Royal Philips
Second quarter 2018 results

July 23, 2018
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, including Spectranetics; 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 Philips Lighting. 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 2017.

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’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 2017. As the Philips Group is applying IFRS as its Generally Accepted Accounting Principles (GAAP) we have changed the term non-GAAP information into non-IFRS information.

Use of fair-value measurements

In presenting the Philips Group 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 2017. Independent valuations may have been 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 2017, unless otherwise stated. The presentation of certain prior-year information has been reclassified to confirm to the current-year presentation.

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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Appendix 31
Company overview
EUR 17.7 billion sales and Adjusted EBITA of 12.7% ¹

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

Connected Care & Health Informatics
Empowering consumers and care professionals with predictive patient analytics and clinical informatics solutions

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

- EUR 1.8 billion for R&D, ~62,000 patents rights, ~38,000 trademarks ³
- More than 1/4th of sales from solutions
- ~75,000 employees in over 100 countries
- Philips retains a 18% stake in Signify (formerly Philips Lighting), reported as an asset held for sale

¹ All figures based on the last twelve months (LTM) Q2 2018 unless stated otherwise; ² Growth geographies consist of all geographies excluding USA, Canada, Western Europe, Australia, New Zealand, South Korea, Japan and Israel; ³ Based on the full year 2017
A focused HealthTech leader with higher growth and profitability

Sales EUR 25.3 billion

FY 2011

- Diagnosis & Treatment: 30%
- Connected Care & Health Informatics: 21%
- Personal Health: 19%
- Other: 17%
- TV: 3%

Sales EUR 17.7 billion

LTM Q2 2018

- Diagnosis & Treatment: 41%
- Connected Care & Health Informatics: 17%
- Personal Health: 10%
- Other: 3%
- TV/LE: 2%
- Lighting: 2%
- Lumileds/Automotive: 17%

Acquisitions

- 2011
  - Diagnosis & Treatment
  - Connected Care & Health Informatics
  - Personal Health
  - Other
  - TV

- 2012
  - Diagnosis & Treatment
  - Connected Care & Health Informatics
  - Personal Health
  - Other
  - TV

- 2013
  - Diagnosis & Treatment
  - Connected Care & Health Informatics
  - Personal Health
  - Other
  - TV

- 2014
  - Diagnosis & Treatment
  - Connected Care & Health Informatics
  - Personal Health
  - Other
  - TV

- 2015
  - Diagnosis & Treatment
  - Connected Care & Health Informatics
  - Personal Health
  - Other
  - TV

- 2016
  - Diagnosis & Treatment
  - Connected Care & Health Informatics
  - Personal Health
  - Other
  - TV

- 2017
  - Diagnosis & Treatment
  - Connected Care & Health Informatics
  - Personal Health
  - Other
  - TV

Divestments

- 2011
  - Diagnosis & Treatment
  - Connected Care & Health Informatics
  - Personal Health
  - Other
  - TV

- 2012
  - Diagnosis & Treatment
  - Connected Care & Health Informatics
  - Personal Health
  - Other
  - TV

- 2013
  - Diagnosis & Treatment
  - Connected Care & Health Informatics
  - Personal Health
  - Other
  - TV

- 2014
  - Diagnosis & Treatment
  - Connected Care & Health Informatics
  - Personal Health
  - Other
  - TV

- 2015
  - Diagnosis & Treatment
  - Connected Care & Health Informatics
  - Personal Health
  - Other
  - TV

- 2016
  - Diagnosis & Treatment
  - Connected Care & Health Informatics
  - Personal Health
  - Other
  - TV

- 2017
  - Diagnosis & Treatment
  - Connected Care & Health Informatics
  - Personal Health
  - Other
  - TV

1 Do not represent all acquisitions made; 2 Philips retains a 18% stake in Signify (formerly Philips Lighting), reported as an asset held for sale; 3 Lighting includes combined business of Lumileds and Automotive in 2011, Personal Health in 2011 includes Sleep & Respiratory Care portfolio
Our markets have sustained growth and attractive profit pools

### Markets increasing across segments

<table>
<thead>
<tr>
<th>Segment</th>
<th>2016</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diagnosis &amp; Treatment</td>
<td>~149</td>
<td>~190-195</td>
</tr>
<tr>
<td>Connected Care &amp; Health Informatics</td>
<td>52</td>
<td>62-63</td>
</tr>
<tr>
<td>Personal Health</td>
<td>47</td>
<td>71-73</td>
</tr>
<tr>
<td></td>
<td>50</td>
<td>57-59</td>
</tr>
</tbody>
</table>

### Market trends

- Population growth, ageing and rise in chronic diseases
- Consumerization and digitalization of healthcare
- Shift to outcome focused, value-based healthcare
- Care shifting to ambulatory and home care settings with consumers increasingly engaged in their health
- Data enabled healthcare delivery with higher productivity
- Consolidation of hospitals into large health system delivery networks
- Convergence of professional healthcare and consumer health

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1 Source: Philips internal estimates, McKinsey analysis; Philips-defined addressable markets including adjacencies
Health continuum drives our strategy
With global reach, deep insights and leading innovations, we are uniquely positioned in the “last yard” to consumers and care providers

- **Healthy living**: Connected products and services supporting the health and wellbeing of people
- **Prevention**: Integrated modalities and clinical informatics to deliver definitive diagnosis
- **Diagnosis**: Real-time guidance and smart devices for minimally invasive interventions
- **Treatment**: Connected therapeutic products and services for chronic care patients
- **Home care**: Connecting patients and providers for more effective, coordinated, personalized care. Managing population health, leveraging real-time patient data and clinical analytics

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

### Segments and businesses\(^1\) (share of revenues)

<table>
<thead>
<tr>
<th>Segment</th>
<th>Key Products</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Diagnosis &amp; Treatment</strong></td>
<td>Computed tomography, magnetic resonance, digital X-ray</td>
</tr>
<tr>
<td></td>
<td>Ultrasound</td>
</tr>
<tr>
<td></td>
<td>Interventional X-ray, smart devices for diagnosis and therapy</td>
</tr>
<tr>
<td><strong>Connected Care &amp; Health Informatics</strong></td>
<td>Patient monitoring</td>
</tr>
<tr>
<td></td>
<td>Hospital ventilation, defibrillators</td>
</tr>
<tr>
<td></td>
<td>Healthcare IT, clinical and imaging informatics</td>
</tr>
<tr>
<td></td>
<td>Home monitoring, remote cardiac monitoring</td>
</tr>
<tr>
<td><strong>Personal Health</strong></td>
<td>Sonicare power toothbrushes, Avent mother &amp; child care</td>
</tr>
<tr>
<td></td>
<td>Respironics home ventilators, CPAP, respiratory masks</td>
</tr>
<tr>
<td></td>
<td>Male grooming, skin care</td>
</tr>
<tr>
<td></td>
<td>Air purification, small kitchen appliances</td>
</tr>
</tbody>
</table>

### Key products

- **Diagnostic Imaging**
  - Computed tomography, magnetic resonance, digital X-ray
  - Ultrasound
  - Interventional X-ray, smart devices for diagnosis and therapy

- **Ultrasound**
  - Ultrasound

- **Image-Guided Therapy**
  - Interventional X-ray, smart devices for diagnosis and therapy

- **Personal Health**
  - Sonicare power toothbrushes, Avent mother & child care
  - Respironics home ventilators, CPAP, respiratory masks
  - Male grooming, skin care
  - Air purification, small kitchen appliances

1. All figures based on the last twelve months (LTM) Q2 2018
Our strong portfolio has >60% of sales from leadership positions

1 Leadership position refers to #1 or #2 position in Philips addressable market; 2 Based on non-invasive ventilators for hospitals
Growth and performance improvement drivers to continue delivering on our targets

<table>
<thead>
<tr>
<th>Focus on</th>
<th>Driven by</th>
<th>Resulting in</th>
</tr>
</thead>
</table>
| **Growth in core businesses** | 1. Capture geographic growth opportunities  
2. Pivot to consultative customer partnerships and business models  
3. Drive innovative value-added, integrated solutions | Revenue growth                                    |
|                           | **Growth in adjacencies**                              | Margin expansion                                  |
|                           | 4. Portfolio extensions through M&A, organic investments and partnerships | Increased cash generation                         |
|                           | **Customer and operational excellence**                 | Improved return on invested capital               |
|                           | 5. Continue to lead the digital transformation         | Increased shareholder value                       |
|                           | 6. Improve customer experience, quality systems, operational excellence and productivity |                                                     |
Pivot to consultative customer partnerships and business models
Enabling value-based care

Common goals, joint commitment
Predictability, recurring revenues
Outcomes-focused, shared responsibility
Continuous improvement, innovate for the future

Customer

Connecting, consumer-centric health and value creation

15-year enterprise agreement, 28 hospitals

14-year enterprise agreement, 2 leading facilities
Enabled on-time opening of complex new facility
Augmented reality in surgical navigation innovation

Creating a leading healthcare center

Executive Governance Board with Innovation Council

Connected, consumer-centric health and value creation

Banner Health

Innovation incubator
Solutions delivery
Technology advisor

Cross-portfolio equipment
Technology management services
Clinical innovation

Growth in Cardiovascular, Fluoroscopy, Population Health
Innovative value-added, integrated solutions
Developed to better meet customer needs and capture greater value

<table>
<thead>
<tr>
<th>Packaged suite of systems, smart devices, software and services</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Image-Guided Therapy solutions</strong></td>
</tr>
<tr>
<td>Image-Guided Therapy systems</td>
</tr>
<tr>
<td>Cath lab management, services, consulting</td>
</tr>
<tr>
<td>Monitoring</td>
</tr>
<tr>
<td>Integration, services, consulting</td>
</tr>
<tr>
<td>Dream Series therapy devices</td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>
Solutions and partnership approach is working well
High growth with accretive margins, recurring revenue models

Solutions revenues: double-digit growth
% of total revenue

Expand large enterprise long-term partnership deals
Number of signed deals (cumulative)

Increase revenue predictability
% recurring revenues

1 Comparable compounded annual growth rates
Portfolio extensions through disciplined M&A

Strategic objectives

• Expand leadership positions
• Acquire synergistic businesses, technologies, channels or expand geographic reach

Strong governance and financial discipline

• All M&A approved by Executive Investments and Alliances Committee through standard process
• Scorecard assessing opportunities based on 12 KPIs (NPV/PP, IRR, ROIC>WACC, discounted payback period, etc.)

Rapid post-merger integration to unlock value

• End-to-end process, fully integrated with the acquisition team
• Standard ‘playbooks’ drive quick ‘plug & play’ into Philips
• Leverage talent to achieve growth and margin expansion synergies

Highlights on progress to date

✓ FDA approval for Stellarex (drug-coated balloon)
✓ Cross-selling opportunities for >500 accounts in the US
✓ Stellarex sales cross-training to expand US market launch
✓ Significant procurement savings from Philips contracts

✓ Leveraged Philips global footprint to expand to new geographies (e.g., India, Canada)
✓ Improved gross margins by 10 percentage points since 2015
Improve customer experience, operational excellence and productivity

Customer experience
- Customer-centric innovations:
  - Design-driven, customer co-creation
  - Our metrics aligned to customer metrics
- Supply chain performance optimization
- Focus on continuous customer lifetime excellence

Productivity initiatives
- Self-help initiatives to drive EUR 1.2 billion in savings (2017-2019):
  - Procurement savings
  - Manufacturing productivity
  - Overhead cost reduction

Operational excellence
- Continue to apply Philips Business System and ‘Design for Excellence’ methodology
- Expansion of lean techniques
- Standardized Quality Management Systems
Innovation drives our growth and improves margins

Commitment towards innovation

- **Annual R&D spend**: ~EUR 1.8 billion (EUR ~300 million on breakthrough innovations)
- **Strong IP** portfolio: ~62,000 patent rights, ~38,000 trademarks, ~48,000 design rights
- 60%+ R&D professionals in software and data science
- Leadership in design thinking
- Clinical collaborations across major markets
- Global R&D footprint

New product sales:\(^1\):
- Diagnosis & Treatment: ~40%
- Connected Care & Health Informatics: ~50%
- Personal Health: ~25%

Businesses growth:
- Connected products to enable new business models
- Enable online services for consumers and customers

Digital transformation:
- Disciplined portfolio and lifecycle management process
- Architecture, platform re-use
- Drive 40-60 bps in R&D productivity improvements by 2020

\(^1\) New product sales is estimated over three years for Diagnosis & Treatment and Connected Care & Health Informatics; one year for Personal Health. Based on 2017 forecast
We are recognized for our commitment to sustainability
Focus on UN Sustainable Development Goals, in particular #3 and #12

2020 program “Healthy people, sustainable planet”

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

1 UN Sustainable Development Goal #3: “Ensure healthy lives and promote well-being for all at all ages” and #12: “Ensure sustainable consumption and production patterns”
Experienced management team driving growth, operational excellence and value creation

<table>
<thead>
<tr>
<th>CEO / CFO</th>
<th>Segment Leaders</th>
<th>Market Leaders</th>
<th>Function Leaders</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CEO</strong></td>
<td><strong>Personal Health</strong></td>
<td><strong>Global Markets</strong>¹</td>
<td><strong>Innovation &amp; Strategy</strong></td>
</tr>
<tr>
<td>Frans van Houten</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>CFO</strong></td>
<td><strong>Diagnosis &amp; Treatment</strong></td>
<td><strong>North America</strong></td>
<td><strong>Operations</strong></td>
</tr>
<tr>
<td>Abhijit Bhattacharya</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>CFO</strong></td>
<td><strong>Connected Care &amp; Health Informatics</strong></td>
<td><strong>Greater China</strong></td>
<td><strong>Legal</strong></td>
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</tbody>
</table>

¹ Excluding North America and China
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Appendix 31
Philips to reach EUR 20 billion\(^1\) sales with significant return improvements

**Focus on**

1. **Growth in core businesses**
   - 4-6% comparable sales growth rate

2. **Growth in adjacencies**
   - On average 100bps Adj. EBITA margin improvement annually

3. **Customer and operational excellence**
   - Free cash flow generation of ~EUR 1–1.5 billion annually

4. **Organic plans ROIC improvement to mid-to-high-teens ROIC by 2020**

**2017-2020 annual targets**

- On average 100bps Adj. EBITA margin improvement annually
- Free cash flow generation of ~EUR 1–1.5 billion annually
- Organic plans ROIC improvement to mid-to-high-teens ROIC by 2020

**Sales**

- **EUR billion**
  - 2014: 15
  - 2016: 17
  - 2017: 18
  - 2020E: >20

**Diagnosis & Treatment**

**Connected Care & Health Informatics**

**Personal Health**

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\(^1\) Based on current foreign exchange rates; \(^2\) Comparable compounded annual growth rates
Productivity initiatives of EUR 1.2 billion to drive ~100 basis points annual improvement until 2020

Adj. EBITA step-up drivers

Indicative Adj. EBITA margin, %

- **Volume**
  - Geographic expansion
  - New product introduction
  - Strong order intake
  - Operating leverage

- **Gross margin**
  - Procurement (EUR 700M savings by 2019) driven by DfX program
  - Manufacturing productivity (EUR 200M savings by 2019) targeting to move from 50 to ~30 production locations
  - Mix improvement

- **Overhead cost reduction** (EUR 300M savings by 2019)
  - Standardization of back offices with Global Business Services
  - IT landscape simplification
  - Delayering the organisation and broadening a span of control
Disciplined capital allocation policy
Attractive shareholder returns balanced with investments for growth

- Dividend policy aimed at dividend stability
- EUR 1.5 billion share buyback program for two years started in Q3 2017
- Disciplined but more active approach to M&A, while continuing to adhere to strict return hurdles
- Continue to invest in high ROIC organic growth opportunities
- Continued focus on driving balance sheet efficiency
- Committed to a strong investment grade rating

Total shareholder returns since 2016 \(^1,2\)

- Royal Philips: +69%
- HealthTech TSR peer index: +35%
- EURO STOXX 50: +14%

Total shareholder returns since 2012 \(^1,3\)

- Royal Philips: +185%
- TSR peer index: +119%
- EURO STOXX 50: +81%

\(^1\) As per July 20, 2018; \(^2\) HealthTech TSR peer index includes companies as described in the Philips Annual Report 2017; \(^3\) TSR peer index includes companies as described in the Philips Annual Report 2016
Disciplined capital allocation policy
Proven track record

Dividends

<table>
<thead>
<tr>
<th>Year Range</th>
<th>EUR per share</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008 - 2010</td>
<td>0.70</td>
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<tr>
<td>2011 - 2013</td>
<td>0.75</td>
</tr>
<tr>
<td>2014 - 2017</td>
<td>0.80</td>
</tr>
<tr>
<td>2018</td>
<td>0.80</td>
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</table>

Share buyback

<table>
<thead>
<tr>
<th>Year Range</th>
<th>EUR billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011 - 2013</td>
<td>2.0</td>
</tr>
<tr>
<td>2013 - 2016</td>
<td>1.5</td>
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<tr>
<td>2017 - 2019</td>
<td>1.5</td>
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</table>

Merger & Acquisitions ¹

<table>
<thead>
<tr>
<th>Year</th>
<th>EUR billion</th>
</tr>
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<tbody>
<tr>
<td>2010</td>
<td>~0.4</td>
</tr>
<tr>
<td>2011</td>
<td>~1.0</td>
</tr>
<tr>
<td>2012</td>
<td></td>
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<tr>
<td>2013</td>
<td>~1.0</td>
</tr>
<tr>
<td>2014</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>~2.3</td>
</tr>
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</table>

Return on Invested Capital ²

<table>
<thead>
<tr>
<th>Quarter</th>
<th>ROIC %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q217</td>
<td>15.4%</td>
</tr>
<tr>
<td>Q317</td>
<td>13.2%</td>
</tr>
<tr>
<td>Q417</td>
<td>11.9%</td>
</tr>
<tr>
<td>Q118</td>
<td>11.3%</td>
</tr>
<tr>
<td>Q218</td>
<td>10.8%</td>
</tr>
</tbody>
</table>

1 Aggregate purchase price of the acquisitions excluding Lighting business; 2 ROIC % = LTM EBITA/ average NOC over the last 5 quarters; EBITA are earnings before interest after tax; reported tax used to calculate EBITA; ³ ROIC decrease in Q2 2018 is mainly driven by acquisitions and increased one-off charges
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Appendix
Q2 2018 performance highlights

- Comparable sales up 4% compared to Q2 2017
- Comparable order intake up 9% compared to Q2 2017
- Adj. EBITA margin of 11.2%, up 100 bps compared to Q2 2017
- Free cash outflow of EUR 41 million, compared to an outflow of EUR 89 million in Q2 2017

<table>
<thead>
<tr>
<th>EUR million</th>
<th>Q2 2017</th>
<th>Q2 2018</th>
<th>FY 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital expenditures on property, plant and equipment</td>
<td>99</td>
<td>70</td>
<td>420</td>
</tr>
<tr>
<td>Capitalization of development costs</td>
<td>107</td>
<td>108</td>
<td>405</td>
</tr>
<tr>
<td>Depreciation</td>
<td>104</td>
<td>109</td>
<td>437</td>
</tr>
<tr>
<td>Amortization of acquired intangible assets</td>
<td>67</td>
<td>133</td>
<td>260</td>
</tr>
<tr>
<td>Amortization of software</td>
<td>12</td>
<td>16</td>
<td>50</td>
</tr>
<tr>
<td>Amortization of development costs</td>
<td>60</td>
<td>58</td>
<td>277</td>
</tr>
</tbody>
</table>

Sales

<table>
<thead>
<tr>
<th>EUR million</th>
<th>Q2 2017</th>
<th>Q2 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diagnosis &amp; Treatment</td>
<td>1,761</td>
<td>+8%</td>
</tr>
<tr>
<td>Connected Care &amp; Health Informatics</td>
<td>743</td>
<td>+2%</td>
</tr>
<tr>
<td>Personal Health</td>
<td>1,694</td>
<td>+2%</td>
</tr>
<tr>
<td>Other</td>
<td>88</td>
<td>13.5%</td>
</tr>
<tr>
<td>Philips</td>
<td>4,288</td>
<td>+4%</td>
</tr>
</tbody>
</table>

Adj. EBITDA margin

<table>
<thead>
<tr>
<th>EUR million</th>
<th>Adj. EBITA margin</th>
<th>vs. LY (bps)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diagnosis &amp; Treatment</td>
<td>10.8%</td>
<td>+180</td>
</tr>
<tr>
<td>Connected Care &amp; Health Informatics</td>
<td>8.9%</td>
<td>+40</td>
</tr>
<tr>
<td>Personal Health</td>
<td>16.1%</td>
<td>+80</td>
</tr>
<tr>
<td>Philips</td>
<td>11.2%</td>
<td>+100</td>
</tr>
</tbody>
</table>

Capital expenditures on property, plant and equipment

<table>
<thead>
<tr>
<th>EUR million</th>
<th>Q2 2017</th>
<th>Q2 2018</th>
</tr>
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<tr>
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</tr>
<tr>
<td>Connected Care &amp; Health Informatics</td>
<td>107</td>
<td>108</td>
</tr>
<tr>
<td>Personal Health</td>
<td>104</td>
<td>109</td>
</tr>
<tr>
<td>Other</td>
<td>67</td>
<td>133</td>
</tr>
<tr>
<td>Philips</td>
<td>12</td>
<td>16</td>
</tr>
</tbody>
</table>

Amortization of development costs

<table>
<thead>
<tr>
<th>EUR million</th>
<th>Q2 2017</th>
<th>Q2 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diagnosis &amp; Treatment</td>
<td>60</td>
<td>58</td>
</tr>
<tr>
<td>Connected Care &amp; Health Informatics</td>
<td>58</td>
<td>277</td>
</tr>
<tr>
<td>Personal Health</td>
<td>13.5%</td>
<td>+200</td>
</tr>
<tr>
<td>Other</td>
<td>12.8%</td>
<td>-10</td>
</tr>
<tr>
<td>Philips</td>
<td>19.5%</td>
<td>+90</td>
</tr>
</tbody>
</table>

Amortization of software

<table>
<thead>
<tr>
<th>EUR million</th>
<th>Adj. EBITDA margin</th>
<th>vs. LY (bps)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diagnosis &amp; Treatment</td>
<td>13.5%</td>
<td>+200</td>
</tr>
<tr>
<td>Connected Care &amp; Health Informatics</td>
<td>12.8%</td>
<td>-10</td>
</tr>
<tr>
<td>Personal Health</td>
<td>19.5%</td>
<td>+90</td>
</tr>
<tr>
<td>Other</td>
<td>Philips</td>
<td>15.4%</td>
</tr>
</tbody>
</table>
Order intake and book\textsuperscript{1}

Comparable order intake growth

- **Indexed order book development**

- 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

- **Typical profile of order book conversion to sales**

\textsuperscript{1} Includes equipment and software orders in Diagnosis & Treatment, Connected Care & Health Informatics and Innovation businesses adjusted for acquisitions and divestments, and currency
Underlying improvements in profitability

Adjusted EBITA bridge for Q2 2018
as a % of sales

Productivity initiatives contributing to medium-term targets

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Procurement</td>
<td>700</td>
<td>67</td>
<td>377</td>
</tr>
<tr>
<td>Other productivity (net)</td>
<td>500</td>
<td>38</td>
<td>312</td>
</tr>
<tr>
<td>Total (net)</td>
<td>1,200</td>
<td>105</td>
<td>689</td>
</tr>
</tbody>
</table>

1 Includes overhead cost reduction and other productivity in gross margin
Adjusted EBITA\(^1\) margin development

Rolling last twelve months

---

**Philips**

- Q217: 11.4%
- Q317: 11.7%
- Q417: 12.1%
- Q118: 12.4%
- Q218: 12.7%

**Diagnosis & Treatment**

- Q217: 10.0%
- Q317: 10.1%
- Q417: 10.4%
- Q118: 10.6%
- Q218: 11.1%

**Connected Care & Health Informatics**

- Q217: 10.3%
- Q317: 11.4%
- Q417: 11.8%
- Q118: 12.4%
- Q218: 12.5%

**Personal Health**

- Q217: 16.2%
- Q317: 16.5%
- Q417: 16.7%
- Q118: 16.8%
- Q218: 17.0%

---

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

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Working capital, EUR million</th>
<th>Working capital as % of LTM sales</th>
<th>Inventories, EUR million</th>
<th>Inventories as % of LTM sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q217</td>
<td>1,000</td>
<td>10.1%</td>
<td>14.4%</td>
<td>5.3%</td>
</tr>
<tr>
<td>Q317</td>
<td>1,500</td>
<td>10.0%</td>
<td>14.9%</td>
<td>5.9%</td>
</tr>
<tr>
<td>Q417</td>
<td>2,000</td>
<td>9.0%</td>
<td>13.2%</td>
<td>2.7%</td>
</tr>
<tr>
<td>Q118</td>
<td>2,500</td>
<td>9.3%</td>
<td>13.9%</td>
<td>4.5%</td>
</tr>
<tr>
<td>Q218</td>
<td>3,000</td>
<td>10.5%</td>
<td>15.2%</td>
<td>6.3%</td>
</tr>
</tbody>
</table>

1 Working capital excluding segment Other; 2 Working capital as a % of LTM sales and Inventories as a % of LTM sales excluding acquisitions, divestments and discontinued operations.
Appendix
### Restructuring, acquisition-related charges and other items

<table>
<thead>
<tr>
<th>EUR million</th>
<th>Q1 17</th>
<th>Q2 17</th>
<th>Q3 17</th>
<th>Q4 17</th>
<th>2017</th>
<th>Q1 18</th>
<th>Q2 18</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Diagnosis &amp; Treatment</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restructuring &amp; Acq.-related charges</td>
<td>(11)</td>
<td>(31)</td>
<td>(85)</td>
<td>(45)</td>
<td>(173)</td>
<td>(42)</td>
<td>(23)</td>
</tr>
<tr>
<td>Other items</td>
<td>-</td>
<td>-</td>
<td>(22)</td>
<td>-</td>
<td>(22)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Connected Care &amp; Health Informatics</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other items</td>
<td>(17)</td>
<td>(12)</td>
<td>(18)</td>
<td>16</td>
<td>(31)</td>
<td>(17)</td>
<td>(15)</td>
</tr>
<tr>
<td><strong>Personal Health</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restructuring &amp; Acq.-related charges</td>
<td>(2)</td>
<td>(1)</td>
<td>-</td>
<td>(8)</td>
<td>(11)</td>
<td>(3)</td>
<td>(4)</td>
</tr>
<tr>
<td>Other items</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>45</td>
<td>(41)</td>
<td>(39)</td>
<td>(25)</td>
<td>(60)</td>
<td>(14)</td>
<td>28</td>
</tr>
<tr>
<td>Restructuring &amp; Acq.-related charges</td>
<td>(3)</td>
<td>(7)</td>
<td>(32)</td>
<td>(21)</td>
<td>(64)</td>
<td>(13)</td>
<td>(6)</td>
</tr>
<tr>
<td>Other items</td>
<td>(48)</td>
<td>(34)</td>
<td>(7)</td>
<td>(4)</td>
<td>(4)</td>
<td>(1)</td>
<td>34</td>
</tr>
<tr>
<td><strong>Philips</strong></td>
<td>6</td>
<td>(111)</td>
<td>(167)</td>
<td>(95)</td>
<td>(366)</td>
<td>(82)</td>
<td>(52)</td>
</tr>
<tr>
<td>Restructuring costs</td>
<td>(16)</td>
<td>(48)</td>
<td>(73)</td>
<td>(75)</td>
<td>(211)</td>
<td>(41)</td>
<td>(31)</td>
</tr>
<tr>
<td>Acquisition related charges</td>
<td>(9)</td>
<td>(17)</td>
<td>(47)</td>
<td>(32)</td>
<td>(105)</td>
<td>(23)</td>
<td>(21)</td>
</tr>
<tr>
<td>Other items</td>
<td>31</td>
<td>(46)</td>
<td>(47)</td>
<td>12</td>
<td>(50)</td>
<td>(18)</td>
<td>-</td>
</tr>
</tbody>
</table>

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

1. Other comprises of HealthTech Other and Legacy Items
2. Charges related to quality and regulatory actions.
3. EUR 59 million gain on the sale of real estate assets.
4. Relates to the separation of the Lighting business.
5. EUR 26 million of provisions related to the CRT litigation in the US.
6. EUR 7 million of charges related to the separation of the Lighting business.
7. EUR 5 million of stranded costs related to the combined Lumileds and Automotive businesses.
8. The amount includes the charges related to acquisition of Spectranetics.
9. Charges related to portfolio rationalization measures.
10. Mainly related to the consent decree focused on the defibrillator manufacturing in the U.S.
11. Includes EUR 36 million release of provision related to the Masimo litigation.
12. Provision related to the anticipated conclusion of the European Commission investigation into online price setting.
Philips' debt has a long maturity profile

Characteristics of long-term debt

- Total net debt position of EUR 3.3 billion
- Maturities up to 2042
- Average tenor of long-term debt is 10.5 years
- No financial covenants

- On April 24, 2018, Royal Philips announced the successful pricing of its issue of EUR 500 million fixed rate notes due 2024 and EUR 500 million fixed rate notes due 2028. The net proceeds were used for general company purposes, including the redemption of the 3.750% Notes due 2022 on April 26, 2018.

Debt maturity profile as per March 2018

<table>
<thead>
<tr>
<th>EUR million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long –term debt</td>
</tr>
<tr>
<td>Short-term debt¹</td>
</tr>
<tr>
<td>Unutilized standby &amp; other committed facilities</td>
</tr>
<tr>
<td>Share buyback forward transactions²</td>
</tr>
</tbody>
</table>

¹Short term debt includes local credit facilities that are being rolled forward on a continuous basis; ²Debt includes forward transactions entered into as part of a EUR 1.5 billion share buyback program Royal Philips announced on June 28, 2017; ³Based on long-term debt only, excludes short-term debt portion and Share buyback forward transactions
Financial calendar 2018

September 6  
15th Annual European Medtech and Healthcare Services Conference, London

September 12  
Morgan Stanley Annual Global Healthcare Conference, New York

October 22  
Third quarter results 2018

November 8  
Capital Markets Day, Amsterdam

November 14  
Societe Generale The European ESG/SRI Conference, Paris

January 29, 2019  
Fourth quarter results 2018

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