Key takeaways

• Our **Sleep & Respiratory** business plays a **leading role** in the growing home care market

• We are **gaining share with proven innovations** for connected patient management solutions

• Continued **strong growth** and **margin expansion** are driven by:
  – Leveraging direct consumer engagement and **unlocking recurring revenue streams**
  – Innovation at the forefront of Digital Health, based on **deep patient and clinical insights**
  – Transformation from a device only into an **integrated connected solutions business**
Leveraging leading positions in Sleep & Respiratory Care

>85% of patients suffering from Obstructive Sleep Apnea are not aware today\(^1\)

**Current market prevalence\(^2\)**

- Canada: 6%-7%
- US: 13%-14%
- Mexico: 6%-7%
- UK: 6%-7%
- Germany: 9%-10%
- China: 6%-7%
- Spain: 9%-10%
- Italy: 9%-15%
- India: 8%-9%
- ME&A: 4%-5%
- South Korea: 6%-7%
- Japan: 8%-9%
- Australia: 10%-11%

\(^1\) Philips internal estimates; \(^2\) MarketsandMarkets Research
Leveraging leading positions in Sleep & Respiratory Care
COPD is the 3rd cause of mortality\(^1\), 5% most severe patients drive 40-50% of costs

- 64 million people suffer from COPD\(^2\)
- 4%-6% growth in prevalence\(^3\)
- USD 7,500 Avg. cost of hospital readmission within 30 days\(^4\)

Value-creation strategy – Philips sleep care model
Delivering value with an integrated solution that drives efficiencies and improved outcomes

Direct Consumer Engagement
>3 million consumer visits annually to our websites

Diagnostics
Leader in lab and home sleep tests
#1 in sales in the United States\(^1\)

People-centric Therapy
Award-winning Dream Family fuels market growth

Connected Proposition
~5 million devices connected
>575K registered DreamMapper users

Care Management Services
>325K patients managed
Expanding across US, UK, France and India

Insights from 2.3 billion nights of cloud-based data enables improving care pathways and services

\(^1\) Philips Wave Study AMG Research, June 2016
Philips’ deep experience enabling optimized care models
Patient Management Service: Increases patient adherence rates and user satisfaction

Patient Management Services outcomes

- **Improves adherence to therapy**
  - 24% increase vs. standard care¹

- **Reduces providers cost / time**
  - Up to 95% reduction in time managing new patients¹

- **Personalized coaching and engagement**
  - 79.5% of patients on service meet 90-day CMS compliance guidelines for payment¹

- **Scaling experiences**
  - 325K active patients
  - 12,500 new patients added monthly
  - #1 rated application by users²

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1 Retrospective study EncoreAnywhere™; 2 Apple App Store, Google Play Store
Innovations in digital platforms enable a connected ecosystem
Optimizing care management in the home for improving outcomes

Integrated, Connected, Empowered

- **Integrated** to other software platforms (patient information with hospital EMRs, insurance claims, and billing systems) and powered by the Philips HealthSuite

- **Connects** the care team to deliver coordinated care and helps anticipate and resolve most patient concerns, avoiding unnecessary costly home visits

- **Empowering** care teams to tailor care protocols to meet their practice patterns, focusing on patients who need attention. Converts data into actionable insights so care teams can make better, faster, more informed decisions
Innovations a critical enabler of success and recurring revenue
Market-leading DreamWear mask continues to gain share with strong user ratings

Market opportunity

- ~30% of the segment mix
- Growth 8% – 10%

Philips’ winning DreamWear platform

- #1 nasal set up mask
- >50% revenue growth in 2017

- ~20% of the segment mix
- Growth 5% – 7%

- Launched in Q3 2017
- 25% segment revenue growth in the quarter

- ~50% of the segment mix
- Growth 10% – 12%

- New launch in early 2018
- Largest mask segment

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1 For the US market only; 2 Medsage data (Q2 2016 – Q3 2017)
Transforming Philips market-leading respiratory offerings to a care management model in the home

**Proven Respiratory Therapies**

- Market leading positions and largest range of respiratory offerings

**Connecting Solutions for Care Management**

- Solutions enable workflow and efficient care management in the home

**Population Health**

- Provide population health from hospital to home

Proof points:

- Median admission-free survival 4.3 months vs 1.4 months\(^1\)

Proof points:

- Connected Trilogy ventilator now available, already supporting ~750 patients in the home

Proof points:

- Cumulative 3 years savings est. USD 1.04 billion for 100,000 patients with Trilogy compared to less advanced therapy\(^2\)

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\(^1\) Coughlin, S., Lee-Chiong MD, T. (2017). “Cost Savings from Reduced Hospitalizations with Use of Home Noninvasive Ventilation for COPD.” Published. [http://www.valueinhealthjournal.com/article/S1098-3015(16)30068-7/abstract](http://www.valueinhealthjournal.com/article/S1098-3015(16)30068-7/abstract); \(^2\) Results are based on a single-center initiative and may vary by institution. See “Cost Savings from Reduced Hospitalizations” study limitations section
Key takeaways

- Our **Sleep & Respiratory** business plays a **leading role** in the growing home care market.

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  - Transformation from a device only into an **integrated connected solutions business**
Growing our leadership in Image-Guided Therapy

Bert van Meurs
Business Leader Image-Guided Therapy
Key takeaways

• Image-Guided Therapy is a profitable **high-growth market** delivering benefits for health systems and patients

• Philips is a **leading integrator**
  – Gaining market share based on a unique portfolio of **Systems and Devices**
  – **Successful integration** of Volcano
  – Acquisition of **Spectranetics accelerates expansion** into therapy devices
  – **Close customer relationships** to co-create **integrated solutions** to optimize care delivery

• Targeting **7-9% growth** and **17-19% profitability** by 2020
Minimally invasive procedures: strong benefits over open surgery

- Reduced patient trauma and shorter recovery time
- Growth of out-patient treatment in hospitals and office-based labs
- New procedures enabled by continuous innovation in image-guidance and smart devices

Cardiovascular disease is global killer #1, driving strong procedure growth

- 18 million people die annually from Cardiovascular Disease, 31% of all global deaths
- 250 million people worldwide suffer from Peripheral Artery Disease
- More than 10 million procedures annually in the US
  - Stroke treatment +23%
  - Structural heart repairs +15%
  - Interventional Oncology +10%
  - Peripheral / Endovascular +6%

EUR 6+ billion IGT addressable market growing at high-single-digit

<table>
<thead>
<tr>
<th>Systems</th>
<th>2017</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Therapeutic devices²</td>
<td>24%</td>
<td>9%</td>
</tr>
<tr>
<td>Diagnostic devices</td>
<td>26%</td>
<td>3%</td>
</tr>
<tr>
<td>Systems</td>
<td>50%</td>
<td>44%</td>
</tr>
</tbody>
</table>

² Drug-Coated Balloon is the fastest growing segment at >20% to USD 1+ billion in 2020

¹ Philips internal estimates
Unique, market-leading portfolio of integrated solutions
Every second a patient is treated with our Image-Guided Therapy solutions

Systems
• Leadership position in multi-purpose hybrid operating suites, used for broad range of procedures

Devices
• Leadership position in smart catheters for diagnosis & therapy assessment (IVUS, FFR, iFR)
• Leading innovator in therapy catheters
• Supported by strong clinical evidence

Services
• Cath Lab managed services
• Maintenance, upgrade, training
• Integration, consultancy, financing

Software
• Disease-specific planning and navigation software: Cardiology, Vascular, Oncology, Neurology, Surgery
• Image and Information Management Systems

100% of the top 20 US hospitals have chosen Philips Image-Guided Therapy

1 Based on U.S. News and World Report Rankings
Growing our leadership through a strong and consistent strategy

**Strengthen leadership**
System integration and orchestration of efficient workflows

**Azurion - next generation Image-Guided Therapy platform**
Launched in 2017
Market share above 40% and growing

**Innovate the procedure**
Novel navigation and guidance technology

**Visualization technologies**
Enhance procedure efficiency and further reduce X-ray radiation dose
First patients treated successfully with new Surgical Navigation technology

**Expand into therapy**
Grow therapeutic devices, leveraging strong synergy with imaging

**Successful integration of Volcano double-digit growth since the acquisition**
Spectranetics accelerates expansion into high-growth therapy devices market
Azurion is setting a new standard of care for interventional suites

Workflow study results in leading interventional department of St. Antonius Hospital in the Netherlands:

- **17%** Reduction in procedure time
- **28%** Reduction in post-procedure lab time
- **29%** Reduction in staff movement
- Ability to treat one more patient per day

1 Independent 3rd party verification
Expansion into therapy accelerated by Spectranetics acquisition
Combined Philips IGT Devices and Spectranetics sales to exceed EUR 1 billion by 2020

Note: Above does not represent an exhaustive list of the product portfolio
Stellarex Drug-Coated Balloon (DCB) is a key growth driver
Top-tier clinical results with low-drug dosage in common to complex patients

World-class clinical trial program
• Top-tier efficacy and safety evidence collected across 6 studies with over 1,500 patients
• Stellarex is the first low-dose DCB to demonstrate a statistically significant treatment effect at 2 years
• Stellarex is the only DCB with proven results in complex disease
• Highest patency rate achieved in comparable, randomized studies
Key takeaways

- Image-Guided Therapy is a profitable high-growth market delivering benefits for health systems and patients

- Philips is a leading integrator
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- Targeting 7-9% growth and 17-19% profitability by 2020
Driving profitable growth in Diagnostic Imaging

Kees Wesdorp
Business Leader Diagnostic Imaging
Key takeaways

- Diagnostic Imaging is at the heart of our HealthTech strategy, enabling definitive diagnosis
- Our strategy focuses on innovation, growth and productivity:
  - Exciting lineup of new innovations with customer-centric solutions
  - Further growth enabled by services and informatics business, and strengthened go-to-market
  - Acceleration of productivity programs to expand margins
- We target to gain market share while driving profitability to double-digits by 2020
Growing to leadership in Diagnostic Imaging
At the heart of our HealthTech strategy enabling definitive diagnosis

Definitive diagnosis by integrating radiology, pathology, genomics and longitudinal data\(^1\)

AI enhanced workflow and decision support

First-time-right superior images and great patient experience

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\(^1\) Through Diagnostic Imaging and Healthcare Informatics businesses
70% portfolio new\(^1\) to drive growth: exciting lineup of innovations

<table>
<thead>
<tr>
<th>Modalities with world-class applications and solutions</th>
<th>Services to drive socket retention</th>
<th>Intelligent applications with Healthcare Informatics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diagnostic X-Ray</td>
<td>✅ Maintenance services</td>
<td>Clinical insights and decision support</td>
</tr>
<tr>
<td>Computed Tomography</td>
<td>✅ Lifecycle services</td>
<td>Workflow improvement</td>
</tr>
<tr>
<td>Advanced Molecular Imaging</td>
<td>✅ Multi vendor services</td>
<td>Operational performance solutions</td>
</tr>
<tr>
<td>Magnetic Resonance Imaging</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

World-class components
(Generators, Tubes, Detectors, Magnets and Coils)

\(^1\) 2018 portfolio made up of products that are new since Q4 2016
Growth enabled through customer-centric solutions

Our customer promise: First-time-right diagnosis

- Simplify data & insight gathering
- Enhance patient & staff experience
- Drive imaging appropriateness
- Reduce costs

Differentiated, integrated solutions

Clinical insights and decision support

- IQon CT
- IntelliSpace Portal

Workflow improvement

- Ingenia MRI
- VitalEye

Operational performance solutions

- Vereos PET-CT
- Performance-Bridge
Regaining market share through strengthened go-to-market

80 bps market share gain in H1 2017

Strengthened go-to-market

- Solution selling
- Segmented offering
- Sales force effectiveness
- Training and capability building
- Branding and positioning

• Across all modalities strong momentum globally
• Turnaround in North America progressing well
• High growth in China, and great momentum in other growth geographies
Acceleration of productivity programs to expand margins

Deliver double-digit profitability by 2020

- New product introductions
- Quality and reliability improvement
- Manufacturing and footprint optimization
- Bill of Material and procurement savings
- R&D efficiency
- Overhead cost reduction
Demonstrating leading, world-class customer-centric solutions

Breakthrough clinical insights and improved workflow
IQon spectral CT: First-time-right superior images, simplifying workflow, improving patient experience and enabling more definitive diagnosis

Our solutions

Operational performance solutions
A suite of data-driven continuous improvement services to optimize: Assets, Uptime, Utilization, Practice, Compliance, Staff
Key takeaways

• Diagnostic Imaging is at the heart of our HealthTech strategy, enabling definitive diagnosis

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Driving growth through Healthcare Informatics

Yair Briman
Business Leader Healthcare Informatics
Key takeaways

• Healthcare Informatics is poised for **significant growth** globally

• Our integrated informatics solutions address challenges **across the hospital systems enterprise**

• We use artificial intelligence at the point of care to optimize clinician experience

• Healthcare Informatics has a **high gross margin, recurring revenue** with a strong **customer retention** business model
Challenges in healthcare informatics

CIO challenges

• Rising costs
• More data
• Interoperability
• Hospital consolidation

• Threat of cyber attacks
• Greater demand for connectivity
• Too many vendors

Clinician goals

• Improve clinical workflow
• Provide definitive diagnosis
• Improve patient outcomes in value-based environment
• Enhance patient experience
IntelliSpace Enterprise Edition solves CIO challenges
Leader in Cardiology, Radiology and Oncology solutions

**One** managed service offering for clinically-rich IntelliSpace solutions
- **One** vendor
- **One** universal unstructured data manager
- **One** delivery model for upgrades and support monitoring

**Significant experience** in data management
- **145 billion** images
- **23 petabytes** imaging data

Projected **total cost of ownership savings**

USD **11.1 million**

Five-year projected savings at **UCHealth** for Radiology and Cardiology consolidation and standardization

- Manage security
- Improve total cost of ownership across the enterprise
- Simplify connectivity
Delivering value to the clinician by streamlining patient experience

- **Speed-up workflow**: 77% time savings
  - Reduce the time to process complex vascular cases

- **Improve report quality**: 25%
  - Errors reduced for echocardiographic reporting

- **Work faster**: 31%
  - Use of smart display protocols vs manually production

- **Lower analysis time**: 20% to 30%
  - Philips IntelliSpace Portal MedStar Washington Hospital Center
Enhancing the physician experience, not replacing them
The future is a contextually driven adaptive intelligence

Illumeo solution

- Patient Description
- Mission Briefing to get the patient overview at a glimpse
- Tailored workflow experience and incident findings
- Workflow Optimization Quantification on the fly
- Manage all findings centrally
- Smart inspection tools available in context
- Automation of priors comparison
- Measurement Consolidation
Healthcare Informatics delivering strong growth

Important future profit driver...

- Strong order intake
  - High gross margins
- Longer contracts
  - Recurring revenue
- Significant R&D investments
  - Innovative product pipeline

...as well as reinforces our market presence and influence

Differentiator for Philips solutions

- Stronger customer retention
- Key component of large scale projects
- Combining capabilities to strengthen other Philips businesses
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