

Royal Philips

March 21st 2017

Omar Campos – Philips Capital

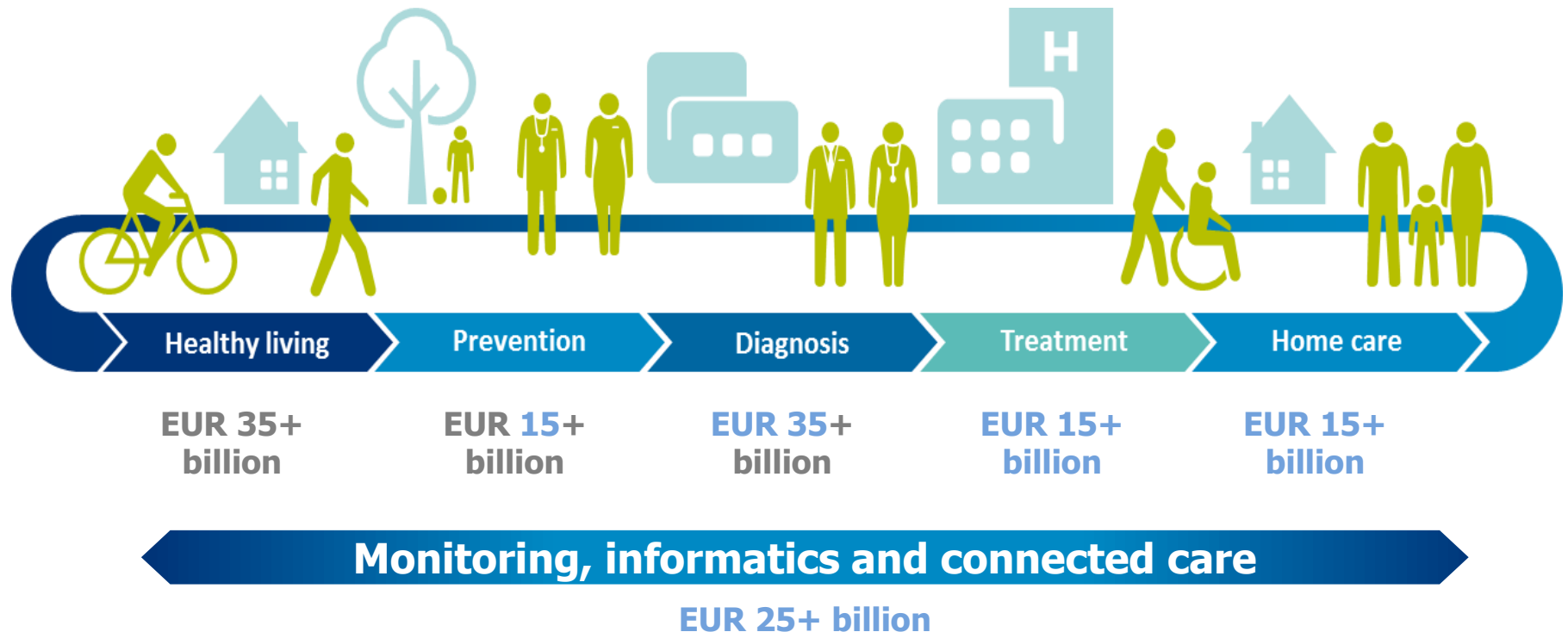
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Agenda

- Philips Health Tech Strategy
 - Corporate Vision and Market Opportunity
 - Market Trends and Health Continuum
 - Focus on multi-year strategic partnerships to optimize care
- Philips Capital Role
 - Talk about third party funding to support customer financing needs
 - Selective use of balance sheet across a range of financing products
 - How can we jointly work in Africa and other markets

Aiming To Improve The Lives Of 3 Billion People A Year By 2025

Empowering people to live healthier lives the health continuum



¹ Source: Philips Internal Study based on external sources such as COCIR, NEMA, Soreon, IBIS World.

Company Overview

Philips

Businesses^{1,2}

Geographies^{1,3}

Personal
Health

Diagnosis &
Treatment

Connected
Care
& Health
Informatics

Lighting

Western
Europe

North
America

Other
Mature
Geographies

Growth
Geographies



29%

27%

13%

31%

24%

34%

8%

34%

Global leader: #1 or #2 position in the global market *

Since **1891**

€24.2 billion sales in 2015, **70%** B2B

~105,000 employees in over 100 countries

50% of the portfolio has global leadership positions

€1.9 billion R&D spend in 2015 and ~76,000 patent rights

More than **1/4** of revenues from recurring revenue streams

¹ Based on sales last 12 months March 2016. ² Excluding HealthTech Other.

³ Growth geographies are all geographies excluding USA, Canada, Western Europe, Australia, New Zealand, South Korea, Japan and Israel.

* Source: GfK, Nielsen, Euromonitor, Frost and Sullivan, Home Healthcare TBS, PCMS market insight.

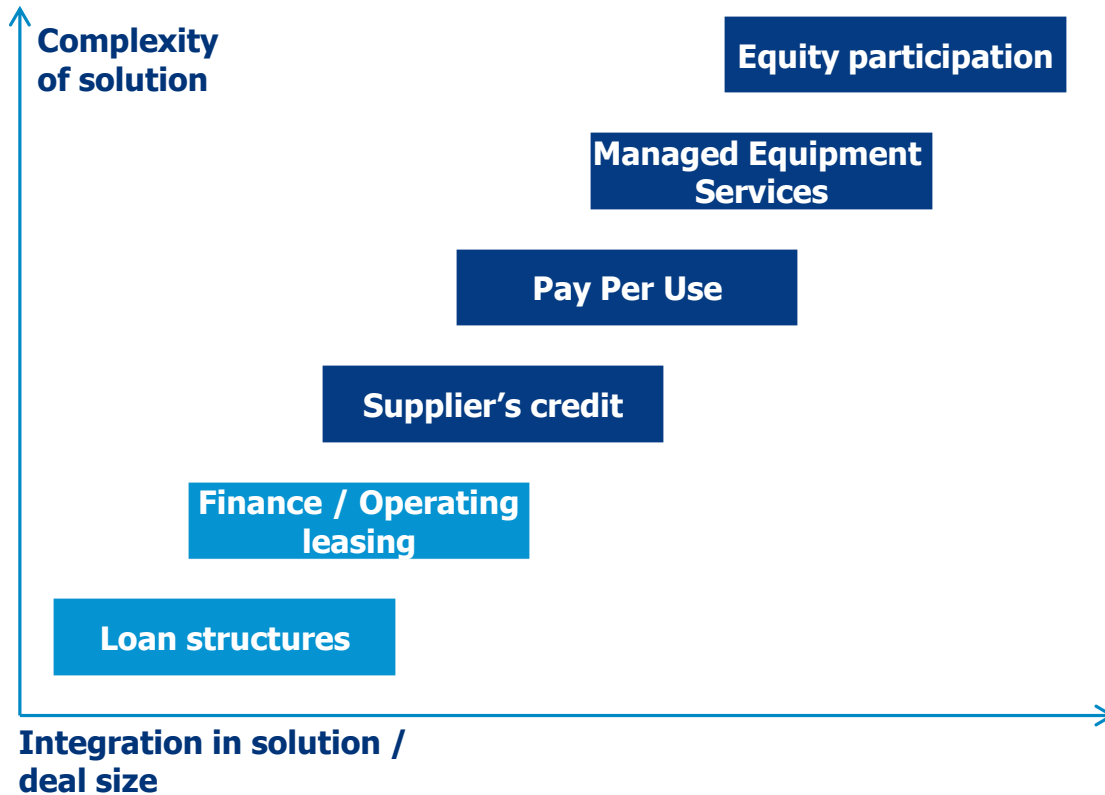
Philips Capital

An introduction

- Philips Capital presents a unique one-stop financing model. Coupled with a creative and personalized approach, Philips Capital makes the most effective financing partner
- Our vision is to provide **end-to-end solutions** that satisfy customer needs to relatively small and simple or large-scale projects, by incorporating competitive and tailored financial solutions into the overall business and commercial proposition
- The team's unique mix of expertise, scale and speed can help the customer take advantage of financial markets in an optimum to realize business objectives

Decision Drivers

Define the most beneficial mix of financing structure and sources



Some considerations

- Predictability vs. flexibility
- "Money" vs. partnership
- Off-balance sheet vs. on-balance sheet
- Supplier financing vs. access to beneficial financing programs / sources
- Level of collateral vs. financing conditions
- Risk / reward sharing vs. "cheapest money"

Smart combination of financing solutions and sources

- Identify available financing sources depending on type of project
- Deal structuring to access funds most suitable to achieve business goals
- Financing engineering for most beneficial combination of available financing / funds

Transactional vs. Partnerships

Transactional model

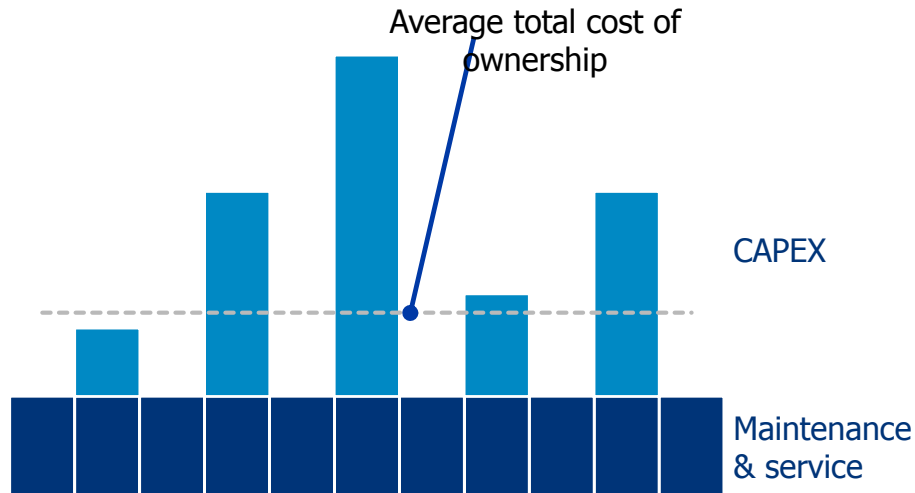
- Separate cash transactions
- Investment fluctuations / peaks
- Lack of commitment for future replacements
- Resource intensive
- Potential improvements case by case

Partnership model

- Reduce capital burden / preserve cash to support core activities
- Cater for predictability and flexibility
- Outsource technology and operations to benefit from latest innovations and best practices
- Improve clinical workflow, quality and business growth

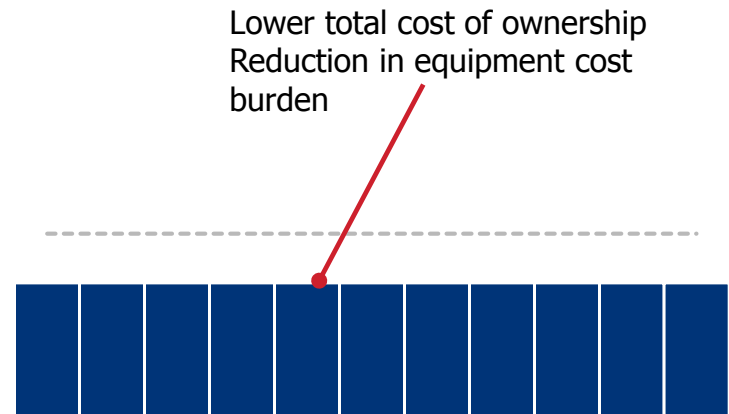
Conventional cash transaction

Total Cost of Ownership over time



Managed Equipment Service agreement

Total Cost of Ownership over time



Philips has been present in Africa for over 100 years

Starting with our first business transaction in 1895 . . .



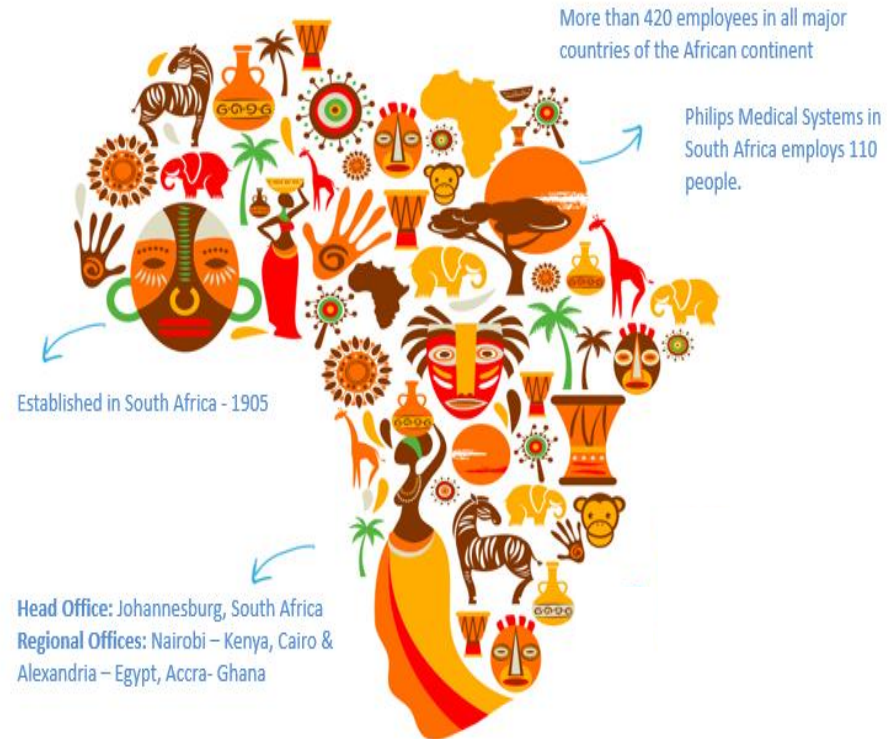
- We established our first legal entity in 1905 in South Africa



- Philips first global radio factory was built on the continent in 1939



- Our first TV factory was opened in 1974 in Africa



Philips Healthcare Africa

Large Scale Healthcare Revitalization Projects

Some recent examples include :

- Country wide rehabilitation of healthcare services across Uganda
- Zambia MOH: 5 year contract for servicing equipment in 70+ hospitals
- Ghana MOH : rehabilitation & maintenance of 110 hospitals.
- Tanzania MOH: 5 year contract for serving equipment in 100+ hospitals
- Revitalization of Alexandria University Hospital, Egypt:
- Delivery of 60 ClearVue Ultrasound systems to country wide government Clinics in Kenya (2012)



Strengthening primary healthcare: Implementation of EmONC (Emergency Obstetric and Newborn Care) program in 6 District Hospitals & 60 Primary health facilities in Namibia.

US\$ 36M Kenya- Country wide MES for 7+3 years starting early 2016

Equipment, CS, Civil works, Training, Asset and Program mgt

- 11 hospitals
- 39%* PH share
- 11 central Monitoring Units
- 11# ECG machines
- 3rd party incl. Medical Gas system

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- 88# monitors (incl. cardiac)
- 22# Defibrillators * share is excluding CS value

- Contract management for 11 hospitals, 11 counties and 1 MoH body.
- Implementation in 1 year, fitting works included.
- Philips in lead of implementation program.
- Fast responsiveness and rectification time with performance penalties.
- Specific training program for Clinicians and BioMeds; mix of overseas factory and local training; building local capacity and capabilities in counties with Kenyans

Challenges:

- Multi year budget commitments
- Reluctance to offer payment guarantee nor sovereign guarantee (gov. Support letter)
- Tri-party financing agreement between MoH, Philips East Africa and International Bank, to enable off-balance financing of the assets
- Local skill set to implement and project management – technical assistance
- Financing of Consumables

