

PHILIPS

Third quarter 2024 results

October 28, 2024

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 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 keep pace with the changing health technology environment; 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; challenges in simplifying our organization and our ways of working; the resilience of our supply chain; attracting and retaining personnel; challenges in driving 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 including privacy and upcoming ESG disclosure and due diligence requirements; treasury and financing risks; tax risks; reliability of internal controls, financial reporting and management process; and global inflation. 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 2023. Reference is also made to section Risk management in the Philips semi-annual report 2024.

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, as well as 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 slide deck 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 2023.

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 2023. Prior-period amounts have been reclassified to conform to the current-period presentation; this includes immaterial organizational changes. Effective Q1 2024, Philips has revised the order intake policy to reflect the full contract value for software contracts that start generating revenue within an 18-month horizon, instead of only the next 18-months-to-revenue horizon. This change has been implemented to better align with the specific business model of our software businesses, simplify the order intake process, and better align with peers. Prior-period comparable order intake percentages have been restated accordingly. This revision has not resulted in any material changes to the order intake percentages for the periods presented. Per share calculations have been adjusted retrospectively for all periods presented to reflect the issuance of shares in the second quarter of 2024 in connection with the 2023 share dividend.

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Key takeaways

- Delivered strong margin improvement with flat comparable sales due to further deteriorated demand in China; solid growth in rest of world
- Deterioration of demand in China leads to updated sales outlook for full-year 2024. Adjusted EBITA margin expected to be at the upper end of current range
- The uncertainties signaled in earlier quarters have intensified in China and are expected to continue
- Within a challenging macro environment, we remain focused on successfully executing our three-year plan to drive operational improvement and create value with sustainable impact



Delivered strong margin improvement with flat comparable sales due to further deteriorated demand in China; solid growth in rest of world

Financial performance

| <i>In millions of EUR unless otherwise stated</i> | Q3 2023 | Q3 2024 |
|---|---------|---------|
| Sales | 4,471 | 4,377 |
| Comparable sales growth ¹ | 11% | 0% |
| Comparable order intake ¹ | (7)% | (2)% |
| Adj. EBITA ² | 456 | 516 |
| Adj. EBITA margin ² | 10.2% | 11.8% |
| Adj. EBITDA margin ² | 15.5% | 16.8% |
| Income from operations | 224 | 337 |
| Operating cash flow | 489 | 192 |

Highlights

- Orders declined due to China; growth in Diagnosis & Treatment driven by the U.S.; year-to-date orders up 1%
- Sales flat on the back of high comps and due to China; growth in rest of world and from higher royalties
- Adj. EBITA margin improvement driven by a strong step-up in gross margin from innovations, productivity and royalties
- Income from operations increased driven by higher earnings and lower Respiroics field action running costs
- Operating cashflow driven by earnings, partly offset by working capital outflows due to seasonal phasing

Preferred strategic and innovation partner for customers

Carilion Clinic (U.S.)



- Expanding access to cardiac care with latest innovations at the new cardiovascular institute in Virginia
- The 11 new labs will include interventional suites equipped with latest Azurion and EPIC CVx ultrasound systems

Siloam Hospital Group (Indonesia)



- Signed an AI capability MoU¹ to support Indonesia's healthcare transformation strategy
- Strategic collaboration, focused on capacity building, knowledge sharing, and implementing AI solutions

Breakthrough launches demonstrating our innovation leadership in minimally invasive treatments and AI

LumiGuide Navigation Wire



- Secured FDA approval for the industry's first 3D human GPS powered by light technology instead of X-ray
- Paving the way for radiation-free minimally-invasive and potentially a game-changer for complex aortic procedures
- Marked the 1,000th patient treated with LumiGuide

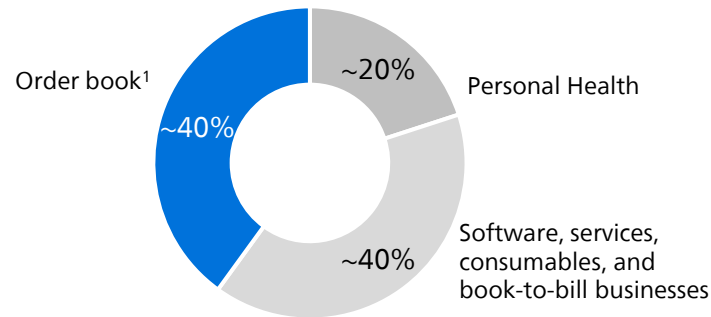
AI-powered Avent baby monitor



- Reassures parents using scientifically proven technology
- AI and machine learning translates baby's cries and notifies parents if baby is tired, hungry, or uncomfortable
- Translates breathing chest motions into sleep status and breathing rate updates

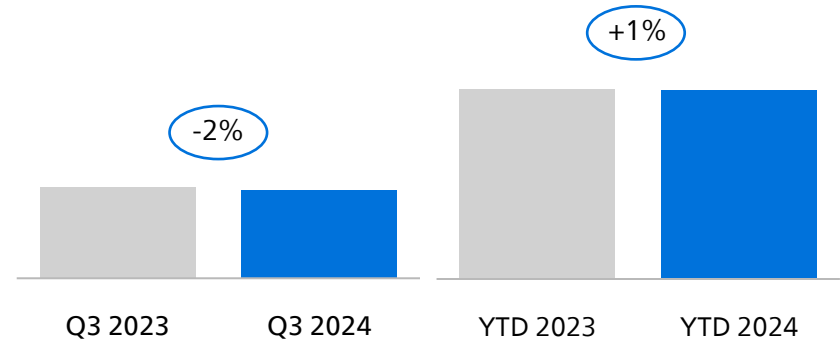
Diversified revenue streams driven by combination of healthy order book, growing recurring revenue and Personal Health

Revenue split



- Order book remains healthy in both equipment and services
- Revenue streams from software, services, devices and consumables growing at solid rates

Order intake²



- Group order intake declined due to China, which remains a fundamentally attractive market
- Solid growth in Diagnosis & Treatment in rest of world driven by the U.S.
- Expect growth for full-year driven by strength outside of China

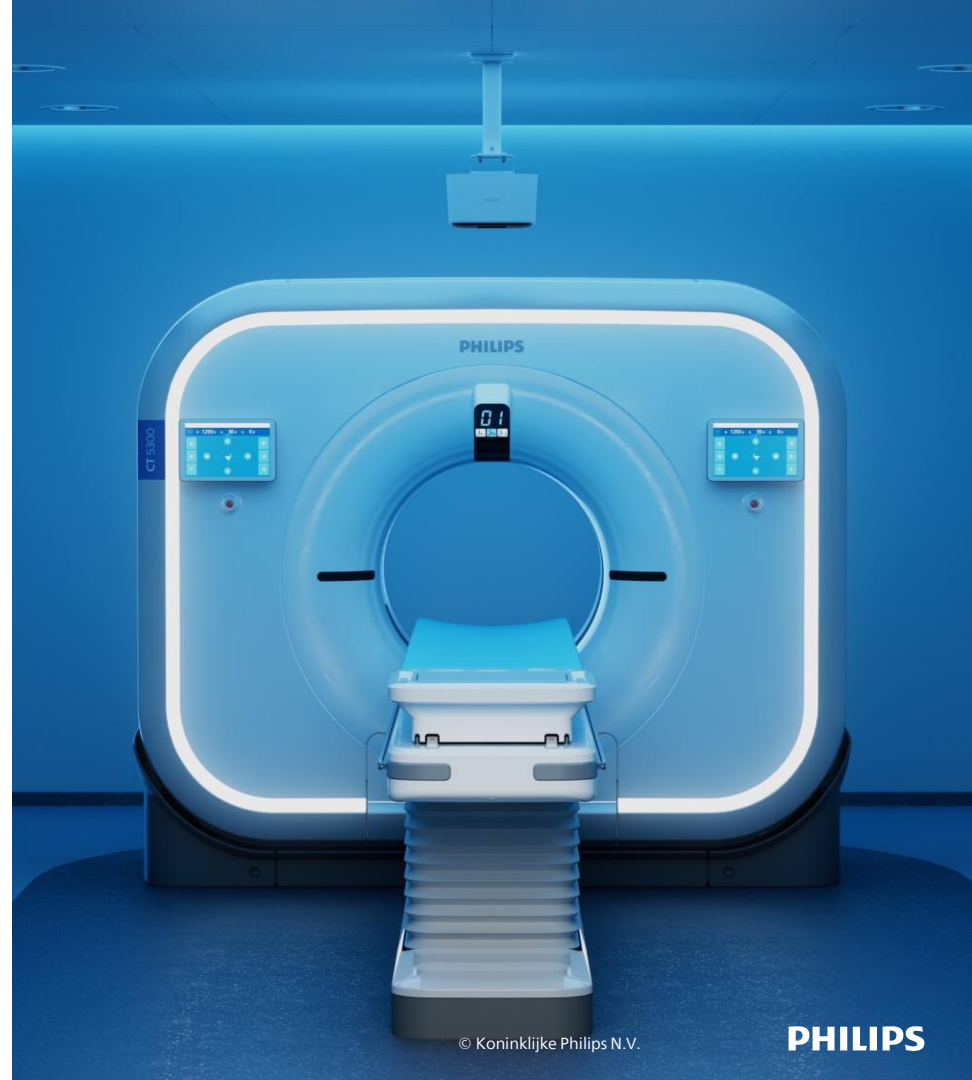
Diagnosis & Treatment

Financial performance

| <i>In millions of EUR unless otherwise stated</i> | Q3 2023 | Q3 2024 |
|---|---------|---------|
| Sales | 2,202 | 2,150 |
| Comparable sales growth | 14% | (1)% |
| Adj. EBITA margin | 12.7% | 12.6% |
| Adj. EBITDA margin | 15.5% | 14.9% |
| Income from operations | 251 | 232 |

Q3 2024 highlights

- CSG declined mainly due to deterioration in China, on the back of high comps
- Solid growth outside of China driven by North America with growth in Image-Guided Therapy and Precision Diagnosis
- Adj. EBITA margin of 12.6% despite lower sales, driven by improved operational performance, productivity and pricing



Connected Care

Financial performance

| <i>In millions of EUR unless otherwise stated</i> | Q3 2023 | Q3 2024 |
|---|---------|---------|
| Sales | 1,232 | 1,211 |
| Comparable sales growth | 10% | 0% |
| Adj. EBITA margin | 3.7% | 7.3% |
| Adj. EBITDA margin | 8.9% | 12.2% |
| Income from operations | (111) | (17) |

Q3 2024 highlights

- Flat CSG on the back of high comps, with growth in Enterprise Informatics and Sleep & Respiratory Care
- Monitoring declined low single-digit on the back of high-teens growth in Q3 2023
- Adj. EBITA margin improvement across all businesses, mainly driven by productivity and pricing
- Encouraging margin step-up in Sleep & Respiratory Care



Personal Health

Financial performance

| <i>In millions of EUR unless otherwise stated</i> | Q3 2023 | Q3 2024 |
|---|---------|---------|
| Sales | 898 | 835 |
| Comparable sales growth | 7% | (5)% |
| Adj. EBITA margin | 18.7% | 16.5% |
| Adj. EBITDA margin | 21.4% | 19.2% |
| Income from operations | 142 | 132 |

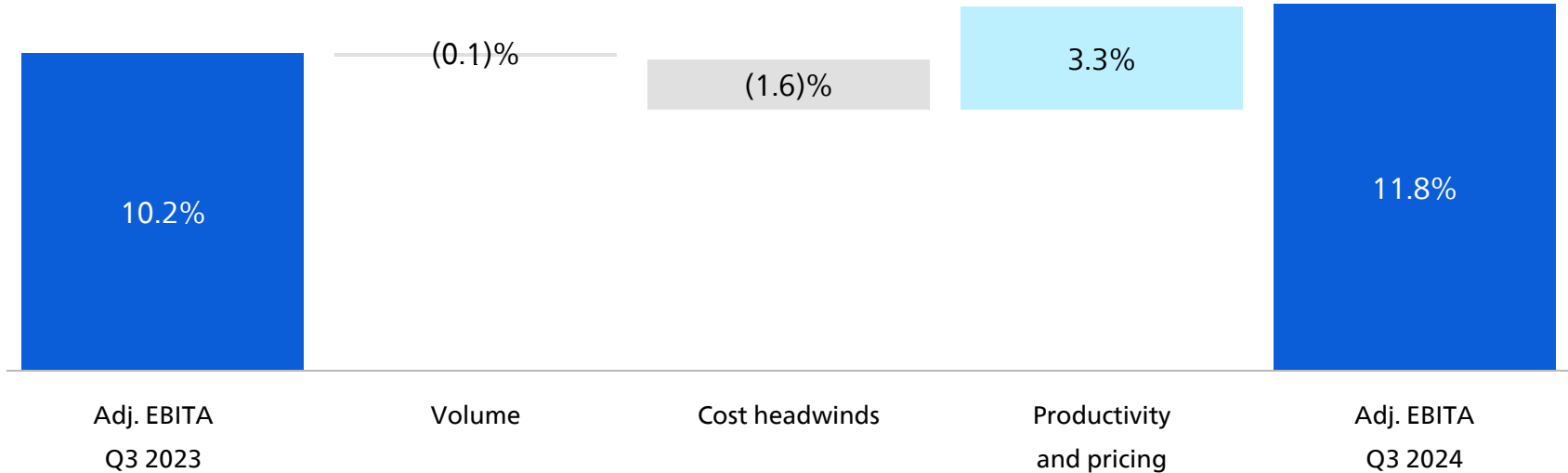
Q3 2024 highlights

- CSG declined due to double-digit decline in China, following a strong decline in sell out to consumers
- Robust growth in rest of world
- Resilient Adj. EBITA margin of 16.5% with operational performance improvement partly offsetting lower sales



Adjusted EBITA margin improvement driven by strong step up in gross margin, productivity measures and higher royalty income

Group Adj. EBITA margin¹ in Q3 2024



Productivity initiatives delivered EUR 188 million in the quarter and ~EUR 1.5 billion to date

Productivity initiatives savings¹

In millions of EUR unless otherwise stated

| | | Q3 2023 | Q1 2023 – Q3 2024 |
|--------------------|---|------------------------|--------------------------|
| Operating model | <ul style="list-style-type: none"> • Simplified operating model with reduction of 10k roles • R&D prioritization, reduction of Corporate Research projects • End-to-end supply chain, simplifying planning, eliminating duplications | 54 | 718 |
| Procurement | <ul style="list-style-type: none"> • Bill-of-material savings via redesign, value analysis, engineering • Reductions in warehousing, transportation and consulting | 58 | 388 |
| Other productivity | <ul style="list-style-type: none"> • Manufacturing footprint optimization and service productivity • R&D platform simplification and footprint optimization • GBS and hyper-automation • Sleep & Respiratory Care rightsizing | 76 | 440 |
| | | EUR 188 million | EUR 1,546 million |

We have made solid progress on our execution priorities



Patient safety and quality embedded in businesses, innovation and culture

Full day time-out for all employees to focus on Patient Safety and Quality

40% decrease in number of CAPAs since beginning of the year

On track to achieve ~65% reduction in the number of QMS²



End-to-end supply chain delivering better lead times and service

Lead times back to industry levels

Service levels continue to increase for all modalities and consumer products

Progressed on regionalization and localization of supply chain



Simplified operating model driving accountability and agility

Deploying culture of impact with care

75% of executive hires with HealthTech and clinical background

78% employee engagement score

2024 outlook

Deteriorated demand in China leads to an updated growth outlook while margin expected to be at the upper end of the current range

| | Previous 2024 outlook | Updated 2024 outlook |
|-----------------------------|---|--|
| Comparable sales growth | <p>3 – 5%</p> <ul style="list-style-type: none"> • Diagnosis & Treatment: lower end of the range • Connected Care: upper end of the range • Personal Health: lower end of the range | <p>0.5 – 1.5%</p> <ul style="list-style-type: none"> • Diagnosis & Treatment: slight growth • Connected Care: lower end of the 3 – 5% range • Personal Health: flat to slight decline - Growth in rest of world remains in the 3 – 5% range |
| Adjusted EBITA margin | <p>11 – 11.5%</p> | <p>~11.5% upper end of current range</p> |
| Free cash flow ¹ | <p>EUR 0.9 – 1.1 billion</p> | <p>~EUR 0.9 billion lower end of current range</p> |

Note: The outlook excludes the potential impact of the ongoing Philips Respironics-related legal proceedings, including the investigation by the US Department of Justice
 1. Includes a receipt from insurers for the Respironics claims and the remaining payment related to the economic loss settlement

Restructuring, acquisition-related charges and other items

Full-year 2024

Restructuring costs
~100 bps

- Part of the 10K roles reduction program resulting from operating model simplification
- Sleep & Respiratory Care rightsizing and assets impairment

Acquisition-related charges
~30 bps

- Post-merger integration costs related to recent acquisitions in Connected Care and Image-Guided Therapy Devices

Other items¹
~200 bps

- Mainly related to Respiroics field action running cost, the Consent Decree and other quality action-related charges

Q4 2024

Restructuring costs,
acquisition-related charges,
other items

- EUR 165 million: Diagnosis & Treatment 35 million, Connected Care 100 million, Personal Health 10 million, Segment Other 20 million

Note: the outlook excludes the potential impact of the ongoing Philips Respiroics-related legal proceedings, including the investigation by the US Department of Justice

1. Excluding charges of EUR 982 million for the Respiroics litigation provision booked in Q1 2024, and EUR 538 million insurance income related to Respiroics product liability claims in Q2 2024

Latest FX, below the line items and segment Other outlook

| | Q4 2024 | Full year 2024 |
|--|---------|----------------|
| FX translation ¹ | | |
| Diagnosis & Treatment | (3)% | (2)% |
| Connected Care | (3)% | (2)% |
| Personal Health | (3)% | (3)% |
| Philips Group | (3)% | (2)% |
| Effective tax rate ² | | 21-23% |
| Financial income & expense (EUR million) | | ~(290) |
| Segment Other (EUR million) ³ | | |
| Sales | | ~600 |
| Adj. EBITA | | ~(20) |
| EBITA | | ~(130) |

1. Including consolidation and deconsolidation impact on sales. Based on September 2024 FX rate. Final impact subject to change based on FX movements and geographic sales mix | 2. Excluding ~EUR 500 million de-recognition of deferred tax assets in H1 2024 on Respiroics litigation provision and carry-forward losses in the US | 3. Compared to previous 2024 outlook of 550 – 580 million sales, 50 million Adj. EBITA loss and 150 million EBITA loss

Key takeaways

- Delivered strong margin improvement with flat comparable sales due to further deteriorated demand in China; solid growth in rest of world
- Deterioration of demand in China leads to updated sales outlook for full-year 2024. Adjusted EBITA margin expected to be at the upper end of current range
- The uncertainties signaled in earlier quarters have intensified in China and are expected to continue
- Within a challenging macro environment, we remain focused on successfully executing our three-year plan to drive operational improvement and create value with sustainable impact

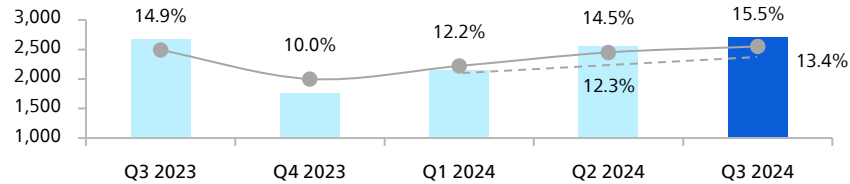


Financial appendix

Working capital and inventories

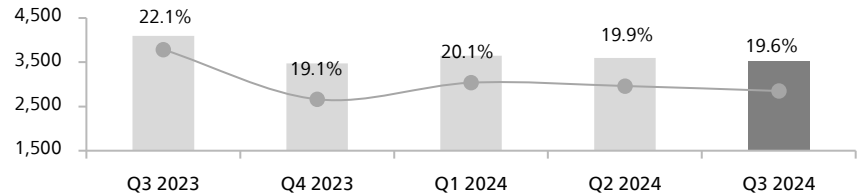
Group working capital¹

In millions of EUR unless otherwise stated — Excluding insurance receivable* — as % of LTM sales²

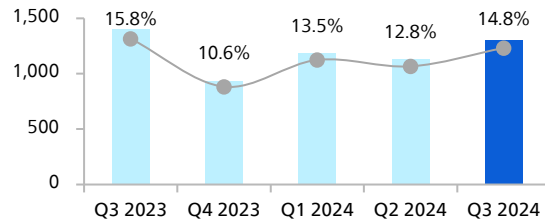


Group inventories

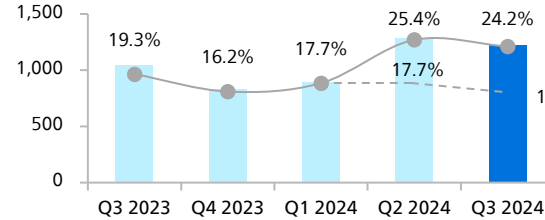
In millions of EUR unless otherwise stated — as % of LTM sales²



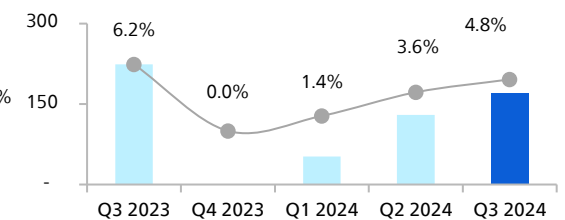
Diagnosis & Treatment



Connected Care



Personal Health



* Excluding increase in receivables related to insurance income from Respironics product liability claims

1. Working capital excluding segment Other | 2. As a % of Last Twelve Months sales excluding acquisitions, divestments, and discontinued operations

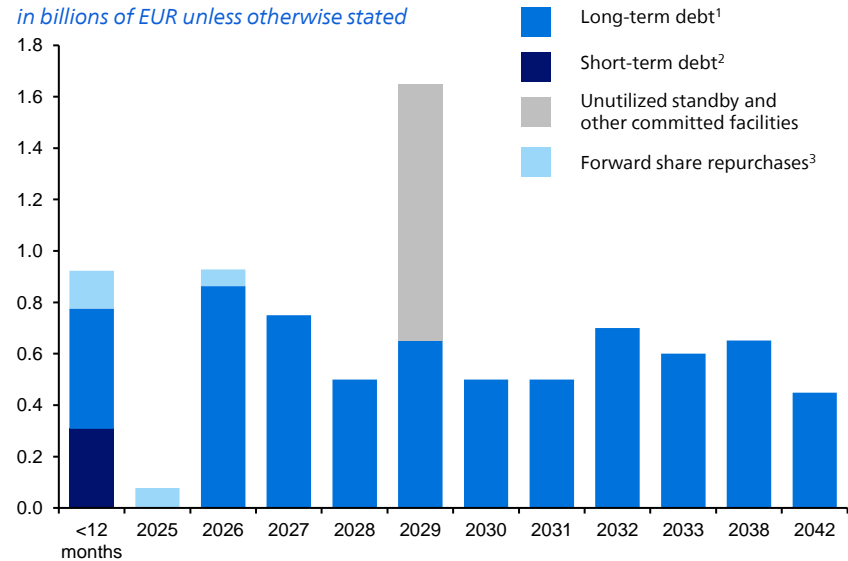
Debt maturity profile and liability management

Long-term debt profile and liability management

- Total net debt position of EUR 6.5 billion
- Net Debt to Adj. EBITDA ratio improved to 2.2x compared to 2.5x in Q3 2023
- Average tenor of long-term debt is 6.3 years
- No financial covenants
- EUR 1 billion of committed credit facilities

Debt maturity profile as per 30 September 2024

in billions of EUR unless otherwise stated



1. Excluding long-term operating leases | 2. Short-term debt includes local credit facilities that are being rolled forward on a continuous basis | 3. Includes forward transactions for LTI purposes

Net capital expenditures, depreciation and amortization

In millions of EUR unless otherwise stated

| | Q3 2023 | Q3 2024 |
|--|---------|---------|
| Net capital expenditures | 156 | 170 |
| Depreciation | 180 | 157 |
| Amortization | 139 | 133 |
| Amortization of acquired intangible assets | 71 | 66 |
| Amortization of other intangible assets | 68 | 67 |

Restructuring, acquisition-related charges and Other items

In millions of EUR unless otherwise stated

| | Q1 2023 | Q2 2023 | Q3 2023 | Q4 2023 | FY 2023 | Q1 2024 | Q2 2024 | Q3 2024 |
|--|---------------------|--------------------|--------------------|-------------------------|--------------|---------------------------|---------------------------|----------------------|
| Restructuring and acquisition- related charges | | | | | | | | |
| Diagnosis & Treatment | 65 | 30 | 8 | 15 | 118 | 19 | 25 | 16 |
| Connected Care | 49 | 10 | 20 | 37 | 115 | 17 | 18 | 19 |
| Personal Health | 5 | 2 | - | 2 | 9 | - | 17 | 2 |
| Segment Other | 105 | 24 | 15 | (4) | 140 | 14 | 41 | 19 |
| Philips Group | 224 | 66 | 42 | 49 | 381 | 51 | 101 | 56 |
| Other items | | | | | | | | |
| Diagnosis & Treatment | 1 | 10 | - | 81 ¹⁾ | 92 | - | 6 ¹⁾ | - |
| Connected Care | 644 ²⁾³⁾ | 85 ¹⁾²⁾ | 92 ¹⁾²⁾ | 453 ¹⁾²⁾⁴⁾⁵⁾ | 1,275 | 1,078 ¹⁾²⁾³⁾⁶⁾ | (489) ¹⁾²⁾⁶⁾⁷⁾ | 50 ²⁾³⁾⁶⁾ |
| Personal Health | (1) | - | 23 ⁸⁾ | - | 22 | - | - | - |
| Segment Other | - | - | 5 | (36) ⁹⁾ | (32) | 10 | 1 | 7 |
| Philips Group | 644 | 95 | 120 | 498 | 1,358 | 1,088 | (483) | 57 |
| Restructuring, acquisition- related charges & other items | | | | | | | | |
| Restructuring | 199 | 46 | 16 | 24 | 285 | 32 | 83 | 50 |
| Acquisition-related charges | 25 | 20 | 26 | 26 | 96 | 19 | 19 | 6 |
| Other items | 644 | 95 | 120 | 498 | 1,358 | 1,088 | (483) | 57 |
| Philips Group | 868 | 161 | 162 | 548 | 1,738 | 1,139 | (381) | 113 |

1. Quality actions | 2. Respironics running costs | 3. Provision in connection with Respironics litigation. | 4. Provision related to Respironics field-action; Provision connected to the consent decree | 5. Provision for a legal matter | 6. Respironics consent decree charges | 7. Respironics insurance income | 8. Investment re-measurement loss | 9. Gain on divestment of business | Note: Due to rounding, amounts may not add up precisely to totals provided

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