

PHILIPS

sense **and** simplicity

Royal Philips Electronics

Creating value through Sustainability

Rabobank "Made in Benelux" SRI Conference London
December 14th, 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'.

Sustainability: the two sided coin

Accelerating growth



- Green products
- Business development and innovation
- Green Marketing & communication
- Brand value
- Employee engagement and pride

Managing risks and reputation



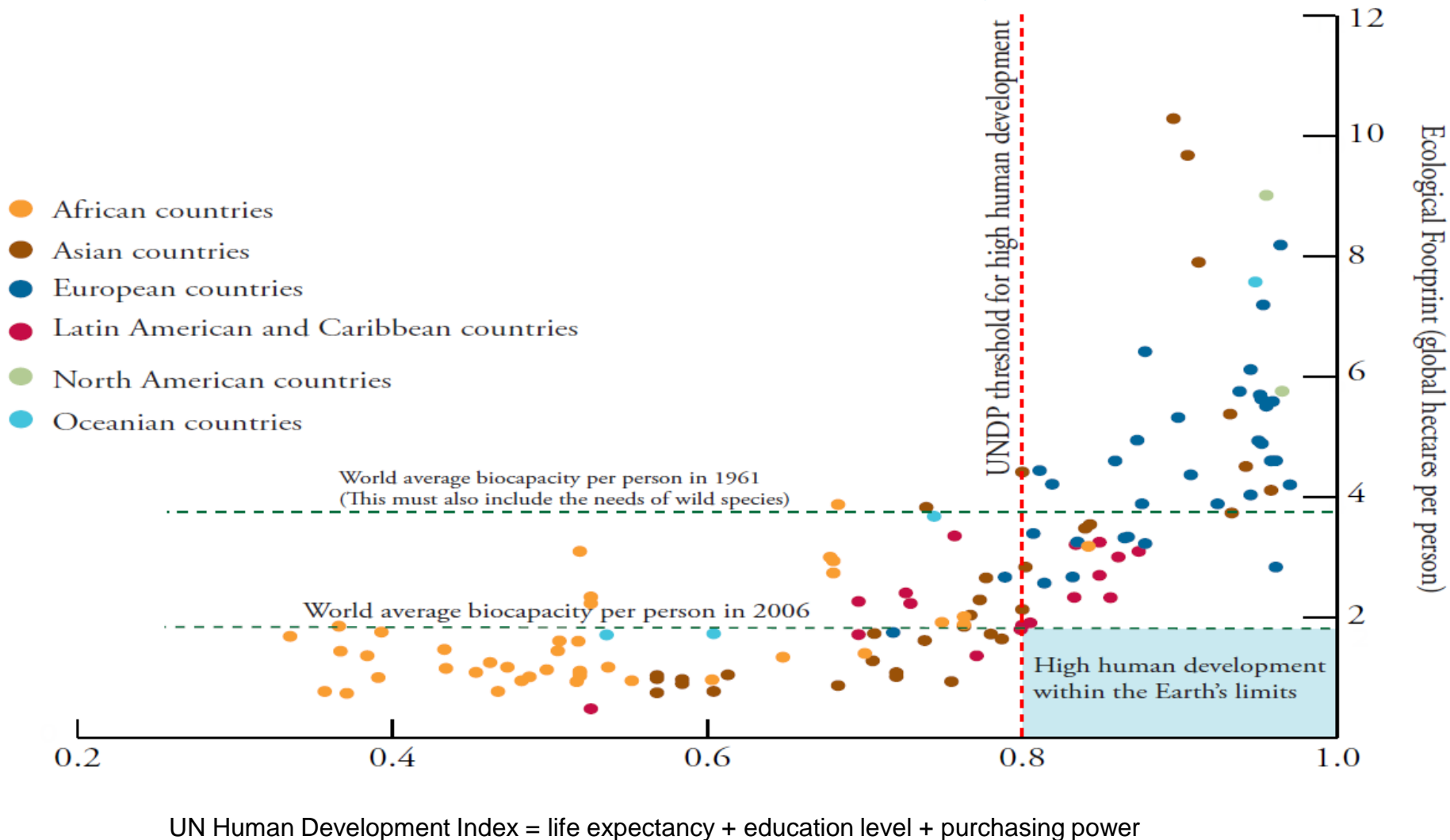
- Product environmental compliance
- Supplier sustainability
- Green manufacturing
- Stakeholder management (e.g., NGOs)
- Reporting (e.g., Annual Report, Shareholder ratings)

Philips strategic objectives

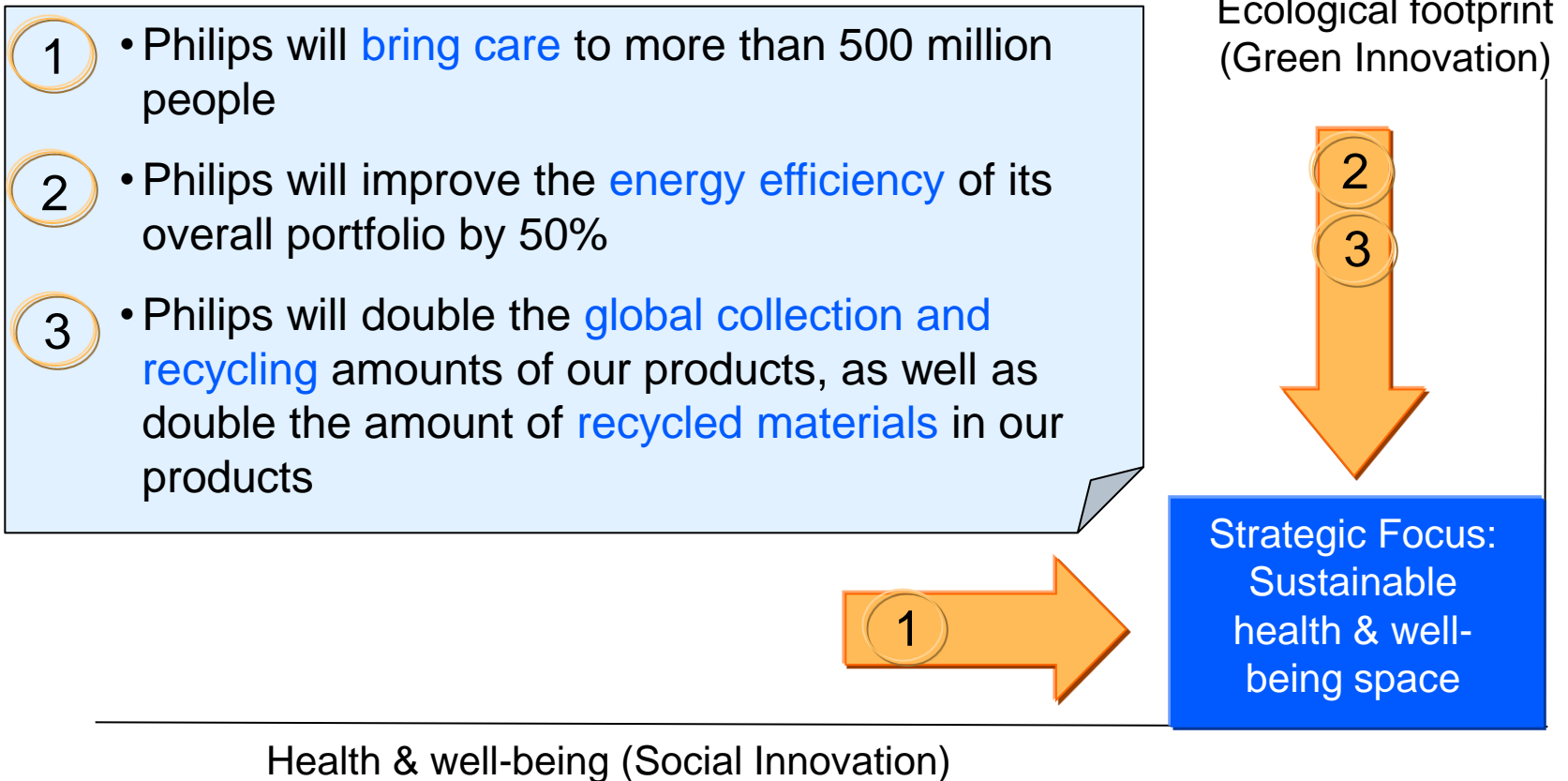
- Expand leadership positions while benefiting from markets growing faster than GDP
- Be the preferred brand in the majority of our chosen markets
- Lead in sustainability
- Be seen by all stakeholders as making a positive difference in people's lives



Clarifying Sustainability



EcoVision5: A holistic approach to Sustainability to seed mid- and long-term value creation (2015)



EcoVision products

Green products characterized by Philips Green Focal Areas

Life cycle approach to determine a product's overall environmental improvement

One or more of our Green Focal Areas must be

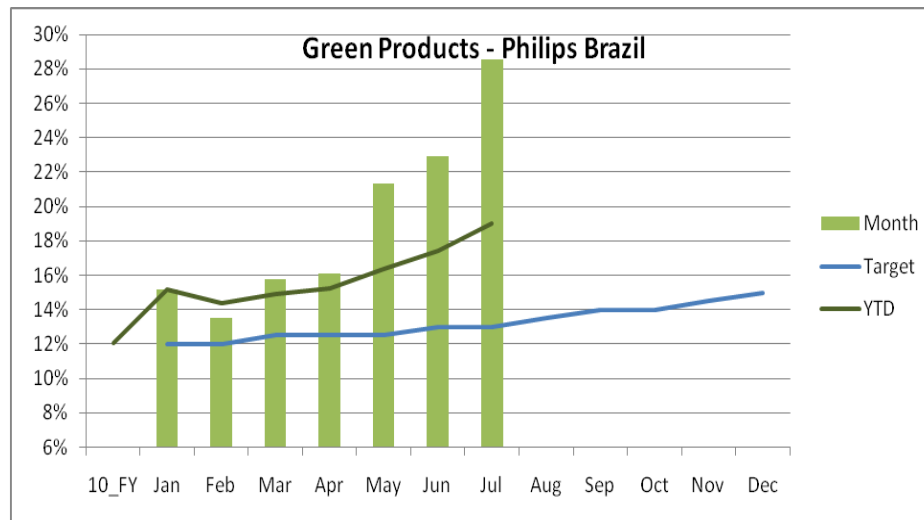
- Significantly better (at least 10%) than the reference product¹
- Resulting in a lower total environmental impact



¹ Reference product: Philips predecessor or closest commercial competitors

Accelerating green growth

- Market research shows that in growth geographies, Philips leads on sustainability (source: HeartBeat 2011)
- Brazil example

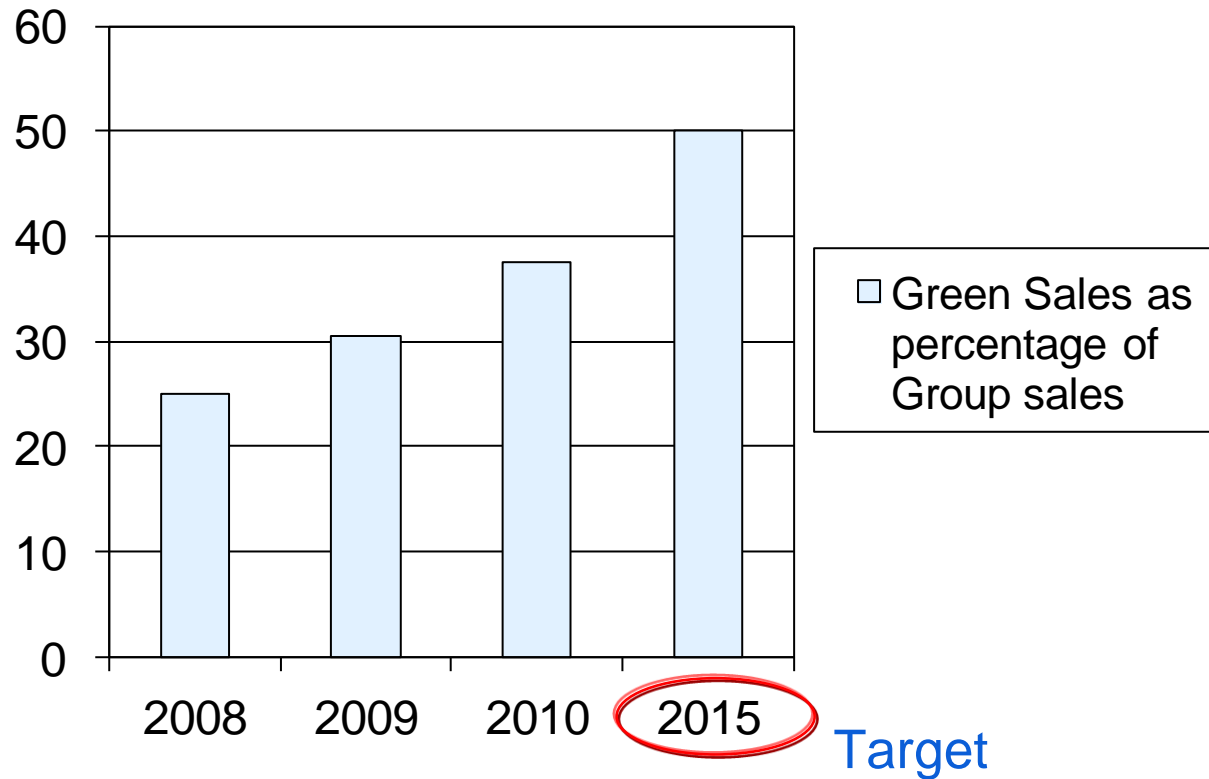


Brazil Green Product focus

Green Product Sales

Progress made to date

Green Innovation investments 2007 - 2010: 1 billion
2010 - 2015: 2 billion



Recent accomplishments

Examples 2011

- Philips regained its sector and super sector leadership in the Dow Jones Sustainability Index
- Philips reaches a joint first place in the Global Carbon Disclosure Leadership Index
- Philips was recognized as a Top 50 Green Brand by Interbrand in 2011
- Philips was recognized as the 9th greenest company in the world in Newsweek's 2011 Green Rankings
- Philips Lighting was selected as a 2011 Leader of Change Award winner by the Foundation for Social Change and the UN Office for Partnerships for its longstanding commitment to sustainability
- 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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Third Quarter 2011

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1. Management update

2. Group results Q3 2011

3. Accelerate! Change and performance

4. Portfolio strength

5. Path to value

6. Group and sector overview

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

1. Management update

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Headlines: Q3 2011

Group

- Comp. sales up 6%, led by 8% growth at Lighting and 7% growth at Healthcare
- Growth geographies sales increase 13% on a comparable basis
- EBITA at EUR 368 million, or 6.8% of sales
- Free cash outflow of EUR 172 million
- Cost-reduction actions commence

Healthcare

- Comparable sales increased a solid 7%, with increases across all businesses
- Currency-comparable equipment order intake grew 5% year-on-year
- EBITA decreased by EUR 21 million y-on-y to EUR 261 million, or 12.6% of sales

Consumer Lifestyle

- Sales on a comparable basis increased 1% over Q3 2010; combined Personal Care, Health & Wellness and Domestic Appliances high single digit growth, partly offset by lower license revenue and a sales decline at Lifestyle Entertainment
- EBITA was EUR 67 million lower compared to Q3 2010, which was attributable to lower profitability at Lifestyle Entertainment and to higher investments in advertising & promotion and in R&D across all businesses

Lighting

- Sales increased by 8% compared to Q3 2010, driven by double-digit sales growth at Lamps and Professional Luminaires, partly offset by a sales decrease at Lumileds and Consumer Luminaires
- Year-on-year EBITA decreased mainly due to a decline in earnings at Lumileds and Consumer Luminaires, raw material price increases and step-ups in investments for growth

Key Financials Summary – Q3 2011

EUR million

	Q3 2010	Q3 2011
Sales	5,460	5,394
EBITA	647 ¹	368 ¹
Financial income and expenses	80 ²	(93) ²
Income tax	(63)	(64)
Net income (loss)	524	76
Net Operating Capital	14,322	11,624
Net cash from operating activities	168	53
Net capital expenditures	(199)	(225)
Free cash flow	(31)	(172)

¹ 3Q11 includes EUR (24)M of charges; 3Q10 includes on balance EUR (29)M of charges and a gain of EUR 36M related to a pension plan change

² 3Q11 included a negative impact of EUR 17M due to a fair-value adjustment of the option related to NXP; 3Q10 includes a EUR 154M gain on the sales of NXP shares

Note - All figures exclude discontinued operations

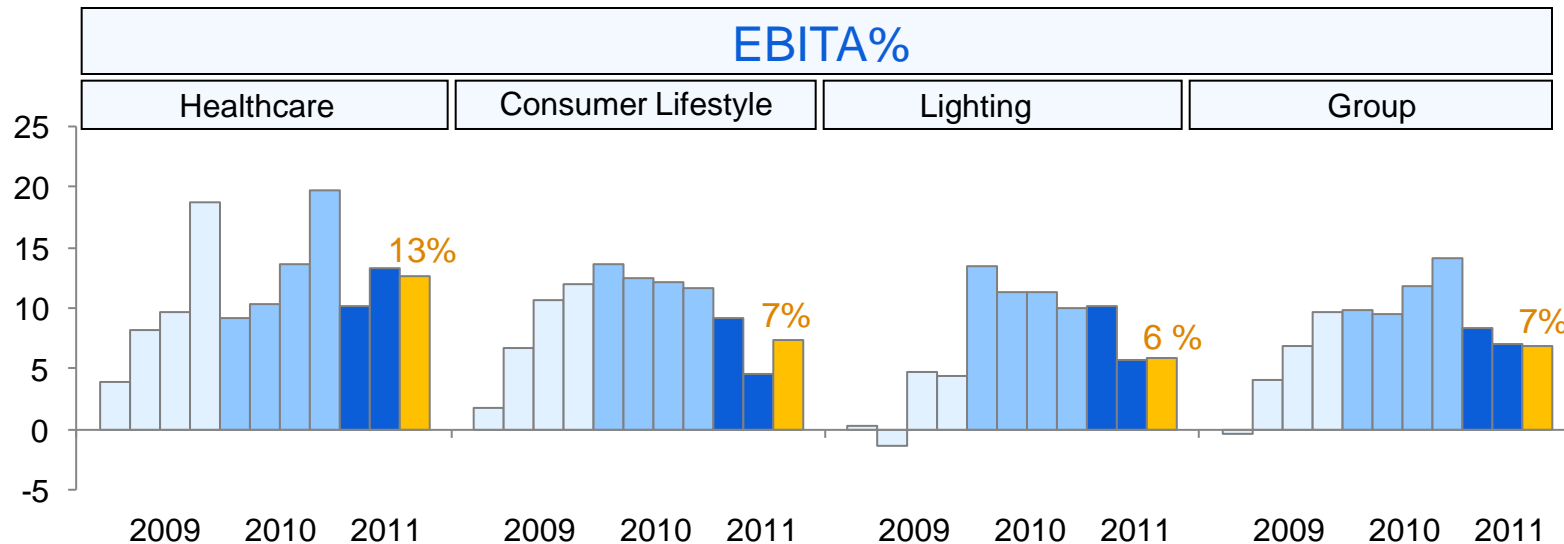
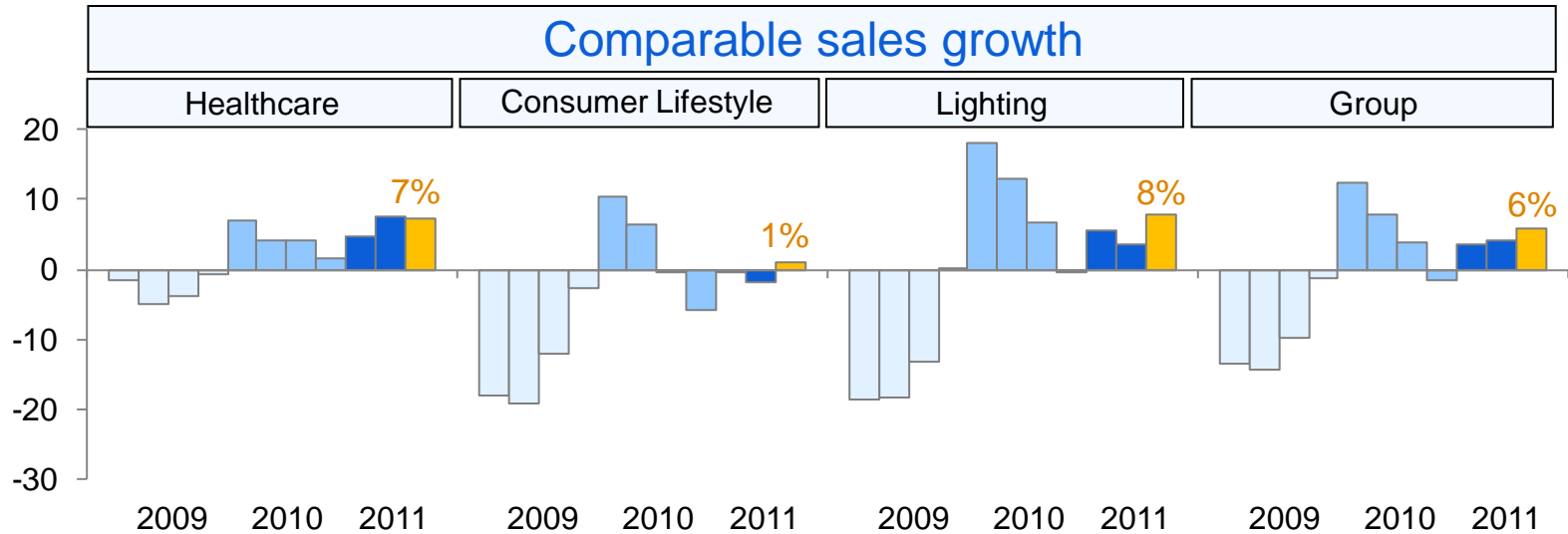
Sales by sector – Q3 2011

EUR million

	Q3 2010	Q3 2011	% nom	% comp
Healthcare	2,070	2,077	0	7
Consumer Lifestyle	1,395	1,377	(1)	1
Lighting	1,908	1,886	(1)	8
GM&S	87	54	(38)	(6)
Philips Group	5,460	5,394	(1)	6

Sales Growth and EBITA Margin Development

Comparable sales growth and EBITA%



Note - All figures exclude discontinued operations

Sales by geography – Q3 2011

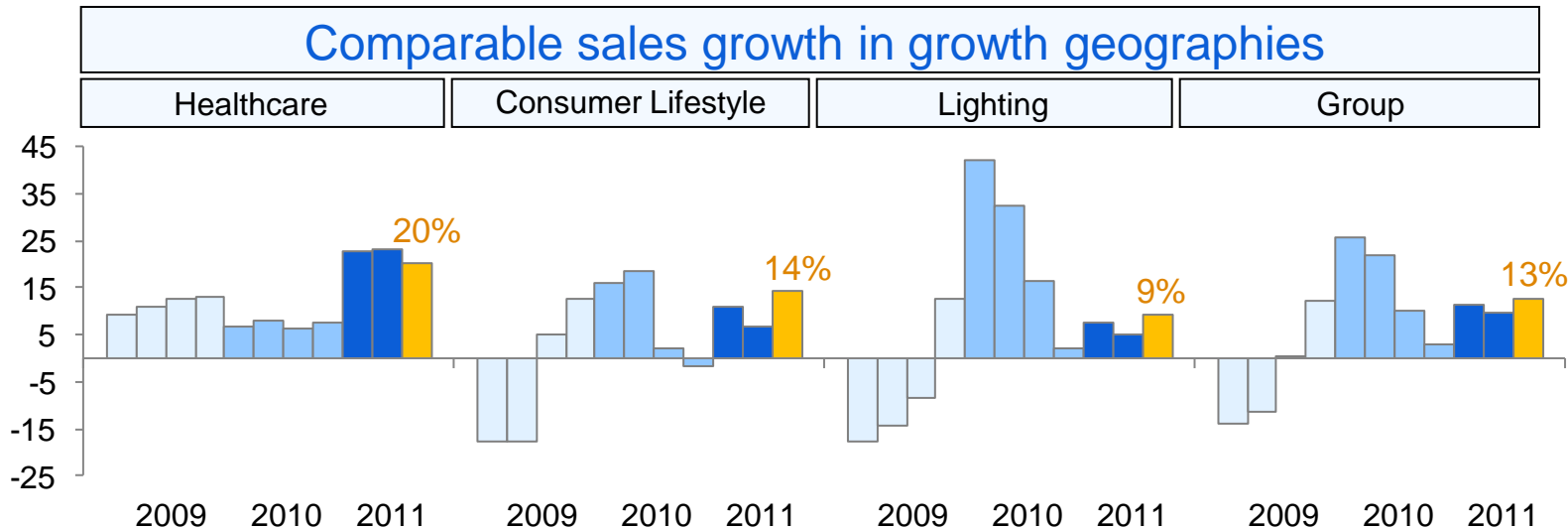
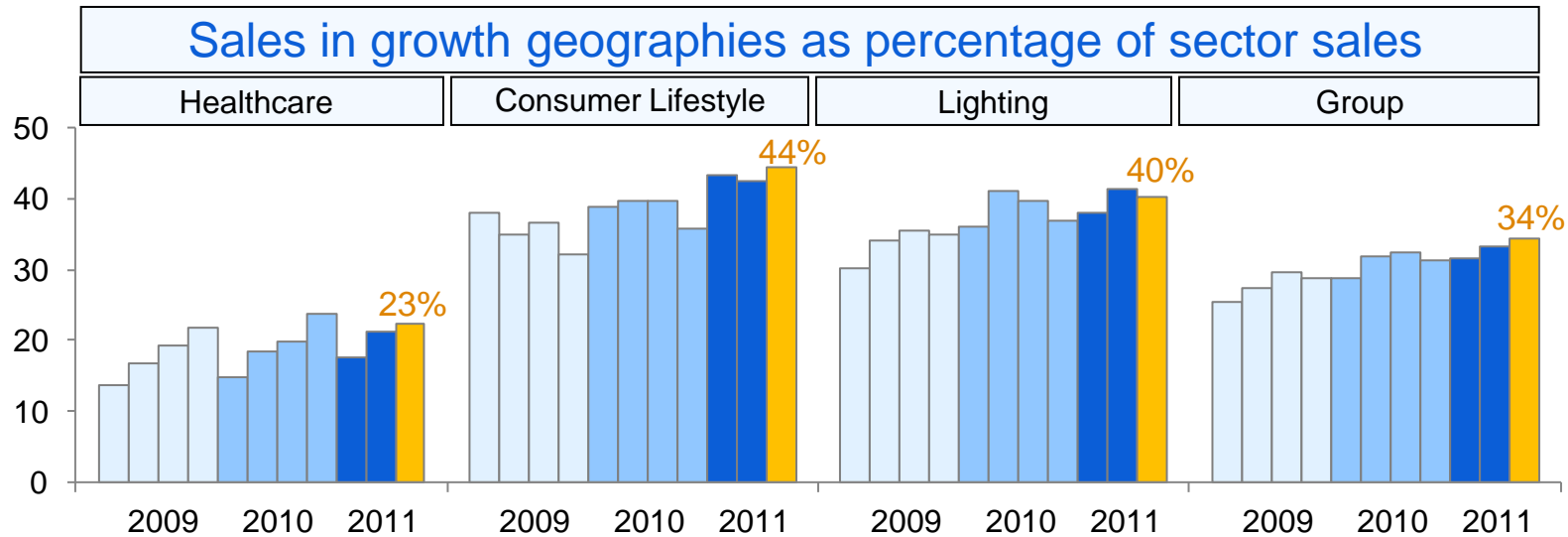
EUR million

	Q3 2010	Q3 2011	% nom	% comp
Western Europe	1,550	1,480	(5)	(3)
North America	1,764	1,653	(6)	5
Other mature geographies	376	411	9	13
Growth geographies ¹	1,770	1,850	5	13
Philips Group	5,460	5,394	(1)	6

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

Growth geographies: trend through Q3 2011

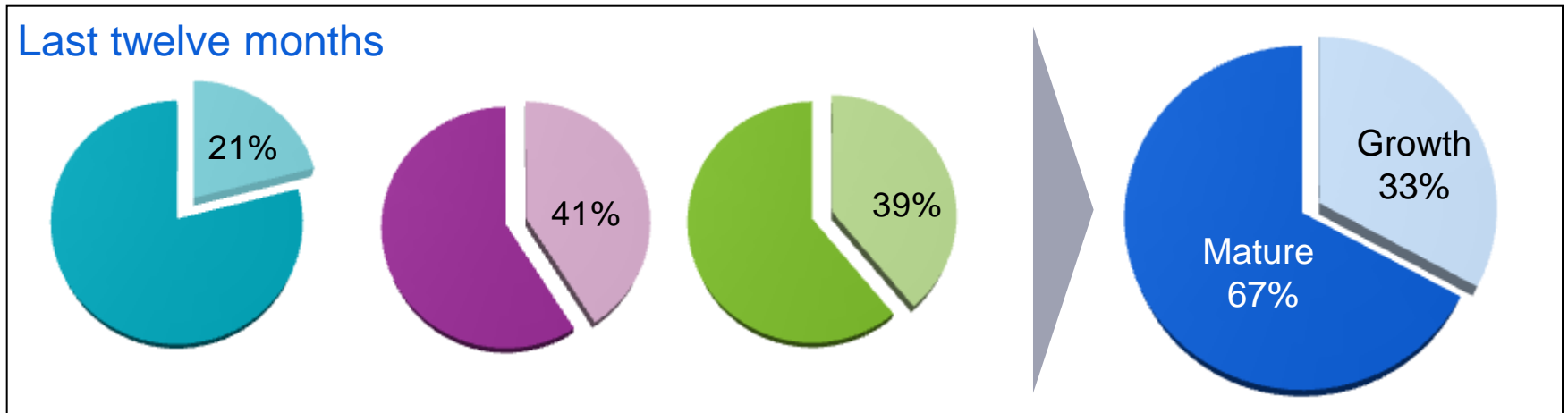
Sales development in growth geographies



Note - All figures exclude discontinued operations

Growth geographies – Q3 '11 and last twelve months

Sales in growth geographies

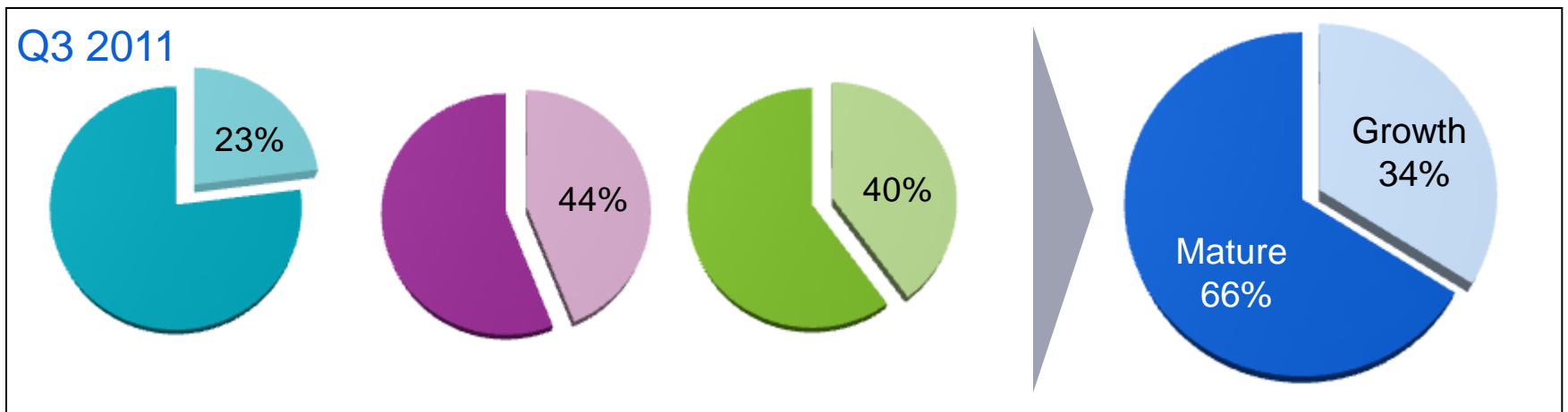


Healthcare

Consumer Lifestyle

Lighting

Philips Group



EBITA by sector – Q3 2011

EUR million

	Q3 2010	Q3 2011
Healthcare ¹	282	261
Consumer Lifestyle ²	169	102
Lighting ³	216	110
GM&S ⁴	(20)	(105)
Philips Group	647	368
as % of sales	11.8%	6.8%

¹ 3Q11 includes EUR (2)M of restructuring and acquisition-related charges; 3Q10 includes EUR (6)M of charges

² 3Q11 includes EUR (10)M of restructuring and acquisition-related charges; 3Q10 includes EUR (12)M of charges

³ 3Q11 includes EUR (11)M of restructuring and acquisition-related charges; 3Q10 includes EUR (17)M of charges

⁴ 3Q11 includes EUR (1)M of restructuring charges; 3Q10 positively impacted by a EUR 36M pension plan change and a EUR 6M provision release

Note - All figures exclude discontinued operations

Adjusted EBITA by sector – Q3 2011

EUR million

	Q3 2010	Q3 2011
Healthcare ¹	288	263
Consumer Lifestyle ²	181	112
Lighting ³	233	121
GM&S ⁴	(62)	(104)
Philips Group	640	392
as % of sales	11.7%	7.3%

¹ 3Q11 excludes EUR (2)M of restructuring and acquisition-related charges; 3Q10 excludes EUR (6)M of charges

² 3Q11 excludes EUR (10)M of restructuring and acquisition-related charges; 3Q10 excludes EUR (12)M of charges

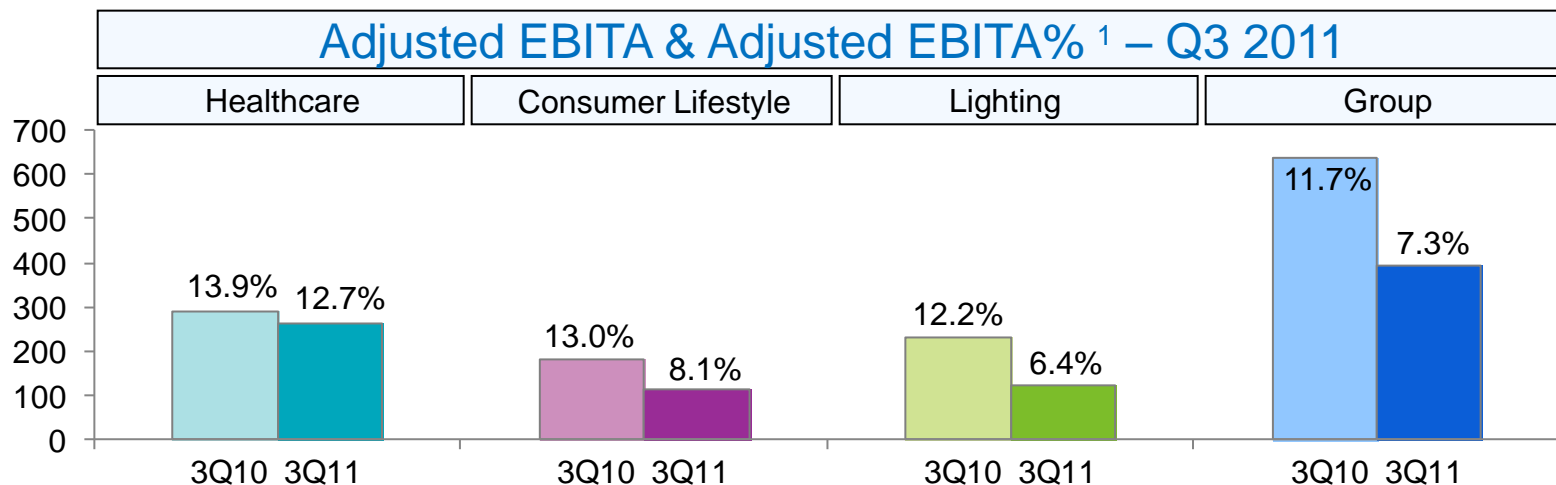
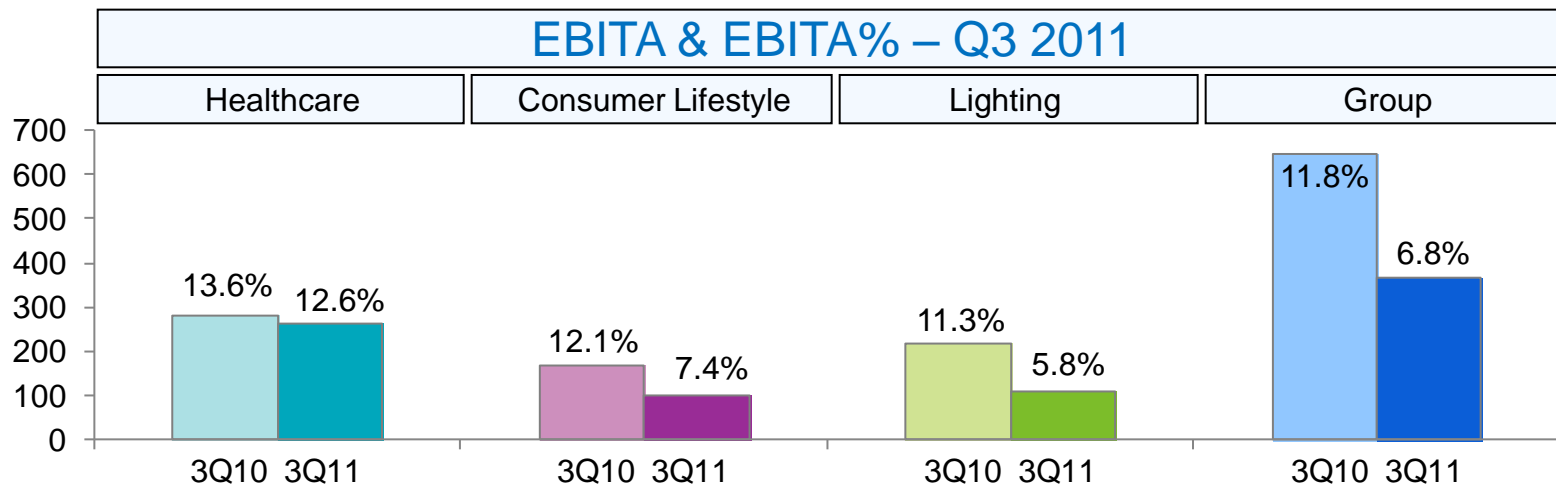
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⁴ 3Q11 excludes EUR (1)M of restructuring charges; 3Q10 positively impacted by a EUR 36M pension plan change and a EUR 6M provision release

Note - All figures exclude discontinued operations

EBITA: Q3 2011

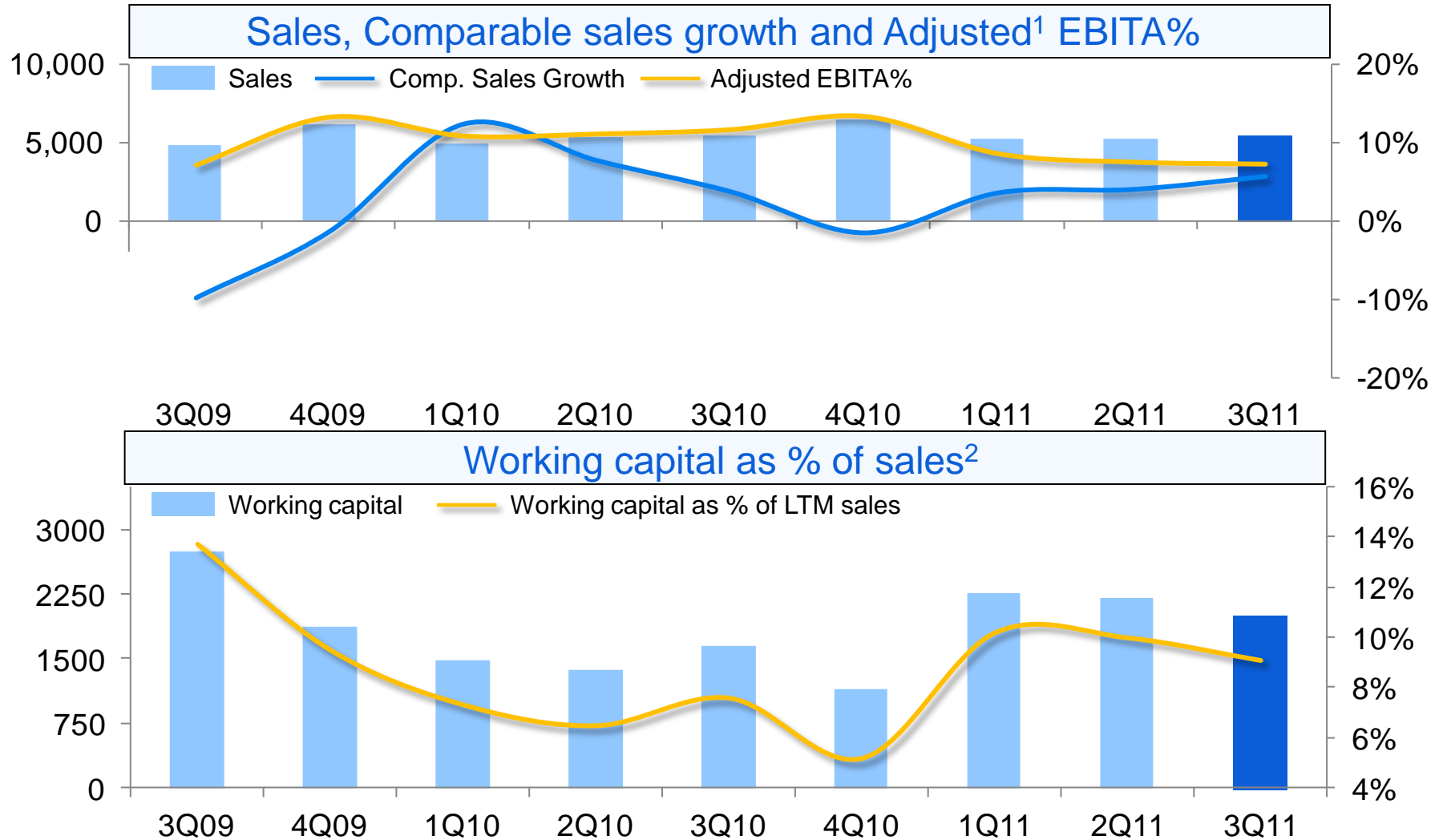
EUR million



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

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 – Q3 2011

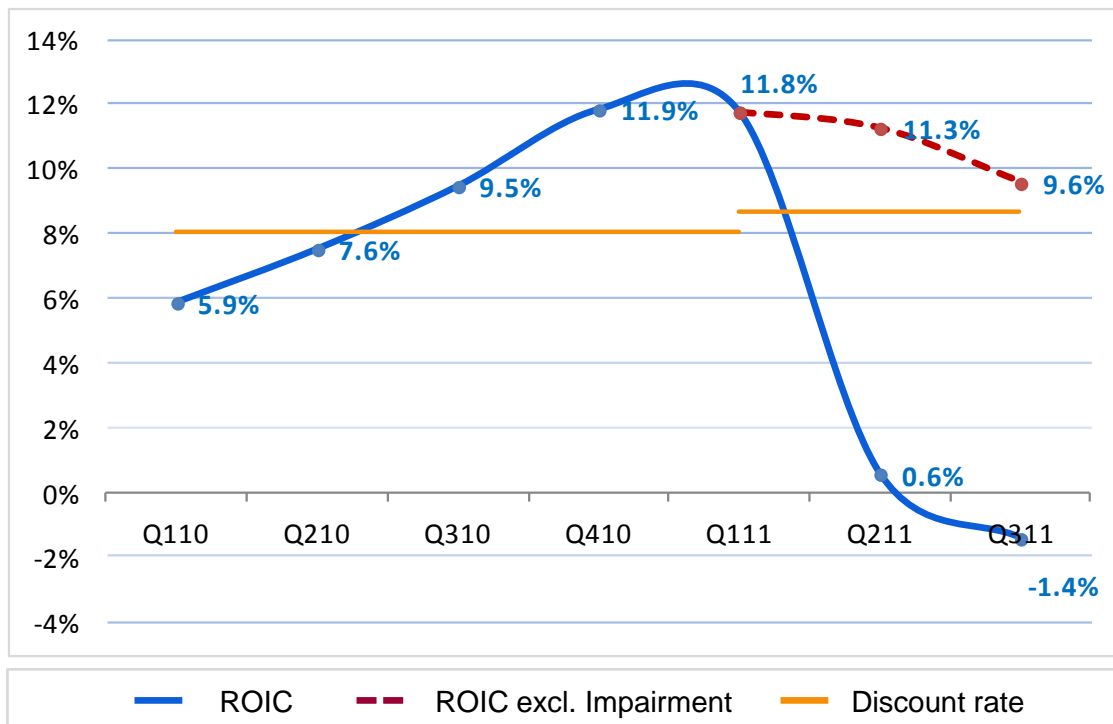
EUR million

	Q3 2010	Q3 2011
Net income from continuing operations	539	130
Depreciation/ amortization/ impairments	340	326
Net gain on sale of assets	(167)	(20)
Changes in Working Capital, of which:	(303)	(292)
- changes in Net inventories	(321)	(198)
- changes in Accounts receivable	(114)	(189)
- changes in Accounts payable	132	95
(Decrease) increase in provisions	(91)	1
Other	(150)	(92)
Cash flow from operations	168	53
Purchase intangible assets/ Exp. on development assets	(63)	(72)
Capital expenditures on PP&E ¹	(166)	(177)
Proceeds from PP&E	30	24
Net capital expenditures	(199)	(225)
Free Cash Flow	(31)	(172)

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

ROIC impacted by impairment charge in Q2 2011

Development of Return on Invested Capital (ROIC)



- **Reported ROIC** declines because of impairment in Q2 2011, due to a change in discount rate and lower post-recession economic recovery
- **ROIC excluding impairment** declined mainly due to lower earnings in Consumer Lifestyle and Lighting
- **Discount rate** now at 8.7%, from 8.1% in 2010 mainly due to an increase in certain risk free rates and adjustments in some 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

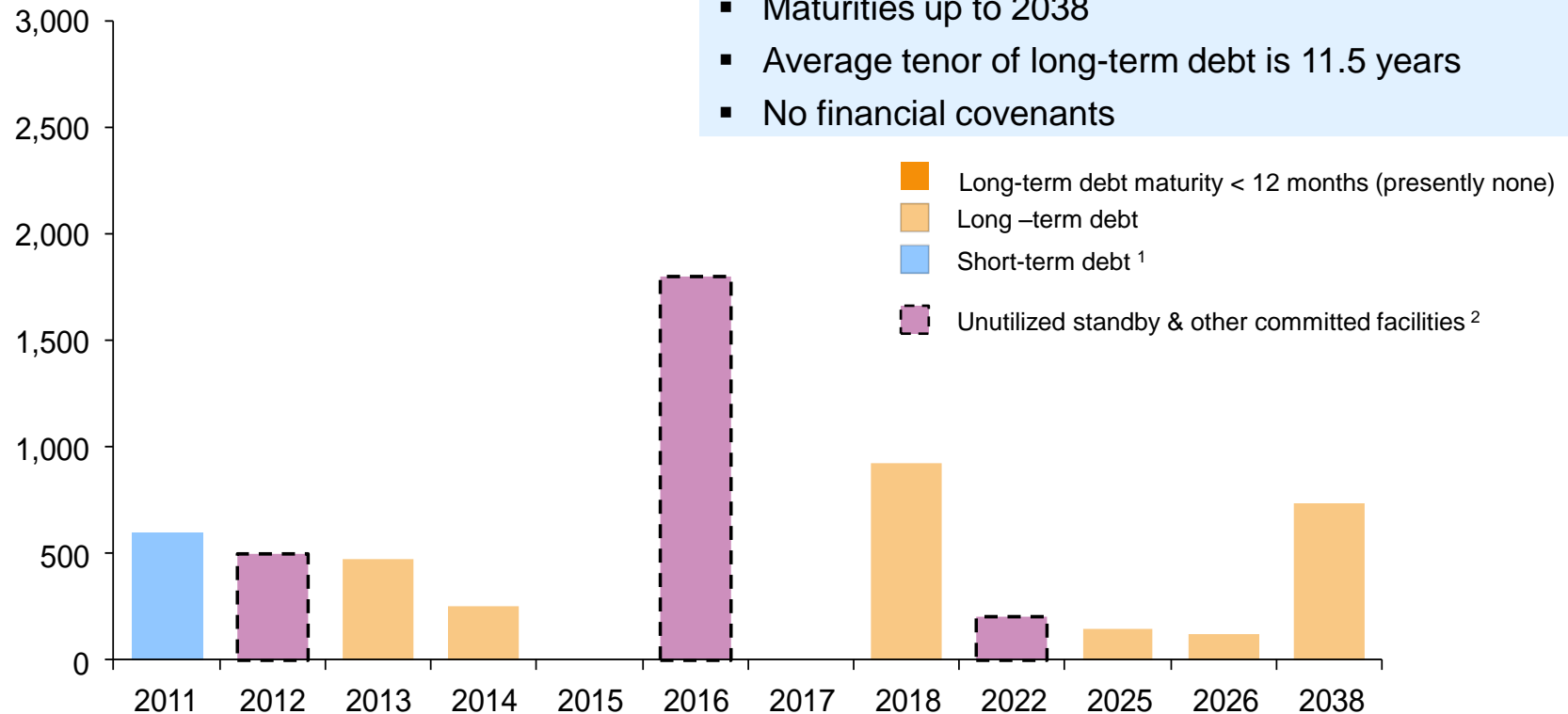
Philips' debt has a long maturity profile

Debt maturity profile as of September 2011

Amounts in EUR millions

Characteristics of long-term debt

- Maturities up to 2038
- Average tenor of long-term debt is 11.5 years
- No financial covenants

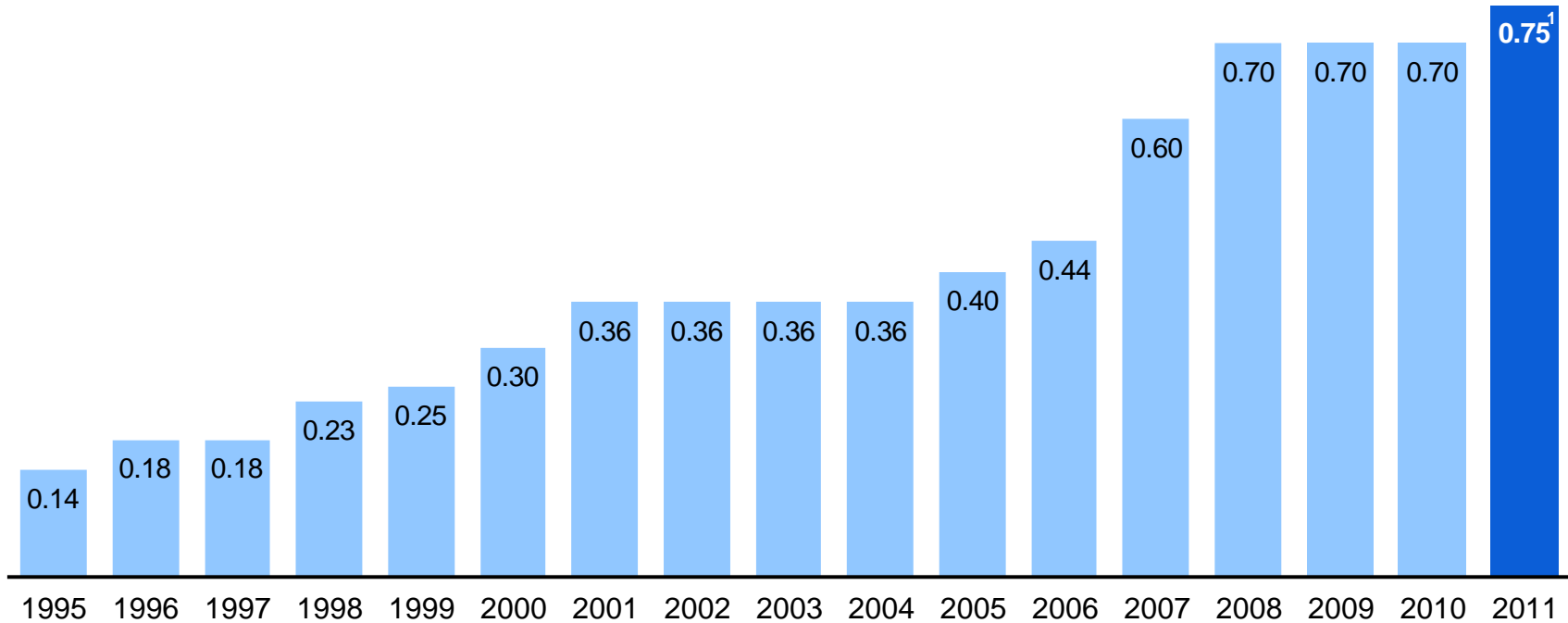


¹ Short term debt consists mainly of local credit facilities that are being rolled forward on a continuous basis

² On April 13th, Philips extended the maturity of its EUR1.8B standby facility to February 2016. In addition, a EUR 500M standby with maturity July 2012 has been arranged to provide an additional liquidity buffer along the execution of the share buy back program

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

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

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 geographies
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

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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



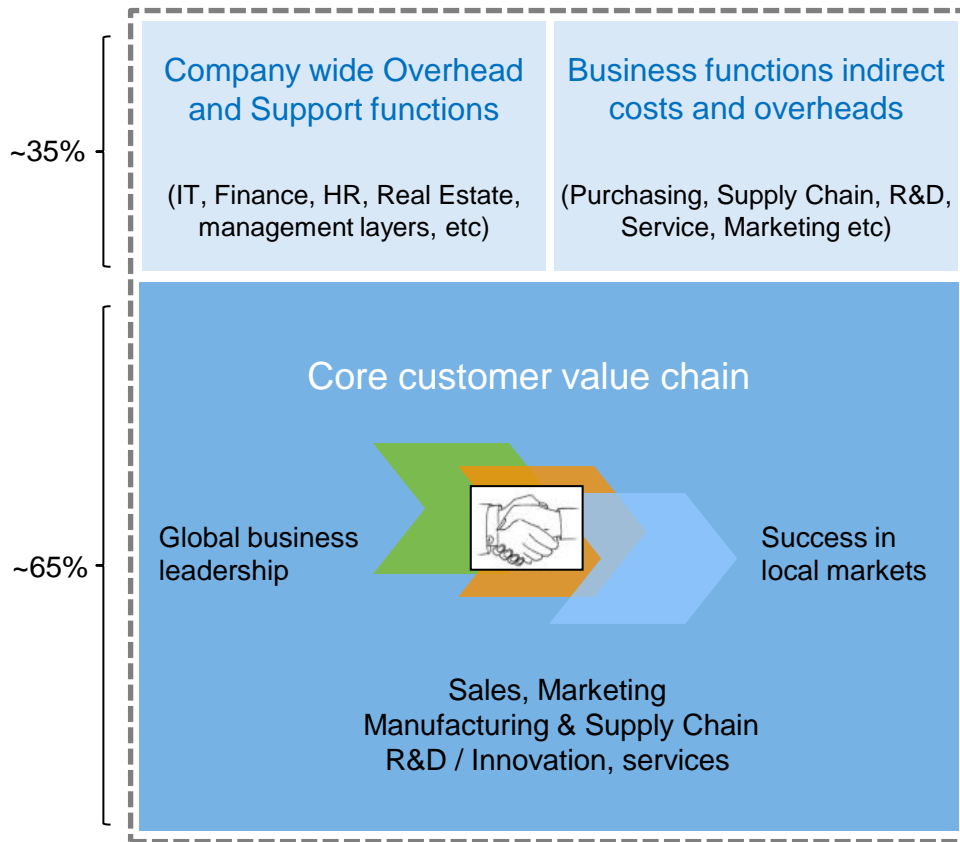
Some valuable insights

- 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

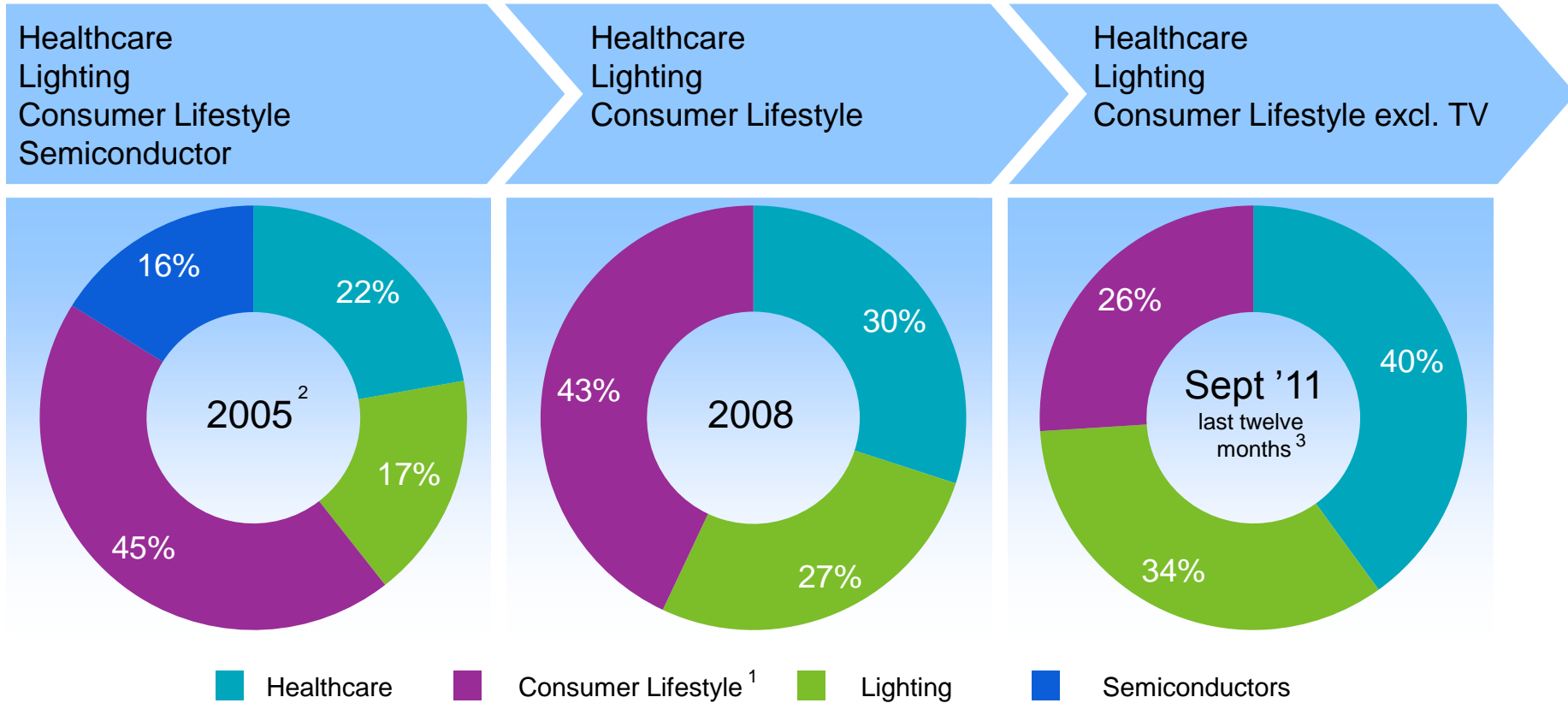
- Strong organizational engagement with 9 functional workstreams and 3 Sector teams
- Highest potential in IT, Finance, HR and Real Estate
- Deployment of savings plan to the organization commences October 17th 2011
- Most of GM&S savings will flow back to sectors
- Investments are primarily in IT, Real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



Innovation capabilities



Philips brand



Global footprint



People



Domain leadership



Solid balance sheet

Our track record

- New product sales increased from 48% of total sales '09 to 52% '10
- Technology, know-how and strong IP positions (54,000 registered patents)
- World's 41st most valuable brand 2011 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
- Loyal customer base in 100+ countries
- 1/3 of group revenues from growth geographies
- Employee Engagement Index² exceeds high performance benchmark value of 70%
- Culturally diverse top-200 leadership team
- Global market leader in Lighting
- Top 3 Healthcare player
- Leading Consumer Lifestyle brands: E.g. Philips, Sonicare, Avent, Saeco
- 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

Healthcare: Unique leadership positions

Examples of current NPS leadership positions¹



Global
Cardiovascular
X-ray

- #1 market share Cardiovascular X-ray
- Seen as most exciting and interesting Brand by Cardiologists



Regional
Cardiac
Resuscitation

- #1 NPS leader China and UK
- Advanced Algorithms for enhanced gender-specific criteria to help recognize and interpret cardiac symptoms in women



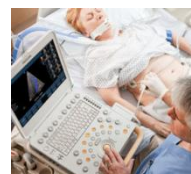
Regional
Home
Monitoring

- #1 NPS leader in United States
- Leading innovation with AutoAlert automatic fall detection



Global
Patient
Monitoring

- #1 market share Patient Monitoring
- Leader in Cardiology PACS and Critical Care Informatics in US and Germany



Global
Ultrasound

- #1 NPS leader in Ultrasound
- #1 NPS leader in Echo Cardiology globally



Regional
Computed
Tomography

- #1 NPS leader in China
- Brilliance iCT provides; balanced image quality and dose utility in the most diverse and challenging patients

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

Consumer Lifestyle: Unique leadership positions

Examples of current NPS leadership positions¹



Global
Male electric shaving

- Leader in 80% of the markets we play in
- Early buyer study shows 92% satisfied users



Global
Oral Healthcare

- Leading in US, DACH and Japan, which is 60% of the global market
- Dental professionals prefer Sonicare (67%)²



Regional (LatAm, China)
Kitchen Appliances

- Leader in Brazil, Argentina & China
- 1 out of 4 consumers in Brazil uses a Philips blender



Global
Mother and Child Care

- Preferred brand by mums in six major markets
- 70% of Philips users in Germany are promoters



Regional (China)
Haircare

- Philips has highest satisfaction for Haircare in the China market
- Philips is the most used hairdryer Brand in China



Regional (China)
Lifestyle Entertainment

- Leader in China in Audio Video & Multimedia
- Fidelio won 7 awards at the Hong Kong Awards for Industries 2011

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 Based on research in the US

Lighting: Unique leadership positions

Examples of current NPS leadership positions¹



Global Professional Lamps

- #1 market share in professional lamps
- Widest portfolio of professional lamps



Global LED Lamps

- #1 market share in LED lamps
- Won the L-Prize challenge (60W LED replacement); only company to meet the challenge



Global Automotive Lighting

- #1 market share in automotive lighting
- 1 out of 3 cars globally equipped with Philips bulbs



Global Professional Luminaires

- #1 market share in professional luminaires
- Largest LED luminaires company in the world



Global High Power LEDs

- #1 market share in flash and automotive lighting
- #2 market share in LEDs for general illumination



Global Lighting Systems & Controls

- #1 market share in Lamp Drivers and LED Systems

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

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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 geographies
- 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%

Excluding License Income

Reported
EBITA
10-12%

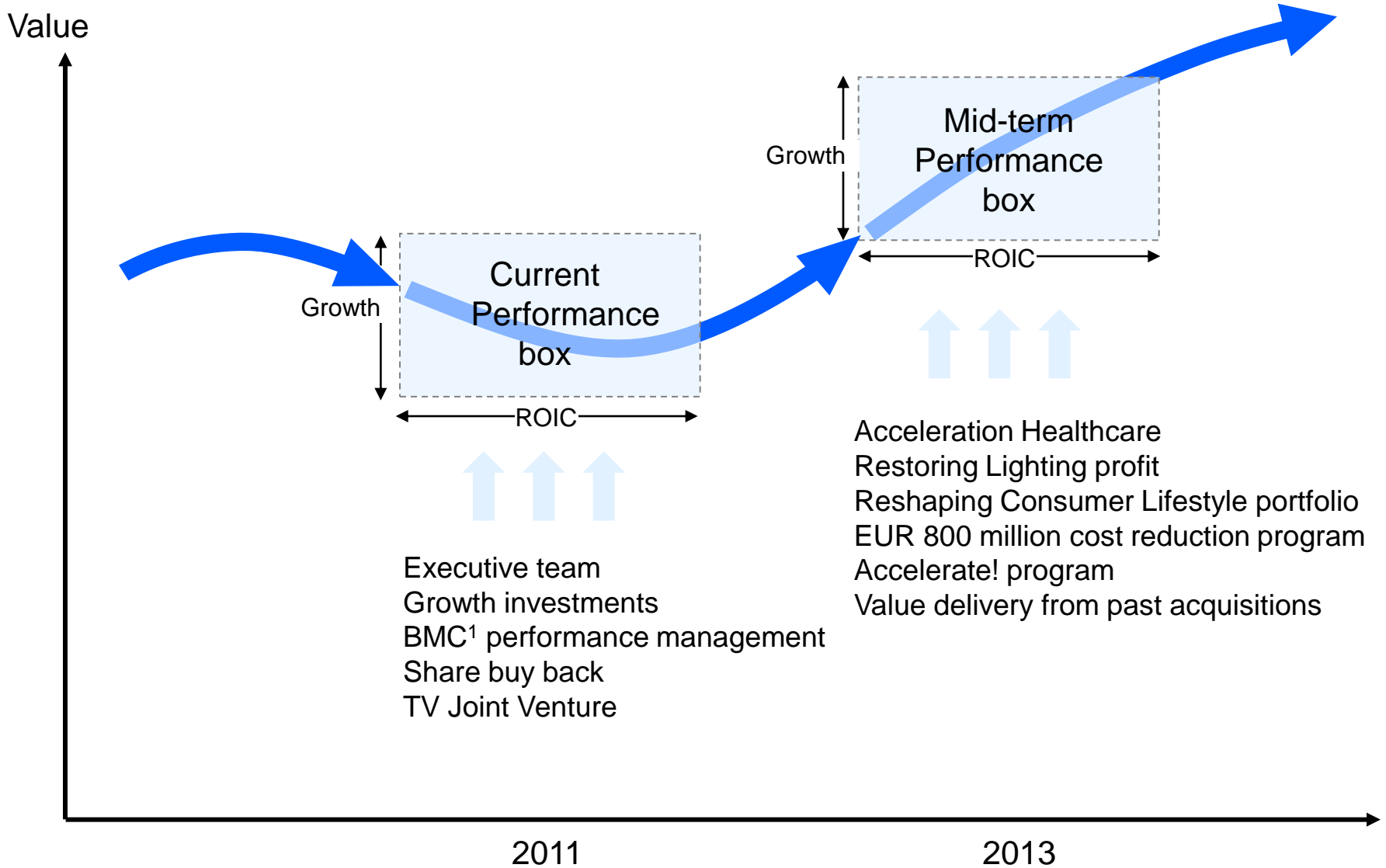
Lighting: Improve profitability on the path to LED and solutions

- 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%

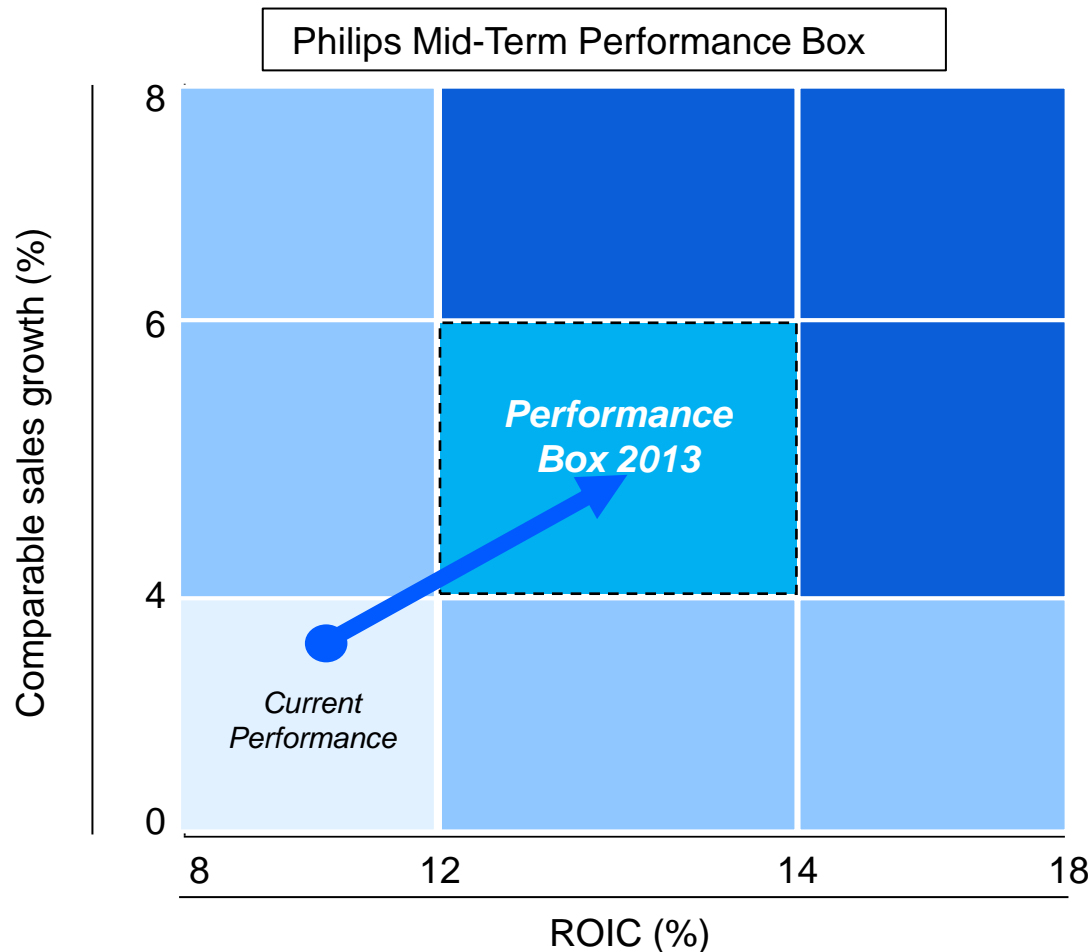
ROIC
12-14%

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

1. Management update
2. Group results Q3 2011
3. Accelerate! Change and performance
4. Portfolio strength
5. Path to value
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 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.

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



A strong position in growth geographies

Represents a significant and growing part of our global footprint

Growth geographies represent 33% of sales

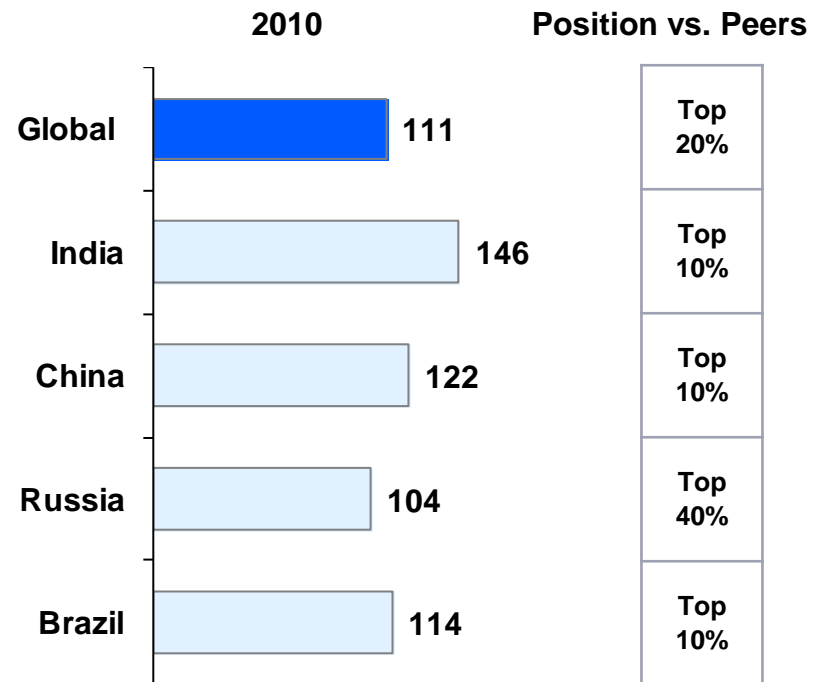
Championing growth with dedicated strategies

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



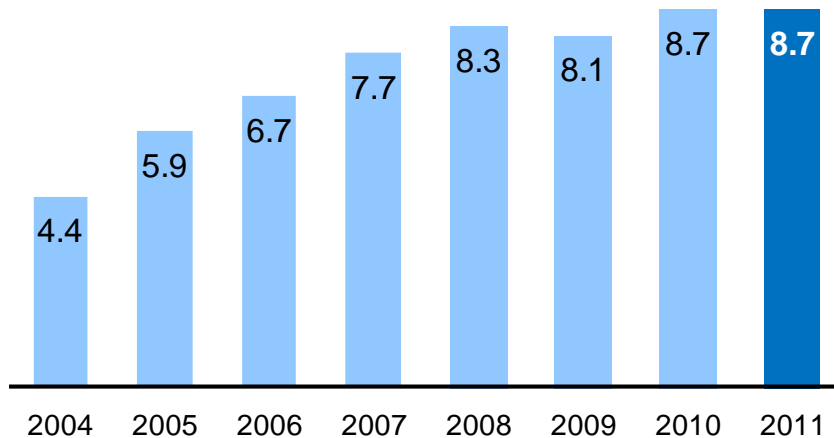
¹ Source: Consumer Heart BEAT brand equity study 2010

The world's 41st most valuable brand in 2011

Philips increased brand value by 29% in the last five years

Value of the Philips brand¹

USD billions



A strong brand drives sales

A significant amount of sales is attributable to the brand alone:

- Healthcare 42%
- Consumer Lifestyle 42%
- Lighting 16%

Brand value remains stable in 2011

Moving up one rank in top 100 global brands list, Philips has reached the highest position ever. Brand value doubled since 2004

Strong internal brand²

82% of employees are “proud to work for Philips”

Brand campaign 2011

Developing thought leadership in health and well-being and making our trusted brand promise of ‘sense and simplicity’ meaningful in this area

¹ Source: Interbrand Brand Valuation 2011

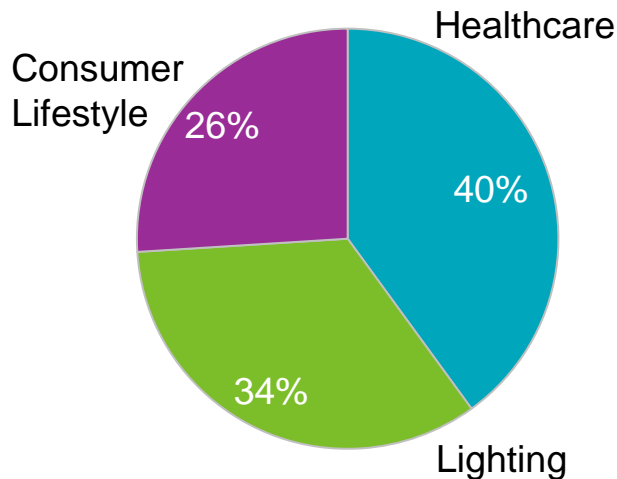
² Employee Engagement Survey 2010

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

Last twelve months

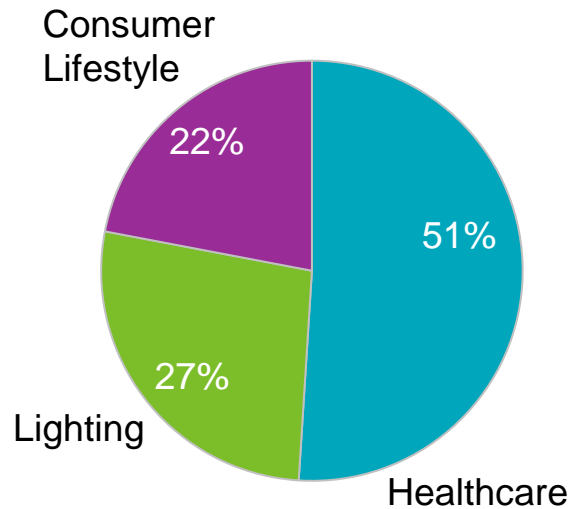
Sales

100% = EUR 22.1B ¹



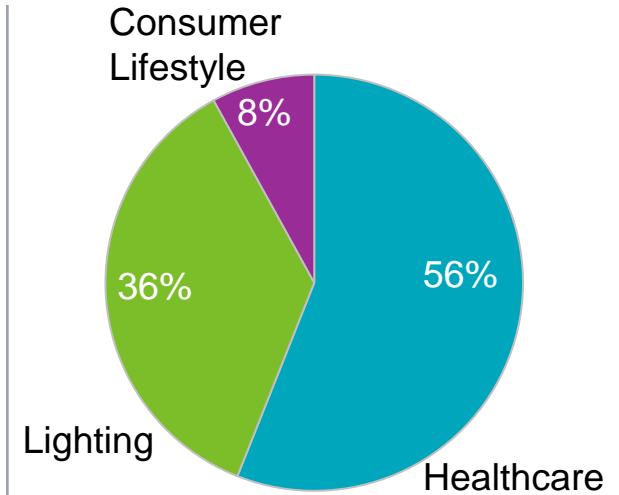
Adjusted EBITA

100% = EUR 2.5B ^{1, 2}



Net Operating Capital

100% = EUR 14.5B ¹



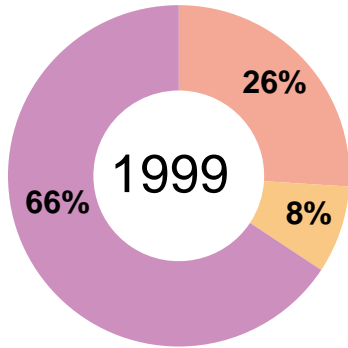
¹ Excluding Central sector (GM&S)

² EBITA adjustments based on the following gains/ charges; for Healthcare EUR 5M, Consumer Lifestyle EUR (39)M and Lighting EUR (64)M

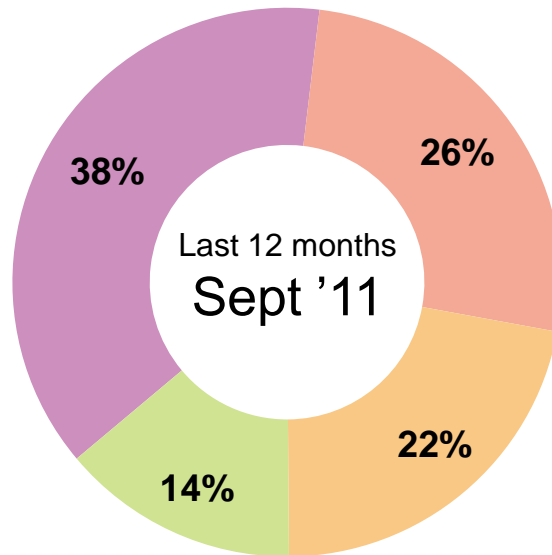
Note - All figures exclude discontinued operations

Strong development of the Healthcare portfolio

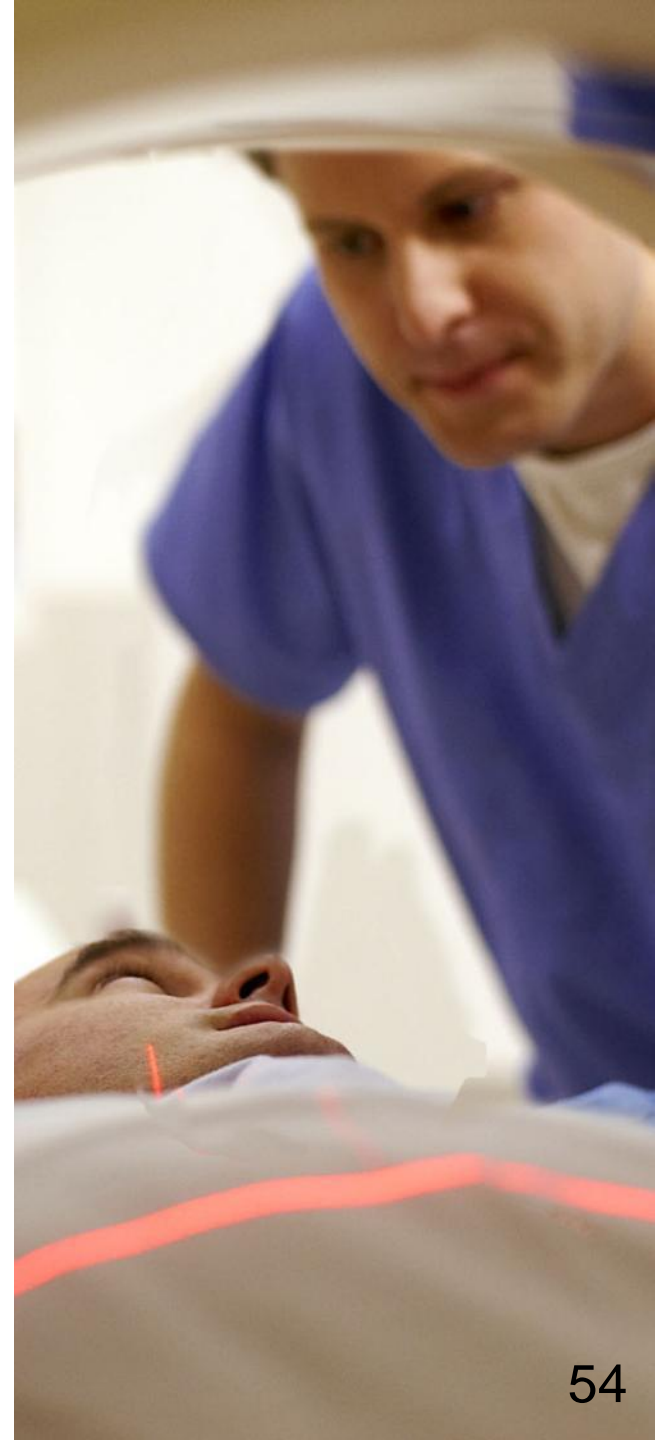
Total sales EUR 2.5 billion



Total sales EUR 8.8 billion

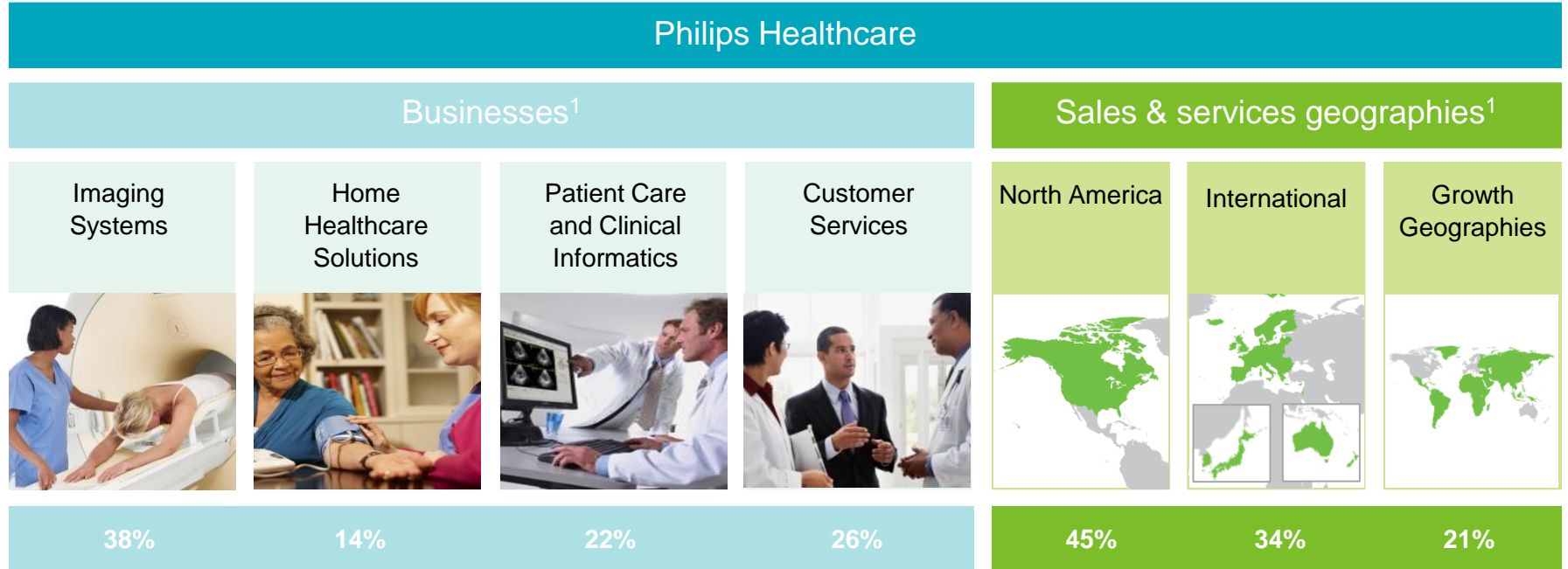


- Imaging
- Customer Service
- Patient Care and Clinical Informatics
- Home Healthcare Solutions



Depth and reach of Philips Healthcare

What we do. Where we are.



€8.6
Billion sales
in 2010

37,000+
People employed
worldwide in 100 countries

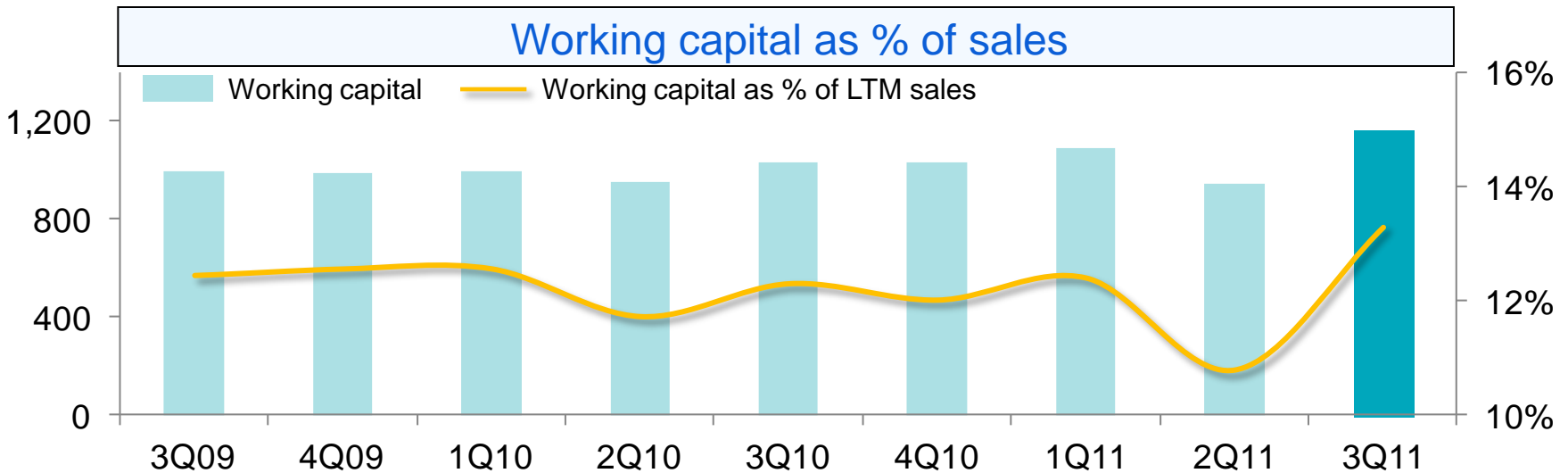
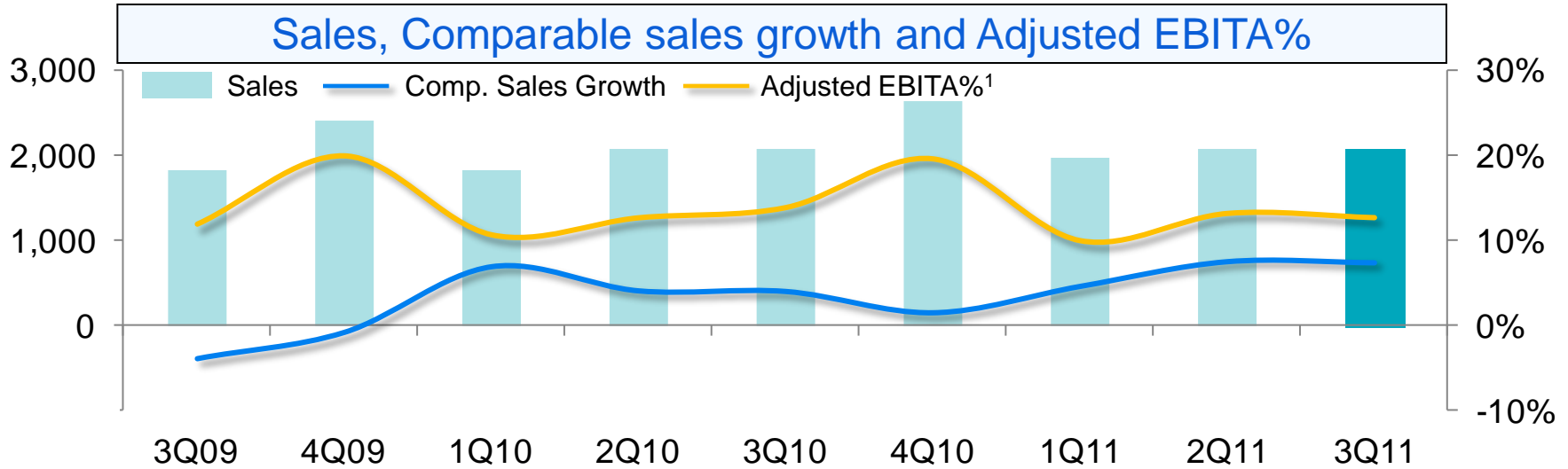
8%
of sales invested in R&D
in 2010

450+
Products & services
offered in over 100 countries

¹ Last twelve months September 2011

Healthcare: key financials over the last two years

EUR million



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

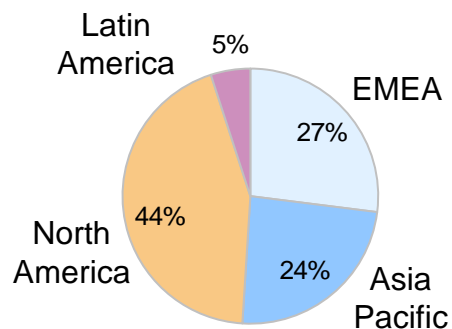
Healthcare: Q3 2011 Sector analysis

EUR million

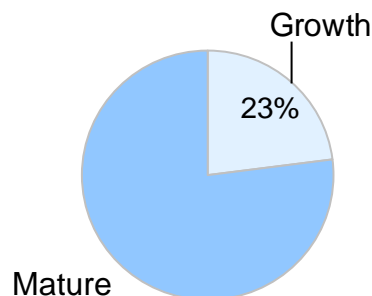
Key figures

	3Q10	2Q11	3Q11
Sales	2,070	2,080	2,077
<i>% sales growth comp.</i>	4	8	7
EBITA	282	276	261
<i>EBITA as % of sales</i>	13.6	13.3	12.6
EBIT	212	(611)	207
<i>EBIT as % of sales</i>	10.2	(29.4)	10.0
NOC	8,771	7,534	8,081
Employees (FTEs)	34,816	36,469	37,215

Sales per region



Growth Geographies

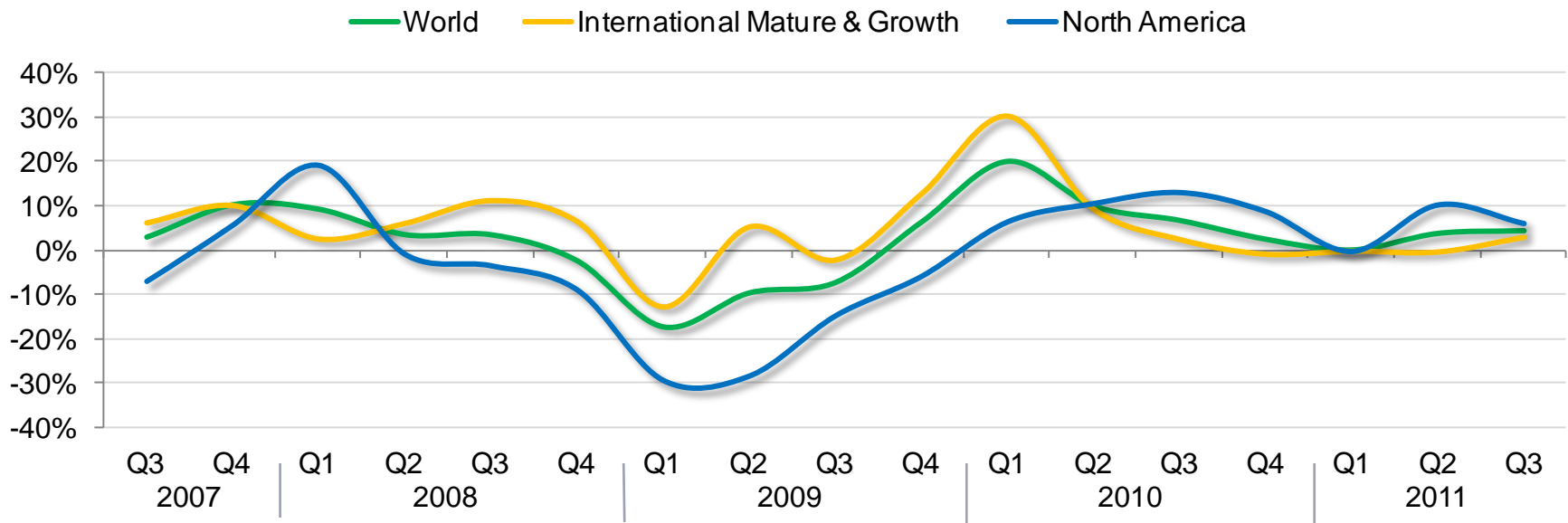


Financial performance

- Currency-comparable equipment order intake grew 5% year-on-year. Equipment order growth was seen in all businesses. Equipment orders in North America were 6% higher than in Q3 2010. Equipment orders in markets outside of North America were 3% higher, with equipment orders growing by 15% in growth geographies. This was offset by decline of order intake in Europe.
- Comparable sales were 7% higher year-on-year, with solid sales increases in all businesses, notably double-digit growth at Patient Care & Clinical Informatics. From a regional perspective, comparable sales in North America grew 8%. Sales in growth geographies grew 20%, while sales growth in mature geographies was 4%.
- EBITA decreased by EUR 21 million year-on-year to EUR 261 million, or 12.6% of sales. EBITA growth was mainly seen at Patient Care & Clinical Informatics. The EBITA decline was mainly due to higher selling and R&D costs at Imaging Systems, from operational investments in new product roll-outs. Excl. restructuring and acquisition-related charges, EBITA was EUR 263 million, or 12.7% of sales, compared to EUR 288 million, or 13.9% of sales, in Q3 2010.
- Net operating capital decreased by EUR 690 million to EUR 8.1 billion, mainly due to a goodwill impairment in Q2 2011.

Healthcare: Equipment order intake

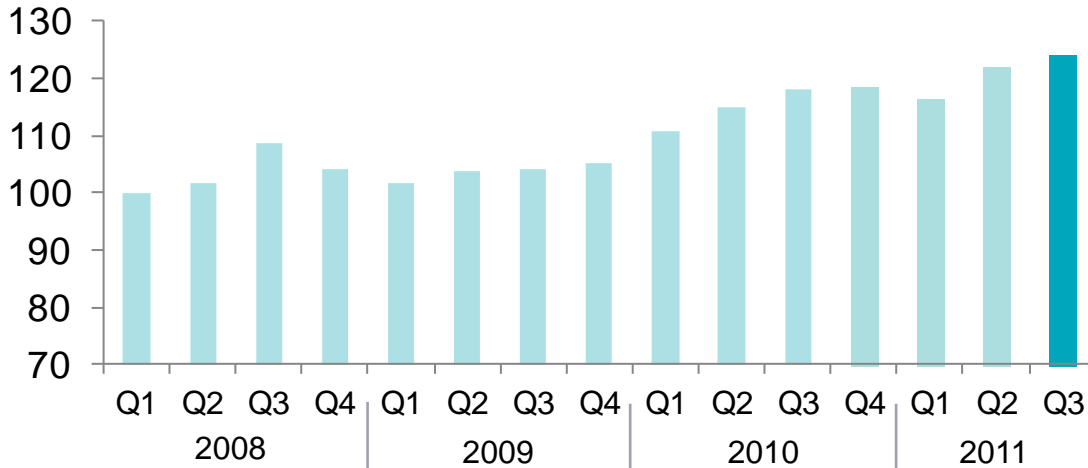
Quarterly currency adjusted equipment order intake



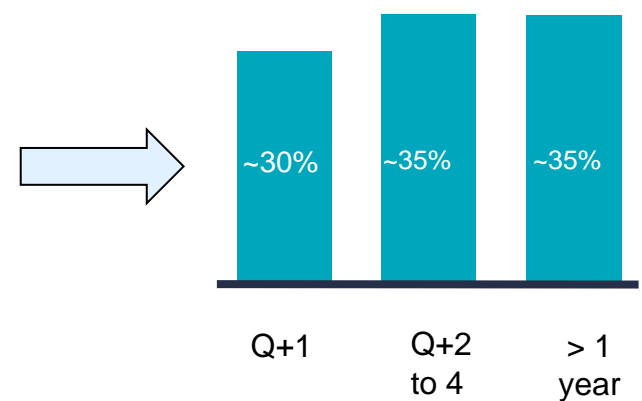
Currency adjusted order intake only relates to the Imaging Systems and Patient Care & Clinical Informatics businesses

Healthcare: Equipment order book impact

Indexed Equipment Order Book Development

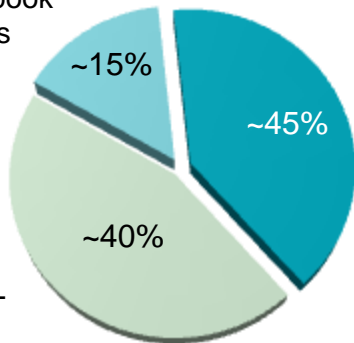


Typical profile of equipment order book conversion to sales



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

Equipment book and bill sales



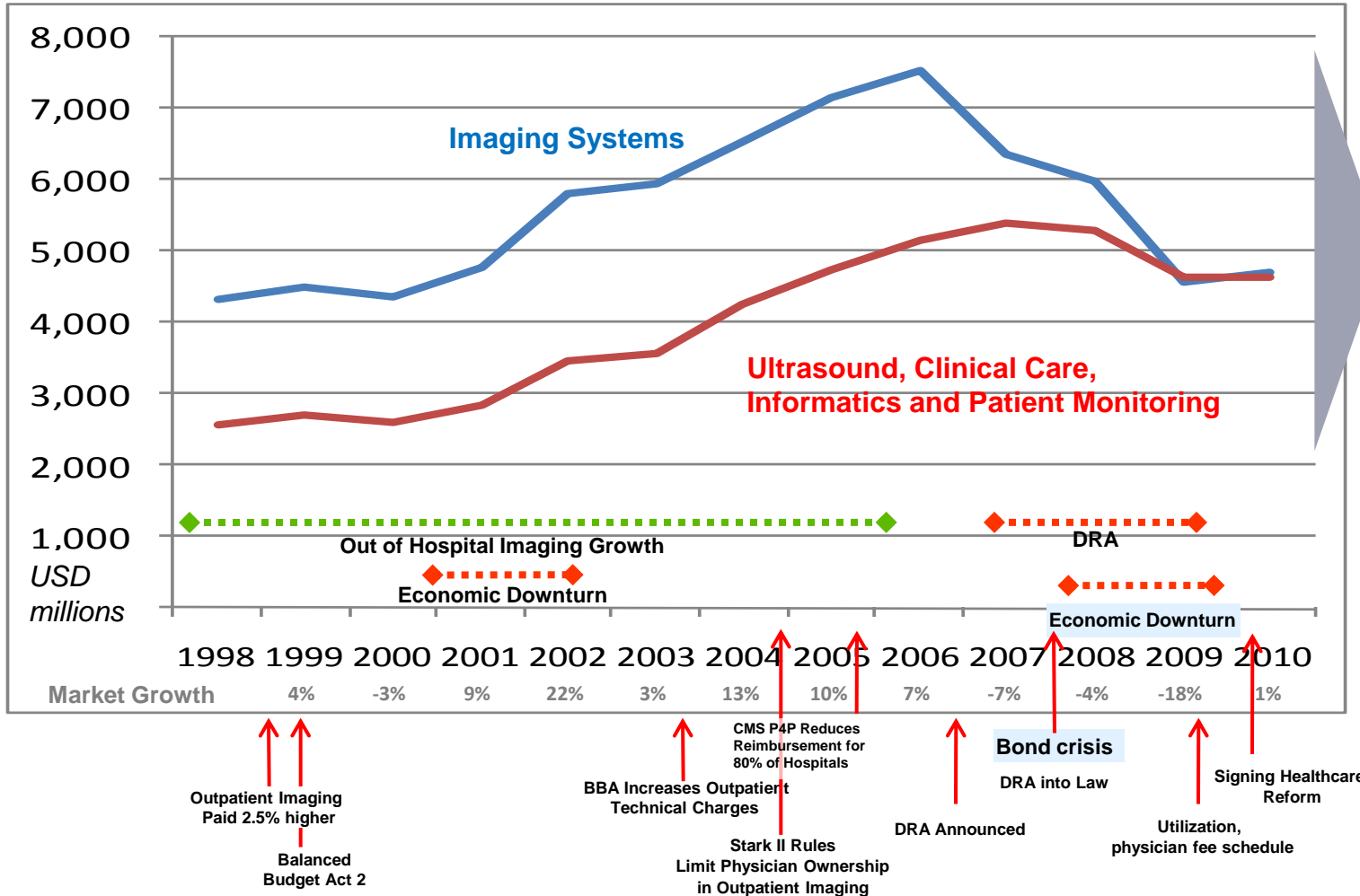
Equipment sales from order book - Leading indicator of future sales

Home Healthcare + Customer Services sales

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

Healthcare historical market development

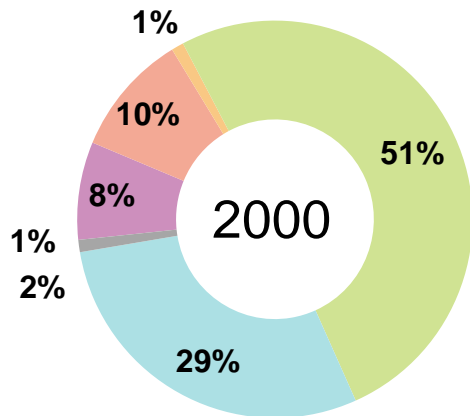
North America Market Size/ Growth and Impacts



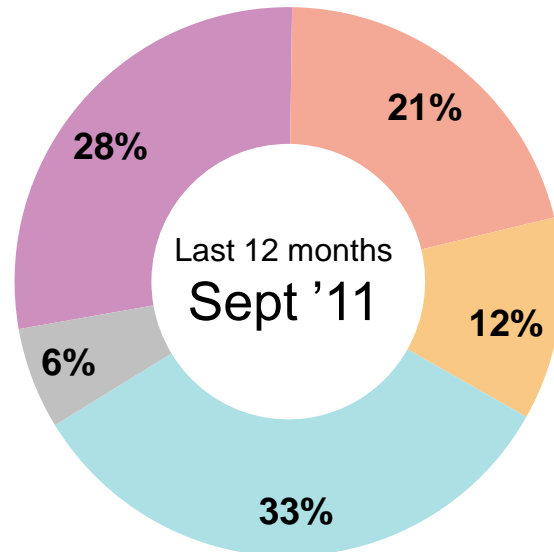
Philips current expectation for the US Imaging Systems market for 2011 is low single-digit growth

Transforming Lifestyle beyond the Consumer Electronics legacy

Total sales EUR 11.3 billion¹



Total sales EUR 5.8 billion



- Domestic Appliances
- Personal Care
- Health & Wellness
- Lifestyle Entertainment
- Other incl. Licenses
- Television

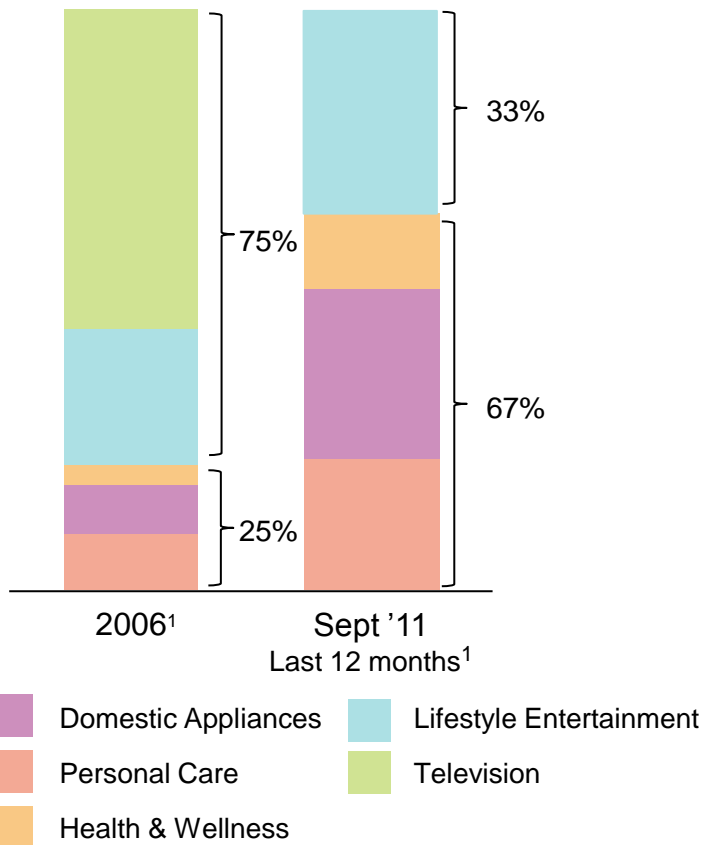


¹ DAP and Mainstream part of Consumer Electronics only

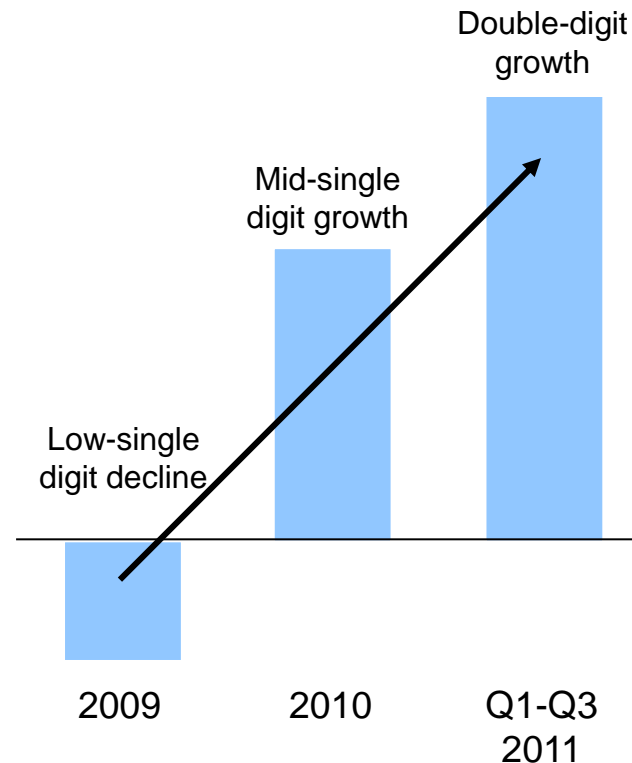
We increase focus

We have reduced our exposure to Consumer Electronics from ~75% towards ~33%

We have reduced our exposure to Consumer Electronics from ~75% towards ~33%



We see strong growth in the combined Personal Care, Health & Wellness and Domestic Appliances businesses¹



¹ Excluding others (e.g. Licenses)

Consumer Lifestyle

What we do. Where we are.

Philips Consumer Lifestyle

Businesses^{1 2}

Geographies¹

Personal Care

Health & Wellness

Domestic Appliances

Lifestyle Entertainment

Mature Geographies

Growth Geographies



21%

12%

28%

33%

59%

41%

€5.8

Billion sales
in 2010

16,000+

People employed
worldwide

5%

of sales invested
in R&D in 2010

34%

of green product
sales in 2010

¹ Last twelve months September 2011

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

Note - All figures exclude discontinued operations

We will drive global scale and category leadership *In Male Grooming, Oral Healthcare, Kitchen Appliances and Coffee. All of these categories show healthy growth and profit potential*

Ambitions

Male Grooming



- Attract new and younger users (combined wet and dry)
 - Local product range in China to expand our value segment offerings
-

Oral Healthcare



- Strengthen global #2 position in rechargeable toothbrushes and brush heads
 - Expand geographically, addressing more price points and entering new channels
 - Expand into adjacencies; e.g. interdental cleaning
-

Kitchen Appliances



- Global leadership through local relevance
 - Establish four regional product creation hubs (leveraging acquisitions)
 - Integrated supply chain to differentiate, improve quality and drive costs down
-

Coffee



- Gaining leadership positions in full automatic espresso
- Launching new portioned initiatives

We are turning around Lifestyle Entertainment focusing the portfolio on growing categories

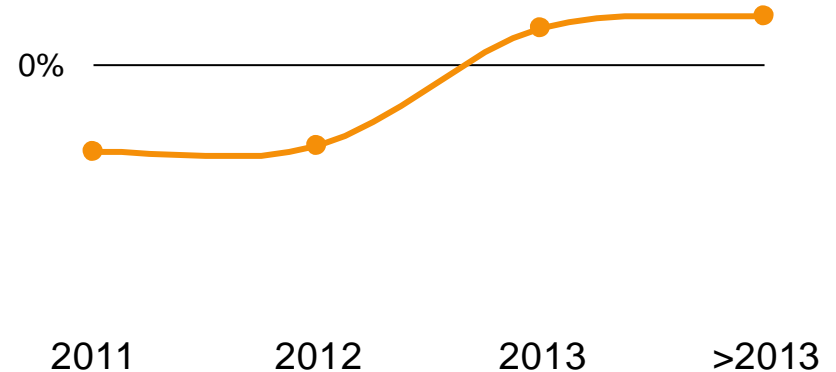
Lifestyle Entertainment will be profitable over the full year 2011

We will transition the Lifestyle Entertainment portfolio towards growing and profitable categories

The transition of the portfolio will result in modest sales growth from 2013 onwards



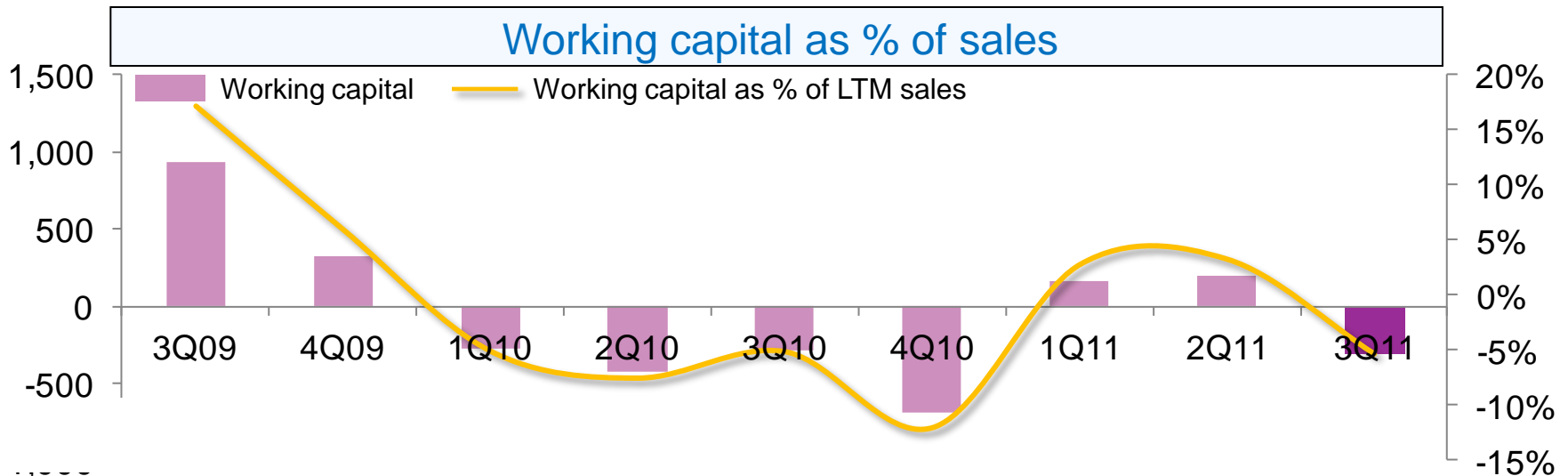
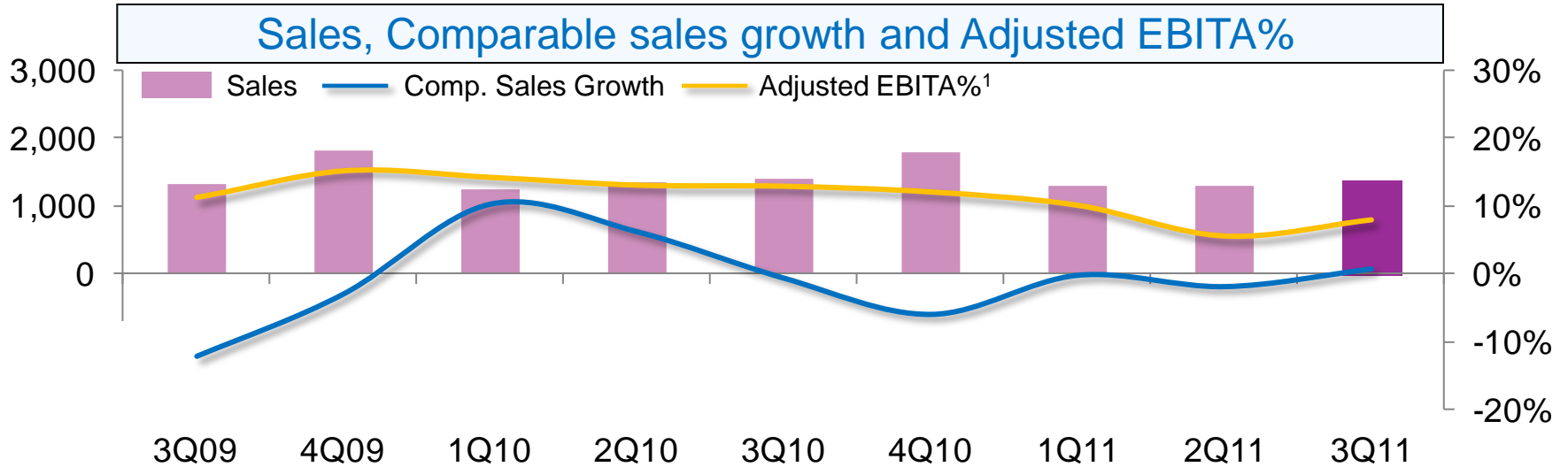
Sales growth development (%)
2011 - 2013



- Launch Airplay & Android docking
- Grow Connected Entertainment
- Remain close to leading eco-systems (e.g. Apple & Android)

Consumer Lifestyle: financials over the last two years

EUR million



¹ Adjusted EBITA is EBITA corrected for incidental charges (details on slide 88)
 Note - All figures exclude discontinued operations

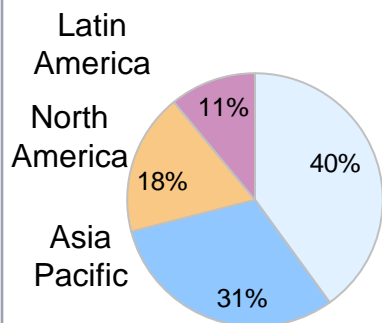
Consumer Lifestyle: Q3 2011 Sector analysis

EUR million

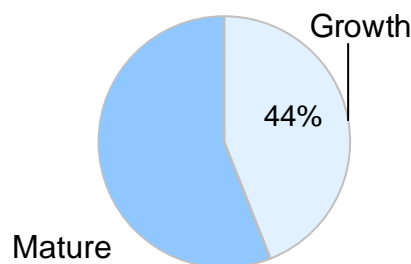
Key figures

	3Q10	2Q11	3Q11
Sales	1,395	1,293	1,377
<i>% sales growth comp.</i>	0	(2)	1
EBITA	169	60	102
<i>EBITA as % of sales</i>	12.1	4.6	7.4
EBIT	158	24	88
<i>EBIT as % of sales</i>	11.3	1.9	6.4
NOC	1,298	1,463	1,181
Employees (FTEs)	14,579	17,026	16,893

Sales per region



Growth Geographies

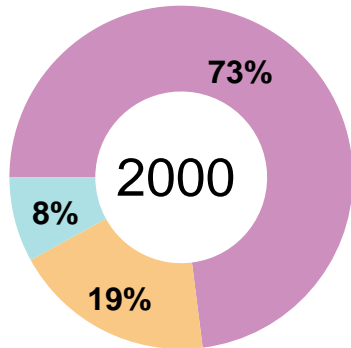


Financial performance

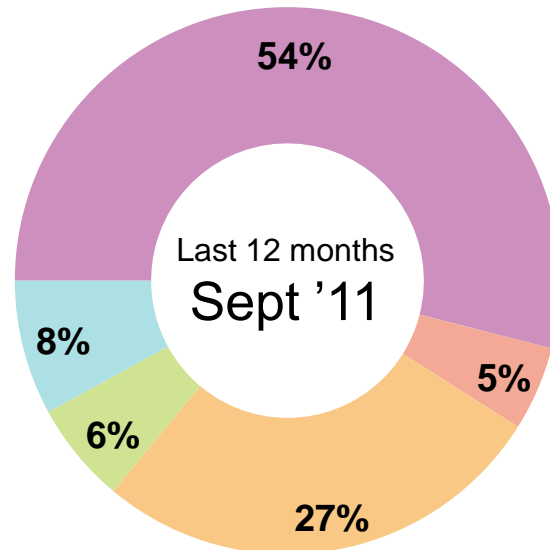
- Sales increased 1% on a comp. basis and declined 1% nominally year-on-year. Double-digit comparable growth at Health & Wellness and mid-single-digit growth at Domestic Appliances and Personal Care were partly offset by lower license revenue and a sales decline at Lifestyle Entertainment. Comparable sales growth excluding Licenses was 2%.
- Regionally, double-digit growth in China, India and Latin America was tempered by a slight decline in North America and other mature geographies.
- EBITA includes EUR 7 million (EUR 11 million in Q3 2010) of net costs formerly reported as part of the Television business in Consumer Lifestyle.
- EBITA was EUR 67 million lower compared to Q3 2010, which was attributable to lower profitability at Lifestyle Entertainment and to higher investments in advertising & promotion and in R&D across all businesses. Excluding restructuring and acquisition related charges of EUR 12 million in Q3 2010 and EUR 10 million in Q3 2011, EBITA declined from 13.0% to 8.1%.
- Net operating capital decreased by EUR 117 million, largely driven by the discontinued operations of the Television business.






Transitioning Lighting from light source to solutions

Total sales EUR 4.9 billion¹



Total sales EUR 7.5 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

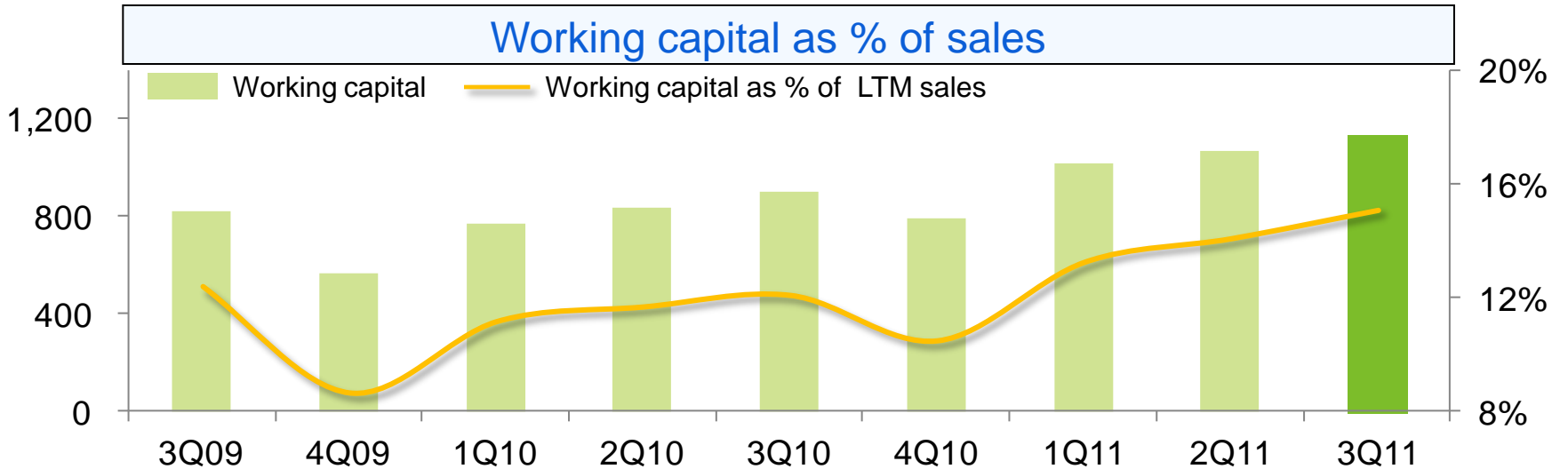
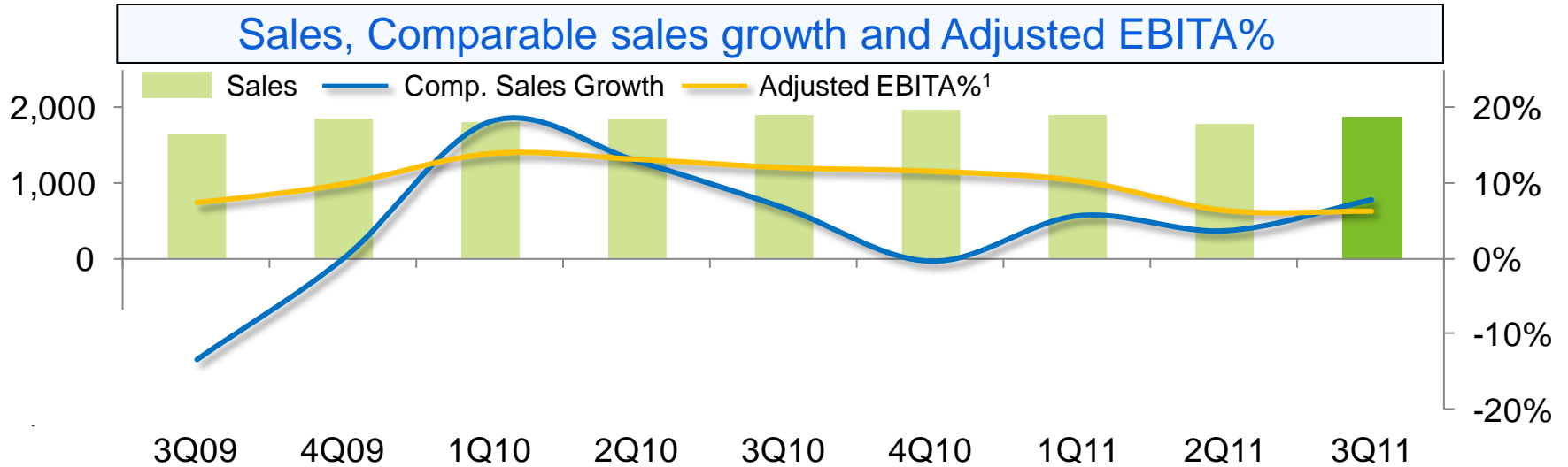
5%
of sales invested
in R&D in 2010

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 88)

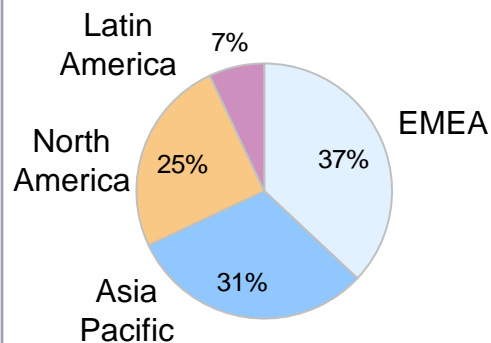
Lighting: Q3 2011 Sector analysis

EUR million

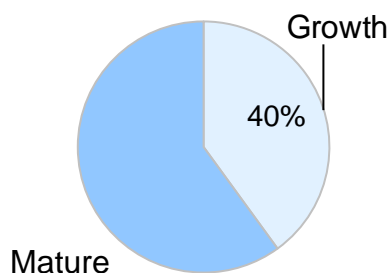
Key figures

	3Q10	2Q11	3Q11
Sales	1,908	1,777	1,886
<i>% sales growth comp.</i>	7	4	8
EBITA	216	101	110
<i>EBITA as % of sales</i>	11.3	5.7	5.8
EBIT	169	(470)	86
<i>EBIT as % of sales</i>	8.9	(26.4)	4.6
NOC	5,610	5,021	5,238
Employees (FTEs)	52,057	54,728	54,140

Sales per region



Growth Geographies



Financial performance

- Comparable sales were 8% higher year-on-year, driven by double-digit sales growth at Lamps and Professional Luminaires, partly offset by a sales decrease at Lumileds and Consumer Luminaires. Strong double-digit growth was delivered in growth geographies.
- LED-based sales grew 32% compared to Q3 2010, now representing 16% of total Lighting sales.
- EBITA, excluding restructuring and acquisition related charges of EUR 11 million (Q3 2010: EUR 17 million), was EUR 121 million, or 6.4% of sales (Q3 2010: EUR 233 million). The year-on-year EBITA decrease was mainly due to a decline in earnings at Lumileds and Consumer Luminaires, raw-material price increases and step-ups in investments for growth. Q3 2011 EBITA included a EUR 9 million gain on the sale of assets.
- Net operating capital decreased by EUR 372 million to EUR 5,238 million, driven by the Q2 2011 goodwill impairment charge, partly offset by higher working capital.

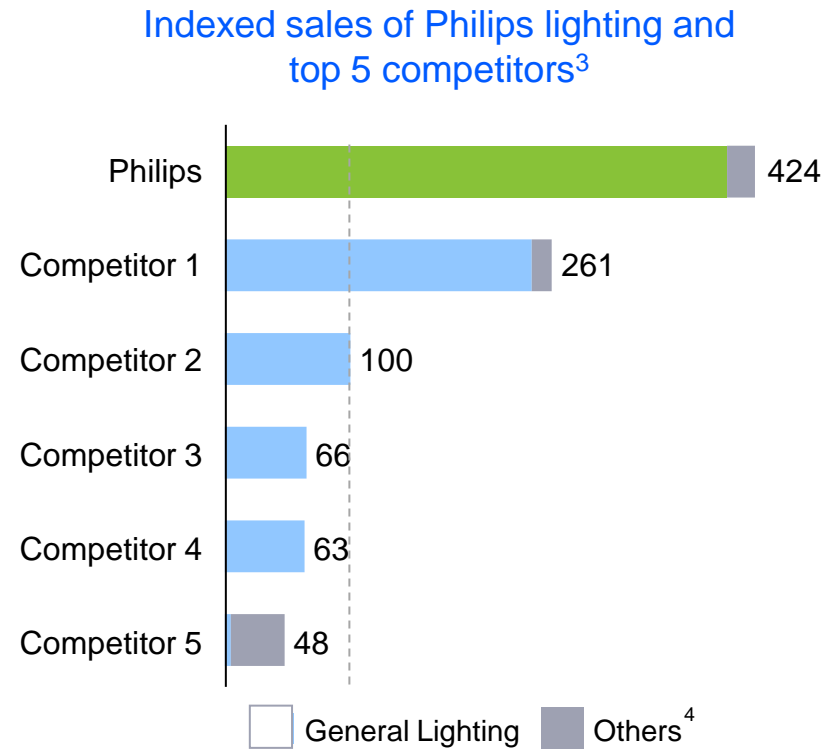
The leading global lighting company

Market leadership¹ across most categories
 Market share per Business Group by Region,
 as at September'11

	Europe	North America	Latin America	Asia/ Pacific ²	Total
Lamps	Green	Yellow	Green	Green	Green
Consumer Luminaires	Green	Red	Red	Red	Green
Professional Luminaires	Green	Yellow	Yellow	Green	Green
Systems & controls	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

We are the largest lighting company...



¹ Source: customer panels and Industry associations

² Excluding Japan

³ Sales for competitors based on the latest fiscal year information

⁴ Includes backlighting, display/ flash, projector lighting and other non-general illumination categories

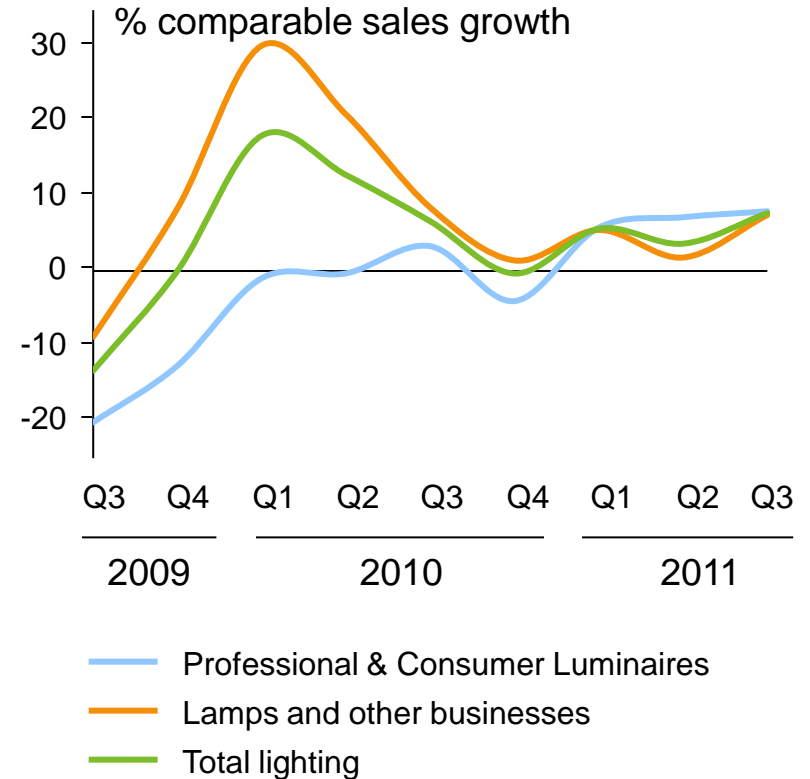
Sales recovery despite current weakness in the construction market in mature economies

Around 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



We are the leading LED lighting company

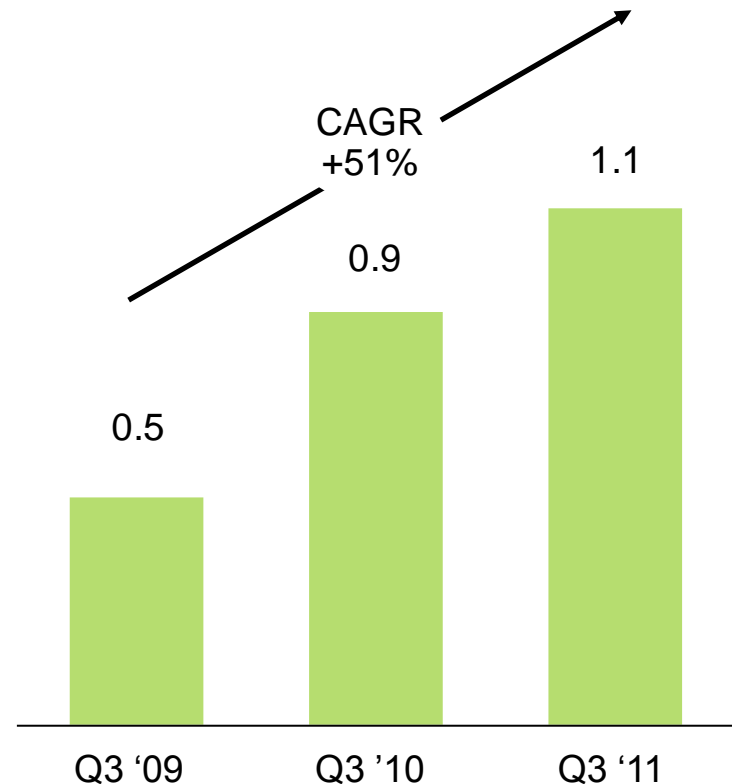
Strong positions in LED lighting

- LED licensing program with over 140 licensees is clear testimony of our LED innovation leadership
- One of the leading lighting packaged LEDs players worldwide
- LED lamps market share exceeds our share in conventional lamps
- Largest LED luminaires company



Robust growth across our LED portfolio

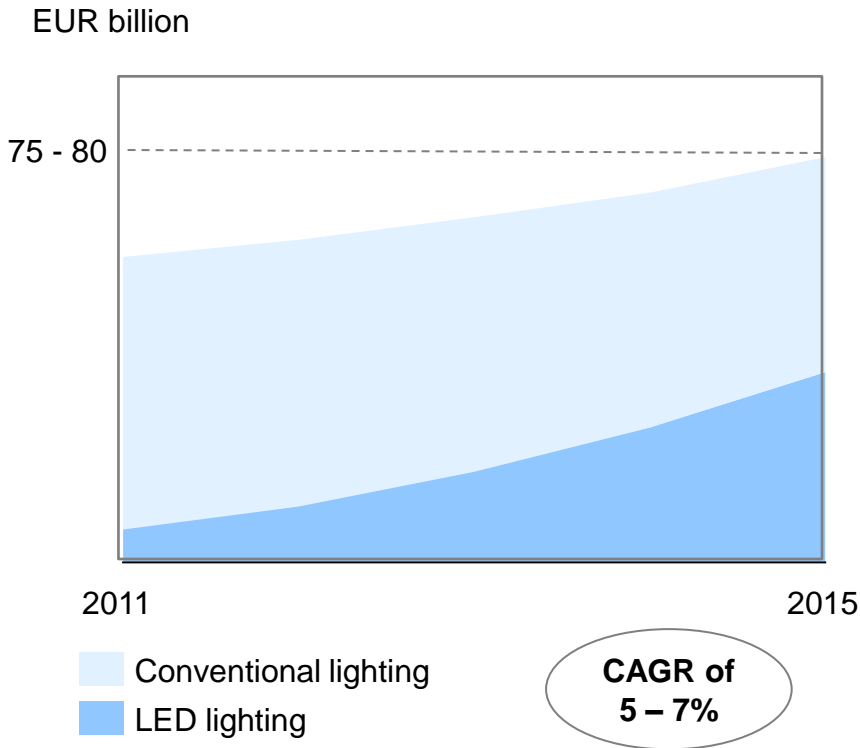
Last 12 months sales, EUR billion



The lighting industry is transforming and offers significant growth opportunities

Global General Illumination¹ market forecasted to grow to around EUR 80 billion by 2015...

...driven by LED, legislation and increasing light points in growth geographies

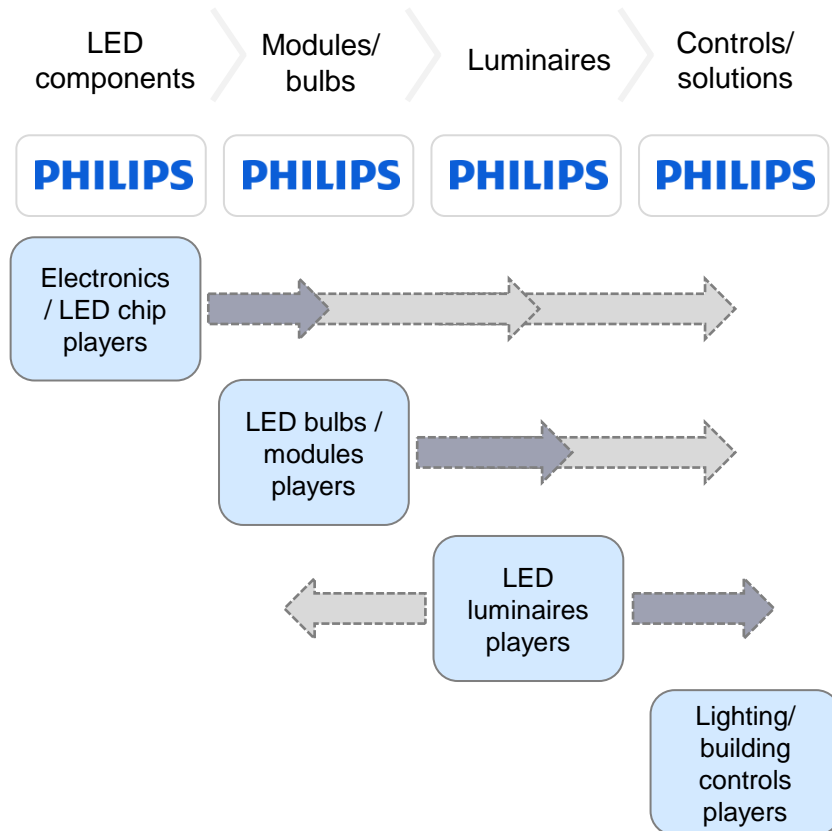


- Lighting market will grow faster than GDP, driven by:
 - **LED:** LED penetration forecasted to grow to ~45% by 2015
 - **Energy efficiency:** Many governments are phasing out inefficient lighting technologies
 - **Growth in light points:** Increased electrification leading to strong growth in light points in growth geographies
- Conventional lighting continues to be a large part of the market

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

Philips has a unique position in a changing lighting competitive landscape

Digital Lighting value chain



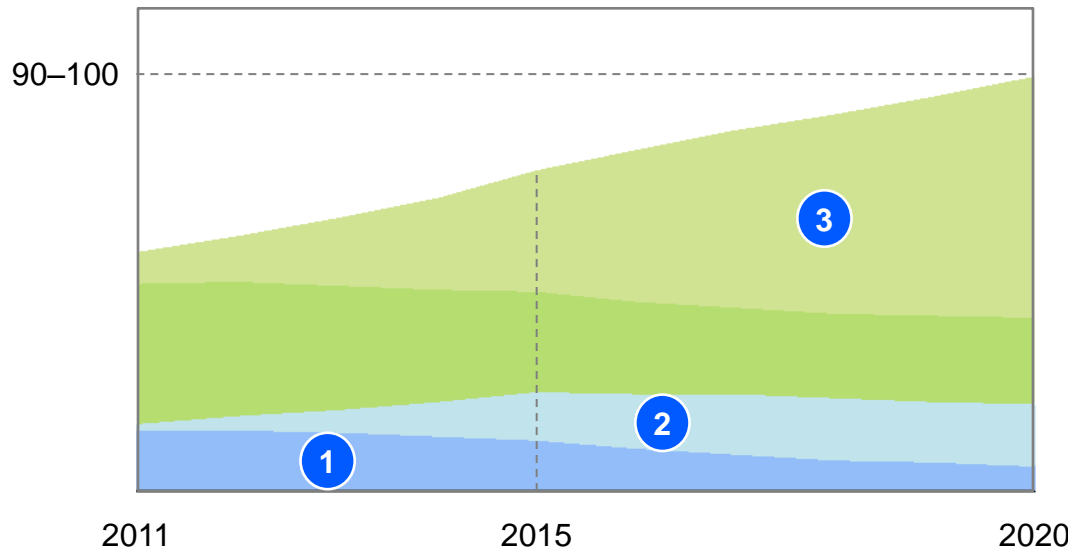
The changing industry landscape

- Traditional value chain had:
 - 3 to 4 global and few local lamps players
 - 6 to 8 regional and thousands of local luminaires players
- Lower barriers to entry in LEDs will initially mean more players across the value chain – not all positioned to win
- Building systems and lighting controls players collaborating on turnkey projects for energy savings
- Philips has an unique advantage, leveraging strong position across the value chain

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

Global General Illumination¹ market

EUR billion



LED luminaires and controls
 LED lamps and modules
 Conventional luminaires
 Conventional lamps and drivers

1
Win “golden tail” in conventional lamp and drivers. Create flexibility to anticipate slower or faster phase out

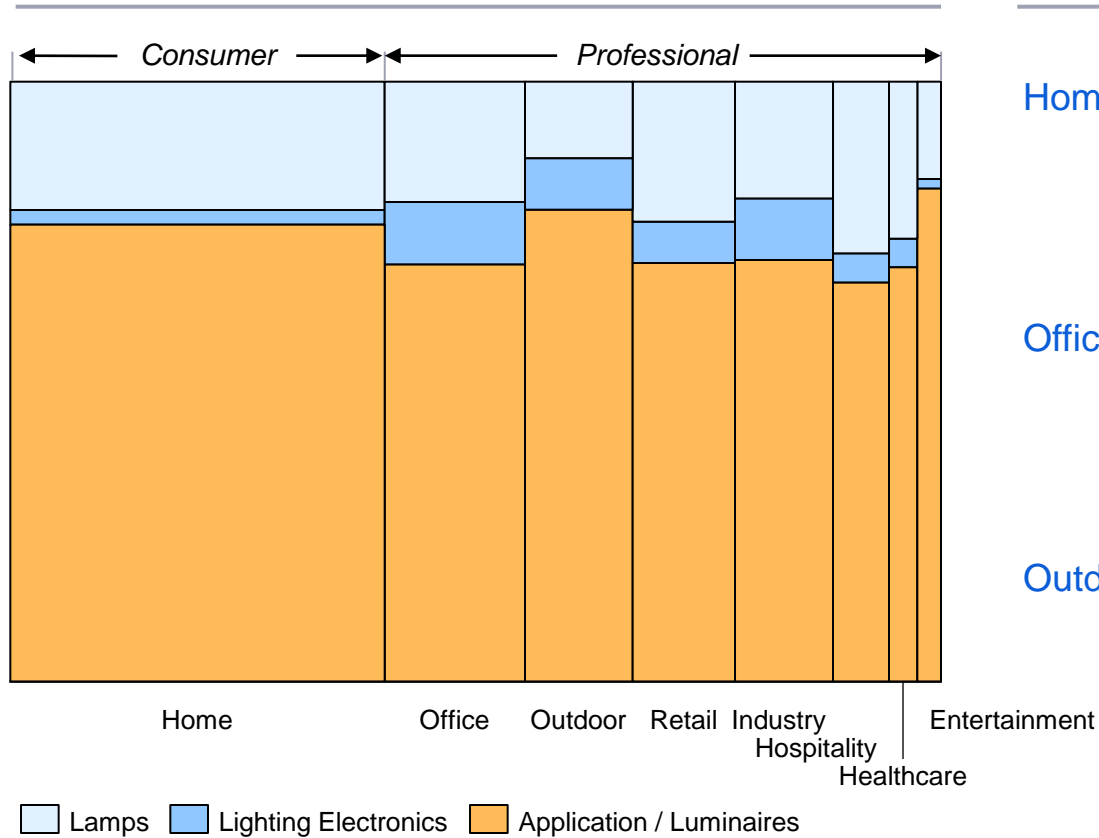
2
Leverage growth opportunity in LED lamps and modules

3
Invest in LED luminaires and controls to secure future leadership

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

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

Building on necessary strengths for sustainable value creation

Strengths



Philips brand

- World's 41st most valuable brand in 2011
- Consistently among top-ranked players, top 10% in India, China and Brazil, top 20% globally in the Corporate brand equity index¹



Cost-efficiency and responsiveness

- Integrated value chain and end-to-end processes for fastest time-to-market
- Low-cost and highly efficient manufacturing and supply base



Go-to-market strength

- Strong Key Account Management and specifier relations
- Strong coverage in 4 metropolitan cities and 32 main cities in China
- Over 1 million selling points through wholesale in India



Innovation leader

- Leader in LED lighting innovation (e.g. L-prize), with an established technology roadmap, ahead of competition
- Leading IP position acknowledged across the industry



Global footprint

- Serving customers in over 180 countries
- Growth geographies contributing around 40% of our total revenue
- Global presence driving scale

¹ Consumer brand equity study 2010

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 Q3 – Group Management & Services

EUR million

Key figures

	3Q10	2Q11	3Q11
Sales	87	63	54
<i>% sales growth comp.</i>	<i>2</i>	<i>27</i>	<i>(6)</i>
EBITA:			
Corporate Technologies	(5)	2	(11)
Corporate & Regional Costs	(32)	(28)	(37)
Pensions	24	(13)	(12)
Service Units and Other	(7)	(28)	(45)

EBITA	(20)	(67)	(105)
EBIT	(21)	(66)	(108)
NOC	(1,357)	(2,716)	(2,876)
Employees (FTEs)	11,898	12,128	12,334

Financial performance

- Sales decreased from EUR 87 million in Q3 2010 to EUR 54 million in Q3 2011, mainly due to the divestment of Assembléon.
- On a comparable basis, sales were 6% below the level of Q3 2010, due to lower license revenue.
- EBITA was a net cost of EUR 105 million, a cost increase of EUR 85 million year-on-year.
- EBITA was negatively impacted by EUR 38 million of legal and environmental provisions related to a discount rate change. In Q3 2010, EBITA was favorably impacted by a EUR 36 million pension plan change and a EUR 6 million provision release.
- EBITA included EUR 17 million (EUR 21 million in Q3 2010) of net costs formerly reported as part of the Television business in Consumer Lifestyle.
- Compared to Q3 2010, the number of employees increased by 436, primarily due to internal transfers from sectors to group activities, partially offset by the divestment of Assembléon.

PHILIPS

sense and simplicity

Appendix

Publication and AGM dates 2012

January 30	Fourth quarterly and annual results 2011
February 23	Annual Report 2011
April 23	First quarterly results 2012
April 26	Annual General Meeting of Shareholders
July 23	Second quarterly and semi-annual results 2012
October 22	Third quarterly results 2012

Development cost capitalization & amortization by sector

EUR million

	Capitalization		Amortization	
	Q3 2010	Q3 2011	Q3 2010	Q3 2011
Healthcare	25	33	18	20
Consumer Lifestyle	7	8	5	8
Lighting	7	17	8	8
GM&S	2	-	-	-
Group	41	58	31	36

Fixed assets expenditures & Depreciation by sector¹

EUR million

	Gross CapEx		Depreciation	
	Q3 2010	Q3 2011	Q3 2010	Q3 2011
Healthcare	43	53	44	48
Consumer Lifestyle	30	33	28	30
Lighting	74	68	62	62
GM&S	19	22	20	14
Group	166	177	154	154

¹ Excluding software related capital expenditures and depreciation

Fixed assets expenditures & Depreciation by sector¹

EUR million

	Gross CapEx		Depreciation	
	2009	2010	2009	2010
Healthcare	164	179	187	183
Consumer Lifestyle	107	116	101	112
Lighting	165	273	311	256
GM&S	59	53	103	93
Group	495	621	702	644

¹ Excluding software related capital expenditures and depreciation

Restructuring, acquisition-related and other incidentals

EUR million

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

