Royal Philips
Second quarter and semi-annual 2021 results

July 26, 2021
innovation + you
Important information

Forward-looking statements and other important information

This document and the related oral presentation, including responses to questions following the presentation, contain certain forward-looking statements with respect to the financial condition, results of operations and business of Philips and certain of the plans and objectives of Philips with respect to these items. Examples of forward-looking statements include: statements made about the strategy; estimates of sales growth; future Adjusted EBITA; future restructuring, acquisition-related and other costs; future developments in Philips’ organic business; and the completion of acquisitions and divestments. By their nature, these statements involve risk and uncertainty because they relate to future events and circumstances and there are many factors that could cause actual results and developments to differ materially from those expressed or implied by these statements.

These factors include but are not limited to: changes in industry or market circumstances; economic and political developments; market and supply chain disruptions due to the COVID-19 outbreak; Philips’ increasing focus on health technology; the realization of Philips’ growth ambitions and results in growth geographies; successful completion of divestments such as the divestment of our Domestic Appliances businesses; lack of control over certain joint ventures; integration of acquisitions; securing and maintaining Philips’ intellectual property rights and unauthorized use of third-party intellectual property rights; compliance with quality standards, product safety laws and good manufacturing practices; exposure to IT security breaches, IT disruptions, system changes or failures; supply chain management; ability to create new products and solutions; attracting and retaining personnel; financial impacts from Brexit; compliance with regulatory regimes, including data privacy requirements; governmental investigations and legal proceedings with regard to possible anticompetitive market practices and other matters; business conduct rules and regulations; treasury risks and other financial risks; tax risks; costs of defined-benefit pension plans and other postretirement plans; reliability of internal controls, financial reporting and management process. As a result, Philips’ actual future results may differ materially from the plans, goals and expectations set forth in such forward-looking statements. For a discussion of factors that could cause future results to differ from such forward-looking statements, see also the Risk management chapter included in the Annual Report 2020.

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

Third-party market share data

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

Use of non-IFRS Information

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

Use of fair-value measurements

In presenting the Philips Group’s financial position, fair values are used for the measurement of various items in accordance with the applicable accounting standards. These fair values are based on market prices, where available, and are obtained from sources that are deemed to be reliable. Readers are cautioned that these values are subject to changes over time and are only valid at the balance sheet date. When quoted prices or observable market data are not readily available, fair values are estimated using appropriate valuation models and unobservable inputs. Such fair value estimates require management to make significant assumptions with respect to future developments, which are inherently uncertain and may therefore deviate from actual developments. Critical assumptions used are disclosed in the Annual Report 2020. In certain cases independent valuations are obtained to support management’s determination of fair values.

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

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1. Company overview and strategy
Our purpose is to improve people’s health and well-being through meaningful innovation, positively impacting 2 billion lives per year by 2025
Philips continues on its journey to HealthTech leadership, accelerating growth and delivering margin improvement.

**Growth profile** (Comparable sales growth)
- **2011**: Low-single-digit
- **2020**: 4-6%
- **2025**: 5-6%

**Margin profile** (Adjusted EBITA)
- **2011**: ~5%
- **2020**: ~13%
- **2025**: 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

All forward-looking statements exclude Domestic Appliances as Philips has signed an agreement to sell the business to Hillhouse Capital and expects to complete the transaction in Q3 2021.
Our strategy to lead in health technology

- **Innovative solutions** that deliver on the **Quadruple Aim** for providers and consumers, along the health continuum

- Smartly combining **systems, devices, informatics, data and services**

- **Consultative customer partnerships** and recurring-revenue business models with superior customer service

- Building on organic **growth in the core**, complemented by synergistic M&A

- **Philips Business System** driving operational excellence, quality and an integrated approach to customers
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**

**Providers**
- 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

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

**Governments**
- Strengthened regional final assembly hubs
- Increased localized solutions, e.g. in China
- Regional hosting of health data
Royal Philips
EUR 17.3 billion sales and Adjusted EBITA of 13.2% in 2020

Global footprint¹

<table>
<thead>
<tr>
<th>Region</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>39%</td>
</tr>
<tr>
<td>Western Europe</td>
<td>22%</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, ~59,000 patents rights, ~31,000 trademarks
- More than half of R&D personnel in software and data science
- >40% of sales from solutions, growing double-digit
- ~77,000 employees in over 100 countries

1. All figures based on Q2 2021 last twelve months (LTM) unless stated otherwise
2. Growth geographies consist of all geographies excluding USA, Canada, Western Europe, Australia, New Zealand, South Korea, Japan and Israel
We have a strong and focused portfolio, driving innovative solutions that promote health and improve healthcare delivery

FY 2020

**Diagnosis & Treatment**
47% of sales

**Image-Guided Therapy**
Innovate minimally invasive procedures in a growing number of therapeutic areas with significantly better outcomes and productivity

**Connected Care**
32% of sales

**Personal Health**
18% of sales

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

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

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

Performance trajectory 2021-2025\(^1\)

- **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

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1. Philips expects to deliver low-to-mid-single-digit comparable sales growth for the Group in 2021, with an Adjusted EBITA margin improvement of 60bps.
   Note: HealthTech Other accounts for 2% of sales
### Businesses aligned with customer needs

#### Focus areas

<table>
<thead>
<tr>
<th>Products and solutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Precision diagnosis</td>
</tr>
<tr>
<td>• Treatment selection and planning</td>
</tr>
<tr>
<td>• Image-guided minimally invasive therapy</td>
</tr>
<tr>
<td>• Diagnostic imaging and ultrasound</td>
</tr>
<tr>
<td>• Digital and computational pathology</td>
</tr>
<tr>
<td>• Informatics for Radiology, Oncology, Cardiology</td>
</tr>
<tr>
<td>• Interventional imaging, navigation and devices</td>
</tr>
<tr>
<td>• Services (managed services, consultancy, etc.)</td>
</tr>
</tbody>
</table>

#### Connected Care

<table>
<thead>
<tr>
<th>Products and solutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Patient care and workflow management</td>
</tr>
<tr>
<td>• Population health management</td>
</tr>
<tr>
<td>• Chronic disease management</td>
</tr>
<tr>
<td>• Telehealth, patient monitoring and analytics</td>
</tr>
<tr>
<td>• Hospital and clinical informatics platforms</td>
</tr>
<tr>
<td>• Emergency care and resuscitation</td>
</tr>
<tr>
<td>• Sleep, breathing and respiratory care</td>
</tr>
<tr>
<td>• Managed services</td>
</tr>
</tbody>
</table>

#### Personal Health

<table>
<thead>
<tr>
<th>Products and solutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Healthy living and prevention</td>
</tr>
<tr>
<td>• Personal care</td>
</tr>
<tr>
<td>• Digital consumer engagement</td>
</tr>
<tr>
<td>• Oral care</td>
</tr>
<tr>
<td>• Mother and child care</td>
</tr>
<tr>
<td>• Male grooming and beauty</td>
</tr>
<tr>
<td>• Services (re-ordering, support, coaching, etc.)</td>
</tr>
</tbody>
</table>

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As announced in March 2021, Philips has signed an agreement to sell its Domestic Appliances business to Hillhouse Capital. The transaction is expected to be completed in Q3 2021.
Winning propositions
>65% of sales from leadership positions

| Diagnosis & Treatment | Ultrasound  
Global leader | Image-guided therapy systems  
Global leader | Image-guided therapy devices  
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

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

## Our 3 imperatives

### Better serve customers and improve quality
- Deliver the best customer experience and quality
- Leverage our digital enterprise platform
- Improve productivity

### Boost growth in core business
- Innovate to extend category leadership
- Capture geographic growth
- Increase customer share through consultative partnerships

### Win with solutions
- Drive integrated solutions that deliver on the Quadruple Aim
- Adopt/drive data and AI at scale
- Add portfolio adjacencies (organic, M&A, partnerships)

## Key drivers

### Delivering
- More lives improved
- Higher customer NPS
- Market share expansion
- Revenue growth
- Margin growth
- Free cash flow generation
- Organic ROIC
- ESG leader
- Value creation

## Our behaviors:
- Customers first
- Quality and integrity always
- Team up to win
- Take ownership to deliver fast
- Eager to improve and inspire
Our integrated solutions deliver on the Quadruple Aim
>40% of sales from solutions & recurring revenues

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

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

**Addressing the Quadruple Aim:**
- Better health outcomes
- Improved patient experience
- Improved staff experience
- Lower cost of care
Pivot to consultative customer partnerships and services business models

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

**Built on:**
- Common goals
- Joint commitment
- Outcome-focused business models
- Continuous improvement
- Collaborative innovation

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

**Recent deals:**
Committed to doing business responsibly and sustainably
We have raised our ESG commitments towards 2025

<table>
<thead>
<tr>
<th>Health and well-being for all</th>
<th>Circular economy</th>
<th>Climate action</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Improve health &amp; well-being of 2 billion people through innovation</td>
<td>• 25% of revenue from circular offerings</td>
<td>• Reduce CO₂ emissions in line with 1.5 °C global warming scenario</td>
</tr>
<tr>
<td>• Enable access to care for 300 million people in underserved communities</td>
<td>• Trade-in all professional-medical equipment</td>
<td>• 100% of electricity &amp; &gt;75% of total energy consumption from renewable sources</td>
</tr>
<tr>
<td>• Zero waste to landfill</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**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
Our experienced and passionate executive team

1. All geographies excluding North America and Greater China; 2. Philips has signed an agreement to sell the Domestic Appliances business to Hillhouse Capital and expects the transaction to be completed in Q3 2021.
2. Financial outlook 2021-2025
Continued 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. Philips expects to deliver low-to-mid-single-digit comparable sales growth for the Group in 2021, with an Adjusted EBITA margin improvement of 60 bps
Indicative growth acceleration drivers

- Prior CSG profile: 4.5%
- Increased share high-growth businesses: 0.3%
- Improvement in low-growth businesses: 0.2%
- Telehealth and informatics: 0.2%
- Services: 0.3%
- Prior M&A contribution: 0.2%
- Risk: 0.2%
- Projected CSG: 5-6%

90% of sales

>5% CSG

Low-growth

10%
Indicative annual Adjusted EBITA improvement drivers

- **Volume:**
  - New product introduction
  - Geographic expansion
  - Solutions
  - Prior M&A

- **Gross margin:**
  - 1.2%

- **Cost reduction:**
  - Innovation
  - Mix (e.g. high-margin businesses, solutions)
  - Supply chain productivity
  - Procurement savings
  - 0.3%

- **Price erosion:**
  - R&D productivity
  - Upgraded IT backbone
  - GBS and RPA
  - Real estate, remote servicing, travel
  - 1.0%

- **Inflation:**
  - 1.1%

- **Average annual improvement:**
  - 60-80 bps
## Driving EUR 2 billion productivity through 2025

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
</table>
| **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  |
| EUR 900 - 1100 million |                                                                                                 |
| **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  |
| EUR 500 - 700 million |                                                                                                 |
| **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)  |
| EUR 400 - 500 million |                                                                                                 |

Restructuring cost run-rate expected to be 40-50 bps starting 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%&lt;sup&gt;1&lt;/sup&gt;</td>
<td></td>
</tr>
<tr>
<td>Disciplined capital allocation</td>
<td>Maintain current investment grade credit rating</td>
<td>Effective tax rate 24-26%&lt;sup&gt;2&lt;/sup&gt;</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 7.4 billion invested in M&A since 2015
- Disciplined but more active approach

Dividend stability

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

Share buy-backs

- Over EUR 4.5 billion since 2015
- Continuing to evaluate periodically

Total shareholder return since 2016¹,²

<table>
<thead>
<tr>
<th></th>
<th>Royal Philips</th>
<th>TSR peer group</th>
<th>EURO STOXX 50</th>
</tr>
</thead>
<tbody>
<tr>
<td>+100%</td>
<td>+114%</td>
<td>45%</td>
<td></td>
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</table>

¹. As of market close July 23, 2021; ². TSR peer index includes companies as described in the Philips Annual Report 2020
Balanced capital allocation policy

**Organic Return on Invested Capital**

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<tbody>
<tr>
<td>ROIC</td>
<td>16.2%</td>
<td>16.3%</td>
<td>15.0%</td>
<td>16.4%</td>
<td>14.3%</td>
<td>13.3%</td>
<td>15.5%</td>
</tr>
</tbody>
</table>

WACC: 6.9%

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**Mergers & Acquisitions**

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<tbody>
<tr>
<td>EUR billion</td>
<td>~3.6</td>
<td>~0.6</td>
<td>~0.2</td>
<td>~0.2</td>
<td>~2.8</td>
</tr>
</tbody>
</table>

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**Dividends**

<table>
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</thead>
<tbody>
<tr>
<td>EUR per share</td>
<td>0.80</td>
<td>0.85</td>
<td>0.85</td>
<td>0.85</td>
<td>0.85</td>
</tr>
</tbody>
</table>

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**Share repurchase**

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</thead>
<tbody>
<tr>
<td>EUR billion</td>
<td>1.5</td>
<td>1.5</td>
<td>1.5</td>
<td>1.5</td>
</tr>
</tbody>
</table>

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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 in 2019 includes value adjustments of capitalized development costs and the impact of IFRS 16 lease accounting standard; 3. On July 26, 2021 Philips announced a new share buyback program for up to EUR 1.5 billion, expected to start in Q3 2021 and be completed within three years.
3. Financial performance in the quarter
Q2 2021 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>2,117</td>
<td>16%</td>
<td>13.2%</td>
<td>16.5%</td>
</tr>
<tr>
<td>Connected Care</td>
<td>1,182</td>
<td>-16%</td>
<td>11.3%</td>
<td>14.6%</td>
</tr>
<tr>
<td>Personal Health</td>
<td>827</td>
<td>33%</td>
<td>17.0%</td>
<td>20.4%</td>
</tr>
<tr>
<td>Other</td>
<td>104</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Philips</td>
<td>4,230</td>
<td>9%</td>
<td>12.6%</td>
<td>18.0%</td>
</tr>
</tbody>
</table>

- Comparable order intake decreased 15%, with strong double-digit growth in the Diagnosis & Treatment businesses and a decline in the Connected Care businesses on the back of 167% growth in Q2 2020
- Income from continuing operations decreased to EUR 65 million, due to the impact of a EUR 250 million provision related to a field action to address a component issue. Income from continuing operations was EUR 195 million in Q2 2020
- Adjusted EBITA margin increased to 12.6% of sales, compared to 9.8% of sales in Q2 2020
- Free cash flow was EUR 167 million, compared to EUR 212 million in Q2 2020
Order intake and book

Comparable order intake growth$^{1,2}$

Indexed order book development

Typical profile of order book conversion to sales

- Approximately 65% 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

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 Q2 2021

### as a % of sales

<table>
<thead>
<tr>
<th>Component</th>
<th>Adj. EBITA Q2 2020</th>
<th>Volume</th>
<th>Gross margin</th>
<th>Cost reduction</th>
<th>Price erosion</th>
<th>Inflation</th>
<th>Other (^2)</th>
<th>Adj. EBITA Q2 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>9.8%</td>
<td>2.2%</td>
<td>1.8%</td>
<td>0.4%</td>
<td>(1.0%)</td>
<td>(1.1%)</td>
<td>0.5%</td>
<td>12.6%</td>
</tr>
</tbody>
</table>

1. Excluding restructuring costs, acquisition-related charges and other one-time charges and gains; 2. Includes currency effects 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
Sleep and respiratory care field action update
Mobilized the necessary resources to address component issue

<table>
<thead>
<tr>
<th>Key Area</th>
<th>Actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regulatory</td>
<td>• Still conducting further research and tests to better scope the possible patient risk</td>
</tr>
<tr>
<td></td>
<td>• Field safety notice approved by all major competent authorities</td>
</tr>
<tr>
<td></td>
<td>• Repair and replacement action plan submitted for all major countries</td>
</tr>
<tr>
<td></td>
<td>• Awaiting approvals for repair and replace actions</td>
</tr>
<tr>
<td>Field action</td>
<td>• Dedicated patient and customer support centers and device registration process; more than 2.2 million active device registrations to date</td>
</tr>
<tr>
<td></td>
<td>• Comprehensive communications and outreach program; clinical information package published addressing physician questions</td>
</tr>
<tr>
<td></td>
<td>• First batches DS2 replacement devices and DS1 repair kits shipped</td>
</tr>
<tr>
<td></td>
<td>• Ramping up capacity to 55K units in Q3 (2x original capacity), up to 80k/units a week in Q4 (3x)</td>
</tr>
</tbody>
</table>
Different regulators have made their own interpretation of the field safety notice, also weighing the patient risks and benefits

<table>
<thead>
<tr>
<th>Regulator recommendation</th>
<th>Examples Markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Patients are advised to discontinue use of the device and work with clinician to determine the most appropriate options for continued treatment. To continue use of the device, patients are advised to consult with their physician to determine if the benefit of continuing therapy outweighs the possible health risks.</td>
<td>US, Canada, China, South Korea, Israel, Chile</td>
</tr>
<tr>
<td>Patients are advised to seek the consultation of their clinician before making any changes to their prescribed therapy and determine if the benefit of continuing therapy outweighs the possible health risks.</td>
<td>European Union, UK, Japan, Brazil, Mexico, Australia</td>
</tr>
</tbody>
</table>
Appendix
## Restructuring, acquisition-related charges, and other items

<table>
<thead>
<tr>
<th>EUR million</th>
<th>Q1 20</th>
<th>Q2 20</th>
<th>Q3 20</th>
<th>Q4 20</th>
<th>2020</th>
<th>Q1 21</th>
<th>Q2 21</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>(76)</td>
<td>59</td>
<td>(67)</td>
<td>(29)</td>
<td>(112)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other items</td>
<td>(43)</td>
<td>62$^1$</td>
<td>(23)</td>
<td>(25)</td>
<td>(29)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restructuring &amp; Acq.-related charges</td>
<td>(33)$^2$</td>
<td>(3)</td>
<td>(44)$^3$</td>
<td>(3)</td>
<td>(83)</td>
<td></td>
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</tr>
<tr>
<td>Connected Care</td>
<td></td>
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<td></td>
<td></td>
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</tr>
<tr>
<td>Restructuring &amp; Acq.-related charges</td>
<td>(31)</td>
<td>(31)</td>
<td>(115)</td>
<td>(32)</td>
<td>(209)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other items</td>
<td>(11)</td>
<td>(14)</td>
<td>(29)</td>
<td>(43)</td>
<td>(97)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restructuring &amp; Acq.-related charges</td>
<td>(20)$^4$</td>
<td>(17)$^4$</td>
<td>(86)$^2$, 4, 5</td>
<td>11$^4$</td>
<td>(112)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personal Health</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>(7)</td>
<td>(35)</td>
<td>(10)</td>
<td>(3)</td>
<td>(55)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other items</td>
<td>(7)</td>
<td>(11)</td>
<td>(10)</td>
<td>(3)</td>
<td>(31)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restructuring &amp; Acq.-related charges</td>
<td>(20)$^4$</td>
<td>(17)$^4$</td>
<td>(86)$^2$, 4, 5</td>
<td>11$^4$</td>
<td>(112)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</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>(2)</td>
<td>(19)</td>
<td>(37)</td>
<td>(59)</td>
<td>(117)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other items</td>
<td>(1)</td>
<td>(5)</td>
<td>(19)</td>
<td>(12)</td>
<td>(37)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restructuring &amp; Acq.-related charges</td>
<td>(1)</td>
<td>(14)$^8$</td>
<td>(19)$^8$</td>
<td>(47)$^8$, 9</td>
<td>(81)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other items</td>
<td>(1)</td>
<td>(30)$^8$</td>
<td>(75)$^8$, 10, 11</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Philips</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restructuring costs</td>
<td>(116)</td>
<td>(26)</td>
<td>(229)</td>
<td>(123)</td>
<td>(493)</td>
<td>(301)</td>
<td>(359)</td>
</tr>
<tr>
<td>Acquisition related charges</td>
<td>(38)</td>
<td>(42)</td>
<td>(61)</td>
<td>(60)</td>
<td>(200)</td>
<td>(19)</td>
<td>(21)</td>
</tr>
<tr>
<td>Other items</td>
<td>(23)</td>
<td>73</td>
<td>(20)</td>
<td>(25)</td>
<td>6</td>
<td>(11)</td>
<td>(24)</td>
</tr>
<tr>
<td>Restructuring costs</td>
<td>(55)</td>
<td>(58)</td>
<td>(148)</td>
<td>(38)</td>
<td>(299)</td>
<td>(292)</td>
<td>(314)</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>Q2 2020</th>
<th>Q2 2021</th>
<th>FY 2019</th>
<th>FY 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital expenditures on property, plant and equipment</td>
<td>124</td>
<td>78</td>
<td>486</td>
<td>485</td>
</tr>
<tr>
<td>Capitalization of development costs</td>
<td>108</td>
<td>90</td>
<td>451</td>
<td>418</td>
</tr>
<tr>
<td>Depreciation</td>
<td>165</td>
<td>148</td>
<td>611</td>
<td>691</td>
</tr>
<tr>
<td>Amortization of acquired intangible assets</td>
<td>159</td>
<td>67</td>
<td>344</td>
<td>377</td>
</tr>
<tr>
<td>Amortization of software</td>
<td>19</td>
<td>23</td>
<td>66</td>
<td>76</td>
</tr>
<tr>
<td>Amortization of development costs</td>
<td>56</td>
<td>96</td>
<td>323</td>
<td>319</td>
</tr>
<tr>
<td>Depreciation and amortization$^1$</td>
<td>398</td>
<td>333</td>
<td>1,343</td>
<td>1,462</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 6.8 billion
• Maturities up to 2042
• Average tenor of long-term debt is 7.7 years
• No financial covenants

Debt maturity profile as per 30 June 2021

EUR million

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

**September 8-9**  Goldman Sachs European Medtech and Healthcare Services conference
**September 15**  Bank of America Global Healthcare conference
**September 22**  Bernstein Strategic Decisions conference
**October 7**  Societe Generale ESG/SRI conference
**October 18**  Third quarter 2021 results

**Contact us**
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