

Royal Philips

Sell side visit

29 June, 2016

Agenda

11:00 – 11:05	Welcome	Robin Jansen, <i>Head of Investor Relations</i>
11:05 – 12:00	Expanding our leadership in health technology	Frans van Houten, <i>CEO</i>; Abhijit Bhattacharya, <i>CFO</i>
12:00 – 12:45	Lunch	
12:45 – 14:15	Tour - Customer Visit Center	
14:15 – 14:45	Transfer	
14:45 – 17:00	Visit - Catharina Hospital	

Expanding our leadership in health technology

Frans van Houten, CEO

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

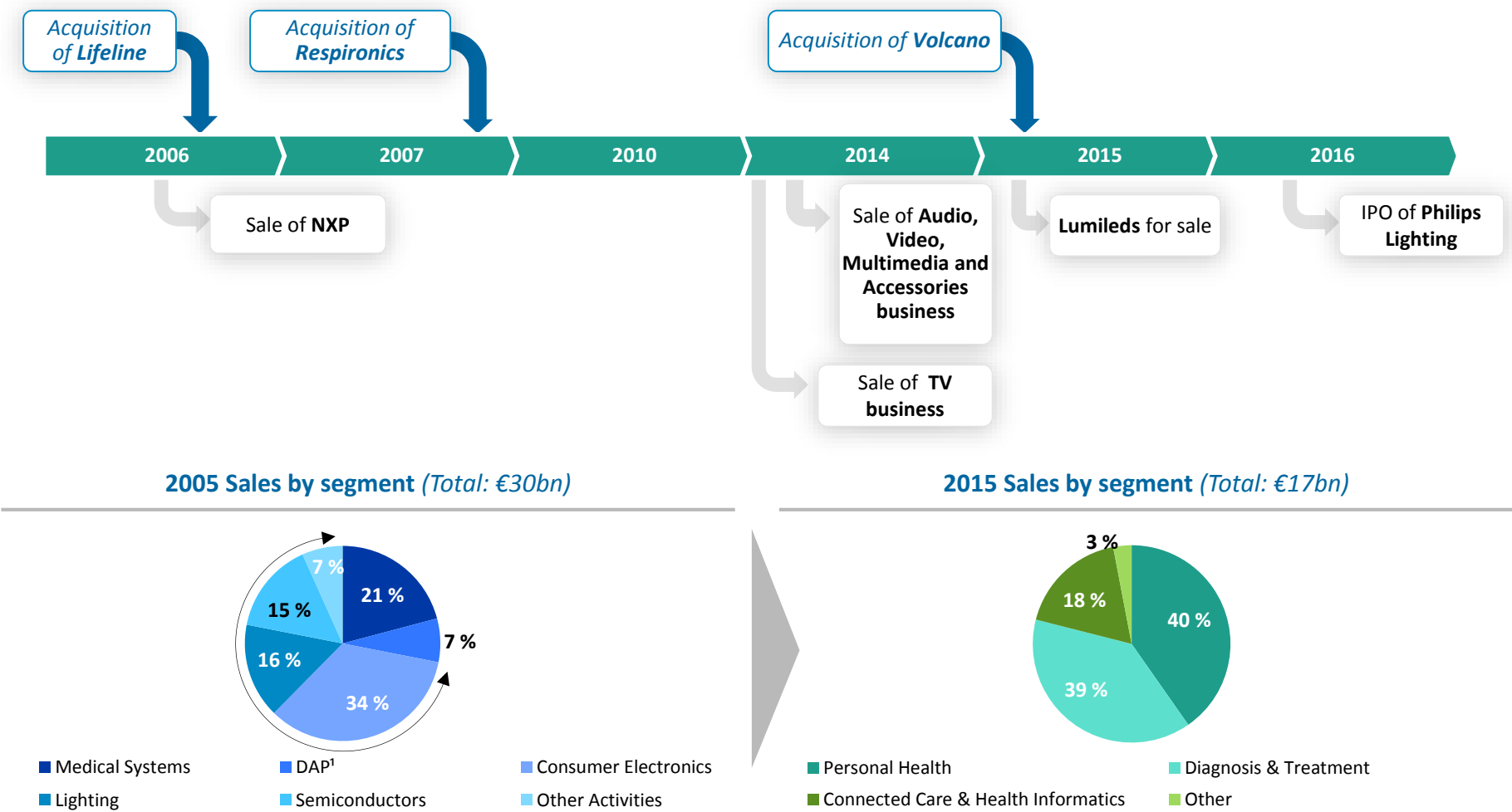
In presenting and discussing the Philips' financial position, operating results and cash flows, management uses certain non-GAAP financial measures. These non-GAAP financial measures should not be viewed in isolation as alternatives to the equivalent IFRS measures and should be used in conjunction with 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

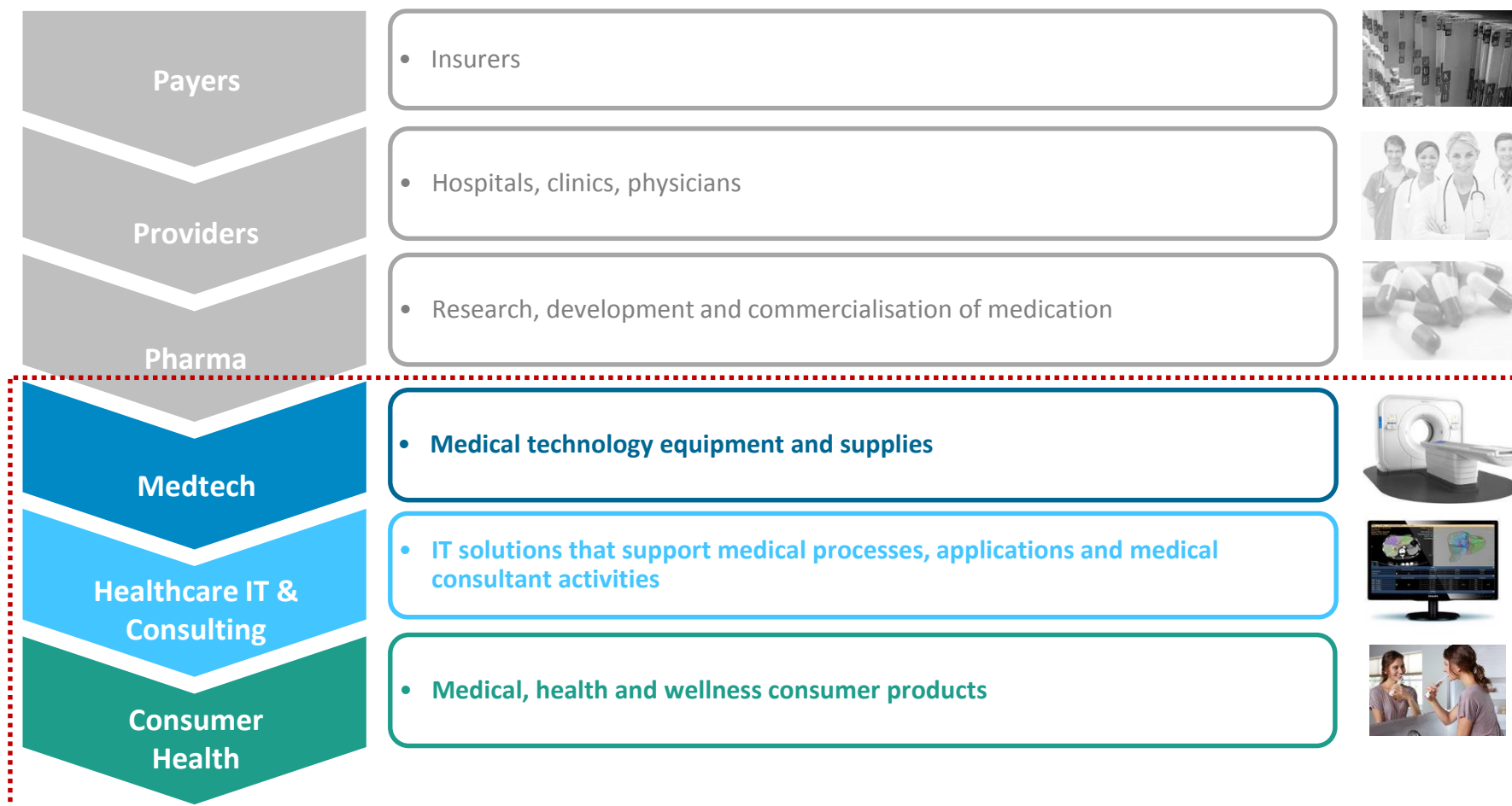
In presenting the Philips' financial position, fair values are used for the measurement of various items in accordance with the applicable accounting standards. These fair values are based on market prices, where available, and are obtained from sources that are deemed to be reliable. Readers are cautioned 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.

Philips has transformed itself into a focused HealthTech company



HealthTech covers the Medtech, Healthcare IT & Consulting and Consumer Health segments of the Healthcare industry



Profound market trends are driving the HealthTech opportunity



Consumers increasingly engaged in their health



Shift to value-based healthcare will reduce waste, increase access and improve outcomes



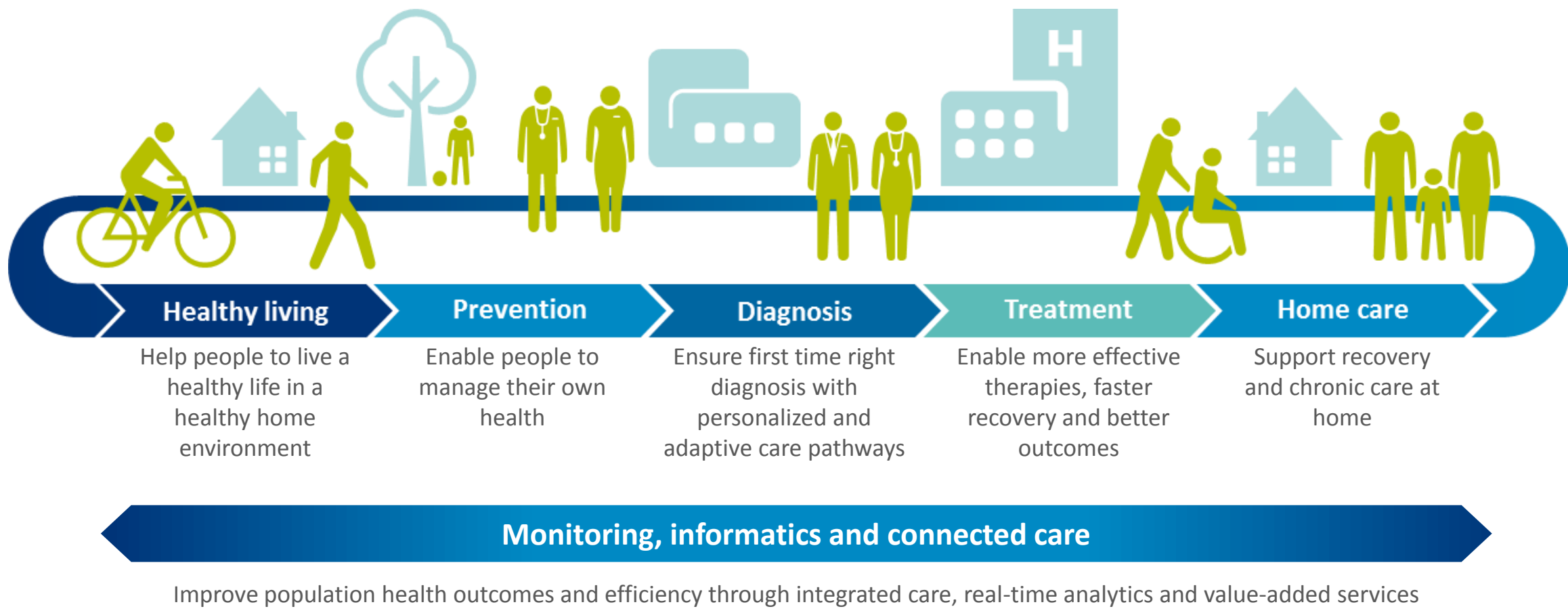
Care shifting to lower cost settings and homes



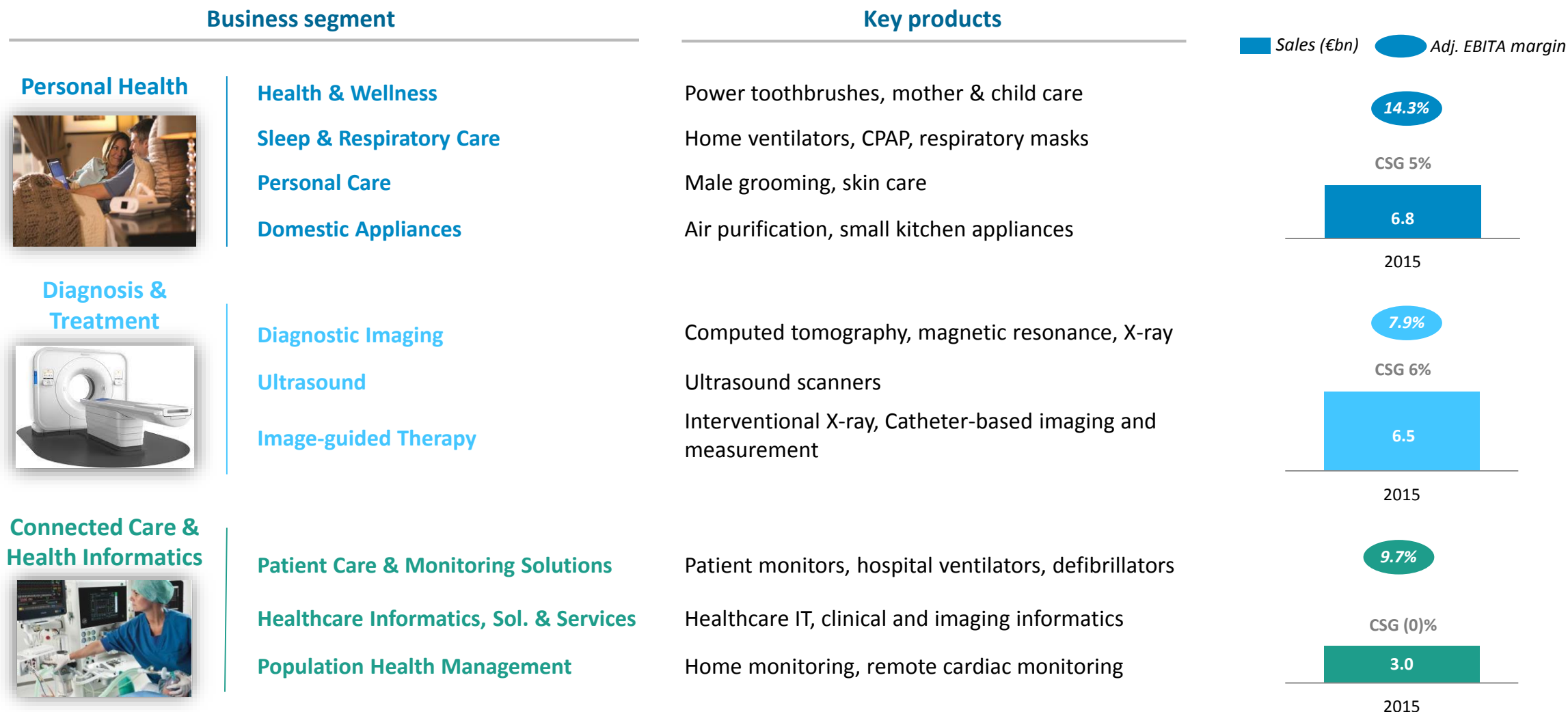
We see two major opportunities for Philips:

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

Philips targets professional and consumer needs along the Health Continuum

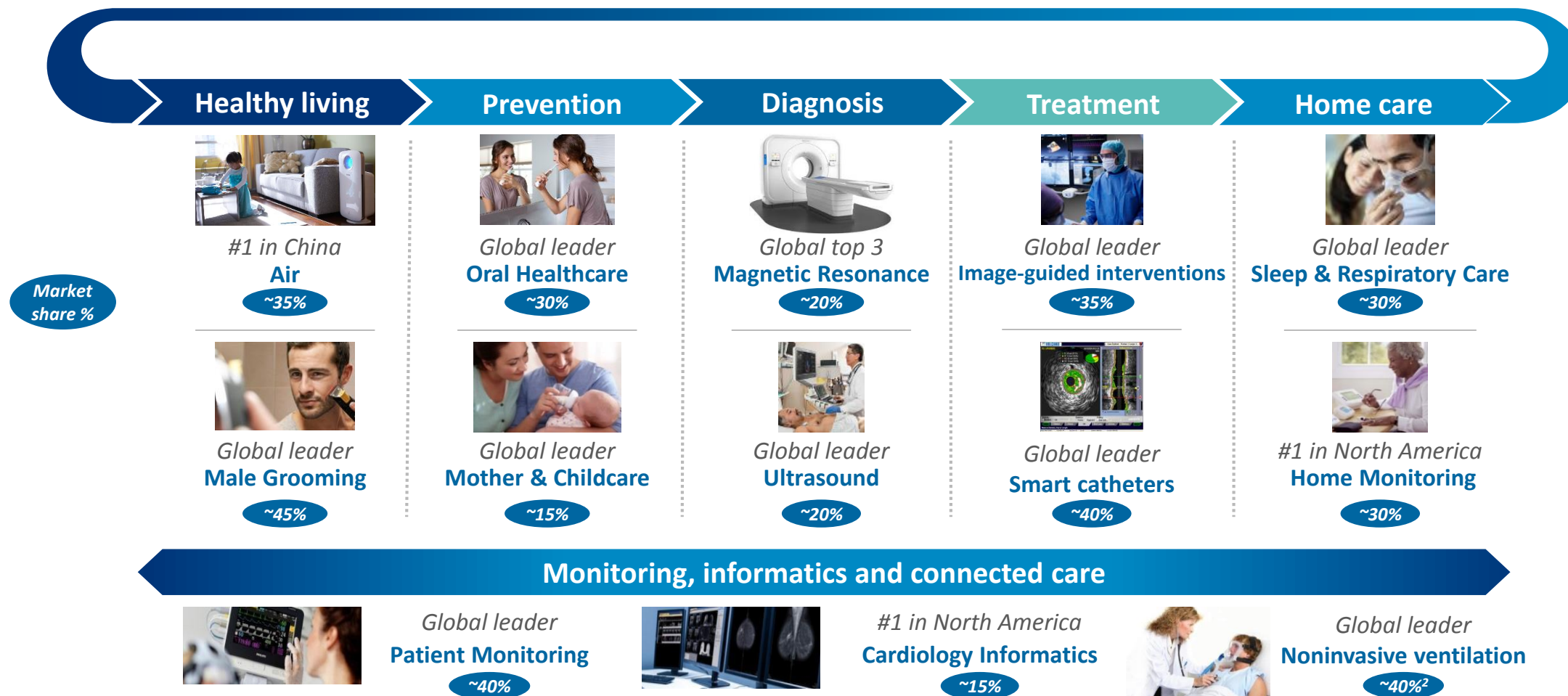


Operating through three segments across the Health Continuum



We have many leadership positions

>60% of sales from businesses with global leading positions¹



Addressing an attractive growth market

Key drivers

Personal Health

- Consumers increasingly engaging in improving their health
- Growth in retail healthcare
- Connectivity and digitalization driving IT-based services and solutions

Diagnosis & Treatment

- Emergence of imaging informatics and services
- Importance of 1st-time right diagnostics, digital pathology, genomics
- Growth pockets in minimally invasive procedures and consumables

Connected Care & Health Informatics

- Advanced analytics-enabled IT solutions and workflow management
- Ubiquitous monitoring and clinical decision support for diagnoses
- Consulting and systems integration for advanced Health IT solutions

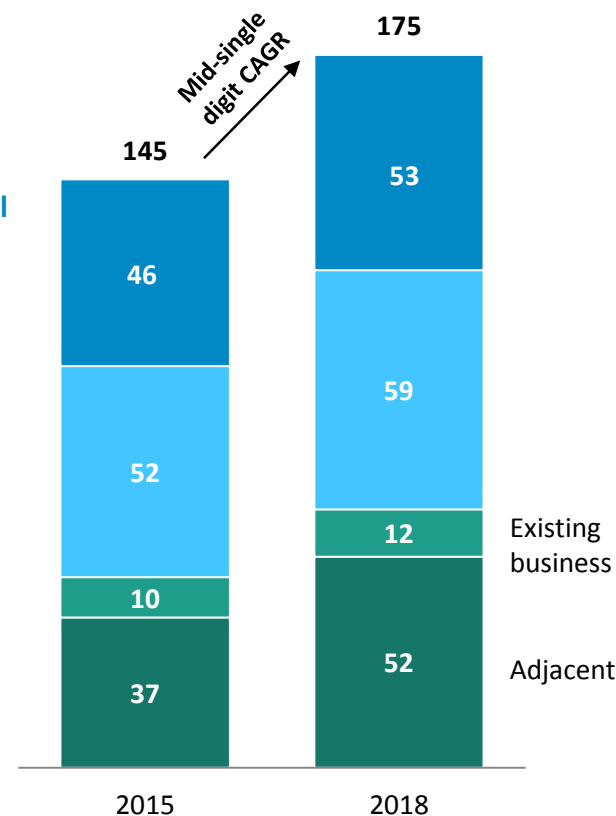
Personal Health

D&T

CC&HI

Addressable market¹ (EUR bn)

2015-18 CAGR (%)



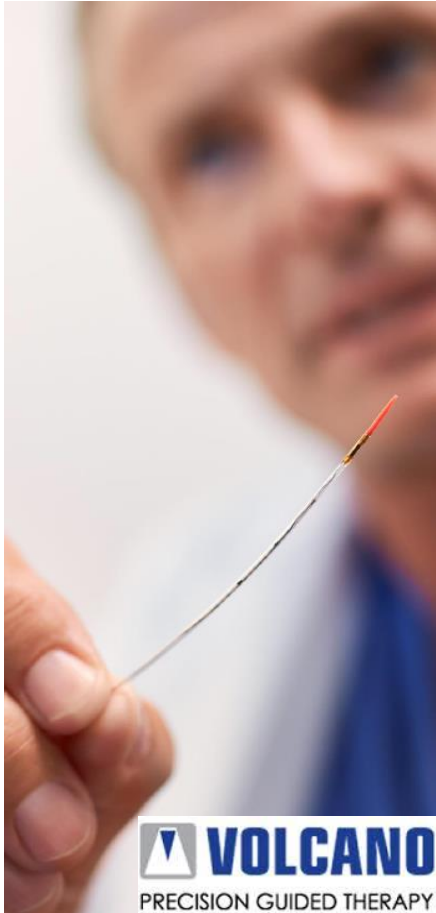
Mid-single digit

Mid-single digit

Mid-single digit

Low double digit

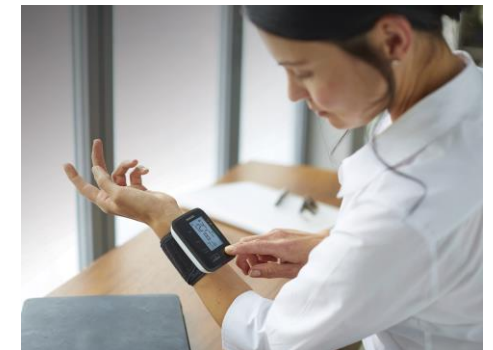
Successful integration of Volcano expands Philips' leadership position in image-guided therapy



- Sales and cost synergies ahead of plan
- Non-manufacturing cost down by \$35m
- Significant manufacturing cost and inventory reduction
- Double-digit growth in Q1 2016
- Expanding in peripheral vascular markets
- Entered new markets through Philips distribution (India, Russia)
- >100bps market share gain driven by more than \$20m of cross selling gains to-date

Allianz and Philips develop connected health space through innovative personal health solutions

- Professional healthcare service offering through the global assistance division of Allianz in Germany
- Co-development of two solutions to help people have a healthier life:
 - Back pain program based on a unique, personalized, non-invasive approach through Philips Blue Touch patch with LED technology and easy-to-use digital applications
 - Program empowering, engaging and educating users in order to change their lifestyle and improve overall health
- Supported by personalized, holistic and motivational programs endorsed by medical professionals
- Fixed fee per employee
- Launched in December 2015 after successful pilot with Allianz and Philips employees



Our focus on multi-year strategic partnerships to optimize care

Example - Westchester Medical Center Health Network

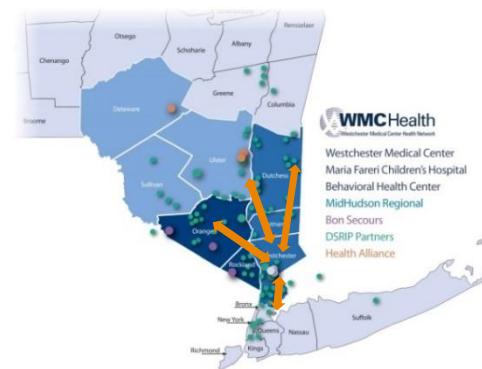
Customer needs

- Transformation into a regional health network and integrated provider
- Financial security and sustainable growth through performance and business model innovation
- Access to technology and global best practices, with a focus on delivering care close to home



Philips – Solution & results

- USD 500 million, 15-year Enterprise Managed Services agreement
- Technology and services across portfolio: imaging, monitoring, tele-health, PACS, operations management, clinical and business consulting, education and IT integration
- Embedded Philips team
- Expansion opportunities



Banner Health and Philips team-up in joint telehealth program

- Unique combination of remote home monitoring, early intervention and educational services using telehealth solutions
- Focused on Intensive Ambulatory Care to prevent patients with multiple chronic conditions from entering the acute care environment (5% of patients, 50% of the cost)
- Population management software platform enabled with analytics designed for monitoring patients at home

Benefits to patients and hospitals

27%

reduction in costs of care, resulting in \$117 million saved*

45%

reduction in hospitalizations*

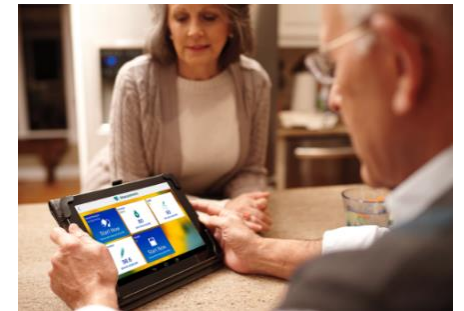
15%

improvement in patient satisfaction vs. normal care

32%

reduction in acute and long term care costs*

*Dahl, D., Khurana MD, H. (2016). Impact of an intensive ambulatory program on both financial and clinical outcomes in Banner Health. Unpublished internal study.

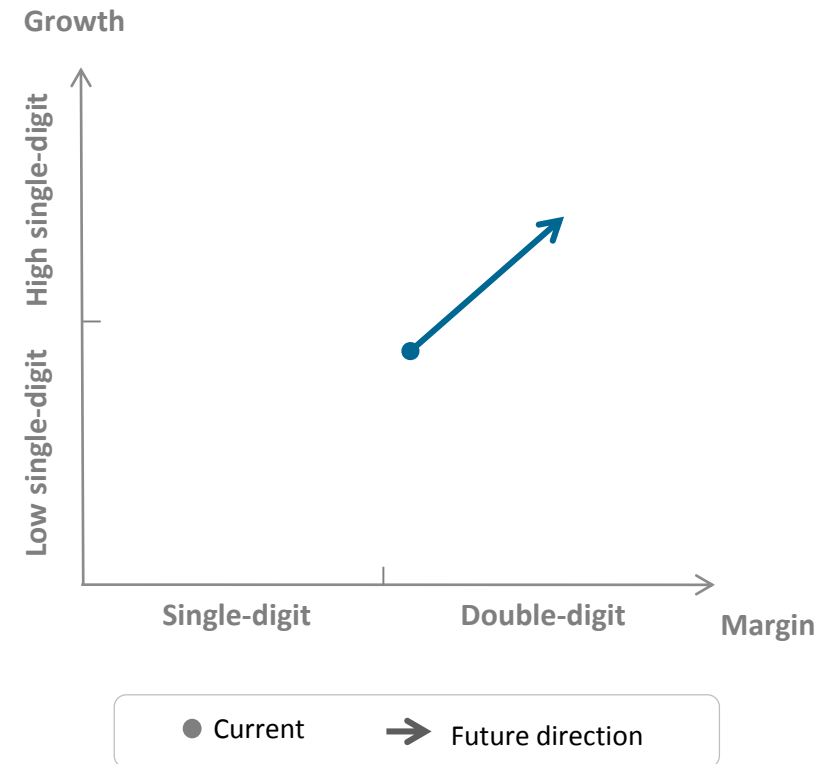


Self help is at the core of our Path to Value

Key strategic imperatives

- Accelerated growth driving value creation and operating leverage
- Innovation as a drive for higher margins
- DfX to enhance cost savings in the BoM
- Overhead reduction based on simpler company structure
- Industrial footprint rationalization
- Improvement in Cleveland performance

Growth and margin aspiration



Capital allocation

- Continue to invest in high ROIC organic growth opportunities to strengthen each business
- Disciplined but more active approach to M&A, while continuing to adhere to strict return hurdles
- Committed to strong investment grade credit rating
- Dividend policy aimed at 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

Key takeaways

- Philips transformed into a **focused HealthTech company** targeting professional and consumer needs along the Health Continuum
- **Global leader** in the provision of integrated health technology solutions to an addressable **market of €145bn** with an attractive **growth outlook**
- Leading **innovation** and **analytics** capabilities with **a well-established go-to-market**
- **Clear strategy** focused on leveraging leadership positions to grow integrated product, service and software offerings
- **Strong profit growth** expected as a result of **top-line growth** and **margin expansion** from operational improvements and cost savings



