



Annual General Meeting of Shareholders

1. Presentation by CEO Eric Rondolat

Full year 2017

Return to comparable sales growth

- Comparable sales increased 0.5%, continuing improved trend since 2015
- Operational profitability increased to 10.0%
- Solid free cash flow of EUR 403 million
- Sound balance sheet, allowing us to support the business, return money to shareholders and consider value generating bolt-on acquisitions
- 2017 dividend of EUR 1.25 per share proposed
- Customer and employee NPS increased

Substantial progress made on our strategic priorities

Strategic priorities

Optimize cash from conventional products to fund our growth

Innovate in LED products commercially and technologically to outgrow the market

Lead the shift to Systems, building the largest connected installed base

Capture adjacent value through new Services business models

Be our customers' best business partner locally, leveraging our global scale

Accelerate on our operational excellence improvement journey

Proof points in 2017

Free cash flow as % of sales for Lamps improved by 400 bps

LED lighting share increased from 55% to 65% of total sales

Connected Systems & Services, for consumers and professionals, represented more than EUR 900m of sales in 2017, CSG +51%

- Professional Systems & Services sales of around EUR 650m
- Home Systems sales of close to EUR 300m

Delivery performance to customers improved by 14%

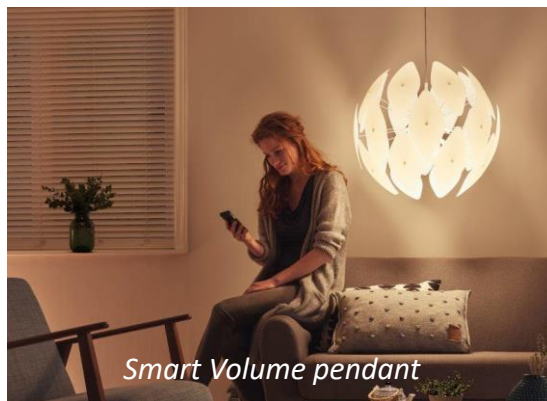
Adjusted EBITA margin improved by 90 basis points to 10.0%;
Indirect costs reduced by EUR 66m, incl. investments for growth

We are leading the industry worldwide

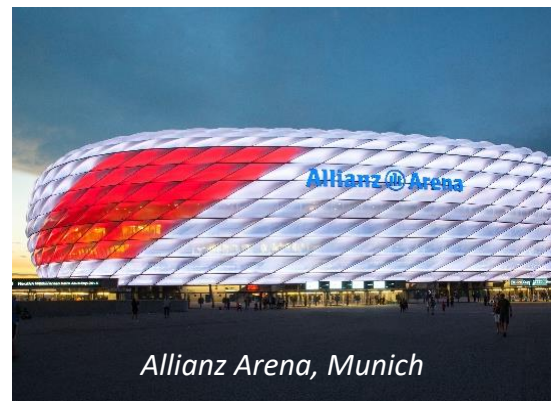
Light sources



Luminaires



Systems and Services



€7
billion sales
in 2017

32,000
people employed
in 70 countries

4.8%
of sales
invested
in R&D

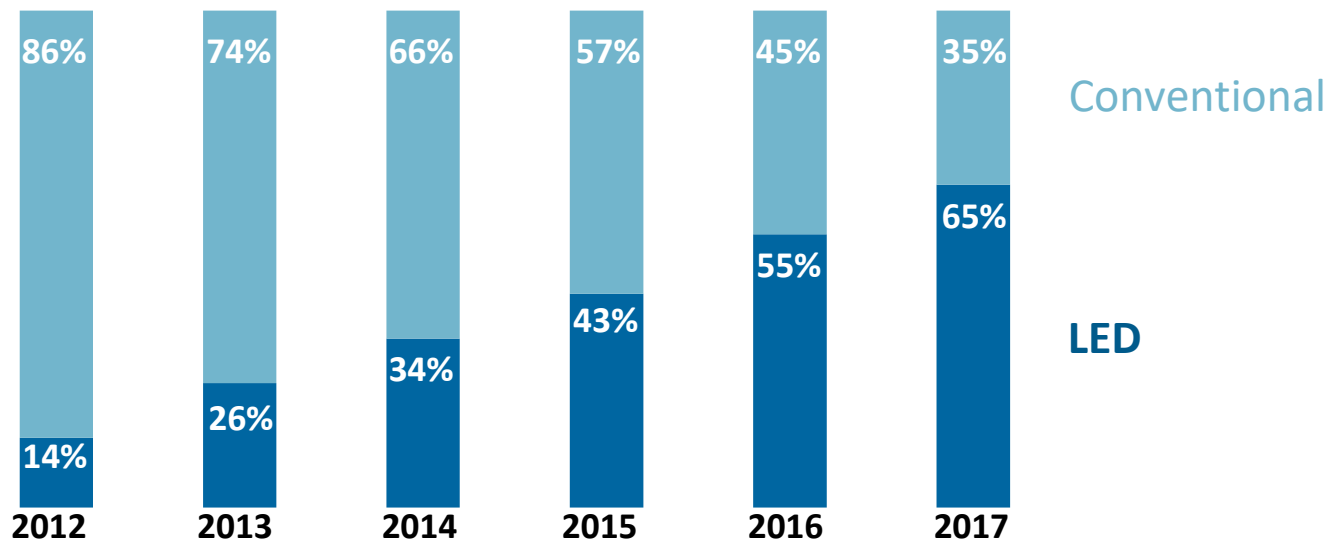
#1 Conventional
superior lighting
benefits

#1 LED
65% of lighting
sales is LED
(2017)

#1 Connected
lighting systems &
services, rich
partner ecosystem

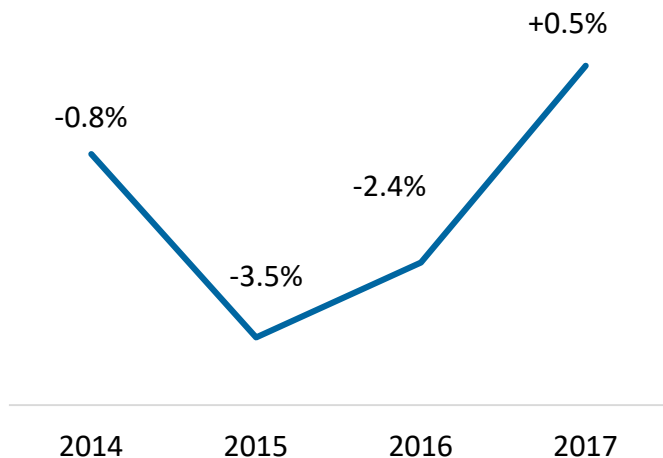
We are transforming our business

Development of Conventional- and LED-based sales (in % of total sales)

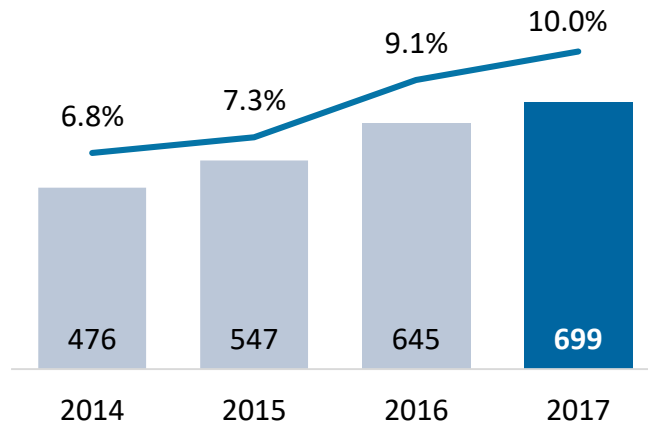


Our strategy is working

Comparable Sales Growth



Adjusted EBITA
(in EURm and % of sales)



A large crowd at a concert with bright stage lights and smoke.

First quarter 2018

- Comparable sales decreased by 3.5%
- Operational profitability of 7.0%
- Free cash flow of EUR -6 million
- Indirect costs decreased by 13% as a result of rigorous cost reduction initiatives

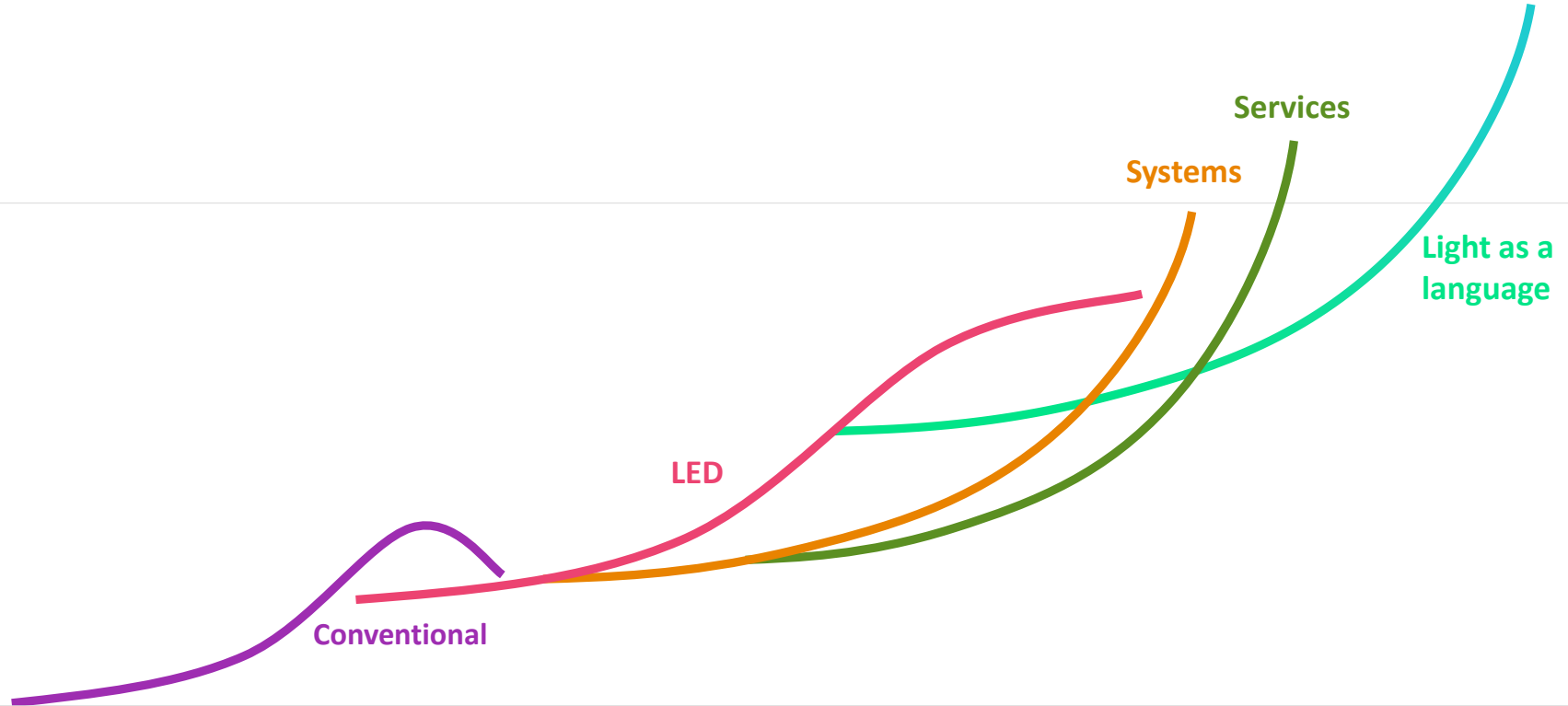
Outlook 2018

- Aim to deliver positive comparable sales growth for the full year, on the basis of a strong second half
- Aim to improve our Adjusted EBITA margin from 9.6% to 10.0-10.5%; we will continue to focus on cost reduction initiatives, and expect to benefit from higher savings as of the second half of 2018
- Expect to generate solid free cash flow in 2018, which is, however, expected to be somewhat lower than the level in 2017 due to higher restructuring payments



Brockville Railway Tunnel, Canada

Five transitions of lighting industry



Philips Lighting will become

ignify

Our global brand remains

PHILIPS



EyeComfort
Light that's easy
on the eyes



Philips GreenPower LED

Largest horticultural lighting project at Agro-Invest



Philips SunStay

The street light that harnesses the power of sunlight



PHILIPS Lighting

Interact City

Building on more than 1,000 connected
street light management systems



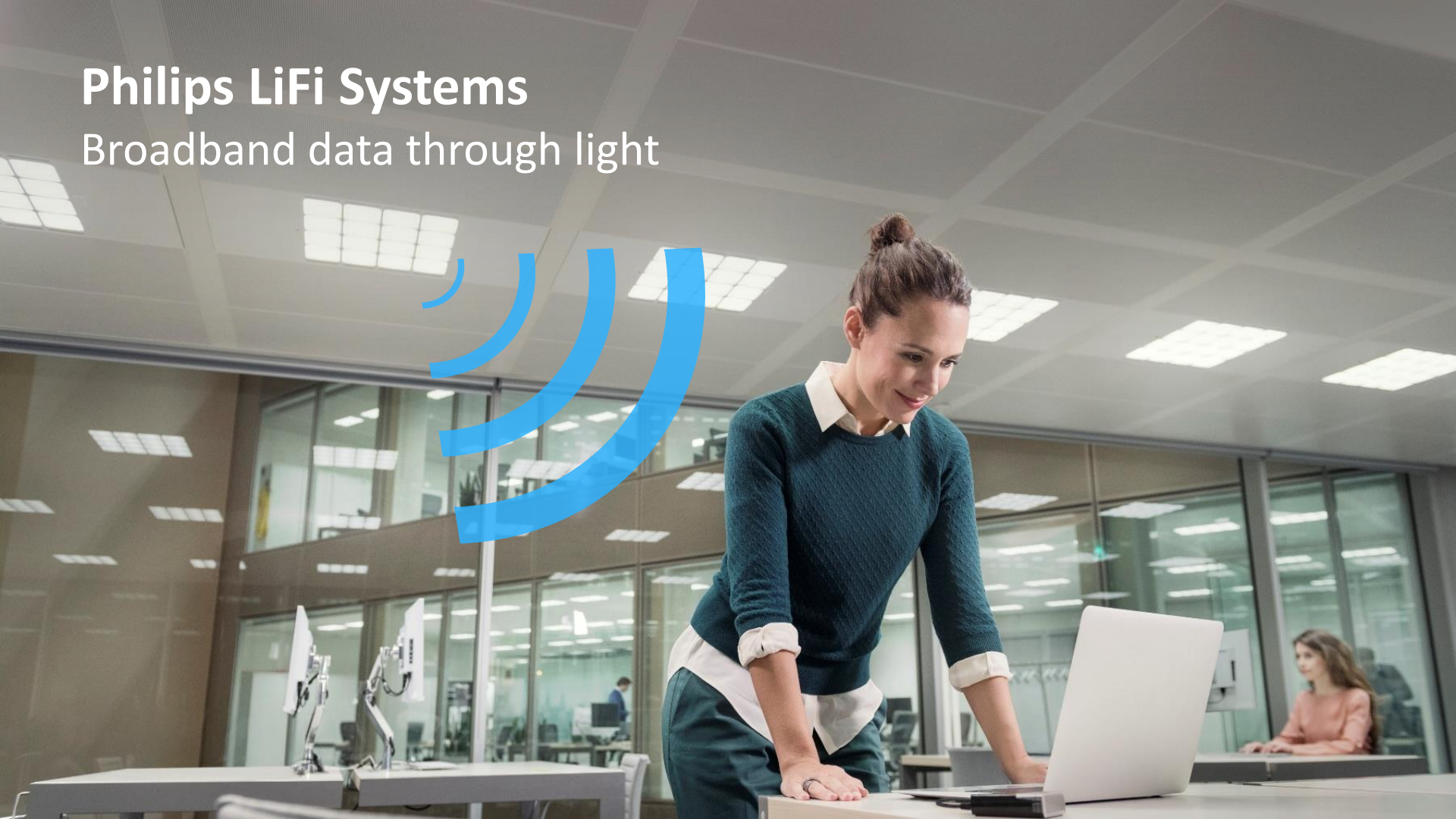
Interact

Internet of Things (IoT) platform

interact

Philips LiFi Systems

Broadband data through light



Unparalleled passion for sustainability

Only lighting company committed to be 100% carbon neutral in 2020

77% sustainable revenues (2020 target 80%)

80% renewable electricity, carbon neutral in 7 markets

87% of industrial waste recycled

95% Green Supply Chain (2020 target 90%)



2017

#1 Industry leader, 'Electrical Components and Equipment' category, Dow Jones Sustainability Index - RobecoSAM

"A" Rating by Carbon Disclosure Project for 'Climate' and 'Supply Chain'

A photograph of a cable-stayed bridge at night. The bridge features several tall, illuminated towers with a Gothic-inspired design, featuring pointed arches and spires. The towers are lit with a warm orange light. The bridge's arches and the cables connecting them are also illuminated with warm orange light. The bridge spans a body of water, and the lights are reflected in the calm surface below. The sky is a deep blue. The text "Thank you" is overlaid in the center of the image.

Thank you



2. Implementation of the remuneration policy in 2017

Remuneration 2017

| | Base Salary 2017 ⁽¹⁾ | Annual (Cash) Incentive (% of Base Salary) | | | Long Term Equity-based Incentive at target (% of Base Salary) ⁽²⁾ |
|--------------|------------------------------------|---|--------|------|--|
| | | Min. | Target | Max. | |
| Rondolat | € 850,000 | 0 | 80 | 160 | 100 |
| Rougeot | € 556,000 | 0 | 60 | 120 | 80 |
| Van Schooten | € 555,000 | 0 | 60 | 120 | 80 |

1) Base Salary unchanged for 2018

2) Shares are granted conditionally and governed by the Philips Lighting Long-term Incentive Plan for the Board of Management

Annual Incentive Plan 2017 Components

The Annual Incentive Plan 2017 consists of two major components



Annual Incentive Realization 2017

| | Remuneration Policy % of Base Salary | Implementation of Policy | |
|--------------|---|-----------------------------|----------------------------|
| | | Pay-out % of Base Salary | Realization % of Target |
| Rondolat | 0 – 80 – 160 | 88.6 | 110.8 |
| Rougeot | 0 – 60 – 120 | 66.5 | 110.8 |
| Van Schooten | 0 – 60 – 120 | 66.5 | 110.8 |

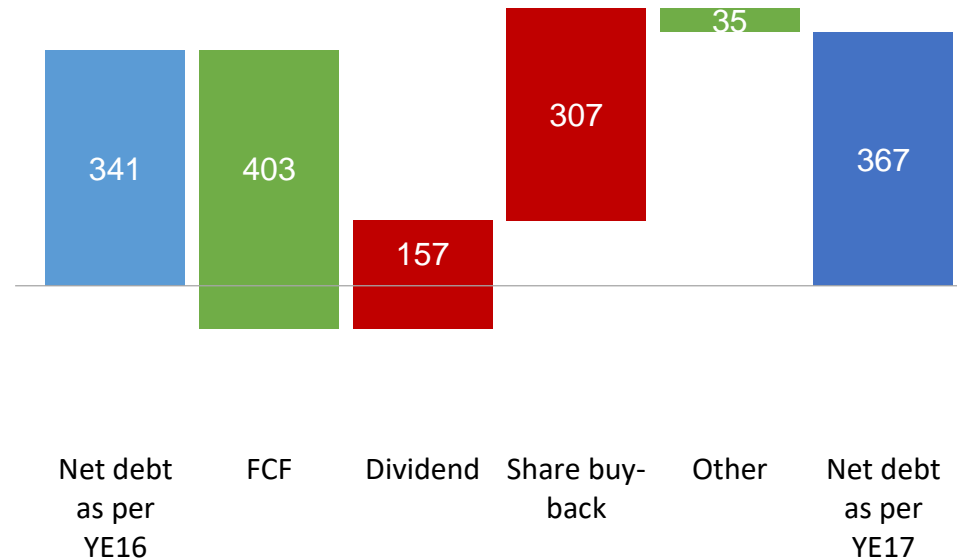
3. Explanation of the policy on additions to reserves and dividends

Capital structure

Characteristics at the end of 2017

- Total cash of EUR 942 million
- Debt of EUR 740 million and USD 500 million as per IPO financing with 5 year maturity
- Total net debt position of EUR 367 million
- Net leverage of 0.5x Net Debt to EBITDA
- Unutilized revolving credit facility of EUR 500 million

Net debt development in 2017 (in EURm)



Capital allocation

Cash available

- Free cash flow generation
- Financial ratios to maintain a financing structure compatible with an investment-grade profile

Cash uses

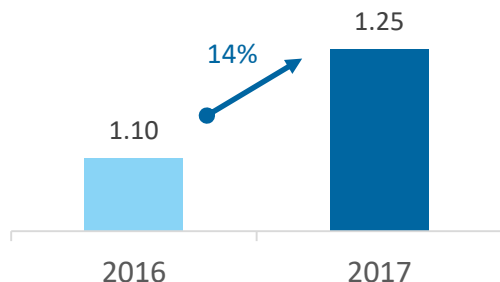
- Annual regular cash dividend pay-out ratio of 40-50% of continuing net income*
- Additional capital return to shareholders
- Non-organic opportunities primarily through small- to medium-sized acquisitions
- Disciplined management of the balance sheet

*Continuing net income: recurring net income from continuing operations, or net income excluding discontinued operations and excluding material non-recurring items such as restructuring, acquisition-related and separation charges

Attractive shareholder return

2017 dividend EUR 1.25; return additional capital up to EUR 150 million in 2018

Dividend 2017 (in EUR m)



- Proposal to pay a dividend of EUR 1.25 per share in cash, representing an increase of 14% compared with last year
- Dividend pay-out at 45%
- Cash out of EUR 171 million

Additional capital return

- Up to EUR 150 million in 2018 by participating in share disposals by our main shareholder
 - In February 2018 we participated for EUR 71 million and bought 2.2 million shares which have been cancelled
- Our current share capital amounts to 138 million shares
 - Reduced from 150 million shares at IPO

4. Implementation of the new Dutch Corporate Governance Code in the company's governance structure

5. Financial statements 2017



5. Financial statements 2017

6. Dividend

7. Discharge members of the Board of Management and the Supervisory Board

8. Composition of the Supervisory Board

9. Amendment of articles of association

10. Authorizations of the Board of Management to (a) issue shares or grant rights to acquire shares, and (b) restrict or exclude pre-emptive rights

11. Authorization of the Board of Management to acquire shares in the company

12. Cancellation of shares

13. Any other business

