The year 2020

• Sales amounted to EUR 19.5 billion, in line with 2019 on a nominal basis. On a comparable basis, overall sales growth was 3%, with 22% growth in the Connected Care businesses, a 2% decline in the Diagnosis & Treatment businesses, and a 4% decline in the Personal Health businesses.

• Net income amounted to EUR 1.2 billion, an increase of EUR 22 million compared to 2019, mainly due to lower net financial expenses and lower income tax expenses, partly offset by charges of EUR 144 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 amounted to EUR 2.6 billion, or 13.2% of sales, in line with 2019. The productivity programs delivered annual savings of approximately EUR 447 million and included approximately EUR 222 million procurement savings, led by the Design for Excellence (DfX) program, and approximately EUR 225 million savings from other productivity programs. While the Connected Care businesses delivered improved profit expansion, both the Diagnosis & Treatment businesses and Personal Health businesses showed a decline in Adjusted EBITA margin. This was primarily due to lower volumes and resulting lower factory fixed cost coverage, an adverse mix impact due to lower sales in Ultrasound and Image-Guided Therapy in the Diagnosis & Treatment businesses, and the decline in sales, partly offset by cost savings, in the Personal Health businesses.

• Operating cash flow amounted to EUR 2.8 billion, an increase of EUR 746 million, mainly due to working capital improvements, in particular better management of outstanding receivables. The 2019 figure was mainly attributable to higher earnings, partly offset by higher working capital outflows and higher tax paid. Free cash flow amounted to EUR 1.9 billion, compared to EUR 1.1 billion in 2019.

• In 2020, Philips completed three acquisitions, with Intact Vascular, Inc. (Intact Vascular) being the most notable.

• On January 29, 2019, Philips announced a new EUR 1.5 billion share buyback program for capital reduction purposes. As of the end of 2020, Philips had completed 50.3% of this program. Philips has executed the second half of the program through individual forward transactions with settlement dates extending into the second half of 2021.

• In January 2020, Philips announced that it would review options for future ownership of its Domestic Appliances business, part of the Personal Health segment. Philips has started the process of creating a separate legal structure for this business within the Philips Group, which is expected to be completed in the third quarter of 2021. Separation costs of EUR 42 million were incurred in 2020.

Coronavirus disease 2020 (COVID-19) outbreak

In 2020, COVID-19 affected the global economy and the company’s results. In the Diagnosis & Treatment businesses, comparable sales declined due to the postponement of installations and elective procedures resulting from the impact of COVID-19. In the Personal Health businesses, COVID-19 led to a decline in comparable sales due to lockdowns in several countries. The Connected Care businesses recorded comparable sales growth, as our innovations in both Monitoring & Analytics and Sleep & Respiratory Care were able to help our customers combat the pandemic.

“Our investments over time in innovation across the health continuum helped to provide care and save lives across the world. The much improved operational backbone ensured that we were able to meet fluctuating customer demand and enabled us to grow both sales and orders as well as improve operating cash flow to EUR 2.8 billion and the diluted EPS to EUR 1.31 per share.”

Abhijit Bhattacharya CFO Royal Philips