2021

Country Activity and Tax Report

Contents

1 Introduction

In September 2020, Philips further reinforced its mission 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.

As one of several commitments in the Social responsibility domain of our ESG framework, we engage actively in the countries where we operate. Besides contributing in terms of activities that benefit society, for example through our volunteering programs, we also consider our tax payments as a significant contribution to the communities in which we operate, and an integral part of our social value creation. This is one of the key principles underlying 'Our approach to tax', as included in chapter 2 of this Country Activity and Tax Report 2021. Part of our approach is to acknowledge the importance of transparency in respect of our tax contributions. Therefore, we 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 2021. 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. EY's report is included as chapter 5 of this Report.

Board of Management
Frans van Houten
Abhijit Bhattacharya
Marnix van Ginneken

February 22, 2022

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 22, 2022.

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, 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 (www.philips.com/gbp).

Violation of our tax principles is contrary to our GBP and employees are encouraged to report any concerns through the SpeakUp Ethics Line .

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 both the letter and the spirit 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 cooperative 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 like this "Country Activity and Tax Report", 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 accountable for the execution of tax strategy and for the tax position of Philips worldwide. It advises management 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 on a regular basis.

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 current 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 regarding the Annual Report 2021 and this Country Activity and Tax Report 2021, respectively.

Philips' approach to risk management includes tax as a key risk, as it could have a significant adverse financial and/or reputational 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 a heavily manual function to a more data-driven and digitally enabled function.

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 considered 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 particularly 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 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 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. In essence, this report is part of the year end Annual Report published on Philips' website.

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.

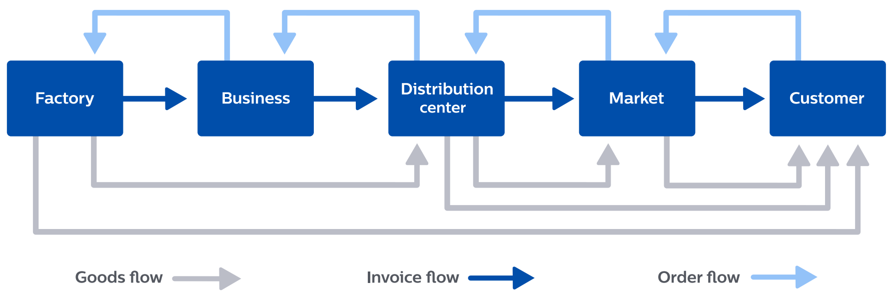
From a market (country) perspective, Philips is a multinational company that serves customers in many different jurisdictions through its specific businesses. All these jurisdictions have their own tax regimes and tax types, through which they collect revenues to finance their expenditures on, for example, public infrastructure, public administration, education, healthcare and safety. Below we describe the connection between Philips’ business organization and 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, 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 this report, we distinguish distinct 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 diverse 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's 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 the 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 and manufacturing activities. On the other hand, residual 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 income 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 income under accounting rules and is likely to pay higher corporate income tax. On the other hand, relatively more income is reported in countries where more risks reside and more value-adding activities, such as product innovation, are performed. Significant events could lead to volatility in the result of a business and subsequently result in income or 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 to those 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 the EU, Philips uses Limited Fiscal Representation in the Netherlands and Germany. Furthermore, Centralized Clearance is used in the Netherlands which allows imports into the Netherlands, France (partly), 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 and capital gains) income from participations is exempt from Dutch corporate income tax. The rationale behind this exemption is that this profit was already taxed in the country of residence of the participation itself 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 based on 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 2021, amounting to EUR 4,090 million, is described by tax type below

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

Corporate income taxes paid	Customs Duties	VAT [1]	Payroll taxes	Other taxes
818	169	821	2,133	149
20%	4%	20%	52%	4%

[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 related parties together) of EUR 5 million or higher.

Domestic Appliances Divestment

On September 1, 2021 Philips successfully completed the sale of the Domestic Appliances (DA) business, concluding its major divestments. We believe this will allow Philips to focus fully on continuing its transformation into a solutions company and extending its leadership in health technology.

For 2021, the DA tax impact has been included in this report till the date of divestment. The separation of DA from existing Royal Philips legal entities was largely executed via asset transfers in countries involved, which typically resulted in taxable gains.

For a few countries, the reported Income Before Tax, Effective Current Tax Rate (ECTR) and Cash Tax Rate (CTR) are impacted by the fact that transfer pricing adjustments relating to the new entities incorporated for DA were not executed before the divestment of DA per the effective date mentioned earlier. On similar lines, the DA divestment also impacted non-Corporate Income Tax contributions like Value added tax, Customs Duties and Payroll Taxes.

To give more context around impact of DA divestment on key country financials and the legal entities setup in there, we have covered that in respective countries page covered in this section of the report.

Growth geographies

All numbers in millions of EUR unless otherwise stated

Argentina

158 employees

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
78.86	3.19	16.76	0.63	5.44 ECTR = 32.4%

Total tax contribution 27.87

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
1.00 CTR = 6.0%	3.24	11.60	1.99	10.04

Business activities

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

Tax summary

Philips has had a presence in Argentina since 1935 when Philips Argentina, S.A. was incorporated. This entity primarily 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 35%.

Corporate current income tax accrued (ECTR) is lower than the statutory tax rate (STR), mainly due to taxable profit for 2021 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 the fact that no prepayments were due as Philips Argentina was in a loss position in prior year; however, there are pre-payments derived from withholdings from customer invoices, tax on bank account and customs clearance and the difference is expected to be paid in the following year.

Other Taxes paid mainly refer to withholding taxes both on accounts payable and receivable invoices.

Other mature geographies

All numbers in millions of EUR unless otherwise stated

Australia

548 employees

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
288.40	16.70	9.22	8.02	3.61 ECTR = 39.2%

Total tax contribution **57.27**

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
7.89 CTR = 85.6%	0.02	19.66	29.70	

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. The main entities are Philips Electronics Australia Ltd and Philips Saeco Australia Pty Ltd, which primarily functions as a country sales organization for the various businesses of Philips in Australia. The statutory income tax rate (STR) in Australia is 30%.

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 accounting rules.
- 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.

Apart from additional prior-year payments, Corporate income tax paid also includes provisional payments for this year as well.

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

Western Europe

All numbers in millions of EUR unless otherwise stated

Austria

368 employees

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
60.19	65.94	6.58	46.47	1.80
				ECTR = 27.4%

Total tax contribution 36.64

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
1.12	0.03	15.83	19.59	0.07
CTR = 17.1%				

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 taxpayer. This entity primarily functions as a country sales organization for various businesses of Philips in Austria as well as research and development and manufacturing activities. The combined statutory income tax rate in Austria is 25%.

Corporate current income tax accrued (ECTR) is higher than the statutory tax rate (STR), mainly due to taxable gain on Domestic Appliances divestment.

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

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

Western Europe

Belgium

312 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
228.36	23.14	(1.96)	15.69	3.18
				ECTR = (162.3)%

Total tax contribution **36.60**

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
1.71	0.97	16.28	17.20	0.44
CTR = (87.3)%				

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

Tax summary

Philips is active in Belgium, with Philips Belgium Commercial NV and Volcano Europe BV, which primarily functions as a country sales organization for various businesses of Philips in Belgium. The statutory income tax rate (STR) in Belgium is 25.0%.

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 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 2021.

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

Growth geographies

All numbers in millions of EUR unless otherwise stated

Brazil

1,841 employees

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
217.51	27.24	(21.91)	15.11	(0.39) ECTR = 1.8%

Total tax contribution 72.82

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
(0.03) CTR = 0.1%	4.96	53.29	14.51	0.09

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

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. Philips Clinical Informatics Sistemas de Informaçao Ltda is engaged in the design, development and sale of software in the field of health. The statutory income tax rate (STR) in Brazil is 34.0%.

Corporate current income tax accrued relates to the legal entity Philips do Brazil; however, it is low as the other Brazilian entities are in a taxable loss position.

Corporate income tax paid relates to:

- provisional payments for this year based on the current year's estimated taxable profit.
- withholding taxes deducted by customers on invoices.

Payroll taxes are relatively low, mainly due to reduced payroll tax rates and tax incentives.

North America

Canada

All numbers in millions of EUR unless otherwise stated

606 employees

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
337.31	22.85	11.78	11.61	1.37
				ECTR = 11.6%

Total tax contribution 49.76

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
1.26	0.95	24.40	23.06	0.09
CTR = 10.7%				

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 Mississauga, Ontario. This company primarily 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 accrued (ECTR) is lower than the statutory tax rate (STR), mainly due to:
- taxable profit for 2021 being (partly) offset by tax credits that reduced the tax payable.
- prior year true-ups.

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.

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.

Chile

All numbers in millions of EUR unless otherwise stated

103 employees

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
66.86	1.64	4.28	0.62	0.73
				ECTR = 17.1%

Total tax contribution 11.67

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
0.22	0.88	8.44	1.62	0.51
CTR = 5.3%				

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 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 enjoyed the corresponding tax benefits (corporate income tax, value added tax and customs duties) until the divestment of the Domestic Appliances business. The statutory income tax rate (STR) in Chile is 27.0%.

Corporate current income tax accrued (ECTR) is lower 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 accounting rules.
- income related to FTZ operation is tax-exempted.

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

- tax refunds relating to prior years.
- same reasons as mentioned above for Current income tax accrued.

Growth geographies

All numbers in millions of EUR unless otherwise stated

China

8,045 employees

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
1,400.29	847.52	72.40	143.36	15.17 ECTR = 21.0%

Total tax contribution 305.30

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
19.02 CTR = 26.3%	21.09	95.43	143.44	26.32

Business activities

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

Tax summary

In China, Philips primarily engages in sales, marketing and distribution of all Philips products in the China market, a Research & Development center in Shanghai, for group companies globally, and six factories located across China, supplying globally and locally. 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 are deductible in a different year under tax law compared to accounting rules.
- 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.

Customs duties are impacted due to trade defense measures (China-US Trade dispute). 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 are mainly PRC taxes levied on group services charged to Chinese entities by overseas service providers.

Growth geographies

All numbers in millions of EUR unless otherwise stated

Colombia

116 employees

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
24.90	1.95	3.19	0.30	1.35 ECTR = 42.4%

Total tax contribution 6.92

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
0.73 CTR = 22.9%	0.02	2.98	1.55	1.64

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. This entity primarily functions as a country sales organization for Diagnosis & Treatment and Connected Care businesses and provides support services for Personal Health businesses. The statutory income tax rate (STR) is 31.0%.

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

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

- tax refunds relating to prior years.
- prepayments were not made in the current year, so they are expected to be paid in the following year(s).

Corporate Income Tax paid relates to withholding taxes deducted by customers on invoices.

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

VAT payment are low due to benefit granted on COVID related products.

Growth geographies

All numbers in millions of EUR unless otherwise stated

Costa Rica

2,573 employees

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
	174.01	24.60	80.84	
				ECTR = **0.0%**

Total tax contribution **11.27**

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
			11.27	
CTR = **0.0%**				

Business activities

- Purchasing
- Manufacturing
- Administrative, management and support services

Tax summary

Philips has had a presence in Costa Rica since 2015, through Philips de Costa Rica SRL, which is dedicated to the manufacturing of medical equipment.

Based on 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.

Growth geographies

All numbers in millions of EUR unless otherwise stated

Czech Republic

111 employees

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
88.48	5.64	1.57	1.03	0.36
				ECTR = 22.7%

Total tax contribution 16.05

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
0.45		11.82	3.64	0.14
CTR = 28.8%				

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 Ceska Republika is a stand-alone taxpayer, which primarily functions as a country sales organization for 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 meal, entertainment and other social expenses.
- taxable income on Domestic Appliances divestment.

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 2021.

Customs duties are low, mainly due to applicable duties which are levied in the country of import, which is different to this country. This is due to limited fiscal representation regulations, where the Netherlands imports on behalf of this country.

Western Europe

All numbers in millions of EUR unless otherwise stated

Denmark

160 employees

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
99.47	16.68	10.20	42.22	1.29
				ECTR = 12.7%

Total tax contribution 19.19

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
0.25	-	11.56	7.10	0.28
CTR = 2.5%				

Business activities

- 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 in Denmark primarily functions as a country sales organization for the various businesses of Philips. 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 2021 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:

- provisional payments made based on the prior year's taxable profit. The difference is expected to be paid in the following year(s).
- utilization of losses originating from prior years that reduced the taxable income.

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

All numbers in millions of EUR unless otherwise stated

Egypt

110 employees

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
25.80	1.92	2.16	3.20	0.44 ECTR = 20.5%

Total tax contribution 3.88

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
0.73 CTR = 33.8%	2.16	0.08	0.85	0.06

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. This legal entity primarily functions as a country sales organization for various businesses of Philips in Egypt. The Branch has been dormant and is currently being deregistered. The statutory income tax rate (STR) in Egypt is 22.5%.

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 withholding taxes deducted by customers on invoices.

Customs duties are relatively low, mainly because our customer is the importer of record in some of the transactions, and due to the application of existing Free Trade Agreements reducing customs duties. VAT is relatively low due to the exports and VAT-exempted sales, in addition to the VAT-taxable domestic supplies.

Western Europe

All numbers in millions of EUR unless otherwise stated

Finland

125 employees

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
39.55	15.20	(0.59)	1.17	
				ECTR = 0.0%

Total tax contribution 11.70

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
		7.62	4.06	0.02
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 taxpayer, which primarily functions as a country sales organization for the various businesses of Philips in Finland and performs research & development services for Group globally. 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 2021 being offset by carry-forward losses from previous years.

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 limited fiscal representation regulations, where the Netherlands imports on behalf of Finland. The VAT payments comprise VAT paid by local entities and foreign Philips entities having a VAT registration in this country.

Western Europe

All numbers in millions of EUR unless otherwise stated

France

1,006 employees

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
446.23	62.51	-	25.54	6.58 ECTR = (269.6)%

Total tax contribution 139.31

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
10.02 CTR = (381.8)%	0.43	70.74	55.51	2.61

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

Philips France Commercial SAS is the main company in France. It primarily functions as a country sales organization for various businesses of Philips in France and performs research & development services for Group globally. Other Philips entities in France are Philips Santé @ Domicile SAS, Spectranetics France SARL, Agito Medical France Sarl, Capsule Technologie SAS and CapsuleTech SAS (acquired in 2021). All of said entities file tax returns on a standalone basis. The combined statutory income tax rate (STR) rate in France for 2021 varies between 27.37% and 28.41%.

Corporate current income tax is accrued because taxable income was positive, despite the entity being in a loss position based on accounting rules. Corporate income tax accrued is composed of non-deductibles, timing differences, prior year true-ups and local taxes (CVAE).

Corporate income tax paid relates to provisional payments for the current year, additional payments related to prior years, contribution on added value of businesses (CVAE) and tax payments relating to prior years.

Customs duties are low due to limited fiscal representation regulations, where the Netherlands imports on behalf of this country. The VAT payments comprise VAT paid by local entities and foreign Philips entities having a VAT registration in this country.

Western Europe

All numbers in millions of EUR unless otherwise stated

Germany

3,762 employees

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
970.43	1,290.74	130.53	168.50	35.92 ECTR = 27.5%

Total tax contribution 310.35

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
27.70 CTR = 21.2%	1.55	86.78	194.09	0.23

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
- Internal Group Finance
- Regulated financial services
- Holding shares or other equity instruments

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:

- timing differences, as certain expenses are deductible in a different year under tax law compared to accounting rules.
- taxable profit for 2021 being partly 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.

Customs duties are low, mainly due to medical systems being free of import duties. VAT payments are relatively low, mainly due to the divestment of Domestic Appliances in 2021. The VAT payments comprise VAT paid by the local entity and VAT paid by foreign Philips entities having a VAT registration in this country.

Western Europe

Greece

All numbers in millions of EUR unless otherwise stated

50 employees

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
31.33	1.68	0.95	1.16	(0.27)
				ECTR = (28.6)%

Total tax contribution 7.47

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
0.33	-	4.95	2.02	0.17
CTR = 34.5%				

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, which primarily functions as a country sales organization for various businesses of Philips. The statutory income tax rate (STR) in Greece is 22.0%.

Corporate current income tax accrued (ECTR) is lower than the statutory tax rate (STR), mainly due to:

- taxable profit for 2021 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 2021.

No Customs duties were paid, mainly due to applicable duties which are levied in the country of import, which is different to this country. This is due to limited fiscal representation regulations, where the Netherlands imports on behalf of this country.

Growth geographies

All numbers in millions of EUR unless otherwise stated

Hong Kong

249 employees

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
805.41	35.90	4.96	4.87	-
				ECTR = **0.0%**

Total tax contribution **2.53**

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
			2.53	-
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

Tax summary

The main business activity in Hong Kong is sales, marketing and distribution of Philips products, carried out through its primary legal entity (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 2021 being offset by carry-forward losses from previous years.

Growth geographies

All numbers in millions of EUR unless otherwise stated

Hungary

66 employees

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
28.75	3.99	0.51	0.28	0.90 ECTR = 177.2%

Total tax contribution 7.66

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
0.87 CTR = 171.4%	1.58	3.83	1.30	0.08

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 taxpayer, which primarily functions as a country sales organization for 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 higher than the statutory tax rate (STR), mainly due to prior-year true-ups and local taxes.

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

The VAT payments comprise VAT paid by local entities and foreign Philips entities having a VAT registration in this country.

Growth geographies

All numbers in millions of EUR unless otherwise stated

India

8,330 employees

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
431.27	336.82	54.49	79.35	10.73
				ECTR = 19.7%

Total tax contribution 161.88

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
13.10	37.58	46.53	56.45	8.22
CTR = 24.0%				

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 India, Philips mainly engages in imports and sales, manufacturing, Research & Development, business support services, and software development. The manufacturing facilities are based in Pune and Chennai, the software development center in Bangalore, the business support services in Chennai, and the country sales organization in Gurgaon. The statutory income tax rate (STR) for all the entities is 25.17%, except for Philips GBS LLP as it is subject to a special tax regime.

Corporate current income tax accrued (ECTR) is lower 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 accounting rules.

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

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.

Growth geographies

All numbers in millions of EUR unless otherwise stated

Indonesia

4,270 employees

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
127.12	376.96	16.80	65.29	6.29 ECTR = 37.5%

Total tax contribution **20.24**

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
1.40 CTR = 8.4%	1.44	13.18	2.82	1.40

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 manufacturer of various Philips Personal Health products, supplying globally. PT Philips Indonesia Commercial is primarily functioning as a country sales organization for various businesses of Philips. 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:

- non-tax-deductible items, such as non-tax-deductible employee expenses.
- prior year true-ups.

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

Western Europe

All numbers in millions of EUR unless otherwise stated

Ireland

24 employees

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
13.90	1.38	0.96	0.85	0.18 ECTR = 19.1%

Total tax contribution 4.09

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
0.17 CTR = 18.1%		2.71	1.21	

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

Tax summary

Philips is active in Ireland with the main trading entity being Philips Electronics Ireland Limited, which primarily functions as a country sales organization for various businesses of Philips. 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 timing differences, as certain income is reported in a different year under tax law compared to accounting rules.

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. The VAT payments comprise VAT paid by local entities and foreign Philips entities having a VAT registration in this country.

Other mature geographies

All numbers in millions of EUR unless otherwise stated

Israel

1,467 employees

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
23.41	450.85	36.17	54.32	6.87 ECTR = 19.0%

Total tax contribution 15.55

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
6.03 CTR = 16.7%	0.41	(41.73)	50.84	

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

Philips is present in Israel with several companies, mainly in the Health Systems business. These entities primarily function in manufacturing and Research & development (R&D) activities. Tax incentive regimes are applicable on R&D activities performed in the country for Health Systems businesses, 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 tax incentives/exemptions available that reduced the taxable income, such as applicable tax incentives and taxable profit for 2021 offset by carry-forward losses from prior years. Overall, this is 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 relates to provisional payments for this year, which are partly offset by refunds related to prior years.

For VAT, there is a refund as local purchases are subject to creditable VAT and Philips mainly exports its products at 0% VAT rate. Customs duties are low, mainly due to applicable WTO agreements or Free Trade Agreements reducing customs duties and due to the fact that the Philips customer is importer of record in some of the transactions.

Western Europe

All numbers in millions of EUR unless otherwise stated

Italy

685 employees

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
362.08	47.46	29.49	20.14	6.40
				ECTR = 21.7%

Total tax contribution 59.23

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
2.77	0.09	22.28	32.95	1.14
CTR = 9.4%				

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. These entities primarily function as a country sales organization for various businesses of Philips and manufacturing. The combined statutory income tax rate (STR) in Italy is 27.9%. In the current year, two legal entities of Philips’ domestic appliances (Philips Espresso Industries and Gaggia) were sold under the global Domestic Appliances business divestment.

Corporate current income tax accrued (ECTR) is lower than the statutory tax rate (STR), mainly due to taxable profit for 2021 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 and provisional payments made based on a lower estimated taxable profit for this year. The difference is expected to be paid in the following year(s).

Customs duties are low, mainly due to applicable duties which are levied in the country of import, which is different to this country. VAT is relatively low, mainly due to a special VAT regime (so called "split-payment") 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.

All numbers in millions of EUR unless otherwise stated

Japan

2,257 employees

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
1,067.96	36.15	41.96	113.92	26.81 ECTR = 63.9%

Total tax contribution 168.73

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
29.05 CTR = 69.2%	1.15	89.80	47.98	0.75

Business activities

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

Tax summary

Philips is active in Japan with its legal entity Philips Japan Ltd, which primarily functions as a country sales organization for various businesses of Philips and carries out rental of Health system equipment's in Japan. The total corporate income tax burden (i.e. effective tax rate) of a Japan entity varies depending upon the size of the company's paid-in capital. It consists of corporation tax, inhabitant's tax and enterprise tax. 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 accounting rules.
- non-tax-deductible items, such as other local taxes.
- 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 2021 and 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.

All numbers in millions of EUR unless otherwise stated

Kenya

49 employees

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
8.46	1.50	2.17	0.42	0.15 ECTR = 6.8%

Total tax contribution 2.69

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
0.45 CTR = 20.7%	0.45	0.87	0.85	0.07

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. 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 30.0%. For the branches, the applicable CIT rate is 37.5%.

Corporate current income tax accrued (ECTR) is lower than the statutory tax rate (STR), mainly due to:
- taxable profit for 2021 being partly offset by carry-forward losses or other tax assets from previous years.
- timing differences, as certain expenses are deductible in a different year under tax law compared to accounting rules.

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 this year. The difference is expected to be paid in the following year(s).

Growth geographies

Latvia

All numbers in millions of EUR unless otherwise stated

16 employees

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
27.41	0.75	0.76	0.12	0.51 ECTR = 67.9%

Total tax contribution 1.75

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
0.22 CTR = 29.3%		0.97	0.54	0.02

Business activities

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

Tax summary

Philips Baltic SIA is a stand-alone taxpayer, which primarily functions as a country sales organization for 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 higher than the statutory tax rate (STR), mainly due to taxable income on the Domestic Appliances divestment and 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 2021.
- additional payments made relating to prior years.

Customs duties are low, mainly due to applicable duties which are levied in the country of import, which is different to this country. This is due to limited fiscal representation regulations, where the Netherlands imports on behalf of this country.

Growth geographies

All numbers in millions of EUR unless otherwise stated

Malaysia

104 employees

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
69.51	1.94	(1.97)	0.95	0.28 ECTR = (14.4)%

Total tax contribution 5.66

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
0.71 CTR = (36.0)%	3.35	(0.13)	1.71	0.02

Business activities

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

Tax summary

Philips has a trading entity in Malaysia, which primarily functions as a country sales organization for various businesses of Philips. The statutory income tax rate (STR) in Malaysia is 24.0%. The country has a Sales and Service tax regime.

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

The entity contributing to the overall accounting loss relates to Domestic Appliances. The Effective Current Tax Rate (ECTR) and Cash Tax Rate (CTR), excluding the Domestic Appliances entity, are 19.0% and 47.5% respectively. ECTR is lower than STR, mainly due to timing differences, as certain expenses are deductible in a different year under tax law as compared to 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 2021 and additional payments made relating to prior years.

The Goods and Services Tax (GST) regime in Malaysia was replaced by the Sales and Service Tax (SST) regime in 2018. Negative GST is a refund from tax authorities relating to prior years' settlement.

Growth geographies

All numbers in millions of EUR unless otherwise stated

Mexico

274 employees

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
97.84	4.76	1.72	3.08	1.03 ECTR = 59.6%

Total tax contribution **17.94**

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
0.49 CTR = 28.7%	1.12	12.20	3.56	0.57

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 in July 2015 and started to operate in February 2016. It primarily functions as a country sales organization for various businesses of Philips. The statutory income tax rate (STR) in Mexico is 30.0%.

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 relates to provisional payments for this year based on the prior year's taxable profit offset by refunds related to prior years.

Western Europe

All numbers in millions of EUR unless otherwise stated

Netherlands

11,153 employees

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
1,860.08	6,374.96	4,041.95	614.78	518.56 ECTR = 12.8%

Total tax contribution 1025.12

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
536.03 CTR = 13.3%	8.63	(90.76)	494.82	76.40

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
- Internal Group Finance
- Holding shares or other equity instruments

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. Majority (~90%) of its revenue relates to exports 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%.

In this year, profit before tax was high due to a one-off gain on the disposal of the Domestic Appliances business. Corporate current income tax accrued (ECTR) and the corporate income tax paid (CTR) are lower than the STR, mainly because the taxable profit for 2021 is offset partly by carryforward losses from previous years and tax incentives/exemptions available that reduced the taxable income. 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. Import duties paid are relatively low due to the application of customs licenses (bonded warehouse, inward processing relief), WTO and Free Trade Agreements. Other tax payments primarily includes dividend withholding tax payments (on behalf of our shareholders).

All numbers in millions of EUR unless otherwise stated

New Zealand

49 employees

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
31.96	2.23	0.43	0.48	0.14 ECTR = 33.3%

Total tax contribution 6.51

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
0.21 CTR = 49.7%	0.04	4.62	1.64	-

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, which primarily functions as a country sales organization for the Health Systems businesses of Philips. New Zealand has a statutory income tax rate (STR) of 28.0%.

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 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 are low as most health systems products attract limited/no import duty.

All numbers in millions of EUR unless otherwise stated

Norway

54 employees

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
39.57	2.54	1.86	0.65	0.49 ECTR = 26.2%

Total tax contribution 6.69

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
0.28 CTR = 15.0%	-	3.50	2.61	0.30

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 primarily functions as a country sales organization for various businesses of Philips in Norway. The statutory income tax rate (STR) in Norway is 22.0%.

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 relates to payments for prior years.

Corporate income tax paid (CTR) is lower than the statutory tax rate (STR), mainly due to provisional payments for this year being paid in the first half of the following year based on local regulations.

No customs duties are paid, as the imported products attract no import duty. The VAT payments comprise VAT paid by local entities and foreign Philips entities having a VAT registration in this country.

Growth geographies

All numbers in millions of EUR unless otherwise stated

Panama

725 employees

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
5.78	38.93	2.05	7.13	(0.04) ECTR = (1.8)%

Total tax contribution 4.89

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
0.01 CTR = 0.3%			4.88	

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 commonly available tax incentives. On the one hand, Philips has a SEM (Sedes de Empresas Multinacionales) entity to which the multinational headquarters special regime (known as SEM regime) and Legal Stability of Investments (Estabilidad Juridica) apply. 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.

Growth geographies

All numbers in millions of EUR unless otherwise stated

Peru

36 employees

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
7.72	1.96	0.97	0.05	0.42
				ECTR = 43.7%

Total tax contribution 2.96

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
0.89	0.01	1.41	0.50	0.15
CTR = 91.4%				

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 primarily functions as a country sales organization for Diagnosis & Treatment and Connected Care businesses and support services for Personal Health Businesses. 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:
- provisional payments made based on a higher estimated taxable profit for 2021.
- additional payments made relating to prior years.

Customs duties are low as most health systems products attract limited/no import duty.

Growth geographies

All numbers in millions of EUR unless otherwise stated

Philippines

199 employees

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
20.33	4.86	0.17	0.32	0.46
				ECTR = 264.7%

Total tax contribution 2.74

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
0.09	0.28	1.04	1.11	0.22
CTR = 51.2%				

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 primarily functions as a country sales organization for the Health Systems business of Philips and provides general business support services to related companies in the region. The statutory income tax rate (STR) in the Philippines is 25%.

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

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

Reported VAT mainly relates to import VAT.

Growth geographies

All numbers in millions of EUR unless otherwise stated

Poland

2,001 employees

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
180.48	71.45	1.05	15.36	3.58 ECTR = 340.7%

Total tax contribution 53.28

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
5.16 CTR = 491.2%	2.75	19.67	25.34	0.36

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 primarily functions as the country sales organization for various Philips businesses in Poland and provide administrative support services to group companies. 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 meals, entertainment and other social expenses.
- taxable income on the Domestic Appliances divestment.

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

The VAT payments comprise VAT paid by local entities and foreign Philips entities having a VAT registration in this country.

Western Europe

All numbers in millions of EUR unless otherwise stated

Portugal

74 employees

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
33.13	2.62	(0.09)	1.16	(0.02) ECTR = 23.2%

Total tax contribution **8.97**

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
0.09 CTR = (93.3)%	-	6.54	2.03	0.31

Business activities

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

Tax summary

Philips Portuguesa SA primarily functions as a country sales organization for various businesses of Philips. The statutory income tax rate (STR) in Portugal is 22.4%.

Corporate current income tax accrued mainly relates 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.

In 2021, VAT exemption was granted to COVID-19-related products. Customs duties are low, mainly due to applicable duties which are levied in the country of import, which is different to this country. This is due to limited fiscal representation regulations, where the Netherlands imports on behalf of this country.

Growth geographies

All numbers in millions of EUR unless otherwise stated

Puerto Rico

32 employees

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
19.36	0.99	0.11	0.11	0.17 ECTR = 158.5%

Total tax contribution 1.63

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
- CTR = (2.3)%		1.09	0.39	0.15

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. It primarily functions as a country sales organization for the Diagnosis & Treatment and Connected Care businesses in Puerto Rico. The statutory income tax rate (STR) in Puerto Rico is 35.62%.

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 accounting rules.

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

Growth geographies

All numbers in millions of EUR unless otherwise stated

Romania

111 employees

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
132.19	179.24	8.02	3.53	1.21 ECTR = 15.1%

Total tax contribution 7.76

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
1.57 CTR = 19.6%	1.02	(2.99)	6.87	1.29

Business activities

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

Tax summary

Philips Romania Srl is a stand-alone legal entity which primarily functions as a country sales organization for various businesses of Philips. The statutory income tax rate (STR) in Romania is 16.0%.

Corporate current income tax accrued (ECTR) is lower 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 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 2021.

Customs duties are low, mainly due to applicable duties which are levied in the country of import, which is different to this country. This is due to limited fiscal representation regulations, where the Netherlands imports on behalf of 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. Before the disentanglement of the Domestic Appliances business, the Philips Group included another legal entity in Romania, Philips Orastie srl. It was functioning as a manufacturer of various Domestic Appliances and Personal Health products.

Growth geographies

All numbers in millions of EUR unless otherwise stated

Russian Federation

543 employees

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
374.49	9.77	3.99	7.34	4.46
				ECTR = 111.6%

Total tax contribution 42.40

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
13.49	13.99	7.43	7.46	0.03
CTR = 337.8%				

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 primarily functions as a country sales organization for various businesses of Philips in Russia, and Philips Innovation Labs Russia LLC, which provides Research & Development 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 on tax holiday regime. This Corporate Income Tax 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 accounting rules.
- non-tax-deductible items, such as social costs and some types of advertising and promotion expenses.

Corporate income tax paid (CTR) is higher than the statutory tax rate (STR), mainly due to local rules that prescribe that provisional payments must be computed based on previous quarters' taxable income

The VAT payments comprise local VAT and VAT paid by foreign Philips entities having a VAT registration in this country.

Growth geographies

All numbers in millions of EUR unless otherwise stated

Saudi Arabia

169 employees

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
108.20	4.04	8.48	3.34	1.35 ECTR = 15.9%

Total tax contribution 15.69

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
4.13 CTR = 48.7%	2.48	6.94	0.98	1.16

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 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, the legal entity for sales and distribution of Philips' domestic appliances products was sold under the global Domestic Appliances business divestment. There are also two branches, one of which has been dormant and is currently being deregistered. Philips' average STR in this country is 11.25%, which is including Corporate income tax and the Zakat levy.

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 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 2021 and additional payments made relating to prior years.

Payroll taxes relates to social insurance contributions. No income taxes are applicable to employment income. Other taxes refer to withholding taxes deducted on foreign service providers invoices which is paid to tax authorities.

Growth geographies

All numbers in millions of EUR unless otherwise stated

Singapore

485 employees

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
113.95	389.61	(0.85)	1.73	1.03 ECTR = **(121.8)%**

Total tax contribution **16.70**

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
0.51 CTR = **(60.2)%**		4.79	11.07	0.33

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 mainly with its legal entity Philips Electronics Singapore Pte Ltd., which primarily functions as a country sales organization for various businesses of Philips in Singapore and as a distribution center for the region. This entity also provides Research & Development, procurement, administrative and management services to related parties. The statutory income tax rate (STR) in Singapore is 17%.

Corporate current income tax is accrued because taxable income was positive, despite the entity being in a loss position based on accounting rules. The entity contributing to the overall accounting loss relates to Domestic Appliances. The Effective current tax rate (ECTR) and cash tax rate (CTR), excluding the new Domestic appliances entity, are 24.8% and 12.3% respectively. Corporate current income tax accrued (ECTR) is higher than the statutory rate (STR), mainly due to prior-year true-ups and non-tax deductible items such as depreciation of land and building.

Corporate income tax paid (CTR) is lower than the statutory tax rate (STR), mainly due to the taxes for the current year are only payable in the following year. Corporate income tax paid relates to additional payments for prior years.

There is no customs duties paid, as the imports made by Philips Singapore are not subject to customs duty.

Growth geographies

All numbers in millions of EUR unless otherwise stated

South Africa

156 employees

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
43.61	3.22	5.46	0.30	0.22 ECTR = 4.0%

Total tax contribution **10.94**

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
0.40 CTR = 7.2%	1.27	5.58	3.07	0.62

Business activities

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

Tax summary

In South Africa, Philips primarily functions as a country sales organization for various businesses of Philips. The statutory income tax rate (STR) in South Africa is 28.0%.

Corporate current income tax accrued (ECTR) is lower than the statutory tax rate (STR), mainly due to:

- taxable profit for 2021 being partly offset by carry-forward losses or other tax assets from previous years.
- timing differences, as certain expenses are deductible in a different year under tax law compared to accounting rules.

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

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

Other mature geographies

South Korea

All numbers in millions of EUR unless otherwise stated

362 employees

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
276.35	10.45	20.97	5.07	5.03 ECTR = 24.0%

Total tax contribution 24.32

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
7.21 CTR = 34.4%	2.72	6.72	7.01	0.66

Business activities

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

Tax summary

Philips is active in South Korea with its legal entity Philips Korea Ltd, which primarily functions as a country sales organization for various businesses of Philips. Korea has a progressive income tax system. The statutory income tax rate (STR) is 10% for taxable income less than KRW 200 million, 20% for taxable income between KRW 200 million and KRW 20 billion, 22% for taxable income between KRW 20 billion and KRW 300 billion, and 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 accounting rules.

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

Western Europe

Spain

503 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
238.85	19.77	6.61	3.74	1.45 ECTR = 21.9%

Total tax contribution 55.94

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
0.79 CTR = 11.9%	0.07	36.34	18.25	0.49

Business activities

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

Tax summary

Philips has been present in Spain since 1926. Philips Iberica, S.A. primarily functions as a country sales organization for various businesses of Philips. 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 timing differences, as certain expenses are deductible in a different year under tax law compared to accounting rules and this is partially offset by prior year true-ups.

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 VAT paid by local entities and foreign Philips entities having a VAT registration in this country. VAT payments were lower mainly due to exemption granted to COVID related products. Customs duties are low, mainly due to applicable duties which are levied in the country of import, which is different to this country. This is due to limited fiscal representation regulations, where the Netherlands imports on behalf of this country.

Western Europe

Sweden

All numbers in millions of EUR unless otherwise stated

256 employees

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
153.36	8.11	1.48	6.89	0.04 ECTR = 3.0%

Total tax contribution 54.62

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
0.02 CTR = 1.7%	0.01	39.24	15.16	0.19

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

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 20.6%.

Corporate income tax paid (CTR) and corporate income tax accrued (ECTR) 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 which are levied in the country of import, which is different to this country. This is due to limited fiscal representation regulations, where the Netherlands imports on behalf of this country. The VAT payments comprises of VAT paid by local entities and foreign Philips entities having a VAT registration in this country.

Western Europe

Switzerland

All numbers in millions of EUR unless otherwise stated

203 employees

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
164.94	10.37	4.62	12.02	1.18 ECTR = 25.5%

Total tax contribution 9.89

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
1.09 CTR = 23.6%	0.46	3.88	4.46	

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 primarily functions as a country sales organization for various businesses of Philips in Switzerland. The statutory income tax rate (STR) in Switzerland is 20% (which includes the federal Swiss corporate and cantonal tax rate).

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 accounting rules.
- taxable gain on Domestic Appliances divestment.

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 applicable WTO agreements or Free Trade Agreements reducing customs duties.

Payroll taxes are low, mainly due to obligation of the employees (instead of the employer) to pay the tax to the authorities.

Taiwan

All numbers in millions of EUR unless otherwise stated

164 employees

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
124.69	2.85	(1.14)	1.07	3.66 ECTR = (322.6)%

Total tax contribution 14.27

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
3.06 CTR = (269.7)%	2.81	5.75	2.50	0.15

Business activities

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

Tax summary

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

Corporate current income tax is accrued because of taxable income was positive for Philips Taiwan. The entity contributing to the overall accounting loss relates to new Domestic Appliances entity. The Effective current tax rate (ECTR) and cash tax rate (CTR), excluding the new Domestic Appliances entity, are 116.5% and 97.7% respectively. Corporate current income tax accrued (ECTR) is higher than the statutory tax rate (STR), mainly due to prior-year true-ups and non-tax-deductible items.

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

Thailand

All numbers in millions of EUR unless otherwise stated

141 employees

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
125.55	2.55	6.32	1.47	1.95 ECTR = 30.9%

Total tax contribution 12.12

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
1.38 CTR = 21.9%	1.40	7.16	1.50	0.68

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 relates to:

- provisional payments for this year and additional payments related to prior years.
- withholding taxes deducted by customers on invoices.

Growth geographies

All numbers in millions of EUR unless otherwise stated

Turkey

234 employees

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
134.33	5.65	2.79	1.77	9.61 ECTR = 344.9%

Total tax contribution 22.31

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
7.07 CTR = 253.9%	5.70	6.27	1.13	2.14

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. This legal entity primarily functions as a distributor of Philips' products. The entity is subject to the ordinary tax regime of the country. For the current year the statutory income tax rate (STR) in Turkey is 25.0%.

Corporate current income tax accrued (ECTR) is higher than the statutory tax rate (STR), mainly due to taxable income relating to Domestic Appliances Divestment and 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 high because of duty payments due to trade defense measures (e.g. import tariffs).

VAT payments are relatively high as domestic appliances business transfer was subjected to VAT, however VAT payments on regular business activities are low as lower VAT rate is applicable to the healthcare products.

Growth geographies

Ukraine

All numbers in millions of EUR unless otherwise stated

39 employees

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
45.98	0.76	6.01	0.44	0.72
				ECTR = 11.9%

Total tax contribution 6.31

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
0.94	2.60	1.97	0.72	0.08
CTR = 15.6%				

Business activities

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

Tax summary

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

Corporate current income tax accrued (ECTR) is lower 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 accounting rules.

Corporate income tax paid relates to provisional payments for this year and additional payments related to prior 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 this year. The difference is expected to be paid in the following year(s).

All numbers in millions of EUR unless otherwise stated

United Arab Emirates

169 employees

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
110.35	11.34	(2.26)	0.96	(0.12)
				ECTR = **5.2%**

Total tax contribution **0.17**

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
	0.14		0.03	
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 corporate 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 subjected to VAT.

Corporate current income tax is accrued (benefit) because an historical Tax balance is reversed.

Customs duties are low, as the businesses operates mainly in the Free Trade Zone. There is no federal or Emirate-level personal income tax in the United Arab Emirates. Payroll tax payments relate to the social security contributions.

Western Europe

All numbers in millions of EUR unless otherwise stated

United Kingdom

1,105 employees

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
425.93	80.87	(12.57)	41.33	(2.55)
				ECTR = 20.3%

Total tax contribution 118.34

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
0.69	0.33	81.27	35.02	1.03
CTR = (5.5)%				

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

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

Corporate income tax paid relates to provisional payments for this year based on the current year's estimated taxable profit, despite the entity being in a loss position based on accounting rules.

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 WTO agreements or Free Trade Agreements reducing customs duties. The VAT payments comprises of VAT paid by local entities and foreign Philips entities having a VAT registration in this country.

North America

All numbers in millions of EUR unless otherwise stated

United States

21,200 employees

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
6,403.49	3,504.10	(419.42)	1,057.34	148.22 ECTR = (35.3)%

Total tax contribution 965.52

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
103.96 CTR = (24.8)%	38.50	69.11	747.08	6.87

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

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 operations are subjected to income tax imposed by federal (21%), state (0-12%) and local jurisdictional taxes.

Corporate current income tax accrued (ECTR) is higher than the statutory tax rate (STR), mainly due to taxable income from intragroup business transfers and timing differences - in particular provisions arising out of losses (under accounting rules) resulting from Philips Respironics field action, which are expected to be deductible in future. These were partially offset by benefits related to export incentives such as the Foreign Derived Intangible Income (FDII) and utilization of carryforward tax losses/credits.

Corporate income tax paid relates to provisional payments for this year, additional payments related to prior years and taxes withheld at source in other jurisdictions on foreign royalty and dividend income.

Customs duties are relatively high due to trade defense measures (China-US Trade dispute). Payroll taxes is high as ~70M EUR employer social security taxes relating to 2020 were paid in 2021.

Growth geographies

Vietnam

All numbers in millions of EUR unless otherwise stated

79 employees

Key financials

Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued
27.29	1.42	3.45	0.86	1.20
				ECTR = 34.8%

Total tax contribution 2.76

Corporate income tax	Customs duties	Value Added Tax	Payroll taxes	Other taxes
0.36	0.26	1.22	0.89	0.03
CTR = 10.5%				

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 primarily functions as a country sales organization for the Diagnosis & Treatment and Connected Care businesses, and as marketing support services for Personal Health business. The statutory income tax rate (STR) in Vietnam is 20%.

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 accounting rules.
- 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 lower than the statutory tax rate (STR), mainly due to provisional payments made based on a lower estimated taxable profit for this year. The difference is expected to be paid in the following year(s).

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	Customs duties	VAT	Payroll taxes	Other taxes	**Total**
Western Europe												
Netherlands	11,153	1,860.08	6,374.96	4,041.95	614.78	518.56	536.03	8.63	(90.76)	494.82	76.40	**1,025.12**
Germany	3,762	970.43	1,290.74	130.53	168.50	35.92	27.70	1.55	86.78	194.09	0.23	**310.35**
France	1,006	446.23	62.51	-	25.54	6.58	10.02	0.43	70.74	55.51	2.61	**139.31**
United Kingdom	1,105	425.93	80.87	(12.57)	41.33	(2.55)	0.69	0.33	81.27	35.02	1.03	**118.34**
Italy	685	362.08	47.46	29.49	20.14	6.40	2.77	0.09	22.28	32.95	1.14	**59.23**
Spain	503	238.85	19.77	6.61	3.74	1.45	0.79	0.07	36.34	18.25	0.49	**55.94**
Sweden	256	153.36	8.11	1.48	6.89	0.04	0.02	0.01	39.24	15.16	0.19	**54.62**
Austria	368	60.19	65.94	6.58	46.47	1.80	1.12	0.03	15.83	19.59	0.07	**36.64**
Belgium	312	228.36	23.14	(1.96)	15.69	3.18	1.71	0.97	16.28	17.20	0.44	**36.60**
Denmark	160	99.47	16.68	10.20	42.22	1.29	0.25	-	11.56	7.10	0.28	**19.19**
Finland	125	39.55	15.20	(0.59)	1.17				7.62	4.06	0.02	**11.70**
Switzerland	203	164.94	10.37	4.62	12.02	1.18	1.09	0.46	3.88	4.46		**9.89**
Portugal	74	33.13	2.62	(0.09)	1.16	(0.02)	0.09	-	6.54	2.03	0.31	**8.97**
Greece	50	31.33	1.68	0.95	1.16	(0.27)	0.33	-	4.95	2.02	0.17	**7.47**
Norway	54	39.57	2.54	1.86	0.65	0.49	0.28	-	3.50	2.61	0.30	**6.69**
Ireland	24	13.90	1.38	0.96	0.85	0.18	0.17		2.71	1.21		**4.09**
Luxembourg			0.04	0.13		0.06	0.03		1.11	0.10	0.01	**1.25**
North America												
United States	21,200	6,403.49	3,504.10	(419.42)	1,057.34	148.22	103.96	38.50	69.11	747.08	6.87	**965.52**
Canada	606	337.31	22.85	11.78	11.61	1.37	1.26	0.95	24.40	23.06	0.09	**49.76**
Other mature geographies												
Japan	2,257	1,067.96	36.15	41.96	113.92	26.81	29.05	1.15	89.80	47.98	0.75	**168.73**
Australia	548	288.40	16.70	9.22	8.02	3.61	7.89	0.02	19.66	29.70		**57.27**
South Korea	362	276.35	10.45	20.97	5.07	5.03	7.21	2.72	6.72	7.01	0.66	**24.32**
Israel	1,467	23.41	450.85	36.17	54.32	6.87	6.03	0.41	(41.73)	50.84		**15.55**
New Zealand	49	31.96	2.23	0.43	0.48	0.14	0.21	0.04	4.62	1.64	-	**6.51**
Growth geographies												
China	8,045	1,400.29	847.52	72.40	143.36	15.17	19.02	21.09	95.43	143.44	26.32	**305.30**
India	8,330	431.27	336.82	54.49	79.35	10.73	13.10	37.58	46.53	56.45	8.22	**161.88**
Brazil	1,841	217.51	27.24	(21.91)	15.11	(0.39)	(0.03)	4.96	53.29	14.51	0.09	**72.82**
Poland	2,001	180.48	71.45	1.05	15.36	3.58	5.16	2.75	19.67	25.34	0.36	**53.28**

		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	Customs duties	VAT	Payroll taxes	Other taxes	Total
Russian Federation	543	374.49	9.77	3.99	7.34	4.46	13.49	13.99	7.43	7.46	0.03	**42.40**
Argentina	158	78.86	3.19	16.76	0.63	5.44	1.00	3.24	11.60	1.99	10.04	**27.87**
Turkey	234	134.33	5.65	2.79	1.77	9.61	7.07	5.70	6.27	1.13	2.14	**22.31**
Indonesia	4,270	127.12	376.96	16.80	65.29	6.29	1.40	1.44	13.18	2.82	1.40	**20.24**
Mexico	274	97.84	4.76	1.72	3.08	1.03	0.49	1.12	12.20	3.56	0.57	**17.94**
Singapore	485	113.95	389.61	(0.85)	1.73	1.03	0.51		4.79	11.07	0.33	**16.70**
Czech Republic	111	88.48	5.64	1.57	1.03	0.36	0.45		11.82	3.64	0.14	**16.05**
Saudi Arabia	169	108.20	4.04	8.48	3.34	1.35	4.13	2.48	6.94	0.98	1.16	**15.69**
Taiwan	164	124.69	2.85	(1.14)	1.07	3.66	3.06	2.81	5.75	2.50	0.15	**14.27**
Thailand	141	125.55	2.55	6.32	1.47	1.95	1.38	1.40	7.16	1.50	0.68	**12.12**
Chile	103	66.86	1.64	4.28	0.62	0.73	0.22	0.88	8.44	1.62	0.51	**11.67**
Costa Rica	2,573		174.01	24.60	80.84					11.27		**11.27**
South Africa	156	43.61	3.22	5.46	0.30	0.22	0.40	1.27	5.58	3.07	0.62	**10.94**
Romania	111	132.19	179.24	8.02	3.53	1.21	1.57	1.02	(2.99)	6.87	1.29	**7.76**
Hungary	66	28.75	3.99	0.51	0.28	0.90	0.87	1.58	3.83	1.30	0.08	**7.66**
Colombia	116	24.90	1.95	3.19	0.30	1.35	0.73	0.02	2.98	1.55	1.64	**6.92**
Ukraine	39	45.98	0.76	6.01	0.44	0.72	0.94	2.60	1.97	0.72	0.08	**6.31**
Malaysia	104	69.51	1.94	(1.97)	0.95	0.28	0.71	3.35	(0.13)	1.71	0.02	**5.66**
Panama	725	5.78	38.93	2.05	7.13	(0.04)	0.01			4.88		**4.89**
Egypt	110	25.80	1.92	2.16	3.20	0.44	0.73	2.16	0.08	0.85	0.06	**3.88**
Peru	36	7.72	1.96	0.97	0.05	0.42	0.89	0.01	1.41	0.50	0.15	**2.96**
Vietnam	79	27.29	1.42	3.45	0.86	1.20	0.36	0.26	1.22	0.89	0.03	**2.76**
Philippines	199	20.33	4.86	0.17	0.32	0.46	0.09	0.28	1.04	1.11	0.22	**2.74**
Kenya	49	8.46	1.50	2.17	0.42	0.15	0.45	0.45	0.87	0.85	0.07	**2.69**
Hong Kong	249	805.41	35.90	4.96	4.87	-				2.53	-	**2.53**
Latvia	16	27.41	0.75	0.76	0.12	0.51	0.22		0.97	0.54	0.02	**1.75**
Puerto Rico	32	19.36	0.99	0.11	0.11	0.17	-		1.09	0.39	0.15	**1.63**
Bangladesh	19	1.70	2.38	0.76	0.44	0.23	0.32	0.31	0.18	0.03	0.10	**0.94**
Slovenia	8		1.06	0.06	0.14	0.02	0.02		(0.01)	0.75		**0.76**
Croatia	20	0.03	2.76	0.14	0.32	0.01	0.03		(0.07)	0.79	-	**0.75**
Morocco	6		2.62	(0.03)	0.04	0.01			0.22	0.14	-	**0.36**
Ghana	12	0.30	1.69	0.25	0.06	0.04	0.04	0.01	0.13	0.07	0.01	**0.26**
Kazakhstan	15		0.80	0.02	0.07	0.02	0.01		-	0.16	-	**0.17**
United Arab Emirates	169	110.35	11.34	(2.26)	0.96	(0.12)		0.14		0.03		**0.17**
Bulgaria	18		1.73	0.17	0.64	0.03	0.01		(0.05)	0.20	-	**0.16**
Serbia	7	-	0.67	0.03	0.15	0.01	0.02		(0.03)	0.16	-	**0.15**
Belarus	5		0.33	0.02	-	0.01	0.01		0.01	0.08	-	**0.10**
Myanmar				0.11	0.11	0.02	0.05		-	0.04		**0.09**
Sri Lanka	4		0.37	0.13	-	0.03	0.03		0.03	0.02	-	**0.08**
Macedonia	23		-	0.05	0.02	-				0.04		**0.04**

	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	Customs duties	VAT	Payroll taxes	Other taxes	**Total**
Lebanon	16			(1.57)	0.15					0.02		**0.02**
Qatar	10		1.49	0.10	0.06	(0.01)				0.01		**0.01**
Paraguay				0.09	0.23	0.01						
Tanzania		0.67		0.16	0.07	0.05	-					**-**
Venezuela			-	(0.01)		-	-					**-**
Uruguay			-	(0.03)	-	(0.04)	(0.01)					**(0.01)**

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

	Number of employees	Key financials					Tax contribution					
		Revenues from third parties	Revenues from related parties	Profit/Loss before tax	Tangible assets	Corporate income tax accrued	Corporate income tax paid	Customs duties	VAT	Payroll taxes	Other taxes	**Total**
Grand total												
Philips Group	78,189	17,156	13,839	513	2,699	840	818	169	821	2,133	149	**4,090**

Reference to presentation of the financial data in this report

- ‘blank’ represents "No" amounts;
- ‘-‘ represents an amount less than EUR 0.01 million;
- amounts may not add up due to rounding

The data presented in the above table reconciles with the data stated in the audited consolidated financial statements, in the 2021 Annual Report, as follows:

- **Revenues from third party sales:** Per chapter 10.4 Consolidated statements of income, 'Sales' tie-out to the EUR 17,156 million per this report. There is EUR (1,516) million of ‘Revenues from third party sales’ that is recorded on consolidation, which is not allocated to a country for the purposes of this report. This is relating to third party sales relating to Domestic Appliances business till the date of divestment which is classified as Discontinued operations.
- **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 513 million per this report. There is EUR (3,635) million of profit/(loss) before tax that is recorded on consolidation, which is not allocated to a country for the purposes of this report. This is mainly relating to gain on Domestic Appliances sale in 2021 which is classified as Discontinued operations
- **Tangible assets other than cash and cash equivalents:** Per chapter 10.6 Consolidated balance sheet, 'Property, plant and equipment' amounts to EUR 2,699 million. There are EUR (2) 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 249 million. In addition to EUR 249 million of income tax payments relating to our continuing operations business, we paid a net EUR 569 million mainly in Netherlands relating to our discontinued operations, resulting in corporate income tax paid of EUR 818 million per this report.
- **Corporate income tax accrued:** Per note 9 Income Taxes the corporate income tax accrued amounts to EUR (103) million. As GRI 207 is the basis of preparation of this report, reported corporate income tax accrued in this report includes accrued expense relating to our discontinued operations, however it excludes uncertain tax position expense and deferred only tax benefits (derived mainly from the use of previously unrecognized capital losses and amortizable tax basis arising from business transfers, but also partially due to prior year true-up's and tax rate change impact) - overall, resulting in corporate income tax accrued of EUR 840 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 2021

Our opinion

We have audited chapter 4 “Activities and Tax per country” for the year ended December 31, 2021, included in the Country Activity and Tax Report 2021 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 December 31, 2021 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 2021.

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 “Our responsibilities for the audit of chapter 4 “Activities and Tax per country” chapter of this 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). The ViO and VGBA are at least as demanding as the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (the IESBA Code).

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”, which describes the basis of accounting.
The Company’s Country Activity and Tax Report 2021 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 2021 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 2021

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 2021 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” 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 and in accordance with International 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 communicated 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

February 22, 2022

Ernst & Young Accountants LLP

signed by S.D.J. Overbeek-Goeseije

6 Forward-looking statements and other important information

Forward-looking statements

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

These factors include but are not limited to: Philips' ability to gain leadership in health informatics in response to developments in the health technology industry; Philips' ability to transform its business model to health technology solutions and services; macroeconomic and geopolitical changes; integration of acquisitions and their delivery on business plans and value creation expectations; securing and maintaining Philips' intellectual property rights, and unauthorized use of third-party intellectual property rights; ability to meet expectations with respect to ESG-related matters; failure of products and services to meet quality or security standards, adversely affecting patient safety and customer operations; breach of cybersecurity; ability to execute and deliver on programs on business transformation and IT system changes and continuity; the effectiveness of our supply chain; attracting and retaining personnel; COVID-19 and other pandemics; challenges to drive operational excellence and speed in bringing innovations to market; compliance with regulations and standards including quality, product safety and (cyber) security; compliance with business conduct rules and regulations; treasury and financing risks; tax risks; 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 the Risk management chapter included in the Annual Report 2021.

Use of 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 data 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 Annual Report 2021. 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 has 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 Our businesses in Annual Report 2021 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-ups).

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 divided by 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 2021, 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 2021).

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.

Unrelated parties

Unrelated parties are referred to as third-parties (or independent parties).

Value added tax (VAT) and Sales tax

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