Royal Philips

Second Quarter 2013

Information booklet

July 22nd, 2013

Important information

Forward-looking statements

This document and the related oral presentation, including responses to questions following the presentation, contain certain forward-looking statements with respect to the financial condition, results of operations and business of Philips and certain of the plans and objectives of Philips with respect to these items. Examples of forward-looking statements include statements made about our strategy, estimates of sales growth, future EBITA and future developments in our organic business. By their nature, these statements involve risk and uncertainty because they relate to future events and circumstances and there are many factors that could cause actual results and developments to differ materially from those expressed or implied by these statements.
These factors include, but are not limited to, domestic and global economic and business conditions, developments within the euro zone, the successful implementation of our strategy and our ability to realize the benefits of this strategy, our ability to develop and market new products, changes in legislation, legal claims, changes in exchange and interest rates, changes in tax rates, pension costs and actuarial assumptions, raw materials and employee costs, our ability to identify and complete successful acquisitions and to integrate those acquisitions into our business, our ability to successfully exit certain businesses or restructure our operations, the rate of technological changes, political, economic and other developments in countries where Philips operates, industry consolidation and competition. As a result, Philips' actual future results may differ materially from the plans, goals and expectations set forth in such forward-looking statements. For a discussion of factors that could cause future results to differ from such forward-looking statements, see the Risk management chapter included in our Annual Report 2012.

Third-party market share data

Statements regarding market share, including those regarding Philips' competitive position, contained in this document are based on outside sources such as specialized 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 financial position, operating results and cash flows, management uses certain non-GAAP financial measures. These non-GAAP financial measures should not be viewed in isolation as alternatives to the equivalent IFRS measures and should be used in conjunction with the most directly comparable IFRS measures. A reconciliation of such measures to the most directly comparable IFRS measures is contained in our Annual Report 2012. Further information on non-GAAP measures can be found in our Annual Report 2012.

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 2012 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 the accounting policies as stated in the Annual Report 2012, unless otherwise stated.

Agenda

1. Management update
2. Group results Q2 2013
3. Accelerate! Change and performance
4. Philips Business System
5. Group and sector overview

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Management update Q2 2013: Group

Sales & order intake	• Comparable sales increased by 3% year-on-year to reach EUR 5.7 billion • Comparable sales growth was 13% in Consumer Lifestyle and 2% in Lighting • Healthcare comparable equipment order intake was up by 7%, while sales were flat
EBITA & Adjusted EBITA[1]	• EBITA amounted to EUR 603 million, 10.7% of sales and included gains of EUR 78 million related to past-service pension costs in the US and EUR 21 million on the sale of a business in Healthcare. Q2 2012 EBITA was 6.1% and included a gain of EUR 25 million for past-service costs related to a medical retiree benefit plan • Adjusted EBITA improved by 30% to EUR 530 million, 9.4% of sales, from 7.3% in Q2 2012, driven mainly by gross margin improvements in all sectors
Cost savings & Net Income	• Overhead cost savings on track, EUR 673 million total gross savings to date • Net income was EUR 317 million, up by EUR 215 million compared to Q2 2012
Asset management & ROIC	• Inventories as a % of sales improved by 1.5 percentage points to 15.7% • ROIC excl. the CRT fine[2] improved to 9.2%, from 6.7% in Q2 2012 • Free Cash Flow was an outflow of EUR 122 million compared to an outflow of EUR 162 million in Q2 2012
Others	• Reduced exposure to pension obligations in the US and the Netherlands resulted in a past-service pension cost gain of EUR 78 million in the US in Q2 2013

Improved earnings in all sectors ; order intake increases

[1] Adjusted EBITA excludes restructuring and acquisition-related charges of EUR 26 million and net gains of EUR 99 million
[2] European Commission fine related to Cathode-Ray Tubes, a business divested by Philips in 2011. Philips has appealed the decision. Charges were taken in Q4 2012
Note - Prior-period financials revised for discontinued operations, the adoption of IAS19R and for restatements included in the Annual Report 2012 (please refer to the Annual Report section 12.10 “Significant Accounting Policies”)

Management update Q2 2013: Healthcare

Order intake	• Currency-comparable equipment order intake grew by 7% • Patient Care & Clinical Informatics equipment orders grew by double-digit, low-single-digit growth in Imaging Systems • Growth geographies grew by 19%, North America had mid-single-digit growth, while Europe declined by low-single-digit
Sales	• Comparable sales were flat year-on-year • Customer Services increased by mid-single-digit, Patient Care & Clinical Informatics and Home Healthcare Solutions grew by low-single-digit, while Imaging Systems sales showed a high-single-digit decline
EBITA & Adjusted EBITA[1]	• EBITA increased to 17.8% of sales, up from 12.8% in Q2 2012 • EBITA included gains of EUR 61 million related to past-service pension costs in the US and EUR 21 million on the sale of a business • Adjusted EBITA increased to 14.3% compared to 13.1% in Q2 2012
Net Operating Capital	• Currency comparable, Net operating capital decreased by EUR 392 million to EUR 7.7 billion • Inventories as a % of sales improved by 2.6 percentage points, with improvements seen across all businesses

Adjusted EBITA improves by 120 bps ; Order intake growth resumes

[1] Adjusted EBITA excludes net gains of EUR 82 million

Note - Prior-period financials revised for discontinued operations, the adoption of IAS19R and for restatements included in the Annual Report 2012 (please refer to the Annual Report section 12.10 “Significant Accounting Policies”)

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Management update Q2 2013: Consumer Lifestyle

Sales	• Comparable sales grew by 13% compared to Q2 2012 • Strong double-digit growth at Domestic Appliances and Personal Care. Health & Wellness recorded mid-single-digit growth
EBITA & Adjusted EBITA[1]	• EBITA amounted to EUR 82 million, or 7.6% of sales, up from 4.2% in Q2 2012 • EBITA in Q2 2013 included a gain of EUR 1 million related to past-service pension costs in the US • Adjusted EBITA increased to 7.8%, from 5.0% in Q2 2012. The 280 bps improvement was due to higher sales and gross margins across all businesses • Stranded costs for TV and the Audio, Video, Multimedia and Accessories business decreased from EUR 18 million last year to EUR 7 million in Q2 2013
Net Operating Capital	• Currency comparable, Net operating capital decreased by EUR 266 million year-on-year, largely driven by lower working capital requirements
Portfolio	• The Audio, Video, Multimedia and Accessories business is reported as discontinued operations from Q1 2013

4th consecutive quarter of double-digit sales growth

[1] Adjusted EBITA excludes restructuring and acquisition-related charges of EUR 3 million and a EUR 1 million gain

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Management update Q2 2013: Lighting

Sales	• Comparable sales were 2% above last year • Automotive grew by high-single-digit, Lumileds and Consumer Luminaires grew by mid-single-digit. Light Sources & Electronics had low-single-digit growth and Professional Lighting Solutions sales were slightly below last year • LED-based sales grew 28% compared to Q2 2012 and now represent 25% of Lighting sales
EBITA & Adjusted EBITA[1]	• EBITA amounted to EUR 153 million, or 7.5% of sales, from 3.8% in Q2 2012 • EBITA of Q2 2013 included a past-service pension cost gain in the US of EUR 10 million • Adjusted EBITA increased to 8.1% of sales compared to 5.7% in Q2 2012, driven by improvements across all businesses
Net Operating Capital	• Inventories as a % of sales improved by 1.2 percentage points year-on-year • Currency comparable, Net operating capital decreased by EUR 370 million to EUR 4.7 billion, largely driven by an increase in provisions and improved working capital
Others	• The number of employees has decreased by 3,601 compared to Q2 2012 mainly due to the rationalization of the industrial footprint

Operational earnings improve by 240 bps

[1] Adjusted EBITA excludes restructuring and acquisition-related charges of EUR 23 million and a EUR 10 million gain

Note - Prior-period financials revised for discontinued operations, the adoption of IAS19R and for restatements included in the Annual Report 2012 (please refer to the Annual Report section 12.10 "Significant Accounting Policies")

Management update Q2 2013: By Geography

Growth Geographies[1]

- Group comparable sales grew by 12%, with all sectors growing by double-digits
- China, Latam and Russia recorded strong double-digit growth
- Healthcare comparable equipment order intake grew by 19% with China and Latam growing by strong double-digits

North America

- Group comparable sales declined by 5% as mid-single-digit growth in Consumer Lifestyle was offset by mid-single-digit declines in Healthcare and Lighting
- Healthcare comparable equipment order intake grew by 5%, driven by Patient Care & Clinical Informatics. Imaging Systems declined by low-single-digit

Europe

- Group comparable sales declined by 1% as mid-single-digit growth in Consumer Lifestyle was offset by low-single-digit declines in Healthcare and Lighting
- The low-single-digit decline in Healthcare was mainly due to Iberia. Europe excluding Iberia grew by low-single-digit
- Healthcare comparable equipment order intake declined by 2% mainly due to the Nordic countries. Excluding Nordics order intake grew by high-single-digit

Growth geographies back to double-digit growth

[1] Growth geographies are all geographies excluding USA, Canada, Western Europe, Australia, New Zealand, South Korea, Japan and Israel
Note - Prior-period financials revised for discontinued operations, the adoption of IAS19R and for restatements included in the Annual Report 2012 (please refer to the Annual Report section 12.10 “Significant Accounting Policies”)

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Key Financials Summary – Q2 2013

EUR million

	Q2 2012	Q2 2013
Sales	5,570	5,654
EBITA	339[1]	603[1]
Financial income and expenses	(99)[2]	(78)[2]
Income tax	(59)	(121)
Net income (loss)	102	317
Net Operating Capital	9,316	10,184
Net cash from operating activities	81	124
Net capital expenditures	(243)	(246)
Free cash flow	(162)	(122)

[1] 2Q13 includes EUR (26)M of restructuring and acquisition-related charges, a EUR 78M past-service pension cost gain in the US and a EUR 21M gain on the sale of a business in Healthcare; 2Q12 includes EUR (94)M of restructuring and acquisition-related charges and a EUR 25M past-service cost gain related to a medical retiree benefit plan

[2] 2Q13 includes a EUR 5M gain on value adjustment related to UK pension plan option; 2Q12 includes a EUR (2)M loss on value adjustment related to UK pension plan option

Note - Prior-period financials revised for discontinued operations, the adoption of IAS19R and for restatements included in the Annual Report 2012 (please refer to the Annual Report section 12.10 “Significant Accounting Policies”)

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Sales by sector – Q2 2013

EUR million

	Q2 2012	Q2 2013	% nom	% comp
Healthcare	2,413	2,362	(2)	0
Consumer Lifestyle	960	1,083	13	13
Lighting	2,026	2,048	1	2
Innovation, Group & Services	171	161	(6)	(14)
Philips Group	5,570	5,654	2	3

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Sales by geography – Q2 2013

EUR million

	Q2 2012	Q2 2013	% nom	% comp
Western Europe	1,336	1,328	(1)	(1)
North America	1,881	1,782	(5)	(5)
Other mature geographies	449	441	(2)	7
Growth geographies[1]	1,904	2,103	10	12
Philips Group	5,570	5,654	2	3

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

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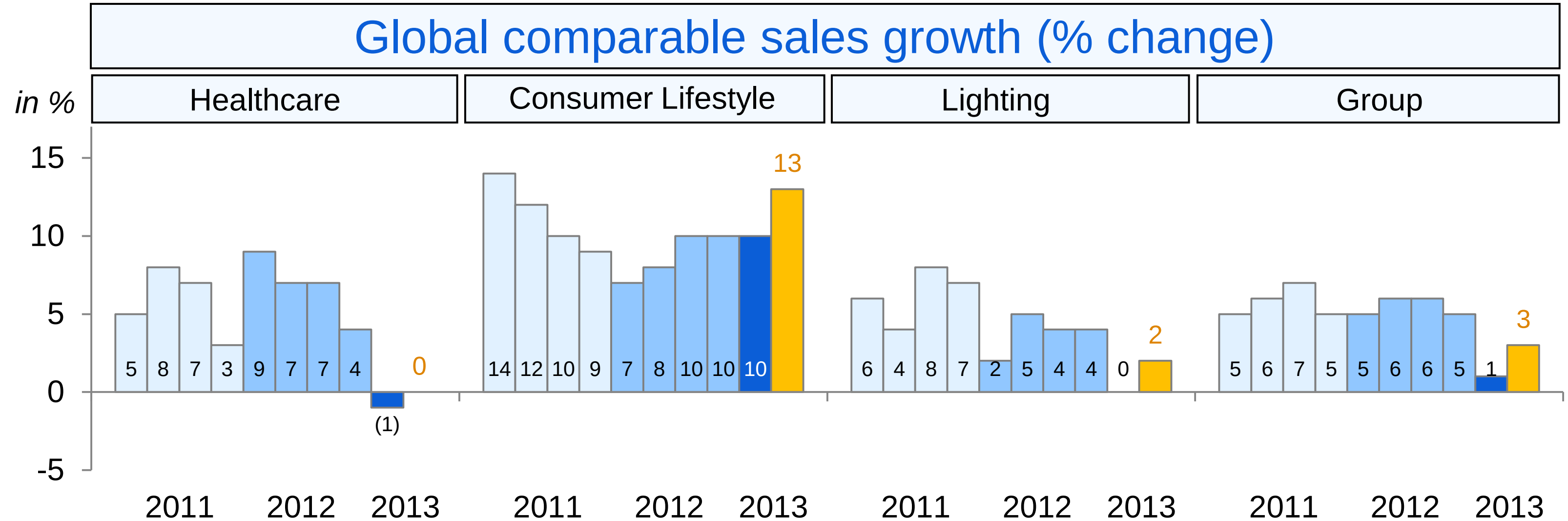
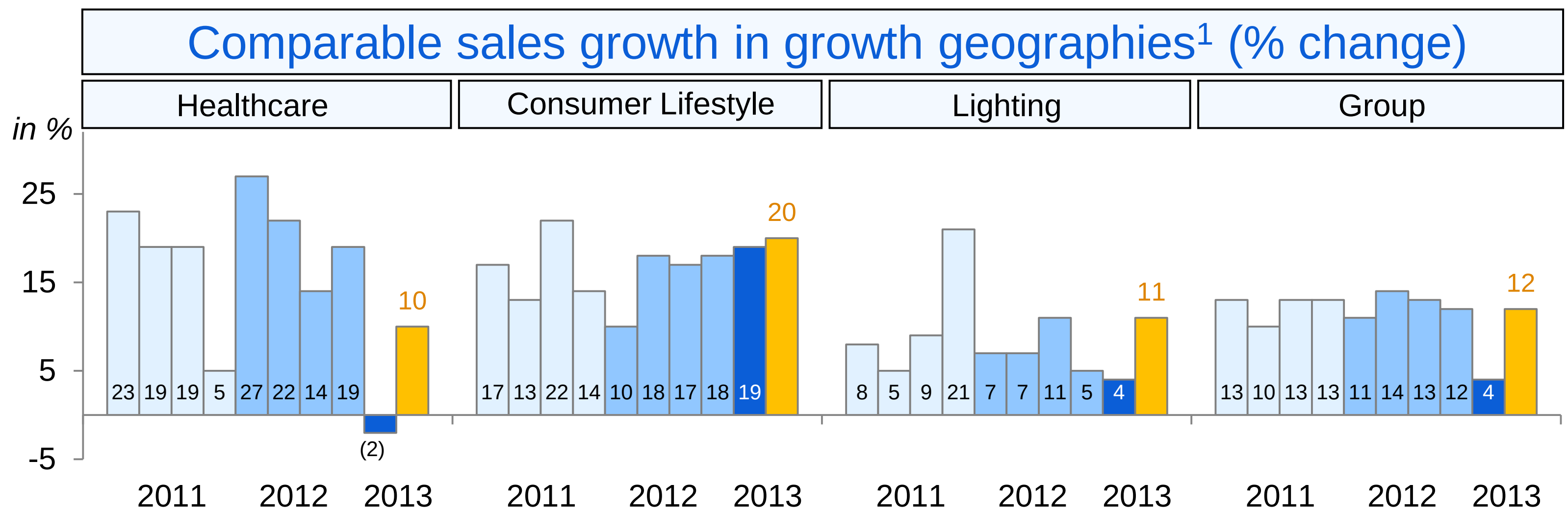
Sales growth: Trend through Q2 2013





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

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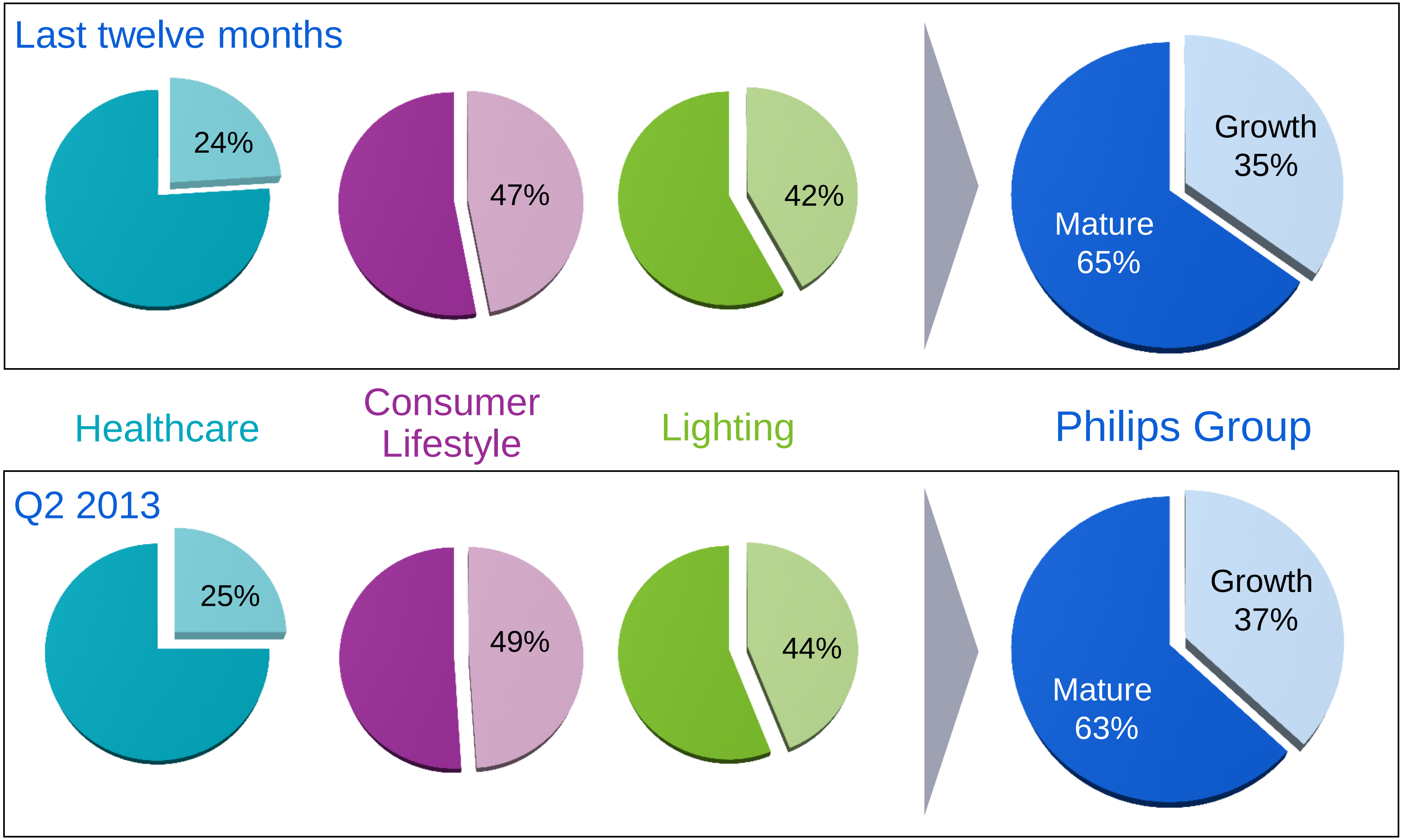
Growth geographies – Q2 '13 and last twelve months

Sales in growth geographies[1]



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

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EBITA by sector – Q2 2013

EUR million

	Q2 2012		Q2 2013	
Healthcare[1]	308	*12.8%*	420	*17.8%*
Consumer Lifestyle[2]	40	*4.2%*	82	*7.6%*
Lighting[3]	78	*3.8%*	153	*7.5%*
Innovation, Group & Services[4]	(87)	-	(52)	-
Philips Group	339	*6.1%*	603	*10.7%*

[1] 2Q13 includes a EUR 61M past-service pension cost gain in the US and a EUR 21M gain on the sale of a business; 2Q12 includes EUR (8)M of charges
[2] 2Q13 includes EUR (3)M of restructuring and acquisition-related charges and a EUR 1M past-service pension cost gain in the US; 2Q12 includes EUR (8)M of charges
[3] 2Q13 includes EUR (23)M of restructuring and acquisition-related charges and a EUR 10M past-service pension cost gain in the US; 2Q12 includes EUR (38)M of charges
[4] 2Q13 includes a EUR 6M past-service pension cost gain in the US; 2Q12 includes EUR (40)M restructuring charges and a EUR 25M past-service cost gain related to a medical retiree benefit plan

Note - Prior-period financials revised for discontinued operations, the adoption of IAS19R and for restatements included in the Annual Report 2012 (please refer to the Annual Report section 12.10 “Significant Accounting Policies”)

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Adjusted EBITA by sector – Q2 2013

EUR million

	Q2 2012		Q2 2013	
Healthcare[1]	316	*13.1%*	338	*14.3%*
Consumer Lifestyle[2]	48	*5.0%*	84	*7.8%*
Lighting[3]	116	*5.7%*	166	*8.1%*
Innovation, Group & Services[4]	(72)	-	(58)	-
Philips Group	408	*7.3%*	530	*9.4%*

[1] 2Q13 excludes a EUR 61M past-service pension cost gain in the US and a EUR 21M gain on the sale of a business; 2Q12 excludes EUR (8)M of charges

[2] 2Q13 excludes EUR (3)M of restructuring and acquisition-related charges and a EUR 1M past-service pension cost gain in the US; 2Q12 excludes EUR (8)M of charges

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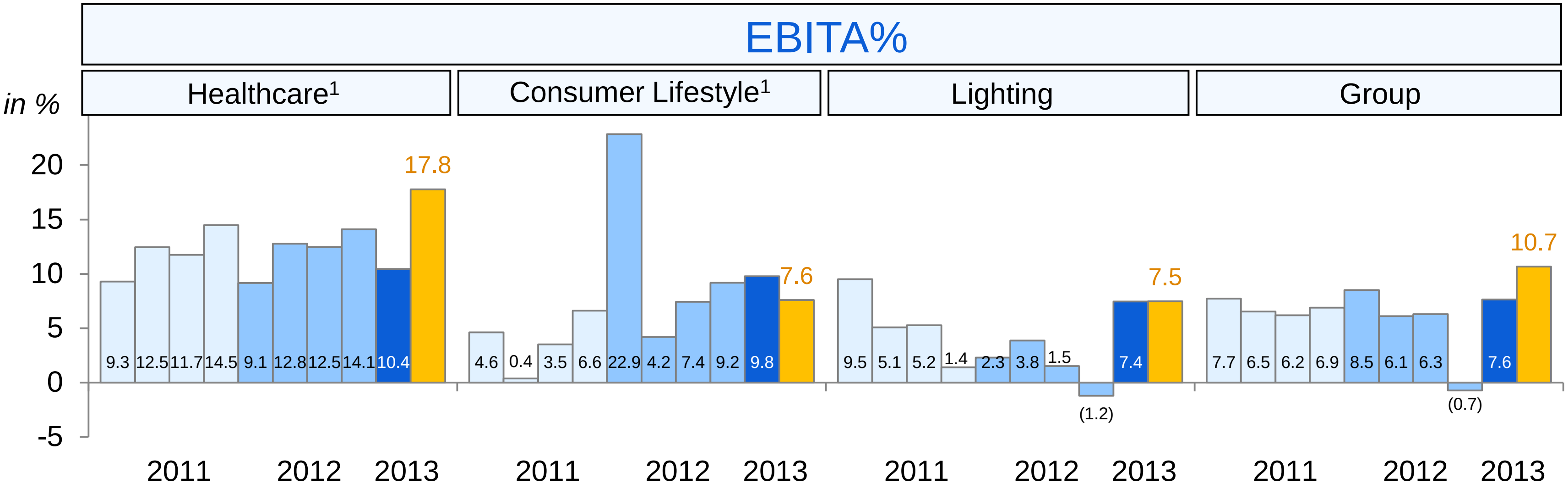
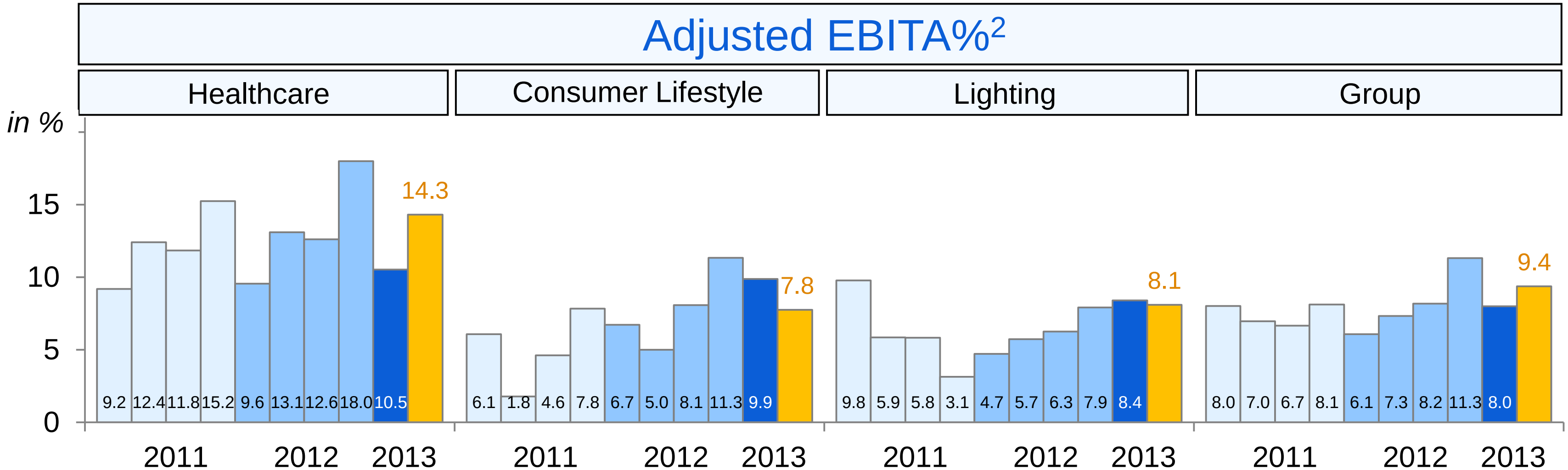
EBITA and Adjusted EBITA Margin development

Trend through Q2 2013





[1] Healthcare EBITA Q2 2013 includes a EUR 82 million gain from past-service pension costs in the US and the sale of a business; Consumer Lifestyle EBITA Q1 2012 includes a EUR 160M gain from the Senseo transaction [2] Adjusted EBITA is EBITA corrected for incidental charges (details on slide 88)

Note - Prior-period financials revised for discontinued operations, the adoption of IAS19R and for restatements included in the Annual Report 2012 (please refer to the Annual Report section 12.10 “Significant Accounting Policies”)

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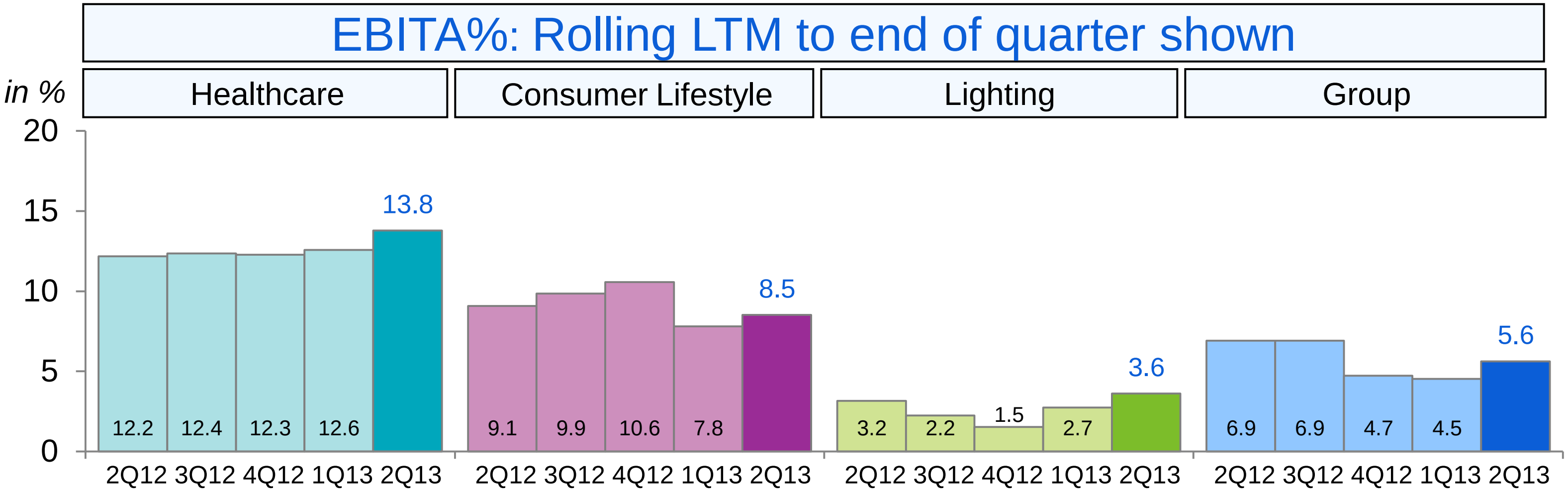
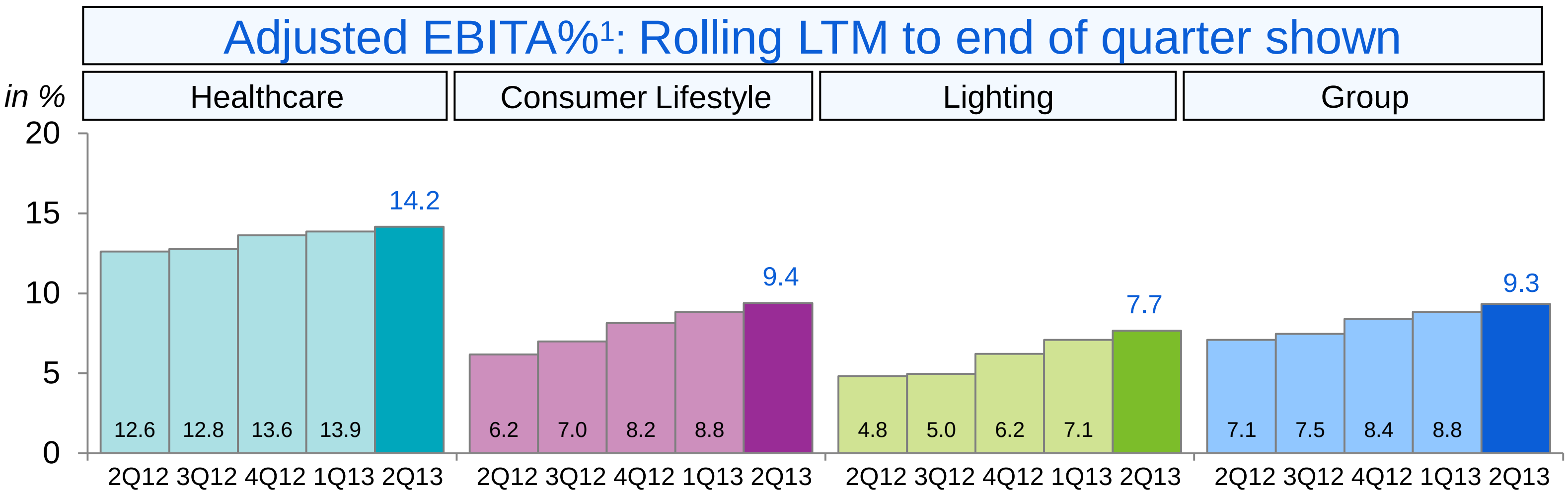
EBITA and Adjusted EBITA Margin development

Rolling last 12 months





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

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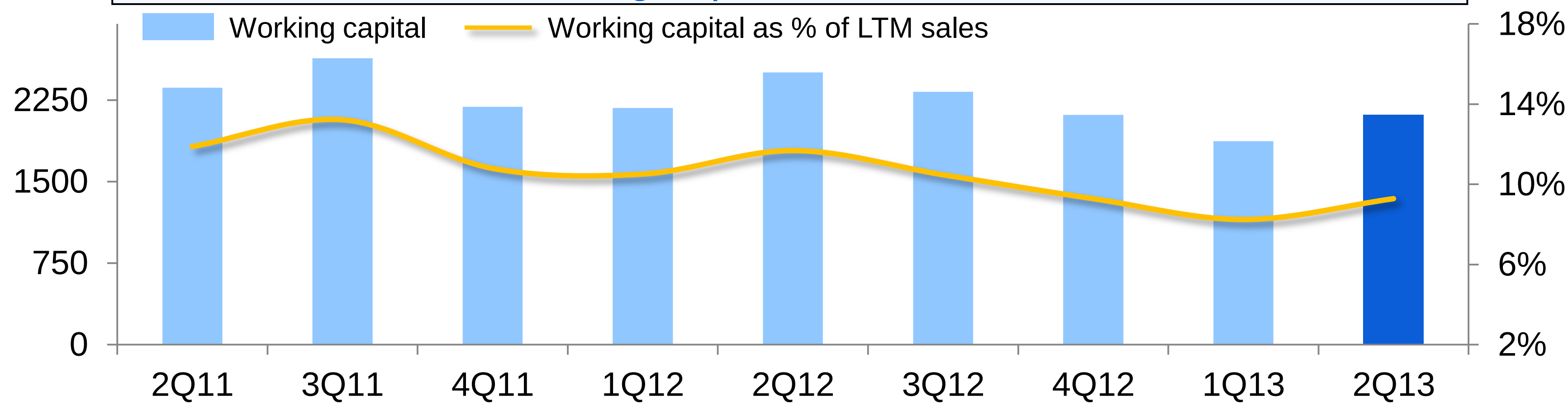
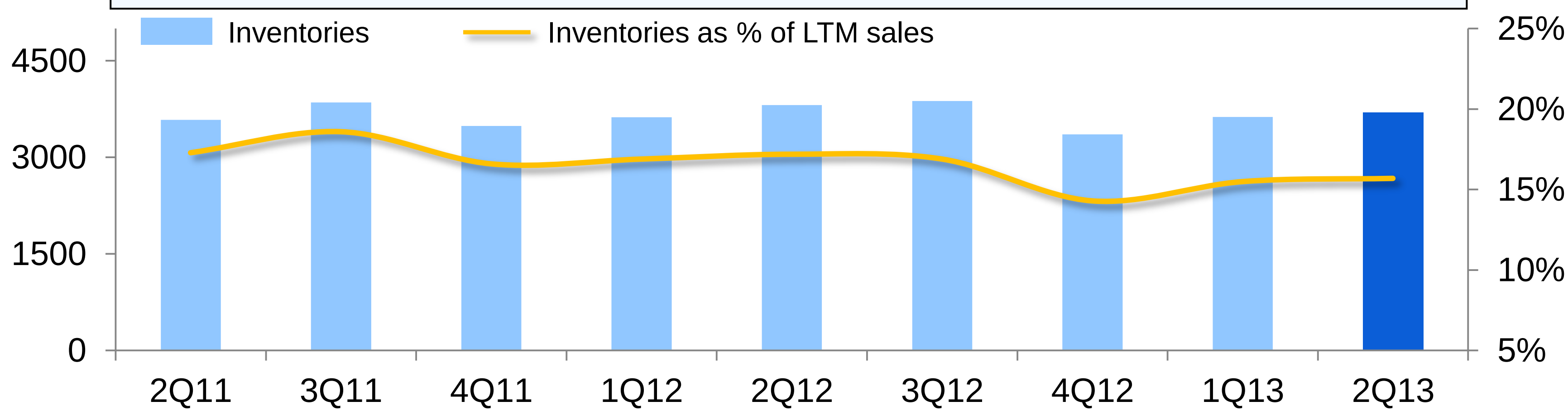
Working capital & Inventories over the last two years

EUR million

Working capital as % of sales[1]



Inventories as % of sales



[1] Working capital as % of sales of Healthcare, Consumer Lifestyle and Lighting; excluding central sector IG&S

Note - Prior-period financials revised for discontinued operations, the adoption of IAS19R and for restatements included in the Annual Report 2012 (please refer to the Annual Report section 12.10 “Significant Accounting Policies”)

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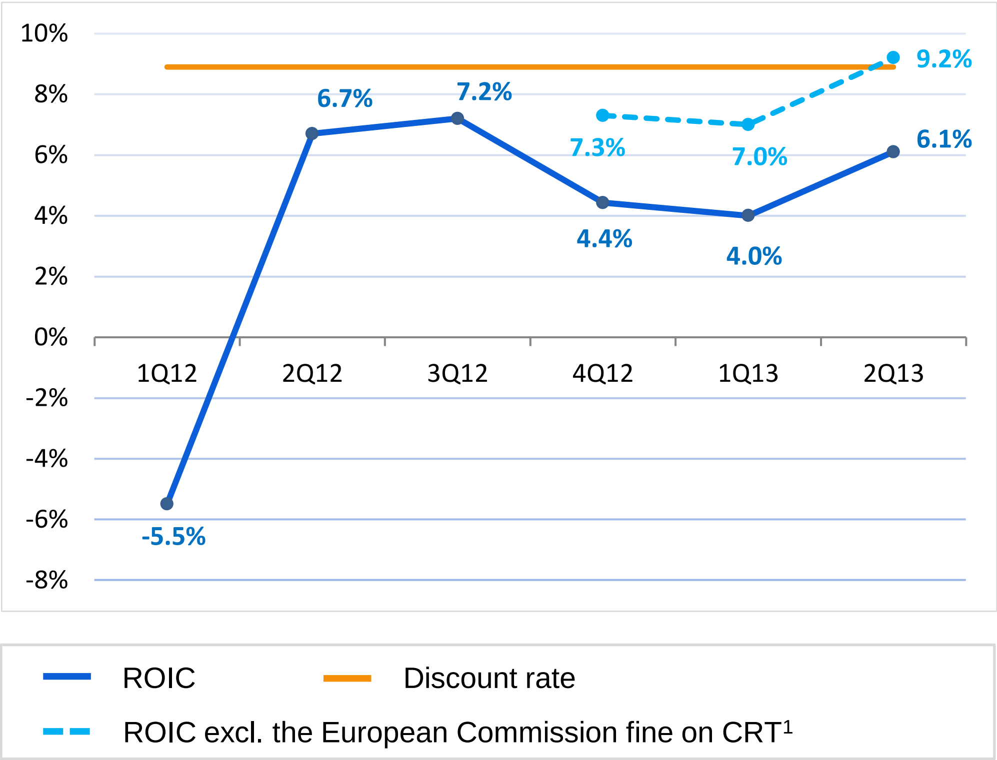
Free Cash Flow – Q2 2013

EUR million

	Q2 2012	Q2 2013
Net income from continuing operations	62	324
Depreciation and amortization	334	311
Net gain on sale of assets	(8)	(36)
Changes in working capital, of which:	(319)	(427)
- changes in receivables and other current assets	(153)	(128)
- changes in inventories	(65)	(192)
- changes in accounts payable, accrued and other liabilities	(101)	(107)
Increase in non-current receivables, other assets and other liabilities	(44)	(62)
Increase (decrease) in provisions	29	(69)
Others	27	83
Net cash flow from operating activities	81	124
Purchase of intangible assets/ Expenditures on development assets	(96)	(106)
Capital expenditures on property, plant and equipment	(168)	(145)
Proceeds from disposals of property, plant and equipment	21	5
Net capital expenditures	(243)	(246)
Free Cash Flow	(162)	(122)

Note - Prior-period financials revised for discontinued operations, the adoption of IAS19R and for restatements included in the Annual Report 2012 (please refer to the Annual Report section 12.10 "Significant Accounting Policies")

Development of Return on Invested Capital (ROIC)



- Excluding the European Commission fine on CRT[1], ROIC improved to 9.2% in Q2 2013, from 7.0% in Q1 2013 and from 6.7% in Q2 2012 mainly due to:
  - Improved earnings in all sectors
  - Improved working capital management resulting in a lower average Net Operating Capital
- ROIC in Q1 2012 was impacted by impairment charges of 2011. Excluding these charges, ROIC was 6.6%
- Discount rate is 8.9%

Notes:

EBIAT are earnings before interest after tax

Philips calculates ROIC % as: EBIAT/ NOC

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

Reported tax used to calculate EBIAT

[1] CRT=Cathode-Ray Tubes, a business divested by Philips in 2001. Philips has appealed the decision. Charges were taken in Q4 2012.
Note - Prior-period financials revised for discontinued operations, the adoption of IAS19R and for restatements included in the Annual Report 2012 (please refer to the Annual Report section 12.10 “Significant Accounting Policies”)

Philips' debt has a long maturity profile

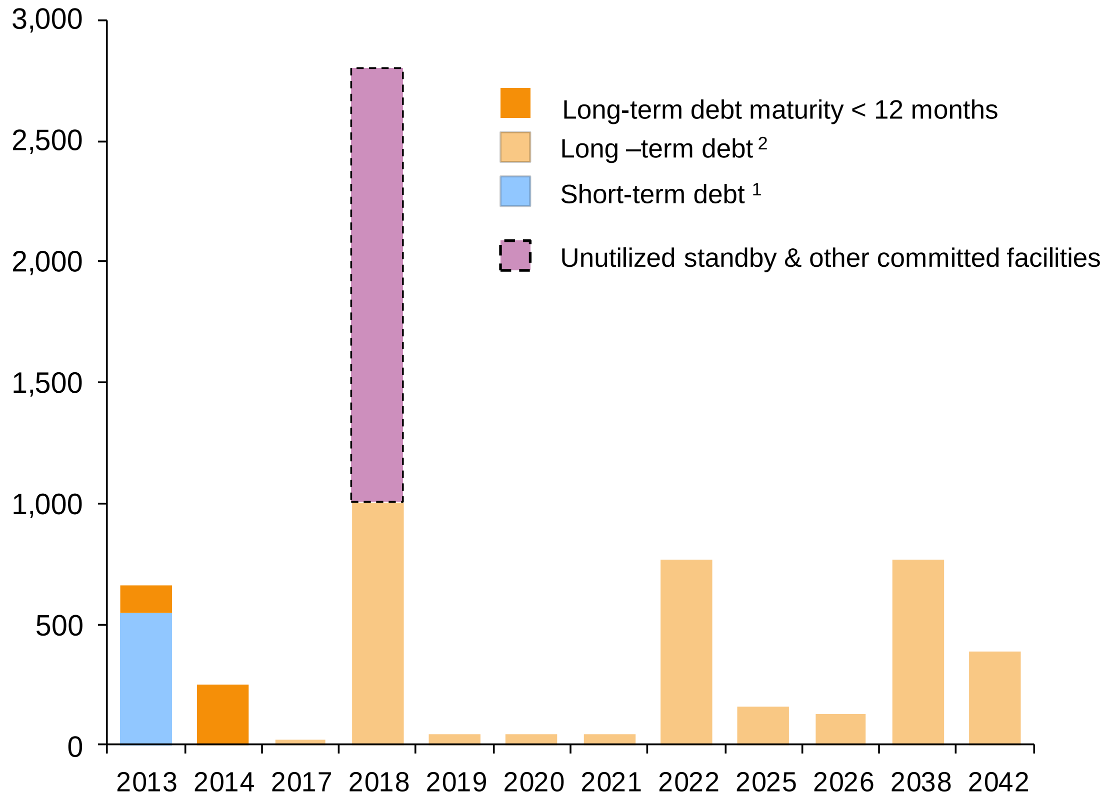
Characteristics of long-term debt

- Maturities up to 2042
- Average tenor of long-term debt is 12.5 years
- No financial covenants

In January 2013 Philips extended the maturity of its EUR 1.8 billion standby facility to February 2018

Debt maturity profile as of June 2013

Amounts in EUR millions



[1] Short term debt consists mainly of local credit facilities that are being rolled forward on a continuous basis
[2] In March 2012 Philips issued USD 1,000M 10 years at 3.75% and USD 500M 30 years at 5%. On Apr 10th 2012, Philips early redeemed USD 500M originally maturing in March 2013

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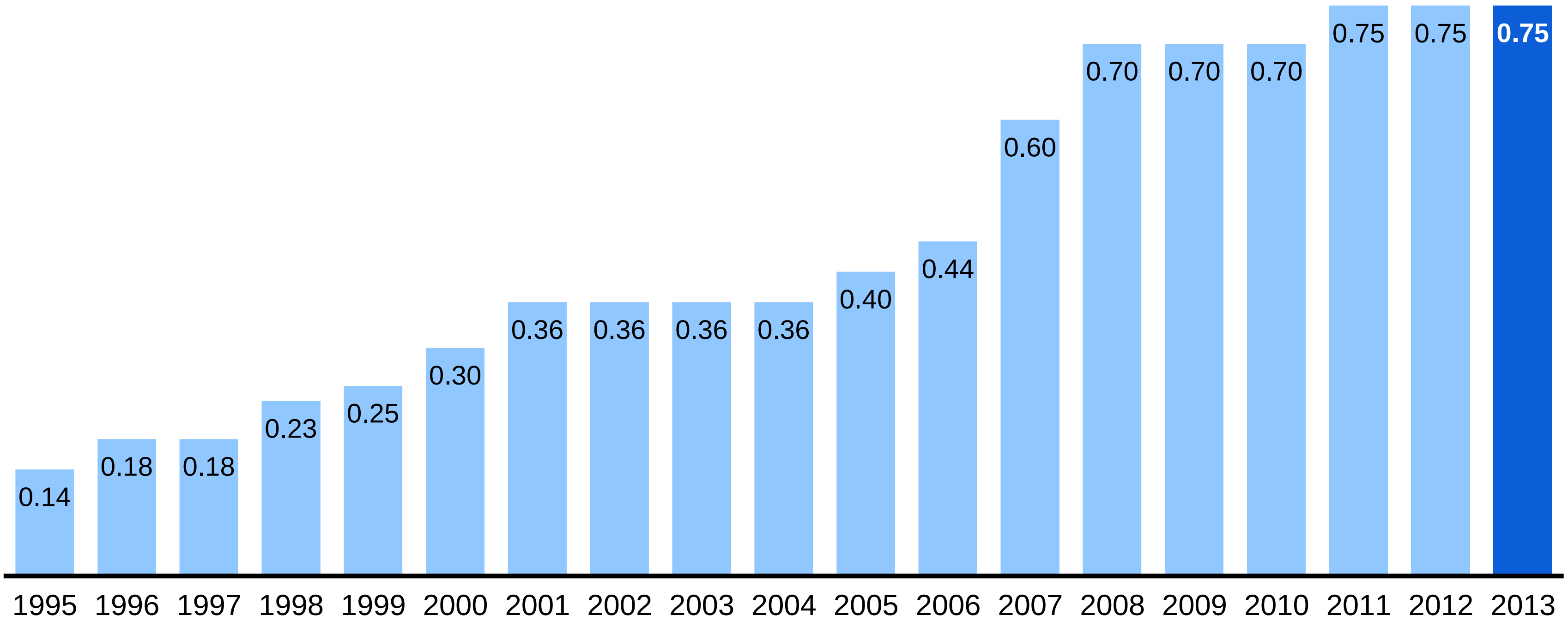
A history of sustainable dividend growth

EUR cents per share



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

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Update funded status pension plans (IFRS basis)

EUR million

	December 31, 2012 (re-stated for IAS19R)		June 30, 2013 (not reported)	
	Funded Status	Balance sheet position	Funded Status	Balance sheet position
Netherlands Pre-paid pension asset	777	0	801	0
Other major plans	(1,237)	(1,823)	(826)	(1,490)
Major plans	(460)	(1,823)	(25)	(1,490)
Minor plans	(202)	(199)	(198)	(198)
Total	(662)	(2,022)	(223)	(1,688)

- In Q2 2013, the funded status improved due to a gain of EUR 78 million for past-service pension costs in the US as well as favorable discount rates for the main DB[1] plans and equity markets. The Netherlands plan's funded status was adversely affected however from increasing Eurozone credit spreads
- Funded status 2012 has been restated to reflect the exclusion of accrued pension administration costs from the DBO[2] as required by IAS19R (positive impact of EUR 224 million)
- Balance Sheet: surplus in the Netherlands, UK and Brazil are not recognized (asset-ceiling test)

[1] DB= Defined Benefit
[2] DBO= Defined Benefit Obligation

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Disciplined Capital Use

- Our objective is to have an A3/A- rating
- We will drive higher capital efficiency and cash flow yields through improved working capital turns and CAPEX discipline
- We are committed to a stable dividend policy with a 40% to 50% pay-out of continuing net income
- Cash will be used to:
  - Invest in value creating growth (both organic and through acquisitions)
  - Mitigate risk
  - Return capital to shareholders over time
- We will exercise stringent discipline and return criteria (including ROIC hurdles) in our end-to-end acquisition process in line with the nature of the transaction

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Acquisitions at a glance

Healthcare

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

Consumer Lifestyle

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

Lighting

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

Note - Dates refer to announcement date of acquisition

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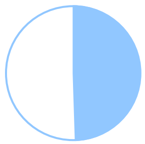
Accelerate! change and performance program to unlock full potential faster

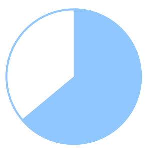
Dark blue indicates quarter over quarter improvement

Customer Centricity



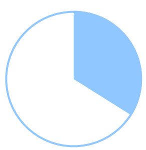
- Increased seniority of market teams; markets are now led by empowered entrepreneurs
- Increase local relevance of product portfolio to gain market share
- Focused Business-to-Government sales channel development to drive growth
- Increase Employee Engagement in markets by 300 bps

Resource to Win



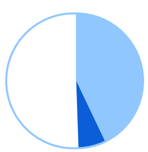
- Granular plans to increase number of BMC[1]'s in which we are an outright leader
- Increase performance adherence to plan per BMC[1] > 80%
- Execute on strategic workforce plan for growth markets
- Targeted investment step-ups made (EUR 200 million) to gain market leadership

End2End Execution



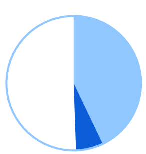
- Transform customer value chains to 4 lean business models, enabled by effective IT
- Reduce Cost of Non Quality by 30%
- Accelerate innovation time to market by av. 40%; Increase customer service >95%
- Inventory reduction target of 1% to 1.5% of sales per year for 2012 and 2013

Growth and Performance Culture



- Introduced new behaviors to drive new ways of working
- Personal transformation workshops started to enable culture change
- Quarterly pulse check to check for effectiveness of the above
- Incentive and appraisal system changed to align with new culture and mid-term targets

Operating Model



- Simplify the organization and reduce overhead and support costs by EUR 1.1 billion
- Implement the Philips Business System in the organization
- Performance Management for BMC[1]'s implemented
- Implement collaborative P&L between businesses & markets with clear accountability

Supported by strong change and program management office to ensure execution

[1] BMC = Business Market Combination

Accelerate! is working deep in the organization

Market impact of improvement actions

Managed Healthcare services: USA

Philips and Georgia Regents Medical Center (GRMC) entered into a 15-year alliance for a first-of-its-kind healthcare delivery model in the United States. Philips will provide GRMC with strategic planning, technology innovation and operational support to achieve improved patient outcomes under a single, consistent payment structure.

Oral Healthcare: Germany

Solid topline growth with an increase in market share for the Airfloss and Sonicare toothbrushes was achieved through intensive BMC[1] collaboration and local marketing investments focusing on innovative products coupled with an awareness campaign endorsed by dental professionals.

Consumer LED Lamps

In Germany LED lamps revenues have grown by 240%, making us the market leader. This was enabled by our deep consumer insights combined with the redesign of our End2End processes which simplified our product portfolio, increased common components and lowered costs.

Multicooker: Russia

Our locally relevant Multicooker in Russia was developed with deep market insight from retailers and consumers. This has resulted in gaining a leadership position in a new product category that is demonstrating rapid growth. In the 12 months since the launch we have sold > 700k units.

[1] BMC = Business Market Combination

Cost reduction program targeting overhead & indirect costs will bring EUR 1.1 billion in savings

Cost reduction scope

~35%

Company wide Overhead and Support functions

(IT, Finance, HR, Real Estate, management layers, etc)

Business functions indirect costs and overheads

(Purchasing, Supply Chain, R&D, Service, Marketing etc)

~65%

Core customer value chain

Global business leadership

Success in local markets

Sales, Marketing
Manufacturing & Supply Chain
R&D / Innovation, services

Clear design principles

- Taking out overhead and support cost
  - *All overheads, layers and support functions*: IT, Finance, HR, Real Estate, Management, etc
  - Indirect business functions not directly involved in the *customer value chain*
  - *Single added value layer* (no duplication) and *reduce complexity*
- All savings against H1 2011 baseline
- Focus on sustainable structural savings instead of "variable" costs

EUR 1.1 billion cost reduction program

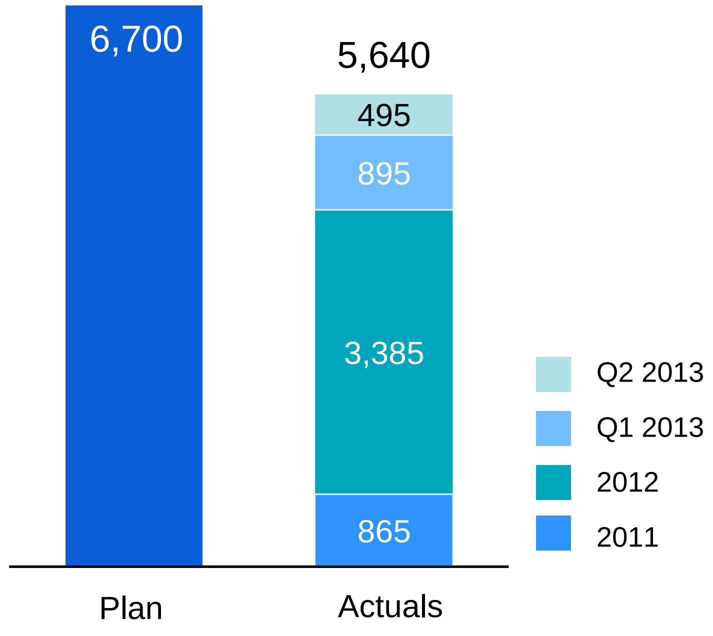
Program started in Q3 2011, expected to be completed by 2014

EUR million	Gross savings[1]					
	2011 Actual (A)	2012 Actual (B)	YTD 2013 Actual (C)	Total Actual (A+B+C)	Total 2013 Plan	Total 2014 Plan
TOTAL	**25**	**446**	**202**	**673**	**900**	**1,100**

EUR million	Annual restructuring costs					
	2011 Actual	2012 Actual	1Q13 Actual	2Q13 Actual	2013 Plan	2014 Plan
TOTAL	**(37)**	**(249)**	**(13)**	**(7)**	**(80)**	**(60)**

EUR million	Annual investments					
	2011 Actual	2012 Actual	1Q13 Actual	2Q13 Actual	2013 Plan	2014 Plan
TOTAL	**(37)**	**(128)**	**(29)**	**(39)**	**(140)**	**(120)**

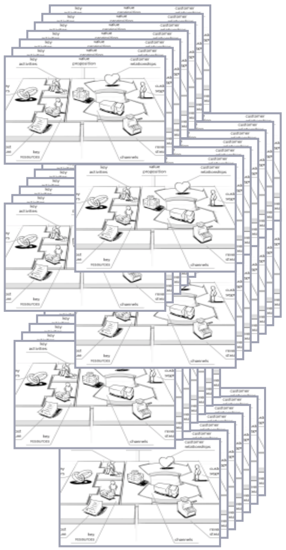
Approximately 84% of the targeted 6,700 headcount reduction completed by Q2 2013



[1] "Cumulative gross savings" has been changed to "Gross savings" as of Q2 2013 and historical figures have been restated where necessary
Note - The above figures include results related to the Audio, Video, Multimedia and Accessories business of :
Total savings of EUR 44M, annual restructuring costs in 2012 of EUR 11M and EUR 3M in 2013, investments of EUR 1M in 2013 and a headcount reduction of 99 employees
The plan for 2014 includes gross savings for the Audio, Video, Multimedia and Accessories business of EUR 57M and a headcount reduction of 99 employees

Overhauling our business model architecture

From 70+ business models → To 4 End2End business models



- Standard Products
- Owner: Pieter Nota

- Solutions
- Owner: Eric Rondolat

- Services
- Owner: Deborah DiSanzo

- Software
- Owner: Deborah DiSanzo

- All Philips businesses to adopt one of four standardized business models
- Investments being made to standardize processes, data, and new IT backbone
- A single planning, performance and reward cycle across Philips
- Investing to create a culture for such a major change

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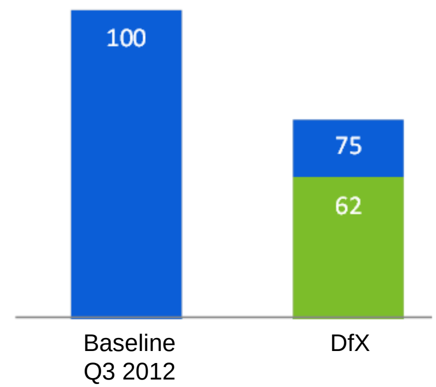
Applying DfX* in the product creation process

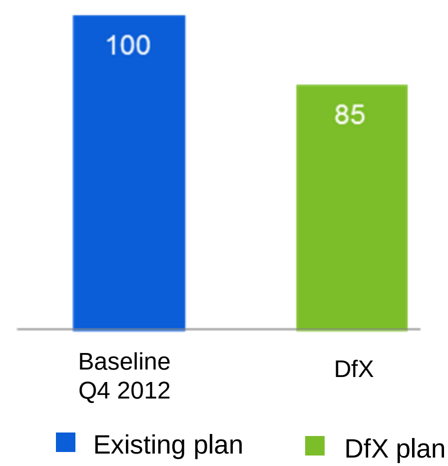
*Design for X; X = cost, quality, manufacturing etc.

- End2End approach to product creation, with one integrated team of procurement, supply chain, R&D, marketing, finance and the supplier upfront to drive breakthrough cost savings through:
  - Value engineering
  - Re-design the purchasing value chain
  - Leveraging global spend
- Early successes show that significant cost savings can be achieved in mature products, i.e. products being manufactured over 5 years, as well as new product introductions
- Currently building a funnel of opportunities targeting additional cumulative savings of EUR 1 billion over the period 2014 to 2016

DfX effectiveness pilot for a new product



DfX effectiveness pilot for a mature product



PHILIPS

Agenda

1. Management update
2. Group results Q2 2013
3. Accelerate! Change and performance
4. Philips Business System
5. Group and sector overview

Philips Business System

How we run our company to deliver our Mission and Vision

Group Strategy: We manage our portfolio with clearly defined strategies and allocate resources to maximize value creation

CAPs: We strengthen and leverage our core Capabilities, Assets & Positions as they create differential value

Excellence: We are a learning organization that applies common operating principles to deliver Philips Excellence

Path-to-Value: We define and execute business plans that deliver sustainable results along a credible Path-to-Value

[1] CAPs = Capabilities, Assets and Positions

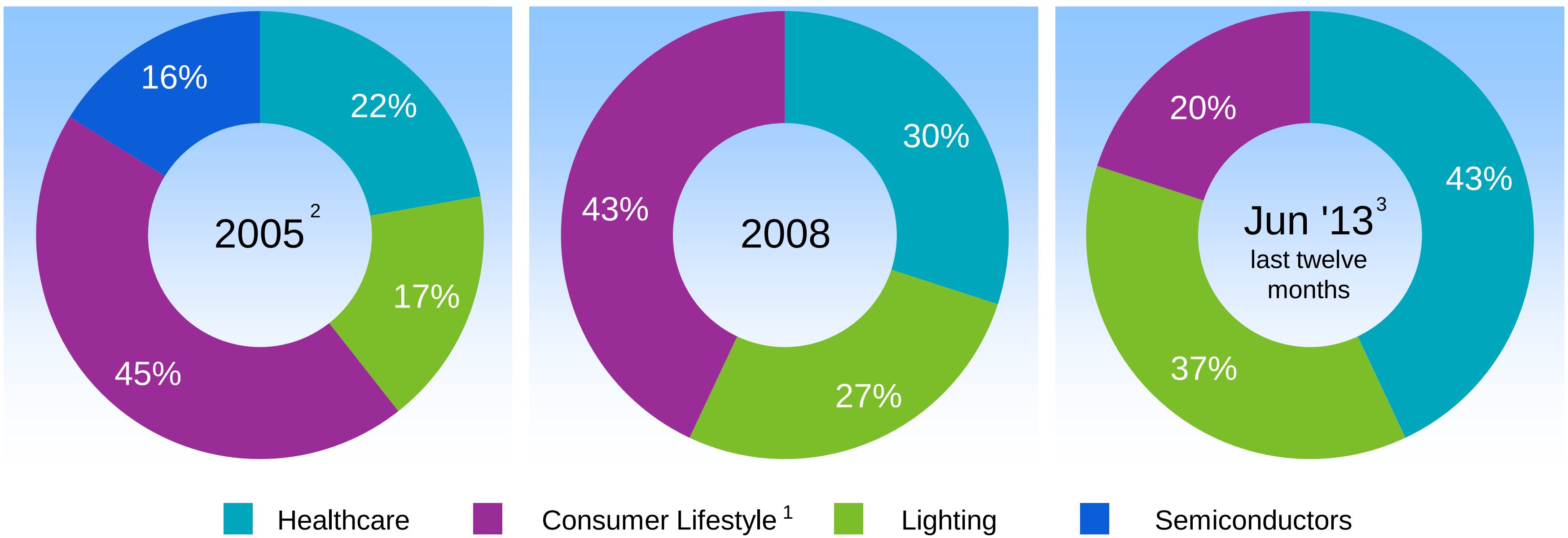
Decisive portfolio management

Portfolio now consists of ~70% B2B businesses

Healthcare
Lighting
Consumer Lifestyle
Semiconductor

Healthcare
Lighting
Consumer Lifestyle

Healthcare
Lighting
Consumer Lifestyle excl. TV, and Lifestyle Entertainment



Our portfolio has 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] Last twelve months June 2013 figures are restated to exclude Lifestyle Entertainment

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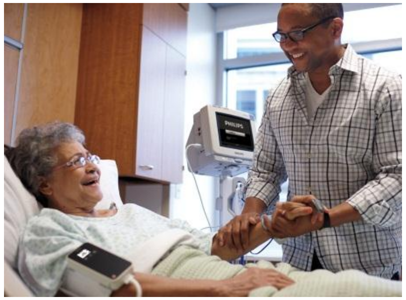
We are well positioned to benefit from societal trends

Global trends and challenges

Healthcare

- Ageing population leading
- Increase in patients managing chronic conditions
- Growth geographies[1] wealth creating demand
- Lifestyle changes, fueling cardiovascular illnesses and respiratory and sleeping disorders



Consumer Lifestyle

- Consumers focus on the health and well-being
- Rising middle class in growth geographies[1]
- Back to basics: simple propositions
- Trusted brands combined with locally relevant portfolio

Lighting

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

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

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Our differentiating Capabilities, Assets and Positions

Philips Group Portfolio

Deep Market Insights
- Global market leader in Lighting
- Top 3 Healthcare player
- Leadership positions[1] in over half of Group revenues

Technology Innovation
- Technology, know-how and strong IP positions (59,000 registered patents)

Global Footprint
- Loyal customer base in 100+ countries
- 35% of group revenues from growth geographies[2]

The Philips Brand
- World's 41^{st} most valuable brand 2012 compared to the 65^{th} in 2004.
- Brand value reached a record level of more than USD 9 billion

Our People
- Employee Engagement Index[3] exceeds high performance benchmark value of 70%
- Culturally diverse top-200 leadership team

Supported by a strong balance sheet

[1] Global #1 position in the market
[2] Growth geographies are all geographies excluding USA, Canada, Western Europe, Australia, New Zealand, South Korea, Japan and Israel
[3] Based on annual Philips' Employee Engagement Survey

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We have strong leadership[1] positions in many markets across the globe

Healthcare

Global
Cardiovascular X-ray

Global
Patient Monitoring

Global
Image-Guided interventions

Global
Sleep Therapy Systems

Global
Ultrasound

Consumer Lifestyle

Global
Male Electric Shaving

Global
Garment Care

Global
Rechargeable Toothbrushes

Regional
Kitchen Appliances

Regional
Electric Hair Care

Lighting

Global
Lamps

Global
LED Lamps

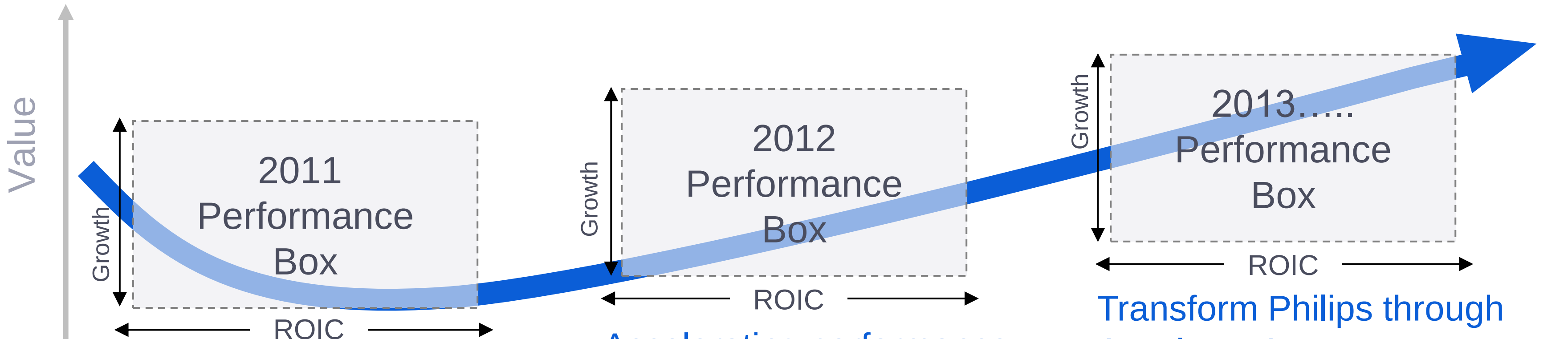
Global
Automotive Lighting

Global
Professional Luminaires

Global
High Power LEDs

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

Progressing on our Path-to-Value



Laying the foundation to improve performance

- ✓ Executive Committee
- ✓ Growth investments
- ✓ Philips Business System
- ✓ BMC[1] performance management
- ✓ Share buy back
- ✓ TV Joint Venture
- ✓ Improving Lighting performance

Accelerating performance improvement

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

Transform Philips through Accelerate!

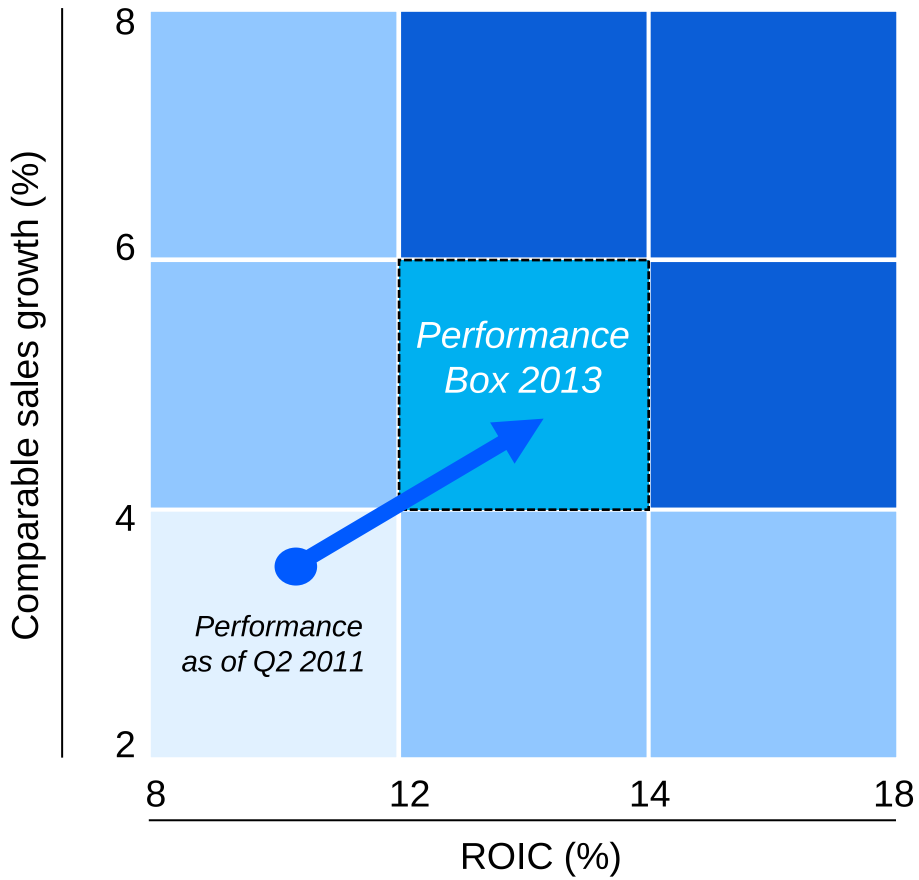
- Accelerate! Healthcare
- Restoring Lighting profitability, leading the LED transformation
- Closing the Audio, Video, Multimedia and Accessories deal
- EUR 1.1 billion cost reduction program
- Cost savings on procurement
- Value delivery from past acquisitions
- Next value creation steps beyond 2013
- Performance culture

✓ = Areas of ongoing focus in 2013

[1] BMC = Business Market Combination

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

Philips Mid-Term Performance Box

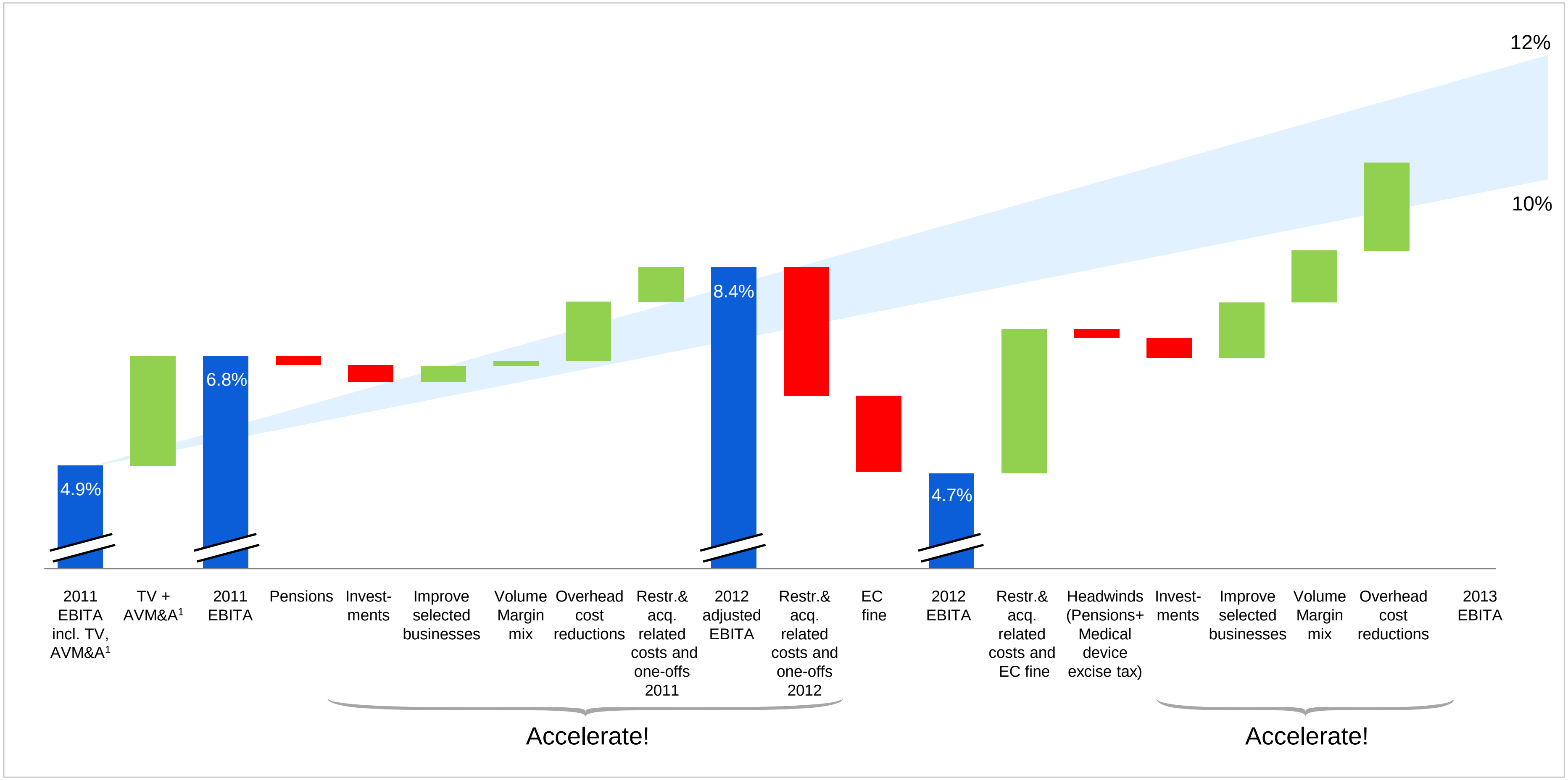


Mid-Term financial objectives (2013)

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

[1] Assuming real GDP growth of 3-4%
[2] Including restructuring and acquisition-related charges
[3] Excluding unrelated licenses

Our Path-to-Value 2011…..2013



[1] AVM&A = Audio, Video, Multimedia and Accessories business

Note - Prior-period financials revised for discontinued operations, the adoption of IAS19R and for restatements included in the Annual Report 2012 (please refer to the Annual Report section 12.10 "Significant Accounting Policies")

PHILIPS

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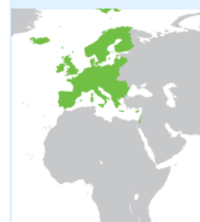
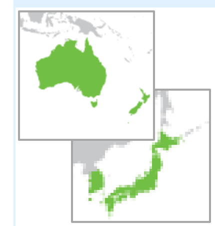
Philips: A strong diversified industrial group leading in health and well-being

Philips

Businesses[1, 2]

Healthcare	Consumer Lifestyle	Lighting
		
43%	20%	37%

Geographies[1]

Western Europe	North America	Other Mature Geographies	Growth Geographies[3]
			
25%	31%	9%	35%

Since 1891
Headquarters in Amsterdam, the Netherlands

€23.5 Billion
Sales in 2012. Portfolio consists of ~70% B2B businesses

115,000+
People employed worldwide in over 100 countries

$9.1 Billion
Brand value in 2012

8% of sales invested in R&D in 2012
59,000 patent rights, 35,000 trademark rights, 81,000 design rights

[1] Based on last twelve months sales June 2013
[2] Excluding Central sector (IG&S)
[3] Growth geographies are all geographies excluding USA, Canada, Western Europe, Australia, New Zealand, South Korea, Japan and Israel
Note - Prior-period financials revised for discontinued operations, the adoption of IAS19R and for restatements included in the Annual Report 2012 (please refer to the Annual Report section 12.10 “Significant Accounting Policies”)

Executive Committee

Frans van Houten
CEO

Ron H. Wirahadiraksa
CFO

Carole Wainaina
Chief HR Officer

Ronald de Jong
Chief Market Leader

Patrick Kung
CEO Greater China

Deborah DiSanzo
CEO Healthcare

Pieter Nota
CEO Consumer Lifestyle

Eric Rondolat
CEO Lighting

Jim Andrew
Chief Strategy & Innovation Officer

Eric Coutinho
Chief Legal Officer

PHILIPS

Sustainability as a driver for growth

Success of EcoVision

Green Products represented around 47%[1] of sales in 2012, up from 40%[1] in 2011 driven by investments in Green Innovation.

EcoVision targets for 2015

- 50% of sales from Green Products
- EUR 2 billion Green Innovation investments
- To improve the lives of 2 billion people
- To improve the energy efficiency of our overall portfolio by 50%
- To double the amount of recycled materials in our products as well as to double the collection and recycling of Philips products

Recent accomplishments

- Philips has been recognized in Interbrand's annual ranking of the top 50 Best Global Green Brands, moving up eight places to the 23rd position
- Philips has been recognized Energy Star partner of the year by the US Environmental Protection Agency for our outstanding contribution to environmental protection through energy efficiency
- Philips has been ranked number 7 on the annual list of 'Global 100 Most Sustainable Corporations in the World' issued by Corporate Knights – up 6 places from last year
- Philips was awarded sector and super sector leader in the Dow Jones Sustainability Index for the second consecutive year with highest scores ever
- Philips was ranked first for the fifth time in six years for Responsible Supply Chain Management by the Dutch Association of Investors for Sustainable Development (VBDO)
- Philips again achieved top scores in the Carbon Disclosure Project

[1] Excluding the Audio, Video, Multimedia and Accessories business

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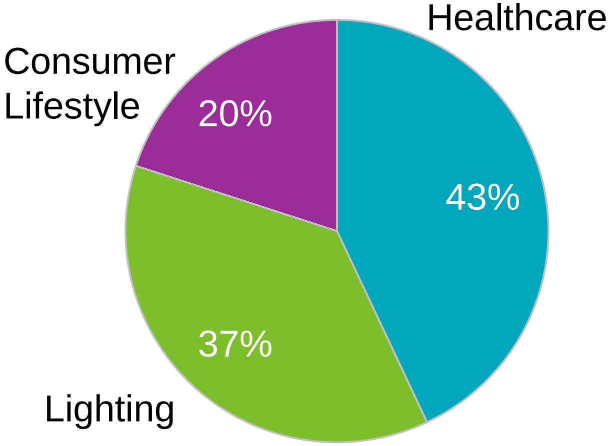
Our focused health and well-being portfolio: Healthcare, Consumer Lifestyle and Lighting

Last twelve months

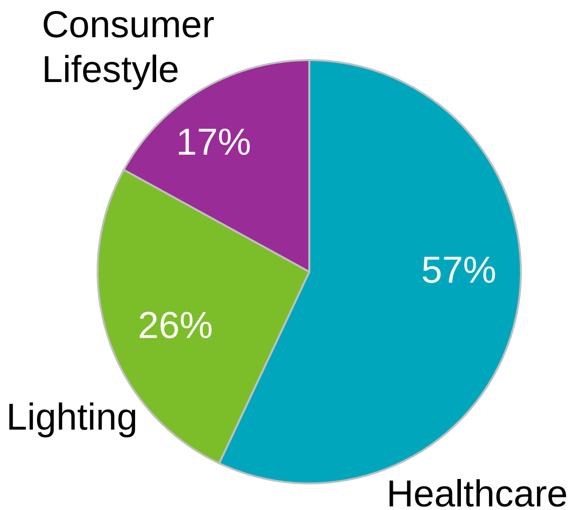
Sales

100% = EUR 22.8B[1]



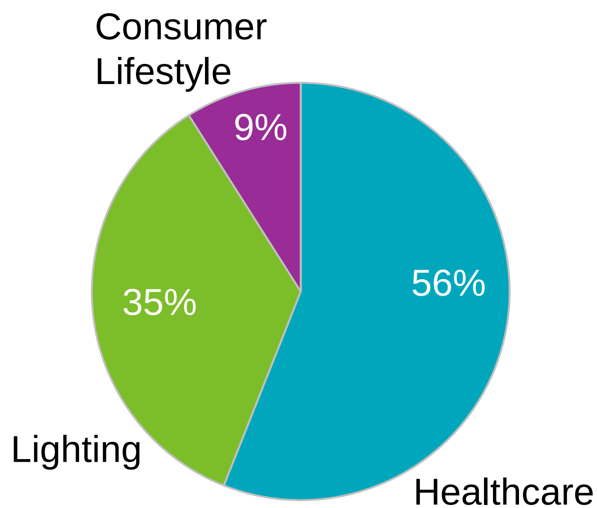
Adjusted EBITA

100% = EUR 2.5B[1, 2]



Net Operating Capital

100% = EUR 13.6B[1]



[1] Excluding Central sector (IG&S)

[2] EBITA adjustments based on the following gains/ charges: for Healthcare EUR (37)M, Consumer Lifestyle EUR (40)M and Lighting EUR (341)M

Note - Prior-period financials revised for discontinued operations, the adoption of IAS19R and for restatements included in the Annual Report 2012 (please refer to the Annual Report section 12.10 “Significant Accounting Policies”)

Healthcare

What we do. Where we are.

Philips Healthcare

Businesses[1]

Imaging Systems

37%

Home Healthcare Solutions

15%

Patient Care & Clinical Informatics

22%

Customer Services

26%

Geographies[1]

Western Europe

20%

North America

43%

Other Mature Geographies

13%

Growth Geographies[2]

24%

€10.0
Billion sales in 2012

37,000+
People employed worldwide in 100 countries

8%
of sales invested in R&D in 2012

450+
Products & services offered in over 100 countries

[1] Based on last twelve months sales June 2013

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

Note - Prior-period financials revised for discontinued operations, the adoption of IAS19R and for restatements included in the Annual Report 2012 (please refer to the Annual Report section 12.10 “Significant Accounting Policies”)

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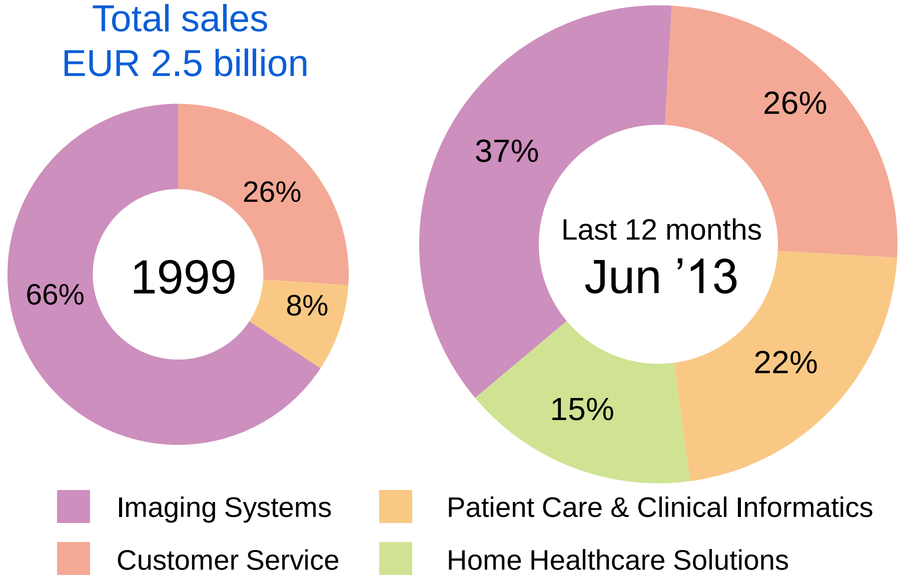
Healthcare: Accelerate performance

- Driving to co-leadership in Imaging Systems and leadership in Patient Care & Clinical Informatics
- Invest for leadership in growth geographies[1]
- International expansion of the home healthcare business
- Drive operational excellence through Accelerate! to increase margins and reduce time-to-market

Total sales EUR 2.5 billion

Total sales EUR 9.9 billion



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

Health care industry dynamics will drive demand

Sharp rise in incidence of chronic disease and non-communicable lifestyle diseases

Globally, 36 million of the 57 million deaths are due to chronic and non-communicable disease

Approximately 80% of non-communicable disease deaths—29 million—occur in growth geographies

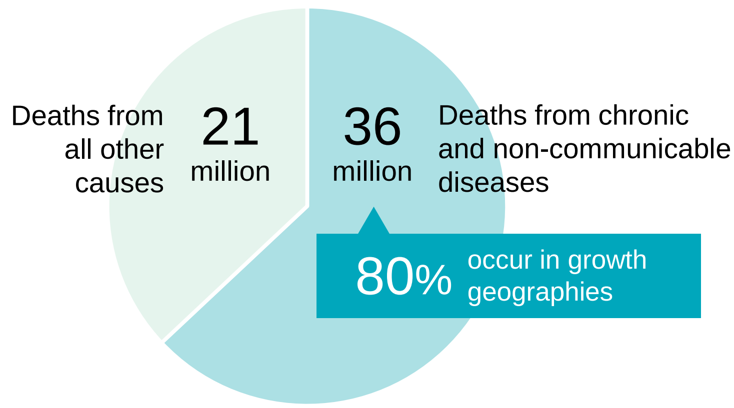
An aging population

World's population of people 60 years+ has doubled since 1980 and is forecast to reach 2 billion by 2050

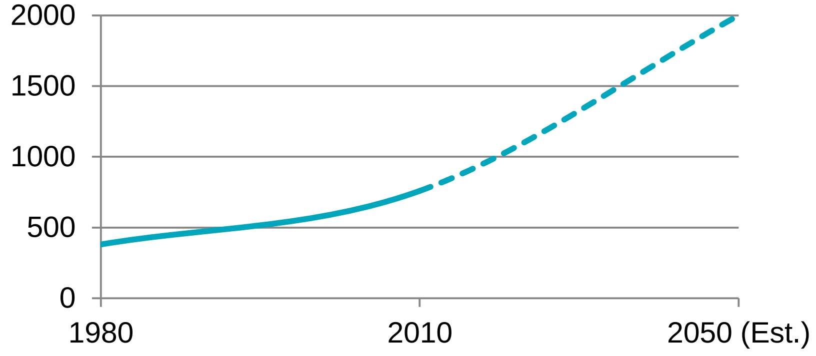
Access to care and clinician shortage

Recognized as one of the main obstacles to delivery of effective health services

Causes of death globally (2008)



World population age 60+ (Millions)

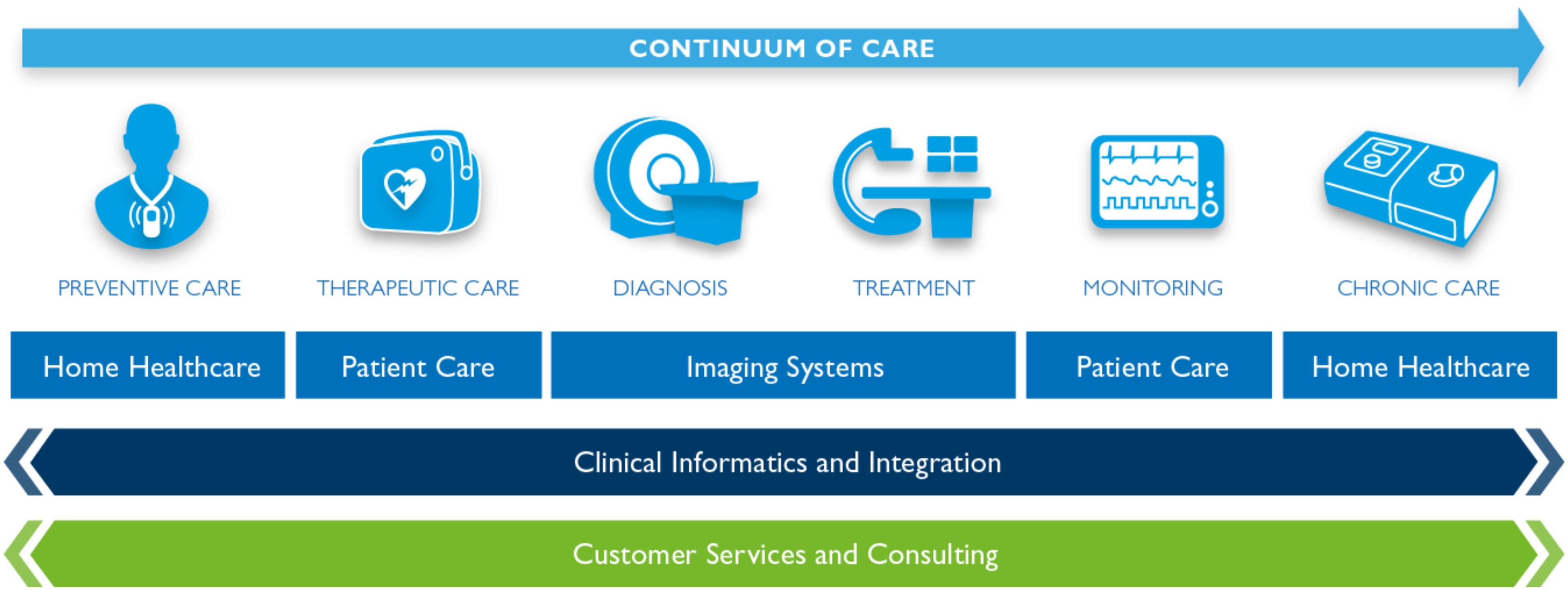


Source: World Health Organization data and statistics http://www.who.int/gho/ncd/mortality_morbidity/en/index.html, http://www.who.int/features/factfiles/ageing/en/index.html, and http://www.who.int/workforcealliance/media/qa/01/en/

Philips Healthcare Guiding Statement

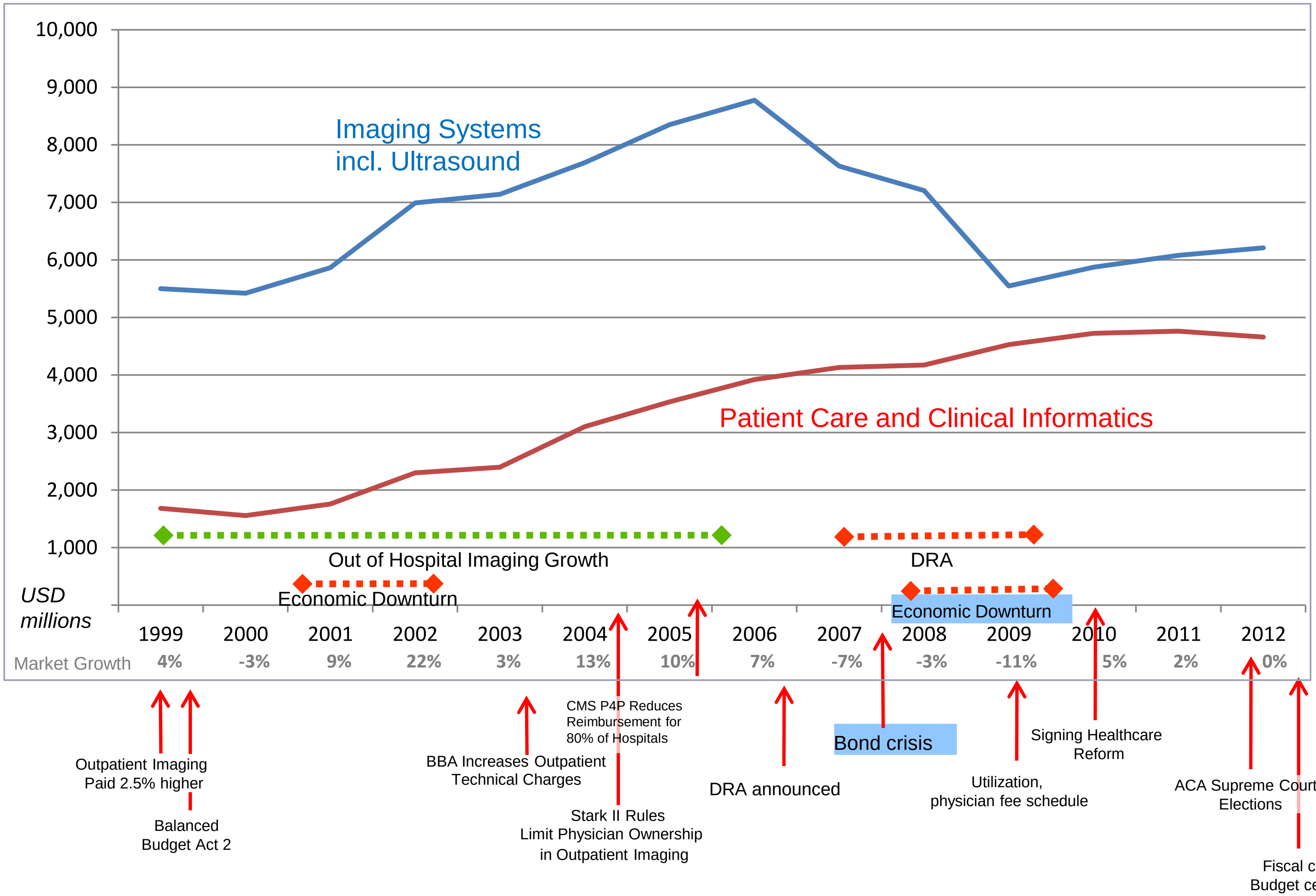
We are dedicated to creating the future of health care and saving lives.

We develop innovative solutions across the continuum of care in partnership with clinicians and our customers to improve patient outcomes, provide better value and expand access to care.



Health care historical market development

North America Market Size/ Growth and Impacts



Philips current expectation for the US Imaging Systems market for 2013-2015 is low- to mid-single-digit growth

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Health care market developments in the US

Short Term

	Imaging Systems	Patient Care & Clinical Informatics	Home Healthcare Solutions
• Economic uncertainties	unfavorable	unfavorable	unfavorable
• Medical Device Excise Tax	unfavorable	unfavorable	N.A.
• CB2[1] in HHS	N.A.	N.A.	neutral
• Capital spending hospitals	unfavorable	positive	N.A.
• Sequestration	neutral	neutral	neutral

Medical Device Excise Tax	Applies to ~55% of our US sales; impact largely mitigated through cost and value chain measures
CB2 in HHS[1]	Impacts ~ 7% of our global HHS business, ~1% of the total global Healthcare revenue
Capital spending	Expected to be flat to low-single-digit growth; continued focus on IT upgrades; beneficial to PCCI
Sequestration	Includes 2% reduction in Medicare payments; Medicaid exempt; maximum impact on growth very minor with around ~3bps

[1] Competitive Bidding Round 2 in Home Healthcare Solutions

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Health care market developments in the US

Mid to Long- Term

	Imaging Systems	Patient Care & Clinical Informatics	Home Healthcare Solutions
• Health care demographics	positive	positive	positive
• Aging of equipment base	positive	positive	positive
• Health care reform	neutral	positive	positive
• Meaningful use	neutral	positive	N.A.
• Improved care at lower cost	neutral	positive	positive

Health care reform (Affordable Care Act)	• 30 million additional patients into the health care system • Payments linked to quality improvements and lower integral patient cost vs current 'Fee for Service' model • Incentivizes more cost efficient care settings: 'Hospital-to-Home' • Overall, beneficial to Philips Healthcare
Meaningful use	Favorable to our PCCI business
Improved quality of care at lower cost	Reimbursement changes will increase need for solutions and consulting services; positive impact for our PCCI and HHS business; increased need for value offerings in Imaging Systems

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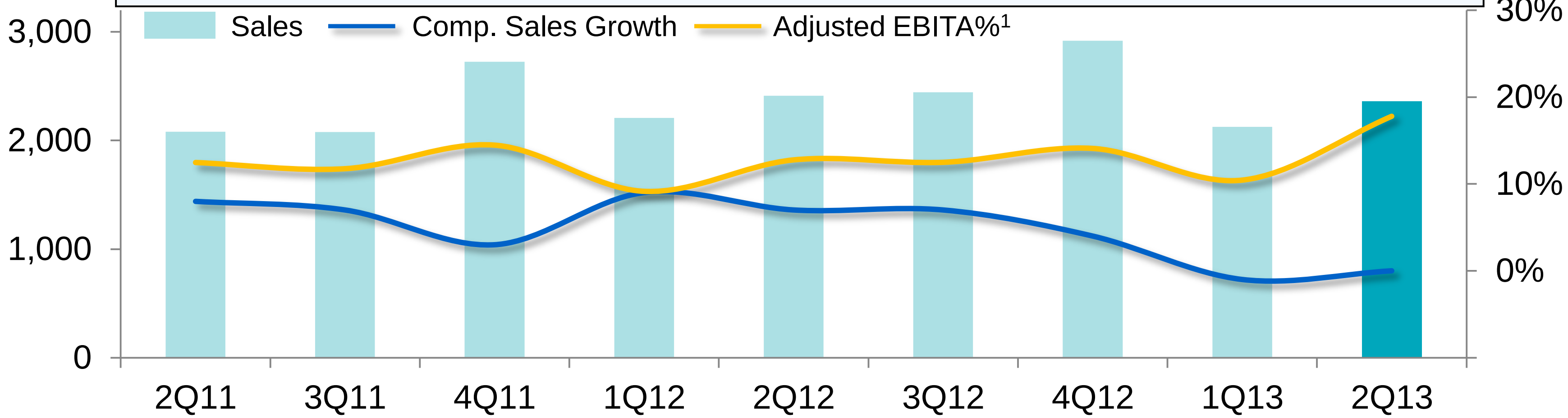
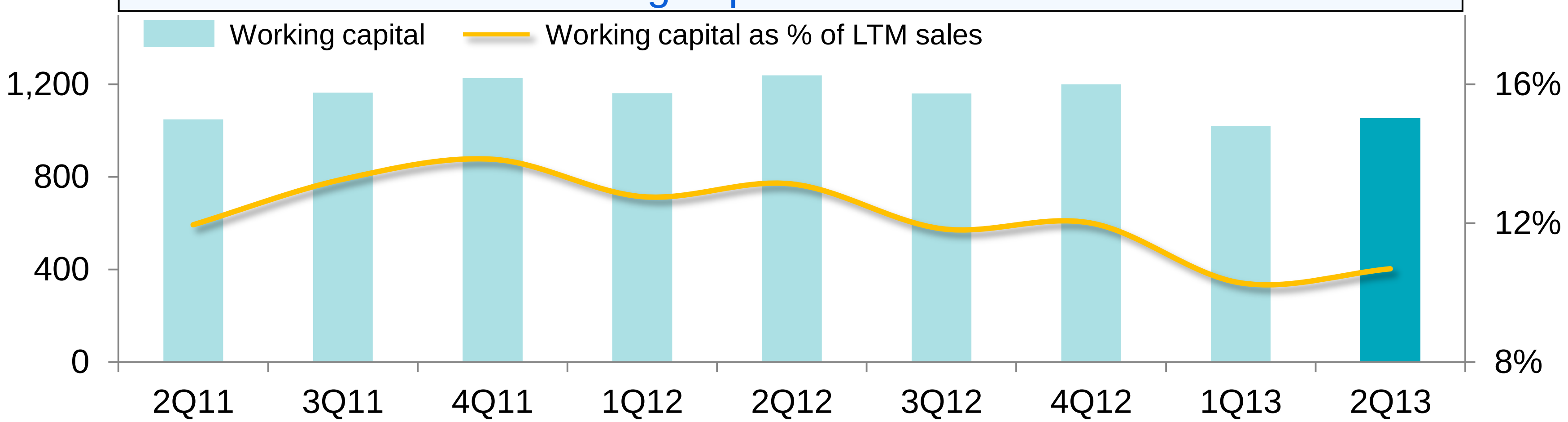
Healthcare: Financials over the last two years

EUR million

Sales, Comparable sales growth and Adjusted EBITA%



Working capital as % of sales



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

Note - Prior-period financials revised for discontinued operations, the adoption of IAS19R and for restatements included in the Annual Report 2012 (please refer to the Annual Report section 12.10 “Significant Accounting Policies”)

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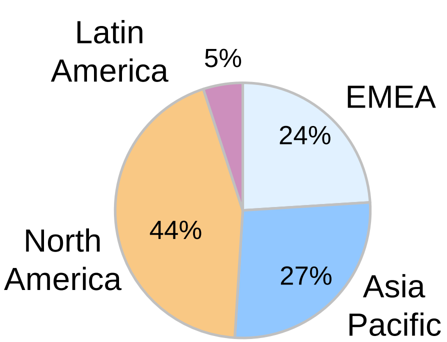
Healthcare: Q2 2013 Sector analysis

EUR million

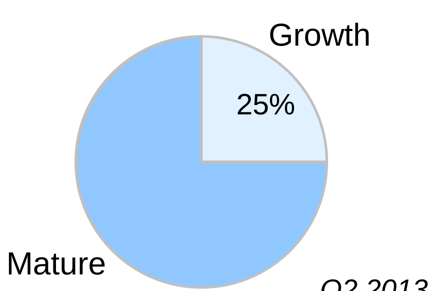
Key figures

	2Q12	1Q13	2Q13
Sales	2,413	2,127	2,362
% sales growth comp.	*7*	*(1)*	*0*
EBITA	308	222	420
EBITA as % of sales	*12.8*	*10.4*	*17.8*
EBIT	259	176	379
EBIT as % of sales	*10.7*	*8.3*	*16.0*
NOC	8,542	7,888	7,684
Employees (FTEs)	37,887	37,270	37,270

Sales per region



Growth Geographies[1]



Financial performance

- Currency-comparable equipment order intake grew 7% year-on-year. Double-digit growth was recorded at Patient Care & Clinical Informatics, while low-single-digit growth was seen at Imaging Systems. Equipment order intake in North America showed mid-single-digit growth, while orders in growth geographies increased by 19% compared to Q2 2012. Western Europe equipment order intake saw a low-single-digit decline.
- Healthcare comparable sales remained flat year-on-year. Customer Services recorded mid-single-digit growth, while Patient Care & Clinical Informatics and Home Healthcare Solutions achieved low-single-digit growth. Imaging Systems saw a high-single-digit decline. From a regional perspective, comparable sales in growth geographies increased by 10% year-on-year, with strong growth in China and Latin America. Sales in mature geographies declined 3% year-on-year, with North America and Western Europe showing mid-single- digit and low-single-digit declines respectively.
- EBITA was EUR 420 million, or 17.8% of sales, compared to EUR 308 million, or 12.8% of sales, in Q2 2012. Excluding restructuring and acquisition-related charges and other gains, EBITA amounted to EUR 338 million, or 14.3% of sales, compared to EUR 316 million, or 13.1% of sales, in Q2 2012. EBITA in the quarter included a EUR 61 million past-service pension cost gain in the US and a EUR 21 million gain on the sale of a business.
- Net operating capital, excluding a currency translation impact of EUR 466 million, decreased by EUR 392 million to EUR 7.7 billion. This decrease was largely driven by improved working capital and lower fixed assets. Inventories as a % of sales improved by 2.6 percentage points year-on-year, with improvements seen across all businesses. Compared to Q2 2012, the number of employees decreased by 617, as a result of reductions in NA and Europe.

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

Note - Prior-period financials revised for discontinued operations, the adoption of IAS19R and for restatements included in the Annual Report 2012 (please refer to the Annual Report section 12.10 “Significant Accounting Policies”)

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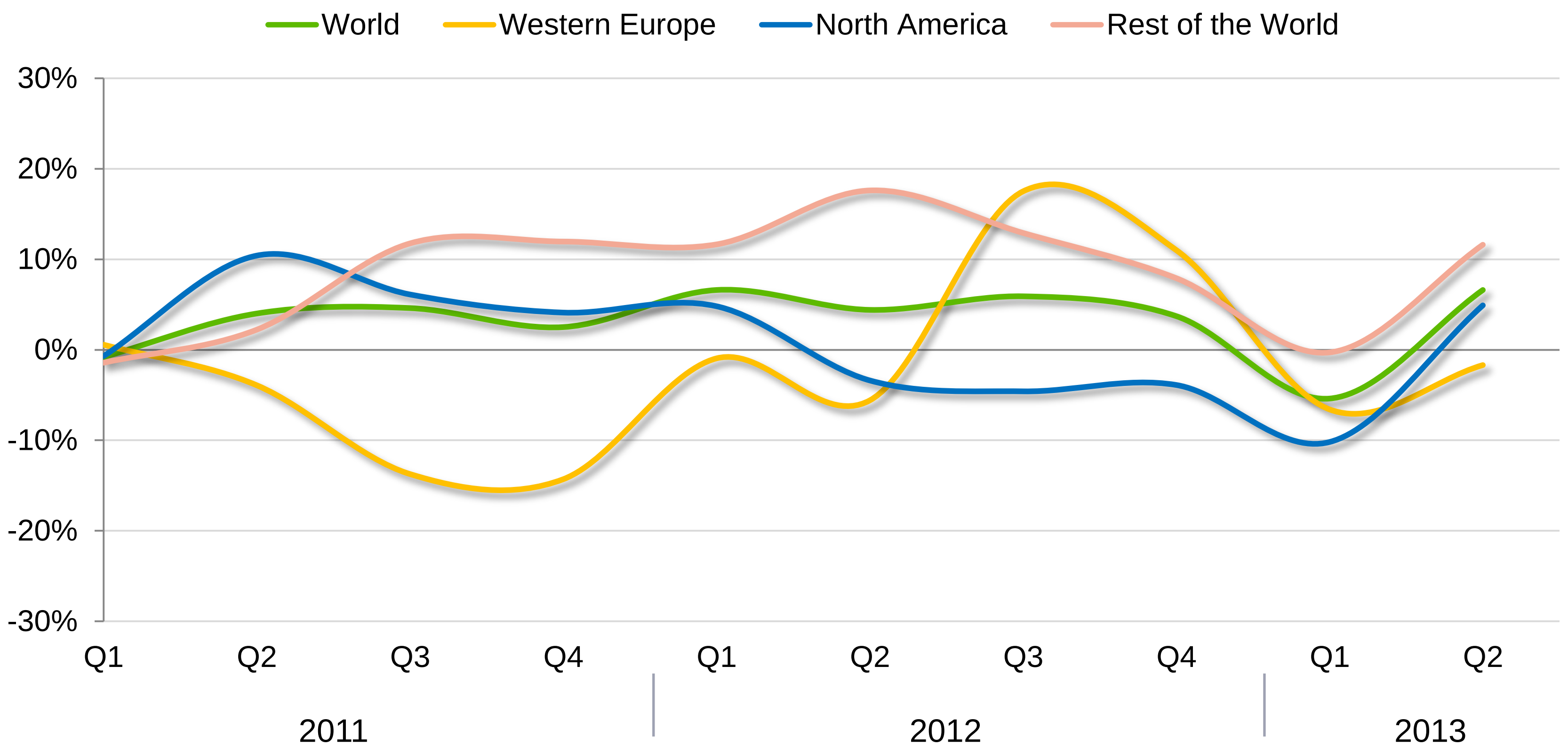
Healthcare: Equipment order intake

Quarterly currency adjusted equipment order intake



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

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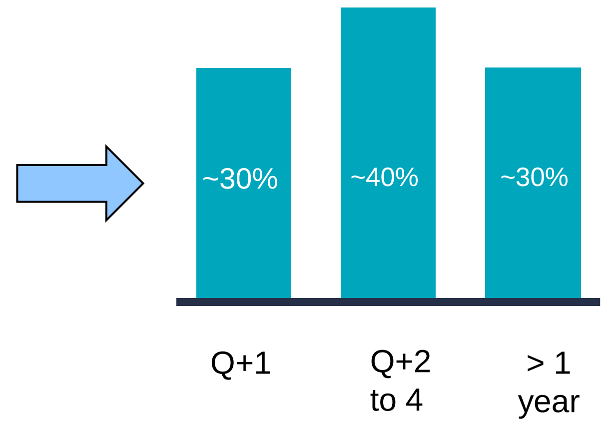
Healthcare: Equipment order book

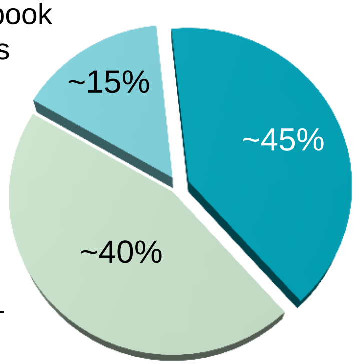
Indexed Equipment Order Book Development

Typical profile of equipment order book conversion to sales



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

Equipment book and bill sales



Equipment sales from order book - Leading indicator of future sales

Home Healthcare + Customer Services sales

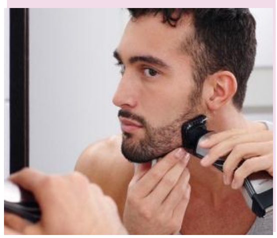
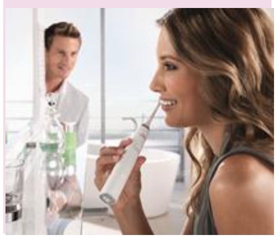
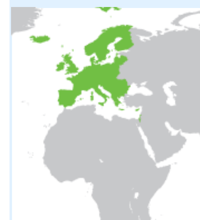
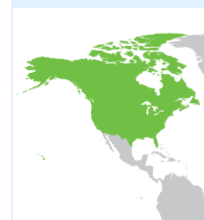
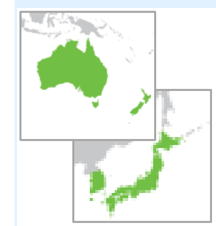
- Approximately 70% of the current order book results in sales within next 12 months

PHILIPS

Consumer Lifestyle

What we do. Where we are.

Philips Consumer Lifestyle

Businesses[1, 2]			Geographies[1]			
Personal Care	Health & Wellness	Domestic Appliances	Western Europe	North America	Other Mature Geographies	Growth Geographies[3]
						
33%	20%	46%	30%	17%	6%	47%

€4.3
Billion sales in 2012

16,000+
People employed worldwide

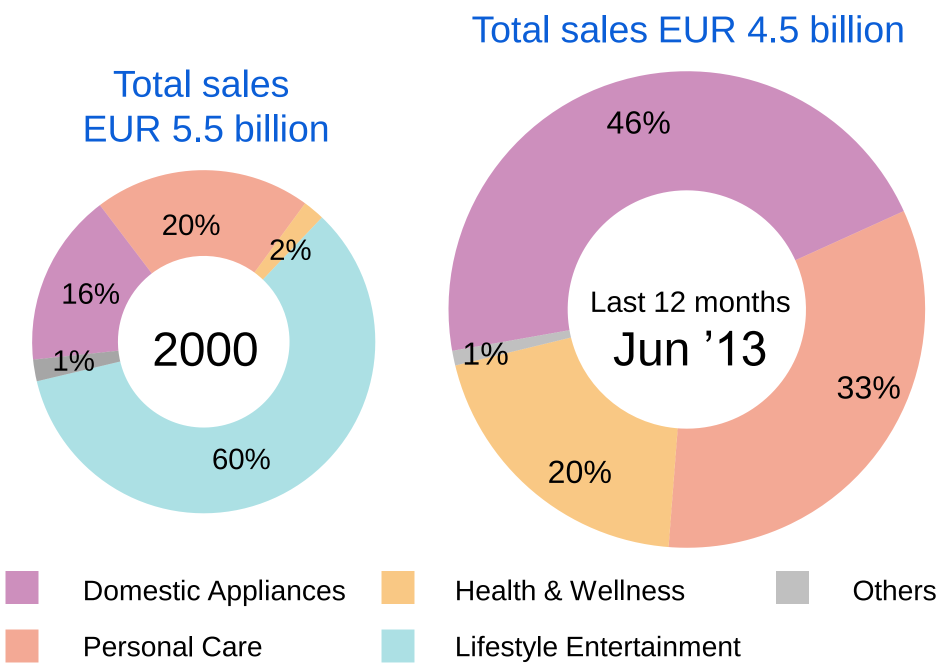
6%
of sales invested in R&D in 2012

36%
of green product sales in 2012

[1] Based on last twelve months sales June 2013
[2] Other category (1%) is omitted from this overview
[3] Growth geographies are all geographies excluding USA, Canada, Western Europe, Australia, New Zealand, South Korea, Japan and Israel
Note - Prior-period financials revised for discontinued operations, the adoption of IAS19R and for restatements included in the Annual Report 2012 (please refer to the Annual Report section 12.10 “Significant Accounting Policies”)

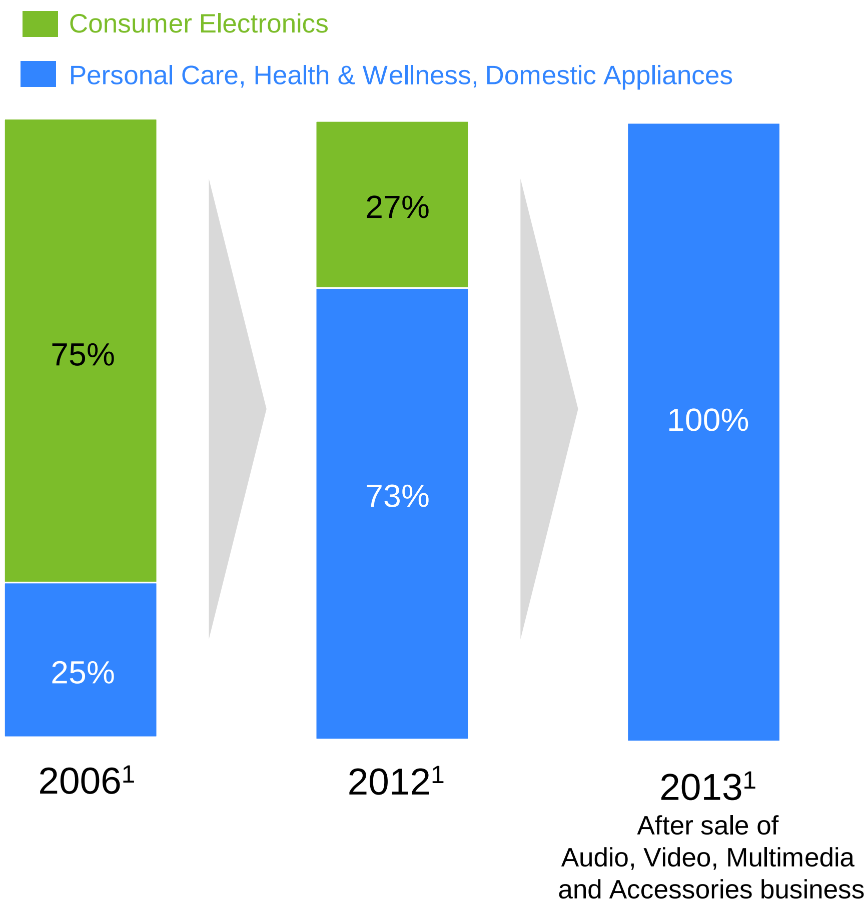
Consumer Lifestyle: Reshaping the portfolio towards growth

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

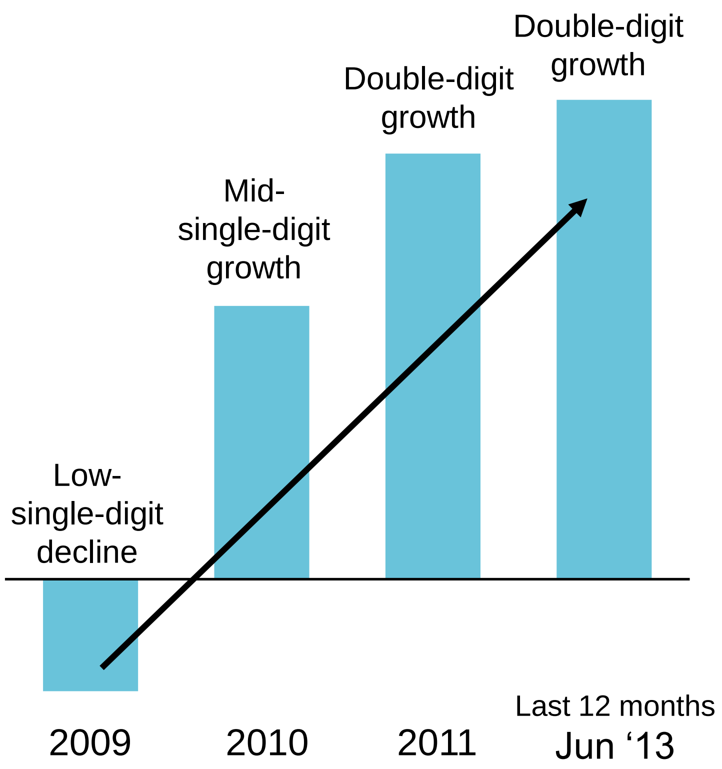


Focused portfolio in the Health and Well-being domain

We have exited Consumer Electronics



We see strong growth in the Consumer Lifestyle portfolio



[1] Excluding others

Note - Prior-period financials revised for discontinued operations, the adoption of IAS19R and for restatements included in the Annual Report 2012 (please refer to the Annual Report section 12.10 "Significant Accounting Policies")

Strong progress in driving scale and category leadership

Through innovation and customer intimacy, tapping into attractive profit pool

Focusing on the following businesses:

Personal Care

Male Grooming

- 40% of SensoTouch and AquaTouch users recruited from blade
- Increasing our leading position in the total Male Grooming market in key geographies
- Further strengthening leadership in China by introducing new value propositions and expanding to lower tier cities

Beauty

- Philips has #1 positions in hair care in growth geographies[1]
- Philips is #1 in Intense Pulse Light hair removal, since Lumea launch
- Active Care dryer strengthens #1 position of dryers in Europe

Health & Wellness

Oral Healthcare

- Increasing number of leadership positions[2] globally
- Entering new channels, launching PowerUp in drugstores this quarter
- Successful expansion into interdental cleaning with Airfloss

Mother & Childcare

- Natural range launched, first consumer reviews are very positive
- Significant value growth and an increase of premium sales share
- Awards won in several countries from leading baby magazines

[1] Growth geographies are all geographies excluding USA, Canada, Western Europe, Australia, New Zealand, South Korea, Japan and Israel
[2] #1 or #2 position
Source: GfK, Nielsen, ZYK

Strong progress in driving scale and category leadership

Through innovation and customer intimacy, tapping into attractive profit pool

Focusing on the following businesses:

Domestic Appliances

Kitchen Appliances

- Double-digit growth in 2012 driven by strong innovation impetus
- Acquisitions and local product creation drive a strong increase of new product offers
- Leadership in key markets strengthened through local relevance

Garment Care

- Optimal Temp Innovation confirms global leadership in steam generators
- Locally relevant innovations like steamers drive leadership in China and expand portfolio globally

Coffee

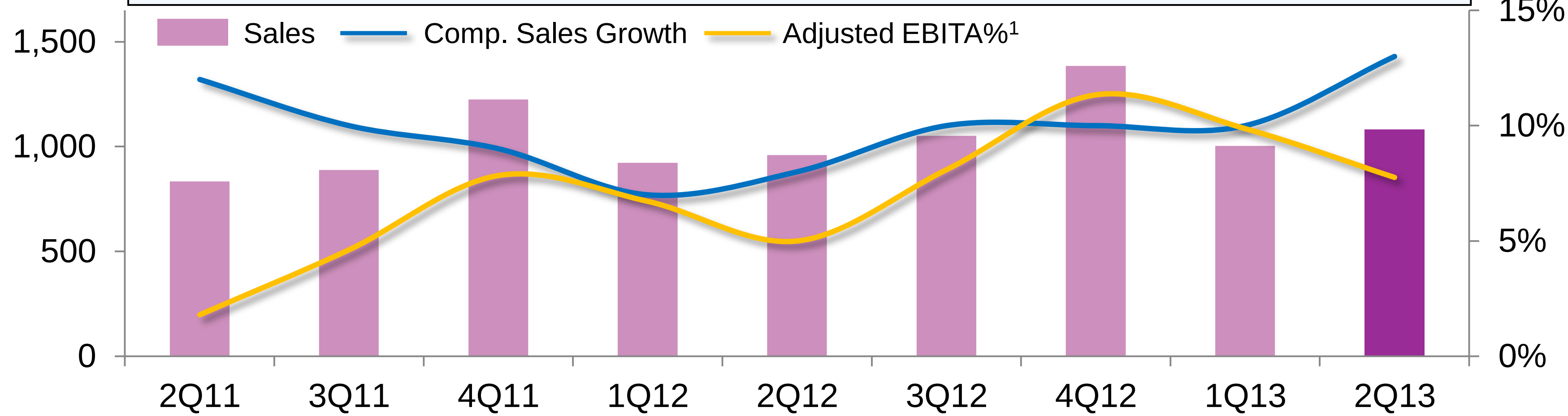
- New, long-term agreement with D.E. Master Blenders 1753 to further strengthen the Senseo business
- Successful launch of new product innovations in Senseo, Dripfilter and Espresso

Source: GfK, Nielsen, ZYK

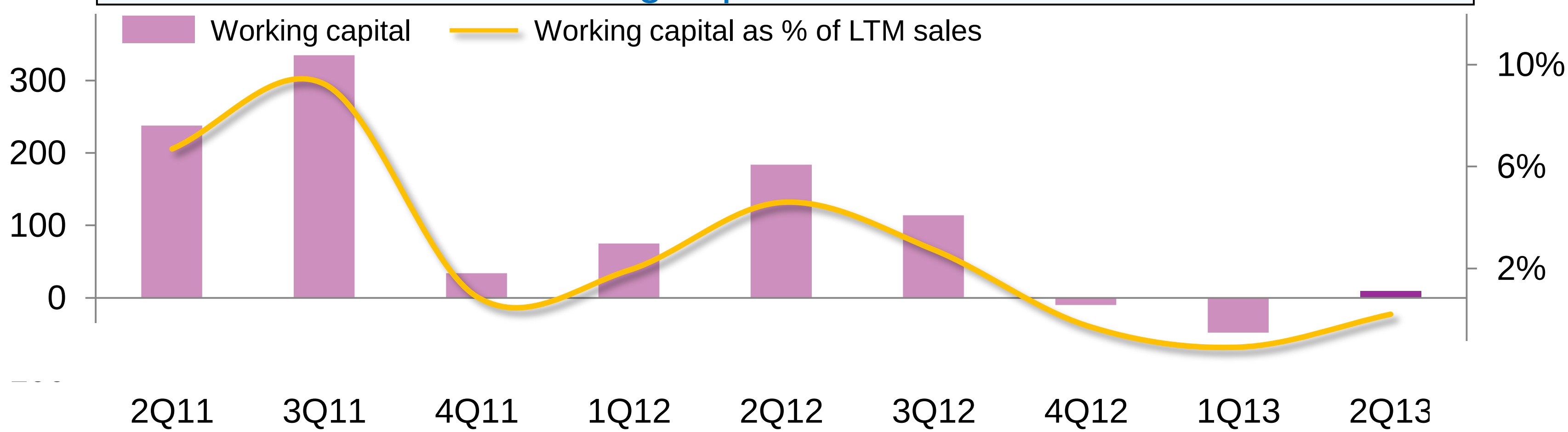
Consumer Lifestyle: Financials over the last two years

EUR million

Sales, Comparable sales growth and Adjusted EBITA%



Working capital as % of sales



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

Note - Prior-period financials revised for discontinued operations, the adoption of IAS19R and for restatements included in the Annual Report 2012 (please refer to the Annual Report section 12.10 “Significant Accounting Policies”)

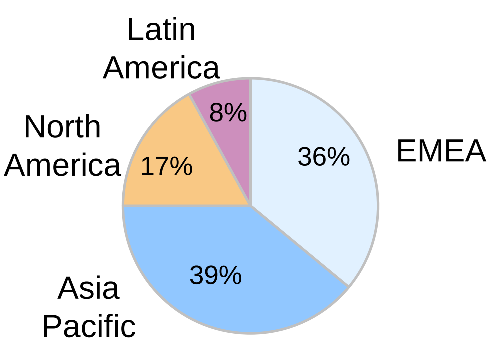
Consumer Lifestyle: Q2 2013 Sector analysis

EUR million

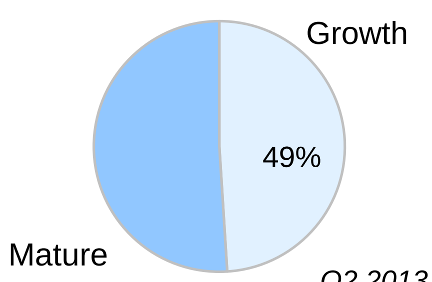
Key figures

	2Q12	1Q13	2Q13
Sales	960	1,003	1,083
% sales growth comp.	*8*	*10*	*13*
EBITA	40	98	82
EBITA as % of sales	*4.2*	*9.8*	*7.6*
EBIT	27	84	69
EBIT as % of sales	*2.8*	*8.4*	*6.4*
NOC	1,514	1,092	1,182
Employees (FTEs)	16,540	16,891	16,414

Sales per region



Growth Geographies[1]



Financial performance

- Consumer Lifestyle comparable sales increased by 13%. Strong double-digit comparable growth was seen at Domestic Appliances and Personal Care, while Health & Wellness recorded mid-single-digit growth. From a regional perspective, Consumer Lifestyle achieved a strong double-digit comparable sales increase in growth geographies and mid-single-digit growth in Western Europe and North America.
- EBITA amounted to EUR 82 million, an increase of EUR 42 million compared to Q2 2012. EBITA in Q2 2013 included EUR 3 million of restr. & acq.-related charges and a EUR 1 million past-service pension cost gain in the US, compared to EUR 8 million of restr. & acq.-related charges in Q2 2012.
- Excluding restructuring and acquisition-related charges and the US past-service pension cost gain, EBITA was EUR 84 million, or 7.8% of sales, compared to EUR 48 million, or 5.0% of sales, in Q2 2012. The 2.8 percentage points improvement was largely attributable to higher sales and improved gross margins across all businesses. EBITA included EUR 7 million of costs formerly reported as part of the Audio, Video, Multimedia and Accessories business in Consumer Lifestyle (Q2 2012 included EUR 9 million of costs related to the Audio, Video, Multimedia and Accessories business and EUR 9 million of costs related to the Television business).
- Net operating capital, excluding a currency translation impact of EUR 66 million, decreased by EUR 266 million year-on-year. The decrease was largely driven by lower working capital. The number of employees decreased by 126 year-on-year, largely due to the seasonal outflow of temporary workers, mainly in the Domestic Appliances business and the Asian region.

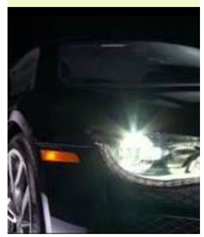
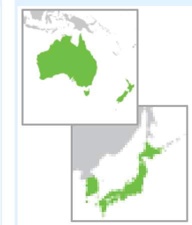
[1] Growth geographies are all geographies excluding USA, Canada, Western Europe, Australia, New Zealand, South Korea, Japan and Israel

Note - Prior-period financials revised for discontinued operations, the adoption of IAS19R and for restatements included in the Annual Report 2012 (please refer to the Annual Report section 12.10 “Significant Accounting Policies”)

Lighting

What we do. Where we are.

Philips Lighting

Businesses[1]					Geographies[1]			
Light Sources & Electronics	Professional Lighting Solutions	Lumileds	Automotive	Consumer Luminaires	Western Europe	North America	Other Mature Geographies	Growth Geographies[2]
								
52%	28%	4%	10%	6%	28%	25%	5%	42%

€8.4
Billion sales in 2012

49,000+
People employed worldwide in 60 countries

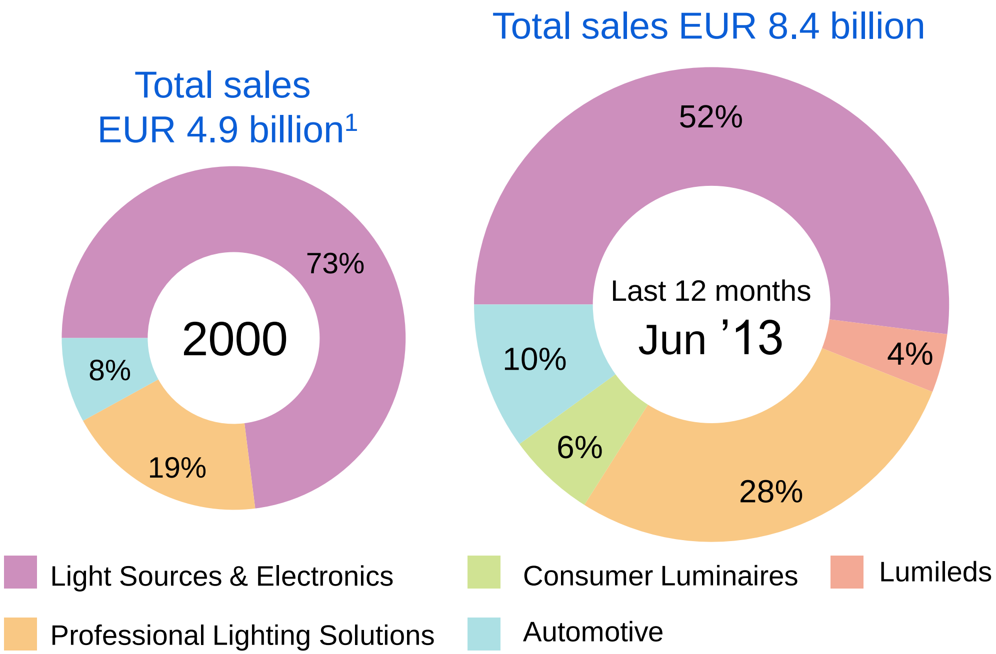
5%
of sales invested in R&D in 2012

80,000+
Products & services offered in 2012

[1] Based on last twelve months sales June 2013
[2] Growth geographies are all geographies excluding USA, Canada, Western Europe, Australia, New Zealand, South Korea, Japan and Israel
Note - Prior-period financials revised for discontinued operations, the adoption of IAS19R and for restatements included in the Annual Report 2012 (please refer to the Annual Report section 12.10 “Significant Accounting Policies”)

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
- Consumer Luminaires and Lumileds to be profitable in 2013



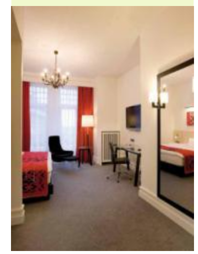
[1] Excluding batteries EUR 0.2 billion

We increase our focus towards the people we serve

Further strengthening our global leadership in Lighting

Philips Lighting

Customer Segments[1]

Homes	Offices	Outdoor	Industry	Retail	Hospitality	Entertainment	Healthcare	Automotive
								
27%	13%	20%	8%	13%	2%	4%	3%	10%

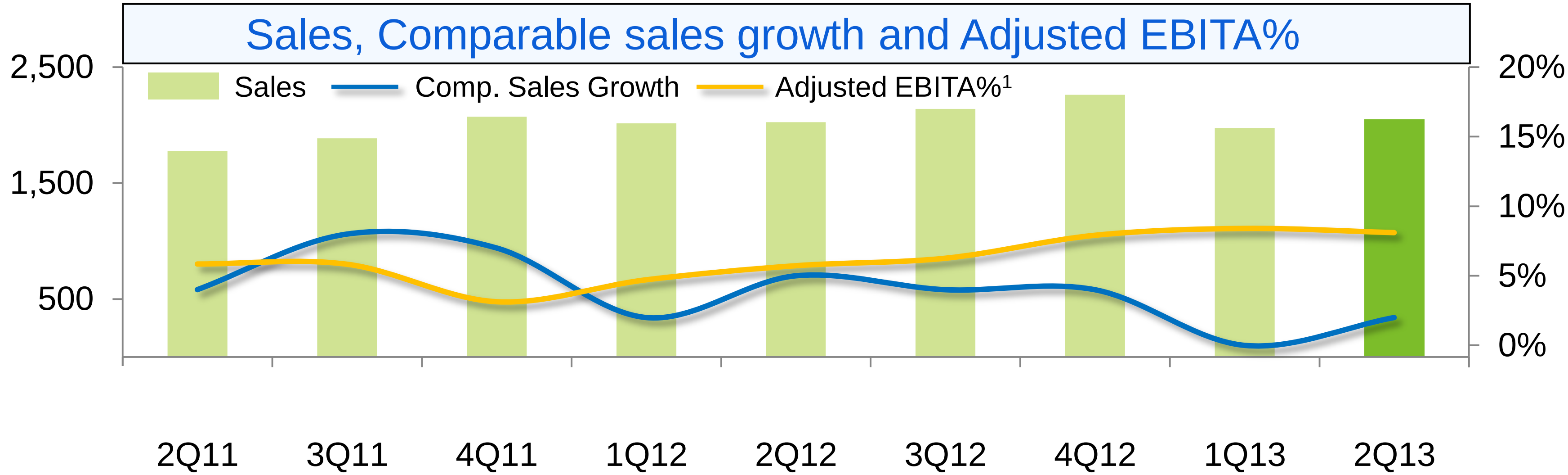
- ~ 75% of Lighting sales is B2B
- ~ 25% of the Lighting portfolio is LED lighting

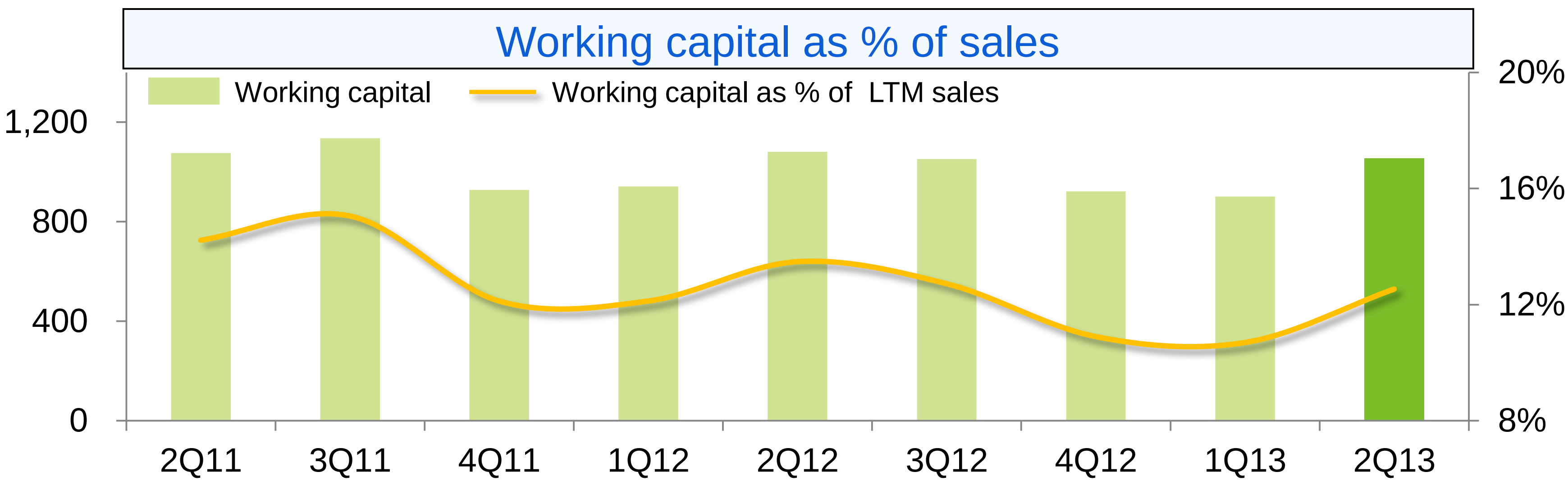
[1] Indicative split based on last twelve months June 2013

Note - Prior-period financials revised for discontinued operations, the adoption of IAS19R and for restatements included in the Annual Report 2012 (please refer to the Annual Report section 12.10 "Significant Accounting Policies")

Lighting: Financials over the last two years

EUR million





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

Note - Prior-period financials revised for discontinued operations, the adoption of IAS19R and for restatements included in the Annual Report 2012 (please refer to the Annual Report section 12.10 “Significant Accounting Policies”)

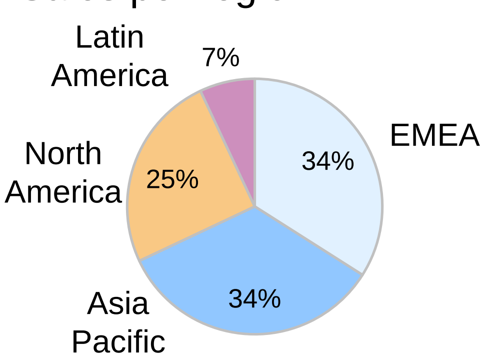
Lighting: Q2 2013 Sector analysis

EUR million

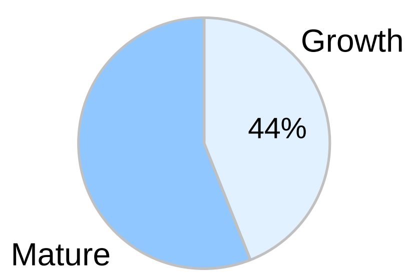
Key figures

	2Q12	1Q13	2Q13
Sales	2,026	1,975	2,048
% sales growth comp.	*6*	*0*	*2*
EBITA	78	147	153
EBITA as % of sales	*3.8*	*7.4*	*7.5*
EBIT	34	110	115
EBIT as % of sales	*1.7*	*5.6*	*5.6*
NOC	5,287	4,664	4,732
Employees (FTEs)	52,749	49,404	49,148

Sales per region



Growth Geographies[1]



Q2 2013

Financial performance

- Comparable sales were 2% higher year-on-year, led by high-single-digit growth at Automotive and mid-single-digit growth at Lumileds and Consumer Luminaires. Light Sources & Electronics achieved low-single-digit growth, while Professional Lighting Solutions' sales were slightly below the level of Q2 2012. From a geographical perspective, comparable sales showed a double-digit increase in growth geographies (8% increase in comparable sales excluding the OEM Lumileds sales), which was partly offset by a mid-single-digit decrease in mature geographies. LED-based sales grew 28% compared to Q2 2012 and now represent 25% of total Lighting sales.
- EBITA amounted to EUR 153 million, compared to EUR 78 million in Q2 2012, and included restr. & acq.-related charges of EUR 23 million (Q2 2012: EUR 38 million), as well as a past-service pension cost gain in the US of EUR 10 million.
- Excluding restructuring and acquisition-related charges and the past-service pension cost gain in the US, EBITA was EUR 166 million, or 8.1% of sales, compared to EUR 116 million, or 5.7% of sales, in Q2 2012. The year-on-year EBITA increase was driven by revenue growth and gross margin improvements. All businesses contributed to the EBITA improvement.
- Net operating capital, excluding a currency translation impact of EUR 185 million, decreased by EUR 370 million year-on-year. The decrease was largely driven by an increase in provisions and improved working capital. Inventories as a % of sales improved by 1.2 percentage points year-on-year. Compared to Q2 2012, the total number of employees decreased by 3,601, mainly driven by the rationalization of the industrial footprint.

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

Note - Prior-period financials revised for discontinued operations, the adoption of IAS19R and for restatements included in the Annual Report 2012 (please refer to the Annual Report section 12.10 "Significant Accounting Policies")

PHILIPS

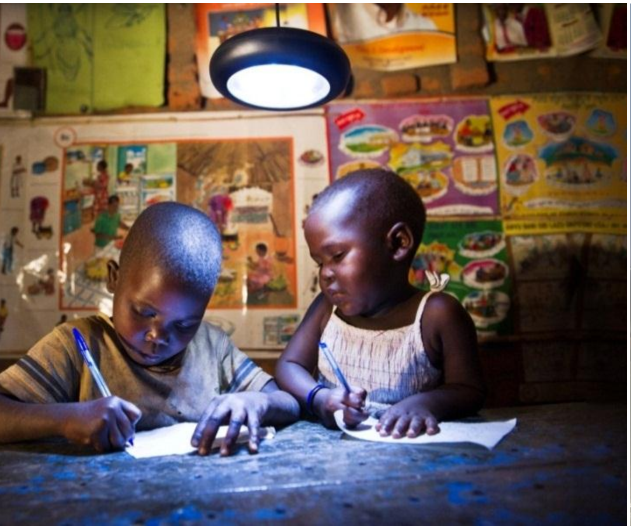
Three mega trends provide a huge opportunity

The world needs….

more light

more energy-efficient light

digital light

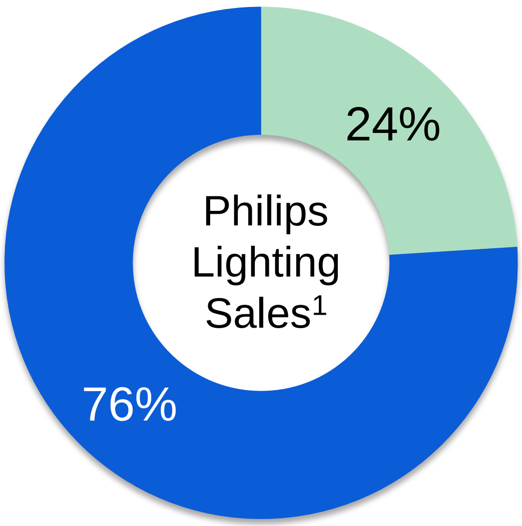


…and we are changing the game

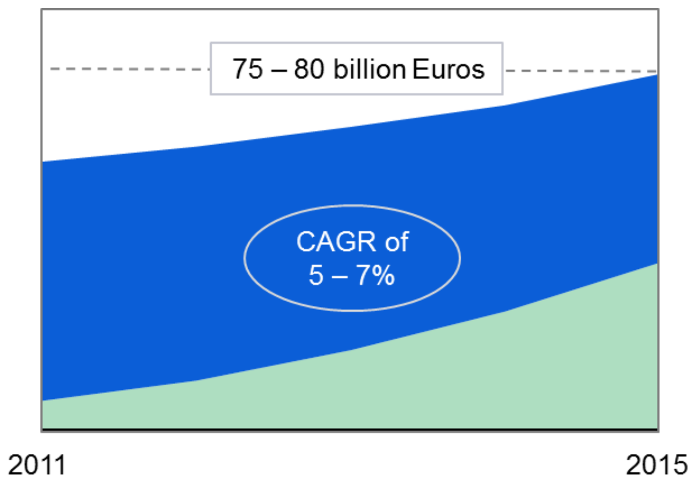
PHILIPS

The LED revolution

Digital lighting is transforming the entire landscape



LED lighting expected to be around 45% of the market by 2015[2]



Conventional lighting

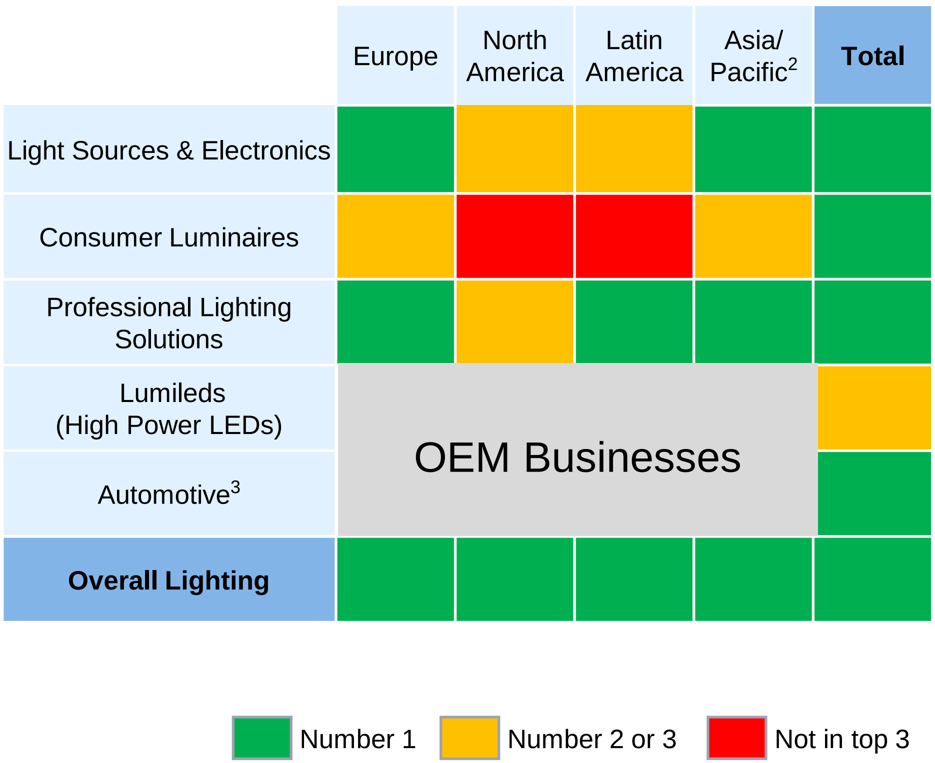
LED lighting

[1] Last twelve months June 2013
[2] Excluding Automotive Lighting and LED components market
Source: Philips Lighting global market study 2010, updated for 2011

PHILIPS

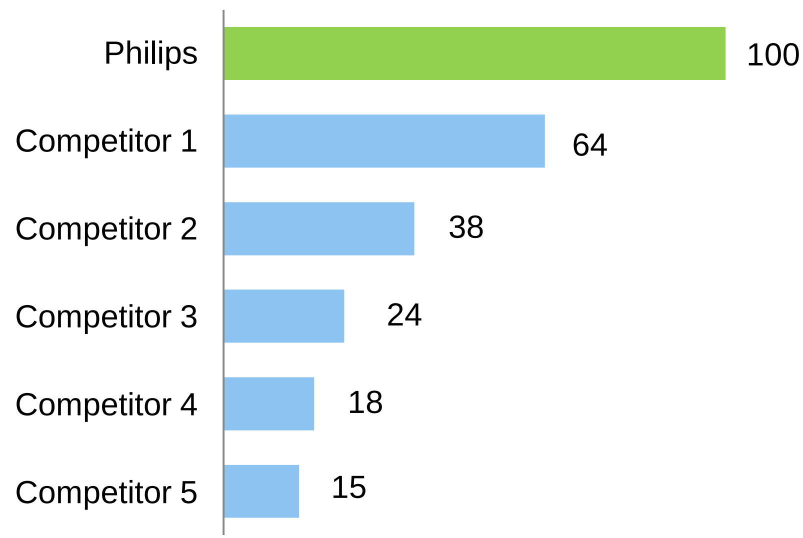
The leading global lighting company

Market leadership[1] across most categories
Market share per Business Group by Region,
as per Q1 2013



We are the largest lighting company…

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



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

PHILIPS

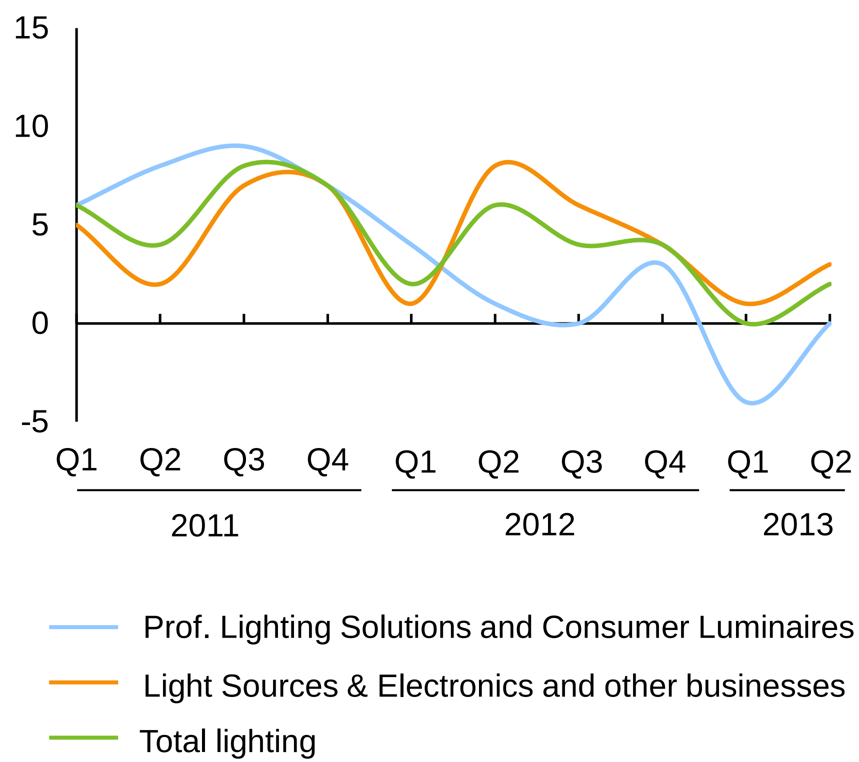
Weakness in non-residential construction markets in mature geographies dampens growth

Around 20% of Philips Lighting sales driven by New Build in Western Europe & North America (WE&NA)

Philips Lighting	New Build	Replace-ment	Total
Residential	**12%**	13%	25%
Commercial	**26%**	22%	48%
Other[1]	19%	8%	27%
Total	57%	43%	100%

New Build	WE&NA	ROW	Total
Residential	6%	6%	12%
Commercial	13%	13%	26%
Total	19%	19%	38%

Comparable sales growth % 2011-2013



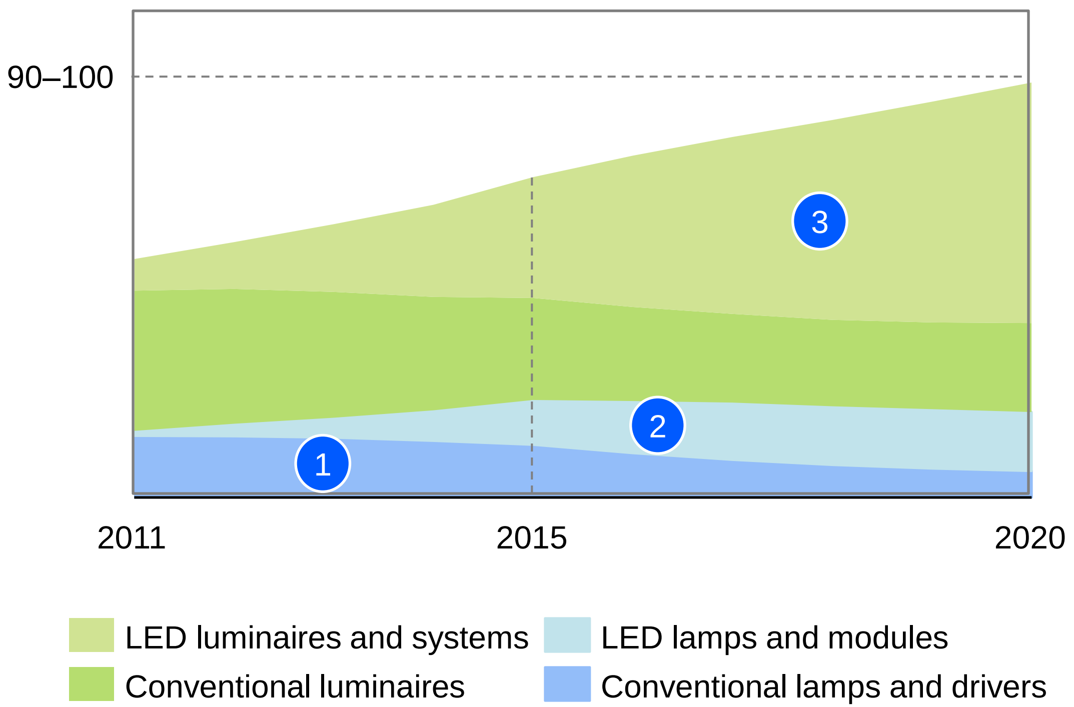
[1] Others = Automotive and Outdoor

PHILIPS

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

Global General Illumination[1] market

EUR billion



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

2
Leverage growth opportunity in LED lamps and modules

3
Invest in LED luminaires and systems to secure future leadership

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

We are the leading LED lighting company

Leveraging Intellectual Property

- Scope: LED Controls and Basic Optics
- Philips Lighting Patent Portfolio:

    - 85% LED and digital related
    - 15% Conventional related

- 1400 Rights licensed
- Licensing Program has already 300 licensees

Packaged LED's

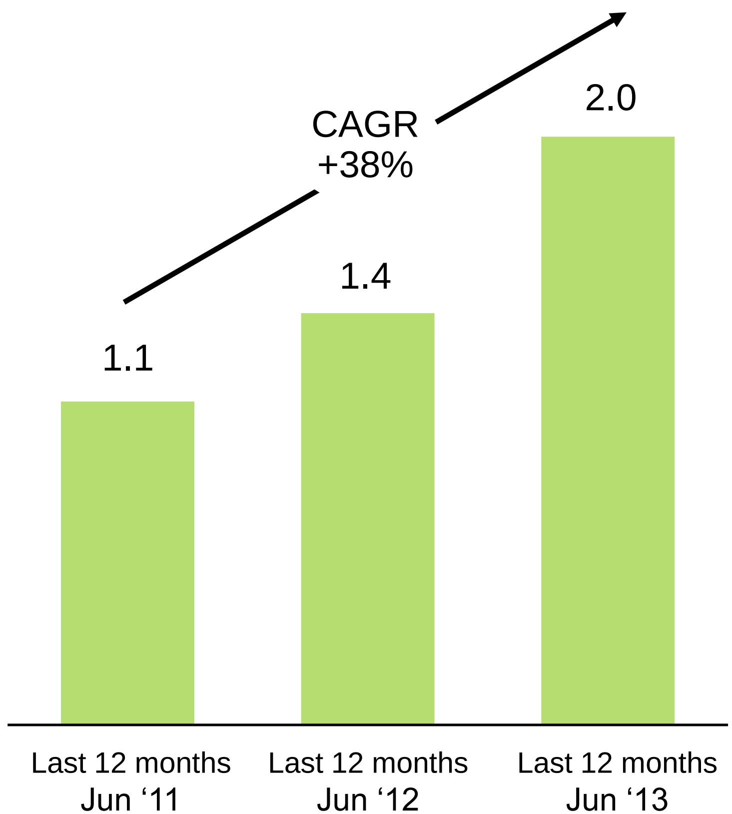
Lamps and Modules

Luminaires

Solutions

Robust growth across our LED portfolio

Sales in EUR billion



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

We cover the entire value chain

LED components	Modules/ bulbs	Luminaires	Controls/ systems
PHILIPS	PHILIPS	PHILIPS	PHILIPS

Electronics / LED chip players

LED bulbs / modules players

LED luminaires players

Lighting/ building controls players

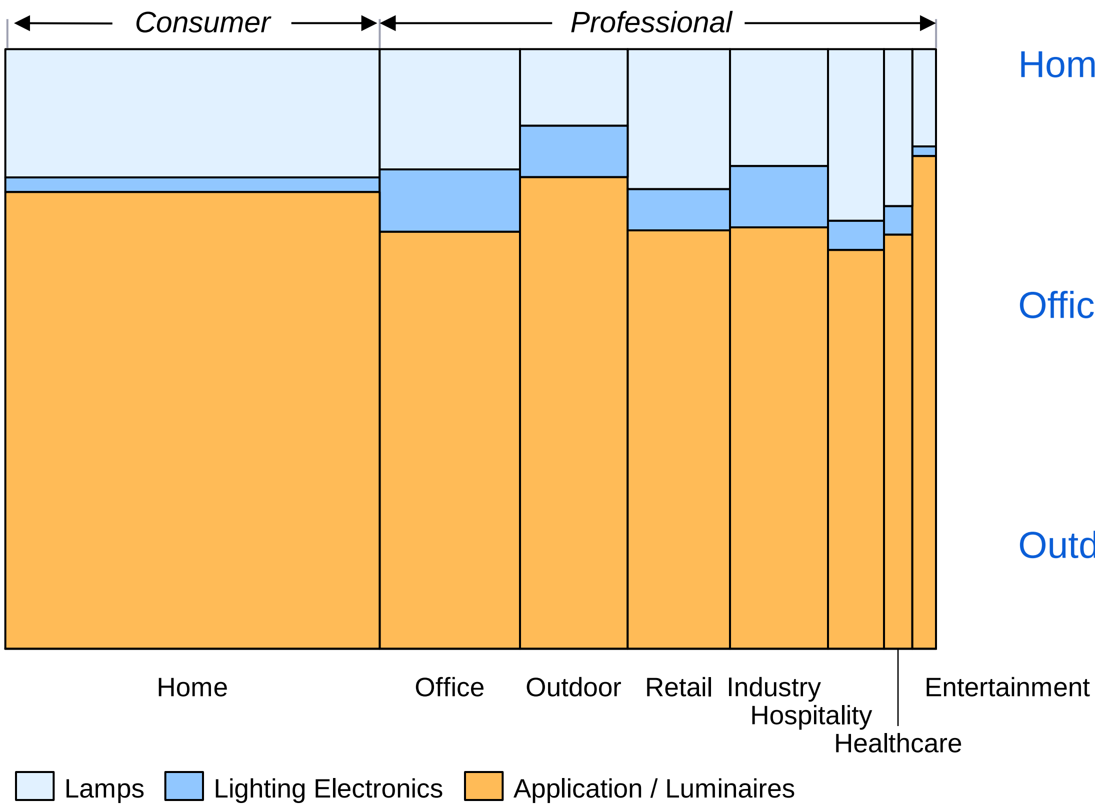
Vertical integration and superior LEDs are our key differentiators

- Philips uses its application know-how to specify and design superior lighting solutions and luminaires …
- … its luminaire know-how for superior LED modules …
- … its module know-how for superior LEDs
- Superior LEDs are key for leading lighting solutions
  - Leading lighting designs
  - First to market
  - Better cost performance
  - Deliver customer value and drive margin

PHILIPS

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

Total market size in 2012[1]: EUR 60-65 billion



Biggest segments

Home

Office

Outdoor

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

PHILIPS

Innovation, Group & Services

Formerly known as Group Management & Services

Group Innovation

Philips Group Innovation encompasses Group Funded Research and Innovation, Design and Emerging Businesses

IP Royalty

Royalty/licensing activities related to the IP on products no longer sold by the sectors

Group Management and Regional Costs

Group headquarters and country & regional overheads

Accelerate! related investments

Investments to support the transformation of Philips

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, stranded costs of TV and the Audio, Video, Multimedia and Accessories business, and other incidentals related to the legal liabilities of the Group

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Innovation,Group & Services: Q2 2013 Sector analysis

EUR million

Key figures

	2Q12	1Q13	2Q13
Sales	171	153	161
% sales growth comp.	*(2)*	*(4)*	*(14)*
EBITA:			
Group Innovation	(41)	(30)	(34)
IP Royalty	51	52	56
Group & Regional Costs	(29)	(36)	(34)
Accelerate! investments	(34)	(29)	(40)
Pensions	25	(4)	(1)
Services Units & Other	(59)	(18)	1
EBITA	(87)	(65)	(52)
EBIT	(91)	(65)	(54)
NOC	(3,858)	(3,675)	(3,414)
Employees (FTEs)	12,459	12,346	12,449

Financial performance

- Sales decreased from EUR 171 million in Q2 2012 to EUR 161 million in Q2 2013, mainly due to lower license income.
- EBITA amounted to a net cost of EUR 52 million, including a EUR 6 million past-service pension cost gain in the US. The EBITA net cost of EUR 87 million in Q2 2012 included a past-service cost gain on a medical retiree benefit plan of EUR 25 million. Net restructuring charges in Q2 2013 were close to zero, while restructuring charges in Q2 2012 were EUR 40 million. EBITA excluding restructuring charges and past-service pension cost gains improved by EUR 14 million compared to Q2 2012, mainly related to the remeasurement of environmental provisions due to changes in discount rates.
- EBITA of Service Units and Other included EUR 13 million of net costs formerly reported as part of the Audio, Video, Multimedia and Accessories business in Consumer Lifestyle (Q2 2012 included EUR 9 million related to the Audio, Video, Multimedia and Accessories business and EUR 9 million related to the Television business).
- Net operating capital increased by EUR 444 million year-on-year, mainly due to an increase in the value of currency hedges held at Group level as well as the reclassification of real estate assets from the sectors to Service Units.

Note - Prior-period financials revised for discontinued operations, the adoption of IAS19R and for restatements included in the Annual Report 2012 (please refer to the Annual Report section 12.10 “Significant Accounting Policies”)

Appendix

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Publication and AGM dates 2013

January 29	Fourth quarterly and annual results 2012
February 25	Annual Report 2012
April 22	First quarterly results 2013
May 3	Annual General Meeting of Shareholders
July 22	Second quarterly and semi-annual results 2013
October 21	Third quarterly results 2013
January 28, 2014	Fourth quarterly and annual results 2013

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Depreciation and amortization

EUR million

	Q2 2012	Q2 2013	FY 2011	FY 2012
Depreciation of property, plant and equipment	165	151	617	677
Amortization of software	11	9	55	45
Amortization of other intangible assets	110	94	559	458
Amortization of development costs	48	57	169	218
Philips Group	334	311	1,400	1,398

Note - Prior-period financials revised for discontinued operations, the adoption of IAS19R and for restatements included in the Annual Report 2012 (please refer to the Annual Report section 12.10 “Significant Accounting Policies”)

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Gross capital expenditures & Depreciation by sector

EUR million

	Gross CapEx[1]		Depreciation[1]	
	Q2 2012	Q2 2013	Q2 2012	Q2 2013
Healthcare	30	29	49	39
Consumer Lifestyle	31	26	22	27
Lighting	80	60	73	64
IG&S	27	30	21	21
Group	168	145	165	151

[1] Capital expenditures and depreciations on property, plant and equipment only

Note - Prior-period financials revised for discontinued operations, the adoption of IAS19R and for restatements included in the Annual Report 2012 (please refer to the Annual Report section 12.10 “Significant Accounting Policies”)

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Gross capital expenditures & Depreciation by sector

EUR million

	Gross CapEx[1]		Depreciation[1]	
	2011	2012	2011	2012
Healthcare	153	135	186	200
Consumer Lifestyle	130	126	91	104
Lighting	279	290	262	298
IG&S	78	110	78	75
Group	640	661	617	677

[1] Capital expenditures and depreciations on property, plant and equipment only

Note - Prior-period financials revised for discontinued operations, the adoption of IAS19R and for restatements included in the Annual Report 2012 (please refer to the Annual Report section 12.10 “Significant Accounting Policies”)

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Development cost capitalization & amortization by sector

EUR million

	Capitalization		Amortization	
	Q2 2012	Q2 2013	Q2 2012	Q2 2013
Healthcare	62	68	30	36
Consumer Lifestyle	10	12	7	9
Lighting	18	20	11	12
IG&S	-	4	-	-
Group	90	104	48	57

Note - Prior-period financials revised for discontinued operations, the adoption of IAS19R and for restatements included in the Annual Report 2012 (please refer to the Annual Report section 12.10 “Significant Accounting Policies”)

Development cost capitalization & amortization by sector

EUR million

	Capitalization		Amortization	
	2011	2012	2011	2012
Healthcare	183	246	105	128
Consumer Lifestyle	37	37	32	39
Lighting	59	66	32	51
IG&S	3	14	-	-
Group	282	363	169	218

Note - Prior-period financials revised for discontinued operations, the adoption of IAS19R and for restatements included in the Annual Report 2012 (please refer to the Annual Report section 12.10 “Significant Accounting Policies”)

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Restructuring, acquisition-related and other incidentals

EUR million

	1Q12	2Q12	3Q12	4Q12	**2012**	1Q13	**2Q13**
Acq.-related charges	(5)	(4)	(4)	(5)	**(18)**	(3)	**(2)**
Restructuring	(4)	(4)	1	(109)	**(116)**	1	**2**
Other Incidentals	-	-	-	-	**-**	-	**82**
Healthcare	(9)	(8)	(3)	(114)	**(134)**	(2)	**82**
Acq.-related charges	(6)	(5)	(2)	(5)	**(18)**	(1)	**-**
Restructuring	(5)	(3)	(5)	(25)	**(38)**	-	**(3)**
Other Incidentals	160[1]	-	-	-	**160**	-	**1**
Consumer Lifestyle	149	(8)	(7)	(30)	**104**	(1)	**(2)**
Acq.-related charges	(3)	(3)	(3)	(5)	**(14)**	(1)	**(1)**
Restructuring	(21)	(35)	(65)	(180)	**(301)**	(18)	**(22)**
Other Incidentals	(25)	-	(34)	(22)	**(81)**	-	**10**
Lighting	(49)	(38)	(102)	(207)	**(396)**	(19)	**(13)**
Restructuring	1	(40)	2	(19)	**(56)**	3	**-**
Other Incidentals	37	25	-	(445)[2]	**(383)**	-	**6**
IG&S	38	(15)	2	(464)	**(439)**	3	**6**
Total Acq.-related charges	(14)	(12)	(9)	(15)	**(50)**	(5)	**(3)**
Total Restructuring	(29)	(82)	(67)	(333)	**(511)**	(14)	**(23)**
Total Other Incidentals	172	25	(34)	(467)	**(304)**	-	**99**[3]
Grand Total	129	(69)	(110)	(815)	**(865)**	(19)	**73**

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

[3] Includes a EUR 78M past-service pension cost gain in the US (EUR 61M in Healthcare, EUR 1M in Consumer Lifestyle, EUR 10M in Lighting and EUR 6M in IG&S) and a EUR 21M gain on the sale of a business in Healthcare

Note - Figures can be used to make the bridge between reported and adjusted EBITA numbers; prior-period financials revised for discontinued operations, the adoption of IAS19R and for restatements included in the Annual Report 2012 (please refer to the Annual Report section 12.10 “Significant Accounting Policies”)

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