Royal Philips

Fourth Quarter and Annual Results 2014

Information booklet

January 27th, 2015
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 the Annual Report 2013 and the “Risk and uncertainties” section in the semi-annual financial report for the six months ended June 29, 2014.

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’ 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. All reported data is unaudited. Financial reporting is in accordance with the accounting policies as stated in the Annual Report 2013, unless otherwise stated.
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Challenging quarter; Executing Accelerate! and managing headwinds

- Comparable sales amounted to EUR 6.5 billion, down 2% year-on-year
- Comparable sales of Consumer Lifestyle grew by 6% and Lighting posted a 3% decline
- Healthcare comparable sales declined by 3%, equipment order intake down 5%
- Comparable sales in growth geographies down by low-single-digit

- EBITA amounted to a gain of EUR 262 million and included EUR 279 million restructuring and acquisition-related charges and EUR 202 million other incidentals
- Adjusted EBITA was EUR 743 million, or 11.4% of sales, compared to EUR 827 million last year, or 12.9% of sales. The decrease was mainly due to lower results at Healthcare

- Gross overhead cost savings of EUR 35 million. Annualized savings of EUR 284 million
- Net income of EUR 134 million, compared to net income of EUR 412 million in Q4 2013
- EPS was EUR 0.15 compared to EUR 0.44 in Q4 2013

- Inventories as a % of sales increased by 180 basis points to 15.5%, driven by currency, the production ramp-up at Cleveland and the consolidation of GLC in Saudi Arabia
- Free Cash Flow improved to EUR 559 million, compared to EUR 481 million in Q4 2013
- ROIC, excluding charges related to a legacy legal matter and to the jury verdict in the Masimo litigation, was 8.4%, compared to 13.9% excluding the CRT fine in Q4 2013

- By the end of Q4, we completed 41% of the EUR 1.5 billion share buy-back program

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1 Adjusted EBITA in Q413 excludes EUR 38 million restructuring and acquisition-related charges. 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.

Note - Prior-period financials have been restated for the treatment of the combined businesses of Automotive and Lumileds as discontinued operations.
Financial performance Q4 2014: Healthcare

Order intake
- Currency-comparable equipment order intake showed a 5% decline
- Patient Care & Monitoring Solutions had a low-single-digit decline and Imaging Systems showed a mid-single-digit decline

Sales
- Comparable sales declined 3% year-on-year
- Patient Care & Monitoring Solutions and Customer Services grew by mid-single-digit while Healthcare Informatics, Solutions & Services showed a low-single-digit decline. Imaging Systems decreased by double-digit

EBITA & Adjusted EBITA¹
- EBITA amounted to EUR 390 million and included EUR 47 million restructuring and acquisition-related charges and EUR 16 million gains from other incidentals
- Adjusted EBITA was EUR 421 million, or 14.8% of sales, compared to 19.0% last year. 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 (NOC)
- Inventories as a % of sales increased by 270 basis points driven by currency impacts and the production ramp-up at the Cleveland facility
- NOC decreased by EUR 630 million to EUR 7.6 billion on a currency comparable basis

¹ Adjusted EBITA in Q413 excludes EUR 3 million restructuring-related gains.

Operational earnings impacted by Cleveland and currency
Sales

• Comparable sales grew by 6% compared to Q4 2013
• Health & Wellness achieved double-digit growth, while Personal Care recorded mid-single-digit growth and Domestic Appliances posted low-single-digit growth
• Comparable sales in growth geographies showed high-single-digit growth

EBITA & Adjusted EBITA\(^1\)

• EBITA was EUR 251 million, or 16.4% of sales, and included EUR 4 million restructuring & acquisition-related charges and EUR 11 million gains from other incidentals
• Adjusted EBITA was EUR 244 million, or 16.0% of sales, compared to 13.4% in Q4 2013. The increase was largely due to higher volumes and improved gross margins

Net Operating Capital (NOC)

• Inventories as a % of sales increased by 120 basis points
• NOC increased by EUR 30 million to EUR 1.4 billion on a currency comparable basis

Mid-single-digit growth and strong operational leverage

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\(^1\) Adjusted EBITA in Q413 excludes EUR 5 million of restructuring and acquisition-related charges
Financial performance Q4 2014: Lighting

Sales
- Comparable sales were down 3% year-on-year
- Professional Lighting Solutions achieved mid-single-digit growth. Light Sources & Electronics posted a mid-single-digit decline, and Consumer Luminaires recorded a double-digit decline
- LED-based sales grew by 20% compared to Q4 2013 and now represent 37% of sales

EBITA & Adjusted EBITA
- EBITA amounted to a loss of EUR 40 million, including EUR 163 million restructuring & acquisition-related charges and EUR 55 million net loss from other incidentals
- Adjusted EBITA was EUR 178 million, or 9.0% of sales, compared to 8.8% last year.

Net Operating Capital (NOC)
- Inventories as a % of sales increased by 130 basis points year-on-year mainly due to the consolidation of the General Lighting Company (GLC) in Saudi Arabia
- NOC decreased by EUR 1.1 billion to EUR 3.6 billion on a currency comparable basis, due to the reclassification of Lumileds/Automotive as assets held for sale in Q4 2014

Other
- Following the decision to combine Lumileds and Automotive into a stand-alone company and explore options to attract capital from investors, the Profit and Loss of those businesses is now reported under discontinued operations

Operational earnings improve on lower sales volume

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1 Adjusted EBITA in Q413 excludes EUR 29 million of restructuring charges. Note - Prior-period financials have been restated for the treatment of the combined businesses of Automotive and Lumileds as discontinued operations.
Financial performance Q4 2014: by geography

Growth Geographies¹

- Comparable sales declined by 2%, reflecting lower sales at Healthcare and Lighting. Solid growth in Latin America and Middle East & Turkey was offset by a double-digit decline in China
- Healthcare comparable equipment order intake grew by low-single-digit, with strong performances in Russia & Central Asia, Middle East & Turkey and Africa, partly offset by a double-digit decline in China and Latin America

North America

- Comparable sales were flat year-on-year. A low-single-digit decline in Healthcare was offset by mid-single-digit sales growth in Consumer Lifestyle and flat sales in Lighting
- Healthcare comparable equipment order intake decreased by double-digits, reflecting challenging market conditions and the Cleveland facility impact

Western Europe

- Comparable sales were flat year-on-year. A low-single-digit decline in Healthcare was offset by mid-single-digit sales growth in Consumer Lifestyle and flat sales in Lighting
- Healthcare comparable equipment order intake grew by mid-single-digit

Growth geographies performance impacted by China

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

Note - Prior-period financials have been restated for the treatment of the combined businesses of Automotive and Lumileds as discontinued operations.
Key financials summary – Q4 2014 and FY 2014

EUR million

<table>
<thead>
<tr>
<th></th>
<th>Q4 2013</th>
<th>Q4 2014</th>
<th>FY 2013</th>
<th>FY 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>6,401</td>
<td>6,536</td>
<td>21,990</td>
<td>21,391</td>
</tr>
<tr>
<td>Adjusted EBITA</td>
<td>827</td>
<td>743</td>
<td>2,308</td>
<td>1,915</td>
</tr>
<tr>
<td>EBITA</td>
<td>789^1</td>
<td>262^1</td>
<td>2,276^2</td>
<td>821^2</td>
</tr>
<tr>
<td>Financial income and expenses</td>
<td>(77)</td>
<td>(78)</td>
<td>(330)</td>
<td>(301)</td>
</tr>
<tr>
<td>Income taxes</td>
<td>(161)</td>
<td>(16)</td>
<td>(466)</td>
<td>(26)</td>
</tr>
<tr>
<td>Net income</td>
<td>412</td>
<td>134</td>
<td>1,172</td>
<td>411</td>
</tr>
<tr>
<td>Net Operating Capital</td>
<td>10,238</td>
<td>8,838</td>
<td>10,238</td>
<td>8,838</td>
</tr>
<tr>
<td>Net cash flow from operating activities</td>
<td>746</td>
<td>841</td>
<td>912</td>
<td>1,303</td>
</tr>
<tr>
<td>Net capital expenditures</td>
<td>(265)</td>
<td>(282)</td>
<td>(830)</td>
<td>(806)</td>
</tr>
<tr>
<td>Free cash flow</td>
<td>481</td>
<td>559</td>
<td>82</td>
<td>497</td>
</tr>
</tbody>
</table>

1 Q4 2014 includes EUR (279)M of restructuring and acquisition-related charges and EUR (202) million other incidentals; Q4 2013 includes EUR (38)M of restructuring and acquisition-related charges.2 FY 2014 includes EUR (434)M of restructuring and acquisition-related charges and EUR (660)M in other net losses, FY 2013 includes EUR (100)M of restructuring and acquisition-related charges and EUR 68M in other gains.

Note - Prior-period financials have been restated for the treatment of the combined businesses of Automotive and Lumileds as discontinued operations.
## Sales by sector – Q4 2014

**EUR million**

<table>
<thead>
<tr>
<th></th>
<th>Q4 2013</th>
<th>Q4 2014</th>
<th>% nom</th>
<th>% comp</th>
</tr>
</thead>
<tbody>
<tr>
<td>Healthcare</td>
<td>2,828</td>
<td>2,849</td>
<td>1</td>
<td>(3)</td>
</tr>
<tr>
<td>Consumer Lifestyle</td>
<td>1,428</td>
<td>1,528</td>
<td>7</td>
<td>6</td>
</tr>
<tr>
<td>Lighting</td>
<td>1,921</td>
<td>1,975</td>
<td>3</td>
<td>(3)</td>
</tr>
<tr>
<td>Innovation, Group &amp; Services</td>
<td>224</td>
<td>184</td>
<td>(18)</td>
<td>(21)</td>
</tr>
<tr>
<td>Philips Group</td>
<td>6,401</td>
<td>6,536</td>
<td>2</td>
<td>(2)</td>
</tr>
</tbody>
</table>

Note - Prior-period financials have been restated for the treatment of the combined businesses of Automotive and Lumileds as discontinued operations.
Sales by sector – FY 2014

<table>
<thead>
<tr>
<th>Sector</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>% nom</th>
<th>% comp</th>
</tr>
</thead>
<tbody>
<tr>
<td>Healthcare</td>
<td>9,575</td>
<td>9,186</td>
<td>(4)</td>
<td>(2)</td>
</tr>
<tr>
<td>Consumer Lifestyle</td>
<td>4,605</td>
<td>4,731</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td>Lighting</td>
<td>7,145</td>
<td>6,869</td>
<td>(4)</td>
<td>(3)</td>
</tr>
<tr>
<td>Innovation, Group &amp; Services</td>
<td>665</td>
<td>605</td>
<td>(9)</td>
<td>(12)</td>
</tr>
<tr>
<td>Philips Group</td>
<td>21,990</td>
<td>21,391</td>
<td>(3)</td>
<td>(1)</td>
</tr>
</tbody>
</table>

Note - Prior-period financials have been restated for the treatment of the combined businesses of Automotive and Lumileds as discontinued operations.
# Sales by geography – Q4 2014

**EUR million**

<table>
<thead>
<tr>
<th></th>
<th>Q4 2013</th>
<th>Q4 2014</th>
<th>% nom</th>
<th>% comp</th>
</tr>
</thead>
<tbody>
<tr>
<td>Western Europe</td>
<td>1,766</td>
<td>1,776</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>North America</td>
<td>1,855</td>
<td>1,981</td>
<td>7</td>
<td>-</td>
</tr>
<tr>
<td>Other mature geographies</td>
<td>509</td>
<td>451</td>
<td>(11)</td>
<td>(12)</td>
</tr>
<tr>
<td>Growth geographies(^1)</td>
<td>2,271</td>
<td>2,328</td>
<td>3</td>
<td>(2)</td>
</tr>
<tr>
<td>Philips Group</td>
<td>6,401</td>
<td>6,536</td>
<td>2</td>
<td>(2)</td>
</tr>
</tbody>
</table>

\(^1\) Growth geographies are all geographies excluding USA, Canada, Western Europe, Australia, New Zealand, South Korea, Japan and Israel.

Note - Prior-period financials have been restated for the treatment of the combined businesses of Automotive and Lumileds as discontinued operations.
Sales by geography – FY 2014

EUR million

<table>
<thead>
<tr>
<th></th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>% nom</th>
<th>% comp</th>
</tr>
</thead>
<tbody>
<tr>
<td>Western Europe</td>
<td>5,680</td>
<td>5,666</td>
<td>(0)</td>
<td>(1)</td>
</tr>
<tr>
<td>North America</td>
<td>6,883</td>
<td>6,678</td>
<td>(3)</td>
<td>(2)</td>
</tr>
<tr>
<td>Other mature...</td>
<td>1,759</td>
<td>1,660</td>
<td>(6)</td>
<td>(1)</td>
</tr>
<tr>
<td>Growth geographies¹</td>
<td>7,668</td>
<td>7,388</td>
<td>(4)</td>
<td>-</td>
</tr>
<tr>
<td>Philips Group</td>
<td>21,990</td>
<td>21,391</td>
<td>(3)</td>
<td>(1)</td>
</tr>
</tbody>
</table>

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

Note - Prior-period financials have been restated for the treatment of the combined businesses of Automotive and Lumileds as discontinued operations.
Sales growth development

Trend Q4 2012 – Q4 2014

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

Note - Prior-period financials have been restated for the treatment of the combined businesses of Automotive and Lumileds as discontinued operations.
Sales in growth geographies\(^1\)

Last twelve months and Q4 2014

\(^1\) Growth geographies are all geographies excluding USA, Canada, Western Europe, Australia, New Zealand, South Korea, Japan and Israel

Note - Prior-period financials have been restated for the treatment of the combined businesses of Automotive and Lumileds as discontinued operations.
EBITA by sector – Q4 2014

EUR million

<table>
<thead>
<tr>
<th>Sector</th>
<th>Q4 2013</th>
<th></th>
<th>Q4 2014</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>as % of sales</td>
<td></td>
<td>as % of sales</td>
</tr>
<tr>
<td>Healthcare¹</td>
<td>541</td>
<td>19.1%</td>
<td>390</td>
<td>13.7%</td>
</tr>
<tr>
<td>Consumer Lifestyle²</td>
<td>187</td>
<td>13.1%</td>
<td>251</td>
<td>16.4%</td>
</tr>
<tr>
<td>Lighting³</td>
<td>140</td>
<td>7.3%</td>
<td>(40)</td>
<td>(2.0%)</td>
</tr>
<tr>
<td>Innovation, Group &amp; Services⁴</td>
<td>(79)</td>
<td>-</td>
<td>(339)</td>
<td>-</td>
</tr>
<tr>
<td>Philips Group</td>
<td>789</td>
<td>12.3%</td>
<td>262</td>
<td>4.0%</td>
</tr>
</tbody>
</table>

¹ Q4 2014 includes EUR (47)M of restructuring and acquisition-related charges and EUR 16M in other gains; Q4 2013 includes EUR 3M in restructuring-related gains.  
² Q4 2014 includes EUR (4)M of restructuring and acquisition-related charges and EUR 11M in other gains; Q4 2013 includes EUR (5)M of restructuring and acquisition-related charges.  
³ Q4 2014 includes EUR (163)M of restructuring and acquisition-related charges and EUR (55)M other net losses; Q4 2013 includes EUR (29)M of restructuring charges.  
⁴ Q4 2014 includes EUR (65)M restructuring charges and EUR (174)M in other incidentals; Q4 2013 includes EUR (7)M of restructuring charges.

Note - Prior-period financials have been restated for the treatment of the combined businesses of Automotive and Lumileds as discontinued operations.
### EBITA by sector – FY 2014

**EUR million**

<table>
<thead>
<tr>
<th>Sector</th>
<th>FY 2013</th>
<th>as % of sales</th>
<th>FY 2014</th>
<th>as % of sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Healthcare(^1)</td>
<td>1,512</td>
<td>15.8%</td>
<td>616</td>
<td>6.7%</td>
</tr>
<tr>
<td>Consumer Lifestyle(^2)</td>
<td>483</td>
<td>10.5%</td>
<td>573</td>
<td>12.1%</td>
</tr>
<tr>
<td>Lighting(^3)</td>
<td>580</td>
<td>8.1%</td>
<td>293</td>
<td>4.3%</td>
</tr>
<tr>
<td>Innovation, Group &amp; Services(^4)</td>
<td>(299)</td>
<td>-</td>
<td>(661)</td>
<td>-</td>
</tr>
<tr>
<td>Philips Group</td>
<td>2,276</td>
<td>10.4%</td>
<td>821</td>
<td>3.8%</td>
</tr>
</tbody>
</table>

\(^1\) FY 2014 includes EUR (70)M of restructuring and acquisition-related charges and EUR (399)M in other net losses; FY 2013 includes EUR 82M in other gains.

\(^2\) FY 2014 includes EUR (9)M of restructuring and acquisition-related charges and EUR 11M in other gains; FY 2013 includes EUR (14)M of restructuring and acquisition-related charges and EUR 1M in other gains.

\(^3\) FY 2014 includes EUR (245)M of restructuring and acquisition-related charges and EUR (55)M other net losses; FY 2013 includes EUR (83)M of restructuring & acquisition-related charges and EUR 10M of other gains.


Note - Prior-period financials have been restated for the treatment of the combined businesses of Automotive and Lumileds as discontinued operations.
Adjusted EBITA by sector – Q4 2014

EUR million

<table>
<thead>
<tr>
<th></th>
<th>Q4 2013</th>
<th>as % of sales</th>
<th>Q4 2014</th>
<th>as % of sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Healthcare¹</td>
<td>538</td>
<td>19.0%</td>
<td>421</td>
<td>14.8%</td>
</tr>
<tr>
<td>Consumer Lifestyle²</td>
<td>192</td>
<td>13.4%</td>
<td>244</td>
<td>16.0%</td>
</tr>
<tr>
<td>Lighting³</td>
<td>169</td>
<td>8.8%</td>
<td>178</td>
<td>9.0%</td>
</tr>
<tr>
<td>Innovation, Group &amp; Services⁴</td>
<td>(72)</td>
<td>-</td>
<td>(100)</td>
<td>-</td>
</tr>
<tr>
<td>Philips Group</td>
<td>827</td>
<td>12.9%</td>
<td>743</td>
<td>11.4%</td>
</tr>
</tbody>
</table>

¹ Q4 2014 excludes EUR (47)M of restructuring and acquisition-related charges and EUR 16M in other gains; Q4 2013 excludes EUR 3M in restructuring-related gains.
² Q4 2014 excludes EUR (4)M of restructuring and acquisition-related charges and EUR 11M in other gains; Q4 2013 excludes EUR (5)M of restructuring and acquisition-related charges.
⁴ Q4 2014 excludes EUR (65)M restructuring charges and EUR (174)M in other incidentals; Q4 2013 excludes EUR (7)M of restructuring charges.

Note - Prior-period financials have been restated for the treatment of the combined businesses of Automotive and Lumileds as discontinued operations.
## Adjusted EBITA by sector – FY 2014

**EUR million**

<table>
<thead>
<tr>
<th>Sector</th>
<th>FY 2013</th>
<th>FY 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Healthcare</td>
<td>1,430</td>
<td>1,085</td>
</tr>
<tr>
<td>(as % of sales)</td>
<td>14.9%</td>
<td>11.8%</td>
</tr>
<tr>
<td>Consumer Lifestyle</td>
<td>496</td>
<td>571</td>
</tr>
<tr>
<td>(as % of sales)</td>
<td>10.8%</td>
<td>12.1%</td>
</tr>
<tr>
<td>Lighting</td>
<td>653</td>
<td>593</td>
</tr>
<tr>
<td>(as % of sales)</td>
<td>9.1%</td>
<td>8.6%</td>
</tr>
<tr>
<td>Innovation, Group &amp; Services</td>
<td>(271)</td>
<td>(334)</td>
</tr>
<tr>
<td></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Philips Group</td>
<td>2,308</td>
<td>1,915</td>
</tr>
<tr>
<td>(as % of sales)</td>
<td>10.5%</td>
<td>9.0%</td>
</tr>
</tbody>
</table>

1. FY 2014 excludes EUR (70)M of restructuring and acquisition-related charges and EUR (399)M in other losses; FY 2013 excludes EUR 82M in other gains.
2. FY 2014 excludes EUR (9)M of restructuring and acquisition-related charges and EUR 11M in other gains; FY 2013 excludes EUR (14)M of restructuring and acquisition-related charges and EUR 1M in other gains.

Note - Prior-period financials have been restated for the treatment of the combined businesses of Automotive and Lumileds as discontinued operations.
Accelerate! improves operational performance and partially offsets headwinds in Q4 2014

Note - Prior-period financials have been restated for the treatment of the combined businesses of Automotive and Lumileds as discontinued operations.
Accelerate! improves operational performance and partially offsets headwinds in 2014

Note - Prior-period financials have been restated for the treatment of the combined businesses of Automotive and Lumileds as discontinued operations.
EBITA and Adjusted EBITA Margin development

Trend Q4 2012 – Q4 2014

Adjusted EBITA is EBITA excluding restructuring, acquisition-related charges and other items (details on slide 103).

Note - Prior-period financials have been restated for the treatment of the combined businesses of Automotive and Lumileds as discontinued operations.
EBITA and Adjusted EBITA Margin development

Rolling last 12 months

Adjusted EBITA is EBITA excluding restructuring, acquisition-related charges and other items (details on slide 103).

Note - Prior-period financials have been restated for the treatment of the combined businesses of Automotive and Lumileds as discontinued operations.
Working capital & Inventories

EUR million

Working capital as % of sales\(^1, 2\)

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Working capital</th>
<th>Working capital as % of LTM sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>4Q12</td>
<td>8.2%</td>
<td></td>
</tr>
<tr>
<td>1Q13</td>
<td>6.5%</td>
<td></td>
</tr>
<tr>
<td>2Q13</td>
<td>7.7%</td>
<td></td>
</tr>
<tr>
<td>3Q13</td>
<td>8.3%</td>
<td></td>
</tr>
<tr>
<td>4Q13</td>
<td>9.3%</td>
<td></td>
</tr>
<tr>
<td>1Q14</td>
<td>10.5%</td>
<td></td>
</tr>
<tr>
<td>2Q14</td>
<td>10.5%</td>
<td></td>
</tr>
<tr>
<td>3Q14</td>
<td>11.7%</td>
<td></td>
</tr>
<tr>
<td>4Q14</td>
<td>11.3%</td>
<td></td>
</tr>
</tbody>
</table>

Inventories as % of sales\(^2\)

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Inventories</th>
<th>Inventories as % of LTM sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>4Q12</td>
<td>15.1%</td>
<td></td>
</tr>
<tr>
<td>1Q13</td>
<td>15.5%</td>
<td></td>
</tr>
<tr>
<td>2Q13</td>
<td>15.7%</td>
<td></td>
</tr>
<tr>
<td>3Q13</td>
<td>16.6%</td>
<td></td>
</tr>
<tr>
<td>4Q13</td>
<td>14.1%</td>
<td></td>
</tr>
<tr>
<td>1Q14</td>
<td>15.1%</td>
<td></td>
</tr>
<tr>
<td>2Q14</td>
<td>16.2%</td>
<td></td>
</tr>
<tr>
<td>3Q14</td>
<td>17.7%</td>
<td></td>
</tr>
<tr>
<td>4Q14</td>
<td>15.9%</td>
<td></td>
</tr>
</tbody>
</table>

\(^1\) Working capital as % of sales of Healthcare, Consumer Lifestyle and Lighting; excluding IG&S. \(^2\)Excludes discontinued operations

Note - Prior-period financials have been restated for the treatment of the combined businesses of Automotive and Lumileds as discontinued operations. Financials in 2012 revised for discontinued operations, the adoption of IAS19R and for restatements included in the Annual Report 2012.
Working capital per business sector

EUR million

1 Excludes working capital of discontinued operations;
Note - Prior-period financials have been restated for the treatment of the combined businesses of Automotive and Lumileds as discontinued operations. Financials in 2012 revised for discontinued operations, the adoption of IAS19R and for restatements included in the Annual Report 2012.
## Free Cash Flow – Q4 2014

**EUR million**

<table>
<thead>
<tr>
<th>Description</th>
<th>Q4 2013</th>
<th>Q4 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income from continuing operations</td>
<td>343</td>
<td>67</td>
</tr>
<tr>
<td>Depreciation, amortization, and impairments of fixed assets</td>
<td>366</td>
<td>393</td>
</tr>
<tr>
<td>Interest income and expense/ Income tax expense</td>
<td>208</td>
<td>68</td>
</tr>
<tr>
<td>Net gain on sale of assets</td>
<td>5</td>
<td>(9)</td>
</tr>
<tr>
<td>Changes in working capital, of which:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- changes in receivables and other current assets</td>
<td>(190)</td>
<td>27</td>
</tr>
<tr>
<td>- changes in inventories</td>
<td>466</td>
<td>399</td>
</tr>
<tr>
<td>- changes in accounts payable, accrued and other liabilities</td>
<td>(571)</td>
<td>(77)</td>
</tr>
<tr>
<td>Increase in non-current receivables, other assets and other liabilities</td>
<td>(36)</td>
<td>(114)</td>
</tr>
<tr>
<td>Decrease in provisions</td>
<td>53</td>
<td>230</td>
</tr>
<tr>
<td>Interest paid and received/ Income taxes paid</td>
<td>(90)</td>
<td>(71)</td>
</tr>
<tr>
<td>Others</td>
<td>202</td>
<td>(72)</td>
</tr>
<tr>
<td><strong>Net cash flow from operating activities</strong></td>
<td>746</td>
<td>841</td>
</tr>
<tr>
<td>Purchase of intangible assets/ Expenditures on development assets</td>
<td>(113)</td>
<td>(144)</td>
</tr>
<tr>
<td>Capital expenditures on property, plant and equipment</td>
<td>(156)</td>
<td>(153)</td>
</tr>
<tr>
<td>Proceeds from disposals of property, plant and equipment</td>
<td>4</td>
<td>15</td>
</tr>
<tr>
<td><strong>Net capital expenditures</strong></td>
<td>(265)</td>
<td>(282)</td>
</tr>
<tr>
<td><strong>Free Cash Flow</strong></td>
<td>481</td>
<td>559</td>
</tr>
</tbody>
</table>

Note - Prior-period financials have been restated for the treatment of the combined businesses of Automotive and Lumileds as discontinued operations.
Development of Return on Invested Capital (ROIC)

- ROIC was at 8.4% in Q4 2014, excluding the charges related to the jury verdict in the Masimo litigation\(^1\) and to ongoing legal matters.

- This compares to 9.8% in Q3 2014 and to 13.9% in Q4 2013 excluding the European Commission fine on CRT\(^2\). The year-on-year decline was driven by a decrease in earnings.

- The prior-period balance sheet positions of Lumileds and Automotive are still included in the Group results, leading to a temporary negative impact to ROIC.

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 - Prior-period financials have been restated for the treatment of the combined businesses of Automotive and Lumileds as discontinued operations.
Philips' debt has a long maturity profile

Characteristics of long-term debt

- Total net debt position of EUR 2.2 billion
- Maturities up to 2042
- Average tenor of long-term debt is 12.2 years
- No financial covenants
- EUR 1.8 billion standby facility matures in February 2018

---

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.
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.”

1 Elective dividend, proposal subject to approval in the General Shareholders Meeting on May 7th, 2014
In Q4 2014, the total funded status decreased due to lower interest rates in the Netherlands, US and Germany that could not be offset by a higher asset value. The funded status of the UK improved due to final year-end calculations of buy-in transactions. The contribution to the Dutch pension plan, related to the EUR 600 million funding agreement, as well as the EUR 68 million past-service pension cost gain, had a positive effect.

The balance sheet position decreased due to lower interest rates, which increased the deficits in the 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.
Update funded status pension plans (IFRS basis)

<table>
<thead>
<tr>
<th>EUR million</th>
<th>Funded status</th>
<th>Balance sheet position</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>December 2013 (reported)</td>
<td>December 2014 (reported)</td>
</tr>
<tr>
<td>Netherlands Prepaid pension asset</td>
<td>555</td>
<td>238</td>
</tr>
<tr>
<td>Other major plans</td>
<td>(984)</td>
<td>(1,230)</td>
</tr>
<tr>
<td>Major plans</td>
<td>(429)</td>
<td>(992)</td>
</tr>
<tr>
<td>Minor plans</td>
<td>(205)</td>
<td>(226)</td>
</tr>
<tr>
<td>Total</td>
<td>(634)</td>
<td>(1,218)</td>
</tr>
</tbody>
</table>

- Compared to 2013, the total funded status decreased due to lower interest rates that could not be offset by higher asset values. The funded status was also negatively impacted by a net longevity adjustment of EUR 117 million. The contribution to the Dutch pension plan, related to the EUR 600 million funding agreement, had a positive effect.
- The balance sheet position decreased in 2014 due to lower interest rates vs. last year and a EUR 197 million longevity loss.
- 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
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2. Accelerate! transformation program 33

3. Strategy and Path-to-Value 40

4. Company overview
   - Group 60
   - Healthcare 63
   - Consumer Lifestyle 74
   - Lighting 81
**Accelerate! driving further change and performance**

<table>
<thead>
<tr>
<th>Customer Centricity</th>
<th>Resource to Win</th>
<th>End2End Execution</th>
<th>Growth and Performance Culture</th>
<th>Operating Model</th>
</tr>
</thead>
</table>
| - 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 | - 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 | - 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 | - 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 | - 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 |

---

\(^1\) BMC = Business Market Combination
Accelerate! is improving the way we do business

**Customer value chain: Male Grooming France**
Through deep understanding of shopper needs, we successfully launched an optimized range of male grooming products in France, meeting key price points and customer needs. This locally relevant value proposition resulted in 2.3 percentage-points market share gain in grooming in 2014 and a record number of Philips product listings at Carrefour.

**Innovation: Healthcare Informatics, Solutions and Services**
The Healthcare Informatics team implemented a new software development methodology that increased the number of releases over the year by 4 times. At the 2014 Radiology Society of North America Meeting, this contributed to a record number of new clinical informatics solutions’ introductions in the IntelliSpace family.

**End2End transformation: Professional Lighting Europe**
To address local customer needs, we enhanced and completed the Professional Lighting Solutions’ product portfolio for the indirect channel in Europe. Its strong price-performance ratio and locally relevant value proposition drove more than 60% sales growth. This success was also enabled by a delivery time commitment of 5 days.

**Lean manufacturing: Consumer Lifestyle**
To optimize the End2End processes at our manufacturing site in Klagenfurt, Austria, the Consumer Lifestyle team ran Lean continuous improvement Kaizen events that led to a 82% reduction in lead time and an increase in quality levels since the start of the Accelerate! program.
Cost reduction program targeting overhead costs will bring EUR 1.8 billion in savings by 2016

**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 overhead savings by 2016

- Delivered cumulative gross savings of more than **EUR 1.3 billion by year-end 2014**
- New operating model enables additional cost savings across the enabling functions and faster decision-making

### Cumulative gross savings

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL</td>
<td>1,055</td>
<td>1,278</td>
<td>1,335</td>
<td>1,600</td>
<td>1,800</td>
</tr>
</tbody>
</table>

* Equivalent to annualized gross savings of EUR 265 million in 2015 and EUR 200 million in 2016

### Annual restructuring costs and investments

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Restructuring</td>
<td>(347)</td>
<td>(125)</td>
<td>(109)</td>
<td>(125)</td>
<td>(50)</td>
</tr>
<tr>
<td>Investments</td>
<td>(302)</td>
<td>(160)</td>
<td>(131)</td>
<td>(185)</td>
<td>(140)</td>
</tr>
<tr>
<td>TOTAL</td>
<td>(649)</td>
<td>(285)</td>
<td>(240)</td>
<td>(310)</td>
<td>(190)</td>
</tr>
</tbody>
</table>

Note - The above figures have been adapted to exclude results related to the Audio, Video, Multimedia and Accessories and the combined Lumileds-Automotive business
Overhauling our business model architecture

- 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

From 70+ business models

To 4 End2End business models

- Products
- Systems
- Services
- Software
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

- Significant cost savings can be achieved in mature products, i.e. products being manufactured 5+ years, as well as new product introductions

- Funnel of opportunities targeting additional cumulative savings of EUR 1 billion over the period 2014 to 2016

DfX challenges the value chain of products, drives decisions and follow-through
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4. Company overview  
   - Group  60
   - Healthcare  63
   - Consumer Lifestyle  74
   - Lighting  81
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

**Philips Lighting**
- Focused on the EUR 60+ billion Lighting solutions opportunity
- Establishing stand-alone Lighting structure
- LED Components & Automotive (Announced in June 2014)
- 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

**EUR 14.4 billion** sales 2014\(^1\)

**EUR 7.0 billion** sales 2014\(^2\)

\(^1\)Excluding Lifestyle Entertainment; including IG&S revenue allocation  
\(^2\)Excluding LED Components & Automotive; including IG&S revenue allocation
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
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 (~68,000 patent rights)
- Regional R&D centers

Global Footprint
- Loyal customer base in 100+ countries
- 35% 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
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**

- Imaging systems for diagnostics and therapy
- Patient care for hospital and home
- Clinical Informatics & consulting services
- Personal health & well-being appliances and services
- 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
The Health Continuum is a growing EUR 100+ billion market for Philips

Philips indicative addressable market 2013

<table>
<thead>
<tr>
<th>Healthy Living</th>
<th>Prevention</th>
<th>Diagnosis</th>
<th>Treatment</th>
<th>Recovery</th>
<th>Home Care</th>
</tr>
</thead>
<tbody>
<tr>
<td>EUR 30+ billion</td>
<td>EUR 10+ billion</td>
<td>EUR 20+ billion</td>
<td>EUR 10+ billion</td>
<td>EUR 5+ billion</td>
<td>EUR 5+ billion</td>
</tr>
<tr>
<td><strong>EUR 20+ billion (Clinical Informatics &amp; Consulting)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Mid to high-single-digit market growth*

1 Source: Philips Internal Study
HealthTech opportunity shaped by convergence between Healthcare and Consumer markets

- **Healthy Living**
  - Consumers increasingly engaged in their health journey

- **Prevention**
  - Increased emphasis on population health

- **Diagnosis**
  - Ongoing focus on total quality and cost of care

- **Treatment**
  - 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
Opportunities emerging across the Health Continuum

<table>
<thead>
<tr>
<th>Healthy Living</th>
<th>Prevention</th>
<th>Diagnosis</th>
<th>Treatment</th>
<th>Recovery</th>
<th>Home Care</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumers increasingly engaged in their health journey</td>
<td>Increased emphasis on population health</td>
<td>Ongoing focus on total quality &amp; cost of care</td>
<td>Care shifting to lower cost settings and homes</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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
Building the leader in HealthTech

<table>
<thead>
<tr>
<th>Healthy Living</th>
<th>Prevention</th>
<th>Diagnosis</th>
<th>Treatment</th>
<th>Recovery</th>
<th>Home Care</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Care  11%</td>
<td>Health &amp; Wellness  7%</td>
<td>Imaging Systems  23%</td>
<td>Patient Care &amp; Monitoring Solutions  21%</td>
<td>Healthcare Informatics, Solutions &amp; Services  4%</td>
<td>Customer Services  18%</td>
</tr>
</tbody>
</table>

Share of HealthTech sales¹

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 December 2014
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
Industry dynamics create opportunities in Lighting Solutions

<table>
<thead>
<tr>
<th>Industry dynamics</th>
<th>Resulting opportunities</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Conventional to LED</td>
<td>• Maximize value from the golden tail</td>
</tr>
<tr>
<td>• New competitors emerging</td>
<td>• Differentiate in LED through innovation in and intelligence</td>
</tr>
<tr>
<td>• Differentiation in LED systems and services</td>
<td>• Capture professional systems and services opportunity</td>
</tr>
<tr>
<td>• Connectivity and intelligence create new growth avenues and open up adjacencies</td>
<td>• Establish winning connected lighting ecosystems—home and professional</td>
</tr>
</tbody>
</table>

Philips Lighting strongly positioned as global leader in Lighting solutions market
Philips Lighting well positioned to capture growth opportunities

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

**Share of Lighting sales**

- **Components**
  - **LED Components**
  - **Automotive**

<table>
<thead>
<tr>
<th>Light Sources</th>
<th>Luminaires</th>
<th>Systems</th>
<th>Services</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Light Sources &amp; Electronics</strong></td>
<td><strong>Professional Lighting Solutions</strong> 35%</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Consumer Luminaires</strong> 6%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1 Sales last 12 months December 2014
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

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

<table>
<thead>
<tr>
<th>Key segments²</th>
<th>Market position¹</th>
<th>Market 2013-2018 CAGR¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Specialty</td>
<td>#1</td>
<td>4% to 8%</td>
</tr>
<tr>
<td>Automotive³</td>
<td>#2</td>
<td>2% to 6%</td>
</tr>
<tr>
<td>High-Power LEDs General illumination</td>
<td>#3</td>
<td>17% to 21%</td>
</tr>
</tbody>
</table>

¹ Source: customer panels, industry associations and internal analysis; ² Also playing in Display with focused positioning; ³ LED and conventional
The Accelerate! journey will continue

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 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

\(^1\) Business Market Combination; \(^2\) Philips Business System; \(^3\) Design for X; X = cost, quality, manufacturing, etc.
## Outlook on 2016 targets

### Financial targets 2016

<table>
<thead>
<tr>
<th>Category</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group comparable sales growth</td>
<td>4 - 6%</td>
</tr>
<tr>
<td>Group reported EBITA margin</td>
<td>11 - 12%</td>
</tr>
<tr>
<td>- Healthcare</td>
<td>16 - 17%(^1)</td>
</tr>
<tr>
<td>- Consumer Lifestyle</td>
<td>11 - 13%(^1)</td>
</tr>
<tr>
<td>• HealthTech</td>
<td>14 - 15.5%(^1)</td>
</tr>
<tr>
<td>• Lighting Solutions</td>
<td>9 - 11%(^1)</td>
</tr>
<tr>
<td>Group ROIC(^2)</td>
<td>&gt;14%</td>
</tr>
</tbody>
</table>

### Current Outlook

<table>
<thead>
<tr>
<th>Category</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3 - 4%</td>
</tr>
<tr>
<td></td>
<td>10 - 11%</td>
</tr>
</tbody>
</table>

\(^1\) Excluding IG&S cost allocation; these targets will be updated as the separation process progresses

\(^2\) Excluding M&A impact
Accelerate! profitability improvements drive operational performance

<table>
<thead>
<tr>
<th>Categories</th>
<th>Measures</th>
<th>Margin Impact$^1$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Productivity</td>
<td>Overhead and indirect gross costs savings of EUR 1.8 billion by 2016</td>
<td>&gt; 170 bps</td>
</tr>
<tr>
<td></td>
<td>EUR 1 billion through Design for Excellence (DfX) between 2014-2016 contributing to gross margin expansion</td>
<td>100-200 bps</td>
</tr>
<tr>
<td></td>
<td>End2End productivity gains from the overhaul of our business model architecture and improved customer service</td>
<td>&gt; 100 bps</td>
</tr>
<tr>
<td>Investments in growth</td>
<td>Incremental investments in new growth in adjacencies with returns after 2016</td>
<td>- 100 bps</td>
</tr>
</tbody>
</table>

Productivity improvements versus 2013

270-370 bps

$^1$ Approximate margin impact in 2016 compared to 2013 baseline
Accelerate! and other improvements bridge to 2016 outlook

Note - Prior-period financials have been restated for the treatment of the combined businesses of Automotive and Lumileds as discontinued operations.
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
# Content

1. Financial performance  

2. Accelerate! transformation program  

3. Strategy and Path-to-Value  

4. Company overview
   - Group
   - Healthcare
   - Consumer Lifestyle
   - Lighting
**Philips: A strong industrial company leading in health and well-being**

<table>
<thead>
<tr>
<th>Businesses</th>
<th>Geographies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Healthcare</td>
<td>Western Europe</td>
</tr>
<tr>
<td>Consumer Lifestyle</td>
<td>North America</td>
</tr>
<tr>
<td>Lighting</td>
<td>Other Mature Geographies</td>
</tr>
</tbody>
</table>

| Growth Geographies | 35% |

44% 23% 33%

**Since 1891**
- €21.4 billion sales in 2014, 70% B2B
- ~105,000 employees in over 100 countries

50% of the portfolio has global leadership positions
- €1.6 billion R&D spend in 2014 and ~68,000 patent rights
- More than 1/4 of revenues from recurring revenue streams

---

1 Based on sales last 12 months December 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 - Prior-period financials have been restated for the treatment of the combined businesses of Automotive and Lumileds as discontinued operations.
Strong leadership\(^1\) positions in many markets across the globe

### Healthcare
- **Global** Cardiovascular X-ray
- **Global** Patient Monitoring
- **Global** Image-Guided interventions
- **Global** Sleep and Respiratory Care
- **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 52%\(^1\) of sales in 2014, up from 39%\(^1\) 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
- To leverage the benefits of the Circular Economy, Philips inaugurated a healthcare imaging systems refurbishment facility in Best, the Netherlands
- Philips was recognized, for the third consecutive year, as a leader in the Carbon Disclosure Project on both disclosure and performance
- Philips cited top riser in Interbrand’s annual ranking of the top 50 Best Global Green Brands, moving up nine places to the 14\(^{th}\) 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

\(^1\) Excluding the Audio, Video, Multimedia and Accessories business and the combined businesses of Lumileds and Automotive
# Healthcare

*What we do. Where we are.*

## Philips Healthcare

<table>
<thead>
<tr>
<th>Businesses</th>
<th>Geographies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Imaging Systems</td>
<td>Western Europe</td>
</tr>
<tr>
<td>Healthcare Informatics, Solutions &amp; Services</td>
<td>North America</td>
</tr>
<tr>
<td>Patient Care &amp; Monitoring Solutions</td>
<td>Other Mature Geographies</td>
</tr>
<tr>
<td>Customer Services</td>
<td>Growth Geographies</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>34%</th>
<th>6%</th>
<th>32%</th>
<th>28%</th>
</tr>
</thead>
</table>

| €9.2 Billion sales in 2014 | 37,000+ People employed worldwide in 100 countries | 9% of sales invested in R&D in 2014 | 450+ Products & services offered in over 100 countries |

---

1 Based on sales last 12 months December 2014
2 Growth geographies are all geographies excluding USA, Canada, Western Europe, Australia, New Zealand, South Korea, Japan and Israel
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
Our Healthcare businesses well positioned on the Health Continuum

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

Source: Frost and Sullivan, Home Healthcare TBS, PCMS market insight
Our integrated solutions approach is margin accretive to our overall business

Solutions margin increase vs stand-alone sales model

- **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**

Duration 5 – 15 years
Healthcare: Q4 2014 Sector analysis

Key figures (in EUR million)

<table>
<thead>
<tr>
<th></th>
<th>4Q13</th>
<th>4Q14</th>
<th>FY2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>2,828</td>
<td>2,849</td>
<td>9,186</td>
</tr>
<tr>
<td>% sales growth comp.</td>
<td>4</td>
<td>(3)</td>
<td>(2)</td>
</tr>
<tr>
<td>EBITA</td>
<td>541</td>
<td>390</td>
<td>616</td>
</tr>
<tr>
<td>EBITA as % of sales</td>
<td>19.1</td>
<td>13.7</td>
<td>6.7</td>
</tr>
<tr>
<td>EBIT</td>
<td>477</td>
<td>351</td>
<td>456</td>
</tr>
<tr>
<td>EBIT as % of sales</td>
<td>16.9</td>
<td>12.3</td>
<td>5.0</td>
</tr>
<tr>
<td>NOC</td>
<td>7,437</td>
<td>7,565</td>
<td>7,565</td>
</tr>
<tr>
<td>Employees (FTEs)</td>
<td>37,008</td>
<td>37,065</td>
<td>37,065</td>
</tr>
</tbody>
</table>

Sales per region:
- Latin America: 6%
- North America: 40%
- Asia Pacific: 27%
- EMEA: 27%

Financial performance

- Currency-comparable equipment order intake showed a mid-single-digit decline year-on-year, with a low-single-digit decline at Patient Care & Monitoring Solutions and a mid-single-digit decline at Imaging Systems.

- Equipment order intake in Western Europe showed mid-single-digit growth, while other mature geographies recorded a mid-single-digit decline and North America posted a double-digit decline. Growth geographies showed a low-single-digit increase, with strong growth in Middle East & Turkey and Russia & Central Asia partly offset by a double-digit decline in China and Latin America.

- Comparable sales declined 3% year-on-year. Mid-single-digit growth at Customer Services and Patient Care & Monitoring Solutions was offset by a low-single-digit decline at Healthcare Informatics, Solutions & Services and a double-digit decline at Imaging Systems.

- Comparable sales in Western Europe and North America showed a low-single-digit decline, while other mature geographies were in line with Q4 2013. Growth geographies recorded a mid-single-digit decline.

- EBITA amounted to EUR 390 million, or 13.7% of sales, compared to EUR 541 million, or 19.1% of sales, in Q4 2013. Restructuring and acquisition-related charges amounted to EUR 47 million, compared with a release of EUR 3 million in Q4 2013. Q4 2014 EBITA also included a EUR 16 million past-service pension cost gain in the Netherlands.

- Excluding restructuring and acquisition-related charges and other items, EBITA amounted to EUR 421 million, or 14.8% of sales, compared to EUR 538 million, or 19.0% of sales, in Q4 2013. The decrease was mainly due to operational losses related to the voluntary suspension of production at the Cleveland facility, an increase in overhead costs, and negative currency impacts.

- Net operating capital, excluding a positive currency translation effect, decreased by EUR 630 million, largely driven by higher provisions and lower fixed assets.

- Inventories as a percentage of sales increased by 2.7 percentage points, mainly driven by currency impacts and the production ramp-up at the Cleveland facility.

1 HISS = Healthcare Informatics, Solutions & Services; PCMS = Patient Care & Monitoring Solutions
Healthcare: equipment order intake

Quarterly currency adjusted equipment order intake growth

Currency adjusted order intake only relates to the Imaging Systems and Patient Care & Monitoring Solutions 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

Equipment sales from order book - Leading indicator of future sales

Approximately 70% of the current order book results in sales within the next 12 months
Health care historical market development

North America Market Size / Growth and Impacts

The US market is expected to grow by low-single-digit for 2015-2016
# Health care market developments in the US

## Short Term

<table>
<thead>
<tr>
<th>Event</th>
<th>Imaging Systems</th>
<th>Patient Care &amp; Monitoring Solutions</th>
<th>Healthcare Informatics, Solutions and Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economy</td>
<td>neutral</td>
<td>neutral</td>
<td>neutral</td>
</tr>
<tr>
<td>Medical Device Excise Tax</td>
<td>unfavorable</td>
<td>unfavorable</td>
<td>unfavorable</td>
</tr>
<tr>
<td>CB2 in HH¹</td>
<td>N.A.</td>
<td>neutral</td>
<td>N.A.</td>
</tr>
<tr>
<td>Capital spending hospitals</td>
<td>unfavorable</td>
<td>neutral</td>
<td>positive</td>
</tr>
<tr>
<td>Government bundle buy</td>
<td>positive</td>
<td>neutral</td>
<td>neutral</td>
</tr>
</tbody>
</table>

1. **Medical Device Excise Tax**: Applies to ~55% of our US sales; impact largely mitigated through cost and value chain measures.
2. **CB2 in HH¹**: Competitive Bidding impacts ~ 7% of our global Home Healthcare business, ~1% of the total global Healthcare revenue.
3. **Capital spending**: Expected to be slightly down to flat overall; up in IT.
4. **Government bundle activity**: Government bids through “bulk buy” process have been larger than historical average for Imaging Systems and smaller than historical average for PCMS.

¹ Competitive Bidding Round 2 in Home Healthcare
Health care market developments in the US

### Mid to Long-Term

<table>
<thead>
<tr>
<th>ACA Implementation (Affordable Care Act)</th>
<th>Imaging Systems</th>
<th>Patient Care &amp; Monitoring Solutions</th>
<th>Healthcare Informatics, Solutions and Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health care demographics</td>
<td>positive</td>
<td>positive</td>
<td>positive</td>
</tr>
<tr>
<td>Aging of equipment base</td>
<td>positive</td>
<td>neutral</td>
<td>positive</td>
</tr>
<tr>
<td>Affordable Care Act (ACA)</td>
<td>unfavorable</td>
<td>neutral</td>
<td>positive</td>
</tr>
<tr>
<td>Meaningful use</td>
<td>neutral</td>
<td>positive</td>
<td>positive</td>
</tr>
<tr>
<td>Improved care at lower cost</td>
<td>neutral</td>
<td>positive</td>
<td>positive</td>
</tr>
</tbody>
</table>

- More than 20 million health care enrollees since the inception of ACA
- 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

<table>
<thead>
<tr>
<th>Meaningful use</th>
<th>Favorable to PCMS business</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Improved quality of care at lower cost</th>
<th>Reimbursement changes will increase need for solutions and consulting services; positive impact for PCMS and HISS businesses; increased need for value offerings in Imaging Systems</th>
</tr>
</thead>
</table>

PHILIPS
Resuming shipments from our Cleveland facility

- Implemented new **End2End cross-functional** way of working
- **Upgraded** functional **capabilities** and leadership
- Updated **Quality Management System** passed a third party audit
- **Resumed production** of iCT and Ingenuity CT scanners, ramp-up will continue through 2015
- **Resumed shipments** of our Brilliance iCT systems
- Expect global CT system production and shipment volume to **gradually return to 2013 levels by the end of 2015**
- The comprehensive **cultural transformation** program continues
## Consumer Lifestyle

What we do. Where we are.

### Philips Consumer Lifestyle

<table>
<thead>
<tr>
<th>Businesses</th>
<th>Geographies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Care</td>
<td>Western Europe</td>
</tr>
<tr>
<td>Health &amp; Wellness</td>
<td>North America</td>
</tr>
<tr>
<td>Domestic Appliances</td>
<td>Other Mature Geographies</td>
</tr>
<tr>
<td></td>
<td>Growth Geographies</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Percentage</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>32%</td>
<td>30%</td>
<td></td>
</tr>
<tr>
<td>21%</td>
<td>16%</td>
<td></td>
</tr>
<tr>
<td>46%</td>
<td>7%</td>
<td></td>
</tr>
<tr>
<td>47%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**€4.7 Billion sales in 2014**

**16,000+ People employed worldwide**

**6% of sales invested in R&D in 2014**

**55% of green product sales in 2014**

---

1. Based on sales last 12 months December 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
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
Our Consumer Lifestyle businesses have strong positions on the Health Continuum

<table>
<thead>
<tr>
<th>Healthy Living</th>
<th>Prevention</th>
<th>Diagnosis</th>
<th>Treatment</th>
<th>Recovery</th>
<th>Home Care</th>
</tr>
</thead>
<tbody>
<tr>
<td>#1 Electric Male Grooming - Globally</td>
<td>#1 Oral Health Care - United States</td>
<td>#1 Baby bottles – United States</td>
<td>• Actively addressing Healthy Living and Prevention</td>
<td>• Leveraging global scale and local relevance</td>
<td>• Market access in 100+ countries</td>
</tr>
<tr>
<td>#1 Low fat fryers - Globally</td>
<td></td>
<td></td>
<td>• Leading consumer brand</td>
<td></td>
<td>• 250 million appliances sold into homes every year</td>
</tr>
<tr>
<td>#1 Air - China</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Strong capabilities can be leveraged into Home Care</td>
</tr>
</tbody>
</table>

Source: GfK, Nielsen, Euromonitor
We see significant opportunity for further growth, driven by two growth thrusts

<table>
<thead>
<tr>
<th>Strengthening the core</th>
<th>New business adjacencies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Locally relevant innovations and global platforms</td>
<td>Addressing opportunities across the health continuum</td>
</tr>
<tr>
<td>Addressing geographical white spots</td>
<td></td>
</tr>
</tbody>
</table>

Our BMC\(^1\) approach addresses consumer needs through locally relevant innovation and global scale

We continue our geographical expansion, addressing white spots with proven propositions

We see significant opportunities to innovate for consumers across the health continuum

\(^1\) Business Market Combination
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

**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**
  - Further strengthening leadership position in the US and Japan
  - Enhancing geographic growth with strong market share increase outside the US (e.g. DACH\(^2\), Japan, UK, China, Russia)
  - Successful re-launch of Philips Sonicare for Kids supported with the launch of the Brush Busters app

**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 2014
We are further building our leadership positions in these categories

**Domestic Appliances**

- 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

**Kitchen Appliances**

**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 Incanto Executive, our new flagship machine in the full automatic espresso market
- Senseo is again the #1 European brand in Coffee Machines in 2014
- Successful expansion of the alliance with Tchibo with the launch of a new product family

Source: GfK, Nielsen, YTD and MAT December 2014, Euromonitor International
Consumer Lifestyle: Q4 2014 Sector analysis

**Key figures (in EUR million)**

<table>
<thead>
<tr>
<th></th>
<th>4Q13</th>
<th>4Q14</th>
<th>FY2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>1,428</td>
<td>1,528</td>
<td>4,731</td>
</tr>
<tr>
<td>% sales growth comp.</td>
<td>8</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>EBITA</td>
<td>187</td>
<td>251</td>
<td>573</td>
</tr>
<tr>
<td>EBITA as % of sales</td>
<td>13.1</td>
<td>16.4</td>
<td>12.1</td>
</tr>
<tr>
<td>EBIT</td>
<td>174</td>
<td>237</td>
<td>520</td>
</tr>
<tr>
<td>EBIT as % of sales</td>
<td>12.2</td>
<td>15.5</td>
<td>11.0</td>
</tr>
<tr>
<td>NOC</td>
<td>1,261</td>
<td>1,353</td>
<td>1,353</td>
</tr>
<tr>
<td>Employees (FTEs)</td>
<td>17,255</td>
<td>16,639</td>
<td>16,639</td>
</tr>
</tbody>
</table>

**Financial performance**

- Comparable sales increased by 6%. Health & Wellness achieved double-digit growth, while Personal Care recorded mid-single-digit growth and Domestic Appliances posted low-single-digit growth.

- Comparable sales in growth geographies showed high-single-digit growth. Mature geographies recorded mid-single-digit growth, with significant contributions from North America, Western Europe and other mature geographies.

- EBITA amounted to EUR 251 million, or 16.4% of sales, compared to EUR 187 million, or 13.1% of sales, in Q4 2013. EBITA included EUR 4 million of restructuring and acquisition-related charges and a EUR 11 million past-service pension cost gain in the Netherlands, compared to EUR 5 million of restructuring and acquisition-related charges in Q4 2013.

- Excluding restructuring and acquisition-related charges and the past-service pension cost gain in the Netherlands, EBITA was EUR 244 million, or 16.0% of sales, compared to EUR 192 million, or 13.4% of sales, in Q4 2013. The increase was largely due to higher volumes and improved gross margins.

- Net operating capital, excluding a positive currency translation effect of EUR 62 million, increased by EUR 30 million year-on-year. The increase was largely driven by higher working capital and a reduction in provisions.

- Inventories as a percentage of sales were 1.2 percentage points higher year-on-year.

---

1 H&W = Health & Wellness
## Lighting

**What we do. Where we are.**

### Philips Lighting

<table>
<thead>
<tr>
<th>Businesses¹</th>
<th>Geographies¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Light Sources &amp; Electronics</td>
<td>Western Europe</td>
</tr>
<tr>
<td>Professional Lighting Solutions</td>
<td>North America</td>
</tr>
<tr>
<td>Consumer Luminaires</td>
<td>Other Mature Geographies</td>
</tr>
<tr>
<td></td>
<td>Growth Geographies²</td>
</tr>
</tbody>
</table>

<p>| | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>59%</td>
<td>35%</td>
<td>6%</td>
<td>32%</td>
<td>26%</td>
</tr>
<tr>
<td>€6.9 Billion sales in 2014</td>
<td>37,000+ People employed worldwide in 60 countries</td>
<td>5% of sales invested in R&amp;D in 2014</td>
<td>72% of green product sales in 2014</td>
<td></td>
</tr>
</tbody>
</table>

1. Based on sales last 12 months December 2014

2. Growth geographies are all geographies excluding USA, Canada, Western Europe, Australia, New Zealand, South Korea, Japan and Israel

Note - Prior-period financials have been restated for the treatment of the combined businesses of Automotive and Lumileds as discontinued operations.
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
We increase our focus towards the people we serve
Further strengthening our global leadership in Lighting

<table>
<thead>
<tr>
<th>Philips Lighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Segments&lt;sup&gt;1&lt;/sup&gt;</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Homes</th>
<th>Offices</th>
<th>Outdoor</th>
<th>Industry</th>
<th>Retail</th>
<th>Hospitality</th>
<th>Entertainment</th>
<th>Healthcare</th>
</tr>
</thead>
<tbody>
<tr>
<td>26%</td>
<td>11%</td>
<td>29%</td>
<td>5%</td>
<td>20%</td>
<td>6%</td>
<td>2%</td>
<td>1%</td>
</tr>
</tbody>
</table>

- ~ 75<sup>1</sup>% of Lighting sales is B2B
- ~ 37<sup>2</sup>% of Lighting sales is LED lighting

<sup>1</sup> Indicative split based on last 12 months December 2014
<sup>2</sup> Based on Q4 2014
Our strategy of connected lighting captures the attractive value of lighting solutions

<table>
<thead>
<tr>
<th></th>
<th>Description</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Global leader in the lighting industry</td>
<td>We are a global leader in this attractive market &amp; consistently improve operational performance</td>
</tr>
<tr>
<td>2</td>
<td>Conventional lighting pro-actively managed</td>
<td>Our industrial setup is flexible to cater for the conventional market decline dynamics</td>
</tr>
<tr>
<td>3</td>
<td>LED lamps optimized for value creation</td>
<td>We continuously take cost out and differentiate in LED lamps</td>
</tr>
<tr>
<td>4</td>
<td>LED offers are designed for connectivity</td>
<td>We shape the connected lighting market</td>
</tr>
<tr>
<td>5</td>
<td>Systems &amp; services as additional profit pool</td>
<td>Unique position to win in the fast-growing systems &amp; services market</td>
</tr>
<tr>
<td>6</td>
<td>Path-to-Value on track</td>
<td>On track to deliver on our targets with a clear Path-to-Value for 2016 and beyond</td>
</tr>
</tbody>
</table>
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 – H2 14*

- **Light Sources & Electronics**
- **Consumer Luminaires**
- **Professional Lighting Solutions**
- **Overall Lighting**

- **Europe**
- **North America**
- **Latin America**
- **Asia/Pacific**
- **Total**

- **# 1**
- **# 2 or 3**
- **Not in top 3**

- **Largest lighting company in the world**
- **#1 in sold LED lighting**
- **#1 in connected lighting**
- **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)
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

<table>
<thead>
<tr>
<th>Global lighting market forecast¹</th>
<th>2013 - 2018 CAGR¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAGR +3–5%</td>
<td></td>
</tr>
<tr>
<td>EUR 75 - 85 billion</td>
<td></td>
</tr>
</tbody>
</table>

- LED penetration to reach 60–65% by 2018³

The lighting industry is undergoing three major transitions in parallel

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Conventional products</td>
</tr>
<tr>
<td></td>
<td>-9% to -11%</td>
</tr>
<tr>
<td>2</td>
<td>LED products</td>
</tr>
<tr>
<td></td>
<td>20% to 25%</td>
</tr>
<tr>
<td>3</td>
<td>Systems &amp; Services²</td>
</tr>
<tr>
<td></td>
<td>Services⁴: 40% to 45%</td>
</tr>
</tbody>
</table>

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
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)

<table>
<thead>
<tr>
<th>Philips Lighting</th>
<th>New Build</th>
<th>Replacement</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td>10%</td>
<td>11%</td>
<td>21%</td>
</tr>
<tr>
<td>Commercial</td>
<td>29%</td>
<td>23%</td>
<td>52%</td>
</tr>
<tr>
<td>Other</td>
<td>19%</td>
<td>8%</td>
<td>27%</td>
</tr>
<tr>
<td>Total</td>
<td>58%</td>
<td>42%</td>
<td>100%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>New Build</th>
<th>WE&amp;NA</th>
<th>ROW</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td>4%</td>
<td>6%</td>
<td>10%</td>
</tr>
<tr>
<td>Commercial</td>
<td>14%</td>
<td>15%</td>
<td>29%</td>
</tr>
<tr>
<td>Total</td>
<td>18%</td>
<td>21%</td>
<td>39%</td>
</tr>
</tbody>
</table>
Performance remains strong in conventional and our industrial setup is flexible to cater to the market decline.

<table>
<thead>
<tr>
<th>#1 in conventional lamps and drivers</th>
<th>We adapt capacity in response to market demand</th>
<th>Measures deliver positive results</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Market share</strong>¹</td>
<td><strong># of manufacturing sites, LS&amp;E²</strong></td>
<td>Free Cash Flow to sales ratio, conventional lamps and drivers</td>
</tr>
<tr>
<td>Competitor 1</td>
<td></td>
<td>Fixed asset turnover ratio, conventional lamps and drivers</td>
</tr>
<tr>
<td>Competitor 2</td>
<td></td>
<td>Sales/Fixed assets</td>
</tr>
</tbody>
</table>

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

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

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

<table>
<thead>
<tr>
<th>FY 2012</th>
<th>FY 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>R&amp;D spend LED Indexed</td>
<td>+13%</td>
</tr>
</tbody>
</table>

LED sales increase (in EUR billion) vs LED as a % of Lighting sales

<table>
<thead>
<tr>
<th>FY 2012</th>
<th>FY 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAGR +33%</td>
<td>1.3</td>
</tr>
<tr>
<td>LED as a % of Lighting sales</td>
<td>18%</td>
</tr>
</tbody>
</table>

Increased focus on LED products & portfolio developments

- We lead the technological revolution by investing significantly in LED R&D
- Total LED sales ~ EUR 2.4 billion last 12 months December 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 475 licensees

Note - Prior-period financials have been restated for the treatment of the combined businesses of Automotive and Lumileds as discontinued operations.
We are shaping the future of digital lighting

We have a unique competitive position in LED lighting

Market presence in the digital value chain¹:

- LED components
- LED Lamps / Modules
- LED Luminaires
- Lighting Systems
- Lighting Services

Strong presence | Developing presence

We spend 32% 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, internal estimates, excluding General Electric and Japanese lighting companies for lack of data
LED lamps margins improve as we focus on cost down and differentiating innovations

Manufacturing model is optimized to reduce costs

- Selectively outsource technologies as they commoditize
- Innovative products and control points remain in house

Differentiation through innovation at all price points

- First 60W replacement bulb at <USD 2\(^3\) in USA
- Unique concept where heat sink is removed
- Produced and launched in Europe at <EUR 5
- Frosted incandescent look and feel through the use of glass bulb
- Works instantly with electronic ballast
- 15 min installation time reduction per lamp

Measures are paying off both in Consumer and Professional

- +830bps
- +330bps

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
Double-digit growth in systems & services improves overall lighting market attractiveness

- Systems will expand the addressable market by EUR 3 - 4 billion
- Data-enabled services will further expand the market by EUR 1 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 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
Lighting: Q4 2014 Sector analysis

Key figures (in EUR million)

<table>
<thead>
<tr>
<th></th>
<th>4Q13</th>
<th>4Q14</th>
<th>FY2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>1,921</td>
<td>1,975</td>
<td>6,869</td>
</tr>
<tr>
<td>% sales growth comp.</td>
<td>5</td>
<td>(3)</td>
<td>(3)</td>
</tr>
<tr>
<td>EBITA</td>
<td>140</td>
<td>(40)</td>
<td>293</td>
</tr>
<tr>
<td>EBITA as % of sales</td>
<td>7.3</td>
<td>(2.0)</td>
<td>4.3</td>
</tr>
<tr>
<td>EBIT</td>
<td>55</td>
<td>(83)</td>
<td>185</td>
</tr>
<tr>
<td>EBIT as % of sales</td>
<td>2.9</td>
<td>(4.2)</td>
<td>2.7</td>
</tr>
<tr>
<td>NOC</td>
<td>4,462</td>
<td>3,638</td>
<td>3,638</td>
</tr>
<tr>
<td>Employees (FTEs)</td>
<td>38,671</td>
<td>37,808</td>
<td>37,808</td>
</tr>
</tbody>
</table>

Financial performance

- Comparable sales showed a 3% decline year-on-year. Professional Lighting Solutions achieved mid-single-digit growth. Light Sources & Electronics posted a mid-single-digit decline, and Consumer Luminaires recorded a double-digit decline.

- Comparable sales in mature geographies were in line with Q4 2013. Growth geographies recorded a high-single-digit decline, mainly due to China.

- LED-based sales grew 20% year-on-year and now represent 37% of total Lighting sales, compared to 31% in Q4 2013.

- EBITA amounted to a loss of EUR 40 million, compared to a profit of EUR 140 million, or 7.3% of sales, in Q4 2013.

- EBITA, excluding restructuring and acquisition-related-charges, 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, was EUR 178 million, or 9.0% of sales, compared to EUR 169 million, or 8.8% of sales, in Q4 2013.

- Net operating capital, excluding a positive currency translation effect of EUR 312 million, decreased by EUR 1,136 million year-on-year. The decrease was due to the reclassification of Lumileds and Automotive as assets held for sale in Q4 2014.

- Inventories as a percentage of sales increased by 1.3 percentage points year-on-year, mainly due to the acquisition of a 51% interest in the General Lighting Company (GLC) in Saudi Arabia.

---

1 LS&E = Light Sources & Electronics; PLS = Professional Lighting Solutions
Note - Prior-period financials have been restated for the treatment of the combined businesses of Automotive and Lumileds as discontinued operations.
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 as well as the Lumileds and Automotive businesses, and other incidentals related to the legal liabilities of the Group
Innovation, Group & Services: Q4 2014 Sector analysis

Key figures (in EUR million)

<table>
<thead>
<tr>
<th></th>
<th>4Q13</th>
<th>4Q14</th>
<th>FY2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>224</td>
<td>184</td>
<td>605</td>
</tr>
<tr>
<td>% sales growth comp.</td>
<td>18</td>
<td>(21)</td>
<td>(12)</td>
</tr>
<tr>
<td>EBITA:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Group Innovation</td>
<td>(42)</td>
<td>(60)</td>
<td>(197)</td>
</tr>
<tr>
<td>IP Royalties</td>
<td>122</td>
<td>95</td>
<td>299</td>
</tr>
<tr>
<td>Group &amp; Regional Costs</td>
<td>(72)</td>
<td>(86)</td>
<td>(205)</td>
</tr>
<tr>
<td>Accelerate! investments</td>
<td>(34)</td>
<td>(40)</td>
<td>(131)</td>
</tr>
<tr>
<td>Pensions</td>
<td>(4)</td>
<td>(5)</td>
<td>(12)</td>
</tr>
<tr>
<td>Services Units &amp; Other</td>
<td>(49)</td>
<td>(243)</td>
<td>(415)</td>
</tr>
<tr>
<td>EBITA</td>
<td>(79)</td>
<td>(339)</td>
<td>(661)</td>
</tr>
<tr>
<td>EBIT</td>
<td>(79)</td>
<td>(343)</td>
<td>(675)</td>
</tr>
<tr>
<td>NOC</td>
<td>(2,922)</td>
<td>(3,718)</td>
<td>(3,718)</td>
</tr>
<tr>
<td>Employees (FTEs)</td>
<td>12,703</td>
<td>13,853</td>
<td>13,853</td>
</tr>
</tbody>
</table>

Financial performance

• Sales decreased from EUR 224 million in Q4 2013 to EUR 184 million in Q4 2014, mainly due to higher IP royalties in Q4 2013 related to one-time patent settlements in our Blu-ray and TV licensing programs.

• EBITA amounted to a net cost of EUR 339 million, compared to a net cost of EUR 79 million in Q4 2013. EBITA included EUR 201 million of charges related to ongoing legal matters and a EUR 27 million past-service pension cost gain in the Netherlands. Restructuring charges amounted to EUR 65 million, compared to EUR 7 million in Q4 2013.

• Excluding restructuring and acquisition-related charges and other items, EBITA was a net cost of EUR 100 million, compared to a net cost of EUR 72 million in Q4 2013. The decrease was mainly due to one-time settlements in our Blu-ray and TV licensing programs in Q4 2013.

• Net operating capital, excluding a negative currency translation effect of EUR 188 million, decreased by EUR 608 million year-on-year, mainly due to a decrease in working capital.

• Compared to Q4 2013, the number of employees increased by 1,150, primarily driven by an increase in temporary workers in the IT Service Units as well as a shift of employees from the sectors. The number of employees increased by 170 compared to Q3 2014.

Note - Prior-period financials have been restated for the treatment of the combined businesses of Automotive and Lumileds as discontinued operations.
Appendix
## Financial calendar 2015

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>February 24</td>
<td>Annual Report 2014</td>
</tr>
<tr>
<td>April 28</td>
<td>First quarter results 2015</td>
</tr>
<tr>
<td>May 7</td>
<td>Annual General Meeting of Shareholders</td>
</tr>
<tr>
<td>July 27</td>
<td>Second quarter and semi-annual results 2015</td>
</tr>
<tr>
<td>October 26</td>
<td>Third quarter results 2015</td>
</tr>
</tbody>
</table>
## Depreciation and amortization

### EUR million

<table>
<thead>
<tr>
<th></th>
<th>Q4 2013</th>
<th>Q4 2014</th>
<th>FY 2013</th>
<th>FY 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation of property, plant and equipment</td>
<td>153</td>
<td>215</td>
<td>521</td>
<td>592</td>
</tr>
<tr>
<td>Amortization of software</td>
<td>11</td>
<td>10</td>
<td>39</td>
<td>32</td>
</tr>
<tr>
<td>Amortization of other intangible assets</td>
<td>134</td>
<td>100</td>
<td>393</td>
<td>332</td>
</tr>
<tr>
<td>Amortization of development costs</td>
<td>67</td>
<td>68</td>
<td>224</td>
<td>231</td>
</tr>
<tr>
<td>Philips Group</td>
<td>365</td>
<td>393</td>
<td>1,177</td>
<td>1,187</td>
</tr>
</tbody>
</table>

Note - Prior-period financials have been restated for the treatment of the combined businesses of Automotive and Lumileds as discontinued operations.
Gross capital expenditures & Depreciation by sector

EUR million

<table>
<thead>
<tr>
<th></th>
<th>Gross CapEx(^1)</th>
<th></th>
<th>Depreciation(^1)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q4 2013</td>
<td>Q4 2014</td>
<td>Q4 2013</td>
<td>Q4 2014</td>
</tr>
<tr>
<td>Healthcare</td>
<td>47</td>
<td>41</td>
<td>40</td>
<td>39</td>
</tr>
<tr>
<td>Consumer Lifestyle</td>
<td>49</td>
<td>46</td>
<td>34</td>
<td>35</td>
</tr>
<tr>
<td>Lighting</td>
<td>35</td>
<td>32</td>
<td>50</td>
<td>104</td>
</tr>
<tr>
<td>IG&amp;S</td>
<td>25</td>
<td>34</td>
<td>28</td>
<td>37</td>
</tr>
<tr>
<td>Group</td>
<td>156</td>
<td>153</td>
<td>152</td>
<td>215</td>
</tr>
</tbody>
</table>

\(^1\) Capital expenditures and depreciations on property, plant and equipment only

Note - Prior-period financials have been restated for the treatment of the combined businesses of Automotive and Lumileds as discontinued operations.
### Gross capital expenditures & Depreciation by sector

**EUR million**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Gross CapEx(^1)</th>
<th>Depreciation(^1)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
<td>2014</td>
</tr>
<tr>
<td>Healthcare</td>
<td>131</td>
<td>127</td>
</tr>
<tr>
<td>Consumer Lifestyle</td>
<td>135</td>
<td>109</td>
</tr>
<tr>
<td>Lighting</td>
<td>117</td>
<td>84</td>
</tr>
<tr>
<td>IG&amp;S</td>
<td>99</td>
<td>117</td>
</tr>
<tr>
<td><strong>Group</strong></td>
<td><strong>482</strong></td>
<td><strong>437</strong></td>
</tr>
</tbody>
</table>

\(^1\) Capital expenditures and depreciations on property, plant and equipment only

Note - Prior-period financials have been restated for the treatment of the combined businesses of Automotive and Lumileds as discontinued operations.
Development cost capitalization & amortization by sector

<table>
<thead>
<tr>
<th></th>
<th>Capitalization</th>
<th></th>
<th>Amortization</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q4 2013</td>
<td>Q4 2014</td>
<td>Q4 2013</td>
<td>Q4 2014</td>
</tr>
<tr>
<td>Healthcare</td>
<td>64</td>
<td>66</td>
<td>46</td>
<td>48</td>
</tr>
<tr>
<td>Consumer Lifestyle</td>
<td>11</td>
<td>15</td>
<td>13</td>
<td>10</td>
</tr>
<tr>
<td>Lighting</td>
<td>7</td>
<td>6</td>
<td>8</td>
<td>10</td>
</tr>
<tr>
<td>IG&amp;S</td>
<td>12</td>
<td>52</td>
<td>-</td>
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</table>

Note - Prior-period financials have been restated for the treatment of the combined businesses of Automotive and Lumileds as discontinued operations.
## Development cost capitalization & amortization by sector

**EUR million**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Capitalization 2013</th>
<th>Capitalization 2014</th>
<th>Amortization 2013</th>
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Note - Prior-period financials have been restated for the treatment of the combined businesses of Automotive and Lumileds as discontinued operations.
Restructuring, acquisition-related charges and other items

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<th>EUR million</th>
<th>1Q13</th>
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<th>3Q13</th>
<th>4Q13</th>
<th>2013</th>
<th>1Q14</th>
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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. 5 Q4 2014 includes EUR (201) million of charges related to ongoing legal matters, a EUR 67 million past-service pension cost gain in the Netherlands and EUR (68) million of impairment and other charges related to industrial assets at Lighting.