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 our Annual Report 2013.

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 Group 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 2013. Further information on non-GAAP measures can be found in our Annual Report 2013.

Use of fair-value measurements
In presenting the Philips Group’s 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 appropriate valuation models and unobservable inputs. 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 2013. Independent valuations may have been obtained to support management’s determination of fair values.

All amounts in millions of euro’s unless otherwise stated; data included are unaudited. Financial reporting is in accordance with the accounting policies as stated in the Annual Report 2013, unless otherwise stated.
Agenda

1. Management update

2. Group results Q1 2014

3. Accelerate! Change and performance

4. Philips Business System and Path-to-Value

5. Group and sector overview
Management update Q1 2014: Group

Sales & order intake
• Comparable sales amounted to EUR 5.0 billion, remaining flat year-on-year
• Comparable sales of Consumer Lifestyle grew by 7%, while Lighting remained flat
• Healthcare comparable sales declined by 2%, equipment order intake increased by 1%
• Comparable sales in growth geographies up 5%

EBITA & Adjusted EBITA¹
• EBITA amounted to EUR 314 million, 6.3% of sales and included EUR 54 million of restructuring and acquisition-related charges. Q1 2013 EBITA was EUR 402 million, 7.6% of sales, and included EUR 19 million of restructuring and acquisition-related charges
• Q1 2014 EBITA was impacted by unfavorable currency effects of 1.8% of sales and lower results at Healthcare and IG&S
• Adjusted EBITA decreased to EUR 368 million, or 7.3% of sales, from 8.0% in Q1 2013

Cost savings & Net Income
• Total gross overhead cost savings on track at EUR 1,088 million to date
• Net income was EUR 137 million, compared to EUR 162 million in Q1 2013

Asset management & ROIC
• Inventories as a % of sales improved by 60 basis points to 14.9%
• Free Cash Flow was an outflow of EUR 345 million including a pension contribution of EUR 273 million. Q1 2013 was an outflow of EUR 431 million and included the payment of the EUR 509 million CRT fine²
• ROIC improved to 14.5%, compared to 7.0% excluding the CRT fine² in Q1 2013

Others
• By the end of Q1, we completed 14% of the EUR 1.5 billion share buy-back program

Challenging start to the year; Healthcare equipment order intake up 1%

¹ Adjusted EBITA in Q1 2014 excludes restructuring and acquisition-related charges of EUR 54 million
² European Commission fine related to Cathode-Ray Tubes, a business divested by Philips in 2011. Philips has appealed the decision. Charges were taken in Q4 2012
# Management update Q1 2014: Healthcare

| Order intake (OIT) | • Currency-comparable equipment order intake increased by 1%  
| • Patient Care & Clinical Informatics grew by double-digits and Imaging Systems showed a mid-single-digit decline |
| Sales | • Comparable sales down 2% year-on-year  
| • Home Healthcare Solutions increased by mid-single-digit while Customer Services and Patient Care & Clinical Informatics grew by low-single-digit. Imaging Systems declined by double-digits, impacted by the production suspension in our Cleveland facility |
| EBITA & Adjusted EBITA\(^1\) | • EBITA was EUR 152 million, or 7.7% of sales, down from EUR 222 million, or 10.4% of sales in Q1 2013  
| • Adjusted EBITA was EUR 173 million, or 8.8% of sales, versus 10.5% last year. The decrease was mainly due to lower gross margins and the production suspension in our Cleveland facility |
| Net Operating Capital (NOC) | • Inventories as a % of sales improved by 80 basis points  
| • NOC increased by EUR 145 million to EUR 7.4 billion on a currency comparable basis |
| Others | • The number of employees decreased by 764 compared to Q1 2013, due to overhead reduction, industrial footprint rationalization and divestments, offset by investments in growth geographies |

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\(^1\) Adjusted EBITA in Q1 2014 excludes restructuring and acquisition-related charges of EUR 21 million
Management update Q1 2014: Consumer Lifestyle

**Sales**
- Comparable sales grew by 7% compared to Q1 2013
- High-single-digit growth was seen at Domestic Appliances while Health & Wellness and Personal Care grew by mid-single-digit

**EBITA & Adjusted EBITA**
- EBITA was EUR **108 million**, or 10.6% of sales, up from EUR 98 million, or 9.8% of sales in Q1 2013
- Adjusted EBITA increased to EUR **108 million**, or 10.6% of sales, from 9.9% in Q1 2013. The improvement was largely attributable to higher gross margins
- Stranded costs from discontinued operations decreased from EUR 7 million last year to EUR 4 million in Q1 2014

**Net Operating Capital (NOC)**
- Inventories as a % of sales improved by 10 basis points
- NOC increased by EUR 294 million to EUR **1.3 billion** on a currency comparable basis, largely driven by higher working capital and a reduction in provisions

**Other**
- The number of employees increased by 8 year-on-year, as reductions at Domestic Appliances were offset by increases at Health & Wellness

High-single-digit growth; Operational earnings continue to improve
## Management update Q1 2014: Lighting

### Sales
- Comparable sales were **flat** year-on-year
- Lumileds and Automotive grew by double-digits while Light Sources & Electronics and Professional Lighting Solutions posted a low-single-digit decline. Consumer Luminaires sales declined by high-single-digit
- LED-based sales grew **37%** compared to Q1 2013 and represent **33%** of Lighting sales

### EBITA & Adjusted EBITA¹
- EBITA amounted to **EUR 138 million**, or **7.3%** of sales, compared to EUR 147 million, or **7.4%** of sales, in Q1 2013
- Adjusted EBITA increased to **EUR 171 million**, or **9.0%** of sales, compared to **8.4%** in Q1 2013, driven by higher gross margins and overhead cost reductions

### Net Operating Capital (NOC)
- Inventories as a % of sales improved by 40 basis points year-on-year
- NOC increased by EUR 134 million to **EUR 4.5 billion** on a currency comparable basis, mainly driven by a reduction in provisions and an increase in accounts receivable

### Others
- The number of employees decreased by 3,745 compared to Q1 2013 mainly due to the rationalization of the industrial footprint

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1 Adjusted EBITA in Q1 2014 excludes restructuring and acquisition-related charges of EUR 33 million
Management update Q1 2014: by Geography

**Growth Geographies**
- Group comparable sales grew by 5%, driven by Consumer Lifestyle and Lighting
- Middle East & Turkey grew by double-digits; China and Central & Eastern Europe posted high-single-digit growth
- Healthcare comparable equipment order intake grew by low-single-digit, with strong performances in Latam, India and Middle East & Turkey

**North America**
- Group comparable sales declined by 3% due to decreases in all business sectors
- Healthcare comparable equipment order intake increased by 5%, driven by high-single-digit growth in Patient Care & Clinical Informatics. Imaging Systems order intake was flat year-on-year

**Western Europe**
- Group comparable sales declined by 1%. Healthcare and Consumer Lifestyle grew by low-single-digit while Lighting recorded a low-single-digit decline
- Healthcare comparable equipment order intake grew by 2%

*Growth geographies continue to support overall sales performance*

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

1. Management update

2. Group results Q1 2014

3. Accelerate! Change and performance

4. Philips Business System and Path-to-Value

5. Group and sector overview
# Key Financials Summary – Q1 2014

**EUR million**

<table>
<thead>
<tr>
<th></th>
<th>Q1 2013</th>
<th>Q1 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>5,258</td>
<td>5,020</td>
</tr>
<tr>
<td>EBITA</td>
<td>402¹</td>
<td>314¹</td>
</tr>
<tr>
<td>Financial income and expenses</td>
<td>(83)</td>
<td>(69)</td>
</tr>
<tr>
<td>Income taxes</td>
<td>(69)</td>
<td>(39)</td>
</tr>
<tr>
<td>Net income</td>
<td>162</td>
<td>137</td>
</tr>
<tr>
<td>Net Operating Capital</td>
<td>9,969</td>
<td>10,381</td>
</tr>
<tr>
<td>Net cash flow from operating activities</td>
<td>(228)</td>
<td>(172)</td>
</tr>
<tr>
<td>Net capital expenditures</td>
<td>(203)</td>
<td>(173)</td>
</tr>
<tr>
<td>Free cash flow</td>
<td>(431)</td>
<td>(345)</td>
</tr>
</tbody>
</table>

¹ Q114 includes EUR (54)M of restructuring and acquisition-related charges; Q113 includes EUR (19)M of restructuring and acquisition-related charges
## Sales by sector – Q1 2014

**EUR million**

<table>
<thead>
<tr>
<th></th>
<th>Q1 2013</th>
<th>Q1 2014</th>
<th>% nom</th>
<th>% comp</th>
</tr>
</thead>
<tbody>
<tr>
<td>Healthcare</td>
<td>2,127</td>
<td>1,966</td>
<td>(8)</td>
<td>(2)</td>
</tr>
<tr>
<td>Consumer Lifestyle</td>
<td>1,003</td>
<td>1,016</td>
<td>1</td>
<td>7</td>
</tr>
<tr>
<td>Lighting</td>
<td>1,975</td>
<td>1,892</td>
<td>(4)</td>
<td>0</td>
</tr>
<tr>
<td>Innovation, Group &amp; Services</td>
<td>153</td>
<td>146</td>
<td>(5)</td>
<td>(10)</td>
</tr>
<tr>
<td>Philips Group</td>
<td>5,258</td>
<td>5,020</td>
<td>(5)</td>
<td>0</td>
</tr>
</tbody>
</table>
## Sales by geography – Q1 2014

**EUR million**

<table>
<thead>
<tr>
<th></th>
<th>Q1 2013</th>
<th>Q1 2014</th>
<th>% nom</th>
<th>% comp</th>
</tr>
</thead>
<tbody>
<tr>
<td>Western Europe</td>
<td>1,341</td>
<td>1,328</td>
<td>(1)</td>
<td>(1)</td>
</tr>
<tr>
<td>North America</td>
<td>1,650</td>
<td>1,530</td>
<td>(7)</td>
<td>(3)</td>
</tr>
<tr>
<td>Other mature geographies</td>
<td>493</td>
<td>450</td>
<td>(9)</td>
<td>3</td>
</tr>
<tr>
<td>Growth geographies$^1$</td>
<td>1,774</td>
<td>1,712</td>
<td>(3)</td>
<td>5</td>
</tr>
<tr>
<td>Philips Group</td>
<td>5,258</td>
<td>5,020</td>
<td>(5)</td>
<td>0</td>
</tr>
</tbody>
</table>

$^1$ Growth geographies are all geographies excluding USA, Canada, Western Europe, Australia, New Zealand, South Korea, Japan and Israel
# Sales growth development

## Trend Q1 2012 – Q1 2014

### Global comparable sales growth (% change)

<table>
<thead>
<tr>
<th>Year</th>
<th>Healthcare</th>
<th>Consumer Lifestyle</th>
<th>Lighting</th>
<th>Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>9</td>
<td>7</td>
<td>7</td>
<td>4</td>
</tr>
<tr>
<td>2013</td>
<td>7</td>
<td>8</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>2014</td>
<td>10</td>
<td>13</td>
<td>9</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>7</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Comparable sales growth in growth geographies¹ (% change)

<table>
<thead>
<tr>
<th>Year</th>
<th>Healthcare</th>
<th>Consumer Lifestyle</th>
<th>Lighting</th>
<th>Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>27</td>
<td>22</td>
<td>14</td>
<td>19</td>
</tr>
<tr>
<td>2013</td>
<td>10</td>
<td>18</td>
<td>17</td>
<td>18</td>
</tr>
<tr>
<td>2014</td>
<td>15</td>
<td>15</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td></td>
<td>11</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

Note - Financials in 2012 revised for discontinued operations, the adoption of IAS19R and for restatements included in the Annual Report 2012 (please refer to the Annual Report section 12.10 “Significant Accounting Policies”)
Sales in growth geographies¹

Last twelve months and Q1 2014

1 Growth geographies are all geographies excluding USA, Canada, Western Europe, Australia, New Zealand, South Korea, Japan and Israel
# EBITA by sector – Q1 2014

<table>
<thead>
<tr>
<th>Sector</th>
<th>Q1 2013</th>
<th>as % of sales</th>
<th>Q1 2014</th>
<th>as % of sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Healthcare</td>
<td>222</td>
<td>10.4%</td>
<td>152</td>
<td>7.7%</td>
</tr>
<tr>
<td>Consumer Lifestyle</td>
<td>98</td>
<td>9.8%</td>
<td>108</td>
<td>10.6%</td>
</tr>
<tr>
<td>Lighting</td>
<td>147</td>
<td>7.4%</td>
<td>138</td>
<td>7.3%</td>
</tr>
<tr>
<td>Innovation, Group &amp; Services</td>
<td>(65)</td>
<td>-</td>
<td>(84)</td>
<td>-</td>
</tr>
<tr>
<td>Philips Group</td>
<td>402</td>
<td>7.6%</td>
<td>314</td>
<td>6.3%</td>
</tr>
</tbody>
</table>

### Notes:

1. Q114 includes EUR (21)M of restructuring and acquisition-related charges; Q113 includes EUR (2)M of restructuring and acquisition-related charges
2. Q113 includes EUR (1)M of restructuring and acquisition-related charges
3. Q114 includes EUR (33)M of restructuring and acquisition-related charges; Q113 includes EUR (19)M of restructuring and acquisition-related charges
4. Q113 includes a net release of EUR 3M of restructuring provisions.
### Adjusted EBITA by sector – Q1 2014

**EUR million**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Q1 2013</th>
<th>as % of sales</th>
<th>Q1 2014</th>
<th>as % of sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Healthcare¹</td>
<td>224</td>
<td>10.5%</td>
<td>173</td>
<td>8.8%</td>
</tr>
<tr>
<td>Consumer Lifestyle²</td>
<td>99</td>
<td>9.9%</td>
<td>108</td>
<td>10.6%</td>
</tr>
<tr>
<td>Lighting³</td>
<td>166</td>
<td>8.4%</td>
<td>171</td>
<td>9.0%</td>
</tr>
<tr>
<td>Innovation, Group &amp; Services⁴</td>
<td>(68)</td>
<td>-</td>
<td>(84)</td>
<td>-</td>
</tr>
<tr>
<td>Philips Group</td>
<td>421</td>
<td>8.0%</td>
<td>368</td>
<td>7.3%</td>
</tr>
</tbody>
</table>

¹ Q114 excludes EUR (21)M of restructuring and acquisition-related charges; Q113 excludes EUR (2)M of restructuring and acquisition-related charges
² Q113 excludes EUR (1)M of restructuring and acquisition-related charges
³ Q114 excludes EUR (33)M of restructuring and acquisition-related charges; Q113 excludes EUR (19)M of restructuring and acquisition-related charges
⁴ Q113 excludes a net release of EUR 3M of restructuring provisions
EBITA and Adjusted EBITA Margin development

Trend Q1 2012 – Q1 2014

<table>
<thead>
<tr>
<th>EBITA%</th>
<th>Healthcare(^1)</th>
<th>Consumer Lifestyle(^1)</th>
<th>Lighting</th>
<th>Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 2012</td>
<td>9.6</td>
<td>6.7</td>
<td>4.7</td>
<td>6.1</td>
</tr>
<tr>
<td>Q1 2013</td>
<td>13.1</td>
<td>5.0</td>
<td>7.4</td>
<td>8.5</td>
</tr>
<tr>
<td>Q1 2014</td>
<td>17.8</td>
<td>8.8</td>
<td>10.6</td>
<td>13.0</td>
</tr>
<tr>
<td>EBITA%</td>
<td>Healthcare(^1)</td>
<td>Consumer Lifestyle(^1)</td>
<td>Lighting</td>
<td>Group</td>
</tr>
<tr>
<td>Q1 2012</td>
<td>9.6</td>
<td>6.7</td>
<td>4.7</td>
<td>6.1</td>
</tr>
<tr>
<td>Q1 2013</td>
<td>13.1</td>
<td>5.0</td>
<td>7.4</td>
<td>8.5</td>
</tr>
<tr>
<td>Q1 2014</td>
<td>17.8</td>
<td>8.8</td>
<td>10.6</td>
<td>13.0</td>
</tr>
</tbody>
</table>

Healthcare EBITA Q2 2013 includes a EUR 82 million gain from past-service pension costs in the US and the sale of a business; Consumer Lifestyle EBITA Q1 2012 includes a EUR 160M gain from the Senseo transaction. Adjusted EBITA is EBITA corrected for incidental charges (details on slide 89).

Note - Financials in 2012 revised for discontinued operations, the adoption of IAS19R and for restatements included in the Annual Report 2012 (please refer to the Annual Report section 12.10 “Significant Accounting Policies”)

\( ^1 \) Healthcare EBITA Q2 2013 includes a EUR 82 million gain from past-service pension costs in the US and the sale of a business; Consumer Lifestyle EBITA Q1 2012 includes a EUR 160M gain from the Senseo transaction. Adjusted EBITA is EBITA corrected for incidental charges (details on slide 89).

Note - Financials in 2012 revised for discontinued operations, the adoption of IAS19R and for restatements included in the Annual Report 2012 (please refer to the Annual Report section 12.10 “Significant Accounting Policies”)

PHILIPS
EBITA and Adjusted EBITA Margin development

Rolling last 12 months

### EBITA%: Rolling LTM to end of quarter shown

<table>
<thead>
<tr>
<th>Healthcare</th>
<th>Consumer Lifestyle</th>
<th>Lighting</th>
<th>Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>12.6</td>
<td>7.8</td>
<td>2.7</td>
<td>4.5</td>
</tr>
<tr>
<td>13.8</td>
<td>8.5</td>
<td>3.6</td>
<td>5.6</td>
</tr>
<tr>
<td>14.3</td>
<td>9.3</td>
<td>5.4</td>
<td>6.5</td>
</tr>
<tr>
<td>15.8</td>
<td>10.5</td>
<td>8.3</td>
<td>10.5</td>
</tr>
<tr>
<td>15.3</td>
<td>10.7</td>
<td>8.2</td>
<td>10.2</td>
</tr>
</tbody>
</table>

### Adjusted EBITA%\(^1\): Rolling LTM to end of quarter shown

<table>
<thead>
<tr>
<th>Healthcare</th>
<th>Consumer Lifestyle</th>
<th>Lighting</th>
<th>Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>13.9</td>
<td>8.8</td>
<td>7.1</td>
<td>8.8</td>
</tr>
<tr>
<td>14.2</td>
<td>9.4</td>
<td>7.7</td>
<td>9.3</td>
</tr>
<tr>
<td>14.7</td>
<td>10.1</td>
<td>8.7</td>
<td>10.1</td>
</tr>
<tr>
<td>14.9</td>
<td>10.8</td>
<td>9.3</td>
<td>10.7</td>
</tr>
<tr>
<td>14.6</td>
<td>10.9</td>
<td>9.5</td>
<td>10.6</td>
</tr>
</tbody>
</table>

\(^1\) Adjusted EBITA is EBITA corrected for incidental charges (details on slide 89)

Note - Financials in 2012 revised for discontinued operations, the adoption of IAS19R and for restatements included in the Annual Report 2012 (please refer to the Annual Report section 12.10 “Significant Accounting Policies”).
Working capital & Inventories over the last two years

EUR million

**Working capital as % of sales**

- **Working capital**
  - Q112: 9.6%
  - Q212: 11.3%
  - Q312: 10.2%
  - Q412: 8.6%
  - Q113: 7.1%
  - Q213: 8.3%
  - Q313: 9.0%
  - Q413: 9.8%
  - Q114: 10.9%

- **Working capital as % of LTM sales**
  - Q112: 10.9%
  - Q212: 11.3%
  - Q312: 10.2%
  - Q412: 8.6%
  - Q113: 7.1%
  - Q213: 8.3%
  - Q313: 9.0%
  - Q413: 9.8%
  - Q114: 10.9%

**Inventories as % of sales**

- **Inventories**
  - Q112: 16.9%
  - Q212: 17.2%
  - Q312: 16.9%
  - Q412: 14.3%
  - Q113: 15.5%
  - Q213: 15.7%
  - Q313: 16.5%
  - Q413: 13.9%
  - Q114: 14.9%

- **Inventories as % of LTM sales**
  - Q112: 16.9%
  - Q212: 17.2%
  - Q312: 16.9%
  - Q412: 14.3%
  - Q113: 15.5%
  - Q213: 15.7%
  - Q313: 16.5%
  - Q413: 13.9%
  - Q114: 14.9%

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1 Working capital as % of sales of Healthcare, Consumer Lifestyle and Lighting; excluding central sector IG&S. Working capital includes residual balance of discontinued operations.

Note - Financials in 2012 revised for discontinued operations, the adoption of IAS19R and for restatements included in the Annual Report 2012 (please refer to the Annual Report section 12.10 “Significant Accounting Policies”)
Working capital per business sector

EUR million

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Healthcare</th>
<th>Consumer Lifestyle</th>
<th>Lighting</th>
<th>Working capital as % of LTM sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>1Q12</td>
<td>12.8%</td>
<td>2.9%</td>
<td>11.8%</td>
<td>0.8%</td>
</tr>
<tr>
<td>2Q12</td>
<td>13.1%</td>
<td>2.4%</td>
<td>11.8%</td>
<td>12.1%</td>
</tr>
<tr>
<td>3Q12</td>
<td>12.0%</td>
<td>1.1%</td>
<td>11.8%</td>
<td>5.1%</td>
</tr>
<tr>
<td>4Q12</td>
<td>10.3%</td>
<td>-4.0%</td>
<td>11.8%</td>
<td>-0.8%</td>
</tr>
<tr>
<td>1Q13</td>
<td>10.7%</td>
<td>-7.1%</td>
<td>11.8%</td>
<td>-4.9%</td>
</tr>
<tr>
<td>2Q13</td>
<td>10.7%</td>
<td>-4.6%</td>
<td>11.8%</td>
<td>-2.0%</td>
</tr>
<tr>
<td>3Q13</td>
<td>11.6%</td>
<td>-4.9%</td>
<td>11.8%</td>
<td>-0.8%</td>
</tr>
<tr>
<td>4Q13</td>
<td>13.0%</td>
<td>-2.0%</td>
<td>11.8%</td>
<td>14.1%</td>
</tr>
<tr>
<td>1Q14</td>
<td>13.6%</td>
<td>-0.8%</td>
<td>11.8%</td>
<td>16.0%</td>
</tr>
</tbody>
</table>

1 Working capital includes residual balance of discontinued operations

Note - Financials in 2012 revised for discontinued operations, the adoption of IAS19R and for restatements included in the Annual Report 2012 (please refer to the Annual Report section 12.10 “Significant Accounting Policies”)
**Free Cash Flow – Q1 2014**

**EUR million**

<table>
<thead>
<tr>
<th>Description</th>
<th>Q1 2013</th>
<th>Q1 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income from continuing operations</td>
<td>154</td>
<td>139</td>
</tr>
<tr>
<td>Depreciation, amortization, and impairments of fixed assets</td>
<td>305</td>
<td>300</td>
</tr>
<tr>
<td>Interest income and expense/ Income tax expense</td>
<td>125</td>
<td>82</td>
</tr>
<tr>
<td>Results relating to investments in associates</td>
<td>(2)</td>
<td>(21)</td>
</tr>
<tr>
<td>Changes in working capital, of which:</td>
<td>(397)(^1)</td>
<td>(125)</td>
</tr>
<tr>
<td>- changes in receivables and other current assets</td>
<td>128</td>
<td>34</td>
</tr>
<tr>
<td>- changes in inventories</td>
<td>(205)</td>
<td>(242)</td>
</tr>
<tr>
<td>- changes in accounts payable, accrued and other liabilities</td>
<td>(320)(^1)</td>
<td>83</td>
</tr>
<tr>
<td>Increase in non-current receivables, other assets and other liabilities</td>
<td>(36)</td>
<td>(371)</td>
</tr>
<tr>
<td>Decrease in provisions</td>
<td>(98)</td>
<td>(18)</td>
</tr>
<tr>
<td>Interest paid and received/ Income taxes paid</td>
<td>(236)</td>
<td>(188)</td>
</tr>
<tr>
<td>Others</td>
<td>(43)</td>
<td>30</td>
</tr>
<tr>
<td><strong>Net cash flow from operating activities</strong></td>
<td>(228)</td>
<td>(172)</td>
</tr>
<tr>
<td>Purchase of intangible assets/ Expenditures on development assets</td>
<td>(82)</td>
<td>(85)</td>
</tr>
<tr>
<td>Capital expenditures on property, plant and equipment</td>
<td>(124)</td>
<td>(93)</td>
</tr>
<tr>
<td>Proceeds from disposals of property, plant and equipment</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td><strong>Net capital expenditures</strong></td>
<td>(203)</td>
<td>(173)</td>
</tr>
<tr>
<td><strong>Free Cash Flow</strong></td>
<td>(431)</td>
<td>(345)</td>
</tr>
</tbody>
</table>

\(^1\) Q1 2013 includes the payment of the EUR 509M European Commission fine related to alleged violation of competition rules in the Cathode-Ray Tubes (CRT) industry.

Note - Prior-period cash flow statement presentation changed for a voluntary accounting policy change. The presentation change results in the separate presentation of the interest and tax cash flows in cash flow from operating activities. The presentation change has no impact on the net cash flows from operating activities nor the total net cash balance as these cash flows previously used to be part of other aggregated sub lines of the primary consolidated statement of cash flows.
Development of Return on Invested Capital (ROIC)

- ROIC was at 14.5% in Q1 2014, from 15.3% in Q4 2013 and 7.0% in Q1 2013 excluding the European Commission fine on CRT\(^1\)

- Strong year-on-year improvement was driven by an increase in earnings and a lower average Net Operating Capital mainly due to lower fixed assets, partly offset by higher working capital

- Discount rate is 9.1%

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. Philips has appealed the decision. Charges were taken in Q4 2012.
Note - Financials in 2012 revised for discontinued operations, the adoption of IAS19R and for restatements included in the Annual Report 2012 (please refer to the Annual Report section 12.10 “Significant Accounting Policies”)

Philips' debt has a long maturity profile

Characteristics of long-term debt

- Maturities up to 2042
- Average tenor of long-term debt is 12.9 years
- No financial covenants

Debt maturity profile as of March 2014
Amounts in EUR millions

1 Short term debt consists mainly of local credit facilities that are being rolled forward on a continuous basis. In January 2014, the long-term debt maturity of <12 months was settled as the EUR 250M five year loan matured.

2 In March 2012 Philips issued USD 1,000M 10 years at 3.75% and USD 500M 30 years at 5%. On Apr 10th 2012, Philips early redeemed USD 500M originally maturing in March 2013.
A history of sustainable dividend growth

EUR cents per share

“We are committed to a stable dividend policy with a 40% to 50% pay-out of continuing net income.”

1 Elective dividend, proposal subject to approval in the General Shareholders Meeting on May 1st, 2014
Update funded status pension plans (IFRS basis)

<table>
<thead>
<tr>
<th>EUR million</th>
<th>December 31, 2013</th>
<th>March 31, 2014 (not reported)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Funded Status</td>
<td>Balance sheet position</td>
</tr>
<tr>
<td>Netherlands Prepaid pension asset¹</td>
<td>555</td>
<td>0</td>
</tr>
<tr>
<td>Other major plans</td>
<td>(984)</td>
<td>(1,411)</td>
</tr>
<tr>
<td>Major plans</td>
<td>(428)</td>
<td>(1,411)</td>
</tr>
<tr>
<td>Minor plans</td>
<td>(206)</td>
<td>(206)</td>
</tr>
<tr>
<td>Total</td>
<td>(634)</td>
<td>(1,617)</td>
</tr>
</tbody>
</table>

- In Q1 2014, the total funded status improved by EUR 458 million, due to:
  - the cash contributions to the Dutch pension plan related to the EUR 600 million funding agreement as part of our ongoing effort to de-risk pension obligations
  - planned deficit funding of the US plan
  - positive market movements for the Dutch plan, which were slightly offset by a negative impact on the US plan due to lower discount rates

- The Balance sheet only partially reflects the above improvement as the surplus in the Netherlands, as well as in the UK and Brazil, are not recognized (asset-ceiling test)

¹ With the objective to mitigate the company’s financial exposure to its pension plans, a new funding agreement for the Dutch pension plan has become effective per January 1, 2014
Disciplined Capital Use

• Invest in high ROIC organic growth opportunities and selected value creating bolt-on acquisitions

• Maintain our A3/A- rating

• We are committed to a stable dividend policy with a 40% to 50% pay-out of continuing net income

• We will drive higher capital efficiency and cash flow yields through improved working capital turns and CAPEX discipline

• We will exercise stringent discipline and return criteria (including ROIC hurdles) in our end-to-end acquisition process in line with the nature of the transaction

• Additionally, capital will be used to mitigate risk and return capital to shareholders over time
Agenda

1. Management update

2. Group results Q1 2014

3. Accelerate! Change and performance

4. Philips Business System and Path-to-Value

5. Group and sector overview
Accelerate! change and performance program
2014-2016 unlock full potential faster

<table>
<thead>
<tr>
<th>Customer Centricity</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Increase local relevance of product portfolio to gain market share</td>
</tr>
<tr>
<td>• Focused Business-to-Government sales channel development to drive growth</td>
</tr>
<tr>
<td>• Increase Employee Engagement in markets by 300 bps</td>
</tr>
<tr>
<td>• Expansion into adjacent and new growth markets to drive growth</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Resource to Win</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Increase performance adherence to plan per BMC(^1) &gt; 80%</td>
</tr>
<tr>
<td>• Targeted investments to extend market leadership and drive value creation</td>
</tr>
<tr>
<td>• Strengthen BMC(^1) capabilities with global tools, training, and ways of working</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>End2End Execution</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Productivity gains of 100 bps margin impact to be achieved by 2016</td>
</tr>
<tr>
<td>- Transform customer chains to 4 Lean business models</td>
</tr>
<tr>
<td>- Roll-out new integrated IT landscape which will fundamentally simplify the way of working</td>
</tr>
<tr>
<td>- Reduce Cost of Non Quality by 30%, Inventory reduction by 20%</td>
</tr>
<tr>
<td>• Accelerate innovation time to market by av. 40%; Increase customer service &gt;95%</td>
</tr>
<tr>
<td>• EUR 1 billion via Design for Excellence (DFX) over the period 2014-2016</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Growth and Performance Culture</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Focus on the 6 competencies that will accelerate our transformation</td>
</tr>
<tr>
<td>• Run and measure quarterly team performance dialogues to take ownership for the transformation</td>
</tr>
<tr>
<td>• Build a University to increase learning and competency development across Philips</td>
</tr>
<tr>
<td>• Excellence practices to increase operational performance; Lean skills for all employees</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Operating Model</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Simplify the organization and reduce overhead and support costs by EUR 1.5 billion</td>
</tr>
<tr>
<td>• Implement the Philips Business System in the organization</td>
</tr>
<tr>
<td>• Continue to transform Finance, HR, and IT to increase productivity and effectiveness</td>
</tr>
<tr>
<td>• Align all employees to common performance management objectives and measures</td>
</tr>
</tbody>
</table>

Supported by dedicated senior Transformation Leadership to ensure execution

\(^1\) BMC = Business Market Combination
Accelerate! is improving the way we do business

### Customer value chain: Consumer Lifestyle Japan

Enabled by BMC\(^1\) collaboration and market insights, that resulted in deep understanding of local consumer needs and focused marketing investments, Consumer Lifestyle sold several hundred thousand units of our locally relevant non-fryer in its launch year in Japan. Leveraging this success, we achieved a 6-point market share gain in Oral Healthcare and a 3-point gain in Male Grooming in Japan.

### Lean order processing: Lighting CEE

Cooperating closely with wholesalers, the Lighting team in Central and Eastern Europe (CEE) drove harmonization and simplification of its Market-to-Order processes. This resulted in a 15% time reduction for processing orders and, on average, quotations are now being processed in less than 2 days compared to 4.4 days before.

### Operational excellence: Magnetic Resonance

By redesigning and harmonizing its End2End processes across the equipment installation value chain, the Healthcare team was able to reduce the installation time of Magnetic Resonance products by 10% and cost by 15%, while also driving 25% reduction of damaged and missing installation parts. This resulted in improved customer service levels.

### Innovation: Floorcare

Through our entrepreneurial and customer centric innovation approach, we worked closely with retailers and launched new Floor care product ranges that drove strong customer preference and double-digit sales and earnings growth in the last 2 years. The success of these new portfolio propositions was also enabled by BMC\(^1\) collaboration and deep consumer insights.

---

\(^1\) BMC = Business Market Combination
Cost reduction program targeting overhead & indirect costs will bring EUR 1.5 billion in savings by 2015

Cost reduction scope

- **Company wide Overhead and Support functions**
  - IT, Finance, HR, Real Estate, management layers, etc

- **Business functions indirect costs and overheads**
  - Purchasing, Supply Chain, R&D, Service, Marketing etc

- **Core customer value chain**
  - Sales, Marketing
  - Manufacturing & Supply Chain
  - R&D / Innovation, services

Clear design principles

- Taking out overhead and support cost
  - *All overheads, layers and support functions*: IT, Finance, HR, Real Estate, Management, etc
  - Indirect business functions not directly involved in the *customer value chain*
    - *Single added value layer* (no duplication) and *reduce complexity*

- Increased savings based on 2013 baseline

- Focus on sustainable structural savings instead of “variable” costs
EUR 1.5 billion cost reduction program
Program started in Q3 2011, expected to be completed by 2015

Approximately 76% of the targeted headcount reduction completed by Q1 2014

<table>
<thead>
<tr>
<th>EUR million</th>
<th>2011 Actual (A)</th>
<th>2012 Actual (B)</th>
<th>2013 Actual (C)</th>
<th>1Q14 Actual (D)</th>
<th>Total Actual (A+B+C+D)(^1)</th>
<th>Total 2014 Plan(^1)</th>
<th>Total 2015 Plan(^1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL</td>
<td>25</td>
<td>400</td>
<td>641</td>
<td>22</td>
<td>1,088</td>
<td>1,250</td>
<td>1,500</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EUR million</th>
<th>2011 Actual</th>
<th>2012 Actual</th>
<th>2013 Actual</th>
<th>1Q14 Actual</th>
<th>2014 Plan</th>
<th>2015 Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restructuring</td>
<td>(37)</td>
<td>(238)</td>
<td>(72)</td>
<td>(6)</td>
<td>(100)</td>
<td>(100)</td>
</tr>
<tr>
<td>Investments</td>
<td>(37)</td>
<td>(128)</td>
<td>(137)</td>
<td>(29)</td>
<td>(160)</td>
<td>(185)</td>
</tr>
<tr>
<td>TOTAL</td>
<td>(74)</td>
<td>(366)</td>
<td>(209)</td>
<td>(35)</td>
<td>(260)</td>
<td>(285)</td>
</tr>
</tbody>
</table>

\(^1\) Cumulative gross savings

Note - The above figures have been adapted to exclude results related to the Audio, Video, Multimedia and Accessories business of:

Overhauling our business model architecture

- 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

**From 70+ business models**

**To 4 End2End business models**

- **Products**
  - Owner: Pieter Nota

- **Systems**
  - Owner: Eric Rondolat

- **Services**
  - Owner: Deborah DiSanzo

- **Software**
  - Owner: Deborah DiSanzo
Design for Excellence (DfX) will deliver EUR 1 billion of cost savings in the product creation process

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

- Early successes show that significant cost savings can be achieved in mature products, i.e. products being manufactured 5+ years, as well as new product introductions

- Currently building a funnel of opportunities targeting additional cumulative savings of EUR 1 billion over the period 2014 to 2016

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

1. Management update
2. Group results Q1 2014
3. Accelerate! Change and performance
4. Philips Business System and Path-to-Value
5. Group and sector overview
The Philips Business System, our repeatable system to unlock and deliver value

1. Manage our portfolio with granular value creation plans and resource allocation

2. Leverage our unique strengths and assets to drive global scale and local relevance across our portfolio

3. Be a learning organization that delivers with speed and excellence to our customers

4. Live a growth and performance culture

5. Create value in a repeatable manner
Mega trends create great opportunities for profitable growth

Mega Trends

- Growing and aging population with more chronic diseases
- Growing demand for integral value-based healthcare solutions
- Growth geographies\(^1\) with growing middle class
- Rising health & well-being consciousness
- The world needs more light and energy efficient lighting
- Digitalization driving demand for integrated lighting solutions

Sizeable Opportunities

- Around 65% of deaths globally are due to chronic and non-communicable diseases
- World’s population of people 60 years+ doubled since 1980; forecast to reach 2 billion by 2050
- The global middle class is expected to increase from 1.8 billion in 2009 to 4.9 billion by 2030
- Aging population, high obesity rates, and a raised awareness of un-healthy foods
- Urbanization leading to 3 billion more people in cities by 2050
- LED to be 45-50% of the market by 2016, as inefficient technologies are being phased out

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

Sources: World health organization, Agriculture and Agri-food Canada, OECD observer, and Philips Lighting global market study
Our business domains play right into these mega trends

**Mega Trends**

- Growing and aging population with more chronic diseases
- Growing demand for integral value-based healthcare solutions
- Growth geographies\(^1\) with growing middle class
- Rising health & well-being consciousness
- The world needs more light and energy efficient lighting
- Digitalization driving demand for integrated lighting solutions

**Our Business Domains**

- **Healthcare**
  - Imaging systems for diagnostics and therapy
  - Patient care for hospital and home
  - Clinical Informatics & consulting services

- **Consumer Lifestyle**
  - Personal health & well-being appliances and services

- **Lighting**
  - Light sources
  - Lighting applications, systems and services

---

\(^1\) Growth geographies are all geographies excluding USA, Canada, Western Europe, Australia, New Zealand, South Korea, Japan and Israel
Each of our ~40 businesses has a granular value creation roadmap towards 2016 targets and beyond.

### Our Business domains

<table>
<thead>
<tr>
<th>Domain</th>
<th>Business</th>
</tr>
</thead>
<tbody>
<tr>
<td>Healthcare</td>
<td>Imaging Systems for diagnostics and therapy</td>
</tr>
<tr>
<td></td>
<td>Patient care for hospital and home</td>
</tr>
<tr>
<td></td>
<td>Clinical Informatics &amp; consulting services</td>
</tr>
<tr>
<td>Consumer Lifestyle</td>
<td>Personal health &amp; well-being appliances and services</td>
</tr>
<tr>
<td>Lighting</td>
<td>Light sources</td>
</tr>
<tr>
<td></td>
<td>Lighting applications, systems and services</td>
</tr>
<tr>
<td>Other</td>
<td>IP licensing</td>
</tr>
<tr>
<td></td>
<td>Emerging businesses</td>
</tr>
</tbody>
</table>

### Our Businesses

- Radiology modalities & applications
- Ultrasound Imaging
- Image guided interventional therapy
- Acute and therapeutic care products
- Sleep & respiratory care
- Hospital and home patient monitoring
- Clinical informatics applications
- Healthcare consulting services
- Male Grooming, Beauty
- Oral Healthcare, Mother & Childcare
- Kitchen Appliances, Garment Care, Coffee
- Conventional lamps and drivers
- LED lamps, drivers and modules
- Lumileds, Automotive, OLED
- Professional Lighting Systems and Controls
- Consumer Luminaires
- IP and Brand licensing
- Various

### Our value creation levers

- Lean out & address under-performance issues
- Speed up innovation
- End2End business model redesign
- Exploit Philips’ global footprint for geographical adjacencies (spottiness)
- Strong focus on growth geographies\(^1\)
- Fill out logical product adjacencies
- Emerging businesses fitting our CAPs\(^2\)

---

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

2 Capabilities, Assets and Positions
Example value creation approach: Ultrasound

**Domain**

Imaging Systems for diagnostics and therapy

**Business**

Ultrasound Imaging

**Value creation roadmap**

Treat Ultrasound as a growth business and re-invest to expand:

- Leverage India R&D and China operations to expand value segment
- Develop channels in growth geographies to capture opportunities from mega trends
- Strengthen solutions approach by adding clinical decision support through anatomical intelligence
- Develop adjacency into services and new business models allowing remote diagnostics
- Grow partnerships in interventional applications and therapies

**Business Assessment**

Healthy and profitable business, leadership in the premium segment

**Market Insights**

- Ultrasound will have wider clinical applications in healthcare
- Profitable value segment will be key to further value creation

The new era in advanced Ultrasound Philips EPIQ with anatomical intelligence
We made significant portfolio changes
Resulting in a better growth platform with higher profit potential

Group Sales Mix

1st Jan 2011

- 36% Television
- 30% Audio, Video, Multimedia and Accessories
- 34% Speech processing
- Indal

Mar '14

- 21% Television
- 37% Audio, Video, Multimedia and Accessories
- 37% Speech processing
+ Discus
+ Povos (China)
+ Preethi (India)

- Lighting manufacturing sites
+ Indal

- Raytel
- Profile Pharma

- Assembléon

Legend:
- Healthcare
- Lighting
- Consumer Lifestyle
- Group
+ Acquisition
- Divestment
We have strong leadership\(^1\) positions in many markets across the globe

\(^1\) Global or Regional #1 or #2 position in the market
We leverage our unique strengths across our businesses and markets

**Philips Group Portfolio**

**Deep Market Insights**
- Global market leader in Lighting
- Top 3 Healthcare player
- Leadership positions¹ in over half of Group revenues

**Technology Innovation**
- Technology and know-how
- Strong IP positions (64,000 patent rights)
- Regional R&D centers

**Global Footprint**
- Loyal customer base in 100+ countries
- 37% of group revenues from growth geographies²

**The Philips Brand**
- World’s 40th most valuable brand 2013 compared to the 65th in 2004
- Brand value reached a record level to close to USD 10 billion

**Our People**
- Employee Engagement Index³ exceeds high performance benchmark value of 70%
- Culturally diverse top-200 leadership team

---

¹ Global #1 position in the market
² Growth geographies are all geographies excluding USA, Canada, Western Europe, Australia, New Zealand, South Korea, Japan and Israel
³ Based on bi-annual Philips’ Employee Engagement Survey
Our Path-to-Value is clearly mapped out

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

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

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

2011 2016

---

1 Capabilities, Assets and Positions
Next steps on our Path-to-Value

Philips Performance Box

Financial targets 2016

Sales growth CAGR\(^1\)  
- 4 - 6%

Group Reported\(^2\) EBITA as % of sales  
- Healthcare businesses 16 - 17%
- Consumer Lifestyle businesses 11 - 13%
- Lighting businesses 9 - 11%

Group ROIC\(^3\)  
>14%

---

\(^1\) Assuming real GDP growth of 3-4%
\(^2\) Including restructuring and acquisition-related charges
\(^3\) Excluding M&A impact
\(^4\) 2011 is Comparable Sales Growth % instead of CAGR%. 2011 according to portfolio at that time
Accelerate! delivers growth and profitability improvements supporting 2016 targets and beyond

<table>
<thead>
<tr>
<th>Categories</th>
<th>Measures</th>
<th>Margin Impact 2016(^1)</th>
</tr>
</thead>
</table>
| Productivity        | • Overhead cost reduction program increased from EUR 1.1 billion to EUR 1.5 billion by 2015  
                       • EUR 1 billion through Design for Excellence (DfX) between 2014-2016 contributing to gross margin expansion  
                       • End2End productivity gains to be achieved by 2016                                                                                         | >100 bps                  |
|                     |                                                                                                                                                                                                            | 100-200 bps               |
|                     |                                                                                                                                                                                                            | >100 bps                  |
| Additional Productivity Improvements |                                                                                                                                                                                                             | 300-400 bps               |
| Investments in productivity | • Incremental one-time restructuring costs, investments to upgrade IT systems, and re-engineer end to end processes between 2014-2016                                                                 | - 50 bps                 |
| Investments in growth | • Incremental investments in new (organic) growth in adjacencies with returns after 2016                                                                                                                     | - 100 bps                 |
| Contingency          | • Contingencies to cater for moderate fluctuations in market growth and price erosion compared to our assumptions                                                                                       | - 50 bps                 |
| Net Improvement in 2016 Reported EBITA |                                                                                                                                                                                                             | 100-200 bps               |

\(^1\) Approximate margin impact in 2016 compared to 2013 baseline
The Accelerate! journey will continue...

**2011 – 2013**

**Accelerating performance improvement**

- Executive Committee and leadership strengthened
- Investments in growth stepped-up
- BMC\(^1\) performance management implemented
- EUR 1.1 billion cost reduction program on track
- Operating margins & Inventory management improved
- Television and Audio, Video, Multimedia & Accessories addressed
- EUR 2 billion share buy-back completed
- Culture change gaining strong traction
- Philips Business System being implemented

---

**Focus 2014 – 2016**

**Continued implementation of the PBS\(^2\)**

- Complete Culture change
- Deliver on business & market strategies
- Improve performance to drive higher growth and improved returns
- Initiate new growth (organic/ bolt-on M&A)
- Increased overhead cost reduction program to EUR 1.5 billion
- Realize End2End productivity gains and apply Lean to all end to end processes supported by new IT systems
- Deliver EUR 1 billion savings in CoGS\(^3\) through DfX\(^4\)
- New share buy-back program of EUR 1.5 billion

---

\(^1\) Business Market Combination \(^2\) Philips Business System \(^3\) Cost of Goods Sold \(^4\) Design for X; X = cost, quality, manufacturing, etc.
Agenda

1. Management update
2. Group results Q1 2014
3. Accelerate! Change and performance
4. Philips Business System and Path-to-Value
5. Group and sector overview
We are a global diversified technology company

We manage a dynamic portfolio of ~40 businesses serving attractive markets of Healthcare, Personal health & well-being and Lighting

- €23.3 billion sales in 2013 enabled by the ~112,000 people employed
- €1.7 billion annual investments in innovation and ~64,000 patent rights
- Market reach in over 100 countries across the world
- More than 1/3 of the revenue from growth geographies

- Over 50% of the portfolio has global leadership positions
- More than 1/4 of revenues from recurring revenue streams

---

1 Growth geographies are all geographies excluding USA, Canada, Western Europe, Australia, New Zealand, South Korea, Japan and Israel
Philips: A strong diversified industrial group leading in health and well-being

<table>
<thead>
<tr>
<th>Philips</th>
<th>Businesses(^1,2)</th>
<th>Geographies(^1)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Healthcare</td>
<td>Western Europe</td>
</tr>
<tr>
<td></td>
<td>Consumer Lifestyle</td>
<td>North America</td>
</tr>
<tr>
<td></td>
<td>Lighting</td>
<td>Other Mature Geographies</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Growth Geographies(^3)</td>
</tr>
<tr>
<td>42%</td>
<td>21%</td>
<td>25%</td>
</tr>
<tr>
<td>37%</td>
<td></td>
<td>30%</td>
</tr>
<tr>
<td>8%</td>
<td></td>
<td>8%</td>
</tr>
<tr>
<td>37%</td>
<td></td>
<td>37%</td>
</tr>
</tbody>
</table>

Since 1891
Headquarters in Amsterdam, the Netherlands

- €23.3 Billion Sales in 2013. Portfolio consists of ~70% B2B businesses
- ~112,000 People employed worldwide in over 100 countries
- $9.8 Billion Brand value in 2013
- 7% of sales invested in R&D in 2013
- 64,000 patent rights, 46,000 trademark rights, 93,000 design rights

\(^1\) Based on sales last 12 months March 2014  
\(^2\) Excluding Central sector (IG&S)  
\(^3\) Growth geographies are all geographies excluding USA, Canada, Western Europe, Australia, New Zealand, South Korea, Japan and Israel
Our focused health and well-being portfolio: Healthcare, Consumer Lifestyle and Lighting

Last twelve months

**Sales**

100% = EUR 22.4B

- Healthcare: 42%
- Consumer Lifestyle: 21%
- Lighting: 37%

**Adjusted EBITA**

100% = EUR 2.7B

- Healthcare: 52%
- Consumer Lifestyle: 19%
- Lighting: 29%

**Net Operating Capital**

100% = EUR 13.2B

- Healthcare: 56%
- Consumer Lifestyle: 34%
- Lighting: 10%
Sustainability as a driver for growth

Success of EcoVision
Green Products represented around 51% of sales in 2013, up from 40%\(^1\) 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
- Philips received the VBDO Responsible Supply Chain Management Award for the 6\(^{th}\) consecutive time and the Kristal Award for the most transparent Annual Report (incl. Sustainability) by the Dutch Ministry of Economic Affairs (both times ranked 1\(^{st}\) among the 40 largest publicly listed Dutch companies)
- Philips was recognized as a leader in the Carbon Disclosure Project for the third consecutive year on both performance and disclosure
- Philips signed a partnership agreement with the Ellen MacArthur Foundation to leverage the benefits of the Circular Economy
- Philips has been recognized in Interbrand’s annual ranking of the top 50 Best Global Green Brands, moving up eight places to the 23rd position
- Philips has been recognized Energy Star partner of the year by the US Environmental Protection Agency for outstanding contribution to environmental protection through energy efficiency

\(^1\) Excluding the Audio, Video, Multimedia and Accessories business
Philips Healthcare Guiding Statement

We are dedicated to creating the future of health care and saving lives.

We develop innovative solutions across the continuum of care in partnership with clinicians and our customers to improve patient outcomes, provide better value and expand access to care.
Healthcare

What we do. Where we are.

<table>
<thead>
<tr>
<th>Philips Healthcare</th>
<th>Businesses¹</th>
<th>Geographies¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Imaging Systems</td>
<td>Western Europe</td>
<td>21%</td>
</tr>
<tr>
<td>Home Healthcare Solutions</td>
<td>North America</td>
<td>42%</td>
</tr>
<tr>
<td>Patient Care &amp; Clinical Informatics</td>
<td>Other Mature Geographies</td>
<td>12%</td>
</tr>
<tr>
<td>Customer Services</td>
<td>Growth Geographies²</td>
<td>25%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>36%</th>
<th>14%</th>
<th>23%</th>
<th>27%</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>8% of sales invested in R&amp;D in 2013</th>
<th>450+ Products &amp; services offered in over 100 countries</th>
</tr>
</thead>
</table>

**€9.6 Billion sales in 2013**

**36,000+ People employed worldwide in 100 countries**

---

¹ Based on sales last 12 months March 2014
² Growth geographies are all geographies excluding USA, Canada, Western Europe, Australia, New Zealand, South Korea, Japan and Israel
Healthcare: Delivering integral, innovative solutions across the continuum of care

• 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 diagnostics to treatment to patient care, from hospital to home, supported by informatics and consultancy

1 Excluding MedQuist sales of EUR 0.3 billion in 2006. Philips sold its ~70% interest in MedQuist in 2007
Health care industry dynamics will drive demand

Sharp rise in incidence of chronic disease and non-communicable lifestyle diseases
Globally, 36 million of the 57 million deaths are due to chronic and non-communicable disease
Approximately 80% of non-communicable disease deaths—29 million—occur in growth geographies

An aging population
World’s population of people 60 years+ has doubled since 1980 and is forecast to reach 2 billion by 2050

Access to care and clinician shortage
Recognized as one of the main obstacles to delivery of effective health services

Causes of death globally (2008)

80% occur in growth geographies

Deaths from chronic and non-communicable diseases
Deaths from all other causes

World population age 60+ (Millions)

1 Growth geographies are all geographies excluding USA, Canada, Western Europe, Australia, New Zealand, South Korea, Japan and Israel
Health care historical market development

North America Market Size / Growth and Impacts

The US market is expected to grow by low-single-digit for 2014-2016

USD millions


Balanced Budget Act 2
BBA Increases Outpatient Technical Charges
Stark II Rules Limit Physician Ownership in Outpatient Imaging
CMS P4P Reduces Reimbursement for 80% of Hospitals
DRA announced
Bond crisis
Utilization, physician fee schedule
Signing Healthcare Reform
ACA Supreme Court; Elections
Fiscal cliff, Budget ceiling
ACA Incentives/penalties take effect

Imaging Systems incl. Ultrasound
Out of Hospital Imaging Growth
Economic Downturn
Patient Care and Clinical Informatics
Economic downturn

The US market is expected to grow by low-single-digit for 2014-2016.
# Health care market developments in the US

**Short Term**

<table>
<thead>
<tr>
<th>Economic Factor</th>
<th>Imaging Systems</th>
<th>Patient Care &amp; Clinical Informatics</th>
<th>Home Healthcare Solutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economy</td>
<td>neutral</td>
<td>neutral</td>
<td>neutral</td>
</tr>
<tr>
<td>Medical Device Excise Tax</td>
<td>unfavorable</td>
<td>unfavorable</td>
<td>N.A.</td>
</tr>
<tr>
<td>CB2 in HHS¹</td>
<td>N.A.</td>
<td>N.A.</td>
<td>unfavorable</td>
</tr>
<tr>
<td>Capital spending hospitals</td>
<td>neutral</td>
<td>positive</td>
<td>N.A.</td>
</tr>
<tr>
<td>Sequestration</td>
<td>neutral</td>
<td>neutral</td>
<td>neutral</td>
</tr>
</tbody>
</table>

### Short Term Notes

- **Medical Device Excise Tax**: Applies to ~55% of our US sales; impact largely mitigated through cost and value chain measures.
- **CB2 in HHS¹**: Competitive Bidding impacts ~7% of our global HHS business, ~1% of the total global Healthcare revenue.
- **Capital spending**: Expected to be flat to low-single-digit growth; continued focus on IT upgrades; beneficial to PCCI.
- **Sequestration**: Included a 2% reduction in Medicare payments that remains in place with the budget agreement. Minor overall impact on growth.

¹ Competitive Bidding Round 2 in Home Healthcare Solutions
# Health care market developments in the US

## Mid to Long-Term

<table>
<thead>
<tr>
<th>Health care demographics</th>
<th>Imaging Systems</th>
<th>Patient Care &amp; Clinical Informatics</th>
<th>Home Healthcare Solutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>positive</td>
<td>positive</td>
<td>positive</td>
<td>positive</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Aging of equipment base</th>
<th>Imaging Systems</th>
<th>Patient Care &amp; Clinical Informatics</th>
<th>Home Healthcare Solutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>positive</td>
<td>positive</td>
<td>positive</td>
<td>positive</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Affordable Care Act (ACA)</th>
<th>Imaging Systems</th>
<th>Patient Care &amp; Clinical Informatics</th>
<th>Home Healthcare Solutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>unfavorable</td>
<td>neutral</td>
<td>neutral</td>
<td>neutral</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Meaningful use</th>
<th>Imaging Systems</th>
<th>Patient Care &amp; Clinical Informatics</th>
<th>Home Healthcare Solutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>neutral</td>
<td>neutral</td>
<td>positive</td>
<td>positive</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Improved care at lower cost</th>
<th>Imaging Systems</th>
<th>Patient Care &amp; Clinical Informatics</th>
<th>Home Healthcare Solutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>neutral</td>
<td>positive</td>
<td>positive</td>
<td>positive</td>
</tr>
</tbody>
</table>

## ACA Implementation (Affordable Care Act)

* 25-30 million additional patients into the health care system
* Payments linked to quality improvements and lower integral patient cost vs. ‘Fee for Service’ model
* Drive for more cost efficient care settings: “Hospital-to-Home”
* Reimbursement and other cuts will have an overall negative impact on Imaging Systems, relatively neutral impact on other businesses

## Meaningful use

Favorable to PCCI business

## Improved quality of care at lower cost

Reimbursement changes will increase need for solutions and consulting services; positive impact for PCCI and HHS businesses; increased need for value offerings in Imaging Systems
Healthcare: Q1 2014 Sector analysis

Key figures (in EUR million)

<table>
<thead>
<tr>
<th></th>
<th>1Q13</th>
<th>4Q13</th>
<th>1Q14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>2,127</td>
<td>2,828</td>
<td>1,966</td>
</tr>
<tr>
<td>% sales growth comp.</td>
<td>(1)</td>
<td>4</td>
<td>(2)</td>
</tr>
<tr>
<td>EBITA</td>
<td>222</td>
<td>541</td>
<td>152</td>
</tr>
<tr>
<td>EBITA as % of sales</td>
<td>10.4</td>
<td>19.1</td>
<td>7.7</td>
</tr>
<tr>
<td>EBIT</td>
<td>176</td>
<td>477</td>
<td>109</td>
</tr>
<tr>
<td>EBIT as % of sales</td>
<td>8.3</td>
<td>16.9</td>
<td>5.5</td>
</tr>
<tr>
<td>NOC</td>
<td>7,888</td>
<td>7,437</td>
<td>7,443</td>
</tr>
<tr>
<td>Employees (FTEs)</td>
<td>37,270</td>
<td>37,008</td>
<td>36,506</td>
</tr>
</tbody>
</table>

Sales per region

- Latin America: 25%
- North America: 45%
- Asia Pacific: 25%
- EMEA: 25%

Sales per business

- HHS\(^1\): 17%
- Imaging Systems: 29%
- Customer Services: 30%
- PCCI\(^1\): 24%

Financial performance

- Currency-comparable equipment orders showed low-single-digit growth year-on-year. Patient Care & Clinical Informatics recorded double-digit growth. Imaging Systems posted a mid-single-digit decline. Equipment order intake in North America showed mid-single-digit growth. Growth geographies showed a low-single-digit increase as strong growth in Latin America, Middle East & Turkey and India was partially offset by a decline in China and Russia & Central Asia. Western Europe recorded low-single-digit-growth, while other mature geographies showed a double-digit decline.

- Healthcare comparable sales showed a low-single-digit decline year-on-year. Home Healthcare Solutions posted mid-single-digit growth, while Customer Services and Patient Care & Clinical Informatics achieved low-single-digit growth. Imaging Systems recorded a double-digit decline. Comparable sales showed low-single-digit growth in Western Europe and mid-single-digit growth in other mature geographies, while North America and growth geographies recorded a mid-single-digit decline.

- EBITA amounted to EUR 152 million, or 7.7% of sales, compared to EUR 222 million, or 10.4% of sales, in Q1 2013. Excluding restructuring and acquisition-related charges, EBITA amounted to EUR 173 million, or 8.8% of sales, compared to EUR 224 million, or 10.5% of sales, in Q1 2013. The decrease was mainly due to lower gross margins and the production suspension in our Cleveland facility.

- Net operating capital, excluding a negative currency translation effect of EUR 590 million, increased by EUR 145 million. This increase was largely driven by higher working capital. Inventories as a percentage of sales improved by 0.8 percentage points year-on-year.

- Compared to Q1 2013, the number of employees decreased by 764. This decrease was due to overhead reduction, industrial footprint rationalization and divestments, offset by investments in growth geographies. Compared to Q4 2013, the number of employees decreased by 502, due to overhead reduction and industrial footprint rationalization.

\(^1\) HHS = Home Healthcare Solutions; PCCI = Patient Care & Clinical Informatics
Healthcare: Equipment order intake

Quarterly currency adjusted equipment order intake growth

Currency adjusted order intake only relates to the Imaging Systems and Patient Care & Clinical Informatics businesses
Healthcare: Equipment order book

Quarter end equipment 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.
Philips Consumer Lifestyle Guiding Statement

We deliver innovative Personal Health and Well-being appliances and services.

We leverage deep consumer insights and smart technology.

We are committed to deliver the best customer experience and be the preferred brand where we compete.

In combination with our global scale, local market relevance and superior execution, this enables us to create long term value.
Consumer Lifestyle

What we do. Where we are.

### Philips Consumer Lifestyle

#### Businesses¹, ²

<table>
<thead>
<tr>
<th>Personal Care</th>
<th>Health &amp; Wellness</th>
<th>Domestic Appliances</th>
</tr>
</thead>
<tbody>
<tr>
<td>33%</td>
<td>20%</td>
<td>46%</td>
</tr>
</tbody>
</table>

#### Geographies¹

<table>
<thead>
<tr>
<th>Western Europe</th>
<th>North America</th>
<th>Other Mature Geographies</th>
<th>Growth Geographies³</th>
</tr>
</thead>
<tbody>
<tr>
<td>29%</td>
<td>16%</td>
<td>7%</td>
<td>48%</td>
</tr>
</tbody>
</table>

- **€4.6 Billion sales in 2013**
- **17,000+ People employed worldwide**
- **6% of sales invested in R&D in 2013**
- **49% of green product sales in 2013**

---

¹ Based on sales last 12 months March 2014
² Other category (1%) is omitted from this overview
³ Growth geographies are all geographies excluding USA, Canada, Western Europe, Australia, New Zealand, South Korea, Japan and Israel
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

Total sales EUR 8.7 billion

- Domestic Appliances: 23%
- Personal Care: 13%
- Health & Wellness: 7%
- Lifestyle Entertainment: 36%
- Others: 4%

Total sales EUR 4.6 billion

- Television: 33%
- Domestic Appliances: 46%
- Personal Care: 20%
- Health & Wellness: 1%
- Lifestyle Entertainment: 4%
- Others: 23%

Last 12 months Mar ’14
Our growth thrusts are enabled by our Capabilities, Assets and Positions

<table>
<thead>
<tr>
<th>Strengthening the core</th>
<th>New business adjacencies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Locally relevant innovations and global platforms</td>
<td>In Personal Health and Well-being</td>
</tr>
<tr>
<td>Addressing geographical white spots</td>
<td></td>
</tr>
</tbody>
</table>

Philips Group Portfolio

- Deep Market Insights
- Technology Innovation
- Global Footprint
- The Philips Brand
- Our People
We are further building our leadership positions in these categories

**Personal Care**

- **Male Grooming**
  - 40% of SensoTouch and AquaTouch users recruited from blade, in total recruited 7% new shaving users this year\(^1\)
  - Increasing our share in the total Male Grooming market (including blade)
  - Further strengthening leadership in China; expanding into lower tier cities

**Beauty**

- Leadership positions\(^2\) in Hair Care in growth geographies\(^3\)
- Continuing to strengthen #1 position in Intense Pulsed Light (IPL) hair removal in Europe
- VisaPure cleansing brush successfully launched in 20 markets

**Health & Wellness**

- **Oral Healthcare**
  - Enhancing geographic growth with strong market share increase outside US
  - Converting more manual users to electric, entering manual aisle with PowerUp battery in the US
  - Launching new FlexCare Platinum, high consumer ratings

- **Mother & Child Care**
  - Natural range launched globally, with significant profitability improvement
  - Strengthening geographic footprint with strong growth in key markets such as China
  - #1 Market position in many markets

---

\(^1\) Based on top 10 BMC’s (Business Market Combination) sell-in volumes corrected for average shaver lifetime

\(^2\) Global or Regional #1 or #2 position

\(^3\) Growth geographies are all geographies excluding USA, Canada, Western Europe, Australia, New Zealand, South Korea, Japan and Israel

Source: GfK, Nielsen, YTD and MAT December 2013
We are further building our leadership positions in these categories

**Kitchen Appliances**
- Double-digit growth in 2013 driven by strong innovation
- Acquisitions and local product creation drive a significant increase of new product offers
- Leadership in key markets strengthened through local relevance
- #1 low fat fryer brand

**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**
- Revamped full automatic Espresso portfolio and strong product pipeline enables us to win in the espresso domain
- Regaining espresso market share in the #1 espresso market, DACH
- Ready to work with new owners of D.E. Master Blenders 1753, further building the Senseo business
- Created an alliance with Tchibo for our Saeco brand in espresso capsules

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1 Source: Euromonitor International Ltd. Low fat fryers is per light fryers category definition; retail volume sales 2012 and 2013
2 Germany, Austria, Switzerland
Source: GfK, Nielsen, YTD and MAT December 2013
Consumer Lifestyle: Q1 2014 Sector analysis

Key figures (in EUR million)

<table>
<thead>
<tr>
<th></th>
<th>1Q13</th>
<th>4Q13</th>
<th>1Q14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>1,003</td>
<td>1,428</td>
<td>1,016</td>
</tr>
<tr>
<td>% sales growth comp.</td>
<td>10</td>
<td>8</td>
<td>7</td>
</tr>
<tr>
<td>EBITA</td>
<td>98</td>
<td>187</td>
<td>108</td>
</tr>
<tr>
<td>EBITA as % of sales</td>
<td>9.8</td>
<td>13.1</td>
<td>10.6</td>
</tr>
<tr>
<td>EBIT</td>
<td>84</td>
<td>174</td>
<td>96</td>
</tr>
<tr>
<td>EBIT as % of sales</td>
<td>8.4</td>
<td>12.2</td>
<td>9.4</td>
</tr>
<tr>
<td>NOC</td>
<td>1,092</td>
<td>1,261</td>
<td>1,321</td>
</tr>
<tr>
<td>Employees (FTEs)</td>
<td>17,095</td>
<td>17,255</td>
<td>17,103</td>
</tr>
</tbody>
</table>

Financial performance

- Consumer Lifestyle comparable sales increased by 7%. High-single-digit comparable sales growth was seen at Domestic Appliances, while Health & Wellness and Personal Care recorded mid-single-digit growth. Comparable sales showed double-digit growth in growth geographies and low-single-digit growth in mature geographies. Western Europe showed low-single-digit growth, while North America recorded a low-single-digit decline.

- EBITA amounted to EUR 108 million, or 10.6% of sales, compared to EUR 98 million, or 9.8% of sales, in Q1 2013. Excluding restructuring and acquisition-related charges, EBITA was EUR 108 million, or 10.6% of sales, compared to EUR 99 million, or 9.9% of sales, in Q1 2013. The improvement of 0.7 percentage points was largely attributable to higher gross margins.

- EBITA included EUR 4 million of net costs formerly reported in the Audio, Video, Multimedia and Accessories business (Q1 2013: EUR 7 million).

- Net operating capital, excluding a negative currency translation effect of EUR 65 million, increased by EUR 294 million year-on-year. The increase was largely driven by higher working capital and a reduction in provisions. Inventories as a percentage of sales improved by 0.1 percentage points year-on-year.

- The number of employees increased by 8 year-on-year, as reductions at Domestic Appliances were offset by increases at Health & Wellness. Compared to Q4 2013, the number of employees decreased by 152, the majority in North America.

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1 Adjusted to reflect a change of reported employees
2 H&W = Health & Wellness
Philips Lighting Guiding Statement

We are improving people’s lives with light by delivering unique value and energy efficient solutions to consumers and professional customers, every day, everywhere.

We are using deep customer insights and technological innovations, coupled with our trusted brand and global leadership positions, to lead the digital lighting revolution.

Our 4 pillar strategy: a clear Path-to-Value

1. Lead the technological revolution
2. Win in the consumer market
3. Drive innovation in professional lighting systems and services
4. Accelerate!
Lighting
What we do. Where we are.

## Philips Lighting

<table>
<thead>
<tr>
<th>Businesses¹</th>
<th>Geographies¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Light Sources &amp; Electronics</td>
<td>Western Europe</td>
</tr>
<tr>
<td>Professional Lighting Solutions</td>
<td>North America</td>
</tr>
<tr>
<td>Lumileds</td>
<td>Other Mature Geographies</td>
</tr>
<tr>
<td>Automotive</td>
<td>Growth Geographies²</td>
</tr>
<tr>
<td>Consumer Luminaires</td>
<td></td>
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<table>
<thead>
<tr>
<th></th>
<th>Western Europe</th>
<th>North America</th>
<th>Other Mature Geographies</th>
<th>Growth Geographies²</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>29%</td>
<td>23%</td>
<td>4%</td>
<td>44%</td>
</tr>
</tbody>
</table>

| | 51% | 28% | 5% | 11% | 5% |

<table>
<thead>
<tr>
<th></th>
<th>Billion sales in 2013</th>
<th>45,000+</th>
<th>5% of sales invested in R&amp;D in 2013</th>
<th>80,000 Products &amp; services offered in 2013</th>
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<tbody>
<tr>
<td></td>
<td>€8.4</td>
<td>People employed worldwide in 60 countries</td>
<td>of sales invested in R&amp;D in 2013</td>
<td>Products &amp; services offered in 2013</td>
</tr>
</tbody>
</table>

¹ Based on sales last 12 months March 2014
² Growth geographies are all geographies excluding USA, Canada, Western Europe, Australia, New Zealand, South Korea, Japan and Israel
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

Total sales EUR 5.5 billion

2006

- Light Sources & Electronics: 67%
- Professional Lighting Solutions: 17%
- Automotive: 6%
- Consumer Luminaires: 10%

Total sales EUR 8.3 billion

Last 12 months

Mar ’14

- Light Sources & Electronics: 51%
- Professional Lighting Solutions: 28%
- Consumer Luminaires: 5%
- Automotive: 11%
- Lumileds: 5%
We increase our focus towards the people we serve
Further strengthening our global leadership in Lighting

<table>
<thead>
<tr>
<th>Philips Lighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Segments¹</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Homes</th>
<th>Offices</th>
<th>Outdoor</th>
<th>Industry</th>
<th>Retail</th>
<th>Hospitality</th>
<th>Entertainment</th>
<th>Healthcare</th>
<th>Automotive</th>
</tr>
</thead>
<tbody>
<tr>
<td>23%</td>
<td>11%</td>
<td>26%</td>
<td>4%</td>
<td>17%</td>
<td>5%</td>
<td>2%</td>
<td>1%</td>
<td>11%</td>
</tr>
</tbody>
</table>

• ~ 75%¹ of Lighting sales is B2B
• ~ 33%² of Lighting sales is LED lighting

¹ Indicative split based on last 12 months March 2014
² Based on Q1 2014
Lighting: Q1 2014 Sector analysis

Key figures (in EUR million)

<table>
<thead>
<tr>
<th></th>
<th>1Q13</th>
<th>4Q13</th>
<th>1Q14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>1,975</td>
<td>2,306</td>
<td>1,892</td>
</tr>
<tr>
<td>% sales growth comp.</td>
<td>0</td>
<td>8</td>
<td>0</td>
</tr>
<tr>
<td>EBITA</td>
<td>147</td>
<td>218</td>
<td>138</td>
</tr>
<tr>
<td>EBIT as % of sales</td>
<td>5.6</td>
<td>5.4</td>
<td>5.7</td>
</tr>
<tr>
<td>NOC</td>
<td>4,664</td>
<td>4,462</td>
<td>4,484</td>
</tr>
<tr>
<td>Employees (FTEs)</td>
<td>49,404</td>
<td>46,890</td>
<td>45,659</td>
</tr>
</tbody>
</table>

Sales per region

<table>
<thead>
<tr>
<th>Region</th>
<th>EMEA</th>
<th>Latin America</th>
<th>North America</th>
<th>Asia Pacific</th>
</tr>
</thead>
<tbody>
<tr>
<td>Latin America</td>
<td>5%</td>
<td>39%</td>
<td>24%</td>
<td>5%</td>
</tr>
<tr>
<td>EMEA</td>
<td>39%</td>
<td>5%</td>
<td>32%</td>
<td>12%</td>
</tr>
<tr>
<td>North America</td>
<td>24%</td>
<td>5%</td>
<td>32%</td>
<td>12%</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>5%</td>
<td>12%</td>
<td>39%</td>
<td>5%</td>
</tr>
</tbody>
</table>

Sales per business

<table>
<thead>
<tr>
<th>Business</th>
<th>1Q13</th>
<th>4Q13</th>
<th>1Q14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automotive</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lumileds</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LS&amp;E¹</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PLS¹</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consumer Luminaires</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q1 2014</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Financial performance

- Lighting comparable sales were flat year-on-year. Lumileds and Automotive achieved double-digit growth, while Light Sources & Electronics and Professional Lighting Solutions posted a low-single-digit decline and Consumer Luminaires recorded a high-single-digit decline. Excluding OEM Lumileds sales, comparable sales showed a low-single-digit increase in growth geographies and a low-single-digit decline in mature geographies. LED-based sales grew 37% compared to Q1 2013, and now represent 33% of total Lighting sales, compared to 23% in Q1 2013.

- EBITA amounted to EUR 138 million, or 7.3% of sales, compared to EUR 147 million, or 7.4% of sales, in Q1 2013. EBITA, excluding restructuring and acquisition–related charges, was EUR 171 million, or 9.0% of sales, compared to EUR 166 million, or 8.4% of sales, in Q1 2013. The year-on-year EBITA increase was driven by higher gross margins and lower overhead costs.

- Net operating capital, excluding a negative currency translation effect of EUR 314 million, increased by EUR 134 million year-on-year. The increase was mainly due to an increase in accounts receivable and a decrease in provisions. Inventories as a percentage of sales decreased by 0.4 percentage points year-on-year.

- Compared to Q1 2013, the number of employees decreased by 3,745, mainly due to rationalization of the industrial footprint. The number of employees decreased by 1,231 compared to Q4 2013.

¹ LS&E = Light Sources & Electronics; PLS = Professional Lighting Solutions
We are the global leader in lighting

Indexed sales of Philips Lighting and Top 5 competitors¹

<table>
<thead>
<tr>
<th>Competitor</th>
<th>Indexed Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Philips</td>
<td>100</td>
</tr>
<tr>
<td>Competitor 1</td>
<td>63</td>
</tr>
<tr>
<td>Competitor 2</td>
<td>31</td>
</tr>
<tr>
<td>Competitor 3</td>
<td>24</td>
</tr>
<tr>
<td>Competitor 4</td>
<td>20</td>
</tr>
<tr>
<td>Competitor 5</td>
<td>15</td>
</tr>
</tbody>
</table>

We are the largest lighting company in the world …

... with market leadership positions across all categories and regions

Market share per Business Group by Region as per Q4 2013³

We are #1 in sold LED lighting globally

We are #1 in connected lighting globally²

Our market share in LED is higher than in conventional

¹ Sales for competitors based on latest fiscal year ² Source: Markets and Markets, Global smart lighting market (2013-2018) ³ Source: customer panels, industry associations and internal analysis ⁴ Excluding Japan ⁵ #1 position globally as nearest competitors play only on specific regions ⁶ Excluding Interior Lighting
Continue to be in the best position to capture value in the conventional market

Conventional market will remain sizeable for many years...

Global Conventional Light sources installed base¹
In units x Bn

- Conventional market has a significant installed base and growing demand from growth geographies³
- Conventional market will represent around 50% of total lighting market revenue by 2016

Rationalizing our product portfolio by reducing number of SKUs in our conventional business

# of conventional SKUs² in portfolio Indexed

Pro-actively rationalizing our industrial footprint faster than sales reduction

1 Source: Philips Lighting global market study 2013
2 SKUs = Stock Keeping Units
3 Growth geographies are all geographies excluding USA, Canada, Western Europe, Australia, New Zealand, South Korea, Japan and Israel
The lighting market is fundamentally attractive with expected growth of 4-6% CAGR until 2016

The lighting market is growing steadily - attractive profit pool will drive value creation

Global lighting product-related market forecast¹:

- Overall global product-related lighting market offers sustainable long-term growth, driven by 3 majors trends:
  - The world needs more light
  - The world needs more energy-efficient light
  - The world needs more digital light
- Conventional lighting is contracting by mid-single-digit CAGR (2012-2016)
- LED penetration progressing fast at +34% CAGR (2012-2016)
- Added value of systems and services delivering significantly higher margin profile and additional opportunity to current product-related market

We are pushing the boundaries of lighting by driving innovative systems and services

¹ Source: Philips Lighting global market study 2013. Excluding Automotive Lighting and LED components market
We are the leading LED lighting company

Increased R&D investment in LED leading to improved results

<table>
<thead>
<tr>
<th>R&amp;D spend LED Indexed</th>
<th>LTM Mar ’12</th>
<th>LTM Mar ’14</th>
</tr>
</thead>
<tbody>
<tr>
<td>+16%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

LED sales increase (in EUR billion)

<table>
<thead>
<tr>
<th>LED sales increase (in EUR billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>LTM Mar ’12</td>
</tr>
<tr>
<td>LTM Mar ’14</td>
</tr>
</tbody>
</table>

LED as a % of Lighting sales

<table>
<thead>
<tr>
<th>LED as a % of Lighting sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>LTM Mar ’12</td>
</tr>
<tr>
<td>LTM Mar ’14</td>
</tr>
</tbody>
</table>

Increased focus on LED products & portfolio developments

- We lead the technological revolution by investing significantly in LED R&D
- Total LED sales ~ EUR 2.6 billion last 12 months March 2014
- LED revenue growth and cost productivity gains will improve profitability

Leveraging Intellectual Property

- Scope: LED Controls and Basic Optics
- Philips Lighting Patent Portfolio:
  - 86% LED and digital related
  - 14% Conventional related
- 1400 Rights licensed
- Licensing Program has already 400 licensees
... and we are shaping the future of digital lighting

We have a unique competitive position in LED lighting

*Market presence in the digital value chain¹:*

- **Strong presence**
- **Developing presence**

We spend 29% more on R&D than our closest competitor

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

- Large majority of our R&D spend is focused on digital lighting

---

¹ Source: Latest competitors’ annual reports, LEDs magazine, LEDinside.com
² Source: Latest competitors’ annual reports, Digitimes Research March 2013, internal estimates, excluding General Electric and Japanese lighting companies for lack of data
Weakness in non-residential construction markets in mature geographies impacts growth

Around 20% of Philips Lighting sales driven by New Build in Western Europe & North America (WE&NA)

<table>
<thead>
<tr>
<th>Philips Lighting</th>
<th>New Build</th>
<th>Replacement</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td>12%</td>
<td>13%</td>
<td>25%</td>
</tr>
<tr>
<td>Commercial</td>
<td>26%</td>
<td>22%</td>
<td>48%</td>
</tr>
<tr>
<td>Other(^1)</td>
<td>19%</td>
<td>8%</td>
<td>27%</td>
</tr>
<tr>
<td>Total</td>
<td>57%</td>
<td>43%</td>
<td>100%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>New Build</th>
<th>WE&amp;NA</th>
<th>ROW</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td>6%</td>
<td>6%</td>
<td>12%</td>
</tr>
<tr>
<td>Commercial</td>
<td>13%</td>
<td>13%</td>
<td>26%</td>
</tr>
<tr>
<td>Total</td>
<td>19%</td>
<td>19%</td>
<td>38%</td>
</tr>
</tbody>
</table>

\(^1\) Others = Automotive and Outdoor
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

**Accelerate! investments**
Investments to support the transformation of Philips

**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 business, and other incidentals related to the legal liabilities of the Group
Innovation, Group & Services: Q1 2014 Sector analysis

Key figures (in EUR million)

<table>
<thead>
<tr>
<th></th>
<th>1Q13</th>
<th>4Q13</th>
<th>1Q14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>153</td>
<td>237</td>
<td>146</td>
</tr>
<tr>
<td>% sales growth comp.</td>
<td>(4)</td>
<td>15</td>
<td>(10)</td>
</tr>
<tr>
<td>EBITA:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Group Innovation</td>
<td>(30)</td>
<td>(42)</td>
<td>(47)</td>
</tr>
<tr>
<td>IP Royalties</td>
<td>52</td>
<td>122</td>
<td>69</td>
</tr>
<tr>
<td>Group &amp; Regional Costs</td>
<td>(36)</td>
<td>(72)</td>
<td>(35)</td>
</tr>
<tr>
<td>Accelerate! investments</td>
<td>(29)</td>
<td>(34)</td>
<td>(29)</td>
</tr>
<tr>
<td>Pensions</td>
<td>(4)</td>
<td>(4)</td>
<td>(2)</td>
</tr>
<tr>
<td>Services Units &amp; Other</td>
<td>(18)</td>
<td>(32)</td>
<td>(40)</td>
</tr>
<tr>
<td>EBITA</td>
<td>(65)</td>
<td>(62)</td>
<td>(84)</td>
</tr>
<tr>
<td>EBIT</td>
<td>(65)</td>
<td>(62)</td>
<td>(87)</td>
</tr>
<tr>
<td>NOC</td>
<td>(3,675)</td>
<td>(2,922)</td>
<td>(2,867)</td>
</tr>
<tr>
<td>Employees (FTEs)</td>
<td>12,346</td>
<td>12,937</td>
<td>13,038</td>
</tr>
</tbody>
</table>

Financial performance

- Sales decreased from EUR 153 million in Q1 2013 to EUR 146 million in Q1 2014, mainly due to lower Group Innovation income, partly offset by higher IP royalties.
- EBITA amounted to a net cost of EUR 84 million, compared to a net cost of EUR 65 million in Q1 2013. Excluding restructuring and acquisition-related charges, EBITA was a net cost of EUR 84 million, compared to a net cost of EUR 68 million in Q1 2013. The decrease was mainly due to higher investments in our emerging business areas and Accelerate!, notably in the transformation of our IT landscape, and the remeasurement of environmental provisions following changes in discount rates, partly offset by higher IP royalties.
- EBITA of Service Units and Other included EUR 13 million of net costs formerly reported in the Audio, Video, Multimedia and Accessories business (Q1 2013: EUR 18 million).
- Net operating capital, excluding a positive currency translation effect of EUR 165 million, increased by EUR 643 million year-on-year, mainly due to a decrease in pension liabilities, an increase in the value of currency hedges and a reclassification of real estate assets from the sectors to the Service Units.
- Compared to Q1 2013, the number of employees increased by 692, primarily driven by an increase in temporary workers in the IT Service Units as well as a shift of employees from the sectors to the Enterprise Information Management Service Unit. The number of employees increased by 101 compared to Q4 2013.
Appendix
## Financial calendar 2014

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 1</td>
<td>Annual General Meeting of Shareholders 2014</td>
</tr>
<tr>
<td>July 21</td>
<td>Second quarter and semi-annual results 2014</td>
</tr>
<tr>
<td>September 23-24</td>
<td>Capital Markets Days on all 3 business sectors</td>
</tr>
<tr>
<td>October 20</td>
<td>Third quarter results 2014</td>
</tr>
</tbody>
</table>
## Depreciation and amortization

**EUR million**

<table>
<thead>
<tr>
<th>Description</th>
<th>Q1 2013</th>
<th>Q1 2014</th>
<th>FY 2012</th>
<th>FY 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation of property, plant and equipment</td>
<td>145</td>
<td>149</td>
<td>677</td>
<td>632</td>
</tr>
<tr>
<td>Amortization of software</td>
<td>10</td>
<td>7</td>
<td>45</td>
<td>39</td>
</tr>
<tr>
<td>Amortization of other intangible assets</td>
<td>97</td>
<td>85</td>
<td>458</td>
<td>432</td>
</tr>
<tr>
<td>Amortization of development costs</td>
<td>53</td>
<td>59</td>
<td>218</td>
<td>246</td>
</tr>
<tr>
<td>Philips Group</td>
<td>305</td>
<td>300</td>
<td>1,398</td>
<td>1,349</td>
</tr>
</tbody>
</table>

Note - Financials in 2012 revised for discontinued operations, the adoption of IAS19R and for restatements included in the Annual Report 2012 (please refer to the Annual Report section 12.10 “Significant Accounting Policies”)
# Gross capital expenditures & Depreciation by sector

**EUR million**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Gross CapEx(^1)</th>
<th>Depreciation(^1)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q1 2013</td>
<td>Q1 2014</td>
</tr>
<tr>
<td>Healthcare</td>
<td>23</td>
<td>23</td>
</tr>
<tr>
<td>Consumer Lifestyle</td>
<td>27</td>
<td>16</td>
</tr>
<tr>
<td>Lighting</td>
<td>52</td>
<td>28</td>
</tr>
<tr>
<td>IG&amp;S</td>
<td>22</td>
<td>26</td>
</tr>
<tr>
<td><strong>Group</strong></td>
<td>124</td>
<td>93</td>
</tr>
</tbody>
</table>

\(^1\) Capital expenditures and depreciations on property, plant and equipment only
Gross capital expenditures & Depreciation by sector

EUR million

<table>
<thead>
<tr>
<th>Sector</th>
<th>Gross CapEx(^1)</th>
<th>2012</th>
<th>2013</th>
<th>Depreciation(^1)</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Healthcare</td>
<td></td>
<td>135</td>
<td>131</td>
<td></td>
<td>200</td>
<td>160</td>
</tr>
<tr>
<td>Consumer Lifestyle</td>
<td></td>
<td>128</td>
<td>135</td>
<td></td>
<td>104</td>
<td>108</td>
</tr>
<tr>
<td>Lighting</td>
<td></td>
<td>290</td>
<td>223</td>
<td></td>
<td>298</td>
<td>270</td>
</tr>
<tr>
<td>IG&amp;S</td>
<td></td>
<td>108</td>
<td>98</td>
<td></td>
<td>75</td>
<td>94</td>
</tr>
<tr>
<td>Group</td>
<td></td>
<td>661</td>
<td>587</td>
<td></td>
<td>677</td>
<td>632</td>
</tr>
</tbody>
</table>

\(^1\) Capital expenditures and deprecations on property, plant and equipment only

Note - Financials in 2012 revised for discontinued operations, the adoption of IAS19R and for restatements included in the Annual Report 2012 (please refer to the Annual Report section 12.10 “Significant Accounting Policies”)

86
## Development cost capitalization & amortization by sector

### EUR million

<table>
<thead>
<tr>
<th>Sector</th>
<th>Capitalization</th>
<th>Amortization</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
<td>2014</td>
</tr>
<tr>
<td>Healthcare</td>
<td>56</td>
<td>53</td>
</tr>
<tr>
<td>Consumer Lifestyle</td>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td>Lighting</td>
<td>12</td>
<td>13</td>
</tr>
<tr>
<td>IG&amp;S</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Group</td>
<td>80</td>
<td>78</td>
</tr>
</tbody>
</table>
### Development cost capitalization & amortization by sector

**EUR million**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Capitalization 2012</th>
<th>Capitalization 2013</th>
<th>Amortization 2012</th>
<th>Amortization 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Healthcare</td>
<td>246</td>
<td>252</td>
<td>128</td>
<td>154</td>
</tr>
<tr>
<td>Consumer Lifestyle</td>
<td>37</td>
<td>43</td>
<td>39</td>
<td>37</td>
</tr>
<tr>
<td>Lighting</td>
<td>66</td>
<td>62</td>
<td>51</td>
<td>55</td>
</tr>
<tr>
<td>IG&amp;S</td>
<td>14</td>
<td>24</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Group</strong></td>
<td><strong>363</strong></td>
<td><strong>381</strong></td>
<td><strong>218</strong></td>
<td><strong>246</strong></td>
</tr>
</tbody>
</table>

*Note - Financials in 2012 revised for discontinued operations, the adoption of IAS19R and for restatements included in the Annual Report 2012 (please refer to the Annual Report section 12.10 “Significant Accounting Policies”)*
Restructuring, acquisition-related and other incidentals

<table>
<thead>
<tr>
<th>EUR million</th>
<th>1Q13</th>
<th>2Q13</th>
<th>3Q13</th>
<th>4Q13</th>
<th>2013</th>
<th>1Q14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acq.-related charges</td>
<td>(3)</td>
<td>(2)</td>
<td>(1)</td>
<td>-</td>
<td>(6)</td>
<td>-</td>
</tr>
<tr>
<td>Restructuring</td>
<td>1</td>
<td>2</td>
<td>-</td>
<td>3</td>
<td>6</td>
<td>(21)</td>
</tr>
<tr>
<td>Other Incidentals</td>
<td>-</td>
<td>82</td>
<td>-</td>
<td>-</td>
<td>82</td>
<td>-</td>
</tr>
<tr>
<td><strong>Healthcare</strong></td>
<td>(2)</td>
<td>82</td>
<td>(1)</td>
<td>3</td>
<td>82</td>
<td>(21)</td>
</tr>
<tr>
<td>Acq.-related charges</td>
<td>(1)</td>
<td>-</td>
<td>(1)</td>
<td>(1)</td>
<td>(3)</td>
<td>-</td>
</tr>
<tr>
<td>Restructuring</td>
<td>-</td>
<td>(3)</td>
<td>(4)</td>
<td>(4)</td>
<td>(11)</td>
<td>-</td>
</tr>
<tr>
<td>Other Incidentals</td>
<td>-</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td><strong>Consumer Lifestyle</strong></td>
<td>(1)</td>
<td>(2)</td>
<td>(5)</td>
<td>(5)</td>
<td>(13)</td>
<td>-</td>
</tr>
<tr>
<td>Acq.-related charges</td>
<td>(1)</td>
<td>(1)</td>
<td>(2)</td>
<td>-</td>
<td>(4)</td>
<td>(3)</td>
</tr>
<tr>
<td>Restructuring</td>
<td>(18)</td>
<td>(22)</td>
<td>(34)</td>
<td>(22)</td>
<td>(96)</td>
<td>(30)</td>
</tr>
<tr>
<td>Other Incidentals</td>
<td>-</td>
<td>10</td>
<td>-</td>
<td>-</td>
<td>10</td>
<td>-</td>
</tr>
<tr>
<td><strong>Lighting</strong></td>
<td>(19)</td>
<td>(13)</td>
<td>(36)</td>
<td>(22)</td>
<td>(90)</td>
<td>(33)</td>
</tr>
<tr>
<td>Restructuring</td>
<td>3</td>
<td>-</td>
<td>1</td>
<td>(7)</td>
<td>(3)</td>
<td>-</td>
</tr>
<tr>
<td>Other Incidentals</td>
<td>-</td>
<td>6</td>
<td>(31)</td>
<td>-</td>
<td>(25)</td>
<td>-</td>
</tr>
<tr>
<td><strong>IG&amp;S</strong></td>
<td>3</td>
<td>6</td>
<td>(30)</td>
<td>(7)</td>
<td>(28)</td>
<td>-</td>
</tr>
<tr>
<td>Total Acq.-related charges</td>
<td>(5)</td>
<td>(3)</td>
<td>(4)</td>
<td>(1)</td>
<td>(13)</td>
<td>(3)</td>
</tr>
<tr>
<td>Total Restructuring</td>
<td>(14)</td>
<td>(23)</td>
<td>(37)</td>
<td>(30)</td>
<td>(104)</td>
<td>(51)</td>
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<tr>
<td>Total Other Incidentals</td>
<td>-</td>
<td>991</td>
<td>(31)</td>
<td>-</td>
<td>68</td>
<td>-</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td>(19)</td>
<td>73</td>
<td>(72)</td>
<td>(31)</td>
<td>(49)</td>
<td>(54)</td>
</tr>
</tbody>
</table>

1 Includes a EUR 78M past-service pension cost gain in the US (EUR 61M in Healthcare, EUR 1M in Consumer Lifestyle, EUR 10M in Lighting and EUR 6M in IG&S) and a EUR 21M gain on the sale of a business in Healthcare
2 A loss of EUR (31)M caused by an increase in the discount rate related to a settlement of the lump sum offering to former employees enrolled in our US pension plan
Note - Figures can be used to make the bridge between reported and adjusted EBITA numbers
## Acquisitions at a glance

### Healthcare

<table>
<thead>
<tr>
<th>Date</th>
<th>Company</th>
<th>Industry</th>
<th>Objective</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan-2011</td>
<td>medSage</td>
<td>Home Healthcare</td>
<td>Strengthen portfolio by becoming a leading provider of patient interaction and management applications</td>
</tr>
<tr>
<td>Mar-2011</td>
<td>Dameca</td>
<td>Patient Care and Clinical Informatics</td>
<td>Expand portfolio with integrated, advanced anesthesia care solutions</td>
</tr>
<tr>
<td>Jun-2011</td>
<td>AllParts Medical</td>
<td>Customer Services</td>
<td>Expand capabilities in imaging equipment services, strengthening Philips’ Multi-Vendor Services business</td>
</tr>
<tr>
<td>Jun-2011</td>
<td>Sectra</td>
<td>Imaging Systems</td>
<td>Expand Women’s Healthcare portfolio with a unique digital mammography solution in terms of radiation dose</td>
</tr>
</tbody>
</table>

### Consumer Lifestyle

<table>
<thead>
<tr>
<th>Date</th>
<th>Company</th>
<th>Industry</th>
<th>Objective</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan-2011</td>
<td>Preethi</td>
<td>Domestic Appliances</td>
<td>Become a leading kitchen appliances company in India</td>
</tr>
<tr>
<td>Jul-2011</td>
<td>Povos</td>
<td>Domestic Appliances</td>
<td>Expand product portfolio in China and continue to build business creation capabilities in growth geographies</td>
</tr>
</tbody>
</table>

### Lighting

<table>
<thead>
<tr>
<th>Date</th>
<th>Company</th>
<th>Industry</th>
<th>Objective</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan-2011</td>
<td>Optimum</td>
<td>Professional Lighting Solutions</td>
<td>Expand portfolio with customized energy-efficient lighting solutions</td>
</tr>
<tr>
<td>Jun-2011</td>
<td>Indal</td>
<td>Professional Lighting Solutions</td>
<td>Strengthen leading position in professional lighting within Europe</td>
</tr>
</tbody>
</table>

**Note:** Dates refer to announcement date of acquisition