



Annual Report 2019

Financial performance

“In 2019 we increased sales to EUR 19.5 billion, with 4.5% comparable sales growth, and delivered a strong operating cash flow of EUR 2 billion, and a free cash flow of more than EUR 1 billion. Income from continuing operations amounted to EUR 1.2 billion. Adjusted EPS increased by 15% to EUR 2.02 per share. The Adjusted EBITA increased by EUR 197 million, however it was short of our plan, partly due to significant headwinds.”

Abhijit Bhattacharya, CFO Royal Philips

Performance review

The year 2019

- Sales rose to EUR 19.5 billion, a nominal increase of 8%, with 10% growth in the Diagnosis & Treatment businesses, 8% growth in the Connected Care businesses and 6% growth in the Personal Health businesses. On a comparable basis sales growth was 4.5%, with 5% growth in the Diagnosis & Treatment businesses, 5% growth in the Personal Health businesses, and 3% growth in the Connected Care businesses.
- Net income amounted to EUR 1.2 billion, an increase of EUR 76 million compared to 2018, mainly due to improvements in operational performance, lower net financial expenses and lower charges related to discontinued operations, partly offset by higher income tax expense and charges of EUR 97 million related to impairment of goodwill. Net income is not allocated to segments as certain income and expense line items are recorded on a centralized basis.
- Adjusted EBITA increased to EUR 2.6 billion, or 13.2% of sales, an increase of EUR 197 million, or 10 basis points as a % of sales, compared to 2018. The productivity programs delivered annual savings of approximately EUR 480 million, and included approximately EUR 166 million procurement savings, led by the Design for Excellence (DfX) program, and EUR 314 million savings from other productivity programs. While the Diagnosis & Treatment and Personal Health businesses delivered good profit expansion, the Connected Care business showed a decline of 200 basis points, primarily due to tariffs, an adverse currency impact, mix and higher material costs.
- Net cash provided by operating activities amounted to EUR 2.0 billion, an increase of EUR 251 million, mainly due to higher earnings that were partly offset by higher working capital outflows and higher tax paid, while 2018 included an outflow of EUR 130 million related to pension liability de-risking. Free cash flow amounted to EUR 1.1 billion compared to EUR 984 million in 2018.
- In the second quarter of 2019, Philips completed its EUR 1.5 billion share buyback program that was announced on June 28, 2017. All of the shares acquired under the program were cancelled.
- On January 29, 2019, Philips announced a new EUR 1.5 billion share buyback program for capital reduction purposes. As of the end of 2019, Philips completed 41.5% of this program.
- During 2019 Philips sold all of its remaining shares (16.5%) in Signify (formerly Philips Lighting).