

Annual Report 2022

**How we create value
with sustainable
impact**

How we create value with sustainable impact

Based on the International Integrated Reporting Council framework, we use various resources to create value with sustainable impact for our stakeholders.

Resource inputs

Human

- Employees 77,233, 120-plus nationalities, 39% female
- Philips University 1,344,956 courses, 1,880,416 hours, 1,009,459 training completions
- 32,742 employees in growth geographies
- Focus on Inclusion & Diversity

Intellectual

- Invested in R&D EUR 2.1 billion (Green Innovation EUR 168 million)
- Employees in R&D 11,690

Financial

- Equity EUR 13.3 billion
- Net debt^{*)} EUR 7.0 billion

Manufacturing

- Employees in production 39,742
- Industrial sites 23, cost of materials used EUR 4.3 billion
- Total assets EUR 31 billion
- Capital expenditures on property, plant and equipment EUR 444 million

Natural

- Energy used in manufacturing 338.1 gigawatt hours
- Water used 677,632 m³
- 'Closing the loop' on all our professional medical equipment by 2025

Social

- Philips Foundation
- Stakeholder engagement
- Volunteering policy

Value outcomes

Human

- Employee Engagement Index 77% favorable
- Sales per employee EUR 230,817
- Safety 172 Total Recordable Cases

Intellectual

- New patent filings 920
- Royalties EUR 419.0 million
- 171 design awards

Financial

- Comparable sales growth^{*)} (2.8)%
- Adjusted EBITA^{*)} as a % of sales 7.4%
- Free cash flow^{*)} EUR (961) million

Manufacturing

- EUR 12.1 billion revenues from goods sold

Natural

- 71.7% Green/EcoDesigned Revenues
- 18% revenues from circular propositions
- Net CO₂ emissions from own operations down to zero kilotonnes
- 62,000 tonnes (estimated) materials used to put products on the market
- Waste 22,802 tonnes, of which 91% repurposed

Social

- Brand value USD 12.8 billion (Interbrand)
- Partnerships with UNICEF, Red Cross, Amref and Ashoka

Societal impact

Human

- Employee benefit expenses EUR 6,952 million, all staff paid at least a Living Wage
- Appointed 71% of our senior positions from internal sources
- 30% of Leadership positions held by women

Intellectual

- Around 55% of revenues from new products and solutions introduced in the last three years
- Approximately 70% of sales from leadership positions

Financial

- Market capitalization EUR 12 billion at year-end
- Long-term credit rating A⁻¹, Baa1², BBB+^{3**)}
- Dividend EUR 741 million

Manufacturing

- 100% electricity from renewable sources

Natural

- Environmental impact of Philips operations up to EUR 128 million
- All 23/23 industrial sites 'Zero Waste to Landfill' at year-end 2022
- Updated CO₂ reductions approved by the Science Based Targets initiative

Social

- 1.81 billion Lives Improved, of which 202 million in underserved communities (including 2.2 million via Philips Foundation)
- 459,000 employees impacted at suppliers participating in the 'Beyond Auditing' program
- Total tax contribution EUR 3,469 million (taxes paid/withheld)
- Income tax benefit EUR 113 million; the effective income tax rate is 6.5%

^{*)} Non-IFRS financial measure. For the definition and reconciliation of the most directly comparable IFRS measure, refer to Reconciliation of non-IFRS information, in the 2022 Philips annual report.

^{**)} ¹ Fitch, ² Moody's, ³ Standards & Poor's

