

PHILIPS

Q4 and full-year 2022 results & Creating value with sustainable impact

January 30, 2023

innovation  you

Important information

Forward-looking statements and other important information

This document and the related oral presentation, including responses to questions following the presentation, contain certain forward-looking statements with respect to the financial condition, results of operations and business of Philips and certain of the plans and objectives of Philips with respect to these items. Examples of forward-looking statements include statements made about our strategy, estimates of sales growth, future Adjusted EBITA*, future restructuring and acquisition-related charges and other costs, future developments in Philips' organic business and the completion of acquisitions and divestments. Forward-looking statements can be identified generally as those containing words such as "anticipates", "assumes", "believes", "estimates", "expects", "should", "will", "will likely result", "forecast", "outlook", "projects", "may" or similar expressions. By their nature, these statements involve risk and uncertainty because they relate to future events and circumstances and there are many factors that could cause actual results and developments to differ materially from those expressed or implied by these statements.

These factors include but are not limited to: Philips' ability to gain leadership in health informatics in response to developments in the health technology industry; Philips' ability to transform its business model to health technology solutions and services; macroeconomic and geopolitical changes; integration of acquisitions and their delivery on business plans and value creation expectations; securing and maintaining Philips' intellectual property rights, and unauthorized use of third-party intellectual property rights; Philips' ability to meet expectations with respect to ESG-related matters; failure of products and services to meet quality or security standards, adversely affecting patient safety and customer operations; breaches of cybersecurity; Philips' ability to execute and deliver on programs on business transformation and IT system changes and continuity; the effectiveness of our supply chain; attracting and retaining personnel; COVID-19 and other pandemics; challenges to drive operational excellence and speed in bringing innovations to market; compliance with regulations and standards including quality, product safety and (cyber) security; compliance with business conduct rules and regulations; treasury and financing risks; tax risks; reliability of internal controls, financial reporting and management process. For a discussion of factors that could cause future results to differ from such forward-looking statements, see also the Risk management chapter included in the Annual Report 2021.

Philips has recognized a provision related to the voluntary recall notification in the US/field safety notice outside the US for certain sleep and respiratory care products, based on Philips' best estimate for the expected field actions. Future developments are subject to significant uncertainties, which require management to make estimates and assumptions about items such as quantities and the portion to be replaced or repaired. Actual outcomes in future periods may differ from these estimates and affect the company's results of operations, financial position and cash flows.

Third-party market share data

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

Use of non-IFRS Information

In presenting and discussing the Philips Group's financial position, operating results and cash flows, management uses certain non-IFRS financial measures. These non-IFRS financial measures should not be viewed in isolation as alternatives to the equivalent IFRS measure and should be used in conjunction with the most directly comparable IFRS measures. Non-IFRS financial measures do not have standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other issuers. A reconciliation of these non-IFRS measures to the most directly comparable IFRS measures is contained in this document. Further information on non-IFRS measures can be found in the Annual Report 2021.

Use of fair-value measurements

In presenting the Philips Group's financial position, fair values are used for the measurement of various items in accordance with the applicable accounting standards. These fair values are based on market prices, where available, and are obtained from sources that are deemed to be reliable. Readers are cautioned that these values are subject to changes over time and are only valid at the balance sheet date. When quoted prices or observable market data are not readily available, fair values are estimated using appropriate valuation models and unobservable inputs. Such fair value estimates require management to make significant assumptions with respect to future developments, which are inherently uncertain and may therefore deviate from actual developments. Critical assumptions used are disclosed in the Annual Report 2021. In certain cases independent valuations are obtained to support management's determination of fair values.

All amounts are in millions of euros unless otherwise stated. Due to rounding, amounts may not add up precisely to totals provided. All reported data is unaudited. Financial reporting is in accordance with the accounting policies as stated in the Annual Report 2021 except for the adoption of new standards and amendments to standards which are also expected to be reflected in the company's consolidated IFRS financial statements as at and for the year ending December 31, 2022. Prior-period amounts have been reclassified to conform to the current-period presentation; this includes immaterial organizational changes

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Q4 and FY 2022 results

Q4 2022 performance summary



	Sales EUR billion	Comparable sales growth	Adj. EBITA margin ²	Adj. EBITDA margin ²
Diagnosis & Treatment	2.8	5.3%	11.3%	14.1%
Connected Care	1.4	5.2%	12.6%	15.9%
Personal Health	1.1	-4.4%	17.0%	19.7%
Philips¹	5.4	3.4%	12.0%	16.4%

- Health Systems growth +5% driven by gradually improving component supplies in an uncertain environment
- Adjusted EBITA of EUR 651 million, or 12.0% of sales
- Free cash inflow of EUR 301 million

Business highlights Q4 2022



Philips highlights

Signed 35 new long-term strategic partnerships in Q4, reaching ~100 in 2022
'A' score for climate action leadership by CDP (Carbon Disclosure Project)

Diagnosis & Treatment

CSG¹ +5% driven by Ultrasound and Image-Guided-Therapy

OIT² -7% due to cancellation of some orders by Philips to improve margin profile

Featured (helium-free) MR 5300 and vendor-neutral ROCC³ at RSNA

Connected Care

CSG +5% driven by Monitoring

OIT -10% due to lower demand for COVID-19 products

~90% of recall units produced

Encouraging test results for DS1

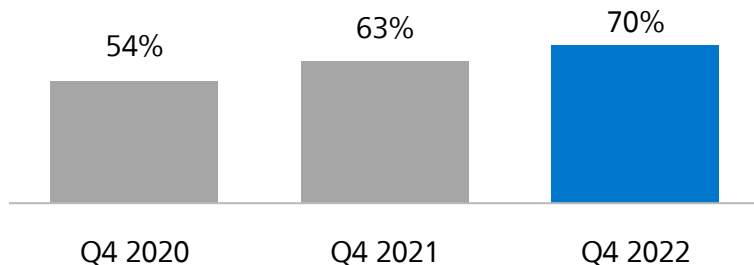
Personal Health

CSG -4% with double digit growth in North America more than offset by China and Russia

#1 brand during 'Double 11' festival in China for Male Grooming and Oral Healthcare

Orderbook^{1,2} and orderbook coverage improving

Orderbook coverage of the next 12 months' equip. sales



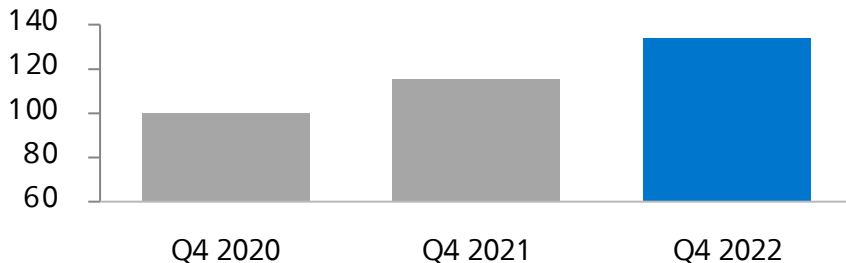
Orderbook coverage significantly higher than 2020 and 2021, mainly driven by:

~30% higher in Magnetic Resonance Imaging

~20% higher in:

- Image-Guided-Therapy
- Monitoring

Indexed orderbook development



Q4'22 order book is >30% higher than Q4'20

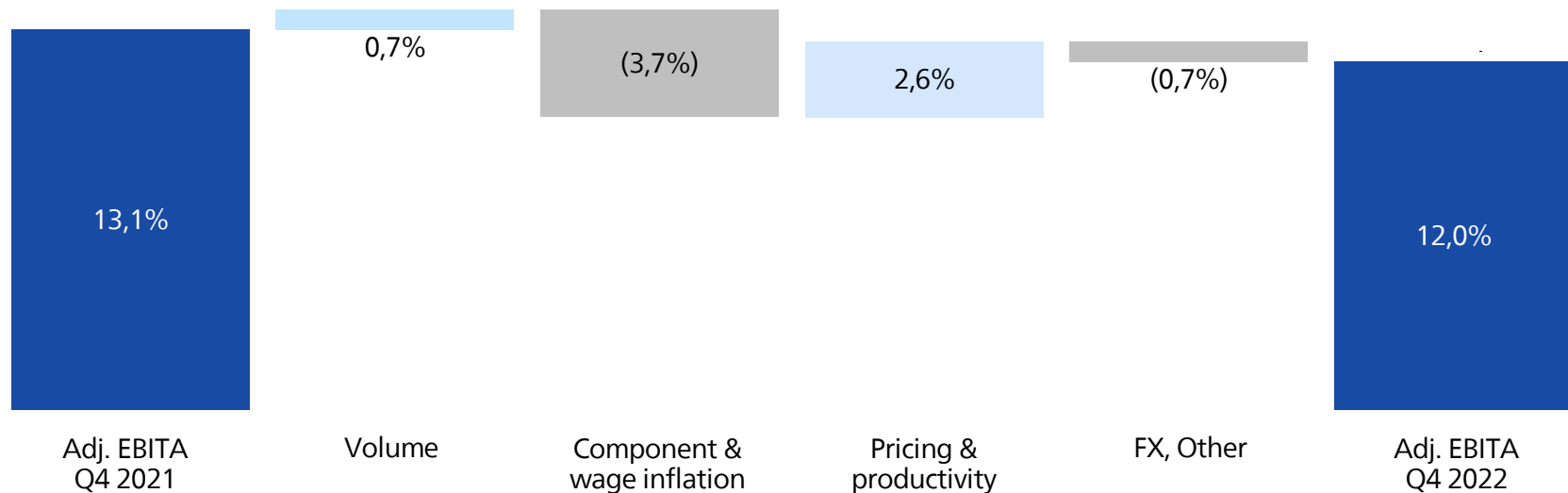
Improved margin profile of order book due to cancellations of low margin orders by Philips

1. Includes equipment and software orders in Diagnosis & Treatment, Connected Care and Innovation businesses adjusted for acquisitions and divestments, and currency |

2. Excludes the impact from the partial termination of the April 2020 contract with the HHS in the US

Q4 2022 Adj. EBITA margin impacted by cost headwinds, partly offset by pricing and productivity

Adj. EBITA margin¹



FY 2022 performance summary

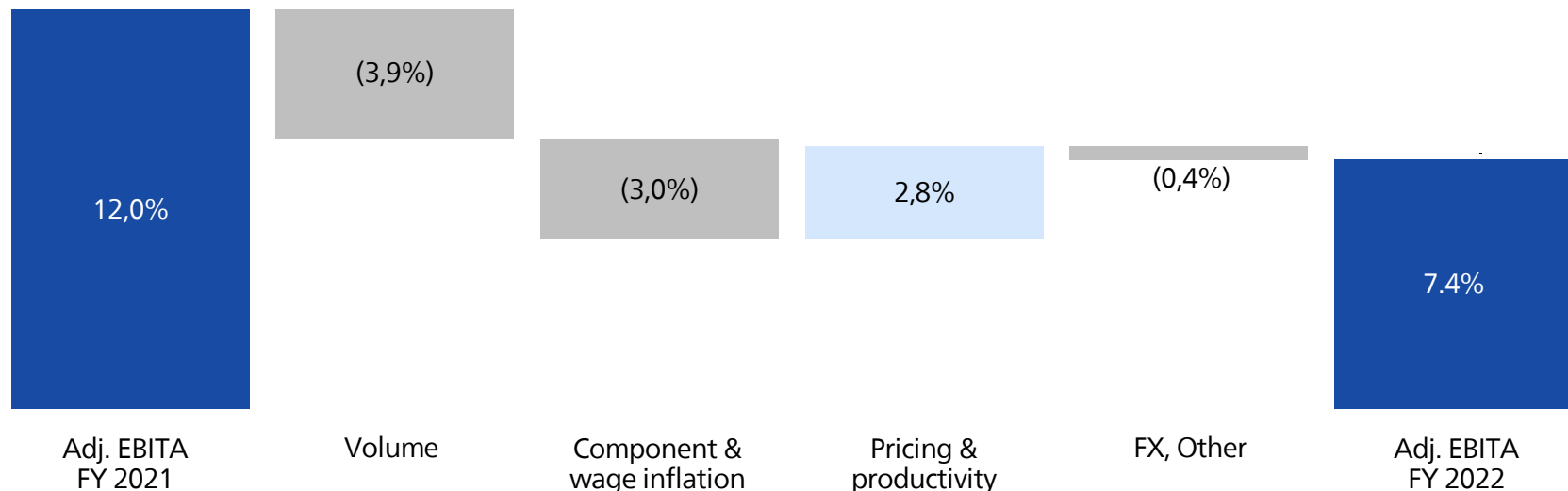


	Sales EUR billion	Comparable sales growth	Adj. EBITA margin ²	Adj. EBITDA margin ²
Diagnosis & Treatment	9.2	-0.7%	8.4%	11.5%
Connected Care	4.4	-10.8%	2.2%	7.4%
Personal Health	3.6	0.1%	14.8%	18.0%
Philips¹	17.8	-2.8%	7.4%	12.9%

- Results impacted by operational & supply challenges, inflation, the COVID situation in China & the Russia-Ukraine war
- Income from operations loss of EUR 1.5 billion due to previously disclosed non-cash goodwill and R&D impairment
- Free cash outflow of EUR 961 million due to lower earnings, higher inventories and cash costs related to the recall
- Proposed dividend maintained at EUR 0.85 per share, to be distributed in shares

FY 2022 Adj. EBITA margin impacted by cost headwinds, partly offset by pricing and productivity

Adj. EBITA margin¹



Gradual improvement trajectory in 2023

Comparable Sales Growth

Low-single-digit

- Mid-single-digit growth in Diagnosis & Treatment and Connected Care
- Low-single-digit growth in Personal Health
- Guidance at Group level reflects uncertainties in external environment

Adj. EBITA margin

High-single-digit

- Productivity and pricing actions to improve margins across businesses
- Inflation impact ~ 3%
- Investments in patient safety and quality and supply chain improvements included

Free Cash Flow

EUR 0.7-0.9 billion

- Improvement driven by earnings recovery and working capital management
- Partly offset by restructuring, acquisition-related charges and other items

Guidance excludes the impact of the ongoing discussion on the proposed consent decree beyond current assumptions (S&RC CSGR 2023-2025 of 10%) as well as ongoing litigation and the investigation by the US DoJ related to the Respironics field action

Restructuring, acquisition-related charges and other items in 2023



Restructuring costs ~300 bps

- Driven by 10k¹ roles reduction program resulting from operating model simplification, of which ~70% implemented by end of 2023
- S&RC rightsizing

Acquisition-related charges ~50 bps

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

Other items ~50-70 bps

- Respiroics field action running remediation costs

Guidance excludes the impact of the ongoing discussion on the proposed consent decree beyond current assumptions (S&RC CSGR 2023-2025 of 10%) as well as ongoing litigation and the investigation by the US DoJ related to the Respiroics field action



Creating value with sustainable impact

Creating value with sustainable impact

Markets

Philips operates in attractive HealthTech segments with 3-6% growth and mid-to-high teens margins

Strength and challenges

Key strengths: leading market positions, customer intimacy, hardware & software innovations, purpose, brand, ESG

Key challenges: strategy execution, innovation model, quality, supply chain, complex organization

Strategy and execution

Creating value with sustainable impact through:

- Strategy of focused organic growth
- Patient, people-centric and scalable innovation
- Execution priorities: 1) Patient Safety & Quality 2) Supply chain 3) Simplification

Enabled by culture of accountability and strong HealthTech talent and capabilities

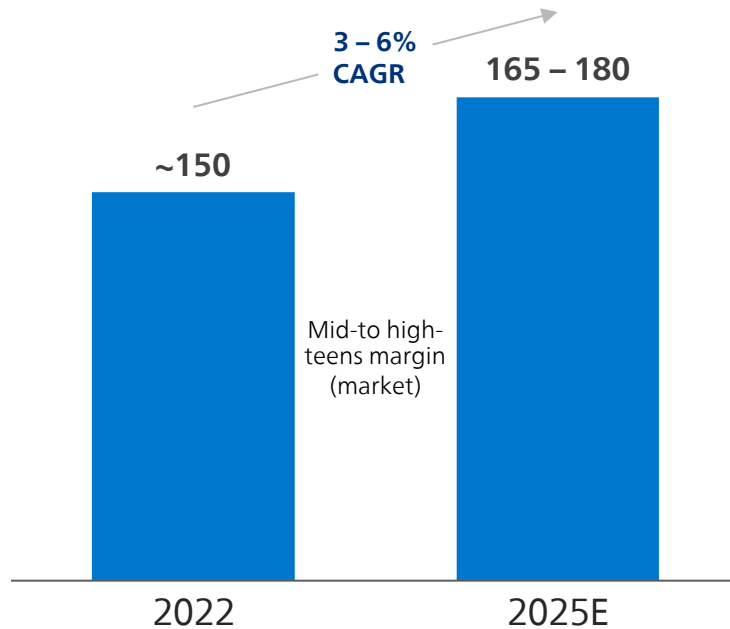
Value creation

Progressive improvement: mid-single-digit comparable sales growth and low-teens Adj. EBITA margin in 2025, with mid-to-high teens margin goal beyond 2025; supported by balanced capital allocation



We operate in attractive HealthTech segments

Addressable market, EUR billion



Aging population, growing demand for care

Increasing healthcare costs driving productivity needs

Increasing need for insights from growing health data

Shift to ambulatory monitoring, imaging and treatment

Increasing spend on personal health and care



Our 4 key strengths to build on

1 Leading positions

- >70% of sales from #1 or #2 positions
- Leading innovation; hardware, software and services
- Strong professional and personal health (home) positions

2 High customer intimacy

- Preferred strategic and innovation partner
- 300+ partnerships, ~EUR 1.5 Bn orders/year
- ~40% recurring revenue

3 Innovation aligned to customer needs

- Solutions across imaging, therapy and monitoring
- Enhanced clinical and operational productivity
- Largest Enterprise Informatics – multi-vendor

4 Strong purpose, brand and ESG

- Improved 1.8Bn lives '22 and 12Bn brand value
- Carbon neutral, circularity, sustainable innovation
- 85% of products Ratings & Reviews >4.3 (out of 5)



Clear need to address recent performance challenges

Strategy

Strategy implementation | Innovation model

Execution

Quality | Supply Chain reliability | Complex operating model



Focused organic growth



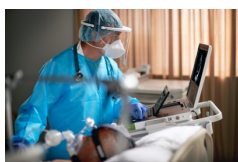
Strong position across our portfolio of businesses

Diagnosis and Treatment



Diagnostic Imaging

Top 3 Player



Ultrasound

#1 Cardiac



Image Guided Therapy

#1 Systems & Devices

Connected Care



Enterprise Informatics

#1 Imaging
Leader in PACS
and inter-operability



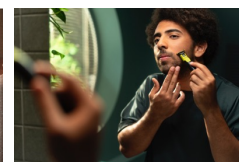
Monitoring

#1 in Hospital
#1 in Ambulatory



Sleep and Respiratory Care

#2 Globally



Personal Health

#1 Male Grooming
#2 Oral Healthcare
#2 Infant Feeding

Market leading capabilities integrating platforms, informatics, and services



Focused organic growth

Accelerate growth in attractive leadership segments

Image-Guided-Therapy

Ultrasound

Monitoring

Personal health

Scale to unlock insights

Enterprise Informatics

Improve operational excellence & services

Diagnostic Imaging

Address recall and restore business position

Sleep and Respiratory Care



Focused organic growth: changing how we deliver

Resource allocation

- Clear and differentiated mandates on growth and margin by segment
- Focus on priority segments (not everything everywhere)

Product, business and country pruning

- Accelerated pruning of products/SKUs
- Choiceful where to play in businesses and countries

End-to-end optimization

- Holistic and clear accountability of business leaders
 - Fully integrated approach to manage equipment and services
 - Tailored approach to key geographies
-



Leveraging attractive leadership positions to drive growth



Image Guided Therapy

#1 in systems and devices



Monitoring

#1 in hospital
#1 in ambulatory



Ultrasound

#1 in cardiac



Personal health

#1 male grooming
#2 oral health care
#2 infant feeding

~70% of Philips revenue

Drivers

Leading Cardiac workflow support

Software, Hardware and Services pull-through

Leading growth platforms (Azurion, IntelliVue, etc.)

Unique informatics capabilities

Integrated acquisitions



Scale enterprise informatics, unlocking access and insights from combined data pools of imaging and monitoring

Integrates with systems & devices

Vendor-agnostic

Unlocks data to generate AI-insights

Supports hospital & remote workflows

Improves staff productivity

Scale informatics

3k+

Sites with Philips Radiology PACS

20M+

Patients with device to EMR connectivity per year

15k+

ICU beds with remote population health management



Driving operational excellence and services in Diagnostic Imaging



Smart diagnostic systems



Optimized workflows



Integrated diagnostics

Supported by Enterprise Informatics image management platform

Impactful, sustainable innovation



Supply chain improvement



Services pull through



Conversion of strong order book

Higher margins



Tailored approach to address customer needs and win in the different regions and countries

North America (43% of sales)

Strong structural growth drivers, cautious view on short-term

Operational and clinical workflow solutions to address productivity need

Leadership in clinical innovation partnerships

Strengthen government and regulatory relationships

International Markets (44% of sales)

Country-specific growth and margin opportunities

Increasing Services and informatics penetration (digitization of healthcare)

Leadership in strategic customer partnerships

Strong consumer franchise tapping consumer health spend increase

Greater China (13% of sales)

Attractive growth but below historical rate

90% Local-4-local manufacturing in 2024, 3 innovation centres

Informatics as a differentiator

Strong consumer franchise tapping consumer health spend increase



Responsible and sustainable business for Philips and customers

ESG focus

- Carbon-neutral
- Partnering with customers/suppliers on 1.5 °C target
- Leading in sustainable innovation (Helium-free MR, etc.)
- Circular revenues from 16% to 25% of sales by 2025
- 2 billion lives improved by 2025¹

ESG ratings and recognition



First HealthTech to have value-chain CO₂ targets approved by SBTi

S&P Global
Ratings

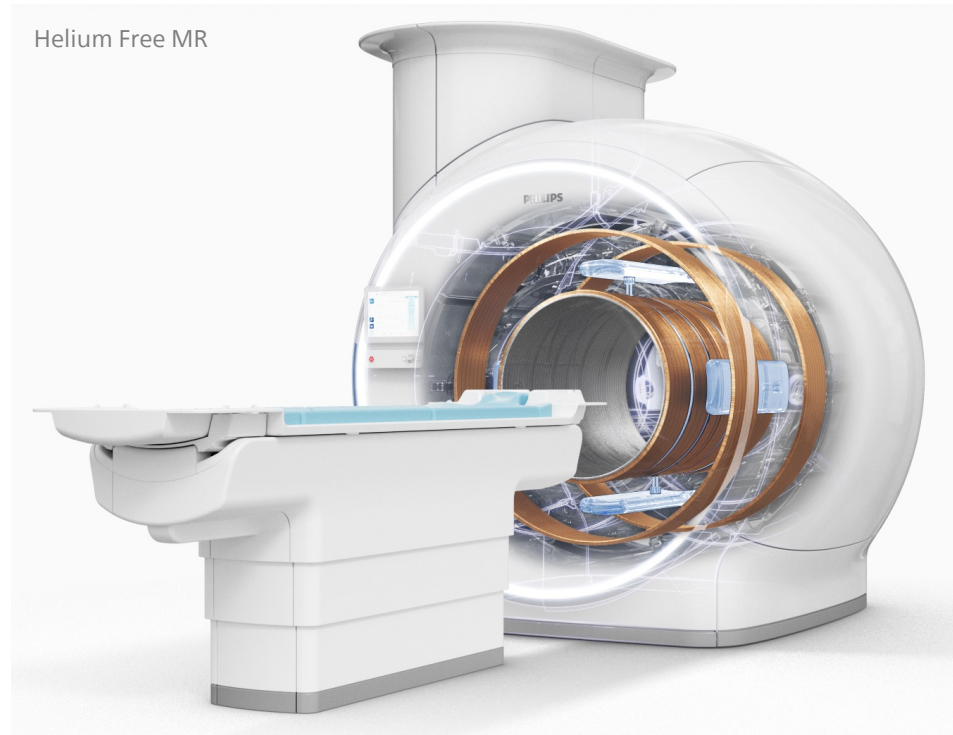
91/100 in the ESG assessment (highest to date)



First Dutch company among world's 15 best reputation companies



CDP's 'A List' for the 10th year





Patient and people-centric, scalable innovation

Shifting our innovation model to drive R&D impact and efficiency

Design with Patient Safety, Quality and Customer needs at heart – hardware and software

Focus on scale and margin; “fewer, better, bigger” projects

Sustainable innovation as differentiator

Shift R&D resources to businesses, reduce corporate research

Innovation capability

>EUR1.7Bn¹

~9% R&D of sales

from 10.5%, industry leading
(vs. ~7.5% industry average)

>50%

Of R&D personnel in software
and data science

90% in business

From 70%

Execution with decisive action as key value driver

Enabled by culture of accountability and strong HealthTech capabilities



Patient safety and quality as highest priority

Culture, accountability,
Competencies

Patient safety and quality at heart of innovation

Expanded patient safety and quality program

Finalize Respironics recall



Reliable end-to-end supply chain

End-to-end value chain by business

Leadership and competencies

Product pruning and (re)design

Strategic supplier management



Simplified operating model

End-to-end, P&L accountable business

Simplification, de-layering, less KPIs

Reduction of 10k¹ roles

Leadership and talent



The Respironics recall remains highest priority

2022

~90% production and 80% shipment of recall units

Encouraging test results for DS1 platform (within safety norms)

483 remediation in progress

2023

Finalize recall and testing

Manage litigation, DoJ investigation

483 remediation and clarity on proposed Consent Decree

2023-2025

Manage impact of proposed Consent Decree

Manage litigation, DoJ investigation

Gradually restore position

**Taking the learnings of Respironics recall
to raise Patient Safety and Quality to the highest standards across Philips**



Encouraging test results for DreamStation1 devices

VOC testing

Emissions within ISO limits (devices not exposed to ozone)

Visual inspection and assessment of the foam in used devices

- Low prevalence of significant visible foam degradation
- Even when significant visible particulates are formed, likely to accumulate inside the device

Particulate Matter testing

Foam degradation does not contribute to appreciable elevated levels of respirable particles; within ISO limits

Bioassay evaluation, chemical characterization and toxicological risk assessment

Exposure to particulates is unlikely to result in an appreciable harm to health in patients, even based on a worst-case assumption that the patient is exposed to 100% of the foam

Thorough consideration and mitigation of testing limitations that are inherent to any test standard and/or scientific research; very conservative assumptions taken

DreamStation1 represents ~68% of the total # of devices registered as part of the Respironics recall



Test & research program - next steps

- ▶ Finalize toxicological risk assessment of the VOC emissions resulting from ozone-induced foam degradation in DreamStation1 devices
Expected in Q2 2023

- ▶ Complete testing for SystemOne (~26% of registered devices) and DreamStation Go (~1%), which contain the exact same foam as the DreamStation1 devices
Expected in Q2 2023

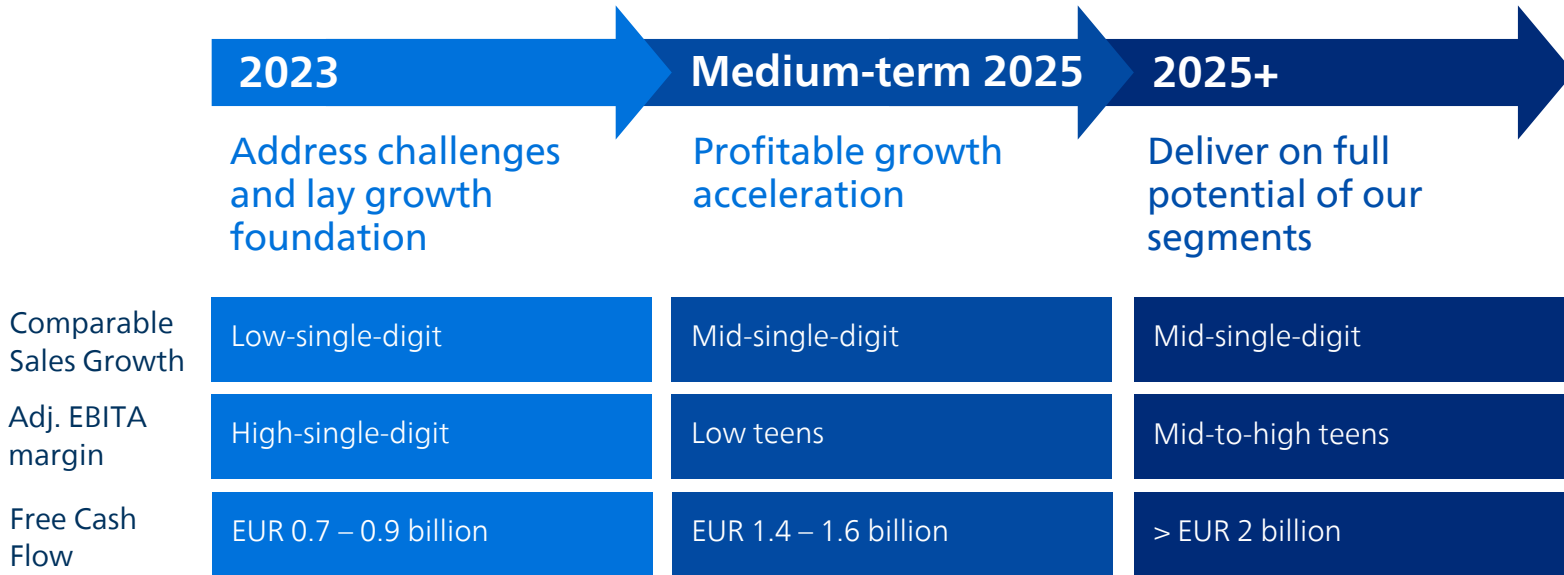
- ▶ Complete VOC and PM testing, as well as chemical evaluation and toxicological assessments for Trilogy 100/200 (~3%) and OmniLab (~2%), where a different PE-PUR foam is used
Expected in Q3 2023

- ▶ Ongoing engagement with FDA and other competent authorities



Progressive value creation

Supported by balanced capital allocation



Guidance excludes the impact of the ongoing discussion on the proposed consent decree beyond current assumptions (S&RC CSGR 2023-2025 of 10%) as well as ongoing litigation and the investigation by the US DoJ related to the Respiroics field action

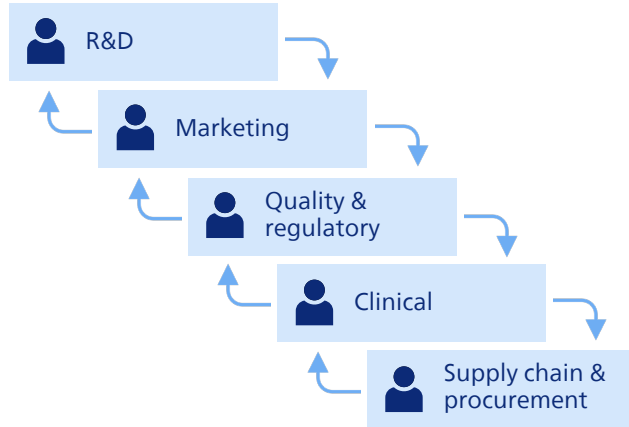


Focused scalable innovation

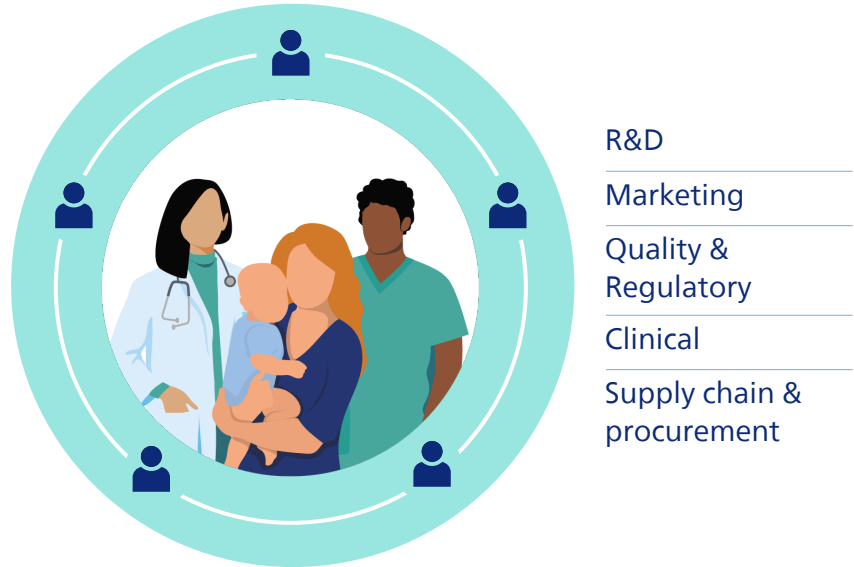
Delivering high impact innovations to customers



From
Technology-centric, corporate research



To
Patient and people-centric, business-led



Innovation model for focused scalable innovation

“Fewer, better, bigger”

Focus on segments with right to win

- Significant R&D investments
- Re-target and resource to scale high impact innovations

>EUR1.7 billion¹,
~9% R&D of sales
from 10.5%, industry leading
(vs. ~7.5% industry average)

Empower business execution

- Tailor innovation to segment we serve
- Focused, fewer projects, scaling innovation faster

90% business-led
10% corporate in 2023
From 70% and 30% in 2022

Flagship innovations across our portfolio will drive our growth

Philips BioTelemetry

4.6x more patients

with atrial fibrillation detected by MCOT compared to ILR alone¹

8x lower costs achieved

with improved detection rates and reduction of secondary stroke risk due to new anticoagulant use in subjects with MCOT-patch-detected atrial fibrillation¹

1. Medic G, Kotsopoulos N, Connolly MP, et al. Mobile cardiac outpatient telemetry patch vs implantable loop recorder in cryptogenic stroke patients in the US – cost-minimization model. Med Devices (Auckl). 2021;14:445-458. doi:10.2147/MDER.S337142



Flagship innovations across our portfolio will drive our growth

Sonicare 9900 Prestige

Power toothbrush

4.7 star rating globally

20x more plaque removal
vs. manual toothbrush



Flagship innovations across our portfolio will drive our growth

IntelliVue

Dynamic care solution

Alarm fatigue:
40% total alarm reduction¹

Workflows:
**Reduced time to process from
5 minutes to 3.9 seconds²**

1. Team-Based Interventions to Reduce the Impact of Nonactionable Alarms in an Adult Intensive Care Unit. Justin Yeh 1, Ruth Wilson, Lufei Young, Lisa Pahl, Steven Whitney, Kevin C Dellsperger, Pascha E Schafer
2. Results from baseline and post time & motion studies conducted by Philips and Jackson Health internal teams in the high acuity units (ED, TICU, CCU) | 2.



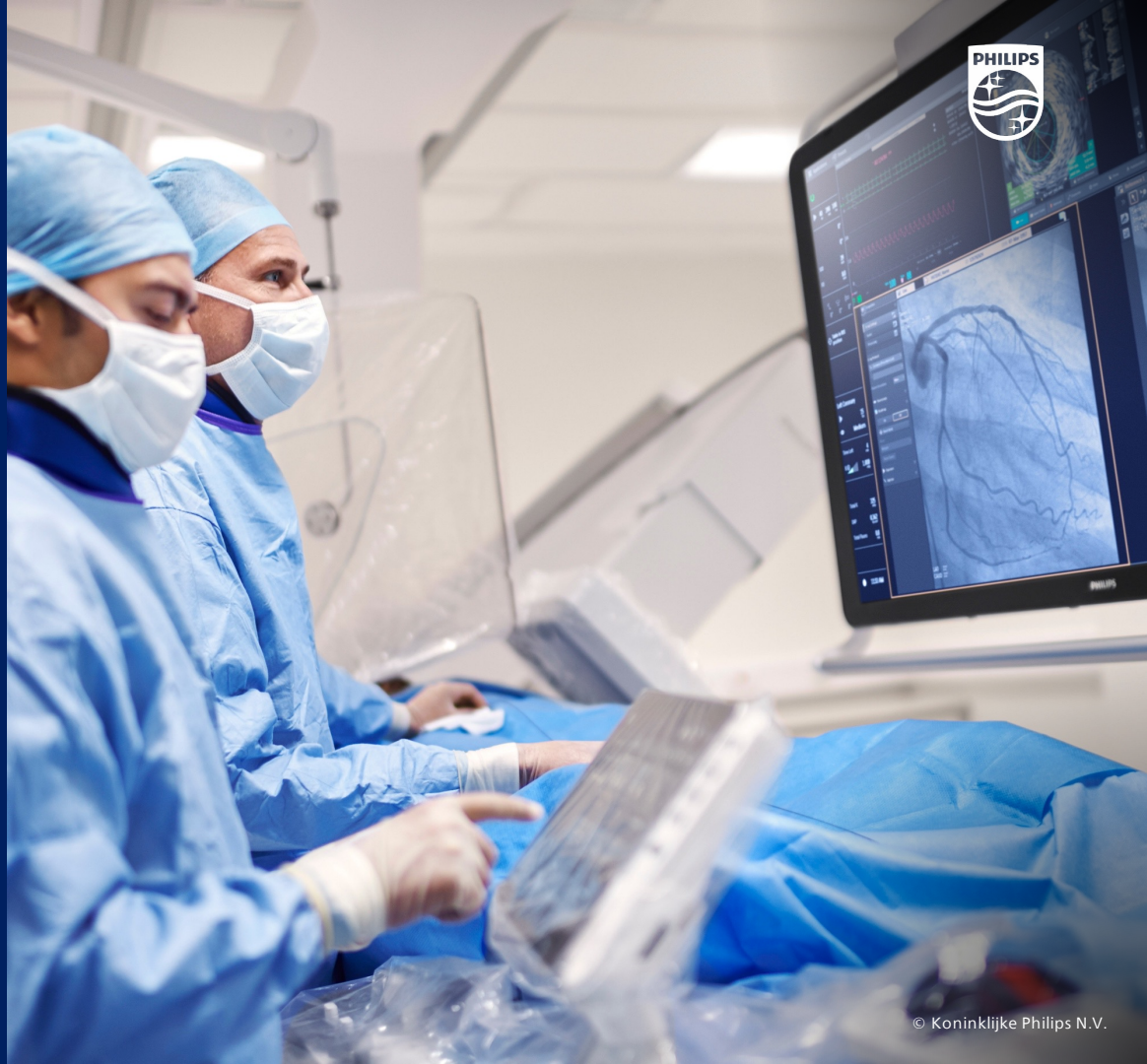
Flagship innovations across our portfolio will drive our growth

Azurion

Image Guided Therapy platform

17% time saving per procedure¹

28% post-procedure lab time reduction¹



Flagship innovations across our portfolio will drive our growth

Helium Free MR

0 helium refill over lifetime

Up to 53% lower power consumption per patient scan (32% on average)¹

1. Philips SmartSpeed power consumption versus Philips SENSE based scanning. Based on COCIR and in-house simulated environment. Results can vary based on site conditions



Flagship innovations across our portfolio will drive our growth

Spectral CT

34% decrease in diagnosis time¹

26% decrease in follow-up scans²

1. Analysis by CARTI Cancer Center, Little Rock, AR, USA.

2. Analysis by LSU, New Orleans, LA, USA. Results from case studies are not predictive of results in other cases. Results in other cases may vary.



Flagship innovations across our portfolio will drive our growth

Ultrasound Compact 5000

22% increase in diagnosis confidence¹

42% reduction in button pushes²

1. Based on internal bench test with an ultrasound phantom, using the C5-1 transducer | 2. Compared to using the semi-automated a Biometry Assist versus manual operation



Scaling largest multi-vendor Enterprise Informatics business

Philips Image Management

70+ AI powered clinical apps **50%** productivity improvement¹

Interoperability and surveillance

1000+ unique medical device connected

Tele care solution

20+ years experience in eICU remote care management

Expanding leadership in radiology, cardiology, and pathology

End-to-end business setup to scale

Growing **~2x** faster than Philips **EUR1.5Bn** revenues by 2025

1. Results following implementation of a unified radiology workspace with enterprise disaster recovery back-up system at Campus Biomedico University Hospital, Rome, Lazio, Italy.

Note: "Largest Enterprise Informatics business" in Philips addressable markets





Execution as value driver

Patient safety & quality as priority

Reliable supply chain

Simplified operating model

Patient safety and quality as highest priority



Enhancing patient safety and quality

Patient and people-centric culture

Elevated leadership to Executive Committee

Business leaders directly accountable for patient safety & quality

All employees have patient safety and quality as KPI

Deepened quality, regulatory, clinical and medical device competencies

Shift to patient and people-centric product design

Multi-year effort through our expanded patient safety and quality program



Catalyzing innovation

Patient safety and quality driven innovation

Simplify and upgrade critical systems and data integration

Rigorous product design, development, and validation process



Improving compliance

Ongoing systematic regulatory and compliance review

Prioritizing compliance in higher risk areas

Targeted increase in resourcing

Investments

Stepping-up by ~EUR 350 million over 3 years

Progress indicators



Enhancing patient
safety and quality

>90%

renewed team in the last
two years

30%

reduction of # of Quality
Management Systems



Catalyzing
innovation

30K

employees received
role-based training

75%

of complaint management
processes standardized



Improving
compliance

50%

reduction of # of major
findings per audit (to 0.07)

36%

decrease of # of CAPA investigations
closed within 90 days



Execution as value driver

Patient safety & quality as priority

Reliable supply chain

Simplified operating model

Context and challenges for supply chain

Our context

2018-21

Shift to centralized functional organization

2021-22

Unprecedented pressure requiring agility and resilience

- Supply and demand disruption due to COVID
- More volatile and domain specific markets, regionalization
- Global disruptions
- Component shortages

Resulting challenges



Supply-chain set-up

- Reduced end-to-end agility
- Functional orientation
- Sub-optimized processes



Product

- Broad portfolio
- Technical debt, old designs



Suppliers

- Supplier fragmentation
- Significant de-commits
- Limited visibility

Towards a reliable end-to-end supply chain



Supply-chain set-up

End-to-end supply chain by business per April 2023

Business specific supply chain leaders

Step up in capabilities (data, digitization, procurement)



Product

Product portfolio pruning, modularity

Reducing technical debt through product redesign

Improve planning and delivery



Suppliers

Reduction of # of suppliers

Material supply de-risk plan

Long-term supplier management



Enable our businesses to deliver quality products on time to hospitals, patients and consumers

Service level

Increase to industry level: >85% for systems/devices, 95% for consumer products

Cost efficiency

EUR 400-450 million over 3 years (of which EUR 250 million related to operating model)

Strategy and execution

Zero high risk components by end of 2023

Investments

EUR 200-250 million over 3 years (OpEx)

Examples of our progress in Q4 2022

Backlog reduced & growth supported (CSG%)



Monitoring
+22%



IGT Systems
+7%



Ultrasound
+8%



Personal Health
No supply issues

Material supply de-risk to date

56 PCBAs redesigns completed

Reduced risk for high-risk components

700+



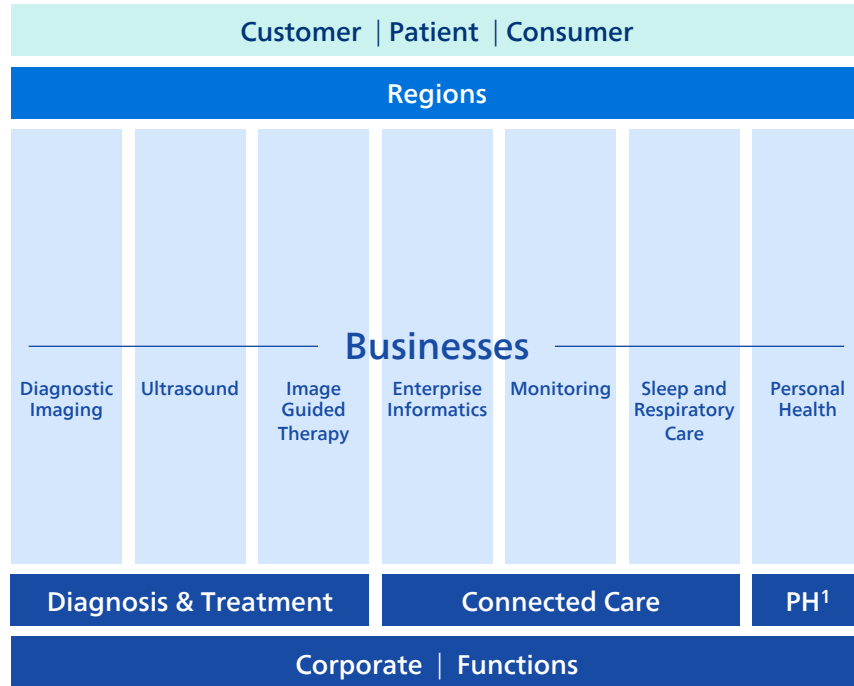
Execution as value driver

Patient safety & quality as priority

Reliable supply chain

Simplified operating model

Simplified operating model: accountable, lean, and agile



Businesses with single accountability, proximity to customers

End-to-end business enabled by strong regions and lean functions, setup to win in their segments

Delayed organization, less KPIs and simpler processes

~10k² roles reduction over 2022-25, focused on Corporate and Functions optimization

Reinvigorating patient and people-centric culture

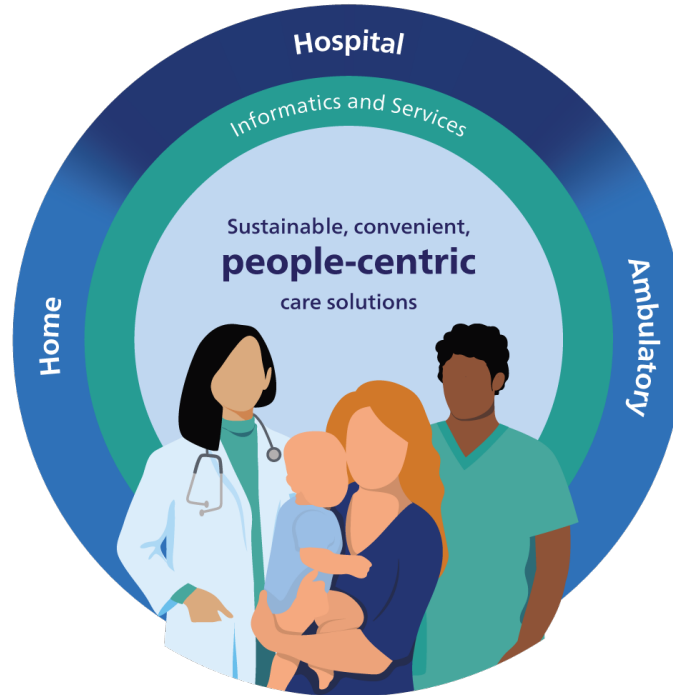


Accountability & empowerment

Patients and people at the heart of everything we do

Execution focus and simplicity

Transparency, growth mindset



Injecting HealthTech expertise

75%

Executive hires with Health Tech and healthcare background

>50%

of non-executive hires in 2022 came from Health Tech

25%

Renewal of Executive Committee in early 2023

Executive committee new members



**Market leader
North America**

Jeff DiLullo
American

More than 20 years of strong sales, services and solutions delivery background



**Patient Safety
& Quality Officer**

Steve C. De Baca
American

More than 30 years of Quality and Regulatory experience in the medical device industry

Expected to be announced in early 2023:
New Chief Business Leaders for Precision Diagnosis¹ and for Connected Care

Our experienced and passionate executive team



CEO
Roy Jakobs
Dutch/German



Personal Health
Deeptha Khanna
Singaporean



North America
Jeff DiLullo
American



Innovation & Strategy
Shez Partovi
Canadian



CFO
Abhijit Bhattacharya
Indian



Diagnosis & Treatment
Image-Guided-Therapy
Bert van Meurs
Dutch



Greater China
Andy Ho
Chinese/Canadian



Patient Safety & Quality
Steve C. De Baca
American



Precision Diagnosis a.i.^{1,2}
Bert van Meurs
Dutch



Human Resources
Daniela Seabrook
Swiss



ESG & CLO
Marnix van Ginneken
Dutch



Connected Care a.i.¹
Daniel Leonard
American



International Markets³
Edwin Paalvast
Dutch



Operations
Wim Appelo
Dutch

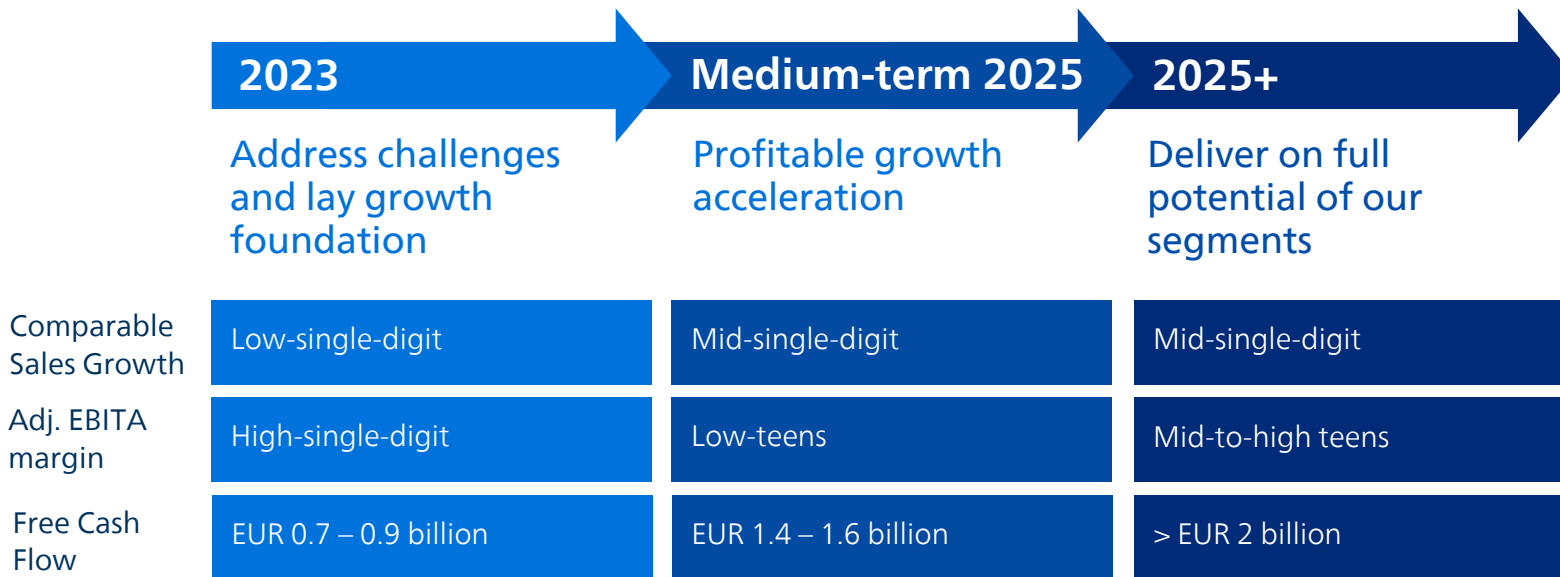


Path to value creation



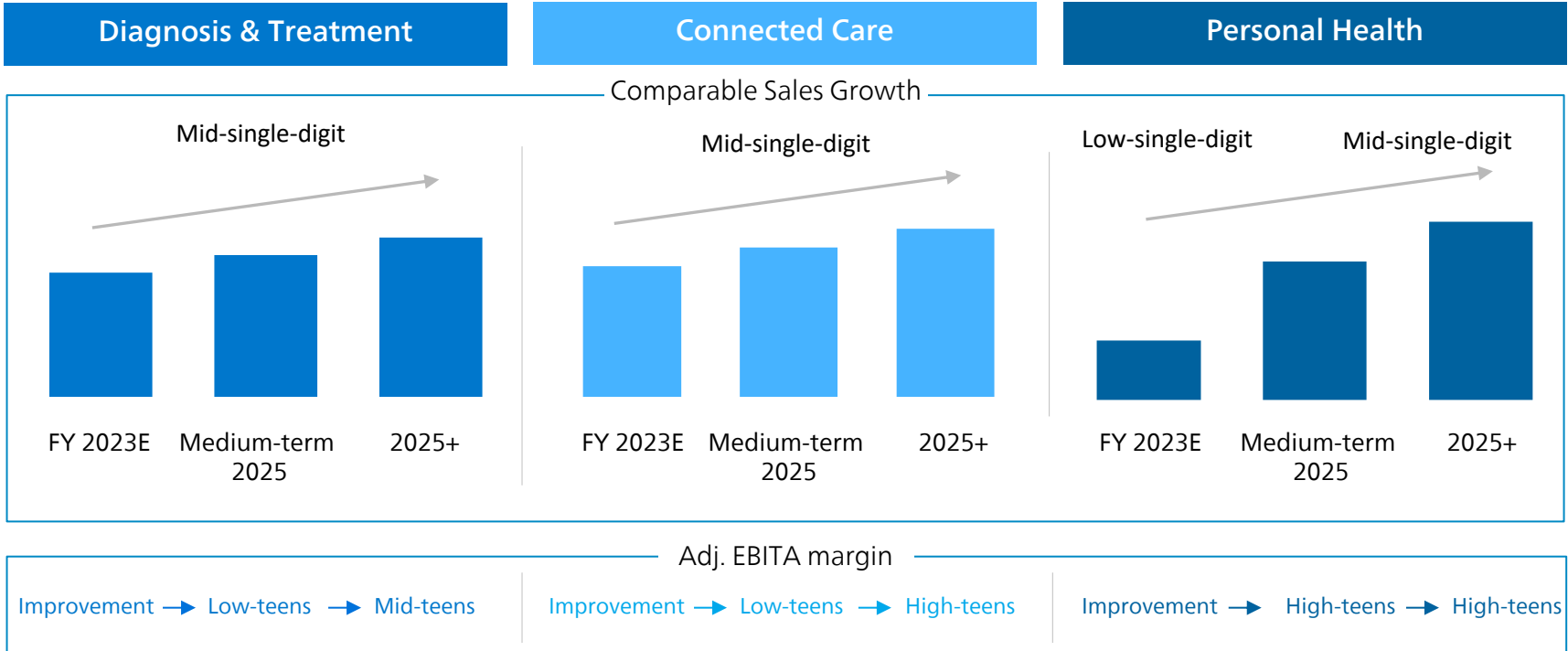
Progressive value creation

Supported by balanced capital allocation



Guidance excludes the impact of the ongoing discussion on the proposed consent decree beyond current assumptions (S&RC CSGR 2023-2025 of 10%) as well as ongoing litigation and the investigation by the US DoJ related to the Respiroics field action

Driving organic growth and margin improvement



Guidance excludes the impact of the ongoing discussion on the proposed consent decree beyond current assumptions (S&RC CSGR 2023-2025 of 10%) as well as ongoing litigation and the investigation by the US DoJ related to the Respironics field action

Productivity initiatives¹ to deliver EUR 2.0 billion in the 2023-2025 period

Operating Model

- Simplified operating model with reduction of 10k² roles
- R&D prioritization, reduction of Corporate Research
- End-to-end supply chain, simplifying planning, and eliminating duplications

EUR 950-1,050 million

Procurement

- Bill-of-material savings via redesign, value analysis, engineering
- Reductions in warehousing, transportation and consulting

EUR 550 - 600 million

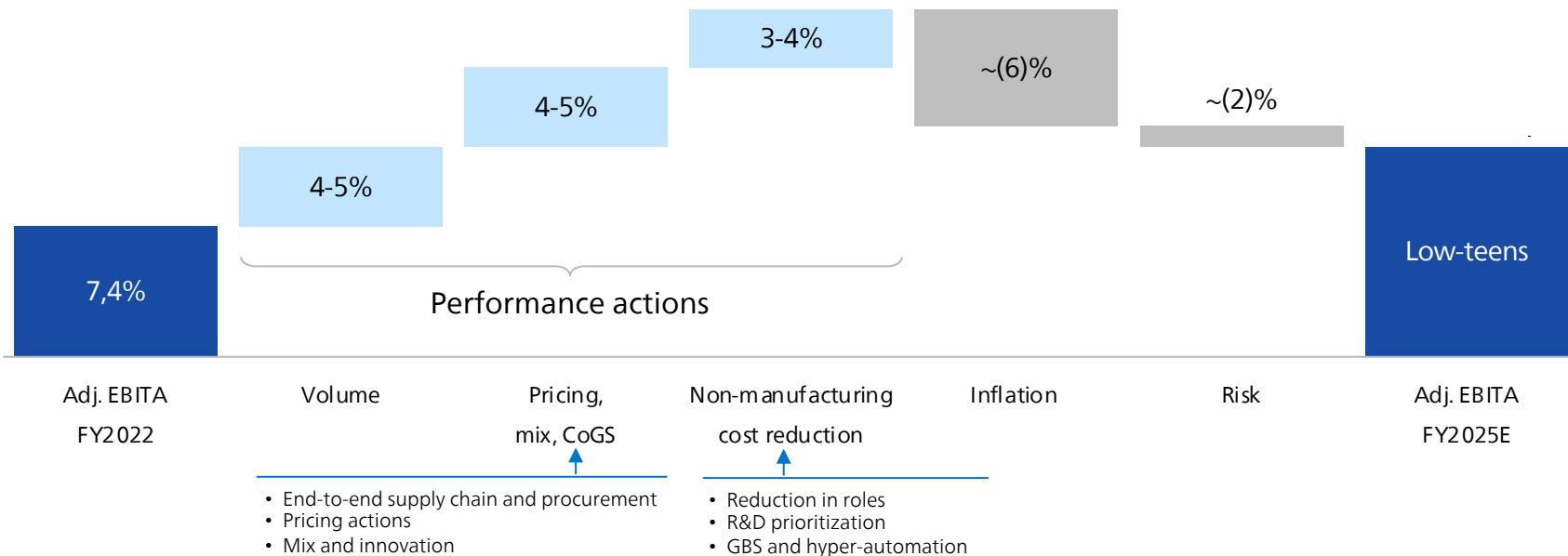
Other productivity

- S&RC rightsizing
- Manufacturing footprint optimization and service productivity
- R&D platform simplification and footprint optimization
- GBS and hyper-automation

EUR 400 - 450 million

Margin increase from productivity, pricing & supply chain improvements – cumulative drivers 2023-2025

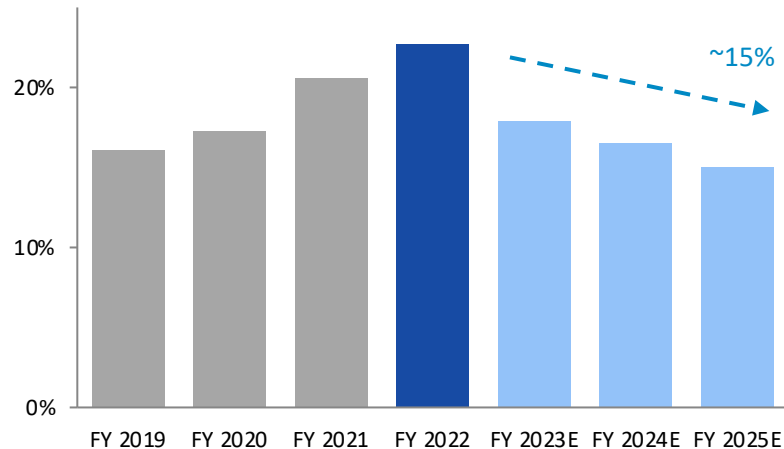
Adj. EBITA margin^{1,2}



1. Guidance excludes the impact of the ongoing discussion on the proposed consent decree beyond current assumptions (S&RC CSGR 2023-2025 of 10%) as well as ongoing litigation and the investigation by the US DoJ related to the Respiroics field action | 2. Investments in patient safety and quality and supply chain improvements included

Inventories improvement plan to drive normalization to historical levels

Inventory¹ as a % of sales



Inventory improvement drivers

2023

- Reduction of incomplete inventory caused by component shortages
- Reduction of Account Receivables (AR) caused by high December 2022 sales
- Completion of Respironics recall

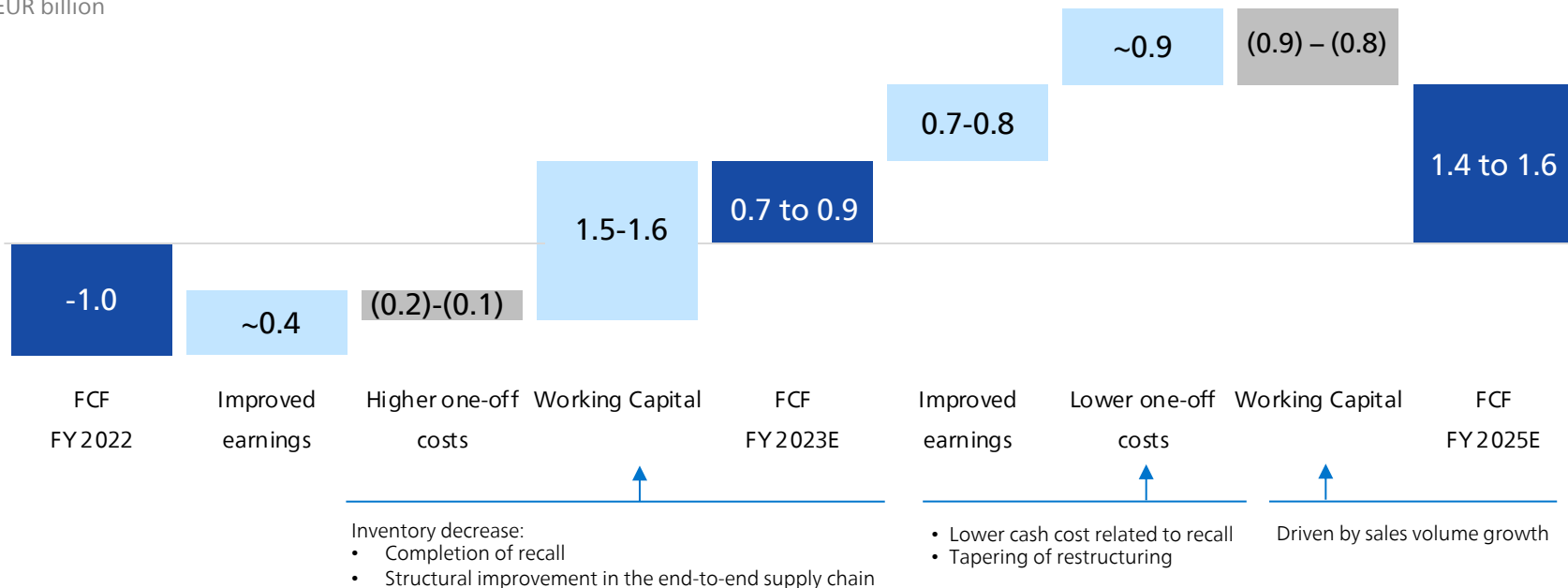
2024 – 2025

- Structural improvement in the end-to-end supply chain

Higher earnings and lower cash cost related to Respiroics recall will result in higher Free Cash Flow

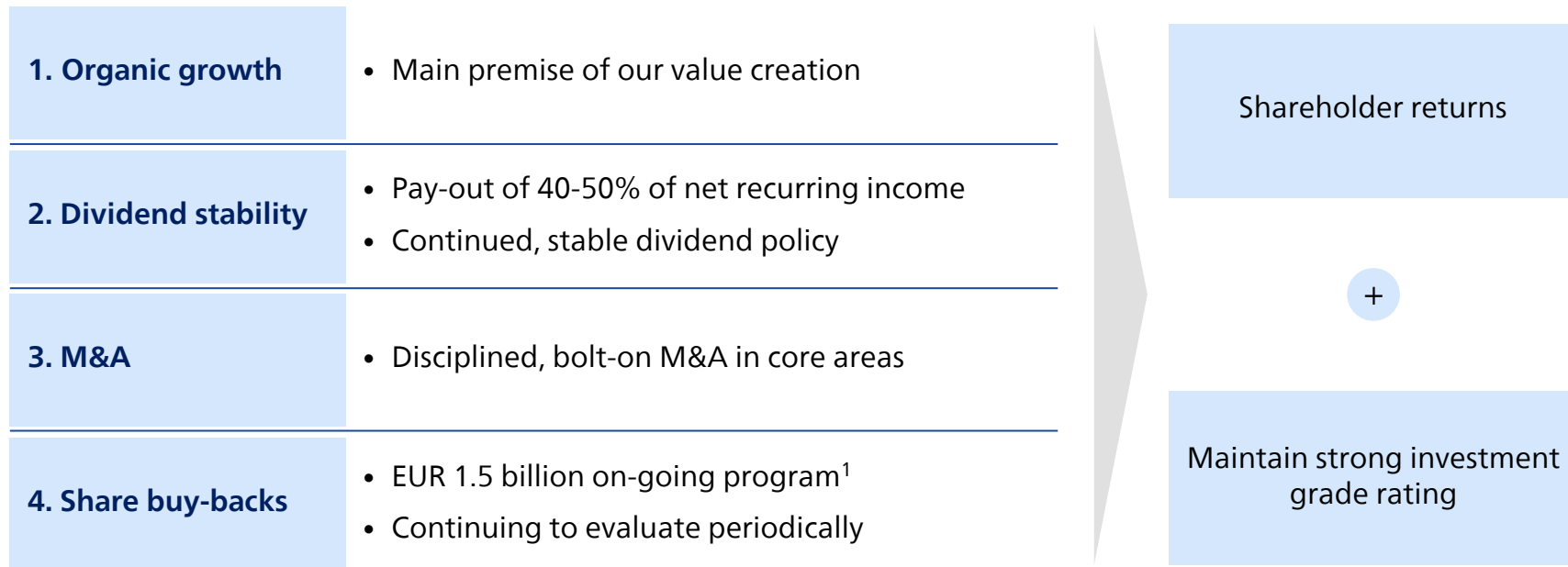
Indicative Free Cash Flow¹ improvement drivers

EUR billion



1. Guidance excludes the impact of the ongoing discussion on the proposed consent decree beyond current assumptions (S&R CSGR 2023-2025 of 10%) as well as ongoing litigation and the investigation by the US DoJ related to the Respiroics field action

Balanced capital allocation focusing on organic growth, margin improvement and cash



1. The program has been executed through a number of forward purchase transactions and (in the fourth quarter of 2021 and January 2022) open market purchases. The open market repurchases under the program have been concluded and the forward transactions are expected to be settled in 2023 and 2024. Further information can be found on [Investor Relations website](#)

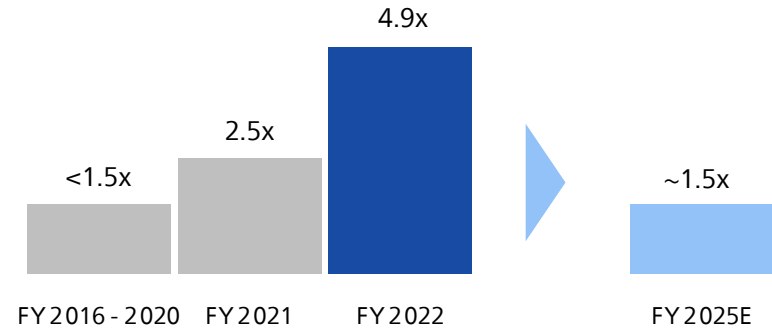
Target an improvement of leverage ratio towards 1.5x EBITDA



Debt maturity profile improved through liability management

- Debt repayment profile for 2023 - 2025 reduced from 3.2 billion to 2.0 billion
- Extended average maturity on bonds by 1.3 years to 7.9 years
- Extended maturity on EUR 1 billion Standby Facility from 2024 to 2027
- Utilized EUR 500 million under the new EUR 1 billion credit facility, after repaying EUR 200 million of commercial paper
- No financial covenants
- EUR 1.5 billion of available committed credit facilities

Net Debt to EBITDA ratio¹



2022 impacted by:

- Lower earnings and higher inventory and AR in 2022
- Higher cash costs of Respiroics recall in 2022
- Higher restructuring costs for the productivity program

Profitable growth acceleration

Medium-term 2025

CSG (%)	Mid-single-digit
Adj. EBITA (%)	Low teens
Free Cash Flow	EUR 1.4-1.6 billion
Adj EPS growth	Double-digit
Organic ROIC	Low-teens
Credit rating	Maintain strong investment grade rating
Dividend stability	Pay-out 40-50% of net recurring income
Effective tax rate	24-26%

Deliver on full potential of our segments

2025+

Mid-single-digit
Mid-to-high teens
>EUR 2 billion
Double-digit
Mid-to-high teens
Maintain strong investment grade rating
Pay-out 40-50% of net recurring income



Note: Guidance excludes the impact of the ongoing discussion on the proposed consent decree beyond current assumptions (S&RC CSGR 2023-2025 of 10%) as well as ongoing litigation and the investigation by the US DoJ related to the Respiroics field action

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Closing remarks

Our context...

Attractive HealthTech Market

- 3-6% revenue CAGR
- Mid-to-high-teens margins
- Megatrends, sustainable healthcare

Strengths

- Leading positions, innovation
- High customer intimacy
- Strong purpose, brand, ESG

Challenges

- Strategy implementation
- Innovation model
- Quality
- Supply chain reliability
- Complex Operating model

Creating
value with
sustainable
impact

...our future



Focused organic growth and scalable innovation

- Expand leadership positions in Image-Guided-Therapy, Ultrasound, Monitoring, and Personal Health
- Scale Enterprise Informatics
- Improve Diagnostic Imaging, restore S&RC

Patient, people-centric, scalable innovation

Execution as main value driver

1. Patient safety & quality highest priority
2. Reliable supply-chain
3. Simplified operating model

Culture of accountability and HealthTech capabilities

Value creation

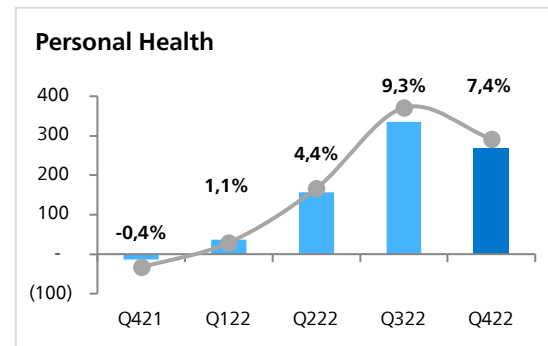
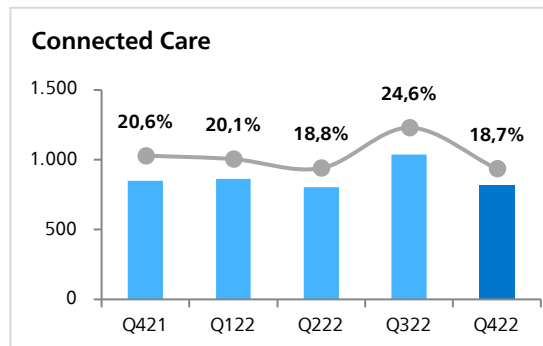
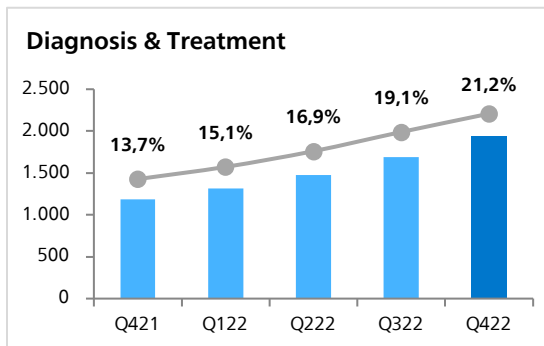
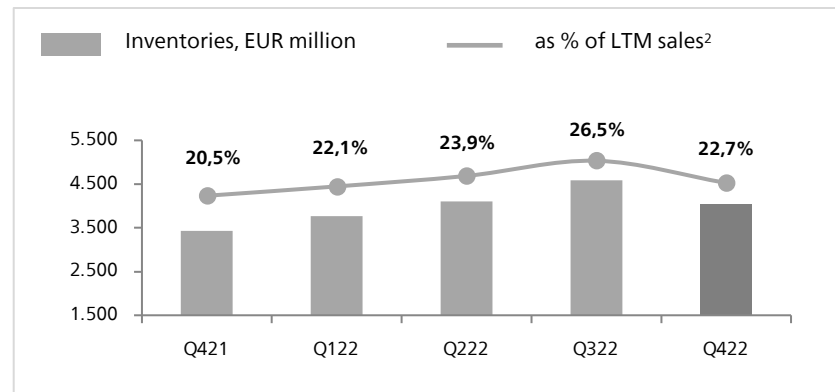
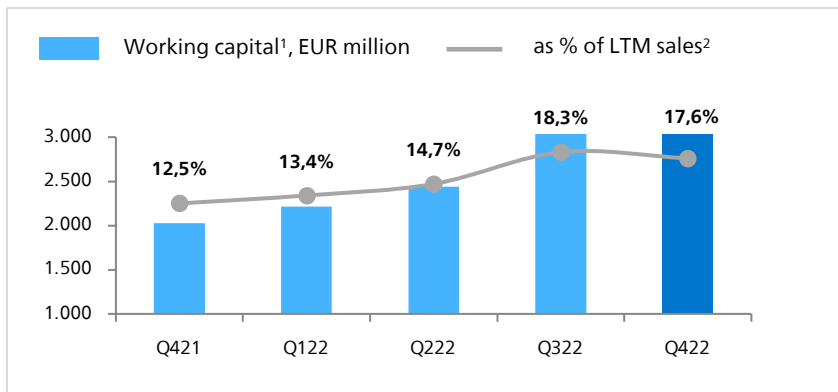
- Medium-term 2025: mid-single-digit growth, low teens Adj. EBITA margin, EUR 1.4-1.6 billion FCF
- 2025+: mid-single-digit growth, mid-to-high teens Adj. EBITA margin, >EUR 2 billion FCF

Note: Guidance excludes the impact of the ongoing discussion on the proposed consent decree beyond current assumptions (S&RC CSGR 2023-2025 of 10%) as well as ongoing litigation and the investigation by the US DoJ related to the Respiration field action

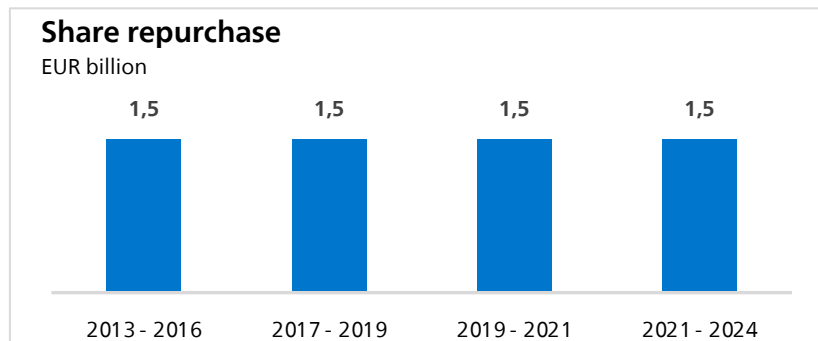
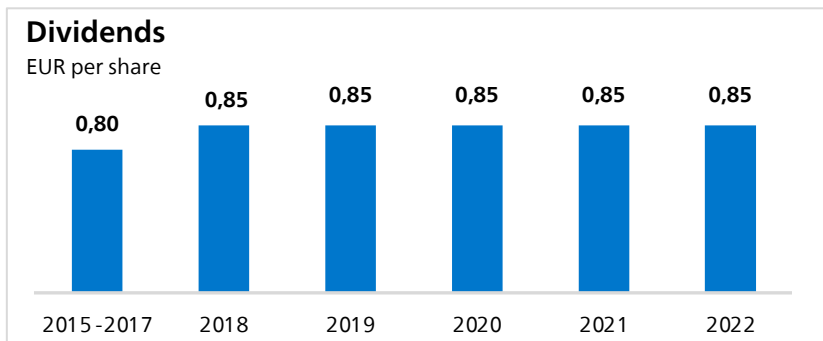
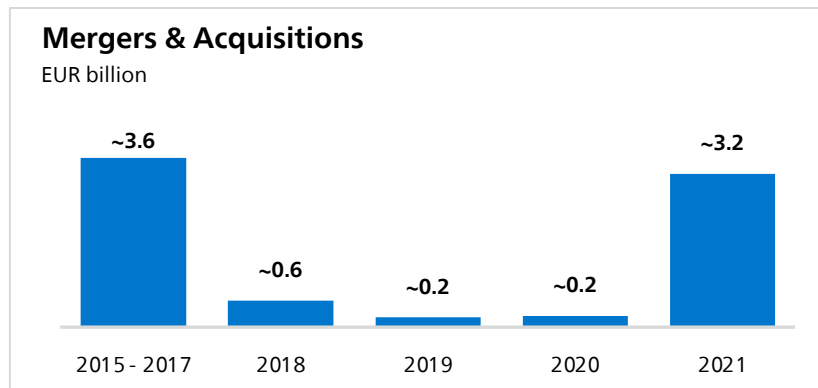
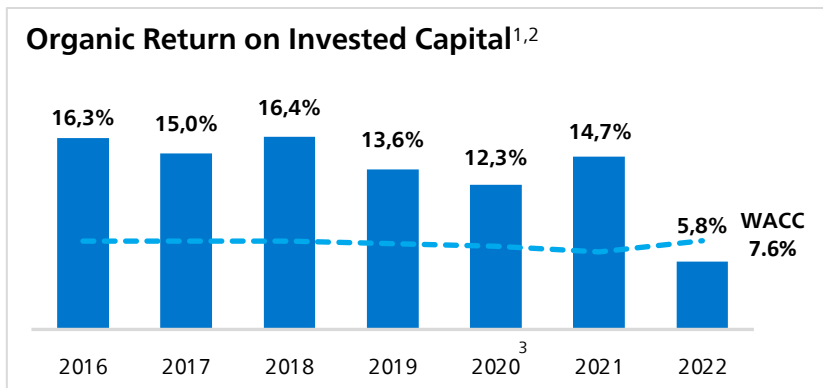


Financial appendix

Working capital and inventories



Balanced capital allocation policy



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

Restructuring, acquisition-related charges, and other items

EUR million	Q1 21	Q2 21	Q3 21	Q4 21	2021	Q1 22	Q2 22	Q3 22	Q4 22	2022
Diagnosis & Treatment	15	6	(12)	15	25	1	7	(124)	(85)	(201)
Restructuring & Acq.-related charges	17 ¹	(32)	(8)	15 ¹	(7)	1	7	(5)	(25)	(22)
Other items	(2)	38 ³	(4)	(0)	32	-	-	(120) ¹²	(60) ¹⁴	(180)
Connected Care	(282)	(293)	(62)	(420)	(1,058)	(339)	(116)	(155)	(201)	(811)
Restructuring & Acq.-related charges	(22)	(16)	(8)	(47)	(93)	(20)	(17)	(28)	(43)	(108)
Other items	(260) ^{4,5}	(277) ^{4,5}	(54) ^{2,4}	(373) ^{4,5}	(965)	(319) ^{5,6,10,11}	(99) ^{5,6,10,11}	(127) ^{5,6,10,11,12,13}	(158) ^{5,6,11,10,13}	(703)
Personal Health	(1)	1	(0)	1	1	-	(1)	(3)	(4)	(8)
Restructuring & Acq.-related charges	(1)	1	-	1	1	-	(1)	-	(10)	(11)
Other items	-	-	-	-	-	-	-	(3) ¹²	6	3
Other	(33)	(73)	(12)	(13)	(131)	(12)	(14)	(20)	(60)	(106)
Restructuring & Acq.-related charges	(3)	2	2	4	5	(6)	(3)	(14)	(38)	(61)
Other items	(30) ⁷	(75) ^{7,8,9}	(14)	(18)	(136)	(6)	(11)	(7)	(22)	(46)
Philips	(301)	(359)	(87)	(417)	(1,163)	(350)	(124)	(302)	(350)	(1,126)
Restructuring costs	(19)	(21)	(10)	(29)	(80)	(31)	(23)	(28)	(103)	(185)
Acquisition related charges	11	(24)	(5)	3	(14)	6	10	(18)	(14)	(16)
Other items	(292)	(314)	(72)	(391)	(1,069)	(325)	(111)	(256)	(233)	(925)

Due to rounding, amounts may not add up precisely to totals provided.

1. Gain related to release of a contingent consideration liability; 2. Includes a value adjustment of capitalized development costs; 3. Provision related to legal matters; 4. Related to the consent decree focused on the defibrillator manufacturing in the US; 5. Provision related to Respicronics field action; 6. Provision related to potential higher execution costs of the Respicronics field action program; 7. Includes separation costs related to Domestic Appliances business; 8. Environmental provision release/change; 9. Loss related to divestment; 10. Product portfolio realignment; 11. Running remediation costs in Respicronics; 12. Related to the discontinuation of certain R&D projects; 13. Charge related to impairment of assets; 14. Provision for a legal matter

Capital expenditures, Depreciation and Amortization

EUR million	Q4 2021	Q4 2022	FY 2021	FY 2022
Capital expenditures on property, plant and equipment	129	164	397	444
Capitalization of development costs	96	77	370	363
Depreciation	183	178	630	711
Amortization of acquired intangible assets	69	104	322	363
Amortization of software	22	41	88	117
Amortization of development costs	69	58	284	411
Depreciation and amortization¹	343	381	1,323	1,602

