**Financial performance**

“Our financial performance in 2022 was significantly challenged, largely due to supply issues, COVID-related consequences, and the impact of the Respironics recall. As we look forward to 2023, we are taking firm actions to focus on patient safety and quality, improve supply reliability and simplify the organization to increase agility and structurally lower the cost base.”

Abhijit Bhattacharya  CFO Royal Philips

The year 2022

- Sales amounted to EUR 17.8 billion, an increase of 4% on a nominal basis. On a comparable basis*), sales declined 3%, due to operational and supply challenges, the COVID situation in China, the consequences of the Respironics field action, and the Russia-Ukraine war. Comparable sales*) showed a 1% decline in the Diagnosis & Treatment businesses, an 11% decline in the Connected Care businesses, and flat growth in the Personal Health businesses.

- Net income amounted to a loss of EUR 1,605 million, a decrease of EUR 4.9 billion compared to 2021, mainly due to a charge of EUR 1.5 billion related to goodwill and R&D impairments in 2022 and the EUR 2.5 billion gain on the sale of Domestic Appliances in 2021.

- In 2021, our subsidiary, Philips Respironics, initiated a voluntary recall notification in the United States and field safety notice outside the United States for certain sleep and respiratory care products. In 2022, as we took steps to accelerate the remediation program, we recorded an additional provision of EUR 250 million. By year-end 2022, around 90% of the production required for the delivery of replacement devices to patients had been completed.

- Due to revisions to the financial forecast of Philips Respironics, Philips recorded a EUR 1.3 billion non-cash charge in the third quarter for the impairment of goodwill of this business.

- Adjusted EBITA*) amounted to EUR 1,318 million, or 7.4% of sales, compared to 12.0% of sales in 2021. The Diagnosis & Treatment, Connected Care and Personal Health businesses showed a decline in Adjusted EBITA*) margin, mainly due to the sales decline and cost inflation, partly offset by pricing and productivity measures.

- Philips has initiated several productivity actions, including simplifying the organization to streamline ways of working, increase agility and reduce operating expenses. Additionally, Philips is implementing several actions to enhance performance and productivity in the supply chain, R&D and quality.

- Operating cash flow amounted to an outflow of EUR 173 million; free cash flow*) amounted to an outflow of EUR 961 million.

- To further strengthen its liquidity position and optimize its debt maturity profile, Philips secured a EUR 1 billion credit facility and conducted a liability management exercise, which reduced the debt repayment profile for the period 2023 to 2025 from EUR 3.2 to 2.0 billion and increased the average maturity on bonds by 1.3 years to 7.9 years.