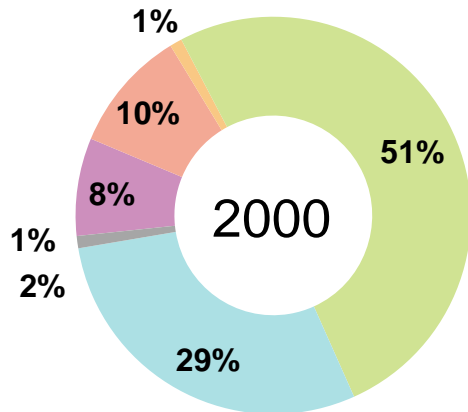
North America Market Size/ Growth and Impacts



Philips current expectation for the US Imaging Systems market for 2011 is low single-digit growth

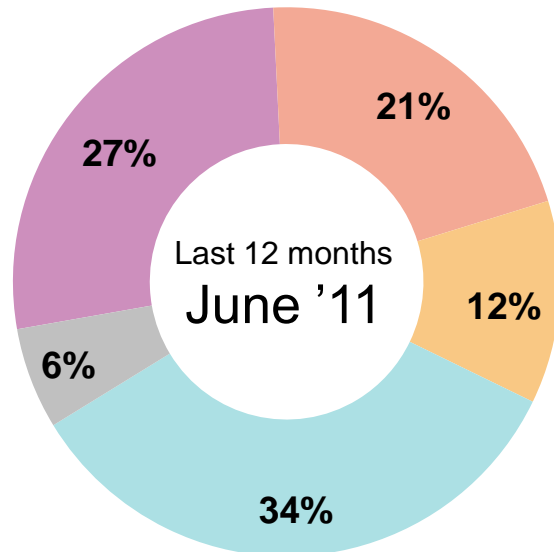
Transforming Lifestyle beyond the Consumer Electronics legacy

Total sales EUR 11.3 billion¹



- Domestic appliances
- Personal Care
- Health & wellness
- Lifestyle Entertainment
- Other incl. Licenses
- Television

Total sales EUR 5.8 billion



¹ DAP and Mainstream part of Consumer Electronics only

Consumer Lifestyle

What we do. Where we are.

Philips Consumer Lifestyle

Businesses^{1 2}

Geographies¹

Personal Care

Health & Wellness

Domestic Appliances

Lifestyle Entertainment

Mature Markets

Growth Markets



21%

12%

27%

34%

60%

40%

€5.8

Billion sales
in 2010

17,000+

People employed
worldwide

5%

of sales invested
in R&D in 2010

34%

of green product
sales in 2010

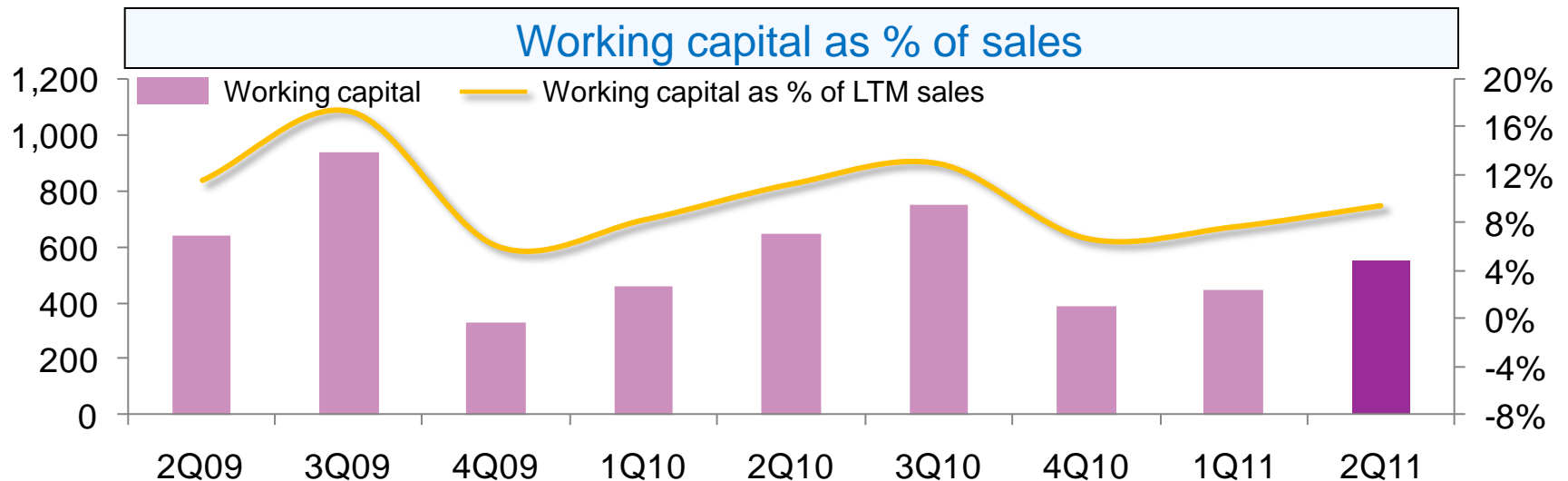
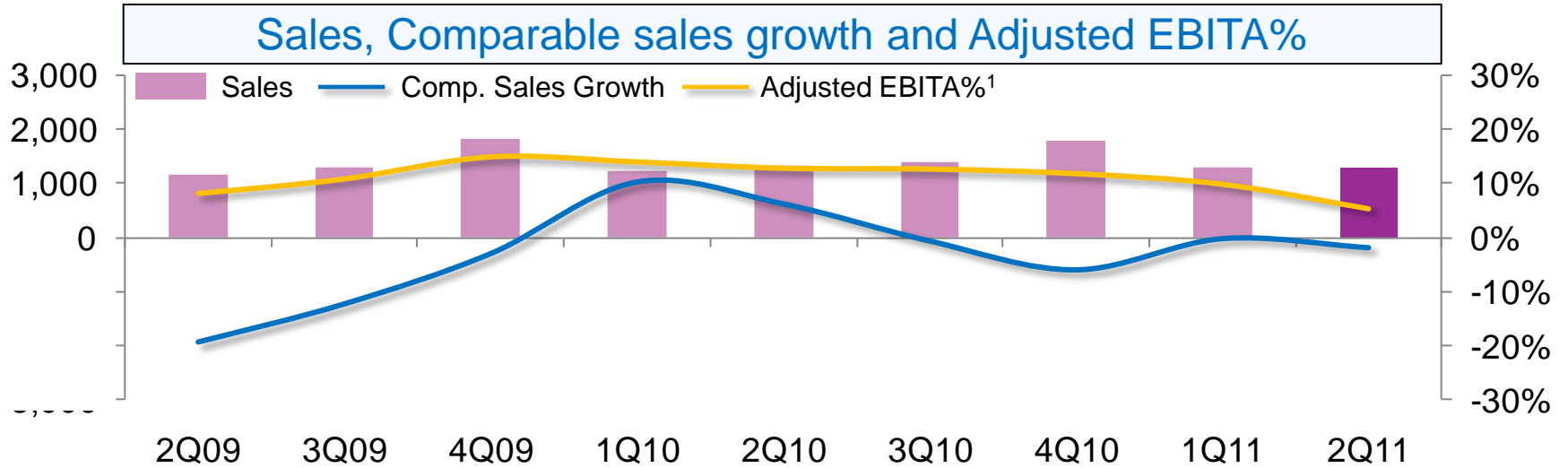
¹ Last twelve months June 2011

² Other category (6%) is mainly license income and is omitted from this overview

Note - All figures exclude discontinued operations

Consumer Lifestyle: financials over the last two years

EUR million



¹ Adjusted EBITA is EBITA corrected for incidental charges (details on slide 71)

Note - All figures exclude discontinued operations

Consumer Lifestyle: Q2 2011 Sector analysis

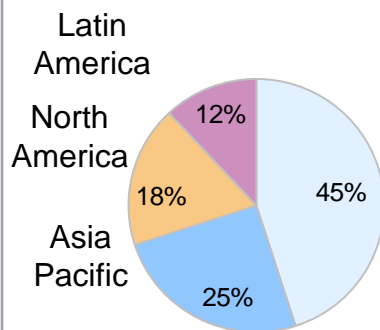
EUR million

Key figures

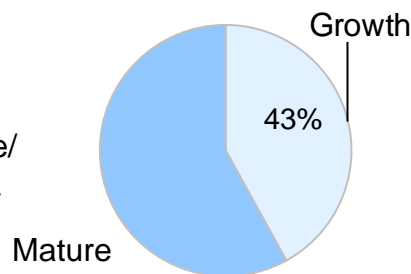
	2Q10	1Q11	2Q11
Sales	1,338	1,300	1,293
<i>% sales growth comp.</i>	6	-	(2)
EBITA	168	119	60
<i>EBITA as % of sales</i>	12.6	9.1	4.6
EBIT	160	104	24
<i>EBIT as % of sales</i>	12.0	8.0	1.9
NOC	1,055	1,518	1,463
Employees (FTEs)	13,892	14,423	17,026

Sales per region

2Q11



Growth markets

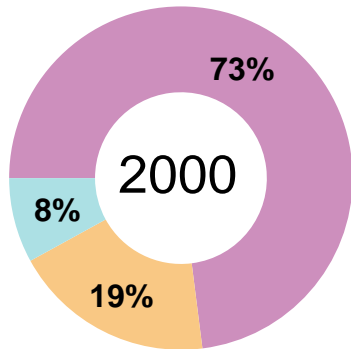


Financial performance

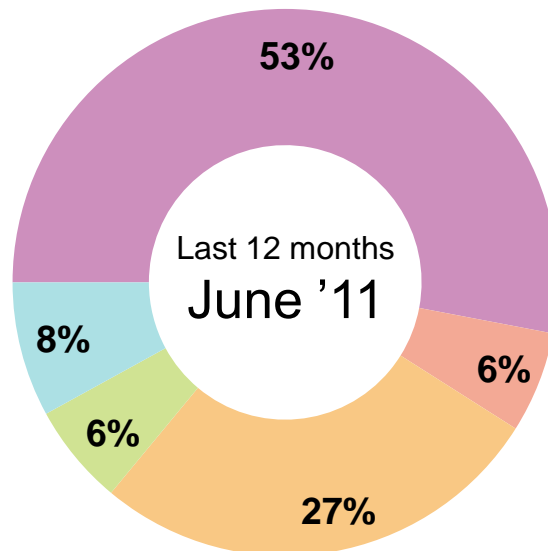
- Sales declined 3% nominally year-on-year. On a comparable basis, sales were 2% below Q2 2010. Double-digit comparable growth at Health & Wellness and Personal Care, and high single-digit growth at Domestic Appliances were offset by significantly lower license revenue and declines at Lifestyle Entertainment. Comparable sales growth excluding licenses was 1%.
- EBITA includes an amount of EUR 17 million (EUR 13 million in Q2 2010) of costs formerly reported as part of the Television business in Consumer Lifestyle.
- EBITA was EUR 108 million lower year-on-year, which was attributable to lower license income, a sales decline at Lifestyle Entertainment and higher investments in Advertising & Promotion across all businesses. Excluding restructuring and acquisition-related charges of EUR 7 million in Q2 2010 and EUR 13 million in Q2 2011, EBITA declined from 13.1% to 5.6%.
- Net operating capital increased by EUR 408 million, largely due to the discontinued operations of Television and the acquisitions of Discus and Preethi.






Transitioning Lighting from light source to solutions

Total sales EUR 4.9 billion¹



Total sales EUR 7.6 billion



-  Lamps/ lighting systems & controls
-  Professional luminaires
-  Consumer luminaires
-  Automotive
-  Packaged LEDs

¹ Excluding batteries EUR 0.2 billion



We increase our focus towards the people we serve

Further strengthening our global leadership in Lighting



€7.6
Billion sales
in 2010

54,000+
People employed
worldwide in 60 countries

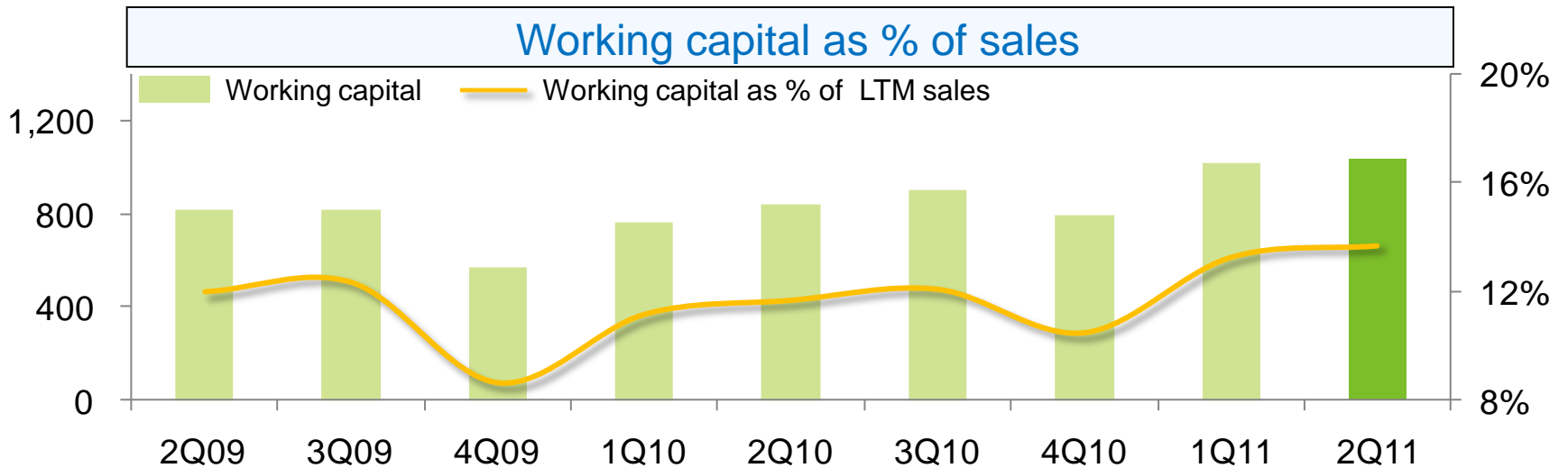
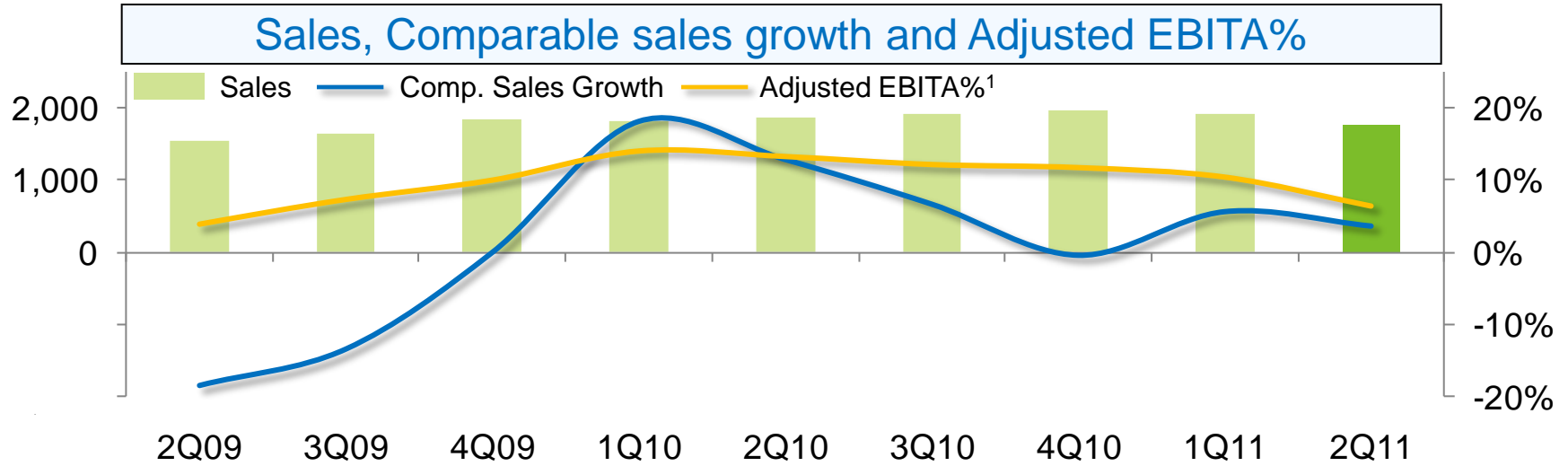
5%
of sales invested
in R&D in 2010

80,000+
Products & services
offered in 2010

¹ Indicative split

Lighting: financials over the last two years

EUR million



¹ Adjusted EBITA is EBITA corrected for incidental charges (details on slide 71)

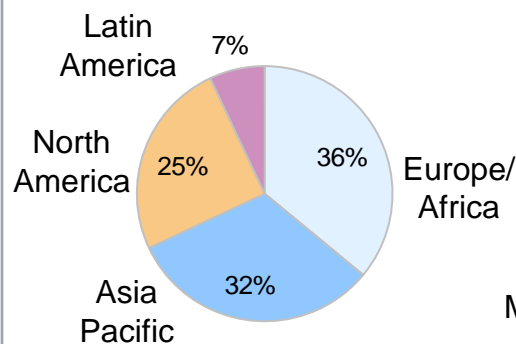
Lighting: Q2 2011 Sector analysis

EUR million

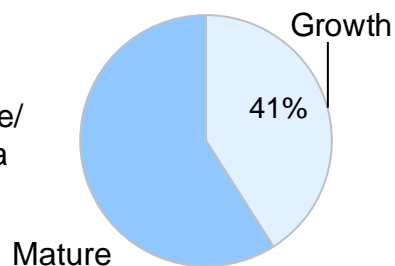
Key figures

	2Q10	1Q11	2Q11
Sales	1,859	1,903	1,777
<i>% sales growth comp.</i>	13	6	4
EBITA	210	193	101
<i>EBITA as % of sales</i>	11.3	10.1	5.7
EBIT	166	152	(470)
<i>EBIT as % of sales</i>	8.9	8.0	(26.4)
NOC	5,934	5,580	5,021
Employees (FTEs)	52,031	54,856	54,728

Sales per region



Growth markets



Financial performance

- Comparable sales increased by 4%. Lighting Systems & Controls and Professional Luminaires recorded double-digit sales growth, while the rest of Lighting remained flat. From a geographic perspective, double digit sales growth in growth markets, with strong growth in China in particular, was tempered by low single-digit growth in mature markets, reflecting weaker-than-expected market conditions in the consumer sector in Western Europe and continued weakness in construction markets.
- EBITA, excluding restructuring and acquisition-related charges of EUR 14 million (Q2 2010: EUR 37 million), amounted to EUR 115 million, or 6.5% of sales. Operational issues, including pressure on margins caused by raw material price increases amongst others, and incremental investments in innovations and marketing resulted in a year-on-year EBITA decrease.
- EBIT decreased by EUR 636 million year-on-year. EBIT was impacted by a EUR 531 million goodwill impairment charge at Professional and Consumer Luminaires, following setbacks in post-recession sales recovery and revised growth projections for construction and mature consumer markets. It includes a value adjustment from a discount rate increase, reflecting growing global economic uncertainties.

The leading global lighting company

Market leadership across most categories
 Market share per Business Group by Region,
 as at March '11

	Europe	North America	Latin America	Asia/Pacific ¹	Total
Lamps	Green	Yellow	Green	Green	Green
Consumer Luminaires	Green	Red	Red	Red	Green
Professional Luminaires	Green	Yellow	Yellow	Green	Green
Lighting Electronics	Green	Green	Green	Green	Green
Automotive	Green	Yellow	Green	Green	Green
High Power LEDs	Yellow	Yellow	Yellow	Yellow	Yellow
Overall Lighting	Green	Green	Green	Green	Green

Number 1
 Number 2 or 3
 Not in top 3



¹ Excluding Japan
 Source: Customer panels and Industry associations

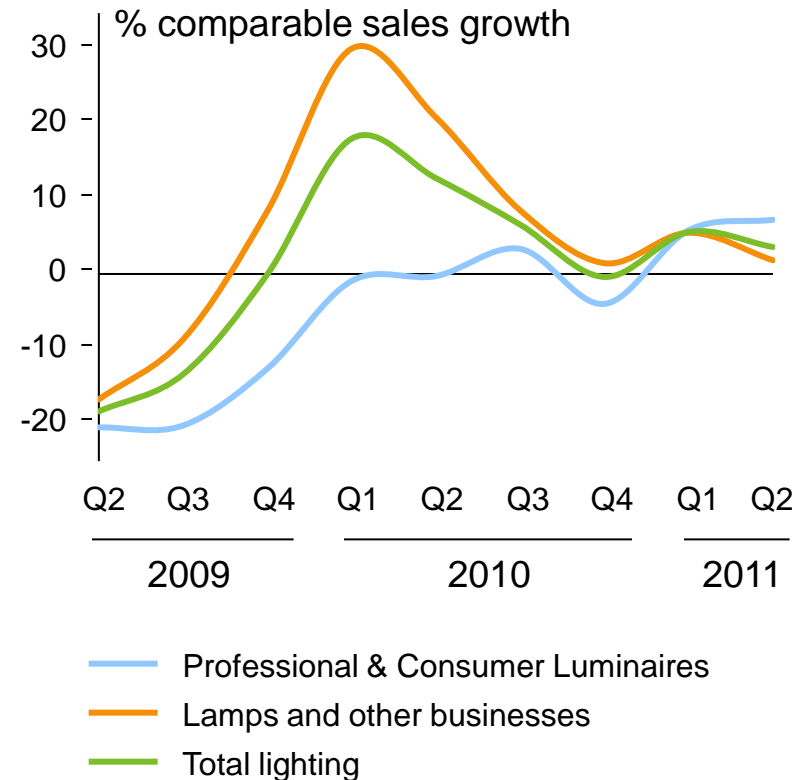
Sales recovery despite current weakness in the construction market in mature economies

Around 25% of Philips Lighting sales driven by New Build in Western Europe & North America (WE&NA)

Philips Lighting	New Build	Replacement	Total
Residential	12%	13%	25%
Commercial	30%	22%	52%
Other	17%	6%	23%
Total	59%	41%	100%

New Build	WE&NA	ROW	Total
Residential	7%	5%	12%
Commercial	18%	12%	30%
Total	25%	17%	42%

Not yet firing on all cylinders: sales recovery despite soft luminaires market in mature economies

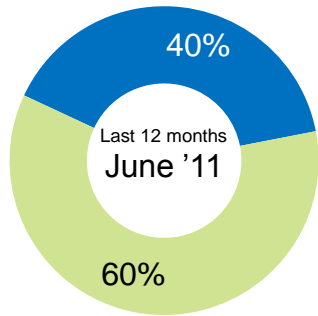


LED lighting

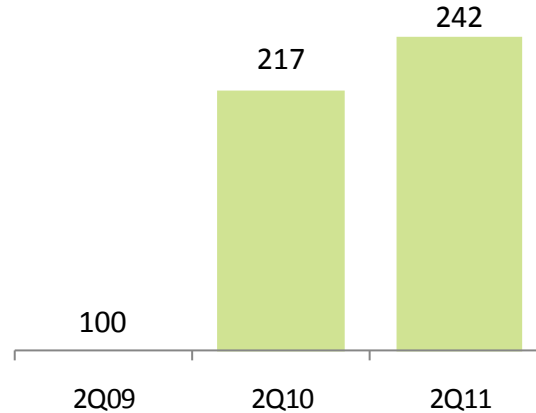
Exponential growth

Total external sales EUR 1.1 billion

Growth LED Lighting¹



- Packaged LEDs
- LED Lamps and Luminaires



The move to LED will increasingly drive growth in the general lighting market in the years ahead, notably in luminaires. LED also offers an opportunity to create additional value across the innovation chain.

Philips is the broadest player in both light sources and solutions offering LED lamps, LED luminaire solutions as well as a LED licensing program. Philips is currently the world's largest high power LED company. Leading company in illumination segments, leader in consumer mobile phone camera flash and automotive LED signaling.

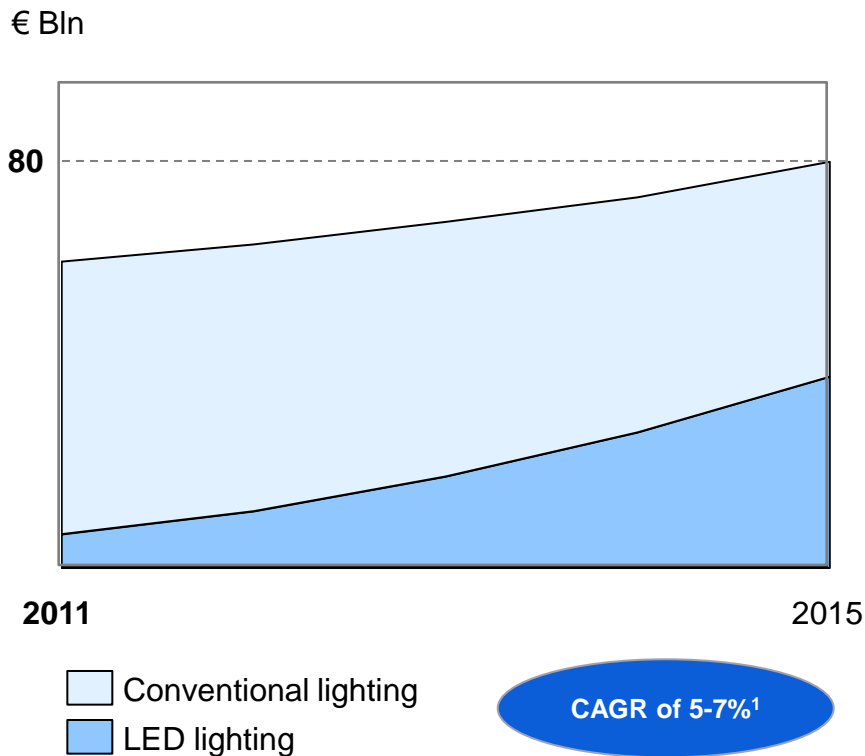
LED sales as a percentage of Lighting sales were 14% over the last twelve months.

¹ Indexed Growth, base Q2 2009 = 100



The general illumination market offers large growth opportunities

Global illumination market, 2011-2015



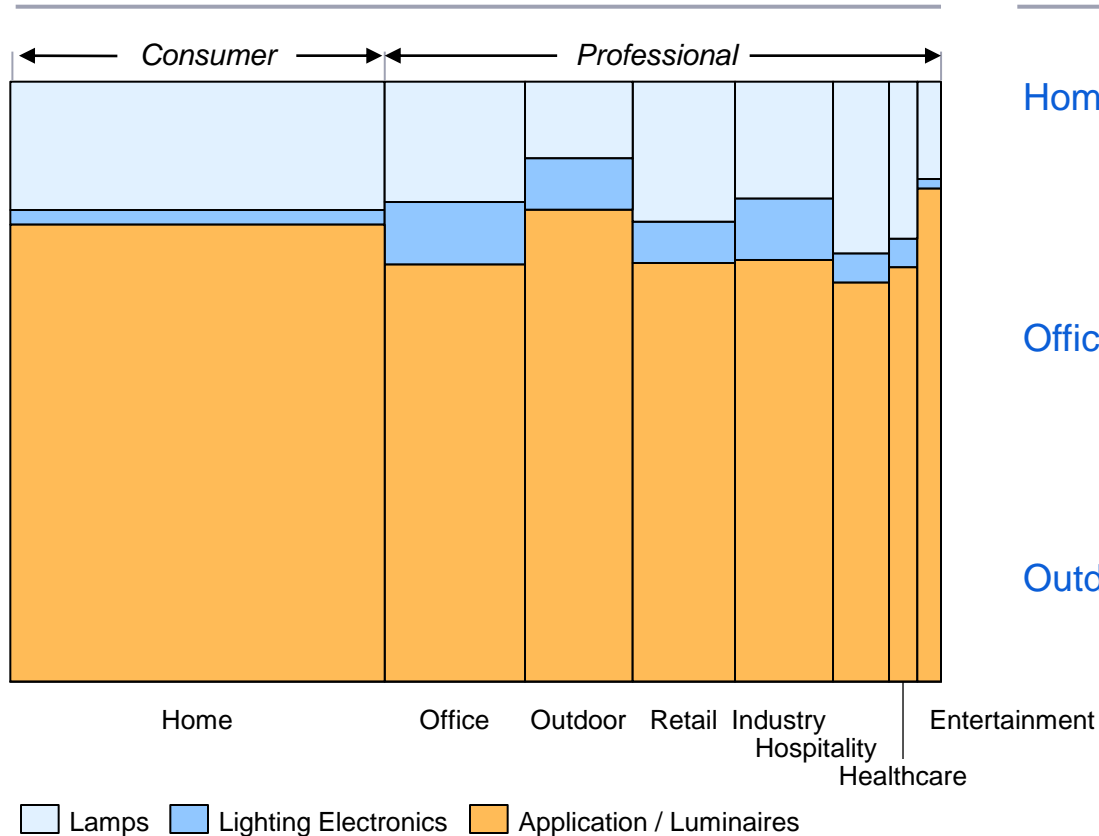
Market overview

- The global lighting market is expected to grow at a CAGR of around 5-7% during 2011-15, to around EUR 80 billion
- Growth in global illumination market is driven by the LED revolution with rapid adoption of LED-based lighting solutions
- Conventional lighting continues to be a large part of the market

¹ Earlier estimated at CAGR of 7-9%
 Source: Philips Lighting global market study 2010, updated for 2011

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

Total market size in 2011¹: EUR 55-60 billion



Biggest segments

Home



Office



Outdoor



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

Group Management & Services

Adding value to the businesses

Corporate Technologies

Philips Corporate Technologies encompasses Corporate Research and Intellectual Property & Standards (IP&S)

Corporate & Regional Costs

Corporate center and country & regional overheads

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, New venture integration and Philips Design

Sector analysis Q2 – Group Management & Services

EUR million

Key figures

	2Q10	1Q11	2Q11
Sales	81	80	63
<i>% sales growth comp.</i>	11	(8)	27
EBITA:			
Corporate Technologies	(22)	(13)	2
Corporate & Regional Costs	(35)	(32)	(28)
Pensions	(9)	(13)	(13)
Service Units and Other	(22)	(16)	(28)
<hr style="border-top: 1px dashed black;"/>			
EBITA	(88)	(74)	(67)
EBIT	(90)	(76)	(66)
NOC	(2,460)	(2,982)	(2,716)
Employees (FTEs)	11,807	12,213	12,128

Financial performance

- Sales decreased from EUR 81 million in Q2 2010 to EUR 63 million in Q2 2011, due to the divestment of Assembléon.
- EBITA amounted to a net cost of EUR 67 million, a cost decrease of EUR 21 million year-on-year, driven by higher license revenues, lower expenses at Research and a gain on the sale of assets.
- EBITA included an amount of EUR 15 million (EUR 16 million in Q2 2010) of costs formerly reported as part of the Television business in Consumer Lifestyle.
- Net operating capital decreased by EUR 256 million year-on-year, mainly due to real estate assets reclassified to assets held for sale.

PHILIPS

sense and simplicity

Appendix

Development cost capitalization & amortization by sector

EUR million

	Capitalization		Amortization	
	Q2 2010	Q2 2011	Q2 2010	Q2 2011
Healthcare	24	46	19	18
Consumer Lifestyle	9	9	10	8
Lighting	7	14	7	7
GM&S	1	-	-	-
Group	41	69	36	33

Fixed assets expenditures & Depreciation by sector¹

EUR million

	Gross CapEx		Depreciation	
	Q2 2010	Q2 2011	Q2 2010	Q2 2011
Healthcare	61	60	49	43
Consumer Lifestyle	28	34	23	25
Lighting	65	73	63	68
GM&S	4	17	20	23
Group	158	184	155	159

¹ Excluding software related capital expenditures and depreciation

Restructuring, acquisition-related and other incidentals

EUR million

	1Q10	2Q10	3Q10	4Q10	2010	1Q11	2Q11
Acq.-related charges	(9)	(8)	(9)	(3)	(29)	(2)	(3)
Restructuring	(20)	(38)	3	7	(48)	4	4
Healthcare	(29)	(46)	(6)	4	(77)	2	1
Acq.-related charges	(3)	(3)	(7)	(6)	(19)	(10)	(12)
Restructuring	(6)	(4)	(5)	3	(12)	(3)	(1)
Consumer Lifestyle	(9)	(7)	(12)	(3)	(31)	(13)	(13)
Acq.-related charges	(4)	(5)	(6)	(8)	(23)	(2)	(11)
Restructuring	(5)	(32)	(11)	(26)	(74)	(3)	(3)
Lighting	(9)	(37)	(17)	(34)	(97)	(5)	(14)
Restructuring	1		6	(5)	2	1	1
Other Incidentals			36	83	119		1
GM&S	1	-	42	78	121	1	2
Grand Total	(46)	(90)	7	45	(84)	(15)	(24)

