Annual Report 2022

How we create value with sustainable impact
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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\(^1\) 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 m\(^3\)
- ‘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\(^1\) (2.8)%
- Adjusted EBITA\(^1\) as a % of sales 7.4%
- Free cash flow\(^2\) EUR (961) million

Manufacturing
- EUR 12.1 billion revenues from goods sold

Natural
- 71.7% Green/EcoDesigned Revenues
- 18% revenues from circular propositions
- Net CO\(_2\) 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-, Baa1, BBB+
- 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 CO\(_2\) 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%

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\(^1\) 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.

\(^2\) Moody’s, \(^3\) Fitch, \(^4\) Standards & Poor’s