Royal Philips
Second quarter and semi-annual 2020 results

July 20, 2020
innovation for 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; the impact of the coronavirus disease (COVID-19) outbreak; Philips’ increasing focus on health technology; the realization of Philips’ growth ambitions and results in growth geographies; 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 post-retirement 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 2019.

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. Rankings are based on sales unless otherwise stated.

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 2019.

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 2019. 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 2019.
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At Philips, we strive to make the world healthier and more sustainable through innovation.
We have transformed into a focused global HealthTech leader

Transforming the company...
100% of sales split

...while creating value
Organic sales growth % and adjusted EBITA as % of sales
Our strategy resonates with customers, addresses their needs
Seamlessly connecting care across the health continuum, we will improve outcomes
We operate in growing, evolving markets

The demand for healthcare is growing

Growing population  Aging population  Rising burden of chronic diseases  Increasing spend in developing markets

And technology will play a bigger role

Digital
Connecting consumers, patients and care providers

Consumer centric
Increasing consumer engagement in their own health

Precision
Importance of AI, informatics and personalization

Consolidation
Increasing horizontal and vertical consolidation

Post Acute Care
Shifting to lower-cost settings and the home
Royal Philips
EUR 19.5 billion sales and Adjusted EBITA of 13.2% in 2019

Global footprint

<table>
<thead>
<tr>
<th>Region</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>36%</td>
</tr>
<tr>
<td>Western Europe</td>
<td>22%</td>
</tr>
<tr>
<td>Growth Geographies</td>
<td>32%</td>
</tr>
<tr>
<td>Other Mature Geographies</td>
<td>10%</td>
</tr>
</tbody>
</table>

Committed to innovation

- EUR 1.9 billion for R&D, ~64,500 patents rights, ~39,000 trademarks
- More than half of R&D personnel in software and data science
- ~37% of sales from solutions, growing double-digit
- ~81,000 employees in over 100 countries

1 All figures based on Q2 2020 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
Operating across the health continuum

FY 2019

Diagnosis & Treatment
Focuses on solutions for precision diagnosis, disease pathway selection, and image-guided, minimally invasive treatments

5% sales growth
12.7% margin

Connected Care
Focuses on patient care solutions, advanced analytics and patient and workflow optimization inside and outside the hospital

3% sales growth
13.2% margin

Personal Health
Focuses on healthy living and preventative care

5% sales growth
16.1% margin

Note: Margin refers to Adjusted EBITA margin; Segment Other represents 2% of group sales
## Diagnosis & Treatment

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

**Products & solutions**
- 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

**Focus areas**
- Patient care and workflow management
- Population health management
- Chronic disease management

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

## Personal Health

**Focus areas**
- Healthy living and prevention
- Personal care
- Digital consumer engagement

**Products & solutions**
- Oral care
- Mother and child care
- Male grooming and beauty
- Domestic appliances
- Services (re-ordering, support, coaching, etc.)

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1 As per announcement of January 28, 2020, Philips will review options for future ownership of its Domestic Appliances business
Over 60% of sales from leadership positions\(^1\)

<table>
<thead>
<tr>
<th>Diagnosis &amp; Treatment</th>
<th>Connected Care</th>
<th>Personal Health</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ultrasound</td>
<td>Patient Monitoring</td>
<td>Male Grooming</td>
</tr>
<tr>
<td><em>Global Leader</em></td>
<td><em>Global Leader</em></td>
<td><em>Global Leader</em></td>
</tr>
<tr>
<td>Image-Guided Therapy Systems</td>
<td>ICU Telemedicine</td>
<td>Oral Care</td>
</tr>
<tr>
<td><em>Global Leader</em></td>
<td><em>#1 in North America</em></td>
<td><em>Global Leader</em></td>
</tr>
<tr>
<td>Diagnostic Imaging</td>
<td>Respiratory Care</td>
<td>Mother &amp; Child Care</td>
</tr>
<tr>
<td><em>Global Top 3</em></td>
<td><em>Global Leader(^2)</em></td>
<td><em>Global Leader</em></td>
</tr>
<tr>
<td>High-end Radiology and Cardiology Informatics</td>
<td>Sleep Care</td>
<td>Garment Care</td>
</tr>
<tr>
<td><em>#1 in North America</em></td>
<td><em>Global Leader</em></td>
<td><em>Global Leader</em></td>
</tr>
</tbody>
</table>

\(^1\) Leadership position refers to #1 or #2 position in Philips addressable market; \(^2\) Based on non-invasive ventilators for the hospital setting
COVID-19: delivering against our triple duty of care

<table>
<thead>
<tr>
<th>Central and regional task force teams</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Safeguarding health &amp; safety of our employees</strong></td>
</tr>
<tr>
<td>• Personal hygiene measures and safety protocols</td>
</tr>
<tr>
<td>• Working from home protocol</td>
</tr>
<tr>
<td>• Safe environment for production, supply, field service, and certain R&amp;D activities</td>
</tr>
<tr>
<td>• Personal Protective Equipment (PPE)</td>
</tr>
<tr>
<td><strong>Meeting critical customer needs</strong></td>
</tr>
<tr>
<td>• Production volumes ramp-up</td>
</tr>
<tr>
<td>• Delivery and installation of critical equipment</td>
</tr>
<tr>
<td>• Fair and ethical allocation of scarce equipment and supplies</td>
</tr>
<tr>
<td>• Customer services</td>
</tr>
<tr>
<td>• Updated clinical guidance</td>
</tr>
<tr>
<td><strong>Ensuring business continuity</strong></td>
</tr>
<tr>
<td>• Business Continuity Management System</td>
</tr>
<tr>
<td>• Functional operations and supply chain</td>
</tr>
<tr>
<td>• Commercial processes</td>
</tr>
</tbody>
</table>
Our products, services and solutions can support healthcare providers in the fight against COVID-19

- Vital signs patient monitors
- Invasive and non-invasive hospital ventilators
- Computed tomography (CT)
- Mobile diagnostic X-ray
- Point-of-care ultrasound
- Advanced informatics
- Central monitoring of ICU patients (Tele-ICU)
- Telehealth programs for remote screening and monitoring
- Tele-pathology
- Interoperability applications
Drivers for continued growth and improved profitability

- Better serve customers and improve quality
  - Improve customer experience, quality systems, operational excellence and productivity
  - Continue to lead the digital transformation

- Boost growth in core business
  - Capture geographic growth opportunities
  - Pivot to consultative customer partnerships and services business models

- Win with solutions along the health continuum
  - Drive innovative, value-added integrated solutions
  - Reinforce with M&A, organic investments and partnerships

- Customer satisfaction
- Revenue growth
- Margin expansion
- Increased cash generation
- Value creation
We bring together:

- A holistic view on the needs of consumers, patients and providers
- Deep consumers insights
- Leading clinical and operational expertise
- Broad portfolio of technologies

Example solution areas:

- Precision diagnostics
- Minimally invasive therapies
- Sleep and respiratory care
- Connected care

Solutions deliver approx. 37% of revenues, growing double-digit
Philips Tele-ICU program
Empowering acute care teams by linking remote patient monitoring technology with evidence-based care transformation

Extracting actionable insights from streaming vital signs data and medical records for better patient outcomes

**Health outcomes**
26% Reduction in mortality

**Cost of care**
USD 5,000 Saved per ICU patient

**Staff satisfaction**
15% Discharged to home faster

**Patient experience**
30% Reduction in length of stay

1 in 8 adult ICU patients in the US are monitored by Tele-ICU program

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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
Our sustainability programs address pressing societal issues
Focus on United Nations Sustainable Development Goals, in particular #3, #12 and #13

1 #3 “Ensure healthy lives and promote well-being for all at all ages”, #12 “Ensure sustainable consumption and production patterns”, #13 “Climate Action”

**Climate change**
Carbon-neutral in our operations, 100% renewable electricity (2020)

**Circular economy**
15% circular revenues, zero waste to landfill (2020)
100% closed loops for all medical systems (2025)

**Access to care**
3 billion lives improved per year by 2030, including 400 million in underserved healthcare communities

**The Compact**
Committed to the WEF Compact for Responsive and Responsible Leadership
An experienced leadership team

CEO / CFO

- **CEO**
  - Frans van Houten

- **CFO**
  - Abhijit Bhattacharya

Business Leaders

- **Diagnosis & Treatment**
  - Bert van Meurs
  - Kees Wesdorp

- **Connected Care**
  - Roy Jakobs

- **Personal Health**
  - Deeptha Khanna

- **Domestic Appliances**
  - Henk de Jong

Market Leaders

- **International Markets**
  - Edwin Paalvast

- **North America**
  - Vitor Rocha

- **Greater China**
  - Andy Ho

Function Leaders

- **Innovation & Strategy**
  - Jeroen Tas

- **Operations**
  - Sophie Bechu

- **Legal**
  - Marnix van Ginneken

- **Human Resources**
  - Daniela Seabrook

- **Strategic Business Development**
  - Robert Cascella

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1 Excluding North America and Greater China; 2 Effective August 1st 2020
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Continued focus on value creation

2017-2020 targets

<table>
<thead>
<tr>
<th><strong>Revenue growth</strong></th>
<th><strong>Margin expansion</strong></th>
<th><strong>Cash generation</strong></th>
<th><strong>ROIC</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Comparable sales growth</td>
<td>Adj. EBITA improvement</td>
<td>Free Cash Flow in 2020</td>
<td>Organic ROIC in 2020</td>
</tr>
<tr>
<td>4-6% annually</td>
<td>average annual 100 bps improvement</td>
<td>above EUR 1.5 billion</td>
<td>mid-to-high-teens</td>
</tr>
</tbody>
</table>

After 2020 we will drive further improvement

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1 As per announcement of July 20th, 2020, we continue to aim for a modest sales growth and Adj. EBITA margin improvement in 2020
Productivity program of > EUR 1.8 billion by 2020

2017 – 2020 cumulated net productivity savings

- Manufacturing productivity
- Cost reduction
- Procurement savings

Manufacturing footprint
- Consolidating regional manufacturing footprint from 50 to ~30 production locations; 18 locations completed to date

Cost reduction
- Significant increase in scope and traction in Global Business Services
- Marketing transformation to fund more advertising firepower
- IT landscape simplification on track
- R&D to deliver 40-50 bps productivity by 2020

Procurement
- Expanding proven DfX approach to the full value chain

Restructuring
- Due to additional productivity, restructuring charges expected to be 90-100 bps in 2020, thereafter ~40 bps

<table>
<thead>
<tr>
<th>Year</th>
<th>Manufacturing</th>
<th>Cost Reduction</th>
<th>Procurement</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>EUR 0.1 billion</td>
<td>EUR 0.2 billion</td>
<td>EUR 0.3 billion</td>
</tr>
<tr>
<td>2018</td>
<td>EUR 0.3 billion</td>
<td>EUR 0.5 billion</td>
<td>EUR 0.3 billion</td>
</tr>
<tr>
<td>2019</td>
<td>EUR 0.5 billion</td>
<td>EUR 0.7 billion</td>
<td>EUR 0.7 billion</td>
</tr>
<tr>
<td>2020E</td>
<td>~EUR 1.8 billion</td>
<td>~EUR 300 million</td>
<td>~EUR 650 million</td>
</tr>
</tbody>
</table>

1 Excluding acquisitions post 2016
Indicative annual Adjusted EBITA target bridge\(^1\)

- **Volume**: 1.0%
  - Geographic expansion
  - New product introduction
  - Operating leverage

- **Gross margin**: 1.6%

- **Cost reduction**: 0.6%
  - Standardization of back offices with Global Business Services
  - IT landscape simplification

- **Price erosion**: (1.1)%
  - Procurement
  - Manufacturing productivity
  - Mix improvement

- **Inflation**: (1.1)%

- **Average annual improvement**: ~100bps

\(^1\) Not valid for Full Year 2020: We continue to aim for a modest sales growth and Adj. EBITA margin improvement in 2020
Balanced capital allocation policy

**Reinvest**
in high-return growth opportunities

**M&A**
disciplined but more active approach

**Dividend**
aimed at dividend stability

**Share buyback**
for capital reduction purposes

Total shareholder return since 2016$^{1,2}$

- Royal Philips: +109%
- TSR peer group: +67%
- EURO STOXX 50: 17%

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1 As of market close July 17th, 2020; 2 TSR peer index includes companies as described in the Philips Annual Report 2019
Balanced capital allocation policy

**Organic Return on Invested Capital\(^1\)**

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019 (^2)</th>
<th>Q2 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROIC %</td>
<td>15.9%</td>
<td>17.5%</td>
<td>17.6%</td>
<td>18.1%</td>
<td>14.8%</td>
<td>12.1%</td>
</tr>
<tr>
<td>WACC</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>7.4%</td>
<td></td>
</tr>
</tbody>
</table>

**Mergers & Acquisitions**

**EUR billion**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Merger</td>
<td>~0.5</td>
<td>~1.2</td>
<td>~2.4</td>
<td>~0.6</td>
<td>~0.2</td>
<td>~0.0</td>
</tr>
</tbody>
</table>

**Dividends**

**EUR per share**

<table>
<thead>
<tr>
<th>Year</th>
<th>2011 - 2013</th>
<th>2014 - 2017</th>
<th>2018</th>
<th>2019 (^3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividend</td>
<td>0.75</td>
<td>0.80</td>
<td>0.85</td>
<td>0.85</td>
</tr>
</tbody>
</table>

**Share repurchase**

**EUR billion**

<table>
<thead>
<tr>
<th>Year</th>
<th>2011 - 2013</th>
<th>2013 - 2016</th>
<th>2017 - 2021 (^4)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Repurchase</td>
<td>2.0</td>
<td>1.5</td>
<td>3.0</td>
</tr>
</tbody>
</table>

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\(^1\) Organic ROIC excludes acquisitions over a five years period, pension settlements in Q4 2015 and significant one-time tax charges and benefits; ROIC % = LTM EBITA/ 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; 

\(^3\) In June 2020, the extraordinary general meeting of shareholders approved the proposal to declare a distribution of EUR 0.85 per common share against the net income for 2019, in shares only; 

\(^4\) 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.
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</tr>
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Q2 2020 financial performance highlights

- Comparable order intake increased 27%
- Adjusted EBITA margin was 9.5% of sales, compared to 11.8% of sales in Q2 2019
- Income from operations amounted to EUR 229 million, compared to EUR 350 million in Q2 2019
- Adjusted EPS amounted to EUR 0.35, compared to EUR 0.42 in Q2 2019
- Free cash flow increased to EUR 311 million, compared to EUR 174 million in Q2 2019

<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>1,919</td>
<td>(9)%</td>
<td>8.6%</td>
<td>12.2%</td>
</tr>
<tr>
<td>Connected Care</td>
<td>1,322</td>
<td>14%</td>
<td>17.8%</td>
<td>21.8%</td>
</tr>
<tr>
<td>Personal Health</td>
<td>1,069</td>
<td>(19)%</td>
<td>5.6%</td>
<td>9.6%</td>
</tr>
<tr>
<td>Other</td>
<td>84</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Philips</td>
<td>4,395</td>
<td>(6)%</td>
<td>9.5%</td>
<td>15.2%</td>
</tr>
</tbody>
</table>
Order intake and book

Comparable order intake growth

Indexed order book development

Typical profile of order book conversion to sales

- Approximately 70% of the current order book converted into sales within the next 12 months
- Order book is a leading indicator for approximately 40% of Group sales

1 Includes equipment and software orders in Diagnosis & Treatment, Connected Care and Innovation businesses adjusted for acquisitions and divestments, and currency; 2 The comparative figures have been restated: effective Q1 2020 Philips has simplified its order intake policy by aligning the order booking criteria for all equipment modalities to an 18 month-time horizon from order to revenue. Concurrently, Philips has aligned its order booking criteria for software contracts to the same 18 month-horizon, compared to the full contract value that was recognized under the previous policy.
Adjusted EBITA margin\(^1\) bridge Q2 2020

as a % of sales

\[\begin{array}{cccccccc}
\text{Adj. EBITA} & \text{Volume} & \text{Gross margin} & \text{Cost reduction} & \text{Price erosion} & \text{Inflation} & \text{Other}^{2} & \text{COVID-19} & \text{Adj. EBITA} \\
\text{Q2 2019} & 11.8\% & 1.0\% & 1.9\% & 0.5\% & (1.0\%) & (1.1\%) & (3.6\%) & 9.5\% \\
\end{array}\]

\(^1\) Excluding restructuring costs, acquisition-related charges and other one-time charges and gains; \(^2\) Includes tariffs and other
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.
Appendix
# Restructuring, acquisition-related charges, and other items

<table>
<thead>
<tr>
<th>EUR million</th>
<th>Q1 19</th>
<th>Q2 19</th>
<th>Q3 19</th>
<th>Q4 19</th>
<th>2019</th>
<th>Q1 20</th>
<th>Q2 20</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Diagnosis &amp; Treatment</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restructuring &amp; Acq.-related charges</td>
<td>(30)</td>
<td>(41)</td>
<td>(47)</td>
<td>(106)</td>
<td>(222)</td>
<td>(76)</td>
<td>59</td>
</tr>
<tr>
<td>Other items</td>
<td>(27)</td>
<td>(37)</td>
<td>(20)</td>
<td>(66)</td>
<td>(149)</td>
<td>(43)</td>
<td>62</td>
</tr>
<tr>
<td><strong>Connected Care</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Other items</td>
<td>(29)</td>
<td>(32)</td>
<td>(27)</td>
<td>(44)</td>
<td>(131)</td>
<td>(31)</td>
<td>(31)</td>
</tr>
<tr>
<td><strong>Personal Health</strong></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Other items</td>
<td>(29)</td>
<td>(32)</td>
<td>(27)</td>
<td>(44)</td>
<td>(131)</td>
<td>(31)</td>
<td>(31)</td>
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<tr>
<td><strong>Other</strong></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Restructuring &amp; Acq.-related charges</td>
<td>(26)</td>
<td>(29)</td>
<td>(17)</td>
<td>(22)</td>
<td>(43)</td>
<td>(2)</td>
<td>(20)</td>
</tr>
<tr>
<td>Other items</td>
<td>(26)</td>
<td>(29)</td>
<td>(17)</td>
<td>(22)</td>
<td>(43)</td>
<td>(2)</td>
<td>(20)</td>
</tr>
<tr>
<td><strong>Philips</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restructuring costs</td>
<td>(50)</td>
<td>(109)</td>
<td>(114)</td>
<td>(198)</td>
<td>(471)</td>
<td>(117)</td>
<td>(30)</td>
</tr>
<tr>
<td>Acquisition related charges</td>
<td>(39)</td>
<td>(66)</td>
<td>(35)</td>
<td>(109)</td>
<td>(249)</td>
<td>(39)</td>
<td>(44)</td>
</tr>
<tr>
<td>Other items</td>
<td>(32)</td>
<td>(16)</td>
<td>(12)</td>
<td>(9)</td>
<td>(69)</td>
<td>(23)</td>
<td>(73)</td>
</tr>
</tbody>
</table>

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

1. Mainly related to the consent decree focused on the defibrillator manufacturing in the US; 2. Gains related to divestments and asset disposals; 3. Charges related to litigation provisions; 4. Includes a value adjustment of capitalized development costs; 5. Provision related to legal matters; 6. Includes gain related to release of a contingent consideration liability; 7. Inventory valuation charges resulting from deployment of new systems; 8. Includes separation costs related to Domestic Appliances business.
## Capital expenditures, Depreciation and Amortization

<table>
<thead>
<tr>
<th>EUR million</th>
<th>Q2 2019</th>
<th>Q2 2020</th>
<th>FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital expenditures on property, plant and equipment</td>
<td>116</td>
<td>130</td>
<td>518</td>
</tr>
<tr>
<td>Capitalization of development costs</td>
<td>123</td>
<td>109</td>
<td>460</td>
</tr>
<tr>
<td>Depreciation</td>
<td>151</td>
<td>173</td>
<td>645</td>
</tr>
<tr>
<td>Amortization of acquired intangible assets</td>
<td>91</td>
<td>159</td>
<td>350</td>
</tr>
<tr>
<td>Amortization of software</td>
<td>18</td>
<td>21</td>
<td>75</td>
</tr>
<tr>
<td>Amortization of development costs</td>
<td>59</td>
<td>58</td>
<td>332</td>
</tr>
<tr>
<td><strong>Depreciation and amortization</strong></td>
<td><strong>319</strong></td>
<td><strong>411</strong></td>
<td><strong>1,402</strong></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 5.0 billion
- Maturities up to 2042
- Average tenor of long-term debt is 8.9 years
- No financial covenants
- In March 2020 Philips issued a EUR 500 million 1.375% fixed rate Sustainability Innovation bond due 2025 and a EUR 500 million 2.000% fixed rate bond due 2030
- In Q2 2020 Philips entered into EUR 493 million of forward transactions as part of the share buyback program for capital reduction purposes with settlement dates extending into the second half of 2021

Debt maturity profile as per 30 June 2020

- Long-term debt
- Short-term debt
- Unutilized standby & other committed facilities
- Forward share repurchases

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
<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>September 9</td>
<td>Goldman Sachs - European Medtech and Healthcare Services Conference</td>
</tr>
<tr>
<td>September 9</td>
<td>Kepler Cheuvreux Autumn Conference (ESG)</td>
</tr>
<tr>
<td>September 15</td>
<td>Morgan Stanley - Virtual Global Healthcare Conference</td>
</tr>
<tr>
<td>September 17</td>
<td>Bank of America - Global Healthcare Conference</td>
</tr>
<tr>
<td>September 23-24</td>
<td>Alliance Bernstein - Pan European Strategic Decisions Conference</td>
</tr>
<tr>
<td>October 19</td>
<td>Third quarter results 2020</td>
</tr>
</tbody>
</table>

**Contact us**

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