

Company Update

Frans van Houten, CEO Royal Philips Electronics



Key takeaways

- We made good progress on performance improvement in 2012
- Accelerate! is delivering solid results, with significant gains to be made until 2017
- We are creating a repeatable system to achieve our mission: Philips Business System
- While we expect a slow start to the year, we are making progress towards reaching our 2013 targets



2012: A year of good progress

Group

- TV joint venture started as planned on April 1, 2012
- A good future for Lifestyle Entertainment with the Funai transaction
- Overhead cost-reduction results in line with the increased plan
- Improved operating profit in all businesses
- Inventory reduction plans ahead of target, with solid cash flow
- Share buy-back program on track

Sales

- Sales excluding Lifestyle Entertainment grew by 6%
- Double-digit increase in Growth Geographies; now 35% of sales
- Low-single-digit sales growth in North America as uncertainty persisted
- Europe stable. Low-single-digit increase in Northern Europe, excluding Lifestyle Entertainment
- Double-digit growth in other mature geographies led by Japan

2012: A year of good progress

Healthcare

- Good growth and earnings improvement across all businesses
- Imaging Systems made good progress in improving margins
- Increased traction on the Accelerate! roadmap

Consumer Lifestyle

- Strong sales increases in growth businesses despite economic challenges
- Increased local relevance of Domestic Appliances portfolio delivers outstanding growth and margin expansion
- Cost reductions on target as TV stranded costs have been eliminated

Lighting

- Good sequential improvement in operating results
- Strong improvement in Lumileds and gross margin of LED products
- More work to be done

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
- 800 employees trained in Lean methodology

➤ Culture

- Strong resonance in Leadership meeting, and survey results
- Long-term incentives being aligned with future performance

➤ Operating model

- Overhead cost reduction ahead of plan
- Reduced management layers to speed up decision making
- Establishing the Philips Business System

Accelerate! making an impact in the market

Professional Lighting: USA

Consolidating multiple backend operations into one Lean base. Integrated sales force to have one face to the customer. New pricing policy reduced the number of unprofitable orders. Significant additional revenue opportunities in the coming years



Go west strategy: China

Increased sales >25% by using locally relevant integrated marketing campaigns, including online media, to reach and influence more target consumers in tier 3 and 4 cities and suburbs of metro tier 1 cities for Consumer Lifestyle products



Solar LED Street Lighting: India

Executed a locally relevant solution to meet stringent customer requirements of energy efficiency through renewable energy sources and a reduction of maintenance costs, to win the largest ever solar LED street lighting order



AlluraClarity¹: Japan

Tailoring innovation to the needs of the dose-sensitive imaging market, to make the biggest breakthrough in the Industry since the introduction of the flat panel X-Ray with up to 73% dose reduction and equivalent image quality



¹Pending FDA approval for sale in the US

Creating a Growth and Performance culture

Customer
Centric



*We put the customer
at the heart of
everything we do*

Innovative



*We believe that we will
win through meaningful
innovation*

Inspiring



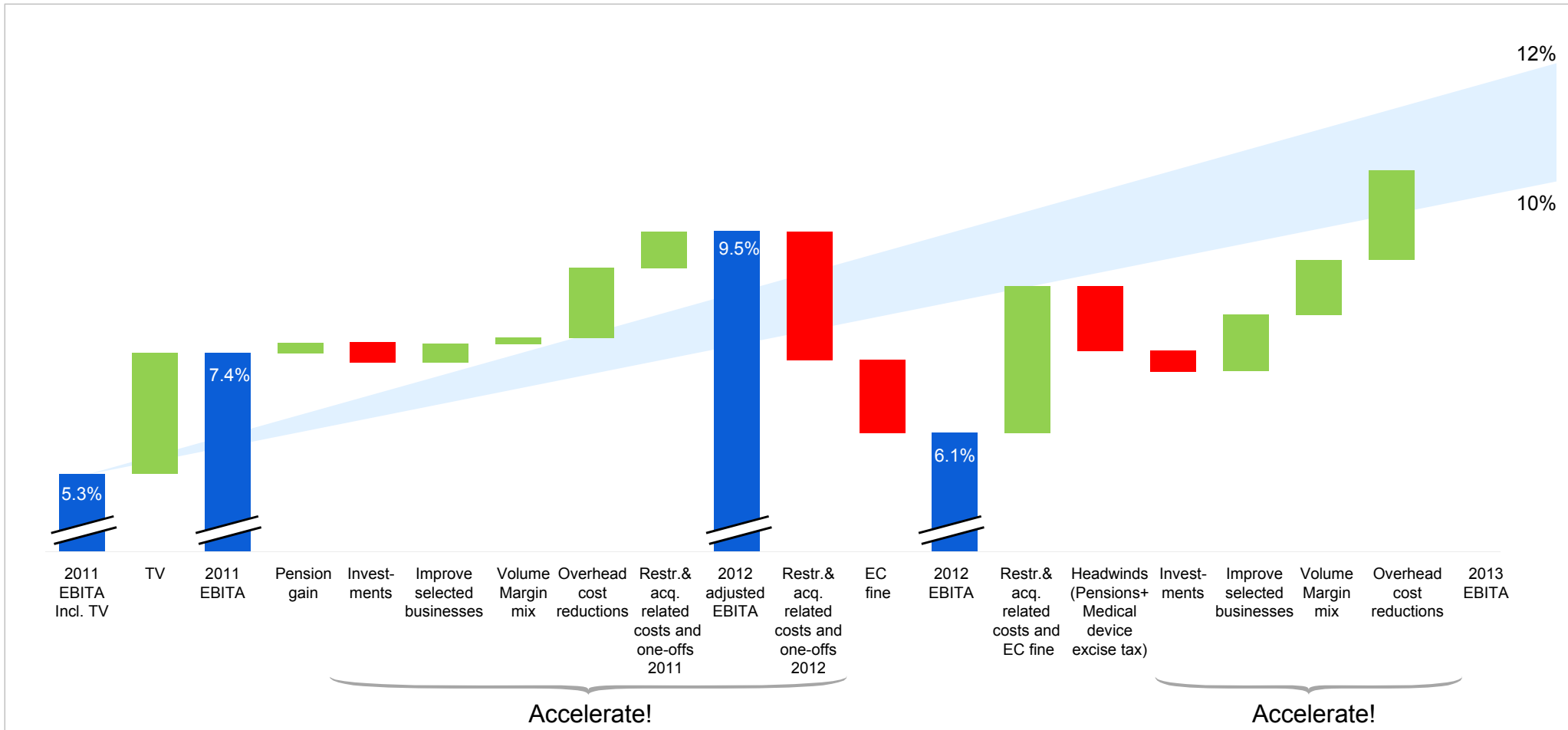
*We are inspiring in
how we make a
difference in the world
and the way we team
up for success*

Operationally
Excellent



*We believe that
End-2-End process
standardization brings
speed, quality and
agility, enabling us
to focus on results
over effort*

Our Path-to-Value 2011.....2013



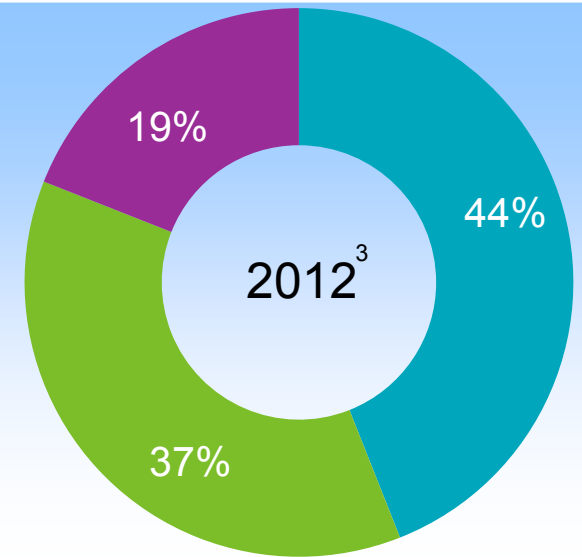
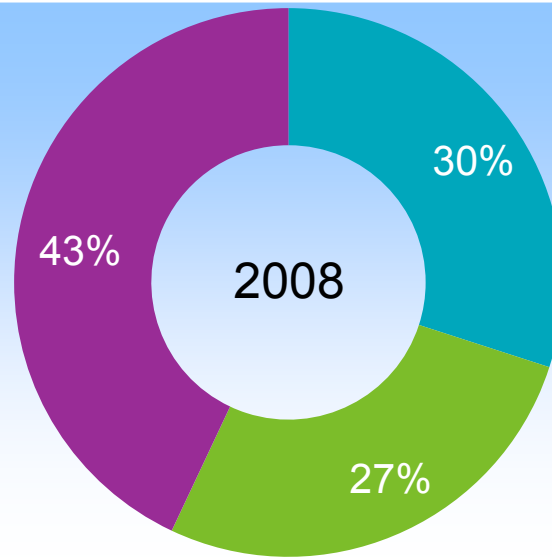
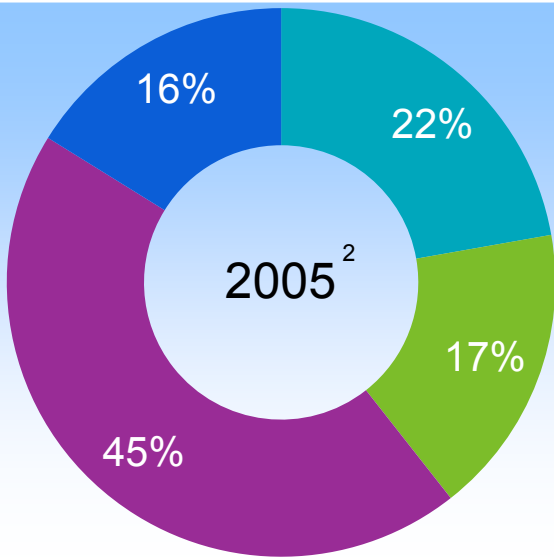
Decisive portfolio management

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



■ Healthcare
 ■ Consumer Lifestyle¹
 ■ Lighting
 ■ Semiconductors

Our portfolio has the right fundamentals for profitable growth

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

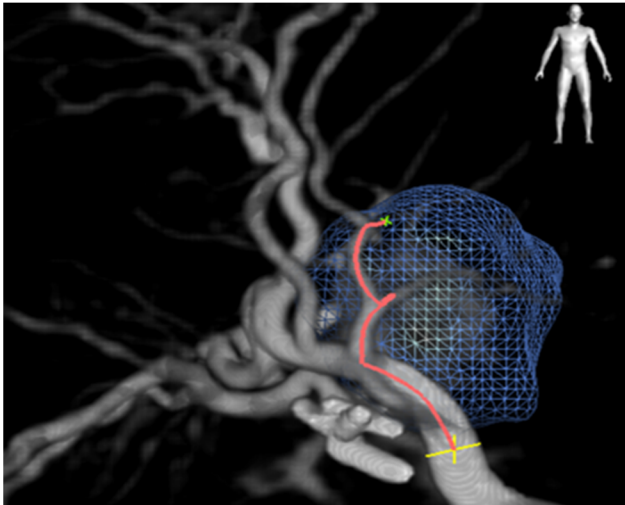
² 2005 figures are based on US GAAP

³ 2012 figures are restated to exclude Lifestyle Entertainment

Our Mission is clear and compelling

➤ Improve people's lives through meaningful innovation

Healthcare

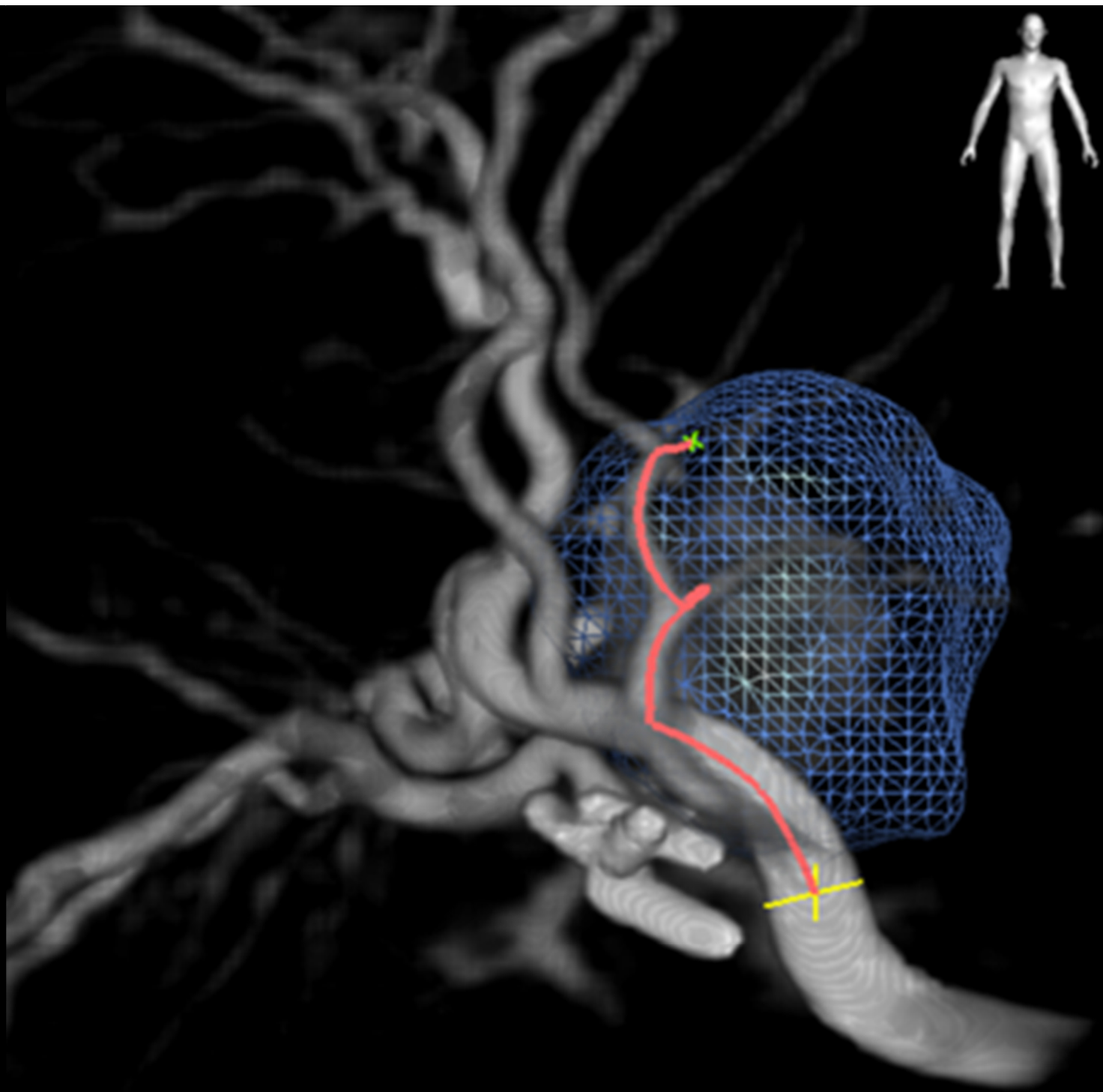


Consumer Lifestyle



Lighting





Guiding chemo-embolization of liver tumors



Building global scale with local relevance



Solar lighting in Africa

Our Capabilities, Assets and Positions (CAPs)



Innovation capabilities

- Technology, know-how and strong IP positions (54,000 registered patents)



Global footprint

- Loyal customer base in 100+ countries
- 35% of group revenues from growth geographies¹



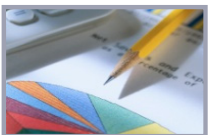
People

- Employee Engagement Index² exceeds high-performance benchmark value of 70%
- Culturally diverse top-200 leadership team



Domain leadership

- Global market leader in Lighting
- Top 3 Healthcare player
- Leading Consumer Lifestyle brands: E.g. Philips, Sonicare, Avent, Saeco



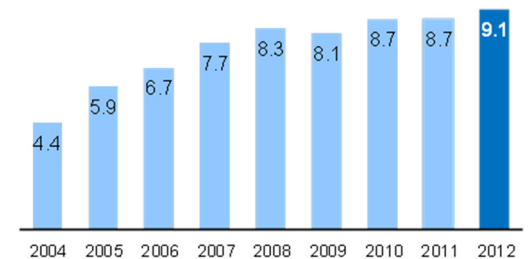
Solid balance sheet

- A3 rating by Moody's and A- by Standard & Poor's



Philips Brand

- World's 41st most valuable brand 2012 compared to the 65th in 2004. For the first time in history, our brand value reached a level of more than 9 billion USD



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

² Based on annual Philips' Employee Engagement Survey

Philips Business System

Our repeatable system to create value

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

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

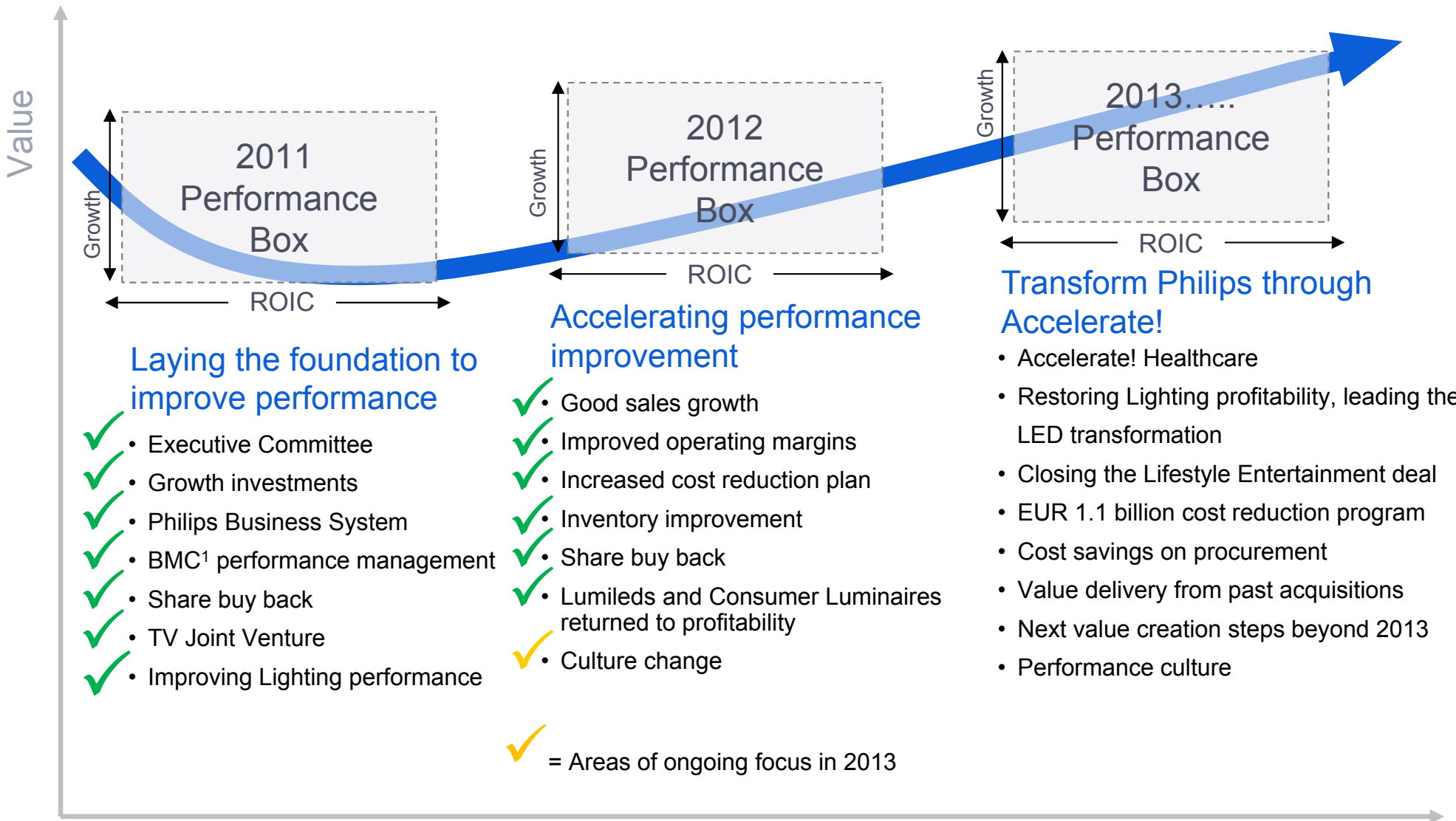


We execute business plans to deliver sustainable results on a credible Path-to-Value

We deliver excellence by applying our operating principles

¹ CAPs = Capabilities, Assets and Positions

Progressing on our Path-to-Value



¹ BMC = Business Market Combination

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