

PHILIPS

Second quarter 2024 results

July 29, 2024

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*, 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 keep pace with the changing health technology environment; 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 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; 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 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 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 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 strong order growth and margin improvement, solid sales and cash flow within a challenging macro environment
- Improvements across all businesses driven by innovation and progress on our execution priorities:
 - Enhance patient safety & quality
 - Strengthen supply chain reliability
 - Establish a simplified, agile operating model
- Supported by key innovation launches and our ongoing actions, we are confident in our plan and reiterate our outlook for the full-year 2024





Delivered strong order growth and margin improvement, solid sales growth and cash flow

Financial performance

<i>in millions of EUR unless otherwise stated</i>	Q2 2023	Q2 2024
Sales	4,470	4,462
Comparable Sales Growth ¹	9%	2%
Comparable Order Intake ¹	(8)%	9%
Adj. EBITA ²	453	495
Adj. EBITA margin ²	10.1%	11.1%
Adj. EBITDA margin ²	15.2%	16.4%
Income from operations	221	816
Operating Cash Flow	135	89

Highlights

- Strong OIT driven by growth outside of China, whilst within China anti-corruption measures are still impacting order lead times
- Solid CSG on the back of high comps with growth across all businesses, despite a decline in China
- Strong Adj. EBITA margin improvement across all businesses
- Income from operations included EUR 538 million insurance income related to the Respiroics product liability claims
- Operating cash flow included an outflow of EUR 415 million related to Respiroics economic loss settlement in the US, partly offset by an inflow of EUR 150 million from insurers

1. Comparable sales growth (CSG); comparable order intake growth (OIT)

2. Excluding restructuring costs, acquisition-related charges and other one-time charges and gains

Preferred strategic and innovation partner for customers



Bon Secours Mercy Health (USA)



- 10-year partnership with one of the largest health systems in the US to standardize patient monitoring across 49 hospitals
- Provides access to a scalable monitoring platform that integrates patient data and provides vital insights
- Reduces costs and digital burden on staff allowing more time to be spent on care

Multi-year partnerships in Europe



- Agreement with Amsterdam UMC to provide Azurion systems, helium-free MRIs, monitoring systems and 10 years of service
- Agreement with Grand Hôpital de Charleroi in Belgium to provide monitoring systems
- Agreement to roll out ePatch and AI analytics platform across 14 hospitals in Spain

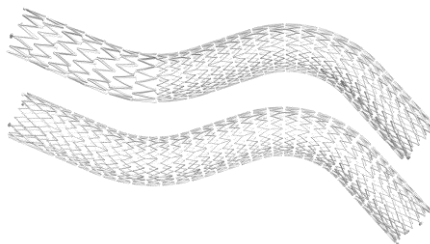
Launched a series of leading AI-driven innovations across the portfolio

AI-enabled cardiovascular ultrasound



- FDA-cleared AI applications integrated into EPIQ CVx and Affiniti CVx
- Industry's first automated tool for segmental wall motion scoring of the heart
- First fully automated 3D quantification of mitral regurgitation

Duo Venous Stent System



- Used for treatment of deep venous disease impacting 25 million people globally
- Successfully treated the first patient following FDA premarket approval

Zenition 90 Motorized



- State-of-the-art image quality for complex vascular needs and clinical procedures
- Intuitive motorization for greater control and high-power
- Automated workflows allow greater clinical efficiency

Diagnosis & Treatment

Financial performance

<i>in millions of EUR unless otherwise stated</i>	Q2 2023	Q2 2024
Sales	2,115	2,174
Comparable Sales Growth	12%	4%
Adj. EBITA margin	10.6%	12.2%
Adj. EBITDA margin	13.2%	14.4%
Income from operations	163	211

Q2 2024 highlights

- Growth across Image Guided Therapy and Precision Diagnosis on the back of double-digit comps
- High-single-digit CSG in Mature geographies partly offset by Growth geographies, mainly due to China
- Adj. EBITA margin improvement driven by sales, pricing and productivity measures



Connected Care

Financial performance

<i>in millions of EUR unless otherwise stated</i>	Q2 2023	Q2 2024
Sales	1,327	1,332
Comparable Sales Growth	6%	2%
Adj. EBITA margin	7.5%	8.8%
Adj. EBITDA margin	12.1%	14.3%
Income from operations	(39)	558 ¹

Q2 2024 highlights

- Strong growth in Enterprise Informatics; Monitoring flat on the back of strong double-digit comps
- Strong S&RC sales performance outside the US
- Adj. EBITA margin improvement driven by productivity measures and pricing
- Strong profitability step-up in S&RC

1. Income from operations includes EUR 538 million insurance income related to Respiration product liability claims



Personal Health

Financial performance

<i>in millions of EUR unless otherwise stated</i>	Q2 2023	Q2 2024
Sales	836	834
Comparable Sales Growth	3%	2%
Adj. EBITA margin	13.4%	16.9%
Adj. EBITDA margin	16.1%	19.5%
Income from operations	107	120

Q2 2024 highlights

- CSG driven by mid-single-digit growth outside of China, whilst within China consumer sentiment remains subdued
- Strong Adj. EBITA margin improvement driven by operational improvements and productivity



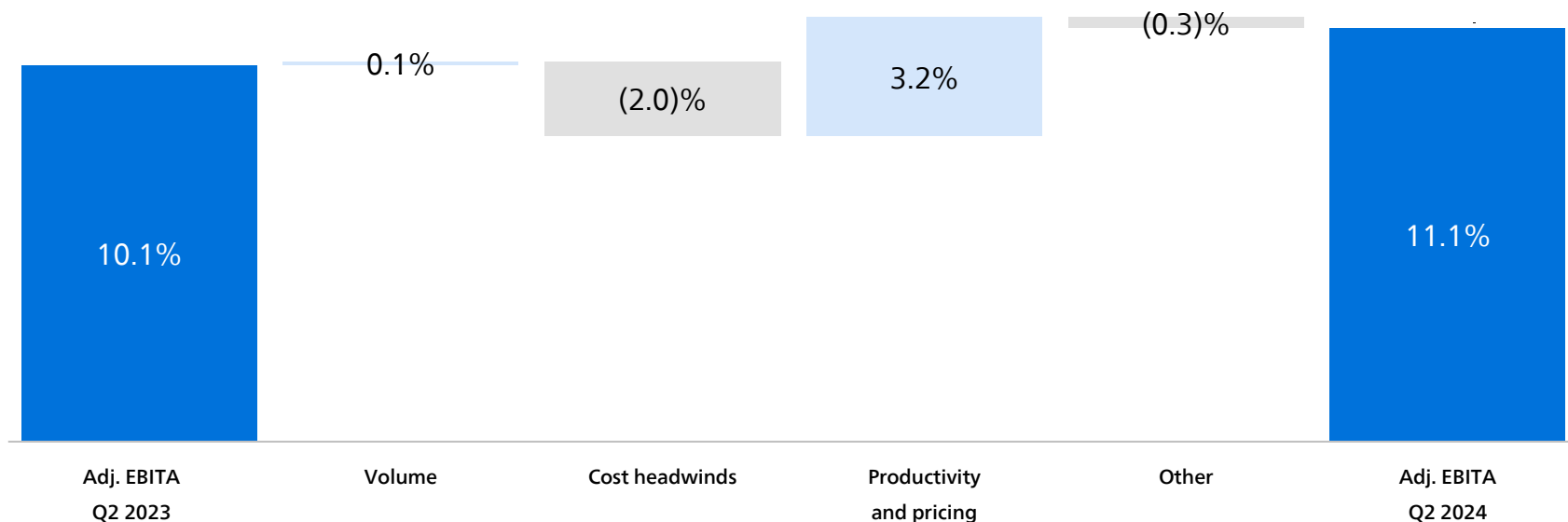
Productivity initiatives delivered EUR 195 million in the quarter and ~EUR 1.4 billion to date



Productivity initiatives savings ¹		Q2 2024	Q1 2023 – Q2 2024
<i>in millions of EUR unless otherwise stated</i>			
Operating model	<ul style="list-style-type: none"> • Simplified operating model with reduction of 10k roles • R&D prioritization, reduction of Corporate Research • End-to-end supply chain, simplifying planning, eliminating duplications 	57	664
Procurement	<ul style="list-style-type: none"> • Bill-of-material savings via redesign, value analysis, engineering • Reductions in warehousing, transportation and consulting 	71	330
Other productivity	<ul style="list-style-type: none"> • Manufacturing footprint optimization and service productivity • R&D platform simplification and footprint optimization • GBS and hyper-automation • S&RC rightsizing 	67	364
		EUR 195 million	EUR 1,358 million

Adjusted EBITA margin improved across all businesses as productivity and pricing more than offset cost inflation

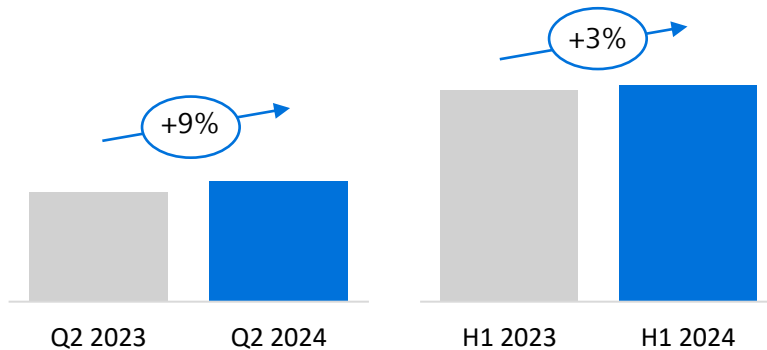
Group Adj. EBITA margin¹ in Q2 2024



Strong order intake growth, particularly in North America

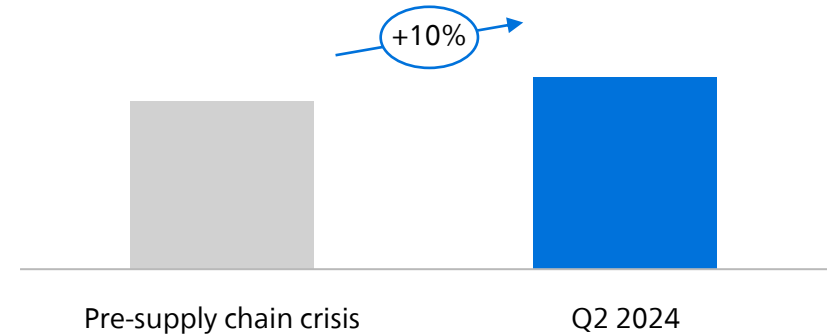


Order intake¹



- OIT growth of 9%, with market dynamics improving, particularly in North America
- In China, government's anti-corruption measures continued to impact hospital order lead times

Indexed order book² development



- Order book accounts for ~40% of Group sales
- Revenue streams from software, services, devices and consumables growing at healthy rates

Execution with decisive action as key value driver

Examples of progress in Q2 2024



Patient safety and quality as highest priority

>90% improvement in CAPA¹ closure timelines vs 2023

Further reduced Quality Management Systems; on track to achieve ~65% reduction in 2024

Continued progress on Respironics recall and Consent Decree remediation



Reliable end-to-end supply chain

Lead times improved for all modalities and are back to normal levels

~10% year-to-date increase in service level for all modalities

Further regionalization of supply chain



Simplified operating model

Reduced workforce by close to 9K roles; on track to 10K by 2025

Continued to inject HealthTech expertise; over 700 talents with HealthTech background attracted YTD

New operating model delivering more speed and agility



2024 outlook



Continued improvement in operational performance in 2024, whilst acknowledging that uncertainties remain

Comparable Sales Growth

3 – 5%

- All segments within the range: Connected Care closer to the upper end of the range, Diagnosis & Treatment and Personal Health closer to the lower end of the range
- Segment Other sales of EUR 550 – 580 million

Adj. EBITA margin

11.0 – 11.5%

- Margin improvement across all segments
- Segment Other Adj. EBITA loss of 50 million and EBITA loss of 150 million¹
 - Q3 2024 Adj. EBITA loss of EUR 25 million

Free Cash Flow

EUR 0.9 – 1.1 billion

- Driven by higher earnings and continued focus on inventory reduction
- Includes a receipt from insurers for the Respiroics claims and the remaining payment related to the economic loss settlement

Financial income & expenses

- Net cost of EUR ~290 million

Restructuring, acquisition-related charges and other items

Restructuring costs

~100 bps

- 1K roles reduction part of the 10K roles reduction program resulting from operating model simplification, of which 8k implemented in 2023
- S&RC rightsizing and assets impairment

Acquisition-related charges

~30 bps

- Post-merger integration costs related to recent acquisitions in Connected Care and Image-Guided-Therapy Devices

Other items*

~200 bps

- Mainly related to Respiroics field action running cost, the Consent Decree and other quality action-related charges

** Excluding charges of EUR 982 million for the Respiroics litigation provision booked in Q1 2024, and EUR 538 million insurance income related to Respiroics product liability claims in Q2 2024*

Key takeaways

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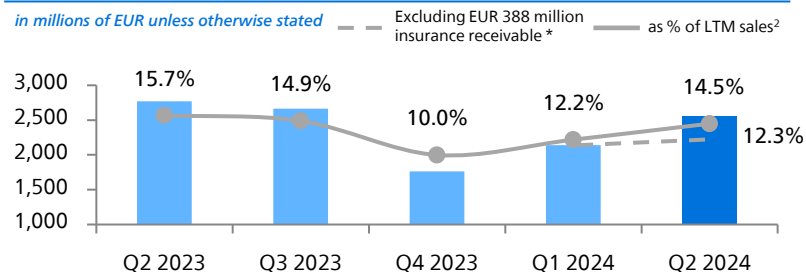


Financial appendix

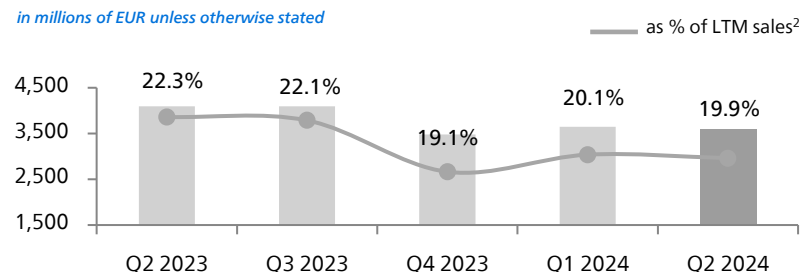


Working capital and inventories

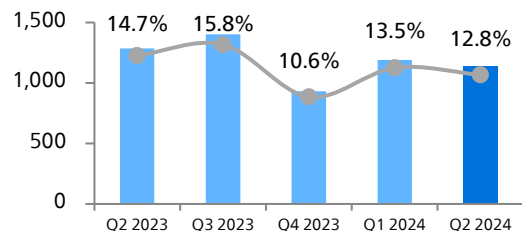
Group working capital¹



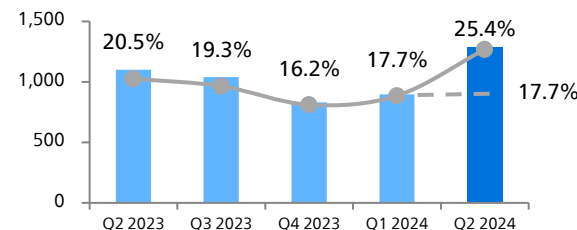
Group inventories



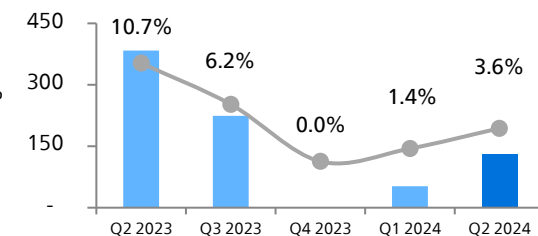
Diagnosis & Treatment



Connected Care



Personal Health



* Excluding EUR 388 million increase in receivables related to insurance income from Respiroics product liability claims

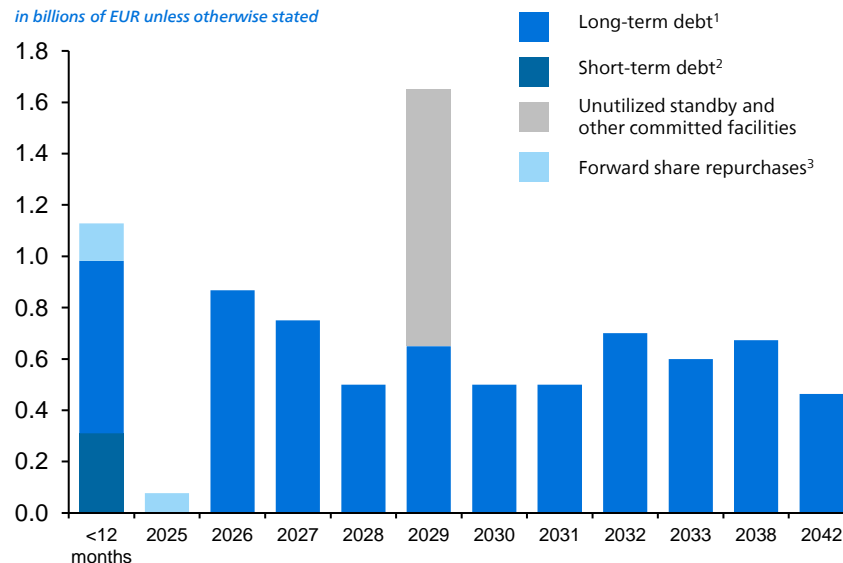
1. Working capital excluding segment Other | 2. Working capital and Inventories as a % of Last Twelve Months sales excluding acquisitions, divestments, and discontinued operations

Debt maturity profile and liability management

Long term debt profile and liability management

- Total net debt position of EUR 6.5 billion
- Average tenor of long-term debt is 6.6 years
- No financial covenants
- EUR 1 billion of committed credit facilities

Debt maturity profile as per 30 June 2024



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

Capital expenditures, Depreciation and Amortization

<i>in millions of EUR unless otherwise stated</i>	Q2 2023	Q2 2024
Capital expenditures on property, plant and equipment	88	76
Capitalization of development costs	71	73
Depreciation	157	211
Amortization of acquired intangible assets	72	60
Amortization of software	26	30
Amortization of development costs	49	41
Amortization	147	131
Depreciation and amortization	303	343

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
Restructuring and acquisition-related charges							
Diagnosis & Treatment	65	30	8	15	118	19	25
Connected Care	49	10	20	37	115	17	18
Personal Health	5	2	-	2	9	-	17
Other	105	24	15	(4)	140	14	41
Philips Group	224	66	42	49	381	51	101
Other items							
Diagnosis & Treatment	1	10	-	81 ¹⁾	92	-	6 ¹⁾
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⁾
Personal Health	(1)	-	23 ⁸⁾	-	22	-	-
Other	-	-	5	(36) ⁹⁾	(32)	10	1
Philips Group	644	95	120	498	1,358	1,088	(483)
Restructuring, acquisition-related charges & other items							
Restructuring	199	46	16	24	285	32	83
Acquisition-related charges	25	20	26	26	96	19	19
Other items	644	95	120	498	1,358	1,088	(483)
Philips Group	868	161	162	548	1,738	1,139	(381)

1. Quality actions | 2. Respiration running costs | 3. Provision in connection with Respiration litigation. | 4. Provision related to Respiration field-action; Provision connected to the consent decree | 5. Provision for a legal matter | 6. Respiration consent decree charges | 7. Respiration 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

