

PHILIPS

First quarter 2024 results

April 29, 2024

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 keep pace with the changing health technology environment; 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; challenges in simplifying our organization and our ways of working; the resilience of our supply chain; attracting and retaining personnel; challenges in driving operational excellence and speed in bringing innovations to market; compliance with regulations and standards including quality, product safety and (cyber) security; compliance with business conduct rules and regulations including privacy and upcoming ESG disclosure and due diligence requirements; treasury and financing risks; tax risks; reliability of internal controls, financial reporting and management process; global inflation. As a result, Philips' actual future results may differ materially from the plans, goals and expectations set forth in such forward-looking statements. For a discussion of factors that could cause future results to differ from such forward-looking statements, see also the Risk management chapter included in the Annual Report 2023.

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.

Market Abuse Regulation

This slide deck contains inside information within the meaning of Article 7(1) of the EU Market Abuse Regulation.

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 2022.

^{*} Non-IFRS financial measure. Refer to reconciliation of non-IFRS information

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Key takeaways

- Results in line with the performance improvement plan driven by progress on three execution priorities
- Significant progress in resolving the consequences of the Respironics recall:
 - Consent decree approved in court
 - Economic loss settlement approved in court
 - Reached an agreement to resolve the personal injury and the medical monitoring litigation in the US
 - Reached insurance agreement for Respironics claims
- Milestones provide further clarity on the way forward for Philips
- Progress to date reinforces confidence in performance improvements in 2024; on track with 2025 plan



First quarter results in line with our performance improvement plan driven by strong focus on execution priorities

Financial performance

<i>in millions of EUR unless otherwise stated</i>	Q1 2023	Q1 2024
Sales	4,167	4,138
Comparable Sales Growth ¹	6%	2%
Comparable Order Intake ¹	(5)%	(4)%
Adj. EBITA ²	359	388
Adj. EBITA margin ²	8.6%	9.4%
Adj. EBITDA margin ²	13.8%	14.7%
Income from operations	(583)	(824)
Operating Cash Flow	202	(171)

Highlights

- Sales growth against tough comparable base
- OIT declined following exceptionally high comparison base and ongoing anti-corruption measures in China; growth outside China
- Adj. EBITA margin improved as cost inflation was more than offset by productivity, pricing and higher royalty income
- Income from operations includes EUR 982 million Respiroics litigation settlement provision
- Operating Cash outflow mainly due to the normalization of working capital phasing
- EUR 540 million insurance agreement for Respiroics claims

1. Comparable sales growth (CSG); comparable order intake growth (OIT)

2. Excluding restructuring costs, acquisition-related charges and other one-time charges and gains

Launched and expanded a range of leading AI-driven and sustainable innovations



- Designed with leading interventionists to accelerate stroke treatment
- Unprecedented efficiency and control with low dose imaging and neuro tools
- Optimized procedure workflows with enhanced 2D and 3D imaging
- Power of AI to enhance productivity and clinical insights of radiology departments
- Nanopanel Precise - industry's first detector for AI-based reconstruction
- Collaboration Live to facilitate telehealth
- Extended leadership with >1,100 systems installed globally
- Industry's first 1.5T fully sealed magnet
- Easing installation requirements and addressing helium scarcity

Delivering AI-enabled innovations to Nicklaus Children's Health System to drive innovation in pediatric care



- 10-year collaboration agreement with Nicklaus Children's Health System in the US
- Delivering AI-enabled technologies such as helium-free MRI, ultrasound, and monitoring solutions
- Empowering clinicians for deeper clinical insights
- Helping to reduce exam times and the need for rescans, while increasing diagnostic confidence

Diagnosis & Treatment

Financial performance

<i>in millions of EUR unless otherwise stated</i>	Q1 2023	Q1 2024
Sales	2,010	2,026
Comparable Sales Growth	16%	3%
Adj. EBITA margin	13.0%	9.2%
Adj. EBITDA margin	15.4%	11.5%
Income from operations	173	146

Q1 2024 highlights

- Growth across Image Guided Therapy and Precision Diagnosis against tough comparable base
- Mid-single digit CSG in Growth geographies and low-single-digit CSG in Mature geographies
- Adj. EBITA margin reflects normalization of product mix, as anticipated; includes -100 bps impact from a value adjustment



Connected Care

Financial performance

<i>in millions of EUR unless otherwise stated</i>	Q1 2023	Q1 2024
Sales	1,226	1,164
Comparable Sales Growth	3%	(1)%
Adj. EBITA margin	1.7%	6.4%
Adj. EBITDA margin	6.3%	11.5%
Income from operations	(717)	(1,065)

Q1 2024 highlights

- Growth in Enterprise Informatics offset by decline in Monitoring following double-digit growth in Q1 2023
- Low-single digit growth in Mature geographies offset by decline in Growth geographies
- Mainly driven by productivity measures and mix effect
- Income from operations includes Respiration litigation provision



Personal Health



Financial performance

<i>in millions of EUR unless otherwise stated</i>	Q1 2023	Q1 2024
Sales	798	790
Comparable Sales Growth	(6)%	3%
Adj. EBITA margin	13.2%	15.2%
Adj. EBITDA margin	16.0%	18.5%
Income from operations	96	116

Q1 2024 highlights

- CSG driven by growth in Personal Care
- Mid-single-digit growth in Mature geographies driven by strong Western Europe. Growth geographies flat, mainly due to China
- Adj. EBITA margin increase mainly driven by sales growth and productivity measures



Productivity initiatives¹ to deliver EUR 2.0 billion in the 2023-2025 period

Productivity initiatives savings¹

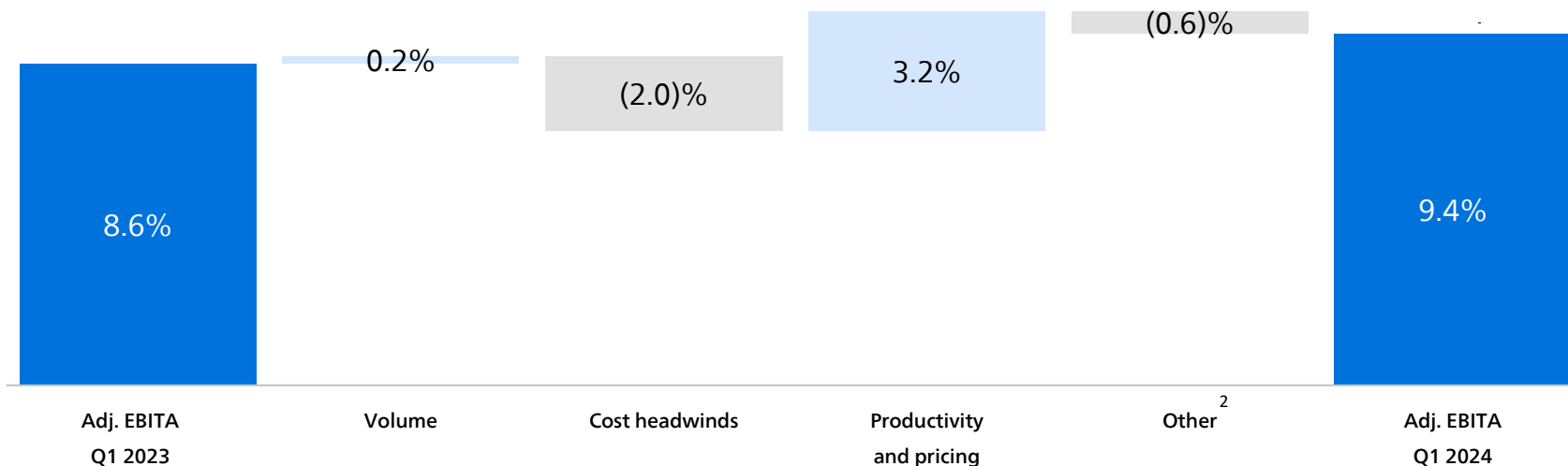
in millions of EUR unless otherwise stated

		Q1 2024	To date
Operating Model	<ul style="list-style-type: none"> • Simplified operating model with reduction of 10k roles • R&D prioritization, reduction of Corporate Research • End-to-end supply chain, simplifying planning, eliminating duplications 	55	551
Procurement	<ul style="list-style-type: none"> • Bill-of-material savings via redesign, value analysis, engineering • Reductions in warehousing, transportation and consulting 	40	259
Other productivity	<ul style="list-style-type: none"> • Manufacturing footprint optimization and service productivity • R&D platform simplification and footprint optimization • GBS and hyper-automation • S&RC rightsizing 	56	297
		EUR 151 million	EUR 1,107 million



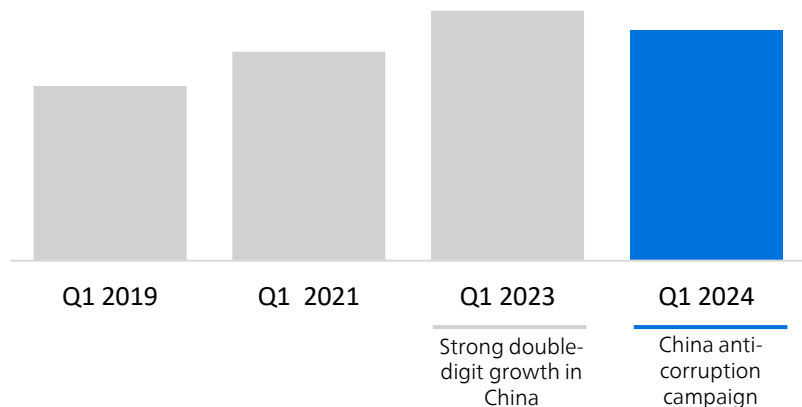
Adjusted EBITA margin improved as cost inflation was more than offset by productivity, pricing and higher royalty income

Group Adj. EBITA margin¹ in Q1 2024



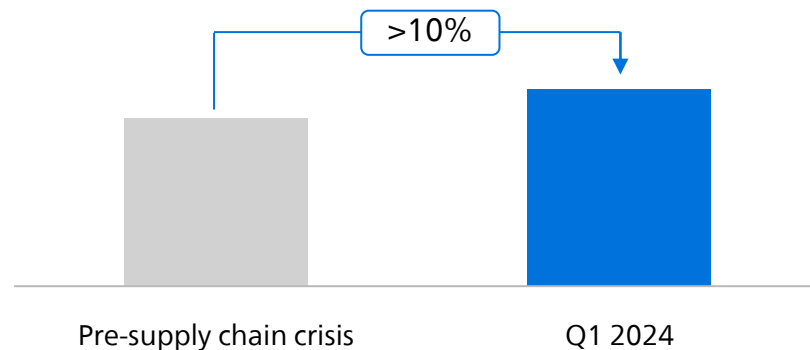
Absolute levels of order intake remain healthy; growth outside China driven by North America

Nominal Order intake¹



- OIT declined following exceptionally high comparison base and on-going anti-corruption measures in China
- Growth outside China driven by North America; actions in place to return to growth in 2024

Indexed order book² development



- Order book accounts for ~40% of Group sales
- Revenue streams from software, services, devices and consumables growing at healthy rates



Philips Respironics Field Action

Progress to date

Remediation of sleep therapy devices almost complete; ventilation ongoing

FDA feedback received on testing and analysis for sleep therapy devices¹

Reached agreement to resolve economic loss, personal injury, and medical monitoring litigation in the US

Reached agreement with US government on a consent decree

Back to market outside the US; servicing US market under agreed conditions part of the consent decree

Priorities ahead

Finalize recall and testing

DoJ investigation, other legal proceedings

Demonstrate compliance with the regulatory requirements and restore Respironics business

Gradually restore position

1. Following ongoing communications with the FDA, Philips Respironics has agreed to implement additional testing to supplement current test data on PE-PUR foam. The FDA stated that current testing is extensive and conducted with independent parties and expressed no concerns with its validity or objectivity. Philips Respironics is in discussions with the FDA on the details of further testing. Note: More information on the Respironics recall can be found [here](#);

Execution with decisive action as key value driver

Examples of progress in Q1 2024



Patient safety and quality as highest priority

Substantial improvement in CAPA closures driven by stronger governance

Further reduced Quality Management Systems; on track to achieve ~65% reduction in 2024

Investing to identify and address issues faster



Reliable end-to-end supply chain

Strengthened planning and delivery for better customer service and inventory management

~80% PCBAs¹ redesigns completed; de-risked ~2,300 high-risk components¹

Further regionalization of supply chain



Simplified operating model

Reduced workforce by >8.5K roles; on track to 10K by 2025

Continued to inject HealthTech expertise; ~300 talents with a HealthTech background attracted in Q1 alone



2024 outlook



Continued improvement in operational performance in 2024, whilst acknowledging that uncertainties remain

Comparable Sales Growth

3 – 5%

- All segments within the range
- Segment Other sales of EUR 550 – 580m

Adj. EBITA margin

11.0 – 11.5%

- Margin improvement across all segments
- Segment Other Adj. EBITA loss of 50 million and EBITA loss of 100 million

Free Cash Flow¹

EUR 0.9 – 1.1 billion

- Driven by higher earnings and continued focus on inventory reduction
- Includes a receipt of EUR ~540 million from insurers for the Respiroics claims and the remaining payment of ~430 million related to the economic loss settlement

Financial income & expenses

- Expected to be a net cost of EUR ~290 million

Restructuring, acquisition-related charges and other charges



Restructuring costs ~100 bps

- 1K roles reduction part of the 10K roles reduction program resulting from operating model simplification, of which 8K implemented by end of 2023
- S&RC rightsizing and assets impairment

Acquisition-related charges ~30 bps

- Post-merger integration costs related to recent acquisitions in Connected Care and Image-Guided-Therapy Devices

Other items* ~200 bps

- Mainly related to Respiroics field action running cost, the Consent Decree and other quality action-related charges

** Excluding charges of EUR 982 million for the Respiroics litigation provision booked in Q1 2024, excluding insurance income of EUR 540 million related to Respiroics claims*

Key takeaways

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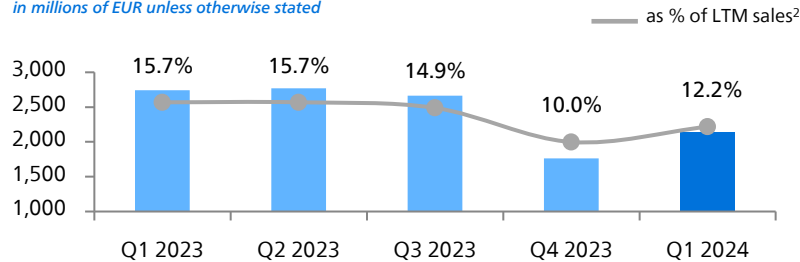
Financial appendix

Working capital and inventories



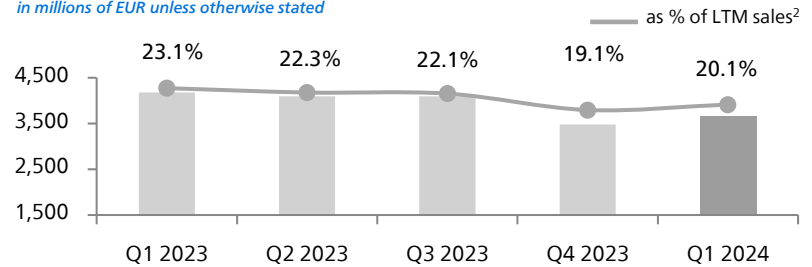
Group working capital¹

in millions of EUR unless otherwise stated

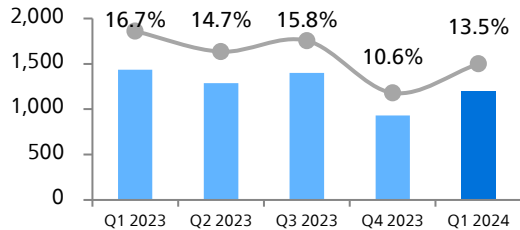


Group inventories

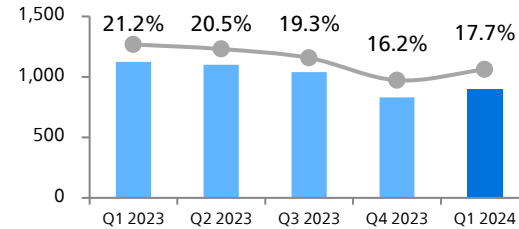
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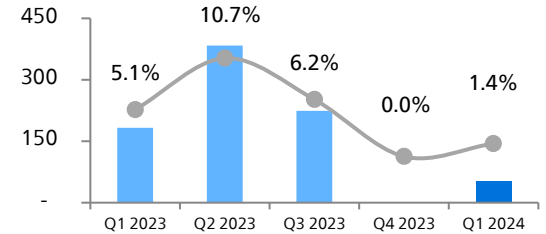
Diagnosis & Treatment



Connected Care



Personal Health



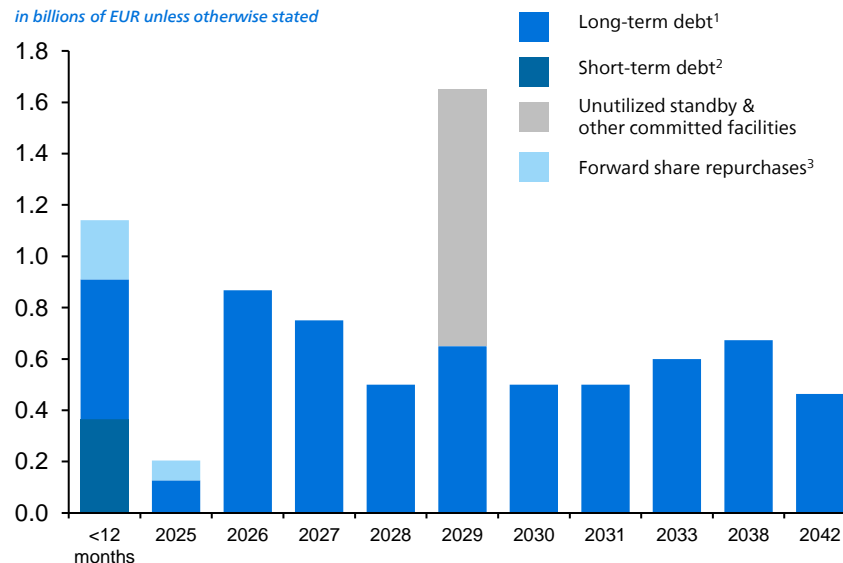
Debt maturity profile and liability management

Long term debt profile and liability management

- Total net debt position of EUR 6.3 billion
- Average tenor of long-term debt is 6.6 years
- No financial covenants
- EUR ~2.4 billion of available cash and committed credit facilities

Debt maturity profile as per 31 March 2024

in billions of EUR unless otherwise stated



1. Excluding long-term operating leases | 2. Short-term debt includes local credit facilities that are being rolled forward on a continuous basis as well as Commercial Paper | 3. Includes forward transactions entered as part of share repurchase programs for share cancellation and LTI purposes

Capital expenditures, Depreciation and Amortization

in millions of EUR unless otherwise stated

	Q1 2023	Q1 2024
Capital expenditures on property, plant and equipment	72	82
Capitalization of development costs	69	71
Depreciation	172	159
Amortization of acquired intangible assets	74	72
Amortization of software	25	24
Amortization of development costs	41	39
Amortization	140	135
Depreciation and amortization	311	295

Restructuring, acquisition-related charges and Other items

Philips Group

Restructuring, acquisition-related charges and other items in millions of EUR

	Q1 2023	Q2 2023	Q3 2023	Q4 2023	FY 2023	Q1 2024
Restructuring & acquisition-related charges						
Diagnosis & Treatment	65	30	8	15	118	19
Connected Care	49	10	20	37	115	17
Personal Health	5	2	-	2	9	-
Other	105	24	15	(4)	140	14
Philips Group	224	66	42	49	381	51
Other items						
Diagnosis & Treatment	1	10	-	81 ¹⁾	92	-
Connected Care	644 ²⁾³⁾	85 ¹⁾²⁾	92 ¹⁾²⁾	453 ¹⁾²⁾⁴⁾⁵⁾	1,275	1,078 ¹⁾²⁾³⁾⁶⁾
Personal Health	(1)	-	23 ⁷⁾	-	22	-
Other	-	-	5	(36) ⁸⁾	(32)	10
Philips Group	644	95	120	498	1,358	1,088
Restructuring, acquisition-related charges & other items						
Restructuring	199	46	16	24	285	32
Acquisition-related charges	25	20	26	26	96	19
Other items	644	95	120	498	1,358	1,088
Philips Group	868	161	162	548	1,738	1,139

1. Quality remediation actions | 2. Respiroics running costs | 3. Provision in connection with Respiroics litigation. | 4. Provision related to Respiroics field-action; Provision connected to the consent decree | 5. Provision for a legal matter | 6. Respiroics consent decree charges | 7. Investment re-measurement loss | 8. Gain on divestment of business.

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

