

## **ROY JAKOBS SPEECH AGM 2024**

Ladies and gentlemen, welcome to the 2024 Annual General Meeting of Royal Philips.

When I stood here in front of you this time last year, my first AGM as CEO, I said Philips had to change. I outlined our multi-year plan to create value with sustainable impact, with patient safety and quality as our top priority, and execution as our key value driver. And I spoke openly about the actions we would be taking to address challenges and deliver focused growth and people-centric innovation at scale.

Today, I welcome this opportunity to share an update on this journey. While we have made good progress, we still have a way to go, but we are focused and determined, clear on the way forward. We are also inspired by our football team, PSV, for winning its 25<sup>th</sup> national championship.

I feel privileged to be leading Philips on this journey, together with the Philips Executive Committee and the Supervisory Board and Chair, Feike Sijbesma. I also feel the urgency to get Philips back to where it belongs.

The progress we are making reinforces our confidence in delivering on our three-year plan, as reflected in our 2023 financial results.

2023 represented a good start, with our sales amounting to 18.2 billion euros. We achieved our raised outlook with strong sales growth, improved profitability, and strong cash flow, despite the uncertainties brought about by an increasingly turbulent geopolitical environment.

Along the way we also entered into a relationship agreement with Exor, and they bought a 15% shareholding in the company – a sign of confidence in our plan, our people, and our future. Among other milestones, we were recognized for our innovation impact. For example, as a Top Global Innovator by Clarivate. We also marked the 100th anniversary of Philips in China, a remarkable achievement.

We started 2024 in line with our plan, with order intake growth outside China turning positive and strong margin improvement. Supported by key innovation launches and strong focus on our execution priorities, we remain confident in our performance improvement plan for 2024.

When we look at healthcare today, we see huge opportunities to make a real impact.

We want to improve 2.5 billion lives per year by 2030, including 400 million in underserved communities. This is what drives us. Because we see a future of better care for more people.

There's much to be done. People everywhere want easier ways to take care of their health and well-being. And healthcare is simply not working as it needs to. There are more patients, but less staff. More pressure. Rising costs. The list goes on. That is why we are advocating for systemic change and enabling the shift that's so badly needed.

In my experience, there is a real desire for real change. I hear this time and again. From the healthcare providers who mail me about short-staffed departments, to the healthcare leaders I meet regularly. This makes me even more determined to help drive the change we need to see – both in healthcare, as well as Philips.

Focusing our efforts on where we can make a difference, we want to help more healthcare providers help more patients, in a sustainable way. At the same time, we want to empower more people to take care of their health and well-being. And we want to help by applying our combined capabilities in innovation, design and sustainability.

I truly believe AI can help revolutionize healthcare delivery and contribute to better health for all. But we must get it right. To help, I am co-chairing the United States National Academy of Medicine's AI initiative, along with leaders from Mayo Clinic and Google. We want to help realize the full benefits of AI in healthcare, while ensuring it is applied fairly and responsibly.

To deliver our vision for the future of healthcare and get Philips back to where it belongs, we have been driving change right across the company, with clear focus on our priorities – improving patient safety and quality, strengthening our supply chain and simplifying how we work.

Patient safety and quality is our highest priority, and we have taken important steps in further resolving the consequences of the Respironics recall. The remediation of the sleep therapy devices for patients is almost complete. And the test results to date show the use of these devices is not expected to result in appreciable harm to health.

I would like to reiterate that we do regret the concern that patients may have experienced. I also want to stress that we are taking the learnings from the Respironics recall and using them to improve right across the company.

The approved consent decree and economic loss settlement, and now the resolution of the personal injury and medical monitoring litigation in the US, are significant milestones. They provide further clarity on the way forward for Philips.

We are pro-actively addressing quality improvements and first-time-right design. And we are further investing in systems, capabilities and training.

In our drive to create more reliable and resilient supply chains, we have significantly reduced our high-risk components and our inventories. And the actions we have taken continued to have a positive impact on our sales and service levels. We also have a dedicated team redesigning products and components to increase our resilience to more volatile demand.

While we worked hard to address component shortages in 2023, all focus is now on delivering to the health systems we partner with, first-time-right, with quality.

We are implementing our simplified operating model to enable us to better serve patients, customers and consumers. To this end, we're improving quality and boosting our agility and speed, always with the focus on those we serve.

We also completed the realignment of workforce roles. This included the difficult but necessary reduction of approximately 8,500 roles to date, out of the planned reduction of 10,000 roles by 2025.

As a leader in health technology, we are on a journey to reinvigorate our culture so that we become even more people-focused, reduce complexity, and drive greater accountability. Our renewed culture focuses everyone at Philips on delivering impact with care for patients, people and the planet – with patient safety, quality and integrity at the heart of all we do.

In parallel, our Executive Committee was strengthened in 2023 with the arrival of four new members. And many new senior leaders joined Philips in 2023, with rich HealthTech experience.

Further to this, we welcome proposals to appoint Charlotte Hanneman as member of the Board of Management, fulfilling the role of Chief Financial Officer, effective October 1. And Benoît Ribadeau-Dumas as new member of the Supervisory Board, effective May 7.

Let me pause here for a moment to thank Abhijit Bhattacharya, our Chief Financial Officer, who will retire at the end of September, after 37 years at Philips. Abhijit, thank you for your hugely significant contribution to the company, especially during your time as CFO. Your leadership, passion and dedication have truly made a lasting impact.

As a health technology company, we operate in growing market segments, where attractive margins provide a foundation for sustainable value creation. To deliver on our strategy, we are concentrating our resources on areas where we have strong positions and can accelerate growth and expand margins more quickly – Image Guided Therapy, Monitoring, Ultrasound, and Personal Health.

In doing so, we will focus to support clinical workflows in areas where we have domain leadership, such as cardiology, and that build on our deep strength in the Intensive Care Unit and Cath Lab.

In Diagnostic Imaging, our goal is to help healthcare providers who need to do more with less, with AI-enabled innovations to increase their productivity, efficiency and financial sustainability.

In parallel, we help our customers to unlock actionable insights from pools of data, supported by artificial intelligence. We are scaling our Enterprise Informatics business, while building long-term customer relationships.

Our Personal Health business plays an important role in enabling healthy individual care routines with technology and solutions that support people's long-term health and well-being. A notable aspect of our commercial strategy is driving increased direct-to-consumer relationships and sales through our consumer communities and online store.

Additionally, we remain committed to rebuilding our position in Sleep & Respiratory Care while continuing to resolve the effects of the Respiroics recall.

At Philips, we've been innovating to improve lives for over 130 years. People's needs are at the very heart of how we innovate and design for sustainable impact with a 'safety and quality first' mindset.

I see this impact every time I visit a health system, and every time someone tells me our personal health propositions have helped them.

In our businesses, we are focusing our efforts and resources on fewer projects offering greater scale and impact. We do this by balancing new, breakthrough innovations and continuous lifecycle management.

In 2023, we announced a raft of new innovations, like our next-generation ultrasound systems that increase diagnostic confidence and workflow efficiency.

We also signed a 10-year, EUR 100 million Enterprise Monitoring as a Service agreement with one of the largest health systems in the US, covering 20 hospitals with over 3,000 beds. The agreement provides the health system with constant access to the latest technology, including software and services, while lowering initial investments.

And we successfully launched the Sonicare DiamondClean 7900 Series electric toothbrush in China, via major online shopping channels Alibaba and JD.com. Showing the strength of this product, it claimed the number-one position in the high-end toothbrush category.

We are proud of our innovations and what they mean to so many people.

Next, allow me to highlight that Environmental, Social & Governance are three key dimensions defining our approach to doing business responsibly and sustainably.

We want to make healthcare more sustainable and reduce its impact on the environment. And we will continue to operate carbon-neutrally and partner with customers and suppliers to reduce emissions.

I am 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 MR with BlueSeal magnet for helium-free MR. This is an industry-defining innovation that uses 53% less power per patient, supporting our commitment and that of our customers to make healthcare more sustainable. More than 1,100 Philips MR systems with the helium-free operations and AI support have now been installed globally. And our BlueSeal MR Mobile is more agile and lightweight so it can be located in more convenient places for patients.

We are now in the second year of our plan. Capturing the opportunities, improving and addressing challenges, while changing what needs to change, is a journey. It is not an easy journey, but it is a necessary one.

We acknowledge that there will be challenges, but we know this is part of the process to get to where we want to be. At the same time, we are encouraged by the progress we have made and the impact of our actions. For example, just last week Moody's Ratings Agency changed the outlook for Philips from negative to stable, noting our progress in improving operating performance with ongoing sales growth and improving profitability.

Now over 18 months in as CEO, I can tell you that I am more determined than ever to ensure that Philips gets back to where it belongs – delivering value for all stakeholders.

While realistic about the global challenges and uncertainties, I am confident we will continue to deliver on our three-year plan – helping consumers lead healthy lives and healthcare providers deliver efficient, high-quality care, in a sustainable way. To this end, we expect further performance improvement in 2024.

Reflecting the importance we attach to dividend stability, we propose to maintain the dividend at 85 euro cents per share, to be distributed fully in shares.

Before closing, let me say that my heart goes out to our people and partners affected by ongoing wars, people who – despite great uncertainty – carry on to serve patients and healthcare professionals. I remain deeply hopeful for a peaceful resolution.

Finally, on behalf of the Executive Committee, I would like to thank our consumers, our customers and their patients, our suppliers and partners for their support. The Supervisory Board for their trusted guidance, and Chair, Feike Sijbesma, for his strong collaboration. I also want to express my deep gratitude to our employees for their dedication, and to you, our shareholders and other stakeholders for your continued support. Let me also thank Exor for the trust in our future.

As I look ahead, let me reiterate that I am realistic about the challenges we face at Philips, optimistic about building on the momentum we have created, and excited about delivering on our purpose, delivering better care for more people.

Thank you.

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