# Philips' Third Quarter Results 2019

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BY PHILIPS

Third-quarter highlights Frans van Houten, CEO “In the third quarter, we delivered mixed results for the Group. We recorded strong 6% comparable sales growth, driven by the innovative products and solutions across our businesses. This was reflected in the mid-single-digit comparable sales growth in mature geographies and high-single-digit growth in growth geographies, with double-digit growth in China. Comparable order intake was flat, on the back of strong 11% growth in the third quarter of 2018, reflecting the unevenness of order intake dynamics and softness in North America. Over the last 12 months, comparable order intake grew 5%. The Adjusted EBITA margin in the Diagnosis & Treatment and Personal Health businesses showed continued improvement. However, as we announced in our update on October 10, 2019, the Adjusted EBITA margin in the Connected Care businesses declined to 11.3%, due to increasing headwinds from tariffs and a delay in the impact of the mitigating actions, factory under-coverage and an adverse product mix impact. Adjusted EBITA for the Group was also impacted by lower license income in the segment Other. For the full-year 2019, we continue to expect growth to be within the 4-6% range. We expect the Adjusted EBITA margin to improve around 10 to 20 basis points given the overall significant headwinds and the performance trajectory of the Connected Care businesses, which we are addressing. For 2020, we expect 4-6% comparable sales growth and an Adjusted EBITA margin improvement of around 100 basis points.”

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Reporting segment performance The Diagnosis & Treatment businesses recorded 9% comparable sales growth, with double-digit growth in Ultrasound and high-single-digit growth in Diagnostic Imaging and Image-Guided Therapy. Comparable order intake was in line with Q3 2018. The Adjusted EBITA margin increased 2.1 percentage points to 14.0%, driven by sales growth and productivity, partly offset by the impact of tariffs. Comparable sales in the Connected Care businesses increased 5%, with mid-single-digit growth in Monitoring & Analytics and Sleep & Respiratory Care. Comparable order intake was in line with Q3 2018. The Adjusted EBITA margin decreased 4.5 percentage points to 11.3%, as outlined above. The Personal Health businesses delivered comparable sales growth of 6%, with double-digit growth in Oral Healthcare and high-single-digit growth in Domestic Appliances. The Adjusted EBITA margin increased 0.3 percentage points to 14.7%, mainly due to sales growth, partly offset by investments and the impact of tariffs. Philips' ongoing focus on innovation and strategic partnerships resulted in the following highlights in the quarter: Cost savings In the third quarter of 2019, cost savings totaled EUR 96 million, reflecting procurement savings of EUR 41 million and savings from overhead and other productivity programs of EUR 55 million. Capital allocation As of the end of the third quarter of 2019, Philips has completed 32.9% of its

EUR 1.5 billion share buyback program for capital reduction purposes that was announced on January 29, 2019. Further details can be found In the quarter, Philips sold all of its remaining shares in Signify (14.3%) for total proceeds of EUR 477 million. Regulatory update Philips continues to address the follow-up requests of the US Food and Drug Administration (FDA) as part of its efforts to fulfill its obligations under the [1] Under the Consent Decree, Philips continues to export its complete range of AED devices and manufacture and distribute its H1/OnSite/Home automated external defibrillator (AED) model in the US. The company may also continue to service the AEDs provided that certain conditions are met and provide consumables and the relevant accessories. here. Consent Decree[1] and remains in dialogue with the agency.

Reporting segment performance

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The Personal Health businesses delivered comparable sales growth of 6%, with double-digit growth in Oral Healthcare and high-single-digit growth in Domestic Appliances. The Adjusted EBITA margin increased 0.3 percentage points to 14.7%, mainly due to sales growth, partly offset by investments and the impact of tariffs.

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Quarterly Report Presentation Conference call and audio webcast A conference call with Frans van Houten, CEO, and Abhijit Bhattacharya, CFO, to discuss the results will start at 10:00AM CET, October 28, 2019. A live audio webcast of the conference call will be available through the link below. More information about Frans van Houten and Abhijit Bhattacharya Third Quarter Results 2019 - Quarterly Report

Third Quarter Results 2019 - Quarterly Results Presentation

Q3 2019 – Third quarter 2019 results conference call audio webcast Click here for Mr. van Houten's CV and images Click here for Mr. Bhattacharya's CV and images

Visit our interactive results hub for more on our financial and sustainability performance over the past quarter, including the latest version of our dynamic Lives Improved world map.

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More information about Frans van Houten and Abhijit Bhattacharya

Royal Philips (NYSE: PHG, AEX: PHIA) is a leading health technology company focused on improving people's health and enabling better outcomes across the health continuum from healthy living and prevention, to diagnosis, treatment and home care. Philips leverages advanced technology and deep clinical and consumer insights to deliver integrated solutions. Headquartered in the Netherlands, the company is a leader in diagnostic imaging, image-guided therapy, patient monitoring and health informatics, as well as in consumer health and home care. Philips generated 2018 sales of EUR 18.1 billion and employs approximately 80,000 employees with sales and services in more than 100 countries. News about Philips can be found at www.philips.com/newscenter.

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Forward-looking statements These factors include but are not limited to: global economic and business conditions; political instability, including developments within the European Union such as Brexit, with adverse impact on financial markets; the successful implementation of Philips’ strategy and the ability to realize the benefits of this strategy; the ability to develop and market new products; changes in legislation; legal claims and proceedings; increased healthcare regulation; changes in currency exchange rates and interest rates; changes in foreign currency import or export controls; future changes in tax rates and regulations, including trade tariffs; pension costs and actuarial assumptions; changes in raw materials prices; changes in employee costs; the ability to identify and successfully complete acquisitions, and to integrate those acquisitions into the business, the ability to successfully exit certain businesses or

restructure the operations; the rate of technological changes; cyber-attacks, breaches of cybersecurity; political, economic and other developments in countries where Philips operates and industry consolidation and competition. 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 the Risk management chapter included in the Annual Report 2018. Third-party market share data Statements regarding market share, including those regarding Philips' competitive position, contained in this document are based on outside sources such as research institutes, industry and dealer panels in combination with management estimates. Where information is not yet available to Philips, those statements may also be based on estimates and projections prepared by outside sources or management. Rankings are based on sales unless otherwise stated. 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 2018. Use of fair value information 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 2018. 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 2018, except for IFRS 16 lease accounting, which is implemented per January 1, 2019. As announced on January 10, 2019, Philips has realigned the composition of its reporting segments effective as of January 1, 2019. The most notable changes are the shifts of the Sleep & Respiratory Care business from the Personal Health segment to the renamed Connected Care segment and most of the Healthcare Informatics business from the renamed Connected Care segment to the Diagnosis & Treatment segment. Accordingly, the comparative figures have been restated. The restatement has been published on the Philips Investor Relations website and can be accessed Market Abuse Regulation This press release contains inside information within the meaning of Article 7(1) of the EU Market Abuse Regulation.

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 the strategy; estimates of sales growth; future Adjusted EBITA; future restructuring, acquisition-related and other costs; future developments in Philips' organic business; and the completion of acquisitions and divestments. 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. here. Click here to read more Click here to read less

Forward-looking statements

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or export controls; future changes in tax rates and regulations, including trade tariffs; pension costs and actuarial assumptions; changes in raw materials prices; changes in employee costs; the ability to identify and successfully complete acquisitions, and to integrate those acquisitions into the business, the ability to successfully exit certain businesses or restructure the operations; the rate of technological changes; cyber-attacks, breaches of cybersecurity; political, economic and other developments in countries where Philips operates and industry consolidation and competition. 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 the Risk management chapter included in the Annual Report 2018.

Third-party market share data

Statements regarding market share, including those regarding Philips' competitive position, contained in this document are based on outside sources such as research institutes, industry and dealer panels in combination with management estimates. Where information is not yet available to Philips, those statements may also be based on estimates and projections prepared by outside sources or management. Rankings are based on sales unless otherwise stated.

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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 2018.

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This press release contains inside information within the meaning of Article 7(1) of the EU Market Abuse Regulation.

Philips Incisive CT platform with industry-first 'Tube for Life' guarantee now available in North America.

Philips' intelligent health solutions adapt to individual consumer needs.

Reinforcing its leadership in patient monitoring solutions, Philips introduced the next-generation IntelliVue MX750 and MX850 bedside

patient monitor platforms in Europe.

Our site can best be viewed with the latest version of Microsoft Edge, Google Chrome or Firefox.

*Press release distributed by Wire Association on behalf of Philips, on May 3, 2023. For more information subscribe and follow us.*

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