

ROY JAKOBS SPEECH AGM 2023

Ladies and gentlemen, welcome to the 2023 Annual General Meeting of Royal Philips. This is my first shareholder meeting as CEO, and I feel very privileged to have been given the responsibility to lead Philips, with the trust this represents from the Supervisory Board and the Chair, Feike Sijbesma. I have greatly valued our strong collaboration in my first months as CEO.

Today, I will share with you where we stand as a company, how we're addressing the challenges we face and the progress we have made in recent months. I will also look ahead because I could not be more excited about the future of this company.

This is because Philips is a company with strong market leadership positions, a loyal customer base, a strong innovation portfolio and great innovation capabilities – all powered by our talented and tenacious workforce. Though I do acknowledge that there are still many things that need to be addressed.

We are emerging from a difficult period, and our 2022 financial results reflected this.

In 2022, our sales amounted to 17.8 billion euros and several factors weighed down profitability. I know this has been disappointing for many stakeholders.

Our performance was impacted by supply chain and inflationary pressures as well as the consequences of the Respiromics recall. At the same time, we dealt with global challenges such as the COVID situation in China, fluctuating supply and demand and the war in Ukraine.

In the first quarter of this year, as we made progress on our priorities, we saw initial signs of improvement and made a solid start to the year, with sales, profitability and operating cash flow improvements.

I am very encouraged by this.

I am even more encouraged when I look ahead.

Healthcare is in need of innovation and we see significant opportunities to continue to improve healthcare and help people live healthier lives.

Since becoming CEO, I've heard many stories about how we help people around the world to take care of their health and well-being. Parents, for example, who tell me their children actually look forward to brushing their teeth because they have the Sonicare toothbrush for kids – helping to create good oral hygiene habits from a young age, with the many related health benefits that go with this.

I have also met with many of our customers and partners, and it's clear that Philips remains a preferred innovation partner to help hospitals worldwide address staffing shortages, enhance productivity, and improve patient and staff experience.

The work we do matters and is valued and needed. And that's why we're so committed to getting Philips back to where it belongs.

To do this, as you will have heard me say, Philips must change to drive greater impact. And making that impact is what excites me. Driving impact to deliver on our purpose to improve the health and well-being of people is where I am focusing all of my energy and passion.

And I can tell you that my team and I are laser-focused.

The task is clear: we need to improve performance, address operational challenges and restore value creation progressively. We will deliver sustainable impact through a strategy of focused organic growth and patient- and people-centric innovation at scale.

Improving execution is the key value driver. That's why we are taking steps to improve patient safety and quality, create a more reliable and resilient supply chain, and simplify the way we work. This is underpinned by how we're reinvigorating our culture, setting clear accountabilities and empowering employees.

Our first priority is to rebuild Philips' reputation around patient safety and quality.

I understand deeply that the Respironics recall of specific sleep therapy devices and ventilators let down the patients who depended on them, and the doctors caring for those patients. We are working hard to restore trust with all stakeholders.

This is one of the largest field actions in the medical device industry. It has been a very complex task and we have faced challenges along the way. I acknowledge that it has taken time but we have made progress with the remediation and testing and we aim to complete it as our number-one priority.

We will continue to work closely with the regulators. We share the same objective to ensure patient safety and quality in the delivery of healthcare.

Let me also say that we are taking all the learnings from the Respironics recall to raise patient safety and quality to the highest standards across Philips.

For example, across the company, our new innovation model is strengthening our patient- and people-centric approach, with a more rigorous product design, development, and validation process.

We are also putting the right culture, controls, accountability and leadership in place. In February, we appointed new patient safety and quality leadership and elevated this role to the Executive Committee.

In addition, we've expanded our patient safety and quality program. We continue with our systematic, company-wide regulatory and compliance review of our businesses.

In relation to the recall, various lawsuits have been filed in jurisdictions across the world. This includes class action lawsuits and personal injury claims by patients as well as a class action on behalf of shareholders. Furthermore, the Department of Justice has initiated an investigation into the events that led to the recall.

Given the uncertain nature of these actions, and of their potential financial and operational impact and associated obligations, we are not able to share details regarding these matters, but they do have our full attention.

In the first quarter of 2023, Philips Respironics recorded a provision in connection with an anticipated resolution of the economic loss class action pending in the US. We are working diligently on this and will inform you as soon as possible on further updates.

I can also tell you that we're taking decisive action to make our supply chain more reliable and predictable, by securing near-term supply, and redesigning and pruning our portfolio.

Among other things, we're also moving from a 'one size fits all' supply chain structure to a more agile, tailored value chain model per business, with dedicated and upgraded domain expertise. This will secure more deliveries and drive faster order-book conversion.

I am pleased that the actions we have taken are already positively impacting performance, with sales growing 6%, resulting in improved profitability and cash flow as seen in our Q1 2023 results published at the end of April.

We are also simplifying the way we work and creating greater focus.

In my first months as CEO, I invited employees to share their ideas and experiences. The extensive feedback I received showed clearly that employees across the company recognize, overwhelmingly so, that we can make our ways of working simpler and more focused and so become more agile and consistent in how we deliver for patients, customers and consumers. And I have listened and taken this feedback to heart.

We believe that the measures we're taking will help us establish the culture, capabilities and infrastructure needed to consistently execute and deliver as a reliable patient- and people-centric health technology company.

Part of these measures is the very difficult yet necessary decision to reduce our workforce by 10,000 employees in total globally, as we drive a major step-up in productivity.

We are implementing these reductions, respecting every employee affected and in line with all local rules and regulations. It's a major change effort for everyone.

By the end of Q1, we had reduced 5,400 roles.

I want to acknowledge the efforts of our employees and thank them for the strong ongoing commitment to our purpose while we work through this painful, but necessary process.

As you may have seen in the news, we are in discussions with the unions regarding a new collective labor agreement in the Netherlands. I'm pleased to announce that disruptive actions will be suspended this afternoon, as we are now back at the negotiation table. I want to thank the teams for the constructive dialogue and I'm very hopeful of a positive outcome in the coming days.

Having transformed into a health technology company in recent years, we will now focus on extracting the full value of our strong portfolio with leading positions. We will accelerate growth and margin expansion in areas where we have strong #1 or #2 positions – Image Guided Therapy, Ultrasound, Monitoring, and Personal Health.

In 2022, approximately 70% of our sales were generated by businesses with such leadership positions in the hospital and the home. And I am happy with the strong start to the year with sales growing 6% in Q1.

We will also scale our unique Enterprise Informatics business, drive margin improvement in Diagnostic Imaging, and continue to work on the Respironics recall so that we can restore our position in this market over time.

In sum, we have a great organic growth opportunity and will be prudent with cash and capital allocation.

Philips' purpose is to improve people's health and well-being through meaningful innovation – this is at the center of everything we do. This core principle has never been more relevant than it is in these challenging times, with, for example, staff shortages in healthcare, inflationary pressures and geopolitical tensions.

We believe that patient- and people-centric innovation is required to improve people's health and health outcomes. At the same time, delivering care has to become more responsible, more sustainable and more convenient, in the hospital and at home.

With this as our key guiding principle, we will focus our innovation on where we see customer and consumer needs evolving. To improve outcomes, we will support clinical

workflows in areas where we have domain leadership, such as cardiology and the ICU and leverage our enterprise informatics capabilities and assets in the hospital and the home.

In doing so, we will leverage innovative technologies across our portfolio – such as our IntelliVue suite of monitoring solutions that watch over millions of patients every day. These solutions are based on superior hardware and predictive AI-based software that, together, monitor patients throughout their hospital stay. IntelliVue is so easy to use that hospital staff report a 40% improvement in satisfaction, plus over five minutes time savings during patient transport between surgical cases.

We are proud of our innovations.

And while we continue to invest an industry-leading 9% in innovation, more than many of our direct competitors, we are making a number of important changes to generate better returns and increase the speed and impact of our innovations.

Moving forward, we will focus our resources on fewer big projects and those products with the greatest potential for impact.

Supported by a right-sized central research organization, with locations around the world, we will scale and accelerate innovations with design informed by patient safety, quality and sustainability. This means a higher proportion of our R&D resources shifting to businesses. Eindhoven remains an important hub and will be more focused on the vital few breakthrough innovations.

By bringing our central innovation activities into the heart of the businesses, we are bringing our system and software innovation closer to our customers and their patients as part of an ecosystem approach, innovating close to the consumer and customer to address their needs.

For example, in cardiac treatment we are innovating care pathways: a problem is detected through heart measurement and monitoring and diagnosed through imaging in order to get to targeted, minimally invasive treatment – all in one day. Minimal impact for the patient.

This is what our Azurion platform does every day – minimally invasive therapy, bringing together the best of our technology, informatics and deep clinical and workflow expertise. It simplifies the task of the physicians and reduces the time they spend per and post procedure. Put simply, it allows physicians to focus on what matters most: the patient.

Such innovations are already in the businesses and are helping hospitals address staffing shortages, enhance productivity, and improve patient and staff experience.

I want to highlight that we continue to strive to deliver superior, long-term value to patients, customers, consumers and shareholders, while acting responsibly towards our planet and society, in partnership with our stakeholders.

Environmental, Social & Governance are three key dimensions defining our approach to doing business responsibly and sustainably.

In 2022, we reached 1.8 billion people with our products and services, including 200 million in underserved communities – taking us a step closer to our goal of improving 2 billion lives per year by 2025, including 300 million in underserved communities.

And through our supplier development program we will improve the lives of 1 million workers in our supply chain by 2025.

We also aim to be the best place to work for our employees, providing opportunities for learning and development, and embracing diversity and inclusion. Thousands of employees are involved in employee resource groups, such as Philips Women Lead, a bottom-up movement that helps to empower women across Philips, and our Neurodiversity Network, which is dedicated to making Philips a place where every mind can thrive.

We also continue to work hard to deliver on our other key ESG commitments with updated carbon reduction targets approved by the Science Based Targets initiative, illustrating our industry leadership in this important area.

At the same time, I am very excited that we see increasing momentum within the healthcare industry to reduce its environmental impact, and we are uniquely placed to help – with our Circular portfolio and innovations such as our Ingenia Ambition MR with BlueSeal magnet for helium-free MR. This is an industry-defining innovation that, for example, uses 53% less power per patient, supporting our commitment and that of our customers to make healthcare more sustainable.

This is how we are helping to create a sustainable infrastructure for the future of healthcare.

In closing, I would like to say that I am confident that the comprehensive actions I have outlined here today will put Philips on a path to progressive value creation with sustainable impact. By delivering impactful patient- and people-centric innovations, we aim to achieve mid-single-digit comparable sales growth and a low-teens Adjusted EBITA margin by 2025, further expanding to a mid-to-high-teens margin beyond 2025.

Against this backdrop, and reflecting the importance we attach to dividend stability, we propose to maintain the dividend at 85 euro cents per share, to be distributed in shares.

On behalf of the Executive Committee, let me once again express our optimism and excitement for the future success of Philips. I also want to repeat that we have learned from recent challenges. We have a plan and are committed to bringing Philips back to where it belongs.

As we continue on this journey, I would like to thank our customers and partners for their continued trust and support. I would also like to thank our employees for their ongoing commitment and focus. I realize that we are asking a lot from them to work through the necessary changes and deeply appreciate their tremendous efforts and ongoing dedication to deliver on our purpose as an innovation company.

I also want to thank our Supervisory Board, under the strong leadership of Feike Sijbesma, for their active support and the many hours they spend on Philips.

And finally, I wish to thank you, our shareholders, for your continued support in these challenging times. I do not take any of this for granted and I can promise all of you regular updates on progress we make – as well as transparent and constructive engagement.

I am honored to have been tasked with leading our company. I am realistic about the challenges we face and I have full confidence in our plan of action to bring Philips back to a position of strength and future success.

Thank you.