

PHILIPS

sense **and** simplicity

Royal Philips Electronics

A leading company in Health and Well-being

UBS – European Conference
November 16th, 2011

Ron Wirahadiraksa
CFO Royal Philips Electronics

Important information

Forward-looking statements

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

These factors include but are not limited to domestic and global economic and business conditions, the successful implementation of our strategy and our ability to realize the benefits of this strategy, our ability to develop and market new products, changes in legislation, legal claims, changes in exchange and interest rates, 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'.

1. Introduction and Portfolio Strength

2. Management Update

3. Accelerate! Change and performance

4. Path to value

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 geographies

33% 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



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



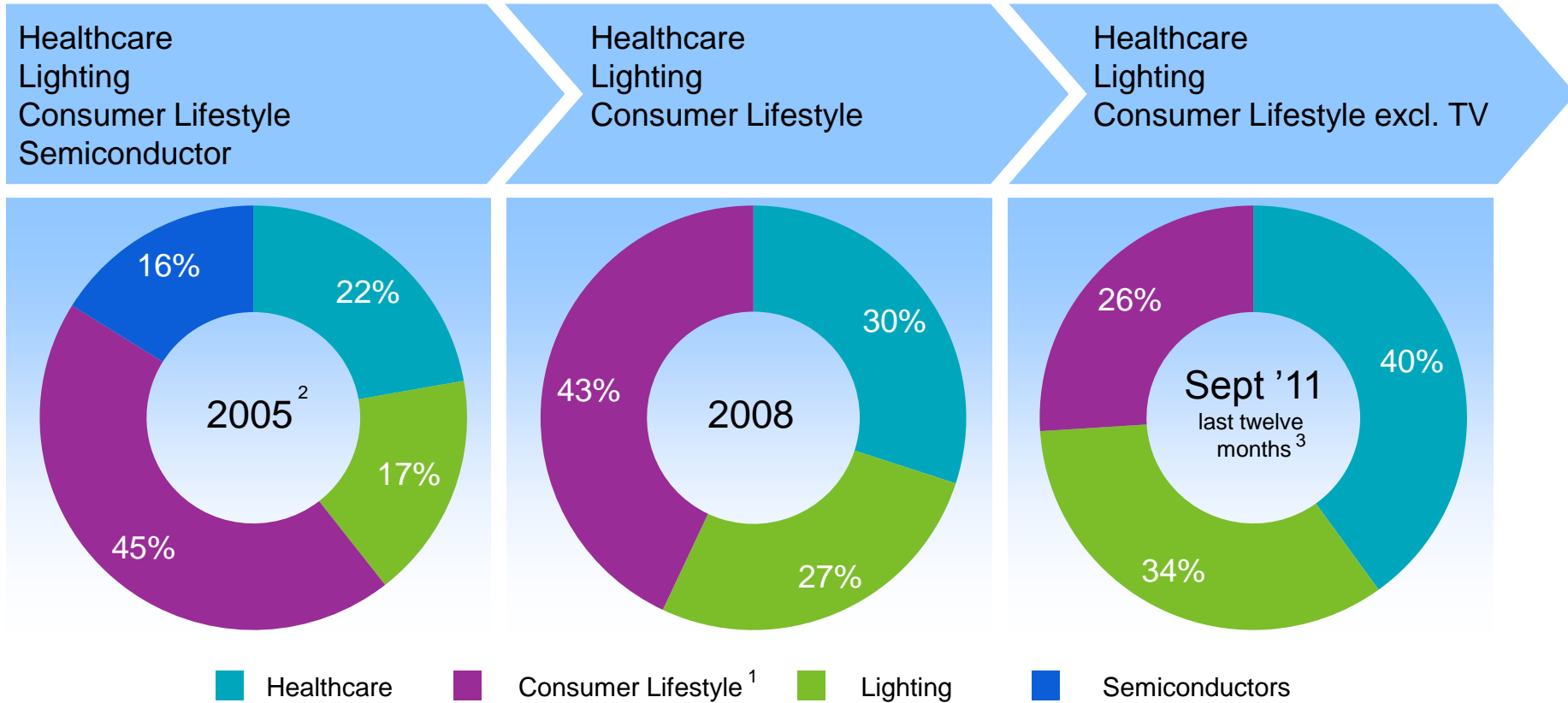
Eric Coutinho
General Counsel

* 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.

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

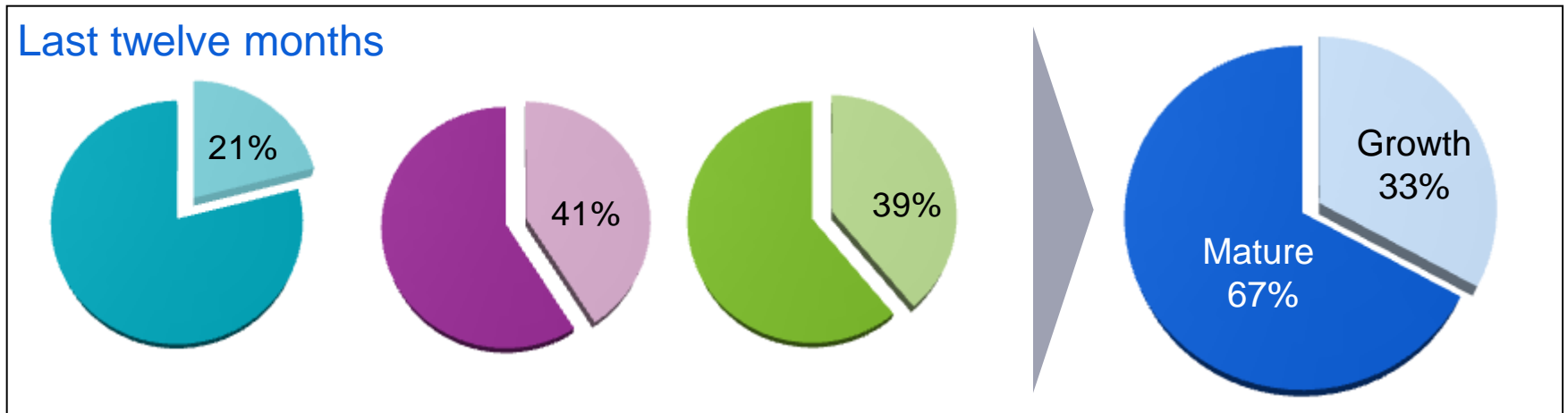
¹ Consumer Lifestyle in 2005 includes the former DAP and Consumer Electronics divisions

² 2005 figures are based on US GAAP

³ Figures exclude Television as it is treated as discontinued operation

Growth geographies – Q3 '11 and last twelve months

Sales in growth geographies

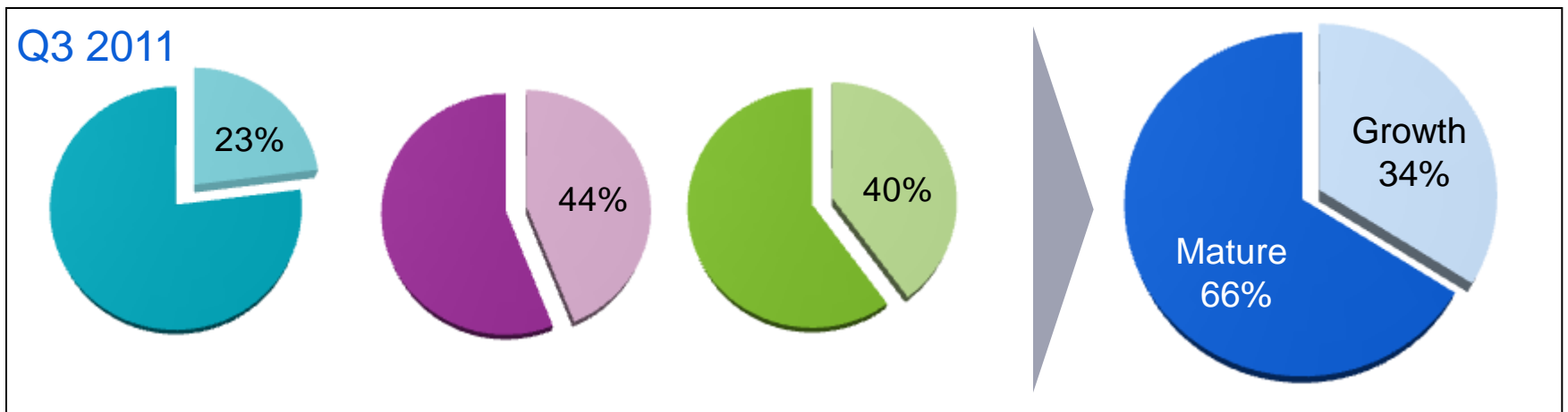


Healthcare

Consumer Lifestyle

Lighting

Philips Group



Our market opportunity

Global trends and challenges

Examples market positions

Healthcare

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

- #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 geographies
- Back to basics: simple propositions, trusted brands

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



Lighting

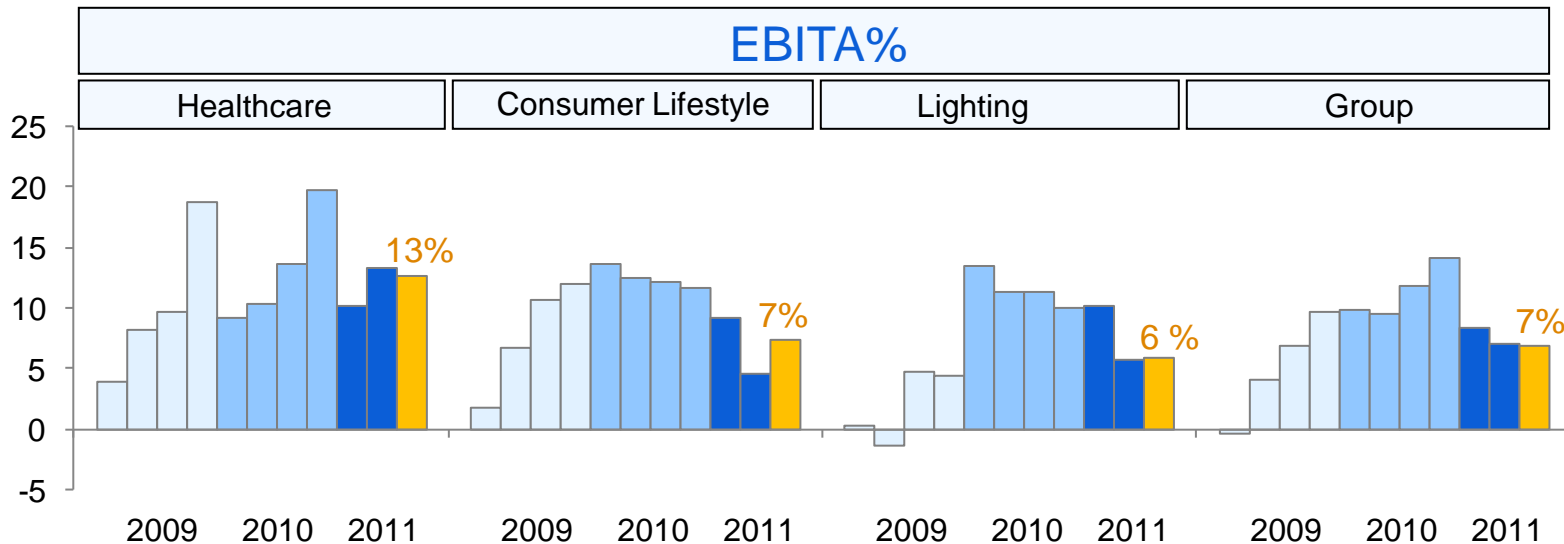
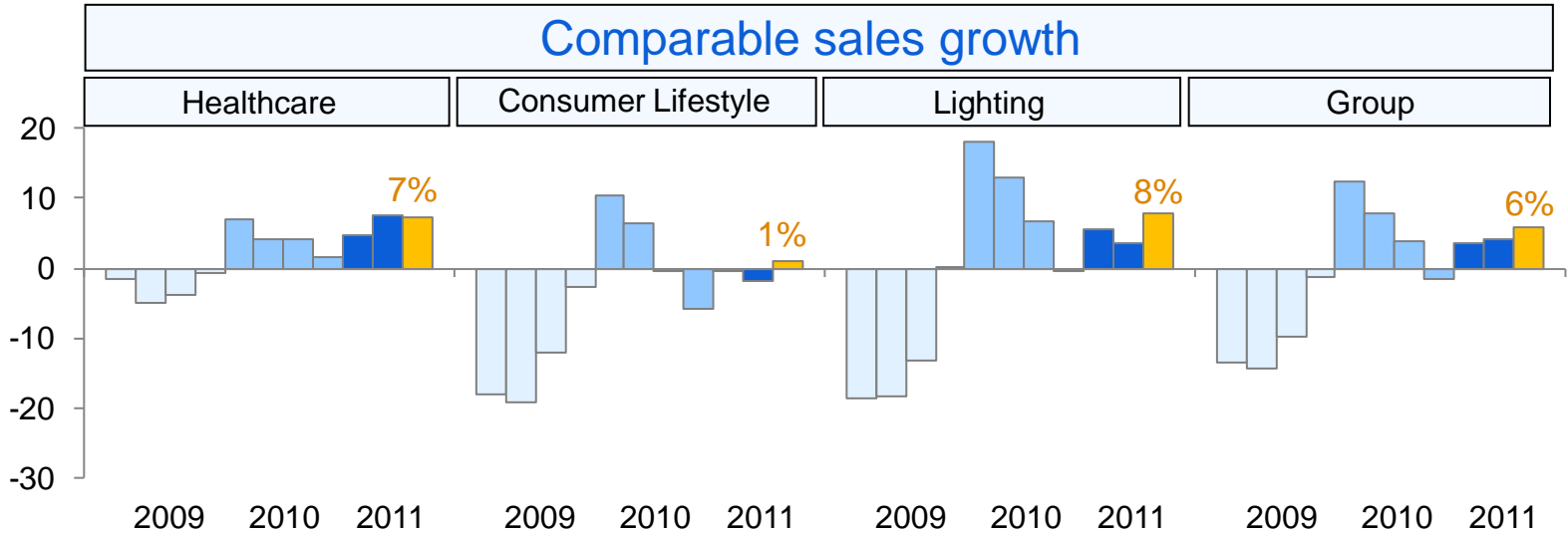
- Ongoing urbanisation and globalisation
- Increasing need for energy efficient solutions
- Fast growing global illumination market
- Expanding renovation market
- Rapid adoption of LED-based lighting solutions

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



Sales Growth and EBITA Margin Development

Comparable sales growth and EBITA%



Note - All figures exclude discontinued operations

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Management update

- Q3 Sales increase of 6%;
 - Solid Healthcare sales growth of 7% and equipment order intake growth of 5%
 - Consumer Lifestyle growth businesses showed high-single-digit sales growth
 - Lighting grew by a strong 8%, driven by LED at 32%
- Adjusted EBITA decline from 11.7% Q3 2010 to 7.3% Q3 2011, marginally below Q2 2011;
 - Investments in R&D and selling expenses for new product launches negatively affected Healthcare margins
 - Consumer Lifestyle results affected by investments for growth and a strong decline at Lifestyle Entertainment
 - Investments in selling and R&D, higher raw material costs, and adverse Lumileds and Consumer Luminaires performance led to a decline in Lighting results
- Moving forward on Accelerate!: Philips' change and performance program
 - Implementation of the Philips Business System has begun to improve granular performance insights, enhancing management accountability and prompting corrective actions.
 - EUR 800 million cost reduction program deployed to significantly decrease complexity and overhead costs
- TV: definitive agreements with TPV signed.
- 27.5% of EUR 2 billion share buy back program completed
- We reiterate our 2013 mid-term financial targets

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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



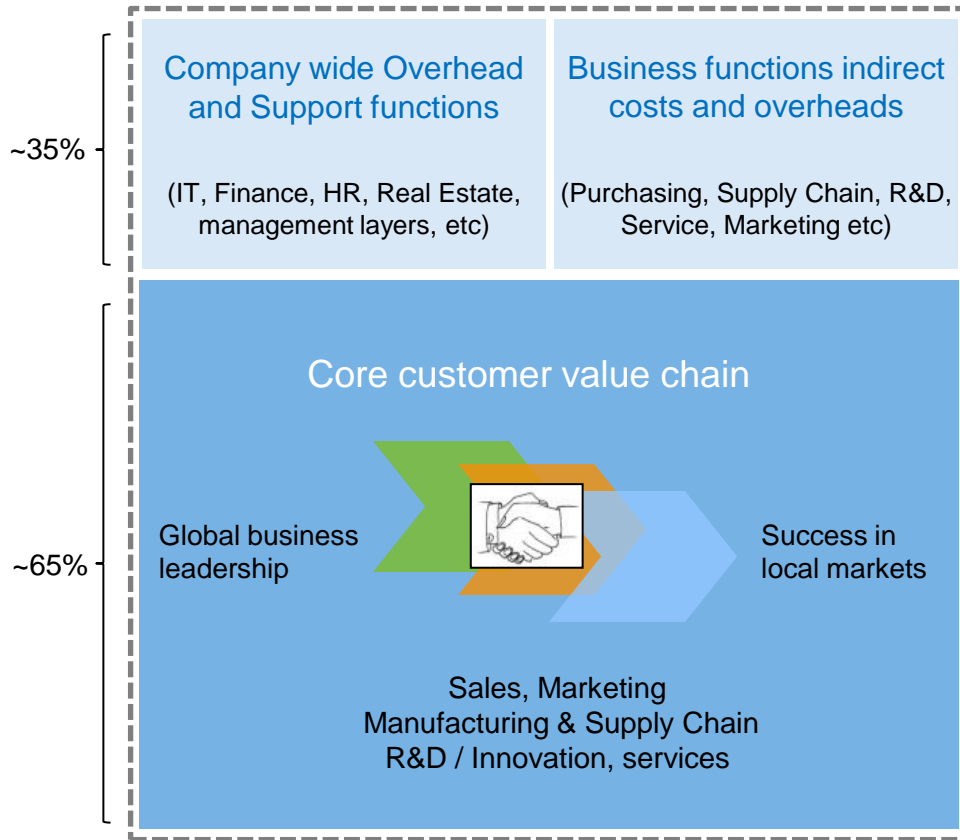
Some valuable insights

- 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, Finance, HR, Real Estate, Management, etc
 - Indirect business functions not directly involved in the *customer value chain*
 - *Single added value layer* (no duplication) and *reduce complexity*
- All savings against H1 2011 baseline
- Focus on sustainable structural savings instead of “variable” costs



EUR 800 million cost reduction program

First savings expected in Q4 2011 and completion by 2014

	Cumulative gross savings ¹			
<i>EUR million</i>	2011	2012	2013	2014
TOTAL	20	400	710	800

	Annual restructuring costs			
<i>EUR million</i>	2011	2012	2013	2014
Sectors	35	110	40	30
GM&S	15	90	70	10
TOTAL	50	200	110	40

	Annual investments			
<i>EUR million</i>	2011	2012	2013	2014
TOTAL	25	150	90	80

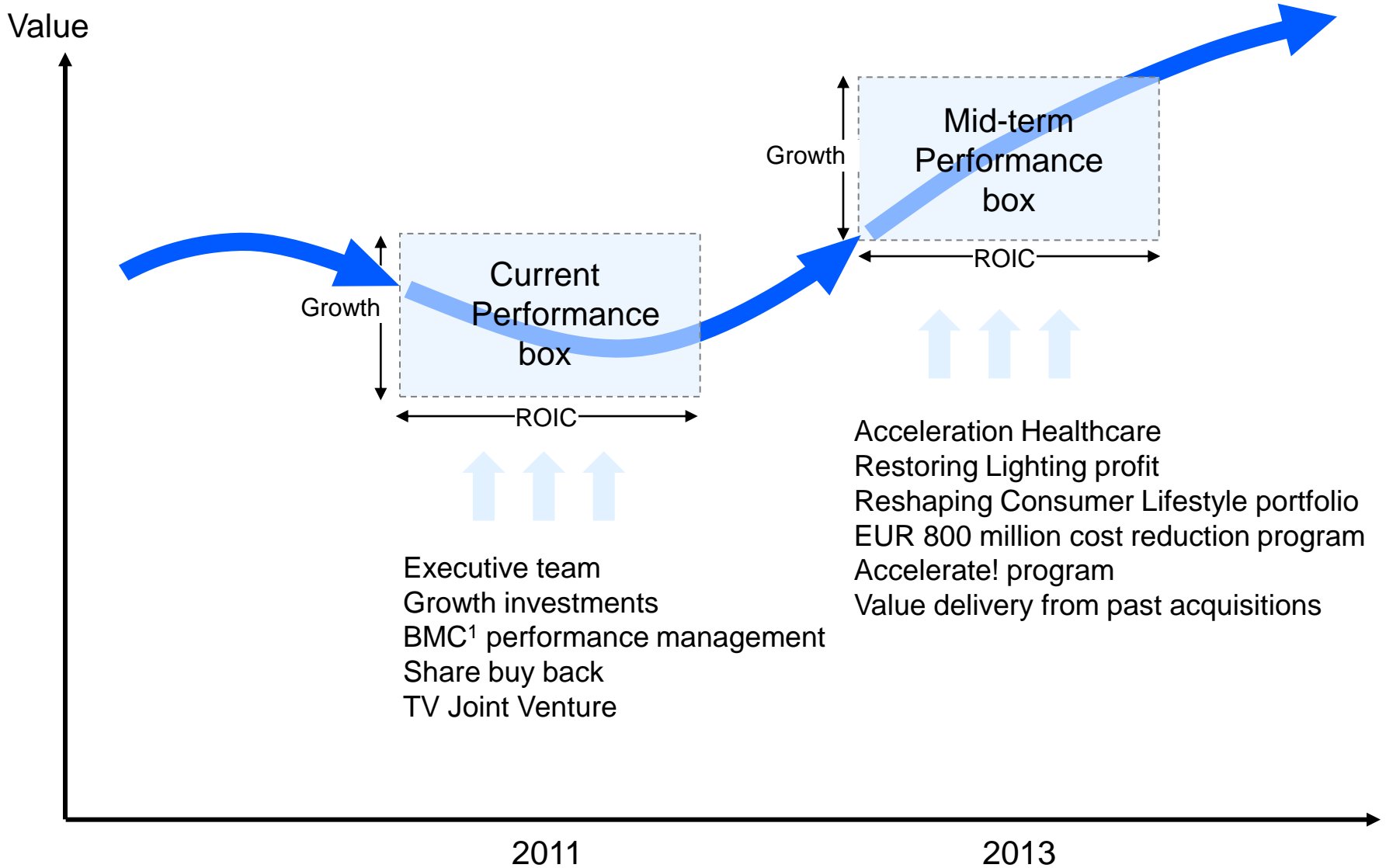
Deployment

- Strong organizational engagement with 9 functional workstreams and 3 Sector teams
- Highest potential in IT, Finance, HR and Real Estate
- Deployment of savings plan to the organization commences October 17th 2011
- Most of GM&S savings will flow back to sectors
- Investments are primarily in IT, Real Estate transformation and process reengineering (e.g. F&A and HR)

¹Gross savings do not include one-off investments
 Note – All figures are estimated amounts
 Note – Exact timing between 2011 and 2012 subject to various approvals

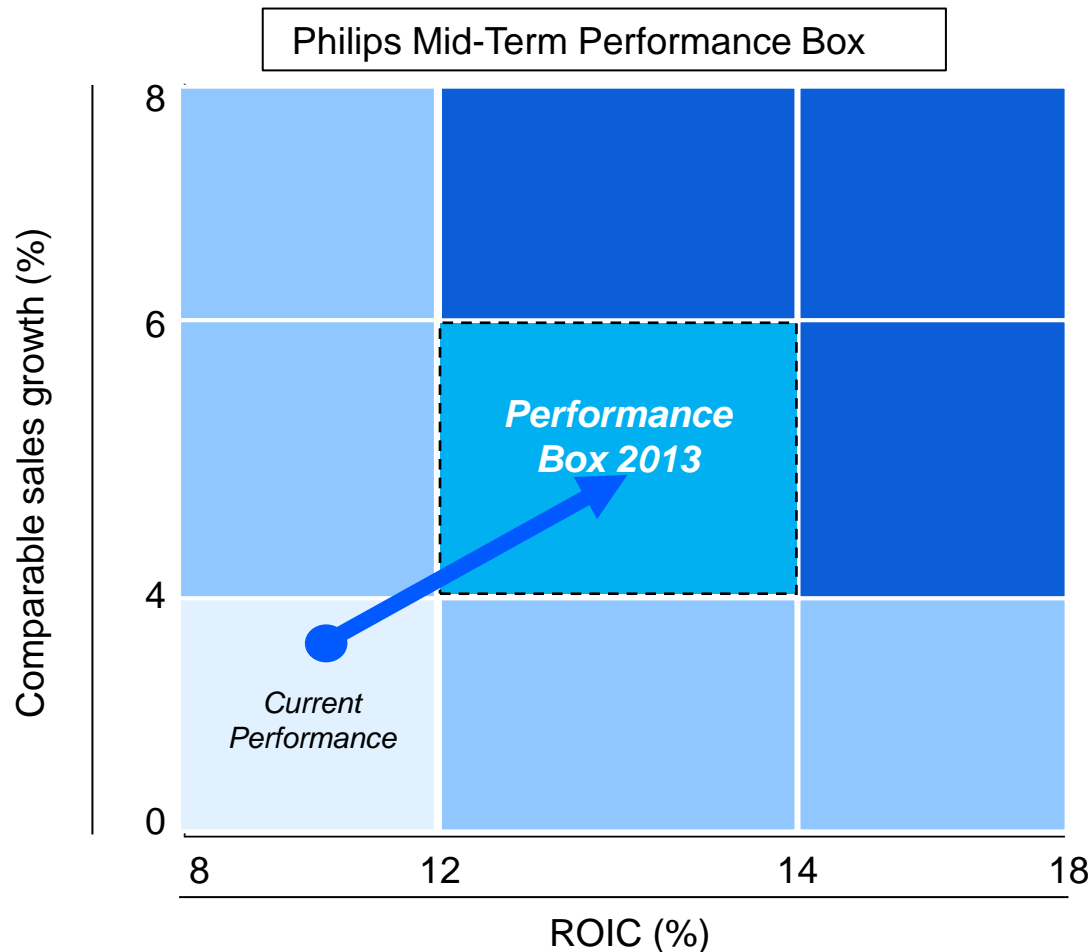
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Our path to value



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

