Our transformation journey to HealthTech leadership continues

Frans van Houten
Chief Executive Officer
November 6, 2020
Key takeaways

• Our transformation journey to **HealthTech leadership** continues

• We innovate to **improve 2 billion people's health and well-being** per year by 2025

• Our **three strategic imperatives:**
  – Further improving customer experience and operational excellence
  – Boosting growth in the core by innovating to extend category leadership, geographic expansion, deeper customer partnerships
  – Winning with solutions to help customers achieve the Quadruple Aim

• **Driving further value creation**
  – Acceleration of comparable average annual sales growth to 5-6%¹
  – Average Adjusted EBITA margin improvement of 60-80 basis points²
  – Free cash flow of above EUR 2 bn and organic ROIC of mid-to-high teens by 2025

All forward-looking statements and targets exclude the Domestic Appliance business as its future ownership is being reviewed. 1. Current 2021 view for Group: low-single-digit growth. 2. Annually, starting in 2021
Philips transformation
Philips continues on its journey to HealthTech leadership, accelerating growth and delivering margin improvement

<table>
<thead>
<tr>
<th>EUR billion (% of total)¹</th>
<th>23</th>
<th>17</th>
<th>~22-23</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer electronics²</td>
<td></td>
<td></td>
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<tr>
<td>Lighting</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic Appliances (“DA”)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Diagnosis &amp; Treatment</td>
<td>21%</td>
<td>49%</td>
<td></td>
</tr>
<tr>
<td>Connected Care</td>
<td>14%</td>
<td>27%</td>
<td></td>
</tr>
<tr>
<td>Personal Health excl. DA</td>
<td>9%</td>
<td>21%</td>
<td></td>
</tr>
</tbody>
</table>

### Growth profile
(Comparable sales growth)

<table>
<thead>
<tr>
<th>2011</th>
<th>2019</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low-single-digits</td>
<td>4-6%</td>
<td>5-6%</td>
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</table>

### Margin profile
(Adjusted EBITA)

<table>
<thead>
<tr>
<th>2011</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>~5%</td>
<td>~13%</td>
</tr>
</tbody>
</table>

1. Segment Other is not shown in the chart but is included in totals
2. Refers to TV, LE and AVM&A

All forward-looking statements and targets exclude the Domestic Appliance business as its future ownership is being reviewed.
Delivering strong shareholder returns
Superior total shareholder return since 2016

Gaining customer preference and international acclaim

**Steady improvement in customer feedback**

<table>
<thead>
<tr>
<th>Year</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>NPS</td>
<td></td>
<td>+4 p.p.</td>
<td></td>
</tr>
</tbody>
</table>

**Steep growth in Ratings & Reviews (R&R)**

<table>
<thead>
<tr>
<th>Year</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
</table>

**Our brand is internationally acclaimed**

- **World’s most innovative MedTech** (2020)
- Derwent Top 100 Global Innovator for the 7th consecutive year (2020)
- **Best of Health / Medical** award for the period 2016-2020
- **Best Health IT** award for IntelliVue GuardiunSoftware at HIMSS APAC 2019
- 2020 Best in KLAS for **Cardiology** with Philips IntelliSpace Cardiovascular
- 2020 Category Leader for **Universal Viewer** (Imaging) solutions with Philips Vue Motion

1. NPS. Based on sample sizes of 2,991-3,588. 2020 data are as of 2020 Q3. 2. As of August, 2020
Winning propositions
>65% of sales from leadership positions\(^1,2\)

| Diagnosis & Treatment | Ultrasound  
Global leader | Image-guided therapy systems  
Global leader | Image-guided therapy devices\(^3\)  
Global leader | Diagnostic imaging  
Global top 3 | High-end radiology and cardiology informatics  
#1 in North America |
|---|---|---|---|---|---|
| Connected Care | Patient monitoring  
Global leader | ICU telehealth  
#1 in North America | Personal emergency response  
#1 in North America | Respiratory care  
Global leader | Sleep care  
Global leader |
| Personal Health | Male grooming  
Global leader | Oral healthcare  
Global leader | Mother and child care  
Global leader | Hair removal  
Global leader |

Continuing to gain market share in key areas of our portfolio

1. Leadership position refers to #1 or #2 position in Philips addressable market. 2. Excluding Domestic Appliances; As announced in January 2020, the separation process is expected to be completed in Q3 2021. 3. In Image-Guided Therapy Devices markets where Philips plays
Committed to doing business responsibly and sustainably

<table>
<thead>
<tr>
<th>Environment</th>
<th>Social</th>
<th>Governance</th>
</tr>
</thead>
<tbody>
<tr>
<td>We act responsibly towards our planet in line with UN SDGs 12 and 13</td>
<td>Our purpose is to improve people’s health and well-being through meaningful innovation, in line with UN SDG 3</td>
<td>We aim to deliver superior long-term value for our customers and shareholders, and we live up to the highest standards of ethics and governance in our culture and practices</td>
</tr>
</tbody>
</table>

Frameworks/references

For more information on our raised ESG commitments, go to our website at https://www.philips.com/a-w/about/sustainability.html
Our strategy to win in a changing healthcare world
We target a EUR 150 bn health technology market, growing ~4% annually on the back of attractive, long-term trends.

HealthTech market is growing at ~4%¹

<table>
<thead>
<tr>
<th>EUR billion</th>
<th>2020E</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diagnosis &amp; Treatment</td>
<td>64</td>
<td>80-83</td>
</tr>
<tr>
<td>Connected Care</td>
<td>61</td>
<td>69-71</td>
</tr>
<tr>
<td>Personal Health</td>
<td>25</td>
<td>30-32</td>
</tr>
</tbody>
</table>

Market trends supporting HealthTech growth

- **Volume growth** driven by population, aging, chronic diseases
- **Emerging markets** increasing healthcare spend
- **Digitalization** and **personalization** of health
- Higher precision through **AI and workflow informatics**
- Procedure innovation such as **minimally invasive interventions**
- Adoption of **telehealth** and shift to **out-of-hospital** settings
- Providers facing **consolidation, cost pressure and staff fatigue**
- Acceleration of **outcome-oriented** payment models

¹ Philips-defined addressable markets, excluding the Domestic Appliances business
Our strategy to lead in health technology

- **Innovative solutions** that deliver on the **Quadruple Aim** for providers and consumers, along the health continuum

- Smartly combining **systems, devices, informatics, data and services**

- **Consultative customer partnerships** and recurring-revenue business models with superior customer service

- Building on organic **growth in the core**, complemented by synergistic M&A

- **Philips Business System** driving operational excellence, quality and an integrated approach to customers
We have a strong and focused portfolio, driving innovative solutions that promote health and improve healthcare delivery

<table>
<thead>
<tr>
<th>Personal Health</th>
<th>Diagnosis &amp; Treatment</th>
<th>Connected Care</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Personal Health</strong>&lt;br&gt;Deliver solutions that enable healthier lifestyles, personal hygiene and living with chronic disease.</td>
<td><strong>Precision Diagnosis</strong>&lt;br&gt;Provide smart, connected systems, optimized workflows, and integrated diagnostic insights, leading to clear care pathways and predictable outcomes.</td>
<td><strong>Connected Care</strong>&lt;br&gt;Drive better care management by seamlessly connecting patients and caregivers from the hospital to the home.</td>
</tr>
<tr>
<td><strong>Image-Guided Therapy</strong>&lt;br&gt;Innovate minimally invasive procedures in a growing number of therapeutic areas with significantly better outcomes and productivity.</td>
<td></td>
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</tr>
</tbody>
</table>
Recent developments have reaffirmed our strategy

<table>
<thead>
<tr>
<th>Recent developments</th>
<th>We are prepared for these developments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Providers</td>
<td></td>
</tr>
<tr>
<td>• COVID-related <strong>acute care needs</strong></td>
<td>• Increased <strong>cloud-enabled telehealth</strong>, remote patient engagement, and hub-and-spoke models</td>
</tr>
<tr>
<td>• Growth of <strong>ambulatory centers</strong></td>
<td>• <strong>Informatics and AI-enabled workflow optimization</strong> increasing patient throughput and reducing cost</td>
</tr>
<tr>
<td>• Increased focus on <strong>productivity</strong>, staff, cybersecurity and resilience</td>
<td>• Partnering with our customers</td>
</tr>
<tr>
<td>Consumers</td>
<td></td>
</tr>
<tr>
<td>• Uncertainty in <strong>consumer spending</strong></td>
<td>• Business model <strong>innovation</strong> and ecosystems</td>
</tr>
<tr>
<td>• Accelerated <strong>shift to online channels</strong></td>
<td>• Increased Direct-to-Consumer and 'pull' <strong>marketing</strong></td>
</tr>
<tr>
<td>Governments</td>
<td></td>
</tr>
<tr>
<td>• <strong>Investments in healthcare ecosystems</strong></td>
<td>• <strong>Partnering</strong> with online platforms</td>
</tr>
<tr>
<td>• <strong>Geopolitical risk</strong> of market access and technology restrictions</td>
<td>• Strengthened <strong>regional final assembly hubs</strong></td>
</tr>
<tr>
<td></td>
<td>• Increased <strong>localized solutions</strong>, e.g. in China</td>
</tr>
<tr>
<td></td>
<td>• <strong>Regional hosting</strong> of health data</td>
</tr>
</tbody>
</table>
Delivering on our strategy
Drivers for continued growth and improved profitability

**Our 3 imperatives:**

- **Better serve customers and improve quality**
  - Deliver the best customer experience and quality
  - Leverage our digital enterprise platform
  - Improve productivity

- **Boost growth in core business**
  - Innovate to extend category leadership
  - Capture geographic growth
  - Increase customer share through consultative partnerships

- **Win with solutions**
  - Drive integrated solutions that deliver on the quadruple aim
  - Adopt/drive data and AI at scale
  - Add portfolio adjacencies (organic, M&A, partnerships)

**Key drivers:**

- Deliver the best customer experience and quality
- Leverage our digital enterprise platform
- Improve productivity
- Innovate to extend category leadership
- Capture geographic growth
- Increase customer share through consultative partnerships
- Drive integrated solutions that deliver on the quadruple aim
- Adopt/drive data and AI at scale
- Add portfolio adjacencies (organic, M&A, partnerships)

**Delivering:**

- More lives improved
- Higher customer NPS
- Market share expansion
- Revenue growth
- Margin growth
- Free cash flow generation
- Organic ROIC
- ESG leader
- Value creation

**Our behaviors:**

- Customers first
- Quality and integrity always
- Team up to win
- Take ownership to deliver fast
- Eager to improve and inspire

1. Adjusted EBITA
**Customer experience**
- Continue to drive up *provider appreciation* of our services
- Further improve our consumer *Ratings & Reviews*

**Quality**
- *Design for Excellence*, reduction of SKUs
- *Reduce waste*, Lean practices and continuous improvement

**Digital enterprise**
- Grow *Direct-to-Consumer* marketing & sales
- Enable new business models
- Leverage robotic process automation

**Productivity**
- Drive programs in, amongst others:
  - Supply chain
  - Innovation
  - Marketing & sales
  - Enabling functions
- Target *additional EUR 400 million savings* per year
Our innovations enable us to extend category leadership

**Personal Health**
- Philips One

**Precision Diagnosis**
- Helium-free MR operations

**Image-Guided Therapy**
- Azurion with IntraSight

**Connected Care**
- IntelliVue 750/850
- S1000
- Radiation therapy planning
- OmniWire
- Mask Selector
Geographic expansion fuels our growth

- Scale healthcare informatics
  - Globalize our informatics propositions by leveraging our installed base
  - Examples: PACS, cloud-based EMR (Tasy), ICU telehealth

- Accelerate IGT-Devices global growth
  - Further penetrate Devices markets by building on IGT-Systems leadership
  - Grow addressable market in underdeveloped Devices geographies

- Further expand Sleep
  - Strengthen existing positions in markets such as Japan and Europe
  - Grow China and rest of APAC through awareness and patient engagement
We increase share of wallet through increased customer intimacy

**Health systems**

- Scaling Long-term Strategic Partnerships into adjacent clinical areas
- Leverage Healthcare Transformation Services (HTS) consulting

**Consumer channels**

- Deepen partnerships with dedicated account teams, e-commerce analytics and co-creation
- Increase consumer intimacy with Direct-to-Consumer play
Our integrated solutions deliver on the quadruple aim

~37%\(^1\) of sales from solutions growing to >45% by 2025

We bring together:

- Deep consumers insights
- Leading clinical and operational expertise
- Open platform approach with system & device integration
- New business models
- End-to-end patient pathways

Example solution areas:

- Oral Healthcare ecosystems
- First-time-right diagnosis with Radiology workflow productivity
- Integrated IGT suites with new business models
- Connected monitoring, Sleep & Respiratory Care and informatics anywhere

Addressing the Quadruple Aim

Better health outcomes
Improved patient experience
Improved staff experience
Lower cost of care

1. FY 2020 estimate
We engage consumers in their personal health routines with smart devices, coaching and novel business models.

Oral Healthcare example

Payer / provider partnerships
Connected products
In-app behavioral coaching
Sonicare Teledentistry
Rewards and incentives
Payer analytics platform

#1 recommended brand by dental professionals\(^1\)
4.7 stars R&R for Sonicare apps\(^2\)
>90% compliance with 2x2m brushing per day\(^3,4\)
>85% of members reduce out-of-pocket expenses\(^4\)

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1. In the US. 2. Ratings & Reviews for Kids and Adult Sonicare apps, on iOS, as of September 13. 3. According to ADA recommendation of brushing twice for two minutes per day. 4. Based on data from several pilots.
Our Precision Diagnosis solutions enable improved patient diagnoses and increased provider productivity.

1. With VitalEye and VitalScreen 2. Results achieved by Medumo. 3. Interactive Multimedia Reporting evaluation study compared to classic text-only reporting performed at SwissGroup, Argentina, 2017. 4. IntelliSpace 5. Projected improvement in Referral to first treatment times at South West Wales Cancer Centre using IS Radiation Oncology and Practice Management.
With IGT solutions, we innovate interventional procedures to handle more patients in less time, with better outcomes.

**Integrated systems, devices, informatics & services**

- Azurion | IVUS | iFR | IntraSight

**Business model innovation**

- In-hospital care | Out-of-hospital care

-17% time saving per procedure with Azurion¹

-10% cost reduction per physiologic assessment²

-25% fewer readmissions with iFR vs. FFR³

-20% reduction in patient wait time with ICS⁴

Notes: Results specific to institution where obtained and may not reflect results achievable at other institutions. ¹ Results obtained by Interventional Vascular Department at St. Antonius Hospital, NL from Azurion workflow study 2. Davies JE, et al., Use of the Instantaneous Wave-free Ration or Fractional Flow Reserve in PCI. N Engl J Med. May 11, 2017. ³ Patel M. “Cost-effectiveness of instantaneous wave-Free Ratio (iFR) compared with Fractional Flow Reserve (FFR) to guide coronary revascularization decision making.” Late-breaking Clinical Trial presentation at ACC on March 10, 2018. ⁴ Results obtained by Westchester Medical Center Health Network (WMCHealth) New York, USA from Integrated Cardiovascular Solutions.
Our Connected Care solutions help orchestrate and seamlessly deliver care from the hospital to the home

Emergency and hospital care
- Continuous patient monitoring
- Ventilation
- Emergency response

Home care
- Sleep apnea care
- COPD and other respiratory care
- Chronic cardiac care

Health system management
- Telehealth
- Clinical informatics
- Patient flow management

-70% reduction in emergency escalations

#1 choice amongst Sleep physicians in the US

+25% improvement in therapy compliance

-$6,500 in savings per patient from eICU

China Xiamen Cardiac Hospital solution
Our co-creation approach promotes exceptional customer engagement

Customer needs
- Leading cardiovascular hospital in China
- Green-field hospital of 600 beds, including Cath lab, CCU, ICU, and ED
- World-class user and patient experience
- New equipment fleet supported by operational performance and efficiency

Solutions highlights
- End-to-end design co-creation, from patient journey mapping to implementation and service
- Imaging, interventional, and monitoring equipment
- Cardiovascular data service, including data and performance benchmarking
- Voted China’s most beautiful hospital in 2019

Win with solutions along the health continuum
Our capital allocation supports our strategy and our commitments to shareholders

<table>
<thead>
<tr>
<th>Our approach</th>
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</table>
| **Reinvest in growth** | • Organic growth as the main premise of our value creation  
• Similar level of innovation investment and increased advertising spend |
| **M&A / portfolio management** | • EUR 4.6 billion spend on M&A since 2015  
• Disciplined but more active approach |
| **Dividend stability** | • Pay-out of 40-50% of net recurring income  
• Continued, stable dividend policy |
| **Share buy-backs** | • EUR 4 billion since 2015  
• Continuing to evaluate periodically |
Our transformation is enabled by our leadership development journey and sustained by the Philips Business System.
Our experienced and passionate executive team

CEO
Frans van Houten
Dutch

CFO
Abhijit Bhattacharya
Indian

Diagnosis & Treatment
Bert van Meurs
Dutch
Kees Wesdorp
Dutch

North America
Vitor Rocha
Brazilian/American

Innovation & Strategy
Jeroen Tas
Dutch

Operations
Sophie Bechu
French/American

Greater China
Andy Ho
Chinese/Canadian

Legal
Marnix van Ginneken
Dutch/American

Connected Care
Roy Jakobs
Dutch/German

Human Resources
Daniela Seabrook
Swiss

Personal Health
Deeptha Khanna
Singaporean

Strategic Business
Development
Robert Cascella
American

Domestic Appliances
Henk de Jong
Dutch

International Markets¹
Edwin Paalvast
Dutch
Key takeaways

• Our transformation journey to **HealthTech leadership** continues

• We innovate to **improve 2 billion people's health and well-being** per year by 2025

• Our **three strategic imperatives:**
  – Further improving customer experience and operational excellence
  – Boosting growth in the core by innovating to extend category leadership, geographic expansion, deeper customer partnerships
  – Winning with solutions to help customers achieve the Quadruple Aim

• **Driving further value creation**
  – Acceleration of comparable average annual sales growth to 5-6%\(^1\)
  – Average Adjusted EBITA margin improvement of 60-80 basis points\(^2\)
  – Free cash flow of above EUR 2 bn and organic ROIC of mid-to-high teens by 2025

---

\(^1\) Current 2021 view for Group: low-single-digit growth. \(^2\) Annually, starting in 2021

All forward-looking statements and targets exclude the Domestic Appliance business as its future ownership is being reviewed.
The next phase of value creation

Abhijit Bhattacharya
Chief Financial Officer
November 6, 2020

innovation for you
Key takeaways

• Significantly improved sales growth, Adjusted EBITA, free cash flow, and Adjusted EPS in the period 2016-2020

• Looking ahead, we accelerate sales growth and improve Adjusted EBITA margin to high-teens by 2025

• Productivity initiatives will deliver additional cumulative net savings of EUR 2 billion by 2025

• Strong cash conversion >90% to deliver above EUR 2 billion free cash flow by 2025

• Robust financial framework geared to value creation

All forward-looking statements and targets exclude the Domestic Appliance business as its future ownership is being reviewed.
2016 - 2020
We have structurally improved performance in the period 2016-2020

<p>| | |</p>
<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Average comparable sales growth</td>
<td>4-6% per year</td>
</tr>
<tr>
<td>Average Adjusted EBITA margin expansion</td>
<td>~70 bps</td>
</tr>
<tr>
<td>Free cash flow generation</td>
<td>~EUR 1.5 bn</td>
</tr>
<tr>
<td>Productivity savings</td>
<td>EUR 1.9 bn</td>
</tr>
<tr>
<td>Organic Return on Invested Capital(1,2)</td>
<td>Mid-teens</td>
</tr>
<tr>
<td>Strong balance sheet</td>
<td>Investment grade rating and leverage</td>
</tr>
<tr>
<td>Sustainability goals</td>
<td>Healthy people, Sustainable planet</td>
</tr>
</tbody>
</table>

1. Organic ROIC excludes acquisitions over a 5-year period, pension settlements in Q4 2015, significant one-time legal and tax charges and benefits. 2. Excluding impact from IFRS 16
Strongly increased gross margin and reduced cost

**Adjusted Gross Margin**

- Gross margin step-up of 200 bps, despite tariff headwinds, driven by:
  - Innovation and growth of solutions
  - Solid mix improvement
  - Productivity

<table>
<thead>
<tr>
<th>Year</th>
<th>Adjusted Gross Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>44%</td>
</tr>
<tr>
<td>2020E</td>
<td>46%</td>
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</tbody>
</table>

**Adjusted non-manufacturing costs**

- Adjusted non-manufacturing costs down 100 bps through productivity while investing to drive growth and share

<table>
<thead>
<tr>
<th>Year</th>
<th>Adjusted non-manufacturing costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>36%</td>
</tr>
<tr>
<td>2020E</td>
<td>35%</td>
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**Resulting in double-digit Adjusted EPS growth**
Productivity program exceeded target with >EUR 1.9 bn net savings since 2017

- Consolidated manufacturing footprint from 50 to 30 sites
- Center of Excellence for value analysis and engineering established
- Procurement savings driven by DfX^2 and other programs
- LEAN and Daily Management practices embraced by >35,000 employees

• Philips Integrated Landscape as digital enterprise platform
• ERP instances reduced from 50 to 11
• Robotics to automate 1 million hours of manual work
• Process mining driving standard work in back office

• 4,500 team members in Global Business Services (GBS)
• Marketing transformation funds advertising firepower
• 40 bps R&D productivity improvement
• Enabling functions at benchmark cost level
Strong cash conversion and balance sheet efficiency drive cash flow generation

- On track for ~EUR 1.5 billion FCF in 2020
- Continuous focus on working capital:
  - Leaning-out supply chain
  - Overdue accounts receivable reduction
  - Supplier partnership on payment terms
- >50% reduction in interest costs and bank charges
- Reduced pension liabilities from EUR 27 bn to EUR 2 bn

### Cash conversion¹ and free cash flow (FCF)

<table>
<thead>
<tr>
<th>Year</th>
<th>Cash conversion (%)</th>
<th>Free Cash Flow (EUR billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015-17 avg</td>
<td>114</td>
<td>EUR 1 billion</td>
</tr>
<tr>
<td>2018</td>
<td>106</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>97</td>
<td></td>
</tr>
<tr>
<td>2020E</td>
<td>&gt;100</td>
<td></td>
</tr>
</tbody>
</table>

1. Corrections for one-time pension contributions, legal settlements, tax one-offs, and business divestments included in free cash flow conversion. 2. Excluding costs related to pension and IFRS 16 impact.
Over EUR 8 billion in dividends and share repurchases, with EUR 5 billion reinvested in M&A, since 2015

1. Includes scrip dividend and forward transactions related to the share buy-back program for capital reduction purposes
Long debt maturity profile and leverage ratio consistently between 1x to 1.5x EBITDA

Debt maturity profile\(^1\)

Net debt to EBITDA

1. As of September 30, 2020. 2. Includes forward transactions related to the share buy-back program for capital reduction purposes
Significant value to be further realized through execution of our strategic imperatives

Our 3 imperatives: Key drivers: Delivering:

Better serve customers and improve quality
- Deliver the best customer experience and quality
- Leverage our digital enterprise platform
- Improve productivity

Boost growth in core business
- Innovate to extend category leadership
- Capture geographic growth
- Increase customer share through consultative partnerships

Win with solutions
- Drive integrated solutions that deliver on the quadruple aim
- Adopt/drive data and AI at scale
- Add portfolio adjacencies (organic, M&A, partnerships)

Delivering:
- More lives improved
- Higher customer NPS
- Market share expansion
- 5-6% average CSG
- High-teens Adjusted EBITA margin
- Free cash flow above EUR 2 bn
- Organic ROIC of mid-to-high teens
- ESG leader
- Value creation

Our behaviors: Customers first | Quality and integrity always | Team up to win | Take ownership to deliver fast | Eager to improve and inspire

All forward-looking statements and targets exclude the Domestic Appliance business as its future ownership is being reviewed.
The Domestic Appliances business is currently reported as part of the Personal Health segment. All forward-looking statements and targets exclude the Domestic Appliance business as its future ownership is being reviewed.

1. The Domestic Appliances business is currently reported as part of the Personal Health segment. All forward-looking statements and targets exclude the Domestic Appliance business as its future ownership is being reviewed.
Solutions and partnerships approach will continue to drive value and recurring revenue streams

Solutions revenue as % of total

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2017</th>
<th>2019</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>~25%</td>
<td>~30%</td>
<td>~35%</td>
<td>&gt;45%</td>
</tr>
</tbody>
</table>

Growing double-digits, reaching >45% of total

- Driven by innovation
- Globalize informatics propositions
- Expanding long-term partnership deals
- Philips Capital facilitating new business models
- Increased revenue predictability with accretive margin profile

All forward-looking statements and targets exclude the Domestic Appliance business as its future ownership is being reviewed.
Indicative growth acceleration drivers

Current CSG profile: 4.5%
- Increased share high growth businesses: 0.3%
- Improvement in low-growth businesses: 0.2%
- Telehealth and informatics: 0.2%
- Services: 0.3%
- Prior M&A contribution: 0.2%
Risk: 0.2%
Projected CSG: 5-6%

All forward-looking statements and targets exclude the Domestic Appliance business as its future ownership is being reviewed
Driving EUR 2 billion productivity through 2025

| Procurement savings | • Center of excellence for value analysis and engineering to drive low-cost country sourcing, life cycle management, and DfX¹  
|                     | • Indirect spend management driving demand and price optimization |
| EUR 900 - 1100 million |

| Supply chain productivity | • 60% reduction in warehouse sites, consolidation of logistics and warehouse providers  
|                           | • Ramp-down of manufacturing rationalization project costs  
|                           | • Operational excellence and lower cost of non-quality |
| EUR 500 - 700 million |

| Overhead cost reduction | • Simplification of R&D platforms and footprint  
|                         | • Future of work: real estate optimization, remote servicing, travel reduction  
|                         | • Continued expansion of GBS and RPA¹  
|                         | • Single billing entity via upgraded IT backbone (e.g. Europe) |
| EUR 400 - 500 million |

Restructuring cost run-rate expected to be 40-50 bps starting in 2022

1. Design for Excellence 2. Robotic Process Automation
All forward-looking statements and targets exclude the Domestic Appliance business as its future ownership is being reviewed
Indicative annual Adjusted EBITA improvement drivers

- 1.3%
- 1.2%
- 0.3%
- 1.0%
- 1.1%
- 60-80 bps

**Volume**
- New product introduction
- Geographic expansion
- Solutions
- Prior M&A

**Gross margin**

**Cost reduction**
- R&D productivity
- Upgraded IT backbone
- GBS and RPA
- Real estate, remote servicing, travel

**Price erosion**
- Innovation
- Mix (e.g. high-margin businesses, solutions)
- Supply chain productivity
- Procurement savings

**Inflation**

**Average annual improvement**

All forward-looking statements and targets exclude the Domestic Appliance business as its future ownership is being reviewed.
Robust financial framework geared to value creation

<table>
<thead>
<tr>
<th>Free cash flow conversion &gt;90%</th>
<th>Adjusted EPS growth ~10%&lt;sup&gt;1&lt;/sup&gt;</th>
<th>Organic ROIC of mid-to-high teens</th>
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<tr>
<td>Disciplined capital allocation</td>
<td>Maintain current investment grade credit rating</td>
<td>Effective tax rate 24-26%</td>
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All forward-looking statements and targets exclude the Domestic Appliance business as its future ownership is being reviewed.
Key takeaways

• Significantly improved sales growth, Adjusted EBITA, free cash flow, and Adjusted EPS in the period 2016-2020

• Looking ahead, we accelerate sales growth and improve Adjusted EBITA margin to high-teens by 2025

• Productivity initiatives will deliver additional cumulative net savings of EUR 2 billion by 2025

• Strong cash conversion >90% to deliver above EUR 2 billion free cash flow by 2025

• Robust financial framework geared to value creation

All forward-looking statements and targets exclude the Domestic Appliance business as its future ownership is being reviewed