Capturing the HealthTech opportunity

Frans van Houten, CEO Royal Philips

Electrical Products Group Conference
May 19, 2015
Philips: strong starting positions in health and well-being

### Businesses¹, ²

<table>
<thead>
<tr>
<th>Healthcare</th>
<th>Consumer Lifestyle</th>
<th>Lighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>44%</td>
<td>23%</td>
<td>33%</td>
</tr>
</tbody>
</table>

### Geographies¹

<table>
<thead>
<tr>
<th>Western Europe</th>
<th>North America</th>
<th>Other Mature Geographies</th>
<th>Growth Geographies</th>
</tr>
</thead>
<tbody>
<tr>
<td>26%</td>
<td>31%</td>
<td>8%</td>
<td>35%</td>
</tr>
</tbody>
</table>

Since **1891**

- €**21.4 billion** sales in 2014, **70%** B2B
- ~**108,000** employees in over 100 countries

- **50%** of the portfolio has global leadership positions
- €**1.6 billion** R&D spend in 2014
- ~**71,000** patent rights

¹ Based on sales last 12 months March 2015  
² Excluding Central sector (IG&S) 

Note - Prior-period financials have been restated for the treatment of the combined businesses of Automotive and Lumileds as discontinued operations.
Our multi-year Accelerate! journey unlocks true potential

- Invest in adjacencies
- Seed emerging business areas
- Initiate new growth engines
- Invest to strengthen our core businesses
- Resource allocation to right businesses & geographies
- Expand global leadership positions
- Turnaround or exit underperforming businesses
- Productivity & margin improvements
- Rebuild culture, processes, systems & capabilities
- Implement the Philips Business System

2011 - 2016
Next step: establishing two focused companies to capture highly attractive market opportunities

Strategic benefits of the separation
- Establishing two focused leading companies
- Immediate opportunities to capture growth in attractive end-markets in transition
- Unique portfolio, insights and capabilities

Operational benefits of the separation
- Higher growth and profitability
- Improved customer focus in attractive markets
- Faster decision making
- Lean overhead structure, less management layers
- Focused management
- Focused balance sheets and capital allocation policies
- Enable investments in growth

Royal Philips
- Focused on the EUR 100+ billion HealthTech opportunity
- Serving the Health Continuum
- Leveraging strengths of Healthcare and Consumer Lifestyle
- EUR 14.4 billion sales 2014\(^1\)

Philips Lighting
- Focused on the EUR 60+ billion Lighting solutions opportunity
- Establishing stand-alone Lighting structure
- LED Components & Automotive (To be completed in Q3 2015)
- EUR 7.0 billion sales 2014\(^1\)

\(^1\)Excluding LED Components & Automotive; including IG&S revenue allocation
Transition path over the next ~12 months

2014

LED Components & Automotive process
Establishing HealthTech operating model
Establish stand-alone Lighting Solutions structure
Ongoing productivity measures

2015

H1 2016

Transition to new reporting

Accelerate!

More details to follow over next 6 months
HealthTech opportunity shaped by convergence between Healthcare and Consumer markets

<table>
<thead>
<tr>
<th>Healthy Living</th>
<th>Prevention</th>
<th>Diagnosis</th>
<th>Treatment</th>
<th>Recovery</th>
<th>Home Care</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumers increasingly engaged in their health journey</td>
<td>Increased emphasis on population health</td>
<td>Ongoing focus on total quality and cost of care</td>
<td>Care shifting to lower cost settings and homes</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
HealthTech opportunity to focus on EUR 100+ billion market opportunity across Health Continuum

Philips HealthTech indicative addressable market 2014 and approximate CAGR 2014-18

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<tr>
<td>EUR 30+ billion</td>
<td>EUR 10+ billion</td>
<td>EUR 20+ billion</td>
<td>EUR 10+ billion</td>
<td>EUR 5+ billion</td>
<td>EUR 5+ billion</td>
</tr>
<tr>
<td>CAGR ~7%</td>
<td>CAGR ~10%</td>
<td>CAGR ~6%</td>
<td>CAGR ~6%</td>
<td>CAGR ~6%</td>
<td>CAGR ~4%</td>
</tr>
</tbody>
</table>

EUR 20+ billion (Clinical Informatics & Consulting)
CAGR ~9%

Mid to high-single-digit market growth

1 Source: Philips Internal Study
Philips strongly positioned with an integrated HealthTech approach

Key building blocks to capture the opportunity

| Portfolio of connected consumer devices and propositions |
| Leading portfolio of medical devices and relationships |

Strong starting position

- **Broad installed base** of personal health and medical, monitoring and measurement devices
- **Broad channel access** in home and clinical environments
- **Strong relationships** with critical eco-system participants
- Deep data stores – **insights into clinical and consumer needs**
- Imaging, digital analytics and clinical **decision support experience**
- **Trusted Philips brand**

End-to-End integrated solutions

Integration of digital health data across the Health Continuum
Banner Health and Philips team-up in joint telehealth program to address shift toward value-based care

- Consists of a unique combination of remote home monitoring, early intervention and educational services using Philips telehealth solutions

- Focused on Intensive Ambulatory Care to prevent patients with multiple chronic conditions from entering the acute care environment (5% of patients who represent 50% of the cost)

- Benefits to patients and hospitals, after 6-month pilot:
  - Engaging patients in their care at home by offering a strong support system around them
  - 45% reduction in hospitalization rates and 27% reduction in the number of days in the hospital
  - Around 30% reduction of cost of acute and long-term care
Florida Medical Center (FMC) and Philips team-up to re-design emergency department (ED)

Approach:
Philips multi-disciplinary team of research, design, clinical and financial consultants analyzed the current state and developed a future state design with 3D modelling and animation in team work with FMC staff

Benefits:
• Operational and physical re-design to optimize work flow processes
• Increase throughput while bringing clinical quality to the highest level
• Improve the patient experience
• Lower cost renovation with performance of a higher cost expansion
Integrated solutions provider to enable access to care in Kenya

• Technology and solutions partnership for nation-wide healthcare modernization program
  — Multiyear agreement for installation of complete intensive care units at 11 county hospitals across the country
  — Includes systems installation and maintenance, renovation and adaptation of facilities, and staff training

• Developing innovative Community Life Centers to provide local access to health care and services
  — Includes primary healthcare facilities for patient monitoring, diagnosis and triage, laboratory equipment, medical training, solar lighting and clean water
Allianz and Philips prepare partnership to enter the occupational health market

• Professional healthcare service offering through the global assistance division of Allianz in Germany

• Back pain program that builds on a unique, personalized, non-invasive approach for continuous use:
  – 12 weeks personalized tele coaching
  – Tailored medical support and interventions
  – Natural pain relief through Blue Touch with LED technology
  – Easy-to-use digital applications incl. Philips pain diary app

• Fixed fee per employee

• Currently running a pilot with Allianz and Philips employees
Key takeaways

- Separation into two focused companies logical next step on our multi-year Accelerate! journey

- HealthTech opportunity of EUR 100+ billion estimated to grow mid to high-single-digit

- Philips has strong starting position with an integrated HealthTech approach across Health Continuum

- Addressing the Health Continuum will deliver higher growth and returns beyond 2016
  - Building on combined clinical and consumer capabilities
  - Integrating digital health data and platforms across the Health Continuum
  - Expanding our portfolio of End-to-End integrated solutions
  - Expanding our strategic partnerships to develop innovative solutions to deliver better health care
Q&A