2020

Country Activity and Tax Report

Contents

1 Introduction

In September 2020, Philips further reinforced its role as a purpose-driven company with the announcement of our 2020-2025 Environmental, Social and Corporate Governance (ESG) commitments – an enhanced and fully integrated approach to doing business responsibly and sustainably. Philips' framework comprises a comprehensive set of key commitments across all the ESG dimensions that guide execution of the company's strategy. It includes ambitious targets and detailed plans of action.

In the Social responsibility domain of our ESG framework, we consider our tax payments as a 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 chapter 2 of this Country Activity and Tax Report 2020. Part of our approach is to acknowledge the importance of transparency in respect of our tax contributions. Therefore, as from this year, we will make certain voluntary disclosures about taxes paid and collected in the countries in which we operate. These will be made in addition to, and simultaneously with, the disclosures on tax included in our Annual Report.

For this purpose, chapter 4 of this Report provides an overview of taxes paid and collected in the countries we operate in, during the financial year 2020. Chapter 3 of this report explains the basis of preparation, including Standard 207 of the Global Reporting Initiative (GRI) as adopted by Philips. The activities and tax per country have been audited by Ernst & Young Accountants LLP (EY), Philips' external auditor, and EY's report is included as chapter 5 of this Report.

F.A. van Houten

Chief Executive Officer

Chairman of the Board of Management and the Executive Committee

A. Bhattacharya

Chief Financial Officer

Member of the Board of Management and the Executive Committee

Date: February 23, 2021

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 chapter 6 of this Report.

This Report was published on the company's website on February 23, 2021.

2 Our approach to tax

As a purpose-driven company, we take a fully integrated approach to doing business responsibly and sustainably. In the Social responsibility domain, we consider our tax payments as a contribution to the communities in which we operate and an integral part of our social value creation.

2.1 Philips’ approach to tax

Tax is central to our commitment to create superior, long-term value for our multiple stakeholders. We acknowledge that the success of our business is also dependent on external factors such as public infrastructure, access to skilled labor and public administration. Philips therefore has a responsibility to contribute, through our tax payments, to government revenues in the countries in which we operate, thereby helping to drive economic and social prosperity.

Given the importance of tax collection to the macro-economic stability of communities, we consider tax in the context of the broader society, inspired by our stakeholder dialogues, global initiatives of the OECD (Organization for Economic Cooperation and Development) and United Nations, human rights, international (tax) laws and regulations. We aim to live up to the highest standards of governance. We will, therefore, also ensure transparency regarding our tax contributions for all countries in which we operate.

Philips’ approach to tax is an integral part of the Philips General Business Principles (GBP), which reflect our commitment to always act with integrity towards our employees, customers, business partners and shareholders, as well as the wider community in which we operate (https://www.philips.com/gbp). Employees are urged to report suspected violations of our GBP, including our tax principles.

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.

Under the ultimate responsibility of the Board of Management, the Chief Financial Officer annually reviews, evaluates, approves and where necessary adjusts Philips’ approach to tax.

2.2 Philips' tax principles

We act as a responsible taxpayer, ensuring compliance with local and international tax laws and regulations. We act in accordance with the spirit and letter of tax laws and regulations, both in our general approach to tax and in executing our tax strategy of using tax assets and applying tax incentives. We are guided by global initiatives promoting tax transparency and responsible tax management.

Business operations drive the design of our business models, while the Tax Function advises and supports implementation. Philips reports taxable income in the countries in which it creates value, in accordance with internationally accepted standards. Our transfer pricing policies are aimed at appropriate, arm’s-length remuneration for activities among Philips-related parties. These policies are applied across all markets in which we operate, with the remuneration received corresponding to the local value creation.

We do not control legal entities in countries that do not share tax information under Tax Information Exchange Agreements, and do not control legal entities without commercial and/or economic activities solely for the purpose of tax avoidance.

We seek to build open and constructive relationships with tax authorities and participate in co-operative compliance programs, e.g. in the Netherlands.

We acknowledge the importance of transparency in respect of our tax contributions. Therefore, we make certain voluntary disclosures, in addition to the international and local public disclosure and reporting requirements we already comply with (such as International Financial Reporting Standards (IFRS) and the EU Directive on cross-border tax arrangements, DAC6).

2.3 Tax governance, control, and risk management

Under the responsibility of the Chief Financial Officer, a globally organized and experienced Group Tax Function is in place. It advises management and the businesses on the tax implications of decisions, performs appropriate tax planning to support business goals and ensures compliance with all 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. The Tax Function is set up in such a way that it interacts with the key stakeholders in the businesses, markets and functions.

Philips has a Tax Control Framework in place. The execution of monitoring controls on a quarterly basis creates awareness and provides assurance of adherence to up-to-date tax policies. The Tax Control Framework is part of the Philips Business Control Framework, which sets the standard for Internal Control over Financial Reporting at Philips. The Audit Committee of the Supervisory Board regularly review controls and key tax-related matters, including this report as part of the Annual Report process. Furthermore, the company's external auditor provides assurance on our financials, including our tax positions, and taxes paid. We refer to the independent auditor's reports of our external auditor on the Annual Report 2020 and this Country Activity and Tax Report 2020, respectively.

Philips' approach to risk management includes tax risks, as they could have a significant adverse financial impact. Uncertainty is inherent to tax positions, and discussions on the interpretation of tax laws are inevitable. In line with the open and constructive relationships that Philips wants to build and maintain with tax authorities, we seek upfront certainty on interpretations of regulations whenever deemed relevant and tax authorities are willing to provide clarification. For a further explanation of Philips' approach to risk management and the tax risks to which Philips is exposed, please refer to the Risk Management chapter of our Annual Report.

We strive for full and timely tax compliance. To minimize any tax compliance risk, a quarterly review process is in place to secure timely and correct tax filings and tax payments, supported by compliance KPIs for the respective departments. In the execution of tax compliance, third-party tax service providers are often involved under the supervision of the Tax Function.

We continually seek to invest in technologies to improve data management, and thus the overall quality of direct and indirect tax compliance, control and reporting. We strongly believe in the benefits technology can offer to enable earlier access to tax-relevant data, particularly as the legal and regulatory environment is rapidly evolving and tax authorities are increasingly embracing digitalization. Over the past years, the Tax Function has evolved from being a manually oriented function to being a more data-driven, digitally enabled one.

When we plan new business models, processes are in place to review these from a tax perspective before implementation can start. Equally, in the event of acquisitions, a tax due diligence is always part of the process, and the input of the Tax Function is taken into account before a decision to acquire is taken. Acquisitions are immediately followed by implementation of the tax due diligence recommendations, which can be far-reaching. In the case of divestments, a routine process is applied, covering and connecting all functions, starting from carve-out of the business to delivering a fully independent operating business. Tax is typically involved in most workstreams, but in particular in the legal and finance-related workstreams.

2.4 Stakeholder engagement

We seek an open dialogue with our stakeholders, including relevant tax authorities, our shareholders, customers, business partners, employees, governments, regulators, non-governmental organizations and the communities in which we operate. Philips shares its views on tax developments through interest organizations such as employers' federations. We actively participate in the public debate around taxation, for example in the media. Furthermore, regular discussions are held with investors on the topic of tax in relation to sustainability.

Across all our activities, we derive significant value from the diverse stakeholders we engage with, listen to and learn from. We are seeking to intensify our stakeholder dialogues in order to align our approach to tax with our stakeholders' expectations on a continuous basis.

2.5 Tax transparency

In addition to our compliance with disclosure and reporting requirements such as the mandatory disclosure of country-by-country reporting to the Dutch tax authorities, we voluntarily make certain additional disclosures, such as this Country Activity and Tax Report. Philips furthermore supports and participates in transparency initiatives such as the Dow Jones Sustainability Index (DJSI) and the Tax Transparency Benchmark of the Dutch Association of Investors for Sustainable Development (VBDO).

3 Basis of preparation

3.1 GRI Standard 207: Tax

As part of the series on Economic topics, effective for reports or other materials published on or after January 1, 2021, GRI 207: Tax sets out reporting requirements on the topic of tax. GRI 207: Tax comprises four items:

- Standard 207-1: Approach to tax
- Standard 207-2: Tax governance, control, and risk management
- Standard 207-3: Stakeholder engagement and management of concerns related to tax
- Standard 207-4: Country-by-country reporting

For Standard 207-1 to 3, please refer to Our approach to tax in chapter 2 of this Country Activity and Tax Report.

The country-by-country tax contribution details are presented in chapter 4 of this Country Activity and Tax Report, in accordance with standard 207-4, which has reporting requirements and reporting recommendations. This report includes, for each tax jurisdiction where the entities included in the audited consolidated financial statements are resident for tax purposes:

- Primary activities of the organization
- Number of employees, and the basis of calculation
- Revenues from third-party sales
- Revenues from intra-group transactions with other tax jurisdictions
- Profit/loss before tax
- Tangible assets other than cash and cash equivalents
- Corporate income tax accrued on profit/loss
- Corporate income tax paid on a cash basis
- Tax withheld and paid on behalf of employees
- Taxes collected from customers on behalf of a tax authority
- Industry-related and other taxes or payments to governments
- Reasons for the difference between corporate income tax accrued on profit/loss and the tax due if the statutory tax rate is applied to profit/loss before tax

For more information around the definitions and explanatory notes used in this chapter, please refer to Chapter 7 - Philips definitions and legends.

The statutory list of all subsidiaries and affiliated companies, prepared in accordance with the relevant legal requirements (Dutch Civil Code, Book 2, Sections 379 and 414), forms part of the notes to the consolidated financial statements and is deposited at the office of the Commercial Register in Eindhoven, the Netherlands (file no. 17001910). This list is also be available for download on Philips' website via www.results.philips.com.

International Financial Reporting Standards (IFRS) are the basis of calculation of the amounts reported in the country details, therefore the basis for this report is the same as for our Annual Report.

3.2 Taxation of Philips' business

Philips is a health technology company focused on improving people's health and well-being, enabling better outcomes across the health continuum – from healthy living and prevention to diagnosis, treatment and home care. Philips leverages advanced technology and deep clinical and consumer insights to deliver integrated solutions.

Philips' activities are organized on a segment basis, with reportable segments Diagnosis & Treatment businesses, Connected Care businesses, and Personal Health businesses. Every segment in turn comprises various businesses.

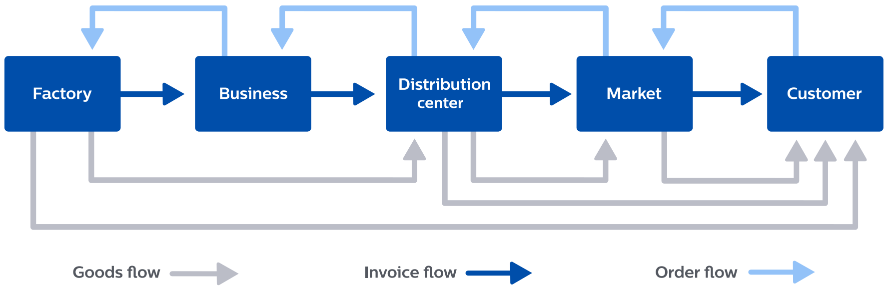
From a market (country) perspective, Philips is a multinational company that serves customers in many different jurisdictions through its specific businesses. All these jurisdictions have their own tax regimes and tax types, through which they collect revenues to finance their expenditures on, for example,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

Value creation and allocation: the value chain

Value is created by all the organizational units within the value chain of a specific business, e.g. production centers, R&D centers and sales organizations. All these organizational units within the supply chain, which can be located anywhere in the world, transact with each other, and goods flows and services are rendered intercompany and cross-border. Business operations are the determining factor in our financial decision-making within Philips, and we report income based on the value creation in a specific jurisdiction. The value that is created in Philips' value chain in a specific jurisdiction is dependent on what types of activities are performed. For the purpose of this report, we distinguish various types of activities, including:

- Sales, marketing and distribution
- Purchasing
- Research and Development
- Manufacturing
- Holding and/or managing of intellectual property

This remuneration of Philips entities, achieved through the pricing for internal transactions within the group, is founded on the internationally (OECD) leading arm's length standard. The prices for internal transactions, i.e. transfer prices, are determined in such a way that each activity in the value chain of a specific business receives an adequate compensation for the value that is added by that activity and the risks assumed. The generated profit or loss, depending on the revenues of the key risk-taker and the related costs, of a Philips entity determines for a large part the contributions of income-dependent taxes such as corporate income tax.



In chapter 4 of this report, the types of activities performed in the respective jurisdictions are given, including data on the IFRS profit before tax, taxes paid and a more qualitative explanation of the results and corresponding tax contribution.

Taxation through the value chain

Philips tax contribution is a result of how and where we conduct our activities, with reference to the visual above. Although it is common to focus on corporate income tax payments by multinational groups, we make a wide range of tax payments to governments. We also withhold and pay taxes on behalf of, or pass on to, others, based on our economic activity in a jurisdiction, such as employing people, buying products and services from local suppliers, or delivering goods to customers. This responsibility of collection requires intensive collaboration with different tax authorities all over the globe and a strong infrastructure of technology, processes and people.

When explaining different types of taxes levied on Philips, it is important to distinguish between 'Tax paid' and 'Tax collected'. This is because taxes paid are a cost to Philips and directly impact our financial results (e.g. corporate income tax, custom duties). Taxes collected are not a cost to Philips, other than the administrative costs:- they are taxes that Philips entities collect from other parties and pay to governments, e.g. VAT. Certain taxes have elements of both 'paid' and 'collected', for example our combined payroll taxes for employee and employer contributions.

Corporate income tax

Corporate income tax includes all taxes paid based on taxable profit that are – in most countries – reported via the annually filed income tax return. Profits are calculated by deducting costs from revenues. Our OECD-based transfer pricing method determines to a large extent the taxable income for corporate income tax purposes, considering local tax rules.

In general, less income is allocated to activities that carry less risk and perform less value-adding routine functions, e.g. distribution activities. On the other hand, relatively more income is reported in countries where more risks reside and more value-adding activities are performed.

Activities such as determining the product portfolio, design, setting of marketing and pricing strategies and the strategic direction are performed by the business. The business performs the key functions, owns the most significant intangible assets and bears the risks (market, sourcing, product liability, customer credit, foreign exchange and capacity risks). From the global profit, the legal entity 'housing' that business is entitled to the residual financial result of their global business, after the other entities are remunerated for their routine functions.

This implies that if a business performs well, the relevant entity reports a higher taxable income. On the other hand, if a business is not performing well, it incurs a loss and the relevant entity will pay less corporate income tax. Significant events could lead to volatility in the result of a business and subsequently result in tax losses. Examples of such events include (but are not limited to) currency exchange rates, acquisitions and disposals, charges and costs such as impairments, restructuring and acquisition-related charges, and amortization of intangible assets. As losses can be carried forward – in most countries – to future years in which the relevant entity may return to profitability, the abovementioned events can lead to an entity not paying corporate income tax for several years. Under normal circumstances the routine functions would still report a taxable income, despite the residual loss at the level of the business.

VAT, GST, Sales tax

Value added tax (VAT) and similar indirect taxes such as Goods and Service tax (GST) and 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 both consumption taxes that are levied on the added value. Both taxes have an output tax and input tax. The output tax is in principle the VAT/GST invoiced by Philips to customers, collected by Philips from customers, and paid by Philips to tax authorities. The input tax is in principle the VAT/GST paid upon imports and/or purchases. 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. Sales tax is invoiced by Philips to customers, collected by Philips from customers, and paid by Philips to tax authorities. Going forward, in this document reference to VAT covers VAT, GST and Sales tax as well.

Customs duties

When jurisdictions levy import and/or export tariffs, non-recoverable customs duties on cross-border flows of goods are due. Many jurisdictions have free-trade or other agreements in place, impacting the customs duties costs for Philips. In EU, Philips uses Limited Fiscal Representation and Centralized Clearance which allows imports into the Netherlands, France, Germany (partly), Austria, Ireland to be declared towards Dutch customs. As a result, the related import duties are paid in the Netherlands.

Payroll taxes

As an employer, Philips withholds wage tax and social contributions on wages paid to its employees, both in its capacity of employer and in the form of remittance to government on behalf of employees.

Other taxes

Apart from the previously mentioned taxes, we contribute to governments in the form of other taxes, such as stamp duties and environmental taxes. As the amounts are relatively insignificant, we have categorized these under Other taxes.

3.3 Explanations of tax regimes and incentives

To stay competitive in the countries we do business, we apply tax regimes and incentives designed by governments.

Many jurisdictions stimulate Research & Development (R&D) activity that yields technological innovation and its positive spin-off effects for the economy at large. This is, for instance, done by effectively lowering the tax on income arising from certain intellectual property.

Technology development is a key competitive success factor and profit driver for many of the Philips businesses. Philips performs R&D activities mostly in the Netherlands and the United States. If and to the extent that Philips' activities qualify for tax incentives in this domain, we make use of these 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 so-called 'innovation box regime' that is available under Dutch tax law taxes the qualifying income at 9% (instead of the general corporate income tax rate of 25%).

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 parties and thereby reducing the risk of future disputes.

Export activities from the United States

The US government aims to strengthen the economy by encouraging export trade while also discouraging businesses from moving manufacturing activities outside of the US. In the spirit of increasing the US tax system's competitiveness, the Foreign Derived Intangible Income (FDII) deduction, among others, was introduced, which provides an incentive to US domestic corporations in the form of a lower tax rate on income derived from tangible and intangible products and services in foreign markets.

Philips has several businesses in the US that own intellectual property and export to other countries, and hence generate income that qualifies for the FDII tax incentive.

Participation exemption (Netherlands)

Royal Philips is the top 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, such qualifying (dividend) 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 and therefore prevents 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, for example. Free trade zone regimes usually provide exemptions for one or more tax types. Philips was granted such temporary regimes in Chile, Costa Rica and Panama on the basis of its significant contributions to the local economy; these regimes are commonly available if the legal requirements are met.

4 Activities and Tax per country

4.1 Group overview

Philips' total tax contribution in 2020, amounting to EUR 3,378 million, is described by tax type below

Philips Group
Total contribution per tax type in millions of EUR and as a percentage

Corporate income tax	VAT [1]	Payroll tax	Customs duties	Other tax
466	794	1,862	156	102
14%	23%	55%	5%	3%

[1] Includes VAT, GST and sales tax.

4.2 Country insights

This chapter provides an overview of the business activities and explanatory notes around the financials and tax contributions per country, for all countries where Philips reports revenues (from third parties and relates parties together) of EUR 5 million or higher.

Argentina

167 employees

All numbers in millions of EUR unless otherwise stated

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
80.31	4.34	2.03	0.49	–
				ECTR = 0.2%

Total tax contribution 23.21

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
0.36	3.09	12.01	1.74	6.01
CTR = 17.5%				

Business activities

- Purchasing
- Sales, marketing and distribution
- Administrative, management and support services
- Provision of services to unrelated parties
- Other

Tax summary

Philips has had a presence in Argentina since 1935 when Philips Argentina, S.A. was incorporated. This entity functions as a country sales organization for the various businesses of Philips in Argentina. Further, Philips has a dormant entity which is currently in a wind-up process. The statutory income tax rate (STR) in Argentina is 30%.

No corporate current income tax is accrued, mainly due to taxable profit for 2020 being offset by carry-forward losses from previous years.

Corporate income tax paid (CTR) is lower than the statutory tax rate (STR), mainly due to provisional payments made based on a lower estimated taxable profit for 2020. The difference is expected to be paid in 2021.

All numbers in millions of EUR unless otherwise stated

Australia

580 employees

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
335.08	14.06	9.98	8.42	5.31 ECTR = 53.2%

Total tax contribution 48.38

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
3.70 CTR = 37.1%	0.05	23.93	20.68	0.02

Business activities

- Sales, marketing and distribution
- Administrative, management and support services
- Provision of services to unrelated parties
- Holding shares or other equity instruments

Tax summary

There are multiple legal entities in Australia, consolidated in a multiple-entry consolidated tax group. The main entities are Philips Electronics Australia Ltd and Philips Saeco Australia Pty Ltd, which are engaged in the distribution, sales and services of Philips products in Australia. The statutory income tax rate (STR) in Australia is 30% and the GST rate is 10%.

Corporate current income tax accrued (ECTR) is higher than the statutory tax rate (STR), mainly due to:
- timing differences, as certain income is reported in a different year under tax law compared to under accounting rules.
- prior-year true-ups.

Corporate income tax paid relates to provisional payments for this year and additional payments related to prior years.

Customs duties are low, mainly due to applicable WTO agreements or Free Trade Agreements reducing import duties.

Western Europe

All numbers in millions of EUR unless otherwise stated

Austria

475 employees

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
51.68	65.16	(4.79)	50.79	(0.86)
				ECTR = 18.0%

Total tax contribution 40.50

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
1.02	0.01	18.00	21.40	0.07
CTR = (21.2)%				

Business activities

- Research and Development
- Purchasing
- Manufacturing
- Sales, marketing and distribution
- Administrative, management and support services
- Provision of services to unrelated parties

Tax summary

The business in Austria is mainly conducted via Philips Austria GmbH, acting as a stand-alone tax payer. This company functions as country sales organization for various businesses of Philips in Austria as well as research and development and manufacturing activities. In the current year, Philips incurred a loss under accounting rules, because adjustments are captured in a different period. The combined statutory income tax rate in Austria is 25.0%.

Corporate income tax accrued mainly relates to prior-year true-ups.

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

All numbers in millions of EUR unless otherwise stated

Bangladesh

20 employees

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
1.41	3.68	1.17	0.60	0.71
				ECTR = 60.5%

Total tax contribution 1.05

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
0.51	0.29	0.18	0.02	0.05
CTR = 43.8%				

Business activities

- Sales, marketing and distribution
- Administrative, management and support services
- Provision of services to unrelated parties

Tax summary

Philips Bangladesh is a stand-alone tax payer, which functions as a country sales organization mainly for health systems businesses of Philips in Bangladesh. The statutory income tax rate (STR) in Bangladesh is 33%.

Corporate current income tax accrued (ECTR) is higher than the statutory tax rate (STR), mainly due to timing differences, as certain income is reported in a different year under tax law compared to under accounting rules.

Corporate income tax paid (CTR) is higher than the statutory tax rate (STR), mainly due to provisional payments made based on a higher estimated taxable profit for 2020.

Customs duties are high because of duty payments due to trade defense measures (e.g. import tariffs).

Western Europe

All numbers in millions of EUR unless otherwise stated

Belgium

317 employees

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
227.05	20.52	5.50	15.57	1.68
				ECTR = 30.6%

Total tax contribution 41.95

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
0.23	0.41	24.01	16.87	0.43
CTR = 4.2%				

Business activities

- Research and Development
- Sales, marketing and distribution
- Administrative, management and support services
- Provision of services to unrelated parties
- Holding shares or other equity instruments
- Other

Tax summary

Philips is active in Belgium, with Philips Belgium Commercial NV and Volcano Europe BV mainly performing sales activities for the various businesses of Philips in Belgium. The statutory income tax rate (STR) in Belgium is 25.0%.

Corporate income tax paid (CTR) is lower than the statutory tax rate (STR), mainly due to tax refunds relating to prior years.

Growth geographies

Brazil

1,990 employees

All numbers in millions of EUR unless otherwise stated

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
240.74	19.72	(28.56)	19.6	0.31 ECTR = (1.1)%

Total tax contribution 78.18

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
3.04 CTR = (10.7)%	6.91	55.28	12.95	

Business activities

- 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
- Holding shares or other equity instruments
- Other

Tax summary

Philips has been active in Brazil since 1966 with the entity Philips do Brazil Ltda. in the distribution and manufacturing of Personal Health products, and since 1987 with Philips Medical Systems Ltda. active in the health systems field. In 2010, Philips acquired a Brazil-based company engaged in the design, development and sale of software in the field of health, renamed as Philips Clinical Informatics Sistemas de Informaçao Ltda. The statutory income tax rate (STR) in Brazil is 34.0%.

Corporate current income tax accrued mainly relates to prior-year true-ups. It is low due to taxable loss position.

Corporate income tax paid relates to tax payments made relating to prior years. In addition, it includes withholding taxes deducted by customers on invoices.

Payroll taxes are relatively low, mainly as payments are (partly) deferred to the next year under applicable COVID-19 deferral measures.

Canada

805 employees

All numbers in millions of EUR unless otherwise stated

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
290.05	19.77	(7.89)	7.95	5.13 ECTR = (65.0)%

Total tax contribution 47.91

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
4.39 CTR = (55.7)%	1.38	23.79	18.29	0.06

Business activities

- Research and Development
- Sales, marketing and distribution
- Administrative, management and support services
- Provision of services to unrelated parties

Tax summary

In Canada, Philips' main activities are carried out through Philips Electronics Ltd, headquartered in Markham, Ontario. This company functions as a country sales organization for the various businesses of Philips in Canada. The combined statutory income tax rate (STR) in Canada is 26.5%.

Corporate current income tax is accrued because taxable income was positive, despite the entity being in a loss position under accounting rules. A non-tax deductible incidental was recognized in 2020, which resulted in a loss before tax for accounting purposes. The ECTR excluding incidental was 32.8%. The CTR excluding incidental was 28.1%.

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

VAT amounts represent taxes collected and remitted (net of input tax credits/refunds) at the Canadian federal and provincial levels including GST/Harmonized Sales Tax (HST), Quebec Sales Tax (QST) and others. Customs Duties represent payments made to the Canada Border Services Agency ("CBSA") related to importations to Canada.

Growth geographies

All numbers in millions of EUR unless otherwise stated

Chile

98 employees

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
60.39	1.40	(1.73)	1.84	1.07 ECTR = (62.1)%

Total tax contribution 9.32

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
(0.53) CTR = 30.9%	0.71	6.45	1.90	0.79

Business activities

- Sales, marketing and distribution
- Administrative, management and support services
- Provision of services to unrelated parties

Tax summary

Philips has had a presence in Chile since 1937 with the incorporation of the entity Philips Chilena, S.A., and subsequently in 2011 with Inmobilaria Philips Chilena Limitada; the latter is dormant since 2013. Philips Chilena, S.A. operates both in Santiago de Chile and in the free trade zone (FTZ) of Iquique where it enjoys the corresponding tax benefits (corporate income tax, value added tax and customs duties). The statutory income tax rate (STR) in Chile is 27.0%.

Corporate current income tax accrued is driven by timing differences between tax law compared to accounting rules and prior-year true-ups. Income related to FTZ operation is tax-exempted.

Corporate income tax refund relates to prior years.

China

8,240 employees

All numbers in millions of EUR unless otherwise stated

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
1,505.37	808.45	139.76	144.85	29.98
				ECTR = 21.5%

Total tax contribution 322.02

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
38.19	23.77	127.74	97.48	34.84
CTR = 27.3%				

Business activities

- 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
- Holding shares or other equity instruments
- Other

Tax summary

In China, Philips engages in sales, marketing and distribution of all Philips products in China market, and R&D in Shanghai. There are also six factories located in China supplying globally and locally to the China market. The statutory income tax rate (STR) in China is 25.0%.

Corporate current income tax accrued (ECTR) is lower than the statutory tax rate (STR), mainly due to timing differences, as certain expenses (e.g. sales rebate costs) are deductible in a different year under tax law compared to under accounting rules. Also, prior-year true-ups reduced the ECTR further.

VAT payments are relatively low, mainly due to VAT export refunds. Under existing China VAT rules/regulations, entities engaged in export sales/services are eligible for a refund of input VAT on domestically purchased goods or services used for its export sales/services. Other taxes include PRC taxes on services charged to Chinese entities by overseas service providers.

Growth geographies

Colombia
106 employees

All numbers in millions of EUR unless otherwise stated

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
21.63	1.70	1.86	0.84	0.81 ECTR = 43.8%

Total tax contribution 5.38

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
0.82 CTR = 44.2%	0.03	3.37	1.16	

Business activities

- Sales, marketing and distribution
- Administrative, management and support services
- Provision of services to unrelated parties

Tax summary

Philips Colombiana S.A. was incorporated in 1945 under the name Industria Colombiana de Productos Electricos S.A. and was renamed in 2011. The entity operates mainly in the health systems field – as a distributor – and provides support services to Personal Health businesses. The statutory income tax rate (STR) is 31.8%.

Corporate current income tax accrued (ECTR) is higher than the statutory tax rate (STR), mainly due to permanent adjustments for non-deductible expenses according to Colombian regulations.

Corporate income tax paid (CTR) is higher than the statutory tax rate (STR), mainly due to provisional payments based on the amounts invoiced and withholding taxes deducted by customers on invoices.

Growth geographies

Costa Rica

3,119 employees

All numbers in millions of EUR unless otherwise stated

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
	161.76	(1.14)	72.18	
				ECTR = 0.0%

Total tax contribution 9.25

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
			9.25	
CTR = 0.0%				

Business activities

- Purchasing
- Manufacturing
- Administrative, management and support services

Tax summary

Philips has had a presence in Costa Rica since 2015, following its acquisition of Volcano Corporation. The acquired entity, now called Philips de Costa Rica SRL, is dedicated to the manufacturing of medical equipment. On the basis of its significant contributions to the local Costa Rica economy, including local employment and qualifying business investments, Philips was granted commonly available tax incentives by the Costa Rica government under the free trade zone (FTZ) regulations – concretely in Law No. 7210, of which terms and conditions are subject to the commitments assumed by Costa Rica in the international treaties related to the World Trade Organization (WTO). The FTZ regime provides, for instance, exemption from income tax, import duties, capital gains tax and dividend distribution tax.

Czech Republic

128 employees

All numbers in millions of EUR unless otherwise stated

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
93.59	5.98	2.86	1.24	0.63
				ECTR = 22.0%

Total tax contribution 16.12

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
0.53		11.77	3.68	0.14
CTR = 18.5%				

Business activities

- Sales, marketing and distribution
- Administrative, management and support services
- Provision of services to unrelated parties
- Holding shares or other equity instruments
- Other

Tax summary

Philips Ceska Republika is a stand-alone tax payer, which functions as a country sales organization for the various businesses of Philips in Czech Republic. The statutory income tax rate (STR) is 19.0%.

Corporate current income tax accrued (ECTR) is higher than the statutory tax rate (STR), mainly due to non-tax-deductible items, such as employees' meals, entertainment and other employees' expenses.

Corporate income tax paid (CTR) is lower than the statutory tax rate (STR), mainly due to provisional payments made based on a lower estimated taxable profit for 2020. The difference is expected to be paid in 2021.

No customs duties are paid, mainly due to applicable duties being levied in the country of import, which is different to this country.

All numbers in millions of EUR unless otherwise stated

Denmark

165 employees

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
93.16	15.41	2.51	26.99	0.31 ECTR = 12.3%

Total tax contribution 17.68

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
0.86 CTR = 34.2%	0.07	12.88	3.87	–

Business activities

- Purchasing
- Sales, marketing and distribution
- Administrative, management and support services
- Provision of services to unrelated parties
- Holding shares or other equity instruments
- Other

Tax summary

The activities of Philips in Denmark center around sales, marketing and distribution. The statutory income tax rate (STR) in Denmark is 22.0%.

Corporate current income tax accrued (ECTR) is lower than the statutory tax rate (STR), mainly due to taxable profit for 2020 being partly offset by carry-forward losses or other tax assets from previous years.

Corporate income tax paid (CTR) is higher than the statutory tax rate (STR), mainly due to additional payments made relating to prior years.

Growth geographies

All numbers in millions of EUR unless otherwise stated

Egypt

108 employees

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
23.00	1.87	0.40	3.41	3.03
				ECTR = 754.7%

Total tax contribution 4.00

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
1.02	0.90	1.02	0.98	0.08
CTR = 253.2%				

Business activities

- Sales, marketing and distribution
- Administrative, management and support services
- Provision of services to unrelated parties

Tax summary

Philips is present in Egypt with a legal entity and a branch, which has been dormant and is currently being deregistered. The legal entity has commercial activities for Philips' health systems business in the country. The statutory income tax rate (STR) in Egypt is 22.5%.

Corporate current income tax accrued (ECTR) is higher than the statutory tax rate (STR), mainly due to:
- timing differences, as certain expenses are deductible in a different year under tax law compared to under accounting rules.
- prior-year true-ups.

Corporate income tax paid (CTR) is higher than the statutory tax rate (STR), mainly due to:
- provisional payments made based on a higher estimated taxable profit for 2020.
- additional payments made relating to prior years.

Customs duties are relatively low mainly due to the fact that customer is importer of record in some of the transactions. For some others, this is because of the use of existing Free Trade Agreements. VAT is relatively low due to the exports and exempted sales next to the VAT taxable domestic supplies.

Western Europe

Finland

171 employees

All numbers in millions of EUR unless otherwise stated

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
40.66	16.71	1.86	2.21	–
				ECTR = 0.0%

Total tax contribution 12.44

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
	–	8.67	3.77	
CTR = 0.0%				

Business activities

- Research and Development
- Sales, marketing and distribution
- Administrative, management and support services
- Provision of services to unrelated parties

Tax summary

Philips Oy is a stand-alone tax payer, which functions as a country sales organization for the various businesses of Philips in Finland and performs R&D services. The entity has losses carryforwards relating to a past divestment. The statutory income tax rate (STR) in Finland is 20.0%.

No corporate current income tax is accrued and no corporate income tax is paid, mainly due to taxable profit for 2020 being offset by carry-forward losses from previous years.

Customs duties are low, mainly due to applicable duties being levied in the country of import, which is different to this country.

All numbers in millions of EUR unless otherwise stated

France

915 employees

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
493.24	46.66	12.94	21.94	1.95 ECTR = 15.1%

Total tax contribution 119.88

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
0.48 CTR = 3.7%	0.03	66.20	49.03	4.14

Business activities

- Research and Development
- Sales, marketing and distribution
- Administrative, management and support services
- Provision of services to unrelated parties
- Holding shares or other equity instruments
- Other

Tax summary

Philips France Commercial SAS is the main company in France. It functions as a country sales organization for the various businesses of Philips in France and performs some R&D services. Other Philips entities in France are Philips Santé @ Domicile SAS, Spectranetics France SARL, Agito Medical France Sarl and Acerde SAS. All of said entities file tax returns on a standalone basis. The combined statutory income tax rate (STR) rate in France for 2020 varies between 28.9% and 32.0%.

Corporate current income tax accrued (ECTR) is lower than the statutory tax rate (STR), mainly due to prior-year true-ups e.g. relating to contribution on added value of businesses (CVAE).

Corporate income tax paid (CTR) is lower than the statutory tax rate (STR), mainly due to tax refunds relating to prior years.

The VAT payments comprises of Philips France Commercial SAS' VAT and VAT paid by foreign Philips entities having a VAT registration in France. Customs duties are low, mainly due to applicable duties being levied in the country of import, which is different to this country. This is due to centralized clearance license and limited fiscal representation regulations, where the Netherlands imports on behalf of France.

Western Europe

Germany

3,825 employees

All numbers in millions of EUR unless otherwise stated

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
1,344.51	1,849.48	502.12	172.69	117.55 ECTR = 23.4%

Total tax contribution 489.50

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
185.12 CTR = 36.9%	1.18	103.73	199.13	0.34

Business activities

- 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
- Holding shares or other equity instruments
- Other

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 and development, and marketing activities. The combined statutory income tax rate (STR) is approximately 30%.

Corporate current income tax accrued (ECTR) is lower than the statutory tax rate (STR), mainly due to taxable profit for 2020 being partly offset by carry-forward losses or other tax assets from previous years.

Corporate income tax paid (CTR) is higher than the statutory tax rate (STR), mainly due to additional payments made relating to prior years.

Customs duties are low, mainly due to medical systems being free of import duties.

Western Europe

Greece

55 employees

All numbers in millions of EUR unless otherwise stated

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
34.64	1.92	0.94	1.65	
				ECTR = 0.0%

Total tax contribution 9.57

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
0.04	–	7.08	2.23	0.22
CTR = 3.8%				

Business activities

- Sales, marketing and distribution
- Administrative, management and support services
- Provision of services to unrelated parties

Tax summary

Philips is present with one legal entity in Greece performing mainly commercial activity and subject to ordinary tax regime. The company reports tax losses carried forward from past years. The statutory income tax rate (STR) in Greece is 24.0%.

No corporate current income tax is accrued mainly due to taxable profit for 2020 being offset by carry-forward losses from previous years.

Corporate income tax paid (CTR) is lower than the statutory tax rate (STR), mainly due to:
- tax refunds relating to prior years.
- utilization of losses originating from prior years that reduced the taxable income.

Customs duties are low, mainly due to applicable duties being levied in the country of import, which is different to this country.

Growth geographies

Hong Kong

393 employees

All numbers in millions of EUR unless otherwise stated

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
750.69	58.40	10.00	2.85	–
				ECTR = 0.0%

Total tax contribution 4.11

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
			2.43	1.68
CTR = 0.0%				

Business activities

- Research and Development
- Purchasing
- Sales, marketing and distribution
- Administrative, management and support services
- Provision of services to unrelated parties
- Holding shares or other equity instruments
- Other

Tax summary

The main business activity in Hong Kong is the sales, marketing and distribution of Philips products, carried out through its primary legal entity in Hong Kong, i.e. Philips Electronics Hong Kong Limited. There is no VAT/GST regime in Hong Kong. Philips products imported into Hong Kong are not subject to custom duty. The statutory income tax rate (STR) in Hong Kong is 16.5%.

No corporate current income tax is accrued and no corporate income tax is paid, mainly due to taxable profit for 2020 being offset by carry-forward losses from previous years.

Hungary

85 employees

All numbers in millions of EUR unless otherwise stated

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
37.10	5.39	1.72	0.65	0.06
				ECTR = 3.7%

Total tax contribution 6.22

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
0.36	0.01	4.35	1.40	0.10
CTR = 20.7%				

Business activities

- Purchasing
- Sales, marketing and distribution
- Administrative, management and support services
- Provision of services to unrelated parties

Tax summary

Philips Hungary is a stand-alone tax payer, which functions as a country sales organization for the various businesses of Philips in Hungary. It has some incidental losses from the past available for utilization. The statutory income tax rate (STR) in Hungary is 9.0%.

Corporate current income tax accrued (ECTR) is lower than the statutory tax rate (STR), mainly due to:
- taxable profit for 2020 being partly offset by carry-forward losses or other tax assets from previous years.
- prior-year true-ups.

Corporate income tax paid (CTR) is higher than the statutory tax rate (STR), mainly due to provisional payments made based on a higher estimated taxable profit for 2020.

Growth geographies

All numbers in millions of EUR unless otherwise stated

India

9,315 employees

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
366.26	280.15	32.38	76.04	12.55
				ECTR = 38.8%

Total tax contribution 112.45

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
10.12	21.40	28.67	44.78	7.48
CTR = 31.3%				

Business activities

- 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
- Holding shares or other equity instruments
- Other

Tax summary

Philips Group in India is mainly engaged in import & sell, manufacturing, R&D and software development. The manufacturing facilities are based in Pune and Chennai. The Captive Software development center is located in Bangalore. The statutory income tax rate (STR) for all the entities is 25.17% except Philips GBS LLP as it is subject to special tax regime. Customs duty and GST rate are applicable on the basis of product code.

Corporate current income tax accrued (ECTR) is higher than the statutory tax rate (STR), mainly due to timing differences, as certain expenses are deductible in a different year under tax law compared to under accounting rules.

Corporate income tax paid (CTR) is higher than the statutory tax rate (STR), mainly due to:

- provisional payments made based on a higher estimated taxable profit for 2020.
- temporary disallowances in the tax computation.

Customs duties are high because of duty payments due to trade defense measures (e.g. import tariffs).VAT payments are low, mainly due to exports at 0% VAT rate.

Indonesia

4,003 employees

All numbers in millions of EUR unless otherwise stated

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
143.46	383.35	13.43	72.95	5.61 ECTR = 41.8%

Total tax contribution 24.17

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
6.50 CTR = 48.4%	1.96	11.85	2.51	1.35

Business activities

- Purchasing
- Manufacturing
- Sales, marketing and distribution
- Provision of services to unrelated parties

Tax summary

Philips is active in Indonesia with two legal entities, both filing standalone corporate income tax returns. PT Philips Industries BATAM (“BATAM”) primarily functions as a contract manufacturer of various Philips Personal Health products, and PT Philips Indonesia Commercial ("PTPIC") is primarily engaged in the import and sale, and provision of after sale services of Philips products in Indonesia. BATAM operates out of a free trade zone in Batam, where VAT and customs duties are not applicable. The statutory income tax rate (STR) in Indonesia is 22%.

Corporate current income tax accrued (ECTR) is higher than the statutory tax rate (STR), mainly due to:
- timing differences, as certain expenses are deductible in a different year under tax law compared to under accounting rules.
- non-tax-deductible items, such as employee fees or expenses.
- prior-year true-ups.

Corporate income tax paid (CTR) is higher than the statutory tax rate (STR), mainly due to:
- additional payments made relating to prior years.
- prepaid advance taxes upon importation of goods.

Western Europe

Ireland

25 employees

All numbers in millions of EUR unless otherwise stated

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
8.10	1.01	0.68	0.54	0.38 ECTR = 56.2%

Total tax contribution 2.91

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
0.43 CTR = 62.7%		1.04	1.44	

Business activities

- Research and Development
- Sales, marketing and distribution
- Administrative, management and support services
- Provision of services to unrelated parties
- Holding shares or other equity instruments
- Other

Tax summary

Philips is active in Ireland with multiple legal entities. The profits of the main entity in Ireland are taxed against the standard statutory income tax rate (STR) for trading income of 12.5%.

Corporate current income tax accrued (ECTR) and corporate income tax paid (CTR) are higher than the statutory tax rate (STR), mainly due to prior-year true-ups.

No custom duties are paid, mainly due to applicable duties being levied in the country of import, which is different to this country. This is due to centralized clearance license and limited fiscal representation regulations, where the Netherlands imports on behalf of Ireland.

Other mature geographies

All numbers in millions of EUR unless otherwise stated

Israel

1,422 employees

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
17.82	480.03	65.92	49.43	11.55 ECTR = 17.5%

Total tax contribution 13.88

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
10.37 CTR = 15.7%	0.47	(39.40)	42.44	

Business activities

- 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
- Holding shares or other equity instruments
- Other

Tax summary

Philips is present in Israel with several companies, mainly in Health Systems business, also as result of recent acquisitions. Due to R&D activities performed in the country for Health Systems businesses, tax incentive regimes are applicable, providing a lower tax rate compared to the statutory income tax rate (STR) of 23.0%.

Corporate current income tax accrued (ECTR) is lower than the statutory tax rate (STR), mainly due to applicable tax incentives and losses utilized from prior years, partly offset by timing differences, as certain expenses are deductible in a different year under tax law compared to under accounting rules.

Corporate income tax paid (CTR) is lower than the statutory tax rate (STR), mainly due to same reason as mentioned for ECTR.

For VAT, there is a refund as local purchases are subject to creditable VAT and Philips mainly exports its products at 0% VAT rate.

Western Europe

Italy

991 employees

All numbers in millions of EUR unless otherwise stated

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
425.24	59.33	19.81	28.41	1.10 ECTR = 5.5%

Total tax contribution 71.16

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
0.56 CTR = 2.8%	0.07	34.33	35.29	0.91

Business activities

- 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
- Holding shares or other equity instruments

Tax summary

Italian Philips companies are part of a domestic consolidation for corporate income tax purposes. The activities performed in the Country are mainly commercial and manufacturing. The combined statutory income tax rate (STR) in Italy is 27.9%.

Corporate current income tax accrued relates to the part of taxable profits that cannot be offset against available loss carryforwards.

Corporate income tax paid (CTR) is lower than the statutory tax rate (STR), mainly due to utilization of losses originating from prior years that reduced the taxable income.

Customs duties are low, mainly due to applicable duties being levied in the country of import, which is different to this country.

VAT is relatively low mainly due to special VAT regime (so called "split-payments") applicable to sales to public customers (e.g. to public hospitals) and to exports at 0% VAT rate. Other taxes are mainly real estate taxes and withholding taxes applied to domestic services received.

Other mature geographies

All numbers in millions of EUR unless otherwise stated

Japan

2,244 employees

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
1,111.02	38.50	71.04	129.17	24.36 ECTR = 34.3%

Total tax contribution 160.77

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
23.85 CTR = 33.6%	0.84	82.27	53.04	0.77

Business activities

- Sales, marketing and distribution
- Administrative, management and support services
- Provision of services to unrelated parties
- Other

Tax summary

The total corporate income tax burden (i.e. effective tax rate) of a Japan entity varies depending upon the size of a company's paid-in capital. It consists of corporation tax, inhabitant's tax and enterprise tax. Philips is active in Japan with its legal entity Philips Japan Ltd, which is primarily engaged in the import & sale and services of Philips businesses in Japan. The statutory income tax rate (STR) in Japan is 30.62%.

Corporate current income tax accrued (ECTR) is higher than the statutory tax rate (STR), mainly due to:
- timing differences, as certain expenses are deductible in a different year under tax law compared to under accounting rules.
- other local taxes.

Corporate income tax paid (CTR) is higher than the statutory tax rate (STR), mainly due to additional payments made relating to prior years.

Customs duties are relatively low as medical systems do not attract import duty, and neither do many of the Personal Health products.

Growth geographies

All numbers in millions of EUR unless otherwise stated

Kenya

53 employees

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
13.31	1.99	(1.27)	0.52	0.11
				ECTR = (8.6)%

Total tax contribution 2.30

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
0.25	0.55	0.57	0.93	
CTR = (19.8)%				

Business activities

- Research and Development
- Sales, marketing and distribution
- Administrative, management and support services
- Provision of services to unrelated parties

Tax summary

Philips is present in Kenya with a legal entity as the commercial sales organization and a branch, which was registered for a specific long-term project with the Kenyan Ministry of Health. Both the legal entity and the branch are subject to the ordinary tax regime and file their own standalone tax returns in the country. The statutory income tax rate (STR) in Kenya is 25.5%. For the branches, the applicable CIT rate is 37.5%.

Corporate current income tax is accrued because taxable income was positive, despite the entity being in a loss position under accounting rules.

Corporate income tax accrued reflects timing differences, as certain expenses are deductible in a different year under tax law compared to under accounting rules.

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

Growth geographies

All numbers in millions of EUR unless otherwise stated

Latvia

27 employees

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
28.39	0.77	0.77	0.25	0.07
				ECTR = 9.0%

Total tax contribution 1.93

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
0.27		1.08	0.56	0.02
CTR = 34.7%				

Business activities

- Sales, marketing and distribution
- Administrative, management and support services

Tax summary

Philips Baltic SIA is a stand-alone taxpayer, which functions as a country sales organization for the various businesses of Philips in the Baltic region. The statutory income tax rate (STR) in Latvia is 20.0%.

Corporate current income tax accrued (ECTR) is lower than the statutory tax rate (STR), mainly due to prior-year true-ups.

Corporate income tax paid (CTR) is higher than the statutory tax rate (STR), mainly due to provisional payments made based on a higher estimated taxable profit for 2020.

No customs duties are paid, mainly due to applicable duties being levied in the country of import, which is different to this country.

Growth geographies

Malaysia

123 employees

All numbers in millions of EUR unless otherwise stated

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
81.70	1.68	2.14	0.11	0.04 ECTR = 1.8%

Total tax contribution 4.45

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
0.55 CTR = 25.9%	3.23	(1.03)	1.70	–

Business activities

- Sales, marketing and distribution
- Administrative, management and support services
- Provision of services to unrelated parties

Tax summary

Philips operates as a trading entity for both Personal Health and Health Systems in the country. The statutory income tax rate (STR) in Malaysia is 24.0%. The country has a Sales and Service tax regime.

Corporate current income tax accrued (ECTR) is lower than the statutory tax rate (STR), mainly due to prior-year true-ups.

Corporate income tax paid relates to provisional payments for this year offset partially by refunds related to prior years.

The Goods and Services Tax (GST) regime in Malaysia has been replaced by the Sales and Service Tax regime in 2018 and hence there are no GST payments made by Philips in Malaysia in 2020. However, there was a GST refund due from tax authorities from prior years, and this was settled and refunded to Philips in 2020, which explains the negative VAT amount shown above.

Growth geographies

All numbers in millions of EUR unless otherwise stated

Mexico

263 employees

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
107.15	3.00	(0.35)	3.74	(0.10) ECTR = 29.0%

Total tax contribution 18.46

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
0.40 CTR = (113.1)%	11.20	2.72	3.55	0.59

Business activities

- Sales, marketing and distribution
- Administrative, management and support services
- Provision of services to unrelated parties

Tax summary

Philips Mexico Commercial, S.A. de C.V. was incorporated on July 2015 and started to operate in February 2016 as a distributor of personal health and health systems products. The statutory income tax rate (STR) in Mexico is 30.0%.

No corporate current income tax accrued relating to 2020, mainly due to a tax loss position. Current income tax accrued mainly relates to prior-year true-ups.

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

Western Europe

All numbers in millions of EUR unless otherwise stated

Netherlands

11,461 employees

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
1,573.46	6,474.28	472.51	657.56	34.21
				ECTR = 7.2%

Total tax contribution 470.35

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
56.39	11.34	(107.52)	483.82	26.32
CTR = 11.9%				

Business activities

- 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
- Holding shares or other equity instruments
- Other

Tax summary

Philips has its corporate headquarters and holding company in the Netherlands. Multiple businesses and two of its largest factories are located in the Netherlands. The majority of the production is exported to other countries. Philips' largest research laboratory is in the Netherlands, and the total R&D spend in the Netherlands is roughly EUR 700 million (approx. 40% of the group total). The statutory income tax rate (STR) in the Netherlands is 25.0%.

Corporate current income tax accrued (ECTR) and the corporate income tax paid (CTR) are lower than the STR, mainly because the taxable profit for 2020 is offset by carryforward losses from previous years. Based on GRI 207 definitions, corporate income tax paid and accrued include taxes withheld at source in other jurisdictions, mainly relating to income streams to Netherlands such as dividends, royalties and interest.

For VAT, there is a refund as local purchases for our Dutch production facilities and research laboratories are subject to creditable VAT. Those facilities export the majority of their supplies to other countries at 0% VAT-rate. Custom duties are relatively high, mainly due to applicable duties being levied in the country of import, which also includes sales to other EU jurisdictions. Other tax payments also include our dividend withholding tax payments (on behalf of our shareholders).

Other mature geographies

New Zealand

41 employees

All numbers in millions of EUR unless otherwise stated

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
30.26	1.38	0.73	0.58	0.35 ECTR = 47.3%

Total tax contribution 6.04

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
0.40 CTR = 54.8%	0.02	4.21	1.41	

Business activities

- Sales, marketing and distribution
- Administrative, management and support services
- Provision of services to unrelated parties
- Holding shares or other equity instruments

Tax summary

Philips is active in New Zealand with Philips New Zealand Commercial Ltd, functioning as a country sales and services organization for mainly the Diagnosis & Treatment and Connected Care businesses of Philips in New Zealand. New Zealand has a statutory income tax rate (STR) of 28.0% and Goods & Services Tax rate of 15%.

Corporate current income tax accrued (ECTR) is higher than the statutory tax rate (STR), mainly due to prior-year true-ups.

Corporate income tax paid relates to provisional payments for this year and additional payments related to prior years.

Corporate income tax paid (CTR) is higher than the statutory tax rate (STR), mainly due to additional payments made relating to prior years.

Customs duties paid is low as most health systems products do not attract customs duties.

Western Europe

Norway

53 employees

All numbers in millions of EUR unless otherwise stated

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
44.66	2.23	(1.62)	0.80	0.48 ECTR = (29.7)%

Total tax contribution 7.23

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
0.40 CTR = (24.7)%	0.01	4.65	2.15	0.02

Business activities

- Sales, marketing and distribution
- Administrative, management and support services
- Provision of services to unrelated parties
- Holding shares or other equity instruments

Tax summary

Philips Norge AS is a stand-alone taxpayer, which functions as a country sales organization for the various businesses of Philips in Norway. In the current year, Philips incurred a loss based on accounting rules, because adjustments are captured in a different period. The statutory income tax rate (STR) in Norway is 22.0%.

Corporate current income tax is accrued despite the entity being in a loss position under accounting rules. Corporate current income tax accrued relates to prior-year true-ups.

Corporate income tax paid relates to additional payments related to prior years.

Panama

542 employees

All numbers in millions of EUR unless otherwise stated

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
3.92	32.01	1.89	5.83	0.03 ECTR = 1.7%

Total tax contribution 2.69

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
0.02 CTR = 0.8%			2.67	

Business activities

- Sales, marketing and distribution
- Administrative, management and support services

Tax summary

Philips has been present in Panama since 1994 with distribution activities and since 2009 with administrative, management and support activities. The statutory income tax rate in Panama is 25.0%.

Philips was awarded certain commonly available tax incentives. On the one hand, Philips has an SEM (Sedes de Empresas Multinacionales, multinational headquarters) entity, incorporated in 2009, to which the Multinational Companies Headquarters special regime – known as SEM regime – and Legal Stability of Investments (Estabilidad Juridica) apply. The SEM Regime was created in 2007 with the main objectives of promoting investments, job growth and technology transfer and making Panama a more competitive country in the global economy by leveraging its geographic position, physical infrastructures and its center for international services. The SEM Regime applies to operations of multinational companies carried out in Panama and, more specifically, to services supplied to their head office and related companies. Under these regimes (SEM and Legal Stability) certain tax exemptions are granted, e.g. exemption on income tax, dividend withholding tax, wage tax and social security. Philips also has an entity located in the Free Trade Zone of Colon (FTZC), incorporated in 1994, and its main activity is the sale of products for personal care and household appliances. The FTZC regime provides, for example, a reduced rate on the Annual Operations tax, and exempts from national and local taxes the entry and storage of goods. Therefore, the corporate current income tax accrued and corporate income tax paid are relatively low.

All numbers in millions of EUR unless otherwise stated

Peru

34 employees

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
8.93	1.41	1.79	0.17	2.18
				ECTR = 121.8%

Total tax contribution 2.62

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
0.94		1.18	0.50	
CTR = 52.4%				

Business activities

- Sales, marketing and distribution
- Administrative, management and support services
- Provision of services to unrelated parties

Tax summary

Philips has been present in Peru since 1939 with the incorporation of Philips Peruana S.A. This entity is dedicated to the distribution of Philips products and services, mainly in the segments Diagnosis & Treatment and Connected Care. The statutory income tax rate (STR) in Peru is 29.5%.

Corporate current income tax accrued (ECTR) is higher than the statutory tax rate (STR), mainly due to prior-year true-ups.

Corporate income tax paid (CTR) is higher than the statutory tax rate (STR), mainly due to the fact that provisional payments are calculated as a percentage of sales, being the percentage determined by previous years' taxable profit.

Growth geographies

Philippines

201 employees

All numbers in millions of EUR unless otherwise stated

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
19.88	5.18	(1.03)	0.90	0.01
				ECTR = (0.7)%

Total tax contribution 3.84

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
0.11	0.33	2.12	1.08	0.20
CTR = (11.0)%				

Business activities

- Sales, marketing and distribution
- Administrative, management and support services
- Provision of services to unrelated parties

Tax summary

Philips is active in the Philippines with its legal entity Philips Philippines Inc., which is primarily engaged in the import and sale of Diagnosis & Treatment and Connected Care products and provision of related services. It also provides general business support services to related companies in the region. RCM Manufacturing Inc. was liquidated during the year. The statutory income tax rate (STR) in the Philippines is 30%.

In the current year, Philips incurred a loss based on accounting rules, because adjustments are captured in a different period. Corporate current income tax accrued relates to minimum corporate income tax, offset partly by prior-year true-ups.

Corporate income tax paid relates to withholding taxes deducted by customers on invoices.

Reported VAT mainly relates to import VAT.

Poland

1,597 employees

All numbers in millions of EUR unless otherwise stated

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
249.05	59.43	7.09	19.27	4.12 ECTR = 58.2%

Total tax contribution 42.97

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
2.24 CTR = 31.6%		23.51	17.06	0.16

Business activities

- Sales, marketing and distribution
- Administrative, management and support services
- Provision of services to unrelated parties
- Holding shares or other equity instruments

Tax summary

There are two legal entities in Poland, both being taxed under the standard tax regime. Philips Polska functions as the country sales organization for various Philips business segments in Poland. In 2018, Philips Polska purchased 100% shares in Respironix Sp.Zoo. The statutory income tax rate (STR) in Poland is 19.0%.

Corporate current income tax accrued (ECTR) is higher than the statutory tax rate (STR), mainly due to non-tax-deductible items, such as goodwill amortization, donations and meals & entertainment-related expenses. .

Corporate income tax paid (CTR) is higher than the statutory tax rate (STR), mainly due to:
- provisional payments made based on a higher estimated taxable profit for 2020.
- additional payments made relating to prior years.

The VAT payments comprise, besides Philips Poland VAT, VAT paid by foreign Philips entities having a VAT registration in Poland. No customs duties are paid, mainly due to applicable duties being levied in the country of import, which is different to this country.

Western Europe

Portugal

75 employees

All numbers in millions of EUR unless otherwise stated

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
40.84	2.94	2.49	0.81	0.39 ECTR = 15.7%

Total tax contribution 9.99

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
0.07 CTR = 3.0%	–	7.80	1.95	0.17

Business activities

- Sales, marketing and distribution
- Administrative, management and support services
- Provision of services to unrelated parties

Tax summary

Philips Portuguesa SA functions as a sales organization in Portugal, engaged in distribution, sales and services of Philips products and solutions. The statutory income tax rate (STR) in Portugal is 22.5%.

Corporate current income tax accrued (ECTR) is lower than the statutory tax rate (STR), mainly due to taxable profit for 2020 being partly offset by carry-forward losses or other tax assets from previous years.

Corporate income tax paid (CTR) is lower than the statutory tax rate (STR), mainly due to utilization of losses originating from prior years that reduced the taxable income.

Customs duties are low, mainly due to applicable duties being levied in the country of import, which is different to this country.

Growth geographies

Puerto Rico

31 employees

All numbers in millions of EUR unless otherwise stated

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
17.06	0.97	2.12	0.11	1.21 ECTR = 57.1%

Total tax contribution 1.77

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
0.13 CTR = 6.1%		1.23	0.41	

Business activities

- Sales, marketing and distribution
- Administrative, management and support services
- Provision of services to unrelated parties

Tax summary

Philips is present in Puerto Rico since 2000 through Philips Medical Systems Puerto Rico Inc. and since 2017 through a branch of Spectranetics Corporation. Its operations relate to Diagnosis & Treatment and Connected Care and results are mainly driven by Philips Medical Systems Puerto Rico Inc activities. The statutory income tax rate (STR) in Puerto Rico is 31.4%.

Corporate current income tax accrued (ECTR) is higher than the statutory tax rate (STR), mainly due to timing differences, as certain expenses are deductible in a different year under tax law compared to under accounting rules.

Corporate income tax paid (CTR) is lower than the statutory tax rate (STR), mainly due to the fact that no prepayments were made in 2020 as the entity has tax credits available from past years; cash paid relates to withholding taxes on customer invoices, which is paid to the local government.

Reported VAT mainly relates to import VAT.

All numbers in millions of EUR unless otherwise stated

Romania

1,752 employees

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
125.74	233.67	11.15	41.58	2.43 ECTR = 21.8%

Total tax contribution 11.43

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
3.05 CTR = 27.3%	1.25	(1.62)	8.05	0.70

Business activities

- Purchasing
- Manufacturing
- Sales, marketing and distribution
- Administrative, management and support services
- Provision of services to unrelated parties

Tax summary

There are two legal entities in Romania. Philips Romania Srl functions as the country sales organization for various Philips business segments in Romania, and Philips Orastie srl functions as a contract manufacturer of various Personal Health products. The statutory income tax rate (STR) in Romania is 16.0%.

Corporate current income tax accrued (ECTR) is higher than the statutory tax rate (STR), mainly due to non-tax-deductible items, such as meals & entertainment, car rentals, donations, fines & penalties, other employees' expenses.

Corporate income tax paid (CTR) is higher than the statutory tax rate (STR), mainly due to:
- provisional payments made based on a higher estimated taxable profit for 2020.
- additional payments made relating to prior years.

Customs duties are low, mainly due to applicable duties being levied in the country of import, which is different to this country.For VAT, there is a refund as local purchases are subject to creditable VAT and Philips mainly exports its products at 0% VAT rate.

Growth geographies

All numbers in millions of EUR unless otherwise stated

Russian Federation

578 employees

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
390.00	10.57	10.38	8.03	5.27
				ECTR = 50.8%

Total tax contribution 42.27

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
13.75	11.91	9.19	6.58	0.84
CTR = 132.4%				

Business activities

- Research and Development
- Purchasing
- Manufacturing
- Sales, marketing and distribution
- Administrative, management and support services
- Provision of services to unrelated parties
- Holding shares or other equity instruments

Tax summary

There are two legal entities in Russia. Philips LLC, which functions as a country sales organization for the various businesses of Philips in Russia, and Philips Innovation Labs Russia LLC, which functions as an R&D center, and provides R&D services to the group entities of Philips. The statutory income tax rate (STR) in Russia is 20.0%, but it is applicable to Philips LLC only, as Philips Innovation Labs Russia LLC is on tax holiday. This is the CIT exemption regime available to any legal entity that meets established criteria.

Corporate current income tax accrued (ECTR) is higher than the statutory tax rate (STR), mainly due to:
- timing differences, as certain expenses are deductible in a different year under tax law compared to under accounting rules.
- non-tax-deductible items, such as advertising expenses.

Corporate income tax paid (CTR) is higher than the statutory tax rate (STR), mainly due to additional payments made relating to prior years, and provisional payments for the current year based on Q4 Full year 2020 taxable profit (i.e. includes results of both previous and current year).

Customs duties are high because of duty payments due to trade defense measures (e.g. import tariffs).

Saudi Arabia

181 employees

All numbers in millions of EUR unless otherwise stated

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
98.17	3.31	3.60	3.48	2.13
				ECTR = 59.0%

Total tax contribution 9.49

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
2.60	1.82	4.25	0.82	
CTR = 72.1%				

Business activities

- Sales, marketing and distribution
- Administrative, management and support services
- Provision of services to unrelated parties

Tax summary

Philips is present in the Kingdom of Saudi Arabia with a joint venture (JV) for sales and distribution of the health systems products. Philips' share in the JV profit is subject to corporate income tax, whereas the local partner's share in the profit and the adjusted assets are subject to the Zakat levy (2.5% on Net assets). In the current year, Philips established another legal entity, which is a fully owned Philips entity, for sales and distribution of Philips' Personal Health products. There are also two branches, one of which has been dormant and is currently being deregistered. The entities and branches are subject to the ordinary tax regime of the country and file their stand-alone tax returns. The newly established entity incurred a loss based on accounting rules, because adjustments are captured in a different period. The statutory income tax rate (STR) in Saudi Arabia is 20.0%.

Corporate current income tax accrued (ECTR) is higher than the statutory tax rate (STR), mainly due to the new established entity reporting a loss in 2020 and prior-year true-ups recorded by the JV.

Corporate income tax paid (CTR) is higher than the statutory tax rate (STR), mainly due to:
- additional payments made relating to prior years.
- provisional payments for this year based on the prior year's taxable profit.

Growth geographies

All numbers in millions of EUR unless otherwise stated

Singapore

666 employees

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
155.08	357.18	5.51	61.73	0.26 ECTR = 4.6%

Total tax contribution 17.10

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
0.80 CTR = 14.5%		4.60	11.18	0.52

Business activities

- Research and Development
- Purchasing
- Sales, marketing and distribution
- Administrative, management and support services
- Provision of services to unrelated parties
- Holding shares or other equity instruments

Tax summary

Philips is active in Singapore with its legal entity Philips Electronics Singapore PL, which functions principally as a country sales organization for Philips products. The company imports/purchases products from its group companies and sells to third-party customers within Singapore as well as in other neighboring countries. The company also provides R&D, procurement, administrative and management services. The statutory income tax rate (STR) in Singapore is 17%.

Corporate current income tax accrued (ECTR) is lower than the statutory tax rate (STR), mainly due to prior-year true-ups and tax incentive/exemptions available under tax law that reduced the taxable income, such as jobs support scheme.

Corporate income tax paid (CTR) is lower than the statutory tax rate (STR), mainly due to provisional payments made based on a lower estimated taxable profit for 2020, and the difference is expected to be paid in 2021. Also, lower due to provisional prepayments are deferred to next year under COVID-19 deferral measures.

There are no customs duties on the products imported by Philips Singapore, which explains why customs duties paid is nil. Payroll taxes here mainly reflects the contributions made to the Central Provident Fund in Singapore.

South Africa

199 employees

All numbers in millions of EUR unless otherwise stated

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
42.65	3.39	(1.17)	0.73	(0.24) ECTR = 20.7%

Total tax contribution 7.60

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
0.39 CTR = (33.6)%	2.00	1.32	3.27	0.62

Business activities

- Sales, marketing and distribution
- Administrative, management and support services
- Provision of services to unrelated parties

Tax summary

Philips is present in South Africa with two separate legal entities, which are subject to the ordinary tax regime of the country and file their own stand-alone tax returns. In the current year, Philips incurred a loss based on accounting rules, because adjustments are captured in a different period. The statutory income tax rate (STR) in South Africa is 28.0%.

Corporate current income tax accrued (ECTR) and corporate income tax paid (CTR) are lower than the STR, mainly due to prior-year true-ups.

Corporate income tax paid relates to:
- provisional payments for this year based on the current year's estimated taxable profit.
- partially offset by a tax refund received relating to prior year’s return settlement.

Other mature geographies

South Korea

377 employees

All numbers in millions of EUR unless otherwise stated

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
301.32	10.11	11.60	7.69	3.62
				ECTR = 31.2%

Total tax contribution 19.96

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
3.47	0.78	8.68	6.90	0.13
CTR = 29.9%				

Business activities

- Sales, marketing and distribution
- Administrative, management and support services
- Provision of services to unrelated parties
- Other

Tax summary

Philips is active in South Korea with its legal entity Philips Korea Ltd, which is primarily engaged in the import and sale and services of Philips businesses in Korea. The statutory income tax rate (STR) in Korea are graduated, at 10% for taxable income less than KRW 200 million, 20% for taxable income between KRW 200 million to KRW 20 billion, 22% for taxable income between KRW 20 billion and KRW 300 billion, and is 25% for taxable income exceeding KRW 300 billion.

Corporate current income tax accrued (ECTR) is higher than the statutory tax rate (STR), mainly due to timing differences, as certain expenses are deductible in a different year under tax law compared to under accounting rules.

Corporate income tax paid relates to provisional payments for this year and additional payments related to prior years.

Customs duties are relatively low as medical systems do not attract import duties and also due to Free Trade Agreements.

Western Europe

Spain

510 employees

All numbers in millions of EUR unless otherwise stated

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
245.51	19.67	3.49	4.93	0.69
				ECTR = 19.8%

Total tax contribution 61.71

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
1.87	0.02	42.17	17.01	0.64
CTR = 53.6%				

Business activities

- Sales, marketing and distribution
- Administrative, management and support services
- Provision of services to unrelated parties

Tax summary

Philips has had a presence in Spain since 1926. Its main activities relate to sales and are carried out through the entity Philips Iberica S.A. In 2015 and 2018, Philips acquired the Volcano Corporation and Agito Medical, respectively, which both have a presence in Spain and are part of the tax consolidation grouping. The statutory income tax rate (STR) in Spain is 25.0%.

Corporate current income tax accrued (ECTR) is lower than the statutory tax rate (STR), mainly due to prior-year true-ups.

Corporate income tax paid (CTR) is higher than the statutory tax rate (STR), mainly due to provisional payments made based on a higher estimated taxable profit for 2020, and additional payments made relating to prior years.

Customs duties are low, mainly due to applicable duties being levied in the country of import, which is different to this country.

The VAT payments comprises Philips Spain' VAT and VAT paid by foreign Philips entities having a VAT registration in Spain.

Western Europe

Sweden

278 employees

All numbers in millions of EUR unless otherwise stated

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
153.46	8.41	4.50	3.91	0.61 ECTR = 13.7%

Total tax contribution 53.58

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
(0.07) CTR = (1.5)%	0.01	39.52	13.84	0.28

Business activities

- Sales, marketing and distribution
- Administrative, management and support services
- Provision of services to unrelated parties
- Holding shares or other equity instruments

Tax summary

Philips AB functions as a country sales organization for the various businesses of Philips in Sweden. The statutory income tax rate (STR) in Sweden is 21.4%.

Corporate income tax paid and corporate income tax accrued are lower than the statutory tax rate (STR), mainly due to utilization of losses originating from prior years under the group relief scheme that reduced the taxable income.

Customs duties are low, mainly due to applicable duties being levied in the country of import, which is different to this country.

All numbers in millions of EUR unless otherwise stated

Switzerland

222 employees

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
188.35	24.75	6.13	11.70	1.31 ECTR = 21.4%

Total tax contribution 9.41

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
0.84 CTR = 13.7%	0.65	3.48	4.44	

Business activities

- Sales, marketing and distribution
- Administrative, management and support services
- Provision of services to unrelated parties

Tax summary

The business in Switzerland is largely conducted via Philips AG, as a stand-alone taxpayer. This company functions as a country sales organization for the various businesses of Philips in Switzerland. The statutory income tax rate (STR) in Switzerland is 19% (which includes the federal Swiss corporate and cantonal tax rate).

Corporate income tax paid (CTR) is lower than the statutory tax rate (STR), mainly due to provisional payments made based on a lower estimated taxable profit for 2020. The difference is expected to be paid in 2021.

Growth geographies

All numbers in millions of EUR unless otherwise stated

Taiwan

192 employees

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
132.60	1.98	2.45	1.74	0.62
				ECTR = 25.1%

Total tax contribution 12.90

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
0.82	3.03	5.54	2.97	0.54
CTR = 33.3%				

Business activities

- Sales, marketing and distribution
- Administrative, management and support services
- Provision of services to unrelated parties
- Other

Tax summary

Philips Taiwan Ltd is a stand-alone taxpayer, which functions as a country sales organization for the various businesses of Philips in Taiwan. The statutory income tax rate (STR) in Taiwan is 20.0%.

Corporate current income tax accrued (ECTR) is higher than the statutory tax rate (STR), mainly due to prior-year true-ups.

Corporate income tax paid (CTR) is higher than the statutory tax rate (STR), mainly due to additional payments made relating to prior years.

Thailand

159 employees

All numbers in millions of EUR unless otherwise stated

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
134.76	3.91	(0.02)	1.50	0.39
				ECTR = (1,816.8)%

Total tax contribution 11.80

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
0.63	2.03	7.56	0.98	0.60
CTR = (2,879.7)%				

Business activities

- Sales, marketing and distribution
- Administrative, management and support services
- Provision of services to unrelated parties

Tax summary

Philips Thailand Ltd functions as a country sales organization for the Philips businesses in Thailand. The statutory income tax rate (STR) in Thailand is 20.0%.

Corporate current income tax accrued (ECTR) is higher than the statutory tax rate (STR), mainly due to prior-year true-ups.

Corporate income tax paid (CTR) is higher than the statutory tax rate (STR), mainly due to:
- provisional payments made based on a higher estimated taxable profit for 2020.
- additional payments made relating to prior years.

Growth geographies

Turkey

225 employees

All numbers in millions of EUR unless otherwise stated

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
166.89	4.56	10.69	0.78	1.89
				ECTR = 17.7%

Total tax contribution 15.40

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
0.47	11.72	1.66	1.29	0.26
CTR = 4.4%				

Business activities

- Purchasing
- Sales, marketing and distribution
- Administrative, management and support services
- Provision of services to unrelated parties

Tax summary

Philips is present in Turkey with one legal entity. The activities of the legal entity include distribution of Philips' products as well as contract manufacturing activities for a certain group of domestic appliance products for the local market. The entity is subject to the ordinary tax regime of the country. The statutory income tax rate (STR) in Turkey is 22.0%.

Corporate current income tax accrued (ECTR) is lower than the statutory tax rate (STR), mainly due to timing differences, as certain income is taxable in a different year under tax law compared to under accounting rules.

Corporate income tax paid (CTR) is lower than the statutory tax rate (STR), mainly due to tax refunds relating to prior years.

Customs duties are relatively high, mainly due to additional duties being levied in Turkey. VAT payments are relatively low, mainly because of the lower rate applicable to healthcare products.

Growth geographies

All numbers in millions of EUR unless otherwise stated

Ukraine

72 employees

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
51.62	0.92	0.72	0.83	0.64 ECTR = 89.0%

Total tax contribution 4.53

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
0.43 CTR = 60.4%	2.60	0.86	0.64	

Business activities

- Sales, marketing and distribution
- Administrative, management and support services

Tax summary

Philips Ukraine LLC is a stand-alone taxpayer, which functions as a country sales organization for the various businesses of Philips in Ukraine. The statutory income tax rate (STR) in Ukraine is 18.0%.

Corporate current income tax accrued (ECTR) is higher than the statutory tax rate (STR), mainly due to:
- non-tax-deductible items, such as marketing and advertising expenses.
- prior-year true-ups.

Corporate income tax paid (CTR) is higher than the statutory tax rate (STR), mainly due to:
- provisional payments made based on a higher estimated taxable profit for 2020.
- additional payments made relating to prior years.

All numbers in millions of EUR unless otherwise stated

United Arab Emirates

210 employees

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
126.77	11.98	(0.98)	0.50	
				ECTR = 0.0%

Total tax contribution 0.05

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
			0.05	
CTR = 0.0%				

Business activities

- Sales, marketing and distribution
- Administrative, management and support services
- Provision of services to unrelated parties

Tax summary

In the UAE, there is no income tax or payroll tax applicable to Philips' business. Although a VAT regime was introduced in 2018, a considerable part of the business is generated within a free trade zone or via exports to other countries, resulting in revenue not being subject to VAT.

As the businesses operates mainly in the Free Trade Zone, there are no import duties applicable.

Western Europe

United Kingdom

1,135 employees

All numbers in millions of EUR unless otherwise stated

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
495.40	173.83	24.17	40.82	0.69 ECTR = 2.9%

Total tax contribution 78.64

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
0.26 CTR = 1.1%	0.10	32.94	44.29	1.05

Business activities

- 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
- Holding shares or other equity instruments
- Other

Tax summary

Philips is active in the UK with multiple legal entities, with Philips Electronics UK being the main entity, functioning as the country sales organization and earning royalty income from intellectual property. The statutory income tax rate (STR) in the United Kingdom is 19.0%.

Corporate current income tax accrued (ECTR) is lower than the statutory tax rate (STR), mainly due to taxable profit for 2020 being partly offset by carry-forward losses or other tax assets from previous years.

Corporate income tax paid (CTR) is lower than the statutory tax rate (STR), mainly due to same reason.

North America

United States

20,322 employees

All numbers in millions of EUR unless otherwise stated

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
6,692.25	3,681.98	240.21	886.84	77.76
				ECTR = 32.4%

Total tax contribution 752.95

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
81.71	28.22	62.24	572.02	8.76
CTR = 34.0%				

Business activities

- 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
- Holding shares or other equity instruments
- Other

Tax summary

In the United States, Philips has significant business operations in the areas of manufacturing, research and development, and marketing in the Diagnosis & Treatment, Connected Care, and Personal Health segments of Philips' worldwide business. Philips US has material imports and exports in each of these business segments to serve both domestic and international markets. Philips US plays an active role in the merger and acquisition activities of Philips worldwide. Philips' US operations are subject to income tax imposed by federal (21%), state (ranges between 0-12%) and local jurisdictions (varies by jurisdiction).

Corporate current income tax accrued (ECTR) is higher than the statutory tax rate (STR), mainly due to timing differences, as certain expenses are deductible and certain income is reported in a different year under tax law compared to under accounting rules. Also, due to taxes withheld at source in other jurisdictions on foreign royalty and dividend income.

Corporate income tax paid (CTR) is higher than the statutory tax rate (STR), mainly due to:

- provisional payments made based on a higher estimated taxable profit for 2020.
- additional payments made relating to prior years.
- the same reasons as mentioned earlier, leading to a higher tax payable.

Vietnam

81 employees

All numbers in millions of EUR unless otherwise stated

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
19.19	2.09	1.80	1.96	0.11 ECTR = 6.2%

Total tax contribution 2.03

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
0.17 CTR = 9.2%	0.04	0.96	0.80	0.06

Business activities

- Sales, marketing and distribution
- Administrative, management and support services
- Provision of services to unrelated parties

Tax summary

Philips is active in Vietnam with its legal entity Philips Vietnam Ltd, which is primarily engaged in the import and sale of Diagnosis & Treatment and Connected Care products and provision of related service, as well as market support services in the Philips Personal Health business. The statutory income tax rate (STR) in Vietnam is 20%.

Corporate current income tax accrued (ECTR) is lower than the statutory tax rate (STR), mainly due to prior-year true-ups.

Corporate income tax paid relates to the prior year's estimated liability.

Corporate income tax paid (CTR) is lower than the statutory tax rate (STR), mainly due to the fact that no provisional payments were made for the year in view of available tax credits from the prior year. The difference is expected to be paid in 2021.

VAT paid relates to import VAT and foreign contractor tax VAT. Customs duties paid are low as most Philips products have a 0% import duty rate.

4.3 Country summary

The table below gives an overview of all countries per geographic cluster.

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

		Financials					Total tax contribution					
	Number of employees	Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued	Corporate income tax paid	VAT	Payroll taxes	Customs duties	Other taxes	Total
Western Europe												
Germany	3,825	1,344.51	1,849.48	502.12	172.69	117.55	185.12	103.73	199.13	1.18	0.34	**489.50**
Netherlands	11,461	1,573.46	6,474.28	472.51	657.56	34.21	56.39	(107.52)	483.82	11.34	26.32	**470.35**
France	915	493.24	46.66	12.94	21.94	1.95	0.48	66.20	49.03	0.03	4.14	**119.88**
United Kingdom	1,135	495.40	173.83	24.17	40.82	0.69	0.26	32.94	44.29	0.10	1.05	**78.64**
Italy	991	425.24	59.33	19.81	28.41	1.10	0.56	34.33	35.29	0.07	0.91	**71.16**
Spain	510	245.51	19.67	3.49	4.93	0.69	1.87	42.17	17.01	0.02	0.64	**61.71**
Sweden	278	153.46	8.41	4.50	3.91	0.61	(0.07)	39.52	13.84	0.01	0.28	**53.58**
Belgium	317	227.05	20.52	5.50	15.57	1.68	0.23	24.01	16.87	0.41	0.43	**41.95**
Austria	475	51.68	65.16	(4.79)	50.79	(0.86)	1.02	18.00	21.40	0.01	0.07	**40.50**
Denmark	165	93.16	15.41	2.51	26.99	0.31	0.86	12.88	3.87	0.07	-	**17.68**
Finland	171	40.66	16.71	1.86	2.21	-		8.67	3.77	-		**12.44**
Portugal	75	40.84	2.94	2.49	0.81	0.39	0.07	7.80	1.95	-	0.17	**9.99**
Greece	55	34.64	1.92	0.94	1.65		0.04	7.08	2.23	-	0.22	**9.57**
Switzerland	222	188.35	24.75	6.13	11.70	1.31	0.84	3.48	4.44	0.65		**9.41**
Norway	53	44.66	2.23	(1.62)	0.80	0.48	0.40	4.65	2.15	0.01	0.02	**7.23**
Ireland	25	8.10	1.01	0.68	0.54	0.38	0.43	1.04	1.44			**2.91**
Luxembourg	0		0.07	0.17		0.03	0.05	0.99	0.12		0.01	**1.17**
North America												
United States	20,322	6,692.25	3,681.98	240.21	886.84	77.76	81.71	62.24	572.02	28.22	8.76	**752.95**
Canada	805	290.05	19.77	(7.89)	7.95	5.13	4.39	23.79	18.29	1.38	0.06	**47.91**
Other mature geographies												
Japan	2,244	1,111.02	38.50	71.04	129.17	24.36	23.85	82.27	53.04	0.84	0.77	**160.77**
Australia	580	335.08	14.06	9.98	8.42	5.31	3.70	23.93	20.68	0.05	0.02	**48.38**
South Korea	377	301.32	10.11	11.60	7.69	3.62	3.47	8.68	6.90	0.78	0.13	**19.96**
Israel	1,422	17.82	480.03	65.92	49.43	11.55	10.37	(39.40)	42.44	0.47		**13.88**
New Zealand	41	30.26	1.38	0.73	0.58	0.35	0.40	4.21	1.41	0.02		**6.04**

	Number of employees	Financials					Total tax contribution					
		Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued	Corporate income tax paid	VAT	Payroll taxes	Customs duties	Other taxes	**Total**
Growth geographies												
China	8,240	1,505.37	808.45	139.76	144.85	29.98	38.19	127.74	97.48	23.77	34.84	**322.02**
India	9,315	366.26	280.15	32.38	76.04	12.55	10.12	28.67	44.78	21.40	7.48	**112.45**
Brazil	1,990	240.74	19.72	(28.56)	19.6	0.31	3.04	55.28	12.95	6.91		**78.18**
Poland	1,597	249.05	59.43	7.09	19.27	4.12	2.24	23.51	17.06		0.16	**42.97**
Russian Federation	578	390.00	10.57	10.38	8.03	5.27	13.75	9.19	6.58	11.91	0.84	**42.27**
Indonesia	4,003	143.46	383.35	13.43	72.95	5.61	6.50	11.85	2.51	1.96	1.35	**24.17**
Argentina	167	80.31	4.34	2.03	0.49	-	0.36	12.01	1.74	3.09	6.01	**23.21**
Mexico	263	107.15	3.00	(0.35)	3.74	(0.10)	0.40	2.72	3.55	11.20	0.59	**18.46**
Singapore	666	155.08	357.18	5.51	61.73	0.26	0.80	4.60	11.18		0.52	**17.10**
Czech Republic	128	93.59	5.98	2.86	1.24	0.63	0.53	11.77	3.68		0.14	**16.12**
Turkey	225	166.89	4.56	10.69	0.78	1.89	0.47	1.66	1.29	11.72	0.26	**15.40**
Taiwan	192	132.60	1.98	2.45	1.74	0.62	0.82	5.54	2.97	3.03	0.54	**12.90**
Thailand	159	134.76	3.91	(0.02)	1.50	0.39	0.63	7.56	0.98	2.03	0.60	**11.80**
Romania	1,752	125.74	233.67	11.15	41.58	2.43	3.05	(1.62)	8.05	1.25	0.70	**11.43**
Saudi Arabia	181	98.17	3.31	3.60	3.48	2.13	2.60	4.25	0.82	1.82		**9.49**
Chile	98	60.39	1.40	(1.73)	1.84	1.07	(0.53)	6.45	1.90	0.71	0.79	**9.32**
Costa Rica	3,119		161.76	(1.14)	72.18				9.25			**9.25**
South Africa	199	42.65	3.39	(1.17)	0.73	(0.24)	0.39	1.32	3.27	2.00	0.62	**7.60**
Hungary	85	37.10	5.39	1.72	0.65	0.06	0.36	4.35	1.40	0.01	0.10	**6.22**
Colombia	106	21.63	1.70	1.86	0.84	0.81	0.82	3.37	1.16	0.03		**5.38**
Ukraine	72	51.62	0.92	0.72	0.83	0.64	0.43	0.86	0.64	2.60		**4.53**
Malaysia	123	81.70	1.68	2.14	0.11	0.04	0.55	(1.03)	1.70	3.23	-	**4.45**
Hong Kong	393	750.69	58.40	10.00	2.85	-			2.43		1.68	**4.11**
Egypt	108	23.00	1.87	0.40	3.41	3.03	1.02	1.02	0.98	0.90	0.08	**4.00**
Philippines	201	19.88	5.18	(1.03)	0.90	0.01	0.11	2.12	1.08	0.33	0.20	**3.84**
Panama	542	3.92	32.01	1.89	5.83	0.03	0.02		2.67			**2.69**
Peru	34	8.93	1.41	1.79	0.17	2.18	0.94	1.18	0.50			**2.62**
Kenya	53	13.31	1.99	(1.27)	0.52	0.11	0.25	0.57	0.93	0.55		**2.30**
Vietnam	81	19.19	2.09	1.80	1.96	0.11	0.17	0.96	0.80	0.04	0.06	**2.03**
Latvia	27	28.39	0.77	0.77	0.25	0.07	0.27	1.08	0.56		0.02	**1.93**
Puerto Rico	31	17.06	0.97	2.12	0.11	1.21	0.13	1.23	0.41			**1.77**
Bangladesh	20	1.41	3.68	1.17	0.60	0.71	0.51	0.18	0.02	0.29	0.05	**1.05**
Ghana	16	0.55	0.92	0.08	0.12	0.01	0.05	0.18	0.06	0.04		**0.33**
Slovenia	9		0.86	0.03	0.10	0.01	0.01	(0.02)	0.29			**0.28**

		Financials					Total tax contribution					
	Number of employees	Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued	Corporate income tax paid	VAT	Payroll taxes	Customs duties	Other taxes	**Total**
Croatia	32		2.57	0.31	0.53	0.05	0.02	(0.06)	0.31		-	**0.27**
Morocco	11		1.09	0.02	0.08	0.06	-	0.10	0.15		0.01	**0.26**
Lebanon	17			(1.59)	0.26				0.24			**0.24**
Bulgaria	26		1.89	0.08	0.58	0.01	0.01	(0.04)	0.22		-	**0.19**
Kazakhstan	24		0.93	0.07	0.13	0.02	0.02	-	0.15		-	**0.17**
Sri Lanka	5	-	0.58	0.34	0.00	0.09	0.04	0.05	0.02		0.00	**0.11**
Belarus	8		0.40	0.03	-	-	0.01	0.01	0.08		-	**0.10**
United Arab Emirates	210	126.77	11.98	(0.98)	0.50				0.05			**0.05**
Myanmar	0			0.21		0.05	0.02	-	0.02			**0.04**
Serbia	9		0.64	0.08	0.16	0.01		(0.03)	0.07		-	**0.04**
Qatar	10		1.59	0.05	0.13	0.03	0.02		0.01			**0.03**
Tanzania	0	0.24		(0.01)			0.01					**0.01**
Nigeria	0			(0.03)		-						**0.00**
Paraguay	0			(0.49)	0.13							**0.00**
Venezuela	0		0.01	0.01								**0.00**
Uruguay	0		0.03	(0.25)	-	-	(0.01)					**(0.01)**

Philips Group
Tax contribution - Grand total in millions of EUR (Employees are in full number)

		Key financials					Tax contribution					
	Number of employees	Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued	Corporate income tax paid	VAT	Payroll taxes	Customs duties	Other taxes	**Total**
Grand total												
Philips Group	81,592	19,535	15,515	1,499	2,682	360	466	794	1,862	156	102	**3,381**

Reference to presentation of the financial data in this report

- ‘blank’ represents "No" data
- ‘-‘ represents data "< EUR 0.01 million”
- amounts may not add up due to rounding

The data presented in the above table reconciles with the data stated in the audited consolidated financial statements, in the 2020 Annual Report, as follows:

- **Revenues from third party sales:** Per chapter 10.4 Consolidated statements of income, ‘‘Sales’ tie-out to the EUR 19,535 million per this report.

- **Profit/loss before tax:** Per chapter 10.4 Consolidated statements of income, ‘Income before taxes’ (excluding ‘Investments in associates, net of income taxes’) tie-out to the EUR 1,499 million per this report. There is EUR (175) million of profit/loss before tax that is recorded on consolidation, which is not allocated to a country for the purposes of this report.
- **Tangible assets other than cash and cash equivalents:** Per chapter 10.6 Consolidated balance sheet, 'Property, plant and equipment' amounts to EUR 2,682 million. There are EUR (3) 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.
- **Corporate income tax paid on a cash basis.** Per chapter 10.7 Consolidated statements of cash flows, Income taxes paid amounts to EUR 394 million. In addition to EUR 394 million of income tax payments relating to our continuing operations business, we paid a net EUR 72 million relating to our discontinued operations, totaling up to the EUR 466 million per this report.
- **Corporate income tax accrued:** Per note 9 Income Taxes the corporate income tax accrued amounts to EUR 284 million. As GRI 207 is the basis of preparation of this report, corporate income tax accrued excludes deferred corporate income tax and uncertain tax position movements (and includes accrued expense relating to our discontinued operations), resulting in corporate income tax accrued of EUR 360 million per this report.

5 Independent auditor's report

To: the Supervisory Board and Shareholders of Koninklijke Philips N.V.

Report on the audit of the tax per country reporting included in the Country Activity and Tax Report 2020

Our opinion

We have audited chapter 4 “Activities and Tax per country” for the year ended 31 December 2020, included in the Country Activity and Tax Report 2020 (chapter 4 “Activities and Tax per country”) of Koninklijke Philips N.V. (the Company), based in Eindhoven, the Netherlands.

In our opinion chapter 4 “Activities and Tax per country” for the year ended 31 December 2020 of Koninklijke Philips N.V. is prepared, in all material respects, in accordance with the reporting requirements under Disclosure 207-4 of Standard 207: Tax of the Global Reporting Initiative (GRI) as issued by the Global Sustainability Standards Board and the additional reporting requirements specified and disclosed by the Company in chapter 3 “Basis of preparation” of the Company’s Country Activity and Tax Report 2020.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the section *Our responsibilities for the audit of chapter 4 “Activities and Tax per country”* of our independent auditor’s report.

We are independent of Koninklijke Philips N.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of the basis of accounting

We draw attention to chapter 3 “Basis for preparation” of the Company’s Country Activity and Tax Report 2020, which describes the basis of accounting. The Company’s Country Activity and Tax Report 2020 is intended for the Company’s stakeholders and is prepared in accordance with Disclosure 207-4 of GRI 207: Tax and the additional reporting requirements specified and disclosed by the Company. As a result, the Country Activity and Tax Report 2020 may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Report on other information included in the Country Activity and Tax Report 2020

In addition to chapter 4 “Activities and Tax per country” and our auditor’s report thereon in chapter 5, the Country Activity and Tax Report 2020 contains other information that consists of:

- Chapter 1: Introduction
- Chapter 2: Our approach to tax
- Chapter 3: Basis of preparation
- Chapter 6: Forward-looking statements and other important information
- Chapter 7: Philips definitions and legends applied in this report

Based on the following procedures performed, we conclude that the other information:

- Is consistent with chapter 4 “Activities and Tax per country” and does not contain material misstatements
- Contains the information as required under Disclosure 207-1, Disclosure 207-2 and Disclosure 207-3 of GRI 207: Tax

We have read the other information. Based on our knowledge and understanding obtained through our audit of chapter 4 “Activities and Tax per country”, or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of chapter 4 “Activities and Tax per country”.

The Board of Management is responsible for the preparation of the other information, including the management approach disclosures in accordance with the reporting requirements under Disclosure 207-1, Disclosure 207-2 and Disclosure 207-3 of GRI 207: Tax.

Description of responsibilities for the Activities and Tax per country reporting

Responsibilities of Board of Management for chapter 4 "Activities and Tax per country"

The Board of Management is responsible for the preparation of chapter 4 “Activities and Tax per country” in accordance with the reporting requirements under Disclosure 207-4 of GRI 207: Tax and the additional reporting requirements specified and disclosed by the entity in chapter 3 “Basis of preparation” of the Company’s Country Activity and Tax Report 2020 and for determining that these additional reporting requirements are acceptable in the circumstances. Furthermore, the Board of Management is responsible for such internal control as the Board of Management determines is necessary to enable the preparation of chapter 4 “Activities and Tax per country” free from material misstatement, whether due to fraud or error.

Our responsibilities for the audit of chapter 4 "Activities and Tax per country"

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of chapter 4 “Activities and Tax per country”. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- Identifying and assessing the risks of material misstatement of the chapter 4 “Activities and Tax per country”, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Management
- Evaluating the overall presentation, structure and content of chapter 4 “Activities and Tax per country”
- Evaluating whether chapter 4 “Activities and Tax per country” represents the underlying transactions and events free from material misstatement

Because we are ultimately responsible for our opinion, we are also responsible for directing, supervising and performing the audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the Board of Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identified during our audit.

Amsterdam, The Netherlands

23 February 2021

Ernst & Young Accountants LLP

signed by S.D.J. Overbeek-Goeseije

6 Forward-looking statements and other important information

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. Forward-looking statements can be identified generally as those containing words such as "anticipates", "assumes", "believes", "estimates", "expects", "should", "will", "will likely result", "forecast", "outlook", "projects", "may" or similar expressions. 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: changes in industry or market circumstances; economic and political developments; market and supply chain disruptions due to the COVID-19 outbreak; Philips' increasing focus on health technology; the realization of Philips' growth ambitions and results in growth geographies; successful completion of divestments such as the divestment of our Domestic Appliances businesses; lack of control over certain joint ventures; integration of acquisitions; securing and maintaining Philips' intellectual property rights and unauthorized use of third-party intellectual property rights; compliance with quality standards, product safety laws and good manufacturing practices; exposure to IT security breaches, IT disruptions, system changes or failures; supply chain management; ability to create new products and solutions; attracting and retaining personnel; financial impacts from Brexit; compliance with regulatory regimes, including data privacy requirements; governmental investigations and legal proceedings with regard to possible anticompetitive market practices and other matters; business conduct rules and regulations; treasury risks and other financial risks; tax risks; costs of defined-benefit pension plans and other post-retirement plans; reliability of internal controls, financial reporting and management process.

As a result, Philips' actual future results may differ materially from the plans, goals and expectations set forth in such forward-looking statements. For a discussion of factors that could cause future results to differ from such forward-looking statements, see also chapter 6 (Risk management) of the Company's 2020 Annual Report.

Fair value information

In presenting the Philips Group's financial position, fair values are used for the measurement of various items in accordance with the applicable accounting standards. These fair values are based on market prices, where available, and are obtained from sources that are deemed to be reliable. Readers are cautioned that these values are subject to changes over time and are only valid at the balance sheet date.

When quoted prices or observable market values are not readily available, fair values are estimated using appropriate valuation models and unobservable inputs. Such fair value estimates require management to make significant assumptions with respect to future developments which are inherently uncertain and may therefore deviate from actual developments. Critical assumptions used are disclosed in the financial statements. In certain cases, independent valuations are obtained to support management's determination of fair values.

7 Philips definitions and legends applied in this report

Businesses

In 2020, Philips identified three reportable segments: Diagnosis & Treatment, Connected Care, and Personal Health. The segments can be further subdivided into businesses and business categories, each responsible for the management of its business worldwide. Please refer to chapter 3.3 Our businesses in Annual Report 2020 for further information on our reporting structure and businesses.

Cash tax rate (CTR)

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

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 and uncertain tax position movements (but, still includes adjustments relating to prior years i.e. prior-year true-up's).

Note that in this report "corporate income tax accrued" (the official GRI 207 definition) and "corporate current income tax accrued" are used interchangeably. The term 'Corporate current income tax accrued" was introduced and used in the country narratives" to emphasize that deferred corporate income tax and uncertain income tax position movement are excluded.

Country

Countries include all geographies/ jurisdictions.

Customs duties

Tax imposed on imports and exports of goods.

Deferred corporate income tax

Deferred corporate income tax represents the amount of tax that is due to, or reclaimable from, tax authorities in the future. It arises because of temporary differences regarding the timing of deduction of expenses (or recognition of revenue) between IFRS accounting rules and tax law (and utilization and creating of tax losses and credits).

Effective current tax rate (ECTR)

The rate that represents corporate income tax accrued divided by IFRS profit or loss before tax. Please note that this ratio is not part of IFRS/IAS12 and is different from the ETR (explained below),but is specifically required under GRI 207. The key difference between ECTR and ETR is that ECTR does not include deferred tax and uncertain tax positions, which is otherwise included in ETR calculation.

ECTR can be different than the STR for various reasons, but mainly because
- taxable profit differs from IFRS profit
- corporate income tax accrued can relate to both the current year, as well as to prior years.

This happens quite regularly as the annual corporate income tax return is prepared in most countries a few months after the consolidated financial statements are prepared.

Effective tax rate (ETR)

The rate that represents the actual tax rate at which the profit/loss before tax for the year is taxed, after correcting for tax exemptions, (dis)allowances of expenses, etc. It is calculated as total tax expense / IFRS profit/loss before tax. Note that the total tax expense (ETR) is different than the ECTR.

Net refund position/net payable position

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

Number of employees, FTE

Number of regular and third-party employees at the end of 2020, expressed as the equivalent of full-time employees.

Payroll taxes

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

Profit/loss before tax

A company's IFRS profit (after deduction of operating expenses, interest, amortization and depreciation) used as a starting point for calculating taxable profit.

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 third parties

Accounting revenue reported by the entities resident in the tax jurisdiction on transactions (i.e. sales) with third parties, outside of the Philips organization (refer to chapter 10.4 Consolidated statements of income in Annual Report 2020).

Statutory tax rate (STR)

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

Tangible fixed assets

Tangible items that are held for use in the production or supply of goods or services which are expected to be used during more than one period, i.e. 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 the 'Profit/Loss before tax' as its starting point. However, tax laws and IFRS accounting standards recognize and measure income, expenditure, assets and liabilities in different ways. Generally, most items included in the profit/loss 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. relating to provisions accruals, asset depreciation costs). These differences result temporarily in differences between IFRS profit/loss 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. relating to 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 (to be) included in a tax return by Philips as taxpayer which are not certain to be sustained upon examination by the applicable tax authorities. The tax authorities may challenge positions taken by Philips in determining its tax payables. This could result in additional tax payments.

Value added tax (VAT) and Sales tax

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