Royal Philips

Third Quarter Results 2014
Information booklet

October 20th, 2014

innovation + you

PHILIPS

Important information

Forward-looking statements

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

These factors include, but are not limited to, domestic and global economic and business conditions, developments within the euro zone, the successful implementation of our strategy and our ability to realize the benefits of this strategy, our ability to develop and market new products, changes in legislation, legal claims, changes in exchange and interest rates, changes in tax rates, pension costs and actuarial assumptions, raw materials and employee costs, our ability to identify and complete successful acquisitions and to integrate those acquisitions into our business, our ability to successfully exit certain businesses or restructure our operations, the rate of technological changes, political, economic and other developments in countries where Philips operates, industry consolidation and competition. As a result, Philips' actual future results may differ materially from the plans, goals and expectations set forth in such forward-looking statements. For a discussion of factors that could cause future results to differ from such forward-looking statements, see the Risk management chapter included in our Annual Report 2013.

Third-party market share data

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

Use of non-GAAP Information

In presenting and discussing the Philips' financial position, operating results and cash flows, management uses certain non-GAAP financial measures. These non-GAAP financial measures should not be viewed in isolation as alternatives to the equivalent IFRS measures and should be used in conjunction with the most directly comparable IFRS measures. A reconciliation of such measures to the most directly comparable IFRS measures is contained in our Annual Report 2013. Further information on non-GAAP measures can be found in our Annual Report 2013.

Use of fair-value measurements

In presenting the Philips'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 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 2013. 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; data included are unaudited. Financial reporting is in accordance with the accounting policies as stated in the Annual Report 2013, unless otherwise stated.

Content

PHILIPS

Financial performance Q3 2014: Group

Sales & order intake	• Comparable sales amounted to EUR 5.5 billion, remaining flat year-on-year • Comparable sales of Consumer Lifestyle grew by 5% and Lighting posted a 1% decline • Healthcare comparable sales grew by 1%, equipment order intake down 1% • Comparable sales in growth geographies up 2%
EBITA & Adjusted EBITA[1]	• EBITA amounted to a loss of EUR 7 million and included EUR 79 million restructuring and acquisition-related charges and EUR 464 million other incidentals • Adjusted EBITA was EUR 536 million, or 9.7% of sales, compared to EUR 636 million last year, or 11.4% of sales. The decrease was mainly due to lower results at Healthcare
Cost savings & Net Income	• Gross overhead cost savings of EUR 37 million. Annualized savings of EUR 264 million • Net loss of EUR 103 million, compared to net income of EUR 281 million in Q3 2013 • EPS was EUR (0.11) compared to EUR 0.31 in Q3 2013
Asset management & ROIC	• Inventories as a % of sales increased by 120 basis points to 17.6% • Free Cash Flow was an inflow of EUR 166 million • ROIC, excluding the charges related to the jury verdict in the Masimo litigation[2], improved to 11.6%, compared to 10.7% excluding the CRT fine[3] in Q3 2013
Other	• By the end of Q3, we completed 32% of the EUR 1.5 billion share buy-back program

Executing Accelerate! and managing headwinds

[1] Adjusted EBITA in Q313 excludes EUR 72 million restructuring, acquisition-related charges and other losses. [2] Philips will appeal the decision. [3] CRT = Cathode-Ray Tubes, a business divested by Philips in 2001. Philips has appealed the decision. Charges were taken in Q4 2012.

PHILIPS

Financial performance Q3 2014: Healthcare

Order intake	• Currency-comparable equipment order intake decreased by 1% • Patient Care & Clinical Informatics grew by mid-single-digit and Imaging Systems showed a mid-single-digit decline
Sales	• Comparable sales up 1% year-on-year • Patient Care & Clinical Informatics grew by low-single-digit while Home Healthcare Solutions and Customer Services increased by mid-single-digit • Imaging Systems decreased by mid-single-digit
EBITA & Adjusted EBITA[1]	• EBITA amounted to a loss of EUR 151 million and included EUR 3 million restructuring charges and EUR 415 million other charges mainly due to the jury verdict in the Masimo litigation[2] and inventory write-downs related to the Cleveland facility • Adjusted EBITA was EUR 267 million, or 12.0% of sales, compared to 14.6% last year. The decrease was mainly due to the operational losses related to the voluntary suspension of production at the Cleveland facility and negative currency impacts
Net Operating Capital (NOC)	• Inventories as a % of sales increased by 150 basis points • NOC decreased by EUR 578 million to EUR 7.3 billion on a currency comparable basis

Operational earnings impacted by Cleveland and currency

[1] Adjusted EBITA in Q313 excludes EUR 1 million acquisition related charges. [2] Philips will appeal the decision.

PHILIPS

Financial performance Q3 2014: Consumer Lifestyle

Sales

- Comparable sales grew by 5% compared to Q3 2013
- Mid-single-digit growth was seen at Health & Wellness and Domestic Appliances while Personal Care grew by low-single-digit
- Comparable sales in growth geographies up 6%

EBITA & Adjusted EBITA[1]

- EBITA was EUR 114 million, or 10.2% of sales, down from EUR 116 million, or 10.6% of sales in Q3 2013
- Adjusted EBITA was EUR 118 million, or 10.6% of sales, compared to 11.1% in Q3 2013. The decrease was largely attributable to lower gross margins

Net Operating Capital (NOC)

- Inventories as a % of sales improved by 40 basis points
- NOC increased by EUR 189 million to EUR 1.4 billion on a currency comparable basis, largely driven by higher working capital and a reduction in provisions

Mid-single-digit growth, supported by growth geographies

[1] Adjusted EBITA in Q314 excludes restructuring and acquisition-related charges of EUR 4 million. Adjusted EBITA in Q313 excludes EUR 5 million of restructuring and acquisition-related charges

PHILIPS

Financial performance Q3 2014: Lighting

Sales	• Comparable sales were down 1% year-on-year • Lumileds grew by double-digits while Automotive posted mid-single-digit growth and Professional Lighting Solutions grew by low-single-digit. Sales in Light Sources & Electronics and in Consumer Luminaires declined by mid-single-digit • LED-based sales grew by 28% compared to Q3 2013 and now represent 40% of sales
EBITA & Adjusted EBITA[1]	• EBITA amounted to EUR 162 million, or 7.9% of sales, compared to EUR 177 million, or 8.5% of sales, in Q3 2013 • Adjusted EBITA was EUR 199 million, or 9.7% of sales, compared to 10.2% last year. The decrease was mainly due to a customer credit provision in China
Net Operating Capital (NOC)	• Inventories as a % of sales increased by 190 basis points year-on-year largely driven by the consolidation of General Lighting Company (GLC) in Saudi Arabia • NOC increased by EUR 218 million to EUR 5.1 billion on a currency comparable basis
Other	• Consolidated the results of GLC of Saudi Arabia following the completion of the transaction in September

Operational results impacted by lower sales volume

[1] Adjusted EBITA in Q314 excludes restructuring and acquisition-related charges and other losses of EUR 37 million. Adjusted EBITA in Q313 excludes EUR 36 million of restructuring and acquisition-related charges

PHILIPS

Financial performance Q3 2014: by geography

Growth Geographies[1]

- Comparable sales grew by 2%, driven by Healthcare and Consumer Lifestyle
- India, Central & Eastern Europe and Africa posted double-digit growth while China remained flat year-on-year
- Healthcare comparable equipment order intake grew by high-single-digit, with strong performances in Russia & Central Asia, Middle East & Turkey and Africa. Comparable equipment order intake grew by low-single-digit in China

North America

- Comparable sales declined by 1% due to small decreases at Healthcare and Consumer Lifestyle. Lighting comparable sales grew by low-single-digit
- Healthcare comparable equipment order intake decreased by high-single-digit, driven by a double-digit decline in Imaging Systems. Patient Care & Clinical Informatics grew by mid-single-digit

Western Europe

- Comparable sales declined by low-single-digit, on the back of declines in Healthcare and Lighting. Mid-single-digit growth was seen at Consumer Lifestyle
- Healthcare comparable equipment order intake grew by mid-single-digit

Growth geographies continue to support overall sales performance

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

PHILIPS

Key financials summary – Q3 2014

EUR million

	Q3 2013	Q3 2014
Sales	5,595	5,547
Adjusted EBITA	636	536
EBITA	564[1]	(7)[1]
Financial income and expenses	(92)	(81)
Income taxes	(110)	38
Net income	281	(103)
Net Operating Capital	10,249	10,841
Net cash flow from operating activities	342	365
Net capital expenditures	(220)	(199)
Free cash flow	122	166

[1] Q3 2014 includes EUR (79)M of restructuring and acquisition-related charges and EUR (464) million other incidentals; 3Q13 includes EUR (41)M of restructuring and acquisition-related charges and a settlement loss of EUR (31)M arising from a lump-sum offering to terminated vested employees in the US pension plan.
Note - Following the completion of the divestment of the AVM&A business, prior-period financials have been adjusted (for details please refer to note 1 "Significant accounting policies" in the Q2 2014 Quarterly report and Semi-annual report)

PHILIPS

Sales by sector – Q3 2014

EUR million

	Q3 2013	Q3 2014	% nom	% comp
Healthcare	2,258	2,234	(1)	1
Consumer Lifestyle	1,091	1,114	2	5
Lighting	2,084	2,056	(1)	(1)
Innovation, Group & Services	162	143	(12)	(15)
Philips Group	5,595	5,547	(1)	-

Note - Following the completion of the divestment of the AVM&A business, prior-period financials have been adjusted (for details please refer to note 1 “Significant accounting policies” in the Q2 2014 Quarterly report and Semi-annual report)

Sales by geography – Q3 2014

EUR million

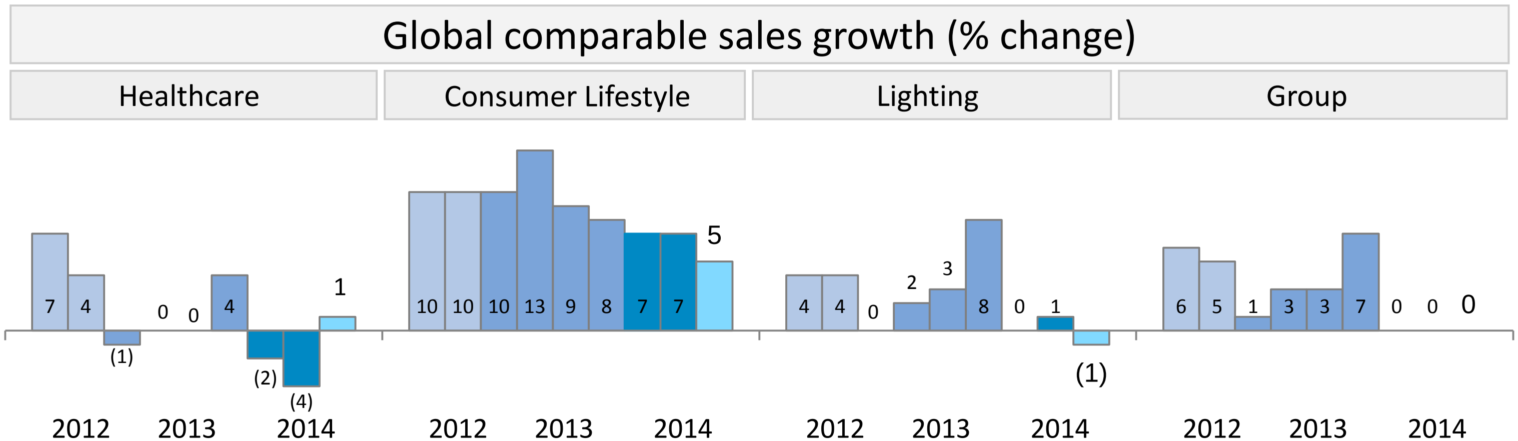
	Q3 2013	Q3 2014	% nom	% comp
Western Europe	1,382	1,370	(1)	(2)
North America	1,710	1,667	(3)	(1)
Other mature geographies	434	445	3	4
Growth geographies[1]	2,069	2,065	-	2
Philips Group	5,595	5,547	(1)	-

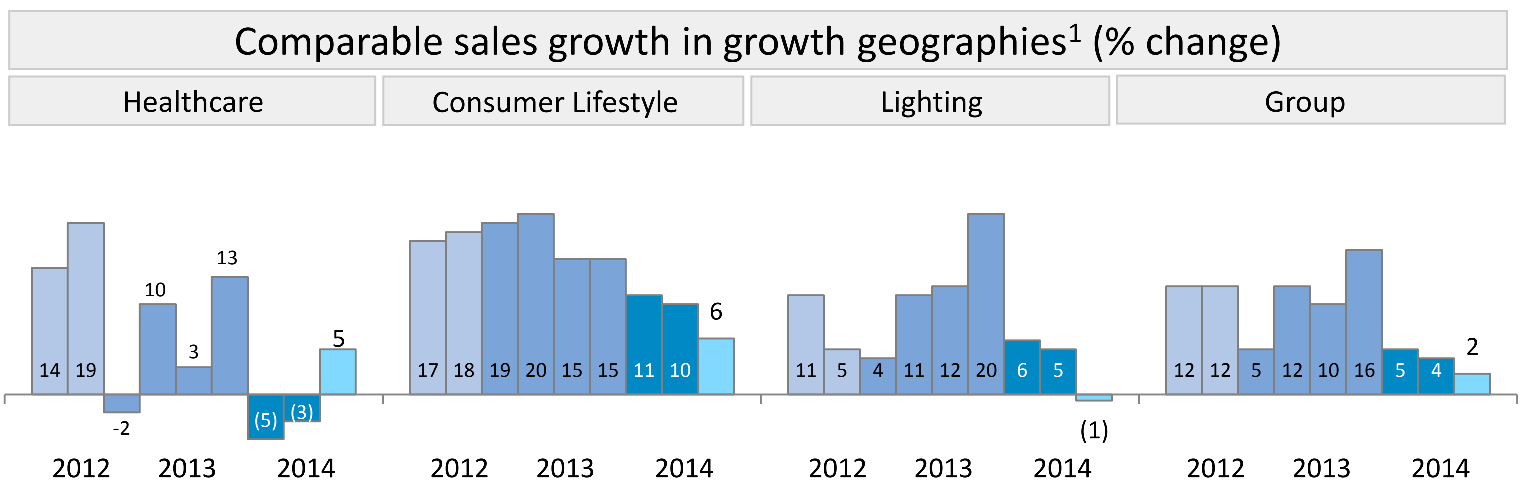
[1] Growth geographies are all geographies excluding USA, Canada, Western Europe, Australia, New Zealand, South Korea, Japan and Israel
Note - Following the completion of the divestment of the AVM&A business, prior-period financials have been adjusted (for details please refer to note 1 "Significant accounting policies" in the Q2 2014 Quarterly report and Semi-annual report)

PHILIPS

Sales growth development

Trend Q3 2012 – Q3 2014





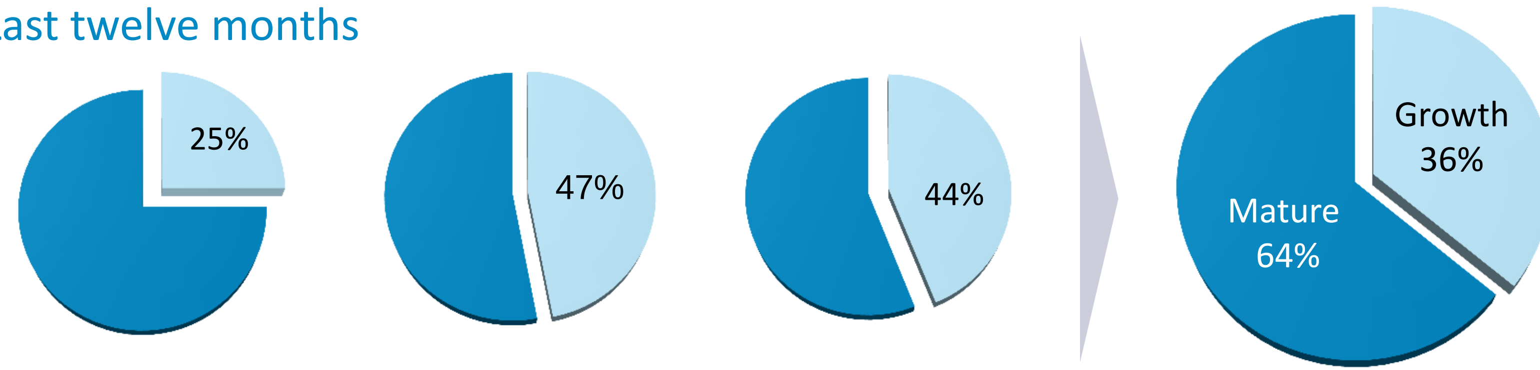
[1] Growth geographies are all geographies excluding USA, Canada, Western Europe, Australia, New Zealand, South Korea, Japan and Israel

Note - Following the completion of the divestment of the AVM&A business, prior-period financials have been adjusted (for details please refer to note 1 "Significant accounting policies" in the Q2 2014 Quarterly report and Semi-annual report). Financials in 2012 revised for discontinued operations, the adoption of IAS19R and for restatements included in the Annual Report 2012

Sales in growth geographies[1]

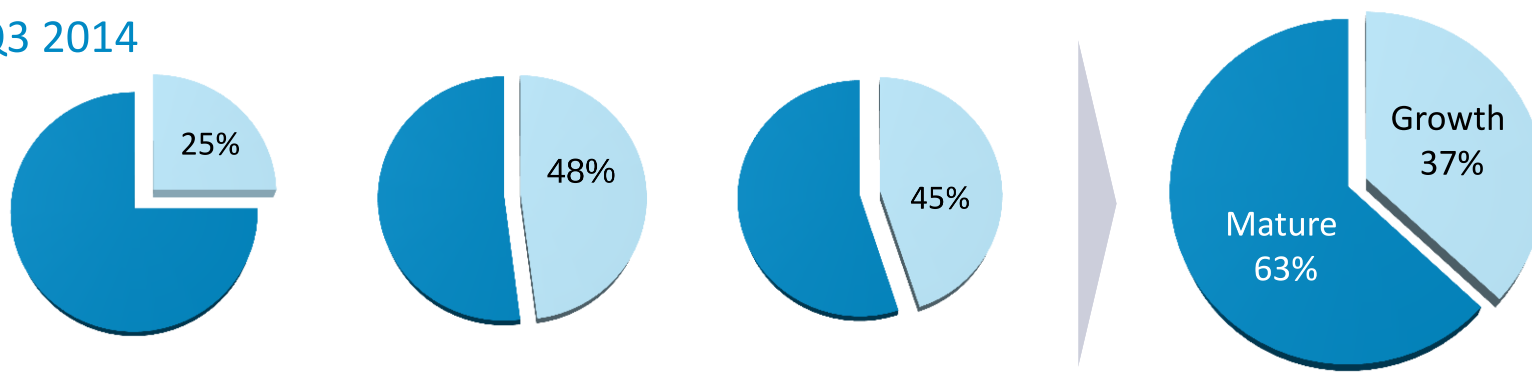
Last twelve months and Q3 2014

Last twelve months



Healthcare | Consumer Lifestyle | Lighting | Philips Group

Q3 2014



[1] Growth geographies are all geographies excluding USA, Canada, Western Europe, Australia, New Zealand, South Korea, Japan and Israel
Note - Following the completion of the divestment of the AVM&A business, prior-period financials have been adjusted (for details please refer to note 1 "Significant accounting policies" in the Q2 2014 Quarterly report and Semi-annual report)

PHILIPS

EBITA by sector – Q3 2014

EUR million

	Q3 2013		Q3 2014	
		as % of sales		as % of sales
Healthcare[1]	329	*14.6%*	(151)	*(6.8%)*
Consumer Lifestyle[2]	116	*10.6%*	114	*10.2%*
Lighting[3]	177	*8.5%*	162	*7.9%*
Innovation, Group & Services[4]	(58)	-	(132)	-
Philips Group	564	*10.1%*	(7)	*(0.1%)*

[1] Q3 2014 includes EUR (3)M of restructuring charges, 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. Q3 2013 includes EUR (1)M acquisition related charges. [2] Q3 2014 includes EUR (4)M of restructuring and acquisition-related charges; Q3 2013 includes EUR (5)M of restructuring and acquisition-related charges . [3] Q3 2014 includes EUR (31)M of restructuring and acquisition-related charges and EUR (6)M other losses; Q3 2013 includes EUR (36)M of restructuring and acquisition-related charges . [4] Q3 2014 includes EUR (41)M restructuring charges and EUR (43)M provisions related to various legal matters; Q3 2013 includes a settlement loss of EUR (31)M arising from a lump-sum offering to terminated vested employees in the US pension plan and a net release of EUR 1M of restructuring provisions.

Note - Following the completion of the divestment of the AVM&A business, prior-period financials have been adjusted (for details please refer to note 1 “Significant accounting policies” in the Q2 2014 Quarterly report and Semi-annual report)

PHILIPS

Adjusted EBITA by sector – Q3 2014

EUR million

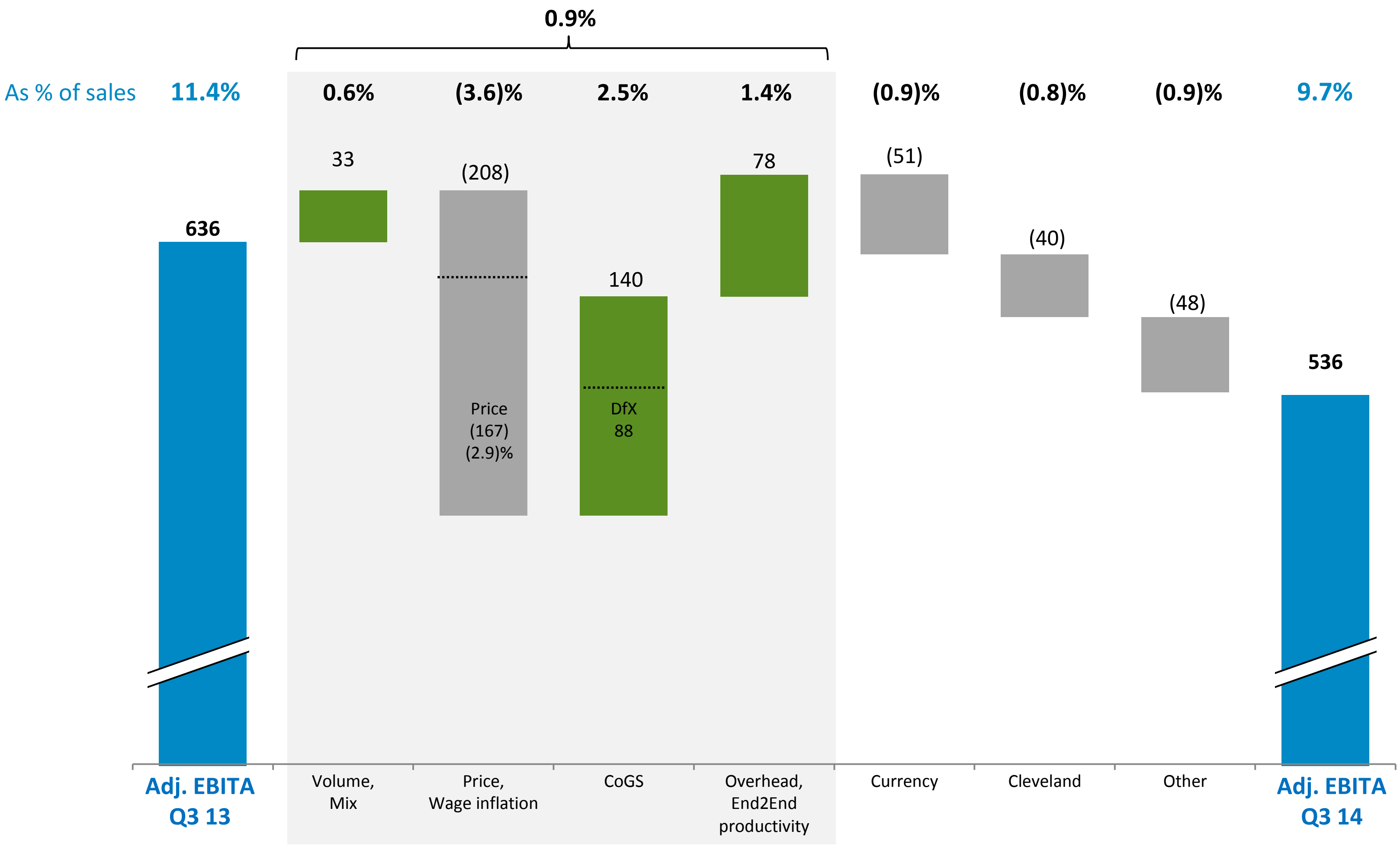
	Q3 2013		Q3 2014	
		as % of sales		as % of sales
Healthcare[1]	330	*14.6%*	267	*12.0%*
Consumer Lifestyle[2]	121	*11.1%*	118	*10.6%*
Lighting[3]	213	*10.2%*	199	*9.7%*
Innovation, Group & Services[4]	(28)	-	(48)	-
Philips Group	636	*11.4%*	536	*9.7%*

[1] Q3 2014 excludes EUR (3)M of restructuring charges, 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. Q3 2013 excludes EUR (1)M acquisition related charges. [2] Q3 2014 excludes EUR (4)M of restructuring and acquisition-related charges; Q3 2013 excludes EUR (5)M of restructuring and acquisition-related charges . [3] Q3 2014 excludes EUR (31)M of restructuring and acquisition-related charges and EUR (6)M other losses; Q3 2013 excludes EUR (36)M of restructuring and acquisition-related charges . [4] Q3 2014 excludes EUR (41)M restructuring charges and EUR (43)M provisions related to various legal matters; Q3 2013 excludes a settlement loss of EUR (31)M arising from a lump-sum offering to terminated vested employees in the US pension plan and a net release of EUR 1M of restructuring provisions.

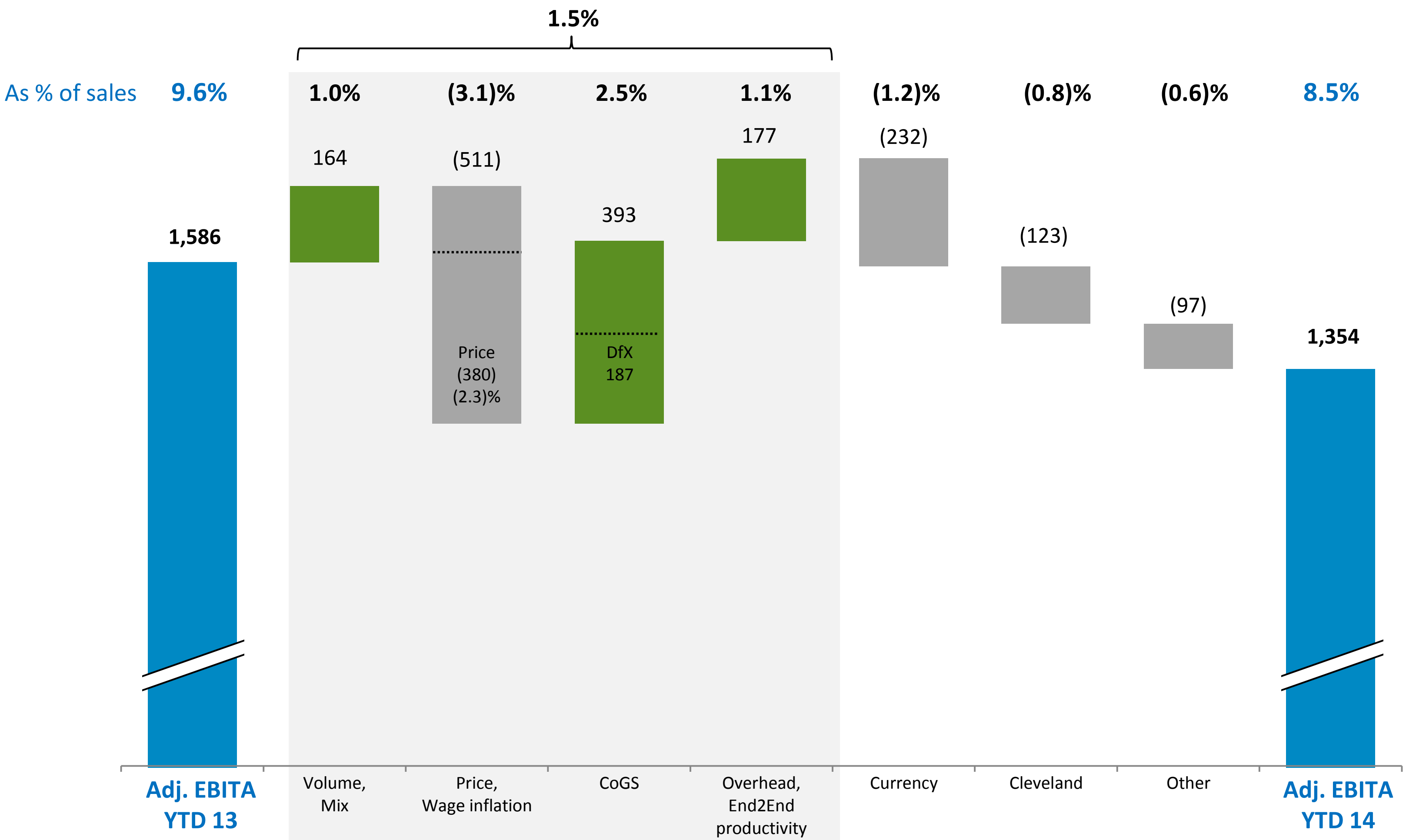
Note - Following the completion of the divestment of the AVM&A business, prior-period financials have been adjusted (for details please refer to note 1 "Significant accounting policies" in the Q2 2014 Quarterly report and Semi-annual report)

PHILIPS

Accelerate! improves operational performance and partially offsets headwinds in Q3 2014



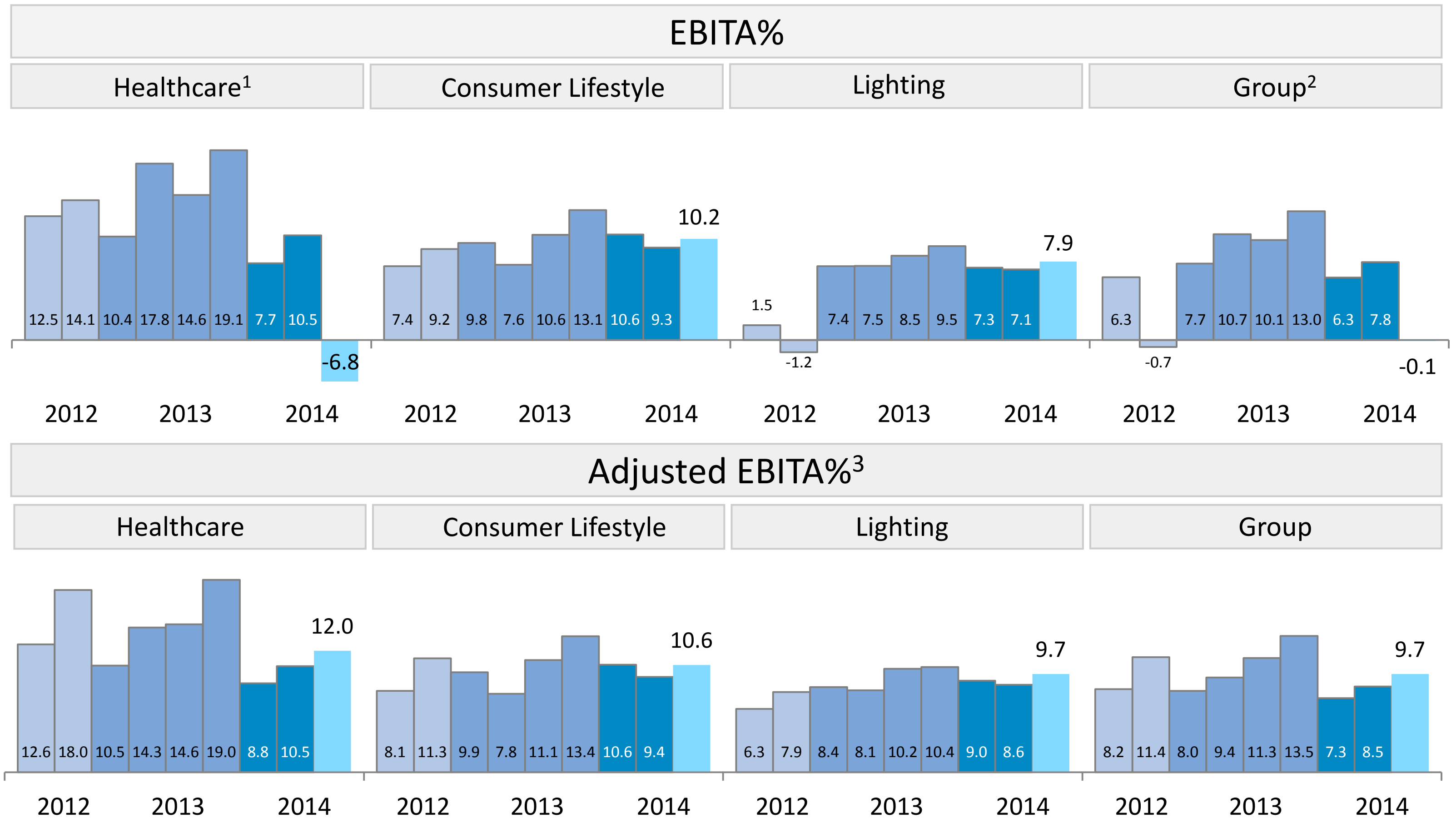
Accelerate! improves operational performance and partially offsets headwinds in YTD 2014



PHILIPS

EBITA and Adjusted EBITA Margin development

Trend Q3 2012 – Q3 2014



[1] Healthcare EBITA Q3 2014 includes other losses of EUR (415)M mainly due to 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; Q3 2013 includes a settlement loss of EUR (31)M arising from a lump-sum offering to terminated vested employees in the US pension plan.[3] Adjusted EBITA is EBITA excluding restructuring, acquisition-related charges and other items (details on slide 98).

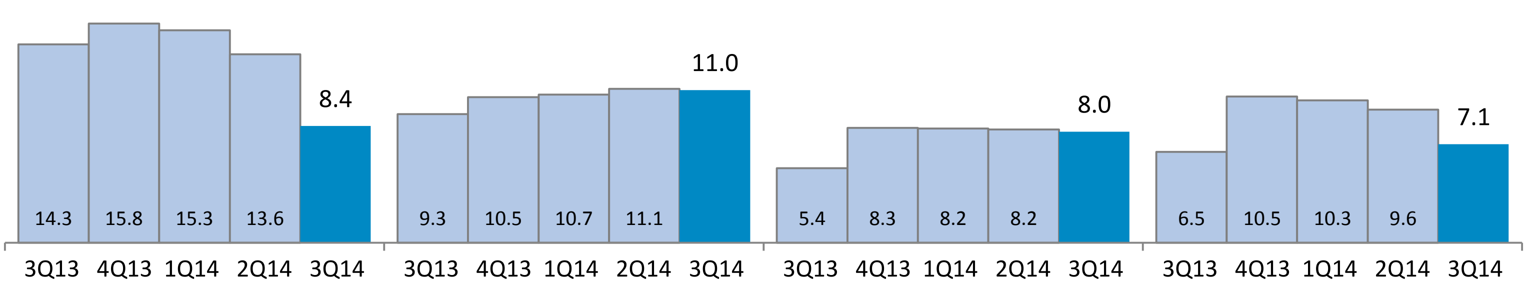
Note - Following the completion of the divestment of the AVM&A business, prior-period financials have been adjusted (for details please refer to note 1 “Significant accounting policies” in the Q2 2014 Quarterly report and Semi-annual report). Financials in 2012 revised for discontinued operations, the adoption of IAS19R and for restatements included in the Annual Report 2012

EBITA and Adjusted EBITA Margin development

Rolling last 12 months

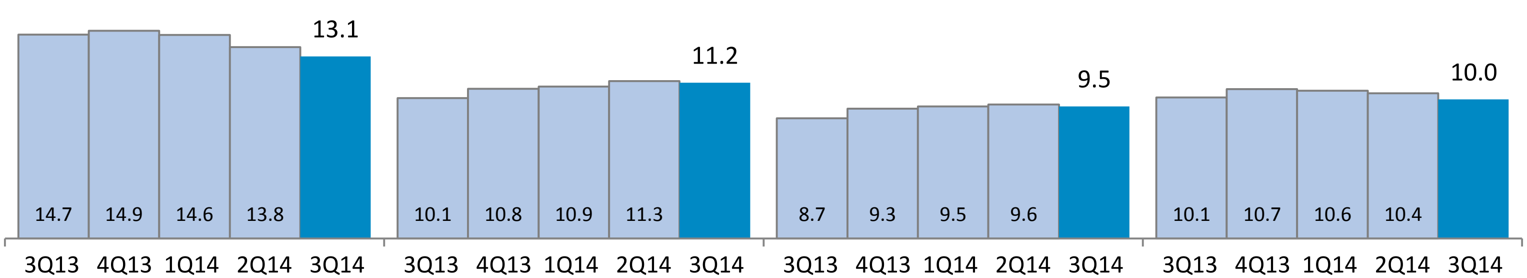
EBITA%: Rolling LTM to end of quarter shown

Healthcare	Consumer Lifestyle	Lighting	Group



Adjusted EBITA%[1]: Rolling LTM to end of quarter shown

Healthcare	Consumer Lifestyle	Lighting	Group



[1] Adjusted EBITA is EBITA excluding restructuring, acquisition-related charges and other items (details on slide 98)

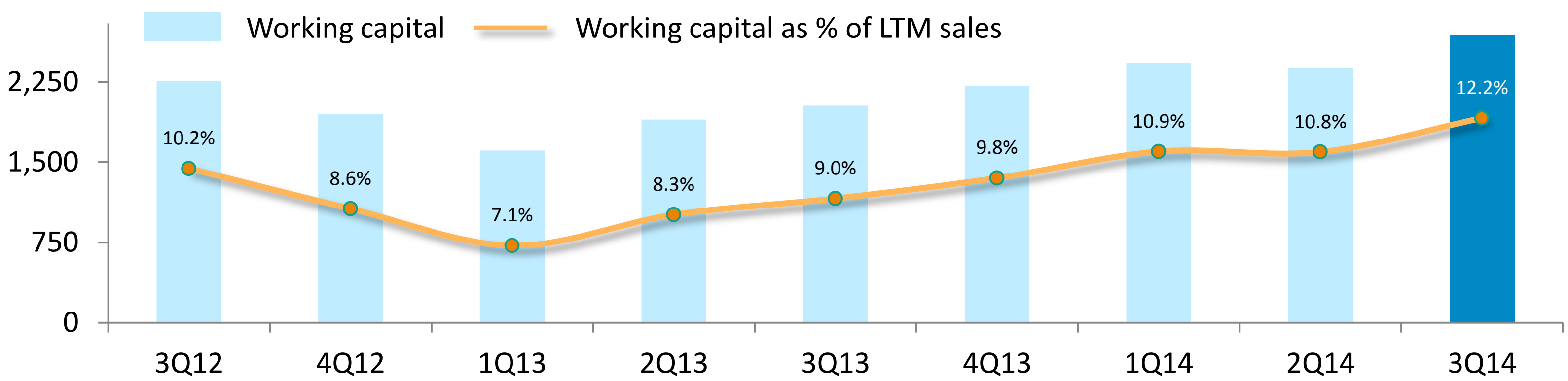
Note - Following the completion of the divestment of the AVM&A business, prior-period financials have been adjusted (for details please refer to note 1 "Significant accounting policies" in the Q2 2014 Quarterly report and Semi-annual report). Financials in 2012 revised for discontinued operations, the adoption of IAS19R and for restatements included in the Annual Report 2012

PHILIPS

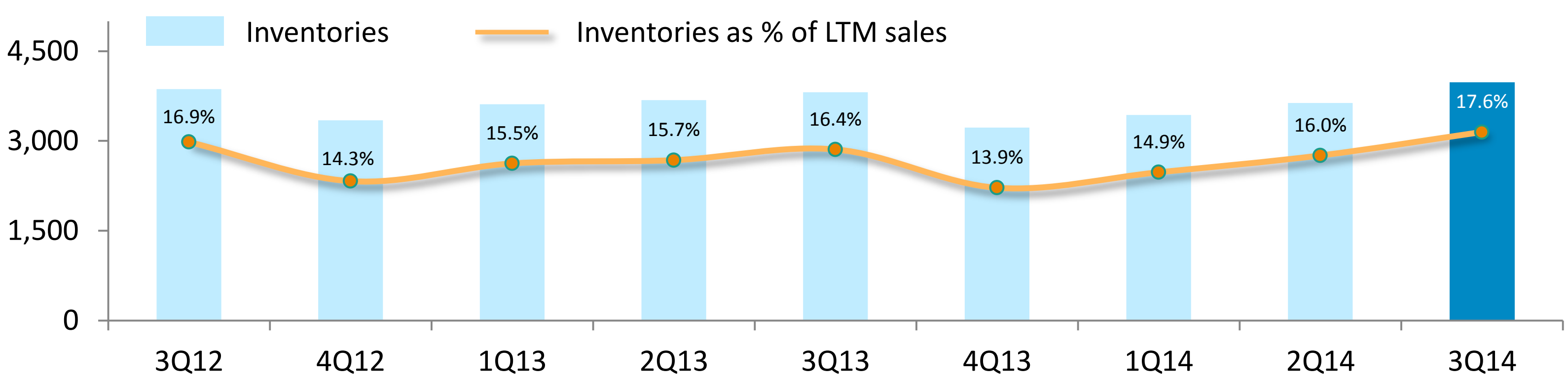
Working capital & Inventories

EUR million

Working capital as % of sales[1]



Inventories as % of sales

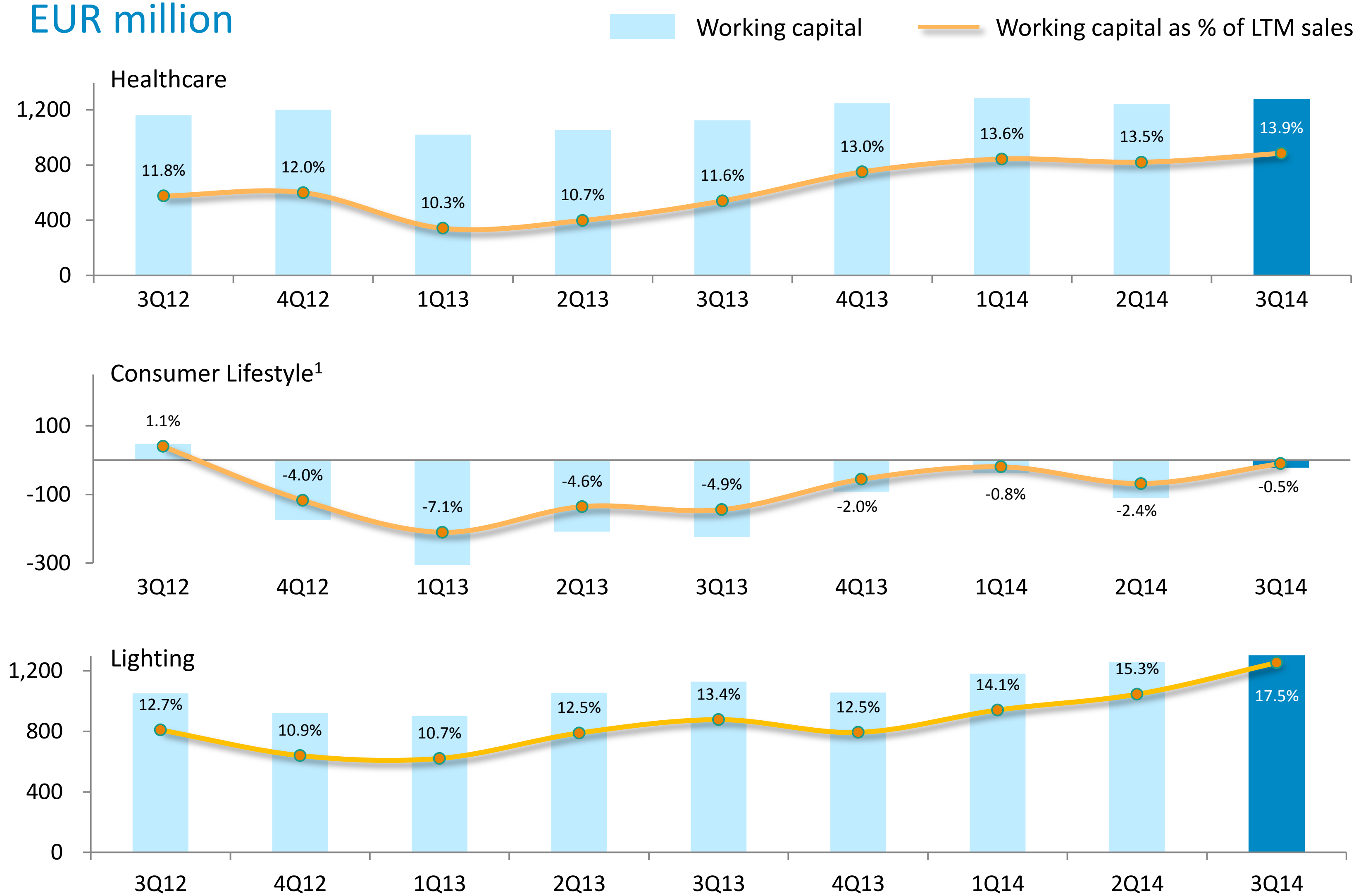


[1] Working capital as % of sales of Healthcare, Consumer Lifestyle and Lighting; excluding IG&S. Working capital includes residual balance of discontinued operations
Note - Following the completion of the divestment of the AVM&A business, prior-period financials have been adjusted (for details please refer to note 1 "Significant accounting policies" in the Q2 2014 Quarterly report and Semi-annual report). Financials in 2012 revised for discontinued operations, the adoption of IAS19R and for restatements included in the Annual Report 2012

PHILIPS

Working capital per business sector

EUR million



[1] Working capital includes residual balance of discontinued operations

Note - Financials in 2012 revised for discontinued operations, the adoption of IAS19R and for restatements included in the Annual Report 2012

PHILIPS

Free Cash Flow – Q3 2014

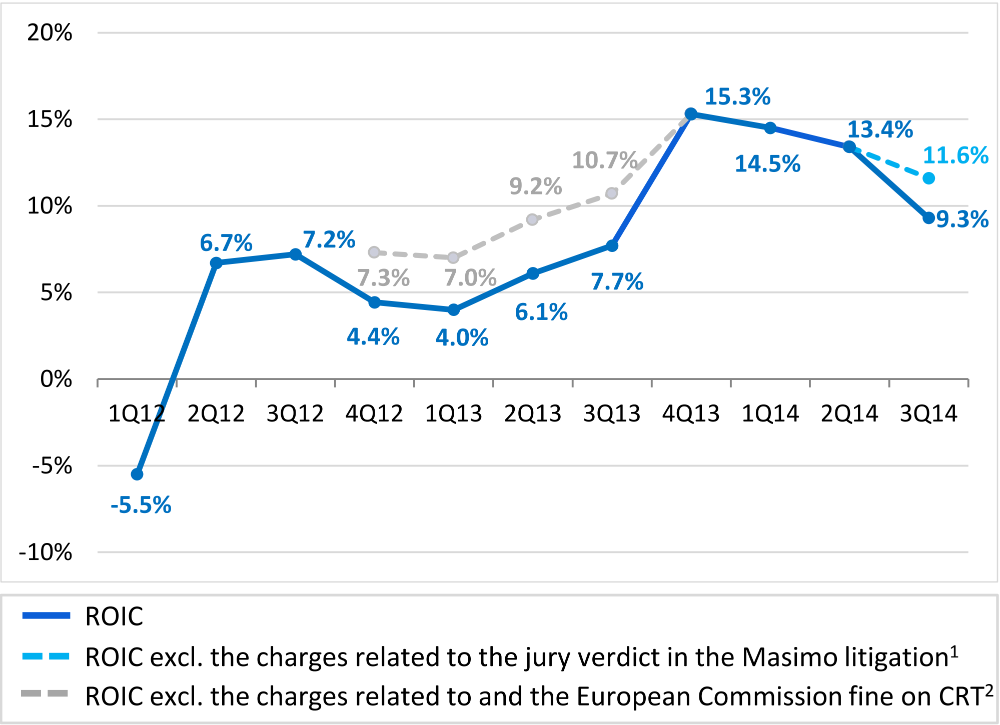
EUR million

	Q3 2013	Q3 2014
Net income from continuing operations	270	(92)
Depreciation, amortization, and impairments of fixed assets	329	318
Interest income and expense/ Income tax expense	157	15
Net gain on sale of assets	(9)	(65)
Changes in working capital, of which:	(221)	196
- changes in receivables and other current assets	(394)	(278)
- changes in inventories	(262)	(137)
- changes in accounts payable, accrued and other liabilities	435	611
Increase in non-current receivables, other assets and other liabilities	(3)	(108)
Decrease in provisions	(74)	478
Interest paid and received/ Income taxes paid	(220)	(174)
Others	113	(203)
Net cash flow from operating activities	342	365
Purchase of intangible assets/ Expenditures on development assets	(97)	(99)
Capital expenditures on property, plant and equipment	(138)	(116)
Proceeds from disposals of property, plant and equipment	15	16
Net capital expenditures	(220)	(199)
Free Cash Flow	122	166

Note - Prior-period cash flow statement presentation changed for a voluntary accounting policy change and adjusted for the completion of the divestment of the AVM&A business (for details please refer to note 1 “Significant accounting policies” in the Q2 2014 Quarterly report and Semi-annual report)

PHILIPS

Development of Return on Invested Capital (ROIC)



- ROIC was at 11.6% in Q3 2014, excluding the charges related to the jury verdict in the Masimo litigation[1]
- This compares to 13.4% in Q2 2014 and to 10.7% in Q3 2013 excluding the European Commission fine on CRT[2]
- The year-on-year improvement was driven by an increase in earnings

Notes:

Philips calculates ROIC % as: EBIAT/ NOC

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

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

[1] Philips will appeal the decision. [2] CRT = Cathode-Ray Tubes, a business divested by Philips in 2001. Philips has appealed the decision. Charges were taken in Q4 2012.
Note - Following the completion of the divestment of the AVM&A business, prior-period financials have been adjusted (for details please refer to note 1 "Significant accounting policies" in the Q2 2014 Quarterly report and Semi-annual report). Financials in 2012 revised for discontinued operations, the adoption of IAS19R and for restatements included in the Annual Report 2012

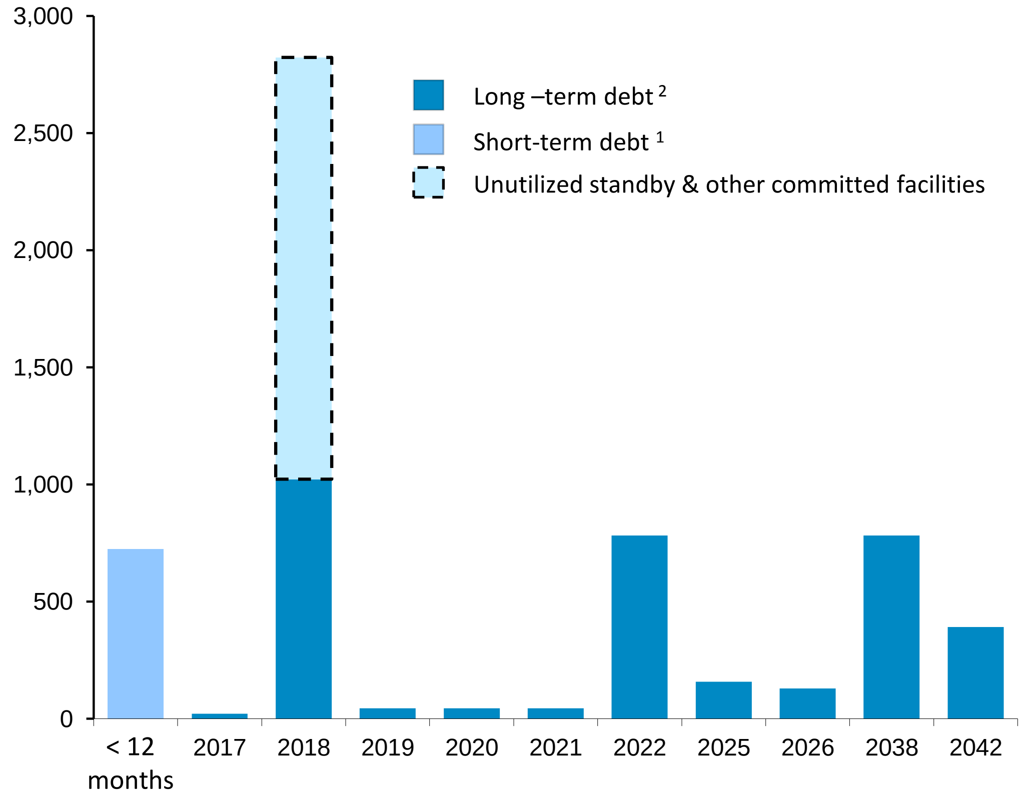
Philips' debt has a long maturity profile

Characteristics of long-term debt

- Maturities up to 2042
- Average tenor of long-term debt is 12.4 years
- No financial covenants
- EUR 1.8 billion standby facility matures in February 2018

Debt maturity profile as of September 2014

Amounts in EUR millions



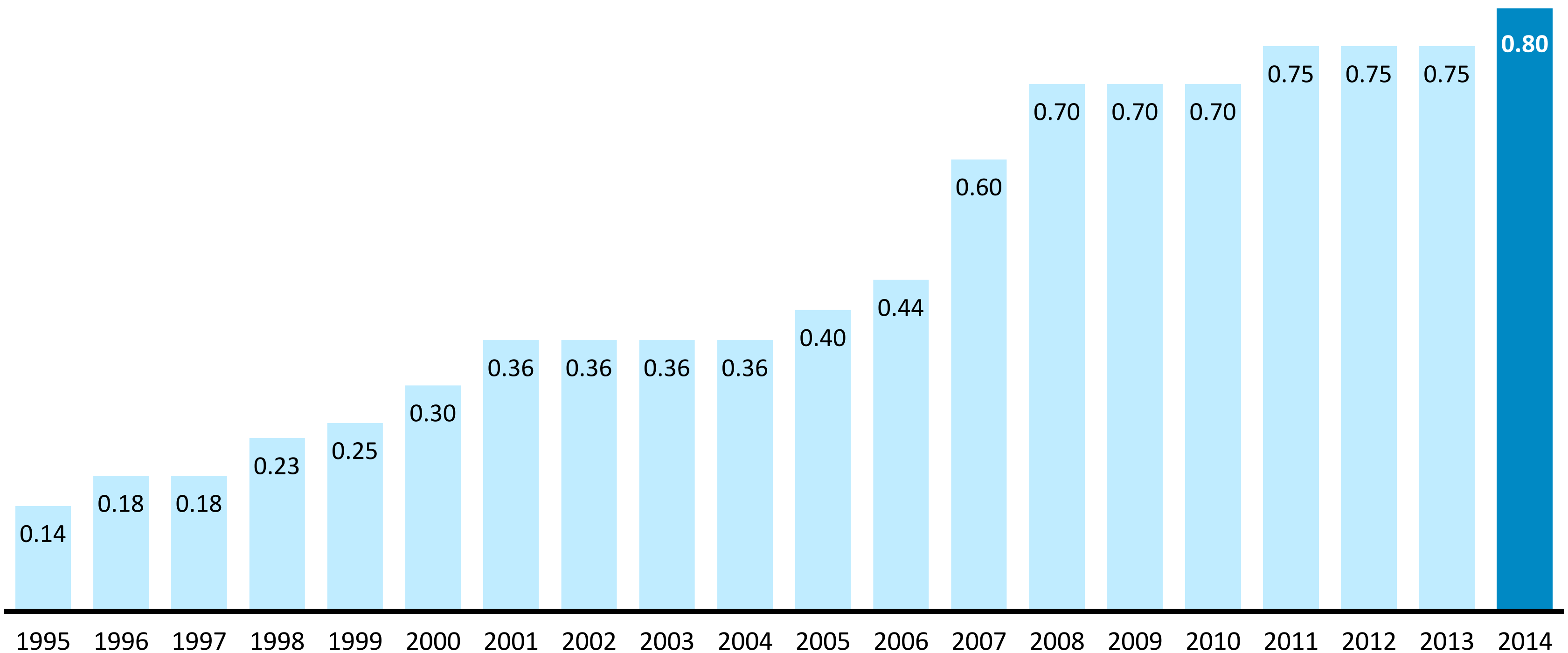
[1] Short term debt consists mainly of local credit facilities that are being rolled forward on a continuous basis

[2] In March 2012 Philips issued USD 1,000M 10 years at 3.75% and USD 500M 30 years at 5%. On Apr 10th 2012, Philips early redeemed USD 500M originally maturing in March 2013

PHILIPS

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."

PHILIPS

Update funded status pension plans (IFRS basis)

EUR million	Funded status		Balance sheet position	
	June 2014 (not reported)	September 2014 (not reported)	June 2014 (not reported)	September 2014 (not reported)
Netherlands Prepaid pension asset[1]	1,082	661	0	0
Other major plans	(1,197)	(1,328)	(1,619)	(1,714)
Major plans	(115)	(667)	(1,619)	(1,714)
Minor plans	(206)	(206)	(206)	(206)
Total	**(321)**	**(873)**	**(1,825)**	**(1,920)**

- In Q3 2014, the total funded status decreased due to lower interest rates in a number of countries that could not be offset by higher asset values in all cases. The contribution to the Dutch pension plan, related to the EUR 600 million funding agreement, had a positive effect.
- The decrease in the balance sheet position is due to a decrease in interest rates in US and Germany. The balance sheet surplus in the Netherlands, as well as in the UK and Brazil, are not recognized (asset-ceiling test)

[1] With the objective to mitigate the company's financial exposure to its pension plans, a new funding agreement for the Dutch pension plan has become effective per January 1, 2014

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
- Maintain A3/A- credit rating
- Continuing EUR 1.5 billion share buyback over coming 2 years
- Further updates over the course of 2015 on the process for LED Components & Automotive, implementation of new operating model, and the process of preparing Lighting Solutions for capital market access

PHILIPS

Content

PHILIPS

Accelerate! driving further change and performance

Customer Centricity

- 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

- Increase performance adherence to plan per BMC[1] > 90%
- Targeted investments to drive value creation and extend market leadership
- Strengthen BMC capabilities with global tools, training and ways of working

End2End Execution

- Productivity gains of 100 bps margin impact to be achieved by 2016
  - 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

- Focus on the 6 competencies that will accelerate our transformation
- Run and measure quarterly 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

- 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

[1] BMC = Business Market Combination

PHILIPS

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

~35%

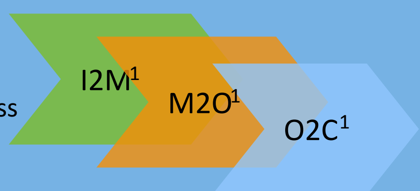
Single value added layer

(IT, Finance, HR, Real Estate, Procurement, General Management, Business Transformation, IP&S, Sustainability, Brand, Communication, Legal, Strategy, Public Affairs, Q&R)

~65%

Core customer value chain organized in Business-Market combinations (BMC's)

Global business leadership



Success in local markets

R&D, Manufacturing & Supply Chain, Services, Sales, Marketing

Cost reduction scope

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)

[1] I2M = Idea-to-Market, M2O = Market-to-Order and O2C = Order-to-Cash

New operating model enables additional EUR 300 million overhead savings

Cumulative gross savings

EUR million	2011 Actual	2012 Actual	2013 Actual	YTD Actual	2014 Plan	2015 Plan	2016 Plan
TOTAL	**25**	**425**	**1,066**	**171***	**1,316**	**1,600**	**1,800**

* Equivalent to annualized gross savings of EUR 264 million

Annual restructuring costs and investments

EUR million	2011 Actual	2012 Actual	2013 Actual	YTD Actual	2014 Plan	2015 Plan	2016 Plan
Restructuring	(37)	(238)	(72)	(62)	(125)	(125)	(50)
Investments	(37)	(128)	(137)	(91)	(160)	(185)	(140)
TOTAL	**(74)**	**(366)**	**(209)**	**(153)**	**(285)**	**(310)**	**(190)**

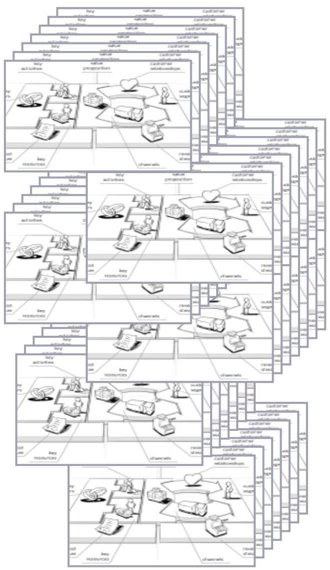
- On track to deliver cumulative gross savings of EUR 1.3 billion by year-end 2014
- New operating model enables additional cost savings across the enabling functions
  - Resulting in EUR 100 million additional savings in 2015 and EUR 200 million by 2016
- Includes expected EUR ~50 million additional annual restructuring cost in 2014 – 2016

Note - The above figures have been adapted to exclude results related to the Audio, Video, Multimedia and Accessories business
Total savings of EUR 46M, annual restructuring costs in 2012 of EUR 11M and EUR 3M in 2013, investments of EUR 1M in 2013 and a headcount reduction of 99 employees

Overhauling our business model architecture

From 70+ business models

To 4 End2End business models



- Products
- Systems
- Services
- Software

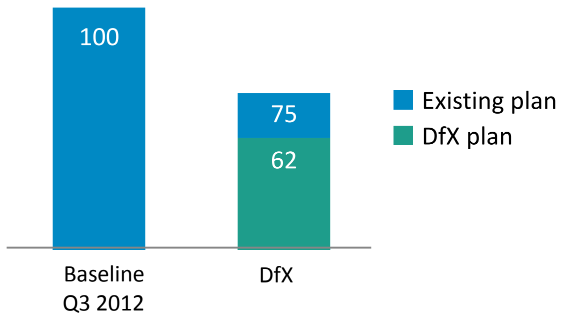
- All Philips businesses to adopt one of four standardized business models
- Investments being made to standardize processes, data, and new IT backbone
- A single planning, performance and reward cycle across Philips
- Investing to create a culture for such a major change

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

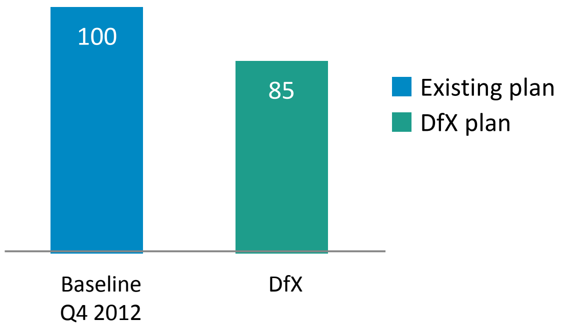
Design for X; X = cost, quality, manufacturing etc.

- End2End approach to product creation, with one integrated procurement team, supply chain, R&D, marketing, finance and the supplier upfront to drive breakthrough cost savings through:
  - Value engineering
  - Re-design the purchasing value chain
  - Leveraging global spend
- Early successes show that significant cost savings can be achieved in mature products, i.e. products being manufactured 5+ years, as well as new product introductions
- Currently building a funnel of opportunities targeting additional cumulative savings of EUR 1 billion over the period 2014 to 2016

DfX effectiveness pilot for a new product



DfX effectiveness pilot for a mature product



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

PHILIPS

Accelerate! growth and profitability improvements support 2016 targets

Categories	Measures	Margin Impact 2016[1]
Productivity	• Overhead and indirect gross costs savings of EUR 1.8 billion by 2016 • EUR 1 billion through Design for Excellence (DfX) between 2014-2016 contributing to gross margin expansion • End2End productivity gains from the overhaul of our business model architecture and improved customer service	> 170 bps 100-200 bps > 100 bps
	Additional Productivity Improvements	370-470 bps
Investments in productivity	• Incremental one-time restructuring costs, investments to upgrade IT systems, and re-engineer end to end processes between 2014-2016	- 70 bps
Investments in growth	• Incremental investments in new (organic) growth in adjacencies with returns after 2016	- 100 bps
Contingency	• Contingencies to cater for moderate fluctuations in market growth, price erosion and currency compared to our assumptions	- 100 bps
	Net Improvement in 2016 Reported EBITA	100-200 bps

[1] Approximate margin impact in 2016 compared to 2013 baseline

PHILIPS

Content

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 14.8 billion sales 2013[1]

Philips Lighting

Focused on the EUR 60+ billion Lighting solutions opportunity

Establishing stand-alone Lighting structure

LED Components & Automotive
(Announced in June 2014)

EUR 8.4 billion sales 2013[2]

- 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

[1]Excluding Lifestyle Entertainment; including IG&S revenue allocation [2]Including LED Components & Automotive; including IG&S revenue allocation
Note - Following the completion of the divestment of the AVM&A business, prior-period financials have been adjusted (for details please refer to note 1 “Significant accounting policies” in the Q2 2014 Quarterly report and Semi-annual report)

PHILIPS

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

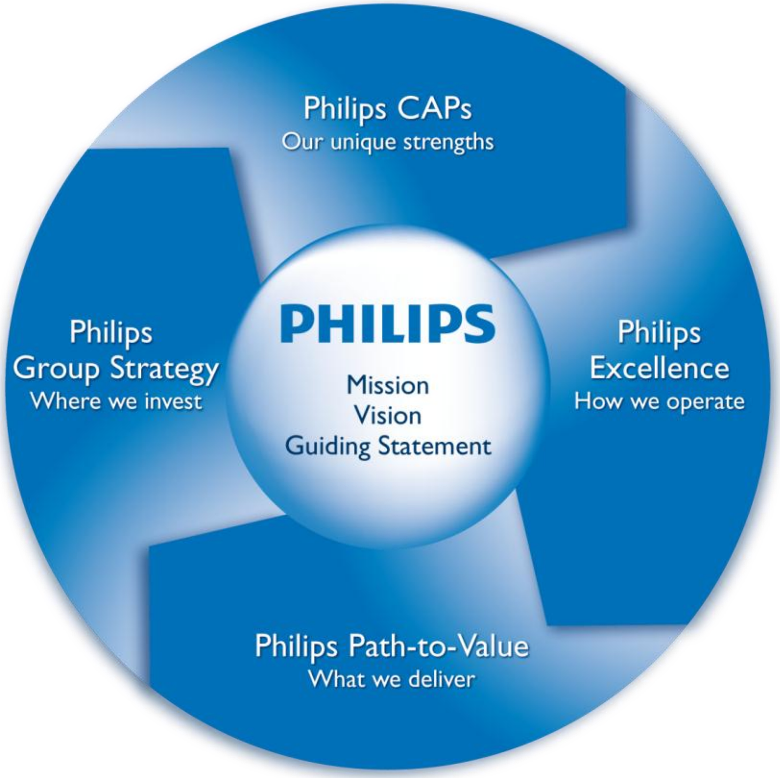
- Turnaround or exit underperforming businesses
- Productivity & margin improvements
- Rebuild culture, processes, systems & capabilities
- Implement the Philips Business System

2011 → 2016

PHILIPS

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 DfX[1] even further
  - Embedding End2End and Lean practices
- Building our **growth and performance culture**



[1] Design for X; X = cost, quality, manufacturing, etc. [2] Capabilities, Assets and Positions

We leverage our unique strengths across our businesses and markets

Philips Portfolio

Deep Market Insights
- Global market leader in Lighting
- Top 3 Healthcare player
- Leadership positions[1] in over half of Group revenues

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

Global Footprint
- Loyal customer base in 100+ countries
- 36% of group revenues from growth geographies[2]

The Philips Brand
- World's 42nd most valuable brand in 2014 compared to the 65th in 2004
- Brand value reached a record level of more than USD 10 billion

Our People
- Employee Engagement Index[3] exceeds high performance benchmark value of 70%
- Culturally diverse leadership team

Supported by a strong balance sheet

[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

PHILIPS

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 geographies[1] with growing middle class
- Rising health & well-being consciousness

- The world needs more light and energy efficient lighting
- Digitalization driving demand for integrated lighting solutions

Our Business Domains

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

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

PHILIPS

The Health Continuum is a growing EUR 100+ billion market for Philips

Philips indicative addressable market 2013[1]

Healthy Living	Prevention	Diagnosis	Treatment	Recovery	Home Care
EUR 30+ billion	EUR 10+ billion	EUR 20+ billion	EUR 10+ billion	EUR 5+ billion	EUR 5+ billion
EUR 20+ billion (Clinical Informatics & Consulting)					

Mid to high-single-digit market growth

PHILIPS

[1] Source: Philips Internal Study

HealthTech opportunity shaped by convergence between Healthcare and Consumer markets

Healthy Living	Prevention	Diagnosis	Treatment	Recovery	Home Care

Consumers increasingly engaged in their health journey	Increased emphasis on population health	Ongoing focus on total quality and cost of care	Care shifting to lower cost settings and homes

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

PHILIPS

Opportunities emerging across the Health Continuum

Healthy Living | Prevention | Diagnosis | Treatment | Recovery | Home Care

Consumers increasingly engaged in their health journey

Increased emphasis on population health

Ongoing focus on total quality & cost of care

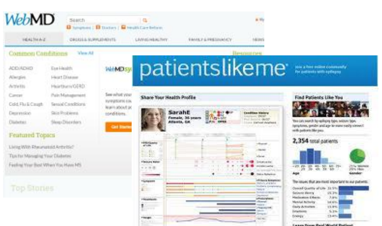
Care shifting to lower cost settings and homes

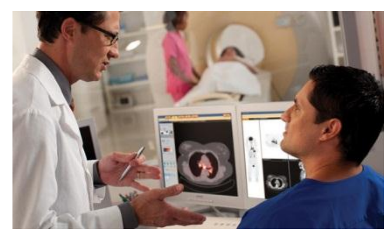
Success of online health portals

Hospitals launching online nutrition service

Hospitals leveraging workflow automation

Hospitals offering Home Care devices



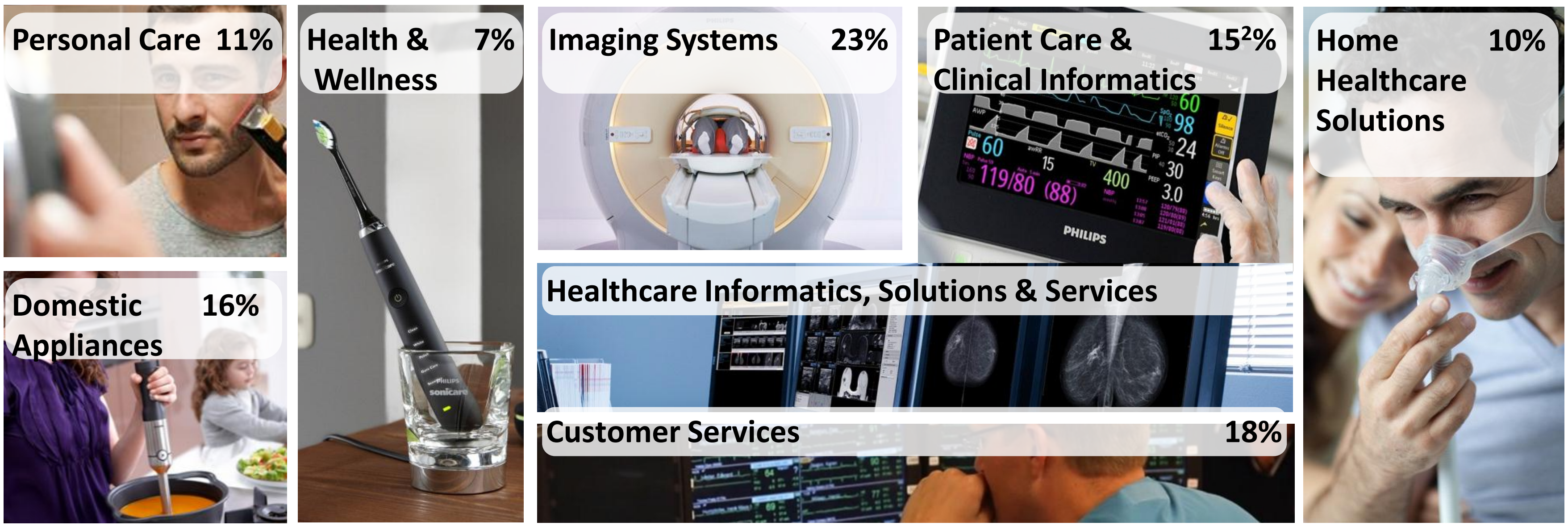


Players across Health Continuum recognizing evolving needs
Propositions and landscape remain fragmented
Philips has positions of strength across these spaces

PHILIPS

Building the leader in HealthTech

Healthy Living | Prevention | Diagnosis | Treatment | Recovery | Home Care



Share of HealthTech sales[1]

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

[1] Sales last 12 months September2014
[2] Combined Patient Care & Clinical Informatics and Healthcare Informatics, Solutions & Services (not reported separately)

PHILIPS

Philips strongly positioned with an integrated HealthTech approach

Key building blocks to capture the opportunity

Portfolio of connected consumer devices and propositions

Leading portfolio of medical devices and relationships

End-to-End integrated solutions

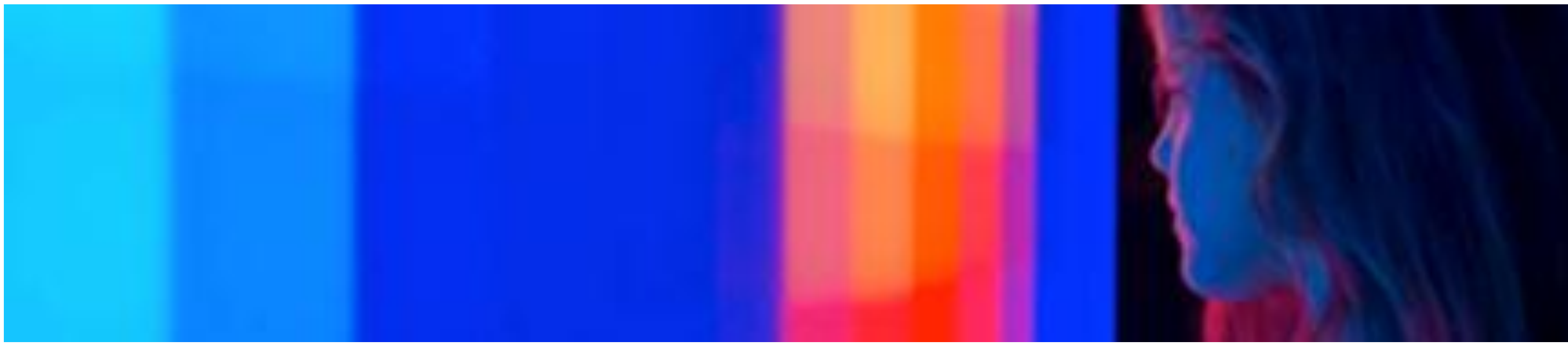
Integration of digital health data across the Health Continuum

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**

PHILIPS

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

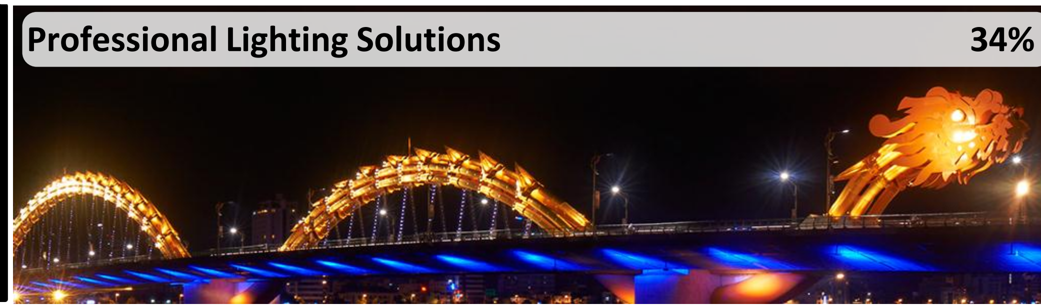
Resulting opportunities

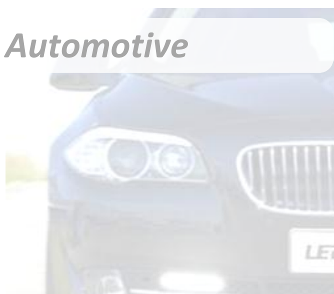
- Maximize value from the **golden tail**
- **Differentiate in LED** through innovation in and intelligence
- Capture professional **systems and services** opportunity
- Establish **winning connected lighting ecosystems**—home and professional

Philips Lighting strongly positioned as global leader in Lighting solutions market

Philips Lighting well positioned to capture growth opportunities

Components | Light Sources | Luminaires | Systems | Services





Share of Lighting sales[1]

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

[1] Sales last 12 months September 2014

PHILIPS

On track to create a stand-alone leading lighting components company in H1 15

Top positions in the key segments of combined Lumileds and Automotive

Market field of Lumileds and Automotive lighting

Key segments[2]	Market position[1]	Market 2013-2018 CAGR[1]
Specialty	#1	4% to 8%
Automotive[3]	#2	2% to 6%
High-Power LEDs General illumination	#3	17% to 21%




Unlocking entrepreneurial drive and agility as a stand-alone company

- EUR 1.4 billion sales last 12 months
- Benefitting from a strong and focused management team
- Supplying Philips and other leading players across the illumination, automotive and consumer electronics segments
- Innovation collaboration with Philips
- Platform for accelerated growth
- Currently evaluating strategic options from interested third parties and investors

[1] Source: customer panels, industry associations and internal analysis; [2] Also playing in Display with focused positioning; [3] LED and conventional

PHILIPS

The Accelerate! journey will continue

Value

2011 – 2013
Accelerating performance improvement

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

2014 – 2016
Continued implementation of the PBS[2]

- Create two distinct, market-leading companies positioned to deliver long-term growth
- Simplify the management structure, implement single value-added layer
- Considering options for capital market access for Philips Lighting, subject to market conditions
- Increase total overhead cost savings from EUR 1.5 billion by 2015 to EUR 1.6 billion by 2015 and EUR 1.8 billion by 2016
- Drive 100 bps margin improvement from End2End productivity and Lean, supported by new IT systems
- Deliver EUR 1 billion gross savings through DfX[3]
- Complete share buy-back program of EUR 1.5 billion

Time

[1] Business Market Combination; [2] Philips Business System; [3] Design for X; X = cost, quality, manufacturing, etc.

PHILIPS

2016 targets

- Target to achieve **comparable sales growth of 4-6% by 2016**
- **2016 Group EBITA margin 11-12%**
  - Blended 2016 EBITA margin target for HealthTech is 14-15.5%
  - 2016 EBITA margin target for Lighting Solutions unchanged at 9-11%
- **Portfolio actions will impact future financials** and reporting
  - Full allocation of current IG&S would represent ~150 bps impact for HealthTech and Lighting Solutions
  - Impact from LED Components & Automotive to be specified in conjunction with transaction

Financial targets 2016

Group comparable sales growth	**4 - 6%**
Group reported EBITA margin	**11 - 12%**
- *Healthcare*	*16 - 17%*[1]
- *Consumer Lifestyle*	*11 - 13%*[1]
• HealthTech	14 - 15.5%[1]
• Lighting Solutions	9 - 11% [1]
Group ROIC[2]	**>14%**

[1] Excluding IG&S cost allocation
[2] Excluding M&A impact

PHILIPS

Our Path-to-Value is clearly mapped-out

Initiate new growth engines

- Invest in adjacencies
- Seed emerging business areas

Expand global leadership positions

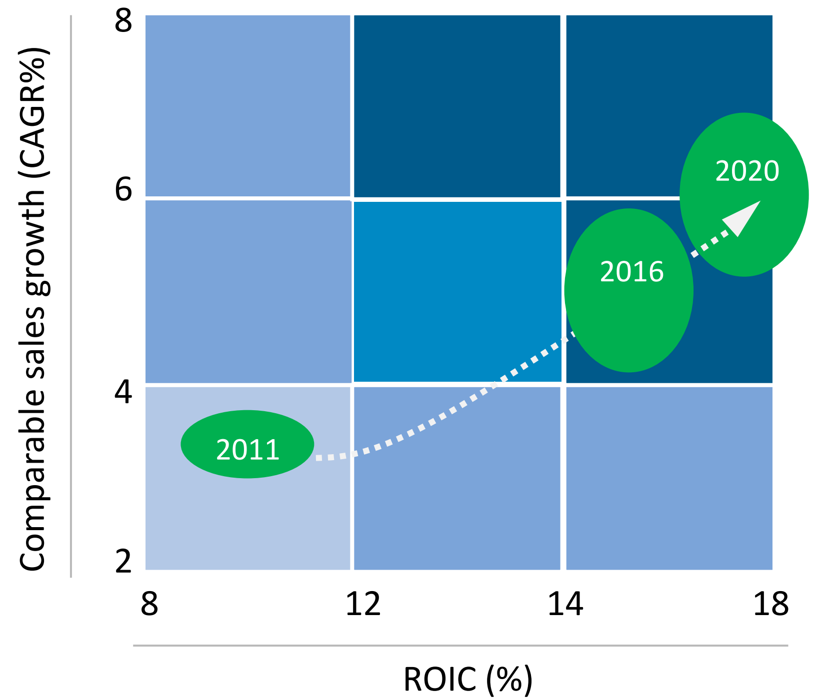
- Invest to strengthen our core businesses
- Resource allocation to right businesses & geographies

Transform to address underperformance

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

2011 2016

Philips Performance Box



PHILIPS

Content

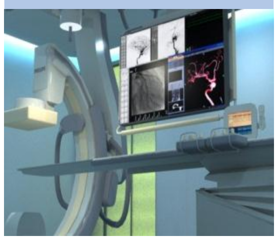
PHILIPS

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

Philips

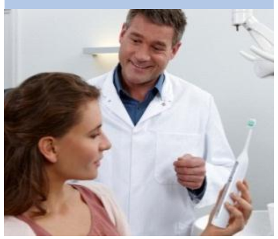
Businesses[1, 2]

Healthcare



42%

Consumer Lifestyle



21%

Lighting

37%

Geographies[1]

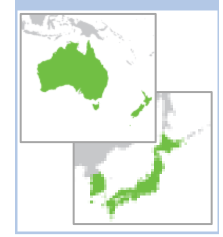
Western Europe

26%

North America

30%

Other Mature Geographies



8%

Growth Geographies[3]

36%

Since 1891
€23.3 billon sales in 2013, 70% B2B
115,000 employees in over 100 countries

50% of the portfolio has global leadership positions
€1.7 billon R&D spend in 2013 and ~64,000 patent rights
More than 1/4 of revenues from recurring revenue streams

[1] Based on sales last 12 months September 2014 [2] Excluding Central sector (IG&S)
[3] Growth geographies are all geographies excluding USA, Canada, Western Europe, Australia, New Zealand, South Korea, Japan and Israel
Note - Following the completion of the divestment of the AVM&A business, prior-period financials have been adjusted (for details please refer to note 1 "Significant accounting policies" in the Q3 2014 Quarterly report and Semi-annual report)

Strong leadership[1] positions in many markets across the globe

Healthcare

Global
Cardiovascular X-ray

Global
Patient Monitoring

Global
Image-Guided interventions

Global
Sleep Therapy Systems

Global
Ultrasound

Consumer Lifestyle

Global
Rechargeable Toothbrushes

Global
Male Electric Shaving

Global
Mother & Child Care

Regional
Kitchen Appliances

Regional
Electric Hair Care

Lighting

Global
LED Lamps

Global
Connected lighting

Global
Professional Luminaires

Global
Automotive Lighting

Global
High-performance LED

[1] Global or Regional #1 or #2 position in the market

Sustainability as a driver for growth

Success of EcoVision

Green Products represented around 51% of sales in 2013, up from 40%[1] of sales in 2011, driven by investments in Green Innovation.

EcoVision targets for 2015

- 55% of sales from Green Products
- EUR 2 billion Green Innovation investments
- To improve the lives of 2 billion people
- To improve the energy efficiency of our overall portfolio by 50%
- To double the amount of recycled materials in our products as well as to double the collection and recycling of Philips products

Recent accomplishments

- Philips 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
- Philips has been recognized Energy Star partner of the year by the US Environmental Protection Agency for outstanding contribution to environmental protection through energy efficiency
- Philips was recognized as a leader in the Carbon Disclosure Project for the third consecutive year on both performance and disclosure
- Philips signed a partnership agreement with the Ellen MacArthur Foundation to leverage the benefits of the Circular Economy

[1] Excluding the Audio, Video, Multimedia and Accessories business

PHILIPS

Healthcare

What we do. Where we are.

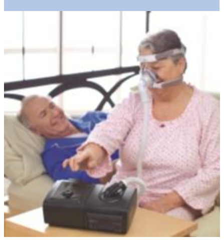
Philips Healthcare

Businesses[1]

Imaging Systems

35%

Home Healthcare Solutions



15%

Patient Care & Clinical Informatics

23%

Customer Services

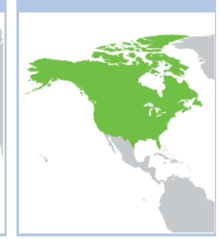
27%

Geographies[1]

Western Europe

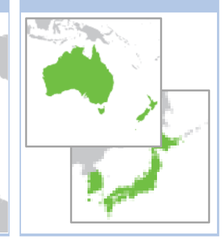
21%

North America



42%

Other Mature Geographies



12%

Growth Geographies[2]

25%

€9.6
Billion sales in 2013

37,000+
People employed worldwide in 100 countries

8%
of sales invested in R&D in 2013

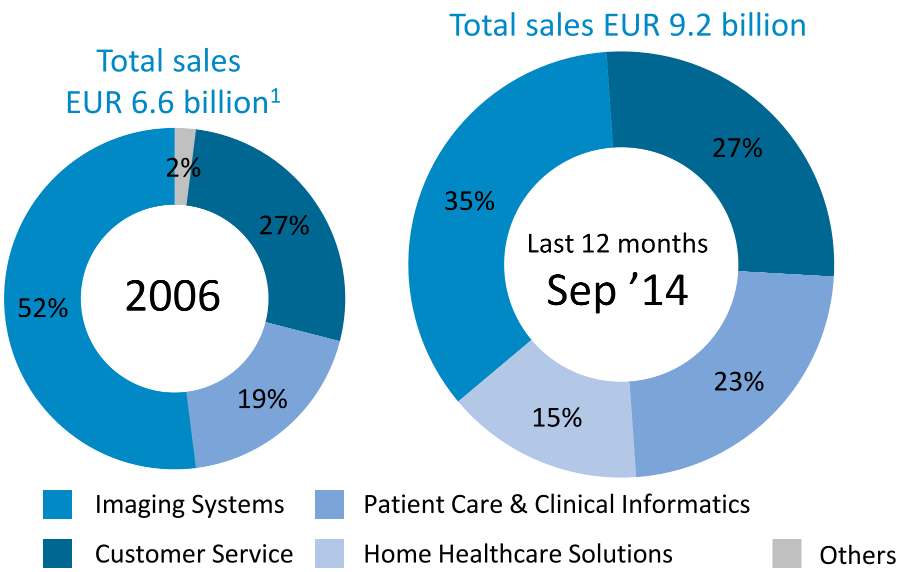
450+
Products & services offered in over 100 countries

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

PHILIPS

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



[1] Excluding MedQuist sales of EUR 0.3 billion in 2006. Philips sold its ~70% interest in MedQuist in 2007

PHILIPS

Our Healthcare businesses well positioned on the Health Continuum

Healthy Living	Prevention	Diagnosis	Treatment	Recovery	Home Care

- World-class innovation
- Deep clinical expertise and relationships
- Global access to health care providers
- Integrated solutions portfolio
- Trusted brand

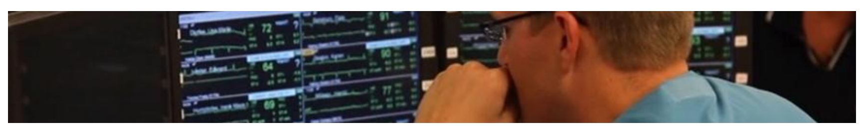
#2 Ultrasound - Globally

#1 Patient Monitoring – Globally

#1 Image Guided Interventions - Globally

#1 Enterprise Imaging Informatics - North America and LatAm

#1 Cardiology Informatics - North America



#1 Sleep therapy - Globally

#1 Respiratory Care - Globally

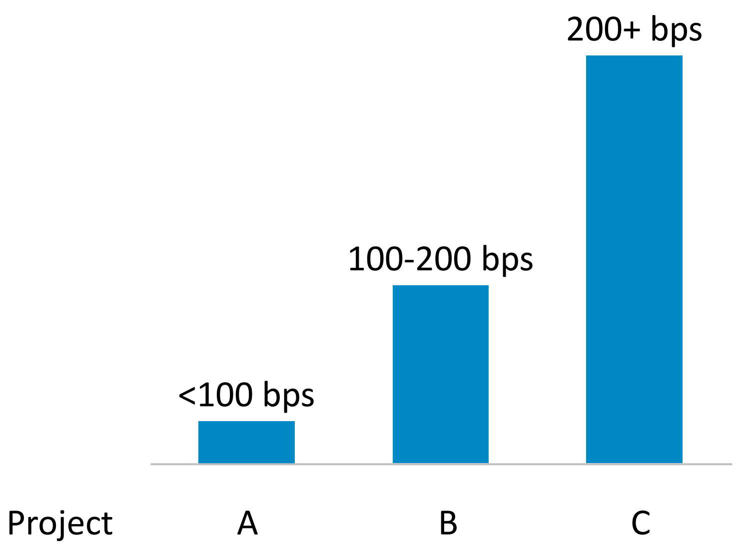
#1 Home Monitoring - North America

PHILIPS

Source: Frost and Sullivan, HHS TBS, PCCI market insight

Our integrated solutions approach is margin accretive to our overall business

Solutions margin increase vs stand-alone sales model



Duration 5 – 15 years

- **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**

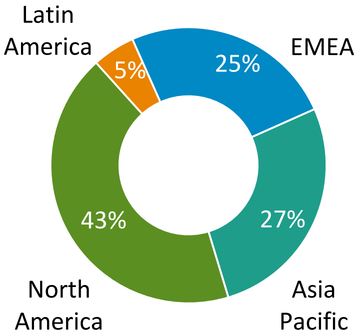
PHILIPS

Healthcare: Q3 2014 Sector analysis

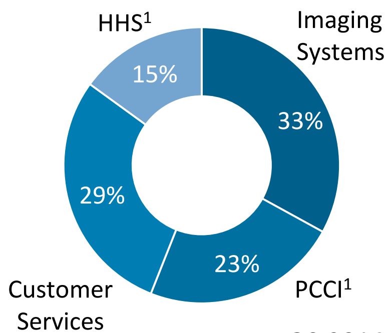
Key figures (in EUR million)

	3Q13	2Q14	3Q14
Sales	2,258	2,137	2,234
% sales growth comp.	*-*	*(4.0)*	*1.0*
EBITA	329	225	(151)
EBITA as % of sales	*14.6*	*10.5*	*(6.8)*
EBIT	283	186	(190)
EBIT as % of sales	*12.5*	*8.7*	*(8.5)*
NOC	7,525	7,457	7,261
Employees (FTEs)	37,569	37,157	37,340

Sales per region



Sales per business



Q3 2014

Financial performance

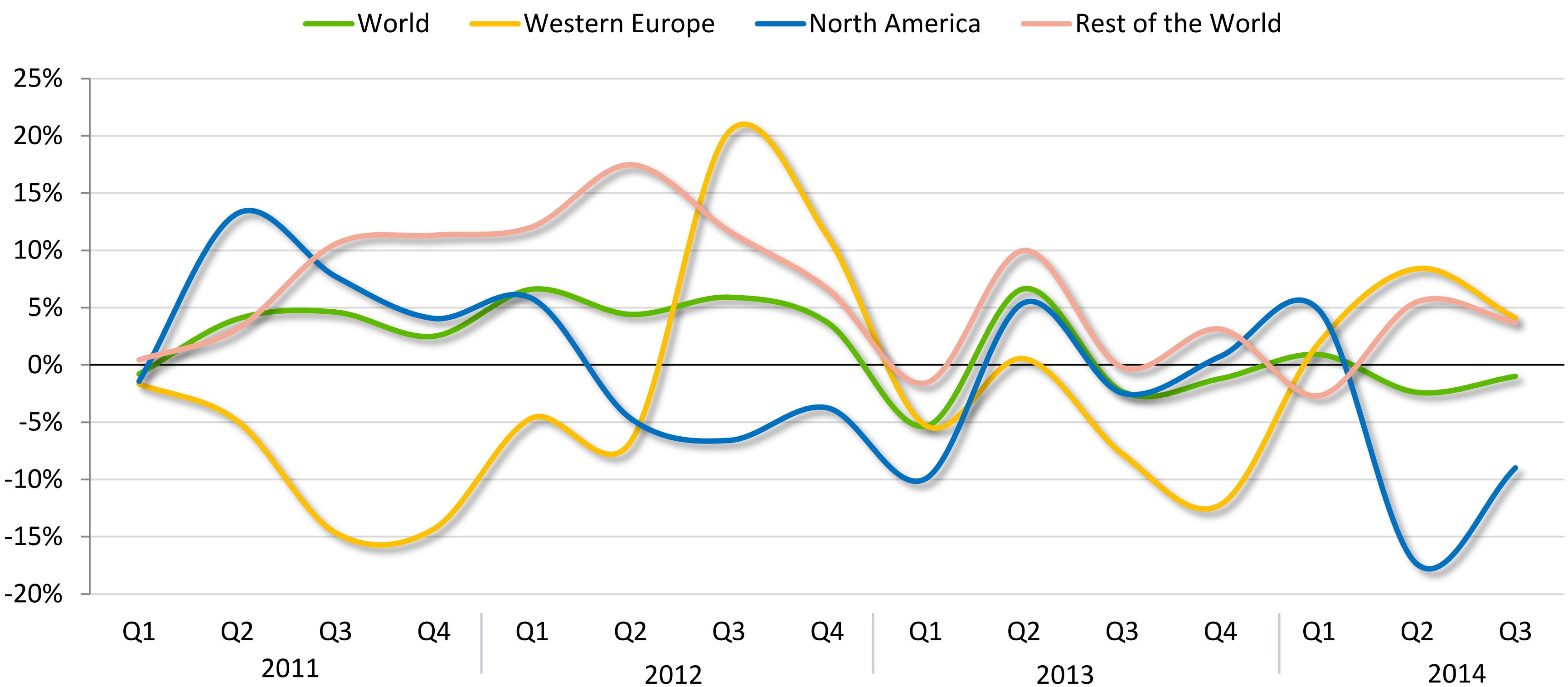
- Currency-comparable equipment order intake showed a low-single-digit decline year-on-year. Patient Care & Clinical Informatics recorded mid-single-digit growth. Imaging Systems posted a mid-single-digit decline.
- Equipment order intake in growth geographies showed a high-single-digit increase, with strong growth in Middle East & Turkey and Russia & Central Asia, while China posted low-single-digit growth. Western Europe achieved mid-single-digit growth, while other mature geographies recorded a double-digit decline and North America posted a high-single-digit decline.
- Comparable sales grew 1% year-on-year. Customer Services and Home Health Solutions achieved mid-single-digit growth and Patient Care & Clinical Informatics recorded low-single-digit growth. Imaging Systems posted a mid-single-digit decline.
- Comparable sales in growth geographies showed mid-single-digit growth. Western Europe recorded a low-single-digit decline, while other mature geographies achieved mid-single-digit growth. North America recorded a 1% decline.
- EBITA amounted to a loss of EUR 151 million, compared to a profit of EUR 329 million, or 14.6% of sales, in Q3 2013. EBITA included charges of EUR 366 million related to the jury verdict in the Masimo litigation and EUR 49 million of mainly inventory write-downs related to the Cleveland facility.
- Excluding restructuring and acquisition-related charges and other items, EBITA amounted to EUR 267 million, or 12.0% of sales, compared to EUR 330 million, or 14.6% of sales, in Q3 2013. The decrease was mainly due to operational losses related to the voluntary suspension of production at the Cleveland facility and negative currency impacts.
- Net operating capital, excluding a positive currency translation effect of EUR 314 million, decreased by EUR 578 million. This decrease was largely driven by higher provisions and lower fixed assets, partly offset by increased working capital.
- Inventories as a percentage of sales increased by 1.5 percentage points year-on-year.

[1] HHS = Home Healthcare Solutions; PCCI = Patient Care & Clinical Informatics

PHILIPS

Healthcare: equipment order intake

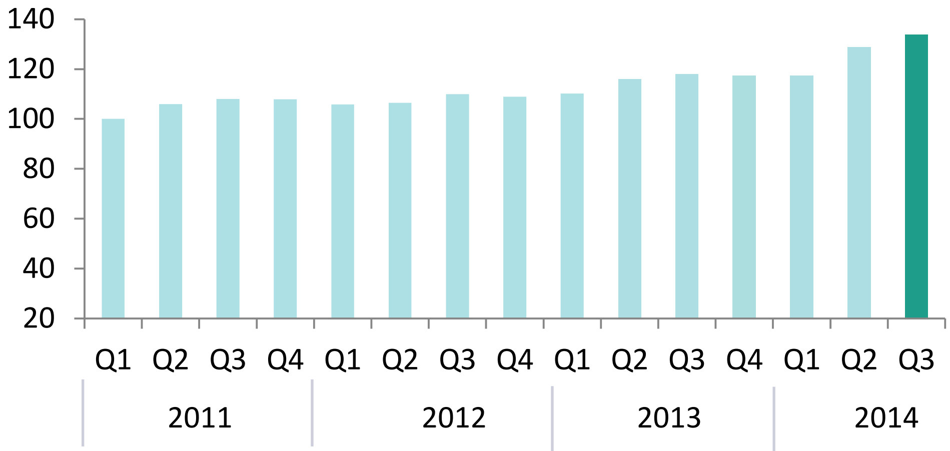
Quarterly currency adjusted equipment order intake growth



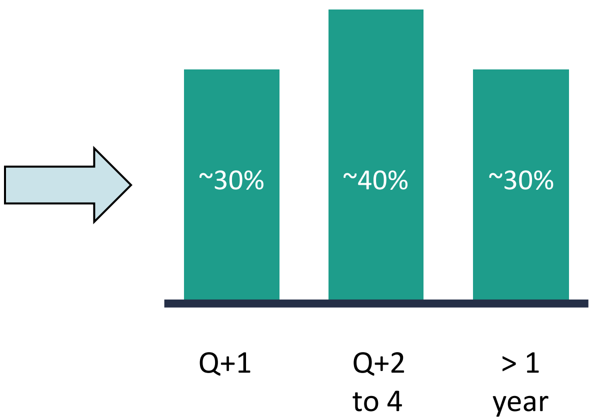
Currency adjusted order intake only relates to the Imaging Systems and Patient Care & Clinical Informatics businesses

Healthcare: Equipment order book

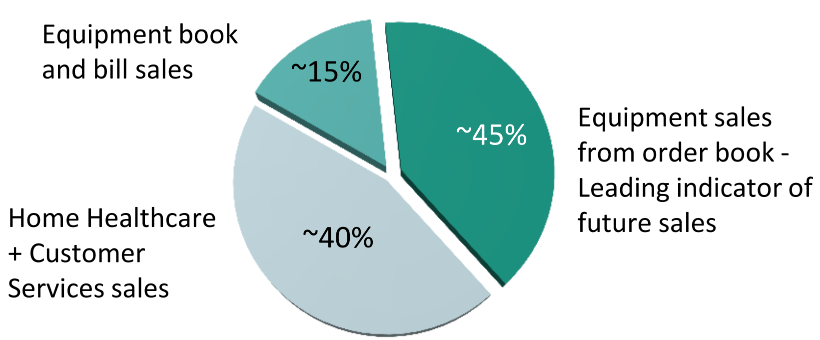
Indexed Equipment Order Book Development



Typical profile of equipment order book conversion to sales



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

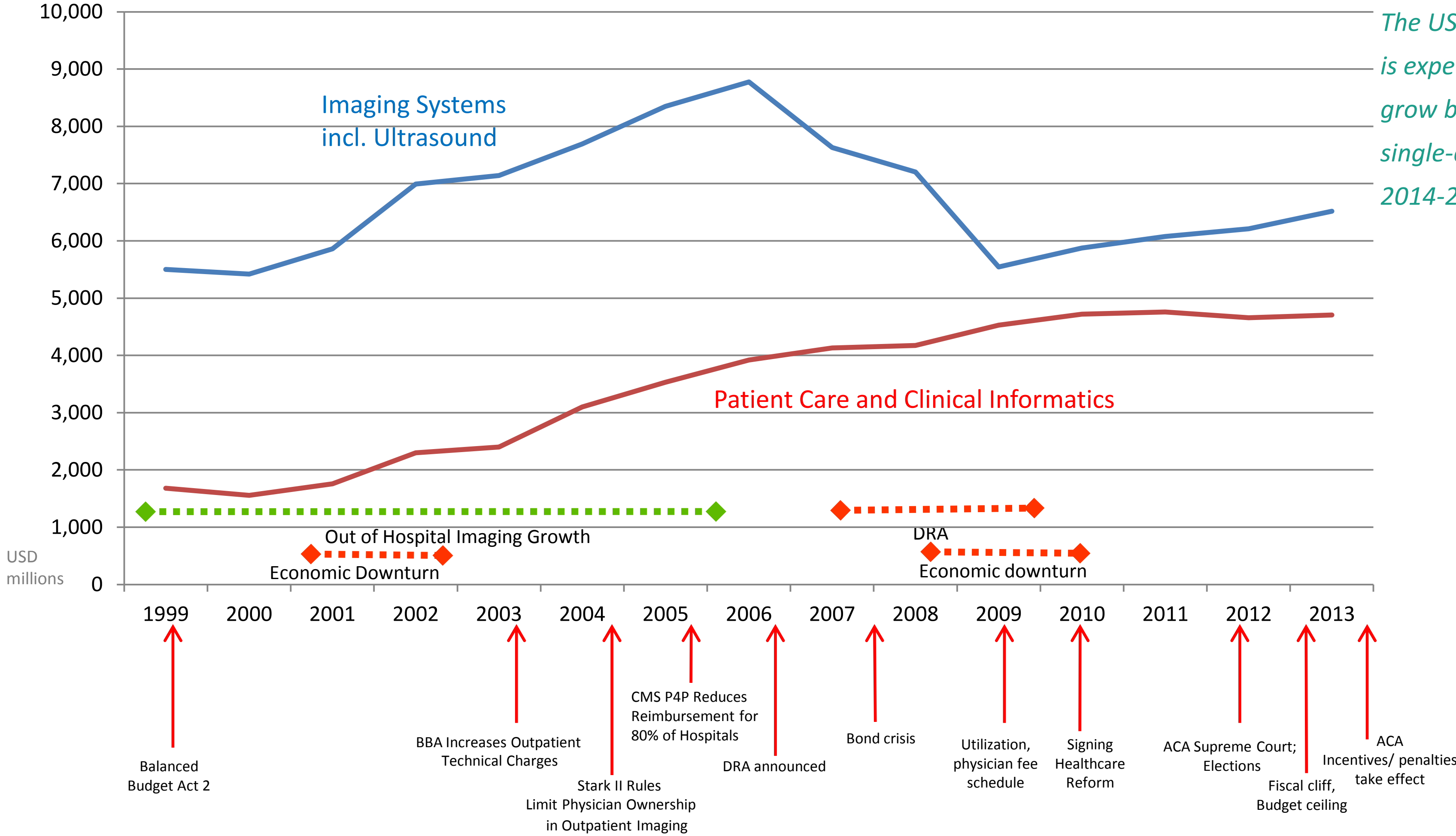


Approximately 70% of the current order book results in sales within the next 12 months

PHILIPS

Health care historical market development

North America Market Size / Growth and Impacts



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

Health care market developments in the US

Short Term

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

Medical Device Excise Tax	Applies to ~55% of our US sales; impact largely mitigated through cost and value chain measures
CB2 in HHS[1]	Competitive Bidding impacts ~ 7% of our global HHS business, ~1% of the total global Healthcare revenue
Capital spending	Expected to be slightly down to flat overall; up in IT
Government bundle activity	Government bids through "bulk buy" process have been larger than historical average for Imaging Systems and smaller than historical average for PCCI

[1] Competitive Bidding Round 2 in Home Healthcare Solutions

PHILIPS

Health care market developments in the US

Mid to Long- Term

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

ACA Implementation (Affordable Care Act)	• 25-30 million additional patients into the health care system • Payments linked to quality improvements and lower integral patient cost vs. 'Fee for Service' model • Drive for more cost efficient care settings: Solutions, Hospital-to-Home • Reimbursement and other cuts will have an overall negative impact on Imaging Systems, relatively neutral impact on other businesses
Meaningful use	Favorable to PCCI business
Improved quality of care at lower cost	Reimbursement changes will increase need for solutions and consulting services; positive impact for PCCI and HHS businesses; increased need for value offerings in Imaging Systems

PHILIPS

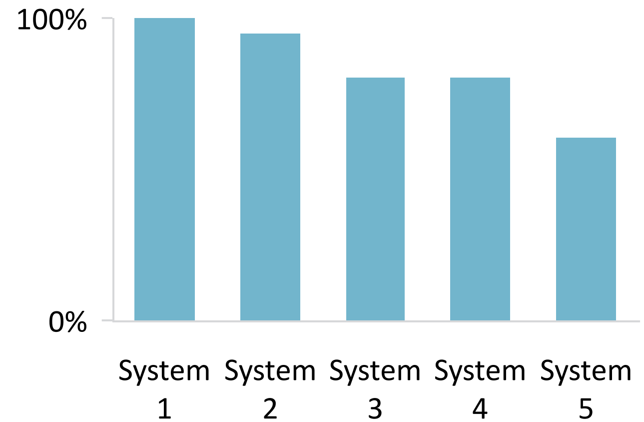
Executing our detailed plan to address Cleveland

- New Quality Management System, reviewed by external auditors
- Updating documentation and conforming supply base for each product line
- First products are shipping and production of iCT and Ingenuity scanners has also resumed
- Production ramp-up will continue through Q4 14 and Q1 15
- Implemented new End2End cross-functional way of working
- Cultural transformation under way
- Changed majority of leadership

Granular tracking of remediation

Remediation well under way

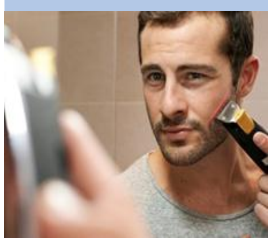
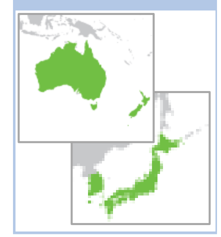
Completion of remediation (%)



Consumer Lifestyle

What we do. Where we are.

Philips Consumer Lifestyle

Businesses[1, 2]			Geographies[1]			
Personal Care	Health & Wellness	Domestic Appliances	Western Europe	North America	Other Mature Geographies	Growth Geographies[3]
						
32%	21%	46%	30%	16%	7%	47%

€4.6
Billion sales in 2013

17,000+
People employed worldwide

6%
of sales invested in R&D in 2013

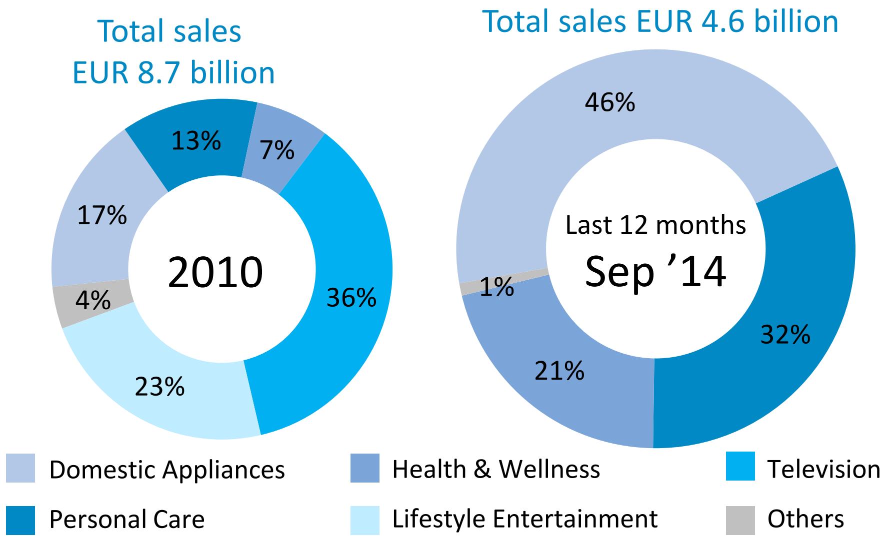
49%
of green product sales in 2013

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

PHILIPS

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



PHILIPS

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 Breast pumps - China

- 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

Source: GfK, Nielsen, Euromonitor

PHILIPS

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

Strengthening the core

Locally relevant innovations and global platforms

Our BMC[1] 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

[1] Business Market Combination

PHILIPS

We are further building our leadership positions in these categories

Personal Care

Male Grooming

- Increasing share as #1 player in electric Male Grooming
- Further strengthening leadership in China; expanding into lower tier cities
- 40% of SensoTouch and AquaTouch users recruited from blade, in total recruited 7% new shaving users in 2013[1]

Beauty

- Market leader in China and volume market leader in Europe for Hair Dryers
- Continuing to strengthen #1 position in Intense Pulsed Light (IPL) hair removal in Western Europe, Latin America and Middle East & Turkey
- VisaPure cleansing brush successfully launched in 21 markets

Health & Wellness

Oral Healthcare

- Enhancing geographic growth with strong market share increase outside the US (e.g. DACH[2], Japan, UK, China, Russia)
- Further strengthening leadership position in the US
- Successful launch of DiamondClean Black

Mother & Child Care

- 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)

[1] Based on top 10 BMC's (Business Market Combination) sell-in volumes corrected for average shaver lifetime [2] Germany, Austria, Switzerland
Source: GfK, Nielsen, YTD and MAT December 2013

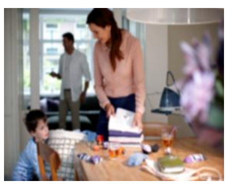
PHILIPS

We are further building our leadership positions in these categories

Domestic Appliances

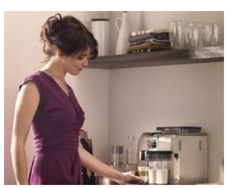
Kitchen Appliances

- Double-digit growth in 2013 driven by strong innovation
- Acquisitions and local product creation drive a significant increase of new product offers
- Leadership in key markets strengthened through local relevance
- Global #1 brand in categories such as low fat fryer, juice extractor, food processor and overall home cooking & food preparation



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 GranBaristo Avanti, the first connected coffee machine in the domestic espresso market
- Successful expansion in the portioned espresso market through the alliance with Tchibo in Germany, Central & Eastern Europe and Russia, and the launch of 2 new product families

Source: GfK, Nielsen, YTD and MAT December 2013, Euromonitor International

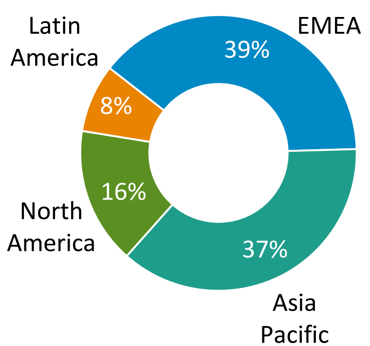
PHILIPS

Consumer Lifestyle: Q3 2014 Sector analysis

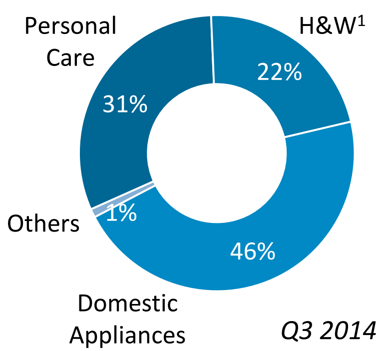
Key figures (in EUR million)

	3Q13	2Q14	3Q14
Sales	1,091	1,073	1,114
% sales growth comp.	*9.0*	*7.0*	*5.0*
EBITA	116	100	114
EBITA as % of sales	*10.6*	*9.3*	*10.2*
EBIT	102	86	101
EBIT as % of sales	*9.3*	*8.0*	*9.1*
NOC	1,164	1,271	1,408
Employees (FTEs)	15,918	16,886	17,472

Sales per region



Sales per business



Q3 2014

Financial performance

- Comparable sales increased by 5%. Mid-single-digit comparable sales growth was seen at Health & Wellness and Domestic Appliances, while Personal Care recorded low-single-digit growth.
- Comparable sales in Western Europe and other mature geographies showed mid-single-digit growth, while North America recorded a low-single-digit decline. Growth geographies recorded mid-single-digit growth.
- EBITA amounted to EUR 114 million, or 10.2% of sales, compared to EUR 116 million, or 10.6% of sales, in Q3 2013.
- Excluding restructuring and acquisition-related charges, EBITA was EUR 118 million, or 10.6% of sales, compared to EUR 121 million, or 11.1% of sales, in Q3 2013. The decrease was largely attributable to lower gross margins.
- Net operating capital, excluding a positive currency translation effect of EUR 55 million, increased by EUR 189 million year-on-year. The increase was largely driven by higher working capital and a reduction in provisions.
- Inventories as a percentage of sales improved by 0.4 percentage points year-on-year.

[1] H&W = Health & Wellness

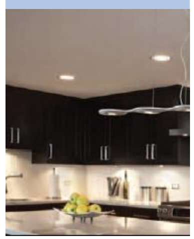
PHILIPS

Lighting

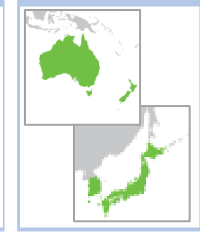
What we do. Where we are.

Philips Lighting

Businesses[1]

Light Sources & Electronics	Professional Lighting Solutions	Consumer Luminaires	Lumileds	Automotive
				
50%	28%	5%	6%	11%

Geographies[1]

Western Europe	North America	Other Mature Geographies	Growth Geographies[2]
			
29%	23%	4%	44%

€8.4
Billion sales in 2013

46,000+
People employed worldwide in 60 countries

5%
of sales invested in R&D in 2013

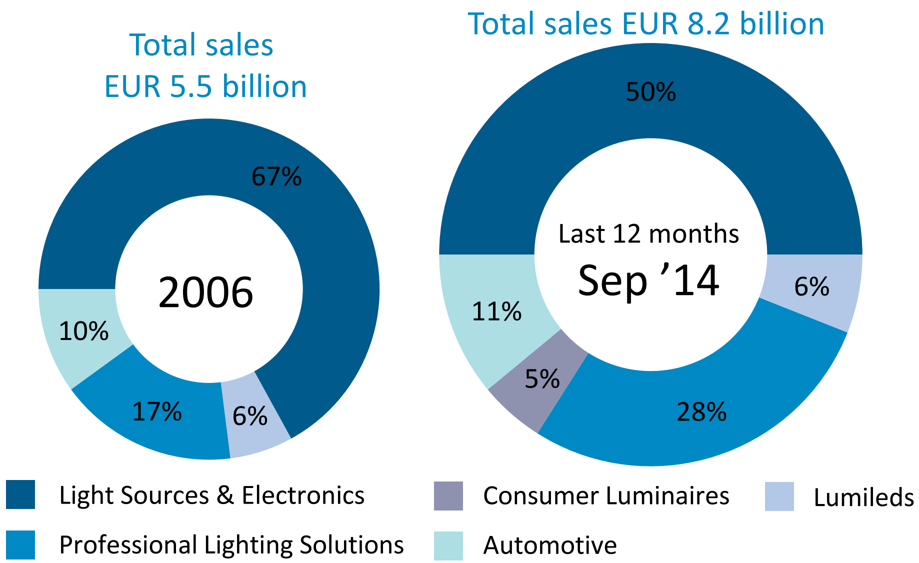
80,000
Products & services offered in 2013

[1] Based on sales last 12 months September2014
[2] Growth geographies are all geographies excluding USA, Canada, Western Europe, Australia, New Zealand, South Korea, Japan and Israel

PHILIPS

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



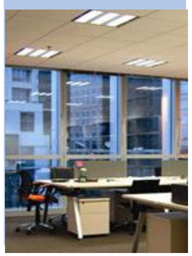
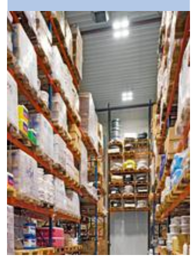
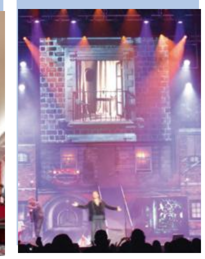
PHILIPS

We increase our focus towards the people we serve

Further strengthening our global leadership in Lighting

Philips Lighting

Customer Segments[1]

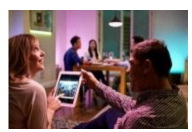
Homes	Offices	Outdoor	Industry	Retail	Hospitality	Entertainment	Healthcare	Automotive
								
22%	10%	27%	5%	17%	5%	2%	1%	11%

- ~ 75%[1] of Lighting sales is B2B
- ~ 40%[2] of Lighting sales is LED lighting

[1] Indicative split based on last 12 months September 2014
[2] Based on Q3 2014

PHILIPS

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 pro-actively 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**

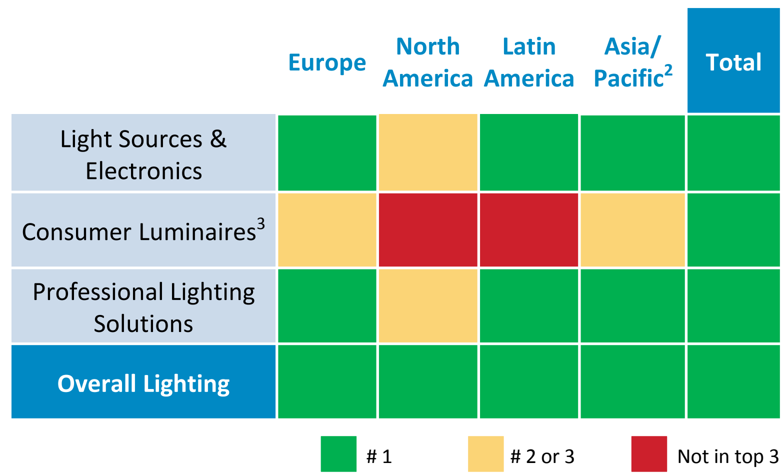
2 **Consumer Luminaires**

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 – H1 14[1]



- Largest lighting company in the world
- #1 in sold LED lighting
- #1 in connected lighting[4]
- Market share in LED is higher than in conventional

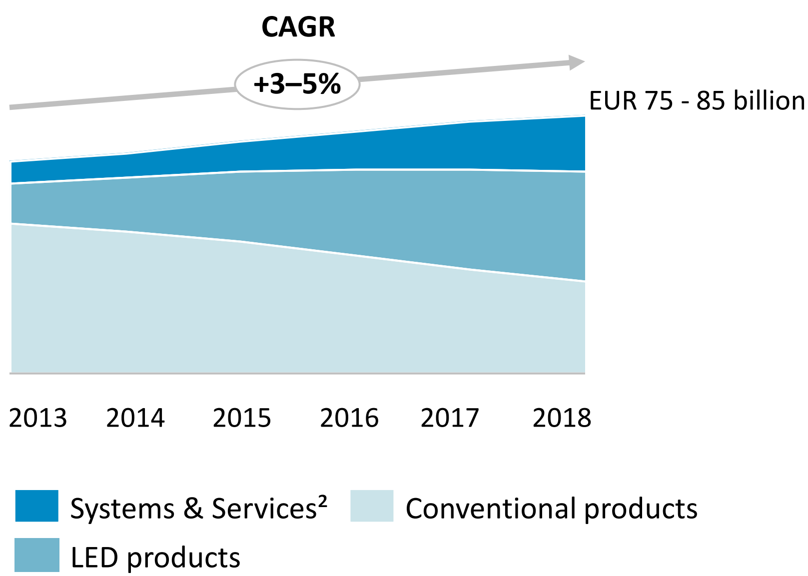
[1] Source: customer panels, industry associations and internal analysis; [2] Excluding Japan;
[3] #1 position globally as nearest competitors play only on specific regions; Excluding private labels; [4] Source: Markets and Markets, Global smart lighting market (2013–18)

PHILIPS

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

We serve a large and attractive market expected to grow 3 - 5% CAGR between 2013 and 2018

Global lighting market forecast[1]



- LED penetration to reach 60–65% by 2018[3]

The lighting industry is undergoing three major transitions in parallel

	2013 - 2018 CAGR[1]
1 Conventional products	-9% to -11%
2 LED products	20% to 25%
3 Systems & Services[2]	Systems: 20% to 25% Services[4]: 40% to 45%

[1] Source: Philips Lighting global market study. Excluding Automotive lighting and LED components market
[2] Only professional market and lifecycle data-enabled services only; [3] Including part of Systems & Services; [4] Data-enabled services only

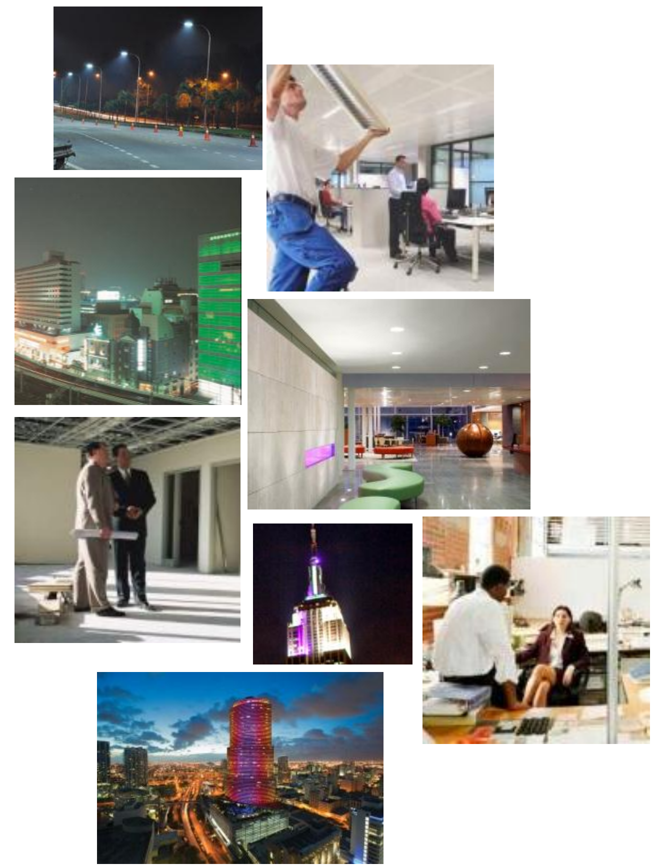
PHILIPS

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

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

Philips Lighting	New Build	Replace-ment	Total
Residential	10%	10%	20%
Commercial	28%	23%	52%
Other[1]	19%	9%	28%
Total	57%	43%	100%

New Build	WE&NA	ROW	Total
Residential	4%	6%	10%
Commercial	14%	14%	28%
Total	18%	20%	38%

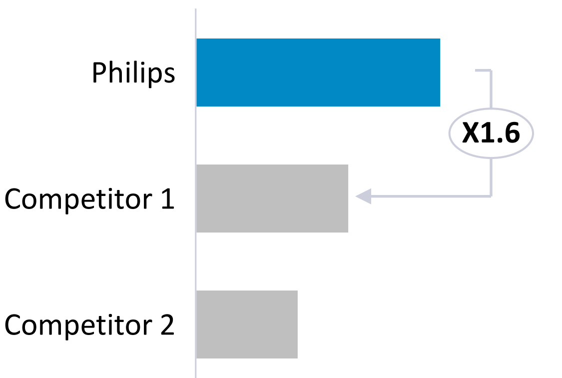


[1] Others = Automotive and Outdoor

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

#1 in conventional lamps and drivers

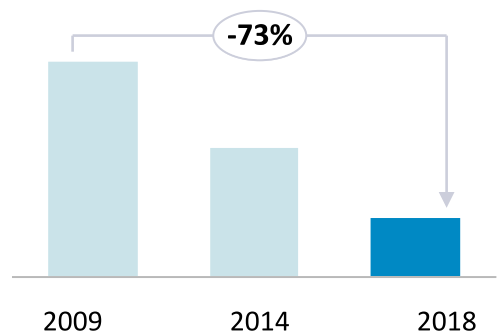
Market share[1]



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

We adapt capacity in response to market demand

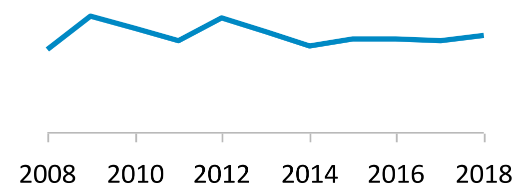
# of manufacturing sites, LS&E[2]



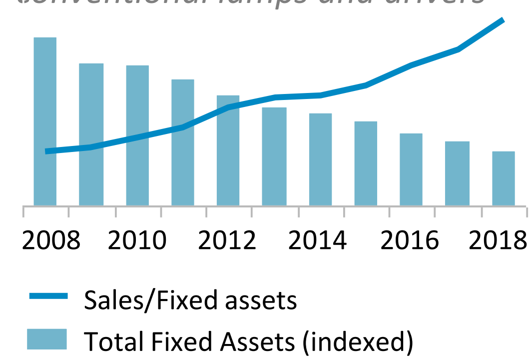
- Ability to adjust capacity with a 3-month lead time
- Closure of sites accelerated in line with market demand

Measures deliver positive results

Free Cash Flow to sales ratio, conventional lamps and drivers



Fixed asset turnover ratio, conventional lamps and drivers

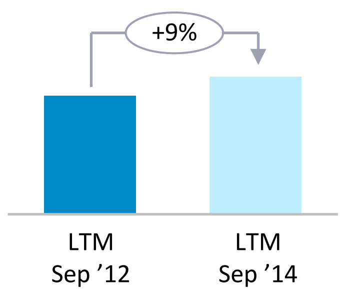


[1] Source: Philips Lighting global market study, competitor reports; [2] Light Sources & Electronics

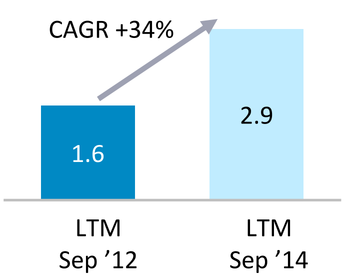
We are the leading LED lighting company

Increased R&D investment in LED leading to improved results

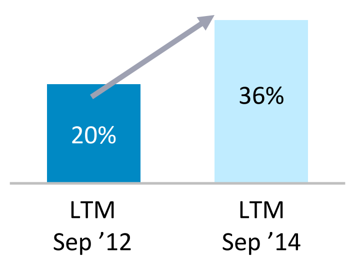
R&D spend LED Indexed



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 2.9 billion last 12 months September 2014
- LED revenue growth and cost productivity gains will improve profitability

Leveraging Intellectual Property

- Scope: LED Controls and Basic Optics
- Philips Lighting Patent Portfolio:

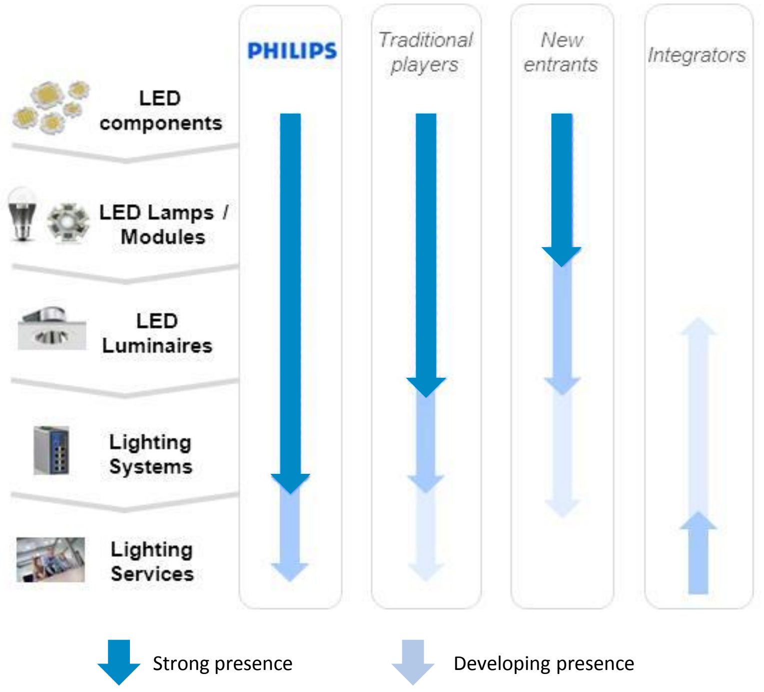
  - 87% LED and digital related
  - 13% Conventional related
- 1400 Rights licensed
- Licensing Program has more than 450 licensees

PHILIPS

We are shaping the future of digital lighting

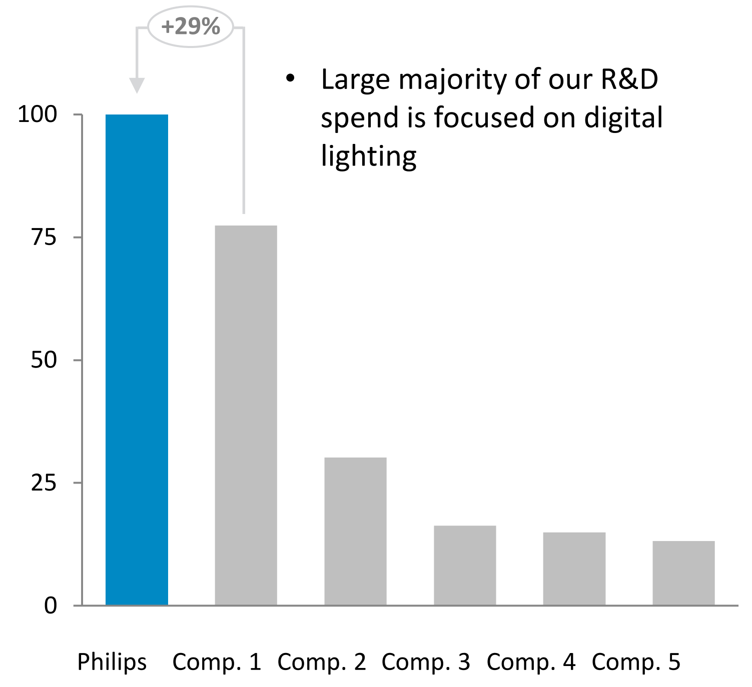
We have a unique competitive position in LED lighting

Market presence in the digital value chain[1]:



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

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



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

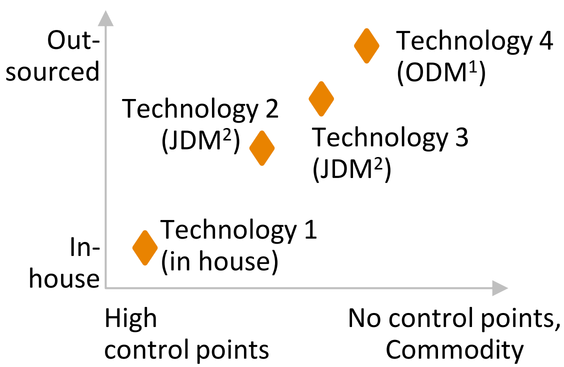
[1] Source: Latest competitors' annual reports, LEDs magazine, LEDinside.com
[2] Source: Latest competitors' quarterly reports, Digitimes Research March 2013, internal estimates, excluding General Electric and Japanese lighting companies for lack of data

PHILIPS

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 2[3] in USA
- Unique concept where heat sink is removed

The classic LED bulb

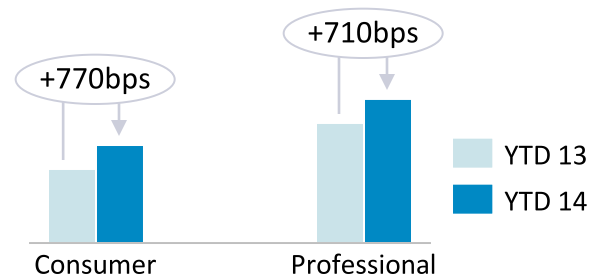
- Produced and launched in Europe at <EUR 5
- Frosted incandescent look and feel through the use of glass bulb

Instant Fit T8

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

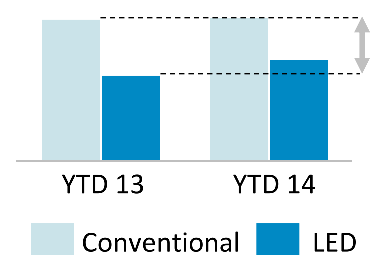
Measures are paying off both in Consumer and Professional

Adjusted gross margin LED Lamps



Gross margin difference of LED vs. Conventional lamps is narrowing

Adjusted gross margin



[1] Original Design Manufacturing; [2] Joint Development Manufacturing; [3] After rebates in selected states

PHILIPS

Consumer Luminaires Europe repositioned for profitable growth

Business setup adversely affected performance

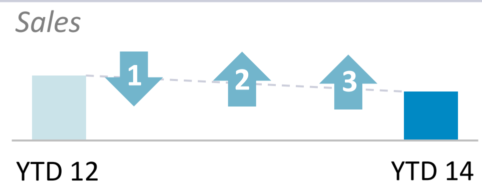
Go-To-Market strategy

- Unprofitable customer base
- No consumer segmentation
- Construction and home refurbishment market decline

Cost base

- Inefficient supply chain setup

We strengthened fundamentals



1. Exited unprofitable accounts
2. Channel expansion: online, food, electro, kids retail
3. +147% LED-based luminaires in portfolio

- 9 Logistic centers closed since 2012
- Systematic platform design approach

And will reap the benefits as the macro-environment improves

- Portfolio rationalization with 47% less SKUs[2]
- YTD Non-manufacturing cost reduced by 17% compared to 2012
- Profitable growth anticipated in Q4 14
- On track to achieve breakeven on adjusted EBITA[1] in overall Consumer Luminaires in FY 14

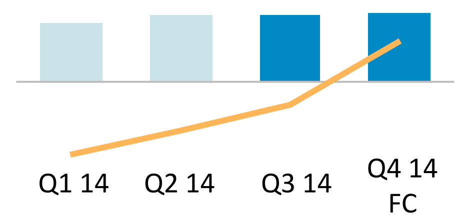
[1] Adjusted EBITA is EBITA excluding restructuring, acquisition-related charges and other items [2] SKUs = Stock Keeping Units

Professional Lighting Solutions North America: regaining our position

Customer reach was losing traction	We reduced complexity
Go-to-Market	
• 21 commercial organizations • Duplicated go-to-market • Lack of performance metrics	• Cross-business sales force • Pipeline and sales quota tracked by new CRM system
Portfolio management	
• 43 brands, overlapping offers	• 12 brands • # of factories and R&D sites reduced by 49% since 2012 • Strong traction on LED range
Customer experience	
• Unsatisfactory customer service level	• Improved End2End processes leading to 23% increase in # of quotes responded within 24 hours

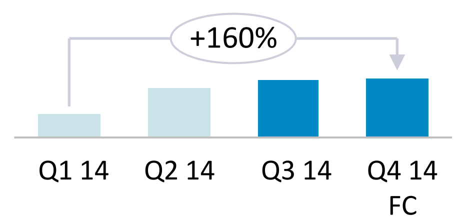
Measures are paying off

Sales and CSG%



- Positive growth in September and in Q4 14
- 41% LED penetration in YTD 14, compared to 29% in YTD 13

Adjusted EBITA[1] margin



- Positive adjusted EBITA in Q3 14

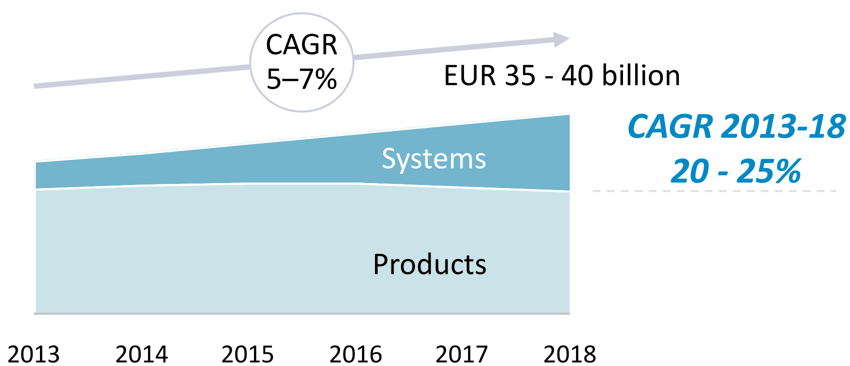
[1] Adjusted EBITA is EBITA excluding restructuring, acquisition-related charges and other items

PHILIPS

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

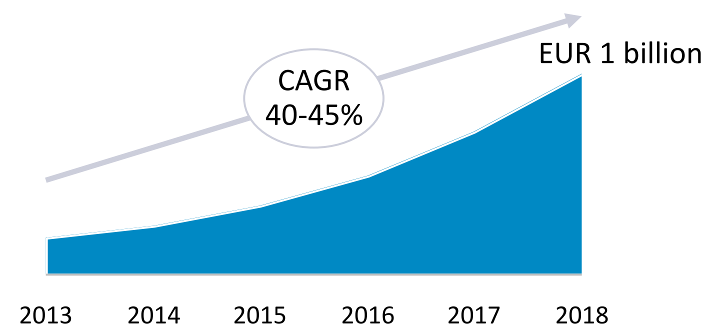


Expected to represent 40% of the professional lighting solutions market by 2018

- 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

Note: Systems installation market (EUR 7-8 billion by 2018) excluded in addressable market, where we mainly leverage our partner network
Source: Philips internal study, market reports, expert interviews

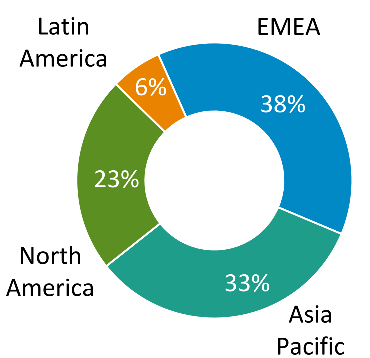
PHILIPS

Lighting: Q3 2014 Sector analysis

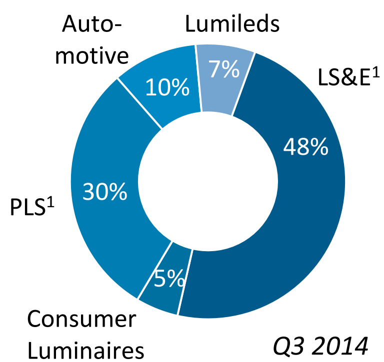
Key figures (in EUR million)

	3Q13	2Q14	3Q14
Sales	2,084	1,943	2,056
% sales growth comp.	*3.0*	*1.0*	*(1.0)*
EBITA	177	138	162
EBITA as % of sales	*8.5*	*7.1*	*7.9*
EBIT	140	111	134
EBIT as % of sales	*6.7*	*5.7*	*6.5*
NOC	4,668	4,558	5,078
Employees (FTEs)	47,875	45,447	46,766

Sales per region



Sales per business



Financial performance

- Comparable sales showed a 1% decline year-on-year. Lumileds achieved double-digit growth, while Automotive posted mid-single-digit growth and Professional Lighting Solutions registered low-single-digit growth. Consumer Luminaires and Light Sources & Electronics recorded a mid-single-digit decline.
- Excluding Lumileds and Automotive sales, comparable sales showed a low-single-digit decline. Mature geographies posted a low-single-digit increase, while growth geographies recorded a high-single-digit decline.
- LED-based sales grew 28% year-on-year, and now represent 40% of total Lighting sales, compared to 30% in Q3 2013.
- EBITA amounted to EUR 162 million, or 7.9% of sales, compared to EUR 177 million, or 8.5% of sales, in Q3 2013. EBITA, excluding restructuring and acquisition-related charges and EUR 6 million of costs associated with setting up Automotive and Lumileds as a standalone company, was EUR 199 million, or 9.7% of sales, compared to EUR 213 million, or 10.2% of sales, in Q3 2013. The decrease was mainly due to a customer credit provision in China.
- Net operating capital, excluding a positive currency translation effect of EUR 192 million, increased by EUR 218 million year-on-year. The increase was mainly due to an increase in working capital, which included the consolidation of General Lighting Company (GLC) in Saudi Arabia.
- Inventories as a percentage of sales (including the GLC acquisition) increased by 1.9 percentage points year-on-year.

[1] LS&E = Light Sources & Electronics; PLS = Professional Lighting Solutions

PHILIPS

Innovation, Group & Services

Group Innovation

Philips Group Innovation encompasses Group Funded Research and Innovation, Design and Emerging Businesses

IP Royalties

Royalty/licensing activities related to the IP on products no longer sold by the sectors

Group and Regional Costs

Group headquarters and country & regional overheads

Accelerate! investments

Investments to support the transformation of Philips

Pensions

Pension and other postretirement benefit costs mostly related to former Philips' employees

Service Units and Other

Global service units; Shared service centers; Corporate Investments, stranded costs of the Audio, Video, Multimedia and Accessories business, and other incidentals related to the legal liabilities of the Group

Innovation, Group & Services: Q3 2014 Sector analysis

Key figures (in EUR million)

	3Q13	2Q14	3Q14
Sales	162	140	143
% sales growth comp.	*(5)*	*3*	*(15)*
EBITA:			
Group Innovation	(28)	(47)	(43)
IP Royalties	82	62	73
Group & Regional Costs	(33)	(37)	(47)
Accelerate! investments	(34)	(32)	(30)
Pensions	(32)	(3)	(2)
Services Units & Other	(13)	9	(83)
EBITA	(58)	(48)	(132)
EBIT	(59)	(51)	(136)
NOC	(3,108)	(2,786)	(2,906)
Employees (FTEs)	12,309	13,344	13,683

Financial performance

- Sales decreased from EUR 162 million in Q3 2013 to EUR 143 million in Q3 2014, mainly due to lower Group Innovation and IP royalty income.
- EBITA amounted to a net cost of EUR 132 million, compared to a net cost of EUR 58 million in Q3 2013.
- EBITA in Q3 2014 included EUR 43 million of provisions related to various legal matters, while Q3 2013 included a EUR 31 million settlement loss arising from a lump-sum offering to terminated vested employees in the US pension plan. Net restructuring charges in Q3 2014 amounted to EUR 41 million, compared to a net release of EUR 1 million in Q3 2013.
- Excluding restructuring and acquisition-related charges and other items, EBITA was a net cost of EUR 48 million, compared to a net cost of EUR 28 million in Q3 2013. The decrease was mainly due to higher investments in emerging business areas and lower IP income.
- Net operating capital, excluding a negative currency translation effect of EUR 113 million, increased by EUR 315 million year-on-year, mainly due to a decrease in pension liabilities.

Note - Following the completion of the divestment of the AVM&A business, prior-period financials have been adjusted (for details please refer to note 1 “Significant accounting policies” in the Q2 2014 Quarterly report and Semi-annual report)

PHILIPS

Appendix

Financial calendar 2015

January 27	Fourth quarter and annual results 2014
February 24	Annual Report 2014
April 28	First quarter results 2015
May 7	Annual General Meeting of Shareholders
July 27	Second quarter and semi-annual results 2015
October 26	Third quarter results 2015

PHILIPS

Depreciation and amortization

EUR million

	Q3 2013	Q3 2014	FY 2012	FY 2013
Depreciation of property, plant and equipment	161	164	677	631
Amortization of software	9	8	45	39
Amortization of other intangible assets	97	84	458	432
Amortization of development costs	63	63	218	246
Philips Group	330	319	1,398	1,348

Note - Following the completion of the divestment of the AVM&A business, prior-period financials have been adjusted (for details please refer to note 1 “Significant accounting policies” in the Q2 2014 Quarterly report and Semi-annual report). Financials in 2012 revised for discontinued operations, the adoption of IAS19R and for restatements included in the Annual Report 2012

PHILIPS

Gross capital expenditures & Depreciation by sector

EUR million

	Gross CapEx[1]		Depreciation[1]	
	Q3 2013	Q3 2014	Q3 2013	Q3 2014
Healthcare	32	28	40	38
Consumer Lifestyle	34	23	24	26
Lighting	51	36	75	64
IG&S	21	29	22	36
Group	138	116	161	164

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

Note - Following the completion of the divestment of the AVM&A business, prior-period financials have been adjusted (for details please refer to note 1 "Significant accounting policies" in the Q3 2014 Quarterly report and Semi-annual report)

PHILIPS

Gross capital expenditures & Depreciation by sector

EUR million

	Gross CapEx[1]		Depreciation[1]	
	2012	2013	2012	2013
Healthcare	135	131	201	160
Consumer Lifestyle	128	135	104	108
Lighting	290	223	298	270
IG&S	105	99	74	93
Group	658	588	677	631

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

Note - Following the completion of the divestment of the AVM&A business, prior-period financials have been adjusted (for details please refer to note 1 “Significant accounting policies” in the Q2 2014 Quarterly report and Semi-annual report). Financials in 2012 revised for discontinued operations, the adoption of IAS19R and for restatements included in the Annual Report 2012

PHILIPS

Development cost capitalization & amortization by sector

EUR million

	Capitalization		Amortization	
	Q3 2013	Q3 2014	Q3 2013	Q3 2014
Healthcare	64	41	39	42
Consumer Lifestyle	9	11	7	6
Lighting	15	6	17	15
IG&S	7	41	-	-
Group	95	99	63	63

Note - Following the completion of the divestment of the AVM&A business, prior-period financials have been adjusted (for details please refer to note 1 "Significant accounting policies" in the Q3 2014 Quarterly report and Semi-annual report)

PHILIPS

Development cost capitalization & amortization by sector

EUR million

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

Note - Following the completion of the divestment of the AVM&A business, prior-period financials have been adjusted (for details please refer to note 1 "Significant accounting policies" in the Q2 2014 Quarterly report and Semi-annual report). Financials in 2012 revised for discontinued operations, the adoption of IAS19R and for restatements included in the Annual Report 2012

PHILIPS

Restructuring, acquisition-related charges and other items

EUR million	1Q13	2Q13	3Q13	4Q13	**2013**	1Q14	2Q14	**3Q14**
Acq.-related charges	(3)	(2)	(1)	-	**(6)**	-	-	
Restructuring	1	2	-	3	**6**	(21)	1	**(3)**
Other Incidentals	-	82	-	-	**82**	-	-	**(415)**[3]
Healthcare	(2)	82	(1)	3	**82**	(21)	1	**(418)**
Acq.-related charges	(1)	-	(1)	(1)	**(3)**	-	(1)	**1**
Restructuring	-	(3)	(4)	(4)	**(11)**	-	-	**(5)**
Other Incidentals	-	1	-	-	**1**	-	-	
Consumer Lifestyle	(1)	(2)	(5)	(5)	**(13)**	-	(1)	**(4)**
Acq.-related charges	(1)	(1)	(2)	-	**(4)**	(3)	(2)	**(9)**
Restructuring	(18)	(22)	(34)	(22)	**(96)**	(30)	(28)	**(22)**
Other Incidentals	-	10	-	-	**10**	-	-	**(6)**
Lighting	(19)	(13)	(36)	(22)	**(90)**	(33)	(30)	**(37)**
Restructuring	3	-	1	(7)	**(3)**	-	(4)	**(41)**
Other Incidentals	-	6	(31)[2]	-	**(25)**	-	-	**(43)**[4]
IG&S	3	6	(30)	(7)	**(28)**	-	(4)	**(84)**
Total Acq.-related charges	(5)	(3)	(4)	(1)	**(13)**	(3)	(3)	**(8)**
Total Restructuring	(14)	(23)	(37)	(30)	**(104)**	(51)	(31)	**(71)**
Total Other Incidentals	-	99[1]	(31)	-	**68**	-	-	**(464)**
Grand Total	(19)	73	(72)	(31)	**(49)**	(54)	(34)	**(543)**

[1] Includes a EUR 78M past-service pension cost gain in the US (EUR 61M in Healthcare, EUR 1M in Consumer Lifestyle, EUR 10M in Lighting and EUR 6M in IG&S) and a EUR 21M gain on the sale of a business in Healthcare. [2] A loss of EUR (31)M caused by an increase in the discount rate related to a settlement of the lump sum offering to former employees enrolled in our US pension plan. [3] 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. [4] Q3 2014 includes EUR (43)M provisions related to various legal matters; Q3 2013 includes a settlement loss of EUR (31)M arising from a lump-sum offering to terminated vested employees in the US pension plan.
Note - Figures can be used to make the bridge between reported and adjusted EBITA numbers

PHILIPS

PHILIPS