Philips presents its plan to create value with sustainable impact

Amsterdam, the Netherlands – Royal Philips (NYSE: PHG; AEX: PHIA), a global leader in health technology, today presents its plan to create value with sustainable impact based on focused organic growth and scalable innovation, with improved execution as the key value driver. Starting at 10:00 am CET, the company will host a webcast with Philips CEO Roy Jakobs, CFO Abhijit Bhattacharya, and other Philips leaders. The presentation slide decks have been published [here](#). Today, Philips also published its fourth quarter and full year 2022 results, including the 2023 outlook, that can be found [here](#).

Creating value with sustainable impact
Philips operates in fundamentally **attractive health technology market segments** that grow 3-6% annually and have mid-to-high-teens margins. These are driven by global trends, such as aging populations driving the demand for care and the need to improve productivity in healthcare. The company has leading market positions in consumer and professional health, enabled by a strong portfolio, high customer intimacy, a strong brand and purpose, and clear ESG commitments. However, Philips is not capitalizing on the full potential of these strong market positions as it faces a number of significant operational challenges as reflected in its 2022 performance.

The company will address the challenges, improve performance, and drive progressive value creation through a strategy of **focused organic growth** and pivoting its innovation model to increase the impact of **patient- and people-centric innovation at scale. Improved execution** across three priorities will be the key value driver: 1) **patient safety and quality**, 2) **supply chain reliability**, and 3) a **simplified, more agile operating model**. This will be supported by a reinvigorated culture of accountability, and strong health technology talent and capabilities.

By delivering its strategy, Philips will drive performance improvements over time, first addressing the challenges and laying down a strong foundation in 2023 and accelerating profitable growth thereafter, to deliver on the full potential of its business segments, supported by a balanced capital allocation. Philips aims to improve its performance to mid-single-digit comparable sales growth with a low-teens Adjusted EBITA margin by 2025, and to mid-single-digit comparable sales growth and mid-to-high-teens Adjusted EBITA margin beyond 2025.*
Focused organic growth and patient- and people-centric, scalable innovation
In recent years, Philips has transformed its portfolio to become a health technology company. Philips will now focus on extracting the full value of its strong portfolio through a strategy of focused organic growth and by improving its execution to expand its leadership positions in its Image Guided Therapy, Monitoring, Ultrasound and Personal Health business segments, scaling its Enterprise Informatics business segment, improving the Imaging business, and restoring the Sleep & Respiratory Care business segment.

To win in these segments, Philips will pivot its innovation model to yield higher impact and better returns. To ensure that innovation is done closer to its customers, Philips will concentrate a higher proportion of its R&D resources in the businesses (90% compared to 70% in 2022). As a result, part of Philips’ corporate innovation activities will move into the businesses. Additionally, the company will focus on fewer, better resourced, and more impactful projects, with patient safety, quality, and customer need at the heart of innovation design. Going forward, Philips will continue to invest an industry-leading 9% of sales in R&D (more than EUR 1.7 billion), compared with 10.5% of sales in 2022.

Patient safety and quality
Strengthening patient safety and quality is Philips’ highest priority. This includes completing the Respironics recall and test program in 2023 and managing the impact of the proposed consent decree, as well as the ongoing investigation by the US Department of Justice and the litigation related to the Respironics recall. Across the company, Philips will ensure patient safety and quality is at the core of its innovation approach to avoid future issues. Moreover, the company will step up accountability for patient safety and quality, including giving all employees dedicated patient safety and quality objectives, deploying an expanded compliance and awareness program, and simplifying processes.

End-to-end supply chain reliability and agility
Philips is changing its supply chain to a dedicated end-to-end set-up by business to better manage and improve supply chain reliability and agility. Furthermore, the company is pruning its portfolio, redesigning products and components, and stepping up its strategic supplier management to materially de-risk supplies and delivery, and enhance conversion of the orderbook to sales, leading to more robust and predictable financial results.

Simplified operating model
Philips will change its operating model to end-to-end businesses with single accountability. They will be supported by lean central functions and strong customer facing organizations in the countries and regions. To this end, the company will right size the central functions, which will include organizational delayering and reallocating part of its corporate innovation activities to the businesses.

In addition to the reduction of its workforce by 4,000 roles announced in October 2022, which is being implemented as planned, Philips will reduce its workforce by an additional 6,000 roles globally by 2025, of which 3,000 will be implemented in 2023 in line with the relevant local regulations and processes. The simplified operating model will make Philips more agile and
竞争性，使公司能够为客户提供更具有影响力的创新，包括患者和消费者，以清晰但减少的KPIs为指导。同样重要的是，飞利浦的更精简和更聚焦的组织结构将有一个显著降低成本的结构。

**Executive Committee**

飞利浦的强品牌和令人信服的使命继续吸引和吸引人才。因此，飞利浦已经继续加强组织，包括具有深厚专业知识的新医疗技术人才。

反映飞利浦的优先事项，飞利浦已将患者安全和质量功能提升到执行委员会。自2月6日起，史蒂夫·德·巴卡（美国籍，1968年出生）被任命为首席患者安全及质量官，并担任飞利浦执行委员会成员，向首席执行官罗伊·雅各布斯汇报。

他将带来超过30年的质量与监管事务经验。

此外，杰夫·迪卢洛（美国籍，1969年出生）已获晋升为飞利浦北美市场的业务负责人。杰夫拥有多于20年的销售、服务和解决方案交付经验，以推动北美市场的增长。

这些变化将导致执行委员会在2023年初的25%的更新。

**Roy Jakobs, CEO of Royal Philips:**

“飞利浦在具有吸引力的健康技术市场领域运营，具有良好的增长和利润率。公司已经建立领先的市场地位，基于具有意义的创新和高客户亲密度，进一步由一个令人信服的使命、一个强大的品牌，以及清晰的ESG承诺支持。但是，鉴于我们面临的重大运营挑战，我们没有完全从我们的业务中提取全部价值，正如我们在2022年的结果中所反映的那样。

在这100天里，我与我的团队合作，实施必要的干预措施，以改进我们的执行和绩效。这包括增强我们的企业文化，提升我们的健康技术人才和能力。

我们的战略将侧重于有机增长，通过以患者和以患者为中心的创新实现，以提高执行的关键驱动因素。这将通过增强我们的患者安全和质量管理和完成Respirronics召回行动来实现。我们将急需提高供应链的可靠性，以提高性能，并简化我们的工作方式，以提高我们的敏捷性和生产力。这包括困难，但必要的进一步减少我们的全球约6,000个工作岗位。

我有信心，这些综合性的行动将把飞利浦置于一条持续创造价值的道路上，具有可持续影响，以实现中个位数的可比销售增长。”
and a low-teens Adjusted EBITA margin by 2025, further expanding to a mid-to-high-teens margin beyond 2025*.“

* This guidance excludes the impact of the ongoing discussion on the proposed consent decree beyond current assumptions (Sleep & Respiratory Care/Respironics CSGR 2023-2025 of 10%), as well as ongoing litigation and the investigation by the US Department of Justice related to the Respironics field action.

** The leader of the Precision Diagnosis business segment will also be responsible for the Diagnosis & Treatment reporting segment jointly with the leader of the Image-Guided Therapy business segment.

For additional information, please contact:

Ben Zwirs
Philips Global Press Office
Tel.: +31 6 15213446
E-mail: ben.zwirs@philips.com

Derya Guzel
Philips Investor Relations
Tel: +31 20 59 77055
E-mail: derya.guzel@philips.com

About Royal Philips
Royal Philips (NYSE: PHG, AEX: PHIA) is a leading health technology company focused on improving people's health and well-being, and enabling better outcomes across the health continuum – from healthy living and prevention, to diagnosis, treatment and home care. Philips leverages advanced technology and deep clinical and consumer insights to deliver integrated solutions. Headquartered in the Netherlands, the company is a leader in diagnostic imaging, image-guided therapy, patient monitoring and health informatics, as well as in consumer health and home care. Philips generated 2022 sales of EUR 17.8 billion and employs approximately 77,000 employees with sales and services in more than 100 countries. News about Philips can be found at www.philips.com/newscenter.

Forward-looking statements
This statement contains certain forward-looking statements with respect to the financial condition, results of operations and business of Philips and certain of the plans and objectives of Philips with respect to these items. Examples of forward-looking statements include statements made about the strategy, estimates of sales growth, future EBITA, 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.

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