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Royal Philips A focused leader in HealthTech

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innovation  you



Important information

Forward-looking statements and other important information

This document and the related oral presentation, including responses to questions following the presentation, contain certain forward-looking statements with respect to the financial condition, results of operations and business of Philips and certain of the plans and objectives of Philips with respect to these items. Examples of forward-looking statements include statements made about our strategy, estimates of sales growth, future EBITA and future developments in our organic business. By their nature, these statements involve risk and uncertainty because they relate to future events and circumstances and there are many factors that could cause actual results and developments to differ materially from those expressed or implied by these statements.

These factors include but are not limited to: global economic and business conditions; developments within the euro zone; the successful implementation of Philips' strategy and the ability to realize the benefits of this strategy; the ability to develop and market new products; changes in legislation; legal claims; changes in currency exchange rates and interest rates; future changes in tax rates and regulations, including tax reform in the US; pension costs and actuarial assumptions; changes in raw materials prices; changes in employee costs; the ability to identify and complete successful acquisitions, and to integrate those acquisitions into the business, including Spectranetics; the ability to successfully exit certain businesses or restructure the operations; the rate of technological changes; cyber-attacks, breaches of cybersecurity, political, economic and other developments in countries where Philips operates; industry consolidation and competition; and the state of international capital markets as they may affect the timing and nature of the disposal by Philips of its remaining interests in Philips Lighting. As a result, Philips' actual future results may differ materially from the plans, goals and expectations set forth in such forward-looking statements. For a discussion of factors that could cause future results to differ from such forward-looking statements, see the Risk management chapter included in the Annual Report 2017.

Third-party market share data

Statements regarding market share, including those regarding Philips' competitive position, contained in this document are based on outside sources such as specialized research institutes, industry and dealer panels in combination with management estimates. Where information is not yet available to Philips, those statements may also be based on estimates and projections prepared by outside sources or management. Rankings are based on sales unless otherwise stated.

Use of non-GAAP Information

In presenting and discussing the Philips Group's financial position, operating results and cash flows, management uses certain non-IFRS financial measures. These non-IFRS financial measures should not be viewed in isolation as alternatives to the equivalent IFRS measures and should be used in conjunction with the most directly comparable IFRS measures. Non-IFRS financial measures do not have standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other issuers. A reconciliation of these non-IFRS measures to the most directly comparable IFRS measures is contained in this document. Further information on non-IFRS measures can be found in the Annual Report 2017. As the Philips Group is applying IFRS as its Generally Accepted Accounting Principles (GAAP) we have changed the term non-GAAP information into non-IFRS information.

Use of fair-value measurements

In presenting the Philips Group financial position, fair values are used for the measurement of various items in accordance with the applicable accounting standards. These fair values are based on market prices, where available, and are obtained from sources that are deemed to be reliable. Readers are cautioned that these values are subject to changes over time and are only valid at the balance sheet date. When quoted prices or observable market data are not readily available, fair values are estimated using appropriate valuation models and unobservable inputs. Such fair value estimates require management to make significant assumptions with respect to future developments, which are inherently uncertain and may therefore deviate from actual developments. Critical assumptions used are disclosed in the Annual Report 2017. Independent valuations may have been obtained to support management's determination of fair values.

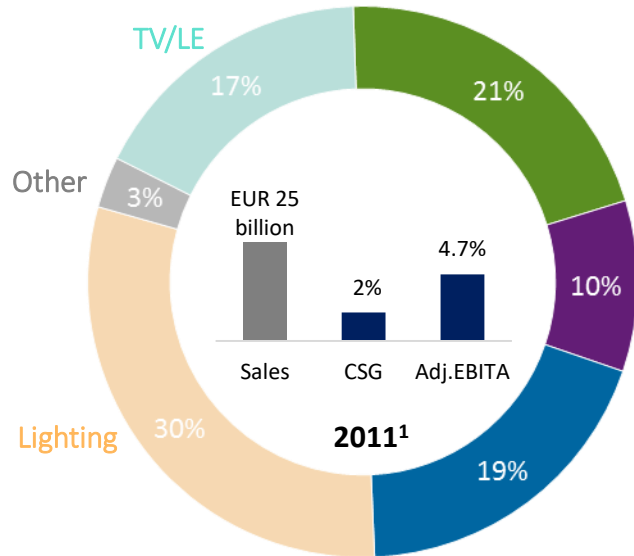
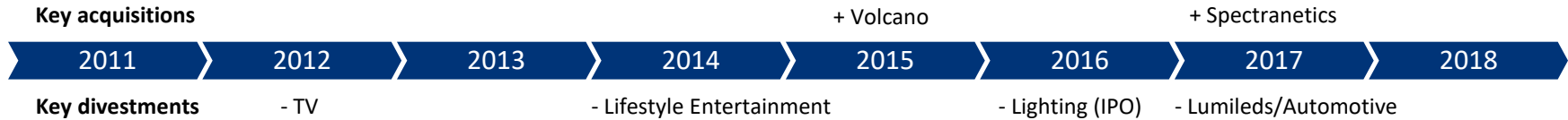
All amounts are in millions of euros unless otherwise stated. Due to rounding, amounts may not add up precisely to totals provided. All reported data is unaudited. Financial reporting is in accordance with the accounting policies as stated in the Annual Report 2017, unless otherwise stated. The presentation of certain prior-year information has been reclassified to confirm to the current-year presentation.



At Philips, we strive to make the world healthier and more sustainable through innovation.



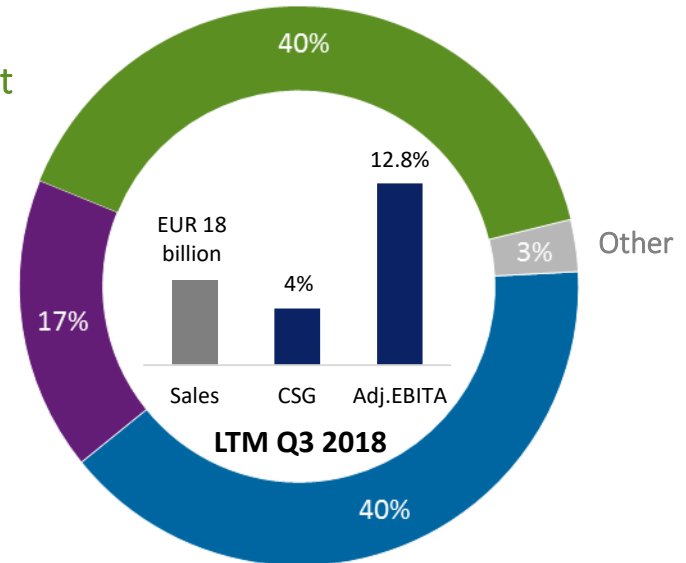
We have transformed into a focused global HealthTech leader



Diagnosis & Treatment

Connected Care & Health Informatics

Personal Health



We operate in growing, evolving markets

Strong growth fundamentals

Growing population

Aging population

Rising burden of chronic diseases

Increasing spend in developing markets

Market evolution



Digital

Connecting consumers, patients and care providers



Consumer centric

Increasing consumer engagement in their own health



Precision

Importance of AI, informatics and personalization



Consolidation

Increasing horizontal and vertical consolidation



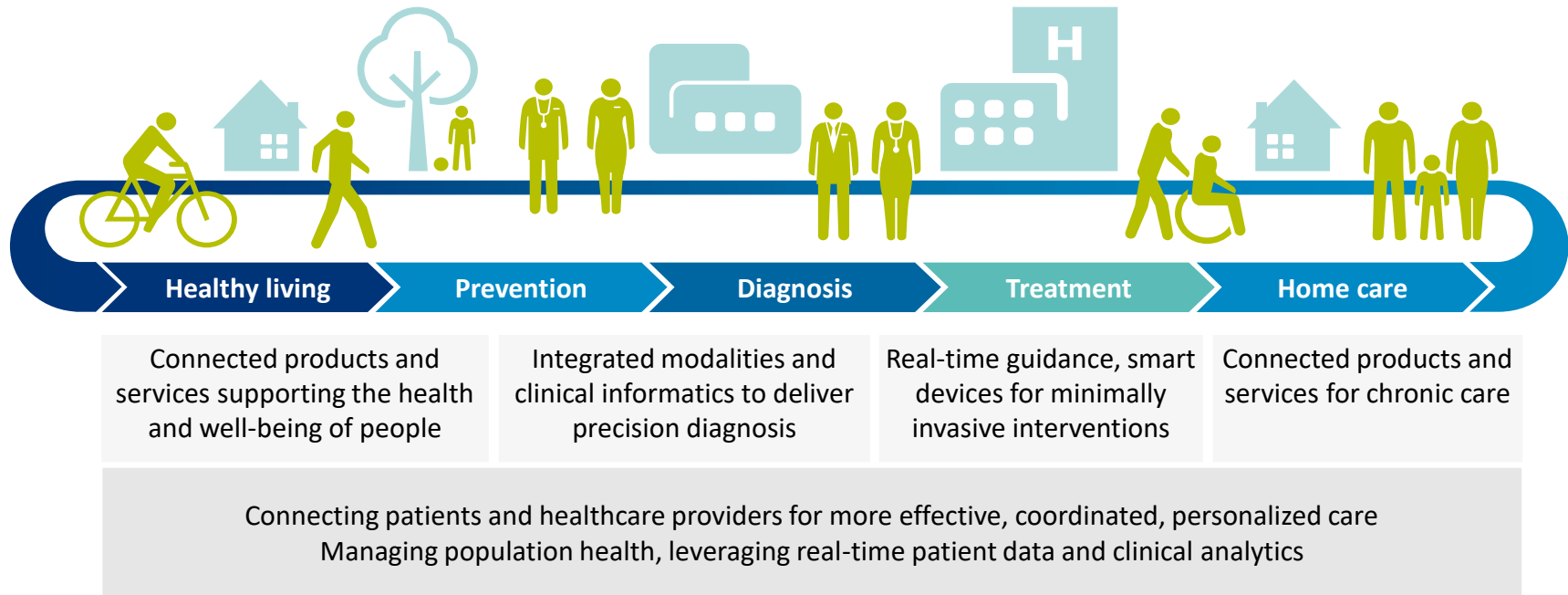
Post Acute Care

Shifting to lower-cost settings and the home



Our strategy resonates with customers, addresses their needs

Uniquely positioned in the “last yard” to consumers and providers



Addressing the Quadruple Aim



Improved
health
outcomes



Improved
patient
experience



Improved
staff
satisfaction



Lower
cost
of care



Over 60% of sales from leadership positions¹

| Diagnosis & Treatment | | Connected Care & Health Informatics | | Personal Health | |
|--|---|--|--|--|---|
| Ultrasound <i>Global Leader</i> |  |  | Patient Monitoring <i>Global Leader</i> |  | Male Grooming <i>Global Leader</i> |
|  | Image-Guided Therapy Systems <i>Global Leader</i> | ICU Telemedicine <i>#1 in North America</i> |  | Oral Healthcare <i>Global Leader</i> |  |
| Image-Guided Therapy Devices <i>Global Leader</i> |  |  | Non-invasive Ventilation² <i>Global Leader</i> |  | Sleep Care <i>Global Leader</i> |
|  | Diagnostic Imaging <i>Global Top 3</i> | Personal Emergency Response <i>#1 in North America</i> |  | Respiratory Care <i>Global Leader</i> |  |
| | |  | High-end Radiology and Cardiology Informatics <i>#1 in North America</i> |  | Mother & Child Care <i>Global Leader</i> |

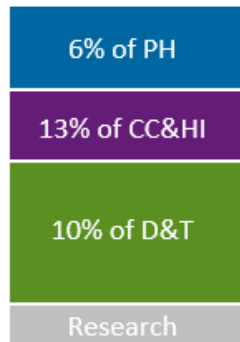
¹ Leadership position refers to #1 or #2 position in Philips addressable market; ² Based on non-invasive ventilators for the hospital setting



Innovation is core to our value creation

Commitment to innovation

EUR 1.8 billion in R&D
9.9% of sales



2017

60%

R&D professionals in software and data science

Deep clinical partnerships

With academic institutions and with key opinion leaders

New businesses

e.g. Digital Pathology, neurology, wearables, HealthSuite cloud applications

Driving growth and margins

>50%

New product sales¹

>10%

LTM² order intake growth

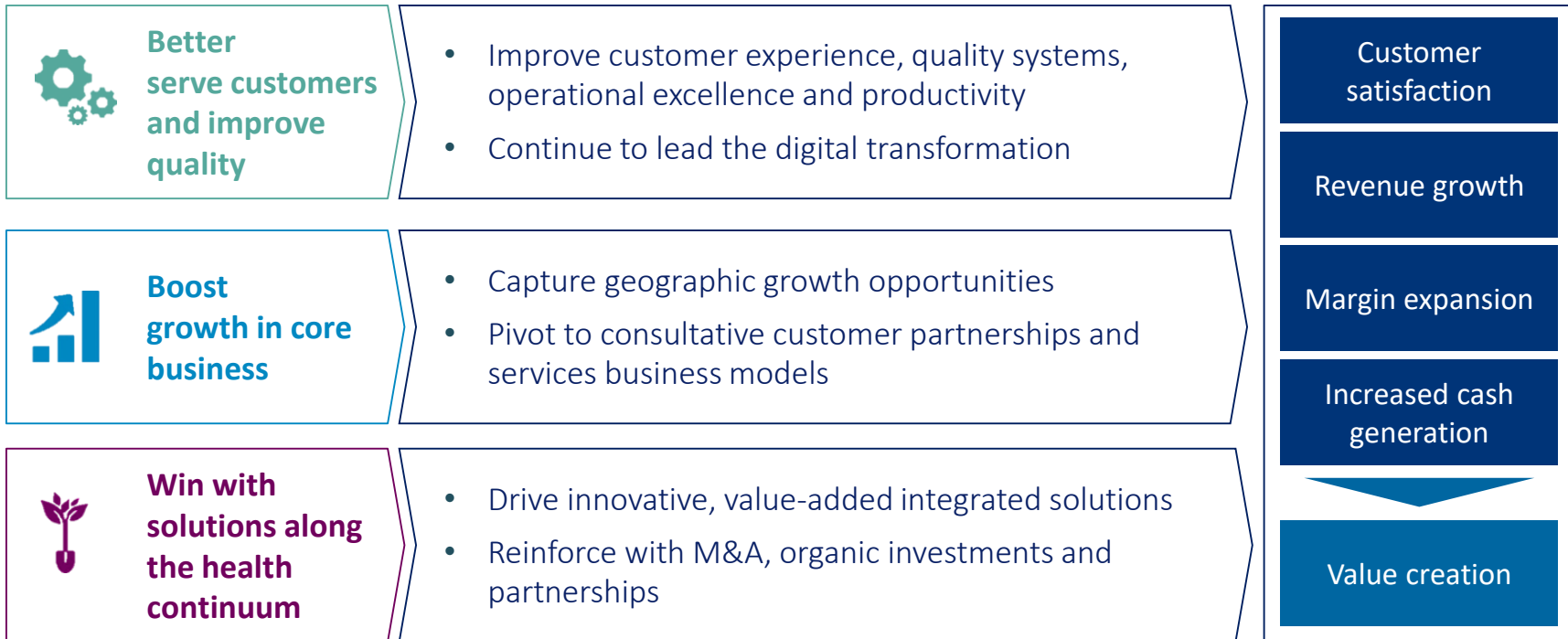
Expanding gross margins

With higher-margin innovations

40-50 bps

R&D productivity gain by 2020

Drivers for continued growth and improved profitability





Pivot to consultative customer partnerships and services business models

Long-term strategic partnerships unlock value for our customers and us

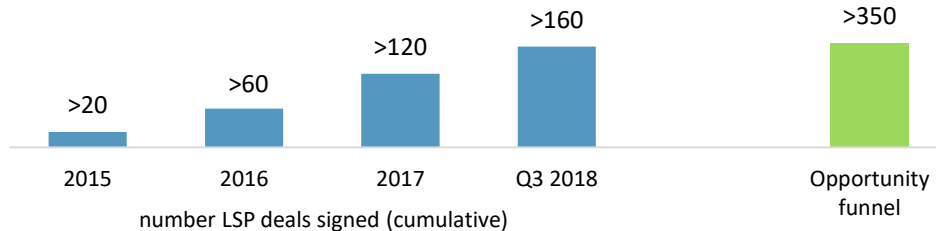
Recent deals

Built on:

- Common goals
- Joint commitment
- Outcome-focused business models
- Continuous improvement
- Collaborative innovation

Leading to:

- ✓ Deeper C-suite relationships
- ✓ Delivering success to customers
- ✓ Increasing share of wallet
- ✓ Multi-year, recurring revenues
- ✓ Excellent references





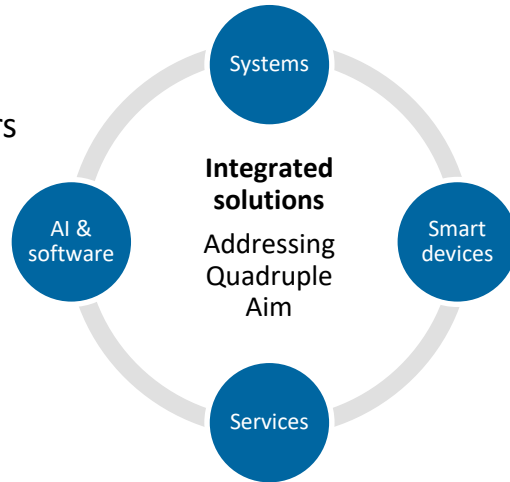
Drive innovative, value-added integrated solutions

We are uniquely positioned to deliver integrated solutions



We bring together:

- A holistic view on the needs of consumers, patients and providers
- Deep consumers insights
- Leading clinical and operational expertise
- Broad portfolio of technologies



Example solution areas:

- Precision diagnostics
- Minimally invasive therapies
- Sleep and respiratory care
- Connected care

Solutions deliver 32% of revenues¹, growing double-digit



Continued focus on value creation

2017-2020 targets

Revenue growth

comparable sales growth

4-6% annually

Margin expansion

Adj. EBITA improvement

**average annual 100
bps improvement**

to ~15% in 2020

Cash generation

Free Cash Flow in 2020

above EUR 1.5 billion

ROIC

Organic ROIC in 2020

mid-to-high-teens

After 2020 we will drive further improvement

Key takeaways

- We have transformed into a **focused global HealthTech leader**
- We differentiate through innovation based on **consumer & clinical insights** and **commitment to R&D**
- We are **driving value creation** by:
 - Improving customer and operational **excellence**
 - Boosting growth in the core by **geographic expansion** and **customer partnerships**
 - Winning with **solutions along the health continuum**
- We reiterated **4-6% organic growth** and an **annual improvement of on average 100 bps adjusted EBITA margin** over 2017-2020

