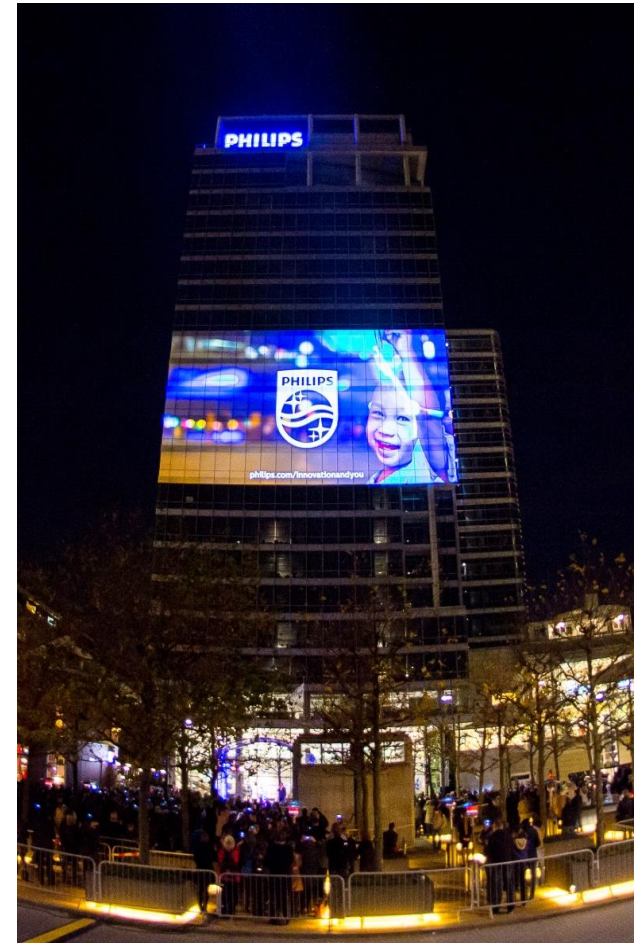


Implementing the next phase of Accelerate!

Frans van Houten
CEO Royal Philips
September 23, 2014

Entering the next phase of our Accelerate! transformation

- Significant progress on **multi-year transformation journey**
 - Achieving **operational excellence** through Accelerate!
 - Addressing 2014 performance
- Establishing **two focused companies to capture growth and create value**:
 - Exciting prospects in **HealthTech** and **Lighting Solutions** markets
 - Attractive proposition to all stakeholders
- Options for **capital market access** for Lighting Solutions
- **2016 targets**: 4-6% comparable sales growth by 2016, 11-12% EBITA margin and >14% ROIC
- **Higher growth and profitability** beyond 2016



Establishing two focused companies to capture highly attractive market opportunities

Royal Philips

Focused on the EUR 100+ billion HealthTech opportunity

Serving the Health Continuum
Leveraging strengths of Healthcare and Consumer Lifestyle

EUR 14.8 billion sales 2013¹

Philips Lighting

Focused on the EUR 60+ billion Lighting solutions opportunity

Establishing stand-alone Lighting structure

LED Components & Automotive
(Announced in June 2014)

EUR 8.4 billion sales 2013²

- 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**

¹Excluding Lifestyle Entertainment; including IG&S revenue allocation

²Including LED Components & Automotive; including IG&S revenue allocation

³Note - Following the completion of the divestment of the AVM&A business, prior-period financials have been adjusted (for details please refer to note 1 "Significant accounting policies" in the Q2 2014 Quarterly report and Semi-annual report)

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

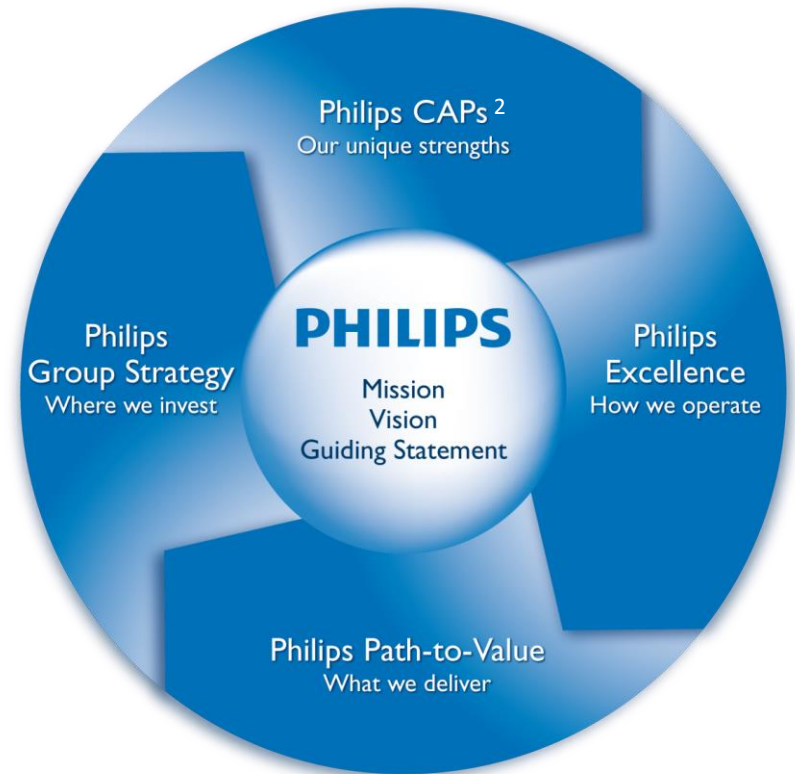
- Turnaround or exit underperforming businesses
- Productivity & margin improvements
- Rebuild culture, processes, systems & capabilities
- Implement the Philips Business System

2011

2016

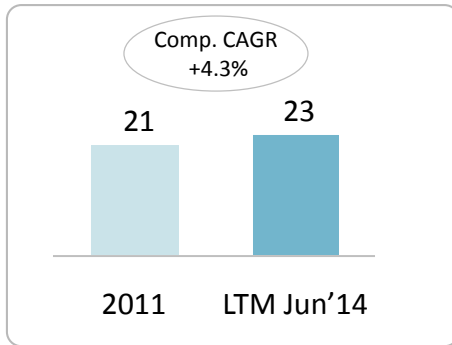
Significant progress in our transformation – more to come

- Major **portfolio adjustments**
- Improving **customer centricity**
- Relentless focus on **operational excellence**
 - Capturing significant overhead savings
 - Driving Procurement and DfX¹ even further
 - Embedding End2End and Lean practices
- Building our **growth and performance culture**

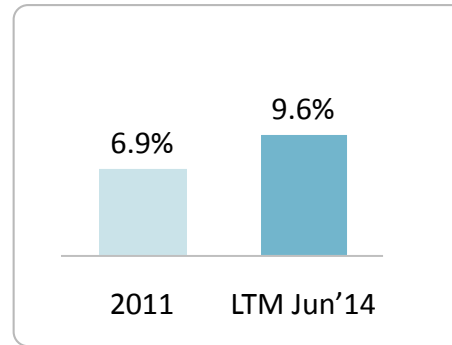


Profitability and growth are structurally improving, while headwinds impact 2014

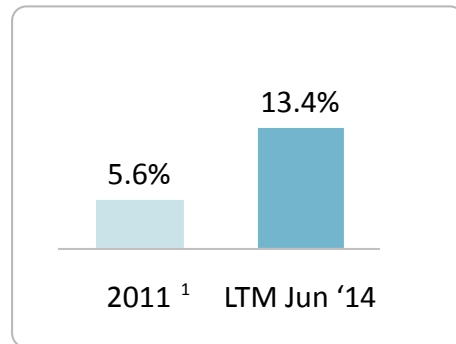
Sales (EUR billion)



Reported EBITA margin



Return on Invested Capital



- Operational **performance improving**
- Relentless **focus on profitability and growth**
- **Headwinds** affecting 2014
 - Slow macro end-markets
 - Currency impact
 - Legal provision
 - Additional restructuring
 - Cleveland

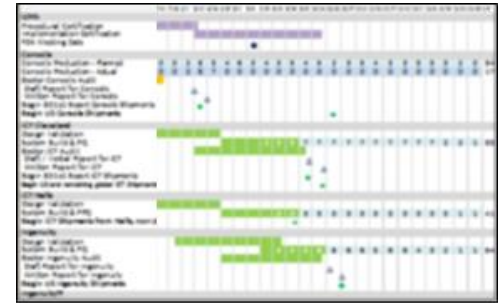
¹ Year-end 2011; excluding negative impact from impairments in Q2 2011

Note - Following the completion of the divestment of the AVM&A business, prior-period financials have been adjusted (for details please refer to note 1 "Significant accounting policies" in the Q2 2014 Quarterly report and Semi-annual report). Financials in 2011 revised for discontinued operations, the adoption of IAS19R and for restatements included in the Annual Report 2012

Executing our detailed plan to address Cleveland

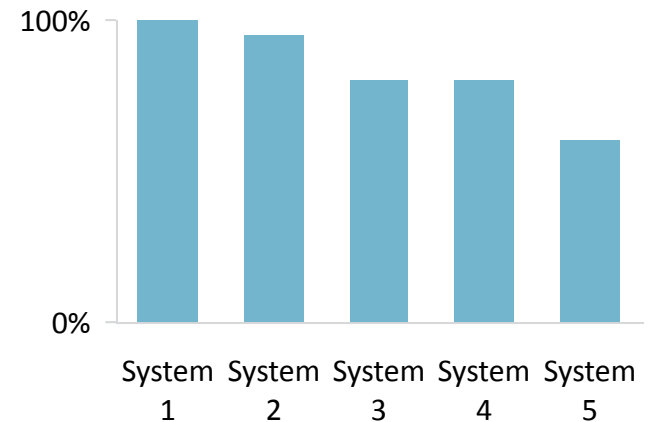
- New **Quality Management System**, reviewed by external auditors
- Updating documentation and conforming supply base for each product line
- **First product is shipping**; ramp-up of shipments across product lines and markets continues through Q1 2015
- Implemented new **End2End cross-functional way of working**
- **Cultural transformation** under way
- Changed majority of **leadership**

Granular tracking of remediation



Remediation well under way

Completion of remediation (%)



We continue on our multi-year Accelerate! journey



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- Resource allocation to right businesses & geographies

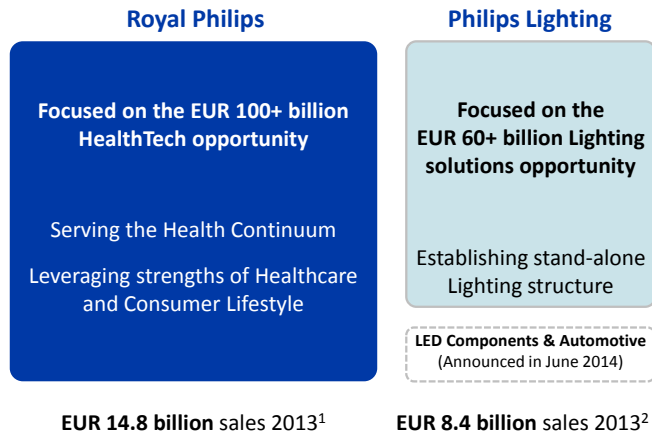
Transform to address underperformance

- Turnaround or exit underperforming businesses
- Productivity & margin improvements
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- Implement the Philips Business System

2011

2016

Now is the time to capture growth in attractive end-markets through two focused companies



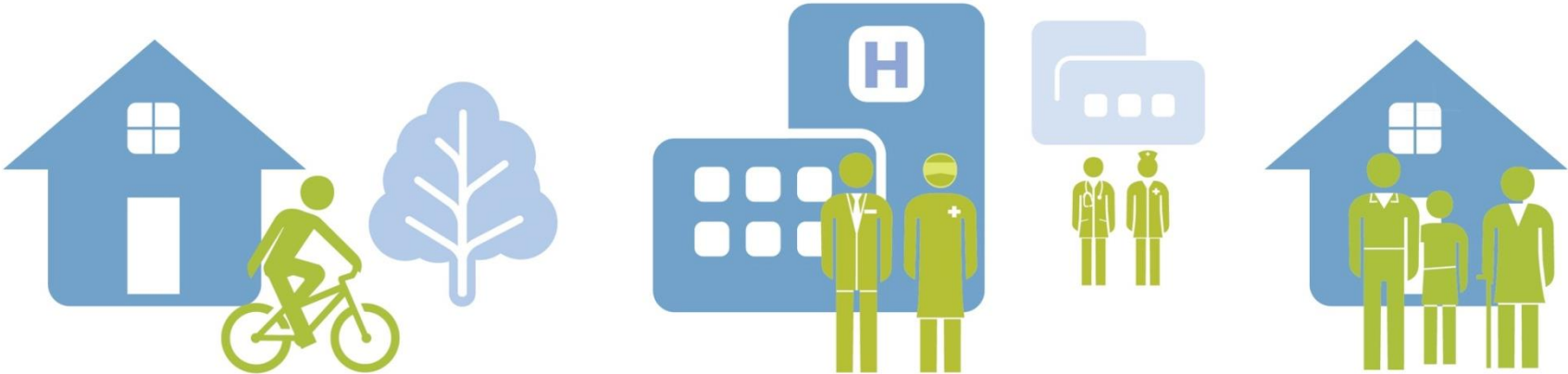
- Opportunity to **accelerate growth**
- Both **markets in transition**
- Need to be even **closer to customers** to capture opportunity
- **Changing needs** and immediate opportunities
- Reduced value from a holding structure; become **lean and agile**
- Release capital for **investments**
- Both companies **strong enough to stand alone**

¹Excluding Lifestyle Entertainment; including IG&S revenue allocation

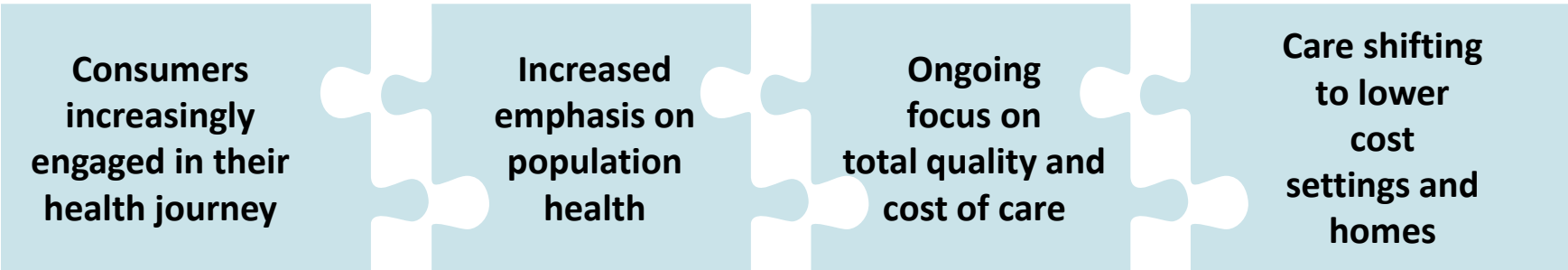
²Including LED Components & Automotive; including IG&S revenue allocation

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

HealthTech opportunity shaped by convergence between Healthcare and Consumer markets



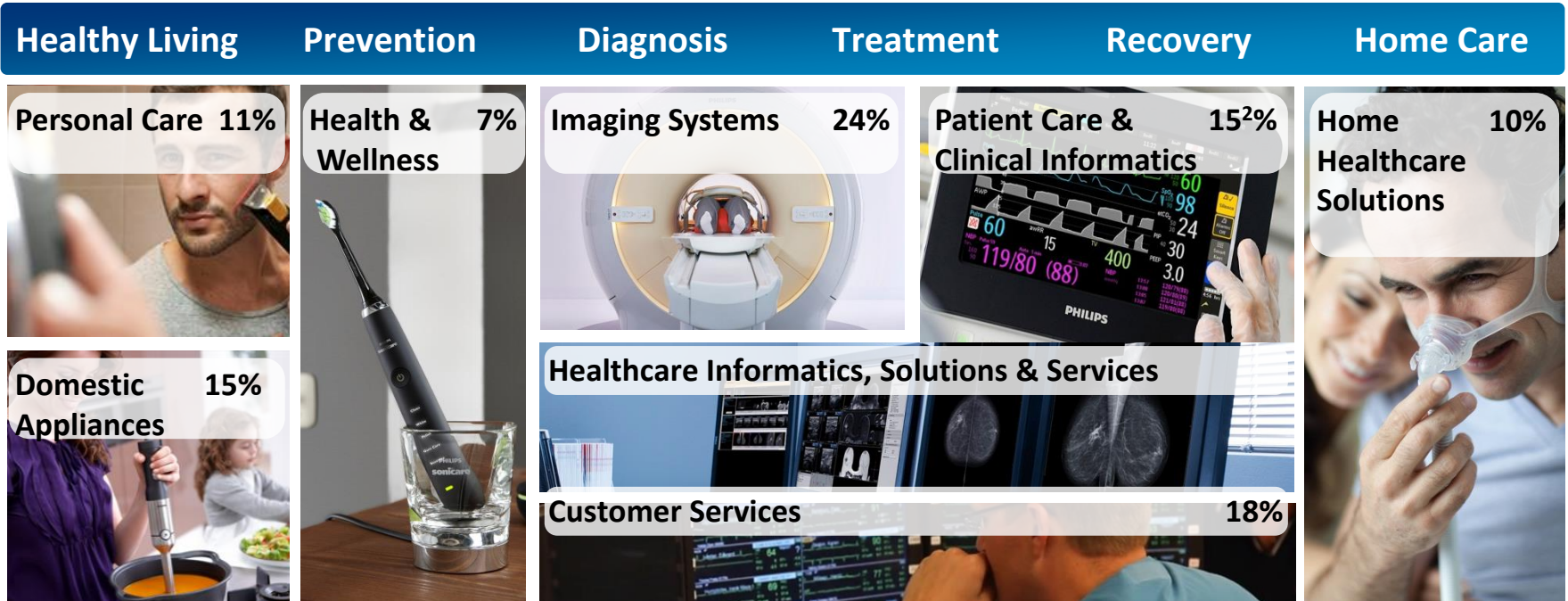
Healthy Living Prevention Diagnosis Treatment Recovery Home Care



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

Building the leader in HealthTech

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

11 ¹ Sales last 12 months June 2014
² Combined Patient Care & Clinical Informatics and Healthcare Informatics, Solutions & Services (not reported separately)

Industry dynamics create opportunities in Lighting Solutions



Industry dynamics

- **Conventional to LED**
- **New competitors** emerging
- **Differentiation** in LED systems and services
- **Connectivity** and intelligence create new growth avenues and open up adjacencies

Resulting opportunities

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

Philips Lighting strongly positioned as global leader in Lighting solutions market

Philips Lighting well positioned to capture growth opportunities

Share of Lighting sales¹



Automotive



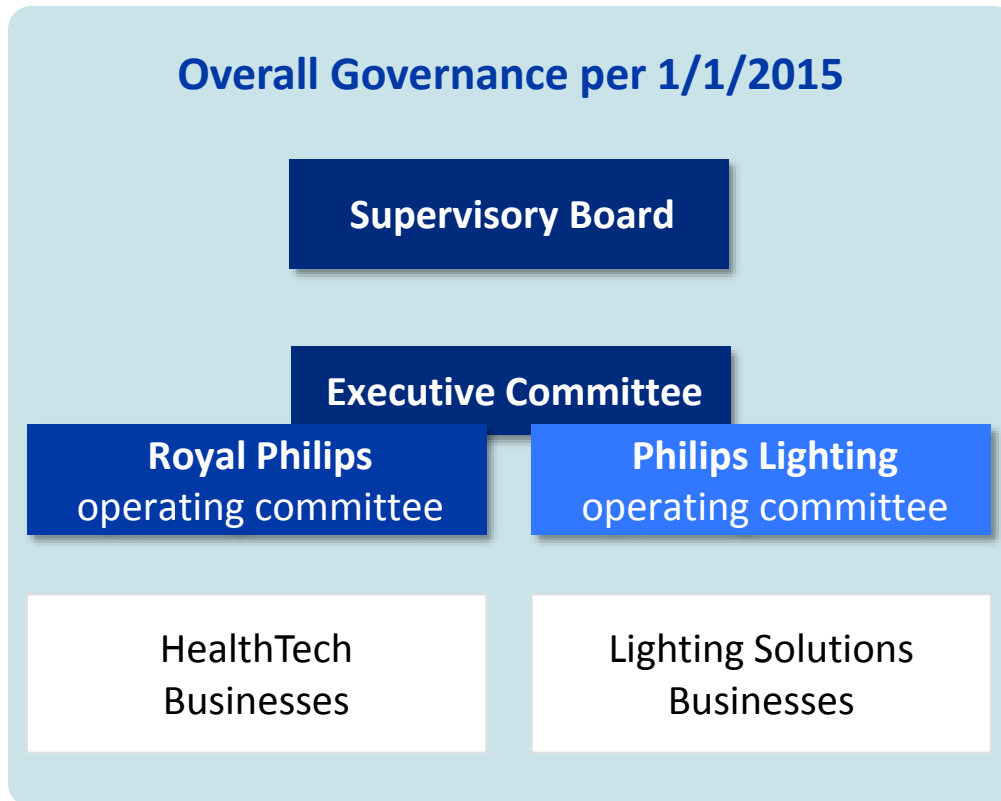
Leading global customer and market positions
World-class innovation and design capabilities
Deep application and systems integration expertise
Unmatched distribution strength and brand

Our Trusted Brand remains at the core of
our companies

PHILIPS

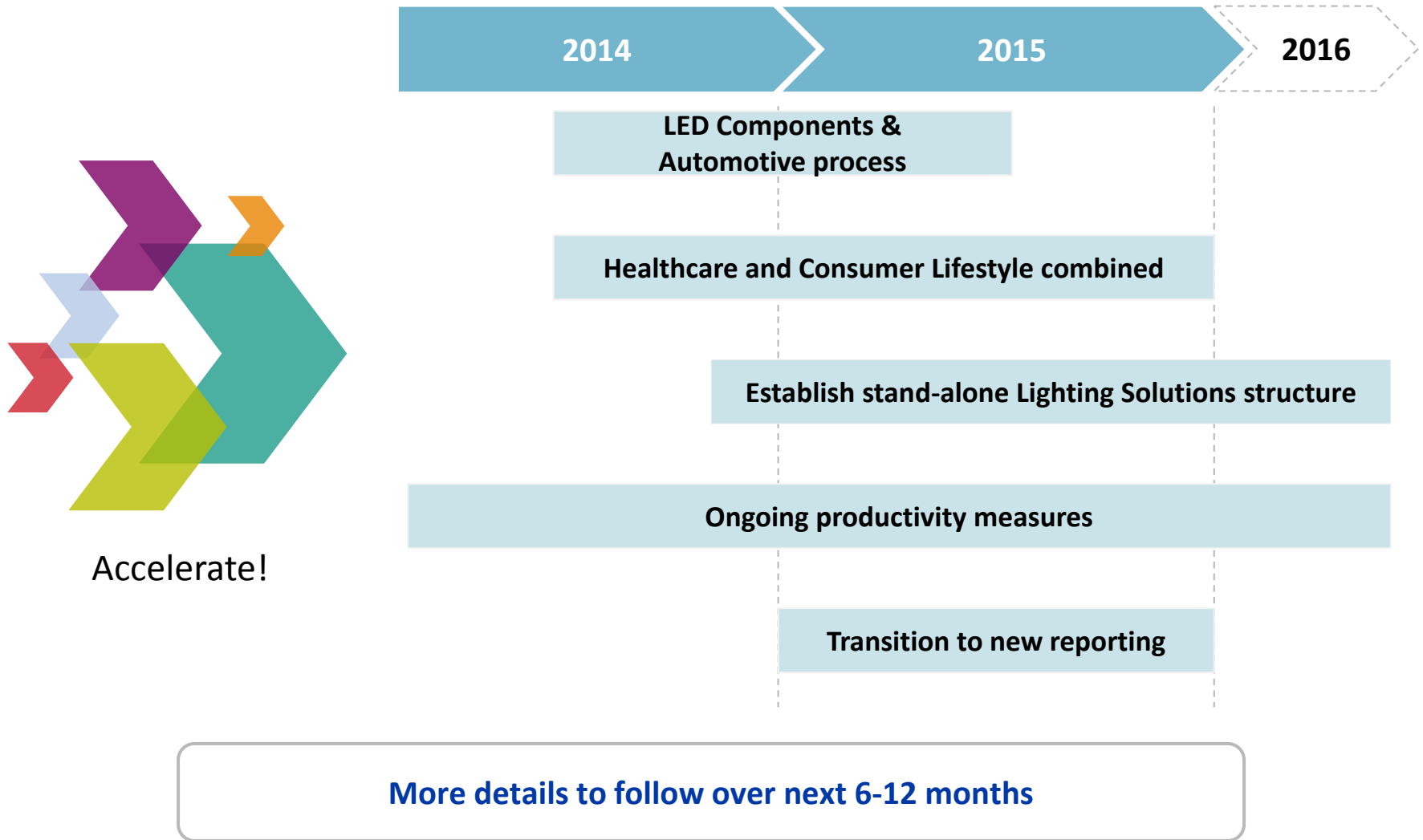
innovation  you

Streamlined management structure during transition period



- **Collapse** management layers
- **Clearer** lines of **accountability**
- **Faster** decision making
- **EUR 300 million** additional overhead **cost savings** by 2016

Transition path over the next 1-2 years



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