Second quarter 2022 results & 2025 performance trajectory

July 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
<table>
<thead>
<tr>
<th>Table of Content</th>
<th>Page</th>
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<tbody>
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<td>Financial performance in the quarter and full-year outlook</td>
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<td>Taking actions to improve performance</td>
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</tbody>
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Financial performance in the quarter and full-year outlook
## Q2 2022 performance summary

<table>
<thead>
<tr>
<th></th>
<th>Sales EUR million</th>
<th>Comparable growth</th>
<th>Adj. EBITA margin</th>
<th>Adj. EBITDA margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diagnosis &amp; Treatment</td>
<td>2,157</td>
<td>(4)%</td>
<td>6.2%</td>
<td>9.4%</td>
</tr>
<tr>
<td>Connected Care</td>
<td>1,060</td>
<td>(13)%</td>
<td>1.1%</td>
<td>6.9%</td>
</tr>
<tr>
<td>Personal Health</td>
<td>831</td>
<td>(5)%</td>
<td>12.4%</td>
<td>15.6%</td>
</tr>
<tr>
<td>Other</td>
<td>128</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Philips</td>
<td>4,177</td>
<td>(7)%</td>
<td>5.2%</td>
<td>11.0%</td>
</tr>
<tr>
<td>Philips (excl. China)</td>
<td>3,714</td>
<td>(3)%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Sales of **EUR 4.2 billion**, a 7% comparable decline, on the back of 9% growth in Q2 2021; 3% decline excluding China
- **Significant impact from China lockdowns**: sales and order intake down by ~30% in China, production in some of our factories and those of our suppliers suspended for two months
- **Solid demand for our innovations**: order intake grew 1%; excluding China, order intake grew 6%
- Adjusted EBITA of **5.2% of sales**, compared to 12.6% in Q2 2021, caused mainly by lower volumes and inflation
- Operating cash **outflow of EUR 306 million**, mainly due to temporarily higher inventories
### Business highlights Q2 2022

#### Group Highlights
- 19 new long-term partnerships, including agreement with Rijnstate hospital to deliver wide range of advanced ultrasound and 10-year advanced enterprise monitoring agreement with large German hospital
- Achieved score of 91 out of 100 in S&P Global Ratings’ ESG assessment – the highest score awarded to date
- Further optimized debt maturity profile

#### Diagnosis & Treatment
- Sales (4)% on the back of +16% in Q2 2021, impacted by supply shortages
- Orders +3% on the back of +29% in Q2 2021, with growth across all businesses
- FDA 510(k) for new MR 7700 3.0T system
- Helium-free Ambition MR approved in China
- Positive results from Tack Optimized Balloon Angioplasty below-the-knee trial

#### Connected Care
- Sales (13)%, mainly due to the Respironics recall and supply shortages
- Orders (2)% due to high comps; robust demand for Monitoring and Informatics
- Philips Respironics has produced 3 million repair kits and replacement devices to date
- Encouraging Dreamstation1 testing results

#### Personal Health
- Sales (5)% on the back of +33% in Q2 2021, impacted by lower sales in China and Russia
- Double-digit growth in North America
- Launched first on-the-go shaver in China, targeting Gen X and millennial consumers
Solid order growth and all-time high orderbook\textsuperscript{1,2}

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
Q2 2022 Adj. EBITA margin impacted by lower volumes and cost, partly offset by pricing and productivity

- Comparison base (Recall + Covid-19 generated demand)
- Supply shortages
- Lower China, Russia

Lower volume and factory coverage:

Cost headwinds:

- Component & freight
- Wage inflation

Pricing and productivity:

- Pricing actions
- Productivity

Adj. EBITA Q2 2021: 12.6%
Adj. EBITA Q2 2022: 5.2%
Actions on productivity, pricing, and supply chain resilience expected to deliver growth and profit improvement in H2 2022

Comparable sales growth

- Continue to be affected by the geopolitical and supply chain headwinds, inflation, and the uncertainty around COVID
- Expect to resume growth trajectory in third quarter, resulting in 6-9% CSG in H2 2022
- Full year sales ~EUR 500 million below January guidance driven by lower sales in China, Russia and supply shortages, after mitigation
- Adj. EBITA margin ~10% in full year as pricing and productivity measures will contribute to profitability in H2 2022; Continue to see significant cost inflation
Taking actions to improve performance
We are working consistently on three strategic imperatives to drive growth & profitability...

<table>
<thead>
<tr>
<th>Imperatives</th>
<th>Key elements</th>
</tr>
</thead>
</table>
| 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 |

Customers first | Patient safety, quality, and integrity always  
Team up to win | Take ownership to deliver fast | Eager to improve and inspire
...making progress on many of our imperatives...

<table>
<thead>
<tr>
<th>Better serve customers and improve quality</th>
<th>Net Promoter Score (NPS)</th>
<th>Ratings and Reviews</th>
<th>Avg. # of observations per FDA inspection</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>+8 pp 2018-21</td>
<td>+53 pp 2018-21</td>
<td>0.7 in 2022 YTD vs 2.2 in 2018</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Boost growth in core business</th>
<th>Health Systems Market Share</th>
<th>Equip. Orders On Hand (EUR billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>+0.5 pp 2018-21</td>
<td>7.1 in 2021 vs 5.2 in 2018</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Win with solutions</th>
<th>% Solutions revenue</th>
<th>% of recurring revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>46% in 2021 vs. 35% in 2018</td>
<td>37% in 2021 vs. 32% in 2018</td>
</tr>
</tbody>
</table>

1. Percentage of our (selected/prioritized) products have a rating higher than 4.3 (out of 5) and at least 15 reviews; 2. Excluding Domestic appliances; 3. Excluding SRC, IGT-D, AMI, TPS, HTS, AMD, DEGG and RPM, for Health Systems only – FX ’21 as per Mar ’22; Note: KPI timelines differ due to change in KPI calculation scope.
... and doing business responsibly and sustainably...

- **Carbon-neutral** in our operations since 2020
- Partnering with customers and suppliers to reduce CO₂ emissions across entire chain in line with a 1.5 °C global warming scenario
- **Circular revenues up from 16% to 25% of sales by 2025**
- **2 billion lives improved by our products and services by 2025**, including 300 million in underserved communities

**ESG ratings & recognition**

- Scored 91/100 in the ESG assessment (highest score to date) ranking
- First Dutch company ranked among the world’s top 15 best reputation companies in 2021 and again in 2022
- Included in CDP’s ‘A List’ for the 9th consecutive year
- #2 ranking in industry group
... while stepping-up actions to improve performance and overcome headwinds and continuing to drive growth

**Better serve customers and improve quality**
- Positive Customer NPS trend
- Positive Consumer satisfaction
- Quality trend up; addressing recalls
- Challenging margins and costs

**Boost growth in core business**
- Supply chain issues
- Regulations affect China growth
- Global order book growth
- Market share gains

**Win with solutions**
- Success in Customer partnerships
- Strong solutions growth
- Recurring revenue growth
- Accelerating informatics growth

**Status**

**Updates provided today:**
1. Complete Philips Respironics field action
2. Accelerating Patient Safety and Quality
3. Deploying pricing actions
4. Stepping up productivity measures
5. Strengthening Supply chain resilience
6. Accelerate China *local-for-local*
7. Driving growth through innovative solutions and customer partnerships
Progress update
Philips Respironics field action
Extensive patient, clinician and regulator engagement

- **Driving patient engagement** and registrations with new dedicated registration system and infrastructure
  - Patient outreach through mailing, call center, websites and direct contact with interest groups
  - 6.6M direct-to-patient mail notifications, 29.2M digital impressions, 10.6M patients reached via traditional media, 3.8M clinical impressions; comprehensive DME outreach
  - Met the requirements in FDA's 518(a) order and continue to report progress
  - Expect to remediate around 5.5M devices; registrations trending in line with our modelling

- **Engagement with regulators** to optimize the recall efforts, and agree priority replacement

- **Sharing progress on testing program** to ensure patients and physicians fully informed
Around 90% of the recall program units produced and shipped by end 2022

The task at hand
- Around 5.5M devices expected to be repaired or replaced
- Equivalent to over 5x previous annual production volume
- >1 thousand new product configurations released globally
- Partnering with DME’s for patient delivery

Progress to date
- Tripled production capacity compared to pre-recall
- >1,000 people cross functional team engaged
- 3M repair and replace units produced to date
- Dependency on supply of materials and global logistics capacity
Extensive test and research program continues and shows insightful results to date

- **Hundreds of tests** with long throughput time, working with certified testing labs and numerous external experts

- **Results to date for DreamStation1 devices**
  - Very low prevalence of significant visible foam degradation in the over 63k devices inspected
  - Ozone cleaning materially exacerbates foam degradation
  - Volatile organic compounds (VOC) emissions within ISO limits (devices not exposed to Ozone)
  - Foam degradation does not contribute to appreciable elevated levels of respirable particles; within ISO limits
  - Even when significant visible particulates are formed, likely to accumulate and stick inside the device

- **Biocompatibility testing** and assessment of degraded foam still on-going to fully assess potential patient risk
Philips Respironics engaged external scientific experts to conduct a systematic review

- There were thirteen identified epidemiological studies, all of which found no consistent statistical association between use of PAP devices - including Philips Respironics’ - and the risk of cancer in patients with obstructive sleep apnea (OSA)

- Two of the studies\(^1\) showed no statistical difference in cancer risk between users of Philips Respironics PAP devices and users of other brands of PAP devices

- Eleven studies provided limited additional insights, but their results also suggested no excess risk of cancer associated with use of PAP devices

- The 2022 study by Palm and others reported more frequent prescription of respiratory relief medication among patients with both OSA and obstructive lung disease, but no statistical difference in hospitalization, i.e. health outcomes, was observed for OLD among OSA patients between the users or polyurethane PAP and non-foam PAP

## Philips Respironics initial rebuild trajectory

### Market and sales outlook

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2022E</th>
<th>2025E</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sleep systems market size</strong></td>
<td>1.7</td>
<td>1.6</td>
<td>~2.1</td>
</tr>
<tr>
<td><strong>Respironics sleep systems sales</strong></td>
<td>0.7</td>
<td>0.2</td>
<td>~0.6</td>
</tr>
<tr>
<td><strong>Total Respironics sleep sales</strong></td>
<td>1.1</td>
<td>0.5</td>
<td>~1.0</td>
</tr>
<tr>
<td><strong>Total Respironics sales</strong></td>
<td>2.1</td>
<td>1.4</td>
<td>~2.1</td>
</tr>
</tbody>
</table>

### Comments

- Completion of field action by early 2023
- Gradual resumption of sales
- Substantial pent-up demand as well as un-diagnosed patients
- Adjusted EBITA margins reaching mid-teens by 2025
- Subject to consent decree
Complete Philips Respironics field action

Regulatory and legal update

• In April 2022, Philips Respironics and certain of Philips’ subsidiaries in the US received a subpoena from the US Department of Justice (DOJ) to provide information related to events leading to the Respironics recall. The relevant subsidiaries are cooperating with the agency.

• On July 18th 2022, we have received a proposed consent decree from the DOJ acting on behalf of the US Food and Drug Administration (FDA) following the inspection of certain of Philips Respironics’ facilities in the US in 2021.

• Civil complaints filed in various jurisdictions globally alleging economic loss, personal injury and the need for medical monitoring related to devices subject to the recall.

In the US, as of June 30, 2022, approximately 200 personal injury lawsuits and approximately 100 class actions have been consolidated into a multidistrict litigation (MDL) in Pennsylvania. Plaintiffs filed their consolidated economic loss complaint in June 2022, with consolidated complaints for the medical monitoring and personal injury lawsuits expected in August, followed by motions to dismiss. Formal discovery in the MDL started on July 1, 2022, and is likely to continue well into 2023, if not longer. A census registry will be established for potential personal injury plaintiffs which, towards the end of 2022, may provide a better view on the number and type of personal injury claims that may ultimately be filed. Potential bellwether cases likely not to be selected until 2023 and any bellwether trials are unlikely to occur before 2024. Given the early stages of the litigation, the additional testing and discovery (including expert discovery) to be completed, and the fact that a master personal injury complaint has not yet been filed, or tested on a motion to dismiss, it is unlikely that a reasonable estimate on potential exposure on personal injury claims can be made before the end of 2023.
Accelerating Patient Safety and Quality
Patient safety and Quality is our top priority

Being Philips

Our Quality Policy
What we do today affects someone’s life tomorrow

Placing the customer first and upholding patient safety, quality and integrity always, goes to the heart of Philips’ purpose.

This is why we:

- Design and deliver safe, effective, and reliable products, solutions and services
- Adhere to the quality management system
- Comply with applicable internal and external regulations and standards
- Take action to address internal and external concerns involving our products, solutions and services
- Practice continuous improvement in everything we do
## Accelerating Patient Safety and Quality

### Fundamental improvements driving better outcomes

<table>
<thead>
<tr>
<th>Program activities</th>
<th>Progress (2018 – 2022YTD)</th>
</tr>
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<tbody>
<tr>
<td><strong>One Philips</strong></td>
<td>107 → 75 → 32</td>
</tr>
<tr>
<td>Standardized ways of working</td>
<td>Quality Management Systems (QMS) consolidation and harmonization (2018 → 2022 → 2024)</td>
</tr>
<tr>
<td><strong>Stepping up Compliance</strong></td>
<td>0.043 → 0.017</td>
</tr>
<tr>
<td>Enterprise-wide improvements</td>
<td># of major non-conformances per Notified Body audit</td>
</tr>
<tr>
<td>Accelerate lessons learned</td>
<td></td>
</tr>
<tr>
<td><strong>Product Quality</strong></td>
<td>35%</td>
</tr>
<tr>
<td>Patient safety and quality first</td>
<td># SKU Reduction</td>
</tr>
</tbody>
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1. 2018-2021; 2. KPI established in 2021, no historical data available
Delivering for our customers
Extensive actions taken drive positive impact and increasing customer satisfaction

- Ratings & Reviews (>=15 reviews and >= 4.3 rating)
- Customer Net Promoter Score (NPS)
- Defects on Arrival (DEFOA)

Source NPS: Royal Philips, internal Market insights and analytics team
Strong capabilities and leadership: Quality & Regulatory
Deep medtech expertise, 75% renewed team in the last 2 years

- 4.4k dedicated Q&R people
- Strengthening competencies at all levels
- Increased capabilities:
  - QMS/QSR
  - Regulatory
  - Compliance
  - Post-market surveillance
  - Risk management
  - Engineering
  - Data analytics
  - Supplier quality

Francis Kim
Chief Quality and Regulatory
Quality, Regulatory, Clinical, Operations – med. devices, life sciences
Waters, Medtronic, Baxter Healthcare, Pfizer
Bolstering our leadership team with key executive hires
Enterprise-wide medical and functional expertise

- 60% of executive hires have MedTech and healthcare background
- Strengthened MedTech experience in ExCo with appointments of Shez Partovi and Wim Appelo
- Introduced Medical Office in 2016, now staffed with 300 FTEs, including 60 medical doctors
- Strengthened Operations and Supply chain organization with appointments in procurement, logistics, and engineering solutions

Shez Partovi
Chief Medical, Innovation & Strategy Officer since 2021
Joined from Amazon Web Services, Healthcare & Life Sciences
15 years practice as Neuroradiologist

Jan Kimpen
Chief Medical Officer since 2016
Joined from the University Medical Center Utrecht where he served as CEO in 2009
25 years practice as Pediatrician

Wim Appelo
Chief Operating Officer since July 2022
Prior supply chain leader in PE portfolio companies, J&J, XEROX
### Accelerating Patient Safety & Quality Program 2021-2023

Accelerating our long-standing quality commitment and meeting regulatory quality requirements

<table>
<thead>
<tr>
<th>Philips Business System and Quality Management System</th>
</tr>
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<tbody>
<tr>
<td>• Standardize and improve enterprise quality system &amp; management systems</td>
</tr>
<tr>
<td>• Reduction of legal manufacturer sites</td>
</tr>
<tr>
<td>• Compliance improvement</td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>Oversight &amp; Performance management</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Rigorous Supervisory Board Q&amp;R Committee and ExCo oversight</td>
</tr>
<tr>
<td>• Patient Safety and Quality topic 1\textsuperscript{st} in all business performance reviews</td>
</tr>
<tr>
<td>• Patient Safety Advisory Board to ensure learnings are shared cross-company</td>
</tr>
<tr>
<td>• Improved role clarity and accountability</td>
</tr>
<tr>
<td>• Rewards linked to quality</td>
</tr>
<tr>
<td>• Consequence management</td>
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<table>
<thead>
<tr>
<th>Culture</th>
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<tbody>
<tr>
<td>• Speak Up policy strengthened</td>
</tr>
<tr>
<td>• Quality and Patient Safety campaign and employee engagement activities</td>
</tr>
<tr>
<td>• Mandatory relevant trainings deployed</td>
</tr>
<tr>
<td>• Updated company values (Patient Safety, Quality and Integrity)</td>
</tr>
<tr>
<td>• Patient Safety &amp; Quality integrity week</td>
</tr>
</tbody>
</table>
### Accelerating Patient Safety & Quality Program 2021-2023 (2/2)

#### Progress to Date

**Compliance**
- 51+ QMSs self-assessments
- 1,600+ improvements
- 3rd party auditors
- 25 best practices and lessons learned sessions

Enhance compliance and audit activities

**Product quality & complaint handling**
- 21-month retrospective review of complaints data and adverse events
  - No major issues identified to date

Complaints handling optimization and transformation underway

**Global standardization**
- Global enterprise QMS & Mgmt. System
- 57 enterprise processes
- 191 roles for targeted training
- 5 essential company wide courses

Reduce legacy QMSs to 75 by end of 2022

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**External advisors – Assuring impact of our actions**

<table>
<thead>
<tr>
<th>Role</th>
<th>Description</th>
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<tbody>
<tr>
<td><strong>Regulatory Agency Interactions Advisor</strong></td>
<td>Stakeholder outreach, expert guidance on regulation, compliance, and enforcement</td>
</tr>
<tr>
<td><strong>Regulatory Legal Advisor</strong></td>
<td>Strategic program advisement and resolution of certain issues of work output</td>
</tr>
<tr>
<td><strong>Regulatory Compliance Advisor</strong></td>
<td>Work outputs assessment and verification per procedures and applicable regulatory requirements</td>
</tr>
</tbody>
</table>
Actions to improve performance
Pricing actions to address inflation

• **Personal Health**
  Mid-single digit price increase; ~4% impact over full year 2022

• **Diagnosis & Treatment and Connected Care**
  Mid-single-digit price increase; due to longer orderbook cycle and annual indexation cycle for service contracts, expect ~1% impact over full year 2022

• Full impact expected in 2023

• Further measures will be taken
### Stepping up productivity initiatives to EUR 0.5 billion per year to deliver EUR 2.0 billion in the 2022-2025 period

<table>
<thead>
<tr>
<th>Category</th>
<th>Initiatives</th>
<th>Target Range</th>
</tr>
</thead>
</table>
| Procurement               | • Dual sourcing, low-cost locations  
                          • Supplier consolidation (75% of spend at top 15 suppliers by end of 2022)  
                          • Center of excellence for value analysis & engineering                                                                                     | EUR 700 - 800 million |
| Supply chain productivity | • Manufacturing cost reduction through automation, yield improvement, utilization  
                          • Manufacturing footprint rationalization  
                          • 60% reduction in number of warehouses by 2025, consolidation of logistics providers  
                          • Services/Solution & Software delivery time to system up, digital tools, remote servicing                                             | EUR 750 - 800 million |
| R&D productivity          | • Platforms simplification: hardware modules & software platforms re-use  
                          • Footprint simplification  
                          • Project prioritization “fewer better bigger”; R&D will trend to 9-9.5% of sales                                                           | EUR 175 - 225 million |
| General Productivity      | • Head count reduction across the organization, spans and layers  
                          • Real estate optimization, future of work  
                          • Expansion of GBS and Automation (e.g., single billing entity Europe)                                                                         | EUR 375 - 425 million |

Note: Gross productivity initiatives and re-investments, before inflation
4 Stepping up productivity measures

Productivity example (1): Sustaining Engineering in India

- Center of excellence and engineering driving low-cost country sourcing, life cycle management, design for excellence

- Test & tooling industrialization and standardization
  - At supplier sites: 95% of components tested on site reducing cost of non quality
  - In house: Coils yield > 90% after new tooling designed

- Adjusting product designs to diversify sourcing of > 2,500 components

- EUR 40 million savings delivered in 2021; EUR 60 million 2022E

Started in 2020, grew to 650 engineers in 2022
Productivity example (2): Product design centers driving quality through modularization and components standardization

- **E-component**
  Ensuring longevity and reliability, first time right, and assurance of supply

- **Computer hardware and Operating systems (HW/OS):**
  Fewer, up-to-date HW/OS with enhanced cybersecurity and interoperability

- **Carts and roll stands**
  Modular design with better quality and service, consistent customer experience, at lower cost

- **Material, colors and finish**
  One palette of aesthetic materials, finishes and colors across Philips’ portfolio

- **Further initiatives**
  Identified and initiated: connectivity, batteries, monitors, power supplies

---

4 Product Design Centers, ~100 FTE, targeting EUR 120 million benefits by 2025 through:

- Up to 70% reduction in # of components
- Up to 50% reduction in # of supplier
- More than 60% reduction in HW and OS configurations
- 70% reduction of plastics grades, sustainable alternatives)
- Common end-user experience

Example: Carts
Productivity example (3): GBS drives quality, standardization and productivity; delivering > EUR 40 million annual savings

End-to-End services and process standardization

• **Finance**: Financial planning and analysis, credit and collection, cash applications, accounts payable, tax

• **Human resources**: Payroll, talent acquisition, learning & development

• **Business**: order management, billing, market intelligence, sales analytics, logistics support

• **Services and Solutions delivery**: contract management, contact center support, installed based management, site preparation and readiness

• **Other**: Continuous improvement and project management as a service, procurement/purchase to pay

Efficiency driven by process standardization and Robotics Process Automation (RPA)

```
FTE

<table>
<thead>
<tr>
<th>Year</th>
<th>2018</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,000</td>
<td>5,100</td>
</tr>
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</tbody>
</table>

2025E: Expanded scope
```
Actions to address supply chain headwinds

- Engaged with senior government officials, strategic suppliers, foundries to prioritize healthcare
- Engaged with 19 ODM\(^1\) suppliers, working component issues across all tiers of suppliers
- Diversifying sourcing of high-risk components: over 300 alternative components certified to-date
- Dedicated teams for re-spinning PCBs\(^2\) to create alternative component options
- Low-cost location dual sourcing for Magnets, IGT/CT/DXR tubes and CT detectors
- Long term contracts with strategic suppliers including logistics
- Risk mitigation program in place covering 1,500 suppliers (70% of revenue). Actions include dual sourcing, inventory builds, mobilizing spend to preferred suppliers

1. Original design manufacturers; 2. Printed circuit boards
Accelerating ‘local for local’ strategy in China

China strategy: key growth drivers

• Local manufacturing
• 3 local innovation centers, doubling R&D
• Market adapted solutions and integrated informatics
• Ecosystem partnerships: B-Soft, Digital China Health

China equipment sales originating from China manufacturing [%]

<table>
<thead>
<tr>
<th>Year</th>
<th>Global manufacturing</th>
<th>China manufacturing</th>
</tr>
</thead>
<tbody>
<tr>
<td>2022E</td>
<td>52%</td>
<td>48%</td>
</tr>
<tr>
<td>2023E</td>
<td>24%</td>
<td>76%</td>
</tr>
<tr>
<td>2024E</td>
<td>~90%</td>
<td>~90%</td>
</tr>
</tbody>
</table>

37%
Driving growth through innovative solutions and customer partnerships
We operate in a large, structurally growing and resilient HealthTech market.

**Market size**
(EUR billion, 2021-25)

- 2021
  - Diagnosis & Treatment: 27
  - Connected Care: 58
  - Personal Health: 66

- 2025E
  - Diagnosis & Treatment: 32-34
  - Connected Care: 67-71
  - Personal Health: 74-83

3-5% CAGR

**Customer needs (selection)**

**Better health outcomes**
- Better screening; first-time right diagnosis
- Support care pathways; reduce care gaps
- Minimally invasive interventions

**Lower costs, better value**
- Care orchestration
- Workflow automation
- Better technology utilization
- Clinical decision support

**Better patient experience**
- Personalized care (incl. hospital to home & telehealth)
- Growing interest from payers and governments in consumer health

**Better staff experience**
- Optimized workflows, reduced burn-out
- Contextual on the job training
- Eliminate and automate repetitive tasks
- Enable remote work
Over the last 10 years, Philips transformed into a focused HealthTech company with 70% leadership positions.
Core to our strategy is our integrated solutions approach delivering results along care continuum and quadruple aim

- Solutions – as opposed to siloed products – to deliver on the quadruple aim
- Combines innovative systems, devices, informatics, AI\(^1\)/Data interpretation and professional services
- Open informatics platforms to improve workflows
- Tie into the home and personal behavior of consumers/patients
- Increasingly based on recurring business models\(^2\)

Better health outcomes - Lower cost of care
Improved patient experience and staff experience
Growth in six solutions areas with strong customer propositions

1. Imaging Systems
   Patient & staff centered solutions that simplify workflow and deliver more precise diagnosis and clear pathways with predictable outcomes.
   Uniquely integrating best-in-class imaging with specialized devices to innovate procedures and improve lives.

2. Diagnostics & Pathway Informatics

3. Image Guided Therapy

4. Patient Monitoring & Care Management
   Patient care solutions, advanced analytics and patient and workflow optimization across all care settings.
   Therapies to support patients in their chronic care needs.

5. Sleep & Respiratory Care

6. Personal Health
   Products and services to support healthier lifestyles and disease prevention.
Software-defined imaging systems that integrate AI and workflow tools for improved diagnosis and efficiency

**MR 7700**
Precise Image AI

- Unmatched performance with efficiency in MR with AI-embedded workflow tools
- Less than 1 min patient set-up\(^1\) and reduce scan time by up to 50%\(^2\)
- up to 35% higher SNR, resulting in better image quality\(^3\)

**Ultrasound**
Collaboration Live

- Tele-ultrasound: Remotely connecting sonographers, clinical experts and patients at the point-of-care
- Overall revenue improvement by 44% by enabling tele-ultrasound capabilities\(^4\)

**Spectral CT 7500**
Magic Glass on PACS

- Enabling new diagnostic standard of care with always on Spectral CT
- 26% reduction in follow-up scans\(^5\)
- 34% decrease in overall time to diagnosis\(^5\)

---

1. For routine exams, based on in-house testing, results may vary; 2. Compared to Philips scans without Compressed SENSE; 3. In diffusion scans, compared to Ingenia Elition X; 4. Dr. Michael Ruma, Perinatal Associates of New Mexico, Journal of Ultrasound in Medicine abstract, July 2022, J Ultrasound Med 41(suppl 1):S1–S306, 202. Results of customer testimonies are not predictive of results in other cases. Results in other cases may vary; 5. Results of customer testimonies are not predictive of results in other cases. Results in other cases may vary.
Unmatched performance and efficiency with MR 7700, combining high-end capabilities with AI-embedded workflow tools

- Less than 1 min patient set-up\(^1\)
- Accelerate scan time up to 50\(^%\)\(^2\)
- Up to 35\(^%\) higher image quality\(^3\)

“The MR 7700 delivers structural clinical imaging of high quality. We experienced the largest improvement in performance in diffusion weighted imaging with a large SNR gain [...] this results in impressive image quality”

–Prof. Ljungberg Sahlgrenska University Hospital, Sweden

1. For routine exams, based on in-house testing, results may vary; 2. Compared to Philips scans without Compressed SENSE; 3. In diffusion scans, compared to Ingenia Elition X
Remotely connecting sonographers, clinical experts and patients: offering outstanding patient care with UltraSound Collaboration Live

• **Total revenue of $116k** generated with tele-ultrasound capabilities\(^1\)
• Overall revenue improved by **44%** \(^1\)
• **90%** equivalent to in-person visit \(^2\)

“[With Collaboration Live] the radiologist can be available during live scanning [...]. We can assure that each patient will still receive the best patient care, no matter which location they go to... It’s almost as if we were there in person.”

– R. Barr - Northeastern Ohio Medical University, US

1. Dr. Michael Ruma, Perinatal Associates of New Mexico, Journal of Ultrasound in Medicine abstract, July 2022, J Ultrasound Med 41(suppl 1):S1–S306, 202. Results of customer testimonies are not predictive of results in other cases. Results in other cases may vary; 2. Data on file. Based on responses from 107 participants after their consultation.
A new standard of care without compromise: Spectral CT 7500 offers spectral results ‘always on’ in 100% of the time

- **26% reduction** in follow-up scans²
- **23% increase** in diagnostic confidence¹
- **34% decrease** in overall time to diagnosis²

“Spectral Magic Glass on PACS is Philips Spectral Detector CT’s superpower. It brings spectral to the people²

– Dr. Edward Steiner, WellSpan Health

¹. In increased legion conspicuity; ². Results of customer testimonies are not predictive of results in other cases. Results in other cases may vary.
Diagnostic and Pathway informatics drives new clinical operating models dramatically improving efficiency & decision making

Radiology Operations Command Center

Image Management Workflow Orchestrator

Digital Pathology Solution

Radiology Operations Command Center enables multi-vendor, multi-site remote operations transforming image acquisition

- Generated USD 700,000 of operational savings at leading DIC¹

Image Management solution helps save time and improve reporting quality across the enterprise

- 50% productivity improvements by allocating exams to the right professional²
- 40% reduction in radiologist reporting time²

Digital Pathology: Enabling tele-pathology to dramatically boost efficiency and productivity

- Productivity gains of up to 25%³
- 19 hours saved per day through increased lab efficiency⁴

---

1. Based on revenue recaptured and costs savings across RadNet West and RadNet East, USA; 2. Results following implementation of a unified radiology workspace with enterprise disaster recovery back-up system at Campus Biomedico University Hospital, Rome, Lazio, Italy; 3. Survey of 52 pathologists, lab managers and lab technicians in Europe, 2018; 4. Results as reported in A. Baidoshvili et al. Evaluating the benefits of digital pathology implementation: Time savings in laboratory logistics. Histopathology (2018)
A unique workflow solution: multi-vendor, multi-modality, multi-site remote operations with Radiology Operations Command Center

$350k+ additional revenue per year in MRI procedure revenue\(^1\)
$60k+ per year reduction in personnel travel cost\(^2\)

“ROCC was able to help us identify a critical finding, an acute brain tumor, when a junior radiographer reached out to me from a different center for assistance with something they saw on an MRI scan. This all took place in real-time, while the patient was on the table.”

– Clinical Manager, Diagnostic Imaging Chain.

\(^1\) Based on revenue that otherwise would have been lost or deferred had it not been for ROCC (represents ROCC use at 5 locations with 6 scanners); \(^2\) Based on reduced travel time between locations across 3 Chief Technologists.
Saving time and improve reporting quality with Philips Image Management – an integrated radiologist experience

- **50% productivity improvements** by allocating exams to the right professional\(^1\)
- **40% reduction** in reporting time\(^1\)

“The implemented solution makes it possible for clinicians to focus on their images, rather than managing the worklist. The level of satisfaction is very high. Radiologists often wonder how they did that before the implementation of workflow orchestrator.”

– Dr. Carlo Cosimo Quattrocchi, Campus Biomedico University Hospital.

\(^1\) Results following implementation of a unified radiology workspace with enterprise disaster recovery back-up system at Campus Biomedico University Hospital, Rome, Lazio, Italy.
Philips Digital Pathology Solution: enabling real-time telepathology

• Experienced productivity gains of up to 25%¹
• 19 hours saved per day through increased lab efficiency²

“Philip’s IntelliSite system is a perfect system for telepathology, because, in real time, it’s possible to share images via only streaming between two pathologists and also make the anatomical pathological diagnosis”

– Dr. Raimundo, Granada U. Hospitals

With IGT solutions, we optimize workflow and outcomes through integration & innovation across the care pathway

Azurion | IntraSight | Hemo

Improving workflow in the interventional coronary lab with seamless integration & continuous monitoring

- 17% time saving per procedure with Azurion
- Lower X-ray dose exposure at equivalent image quality

Azurion | VeriSight

Improving workflow of interventional structural heart procedure with industry-leading ultrasound technology

- 94% physicians believe using VeriSight Pro instead of TEE will streamline procedural workflows

Azurion Neuro Suite | SmartCT | Stroke Viewer

Improving outcomes for stroke treatment through integrated solutions across the stroke care pathway

- Single center study demonstrated reduction in door-to-groin time from 70 to 16 mins (conventional to Direct to Angio Suite workflow)

1. Results obtained by Interventional Vascular Department at St. Antonius Hospital, NL from Azurion workflow study; 2. Clinically proven based on 37 multiple peer-reviewed clinical studies with over 19,000 patients; 3. Clinical feedback collected from 16 physicians and 16 technicians; 4. Single center study: https://www.ahajournals.org/doi/10.1161/STROKEAHA.118.021989
Azurion & IntraSight & Hemo: Improving workflow in the interventional lab with seamless integration & continuous monitoring across the care pathway

- **Lower patient dose and staff radiation** exposure at equivalent image quality\(^1\)
- **17% reduction** of procedure time\(^2\)

"With the new SmartCT interface we can go into more detail more quickly and safely, with fewer staff in the room"  
– Prof. Marc Sapoval, Chair of Interventional Radiology at European Hospital Georges Pompidou

1. Clinically proven based on 37 multiple peer-reviewed clinical studies with over 19,000 patients; 2. Results obtained by Interventional Vascular Department at St. Antonius Hospital, NL from Azurion workflow study
VeriSight Pro: 3D IntraCardiac Echo (ICE) imaging enabling treatment for Structural Heart Disease

• **94% physicians** believe using VeriSight Pro instead of TEE will streamline procedural workflows\(^1\)

“ICE facilitates the performance of left atrial appendage closure under moderate sedation, making the procedure accessible to many patients who are not good candidates for general anesthesia”.

– Mohamad Adnan Alkhouli, M.D. Interventional Cardiologist, Mayo Clinic

\(^1\) Clinical feedback collected from 16 physicians and 16 technicians; related to LAA closure devices for stroke prevention
Stroke Care: Improving outcomes for stroke treatment through integrated solutions across the stroke care pathway

- Single center study demonstrated reduction in door-to-groin time from 70 to 16 minutes\(^1\) (conventional to Direct to Angio Suite workflow)

“A direct transfer to angiosuite protocol not only minimizes workflow times and reduces the long-term disability in our patients, but also substantially reduces the associated costs”

– Dr. Marc Ribó, Interventional Neurologist at the Vall d’Hebron University Hospital

1. Single center study: https://www.ahajournals.org/doi/10.1161/STROKEAHA.118.021989
Patient Monitoring and Care Management Solutions

**Acute Patient Monitoring**
- Central monitoring for early ID of deterioration with best-in-class monitors and central station (PIC iX)
- Reduce cardiac and respiratory arrets by 56%

**MDI and Surveillance**
- Seamless transfer of medical device data into EMR, powering workflow efficiencies and informing clinical surveillance solutions to improve care
- Leading vendor-neutral platform with 1000+ connections

**Ambulatory Patient Care**
- Remote cardiac monitoring from 1-30 days, with workflow powered by cloud platform and clinical services augmented with Cardiologs AI
- Increase diagnosis of AF by 360%
Ambulatory Monitoring & Diagnostics (AM&D): highly accurate remote cardiac monitoring and detection

- Detects 4.6 times more patients with Atrial fibrillation (AF)¹
- Reduces the total cost per patient with detected (AF) by ~USD 200 thousand²

“By using MCOTs, we’ve shortened length of stay, reduced the risk of sudden cardiac death or high-grade AV block out of the hospital, and we have very, very low pacemaker implantation rates.”

– Kabir Bhasin, MD Lennox Hill Hospital

¹ vs. implantable loop recorder (ILR) alone; 2. Cost avoidance due to improved detection rates
Clinical Data Services (CDS): Liberating medical device data to boost clinician workflow and unify the view of patient status

- Decreased operating theatre turnaround time by 3 minutes per case
- Estimated USD 3.15 million savings annually in equivalent staff time\(^1\)
- **1,000+ devices** supported

“Medical device data is automatically and immediately transferred into our EPR... This approach has been key to enhancing data accuracy whilst at the same time freeing up our nurses for more patient centered care.”

– Dr. Afzal Chaudhry, CMIO, Cambridge Uni. Hospital

\(^1\) Results may vary
Patient Monitoring: accurate, continuous picture of the patient and efficiency gain during patient transports

- Improved staff & patient satisfaction by 40%
- Downtime between surgical cases decreased by 5.5 minutes\(^1\)

“With Philips, we can trust the alarms. We don’t have to disconnect and reconnect everything when transporting patients. Their alarm audit logs provide key insights that support both patient safety and nursing confidence in the monitoring system. Philips has also reduced alarm fatigue.”

— Sheila Levins, MSN, RN, CPN, Unit Director, PICU, Rush University Children’s Hospital

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1. Utilizing Anesthesia related tasks; Disclaimer: Results are specific to the institution where they were obtained and may not reflect the results achievable at other institutions.
Sleep and Respiratory Care Solutions

Sleep Therapy

- DreamStation 2 next evolution, clinically proven integrated sleep solution. Only PAP with a guided set-up, starting pressure, and other patient-friendly features

- 22% smaller and 16% lighter

Patient Interfaces

- Easy and intuitive, stable, comfortable patient mask solutions; gives freedom to sleep in any position with good seal, promoting adherence

- Therapy Mask 3100 is smallest, lightest and easiest to use conventional mask platform

Compliance Surveillance

- Care Orchestrator platform drives care collaboration; remotely manages patient with mobile, actionable patient insights

- Shown to increase patient compliance by 49%
Triology EV300: Enhanced performance in non-invasive/invasive mechanical ventilation amid changing conditions

• Designed to stay with patients and provide consistent therapy and monitoring as they change care environments and when their condition changes

• Enables smoother transitions throughout the patient journey by providing ventilator therapy to patients as their environment changes and as their condition changes

1. Single center study: https://www.ahajournals.org/doi/10.1161/STROKEAHA.118.021989
Dream Station family: clinically-proven integrated sleep solutions

- Dreamstation2 is 22% smaller and 16.4% lighter than AirSense10
- Respiratory Therapists set up Dreamstation2 Advanced faster than DS
- Can initiate on-demand prescription changes remotely

“80% of Respiratory Therapists said DreamStation 2 Advanced was easy to use”

“Respiratory Therapists said DS2 was more simple to set up than DS”
High growth Oral Healthcare solutions

Range of power toothbrushes and recurring revenue from brush heads

Adjacency in flossing

Scaling Zoom whitening

LATAM partnership with Colgate

Online engagement consumer, dentists and insurer
One Blade 360: Trims, edges and shaves any length of hair, more effortlessly than ever

- **New 360 blade:** Adjust to the curves of your face to shave and trim with less passes and more comfort
- **5-in-1 adjustable comb** to efficiently trim without clogging

“It is easy to use, precise and fun!”
Sonicare 9900 Prestige: Exceptional care personalized to you with SenseIQ

- Removes up to **20x more plaque** vs manual toothbrush
- Up to **15x healthier gums** in just two weeks\(^1\)
- **StiWa** credentialing for DACH

“The Prestige 9900 is an impressive toothbrush. It is the best smart toothbrush on the market today”\(^2\)”
Performance trajectory through 2025
Expect to deliver growth and margin improvement across all our businesses segments

<table>
<thead>
<tr>
<th>Diagnosis &amp; Treatment</th>
<th>Connected Care</th>
<th>Personal Health</th>
<th>Royal Philips</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales (EUR billion)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>9</td>
<td>5</td>
<td>17</td>
</tr>
<tr>
<td>2022E</td>
<td>10</td>
<td>5</td>
<td>19</td>
</tr>
<tr>
<td>2025E</td>
<td>12</td>
<td>6</td>
<td>22</td>
</tr>
<tr>
<td>CAGR</td>
<td>3.6%</td>
<td>(4.3%)</td>
<td>1.4%</td>
</tr>
<tr>
<td></td>
<td>4-6%</td>
<td>4-6%</td>
<td>4-6%</td>
</tr>
<tr>
<td>Adj. EBITA margin</td>
<td>12.7%</td>
<td>13.3%</td>
<td>19.1%</td>
</tr>
<tr>
<td></td>
<td>14-15%</td>
<td>14-16%</td>
<td>18-20%</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>13.2%</td>
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<td>~10%</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>14-15%</td>
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</tbody>
</table>
### Indicative cumulative adjusted EBITA improvement drivers 2023 - 2025

**Performance actions**

- **New product introduction**
- **Geographic expansion**
- **Solutions**

**Non-manufacturing cost reduction**

- **R&D productivity**
- **Head count reduction, spans and layers**
- **Real estate**
- **GBS and RPA**

**Inflation**

- **Wage inflation**
- **Supply chain cost inflation**

**Cumulative improvement (excl. S&RC)**

<table>
<thead>
<tr>
<th>Leverage from growth</th>
<th>Pricing, mix COGS</th>
<th>Non-manuf. cost reduction</th>
<th>Inflation</th>
<th>Cumulative improvement</th>
</tr>
</thead>
<tbody>
<tr>
<td>• New product introduction</td>
<td>• Innovation, value propositions</td>
<td>• R&amp;D productivity</td>
<td>• Wage inflation</td>
<td>• 3 - 4%</td>
</tr>
<tr>
<td>• Geographic expansion</td>
<td>• Pricing</td>
<td>• Head count reduction, spans and layers</td>
<td></td>
<td>• ~1%</td>
</tr>
<tr>
<td>• Solutions</td>
<td>• Mix (high margin businesses, solutions)</td>
<td>• Real estate</td>
<td></td>
<td>• ~4 - 5%</td>
</tr>
<tr>
<td></td>
<td>• Supply chain productivity, Procurement</td>
<td>• GBS and RPA</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## Mid term performance trajectory in summary

<table>
<thead>
<tr>
<th>Revenue growth</th>
<th>Adj EBITA</th>
<th>Free Cash Flow</th>
<th>Adj EPS growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>4-6% annually</td>
<td>14 -15% by 2025</td>
<td>~ 2 billion by 2025, Cash conversion &gt;90%</td>
<td>Double-digit</td>
</tr>
<tr>
<td>Organic ROIC</td>
<td>Effective tax rate</td>
<td>Credit rating Maintain current investment grade</td>
<td>Dividend stability Pay-out 40-50% of net recurring income</td>
</tr>
<tr>
<td>Mid-to-high teens by 2025</td>
<td>24-26%</td>
<td></td>
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</tbody>
</table>

Supported by balanced capital allocation
Financial appendix
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.
Balanced capital allocation policy

**Organic Return on Invested Capital**

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>Q2 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROIC</td>
<td>16.3%</td>
<td>15.0%</td>
<td>16.4%</td>
<td>13.6%</td>
<td>12.3%</td>
<td>14.7%</td>
<td>11.1%</td>
</tr>
<tr>
<td>WACC</td>
<td>7.3%</td>
<td></td>
<td></td>
<td></td>
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</table>

**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>~3.2</td>
</tr>
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</table>

**Dividends**

<table>
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<tr>
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<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>
<td></td>
</tr>
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</table>

**Share repurchase**

<table>
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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>

1. Organic ROIC excludes acquisitions over a five years period and other items defined as material and of the same nature as the items excluded from Adjusted EBITA such as pension settlements, significant tax charges and benefits, and one-time legal and other provisions; ROIC % = LTM EBITA/ average NOC over the last 5 quarters; 2. Organic ROIC 2019 and 2021 restated to reflect discontinued operations; 3. Organic ROIC in 2019 includes value adjustments of capitalized development costs and the impact of IFRS 16 lease accounting standard.
## Restructuring, acquisition-related charges, and other items

<table>
<thead>
<tr>
<th>EUR million</th>
<th>Q1 21</th>
<th>Q2 21</th>
<th>Q3 21</th>
<th>Q4 21</th>
<th>2021</th>
<th>Q1 22</th>
<th>Q2 22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diagnosis &amp; Treatment</td>
<td>15</td>
<td>6</td>
<td>(12)</td>
<td>15</td>
<td>25</td>
<td>1</td>
<td>7</td>
</tr>
<tr>
<td>Restructuring &amp; Acq.-related charges</td>
<td>17(^1)</td>
<td>(32)</td>
<td>(8)</td>
<td>15(^1)</td>
<td>(7)</td>
<td>1</td>
<td>7</td>
</tr>
<tr>
<td>Other items</td>
<td>(2)</td>
<td>38(^3)</td>
<td>(4)</td>
<td>(0)</td>
<td>32</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Connected Care</td>
<td>(282)</td>
<td>(293)</td>
<td>(62)</td>
<td>(420)</td>
<td>(1,058)</td>
<td>(339)</td>
<td>(116)</td>
</tr>
<tr>
<td>Restructuring &amp; Acq.-related charges</td>
<td>(22)</td>
<td>(16)</td>
<td>(8)</td>
<td>(47)</td>
<td>(93)</td>
<td>(20)</td>
<td>(17)</td>
</tr>
<tr>
<td>Other items</td>
<td>(260)(^4, 5)</td>
<td>(277)(^4, 5)</td>
<td>(54)(^2, 4)</td>
<td>(373)(^4, 5)</td>
<td>(965)</td>
<td>(319)(^5, 6, 10, 11)</td>
<td>(99)(^5, 6, 10, 11)</td>
</tr>
<tr>
<td>Personal Health</td>
<td>(1)</td>
<td>1</td>
<td>(0)</td>
<td>1</td>
<td>1</td>
<td>-</td>
<td>(1)</td>
</tr>
<tr>
<td>Restructuring &amp; Acq.-related charges</td>
<td>(1)</td>
<td>1</td>
<td>-</td>
<td>1</td>
<td>1</td>
<td>-</td>
<td>(1)</td>
</tr>
<tr>
<td>Other items</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>(33)</td>
<td>(73)</td>
<td>(12)</td>
<td>(13)</td>
<td>(131)</td>
<td>(12)</td>
<td>(14)</td>
</tr>
<tr>
<td>Restructuring &amp; Acq.-related charges</td>
<td>(3)</td>
<td>2</td>
<td>2</td>
<td>4</td>
<td>5</td>
<td>(6)</td>
<td>(3)</td>
</tr>
<tr>
<td>Other items</td>
<td>(30)(^7)</td>
<td>(75)(^7, 8, 9)</td>
<td>(14)</td>
<td>(18)</td>
<td>(136)</td>
<td>(6)</td>
<td>(11)</td>
</tr>
<tr>
<td>Philips</td>
<td>(301)</td>
<td>(359)</td>
<td>(87)</td>
<td>(417)</td>
<td>(1,163)</td>
<td>(350)</td>
<td>(124)</td>
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<tr>
<td>Restructuring costs</td>
<td>(19)</td>
<td>(21)</td>
<td>(10)</td>
<td>(29)</td>
<td>(80)</td>
<td>(31)</td>
<td>(23)</td>
</tr>
<tr>
<td>Acquisition related charges</td>
<td>11</td>
<td>(24)</td>
<td>(5)</td>
<td>3</td>
<td>(14)</td>
<td>6</td>
<td>10</td>
</tr>
<tr>
<td>Other items</td>
<td>(292)</td>
<td>(314)</td>
<td>(72)</td>
<td>(391)</td>
<td>(1,069)</td>
<td>(325)</td>
<td>(111)</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 2021</th>
<th>Q2 2022</th>
<th>FY 2020</th>
<th>FY 2021</th>
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</thead>
<tbody>
<tr>
<td>Capital expenditures on property, plant and equipment</td>
<td>78</td>
<td>98</td>
<td>485</td>
<td>397</td>
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<tr>
<td>Capitalization of development costs</td>
<td>90</td>
<td>93</td>
<td>418</td>
<td>370</td>
</tr>
<tr>
<td>Depreciation</td>
<td>148</td>
<td>170</td>
<td>691</td>
<td>630</td>
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<tr>
<td>Amortization of acquired intangible assets</td>
<td>67</td>
<td>81</td>
<td>377</td>
<td>322</td>
</tr>
<tr>
<td>Amortization of software</td>
<td>23</td>
<td>25</td>
<td>76</td>
<td>88</td>
</tr>
<tr>
<td>Amortization of development costs</td>
<td>96</td>
<td>66</td>
<td>319</td>
<td>284</td>
</tr>
<tr>
<td><strong>Depreciation and amortization</strong>&lt;sup&gt;1&lt;/sup&gt;</td>
<td><strong>333</strong></td>
<td><strong>342</strong></td>
<td><strong>1,462</strong></td>
<td><strong>1,323</strong></td>
</tr>
</tbody>
</table>

<sup>1</sup> Includes impairments
Philips' debt has a long maturity profile

Characteristics of long-term debt

- Total net debt position of EUR 6.7 billion
- During Q2 2022, issued EUR 2.0 billion of Notes under its EMTN program and announced a series of liability management transactions
  - Early redemption of the EUR 2023 and 2024 Notes
  - Tender across the EUR 2025 Notes and USD 2025 and 2026 Notes
  - Early settlement of the 2023 and 2024 Share Buy Back forwards in 2022
- Maturities up to 2042
- Average tenor of long-term debt is 8.3 years
- No financial covenants

Debt maturity profile as per 30 June 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.