Important information

Forward-looking statements and other important information

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

These factors include but are not limited to: global economic and business conditions; developments within the euro zone; the successful implementation of Philips’ strategy and the ability to realize the benefits of this strategy; the ability to develop and market new products; changes in legislation; legal claims; changes in currency exchange rates and interest rates; future changes in tax rates and regulations, including tax reform in the US; pension costs and actuarial assumptions; changes in raw materials prices; changes in employee costs; the ability to identify and complete successful acquisitions, and to integrate those acquisitions into the business, including Spectranetics; the ability to successfully exit certain businesses or restructure the operations; the rate of technological changes; cyber-attacks, breaches of cybersecurity, political, economic and other developments in countries where Philips operates; industry consolidation and competition; and the state of international capital markets as they may affect the timing and nature of the disposal by Philips of its remaining interests in Philips Lighting. As a result, Philips’ actual future results may differ materially from the plans, goals and expectations set forth in such forward-looking statements. For a discussion of factors that could cause future results to differ from such forward-looking statements, see the Risk management chapter included in the Annual Report 2017.

Third-party market share data

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

Use of non-GAAP Information

In presenting and discussing the Philips Group’s financial position, operating results and cash flows, management uses certain non-IFRS financial measures. These non-IFRS financial measures should not be viewed in isolation as alternatives to the equivalent IFRS measures and should be used in conjunction with the most directly comparable IFRS measures. Non-IFRS financial measures do not have standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other issuers. A reconciliation of these non-IFRS measures to the most directly comparable IFRS measures is contained in this document. Further information on non-IFRS measures can be found in the Annual Report 2017. As the Philips Group is applying IFRS as its Generally Accepted Accounting Principles (GAAP) we have changed the term non-GAAP information into non-IFRS information.

Use of fair-value measurements

In presenting the Philips Group financial position, fair values are used for the measurement of various items in accordance with the applicable accounting standards. These fair values are based on market prices, where available, and are obtained from sources that are deemed to be reliable. Readers are cautioned that these values are subject to changes over time and are only valid at the balance sheet date. When quoted prices or observable market data are not readily available, fair values are estimated using appropriate valuation models and unobservable inputs. Such fair value estimates require management to make significant assumptions with respect to future developments, which are inherently uncertain and may therefore deviate from actual developments. Critical assumptions used are disclosed in the Annual Report 2017. Independent valuations may have been obtained to support management’s determination of fair values.

All amounts are in millions of euros unless otherwise stated. Due to rounding, amounts may not add up precisely to totals provided. All reported data is unaudited. Financial reporting is in accordance with the accounting policies as stated in the Annual Report 2017, unless otherwise stated. The presentation of certain prior-year information has been reclassified to confirm to the current-year presentation.

Market Abuse Regulation

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

1. Company overview and strategy  
2. Financial outlook  
3. Financial performance in the quarter  
Appendix
Company overview

EUR 17.8 billion sales and Adjusted EBITA of 12.8% ¹

• EUR 1.8 billion for R&D, ~62,000 patents rights, ~38,000 trademarks ³
• More than 1/4th of sales from solutions
• ~77,000 employees in over 100 countries
• Philips retains a 18% stake in Signify, reported as an asset held for sale

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

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

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

¹ All figures based on the last twelve months (LTM) Q3 2018 unless stated otherwise; ² Growth geographies consist of all geographies excluding USA, Canada, Western Europe, Australia, New Zealand, South Korea, Japan and Israel; ³ Based on the full year 2017
A focused HealthTech leader with higher growth and profitability

Key Acquisitions
- 2011: + Volcano
- 2012
- 2013
- 2014
- 2015
- 2016
- 2017: + Spectranetics

Key Divestments
- 2011: - TV
- 2012
- 2013
- 2014: - Lifestyle Entertainment
- 2015
- 2016
- 2017: - Lighting (IPO)
- 2018: - Lumileds/Automotive - Lighting

FY 2011
- Diagnosis & Treatment: 30%
- Connected Care & Health Informatics: 21%
- Personal Health: 10%
- Other: 19%
- TV: 3%

CSG and Adj. EBITA
- 2011: 2%
- 2016: 5%
- 2017: 4%
- LTM Q3 2018: 4.7%
- 2020: 11.0%
- 2020: 12.1%
- 2020: 12.8%

LTM Q3 2018
- Diagnosis & Treatment: 40%
- Connected Care & Health Informatics: 3%
- Personal Health: 17%
- Other: 12%
- TV/LE: 9%

Sales EUR 25.3 billion

Sales EUR 17.8 billion

Key Acquisitions and Divestments:
- Philips retains a 18% stake in Signify, reported as an asset held for sale.
- Lighting includes combined business of Lumileds and Automotive in 2011, Personal Health in 2011 includes Sleep & Respiratory Care portfolio.
Our markets have sustained growth and attractive profit pools

### Markets increasing across segments

<table>
<thead>
<tr>
<th>Segment</th>
<th>2016</th>
<th>2020</th>
<th>2017–2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diagnosis &amp; Treatment</td>
<td>~149</td>
<td>62-63</td>
<td>~190-195</td>
</tr>
<tr>
<td>Connected Care &amp; Health Informatics</td>
<td>47</td>
<td>71-73</td>
<td></td>
</tr>
<tr>
<td>Personal Health</td>
<td>50</td>
<td>57-59</td>
<td></td>
</tr>
</tbody>
</table>

### Market trends

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

---

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

Connected products and services supporting the health and well-being of people
Integrated modalities and clinical informatics to deliver definitive diagnosis
Real-time guidance and smart devices for minimally invasive interventions
Connected therapeutic products and services for chronic care patients

Connecting patients and providers for more effective, coordinated, personalized care
Managing population health, leveraging real-time patient data and clinical analytics

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

**Segments and businesses**

1. **Diagnosis & Treatment**
   - **Diagnostic Imaging**
   - **Ultrasound**
   - **Image-Guided Therapy**
   - **Share of revenues**: 40%

2. **Connected Care & Health Informatics**
   - **Monitoring & Analytics**
   - **Therapeutic Care**
   - **Healthcare Informatics**
   - **Population Health Management**
   - **Share of revenues**: 17%

3. **Personal Health**
   - **Health & Wellness**
   - **Sleep & Respiratory Care**
   - **Personal Care**
   - **Domestic Appliances**
   - **Share of revenues**: 40%

**Key products**

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

**Financials**

<table>
<thead>
<tr>
<th>Segment</th>
<th>Sales (EUR bn)</th>
<th>Adj. EBITA margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diagnosis &amp; Treatment</td>
<td>11.2%</td>
<td>CSG 7%</td>
</tr>
<tr>
<td>Connected Care &amp; Health Informatics</td>
<td>7.1</td>
<td></td>
</tr>
<tr>
<td>Personal Health</td>
<td>12.1%</td>
<td>CSG 1%</td>
</tr>
<tr>
<td></td>
<td>3.1</td>
<td></td>
</tr>
<tr>
<td></td>
<td>17.0%</td>
<td>CSG 4%</td>
</tr>
<tr>
<td></td>
<td>7.2</td>
<td></td>
</tr>
</tbody>
</table>

1 Share of revenues, all figures based on the last twelve months (LTM) Q3 2018
Our strong portfolio has >60% of sales from leadership positions\(^1\)

<table>
<thead>
<tr>
<th>Diagnosis &amp; Treatment</th>
<th>Connected Care &amp; Health Informatics</th>
<th>Personal Health</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diagnostic Imaging</td>
<td>Patient Monitoring</td>
<td>Male Grooming</td>
</tr>
<tr>
<td>Global Top 3</td>
<td>Global Leader</td>
<td>Global Leader</td>
</tr>
<tr>
<td>Ultrasound</td>
<td>ICU Telemedicine</td>
<td>Oral Healthcare</td>
</tr>
<tr>
<td>Global Leader</td>
<td>#1 in North America</td>
<td>Global Leader</td>
</tr>
<tr>
<td>Image-Guided Therapy Systems</td>
<td>Non-invasive Ventilation(^2)</td>
<td>Sleep Care</td>
</tr>
<tr>
<td>Global Leader</td>
<td>Global Leader</td>
<td>Global Leader</td>
</tr>
<tr>
<td>Image-Guided Therapy Devices</td>
<td>Personal Emergency Response</td>
<td>Respiratory Care</td>
</tr>
<tr>
<td>Global Leader</td>
<td>#1 in North America</td>
<td>Global Leader</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Mother &amp; Child Care</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Global Leader</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Healthy Breathing</td>
</tr>
<tr>
<td></td>
<td></td>
<td>#1 in China</td>
</tr>
</tbody>
</table>

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

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

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

Customer

Creating a leading healthcare center
Cross-portfolio equipment
Technology management services
Clinical innovation

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

Connected, consumer-centric health and value creation
Innovation incubator
Solutions delivery
Technology advisor

15-year enterprise agreement, 28 hospitals
Growth in Cardiovascular, Fluoroscopy, Population Health
Executive Governance Board with Innovation Council

Executive Governance Board
Innovative value-added, integrated solutions
Developed to better meet customer needs and capture greater value

Packaged suite of systems, smart devices, software and services

**Image-Guided Therapy solutions**
- Image-Guided Therapy systems
- Smart catheters
- Disease-specific software
- Cath lab management, services, consulting

**Patient monitoring solutions**
- Monitoring
- Cableless measurements, biosensors
- IntelliVue Guardian software
- Integration, services, consulting

**Total sleep management solutions**
- Dream Series therapy devices
- Care Orchestrator Platform
- Patient services
- DreamMapper patient engagement
Solutions and partnership approach is working well
High growth with accretive margins, recurring revenue models

Solutions revenues: double-digit growth
% of total revenue

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

Increase revenue predictability
% recurring revenues

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

**Strategic objectives**

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

**Strong governance and financial discipline**

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

**Rapid post-merger integration to unlock value**

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

**Highlights on progress to date**

- Leveraged Philips global footprint to expand to new geographies (e.g., India, Canada)
- Improved gross margins by 10 percentage points since 2015

- FDA approval for Stellarex (drug-coated balloon)
- Cross-selling opportunities for >500 accounts in the US
- Stellarex sales cross-training to expand US market launch
- Significant procurement savings from Philips contracts
Improve customer experience, operational excellence and productivity

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

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

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

#1 USA ServiceTrak rankings across imaging modalities (2016)
Healthcare design award
Executive collaboration to tackle key challenges
Innovation drives our growth and improves margins

Commitment towards innovation

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

<table>
<thead>
<tr>
<th>Businesses growth</th>
<th>New product sales¹:</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Diagnosis &amp; Treatment: ~40%</td>
<td></td>
</tr>
<tr>
<td>• Connected Care &amp; Health Informatics: ~50%</td>
<td></td>
</tr>
<tr>
<td>• Personal Health: ~25%</td>
<td></td>
</tr>
</tbody>
</table>

| Digital transformation | |
|------------------------|
| • Connected products to enable new business models |
| • Enable online services for consumers and customers |

| Productivity enhancements | |
|---------------------------|
| • Disciplined portfolio and lifecycle management process |
| • Architecture, platform re-use |
| • Drive 40-60 bps in R&D productivity improvements by 2020 |

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

2020 program “Healthy people, sustainable planet”

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

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

<table>
<thead>
<tr>
<th>CEO / CFO</th>
<th>Segment Leaders</th>
<th>Market Leaders</th>
<th>Function Leaders</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CEO</strong> Frans van Houten</td>
<td><strong>Personal Health</strong> Roy Jakobs</td>
<td><strong>Global Markets</strong>¹ Henk de Jong</td>
<td><strong>Innovation &amp; Strategy</strong> Jeroen Tas</td>
</tr>
<tr>
<td><strong>CFO</strong> Abhijit Bhattacharya</td>
<td><strong>Diagnosis &amp; Treatment</strong> Robert Cascella</td>
<td><strong>North America</strong> Vitor Rocha</td>
<td><strong>Operations</strong> Sophie Bechu</td>
</tr>
<tr>
<td></td>
<td><strong>Connected Care &amp; Health Informatics</strong> Carla Kriwet</td>
<td><strong>Greater China</strong> Andy Ho</td>
<td><strong>Legal</strong> Marnix van Ginneken</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td><strong>Human Resources</strong> Ronald de Jong</td>
</tr>
</tbody>
</table>

¹ Excluding North America and Greater China
## Content

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 Appendix
Mid-term targets

Focus on

Growth in core businesses

Growth in adjacencies

Customer and operational excellence

2017-2020 annual targets

4-6% comparable sales growth rate

On average 100bps Adj. EBITA margin improvement annually

Free cash flow generation of ~EUR 1–1.5 billion annually

Organic plans ROIC improvement to mid-to-high-teens ROIC by 2020

Sales

EURO billion

2014 2016 2017 2020E

4% CAGR

4-6% CAGR

Green: Diagnosis & Treatment

Purple: Connected Care & Health Informatics

Blue: Personal Health

1 Comparable compounded annual growth rates
Productivity initiatives of EUR 1.2 billion to drive ~100 basis points annual improvement until 2020

Adj. EBITA step-up drivers

Indicative Adj. EBITA margin, %

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

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

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

• Dividend policy aimed at dividend stability

• EUR 1.5 billion share buyback program for two years started in Q3 2017

• Disciplined but more active approach to M&A, while continuing to adhere to strict return hurdles

• Continue to invest in high ROIC organic growth opportunities

• Continued focus on driving balance sheet efficiency

• Committed to a strong investment grade rating

Total shareholder returns since 2016

<table>
<thead>
<tr>
<th></th>
<th>Royal Philips</th>
<th>HealthTech TSR peer index</th>
<th>EURO STOXX 50</th>
</tr>
</thead>
<tbody>
<tr>
<td>+60%</td>
<td>+32%</td>
<td>+6%</td>
<td></td>
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</tbody>
</table>

Total shareholder returns since 2012

<table>
<thead>
<tr>
<th></th>
<th>Royal Philips</th>
<th>TSR peer index</th>
<th>EURO STOXX 50</th>
</tr>
</thead>
<tbody>
<tr>
<td>+170%</td>
<td>+111%</td>
<td>+69%</td>
<td></td>
</tr>
</tbody>
</table>
Disciplined capital allocation policy
Proven track record

**Dividends**

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

**Share buyback**

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

**Merger & Acquisitions**

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

**Return on Invested Capital**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>ROIC (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q317</td>
<td>13.2%</td>
</tr>
<tr>
<td>Q417</td>
<td>11.9%</td>
</tr>
<tr>
<td>Q118</td>
<td>11.3%</td>
</tr>
<tr>
<td>Q218</td>
<td>10.9%</td>
</tr>
<tr>
<td>Q318</td>
<td>10.6%</td>
</tr>
</tbody>
</table>

WACC 7.6%

1 Aggregate purchase price of the acquisitions excluding Lighting; 2 ROIC % = LTM EBITA/ average NOC over the last 5 quarters; EBITA are earnings before interest after tax; reported tax used to calculate EBITA; 3 ROIC decrease in Q3 2018 is mainly driven by acquisitions and a higher tax charge in the quarter
Content

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Appendix
Q3 2018 performance highlights

- Comparable sales up 4% compared to Q3 2017
- Comparable order intake up 11% compared to Q3 2017
- Adj. EBITA margin of 13.2%, up 40 bps compared to Q3 2017
- Free cash inflow of EUR 52 million, compared to an inflow of EUR 72 million in Q3 2017

<table>
<thead>
<tr>
<th>Sales EUR million</th>
<th>Comparable sales growth</th>
<th>Adj. EBITA margin vs. LY (bps)</th>
<th>Adj. EBITDA margin vs. LY (bps)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diagnosis &amp; Treatment</td>
<td>1,753</td>
<td>+6%</td>
<td>12.1%</td>
</tr>
<tr>
<td>Connected Care &amp; Health Informatics</td>
<td>741</td>
<td>-2%</td>
<td>10.9%</td>
</tr>
<tr>
<td>Personal Health</td>
<td>1,678</td>
<td>+4%</td>
<td>16.6%</td>
</tr>
<tr>
<td>Other</td>
<td>134</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Philips</td>
<td>4,306</td>
<td>+4%</td>
<td>13.2%</td>
</tr>
</tbody>
</table>

| Capital expenditures on property, plant and equipment | 107 | 106 | 420 |
| Capitalization of development costs | 106 | 96 | 405 |
| Depreciation | 108 | 110 | 437 |
| Amortization of acquired intangible assets | 65 | 61 | 260 |
| Amortization of software | 13 | 15 | 50 |
| Amortization of development costs | 92 | 57 | 277 |
Order intake and book\(^1\)

**Comparable order intake growth**

<table>
<thead>
<tr>
<th>Q116</th>
<th>Q216</th>
<th>Q316</th>
<th>Q416</th>
<th>Q117</th>
<th>Q217</th>
<th>Q317</th>
<th>Q417</th>
<th>Q118</th>
<th>Q218</th>
<th>Q318</th>
</tr>
</thead>
<tbody>
<tr>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
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<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

**Indexed order book development**

- Total Philips
- North America
- Western Europe
- Rest of the World
- Total Philips Rolling LTM

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

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

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

Adjusted EBITA bridge for Q3 2018
as a % of sales

Productivity initiatives contributing to mid-term targets

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Procurement</td>
<td>700</td>
<td>72</td>
<td>449</td>
</tr>
<tr>
<td>Other productivity (net)</td>
<td>500</td>
<td>52</td>
<td>364</td>
</tr>
<tr>
<td>Total (net)</td>
<td>1,200</td>
<td>124</td>
<td>813</td>
</tr>
</tbody>
</table>

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

Rolling last twelve months

### Philips

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Q317</th>
<th>Q417</th>
<th>Q118</th>
<th>Q218</th>
<th>Q318</th>
</tr>
</thead>
<tbody>
<tr>
<td>Margin</td>
<td>11.7%</td>
<td>12.1%</td>
<td>12.4%</td>
<td>12.7%</td>
<td>12.8%</td>
</tr>
</tbody>
</table>

### Diagnosis & Treatment

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Q317</th>
<th>Q417</th>
<th>Q118</th>
<th>Q218</th>
<th>Q318</th>
</tr>
</thead>
<tbody>
<tr>
<td>Margin</td>
<td>10.1%</td>
<td>10.4%</td>
<td>10.6%</td>
<td>11.1%</td>
<td>11.2%</td>
</tr>
</tbody>
</table>

### Connected Care & Health Informatics

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Q317</th>
<th>Q417</th>
<th>Q118</th>
<th>Q218</th>
<th>Q318</th>
</tr>
</thead>
<tbody>
<tr>
<td>Margin</td>
<td>11.4%</td>
<td>11.8%</td>
<td>12.4%</td>
<td>12.5%</td>
<td>12.1%</td>
</tr>
</tbody>
</table>

### Personal Health

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Q317</th>
<th>Q417</th>
<th>Q118</th>
<th>Q218</th>
<th>Q318</th>
</tr>
</thead>
<tbody>
<tr>
<td>Margin</td>
<td>16.5%</td>
<td>16.7%</td>
<td>16.8%</td>
<td>17.0%</td>
<td>17.0%</td>
</tr>
</tbody>
</table>

\(^1\) Adjusted EBITA is EBITA excluding restructuring, acquisition-related charges and other items (details on slide 30) on the last twelve months basis.
Appendix
### Restructuring, acquisition-related charges and other items

<table>
<thead>
<tr>
<th>EUR million</th>
<th>Q1 17</th>
<th>Q2 17</th>
<th>Q3 17</th>
<th>Q4 17</th>
<th>2017</th>
<th>Q1 18</th>
<th>Q2 18</th>
<th>Q3 18</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Diagnosis &amp; Treatment</strong></td>
<td>(11)</td>
<td>(31)</td>
<td>(85)</td>
<td>(45)</td>
<td>(173)</td>
<td>(42)</td>
<td>(23)</td>
<td>(20)</td>
</tr>
<tr>
<td>Restructuring &amp; Acq.-related charges</td>
<td>(11)</td>
<td>(31)</td>
<td>(63)</td>
<td>(45)</td>
<td>(151)</td>
<td>(42)</td>
<td>(23)</td>
<td>(20)</td>
</tr>
<tr>
<td>Other items</td>
<td>-</td>
<td>-</td>
<td>(22)</td>
<td>-</td>
<td>(22)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Connected Care &amp; Health Informatics</strong></td>
<td>(25)</td>
<td>(37)</td>
<td>(43)</td>
<td>(17)</td>
<td>(122)</td>
<td>(23)</td>
<td>(34)</td>
<td>(21)</td>
</tr>
<tr>
<td>Other items</td>
<td>(17)</td>
<td>(12)</td>
<td>(18)</td>
<td>16</td>
<td>(31)</td>
<td>(17)</td>
<td>(15)</td>
<td>(13)</td>
</tr>
<tr>
<td><strong>Personal Health</strong></td>
<td>(2)</td>
<td>(1)</td>
<td>-</td>
<td>(8)</td>
<td>(11)</td>
<td>(3)</td>
<td>(22)</td>
<td>(13)</td>
</tr>
<tr>
<td>Restructuring &amp; Acq.-related charges</td>
<td>(2)</td>
<td>(1)</td>
<td>-</td>
<td>(8)</td>
<td>(11)</td>
<td>(3)</td>
<td>(4)</td>
<td>(13)</td>
</tr>
<tr>
<td>Other items</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(18)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>45</td>
<td>(41)</td>
<td>(39)</td>
<td>(25)</td>
<td>(60)</td>
<td>(14)</td>
<td>28</td>
<td>(2)</td>
</tr>
<tr>
<td>Restructuring &amp; Acq.-related charges</td>
<td>(3)</td>
<td>(7)</td>
<td>(32)</td>
<td>(21)</td>
<td>(64)</td>
<td>(13)</td>
<td>(6)</td>
<td>(2)</td>
</tr>
<tr>
<td>Other items</td>
<td>48</td>
<td>(34)</td>
<td>(7)</td>
<td>(4)</td>
<td>4</td>
<td>(1)</td>
<td>34</td>
<td>-</td>
</tr>
<tr>
<td><strong>Philips</strong></td>
<td>6</td>
<td>(111)</td>
<td>(167)</td>
<td>(95)</td>
<td>(366)</td>
<td>(82)</td>
<td>(52)</td>
<td>(56)</td>
</tr>
<tr>
<td>Restructuring costs</td>
<td>(16)</td>
<td>(48)</td>
<td>(73)</td>
<td>(75)</td>
<td>(211)</td>
<td>(41)</td>
<td>(31)</td>
<td>(22)</td>
</tr>
<tr>
<td>Acquisition related charges</td>
<td>(9)</td>
<td>(17)</td>
<td>(47)</td>
<td>(32)</td>
<td>(105)</td>
<td>(23)</td>
<td>(21)</td>
<td>(22)</td>
</tr>
<tr>
<td>Other items</td>
<td>31</td>
<td>(46)</td>
<td>(47)</td>
<td>12</td>
<td>(50)</td>
<td>(18)</td>
<td>-</td>
<td>(13)</td>
</tr>
</tbody>
</table>

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

1. Charges related to quality and regulatory actions. 2. EUR 59 million gain on the sale of real estate assets. 3. Relates to the separation of the Lighting business. 4. EUR 26 million of provisions related to the CRT litigation in the US, EUR 7 million of charges related to the separation of the Lighting business and EUR 5 million of stranded costs related to the combined Lumileds and Automotive businesses. 5. The amount includes the charges related to acquisition of Spectranetics. 6. Charges related to portfolio rationalization measures. 7. Mainly related to the consent decree focused on the defibrillator manufacturing in the U.S. 8. Includes EUR 36 million release of provision related to the Masimo litigation. 9. Provision related to the anticipated conclusion of the European Commission investigation into online price setting. 10. Included a gain of EUR 43 million related to a divestment.
Philips' debt has a long maturity profile

Characteristics of long-term debt

- Total net debt position of EUR 3.6 billion
- Maturities up to 2042
- Average tenor of long-term debt is 10.2 years
- No financial covenants

Debt maturity profile as per September 2018

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

November 8  Capital Markets Day, Amsterdam
November 14  Societe Generale The European ESG/SRI Conference, Paris
November 14  Credit Suisse Healthcare Conference, Scottsdale Arizona
November 29  Evercore HEALTHCONx Healthcare Conference, Boston
December 5-6  Berenberg European Conference, Surrey
January 29, 2019  Fourth quarter results 2018

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