




**PHILIPS**

[www.philips.com](http://www.philips.com)



# Royal Philips First quarter 2021 results

April 26, 2021  
innovation  you



# Important information

## *Forward-looking statements and other important information*

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 the strategy; estimates of sales growth; future Adjusted EBITA; future restructuring, acquisition-related 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: changes in industry or market circumstances; economic and political developments; market and supply chain disruptions due to the COVID-19 outbreak; Philips' increasing focus on health technology; the realization of Philips' growth ambitions and results in growth geographies; successful completion of divestments such as the divestment of our Domestic Appliances businesses; lack of control over certain joint ventures; integration of acquisitions; securing and maintaining Philips' intellectual property rights and unauthorized use of third-party intellectual property rights; compliance with quality standards, product safety laws and good manufacturing practices; exposure to IT security breaches, IT disruptions, system changes or failures; supply chain management; ability to create new products and solutions; attracting and retaining personnel; financial impacts from Brexit; compliance with regulatory regimes, including data privacy requirements; governmental investigations and legal proceedings with regard to possible anticompetitive market practices and other matters; business conduct rules and regulations; treasury risks and other financial risks; tax risks; costs of defined-benefit pension plans and other postretirement plans; reliability of internal controls, financial reporting and management process. As a result, Philips' actual future results may differ materially from the plans, goals and expectations set forth in such forward-looking statements. For a discussion of factors that could cause future results to differ from such forward-looking statements, see also the Risk management chapter included in the Annual Report 2020.

As of the first quarter of 2021, the Domestic Appliances business (which was previously part of the Personal Health segment) is presented as a discontinued operation. Philips will continue to consolidate Domestic Appliances under International Financial Reporting Standards (IFRS) until the sale is completed. The Personal Health segment in this report is presented without the results of the Domestic Appliances business.

## *Third-party market share data*

Statements regarding market share, including those regarding Philips' competitive position, contained in this document are based on outside sources such as research institutes, industry and dealer panels in combination with management estimates. Where information is not yet available to Philips, those statements may also be based on estimates and projections prepared by outside sources or management. Estimates of rankings are based on order intake or sales, depending on the business.

## *Use of non-IFRS Information*

In presenting and discussing the Philips Group's financial position, operating results and cash flows, management uses certain non-IFRS financial measures. These non-IFRS financial measures should not be viewed in isolation as alternatives to the equivalent IFRS measure and should be used in conjunction with the most directly comparable IFRS measures. Non-IFRS financial measures do not have standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other issuers. A reconciliation of these non-IFRS measures to the most directly comparable IFRS measures is contained in this document. Further information on non-IFRS measures can be found in the Annual Report 2020.

## *Use of fair-value measurements*

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 2020. In certain cases independent valuations are obtained to support management's determination of fair values.

All amounts are in millions of euros unless otherwise stated. Due to rounding, amounts may not add up precisely to totals provided. All reported data is unaudited. Financial reporting is in accordance with the accounting policies as stated in the Annual Report 2020.

# Content



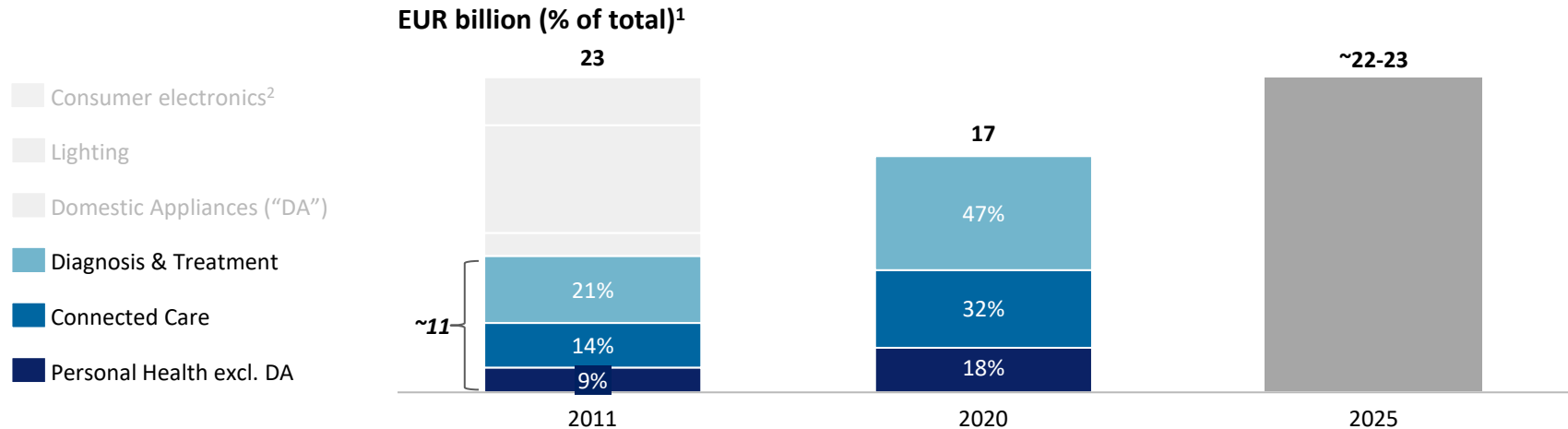
|   |    |
|---|----|
| 1. Company overview and strategy        | 3  |
| 2. Financial outlook                    | 18 |
| 3. Financial performance in the quarter | 26 |
| Appendix                                | 31 |



Our purpose is to improve people's health and well-being through meaningful innovation, positively impacting 2 billion lives per year by 2025.



# Philips continues on its journey to HealthTech leadership, accelerating growth and delivering margin improvement

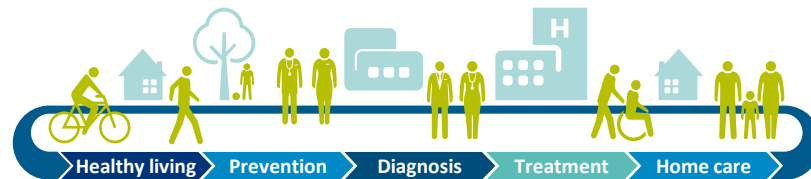


|  |                          |             |  |
|--|--------------------------|-------------|--|
| <b>Growth profile</b><br>(Comparable sales growth) | <b>Low-single-digits</b> | <b>4-6%</b> | <b>5-6%</b>  |
| <b>Margin profile</b><br>(Adjusted EBITA)          | <b>~5%</b>               | <b>~13%</b> | <b>60-80 bps improvement p.a., reaching high-teens</b> |

1. Segment Other is not shown in the chart but is included in totals; 2020 Growth profile relates to 2016-2020 medium term targets; 2. Refers to TV, LE and AVM&A  
 All forward-looking statements exclude Domestic Appliances as Philips has signed an agreement to sell the business to Hillhouse Capital and expects to complete the transaction in Q3 2021.

# Our strategy to lead in health technology

- **Innovative solutions** that deliver on the **Quadruple Aim** for providers and consumers, along the health continuum
- Smartly combining **systems, devices, informatics, data and services**
- **Consultative customer partnerships** and recurring-revenue business models with superior customer service
- Building on organic **growth in the core**, complemented by synergistic M&A
- **Philips Business System** driving operational excellence, quality and an integrated approach to customers



Better health outcomes



Improved patient experience



Improved staff experience

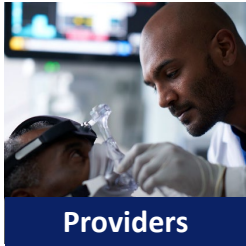


Lower cost of care



# Recent developments have reaffirmed our strategy

## Recent developments

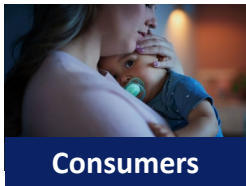


- COVID-related acute care needs
- Growth of ambulatory centers
- Increased focus on productivity, staff, cybersecurity and resilience



## We are prepared for these developments

- Increased cloud-enabled telehealth, remote patient engagement, and hub-and-spoke models
- Informatics and AI-enabled workflow optimization increasing patient throughput and reducing cost
- Partnering with our customers



- Uncertainty in consumer spending
- Accelerated shift to online channels



- Business model innovation and ecosystems
- Increased Direct-to-Consumer and 'pull' marketing
- Partnering with online platforms



- Investments in healthcare ecosystems
- Geopolitical risk of market access and technology restrictions

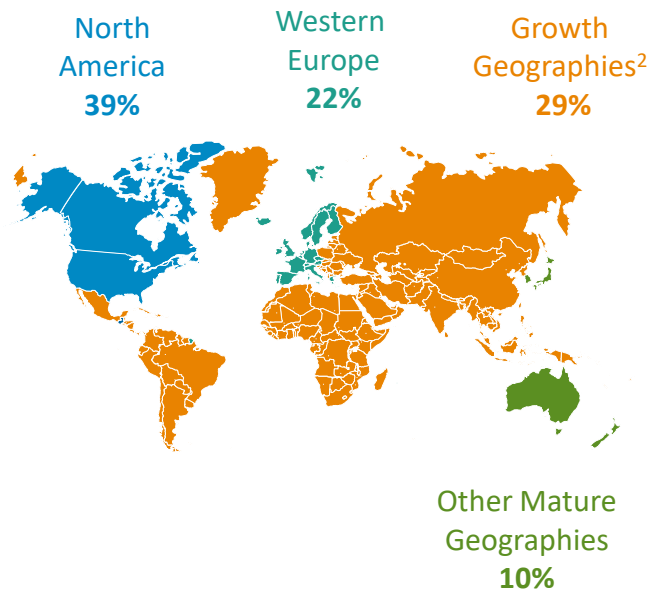


- Strengthened regional final assembly hubs
- Increased localized solutions, e.g., in China
- Regional hosting of health data

# Royal Philips

EUR 17.3 billion sales and Adjusted EBITA of 13.2% in 2020

## Global footprint<sup>1</sup>



## Committed to innovation

- EUR 1.8 billion for R&D, ~59,000 patents rights, ~31,000 trademarks
- More than half of R&D personnel in software and data science
- >40% of sales from solutions, growing double-digit
- ~77, 000 employees in over 100 countries

1. All figures based on Q1 2021 last twelve months (LTM) unless stated otherwise 2. Growth geographies consist of all geographies excluding USA, Canada, Western Europe, Australia, New Zealand, South Korea, Japan and Israel

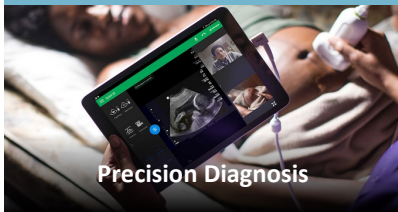




# We have a strong and focused portfolio, driving innovative solutions that promote health and improve healthcare delivery

## Diagnosis & Treatment

47% of sales



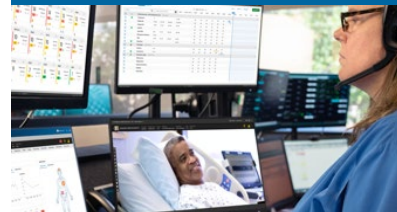
Provide smart, connected systems, optimized workflows, and integrated diagnostic insights, leading to clear care pathways and predictable outcomes



Innovate minimally invasive procedures in a growing number of therapeutic areas with significantly better outcomes and productivity

## Connected Care

32% of sales



Drive better care management by seamlessly connecting patients and caregivers from the hospital to the home

## Personal Health

18% of sales



Deliver solutions that enable healthier lifestyles, personal hygiene and living with chronic disease

Performance trajectory 2021-2025<sup>1</sup>

5-6% sales growth  
15-17% Adj. EBITA margin

5-6% sales growth  
17-19% Adj. EBITA margin

5-6% sales growth  
19-20% Adj. EBITA margin

1. Philips now plans to deliver low-to-mid-single-digit comparable sales growth for the Group in 2021, compared to the earlier plan of low-single-digit growth; Adjusted EBITA margin is expected to improve 60-80 bps; Note: HealthTech Other accounts for 2% of sales

# Businesses aligned with customer needs

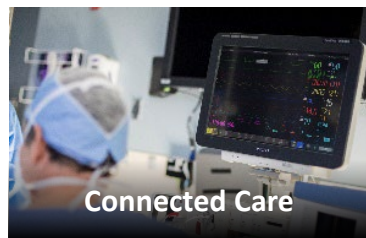


## Focus areas

- Precision diagnosis
- Treatment selection and planning
- Image-guided minimally invasive therapy

## Products and solutions

- Diagnostic imaging and ultrasound
- Digital and computational pathology
- Informatics for Radiology, Oncology, Cardiology
- Interventional imaging, navigation and devices
- Services (managed services, consultancy, etc.)



- Patient care and workflow management
- Population health management
- Chronic disease management

- Telehealth, patient monitoring and analytics
- Hospital and clinical informatics platforms
- Emergency care and resuscitation
- Sleep, breathing and respiratory care
- Managed services



- Healthy living and prevention
- Personal care
- Digital consumer engagement

- Oral care
- Mother and child care
- Male grooming and beauty
- Services (re-ordering, support, coaching, etc.)



# Winning propositions

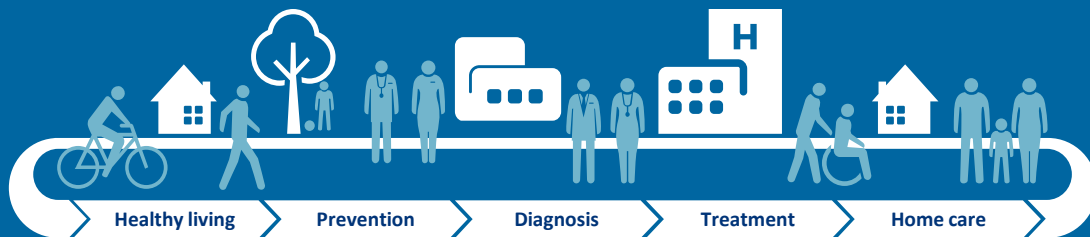
>65% of sales from leadership positions<sup>1</sup>

|                                  |  |  |  |   |   |
|----------------------------------|--|--|--|---|---|
| <b>Diagnosis &amp; Treatment</b> | <b>Ultrasound</b><br>Global leader         | <b>Image-guided therapy systems</b><br>Global leader | <b>Image-guided therapy devices<sup>2</sup></b><br>Global leader | <b>Diagnostic imaging</b><br>Global top 3 | <b>High-end radiology and cardiology informatics</b><br>#1 in North America |
| <b>Connected Care</b>            | <b>Patient monitoring</b><br>Global leader | <b>ICU telehealth</b><br>#1 in North America         | <b>Cardiac ambulatory home monitoring</b><br>#1 in North America | <b>Respiratory care</b><br>Global leader  | <b>Sleep care</b><br>Global leader  |
| <b>Personal Health</b>           | <b>Male grooming</b><br>Global leader      | <b>Oral healthcare</b><br>Global leader              | <b>Mother and child care</b><br>Global leader                    | <b>Hair removal</b><br>Global leader      |   |

**Continuing to gain market share in key areas of our portfolio**



# Important step in our strategy to become a leading solutions provider with completion of Biotelemetry and Capsule acquisitions



**BioTelemetry** **No.1**  
In cardiac ambulatory  
home monitoring

The combination of leading positions in hospital and home monitoring results in the #1 patient care management ecosystem

**capsule** **No.1**  
Medical Device  
Information  
(MDI)

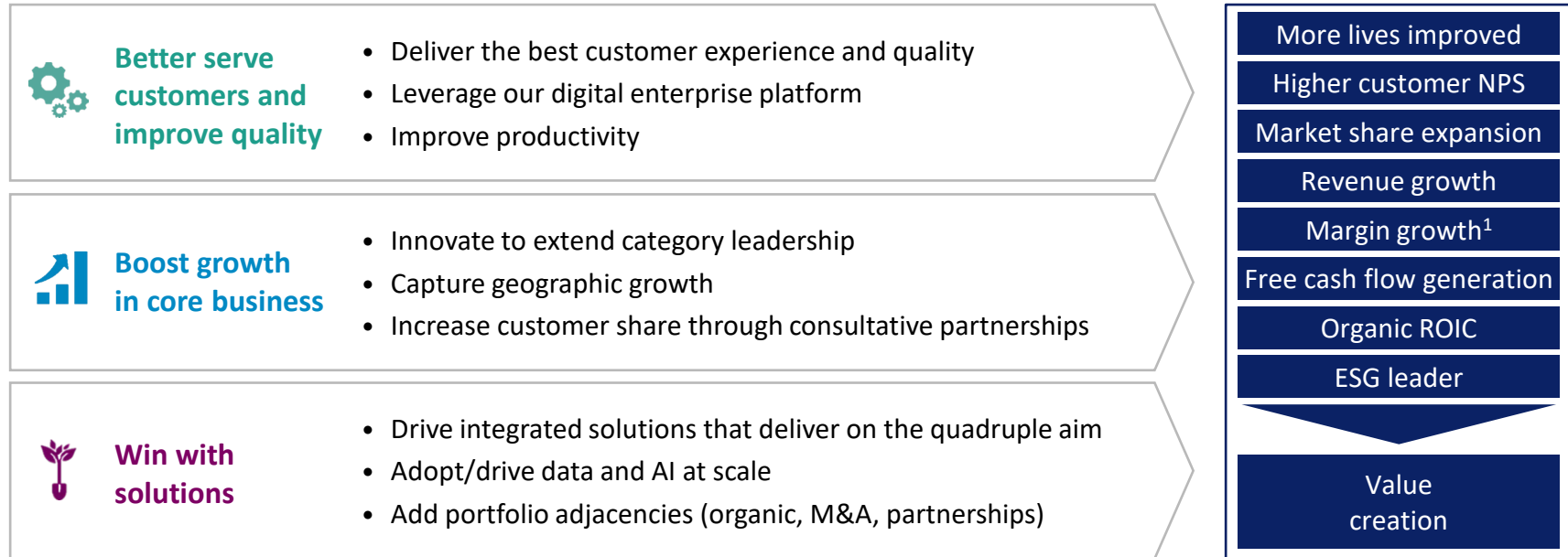
Expands leadership in patient care management solutions for the hospital

# Drivers for continued growth and improved profitability

## Our 3 imperatives:

## Key drivers:

## Delivering:



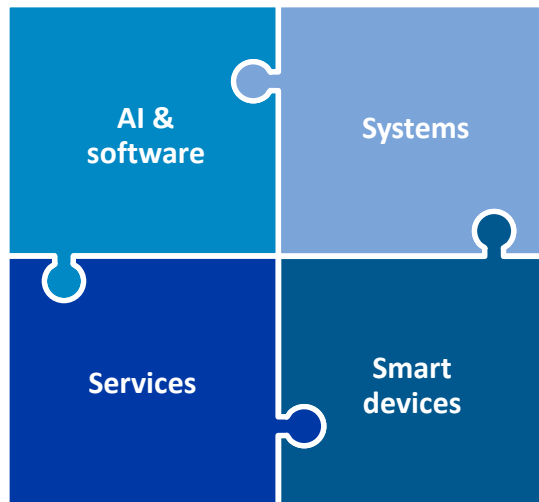
Our behaviors: Customers first | Quality and integrity always | Team up to win | Take ownership to deliver fast | Eager to improve and inspire

# Our integrated solutions deliver on the quadruple aim

>40% of sales from solutions & recurring revenues

## We bring together:

- Deep consumers insights
- Leading clinical and operational expertise
- Open platform approach with system & device integration
- New business models
- End-to-end patient pathways



## Example solution areas:

- Oral Healthcare ecosystems
- First-time-right diagnosis with Radiology workflow productivity
- Integrated IGT suites with new business models
- Connected monitoring, Sleep & Respiratory Care and informatics anywhere

## Addressing the Quadruple Aim



Better health outcomes



Improved patient experience



Improved staff experience



Lower cost of care

# Pivot to consultative customer partnerships and services business models

## Long-term strategic partnerships unlock value for our customers and us

Built on:

- Common goals
- Joint commitment
- Outcome-focused business models
- Continuous improvement
- Collaborative innovation

Leading to:

- ✓ Deeper C-suite relationships
- ✓ Delivering success to customers
- ✓ Increasing share of wallet
- ✓ Multi-year, recurring revenues
- ✓ Excellent references

### Recent deals

 **rmc**  
Regional Medical Center

  
Marienhospital  
Stuttgart

  
CHRU  
NANCY

  
vithas

  
Klinikum Stuttgart

  
PARACELSUS  
KLINIKEN

  
TGH Tampa  
General  
Hospital.

  
Flevoziekenhuis  
almere

# Committed to doing business responsibly and sustainably

We have raised our ESG commitments towards 2025



## Health and well-being for all

- Improve health & well-being of 2 billion people through innovation
- Enable access to care for 300 million people in underserved communities



## Circular economy

- 25% of revenue from circular offerings
- Trade-in all professional-medical equipment
- Zero waste to landfill



## Climate action

- Reduce CO<sub>2</sub> emissions in line with 1.5 °C global warming scenario
- 100% of electricity & >75% of total energy consumption from renewable sources



## Partnerships

- Partner to deliver sustainable value and drive global change
- Improve lives of 1 million workers in supply chain and reduce environmental footprint

ENABLERS

## Enablers

- 100% of product offerings in line with EcoDesign requirements; 'Eco-Heroes' reaching 25% of revenues
- Practices defined by the Philips Business System





# Our experienced and passionate executive team

|  |  |  |   |
|--|--|--|---|
|  <p><b>CEO</b><br/><b>Frans van Houten</b><br/>Dutch</p>      |  <p><b>Diagnosis &amp; Treatment</b><br/><b>Bert van Meurs</b><br/>Dutch</p>  <p><b>Kees Wesdorp</b><br/>Dutch</p> |  <p><b>North America</b><br/><b>Vitor Rocha</b><br/>Brazilian/American</p>           |  <p><b>Innovation &amp; Strategy<sup>3</sup></b><br/><b>Jeroen Tas</b><br/>Dutch</p>  <p><b>Shez Partovi</b><br/>Canadian</p> |
|  <p><b>CFO</b><br/><b>Abhijit Bhattacharya</b><br/>Indian</p> |  <p><b>Connected Care</b><br/><b>Roy Jakobs</b><br/>Dutch/German</p>  |  <p><b>Greater China</b><br/><b>Andy Ho</b><br/>Chinese/Canadian</p>                 |  <p><b>Operations</b><br/><b>Sophie Bechu</b><br/>French/American</p>  |
|  |  <p><b>Personal Health</b><br/><b>Deeptha Khanna</b><br/>Singaporean</p>  |  <p><b>International Markets<sup>1</sup></b><br/><b>Edwin Paalvast</b><br/>Dutch</p> |  <p><b>Legal</b><br/><b>Marnix van Ginneken</b><br/>Dutch/American</p>   |
|  |  <p><b>Domestic Appliances<sup>2</sup></b><br/><b>Henk de Jong</b><br/>Dutch</p>  |  |  <p><b>Human Resources</b><br/><b>Daniela Seabrook</b><br/>Swiss</p>   |

1. All geographies excluding North America and Greater China; 2. Philips has signed an agreement to sell the Domestic Appliances business to Hillhouse Capital and expects the transaction to be completed in Q3 2021; 3. As announced in March, 2021, Shez Partovi joins Philips' Executive Committee to succeed Jeroen Tas as Chief Innovation & Strategy Officer effective from July 1, 2021.



# Content

|   |    |
|---|----|
| 1. Company overview and strategy        | 3  |
| 2. Financial outlook 2021-2025          | 18 |
| 3. Financial performance in the quarter | 26 |
| Appendix                                | 31 |



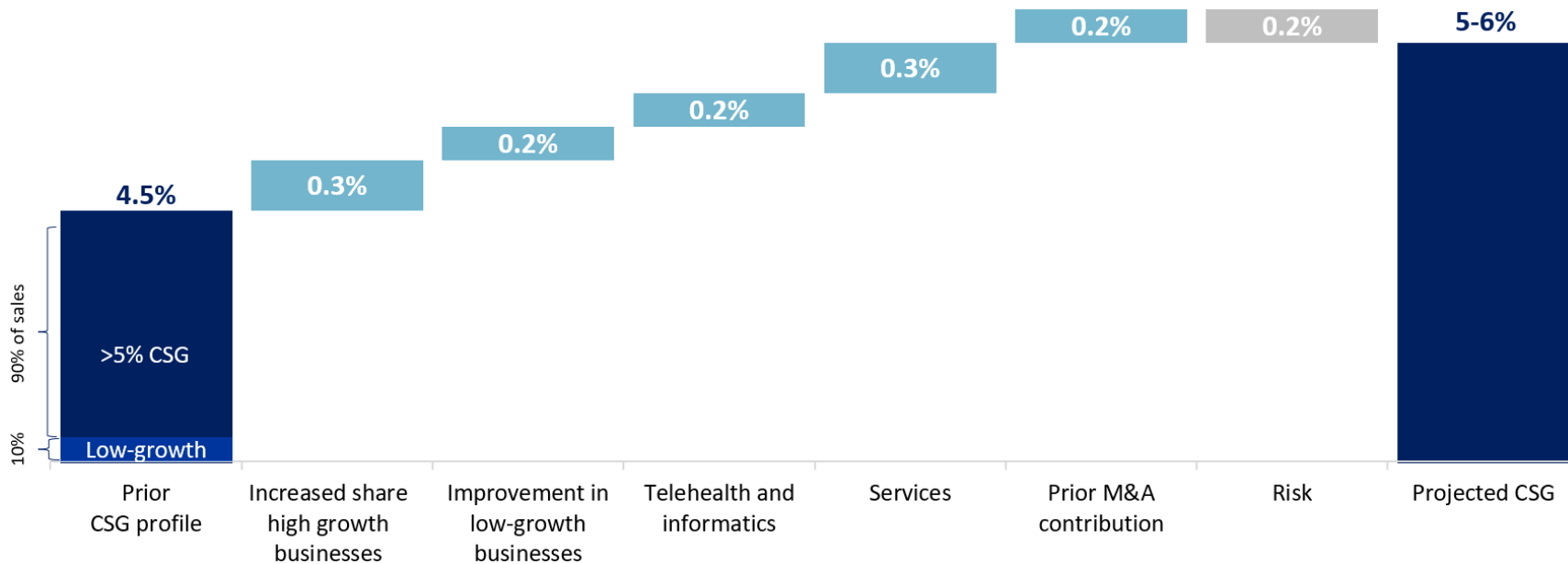
# Continued focus on value creation

## 2021-2025 financial framework<sup>1</sup>

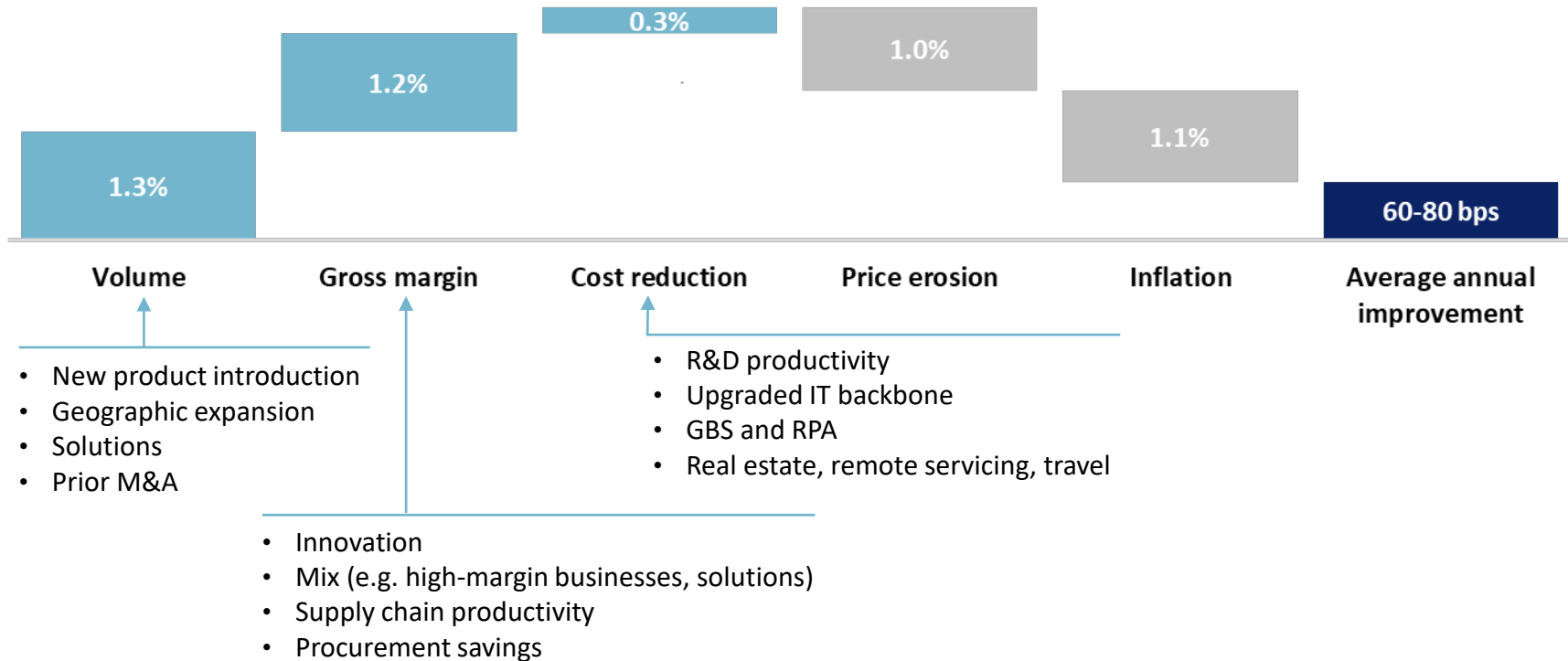
|  |  |  |   |
|--|--|--|---|
| <p><b>Revenue growth</b><br/>Comparable sales growth</p> <p><b>5-6% annually</b></p> | <p><b>Margin expansion</b><br/>Adj. EBITA improvement</p> <p><b>average annual<br/>60-80 bps<br/>improvement</b></p> | <p><b>Cash generation</b><br/>Free Cash Flow by 2025</p> <p><b>above EUR 2 billion</b></p> | <p><b>ROIC</b><br/>Organic ROIC by 2025</p> <p><b>mid-to-high-teens</b></p> |
|--|--|--|---|

1. Philips now plans to deliver low-to-mid-single-digit comparable sales growth for the Group in 2021, compared to the earlier plan of low-single-digit growth; Adjusted EBITA margin is expected to improve 60-80 bps

# Indicative growth acceleration drivers



# Indicative annual Adjusted EBITA improvement drivers



# Driving EUR 2 billion productivity through 2025

## Procurement savings

EUR 900 - 1100 million

- Center of excellence for value analysis and engineering to drive low-cost country sourcing, life cycle management, and DfX<sup>1</sup>
- Indirect spend management driving demand and price optimization

## Supply chain productivity

EUR 500 - 700 million

- 60% reduction in warehouse sites, consolidation of logistics and warehouse providers
- Ramp-down of manufacturing rationalization project costs
- Operational excellence and lower cost of non-quality

## Overhead cost reduction

EUR 400 - 500 million

- Simplification of R&D platforms and footprint
- Future of work: real estate optimization, remote servicing, travel reduction
- Continued expansion of GBS and RPA<sup>2</sup>
- Single billing entity via upgraded IT backbone (e.g. Europe)

Restructuring cost run-rate expected to be 40-50 bps starting in 2022



# Robust financial framework geared to value creation

Free cash flow  
conversion >90%

Adjusted EPS growth  
~10%<sup>1</sup>

Organic ROIC of  
mid-to-high teens

Disciplined  
capital allocation

Maintain current  
investment grade  
credit rating

Effective tax rate  
24-26%<sup>2</sup>

# Our capital allocation supports our strategy and our commitments to shareholders

## Our approach

### Reinvest in growth

- Organic growth as the main premise of our value creation
- Similar level of innovation investment and increased advertising spend

### M&A / portfolio management

- EUR 7.4 billion invested in M&A since 2015
- Disciplined but more active approach

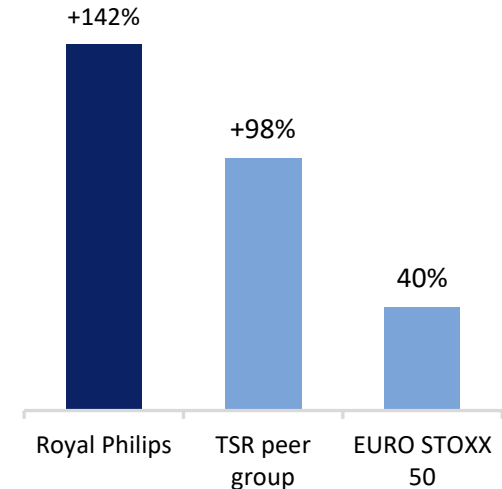
### Dividend stability

- Pay-out of 40-50% of net recurring income
- Continued, stable dividend policy

### Share buy-backs

- EUR 4 billion since 2015
- Continuing to evaluate periodically

## Total shareholder return since 2016<sup>1,2</sup>

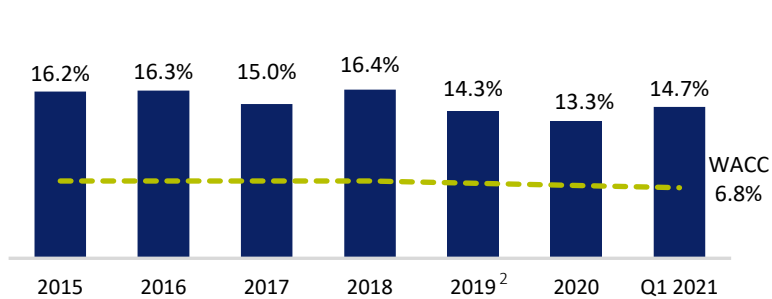




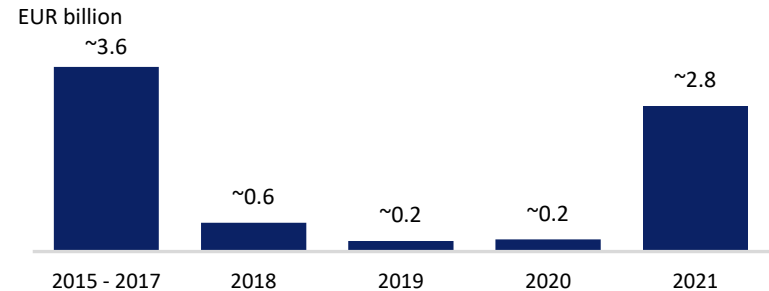


# Balanced capital allocation policy

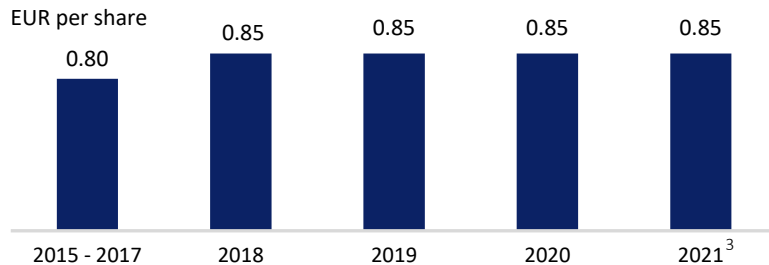
## Organic Return on Invested Capital<sup>1</sup>



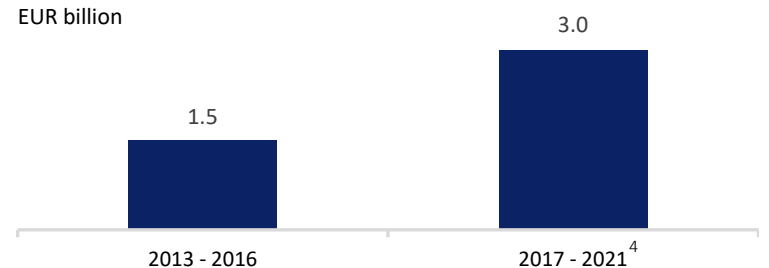
## Mergers & Acquisitions



## Dividends



## Share repurchase



1. Organic ROIC excludes acquisitions over a five years period and other items defined as material and of the same nature as the items excluded from Adjusted EBITA such as pension settlements, significant tax charges and benefits, and one-time legal and other provisions; ROIC % = LTM EBIAT/ average NOC over the last 5 quarters; 2. Organic ROIC in 2019 includes value adjustments of capitalized development costs and the impact of IFRS 16 lease accounting standard; 3. Proposed dividend submitted to the Annual General Meeting of Shareholders, to be held on May 6, 2021; 4. Consisting of two programs: EUR 1.5 billion announced in June 2017 and completed in June 2019, and EUR 1.5 billion announced in January 2019 and to be completed in 2021



# Content

|   |    |
|---|----|
| 1. Company overview and strategy        | 3  |
| 2. Financial outlook                    | 18 |
| 3. Financial performance in the quarter | 26 |
| Appendix                                | 31 |



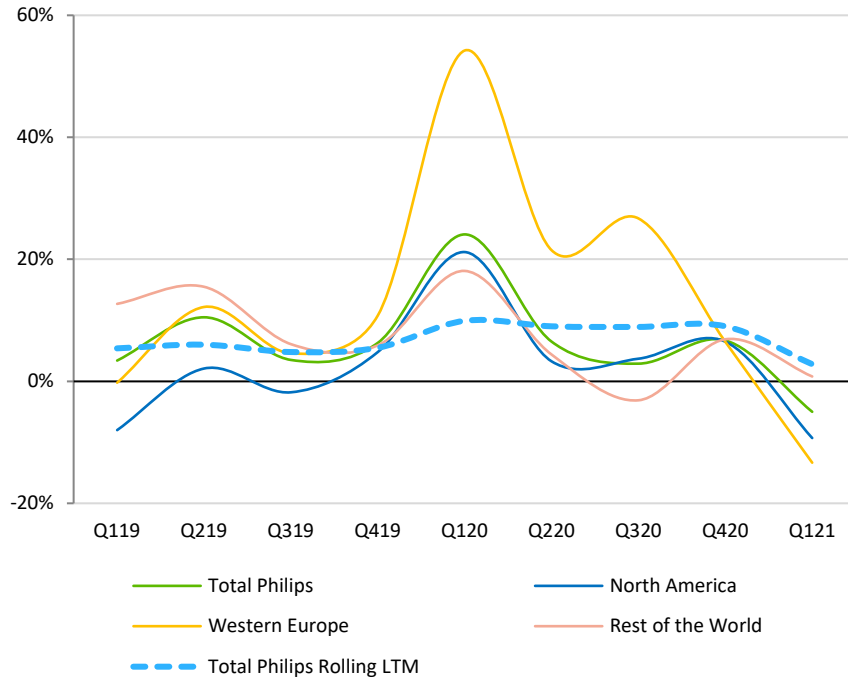
# Q1 2021 financial performance highlights

|                       | Sales<br>EUR million | Comparable sales<br>growth | Adj. EBITA margin | Adj. EBITDA<br>margin |
|-----------------------|----------------------|----------------------------|-------------------|-----------------------|
| Diagnosis & Treatment | 1,856                | 9%                         | 8.7%              | 12.3%                 |
| Connected Care        | 1,161                | 7%                         | 12.8%             | 16.5%                 |
| Personal Health       | 734                  | 17%                        | 14.3%             | 17.8%                 |
| Other                 | 76                   |                            |                   |                       |
| <b>Philips</b>        | <b>3,827</b>         | <b>9%</b>                  | <b>9.5%</b>       | <b>15.1%</b>          |

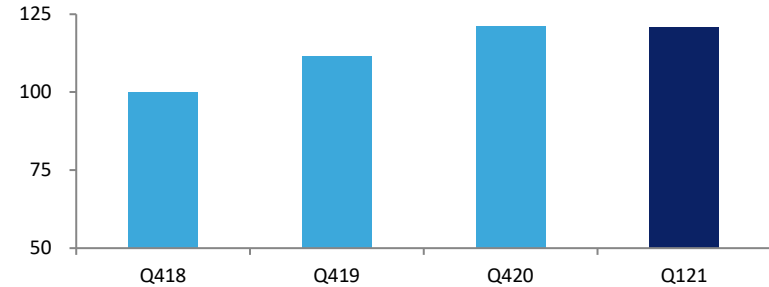
- Comparable order intake decreased 5%, with double-digit growth in the Diagnosis & Treatment businesses and a double-digit decline in the Connected Care businesses, on the back of 80% growth in Q1 2020
- Income from continuing operations was a loss of EUR 34 million in Q1 2021. Excluding the impact of a provision related to precautionary actions to address a component quality issue, income from continuing operations improved by EUR 139 million year-on-year.
- Adjusted EBITA margin increased to 9.5% of sales, compared to 5.6% of sales in Q1 2020
- Adjusted EPS increased to EUR 0.28, compared to EUR 0.14 in Q1 2020
- Free cash flow was EUR 169 million, compared to an outflow of EUR 15 million in Q1 2020

# Order intake and book

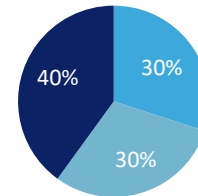
## Comparable order intake growth<sup>1,2</sup>



## Indexed order book development



## Typical profile of order book conversion to sales



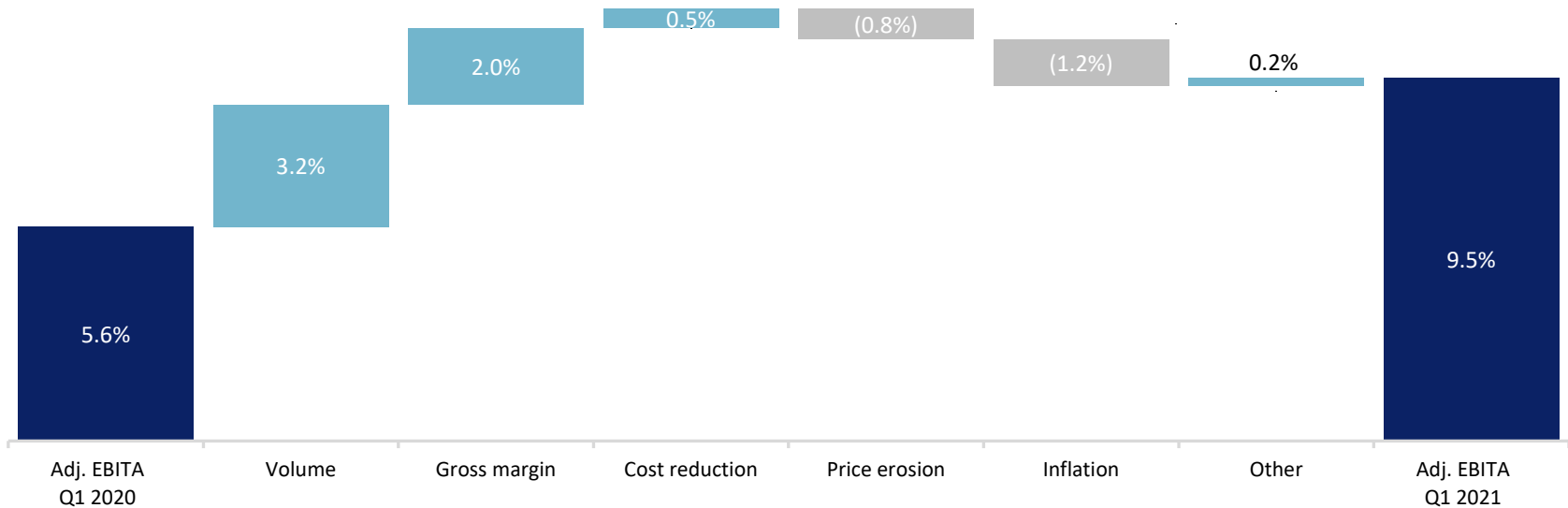
- Approximately 60% of the current order book results in sales within the next 12 months
- Quarter end order book is a leading indicator for ~40% of sales the following quarters

■ Q+1 ■ Q+2 to 4 ■ > 1 year

1. Includes equipment and software orders in Diagnosis & Treatment, Connected Care and Innovation businesses adjusted for acquisitions and divestments, and currency. 2. Excludes the impact from the partial termination of the April 2020 contract with the HHS

# Adjusted EBITA margin<sup>1</sup> bridge Q1 2021

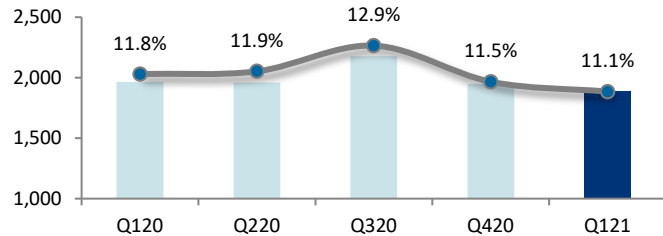
as a % of sales



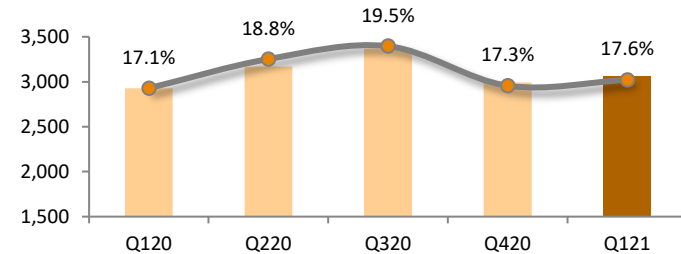


# Working capital and inventories

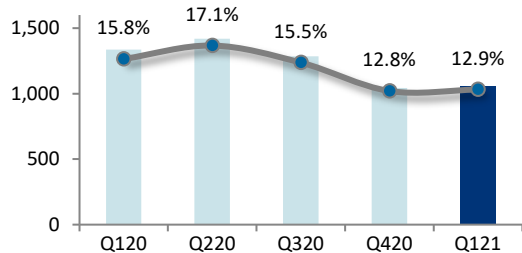
Working capital<sup>1</sup>, EUR million — as % of LTM sales<sup>2</sup>



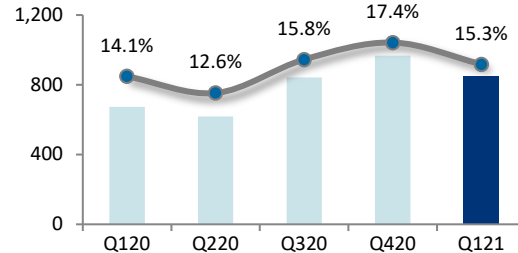
Inventories, EUR million — as % of LTM sales<sup>2</sup>



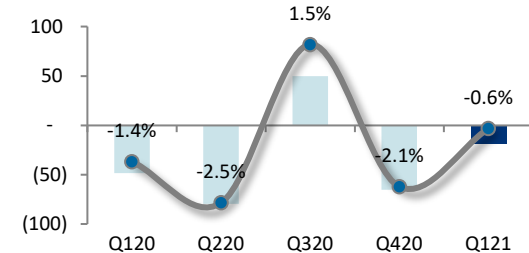
## Diagnosis & Treatment



## Connected Care



## Personal Health



# Appendix

# Restructuring, acquisition-related charges, and other items

| EUR million                          | Q1 20             | Q2 20             | Q3 20                   | Q4 20                | 2020         | Q1 21                 |
|--------------------------------------|-------------------|-------------------|-------------------------|----------------------|--------------|-----------------------|
| <b>Diagnosis &amp; Treatment</b>     | <b>(76)</b>       | <b>59</b>         | <b>(67)</b>             | <b>(29)</b>          | <b>(112)</b> | <b>15</b>             |
| Restructuring & Acq.-related charges | (43)              | 62 <sup>1</sup>   | (23)                    | (25)                 | (29)         | 17 <sup>1</sup>       |
| Other items                          | (33) <sup>2</sup> | (3)               | (44) <sup>3</sup>       | (3)                  | (83)         | (2)                   |
| <b>Connected Care</b>                | <b>(31)</b>       | <b>(31)</b>       | <b>(115)</b>            | <b>(32)</b>          | <b>(209)</b> | <b>(282)</b>          |
| Restructuring & Acq.-related charges | (11)              | (14)              | (29)                    | (43)                 | (97)         | (22)                  |
| Other items                          | (20) <sup>4</sup> | (17) <sup>4</sup> | (86) <sup>2, 4, 5</sup> | 11 <sup>4</sup>      | (112)        | (260) <sup>4, 6</sup> |
| <b>Personal Health</b>               | <b>(7)</b>        | <b>(39)</b>       | <b>(14)</b>             | <b>(4)</b>           | <b>(65)</b>  | <b>(1)</b>            |
| Restructuring & Acq.-related charges | (7)               | (13)              | (14)                    | (4)                  | (40)         | (1)                   |
| Other items                          | -                 | (26) <sup>7</sup> | -                       | 1                    | (25)         | -                     |
| <b>Other</b>                         | <b>(2)</b>        | <b>(20)</b>       | <b>(37)</b>             | <b>(59)</b>          | <b>(117)</b> | <b>(33)</b>           |
| Restructuring & Acq.-related charges | (1)               | (5)               | (19)                    | (12)                 | (37)         | (3)                   |
| Other items                          | (1)               | (14) <sup>8</sup> | (19) <sup>8</sup>       | (47) <sup>8, 9</sup> | (81)         | (30) <sup>8</sup>     |
| <b>Philips</b>                       | <b>(117)</b>      | <b>(30)</b>       | <b>(233)</b>            | <b>(124)</b>         | <b>(504)</b> | <b>(301)</b>          |
| Restructuring costs                  | (39)              | (44)              | (65)                    | (61)                 | (209)        | 11                    |
| Acquisition related charges          | (23)              | 73                | (20)                    | (25)                 | 6            | (19)                  |
| Other items                          | (55)              | (60)              | (148)                   | (38)                 | (301)        | (292)                 |

Due to rounding, amounts may not add up precisely to totals provided.

1. Gain related to release of a contingent consideration liability; 2. Includes a value adjustment of capitalized development costs; 3. Provision related to legal matters; 4. Mainly related to the consent decree focused on the defibrillator manufacturing in the US; 5. Includes an onerous contract provision; 6. Provision related to precautionary quality actions; 7. Inventory valuation charges resulting from deployment of new systems; 8. Includes separation costs related to Domestic Appliances business; 9. Pension liability de-risking in the US



# Capital expenditures, Depreciation and Amortization

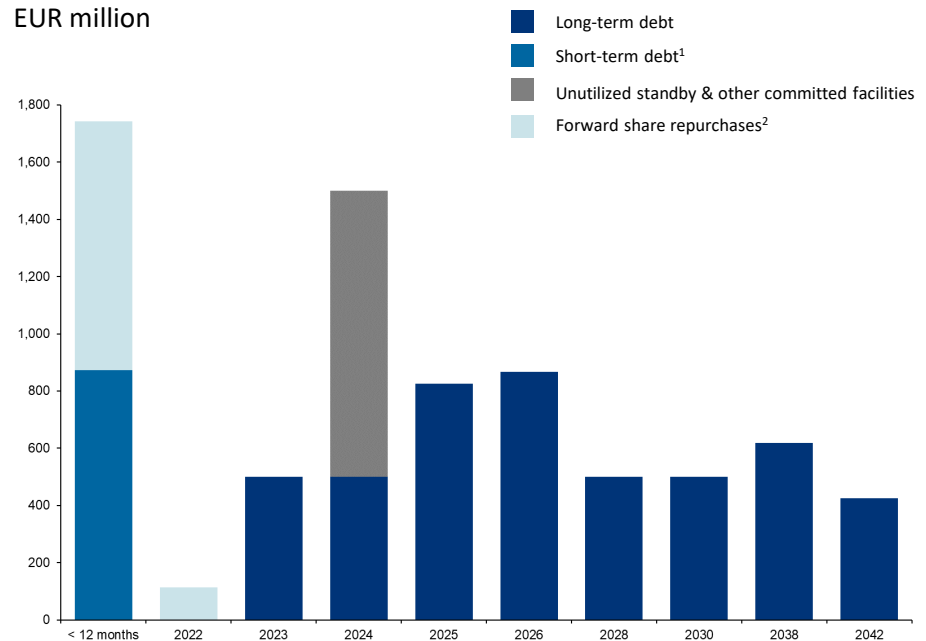
| EUR million   | Q1 2020    | Q1 2021    | FY 2019      | FY 2020      |
|---|------------|------------|--------------|--------------|
| Capital expenditures on property, plant and equipment | 103        | 78         | 518          | 513          |
| Capitalization of development costs                   | 105        | 88         | 460          | 424          |
| Depreciation  | 176        | 145        | 645          | 726          |
| Amortization of acquired intangible assets            | 84         | 119        | 350          | 381          |
| Amortization of software                              | 21         | 20         | 75           | 86           |
| Amortization of development costs                     | 77         | 53         | 332          | 328          |
| <b>Depreciation and amortization<sup>1</sup></b>      | <b>357</b> | <b>338</b> | <b>1,402</b> | <b>1,520</b> |

# Philips' debt has a long maturity profile

## Characteristics of long-term debt

- Total net debt position of EUR 6.6 billion
- Maturities up to 2042
- Average tenor of long-term debt is 8.0 years<sup>3</sup>
- No financial covenants
- In February 2021, Philips entered into two new bilateral loans amounting to total EUR 500 million (EUR 250 million each) with a tenor of up to one year

## Debt maturity profile as per 31 March 2021



1 Short-term debt includes local credit facilities that are being rolled forward on a continuous basis; 2 Debt includes forward transactions entered into as part of share repurchase programs for share cancellation and LTI purposes; 3 Based on long-term debt only, excludes short-term debt and forward share repurchases for share cancellation and LTI purposes.



# Upcoming events calendar

|            |  |
|------------|--|
| May 5      | Société General European conference with Italian investors |
| May 06     | Annual General Meeting of Shareholders                     |
| May 11-12  | Bank of America Healthcare conference                      |
| May 18     | Berenberg US conference                                    |
| May 25-26  | UBS Global Healthcare conference                           |
| May 26     | ABN AMRO-Oddo Benelux equities conference                  |
| June 1     | Kepler Cheuvreux Pan European ESG conference               |
| June 8-10  | Goldman Sachs Global Healthcare conference                 |
| June 10    | Morgan Stanley Sustainable Futures conference              |
| June 15-16 | Citi European Healthcare conference                        |
| June 17    | JP Morgan European Healthcare conference                   |
| July 26    | Second quarter 2021 results                                |

contact us Royal Philips, Investor Relations

email [investor.relations@philips.com](mailto:investor.relations@philips.com)

website [www.philips.com/a-w/about/investor.html](http://www.philips.com/a-w/about/investor.html)