Royal Philips
Third quarter 2020 results

October 19, 2020
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 post-retirement plans; reliability of internal controls, financial reporting and management process. As a result, Philips’ actual future results may differ materially from the plans, goals and expectations set forth in such forward-looking statements. For a discussion of factors that could cause future results to differ from such forward-looking statements, see also the Risk management chapter included in the Annual Report 2019.

Third-party market share data
Statements regarding market share, including those regarding Philips’ competitive position, contained in this document are based on outside sources such as research institutes, industry and dealer panels in combination with management estimates. Where information is not yet available to Philips, those statements may also be based on estimates and projections prepared by outside sources or management. Rankings are based on sales unless otherwise stated.

Use of non-IFRS Information
In presenting and discussing the Philips Group’s financial position, operating results and cash flows, management uses certain non-IFRS financial measures. These non-IFRS financial measures should not be viewed in isolation as alternatives to the equivalent IFRS measure and should be used in conjunction with the most directly comparable IFRS measures. Non-IFRS financial measures do not have standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other issuers. A reconciliation of these non-IFRS measures to the most directly comparable IFRS measures is contained in this document. Further information on non-IFRS measures can be found in the Annual Report 2019.

Use of fair-value measurements
In presenting the Philips Group’s financial position, fair values are used for the measurement of various items in accordance with the applicable accounting standards. These fair values are based on market prices, where available, and are obtained from sources that are deemed to be reliable. Readers are cautioned that these values are subject to changes over time and are only valid at the balance sheet date. When quoted prices or observable market data are not readily available, fair values are estimated using appropriate valuation models and unobservable inputs. Such fair value estimates require management to make significant assumptions with respect to future developments, which are inherently uncertain and may therefore deviate from actual developments. Critical assumptions used are disclosed in the Annual Report 2019. In certain cases independent valuations are obtained to support management’s determination of fair values.

All amounts are in millions of euros unless otherwise stated. Due to rounding, amounts may not add up precisely to totals provided. All reported data is unaudited. Financial reporting is in accordance with the accounting policies as stated in the Annual Report 2019.
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At Philips, we strive to make the world healthier and more sustainable through innovation.
We have transformed into a focused global HealthTech leader

Transforming the company...
100% of sales split

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

Addressing the Quadruple Aim:
- Improved health outcomes
- Improved consumer/patient experience
- Improved staff satisfaction
- Lower cost of care
We operate in growing, evolving markets

The demand for healthcare is growing

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

And technology will play a bigger role

Digital  Consumer centric  Precision  Consolidation  Post Acute Care

Digital
Connecting consumers, patients and care providers

Consumer centric
Increasing consumer engagement in their own health

Precision
Importance of AI, informatics and personalization

Consolidation
Increasing horizontal and vertical consolidation

Post Acute Care
Shifting to lower-cost settings and the home

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Precision
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Consolidation
Increasing horizontal and vertical consolidation

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

Global footprint\(^1\)

- **North America**: 36%
- **Western Europe**: 23%
- **Growth Geographies\(^2\)**: 32%
- **Other Mature Geographies**: 9%

Committed to innovation

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

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\(^1\) All figures based on Q3 2020 last twelve months (LTM) unless stated otherwise

\(^2\) Growth geographies consist of all geographies excluding USA, Canada, Western Europe, Australia, New Zealand, South Korea, Japan and Israel
Operating across the health continuum

**FY 2019**

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

- 5% sales growth
- 12.7% margin

**Connected Care**
Enabling networks of care by seamlessly connecting patients, caregivers and consumers from hospital to the home

- 3% sales growth
- 13.2% margin

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

- 5% sales growth
- 16.1% margin

Note: Margin refers to Adjusted EBITA margin; Segment Other represents 2% of group sales
### Businesses aligned with customer needs

<table>
<thead>
<tr>
<th>Focus areas</th>
<th>Products and solutions</th>
</tr>
</thead>
</table>
| **Diagnosis & Treatment** | • Precision diagnosis  
• Treatment selection and planning  
• Image-guided minimally invasive therapy  
• Diagnostic imaging and ultrasound  
• Digital and computational pathology  
• Informatics for Radiology, Oncology, Cardiology  
• Interventional imaging, navigation and devices  
• Services (managed services, consultancy, etc.) |
| **Connected Care** | • Patient care and workflow management  
• Population health management  
• Chronic disease management  
• Telehealth, patient monitoring and analytics  
• Hospital and clinical informatics platforms  
• Emergency care and resuscitation  
• Sleep, breathing and respiratory care  
• Managed services |
| **Personal Health** | • Healthy living and prevention  
• Personal care  
• Digital consumer engagement  
• Oral care  
• Mother and child care  
• Male grooming and beauty  
• Domestic appliances  
• Services (re-ordering, support, coaching, etc.) |

Note: As announced in January 2020, the Domestic Appliances business is being separated from Philips, a process that is expected to be completed in Q3 2021.
Winning propositions

>65% of sales from leadership positions\(^1,2\)

<table>
<thead>
<tr>
<th>Diagnosis &amp; Treatment</th>
<th>Ultrasound</th>
<th>Image-guided therapy systems</th>
<th>Image-guided therapy devices(^3)</th>
<th>Diagnostic imaging</th>
<th>High-end radiology and cardiology informatics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Global leader</td>
<td>Global leader</td>
<td>Global leader</td>
<td>Global top 3</td>
<td>#1 in North America</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Connected Care</th>
<th>Patient monitoring</th>
<th>ICU telemedicine</th>
<th>Personal emergency response</th>
<th>Respiratory care</th>
<th>Sleep care</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Global leader</td>
<td>#1 in North America</td>
<td>#1 in North America</td>
<td>Global leader</td>
<td>Global leader</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Personal Health</th>
<th>Male grooming</th>
<th>Oral healthcare</th>
<th>Mother and child care</th>
<th>Hair removal</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Global leader</td>
<td>Global leader</td>
<td>Global leader</td>
<td>Global leader</td>
</tr>
</tbody>
</table>

\(^1\) Leadership position refers to #1 or #2 position in Philips addressable market; \(^2\) Excluding Domestic Appliances; As announced in January 2020, the separation process is expected to be completed in Q3 2021; \(^3\) In Image-Guided Therapy Devices markets where Philips plays.
## COVID-19: delivering against our triple duty of care

### Central and regional task force teams

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

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

<table>
<thead>
<tr>
<th>Our 3 imperatives:</th>
<th>Key drivers to deliver:</th>
<th>Delivering:</th>
</tr>
</thead>
</table>
| Better serve customers and improve quality | • Improve customer experience, quality systems, operational excellence and productivity  
• Continue to lead the digital transformation | Customer satisfaction |
| Boost growth in core business | • Capture geographic growth opportunities  
• Pivot to consultative customer partnerships and services business models | Revenue growth |
| Win with solutions | • Drive innovative, value-added integrated solutions  
• Reinforce with M&A, organic investments and partnerships | Margin expansion |
| | | Increased cash generation |
| | | Value creation |

Our culture: Customers first | Quality and integrity always | Team up to win | Take ownership to deliver fast | Eager to improve and inspire
Drive innovative, value-added integrated solutions
We are uniquely positioned to deliver integrated solutions

We bring together:

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

Example solution areas:

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

Solutions deliver approx. 37% of revenues, growing double-digit
Extracting actionable insights from streaming vital signs data and medical records for better patient outcomes

Philips Tele-ICU program
Empowering acute care teams by linking remote patient monitoring technology with evidence-based care transformation

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

Health outcomes
26% Reduction in mortality\(^1\)

Cost of care
USD 5,000 Saved per ICU patient\(^2\)

Staff satisfaction
15% Discharged to home faster\(^3\)

Patient experience
30% Reduction in length of stay\(^3\)

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

[Logos of various institutions]
Committed to doing business responsibly and sustainably
We have raised our ESG commitments

**Health and well-being for all**
- Improve health & well-being of 2 billion people through innovation
- Enable access to care for 300 million people in underserved communities

**Circular economy**
- 25% of revenue from circular offerings
- Trade-in all professional-medical equipment
- Zero waste to landfill

**Climate action**
- Reduce CO₂ emissions in line with 1.5 °C global warming scenario
- 100% of electricity & >75% of total energy consumption from renewable sources

**Partnerships**
- Partner to deliver sustainable value and drive global change
- Improve lives of 1 million workers in supply chain and reduce environmental footprint

**Enablers**
- 100% of product offerings in line with EcoDesign requirements; ‘Eco-Heroes’ reaching 25% of revenues
- Practices defined by the Philips Business System
An experienced and passionate executive leadership team

<table>
<thead>
<tr>
<th>Role</th>
<th>Name</th>
<th>Nationality</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEO</td>
<td>Frans van Houten</td>
<td>Dutch</td>
</tr>
<tr>
<td>CFO</td>
<td>Abhijit Bhattacharya</td>
<td>Indian</td>
</tr>
<tr>
<td>Diagnosis &amp; Treatment</td>
<td>Bert van Meurs</td>
<td>Dutch</td>
</tr>
<tr>
<td></td>
<td>Kees Wessdorp</td>
<td>Dutch</td>
</tr>
<tr>
<td>Connected Care</td>
<td>Roy Jakobs</td>
<td>Dutch/German</td>
</tr>
<tr>
<td>Personal Health</td>
<td>Deeptha Khanna</td>
<td>Singaporean</td>
</tr>
<tr>
<td>Domestic Appliances</td>
<td>Henk de Jong</td>
<td>Dutch</td>
</tr>
<tr>
<td>North America</td>
<td>Vitor Rocha</td>
<td>Brazilian/American</td>
</tr>
<tr>
<td>Operations</td>
<td>Sophie Bechu</td>
<td>French/American</td>
</tr>
<tr>
<td>Greater China</td>
<td>Andy Ho</td>
<td>Chinese/Canadian</td>
</tr>
<tr>
<td>Operations</td>
<td>Edwin Paalvast</td>
<td>Dutch</td>
</tr>
<tr>
<td>Innovation &amp; Strategy</td>
<td>Jeroen Tas</td>
<td>Dutch</td>
</tr>
<tr>
<td>Legal</td>
<td>Marnix van Ginneken</td>
<td>Dutch/American</td>
</tr>
<tr>
<td>Human Resources</td>
<td>Daniela Seabrook</td>
<td>Swiss</td>
</tr>
<tr>
<td>Strategic Business Development</td>
<td>Robert Cascella</td>
<td>American</td>
</tr>
</tbody>
</table>

1 All geographies excluding North America and Greater China
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Continued focus on value creation

2017-2020 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 in 2020</td>
<td>Organic ROIC in 2020</td>
</tr>
<tr>
<td>4-6% annually</td>
<td>average annual 100 bps improvement</td>
<td>above EUR 1.5 billion</td>
<td>mid-to-high-teens</td>
</tr>
</tbody>
</table>

After 2020 we will drive further improvement

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1. For full year 2020, we continue to expect to deliver modest comparable sales growth with an Adjusted EBITA margin of around the level of last year.
Productivity program of > EUR 1.8 billion by 2020

2017 – 2020 cumulated net productivity savings

- Manufacturing productivity
- Cost reduction
- Procurement savings

Manufacturing footprint
- Consolidating regional manufacturing footprint from 50 to ~30 production locations; 19 locations completed to date

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

Procurement
- Expanding proven DfX approach to the full value chain

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

1 Excluding the acquisitions post 2016
Indicative annual Adjusted EBITA target bridge 2017-2020\(^1\)

1.0%  

1.6%  

0.6% (1.1)%  

(1.1)%  

~100bps

Volume  

Gross margin  

Cost reduction  

Price erosion  

Inflation  

Average annual improvement

- Geographic expansion  
- New product introduction  
- Operating leverage

- Procurement  
- Manufacturing productivity  
- Mix improvement  

- Standardization of back offices with Global Business Services  
- IT landscape simplification

\(^1\) Not valid for Full Year 2020: we continue to expect to deliver modest comparable sales growth with an Adjusted EBITA margin of around the level of last year in 2020
Balanced capital allocation policy

- **Reinvest**
  - in high-return growth opportunities

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

- **Dividend**
  - aimed at dividend stability

- **Share buyback**
  - for capital reduction purposes

**Total shareholder return since 2016**

- Royal Philips: +100%
- TSR peer group: +73%
- EURO STOXX 50: 13%

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1 As of market close October 16th, 2020; 2 TSR peer index includes companies as described in the Philips Annual Report 2019
Balanced capital allocation policy

**Organic Return on Invested Capital**

<table>
<thead>
<tr>
<th>Year</th>
<th>ROIC %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>15.9%</td>
</tr>
<tr>
<td>2016</td>
<td>17.5%</td>
</tr>
<tr>
<td>2017</td>
<td>17.6%</td>
</tr>
<tr>
<td>2018</td>
<td>18.1%</td>
</tr>
<tr>
<td>2019²</td>
<td>14.8%</td>
</tr>
<tr>
<td>Q3 2020</td>
<td>12.8%</td>
</tr>
</tbody>
</table>

**WACC** 7.4%

**Dividends**

<table>
<thead>
<tr>
<th>Year</th>
<th>Dividends per share</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011 - 2013</td>
<td>0.75</td>
</tr>
<tr>
<td>2014 - 2017</td>
<td>0.80</td>
</tr>
<tr>
<td>2018</td>
<td>0.85</td>
</tr>
<tr>
<td>2019³</td>
<td>0.85</td>
</tr>
</tbody>
</table>

**Mergers & Acquisitions**

<table>
<thead>
<tr>
<th>Year</th>
<th>EUR billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011 - 2014</td>
<td>~0.5</td>
</tr>
<tr>
<td>2015 - 2016</td>
<td>~1.2</td>
</tr>
<tr>
<td>2017</td>
<td>~2.4</td>
</tr>
<tr>
<td>2018</td>
<td>~0.6</td>
</tr>
<tr>
<td>2019</td>
<td>~0.2</td>
</tr>
<tr>
<td>YTD 2020</td>
<td>~0.2</td>
</tr>
</tbody>
</table>

**Share repurchase**

<table>
<thead>
<tr>
<th>Year</th>
<th>EUR billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011 - 2013</td>
<td>2.0</td>
</tr>
<tr>
<td>2013 - 2016</td>
<td>1.5</td>
</tr>
<tr>
<td>2017 - 2021⁴</td>
<td>3.0</td>
</tr>
</tbody>
</table>

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¹ Organic ROIC excludes acquisitions over a five years period, pension settlements in Q4 2015, significant one-time legal and tax charges and benefits; ROIC % = LTM EBITA/ average NOC over the last 5 quarters; ² Organic ROIC in 2019 includes value adjustments of capitalized development costs and the impact of IFRS 16 lease accounting standard; ³ In June 2020, the extraordinary general meeting of shareholders approved the proposal to declare a distribution of EUR 0.85 per common share against the net income for 2019, in shares only; ⁴ Consisting of two programs: EUR 1.5 billion announced in June 2017 and completed in June 2019, and EUR 1.5 billion announced in January 2019 and to be completed in 2021.
Philips provides new financial targets for 2021–2025
Further details of our strategic plan and performance trajectory will be provided at Capital Markets Day on November 6, 2020

“We are excited to continue our journey to create further value by improving growth and profitability, while recognizing that we are in very uncertain times, and under the assumption that the world economy will return to growth next year,” said Frans van Houten. “The new targets are underpinned by our strategic imperatives to further improve customer and operational excellence, boost growth in our core businesses through geographical expansion and more customer partnerships, and win with innovative solutions along the health continuum. Our strategy to transform care along the health continuum – from healthy living and prevention to diagnosis and treatment, telehealth and home care – strongly resonates with customers and has been further validated during the COVID-19 pandemic.”

| Accelerated growth | • Average annual comparable sales growth of 5-6%; all business segments within this range  
|                   | • For 2021, our current view is that Group comparable sales will deliver low-single-digit growth, driven by solid growth in Diagnosis & Treatment and Personal Health, partly offset by lower Connected Care sales |
| Higher profitability | • Average Adjusted EBITA margin improvement of 60-80 basis points annually from 2021  
|                     | • High-teens for the Group by 2025: Diagnosis & Treatment 15-17%, Connected Care 17-19%, Personal Health 19-20% |
| Improved cash flow | • Free cash flow above EUR 2 billion by 2025 |
| Return on invested capital | • Organic Return on Invested Capital (ROIC) of mid-to-high-teens by 2025 |

Note: The new targets exclude the Domestic Appliances business. As announced in January 2020, the Domestic Appliances business is being separated from Philips, a process that is expected to be completed in Q3 2021
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Q3 2020 financial performance highlights

- Comparable order intake increased 3%, excluding the partial termination of the ventilator contract with HHS
- Adjusted EBITA margin 15.4% of sales, compared to 12.4% of sales in Q3 2019
- Income from operations improved to EUR 476 million, compared to EUR 320 million in Q3 2019
- Adjusted EPS increased to EUR 0.60, compared to EUR 0.46 in Q3 2019
- Free cash flow increased to EUR 543 million, compared to EUR 126 million in Q3 2019

<table>
<thead>
<tr>
<th>Division</th>
<th>Sales EUR million</th>
<th>Comparable sales growth</th>
<th>Adj. EBITA margin</th>
<th>Adj. EBITDA margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diagnosis &amp; Treatment</td>
<td>1,971</td>
<td>(3%)</td>
<td>9.7%</td>
<td>13.4%</td>
</tr>
<tr>
<td>Connected Care</td>
<td>1,556</td>
<td>42%</td>
<td>27.1%</td>
<td>30.5%</td>
</tr>
<tr>
<td>Personal Health</td>
<td>1,376</td>
<td>6%</td>
<td>14.5%</td>
<td>17.3%</td>
</tr>
<tr>
<td>Other</td>
<td>77</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Philips</td>
<td>4,980</td>
<td>10%</td>
<td>15.4%</td>
<td>20.5%</td>
</tr>
</tbody>
</table>
Order intake and book

Comparable order intake growth\(^1\) - excludes the impact from the partial termination of the April 2020 contract with the HHS

Indexed order book development

Typical profile of order book conversion to sales

- Approximately 60% of the current order book results in sales within the next 12 months
- Quarter end order book is a leading indicator for ~40% 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.
Adjusted EBITA margin\(^1\) bridge Q3 2020

<table>
<thead>
<tr>
<th></th>
<th>Adj. EBITA Q3 2019</th>
<th>Volume</th>
<th>Gross margin</th>
<th>Cost reduction</th>
<th>Price erosion</th>
<th>Inflation</th>
<th>Other(^2) &amp; COVID-19</th>
<th>Adj. EBITA Q3 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Adj. EBITA</strong></td>
<td>12.4%</td>
<td>1.2%</td>
<td>1.8%</td>
<td>0.5%</td>
<td>(1.1%)</td>
<td>(1.0%)</td>
<td>1.6%</td>
<td>15.4%</td>
</tr>
</tbody>
</table>

\(^1\) Excluding restructuring costs, acquisition-related charges and other one-time charges and gains; \(^2\) Includes tariffs and other
Working capital and inventories

1 Working capital excluding segment Other; 2 Working capital and Inventories as a % of LTM sales are excluding acquisitions, divestments, and discontinued operations
Appendix
Restructuring, acquisition-related charges, and other items

<table>
<thead>
<tr>
<th>EUR million</th>
<th>Q1 19</th>
<th>Q2 19</th>
<th>Q3 19</th>
<th>Q4 19</th>
<th>2019</th>
<th>Q1 20</th>
<th>Q2 20</th>
<th>Q3 20</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Diagnosis &amp; Treatment</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restructuring &amp; Acq.-related charges</td>
<td>(30)</td>
<td>(41)</td>
<td>(47)</td>
<td>(106)</td>
<td>(222)</td>
<td>(76)</td>
<td>59</td>
<td>(67)</td>
</tr>
<tr>
<td>Other items</td>
<td>(27)</td>
<td>(37)</td>
<td>(20)</td>
<td>(66)</td>
<td>(149)</td>
<td>(43)</td>
<td>62</td>
<td>(23)</td>
</tr>
<tr>
<td><strong>Connected Care</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Other items</td>
<td>(19)</td>
<td>(15)</td>
<td>(12)</td>
<td>(18)</td>
<td>(64)</td>
<td>(11)</td>
<td>(14)</td>
<td>(29)</td>
</tr>
<tr>
<td><strong>Personal Health</strong></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restructuring &amp; Acq.-related charges</td>
<td>(16)</td>
<td>(8)</td>
<td>(23)</td>
<td>(27)</td>
<td>(73)</td>
<td>(8)</td>
<td>(39)</td>
<td>(14)</td>
</tr>
<tr>
<td>Other items</td>
<td>(10)</td>
<td>(16)</td>
<td>(15)</td>
<td>(18)</td>
<td>(64)</td>
<td>(20)</td>
<td>(17)</td>
<td>(86)</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td></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>(9)</td>
<td>(22)</td>
<td>(12)</td>
<td>(10)</td>
<td>(54)</td>
<td>(1)</td>
<td>(5)</td>
<td>(19)</td>
</tr>
<tr>
<td>Other items</td>
<td>35</td>
<td>7</td>
<td>5</td>
<td>12</td>
<td>11</td>
<td>(1)</td>
<td>(14)</td>
<td>(19)</td>
</tr>
<tr>
<td><strong>Philips</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restructuring costs</td>
<td>(39)</td>
<td>(66)</td>
<td>(35)</td>
<td>(109)</td>
<td>(249)</td>
<td>(39)</td>
<td>(44)</td>
<td>(65)</td>
</tr>
<tr>
<td>Acquisition related charges</td>
<td>(32)</td>
<td>(16)</td>
<td>(12)</td>
<td>(9)</td>
<td>(69)</td>
<td>(23)</td>
<td>73</td>
<td>(20)</td>
</tr>
<tr>
<td>Other items</td>
<td>21</td>
<td>(28)</td>
<td>(67)</td>
<td>(80)</td>
<td>(153)</td>
<td>(55)</td>
<td>(60)</td>
<td>(148)</td>
</tr>
</tbody>
</table>

Due to rounding, amounts may not add up precisely to totals provided.
1. Mainly related to the consent decree focused on the defibrillator manufacturing in the US; 2. Gains related to divestments and asset disposals; 3. Charges related to litigation provisions; 4. Includes a value adjustment of capitalized development costs; 5. Provision related to legal matters; 6. Includes gain related to release of a contingent consideration liability; 7. Inventory valuation charges resulting from deployment of new systems; 8. Includes separation costs related to Domestic Appliances business; 9. Includes an onerous contract provision
## Capital expenditures, Depreciation and Amortization

<table>
<thead>
<tr>
<th>EUR million</th>
<th>Q3 2019</th>
<th>Q3 2020</th>
<th>FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital expenditures on property, plant and equipment</td>
<td>116</td>
<td>129</td>
<td>518</td>
</tr>
<tr>
<td>Capitalization of development costs</td>
<td>115</td>
<td>100</td>
<td>460</td>
</tr>
<tr>
<td>Depreciation</td>
<td>159</td>
<td>172</td>
<td>645</td>
</tr>
<tr>
<td>Amortization of acquired intangible assets</td>
<td>71</td>
<td>60</td>
<td>350</td>
</tr>
<tr>
<td>Amortization of software</td>
<td>19</td>
<td>22</td>
<td>75</td>
</tr>
<tr>
<td>Amortization of development costs</td>
<td>83</td>
<td>99</td>
<td>332</td>
</tr>
<tr>
<td><strong>Depreciation and amortization</strong>&lt;sup&gt;1&lt;/sup&gt;</td>
<td><strong>331</strong></td>
<td><strong>353</strong></td>
<td><strong>1,402</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 4.7 billion
- Maturities up to 2042
- Average tenor of long-term debt is 8.5 years\(^3\)
- No financial covenants

- In March 2020 Philips issued a EUR 500 million 1.375% fixed rate Sustainability Innovation bond due 2025 and a EUR 500 million 2.000% fixed rate bond due 2030

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\(^1\) 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.
Calendar for the upcoming events

October 19  Third quarter results 2020

November 06  Capital Markets Day
  Additionally, institutional investors will have the chance to interact with our CMD presenters during fireside chats in November and December, hosted by brokers. More information on these events will be published on our Investor Relations website

November 10  Exane BNP Paribas – MedTech CEO Conference

November 18  Societe Generale European ESG-SRI Sustainable and Positive Impact Finance

December 03  Berenberg European Conference

January 11  JP Morgan Annual Healthcare Conference

January 25  Fourth quarter results 2020

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