

Delivering value in Personal Health *Oral Healthcare*

Egbert van Acht
Business Leader Health & Wellness



Key takeaways

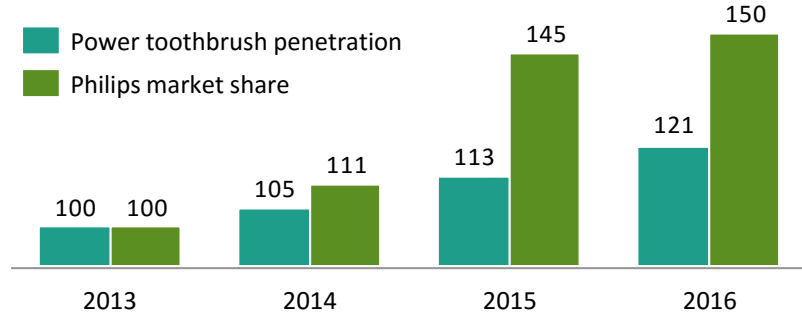
- **Philips Sonicare** is a **global leader** in the growing and profitable market for **Oral Healthcare**
- We continue to **deliver value** through **conversion from manual to power toothbrushes**
- Continued **strong growth** and **margin expansion** are driven by
 - **Dental Professional** endorsement
 - **Geographical expansion** with proven propositions
 - High-impact **consumer marketing** programs
 - Innovation at the **forefront of Digital Health**, based on **deep consumer insights**
 - **Integrated solutions** leveraging **consumer data**, unlocking **new recurring revenue streams**

Value Creation Strategy Oral Healthcare

We continue to deliver value through conversion from manual to power toothbrushes

Increasing penetration and growing Philips Sonicare market share in power toothbrushes

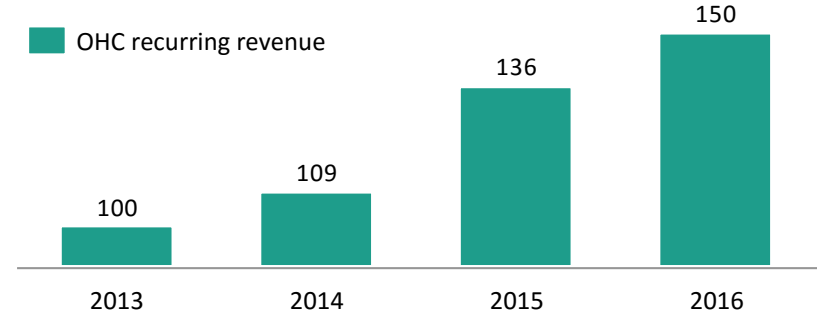
Philips OHC market share vs. Power toothbrush penetration – Abs Index (LTM)



- Locally relevant campaigns pull in new consumers
- Expand distribution in drugstores and pharmacies
- Significant +2.9% pts. online share increase

Significant increase of high-margin recurring revenue items drives mix improvement

OHC recurring revenues – Abs Index (LTM)



- Strengthen inter-dental via improved positioning
- Connected propositions with 100 million users by 2025

Substantial value creation potential: 85% of the world's population still brushes manually

Oral Healthcare has delivered 8 consecutive quarters of double-digit growth

Leveraging proven growth drivers

Dental Professional endorsement



- Increasing “most often recommended” scores, leveraging clinically proven superiority in plaque removal and gum health¹
- New partnerships with leading associations, academic institutions and dental insurers

Accelerate geographical expansion



- Global roll-out of dental professional recommendation model to 15 of our 17 markets
- Double growth rates in unlocked growth geographies significantly increasing presence in new markets (e.g. China, Russia, Italy and CEE)

Impactful consumer marketing



- Effectively communicating superiority and health benefits to consumers
- Locally relevant consumer marketing campaigns increase global share by +2.3%pts.

Innovation at the forefront of Digital Health, based on deep consumer insights

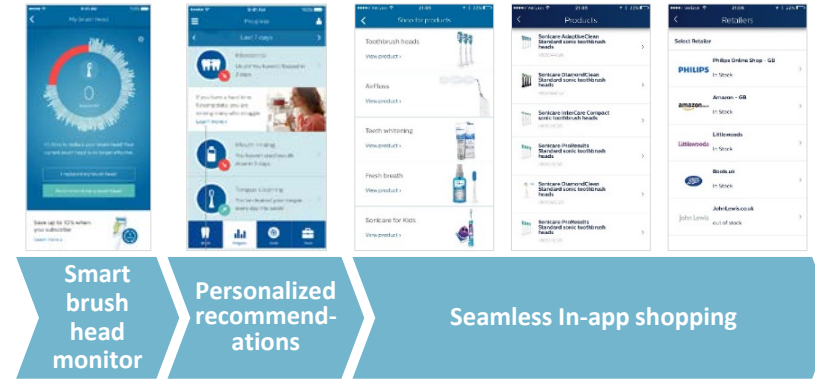
Flexcare Platinum Connected leverages consumer data and unlocks recurring revenue streams

Smart sensor technology coaches to improved oral health



- Unique smart sensor technology built into the toothbrush
- Users receive personalized step-by-step coaching and feedback
- Post-brush analysis with visual 3D mouth map to improve brushing technique

Data to drive personalized experiences and monetization



- Leveraging consumer data to enhance brush head replacement, unlocking new recurring revenue streams
- Personalized product recommendations
- Philips HealthSuite allows sharing data with dental practices

Our connected platform guides and coaches consumers to better results





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Delivering value in Personal Health *Sleep*

John Frank

Business Leader Sleep & Respiratory Care



Key takeaways

- With our **Sleep** business we play a **leading role** in the growing **Home Care** market
- We are **gaining share** with **connected integrated solutions** for **Sleep Apnea**
- Continued **strong growth** and **margin expansion** are driven by
 - Transforming from a device business to **integrated connected solutions**
 - **Leveraging direct consumer engagement** and **unlocking recurring revenue streams**
 - Innovation at the **forefront of Digital Health**, based on **deep consumer insights**

Value creation strategy – Philips sleep care model

We continue to deliver value with connected integrated solutions to support people living with Sleep Apnea



4 million consumers already connected today

Dream family reinforces our digital leadership

Transforming from a device business to delivering integrated solutions



Dream family reinforces our digital leadership

DreamWear: Leveraging deep consumer insights, unlocking recurring revenue streams



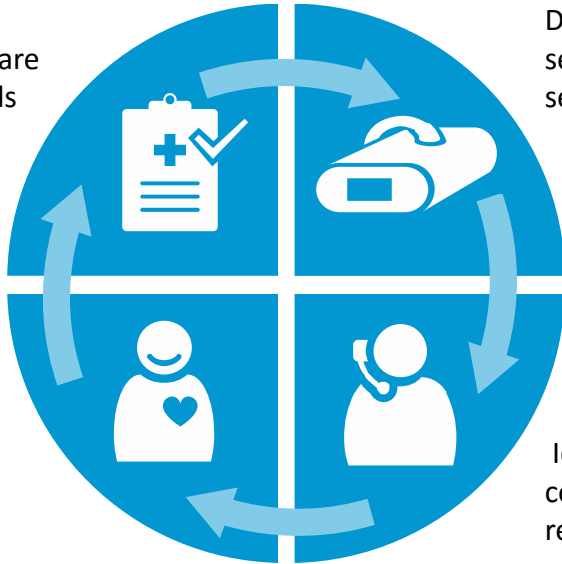
DreamWear

- **Proposition**
 - Soft feel, unique in-frame air-flow with tubing away from the face for better sleep comfort
- **Consumer reviews**
 - Users rate it more comfortable and appealing than current mask
- **Unlocking recurring revenue streams**
 - Presently, the #1 nasal set-up mask in North America
 - Leveraging user feedback and resupply services for mask replacements
- **Strong consumer interest**
 - 6.2 million views already on YouTube

Connectivity drives growth further

Philips Patient Adherence Management Service: Increase therapy adherence rates and user satisfaction

Leverage system interoperability to share outcomes/ user needs with physicians & providers



Dream Solutions sends data to secure cloud

Monitor long term compliance and satisfaction

Identify low use, coaching services when required

Philips Patient Adherence Management Service

- **Proposition**

- Connected cloud based management solution with coaching and support services help user manage sleep

- **Improve User Therapy Adherence**

- up to 49% increase vs. standard care across >200K lives

- **Reduces Providers cost /time**

- Average Increase in Productivity of 55%
- up to 95% reduction in the time spent contacting and following up with new patients

- **Digital personalized behavior health service**

- 79% of PAMS patients meet 90-day CMS compliance guidelines



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Our winning strategy in Image-Guided Therapy

Bert van Meurs

Business Leader Image-Guided Therapy



Key takeaways

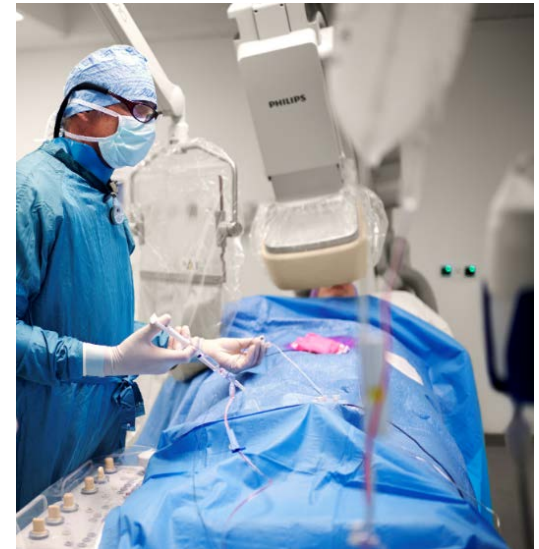
- Image-Guided Therapy is a **high growth market** driven by benefits for health systems and patients
- Philips is a **leading integrator**
 - **Co-creating turn-key solutions** with customers to optimize care delivery
 - Successful integration of Volcano, establishing unique position in the industry as a leader in **Systems and Devices**
 - **Procedure innovation**, creating more **effective procedures** with **lower radiation** based on new technologies and **Volcano capabilities**
- Continued **high-single-digit growth** and on track to deliver **high-teens profitability**

Image-guided therapies continue to revolutionize healthcare

High-growth market where Philips delivers complete turnkey solutions



- Image-guided minimally invasive procedures continue to grow fast: Improved outcomes at lower risks and cost
 - Reduced patient trauma and shorter recovery times enable out-patient treatment in hospitals and office based labs
 - New treatment options for patients that could not be treated before
- Continuous innovation in image-guidance, smart devices and clinical procedures
 - Philips' unique technologies to address growing concern over health risks from X-ray radiation for physicians



Our business is to treat patients better with integrated solutions

Systems



- Leadership position in interventional X-ray and Ultrasound
- Strong MR and CT Imaging solutions

Devices



- Leadership position in smart catheters for diagnosis and therapy assessment
- Leading innovator in atherectomy therapy catheters

Software



- Disease specific planning and navigation software
 - Cardiology
 - Oncology
 - Neurology
- Image and Information Management Systems

Services



- Integration
- Consultancy
- Education
- Financing
- Managed Equipment Services

Strong customer relationships from global network of clinical partnerships, field service engineers, in-lab clinical support and dedicated sales force





Integration of Volcano is successful and close to completion

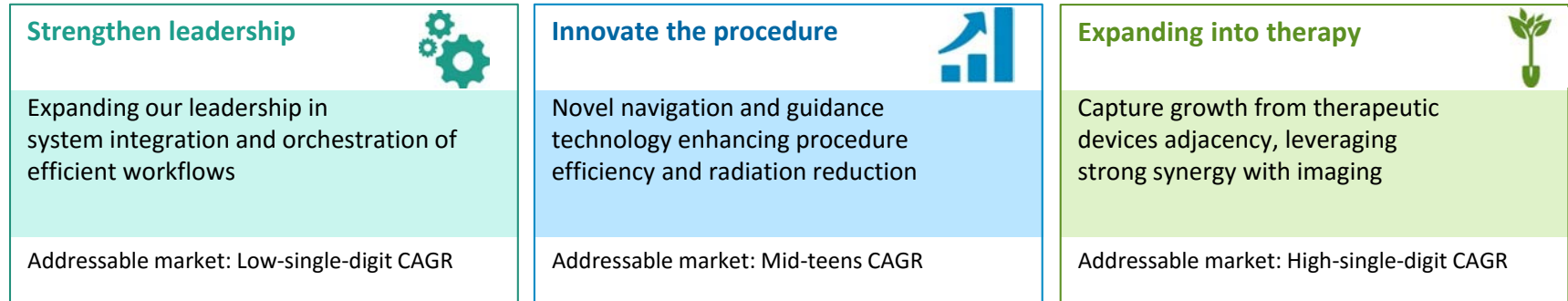
Acquisition has led to value creation

- Sales growth acceleration from flat in 2014 to double-digit in 2016
- Sales and cost synergies ahead of plan
 - Total cost down by USD 40 million compared to pre-acquisition
 - Significant inventory reduction
- >100 bps market share gain in Systems driven by channel synergies reinforcing our leadership position
- Strong growth in Peripheral Imaging and Therapy
 - In the US: Peripheral IVUS sales growth doubled and atherectomy sales growth tripled year-on-year 2016 compared to 2015
- Expanding in new geographical markets through Philips' channels

Our winning strategy in Image-Guided Therapy

Strong procedure growth¹ (CAGR 2015–2020)	• Structural heart repairs	+15%	• Interventional Oncology	+10%
	• Electrophysiology	+10%	• Interventional Neurology	+7%
	• Peripheral / Endovascular	+6%		

Our strategy



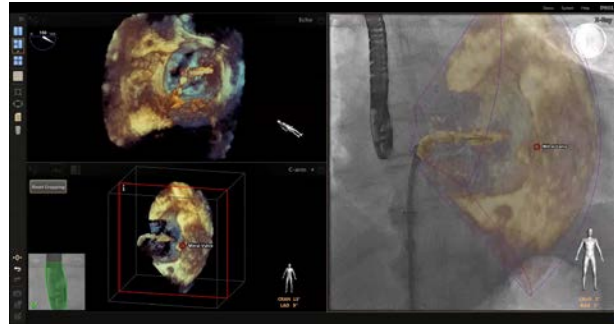
Strengthen leadership through proven growth drivers

System innovation to address efficiency



- AlluraClarity: Significantly lower radiation dose (up to 80%) combined with high image quality
- Technology and System Innovation to enhance economics and workflow efficiency

System integration



- Ultrasound and X-ray co-registration for structural heart disease procedures
- PCI Suite software fuses physiology data with the interventional X-ray image

Solutions and new business models



- Bundling of systems, devices, software and services
- Long-term relationship
 - Recurring revenue streams
 - Turnkey projects
 - Consultancy services

Breakthrough innovation in procedure

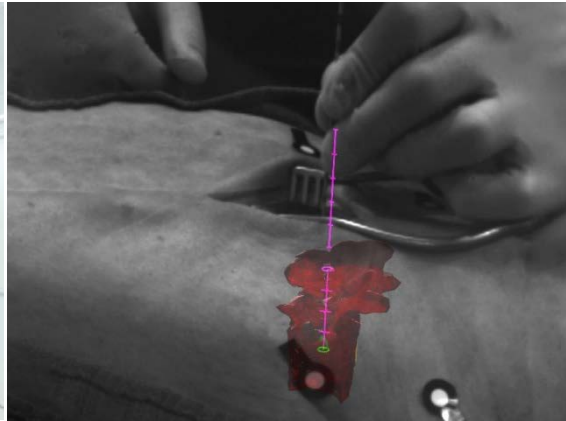
Expand into new markets enabled by new 3D image-guided technologies

Example: Augmented-Reality navigation for spine surgery

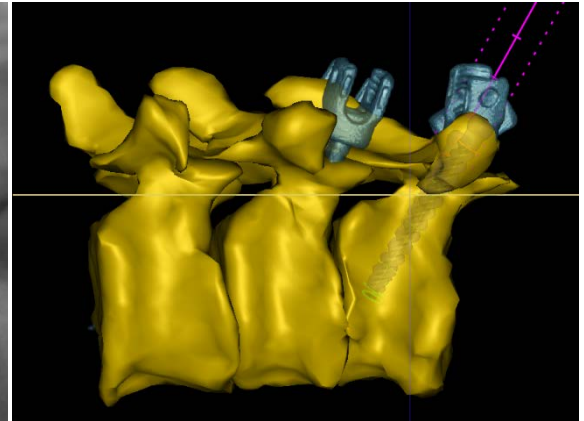
- Unique, proprietary navigation solution for Philips' Hybrid OR
- Minimally invasive procedure designed to reduce radiation dose, save time and enhance outcomes
- Augments a surgeon's view with live 3D X-ray images and optical image guidance
- First patient in 2016



Hybrid OR



Augmented-Reality

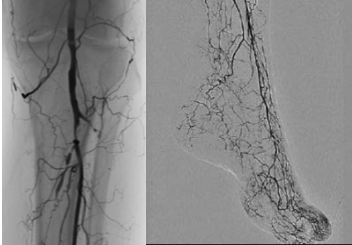


3D verification scan

Expanding into therapy

Example: Treatment enhancement of diabetic patients with Peripheral Artery Disease

Atherectomy procedure to restore blood circulation in the foot



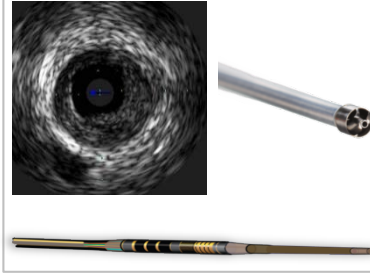
- 20 million patients with Peripheral Artery Disease¹
- 1 million procedures¹
- 7% Procedure growth

Interventional Suite



Interventional suites for hospital and Office Based Lab settings

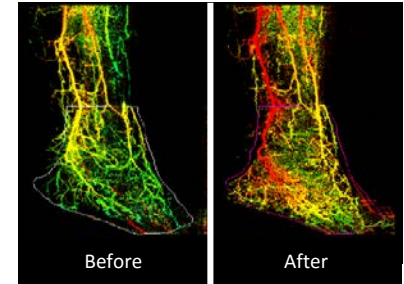
Therapeutic devices



Imaging and therapy catheters

- Peripheral IVUS
- Atherectomy catheters

Specialized software



Perfusion assessment during procedures

Integrated Solutions of systems, devices, software and services is Philips' unique differentiator



Key takeaways

- Image-Guided Therapy is a **high growth market** driven by benefits for health systems and patients
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 - **Co-creating turn-key solutions** with customers to optimize care delivery
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Building on global leadership in Patient Care & Monitoring Solutions

Carla Kriwet

Business Leader Patient Care & Monitoring Solutions



Key takeaways

- Strong **market leader** position for Patient Monitoring, AEDs and non-invasive ventilation in **growing markets**
- We will drive mid to high-single-digit growth by
 - **Differentiating, integrated solutions** in Health Spaces (e.g. Cardiology with connected solutions)
 - Supporting **predictive analytics and clinical decision making**
 - Leveraging installed base for **higher services penetration and consumables growth**
 - Entering into **new segments** (e.g. invasive ventilation, contactless monitoring and advanced services)
- High growth business driving for **Adjusted EBITA margin around 20%**

Leveraging leadership in attractive markets



Patient monitoring
EUR 3 billion

★ **Global market leader¹**

- More solutions and new business models
- Expectation of ‘anywhere, anytime’ access to meaningful and predictive data



Therapeutic care
EUR 3.5 billion market

★ **NA market leader in AED²**
★ **Global non-invasive ventilation³**

- Clinicians demand for intelligence in ventilation and resuscitation devices
- Growth of non-invasive ventilation



Medical consumables
EUR 1.5 billion market

★ **Growth opportunity:**
★ **High-single-digit growth**

- Hospital-wide standardization of consumables
- Wearable sensors gaining momentum, ask for continuous monitoring, bridging transitions in and out of the hospital



Services (Clinical and remote services, network integration support)
EUR 1.5 billion market

★ **Growth opportunity:**
★ **Double-digit growth**

- Increased complexity of projects require advanced technical and clinical remote services

¹ Source: DRG – Millennium Research Group – 2015. Key markets of US and Europe; ² Source: Derived from Price Waterhouse Coopers, June 30, 2016 Report of the prior four quarters of shipments. Non-professional use market that includes AEDs at airports, office buildings, schools, homes and other non-professional use facilities

³ Source: Global Non-Invasive Ventilation Market, Trends and Opportunities 2014-19, Daedal Research report, data from Deutsche Bank

Value creation strategy and execution leading to strong business performance in Patient Care & Monitoring Solutions



Leverage global leadership in Patient Monitoring and Therapeutic Care

Patient Monitoring



- **Complete portfolio** addressing all levels of acuity, care settings, price points
- **Patient analytics enterprise platform**
- Supporting **clinical workflows** and **caregiver efficacy**
- Focus on **prediction** and **prevention**
- Big data analytics **supporting predictive patient care**



Therapeutic Care



- Launch of AED **remote monitoring** capability and strong **focus on services**
- **Leveraging** Patient Monitoring for new **innovation** projects
- **Enter invasive ventilation** market
- Accelerate **public access defibrillation**

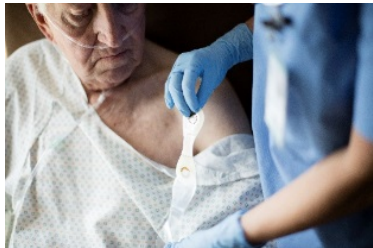
Double-digit growth from Services and Consumables

Services



- **Intensification:** Leveraging large installed base, improve penetration
- **Extensification:** Expand into clinical education, IT network support and remote monitoring
- Long-term **software agreements**
- Delivered **double-digit order intake growth** for 6 consecutive quarters

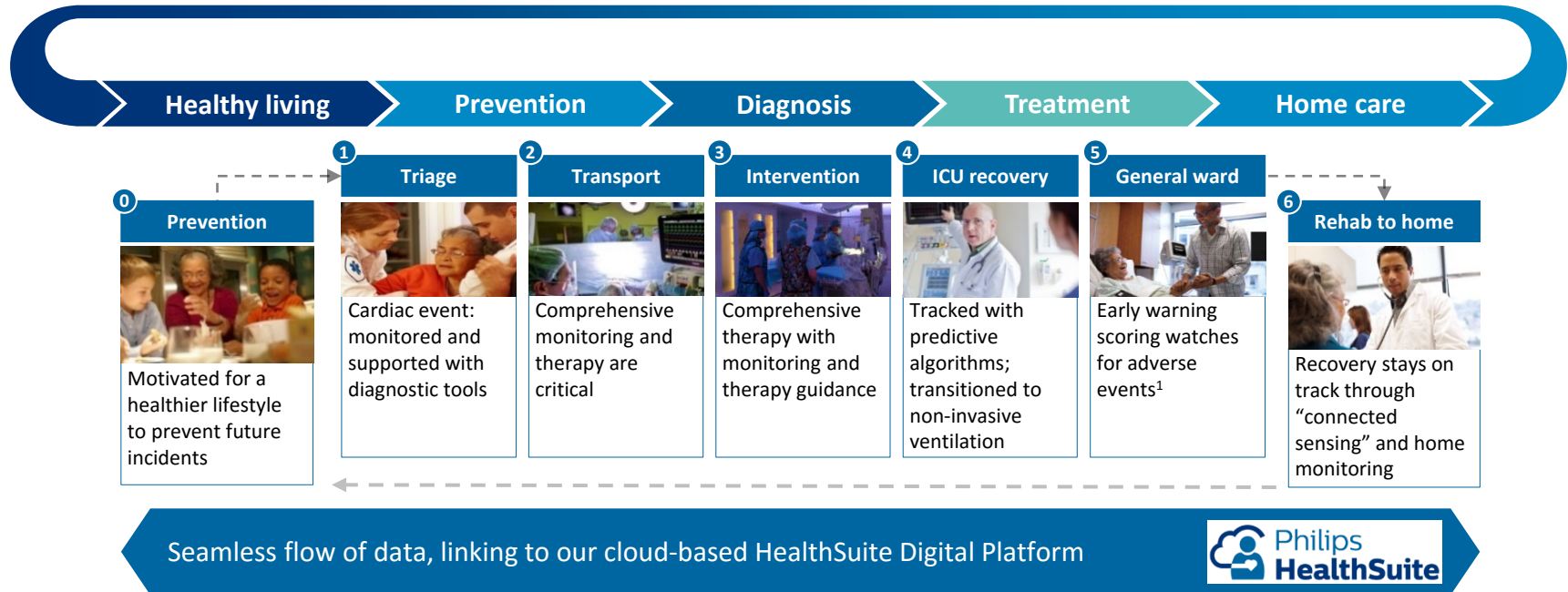
Consumables



- **Product innovation** and build of **e-commerce** channel
- Unlocking **new care settings** linking to patient monitoring solutions
- Increasing **stickiness** with customers
- Target to **double business** in 5 years

Saving time, reducing failure, improving productivity

Differentiating support across the entire patient journey. Example: Cardiology



¹ 40% of unanticipated hospital deaths occur in the General Ward. Philips' monitoring algorithms can detect a patient deterioration up to 8 hours before a critical event happens. Incidence, staff awareness and mortality of patients at risk on general wards. Fuhrmann L, Lippert A, Perner A, Østergaard D. Resuscitation. 2008 Jun;77(3):325-30. Epub 2008 Mar 14. PMID: 18342422 [PubMed - indexed for MEDLINE]

Philips selected as partner “Heart Safe City” for 2020 Expo

Differentiating Cardiology: Connected Data

Public access defibrillation and a trained population



Anywhere 3 mins to Defibs

- Location map of AEDs
- Trained and registered population

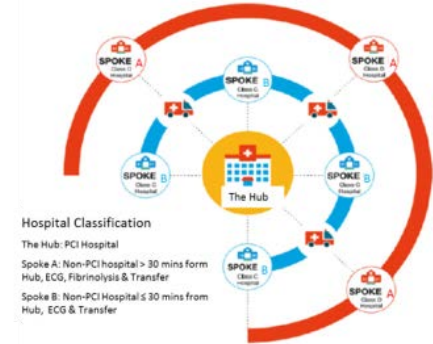
Intervene and analyze during transport



Point of care diagnostics

- ECG
- Troponin Blood Test
- Data transfer

Optimized and integrated Cardiology services



Anytime ready

- Networked hospitals — hub-and-spoke model
- Specialist centers
- Coordinated emergency response

Live Demo: Triaging



Value creating solutions in emergency care:

- Reducing time to hospital
- Effectively triaging patients
- Predictive analytics
- Reducing admissions
- Analyzing performance



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