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)

<table>
<thead>
<tr>
<th>Year</th>
<th>Power toothbrush penetration</th>
<th>Philips market share</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>2014</td>
<td>105</td>
<td>111</td>
</tr>
<tr>
<td>2015</td>
<td>113</td>
<td>121</td>
</tr>
<tr>
<td>2016</td>
<td>145</td>
<td>150</td>
</tr>
</tbody>
</table>

- 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)

<table>
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<th>Year</th>
<th>OHC recurring revenue</th>
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<tr>
<td>2013</td>
<td>100</td>
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<td>2014</td>
<td>109</td>
</tr>
<tr>
<td>2015</td>
<td>136</td>
</tr>
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<td>2016</td>
<td>150</td>
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- 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 health\(^1\)
- 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.

\(^1\) Supported by clinical trials
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
Key takeaways

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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.

<table>
<thead>
<tr>
<th>Diagnostics</th>
<th>Consumer engagement</th>
<th>Therapy</th>
<th>Monitoring</th>
<th>Patient engagement</th>
<th>Sleep coaching services &amp; resupply</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alice in-lab and home</td>
<td>Pull marketing</td>
<td>Dream series</td>
<td>Care orchestrator</td>
<td>DreamMapper</td>
<td>Patient Adherence Management Service</td>
</tr>
</tbody>
</table>

- #1 in sales in lab and home sleep tests in the United States
- 3 million visits per year on sleepapnea.com
- Consistent above market growth
- Global leader in sleep connected care
- >400k registered users
- >200k patients managed
- Recurring supply revenue streams

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

Monitor long term compliance and satisfaction

Dream Solutions sends data to secure cloud

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
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**
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 outpatient 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

<table>
<thead>
<tr>
<th>Strong procedure growth(^1) (CAGR 2015–2020)</th>
<th>Current(^2)</th>
<th>Future aspiration</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Structural heart repairs +15%</td>
<td>• CSG: High-single-digit</td>
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</tr>
<tr>
<td>• Electrophysiology +10%</td>
<td>• Adj. EBITA margin: Low-teens</td>
<td>• Adj. EBITA margin: High-teens</td>
</tr>
<tr>
<td>• Peripheral / Endovascular +6%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Interventional Oncology +10%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Interventional Neurology +7%</td>
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Our strategy

**Strengthen leadership**
Expanding our leadership in system integration and orchestration of efficient workflows
Addressable market: Low-single-digit CAGR

**Innovate the procedure**
Novel navigation and guidance technology enhancing procedure efficiency and radiation reduction
Addressable market: Mid-teens CAGR

**Expanding into therapy**
Capture growth from therapeutic devices adjacency, leveraging strong synergy with imaging
Addressable market: High-single-digit CAGR

Financials

**Current\(^2\)**
• CSG: High-single-digit
• Adj. EBITA margin: Low-teens

**Future aspiration**
• CSG: High-single-digit
• Adj. EBITA margin: High-teens

\(^1\) Source: Philips internal analysis using sources like Millennium Research Group, Credit Suisse, company analyses and Medtech Insights
\(^2\) Last twelve months September 2016
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

1 In the US
Key takeaways

• Image-Guided Therapy is a high growth market driven by benefits for health systems and patients

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  – Successful integration of Volcano, establishing unique position in the industry as a leader in Systems and Devices
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• Continued high-single-digit growth and on track to deliver high-teens profitability
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

Healthy living

Patient monitoring
EUR 3 billion
- More solutions and new business models
- Expectation of ‘anywhere, anytime’ access to meaningful and predictive data

Prevention

Therapeutic care
EUR 3.5 billion market
- Clinicians demand for intelligence in ventilation and resuscitation devices
- Growth of non-invasive ventilation

Diagnosis

Medical consumables
EUR 1.5 billion market
- Hospital-wide standardization of consumables
- Wearable sensors gaining momentum, ask for continuous monitoring, bridging transitions in and out of the hospital

Treatment

Services (Clinical and remote services, network integration support)
EUR 1.5 billion market
- Increased complexity of projects require advanced technical and clinical remote services

Home care

Global market leader

NA market leader in AED

Global non-invasive ventilation

Growth opportunity:
High-single-digit growth

Growth opportunity:
Double-digit growth

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

**Improve Efficient structure**
- Reduction of overhead costs
- Driving Lean processes
- Optimization of manufacturing and R&D sites

**Grow Re-invest in market activation**
- Strengthen market resources
- Profitable service and consumables business

**Build Innovation**
- Advanced monitoring solutions (contactless monitoring, mobility solutions)
- Entry into invasive ventilation market
- Advanced services and commercial innovation

**Financials**
- **Current**: CSG: Mid-single-digit
- Adj. EBITA margin: High-teens

- **Future aspiration**: CSG: Mid to high-single-digit
  - Adj. EBITA margin: Around 20%

1 Last twelve months September 2016
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
Motivated for a healthier lifestyle to prevent future incidents.

Saving time, reducing failure, improving productivity.
Differentiating support across the entire patient journey. Example: Cardiology.

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

Differentiating Cardiology: Connected Data

Public access defibrillation and a trained population

- Location map of AEDs
- Trained and registered population

Intervene and analyze during transport

- ECG
- Troponin Blood Test
- Data transfer

Optimized and integrated Cardiology services

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

Anywhere 3 mins to Defibs

- Networked hospitals — hub-and-spoke model

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

PHILIPS
Live Demo: Triaging
Value creating solutions in emergency care:

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

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