

# PHILIPS

Algemene Vergadering van Aandeelhouders  
Koninklijke Philips Electronics N.V.

3 mei 2013

# PHILIPS

Annual General Meeting of Shareholders  
Royal Philips Electronics

May 3, 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's financial position, operating results and cash flows, management uses certain non-GAAP financial measures. These non-GAAP financial measures should not be viewed in isolation as alternatives to the equivalent IFRS measures and should be used in conjunction with the most directly comparable IFRS measures. A reconciliation of such measures to the most directly comparable IFRS measures is contained in our Annual Report 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 IFRS, unless otherwise stated.

## 2012: Progress in delivering our full potential

- We made good progress on performance improvement in 2012
- Accelerate! is delivering solid results, with significant gains to be made until 2017
- We continued investing in innovation and introduced locally relevant products and services
- We are committed to reach our financial targets this year

## We are well positioned to address global challenges

- Portfolio currently ~70% Business-to-Business
- Introducing innovations faster
- Creating value through local relevance

### Healthcare



### Consumer Lifestyle



### Lighting



**PHILIPS**

At Philips we strive to make the world healthier and more sustainable through innovation



We will be the best place to work for people who share our passion

Together we will deliver superior value for our customers and shareholders

Improving people's lives through meaningful innovation

# Accelerate! is delivering results

## Customer Centricity

- Locally relevant solutions driving growth
- Driving opportunities in Business-to-Government channel

## Resource to win

- Go west strategy in China delivering results
- ~25% increase in Selling and R&D resources in Growth Geographies 2012 vs. 2010

## End2End

- Adopting 4 Lean business models
- Time-to-market down by 40% on executed projects
- Inventory reductions ahead of target

## Culture

- Strong resonance in the company
- Long-term incentives aligned with future performance

## Operating model

- Overhead cost reduction ahead of plan
- Implementing the Philips Business System



# Executive Committee



Frans van Houten  
CEO



Deborah DiSanzo  
CEO Healthcare



Ron Wirahadiraksa  
CFO



Pieter Nota  
CEO Consumer Lifestyle



Carole Wainaina  
Chief HR Officer



Eric Rondolat  
CEO Lighting



Ronald de Jong  
Chief Market Leader



Jim Andrew  
Chief Strategy & Innovation Officer



Patrick Kung  
CEO Greater China



Eric Coutinho  
Chief Legal Officer



Innovation as a driver

**PHILIPS**

# Introducing ClearVue ultrasound

Our ongoing commitment to nationwide healthcare infrastructure in Africa



**PHILIPS**

# Maxima Medical Center

Collaborating on unique new mother and child care concept



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# Driving global leadership in Consumer Lifestyle

We are expanding the business with locally relevant products and campaigns



Sonicare Airfloss



Multicooker



Soupmaker



**PHILIPS**

## Benefits of a fast market introduction

Over 10 million shavers sold in China in 2012



**PHILIPS**

# The world's smartest LED bulb

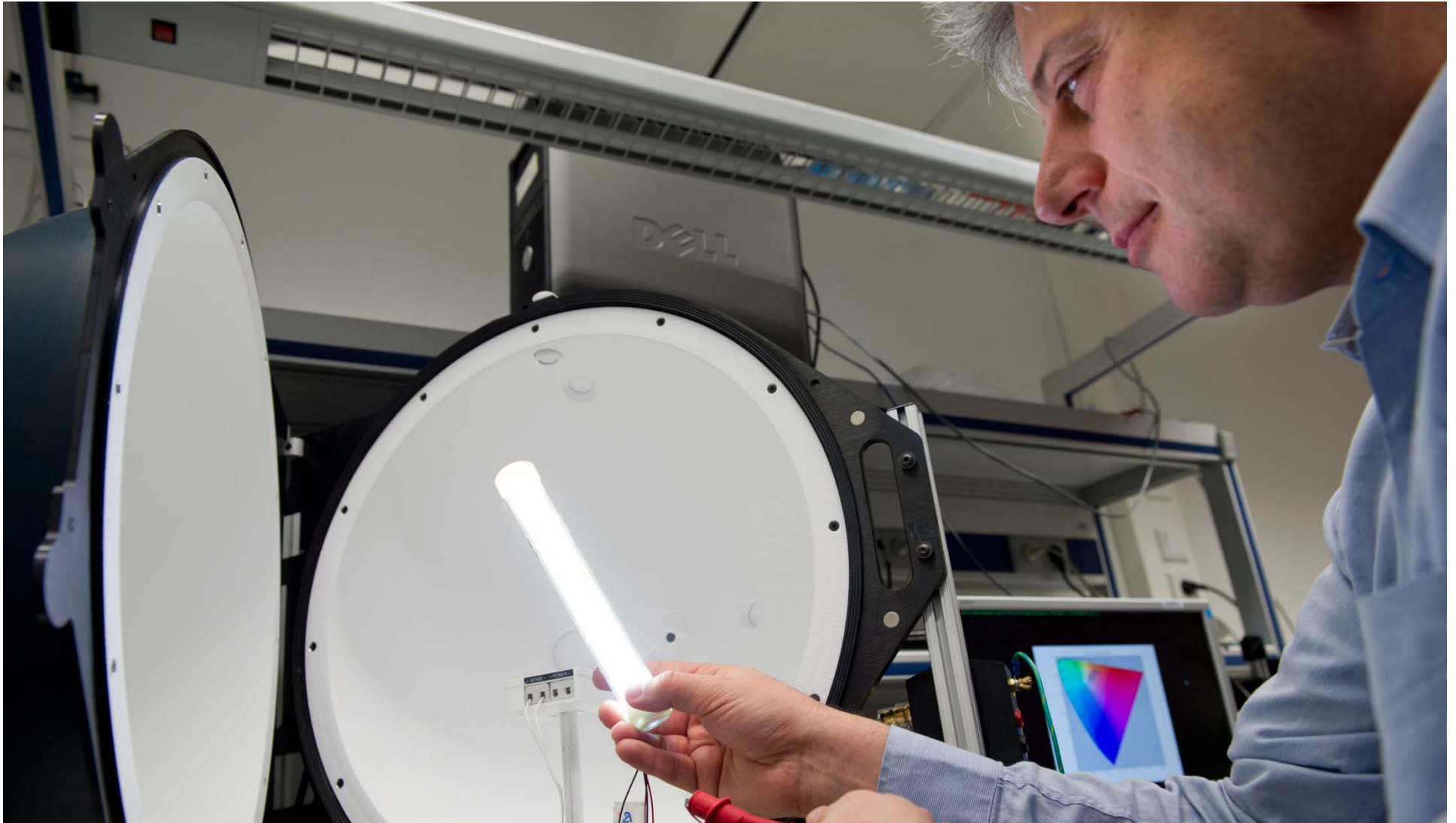
Philips hue marked a new era in home lighting



**PHILIPS**

# Introducing a breakthrough in LED

The world's first TLED lamp prototype reducing the energy use by half





**PHILIPS**

# New light on old masterpieces

New Rijksmuseum illuminated with Philips LED lighting





Progress on performance



# Key Financials Summary

Full Year 2012

| EUR million       | FY 2011            | FY 2012            |
|-------------------|--------------------|--------------------|
| Sales             | 22,579             | 24,788             |
| EBITA             | 1,680 <sup>1</sup> | 1,502 <sup>1</sup> |
| Adjusted EBITA    | 1,822              | 2,366              |
| Net income (loss) | (1,291)            | 231                |
| Free cash flow    | (104)              | 1,723              |

1 – 2012 includes on balance EUR (864)M of gains and charges while 2011 includes in total EUR (142)M gains and charges



# Key Financials Summary

## Sales per Sector – Full Year 2012

| EUR million                  | FY 2011            | FY 2012            |
|------------------------------|--------------------|--------------------|
| Philips Group                | 22,579             | 24,788             |
| Healthcare                   | 8,852              | 9,983              |
| Consumer Lifestyle           | 5,615 <sup>1</sup> | 5,953 <sup>1</sup> |
| Lighting                     | 7,638              | 8,442              |
| Innovation, Group & Services | 474                | 410                |

1 – 2012 includes Lifestyle Entertainment (Audio, Video, Multimedia and Accessories)



# Reshaping Consumer Lifestyle portfolio towards growth

- Focus on Health and Well-being
- Transaction with Funai
- Agreement ensures that Philips-branded audio and video innovations continue to be available to consumers globally



Male Grooming



Oral Healthcare



Kitchen Appliances



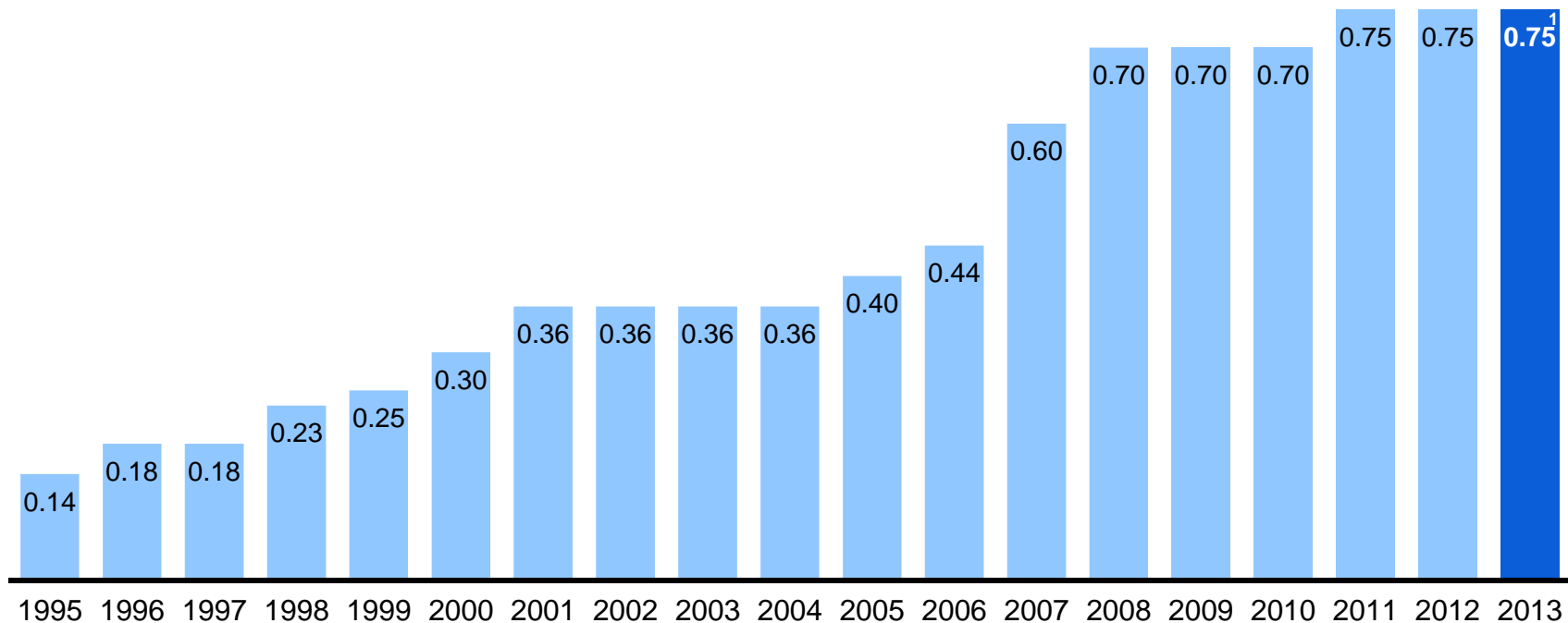
Coffee

Koninklijke Philips

Royal Philips

# 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.”

<sup>1</sup> Elective dividend, proposal subject to approval in the General Shareholders Meeting on May 3<sup>rd</sup>, 2013



# Key Financials Summary

First Quarter 2013

| EUR million       | Q1 2012          | Q1 2013            |
|-------------------|------------------|--------------------|
| Sales             | 5,307            | 5,258              |
| EBITA             | 451 <sup>1</sup> | 402 <sup>1</sup>   |
| Adjusted EBITA    | 322              | 421                |
| Net income (loss) | 183              | 162                |
| Free cash flow    | 626              | (431) <sup>2</sup> |

1 – 1Q13 includes EUR (19)M of restructuring and acquisition-related charges; 1Q12 includes EUR (43)M of restructuring and acquisition-related charges, a EUR 160M gain on the Senseo transaction, a EUR 37M gain on the sale of the High Tech Campus and a EUR (25)M loss on the sale of industrial assets  
2 - 1Q13 includes the payment of the EUR 509M European Commission fine related to alleged violation of competition rules in the Cathode-Ray Tubes (CRT) industry

Note - Prior-period financials revised for discontinued operations, the adoption of IAS19R, and for restatements included in the Annual Report 2012



# Looking ahead

Strategic direction to improve people's lives through meaningful innovation

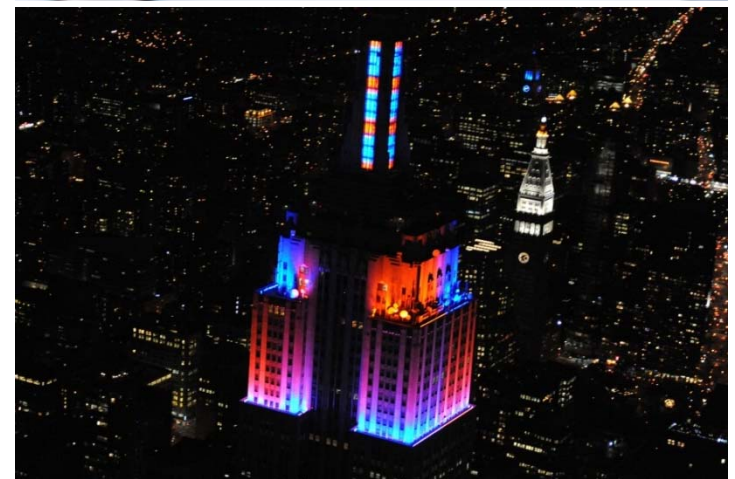
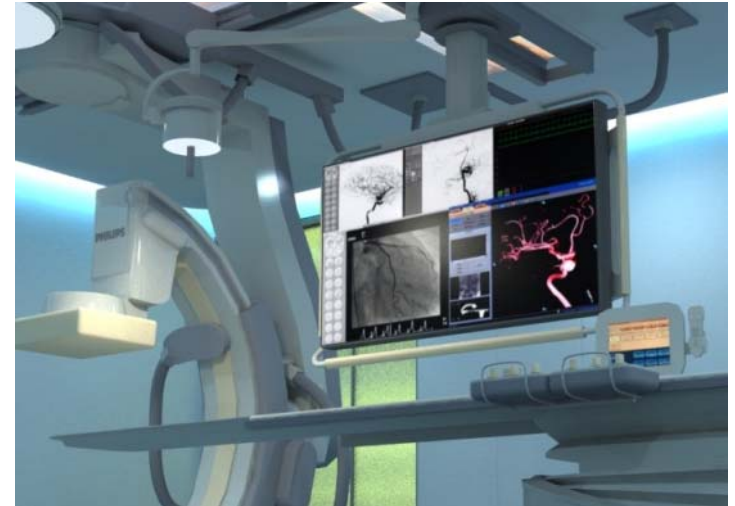
Accelerate! to drive business excellence and innovation

Commitment to reach our financial targets this year:

- Comparable sales growth CAGR<sup>1</sup> 4 – 6 %
- Group Reported<sup>2</sup> EBITA 10 – 12 %
- Group ROIC 12 – 14 %

<sup>1</sup> Assuming real GDP growth of 3-4%

<sup>2</sup> Including restructuring and acquisition-related charges



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