

Retaining engagement in times of turbulent change

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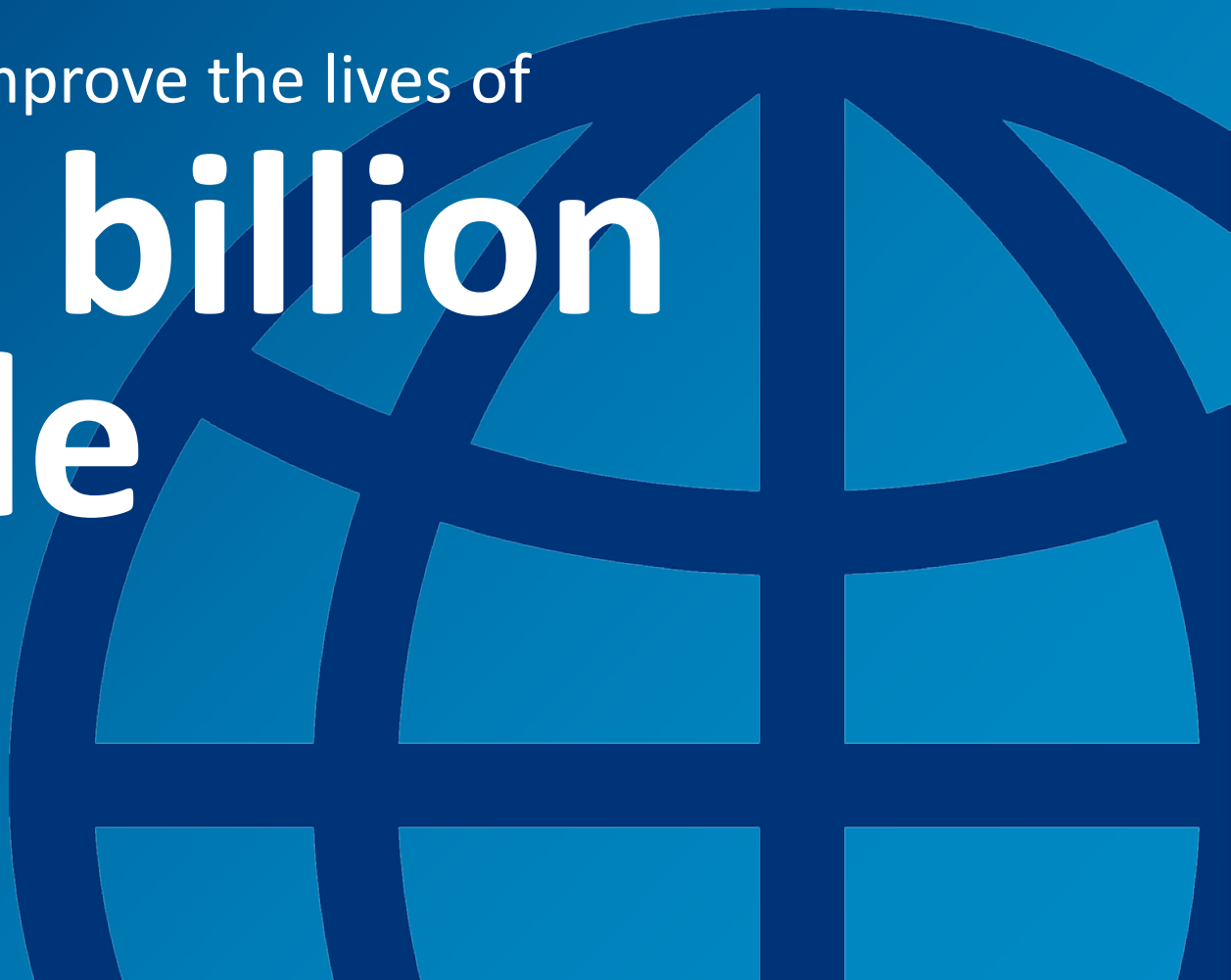
1. Who are we?

We strive to make the world healthier and more sustainable through innovation









We're aiming to improve the lives of

**three billion
people**

a year by 2025



Philips, an overview

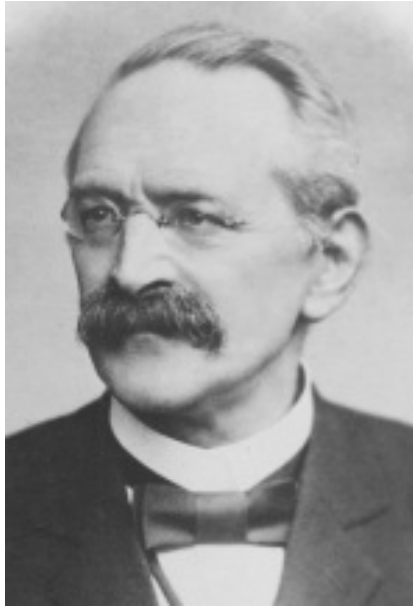
Philips							
Businesses ^{1,2}				Geographies ^{1,3}			
Personal Health	Diagnosis & Treatment	Connected Care & Health Informatics	Lighting	Western Europe	North America	Other Mature Geographies	Growth Geographies
							
29%	27%	13%	31%	24%	34%	8%	34%

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.

Philips, a born innovator



Philips' founding fathers: Frederik, Gerard and Anton Philips

Founded in 1891, in Eindhoven, The Netherlands, to manufacture incandescent lamps and other electrical products.

For 125 years, we have been improving people's lives with a steady flow of ground-breaking innovations.

2. Separating a 125-year old company – our turbulent change

Creating two winning companies

Royal Philips



HealthTech

EUR 140+ billion
HealthTech opportunity

Philips Lighting



Lighting solutions

EUR 65+ billion
Lighting solutions opportunity

How does it feel to separate a 125-year old company?

The opportunities

The rational mind at work – belief in, and excitement about, the opportunities ahead

“I am excited: our strategy is the right one, and my career opportunities are growing”

“I am inspired: this is a once in a lifetime opportunity to build a company”

The effort

The need to grasp what this actually means – and to understand whether we can do it

“I am cynical: we will never meet our deadlines and hit our figures at the same time”

“I am worried: how can we separate while implementing Workday and continuing our ongoing transformation? ”

The emotion

The heart taking over – the fear, and the sadness at what is believed to be lost

“I am lost: our great company was build on the light bulb – now we are saying goodbye to that”

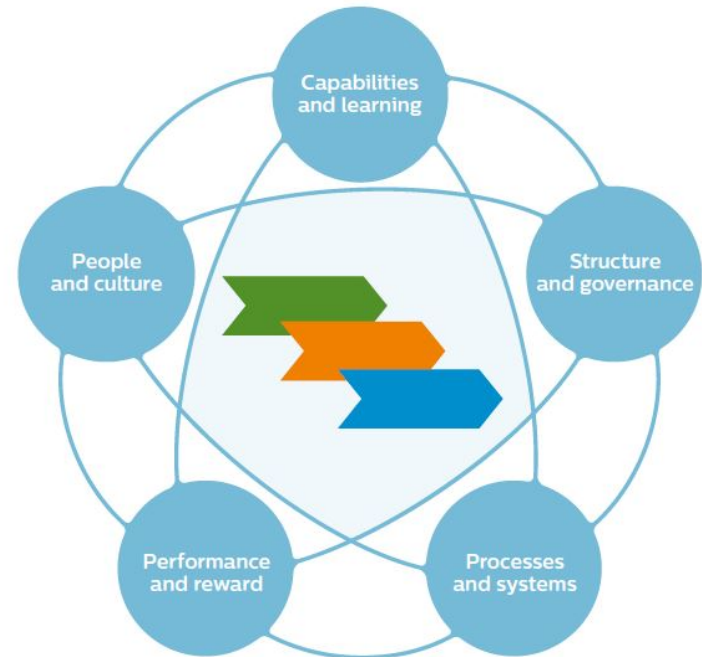
“I am scared: what does this mean for my job?”

So how did we do it? Retaining engagement during this time required a mix of tactics

Guiding Principles

1. Focus, focus, focus
2. Let our leaders lead
3. Be respectful and honest

Levers



Focus, Focus, Focus

The vast majority of employees were focused – on business as usual

A small minority were taken out of the business and asked to focus on achieving the separation



Let our leaders lead

We used our HR data to scan for 'hot spots' – to identify where we needed to monitor on an ongoing level

But solutions were always personal, high-touch, and leader led



Be respectful and honest

The message wasn't always going to be good – but a fair process shows respect

Regular updates kept employees up-to-date – and my door was always open



We planned thoroughly, but we also adapted and took heed of 'lessons learned' along the way

- Embed continuous improvement
- Prioritize – both the topics and the audience
- Communicate, communicate, communicate
- Don't shy away from tough calls
- Remember that the competition is outside



Questions?

