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 2015.

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 2015. Further information on non-GAAP measures can be found in our Annual Report 2015.

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 2015. 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 2015, unless otherwise stated. The presentation of certain prior-year information has been reclassified to conform to the current-year presentation.
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Company Overview

Philips

<table>
<thead>
<tr>
<th>Businesses¹,²</th>
<th>Geographies¹,³</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Health</td>
<td>Western Europe</td>
</tr>
<tr>
<td>Diagnosis &amp; Treatment</td>
<td>North America</td>
</tr>
<tr>
<td>Connected Care &amp; Health Informatics</td>
<td>Other Mature Geographies</td>
</tr>
<tr>
<td>Lighting</td>
<td>Growth Geographies</td>
</tr>
<tr>
<td>29%</td>
<td>24%</td>
</tr>
<tr>
<td>27%</td>
<td>34%</td>
</tr>
<tr>
<td>13%</td>
<td>8%</td>
</tr>
<tr>
<td>31%</td>
<td>34%</td>
</tr>
</tbody>
</table>

Since 1891

- €24.2 billion sales in 2015, 70% B2B
- ~105,000 employees in over 100 countries

50% of the portfolio has global leadership positions

- €1.9 billion R&D spend in 2015 and ~76,000 patent rights
- More than 1/4 of revenues from recurring revenue streams

¹ Based on sales last 12 months March 2016. ² Excluding HealthTech Other. ³ Growth geographies are all geographies excluding USA, Canada, Western Europe, Australia, New Zealand, South Korea, Japan and Israel.
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</tr>
<tr>
<td>HealthTech</td>
<td>9</td>
</tr>
<tr>
<td>Lighting</td>
<td>15</td>
</tr>
<tr>
<td>Accelerate! transformation program</td>
<td>23</td>
</tr>
<tr>
<td>Financial Performance</td>
<td>29</td>
</tr>
<tr>
<td>Appendix</td>
<td>37</td>
</tr>
</tbody>
</table>
Continuing our multi-year *Accelerate!* journey to drive value creation

- **Initiate new growth engines**
  - Invest in adjacencies
  - Seed emerging business areas

- **Expand global leadership positions**
  - Invest to strengthen our core businesses
  - Resource allocation to right businesses & geographies

- **Transform to address underperformance**
  - Turnaround or exit underperforming businesses
  - Productivity & margin improvements
  - Rebuild culture, processes, systems & capabilities
  - Implement the Philips Business System

2011

2016
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

**Royal Philips**
- Focused on the EUR 140+ billion HealthTech opportunity
- Serving the Health Continuum
- Leveraging strengths of Healthcare and Consumer Lifestyle

**Philips Lighting**
- Focused on the EUR 65+ billion Lighting opportunity
- Establishing stand-alone Lighting structure

**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**
- **EUR 16.8 billion** sales 2015

**Philips Lighting**
- **EUR 7.4 billion** sales 2015

---

1 Excluding LED Components & Automotive.
We are well on our way to create two winning standalone companies

- **2014**
  - Establishing Royal Philips (HealthTech) operating model
  - Establishing stand-alone Philips Lighting structure

- **2015**
  - Assess strategic options for Philips Lighting

- **2016**
  - Ongoing productivity measures across both organizations
  - Approval by Annual General Meeting of Shareholders
  - New external reporting
  - Employees allocated
  - Decision on the separation of Philips Lighting

Today
HealthTech: a EUR 140+ billion market opportunity

Philips indicative addressable market 2014\(^1\) and approximate CAGR 2014–18

- **Healthy living**: EUR 35+ billion, CAGR ~4%
- **Prevention**: EUR 15+ billion, CAGR >10%
- **Diagnosis**: EUR 35+ billion, CAGR ~6%
- **Treatment**: EUR 15+ billion, CAGR ~7%
- **Home care**: EUR 15+ billion, CAGR >10%

**Monitoring, informatics and connected care**

- EUR 25+ billion, CAGR ~4%

**Mid to high-single-digit market growth**

\(^1\) Source: Philips Internal Study based on external sources such as COCIR, NEMA, Soreon, IBIS World.
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 build off strong leadership positions

Healthy living
- Male electric shaving
- Power toothbrush
- Mother & Childcare
- Air

Prevention
- Global leader Power toothbrush
- Global leader Homecare

Diagnosis
- Global top 3 Diagnostic imaging
- Image-guided interventions

Treatment
- Global leader Ultrasound
- #1 in North America Home Monitoring

Home care
- Global leader Sleep & Respiratory Care

Monitoring, informatics and connected care
- Global leader Patient Monitoring
- #1 in North America Cardiology Informatics

1 Global leader: #1 or #2 position in the global market.
We target healthcare customer and consumer needs along the Health Continuum

- **Healthy living**: Help people to live a healthy life in a healthy home environment
- **Prevention**: Enable people to manage their own health
- **Diagnosis**: Ensure first time right diagnosis with personalized and adaptive care pathways
- **Treatment**: Enable more effective therapies, faster recovery and better outcomes
- **Home care**: Support recovery and chronic care at home

**Monitoring, informatics and connected care**

Improve population health outcomes and efficiency through integrated care, real-time analytics and value-added services
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
Our focus on multi-year strategic partnerships to optimize care
Example - Marin General Hospital

Customer needs

• Improve delivery of healthcare to patients in the region
• Adopt more strategic, long-term approach to improving care delivery and the overall patient experience
• Access to new digital health technologies and innovation afforded by larger health systems while maintaining community focus and independence

Philips – Solution & results

• USD 90 million, 15-year Enterprise Managed Services agreement
• Managed services agreement for imaging systems, patient monitoring and clinical informatics solutions as well as clinical education and consulting services
• Embedded Philips team
• Highly personal patient experience in new hospital building and state-of-the-art Breast Health Center (opening 2020)
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We are the clear global leader in lighting

<table>
<thead>
<tr>
<th>Components</th>
<th>Light Sources</th>
<th>Luminares</th>
<th>Systems</th>
<th>Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>LED Components</td>
<td>Lamps</td>
<td>LED</td>
<td>Luminares, Systems and Services for professional and home</td>
<td></td>
</tr>
<tr>
<td></td>
<td>37% Global leader with #1 market share in every region</td>
<td>19% Global leader, with #1 market share in Europe and Americas</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Automotive</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Leading positions in conventional and key growth businesses: global reach with unmatched channel strength, brand value 3x higher than the next competitor
- Global leader, more than 2x bigger than next competitor\(^2\): #1 in Europe, #1 in Growth geographies, Top 3 in China
- Recognized track record of innovation and strong patent portfolio
- Leading the transformation to LED, Systems & Services

\(^1\) Excluding Japan. \(^2\) Excluding segments which are not comparable to Philips Lighting. \(^3\) Based on sales last 12 months March 2016

Source: 2015 Interbrand valuation study, TNS HeartBeat customer, consumer survey, customer panels, industry associations and internal analysis.
Our Lighting strategy and operational plan drive growth and cash flow generation

**Optimize cash from Conventional to fund growth**
- Our industrial setup is flexible to cater for the conventional market decline dynamics

**Fuel growth in LED, Systems and Services**
- Innovate in LED products to outgrow market
- Lead the shift to Systems building the largest connected installed base
- Capture adjacent value through new Services business models

**Boost performance and execution**
- Be our customers’ best business partner locally, leveraging our global scale
- *Accelerate!* our operational excellence improvement journey
Lighting: attractive and growing EUR 65+ billion market

Key macro trends drive 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 forecast

2015 - 2019 CAGR

1 Conventional products
   Mid-teens decline

2 LED products
   Mid-teens growth

3 Systems & Services\(^2\)
   Systems: 20% to 25%
   Services: 40% to 45%

CAGR EUR 75-85 billion

\(^1\) Source: Philips internal study. Excluding LED components and Automotive market. \(^2\) Only professional market and lifecycle data-enabled services.
We are the leading LED lighting company

Increased R&D investment in LED leading to improved results

**R&D spend LED Indexed**

- **FY 2013**
- **FY 2015**

LED sales increase (in EUR billion)

- **FY 2013**: 1.8
- **FY 2015**: 3.2

LED as a % of Lighting sales

- **FY 2013**: 25%
- **FY 2015**: 43%

Increased focus on LED portfolio developments

- We lead the technological revolution by investing significantly in LED R&D
- Total LED sales ~ EUR 3.2 billion in FY 2015
- LED revenue growth and cost productivity gains improve profitability

Leveraging Intellectual Property

- Scope: LED Controls and Basic Optics
- Patent portfolio: 90%+ LED and digital related
- ~1400 Patent rights licensed
- Licensing program has more than 600 licensees

Note: Prior-period financials have been restated for the treatment of the combined businesses of Automotive and Lumileds as discontinued operations.
LED lamps margins improve as we focus on cost down and differentiating innovations

**Differentiation through innovation**

- Replicates the effect of a dimmed halogen or incandescent lamp

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

- 60% energy saving for conventional PLC lamps used in downlights
- Direct retrofit

**Measures are paying off**

*Adjusted gross margin LED Lamps*

<table>
<thead>
<tr>
<th></th>
<th>LTM Q1 2015</th>
<th>LTM Q1 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted gross margin</td>
<td></td>
<td>+130bps</td>
</tr>
</tbody>
</table>

**Gross margin gap vs. Conventional is narrowing**

*Adjusted gross margin*

<table>
<thead>
<tr>
<th></th>
<th>LTM Q1 2015</th>
<th>LTM Q1 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conventional lamps</td>
<td></td>
<td></td>
</tr>
<tr>
<td>LED lamps</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Philips Lighting has made connected lighting systems and services a reality across the globe.
Performance remains strong in conventional and our industrial setup is flexible to cater to the market decline

#1 in conventional lamps and drivers

*Market share*

<table>
<thead>
<tr>
<th></th>
<th>Philips</th>
<th>Competitor 1</th>
<th>Competitor 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>1.6</td>
<td>0.6</td>
<td>0.2</td>
</tr>
<tr>
<td>2014</td>
<td>0.8</td>
<td>0.4</td>
<td>0.1</td>
</tr>
<tr>
<td>2019</td>
<td>0.5</td>
<td>0.2</td>
<td>0.1</td>
</tr>
</tbody>
</table>

- 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, Lamps & Electronics*

<table>
<thead>
<tr>
<th>Year</th>
<th>Philips</th>
<th>Competitor 1</th>
<th>Competitor 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>10</td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td>2014</td>
<td>20</td>
<td>10</td>
<td>4</td>
</tr>
<tr>
<td>2019</td>
<td>25</td>
<td>5</td>
<td>3</td>
</tr>
</tbody>
</table>

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

Measures deliver positive results

*Fixed asset turnover ratio, conventional lamps and drivers*

- Source: competitors filings and reports.
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Accelerate! driving further change and performance

Customer Centricity
• 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
• 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
• Non-overhead productivity gains of 100 bps margin impact to be achieved by 2016
  - 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
• 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

Operating Model
• 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
Productivity programs continue to improve operational performance

<table>
<thead>
<tr>
<th>(EUR million)</th>
<th>2011-14 Actual</th>
<th>2015 Actual</th>
<th>2016 Plan</th>
<th>Q1 2016 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Incremental gross overhead cost savings in the period</td>
<td>1,335</td>
<td>290</td>
<td>200</td>
<td>19</td>
</tr>
<tr>
<td>Procurement(^1)</td>
<td>284</td>
<td>379</td>
<td>(~340)</td>
<td>67</td>
</tr>
<tr>
<td>End2End productivity gains(^1)</td>
<td>79</td>
<td>187</td>
<td>(~90)</td>
<td>41</td>
</tr>
<tr>
<td>Restructuring - Accelerate</td>
<td>(456)</td>
<td>(96)</td>
<td>(50)</td>
<td>(9)</td>
</tr>
<tr>
<td>Investments(^2)</td>
<td>(433)</td>
<td>(191)</td>
<td>(140)</td>
<td>(36)</td>
</tr>
</tbody>
</table>

All savings numbers are gross numbers

---

\(^1\) The program started in 2014. \(^2\) Investments to enable overhead cost savings as well as on the overall execution of the Accelerate! transformation.

Note - The above figures have been adapted to exclude results related to the Audio, Video, Multimedia and Accessories and the combined businesses of Automotive and Lumileds.
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

- Cost savings can be achieved in mature products 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

<table>
<thead>
<tr>
<th>Year</th>
<th>Savings (EUR million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>284</td>
</tr>
<tr>
<td>2015</td>
<td>663</td>
</tr>
<tr>
<td>2016</td>
<td>~1,000</td>
</tr>
</tbody>
</table>

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

• Dividend policy aimed at dividend-stability and a 40% to 50% pay-out of continuing net income. Following the intended separation of the Lighting business, the pay-out ratio with respect to future years could be subject to change

• Complete the current EUR 1.5 billion share buyback program by October 2016
A history of sustainable dividend growth
EUR per share

Elective dividend, proposal subject to approval in the General Shareholders Meeting on May 12th, 2016
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Performance Highlights - Q1 2016

Key highlights

• Comparable sales up 3% compared to Q1 2015
• Comparable equipment order intake down 3% compared to Q1 2015
• Adj. EBITA margin of 6.8%, up 70 bps compared to Q1 2015
• Inventories amounted to 14.7% of sales\(^1\), down 50 bps vs. Q1 2015 on a currency comparable basis
• Free cash outflow of EUR 177 million, compared to outflow of EUR 443 million in Q1 2015
• ROIC was 9.9% excluding charges related to Pension settlements in the US and the UK

<table>
<thead>
<tr>
<th></th>
<th>Sales (EUR mln)</th>
<th>CSG</th>
<th>Adj. EBITA margin</th>
<th>vs. LY (bps)</th>
<th>EBITA margin</th>
<th>vs. LY (bps)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Health</td>
<td>1,610</td>
<td>6%</td>
<td>14.1%</td>
<td>130</td>
<td>14.0%</td>
<td>130</td>
</tr>
<tr>
<td>Diagnosis &amp; Treatment</td>
<td>1,419</td>
<td>5%</td>
<td>2.3%</td>
<td>80</td>
<td>1.6%</td>
<td>260</td>
</tr>
<tr>
<td>Connected Care &amp; Health Informatics</td>
<td>694</td>
<td>9%</td>
<td>3.9%</td>
<td>310</td>
<td>3.3%</td>
<td>710</td>
</tr>
<tr>
<td>HealthTech Other</td>
<td>103</td>
<td>(24)%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lighting</td>
<td>1,691</td>
<td>(2)%</td>
<td>7.2%</td>
<td>60</td>
<td>6.0%</td>
<td>110</td>
</tr>
<tr>
<td>Philips</td>
<td>5,517</td>
<td>3%</td>
<td>6.8%</td>
<td>70</td>
<td>5.3%</td>
<td>100</td>
</tr>
</tbody>
</table>

\(^1\) Inventories as a % of sales excludes inventories and sales related to acquisitions, divestments and discontinued operations.
Adjusted EBITA\(^1\) margin development
Rolling last 12 months

Adjusted EBITA is EBITA excluding restructuring, acquisition-related charges and other items (details on slide 42).

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

\(^1\) Adjusted EBITA is EBITA excluding restructuring, acquisition-related charges and other items (details on slide 42).
### Sales by geography – Q1 2016

<table>
<thead>
<tr>
<th>Geographical Region</th>
<th>Sales (EUR mln)</th>
<th>Nominal growth</th>
<th>CSG</th>
<th>Share of sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Western Europe</td>
<td>1,334</td>
<td>0%</td>
<td>0%</td>
<td>24%</td>
</tr>
<tr>
<td>North America</td>
<td>1,937</td>
<td>10%</td>
<td>5%</td>
<td>35%</td>
</tr>
<tr>
<td>Other Mature Geographies</td>
<td>459</td>
<td>4%</td>
<td>(1)%</td>
<td>8%</td>
</tr>
<tr>
<td>Growth Geographies(^1)</td>
<td>1,787</td>
<td>(1)%</td>
<td>3%</td>
<td>33%</td>
</tr>
<tr>
<td>Philips</td>
<td>5,517</td>
<td>3%</td>
<td>3%</td>
<td>100%</td>
</tr>
</tbody>
</table>

\(^1\) Growth geographies are all geographies excluding USA, Canada, Western Europe, Australia, New Zealand, South Korea, Japan and Israel.
Accelerate! improved operational performance and offset headwinds in Q1 2016

As % of sales 6.1%

Adj. EBITA Q1 15

Volume, Mix 1.7%
Price, Wage inflation (3.2)%
CoGS 2.4%
Overhead, End2End productivity 0.4%
Currency (0.7)%
Cleveland -
Other 0.1%
Adj. EBITA Q1 16 6.8%

1 Net effect of currency impact on sales and EBITA.
Working capital & inventories

EUR million

Working capital as % of sales\(^1,2\)

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Working capital</th>
<th>Working capital as % of LTM sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q115</td>
<td>11.3%</td>
<td></td>
</tr>
<tr>
<td>Q215</td>
<td>12.1%</td>
<td></td>
</tr>
<tr>
<td>Q315</td>
<td>12.7%</td>
<td></td>
</tr>
<tr>
<td>Q415</td>
<td>10.0%</td>
<td></td>
</tr>
<tr>
<td>Q116</td>
<td>9.3%</td>
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</tbody>
</table>

Inventories as % of sales\(^2\)

<table>
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<tr>
<th>Quarter</th>
<th>Inventories</th>
<th>Inventories as % of LTM sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q115</td>
<td>17.3%</td>
<td></td>
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<tr>
<td>Q215</td>
<td>17.0%</td>
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<tr>
<td>Q315</td>
<td>16.8%</td>
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<tr>
<td>Q415</td>
<td>14.2%</td>
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<tr>
<td>Q116</td>
<td>14.7%</td>
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</table>

\(^1\) Working capital excluding HealthTech Other, Legacy Items and Pension liabilities formerly reported in IG&S.

\(^2\) Working capital as a % of last twelve months (LTM) sales and Inventories as a % of LTM sales exclude acquisitions, divestments and discontinued operations.
Development of Return on Invested Capital (ROIC)

- ROIC was 9.9% in Q1 2016, excluding charges related to Pension settlements in the US and the UK in Q4 2015
- This compares to 10.2% in Q4 2015 and to 7.9% in Q1 2015, excluding the charges related to the CRT antitrust litigation\(^1\) and the charges related to the jury verdict in the Masimo litigation\(^2\)
- 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

\(^1\) CRT = Cathode-Ray Tubes, a business divested by Philips in 2001. \(^2\) Philips will pursue all relevant avenues of appeal.
Financial calendar 2016

May 12  Annual General Meeting of Shareholders
July 25  Second quarter results 2016
October 24 Third quarter results 2016
November 4 Capital Markets Day
Appendix
### Key financials summary

**EUR million**

<table>
<thead>
<tr>
<th></th>
<th>Q1 2015</th>
<th>Q1 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>5,339</td>
<td>5,517</td>
</tr>
<tr>
<td>Adjusted EBITA</td>
<td>327(^1)</td>
<td>374(^2)</td>
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<tr>
<td>EBITA</td>
<td>230</td>
<td>290</td>
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<tr>
<td>Financial expenses, net</td>
<td>(67)</td>
<td>(114)</td>
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<tr>
<td>Income taxes</td>
<td>(31)</td>
<td>(75)</td>
</tr>
<tr>
<td>Net income (loss)</td>
<td>100</td>
<td>37</td>
</tr>
<tr>
<td>Net Operating Capital</td>
<td>10,977</td>
<td>11,118</td>
</tr>
<tr>
<td>Net cash flow from operating activities</td>
<td>(256)</td>
<td>10</td>
</tr>
<tr>
<td>Net capital expenditures</td>
<td>(187)</td>
<td>(187)</td>
</tr>
<tr>
<td>Free cash flow</td>
<td>(443)</td>
<td>(177)</td>
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</table>

---

Working capital per segment
EUR million

1 Working capital as a % of sales excludes acquisitions and divestments. 2 Excludes Pension liabilities formerly reported in IG&S.
### Gross capital expenditures & Depreciation by segment

**EUR million**

<table>
<thead>
<tr>
<th></th>
<th>Q1 2015</th>
<th>Q1 2016</th>
<th>FY 2014</th>
<th>FY 2015</th>
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<tr>
<td><strong>Gross CapEx(^1)</strong></td>
<td></td>
<td></td>
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<tr>
<td>HealthTech</td>
<td>74</td>
<td>73</td>
<td>348</td>
<td>451</td>
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<tr>
<td>Lighting</td>
<td>18</td>
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<td>72</td>
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<tr>
<td>Philips</td>
<td>92</td>
<td>87</td>
<td>437</td>
<td>522</td>
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<tr>
<td><strong>Depreciation(^1)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Q1 2015</td>
<td>Q1 2016</td>
<td>FY 2014</td>
<td>FY 2015</td>
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<tr>
<td>HealthTech</td>
<td>94</td>
<td>108</td>
<td>381</td>
<td>436</td>
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<td>Lighting</td>
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<td>41</td>
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<td>3</td>
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<tr>
<td>Philips</td>
<td>126</td>
<td>149</td>
<td>592</td>
<td>582</td>
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</table>

\(^1\) Capital expenditures and depreciations on property, plant and equipment only.
## Development cost capitalization & amortization by segment

**EUR million**

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<td>Philips</td>
<td>93</td>
<td>90</td>
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### Restructuring, acquisition-related charges and other items

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<th>Q214</th>
<th>Q314</th>
<th>Q414</th>
<th>2014</th>
<th>Q115</th>
<th>Q215</th>
<th>Q315</th>
<th>Q415</th>
<th>2015</th>
<th>Q116</th>
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<td>(27)</td>
<td>(90)</td>
<td>(429)</td>
<td>(585)</td>
<td>(52)</td>
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<tr>
<td><strong>Philips</strong></td>
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<td>(536)</td>
<td>(481)</td>
<td>(1,094)</td>
<td>(97)</td>
<td>(51)</td>
<td>(141)</td>
<td>(579)</td>
<td>(868)</td>
<td>(84)</td>
</tr>
</tbody>
</table>

1 Includes charges related to the Volcano acquisition. 2 Represents charges related to the jury verdict in the Masimo litigation. 3 Includes EUR 68 million of impairment and other charges related to industrial assets and a EUR 13 million past-service pension cost gain in the Netherlands. 4 Includes EUR 244 million of charges related to CRT litigation. 5 Represents separation costs of EUR 183 million and charges of EUR 345 million related to pension de-risking. 6 Represents separation costs.
Update funded status pension plans (IFRS basis)

The total funded status and balances improved in Q1 2016 due to a EUR 172 million cash funding to the US Defined benefit plan, as previously announced, partly offset by lower interest rates in Germany.

<table>
<thead>
<tr>
<th>EUR million</th>
<th>Funded status</th>
<th>Balance sheet position (not reported)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Major plans</td>
<td>(1,593)</td>
<td>(1,467)</td>
</tr>
<tr>
<td>Minor plans</td>
<td>(224)</td>
<td>(230)</td>
</tr>
<tr>
<td>Total</td>
<td>(1,817)</td>
<td>(1,697)</td>
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</table>
HealthTech: order intake

Quarterly currency adjusted order intake growth

Currency adjusted order intake only relates to Diagnosis & Treatment and Connected Care & Health Informatics

Order intake includes equipment and software orders.
Approximately 70% of the current order book results in sales within the next 12 months.

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

1 Order intake includes equipment and software orders.
HealthTech: North America market development¹

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

¹ Only refers to equipment market for Diagnosis & Treatment, Patient Care and Monitoring Solutions and Health Informatics