Company update and performance roadmap

Frans van Houten
CEO Royal Philips

Abhijit Bhattacharya
CFO Royal Philips
Key takeaways

• Philips has transformed into a differentiated global HealthTech leader delivering innovative healthcare technology at the point of care, leveraging deep clinical and consumer insights

• We lead in attractive growth markets and profit pools

• We create value for customers and shareholders by:
  – Improving margins through better serving customers and operational efficiency
  – Boosting growth through deep customer partnerships and global geographic coverage
  – Building innovative solutions: suites of systems, smart devices, software and services, improving outcomes and productivity

• Our strategy significantly improves returns driven by mid-single-digit growth (4-6%) and margin step-up of ~100 bps per annum\(^1\)

\(^1\) Expected over the medium-term (3-4 years)
Philips: a focused leader in HealthTech
Philips has transformed into a focused HealthTech leader
A platform for profitable growth

Portfolio Transformation

1 Lighting includes combined business of Lumileds and Automotive in 2011, Personal Health in 2011 includes Sleep & Respiratory Care portfolio which was part of Healthcare sector; 2 Other includes HT Other and Legacy Items; 3 Last Twelve Months; 4 Combined Lumileds and Automotive businesses classified as discontinued operations; excl. Legacy Items
Our ~EUR 17 billion HealthTech portfolio addresses global markets
More than 1/4th of sales from recurring revenue streams

Segments (share of revenues)¹

<table>
<thead>
<tr>
<th>Segment</th>
<th>Share of Revenues</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diagnosis &amp; Treatment</td>
<td>39%</td>
<td>Enabling efficient, first time right diagnosis and precision therapies through digital imaging and clinical informatics solutions</td>
</tr>
<tr>
<td>Connected Care &amp; Health Informatics</td>
<td>18%</td>
<td>Empowering consumers and care professionals with predictive patient analytics and clinical informatics solutions</td>
</tr>
<tr>
<td>Personal Health</td>
<td>41%</td>
<td>Enabling people to take care of their health by delivering connected products and services</td>
</tr>
</tbody>
</table>

Geographic presence²

- **North America**: 36%
- **Western Europe**: 22%
- **Growth Geographies³**: 32%
- **Other Mature Geographies**: 10%

¹ Segment share of total HealthTech sales LTM September 2016, excludes HT other revenues; ² Geographies’ share of total HealthTech sales LTM September 2016; ³ Growth geographies consist of all geographies excluding USA, Canada, Western Europe, Australia, New Zealand, South Korea, Japan and Israel
Our markets have sustained growth and attractive profit pools

**HealthTech market size**

<table>
<thead>
<tr>
<th>EUR billion</th>
<th>2015</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diagnosis &amp; Treatment</td>
<td>~145</td>
<td>52</td>
</tr>
<tr>
<td>Connected Care &amp; Health Informatics</td>
<td>47</td>
<td>70-72</td>
</tr>
<tr>
<td>Personal Health</td>
<td>47</td>
<td>55-57</td>
</tr>
</tbody>
</table>

- Mid-single-digit growth
- Market EBITA (2015)
  - Mid-teens EBITA

**Growth drivers**
- Population growth, ageing and *rise in chronic diseases*
- United Nations SDG 3 – *boosting access to care*
- Shift to *outcome based reimbursement* / accountable care
- *Data enabled* healthcare delivery with *higher productivity*
- Care shifting to *ambulatory and home care* settings with consumers *increasingly engaged in their health*
- *Convergence* of professional healthcare and consumer health

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1 Source: Philips internal analysis, McKinsey analysis; Philips-defined addressable markets including adjacencies
Our strong portfolio has >60% of sales from leadership positions\(^1\)

<table>
<thead>
<tr>
<th>Diagnosis &amp; Treatment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Diagnostic Imaging</strong> Global Top 3</td>
</tr>
<tr>
<td><strong>Ultrasound</strong> Global Leader</td>
</tr>
<tr>
<td><strong>Image-Guided Therapy</strong> Global Leader</td>
</tr>
<tr>
<td><strong>Smart Catheters</strong> Global Leader</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Connected Care &amp; Health Informatics</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Patient Monitoring</strong> Global Leader</td>
</tr>
<tr>
<td><strong>ICU Remote Monitoring</strong> #1 in North America</td>
</tr>
<tr>
<td><strong>Non-invasive Ventilation(^2)</strong> Global Leader</td>
</tr>
<tr>
<td><strong>Personal Emergency Response</strong> #1 in North America</td>
</tr>
<tr>
<td><strong>High-end Radiology and Cardiology Informatics</strong> #1 in North America</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Personal Health</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Male Grooming</strong> Global Leader</td>
</tr>
<tr>
<td><strong>Oral Healthcare</strong> Global Leader</td>
</tr>
<tr>
<td><strong>Sleep &amp; Respiratory Care</strong> Global Leader</td>
</tr>
<tr>
<td><strong>Mother &amp; Childcare</strong> Global Leader</td>
</tr>
<tr>
<td><strong>Air Purifiers</strong> #1 in China</td>
</tr>
</tbody>
</table>

\(^1\) Leadership position refers to #1 or #2 position in Philips addressable market; \(^2\) Based on non-invasive ventilators for the home
Health continuum guides our strategy

Trends such as digital, population health, accountable care support our vision
Our innovation strength in professional healthcare and personal health enables the vision
We deliver differentiated solutions to drive better outcomes for people and higher productivity for care providers.

Connected products and services supporting the health and wellbeing of people
Integrated modalities and clinical informatics to deliver definitive diagnosis
Real-time visualization & smart devices for minimally invasive interventions
Connected therapeutic products & services for chronic care patients

Connecting patients and providers for more effective, coordinated, personalized care
Manage population health leveraging real-time patient data and clinical analytics

We are uniquely positioned in the “last yard” to the consumers and care providers.
Our innovations are a result of deep clinical collaborations with universities & hospitals and advanced R&D programs

Commitment towards innovation

- **Annual spend of ~EUR 1.7 billion** for research & development
  - ~20% breakthrough innovation
  - ~50% new product development
  - ~30% sustaining engineering
- **Strong IP portfolio** consisting of 76,000 patents, 47,000 trademarks and 91,000 design rights
- 60%+ R&D professionals in software
- Global R&D footprint

Examples of collaborative clinical co-creation
Our innovations and brand are internationally acclaimed

- **Largest patent applicant** with ~2,400 European patent applications (2015)

- China Business Network (CBN) **China Innovation Best Practice Award** (2016)

**Design Excellence**

- 37 Red Dot Design awards (2016)
- 48 iF design awards, with Gold for **Lumify Ultra, DreamWear** and **IconiQ Shaver** (2016)

- Thomson Reuters top 100 innovators (2015)

- Best in KLAS awards for **IntelliSpace Portal and Patient Administration Systems** (2015/16)

- Philips brand ranking climbed to #41 from #47 with estimated brand value of USD 11.3 billion
We have a rich talent base, strong company values and a deep commitment to innovate

LinkedIn – Global Top 1% Talent Attractors

1.1 million hours of people development
120+ nationalities
39% in growth geographies

~10,000 engineers,
~800 PhDs with deep healthcare expertise

~35,000 people certified in LEAN courses
1,000+ consumer marketers

Our mission
Improving lives through meaningful innovation

Our values
Eager to win
Take ownership
Team up to excel
Always act with integrity
Experienced management team driving growth, operational excellence and value creation

<table>
<thead>
<tr>
<th>CEO / CFO</th>
<th>Segment Leaders</th>
<th>Market Leaders</th>
<th>Function Leaders</th>
</tr>
</thead>
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<tr>
<td>CEO</td>
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<td>Function Leaders</td>
</tr>
<tr>
<td>Frans van Houten</td>
<td>Personal Health Pieter Nota</td>
<td>Global Markets(^1) Ronald de Jong</td>
<td>Innovation &amp; Strategy Jean Botti</td>
</tr>
<tr>
<td></td>
<td>Diagnosis &amp; Treatment Robert Cascella</td>
<td>North America Brent Shafer</td>
<td>Operations Sophie Bechu</td>
</tr>
<tr>
<td>Abhijit Bhattacharya</td>
<td>Connected Care &amp; Health Informatics Jeroen Tas</td>
<td>Greater China Andy Ho</td>
<td>Legal Marnix van Ginneken</td>
</tr>
</tbody>
</table>

\(^1\) Excluding North America and China
Sustainability is an integral part of how we do business

Success of EcoVision 2015 program

- 54% of sales from Green Products in 2015
- 41% reduction in carbon footprint in 10 years
- 2 billion lives improved

New 2020 program “Healthy people, sustainable planet”

- Carbon neutral operations
- 70% turnover from green products; 15% will be circular
- Zero waste to landfill
- Supplier sustainability program with all our suppliers
- 2.5 billion lives improved by 2020

Recent accomplishments

- Industry Group Leader in 2016
- 3rd consecutive year of leadership in the Carbon Disclosure Project
- “Champion for Change” award from Practice GreenHealth, third consecutive year
- Responsible Supply Chain Management Award by VBDO for 7th consecutive year
Strategic drivers for continued growth and improved profitability
### Key drivers for our value creation

<table>
<thead>
<tr>
<th>Focus on</th>
<th>Driven by</th>
<th>Resulting in</th>
</tr>
</thead>
<tbody>
<tr>
<td>Better serve customers and improve productivity</td>
<td>1. Continue ‘self help’ journey to improve quality, operational excellence and productivity</td>
<td>• Productivity: lower cost of goods and non-manufacturing costs</td>
</tr>
<tr>
<td></td>
<td>2. Continue to lead the digital transformation</td>
<td>• Growth enablers in place</td>
</tr>
<tr>
<td>Boost growth in core business</td>
<td>3. Capture geographic growth opportunities</td>
<td>• Mid-single-digit revenue growth</td>
</tr>
<tr>
<td></td>
<td>4. Pivot to consultative customer partnerships and business models</td>
<td>• Operating leverage</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Customer loyalty</td>
</tr>
<tr>
<td>Build winning solutions along the health continuum</td>
<td>5. Drive innovative value-added, integrated solutions</td>
<td>• Gross margin expansion</td>
</tr>
<tr>
<td></td>
<td>6. Portfolio extensions through organic investments, partnerships and M&amp;A</td>
<td>• Future growth</td>
</tr>
</tbody>
</table>
Continue ‘self help’ journey to improve quality, operational excellence and productivity

- Operational excellence by applying the Philips Business System
- Continuous improvement, leveraging Philips Excellence practices
- ‘Design for Quality’ methodology in product design and Supplier Selection
- One Philips Quality Management System

Productivity driven by operating leverage and a EUR 1.2 billion program over the next three years comprising of:

- Manufacturing footprint optimization
- Procurement savings, led by proven DfX program
- Overhead cost reduction

1 Targeted gross savings before inflation and price erosion
Continue to lead the digital transformation

<table>
<thead>
<tr>
<th>Emergency response</th>
<th>Patient outcomes</th>
<th>Digital workflows</th>
<th>Predictive analytics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Connecting elderly care</td>
<td>4 million sleep patients connected</td>
<td>#1 Cardio Informatics</td>
<td>1 billion+ patients monitored in last 5 years</td>
</tr>
</tbody>
</table>

...deployed over **patient-centric** "HealthSuite" IoT cloud and process automation...

...through **real time** digital software and services...

...unlocking **superior value** for customers (examples)
Capture geographic growth opportunities
Leadership in key geographies

North America
- Scale Diagnostic Imaging
- Expand patient care beyond acute care settings
- Win IDN consultative solutions partnerships
- Grow Health Informatics and integrate all our Population Health activities
- Widen Personal Health portfolio
- Drive productivity and enhance capabilities

Greater China
- Capture growth in private hospitals
- Gain share in mid-tier hospitals
- Grow Health Informatics and population health with local partners
- Leverage capabilities of global acquisitions
- Increase Personal Health share
- Drive productivity and enhance capabilities

Global Markets¹
- Grow integrated solutions partnerships with leading hospitals
- Grow Health Informatics and Population Health with local partners
- Locally relevant solutions for emerging markets
- Increase Personal Health share
- Drive productivity and enhance capabilities

Examples of geographic expansion plays
- Leverage Volcano globally (e.g. APAC)
- Extend North America Health Informatics globally
- Expand Philips Sonicare in Greater China

¹ Excluding North America and China

Low to mid-single-digit revenue growth
Mid to high-single-digit revenue growth
Mid-single-digit revenue growth
Pivot to consultative customer partnerships and business models

From transactional to continuous engagement model

Common business goals
Predictability, Shared risk
Multi-year engagement
Continuous improvement
Reduced costs; Outcomes focused

Customer

Philips

KAROLINSSKA UNIVERSITY HOSPITAL
• Leading medical research in Sweden
• 14-year contract
• E.g. redesigning the stroke pathway

Health AUGUSTA UNIVERSITY
• 1st Managed Services Alliance in the US
• 15-year partnership
• E.g. significant cost savings from workflow optimization

Heart Hospital
• Specialized cardiac care provider
• 14-year partnership
• E.g. transforming Cardiothoracic surgery and ICUs

Committed revenue flows and margin accretive
Drive innovative value-added, integrated solutions

Better value for customers, higher margins, recurring revenue models

Examples

- **Total cardiac procedure solutions**
  - Interventional operating rooms
  - Smart therapeutic devices
  - Validation software

- **Integrated oncology solutions**
  - IQon Spectral CT diagnostics
  - Intellisite Pathology
  - Image guided radiation oncology

- **Total sleep solutions**
  - Home sleep diagnostics
  - Dream Series therapy devices
  - DreamMapper patient engagement

**Solutions revenues and growth**

<table>
<thead>
<tr>
<th>Year</th>
<th>EUR billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>4</td>
</tr>
<tr>
<td>2016</td>
<td>5</td>
</tr>
<tr>
<td>2020</td>
<td>7</td>
</tr>
</tbody>
</table>

**Solutions business characteristics:**

- Suites of systems, smart devices, software and services
- Revenue accelerates to double-digit growth
- Higher margins than stand-alone products
- Sticky customer relationships with committed future revenue

1 Compounded Annual Growth Rate
Portfolio extensions through organic investments, partnerships and M&A

**Growth investments in new business**

- Leadership in **Digital Pathology**; strengthened with acquisition of Path XL

- **Population Health programs**: Successful Hospital-to-Home program strengthened with acquisition of Wellcentive

- Leading healthcare focused digital ecosystem with **HealthSuite Digital Platform**

- Patient monitoring extension into ambulatory care settings with **medical wearables**

**Partnering for integrated solutions**

- **Radiation Oncology**

- **Cloud-based healthcare collaboration**

- **Partnerships with pharma companies**

**Successfully delivering on M&A**

- Integration ahead of plan
  - Growth acceleration from flat growth in 2014 to **double-digit growth in 2016**
  - **Costs down by USD 40M** compared to pre-acquisition

- Synergies result in high-teens EBITA for Image-Guided Therapy in 2017
Building Philips to EUR 20 billion\(^1\) sales with significantly improved returns...

**Focus on**
- Better serve customers and improve productivity
- Boost growth in core business
- Build winning solutions along the health continuum

**Resulting in**
- Productivity: lower cost of goods and non-manufacturing costs
- Growth enablers in place
- Mid-single-digit revenue growth
- Operating leverage
- Customer loyalty
- Gross margin expansion
- Future growth

**Medium-term\(^2\) financial outlook**

<table>
<thead>
<tr>
<th>Year</th>
<th>Diagnosis &amp; Treatment</th>
<th>Connected Care &amp; Health Informatics</th>
<th>Personal Health</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>14</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>2016</td>
<td>17</td>
<td>4</td>
<td>6</td>
</tr>
<tr>
<td>2019 / 2020</td>
<td>20</td>
<td>6</td>
<td>8</td>
</tr>
</tbody>
</table>

• Mid-single-digit growth rate (4-6%)
• On average 100bps Adj. EBITA margin improvement annually
• Organic plan ROIC improves to mid-to-high teens
• Cash generation of ~EUR 1–1.5 billion annually

1 Based on current foreign exchange rates; 2 Medium-term (3-4 years); 3 Sales growth represents comparable compounded annual growth rates
... and building Philips’ leadership in solutions, driving better outcomes for people and higher productivity for care providers

We are uniquely positioned in the “last yard” to the consumers and care providers

Connecting patients and providers for more effective, coordinated, personalized care
Manage population health leveraging real-time patient data and clinical analytics
Driving performance improvement
Key takeaways

- We are now a focused HealthTech company delivering growth and improving profitability
- We are delivering on our DfX program and introducing new products to improve gross margins
- Our cost reduction program is resulting in tangible benefits visible in the P&L
- Strong Balance Sheet management is contributing both to improving the cash flow and the profitability
- We are taking steps to further retire our high cost debt and de-risking liabilities
- Our operational improvements and strategic initiatives aim to realize mid-single-digit organic growth and an average of 100bps Adj. EBITA margin improvement annually
Personal Health consistently driving strong performance
Delivering above market growth and margins

We have delivered a consistent track record of above market growth

Growth has been driven by:
- Geographic expansion
- Innovation led new product introductions
- Solid advertising and promotion support

Improved profitability due to:
- Highly innovative portfolio
- DfX program
- Growth driven operating leverage
- Effective portfolio management

Sustain above market growth and improve margins to the high-teens

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1 LTM is last twelve months sales
2 Adjusted represents EBITA excluding restructuring costs, acquisition related charges and other charges-and-gains above EUR 20 million
Driving operational excellence in D&T to improve profitability
Stepping up performance, Volcano integration ahead of plan

- IGT and Ultrasound on good performance track
- Overall profitability beginning to improve with improvement of the CT performance
- Excellent integration of Volcano
- Double-digit profitability in the short-term
- Investments in innovation, quality and operational excellence weigh on results
- Further performance improvement through:
  - New product and solutions introductions
  - Operational excellence
  - Manufacturing footprint optimization
  - DfX program

Above market growth and improve margins into the teens
Return to growth and improving profitability in CC&HI

- Expand Patient Monitoring across care settings with clinical analytics to drive high-single digit growth
- New businesses to start generating revenue growth
- Around EUR 100 million invested in innovation for continuous monitoring, Population Health Management, analytics enabled IT solutions etc.
- Further margin expansion will be driven by:
  - Geographic expansion with existing products
  - New product and solution introductions
  - Manufacturing footprint optimization
  - Operating leverage
  - DfX program

### CSG % (LTM)

<table>
<thead>
<tr>
<th></th>
<th>Q3'15</th>
<th>Q4'15</th>
<th>Q1'16</th>
<th>Q2'16</th>
<th>Q3'16</th>
</tr>
</thead>
<tbody>
<tr>
<td>0%</td>
<td>0%</td>
<td>4%</td>
<td>5%</td>
<td>4%</td>
<td></td>
</tr>
</tbody>
</table>

### Adj. EBITA % (LTM)

<table>
<thead>
<tr>
<th></th>
<th>Q3'15</th>
<th>Q4'15</th>
<th>Q1'16</th>
<th>Q2'16</th>
<th>Q3'16</th>
</tr>
</thead>
<tbody>
<tr>
<td>10.2%</td>
<td>11.8%</td>
<td>12.6%</td>
<td>13.2%</td>
<td>12.8%</td>
<td></td>
</tr>
<tr>
<td>8.4%</td>
<td>9.7%</td>
<td>10.2%</td>
<td>10.4%</td>
<td>10.0%</td>
<td></td>
</tr>
</tbody>
</table>

1 Q3'16 LTM breakthrough innovation investments amounted to EUR 88M
Gross margins and non-manufacturing costs driving improved profit

- Step up in gross margins led by:
  - New product introductions
  - Delivering on the DfX program
  - Improvement in CT performance

- Significant G&A reduction arising from programs:
  - Focused on overhead in businesses
  - Simplification in enabling and business functions

- Overall reduction of non-manufacturing costs of 40 bps
- Part of the savings in G&A were re-invested in innovation to drive growth

1 Gross Margin, NMC, and G&A are calculated on LTM basis; all figures exclude Lighting
Royal Philips\(^1\): Improving performance
Delivering mid-single-digit sales growth and improving earnings

- Growth driven by:
  - Innovative new products and solutions
  - Geographic expansion
  - Growth in adjacencies

- Good potential for profit improvement through:
  - Improved cost savings in cost of goods sold
  - Overhead costs
  - Unlocking value of our patent portfolio
  - Reduction in legacy costs

- We invest around EUR 300 million in breakthrough innovation to drive future growth and profitability

\(^1\) Royal Philips excludes Lighting; \(^2\) Q3’16 LTM breakthrough innovation investments amounted to EUR 307M and Legacy Items EUR 87M
Strong actions to improve working capital
100bps or more improvement in inventories, overdues and working capital

- **Inventory**
  - Leaning out end-to-end supply chain, improving cycle time and quality
  - Strong focus on aging and excess inventory

- **Working Capital**
  - Strong reduction of overdue debt
  - Partnering with suppliers on payment conditions
  - Rigorous attention to working capital reduction in the performance cycle

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1 Inventory and WoCa figures exclude Legacy items and HT Other and are calculated on LTM basis as percentage of sales
Ongoing actions to drive balance sheet efficiency

Reduction of pension liability and high interest bonds

Pro-active de-risking actions to reduce Group defined benefit obligations (DBO):
- De-risking of the Dutch pension plan
- Settlement of the entire U.K. plan
- Transfer of USD 1.1B U.S. liabilities to insurers
- Termination of Brazil pension plan in 2017

Actions underway to redeem high interest bonds by USD 1.5B:
- USD 0.3B redeemed in Q3 2016
- USD 1.25B March ‘18 bond to be redeemed

Full plan will reduce yearly interest expenses by around EUR 100 million
Free Cash Flow Conversion and ROIC continue to improve
Restructuring profile for HealthTech is significantly lower than the combined Group

- Significant step up in Adj. Free Cash Flow/Adjusted Net Income
- Sustainable cash generation of EUR 1 to 1.5 billion annually

- Excluding incidentals, ROIC is well above WACC
- Organic plan ROIC improves to mid-to-high teens

- HealthTech restructuring costs are around 70 bps compared to the Group of around 120 bps
- HealthTech restructuring levels expected to be around 65 bps and decline substantially after 2019

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1 FCF is based on total Philips excluding Lighting and is adjusted for the following items: CRT antitrust litigation, bond redemption charges, pension settlements and separation costs. FCF conversion is the ratio of Adjusted FCF / Adjusted Net Income. The latter includes the same adjustments as FCF, in addition Masimo charges incurred in 2014 are excluded;

2 ROIC is based on total Philips excluding Lighting;

3 ROIC excl. incidentals excludes CRT antitrust litigation in Q4 2014 and pension settlements in Q4 2015
Productivity initiatives of EUR 1.2 billion to drive 100 basis points annual improvement over the mid-term\(^1\)

**Main drivers**

- Operating leverage in selling expenses and R&D
- Gross margin improvement:
  - Manufacturing footprint optimization
  - Procurement savings, led by proven DfX program
  - Mix improvement
- Overhead reduction enabled by simplification of end-to-end businesses processes

**Adj. EBITA step-up drivers**

<table>
<thead>
<tr>
<th>Indicative Adj. EBITA margin, %</th>
<th>Volume</th>
<th>Gross margin</th>
<th>Overhead cost reduction</th>
<th>Price erosion</th>
<th>Inflation</th>
<th>Average annual improvement</th>
</tr>
</thead>
<tbody>
<tr>
<td>~1.0</td>
<td>~1.9</td>
<td>~0.5</td>
<td>~1.3</td>
<td>~1.1</td>
<td>~1.0</td>
<td>~1.0</td>
</tr>
</tbody>
</table>

\(^1\) Mid-term (3-4 years)

This plan is largely a “self-help” and a continuation of our Accelerate! approach.
Disciplined capital allocation policy

• Continue to invest in high ROIC organic growth opportunities to strengthen each business
• Disciplined but more active approach to M&A, while continuing to adhere to strict return hurdles
• Committed to a strong investment grade credit rating
• Dividend policy aimed at dividend-stability
• Completed EUR 3.5 billion of share buy backs starting from 2011
• Going forward we will further redeem high cost debt and continue de-risking liabilities
Building Philips to EUR 20 billion\(^1\) sales with significantly improved returns

**Medium-term financial outlook**

- Mid-single-digit growth rate (4-6%)
- On average 100bps Adj. EBITA margin improvement annually
- Cash generation of ~EUR 1–1.5 billion annually
- Organic plan ROIC improves to mid-to-high teens

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**Performance improvement driven by:**

- Operational excellence and growth in Diagnosis & Treatment
- Capture growth in Connected Care & Health Informatics
- Continue momentum in Personal Health

- Continued cost productivity to improve margins
- Balance Sheet improvements will contribute to improving cash flow and earnings

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\(^1\) Based on current foreign exchange rates; \(^2\) Sales growth represents comparable compounded annual growth rates
Key takeaways

• We are now a focused HealthTech company **delivering growth** and **improving profitability**

• We are **delivering** on our DfX program and **introducing new products** to improve gross margins

• Our **cost reduction** program is resulting in tangible benefits visible in the P&L

• Strong Balance Sheet management is contributing both to **improving the cash flow** and the **profitability**

• We are taking steps to further **retire** our **high cost debt** and **de-risking liabilities**

• Our **operational improvements** and strategic **initiatives** aim to realize **mid-single-digit organic growth** and an average of **100bps Adj. EBITA margin** improvement annually
Key takeaways
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• Philips has transformed into a differentiated global HealthTech leader delivering innovative healthcare technology at the point of care, leveraging deep clinical and consumer insights

• We lead in attractive growth markets and profit pools

• We create value for customers and shareholders by:
  – Improving margins through better serving customers and operational efficiency
  – Boosting growth through deep customer partnerships and global geographic coverage
  – Building innovative solutions: suites of systems, smart devices, software and services, improving outcomes and productivity

• Our strategy significantly improves returns driven by mid-single-digit growth (4-6%) and margin step-up of ~100 bps per annum

1 Expected over the medium-term (3-4 years)