

**Annual Report 2023**

# Financial performance

# Financial performance

“In 2023, we delivered 6% comparable sales growth\*), 320 bps improvement in profitability and an operating cash flow of EUR 2.1 billion, as we improved our supply chain, established a simplified operating model and enhanced patient safety and quality.”

Abhijit Bhattacharya CFO Royal Philips

## Performance review

### The year 2023

- Sales amounted to EUR 18.2 billion, an increase of 2% on a nominal basis. On a comparable basis\*), sales increased 6%, driven by supply chain improvements. Comparable sales\*) showed 11% growth in the Diagnosis & Treatment segment, 1% growth in the Connected Care segment, and 3% growth in the Personal Health segment.
- Net income amounted to a loss of EUR 463 million, driven by higher earnings offset by a EUR 575 million Respiroics litigation provision. Net income for 2022 was a loss of EUR 1.6 billion, which included a charge of EUR 1.5 billion related to goodwill and R&D impairments.
- As of December 31, 2023, over 99% of the sleep therapy device registrations that are actionable had been remediated, while the remediation of the ventilator devices remains ongoing. In October 2023, Philips Respiroics received preliminary court approval for the class action settlement that would resolve all or nearly all private economic loss claims in the US.
- Adjusted EBITA\*) amounted to EUR 1,921 million, or 10.6% of sales, compared to 7.4% of sales in 2022. All segments showed an increase in Adjusted EBITA\*) margin, mainly driven by increased sales and pricing & productivity measures, partly offset by cost inflation.
- Supported by significant change management efforts, by year-end 2023 Philips had reduced its workforce by approximately 8,000 roles, out of 10,000 roles in total planned by 2025.
- Net cash flows from operating activities amounted to EUR 2,136 million; free cash flow\*) amounted to EUR 1,582 million.
- Philips cancelled approximately 15.1 million shares acquired under its 2021 share buyback program for capital reduction purposes.

### Philips Group

Key data in millions of EUR unless otherwise stated

	2021	2022	2023
Sales	17,156	17,827	18,169
Nominal sales growth	(0.9)%	3.9%	1.9%
Comparable sales growth <sup>1)</sup>	(1.2)%	(2.8)%	6.0%
Impairment of goodwill	(15)	(1,357)	(8)
Income from operations	553	(1,529)	(115)
<i>as a % of sales</i>	3.2%	(8.6)%	(0.6)%
Financial expenses, net	(39)	(200)	(314)
Investments in associates, net of income taxes	(4)	(2)	(98)
Income tax (expense) benefit	103	113	73
Income from continuing operations	612	(1,618)	(454)
Discontinued operations, net of income taxes	2,711	13	(10)
Net income	3,323	(1,605)	(463)
Adjusted EBITA <sup>1)</sup>	2,054	1,318	1,921
<i>as a % of sales</i>	12.0%	7.4%	10.6%
Income from continuing operations attributable to shareholders <sup>2)</sup> per common share (in EUR) - diluted	0.64	(1.76)	(0.50)
Adjusted income from continuing operations attributable to shareholders <sup>2)</sup> per common share (in EUR) - diluted <sup>1)</sup>	1.58	0.92	1.25

<sup>1)</sup> Non-IFRS financial measure. For the definition and reconciliation of the most directly comparable IFRS measure, refer to Reconciliation of non-IFRS information, starting on page 289 of the 2023 Philips Annual Report.

<sup>2)</sup> Shareholders in this table refers to shareholders of Koninklijke Philips N.V. Per share calculations have been adjusted retrospectively for all periods presented to reflect the issuance of shares for the share dividend in respect of 2022.

<sup>\*)</sup> Non-IFRS financial measure. For the definition and reconciliation of the most directly comparable IFRS measure, refer to Reconciliation of non-IFRS information, starting on page 289 of the 2023 Philips Annual Report.

