**Important information**

**Additional information**

This communication is neither an offer to purchase nor a solicitation of an offer to sell any shares of the common stock of Spectranetics or any other securities. Philips has filed a tender offer statement on Schedule TO with the United States Securities and Exchange Commission (the “SEC”) and a Solicitation/Recommendation Statement on Schedule 14D-9 has been filed with the SEC by Spectranetics. The offer to purchase shares of Spectranetics common stock (the “Offer”) will only be made pursuant to the offer to purchase, the letter of transmittal and related documents filed as a part of the Schedule TO. Investors and Securities holders are urged to be read both the tender offer statement, as filed and as it may be amended from time to time, and the solicitation/recommendation statement, as filed and as it may be amended from time to time, because they contain important information regarding the offer. Investors and security holders may obtain a free copy of these statements and other documents filed with the SEC at the website maintained by the SEC at www.sec.gov or by directing such requests to Georgeson Inc., the Information Agent for the offer, at +1 (866) 856-2826.

**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 the strategy, estimates of sales growth, future EBITA, future developments in Philips’ organic business and the completion of acquisitions and divestments, including the tender offer for and merger with Spectranetics. 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 Philips’ strategy and the ability to realize the benefits of this strategy; the 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; the ability to identify and complete successful acquisitions, including Spectranetics, and to integrate those acquisitions into the business; the ability to successfully exit certain businesses or restructure the operations; the rate of technological changes; political, economic and other developments in countries where Philips operates; industry consolidation and competition; and the state of international capital markets as they may affect the timing and nature of the dispositions by Philips of its interests in Philips Lighting and the combined Lumileds and Automotive businesses. 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 2016.

**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 2016. Further information on non-GAAP measures can be found in our Annual Report 2016.

**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 2016. 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. Due to rounding, amounts may not add up precisely to totals provided. All reported data is unaudited. Financial reporting is in accordance with the accounting policies as stated in the Annual Report 2016, unless otherwise stated. The presentation of certain prior-year information has been reclassified to conform to the current-year presentation.
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Philips company overview

EUR 17.8 billion sales and Adjusted EBITA of 11.4% ¹

---

**Sales**

- **Diagnosis & Treatment**: 41%
- **Connected Care & Health Informatics**: 38%
- **Personal Health**: 18%
- **Other²**: 5%

---

**Sales**

- **North America**: 36%
- **Western Europe**: 32%
- **Growth Geographies³**: 10%
- **Other Mature Geographies**: 22%

---

**Diagnosis & Treatment**

Enabling efficient, first time right diagnosis and precision therapies through digital imaging and clinical informatics solutions

**Connected Care & Health Informatics**

Empowering consumers and care professionals with predictive patient analytics and clinical informatics solutions

**Personal Health**

Enabling people to take care of their health by delivering connected products and services

**Key Figures**

- EUR 1.7 billion for R&D, 58,000+ patents rights⁴, 34,000+ trademarks⁴
- More than 1/4th of sales from solutions
- ~71,000 employees in over 100 countries
- Philips retains a 41% stake in Philips Lighting, reported as discontinued operations

---

¹ All figures based on the last twelve months (LTM) Q2 2017 unless stated otherwise; ² Other includes HealthTech Other and Legacy Items; ³ Growth geographies consist of all geographies excluding USA, Canada, Western Europe, Australia, New Zealand, South Korea, Japan and Israel; ⁴ Based on the full year 2016
A focused HealthTech leader with higher growth and profitability

### FY 2011

- **Sales EUR 25.3 billion**
- **21%** Diagnosis & Treatment
- **10%** Connected Care & Health Informatics
- **19%** Personal Health
- **17%** Lifestyle
- **3%** Entertainment
- **30%** Other

### FY 2016

- **Sales EUR 17.4 billion**
- **38%** Diagnosis & Treatment
- **41%** Connected Care & Health Informatics
- **18%** Personal Health
- **3%** Lifestyle
- **19%** Entertainment
- **2%** Other

### Divestments

- **2011**: - TV
- **2012**: - TV
- **2013**: - TV
- **2014**: - Lifestyle Entertainment
- **2015**: - Lighting (IPO)
- **2016**: - Lumileds/Automotive Lighting
- **2017**: - Spectranetics

### Acquisitions

- **FY 2011**: - Volcano
- **FY 2016**: - Spectranetics

### Notes

1. Lighting includes combined business of Lumileds and Automotive in 2011, Personal Health in 2011 includes Sleep & Respiratory Care portfolio; 2. Other includes HealthTech Other and Legacy Items; 3. Philips retains a 41% stake in Philips Lighting, reported as discontinued operations; 4. Acquisition is pending, expected to close in Q3 2017.
Our markets have sustained growth and attractive profit pools

**HealthTech market size**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Diagnosis &amp; Treatment</td>
<td>~145</td>
<td>60-61</td>
<td>52</td>
<td>70-72</td>
</tr>
<tr>
<td>Connected Care &amp; Health Informatics</td>
<td>47</td>
<td>70-72</td>
<td>47</td>
<td>55-57</td>
</tr>
<tr>
<td>Personal Health</td>
<td>47</td>
<td>55-57</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Growth drivers**

- Population growth, ageing and rise in chronic diseases
- United Nations SDG 3 – boosting access to care
- Shift to outcome based reimbursement / accountable care
- Data enabled healthcare delivery with higher productivity
- Care shifting to ambulatory and home care settings with consumers increasingly engaged in their health
- Convergence of professional healthcare and consumer health
We deliver differentiated solutions to drive better outcomes for people and higher productivity for care providers across health continuum.

- Connected products and services supporting the health and wellbeing of people
- Integrated modalities and clinical informatics to deliver definitive diagnosis
- Real-time visualization & smart devices for minimally invasive interventions
- Connected therapeutic products & services for chronic care patients

Connecting patients and providers for more effective, coordinated, personalized care
Manage population health leveraging real-time patient data and clinical analytics

Care pathways for Cardiology, Oncology, Respiratory, etc.
Operating through three segments across the health continuum

**Segments and businesses** (share of revenues)

**Diagnosis & Treatment**
- Diagnostic Imaging
- Ultrasound
- Image-Guided Therapy

38%

**Connected Care & Health Informatics**
- Patient Care & Monitoring Solutions
- Healthcare Informatics
- Population Health Management

18%

**Personal Health**
- Health & Wellness
- Sleep & Respiratory Care
- Personal Care
- Domestic Appliances

41%

1 Excludes HealthTech Other and Legacy Items

**Key products**

**Diagnosis & Treatment**
- Computed tomography, magnetic resonance, digital X-ray
- Ultrasound scanners
- Interventional X-ray, smart catheters for diagnosis and therapy

**Connected Care & Health Informatics**
- Patient monitors, hospital ventilators, defibrillators
- Healthcare IT, clinical and imaging informatics
- Home monitoring, remote cardiac monitoring

**Personal Health**
- Power toothbrushes, mother & child care
- Home ventilators, CPAP, respiratory masks
- Male grooming, skin care
- Air purification, small kitchen appliances
Our strong portfolio has >60% of sales from leadership positions\(^1\)

<table>
<thead>
<tr>
<th>Diagnosis &amp; Treatment</th>
<th>Connected Care &amp; Health Informatics</th>
<th>Personal Health</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diagnostic Imaging</td>
<td>Patient Monitoring</td>
<td>Male Grooming</td>
</tr>
<tr>
<td>Global Top 3</td>
<td>Global Leader</td>
<td>Global Leader</td>
</tr>
<tr>
<td>Ultrasound</td>
<td>ICU Remote Monitoring</td>
<td>Oral Healthcare</td>
</tr>
<tr>
<td>Global Leader</td>
<td>#1 in North America</td>
<td>Global Leader</td>
</tr>
<tr>
<td>Image-Guided Therapy</td>
<td>Non-invasive Ventilation(^2)</td>
<td>Sleep &amp; Respiratory Care</td>
</tr>
<tr>
<td>Global Leader</td>
<td>Global Leader</td>
<td>Global Leader</td>
</tr>
<tr>
<td>Smart Catheters</td>
<td>Personal Emergency Response</td>
<td>Mother &amp; Childcare</td>
</tr>
<tr>
<td>Global Leader</td>
<td>#1 in North America</td>
<td>Global Leader</td>
</tr>
<tr>
<td></td>
<td>High-end Radiology and Cardiology Informatics</td>
<td>#1 in North America</td>
</tr>
</tbody>
</table>

\(^1\) Leadership position refers to #1 or #2 position in Philips addressable market; \(^2\) Based on non-invasive ventilators for the home
Key drivers for our value creation

**Focus on**

**Better serve customers and improve productivity**

1. Continue ‘self-help’ journey to improve quality, operational excellence and productivity
2. Continue to lead the digital transformation

**Boost growth in core business**

3. Capture geographic growth opportunities
4. Pivot to consultative customer partnerships and business models

**Build winning solutions along the health continuum**

5. Drive innovative value-added, integrated solutions
6. Portfolio extensions through organic investments, partnerships and M&A

**Driven by**

**Resulting in**

- Productivity: lower cost of goods and non-manufacturing costs
- Growth enablers in place
- Mid-single-digit revenue growth
- Operating leverage
- Customer loyalty
- Gross margin expansion
- Future growth
Continue ‘self-help’ journey to improve quality, operational excellence and productivity

**Excellence**
- Operational excellence by applying the Philips Business System
- Continuous improvement, leveraging Philips Excellence practices
- ‘Design for Quality’ methodology in product design and Supplier Selection
- One Philips Quality Management System

**Productivity programs**
Productivity driven by operating leverage and a EUR 1.2 billion program over the next three years comprising of:
- Manufacturing footprint optimization
- Procurement savings, led by proven DfX program
- Overhead cost reduction

---

1 Targeted gross savings before inflation and price erosion
We have a unique position to tap into the HealthTech opportunity
Continue to lead the digital transformation

Connected customers
...unlocking superior value for customers (examples)

Connected solutions and services
...through real time digital software and services... (examples)

Connected infrastructure
...deployed over patient-centric “HealthSuite” IoT cloud and process automation

<table>
<thead>
<tr>
<th>Emergency response</th>
<th>Patient outcomes</th>
<th>Digital workflows</th>
<th>Predictive analytics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Connecting elderly care</td>
<td>4 million sleep patients connected</td>
<td>#1 Cardio Informatics</td>
<td>1 billion+ patients monitored in last 5 years</td>
</tr>
</tbody>
</table>

Connected digital propositions
Integrated clinical applications

Philips Integrated IT Landscape
End-to-end business processes
Co-created solutions for multi-year strategic partnerships

Common business goals
Predictability, Shared risk
Multi-year engagement
Continuous improvement
Reduced costs; Outcomes focused

Customer

Philips

Driving productivity and efficiency
Rijnstate
• Productivity increase in Ultrasound over 30% in outpatient clinics (versus last year)

Driving patient experience
KAROLINSKA
Universitetssjukhuset
• New care pathways by integrating patient care, clinical research and education; a 14-year contract with the Stockholm County Council

Driving financial outcomes
MARIN GENERAL HOSPITAL
• Regained trauma center designation to safeguard USD 15 million of annual revenue
Drive innovative value-added, integrated solutions
Better value for customers, higher margins, recurring revenue models

Examples

**Total cardiac procedure solutions**
- Interventional operating rooms
- Smart therapeutic devices
- Validation software

**Integrated oncology solutions**
- IQon Spectral CT diagnostics
- Intellisite Pathology
- Image guided radiation oncology

**Total sleep solutions**
- Home sleep diagnostics
- Dream Series therapy devices
- DreamMapper patient engagement

**Solutions revenues and growth**

<table>
<thead>
<tr>
<th>EUR billion</th>
<th>2014</th>
<th>2016</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4</td>
<td>5</td>
<td>7</td>
</tr>
</tbody>
</table>

- **11% CAGR**

**Solutions business characteristics:**
- Suites of systems, smart devices, software and services
- Revenue accelerates to double-digit growth
- Higher margins than stand-alone products
- Sticky customer relationships with committed future revenue

1 Compounded annual growth rate
Our innovations are a result of deep clinical collaborations with universities & hospitals and advanced R&D programs

Commitment towards innovation

• **Annual spend of ~EUR 1.7 billion** for research & development
  – ~20% breakthrough innovation
  – ~50% new product development
  – ~30% sustaining engineering

• **Strong IP portfolio** consisting of 58,000+ patents, 34,000+ trademarks and 40,000+ design rights

• 60%+ R&D professionals in software

• Global R&D footprint

Examples of collaborative clinical co-creation
Sustainability is an integral part of how we do business

Success of EcoVision 2015 program

- 54% of sales from Green Products in 2015
- 41% reduction in carbon footprint in 10 years
- 2 billion lives improved

New 2020 program “Healthy people, sustainable planet”

- Carbon neutral operations
- 70% turnover from green products; 15% will be circular
- Zero waste to landfill
- Supplier sustainability program with all our suppliers
- 2.5 billion lives improved by 2020

Recent accomplishments

Industry Group Leader in 2016

4th consecutive year of leadership in the Carbon Disclosure Project

“Champion for Change” award from Practice GreenHealth, third consecutive year

As of January 2017, Philips in North America is 100% powered by wind energy
Experienced management team driving growth, operational excellence and value creation

<table>
<thead>
<tr>
<th>CEO / CFO</th>
<th>Segment Leaders</th>
<th>Market Leaders</th>
<th>Function Leaders</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CEO</strong></td>
<td><strong>Personal Health</strong> Pieter Nota</td>
<td><strong>Global Markets</strong>&lt;sup&gt;1&lt;/sup&gt; Henk de Jong</td>
<td><strong>Innovation &amp; Strategy</strong> Jeroen Tas</td>
</tr>
<tr>
<td>Frans van Houten</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CFO</td>
<td><strong>Diagnosis &amp; Treatment</strong> Robert Cascella</td>
<td><strong>North America</strong> Brent Shafer</td>
<td><strong>Operations</strong> Sophie Bechu</td>
</tr>
<tr>
<td>Abhijit Bhattacharya</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Connected Care &amp; Health Informatics</strong> Carla Kriwet</td>
<td><strong>Greater China</strong> Andy Ho</td>
<td><strong>Legal</strong> Marnix van Ginneken</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td><strong>Human Resources</strong> Ronald de Jong</td>
</tr>
</tbody>
</table>

<sup>1</sup> Excluding North America and China
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Building Philips to EUR 20 billion\(^1\) sales with significantly improved returns

Medium-term financial outlook

- Mid-single-digit growth rate (4-6%)
- On average 100bps Adj. EBITA margin improvement annually
- Free cash flow generation of ~EUR 1–1.5 billion annually
- Organic plan ROIC improves to mid-to-high teens

Performance improvement driven by:
- Operational excellence and growth in Diagnosis & Treatment
- Capture growth in Connected Care & Health Informatics
- Continue momentum in Personal Health

- Continued productivity initiatives to improve margins
- Balance Sheet improvements will contribute to improving cash flow and earnings

Sales, EUR billion

- 2014: Diagnosis & Treatment
- 2016: Connected Care & Health Informatics
- 2019 / 2020: Personal Health

Based on current foreign exchange rates; Sales growth represents comparable compounded annual growth rates.
Productivity initiatives of EUR 1.2 billion to drive 100 basis points annual improvement over the medium-term\(^1\)

**Adj. EBITA step-up drivers**

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Indicative Adj. EBITA margin, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volume</td>
<td>~1.0</td>
</tr>
<tr>
<td>Gross margin</td>
<td>~1.9</td>
</tr>
<tr>
<td>Overhead cost reduction</td>
<td>~1.3</td>
</tr>
<tr>
<td>Price erosion</td>
<td>~0.5</td>
</tr>
<tr>
<td>Inflation</td>
<td>~1.1</td>
</tr>
<tr>
<td>Average annual improvement</td>
<td>~1.0</td>
</tr>
</tbody>
</table>

**Main drivers**

- Operating leverage in selling expenses and R&D
- Gross margin improvement:
  - Manufacturing footprint optimization
  - Procurement savings, led by proven DfX program
  - Mix improvement
- Overhead reduction enabled by simplification of end-to-end businesses processes

This plan is largely a “self-help” and a continuation of our Accelerate! approach

\(^1\) 3-4 years as of the end of 2016
Disciplined capital allocation balancing attractive shareholder returns and investments for growth

- Continue to invest in high ROIC organic growth opportunities
- Disciplined but more active approach to M&A, while continuing to adhere to strict return hurdles
  - Strategic acquisitions of Volcano and Spectranetics for c. EUR 2.9 billion
- Divestments of Lumileds and Lighting\(^1\) stake for c. EUR 3.3 billion
- Dividend policy aimed at dividend stability
  - Track record of stable or rising dividends over more than 20 years
- New EUR 1.5 billion share buyback program for the coming two years. Completed EUR 3.5 billion of share buybacks between 2011-2016
- Committed to a strong investment grade rating
- Continued focus on driving balance sheet efficiency

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**Total shareholder returns since 2012** \(^2\)

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<thead>
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<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Philips</td>
<td>TSR Peer Index</td>
<td>Euro STOXX 50</td>
<td>135.7%</td>
<td>116.5%</td>
<td>76.3%</td>
<td></td>
</tr>
</tbody>
</table>

**Total shareholder returns since 2016** \(^3\)

<table>
<thead>
<tr>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Philips</td>
<td>HealthTech TSR Peer Index</td>
<td>Euro STOXX 50</td>
<td>39.6%</td>
<td>22.1%</td>
<td>11.1%</td>
<td></td>
</tr>
</tbody>
</table>

Source: Bloomberg as of 21 July, 2017

\(^1\) Philips still retains a 41% stake in Philips Lighting; \(^2\) TSR Peer Index includes companies as described in the Philips annual report 2016; \(^3\) A new HealthTech TSR group
Spectranetics: an innovative leader focused on vascular interventions and cardiac solutions

- Acquiring **The Spectranetics Corporation** (NASDAQ: SPNC) in an all cash transaction, at a valuation of approximately EUR 1.9 billion, net of cash acquired
  - Global leader in vascular intervention and lead management solutions
  - Corporate HQ: Colorado Springs, Colorado, U.S.
  - 900+ worldwide employees
  - ~75% gross margin

- Entry into rapidly growing **drug coated balloon** (DCB) market with Stellarex¹ as a breakthrough therapeutic device

- **Accretive to Adj. EBITA and Adj. EPS² in 2018**; significant synergies, leverages global sales channel, with limited integration complexity building on successful integration of Volcano

- Expected to close in Q3 2017

FY 2016 sales: USD 271 million

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¹ Stellarex is not available for sale in the US; ² Adjusted EPS is EPS excluding restructuring, acquisition-related and intangible amortization charges
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Performance Highlights
Q2 2017

• Comparable sales up 4% compared to Q2 2016
• Comparable order intake up 8% compared to Q2 2016
• Adj. EBITA margin of 10.2%, up 90 bps compared to Q2 2016
• Inventories amounted to 14.4% of sales, down 120 bps compared to Q2 2016
• Free cash outflow of EUR (89) million, compared to an inflow of EUR 7 million in Q2 2016
• ROIC improved to 15.4% compared to Q2 2016

<table>
<thead>
<tr>
<th>Category</th>
<th>Sales EUR million</th>
<th>Comparable sales growth</th>
<th>Adj. EBITA margin</th>
<th>vs. LY (bps)</th>
<th>Adj. EBITDA margin</th>
<th>vs. LY (bps)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Health</td>
<td>1,761</td>
<td>+6%</td>
<td>15.3%</td>
<td>+120</td>
<td>18.6%</td>
<td>+90</td>
</tr>
<tr>
<td>Diagnosis &amp; Treatment</td>
<td>1,671</td>
<td>+3%</td>
<td>9.0%</td>
<td>+80</td>
<td>11.5%</td>
<td>+50</td>
</tr>
<tr>
<td>Connected Care &amp; Health Informatics</td>
<td>768</td>
<td>+1%</td>
<td>8.5%</td>
<td>+90</td>
<td>12.9%</td>
<td>+60</td>
</tr>
<tr>
<td>HealthTech Other</td>
<td>96</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Philips</td>
<td>4,294</td>
<td>+4%</td>
<td>10.2%</td>
<td>+90</td>
<td>14.2%</td>
<td>+80</td>
</tr>
</tbody>
</table>

1 Sales calculated on the last twelve months basis. Inventories as a % of sales excludes inventories and sales related to acquisitions, divestments and discontinued operations; 2 Growth geographies are all geographies excluding USA, Canada, Western Europe, Australia, New Zealand, South Korea, Japan and Israel
Underlying improvements in profitability

Adjusted EBITA bridge for Q2 2017

as a % of sales

<table>
<thead>
<tr>
<th></th>
<th>Adj. EBITA Q2 2016</th>
<th>Volume</th>
<th>Gross margin</th>
<th>Overhead cost reduction</th>
<th>Price erosion</th>
<th>Inflation</th>
<th>Other</th>
<th>Adj. EBITA Q2 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>9.3%</td>
<td></td>
<td>0.9%</td>
<td>1.6%</td>
<td>0.4%</td>
<td>(0.9)%</td>
<td>(1.2)%</td>
<td>0.1%</td>
<td>10.2%</td>
</tr>
</tbody>
</table>

Productivity initiatives contributing to medium-term targets

<table>
<thead>
<tr>
<th>EUR million</th>
<th>3 years plan¹</th>
<th>Q2 2017</th>
<th>YTD 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Procurement</td>
<td>700</td>
<td>61</td>
<td>102</td>
</tr>
<tr>
<td>Other productivity (net)²</td>
<td>500</td>
<td>48</td>
<td>102</td>
</tr>
<tr>
<td>Total (net)</td>
<td>1,200</td>
<td>109</td>
<td>204</td>
</tr>
</tbody>
</table>

¹ As of the end of 2016; ² Includes overhead cost reduction and other productivity in gross margin
Adjusted EBITA$^1$ margin development

Rolling last twelve months

**Philips**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Q216</th>
<th>Q316</th>
<th>Q416</th>
<th>Q117</th>
<th>Q217</th>
</tr>
</thead>
<tbody>
<tr>
<td>Margin</td>
<td>10.3%</td>
<td>10.4%</td>
<td>11.0%</td>
<td>11.1%</td>
<td>11.4%</td>
</tr>
</tbody>
</table>

**Diagnosis & Treatment**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Q216</th>
<th>Q316</th>
<th>Q416</th>
<th>Q117</th>
<th>Q217</th>
</tr>
</thead>
<tbody>
<tr>
<td>Margin</td>
<td>8.0%</td>
<td>8.6%</td>
<td>9.4%</td>
<td>9.8%</td>
<td>10.0%</td>
</tr>
</tbody>
</table>

**Connected Care & Health Informatics**

<table>
<thead>
<tr>
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<th>Q216</th>
<th>Q316</th>
<th>Q416</th>
<th>Q117</th>
<th>Q217</th>
</tr>
</thead>
<tbody>
<tr>
<td>Margin</td>
<td>10.4%</td>
<td>10.0%</td>
<td>10.3%</td>
<td>10.1%</td>
<td>10.3%</td>
</tr>
</tbody>
</table>

**Personal Health**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Q216</th>
<th>Q316</th>
<th>Q416</th>
<th>Q117</th>
<th>Q217</th>
</tr>
</thead>
<tbody>
<tr>
<td>Margin</td>
<td>15.0%</td>
<td>15.3%</td>
<td>15.6%</td>
<td>15.9%</td>
<td>16.2%</td>
</tr>
</tbody>
</table>

$^1$ Adjusted EBITA is EBITA excluding restructuring, acquisition-related charges and other items (details on slide 31) on the last twelve months basis.
Working capital and inventories

1 Working capital excluding HealthTech Other and Legacy Items; 2 Working capital as a % of LTM sales and Inventories as a % of LTM sales exclude acquisitions, divestments and discontinued operations.
• ROIC\(^1\) increased to 15.4% in Q2 2017 compared to 11.3% in Q2 2016, excluding the charges related to Pension settlements in Q4 2015.

• The improvement is mainly driven by earnings growth.

\(^1\) 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.
Appendix
## Key financials

<table>
<thead>
<tr>
<th>EUR million</th>
<th>Q2 2016</th>
<th>Q2 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>4,132</td>
<td>4,294</td>
</tr>
<tr>
<td>Income from operations (EBIT)</td>
<td>265</td>
<td>252</td>
</tr>
<tr>
<td>Financial expenses, net</td>
<td>(86)</td>
<td>(43)</td>
</tr>
<tr>
<td>Income taxes</td>
<td>(63)</td>
<td>(44)</td>
</tr>
<tr>
<td>Net income (loss)</td>
<td>431</td>
<td>289</td>
</tr>
<tr>
<td>Net cash flow from operating activities</td>
<td>177</td>
<td>73</td>
</tr>
<tr>
<td>Net capital expenditures</td>
<td>(169)</td>
<td>(162)</td>
</tr>
<tr>
<td>Free cash flow</td>
<td>7</td>
<td>(89)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EUR million</th>
<th>Q2 2016</th>
<th>Q2 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross CapEx³</td>
<td>93</td>
<td>99</td>
</tr>
<tr>
<td>Depreciation³</td>
<td>101</td>
<td>104</td>
</tr>
<tr>
<td>Capitalization of development costs</td>
<td>84</td>
<td>107</td>
</tr>
<tr>
<td>Amortization of development costs</td>
<td>57</td>
<td>60</td>
</tr>
<tr>
<td>Amortization of software and other intangible assets</td>
<td>74</td>
<td>79</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EUR million</th>
<th>FY 2015</th>
<th>FY 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross CapEx³</td>
<td>432</td>
<td>360</td>
</tr>
<tr>
<td>Depreciation³</td>
<td>422</td>
<td>458</td>
</tr>
<tr>
<td>Capitalization of development costs</td>
<td>351</td>
<td>345</td>
</tr>
<tr>
<td>Amortization of development costs</td>
<td>242</td>
<td>225</td>
</tr>
<tr>
<td>Amortization of software and other intangible assets</td>
<td>308</td>
<td>293</td>
</tr>
</tbody>
</table>

---

1 Q2 2016 excludes EUR (8)M of restructuring and acquisition-related charges and EUR (49)M other items.  
2 Q2 2017 excludes EUR (65)M of restructuring and acquisition-related charges and EUR (46)M other items.  
3 Capital expenditures and deprecations on property, plant and equipment only.
Restructuring, acquisition-related charges and other items

<table>
<thead>
<tr>
<th>EUR million</th>
<th>Q1 16</th>
<th>Q2 16</th>
<th>Q3 16</th>
<th>Q4 16</th>
<th>2016</th>
<th>Q1 17</th>
<th>Q2 17</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Personal Health</strong></td>
<td>(2)</td>
<td>(1)</td>
<td>-</td>
<td>(13)</td>
<td>(16)</td>
<td>(2)</td>
<td>(1)</td>
</tr>
<tr>
<td>Restructuring &amp; Acq.-related charges</td>
<td>(2)</td>
<td>(1)</td>
<td>-</td>
<td>(13)</td>
<td>(16)</td>
<td>(2)</td>
<td>(1)</td>
</tr>
<tr>
<td>Other items</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Diagnosis &amp; Treatment</strong></td>
<td>(9)</td>
<td>(7)</td>
<td>(6)</td>
<td>(15)</td>
<td>(37)</td>
<td>(11)</td>
<td>(31)</td>
</tr>
<tr>
<td>Restructuring &amp; Acq.-related charges</td>
<td>(9)</td>
<td>(7)</td>
<td>(6)</td>
<td>(15)</td>
<td>(37)</td>
<td>(11)</td>
<td>(31)</td>
</tr>
<tr>
<td>Other items</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Connected Care &amp; Health Informatics</strong></td>
<td>(4)</td>
<td>(1)</td>
<td>(4)</td>
<td>7</td>
<td>(2)</td>
<td>(26)</td>
<td>(37)</td>
</tr>
<tr>
<td>Restructuring &amp; Acq.-related charges</td>
<td>(4)</td>
<td>3</td>
<td>(5)</td>
<td>(8)</td>
<td>(14)</td>
<td>(9)</td>
<td>(25)</td>
</tr>
<tr>
<td>Other items</td>
<td>-</td>
<td>(4)</td>
<td>1</td>
<td>15</td>
<td>12</td>
<td>(17)</td>
<td>(4)</td>
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<tr>
<td><strong>HealthTech Other</strong></td>
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<td>(3)</td>
<td>1</td>
<td>(54)</td>
<td>(54)</td>
<td>56</td>
<td>(7)</td>
</tr>
<tr>
<td>Restructuring &amp; Acq.-related charges</td>
<td>2</td>
<td>(3)</td>
<td>1</td>
<td>(28)</td>
<td>(28)</td>
<td>(3)</td>
<td>(7)</td>
</tr>
<tr>
<td>Other items</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(26)</td>
<td>(26)</td>
<td>59</td>
<td>-</td>
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<tr>
<td><strong>Legacy Items</strong></td>
<td>(52)</td>
<td>(45)</td>
<td>(24)</td>
<td>17</td>
<td>(104)</td>
<td>(11)</td>
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<tr>
<td>Restructuring &amp; Acq.-related charges</td>
<td>-</td>
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<td>-</td>
<td>1</td>
<td>1</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other items</td>
<td>(52)</td>
<td>(45)</td>
<td>(24)</td>
<td>(16)</td>
<td>(105)</td>
<td>(11)</td>
<td>(34)</td>
</tr>
<tr>
<td><strong>Philips</strong></td>
<td>(65)</td>
<td>(57)</td>
<td>(33)</td>
<td>(58)</td>
<td>(213)</td>
<td>(6)</td>
<td>(111)</td>
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<tr>
<td>Restructuring &amp; Acq.-related charges</td>
<td>(13)</td>
<td>(8)</td>
<td>(10)</td>
<td>(63)</td>
<td>(94)</td>
<td>(25)</td>
<td>(65)</td>
</tr>
<tr>
<td>Other items</td>
<td>(52)</td>
<td>(49)</td>
<td>(23)</td>
<td>5</td>
<td>(119)</td>
<td>31</td>
<td>(46)</td>
</tr>
</tbody>
</table>

1 Relates to the separation of the Lighting business.
2 Includes EUR 46 million gain from the settlement of a pension-related claim.
3 EUR 26 million impairment of real estate assets.
4 Charges related to quality and regulatory actions.
5 EUR 59 million gain on the sale of real estate assets.
6 EUR 26 million of provisions related to the CRT litigation in the US, EUR 7 million of charges related to the separation of the Lighting business and EUR 5 million of stranded costs related to the combined Lumileds and Automotive businesses.
Philips' debt has a long maturity profile

Characteristics of long-term debt

- Total net debt position of EUR 0.7 billion
- Maturities up to 2042
- Average tenor of long-term debt is 13.0 years
- No financial covenants
- On April 19, 2017, Philips announced that the EUR 1.8 billion Revolving Credit Facility has been substituted with a new EUR 1 billion facility maturing in April 2022.

Debt maturity profile as per June 2017

1 Short term debt includes local credit facilities that are being rolled forward on a continuous basis; 2 On April 19, 2017, Philips announced that the EUR 1.8 billion Revolving Credit Facility has been substituted with a new EUR 1 billion facility maturing in April 2022; 3 Based on long-term debt only, excludes short-term debt portion
The funded status and balance sheet position improved further in Q2 2017, mainly caused by market developments (asset returns) and stronger euro compared to the dollar.
Order intake

Comparable order intake\(^1\) growth
Diagnosis & Treatment, Connected Care & Health Informatics and Innovation

\(^1\) Order intake includes equipment and software orders in Diagnosis & Treatment, Connected Care & Health Informatics and Innovation businesses adjusted for acquisitions and divestments, and currency
Order book

Quarter end order book is a leading indicator for ~30% of sales the following quarters

- Equipment and software book and bill sales
- Equipment and software sales from order book - Leading indicator of future sales
- Personal Health + Customer Services sales

Typical profile of order book conversion to sales

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

Indexed order book\(^1\) development

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Q15</th>
<th>Q215</th>
<th>Q315</th>
<th>Q415</th>
<th>Q116</th>
<th>Q216</th>
<th>Q316</th>
<th>Q416</th>
<th>Q117</th>
<th>Q217</th>
</tr>
</thead>
<tbody>
<tr>
<td>80</td>
<td>90</td>
<td>100</td>
<td>110</td>
<td>80</td>
<td>90</td>
<td>100</td>
<td>110</td>
<td>80</td>
<td>90</td>
<td>100</td>
</tr>
</tbody>
</table>

\(^1\) Order book includes equipment and software orders in Diagnosis & Treatment, Connected Care & Health Informatics and Innovation businesses.
## Financial calendar 2017

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>October 23</td>
<td>Third quarter results 2017</td>
</tr>
<tr>
<td>November 2</td>
<td>Capital Markets Day, New York</td>
</tr>
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</table>