

PHILIPS

Investor presentation

July 24, 2023

innovation  you



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**Non-IFRS financial measure. Refer to the Reconciliation of non-IFRS information, 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 in response to developments in the health technology industry; Philips' ability to transform its business model to health technology solutions and services; macroeconomic and geopolitical changes; 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; Philips' 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; breaches of cybersecurity; challenges in connection with Philips' strategy to improve execution and other business performance initiatives; the resilience of our supply chain; attracting and retaining personnel; challenges to drive 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; reliability of internal controls, financial reporting and management process; global inflation. 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 2022. Reference is also made to section Risk management in the Philips semiannual report 2023.

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 information 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 press release 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 2022.

Use of fair-value measurements

In presenting the Philips Group's financial position, fair values are used for the measurement of various items in accordance with the applicable accounting standards. These fair values are based on market prices, where available, and are obtained from sources that are deemed to be reliable. Readers are cautioned that these values are subject to changes over time and are only valid at the balance sheet date. When quoted prices or observable market data are not readily available, fair values are estimated using appropriate valuation models and unobservable inputs. Such fair value estimates require management to make significant assumptions with respect to future developments, which are inherently uncertain and may therefore deviate from actual developments. Critical assumptions used are disclosed in the Annual Report 2022. In certain cases, independent valuations are obtained to support management's determination of fair values.

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 2022. Prior-period amounts have been reclassified to conform to the current-period presentation; this includes immaterial organizational changes.

Philips has realigned the composition of its reporting segments effective from April 1, 2023. The most notable change is the shift of the previous Enterprise Diagnostic Informatics business from the Diagnosis & Treatment segment to the Connected Care segment. This business, together with other informatics solutions in the Connected Care segment, now forms the Enterprise Informatics business. Accordingly, the comparative figures for the affected segments have been restated. The restatement has been published on the Philips Investor Relations website and can be accessed here.

Per share calculations have been adjusted retrospectively for all periods presented to reflect the issuance of shares for the share dividend in respect of 2022.

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



Company overview

Creating value with sustainable impact

Path to value creation



It is our purpose to improve people's health and well-being through meaningful innovation.

We aim to improve the lives of 2.5 billion people per year by 2030.



Philips at a glance

EUR 18.4bn¹ in sales; >70% from #1 or #2 positions

~40% of sales from recurring revenues

~9% of sales invested in R&D

Active in >100 countries, ~72k employees

100% carbon-neutral in operations since 2020

Global sales footprint¹

North America

43%

Western Europe

20%

Other mature geographies

9%

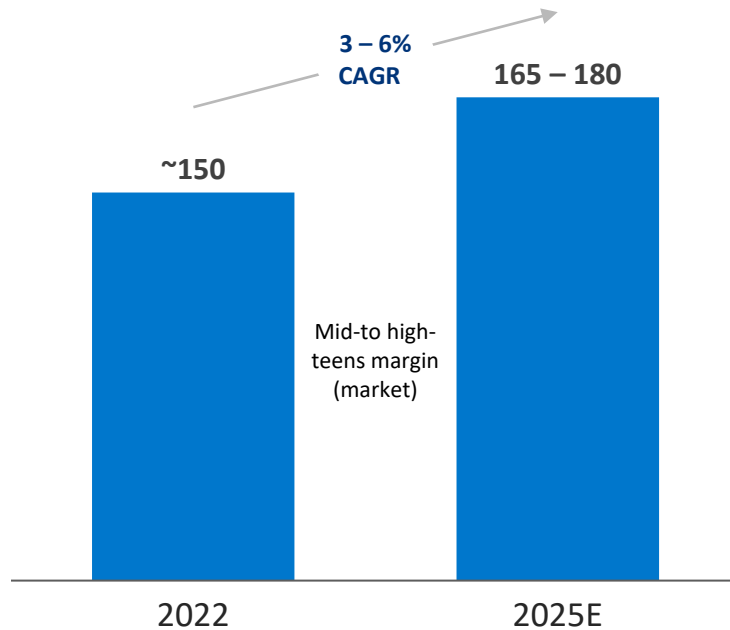
Growth geographies²

28%

1. Last twelve months | 2. Growth geographies consist of all geographies excluding USA, Canada, Western Europe, Australia, New Zealand, South Korea, Japan and Israel
Note: Leadership in Philips-addressable markets

We operate in attractive HealthTech segments

Addressable market, EUR billion



Aging population, growing demand for care

Increasing healthcare costs driving productivity needs

Increasing need for insights from growing health data

Shift to ambulatory monitoring, imaging and treatment

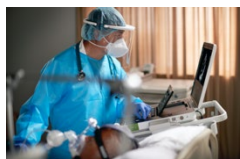
Increasing spend on personal health and care

Strong position across our portfolio of businesses

Diagnosis & Treatment 47% of sales (last twelve months)



Diagnostic Imaging



Ultrasound



Image Guided Therapy

Systems, smart devices, software and services, powered by AI-enabled informatics

Supporting precision diagnosis and minimally invasive treatment in a growing number of therapeutic areas such as cardiology, peripheral vascular, neurology, surgery, and oncology

Connected Care 29% of sales



Enterprise Informatics



Monitoring

Ambulatory, home-based and in-hospital monitoring and workflow solutions fueled by advanced interoperability and patient data insights

Connecting patients and caregivers across care settings, delivering clinical, operational and therapeutic solutions

Personal Health 20% of sales



Personal Health

Broad range of consumer solutions to support people in proactively managing their health and wellbeing

Market-leading capabilities integrating platforms, informatics, and services

Diagnosis & Treatment at a glance

Total
EUR 8.7bn¹
sales

11.6%¹
adjusted EBITA margin

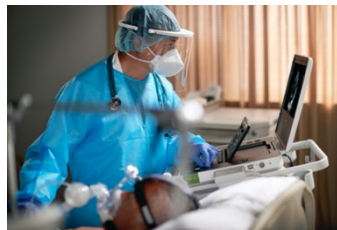
~33k
employees



Diagnostic Imaging

42% of sales

Top 3 player



Ultrasound

21% of sales

#1 Cardiac



Image Guided Therapy

37% of sales

#1 Systems
and Devices

Flagship innovations across our portfolio will drive our growth

Helium-free MR

0 helium refill over lifetime

Up to 53% lower power consumption per patient scan (32% on average)¹

Winner 2023 Best New Technology Solution for Radiology – MedTech Breakthrough Award program

1. Philips SmartSpeed power consumption versus Philips SENSE based scanning. Based on COCIR and in-house simulated environment. Results can vary based on site conditions



Flagship innovations across our portfolio will drive our growth

Spectral CT

34% decrease in diagnosis time¹

26% decrease in follow-up scans²

1. Analysis by CARTI Cancer Center, Little Rock, AR, USA.

2. Analysis by LSU, New Orleans, LA, USA. Results from case studies are not predictive of results in other cases. Results in other cases may vary.



Flagship innovations across our portfolio will drive our growth

Ultrasound Compact 5000

22% increase in diagnosis confidence¹

42% reduction in button pushes²

1. Based on internal bench test with an ultrasound phantom, using the C5-1 transducer | 2. Compared to using the semi-automated a Biometry Assist versus manual operation



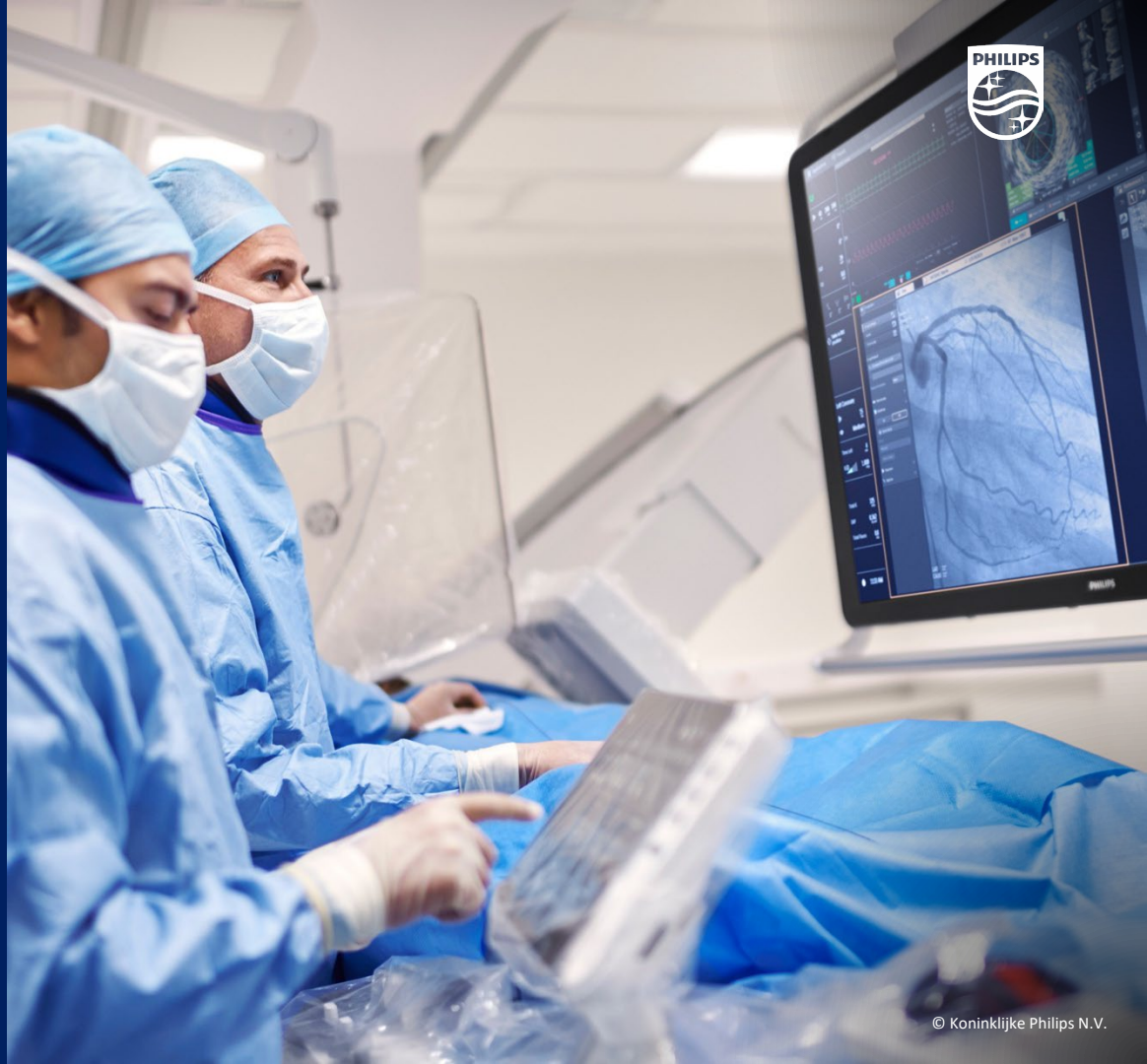
Flagship innovations across our portfolio will drive our growth

Azurion

Image Guided Therapy platform

17% time saving per procedure¹

28% post-procedure lab time reduction¹



1. Results are specific to the institution where they were obtained and may not reflect the results achievable at other institutions

Connected Care at a glance



Total
EUR 5.4bn¹
sales
4.1%¹
adjusted EBITA margin
~17k
employees



Enterprise Informatics

22% of sales

#1 Imaging leader
in PACS and
interoperability



Monitoring

55% of sales

#1 in Hospital
#1 in Ambulatory



Sleep &
Respiratory Care

23% of sales

#2 Globally

Flagship innovations across our portfolio will drive our growth

Philips BioTelemetry

4.6x more patients

with atrial fibrillation detected by MCOT compared to ILR alone¹

8x lower costs achieved

with improved detection rates and reduction of secondary stroke risk due to new anticoagulant use in subjects with MCOT-patch-detected atrial fibrillation¹

1. Medic G, Kotsopoulos N, Connolly MP, et al. Mobile cardiac outpatient telemetry patch vs implantable loop recorder in cryptogenic stroke patients in the US – cost-minimization model. Med Devices (Auckl). 2021;14:445-458. doi:10.2147/MDER.S337142



Flagship innovations across our portfolio will drive our growth

IntelliVue

Dynamic care solution

Alarm fatigue:
40% total alarm reduction¹

Workflows:
Reduced time to process from
5 minutes to 3.9 seconds²

1. Team-Based Interventions to Reduce the Impact of Nonactionable Alarms in an Adult Intensive Care Unit. Justin Yeh 1, Ruth Wilson, Lufei Young, Lisa Pahl, Steven Whitney, Kevin C Dellsperger, Pascha E Schafer

2. Results from baseline and post time & motion studies conducted by Philips and Jackson Health internal teams in the high acuity units (ED, TICU, CCU) | 2.



Scaling largest multi-vendor Enterprise Informatics business

Philips Image Management

70+ AI-powered clinical apps **50%** productivity improvement¹

Interoperability and surveillance

1000+ unique medical devices connected

Tele care solution

20+ years experience in eICU remote care management

Expanding leadership in radiology, cardiology, and pathology

End-to-end business set up to scale

Growing **~2x** faster than Philips **EUR 1.5bn** revenues by 2025

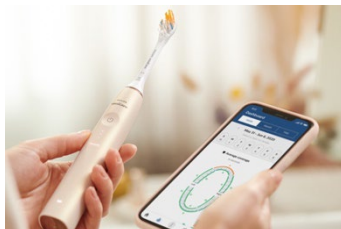
1. Results following implementation of a unified radiology workspace with enterprise disaster recovery back-up system at Campus Biomedico University Hospital, Rome, Lazio, Italy.

Note: "Largest Enterprise Informatics business" in Philips addressable markets



Personal Health at a glance

Total
EUR 3.6bn¹
sales
14.6%¹
adjusted EBITA margin
~9k
employees



Oral Healthcare

37% of sales

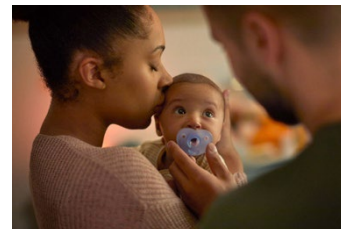
#2 in Oral Healthcare



Personal Care

52% of sales

#1 in Male Grooming



Mother & Child Care

11% of sales

#2 in Infant Feeding

Flagship innovations across our portfolio will drive our growth

Sonicare 9900 Prestige

Power toothbrush

4.7 star rating globally

20x more plaque removal
vs. manual toothbrush



Responsible and sustainable business for Philips and customers

ESG focus

- Carbon-neutral
- Partnering with customers/suppliers on 1.5 °C target
- Leading in sustainable innovation (Helium-free MR, etc.)
- Circular revenues from 16% to 25% of sales by 2025
- 2 billion lives improved by 2025¹

ESG ratings and recognition

ecovadis

Top 1% of the companies assessed

S&P Global

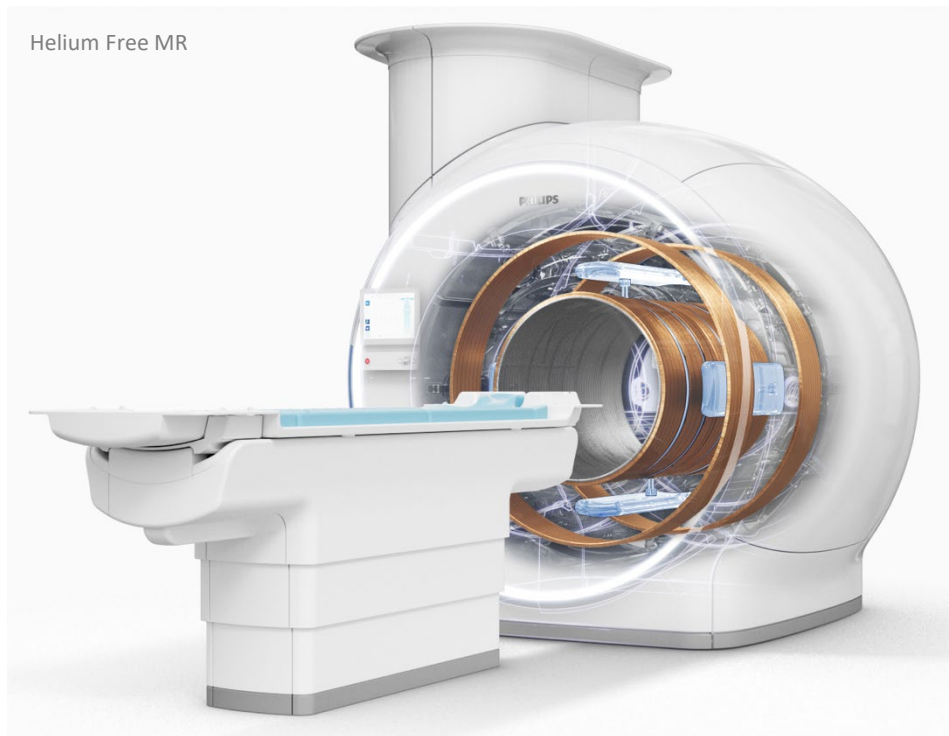
Ratings
91/100 in the ESG assessment
(highest to date)



First Dutch company among world's 15
best reputation companies



CDP's 'A List' for the 10th year
in a row



ESG highlights

Selected achievements highlighting progress towards our goals



Environment

First HealthTech company to have entire value-chain CO₂ emissions targets approved by SBTi

100% carbon-neutral in operations since 2020



Social

1.8 billion lives improved, 0.2 billion in underserved communities

39% gender diversity in workforce with 30% in senior management positions



Governance

Patient safety and quality leadership elevated to Executive Committee

Extension of supplier risk management to deeper tiers, and diversified sourcing of high-risk components

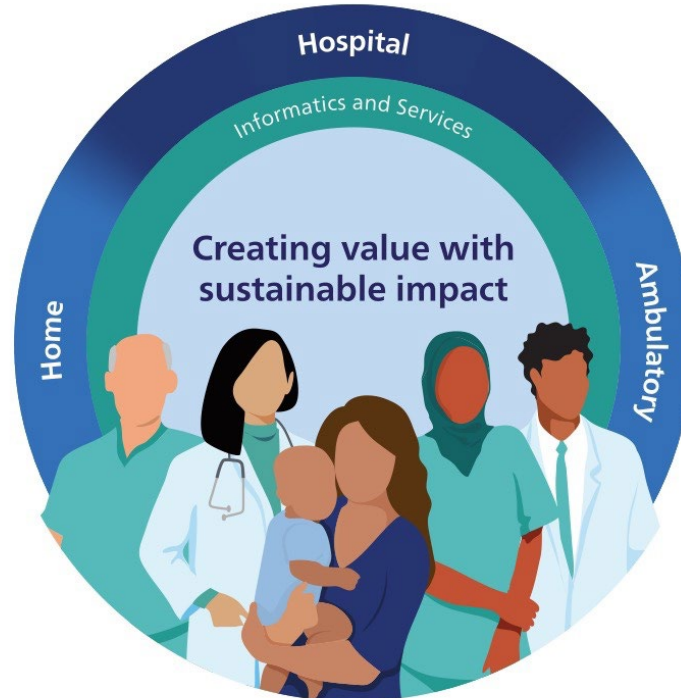
Reinvigorating patient and people-centric culture

Accountability & empowerment

Patients and people at the heart of everything we do

Execution focus and simplicity

Transparency, growth mindset



Injecting HealthTech expertise

75%

Executive hires with Health Tech and healthcare background

>50%

of non-executive hires in 2022 came from Health Tech



Our experienced and passionate executive team



CEO
Roy Jakobs
Dutch/German



Personal Health
Deeptha Khanna
Singaporean



North America
Jeff DiLullo
American



**Innovation
& Strategy**
Shez Partovi
Canadian



CFO
Abhijit Bhattacharya
Indian



Connected Care
Julia Strandberg
American



Greater China
Andy Ho
Chinese/Canadian



**Patient Safety
& Quality**
Steve C de Baca
American



**Diagnosis
& Treatment**
Image-Guided-Therapy
Bert van Meurs
Dutch



**International
Markets³**
Edwin Paalvast
Dutch



Human Resources
Daniela Seabrook
Swiss



Precision Diagnosis a.i.^{1,2}
Bert van Meurs
Dutch



Heidi Sichien⁴
Belgian



ESG & CLO
Marnix van Ginneken
Dutch



Operations
Wim Appelo
Dutch



Company overview

Creating value with sustainable impact

Path to value creation

Our four key strengths to build on

1 Leading positions

- >70% of sales from #1 or #2 positions
- Leading innovation; hardware, software and services
- Strong professional and personal health (home) positions

2 High customer intimacy

- Preferred strategic and innovation partner
- 300+ partnerships, ~EUR 1.5Bn orders/year
- ~40% recurring revenue

3 Innovation aligned to customer needs

- Solutions across imaging, therapy and monitoring
- Enhanced clinical and operational productivity
- Largest Enterprise Informatics – multi-vendor

4 Strong purpose, brand and ESG

- Improved 1.8Bn lives '22 and 12Bn brand value
- Carbon-neutral, circularity, sustainable innovation
- 85% of products Ratings & Reviews > 4.3 (out of 5)

Creating value with sustainable impact

Enabled by culture of accountability and strong HealthTech talent and capabilities



Strategy of focused organic growth



Patient-, people-centric and scalable innovations



Execution as value driver

- Patient safety & quality as highest priority
- Reliable supply chain
- Simplified operating model

Focused organic growth

Accelerate growth in attractive leadership segments

Image-Guided-Therapy

Ultrasound

Monitoring

Personal Health

Scale to unlock insights

Enterprise Informatics

Improve operational excellence & services

Diagnostic Imaging

Address recall and restore business position

Sleep & Respiratory Care

Leveraging attractive leadership positions to drive growth



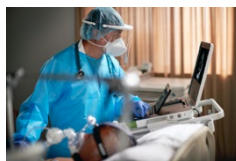
Image Guided Therapy

#1 in systems and devices



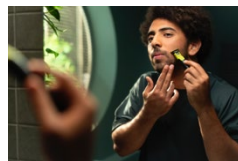
Monitoring

#1 in hospital
#1 in ambulatory



Ultrasound

#1 in cardiac



Personal Health

#1 male grooming
#2 oral health care
#2 infant feeding

~70% of Philips revenue

Drivers

Leading Cardiac workflow support

Software, Hardware
and Services pull-through

Leading growth platforms
(Azurion, IntelliVue, etc.)

Unique informatics capabilities

Integrated acquisitions



Scale enterprise informatics, unlocking access and insights from combined data pools of imaging and monitoring

Integrates with systems & devices

Vendor-agnostic

Unlocks data to generate AI-insights

Supports hospital & remote workflows

Improves staff productivity

Scale informatics

3k+

Sites with Philips Radiology PACS

20M+

Patients with device to EMR connectivity per year

15k+

ICU beds with remote population health management

Driving operational excellence and services in Diagnostic Imaging



Smart diagnostic systems



Optimized workflows



Integrated diagnostics

Supported by Enterprise Informatics image management platform

Impactful, sustainable innovation

+

Supply chain improvement

+

Services pull through

+

Conversion of strong order book

Higher margins



Resolving the recall for patients remains our highest priority

2023

Finalize recall and testing

Manage litigation, DoJ investigation

483 remediation and clarity on proposed Consent Decree

H1 2023

~99% of recall units produced; >4.5M units¹ w/ patients and care providers

Completed all testing and analysis for DS1, DS Go and System One devices

Provision related to anticipated resolution of the economic loss class action in the US

483 remediation in progress

2023-2025

Manage impact of proposed Consent Decree

Manage litigation, DoJ investigation

Gradually restore position

Taking the learnings of Respironics recall to raise Patient Safety and Quality to the highest standards across Philips

Innovation model for focused scalable innovation

“Fewer, better, bigger”

Focus on segments with right to win

- Significant R&D investments
- Re-target and resource to scale high-impact innovations

>EUR1.7 billion¹,
~9% R&D of sales
from 10.5%, industry leading
(vs. ~7.5% industry average)

Empower business execution

- Tailor innovation to segment we serve
- Focused, fewer projects, scaling innovation faster

90% business-led
10% corporate in 2023
From 70% and 30% in 2022

Execution with decisive action as key value driver

Enabled by culture of accountability and strong HealthTech capabilities



Patient safety and quality as highest priority

Culture, accountability, Competencies

Patient safety and quality at heart of innovation

Expanded patient safety and quality program

Finalize Respironics recall



Reliable end-to-end supply chain

End-to-end value chain by business

Leadership and competencies

Product pruning and (re)design

Strategic supplier management



Simplified operating model

End-to-end, P&L-accountable business

Simplification, de-layering, less KPIs

Reduction of 10k roles

Leadership and talent



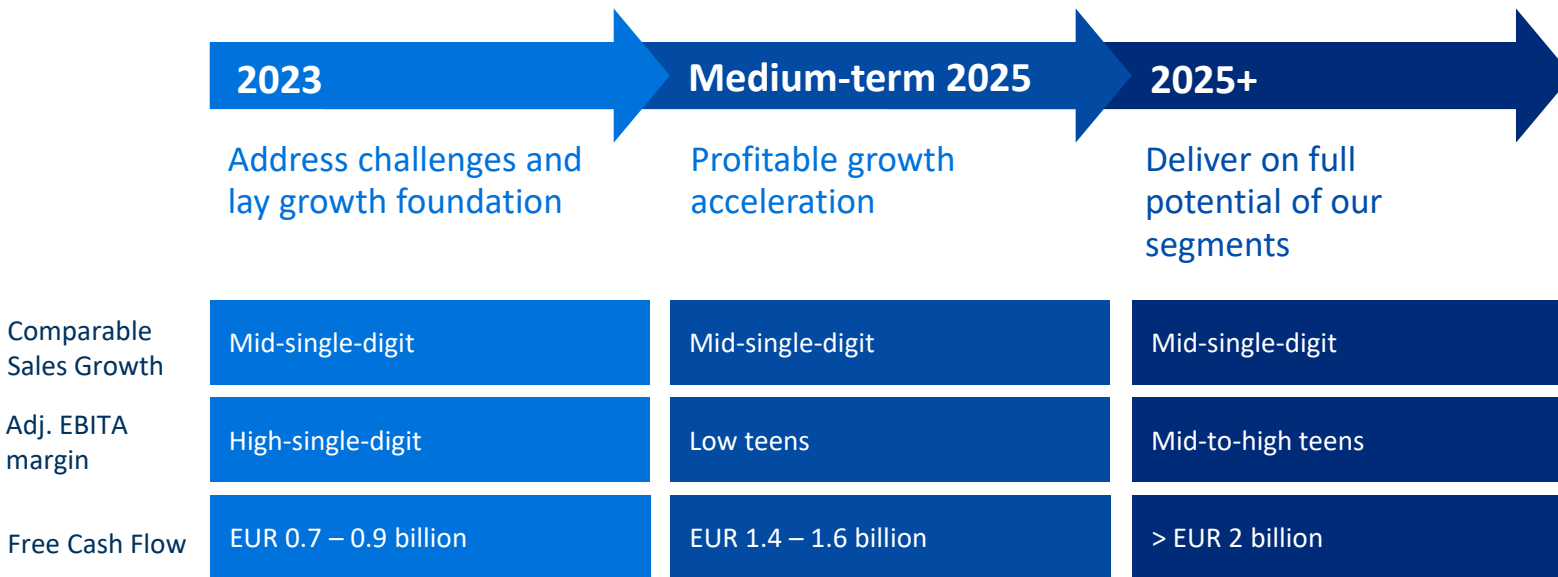
Company overview

Creating value with sustainable impact

Path to value creation

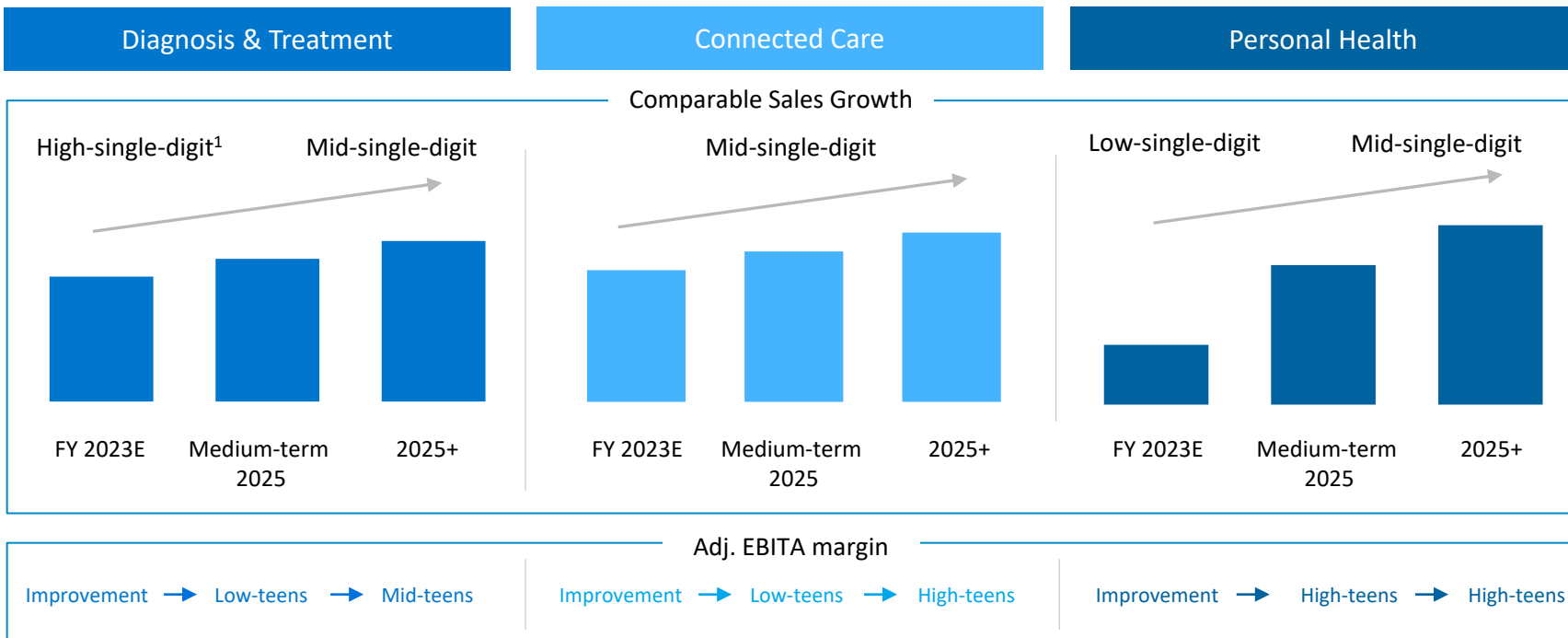
Progressive value creation

Supported by balanced capital allocation



Guidance excludes the impact of the ongoing discussion on the proposed consent decree beyond current assumptions as well as ongoing litigation and the investigation by the US DoJ related to the Respiroics field action

Driving organic growth and margin improvement



Guidance excludes the impact of the ongoing discussion on the proposed consent decree beyond current assumptions as well as ongoing litigation and the investigation by the US DoJ related to the Resprionics field action

Productivity initiatives¹ to deliver EUR 2.0 billion in the 2023-2025 period

Operating Model

- Simplified operating model with reduction of 10k roles
- R&D prioritization, reduction of Corporate Research
- End-to-end supply chain, simplifying planning, and eliminating duplications

EUR 950 - 1,050 million

Procurement

- Bill-of-material savings via redesign, value analysis, engineering
- Reductions in warehousing, transportation and consulting

EUR 550 - 600 million

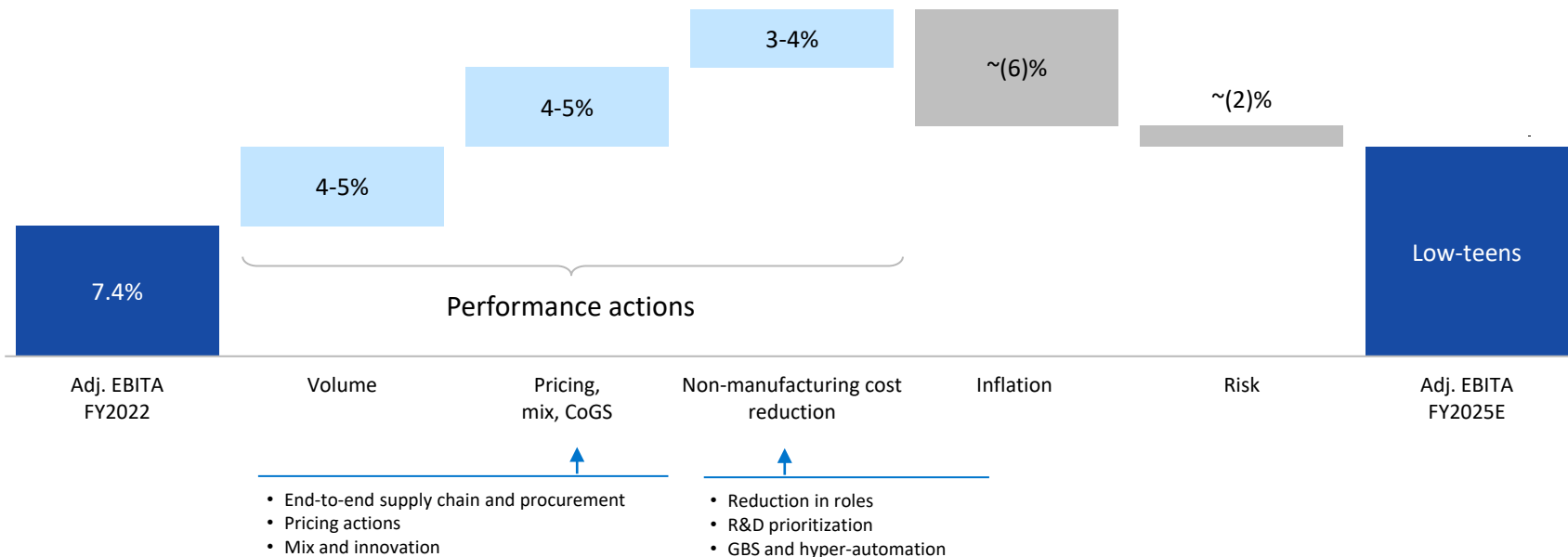
Other productivity

- S&RC rightsizing
- Manufacturing footprint optimization and service productivity
- R&D platform simplification and footprint optimization
- GBS and hyper-automation

EUR 400 - 450 million

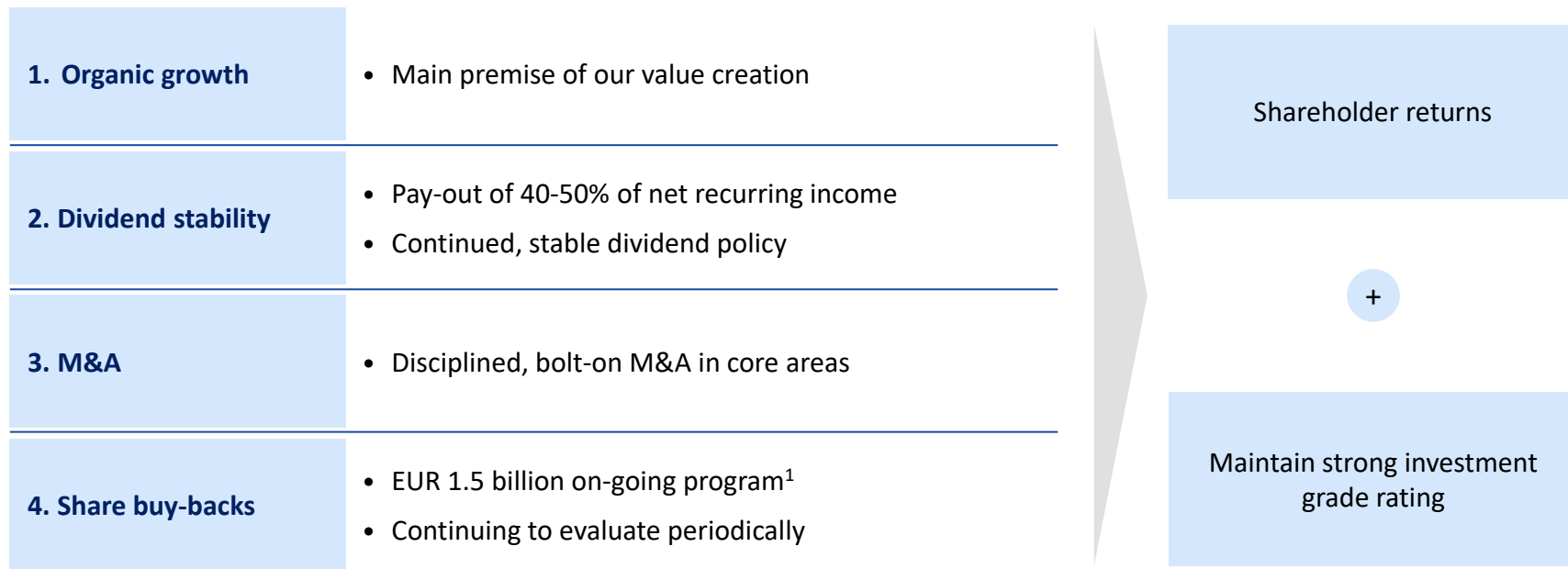
Margin increase from productivity, pricing & supply chain improvements – cumulative drivers 2023-2025

Adj. EBITA margin^{1,2}



1. Guidance excludes the impact of the ongoing discussion on the proposed consent decree beyond current assumptions as well as ongoing litigation and the investigation by the US DoJ related to the Respicronics field action | 2. Investments in patient safety and quality and supply chain improvements included

Balanced capital allocation focusing on organic growth, margin improvement and cash



1. The program has been executed through a number of forward purchase transactions and (in the fourth quarter of 2021 and January 2022) open market purchases. The open market repurchases under the program have been concluded and the forward transactions are expected to be settled in 2023 and 2024. Further information can be found on [Investor Relations website](#)

Our context...

Attractive HealthTech Market

- 3-6% revenue CAGR
- Mid-to-high-teens margins
- Megatrends, sustainable healthcare

Strengths

- Leading positions, innovation
- High customer intimacy
- Strong purpose, brand, ESG

Challenges

- Strategy implementation
- Innovation model
- Quality
- Supply chain reliability
- Complex operating model

Creating
value with
sustainable
impact

...our future



Focused organic growth and scalable innovation

- Expand leadership positions in Image-Guided-Therapy, Ultrasound, Monitoring, and Personal Health
- Scale Enterprise Informatics
- Improve Diagnostic Imaging, restore S&RC Patient-, people-centric, scalable innovation

Execution as main value driver

1. Patient safety & quality highest priority
 2. Reliable supply chain
 3. Simplified operating model
- Culture of accountability and HealthTech capabilities

Value creation

- Medium-term 2025: mid-single-digit growth, low-teens Adj. EBITA margin, EUR 1.4-1.6 billion FCF
- 2025+: mid-single-digit growth, mid-to-high teens Adj. EBITA margin, >EUR 2 billion FCF

Note: Guidance excludes the impact of the ongoing discussion on the proposed consent decree beyond current assumptions as well as ongoing litigation and the investigation by the US DoJ related to the Respiration field action



Historical financial performance summary

Key data <i>(in millions of EUR unless otherwise stated)</i>	2020	2021	2022
Sales	17,313	17,156	17,827
<i>Comparable sales growth</i>	2.9%	(1.2)%	(2.8%)
Income from operations	1,264	553	(1,529)
Financial expenses, net	(44)	(39)	(200)
Investments in associates, net of income taxes	(9)	(4)	(2)
Income tax expense	(212)	103	113
Income from continuing operations	999	612	(1,618)
Discontinued operations, net of income taxes	196	2,711	13
Net income	1,195	3,323	(1,605)
Adjusted EBITA ¹	2,277	2,054	1,318
<i>as a % of sales</i>	13.2%	12.0%	7.4%
Adjusted income from continuing operations attributable to shareholders ² per common share (in EUR) - diluted	1.74	1.65	0.96