A young child in a blue t-shirt is smiling and holding a glowing light stick at a night festival. The background is filled with colorful bokeh lights in shades of blue, green, and yellow. The child's t-shirt has a graphic of a tiger and flowers.

Royal Philips

First Quarter Results 2014
Information booklet

April 22nd, 2014

PHILIPS

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 EBITA¹

- 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 mainly¹ 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

OIT growth; Operational earnings impacted by lower volume

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

Sales in line; Operational earnings improve by 60 bps

¹ Adjusted EBITA in Q1 2014 excludes restructuring and acquisition-related charges of EUR 33 million

Management update Q1 2014: by Geography

Growth Geographies¹

- 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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Key Financials Summary – Q1 2014

EUR million

	Q1 2013	Q1 2014
Sales	5,258	5,020
EBITA	402 ¹	314 ¹
Financial income and expenses	(83)	(69)
Income taxes	(69)	(39)
Net income	162	137
Net Operating Capital	9,969	10,381
Net cash flow from operating activities	(228)	(172)
Net capital expenditures	(203)	(173)
Free cash flow	(431)	(345)

¹ 1Q14 includes EUR (54)M of restructuring and acquisition-related charges; 1Q13 includes EUR (19)M of restructuring and acquisition-related charges

Sales by sector – Q1 2014

EUR million

	Q1 2013	Q1 2014	% nom	% comp
Healthcare	2,127	1,966	(8)	(2)
Consumer Lifestyle	1,003	1,016	1	7
Lighting	1,975	1,892	(4)	0
Innovation, Group & Services	153	146	(5)	(10)
Philips Group	5,258	5,020	(5)	0

Sales by geography – Q1 2014

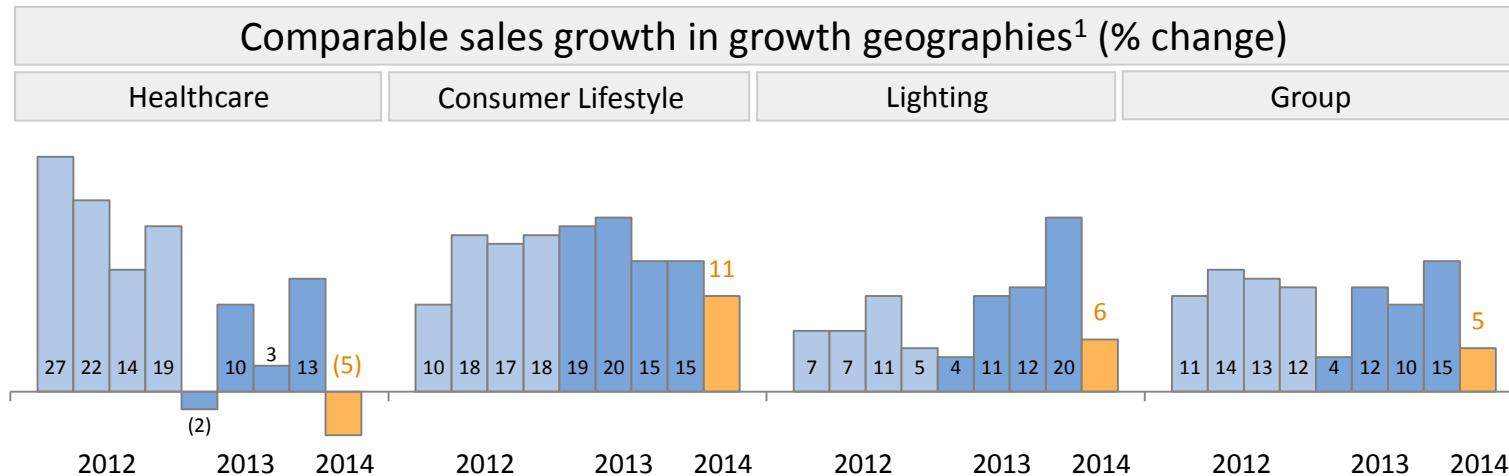
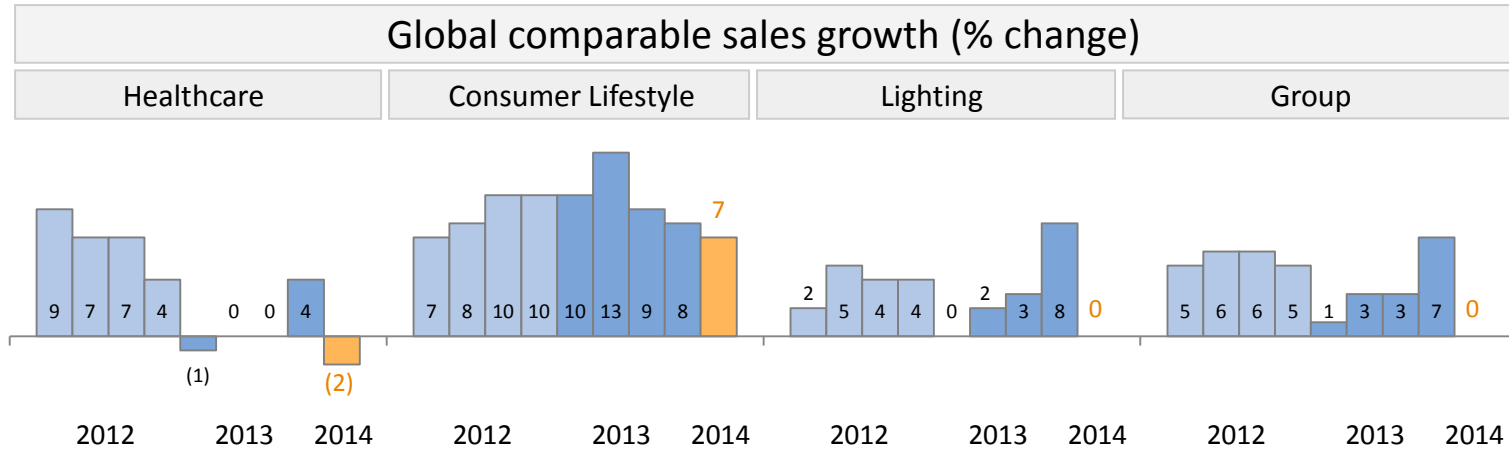
EUR million

	Q1 2013	Q1 2014	% nom	% comp
Western Europe	1,341	1,328	(1)	(1)
North America	1,650	1,530	(7)	(3)
Other mature geographies	493	450	(9)	3
Growth geographies ¹	1,774	1,712	(3)	5
Philips Group	5,258	5,020	(5)	0

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

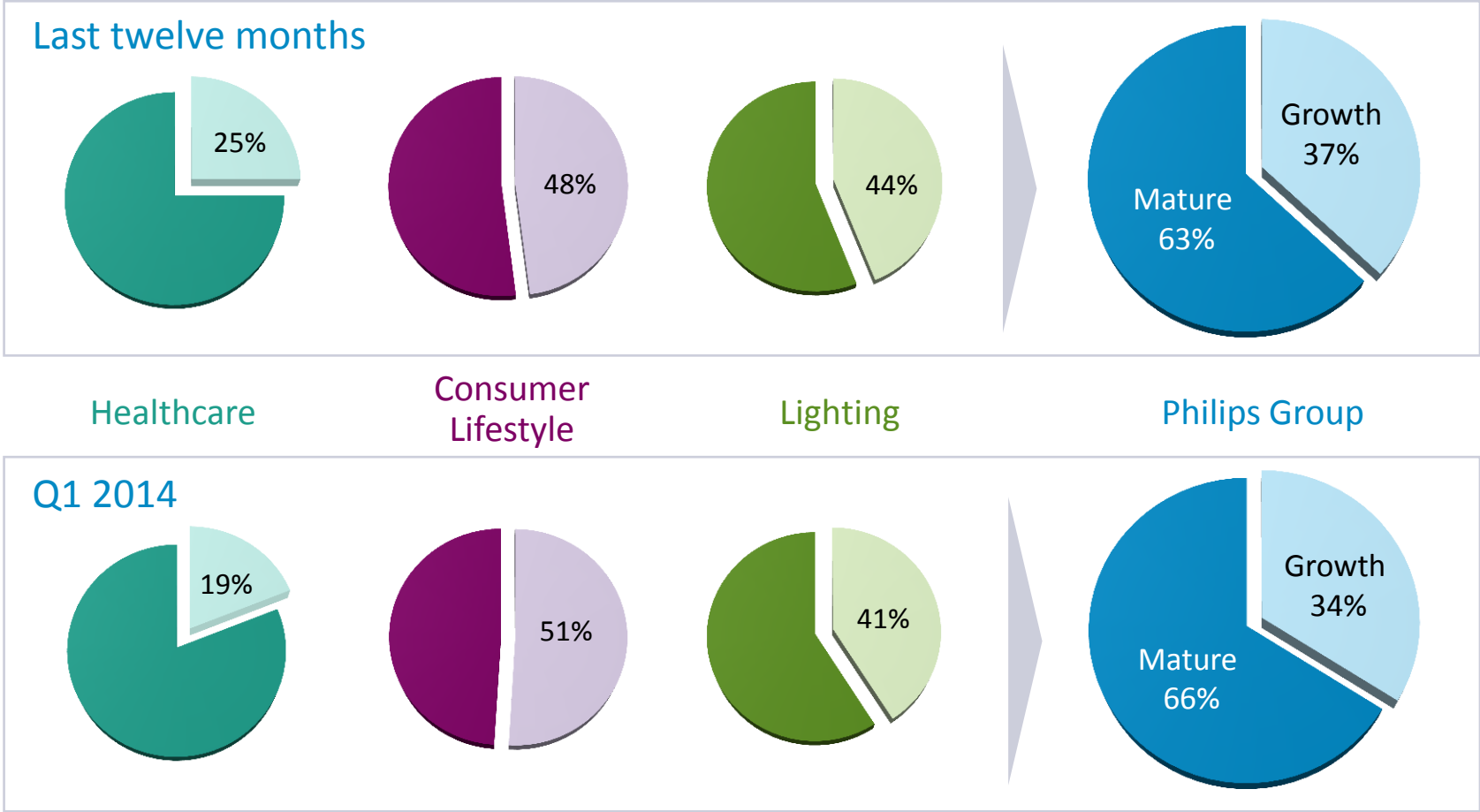


¹ Growth geographies are all geographies excluding USA, Canada, Western Europe, Australia, New Zealand, South Korea, Japan and Israel

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

EUR million

	Q1 2013		Q1 2014	
		as % of sales		as % of sales
Healthcare ¹	222	10.4%	152	7.7%
Consumer Lifestyle ²	98	9.8%	108	10.6%
Lighting ³	147	7.4%	138	7.3%
Innovation, Group & Services ⁴	(65)	-	(84)	-
Philips Group	402	7.6%	314	6.3%

¹ Q14 includes EUR (21)M of restructuring and acquisition-related charges; Q13 includes EUR (2)M of restructuring and acquisition-related charges

² Q13 includes EUR (1)M of restructuring and acquisition-related charges

³ Q14 includes EUR (33)M of restructuring and acquisition-related charges; Q13 includes EUR (19)M of restructuring and acquisition-related charges

⁴ Q13 includes a net release of EUR 3M of restructuring provisions

Adjusted EBITA by sector – Q1 2014

EUR million

	Q1 2013		Q1 2014	
		as % of sales		as % of sales
Healthcare ¹	224	10.5%	173	8.8%
Consumer Lifestyle ²	99	9.9%	108	10.6%
Lighting ³	166	8.4%	171	9.0%
Innovation, Group & Services ⁴	(68)	-	(84)	-
Philips Group	421	8.0%	368	7.3%

¹ 1Q14 excludes EUR (21)M of restructuring and acquisition-related charges; 1Q13 excludes EUR (2)M of restructuring and acquisition-related charges

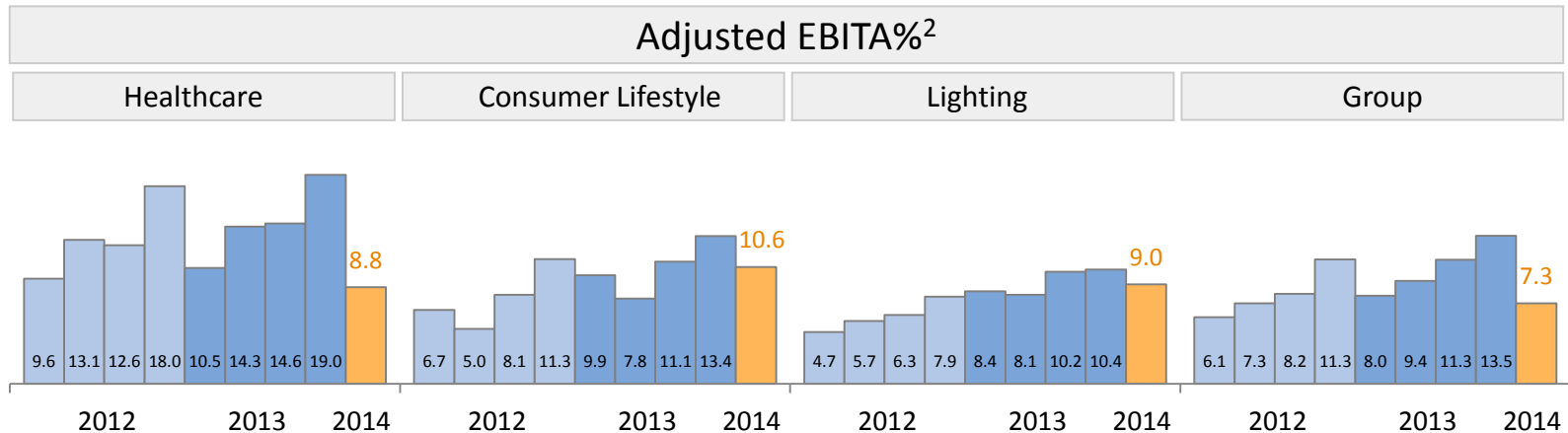
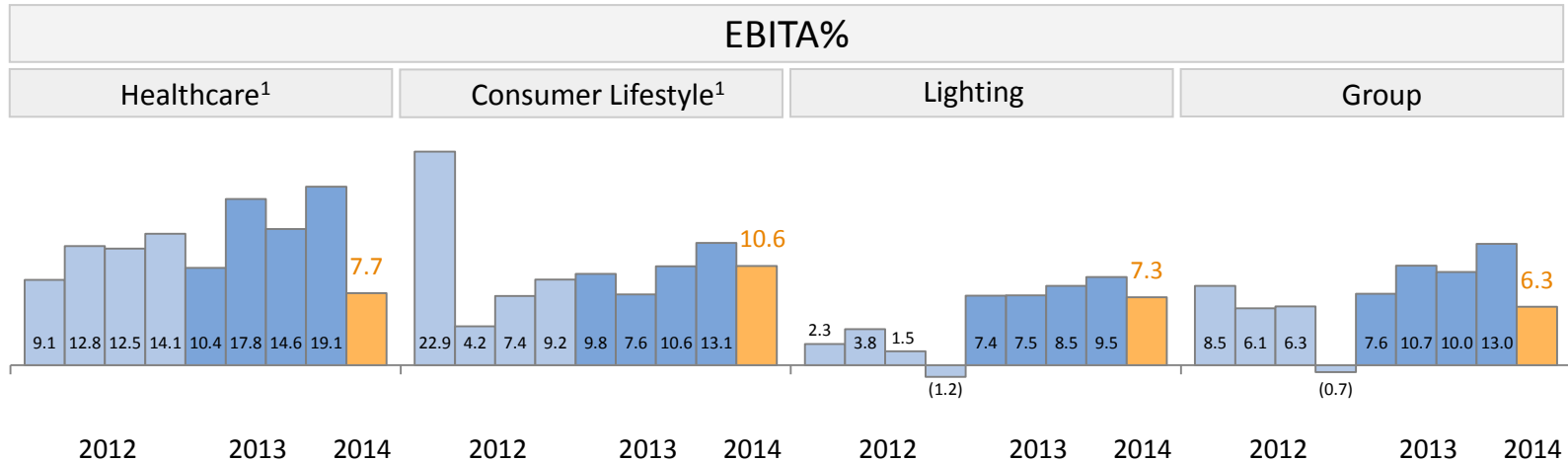
² 1Q13 excludes EUR (1)M of restructuring and acquisition-related charges

³ 1Q14 excludes EUR (33)M of restructuring and acquisition-related charges; 1Q13 excludes EUR (19)M of restructuring and acquisition-related charges

⁴ 1Q13 excludes a net release of EUR 3M of restructuring provisions

EBITA and Adjusted EBITA Margin development

Trend Q1 2012 – Q1 2014

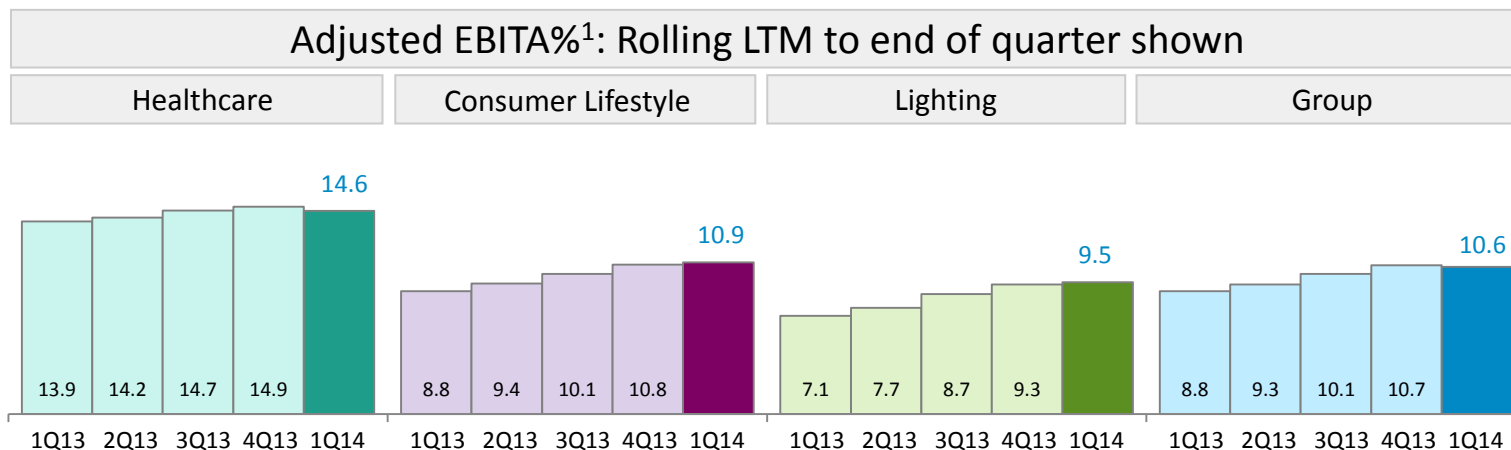
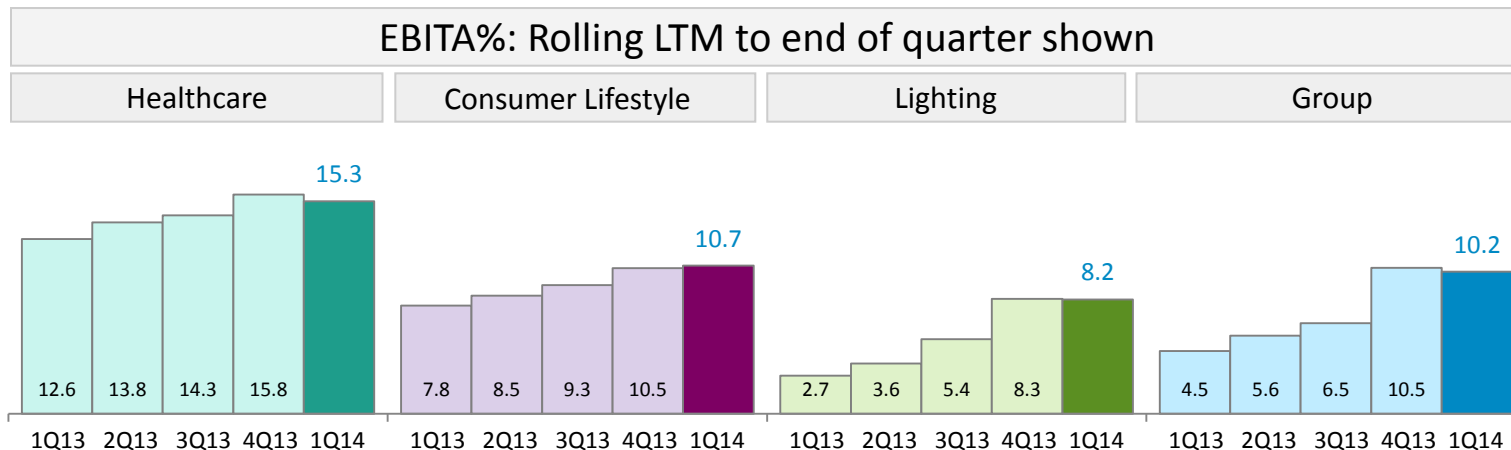


¹ Healthcare EBITA Q2 2013 includes a EUR 82 million gain from past-service pension costs in the US and the sale of a business; Consumer Lifestyle EBITA Q1 2012 includes a EUR 160M gain from the Senseo transaction ² Adjusted EBITA is EBITA corrected for incidental charges (details on slide 89)

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")

EBITA and Adjusted EBITA Margin development

Rolling last 12 months

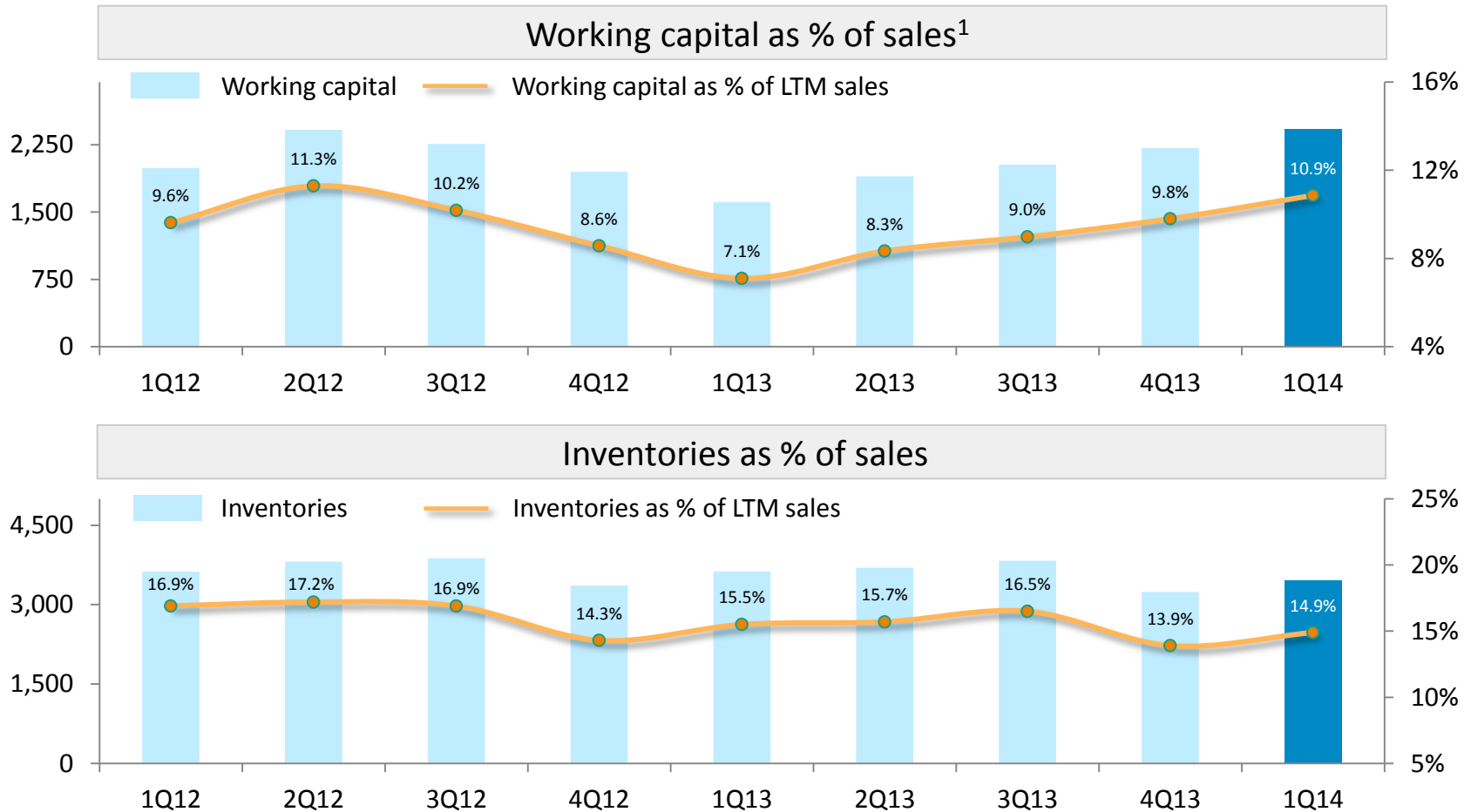


¹ Adjusted EBITA is EBITA corrected for incidental charges (details on slide 89)

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

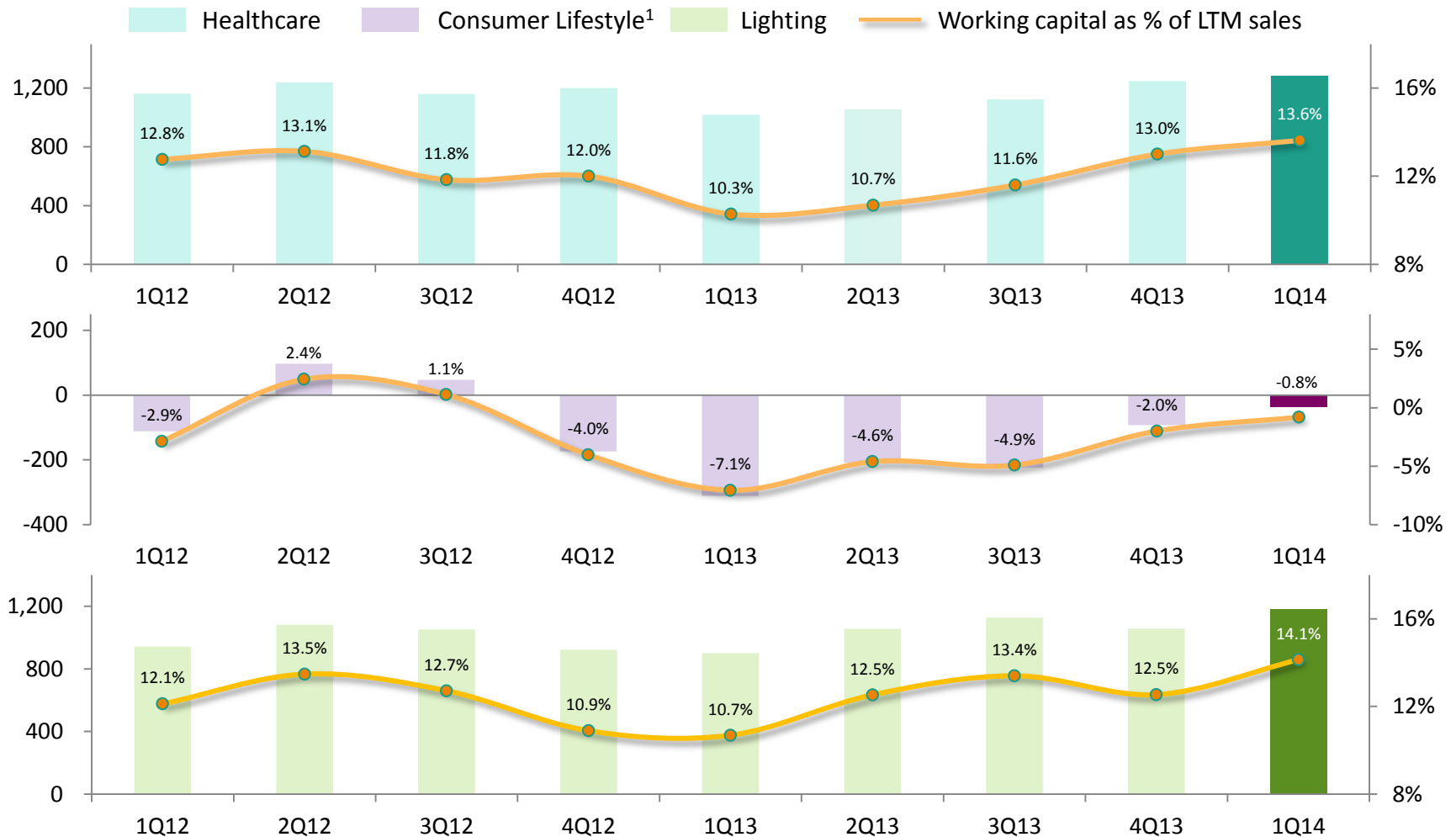


¹ Working capital as % of sales of Healthcare, Consumer Lifestyle and Lighting; excluding central sector IG&S. Working capital includes residual balance of discontinued operations

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



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")

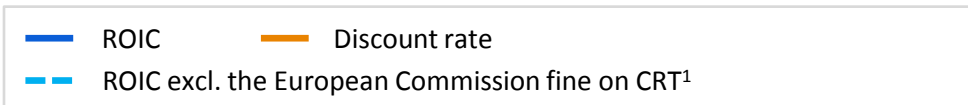
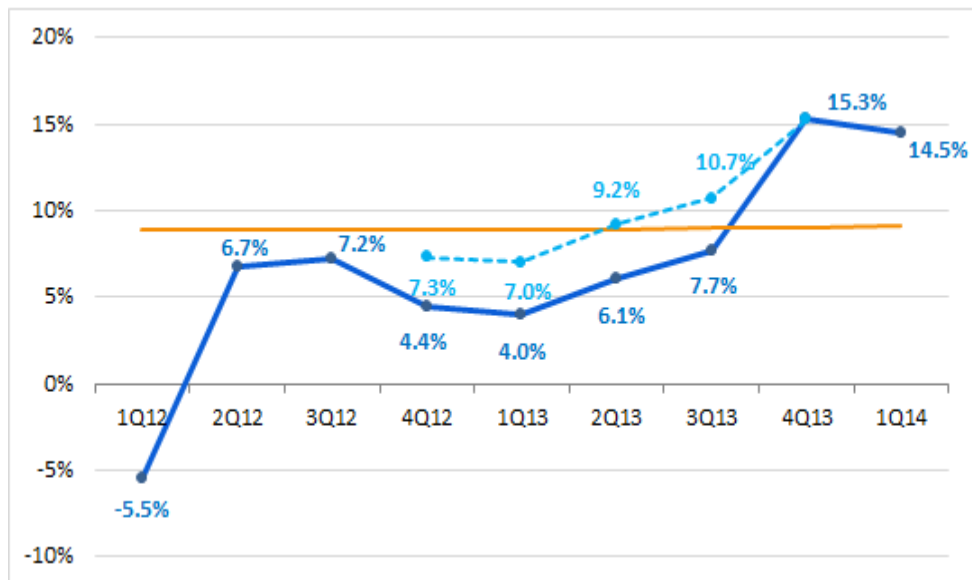
Free Cash Flow – Q1 2014

EUR million

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

¹ 1Q13 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 CRT¹
- 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")

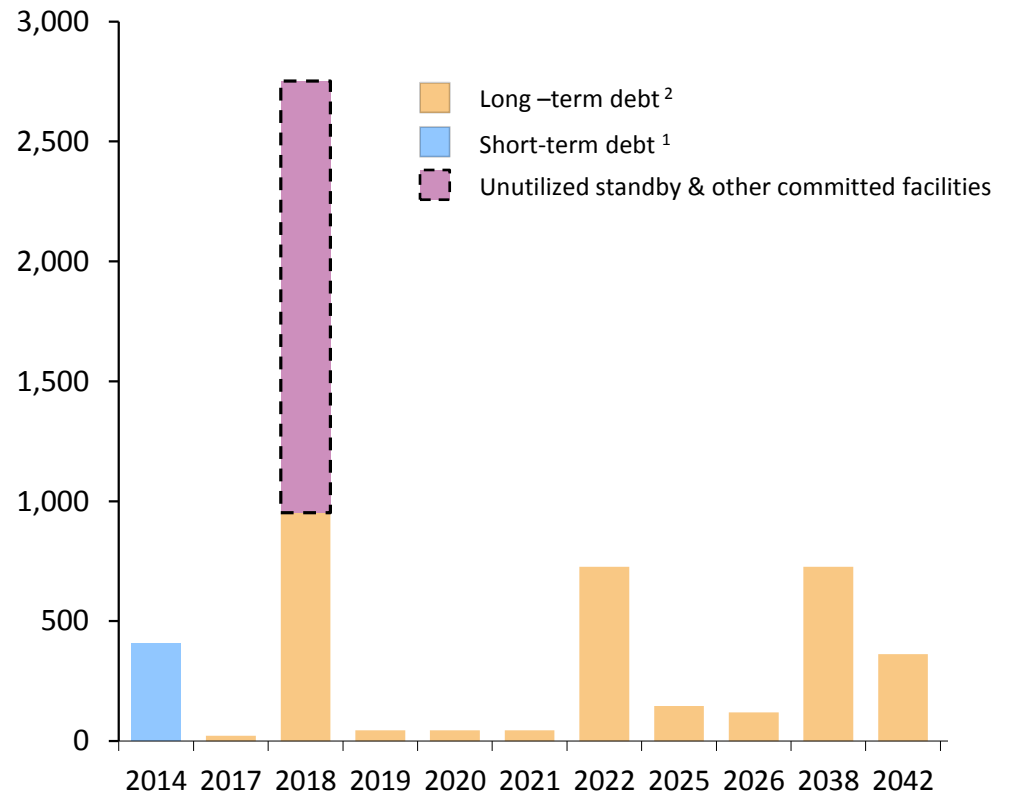
Philips' debt has a long maturity profile

Debt maturity profile as of March 2014

Amounts in EUR millions

Characteristics of long-term debt

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

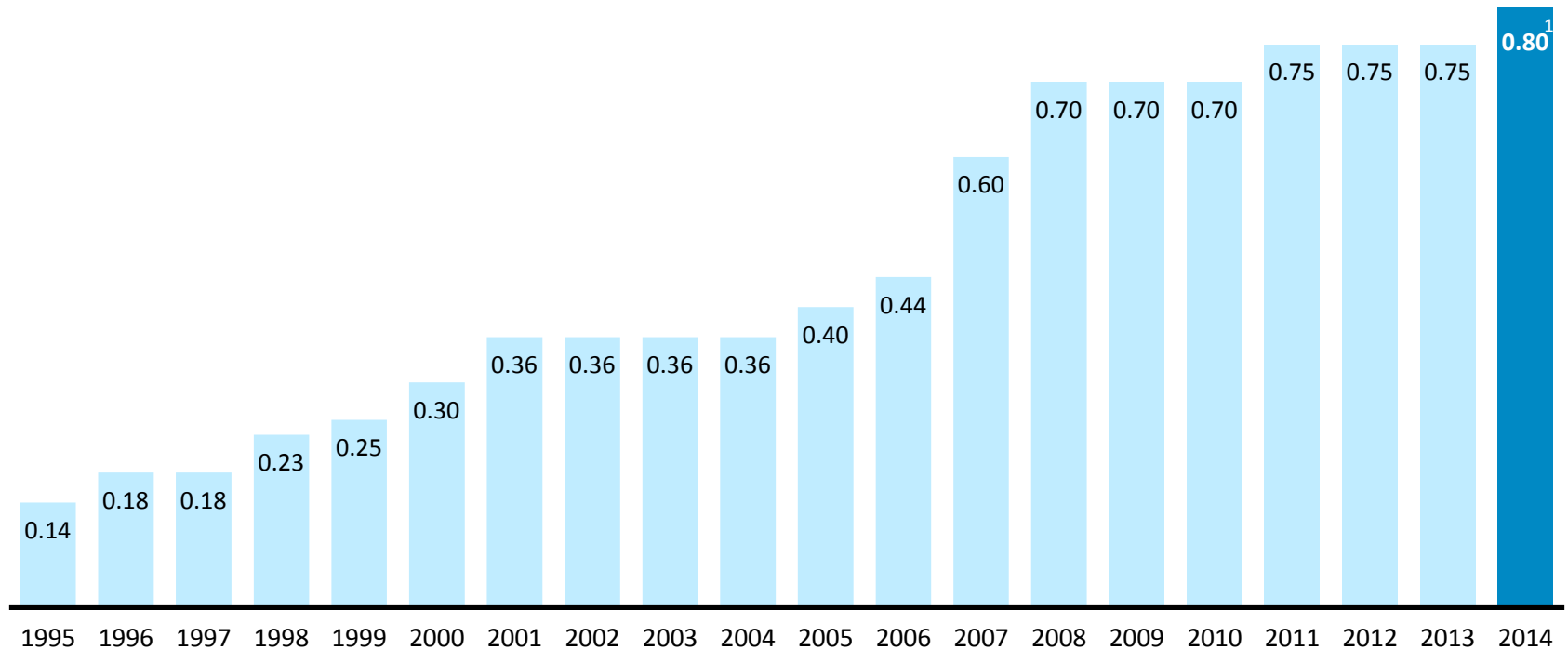


¹ Short term debt consists mainly of local credit facilities that are being rolled forward on a continuous basis. In January 2014, the long-term debt maturity of <12 months was settled as the EUR 250M five year loan matured

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)

<i>EUR million</i>	December 31, 2013		March 31, 2014 (not reported)	
	Funded Status	Balance sheet position	Funded Status	Balance sheet position
Netherlands Prepaid pension asset ¹	555	0	1,041	0
Other major plans	<u>(984)</u>	<u>(1,411)</u>	<u>(1,012)</u>	<u>(1,417)</u>
Major plans	(428)	(1,411)	29	(1,417)
Minor plans	<u>(206)</u>	<u>(206)</u>	<u>(206)</u>	<u>(206)</u>
Total	(634)	<u>(1,617)</u>	(176)	<u>(1,623)</u>

- 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

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Accelerate! change and performance program

2014-2016 unlock full potential faster

Customer Centricity		<ul style="list-style-type: none">• Increase local relevance of product portfolio to gain market share• Focused Business-to-Government sales channel development to drive growth• Increase Employee Engagement in markets by 300 bps• Expansion into adjacent and new growth markets to drive growth
Resource to Win		<ul style="list-style-type: none">• Increase performance adherence to plan per BMC¹ > 80%• Targeted investments to extend market leadership and drive value creation• Strengthen BMC¹ capabilities with global tools, training, and ways of working
End2End Execution		<ul style="list-style-type: none">• Productivity gains of 100 bps margin impact to be achieved by 2016<ul style="list-style-type: none">– Transform customer chains to 4 Lean business models– Roll-out new integrated IT landscape which will fundamentally simplify the way of working– Reduce Cost of Non Quality by 30% , Inventory reduction by 20%• Accelerate innovation time to market by av. 40%; Increase customer service >95%• EUR 1 billion via Design for Excellence (DfX) over the period 2014-2016
Growth and Performance Culture		<ul style="list-style-type: none">• Focus on the 6 competencies that will accelerate our transformation• Run and measure quarterly team performance dialogues to take ownership for the transformation• Build a University to increase learning and competency development across Philips• Excellence practices to increase operational performance; Lean skills for all employees
Operating Model		<ul style="list-style-type: none">• Simplify the organization and reduce overhead and support costs by EUR 1.5 billion• Implement the Philips Business System in the organization• Continue to transform Finance, HR, and IT to increase productivity and effectiveness• Align all employees to common performance management objectives and measures

Supported by dedicated senior Transformation Leadership to ensure execution



Accelerate! is improving the way we do business

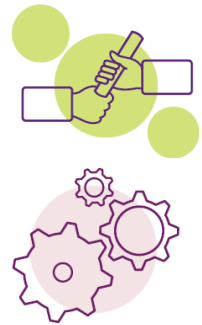
Customer value chain: Consumer Lifestyle Japan

Enabled by BMC¹ 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.



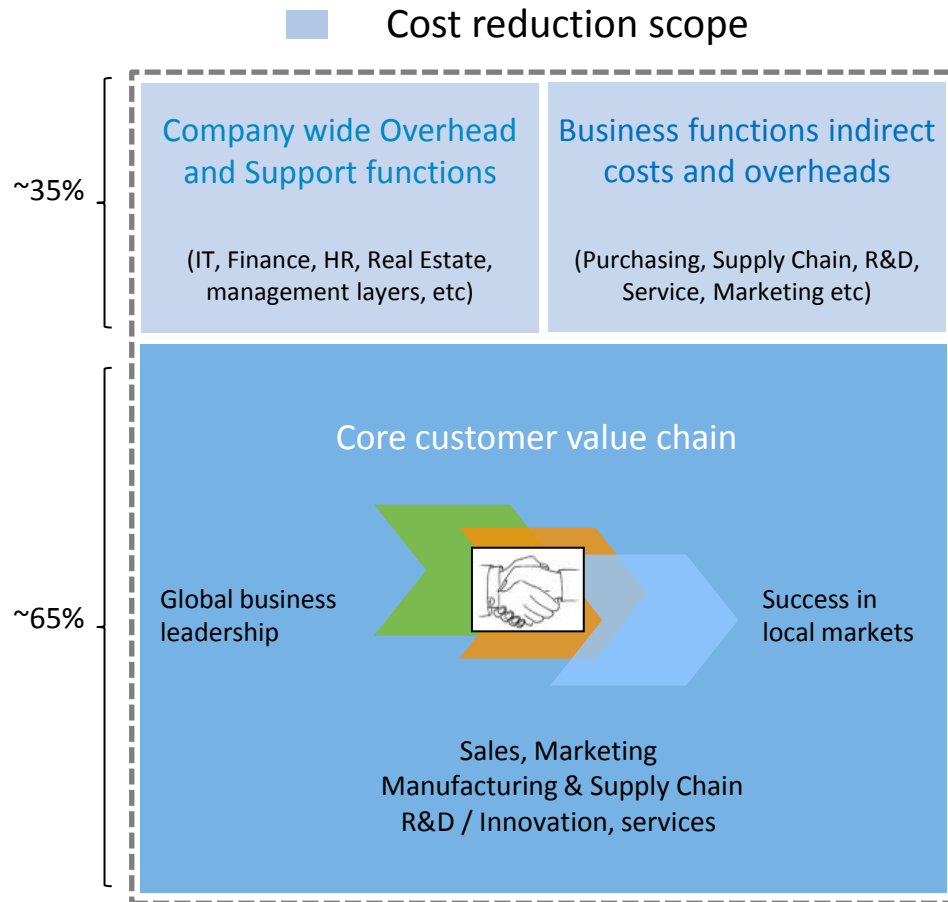
Innovation: Floorcare

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 BMC¹ collaboration and deep consumer insights.





Cost reduction program targeting overhead & indirect costs will bring EUR 1.5 billion in savings by 2015



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

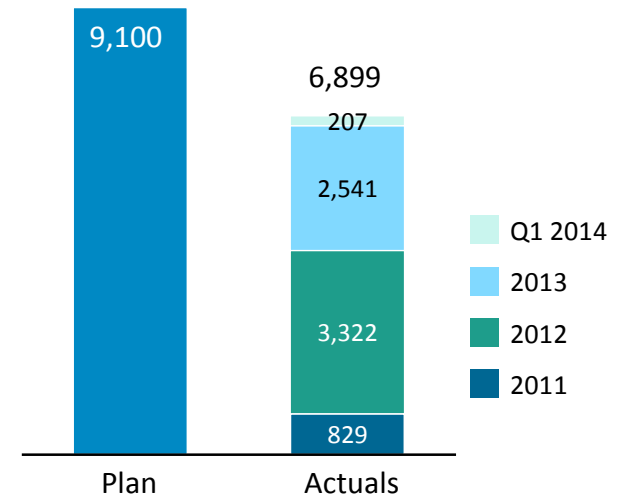


EUR 1.5 billion cost reduction program

Program started in Q3 2011, expected to be completed by 2015

EUR million	Gross savings						
	2011 Actual (A)	2012 Actual (B)	2013 Actual (C)	1Q14 Actual (D)	Total Actual (A+B+C+D) ¹	Total 2014 Plan ¹	Total 2015 Plan ¹
TOTAL	25	400	641	22	1,088	1,250	1,500

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



EUR million	Annual restructuring costs and investments					
	2011 Actual	2012 Actual	2013 Actual	1Q14 Actual	2014 Plan	2015 Plan
Restructuring	(37)	(238)	(72)	(6)	(100)	(100)
Investments	(37)	(128)	(137)	(29)	(160)	(185)
TOTAL	(74)	(366)	(209)	(35)	(260)	(285)

¹ Cumulative gross savings

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

Total savings of EUR 46M, annual restructuring costs in 2012 of EUR 11M and EUR 3M in 2013, investments of EUR 1M in 2013 and a headcount reduction of 99 employees

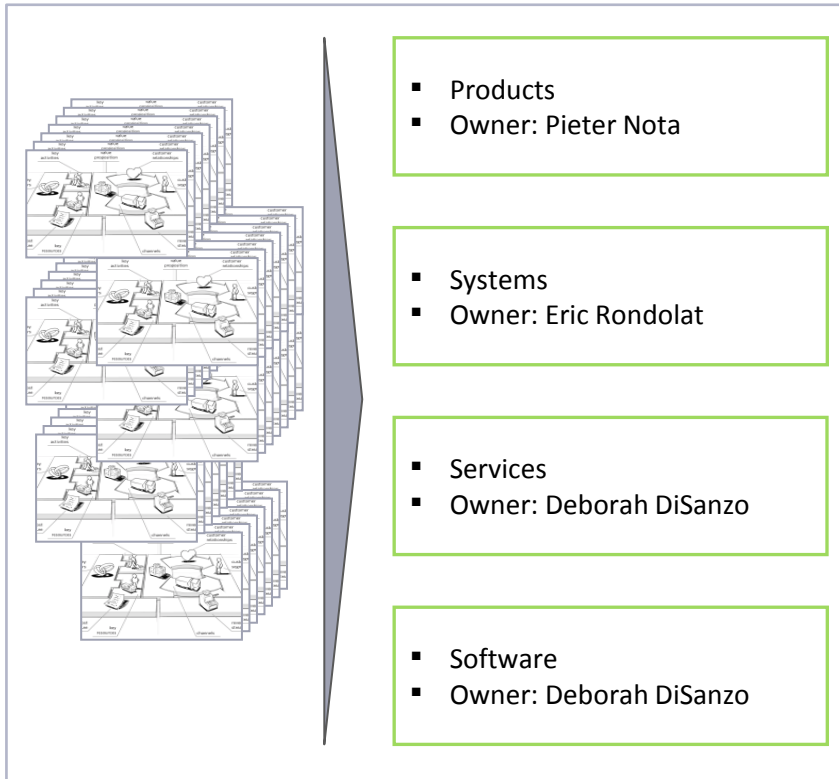


Overhauling our business model architecture

From 70+
business models



To 4 End2End
business models



- All Philips businesses to adopt one of four standardized business models
- Investments being made to standardize processes, data, and new IT backbone
- A single planning, performance and reward cycle across Philips
- Investing to create a culture for such a major change

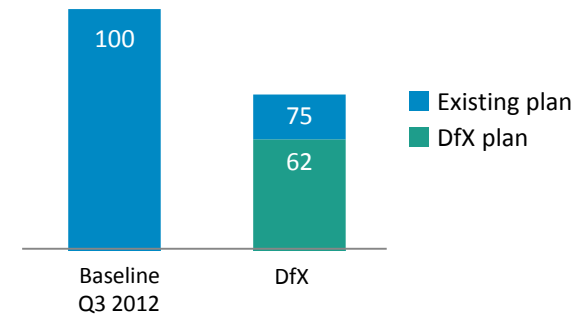


Design for Excellence (DfX) will deliver EUR 1 billion of cost savings in the product creation process

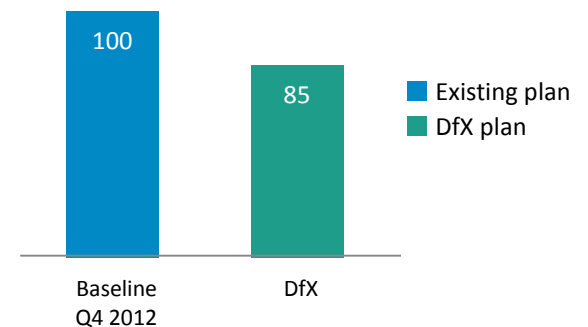
Design for X; X = cost, quality, manufacturing etc.

- 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 effectiveness pilot for a new product



DfX effectiveness pilot for a mature product



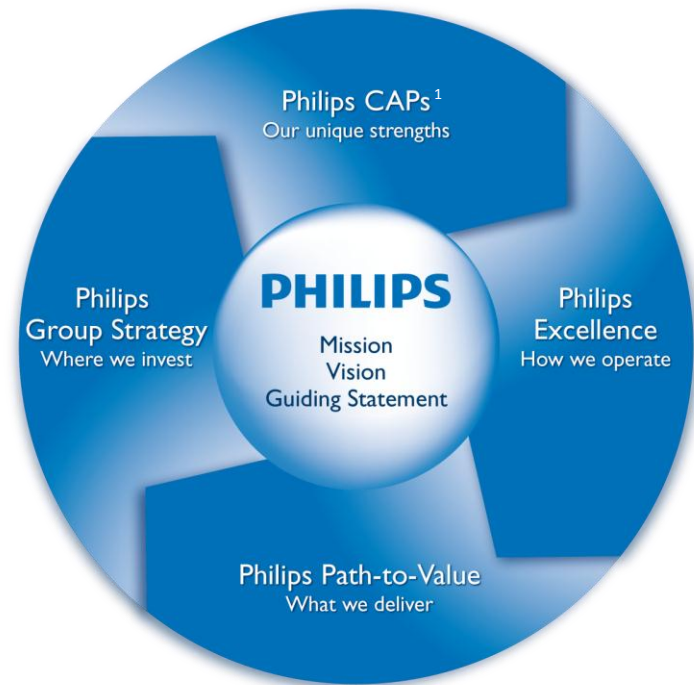
DfX challenges the value chain of products, drives decisions & follow-through

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 geographies¹ 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 geographies¹ 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

Each of our ~40 businesses has a granular value creation roadmap towards 2016 targets and beyond

Our Business domains

Our Businesses

Our value creation levers

Healthcare	Imaging Systems for diagnostics and therapy	<ul style="list-style-type: none"> • Radiology modalities & applications • Ultrasound Imaging • Image guided interventional therapy 	<ul style="list-style-type: none"> • 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 geographies¹ • Fill out logical product adjacencies • Emerging businesses fitting our CAPs²
	Patient care for hospital and home	<ul style="list-style-type: none"> • Acute and therapeutic care products • Sleep & respiratory care 	
	Clinical Informatics & consulting services	<ul style="list-style-type: none"> • Hospital and home patient monitoring • Clinical informatics applications • Healthcare consulting services 	
Consumer Lifestyle	Personal health & well-being appliances and services	<ul style="list-style-type: none"> • Male Grooming, Beauty • Oral Healthcare, Mother & Childcare • Kitchen Appliances, Garment Care, Coffee 	
	Lighting	Light sources	
Lighting applications, systems and services		<ul style="list-style-type: none"> • Professional Lighting Systems and Controls • Consumer Luminaires 	
Other	IP licensing	<ul style="list-style-type: none"> • IP and Brand licensing 	
	Emerging businesses	<ul style="list-style-type: none"> • Various 	

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



The new era in advanced Ultrasound Philips EPIQ with anatomical intelligence

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

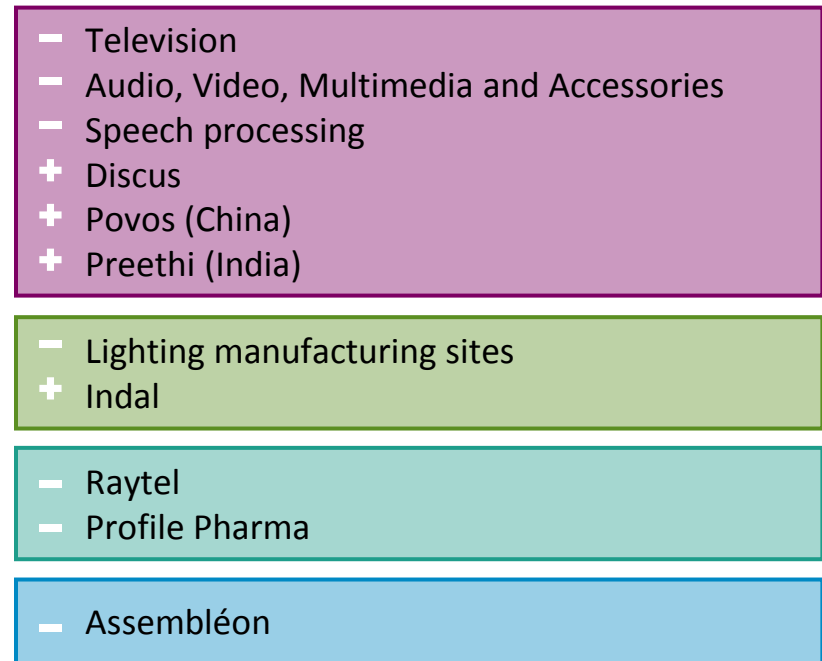
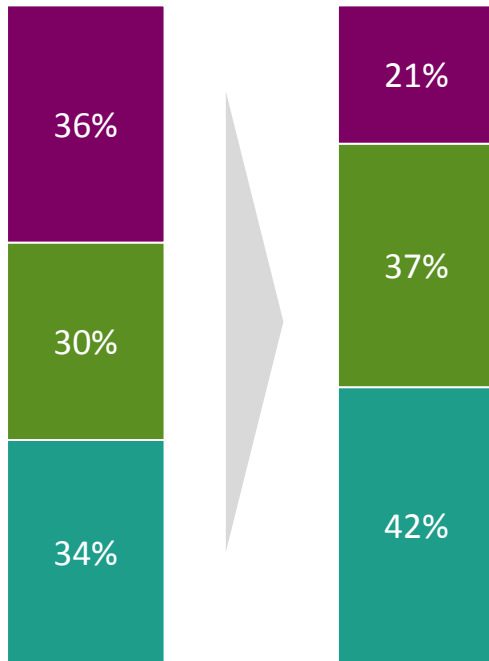
We made significant portfolio changes

Resulting in a better growth platform with higher profit potential

Group Sales Mix

1st Jan 2011

Mar '14
last twelve months



■ Healthcare
 ■ Lighting
 ■ Consumer Lifestyle
 ■ Group
 + Acquisition
 - Divestment

We have strong leadership¹ positions in many markets across the globe

Healthcare



Global
Cardiovascular
X-ray



Global
Patient
Monitoring



Global
Image-Guided
Interventions



Global
Sleep Therapy
Systems



Global
Ultrasound

Consumer Lifestyle



Global
Male Electric
Shaving



Global
Garment Care



Global
Rechargeable
Toothbrushes



Regional
Kitchen
Appliances



Regional
Electric Hair Care

Lighting



Global
Lamps



Global
LED Lamps



Global
Automotive
Lighting

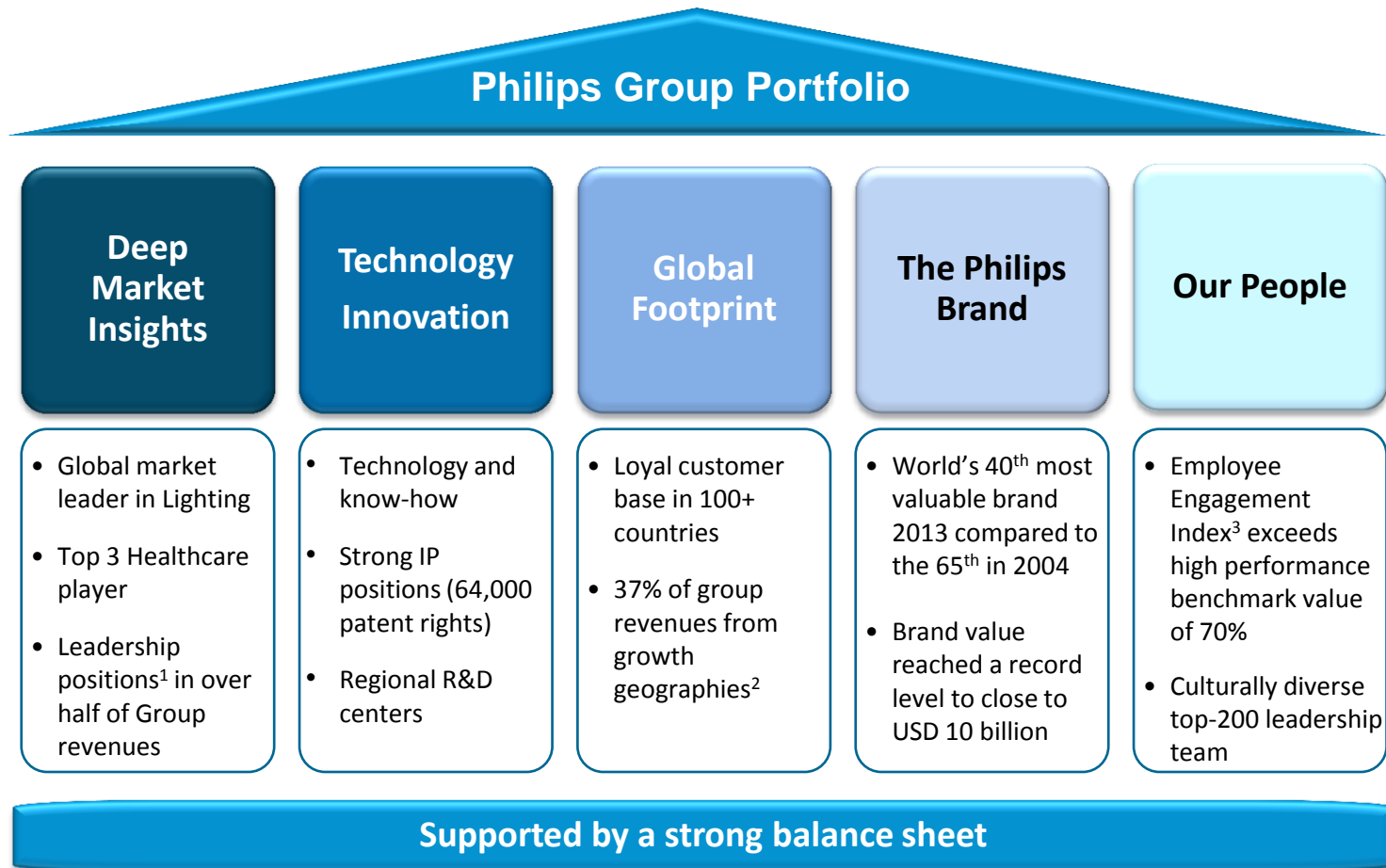


Global
Professional
Luminaires



Global
High-performance
LED

We leverage our unique strengths across our businesses and markets

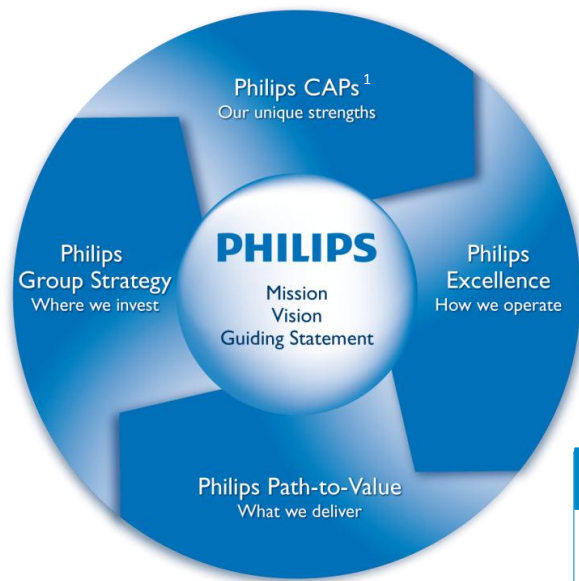


¹ Global #1 position in the market

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

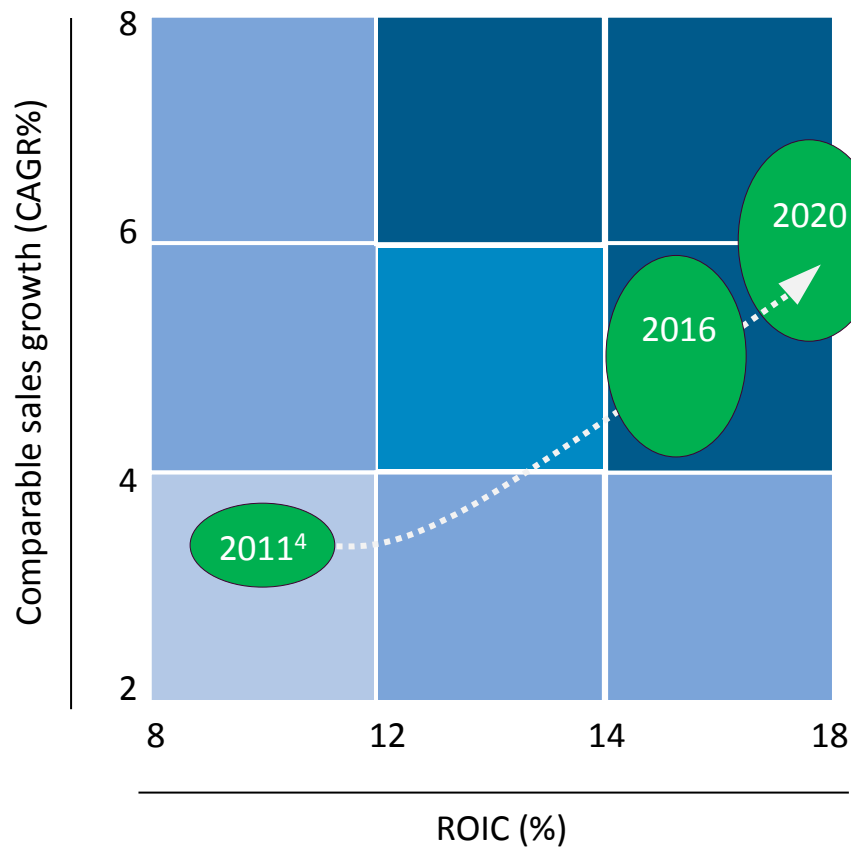
- Productivity & margin improvements
- Turnaround or exit underperforming businesses
- Rebuild culture, processes, systems & capabilities
- Implement the Philips Business System

2011

2016

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	11 - 12%
- 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

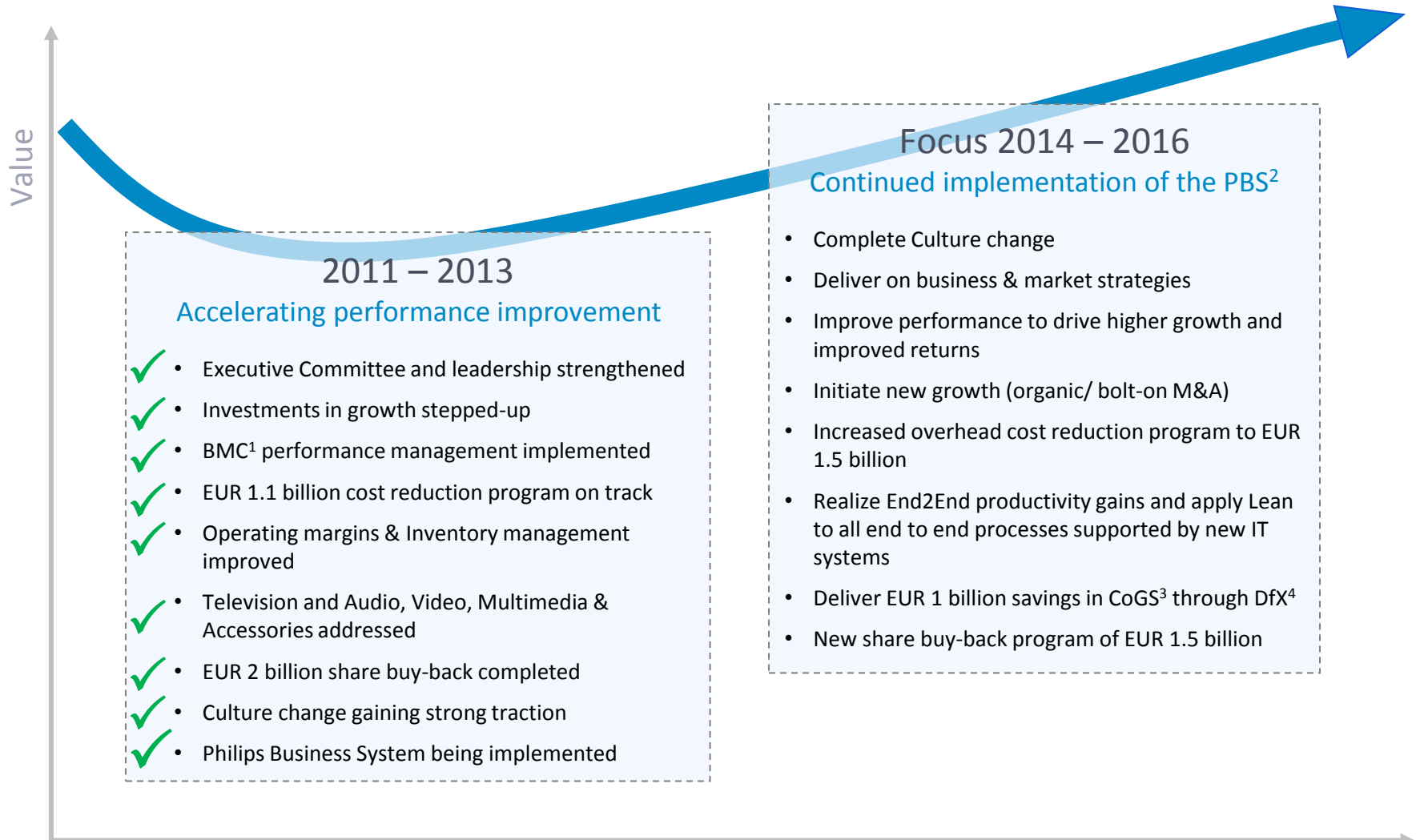
³ Excluding M&A impact

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

Categories	Measures	Margin Impact 2016 ¹	
Productivity	<ul style="list-style-type: none"> 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 	<p>>100 bps</p> <p>100-200 bps</p> <p>>100 bps</p>	
	Additional Productivity Improvements		300-400 bps
	Investments in productivity	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Incremental investments in new (organic) growth in adjacencies with returns after 2016 	- 100 bps	
Contingency	<ul style="list-style-type: none"> 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	

The Accelerate! journey will continue...



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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**



Over **50%** of the **portfolio** has **global leadership positions**



€1.7 billion annual investments in **innovation** and **~64,000 patent rights**



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

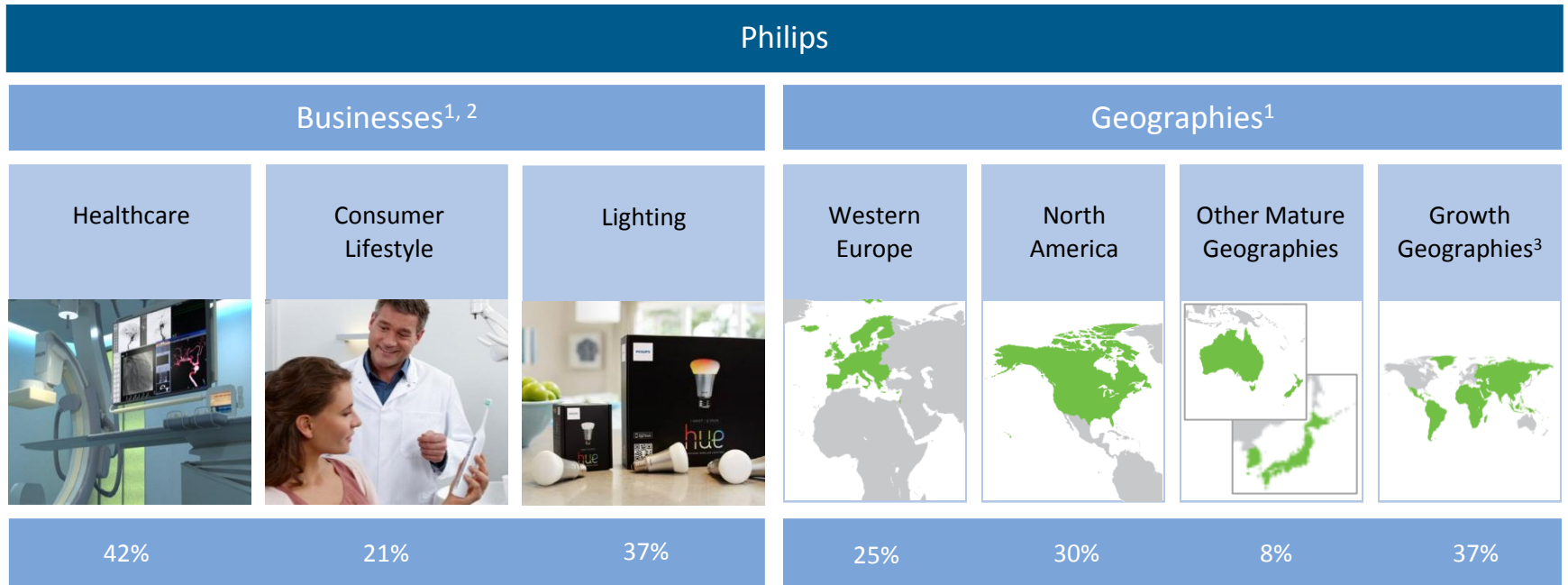


Market **reach in over 100 countries** across the world



More than **1/3** of the revenue from **growth geographies**¹

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



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)

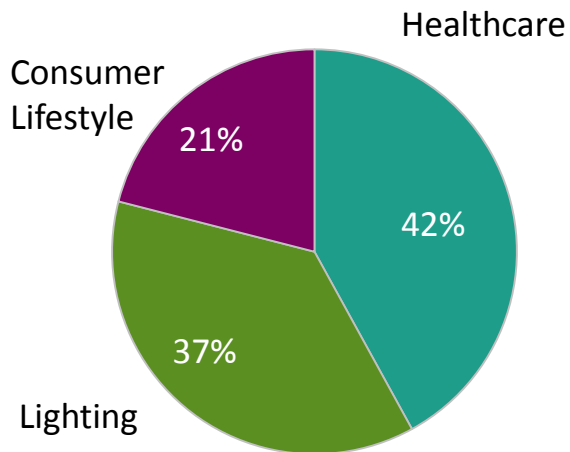
³ Growth geographies are all geographies excluding USA, Canada, Western Europe, Australia, New Zealand, South Korea, Japan and Israel

Our focused health and well-being portfolio: Healthcare, Consumer Lifestyle and Lighting

Last twelve months

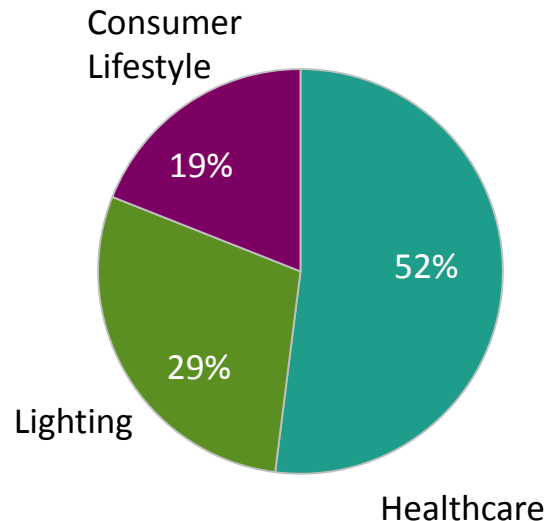
Sales

100% = EUR 22.4B¹



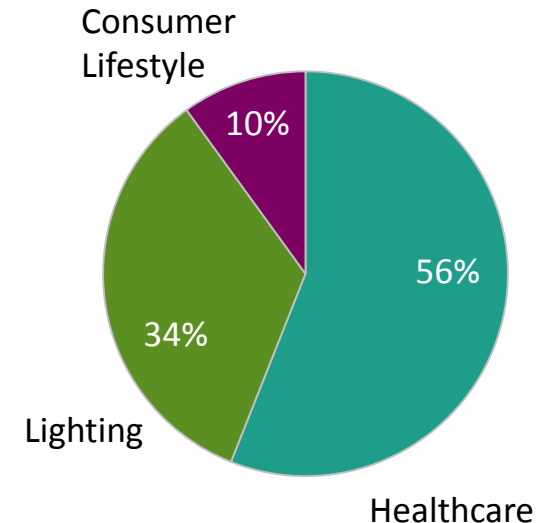
Adjusted EBITA

100% = EUR 2.7B^{1, 2}



Net Operating Capital

100% = EUR 13.2B¹



¹ Excluding Central sector (IG&S)

² EBITA adjustments based on the following gains/ charges: for Healthcare EUR 63M, Consumer Lifestyle EUR (12)M and Lighting EUR (104)M

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



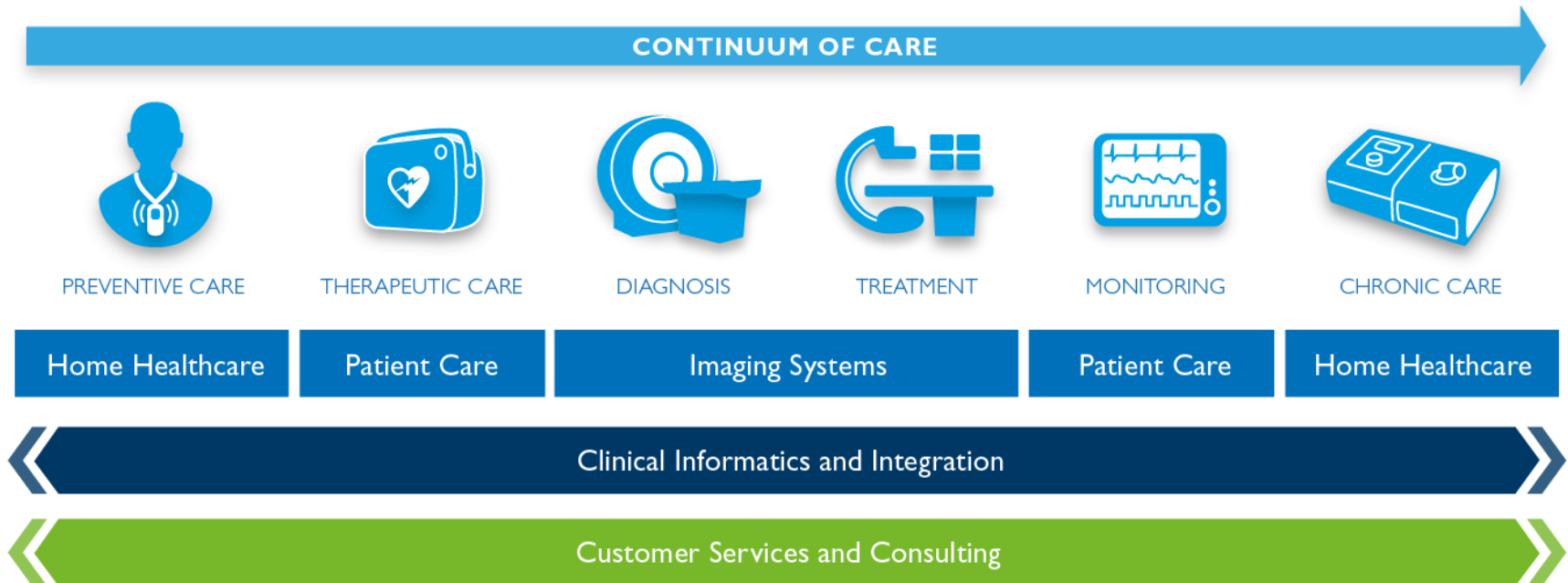
Recent accomplishments

- Philips received the VBDO Responsible Supply Chain Management Award for the 6th consecutive time and the Kristal Award for the most transparent Annual Report (incl. Sustainability) by the Dutch Ministry of Economic Affairs (both times ranked 1st 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

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.

Philips Healthcare

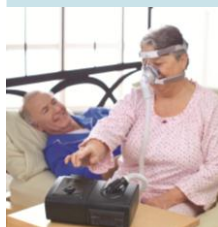
Businesses¹

Imaging Systems



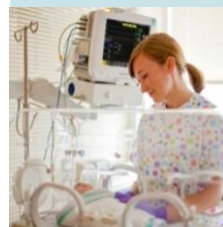
36%

Home Healthcare Solutions



14%

Patient Care & Clinical Informatics



23%

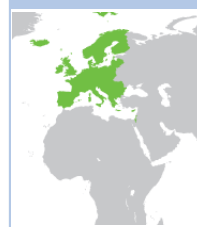
Customer Services



27%

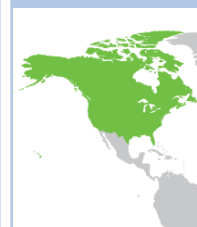
Geographies¹

Western Europe



21%

North America



42%

Other Mature Geographies



12%

Growth Geographies²



25%

€9.6

Billion sales in 2013

36,000+

People employed worldwide in 100 countries

8%

of sales invested in R&D in 2013

450+

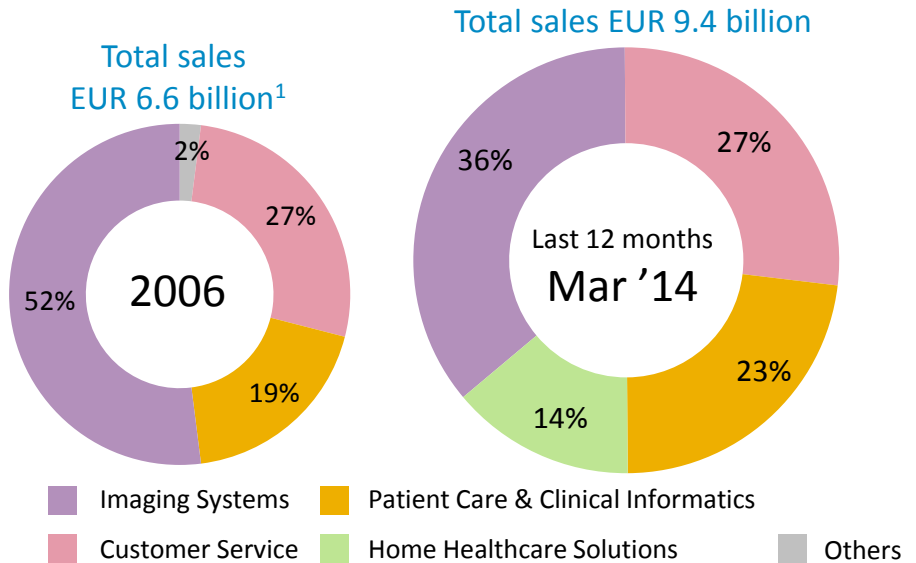
Products & services offered in over 100 countries

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



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 geographies¹

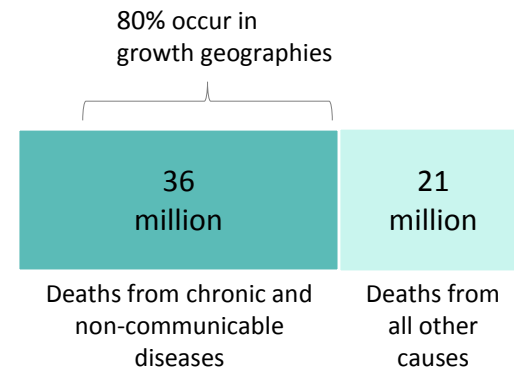
An aging population

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

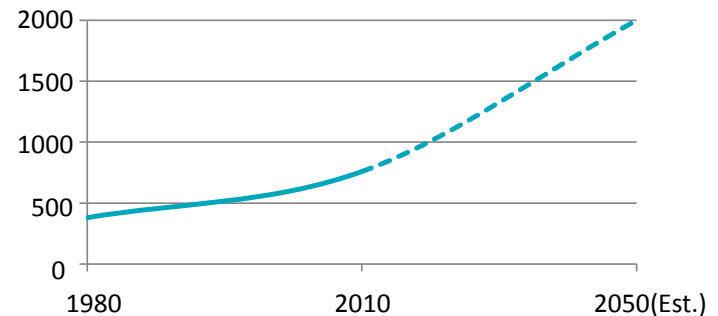
Access to care and clinician shortage

Recognized as one of the main obstacles to delivery of effective health services

Causes of death globally (2008)



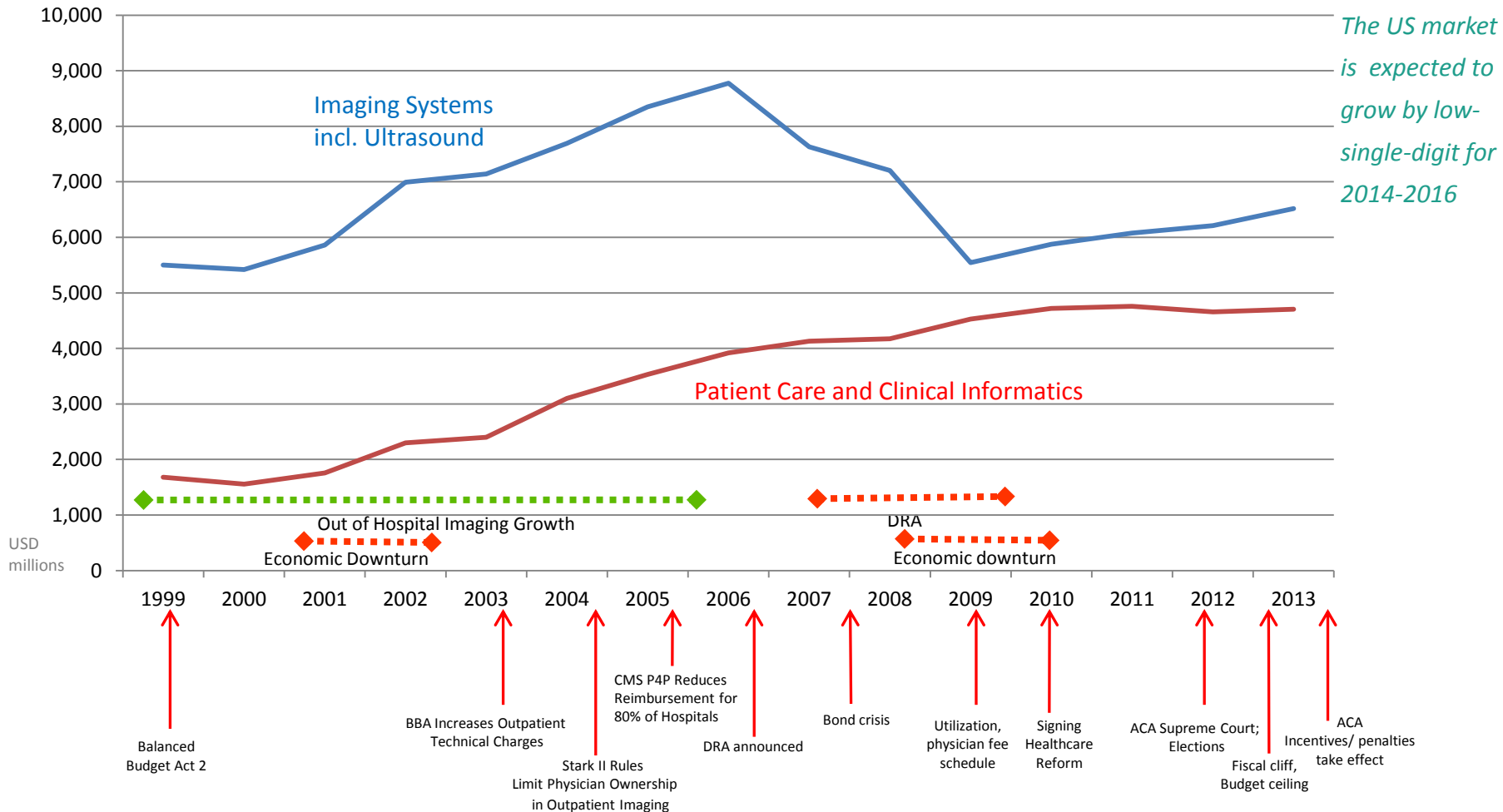
World population age 60+ (Millions)



¹ Growth geographies are all geographies excluding USA, Canada, Western Europe, Australia, New Zealand, South Korea, Japan and Israel
Source: World Health Organization data and statistics http://www.who.int/gho/ncd/mortality_morbidity/en/index.html, <http://www.who.int/features/factfiles/ageing/en/index.html>, and <http://www.who.int/workforcealliance/media/qa/01/en/>

Health care historical market development

North America Market Size / Growth and Impacts



Health care market developments in the US

Short Term

	Imaging Systems	Patient Care & Clinical Informatics	Home Healthcare Solutions
• Economy	neutral	neutral	neutral
• Medical Device Excise Tax	unfavorable	unfavorable	N.A.
• CB2 in HHS ¹	N.A.	N.A.	unfavorable
• Capital spending hospitals	neutral	positive	N.A.
• Sequestration	neutral	neutral	neutral

Medical Device Excise Tax	Applies to ~55% of our US sales; impact largely mitigated through cost and value chain measures
CB2 in HHS ¹	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

Health care market developments in the US

Mid to Long- Term

	Imaging Systems	Patient Care & Clinical Informatics	Home Healthcare Solutions
• Health care demographics	positive	positive	positive
• Aging of equipment base	positive	positive	positive
• Affordable Care Act (ACA)	unfavorable	neutral	neutral
• Meaningful use	neutral	positive	N.A.
• Improved care at lower cost	neutral	positive	positive

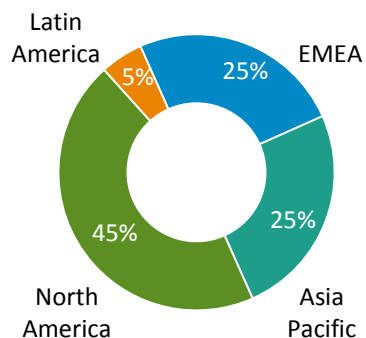
ACA Implementation (Affordable Care Act)	<ul style="list-style-type: none"> • 25-30 million additional patients into the health care system • Payments linked to quality improvements and lower integral patient cost vs. 'Fee for Service' model • Drive for more cost efficient care settings: "Hospital-to-Home" • 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

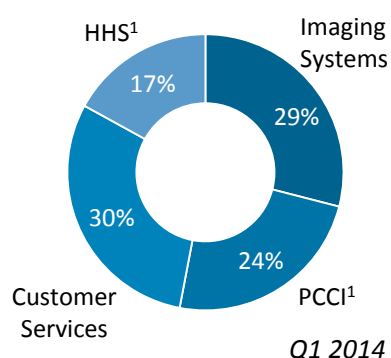
Key figures (in EUR million)

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

Sales per region



Sales per business

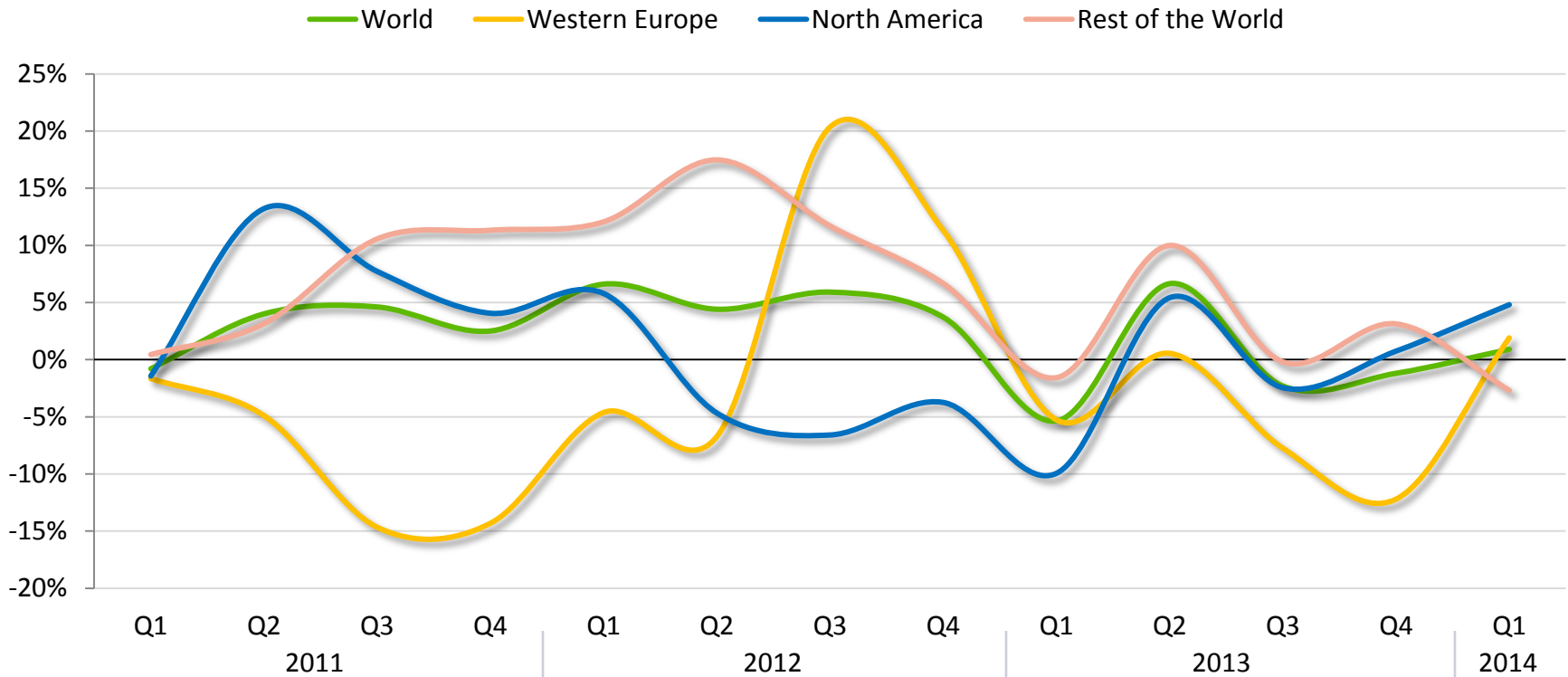


Financial performance

- 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.

Healthcare: Equipment order intake

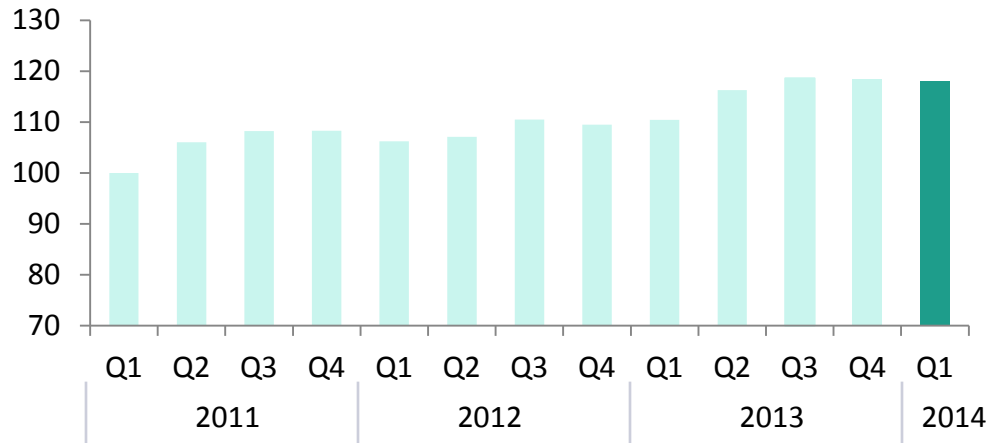
Quarterly currency adjusted equipment order intake growth



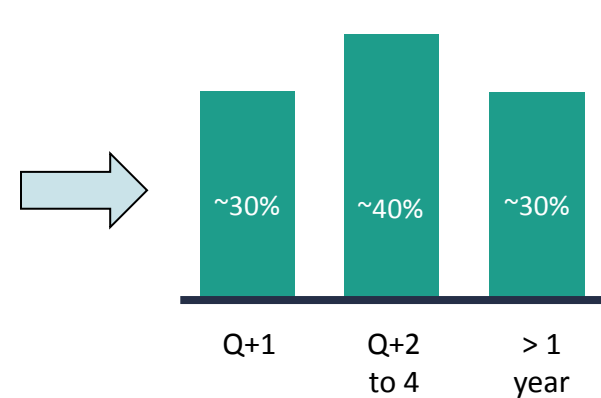
Currency adjusted order intake only relates to the Imaging Systems and Patient Care & Clinical Informatics businesses

Healthcare: Equipment order book

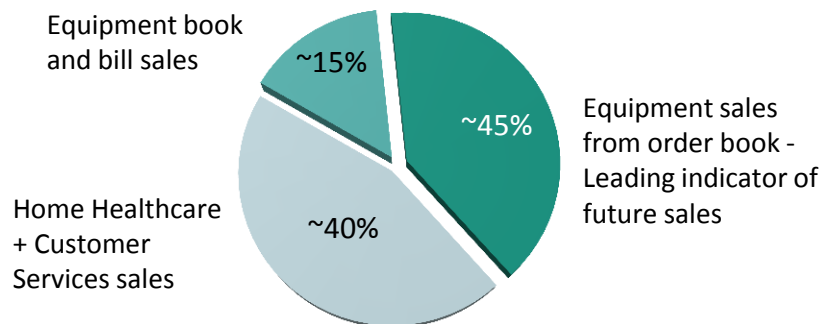
Indexed Equipment Order Book Development



Typical profile of equipment order book conversion to sales



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.

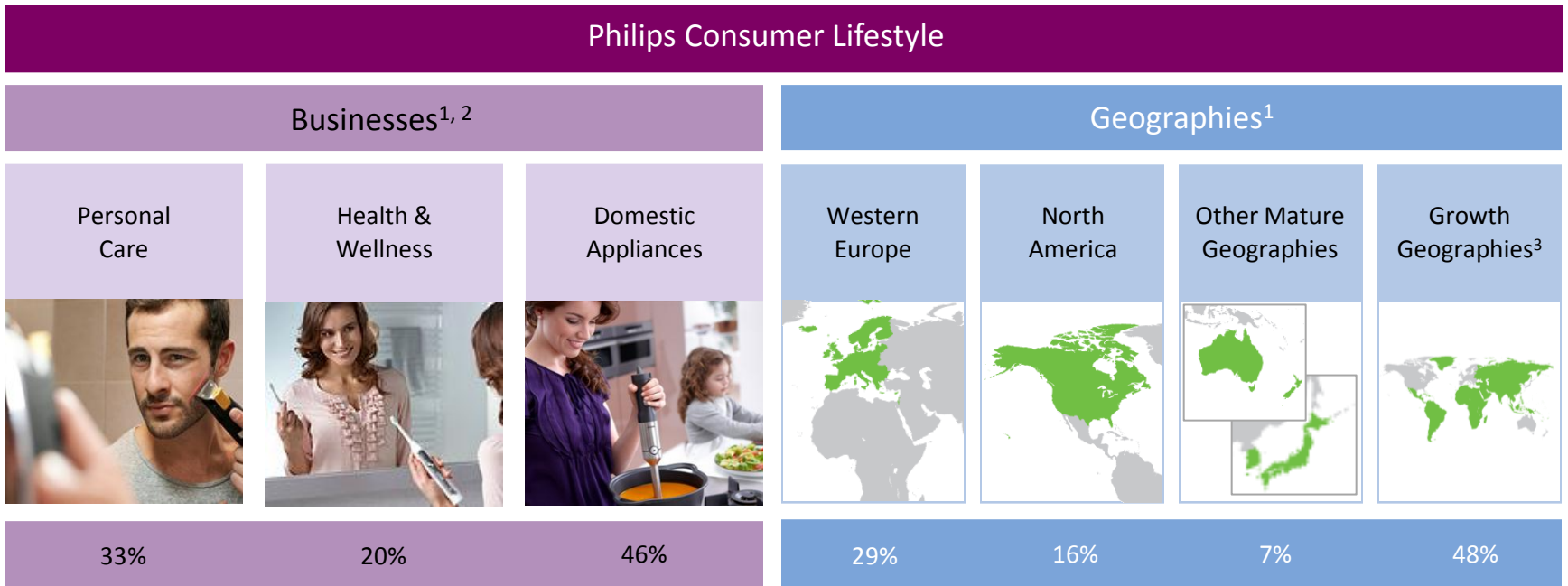
We are committed to deliver the best customer experience and be the preferred brand where we compete.

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.



€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

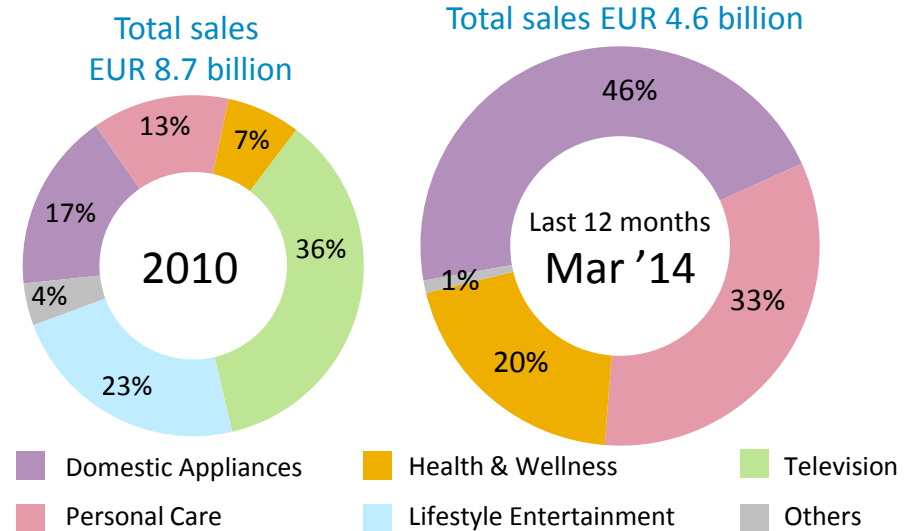
¹ Based on sales last 12 months March 2014

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



Our growth thrusts are enabled by our Capabilities, Assets and Positions

Strengthening the core

Locally relevant innovations and global platforms



Addressing geographical white spots



New business adjacencies

In Personal Health and Well-being



Philips Group Portfolio



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 year¹
- Increasing our share in the total Male Grooming market (including blade)
- Further strengthening leadership in China; expanding into lower tier cities



Beauty

- Leadership positions² in Hair Care in growth geographies³
- 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

Domestic Appliances



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 brand¹



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, DACH²
- 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

¹ Source: Euromonitor International Ltd. Low fat fryers is per light fryers category definition; retail volume sales 2012 and 2013

² Germany, Austria, Switzerland

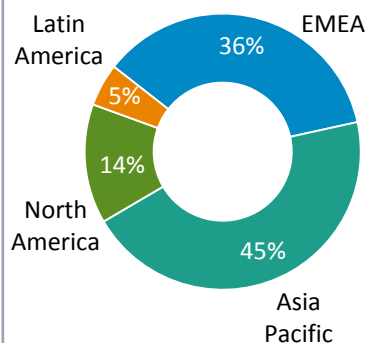
Source: GfK, Nielsen, YTD and MAT December 2013

Consumer Lifestyle: Q1 2014 Sector analysis

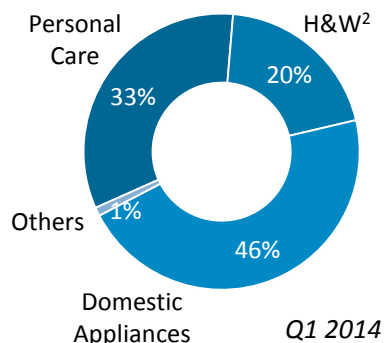
Key figures (in EUR million)

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

Sales per region



Sales per business



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.

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



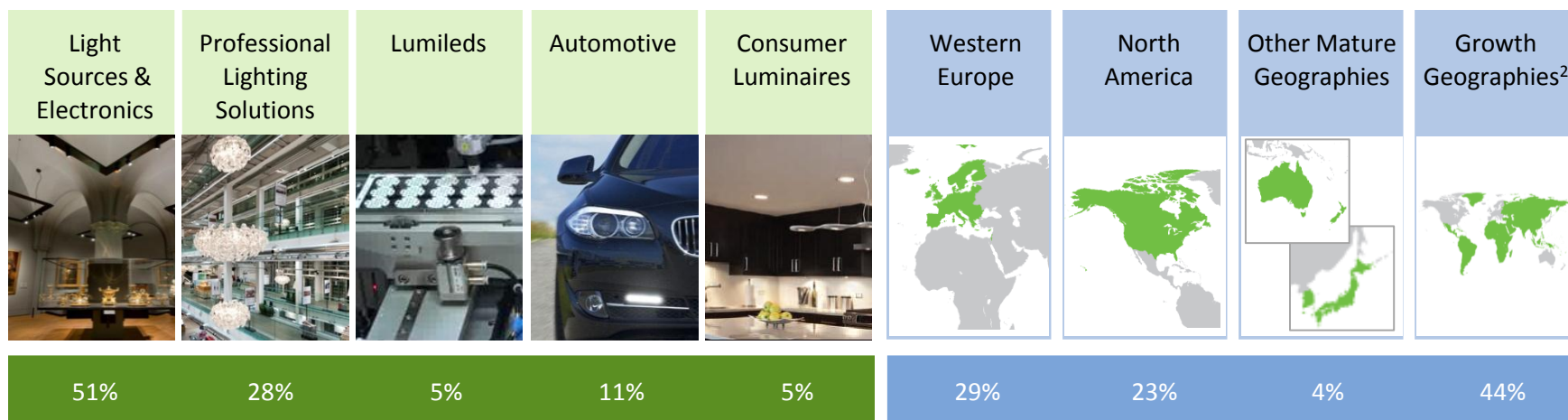
Lighting

What we do. Where we are.

Philips Lighting

Businesses¹

Geographies¹



€8.4

Billion sales
in 2013

45,000+

People employed
worldwide in 60 countries

5%

of sales invested in
R&D in 2013

80,000

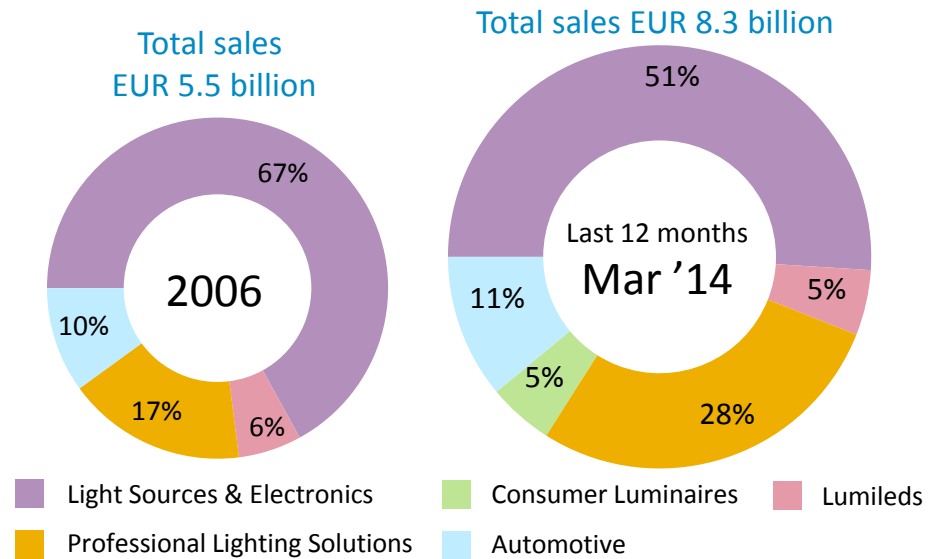
Products & services
offered in 2013

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

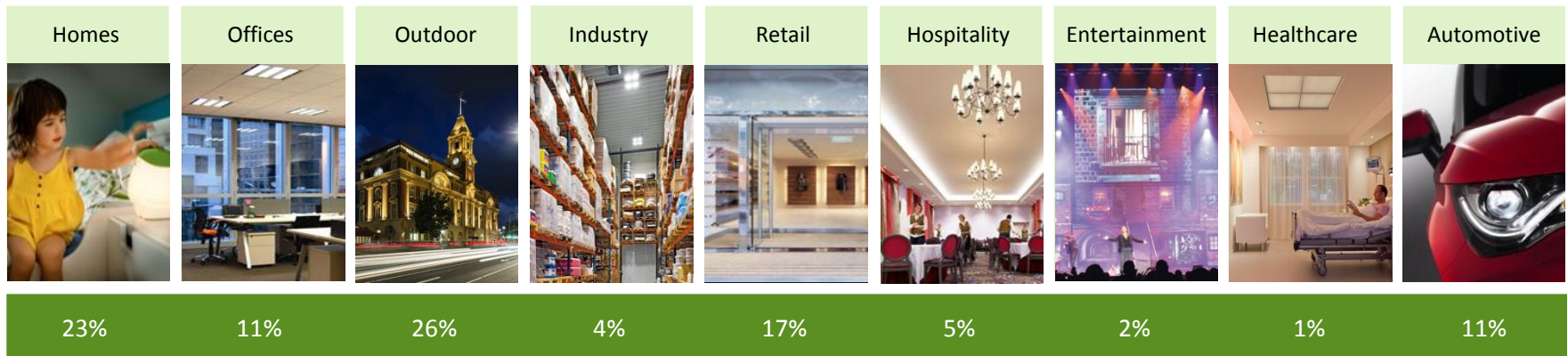


We increase our focus towards the people we serve

Further strengthening our global leadership in Lighting

Philips Lighting

Customer Segments¹



- ~ 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

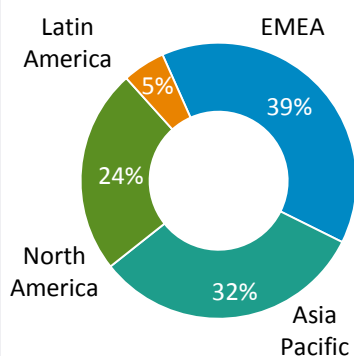
² Based on Q1 2014

Lighting: Q1 2014 Sector analysis

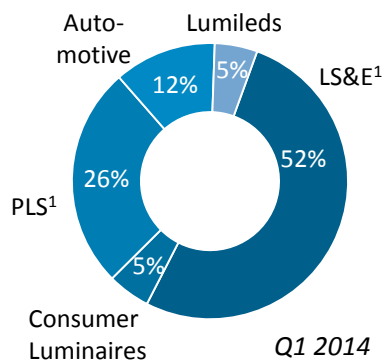
Key figures (in EUR million)

	1Q13	4Q13	1Q14
Sales	1,975	2,306	1,892
<i>% sales growth comp.</i>	0	8	0
EBITA	147	218	138
<i>EBITA as % of sales</i>	7.4	9.5	7.3
EBIT	110	124	108
<i>EBIT as % of sales</i>	5.6	5.4	5.7
NOC	4,664	4,462	4,484
Employees (FTEs)	49,404	46,890	45,659

Sales per region



Sales per business



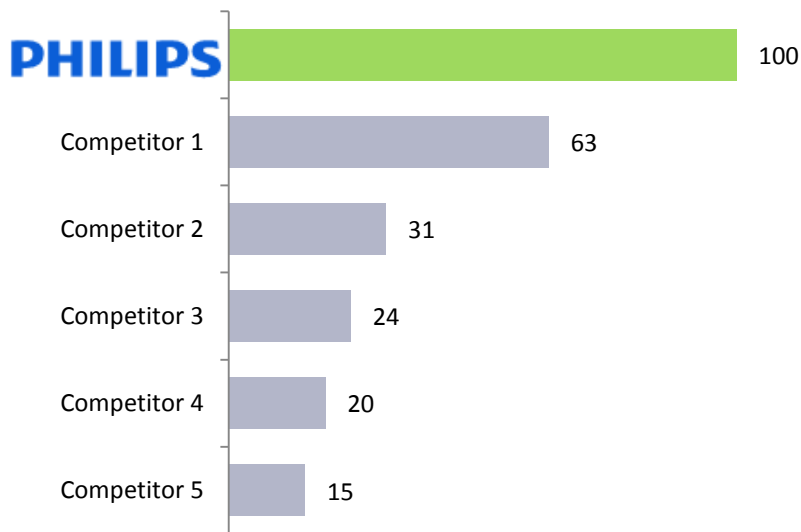
Financial performance

- 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.

We are the global leader in lighting

We are the largest lighting company in the world ...

Indexed sales of Philips Lighting and Top 5 competitors¹

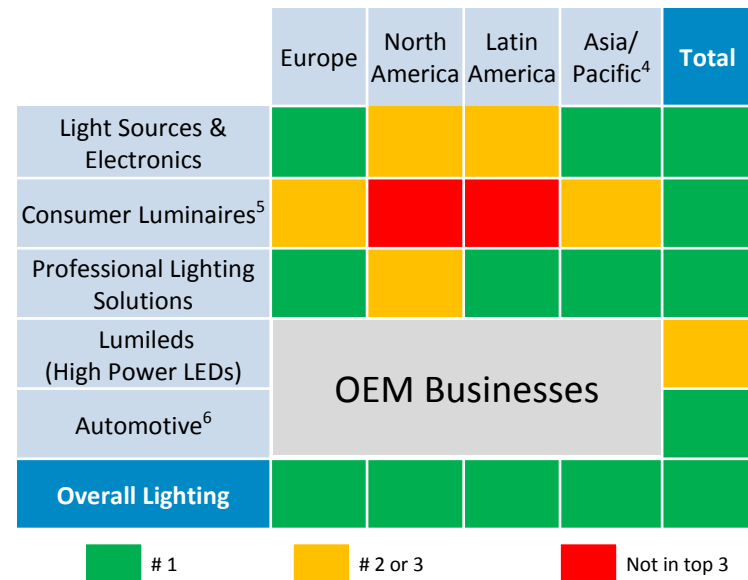


We are #1 in sold LED lighting globally

We are #1 in connected lighting globally²

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

Market share per Business Group by Region as per Q4 2013³



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)

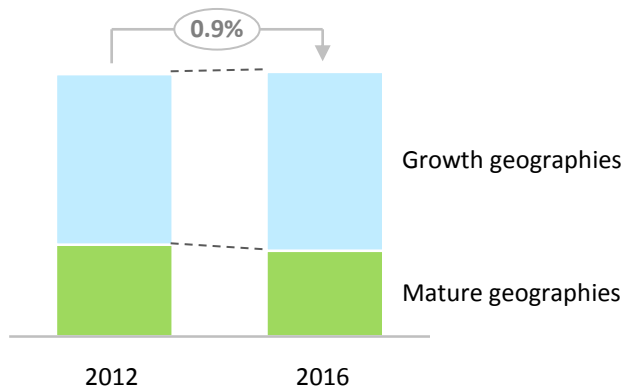
³ Source: customer panels, industry associations and internal analysis ⁴ Excluding Japan

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...

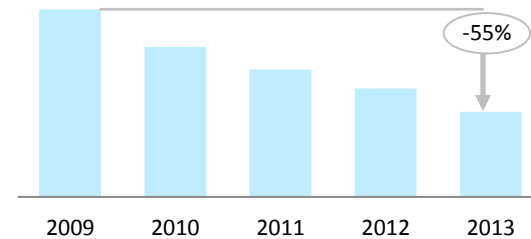
Global Conventional Light sources installed base¹
In units x Bn



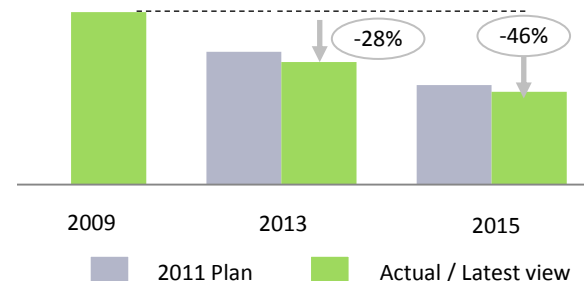
- Conventional market has a significant installed base and growing demand from growth geographies³
- Conventional market will represent around 50% of total lighting market revenue by 2016

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

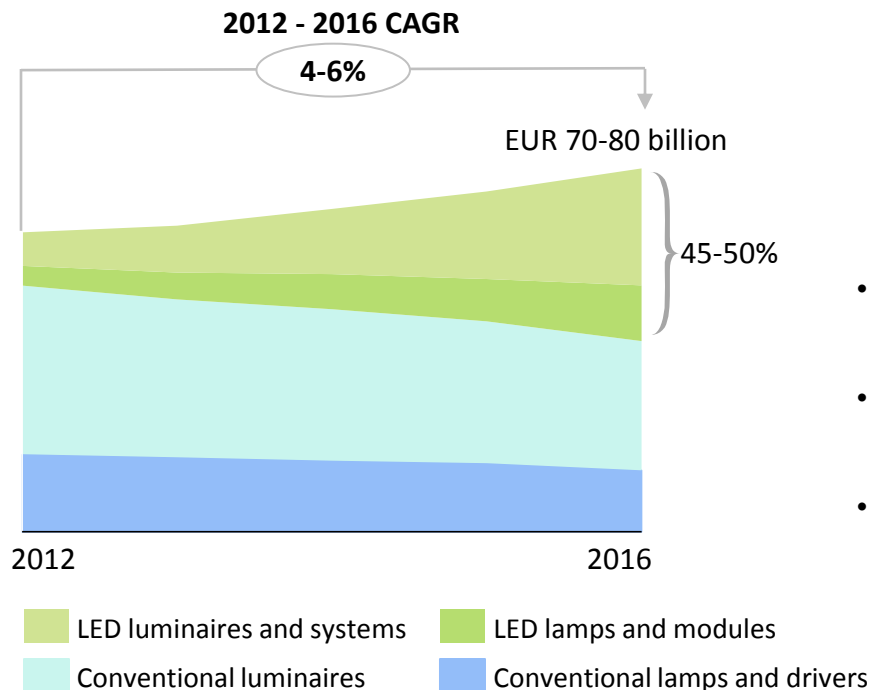
² SKUs = Stock Keeping Units

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:



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

- 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

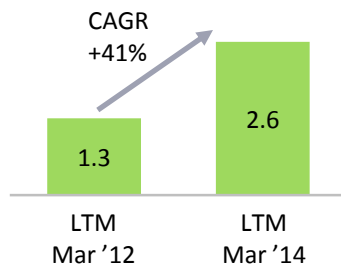
We are the leading LED lighting company

Increased R&D investment in LED leading to improved results

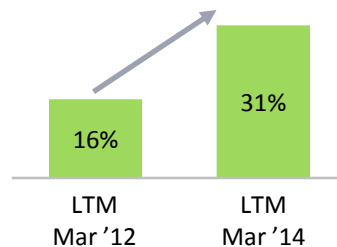
R&D spend LED Indexed



LED sales increase (in EUR billion)



LED as a % of Lighting sales



Increased focus on LED products & portfolio developments

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

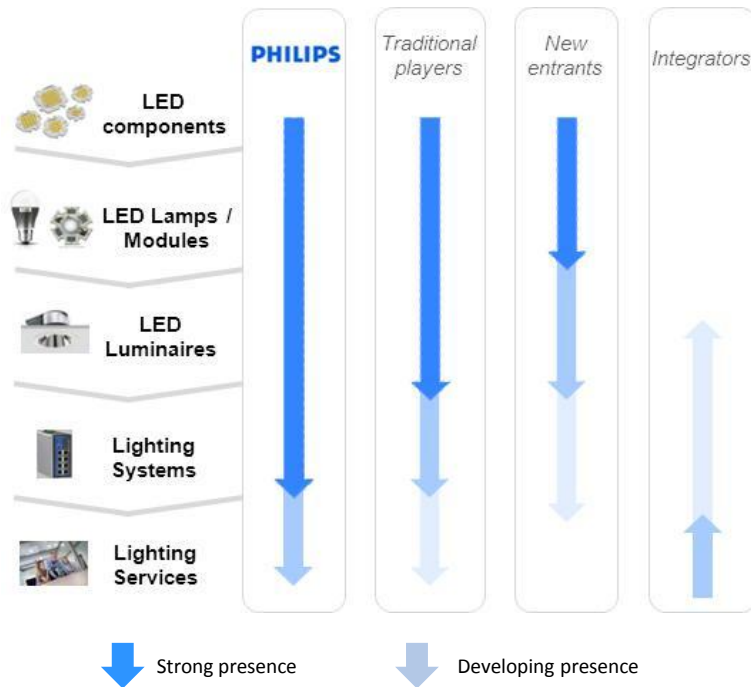
Leveraging Intellectual Property

- 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

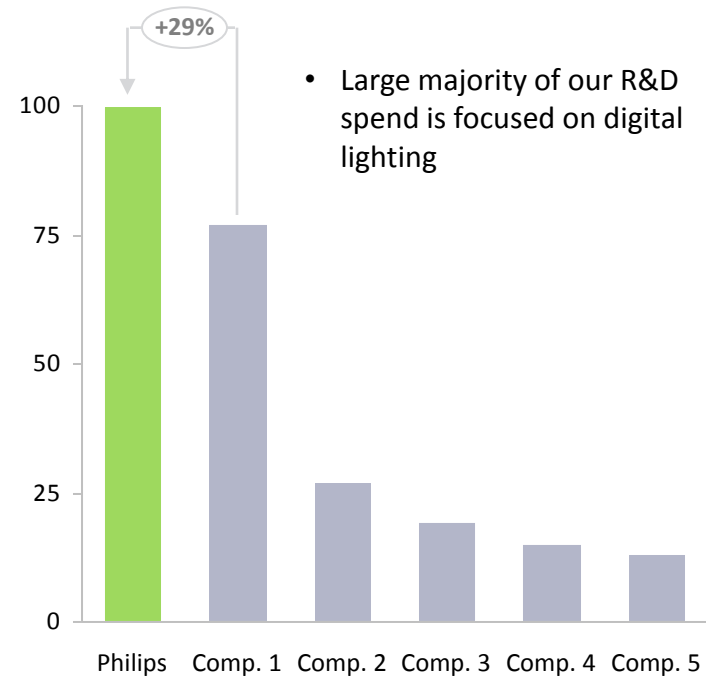
We have a unique competitive position in LED lighting

Market presence in the digital value chain¹:



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

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



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

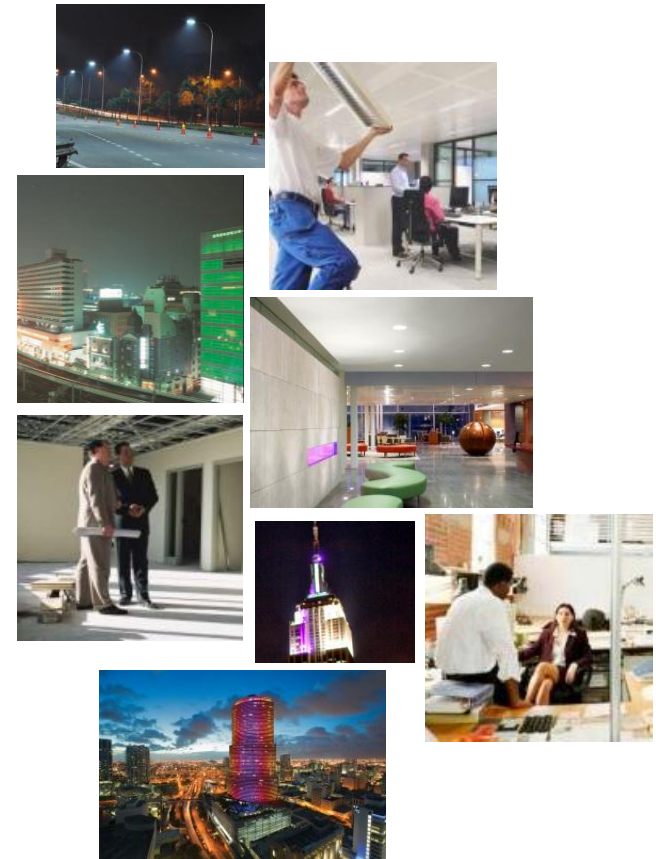
² Source: Latest competitors' annual reports, Digitimes Research March 2013, internal estimates, excluding General Electric and Japanese lighting companies for lack of data

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)

Philips Lighting	New Build	Replacement	Total
Residential	12%	13%	25%
Commercial	26%	22%	48%
Other ¹	19%	8%	27%
Total	57%	43%	100%

New Build	WE&NA	ROW	Total
Residential	6%	6%	12%
Commercial	13%	13%	26%
Total	19%	19%	38%



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)

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

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

May 1	Annual General Meeting of Shareholders 2014
July 21	Second quarter and semi-annual results 2014
September 23-24	Capital Markets Days on all 3 business sectors
October 20	Third quarter results 2014

Depreciation and amortization

EUR million

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

Gross capital expenditures & Depreciation by sector

EUR million

	Gross CapEx ¹		Depreciation ¹	
	Q1 2013	Q1 2014	Q1 2013	Q1 2014
Healthcare	23	23	41	36
Consumer Lifestyle	27	16	23	28
Lighting	52	28	59	63
IG&S	22	26	22	22
Group	124	93	145	149

Gross capital expenditures & Depreciation by sector

EUR million

	Gross CapEx ¹		Depreciation ¹	
	2012	2013	2012	2013
Healthcare	135	131	200	160
Consumer Lifestyle	128	135	104	108
Lighting	290	223	298	270
IG&S	108	98	75	94
Group	661	587	677	632

¹ Capital expenditures and depreciations 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")

Development cost capitalization & amortization by sector

EUR million

	Capitalization		Amortization	
	Q1 2013	Q1 2014	Q1 2013	Q1 2014
Healthcare	56	53	33	39
Consumer Lifestyle	11	11	8	8
Lighting	12	13	12	12
IG&S	1	1	-	-
Group	80	78	53	59

Development cost capitalization & amortization by sector

EUR million

	Capitalization		Amortization	
	2012	2013	2012	2013
Healthcare	246	252	128	154
Consumer Lifestyle	37	43	39	37
Lighting	66	62	51	55
IG&S	14	24	-	-
Group	363	381	218	246

Restructuring, acquisition-related and other incidentals

<i>EUR million</i>	1Q13	2Q13	3Q13	4Q13	2013	1Q14
Acq.-related charges	(3)	(2)	(1)	-	(6)	-
Restructuring	1	2	-	3	6	(21)
Other Incidentals	-	82	-	-	82	-
Healthcare	(2)	82	(1)	3	82	(21)
Acq.-related charges	(1)	-	(1)	(1)	(3)	-
Restructuring	-	(3)	(4)	(4)	(11)	-
Other Incidentals	-	1	-	-	1	-
Consumer Lifestyle	(1)	(2)	(5)	(5)	(13)	-
Acq.-related charges	(1)	(1)	(2)	-	(4)	(3)
Restructuring	(18)	(22)	(34)	(22)	(96)	(30)
Other Incidentals	-	10	-	-	10	-
Lighting	(19)	(13)	(36)	(22)	(90)	(33)
Restructuring	3	-	1	(7)	(3)	-
Other Incidentals	-	6	(31) ²	-	(25)	-
IG&S	3	6	(30)	(7)	(28)	-
Total Acq.-related charges	(5)	(3)	(4)	(1)	(13)	(3)
Total Restructuring	(14)	(23)	(37)	(30)	(104)	(51)
Total Other Incidentals	-	99 ¹	(31)	-	68	-
Grand Total	(19)	73	(72)	(31)	(49)	(54)

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

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

Consumer Lifestyle

Jan-2011	Preethi	Domestic Appliances	Become a leading kitchen appliances company in India
Jul-2011	Povos	Domestic Appliances	Expand product portfolio in China and continue to build business creation capabilities in growth geographies

Lighting

Jan-2011	Optimum	Professional Lighting Solutions	Expand portfolio with customized energy-efficient lighting solutions
Jun-2011	Indal	Professional Lighting Solutions	Strengthen leading position in professional lighting within Europe

