HealthTech Opportunity

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innovation + you

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Key takeaways

- **We have strong businesses across the Health Continuum**
  - Consumer Lifestyle businesses showing strong growth and margin improvement
  - PCCI[1] and HHS[2] continued leadership
  - Imaging Systems facing near term challenges
- **Confirm Consumer Lifestyle and Healthcare 2016 EBITA margin targets**
- Combining our businesses to address Health Continuum will **deliver higher growth and returns beyond 2016**
  - Expanding our portfolio of End-to-End integrated solutions
  - Building on combined clinical and consumer capabilities
  - Integrating digital health data and platforms across the Health Continuum

[1] Patient Care & Clinical Informatics
[2] Home Healthcare Solutions

The Health Continuum is a growing EUR 100+ billion market for Philips

Philips indicative addressable market 2013[1]

Healthy Living	Prevention	Diagnosis	Treatment	Recovery	Home Care
EUR 30+ billion	EUR 10+ billion	EUR 20+ billion	EUR 10+ billion	EUR 5+ billion	EUR 5+ billion
EUR 20+ billion (Clinical Informatics & Consulting)					

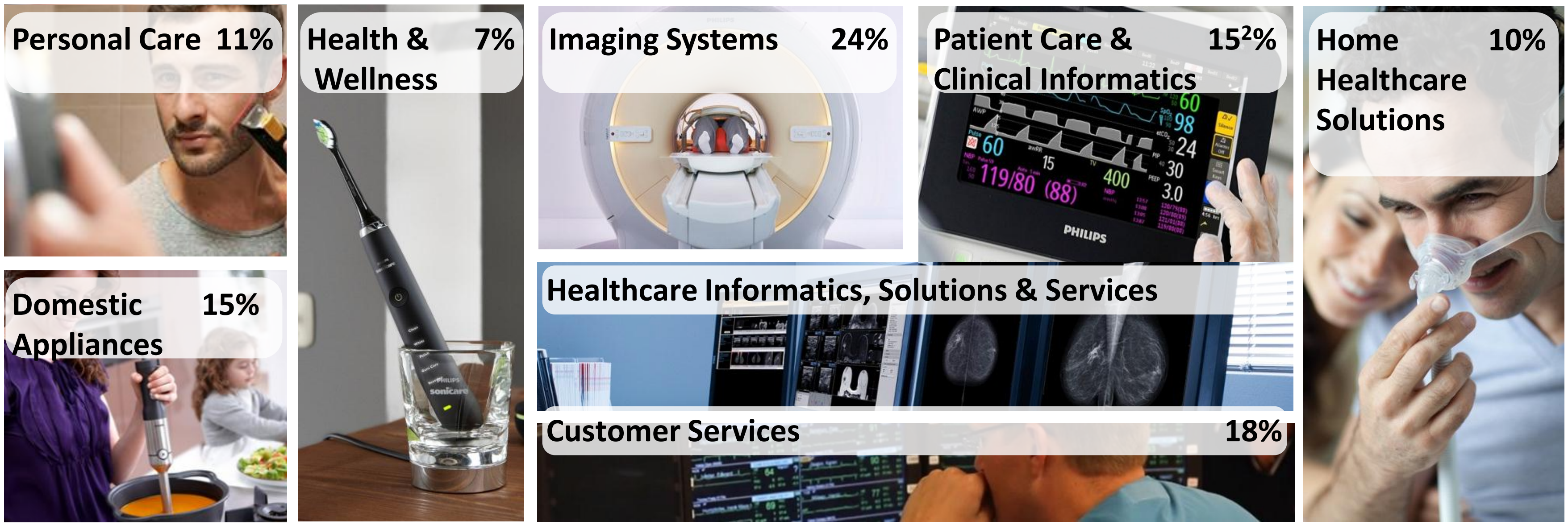
Mid-high single digit market growth

[1] Source: Philips Internal Study

Building the leader in HealthTech

Share of HealthTech sales[1]

Healthy Living	Prevention	Diagnosis	Treatment	Recovery	Home Care



Philips well-positioned to lead

[1] Sales last 12 months June 2014
[2] Combined Patient Care & Clinical Informatics and Healthcare Informatics, Solutions & Services (not reported separately)

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Our CL businesses have strong positions on the Health Continuum

Healthy Living	Prevention	Diagnosis	Treatment	Recovery	Home Care

#1 Electric Male Grooming - Globally

#1 Low fat fryers - Globally

#1 Air - China

#1 Oral Health Care - United States

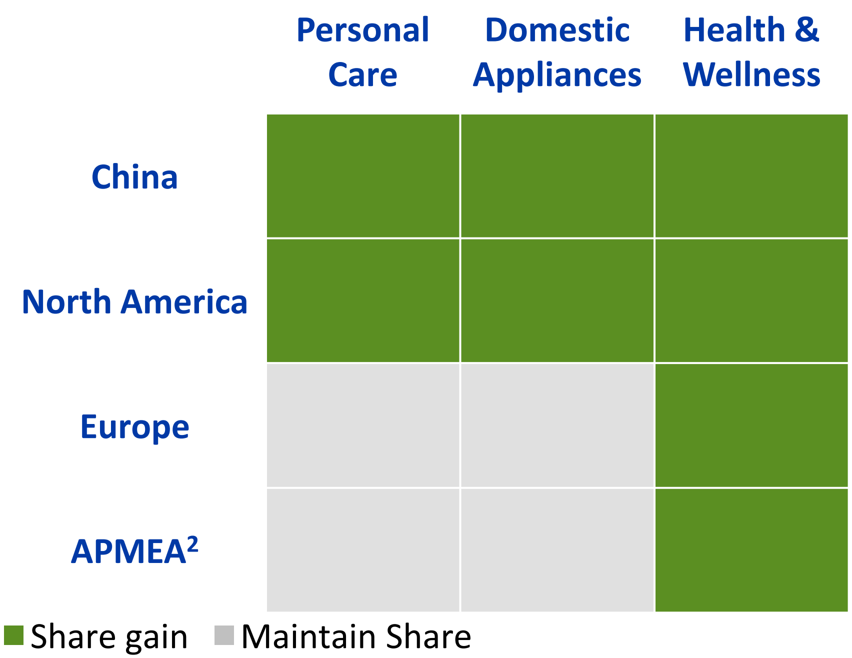
#1 Breast pumps - China

- Actively addressing Healthy Living and Prevention
- Leveraging global scale and local relevance
- Market access in 100+ countries
- Leading consumer brand
- 250 million appliances sold into homes every year
- Strong capabilities can be leveraged into Home Care

Source: GfK, Nielsen, Euromonitor

Strong growth and profitability track record

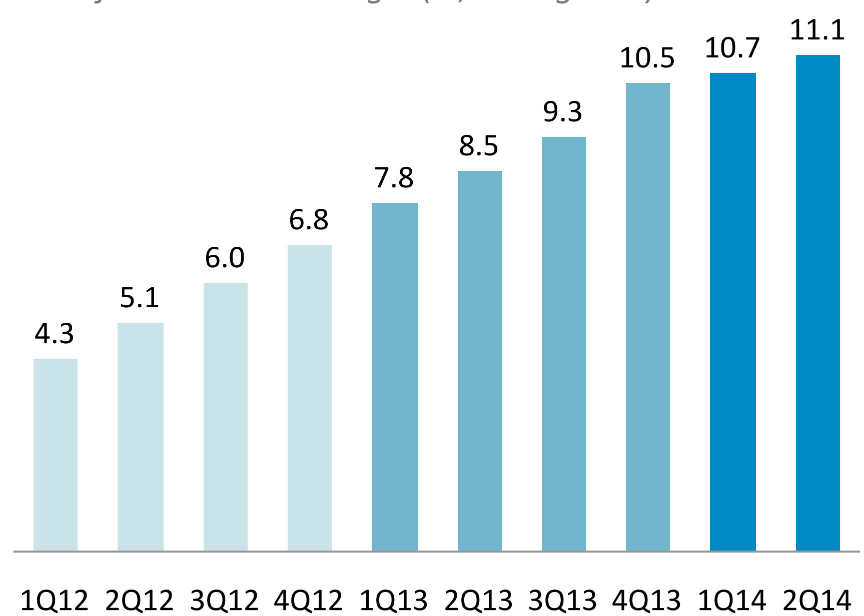
Four consecutive years of market share gains[1]



10 quarters of 7–13% sales growth

Consistent EBITA margin improvement

CL adjusted EBITA[3] margin (%, rolling LTM)



10 consecutive quarters of improvement

[1] GfK, Nielsen, ZYK ,MAT June 2014
[2] APMEA: Asia Pacific, Middle East & Africa
[3] Adjusted EBITA margin is EBITA margin excluding restructuring, acquisition-related charges and other items

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Our Healthcare businesses are also well positioned on the Health Continuum

Healthy Living	Prevention	Diagnosis	Treatment	Recovery	Home Care

- World-class innovation
- Deep clinical expertise and relationships
- Global access to health care providers
- Integrated solutions portfolio
- Trusted brand

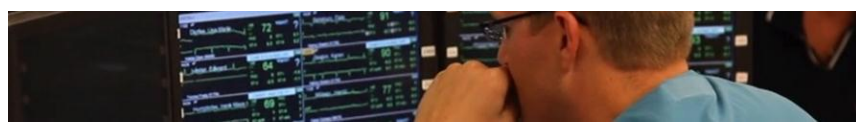
#2 Ultrasound - Globally

#1 Patient Monitoring – Globally

#1 Image Guided Interventions - Globally

#1 Enterprise Imaging Informatics - North America and LatAm

#1 Cardiology Informatics - North America



#1 Sleep therapy - Globally

#1 Respiratory Care - Globally

#1 Home Monitoring - North America

Source: Frost and Sullivan, HHS TBS, PCCI market insight

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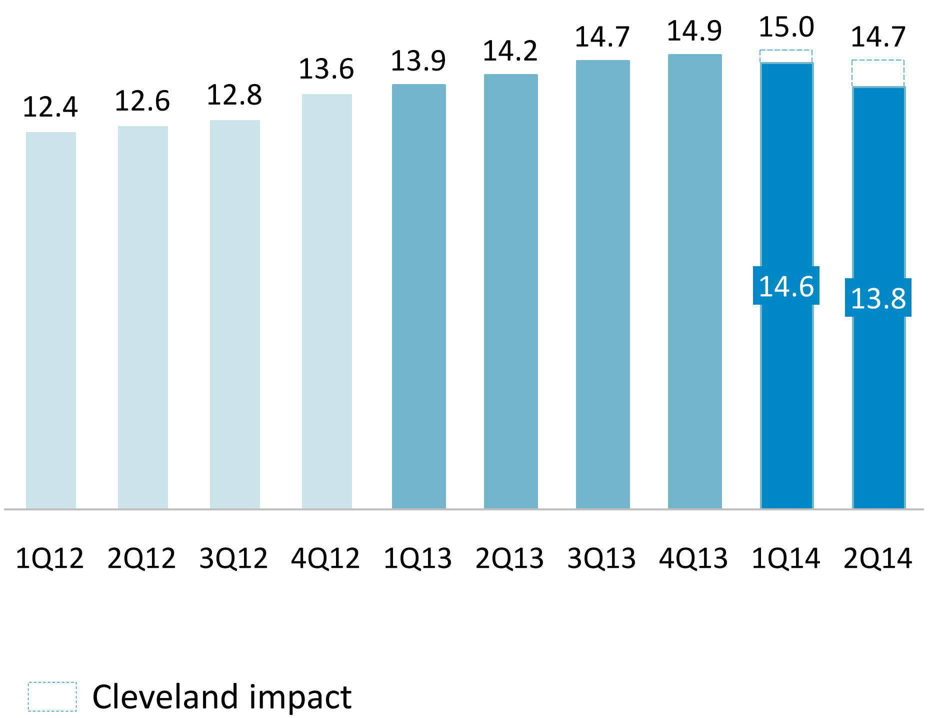
Upward margin trajectory temporarily impacted by currency and Cleveland in 2014

Ongoing EBITA margin improvement

Adjusted EBITA[1] margin (%, rolling LTM)



- Continued **operational improvements**, e.g.:
  - **Lean Market-to-Order process in India** reduced order processing time by 54%
  - **Magnetic Resonance End2End** improved quality by 25%
- Introduced **breakthrough innovations**, e.g.:
  - **Neurosuite** – interventional neuroradiology solution
  - **VISIQ** – ultra mobile ultrasound
- Significant H1 2014 **currency impact expected to decrease** in H2

[1] Adjusted EBITA margin is EBITA margin excluding restructuring, acquisition-related charges and other items

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HealthTech will deliver strong performance in 2016

Key HealthTech performance drivers

- Strong **funnel of large scale projects**
- New **Go-to-Market model** in North America
- Strong **growth in consumer** businesses
- Investing in **Growth Geographies**[4]
- **Strong innovation** pipeline
- **Accelerate! on track** and delivering
- **Collapsing group and sector** layers

Group financial targets 2016

Group comparable sales growth	4 - 6% [1]
Group reported EBITA margin	11 - 12%
- ***Healthcare***	***16 - 17%*** [2]
- ***Consumer Lifestyle***	***11 - 13%*** [2]
• **HealthTech**	**14 - 15.5%** [2]
• Lighting Solutions	9 - 11% [2]
Group ROIC[3]	>14%

[1] Revised from previous target of 4-6% CAGR over 2014–2016
[2] Excluding IG&S cost allocation
[3] Excluding M&A impact
[4] Growth geographies are defined as all geographies excluding USA, Canada, Western Europe, Australia, New Zealand, South Korea, Japan and Israel

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Profitable growth in the Health Continuum driven by long-term megatrends: HealthTech space emerging

Aging - ~875 million people over 60 years old today[1]

Chronic disease - ~60% of total deaths[2]

Care delivery - Value based reimbursement

Consumer engagement - Quantified self

What are customers asking for

> *What we are really missing is an integrated approach […]. We want the holistic view of the patient”*
>
> **– Head of Cardiology, Major Hospital, Spain**

> *Remote patient monitoring does more than improve care coordination. It provides a tool for patients to actively engage in their own health”*
>
> **– SVP Operations, Major Hospital, U.S.A**

> *Accountability for a population across time, across the continuum […], that’s a radically different construct.”*
>
> **– SVP, Large health insurance provider, U.S.A**

[1] Aging data aggregated by Census.gov
[2] WEF, WHO, World Bank

HealthTech opportunity shaped by convergence between Healthcare and Consumer markets

Healthy Living	Prevention	Diagnosis	Treatment	Recovery	Home Care

Consumers increasingly engaged in their health journey	Increased emphasis on population health	Ongoing focus on total quality and cost of care	Care shifting to lower cost settings and homes

Opportunities from intersection of consumer and clinical spaces
Customers expressing need for integrated solutions
Systems integration, connected devices, big data and analytics
Philips uniquely positioned with portfolio, insights and capabilities

Opportunities emerging across the Health Continuum

Healthy Living | Prevention | Diagnosis | Treatment | Recovery | Home Care

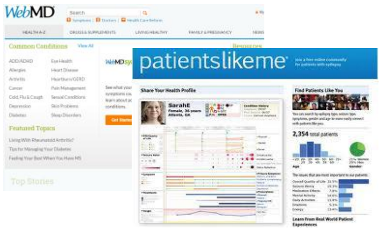
Consumers increasingly engaged in their health journey

Increased emphasis on population health

Ongoing focus on total quality & cost of care

Care shifting to lower cost settings and homes

Success of online health portals



Hospitals launching online nutrition service

Hospitals leveraging workflow automation

Hospitals offering Home Care devices

Players across Health Continuum recognizing evolving needs
Propositions and landscape remain fragmented
Philips has positions of strength across these spaces

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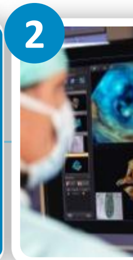
Example of our HealthTech play

Healthy Living | **Prevention** | **Diagnosis** | **Treatment** | **Recovery** | **Home Care**

1

Holistic view of the patient supports rapid diagnosis of aortic valve insufficiency

2



Aortic valve replaced in minimally invasive surgery

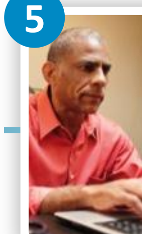
3

Recovery is monitored in the eICU

4

Rapidly discharged and goes home – monitoring continues

5



GP monitors entire cycle

6

Diet and fitness regime; Tracking her own health online

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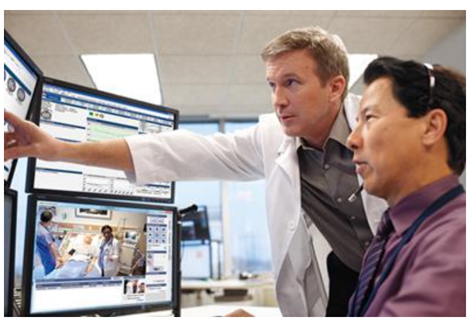
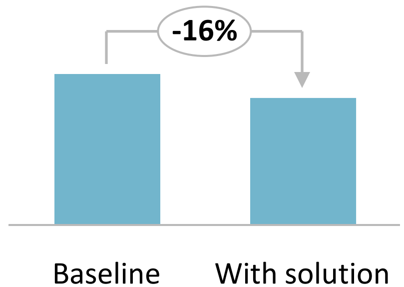
Example of integrated approaches driving value – Telehealth in medical / surgical unit

Philps eAcute program at Banner Health

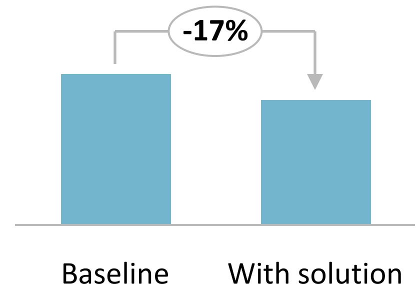
- Remote monitoring and clinical decision support
- Early detection of patient deterioration
- Central management and prioritization of patients



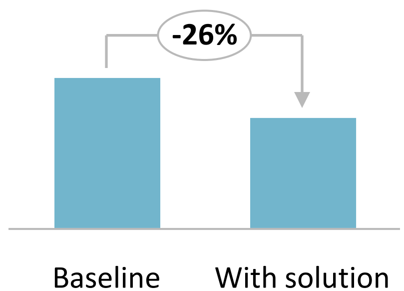
Reduced the cost of care per case



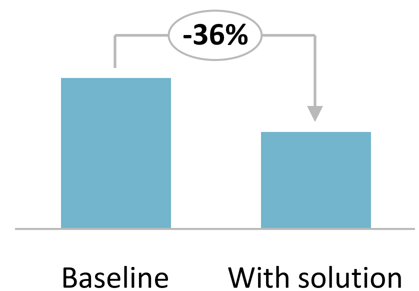
Reduced the length of stay



Reduced death or discharge to hospice care



Reduced patient falls



 Source: JenkinsCL, et al. Positive Deviance: Introducing eICU Technology to the Medical Surgical Patient Population. Banner Health. Nov. 2010

Philips strongly positioned with an integrated HealthTech approach

Key building blocks to capture the opportunity

Portfolio of connected consumer devices and propositions

Leading portfolio of medical devices and relationships

End-to-End integrated solutions

Integration of digital health data across the Health Continuum

Strong starting position

- **Broad installed base** of personal health and medical, monitoring and measurement devices
- Broad **channel access** in home and clinical environments
- **Strong relationships** with critical eco-system participants
- Deep data stores – **insights into clinical and consumer needs**
- Imaging, digital analytics and clinical **decision support experience**
- **Trusted Philips brand**

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Unrivalled access and insights across clinical and home setting

190 million patients

tracked with patient monitors last year

390 million imaging informatics studies

across 1200 hospitals

1,000,000

people monitored in their **homes every day**

4 million+ people

sleep and breathe easier using our sleep aids

Hundreds of thousands of people tracking their health with ActiveLink®

100,000+

professionals supported with **education**

250 million appliances

sold into homes each year

250+ clinical research

projects active

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We are already taking further tangible steps into this direction

Building a cloud based Digital Health Platform to integrate data across the Health Continuum

- Patient-centric open platform enhancing patient and workflow

Partnering across the eco-system to deliver landmark integrated solutions

- Singapore's first integrated Heart Failure Tele-health Program
- Partnership with I Changi and Eastern Health Alliance

Driving digital connected devices in consumer spaces

- Connected air purifier, PainRelief
- Brush busters App for kids

Leveraging marketing and sales capabilities across clinical and consumer spaces

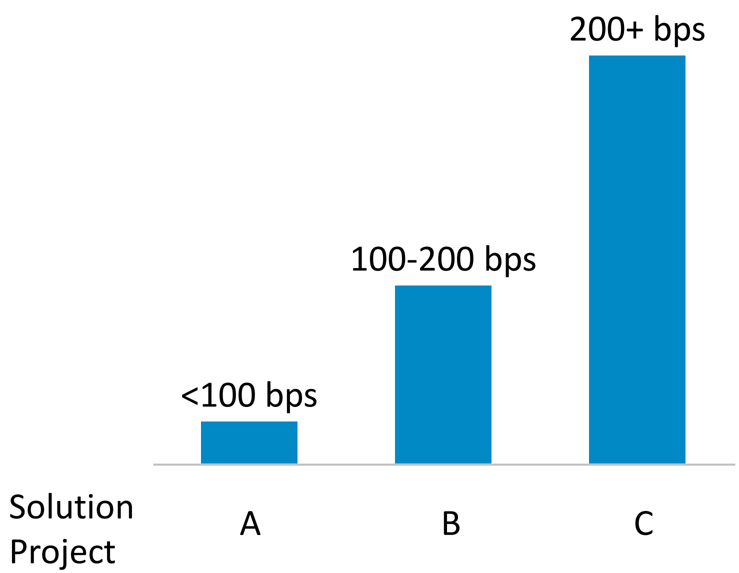
- Consumer marketing for Sleep & Respiratory
- Clinical expertise in Oral Healthcare

Aligning management structure across an integrated portfolio

- Integration of the relevant Sector and Group layers, enabling faster decision making

Our integrated solution approach is margin accretive to our overall business

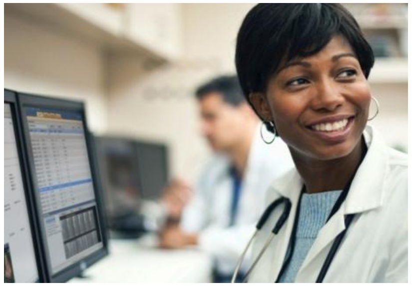
Solutions margin increase vs stand-alone sales model



Duration 5 – 15 years

- **Higher market share of equipment**, better ability to consider total lifetime value
- Higher **percentage of services**
- **Additional consulting opportunities** to advise on enterprise cost reduction
- Visibility and access to **adjacent opportunities in products, IT integration, data analytics** (SaaS)
- Significant potential to **drive SG&A productivity**

This strategy creates clear value for customers and empowers employees

Customers

- Empower consumers/patients to take control of their own health
- Enable payers and providers to improve outcomes while managing overall cost
- Enable governments to increase access to high quality and affordable care
- Integrate data across the Health Continuum
- Single partner to work with

Employees

- Leaner, faster decision making
- More entrepreneurial culture
- Stronger in-market solutions capabilities
- Clearer focus on emerging needs along the Health Continuum
- Broader set of resources to meet customer needs
- Increased ability to make needed growth investments

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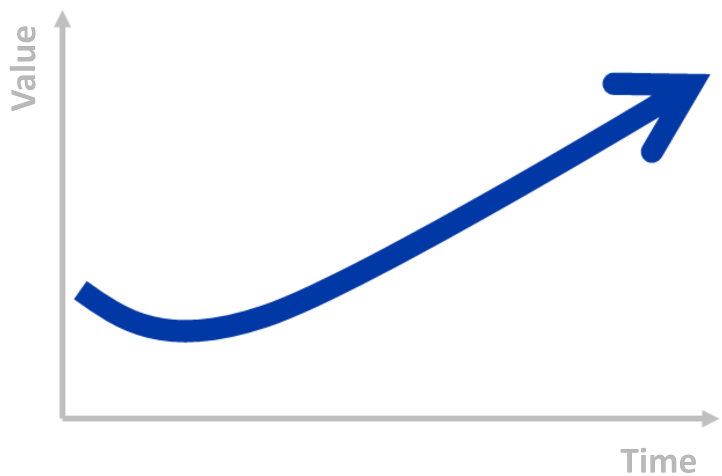
We will boost growth and profitability to 2016 and beyond



- **Leverage consumer domain capabilities** to expand our Home Care businesses
- **Expand into adjacent revenue** pools; systems, software, services
- **Engage with care providers** on Healthy Living, Prevention and Home Care
- **Multi-year large scale partnerships** with increasingly large **system integration role**
- Selected **M&A opportunities**
- **Grow beyond commoditizing hardware** through move from boxes to systems and services
- **Focused investment** proposition

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