

Royal Philips

First Quarter Results 2015 Information booklet

April 28th, 2015

Important information

Forward-looking statements

This document and the related oral presentation, including responses to questions following the presentation, contain certain forward-looking statements with respect to the financial condition, results of operations and business of Philips and certain of the plans and objectives of Philips with respect to these items. Examples of forward-looking statements include statements made about our strategy, estimates of sales growth, future EBITA and future developments in our organic business. By their nature, these statements involve risk and uncertainty because they relate to future events and circumstances and there are many factors that could cause actual results and developments to differ materially from those expressed or implied by these statements.

These factors include, but are not limited to, domestic and global economic and business conditions, developments within the euro zone, the successful implementation of our strategy and our ability to realize the benefits of this strategy, our ability to develop and market new products, changes in legislation, legal claims, changes in exchange and interest rates, changes in tax rates, pension costs and actuarial assumptions, raw materials and employee costs, our ability to identify and complete successful acquisitions and to integrate those acquisitions into our business, our ability to successfully exit certain businesses or restructure our operations, the rate of technological changes, political, economic and other developments in countries where Philips operates, industry consolidation and competition. As a result, Philips' actual future results may differ materially from the plans, goals and expectations set forth in such forward-looking statements. For a discussion of factors that could cause future results to differ from such forward-looking statements, see the Risk management chapter included in the Annual Report 2014.

Third-party market share data

Statements regarding market share, including those regarding Philips' competitive position, contained in this document are based on outside sources such as specialized research institutes, industry and dealer panels in combination with management estimates. Where information is not yet available to Philips, those statements may also be based on estimates and projections prepared by outside sources or management. Rankings are based on sales unless otherwise stated.

Use of non-GAAP Information

In presenting and discussing the Philips' financial position, operating results and cash flows, management uses certain non-GAAP financial measures. These non-GAAP financial measures should not be viewed in isolation as alternatives to the equivalent IFRS measures and should be used in conjunction with the most directly comparable IFRS measures. A reconciliation of such measures to the most directly comparable IFRS measures is contained in our Annual Report 2014. Further information on non-GAAP measures can be found in our Annual Report 2014.

Use of fair-value measurements

In presenting the Philips' financial position, fair values are used for the measurement of various items in accordance with the applicable accounting standards. These fair values are based on market prices, where available, and are obtained from sources that are deemed to be reliable. Readers are cautioned that these values are subject to changes over time and are only valid at the balance sheet date. When quoted prices or observable market data are not readily available, fair values are estimated using valuation models, which we believe are appropriate for their purpose. Such fair value estimates require management to make significant assumptions with respect to future developments, which are inherently uncertain and may therefore deviate from actual developments. Critical assumptions used are disclosed in our Annual Report 2014. Independent valuations may have been obtained to support management's determination of fair values.

All amounts are in millions of Euro's unless otherwise stated. All reported data is unaudited. Financial reporting is in accordance with the accounting policies as stated in the Annual Report 2014, unless otherwise stated.

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Financial performance Q1 2015: Group

Sales & order intake

- Comparable sales amounted to EUR **5.3 billion**, up **2%** year-on-year
- Comparable sales of Consumer Lifestyle grew by **10%**; Lighting posted a **3%** decline
- Healthcare comparable sales were up **1%**, comparable equipment order intake up **3%**
- Comparable sales in growth geographies up by **6%**

EBITA & Adjusted EBITA¹

- EBITA amounted to EUR **230 million**, which included EUR 58 million restructuring and acquisition-related charges and EUR 39 million other incidentals
- Adjusted EBITA was EUR **327 million**, or **6.1%** of sales, versus EUR 304 million last year, or 6.5% of sales. The decrease in EBITA margin was due to lower results at Healthcare

Cost savings & Net Income

- Gross overhead cost savings of EUR **19 million**. Annualized savings of EUR **75 million**
- Net income of EUR **100 million**, compared to net income of EUR 137 million in Q1 2014
- EPS was EUR **0.11** compared to EUR 0.15 in Q1 2014

Asset management & ROIC

- Inventories increased to 17.3% of sales, mainly driven by currency impacts
- Free Cash outflow of EUR **443 million**, compared to EUR 431 million in Q1 2014
- ROIC, excluding charges related to a legacy legal matter and to the jury verdict in the Masimo litigation², was **7.9%**, compared to 12.9% in Q1 2014

Other

- By the end of Q1, we completed **50%** of the EUR 1.5 billion share buy-back program

Resumption of comparable sales and order intake growth;
Executing Accelerate! and managing headwinds

¹ Adjusted EBITA in Q1 2014 excludes EUR 51 million restructuring and acquisition-related charges. ² Philips will appeal the decision.
Note - Prior-period financials have been restated for the treatment of the combined businesses of Automotive and Lumileds as discontinued operations.

Financial performance Q1 2015: Healthcare

Order intake¹

- Currency-comparable order intake showed a **3%** increase
- Patient Care & Monitoring Solutions had low-single-digit growth and Healthcare Informatics, Solutions & Services grew by double-digit. Imaging Systems order intake was in line with last year

Sales

- Comparable sales increased **1%** year-on-year
- Mid-single-digit growth at Imaging Systems and Customer Services was partly offset by a mid-single-digit decline at Patient Care & Monitoring Solutions and a low-single-digit decline at Healthcare Informatics, Solutions & Services

EBITA & Adjusted EBITA²

- EBITA amounted to EUR **65 million** and included EUR 30 million restructuring and acquisition-related charges and EUR 28 million loss from other incidentals
- Adjusted EBITA was EUR **123 million**, or **5.4%** of sales, compared to 8.8% last year. The decrease was driven by higher planned expenditure for growth initiatives at Healthcare Informatics, Solutions & Services, an increase in Quality & Regulatory spend, and currency impacts.

Net Operating Capital (NOC)

- Inventories as a % of sales increased by 410 basis points driven by currency impacts and the production ramp-up at the Cleveland facility
- NOC increased by EUR 381 million to EUR **9.4 billion** on a currency comparable basis

Growth in a challenging market; Earnings impacted by investments in growth

¹ Order intake includes equipment and software orders.

² Adjusted EBITA in Q1 2014 excludes EUR 21 million of restructuring charges.

Financial performance Q1 2015: Consumer Lifestyle

Sales

- Comparable sales grew by **10%** compared to Q1 2014
- Health & Wellness achieved double-digit growth and Personal Care and Domestic Appliances recorded high-single-digit growth
- Comparable sales in growth geographies showed double-digit growth

EBITA & Adjusted EBITA

- EBITA was EUR **135 million**, or **11.3%** of sales, and included EUR 1 million restructuring & acquisition-related charges
- Adjusted EBITA was EUR **136 million**, or **11.4%** of sales, compared to 10.6% in Q1 2014. The increase was largely due to product mix and operational leverage from higher sales

Net Operating Capital (NOC)

- Inventories as a % of sales increased by 150 basis points mainly due to currency
- NOC increased by EUR 102 million to EUR **1.6 billion** on a currency comparable basis

Double-digit growth and continued margin improvement

Financial performance Q1 2015: Lighting

Sales

- Comparable sales were down **3%** year-on-year
- Professional Lighting Solutions achieved mid-single-digit growth while Light Sources & Electronics and Consumer Luminaires posted a mid-single-digit decline
- LED-based sales grew by **25%** compared to Q1 2014 and now represent **39%** of sales. Conventional-based sales declined **16%** year-on-year

EBITA & Adjusted EBITA¹

- EBITA amounted to a gain of EUR 119 million, or 6.9% of sales, including EUR 25 million restructuring & acquisition-related charges
- Adjusted EBITA was EUR **144 million**, or **8.4%** of sales, compared to 8.0% last year, mainly driven by improved operational performance of LED and Professional Lighting Solutions, partly offset by the decline in conventional

Net Operating Capital (NOC)

- Inventories as a % of sales increased by 170 basis points year-on-year, mainly due to currency impacts
- NOC decreased by EUR 1.2 billion to EUR **3.9 billion** on a currency comparable basis, due to the reclassification of Lumileds/Automotive as assets held for sale in Q4 2014

Other

- Signed an agreement to sell majority interest in the combined Lumileds and Automotive businesses to consortium led by GO Scale Capital

Operational earnings improve on lower sales volume

¹ Adjusted EBITA in Q1 2014 excludes EUR 30 million of acquisition-related and restructuring charges.

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

Financial performance Q1 2015: by geography

Growth Geographies¹

- Comparable sales increased by **6%**, driven by Consumer Lifestyle and Healthcare. Solid growth in Latin America and Central & Eastern Europe was partly offset by a low-single-digit decline in China and a double-digit decline in Russia
- Healthcare comparable equipment order intake grew by **low-single-digit**. Double-digit growth in Africa and Central & Eastern Europe was partly offset by a low-single-digit decline in China

North America

- Comparable sales were **flat** year-on-year. Double-digit sales growth in Consumer Lifestyle was offset by a low-single-digit decline in Healthcare and a mid-single-digit decline in Lighting
- Healthcare comparable equipment order intake grew by **2%**

Western Europe

- Comparable sales grew by low-single-digit year-on-year. Consumer Lifestyle grew by high-single-digit and Healthcare recorded a low-single-digit increase, while Lighting sales declined by low-single-digit
- Healthcare comparable equipment order intake grew by **high-single-digit**

Growth geographies drive overall sales performance

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

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

Key financials summary – Q1 2015

EUR million

	Q1 2014	Q1 2015
Sales	4,692	5,339
Adjusted EBITA	304	327
EBITA	253 ¹	230 ²
Financial income and expenses	(69)	(67)
Income taxes	(28)	(31)
Net income	137	100
Net Operating Capital	10,381	10,977
Net cash flow from operating activities	(273)	(256)
Net capital expenditures	(158)	(187)
Free cash flow	(431)	(443)

¹ Q1 2014 includes EUR (51)M of restructuring and acquisition-related charges. ² Q1 2015 includes EUR (58)M of restructuring and acquisition-related charges and EUR (39)M other incidentals.

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

Sales by sector – Q1 2015

EUR million

	Q1 2014	Q1 2015	% nom	% comp
Healthcare	1,966	2,261	15	1
Consumer Lifestyle	1,016	1,190	17	10
Lighting	1,572	1,719	9	(3)
Innovation, Group & Services	138	169	22	15
Philips Group	4,692	5,339	14	2

Sales by geography – Q1 2015

EUR million

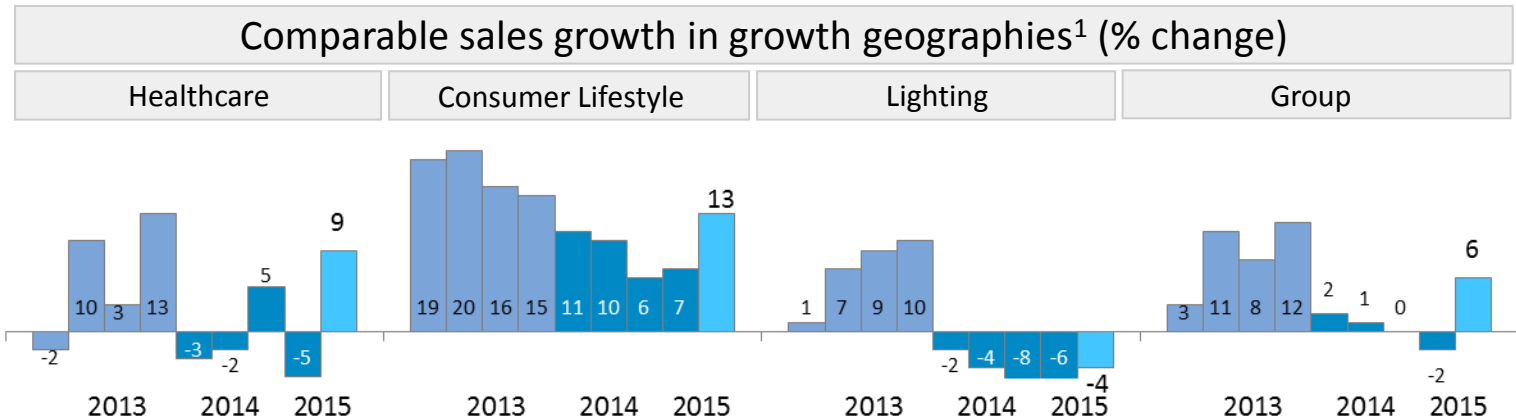
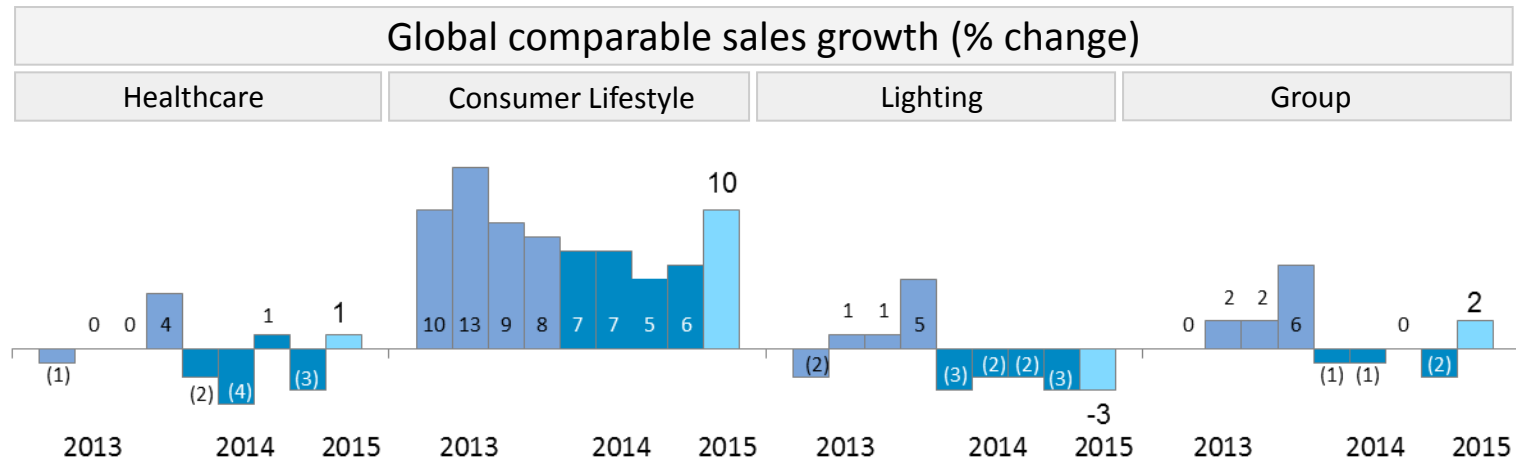
	Q1 2014	Q1 2015	% nom	% comp
Western Europe	1,281	1,334	4	2
North America	1,491	1,753	18	0
Other mature geographies	415	443	7	(2)
Growth geographies ¹	1,505	1,809	20	6
Philips Group	4,692	5,339	14	2

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

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

Sales growth development

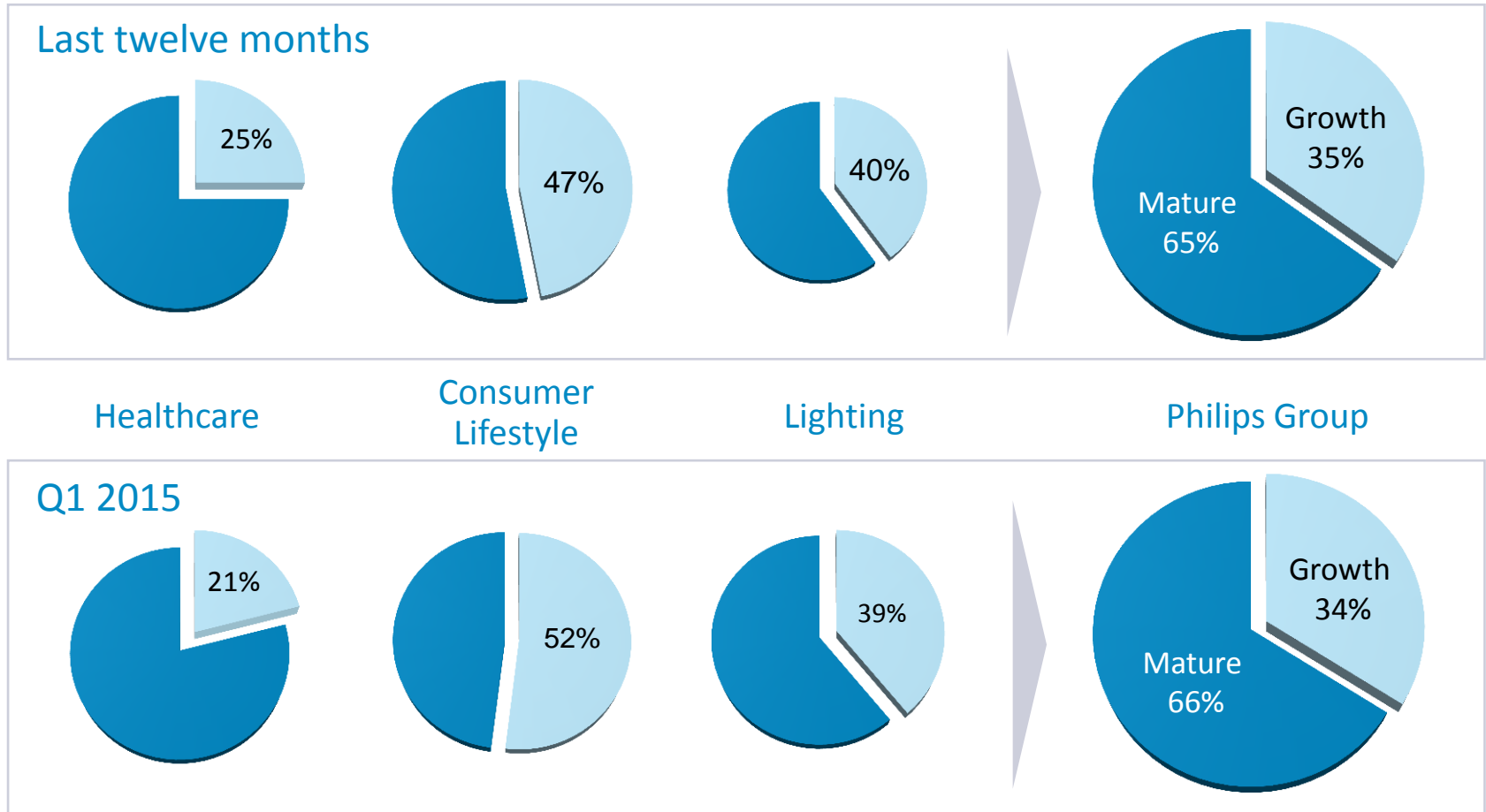
Trend Q1 2013 – Q1 2015



¹ Growth geographies are all geographies excluding USA, Canada, Western Europe, Australia, New Zealand, South Korea, Japan and Israel
 Note - Prior-period financials have been restated for the treatment of the combined businesses of Automotive and Lumileds as discontinued operations.

Sales in growth geographies¹

Last twelve months and Q1 2015



¹ Growth geographies are all geographies excluding USA, Canada, Western Europe, Australia, New Zealand, South Korea, Japan and Israel
 Note - Prior-period financials have been restated for the treatment of the combined businesses of Automotive and Lumileds as discontinued operations.

EBITA by sector – Q1 2015

EUR million

	Q1 2014		Q1 2015	
		as % of sales		as % of sales
Healthcare ¹	152	7.7%	65	2.9%
Consumer Lifestyle ²	108	10.6%	135	11.3%
Lighting ³	96	6.1%	119	6.9%
Innovation, Group & Services ⁴	(103)	-	(89)	-
Philips Group	253	5.4%	230	4.3%

¹ Q1 2014 includes EUR (21)M of restructuring charges, Q1 2015 includes EUR (30)M of restructuring and acquisition-related charges and EUR (28)M other incidentals.

² Q1 2015 includes EUR (1)M of restructuring charges. ³ Q1 2014 includes EUR (30)M of restructuring and acquisition-related charges; Q1 2015 includes EUR (25)M of restructuring and acquisition-related charges. ⁴ Q1 2015 includes EUR (2)M of restructuring charges and EUR (11)M other incidentals.

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

Adjusted EBITA by sector – Q1 2015

EUR million

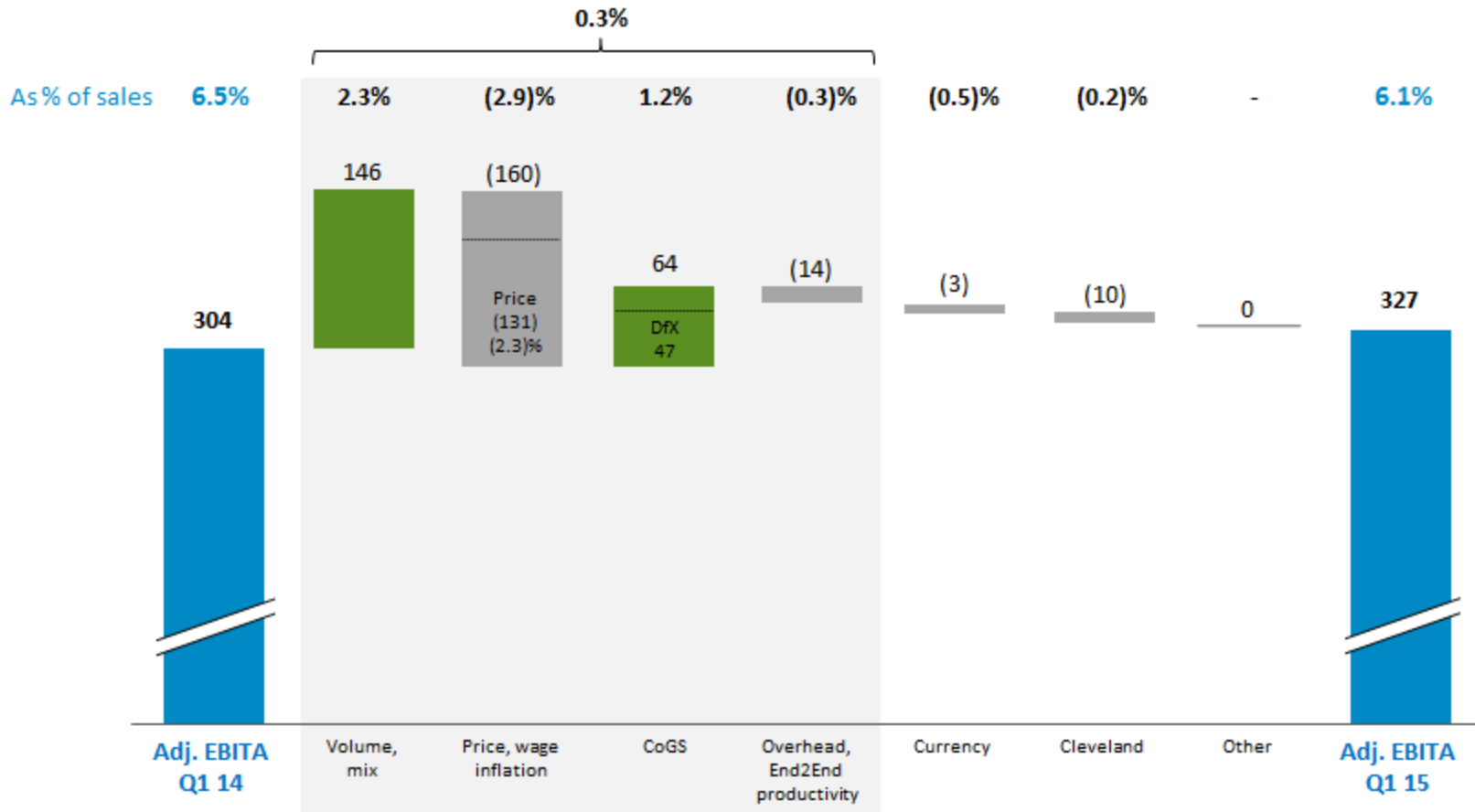
	Q1 2014		Q1 2015	
		as % of sales		as % of sales
Healthcare ¹	173	8.8%	123	5.4%
Consumer Lifestyle ²	108	10.6%	136	11.4%
Lighting ³	126	8.0%	144	8.4%
Innovation, Group & Services ⁴	(103)	-	(76)	-
Philips Group	304	6.5%	327	6.1%

¹ Q1 2014 excludes EUR (21)M of restructuring charges, Q1 2015 excludes EUR (30)M of restructuring and acquisition-related charges and EUR (28)M other incidentals.

² Q1 2015 excludes EUR (1)M of restructuring charges. ³ Q1 2014 excludes EUR (30)M of restructuring and acquisition-related charges; Q1 2015 excludes EUR (25)M of restructuring and acquisition-related charges. ⁴ Q1 2015 excludes EUR (2)M of restructuring charges and EUR (11)M other incidentals.

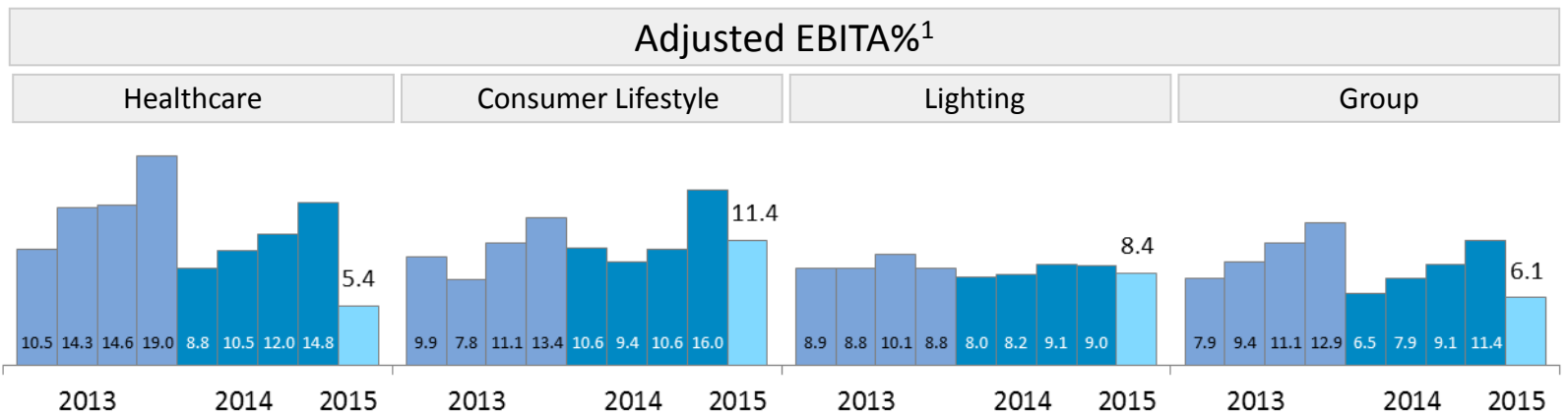
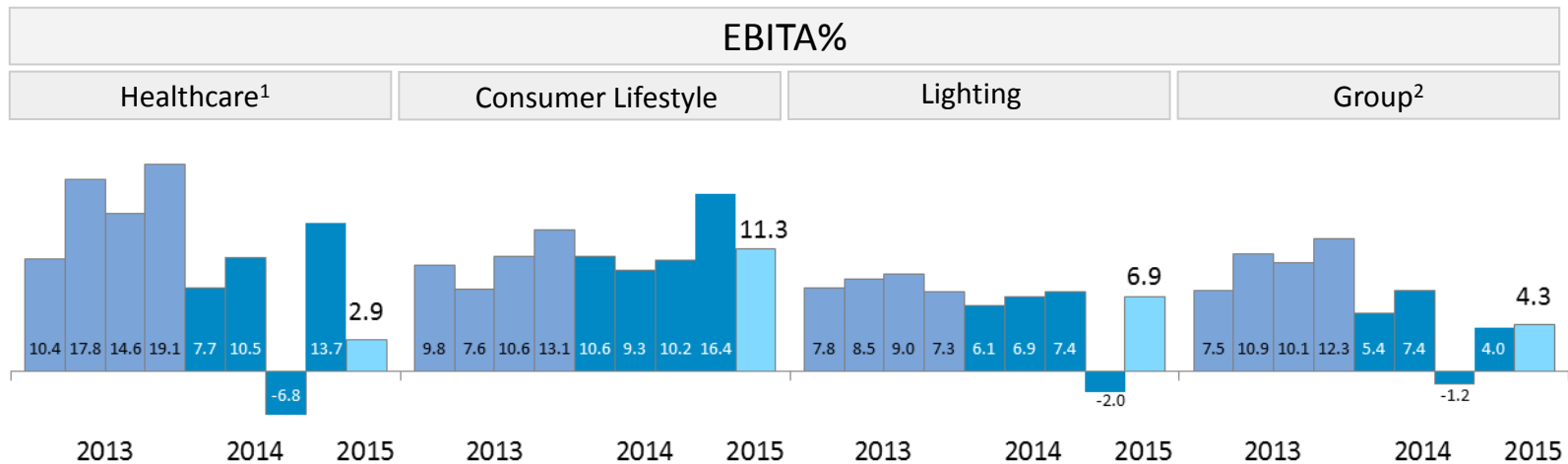
Note - Prior-period financials have been restated for the treatment of the combined businesses of Automotive and Lumileds as discontinued operations.

Accelerate! continues to improve operational performance



EBITA and Adjusted EBITA margin development

Trend Q1 2013 – Q1 2015

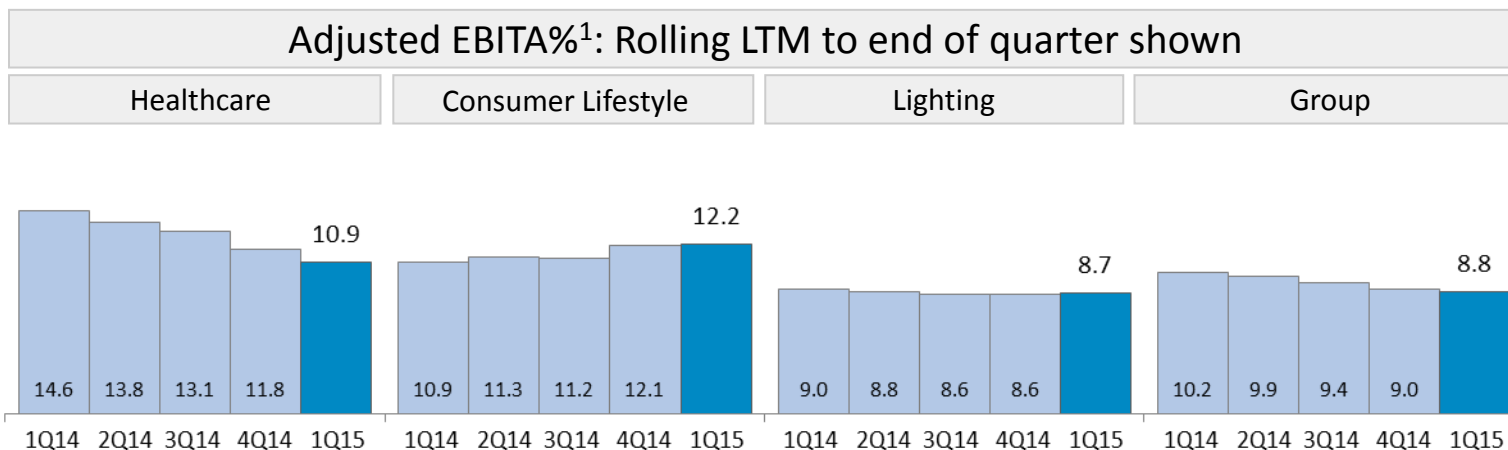
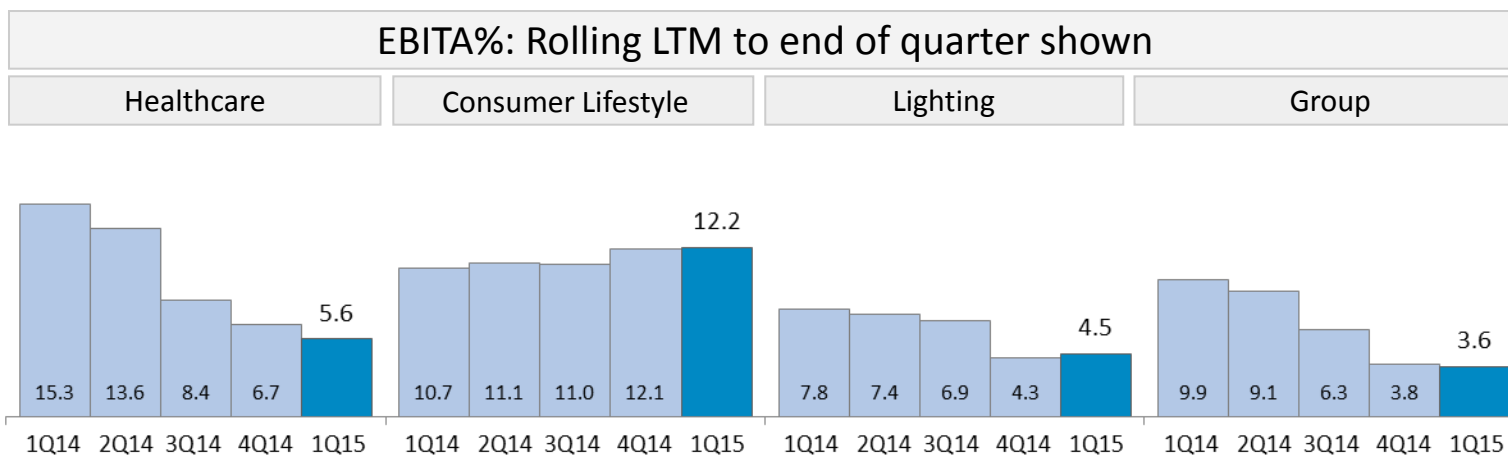


¹ Adjusted EBITA is EBITA excluding restructuring, acquisition-related charges and other items (details on slide 89).

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

EBITA and Adjusted EBITA margin development

Rolling last 12 months

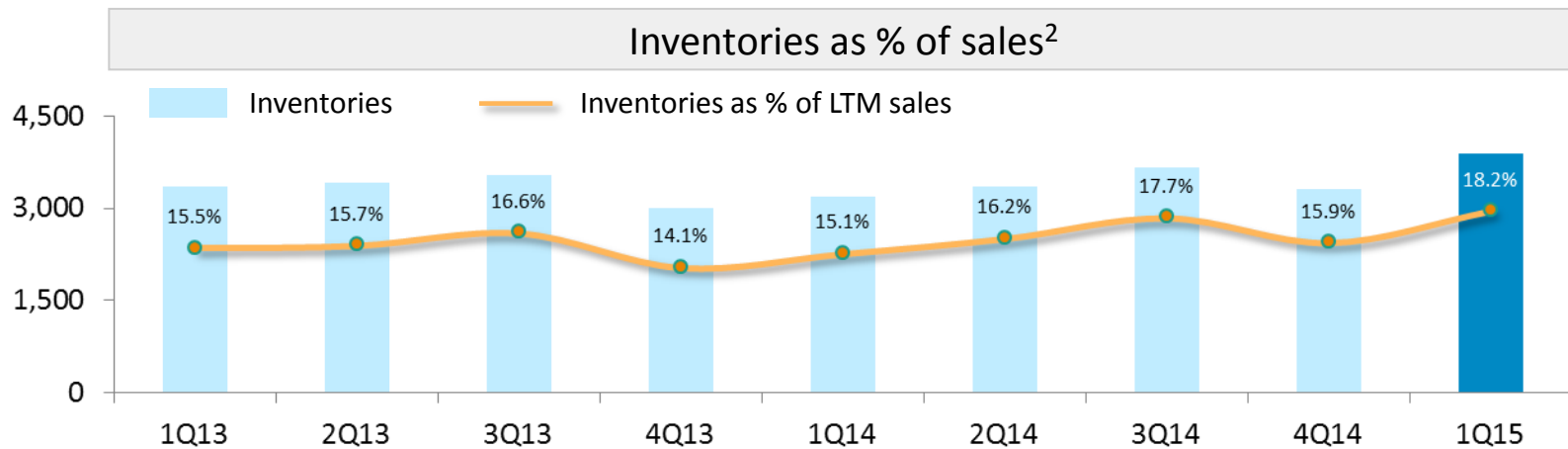
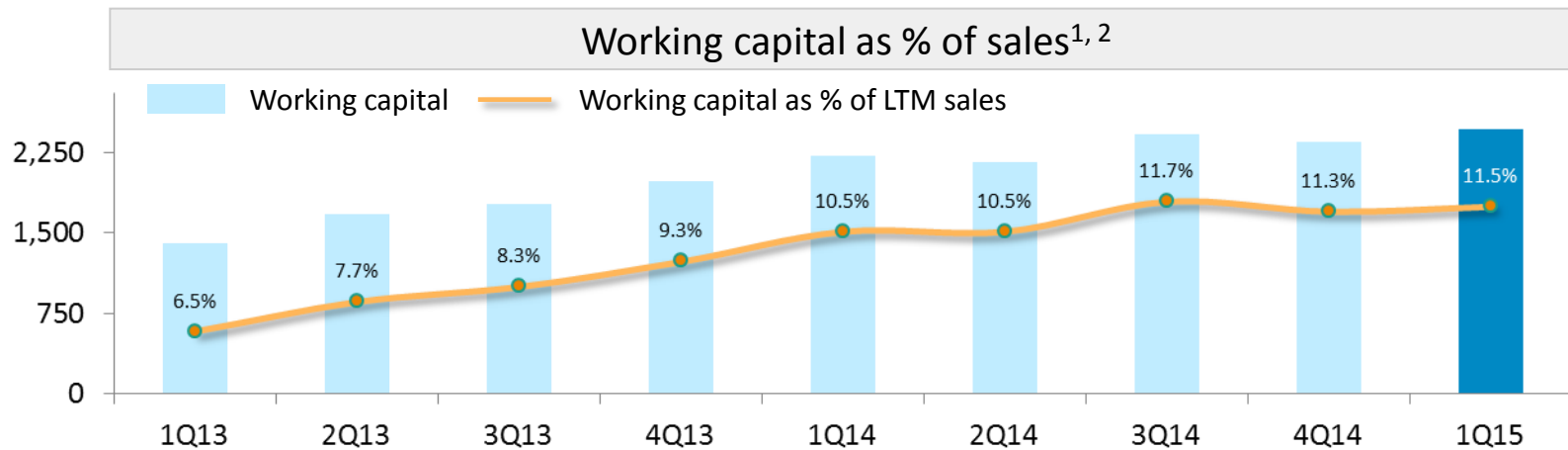


¹ Adjusted EBITA is EBITA excluding restructuring, acquisition-related charges and other items (details on slide 89).

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

Working capital & inventories

EUR million

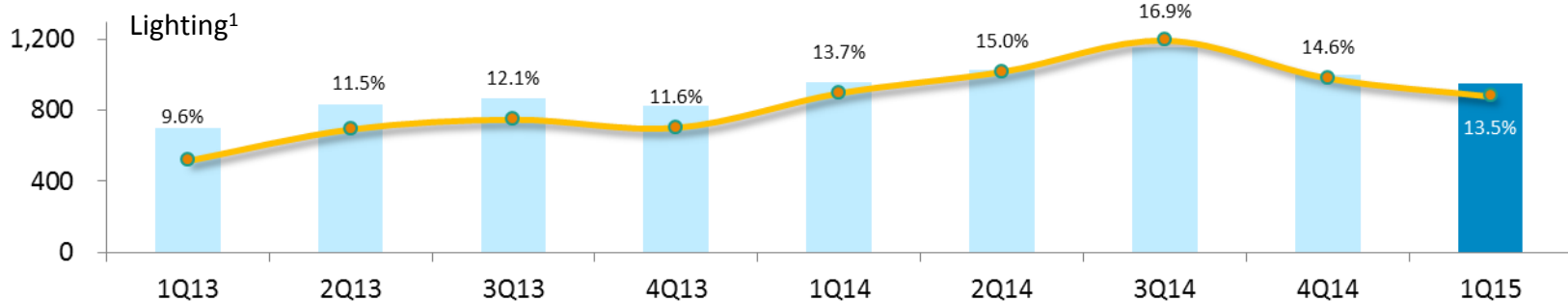
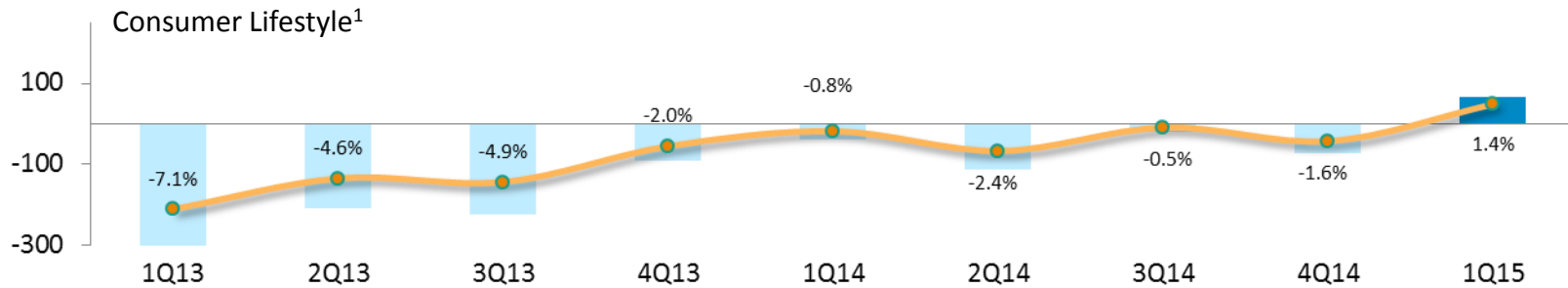
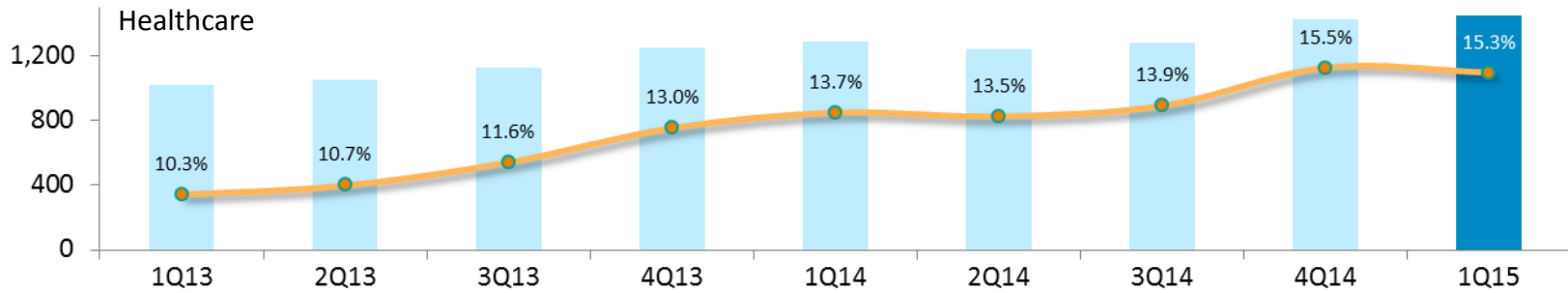


¹ Working capital as % of sales of Healthcare, Consumer Lifestyle and Lighting; excluding IG&S. ²Excludes inventory related to acquisitions, divestments and discontinued operations. Note - Prior-period financials have been restated for the treatment of the combined businesses of Automotive and Lumileds as discontinued operations. Financials in 2012 revised for discontinued operations, the adoption of IAS19R and for restatements included in the Annual Report 2012

Working capital per business sector

EUR million

Working capital Working capital as % of LTM sales



¹ Excludes working capital of discontinued operations;

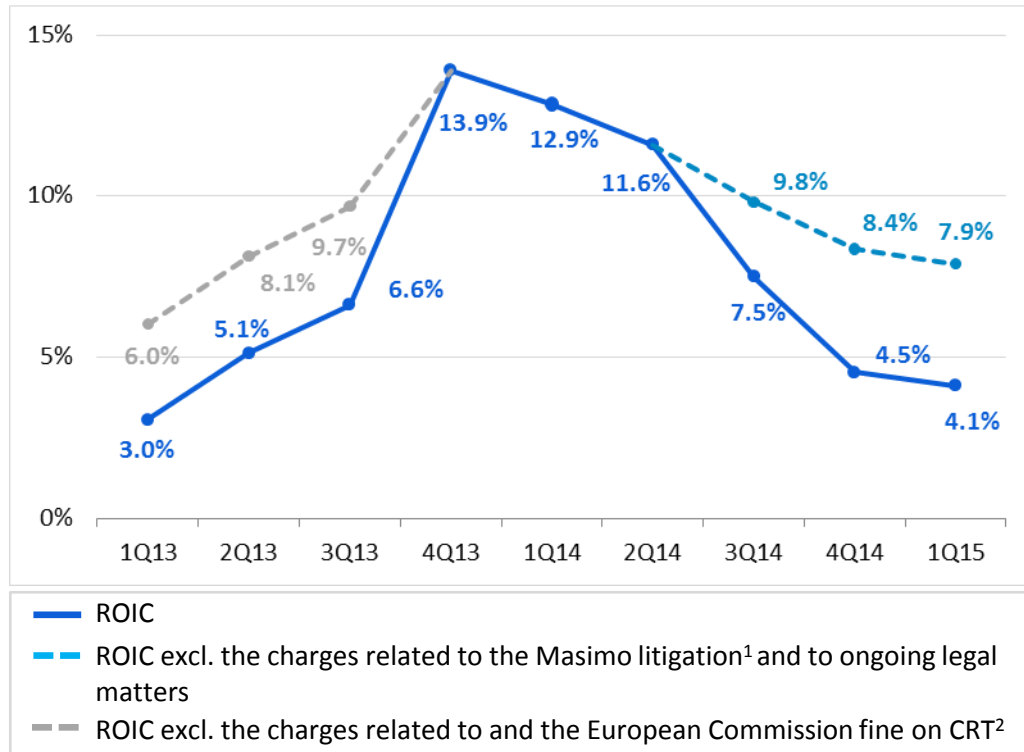
Note - Prior-period financials have been restated for the treatment of the combined businesses of Automotive and Lumileds as discontinued operations. Financials in 2012 revised for discontinued operations, the adoption of IAS19R and for restatements included in the Annual Report 2012.

Free Cash Flow – Q1 2015

EUR million

	Q1 2014	Q1 2015
Net income from continuing operations	96	64
Depreciation, amortization, and impairments of fixed assets	260	283
Interest income and expense/ Income tax expense	71	83
Net gain on sale of assets	(6)	(34)
Changes in working capital, of which:	(131)	(18)
- changes in receivables and other current assets	7	82
- changes in inventories	(225)	(243)
- changes in accounts payable, accrued and other liabilities	87	143
Increase in non-current receivables, other assets and other liabilities	(380)	42
Decrease in provisions	(16)	(162)
Interest paid and received/ Income taxes paid	(184)	(147)
Others	17	(367)
Net cash flow from operating activities	(273)	(256)
Purchase of intangible assets/ Expenditures on development assets	(79)	(100)
Capital expenditures on property, plant and equipment	(82)	(92)
Proceeds from disposals of property, plant and equipment	3	5
Net capital expenditures	(158)	(187)
Free Cash Flow	(431)	(443)

Development of Return on Invested Capital (ROIC)



- ROIC was at 7.9% in Q1 2015, excluding the charges related to the jury verdict in the Masimo litigation¹ and to ongoing legal matters
- This compares to 8.4% in Q4 2014 and to 12.9% in Q1 2014. The year-on-year decline was driven by a decrease in earnings
- The net operating capital prior to Q4 2014 still includes Lumileds and Automotive whereas the EBIAT of those businesses have been excluded from all periods shown

Notes:

Philips calculates ROIC % as: EBIAT/ NOC

Quarterly ROIC % is based on LTM EBIAT and average NOC over the last 5 quarters

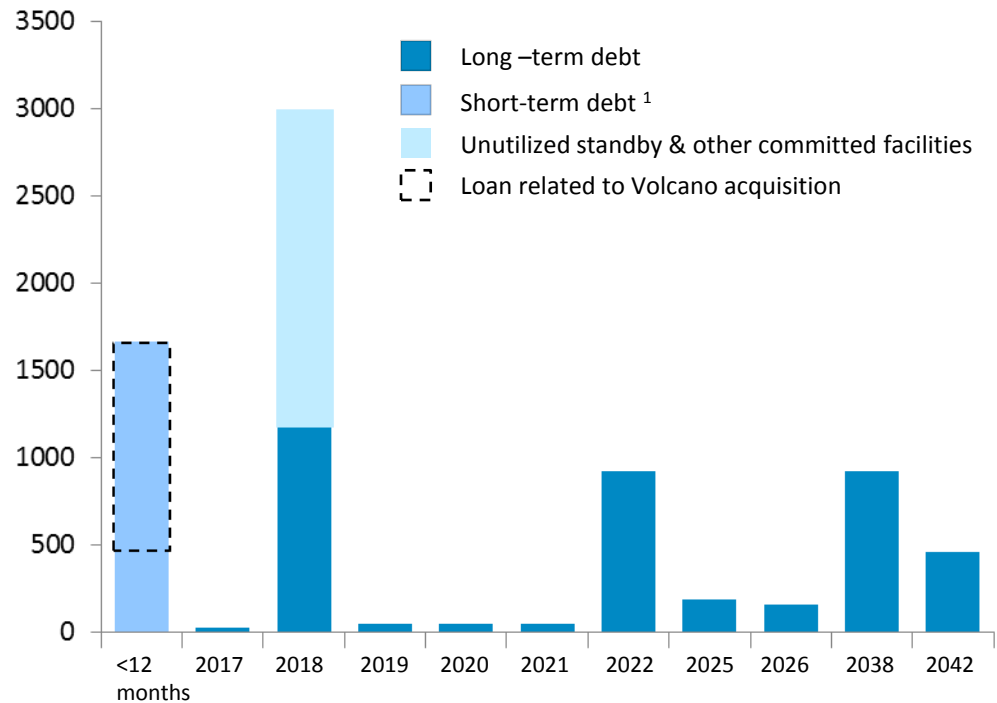
EBIAT are earnings before interest after tax; reported tax used to calculate EBIAT

Philips' debt has a long maturity profile

Characteristics of long-term debt

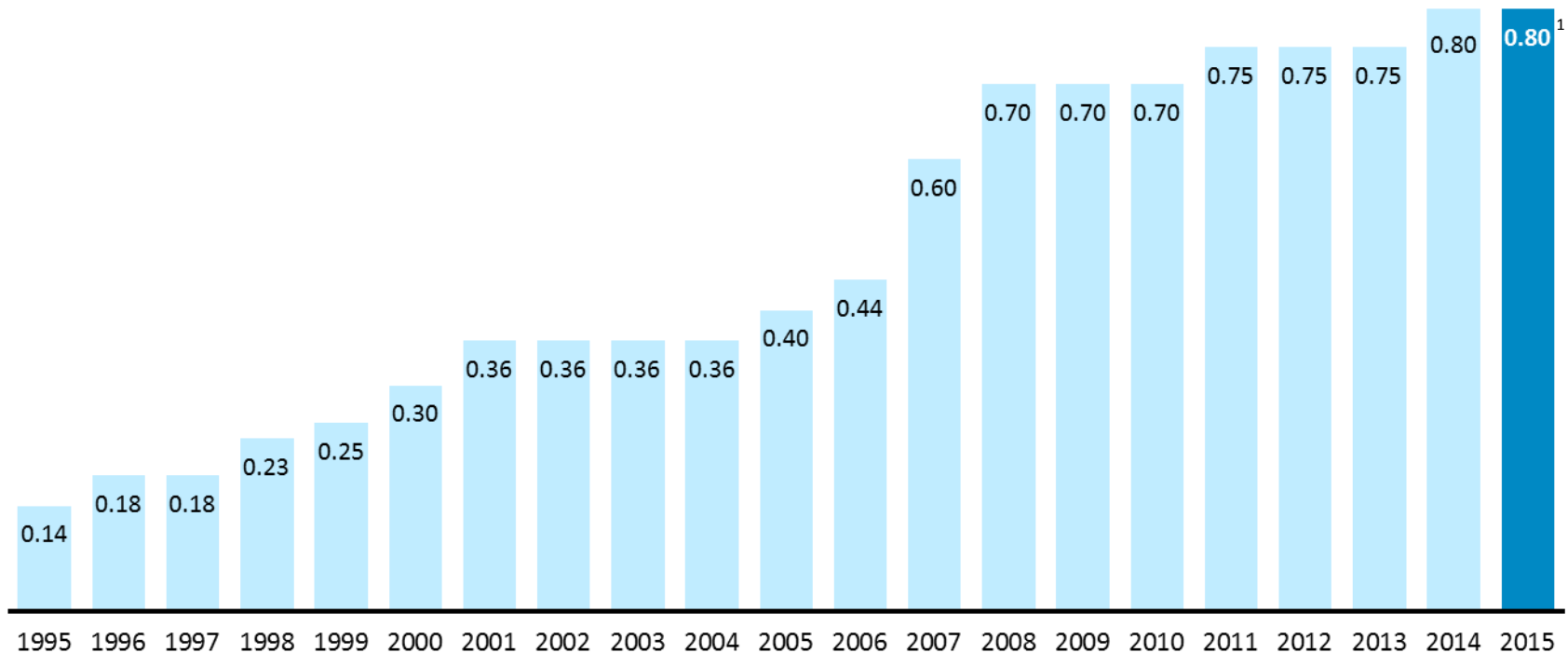
- Total net debt position of EUR 4.1 billion
- Maturities up to 2042
- Average tenor of long-term debt is 12 years
- No financial covenants
- EUR 1.8 billion standby facility matures in February 2018

Debt maturity profile as of March 2015
Amounts in EUR millions



A history of sustainable dividend growth

EUR per share



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

Update funded status pension plans (IFRS basis)

EUR million	Funded status		Balance sheet position	
	December 2014 (reported)	March 2015 (not reported)	December 2014 (reported)	March 2015 (not reported)
Netherlands Prepaid pension asset ¹	238	(24)	0	0
Other major plans	<u>(1,230)</u>	<u>(1,494)</u>	<u>(1,783)</u>	<u>(1,980)</u>
Major plans	(992)	(1,518)	(1,783)	(1,980)
Minor plans	<u>(226)</u>	<u>(226)</u>	<u>(227)</u>	<u>(227)</u>
Total	(1,218)	(1,744)	(2,010)	(2,207)

- In Q1 2015, the total funded status decreased due to lower interest rates in the Netherlands, UK and Germany that could not be offset by higher asset values. The USD/EUR exchange rate development increased the deficit in the US as measured in EUR. The final part of the payment to de-risk the Dutch pension plan as well as its zero indexation for 2015 positively impacted the funded status.
- The balance sheet was impacted by the increase in deficits in Germany and the US. The balance sheet surpluses in the UK and Brazil, are not recognized (asset-ceiling test). The deficit of the Dutch plan at the end of Q1 will not be recognized as the company has no obligation to fund any deficits (CDC).

Capital allocation policy

- Prudent investments in high ROIC organic growth opportunities to strengthen each operating business
- Disciplined but more active approach to M&A, with a focus on HealthTech, while continuing to adhere to strict return hurdles
- Committed to dividend-stability and a 40% to 50% pay-out of continuing net income
- Ambition to over time manage financial ratios to be in line with an A3/A- rating
- Continuing EUR 1.5 billion share buyback over coming 2 years
- Further updates over the course of 2015 on the transaction for LED Components & Automotive, implementation of new operating model, and the process of preparing Lighting Solutions for capital market access

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Accelerate! driving further change and performance

Customer Centricity		<ul style="list-style-type: none">• Increase local relevance of product portfolio• Focused Business-to-Government sales channel; Develop digital and CRM capabilities• Enhance sales capabilities for Solutions, Systems and Services• Expansion into adjacent and new growth markets to drive growth
Resource to Win		<ul style="list-style-type: none">• Increase performance adherence to plan per BMC¹ > 90%• Targeted investments to drive value creation and extend market leadership• Strengthen BMC 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– Reduce Cost of Non Quality by 30%, Inventory reduction by 20%• Accelerate innovation time to market by avg. 40%; Increase customer service to >95%• EUR 1 billion via Design for Excellence (DfX) over the period 2014-2016
Growth and Performance Culture		<ul style="list-style-type: none">• Focus on the 6 competencies that will accelerate our transformation• Run and measure monthly performance dialogues to take ownership for the transformation• Build Philips University to increase learning and competency development• Excellence practices to increase operational performance; Lean skills for all employees• Increase Employee Engagement in markets by 300 bps
Operating Model		<ul style="list-style-type: none">• Simplify and de-layer organization, reduce overhead costs by EUR 1.8 billion• Implement the Philips Business System in the organization• Continue to transform Finance, HR, and IT to increase productivity and effectiveness• Align all employees to common performance management objectives

Supported by dedicated senior Transformation Leadership to ensure execution



Accelerate! is improving the way we do business

Innovation in LED lamps

Through our entrepreneurial and customer centric innovation approach, Philips launched a new range of basic LED lamps for the North American market within only 4 months. The fast time-to-market, combined with a price point below \$5 without utility rebate, is driving strong sales and improved margins.



Lean manufacturing in Consumer Lifestyle

As part of the global Lean deployment across our manufacturing sites, Consumer Lifestyle ran Lean continuous improvement Kaizen events at the Batam (Indonesia) and Zhuhai (China) sites. This drove a 40+% increase in quality levels and more than 10% increase in productivity in both factories.



Leaner Magnetic Resonance installation

By redesigning and harmonizing its End2End processes across the equipment installation value chain, the Healthcare team was able to reduce Ingenia's (MRI) installation time by 60% and installation cost by 30%. This also enhanced the quality and reliability of installations and improved customer service levels.



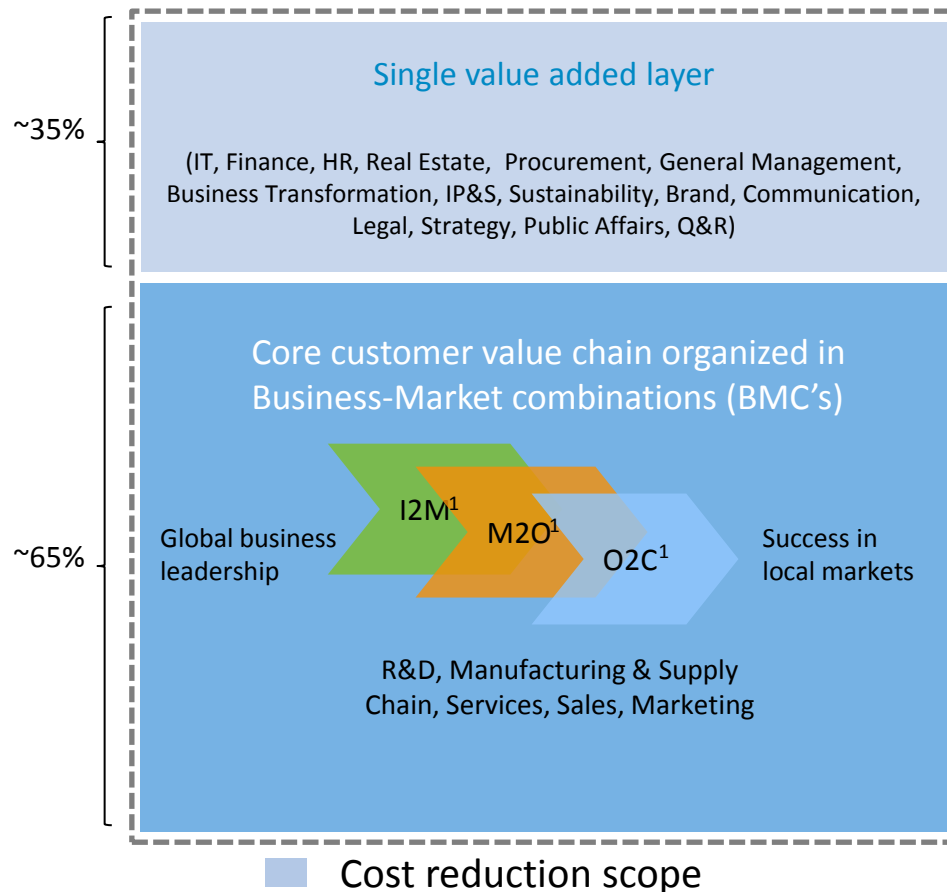
Decreasing time to market in Male Grooming

In applying Lean to its innovation processes the Male Grooming team was able to reduce the lead-time for development and launch of a new range of shavers by 30%. This was enabled by simplified End2End processes and the strong usage of pre-existing critical components.





Cost reduction program targeting overhead costs will bring EUR 1.8 billion in savings by 2016



Clear design principles

- Structural reduction of costs in the **Single value added layer**
 - Reduction of layers and optimization of span of control
 - Leverage shared services and centers of excellence
 - Simplified organization design and harmonized job descriptions
- Continued drive to optimize cost structure through operational excellence (Continuous Improvement, LEAN)



New operating model enables additional overhead savings by 2016

EUR million	Cumulative gross savings			Savings in the period		
	2011-2014	2015	2016	Q1 2015	2015	2016
	Actual	Plan	Plan	Actual*	Plan	Plan
TOTAL	1,335	1,600	1,800	19	265	200

- New operating model enables additional cost savings across the enabling functions and faster decision-making
- On-track to deliver **EUR 265 million incremental savings in 2015**

* Includes only incremental savings generated in the quarter. Equivalent to annualized gross savings of EUR 75 million in 2015.

EUR million	Annual restructuring costs and investments			
	2011-2014	Q1 2015	2015	2016
	Actual	Actual	Plan	Plan
Restructuring	(456)	(10)	(125)	(50)
Investments*	(433)	(45)	(185)	(140)
TOTAL	(889)	(55)	(310)	(190)

* Includes investments to enable overhead cost savings as well as investments on the overall execution of the Accelerate! transformation (see page 28 for a comprehensive review of the program)

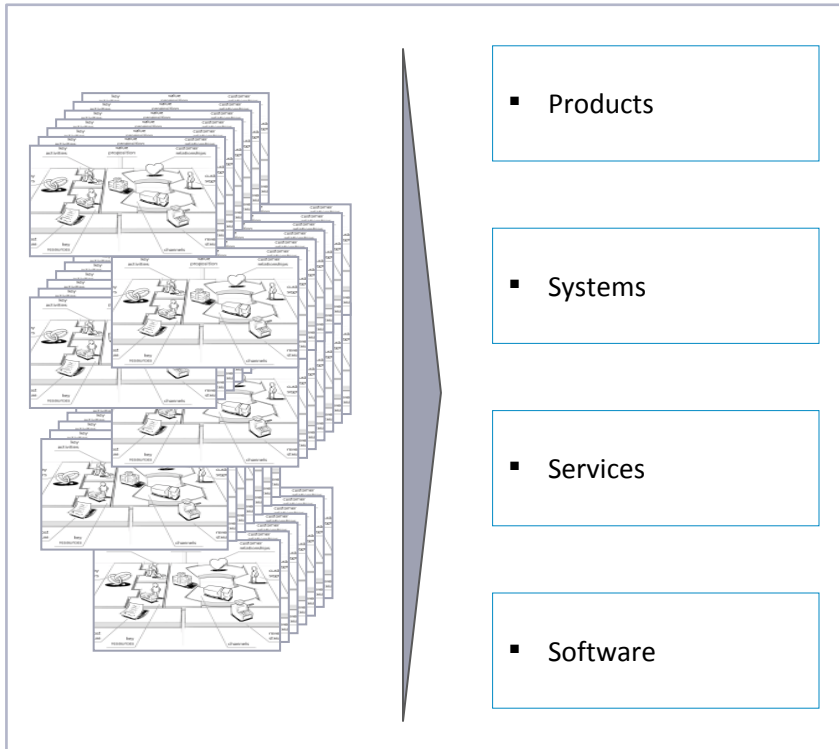


Overhauling our business model architecture

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

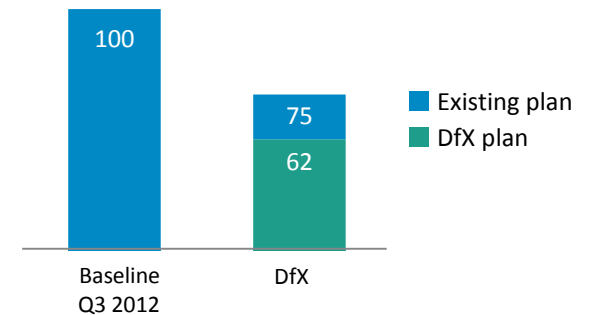


Design for Excellence (DfX) will deliver EUR 1 billion of cost savings in the product creation process

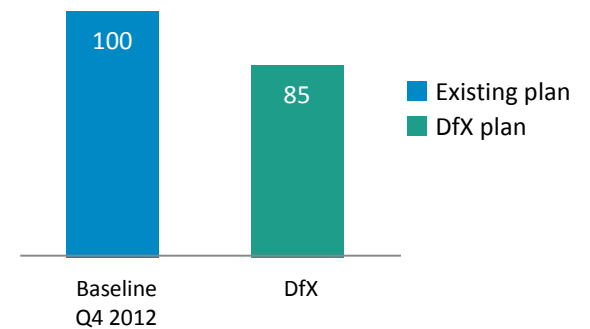
Design for X; X = cost, quality, manufacturing etc.

- 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
- Significant cost savings can be achieved in mature products, i.e. products being manufactured 5+ years, as well as new product introductions
- 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 and follow-through

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Establishing two focused companies to capture highly attractive market opportunities

Royal Philips

Focused on the EUR 100+ billion HealthTech opportunity

Serving the Health Continuum

Leveraging strengths of Healthcare and Consumer Lifestyle

EUR 14.4 billion sales 2014¹

Philips Lighting

Focused on the EUR 60+ billion Lighting solutions opportunity

Establishing stand-alone Lighting structure

LED Components & Automotive
(Announced in June 2014)

EUR 7.0 billion sales 2014²

- Higher growth and profitability
- Improved customer focus in attractive markets
- Faster decision making
- Lean overhead structure
- Considering options for capital market access for Philips Lighting
- Release capital for investments in growth

We continue on our multi-year Accelerate! journey



Accelerate!

Initiate new growth engines

- Invest in adjacencies
- Seed emerging business areas

Expand global leadership positions

- Invest to strengthen our core businesses
- Resource allocation to right businesses & geographies

Transform to address underperformance

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

2011

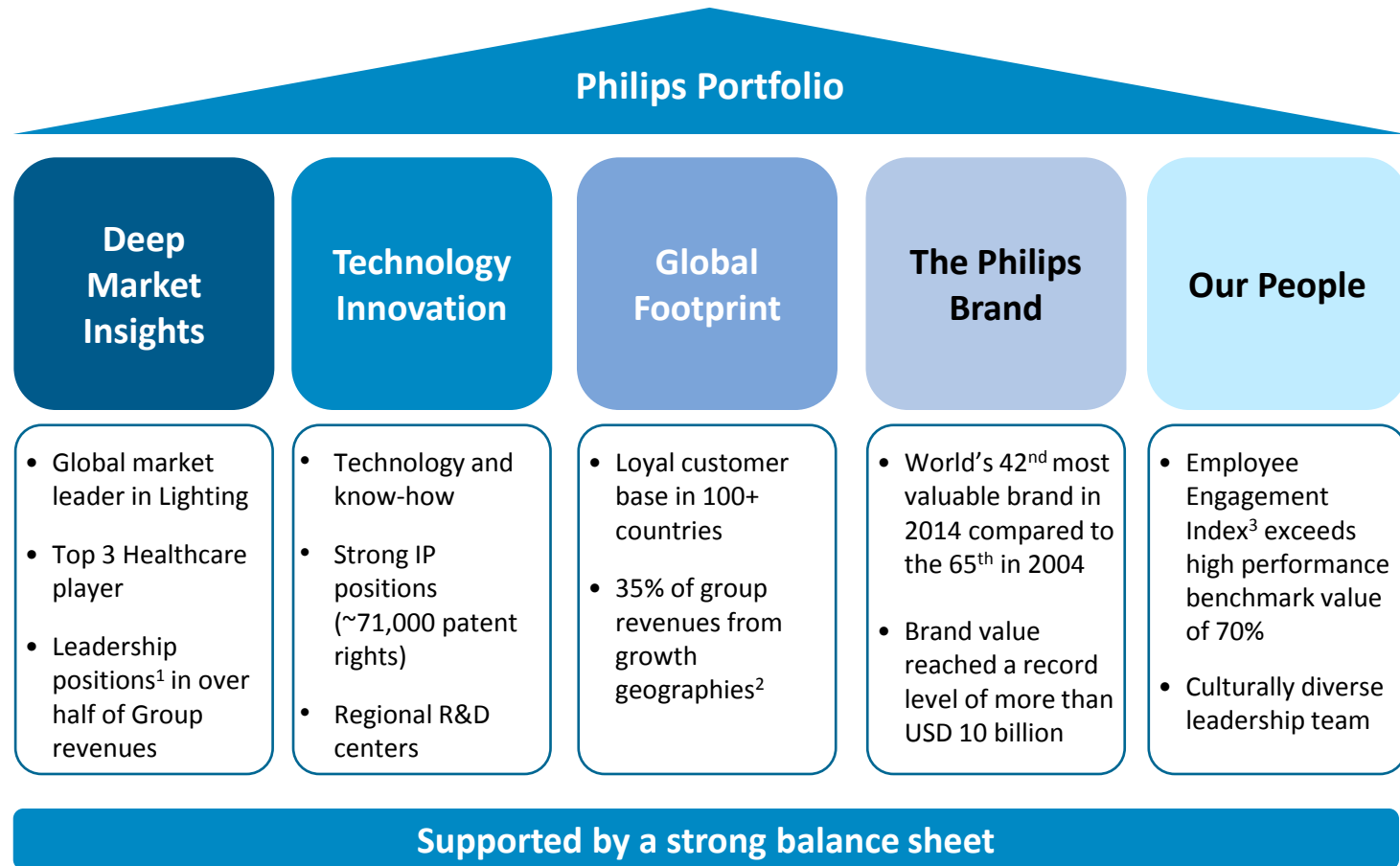
2016

The Philips Business System, our repeatable system to unlock and deliver value

- Active **portfolio management**
- Improving **customer centricity**
- Relentless focus on **operational excellence**
 - Capturing significant overhead savings
 - Driving Procurement and DfX¹ even further
 - Embedding End2End and Lean practices
- Building our **growth and performance culture**



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 business domains play right into the 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

HealthTech

- Imaging systems for diagnostics and therapy
- Patient care for hospital and home
- Clinical Informatics & consulting services
- Personal health & well-being appliances and services

Lighting Solutions

- Light sources & electronics
- Consumer luminaires
- Professional lighting solutions

HealthTech opportunity to focus on EUR 100+ billion market opportunity across Health Continuum



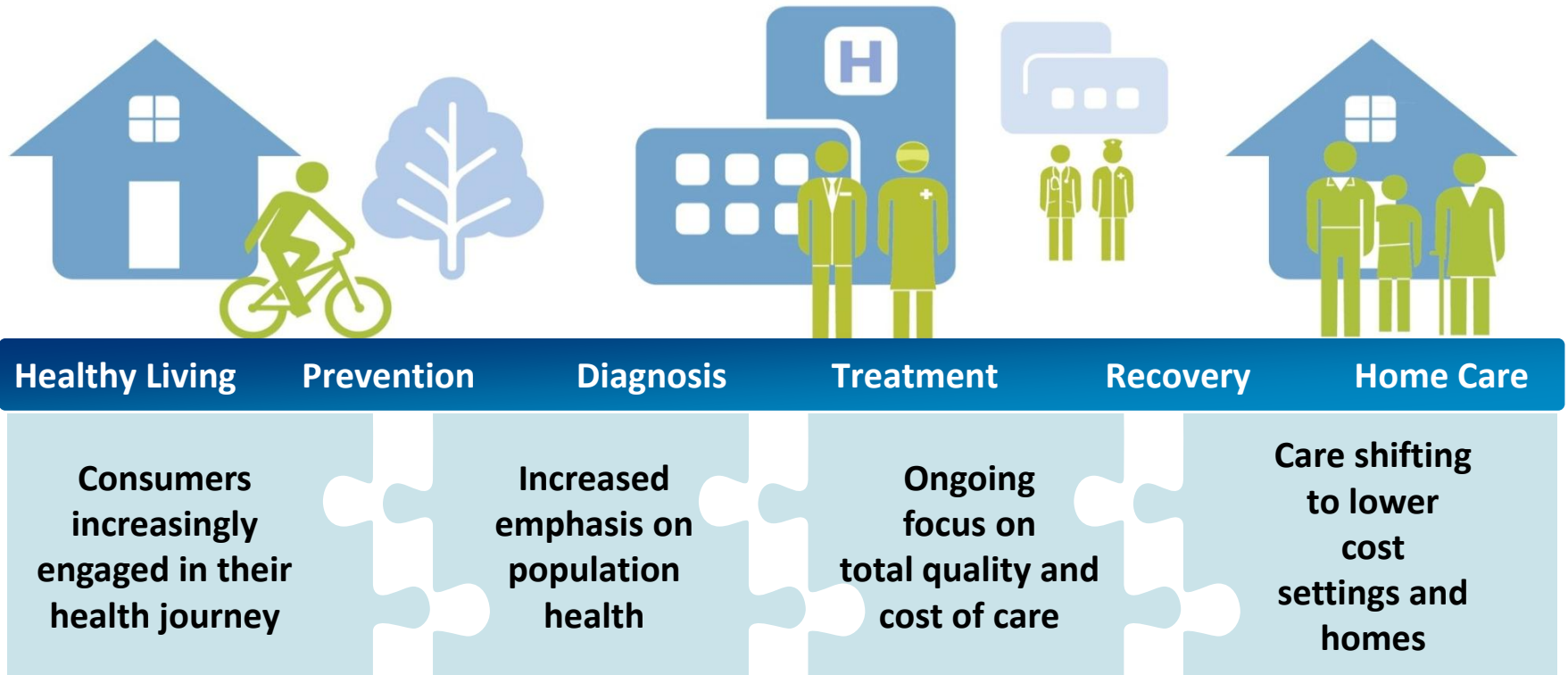
Philips HealthTech indicative addressable market 2014¹ and approximate CAGR 2014-18

Healthy Living	Prevention	Diagnosis	Treatment	Recovery	Home Care
EUR 30+ billion CAGR ~7%	EUR 10+ billion CAGR ~10%	EUR 20+ billion CAGR ~6%	EUR 10+ billion CAGR ~6%	EUR 5+ billion CAGR ~6%	EUR 5+ billion CAGR ~4%
EUR 20+ billion (Clinical Informatics & Consulting) CAGR ~9%					

Mid to high-single-digit market growth

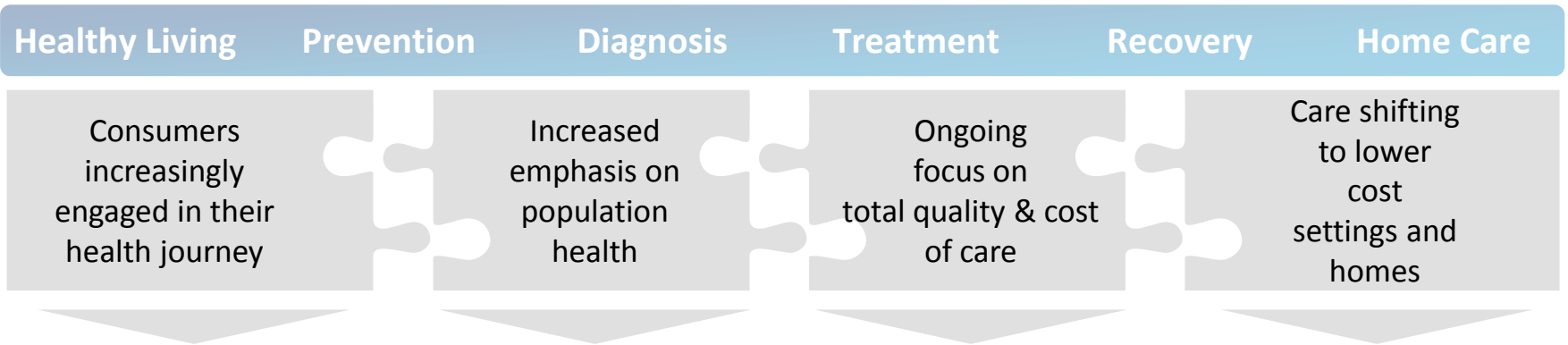
¹Source: Philips Internal Study

HealthTech opportunity shaped by convergence between Healthcare and Consumer markets

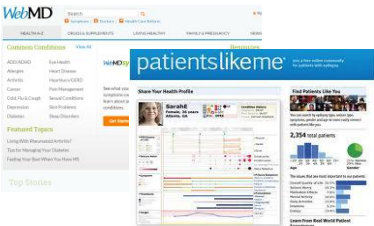


Opportunities from intersection of consumer and clinical spaces
Customers expressing need for integrated solutions
Systems integration, connected devices, big data and analytics
Philips uniquely positioned with portfolio, insights and capabilities

Opportunities emerging across the Health Continuum



Success of online health portals



Hospitals launching online nutrition service



Hospitals leveraging workflow automation

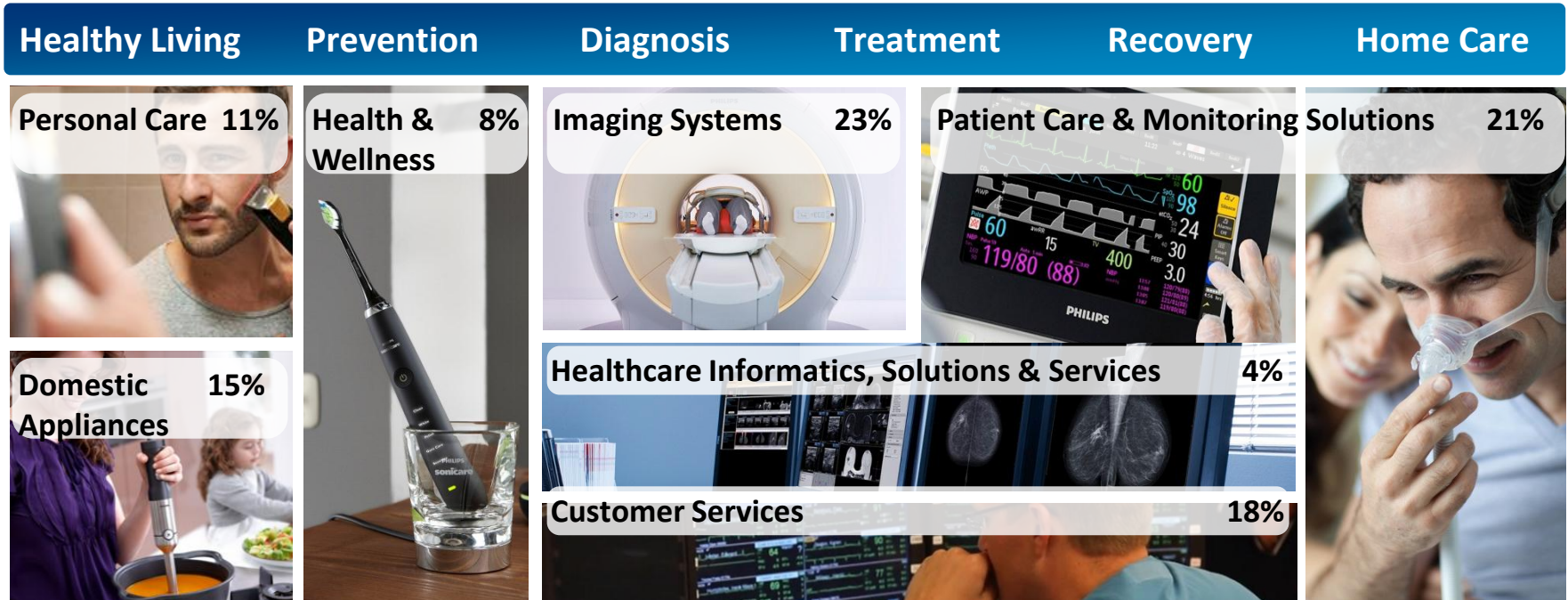


Hospitals offering Home Care devices



Players across Health Continuum recognizing evolving needs
Propositions and landscape remain fragmented
Philips has positions of strength across these spaces

Building the leader in HealthTech



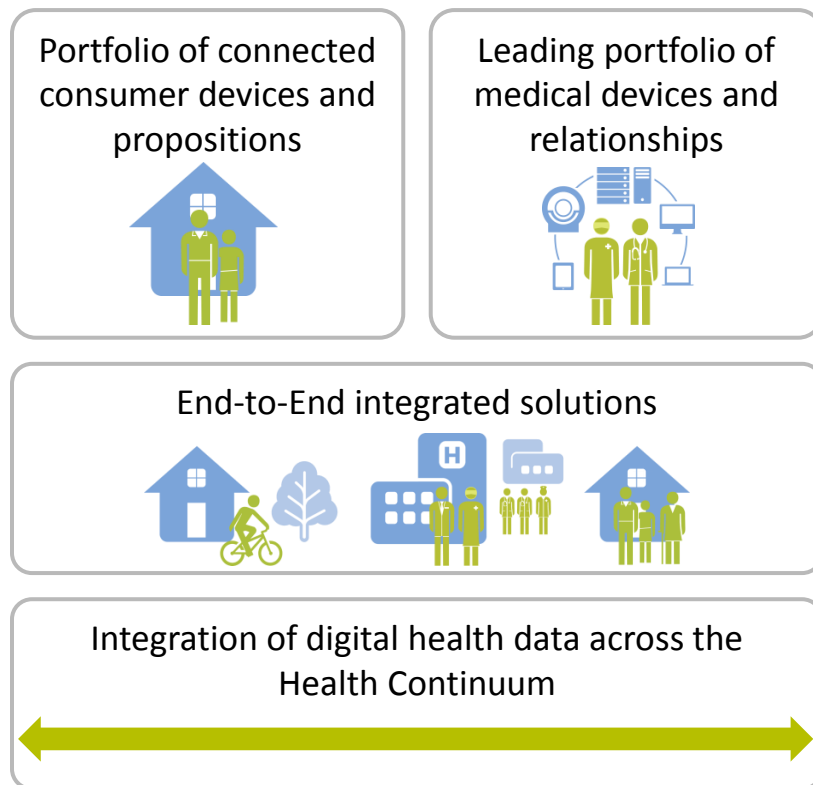
Share of HealthTech sales¹

Strong positions across the Health Continuum
Deep customer, clinical and consumer insights
World-class innovation, design and marketing capabilities
Systems integration, connected devices, big data & analytics, integrated solutions
Trusted Philips brand

Philips strongly positioned with an integrated HealthTech approach

Key building blocks to capture the opportunity

Strong starting position



- **Broad installed base** of personal health and medical, monitoring and measurement devices
- Broad **channel access** in home and clinical environments
- **Strong relationships** with critical eco-system participants
- Deep data stores – **insights into clinical and consumer needs**
- Imaging, digital analytics and clinical **decision support experience**
- **Trusted Philips brand**

Industry dynamics create opportunities in Lighting Solutions



Industry dynamics

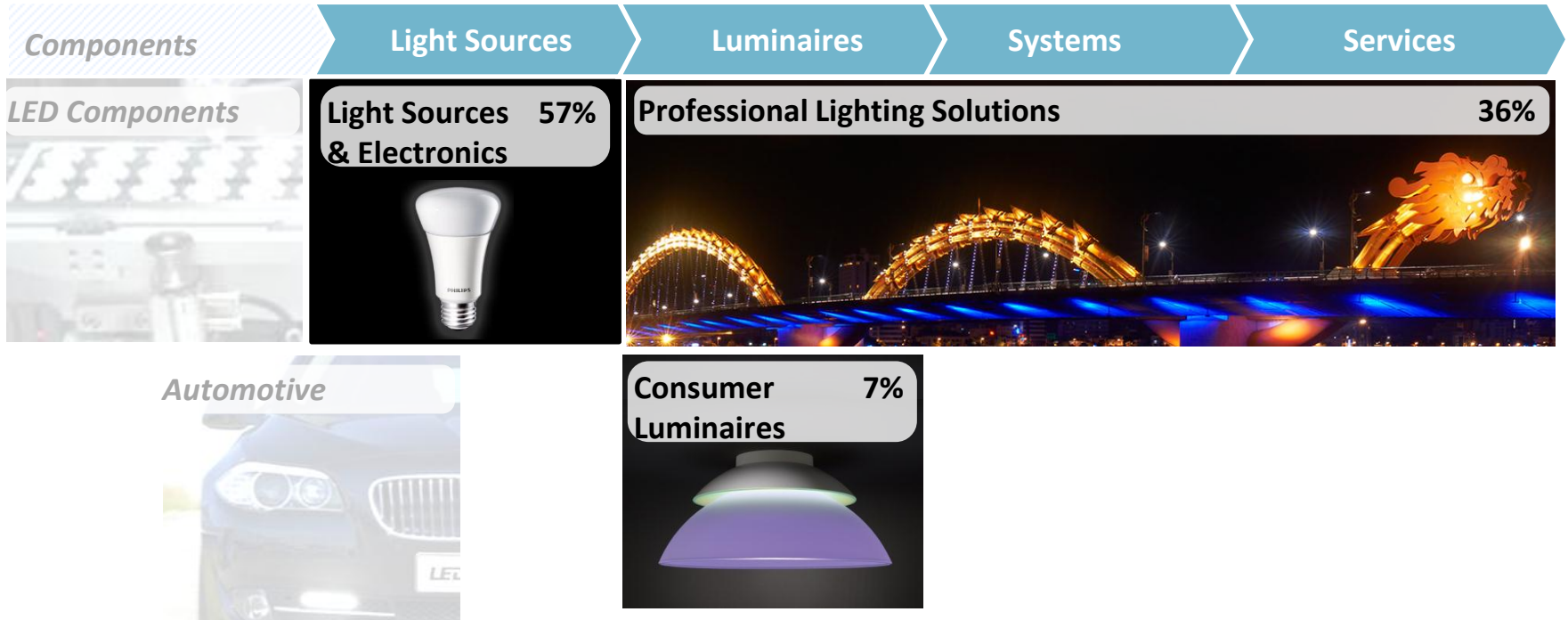
- **Conventional to LED**
- **New competitors** emerging
- **Differentiation** in LED systems and services
- **Connectivity** and intelligence create new growth avenues and open up adjacencies

Resulting opportunities

- Maximize value from the **golden tail**
- **Differentiate in LED** through innovation in and intelligence
- Capture professional **systems and services** opportunity
- Establish **winning connected lighting ecosystems**—home and professional

Philips Lighting strongly positioned as global leader in Lighting solutions market

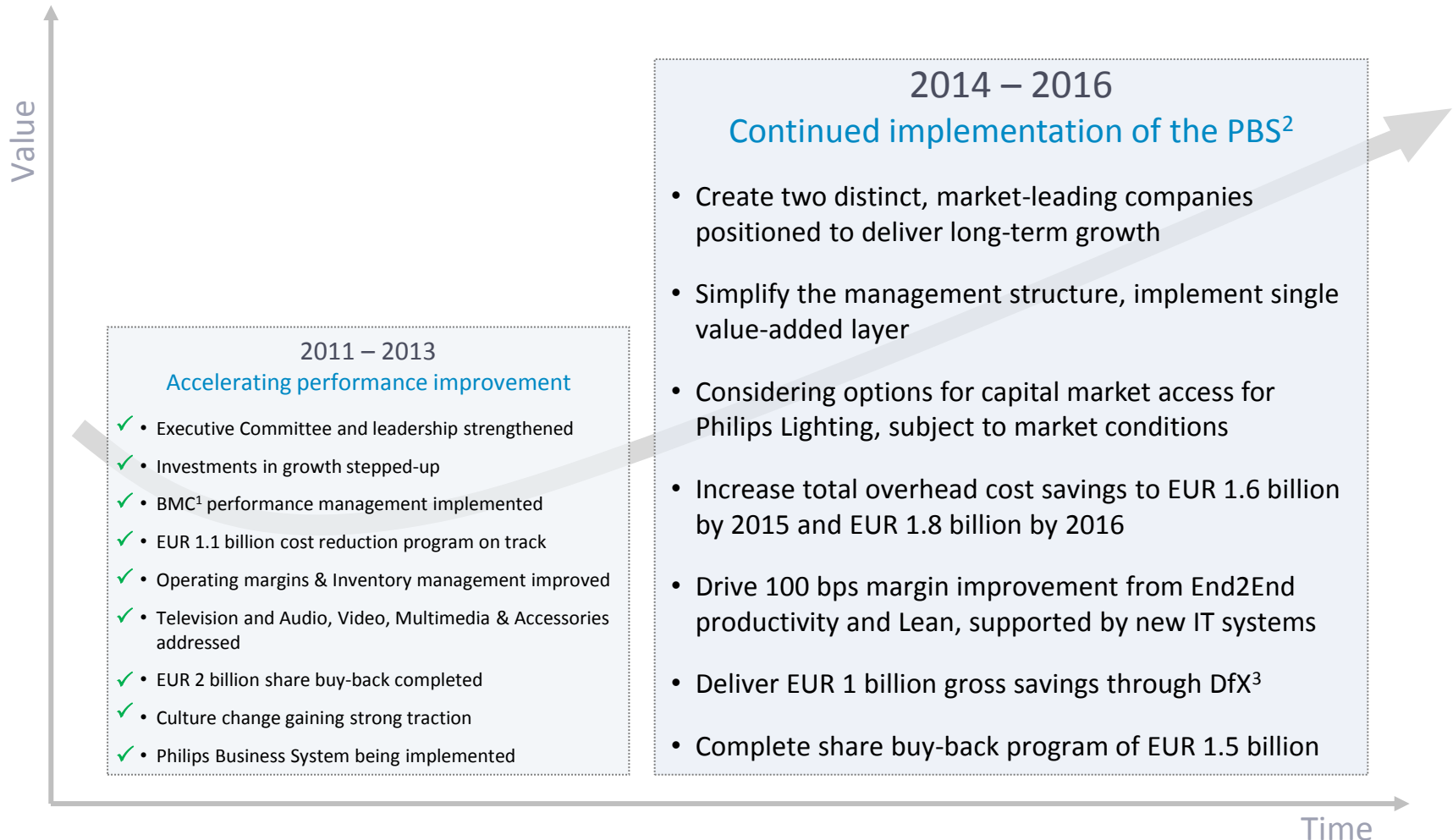
Philips Lighting well positioned to capture growth opportunities



Share of Lighting sales¹

Leading global customer and market positions
World-class innovation and design capabilities
Deep application and systems integration expertise
Unmatched distribution strength and brand

The Accelerate! journey will continue



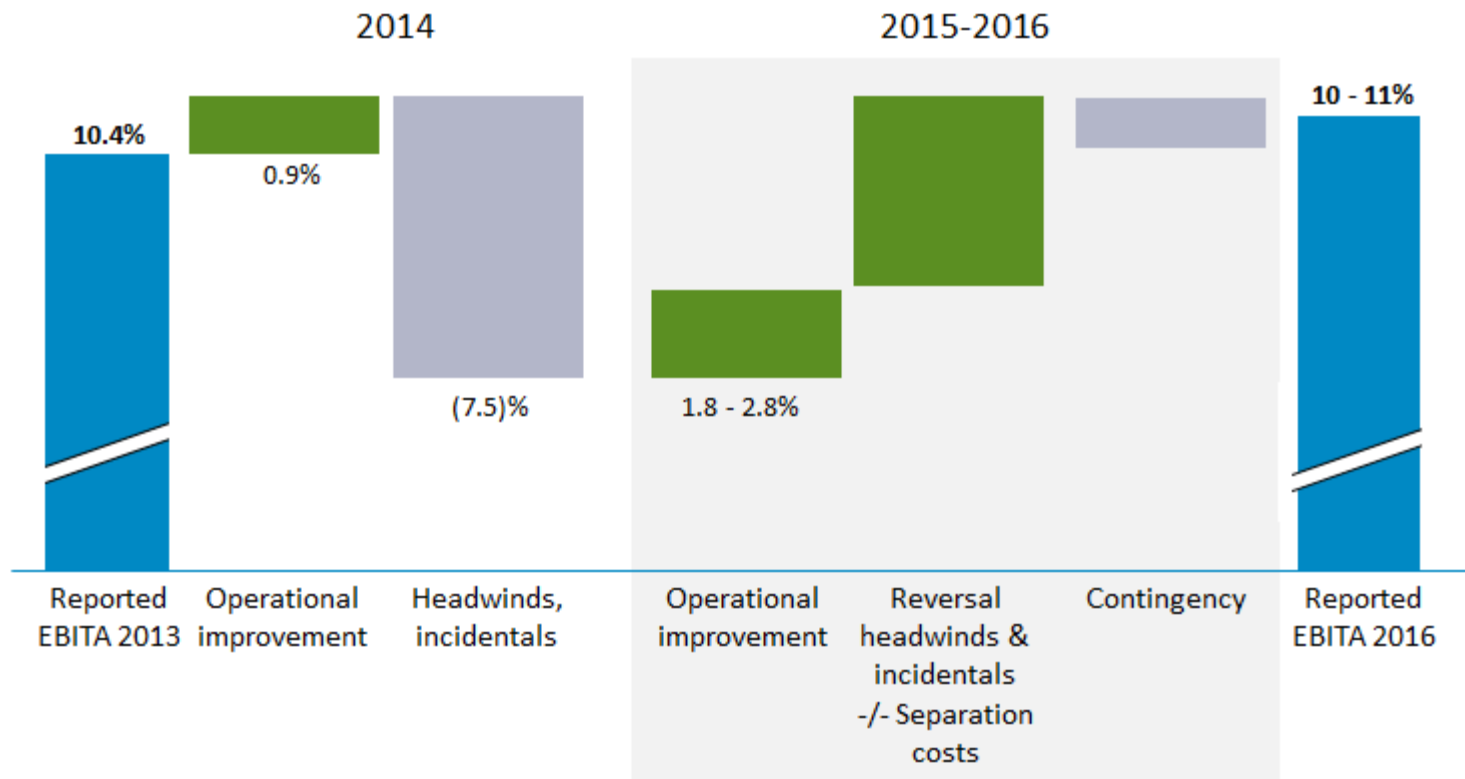
Outlook on 2016 targets

Financial targets 2016		Current Outlook
Group comparable sales growth	4 - 6%	3 - 4%
Group reported EBITA margin	11 - 12%	10 - 11%
- Healthcare	16 - 17% ¹	
- Consumer Lifestyle	11 - 13% ¹	
• HealthTech	14 - 15.5% ¹	
• Lighting Solutions	9 - 11% ¹	
Group ROIC ²	>14%	>13%

Accelerate! profitability improvements drive operational performance

Categories	Measures	Margin Impact ¹
Productivity	• Overhead and indirect gross costs savings of EUR 1.8 billion by 2016	> 170 bps
	• EUR 1 billion through Design for Excellence (DfX) between 2014-2016 contributing to gross margin expansion	100-200 bps
	• End2End productivity gains from the overhaul of our business model architecture and improved customer service	> 100 bps
Investments in growth	• Incremental investments in new growth in adjacencies with returns after 2016	- 100 bps
Productivity improvements versus 2013		270-370 bps

Accelerate! and other improvements bridge to 2016 outlook



Our Path-to-Value is clearly mapped-out

Initiate new growth engines

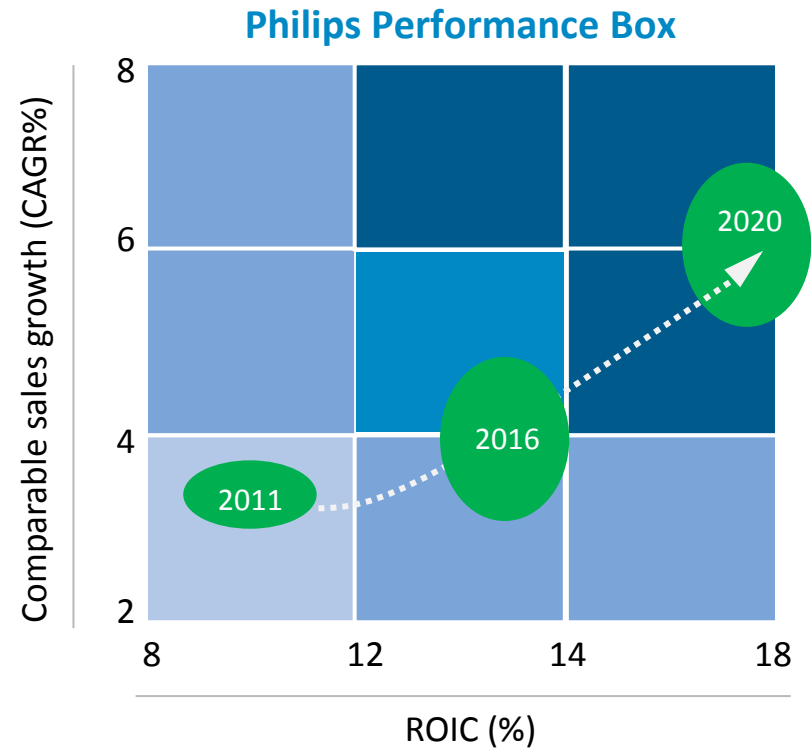
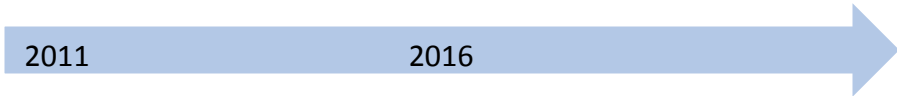
- Invest in adjacencies
- Seed emerging business areas

Expand global leadership positions

- Invest to strengthen our core businesses
- Resource allocation to right businesses & geographies

Transform to address underperformance

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



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

Philips

Businesses^{1, 2}

Geographies¹

Healthcare

Consumer Lifestyle

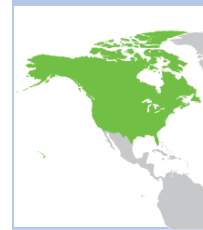
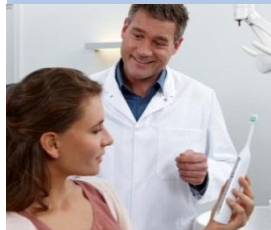
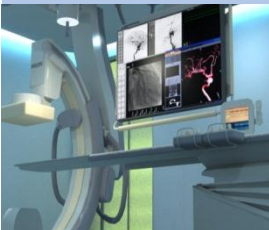
Lighting

Western Europe

North America

Other Mature Geographies

Growth Geographies³



44%

23%

33%

26%

31%

8%

35%

Since **1891**

€21.4 billion sales in 2014, **70%** B2B

~108,000 employees in over 100 countries

50% of the portfolio has global leadership positions

€1.6 billion R&D spend in 2014 and ~71,000 patent rights

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

¹ Based on sales last 12 months March 2015 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

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

Strong leadership¹ positions in many markets across the globe

Healthcare



Global
Cardiovascular
X-ray



Global
Patient
Monitoring



Global
Image-Guided
interventions



Global
Sleep and
Respiratory Care



Global
Ultrasound

Consumer Lifestyle



Global
Rechargeable
Toothbrushes



Global
Male Electric
Shaving



Global
Mother &
Child Care



Regional
Kitchen
Appliances



Regional
Air Purification

Lighting



Global
Conventional
Lamps



Global
LED
Electronics



Global
LED
Lamps



Global
Connected
lighting



Global
Professional
Luminaires

Sustainability as a driver for growth

Success of EcoVision

Green Products represented around 52%¹ of sales in 2014, up from 39%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 has been recognized 2015 Energy Star partner of the year by the US Environmental Protection Agency for its outstanding contribution to environmental protection through energy efficiency
- Philips received the VBDO Responsible Supply Chain Management Award for the seventh time, ranking first among the forty largest publicly listed Dutch companies
- Philips was recognized, for the third consecutive year, as a leader in the Carbon Disclosure Project on both disclosure and performance
- Philips cited top riser in Interbrand's annual ranking of the top 50 Best Global Green Brands, moving up nine places to the 14th position
- Philips achieved top results in the 2014 Dow Jones Sustainability Index (90/100) with "Best in Class" results in Climate Strategy and Product Stewardship
- Philips received the "Champion for Change" award from Practice GreenHealth, the US leading sustainable health care community

Healthcare

What we do. Where we are.

Philips Healthcare

Businesses¹

Imaging Systems



34%

Healthcare Informatics, Solutions & Services



6%

Patient Care & Monitoring Solutions



32%

Customer Services



28%

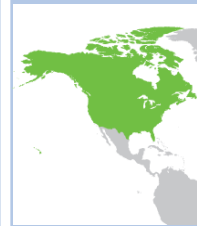
Geographies¹

Western Europe



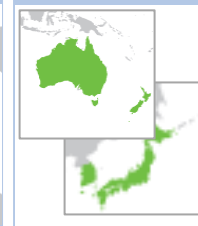
20%

North America



43%

Other Mature Geographies



12%

Growth Geographies²



25%

€9.2

Billion sales in 2014

38,000+

People employed worldwide in 100 countries

9%

of sales invested in R&D in 2014

450+

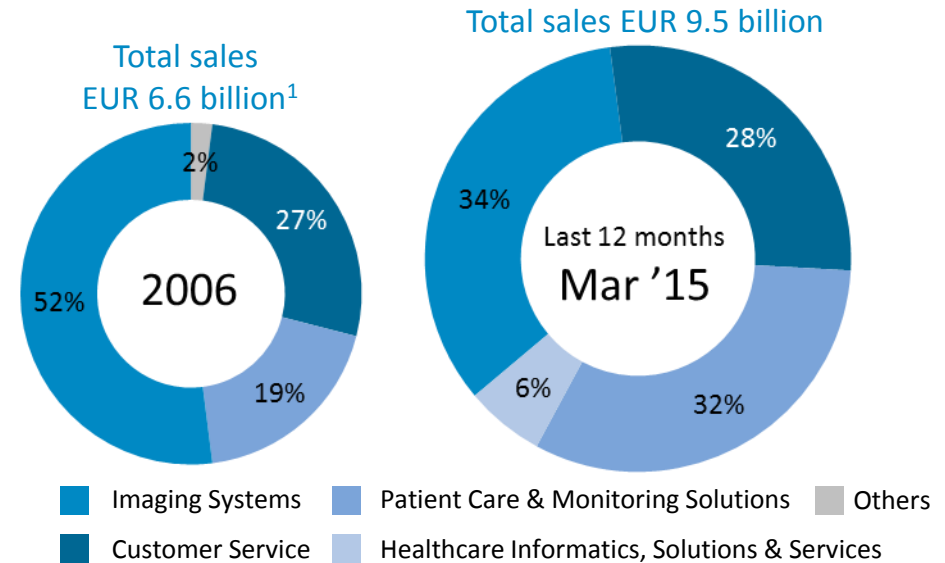
Products & services offered in over 100 countries

¹ Based on sales last 12 months March 2015

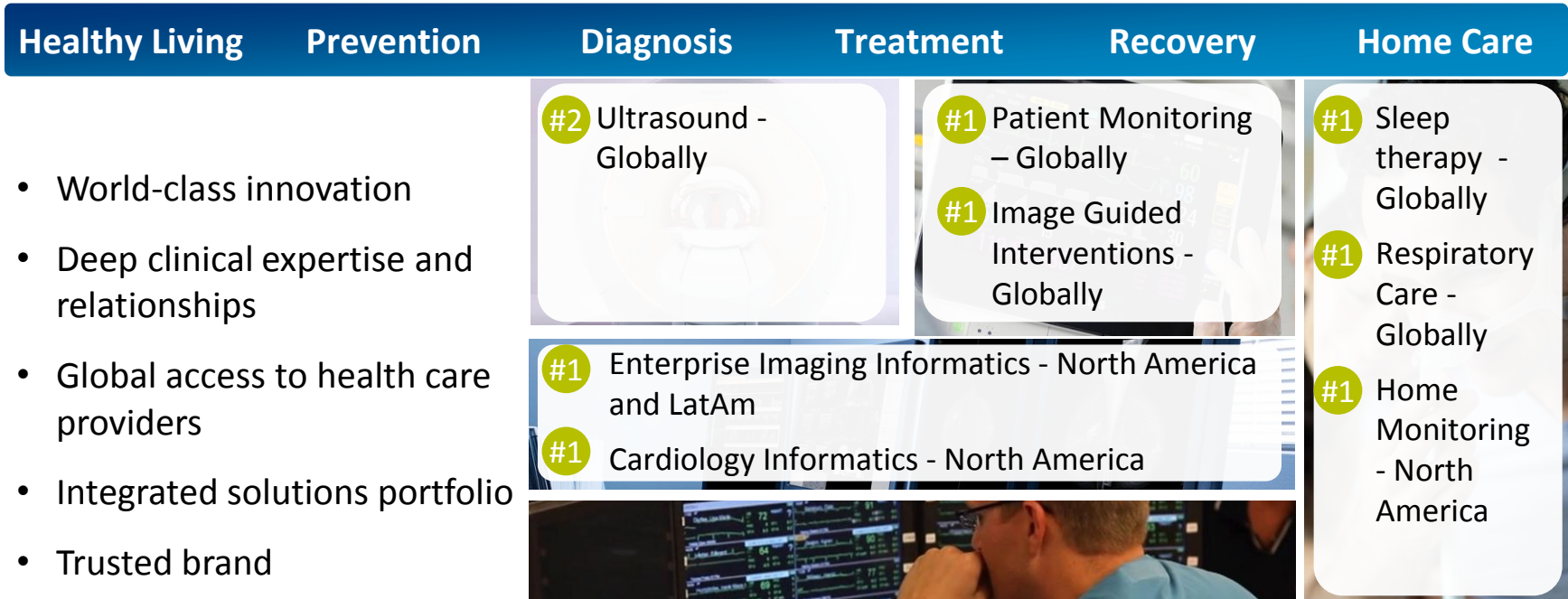
² Growth geographies are all geographies excluding USA, Canada, Western Europe, Australia, New Zealand, South Korea, Japan and Israel

Healthcare: Delivering integral, innovative solutions across the health continuum

- 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 diagnosis to treatment to patient recovery and care, from hospital to home, supported by informatics and consultancy

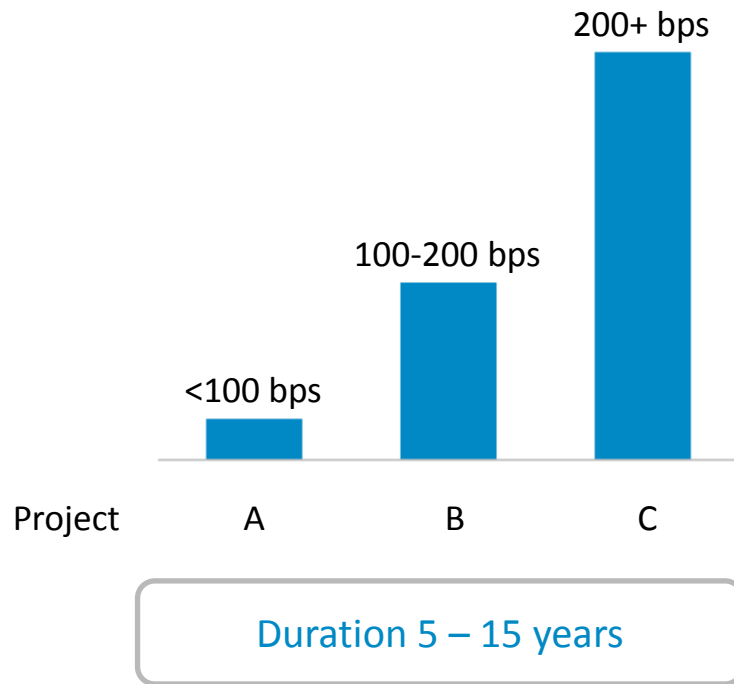


Our Healthcare businesses well positioned on the Health Continuum



Our integrated solutions approach is margin accretive to our overall business

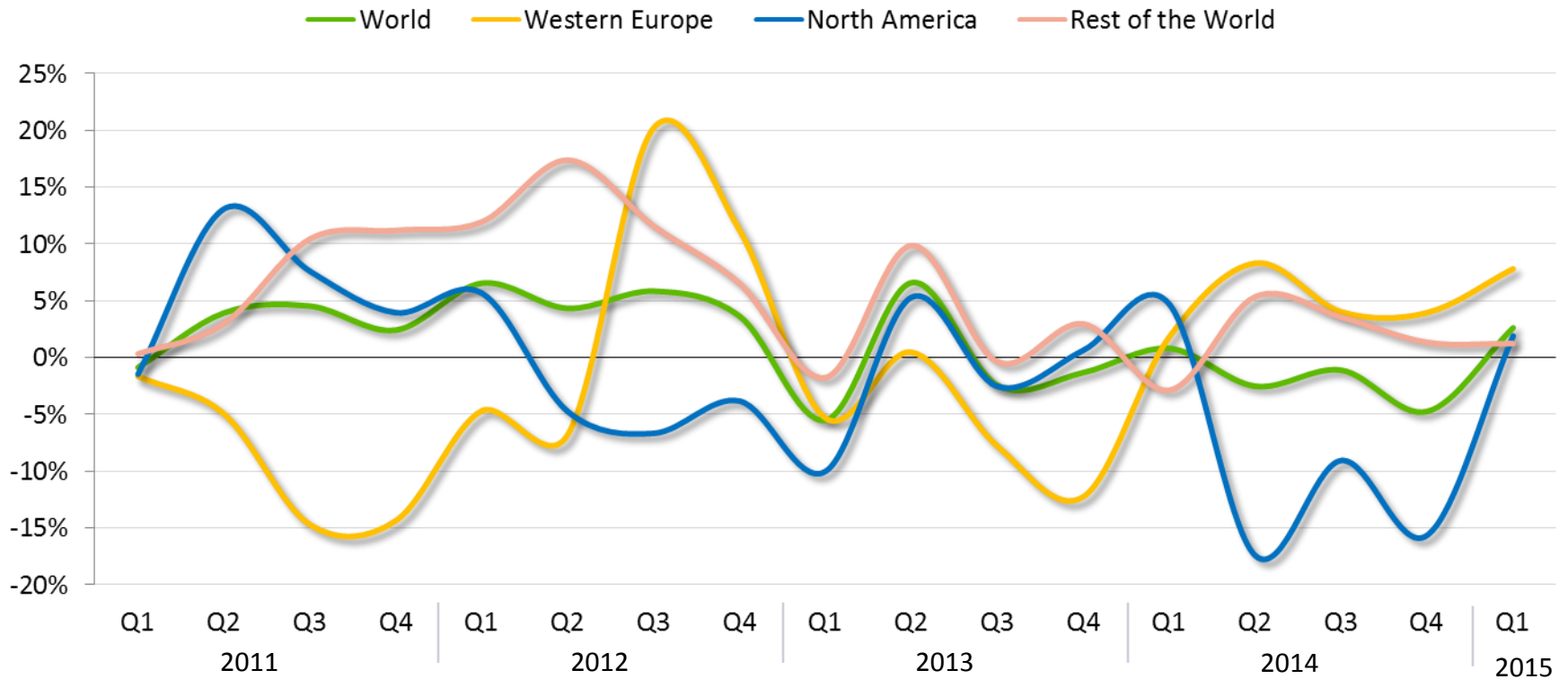
Solutions margin increase vs stand-alone sales model



- **Higher market share of equipment**, better ability to consider total lifetime value
- Higher **percentage of services**
- **Additional consulting opportunities** to advise on enterprise cost reduction
- Visibility and access to **adjacent opportunities in products, IT integration, data analytics**
- Significant potential to **drive SG&A productivity**

Healthcare: order intake¹

Quarterly currency adjusted order intake¹ growth



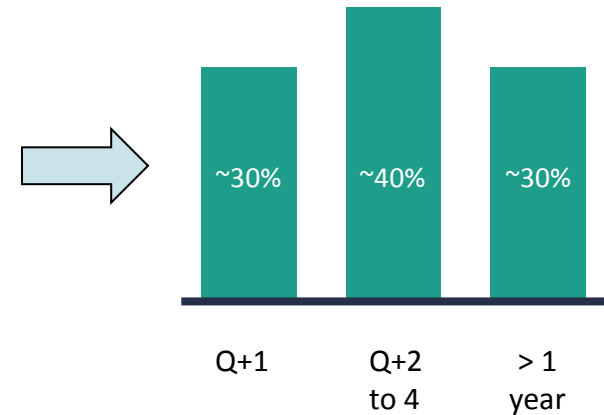
Currency adjusted order intake¹ only relates to the Imaging Systems, Patient Care & Monitoring Solutions and the Healthcare Informatics, Solutions & Services businesses

Healthcare: order book

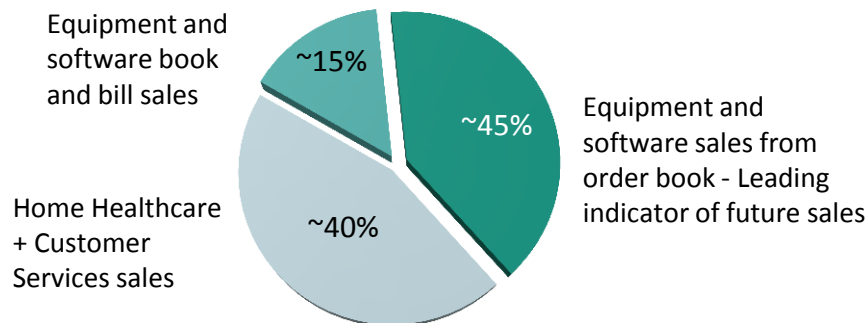
Indexed Order Book Development



Typical profile of order book conversion to sales



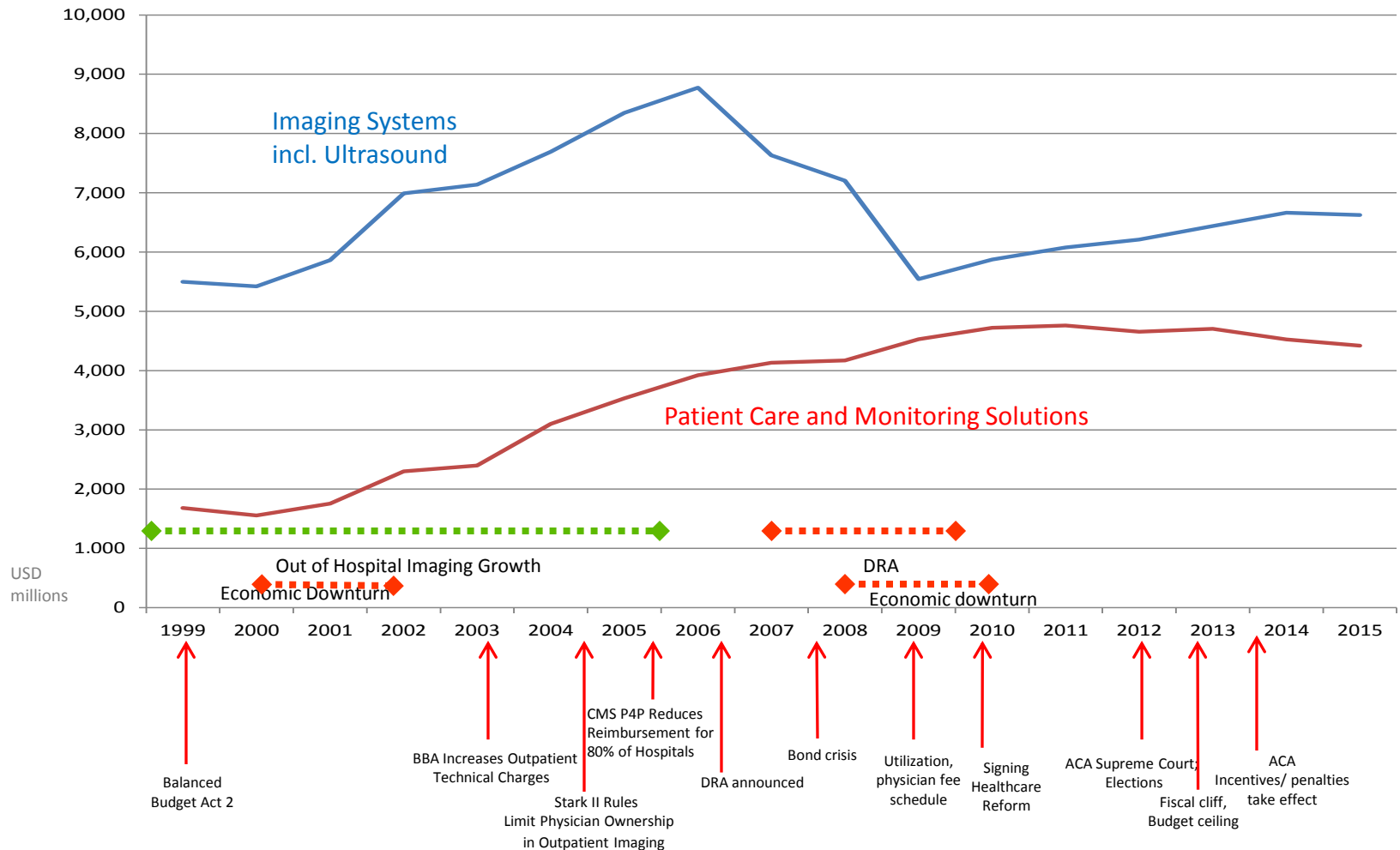
Quarter end order book is a leading indicator for ~45% of sales the following quarters



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

Health care historical market development

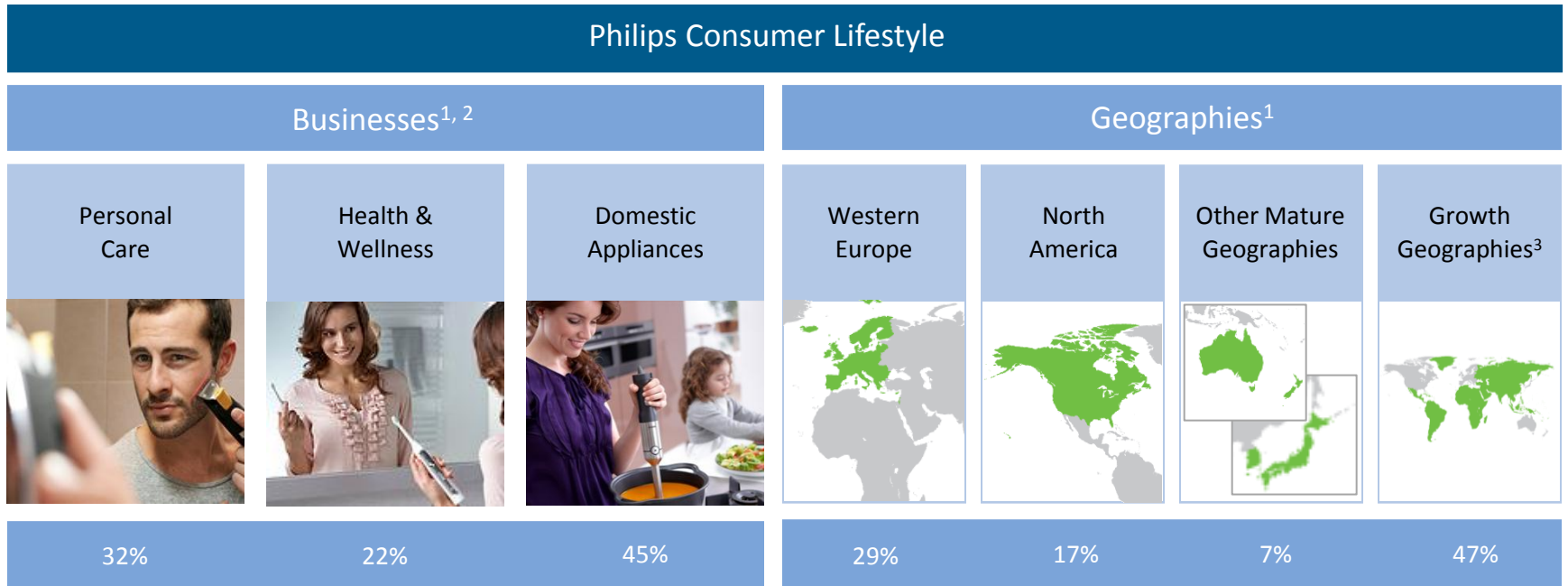
North America Market Size / Growth and Impacts



The US market is expected to grow by low-single-digit for 2015-2016

Consumer Lifestyle

What we do. Where we are.



€4.7
Billion sales
in 2014

17,000+
People employed
worldwide

6%
of sales invested in
R&D in 2014

55%
of green product
sales in 2014

¹ Based on sales last 12 months March 2015

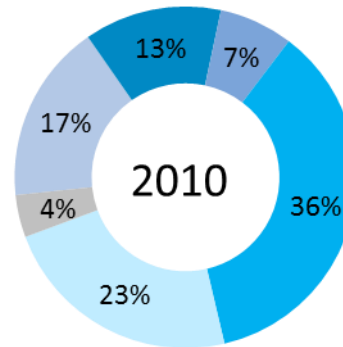
² Other category (1%) is omitted from this overview

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

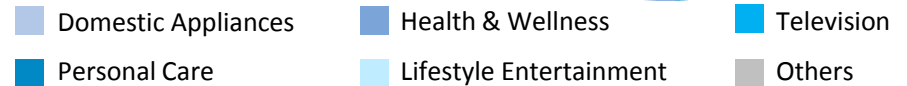
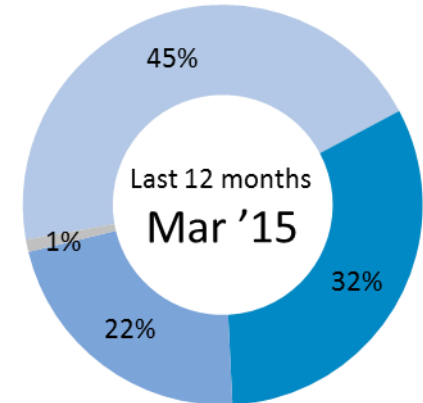
Consumer Lifestyle: Focusing on Personal Health and Well-being appliances and services

- 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



Total sales EUR 4.9 billion



Our Consumer Lifestyle businesses have strong positions on the Health Continuum

Healthy Living

Prevention

Diagnosis

Treatment

Recovery

Home Care

#1 Electric Male Grooming - Globally

#1 Low fat fryers - Globally

#1 Air - China

#1 Oral Health Care - United States

#1 Baby bottles – United States

- Actively addressing Healthy Living and Prevention
- Leveraging global scale and local relevance
- Market access in 100+ countries
- Leading consumer brand
- 250 million appliances sold into homes every year
- Strong capabilities can be leveraged into Home Care

We see significant opportunity for further growth, driven by two growth thrusts

Strengthening the core

Locally relevant innovations and global platforms



Our BMC¹ approach addresses consumer needs through locally relevant innovation and global scale

Addressing geographical white spots



We continue our geographical expansion, addressing white spots with proven propositions





New business adjacencies

Addressing opportunities across the health continuum



We see significant opportunities to innovate for consumers across the health continuum

We are further building our leadership positions in these categories

Personal Care		<i>Male Grooming</i>	<ul style="list-style-type: none">• Maintaining #1 position in electric Male Grooming• Further strengthening leadership in China; expanding into lower tier cities• Strengthening relationship with large and loyal base of users through trading-up and recurring revenue activities
Health & Wellness		<i>Beauty</i>	<ul style="list-style-type: none">• Strengthening #1 position in Intense Pulsed Light hair removal in 14 markets in Europe, Latin America, Asia and the Middle East• VisaPure cleansing brush successfully launched in 21 markets• Market leader in China and volume market leader in Europe for Hair Dryers
Health & Wellness		<i>Oral Healthcare</i>	<ul style="list-style-type: none">• Further strengthening leadership position in the US, Japan and China• Enhancing geographic growth with strong market share increase outside the US (e.g. DACH², Japan, UK, China, Russia)• Sonicare DiamondClean continues to be successful with the white, black and pink color editions delivering great results
Health & Wellness		<i>Mother & Child Care</i>	<ul style="list-style-type: none">• Strengthening geographic footprint with strong growth in key markets such as China• #1 market position in many markets & sub-categories (e.g. #1 in bottles and soothers in the US, #1 in breast pumps in China)

We are further building our leadership positions in these categories

Domestic Appliances



Kitchen Appliances

- Acquisitions and local product creation drive a significant increase of new product offers
- Global #1 brand in categories such as low fat fryer, juice extractor, food processor and overall home cooking & food preparation
- Leadership in key markets strengthened through local relevance: reached #1 position in blenders in Asia-Pacific and hand blenders in Asia-Pacific and Eastern Europe



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



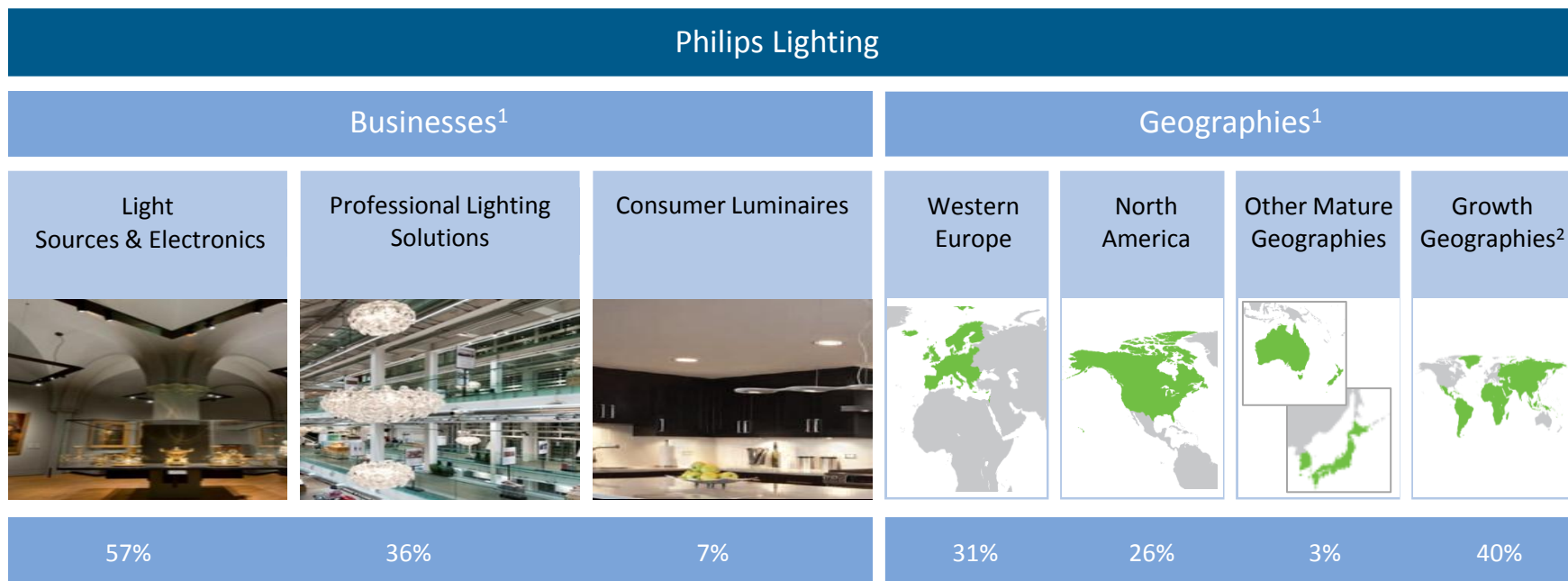
Coffee

- Successful introduction of Saeco Incanto Executive, our new flagship machine in the full automatic espresso market
- Senseo is the #1 European brand in Coffee Machines in 2014
- Successful expansion of the alliance with Tchibo with the launch of a new product family

Lighting

What we do. Where we are.

Philips Lighting



€6.9

Billion sales in 2014

38,000+

People employed worldwide in 60 countries

5%

of sales invested in R&D in 2014

72%

of green product sales in 2014

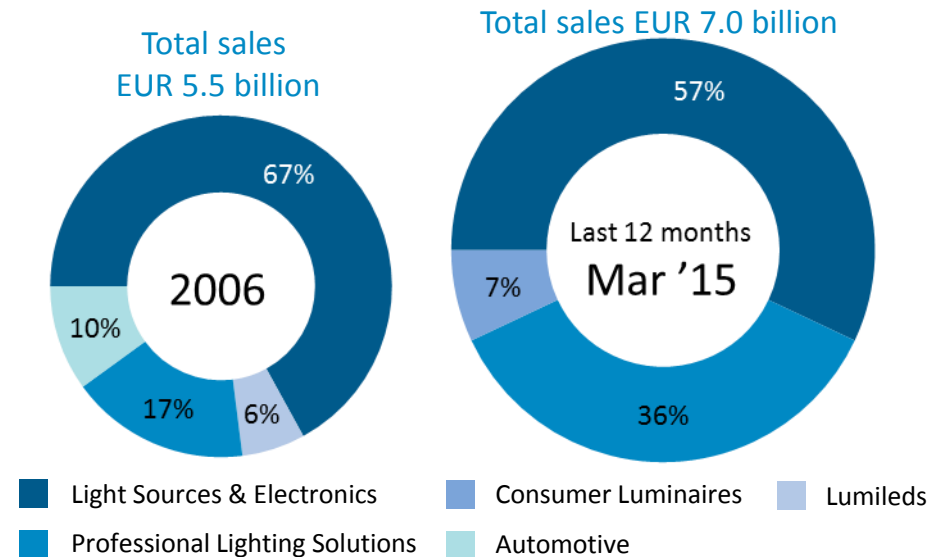
¹ Based on sales last 12 months March 2015

² Growth geographies are all geographies excluding USA, Canada, Western Europe, Australia, New Zealand, South Korea, Japan and Israel

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

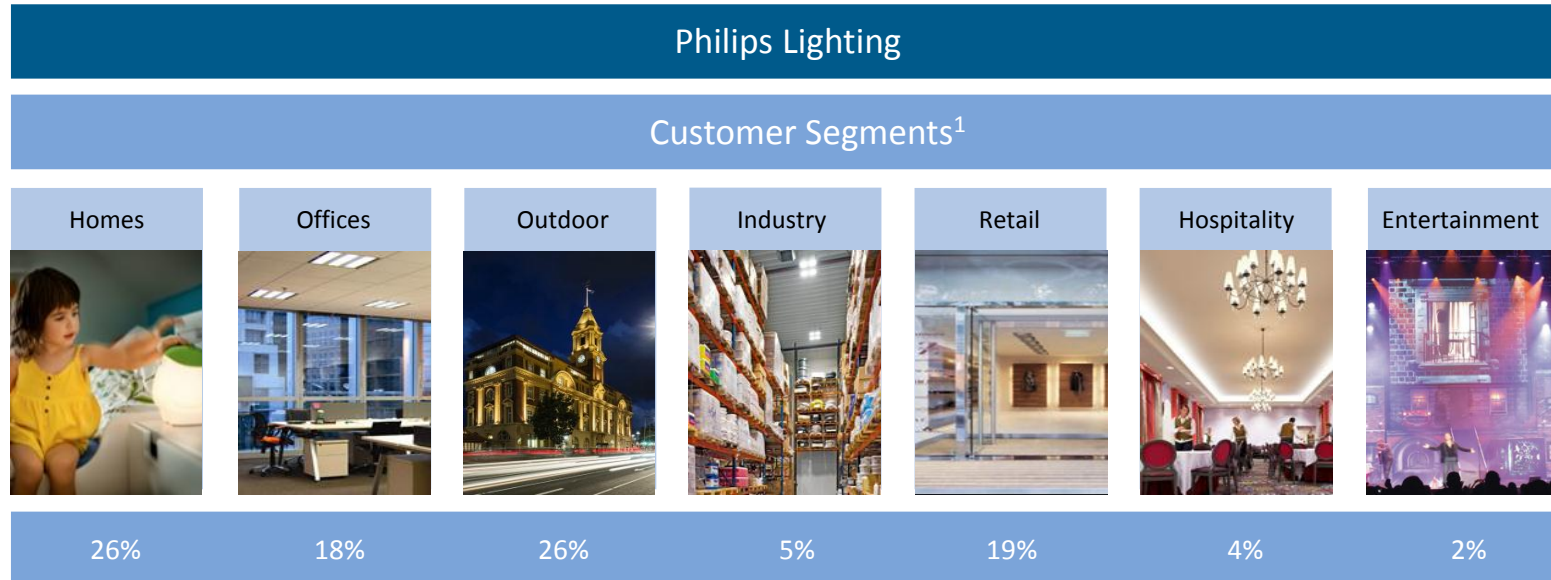
Lighting: Lead the way on the path to LED, systems & services

- 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



- ~ 75%¹ of Lighting sales is B2B
- ~ 39%² of Lighting sales is LED lighting

¹ Indicative split based on last 12 months March 2015

² Based on Q1 2015

Our strategy of connected lighting captures the attractive value of lighting solutions

1

Global leader in the lighting industry



We are a global leader in this attractive market & consistently improve operational performance

2

Conventional lighting proactively managed



Our industrial setup is flexible to cater for the conventional market decline dynamics

3

LED lamps optimized for value creation



We continuously take cost out and differentiate in LED lamps

4

LED offers are designed for connectivity



We shape the connected lighting market

5

Systems & services as additional profit pool



Unique position to win in the fast-growing systems & services market

6

Path-to-Value on track



On track to deliver on our targets with a clear Path-to-Value for 2016 and beyond

We are the global leader in lighting

We focus on three business groups

- 1 **Light Sources & Electronics**
- 2 **Consumer Luminaires**
- 3 **Professional Lighting Solutions**, including:
 - **Systems**: interconnected lighting products (light sources, luminaires, controls), software and system integration
 - **Services**: advise, operate and/or maintain an installed lighting system through its lifecycle

Have leadership positions across all regions

Market share per Business Group by region – H2 14¹

	Europe	North America	Latin America	Asia/Pacific ²	Total
Light Sources & Electronics	# 1	# 2 or 3	# 1	# 1	# 1
Consumer Luminaires ³	# 2 or 3	Not in top 3	Not in top 3	# 2 or 3	# 1
Professional Lighting Solutions	# 1	# 2 or 3	# 1	# 1	# 1
Overall Lighting	# 1	# 1	# 1	# 1	# 1

■ # 1
 ■ # 2 or 3
 ■ Not in top 3

- Largest lighting company in the world
- #1 in sold LED lighting
- #1 in connected lighting⁴
- Market share in LED is higher than in conventional

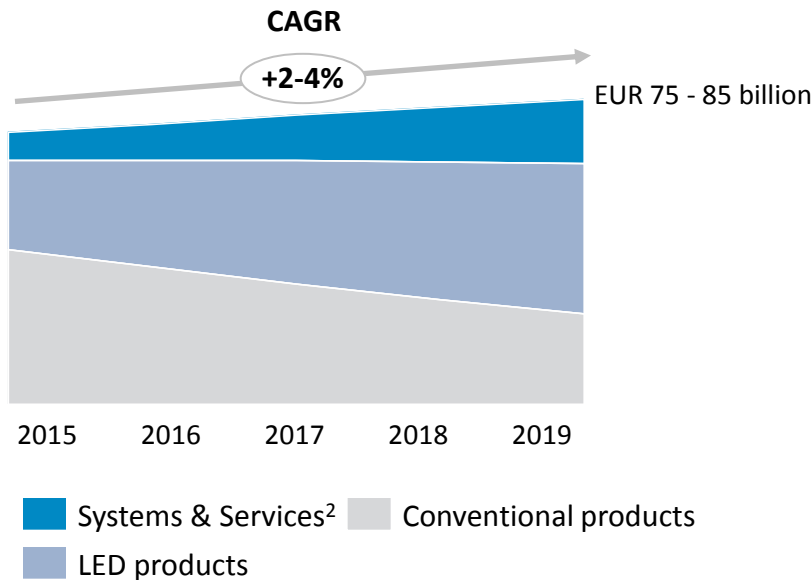
¹ Source: customer panels, industry associations and internal analysis; ² Excluding Japan;

³ #1 position globally as nearest competitors play only on specific regions; Excluding private labels; ⁴ Source: Markets and Markets, Global smart lighting market (2013–18)

The overall lighting market is attractive with high-margin businesses driving value

We serve a large and attractive market expected to grow 2 - 4% CAGR between 2015 and 2019

Global lighting market forecast¹



The lighting industry is undergoing three major transitions in parallel

2015 - 2019 CAGR¹

1	Conventional products	Low-to-mid-teens decline
2	LED products	Mid-teens growth
3	Systems & Services ²	Systems: 20% to 25% Services ⁴ : 40% to 45%

- LED penetration estimated to reach up to 70% by 2019³

¹ Source: Philips Lighting global market study. Excluding Automotive lighting and LED components market

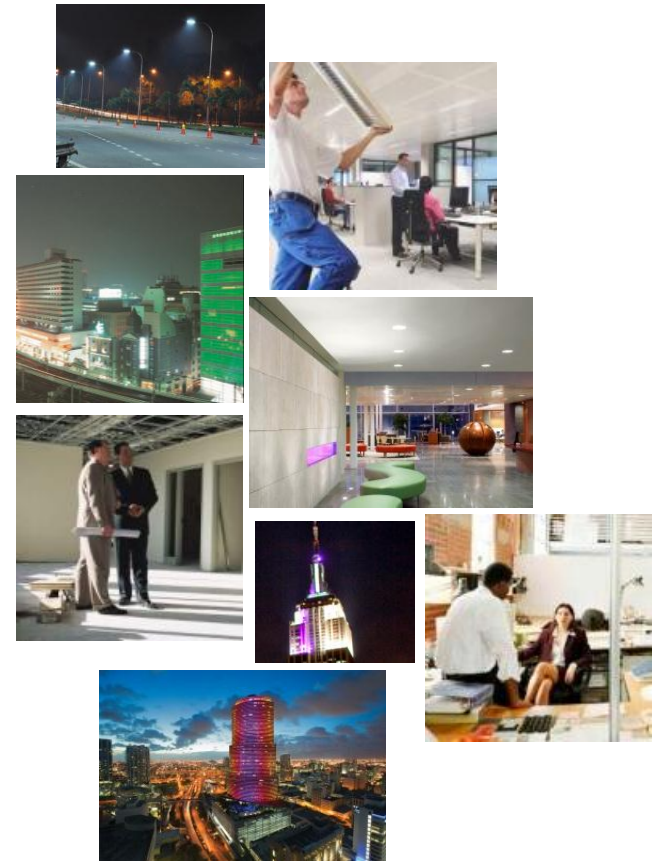
² Only professional market and lifecycle data-enabled services; ³ Including part of Systems & Services; ⁴ Data-enabled services only

Non-residential construction market in mature geographies is a key growth driver

Around 30% of Philips Lighting sales driven by construction in Western Europe & North America (WE&NA)

Philips Lighting	Construction	Other	Total
Residential	6%	21%	27%
Commercial	45%	23%	68%
Other	0%	5%	5%
Total	51%	49%	100%

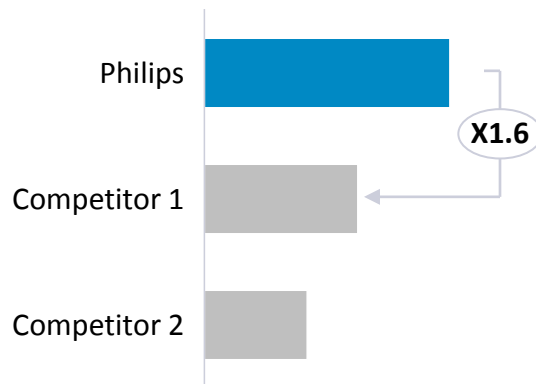
Construction	WE&NA	ROW	Total
Residential	3%	3%	6%
Commercial	29%	16%	45%
Total	32%	19%	51%



Performance remains strong in conventional and our industrial setup is flexible to cater to the market decline

#1 in conventional lamps and drivers

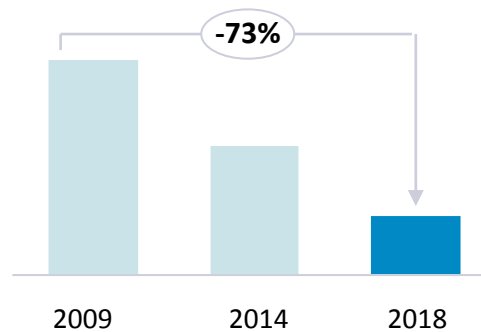
Market share¹



- Capture value by leveraging our:
 - Global market presence
 - Leading technology, trusted brand
 - Extensive customer channels

We adapt capacity in response to market demand

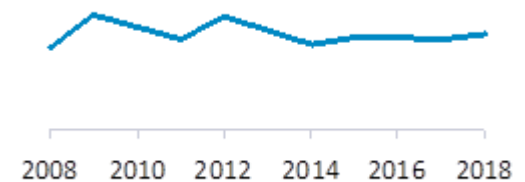
of manufacturing sites, LS&E²



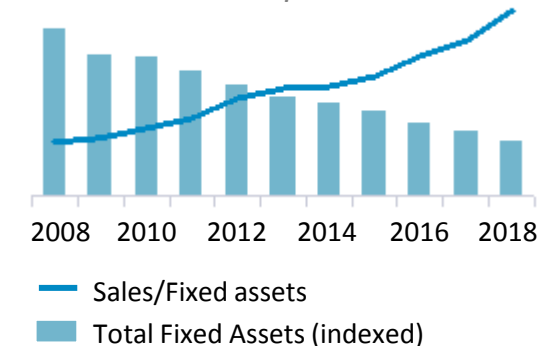
- Ability to adjust capacity with a 3-month lead time
- Closure of sites accelerated in line with market demand

Measures deliver positive results

Free Cash Flow to sales ratio, conventional lamps and drivers



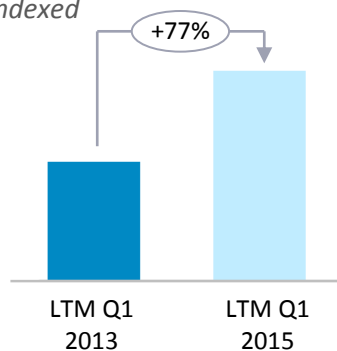
Fixed asset turnover ratio, conventional lamps and drivers



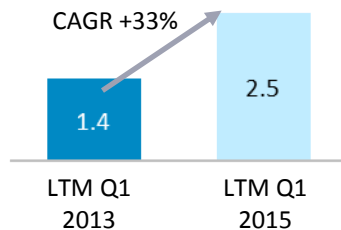
We are the leading LED lighting company

Increased R&D investment in LED leading to improved results

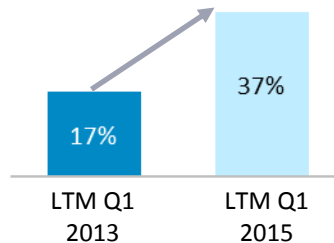
R&D spend LED Indexed



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 2.5 billion last 12 months March 2015
- LED revenue growth and cost productivity gains will improve profitability

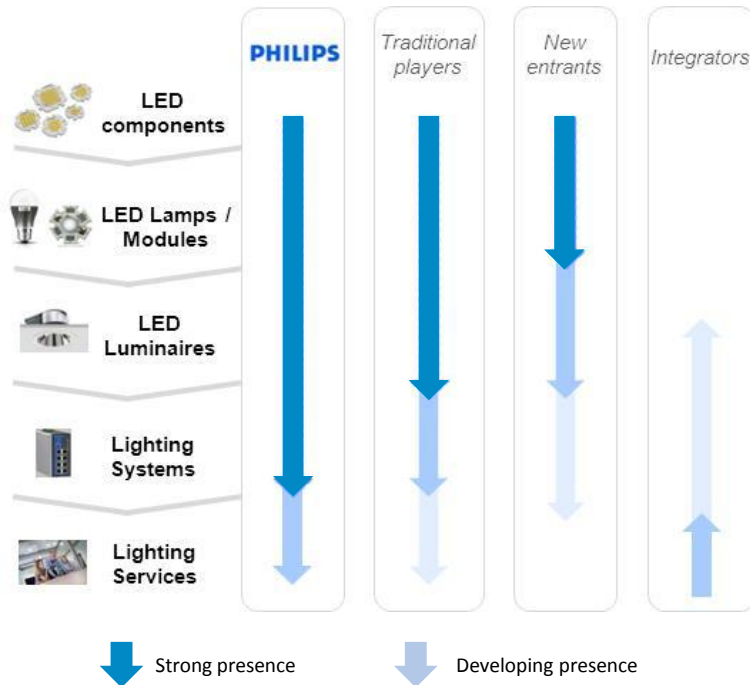
Leveraging Intellectual Property

- Scope: LED Controls and Basic Optics
- Philips Lighting Patent Portfolio:
 - 88% LED and digital related
 - 12% Conventional related
- 1400 Rights licensed
- Licensing Program has more than 500 licensees

We are shaping the future of digital lighting

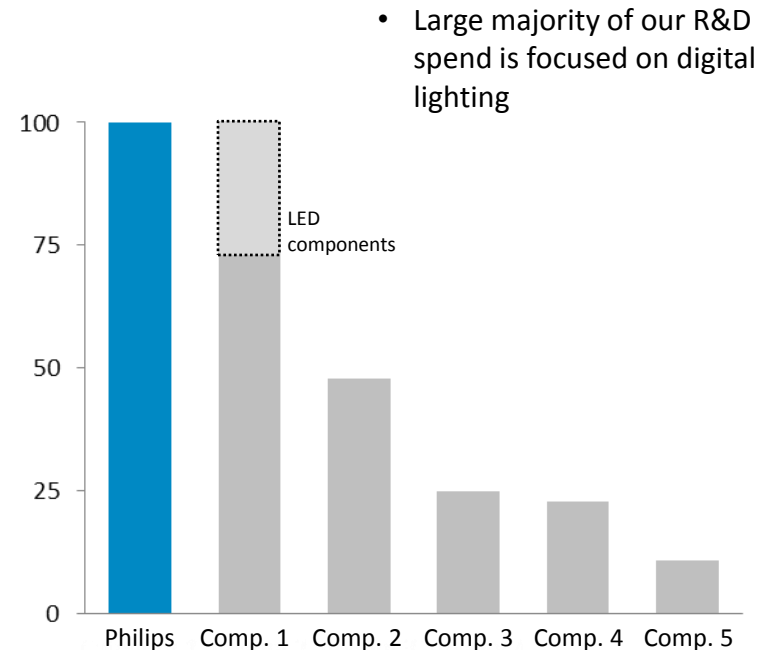
We have a unique competitive position in LED lighting

Market presence in the digital value chain¹:



We continue to invest on differentiation through innovation

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



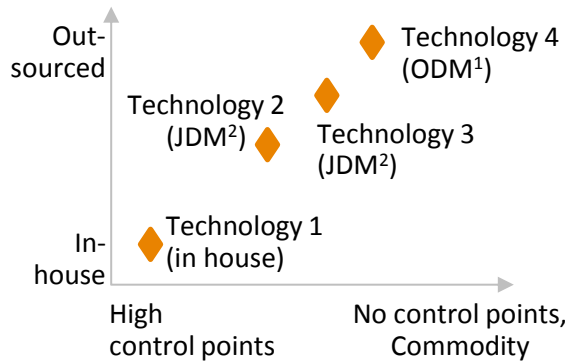
¹ Source: Latest competitors' annual reports, LEDs magazine, LEDinside.com

² Source: Latest competitors' quarterly reports, internal estimates, excluding General Electric and Japanese lighting companies for lack of data

LED lamps margins improve as we focus on cost down and differentiating innovations

Manufacturing model is optimized to reduce costs

Manufacturing model metrics (indicative)



- Selectively outsource technologies as they commoditize
- Innovative products and control points remain in house

Differentiation through innovation at all price points



SlimStyle

- First 60W replacement bulb at <USD 2³ in USA
- Unique concept with heat sink removed



The classic LED bulb

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

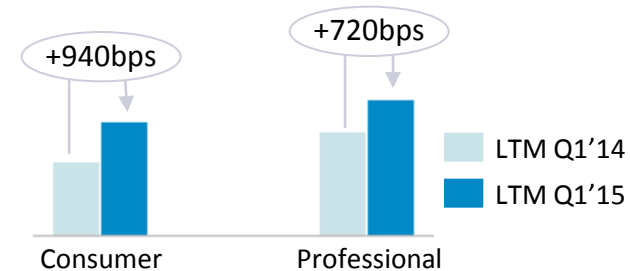


Instant Fit T8

- Works instantly with electronic ballast
- 15 min installation time reduction per lamp

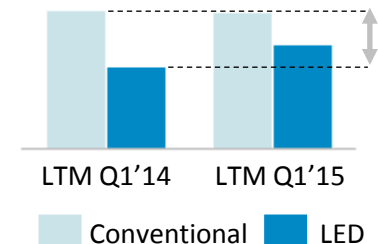
Measures are paying off both in Consumer and Professional

Adjusted gross margin LED Lamps



Gross margin difference of LED vs. Conventional lamps is narrowing

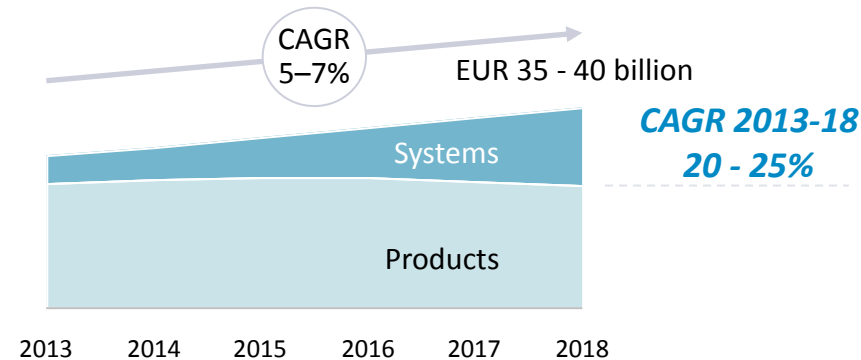
Adjusted gross margin



Double-digit growth in systems & services improves overall lighting market attractiveness

Systems will expand the addressable market by EUR 3 - 4 billion

Professional lighting solutions market forecast

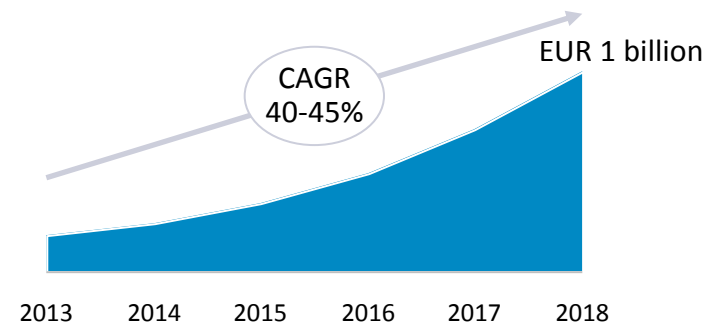


Expected to represent 40% of the professional lighting solutions market by 2018

- Leverage lighting assets in new ways
- Value beyond illumination and improved customer business performance

Data-enabled services will further expand the market by EUR 1 billion

Data-enabled services market forecast



Data transmitted through digital light points enables asset-light service offers

- Data can be analyzed to provide actionable insights
- Optimized management and monitoring of performance

Uniquely positioned to capture the high growth and accretive market opportunities of systems and services

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, as well as costs related to the separation of the Lighting business

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 as well as the Lumileds and Automotive businesses, and other incidentals related to the legal liabilities of the Group

Appendix

Financial calendar 2015

May 7	Annual General Meeting of Shareholders
July 27	Second quarter and semi-annual results 2015
September 15	Capital Markets Day - HealthTech
October 26	Third quarter results 2015

Depreciation and amortization

EUR million

	Q1 2014	Q1 2015	FY 2013	FY 2014
Depreciation of property, plant and equipment	121	126	521	592
Amortization of software	8	10	39	32
Amortization of other intangible assets	78	91	393	332
Amortization of development costs	53	56	224	231
Philips Group	260	283	1,177	1,187

Gross capital expenditures & Depreciation by sector

EUR million

	Gross CapEx ¹		Depreciation ¹	
	Q1 2014	Q1 2015	Q1 2014	Q1 2015
Healthcare	23	29	36	40
Consumer Lifestyle	16	19	28	27
Lighting	17	20	35	32
IG&S	26	24	22	27
Group	82	92	121	126

¹ Capital expenditures and depreciations on property, plant and equipment only

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

Gross capital expenditures & Depreciation by sector

EUR million

	Gross CapEx ¹		Depreciation ¹	
	2013	2014	2013	2014
Healthcare	131	127	160	148
Consumer Lifestyle	135	109	108	113
Lighting	117	84	160	212
IG&S	99	117	93	119
Group	482	437	521	592

¹ Capital expenditures and depreciations on property, plant and equipment only

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

Development cost capitalization & amortization by sector

EUR million

	Capitalization		Amortization	
	Q1 2014	Q1 2015	Q1 2014	Q1 2015
Healthcare	53	55	39	41
Consumer Lifestyle	11	12	8	8
Lighting	7	6	6	7
IG&S	1	20	-	-
Group	72	93	53	56

Development cost capitalization & amortization by sector

EUR million

	Capitalization		Amortization	
	2013	2014	2013	2014
Healthcare	252	221	154	166
Consumer Lifestyle	43	57	37	32
Lighting	31	23	33	33
IG&S	24	96	-	-
Group	350	397	224	231

Restructuring, acquisition-related charges and other items

<i>EUR million</i>	1Q14	2Q14	3Q14	4Q14	2014	1Q15
Acq.-related charges	-	-	-	(1)	(1)	(24) ⁴
Restructuring	(21)	1	(3)	(46)	(69)	(6)
Other Incidentals	-	-	(415) ¹	16	(399)	(28) ⁵
Healthcare	(21)	1	(418)	(31)	(469)	(58)
Acq.-related charges	-	(1)	1	(1)	(1)	-
Restructuring	-	-	(5)	(3)	(8)	(1)
Other Incidentals	-	-		11	11	-
Consumer Lifestyle	-	(1)	(4)	7	2	(1)
Acq.-related charges	(2)	(2)	(8)	(7)	(19)	(1)
Restructuring	(28)	(20)	(22)	(156)	(226)	(24)
Other Incidentals				(55)	(55)	-
Lighting	(30)	(22)	(30)	(218)	(300)	(25)
Restructuring		(4)	(41)	(65)	(110)	(2)
Other Incidentals			(43) ²	(174)	(217)	(11) ⁶
IG&S	-	(4)	(84)	(239)	(327)	(13)
Total Acq.-related charges	(2)	(3)	(7)	(9)	(21)	(25)
Total Restructuring	(49)	(23)	(71)	(270)	(413)	(33)
Total Other Incidentals	-	-	(458)	(202) ³	(660)	(39)
Grand Total	(51)	(26)	(536)	(481)	(1,094)	(97)

¹ Q3 2014 includes EUR (366)M charges related to the jury verdict in the Masimo litigation and EUR (49)M of mainly inventory write-downs related to the Cleveland facility. ² Q3 2014 includes EUR (43)M provisions related to various legal matters. ³ Q4 2014 includes EUR (201)M of charges related to ongoing legal matters, a EUR 67M past-service pension cost gain in the Netherlands and EUR (68)M of impairment and other charges related to industrial assets at Lighting. ⁴ Q1 2015 includes EUR (23)M related to the Volcano acquisition. ⁵ Q1 2015 includes a EUR (28)M charge related to the currency revaluation of the provision for the Masimo litigation. ⁶ Q1 2015 includes EUR (11)M related to the separation of the Lighting business.

