

Philips delivers Q3 sales of EUR 4.2 billion, with a 7.6% comparable sales decline due to headwinds; income from continuing operations increases to EUR 442 million, and Adjusted EBITA margin amounts to 12.3%.

Philips sees continued strong demand driving double-digit order intake growth in Q3.

**Amsterdam, October 18, 2021**

## Third-quarter highlights

- Group sales totaled EUR 4.2 billion, reflecting a 7.6% comparable sales decline due to headwinds caused by global supply chain challenges and Sleep & Respiratory Care recall consequences
- Comparable order intake increased 47%; order intake increased 17% excluding the impact of a partial ventilator order cancellation in Q3 2020
- Income from continuing operations increased to EUR 442 million, compared to EUR 279 million in Q3 2020
- Adjusted EBITA of EUR 512 million, or 12.3% of sales, compared to EUR 684 million, or 15.5% of sales, in Q3 2020
- Operating cash flow of EUR 256 million, compared to EUR 575 million in Q3 2020
- Domestic Appliances divestment was completed as planned, resulting in a EUR 2.5 billion gain after tax and transaction-related costs; reported in Discontinued Operations

### Frans van Houten, CEO

"I am pleased with the strong double-digit comparable order intake growth in the third quarter, driven by both the Diagnosis & Treatment businesses and Connected Care businesses. Our strategy and portfolio are highly relevant to our customers, as we help them transform the delivery of care along the health continuum. Building on this strength, we have signed an additional 19 long-term strategic partnerships with hospitals across the world, including a 10-year partnership with Baptist Health in the US to provide patient monitoring solutions and standardize care across the network.

We recorded EUR 4.2 billion sales in the quarter, with a 7.6% comparable sales decline on the back of 10% comparable sales growth last year. This quarter's sales were impacted unfavorably by intensified global supply chain issues, such as the shortage of electronic components, and the anticipated revenue consequences of the sleep recall, as we are prioritizing the remediation of affected devices in use by patients. The Adjusted EBITA margin was 12.3%.

The repair and replacement program related to the sleep recall notification is under way in the US and several other markets. I am conscious of the impact this is having on patients and care givers, and we are doing everything we can to deliver a solution as fast as possible.

We successfully completed the sale of the Domestic Appliances business, resulting in a gain of EUR 2.5 billion. With this, we concluded our major divestments, allowing us to focus fully on extending our leadership in health technology and continuing our transformation into a solutions company.

Looking ahead, we continue to see uncertainty related to COVID-19. Supply chain volatility has intensified globally, which already led to longer lead times to convert our strong order book to revenue in the third quarter, and we expect this headwind to continue in the fourth quarter. Therefore, we now expect to deliver low-single-digit comparable sales growth with a modest Adjusted EBITA margin improvement for the full year 2021. Based on our strong customer demand and growing order book, we expect to resume our growth and margin expansion trajectory in 2022 as we work through the headwinds.”

### Business segment performance

The Diagnosis & Treatment businesses recorded 10% comparable sales growth, with double-digit growth in Image-Guided Therapy and high-single-digit growth in Diagnostic Imaging and Ultrasound. Comparable order intake increased 15%, with double-digit growth across Image-Guided Therapy, Diagnostic Imaging and Ultrasound, reflecting Philips’ very competitive portfolio and positive market conditions. The Adjusted EBITA margin increased to 14.2%, mainly driven by sales growth and productivity measures.

The Connected Care businesses’ comparable sales decreased 39%, following the high COVID-19-generated demand in Q3 2020 and a double-digit decline in Sleep & Respiratory Care in Q3 2021 due to the sleep recall notification. Comparable order intake increased 21%, excluding the impact of a partial ventilator order cancellation in Q3 2020. Hospital Patient Monitoring orders grew 20% in Q3 2021, building on 22% order intake growth last year, driven by a structural increase in adoption of patient care management solutions in both high- and low-acuity care settings in the hospital. The Adjusted EBITA margin amounted to 6.2%, mainly due to the decline in sales.

The Personal Health businesses’ comparable sales were in line with Q3 2020, as sales across the businesses were impacted by phasing, with 33% comparable sales growth in the previous quarter. The underlying customer demand for the new product introductions in Personal Care, Oral Healthcare and Mother & Child Care remains robust. The Adjusted EBITA margin increased to 15.9%, mainly driven by productivity measures.

In Other, sales increased by EUR 74 million and Adjusted EBITA increased to EUR 13 million, mainly driven by phasing of IP royalty settlements.

Philips’ ongoing focus on innovation and partnerships resulted in the following highlights in the quarter:

- Philips provided the Yili Chuanxin Oncology hospital in Xinjiang, a newly established top-tier private hospital in China, with an Oncology solution to address the hospital’s clinical needs in screening, precision diagnosis, targeted treatment and rehabilitation of cancer patients. The solution includes IntelliSpace Digital Pathology and the Ingenia 3.0T MR, IQon Spectral CT, Incisive CT and CT Big Bore imaging systems, combined with IntelliSpace Portal for advanced visualization and analysis.
- As part of Philips’ 10-year partnership with Rutherford Health to open multiple Community Diagnostic Centers in England, the first center was opened in Taunton, for which Philips provided innovative diagnostic imaging systems, including Ingenia Ambition MR combined with Ambient Experience, which allows patients to control and personalize the imaging environment.
- As a pioneer in spectral CT diagnostics, Philips has enabled its customers to benefit from a reduction in follow-up scans, increased certainty in lesion characterization, and reduced time to diagnosis. Building on many years of experience with IQon Spectral CT, Philips’ new Spectral CT 7500 is attracting strong customer demand. For example, the University Medical Center Utrecht in the Netherlands installed two Spectral CT systems, with the aim of providing greater confidence in mainstream clinical diagnosis – for all patients and in all exams.
- Underlining the company’s leading role in digital pathology, Philips partnered with Healius Pathology, one of Australia’s leading providers of private medical laboratory and pathology services, to deploy a multi-site digital pathology solution across Healius’ National Pathology Network using Philips’ industry-leading IntelliSite Pathology Solution.
- Building on Philips’ leadership in image-guided therapy solutions in cardiology, the company is further strengthening its position in fast-growing adjacencies such as neurology and oncology. For example, US-based Piedmont Health equipped its neurosurgical operating rooms with a specialized version of Philips Azurion for the treatment of stroke. Philips also announced positive results of a clinical study aimed at setting a new standard of safety and accuracy in the diagnosis of small peripheral lung lesions using Philips Lung suite.
- Underlining Philips’ strategy to deliver locally relevant solutions, the company launched several oral healthcare innovations targeting multiple price points in China, including two new electric toothbrushes. In addition, Philips launched its professional teeth whitening offering Zoom in China through a local partnership with LinkedCare, one of the largest dental solution providers in the Chinese dental market.
- Philips launched two new HealthSuite informatics solutions which are scalable across the enterprise, to support its customers in achieving the Quadruple Aim of healthcare: Patient Flow Capacity Suite, a solution that helps hospitals manage the complete patient journey, and Acute Care Telehealth, which builds on Philips’ successful Tele-ICU solutions.
- Philips’ recently acquired Capsule business continued to add new device drivers to its Medical Device Information Platform, which will be integrated with HealthSuite. With more than 1,000 unique types of medical devices capable of integrating with the platform, customers can connect more devices to advance health systems’ digital transformation with intelligent, vendor-agnostic tools that turn complex data streams into actionable insights.

### Sleep and respiratory care field action update

On June 14, 2021, Philips initiated a voluntary recall notification in the US/field safety notice outside the US for certain sleep and respiratory care products to address identified potential health risks related to the polyester-based polyurethane (PE-PUR) sound abatement foam in these devices. Following the substantial ramp-up of its production, service and repair capacity, the repair and

replacement program in the US and several other markets is under way. To date, Philips has produced a total of approximately 750,000 repair kits and replacement devices, of which more than 250,000 have reached customers.

As disclosed in its Q2 2021 report, Philips is a defendant in a number of consumer class action lawsuits from users of the affected devices and a number of individual personal injury claims. Given the uncertain nature and timing of the relevant events and potential associated liabilities, if any, the company is unable to reliably estimate the financial effect of these matters.

### **Cost savings**

In the third quarter, productivity savings amounted to EUR 73 million, of which procurement savings amounting to EUR 34 million, and savings of EUR 39 million delivered by overhead and other programs.

### **Capital allocation**

Philips is currently executing two share buyback programs of EUR 1.5 billion each for capital reduction purposes. The program that was initiated in the first quarter of 2019 is nearing completion and is expected to result in the cancellation of approximately 20 million shares in December 2021. Under the share buyback program that was announced on July 26, 2021, Philips entered into a number of forward transactions in the third quarter, covering approximately half of the program, with settlement dates in 2022, 2023 and 2024. The remainder of the program will be executed through open market purchases by an intermediary, with a significant part taking place in Q4 2021. Further details on both programs can be found [here](#).

### **Conference call and audio webcast**

Frans van Houten, CEO, and Abhijit Bhattacharya, CFO, will host a conference call for investors and analysts at 10:00 am CET today to discuss the results. A live audio webcast of the conference call will be available on the Philips Investor Relations website and can be accessed [here](#).

# Philips performance

## Key data in millions of EUR unless otherwise stated

	Q3 2020 <sup>1)</sup>	Q3 2021
Sales	4,411	4,156
Nominal sales growth	6%	(6)%
Comparable sales growth <sup>2)</sup>	10%	(8)%
Comparable order intake <sup>3)</sup>	(18)%	47%
Income from operations	396	358
as a % of sales	9.0%	8.6%
Financial expenses, net	(26)	(5)
Investments in associates, net of income taxes	(5)	(3)
Income tax	(86)	92
Income from continuing operations	279	442
Discontinued operations, net of income taxes	61	2,538
Net income	340	2,980
Earnings per common share (EPS)		
Income from continuing operations attributable to shareholders <sup>4)</sup> (in EUR) - diluted	0.30	0.47
Adjusted income from continuing operations attributable to shareholders <sup>4)</sup> (in EUR) - diluted <sup>2)</sup>	0.50	0.40
Net income attributable to shareholders <sup>4)</sup> per common share (in EUR) - diluted	0.37	3.24
EBITA <sup>2)</sup>	456	426
as a % of sales	10.3%	10.2%
Adjusted EBITA <sup>2)</sup>	684	512
as a % of sales	15.5%	12.3%
Adjusted EBITDA <sup>2)</sup>	924	739
as a % of sales	20.9%	17.8%

<sup>1)</sup> Comparative figures in this report have been restated, refer to 'Presentation' in [Forward-looking statements and other important information](#).

<sup>2)</sup> Non-IFRS financial measure. Refer to [Reconciliation of non-IFRS information](#).

<sup>3)</sup> Comparable order intake is presented when discussing the Philips Group's performance. For the definition of this measure, refer to chapter 12.4, Other Key Performance Indicators, of the [Annual Report 2020](#).

<sup>4)</sup> Shareholders refers to shareholders of Koninklijke Philips N.V.

- Comparable sales declined by 8% due to headwinds caused by global supply chain challenges and Sleep & Respiratory Care recall consequences. The Diagnosis & Treatment businesses recorded double-digit comparable sales growth and the Personal Health businesses flat growth, which were more than offset by a double-digit comparable sales decline in the Connected Care businesses.
- Comparable order intake increased by 47%. Excluding the partial cancellation of a ventilator contract in Q3 2020, comparable order intake grew by 17%. The Connected Care businesses and Diagnosis & Treatment businesses recorded double-digit comparable order intake growth.
- Adjusted EBITA decreased by EUR 172 million and the margin decreased by 320 basis points compared to Q3 2020, due to the decline in sales, partly offset by productivity measures.
- Restructuring, acquisition-related and other charges amounted to EUR 87 million, compared to EUR 229 million in Q3 2020. Q3 2020 included a EUR 57 million onerous contract provision and a provision of EUR 38 million related to legal matters.
- Financial income and expenses resulted in an expense of EUR 5 million, compared to an expense of EUR 26 million in Q3 2020. Q3 2021 includes gains on the value of our minority participations and higher interest income.
- Income tax decreased by EUR 178 million year-on-year, mainly due to the impact from the recognition of tax assets due to a business transfer.
- Net income from discontinued operations increased by EUR 2,477 million year-on-year, mainly driven by the result on the sale of the Domestic Appliances business.
- Net income increased by EUR 2,640 million, mainly driven by the result on the sale of the Domestic Appliances business.

## Sales per geographic cluster in millions of EUR unless otherwise stated

	Q3 2020	Q3 2021	% change	
			nominal	comparable <sup>1)</sup>
Western Europe	972	870	(10)%	(11)%
North America	1,770	1,670	(6)%	(10)%
Other mature geographies	425	383	(10)%	(8)%
Total mature geographies	3,167	2,924	(8)%	(10)%
Growth geographies	1,244	1,231	(1)%	(2)%
<b>Philips Group</b>	<b>4,411</b>	<b>4,156</b>	<b>(6)%</b>	<b>(8)%</b>

<sup>1)</sup> Non-IFRS financial measure. Refer to [Reconciliation of non-IFRS information](#).

- Comparable sales declined by 8% due to headwinds caused by global supply chain challenges and Sleep & Respiratory Care recall consequences. Sales in growth geographies decreased by 2% on a comparable basis, with double-digit growth in Central & Eastern Europe and India, which was more than offset by a double-digit decline in Latin America and Middle East & Turkey. In mature geographies, sales decreased by 10% on a comparable basis, due to Western Europe and North America, partly offset by mid-single-digit growth in Japan.

Amounts may not add up due to rounding

#### Cash and cash equivalents balance in millions of EUR

	Q3 2020	Q3 2021
<b>Beginning cash balance</b>	<b>2,294</b>	<b>1,019</b>
Free cash flow <sup>1)</sup>	359	45
<i>Net cash flows from operating activities</i>	575	256
<i>Net capital expenditures</i>	(216)	(210)
Other cash flows from investing activities	(280)	(40)
Treasury share transactions	(22)	(84)
Changes in debt	(36)	(909)
Dividend paid to shareholders	(1)	(73)
Other cash flow items	(12)	8
Net cash flows from discontinued operations	187	3,860
<b>Ending cash balance</b>	<b>2,490</b>	<b>3,827</b>

<sup>1)</sup> Non-IFRS financial measure. Refer to [Reconciliation of non-IFRS information](#).

#### Composition of net debt to group equity<sup>1)</sup> in millions of EUR unless otherwise stated

	June 30, 2021	September 30, 2021
Long-term debt	5,882	6,623
Short-term debt	1,949	1,011
<b>Total debt</b>	<b>7,831</b>	<b>7,635</b>
Cash and cash equivalents	1,003	3,827
<b>Net debt</b>	<b>6,827</b>	<b>3,808</b>
Shareholders' equity	11,952	14,561
Non-controlling interests	34	42
<b>Group equity</b>	<b>11,987</b>	<b>14,602</b>
<b>Net debt : group equity ratio<sup>1)</sup></b>	<b>36:64</b>	<b>21:79</b>

<sup>1)</sup> Non-IFRS financial measure. Refer to [Reconciliation of non-IFRS information](#).

- Net cash flows from operating activities decreased to EUR 256 million, due to phasing and consumption of provisions.
- Treasury shares transactions includes share repurchases for capital reduction purposes and employee stock purchase plans.
- Changes in debt mainly includes the repayments of commercial paper amounting to EUR 300 million and two bilateral loans totaling EUR 500 million.
- Dividend paid to shareholders includes a EUR 73 million tax paid on dividend.
- Net cash flows from discontinued operations includes the net cash proceeds received on the sale of the Domestic Appliances business.

- Net debt: group equity ratio improved in Q3 2021, mainly driven by the net cash proceeds received and gain on the sale of the Domestic Appliances business.

# Performance per segment

## Diagnosis & Treatment businesses

Key data in millions of EUR unless otherwise stated

	Q3 2020	Q3 2021
Sales	1,971	2,154
Sales growth		
Nominal sales growth	(7)%	9%
Comparable sales growth <sup>1)</sup>	(3)%	10%
Income from operations	99	271
as a % of sales	5.0%	12.6%
EBITA <sup>1)</sup>	125	295
as a % of sales	6.3%	13.7%
Adjusted EBITA <sup>1)</sup>	192	306
as a % of sales	9.7%	14.2%
Adjusted EBITDA <sup>1)</sup>	265	373
as a % of sales	13.4%	17.3%

<sup>1)</sup> Non-IFRS financial measure. Refer to [Reconciliation of non-IFRS information](#).

- Comparable sales growth was 10%, with double-digit growth in Image-Guided Therapy and Enterprise Diagnostic Informatics, and high-single-digit growth in Ultrasound and Diagnostic Imaging.
- Comparable sales in mature geographies showed double-digit growth, driven by North America and Western Europe. Growth geographies recorded mid-single-digit growth, driven by China and India.
- Adjusted EBITA increased by EUR 114 million, resulting in a margin of 14.2%, mainly driven by sales growth and productivity measures.
- Restructuring, acquisition-related and other charges amounted to EUR 12 million, compared to EUR 67 million in Q3 2020. Q3 2020 included a provision of EUR 38 million related to legal matters. In Q4 2021, restructuring, acquisition-related and other charges are expected to total approximately EUR 30 million.

## Connected Care businesses

Key data in millions of EUR unless otherwise stated

	Q3 2020	Q3 2021
Sales	1,556	1,044
Sales growth		
Nominal sales growth	36%	(33)%
Comparable sales growth <sup>1)</sup>	42%	(39)%
Income from operations	280	(34)
as a % of sales	18.0%	(3.3)%
EBITA <sup>1)</sup>	307	4
as a % of sales	19.7%	0.4%
Adjusted EBITA <sup>1)</sup>	422	65
as a % of sales	27.1%	6.2%
Adjusted EBITDA <sup>1)</sup>	475	112
as a % of sales	30.5%	10.7%

<sup>1)</sup> Non-IFRS financial measure. Refer to [Reconciliation of non-IFRS information](#).

- Following the high COVID-19-generated demand in Q3 2020, comparable sales declined by 39%, due to a double-digit decline in Hospital Patient Monitoring and in Sleep & Respiratory Care, which was also impacted by the sleep recall.
- Comparable sales in growth and mature geographies showed a double-digit decline, due to a decline across all main markets.
- Adjusted EBITA decreased by EUR 357 million, resulting in a margin of 6.2%, mainly due to the decline in sales.
- Restructuring, acquisition-related and other charges were EUR 62 million, compared to EUR 115 million in Q3 2020. Q3 2020 included a EUR 57 million onerous contract provision. In Q4 2021, restructuring, acquisition-related and other charges are expected to total approximately EUR 45 million.

## Personal Health businesses

### Key data in millions of EUR unless otherwise stated

	Q3 2020 <sup>1)</sup>	Q3 2021
Sales	805	803
Sales growth		
Nominal sales growth	0%	0%
Comparable sales growth <sup>2)</sup>	5%	0%
Income from operations	106	124
as a % of sales	13.2%	15.4%
EBITA <sup>2)</sup>	110	127
as a % of sales	13.7%	15.8%
Adjusted EBITA <sup>2)</sup>	120	128
as a % of sales	14.9%	15.9%
Adjusted EBITDA <sup>2)</sup>	149	156
as a % of sales	18.5%	19.4%

<sup>1)</sup> Comparative figures in this report have been restated, refer to 'Presentation' in [Forward-looking statements and other important information](#).

<sup>2)</sup> Non-IFRS financial measure. Refer to [Reconciliation of non-IFRS information](#).

## Other

### Key data in millions of EUR

	Q3 2020	Q3 2021
Sales	79	153
Income from operations	(88)	(2)
EBITA <sup>1)</sup>	(87)	0
Adjusted EBITA <sup>1)</sup> of:	(50)	13
IP Royalties	32	101
Innovation	(39)	(41)
Central costs	(19)	(53)
Other	(24)	5
Adjusted EBITDA <sup>1)</sup>	35	97

<sup>1)</sup> Non-IFRS financial measure. Refer to [Reconciliation of non-IFRS information](#).

- Comparable sales were in line with Q3 2020, with mid-single-digit growth in Mother & Child Care and low-single-digit growth in Personal Care, offset by a mid-single-digit decline in Oral Healthcare. Q3 2021 was adversely impacted by the phasing of revenues towards Q2 2021.
- Comparable sales in growth geographies showed double-digit growth, driven by double-digit growth in Central & Eastern Europe and Russia & Central Asia. Mature geographies recorded a high-single-digit decline, which was due to Western Europe and North America.
- Adjusted EBITA increased by EUR 8 million, resulting in a margin of 15.9%, mainly driven by productivity measures.
- Restructuring, acquisition-related and other charges were not material, compared to EUR 10 million in Q3 2020. In Q4 2021, restructuring, acquisition-related and other charges are expected to total approximately EUR 5 million.

- Sales increased by EUR 74 million, mainly driven by higher royalty income.
- The increase in Adjusted EBITA mainly relates to higher royalty income, partly offset by higher costs.
- Central costs includes investments in IT, Procurement & Supply Chain, while Other mainly reflects movements in environmental provisions.
- Restructuring, acquisition-related and other charges amounted to EUR 12 million, compared to EUR 37 million in Q3 2020. Q3 2021 includes EUR 12 million of separation costs related to the Domestic Appliances business and EUR 11 million of charges related to movements in environmental provisions. In Q4 2021, restructuring, acquisition-related and other charges are expected to total approximately EUR 25 million.

# Forward-looking statements and other important information

## Forward-looking statements

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. 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, political and societal changes; Philips' increasing focus on health technology and solutions; the successful completion of divestments; the realization of Philips' objectives in growth geographies; business plans and integration of acquisitions; securing and maintaining Philips' intellectual property rights, and unauthorized use of third-party intellectual property rights; COVID-19 and other pandemics; breaches of cybersecurity; IT system changes or failures; the effectiveness of our supply chain; challenges to drive operational excellence, productivity and speed in bringing innovations to market; attracting and retaining personnel; future trade arrangements following Brexit; compliance with regulations and standards, including quality, product safety and data privacy; compliance with 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 2020](#).

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. The future developments are subject to significant uncertainties, which require management to make estimates and assumptions about items such as quantities, costs to repair or replace, and duration. 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.

## Market Abuse Regulation

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

## Use of non-IFRS information

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

## Use of fair value information

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



## Presentation

All amounts are in millions of euros unless otherwise stated. Due to rounding, amounts may not add up precisely to totals provided. All reported data is unaudited. Financial reporting is in accordance with the accounting policies as stated in the [Annual Report 2020](#) 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, 2021.

In 2020, Philips revised the definition of net finance expenses used in the calculation of Adjusted income from continuing operations attributable to shareholders, to exclude fair value movements of limited life fund investments recognized at fair value through profit and loss. This change leads to more relevant information as the fair value movements are not indicative of Philips' performance. The fair value movements do not represent cash items. Philips believes making this change is helpful for investors to evaluate Philips' performance.

On September 1, 2021, Philips completed the sale of the Domestic Appliances business. The results of this transaction, which Philips announced on March 25, 2021, are presented under Discontinued Operations in this report. Comparative results have been restated to reflect the treatment of the Domestic Appliances business as a discontinued operation since Q1. Further details of the restatement have been published on the Philips Investor Relations website and can be accessed [here](#).

Prior-period amounts have been reclassified to conform to the current-period presentation; this includes immaterial organizational changes.

# Condensed consolidated statements of income

In millions of EUR unless otherwise stated

	Q3		January to September	
	2020	2021	2020	2021
<b>Sales</b>	<b>4,411</b>	<b>4,156</b>	<b>12,078</b>	<b>12,212</b>
Cost of sales	(2,427)	(2,182)	(6,783)	(6,963)
<b>Gross margin</b>	<b>1,984</b>	<b>1,973</b>	<b>5,295</b>	<b>5,250</b>
Selling expenses	(969)	(1,041)	(2,947)	(3,083)
General and administrative expenses	(159)	(164)	(468)	(475)
Research and development expenses	(456)	(437)	(1,357)	(1,331)
Other business income	1	31	111	141
Other business expenses	(6)	(4)	(24)	(110)
<b>Income from operations</b>	<b>396</b>	<b>358</b>	<b>610</b>	<b>391</b>
Financial income	27	38	127	114
Financial expenses	(53)	(43)	(152)	(132)
Investment in associates, net of income taxes	(5)	(3)	(9)	4
<b>Income before taxes</b>	<b>365</b>	<b>350</b>	<b>577</b>	<b>376</b>
Income tax expense	(86)	92	(86)	97
<b>Income from continuing operations</b>	<b>279</b>	<b>442</b>	<b>491</b>	<b>473</b>
Discontinued operations, net of income taxes	61	2,538	97	2,699
<b>Net income</b>	<b>340</b>	<b>2,980</b>	<b>588</b>	<b>3,173</b>
<b>Attribution of net income</b>				
Income from continuing operations attributable to shareholders <sup>1)</sup>	277	435	487	463
Net income attributable to shareholders <sup>1)</sup>	338	2,973	584	3,162
Net income attributable to non-controlling interests	2	7	4	10
<b>Earnings per common share</b>				
Weighted average number of common shares outstanding (after deduction of treasury shares) during the period (in thousands): <sup>1)</sup>				
- basic	909,355	912,555	907,866	908,416
- diluted	916,946	916,981	916,878	914,219
Income from continuing operations attributable to shareholders <sup>1)</sup>				
- basic	0.30	0.48	0.54	0.51
- diluted	0.30	0.47	0.53	0.51
Net income attributable to shareholders <sup>1)</sup>				
- basic	0.37	3.26	0.64	3.48
- diluted	0.37	3.24	0.64	3.46

<sup>1)</sup> Shareholders refers to shareholders of Koninklijke Philips N.V.

Amounts may not add up due to rounding

## Reconciliation of non-IFRS information

Certain non-IFRS financial measures are presented when discussing the Philips Group's performance:

- Comparable sales growth
- EBITA
- Adjusted EBITA
- Adjusted income from continuing operations attributable to shareholders
- Adjusted income from continuing operations attributable to shareholders per common share (in EUR) - diluted (Adjusted EPS)
- Adjusted EBITDA
- Free cash flow
- Net debt : group equity ratio

For the definitions of the non-IFRS financial measures listed above, refer to chapter 12, Reconciliation of non-IFRS information, of the [Annual Report 2020](#) and to the [Forward-looking statements and other important information](#).

### Sales growth composition in %

	Q3 2021				January to September			
	nominal growth	consolidation changes	currency effects	comparable growth	nominal growth	consolidation changes	currency effects	comparable growth
<b>2021 versus 2020</b>								
Diagnosis & Treatment	9.3%	(0.1)%	0.6%	9.8%	7.2%	(0.1)%	4.6%	11.7%
Connected Care	(32.9)%	(7.0)%	0.6%	(39.3)%	(15.0)%	(7.5)%	3.6%	(18.8)%
Personal Health	(0.2)%	0.0%	(0.3)%	(0.5)%	11.7%	0.0%	3.5%	15.2%
<b>Philips Group</b>	<b>(5.8)%</b>	<b>(2.2)%</b>	<b>0.5%</b>	<b>(7.6)%</b>	<b>1.1%</b>	<b>(2.4)%</b>	<b>4.0%</b>	<b>2.7%</b>

### Adjusted income from continuing operations attributable to shareholders<sup>1)</sup> in millions of EUR unless otherwise stated

	Q3		January to September	
	2020	2021	2020	2021
Net income	340	2,980	588	3,173
Discontinued operations, net of income taxes	(61)	(2,538)	(97)	(2,699)
<b>Income from continuing operations</b>	<b>279</b>	<b>442</b>	<b>491</b>	<b>473</b>
Continuing operations non-controlling interests	(2)	(7)	(4)	(10)
<b>Income from continuing operations attributable to shareholders<sup>1)</sup></b>	<b>277</b>	<b>435</b>	<b>487</b>	<b>463</b>
Adjustments for:				
Amortization and impairment of acquired intangible assets	59	67	302	253
Impairment of goodwill			-	15
Restructuring and acquisition-related charges	81	15	110	68
Other items	148	72	260	678
Net finance expenses <sup>2)</sup>	(18)	(14)	(97)	(63)
Tax impact of adjusted items and tax only adjusting items	(84)	(210)	(225)	(424)
<b>Adjusted income from continuing operations attributable to shareholders<sup>1)</sup></b>	<b>463</b>	<b>365</b>	<b>837</b>	<b>991</b>
Earnings per common share:				
Income from continuing operations attributable to shareholders <sup>1)</sup> per common share (in EUR) - diluted	0.30	0.47	0.53	0.51
Adjusted income from continuing operations attributable to shareholders <sup>1)</sup> per common share (EUR) - diluted	0.50	0.40	0.91	1.08

<sup>1)</sup> Shareholders refers to shareholders of Koninklijke Philips N.V.

<sup>2)</sup> The comparative figures have been restated to conform to the revised definitions. Refer to [Forward-looking statements and other important information](#).

## Reconciliation of Net income to Adjusted EBITA in millions of EUR

	Philips Group	Diagnosis & Treatment	Connected Care	Personal Health	Other
<b>Q3 2021</b>					
Net income	2,980				
Discontinued operations, net of income taxes	(2,538)				
Income tax expense	(92)				
Investments in associates, net of income taxes	3				
Financial expenses	43				
Financial income	(38)				
<b>Income from operations</b>	<b>358</b>	<b>271</b>	<b>(34)</b>	<b>124</b>	<b>(2)</b>
Amortization and impairment of acquired intangible assets	67	23	38	4	3
<b>EBITA</b>	<b>426</b>	<b>295</b>	<b>4</b>	<b>127</b>	<b>0</b>
Restructuring and acquisition-related charges	15	8	8	-	(2)
Other items	72	4	54	-	14
<b>Adjusted EBITA</b>	<b>512</b>	<b>306</b>	<b>65</b>	<b>128</b>	<b>13</b>
<b>January to September 2021</b>					
Net income	3,173				
Discontinued operations, net of income taxes	(2,699)				
Income tax expense	(97)				
Investments in associates, net of income taxes	(4)				
Financial expenses	132				
Financial income	(114)				
<b>Income from operations</b>	<b>391</b>	<b>627</b>	<b>(413)</b>	<b>361</b>	<b>(183)</b>
Amortization and impairment of acquired intangible assets	253	128	109	11	5
Impairment of goodwill	15	2	13		
<b>EBITA</b>	<b>660</b>	<b>757</b>	<b>(291)</b>	<b>372</b>	<b>(178)</b>
Restructuring and acquisition-related charges	68	22	46	-	(1)
Other items	678	(32)	592	-	119
<b>Adjusted EBITA</b>	<b>1,406</b>	<b>747</b>	<b>347</b>	<b>373</b>	<b>(60)</b>
<b>Q3 2020</b>					
Net income	340				
Discontinued operations, net of income taxes	(61)				
Income tax expense	86				
Investments in associates, net of income taxes	5				
Financial expenses	53				
Financial income	(27)				
<b>Income from operations</b>	<b>396</b>	<b>99</b>	<b>280</b>	<b>106</b>	<b>(88)</b>
Amortization and impairment of acquired intangible assets	59	27	27	4	1
<b>EBITA</b>	<b>456</b>	<b>125</b>	<b>307</b>	<b>110</b>	<b>(87)</b>
Restructuring and acquisition-related charges	81	23	29	10	19
Other items	148	44	86	-	19
<b>Adjusted EBITA</b>	<b>684</b>	<b>192</b>	<b>422</b>	<b>120</b>	<b>(50)</b>
<b>January to September 2020</b>					
Net income	588				
Discontinued operations, net of income taxes	(97)				
Income tax expense	86				
Investments in associates, net of income taxes	9				
Financial expenses	152				
Financial income	(127)				
<b>Income from operations</b>	<b>610</b>	<b>212</b>	<b>496</b>	<b>140</b>	<b>(238)</b>
Amortization and impairment of acquired intangible assets	302	179	94	12	16
<b>EBITA</b>	<b>912</b>	<b>391</b>	<b>590</b>	<b>152</b>	<b>(221)</b>
Restructuring and acquisition-related charges	110	4	54	28	24
Other items	260	80	123	24	34
<b>Adjusted EBITA</b>	<b>1,282</b>	<b>475</b>	<b>767</b>	<b>204</b>	<b>(164)</b>

Reconciliation of Net income to Adjusted EBITDA in millions of EUR

	Philips Group	Diagnosis & Treatment	Connected Care	Personal Health	Other
<b>Q3 2021</b>					
Net income	2,980				
Discontinued operations, net of income taxes	(2,538)				
Income tax expense	(92)				
Investments in associates, net of income taxes	3				
Financial expenses	43				
Financial income	(38)				
<b>Income from operations</b>	<b>358</b>	<b>271</b>	<b>(34)</b>	<b>124</b>	<b>(2)</b>
Depreciation, amortization and impairments of fixed assets	309	92	98	32	87
Restructuring and acquisition-related charges	15	8	8	-	(2)
Other items	72	4	54	-	14
Adding back impairment of fixed assets included in Restructuring and acquisition-related charges and Other items	(15)	(2)	(13)		-
<b>Adjusted EBITDA</b>	<b>739</b>	<b>373</b>	<b>112</b>	<b>156</b>	<b>97</b>
<b>January to September 2021</b>					
Net income	3,173				
Discontinued operations, net of income taxes	(2,699)				
Income tax expense	(97)				
Investments in associates, net of income taxes	(4)				
Financial expenses	132				
Financial income	(114)				
<b>Income from operations</b>	<b>391</b>	<b>627</b>	<b>(413)</b>	<b>361</b>	<b>(183)</b>
Depreciation, amortization and impairments of fixed assets	980	351	274	95	260
Impairment of goodwill	15	2	13		
Restructuring and acquisition-related charges	68	22	46	-	(1)
Other items	678	(32)	592	-	119
Adding back impairment of fixed assets included in Restructuring and acquisition-related charges and Other items	(53)	(19)	(35)	-	2
<b>Adjusted EBITDA</b>	<b>2,080</b>	<b>951</b>	<b>476</b>	<b>457</b>	<b>196</b>
<b>Q3 2020</b>					
Net income	340				
Discontinued operations, net of income taxes	(61)				
Income tax expense	86				
Investments in associates, net of income taxes	5				
Financial expenses	53				
Financial income	(27)				
<b>Income from operations</b>	<b>396</b>	<b>99</b>	<b>280</b>	<b>106</b>	<b>(88)</b>
Depreciation, amortization and impairments of fixed assets	339	102	120	32	86
Restructuring and acquisition-related charges	81	23	29	10	19
Other items	148	44	86	-	19
Adding back impairment of fixed assets included in Restructuring and acquisition-related charges and Other items	(40)	(2)	(39)	1	-
<b>Adjusted EBITDA</b>	<b>924</b>	<b>265</b>	<b>475</b>	<b>149</b>	<b>35</b>
<b>January to September 2020</b>					
Net income	588				
Discontinued operations, net of income taxes	(97)				
Income tax expense	86				
Investments in associates, net of income taxes	9				
Financial expenses	152				
Financial income	(127)				
<b>Income from operations</b>	<b>610</b>	<b>212</b>	<b>496</b>	<b>140</b>	<b>(238)</b>
Depreciation, amortization and impairments of fixed assets	1,089	426	285	105	274
Restructuring and acquisition-related charges	110	4	54	28	24
Other items	260	80	123	24	34
Adding back impairment of fixed assets included in Restructuring and acquisition-related charges and Other items	(71)	(33)	(39)	1	0
<b>Adjusted EBITDA</b>	<b>1,999</b>	<b>688</b>	<b>918</b>	<b>298</b>	<b>94</b>

Composition of free cash flow in millions of EUR

	Q3	
	2020	2021
Net cash provided by operating activities	575	256
Net capital expenditures	(216)	(210)
<i>Purchase of intangible assets</i>	(28)	(36)
<i>Expenditures on development assets</i>	(67)	(60)
<i>Capital expenditures on property, plant and equipment</i>	(124)	(112)
<i>Proceeds from disposals of property, plant and equipment</i>	3	(1)
<b>Free cash flow</b>	<b>359</b>	<b>45</b>

# Philips statistics

In millions of EUR unless otherwise stated

	2020				2021			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	3,693	3,974	4,411	5,235	3,827	4,230	4,156	
Comparable sales growth <sup>1)</sup>	(1)%	(5)%	10%	6%	9%	9%	(8)%	
Comparable order intake <sup>2)</sup>	24%	27%	(18)%	7%	(5)%	(15)%	47%	
Gross margin	1,651	1,660	1,984	2,525	1,487	1,789	1,973	
as a % of sales	44.7%	41.8%	45.0%	48.2%	38.9%	42.3%	47.5%	
Selling expenses	(1,017)	(962)	(969)	(1,107)	(986)	(1,056)	(1,041)	
as a % of sales	(27.5)%	(24.2)%	(22.0)%	(21.1)%	(25.8)%	(25.0)%	(25.0)%	
G&A expenses	(151)	(158)	(159)	(162)	(173)	(138)	(164)	
as a % of sales	(4.1)%	(4.0)%	(3.6)%	(3.1)%	(4.5)%	(3.3)%	(3.9)%	
R&D expenses	(466)	(434)	(456)	(465)	(424)	(470)	(437)	
as a % of sales	(12.6)%	(10.9)%	(10.3)%	(8.9)%	(11.1)%	(11.1)%	(10.5)%	
Income from operations	9	205	396	654	(52)	85	358	
as a % of sales	0.2%	5.2%	9.0%	12.5%	(1.4)%	2.0%	8.6%	
Net income	39	210	340	607	40	153	2,980	
Income from continuing operations attributable to shareholders <sup>3)</sup> per common share in EUR - diluted	0.02	0.21	0.30	0.55	(0.04)	0.07	0.47	
Adjusted income from continuing operations attributable to shareholders <sup>3)</sup> per common share in EUR - diluted <sup>1)4)</sup>	0.14	0.27	0.50	0.83	0.28	0.40	0.40	
EBITA <sup>1)</sup>	92	364	456	872	61	173	426	
as a % of sales	2.5%	9.2%	10.3%	16.7%	1.6%	4.1%	10.2%	
Adjusted EBITA <sup>1)</sup>	208	390	684	995	362	532	512	
as a % of sales	5.6%	9.8%	15.5%	19.0%	9.5%	12.6%	12.3%	
Adjusted EBITDA <sup>1)</sup>	445	630	924	1,263	579	762	739	
as a % of sales	12.0%	15.9%	20.9%	24.1%	15.1%	18.0%	17.8%	

<sup>1)</sup> Non-IFRS financial measure. Refer to [Reconciliation of non-IFRS information](#).

<sup>2)</sup> Comparable order intake is presented when discussing the Philips Group's performance. For the definition of this measure, refer to chapter 12.4, Other Key Performance Indicators, of the [Annual Report 2020](#).

<sup>3)</sup> Shareholders refers to shareholders of Koninklijke Philips N.V.

<sup>4)</sup> The comparative figures have been restated to conform to the revised definitions. Refer to [Forward-looking statements and other important information](#).

Philips statistics in millions of EUR unless otherwise stated

	2020				2021			
	January-March	January-June	January-September	January-December	January-March	January-June	January-September	January-December
Sales	3,693	7,667	12,078	17,313	3,827	8,057	12,212	
Comparable sales growth <sup>1)</sup>	(1)%	(3)%	2%	3%	9%	9%	3%	
Comparable order intake <sup>2)</sup>	24%	26%	10%	9%	(5)%	(11)%	4%	
Gross margin	1,651	3,310	5,295	7,820	1,487	3,277	5,250	
as a % of sales	44.7%	43.2%	43.8%	45.2%	38.9%	40.7%	43.0%	
Selling expenses	(1,017)	(1,979)	(2,947)	(4,054)	(986)	(2,042)	(3,083)	
as a % of sales	(27.5)%	(25.8)%	(24.4)%	(23.4)%	(25.8)%	(25.3)%	(25.2)%	
G&A expenses	(151)	(309)	(468)	(630)	(173)	(311)	(475)	
as a % of sales	(4.1)%	(4.0)%	(3.9)%	(3.6)%	(4.5)%	(3.9)%	(3.9)%	
R&D expenses	(466)	(901)	(1,357)	(1,822)	(424)	(894)	(1,331)	
as a % of sales	(12.6)%	(11.8)%	(11.2)%	(10.5)%	(11.1)%	(11.1)%	(10.9)%	
Income from operations	9	214	610	1,264	(52)	33	391	
as a % of sales	0.2%	2.8%	5.1%	7.3%	(1.4)%	0.4%	3.2%	
Net income	39	249	588	1,195	40	192	3,173	
Income from continuing operations attributable to shareholders <sup>3)</sup> per common share in EUR - diluted	0.02	0.23	0.53	1.08	(0.04)	0.03	0.51	
Adjusted income from continuing operations attributable to shareholders <sup>3)</sup> per common share in EUR - diluted <sup>1)4)</sup>	0.14	0.41	0.91	1.74	0.28	0.69	1.08	
EBITA <sup>1)</sup>	92	456	912	1,784	61	234	660	
as a % of sales	2.5%	5.9%	7.6%	10.3%	1.6%	2.9%	5.4%	
Adjusted EBITA <sup>1)</sup>	208	598	1,282	2,277	362	894	1,406	
as a % of sales	5.6%	7.8%	10.6%	13.2%	9.5%	11.1%	11.5%	
Adjusted EBITDA <sup>1)</sup>	445	1,075	1,999	3,262	579	1,341	2,080	
as a % of sales	12.0%	14.0%	16.6%	18.8%	15.1%	16.6%	17.0%	
Number of common shares outstanding (after deduction of treasury shares) at the end of period (in thousands)	887,579	891,301	909,472	905,128	905,289	912,734	910,306	
Shareholders' equity per common share in EUR	13.66	12.29	12.89	13.11	13.80	13.10	16.00	
Net debt : group equity ratio <sup>1)</sup>	28:72	31:69	29:71	24:76	34:66	36:64	21:79	
Total employees of continuing operations	73,568	73,675	73,982	75,001	77,343	77,084	77,746	

<sup>1)</sup> Non-IFRS financial measure. Refer to [Reconciliation of non-IFRS information](#).

<sup>2)</sup> Comparable order intake is presented when discussing the Philips Group's performance. For the definition of this measure, refer to chapter 12.4, Other Key Performance Indicators, of the [Annual Report 2020](#).

<sup>3)</sup> Shareholders refers to shareholders of Koninklijke Philips N.V.

<sup>4)</sup> The comparative figures have been restated to conform to the revised definitions. Refer to [Forward-looking statements and other important information](#).



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