Fourth quarter and full-year 2024 results

February 19, 2025

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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 and artificial intelligence in response to developments in the health technology industry; Philips' ability to keep pace with the changing health technology environment; macroeconomic and geopolitical changes, including protectionism measures such as announced and proposed tariffs and retaliatory trade measures in response thereto; 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; 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; breach 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 and reliability of internal controls. 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, industry and dealer panels, in combination with management estimates. Where full year information regarding 2024 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..

* Non-IFRS financial measure. Refer to reconciliation of non-IFRS information

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Key takeaways

- Delivered orders and sales growth, improved profitability, and strong cash flow in Q4 and FY 2024; orders and sales 4% ex-China in FY 2024
- Made solid progress on our plan and enhanced execution; finalized Philips Respironics recall-related US settlements
- Strengthened our balance sheet; offering shareholders the option to receive dividend in shares or cash
- Expect to improve performance in 2025, within a challenging macro environment; raising productivity target to EUR 2.5 billion, EUR 800 million in 2025

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Continued solid execution of the three-year plan

	2024	2023-2025 plan As provided Jan 30, 2023	2023-2024 plan-to-date	
Comparable sales growth	1%	From low-to-mid single digits	~3.5% CAGR	Driven by solid growth ex-China
Adj. EBITA margin[1]	11.5%	From high single digits to low teens	+410 bps	Operational improvements, productivity savings and pricing
Free cash flow[2]	EUR 0.9 billion	EUR 3.0-3.6 billion[3]	EUR 2.5 billion	Higher earnings, working capital management, financial discipline
Net Debt/ Adj. EBITDA	1.8x	1.5x	1.8x	Significant deleveraging

1. Excluding restructuring costs, acquisition-related charges and other one-time charges and gains | 2. Cumulative in the period | 3. Excluding payments and receipts related to the Respironics litigation in the US

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Delivered orders and sales growth, improved profitability, and strong cash flow as expected in Q4 2024

Financial performance

In millions of EUR unless otherwise stated	Q4 2023	Q4 2024
Sales	5,062	5,044
Comparable sales growth[1]	(1)%	1%
Comparable order intake[1]	(4)%	2%
Adj. EBITA margin[2]	12.9%	13.5%
Income from operations	24	199
Operating cash flow	1,310	1,459

Q4 2024 highlights

- Order growth driven by strong performance in the US and in Growth geographies, partly offset by lower demand in China
- Solid growth of 5% in rest of world largely offset by a double-digit decline in China
- Adj. EBITA margin improved, driven by operational improvement and productivity measures
- Operating cash flow increase mainly driven higher earnings and Respironics insurance receipt, partly offset by lower working capital inflows

1. Comparable sales growth (CSG); comparable order intake growth (OIT); 2. Excluding restructuring costs, acquisition-related charges and other items |
Note: Q4 2023 includes provisions charged to sales of EUR 174 million mainly in connection with the Respironics consent decree

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Delivered orders and sales growth, improved profitability, and strong cash flow in FY 2024

Financial performance

In millions of EUR unless otherwise stated	2023	2024
Sales	18,169	18,021
Comparable sales growth[1]	6%	1%
Comparable order intake[1]	(6)%	1%
Adj. EBITA margin[2]	10.6%	11.5%
Income from operations	(115)	529
Operating cash flow	2,136	1,569

2024 highlights

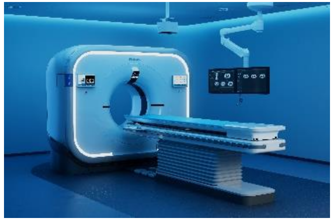
- Orders grew, with solid growth of 4% in rest of world, largely offset by double-digit decline in China
- Sales growth on the back of strong 2023. Decline in China was more than offset by growth of 4% in rest of world
- Adj. EBITA margin improved, driven by operational improvements and productivity measures
- Operating cash flow includes payment in connection with Respironics Economic loss settlement and higher working capital outflows, partly offset by the Respironics insurance receipt

1. Comparable sales growth (CSG); comparable order intake growth (OIT); 2. Excluding restructuring costs, acquisition-related charges and other items |
Note: Q4 2023 includes provisions charged to sales of EUR 174 million mainly in connection with the Respironics consent decree

AI-driven, industry-leading innovations launched in 2024

Next-gen BlueSeal 1.5T MR

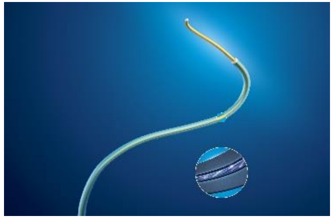
CT 5300



Spectral CT 7500 RT

Transcend Ultrasound

LumiGuide Navigation Wire



Azurion Neuro Biplane

Zenition 90 Motorized

PM 6000 and Visual Avatar

Avent Premium Connected baby monitor

Sonicare 5000-7000 series

R&D €1.7bn, >9% of sales
in 2024, industry-leading

~50% of sales
from new and upgraded products launched in last three years

>50% of R&D workforce on
software, data & AI

Diagnosis & Treatment

Financial performance

In millions of EUR unless otherwise stated	Q4 2023	Q4 2024	2023	2024
Sales	2,498	2,440	8,825	8,790
Comparable sales growth	5%	(1)%	11%	1%
Adj. EBITA margin	10.5%	12.1%	11.6%	11.6%
Income from operations	134	3	721	592

Q4 2024 highlights

- Solid growth outside of China, which saw a double-digit decline
- Growth in Image Guided Therapy was offset by a decline in Precision Diagnosis mainly due to China
- Mature geographies grew mid-single-digit, driven by North America and Western Europe
- Strong Adj. EBITA improvement driven by productivity, mix and pricing

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Connected Care

Financial performance

In millions of EUR unless otherwise stated	Q4 2023	Q4 2024	2023	2024
Sales	1,353	1,426	5,138	5,134
Comparable sales growth	(11)%	7%	1%	2%
Adj. EBITA margin	15.0%	15.0%	7.2%	9.6%
Income from operations	(332)	58	(1,199)	(466)

Q4 2024 highlights

- Sales growth on the back of a low comparison base[1]
- Healthy demand in Monitoring; strong performance in sleep systems and patient interface outside of the US
- Adj. EBITA margin in line with last year; Enterprise Informatics and Sleep & Respiratory Care delivered positive Adj. EBITA in 2024

1. Q4 2023 includes provisions charged to sales of EUR 174 million, mainly in connection with the Respironics consent decree

Personal Health

Financial performance

In millions of EUR unless otherwise stated	Q4 2023	Q4 2024	2023	2024
Sales	1,069	1,027	3,602	3,486
Comparable sales growth	7%	(2)%	3%	(1)%
Adj. EBITA margin	19.9%	18.0%	16.6%	16.7%
Income from operations	208	176	552	544

Q4 2024 highlights

- Double-digit decline in China due to subdued consumer sentiment
- Strong growth in rest of world, including double-digit increase in other Growth geographies
- Adj. EBITA margin in the high-teens, despite lower sales in China

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Productivity initiatives ahead of plan; delivered EUR 163 million in the quarter and over EUR 1.7 billion to date

Productivity initiatives[1]

In millions of EUR unless otherwise stated

		Q4 2024	Q1 2023 – Q4 2024
Operating model	• Simplified operating model • R&D prioritization, reduction of Corporate Research projects • End-to-end supply chain, simplifying planning, and eliminating duplications	47	765
Procurement	• Bill-of-material savings via redesign, value analysis, engineering • Reductions in warehousing, transportation and consulting	56	444
Other productivity	• Manufacturing footprint optimization and service productivity • R&D platform simplification and footprint optimization • GBS and hyper-automation • Sleep & Respiratory Care rightsizing	59	499
		EUR 163 million	**EUR 1,709 million**

1. Gross productivity initiatives and re-investments, before inflation

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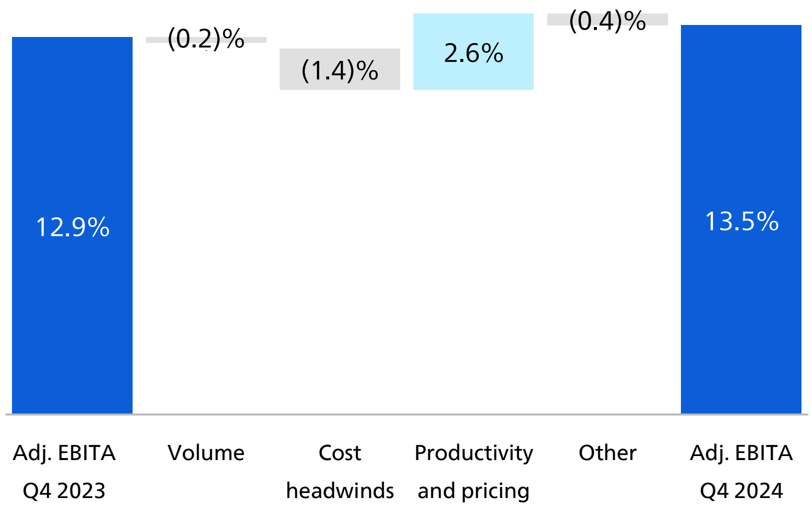
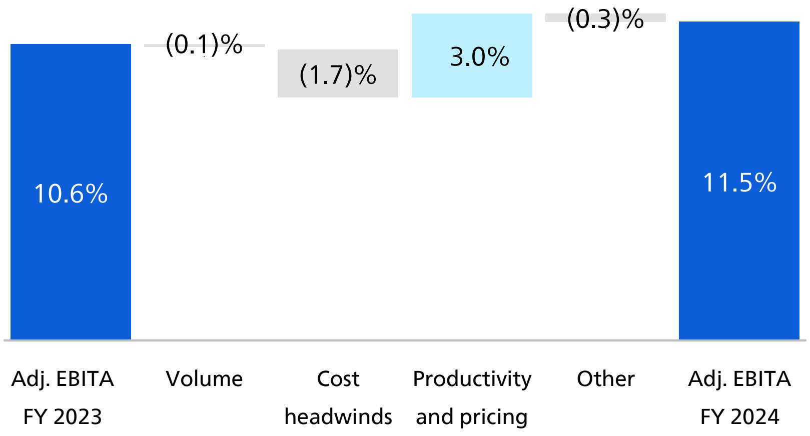
Adjusted EBITA margin improvement in Q4 and FY mainly driven by operational improvements and productivity measures

Group Adj. EBITA margin[1] in Q4 2024



Group Adj. EBITA margin[1] in FY 2024



1. Excluding restructuring costs, acquisition-related charges and other items

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We have made solid progress on our execution priorities

Patient safety and quality embedded in businesses, innovation and culture

Strengthened culture, fully embedded in businesses and innovation

>40% improvement in CAPA[1] closures
>65% reduction in the number of QMS[2]

Significant progress in resolving the consequences of the Respironics recall

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

De-risked all high-risk components, refreshed the planned PCBAs[3]

Lead times and service levels reached industry standards

Progressing with regionalization, localization, and portfolio simplification, also in view of geopolitical context

Simplified operating model driving accountability and agility

New operating model empowered businesses to move with speed and scale

Deploying culture of impact with care

Building on the right team and Healthtech capabilities; improvement in employee engagement score

1. Corrective and Preventive Actions | 2. Quality Management Systems | 3. Printed Circuit Board Assembly

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We are deploying our new culture of impact with care, building on the right team and Healthtech capabilities

The right team and capabilities

70%

Renewal of Executive Committee

75%

Executive hires with Healthtech and clinical background

78%

Employee engagement score

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2025 outlook

Expect to improve performance, grow sales and orders within a challenging macro environment and expand margin

Full-year 2025

Comparable sales growth

1-3%

- All business segments growing within the range
- Back-end-loaded year with China expected to decline mid-to-high single digit due to double-digit decline in Q1 and Q2
- Mid-single-digit decline in Q1 due to China, high comparison base in Diagnosis & Treatment and royalties phasing

Adj. EBITA margin

increase 30-80bps to 11.8-12.3%

- Accelerating growth in attractive leadership segments, capturing value upside in businesses with lower margins
- Improvement across business segments, with additional productivity and innovation
- Back-end-loaded improvement following sales phasing

Free Cash Flow

Lower end of EUR 1.4-1.6 billion range

- Before payment of the USD 1.1 billion cash-out relating to the US medical monitoring and personal injury settlements, which is expected in H1 2025
- Net of these settlements, free cash flow will be EUR 0.4 - 0.6 billion

Note: The outlook includes the impact of the recently announced US-China tariffs. It excludes ongoing Philips Respironics-related legal proceedings, including the investigation by the US Department of Justice.

Raising productivity target to EUR 2.5 billion driven by cost efficiencies and further operating model simplification; EUR 800 million in 2025

Productivity initiatives[1] 2023-2025

In millions of EUR unless otherwise stated	Previous target	Updated target
Operating model	950-1,050	1,050-1,150
Procurement	550-600	650-700
Other productivity	400-450	700-750
	~2,000	**~2,500**

1. Gross productivity initiatives and re-investments, before inflation

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Restructuring, acquisition-related charges and other items

Full-year 2025

Restructuring costs ~100 bps	• Further operating model simplification • Manufacturing and R&D footprint and platform optimization
Other items ~200 bps	• Mainly related to the Consent Decree, other quality action-related charges, and acquisition-related charges

Q1 2025

Restructuring costs, other items	• EUR 150 million: Diagnosis & Treatment 10 million, Connected Care 105 million, Personal Health 5 million, segment Other 30 million

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

Latest FX, below the line items and segment Other outlook

	Q1 2025	Full year 2025
FX translation[1]		
Group and business segments	1.5 – 2.0%	1.5 – 2.0%
Effective tax rate		24-26%
Financial income and expense (EUR million)		~(275)
Segment Other (EUR million)		
Sales	100 – 120	540 – 570
Adj. EBITA	~(35)	~(20)
EBITA	~(65)	~(150)

1. Including consolidation and deconsolidation impact on sales. Based on January 2025 FX rate. Final impact subject to change based on FX movements and geographic sales mix

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Key takeaways

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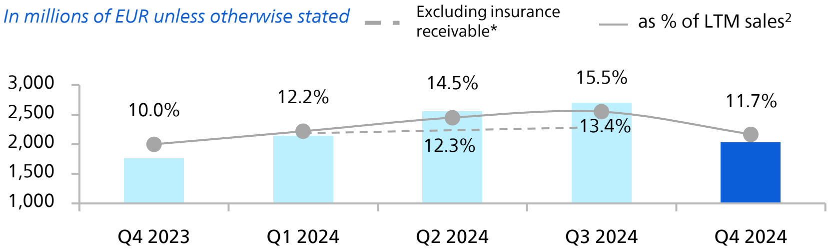
- Made solid progress on our plan and enhanced execution; finalized Philips Respironics recall-related US settlements
- Strengthened our balance sheet; offering shareholders the option to receive dividend in shares or cash
- Expect to improve performance in 2025, within a challenging macro environment; raising productivity target to EUR 2.5 billion, EUR 800 million in 2025

Financial appendix

Working capital and inventories

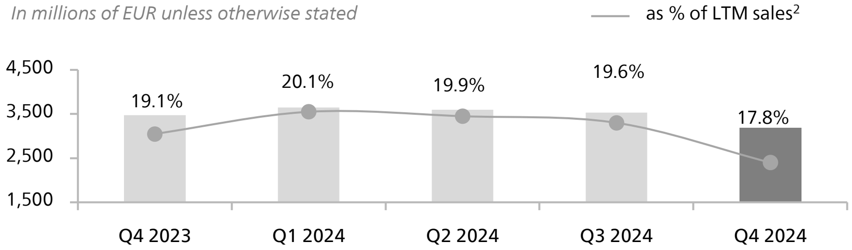
Group working capital[1]

In millions of EUR unless otherwise stated

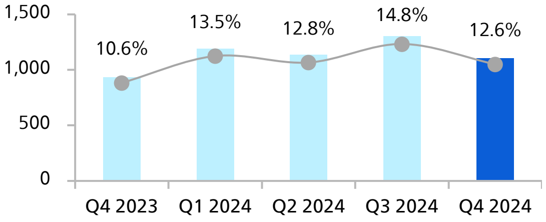


Group inventories

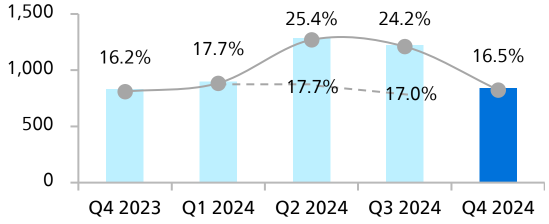
In millions of EUR unless otherwise stated



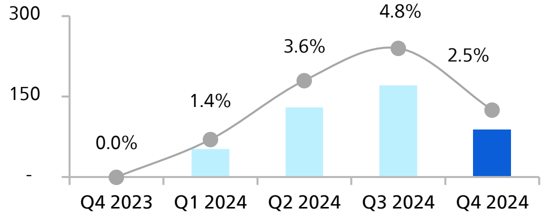
Diagnosis & Treatment



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 12 months sales excluding acquisitions, divestments, and discontinued operations

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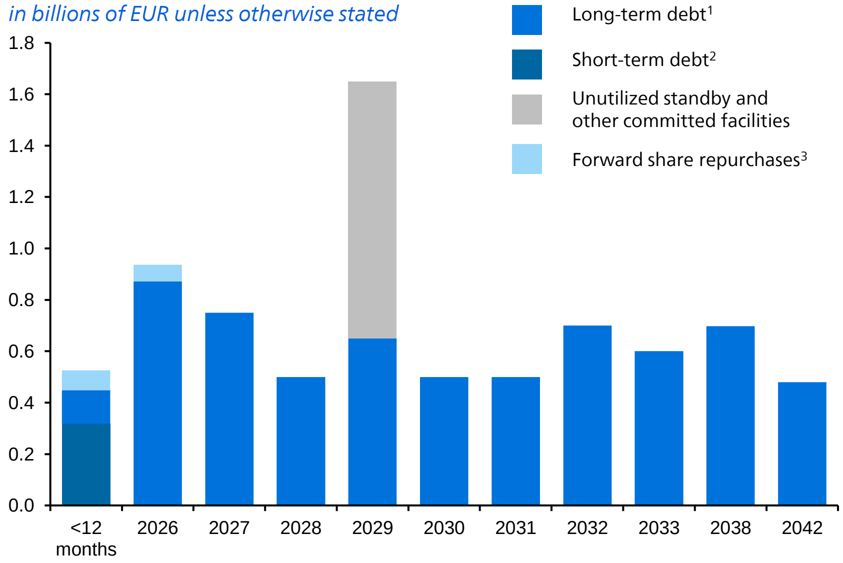
Debt maturity profile and liability management

Long-term debt profile and liability management

- Total net debt position of EUR 5.2 billion
- Net Debt to Adj. EBITDA ratio improved to 1.8x
- Average tenor of long-term debt is 6.5 years
- No financial covenants
- EUR 1 billion of committed credit facilities

Debt maturity profile as per December 31, 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

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Net capital expenditures, depreciation and amortization

In millions of EUR unless otherwise stated	Q4 2023	Q4 2024	FY 2023	FY 2024
Net capital expenditures	(182)	(194)	(554)	(683)[1]
Depreciation	(179)	(168)	(689)	(696)
Amortization and impairment:	(148)	(293)	(572)	(693)[2]
of acquired intangible assets	(74)	(193)	(290)	(392)[2]
of other intangible assets	(74)	(100)	(282)	(301)

1. Net capital expenditures were higher in 2024 as cash proceeds from the sale of real estate were favorably impacting 2023 results
2. Includes higher impairment charges in relation to intangible assets

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	Q4 2024	FY 2024
Restructuring and acquisition-related charges										
Diagnosis & Treatment	65	30	8	15	118	19	25	16	97	157
Connected Care	49	10	20	37	115	17	18	19	(1)	53
Personal Health	5	2	-	2	9	-	17	2	5	25
Segment Other	105	24	15	(4)	140	14	41	19	17	92
Philips Group	**224**	**66**	**42**	**49**	**381**	**51**	**101**	**56**	**118**	**326**
Other items										
Diagnosis & Treatment	1	10	-	81[1]	92	-	6[1]	-	39[1]	45
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]	127[1,2,6]	765
Personal Health	(1)	-	23[8]	-	22	-	-	-	-	-
Segment Other	-	-	5	(36)[9]	(32)	10	1	7	2	20
Philips Group	**644**	**95**	**120**	**498**	**1,358**	**1,088**	**(483)**	**57**	**168**	**830**
Restructuring, acquisition- related charges & other items										
Restructuring	199	46	16	24	285	32	83	50	103	268
Acquisition-related charges	25	20	26	26	96	19	19	6	15	58
Other items	644	95	120	498	1,358	1,088	(483)	57	168	830
Philips Group	**868**	**161**	**162**	**548**	**1,738**	**1,139**	**(381)**	**113**	**286**	**1,156**

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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