



PHILIPS

Royal Philips First Quarter 2022 results

April 25, 2022

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 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.

Philips has recognized a provision related to the voluntary recall notification in the US/field safety notice outside the US for certain sleep and respiratory care products, based on Philips' best estimate for the expected field actions. 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



Diagnosis & Treatment
Bert van Meurs
Dutch



Kees Wesdorp
Dutch



Connected Care
Roy Jakobs
Dutch/German



Personal Health
Deeptha Khanna
Singaporean



North America
Vitor Rocha
Brazilian/American



Greater China
Andy Ho
Chinese/Canadian



International Markets¹
Edwin Paalvast
Dutch



Innovation & Strategy
Shez Partovi
Canadian



Operations
Sophie Bechu
French/American



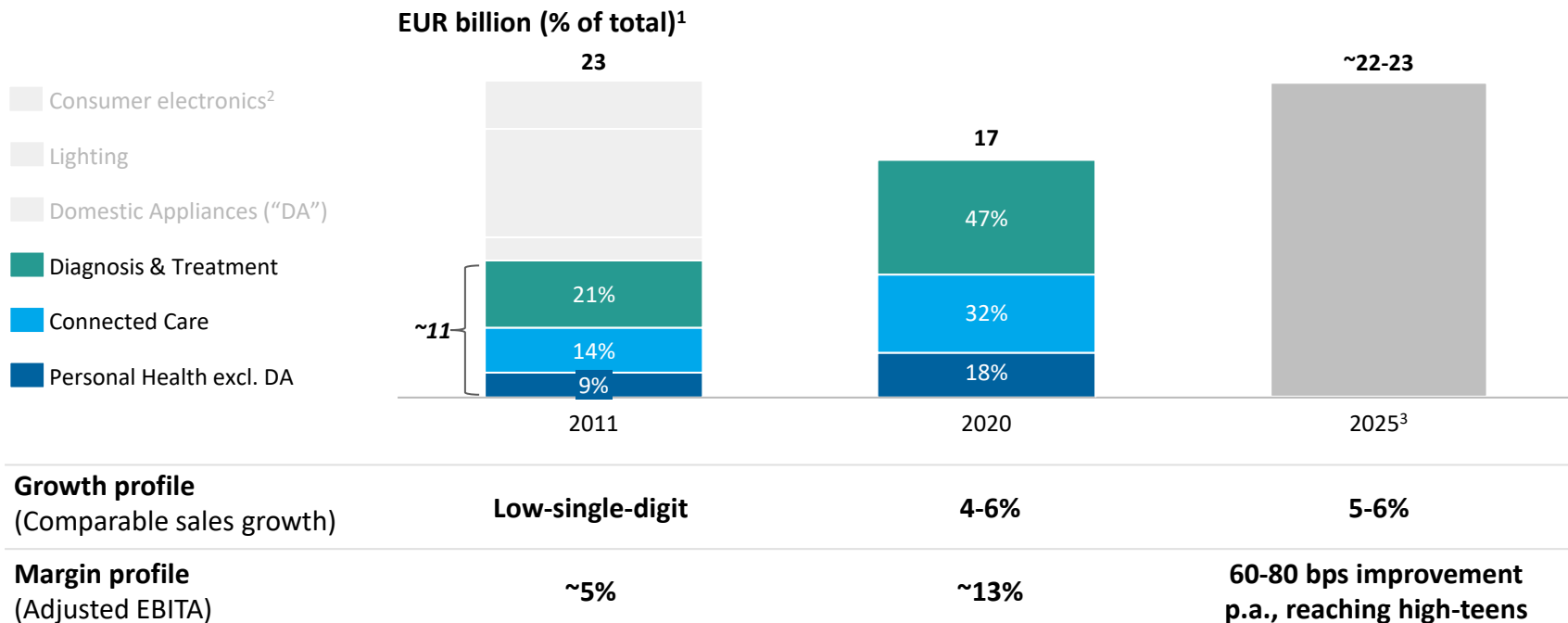
Legal
Marnix van Ginneken
Dutch/American



Human Resources
Daniela Seabrook
Swiss

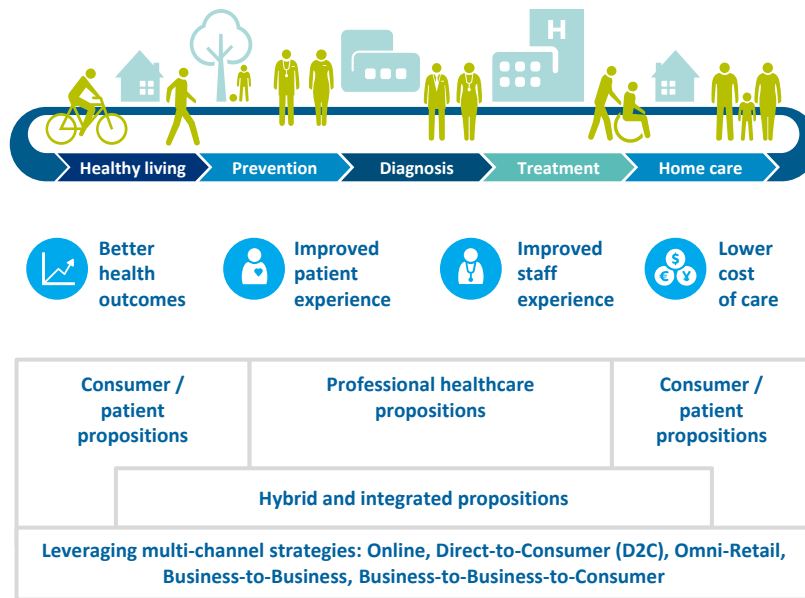


Philips continues on its journey to HealthTech leadership



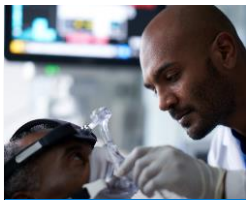
Our strategy to lead in health technology

- **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



Recent developments have reaffirmed our strategy

Recent developments



Providers

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



Consumers

- Uncertainty in consumer spending
- Accelerated shift to online channels



Governments

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

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

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

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

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



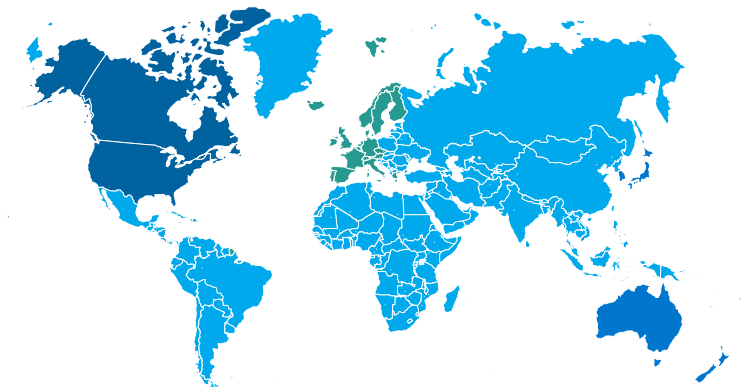
Enablers

- 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

North America	Western Europe	Growth geographies ²	Other mature geographies
40%	21%	29%	10%



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	Connected Care 27% of sales	Personal Health 20% of sales
<p>Precision Diagnosis Providing smart, connected systems, optimized workflows, and integrated diagnostic insights, leading to clear care pathways and predictable outcomes</p>	<p>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</p>	<p>Personal Health Delivering propositions that help people enjoy healthier lifestyles and enhance personal hygiene</p>
<p>Performance trajectory 2021-2025¹ 5-6% sales growth 15-17% Adj. EBITA margin</p>	<p>5-6% sales growth 17-19% Adj. EBITA margin</p>	<p>5-6% sales growth 19-20% Adj. EBITA margin</p>

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

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
- 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 positions¹

Diagnosis & Treatment	Ultrasound Global leader	Image-guided therapy systems Global leader	Image-guided therapy devices² Global leader	Diagnostic imaging Global top 3	High-end radiology and cardiology informatics #1 in North America
Connected Care	Patient monitoring Global leader	ICU telehealth #1 in North America	Cardiac ambulatory home monitoring #1 in North America	Respiratory care Global leader	Sleep care Global leader
Personal Health	Male grooming Global leader	Oral healthcare Global leader	Mother and child care Global leader	Hair removal Global leader	

Continuing to gain market share in key areas of our portfolio

Drivers for continued growth and improved profitability

Our 3 imperatives

Key drivers

Delivering



Better serve customers and improve quality

- Deliver the best customer experience, patient safety and quality
- Evolve digital enterprise platform to enable new business models
- Improve productivity, gain speed, standardize and simplify processes



Boost growth in core business

- Speed up innovation roadmaps and scale locally relevant, affordable solutions
- Drive geographic growth, adopt market-share best practice
- Increase customer share through consultative partnerships and new business models



Win with solutions

- Shape integrated solutions and professional services to deliver on the Quadruple Aim
- Scale informatics and cloud-enabled propositions, supported by data and AI
- Build out portfolio along the health continuum, through partnering and M&A

More lives improved

Higher customer NPS

Market share expansion

Revenue growth

Margin growth¹

Free cash flow generation

Organic ROIC

ESG leader

Value creation

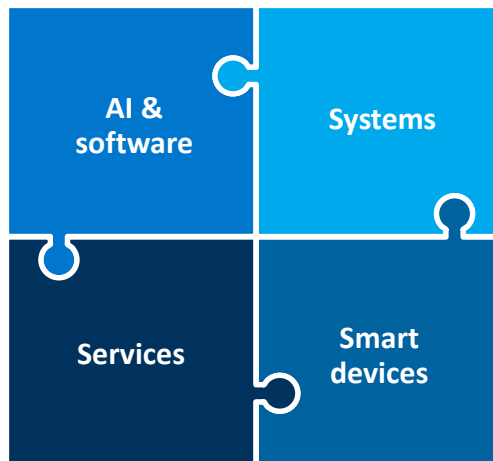
Our behaviours: Customers first | Patient safety, quality, and integrity always | Team up to win | Take ownership to deliver fast | Eager to improve and inspire

Our integrated solutions deliver on the Quadruple Aim

~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

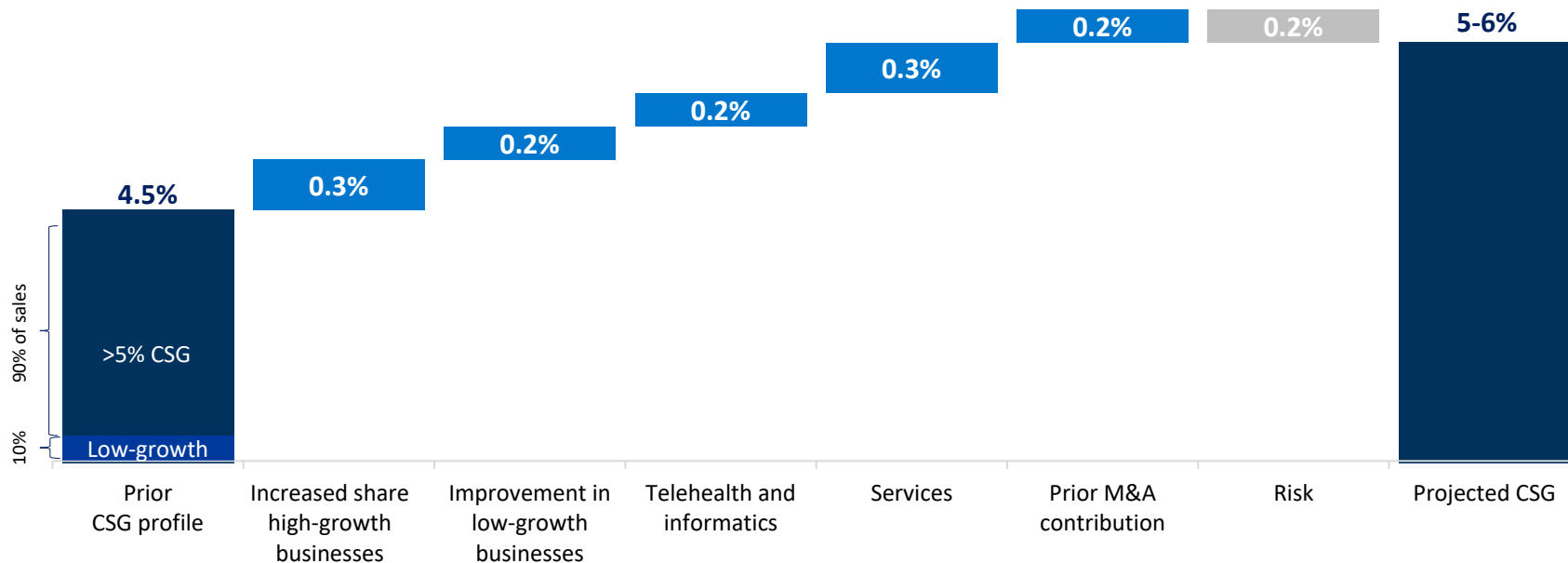
Continued to focus on value creation

2021-2025 financial framework¹

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

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.

Indicative medium-term growth acceleration drivers¹



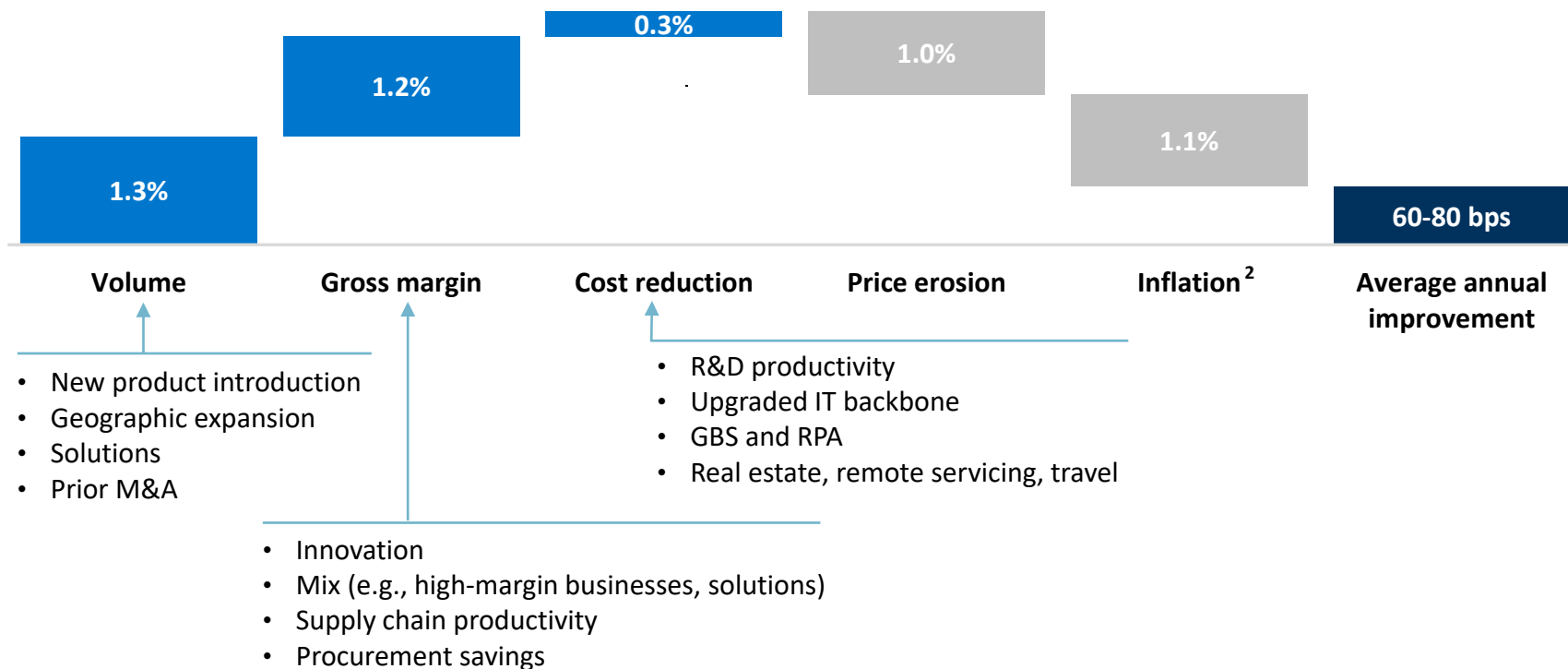
1. As per announcement of January 24th, 2022, Philips targets to deliver 3 to 5% comparable sales growth for the Group in 2022. Excluding Sleep & Respiratory Care, Philips targets to deliver 5 to 6% comparable sales growth in 2022.

Comparable sales outlook 2022

Philips Group	Q1	H1	H2	FY
2021	+9%	+9%	(9%)	(1%)
2022 outlook	(4%)	MSD decline	HSD growth	+3-5%

Philips excl. S&RC	Q1	H1	H2	FY
2021	+12%	+14%	(1%)	+5%
2022 outlook	+1%	LSD decline	HSD growth	+5-6%
2-year CAGR	+7%	+6%	+4%	+5%

Indicative medium-term Adjusted EBITA improvement drivers¹



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 DfX¹
- 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 RPA²
- Single billing entity via upgraded IT backbone (e.g., Europe)

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



Robust financial framework geared to value creation

Free cash flow
conversion
>90%

Adjusted EPS growth
~10%

Organic ROIC of
**mid-to-high
teens**

Disciplined
**capital
allocation**

Maintain current
**investment grade
credit rating**

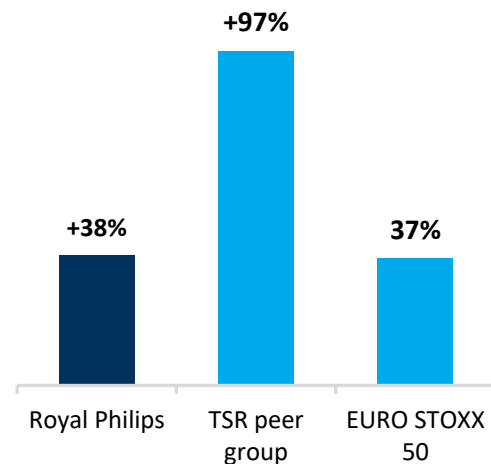
Effective tax rate
24-26%

Our capital allocation supports our strategy and our commitments to shareholders

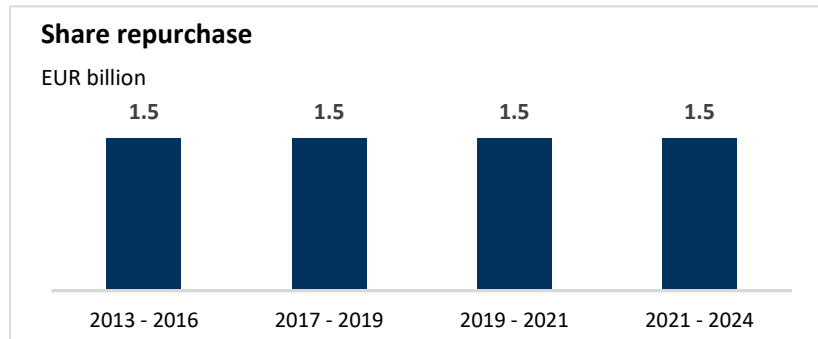
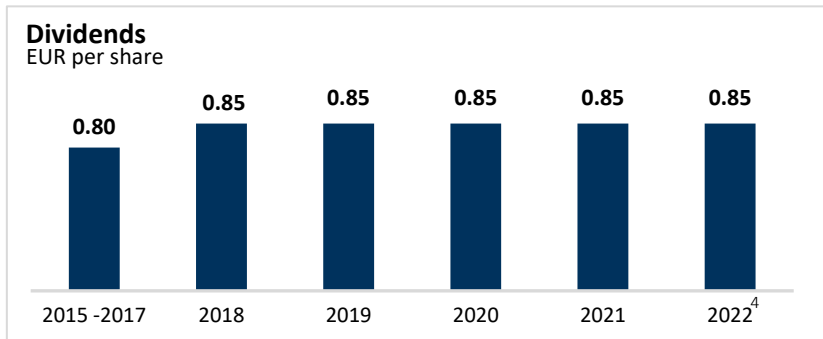
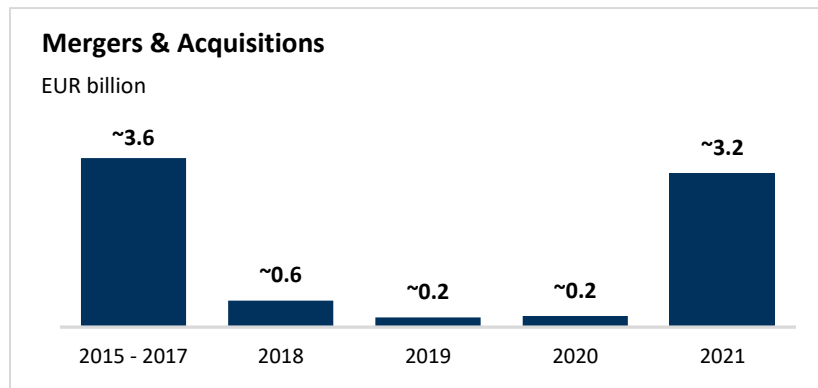
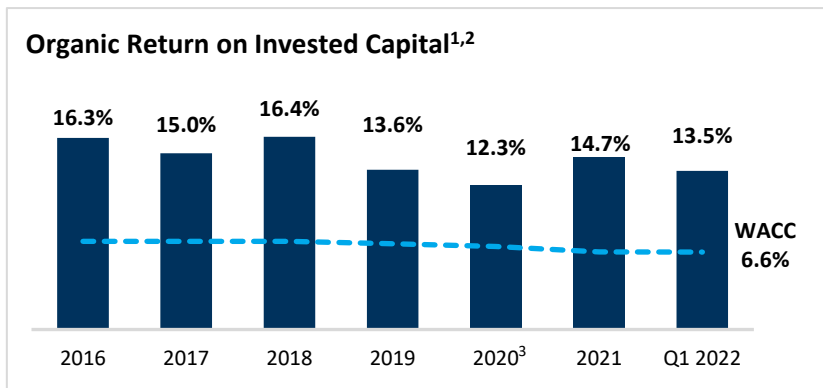
Our approach

Reinvest in growth	<ul style="list-style-type: none"> • Organic growth as the main premise of our value creation • Similar level of innovation investment and increased advertising spend
M&A / portfolio management	<ul style="list-style-type: none"> • EUR 7.9 billion invested in M&A since 2015 • Disciplined but more active approach
Dividend stability	<ul style="list-style-type: none"> • Pay-out of 40-50% of net recurring income • Continued, stable dividend policy
Share buy-backs	<ul style="list-style-type: none"> • Over EUR 4.5 billion since 2015 • Continuing to evaluate periodically

Total shareholder return since 2016^{1,2}



Balanced capital allocation policy



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 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



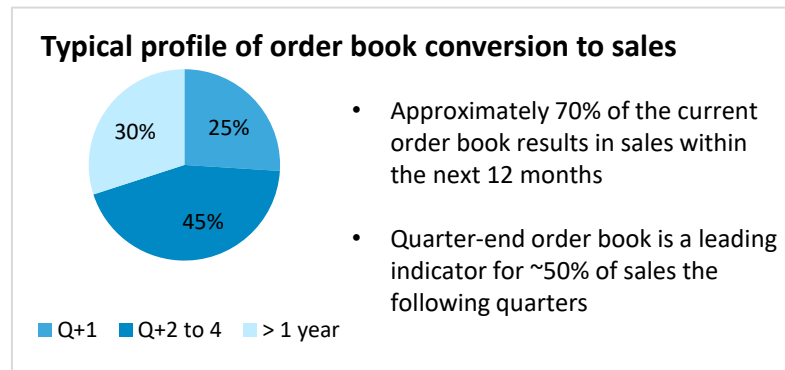
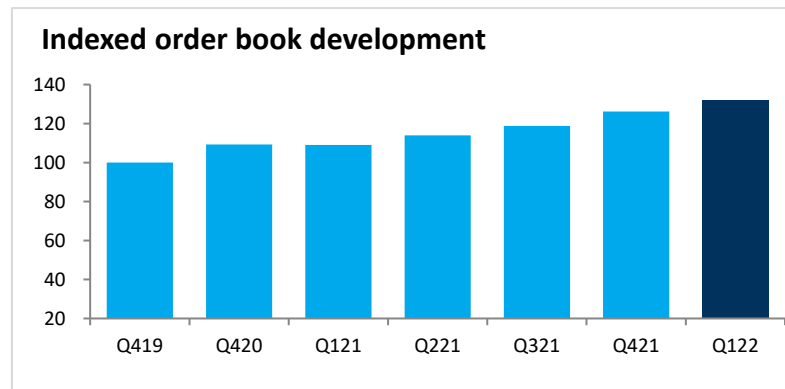
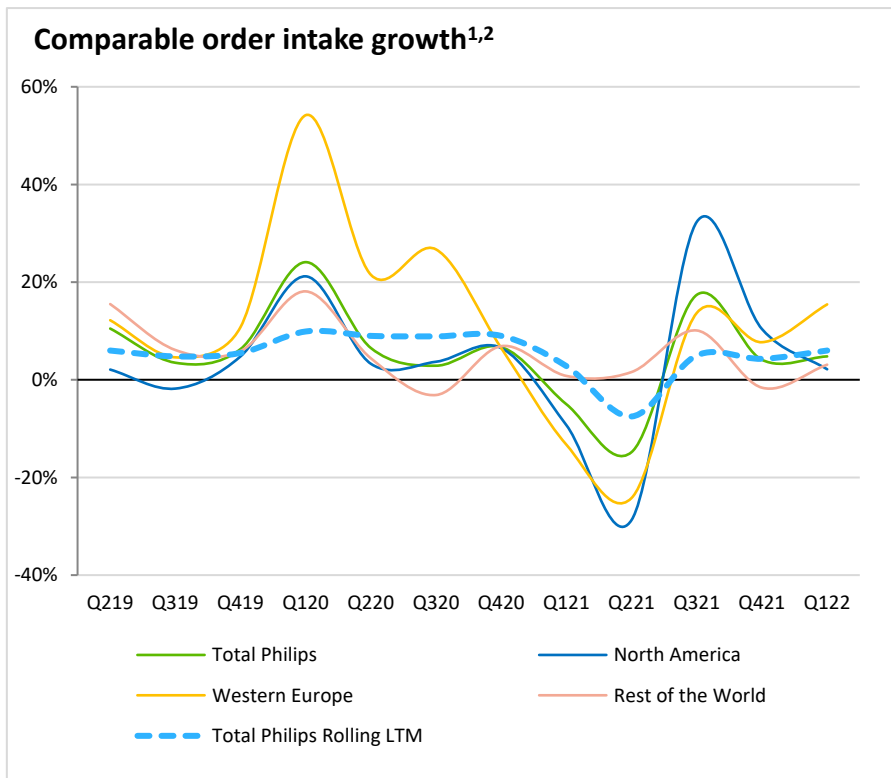
2. Financial performance in the quarter

Q1 2022 financial performance highlights

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

- 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

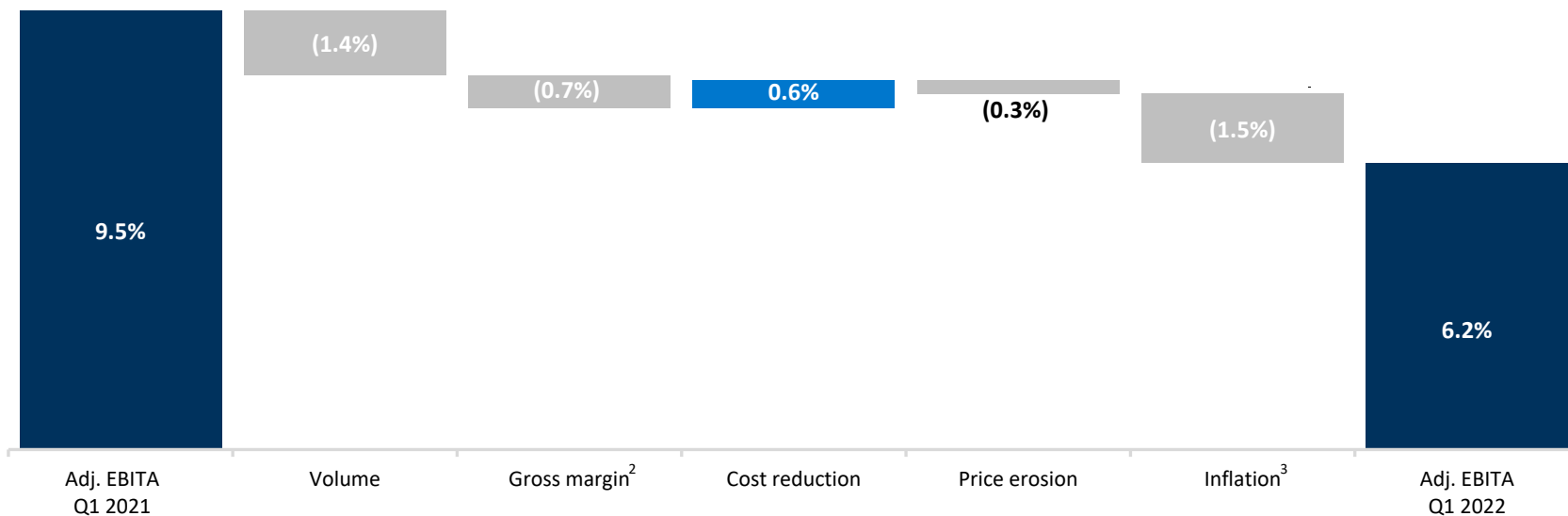
Order intake and book



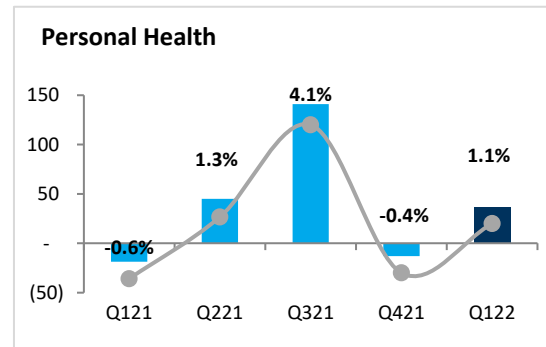
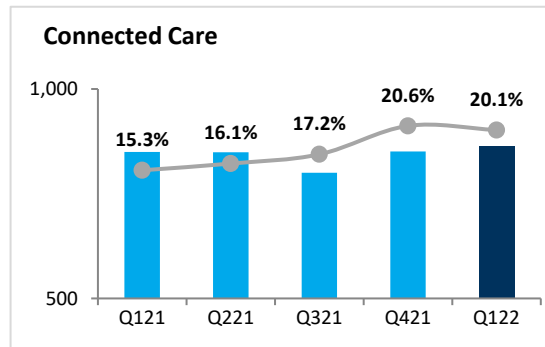
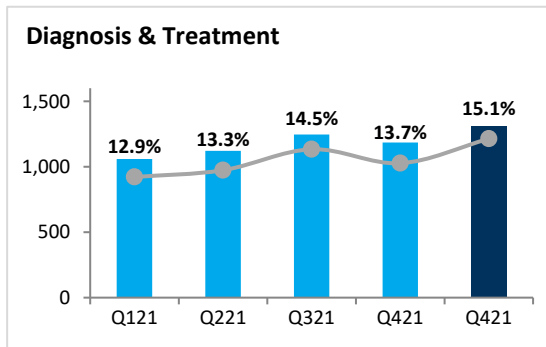
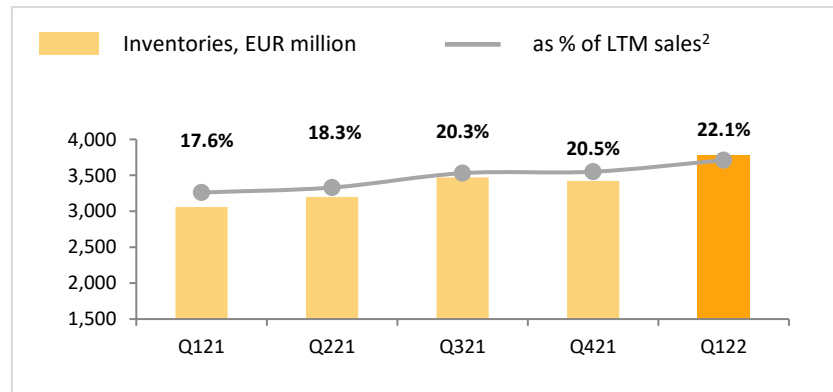
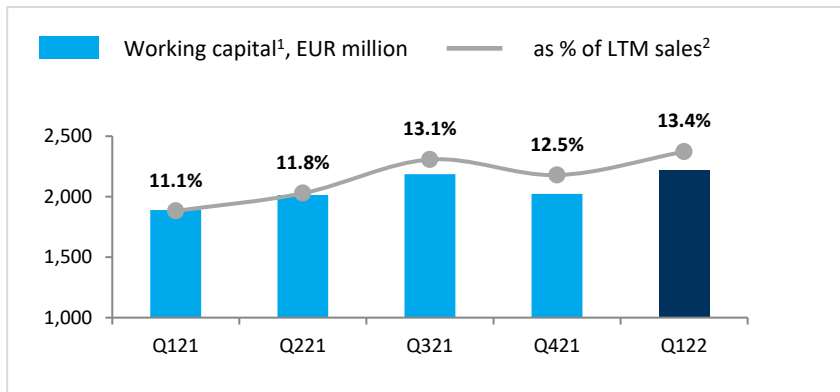
1. Includes equipment and software orders in Diagnosis & Treatment, Connected Care and Innovation businesses adjusted for acquisitions and divestments, and currency
 2. Excludes the impact from the partial termination of the April 2020 contract with the HHS

Adjusted EBITA margin¹ bridge Q1 2022

as % of sales



Working capital and inventories





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

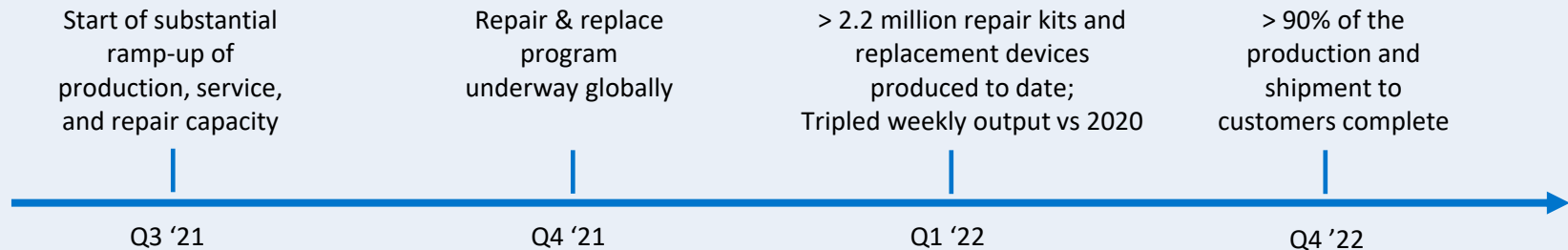
Deliver optimal customer experience, patient safety and quality

- 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

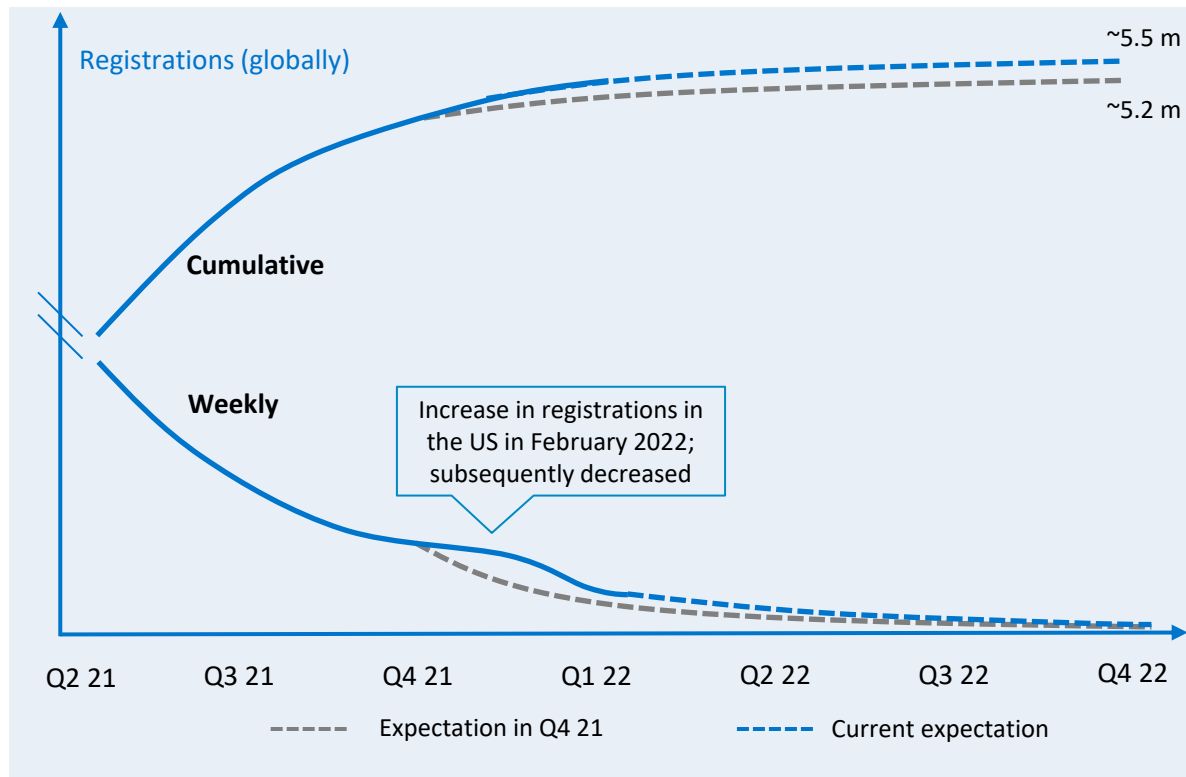
- Comprehensive patient and **customer outreach program**; clinical information package addressing physician questions
- Estimated **5.5 million devices** eligible for repair/replace. DreamStation 1 and U.S. market make up the significant majority of the installed base
- Anticipate a **50/50 mix (repair/replace)**
- **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



Expected number of units to be remediated calculated based on actual registrations and regression model estimate

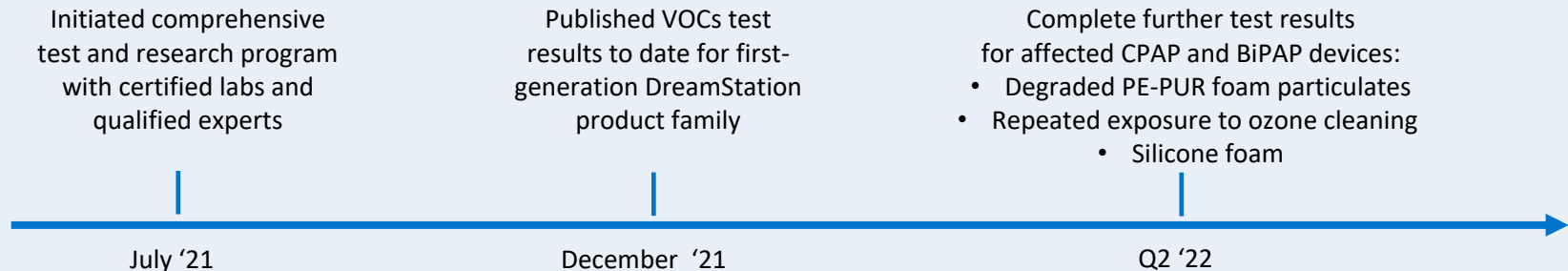
- Previous estimate for number of expected units to be remediated was **based on registrations up to Q4 2021 and regression model estimate** for following quarters
- **Increase of registrations in the US in February 2022** lead to increase in the total expected units to be remediated by 300,000



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



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

EUR million	Q1 21	Q2 21	Q3 21	Q4 21	2021	Q1 22
Diagnosis & Treatment	15	6	(12)	15	25	1
Restructuring & Acq.-related charges	17 ¹	(32)	(8)	15 ¹	(7)	1
Other items	(2)	38 ³	(4)	(0)	32	-
Connected Care	(282)	(293)	(62)	(420)	(1,058)	(339)
Restructuring & Acq.-related charges	(22)	(16)	(8)	(47)	(93)	(20)
Other items	(260) ^{4,5}	(277) ^{4,5}	(54) ^{2,4}	(373) ^{4,5}	(965)	(319) ^{5,6,10,11}
Personal Health	(1)	1	(0)	1	1	-
Restructuring & Acq.-related charges	(1)	1	-	1	1	-
Other items	-	-	-	-	-	-
Other	(33)	(73)	(12)	(13)	(131)	(12)
Restructuring & Acq.-related charges	(3)	2	2	4	5	(6)
Other items	(30) ⁷	(75) ^{7,8,9}	(14)	(18)	(136)	(6)
Philips	(301)	(359)	(87)	(417)	(1,163)	(350)
Restructuring costs	(19)	(21)	(10)	(29)	(80)	(31)
Acquisition related charges	11	(24)	(5)	3	(14)	6
Other items	(292)	(314)	(72)	(391)	(1,069)	(325)

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. Related to the consent decree focused on the defibrillator manufacturing in the US; 5. Provision related to Respironics field action; 6. Provision related to potential higher execution costs of the Respironics field action program; 7. Includes separation costs related to Domestic Appliances business; 8. Environmental provision release/change; 9. Loss related to divestment; 10. Product portfolio realignment; 11. Running remediation costs in Respironics

Capital expenditures, Depreciation and Amortization

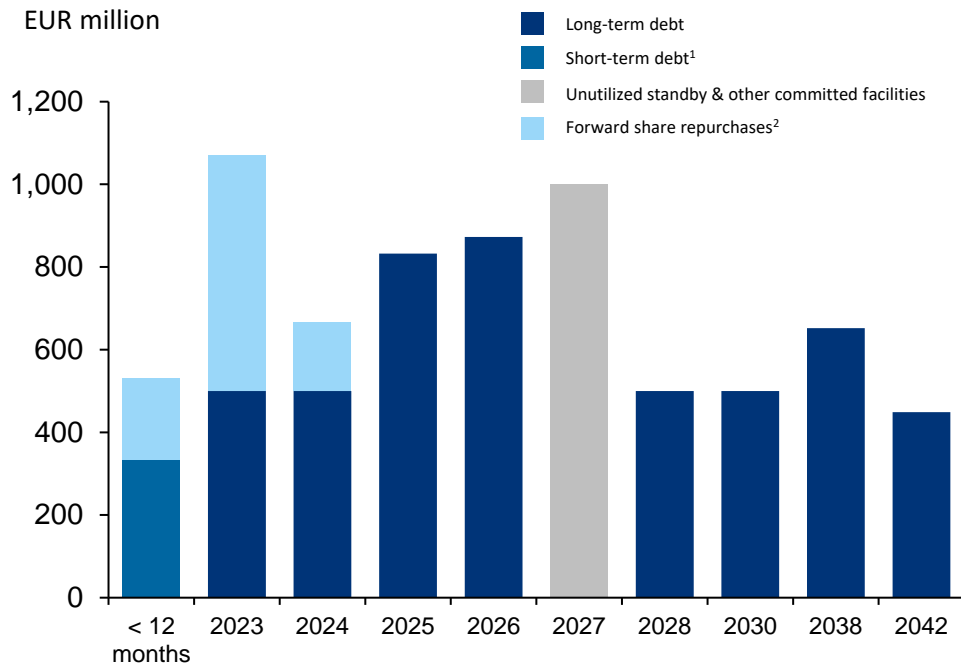
EUR million	Q1 2021	Q1 2022	FY 2020	FY 2021
Capital expenditures on property, plant and equipment	78	98	485	397
Capitalization of development costs	88	89	418	370
Depreciation	145	170	691	630
Amortization of acquired intangible assets	119	74	377	322
Amortization of software	20	24	76	88
Amortization of development costs	53	86	319	284
Depreciation and amortization¹	338	355	1,462	1,323

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 years³
- 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.

