Image-Guided Therapy
Leading the way to better treatment

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

• We are successfully executing our strategy in Image-Guided Therapy:
  – Gaining market share with a unique portfolio of systems, smart devices, software and services
  – Strong differentiation with Azurion – the backbone of our solutions
  – IGT Devices on track for EUR 1 billion sales by 2020, through successful integration of Volcano and Spectranetics
  – Expanding into attractive electrophysiology growth market with the acquisition of EPD Solutions

• Targeting high-single-digit growth and high-teens Adj. EBITA margin by 2020
Creating a unique position by executing on a distinctive strategy

Leadership in systems
Better margins and market share gains +300 bps

Expand into devices
Acquisitions perform better within Philips

Innovate the procedure
Solutions delivering on the Quadruple Aim
# Broad portfolio of IGT Devices

<table>
<thead>
<tr>
<th>Decide</th>
<th>Guide</th>
<th>Treat</th>
<th>Confirm</th>
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<tbody>
<tr>
<td>Azurion imaging</td>
<td>Intravascular Ultrasound (IVUS)</td>
<td>QuickTrack atherectomy guidewire</td>
<td>Pioneer Plus IVUS-guided re-entry catheter</td>
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<td>Veradius imaging</td>
<td>Verrata Plus pressure guide wire</td>
<td>Quick-Cross support catheters</td>
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<td>AngioSculpt scoring balloon</td>
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<td>Turbo-Elite laser atherectomy</td>
<td>Stellarex drug-coated angioplasty balloon</td>
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### Lead Management

- GlideLight laser sheath
- VisiSheath dilator sheath
- LLD lead locking device
- Bridge occlusion balloon
Attractive EUR 8+ billion IGT market growing high-single-digit\textsuperscript{1}

\begin{itemize}
  \item Coronary: + 4%
  \item Peripheral Vascular: + 6%
  \item Electro-physiology: + 10%
  \item Structural Heart Disease: + 17%
  \item Neurology: + 11%
  \item Oncology: + 8%
  \item Spine surgery: + 9%
\end{itemize}

\textsuperscript{1}Procedural growth CAGR 2015-2020
Philips leads with interventional suites in all IGT clinical markets. Coronary, PV and EP represent 80% of the procedures.

- Coronary: 36%
- Peripheral Vascular: 36%
- Electrophysiology: 18%

1 Procedure volume

Market size

Philips

Coronary
Peripheral Vascular
Electrophysiology
Structural Heart Disease
Neurology
Oncology
Spine surgery
Building unique market-leading portfolio of integrated solutions

Every second a patient is treated with our Image-Guided Therapy solutions
Providing a total solution in Peripheral Artery Disease

20 million patients with Peripheral Artery Disease

7% procedure growth

1 million procedures per year

Critical Limb Ischemia

1 year outcome

45% Alive with two limbs
30% Amputation
25% Mortality

Providing a total solution in Peripheral Artery Disease

Decide
Guide
Treat
Confirm
33 million people suffer from Atrial Fibrillation (AF)

<1% of AF patients are treated with ablation

13% AF procedure volume growth (2018-2023)

EPD Solutions
Unique EP technology provides detailed 3D anatomical heart information

Potential:
- Enhance procedure efficacy, reduce cost and increase safety
- Less radiation with better Imaging
- Higher success rate in treating AF
Key takeaways

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

• We are successfully executing our strategy in **Image-Guided Therapy**:
  – Gaining market share with a unique portfolio of **systems, smart devices, software and services**
  – Strong differentiation with **Azurion** – the backbone of our solutions
  – IGT Devices on track for EUR 1 billion sales by 2020, through successful integration of **Volcano and Spectranetics**
  – Expanding into attractive **electrophysiology** growth market with the acquisition of **EPD Solutions**

• Targeting **high-single-digit growth** and **high-teens Adj. EBITA margin** by 2020
Monitoring & Analytics
Leveraging smart analytics for advanced patient care

Felix Baader
Business Leader Monitoring & Analytics

innovation + you
Key takeaways

# 1 in Monitoring & Analytics solutions
• >40% market share globally and increasing further
• Complete portfolio for all clinical needs and price points
• Leveraging large installed base

Expanding into large lower-acuity market
• Guardian Early Warning Scoring
• Patient triaging and remote surveillance
• Ubiquitous monitoring

Leader in analytics technology
• Advanced tele-ICU solutions to help customers improve outcomes and reduce costs
• Moving to integrated enterprise solutions
Market leader with the most differentiated monitoring solutions portfolio

Delivering patient monitoring
- Best-in-class monitoring systems
- Patient and professional-friendly
- Focus on workflow optimization

Growing with medical consumables and sensors
- Breath and depth of sensor portfolio
- ECG-based fetal monitoring
- Among highest margins in the portfolio

Providing tailored and value-added services
- Monitoring-as-a-Service
- Risk-sharing models
- Software maintenance agreements

Looking for a better picture
Growing with medical consumables and sensors
- Breath and depth of sensor portfolio
- ECG-based fetal monitoring
- Among highest margins in the portfolio

Providing tailored and value-added services
- Monitoring-as-a-Service
- Risk-sharing models
- Software maintenance agreements
Strengthen #1 position with groundbreaking innovations, delivering significant value to patients and our customers

<table>
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<tr>
<th>Leading innovations</th>
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<tr>
<td><strong>Patient Care</strong> vision to transform patient monitoring and provide actionable and advanced clinical decision support</td>
</tr>
<tr>
<td><strong>Novel non-invasive and wireless sensors</strong> for ubiquitous monitoring and seamless patient experience</td>
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<tr>
<td><strong>Advanced remote services</strong> for network performance monitoring and remote service delivery</td>
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<th>Expanding into new care settings</th>
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<tr>
<td>Out of hospital + ubiquitous monitoring</td>
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<tr>
<td>Lower-acuity + other hospital departments</td>
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<tr>
<td>ICU + high-acuity</td>
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Empowering acute care teams by linking remote patient monitoring technology with evidence-based care transformation

1 in 8 adult ICU patients monitored by the eICU program in the US\(^1\)

38\% increase in acute capacity management\(^2\)

26\% reduction in mortality\(^3\)

30\% reduction in length-of-stay\(^4\)

Our wearable biosensor with IntelliVue Guardian helps caregivers keep watch over patients in need of more frequent monitoring.

Wireless, 4-day-life and fully disposable, collects most important vital signs and detects falls.

95% of patients agree that it’s comfortable to wear on their chest.

73% feel better cared for while wearing the biosensor.

1 Based on a single site study of 56 patients who wore the Philips wearable biosensor in a North American hospital emergency department, 2017.
Key takeaways

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- Ubiquitous monitoring

Leader in analytics technology
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- Moving to integrated enterprise solutions
Diagnostic Imaging
Accelerating our momentum

Kees Wesdorp
Business Leader Diagnostic Imaging

innovation + you
Key takeaways

• **Diagnostic Imaging is at the heart of our strategy**, enabling precision diagnosis and productivity for our customers

• Our strategy centered around innovation, customer-centricity, and productivity is paying off:
  – **Strong traction with new portfolio of systems, software and services to deliver on the quadruple aim**
  – **Driving growth and market share gains** with strengthened go-to-market
  – Our productivity program is **on track**

• **Delivering an average +200 bps** Adj. EBITA margin expansion per year through productivity and growth
Driving growth and productivity

Double-digit order intake growth across modalities

+110 bps market share gain in North America\(^1\)

+120 bps market share gain globally\(^1\)

Overhead cost reduction through delayering

Manufacturing productivity with good progress on footprint simplification

Procurement savings with focus on BOM reductions

**Strengthened go-to-market**
- Solution selling
- Segmented offering
- Sales force effectiveness
- Training and capability building
- Branding and positioning

Driving +200 bps margin per year

Continued delivery on accelerated productivity programs to expand margin

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\(^1\) Implied equipment market share 2018; \(^2\) Philips USA Q4 2016 - Q4 2017, Competitive Brand Health and NPS+ n = 2719
Growing leadership in precision diagnosis to address the Quadruple Aim

Precision diagnosis by integrating radiology, pathology, genomics and longitudinal data

AI-enhanced workflow and decision support

First-time-right superior images and improved patient and staff experience

1 Part of Healthcare Informatics in Connected Care & Health Informatics and Digital Pathology in Other
Strong traction with 70% new portfolio\(^1\) and unique solutions
Deep integration with informatics drives productivity, diagnostic confidence and intelligent workflows

First-time-right superior images and improved patient and staff experience

AI-enhanced workflow and decision support

Precision diagnosis by integrating radiology, pathology, genomics and longitudinal data

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\(^1\) 2018 portfolio made up of new products that are introduced since Q4 2016
Our smart informatics and MRI systems build on the imperative of the Quadruple Aim

- Improved health outcomes
- Improved patient experience
- Improved staff satisfaction
- Lower cost of care

Confidence, Comfort, Speed
Compressed SENSE enables up to 50% scan time reduction
Reduced scan times for all anatomies drives real value for our customers

Compressed SENSE is a breakthrough innovation, addressing MRI scanning time, a key productivity challenge for the radiology department

Source: Courtesy of KOYASU Neurosurgical Clinic, Japan
Continued success with innovations in our systems platforms

Philips Ambition 1.5T MRI

- Helium-free operations
- Designed to facilitate low siting and other construction costs
- Toward uninterrupted MR operations
- High-performance by design
Vereos Digital PET/CT imaging combined with IntelliSpace app enabling precision diagnosis and oncology therapy planning.

**Industry-leading, diagnostic confidence**
- small lesion detectability
- advanced visualization

**Better experience for patients and staff with fast scans, low PET dose**

**Advanced visualization and streamlined workflow**
- with Ilumeo and IntelliSpace Portal applications

Picture: Images from Vereos Digital PET/CT with IntelliSpace advanced visualization.
Key takeaways

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Sleep & Respiratory Care
Scaling solutions, driving geographic expansion

John Frank
Business Leader Sleep & Respiratory Care
Key takeaways

- Our Sleep & Respiratory Care business, representing sales of EUR 2.0 billion\(^1\) with profitable growth, leverages **leading positions** across markets

- **Strong growth in our core** business with key innovations around Trilogy ventilation and DreamWear masks

- Strengthening our leadership in COPD care management with **digital and connected solutions**

- Scalable global expansion is resulting in >20% growth in **underpenetrated markets** like China, India and Brazil

- New innovations in sleep to **meet unmet consumer needs**

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\(^1\) Including hospital respiratory business reported within Connected Care & Health Informatics
Philips is leading in Sleep
Unlocking the significant market opportunity

100 million people suffer from obstructive sleep apnea worldwide\(^1\)

USD 150 billion annual economic burden of undiagnosed sleep apnea in the US\(^2\)

>80% of patients suffering from obstructive sleep apnea are undiagnosed\(^1\)

\(^1\) StopBang 2015; \(^2\) American Academy of Sleep Medicine 2016. *Philips Respironics is the #1 sleep therapy brand\(^\dagger\) of choice by U.S. sleep physicians. Third party conducted Q4 2017 US Sleep Brand Preference Analysis Philips branding study.
Philips is leading in Respiratory Care
Addressing a significant market need

251 million
people suffer from COPD worldwide¹

USD 50 billion
annual direct and indirect costs of COPD in the US²

3rd
Third leading cause of death¹

Innovations driving growth and recurring revenue

Award winning Trilogy

• #1 selling home ventilator currently supporting ~200,000 patients, est. ~50% market share \(^3\)
• Integrated, connected platform for better insight & patient transitions, and management across hospital & home settings

Growing recurring revenues

>70% CSG\(^2\)
DreamWear mask family growing

4.3 ★★★
Consumer Rating

Full Face
~50%\(^3\) of segment mix

Nasal
~30%\(^4\) of segment mix

Pillows
~20%\(^3\) of segment mix

\(^1\) Philips internal estimates; \(^2\) YTD Q3 2018 comparable sales growth; \(^3\) For the US market only
Philips is uniquely positioned to scale Respiratory care model
Integrated solution from acute to post-acute enables the right care at the right time at the right place

Connectivity and data aggregation
• Broadest respiratory portfolio (hospital to home)
• Respiratory therapy
• Connected platform

Data analytics and tracking
• Risk-stratify patients
• Track care delivery and cost
• Report financial impact

Care management and coordination
• Enable care management
• Early intervention for the right care at the right time

Care management services
• Identify deterioration earlier and escalate
• Engage patient to self manage

Philips Connected Care Ecosystem

Orchestrating care across the continuum from hospital to home
Coordinated COPD pilot\(^1\) for Care transition management from hospital to home

\(>890\) patients participated in an integrated COPD Care pilot at St. Vincent’s Health System, Alabama, USA

80% reduction in acute COPD 30-day re-admissions

USD 4.4 million cost savings in all diagnosis re-admissions

\(^1\) Alabama Hospital 2017 COPD Care Management initiative. Author: Incremedical using Medadept information technology. Solely funded by Philips
We are expanding our business geographically
delivering high-double-digit growth in underpenetrated markets

Brazil
>35% growth

India
>25% growth

China
>20% growth

1 YTD Q3 2018
Fueling success in China, leveraging our expansion model
Targeting 160 million people in China for OSA and COPD

<table>
<thead>
<tr>
<th>Awareness</th>
<th>Education</th>
<th>Propositions and solutions</th>
<th>Multichannel distribution</th>
<th>Local partnerships</th>
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<tbody>
<tr>
<td>- Build brand through consumer campaigns (畅享川藏线 Safe Driving Along Tibet Highway)</td>
<td>- Hosting clinician programs</td>
<td>- Adopting for local needs</td>
<td>#1 position in China:</td>
<td>- Local joint venture with Oranger driving sleep diagnosis</td>
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<td>- Building training centers</td>
<td>- Leveraging the leading Philips brand</td>
<td>- Retail</td>
<td>- Strong partnerships with leading KOLs and academic institutions</td>
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<td>- Online</td>
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<td>- Experience centers (&gt;150)</td>
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<td></td>
<td></td>
<td></td>
<td>- Physical examination centers (&gt;100)</td>
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Local partnerships
- Local joint venture with Oranger driving sleep diagnosis
- Strong partnerships with leading KOLs and academic institutions
We are driving consumerization in the sleep market
Expanding solutions based on clinical experience and deep consumer insights

Appealing to the sleep apnea consumer

DreamStation Go
NightBalance

- Compact travel CPAP with same therapy and comfort
- Leverage FDA-cleared Positional OSA therapy, easy-to-use solution validated in >80,000 nights
- 10+ million¹ Positional OSA opportunity in the US alone

Addressing sleep deprivation

- New-to-world SmartSleep headband, clinically validated innovation delivering improved sleep quality and energy²
- 70% of users report feeling less tired during the day²
- For people who typically sleep <7 hours per night

¹ Philips internal estimates based on Prevalence OSA by severity; ² When used for two weeks by people who do not get enough sleep due to lifestyle, as reported by users
Key takeaways

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• Strengthening our leadership in COPD care management with digital and connected solutions

• Scalable global expansion is resulting in >20% growth in underpenetrated markets like China, India and Brazil

• New innovations in sleep to meet unmet consumer needs

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