

# Royal Philips

## *Fourth Quarter and Full Year 2016 Results Information booklet*

January 24, 2017

# Important information

## *Forward-looking statements and other important information*

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

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

## *Third-party market share data*

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

## *Use of non-GAAP Information*

In presenting and discussing the Philips' financial position, operating results and cash flows, management uses certain non-GAAP financial measures. These non-GAAP financial measures should not be viewed in isolation as alternatives to the equivalent IFRS measures and should be used in conjunction with the most directly comparable IFRS measures. A reconciliation of such measures to the most directly comparable IFRS measures is contained in our Annual Report 2015. Further information on non-GAAP measures can be found in our Annual Report 2015.

## *Use of fair-value measurements*

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

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

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# Company overview<sup>1</sup>

## HealthTech

### Diagnosis & Treatment



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

28%  
of revenues

9.4%  
adj. EBITA

### Connected Care & Health Informatics



Empowering consumers and care professionals with predictive patient analytics and clinical informatics solutions

13%  
of revenues

10.3%  
adj. EBITA

### Personal Health



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

30%  
of revenues

15.6%  
adj. EBITA

**EUR 17.4 billion of sales and adj. EBITA of 11.0%**

## Lighting

*Philips retains a 71.225% stake in Philips Lighting*



Enriching lighting experiences that make people feel safe, comfortable, focused, energized and entertained

29%  
of revenues

9.1%  
adj. EBITA

## Philips

EUR 24.5 billion sales in 2016, 70% B2B

Adj. EBITA of 10.5%

EUR 2 billion in 2016 for R&D, ~79,000 patents rights, ~49,000 trademarks

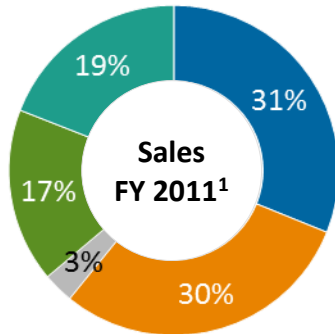
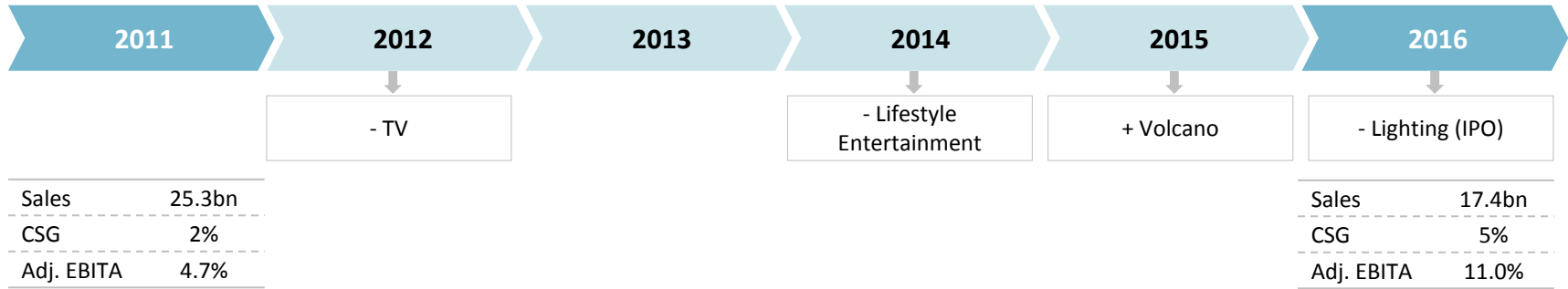
More than 1/4<sup>th</sup> of sales from solutions

~105,000 employees in over 100 countries

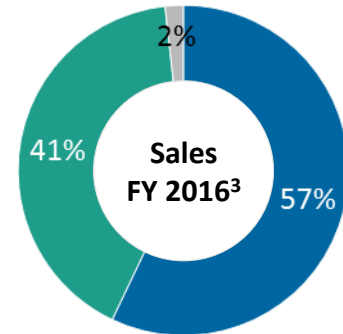
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# Philips has transformed into a focused HealthTech leader



## Portfolio Transformation

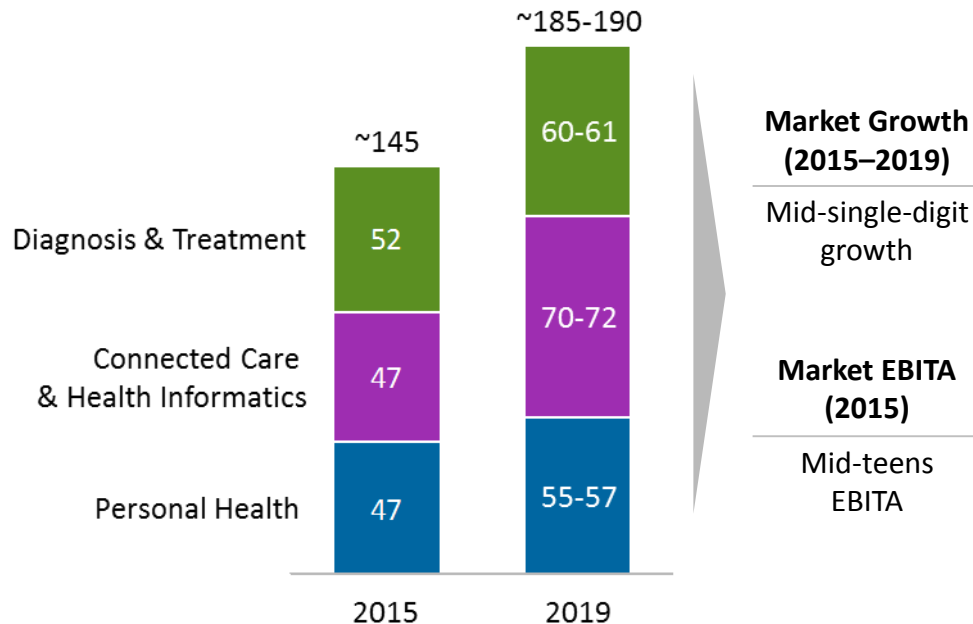


■ Personal Health 
 ■ Healthcare 
 ■ Lighting 
 ■ Other<sup>2</sup>
■ LE/TV

# Our markets have sustained growth and attractive profit pools

## HealthTech market size<sup>1</sup>

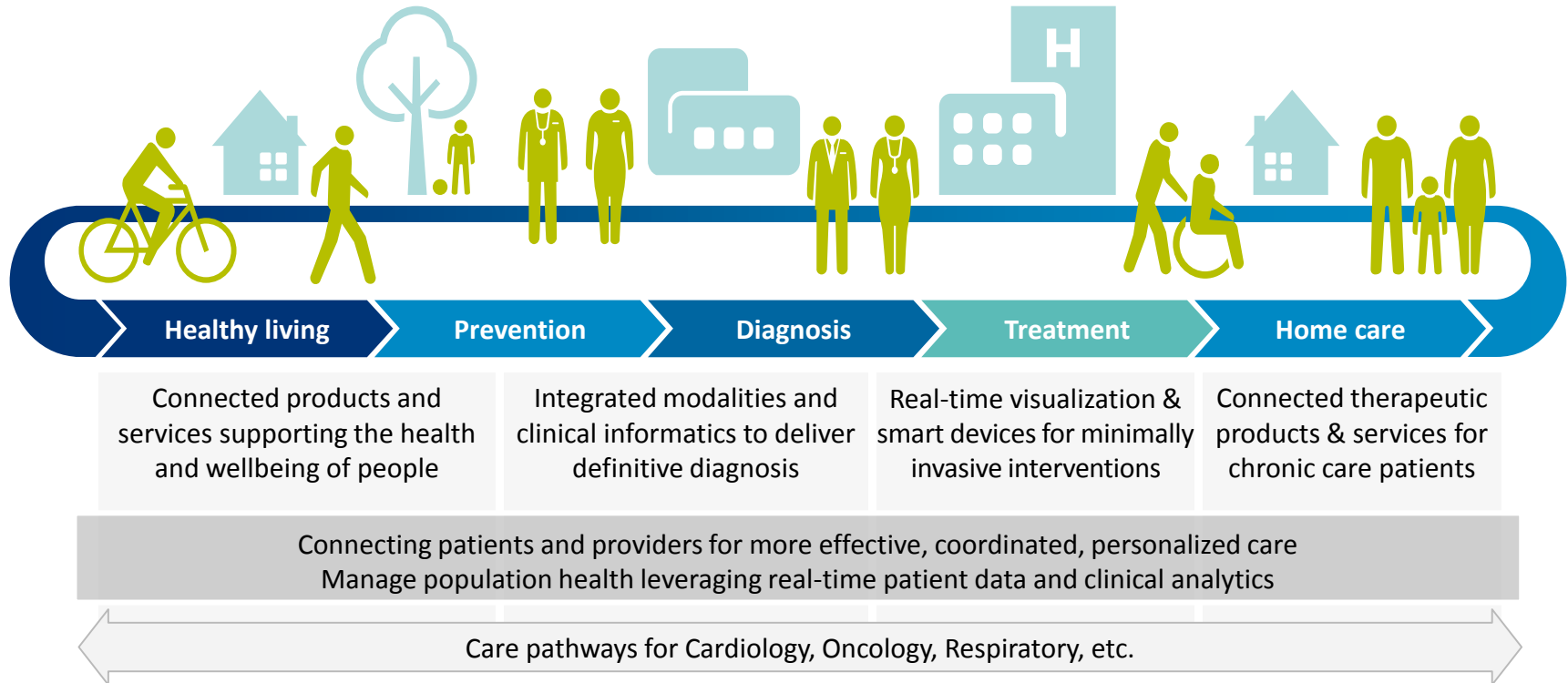
EUR billion



## Growth drivers

- Population growth, ageing and **rise in chronic diseases**
- United Nations SDG 3 – **boosting access to care**
- Shift to **outcome based reimbursement / accountable care**
- **Data enabled** healthcare delivery with **higher productivity**
- Care shifting to **ambulatory and home care** settings with consumers **increasingly engaged in their health**
- **Convergence** of professional healthcare and consumer health

# We deliver differentiated solutions to drive better outcomes for people and higher productivity for care providers across health continuum





# Operating through three segments across the health continuum

## Segments and businesses (share of revenues)<sup>1</sup>

### Diagnosis & Treatment



39%

- Diagnostic Imaging
- Ultrasound
- Image-Guided Therapy

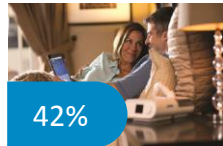
### Connected Care & Health Informatics



19%

- Patient Care & Monitoring Solutions
- Healthcare Informatics & Services
- Population Health Management

### Personal Health



42%

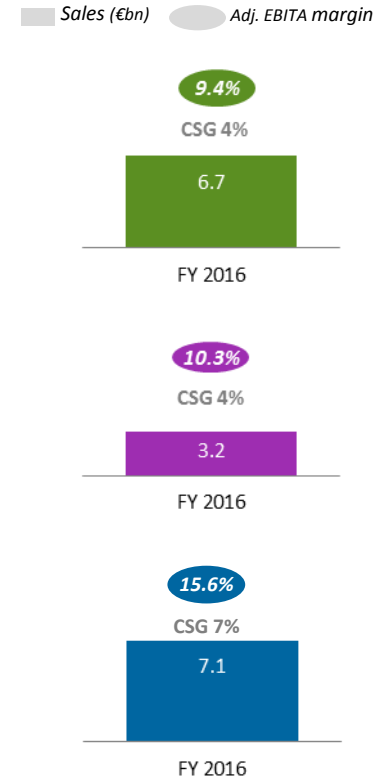
- Health & Wellness
- Sleep & Respiratory Care
- Personal Care
- Domestic Appliances

## Key products

- Computed tomography, magnetic resonance, X-ray
- Ultrasound scanners
- Interventional X-ray, smart catheters for diagnosis and therapy

- Patient monitors, hospital ventilators, defibrillators
- Healthcare IT, clinical and imaging informatics
- Home monitoring, remote cardiac monitoring

- Power toothbrushes, mother & child care
- Home ventilators, CPAP, respiratory masks
- Male grooming, skin care
- Air purification, small kitchen appliances

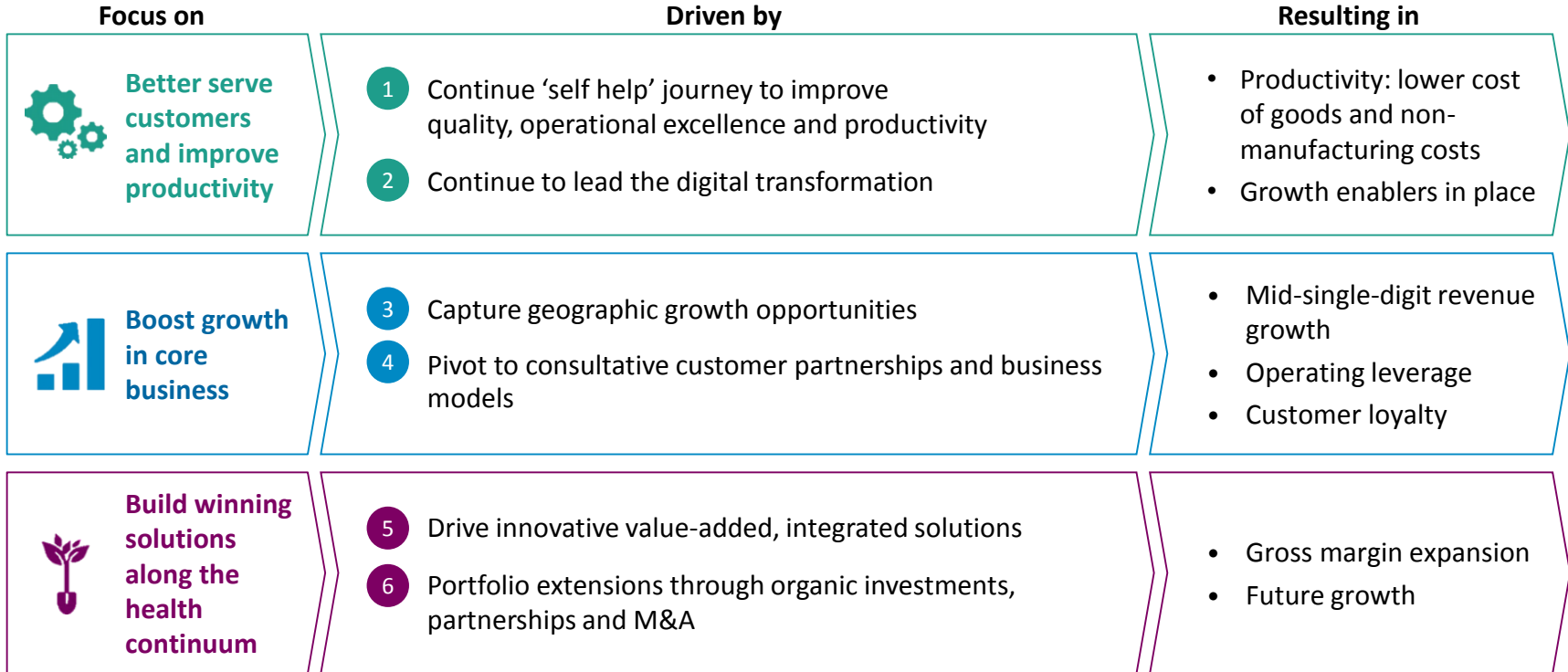


# Our strong portfolio has >60% of sales from leadership positions<sup>1</sup>



<sup>1</sup> Leadership position refers to #1 or #2 position in Philips addressable market; <sup>2</sup> Based on non-invasive ventilators for the home

# Key drivers for our value creation



# We have a unique position to tap into the HealthTech opportunity

## Continue to lead the digital transformation



...unlocking **superior value** for customers (examples)

... through **real time** digital software and services... (examples)

...deployed over **patient-centric** "HealthSuite" IoT cloud and process automation

### Emergency response



Connecting elderly care

### Patient outcomes



4 million sleep patients connected

### Digital workflows



#1 Cardio Informatics

### Predictive analytics



1 billion+ patients monitored in last 5 years



Connected digital propositions



Integrated clinical applications



Philips Integrated IT Landscape



End-to-end business processes

# Co-created solutions for multi-year strategic partnerships



## Driving productivity and efficiency



**Rijnstate**

- Productivity increase in Ultrasound over 30% in outpatient clinics (versus last year)

## Driving patient experience



- New care pathways by integrating patient care, clinical research and education; a 14-year contract with the Stockholm County Council

## Driving financial outcomes



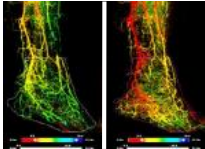





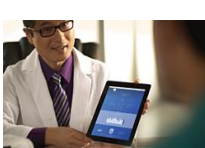


- Regained trauma center designation to safeguard USD 15 million of annual revenue

# Drive innovative value-added, integrated solutions

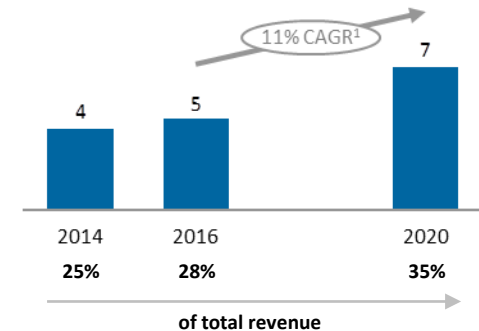
## Better value for customers, higher margins, recurring revenue models

### Examples

<p><b>Total cardiac procedure solutions</b></p>	 <p>Interventional operating rooms</p>	 <p>Smart therapeutic devices</p>	 <p>Validation software</p>
<p><b>Integrated oncology solutions</b></p>	 <p>IQon Spectral CT diagnostics</p>	 <p>Intellisite Pathology</p>	 <p>Image guided radiation oncology</p>
<p><b>Total sleep solutions</b></p>	 <p>Home sleep diagnostics</p>	 <p>Dream Series therapy devices</p>	 <p>DreamMapper patient engagement</p>

### Solutions revenues and growth

EUR billion



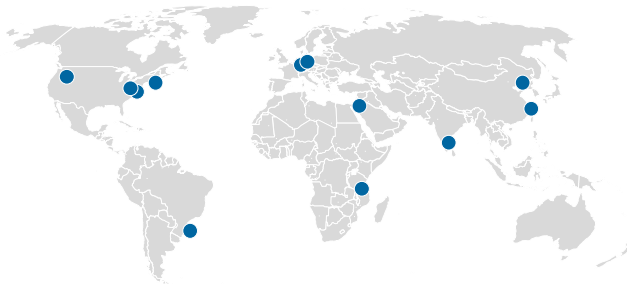
#### Solutions business characteristics:

- Suites of systems, smart devices, software and services
- Revenue accelerates to double-digit growth
- Higher margins than stand-alone products
- Sticky customer relationships with committed future revenue

# Our innovations are a result of deep clinical collaborations with universities & hospitals and advanced R&D programs

## Commitment towards innovation

- **Annual spend of ~EUR 1.7 billion** for research & development
  - ~20% breakthrough innovation
  - ~50% new product development
  - ~30% sustaining engineering
- **Strong IP portfolio** consisting of 79,000 patents, 49,000 trademarks and 86,000 design rights<sup>1</sup>
- 60%+ R&D professionals in software
- Global R&D footprint



## Examples of collaborative clinical co-creation



# Sustainability is an integral part of how we do business

## Success of EcoVision 2015 program

- 54% of sales from Green Products in 2015
- 41% reduction in carbon footprint in 10 years
- 2 billion lives improved



## New 2020 program “Healthy people, sustainable planet”

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

## Recent accomplishments

**Industry Group Leader** in 2016



4<sup>th</sup> consecutive year of **leadership**  
in the **Carbon Disclosure Project**



“**Champion for Change**” award from  
Practice GreenHealth, third  
consecutive year






























**Responsible Supply Chain**  
**Management Award** by VBDO for 7<sup>th</sup>  
consecutive year





# Experienced management team driving growth, operational excellence and value creation

CEO / CFO	Segment Leaders	Market Leaders	Function Leaders
 <p><i>CEO</i> <b>Frans van Houten</b></p> 	 <p><i>Personal Health</i> <b>Pieter Nota</b></p> 	 <p><i>Global Markets<sup>1</sup></i> <b>Ronald de Jong</b></p> 	 <p><i>Innovation &amp; Strategy</i> <b>Jean Botti</b></p> 
 <p><i>CFO</i> <b>Abhijit Bhattacharya</b></p> 	 <p><i>Diagnosis &amp; Treatment</i> <b>Robert Cascella</b></p> 	 <p><i>North America</i> <b>Brent Shafer</b></p> 	 <p><i>Operations</i> <b>Sophie Bechu</b></p>  
	 <p><i>Connected Care &amp; Health Informatics</i> <b>Jeroen Tas</b></p> 	 <p><i>Greater China</i> <b>Andy Ho</b></p> 	 <p><i>Legal</i> <b>Marnix van Ginneken</b></p>  
			 <p><i>Human Resources</i> <b>Denise Haylor</b></p>  

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# Accelerate! driving further change and performance

## Customer Centricity



- Increase local relevance of product portfolio
- Focused Business-to-Government sales channel; Apply digital and CRM capabilities
- Enhance sales capabilities for Solutions, Systems and Services
- Expansion into adjacent and new growth markets to drive growth

## Resource to Win



- Increase performance adherence to plan per BMC (Business Market Combination) > 90%
- Targeted investments to drive value creation and extend market leadership
- Strengthen BMC capabilities with new hires, global tools, training and ways of working

## End2End Execution



- Non-overhead productivity gains of 100 bps margin impact to be achieved by 2016
- Transform customer chains to 4 Lean business models & roll-out new integrated IT landscape
- Accelerate innovation time to market by avg. 40%; Increase customer service to >95%
- EUR 1 billion via Design for Excellence (DfX) over the period 2014-2016

## Growth and Performance Culture



- Focus on the 6 competencies that will accelerate our transformation
- Run and measure monthly performance dialogues to take ownership for the transformation
- Build Philips University to increase learning and competency development
- Excellence practices to increase operational performance; Lean skills for all employees
- Increase Employee Engagement in markets

## Operating Model



- Simplify and de-layer organization, reduce overhead costs by EUR 1.8 billion
- Implement the Philips Business System in the organization
- Continue to transform Finance, HR and IT to increase productivity and effectiveness
- Align all employees to common performance management objectives

# Productivity programs delivered ahead of plan

EUR million	2011-14 Actual	2015 Actual	2016 Plan	2016 Actual
Overhead cost savings	1,335	290	200	269*
Procurement <sup>1</sup>	284	379	340	418
End2End productivity gains <sup>1</sup>	79	187	90	204
Restructuring - Accelerate	(456)	(96)	(50)	(30)
Investments <sup>2</sup>	(433)	(191)	(140)	(169)

\* Represents incremental savings of EUR 204 million and EUR 65 million of run rate savings.

*All savings numbers are gross numbers*



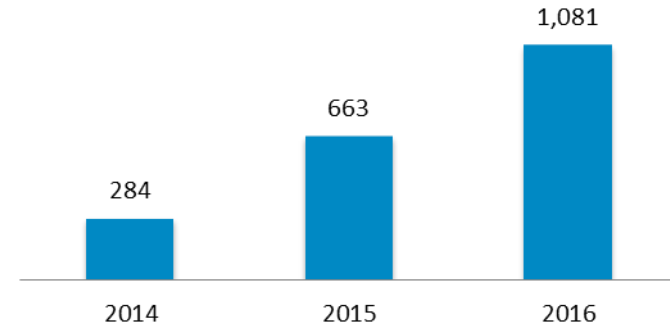
# Achieved procurement transformation targets for 2016

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

- End2End approach to product creation, with one integrated procurement team, supply chain, R&D, marketing, finance and the supplier upfront to drive breakthrough cost savings through:
  - Value engineering
  - Re-design the purchasing value chain
  - Leveraging global spend
- Cost savings can be achieved in mature products as well as new product introductions
- Funnel of opportunities targeted additional cumulative savings of EUR 1 billion over the period 2014 to 2016

## Cumulative procurement gross savings

EUR million



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

# Continue 'self help' journey to improve quality, operational excellence and productivity



## Excellence

- Operational excellence by applying the Philips Business System
- Continuous improvement, leveraging Philips Excellence practices
- 'Design for Quality' methodology in product design and Supplier Selection
- One Philips Quality Management System

## Productivity programs<sup>1</sup>

Productivity driven by operating leverage and a EUR 1.2 billion program over the next three years comprising of:

- Manufacturing footprint optimization
- Procurement savings, led by proven DfX program
- Overhead cost reduction

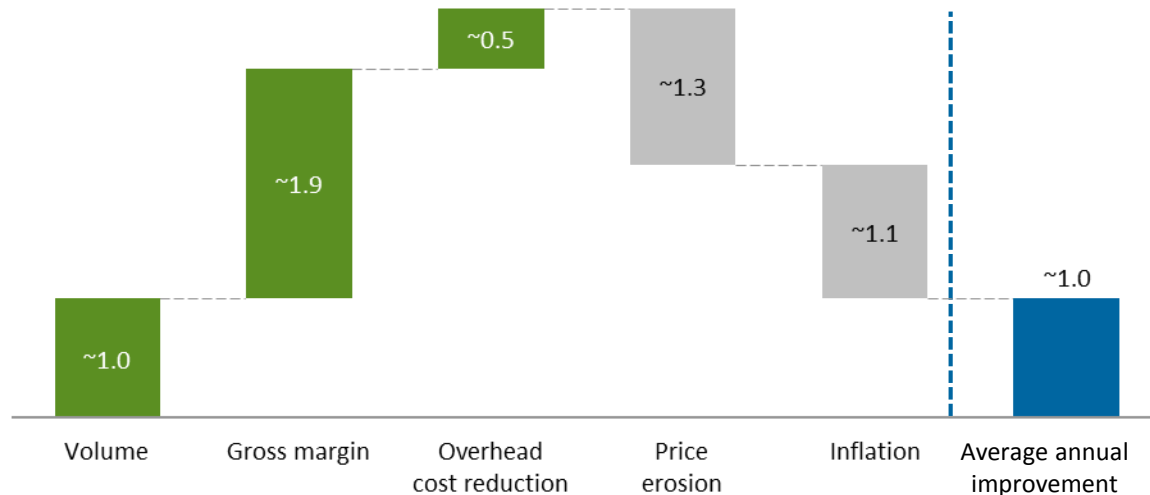
## Philips Business System



# Productivity initiatives of EUR 1.2 billion to drive 100 basis points annual improvement over the mid-term<sup>1</sup>

## Adj. EBITA step-up drivers

Indicative Adj. EBITA margin, %



## Main drivers

- Operating leverage in selling expenses and R&D
- Gross margin improvement:
  - Manufacturing footprint optimization
  - Procurement savings, led by proven DfX program
  - Mix improvement
- Overhead reduction enabled by simplification of end-to-end businesses processes

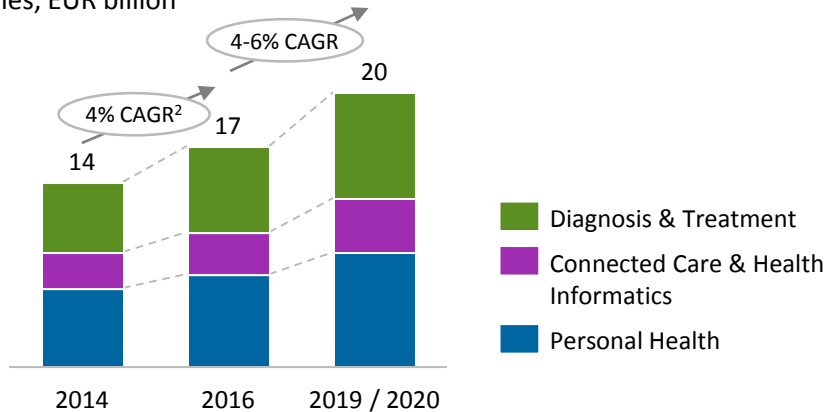
This plan is largely a “self help” and a continuation of our Accelerate! approach

# Building Philips to EUR 20 billion<sup>1</sup> sales with significantly improved returns

## Medium-term financial outlook

- Mid-single-digit growth rate (4-6%)
- On average 100bps Adj. EBITA margin improvement annually
- Cash generation of ~EUR 1–1.5 billion annually
- Organic plan ROIC improves to mid-to-high teens

Sales, EUR billion



- Performance improvement driven by:
  - Operational excellence and growth in Diagnosis & Treatment
  - Capture growth in Connected Care & Health Informatics
  - Continue momentum in Personal Health
- Continued cost productivity to improve margins
- Balance Sheet improvements will contribute to improving cash flow and earnings

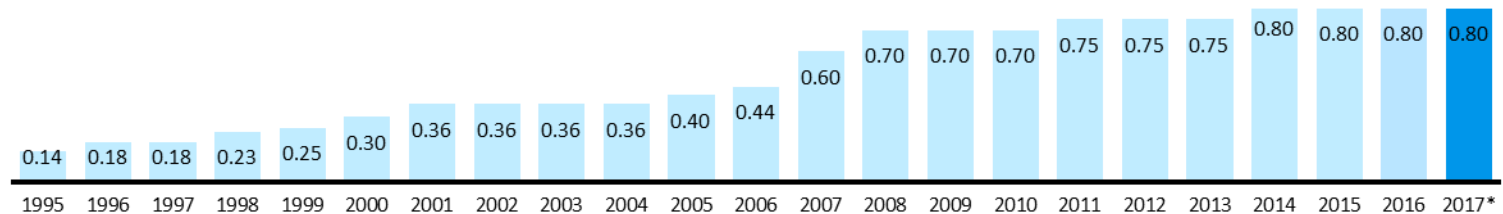


# Disciplined capital allocation policy

- Continue to invest in high ROIC organic growth opportunities to strengthen each business
- Disciplined but more active approach to M&A, while continuing to adhere to strict return hurdles
- Committed to a strong investment grade credit rating
- Completed EUR 3.5 billion of share buy backs starting from 2011
- Going forward we will further redeem high cost debt and continue de-risking liabilities
- Dividend policy aimed at dividend-stability

## Dividends

EUR per share

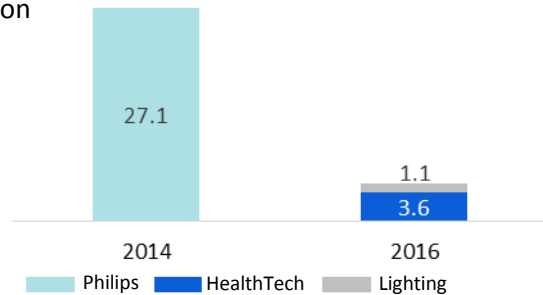


# Ongoing actions to drive balance sheet efficiency

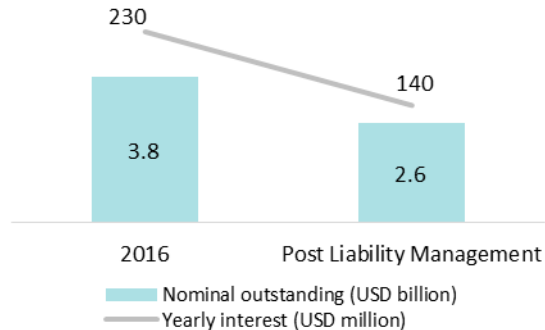
## Reduction of pension liability and high interest bonds

### Pension DBO

EUR billion



### Gross debt and interest cost development<sup>1</sup>



- Pro-active de-risking actions to reduce Group defined benefit obligations (DBO):
  - De-risking of the Dutch pension plan
  - Settlement of the entire U.K. plan
  - Transfer of USD 1.1B U.S. liabilities to insurers
  - Termination of Brazil pension plan in 2017
- Actions to redeem high interest bonds by USD 1.5B:
  - USD 0.3B redeemed in Q3 2016
  - USD 1.25B March'18 bond redeemed per January 20, 2017
- All actions to enable a reduction of yearly interest expenses by around EUR 100 million completed

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# Performance Highlights

## Q4 2016

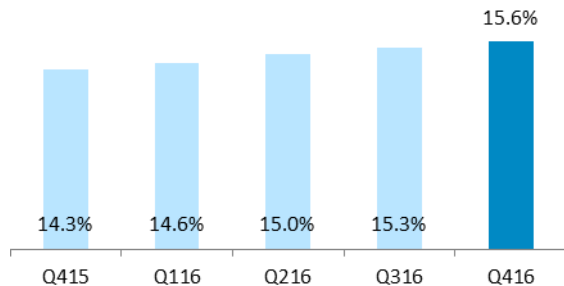
- Comparable sales up 3% compared to Q4 2015
- Comparable equipment order intake is flat
- Adj. EBITA margin of 13.8%, up 190 bps compared to Q4 2015
- Inventories amounted to 13.8% of sales<sup>1</sup>, down 50 bps compared to Q4 2015
- Free cash inflow of EUR 843 million, compared to EUR 740 million in Q4 2015
- ROIC was 13.6%

EUR million	Sales	CSG	Adj. EBITA margin	vs. LY (bps)	EBITA margin	vs. LY (bps)
Personal Health	2,165	+7%	18.2%	+100	17.6%	+280
Diagnosis & Treatment	2,032	+3%	14.0%	+280	13.2%	+440
Connected Care & Health Informatics	955	+4%	18.5%	+50	19.3%	+540
HealthTech Other	154					
<b>HealthTech</b>	<b>5,306</b>	<b>+5%</b>	<b>15.3%</b>	<b>+190</b>	<b>14.2%</b>	<b>+1100</b>
Lighting	1,934	(3)%	9.8%	+180	8.4%	+320
<b>Philips</b>	<b>7,240</b>	<b>+3%</b>	<b>13.8%</b>	<b>+190</b>	<b>12.6%</b>	<b>+890</b>

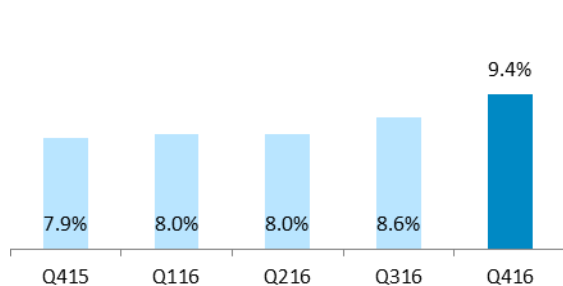
# Adjusted EBITA<sup>1</sup> margin development

Rolling last twelve months

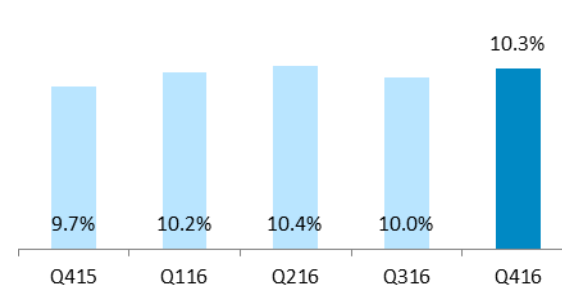
Personal Health



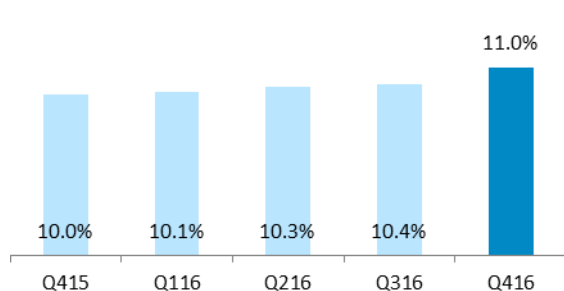
Diagnosis & Treatment



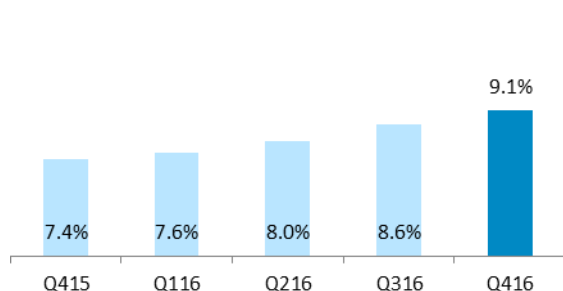
Connected Care & Health Informatics



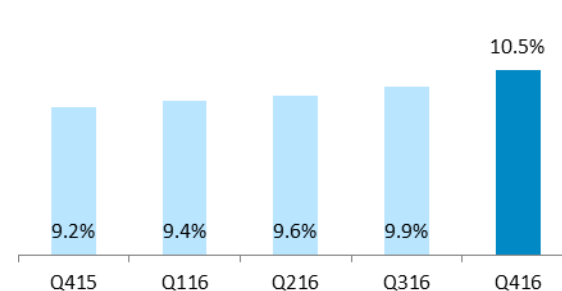
HealthTech



Lighting



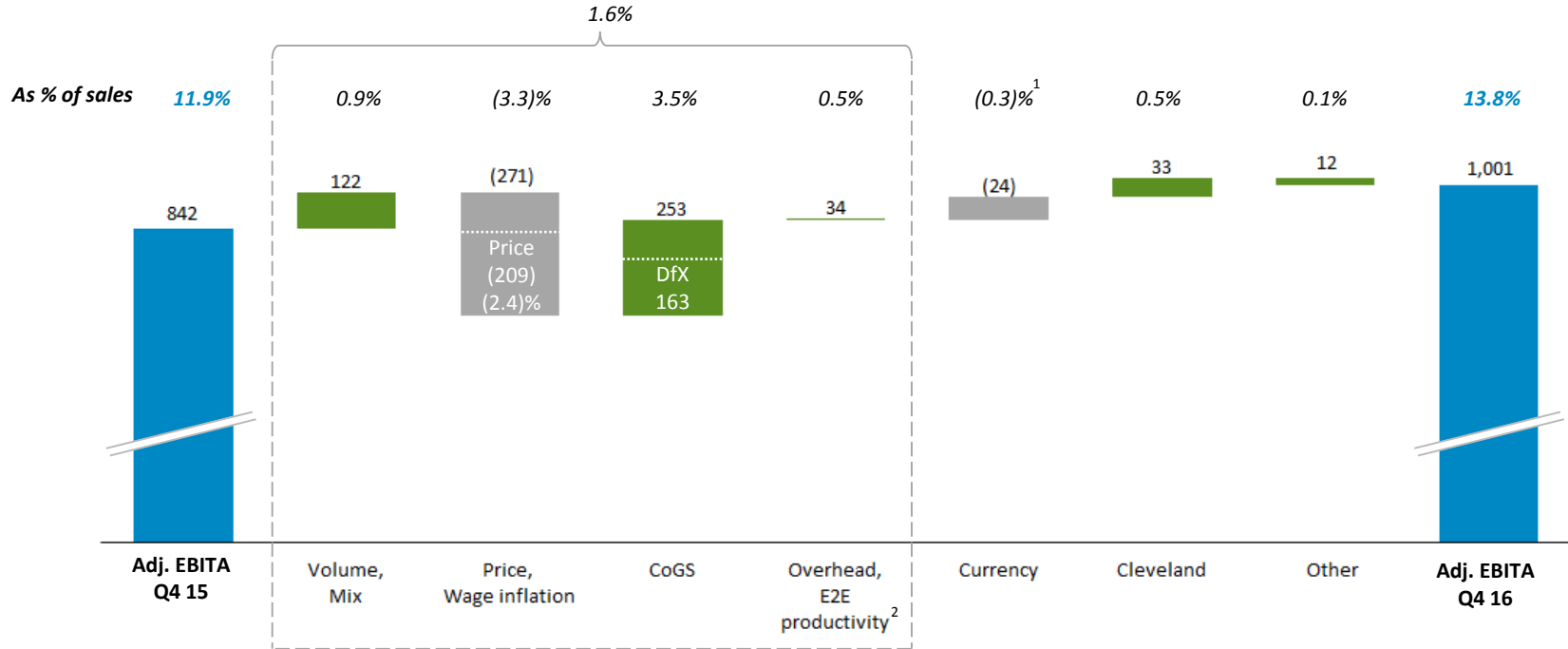
Philips



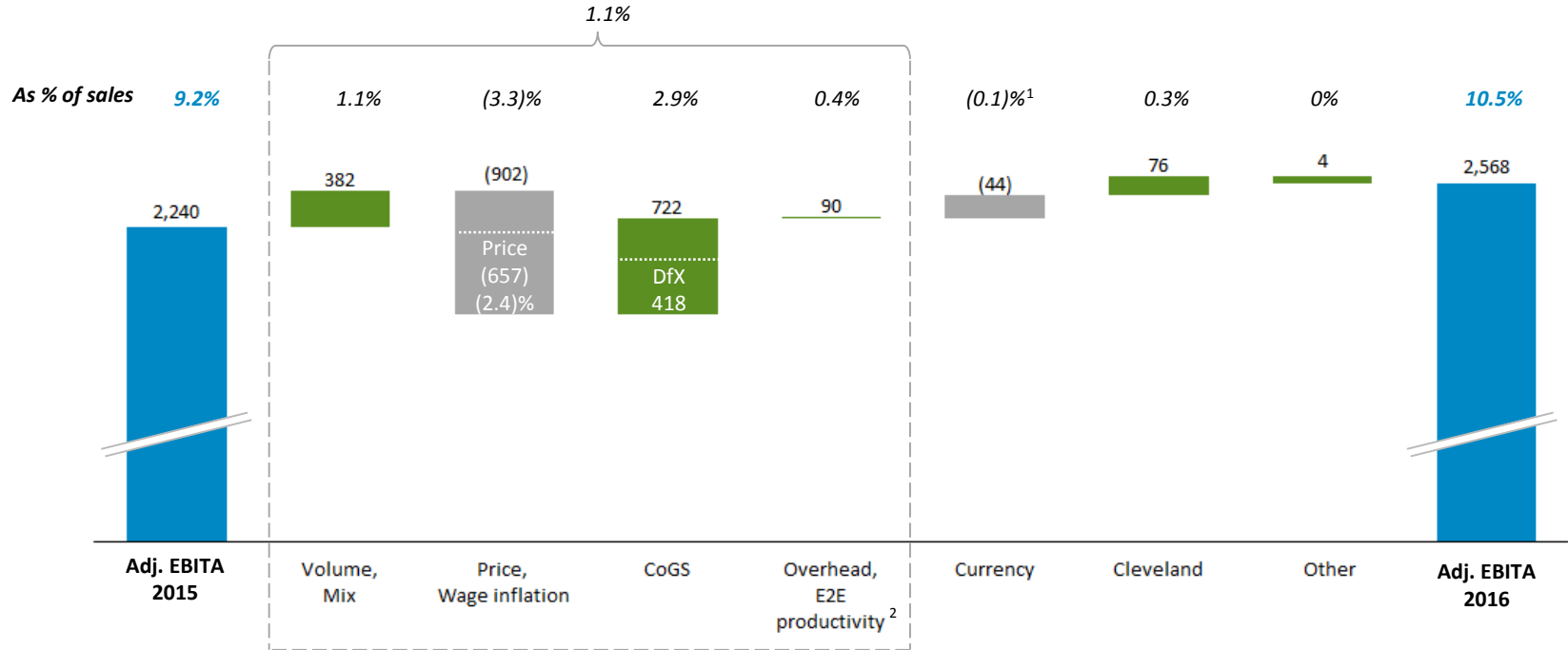
# Sales by geography

EUR million	Q4 2016					
	HealthTech			Philips		
	Sales	Nominal sales growth	Comparable sales growth	Sales	Nominal sales growth	Comparable sales growth
Western Europe	1,171	+3%	+5%	1,772	0%	+3%
North America	1,848	+4%	+4%	2,353	+1%	+1%
Other Mature Geographies	529	+20%	+10%	582	+18%	+9%
Growth Geographies <sup>1</sup>	1,759	+3%	+6%	2,533	+1%	+4%
<b>Total</b>	<b>5,306</b>	<b>+5%</b>	<b>+5%</b>	<b>7,240</b>	<b>+2%</b>	<b>+3%</b>

# Adjusted EBITA bridge for Q4 2016

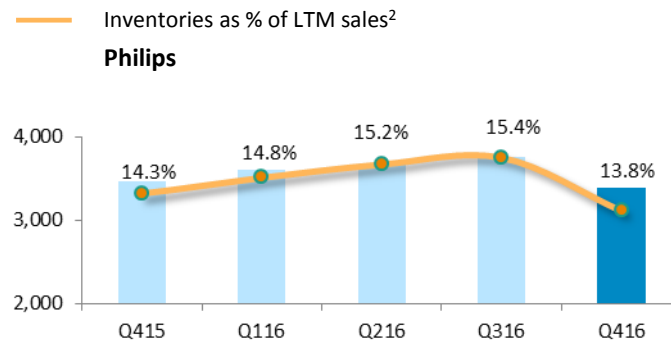
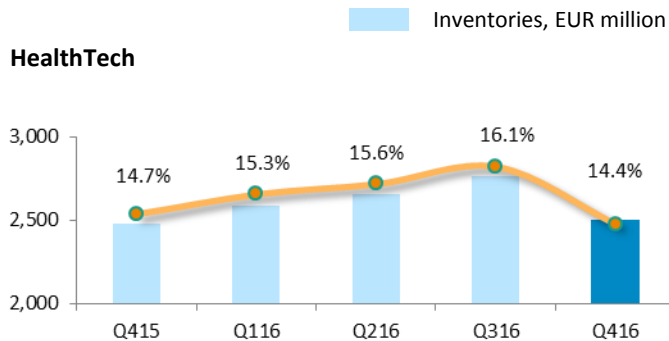
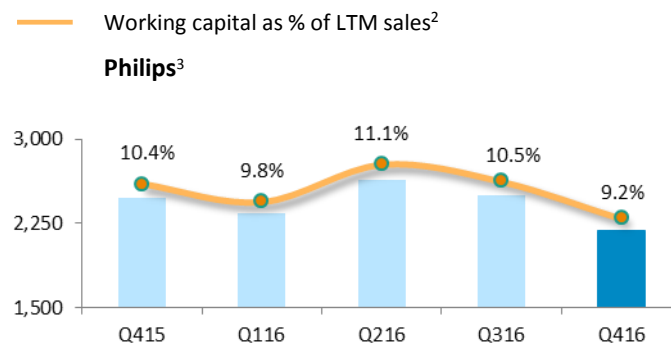
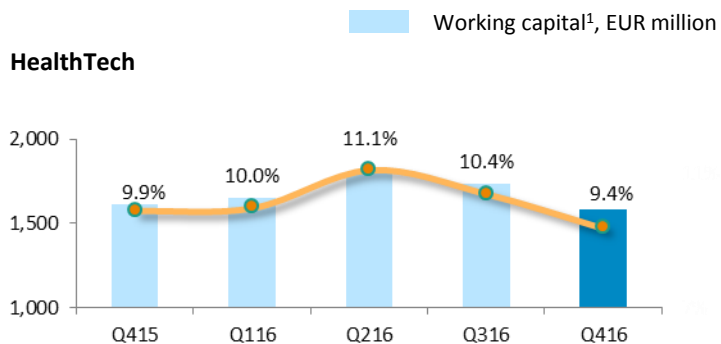


# Adjusted EBITA bridge for FY 2016





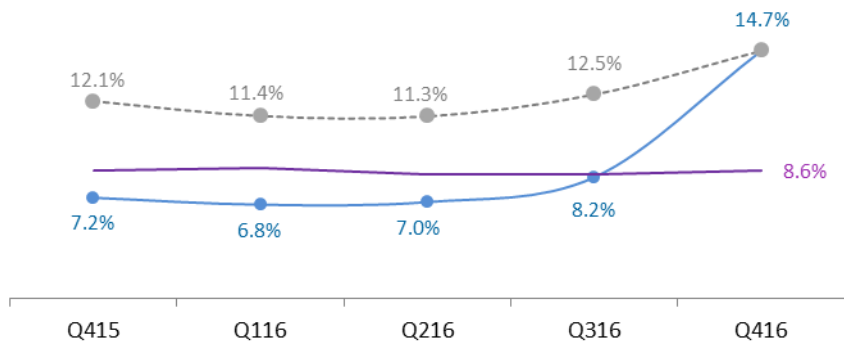
# Working capital & inventories



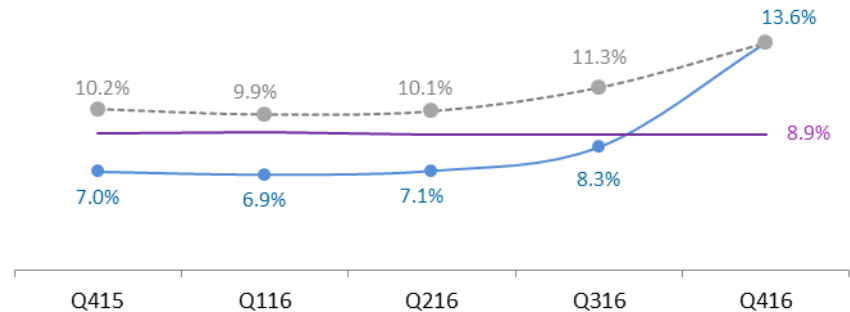
# Development of Return on Invested Capital (ROIC)

- ROIC was 13.6% in Q4 2016 compared to 10.2% in Q4 2015, excluding the charges related to Pension settlements in Q4 2015.
- The improvement is mainly driven by earnings growth.

## HealthTech



## Philips



- ROIC
- ROIC excl. the charges related to Pension settlements in Q4 2015
- WACC<sup>1</sup>

<sup>1</sup> Weighted Average Cost of Capital.

# Appendix

# Key financials summary

EUR million	Q4 2015	Q4 2016	FY 2015	FY 2016
Sales	7,095	7,240	24,244	24,516
Adjusted EBITA	842 <sup>1</sup>	1,001 <sup>2</sup>	2,240 <sup>4</sup>	2,568 <sup>5</sup>
EBITA	263	914	1,372	2,235
Financial expenses, net	(128)	(78) <sup>3</sup>	(369)	(493) <sup>6</sup>
Income taxes	(152)	(198)	(239)	(327)
Net income (loss)	(39)	640	659	1,491
Net Operating Capital	11,096	11,773	11,096	11,773
Net cash flow from operating activities	956	1,076	1,167	1,904
Net capital expenditures	(216)	(233)	(842)	(831)
Free cash flow	740	843	325	1,073

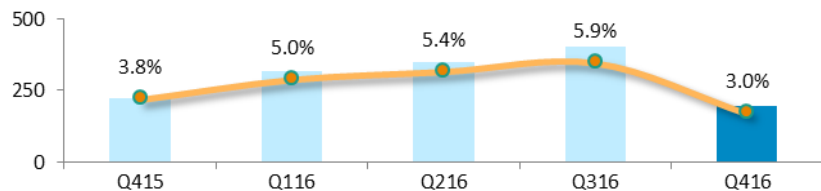
<sup>1</sup> Q4 2015 excludes EUR (150)M of restructuring and acquisition-related charges and EUR (429)M other incidentals. <sup>2</sup> Q4 2016 excludes EUR (91)M of restructuring and acquisition-related charges and EUR 4M other incidentals.

<sup>3</sup> Q4 2016 includes an additional EUR (62)M expenses related to the early debt redemption. <sup>4</sup> FY 2015 excludes EUR (283)M of restructuring and acquisition-related charges and EUR (585)M other incidentals. <sup>5</sup> FY 2016 excludes EUR (213)M of restructuring and acquisition-related charges and EUR (120)M other incidentals. <sup>6</sup> FY 2016 includes an additional EUR (153)M expenses related to the early debt redemption.

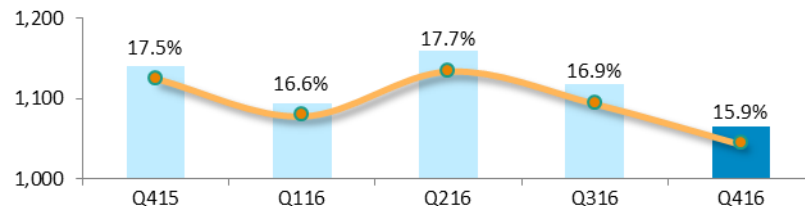
# Working capital per segment

Working capital, EUR million      Working capital as % of LTM sales<sup>1</sup>

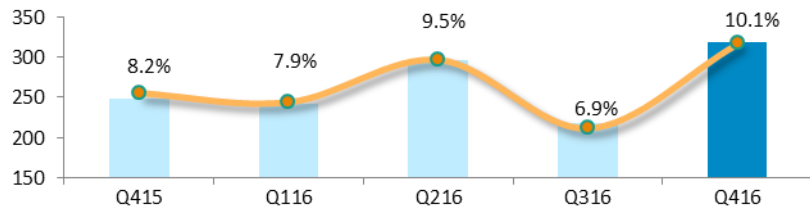
## Personal Health



## Diagnosis & Treatment



## Connected Care & Health Informatics



<sup>1</sup> Working capital as a % of sales excludes acquisitions and divestments.

# Balance Sheet utilization

EUR million

## Gross CapEx<sup>1</sup>

	Q4 2015	Q4 2016	FY 2015	FY 2016
HealthTech	141	100	432	360
Lighting	36	28	90	83
<b>Philips</b>	<b>178</b>	<b>129</b>	<b>522</b>	<b>443</b>

## Depreciation<sup>1</sup>

	Q4 2015	Q4 2016	FY 2015	FY2016
	133	144	422	458
	34	38	160	148
<b>Philips</b>	<b>167</b>	<b>183</b>	<b>582</b>	<b>606</b>

## Capitalization

	Q4 2015	Q4 2016	FY 2015	FY 2016
HealthTech	92	98	351	345
Lighting	6	8	24	34
<b>Philips</b>	<b>98</b>	<b>106</b>	<b>375</b>	<b>379</b>

## Amortization of development costs

	Q4 2015	Q4 2016	FY 2015	FY2016
	65	58	242	225
	8	6	29	28
<b>Philips</b>	<b>73</b>	<b>65</b>	<b>271</b>	<b>253</b>

# Restructuring, acquisition-related charges and other items

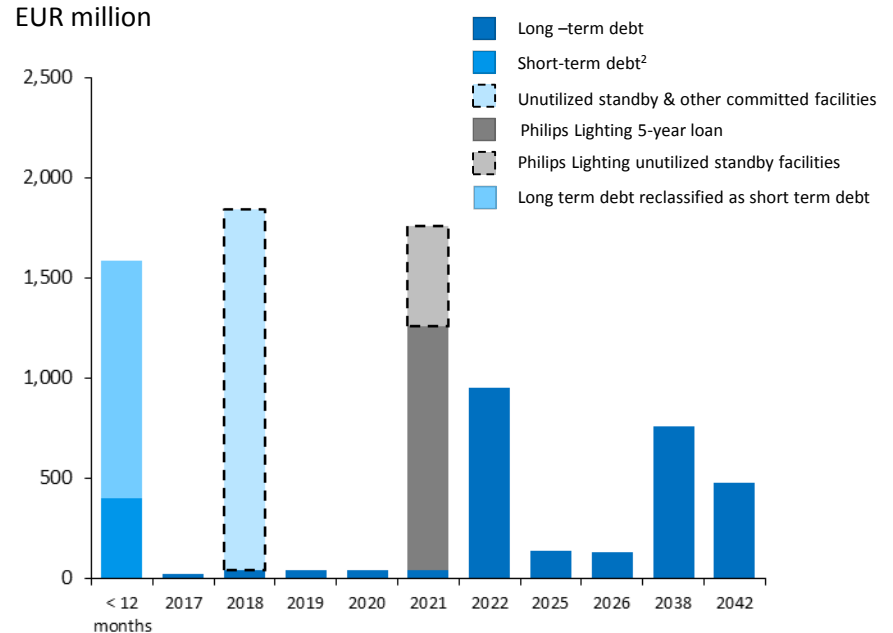
Incidentals (EUR mln)	Q115	Q215	Q315	Q415	2015	Q116	Q216	Q316	Q416	2016
Restructuring	(1)	(1)	(1)	(35)	(38)	(2)	(1)	-	(13)	(16)
Acq.-related charges	-	1	-	-	1	-	-	-	-	-
Other Incidentals	-	-	(31)	(13)	(44)	-	-	-	-	-
<b>Personal Health</b>	(1)	-	(32)	(48)	(81)	(2)	(1)	-	(13)	(16)
Restructuring	(8)	3	-	(19)	(24)	(1)	-	-	(8)	(9)
Acq.-related charges	(24)	(23)	(38)	(22)	(107) <sup>1</sup>	(8)	(7)	(6)	(7)	(28)
Other Incidentals	-	-	-	(7)	(7)	-	-	-	-	-
<b>Diagnosis &amp; Treatment</b>	(32)	(20)	(38)	(48)	(138)	(9)	(7)	(6)	(15)	(37)
Restructuring	(1)	-	-	(36)	(37)	(4)	3	-	(5)	(6)
Acq.-related charges	-	-	-	(1)	(1)	-	-	(5)	(3)	(8)
Other Incidentals	(28)	-	-	(1)	(29)	-	(4)	1	15	12
<b>Connected Care &amp; Health Informatics</b>	(29)	-	-	(38)	(67)	(4)	(1)	(4)	7	(2)
Restructuring	4	6	4	5	19	2	(3)	1	(27)	(27)
Acq.-related charges	-	-	-	-	-	-	-	-	(1)	(1)
Other Incidentals	-	-	-	37	37	-	-	-	(26) <sup>5</sup>	(26)
<b>HealthTech Other</b>	4	6	4	42	56	2	(3)	1	(54)	(54)
Restructuring	(27)	(9)	(14)	(42)	(92)	(18)	(23)	(49)	(27)	(117)
Acq.-related charges	(1)	(2)	(1)	(1)	(5)	(1)	-	-	(1)	(2)
Other Incidentals	-	-	-	(14)	(14)	-	-	13	1	14
<b>Lighting</b>	(28)	(11)	(15)	(57)	(111)	(19)	(23)	(36)	(27)	(105)
Restructuring	-	2	(2)	1	1	-	-	-	1	1
Acq.-related charges	-	(1)	1	-	-	-	-	-	-	-
Other Incidentals	(11)	(27)	(59)	(431)	(528) <sup>2</sup>	(52) <sup>3</sup>	(45) <sup>3</sup>	(37) <sup>3</sup>	14 <sup>3,4</sup>	(120)
<b>Legacy Items</b>	(11)	(26)	(60)	(430)	(527)	(52)	(45)	(37)	15	(119)
Restructuring	(33)	1	(13)	(126)	(171)	(23)	(24)	(48)	(79)	(174)
Acq.-related charges	(25)	(25)	(38)	(24)	(112)	(9)	(7)	(11)	(12)	(39)
Other Incidentals	(39)	(27)	(90)	(429)	(585)	(52)	(49)	(23)	4	(120)
<b>Philips</b>	(97)	(51)	(141)	(579)	(868)	(84)	(80)	(82)	(87)	(333)

# Philips' debt has a long maturity profile

## Characteristics of long-term debt

- Total net debt position of EUR 3.3 billion
- Maturities up to 2042
- Average tenor of long-term debt (excl. Philips Lighting) is 9.4 years
- No financial covenants
- Philips Lighting debt includes 5 year loans of EUR 740 million and USD 500 million
- On December 20, 2016, Philips announced the early redemption of all 2018 bonds per January 20, 2017. This resulted in a reclassification of USD 1,250 million of 2018 bonds from long-term to short-term debt per Q4 2016<sup>1</sup>.

## Debt maturity profile as per December 2016





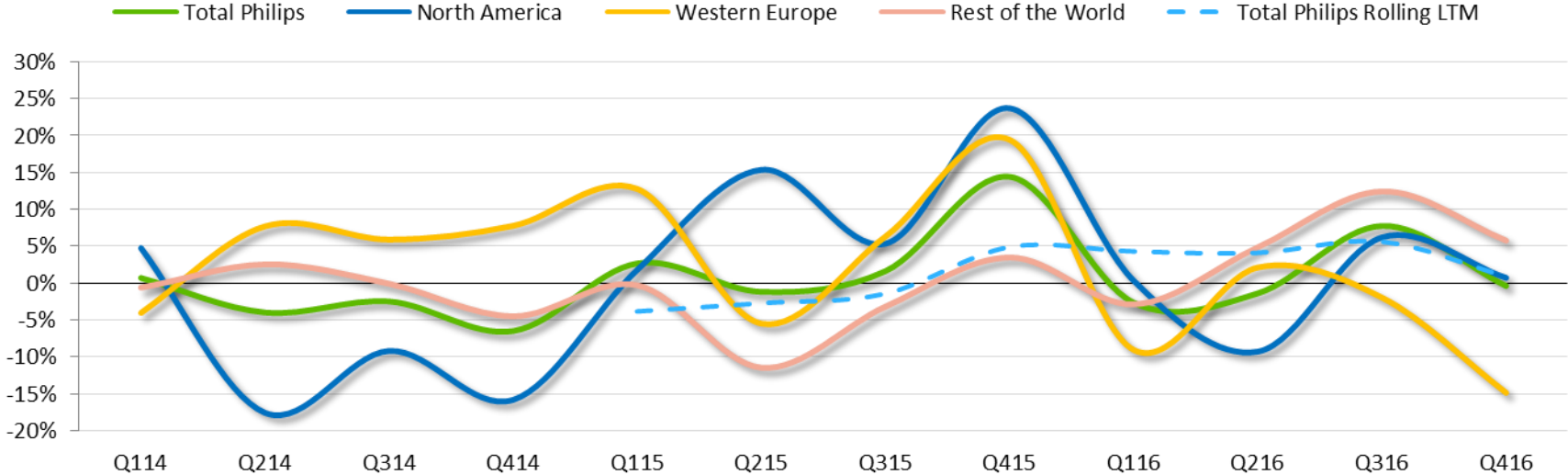
# Update funded status pension plans (IFRS basis)

EUR million	Funded status		Balance sheet position	
	September 2016	December 2016	September 2016	December 2016
Major plans	(1,436)	(1,431)	(1,526)	(1,536)
Minor plans	(230)	(225)	(230)	(225)
<b>Philips</b>	<b>(1,666)</b>	<b>(1,656)</b>	<b>(1,756)</b>	<b>(1,761)</b>
<i>of which Lighting</i>	<i>(504)</i>	<i>(467)</i>	<i>(523)</i>	<i>(485)</i>
<b>HealthTech</b>	<b>(1,162)</b>	<b>(1,189)</b>	<b>(1,233)</b>	<b>(1,276)</b>

The total Philips funded status improved slightly in Q4 2016 compared to Q3 2016 due to higher interest rates in Germany and the US, largely offset by the effects of a stronger US dollar.

# HealthTech: order intake<sup>1</sup>

Quarterly currency adjusted order intake growth  
Diagnosis & Treatment and Connected Care & Health Informatics

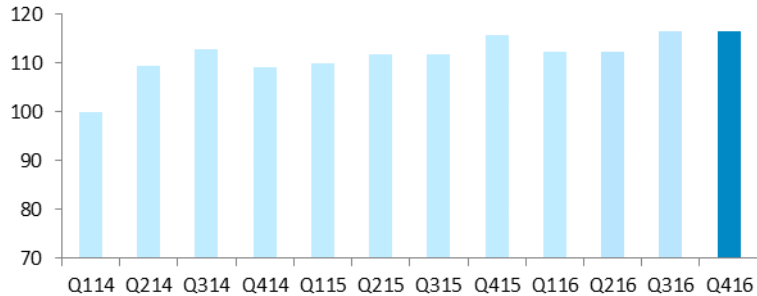


42 <sup>1</sup> Order intake includes equipment and software orders in Diagnosis & Treatment and Connected Care & Health Informatics businesses



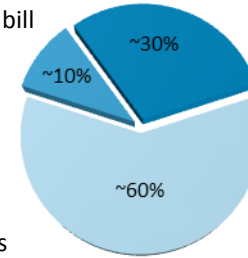
# HealthTech: order book

## Indexed order book<sup>1</sup> development



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

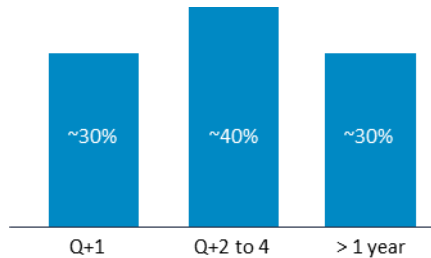
Equipment and software book and bill sales



Equipment and software sales from order book - Leading indicator of future sales

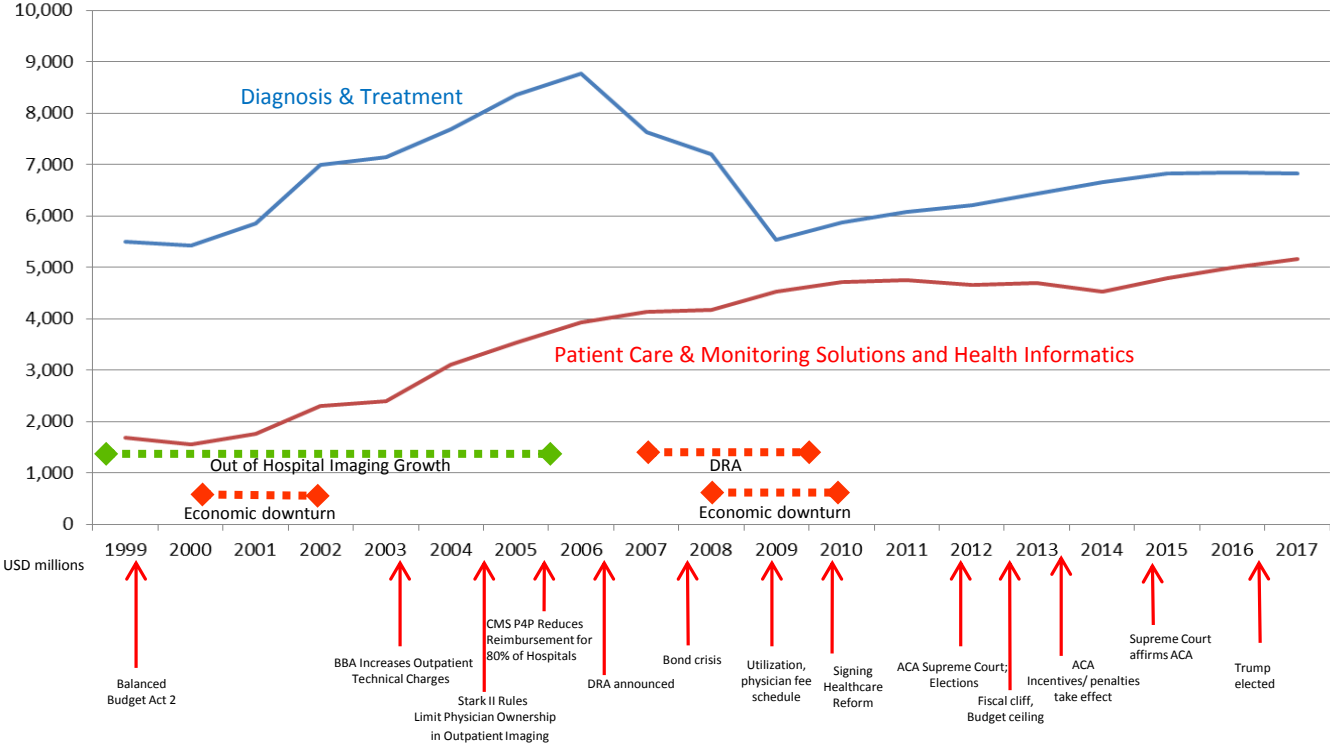
Personal Health + Customer Services sales

## Typical profile of order book conversion to sales



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

# North America healthcare market development<sup>1</sup>



The US healthcare market is expected to grow by low-single-digit in 2017

44 <sup>1</sup> Only refers to equipment market for Diagnosis & Treatment, Patient Care and Monitoring Solutions and Health Informatics



# Financial calendar 2017

January 24	Fourth quarter and full year 2016 results
February 21	Annual Report 2016
April 24	First quarter results 2017
May 11	Annual General Meeting of Shareholders
July 24	Second quarter and semi-annual results 2017
October 23	Third quarter results 2017

