



PHILIPS

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Royal Philips First quarter 2019 results

April 29, 2019

innovation  you



Important information

Forward-looking statements and other important information

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: global economic and business conditions; developments within the euro zone; the successful implementation of Philips' strategy and the ability to realize the benefits of this strategy; the ability to develop and market new products; changes in legislation; legal claims; changes in currency exchange rates and interest rates; future changes in tax rates and regulations, including tax reform in the US; pension costs and actuarial assumptions; changes in raw materials prices; changes in employee costs; the ability to identify and complete successful acquisitions, and to integrate those acquisitions into the business; the ability to successfully exit certain businesses or restructure the operations; the rate of technological changes; cyber-attacks, breaches of cybersecurity, political, economic and other developments in countries where Philips operates; industry consolidation and competition; and the state of international capital markets as they may affect the timing and nature of the disposal by Philips of its remaining interests in Signify. 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 2018.

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-IFRS Information

In presenting and discussing the Philips Group's financial position, operating results and cash flows, management uses certain non-IFRS financial measures. These non-IFRS 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. Non-IFRS financial measures do not have standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other issuers. A reconciliation of these non-IFRS measures to the most directly comparable IFRS measures is contained in this document. Further information on non-IFRS measures can be found in the Annual Report 2018.

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 the Annual Report 2018. In certain cases independent valuations are obtained to support management's determination of fair values.

All amounts are in millions of euros unless otherwise stated. Due to rounding, amounts may not add up precisely to totals provided. All reported data is unaudited. Financial reporting is in accordance with the accounting policies as stated in the Annual Report 2018, unless otherwise stated.

Market Abuse Regulation

This presentation contains inside information within the meaning of Article 7(1) of the EU Market Abuse Regulation.

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At Philips, we strive to make the world healthier
and more sustainable through innovation.
Addressing the Quadruple Aim.



Improved
health
outcomes



Improved
patient
experience



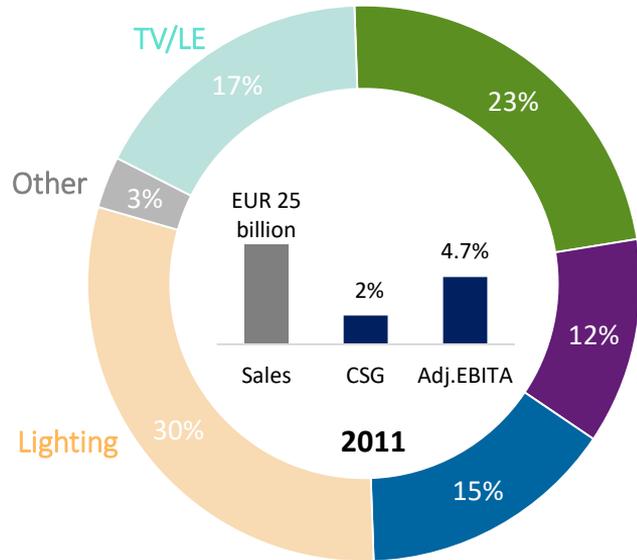
Improved
staff
satisfaction



Lower
cost
of care



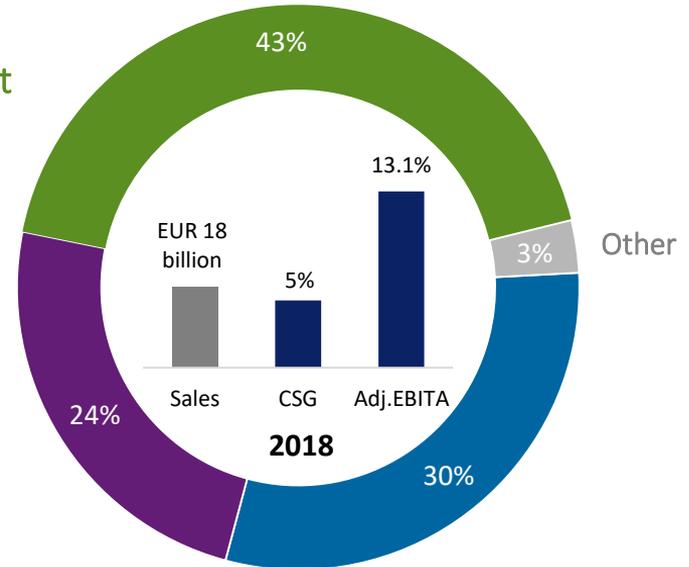
We have transformed into a focused global HealthTech leader



Diagnosis & Treatment

Connected Care

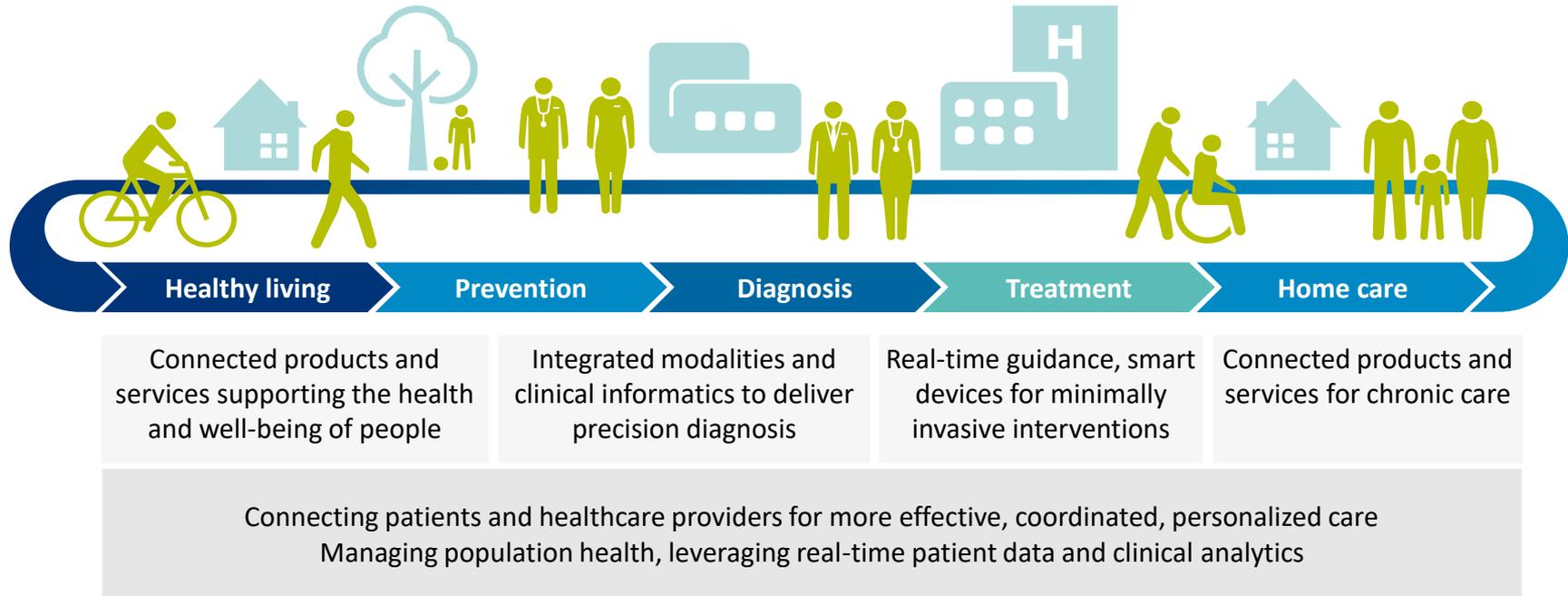
Personal Health





Our strategy resonates with customers, addresses their needs

Uniquely positioned in the “last yard” to consumers and providers



We operate in growing, evolving markets

Strong growth fundamentals

Growing population

Aging population

Rising burden of chronic diseases

Increasing spend in developing markets

Market evolution



Digital

Connecting consumers, patients and care providers



Consumer centric

Increasing consumer engagement in their own health



Precision

Importance of AI, informatics and personalization



Consolidation

Increasing horizontal and vertical consolidation



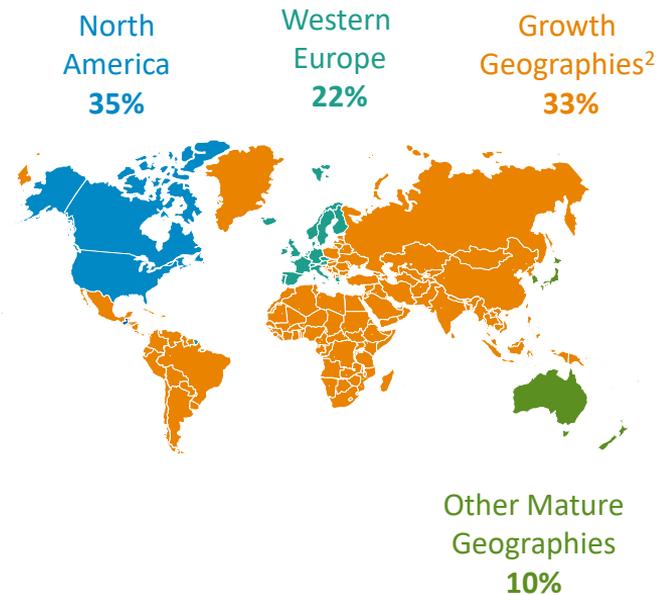
Post Acute Care

Shifting to lower-cost settings and the home

Royal Philips

EUR 18.3 billion sales and Adjusted EBITA of 13.0%¹

Global footprint



Committed to innovation

- EUR 1.8 billion for R&D, ~65,000 patents rights, ~39,000 trademarks³
- 60% R&D professionals in software and data science
- >50% of sales from new products⁴
- More than 30% of sales from solutions³
- ~77,000 employees in over 100 countries

¹ All figures are based on LTM Q1 2019 unless stated otherwise; ² Growth geographies consist of all geographies excluding USA, Canada, Western Europe, Australia, New Zealand, South Korea, Japan and Israel; ³ FY 2018; ⁴ New product sales over three years based on FY 2018.

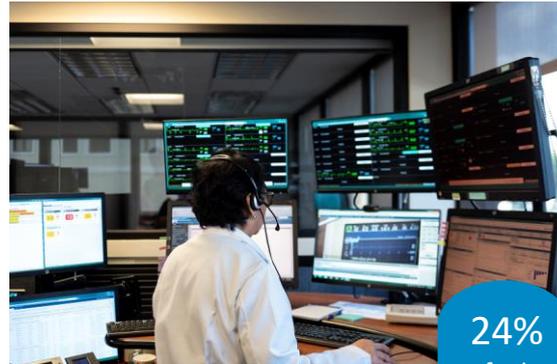
Operating across the health continuum



43%
of sales

Diagnosis & Treatment

Focuses on solutions for precision diagnosis, disease pathway selection, and image-guided, minimally invasive treatments



24%
of sales

Connected Care

Focuses on patient care solutions, advanced analytics and patient and workflow optimization inside and outside the hospital



30%
of sales

Personal Health

Focuses on healthy living and preventative care

Performance trajectory 2019-2020

5-7% sales growth
14-16% margin

4-6% sales growth
16-18% margin

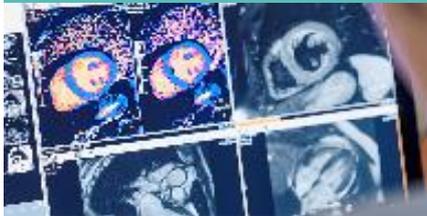
4-6% sales growth
16-18% margin

Businesses aligned with customer needs

Diagnosis & Treatment

Focus areas

Products & solutions



- **Precision diagnosis**
- **Treatment selection and planning**
- **Image-guided minimally invasive therapy**

- Diagnostic imaging and ultrasound
- Digital and computational pathology
- Informatics for Radiology, Oncology, Cardiology
- Interventional imaging, navigation and devices
- Services (managed services, consultancy, etc.)

Connected Care



- **Patient care and workflow management**
- **Population health management**
- **Chronic disease management**

- Telehealth, patient monitoring and analytics
- Hospital and clinical informatics platforms
- Emergency care and resuscitation
- Sleep, breathing and respiratory care
- Services (managed services, consultancy, etc.)

Personal Health



- **Healthy living and prevention**
- **Personal care**
- **Digital consumer engagement**

- Oral care
- Mother and child care
- Male grooming and beauty
- Home appliances
- Services (re-ordering, support, coaching, etc.)

Over 60% of sales from leadership positions^{1, 2}

Diagnosis & Treatment CSG: 5% Adj. EBITA: 11.5%		Connected Care CSG: 2% Adj. EBITA: 14.3%		Personal Health CSG: 3% Adj. EBITA: 15.5%	
	Ultrasound <i>Global Leader</i>		Patient Monitoring <i>Global Leader</i>		Male Grooming <i>Global Leader</i>
	Image-Guided Therapy Systems <i>Global Leader</i>		ICU Telemedicine <i>#1 in North America</i>		Oral Care <i>Global Leader</i>
	Image-Guided Therapy Devices <i>Global Leader</i>		Personal Emergency Response <i>#1 in North America</i>		Mother & Child Care <i>Global Leader</i>
	Diagnostic Imaging <i>Global Top 3</i>		Respiratory Care <i>Global Leader³</i>		Home Appliances <i>#1 in Air, China</i>
	High-end Radiology and Cardiology Informatics <i>#1 in North America</i>		Sleep Care <i>Global Leader</i>		

Drivers for continued growth and improved profitability

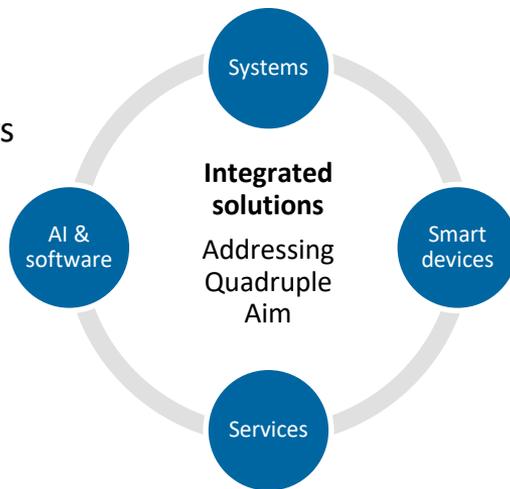


Drive innovative, value-added integrated solutions

We are uniquely positioned to deliver integrated solutions

We bring together:

- A holistic view on the needs of consumers, patients and providers
- Deep consumers insights
- Leading clinical and operational expertise
- Broad portfolio of technologies



Example solution areas:

- Precision diagnostics
- Minimally invasive therapies
- Sleep and respiratory care
- Connected care

Solutions deliver 31% of revenues¹, growing double-digit



Azurion: Innovating the procedure through workflow improvements and radiation reduction¹



The following results were achieved using Azurion



Health outcomes

25% Reduction in planned cases finished late



Staff satisfaction

27% Reduction in staff movement

29% Reduction in staff traffic between exam and control room



Cost of care

17% Reduction in procedure time

28% Reduction in post-procedure time



Patient experience

12% Reduction in patient preparation time

The ability to treat 20% more patients per day

Pivot to consultative customer partnerships and services business models

Long-term strategic partnerships unlock value for our customers and us

Built on:

- Common goals
- Joint commitment
- Outcome-focused business models
- Continuous improvement
- Collaborative innovation

Leading to:

- ✓ Deeper C-suite relationships
- ✓ Delivering success to customers
- ✓ Increasing share of wallet
- ✓ Multi-year, recurring revenues
- ✓ Excellent references

Recent deals



Banner Health



Health

Illawarra Shoalhaven
Local Health District

städtisches
>Klinikum
München



ch?ldren's
MEDICAL CENTER

Kliniken Köln

Beste Medizin für alle.



Our sustainability programs address pressing societal issues

Focus on United Nations Sustainable Development Goals, in particular #3, #12 and #13¹



Climate change

Carbon-neutral in our operations, 100% renewable electricity (2020)



Circular economy

15% circular revenues, zero waste to landfill (2020)
100% closed loops for all medical systems (2025)



Access to care

3 billion lives improved per year by 2030, including 400 million in underserved healthcare communities



The Compact

Committed to the WEF Compact for Responsive and Responsible Leadership



An experienced Leadership Team

CEO / CFO	Business Leaders	Market Leaders	Function Leaders
 <p><i>CEO</i> Frans van Houten</p> 	 <p><i>Diagnosis & Treatment</i> Robert Cascella</p> 	 <p><i>Global Markets¹</i> Henk de Jong</p> 	 <p><i>Innovation & Strategy</i> Jeroen Tas</p> 
 <p><i>CFO</i> Abhijit Bhattacharya</p> 	 <p>Bert van Meurs</p> 	 <p><i>North America</i> Vitor Rocha</p>  	 <p><i>Operations</i> Sophie Bechu</p>  
	 <p><i>Connected Care</i> Carla Kriwet</p> 	 <p><i>North America</i> Vitor Rocha</p>  	 <p><i>Legal</i> Marnix van Ginneken</p>  
	 <p><i>Personal Health</i> Roy Jakobs</p> 	 <p><i>Greater China</i> Andy Ho</p> 	 <p><i>Human Resources</i> Ronald de Jong</p> 



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Continued focus on value creation

2017-2020 targets

Revenue growth

comparable sales growth

4-6% annually

Margin expansion

Adj. EBITA improvement

**average annual 100
bps improvement**

to ~15% in 2020

Cash generation

Free Cash Flow in 2020

above EUR 1.5 billion

ROIC

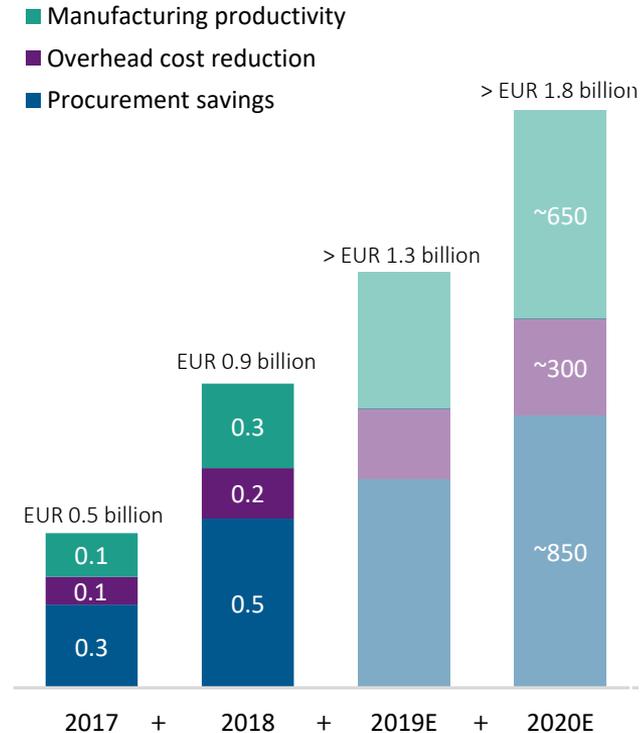
Organic ROIC in 2020

mid-to-high-teens

After 2020 we will drive further improvement

Productivity program of > EUR 1.8 billion by 2020

2017 – 2020 cumulated net productivity savings



Manufacturing footprint

- Consolidating regional manufacturing footprint from 50 to ~30 production locations¹; 13 locations completed by 2018

Overhead costs

- Significant increase in scope and traction in Global Business Services
- Marketing transformation to fund more advertising firepower
- IT landscape simplification on track
- R&D to deliver 40-50 bps productivity by 2020

Procurement

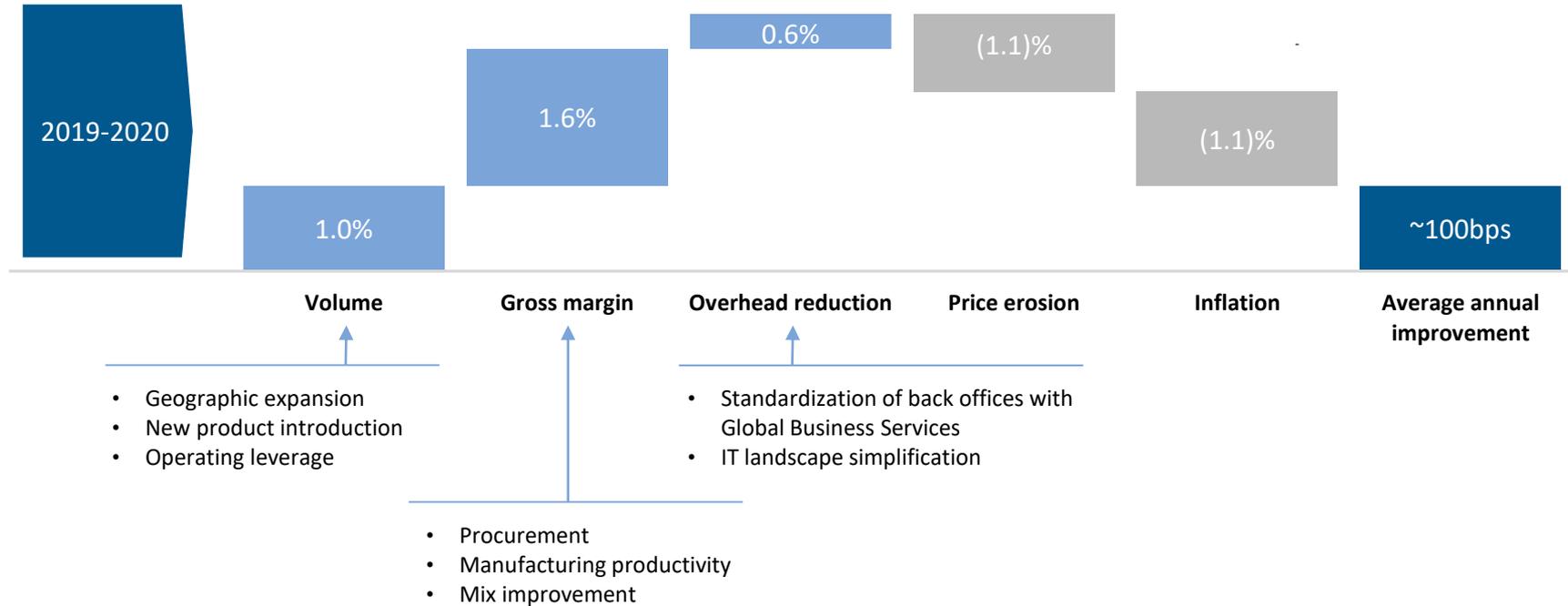
- Expanding proven DfX approach to the full value chain
- Tougher market conditions mainly from trade tariffs

Restructuring

- Due to additional productivity, restructuring charges expected to be 90-100 bps till 2020, thereafter ~40 bps



Indicative Adjusted EBITA margin step-up bridge 2019-2020

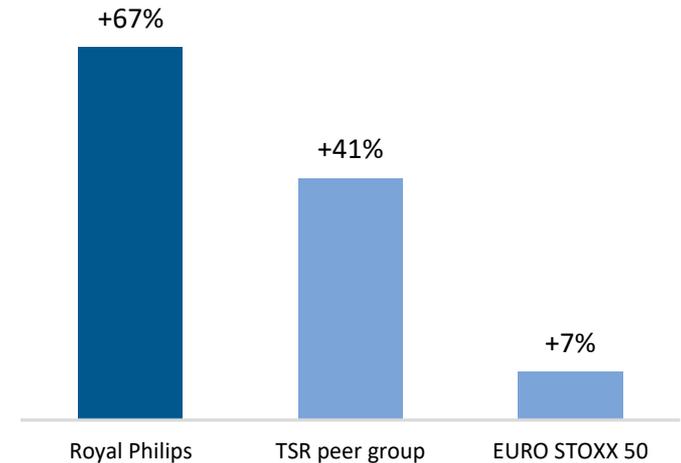




Balanced capital allocation policy

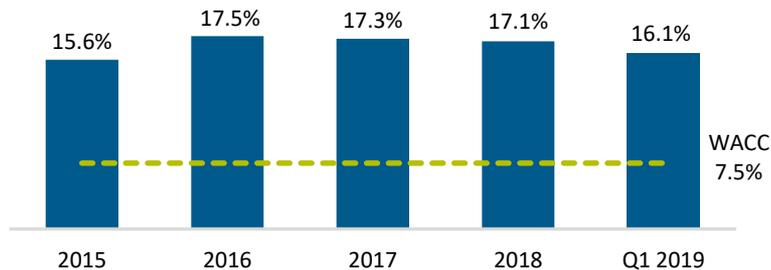


Total shareholder return since 2016^{1,2}

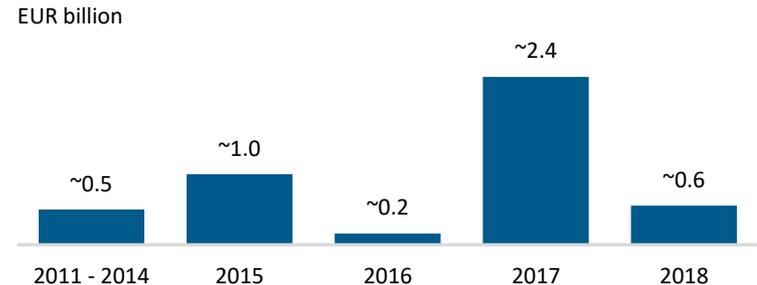


Balanced capital allocation policy

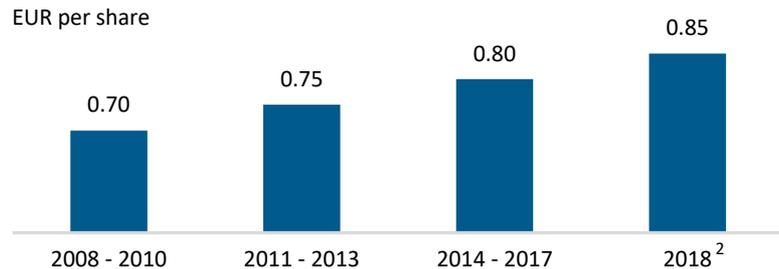
Organic Return on Invested Capital¹



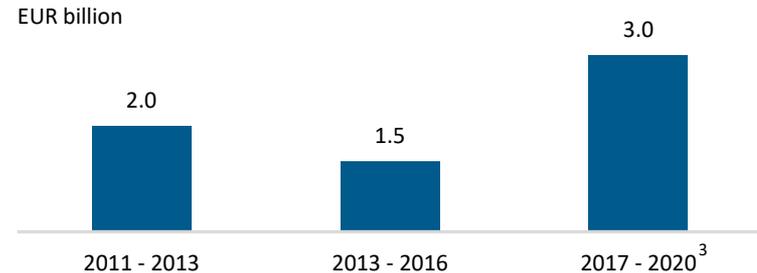
Mergers & Acquisitions



Dividends



Share repurchase



¹ Organic ROIC excludes acquisitions over a five years period, pension settlements in Q4 2015 and significant one-time tax charges and benefits; ROIC % = LTM EBIAT/ average NOC over the last 5 quarters; ² Elective dividend, proposal subject to approval in the General Shareholders Meeting on May 9, 2019; ³ Consisting of two programs: EUR 1.5 billion for the period 2017-2019 and EUR 1.5 billion for the period 2019-2020.



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Q1 2019 financial performance highlights

- Comparable sales up 2% compared to Q1 2018
- Comparable order intake up 2% compared to Q1 2018
- Adj. EBITA margin of 8.8%, up 10 bps compared to Q1 2018
- Free cash outflow of EUR 206 million, compared to an outflow of EUR 47 million in Q1 2018
- Adjusted EPS of EUR 0.29 per share, compared to EUR 0.23 in Q1 2018

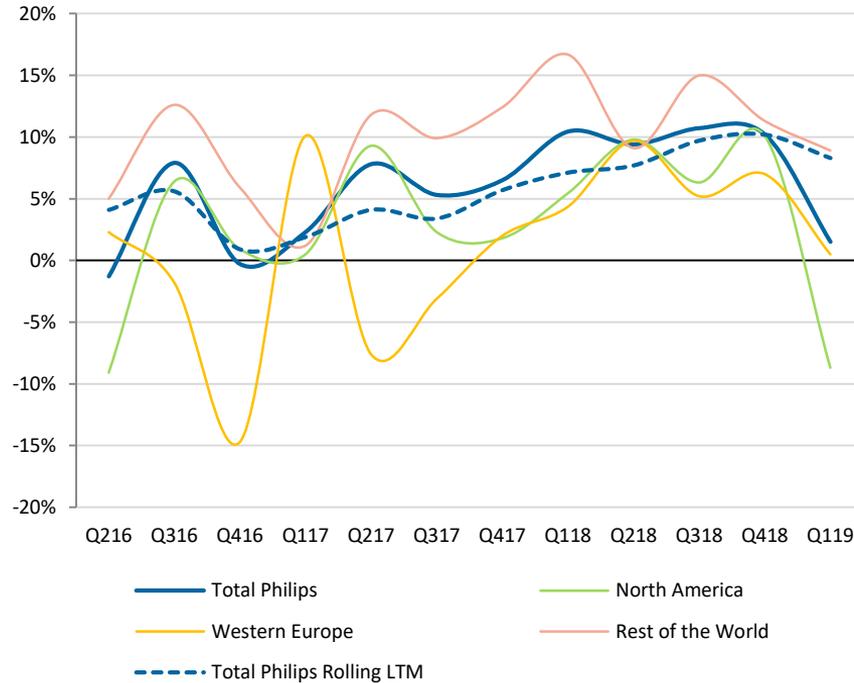
	Sales EUR million	Comparable sales growth	Adj. EBITA margin	Adj. EBITDA margin
Diagnosis & Treatment	1,722	+2%	6.2%	9.9%
Connected Care	1,014	-1%	8.3%	12.7%
Personal Health	1,295	+5%	14.7%	17.3%
Other	120			
Philips	4,151	+2%	8.8%	13.9%

EUR million	Q1 2018	Q1 2019	FY 2018
Capital expenditures on property, plant and equipment	81	103	422
Capitalization of development costs	77	104	385
Depreciation	100	141	438
Amortization of acquired intangible assets	62	70	347
Amortization of software	13	17	64
Amortization of development costs	56	55	240

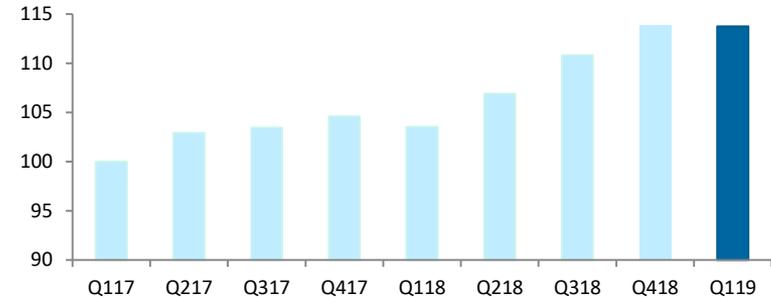


Order intake and order book¹

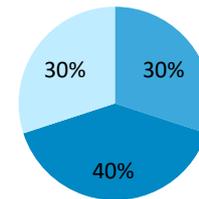
Comparable order intake growth



Indexed order book development



Typical profile of order book conversion to sales



■ Q+1 ■ Q+2 to 4 ■ > 1 year

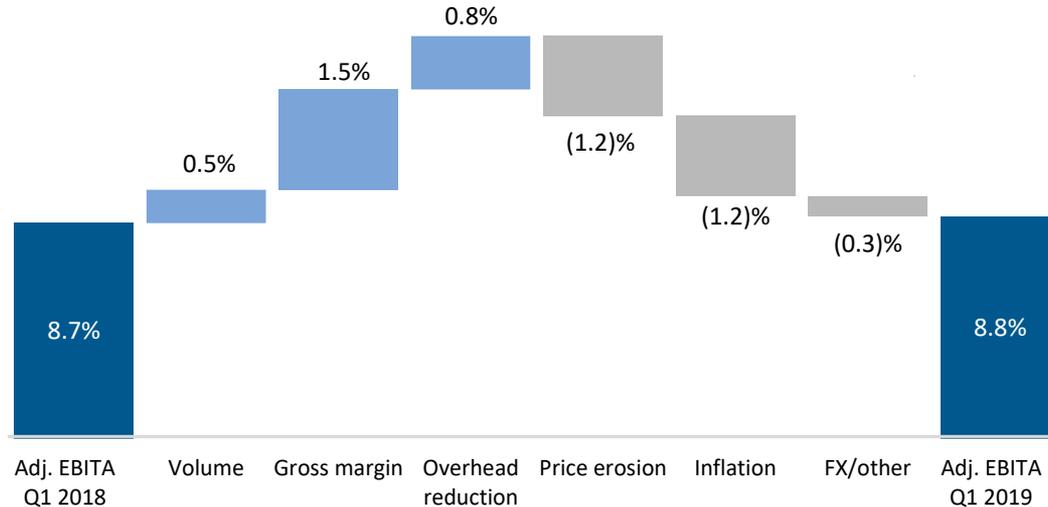
- Approximately 70% of the current order book results in sales within the next 12 months
- Quarter end order book is a leading indicator for ~30% of sales the following quarters



Driving ~100 basis points annual improvement up to 2020

Adjusted EBITA bridge for Q1 2019¹

as a % of sales



Productivity initiatives contributing to the targets

EUR million	2017-2020 plan	Q1 2019	2017-2019 actuals
Procurement	850	38	566
Other productivity (net) ¹	950	75	496
Total (net)	1,800	113	1,062

Appendix

Restructuring, acquisition-related charges and other items

EUR million	Q1 18	Q2 18	Q3 18	Q4 18	2018	Q1 19
Diagnosis & Treatment	(43)	(24)	(20)	(59)	(146)	(30)
Restructuring & Acq.-related charges	(43)	(24)	(20)	(59)	(146)	(27)
Other items	-	-	-	-	-	(3)
Connected Care	(24)	(35)	(28)	(36)	(123)	(29)
Restructuring & Acq.-related charges	(7)	(20)	(15)	(25)	(67)	(19)
Other items	(17) ¹	(15) ¹	(13) ¹	(11) ¹	(56)	(10) ¹
Personal Health	(2)	(20)	(6)	(5)	(33)	(16)
Restructuring & Acq.-related charges	(2)	(2)	(6)	(5)	(15)	(16)
Other items	-	(18) ²	-	-	(18)	-
Other	(13)	27	(3)	(11)	1	26
Restructuring & Acq.-related charges	(12)	(7)	(3)	(10)	(32)	(9)
Other items	(1)	34 ³	-	(1)	33	35 ^{4,5}
Philips	(82)	(52)	(56)	(111)	(300)	(50)
Restructuring costs	(41)	(31)	(22)	(66)	(159)	(39)
Acquisition related charges	(23)	(21)	(22)	(34)	(99)	(32)
Other items	(18)	-	(13)	(11)	(41)	21

Due to rounding, amounts may not add up precisely to totals provided.

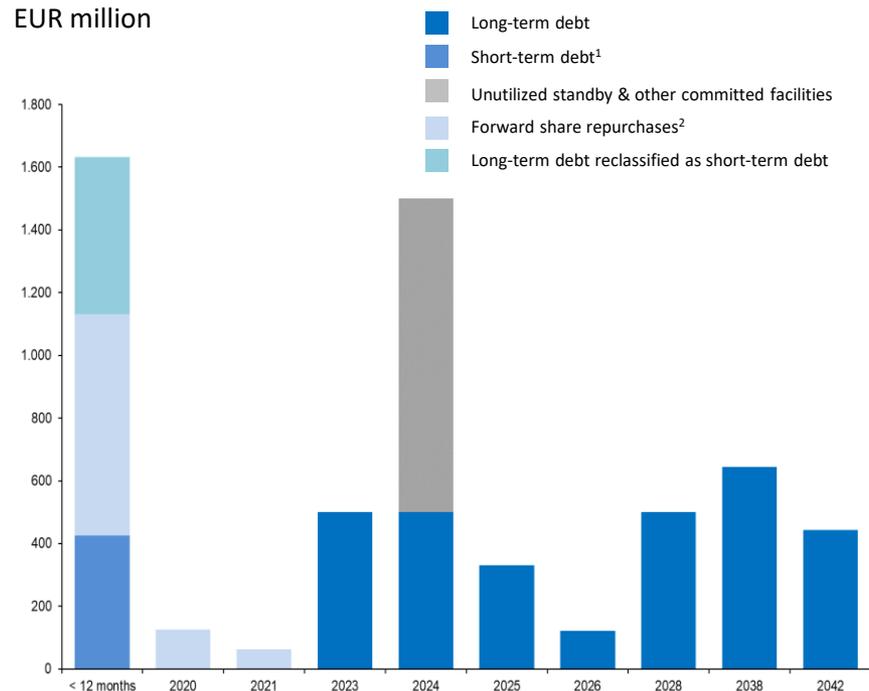
1. Mainly related to the consent decree focused on the defibrillator manufacturing in the US. 2. Provision related to the anticipated conclusion of the European Commission investigation into online price setting. 3. A gain related to divestment of a business. 4. A charge related to a litigation provision. 5. A gain related to the sale of the Photonics business in Germany.

Philips' debt has a long maturity profile

Characteristics of long-term debt

- Total net debt position of EUR 4.2 billion
- Maturities up to 2042
- Average tenor of long-term debt is 9.8 years³
- No financial covenants
- Operating leases (approximately EUR 800 million) have been reclassified as debt per 1 January 2019 under IFRS 16
- Philips exercised, with existing terms and conditions, the second extension options of its EUR 1 billion committed standby revolving credit facility, extending the maturity date to April 21, 2024

Debt maturity profile as per March 2019



¹Short-term debt includes local credit facilities that are being rolled forward on a continuous basis; ² Debt includes forward transactions entered into as part of share repurchase programs for share cancellation and LTI purposes; ³ Based on long-term debt only (including short-term portion of long-term debt), excludes short-term debt and forward share repurchases for share cancellation and LTI purposes



Calendar for the upcoming quarter

May 9	Annual General Meeting of Shareholders, Amsterdam
May 10	JP Morgan Amsterdam Investor Forum, Amsterdam
May 20	UBS Global Healthcare Conference, New York
May 21	Berenberg US Conference, Tarrytown
June 12	Goldman Sachs Annual Global Healthcare Conference, Palos Verdes, California
June 19	Citi European Healthcare Conference, London
June 20	JP Morgan European Healthcare Conference, London
July 22	Second quarter and semi-annual results 2019

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