

Royal Philips

Third Quarter Results 2015

Information booklet

October 26th, 2015

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 the Annual Report 2014.

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' 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 2014. Further information on non-GAAP measures can be found in our Annual Report 2014.

Use of fair-value measurements

In presenting the Philips' 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 or observable market data are not readily available, fair values are estimated using valuation models, which we believe are appropriate for their purpose. Such fair value estimates 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 Annual Report 2014. Independent valuations may have been obtained to support management's determination of fair values.

All amounts are in millions of Euro's unless otherwise stated. All reported data is unaudited. Financial reporting is in accordance with the accounting policies as stated in the Annual Report 2014, unless otherwise stated.

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Financial performance Q3 2015: Group

Sales & order intake

- Comparable sales amounted to EUR **5.8 billion**, up **2%** year-on-year
- Comparable sales of Consumer Lifestyle grew by **6%**; Lighting posted a **3%** decline
- Healthcare comparable sales up **3%**, comparable equipment order intake also up **2%**

EBITA & Adjusted EBITA¹

- EBITA amounted to EUR **429 million**, which included EUR 51 million restructuring and acquisition-related charges, EUR 31 million charges related to a legal matter and EUR 59 million related to the separation of the Lighting business
- Adjusted EBITA was EUR **570 million**, or **9.8%** of sales, versus EUR 474 million last year, or 9.1% of sales

Cost savings & Net Income

- Gross overhead cost savings of EUR 33 million. Annualized savings of EUR 322 million
- Net income of EUR **324 million**, compared to net loss of EUR 103 million in Q3 2014
- EPS was EUR **0.34** compared to EUR (0.11) in Q3 2014

Asset management & ROIC

- Inventories amounted to 16.8% of sales²
- Free Cash inflow of EUR **58 million**, compared to EUR 155 million inflow in Q3 2014
- ROIC, excluding charges related to the jury verdict in the Masimo litigation³ and the CRT antitrust litigation, was **9.7%**, compared to 9.8% in Q3 2014

Other

- By the end of Q3, 66% of the EUR 1.5 billion share buy-back program was completed

Growing in a challenging market; Operational earnings improvement

¹ Adjusted EBITA in Q3 2014 excludes EUR 78 million restructuring and acquisition-related charges and EUR 458 million other incidentals. ² Inventories as a % of sales excludes inventories and sales related to acquisitions, divestments and discontinued operations. ³ Philips will pursue all relevant avenues of appeal.
Note - Prior-period financials have been restated for the treatment of the combined businesses of Automotive and Lumileds as discontinued operations.

Financial performance Q3 2015: Healthcare

Order intake¹

- Currency-comparable order intake increased **2%**
- Imaging Systems achieved mid-single-digit growth and Patient Care & Monitoring Solutions posted low-single-digit growth. Healthcare Informatics, Solutions & Services recorded a double-digit decline

Sales

- Comparable sales increased **3%** year-on-year
- Imaging Systems, Healthcare Informatics, Solutions & Services and Customer Services recorded mid-single-digit growth. Patient Care & Monitoring Solutions remained in line with Q3 2014

EBITA & Adjusted EBITA²

- EBITA amounted to EUR **253 million** and included EUR 40 million restructuring and acquisition-related charges, largely relating to the Volcano acquisition, and EUR 31 million charges related to a legal matter
- Adjusted EBITA was EUR **324 million**, or **12.3%** of sales, compared to 12.0% last year. The increase was largely driven by cost productivity, partly offset by negative currency impacts and higher expenditure for growth initiatives and Quality & Regulatory

Net Operating Capital (NOC)

- Inventories as a % of sales³ increased by 40 basis points year-on-year, in preparation for additional sales volume in Q4 2015
- NOC increased by EUR 1.0 billion to EUR **9.0 billion** on a currency comparable basis, largely driven by the Volcano acquisition

Resumption of order intake growth; Operational earnings improvement

Financial performance Q3 2015: Consumer Lifestyle

Sales

- Comparable sales increased **6%** year-on-year
- Health & Wellness and Personal Care achieved double-digit growth, while Domestic Appliances recorded a low-single-digit decline
- Comparable sales in growth geographies and mature geographies showed mid-single-digit growth

EBITA & Adjusted EBITA¹

- EBITA was EUR **156 million**, or **12.5%** of sales
- Adjusted EBITA was EUR **156 million**, or **12.5%** of sales, compared to 10.6% in Q3 2014
The improvement was mainly driven by higher volumes, product mix and cost productivity

Net Operating Capital (NOC)

- Inventories as a % of sales² decreased by 130 basis points year-on-year, driven by reductions in all businesses
- NOC increased by EUR 225 million to EUR **1.7 billion** on a currency comparable basis, largely driven by higher working capital

Strong growth and continued margin improvement

Financial performance Q3 2015: Lighting

Sales

- Comparable sales were down **3%** year-on-year
- Professional Lighting Solutions posted a low-single-digit decline. Light Sources & Electronics and Consumer Luminaires recorded a mid-single-digit decline.
- LED lighting sales grew **24%** compared to Q3 2014 and now represent **44%** of total Lighting sales. Conventional lighting sales declined **20%** year-on-year

EBITA & Adjusted EBITA¹

- EBITA amounted to EUR 159 million, or 8.7% of sales, including EUR 15 million restructuring & acquisition-related charges
- Adjusted EBITA was EUR **174 million**, or **9.5%** of sales, compared to 9.1% last year, driven by improved cost productivity and gains on the sale of assets

Net Operating Capital (NOC)

- Inventories as a percentage of sales² decreased by 80 basis points year-on-year
- NOC decreased by EUR 1.4 billion to EUR **4.0 billion** on a currency comparable basis, mainly due to the reclassification of the combined businesses of Lumileds and Automotive as assets held for sale in Q4 2014

Operational earnings continue to improve on lower sales volume

¹ Adjusted EBITA in Q3 2014 excludes EUR 30 million of restructuring and acquisition related charges. ² Inventories as a % of sales excludes inventories and sales related to acquisitions, divestments and discontinued operations.

Note - Prior-period financials have been restated for the treatment of the combined businesses of Automotive and Lumileds as discontinued operations.

Financial performance Q3 2015: by geography

Growth Geographies¹

- Comparable sales were in line with Q3 2014, with growth at Consumer Lifestyle offset by a decline at Healthcare and Lighting. Growth in Central & Eastern Europe and Asia Pacific was offset by a decline in China and the Middle East & Turkey
- Healthcare comparable order intake decreased **mid-single-digit**, mainly due to a double-digit decline in China

North America

- Comparable sales increased by **low-single-digit** year-on-year. High-single-digit sales growth in Consumer Lifestyle and low-single-digit growth in Healthcare were offset by a mid-single-digit decline in Lighting
- Healthcare comparable order intake grew by **mid-single-digit**

Western Europe

- Comparable sales grew by **mid-single-digit** year-on-year. Healthcare grew by double-digit and Consumer Lifestyle by low-single-digit. Lighting declined by low-single-digit
- Healthcare comparable order intake grew by **high-single-digit**

Mature geographies drive overall sales performance

Key financials summary – Q3 2015

EUR million

	Q3 2014	Q3 2015
Sales	5,194	5,836
Adjusted EBITA	474	570
EBITA	(62) ¹	429 ²
Financial income and expenses	(80)	(100)
Income taxes	50	(8)
Net income	(103)	324
Net Operating Capital	10,841	11,427
Net cash flow from operating activities	325	281
Net capital expenditures	(170)	(223)
Free cash flow	155	58

¹ Q3 2014 includes EUR (78)M of restructuring and acquisition-related charges and EUR (458)M other incidentals. ² Q3 2015 includes EUR (51)M of restructuring and acquisition-related charges and EUR (90)M other incidentals.

Note - Prior-period financials have been restated for the treatment of the combined businesses of Automotive and Lumileds as discontinued operations.

Sales by sector – Q3 2015

EUR million

	Q3 2014	Q3 2015	% nom	% comp
Healthcare	2,234	2,627	18	3
Consumer Lifestyle	1,114	1,246	12	6
Lighting	1,705	1,830	7	(3)
Innovation, Group & Services	141	133	(6)	15
Philips Group	5,194	5,836	12	2

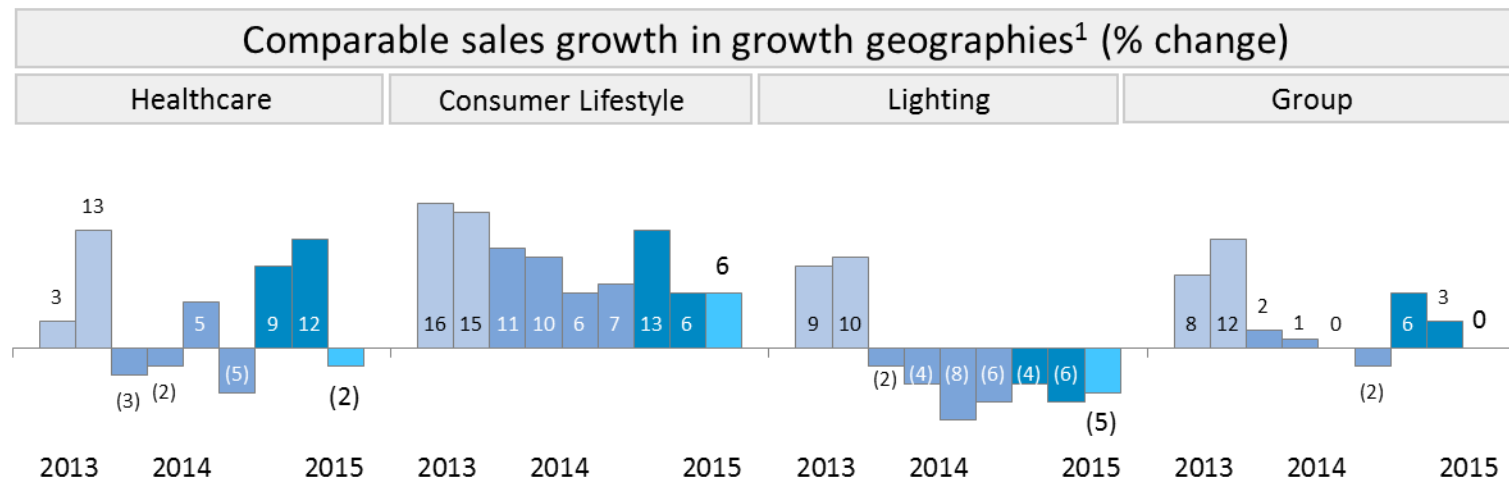
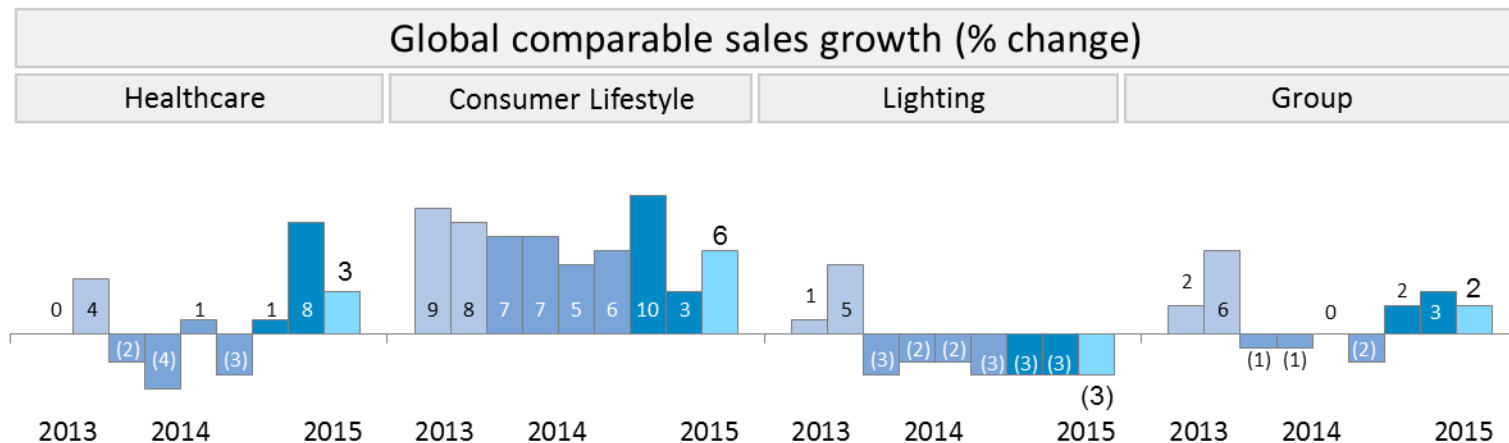
Sales by geography – Q3 2015

EUR million

	Q3 2014	Q3 2015	% nom	% comp
Western Europe	1,326	1,435	8	5
North America	1,636	1,983	21	1
Other mature geographies	412	444	8	3
Growth geographies ¹	1,820	1,974	8	0
Philips Group	5,194	5,836	12	2

Sales growth development

Trend Q3 2013 – Q3 2015

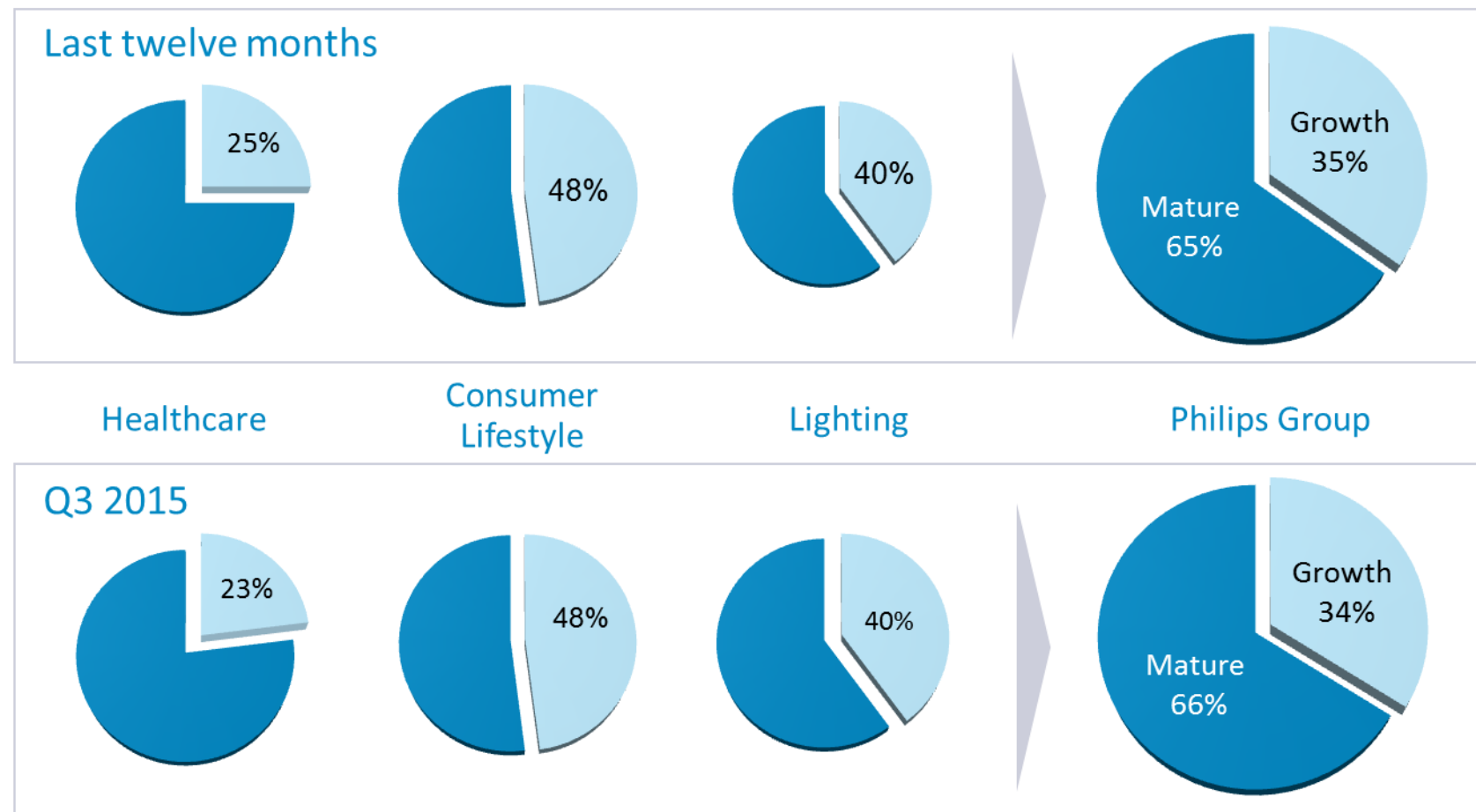


¹ Growth geographies are all geographies excluding USA, Canada, Western Europe, Australia, New Zealand, South Korea, Japan and Israel.

Note - Prior-period financials have been restated for the treatment of the combined businesses of Automotive and Lumileds as discontinued operations.

Sales in growth geographies¹

Last twelve months and Q3 2015



EBITA by sector – Q3 2015

EUR million

	Q3 2014		Q3 2015	
		as % of sales		as % of sales
Healthcare ¹	(151)	(6.8%)	253	9.6%
Consumer Lifestyle ²	114	10.2%	156	12.5%
Lighting ³	126	7.4%	159	8.7%
Innovation, Group & Services ⁴	(151)	-	(139)	-
Philips Group	(62)	(1.2)%	429	7.4%

¹ Q3 2014 includes EUR (3)M of restructuring related charges and EUR (415) million of other incidentals; Q3 2015 includes EUR (40)M of restructuring and acquisition related charges and EUR (31) million of other incidentals. ² Q3 2014 includes EUR (4)M of restructuring and acquisition related charges. ³ Q3 2014 includes EUR (30)M of restructuring and acquisition related charges; Q3 2015 includes EUR (15)M of restructuring and acquisition related charges. ⁴ Q3 2014 includes EUR (41)M of restructuring related charges and EUR (43) million of other incidentals; Q3 2015 includes EUR 4M of restructuring related gains and EUR (59)M of other incidentals. Note - Prior-period financials have been restated for the treatment of the combined businesses of Automotive and Lumileds as discontinued operations.

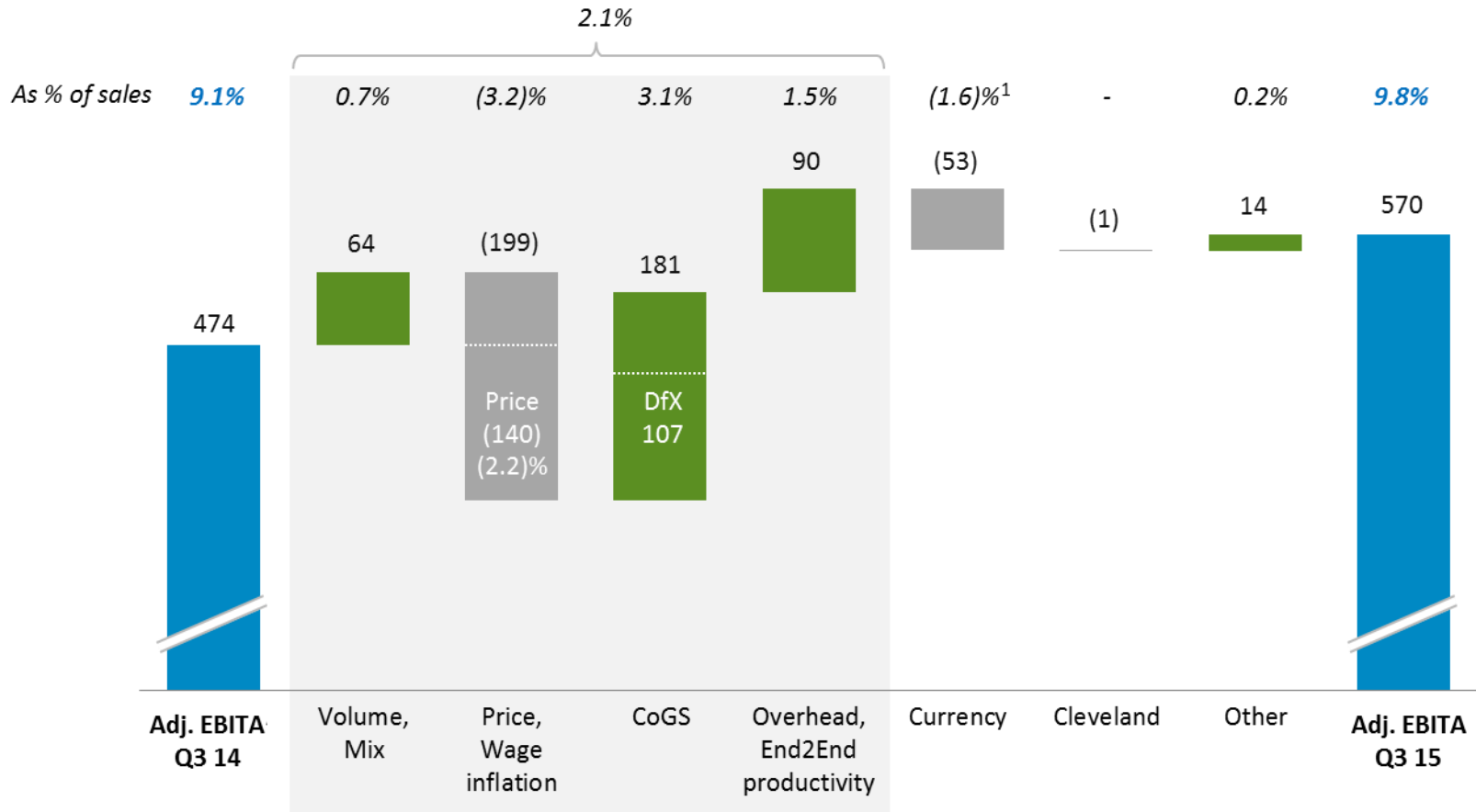
Adjusted EBITA by sector – Q3 2015

EUR million

	Q3 2014		Q3 2015	
		as % of sales		as % of sales
Healthcare ¹	267	12.0%	324	12.3%
Consumer Lifestyle ²	118	10.6%	156	12.5%
Lighting ³	156	9.1%	174	9.5%
Innovation, Group & Services ⁴	(67)	-	(84)	-
Philips Group	474	9.1%	570	9.8%

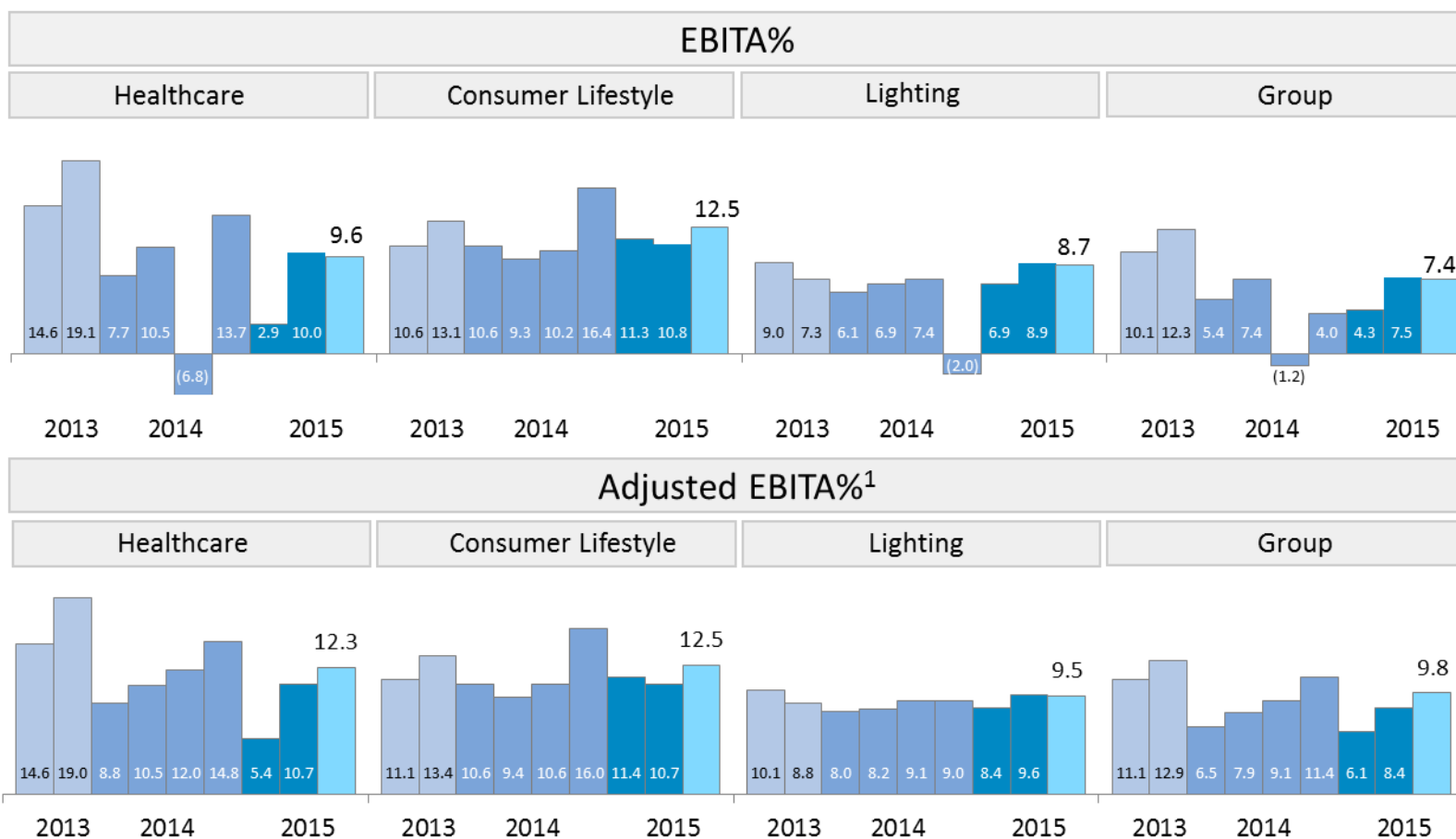
¹ Q3 2014 excludes EUR (3)M of restructuring related charges and EUR (415) million of other incidentals; Q3 2015 excludes EUR (40)M of restructuring and acquisition related charges and EUR (31) million of other incidentals. ² Q3 2014 excludes EUR (4)M of restructuring and acquisition related charges. ³ Q3 2014 excludes EUR (30)M of restructuring and acquisition related charges; Q3 2015 excludes EUR (15)M of restructuring and acquisition related charges. ⁴ Q3 2014 excludes EUR (41)M of restructuring related charges and EUR (43) million of other incidentals; Q3 2015 excludes EUR 4M of restructuring related gains and EUR (59)M of other incidentals. Note - Prior-period financials have been restated for the treatment of the combined businesses of Automotive and Lumileds as discontinued operations.

Accelerate! improved operational performance and offset headwinds in Q3 2015



EBITA and Adjusted EBITA margin development

Trend Q3 2013 – Q3 2015

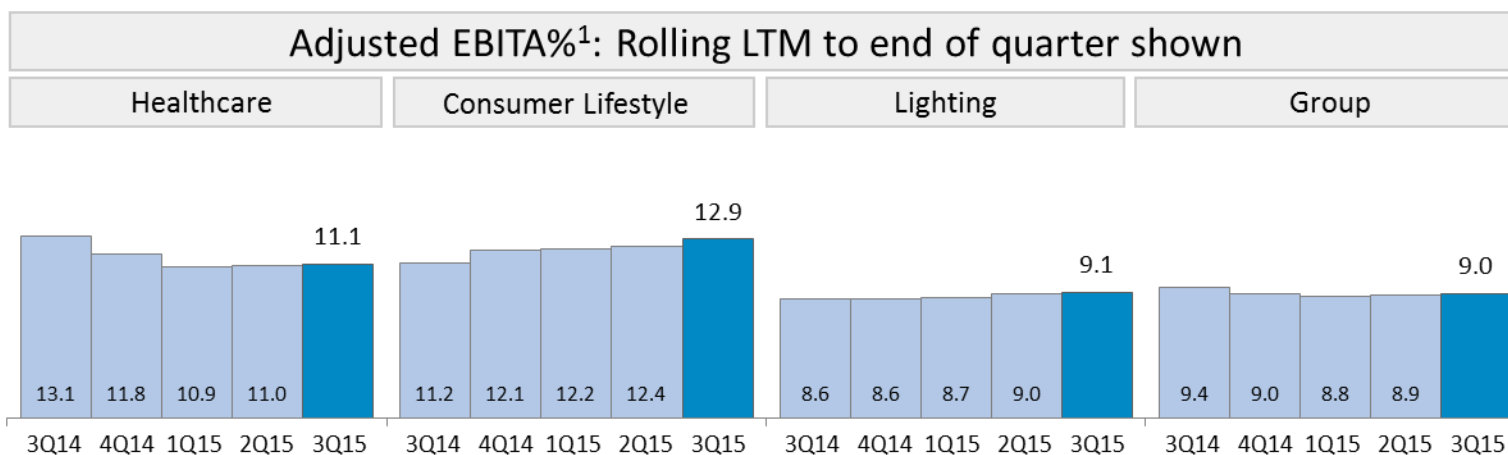
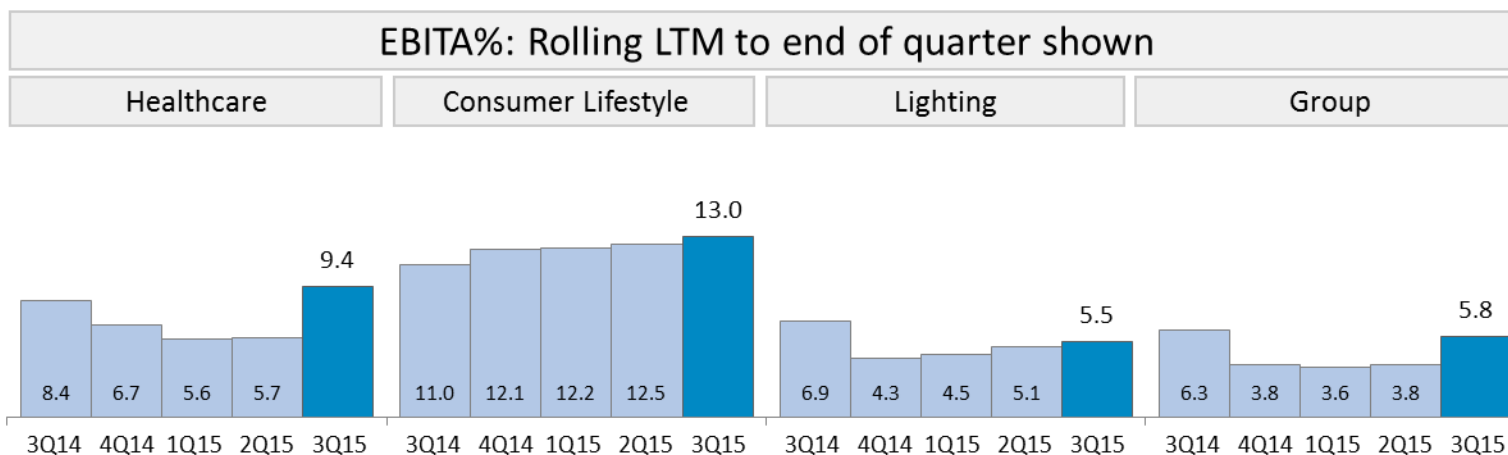


¹ Adjusted EBITA is EBITA excluding restructuring, acquisition-related charges and other items (details on slide 85).

Note - Prior-period financials have been restated for the treatment of the combined businesses of Automotive and Lumileds as discontinued operations.

EBITA and Adjusted EBITA margin development

Rolling last 12 months

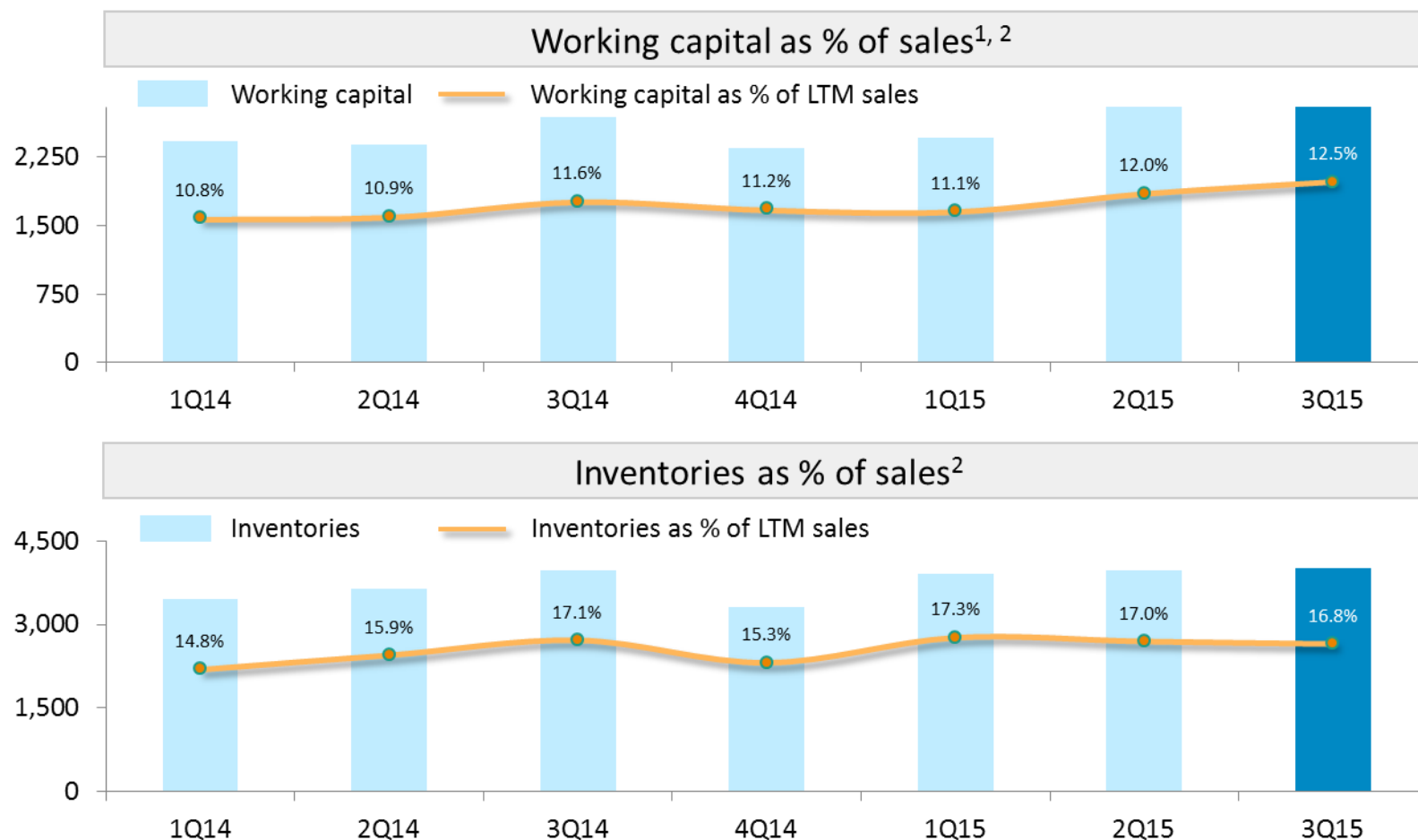


¹ Adjusted EBITA is EBITA excluding restructuring, acquisition-related charges and other items (details on slide 85).

Note - Prior-period financials have been restated for the treatment of the combined businesses of Automotive and Lumileds as discontinued operations.

Working capital & inventories

EUR million



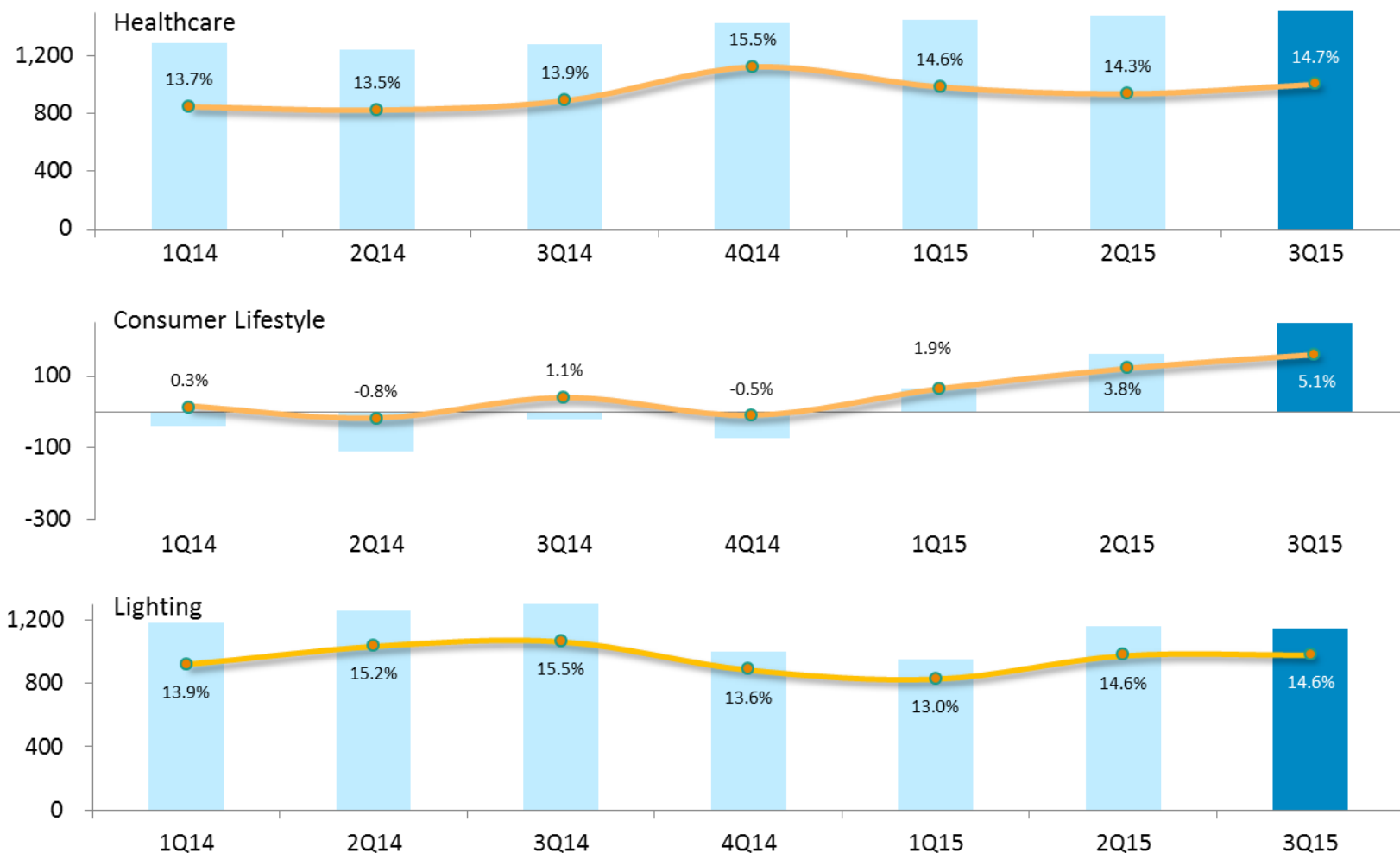
¹ Working capital as % of sales of Healthcare, Consumer Lifestyle and Lighting; excluding IG&S. ² Working capital as a % of sales and Inventories as a % of sales exclude acquisitions, divestments and discontinued operations.

Note - Prior-period financials have been restated for the treatment of the combined businesses of Automotive and Lumileds as discontinued operations.

Working capital per business sector

EUR million

Working capital Working capital as % of LTM sales ¹



¹ Working capital as a % of sales excludes acquisitions, divestments and discontinued operations.

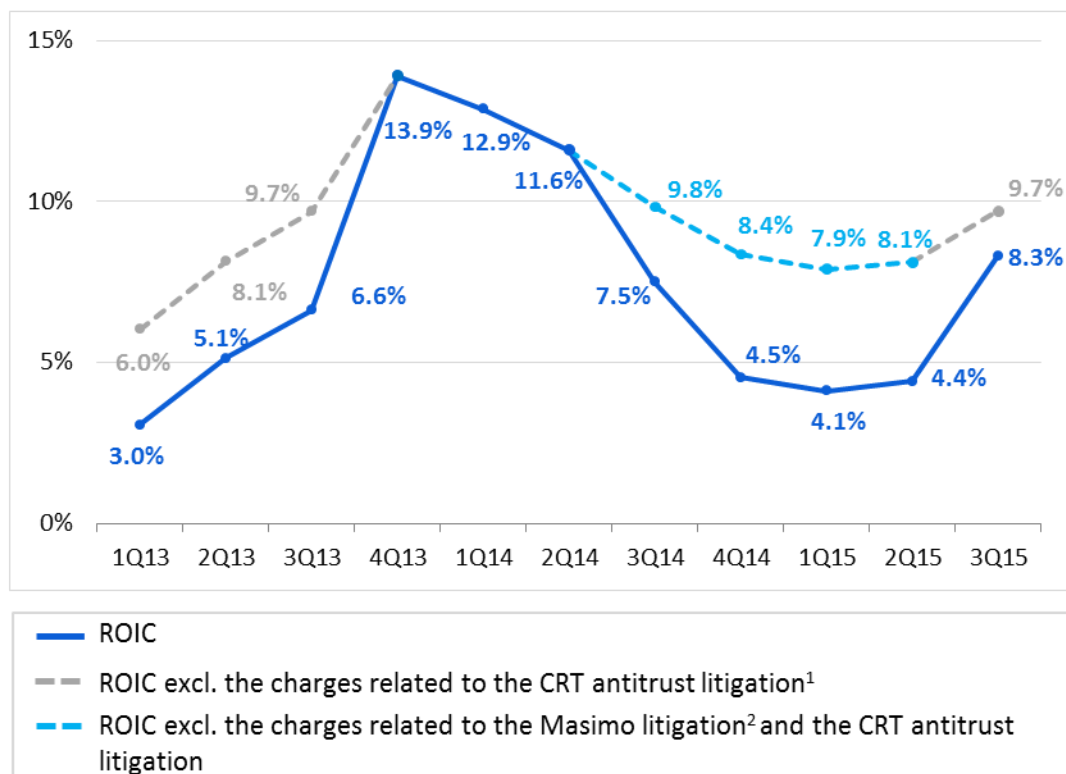
Note - Prior-period financials have been restated for the treatment of the combined businesses of Automotive and Lumileds as discontinued operations.

Free Cash Flow – Q3 2015

EUR million

	Q3 2014	Q3 2015
Net income from continuing operations	(130)	236
Depreciation, amortization, and impairments of fixed assets	278	312
Interest income and expense/ Income tax expense	1	70
Net gain on sale of assets	(65)	(17)
Changes in working capital, of which:	40	(282)
- changes in receivables and other current assets	(301)	(152)
- changes in inventories	(113)	(205)
- changes in accounts payable, accrued and other liabilities	454	75
Decrease (increase) in non-current receivables, other assets and other liabilities	92	(57)
Decrease in provisions	476	(32)
Interest paid and received/ Income taxes paid	(170)	(147)
Others	(197)	198
Net cash flow from operating activities	325	281
Purchase of intangible assets/ Expenditures on development assets	(92)	(116)
Capital expenditures on property, plant and equipment	(95)	(135)
Proceeds from disposals of property, plant and equipment	17	28
Net capital expenditures	(170)	(223)
Free Cash Flow	155	58

Development of Return on Invested Capital (ROIC)



- ROIC was at 9.7% in Q3 2015, excluding the charges related to the CRT antitrust litigation¹
- This compares to 8.1% in Q2 2015 and to 9.8% in Q3 2014, excluding the charges related to the jury verdict in the Masimo litigation² and the CRT antitrust litigation
- The net operating capital prior to Q4 2014 still includes Lumileds and Automotive whereas the EBIAT of those businesses have been excluded from all periods shown

Notes:

Philips calculates ROIC % as: EBIAT/ NOC

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

EBIAT are earnings before interest after tax; reported tax used to calculate EBIAT

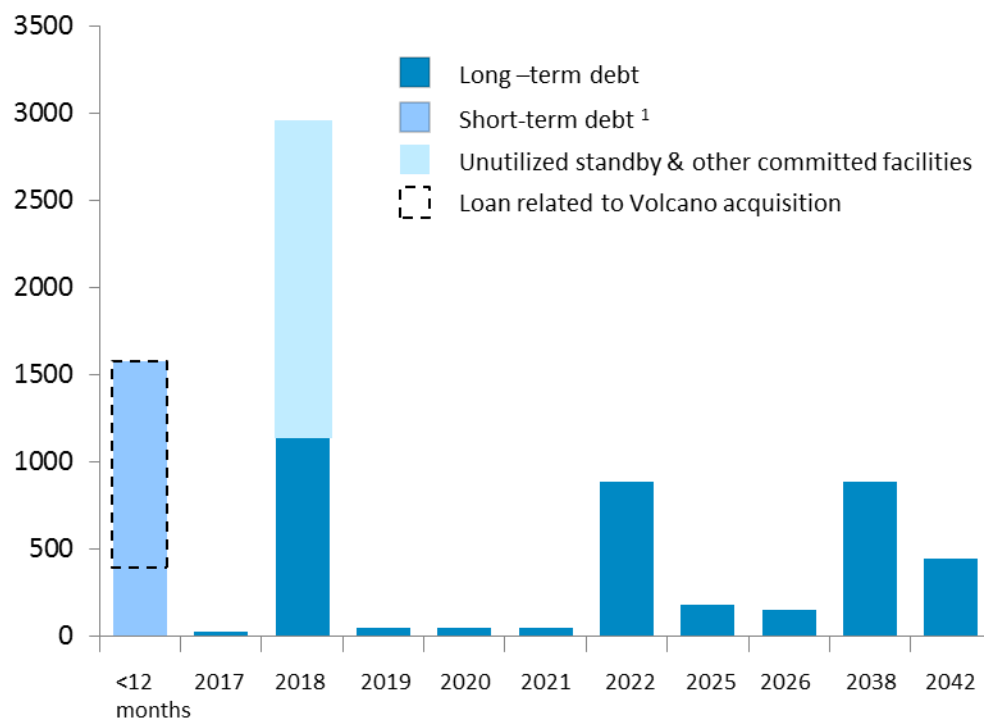
Philips' debt has a long maturity profile

Characteristics of long-term debt

- Total net debt position of EUR 4.5 billion
- Maturities up to 2042
- Average tenor of long-term debt is 11.5 years
- No financial covenants
- EUR 1.8 billion standby facility matures in February 2018

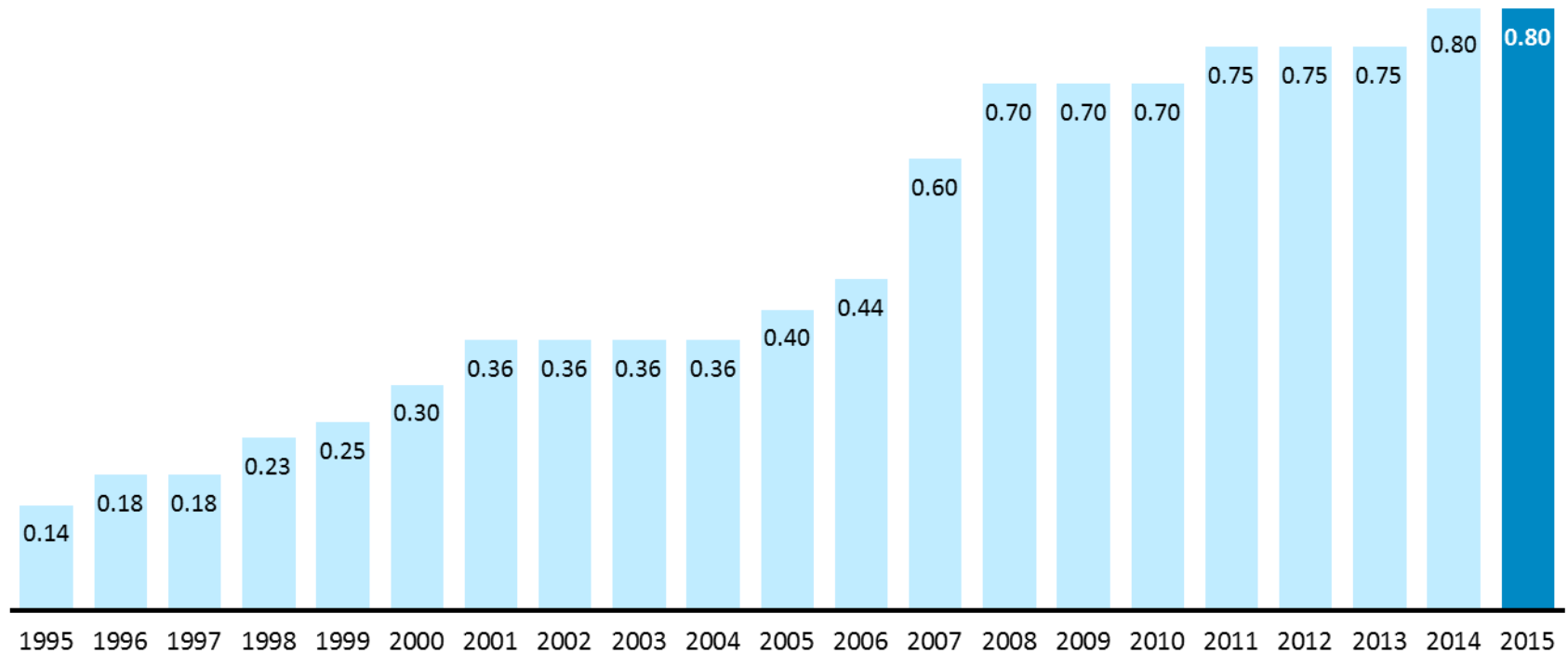
Debt maturity profile as of September 2015

Amounts in EUR millions



A history of sustainable dividend growth

EUR per share



We are committed to dividend-stability and a 40% to 50% pay-out of continuing net income

Update funded status pension plans (IFRS basis)

<i>EUR million</i>	Funded status (not reported)		Balance sheet position (not reported)	
	June 2015	September 2015	June 2015	September 2015
Major plans	(1,125)	(1,176)	(1,710)	(1,790)
Minor plans	(227)	(227)	(227)	(229)
Total	(1,352)	(1,403)	(1,937)	(2,019)

- The total funded status decreased slightly due to negative equity markets performance.
- The balance sheet was impacted in Q3 by the decrease of the deficit in the US. The balance sheet surpluses in the UK and Brazil are not recognized (asset-ceiling test).

Capital allocation

- Continue to invest in high ROIC organic growth opportunities to strengthen each business
- Disciplined but more active approach to M&A, with a focus on HealthTech, while continuing to adhere to strict return hurdles
- Committed to a strong investment grade credit rating
- Committed to dividend-stability and a 40% to 50% pay-out of continuing net income
- Complete the current EUR 1.5 billion share buyback program by October 2016

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Accelerate! driving further change and performance

Customer Centricity		<ul style="list-style-type: none">• Increase local relevance of product portfolio• Focused Business-to-Government sales channel; Develop digital and CRM capabilities• Enhance sales capabilities for Solutions, Systems and Services• Expansion into adjacent and new growth markets to drive growth
Resource to Win		<ul style="list-style-type: none">• Increase performance adherence to plan per BMC (Business Market Combination) > 90%• Targeted investments to drive value creation and extend market leadership• Strengthen BMC capabilities with global tools, training and ways of working
End2End Execution		<ul style="list-style-type: none">• Non-overhead productivity gains of 100 bps margin impact to be achieved by 2016<ul style="list-style-type: none">– Transform customer chains to 4 Lean business models– Roll-out new integrated IT landscape– Reduce Cost of Non Quality by 30%, Inventory reduction by 20%• Accelerate innovation time to market by avg. 40%; Increase customer service to >95%• EUR 1 billion via Design for Excellence (DfX) over the period 2014-2016
Growth and Performance Culture		<ul style="list-style-type: none">• Focus on the 6 competencies that will accelerate our transformation• Run and measure monthly performance dialogues to take ownership for the transformation• Build Philips University to increase learning and competency development• Excellence practices to increase operational performance; Lean skills for all employees• Increase Employee Engagement in markets by 300 bps
Operating Model		<ul style="list-style-type: none">• Simplify and de-layer organization, reduce overhead costs by EUR 1.8 billion• Implement the Philips Business System in the organization• Continue to transform Finance, HR, and IT to increase productivity and effectiveness• Align all employees to common performance management objectives

Supported by dedicated senior Transformation Leadership to ensure execution



Accelerate! is improving the way we do business

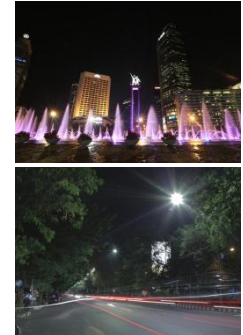
Enhanced sales capabilities in Healthcare India

In using Salesforce.com, we redesigned and simplified the sales process in Healthcare India. The new way of working and customer-centric sales planning approach led to improved data transparency, a 50% increase in sales funnel visibility and an increase of 4 pts in win rate.



End2End transformation: Lighting Indonesia

The Lighting team successfully implemented a new business model for Systems in Indonesia. The new go-to-market and customized offerings resulted in enhanced business-to-government sales capabilities and important customer wins, including a CityTouch order in Jakarta for more than 1.4 thousand light points.



Customer value chain: Consumer Lifestyle Iberia

By redesigning and simplifying End2End processes across the customer value chain, we improved the order fulfillment process in Consumer Lifestyle in Iberia. This resulted in a 15% increase in customer service levels and a 4% positive impact on sales to El Corte Ingles, one of our main customers in the region. We are working with other top customers to replicate this success.



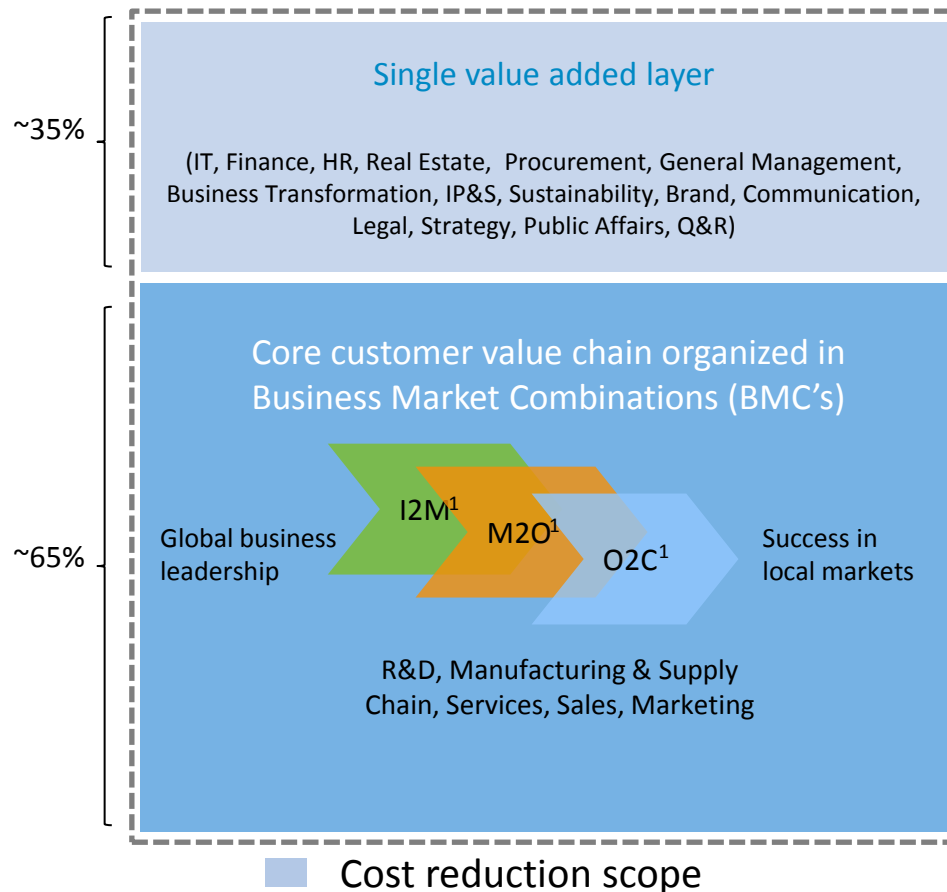
Lean manufacturing: Image-Guided Therapy

To optimize manufacturing processes at our Image-Guided Therapy facility in the Netherlands, we ran continuous improvement Kaizen events that led to a more than 45% reduction in manufacturing cycle-time and a 35% reduction in work-in-progress inventory for systems in the cabinets line.





Cost reduction program targeting overhead costs will bring EUR 1.8 billion in savings by 2016



Clear design principles

- Structural reduction of costs in the **Single value added layer**
 - Reduction of layers and optimization of span of control
 - Leverage shared services and centers of excellence
 - Simplified organization design and harmonized job descriptions
- Continued drive to optimize cost structure through operational excellence (Continuous Improvement, Lean)



New operating model enables additional overhead savings by 2016

EUR million	Cumulative gross savings			Incremental savings in the period		
	2011-2014	2015	2016	YTD 2015	2015	2016
	Actual	Plan	Plan	Actual*	Plan	Plan
TOTAL	1,335	1,600	1,800	209	265	200

* Represents incremental savings generated in the period. Equivalent to annualized gross savings of EUR 322 million in 2015

- New operating model enables additional cost savings across the enabling functions and faster decision-making
- Annualized overhead gross savings through the end of Q3 2015 amount to EUR 322 million. However, we expect overhead cost savings for the full year to be close to the target of EUR 265 million as the anticipated savings for Q4 are likely to be more than offset by an increase in IT costs due to phasing

EUR million	Annual restructuring costs and investments			
	2011-2014	YTD 2015	2015	2016
	Actual	Actual	Plan	Plan
Restructuring	(456)	(12)	(75)	(50)
Investments*	(433)	(134)	(185)	(140)
TOTAL	(889)	(146)	(260)	(190)

* Includes investments to enable overhead cost savings as well as investments on the overall execution of the Accelerate! transformation (see page 28 for a comprehensive review of the program)

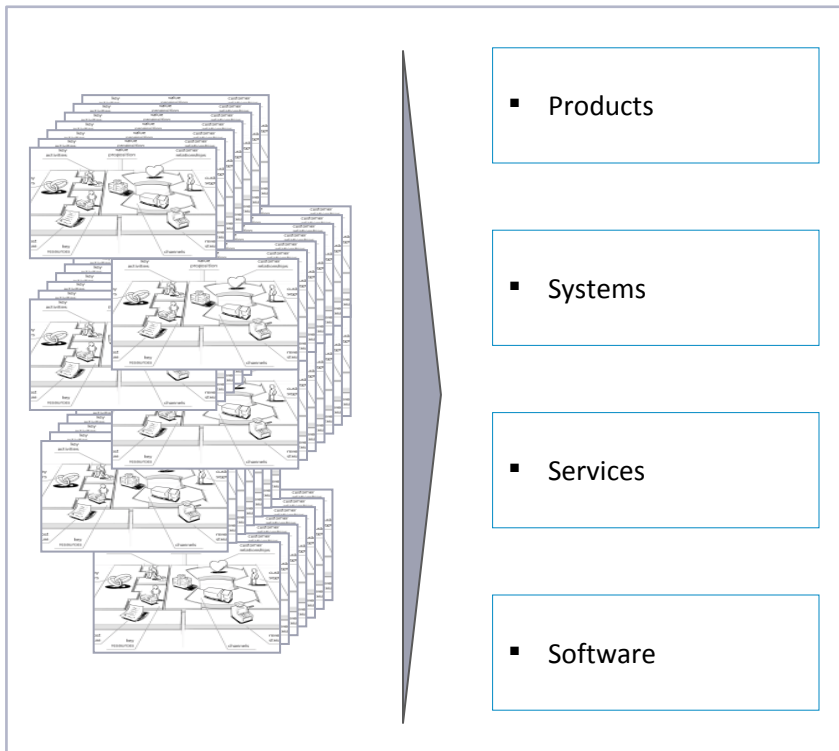


Overhauling our business model architecture

From 70+
business models



To 4 end to end
business models



- 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



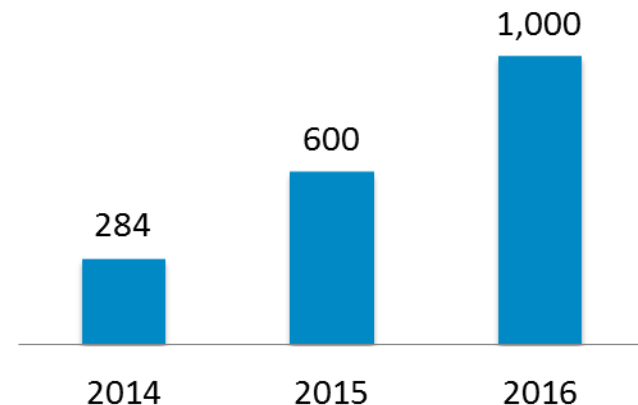
On track to achieve procurement transformation targets

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

- End2End approach to product creation, with one integrated procurement team, 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
- Significant cost savings can be achieved in mature products, i.e. products being manufactured 5+ years, as well as new product introductions
- Funnel of opportunities targeting additional cumulative savings of EUR 1 billion over the period 2014 to 2016

Cumulative procurement gross savings

EUR million



DfX challenges the value chain of products, drives decisions and follow-through

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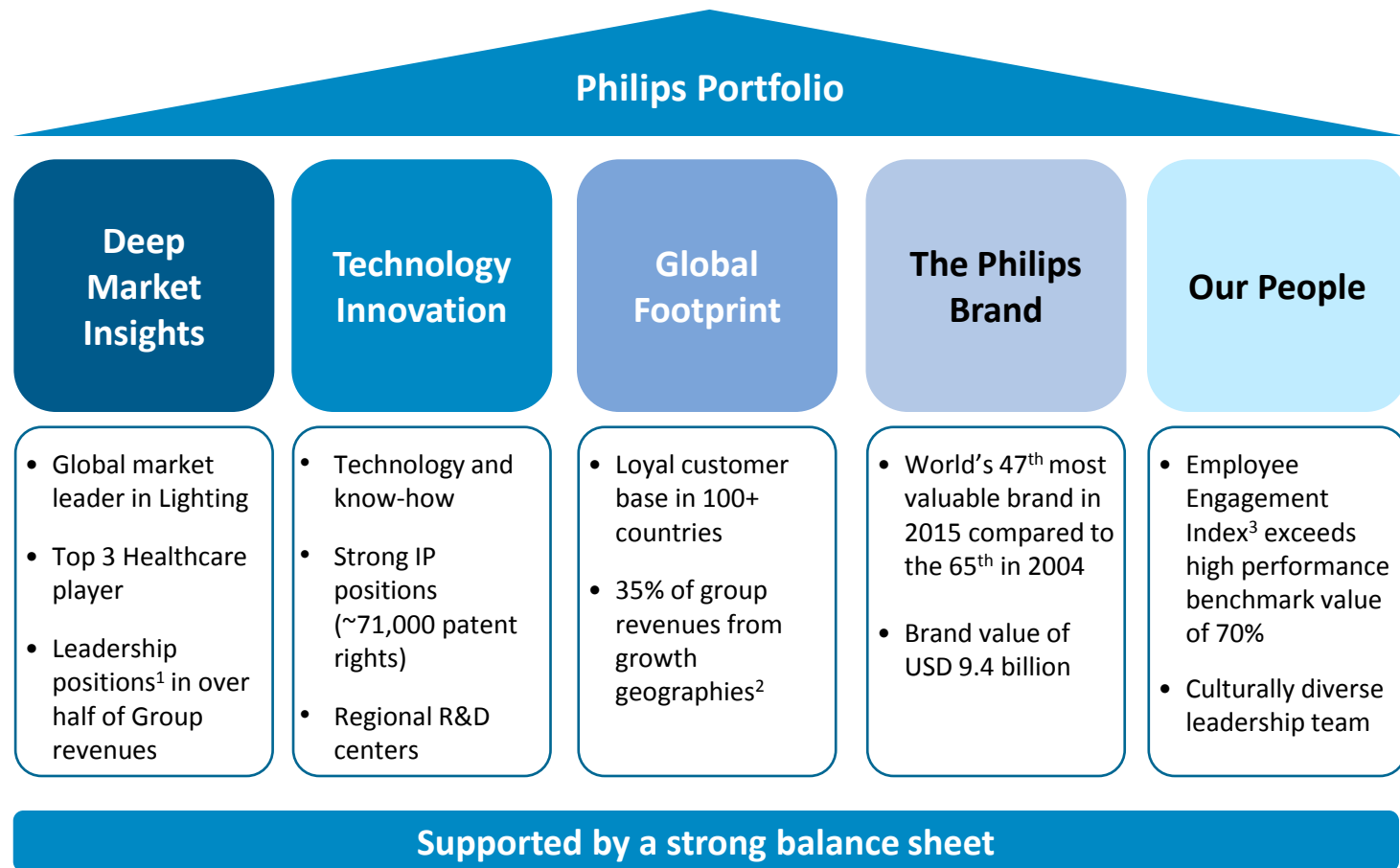
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The Philips Business System, our repeatable system to drive value

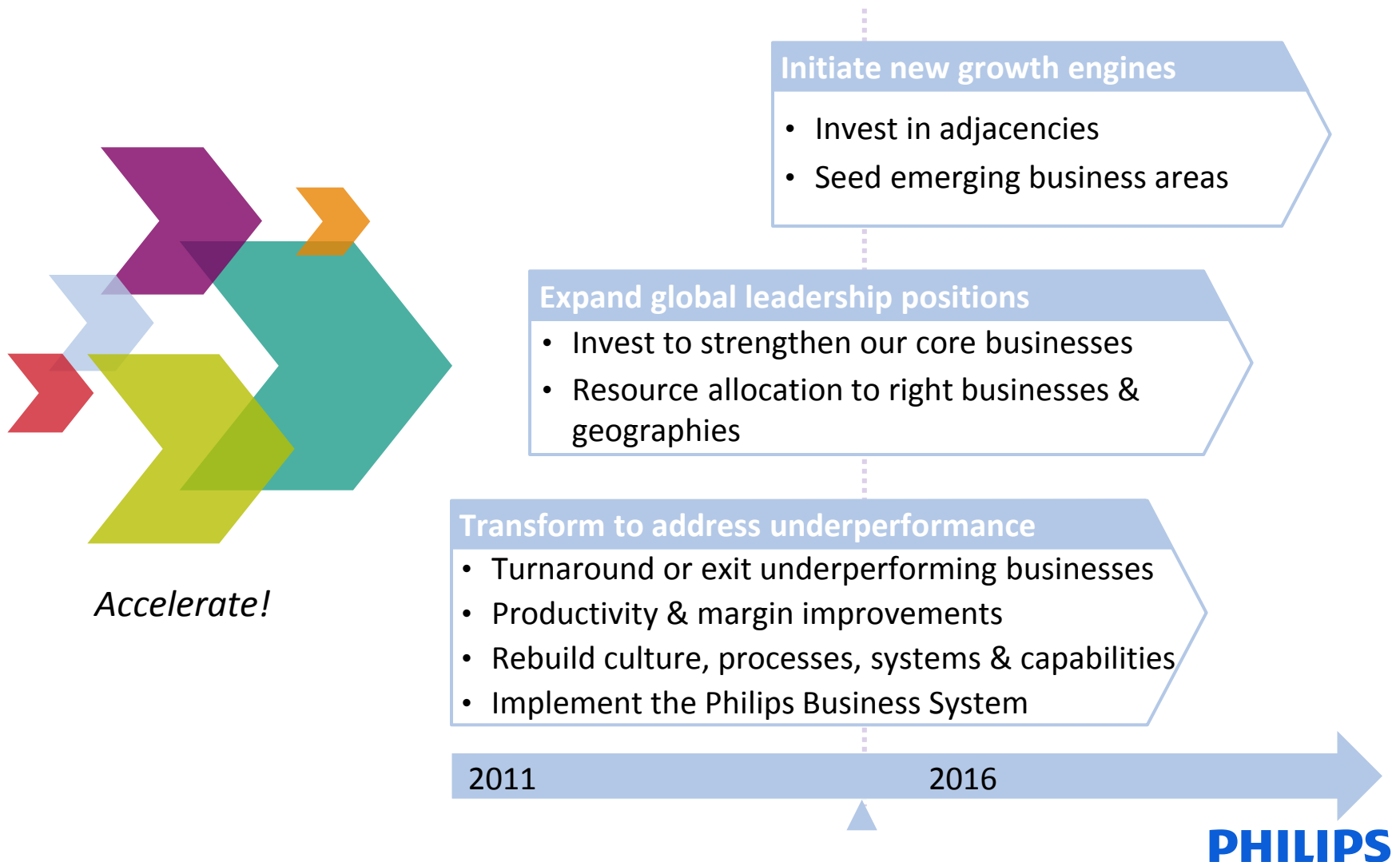
- Active portfolio management
- Improving customer centricity
- Relentless focus on operational excellence
 - Ensure Quality and Compliance
 - Drive operational excellence and speed
 - Reduce costs and eliminate waste
- Building our growth and performance culture



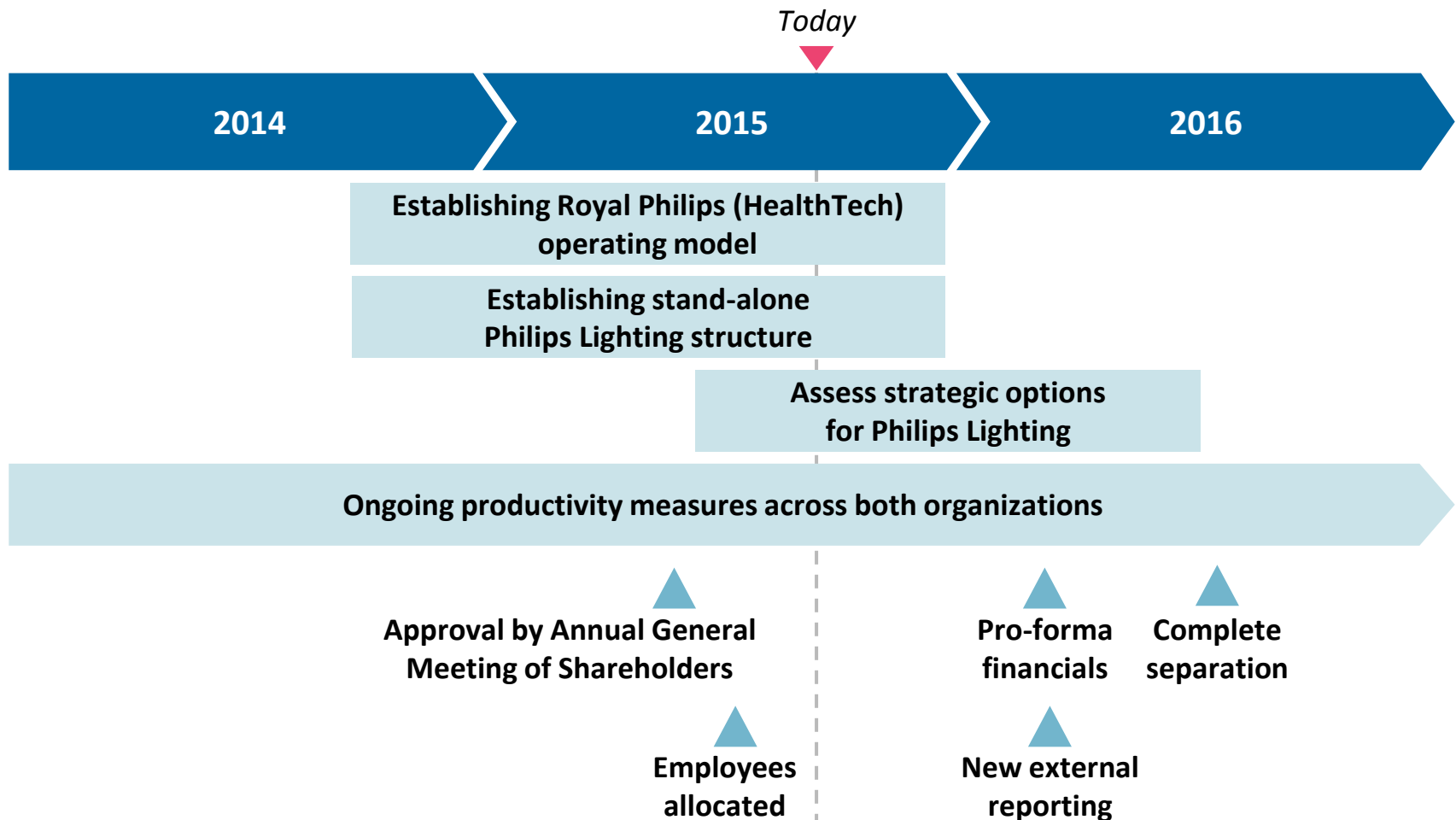
We leverage our unique strengths across businesses and markets



Continuing our multi-year Accelerate! journey to drive value creation



We are well on our way to creating two winning standalone companies



Creating two focused companies to capture highly attractive market opportunities

Strategic benefits of the separation

- Establishing two focused winning companies
- Immediate opportunities to capture growth in attractive end-markets in transition
- Unique portfolio, insights and capabilities

Operational benefits of the separation

- Higher growth and profitability
- Improved customer focus in attractive markets
- Faster decision making
- Lean overhead structure, less management layers
- Focused management
- Focused balance sheets and capital allocation policies
- Enable investments in growth

Royal Philips

Focused on the EUR 140+ billion HealthTech opportunity

Serving the Health Continuum

Leveraging strengths of Healthcare and Consumer Lifestyle

EUR 14.4 billion sales 2014¹

Philips Lighting

Focused on the EUR 65+ billion Lighting opportunity

Establishing stand-alone Lighting structure

LED Components & Automotive

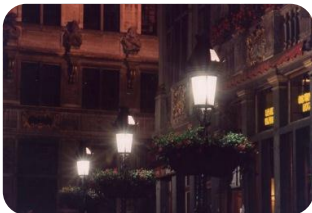
EUR 7.0 billion sales 2014¹

Lighting: attractive and growing EUR 65+ billion market

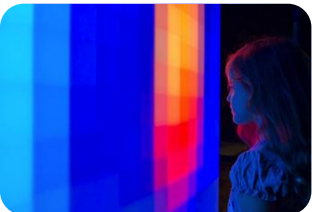
Key macro trends drive lighting market growth



The world needs more light



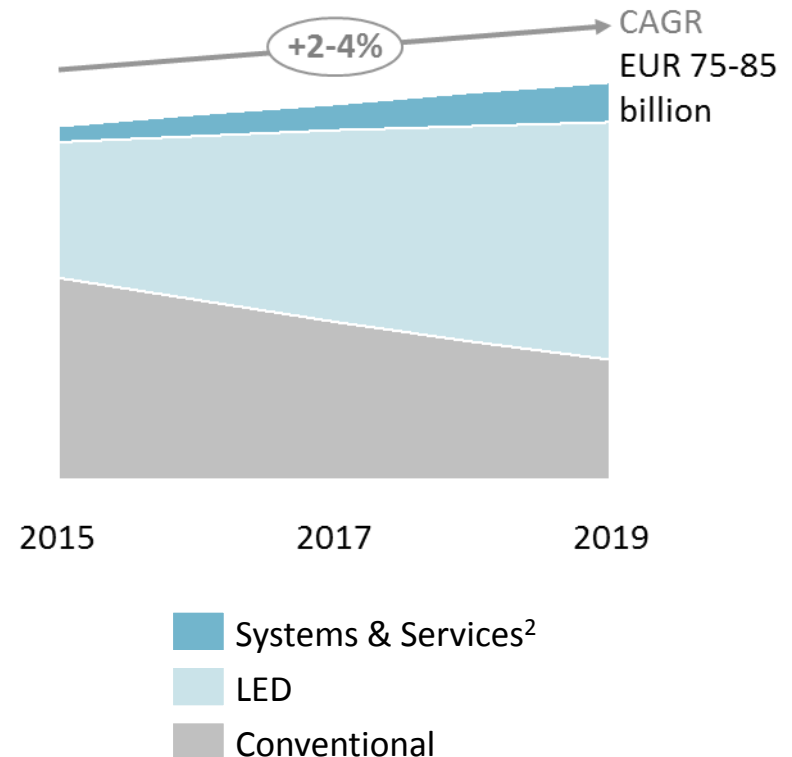
The world needs more energy efficient light



The world needs more digital light









Overall market expected to grow 2–4%, with significant underlying shifts

Global lighting market forecast¹



We are the clear global leader in lighting

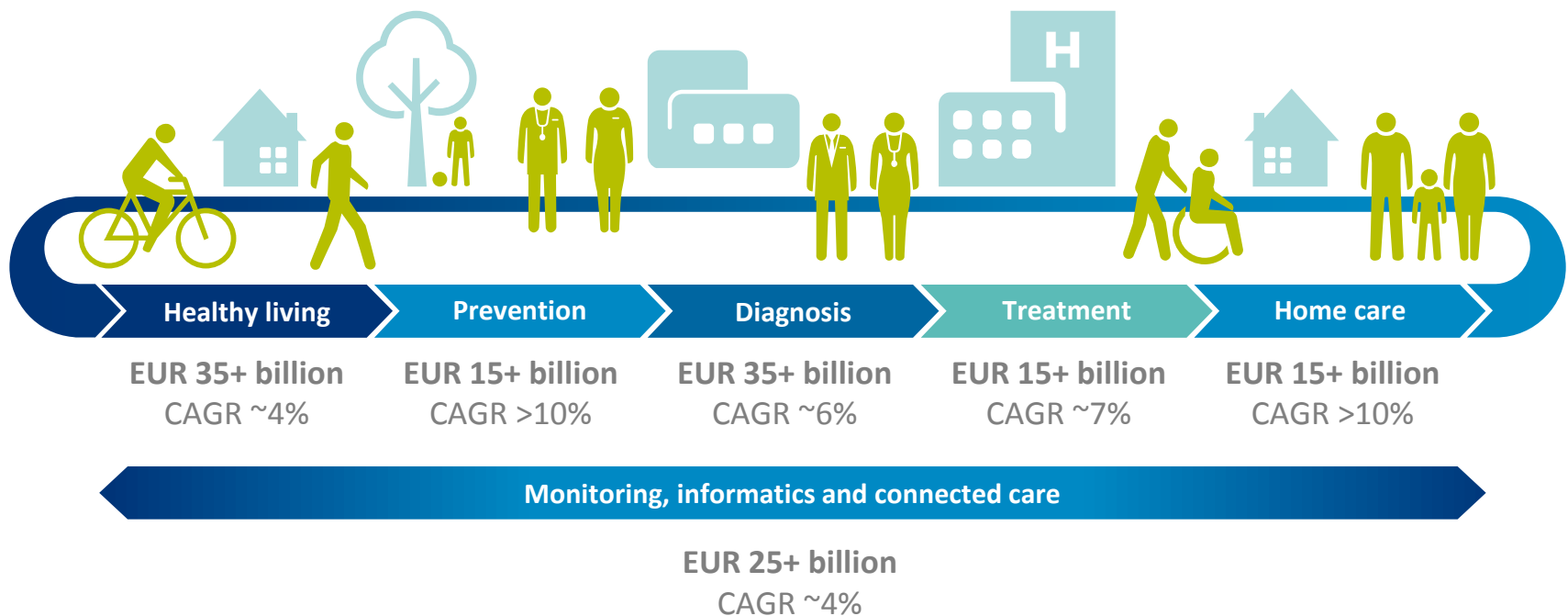
Share of Lighting sales¹

Components	Light Sources	Luminaires	Systems	Services
LED Components 	Lamps 40% Global leader with #1 market share in every region 	Luminaires, Systems and Services for professional and home    		
Automotive 	LED 17% Global leader, with #1 market share in Europe and Americas 	43% Global leader with #1 market share in professional in Europe, Latin America and Asia-Pacific ² 		

- Leading positions in conventional and key growth businesses
- Global reach with unmatched channel strength, brand value 3x higher than the next competitor
- Recognized track record of innovation and strong patent portfolio
- Leading the transformation to LED, Systems & Services

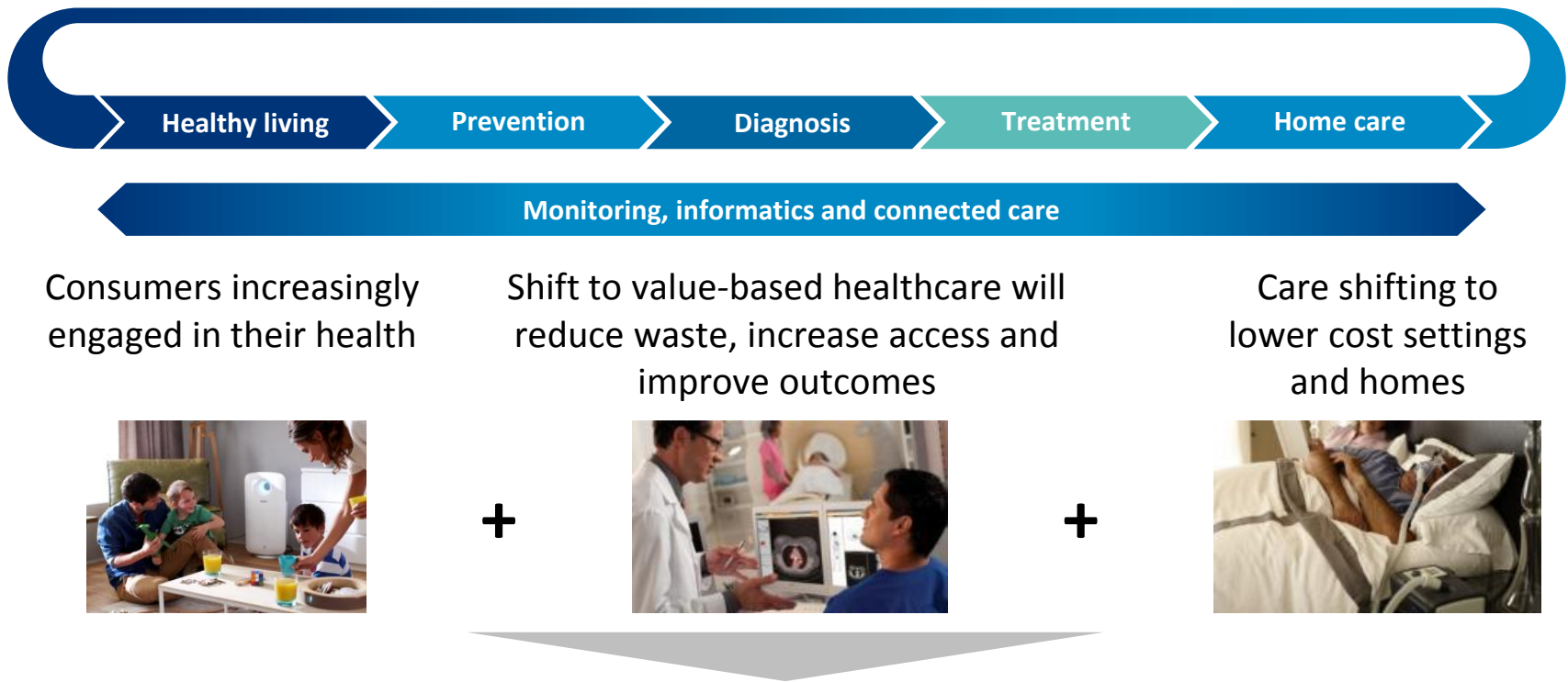
HealthTech: a EUR 140+ billion market opportunity

Philips indicative addressable market 2014¹ and approximate CAGR 2014–18



Mid to high-single-digit market growth

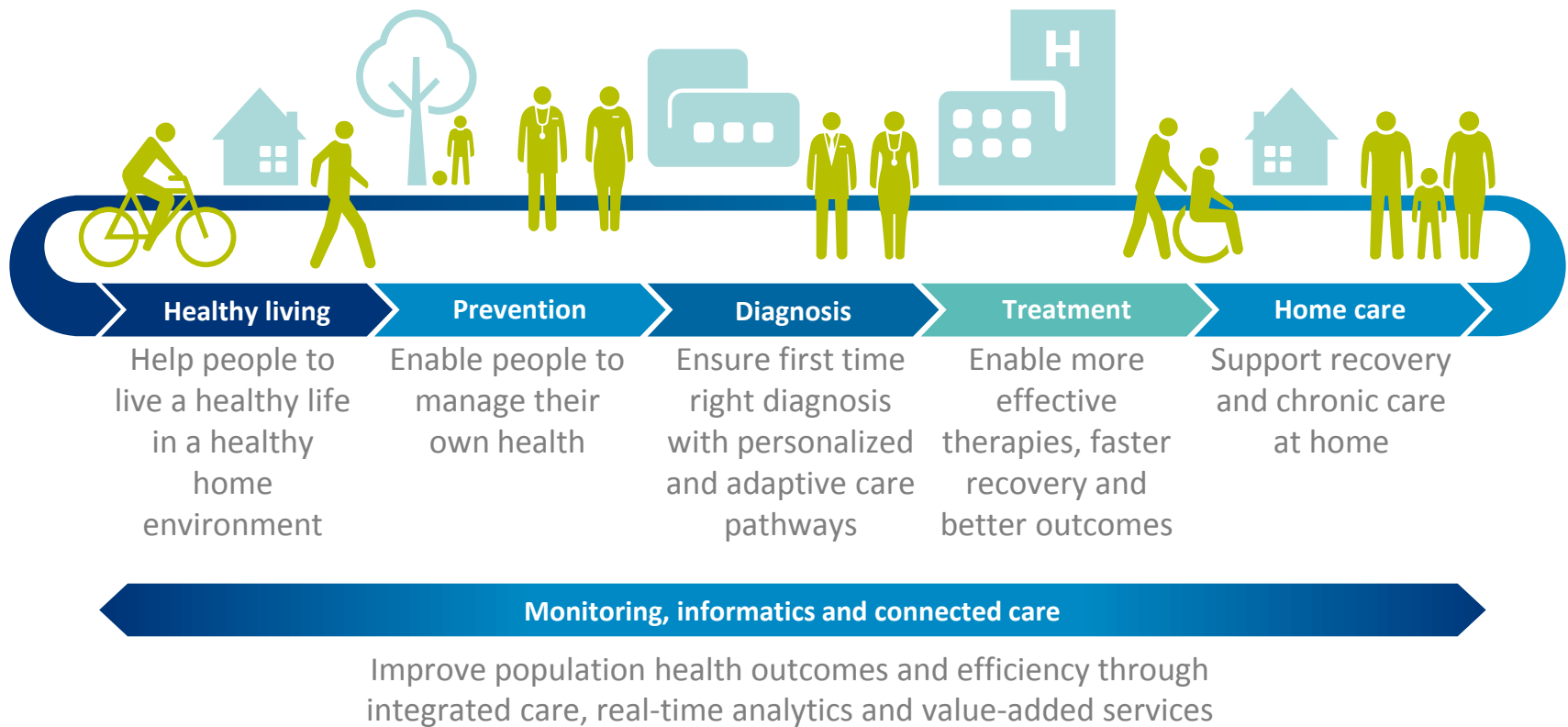
Profound market trends are driving the HealthTech opportunity



We see two major opportunities for Philips:

- “Industrialization of care”: enabling providers to deliver lower-cost care and better outcomes
- “Personalization of care”: driving convergence of professional healthcare and consumer health

We target healthcare customer and consumer needs along the Health Continuum



We have a unique position to tap into the HealthTech opportunity

We deliver **leading solutions** that improve **personalized health outcomes** and drive **better productivity** along the Health Continuum, building on our strengths:

Deep consumer and customer insights

Advanced technology and world class design capabilities

Deep clinical know-how and rich data sets

Broad channel access in home and clinical environment

Digital analytics and clinical decision support expertise

Trusted solutions partner with **strong Philips brand**

**HealthSuite digital platform enabling solutions
along the Health Continuum**

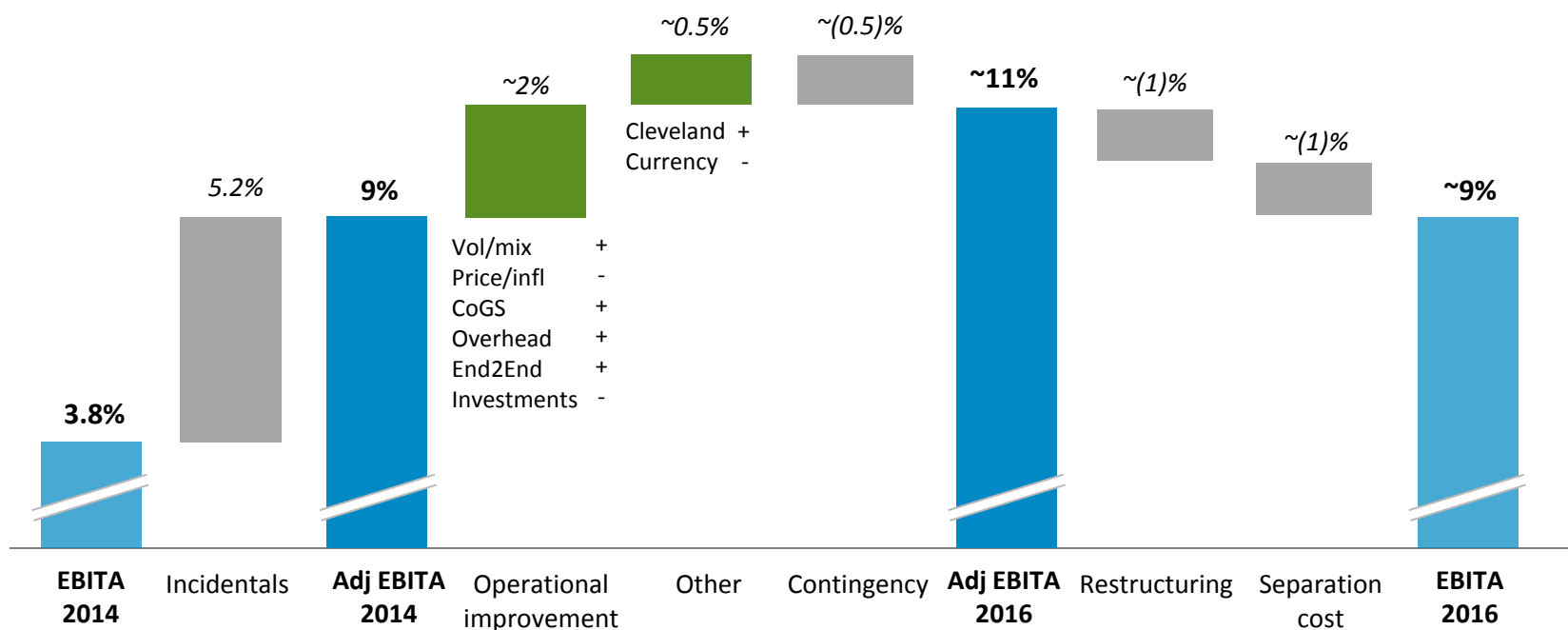


We build off strong leadership positions



Performance trajectory update

Our operational improvements support 2016 outlook; however macro risks and headwinds are increasing



We expect modest comparable sales growth and are focused on driving further operational EBITA improvement in 2016, while also investing in growth

Productivity programs continue to improve operational performance

<i>(EUR million)</i>	2014	2015	2016
Incremental gross overhead cost savings in the period	284	265	200
Procurement	284	~300	~400
End2End productivity gains	79	~80	~90
Restructuring and investments ¹	(240)	(260)	(190)

All savings numbers are gross numbers



Content

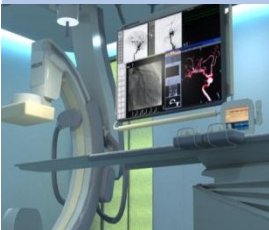
1. Financial performance	3
2. Accelerate! transformation program	27
3. Strategy and financial outlook	34
4. Company overview	
- Group	50
- Healthcare	53
- Consumer Lifestyle	59
- Lighting	65

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

Philips

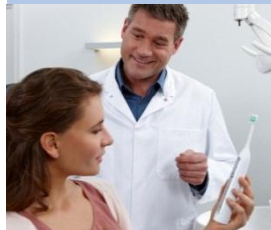
Businesses^{1, 2}

Healthcare



45%

Consumer Lifestyle



23%

Lighting



32%

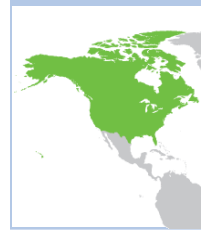
Geographies¹

Western Europe



25%

North America



33%

Other Mature Geographies



7%

Growth Geographies³



35%

Since **1891**

€21.4 billion sales in 2014, **70%** B2B

~106,000 employees in over 100 countries

50% of the portfolio has global leadership positions

€1.6 billion R&D spend in 2014 and ~71,000 patent rights

More than **1/4** of revenues from recurring revenue streams

¹ Based on sales last 12 months September 2015. 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 have been restated for the treatment of the combined businesses of Automotive and Lumileds as discontinued operations.

Strong leadership¹ positions in many markets across the globe

Healthcare



Global
Cardiovascular
X-ray



Global
Patient
Monitoring



Global
Image-Guided
interventions



Global
Sleep and
Respiratory Care



Global
Ultrasound

Consumer Lifestyle



Global
Rechargeable
Toothbrushes



Global
Male Electric
Shaving



Global
Mother &
Child Care



Regional
Kitchen
Appliances



Regional
Air Purification

Lighting



Global
Conventional
Lamps



Global
LED
Electronics



Global
LED
Lamps



Global
Connected
lighting



Global
Professional
Luminaires

Sustainability as a driver for growth

Success of EcoVision

Green Products represented around 52%¹ of sales in 2014, up from 39%¹ of sales in 2011, driven by investments in Green Innovation.

EcoVision targets for 2015

- 55% 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

- Received the 2015 “Champion for Change” award from Practice GreenHealth, the North American leading sustainable healthcare community
- Have been recognized 2015 Energy Star partner of the year by the US Environmental Protection Agency for outstanding contribution to environmental protection through energy efficiency
- Received the VBDO Responsible Supply Chain Management Award for the 7th time, ranking 1st among the 40 largest publicly listed Dutch companies
- Recognized, for the 3rd consecutive year, as a leader in the Carbon Disclosure Project on both disclosure and performance
- Cited top riser in Interbrand’s annual ranking of the top 50 Best Global Green Brands, moving up nine places to the 14th position
- In the 2015 Dow Jones Sustainability Index, Philips became leader in the Industrial Conglomerates category, with top scores for Best in Class performance on Climate Strategy, Product Stewardship and Supply Chain Management

Healthcare

What we do. Where we are.

Philips Healthcare

Businesses¹

Imaging
Systems



36%

Healthcare
Informatics,
Solutions &
Services



6%

Patient Care
& Monitoring
Solutions



31%

Customer
Services



27%

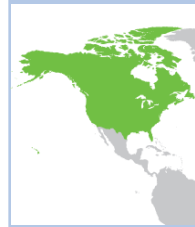
Geographies¹

Western
Europe



20%

North
America



44%

Other Mature
Geographies



11%

Growth
Geographies²



25%

€9.2

Billion sales
in 2014

39,000+

People employed
worldwide in 100 countries

9%

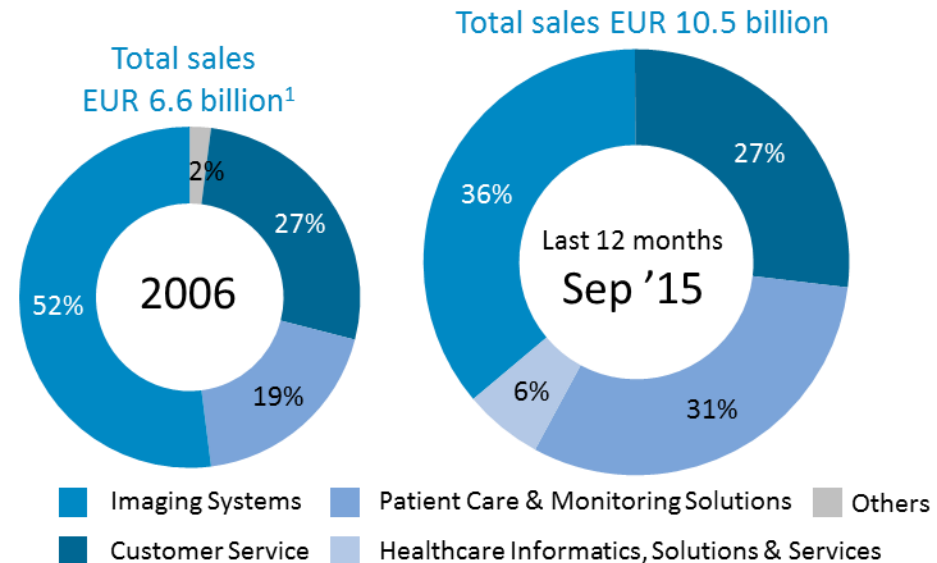
of sales invested in
R&D in 2014

450+

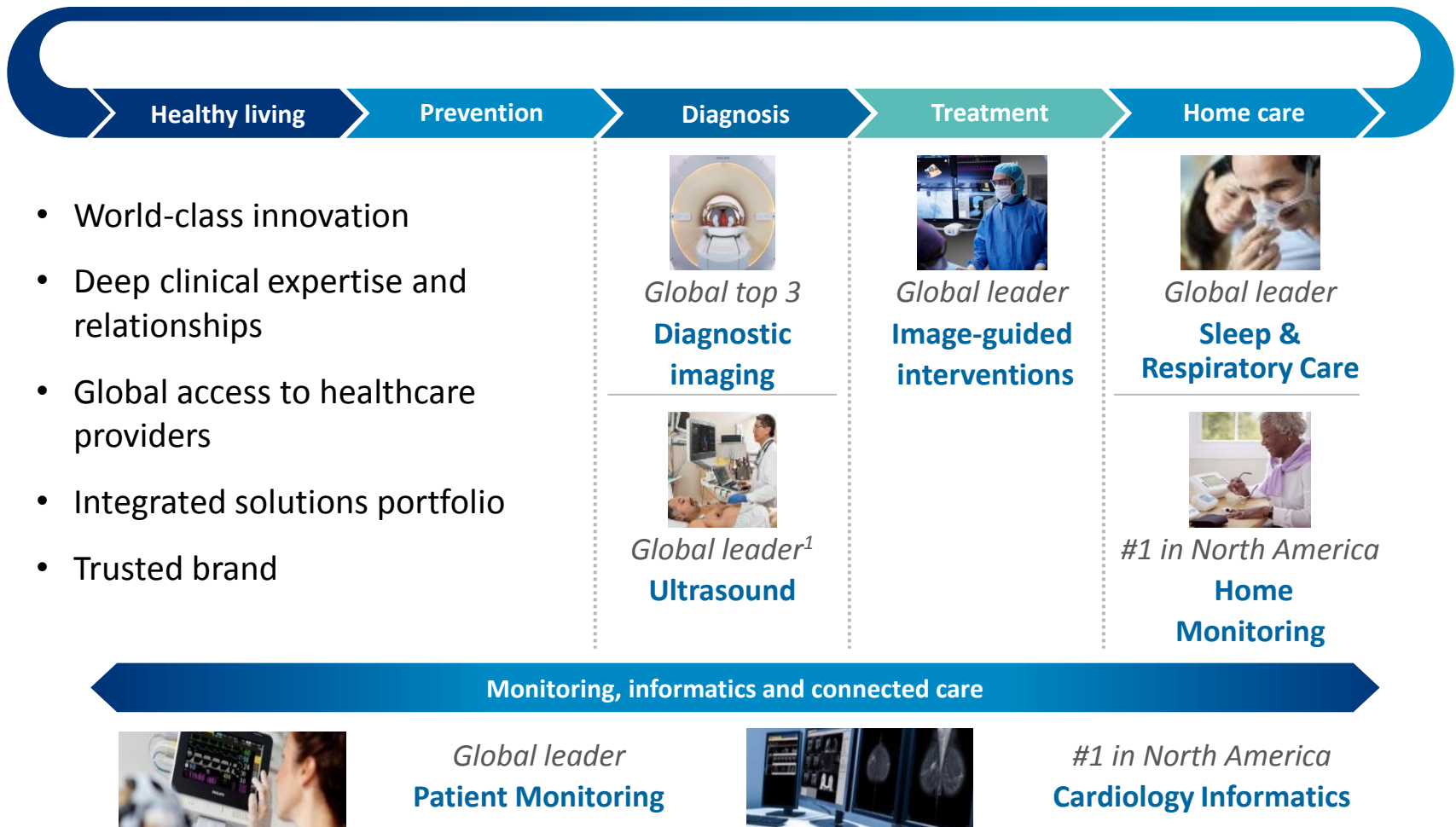
Products & services offered
in over 100 countries

Healthcare: Delivering integral, innovative solutions along the Health Continuum

- Collaborate with customers and across our businesses to provide better care at lower cost to more patients
- Redefine the delivery of care as a technology solutions partner
- Deliver all elements from diagnosis to treatment to patient recovery and care, from hospital to home, supported by informatics and consultancy



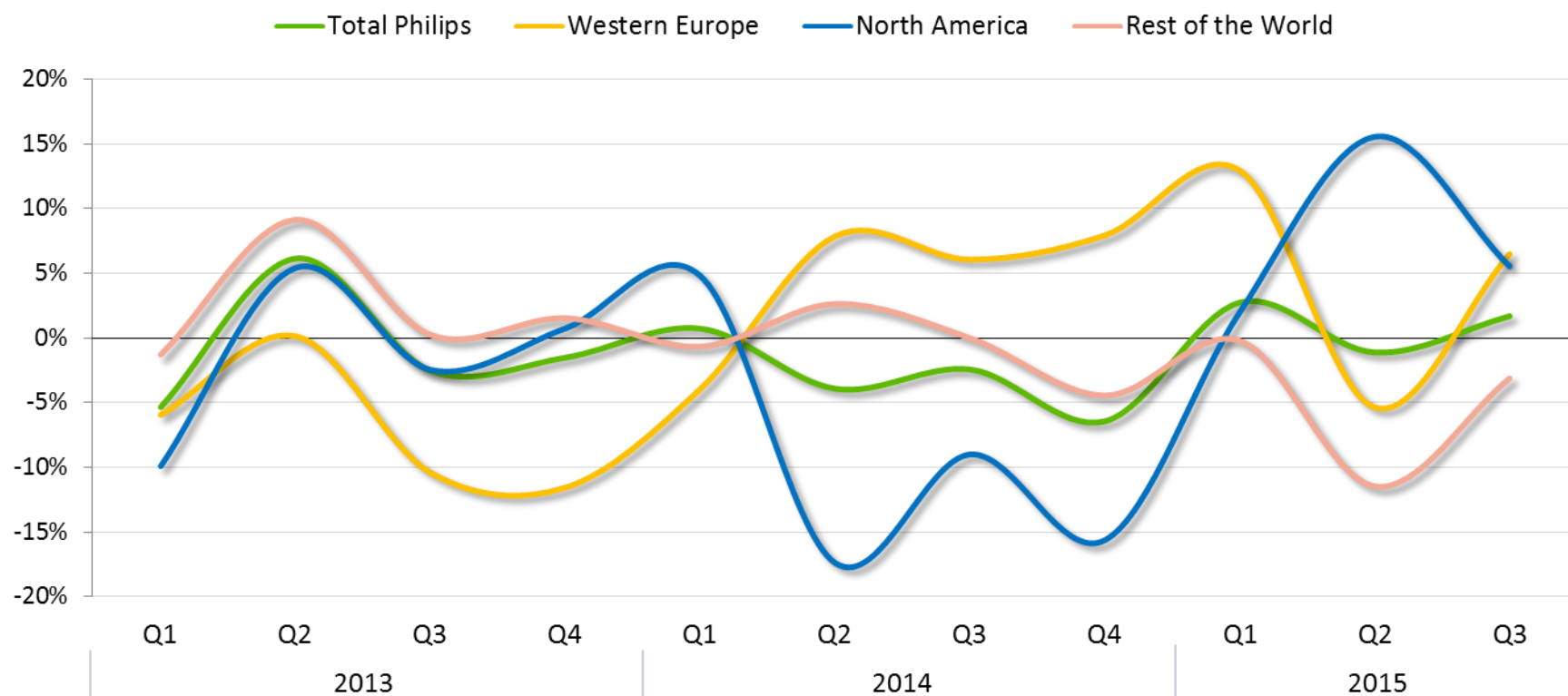
Our Healthcare businesses are well positioned on the Health Continuum



¹ Global leader: #1 or #2 position in the global market.
Source: Frost and Sullivan, Home Healthcare TBS, PCMS market insight.

Healthcare: order intake¹

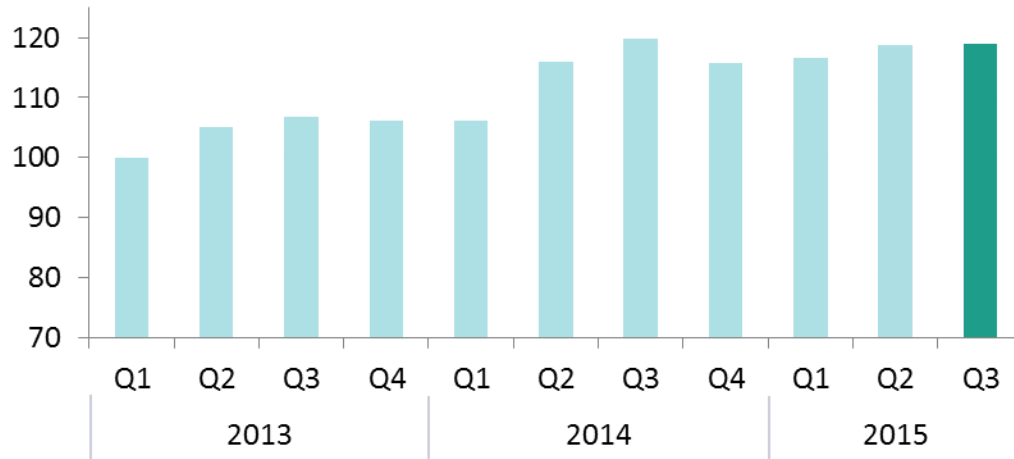
Quarterly currency adjusted order intake growth



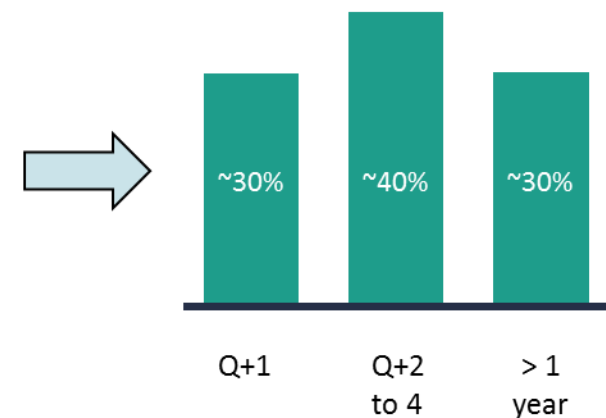
Currency adjusted order intake only relates to the Imaging Systems, Patient Care & Monitoring Solutions and the Healthcare Informatics, Solutions & Services businesses

Healthcare: order book

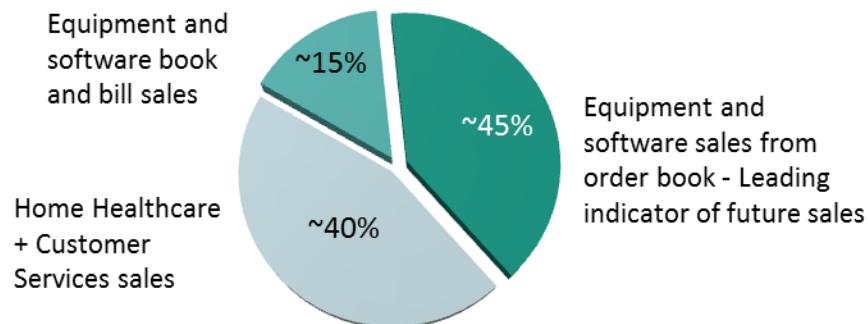
Indexed order book¹ development



Typical profile of order book conversion to sales



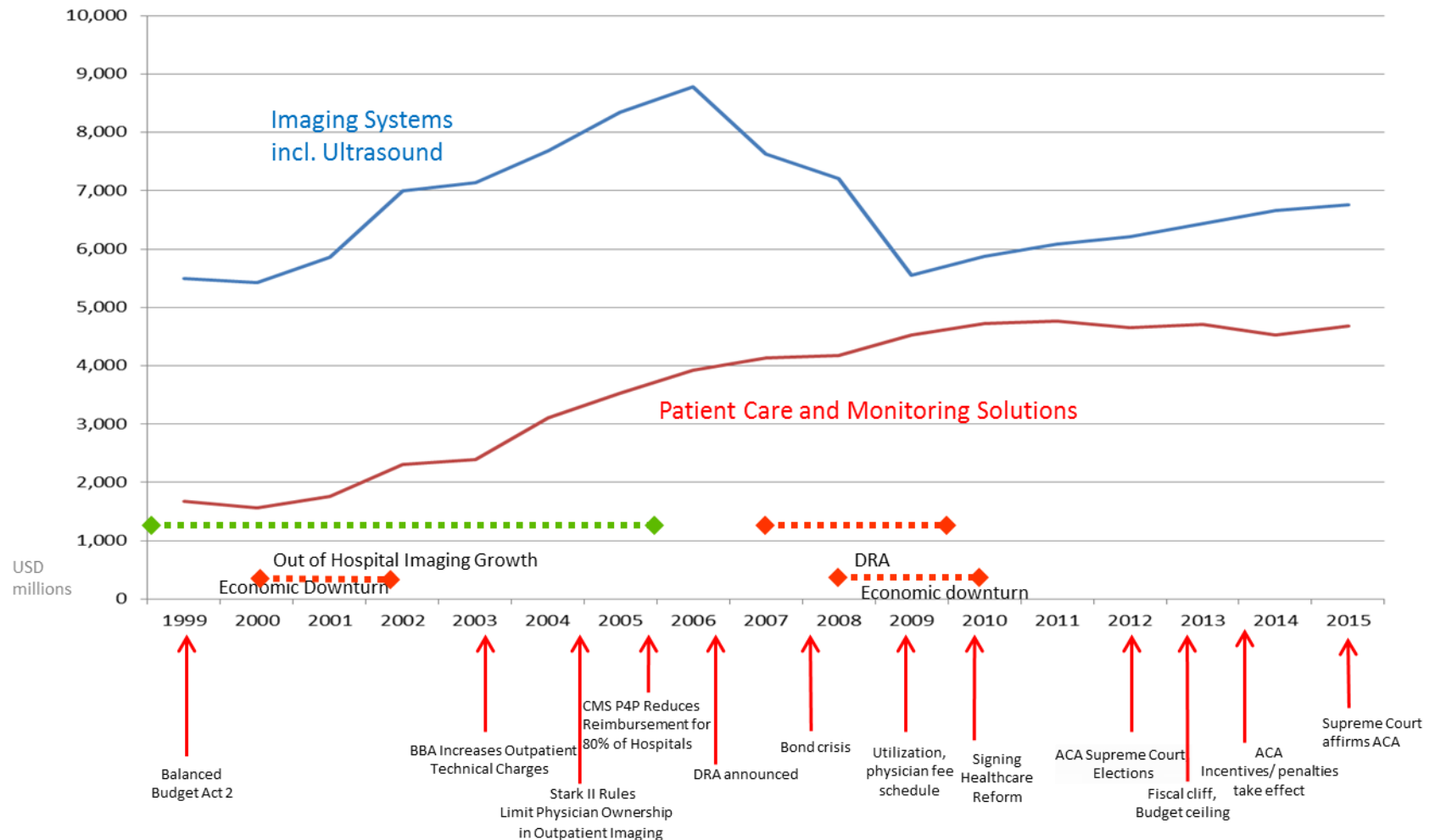
Quarter end order book is a leading indicator for ~45% of sales the following quarters



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

Healthcare historical market development

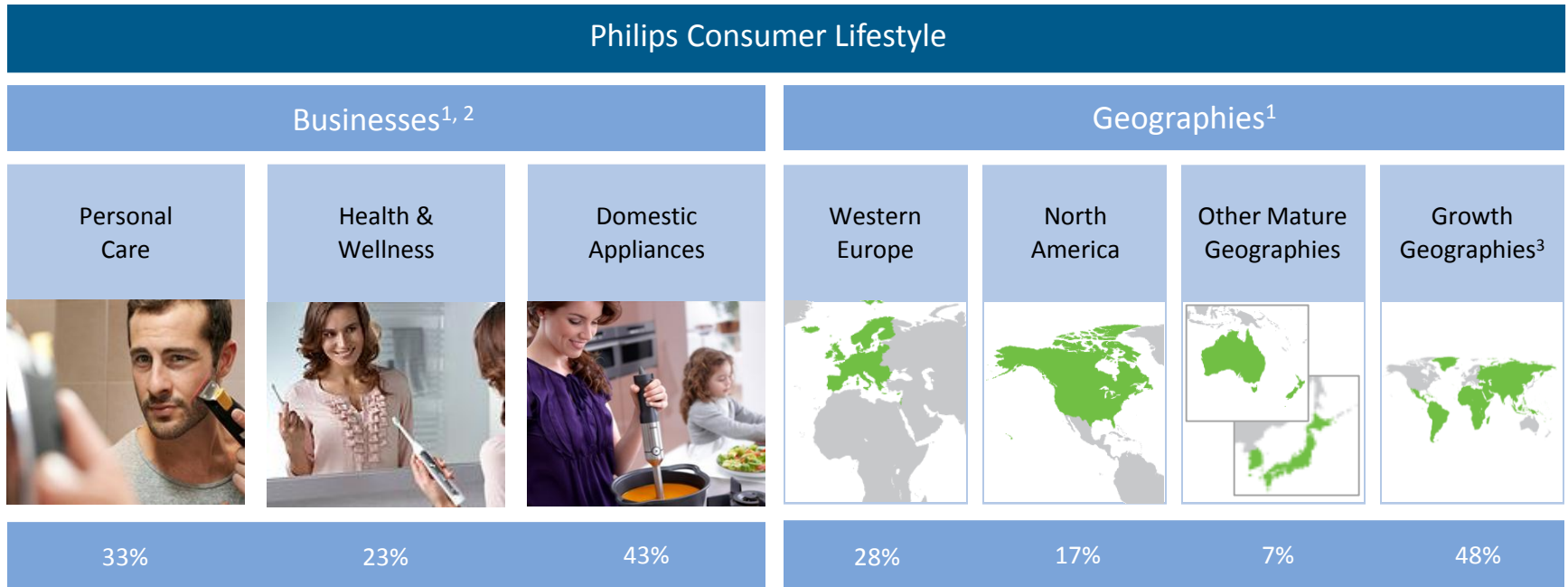
North America market size, growth and impacts



The US market is expected to grow by low-single-digit for 2015-2016

Consumer Lifestyle

What we do. Where we are.



€4.7

Billion sales
in 2014

16,000+

People employed
worldwide

6%

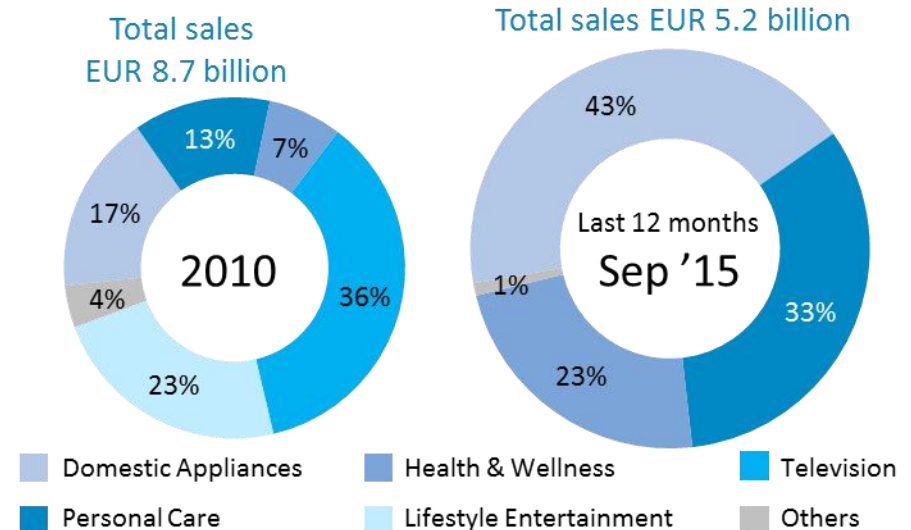
of sales invested in
R&D in 2014

55%

of green product
sales in 2014

Consumer Lifestyle: Focusing on Personal Health and Well-being appliances and services

- Streamlined portfolio focused on Personal Health and Well-being
- Expand core businesses through locally relevant innovations, global platforms and geographical expansion of proven propositions
- Explore new business adjacencies in the domain of Personal Health and Well-being



Our Consumer Lifestyle businesses have strong positions on the Health Continuum



We see significant opportunity for further growth, driven by two growth thrusts

Strengthening the core

Locally relevant innovations and global platforms



Our BMC¹ approach addresses consumer needs through locally relevant innovation and global scale

Addressing geographical white spots



We continue our geographical expansion, addressing white spots with proven propositions

New business adjacencies

Addressing opportunities along the Health Continuum



We see significant opportunities to innovate for consumers along the Health Continuum

We are further building our leadership positions in these categories

Personal Care



Male Grooming

- Maintaining #1 position in electric Male Grooming
- Further strengthening leadership in China; expanding into lower tier cities
- Strengthening relationship with large and loyal base of users through trading-up and recurring revenue activities



Beauty

- Strengthening #1 position in Intense Pulsed Light hair removal in 25 markets in Europe, Latin America, Asia and the Middle East
- VisaPure cleansing brush successfully launched in 21 markets. Philips skincare now available in more than 1,500 Health & Beauty stores
- Market leader in China and volume market leader in Europe for Hair Dryers

Health & Wellness



Oral Healthcare

- Further strengthening leadership position in the US, Japan and China
- Enhancing geographic growth with strong market share increase outside the US (e.g. DACH¹, Japan, UK, China, Russia)
- Sonicare DiamondClean continues to be successful with different editions delivering strong results



Mother & Child Care

- Strengthening geographic footprint with strong growth in key markets such as China, North America & Latin America
- #1 market position in many markets & sub-categories (e.g. bottles and soothers in the US, breast pumps in China, overall #1 in Russia)

We are further building our leadership positions in these categories

Domestic Appliances



Kitchen Appliances

- Acquisitions and local product creation drive a significant increase of new product offers
- Global #1 brand in categories such as low fat fryer, juice extractor, food processor and overall home cooking & food preparation
- Leadership in key markets strengthened through local relevance: reached #1 position in blenders in Asia-Pacific and hand blenders in Asia-Pacific and Eastern Europe



Garment Care

- Optimal Temp innovation (non-thermostat iron) confirms global leadership in steam generators
- Locally relevant innovations like steamers drive leadership in China and expand portfolio globally



Coffee

- After the introduction of Saeco Incanto Executive, further successful expansion to mid/high end range with Saeco Incanto
- Growing Senseo as the #1 European brand in Coffee machines in 2014
- Continued expansion of the alliance with Tchibo

Lighting

What we do. Where we are.

Philips Lighting

Businesses¹

Light
Sources & Electronics



56%

Professional Lighting
Solutions



37%

Consumer Luminaires



7%

Geographies¹

Western
Europe



30%

North
America



27%

Other Mature
Geographies



3%

Growth
Geographies²



40%

€6.9

Billion sales
in 2014

35,000+

People employed
worldwide in 60 countries

5%

of sales invested in
R&D in 2014

72%

of green product
sales in 2014

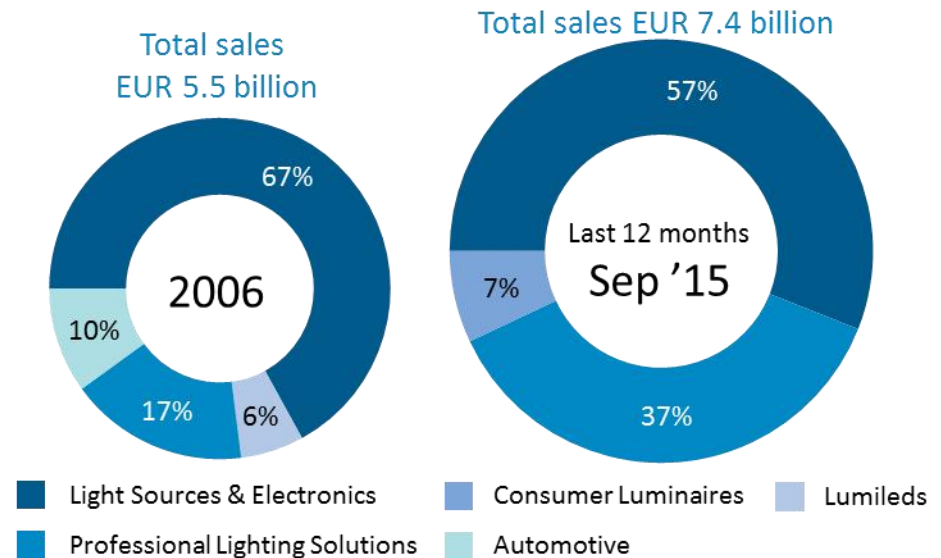
¹ Based on sales last 12 months September 2015.

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

Note - Prior-period financials have been restated for the treatment of the combined businesses of Automotive and Lumileds as discontinued operations.

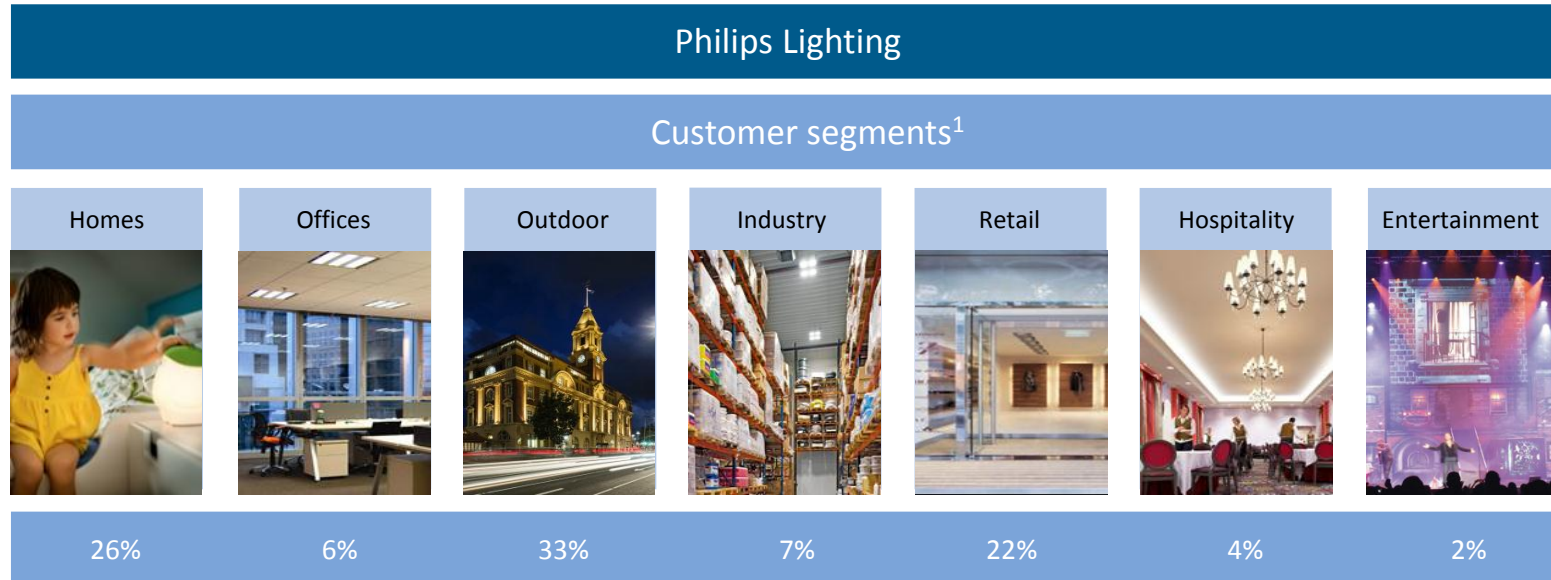
Lighting: Lead the way on the path to LED, systems & services

- Serve a large and attractive market driven by the need for more light and energy-efficiency
- Shape the future of digital lighting through game-changing innovation, and unique systems and services
- Accelerate the adoption of LED and help customers to realize the benefits of intelligent and connected lighting systems



We increase our focus towards the people we serve

Further strengthening global leadership in Lighting



- ~ 75%¹ of Lighting sales is B2B
- ~ 44%² of Lighting sales is LED lighting

Our strategy of connected lighting captures the attractive value of lighting

1

Global leader in the lighting industry



We are a global leader in this attractive market & consistently improve operational performance

2

Conventional lighting proactively managed



Our industrial setup is flexible to cater for the conventional market decline dynamics

3

LED lamps optimized for value creation



We continuously take cost out and differentiate in LED lamps

4

LED offers are designed for connectivity



We shape the connected lighting market

5

Systems & services as additional profit pool



Unique position to win in the fast-growing systems & services market

6

Path-to-Value on track



Clear Path-to-Value for 2016 and beyond

We are the global leader in lighting

We focus on three business groups

1

Light Sources & Electronics

2

Consumer Luminaires

3

Professional Lighting Solutions, including:

- **Systems:** interconnected lighting products (light sources, luminaires, controls), software and system integration
- **Services:** advise, operate and/or maintain an installed lighting system through its lifecycle

Have leadership positions across all regions

Market share per Business Group and region – 2014¹

	Europe	North America	Latin America	Asia/Pacific ²	Total
Light Sources & Electronics	# 1	# 2 or 3	# 1	# 1	# 1
Consumer Luminaires ³	# 2 or 3	Not in top 3	Not in top 3	# 2 or 3	# 1
Professional Lighting Solutions	# 1	# 2 or 3	# 1	# 1	# 1
Overall Lighting	# 1	# 1	# 1	# 1	# 1

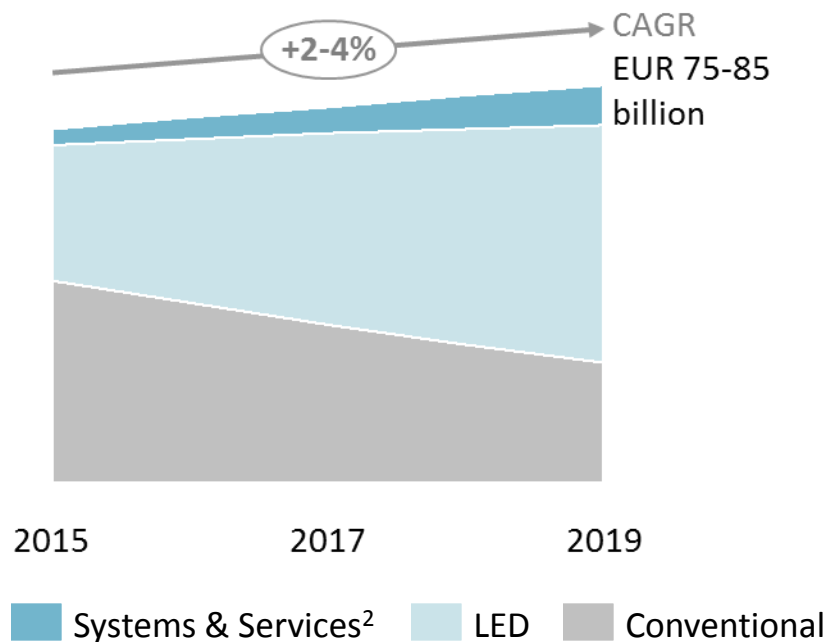
■ # 1
 ■ # 2 or 3
 ■ Not in top 3

- Largest lighting company in the world
- #1 in sold LED lighting
- #1 in connected lighting⁴
- Market share in LED is higher than in conventional

The overall lighting market is attractive with high-margin businesses driving value

**Overall market expected to grow 2-4%,
with significant underlying shifts**

Global lighting market forecast¹



2015 - 2019 CAGR¹

1

Conventional products

Low-to-mid-teens decline

2

LED products

Mid-teens growth

3

Systems & Services²

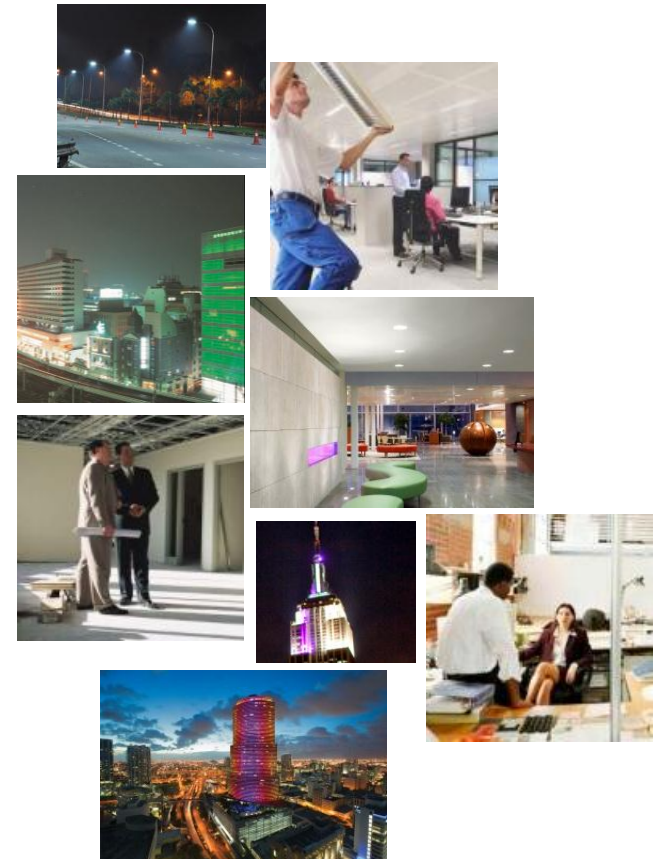
Systems: 20% to 25%
Services³: 40% to 45%

Non-residential construction market in mature geographies is a key growth driver

Around 30% of Philips Lighting sales driven by construction in Western Europe & North America (WE&NA)

Philips Lighting	Construction	Other	Total
Residential	6%	20%	26%
Commercial	45%	24%	69%
Other	0%	5%	5%
Total	51%	49%	100%

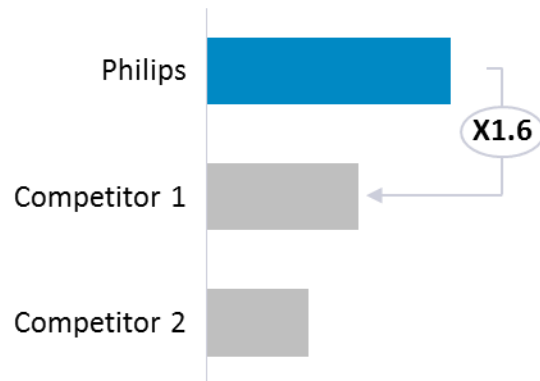
Construction	WE&NA	ROW	Total
Residential	2%	4%	6%
Commercial	28%	17%	45%
Total	30%	21%	51%



Performance remains strong in conventional and our industrial setup is flexible to cater to the market decline

#1 in conventional lamps and drivers

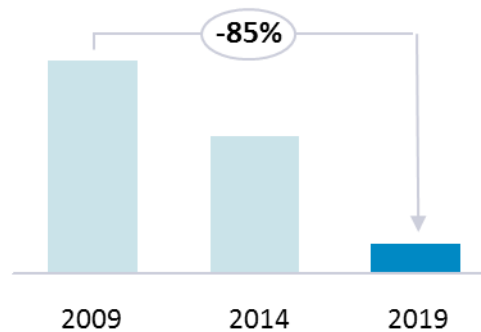
Market share¹



- Capture value by leveraging our:
 - Global market presence
 - Leading technology, trusted brand
 - Extensive customer channels

We adapt capacity in response to market demand

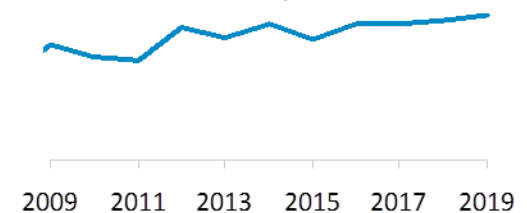
of manufacturing sites, LS&E²



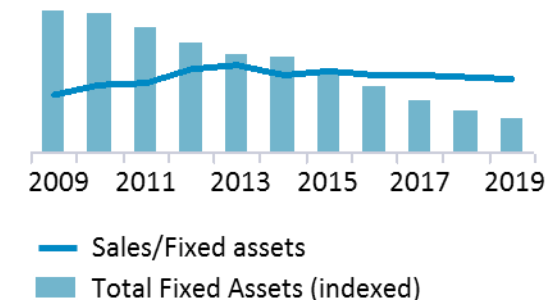
- Ability to adjust capacity with a 3-month lead time
- Closure of sites accelerated in line with market demand

Measures deliver positive results

Free Cash Flow to sales ratio, conventional lamps and drivers



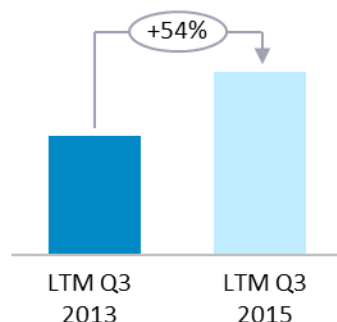
Fixed asset turnover ratio, conventional lamps and drivers



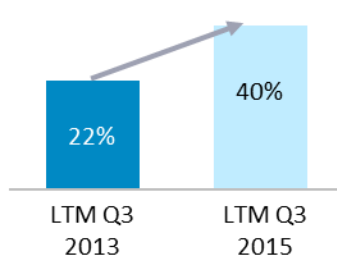
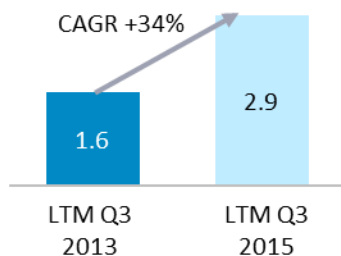
We are the leading LED lighting company

Increased R&D investment in LED leading to improved results

R&D spend LED Indexed



LED sales increase (in EUR billion) *LED as a % of Lighting sales*



Increased focus on LED products & portfolio developments

- We lead the technological revolution by investing significantly in LED R&D
- Total LED sales ~ EUR 2.9 billion last 12 months September 2015
- LED revenue growth and cost productivity gains will improve profitability

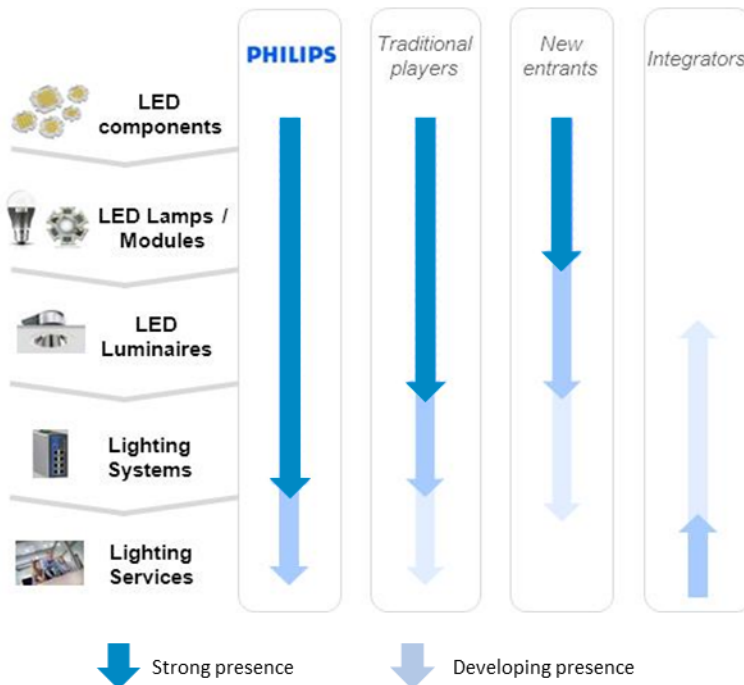
Leveraging Intellectual Property

- Scope: LED Controls and Basic Optics
- Philips Lighting Patent Portfolio:
 - 90% LED and digital related
 - 10% Conventional related
- 1400 Rights licensed
- Licensing Program has more than 575 licensees

We are shaping the future of digital lighting

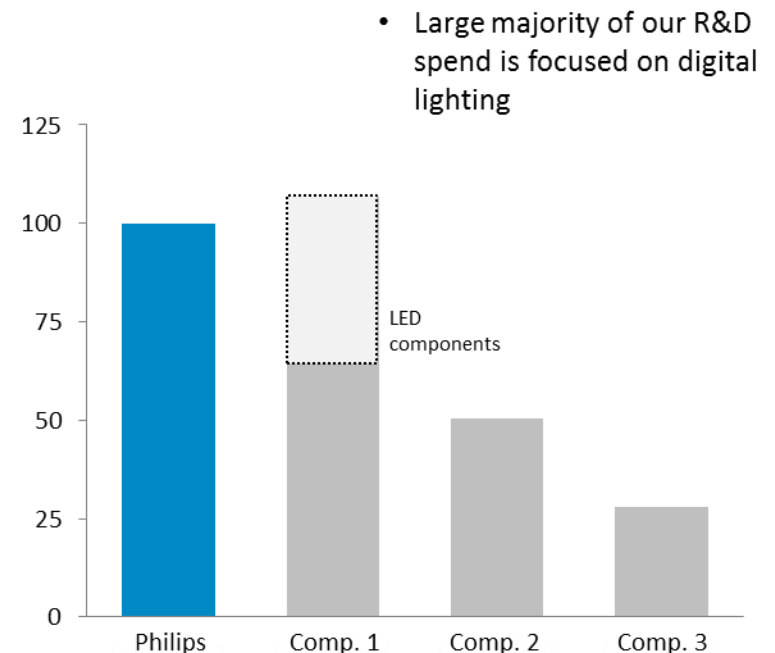
We have a unique competitive position in LED lighting

Market presence in the digital value chain¹:



We continue to invest on differentiation through innovation

Total Lighting R&D Spending Index (Philips = 100)²



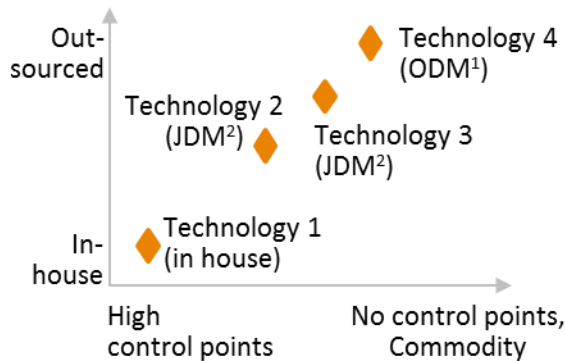
¹ Source: Latest competitors' annual reports, LEDs magazine, LEDinside.com.

² Source: Latest competitors' quarterly reports, internal estimates, excluding General Electric and Japanese lighting companies for lack of data.

LED lamps margins improve as we focus on cost down and differentiating innovations

Manufacturing model is optimized to reduce costs

Manufacturing model metrics (indicative)



- Selectively outsource technologies as they commoditize
- Innovative products and control points remain in house

Differentiation through innovation at all price points



Warm glow

- Replicates the effect of a dimmed halogen or incandescent lamp



The classic LED bulb

- Produced and launched in Europe at <EUR 5
- Frosted incandescent look and feel through the use of glass bulb

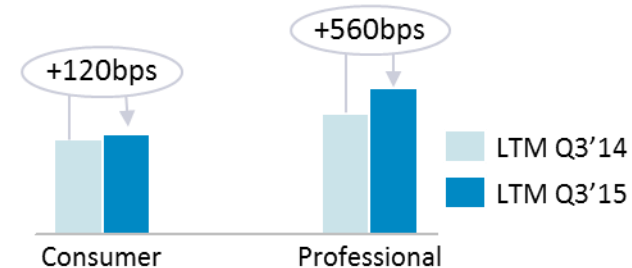


Ultra Output LEDtube

- Ultra efficiency for Office applications
- Direct retrofit, no installation hassle

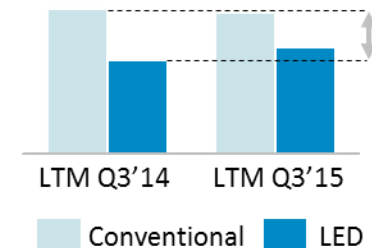
Measures are paying off both in Consumer and Professional

Adjusted gross margin LED Lamps



Gross margin difference of LED vs. Conventional lamps is narrowing

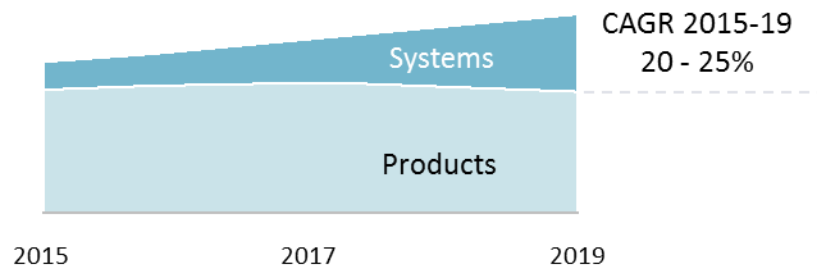
Adjusted gross margin



Double-digit growth in systems & services improves overall lighting market attractiveness

Systems will expand the addressable market by EUR 3 - 4 billion

Professional lighting solutions market forecast

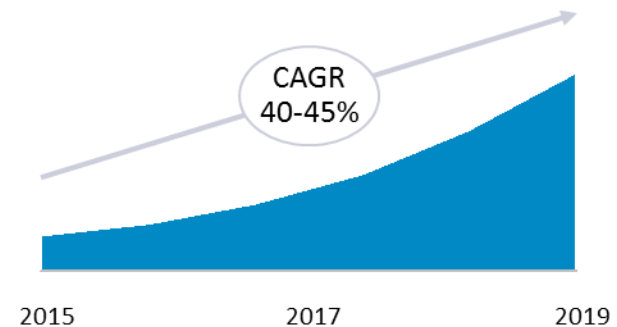


Expected to represent 40% of the professional lighting solutions market by 2018

- Leverage lighting assets in new ways
- Value beyond illumination and improved customer business performance

Data-enabled services will further expand the market by EUR 1 billion

Data-enabled services market forecast



Data transmitted through digital light points enables asset-light service offers

- Data can be analyzed to provide actionable insights
- Optimized management and monitoring of performance

Uniquely positioned to capture the high growth and accretive market opportunities of systems and services

Innovation, Group & Services

Group Innovation

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

IP Royalties

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

Group and Regional Costs

Group headquarters and country & regional overheads, as well as costs related to the separation of the Lighting business

Accelerate! Investments

Investments to support the transformation program

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 the Audio, Video, Multimedia and Accessories as well as the Lumileds and Automotive businesses, and other incidentals related to the legal liabilities of the Group

Appendix

Financial calendar 2016

January 26	Fourth quarter and annual results 2015
February 23	Annual Report 2015
April 25	First quarter results 2016
May 12	Annual General Meeting of Shareholders
July 25	Second quarter results 2016
September 13	Capital Markets Day
October 24	Third quarter results 2016

Depreciation and amortization

EUR million

	Q3 2014	Q3 2015	FY 2013	FY 2014
Depreciation of property, plant and equipment	137	151	521	592
Amortization of software	7	11	39	32
Amortization of other intangible assets	77	87	393	332
Amortization of development costs	57	63	224	231
Philips Group	278	312	1,177	1,187

Gross capital expenditures & Depreciation by sector

EUR million

	Gross CapEx ¹		Depreciation ¹	
	Q3 2014	Q3 2015	Q3 2014	Q3 2015
Healthcare	28	37	38	53
Consumer Lifestyle	23	23	26	30
Lighting	14	22	37	38
IG&S	29	53	36	30
Group	94	135	137	151

¹ Capital expenditures and depreciations on property, plant and equipment only.

Note - Prior-period financials have been restated for the treatment of the combined businesses of Automotive and Lumileds as discontinued operations.

Gross capital expenditures & Depreciation by sector

EUR million

	Gross CapEx ¹		Depreciation ¹	
	2013	2014	2013	2014
Healthcare	131	127	160	148
Consumer Lifestyle	135	109	108	113
Lighting	117	84	160	212
IG&S	99	117	93	119
Group	482	437	521	592

¹ Capital expenditures and depreciations on property, plant and equipment only.

Note - Prior-period financials have been restated for the treatment of the combined businesses of Automotive and Lumileds as discontinued operations.

Development cost capitalization & amortization by sector

EUR million

	Capitalization		Amortization	
	Q3 2014	Q3 2015	Q3 2014	Q3 2015
Healthcare	41	56	42	44
Consumer Lifestyle	11	12	6	11
Lighting	1	6	9	8
IG&S	41	13	-	-
Group	94	87	57	63

Development cost capitalization & amortization by sector

EUR million

	Capitalization		Amortization	
	2013	2014	2013	2014
Healthcare	252	221	154	166
Consumer Lifestyle	43	57	37	32
Lighting	31	23	33	33
IG&S	24	96	-	-
Group	350	397	224	231

Restructuring, acquisition-related charges and other items

EUR million	1Q14	2Q14	3Q14	4Q14	2014	1Q15	2Q15	3Q15
Acq.-related charges	-	-	-	(1)	(1)	(24)	(23)	(38) ⁴
Restructuring	(21)	1	(3)	(46)	(69)	(6)	2	(2)
Other Incidentals	-	-	(415) ¹	16	(399)	(28)	-	(31) ⁵
Healthcare	(21)	1	(418)	(31)	(469)	(58)	(21)	(71)
Acq.-related charges	-	(1)	1	(1)	(1)	-	-	-
Restructuring	-	-	(5)	(3)	(8)	(1)	1	-
Other Incidentals	-	-	-	11	11	-	-	-
Consumer Lifestyle	-	(1)	(4)	7	2	(1)	1	-
Acq.-related charges	(2)	(2)	(8)	(7)	(19)	(1)	(2)	(1)
Restructuring	(28)	(20)	(22)	(156)	(226)	(24)	(10)	(14)
Other Incidentals	-	-	-	(55)	(55)	-	-	-
Lighting	(30)	(22)	(30)	(218)	(300)	(25)	(12)	(15)
Restructuring	-	(4)	(41)	(65)	(110)	(2)	8	4
Other Incidentals	-	-	(43) ²	(174)	(217)	(11)	(27)	(59) ⁶
IG&S	-	(4)	(84)	(239)	(327)	(13)	(19)	(55)
Total Acq.-related charges	(2)	(3)	(7)	(9)	(21)	(25)	(25)	(39)
Total Restructuring	(49)	(23)	(71)	(270)	(413)	(33)	1	(12)
Total Other Incidentals	-	-	(458)	(202) ³	(660)	(39)	(27)	(90)
Grand Total	(51)	(26)	(536)	(481)	(1,094)	(97)	(51)	(141)

¹ Q3 2014 includes EUR (366)M charges related to the jury verdict in the Masimo litigation and EUR (49)M of mainly inventory write-downs related to the Cleveland facility. ² Q3 2014 includes EUR (43)M provisions related to CRT. ³ Q4 2014 includes EUR (201)M of charges related to CRT, a EUR 67M past-service pension cost gain in the Netherlands and EUR (68)M of impairment and other charges related to industrial assets at Lighting. ⁴ Q3 2015 includes EUR (38)M mainly related to the Volcano acquisition. ⁵ Q3 2015 includes EUR (31)M related to a legal matter. ⁶ Q3 2015 includes EUR (59)M related to the separation of the Lighting business.

