

The transformation to a services and solutions organization

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Global Portfolio Manager Remote

24 June 2021

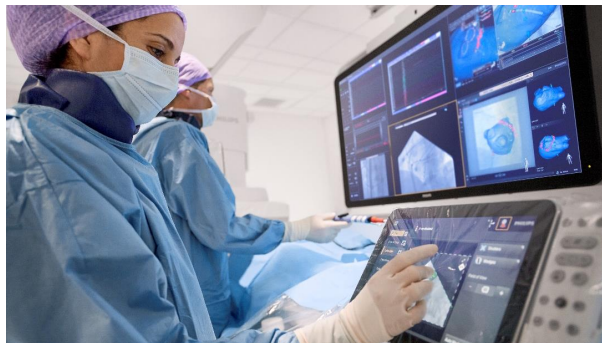
innovation  you



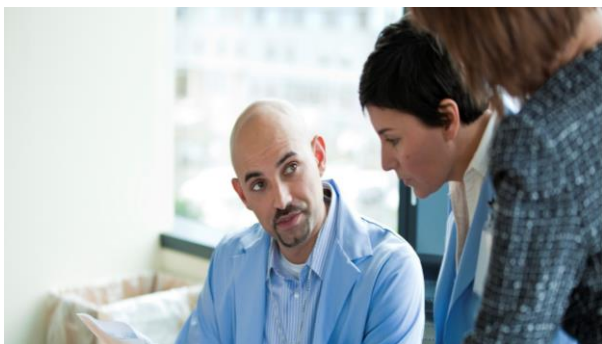
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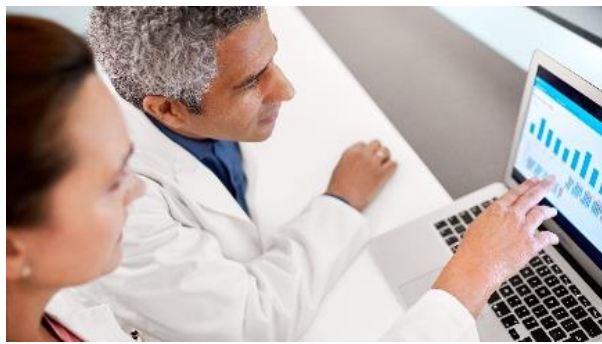
1. A focused leader in health technology



2. Innovating for you



3. Philips Services and Solution Delivery



4. Remote Enabling Services - Infrastructure & IoT

Morning session



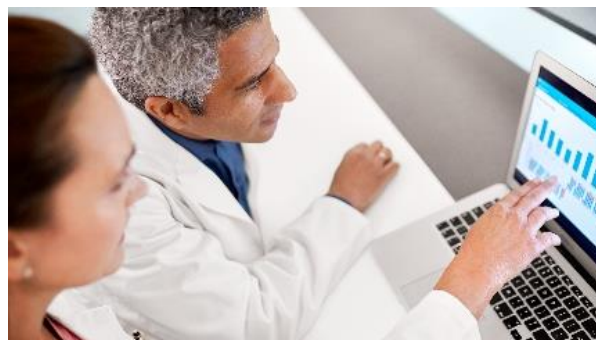
1. A focused leader in health technology



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4. Remote Enabling Services

QUESTION:



What is Philips about?

1. A focused leader in health technology

Philips in 2020



EUR 17.3
billion sales

More than 1/3
of sales from services & solutions

3%
comparable
sales growth

~75,000
employees in over 100 countries

Philips in 2020



1.53
billion

lives improved

EUR
1.8 billion
invested in R&D

59,000
patent rights

31,000
trademarks

USD 11.7 billion
brand value¹

¹ As measured by Interbrand; includes Domestic Appliances

Philips, a born innovator

For 130 years, we have been improving people's lives with a steady flow of ground-breaking innovations

The founding fathers of Philips



Frederik



Gerard



Anton

Philips has reinvented itself many times



**Founded on innovation
and entrepreneurship**



**Expanding
beyond lighting**



**Global expansion
post-WWII**



**Diversified industrial
conglomerate**



**Strategic portfolio
choices sharpening focus**

Our journey
continues...



Products come and go...
Technologies change...

But Philips is still
about one thing:
Creating meaningful
innovation that improves
people's lives

It is our purpose to improve people's health and well-being through meaningful innovation.

We aim to improve the lives of 2.5 billion people per year by 2030*

* 2 billion by 2025



Helping our customers address the Quadruple Aim



Better health outcomes

Improving the health of
individuals and populations



Improved patient experience

Improving the patient experience of care
(including quality and satisfaction)



Improved staff experience

Improving the work life
of health professionals



Lower cost of care

Reducing the per capita
cost of healthcare



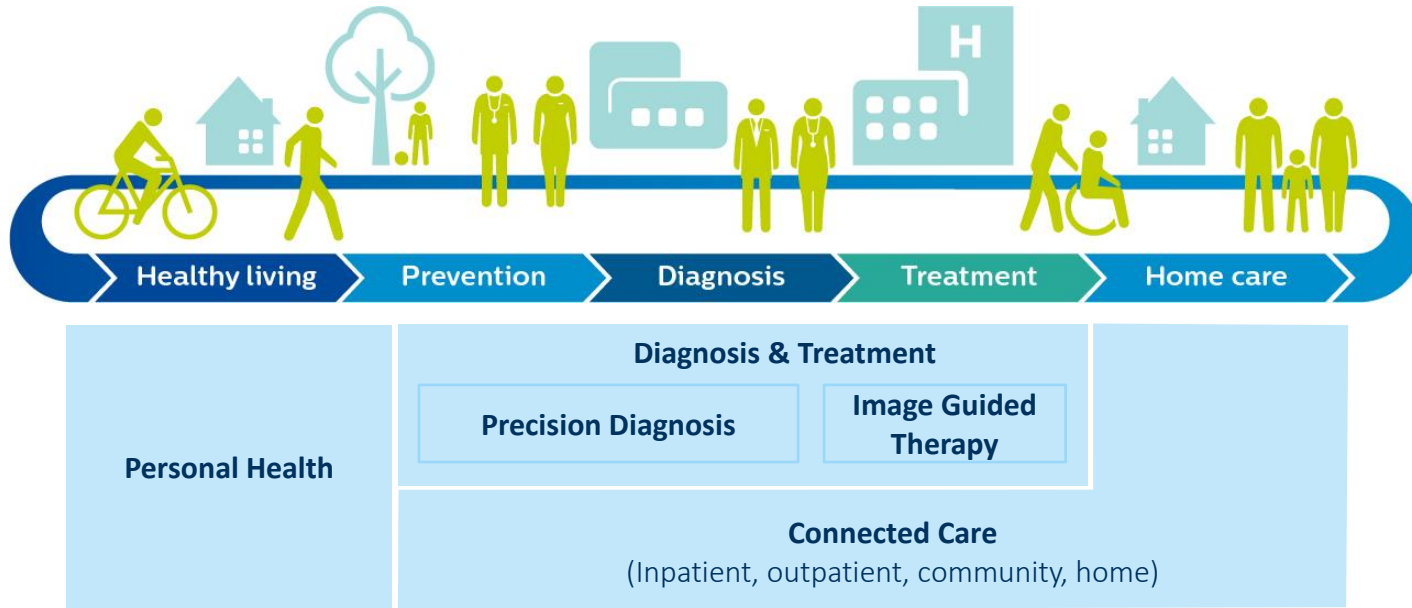
Taking on the healthcare challenge

At Philips, we take a holistic view of people's health journeys, starting with healthy living and prevention, precision diagnosis and personalized treatment, through to care in the home – where the cycle to healthy living begins again.



Focused on customer needs

The health continuum is at the center of our strategy



Our businesses in 2020¹

Diagnosis & Treatment



47%
of Group sales

10.0%
Adjusted EBITA margin

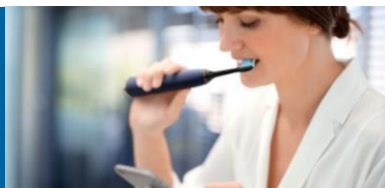
Connected Care



32%
of Group sales

21.5%
Adjusted EBITA margin

Personal Health



18%
of Group sales

13.4%
Adjusted EBITA margin

Sales of EUR 17.3 billion and Adjusted EBITA margin of 13.2%

Businesses aligned with customer needs

	Focus areas	Products and solutions
Diagnosis & Treatment	<ul style="list-style-type: none">• Precision diagnosis• Treatment selection and planning• Image-guided minimally invasive therapy	<ul style="list-style-type: none">• Diagnostic imaging and ultrasound• Digital and computational pathology• Informatics for Radiology, Oncology, Cardiology• Interventional imaging, navigation and devices• Services (managed services, consultancy, etc.)
Connected Care	<ul style="list-style-type: none">• Patient care and workflow management• Population health management• Chronic disease management	<ul style="list-style-type: none">• Telehealth, patient monitoring and analytics• Hospital and clinical informatics platforms• Emergency care and resuscitation• Sleep, breathing and respiratory care• Managed services
Personal Health	<ul style="list-style-type: none">• Healthy living and prevention• Personal care• Digital consumer engagement	<ul style="list-style-type: none">• Oral care• Mother and child care• Male grooming and beauty• Services (re-ordering, support, coaching, etc.)

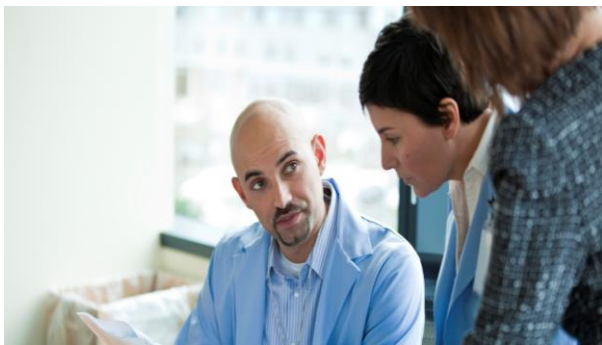
Content



1. A focused leader in health technology



2. Innovating for you



3. Philips Services and Solution Delivery



4. Remote Services (Infrastructure & IoT)

2. Innovating for you

130 years of innovation



1905
First patent granted



1924
Introduction Metalix
X-ray tube



1927
Acquisition of X-ray
firm C.H.F. Müller



1927
First Philips radio with
Miniwatt valve



1939
Introduction of rotary
electric shaver



1947
First 100kV electron
microscope



1950
First Philips TV



1956
First Philips image
intensifier with TV



1976
Sono Diagnost B
ultrasound



1979
Tomoscan whole-
body CT scanner



1983
Gyrosan Nuclear
Magnetic Resonance
system



1989
Integris, Philips' first
dedicated interventional
system



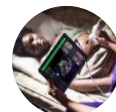
2003
Philips Ambient
Experience



2010
Lifeline AutoAlert
automatic fall detection
and alert system



2013
IQon Spectral CT
computed tomography
imaging system



2015
Philips Lumify
portable ultrasound



2017
Azurion, Philips' next-
generation image-guided
therapy platform



2018
Philips IntelliSpace Portal



2019
Philips IntelliSite
Pathology Solution



2020
Radiology Operations
Command Center



We turn possibilities into great innovations

EUR 1.8 billion
invested in R&D in 2020

818 new
patents
filed in 2020

Philips named
Derwent Top 100
Global Innovator™
for 8th year in a row

Approximately
1 out of 2
R&D personnel in
software and data science

59,000
patents

#1 medtech company
in Boston Consulting Group's 2020
'Top 50 most innovative companies'



We innovate with
our partners

Economic realities are driving the need for new approaches in healthcare

Volume

Value

Response

Prevention

Episodic

Continuous

Limited

Accessible



Four profound trends are shaping the future of health technology



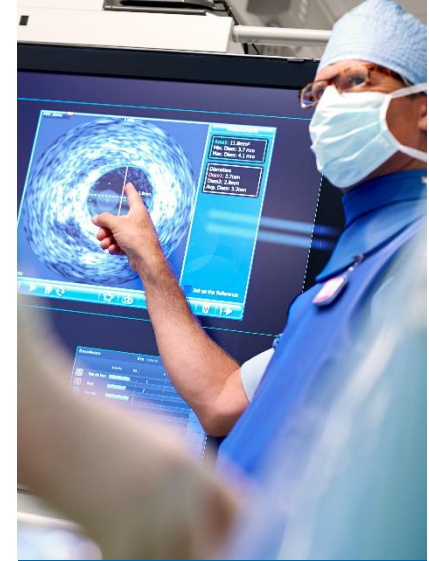
Global resource constraints



Aging populations and the rise of chronic illnesses



Increasing consumer engagement



Digitalization



We are on a journey to transform Philips into a health technology leader

Technology

Health
technology

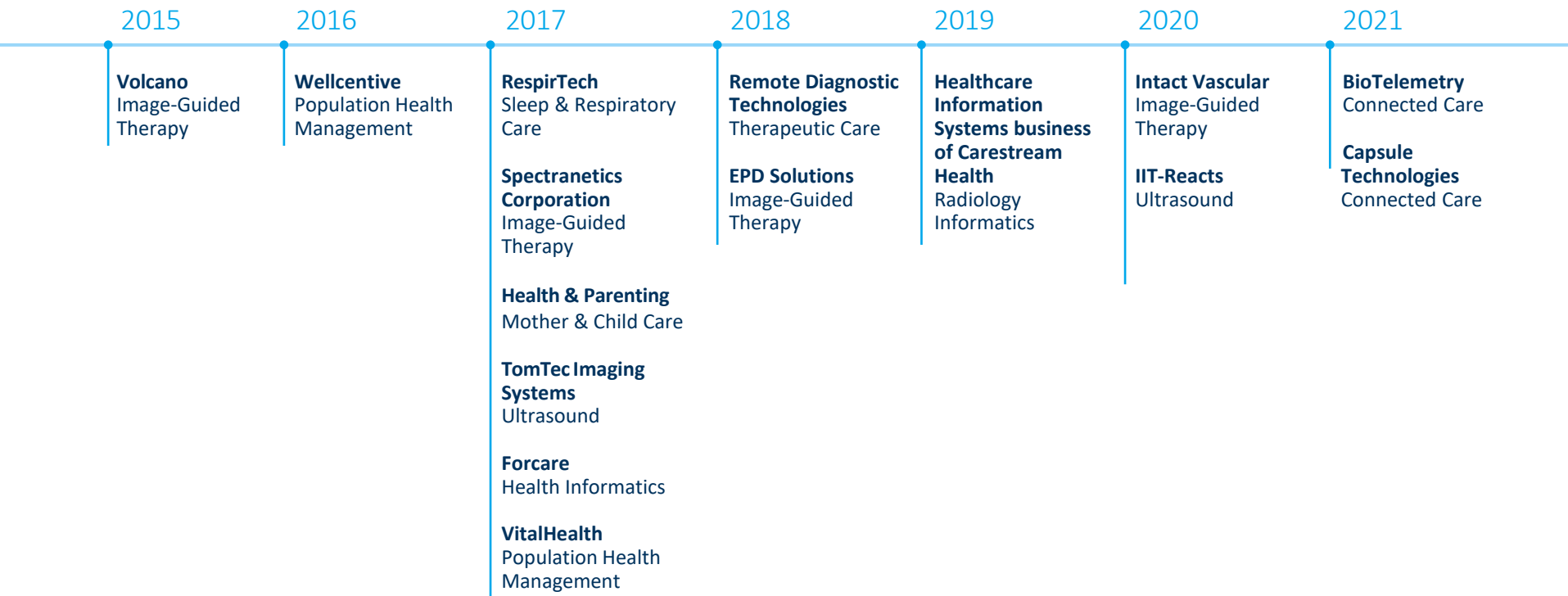
Product

Solution

Transaction

Relationship

Expanding our capabilities in health technology by innovation only is not enough, acquisitions* are required



* This overview is not exhaustive; see Notes for details of these and other acquisitions

Content



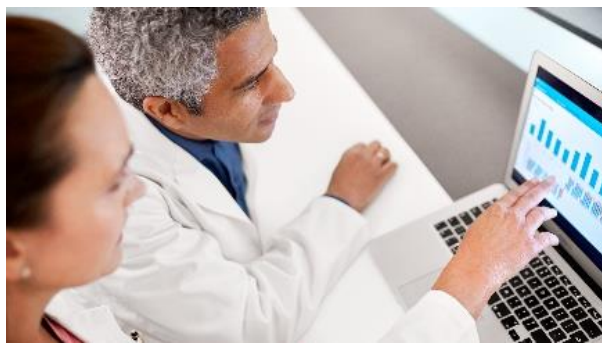
1. A focused leader in health technology



2. Innovating for you



3. Philips Services and Solution Delivery

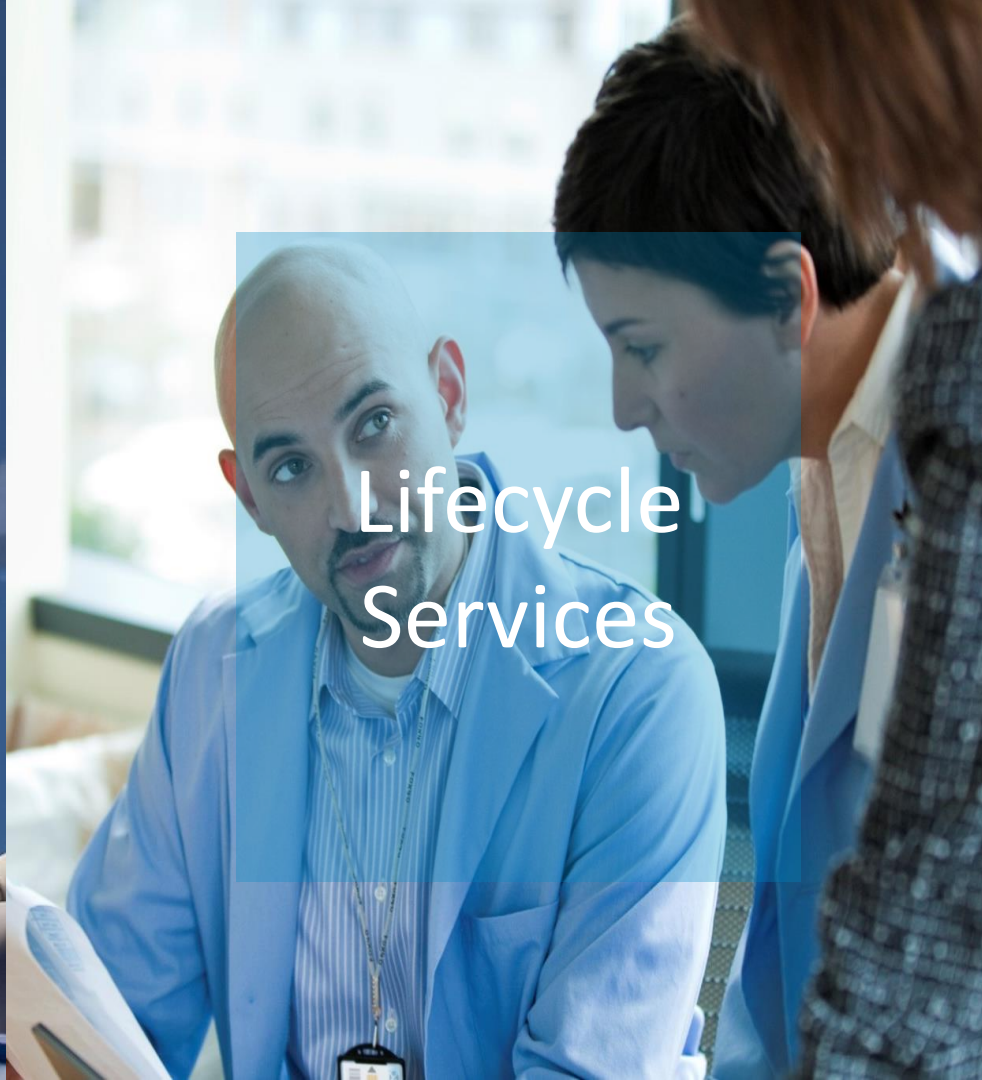


4. Remote Services (Infrastructure & IoT)

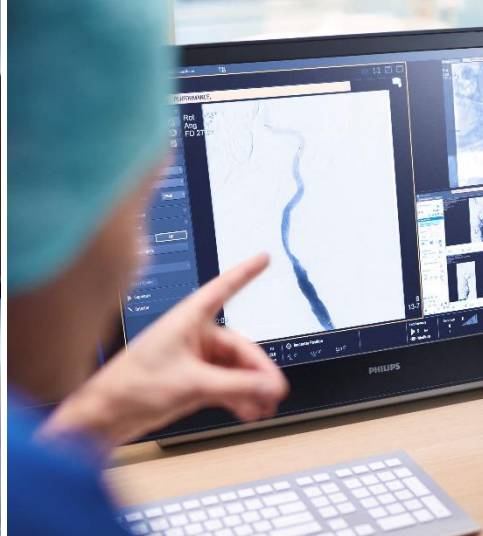
3. Philips Services & Solution Delivery



Clinical
Services



Lifecycle
Services



Our Services & Solutions Delivery (S&SD) organization is the engine of our transformation



Exercise

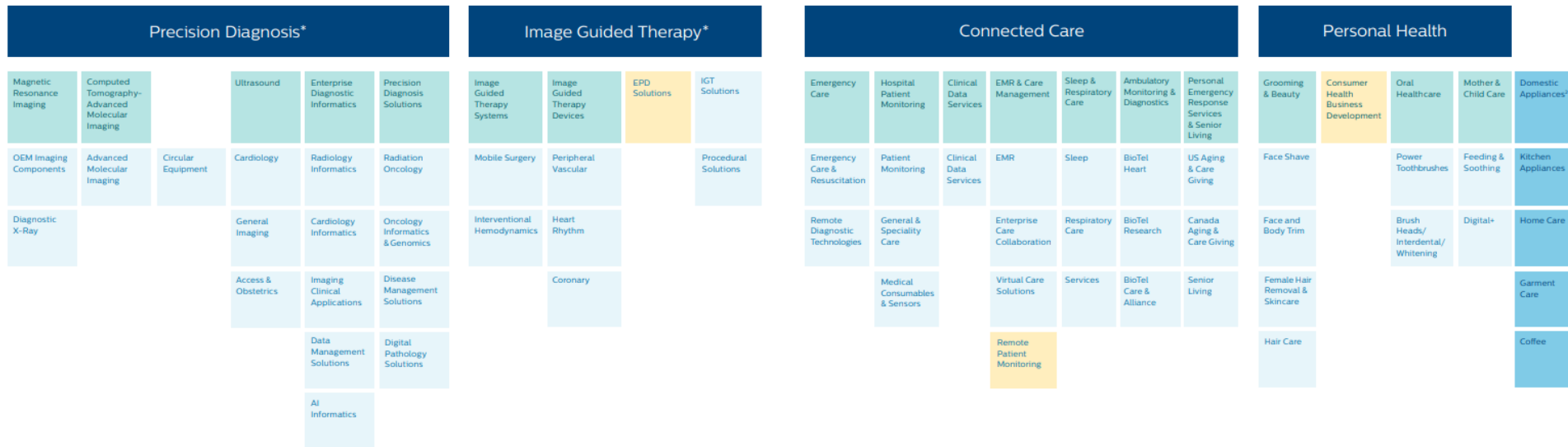
1. How do you think the S&SD organization within Philips has itself developed over time and why?
 - 1891 Lighting company
 - Mid 20 century conglomerate
 - 21st century become Health-Tech company in the digital age
2. Define
 - Roles & Responsibilities
 - Consider centralized/ decentralized/ outside
 - Etc.?



Complexity of engaging with 14 businesses and 17 markets

Organized by handshakes across function, businesses and markets

Our Business Clusters, Businesses and Business Categories



- Business Clusters – 4
- Businesses – 22
- Business Categories – 49¹
- Ventures³

Is the dominance of our businesses limiting our services?

Philips Services & Solution Delivery today

Global S&SD

Drive scalability, standardization and operational excellence in the Businesses and Markets

Businesses

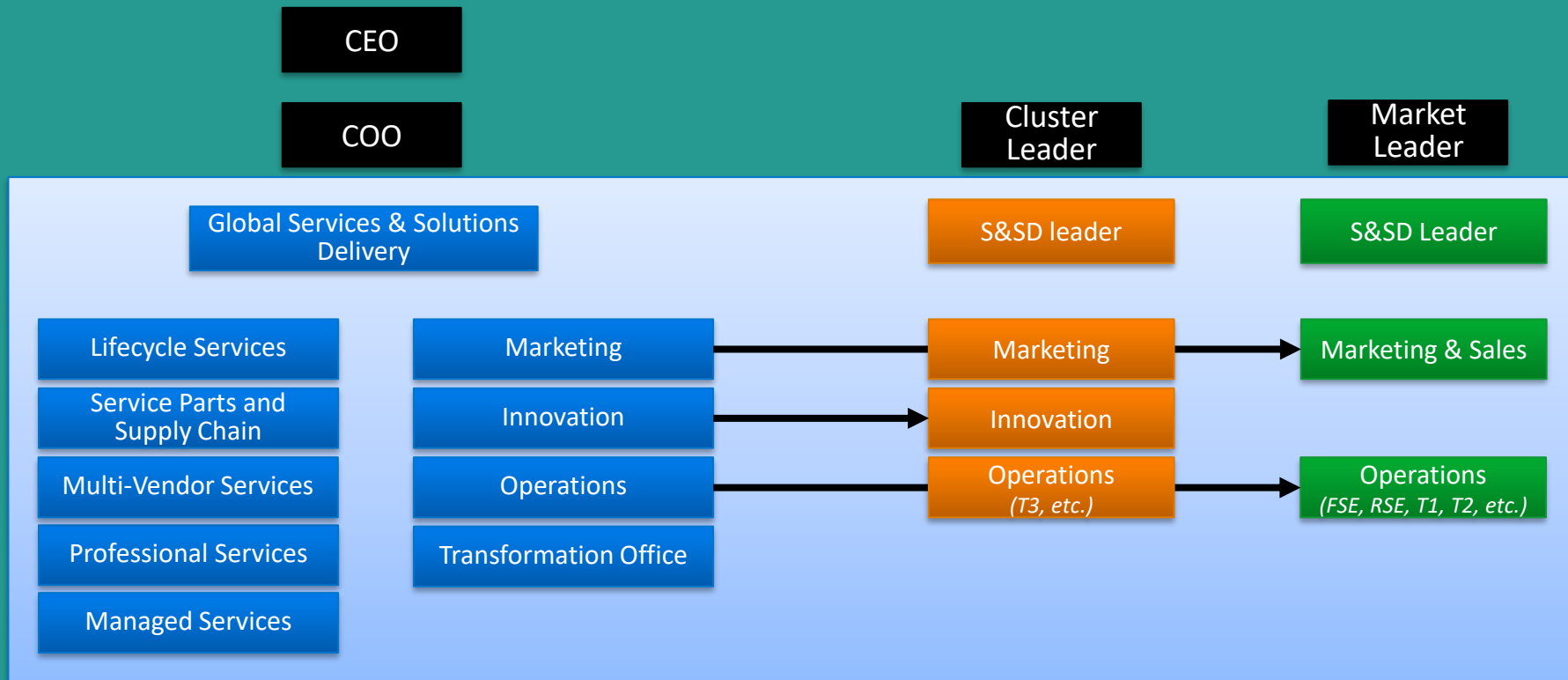
Developing and deploying services and solutions specifically for their Business

Markets

Execute sales and operations driven by 17 Markets

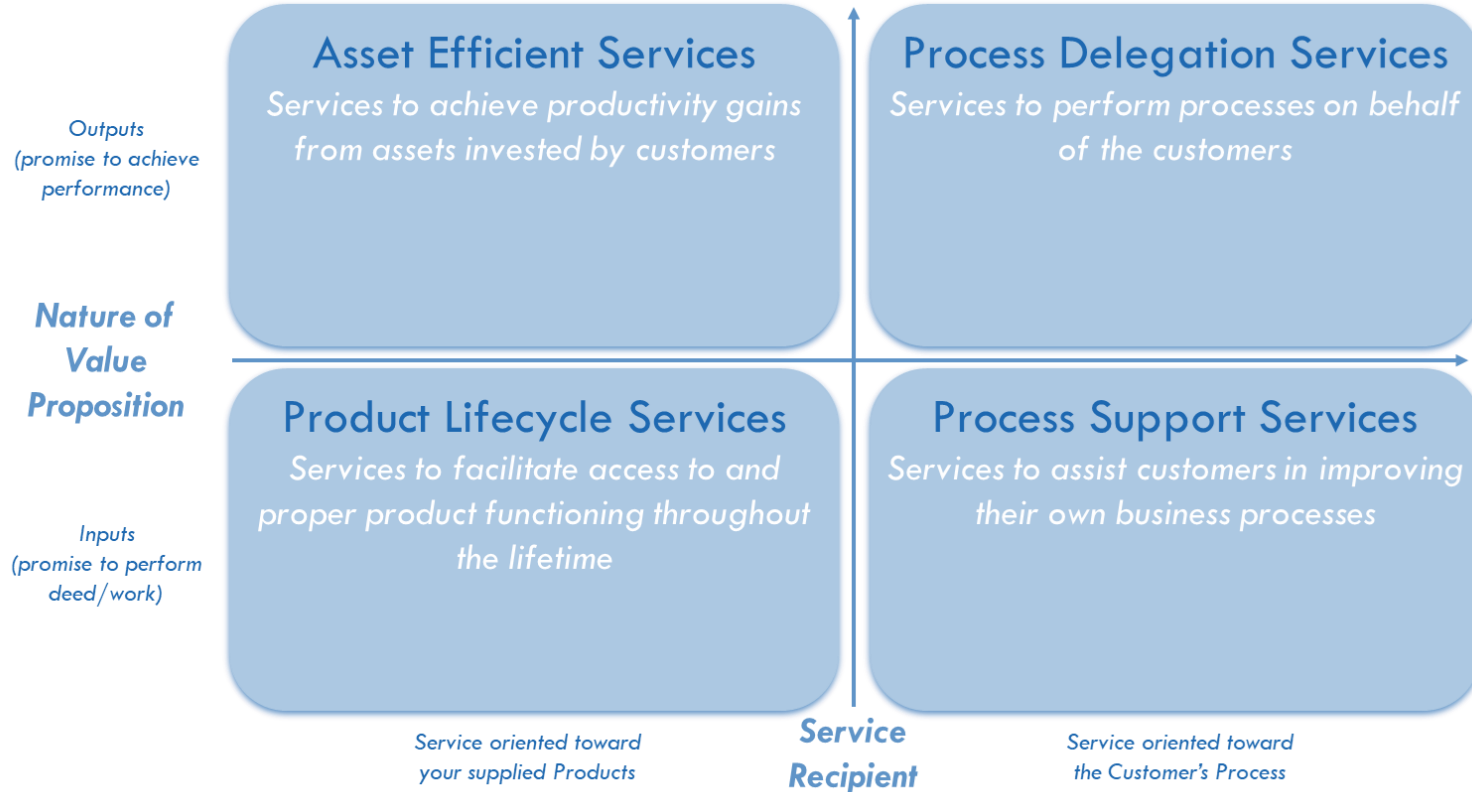
Philips Services & Solutions Delivery organization *(simplified)*

It is about the accountabilities and responsibilities in a matrix organization

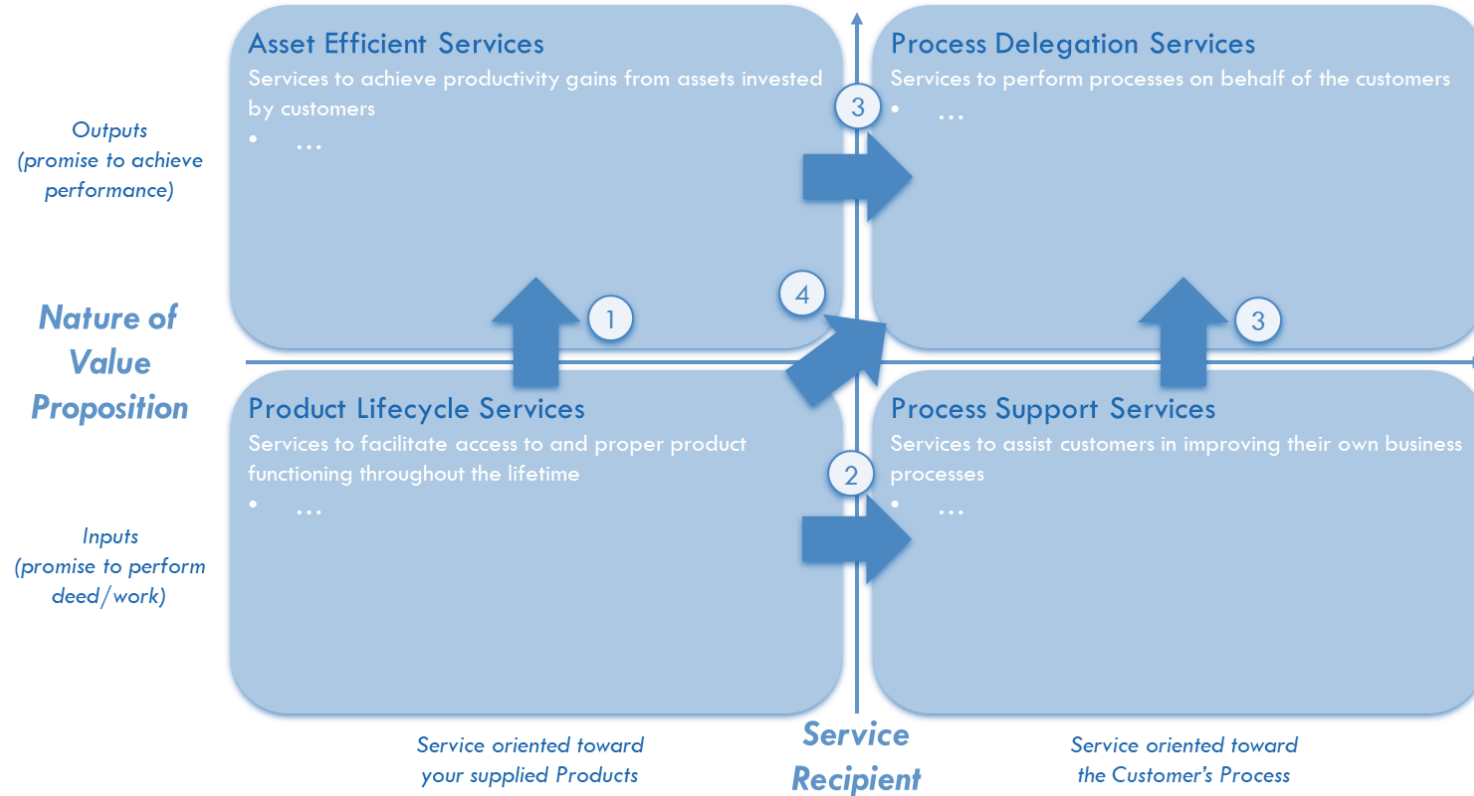


Services Types

Source: *Services Strategy in Action*: by Christian Kowalkowski and Wolfgang Ulaga, 2017



Organizations move and grow faster services in a digital era



Supplier's promise to achieve performance (output-based)

Asset efficiency services

2. Asset Efficiency Services (AES)

Definition

- Services to achieve productivity gains from assets invested by customers

Examples

- Remote monitoring of a jet engine
- Welding robot software customization

Primary Distinctive Capabilities

- Service-related data processing and interpretation capability
- Execution risk assessment and mitigation capabilities
- Hybrid offering sales capabilities

Main Underlying Resources

- Installed base product usage and process data
- Product development and manufacturing assets

4. Process Delegation Services (PDS)

Definition

- Services to perform processes on behalf of the customers

Examples

- Tire fleet management on behalf of a trucking company
- Gas and chemicals supply management for a semi-conductor manufacturer

Primary Distinctive Capabilities

- Service-related data processing and interpretation capability
- Execution risk assessment and mitigation capabilities
- Design-to-service capability
- Hybrid offering sales capabilities
- Hybrid offering deployment capability

Main Underlying Resources

- Installed base product usage and process data
- Product development and manufacturing assets
- Product sales force and distribution network

Process delegation services

Supplier's promise to perform a deed (input-based)

Product lifecycle services

1. Product Life-Cycle Services (PLS)

Definition

- Services to facilitate the customer's access to the supplier's good and ensure its proper functioning during all stages of the life cycle

Examples

- Delivery of industrial cables
- Inspection of an ATM machine
- Regrooving of an industrial tire
- Recycling of a power transformer

Primary Distinctive Capabilities

- Hybrid offering deployment capability
- Design-to-service capability

Main Underlying Resources

- Field service organization
- Product development and manufacturing assets

3. Process Support Services (PSS)

Definition

- Services to assist customers in improving their own business processes

Examples

- Energy efficiency audit for a commercial building
- Logistics consulting for material-handling processes in a warehouse

Primary Distinctive Capabilities

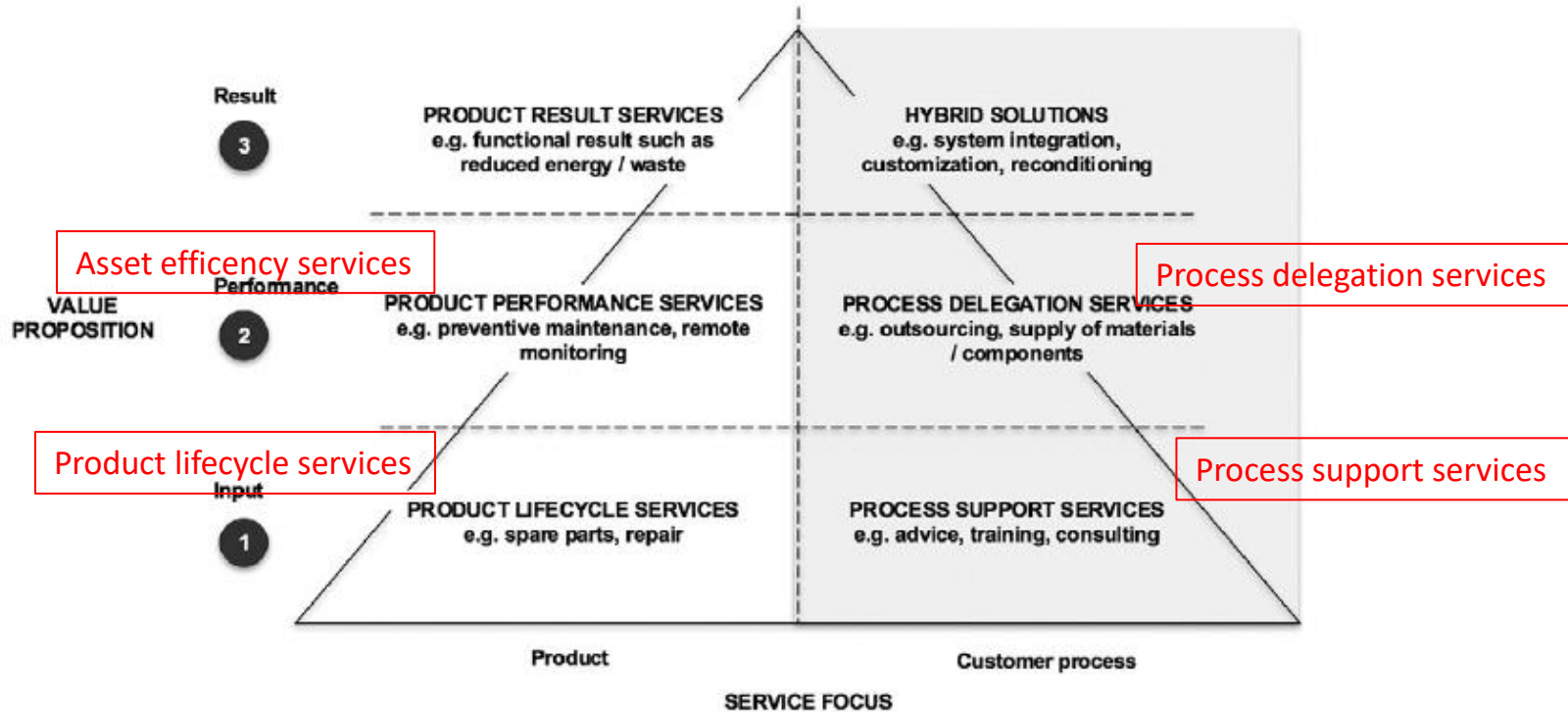
- Service-related data processing and interpretation capability
- Hybrid offering deployment capability
- Hybrid offering sales capability

Main Underlying Resources

- Installed base product usage and process data
- Field service organization
- Product sales force and distribution network

Process support services

Nature of the Value Proposition	Service Recipient	
	Service Oriented Toward the Supplier's Good	Service Oriented Toward the Customer's Process



Services we provide our customers for better outcomes at lower cost

Plan and design



"Help me understand what I need to do and why"

Our **planning services** help you achieve your strategic objectives and assist in making decisions that impact your department, hospital or facility.

Implement and integrate



"Help me and my organization get up and running with something new"

Our portfolio of **implementation services** helps you deploy new technology in a sustainable fashion, with minimum impact.

Monitor and optimize



"Help me perform over time and continuously improve"

With our **optimization services**, we can help you increase process efficiency and achieve continuous operational improvement.

Prevent and maintain



"Help me prevent and react when something goes wrong"

Our portfolio of **maintenance services** is dedicated to maximizing your technology uptime.

Upgrade and secure



"Help me stay current and secure"

Our portfolio of **upgrading services** assures that your technology is always current, secure and up-to-date for your specific situation.



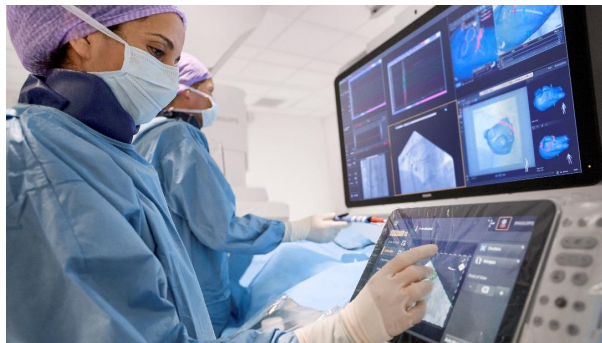
Dialog

1. Sharings by Mark Euwe and Rob van Willigen
2. How can your organization learn from this and become successful service provider?

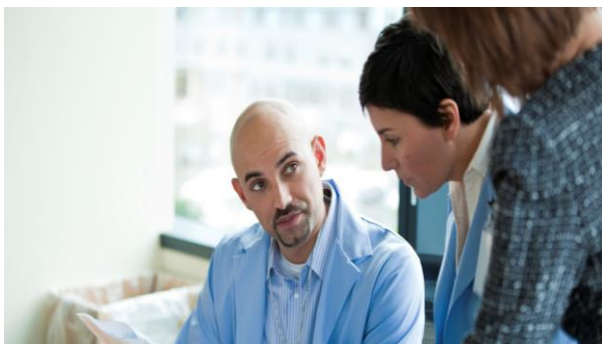
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4. Remote Services (Infrastructure & IoT)

4. Remote Infrastructure & IoT

Services and Solutions Delivery North Star



Not for sharing

Create customer value by focusing on the delivery of our enabling and commercial portfolio's

Executing our remote services strategy together with our Businesses and Markets

Increasing (remote) services revenues and optimizing operational costs with our enabling and commercial portfolio's

Realizing customer value



Deliver Operational Intelligence

(fueled by HOS 2.8 + Cyber + Education + Indirect)



Expand remote capabilities



Optimize and standardize remote processes



Build and use remote services applications



Improve our remote infrastructure & connectivity



We execute a set on enabling programs via our **remote services portfolio**



We deliver customer value via our **commercial services portfolio**



Experience value added services in every **remote touchpoint** with Philips

Remote Enabling Services Ambition

Not for sharing



Remote Services Landscape driving our Remote Service Ambition

Transformational and performance initiatives driving our ambition and customer needs supported by E2E governance and change management



Not for sharing



Exercise

- Taking into account our installed base and legacy infrastructures, what drives and blocks remote services today and in the future?

Philips has enormous Installed Based which impact the remote services possibilities

- Total IB size
- IB with remote capabilities
- Customers with contracts
- IB with different infrastructures
- Truly connected & reachable
- Country specific compliances, privacy and regulations

How large is our remote opportunity of IB and don't forget our new/future solutions?

Not for sharing

Current infrastructure HealthSuite Customer



Not for sharing



Infrastructure HealthSuite Customer we are deploying

Not for sharing

What are the benefits for our customers and Philips?



Increase Customer Satisfaction

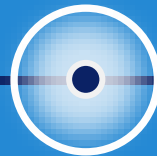
IoTEdge provides reliable connectivity that enables proactive Services. Hospital staff, C-suite, Philips and 3rd party staff can focus on their patient and customer interactions.



Enabling Business Solutions

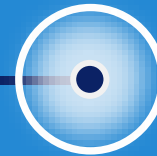
IoTEdge serves as a hosting platform for on-premise apps, e.g. to connect, monitor and manage Philips and 3rd party hospital medical-IT, systems and devices.

It provides a secure gateway to the HS Cloud.



Up-to-date Security Services

IoTEdge is part of the solution for Cybersecurity Services to provide Healthcare Facilities with the means to monitor systems and solutions for security compliance and to implement response actions such as OS updates and AV patches.



Increased efficiency

Edge routing uses an upgraded network infrastructure that brings increased reliability and efficiency compared to the existing routers.

What are the benefits for our customers and Philips?



Connectivity Improvement

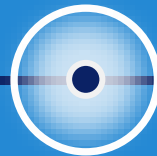
HS Edge improves the overall connectivity performance through the globally distributed backend.

IoT provides seamless connectivity, allowing for timely visualizing and reporting device health and status.



RSN / PRS Performance Improvement

With IoTEdge we are able to improve worldwide performance of our infrastructure by regionalization of our back-end services in GRC.



Lower Cost of Ownership

Remote patching, configuration and updates of the device mean fewer site visits.

Edge is included as part of Philips solutions at no additional cost to the customer, including hardware replacement & updates.



Remote Software Management/Distribution

IoTEdge enables connected devices to provide Customers with remote updates of latest software releases and OS patches.

Our development and deployment approach...

- Understand the different configurations at each customer (installed based)
 - Understand customer needs now and in the future
 - Develop Philips HealtSuite Edge router + IoT Hub
 - Organize supply chain readiness and logistics for 100+ countries
 - Replace and install HealtSuite Edge router + IoT Hub
-
- Building business specific IoT solutions (clinical and technical) to create customer value, installed based vs. new product initiation (*see next slide*)
 - Install HealtSuite Edge router + IoT Hub in combination with business solutions in 100+ countries
-
- Develop and deploy clinical and technical customer value propositions (continuous process)

Status adoption IoT Business Solutions



Not for sharing

We are not there yet...

- Philips has multiple infrastructures, this program focus on only one. Our Philips HealthSuite organization is addressing all infrastructures of Philips and its customers.
- Philips is growing fast in software related businesses which has different and sometime higher customer expectations (e.g. uptime).
- ...and much more...



Building on the advances we have made in sustainability over the years and on valuable input gathered talking with our stakeholders, we have – in line with our company purpose – formulated an enhanced and fully integrated approach to ***doing business responsibly and sustainably.***

This approach covers the Environment, Social and Governance (ESG) dimensions that guide our endeavors.

Frans van Houten
CEO Philips

To find out more, visit our [global news center](#)



Our action plan supports the UN's global goals

**Make the world
healthier and more
sustainable through
innovation**

**Improve the lives of
2.5 billion people a year
by 2030**



Improving people's health and well-being, and expanding access to care for underserved communities



Ensuring sustainable use of materials and driving the transition to a circular economy



Ensuring sustainable use of energy, reducing emissions, and operating carbon-neutral



- Teaming up with our suppliers to increase social and environmental impact throughout our supply chain
- Building strong coalitions to drive global change



- Designing our products and services in line with EcoDesign requirements
- Embedding sustainable practices in our ways of working

Philips is a recognized leader in environmental sustainability



Philips achieved its goal to become **carbon-neutral** in its operations by 2020



Recognized leader – Carbon Disclosure Project
2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020



Philips was the world's first health technology company to have its CO₂ targets approved by the Science Based Targets initiative



Thought leader on **circular economy**

Frans van Houten co-chair of PACE

2018 Circular Award



Philips has **top scores in supplier rating platforms** (used by customers); **2018 Crystal Prize winner** for leading change in supply chain sustainability

In 2019, Philips topped the inaugural **Fortune Sustainability All Stars** list in recognition of our environmental innovation, resource use, and efforts to limit emissions.

We are building on a strong reputation across the ESG dimensions



Philips became the first Dutch company to be ranked among the world's top 15 in the 2021 list of companies with the best reputation



In 2021, Philips scored 90 out of 100 in the ESG assessment by S&P Global ratings, the highest score awarded to date



Philips recognized **Industry Leader** in the DJSI 2015, 2016, 2017; #2 in new industry in 2018, 2019, 2020



In 2020, Philips came in at #2 in The Wall Street Journal's new global sustainability ranking



In 2020, Philips received EcoVadis' highest sustainability rating, the Platinum award



Philips #1 in 'Health Care Equipment & Services' sector on Forbes 'World's Best Employers 2020' list