

PHILIPS

2025

Country Activity and Tax Report

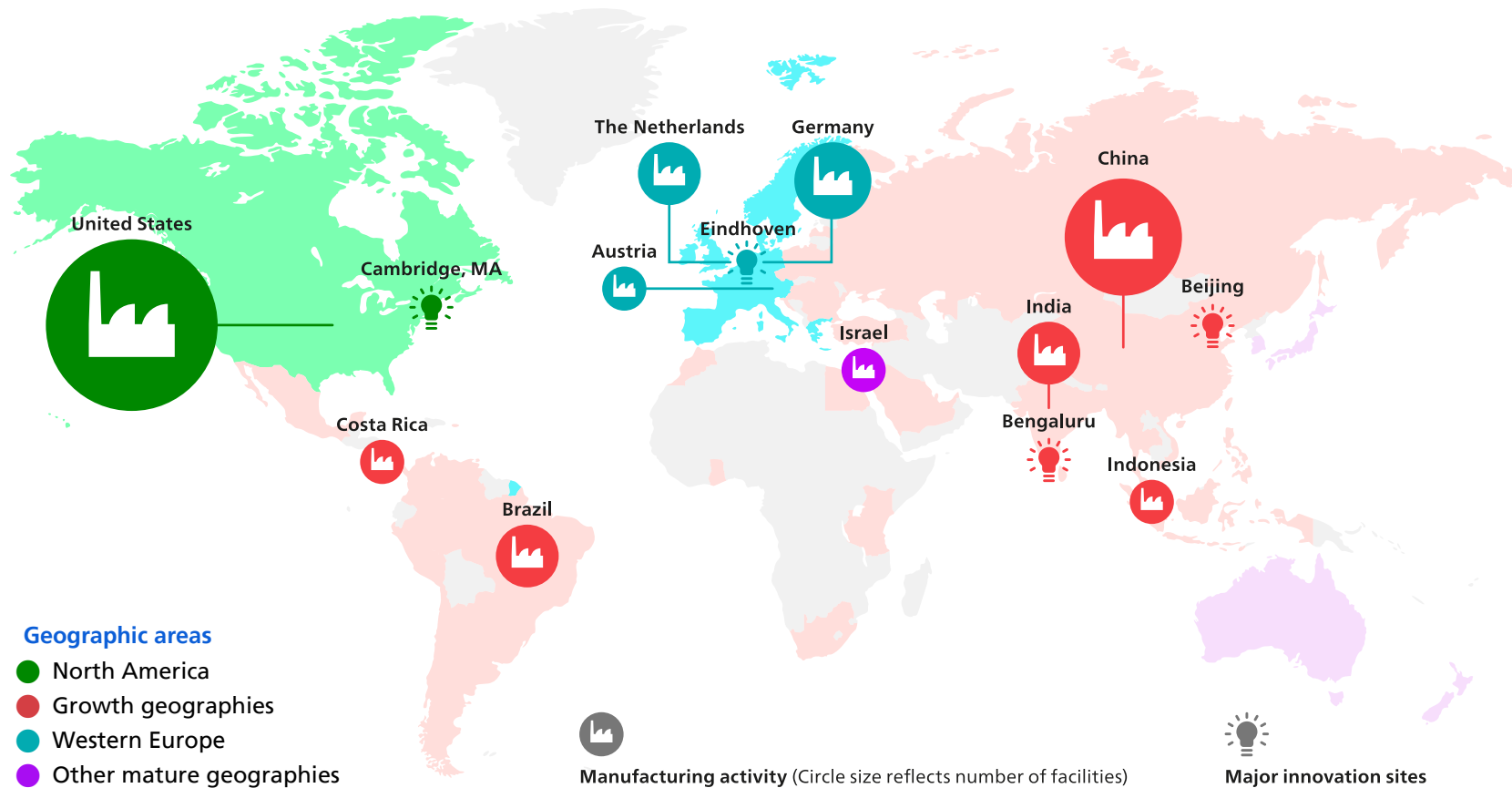


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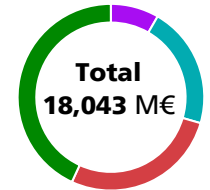
Our activity at a glance

Philips operates in more than 70 countries; the ultimate parent entity is in the Netherlands. Philips has factories in 10 countries, plus four major innovation sites across four countries.



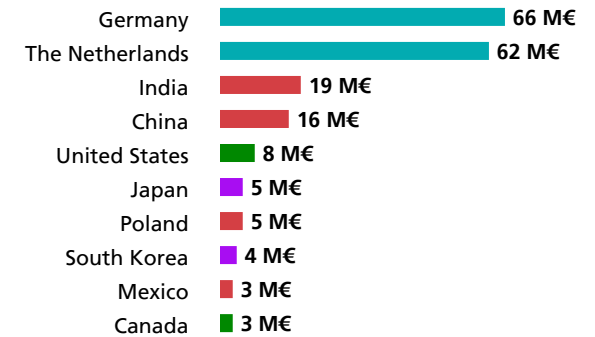
Revenues from unrelated parties *

North America	7,479 M€
Growth geographies	4,116 M€
Western Europe	5,033 M€
Other mature geographies	1,415 M€



* Revenue from unrelated parties includes sales of EUR 17,834 million as per 2025 Annual Report as well as business and financial income, which is further explained in the [Country summary](#).

Countries with the highest corporate income tax paid



Total tax contributions **3,337 M€**

Disclaimer: This diagrammatic representation serves as a high-level overview of the business activities and tax contributions of Philips, however, it is neither a conclusive nor a comprehensive overview.

66,401 employees



North America	16,803	Growth geographies	29,776
Western Europe	15,941	Other mature geographies	3,883



Introduction

At Philips, our purpose is to improve people's health and well-being through meaningful innovation. We have operationalized our purpose by adopting a fully integrated approach to doing business responsibly and sustainably, and we are partnering with stakeholders to drive environmental, social and governance (ESG) priorities. Our framework comprises a comprehensive set of commitments that help guide execution of the company's strategy. It includes ambitious targets and detailed plans of action.

As part of our ESG commitments, we engage actively with and support the communities in which we operate. Besides contributing in terms of activities that benefit society, for example through our volunteering programs, we also consider our tax payments as a significant contribution to the communities in which we operate, and an integral part of our social value creation. This is one of the key principles underlying [Our approach to tax](#), as included in this Country Activity and Tax Report 2025 ('Report').

Part of our approach (and one of our ESG commitments) is to acknowledge the importance of transparency with respect to our tax contributions. Therefore, every year we make voluntary disclosures in this Report about taxes paid and collected, as well as in the Tax contribution section in the Annual Report 2025 ('[Annual Report](#)').

[Activities and tax per country](#) provides an overview of our main activities, and the taxes paid and collected, in the countries we operated in during the financial year 2025. This Report also explains the [Basis of preparation](#).

February 19, 2026

References to the Company or company, to Philips or the (Philips) Group or group, relate to Koninklijke Philips N.V. and/or its subsidiaries, as the context requires. Royal Philips refers to Koninklijke Philips N.V.

This Report contains certain forward-looking statements. By their nature, these statements involve risk and uncertainty. For more information, please refer to [Forward-looking statements](#).

This Report has been published on the Philips website.

Our approach to tax

Introduction

As a purpose-driven company, we take a fully integrated approach to doing business responsibly and sustainably. We consider tax to form part of our commitment to create superior, long-term value for our stakeholders.

Philips' approach to tax is based on our tax strategy and our fundamental tax principles. This is aligned with the Tax Governance Code of the Confederation of Netherlands Industry and Employers (known as the VNO-NCW), as endorsed by the Philips Board of Management and Head of Tax. Our approach to tax applies to all entities within Philips.

Philips' tax strategy is to conduct and manage our tax affairs as a responsible taxpayer in accordance with our fundamental tax principles. Our fundamental tax principles can be briefly described as follows (see subsequent sections for a detailed discussion on each principle):

- Principle 1: Philips complies with the letter and the spirit of the law of the countries in which we operate (**Tax compliance**).
- Principle 2: Our approach to tax is set by the Board of Management and overseen by the Supervisory Board (**Tax governance, control, and risk management**).
- Principle 3: Philips only uses tax structures that are driven by commercial considerations, are aligned with business activity and have genuine substance. Philips reports taxable income in the countries in which it creates value (**Tax planning**).
- Principle 4: We seek an open and constructive dialogue with our stakeholders, including tax authorities (**Stakeholder engagement and advocacy**).
- Principle 5: Philips supports transparency initiatives and discloses its approach to tax and its tax contributions (**Tax transparency**).



Philips' approach to tax is an integral part of the Philips **General Business Principles (GBP)**, which reflect our commitment to always act with integrity toward our employees, customers, business partners and shareholders, as well as the wider community in which we operate. The GBP are actively promoted throughout the tax function, and its staff regularly completes the relevant training programs, receiving practical guidance on how to apply and uphold the GBP in their daily work. Violation of our tax principles would be contrary to our GBP, and employees are encouraged to report any concerns through the **SpeakUp ethics line**.

The link between taxes and ESG

At Philips, we consider tax to be an integral part of ESG and inextricably linked, not only from a governance perspective, but also from environmental and social perspectives.

Environmental

Governments may use tax policies to incentivize or disincentivize certain behaviors to reduce companies' environmental footprint. For example, taxes on plastic packaging can encourage companies to reduce usage.

Philips pays industry-specific environmental-type taxes, such as battery tax, packaging tax, and tax on plastic packaging, based on our specific economic activity and footprint. Due to Philips' low environmental footprint (e.g., 100% carbon neutral in our operations), the financial impact of these taxes is low for Philips.

Social

Taxes play a role in social sustainability and well-being by contributing to government revenue, which supports public services such as healthcare, education, infrastructure, and social welfare programs.

We consider our tax payments to be contributions to government revenues and to the communities in the countries in which we operate, thereby helping to drive economic and social prosperity – an integral part of our social value creation.

Furthermore, Philips has implemented the required processes to comply with Pillar 2 of the OECD's Global Minimum Tax Framework. Pillar 2 addresses fair taxation by aiming to ensure that multinational entities pay a minimum level of tax (15%) in every jurisdiction where they operate. The aim of Pillar 2 is to reduce tax avoidance strategies that may shift profits to a low-tax jurisdiction and to promote fairness and social responsibility.

Governance (and transparency)

Taxes can provide insights into a company's governance practices and transparency. In the current climate, stakeholders are typically considering tax practices as part of the assessment of a company's overall governance.

We aim to live up to the highest standards of governance (including transparency, compliance and ethical tax practices) regarding our tax contributions for all countries in which we operate. We voluntarily publish this Report as well as support other transparency initiatives.

What is the link between taxes and CSRD?

The EU Corporate Sustainability Reporting Directive (CSRD) requires companies to transparently report on sustainability topics that are material to their organization, from the perspective of both financial materiality and impact materiality. This is discussed in our sustainability report in the Annual Report.

Tax is not covered in the CSRD nor the related European Sustainability Reporting Standards (ESRS). However, Philips continues to recognize tax as an important topic and reports taxes transparently.

Tax compliance

Principle 1: Philips complies with the letter and the spirit of the law of the countries in which we operate.

Tax compliance is a fundamental principle for Philips. We act as a responsible taxpayer in accordance with the letter and the spirit of tax laws and regulations, both in our general approach to tax and in executing our tax strategy. We are guided by global initiatives for promoting tax transparency and responsible tax management.

Examples of our tax compliance practices:

- Our policy is to file all tax returns and other compliance obligations on time, providing complete and accurate disclosures to all relevant tax authorities.
- Our tax planning is based on reasonable interpretations of applicable law (taking into account the letter and spirit thereof), and is aligned with the substance of the economic and commercial activity of its business.
- We do not undertake transactions or engage in arrangements of which the sole purpose is to create a tax benefit that is not supported by a reasonable interpretation of relevant tax rules.
- Where we seek upfront certainty from tax authorities to confirm an applicable tax treatment, we do so based on full disclosure of all relevant facts and circumstances.
- We only claim tax incentives in line with the policy intent of such tax incentives, provided such incentives are generally available.

Tax governance, control, and risk management

Principle 2: Our approach to tax is set by the Board of Management and overseen by the Supervisory Board.

Governance

Under supervision of the Supervisory Board, the Board of Management is ultimately responsible for the Philips' approach to tax. The Chief Financial Officer (CFO) annually conducts a review and if necessary, updates Philips' approach to tax (including the tax strategy, tax principles and tax risk management) before granting approval on this Report.

Under the responsibility of the CFO, a globally organized and experienced tax function is accountable for the execution of the tax strategy and the tax position of Philips worldwide. The tax function is set up in such a way that it interacts with the key stakeholders in the Businesses, Regions/Zones and Functions on a regular basis. It advises management on the tax implications of intended decisions, performs appropriate tax planning to support business goals, and ensures compliance with all local and international tax laws. Country tax experts and tax business partners carry out these activities, supported by globally organized experts in areas such as transfer pricing and

indirect tax. A globally organized team of tax accountants is responsible for tax accounting and reporting at group level.

Tax Control Framework

Philips has a Tax Control Framework in place that outlines our tax controls and tax risk management. The tax controls form part of the Internal Controls over Financial Reporting (ICFR) catalog at Philips. By executing monitoring controls quarterly, we raise awareness and ensure adherence to our tax policies.

The Board of Management's report on ICFR includes reasonable assurances and conclusions regarding the effectiveness of ICFR on Philips' consolidated financial statements, which also covers tax positions. The Head of Tax provides a report to the Audit Committee, where key issues are explained and discussed. This includes the updates on execution of tax controls and significant tax-related matters. For instance, discussions with the Audit Committee may address the effective tax rate and other key items influenced by the current economic and political landscape, such as regulatory developments (e.g., OECD Pillar 2).

Furthermore, we publish our Annual Report with the highest reasonable assurance level from our independent auditor on our financial statements, including our tax positions.

This Report outlines the extensive controls and procedures in place in order to reach this position of control. This includes, without limitation, the following:

- Standardization and documentation of tax processes in our process framework
- Review of existing and new business models, invoice flows and acquisitions by tax specialists and ultimately tax management
- Frequent meetings between tax specialists (including the Head of Tax) within the tax function to align tax topics and business developments
- Timely review and submission of tax returns (and related documents) together with the related payments
- Quarterly execution and monitoring of tax controls
- Quarterly meetings with the CFO to discuss and review tax (accounting) topics

- Quarterly review and sign-off of the tax position and tax controls by the Head of Tax and the Board of Management
- Annual review and approval of Philips' approach to tax by the CFO
- Annual review of tax controls and key tax-related matters (including this Report) by the Audit Committee of the Supervisory Board

The Philips tax function continues to invest in advanced technology to strengthen compliance and efficiency across global tax operations. Key focus areas include Pillar 2, VAT determination, e-invoicing/reporting solutions, and tax accounting and reporting. In addition, Philips is exploring generative AI to automate routine tasks and enhance monitoring of tax compliance, while ensuring responsible use through [company-wide AI guidelines](#). Importantly, Philips views AI as a way to support, and not replace, human expertise.

Risk factors and appetite

Tax risks are considered material financial risk factors, as they could have a significant adverse financial and/or reputational impact. For a further explanation of the risk factors to which Philips is exposed, refer to the Risk factors and responses section of our Annual Report.

Our tax risk appetite is inherent to Philips' risk appetite being prudent-to-balanced regarding financial and reporting risks (refer to Risk management and internal control in our Annual Report). We believe that Philips is fully compliant with the letter and the spirit of the law in all material respects, however as a multinational company with operations across the globe, we are inherently exposed to tax risks, and in some cases, significant judgment is required. We aim to minimize these risks in accordance with our risk appetite. Philips also takes an adverse-to-prudent approach to any risk that would result in breach of compliance with our General Business Principles and mandatory laws and regulations.

For all tax risks, we perform an analysis that includes consideration of the probability and the financial consequences. Uncertain tax positions are recognized as liabilities if and to the extent it is probable that additional tax will be due, and the amount can be reliably measured. Significant judgment is involved in determining these positions.

Latest tax developments around the globe

There are multiple tax developments across the globe. A few key examples are discussed below.

OECD Pillar 1 and Pillar 2

Philips continues to monitor the developments with respect to Pillar 1 'Amount A' (profit allocation to market jurisdictions) and 'Amount B' (remuneration for baseline marketing and distributing activities).

Pillar 2 legislation has been applicable in local law with effect from 2024 in the Netherlands, the EU and multiple other countries. As Philips maintains substance in the form of relevant assets and personnel in the countries in which it operates, Philips meets the transitional safe harbor rules enacted by OECD in most countries and therefore exposure to Pillar 2 taxation is currently limited. However, this is increasing Philips' tax compliance burden significantly globally.

The side-by-side package effectively exempts the US from Pillar 2 because the US has its own system in place that ensures a minimum level of tax. The package also introduces changes to the safe harbors that are available to all groups. However, uncertainty remains over whether global consensus and consistent application of Pillar 2 will be achieved.

Public Country-by-Country Reporting (CbCR)

Philips will publish its first public CbCR for the year 2025 in 2026, in line with a European Commission directive. The basis of preparation of this Report has been aligned accordingly – refer to [Basis of preparation](#) for details.

The expected financial consequences of the tax risks, where the probability exceeds 50%, are disclosed in the Income Taxes note in our Annual Report. Furthermore, our team of tax specialists continually reassesses our tax risks, which may originate, for example, from new local tax rules or international and EU regulatory frameworks, and carefully monitor these in line with our Tax Control Framework.

BEFIT

Philips will continue to monitor the developments on Business in Europe: Framework for Income Taxation (BEFIT), an initiative that aims to provide a single corporate tax rule book for the EU.

US tax reforms

The US enacted the One Big Beautiful Bill Act in 2025 with significant changes to US tax rules. New rules include the timing of the tax deduction for R&D expenses, changes in export incentives (FDDEI), and a permanent 10.5% rate for Base Erosion and Anti-Abuse Tax, applicable from 2026. These developments may have global impacts, for example, potentially encouraging investment into the US and prompting a corresponding shift in capital toward US-based operations. In addition, retaliatory measures could still be proposed with respect to countries implementing 'unfair foreign taxes', such as digital service taxes. Philips is closely monitoring developments on this topic.

Tariffs

In 2025, heightened global trade tensions have had a pronounced effect on mostly US trade tariffs. These developments have resulted in the implementation of new tariff measures and retaliatory duties, leading to increased customs duty payments to governments. The evolving landscape has underscored the importance of accurate goods classification, adherence to country-of-origin rules, close monitoring of regulatory developments and more regionalized supply chains.

Tax planning

Principle 3: Philips only uses tax structures that are driven by commercial considerations, are aligned with business activity and have genuine substance. Philips reports taxable income in the countries in which it creates value.

We do not control legal entities in countries that do not share tax information under Tax Information Exchange Agreements or legal entities in countries that are listed in the EU non-cooperative tax jurisdictions list ('blacklist'), with the exception of Panama and Russia. Our activities in these countries are substantive in nature and have clear commercial reasons, as explained in [Activities and tax per country](#). We do not control legal entities without commercial and/or economic activities solely for the purpose of tax avoidance ('tax havens'). Furthermore, our tax planning takes into account the spirit of the law, and we follow the OECD Transfer Pricing Guidelines for Multinational Enterprises.

Philips reports taxable income in the countries in which it creates value, in accordance with internationally accepted standards, applying the arm's length principle. Our transfer pricing policies are aimed at arm's-length remuneration for activities undertaken by group entities. These policies are applied across all countries in which we operate. Accordingly, Philips pays its share of taxes in the countries in which it operates, thereby contributing to the economic and social development in these countries.

We also focus on value creation by ensuring that our tax assets (e.g., tax losses) are utilized before expiry and optimize the use of available tax incentives (e.g., research and development credits) in accordance with both the letter and the spirit of tax laws and regulations. For an explanation of the material tax incentives utilized by Philips, refer to Material Research and Development tax incentives under [Country insights](#).

Business operations drive the design of our business models, while the tax function advises and supports implementation. Philips has processes in place to ensure that existing and new business models are reviewed by tax specialists and ultimately tax management, to

monitor and ensure that the execution of our tax strategy is aligned with our organizational values and business strategy. In addition, in the event of acquisitions and divestments, tax due diligence is always part of the process, and the input of the tax function is considered before a decision to acquire or divest is made.

Stakeholder engagement and advocacy

Principle 4: We seek an open and constructive dialogue with our stakeholders, including relevant tax authorities, shareholders, customers, business partners, employees, governments, regulators, non-governmental organizations and the communities in which we operate.

We seek to build relationships with tax authorities based on mutual respect, transparency and trust, and to participate in cooperative compliance programs with tax authorities. For our definition of a cooperative compliance program, please refer to [Definitions and legend](#). We seek upfront certainty on interpretations of regulations whenever deemed relevant and where tax authorities are willing to provide clarification.

Relationships with tax authorities

In many jurisdictions, we have open, transparent and collaborative relationships, with regular meetings and connect points. For example, in the Netherlands, there is a cooperative compliance program in place, known as the Dutch Individueel Toezichtplan (ITP), which evolved from Horizontal Monitoring. We have regular meetings with the Dutch tax authorities, and annually align on a monitoring plan. We maintain a transparent relationship, whereby changes to business operations and the associated tax impact are proactively disclosed.

In Germany, we continued to build trust and transparency with the tax authorities in 2025. We helped prevent a potential duplicate refund situation through timely communication. Additionally, we were the first company to undergo a pilot audit for the R&D subsidy Forschungszulage in Hamburg. Because of strong cooperation and detailed process walkthroughs, the tax authorities were able to incorporate our insights into their audit framework under development. The audit was concluded with no findings. We are now evaluating participation in a pilot initiative with the German tax authorities, focusing on auditing tax control frameworks.

Across all our activities, we derive significant value from the diverse stakeholders we engage with, listen to and learn from. We continue to intensify our stakeholder dialogues to align our approach to tax with our stakeholders' expectations on a continuous basis. For example, we comply with the principles set out in the VNO-NCW Tax Governance Code, and ensure that our approach to tax is aligned with these principles and expectations.

Furthermore, we share our views on tax developments through interest organizations such as employers' federations and have regular discussions with investors and other stakeholders on the topic of tax in relation to sustainability. Philips is also a member of and supports tax working groups at VNO-NCW that publicly advocate for tax transparency and fair taxation. Philips advocates for a competitive and fair investment climate in the Netherlands and other key countries where Philips operates. In addition, Philips supports the deregulation and/or harmonization of overlapping international regulations, to the extent possible (for instance, the new Pillar 2 legislation). We invite our stakeholders to engage with us by finding the appropriate contact on our website: [Company contacts](#). On sustainability matters, including our sustainability reporting in the Annual Report, stakeholders may share their issues, comments and questions via email (philips.sustainability@philips.com). Refer to section Working with stakeholders and advocacy in our Annual Report.

Tax transparency

Principle 5: Philips supports transparency initiatives and discloses its approach to tax and its tax contributions.

We acknowledge the importance of transparency with respect to our approach to tax and tax contributions. We comply with the international and local public disclosure and reporting requirements, such as the International Financial Reporting Standards (IFRS) and EU directives. In addition, we make voluntary disclosures in this Report, which includes, among others, our tax contributions and the tax incentives that are financially material to Philips.

Philips endorses the VNO-NCW Tax Governance Code, which was published on May 18, 2022, promoting greater transparency on the tax position of Dutch listed companies. We strive to comply with the principles set out in the VNO-NCW Tax Governance Code to build trust, provide more transparency and accountability on our tax position, and enable stakeholders to gain a better understanding of our compliance with national and international rules.

Philips also supports and participates in transparency initiatives, which include taxation, such as the Dow Jones Sustainability Index (DJSI) and the VBDO Tax Transparency Benchmark. The Tax Transparency Benchmark is a study conducted by the VBDO on tax transparency practices among Dutch and European listed companies. The 2025 benchmark assessed the tax transparency practices of 51 Dutch companies and 65 listed companies from Belgium, Denmark, France, Germany, Italy, Spain and Sweden. Philips was ranked first for the third year in a row. In addition, Philips scored a top score (100 out of 100) in the Tax Strategy section of the 2025 Dow Jones Sustainability Index.

Philips further supports other transparency initiatives, for example those driven by the EU Directive on Administrative Cooperation, and complies accordingly. This includes DAC6, which is the mandatory disclosure to the tax administrations for certain reportable cross-border arrangements. In addition, we will publish the public CbCR in 2026 (with 2025 information), mandated by the EU directive and adopted in different formats by non-EU countries, such as Australia and Moldova.

Taxation of Philips' business

Philips is a multinational company that serves customers in many different jurisdictions. All these jurisdictions have their own tax regimes and tax types through which they collect revenues to finance their expenditures on, for example, public infrastructure, public administration, education, healthcare and safety. Below we describe the connection between Philips' business organization and taxes we pay throughout the world.

Philips' tax contribution is a result of how and where we conduct our activities. Although it is common to focus on corporate income tax payments by multinational groups, we make a wide range of tax payments to governments. These are based on our economic activity in a jurisdiction, and include payroll tax, value-added tax and customs duty. Our total tax contribution therefore includes taxes paid (or borne) by Philips as well as taxes collected by Philips.

When it comes to environmental taxes, such as EU's Waste from Electrical and Electronic Equipment (WEEE) and battery tax, the qualification depends on the type of environmental tax and is considered on a country-by-country basis. In most cases, these are an expense for Philips, directly affecting our financial results. In other cases, the customer pays the tax either to Philips (to be paid over to the government) or directly to the relevant government.

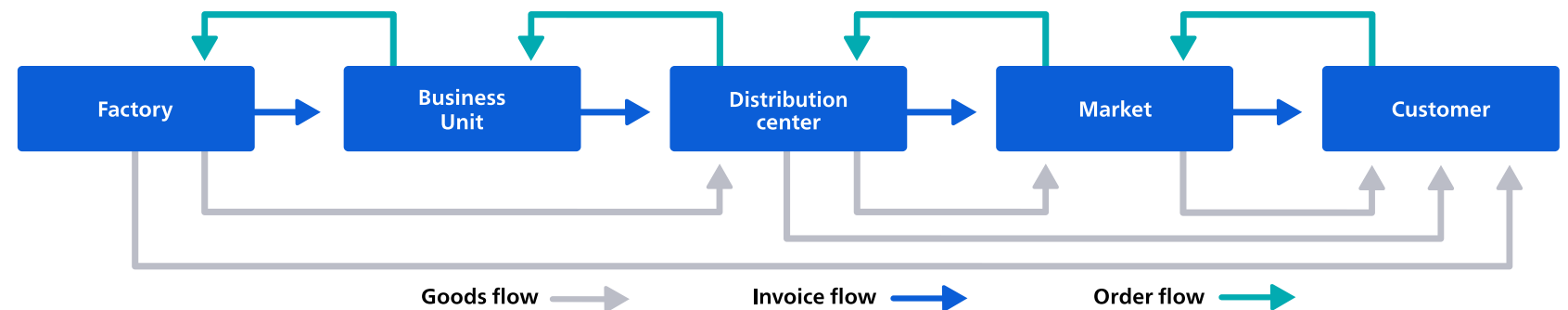
Corporate income tax (and taxation through the value chain)

Corporate income tax (CIT) includes all taxes paid based on taxable profit that are reported in an annually filed income tax return. Our OECD-based transfer pricing method determines the income before interest and taxes.

Activities such as determining the product portfolio, designing, setting of marketing and pricing strategies, and forming the strategic direction are performed by the Business Units. The Business Units perform the key functions, own the most significant intangible assets, and bear the risks (market, sourcing, product liability, customer credit, foreign exchange and capacity). From the global profit, the legal entity that 'houses' that Business Unit is entitled to the residual income of the global business, after the other entities are remunerated for their routine functions. In general, less income is allocated to activities that carry less risk and perform fewer value-adding routine functions, e.g., distribution and manufacturing activities. Consequently, residual income is reported in countries where more risks reside, and more value-adding activities are performed.

Philips' business is organized on a segment basis, with the reportable segments Diagnosis & Treatment, Connected Care, and Personal Health. Every segment comprises Businesses, which are, in turn, made up of Business Units. Different Philips legal entities contribute to the Philips value chain and are remunerated based on their level of activities. An overview of the Philips value chain:

Taxation through the value chain



Taxes borne by Philips	Taxes collected from third parties
<p>These taxes paid are an expense for Philips, directly impacting our financial results.</p> <p>For example:</p> <ul style="list-style-type: none"> • Corporate income tax • Payroll tax: employer contribution • Customs duty 	<p>These taxes are collected by Philips from third parties and paid to governments. These taxes are not a cost for Philips.</p> <p>For example:</p> <ul style="list-style-type: none"> • Value-added tax (and goods and service tax as well as sales tax) • Payroll tax: employee contribution • Withholding tax on external dividends

This implies that if a Business Unit performs well, the relevant entity that 'houses' that Business Unit reports a higher income under accounting rules and is likely to pay higher corporate income tax. Significant events could lead to volatility in the result of a Business Unit and subsequently result in profit or losses. Besides global economic developments, examples of such events include (but are not limited to) currency exchange rates, acquisitions and disposals, and charges and costs such as impairments and restructuring. As losses can – in most countries – be carried forward to future years in which the relevant entity may return to profitability, the above-mentioned events can lead to an entity not paying corporate income tax for several years. In general, the routine functions would still report stable income per accounting rules, despite the residual profit/loss for the Business Unit.

VAT, GST, sales tax

Value-added tax (VAT) and similar indirect taxes such as goods and service tax (GST) and sales and sellers use tax (sales tax) follow the flow of goods or services. Often products are produced in a different jurisdiction than where Philips' sales organizations and customers are located. VAT and GST are consumption taxes that are levied on the added value and have an output tax and input tax, whereas sales tax is an output consumption tax. The output tax is the VAT/GST/sales tax invoiced by Philips to customers, collected by Philips from customers, and remitted by Philips to the tax authorities. The input tax is the VAT/GST paid upon imports and/or purchases and reclaimed by Philips from tax authorities.

Ultimately, our VAT contribution in a jurisdiction is the balance between output VAT and input VAT and is the result of all transfers of goods (and services) from vendors to Philips, between Philips' entities, and from Philips to customers. In addition, Philips remits self-assessed consumer use tax. Going forward, in this document references to 'VAT' cover VAT, GST, sales tax and consumer use tax as well.

Customs duty

Import duties and tariffs are taxes imposed on goods that are imported into a country. When goods are shipped cross-border, non-recoverable import duties may become due. Import duties follow the flow of goods and services. These charges can vary based on several factors:

- The classification of goods (e.g., tariff codes)
- The customs valuation (i.e., the declared value of goods)
- The country of origin (which determines if free trade agreements can be utilized, or trade defense measurements are applicable)
- The use of customs simplifications (such as bonded warehouses or duty drawback mechanisms)

Philips utilizes Trade Agreements (including the Nairobi Protocol, particularly for the Sleep and Respiratory Care Business) and customs simplifications where available and relevant, to optimize customs duty outcomes and facilitate efficient cross-border trade. The company assesses the applicability of such agreements and simplifications based on the classification of goods, country of origin, and other pertinent factors, ensuring compliance with international trade regulations and maximizing operational efficiency. Philips currently holds 20 Authorized Economic Operator (AEO) and two Customs Trade Partnership Against Terrorism (CTPAT) certifications on trade compliance in 12 jurisdictions. The concepts are based on the Customs-to-Business partnership introduced by the World Customs Organization in their SAFE Framework of Standards to secure and facilitate global trade. These partnership programs are dedicated to both securing and facilitating global trade, by providing benefits to both customs and traders that have decided to work in partnership to improve supply chain security.

Payroll tax

As an employer, Philips withholds wage taxes and social security contributions on salaries paid to its employees and remits these to governments. In addition, Philips pays employer social contributions and other employer levies calculated on salaries paid and benefits provided to employees.

Other taxes

Apart from the previously mentioned taxes, we contribute to governments in the form of other taxes, such as withholding tax on dividends distributed to external shareholders. In addition, we contribute to governments through environmental taxes, for example, battery tax, carbon tax, plastic tax, and property tax. These amounts are relatively immaterial due to the industry and footprint of Philips. For further insights into ESG matters and our key ESG data points, please refer to [Activities and tax per country](#) and the sustainability statement in our Annual Report.

Basis of preparation

Country-by-Country Reporting: BEPS Action 13

As part of the OECD's Base Erosion and Profit Shifting (BEPS) project, Action 13 introduced Country-by-Country Reporting (CbCR), requiring multinational enterprises with consolidated group revenue above a EUR 750 million threshold to report tax and financial data by jurisdiction. Since its introduction in 2017, CbCR has become a global standard for tax transparency. The CbCR framework establishes a standardized approach for aggregating and sharing this information across countries to promote transparency and consistency.

As of December 2025, more than 120 jurisdictions have implemented OECD-compliant CbCR regulations, including the Netherlands, where Philips has our headquarters. This widespread adoption reflects a strong international commitment to consistent tax reporting and information exchange. In line with Dutch legislation, Philips submits its CbCR data to the Dutch tax authority and, as part of our commitment to transparency, we voluntarily disclose in this report CbCR data for all jurisdictions where we have a taxable presence and report financial figures. In line with these developments and the EU Directive 2021/2101 mandating Public CbCR for reporting year 2025 onwards, Philips has transitioned from the GRI 207: Tax standard to the OECD BEPS Action 13 framework as the basis of preparation for this Report. This change helps ensure alignment with latest relevant rules and regulations, as well as global best practices. It also enhances comparability across jurisdictions and consistency between reports.

This basis of preparation is based on CbCR, which provides detailed information for each tax jurisdiction where entities included in the audited consolidated financial statements are a resident for tax purposes. The report demonstrates Philips' commitment to transparency regarding tax contributions across all jurisdictions in which we operate, in line with OECD BEPS Action 13 and EU Public CbCR requirements.

Information disclosed per jurisdiction:

- Primary activities
- Number of employees
- Revenues from unrelated parties
- Revenues from related parties (intra-group transactions)
- Profit (loss) before income tax
- Tangible assets other than cash and cash equivalents
- Corporate income tax paid on a cash basis
- Corporate income tax accrued on profit (loss)

Stated capital and accumulated earnings are not included in this Report as the aggregated data at country level limits its usefulness.

We voluntarily disclose the following on group level:

- Tax withheld and paid on behalf of employees
- Industry-related and other taxes or payments to governments

In addition to the financials, for key countries we have included explanation of material differences between corporate income tax accrued and tax paid/(received), if statutory rate applied to profit (loss) before tax.

The basis of calculation of this report is the same as in the Annual Report:

- **Accounting standard:** International Financial Reporting Standards (IFRS)
- **Currency:** Group reporting currency (EUR)
- **Data source:** Consolidated financial statements
- **Scope:** All constituent entities, including permanent establishments and non-consolidated units, as required by OECD guidelines. A list of the entities included in the company's (consolidated) Group financial statements is available for download on Philips' website, www.results.philips.com.

For more information around the definitions and explanatory notes used in this chapter, please refer to [Definitions and legend starting on page 35](#).

GRI standards for ESG information

Based on our ESG commitments, we have adopted policies that govern our actions in areas we consider fundamental to the strategy and operation of our business. We have also developed methodologies in line with GRI standards to help us quantify and explain progress in specific social and environmental fields, as well as publishing statements, papers and reports of special interest to our stakeholders, which are available in the ESG downloads section of the Philips website. In the Annual Report, we refer to the ESG reporting frameworks, including GRI standards and CSRD/ESRS.

In this Report, we include some of the key social and environmental data points for each of the countries shown in [Country insights, starting on page 15](#), namely net operational carbon footprint, circular revenues, lives improved, employee turnover and employee benefit expense. Refer to our sustainability report as included in the [Annual Report](#) for further explanations and definitions of these concepts, including the integrated approach to calculate how many lives have been improved by our products and solutions in a given year ('lives improved model').

Activities and tax per country

Group overview

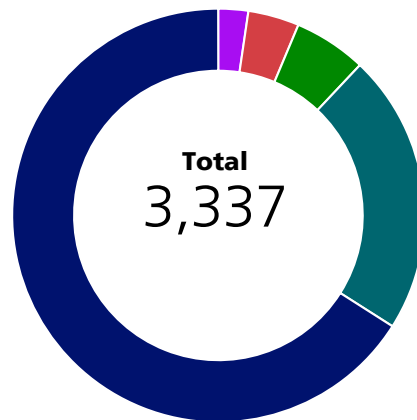
Philips' total tax contribution in 2025, amounting to EUR 3,337 million, is described by tax type below.

Key financials

Revenues from unrelated parties*	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued	Corporate income tax paid
18,043	18,007	1,182	5,087	256 ECTR: 21.6%	218 CTR: 18.4%

Tax contributions

- Payroll tax
2,001
- Value-added tax
724
- Corporate income tax paid
218
- Customs duty
351
- Other taxes
44



Environmental and social factors

Circular revenues	Lives improved	Net operational carbon footprint	Number of employees	Employee turnover	Employee benefit expenses
27.9%	2 billion	0 kt CO ₂ e	66,401	14.6%	6,681

All numbers in millions of EUR unless otherwise stated.

* Revenue from unrelated parties includes sales of EUR 17,834 million as per 2025 Annual Report as well as business and financial income, which is further explained in the [Country summary](#).

Country insights

General overview

This chapter provides an overview of the business activities and the financials and tax contributions, as well as ESG data (net operational carbon footprint, circular revenues, lives improved, employee turnover and employee benefit expense) that we consider fundamental to the strategy and operation of our business. For 10 key countries, we also include explanatory notes around the financials and corporate tax contributions per country and examples of how Philips innovations and solutions have driven customer impact in terms of helping health systems deliver better health outcomes, improved patient and staff experience, and lower cost of care.

At Group level the effective current tax rate (ECTR) of 21.6% is slightly lower than the weighted average statutory tax rate (WASTR) of 25.9%. ECTR is lower than STR mainly due to recurring tax incentives and timing differences. With respect to tax incentives, further information is included in next section and country pages.

The tax expense relating to Pillar 2 for the entire Group is EUR 1.3 million, which is largely reported in France (lower ETR due to one-off tax incentives) and in the Netherlands (as the ultimate parent entity).

The cash tax rate (CTR) of 18.4% is lower than the WASTR of 25.9%. The net corporate income tax (CIT) paid includes prepayments relating to current year income and payments post filing of CIT returns. Cash tax rate (CTR) is lower than the statutory tax rate (STR), mainly due to recurring tax incentives, timing differences, utilization of carryforward tax attributes and provisional payments made based on forecasted taxable profit, whereby any difference will be paid in the following year.

Other taxes mainly represent withholding taxes paid on dividends paid to external shareholders and on intercompany distribution of profits.

From an ESG perspective, during 2025 Philips had a net operational carbon footprint of 0 ktonnes CO₂-equivalent with 100% electricity from renewable sources. In 2025, Philips also recorded 27.9% circular revenues (i.e., revenues generated from refurbished, reconditioned and remanufactured products or services), and improved 2 billion lives globally (i.e., not limited to the countries where Philips has a physical presence). Out of this, 253 million were in underserved communities. Further, employee turnover amounted to 14.6%, of which 7.3% was voluntary (voluntary turnover remains in line with similar-sized companies). Employee benefit expenses of EUR 6,681 million were incurred, with all

employees being paid at least a living wage. For further discussion and ESG metrics at Group level, please refer to the Environmental, Social and Governance section of the Annual Report.

Material Research & Development tax incentives and other regimes

Many jurisdictions stimulate Research & Development (R&D) activity that yields technological innovation and a positive spin-off for the economy at large. This is done, for instance, by effectively lowering income tax on income arising from certain technical intellectual property and/or grants relating to R&D wages. To stay competitive in the countries in which we do business, we apply these generally available tax regimes and incentives in line with the policy intent as designed by governments.

Technology development is a key competitive success factor and profit driver for many Philips businesses. Philips performs R&D activities mostly in the Netherlands and the US, and makes use of tax incentives where the activities qualify in line with domestic legislation. Philips also participates in R&D public funding programs, in line with local rules and legislation. These R&D programs are intended to promote collaborative research and innovation between industry and academic institutions.

Below we have listed material tax incentives:

Innovation box regime in the Netherlands

In the Netherlands, Philips applies certain wage tax and corporate income tax incentives. For corporate income tax, the 'innovation box regime' that is available under Dutch law taxes qualifying income at 9% (instead of the general corporate income tax rate of 25.8%).

The application of the Dutch innovation box regime to the qualifying taxable profit has been agreed upon with the Dutch tax authorities, providing certainty for both Philips and the authorities, and thereby reducing the risk of future disputes.

Participation exemption (in the Netherlands)

Royal Philips is the holding company of Philips, located in the Netherlands and listed on the Dutch and US stock exchanges. Royal Philips is the ultimate parent company of all the Philips group companies around the world. All distributed profits made by Philips' subsidiaries are ultimately received by Royal Philips.

Under the so-called participation exemption, qualifying (dividend and capital gains) income from participations is exempt from Dutch corporate income tax. The rationale behind this exemption is that this profit was already taxed in the country of residence of the participation itself, thereby preventing double taxation.

Tax exemption/free trade zone regimes

Some governments grant tax-exemption regimes and/or free trade zones, generally to attract foreign investment to create employment, reduce poverty, and stimulate the area's economy. Free trade zone regimes usually provide exemptions for one or more tax types. Philips was granted such temporary regimes in Costa Rica, India and Panama; these are commonly available if the legal requirements are met.

Brazil

Business activities

- Research and Development
- Purchasing
- Manufacturing
- Sales, marketing and distribution
- internal group finance
- Holding and/or managing of intellectual property
- Administrative, management and support services
- Provision of services to unrelated parties
- Regulated financial services
- Holding shares or other equity instruments

Key financials

Revenues from unrelated parties	Revenues from related parties	Profit/Loss before tax	Tangible assets
262.97	40.76	14.11	72.02

Corporate income tax accrued



ECTR: 8.2%

Corporate income tax paid



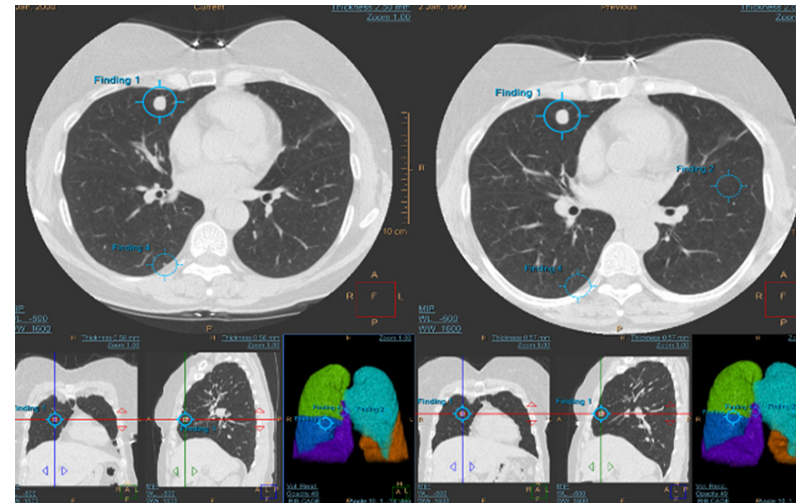
CTR: 17.5%

Environmental and social factors

Circular revenues	Lives improved	Net operational carbon footprint
16.7%	132.16	0 kt CO ₂ e
Number of employees	Employee turnover	Employee benefit expenses
1,721	12.7%	81.94

Customer impact and innovation

Philips' renewed collaboration with Hospital Israelita Albert Einstein brought advanced monitoring and decision-support tools to pediatric and neonatal ICUs, boosting safety, interoperability and access to high-quality care. At the same time, the new AIR project, in partnership with INRAD-INLAB, Fundação CERTI and Vinnova, applies artificial intelligence to accelerate diagnosis of interstitial lung diseases, expanding diagnostic precision for patients across public and private systems.



Philips advanced its impact in Brazil in 2025 with the launch of an AI initiative, focused on developing an algorithm to use CT scan imaging and machine learning to assist clinicians in detecting the progression of lung diseases earlier and more accurately.

Tax summary

Philips is active in Brazil with Philips do Brazil Ltda. (personal health products), Philips Medical Systems Ltda. (health systems products) and Philips Clinical Informatics Sistemas de Informação Ltda. (design, development and sale of software for healthcare products). The statutory tax rate (STR) in Brazil is 34.0%.

Effective current tax rate (ECTR) is lower than the STR due to timing differences as certain expenses are deductible in a different year under tax law than they are under accounting rules, and due to recurring tax benefits.

Corporate income tax paid relates to:

- tax payments related to prior years
- withholding taxes deducted by customers on invoices

Cash tax rate (CTR) is lower than the STR, is which is mainly due to utilization of carryforward tax losses within the limitations that apply. Any additional tax accrued relating to current year income and prior-year true-up will be paid in the following year.

China

Business activities

- Research and Development
- Purchasing
- Manufacturing
- Sales, marketing and distribution
- Internal group finance
- Holding and/or managing of intellectual property
- Administrative, management and support services
- Provision of services to unrelated parties
- Regulated financial services
- Holding shares or other equity instruments

Key financials

Revenues from unrelated parties	Revenues from related parties	Profit/Loss before tax	Tangible assets
1,214.19	1,176.33	80.08	331.71

Corporate income tax accrued



ECTR: 14.3%

Corporate income tax paid



CTR: 19.8%

Environmental and social factors

Circular revenues	Lives improved	Net operational carbon footprint
16.7%	529.91	0 kt CO ₂ e
Number of employees	Employee turnover	Employee benefit expenses
6,459	12.4%	386.98

Customer impact and innovation

Celebrating 40 years since our first joint venture in China, we formally launched the Greater China Innovation Headquarters in Beijing to enhance innovation capabilities and speed up time to market. Philips is exploring collaboration with the national intervention center to launch the IGT AI Ecosystem Platform, providing physicians and technologists with access to advanced, high-quality guidance and remote expertise. And, in partnership with the China Oral Health Foundation, we launched a project to promote oral health among young people across China, including the donation of about 53,000 Sonicare electric toothbrushes.



In 2025, Philips celebrated the 40th anniversary of its first joint venture in China.

Tax summary

In China, Philips primarily engages in sales, marketing and distribution of all Philips products in the China market, in Research & Development centers for group companies globally, and in manufacturing, with five factories located across China supplying globally and locally. The statutory tax rate (STR) in China is 25.0%.

Effective current tax rate (ECTR) is lower than the STR, mainly due to timing differences, as certain expenses are deductible and certain income is taxable in a different year under tax law than they are under accounting rules.

Corporate income tax paid relates to:

- provisional payments for this year based on the current year's estimated taxable profit
- tax payments related to prior years

Cash tax rate (CTR) is lower than the STR, mainly due to provisional payments made based on a lower estimated taxable profit for this year, and the difference will be paid in the following year(s).

France

Business activities

- Research and Development
- Purchasing
- Manufacturing
- Sales, marketing and distribution
- Internal group finance
- Holding and/or managing of intellectual property
- Administrative, management and support services
- Provision of services to unrelated parties
- Regulated financial services
- Holding shares or other equity instruments

Key financials

Revenues from unrelated parties	Revenues from related parties	Profit/Loss before tax	Tangible assets
279.80	113.65	28.35	43.44

Corporate income tax accrued



ECTR: 8.4%

Corporate income tax paid

(0.03)

CTR: (0.1)%

Environmental and social factors

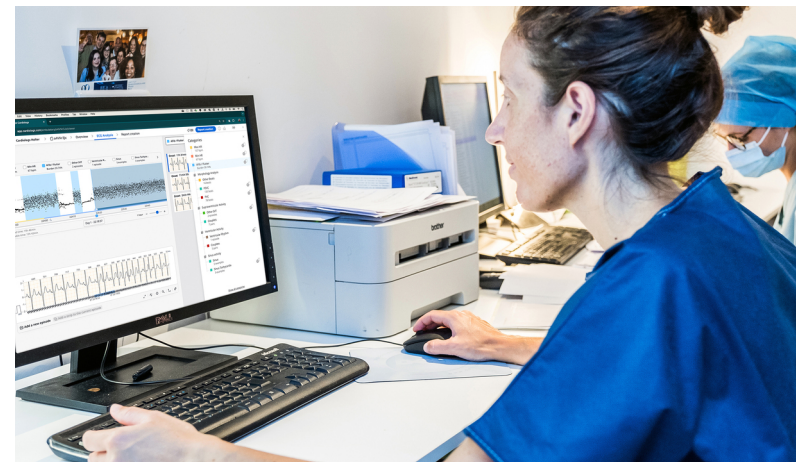
Circular revenues	Lives improved	Net operational carbon footprint
30.4%	42.78	0 kt CO ₂ e
Number of employees	Employee turnover	Employee benefit expenses
889	12.3%	116.72

Customer impact and innovation

Philips France is participating, alongside the Bordeaux and Dijon university hospitals, in a European consortium to develop a digital model for predicting the risk of cardioembolic stroke, using AI.

Stroke is the second leading cause of death worldwide, affecting 6 million people per year. Cardioembolic strokes, which are more serious and costly, have been increasing in frequency in high-income countries.

This project aims to develop innovative, multi-parameter prevention methods to enable earlier intervention.



Cardiologs is a Philips solution for cardiac diagnosis, a tool in the effort to combat cardioembolic stroke.

Tax summary

Philips France Commercial SAS is the main company in France. It primarily functions as a country sales organization and performs Research & Development (R&D) services for the Group. The entities file tax returns on a stand-alone basis. The statutory tax rate (STR) rate in France is 25%; a social surcharge of 3.3% is applied on corporate tax where certain thresholds are exceeded, resulting in a maximum effective rate of 25.8%. Philips France Commercial SAS receives tax relief in the form of a tax credit, as per local legislation, for eligible R&D expenditure. Qualifying income from R&D activities is subject to a lower income tax rate of 10% (patent box).

Corporate income tax accrued also includes Pillar 2 top-up tax of EUR 1 million.

Effective current tax rate (ECTR) is lower than the STR, mainly due to:

- timing differences, as certain income is taxable and certain expenses are deductible in a different year under tax law than they are under accounting rules
- taxable income can be partially offset against available carry-forward losses from previous years, and limitations apply.
- income taxed at lower rate under the patent box regime

Cash tax rate (CTR) is lower than the STR, mainly due to:

- tax refunds related to prior years
- provisional payments for this year based on the current year's estimated taxable profit (and local taxes, such as CVAE), and additional payment will be made in following year(s)

Germany

Business activities

- Research and Development
- Purchasing
- Manufacturing
- Sales, marketing and distribution
- Internal group finance
- Holding and/or managing of intellectual property
- Administrative, management and support services
- Provision of services to unrelated parties
- Regulated financial services
- Holding shares or other equity instruments

Key financials

Revenues from unrelated parties	Revenues from related parties	Profit/Loss before tax	Tangible assets
656.93	1,754.12	333.81	375.14

Corporate income tax accrued



ECTR: 23.4%

Corporate income tax paid



CTR: 19.6%

Environmental and social factors

Circular revenues	Lives improved	Net operational carbon footprint
24.6%	66.98	0 kt CO ₂ e
Number of employees	Employee turnover	Employee benefit expenses
3,384	7.7%	440.66

Customer impact and innovation

The PACS migration at Unfallkrankenhaus Berlin (ukb) stands out as one of Europe's most complex and successful radiology transformations.

Philips seamlessly integrated 23 hospitals with diverse IT systems into a unified Vue PACS platform in just three weeks of continuous work. For the European healthcare landscape, it sets a benchmark for cross-institutional digital integration, reliability, and AI-ready radiology infrastructure – helping ensure future-proof, connected, and resilient care delivery.



At Unfallkrankenhaus Berlin, Philips offered large-scale project management, technical implementation and partnership capabilities.

Tax summary

In Germany, Philips is active in the Diagnosis & Treatment, Connected Care and Personal Health segments of Philips' worldwide business. Philips Germany also has manufacturing, Research & Development, and marketing activities. The combined statutory tax rate (STR) is approximately 30.0%.

Effective current tax rate (ECTR) is lower than the STR, mainly due to timing differences, as certain income is taxable and certain expenses are deductible in a different year under tax law than they are under accounting rules.

Corporate income tax paid relates to provisional payments for this year, partly offset by a refund received relating to prior years.

Cash tax rate (CTR) is lower than the STR, mainly due to tax refunds related to prior years.

India

Business activities

- Research and Development
- Purchasing
- Manufacturing
- Sales, marketing and distribution
- Internal group finance
- Holding and/or managing of intellectual property
- Administrative, management and support services
- Provision of services to unrelated parties
- Regulated financial services
- Holding shares or other equity instruments

Key financials

Revenues from unrelated parties	Revenues from related parties	Profit/Loss before tax	Tangible assets
350.84	572.64	65.42	244.02

Corporate income tax accrued



ECTR: 27.7%

Corporate income tax paid



CTR: 28.8%

Environmental and social factors

Circular revenues	Lives improved	Net operational carbon footprint
15.9%	106.32	0 kt CO ₂ e
Number of employees	Employee turnover	Employee benefit expenses
8,333	13.5%	295.86

Customer impact and innovation

On World Heart Day in September, Philips announced cardiac masterclasses to enhance the expertise of 1,000-plus healthcare professionals across India on CT, MR, and structural heart disease. We also entered in a partnership with Medtronic to upskill 300-plus clinicians in multi-modality imaging, such as echocardiography and MR. In addition, we partnered with two Pune universities on industry-integrated, experiential learning, which aligns with the governmental Skill India Mission and supports the National Education Policy.



A series of initiatives aimed at supporting heart health in India – combining clinical training, expert sessions and community-focused programs – launched on World Heart Day. These initiatives not only raise awareness but also aim to drive collective action that makes timely, effective cardiac care accessible to all.

Tax summary

In India, Philips mainly engages in imports and sales, manufacturing, Research & Development, business support services, and software development. The manufacturing facilities are based in Pune, the software development center in Bengaluru, the business support services in Chennai, and the country sales organization in Gurgaon. The statutory tax rate (STR) for all the entities is 25.2%, except for Philips GBS LLP, which has a tax rate of 34.9%.

Effective current tax rate (ECTR) is slightly higher than the blended STR, mainly due to timing differences as certain income is taxable and certain expenses are deductible in a different year under tax law than they are under accounting rules.

Corporate income tax paid relates to:

- provisional payments for this year based on the current year's estimated taxable profit
- tax payments related to prior years
- withholding taxes deducted by customers on invoices

Cash tax rate (CTR) is higher than the STR, mainly due to tax payments related to prior years.

Japan

Business activities

- Research and Development
- Purchasing
- Manufacturing
- Sales, marketing and distribution
- Internal group finance
- Holding and/or managing of intellectual property
- Administrative, management and support services
- Provision of services to unrelated parties
- Regulated financial services
- Holding shares or other equity instruments

Key financials

Revenues from unrelated parties	Revenues from related parties	Profit/Loss before tax	Tangible assets
882.67	35.15	60.20	246.13

Corporate income tax accrued



ECTR: 42.8%

Corporate income tax paid



CTR: 9.1%

Environmental and social factors

Circular revenues	Lives improved	Net operational carbon footprint
35.6%	52.29	0 kt CO ₂ e
Number of employees	Employee turnover	Employee benefit expenses
1,969	6.6%	122.33

Customer impact and innovation

At Japan Health 2025, Philips showcased innovations designed to strengthen clinical capacity and expand access to quality care. In collaboration with the Embassy of the Netherlands, Philips reinforced its commitment to driving digital and sustainable health solutions.

For example, tele-ICU solutions are one way that remote critical-care support can optimize staffing and improve patient safety.

And AI-enabled imaging technologies have the potential to enhance diagnostic confidence and workflow efficiency across regional healthcare systems.



At Japan Health 2025, sustainable, AI-enabled imaging was showcased prominently at the Philips booth.

Tax summary

Philips is active in Japan with its legal entity Philips Japan Ltd, which primarily functions as a country sales organization and carries out rental of health system equipment in Japan. The total corporate income tax burden (i.e., effective tax rate) of a Japan entity varies depending upon the size of the company's paid-in capital. It consists of corporation tax, inhabitant tax and enterprise tax. The statutory tax rate (STR) in Japan is 30.6%.

Effective current tax rate (ECTR) is higher than the STR, mainly due to local taxes, such as enterprise tax and special corporate business tax.

Corporate income tax paid relates to:

- provisional payments for this year based on the prior year's taxable profit
- tax payments related to prior years

The cash tax rate (CTR) is lower than the STR, mainly due to provisional payments made based on the prior year's taxable profit, and the difference will be paid in the following year(s).

Poland

Business activities

- Research and Development
- Purchasing
- Manufacturing
- Sales, marketing and distribution
- Internal group finance
- Holding and/or managing of intellectual property
- Administrative, management and support services
- Provision of services to unrelated parties
- Regulated financial services
- Holding shares or other equity instruments

Key financials

Revenues from unrelated parties	Revenues from related parties	Profit/Loss before tax	Tangible assets
228.35	112.02	(0.64)	22.84

Corporate income tax accrued



ECTR: (154.1)%

Corporate income tax paid



CTR: (844.1)%

Environmental and social factors

Circular revenues	Lives improved	Net operational carbon footprint
22.6%	28.47	0 kt CO ₂ e
Number of employees	Employee turnover	Employee benefit expenses
1,951	14.9%	100.70

Customer impact and innovation

Philips strengthened its contribution to advancing healthcare in Poland through a long-term strategic partnership with a leading medical network, delivering MRI systems to hospitals in Szczecin, Poznań, Lublin and Rzeszów.

The latest Philips Kitten Scanner was introduced at the Polish Mother's Health Center Institute in Lodz, designed to enhance pediatric MRI experiences, while Poland's first Philips Spectral CT 7500 was launched in Warsaw, designed to enable high-quality, low-dose imaging.



The first Philips Spectral CT 7500 in Poland was installed at the Clinical Radiology Department of the Infant Jesus Clinical Hospital of the Medical University of Warsaw Clinical Center.

Tax summary

Philips is active in Poland with two legal entities, with the main entity being Philips Polska, which primarily functions as the country sales organization and provides administrative support services to group companies. In 2018, Philips Polska purchased 100% shares in Respironix Sp.Zoo. The statutory tax rate (STR) in Poland is 19.0%.

Effective current tax rate (ECTR) and cash tax rate (CTR) are negative due to a loss based on accounting rules.

Corporate income tax accrued relates to:

- timing differences, as certain expenses are deductible and certain income is taxable in a different year under tax law than they are under accounting rules
- non-tax-deductible items, such as penalties and entertainment expenses

Corporate income tax paid relates to:

- provisional payments for this year based on the prior year's taxable profit
- tax payments related to prior years

The Netherlands

Business activities

- Research and Development
- Purchasing
- Manufacturing
- Sales, marketing and distribution
- Internal group finance
- Holding and/or managing of intellectual property
- Administrative, management and support services
- Provision of services to unrelated parties
- Regulated financial services
- Holding shares or other equity instruments

Key financials

Revenues from unrelated parties	Revenues from related parties	Profit/Loss before tax	Tangible assets
2,659.64	7,113.52	700.23	1,315.42

Corporate income tax accrued



ECTR: 13.8%

Corporate income tax paid



CTR: 8.8%

Environmental and social factors

Circular revenues	Lives improved	Net operational carbon footprint
10.0%	15.92	0 kt CO ₂ e
Number of employees	Employee turnover	Employee benefit expenses
8,172	11.1%	1,245.35

Customer impact and innovation

Ranked by the AEX Futureproof Index as the most socially valuable company on the Dutch stock exchange for its positive impacts on society, Philips supported several health systems in expanding access to care. Leiden University Medical Center will use Philips' Image Guided Therapy technology in its new LIGT Center, opened in March and designed to treat 50 to 60 patients daily. In addition, the Martini hospital is the first hospital in the Netherlands to start using the Philips ePatch for the detection of heart arrhythmias.



Her Majesty Queen Máxima of the Netherlands opened the new global Philips Headquarters in Amsterdam. The opening reflected Philips' purpose to create better care for more people globally with innovation.

Tax summary

Philips has its corporate headquarters in the Netherlands. KPNV is the stock-listed ultimate parent company of the group and holds, directly or indirectly, all local and foreign subsidiaries. Further, multiple health systems and personal health Businesses and two of the largest factories are located in the Netherlands. The majority (~90%) of revenue relates to exports to other countries. The Netherlands is a key hub for Research & Development activities for Philips. The statutory tax rate (STR) in the Netherlands is 25.8%. Qualifying income from R&D activities is subject to a lower income tax rate of 9% (innovation box). Wage tax benefits apply per tax incentives included in Dutch tax law.

Effective current tax rate (ECTR) is lower than the STR, mainly because of the innovation box and timing differences. Certain expenses are deducted in a different year on the basis of tax law than on the basis of accounting rules, reducing the taxable income. Being the ultimate parent under Pillar 2 rules, corporate income tax accrued also includes Pillar 2 top-up tax of EUR 0.3 million.

Corporate income tax paid relates to:

- provisional payments for this year and tax payments related to prior years
- foreign withholding tax on royalties and interest
- taxes paid relating to discontinued operations

Cash tax rate (CTR) is lower than the STR due to the innovation box and timing differences. In addition, part of the corporate income tax accrued relating to 2025 will be paid in 2026.

United Kingdom

Business activities

- Research and Development
- Purchasing
- Manufacturing
- Sales, marketing and distribution
- Internal group finance
- Holding and/or managing of intellectual property
- Administrative, management and support services
- Provision of services to unrelated parties
- Regulated financial services
- Holding shares or other equity instruments

Key financials

Revenues from unrelated parties	Revenues from related parties	Profit/Loss before tax	Tangible assets
79.32	374.45	(38.52)	80.84

Corporate income tax accrued



ECTR: (5.5)%

Corporate income tax paid



CTR: (7.3)%

Environmental and social factors

Circular revenues	Lives improved	Net operational carbon footprint
18.6%	39.91	0 kt CO ₂ e
Number of employees	Employee turnover	Employee benefit expenses
889	14.9%	95.84

Customer impact and innovation

At Frimley Park Hospital, Philips introduced the UK's first ePatch and Cardiologs solution, detecting up to 2.5 times more arrhythmias than traditional Holter monitors and cutting report turnaround to 72 hours. Clinics doubled productivity, easing pressure on waiting lists. At Grantham and District Hospital, Philips' Kitten Scanner has turned a daunting MRI experience into playtime, helping children prepare for their scans, thereby reducing anxiety and removing the need for sedation. With over 250 uses in 2025, the trust saved GBP 150,000 in sedation and recovery costs, as well as improved the experience for families.



The Philips Kitten scanner, an interactive toy and a miniature version of an MRI scanner, has put hundreds of children at ease before their scans.

Tax summary

Philips is active in the United Kingdom with multiple legal entities, the main entities being Philips Electronics UK, which primarily functions as a country sales organization, and Remote Diagnostic Technologies (RDT) Limited, which primarily engages in manufacturing, Research & Development and marketing. The statutory tax rate (STR) in the United Kingdom is 25.0%. RDT Limited was divested as of the end of 2025.

Effective current tax rate (ECTR) and cash tax rate (CTR) are negative due to entrepreneur losses reported in RDT Limited.

Corporate income tax accrued mainly relates to:

- timing differences, as certain expenses are deductible in a different year under tax law than they are under accounting rules
- taxable income that cannot be offset against available carry-forward losses from previous years due to loss limitation rules

Corporate income tax paid relates to provisional payments for this year based on the current year's estimated taxable profit.

United States

Business activities

- Research and Development
- Purchasing
- Manufacturing
- Sales, marketing and distribution
- Internal group finance
- Holding and/or managing of intellectual property
- Administrative, management and support services
- Provision of services to unrelated parties
- Regulated financial services
- Holding shares or other equity instruments

Key financials

Revenues from unrelated parties	Revenues from related parties	Profit/Loss before tax	Tangible assets
7,149.77	5,224.56	(250.67)	2,241.21

Corporate income tax accrued



ECTR: 1.2%

Corporate income tax paid



CTR: (3.3)%

Environmental and social factors

Circular revenues	Lives improved	Net operational carbon footprint
26.1%	335.14	0 kt CO ₂ e
Number of employees	Employee turnover	Employee benefit expenses
16,269	16.8%	2,700.50

Customer impact and innovation

Philips is working with innovative health systems such as Bon Secours Mercy Health, Vanderbilt University Medical Center and Nicklaus Children's Hospital to advance care in different ways – from standardizing patient monitoring and expanding interventional radiology to introducing AI-enabled precision diagnostics. We continue to support the more than 9 million veterans who receive healthcare through the US Department of Veterans Affairs. And, in partnership with Ingeborg Initiatives, the Philips Avent Pregnancy+ app reached families in Arkansas, delivering information about localized maternal health resources.



Hoag selected Philips to enhance and unify patient monitoring, aiming to elevate care across its hospitals in Orange County, California. The 10-year collaboration aims to connect scalable monitoring technology that streamlines workflows, supporting patient safety and the patient and clinician experience.

Tax summary

In the United States, Philips has significant business operations in the areas of manufacturing, Research & Development (R&D) and marketing. Philips US has material imports and exports to serve both domestic and international markets. Philips' US operations are subject to income tax imposed by federal (21%), state (0-12%) and local jurisdictional taxes. Philips' US operations file, for the most part, as a consolidated group for federal tax purposes. Philips benefits from export incentives and a tax credit for R&D.

The loss before tax position based on accounting rules is mainly impacted by the provisions relating to the Respironics recall.

Corporate current income tax accrued mainly relates to net benefit on tax incentives largely offset by non-deductible expenses and local taxes, such as franchise state taxes.

Corporate income tax paid relates to provisional payments for this year for state purposes, and to taxes withheld at the source in other jurisdictions on foreign royalty income.

All numbers in millions of EUR unless otherwise stated

Country summary

The table below gives an overview of Key financials and non financial (ESG factors) for all countries split by geographic area for 2025.

	Key financials						Environmental and social factors					
	Revenues from unrelated parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued	Corporate income tax paid	Net operational carbon footprint (in kt CO2 e)	Circular revenues (in %)	Lives improved (in millions)	Employee turnover (in %)	Employee benefit expenses	Number of employees (in full number)
Western Europe												
The Netherlands	2,659.64	7,113.52	700.23	1,315.42	96.37	61.61	0	10.0	15.92	11.1	1,245.35	8,172
Germany	656.93	1,754.12	333.81	375.14	78.26	65.51	0	24.6	66.98	7.7	440.66	3,384
United Kingdom	374.45	79.32	(38.52)	80.84	2.14	2.82	0	18.6	39.91	14.9	95.84	889
France	279.80	113.65	28.35	43.44	2.37	(0.03)	0	30.4	42.78	12.3	116.72	889
Spain	234.61	28.19	11.87	25.35	2.16	2.20	0	25.5	38.91	6.2	52.78	526
Italy	316.01	36.59	9.00	45.25	0.83	1.70	0	20.5	29.48	4.3	67.14	689
Sweden	108.05	15.96	5.42	8.91	0.51		0	24.6	8.85	10.8	29.58	225
Belgium	64.78	57.07	10.68	14.16	1.66	3.10	0	21.0	7.11	13.2	36.89	259
Austria	64.21	61.00	6.02	39.10	0.95	0.51	0	23.7	7.89	6.3	36.42	361
Switzerland	122.01	13.39	1.57	19.30	0.29	0.71	0	26.6	8.81	8.5	34.13	184
Denmark	36.17	9.10	2.10	3.41	0.82	0.15	0	20.0	4.78	12.9	13.47	100
Finland	24.08	4.63	2.27	5.55			0	19.3	3.97	11.0	8.37	74
Portugal	28.35	4.12	3.03	6.08	0.64	0.30	0	23.5	7.07	7.2	6.07	83
Norway	25.75	3.95	1.19	1.65	0.17	0.08	0	15.7	2.50	11.1	4.56	36
Ireland	23.06	2.28	(1.19)	2.06	0.10	0.45	0	12.7	2.31	3.9	3.21	26
Greece	15.10	3.51	(0.43)	1.87	0.12	0.20	0	24.7	4.65	2.3	4.22	44
Luxembourg		0.03	0.04		0.01	0.02						
North America												
United States	7,149.77	5,224.56	(250.67)	2,241.21	(3.04)	8.21	0	26.1	335.14	16.8	2,700.50	16,269
Canada	329.21	21.99	8.63	52.91	4.16	3.28	0	22.4	33.28	15.6	55.66	533
Other mature geographies												
Japan	882.67	35.15	60.20	246.13	25.77	5.46	0	35.6	52.29	6.6	122.33	1,969
Australia	262.72	26.35	8.13	68.13	2.49	0.67	0	17.2	26.58	13.4	69.56	547
Israel	24.55	315.81	32.16	73.88	4.78	(5.80)	0	16.6	9.81	12.4	131.92	986



	Key financials						Environmental and social factors					
	Revenues from unrelated parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued	Corporate income tax paid	Net operational carbon footprint (in kt CO2 e)	Circular revenues (in %)	Lives improved (in millions)	Employee turnover (in %)	Employee benefit expenses	Number of employees (in full number)
South Korea	216.53	11.57	18.47	24.20	0.40	3.98	0	18.8	25.50	6.6	26.45	338
New Zealand	28.58	2.11	1.57	5.00	0.25	0.35	0	20.1	4.47	16.3	4.13	43
Growth geographies												
China	1,214.19	1,176.33	80.08	331.71	11.44	15.85	0	16.7	529.91	12.4	386.98	6,459
India	350.84	572.64	65.42	244.02	18.15	18.83	0	15.9	106.32	13.5	295.86	8,333
Brazil	262.97	40.76	14.11	72.02	1.16	2.47	0	16.7	132.16	12.7	81.94	1,721
Poland	228.35	112.02	(0.64)	22.84	0.98	5.37	0	22.6	28.47	14.9	100.70	1,951
Mexico	161.95	6.97	4.40	26.84	1.46	3.39	0	24.6	26.41	13.3	22.01	316
Türkiye	184.73	(6.67)	(8.47)	20.33		(0.16)	0	17.5	25.57	9.0	17.88	234
Argentina	73.22	3.82	(0.46)	18.99		1.86	0	23.9	12.86	9.6	9.29	136
Singapore	95.05	389.58	4.85	102.67	1.24	(0.43)	0	9.8	5.66	8.8	63.09	405
Costa Rica	0.12	225.20	11.45	153.13			0	27.4	1.26	34.5	59.18	2,759
Indonesia	65.69	458.64	26.20	167.12	8.30	2.30	0	15.9	20.02	27.9	41.52	4,360
Czech Republic	112.45	5.68	3.66	1.36	0.40	0.81	0	29.3	8.06	6.9	9.94	106
Romania	141.89	4.62	2.50	6.98	1.55	1.31	0	13.1	11.70	7.3	7.44	109
Chile	70.99	3.32	3.47	11.73	0.03	0.43	0	20.2	11.40	3.7	9.97	109
Thailand	129.62	3.92	3.54	6.81	0.59	0.88	0	20.0	21.49	7.4	8.94	148
Russian Federation	118.07	(2.05)	2.69	19.53	0.12	0.37	0	11.3	45.79	14.4	19.07	336
Saudi Arabia	90.22	7.58	11.62	11.00	1.68	0.57	0	17.2	26.44	5.4	16.23	184
Taiwan	116.07	3.43	6.81	19.90	0.19	0.56	0	18.7	19.62	19.4	10.78	160
Panama	8.05	53.12	3.32	3.67	1.70	1.24	0	19.5	1.35	14.7	41.10	699
South Africa	46.47	1.39	1.88	7.83	0.53	0.79	0	19.8	10.39	13.0	8.12	133
Colombia	22.13	3.21	(1.09)	2.87	0.07	0.70	0	13.9	4.41	18.1	7.20	105
Philippines	27.57	1.02	(0.73)	5.50	0.05	0.41	0	14.1	6.73	6.5	2.34	94
Ukraine	36.42	0.44	3.09	2.32	0.48	0.54	0	24.6	6.79	0.0	1.99	37
Malaysia	45.46	2.45	1.18	5.07	0.43	0.38	0	11.6	10.32	13.3	5.89	105
Puerto Rico	23.58	1.39	1.24	4.02	0.40	0.14	0	26.3	2.63	0.0	3.43	29
Egypt	32.42	3.78	1.14	12.09	0.73	0.67	0	25.4	8.27	11.3	3.16	101



	Key financials						Environmental and social factors					
	Revenues from unrelated parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued	Corporate income tax paid	Net operational carbon footprint (in kt CO2 e)	Circular revenues (in %)	Lives improved (in millions)	Employee turnover (in %)	Employee benefit expenses	Number of employees (in full number)
Hungary	17.60	3.25	0.81	1.43	0.34	0.40	0	15.9	6.03	10.9	2.65	46
Vietnam	38.37	1.90	0.56	3.98	0.18	0.88	0	14.6	9.60	5.9	3.14	70
Hong Kong	247.41	25.63	12.18	23.52			0	5.9	7.54	10.6	20.84	188
Kenya	8.85	1.16	1.53	4.29	(0.07)	0.19	0	29.1	1.93	8.1	2.33	37
Peru							0	21.8	2.15	0.0		
Bangladesh	2.52	1.49	0.12	0.45	0.08	0.19	0	7.6	2.50	0.0	0.28	16
Latvia	22.59	0.36	0.23	0.15		0.02	0	15.8	1.87	0.0	1.30	18
Croatia	0.01	2.83	0.19	0.40	0.03	0.02	0	26.4	1.93	5.0	1.70	20
United Arab Emirates	109.95	24.35	1.43	1.47	0.30		0	21.1	10.06	3.8	22.95	182
Ghana	0.27	0.82	0.06	0.08	0.05	0.01	0	14.1	1.41	11.1	0.23	9
Tanzania	0.46		0.52		0.13	0.35	0	–	1.34	–		
Kazakhstan		1.35	0.05	0.03	0.02	0.03	0	18.5	2.94	33.3	0.72	15
Bulgaria		1.65	0.11	0.43	0.01	0.01	0	22.5	3.53	10.0	1.18	20
Lebanon							0	29.6	5.59	–		
Serbia		1.20	0.13	0.30	0.02		0	29.1	1.80	–	0.49	8
Sri Lanka		0.24	0.10		0.03	0.03	0	16.8	1.99	–	0.06	2
Morocco							0	11.2	2.17	–		
Macedonia		0.01	(0.06)			0.08	0	15.5	0.70	–	0.02	
Qatar			0.19		0.02	0.02	0	27.1	2.87	–	0.71	9
Myanmar			0.01			0.02	0	9.6	1.37	–	0.01	
Uruguay		0.10	0.05		0.26	0.47	0	23.4	1.12	–		
Belarus		0.09	(0.01)				0	–	0.43	–	0.03	1
Venezuela							0	–	0.32	–		
Paraguay			(0.01)	0.15			0	42.5	0.66	–		
Slovenia	0.01	1.19	0.16	0.09	0.04	0.02	0	18.6	2.11	–	0.68	6

Philips Group

Tax contribution - Group Total in millions of EUR (employees in full number)

2025

	Key financials						Environmental and social factors					
	Revenues from unrelated parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued	Corporate income tax paid	Net operational carbon footprint (in kt CO2 e)	Circular revenues (in %)	Lives improved	Employee turnover (in %)	Employee benefit expenses	Number of employees (in full number)
Philips Group	18,043	18,007	1,182	5,087	256	218	0	27.9	2 billion	14.6	6,681	66,401

Reference to the presentation of the financial data in this Report:

- blanks represents 'no' amounts
- '-' represents an amount less than EUR 0.01 million
- amounts may not add up due to rounding

The data presented in the table above is reconciled with the data stated in the audited consolidated financial statements, in the 2025 Annual Report, as follows:

- **Revenues from unrelated parties:** Revenue from unrelated parties of EUR 18,043 million reported is based on the OECD BEPS Action 13 which is the **basis of preparation** of this Report. Below are relevant sections from the Annual report which ties out to the number reported above:
 1. 'Sales' of EUR 17,834 million in the Consolidated statements of income
 2. 'Other business income' of EUR 87 million in the Consolidated statements of income
 3. 'Other business expense' of EUR (27) million as it relates to disposal of business which has been an income in the past years, however, an expense in 2025
 4. 'Financial income' of EUR 113 million in the Consolidated statements of income within which EUR (3) million of fair value losses on derivatives is included resulting in net financial income of EUR 116 million
 5. 'Financial expenses' includes EUR 33 million of fair value gains on financial assets and interest income on pensions

- **Profit/(loss) before tax:** Per Consolidated statements of income, 'Income before taxes' (excluding 'Investments in associates, net of income taxes') corresponds to the EUR 1,182 million per this report. There is EUR (31) million profit/(loss) before tax that is recorded on consolidation, which is not allocated to a country for the purposes of this Report.
- **Tangible assets:** Per Consolidated balance sheet, 'Property, plant and equipment' and 'net inventories' amounts to EUR 5,087 million. There is EUR (929) million of 'Tangible assets other than cash and cash equivalents' that are recorded on consolidation, which are not allocated to a country for the purposes of this report. This is mainly related to the elimination of unrealized intercompany profit on unsold inventory.
- **Corporate income tax accrued - expense/(benefit):** Per Note 8 Income taxes the 'Corporate income tax accrued' amounts to EUR 282 million. As OECD BEPS Action 13 is the basis of preparation of this report, reported corporate income tax accrued in this report includes accrued tax expense relating to discontinued operations, however it excludes tax impact relating to uncertain tax position, withholding tax on dividend, tax treatment of items included in prior year statutory accounts, and 'deferred only' tax adjustments covering prior year true-ups, de-recognition of deferred tax assets, tax rate change impact, etc., which results in corporate income tax accrued of EUR 256 million per this Report.
- **Corporate income tax paid/(refund):** Per Consolidated statements of cash flows, 'Income taxes paid' amounts to EUR 213 million, which includes EUR 6 million of withholding tax paid on intercompany dividend (which is not reported in Corporate income tax paid based on basis of preparation defined per OECD BEPS Action 13), resulting in net tax paid of 207M relating to continuing operations. In addition, EUR 11 million of income tax payments relates to discontinued operations, totalling to EUR 218 million corporate income tax paid per this Report.



Business activity summary

The table below gives an overview of business activities in the respective countries per geographic area for 2025.

Country	Research and Development	Holding and/or managing of intellectual property	Purchasing	Manufacturing	Sales, marketing and distribution	Administrative, management and support services	Provision of services to unrelated parties	Internal group finance	Regulated financial services	Holding shares or other equity instruments
Western Europe										
The Netherlands	●	●	●	●	●	●	●	●		●
Germany	●	●	●	●	●	●	●	●	●	●
United Kingdom	●	●	●		●	●	●			●
France	●	●			●	●	●			●
Spain					●	●	●			
Italy	●				●	●	●			●
Sweden	●				●	●	●			
Belgium					●	●	●			●
Austria	●		●	●	●	●	●	●		
Switzerland					●	●	●			●
Denmark			●		●	●	●			
Finland					●	●	●			
Portugal					●	●	●			
Norway					●	●	●			
Ireland					●	●	●			●
Greece					●	●	●			
Luxembourg						●				
North America										
United States	●	●	●	●	●	●	●	●		●
Canada	●				●	●	●			●



Country	Research and Development	Holding and/or managing of intellectual property	Purchasing	Manufacturing	Sales, marketing and distribution	Administrative, management and support services	Provision of services to unrelated parties	Internal group finance	Regulated financial services	Holding shares or other equity instruments
Other mature geographies										
Japan					●	●	●			
Australia					●	●	●			●
Israel	●	●	●	●	●	●	●			●
South Korea					●	●	●			
New Zealand					●	●	●			
Growth geographies										
China	●		●	●	●	●	●	●		●
India	●		●	●	●	●	●			●
Brazil	●	●	●	●	●	●	●			●
Poland					●	●	●			●
Mexico					●	●	●			
Türkiye			●		●	●	●			
Argentina					●	●	●			●
Singapore	●		●		●	●	●			●
Costa Rica	●		●	●		●				
Indonesia			●	●	●	●	●			
Czech Republic					●	●	●			●
Romania					●	●	●			
Chile					●	●	●			
Thailand					●	●	●			
Russian Federation					●	●	●			
Saudi Arabia					●	●	●			
Taiwan					●	●	●			
Panama					●	●				
South Africa					●	●	●			
Colombia					●	●	●			
Philippines					●	●	●			
Ukraine					●	●	●			
Malaysia					●	●	●			



Country	Research and Development	Holding and/or managing of intellectual property	Purchasing	Manufacturing	Sales, marketing and distribution	Administrative, management and support services	Provision of services to unrelated parties	Internal group finance	Regulated financial services	Holding shares or other equity instruments
Puerto Rico					●	●	●			
Egypt					●	●	●			
Hungary					●	●	●			
Vietnam					●	●	●			
Hong Kong	●		●		●	●	●			●
Kenya	●				●	●	●			
Peru										
Bangladesh					●	●	●			
Latvia					●	●				
Croatia						●				
United Arab Emirates					●	●	●			
Ghana					●	●	●			
Tanzania							●			
Kazakhstan						●				
Bulgaria						●				
Lebanon										
Serbia						●				
Sri Lanka						●				
Morocco										
Macedonia										
Qatar						●				
Myanmar						●				
Uruguay										
Belarus						●				
Venezuela										
Paraguay										
Slovenia						●				

Forward-looking statements

This document contains certain forward-looking statements with respect to the financial condition, results of operations and business of Philips and certain of the plans and objectives of Philips with respect to these items. Examples of forward-looking statements include: statements made about our strategy; estimates of sales growth; future Adjusted EBITA; future restructuring and acquisition-related charges and other costs; future developments in Philips' organic business; and the completion of acquisitions and divestments. By their nature, these statements involve risk and uncertainty because they relate to future events and circumstances, and there are many factors that could cause actual results and developments to differ materially from those expressed or implied by these statements.

These factors include but are not limited to: macroeconomic and geopolitical changes including protectionism measures such as announced and proposed tariffs and retaliatory trade measures in response thereto; Philips' ability to keep pace with the changing health technology environment; Philips' ability to gain leadership in health informatics and artificial intelligence (AI) in response to developments in the health technology industry; integration of acquisitions and their delivery on business plans and value creation expectations; ability to meet expectations with respect to ESG-related matters; securing and maintaining Philips' intellectual property rights, and unauthorized use of third-party intellectual property rights; failure of products and services to meet quality or security standards, adversely affecting patient safety and customer operations; the resilience of our supply chain; challenges in simplifying our organization and our ways of working; attracting and retaining personnel; breach of cybersecurity; challenges in driving operational excellence and speed in bringing innovations to market; treasury and financing risks; tax risks; reliability of internal controls; compliance with regulations and standards involving quality, product safety, (cyber) security and AI; and compliance with business conduct rules and regulations including privacy, existing and upcoming ESG disclosure and due diligence requirements.

For a discussion of factors that could cause future results to differ from such forward-looking statements, see also the Risk factors and responses chapter in the Annual Report.

Tax Governance Code

Philips complies with the principles set out in the VNO-NCW Tax Governance Code. The below overview indicates the appropriate reference to the relevant disclosures in this Report and the Annual Report.

A. Approach to Tax: Tax Strategy & Tax Principles

The company sees tax not as a cost factor only, but as a means for social economic cohesion, sustainable growth and long-term prosperity.

- | | |
|---|--|
| 1. The company's approach to tax is based on a tax strategy and set of principles approved by the board of directors, the supervisory board, or delegated sub-committee (the board) . | Tax governance, control, and risk management |
| 2. The company reports at least annually to the board on tax risks and adherence to the tax strategy and principles. | Tax governance, control, and risk management |
| 3. The company's tax strategy and principles apply to all group entities. | Introduction |
| 4. The company's tax principles apply to how the company operates in its relationships with employees, customers and contractors. | Introduction |

B. Accountability & Tax Governance

Tax is a core part of corporate social responsibility and governance and is overseen by the board.

- | | |
|---|--|
| 1. The board is accountable for the tax strategy, principles and tax risk management. | Tax governance, control, and risk management |
| 2. The company has a tax control framework that sets out the tax controls and risk management. | Tax governance, control, and risk management |
| 3. Internal or external auditors regularly review the company's tax controls as part of the audit of its financial results. | Tax governance, control, and risk management |

C. Tax Compliance

The company is committed to comply with the letter, the intent and the spirit of the tax legislation of the countries in which it operates and to pay the right amount of tax at the right time.

- | | |
|---|----------------|
| 1. The company prepares and files all tax returns required, providing complete, accurate and timely disclosures to all relevant tax authorities. | Tax compliance |
| 2. The company's responsible tax planning is based on reasonable interpretations of applicable law and is aligned with the substance of the economic and commercial activity of its business. | Tax compliance |
| 3. The company will not undertake transactions or engage in arrangements of which the sole purpose is to create a tax benefit that is in excess of a reasonable interpretation of relevant tax rules. | Tax compliance |
| 4. The company will only claim tax incentives in line with the policy intent of such tax incentives and provided such incentives are generally available. | Tax compliance |
| 5. If the company seeks certainty in advance from tax authorities to confirm an applicable tax treatment, it does so based on full disclosure of all relevant facts and circumstances. | Tax compliance |

D. Business Structure

The company will only use business structures that are driven by commercial considerations, are aligned with business activity and have genuine substance.

- | | |
|--|--|
| 1. The company does not use so-called tax havens for tax avoidance. All entities in tax havens exist for substantive and commercial reasons. | Tax planning |
| 2. The company pays tax on profits according to where value is created within the normal course of commercial activity. | Tax planning and Taxation of Philips' business |
| 3. The company uses the arm's length principle, in line with guidelines issued by the OECD, and applies this consistently across its businesses, contingent on local laws. | Tax planning and Taxation of Philips' business |

E. Relationships with Tax Authorities and Other External Stakeholders

Mutual respect, transparency and trust drive the company's relationships with tax authorities and other relevant external stakeholders.

- | | |
|---|---|
| 1. The company seeks to develop cooperative relationships with tax authorities, and relevant other authorities, based on mutual respect, transparency and trust. | Stakeholder engagement and advocacy |
| 2. The company seeks to engage constructively in national and international dialogue with governments, business groups and civil society to support the development of effective tax systems, legislation and administration. | Stakeholder engagement and advocacy |
| 3. The company will work collaboratively with tax authorities to achieve early agreement on disputed issues and certainty on a real-time basis, wherever possible. Where there is controversy, the company will strive to resolve the controversy by applying these principles. | Stakeholder engagement and advocacy |

F. Tax Transparency & Reporting

The company regularly provides information to its stakeholders, including investors, policy makers, employees, civil society and the general public, about its approach to tax and taxes paid. The company will therefore publish the following information:

- | | |
|---|--|
| 1. A tax strategy or policy and its tax risk management strategy. | Throughout Report |
| 2. A list of entities, with ownership information and a brief explanation of the type and geographic scope of activities. | Results Hub - List of consolidated entities |
| 3. Annual information on the corporate income tax the company accrues and pays on a cash basis at a country level. | Activities and tax per country |
| 4. The total tax borne and collected by the company, globally or per country, including corporate income taxes, property taxes, (non-creditable) VAT and other sales taxes, employer/employee related taxes, and other taxes that constitute costs to the company or are remitted by the company on behalf of customers or employees, by category of taxes. | Activities and tax per country |
| 5. Information on financially material tax incentives (e.g. tax holidays), including an outline of the incentive requirements and when it expires. | Activities and tax per country |
| 6. An outline of the advocacy approach the company takes on tax issues, the channels through which the company engages in regard to policy development, and the overall purpose of its engagement. | Tax transparency and throughout Report |

Definitions and legend

Businesses/ Business unit

In the Philips Operating model, we have identified three operating segments: Diagnosis & Treatment, Connected Care, and Personal Health - comprised of 6 businesses which are in turn comprised of 15 business units, as well as Segment Other which includes Innovation & Design, IP Royalties etc. For more details, please refer to the section on "Our businesses Structure" in the Annual Report.

Cash tax rate (CTR)

The rate that represents the actual corporate income tax paid in cash to the authorities, compared to the income before tax.

Circular revenues

Circular revenues are defined as revenues generated through products and solutions that meet specific circular economy requirements. These include performance and access-based business models; refurbished, reconditioned and remanufactured products and systems; refurbished, reconditioned and remanufactured components; upgrades or refurbishment on-site or remote; and products with a recycled plastics content of more than 25% post-consumer recycled plastics or more than 30% post-industrial/post-consumer recycled plastics by total weight of eligible plastics.

Cooperative compliance program

There is no clear guidance on the criteria of what defines a 'cooperative compliance program'. At Philips, we define a program as a 'cooperative compliance program' if it meets the following criteria:

- Behavior(s) between tax authorities and taxpayer should be based upon a framework predefined by the tax authorities.
- This framework should include a description of the compliance standards required of the taxpayer (i.e., a tax control framework).
- This framework should detail out the behaviors required of the taxpayer (open and transparent).

- This framework should also describe the methodologies for supervision applied by the tax authorities on the compliance activities of the taxpayer.
- This framework should be publicly accessible.

Corporate income tax (CIT)

Income tax levied within the scope of IAS 12 Income taxes, calculated on the taxable profit of legal entities (including permanent establishments).

Corporate current income tax accrued / Corporate income tax accrued

Corporate current income tax accrued represents the 'corporate income tax' expected to be paid within approximately one year. Corporate current income tax accrued is based on the (expected) taxable profit included in the income tax returns and excludes deferred corporate income tax only adjustments, uncertain tax position movements, tax items that are included in prior year statutory accounts, adjustments relating to prior years (i.e., prior-year true-ups) and withholding tax on dividend.

This definition is based on the revised basis of preparation, i.e., that follows BEPS Action 13 CbCR, and which differs from the GRI 207 definition that was used in prior years' Country Activity and Tax Reports. Under GRI 207, corporate current income tax accrued included prior year true-ups and withholding tax on dividend.

Note that in this report 'corporate income tax accrued' and 'corporate current income tax accrued' are used interchangeably. The term 'Corporate current income tax accrued' was introduced and used in the country narratives.

Corporate income tax paid

Corporate income tax paid represents the amount of the taxes actually paid during the year, which should include prepayments

and payments fulfilling the tax obligation of the previous year(s). However, dividend withholding tax paid on dividends distributed by the constituent entities is not included in the corporate income tax paid as per BEPS Action 13 CbCR, which differs from GRI 207 definition.

Tax paid on dividends distributed by the constituent entities and tax paid on external dividend is included in 'Other taxes' bucket in this report.

Customs duty

Tax imposed on imports and exports of goods.

Effective current tax rate (ECTR)

The rate that represents corporate income tax accrued divided by International Financial Reporting Standards (IFRS) profit or loss before tax. Please note that this ratio is not part of IFRS/IAS12 and is different from the effective tax rate (ETR). The key difference is that ECTR does not include deferred tax only adjustments, uncertain tax positions, tax items that are included in prior year statutory accounts, prior year true-ups and withholding taxes on dividend that are included in ETR calculation.

ECTR can be different than the statutory tax rate (STR) for various reasons, primarily:

- use of tax loss carry-forward or use of other tax assets
- taxable profit differs from IFRS profit

This implies that corporate income tax accrued will show the tax liability attributable to the current year's profit before tax, under local tax law.

Effective tax rate (ETR)

This ratio is calculated as total tax expense divided by IFRS profit/loss before tax.

Employee benefit expenses

Employee benefit expenses relate to employees who are working on the payroll of Philips, both with permanent and temporary contracts.

Employee turnover

Employee turnover, or employee turnover rate, is the measurement of the number of employees who leave an organization during a specified time period.

Profit/(Loss) before tax

Profit/(Loss) before tax, or Income before tax, is the starting point for calculating the company's corporate income tax provision. This excludes the result from investment in associates, however includes results from discontinued operations.

Net operational carbon footprint

A carbon footprint is the total set of greenhouse gas emissions caused by an organization, event, product or person; it is usually expressed in kilotonnes CO₂-equivalent. Philips' operational carbon footprint is calculated on a half-year basis and includes industrial sites (manufacturing and assembly sites), non-industrial sites (offices, warehouses, IT centers and R&D facilities), business travel (lease and rental cars and airplane travel) and logistics (air, sea and road transport).

Lives improved by Philips

To calculate how many lives we are improving, market intelligence and statistical data on the number of people touched by the products contributing to the social or ecological dimension over the lifetime of a product are multiplied by the number of those products delivered in a year. After elimination of double counts – multiple different product touches per individual are only counted once – the number of lives improved by our innovative solutions is calculated.

Net refund position/net payable position

For CIT or VAT purposes, an entity can be in either a net refund position or a net payable position. For example, when an entity has relatively low output VAT/GST compared to its input VAT/GST, it

could result in a refund position for VAT. For CIT, when an entity has (pre)paid more than the tax expense due per corporate income tax return for that year, it could result in a refund position.

Number of employees, FTE

Number of regular and third-party employees at the end of the year, expressed as the equivalent of full-time employees.

Payroll taxes

This includes all employment taxes borne and collected by Philips per employee, including social security contributions.

Revenue from related parties

Accounting revenue reported on internal transactions with another Philips consolidated entity. This excludes entities in which Philips has a minority interest or significant influence but no control, such as investments in associates and joint ventures.

Revenue from unrelated parties

Accounting revenue on transactions with unrelated parties, reported in the country of the seller (refer to Consolidated statements of income in Annual Report). For further details, refer to [page 28 of the Country summary](#) table.

Statutory tax rate (STR)

The corporate income tax rate imposed by law, expressed as a percentage.

Tangible assets

Tangible items (excluding cash and cash equivalents) that are held for use in the production or supply of goods or services that are expected to be used during more than one period, i.e., inventories and property, plant and equipment. Tangible fixed assets per country are calculated as the total net book value of tangible assets for all resident entities in the jurisdiction.

Taxable profit

Taxable profit for corporate income tax has income before tax as its starting point. However, tax laws and International Financial

Reporting Standards (IFRS) recognize and measure income, expenditure, assets and liabilities in different ways. Generally, most items included in the income before tax for IFRS accounting purposes are included in taxable income in the same year. However, certain items are recognized for financial reporting purposes before or after they are recognized for tax purposes (e.g., provisions accruals and asset depreciation costs). These differences result temporarily in differences between IFRS income before tax and taxable income. Over time, temporary differences will reverse. Other items are part of taxable income but are never recognized for IFRS – or vice versa (permanent differences, e.g., employee entertainment expenses or transaction costs). These items do not reverse in the future, meaning IFRS and tax will never equalize.

Total tax contribution (TTC)

The total amount of taxes paid and collected, taking into account all tax types.

Uncertain tax positions

Uncertain tax positions are positions that are not certain to be sustained upon examination by the applicable tax authorities and require a provision in the accounts. The tax authorities may challenge positions taken by Philips in determining its tax payables. This could result in additional tax payments.

Unrelated parties

Unrelated parties are referred to as third parties or independent parties.

Value-added tax (VAT), goods and service tax (GST) and sales tax

Consumption tax levied on the value added at each stage of the supply chain.

