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**OPENING REMARKS BY FRANS VAN HOUTEN, CEO ROYAL PHILIPS**

[Edward Walsh]:

Good morning. Thank you for joining this media briefing to discuss our fourth-quarter and 2015 results. As you can see, I'm here with our Chief Executive Officer Frans van Houten and Chief Financial Officer Abhijit Bhattacharya. After some introductory remarks from Frans you can ask your questions.

With that and these disclaimers, I give the floor to Frans.

[Frans van Houten]:

Welcome.

In the next 10-15 minutes, I would like to discuss our performance and devote some time on the opportunities I see in two great and growing areas, health technology and lighting solutions.

Let's start with our performance in the fourth quarter.

The fourth quarter was another quarter in which Philips delivered year-on-year operational improvements, supported by our transformation program

Accelerate! We delivered improvements in the adjusted EBITA across our sectors.

Healthcare saw a strong 15% order intake growth, driven by North America, China and Western Europe. The Adjusted EBITA margin increased by 100 basis points to 15.8%, while comparable sales grew 3%.

Our focus on multi-year strategic partnerships continued to pay off, as illustrated by three new partnerships based on a managed services model: with Mackenzie Health in Canada, Granada's Clinical Hospital in Spain, and Hospices Civils de Lyon in France.

Consumer Lifestyle had another great quarter. Comparable sales growth of 6% was driven by double-digit growth at Health & Wellness and low single-digit growth in Personal Care and Domestic Appliance. The Adjusted EBITA margin increased by 180 basis points to 17.8%.

Consumer Lifestyle remains focused on realizing its great potential by offering locally relevant products while leveraging global scale.

For example, in the quarter India saw strong sales of the Philips Airfryer, juicers, soup makers and mixer grinders.

Oral Healthcare continued its strong trajectory, with a very solid performance in North America, China, Germany, Austria and Switzerland.

Lighting again delivered performance improvements, with the adjusted EBITA margin increasing by 150 basis points to 10.5%. LED lighting comparable sales grew 26% and LED margins continued to improve. LED lighting sales now represent 48% of total Lighting sales.

Lighting showcased its leadership in connected lighting by teaming up with companies including Cisco and SAP to address opportunities in the office market and street lighting, respectively.

As we build out our LED business, we will continue to focus on improving overall Lighting margins by actively managing the conventional lighting market decline.

All in all, the Philips group delivered a strong fourth quarter, and despite a slow start, a solid year: we delivered consistent performance improvements in the face of ongoing challenging economic circumstances.

With that, let's discuss the opportunities in health technology and lighting solutions. Let's start with Lighting. Philips is the world leader in a growing lighting market.

With a growing population worldwide, more people need light. And the world definitely needs more energy-efficient lighting and digital light. Digital lighting, such as smart LED lighting systems that can adapt to the number of people in the street or in an office building, offering more than just illumination.

All of this is driving a market that is set to grow 2-4% a year, and also a market that is moving to sophisticated connected lighting systems and services, and smart luminaries – all great and new opportunities for profitable growth.

I look at Philips Lighting as a company with two businesses:

On the one hand, we have a strong conventional business that has a very high cash generating profile, because of its industry leading cost structures and high market share.

The other part of the lighting business is the highly attractive, fast growing LED luminaire systems and services business. Here we have brand and distribution leadership, and we are the leading innovator with smart solutions such as CityTouch and Hue.

I am very optimistic about our lighting business and I firmly believe that after the separation they can focus even more on expanding world leadership!

While I fully understand that you will have questions on the separation process, let me stress that we have not made a decision on what route we will take. We continue to review all options for Philips Lighting, including an initial public offering and a private sale. The process is fully on track.

With Philips Lighting becoming a standalone company, Royal Philips will fully focus on health technology or HealthTech – a huge and growing market where we are already having many leadership positions.

Our vision on health technology starts with this: health is not just curative care in a hospital, it is also very much about preventative care: keeping healthy

people healthy and supporting people to live with chronic medical conditions in the best possible way.

Philips has been active in each of these areas for a very long time. Just look at our personal health offerings in oral care, personal care and home care. Or look at our professional healthcare solutions such as for patient monitoring, diagnostics, minimally invasive treatment solutions, and health informatics. And now we are tying that all together so that we can offer integrated solutions for improved outcomes and higher productivity.

Overall we see a HealthTech market with attractive growth rates driven by profound trends where Philips can support a market transformation with technology.

We support the shift from *acute and episodic care* to *outcome or value-based healthcare*, aiming to coordinate care across care settings, care providers and over time. We are convinced that this will increase access to quality care, improve outcomes and reduce waste, thus lowering costs.

A way to do that is through the “industrialization of healthcare,” making sure that diagnosis and treatment are right the first time.

It can also be done by the “personalization of care,” whereby consumers are increasingly engaged in taking accountability for their own health journey, enabled by data and preventative care programs, and whereby care will shift from the expensive setting of the hospital into the community and the home setting.

This will be driven by many stakeholders, including governments and hospital networks, and this is a great opportunity for Philips as we leverage our strong franchise in both consumer health and professional healthcare.

Let me conclude. 2015 was a year in which we made great progress on our transformation journey.

For 2016, we continue to expect modest comparable sales growth and we will build further on our operational performance improvement. Taking into account ongoing macro-economic headwinds and the phasing of costs and sales, we expect the sales and margin improvement in the year to be back-end loaded.

This year will be a historic year for two reasons.

In 2016, we celebrate our 125<sup>th</sup> anniversary. As you may know, I do not dwell on history for history's sake. Instead, I aim to use ingredients from the past, such as innovation, as inspiration to move ahead. And Philips is innovation power house and will continue to be so.

I look forward to a new era with the creation of two new companies, both using the strong Philips brand name. Two great companies that will shape the future in health technology and connected energy efficient lighting.

Thank you for listening, I hope that gives you an appropriate update. I now look forward to providing any additional detail if you have any questions...

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