

2022

Country Activity and Tax Report

Contents

1	Introduction	3
2	Our approach to tax	4
2.1	Philips' approach to tax	4
2.2	Philips' tax principles	4
2.3	Tax governance, control, and risk management	5
2.4	Stakeholder engagement	6
2.5	Tax transparency	7
3	Basis of preparation	8
3.1	GRI Standard 207: Tax	8
3.2	GRI standards for ESG information	8
3.3	Taxation of Philips' business	9
3.4	Explanations of tax regimes and incentives	10
4	Activities and Tax per country	12
4.1	Group overview	12
4.2	Country insights	12
4.3	Country summary	70
5	Independent auditor's report	74
6	Forward-looking statements and other important information	76
7	Philips definitions and legends applied in this Report	77

1 Introduction

In September 2020, Philips further reinforced its role as a purpose-driven company with the announcement of its 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, starting on page 4', as included in chapter 2 of this Country Activity and Tax Report 2022 (this 'Report'). Part of our approach (and part of our ESG commitments) 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, which falls within the Governance section of our ESG commitments (21 core metrics) as reported in our [Annual Report](#). These voluntary disclosures will be made in addition to, and simultaneously with, the disclosures on tax included in our [Annual Report](#).

For this purpose, chapter 4 [Country Activity and Tax paid per country, starting on page 12](#) provides an overview of taxes paid and collected in the countries we operate in during the financial year 2022. Chapter 3 [Basis of preparation, starting on page 8](#), explains the basis of preparation, including Standard 207 of the Global Reporting Initiative (GRI) as adopted by Philips. This Report has been audited by Ernst & Young Accountants LLP (EY), Philips' external auditor. EY's report is included as chapter 5 [Independent auditor's report, starting on page 74](#).

Board of Management

Roy Jakobs

Abhijit Bhattacharya

Marnix van Ginneken

February 21, 2023

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 [Forward-looking statements and other important information, starting on page 76](#).

This Report was published on the company's website on February 21, 2023.

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. Our approach to tax includes (and is not limited to) the [Philips' tax principles, starting on page 4](#), [Tax governance, control, and risk management, starting on page 5](#), [Stakeholder engagement, starting on page 6](#) and [Tax transparency, starting on page 7](#).

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 has an interest in addressing ESG issues and contributing, through our tax payments, to government revenues in the countries in which we operate, thereby helping to drive economic and social prosperity. Furthermore, Philips pays various environmental-type taxes (with a compliance obligation) such as battery tax, packaging tax, property tax and other industry-specific tax based on our economic activity and footprint. For further discussion on how Philips addresses ESG issues, please refer to Section 5 [Environmental, Social and Governance](#) of our Annual Report, where you will also find, for 10 countries, key ESG data points such as net operational carbon footprint, circular revenues, lives improved, wage level, etc. Specific ESG data points are also included in chapter 4 [Country insights, starting on page 12](#).

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, aim to be transparent 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.

Philips has processes in place to ensure that existing and new business models, invoice flows and acquisitions are reviewed by tax specialists and ultimately tax management, in order to monitor and ensure that the execution of our tax strategy is aligned with our organizational values and business strategy. In addition, in the event of acquisitions and divestments, a tax due diligence is always part of the process, and the input of the Tax Function is considered before a decision to acquire or divest is taken.

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

2.2 Philips' tax principles

We act as a responsible taxpayer, complying 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 for 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 arm's-length remuneration for activities undertaken by Philips-related parties. These policies are applied across all markets in which we operate.

We do not control legal entities in countries that do not share tax information under Tax Information Exchange Agreements or legal entities in countries that are listed in the EU non-cooperative tax jurisdictions list ('blacklist'), with the exception of Panama. In February 2023, Costa Rica and Russia are also included in this blacklist. Our activities in these countries are explained in chapter 4 [Activities and Tax per country, starting on page 12](#). We 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, which is discussed under [Stakeholder engagement, starting on page 6](#).

We acknowledge the importance of transparency in respect of our tax contributions (discussed under [Tax transparency, starting on page 7](#)). Therefore, we make certain voluntary disclosures like this Report, in addition to the international and local public disclosure and reporting requirements we comply with, such as International Financial Reporting Standards (IFRS) and EU Directives.

2.3 Tax governance, control, and risk management

Under the responsibility of the CFO, a globally organized and experienced Tax Function is accountable for the execution of the tax strategy and for the tax position of Philips worldwide. The Tax Function is set up in such a way that it interacts with the key stakeholders in the businesses, markets and functions on a regular basis. It advises management on the tax implications of intended decisions, performs appropriate tax planning to support business goals, and ensures compliance with all local and international tax laws. Country tax experts and tax business partners carry out these activities, supported by globally organized experts in areas such as transfer pricing and indirect tax. A globally organized team of tax accountants is responsible for tax accounting and reporting at Group level.

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. Philips' tax position is therefore reflected in its financial statements, and as such covered by the management's report on internal control as included in the Annual Report. The Audit Committee of the Supervisory Board regularly reviews 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. We refer to the independent auditor's reports regarding the [Annual Report](#) and this Report respectively.

There are extensive controls in place on processes and systems to reach this position, and this is discussed in detail throughout this Report. This includes, but is not limited to, the following:

- Under the ultimate responsibility of the Board of Management, the CFO annually reviews, evaluates, approves and where necessary adjusts Philips' approach to tax.
- Awareness, monitoring and adherence to the Philips Tax Control Framework.

- Quarterly review and sign-off of the tax position, tax controls and the execution of the tax strategy by the Head of Tax and the Board of Management.
- Quarterly meetings with the CFO to discuss the tax accounting topics and drivers of Tax profit/loss and cash flow reported.
- Timely review of tax compliance and the associated payments.
- Standardization and documentation of tax processes in our process framework and ensuring adherence.
- Quarterly meetings with tax specialists to align on taxation topics and tax impact on business developments.
- Processes to ensure that existing and new business models, invoice flows and acquisitions are reviewed by tax specialists and ultimately tax management.
- Timely review of controls and key tax-related matters (including this Report) by the Audit Committee of the Supervisory Board, as part of the year-end reporting process.
- Continuous automation of tax processes.

Philips sets out various risk factors in the Annual Report, including risks relating to strategic, operational, compliance and financial areas, together with improvement initiatives designed to address these risks. For a further explanation of the risk factors to which Philips is exposed and Philips' approach to risk management, please refer to the [Risk Management](#) section of our Annual Report. Philips' approach to risk management includes tax as a key risk, as it could have a significant adverse financial and/or reputational impact.

Our tax risk appetite is based on Philips' financial and compliance risk appetite, being low to medium. While we believe that Philips is fully compliant with the letter and the spirit of the law in all material respects, we are, as a multinational company with operations across the globe, inherently exposed to a number of tax risks and in some cases significant judgement is required. We aim to minimize these risks to the maximum extent possible. We consider tax risks to be a reputational and compliance risk, as well as a financial risk.

For all tax risks and uncertainties, we perform an impact analysis for tax risk evaluation, which includes the likelihood of occurrence and the financial consequences of risks. The expected financial consequences of the tax risks where the likelihood of occurrence exceeds 50% is disclosed in the [Group Financial Statements](#) section of our Annual Report.

Furthermore, our team of tax specialists continuously reassess our tax risks that may originate, for example, from new local tax rules or international and EU regulatory frameworks, and carefully monitors these in line with our Tax Control Framework.

Philips is closely monitoring the OECD initiatives around allocation of income to user markets (Pillar 1) and a 15% minimum income tax rate (Pillar 2). Considering relevant thresholds in respect of revenue and profitability, Philips currently does not expect to be affected by Pillar 1 (subject to clarity on final regulations). However, Philips may be affected

by Pillar 2, to come into effect in 2024, which may impose an additional tax burden and increase compliance requirements.

We are preparing for the implementation of Pillar 2 by leveraging our existing digital tax infrastructure in order to ensure an efficient, high-quality process to determine countries in scope, calculate the liability (if any) and enable timely filing. As Philips maintains substance in the form of relevant assets and personnel in the countries in which it operates, a significant part of income in lower-tax countries would not be exposed to taxation under Pillar 2 due to the relevant carve-out rules. In addition, the recently provided transitional safe harbor rules, in particular the Simplified ETR, will further simplify this process. We note that, to our knowledge, per year-end 2022 only South Korea has enacted Pillar 2 legislation, to be effective per January 1, 2024. We do not expect that income realized by our South Korean legal entities will be subject to the incremental income taxes under Pillar 2 given the substance carve-out and the fact that the IFRS ETR of those entities is on average at least 15%. For further details on South Korea, we refer to [Country insights, starting on page 12](#). For our legal entities outside of South Korea, the particular impact of the South Korean implementation is still to be assessed (if any).

We continually 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 tax environment is rapidly evolving and tax authorities are increasingly embracing digitalization. Over the past years, the Tax Function has evolved from a manual function to a more data-driven and digitally enabled function. For example, in direct tax accounting we use a web-based tax accounting tool for tax provisioning globally, i.e. to collect data and perform real-time review for around 150 tax reporting entities in 70+ countries. This has enabled us to perform tax accounting calculations and postings and prepare Effective tax rate (ETR) and Tax balance sheet disclosure notes in two working days. In addition, this digital transformation helped us make a significant reduction of data files and improve tax analytics.

Another example of our continuous digitalization is the implementation of VAT determination software. This will further improve the quality of our tax data and reduce the risk of any manual mistakes.

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.

We seek to build open and constructive relationships with tax authorities and participate in cooperative compliance programs. We seek upfront certainty on interpretations of regulations whenever deemed relevant and tax authorities are willing to provide clarification.

In the Netherlands, for instance, we have recurring quarterly meetings with the Dutch tax authorities, where relevant developments are discussed. During 2022, all process steps of the VAT return process were considered and reviewed together with the Dutch tax authorities, including data collection, checks and reviews performed, and submission and payment. Further, we have a fully transparent relationship, and in case any anomalies are noted during any review process, this is brought to the attention of the Dutch tax authorities and disclosed in advance.

Another example is our proactive alignment with the German tax authorities on quarterly tax pre-payments (e.g. any projected change in taxable income that may result in a material change in prepayments is discussed in advance). In addition, regular meetings are held with the German tax authorities, and as soon as any material audit findings arise, the impact is recorded in the financial statements (where applicable) and analyzed for a root cause in order to prevent reoccurrence.

Philips shares its views on tax developments through interest organizations such as employers' federations. Regular discussions are held with investors and other stakeholders on the topic of tax in relation to sustainability. Philips is a member of and supports tax working groups at the Confederation of Netherlands Industry and Employers (VNO-NCW), who publicly advocate for tax transparency and fair taxation. Furthermore, as discussed below in chapter 2.5 Tax Transparency, we support and participate in transparency initiatives that also publicly advocate tax transparency and fair taxation.

2.5 Tax transparency

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

Philips further supports other transparency initiatives, for example those driven by the EU Directive on Administrative Cooperation, and comply accordingly. This includes Country by Country reporting (DAC4) as well as mandatory disclosure to the Tax Administrations for certain reportable cross-border arrangements ('DAC6'). Country by Country reporting ensures tax transparency between Philips and Tax Administrations, where Tax Administrations can obtain a high-level overview of the allocation of income and taxes across jurisdictions as well as other relevant information. DAC6 mandates a reporting obligation for certain cross-border tax arrangements where one or more specified characteristics (known as hallmarks) are present. We monitor all cross-border tax arrangements (including acquisitions and divestments) to determine whether a reporting obligation applies. For example, Philips acquired Capsule Technologies, Inc., a leading provider of medical device integration and data technologies for hospitals and healthcare organizations, in 2021. As part of its market integration into Philips, Hallmark E3 (hallmark concerning transfer pricing) was accordingly disclosed.

In addition to our compliance with disclosure and reporting requirements such as the mandatory disclosure of country-by-country reporting and DAC6, we voluntarily make certain additional disclosures, such as this Report. Philips furthermore supports and participates in transparency initiatives which include taxation, such as 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, starting on page 4](#) in chapter 2 of this Report.

The country-by-country tax contribution details are presented in chapter 4 [Activities and Tax per country, starting on page 12](#) of this 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, starting on page 77](#).

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 GRI standards for ESG information

Further underpinning our ESG commitments, we have adopted a number of policies that govern our actions in areas we consider fundamental to the strategy and operation of our business. We have also developed methodologies in line with GRI standards to help us quantify and explain progress in specific social and environmental fields, as well as publishing a number of statements, papers and reports of special interest to our stakeholders, which are available in the [ESG downloads section](#) of the Philips website. For a further discussion on our approach to sustainability reporting, please refer to the [Sustainability statements](#) (which includes a discussion on reporting standards) in our Annual Report.

In this report, we include some of the key ESG social and environmental data points for each of the countries shown in [chapter 4.2 Country insights, starting on page 12](#), namely net operational carbon footprint, circular revenues, lives improved, employee turnover and employee benefit expense. For further explanations and definitions of these concepts, including the integrated approach that tells us how many lives have been improved by our products and solutions in a given year (the Lives Improved Model), this can be found in the [Environmental, Social and Governance](#) section of the Annual Report.

3.3 Taxation of Philips' business

Philips is a multinational company that serves customers in many different jurisdictions through its various 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.

Philips' tax contribution is a result of how and where we conduct our activities. Although it is common to focus on corporate income tax payments by multinational groups, we make a wide range of tax payments to governments. 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 for collection requires intensive collaboration with different tax authorities all over the globe and a strong infrastructure of technology, processes and people.

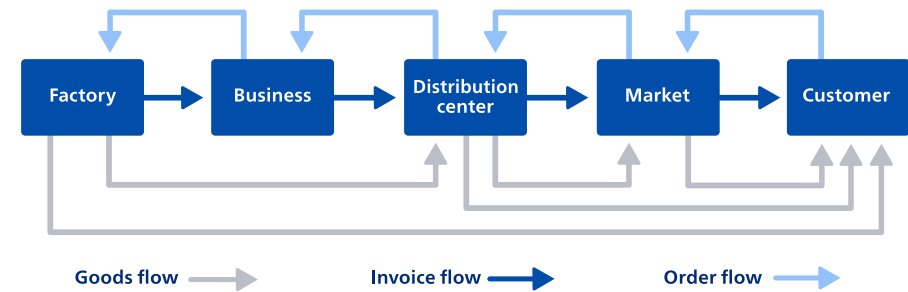
When explaining diverse types of taxes levied on Philips, it is important to distinguish between 'Tax paid' and 'Tax collected'. This is because taxes paid are a cost to Philips and directly impact our financial results (e.g. corporate income tax, custom duties). Taxes collected are not a cost to Philips, other than the administrative costs. They are taxes that Philips 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 (CIT) includes all taxes paid based on taxable profit that are reported in an annually filed income tax return. Our OECD-based transfer pricing method determines the income before interest and taxes.

Philips' Businesses 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. Different Philips legal entities contribute to the Philips value chain and are remunerated based on their level of activities. An overview of the value chain within Philips is given below:

Taxation through the value chain



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 the global business, after the other entities are remunerated for their routine functions. In general, less income is allocated to activities that carry less risk and perform less value-adding routine functions, e.g. distribution and manufacturing activities. Consequently residual income is reported in countries where more risks reside, and more value-adding activities are performed.

This implies that if a business performs well, the relevant entity 'housing' that business reports a higher income under accounting rules and is likely to pay higher corporate income tax. Significant events could lead to volatility in the result of a business and subsequently result in income or losses. Besides global economic developments, 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 above-mentioned events can lead to an entity not paying corporate income tax for several years. In general, the routine functions would still report stable income per accounting rules, despite the residual profit/loss for the business.

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, where a local Philips entity acts as importer of record in the Netherlands or Germany for the Philips entities from the other EU member states. Afterwards, a subsequent EU intra-community supply to the other EU member state is made. Furthermore, Centralized Clearance is used in the Netherlands, which allows imports into the Netherlands, France (partly), Germany (partly), Austria and 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 taxes and social security contributions on salaries paid to its employees and remits these to government. In addition, Philips pays employer social contributions and other employer levies calculated on salaries paid and benefits provided to employees.

Other taxes

Apart from the previously mentioned taxes, we contribute to governments in the form of other taxes, such as withholding tax on dividends distributed to external shareholders. In addition, we contribute to governments through environmental taxes, e.g. battery tax, carbon tax, plastic tax, green subsidies, property tax, etc. As the amounts are relatively immaterial, we have categorized these under Other taxes. For further insights into ESG matters and our key ESG data points, please refer to [Chapter 4 Activities and Taxes per country, starting on page 12](#), and section 5 [Environmental, Social and Governance](#) of our Annual Report.

3.4 Explanations of tax regimes and incentives

To stay competitive in the countries in which 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 a positive spin-off for the economy at large. This is, for instance, done by effectively lowering income tax on income arising from certain technical intellectual property and/or grants relating to R&D wages.

Technology development is a key competitive success factor and profit driver for many Philips businesses. Philips performs R&D activities mostly in the Netherlands and the United States, and makes use of tax incentives where the activities qualify in line with domestic legislation.

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 qualifying income at 9% (instead of the general corporate income tax rate of 25.8%).

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

Export activities from the United States

In the spirit of increasing the US competitiveness, several export-oriented tax incentives have been introduced in the US. To the extent that we meet the respective conditions, we make use of these export incentives available to US domestic corporations, e.g. the Foreign Derived Intangible Income (FDII) deduction and manufacturing 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, qualifying (dividend and capital gains) income from participations is exempt from Dutch corporate income tax. The rationale behind this exemption is that this profit was already taxed in the country of residence of the participation itself, thereby preventing double taxation.

Tax exemption/free trade zone regimes

Some governments grant tax exemption regimes and/or free trade zones, generally to attract foreign investment to create employment, reduce poverty, and stimulate the area's economy. Free trade zone regimes usually provide exemptions for one or more tax types. Philips was granted such temporary regimes in Costa Rica, India and Panama based on its significant contributions to the local economy. Overall, 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 2022, amounting to EUR 3,469 million, is described by tax type below.

Key financials

Revenues from third parties	17,827
Revenues from related parties	14,088
Profit/Loss before tax	(1,729)
Tangible assets	6,687
Corporate income tax accrued	187 ECTR = (11)%

Tax contribution

Total tax contribution	3,469
Corporate income tax	362 CTR = (21)%
Customs duties	144
Value Added Tax	664
Payroll taxes	2,174
Other taxes	124

4.2 Country insights

This chapter provides an overview of the business activities and explanatory notes around the financials and tax contributions per country, as well as ESG data (net operational carbon footprint, circular revenues, lives improved, employee turnover and employee benefit expense) which we consider fundamental to the strategy and operation of our business, for all countries where Philips reports revenues (from third parties and related parties together) of EUR 5 million or higher. For 10 key countries, we also include examples of how Philips innovations and solutions have driven customer impact in terms of helping health systems address the Quadruple Aim of value-based healthcare: better health outcomes, improved patient experience, improved staff experience and lower cost of care.

At Group level there was a tax expense on a net loss before tax, due to which the Effective corporate income tax accrued (ECTR) is higher than the weighted average statutory tax rate (WASTR) of 23.5%. The tax expense was mainly due to the non-deductible goodwill impairment of the Sleep & Respiratory Care business in 2022. For more details on this impairment, please refer to [Section 4.3 Results of Operations](#) (Impairment of goodwill section) and [Goodwill](#) in the Annual Report.

Similarly, there is corporate income tax (CIT) paid on a net loss before tax at Group level, due to which the Cash tax rate (CTR) is higher than the WASTR. The CIT prepayments were based on higher forecasted income (at the start of 2022) and CIT return settlements. Higher prepayments made in this year in the respective countries will be either refunded in the near future (post filing of tax return) or offset against future tax prepayments in 2023 or beyond.

During the course of 2022, Philips introduced a new market strategy for its Personal Health business in the Western European market (as set out in the [Country summary, starting on page 70](#)). The Tax Function implemented changes to the existing tax model to suit the new market strategy. The changes implemented were based on international and OECD guidelines.

The new market strategy across the Western European market impacted the VAT contributions, as personal health goods were sold directly from the Netherlands to the customer in the Western European market (excluding the United Kingdom and Luxembourg) resulting in an intra-community supply with a zero per cent VAT rate (previously a domestic supply at the standard VAT rate).

Further, VAT, payroll and customs duties contributions were impacted by a decrease in domestic sales due to the Domestic Appliances divestment that took place during 2021.

Other taxes largely consist of a withholding tax paid on dividends from the Netherlands to our external shareholders (EUR 62 million). Other taxes also cover a variety of environmental taxes such as recycling tax, packaging tax, battery tax, chemical tax, etc., as well as taxes such as property taxes, stamp duty and withholding tax on accounts payable and receivable.

From an ESG perspective, during 2022 Philips had a net operational carbon footprint of 0 ktonnes CO₂-equivalent with 100% electricity from renewable sources, circular revenues (i.e. revenues generated from e.g. refurbished, reconditioned and remanufactured products or services) of 18.1% of revenues, and improved 1.81 billion lives (of which 199 million in underserved communities). Further, employee turnover amounted to 17.5%, of which 11.1% was voluntary (voluntary turnover remains in line with similar-sized companies), and employee benefit expenses of EUR 6,952 million were incurred, with all employees being paid at least a living wage. For further discussion and ESG metrics at Group level, please refer to the [Environmental, Social and Governance](#) section of the Annual Report.

Growth geographies

Argentina

146 employees

Key financials

Revenues from third parties	68.77
Revenues from related parties	3.58
Profit/Loss before tax	8.68
Tangible assets	16.19
Corporate income tax accrued	(1.00) ECTR = (11.5)%

Tax contribution

Total tax contribution	19.87
Corporate income tax	4.02 CTR = 46.4%
Customs duties	1.92
Value Added Tax	8.61
Payroll taxes	1.63
Other taxes	3.69

Environmental and social factors

Net operational carbon footprint	0 ktonnes CO₂e
Circular revenues	13.1%
Lives improved	11.4 million
Employee turnover	16.0%
Employee benefit expenses	9.07

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 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. 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:

- true-ups to prior year(s) taxable results.
- reduction of the taxable basis relating to the inflation adjustment.

Corporate income tax paid (CTR) is higher than the statutory tax rate (STR), mainly due to provisional payments for this year based on the prior year's taxable profit and an extraordinary provisional payment enacted for the year 2022.

Other taxes paid mainly relates to withholding taxes on accounts payable and receivable invoices.

Other mature geographies

Australia

573 employees

Key financials

Revenues from third parties	257.86
Revenues from related parties	16.26
Profit/Loss before tax	3.01
Tangible assets	76.00
Corporate income tax accrued	2.22 ECTR = 73.7%

Tax contribution

Total tax contribution	47.98
Corporate income tax	2.61 CTR = 86.6%
Customs duties	0.24
Value Added Tax	17.29
Payroll taxes	27.83
Other taxes	0.01

Environmental and social factors

Net operational carbon footprint	0 ktonnes CO₂e
Circular revenues	10.5%
Lives improved	25.7 million
Employee turnover	15.0%
Employee benefit expenses	74.26

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 function as a country sales organization for the various businesses of Philips. 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.

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

- additional payments made relating to prior years.
- the same reasons as mentioned above for Current income tax accrued.

Customs duties are impacted by applicable WTO agreements or Free Trade Agreements reducing customs duties.

Western Europe

Austria

349 employees

Key financials

Revenues from third parties	46.96
Revenues from related parties	45.99
Profit/Loss before tax	3.21
Tangible assets	58.78
Corporate income tax accrued	0.67 ECTR = 20.8%

Tax contribution

Total tax contribution	22.70
Corporate income tax	(0.84) CTR = (26.1)%
Customs duties	0.03
Value Added Tax	8.28
Payroll taxes	15.18
Other taxes	0.05

Environmental and social factors

Net operational carbon footprint	0 ktonnes CO₂e
Circular revenues	16.2%
Lives improved	7.8 million
Employee turnover	10.0%
Employee benefit expenses	30.26

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, provides support services for Personal Health businesses, research and development and manufacturing activities. The combined statutory income tax rate in Austria is 25%.

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.
- true-ups to prior year(s) taxable results.

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 impacted, mainly due to applicable duties being levied in the country of import, which is different to this country. This is due to central imports, where the Netherlands or Germany imports on behalf of this country.

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

Growth geographies

Bangladesh

17 employees

Key financials

Revenues from third parties	2.49
Revenues from related parties	3.61
Profit/Loss before tax	1.08
Tangible assets	0.91
Corporate income tax accrued	0.04 ECTR = 3.8%

Tax contribution

Total tax contribution	0.82
Corporate income tax	0.34 CTR = 31.7%
Customs duties	0.14
Value Added Tax	0.20
Payroll taxes	0.04
Other taxes	0.10

Environmental and social factors

Net operational carbon footprint	0 ktonnes CO₂e
Circular revenues	11.4%
Lives improved	2.3 million
Employee turnover	33.0%
Employee benefit expenses	0.42

Business activities

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

Tax summary

Philips Bangladesh is a stand-alone taxpayer, which primarily provides support services to Philips group companies and provision of services to unrelated parties in Bangladesh. The statutory income tax rate (STR) in Bangladesh is 27.5%.

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

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 by the fact that the Philips customer is importer of record in some of the transactions.

Western Europe

Belgium

308 employees

Key financials

Revenues from third parties	146.49
Revenues from related parties	24.42
Profit/Loss before tax	5.27
Tangible assets	17.75
Corporate income tax accrued	1.25 ECTR = 23.7%

Tax contribution

Total tax contribution	29.35
Corporate income tax	1.86 CTR = 35.4%
Customs duties	0.31
Value Added Tax	11.17
Payroll taxes	15.67
Other taxes	0.34

Environmental and social factors

Net operational carbon footprint	0 ktonnes CO₂e
Circular revenues	14.2%
Lives improved	7.8 million
Employee turnover	14.0%
Employee benefit expenses	31.56

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 function as a country sales organization for various businesses of Philips in Belgium and provide support services for Personal Health businesses. The statutory income tax rate (STR) in Belgium 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.
- true-ups to prior year(s) taxable results.

Corporate income tax paid (CTR) is higher than the statutory tax rate (STR), mainly due to the estimated taxable profit being higher than the actual profit for 2022.

Customs duties are impacted, mainly due to applicable duties being levied in the country of import, which is different to this country. This is due to central imports, where the Netherlands or Germany imports on behalf of this country.

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

Growth geographies

Brazil

2,047 employees

Key financials

Revenues from third parties	220.59
Revenues from related parties	41.15
Profit/Loss before tax	(13.19)
Tangible assets	56.59
Corporate income tax accrued	0.62 ECTR = (4.7)%

Tax contribution

Total tax contribution	70.81
Corporate income tax	0.19 CTR = (1.5)%
Customs duties	3.37
Value Added Tax	45.33
Payroll taxes	21.05
Other taxes	0.87

Environmental and social factors

Net operational carbon footprint	0 ktonnes CO₂e
Circular revenues	27.6%
Lives improved	96.0 million
Employee turnover	15.0%
Employee benefit expenses	91.88

Customer impact and innovation

Philips' joint venture to provide and operate innovative imaging diagnostics in the state of Bahia via a Public-Private Partnership continues to expand access to quality diagnostics and care for underserved populations, e.g. through the provision of a new reporting center and imaging units placed in 12 hospitals. Also, a two-year Electronic Medical Record implementation at Fundação Hospitalar do Estado de Minas Gerais will integrate 23 public hospitals in the state of Minas Gerais.

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 Informação 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 prior year true-ups and that part of taxable profits that cannot be offset against available carry-forward losses from previous years between entities in Brazil, as a tax consolidation regime does not apply in Brazil.

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

Customs duties are impacted by applicable COVID-19 supporting measurements and so-called Ex Tarifario benefit consisting of a temporary reduction of the import duty to zero per cent for certain goods not produced in Brazil and classified by Mercosur.

North America

Canada

564 employees

Key financials

Revenues from third parties	318.12
Revenues from related parties	22.74
Profit/Loss before tax	12.68
Tangible assets	63.72
Corporate income tax accrued	5.89 ECTR = 46.4%

Tax contribution

Total tax contribution	54.77
Corporate income tax	5.77 CTR = 45.5%
Customs duties	1.39
Value Added Tax	26.02
Payroll taxes	21.52
Other taxes	0.07

Environmental and social factors

Net operational carbon footprint	0 ktonnes CO₂e
Circular revenues	10.6%
Lives improved	29.1 million
Employee turnover	20.0%
Employee benefit expenses	64.47

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 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.
- true-ups to prior year(s) taxable results.

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

Chile

99 employees

Key financials

Revenues from third parties	61.60
Revenues from related parties	3.34
Profit/Loss before tax	0.76
Tangible assets	13.92
Corporate income tax accrued	0.08 ECTR = 11.0%

Tax contribution

Total tax contribution	9.37
Corporate income tax	CTR = 0.0%
Customs duties	0.70
Value Added Tax	6.28
Payroll taxes	1.96
Other taxes	0.43

Environmental and social factors

Net operational carbon footprint	0 ktonnes CO₂e
Circular revenues	9.0%
Lives improved	10.4 million
Employee turnover	13.0%
Employee benefit expenses	8.40

Business activities

- Sales, marketing and distribution
- 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 Inmobiliaria Philips Chilena Limitada; the latter has been dormant since 2013. Philips Chilena S.A. primarily functions as a country sales organization for the various businesses of Philips. 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 reduction of the taxable basis relating to the inflation adjustment.

There is no corporate income tax paid (CTR) due to the utilization of losses originating from prior years that reduced the taxable income.

Growth geographies

China

8,170 employees

Key financials

Revenues from third parties	1,238.81
Revenues from related parties	878.34
Profit/Loss before tax	102.62
Tangible assets	459.48
Corporate income tax accrued	19.60 ECTR = 19.1%

Tax contribution

Total tax contribution	333.93
Corporate income tax	13.50 CTR = 13.2%
Customs duties	15.05
Value Added Tax	126.24
Payroll taxes	156.16
Other taxes	22.98

Environmental and social factors

Net operational carbon footprint	0 ktonnes CO₂e
Circular revenues	8.1%
Lives improved	473.7 million
Employee turnover	17.0%
Employee benefit expenses	465.55

Customer impact and innovation

Philips continues to provide health technology innovations in support of China's national health strategy, supplying national top hospitals, primary hospitals and private hospitals with tailor-made solutions for their clinical and research needs. We also established three Philips Innovation Centers in China to focus on 'local-for-local' innovation in systems, products and software, and continue to drive 'made in China' fulfillment for professional medical equipment.

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
- Holding shares or other equity instruments

Tax summary

In China, Philips primarily engages in sales, marketing and distribution of all Philips products in the China market, in Research & Development centers, for group companies globally and locally, and with five 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.

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 in combination with additional payments made relating to prior years.

Customs duties are impacted as certain products such as medical systems attract limited or no duties. Further, most duties paid on US origin products fall under the Marketization Procurement Exclusion exemption, and thus limited duties are paid on this category. VAT payments are impacted, mainly due to timing difference in the prior year's VAT payment. Other taxes are mainly PRC taxes levied on group services charged to Chinese entities by overseas service providers.

Growth geographies

Colombia

109 employees

Key financials

Revenues from third parties	28.16
Revenues from related parties	2.43
Profit/Loss before tax	1.65
Tangible assets	4.90
Corporate income tax accrued	0.96 ECTR = 58.1%

Tax contribution

Total tax contribution	8.75
Corporate income tax	1.24 CTR = 75.1%
Customs duties	0.26
Value Added Tax	4.80
Payroll taxes	1.79
Other taxes	0.66

Environmental and social factors

Net operational carbon footprint	0 ktonnes CO₂e
Circular revenues	19.7%
Lives improved	4.1 million
Employee turnover	16.0%
Employee benefit expenses	6.99

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 35.0%.

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 higher than the statutory tax rate (STR), mainly due to withholding taxes deducted by customers on invoices and additional payments made relating to prior years.

Growth geographies

Costa Rica

2,629 employees

Key financials

Revenues from third parties	
Revenues from related parties	184.73
Profit/Loss before tax	(0.33)
Tangible assets	143.86
Corporate income tax accrued	ECTR = 0.0%

Tax contribution

Total tax contribution	11.00
Corporate income tax	CTR = 0.0%
Customs duties	
Value Added Tax	
Payroll taxes	11.00
Other taxes	

Environmental and social factors

Net operational carbon footprint	0 ktonnes CO₂e
Circular revenues	13.0%
Lives improved	1.0 million
Employee turnover	33.0%
Employee benefit expenses	44.65

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 Health Systems products.

In the current year, Philips incurred a loss based on accounting rules, because required adjustments are captured in a different period.

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).

This regime provides, for instance, exemption from income tax, import duties, capital gains tax and dividend distribution tax. Hence, no corporate current income tax is accrued and no corporate income tax is paid.

Growth geographies

Czech Republic

115 employees

Key financials

Revenues from third parties	78.33
Revenues from related parties	6.61
Profit/Loss before tax	2.58
Tangible assets	4.39
Corporate income tax accrued	0.64 ECTR = 24.8%

Tax contribution

Total tax contribution	13.70
Corporate income tax	0.73 CTR = 28.2%
Customs duties	
Value Added Tax	9.38
Payroll taxes	3.49
Other taxes	0.10

Environmental and social factors

Net operational carbon footprint	0 ktonnes CO₂e
Circular revenues	7.5%
Lives improved	7.6 million
Employee turnover	9.0%
Employee benefit expenses	8.49 million

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. 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.

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, mainly due to applicable duties being levied in the country of import, which is different to this country. This is due to central imports, where the Netherlands or Germany imports on behalf of this country.

Western Europe

Denmark

157 employees

Key financials

Revenues from third parties	83.58
Revenues from related parties	16.16
Profit/Loss before tax	3.24
Tangible assets	62.33
Corporate income tax accrued	(0.10) ECTR = (3.1)%

Tax contribution

Total tax contribution	27.58
Corporate income tax	0.50 CTR = 15.4%
Customs duties	0.01
Value Added Tax	20.76
Payroll taxes	6.28
Other taxes	0.03

Environmental and social factors

Net operational carbon footprint	0 ktonnes CO₂e
Circular revenues	23.1%
Lives improved	4.5 million
Employee turnover	20.0%
Employee benefit expenses	16.99

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 is active in Denmark with its legal entities, which primarily functions as a sales organization for various businesses of Philips and provides support services for Personal Health businesses. 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:

- true-ups to prior year(s) taxable results.
- taxable profit for 2022 being (partly) offset by carry-forward losses or other tax assets from previous year(s).

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 impacted, mainly due to applicable duties being levied in the country of import, which is different to this country. This is due to central imports, where the Netherlands or Germany imports on behalf of this country.

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

Growth geographies

Egypt

117 employees

Key financials

Revenues from third parties	36.88
Revenues from related parties	2.80
Profit/Loss before tax	(8.18)
Tangible assets	12.13
Corporate income tax accrued	(1.92) ECTR = 23.4%

Tax contribution

Total tax contribution	5.19
Corporate income tax	0.75 CTR = (9.2)%
Customs duties	1.96
Value Added Tax	1.51
Payroll taxes	0.64
Other taxes	0.33

Environmental and social factors

Net operational carbon footprint	0 ktonnes CO₂e
Circular revenues	10.6%
Lives improved	6.2 million
Employee turnover	16.0%
Employee benefit expenses	4.71

Business activities

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

Tax summary

Philips is active in Egypt with its legal entity Philips Egypt (LLC), which primarily functions as a country sales organization for various businesses of Philips. The statutory income tax rate (STR) in Egypt is 22.5%.

In the current year, Philips incurred a loss based on accounting rules, because required adjustments are captured in a different period.

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

Corporate income tax paid relates to:

- withholding taxes deducted by customers on invoices.
- additional payments made relating to prior years.

Customs duties are impacted by the fact that the Philips 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 impacted by the fact that Philips paid a significant amount during 2022 due to tax audits relating to prior periods.

Western Europe

Finland

83 employees

Key financials

Revenues from third parties	33.84
Revenues from related parties	9.30
Profit/Loss before tax	2.09
Tangible assets	4.68
Corporate income tax accrued	ECTR = 0.0%

Tax contribution

Total tax contribution	8.93
Corporate income tax	CTR = 0.0%
Customs duties	-
Value Added Tax	5.96
Payroll taxes	2.97
Other taxes	

Environmental and social factors

Net operational carbon footprint	0 ktonnes CO₂e
Circular revenues	11.3%
Lives improved	3.5 million
Employee turnover	51.0%
Employee benefit expenses	8.60

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 provides support services for Personal Health businesses. 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 the availability of carry-forward losses from previous years that offset the taxable profit for 2022.

No customs duties are paid due to applicable duties being levied in the country of import, which is different to this country. This is due to central imports, where the Netherlands or Germany imports on behalf of this country. The VAT payments comprise VAT paid by local Philips entities and/or foreign Philips entities having a VAT registration in this country.

Western Europe

France

982 employees

Key financials

Revenues from third parties	295.76
Revenues from related parties	79.53
Profit/Loss before tax	1.67
Tangible assets	41.15
Corporate income tax accrued	8.35 ECTR = 499.5%

Tax contribution

Total tax contribution	110.25
Corporate income tax	2.35 CTR = 140.7%
Customs duties	0.22
Value Added Tax	45.20
Payroll taxes	60.48
Other taxes	2.00

Environmental and social factors

Net operational carbon footprint	0 ktonnes CO₂e
Circular revenues	10.8%
Lives improved	42.0 million
Employee turnover	18.0%
Employee benefit expenses	115.20

Customer impact and innovation

Lyon University Hospital has been equipped with a Philips Spectral CT 7500 scanner as part of a long-term strategic partnership. Commenting on the convenience of the innovative scanner's always-on spectral data capture, radiographer Béatrice Rocher said, "All the data is acquired in one go and remains available all the time. This is a real benefit because we can review the images in spectral mode at any time and further improve the quality of our diagnosis."

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. All of the Philips French entities file tax returns on a standalone basis. The statutory income tax rate (STR) rate in France is 25%, plus a social surcharge of 3.3% is applied on corporate tax where certain thresholds are exceeded, resulting in a maximum effective rate of 25.825%. During the course of 2022, a new legal entity SAS Cardiologs Technologies was acquired. Some of our French entities receive tax relief in the form of a tax credit as per local legislation for eligible research and development expenditure.

Corporate current income tax accrued (ECTR) is higher than the statutory tax rate (STR), mainly due to timing differences, non-tax-deductible items, true-ups to prior year(s) taxable results and local taxes (CVAE).

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

Customs duties are impacted, mainly due to applicable duties being levied in the country of import, which is different to this country. This is due to central imports, where the Netherlands or Germany imports on behalf of this country.

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

Western Europe

Germany

3,754 employees

Key financials

Revenues from third parties	642.02
Revenues from related parties	1,456.82
Profit/Loss before tax	259.28
Tangible assets	514.00
Corporate income tax accrued	77.03 ECTR = 29.7%

Tax contribution

Total tax contribution	364.90
Corporate income tax	127.70 CTR = 49.3%
Customs duties	1.79
Value Added Tax	50.66
Payroll taxes	184.49
Other taxes	0.26

Environmental and social factors

Net operational carbon footprint	0 ktonnes CO₂e
Circular revenues	12.5%
Lives improved	67.0 million
Employee turnover	7.0%
Employee benefit expenses	423.61

Customer impact and innovation

Philips signed a 10-year partnership agreement with Städtisches Klinikum Braunschweig, one of Germany's largest care providers, to provide innovative monitoring solutions and alarm management. Talking to a German healthcare magazine, Dr. Andreas Goepfert, CEO Braunschweig Clinic, commented: "Quality of care is an important aspect that is safeguarded by such a partnership. Nowadays, it is difficult to imagine successful economic operation in the healthcare sector in the medium and long term without technology partners."

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 2022 being (partly) offset by carry-forward losses or other tax assets from previous year(s).

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 Philips entities and/or foreign Philips entities having a VAT registration in this country.

Customs duties are impacted as certain products such as medical systems attract limited or no duties. Further, customs duties in Germany are impacted as EU imports are centralized as much as possible in the Netherlands and Germany.

Western Europe

Greece

49 employees

Key financials

Revenues from third parties	19.93
Revenues from related parties	2.83
Profit/Loss before tax	0.82
Tangible assets	1.86
Corporate income tax accrued	0.17 ECTR = 20.4%

Tax contribution

Total tax contribution	3.98
Corporate income tax	(0.47) CTR = (57.8)%
Customs duties	-
Value Added Tax	2.66
Payroll taxes	1.71
Other taxes	0.08

Environmental and social factors

Net operational carbon footprint	0 ktonnes CO₂e
Circular revenues	12.9%
Lives improved	4.6 million
Employee turnover	10.0%
Employee benefit expenses	4.05

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 and provides support services for Personal Health businesses. 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 true-ups to prior year(s) taxable results.

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

No customs duties are paid due to applicable duties being levied in the country of import, which is different to this country. This is due to central imports, where the Netherlands or Germany imports on behalf of this country.

Growth geographies

Hong Kong

232 employees

Key financials

Revenues from third parties	731.66
Revenues from related parties	32.33
Profit/Loss before tax	22.08
Tangible assets	130.40
Corporate income tax accrued	ECTR = 0.0%

Tax contribution

Total tax contribution	1.94
Corporate income tax	CTR = 0.0%
Customs duties	
Value Added Tax	
Payroll taxes	1.94
Other taxes	

Environmental and social factors

Net operational carbon footprint	0 ktonnes CO₂e
Circular revenues	5.6%
Lives improved	7.5 million
Employee turnover	15.0%
Employee benefit expenses	25.63

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 Hongkong with its legal entity Philips Electronics Hongkong Limited, which primarily functions as a sales organization for various businesses of Philips. The statutory income tax rate (STR) in Hong Kong is 16.5%. There is no VAT/GST regime in Hong Kong. Philips products imported into Hong Kong are not subject to customs duties.

No corporate current income tax is accrued and no corporate income tax is paid, mainly due to taxable profit for 2022 being offset by carry-forward losses from previous years.

Growth geographies

Hungary

73 employees

Key financials

Revenues from third parties	16.98
Revenues from related parties	3.89
Profit/Loss before tax	1.36
Tangible assets	2.48
Corporate income tax accrued	0.32 ECTR = 23.6%

Tax contribution

Total tax contribution	4.69
Corporate income tax	0.37 CTR = 27.2%
Customs duties	1.04
Value Added Tax	2.36
Payroll taxes	0.90
Other taxes	0.02

Environmental and social factors

Net operational carbon footprint	0 ktonnes CO₂e
Circular revenues	3.7%
Lives improved	6.5 million
Employee turnover	13.0%
Employee benefit expenses	2.62

Business activities

- 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. 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 local taxes.

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

- additional payments made relating to prior years.
- the same reasons as mentioned above for Current income tax accrued.

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

Customs duties are impacted by the use of a bonded warehouse for specific businesses. They are also impacted by applicable duties which are levied in the country of import, which is different to this country. This is due to central imports, where the Netherlands or Germany imports on behalf of this country.

Growth geographies

India

9,234 employees

Key financials

Revenues from third parties	323.68
Revenues from related parties	526.04
Profit/Loss before tax	40.24
Tangible assets	239.67
Corporate income tax accrued	9.36 ECTR = 23.3%

Tax contribution

Total tax contribution	152.13
Corporate income tax	12.70 CTR = 31.6%
Customs duties	42.11
Value Added Tax	20.98
Payroll taxes	64.17
Other taxes	12.17

Environmental and social factors

Net operational carbon footprint	0 ktonnes CO₂e
Circular revenues	12.2%
Lives improved	86.6 million
Employee turnover	17.0%
Employee benefit expenses	273.13

Customer impact and innovation

Philips eICU is a scalable, centralized solution that extends critical care resources to the bedside via technology, independent of the health facility's location. In a 10-year partnership deal with the Cloud Nine hospital group, we connected 257 beds across 26 tele-ICU locations across India. In addition, some 2,000 Zenition C-arms and 500 Affiniti ultrasound systems were shipped from our Chakan manufacturing plant, part of our Healthcare Innovation Center.

Business activities

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

- taxable profit for 2022 being (partly) offset by tax credits that reduced the tax payable.
- true-ups to prior year(s) taxable results.
- the fact that tax incentives and/or exemptions are available that reduced the taxable income; for example, income from GBS operations is subject to a lower tax rate compared to the STR.

Corporate income tax paid relates to withholding taxes deducted by customers on invoices and provisional payments for this year, partly offset by a refund received relating to prior years.

Customs duties are impacted by duty payments due to trade defense measures (e.g. import tariffs).

VAT payments are impacted by the fact that Philips received several GST refunds relating to prior periods.

Growth geographies

Indonesia

3,821 employees

Key financials

Revenues from third parties	90.21
Revenues from related parties	432.84
Profit/Loss before tax	17.57
Tangible assets	152.77
Corporate income tax accrued	3.09 ECTR = 17.6%

Tax contribution

Total tax contribution	17.37
Corporate income tax	5.01 CTR = 28.5%
Customs duties	1.53
Value Added Tax	7.35
Payroll taxes	2.56
Other taxes	0.92

Environmental and social factors

Net operational carbon footprint	0 ktonnes CO₂e
Circular revenues	11.5%
Lives improved	17.6 million
Employee turnover	20.0%
Employee benefit expenses	39.23

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. BATAM operates out of a free trade zone in Batam, where VAT and customs duties are not applicable. PT Philips Indonesia Commercial primarily functions as a country sales organization for various businesses of Philips. The statutory income tax rate (STR) in Indonesia is 22.0%.

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

- true-ups to prior year(s) taxable results.
- 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, partly offset by a refund received relating to prior years.
- withholding taxes deducted by customers on invoices.

Corporate income tax paid (CTR) is higher than the statutory tax rate (STR), mainly due to taxes paid in relation to a gain on the sale of the Domestic Appliances business.

Western Europe

Ireland

25 employees

Key financials

Revenues from third parties	18.12
Revenues from related parties	1.94
Profit/Loss before tax	0.15
Tangible assets	2.57
Corporate income tax accrued	0.04 ECTR = 24.6%

Tax contribution

Total tax contribution	4.40
Corporate income tax	(0.01) CTR = (3.7)%
Customs duties	
Value Added Tax	3.38
Payroll taxes	1.03
Other taxes	

Environmental and social factors

Net operational carbon footprint	0 ktonnes CO₂e
Circular revenues	12.5%
Lives improved	1.9 million
Employee turnover	4.0%
Employee benefit expenses	2.97

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 Ireland with its legal entity 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) is higher than the statutory tax rate (STR), mainly due to:

- true-ups to prior year(s) taxable results.
- non-tax-deductible items, such as meals and entertainment, employee car rentals, etc.

Corporate income tax paid (CTR) is lower than the statutory tax rate (STR), mainly due to tax refunds relating to prior 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 central imports, where the Netherlands or Germany imports on behalf of this country. The VAT payments comprise VAT paid by local Philips entities and/or foreign Philips entities having a VAT registration in this country.

Other mature geographies

Israel

1,373 employees

Key financials

Revenues from third parties	16.44
Revenues from related parties	464.71
Profit/Loss before tax	29.11
Tangible assets	120.11
Corporate income tax accrued	(2.29) ECTR = (7.9)%

Tax contribution

Total tax contribution	26.52
Corporate income tax	8.06 CTR = 27.7%
Customs duties	0.09
Value Added Tax	(31.52)
Payroll taxes	49.89
Other taxes	

Environmental and social factors

Net operational carbon footprint	0 ktonnes CO₂e
Circular revenues	16.1%
Lives improved	9.4 million
Employee turnover	22.0%
Employee benefit expenses	162.64

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 to R&D activities performed in the country for Health Systems businesses, providing for lower tax rates (6% and 16%) 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:

- true-ups to prior year(s) taxable results.
- reduced tax rates applicable (preferred enterprise regime and special preferred technology regime) to large part of the activities performed.

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

- the estimated taxable profit being higher than the actual profit for 2022.
- additional payments made relating to prior years.

Customs duties are impacted by 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. There is a VAT refund as local purchases are subject to creditable VAT and Philips mainly exports its products at 0% VAT rate.

Western Europe

Italy

702 employees

Key financials

Revenues from third parties	290.16
Revenues from related parties	33.43
Profit/Loss before tax	16.93
Tangible assets	43.22
Corporate income tax accrued	1.51 ECTR = 8.9%

Tax contribution

Total tax contribution	45.52
Corporate income tax	0.96 CTR = 5.7%
Customs duties	
Value Added Tax	16.11
Payroll taxes	27.52
Other taxes	0.93

Environmental and social factors

Net operational carbon footprint	0 ktonnes CO₂e
Circular revenues	16.2%
Lives improved	32.1 million
Employee turnover	10.0%
Employee benefit expenses	57.46

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 provides support services for Personal Health businesses. The combined statutory income tax rate (STR) in Italy is 27.9%.

Corporate current income tax accrued (ECTR) is lower than the statutory tax rate (STR), mainly due to taxable profit for 2022 being (partly) offset by carry-forward losses or other tax assets from previous year(s).

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.
- 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 impacted, mainly due to applicable duties being levied in the country of import, which is different to this country. This is due to central imports, where the Netherlands or Germany imports on behalf of this country.

The VAT payments are impacted, mainly due to a special VAT regime (so called 'split-payment') applicable to sales to public customers (e.g. to public hospitals) and to a reduced rate (5%) applicable to specific medical equipment domestic sales.

Other mature geographies

Japan

2,226 employees

Key financials

Revenues from third parties	1,011.12
Revenues from related parties	49.80
Profit/Loss before tax	56.71
Tangible assets	260.48
Corporate income tax accrued	18.86 ECTR = 33.3%

Tax contribution

Total tax contribution	139.16
Corporate income tax	23.70 CTR = 41.8%
Customs duties	0.64
Value Added Tax	66.05
Payroll taxes	48.09
Other taxes	0.68

Environmental and social factors

Net operational carbon footprint	0 ktonnes CO₂e
Circular revenues	33.5%
Lives improved	47.6 million
Employee turnover	11.0%
Employee benefit expenses	158.40

Customer impact and innovation

Philips signed a 10-year agreement with a large university hospital for the expansion of its eICU program – a critical care telehealth program that combines audio-visual technology, predictive analytics, data visualization and advanced reporting capabilities for centralized surveillance of 50-500 remote ICU beds. This innovative program is not a replacement for the bedside team, but rather a support system to advance the established plan of care.

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 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.
- local taxes.

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

- additional payments made relating to prior years.
- the estimated taxable profit being higher than the actual profit for 2022.

Customs duties are impacted as certain products such as medical systems attract limited or no duties.

Growth geographies

Kenya

52 employees

Key financials

Revenues from third parties	11.61
Revenues from related parties	2.15
Profit/Loss before tax	1.40
Tangible assets	2.66
Corporate income tax accrued	(0.11) ECTR = (8.1)%

Tax contribution

Total tax contribution	2.34
Corporate income tax	0.40 CTR = 28.3%
Customs duties	0.53
Value Added Tax	0.61
Payroll taxes	0.66
Other taxes	0.14

Environmental and social factors

Net operational carbon footprint	0 ktonnes CO₂e
Circular revenues	13.7%
Lives improved	2.5 million
Employee turnover	10.0%
Employee benefit expenses	3.01

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 branch, the applicable CIT rate is 37.5%.

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.
- true-ups to prior year(s) taxable results.

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

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

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

Growth geographies

Latvia

19 employees

Key financials

Revenues from third parties	15.89
Revenues from related parties	0.24
Profit/Loss before tax	0.14
Tangible assets	0.17
Corporate income tax accrued	0.03 ECTR = 19.8%

Tax contribution

Total tax contribution	0.93
Corporate income tax	0.02 CTR = 13.4%
Customs duties	
Value Added Tax	0.44
Payroll taxes	0.46
Other taxes	0.01

Environmental and social factors

Net operational carbon footprint	0 ktonnes CO₂e
Circular revenues	5.7%
Lives improved	1.9 million
Employee turnover	7.0%
Employee benefit expenses	1.06

Business activities

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

Tax summary

Philips is active in Latvia with its legal entity Philips Baltic SIA, 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 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 (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).

Customs duties are impacted, mainly due to applicable duties being levied in the country of import, which is different to this country. This is due to central imports, where the Netherlands or Germany imports on behalf of this country.

Growth geographies

Malaysia

103 employees

Key financials

Revenues from third parties	48.59
Revenues from related parties	1.93
Profit/Loss before tax	3.14
Tangible assets	6.67
Corporate income tax accrued	0.83 ECTR = 26.5%

Tax contribution

Total tax contribution	2.78
Corporate income tax	0.65 CTR = 20.6%
Customs duties	0.61
Value Added Tax	0.05
Payroll taxes	1.47
Other taxes	-

Environmental and social factors

Net operational carbon footprint	0 ktonnes CO₂e
Circular revenues	10.8%
Lives improved	11.2 million
Employee turnover	16.0%
Employee benefit expenses	4.28

Business activities

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

Tax summary

Philips is active in Malaysia with its legal entity Philips Malaysia Sdn. Berhad, 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 accrued (ECTR) is higher than the statutory tax rate (STR), mainly due to true-ups to prior year(s) taxable results.

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).

Customs duties are impacted as certain products such as medical systems attract limited or no duties.

Growth geographies

Mexico

293 employees

Key financials

Revenues from third parties	122.86
Revenues from related parties	6.32
Profit/Loss before tax	1.54
Tangible assets	41.87
Corporate income tax accrued	2.08 ECTR = 134.7%

Tax contribution

Total tax contribution	24.97
Corporate income tax	1.52 CTR = 98.5%
Customs duties	3.02
Value Added Tax	15.12
Payroll taxes	5.09
Other taxes	0.22

Environmental and social factors

Net operational carbon footprint	0 ktonnes CO₂e
Circular revenues	17.7%
Lives improved	23.1 million
Employee turnover	14.0%
Employee benefit expenses	17.19

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 true-ups to prior year(s) taxable results.

Corporate income tax accrued is influenced by the reduction of the taxable basis relating to the inflation adjustment.

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

- the same reasons as mentioned above for Current income tax accrued.
- the estimated taxable profit being higher than the actual profit for 2022.

Western Europe

Netherlands

10,807 employees

Key financials

Revenues from third parties	2,020.75
Revenues from related parties	6,173.26
Profit/Loss before tax	121.42
Tangible assets	1,511.92
Corporate income tax accrued	25.29 ECTR = 20.8%

Tax contribution

Total tax contribution	490.04
Corporate income tax	87.16 CTR = 71.8%
Customs duties	5.02
Value Added Tax	(124.64)
Payroll taxes	459.02
Other taxes	63.48

Environmental and social factors

Net operational carbon footprint	0 ktonnes CO ₂ e
Circular revenues	5.9%
Lives improved	17.5 million
Employee turnover	10.0%
Employee benefit expenses	1,206.24

Customer impact and innovation

Philips signed a long-term agreement with the Rijnstate hospital in Arnhem, Rheden and De Liemers, to deliver a wide range of advanced ultrasound devices for 17 different departments at multiple locations of the hospital. The agreement involves innovative ultrasound devices and services for cardiological, vascular or radiological examinations, obstetrics/gynecology, as well as mobile devices for the emergency department.

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 in the Netherlands. KPNV is the stock-listed ultimate parent company of the group and holds, directly or indirectly, all local and foreign subsidiaries. Further, multiple Health Systems and Personal Health businesses and two of its largest factories are located in the Netherlands. The 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 25.8%. Qualifying income from these R&D activities is subject to a lower Innovation Box income tax rate of 9% and wage tax benefits apply per tax incentives included in Dutch tax law.

Corporate current income tax accrued (ECTR) is lower than the STR, mainly because of Innovation Box and timing differences, as certain expenses are deductible in a different year under tax law compared to accounting rules, which reduced the taxable income. Corporate income tax paid (CTR) is higher than the statutory tax rate (STR) due to estimated taxable profit being higher than the actual profit for 2022. 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 the Netherlands, such as dividends, royalties and interest.

There is a VAT refund as local purchases for our Dutch production facilities and research laboratories are subject to creditable VAT. Those facilities supply the majority of their products to other countries at 0% VAT rate. Customs duties are impacted by the application of customs licenses (bonded warehouse, inward processing relief), WTO and Free Trade Agreements, and by EU imports being centralized as much as possible in the Netherlands and Germany. Other taxes mainly relates to dividend withholding tax payments (on behalf of our shareholders).

Other mature geographies

New Zealand

49 employees

Key financials

Revenues from third parties	30.14
Revenues from related parties	1.79
Profit/Loss before tax	2.23
Tangible assets	12.60
Corporate income tax accrued	0.79 ECTR = 35.3%

Tax contribution

Total tax contribution	5.69
Corporate income tax	0.55 CTR = 24.5%
Customs duties	0.04
Value Added Tax	3.26
Payroll taxes	1.84
Other taxes	-

Environmental and social factors

Net operational carbon footprint	0 ktonnes CO₂e
Circular revenues	17.5%
Lives improved	4.5 million
Employee turnover	10.0%
Employee benefit expenses	5.00

Business activities

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

Tax summary

Philips is active in New Zealand with its legal entity 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 true-ups to prior year(s) taxable results.

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).

Customs duties are impacted as certain products such as medical systems attract limited or no duties.

Western Europe

Norway

46 employees

Key financials

Revenues from third parties	21.73
Revenues from related parties	2.56
Profit/Loss before tax	(0.66)
Tangible assets	2.10
Corporate income tax accrued	0.29 ECTR = (44.5)%

Tax contribution

Total tax contribution	8.36
Corporate income tax	0.61 CTR = (92.1)%
Customs duties	-
Value Added Tax	5.33
Payroll taxes	2.42
Other taxes	-

Environmental and social factors

Net operational carbon footprint	0 ktonnes CO₂e
Circular revenues	16.0%
Lives improved	2.9 million
Employee turnover	23.0%
Employee benefit expenses	6.03

Business activities

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

Tax summary

Philips is active in Norway with its legal entity Philips Norge AS, which primarily functions as a country sales organization for various businesses of Philips and provides support services for Personal Health businesses. 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:

- timing differences, as certain expenses are deductible in a different year under tax law compared to accounting rules.
- true-ups to prior year(s) taxable results.

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

Corporate current income tax accrued (ECTR) and Cash tax rate (CTR) is negative due to loss per accounting rules.

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

Growth geographies

Panama

761 employees

Key financials

Revenues from third parties	9.02
Revenues from related parties	46.24
Profit/Loss before tax	1.17
Tangible assets	4.85
Corporate income tax accrued	- ECTR = (0.4)%

Tax contribution

Total tax contribution	6.51
Corporate income tax	0.01 CTR = 0.5%
Customs duties	
Value Added Tax	
Payroll taxes	6.50
Other taxes	

Environmental and social factors

Net operational carbon footprint	0 ktonnes CO₂e
Circular revenues	13.7%
Lives improved	1.7 million
Employee turnover	16.0%
Employee benefit expenses	35.22

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. Philips has an 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 personal health products. The FTZC regime provides, for example, a reduced rate on the Annual Operations tax, and exempts from customs duties and national and local taxes on the entry and storage of goods. Therefore, the corporate current income tax accrued and corporate income tax paid are relatively low.

Growth geographies

Peru

31 employees

Key financials

Revenues from third parties	8.55
Revenues from related parties	1.52
Profit/Loss before tax	(0.02)
Tangible assets	1.82
Corporate income tax accrued	0.29 ECTR = (1,189.6)%

Tax contribution

Total tax contribution	2.17
Corporate income tax	0.29 CTR = (1,171.9)%
Customs duties	0.01
Value Added Tax	1.34
Payroll taxes	0.47
Other taxes	0.06

Environmental and social factors

Net operational carbon footprint	0 ktonnes CO₂e
Circular revenues	35.4%
Lives improved	2.0 million
Employee turnover	7.0%
Employee benefit expenses	1.91

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. The statutory income tax rate (STR) in Peru is 29.5%.

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

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

- non-tax-deductible items, such as expenses incurred in the provision of services.
- true-ups to prior year(s) taxable results.

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

- the estimated taxable profit being higher than the actual profit for 2022.
- additional payments made relating to prior years.

Customs duties are impacted as certain products such as medical systems attract limited or no duties.

Growth geographies

Philippines

98 employees

Key financials

Revenues from third parties	27.68
Revenues from related parties	3.73
Profit/Loss before tax	2.53
Tangible assets	5.82
Corporate income tax accrued	0.22 ECTR = 8.6%

Tax contribution

Total tax contribution	3.75
Corporate income tax	0.14 CTR = 5.6%
Customs duties	0.32
Value Added Tax	2.04
Payroll taxes	0.99
Other taxes	0.26

Environmental and social factors

Net operational carbon footprint	0 ktonnes CO₂e
Circular revenues	13.8%
Lives improved	6.0 million
Employee turnover	90.0%
Employee benefit expenses	4.03

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 lower than the statutory tax rate (STR), mainly due to:

- true-ups to prior year(s) taxable results.
- timing differences, as certain expenses are deductible in a different year under tax law compared to accounting rules.

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

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).
- the same reasons as mentioned above for Current income tax accrued.

Growth geographies

Poland

2,219 employees

Key financials

Revenues from third parties	135.69
Revenues from related parties	90.40
Profit/Loss before tax	7.04
Tangible assets	22.18
Corporate income tax accrued	1.89 ECTR = 26.8%

Tax contribution

Total tax contribution	49.38
Corporate income tax	0.27 CTR = 3.8%
Customs duties	2.25
Value Added Tax	16.69
Payroll taxes	30.00
Other taxes	0.17

Environmental and social factors

Net operational carbon footprint	0 ktonnes CO₂e
Circular revenues	8.0%
Lives improved	25.9 million
Employee turnover	22.0%
Employee benefit expenses	75.78

Customer impact and innovation

In the SDA Imaging Center in Chelm, Philips installed an MR 5300 scanner with Ambient Experience technology, which combines images, sound and light to create an atmosphere that puts patients at ease and reduces the need to redo scans. Other customer deals include, for Marynarki Wojennej hospital in Gdansk, an Ingenia Ambition X 1.5T MR, which combines fully sealed BlueSeal magnet technology for helium-free-for-life operation with workflow innovations to boost productivity. Across the country, Philips has installed seven systems incorporating the environmentally friendly BlueSeal magnet.

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 provides 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.
- true-ups to prior year(s) taxable results.

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

Western Europe

Portugal

74 employees

Key financials

Revenues from third parties	28.44
Revenues from related parties	3.01
Profit/Loss before tax	(0.71)
Tangible assets	6.47
Corporate income tax accrued	0.03 ECTR = (3.7)%

Tax contribution

Total tax contribution	8.90
Corporate income tax	0.09 CTR = (12.9)%
Customs duties	-
Value Added Tax	6.30
Payroll taxes	2.29
Other taxes	0.22

Environmental and social factors

Net operational carbon footprint	0 ktonnes CO₂e
Circular revenues	14.1%
Lives improved	7.9 million
Employee turnover	19.0%
Employee benefit expenses	5.07

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 and provides support services for Personal Health businesses. The statutory income tax rate (STR) in Portugal is 22.4%.

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

- true-ups to prior year(s) taxable results.
- taxable profit for 2022 being (partly) offset by carry-forward losses or other tax assets from previous year(s).

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).

Customs duties are impacted, mainly due to applicable duties being levied in the country of import, which is different to this country. This is due to central imports, where the Netherlands or Germany imports on behalf of this country.

Growth geographies

Puerto Rico

30 employees

Key financials

Revenues from third parties	16.14
Revenues from related parties	1.80
Profit/Loss before tax	0.60
Tangible assets	4.94
Corporate income tax accrued	0.42 ECTR = 70.1%

Tax contribution

Total tax contribution	0.42
Corporate income tax	- CTR = 0.9%
Customs duties	
Value Added Tax	(0.21)
Payroll taxes	0.50
Other taxes	0.13

Environmental and social factors

Net operational carbon footprint	0 ktonnes CO₂e
Circular revenues	16.8%
Lives improved	2.3 million
Employee turnover	0.0%
Employee benefit expenses	3.53

Business activities

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

Tax summary

Philips has been 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.

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).

Customs duties are impacted as certain products such as medical systems attract limited or no duties.

Growth geographies

Romania

116 employees

Key financials

Revenues from third parties	87.45
Revenues from related parties	5.63
Profit/Loss before tax	2.71
Tangible assets	7.43
Corporate income tax accrued	0.45 ECTR = 16.5%

Tax contribution

Total tax contribution	11.80
Corporate income tax	0.86 CTR = 31.8%
Customs duties	
Value Added Tax	8.14
Payroll taxes	2.59
Other taxes	0.21

Environmental and social factors

Net operational carbon footprint	0 ktonnes CO₂e
Circular revenues	5.5%
Lives improved	10.4 million
Employee turnover	10.0%
Employee benefit expenses	6.23

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 higher than the statutory tax rate (STR), mainly due to non-tax-deductible items, such as entertainment and employee car expenses.

Corporate income tax paid (CTR) is higher than the statutory tax rate (STR), mainly due to the estimated taxable profit being higher than the actual profit for 2022.

Customs duties are impacted, mainly due to applicable duties being levied in the country of import, which is different to this country. This is due to central imports, where the Netherlands or Germany imports on behalf of this country.

Growth geographies

Russian Federation

409 employees

Key financials

Revenues from third parties	250.08
Revenues from related parties	5.93
Profit/Loss before tax	(6.85)
Tangible assets	44.36
Corporate income tax accrued	2.83 ECTR = (41.2)%

Tax contribution

Total tax contribution	(11.31)
Corporate income tax	(27.52) CTR = 401.5%
Customs duties	3.20
Value Added Tax	4.43
Payroll taxes	8.24
Other taxes	0.34

Environmental and social factors

Net operational carbon footprint	0 ktonnes CO₂e
Circular revenues	10.8%
Lives improved	43.9 million
Employee turnover	33.0%
Employee benefit expenses	29.79

Business activities

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

Tax summary

Philips has two legal entities in Russia, Limited Liability Company 'PHILIPS' and Philips Innovation Labs Russia LLC (stopped activities and preparing for liquidation). Since February 2022, the Philips group has substantially reduced its activities in the country. This includes stopping shipments of consumer health products (except for certain child-care products), the suspension of marketing activities, and winding down of R&D and manufacturing activities. Philips has limited its business activities to distribution/maintenance of essential medical equipment and administrative, management and support services. Philips has a system in place to comply with applicable laws and regulations covering export controls and sanctions. The statutory income tax rate (STR) in Russia is 20.0%.

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

Taxable income is mainly driven by non-tax-deductible items such as social expenses, fines due for non-fulfillment of obligations under contracts and other similar items.

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 impacted as certain products such as medical systems attract limited or no duties.

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

Growth geographies

Saudi Arabia

165 employees

Key financials

Revenues from third parties	73.58
Revenues from related parties	3.55
Profit/Loss before tax	3.84
Tangible assets	15.55
Corporate income tax accrued	3.71 ECTR = 96.5%

Tax contribution

Total tax contribution	13.18
Corporate income tax	2.02 CTR = 52.5%
Customs duties	0.72
Value Added Tax	7.41
Payroll taxes	1.40
Other taxes	1.63

Environmental and social factors

Net operational carbon footprint	0 ktonnes CO₂e
Circular revenues	15.2%
Lives improved	19.2 million
Employee turnover	12.0%
Employee benefit expenses	14.26

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). There are also two branches, one of which has been dormant and is currently being deregistered. While the STR for the branch is 20%, for the joint venture, Philips' average STR in this country is 11.25%, which includes Corporate income tax and the Zakat levy.

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

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 the same reasons as mentioned above for Current income tax accrued.

Growth geographies

Singapore

463 employees

Key financials

Revenues from third parties	93.77
Revenues from related parties	376.54
Profit/Loss before tax	0.22
Tangible assets	114.21
Corporate income tax accrued	2.43 ECTR = 1,115.5%

Tax contribution

Total tax contribution	13.85
Corporate income tax	1.73 CTR = 791.2%
Customs duties	0.02
Value Added Tax	2.47
Payroll taxes	8.87
Other taxes	0.76

Environmental and social factors

Net operational carbon footprint	0 ktonnes CO₂e
Circular revenues	10.0%
Lives improved	5.7 million
Employee turnover	18.0%
Employee benefit expenses	62.01

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 accrued (ECTR) is higher than the statutory tax rate (STR), mainly due to:

- non-tax-deductible items, such as depreciation and impairment of land and building.
- true-ups to prior year(s) taxable results.

Corporate income tax paid is based on prior year's taxable profit. The difference is expected to be paid/refunded in the following year(s).

Payroll taxes are impacted by reduced employee headcount, mainly due to the divestment of the Domestic Appliances business in 2021.

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

Growth geographies

South Africa

155 employees

Key financials

Revenues from third parties	36.92
Revenues from related parties	1.35
Profit/Loss before tax	2.91
Tangible assets	10.75
Corporate income tax accrued	2.92 ECTR = 100.3%

Tax contribution

Total tax contribution	6.56
Corporate income tax	0.45 CTR = 15.5%
Customs duties	0.16
Value Added Tax	4.39
Payroll taxes	1.56
Other taxes	

Environmental and social factors

Net operational carbon footprint	0 ktonnes CO₂e
Circular revenues	12.0%
Lives improved	7.4 million
Employee turnover	14.0%
Employee benefit expenses	9.10

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 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.
- true-ups to prior year(s) taxable results.

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).

Customs duties are impacted as certain products such as medical systems attract limited or no duties.

Other mature geographies

South Korea

355 employees

Key financials

Revenues from third parties	225.46
Revenues from related parties	9.91
Profit/Loss before tax	3.03
Tangible assets	52.03
Corporate income tax accrued	(0.20) ECTR = (6.7)%

Tax contribution

Total tax contribution	16.91
Corporate income tax	0.10 CTR = 3.1%
Customs duties	2.21
Value Added Tax	7.77
Payroll taxes	6.75
Other taxes	0.08

Environmental and social factors

Net operational carbon footprint	0 ktonnes CO₂e
Circular revenues	10.0%
Lives improved	23.5 million
Employee turnover	18.0%
Employee benefit expenses	29.23

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 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.
- true-ups to prior year(s) taxable results.

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 impacted by applicable WTO agreements or Free Trade Agreements reducing customs duties.

Western Europe

Spain

513 employees

Key financials

Revenues from third parties	217.94
Revenues from related parties	23.14
Profit/Loss before tax	7.48
Tangible assets	25.14
Corporate income tax accrued	1.35 ECTR = 18.1%

Tax contribution

Total tax contribution	51.83
Corporate income tax	1.47 CTR = 19.7%
Customs duties	0.01
Value Added Tax	31.03
Payroll taxes	19.06
Other taxes	0.26

Environmental and social factors

Net operational carbon footprint	0 ktonnes CO₂e
Circular revenues	12.6%
Lives improved	38.6 million
Employee turnover	8.0%
Employee benefit expenses	46.46

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 and provides support services for Personal Health businesses. 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 income is taxable 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 tax refunds relating to prior years.

Customs duties are impacted, mainly due to applicable duties being levied in the country of import, which is different to this country. This is due to central imports, where the Netherlands or Germany imports on behalf of this country.

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

Western Europe

Sweden

252 employees

Key financials

Revenues from third parties	82.02
Revenues from related parties	9.96
Profit/Loss before tax	0.07
Tangible assets	10.64
Corporate income tax accrued	ECTR = 0.0%

Tax contribution

Total tax contribution	30.33
Corporate income tax	CTR = 0.0%
Customs duties	-
Value Added Tax	17.41
Payroll taxes	12.91
Other taxes	0.01

Environmental and social factors

Net operational carbon footprint	0 ktonnes CO₂e
Circular revenues	7.1%
Lives improved	7.7 million
Employee turnover	14.0%
Employee benefit expenses	30.62

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 Sweden with multiple legal entities, with Philips AB being the main entity, which primarily functions as a country sales organization for various businesses of Philips and provides support services for Personal Health businesses. The statutory income tax rate (STR) in Sweden is 20.6%.

No corporate current income tax is accrued and no corporate income tax is paid, mainly due to the availability of carry-forward losses from previous years that offset the taxable profit for 2022.

Customs duties are impacted, mainly due to applicable duties being levied in the country of import, which is different to this country. This is due to central imports, where the Netherlands or Germany imports on behalf of this country.

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

Western Europe

Switzerland

201 employees

Key financials

Revenues from third parties	136.81
Revenues from related parties	14.94
Profit/Loss before tax	0.74
Tangible assets	29.98
Corporate income tax accrued	(0.34) ECTR = (46.0)%

Tax contribution

Total tax contribution	16.48
Corporate income tax	0.80 CTR = 107.9%
Customs duties	0.12
Value Added Tax	11.13
Payroll taxes	4.43
Other taxes	

Environmental and social factors

Net operational carbon footprint	0 ktonnes CO₂e
Circular revenues	13.0%
Lives improved	8.7 million
Employee turnover	16.0%
Employee benefit expenses	32.77

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 Switzerland with multiple legal entities, with Philips AG being the main entity, which primarily functions as a country sales organization for various businesses of Philips and provides support services for Personal Health businesses. The statutory income tax rate (STR) in Switzerland is 22.0% (which includes the federal Swiss corporate and cantonal tax rate).

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

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

- additional payments made relating to prior years.
- the estimated taxable profit being higher than the actual profit for 2022.
- tax paid on a gain on the divestment of the Domestic Appliances business.

Customs duties are impacted as certain products such as medical systems attract limited or no duties.

Payroll taxes are impacted by the fact that the obligation is on the employees (instead of the employer) to pay the tax to the authorities.

Growth geographies

Taiwan

172 employees

Key financials

Revenues from third parties	111.76
Revenues from related parties	3.12
Profit/Loss before tax	(10.58)
Tangible assets	26.61
Corporate income tax accrued	(2.00) ECTR = 18.9%

Tax contribution

Total tax contribution	10.11
Corporate income tax	0.02 CTR = (0.2)%
Customs duties	2.21
Value Added Tax	5.23
Payroll taxes	2.57
Other taxes	0.08

Environmental and social factors

Net operational carbon footprint	0 ktonnes CO₂e
Circular revenues	7.8%
Lives improved	14.5 million
Employee turnover	12.0%
Employee benefit expenses	12.55

Business activities

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

Tax summary

Philips is active in Taiwan with its legal entity Philips Taiwan Ltd, which primarily functions as a country sales organization for various businesses of Philips. The statutory income tax rate (STR) in Taiwan is 20.0%

In the current year, Philips incurred a loss based on accounting rules, because required adjustments are captured in a different period.

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

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

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).

Growth geographies

Thailand

144 employees

Key financials

Revenues from third parties	108.32
Revenues from related parties	3.52
Profit/Loss before tax	(9.09)
Tangible assets	14.76
Corporate income tax accrued	(0.94) ECTR = 10.4%

Tax contribution

Total tax contribution	9.61
Corporate income tax	0.37 CTR = (4.1)%
Customs duties	1.14
Value Added Tax	6.42
Payroll taxes	1.35
Other taxes	0.33

Environmental and social factors

Net operational carbon footprint	0 ktonnes CO₂e
Circular revenues	10.6%
Lives improved	18.8 million
Employee turnover	9.0%
Employee benefit expenses	6.82

Business activities

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

Tax summary

Philips is active in Thailand with its legal entity Philips Thailand Ltd, which primarily functions as a country sales organization for various businesses of Philips. The statutory income tax rate (STR) in Thailand is 20.0%.

In the current year, Philips incurred a loss based on accounting rules, because required adjustments are captured in a different period.

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

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

Customs duties are impacted by applicable WTO agreements or Free Trade Agreements reducing customs duties.

Growth geographies

Turkey

249 employees

Key financials

Revenues from third parties	84.90
Revenues from related parties	4.38
Profit/Loss before tax	(4.08)
Tangible assets	16.13
Corporate income tax accrued	0.31 ECTR = (7.6)%

Tax contribution

Total tax contribution	14.61
Corporate income tax	1.16 CTR = (28.4)%
Customs duties	2.54
Value Added Tax	8.20
Payroll taxes	1.27
Other taxes	1.44

Environmental and social factors

Net operational carbon footprint	0 ktonnes CO₂e
Circular revenues	3.2%
Lives improved	20.2 million
Employee turnover	15.0%
Employee benefit expenses	7.80

Business activities

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

Tax summary

Philips is active in Turkey with its legal entity, which primarily functions as a country sales organization for various businesses of Philips. The statutory income tax rate (STR) in Turkey is 23.0%.

In the current year, Philips incurred a loss based on accounting rules, because required adjustments are captured in a different period.

Corporate income tax accrued relates to expense relating to prior year(s). Corporate income tax paid relates to provisional payments for this year and additional payments related to prior years.

Customs duties are impacted by duty payments due to trade defense measures (e.g. import tariffs), but also by the applicable Customs Union with the EU. The VAT payments are impacted due to the fact that a lower VAT rate is applicable to the healthcare products.

Growth geographies

Ukraine

35 employees

Key financials

Revenues from third parties	24.69
Revenues from related parties	0.81
Profit/Loss before tax	0.80
Tangible assets	2.37
Corporate income tax accrued	0.58 ECTR = 72.0%

Tax contribution

Total tax contribution	3.14
Corporate income tax	0.52 CTR = 65.0%
Customs duties	0.74
Value Added Tax	0.93
Payroll taxes	0.95
Other taxes	

Environmental and social factors

Net operational carbon footprint	0 ktonnes CO₂e
Circular revenues	3.6%
Lives improved	6.9 million
Employee turnover	8.0%
Employee benefit expenses	1.72

Business activities

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

Tax summary

Philips is active in Ukraine with its legal entity Philips Ukraine LLC, which primarily functions as a country sales organization for various businesses of Philips. The statutory income tax rate (STR) in Ukraine is 18.0%

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

- non-tax-deductible items, such as bad debt provision and rebates.
- true-ups to prior year(s) taxable results.

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

United Arab Emirates

160 employees

Key financials

Revenues from third parties	98.21
Revenues from related parties	11.70
Profit/Loss before tax	(0.03)
Tangible assets	2.41
Corporate income tax accrued	ECTR = 0.0%

Tax contribution

Total tax contribution	0.05
Corporate income tax	CTR = 0.0%
Customs duties	0.13
Value Added Tax	(0.08)
Payroll taxes	
Other taxes	

Environmental and social factors

Net operational carbon footprint	0 ktonnes CO₂e
Circular revenues	8.3%
Lives improved	9.4 million
Employee turnover	9.0%
Employee benefit expenses	18.35

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.

Customs duties are impacted, as the business operates mainly in the Free Trade Zone.

Western Europe

United Kingdom

1,044 employees

Key financials

Revenues from third parties	379.96
Revenues from related parties	69.60
Profit/Loss before tax	2.56
Tangible assets	115.45
Corporate income tax accrued	3.50 ECTR = 137.1%

Tax contribution

Total tax contribution	108.88
Corporate income tax	1.94 CTR = 75.8%
Customs duties	2.98
Value Added Tax	70.91
Payroll taxes	32.67
Other taxes	0.38

Environmental and social factors

Net operational carbon footprint	0 ktonnes CO₂e
Circular revenues	19.6%
Lives improved	38.7 million
Employee turnover	15.0%
Employee benefit expenses	104.11

Customer impact and innovation

Philips entered into partnerships with healthcare providers, including Alliance Medical, Europe's leading independent provider of imaging services, to deliver its vendor-neutral Radiology Operations Command Center (ROCC). The innovative ROCC enables real-time remote collaboration between technologists, radiologists and imaging operations teams across multiple sites, to help increase productivity and expand access to MR- and CT-based diagnosis

Business activities

- Research and Development
- Holding and/or managing of intellectual property
- 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 the United Kingdom (UK) with multiple legal entities, with Philips Electronics UK being the main entity which primarily functions as the country sales organization for various businesses of Philips and provides support services for Personal Health businesses. The statutory income tax rate (STR) in the United Kingdom is 19.0%.

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

- timing differences, as certain expenses are deductible in a different year under tax law compared to accounting rules.
- true-ups to prior year(s) taxable results.

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 Philips entities and/or foreign Philips entities having a VAT registration in this country.

Customs duties are impacted as certain products such as medical systems attract limited or no duties. They are also impacted by duties paid for imports made in 2021 which were declared via the fallback procedure and not yet refunded.

North America

United States

20,054 employees

Key financials

Revenues from third parties	7,226.41
Revenues from related parties	2,851.16
Profit/Loss before tax	(2,454.58)
Tangible assets	3,366.66
Corporate income tax accrued	(8.75) ECTR = 0.4%

Tax contribution

Total tax contribution	1026.29
Corporate income tax	74.59 CTR = (3.0)%
Customs duties	43.62
Value Added Tax	75.91
Payroll taxes	824.66
Other taxes	7.51

Environmental and social factors

Net operational carbon footprint	0 ktonnes CO ₂ e
Circular revenues	18.8%
Lives improved	330.7 million
Employee turnover	22.0%
Employee benefit expenses	3,029.42

Customer impact and innovation

Philips continues to help health systems like TriHealth, Prisma Health and the University Health System of San Antonio with innovations to address interoperability challenges and standardize care across their networks. This includes entering into a 7-year agreement with Northwell Health, the largest healthcare provider in the state of New York, to help standardize patient monitoring, drive interoperability, and lay the foundation for a future-proof, enterprise-wide platform.

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. Philips' US operations file as a consolidated group for federal tax purposes. US income tax law includes export incentives and a tax credit for research and development which benefit Philips' US operations.

Corporate current income tax accrued (ECTR) is lower than the statutory tax rate (STR), mainly due to a taxable loss in the current year and true-ups to prior year(s) taxable results. The taxable loss in the year was mainly driven by operational and supply challenges and the consequences of the Respiroics recall which resulted in the impairment in the Sleep & Respiratory business, which was non-deductible for tax purposes.

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 impacted for the Health Systems company due to trade defense measures (China-US trade dispute). The duties are offset where possible through tariff relief and recovery programs using tariff management, Nairobi Protocol and duty drawback.

Growth geographies

Vietnam

72 employees

Key financials

Revenues from third parties	16.78
Revenues from related parties	1.26
Profit/Loss before tax	(4.72)
Tangible assets	2.53
Corporate income tax accrued	(0.68) ECTR = 14.5%

Tax contribution

Total tax contribution	1.78
Corporate income tax	0.23 CTR = (4.9)%
Customs duties	0.05
Value Added Tax	0.64
Payroll taxes	0.83
Other taxes	0.03

Environmental and social factors

Net operational carbon footprint	0 ktonnes CO₂e
Circular revenues	7.3%
Lives improved	8.5 million
Employee turnover	15.0%
Employee benefit expenses	3.13

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 Health Systems businesses. The statutory income tax rate (STR) in Vietnam is 20%.

In the current year, Philips incurred a loss based on accounting rules, because required adjustments are captured in a different period.

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

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

Customs duties are impacted as certain products such as medical systems attract limited or no duties.

4.3 Country summary

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

Philips Group

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

	Number of employees	Financials					Total tax contribution					Total
		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	
Western Europe												
Netherlands	10,807	2,020.75	6,173.26	121.42	1,511.92	25.29	87.16	5.02	(124.64)	459.02	63.48	490.04
Germany	3,754	642.02	1,456.82	259.28	514.00	77.03	127.70	1.79	50.66	184.49	0.26	364.90
France	982	295.76	79.53	1.67	41.15	8.35	2.35	0.22	45.20	60.48	2.00	110.25
United Kingdom	1,044	379.96	69.60	2.56	115.45	3.50	1.94	2.98	70.91	32.67	0.38	108.88
Spain	513	217.94	23.14	7.48	25.14	1.35	1.47	0.01	31.03	19.06	0.26	51.83
Italy	702	290.16	33.43	16.93	43.22	1.51	0.96		16.11	27.52	0.93	45.52
Sweden	252	82.02	9.96	0.07	10.64			-	17.41	12.91	0.01	30.33
Belgium	308	146.49	24.42	5.27	17.75	1.25	1.86	0.31	11.17	15.67	0.34	29.35
Denmark	157	83.58	16.16	3.24	62.33	(0.10)	0.50	0.01	20.76	6.28	0.03	27.58
Austria	349	46.96	45.99	3.21	58.78	0.67	(0.84)	0.03	8.28	15.18	0.05	22.70
Switzerland	201	136.81	14.94	0.74	29.98	(0.34)	0.80	0.12	11.13	4.43		16.48
Finland	83	33.84	9.30	2.09	4.68			-	5.96	2.97		8.93
Portugal	74	28.44	3.01	(0.71)	6.47	0.03	0.09	-	6.30	2.29	0.22	8.90
Norway	46	21.73	2.56	(0.66)	2.10	0.29	0.61	-	5.33	2.42	-	8.36
Ireland	25	18.12	1.94	0.15	2.57	0.04	(0.01)		3.38	1.03		4.40
Greece	49	19.93	2.83	0.82	1.86	0.17	(0.47)	-	2.66	1.71	0.08	3.98
Luxembourg			0.05	0.07		0.05	0.01		0.89	0.07	-	0.97
North America												
United States	20,054	7,226.41	2,851.16	(2,454.58)	3,366.66	(8.75)	74.59	43.62	75.91	824.66	7.51	1,026.29
Canada	564	318.12	22.74	12.68	63.72	5.89	5.77	1.39	26.02	21.52	0.07	54.77
Other mature geographies												
Japan	2,226	1,011.12	49.80	56.71	260.48	18.86	23.70	0.64	66.05	48.09	0.68	139.16
Australia	573	257.86	16.26	3.01	76.00	2.22	2.61	0.24	17.29	27.83	0.01	47.98
Israel	1,373	16.44	464.71	29.11	120.11	(2.29)	8.06	0.09	(31.52)	49.89		26.52
South Korea	355	225.46	9.91	3.03	52.03	(0.20)	0.10	2.21	7.77	6.75	0.08	16.91
New Zealand	49	30.14	1.79	2.23	12.60	0.79	0.55	0.04	3.26	1.84	-	5.69
Growth geographies												
China	8,170	1,238.81	878.34	102.62	459.48	19.60	13.50	15.05	126.24	156.16	22.98	333.93
India	9,234	323.68	526.04	40.24	239.67	9.36	12.70	42.11	20.98	64.17	12.17	152.13
Brazil	2,047	220.59	41.15	(13.19)	56.59	0.62	0.19	3.37	45.33	21.05	0.87	70.81
Poland	2,219	135.69	90.40	7.04	22.18	1.89	0.27	2.25	16.69	30.00	0.17	49.38

4 Activities and Tax per country

	Number of employees	Financials					Total tax contribution					Total
		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	
Mexico	293	122.86	6.32	1.54	41.87	2.08	1.52	3.02	15.12	5.09	0.22	24.97
Argentina	146	68.77	3.58	8.68	16.19	(1.00)	4.02	1.92	8.61	1.63	3.69	19.87
Indonesia	3,821	90.21	432.84	17.57	152.77	3.09	5.01	1.53	7.35	2.56	0.92	17.37
Turkey	249	84.90	4.38	(4.08)	16.13	0.31	1.16	2.54	8.20	1.27	1.44	14.61
Singapore	463	93.77	376.54	0.22	114.21	2.43	1.73	0.02	2.47	8.87	0.76	13.85
Czech Republic	115	78.33	6.61	2.58	4.39	0.64	0.73		9.38	3.49	0.10	13.70
Saudi Arabia	165	73.58	3.55	3.84	15.55	3.71	2.02	0.72	7.41	1.40	1.63	13.18
Romania	116	87.45	5.63	2.71	7.43	0.45	0.86		8.14	2.59	0.21	11.80
Costa Rica	2,629		184.73	(0.33)	143.86					11.00		11.00
Taiwan	172	111.76	3.12	(10.58)	26.61	(2.00)	0.02	2.21	5.23	2.57	0.08	10.11
Thailand	144	108.32	3.52	(9.09)	14.76	(0.94)	0.37	1.14	6.42	1.35	0.33	9.61
Chile	99	61.60	3.34	0.76	13.92	0.08		0.70	6.28	1.96	0.43	9.37
Colombia	109	28.16	2.43	1.65	4.90	0.96	1.24	0.26	4.80	1.79	0.66	8.75
South Africa	155	36.92	1.35	2.91	10.75	2.92	0.45	0.16	4.39	1.56		6.56
Panama	761	9.02	46.24	1.17	4.85	-	0.01			6.50		6.51
Egypt	117	36.88	2.80	(8.18)	12.13	(1.92)	0.75	1.96	1.51	0.64	0.33	5.19
Hungary	73	16.98	3.89	1.36	2.48	0.32	0.37	1.04	2.36	0.90	0.02	4.69
Philippines	98	27.68	3.73	2.53	5.82	0.22	0.14	0.32	2.04	0.99	0.26	3.75
Ukraine	35	24.69	0.81	0.80	2.37	0.58	0.52	0.74	0.93	0.95		3.14
Malaysia	103	48.59	1.93	3.14	6.67	0.83	0.65	0.61	0.05	1.47	-	2.78
Kenya	52	11.61	2.15	1.40	2.66	(0.11)	0.40	0.53	0.61	0.66	0.14	2.34
Peru	31	8.55	1.52	(0.02)	1.82	0.29	0.29	0.01	1.34	0.47	0.06	2.17
Hong Kong	232	731.66	32.33	22.08	130.40					1.94		1.94
Vietnam	72	16.78	1.26	(4.72)	2.53	(0.68)	0.23	0.05	0.64	0.83	0.03	1.78
Latvia	19	15.89	0.24	0.14	0.17	0.03	0.02		0.44	0.46	0.01	0.93
Bangladesh	17	2.49	3.61	1.08	0.91	0.04	0.34	0.14	0.20	0.04	0.10	0.82
Croatia	20	0.22	1.74	0.74	0.23	0.17	0.02		(0.08)	0.63	-	0.57
Puerto Rico	30	16.14	1.80	0.60	4.94	0.42	-		(0.21)	0.50	0.13	0.42
Ghana	14	0.41	0.82	(0.08)	0.04	(0.03)	-	0.02	0.09	0.05	0.02	0.18
Bulgaria	20		1.32	-	0.56	0.01	-		(0.03)	0.18	0.01	0.16
Kazakhstan	12		0.83	(0.01)	0.12	0.02	0.02		-	0.12	-	0.14
Slovenia	7		0.94	0.05	0.10	0.01	0.01		(0.25)	0.38		0.14
Serbia	9	0.01	0.63	0.03	0.10	0.02	0.01		(0.05)	0.13	-	0.09
Belarus	3		0.28	0.02	-	0.01	0.01		0.01	0.06	-	0.08
United Arab Emirates	160	98.21	11.70	(0.03)	2.41			0.13	(0.08)			0.05
Macedonia	23		1.22	0.09	0.04	-				0.04		0.04
Morocco			0.19	(0.12)	-	0.06			0.01	0.03	-	0.04
Sri Lanka	3		0.30	0.04	-	(0.11)	0.01		0.02	0.01	-	0.04
Myanmar				0.11	0.07	0.02	0.01		-	0.01		0.02
Lebanon	15		0.77	(1.17)	-					0.01		0.01

4 Activities and Tax per country

	Number of employees	Financials				Total tax contribution					Total	
		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
Paraguay				0.31	0.24	(0.01)						
Qatar	10		2.06	0.08	0.16	0.04	-					-
Tanzania		1.07		0.47	0.25	0.08	-					-
Venezuela			0.02	(0.07)		-	-					-
Uruguay			0.10	0.05	-	0.01	(0.01)					(0.01)
Russian Federation	409	250.08	5.93	(6.85)	44.36	2.83	(27.52)	3.20	4.43	8.24	0.34	(11.31)

Philips Group

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

	Number of employees	Key financials				Tax contribution					Total	
		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
Grand total												
Philips Group	77,233	17,827	14,088	(1,729)	6,687	187	362	144	664	2,174	124	3,469

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 previous table reconciles with the data stated in the audited consolidated financial statements, in the 2022 Annual Report, as follows:

- **Revenues from third parties (Sales):** Per chapter 10.4 Consolidated statements of income, 'Sales' tie-out to the EUR 17,827 million per this report. There is EUR (6) 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 (1,729) million per this report. There is EUR 25 million of profit/(loss) before tax that is recorded on consolidation, which is not allocated to a country for the purposes of this report.
- **Tangible assets:** Per chapter 10.6 Consolidated balance sheet, 'Property, plant and equipment' and 'net inventories' amounts to EUR 6,687 million. There are EUR (1,300) million of 'Tangible assets other than cash and cash equivalents' that are recorded on consolidation, which are not allocated to a country for the purposes of this report. This is mainly related to elimination of unrealized intercompany profit on unsold inventory.
- **Corporate income tax paid:** Per chapter 10.7 Consolidated statements of cash flows, Income taxes paid amounts to EUR 362 million. In addition to EUR 333 million of income tax payments relating to our continuing operations business, we paid a net EUR 29 million mainly in Germany relating to our discontinued operations, resulting in corporate income tax paid of EUR 362 million per this report.
- **Corporate income tax accrued:** Per note 9 Income Taxes the corporate income tax accrued amounts to EUR (113) 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, but also partially due to prior year true-up's and tax rate change impact) - overall, resulting in corporate income tax accrued of EUR 187 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 country-by-country reporting included in the Country Activity and Tax Report 2022

Our opinion

We have audited chapter 4.1 **Group overview, starting on page 12**; the first eight paragraphs in chapter 4.2 **Country insights, starting on page 12**, as well as the number of employees and the information per country included under 'Key financials', the 'Tax contribution', 'Key business activities' and 'Tax summary'; and chapter 4.3 **Country summary, starting on page 70** (the "country-by-country reporting") for the year ended 31 December 2022, included in the Country Activity and Tax Report 2022 of Koninklijke Philips N.V. (the "Company"), based in Eindhoven, the Netherlands.

In our opinion the country-by-country reporting for the year ended 31 December 2022 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, starting on page 8** of the Company's Country Activity and Tax Report 2022.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the section *Our responsibilities for the audit of the country-by-country reporting* of our independent auditor's report.

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

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

Emphasis of the basis of accounting

We draw attention to chapter 3 "Basis for preparation" of the Company's Country Activity and Tax Report 2022, which describes the basis of accounting. The country-by-country reporting 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-by-country reporting 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 2022

In addition to the country-by-country reporting included in chapter 4 "Activities and Tax per country" and our auditor's report thereon in chapter 5, the Country Activity and Tax Report 2022 contains other information that consists of:

- Chapter 1: Introduction
- Chapter 2: Our approach to tax
- Chapter 3: Basis of preparation
- Chapter 4: The information included, per country, under "Environmental and social factors"
- 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 the country-by-country reporting 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 the country-by-country reporting, 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 the country-by-country reporting.

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 the Board of Management for the country-by-country reporting

The Board of Management is responsible for the preparation of the country-by-country reporting in accordance with the reporting requirements under Disclosure 207-4 of GRI 207: Tax 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 2022 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 the country-by-country reporting free from material misstatement, whether due to fraud or error.

Our responsibilities for the audit of the country-by-country reporting

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 the country-by-country reporting. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

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

- Identifying and assessing the risks of material misstatement of the country-by-country reporting, 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 whether the country-by-country reporting represents the underlying transactions and events free from material misstatement

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

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

Amsterdam, The Netherlands

21 February 2023

Ernst & Young Accountants LLP

signed by F.J. Blenderman

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; challenges in connection with Philips' strategy to improve execution and other business performance initiatives; the resilience 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, including privacy and upcoming ESG disclosure and due diligence requirements; treasury and financing risks; tax risks; reliability of internal controls, financial reporting and management process; global inflation. 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 2022.

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 2022. 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

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 2022 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 Profit / loss before tax.

Circular Revenues

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

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) and 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 included in ETR calculation.

ECTR can be different than the Statutory Tax Rate (STR as explained below) for various reasons, but mainly because:

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

Corporate income tax accrued can relate to both the current year and prior years. These prior-year true-ups happen 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)

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

Employee benefit expenses

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

Employee turnover

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

Net operational carbon footprint

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

Lives improved by Philips

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

Net refund position / net payable position

For CIT or VAT purposes, an entity can be in either a net refund position or a net payable position. For example, when an entity has relatively low output VAT/GST compared to its input VAT/GST, it could result in a refund position for VAT. For CIT, when an entity has (pre)paid more than the tax expense due per corporate income tax return for that year, it could result in a refund position.

Number of employees, FTE

Number of regular and third-party employees at the end of 2022, 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

Income before tax (excluding the result from investment in associates) determined according to IFRS, is used as a starting point for calculating company's corporate income tax provision.

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 based on country of origin) with third parties, outside of the Philips organization (refer to chapter 10.4 **Consolidated statements of income** in Annual Report 2022).

Statutory tax rate (STR)

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

Tangible assets

Tangible items (excluding cash and cash equivalents) that are held for use in the production or supply of goods or services which are expected to be used during more than one period, i.e., property, plant and equipment and inventories. 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 not certain to be sustained upon examination by the applicable tax authorities and require a provision in the accounts. The tax authorities may challenge positions taken by Philips in determining its tax payables. This could result in additional tax payments.

Unrelated parties

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

Value added tax (VAT), Goods and service tax (GST) and Sales tax

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

