

Royal Philips

*Third Quarter 2016 Results
Information booklet*

October 24th, 2016

Important information

Forward-looking statements and other important information

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

These factors include, but are not limited to, domestic and global economic and business conditions, developments within the euro zone, the successful implementation of our strategy and our ability to realize the benefits of this strategy, our ability to develop and market new products, changes in legislation, legal claims, changes in exchange and interest rates, changes in tax rates, pension costs and actuarial assumptions, raw materials and employee costs, our ability to identify and complete successful acquisitions and to integrate those acquisitions into our business, our ability to successfully exit certain businesses or restructure our operations, the rate of technological changes, political, economic and other developments in countries where Philips operates, industry consolidation and competition. As a result, Philips' actual future results may differ materially from the plans, goals and expectations set forth in such forward-looking statements. For a discussion of factors that could cause future results to differ from such forward-looking statements, see the Risk management chapter included in the Annual Report 2015.

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 2015. Further information on non-GAAP measures can be found in our Annual Report 2015.

Use of fair-value measurements

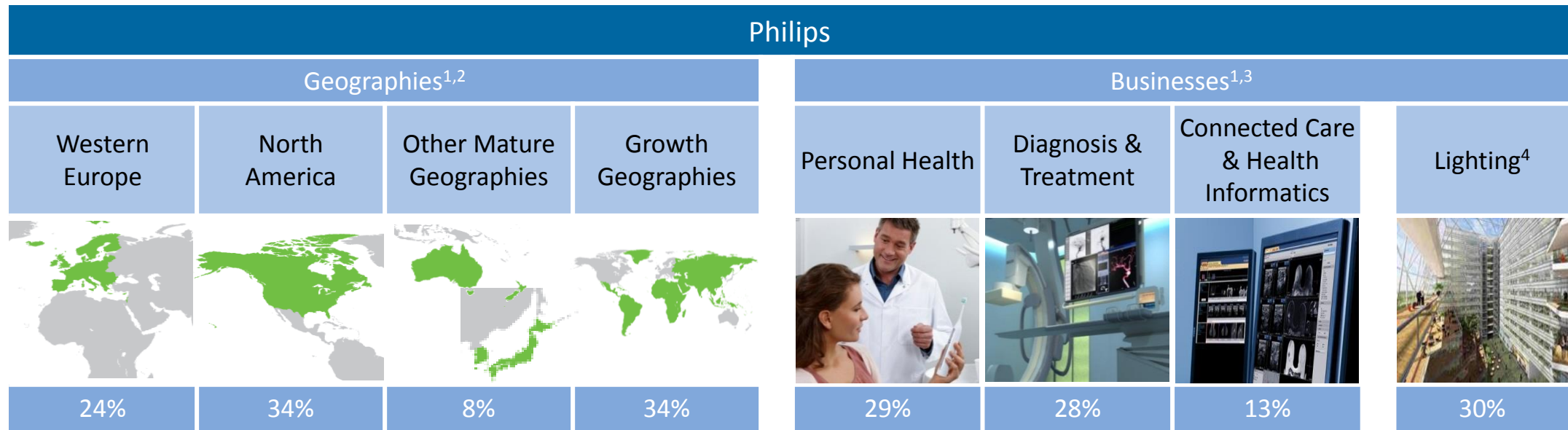
In presenting the Philips' financial position, fair values are used for the measurement of various items in accordance with the applicable accounting standards. These fair values are based on market prices, where available, and are obtained from sources that are deemed to be reliable. Readers are cautioned that these values are subject to changes over time and are only valid at the balance sheet date. When quoted prices or observable market data are not readily available, fair values are estimated using valuation models, which we believe are appropriate for their purpose. Such fair value estimates require management to make significant assumptions with respect to future developments, which are inherently uncertain and may therefore deviate from actual developments. Critical assumptions used are disclosed in our Annual Report 2015. Independent valuations may have been obtained to support management's determination of fair values.

All amounts are in millions of Euro's unless otherwise stated. All reported data is unaudited. Financial reporting is in accordance with the accounting policies as stated in the Annual Report 2015, unless otherwise stated. The presentation of certain prior-year information has been reclassified to conform to the current-year presentation.

Content

1. Company Overview	3
2. HealthTech Strategy	6
3. Accelerate! transformation program	14
4. Financial Performance	20
Appendix	27

Company Overview

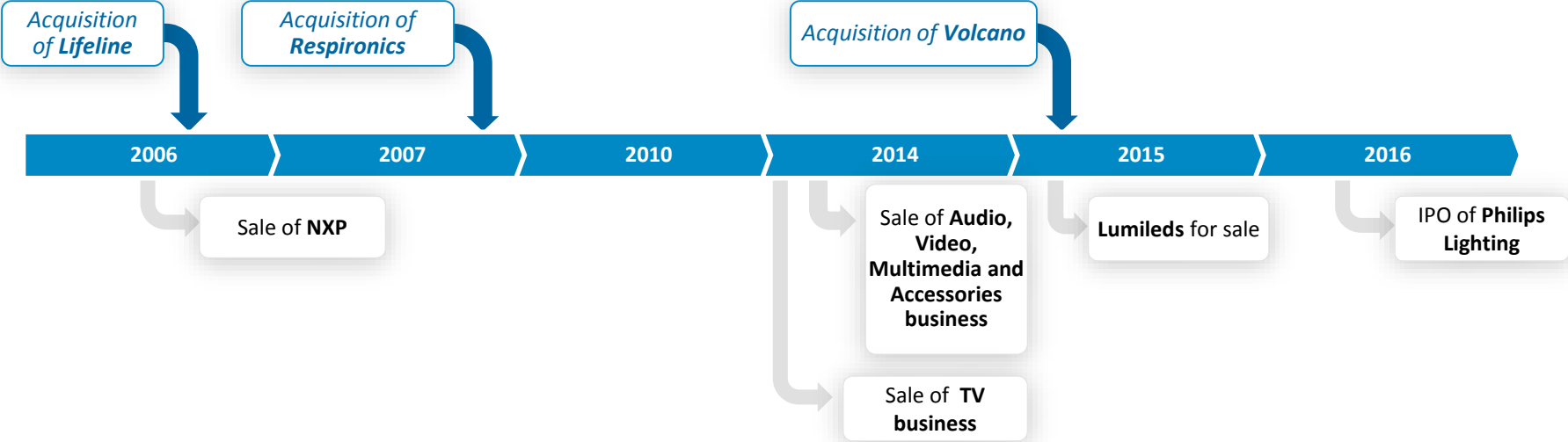


€24.2 billion sales in 2015, 70% B2B
 104,000 employees in over 100 countries

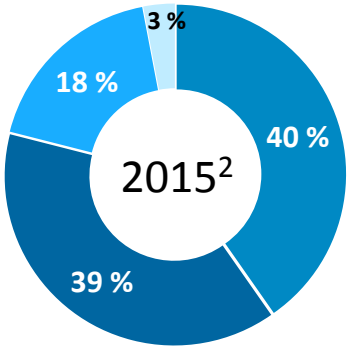
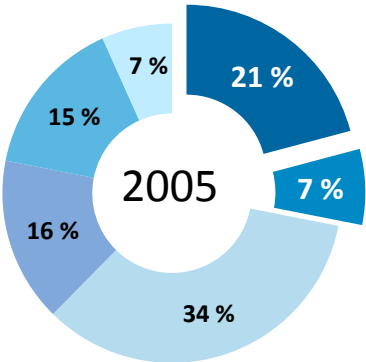
€1.9 billion R&D spend in 2015 and ~76,000 patent rights
 More than 1/4 of revenues from recurring revenue streams

¹ Based on sales last 12 months September 2016. ² Growth geographies are all geographies excluding USA, Canada, Western Europe, Australia, New Zealand, South Korea, Japan and Israel. ³ Excluding HealthTech Other.
⁴ Philips retains a 71.225% stake in Philips Lighting.

Philips has transformed itself into a focused HealthTech company



HealthTech businesses moving from ~28% of total portfolio to ~100%



- Medical Systems
- Consumer Electronics
- Semiconductors
- DAP¹
- Lighting
- Other Activities

- Personal Health
- Connected Care & Health Informatics
- Diagnosis & Treatment
- HealthTech Other



Content

1. Company Overview	3
2. HealthTech Strategy	6
3. Accelerate! transformation program	14
4. Financial Performance	20
Appendix	27

Continuing our *Accelerate!* journey to drive value creation



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

Profound market trends are driving the HealthTech opportunity



Consumers increasingly engaged in their health



Shift to value-based healthcare will reduce waste, increase access and improve outcomes



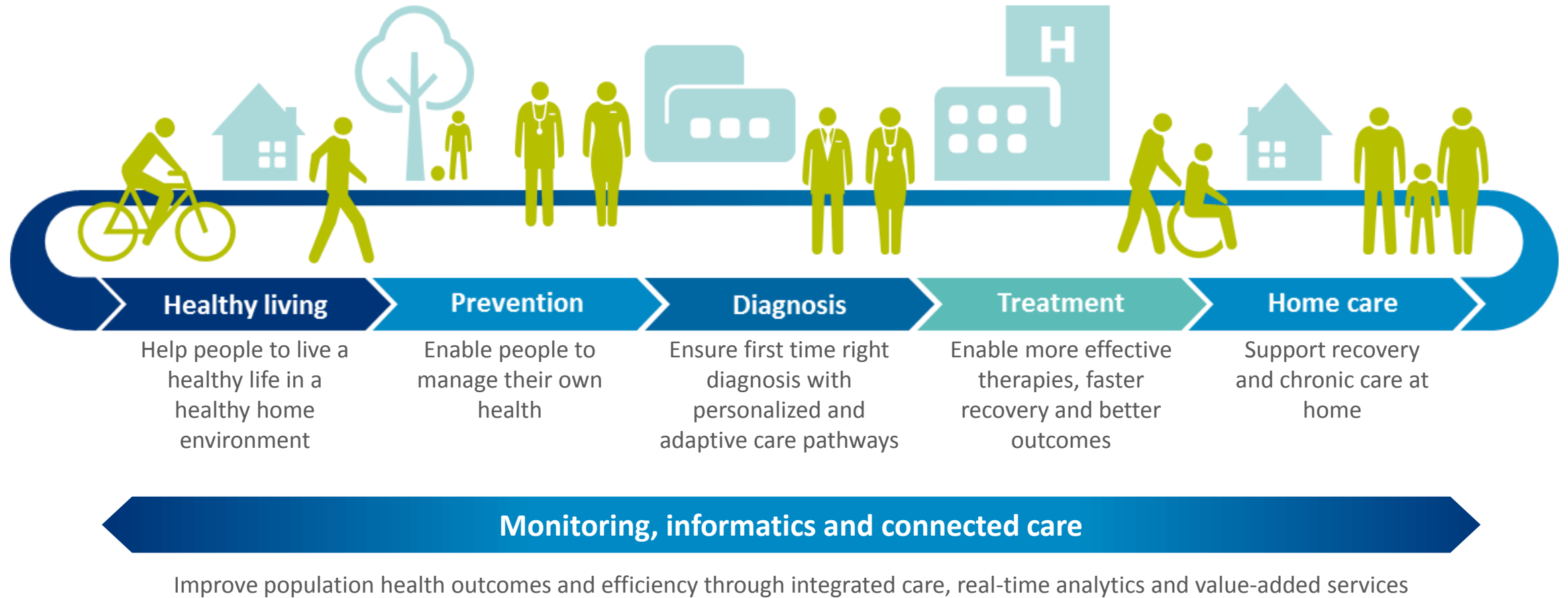
Care shifting to lower cost settings and homes



We see two major opportunities for Philips:

- **“Industrialization of care”**: enabling providers to deliver lower-cost care and better outcomes
- **“Personalization of care”**: driving convergence of professional healthcare and consumer health

Philips targets professional and consumer needs along the health continuum



Operating through three segments across the health continuum

Businesses

Personal Health



Diagnosis & Treatment



Connected Care & Health Informatics



Health & Wellness

Sleep & Respiratory Care

Personal Care

Domestic Appliances

Diagnostic Imaging

Ultrasound

Image-guided Therapy

Patient Care & Monitoring Solutions

Healthcare Informatics & Services

Population Health Management

Key products

Power toothbrushes, mother & child care

Home ventilators, CPAP, respiratory masks

Male grooming, skin care

Air purification, small kitchen appliances

Computed tomography, magnetic resonance, X-ray

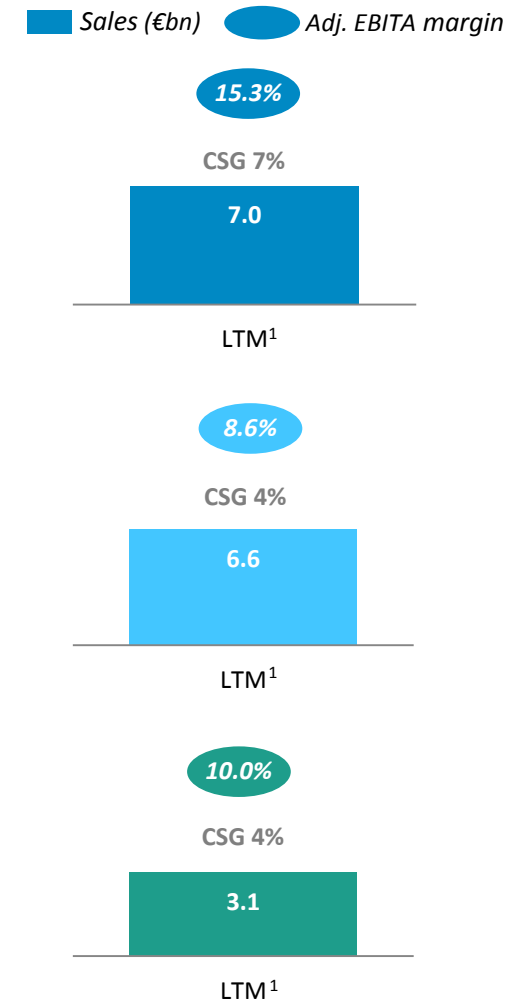
Ultrasound scanners

Interventional X-ray, Catheter-based imaging and measurement

Patient monitors, hospital ventilators, defibrillators

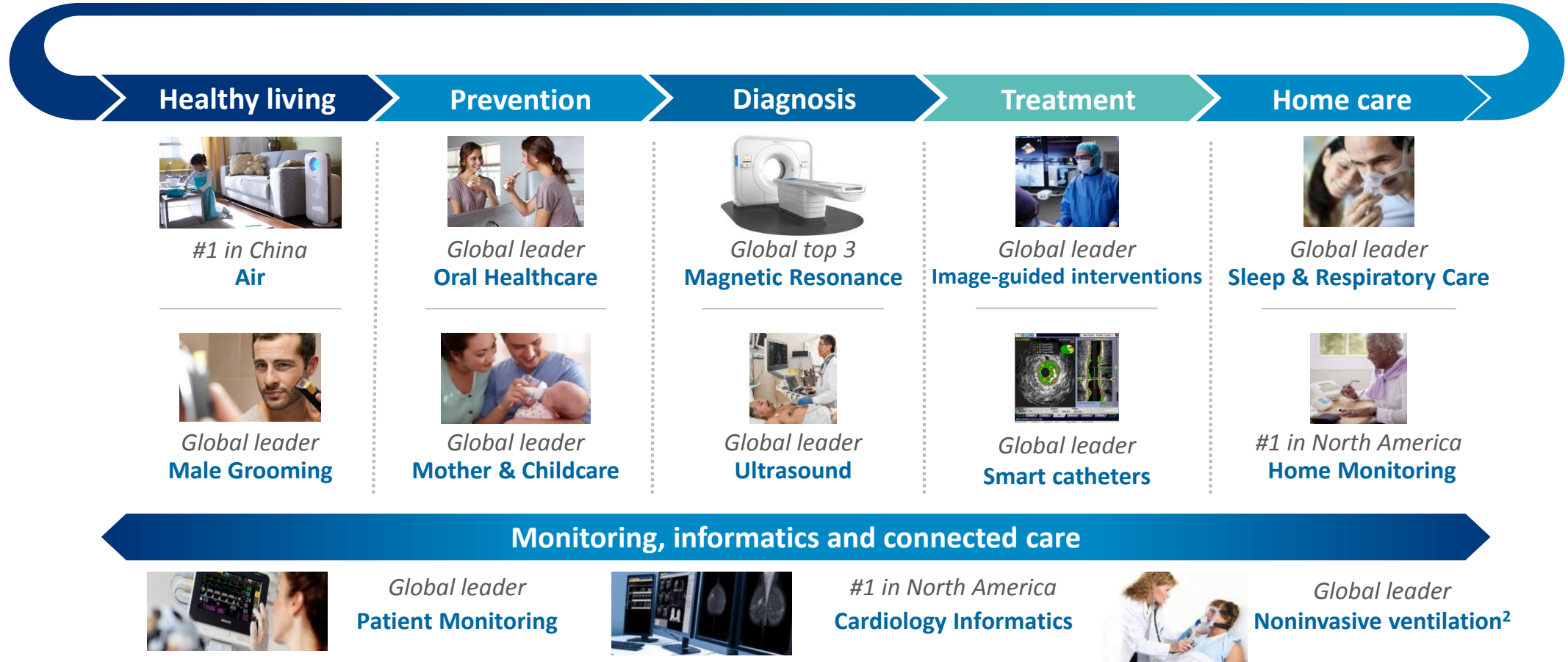
Healthcare IT, clinical and imaging informatics

Home monitoring, remote cardiac monitoring



We have many leadership positions

>60% of sales from businesses with global leading positions¹



11 Source: GfK, Nielsen, Euromonitor, Frost and Sullivan, Home Healthcare TBS, PCMS market insight. ¹ Defined as the positions in which Philips has a top 3 position globally. ² Based on non-invasive ventilators for the home.

We have a unique position to tap into the HealthTech opportunity

We deliver **leading solutions** that improve **personalized health outcomes** and drive **better productivity** along the health continuum, building on our strengths:

Deep consumer and customer insights

Advanced technology and world class design capabilities

Deep clinical know-how and rich data sets

Broad channel access in home and clinical environment

Digital analytics and clinical decision support expertise

Trusted solutions partner with **strong Philips brand**

Philips HealthSuite connected health ecosystem enabling solutions along the health continuum



Our focus on multi-year strategic partnerships to optimize care

Example - Marin General Hospital

Customer needs

- Improve delivery of healthcare to patients in the region
- Adopt more strategic, long-term approach to improving care delivery and the overall patient experience
- Access to new digital health technologies and innovation while maintaining community focus and independence



Philips – Solution & results

- USD 90 million, 15-year Enterprise Managed Services agreement
- Imaging systems, patient monitoring and clinical informatics solutions as well as clinical education and consulting services
- Embedded Philips team
- Highly personal patient experience in new hospital building and state-of-the-art Breast Health Center (opening 2020)

Strategic partnership based on enterprise managed services model:



Philips will supply MGH with a broad range of **advanced medical technologies and services**



The hospital will engage **Philips' award-winning design** experts

Content

1. Company Overview	3
2. HealthTech Strategy	6
3. Accelerate! transformation program	14
4. Financial Performance	20
Appendix	27

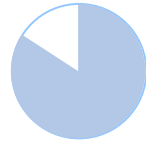
Accelerate! driving further change and performance

Customer Centricity



- Increase local relevance of product portfolio
- Focused Business-to-Government sales channel; Apply 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 (Business Market Combination) > 90%
- Targeted investments to drive value creation and extend market leadership
- Strengthen BMC capabilities with new hires, global tools, training and ways of working

End2End Execution



- Non-overhead 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
- 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 monthly performance dialogues to take ownership for the transformation
- Build Philips University to increase learning and competency development
- Excellence practices to increase operational performance; Lean skills for all employees
- Increase Employee Engagement in markets

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

Productivity programs continue to improve operational performance

<i>(EUR million)</i>	2011-14 Actual	2015 Actual	2016 Plan	YTD 2016 Actual
Overhead cost savings	1,335	290	200	170*
Procurement ¹	284	379	340	255
End2End productivity gains ¹	79	187	90	152
Restructuring - Accelerate	(456)	(96)	(50)	(17)
Investments ²	(433)	(191)	(140)	(117)

* Represents incremental savings of EUR 107 million and EUR 63 million of run rate savings.

All savings numbers are gross numbers



Accelerate!

¹ The program started in 2014. ² Investments to enable overhead cost savings as well as on the overall execution of the *Accelerate!* transformation.

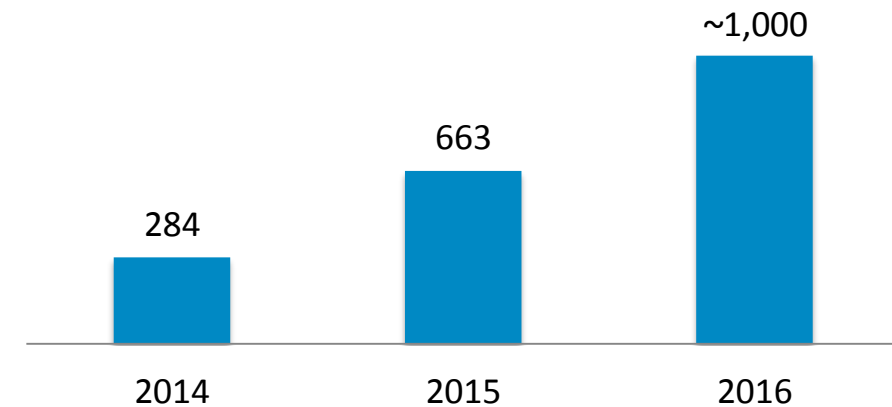
On track to achieve procurement transformation targets

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
- Cost savings can be achieved in mature products as well as new product introductions
- Funnel of opportunities targeting additional cumulative savings of EUR 1 billion over the period 2014 to 2016

Cumulative procurement gross savings

EUR million



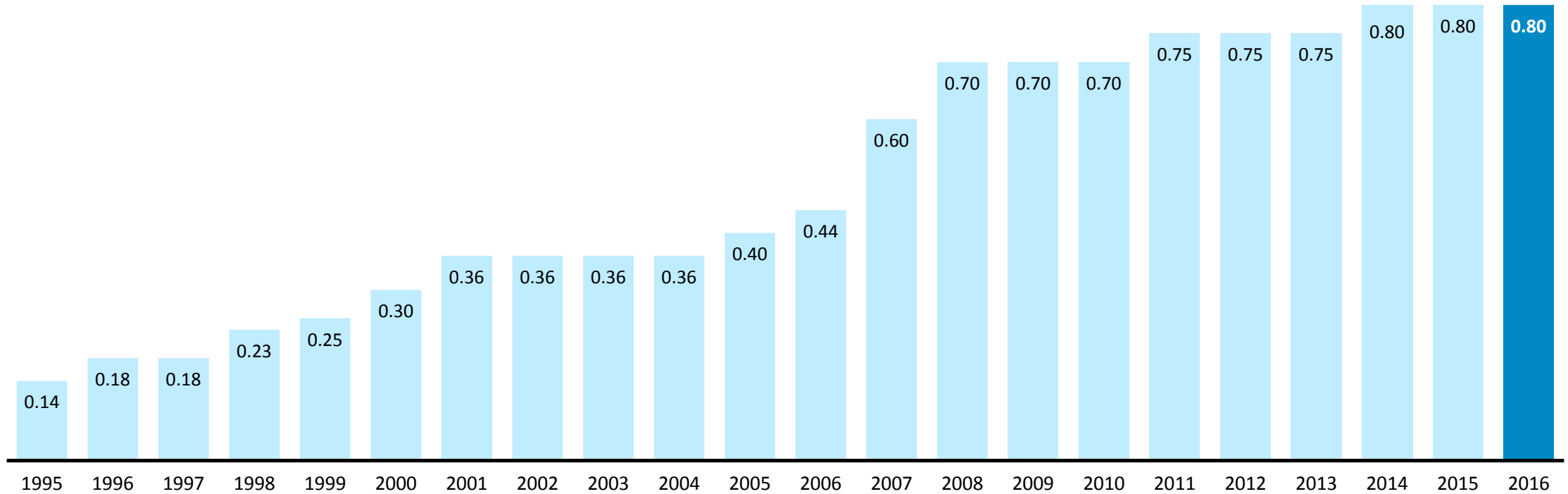
DfX challenges the value chain design of products, drives decisions and follow-through

Capital allocation

- Continue to invest in high ROIC organic growth opportunities to strengthen each business
- Disciplined but more active approach to M&A, while continuing to adhere to strict return hurdles
- Committed to a strong investment grade credit rating
- Dividend policy aimed at dividend-stability
- Completed the EUR 1.5 billion share buyback program in October 2016

A history of sustainable dividend

EUR per share



Content

1. Company Overview	3
2. HealthTech Strategy	6
3. Accelerate! transformation program	14
4. Financial Performance	20
Appendix	27

Performance Highlights – Q3 2016

Key highlights

- Comparable sales up 2% compared to Q3 2015
- Comparable equipment order intake up 8% compared to Q3 2015
- Adj. EBITA margin of 11.0%, up 120 bps compared to Q3 2015
- Inventories amounted to 15.4% of sales^{1,2}, down 140 bps vs. Q3 2015 on a currency comparable basis
- Free cash inflow of EUR 280 million, compared to EUR 58 million in Q3 2015
- ROIC was 11.3% excluding charges related to Pension settlements in the US and the UK

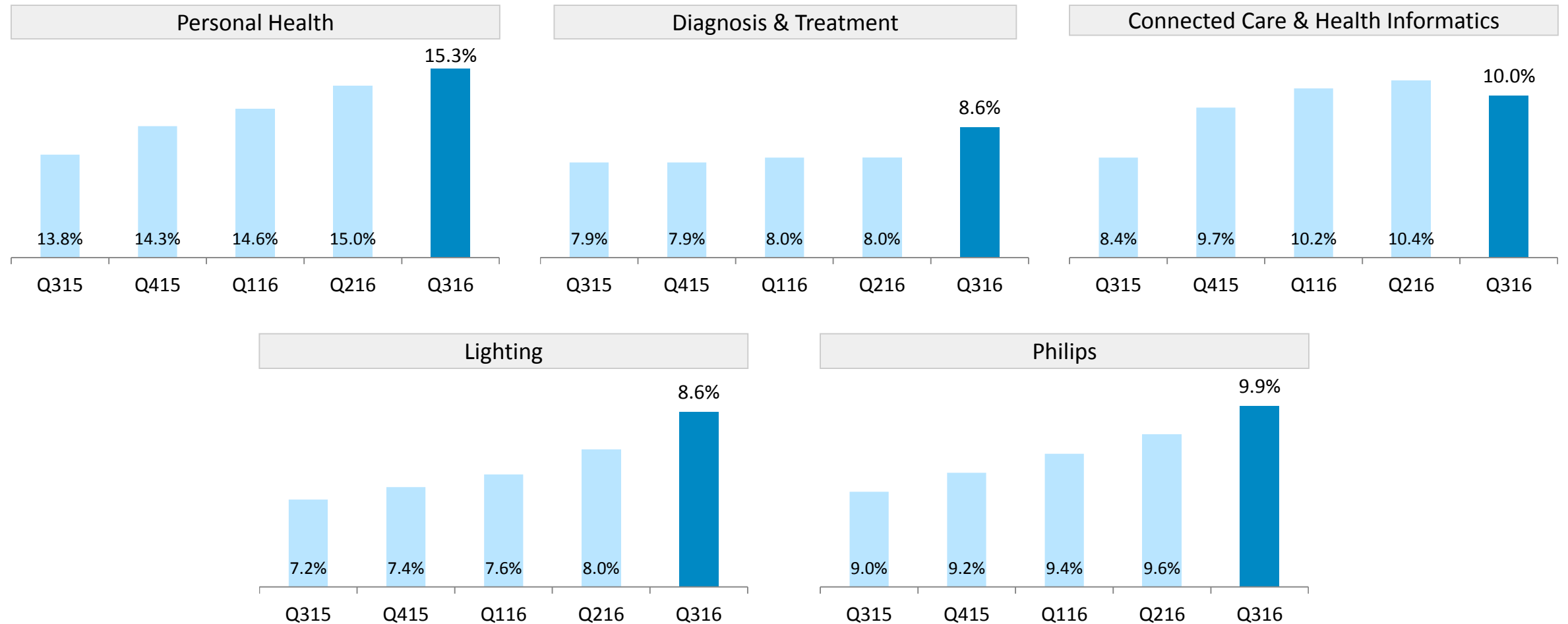
Businesses	Sales (EUR mln)	CSG	Adj. EBITA margin	vs. LY (bps)	EBITA margin	vs. LY (bps)
Personal Health	1,663	+7%	15.2%	+130	15.2%	+330
Diagnosis & Treatment	1,635	+6%	11.3%	+210	10.9%	+420
Connected Care & Health Informatics	742	0%	8.4%	-180	7.8%	-240
HealthTech Other	117	(6)%				
Lighting	1,741	(3)%	10.1%	+250	8.0%	+130
Philips	5,898	+2%	11.0%	+120	9.6%	+220

¹ Sales is calculated over the preceding 12 months.

21 ² Inventories as a % of sales excludes inventories and sales related to acquisitions, divestments and discontinued operations.

Adjusted EBITA¹ margin development

Rolling last 12 months

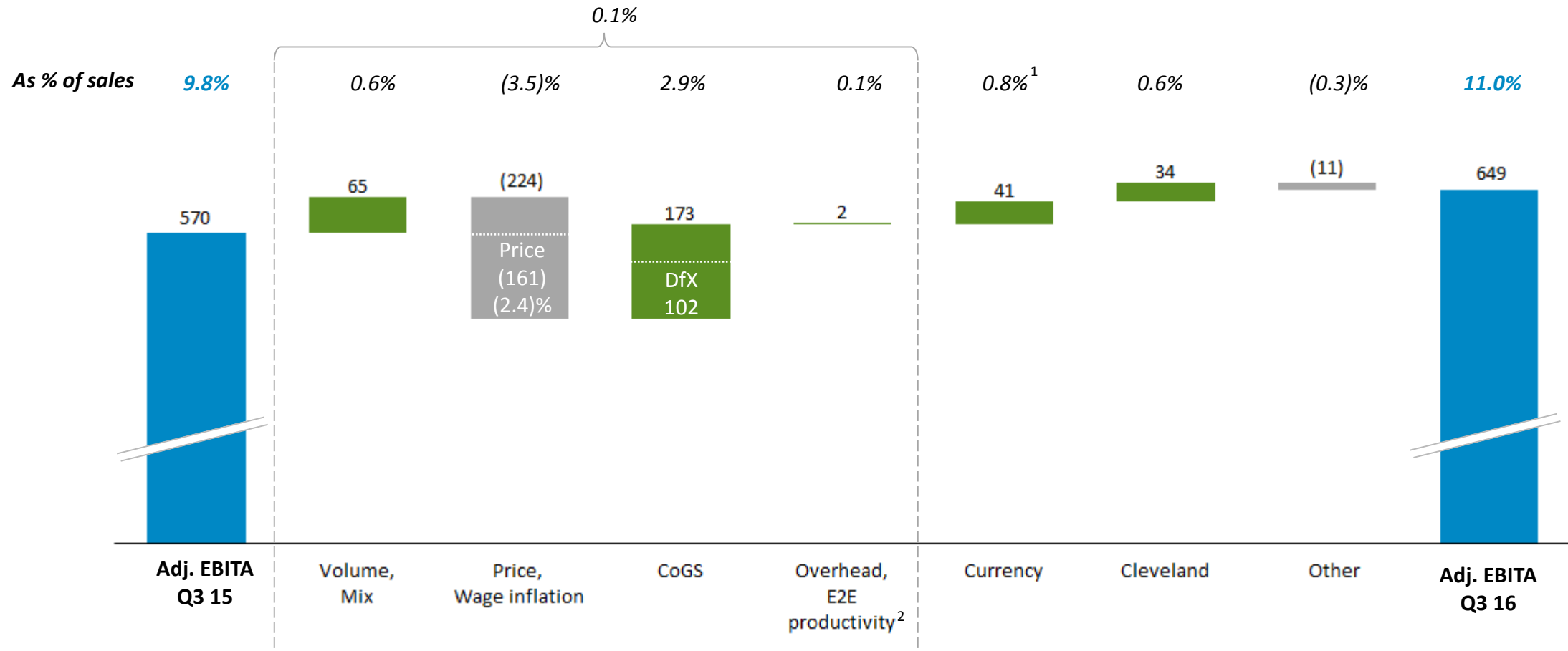


¹ Adjusted EBITA is EBITA excluding restructuring, acquisition-related charges and other items (details on slide 32).

Sales by geography – Q3 2016

	Sales (EUR mln)	Nominal sales growth	Comparable sales growth
Western Europe	1,400	(2)%	0%
North America	2,005	+1%	+1%
Other Mature Geographies	489	+10%	0%
Growth Geographies ¹	2,004	+2%	+6%
Philips	5,898	+1%	+2%

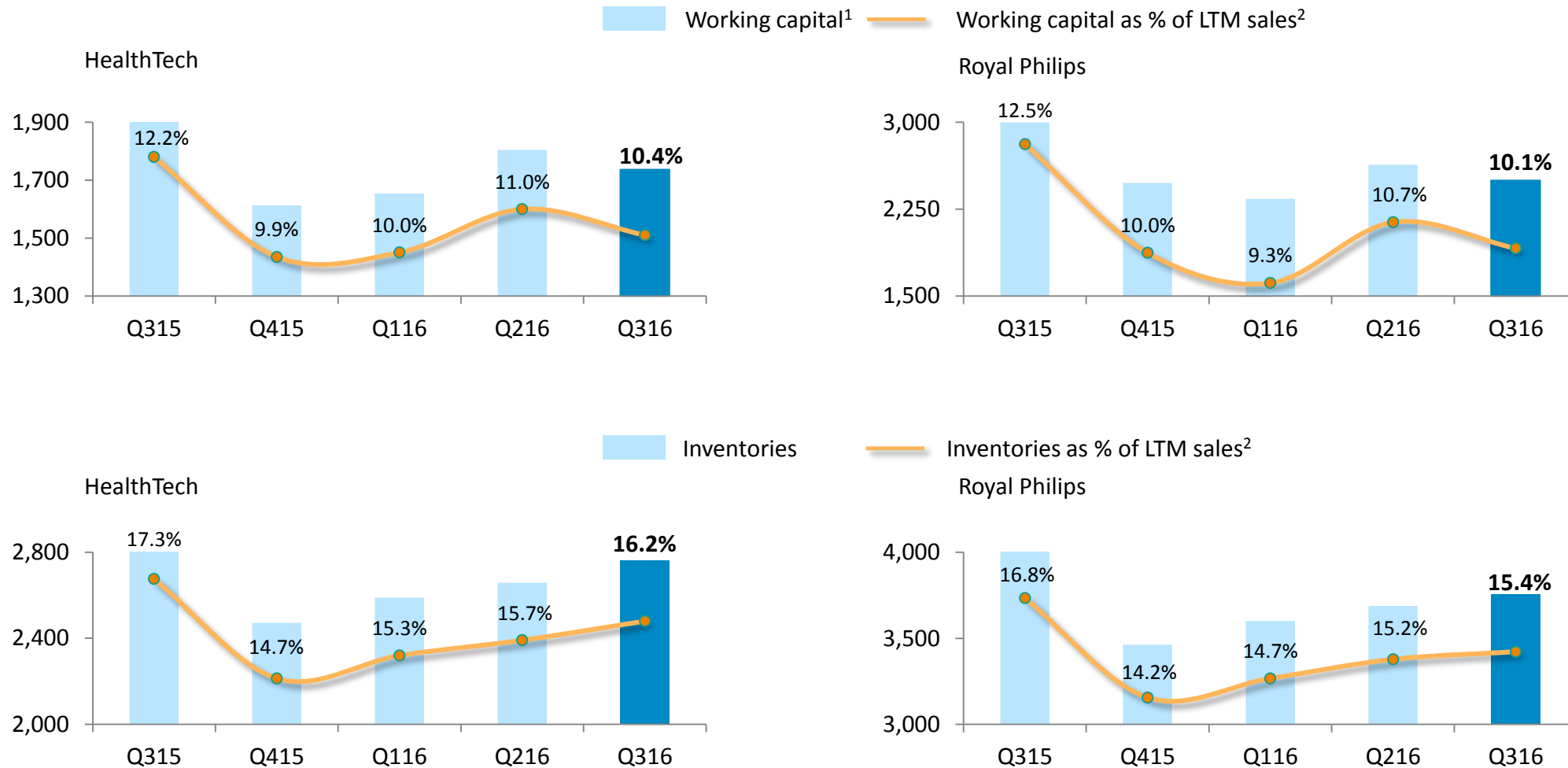
Performance improvements driven by Accelerate!, currency and Cleveland in Q3 2016



24 ¹ Net effect of currency impact on sales and EBITA. ² Net of investments in growth and innovation.

Working capital & inventories

EUR million

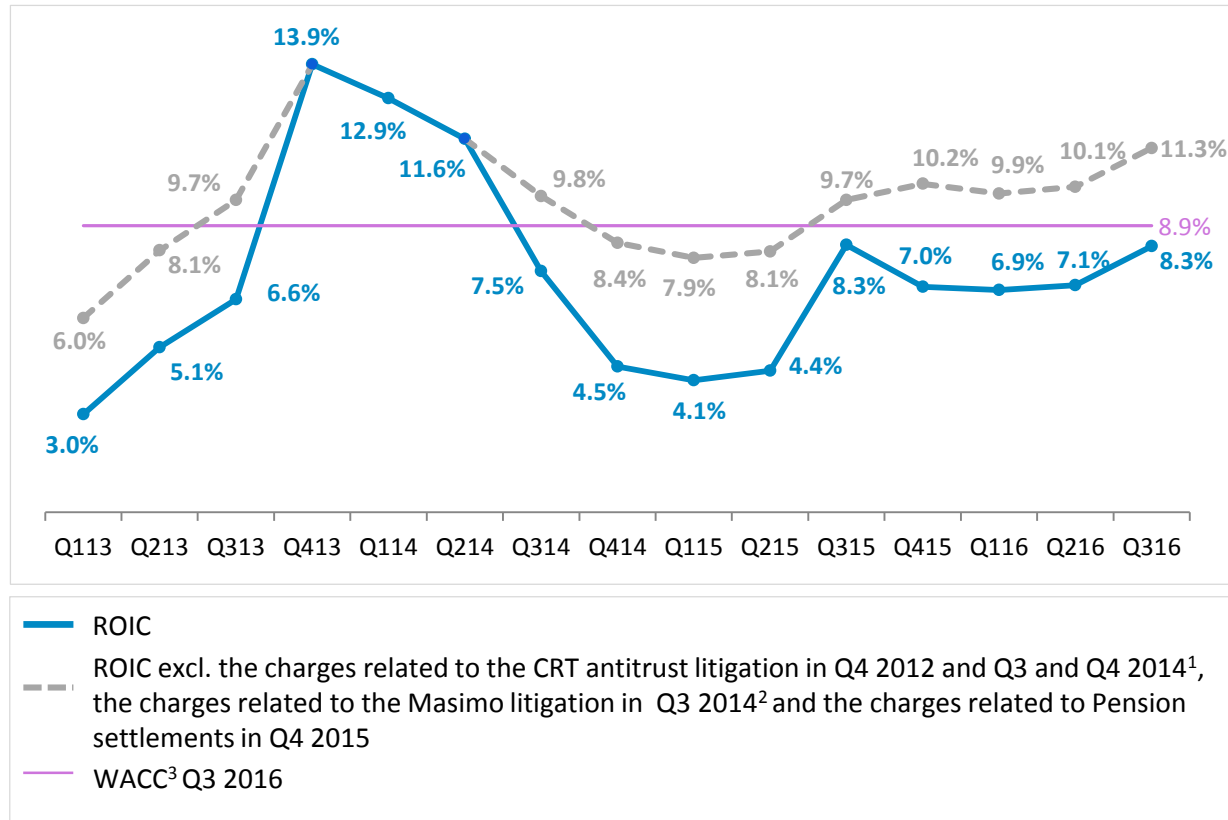


¹ Working capital excluding HealthTech Other and Legacy Items.

² Working capital as a % of last twelve months (LTM) sales and Inventories as a % of LTM sales exclude acquisitions, divestments and discontinued operations.

25 Note: Adjusted to reflect a reclassification of net defined-benefit obligations into Long-term provisions.

Development of Return on Invested Capital (ROIC)



- ROIC was 11.3% in Q3 2016, excluding charges related to pension settlements in the US and the UK in Q4 2015
- This compares to 9.7% in Q3 2015, excluding the charges related to the CRT antitrust litigation¹. The improvement is mainly driven by earnings growth
- The net operating capital prior to Q4 2014 still includes Lumileds and Automotive whereas the EBIAT of those businesses have been excluded from all periods shown

Notes:

Philips calculates ROIC % as: EBIAT/ NOC

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

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

Appendix

Key financials summary

EUR million

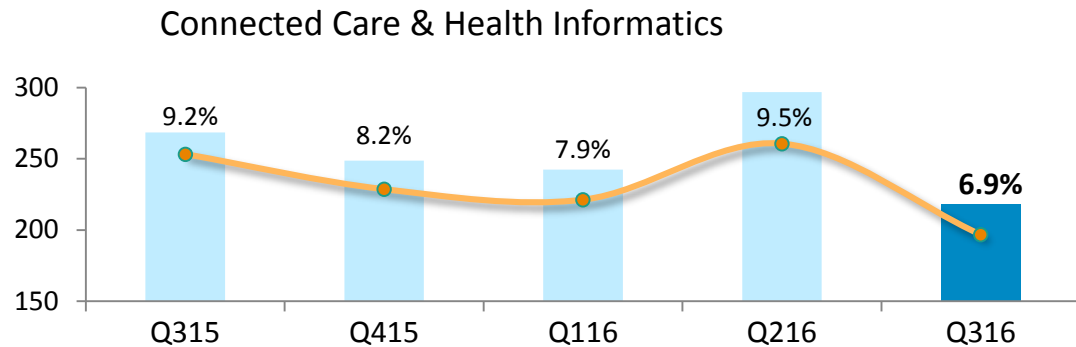
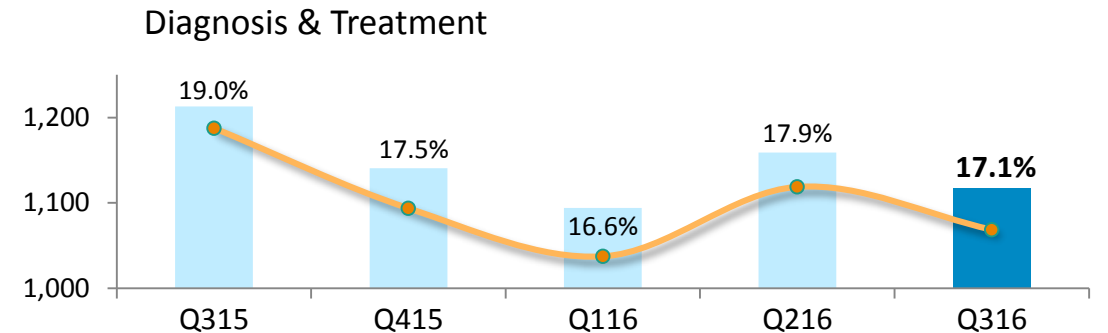
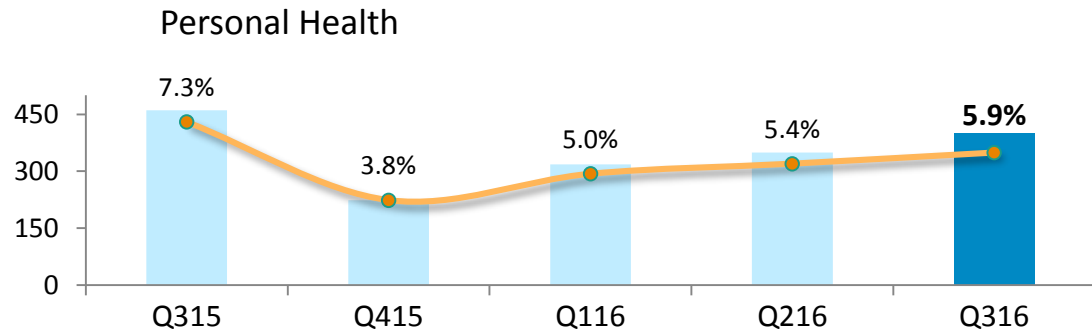
	Q3 2015	Q3 2016
Sales	5,836	5,898
Adjusted EBITA	570 ¹	649 ²
EBITA	429	567
Financial expenses, net	(100)	(202) ³
Income taxes	(8)	(6)
Net income (loss)	324	383
Net Operating Capital	11,427	11,571
Net cash flow from operating activities	281	500
Net capital expenditures	(223)	(220)
Free cash flow	58	280

¹ Q3 2015 excludes EUR (51)M of restructuring and acquisition-related charges and EUR (90)M other incidentals. ² Q3 2016 excludes EUR (59)M of restructuring and acquisition-related charges and EUR (23)M other incidentals.
28 ³ Q3 2016 includes an additional EUR (98)M expenses related to the early debt redemption.

Working capital per segment

EUR million

Working capital Working capital as % of LTM sales¹



¹ Working capital as a % of sales excludes acquisitions and divestments.

Gross capital expenditures & Depreciation

EUR million

Gross CapEx¹

	Q3 2015	Q3 2016	FY 2015
HealthTech	128	93	432
Lighting	6	25	90
Legacy Items	1	0	0
Philips	135	118	522

Depreciation¹

	Q3 2015	Q3 2016	FY 2015
HealthTech	105	104	418
Lighting	45	35	160
Legacy Items	1	0	4
Philips	151	140	582

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

Development cost capitalization & amortization

EUR million

Capitalization

	Q3 2015	Q3 2016	FY 2015
HealthTech	81	79	351
Lighting	6	9	24
Legacy Items	0	0	0
Philips	87	88	375

Amortization

	Q3 2015	Q3 2016	FY 2015
HealthTech	55	56	242
Lighting	8	9	29
Legacy Items	0	0	0
Philips	63	65	271

Restructuring, acquisition-related charges and other items

Incidentals (EUR mln)	Q114	Q214	Q314	Q414	2014	Q115	Q215	Q315	Q415	2015	Q116	Q216	Q316
Restructuring	-	-	(7)	(9)	(16)	(1)	(1)	(1)	(35)	(38)	(2)	(1)	-
Acq.-related charges	-	(1)	1	(1)	(1)	-	1	-	-	1	-	-	-
Other Incidentals	-	-	-	11	11	-	-	(31)	(13)	(44)	-	-	-
Personal Health	-	(1)	(6)	1	(6)	(1)	-	(32)	(48)	(81)	(2)	(1)	-
Restructuring	(9)	(2)	(4)	(32)	(47)	(8)	3	-	(19)	(24)	(1)	-	-
Acq.-related charges	-	-	(1)	(1)	(2)	(24)	(23)	(38)	(22)	(107) ¹	(8)	(7)	(6)
Other Incidentals	-	-	(50)	13	(37)	-	-	-	(7)	(7)	-	-	-
Diagnosis & Treatment	(9)	(2)	(55)	(20)	(86)	(32)	(20)	(38)	(48)	(138)	(9)	(7)	(6)
Restructuring	(10)	-	1	(21)	(30)	(1)	-	-	(36)	(37)	(4)	3	-
Acq.-related charges	-	-	-	-	-	-	-	-	(1)	(1)	-	-	(5)
Other Incidentals	-	-	(366) ²	3	(363)	(28)	-	-	(1)	(29)	-	(4)	1
Connected Care & Health Informatics	(10)	-	(365)	(18)	(393)	(29)	-	-	(38)	(67)	(4)	(1)	(4)
Restructuring	(1)	(1)	(26)	(30)	(58)	4	6	4	5	19	2	(3)	1
Acq.-related charges	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Incidentals	-	-	-	18	18	-	-	-	37	37	-	-	-
HealthTech Other	(1)	(1)	(26)	(12)	(40)	4	6	4	42	56	2	(3)	1
Restructuring	(27)	(21)	(35)	(178)	(261)	(27)	(9)	(14)	(42)	(92)	(18)	(23)	(49)
Acq.-related charges	(3)	(1)	(9)	(7)	(20)	(1)	(2)	(1)	(1)	(5)	(1)	-	-
Other Incidentals	-	-	-	(43) ³	(43)	-	-	-	(14)	(14)	-	-	13
Lighting	(30)	(22)	(44)	(228)	(324)	(28)	(11)	(15)	(57)	(111)	(19)	(23)	(36)
Restructuring	(2)	1	2	-	1	-	2	(2)	1	1	-	-	-
Acq.-related charges	1	(1)	-	-	-	-	(1)	1	-	-	-	-	-
Other Incidentals	-	-	(42)	(204)	(246) ⁴	(11)	(27)	(59)	(431)	(528) ⁵	(52) ⁶	(45) ⁶	(37) ⁶
Legacy Items	(1)	-	(40)	(204)	(245)	(11)	(26)	(60)	(430)	(527)	(52)	(45)	(37)
Restructuring	(49)	(23)	(69)	(270)	(411)	(33)	1	(13)	(126)	(171)	(24)	(24)	(48)
Acq.-related charges	(2)	(3)	(9)	(9)	(23)	(25)	(25)	(38)	(24)	(112)	(8)	(7)	(11)
Other Incidentals	-	-	(458)	(202)	(660)	(39)	(27)	(90)	(429)	(585)	(52)	(49)	(23)
Philips	(51)	(26)	(536)	(481)	(1,094)	(97)	(51)	(141)	(579)	(868)	(84)	(80)	(82)

¹ Includes charges related to the Volcano acquisition. ² Represents charges related to the jury verdict in the Masimo litigation. ³ Includes EUR 68 million of impairment and other charges related to industrial assets and a EUR 13 million past-service pension cost gain in the Netherlands. ⁴ Includes EUR 244 million of charges related to CRT litigation. ⁵ Represents separation costs of EUR 183 million and charges of EUR 345 million related to pension de-risking.

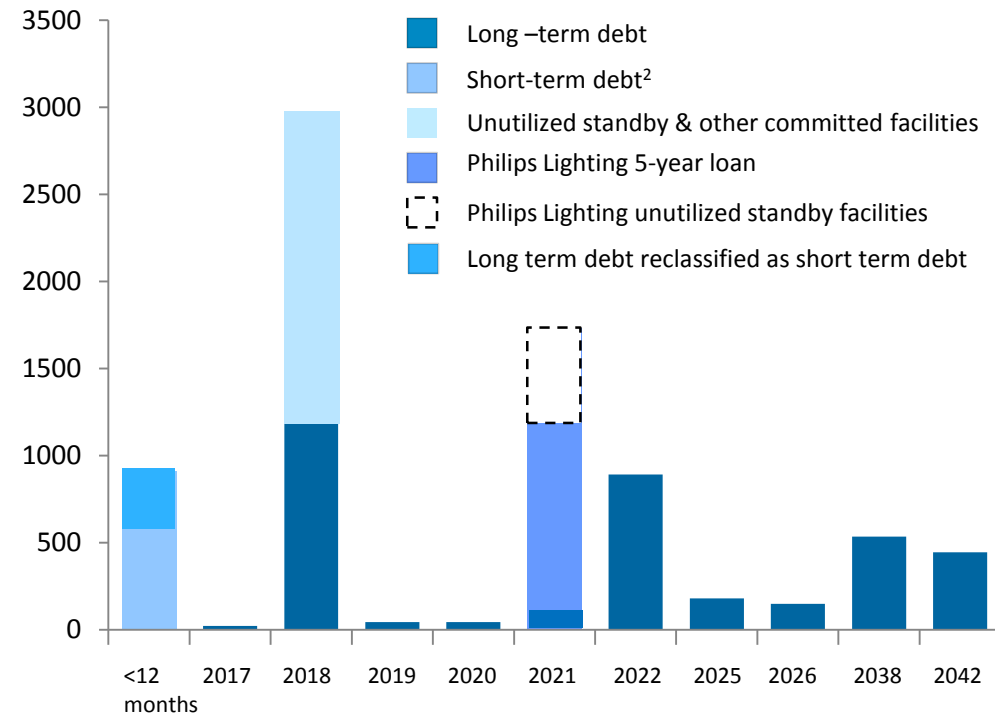
Philips' debt has a long maturity profile

Characteristics of long-term debt

- Total net debt position of EUR 3.9 billion
- Maturities up to 2042
- Average tenor of long-term debt (excl. Philips Lighting) is 9.4 years
- No financial covenants
- Philips Lighting debt includes 5 year loans of EUR 740 million and USD 500 million
- USD 400 million debt was reclassified from long to short term related to early redemption of the debt as announced on September 20, 2016¹

Debt maturity profile as per September 2016

Amounts in EUR millions



¹ In Q4 2016 the reclassification from LT to ST debt will be reversed and the final results of the tender offer as announced on October 19, 2016, will be reflected. Approximately USD 285 million in aggregate principal amount of Notes was accepted for purchase (USD 202 million of 2038 Notes, USD 29 million of 2026 Notes, USD 54 million of 2025 Notes).

² Short term debt includes local credit facilities that are being rolled forward on a continuous basis.

Update funded status pension plans (IFRS basis)

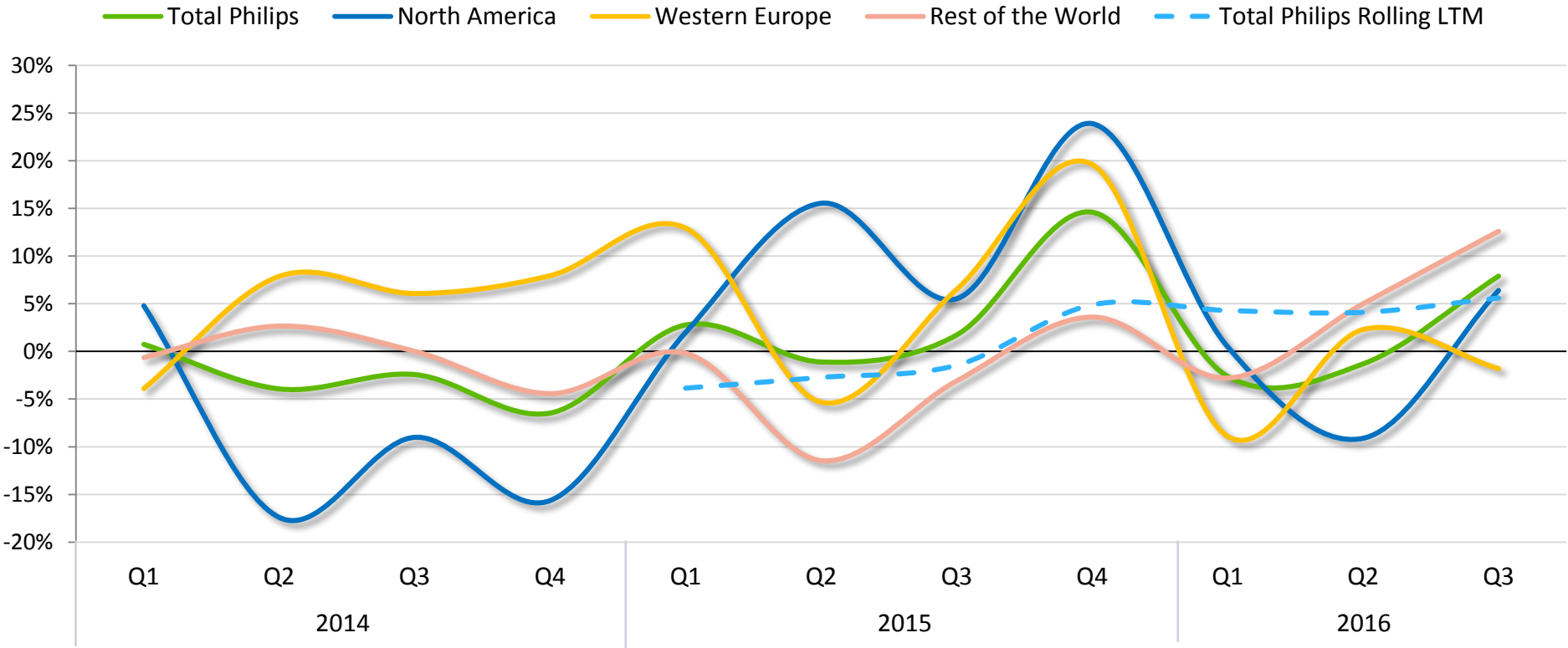
EUR million

	Funded status		Balance sheet position (not reported)	
	June 2016	September 2016	June 2016	September 2016
Major plans	(1,513)	(1,436)	(1,603)	(1,526)
Minor plans	(230)	(230)	(230)	(230)
Total	(1,743)	(1,666)	(1,833)	(1,756)
<i>of which Lighting</i>	<i>(495)</i>	<i>(504)</i>	<i>(513)</i>	<i>(523)</i>
HealthTech	(1,248)	(1,162)	(1,320)	(1,233)

The total funded status improved compared to Q2 2016. Interest rates in Germany stayed approximately the same, while in the US they slightly increased. In Q3, Philips made a cash contribution of EUR 63 million to the US plan related to pension liability de-risking, which had a positive effect on the funded status.

HealthTech: order intake¹

Quarterly currency adjusted order intake growth



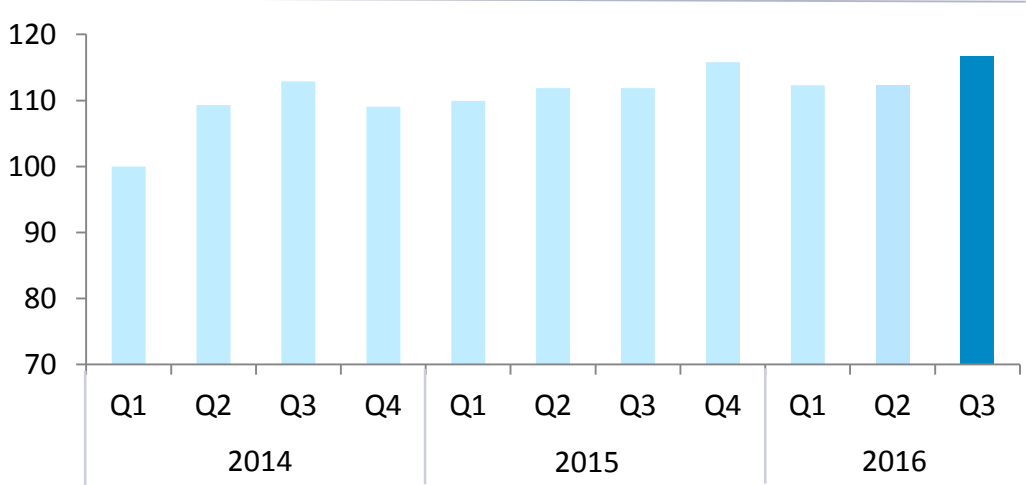
Currency adjusted order intake only relates to Diagnosis & Treatment and Connected Care & Health Informatics

35 ¹ Order intake includes equipment and software orders.

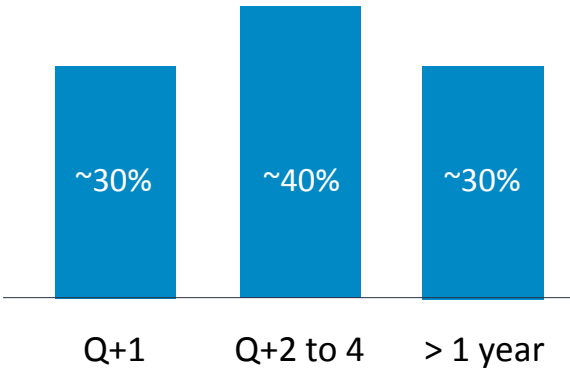


HealthTech: order book

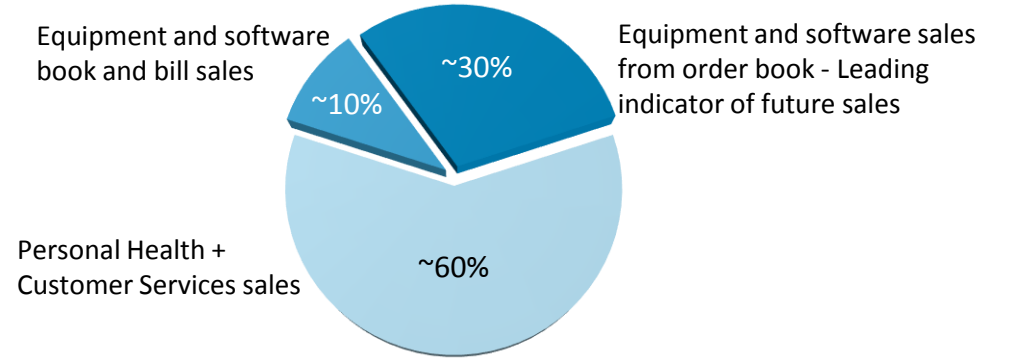
Indexed order book¹ development



Typical profile of order book conversion to sales



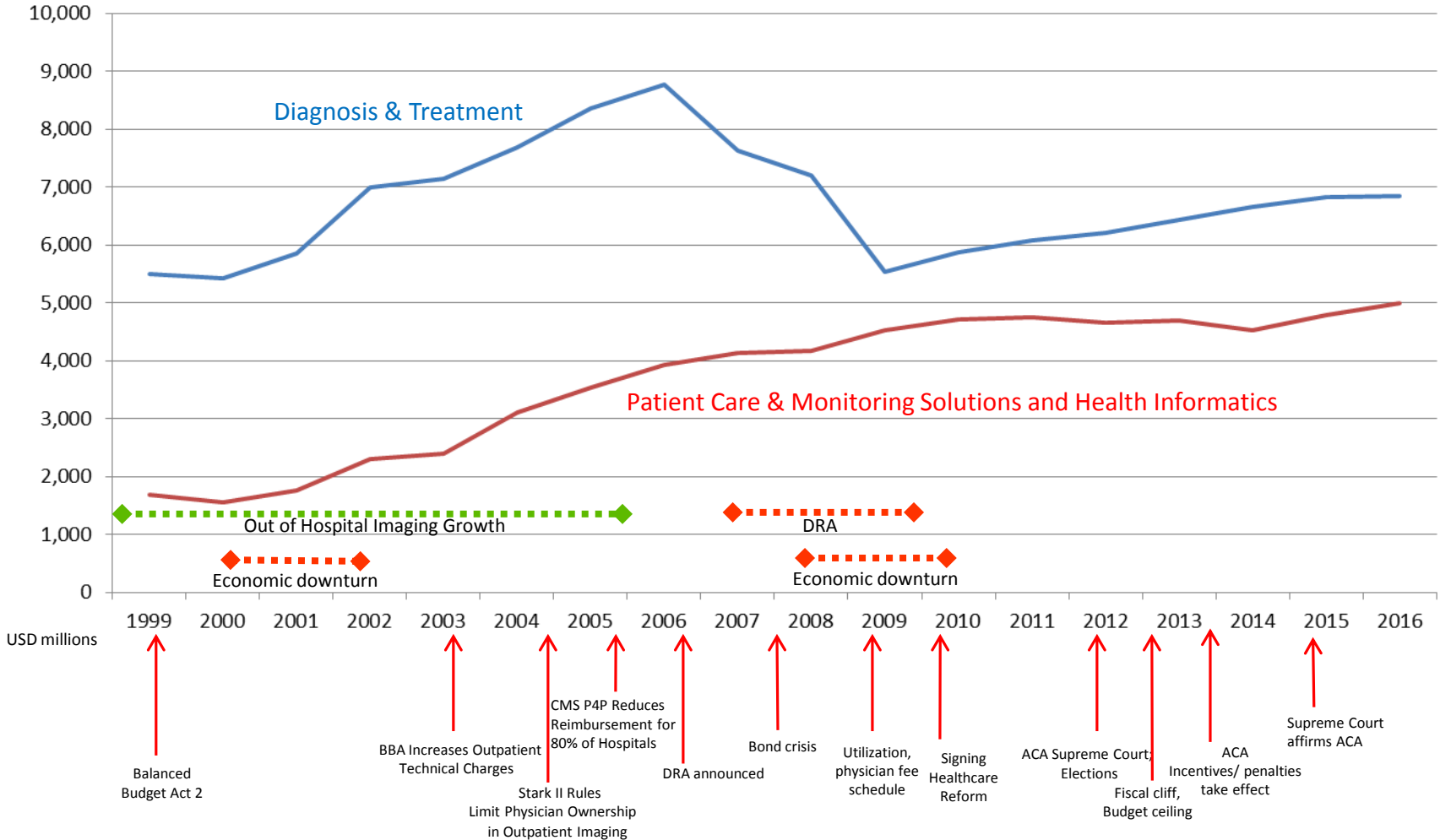
Quarter end order book is a leading indicator for ~30% of sales the following quarters



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

36 ¹ Order intake includes equipment and software orders.

North America healthcare market development¹



The US healthcare market is expected to grow by low-single-digit in 2016

37 ¹ Only refers to equipment market for Diagnosis & Treatment, Patient Care and Monitoring Solutions and Health Informatics



