Royal Philips
First Quarter 2022 results

April 25, 2022
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 our strategy, estimates of sales growth, future Adjusted EBITA*), future restructuring and acquisition-related charges and other costs, future developments in Philips’ organic business and the completion of acquisitions and divestments. Forward-looking statements can be identified generally as those containing words such as “anticipates”, “assumes”, “believes”, “estimates”, “expects”, “should”, “will”, “will likely result”, “forecast”, “outlook”, “projects”, “may” or similar expressions. By their nature, these statements involve risk and uncertainty because they relate to future events and circumstances and there are many factors that could cause actual results and developments to differ materially from those expressed or implied by these statements.

These factors include but are not limited to: 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; Philips’ 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; breaches of cybersecurity; Philips’ ability to execute and deliver on programs on business transformation and IT system changes and continuity; the effectiveness of our supply chain; attracting and retaining personnel; COVID-19 and other pandemics; challenges to drive operational excellence and speed in bringing innovations to market; compliance with regulations and standards including quality, product safety and (cyber) security; compliance with business conduct rules and regulations; treasury and financing risks; tax risks; reliability of internal controls, financial reporting and management process. For a discussion of factors that could cause future results to differ from such forward-looking statements, see also the Risk management chapter included in the Annual Report 2021.

Future developments are subject to significant uncertainties, which require management to make estimates and assumptions about items such as quantities and the portion to be replaced or repaired. Actual outcomes in future periods may differ from these estimates and affect the company’s results of operations, financial position and cash flows.

Third-party market share data

Statements regarding market share, contained in this document, including those regarding Philips’ competitive position, are based on outside sources such as specialized research institutes, industry and dealer panels in combination with management estimates. Where information is not yet available to Philips, market share statements may also be based on estimates and projections prepared by management and/or based on outside sources of information. Management’s 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 2021.

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 2021. 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 2021 except for the adoption of new standards and amendments to standards which are also expected to be reflected in the company’s consolidated IFRS financial statements as at and for the year ending December 31, 2022. Prior-period amounts have been reclassified to conform to the current-period presentation; this includes immaterial organizational changes.

* Non-IFRS financial measure. Refer to reconciliation of non-IFRS information.
## Content

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1. Company overview and financial outlook
Our purpose is to improve people’s health and well-being through meaningful innovation, positively impacting 2 billion lives per year by 2025
Our experienced and passionate executive team

**CEO**
Frans van Houten
Dutch

**CFO**
Abhijit Bhattacharya
Indian

**Diagnosis & Treatment**
Bert van Meurs
Dutch

Kees Wesdorp
Dutch

**North America**
Vitor Rocha
Brazilian/American

**Greater China**
Andy Ho
Chinese/Canadian

**Connected Care**
Roy Jakobs
Dutch/German

**Innovation & Strategy**
Shez Partovi
Canadian

**Operations**
Sophie Bechu
French/American

**Legal**
Marnix van Ginneken
Dutch/American

**Personal Health**
Deeptha Khanna
Singaporean

**International Markets**
Edwin Paalvast
Dutch

**Human Resources**
Daniela Seabrook
Swiss

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1. All geographies excluding North America and Greater China
Philips continues on its journey to HealthTech leadership

<table>
<thead>
<tr>
<th>Category</th>
<th>2011</th>
<th>2020</th>
<th>2025³</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer electronics²</td>
<td></td>
<td></td>
<td>~22-23</td>
</tr>
<tr>
<td>Lighting</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic Appliances (&quot;DA&quot;)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Diagnosis &amp; Treatment</td>
<td>14%</td>
<td>47%</td>
<td></td>
</tr>
<tr>
<td>Connected Care</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personal Health excl. DA</td>
<td>11%</td>
<td>32%</td>
<td></td>
</tr>
</tbody>
</table>

**Growth profile** (Comparable sales growth)
- Low-single-digit: 4-6%
- Margin profile (Adjusted EBITA)
- ~5%
- ~13%
- 60-80 bps improvement p.a., reaching high-teens

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; 3. 2025 targets as communicated at CMD in November 2020. Philips plans to provide color on the medium-term performance roadmap in the summer 2022.
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

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Leveraging multi-channel strategies: Online, Direct-to-Consumer (D2C), Omni-Retail, Business-to-Business, Business-to-Business-to-Consumer
Recent developments have reaffirmed our strategy

<table>
<thead>
<tr>
<th>Recent developments</th>
<th>We are prepared for these developments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Providers</strong></td>
<td><strong>Consumers</strong></td>
</tr>
<tr>
<td>COVID-related acute care needs</td>
<td>Uncertainty in consumer spending</td>
</tr>
<tr>
<td>Growth of ambulatory centers</td>
<td>Accelerated shift to online channels</td>
</tr>
<tr>
<td>Increased focus on productivity, staff, cybersecurity and resilience</td>
<td></td>
</tr>
<tr>
<td><strong>Governments</strong></td>
<td><strong>Consumers</strong></td>
</tr>
<tr>
<td>Investments in healthcare ecosystems</td>
<td>Business model innovation and ecosystems</td>
</tr>
<tr>
<td>Geopolitical risk of market access and technology restrictions</td>
<td>Increased Direct-to-Consumer and 'pull' marketing</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Increased cloud-enabled telehealth, remote patient engagement, and hub-and-spoke models</td>
<td></td>
</tr>
<tr>
<td>Informatics and AI-enabled workflow optimization increasing patient throughput and reducing cost</td>
<td></td>
</tr>
<tr>
<td>Partnering with our customers</td>
<td></td>
</tr>
<tr>
<td><strong>Governments</strong></td>
<td><strong>Consumers</strong></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Strengthened regional final assembly hubs</td>
<td></td>
</tr>
<tr>
<td>Increased localized solutions, e.g., in China</td>
<td></td>
</tr>
<tr>
<td>Regional hosting of health data</td>
<td></td>
</tr>
</tbody>
</table>
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 CO₂ 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**
  - 100% of product offerings in line with EcoDesign requirements; ‘Eco-Heroes’ reaching 25% of revenues
  - Practices defined by the Philips Business System
EUR 17.2 billion sales and Adjusted EBITA of 12.0% in 2021

Global footprint¹

<table>
<thead>
<tr>
<th>Region</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>40%</td>
</tr>
<tr>
<td>Western Europe</td>
<td>21%</td>
</tr>
<tr>
<td>Growth geographies²</td>
<td>29%</td>
</tr>
<tr>
<td>Other mature geographies</td>
<td>10%</td>
</tr>
</tbody>
</table>

Committed to innovation

- EUR 1.8 billion for R&D, ~57,000 patents rights, ~33,000 trademarks
- More than half of R&D personnel in software and data science
- ~45% of sales from solutions, growing double-digit
- ~79,000 employees in over 100 countries

¹ All figures based on Q1 2022 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

FY 2021

**Diagnosis & Treatment**
50% of sales

**Precision Diagnosis**
Providing smart, connected systems, optimized workflows, and integrated diagnostic insights, leading to clear care pathways and predictable outcomes

**Image-Guided Therapy**
Innovating minimally invasive procedures in a growing number of therapeutic areas with significantly better outcomes and productivity, while patients have a better experience and can return home faster

**Connected Care**
27% of sales

**Connected Care**
Driving better care management by providing a wealth of actionable data about patients' condition and hospital operations, and seamlessly connecting patients and caregivers in any care setting from the hospital to the home

**Personal Health**
20% of sales

**Personal Health**
Delivering propositions that help people enjoy healthier lifestyles and enhance personal hygiene

Performance trajectory 2021-2025

**Diagnosis & Treatment**
5-6% sales growth
15-17% Adj. EBITA margin

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

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

1. As per announcement of January 24th, 2022, Philips targets to deliver 3 to 5% comparable sales growth for the Group in 2022 and 40 to 90 bps improvement in Adjusted EBITA margin. Excluding Sleep & Respiratory Care, Philips targets to deliver 5 to 6% comparable sales growth in 2022.

Note: HealthTech Other accounts for 3% of sales

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## Businesses aligned with customer needs

### Focus areas

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

- **Connected Care**
  - Patient care and workflow management
  - Chronic disease management

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

### Products and solutions

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

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

- **Personal Health**
  - Oral care
  - Mother and child care
  - Male grooming and beauty
  - Services (re-ordering, support, coaching, etc.)
Winning propositions
>65% of sales from leadership positions\(^1\)

<table>
<thead>
<tr>
<th>Diagnosis &amp; Treatment</th>
<th>Ultrasound</th>
<th>Image-guided therapy systems</th>
<th>Image-guided therapy devices(^2)</th>
<th>Diagnostic imaging</th>
<th>High-end radiology and cardiology informatics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Global leader</td>
<td>Global leader</td>
<td>Global leader</td>
<td>Global top 3</td>
<td>#1 in North America</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Connected Care</th>
<th>Patient monitoring</th>
<th>ICU telehealth</th>
<th>Cardiac ambulatory home monitoring</th>
<th>Respiratory care</th>
<th>Sleep care</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Global leader</td>
<td>#1 in North America</td>
<td>#1 in North America</td>
<td>Global leader</td>
<td>Global leader</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Personal Health</th>
<th>Male grooming</th>
<th>Oral healthcare</th>
<th>Mother and child care</th>
<th>Hair removal</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Global leader</td>
<td>Global leader</td>
<td>Global leader</td>
<td>Global leader</td>
</tr>
</tbody>
</table>

Continuing to gain market share in key areas of our portfolio

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1. Leadership position refers to #1 or #2 position in Philips addressable market; 2. In Image-Guided Therapy Devices markets where Philips plays
### Drivers for continued growth and improved profitability

<table>
<thead>
<tr>
<th>Our 3 imperatives</th>
<th>Key drivers</th>
<th>Delivering</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Better serve customers and improve quality</strong></td>
<td>• Deliver the best customer experience, patient safety and quality</td>
<td><strong>More lives improved</strong></td>
</tr>
<tr>
<td></td>
<td>• Evolve digital enterprise platform to enable new business models</td>
<td><strong>Higher customer NPS</strong></td>
</tr>
<tr>
<td></td>
<td>• Improve productivity, gain speed, standardize and simplify processes</td>
<td><strong>Market share expansion</strong></td>
</tr>
<tr>
<td><strong>Boost growth in core business</strong></td>
<td>• Speed up innovation roadmaps and scale locally relevant, affordable solutions</td>
<td><strong>Revenue growth</strong></td>
</tr>
<tr>
<td></td>
<td>• Drive geographic growth, adopt market-share best practice</td>
<td><strong>Margin growth(^1)</strong></td>
</tr>
<tr>
<td></td>
<td>• Increase customer share through consultative partnerships and new business models</td>
<td><strong>Free cash flow generation</strong></td>
</tr>
<tr>
<td><strong>Win with solutions</strong></td>
<td>• Shape integrated solutions and professional services to deliver on the Quadruple Aim</td>
<td><strong>Organic ROIC</strong></td>
</tr>
<tr>
<td></td>
<td>• Scale informatics and cloud-enabled propositions, supported by data and AI</td>
<td><strong>ESG leader</strong></td>
</tr>
<tr>
<td></td>
<td>• Build out portfolio along the health continuum, through partnering and M&amp;A</td>
<td><strong>Value creation</strong></td>
</tr>
</tbody>
</table>

Our behaviours: Customers first | Patient safety, quality, and integrity always | Team up to win | Take ownership to deliver fast | Eager to improve and inspire

1. Adjusted EBITA
Our integrated solutions deliver on the Quadruple Aim

~45% 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
Continued to focus on value creation

2021-2025 financial framework

<table>
<thead>
<tr>
<th>Revenue growth</th>
<th>Margin expansion</th>
<th>Cash generation</th>
<th>ROIC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comparable sales growth</td>
<td>Adj. EBITA improvement</td>
<td>Free Cash Flow by 2025</td>
<td>Organic ROIC by 2025</td>
</tr>
<tr>
<td>5-6% annually</td>
<td>average annual 60-80 bps improvement</td>
<td>above EUR 2 billion</td>
<td>mid-to-high teens</td>
</tr>
</tbody>
</table>

1. As per announcement of January 24th, 2022, Philips targets to deliver 3 to 5% comparable sales growth for the Group in 2022 and 40 to 90 bps improvement in Adjusted EBITA margin. Excluding Sleep & Respiratory Care, Philips targets to deliver 5 to 6% comparable sales growth in 2022.
As per announcement of January 24th, 2022, Philips targets to deliver 3 to 5% comparable sales growth for the Group in 2022. Excluding Sleep & Respiratory Care, Philips targets to deliver 5 to 6% comparable sales growth in 2022.
## Comparable sales outlook 2022

### Philips Group

<table>
<thead>
<tr>
<th></th>
<th>Q1</th>
<th>H1</th>
<th>H2</th>
<th>FY</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>+9%</td>
<td>+9%</td>
<td>(9%)</td>
<td>(1%)</td>
</tr>
<tr>
<td>2022 outlook</td>
<td>(4%)</td>
<td>MSD decline</td>
<td>HSD growth</td>
<td>+3-5%</td>
</tr>
</tbody>
</table>

### Philips excl. S&RC

<table>
<thead>
<tr>
<th></th>
<th>Q1</th>
<th>H1</th>
<th>H2</th>
<th>FY</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>+12%</td>
<td>+14%</td>
<td>(1%)</td>
<td>+5%</td>
</tr>
<tr>
<td>2022 outlook</td>
<td>+1%</td>
<td>LSD decline</td>
<td>HSD growth</td>
<td>+5-6%</td>
</tr>
<tr>
<td>2-year CAGR</td>
<td>+7%</td>
<td>+6%</td>
<td>+4%</td>
<td>+5%</td>
</tr>
</tbody>
</table>
Indicative medium-term Adjusted EBITA improvement drivers

1. As per announcement of January 24th, 2022, Philips targets to deliver 40 to 90 bps improvement in Adjusted EBITA margin in 2022; 2. Wage inflation
## Driving EUR 2 billion productivity through 2025

| Procurement savings | • Center of excellence for value analysis and engineering to drive low-cost country sourcing, life cycle management, and DfX¹  
|                     | • Indirect spend management driving demand and price optimization |

| Supply chain productivity | • 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 | • Simplification of R&D platforms and footprint  
|                         | • Future of work: real estate optimization, remote servicing, travel reduction  
|                         | • Continued expansion of GBS and RPA²  
|                         | • Single billing entity via upgraded IT backbone (e.g., Europe) |

Restructuring cost run-rate expected to be 40-50 bps³

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¹ Design for Excellence
² Robotic Process Automation
³ Restructuring charges are expected to be approximately 80 bps in 2022
Robust financial framework geared to value creation

<table>
<thead>
<tr>
<th>Free cash flow conversion</th>
<th>Adjusted EPS growth</th>
<th>Organic ROIC of mid-to-high teens</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt;90%</td>
<td>~10%</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Disciplined capital allocation</th>
<th>Maintain current investment grade credit rating</th>
<th>Effective tax rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>24-26%</td>
</tr>
</tbody>
</table>
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 7.9 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**
- Over EUR 4.5 billion since 2015
- Continuing to evaluate periodically

Total shareholder return since 2016¹,²

<table>
<thead>
<tr>
<th>Royal Philips</th>
<th>TSR peer group</th>
<th>EURO STOXX 50</th>
</tr>
</thead>
<tbody>
<tr>
<td>+38%</td>
<td>+97%</td>
<td>37%</td>
</tr>
</tbody>
</table>

¹. As of market close April 22, 2022; 2. TSR peer index includes companies as described in the Philips Annual Report 2020
**Balanced capital allocation policy**

### Organic Return on Invested Capital\(^1,2\)

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020(^3)</th>
<th>2021</th>
<th>Q1 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROIC</td>
<td>16.3%</td>
<td>15.0%</td>
<td>16.4%</td>
<td>13.6%</td>
<td>12.3%</td>
<td>14.7%</td>
<td>13.5%</td>
</tr>
</tbody>
</table>

WACC 6.6%

### Mergers & Acquisitions

<table>
<thead>
<tr>
<th>Period</th>
<th>EUR billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015 - 2017</td>
<td>~3.6</td>
</tr>
<tr>
<td>2018</td>
<td>~0.6</td>
</tr>
<tr>
<td>2019</td>
<td>~0.2</td>
</tr>
<tr>
<td>2020</td>
<td>~0.2</td>
</tr>
<tr>
<td>2021</td>
<td>~3.2</td>
</tr>
</tbody>
</table>

### Dividends

**EUR per share**

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Dividend</td>
<td>0.80</td>
<td>0.85</td>
<td>0.85</td>
<td>0.85</td>
<td>0.85</td>
<td>0.85</td>
</tr>
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</table>

### Share repurchase

**EUR billion**

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<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Repurchase</td>
<td>1.5</td>
<td>1.5</td>
<td>1.5</td>
<td>1.5</td>
</tr>
</tbody>
</table>

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 EBITA/ average NOC over the last 5 quarters; 2. Organic ROIC 2019 and 2021 restated to reflect discontinued operations; 3. Organic ROIC in 2019 includes value adjustments of capitalized development costs and the impact of IFRS 16 lease accounting standard; 4. Proposed dividend submitted to the Annual General Meeting of Shareholders, to be held on May 10, 2022.
2. Financial performance in the quarter
Q1 2022 financial performance highlights

<table>
<thead>
<tr>
<th></th>
<th>Sales EUR million</th>
<th>Comparable sales growth</th>
<th>Adj. EBITA margin</th>
<th>Adj. EBITDA margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diagnosis &amp; Treatment</td>
<td>1,911</td>
<td>(2)%</td>
<td>5.9%</td>
<td>9.5%</td>
</tr>
<tr>
<td>Connected Care</td>
<td>993</td>
<td>(21)%</td>
<td>0.4%</td>
<td>6.0%</td>
</tr>
<tr>
<td>Personal Health</td>
<td>838</td>
<td>8%</td>
<td>15.3%</td>
<td>19.0%</td>
</tr>
<tr>
<td>Other</td>
<td>176</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Philips</td>
<td>3,918</td>
<td>(4)%</td>
<td>6.2%</td>
<td>12.5%</td>
</tr>
<tr>
<td>Philips excl. S&amp;RC</td>
<td>3,584</td>
<td>1%</td>
<td>7.4%</td>
<td></td>
</tr>
</tbody>
</table>

- Comparable order intake increased 5%, driven by Diagnosis & Treatment, Hospital Patient Monitoring and Connected Care Informatics.
- Sales amounted to EUR 3.9 billion, with a 4% comparable sales decline on the back of 9% comparable sales growth in Q1 2021.
- Income from continuing operations amounted to a loss of EUR 152 million, compared to a loss of EUR 34 million in Q1 2021.
- Adjusted EBITA of EUR 243 million, or 6.2% of sales, compared to 9.5% of sales in Q1 2021.
- Operating cash flow was an outflow of EUR 227 million, compared to an inflow of EUR 321 million in Q1 2021.
Order intake and book

**Comparable order intake growth**

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

**Indexed order book development**

- Approximately 70% of the current order book results in sales within the next 12 months.
- Quarter-end order book is a leading indicator for ~50% of sales the following quarters.

**Typical profile of order book conversion to sales**

- Total Philips
- North America
- Western Europe
- Rest of the World
- Total Philips Rolling LTM

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\(^1\) bridge Q1 2022

as % of sales

<table>
<thead>
<tr>
<th>Component</th>
<th>Adj. EBITA Q1 2021</th>
<th>Volume</th>
<th>Gross margin(^2)</th>
<th>Cost reduction</th>
<th>Price erosion</th>
<th>Inflation(^3)</th>
<th>Adj. EBITA Q1 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted EBITA</td>
<td>9.5%</td>
<td>(1.4%)</td>
<td>(0.7%)</td>
<td>0.6%</td>
<td>(0.3%)</td>
<td>(1.5%)</td>
<td>6.2%</td>
</tr>
</tbody>
</table>

1. Excluding restructuring costs, acquisition-related charges and other one-time charges and gains; 2. Includes supply chain cost inflation; 3. Wage inflation
Working capital and inventories

1. Working capital excluding segment Other; 2. Working capital and Inventories as a % of LTM sales are excluding acquisitions, divestments, and discontinued operations
3. Respironics field action
Objective: effective remediation of component quality issue and deliver optimal customer experience, patient safety and quality

Effective remediation of component quality issue

- Do everything we can to deliver a solution to patients and care givers affected
- Remediate regulatory requirements and consequences of the recall; continued engagement and cooperation with regulators
- Manage litigation risk related to the recall
- Drive business performance, resume sales, restore trust in the portfolio and brand, and recover market share

Deliver optimal customer experience, patient safety and quality

- Use pivotal moment to further accelerate quality journey and further improve quality culture and approach; reinforce awareness and focus on patient safety across Philips
- Philips Respironics: implement learnings across the business
- Philips: step-up company-wide program
Doing everything we can to deliver a solution to patients and care givers affected

- Comprehensive patient and **customer outreach program**; clinical information package addressing physician questions

- Estimated **5.5 million devices** eligible for repair/replace. DreamStation 1 and U.S. market make up the significant majority of the installed base

- Anticipate a **50/50 mix (repair/replace)**

- **Provision of “EUR 720 million** taken in 2021 and **EUR 65 million** in Q1 2022 related to the cost to repair/replace affected systems; further **EUR 100 million** provision recorded in Q1 2022 for possible higher cost of execution and to ensure the speed of the program

- Because of the prioritization of the repair and replace program, **not taking new orders** for sleep therapy systems, while masks and other consumables continue to be sold

### Remediation timeline

<table>
<thead>
<tr>
<th>Start of substantial ramp-up of production, service, and repair capacity</th>
<th>Repair &amp; replace program underway globally</th>
<th>&gt; 2.2 million repair kits and replacement devices produced to date; Tripled weekly output vs 2020</th>
<th>&gt; 90% of the production and shipment to customers complete</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q3 ’21</td>
<td>Q4 ’21</td>
<td>Q1 ’22</td>
<td>Q4 ’22</td>
</tr>
</tbody>
</table>
Expected number of units to be remediated calculated based on actual registrations and regression model estimate

- Previous estimate for number of expected units to be remediated was based on registrations up to Q4 2021 and regression model estimate for following quarters.

- Increase of registrations in the US in February 2022 lead to increase in the total expected units to be remediated by 300,000.

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Cumulative

Weekly

Registrations (globally)

Q2 21  Q3 21  Q4 21  Q1 22  Q2 22  Q3 22  Q4 22

Expectation in Q4 21  Current expectation

Increase in registrations in the US in February 2022; subsequently decreased
Comprehensive test and research program to better assess and scope potential patient health risks

- **Volatile Organic Compounds (VOCs):** test results to date (published [here](#) on December 23, 2021) for DreamStation1 devices indicated that VOCs are within the limits of safe exposure specified in applicable safety standard (ISO 18562)

- **Particulates:** further testing and analyses are on-going

- **Impact of ozone cleaning:** initial testing results indicate PE-PUR foam degradation is accelerated by repeated exposure to ozone. Further testing is on-going

- **Silicone foam:** further testing on-going to further substantiate the safety of the silicone foam
  - Previous testing demonstrated acceptable results in accordance with applicable standards
  - Certified labs are conducting the tests with FDA oversight

### Testing timeline

<table>
<thead>
<tr>
<th>Initiated comprehensive test and research program with certified labs and qualified experts</th>
<th>Published VOCs test results to date for first-generation DreamStation product family</th>
<th>Complete further test results for affected CPAP and BiPAP devices:</th>
</tr>
</thead>
<tbody>
<tr>
<td>July ‘21</td>
<td>December ‘21</td>
<td>• Degraded PE-PUR foam particulates</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Repeated exposure to ozone cleaning</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Silicone foam</td>
</tr>
</tbody>
</table>

Q2 ‘22
## Strong program management in place, strengthened capabilities

### Program management

- **Competent team** working under the leadership of Roy Jakobs, a member of Philips’ Executive Committee.
- **>1,000 FTEs dedicated to the program** from businesses, functions (incl. Q&R and Integrated Supply Chain) and markets.
- Supported by **>20 project leaders** across the business, functions (incl. Q&R and Integrated Supply Chain) and markets.
- **Regular review** cadence with Respironics field action Program Management and Executive Committee.

### Capabilities

- Onboarded **new top management** in Sleep & Respiratory Care.
- Further strengthened **Quality & Regulatory Affairs leadership** for the Group, Connected Care and Sleep & Respiratory Care.
- Added resources to **strengthen capabilities** around Post-market surveillance, Medical Affairs, biocompatibility and toxicology.
- Philips’ experts as well as **certified labs** and **qualified third-party experts** working closely with the Respironics team.
Continued engagement and cooperation with regulators

- Philips Respironics *continues to work closely with the FDA and other regulators* and relevant competent authorities globally

- FDA Form 483 issued on November 12, 2021, following an inspection of Philips Respironics’ site in the U.S.

  - Philips Respironics has *submitted a comprehensive response* and detailed *action plan* with ongoing engagement with the FDA; Philips Respironics will first work through the process with the FDA and other regulators before commenting in detail

  - The Form 483 *did not change the FDA’s recommendation* to patients or care providers related to the use of the devices, nor the authorization to execute the repair and replacement program

- FDA 518(a) order issued on March 10, 2022, regarding recall outreach

  - Philips Respironics is *complying with the FDA’s order*

  - Philips Respironics and the FDA are fully aligned on the need to increase awareness of the recall and give healthcare providers, consumers and patients access to timely information
Manage litigation risk

• Civil complaints filed in several jurisdictions alleging economic loss, personal injury and the need for medical monitoring

• As of March 2022, approximately 185 personal injury lawsuits filed in the U.S. and over 100 class actions that we expect to be consolidated into 2 class actions over the summer of 2022

  • In October 2021, cases were consolidated in multidistrict litigation in Pennsylvania; case management has been largely procedural

• Outside the U.S., Philips or its affiliates are also defendants in litigation in Australia, Canada, Chile, and Israel, as well as in smaller or individual actions in other countries

• Philips is also defending a securities class action case and a lawsuit by SoClean in the U.S.; Philips has already moved to dismiss the securities class action and intends to move to dismiss the SoClean case

• All litigation is in preliminary procedural stages – the outcome and potential cost of the lawsuits cannot currently be determined; the company has not taken any provision related to litigation to date

• Strong and experienced legal defense team in place
Appendix
## Restructuring, acquisition-related charges, and other items

<table>
<thead>
<tr>
<th>EUR million</th>
<th>Q1 21</th>
<th>Q2 21</th>
<th>Q3 21</th>
<th>Q4 21</th>
<th>2021</th>
<th>Q1 22</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Diagnosis &amp; Treatment</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Restructuring &amp; Acq.-related charges</td>
<td>15</td>
<td>6</td>
<td>(12)</td>
<td>15</td>
<td>(7)</td>
<td>(7)</td>
</tr>
<tr>
<td>Other items</td>
<td>(2)</td>
<td>38</td>
<td>(4)</td>
<td>(0)</td>
<td>32</td>
<td>-</td>
</tr>
<tr>
<td><strong>Connected Care</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(339)</td>
</tr>
<tr>
<td>Restructuring &amp; Acq.-related charges</td>
<td>(22)</td>
<td>(16)</td>
<td>(8)</td>
<td>(47)</td>
<td>(93)</td>
<td>(20)</td>
</tr>
<tr>
<td>Other items</td>
<td>(260)</td>
<td>(277)</td>
<td>(54)</td>
<td>(373)</td>
<td>(965)</td>
<td>(319)</td>
</tr>
<tr>
<td><strong>Personal Health</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>Restructuring &amp; Acq.-related charges</td>
<td>(1)</td>
<td>1</td>
<td>(0)</td>
<td>1</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>Other items</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(12)</td>
</tr>
<tr>
<td>Restructuring &amp; Acq.-related charges</td>
<td>(3)</td>
<td>2</td>
<td>2</td>
<td>4</td>
<td>5</td>
<td>(6)</td>
</tr>
<tr>
<td>Other items</td>
<td>(30)</td>
<td>(75)</td>
<td>(14)</td>
<td>(18)</td>
<td>(136)</td>
<td>(6)</td>
</tr>
<tr>
<td><strong>Philips</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(350)</td>
</tr>
<tr>
<td>Restructuring costs</td>
<td>(19)</td>
<td>(21)</td>
<td>(10)</td>
<td>(29)</td>
<td>(80)</td>
<td>(31)</td>
</tr>
<tr>
<td>Acquisition related charges</td>
<td>11</td>
<td>24</td>
<td>(5)</td>
<td>3</td>
<td>(14)</td>
<td>6</td>
</tr>
<tr>
<td>Other items</td>
<td>(292)</td>
<td>(314)</td>
<td>(72)</td>
<td>(391)</td>
<td>(1,069)</td>
<td>(325)</td>
</tr>
</tbody>
</table>

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

# Capital expenditures, Depreciation and Amortization

<table>
<thead>
<tr>
<th>EUR million</th>
<th>Q1 2021</th>
<th>Q1 2022</th>
<th>FY 2020</th>
<th>FY 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital expenditures on property, plant and equipment</td>
<td>78</td>
<td>98</td>
<td>485</td>
<td>397</td>
</tr>
<tr>
<td>Capitalization of development costs</td>
<td>88</td>
<td>89</td>
<td>418</td>
<td>370</td>
</tr>
<tr>
<td>Depreciation</td>
<td>145</td>
<td>170</td>
<td>691</td>
<td>630</td>
</tr>
<tr>
<td>Amortization of acquired intangible assets</td>
<td>119</td>
<td>74</td>
<td>377</td>
<td>322</td>
</tr>
<tr>
<td>Amortization of software</td>
<td>20</td>
<td>24</td>
<td>76</td>
<td>88</td>
</tr>
<tr>
<td>Amortization of development costs</td>
<td>53</td>
<td>86</td>
<td>319</td>
<td>284</td>
</tr>
<tr>
<td><strong>Depreciation and amortization</strong>¹</td>
<td>338</td>
<td>355</td>
<td>1,462</td>
<td>1,323</td>
</tr>
</tbody>
</table>

1. Includes impairments
Philips' debt has a long maturity profile

Characteristics of long-term debt

- Total net debt position of EUR 5.6 billion
- In Q1 2022 Philips renewed its EUR 1.0 billion revolving credit facility which matures in 2027
- Maturities up to 2042
- Average tenor of long-term debt is 7.1 years
- No financial covenants

Debt maturity profile as per 31 March 2022

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.