



PHILIPS

Capital Markets Day

Driving profitable growth in Greater China

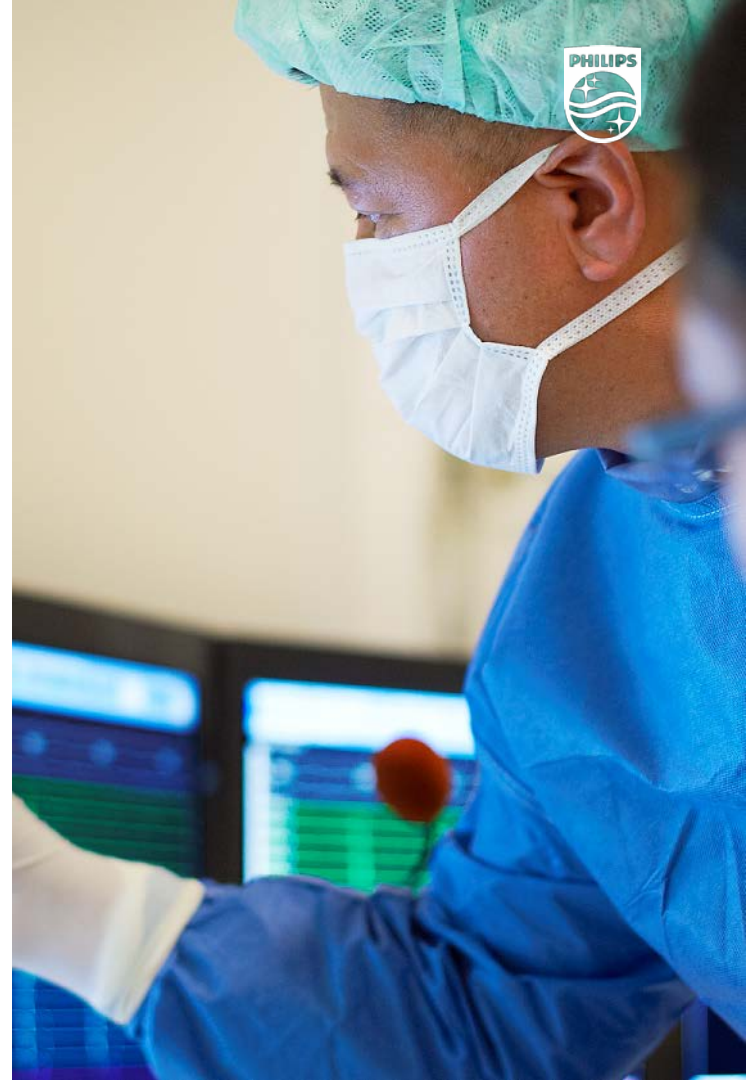
Andy Ho

Chief Market Leader Greater China

innovation  you

Key takeaways

- China HealthTech market is **the 2nd largest globally** and exhibits continued robust growth with significant potential
- We have been **deeply rooted** in China for a century and built up **strong leadership positions** with sustained and significant investment for the local market
- Our **growth strategy and execution are fully aligned** with the China government agenda and evolving healthcare and consumer market to bring a better, healthier life for the Chinese population
- We are extending the growth momentum and continuing to gain market share to make Philips Greater China a **~EUR 3 billion** HealthTech leader by 2020



China has attractive potential with robust health demand

2nd largest
addressable
market¹

~15% of Philips'
global market
size

~167 million
population at
age of 65+
by 2020, ~24%
of world total

Global #1
E-commerce
market
with over
EUR 1 trillion
B2C sales

6.2% of GDP
is health
expenditure²
far behind
the US 18% and
Japan 11%

4.3 million
new cancer
incidence³
cases in 2015,
~1/4 of world
total

~1/4 of
Chinese adults
have high
blood
pressure⁴

Macro and policy trends

- Healthy China 2030 blueprint as the national Health Strategy
- Aging population and chronic disease management
- China's economy on steady track despite softened momentum, the US – China trade war as one of the threats
- Digitization, AI, big data and internet+

Personal Health trends

- Trading up, driven by rising upper-middle class
- Global #1 E-commerce and emerging omni-channel
- Influx of new entrants heating up Consumer Health competition

Professional Healthcare trends

- Tiered Healthcare reform & growing Primary Care and Level 2 hospitals
- Fast expanding private hospital segment
- Local innovation and competition

Strong commitment to local establishment and capability

A hundred years in the country, we are role-modeling “localization”

Our history in China goes a long way back



Entered China in 1920s: used x-ray device for the Royal Family

1st JV in Beijing in 1985: building brand influence through our prestigious consumer products

Embark on HealthTech transformation since 2014: aim to improve China's Population Health

We have made sustained investment in the local market



Strong leadership positions driving value creation

2nd most
profitable
market of Philips

2/3 of sales
come from
market-leading¹
categories

#5 among
“Asia’s Top 1000
brands”
moving up from #15
in 2013

Sales growth
accelerated to
high-single-digit
from 2017

Double-digit
order growth in
Diagnosis &
Treatment in the
past two years

Continue **stepping
up profitability**
and invest back to the
market

Personal Health continued leadership and growth

Strategic partnership with leading E-com giants



Doubled online sales
from 2015 to 2017

>70% sales online
in 2017

Category creator in underpenetrated markets
with our solutions

Tenfold sales growth in
Oral Healthcare
over the past 5 years

Pioneer in connected sleep
solutions



Health & Wellness
#1 in Oral Healthcare



Personal Care
#1 in Male Grooming



Domestic Appliances
Leading in multiple
categories¹



Sleep & Respiratory Care
#1 in both Sleep
Care and Respiratory Care

Professional healthcare businesses extend market leadership and scaling up integrated solutions

Developing long-term strategic partnerships



Partner with government-backed medical association



China Cardiovascular Association



Stroke Prevention Project Committee

Creating health informatics solutions to access China's health big data

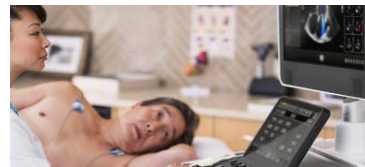


Strong double-digit growth in Primary Care

7% market share gain in private sector



#1 in Image-Guided Therapy



#2 in Ultrasound



#2 in Monitoring & Analytics



#3 in Diagnostic Imaging



Market leader in Healthcare Informatics

Scaling up integrated solutions in China

Shifting towards consultative customer relationship to drive sustainable growth

Ten prioritized solutions, with more to develop



Solution Transformation

- Established **dedicated solutions organization** and committed to continued market investment
- Building local **innovation** and solution **selling & service** capabilities to land global offering and commercialize China-relevant solutions
- We align with **government agenda** and build **strategic partnership** to create significant impact and enable better market access
- We are gaining traction and winning customers' buy-in – **strong double-digit** year-on-year growth in solution order intake from 2017 to 2018

Key takeaways

- China HealthTech market is **the 2nd largest globally** and exhibits continued robust growth with significant potential
- We have been **deeply rooted** in China for a century and built up **strong leadership positions** with sustained and significant investment for the local market
- Our **growth strategy and execution are fully aligned** with the China government agenda and evolving healthcare and consumer market to bring a better, healthier life for the Chinese population
- We are extending the growth momentum and continuing to gain market share to make Philips Greater China a **~EUR 3 billion** HealthTech leader by 2020

