



**Koninklijke Philips N.V.**

*(Incorporated as a public limited liability company (naamloze vennootschap) under the laws of the Netherlands registered at the Dutch Chamber of Commerce with number 17001910)*

**€500,000,000 Floating Rate Notes due 6 September 2019**

**€500,000,000 0.500 per cent. Notes due 6 September 2023**

**Issue price: 100.300 per cent. for the Floating Rate Notes and 99.465 per cent. for the Fixed Rate Notes**

The €500,000,000 Floating Rate Notes due 6 September 2019 (the “**Floating Rate Notes**”) and the €500,000,000 0.500 per cent. Notes due 6 September 2023 (the “**Fixed Rate Notes**”) and, together with the Floating Rate Notes, the “**Notes**”) will be issued by Koninklijke Philips N.V. (the “**Issuer**”) on 6 September 2017 (the “**Issue Date**”).

Interest on the Floating Rate Notes is payable quarterly in arrear on the Floating Rate Interest Payment Dates (as defined herein). Payments on the Floating Rate Notes will be made in euro without deduction for or on account of taxes imposed or levied by the Netherlands to the extent described under Condition 7 (*Taxation*) of the Floating Rate Notes.

Unless previously redeemed or purchased and cancelled, the Floating Rate Notes will be redeemed at their principal amount on 6 September 2019. The Floating Rate Notes are subject to redemption in whole at their principal amount at the option of the Issuer on any Floating Interest Payment Date in the event of certain changes affecting taxation in the Netherlands. In addition, the Floating Rate Notes are subject to redemption at their principal amount at the option of the Floating Rate Noteholders upon the occurrence of a Change of Control Put Event (as defined herein). See Condition 6 (*Redemption and Purchase*) of the Floating Rate Notes.

The Fixed Rate Notes will bear interest from 6 September 2017 at the rate of 0.500 per cent. per annum payable annually in arrear on 6 September of each year commencing on 6 September 2018. Payments on the Fixed Rate Notes will be made in euro without deduction for or on account of taxes imposed or levied by the Netherlands to the extent described under Condition 7 (*Taxation*) of the Fixed Rate Notes.

Unless previously redeemed or purchased and cancelled, the Fixed Rate Notes will be redeemed at their principal amount on 6 September 2023. The Issuer has the option to redeem the Fixed Rate Notes at any time at the applicable make-whole redemption price described herein and at their principal amount during a 90 day period prior to the Maturity Date. The Fixed Rate Notes are also subject to redemption in whole at their principal amount at the option of the Issuer at any time in the event of certain changes affecting taxation in the Netherlands. In addition, the Fixed Rate Notes are subject to redemption at their principal amount at the option of the Fixed Rate Noteholders upon the occurrence of a Change of Control Put Event. See Condition 6 (*Redemption and Purchase*) of the Fixed Rate Notes.

The net proceeds of the Notes will be applied in the repayment of the Bridge Loan (as defined herein) which was entered into for the purposes of financing the Acquisition (as defined herein). In addition, the net proceeds of the Notes will be used for general corporate purposes. See “*Use of Proceeds*”.

This Prospectus has been approved by the Luxembourg Commission de Surveillance du Secteur Financier (the “**CSSF**”), which is the Luxembourg competent authority for the purpose of Directive 2003/71/EC, as amended (the “**Prospectus Directive**”) and relevant implementing measures in Luxembourg, as a prospectus. The CSSF assumes no responsibility for the economic and financial soundness of the transactions contemplated by this Prospectus or the quality or solvency of the Issuer in accordance with Article 7(7) of the Prospectus Act 2005. Application has also been made to the Luxembourg Stock Exchange for the Notes to be listed on the official list of the Luxembourg Stock

Exchange (the “**Official List**”) and to be admitted to trading on the Luxembourg Stock Exchange’s regulated market. References in this Prospectus to the Notes being “listed” (and all related references) shall mean that the Notes have been admitted to the Official List and listed on the Luxembourg Stock Exchange’s regulated market. The Luxembourg Stock Exchange’s regulated market is a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments. This Prospectus constitutes a prospectus for the purposes of Article 5.3 of the Prospectus Directive and for the purposes of the Prospectus Act 2005. This Prospectus is available for viewing on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”). Accordingly, the Notes are being offered and sold only to non-U.S. persons outside the United States in offshore transactions in accordance with Regulation S under the Securities Act.

The Issuer’s existing long-term debt is rated Baa1 (with stable outlook) by Moody’s Deutschland GmbH (“**Moody’s**”), A- (with stable outlook) by Fitch Ratings Ltd (“**Fitch**”) and BBB+ (with stable outlook) by Standard & Poor’s Credit Market Services Europe Limited (“**S&P**”). The Floating Rate Notes are expected to be rated Baa1 by Moody’s and A- by Fitch and the Fixed Rate Notes are expected to be rated Baa1 by Moody’s and A- by Fitch. For the purposes of the credit ratings included and referred to in this Prospectus, each of Moody’s, S&P and Fitch are established in the European Union and are included in the list of credit rating agencies registered in accordance with Regulation (EC) No. 1060/2009 on Credit Rating Agencies as amended by Regulation (EU) No. 513/2011 (the “**CRA Regulation**”). This list is available on the ESMA website (<http://www.esma.europa.eu/page/list-registered-and-certified-CRAs>) (last updated 29 March 2017). A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating organisation.

The Floating Rate Notes and the Fixed Rate Notes will each initially be represented by a temporary global note (each, a “**Temporary Global Note**”), without interest coupons. The Floating Rate Notes and the Fixed Rate Notes are issued in new global note (“**NGN**”) form and will be deposited on or about the Issue Date with a common safekeeper for Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking, S.A. (“**Clearstream, Luxembourg**”). Interests in each Temporary Global Note will be exchangeable for interests in a permanent global note (each, a “**Permanent Global Note**”) and, together with the Temporary Global Notes, the “**Global Notes**”), without interest coupons, on or after 16 October 2017 (the “**Exchange Date**”), upon certification as to non-U.S. beneficial ownership. The Global Notes are intended to be eligible collateral for the central banking system for the euro (the “**Eurosystem**”) monetary policy. Whether NGNs are recognisable as eligible collateral for Eurosystem monetary policy and intra-day credit operations will depend upon satisfaction of the Eurosystem eligibility criteria. Interests in the Permanent Global Note will be exchangeable for definitive Notes only in certain limited circumstances (see “*Overview of Provisions relating to the Notes while represented by the Global Notes*”).

**An investment in the Notes involves certain risks. Prospective investors should have regard to the factors described under the heading “Risk Factors” on page 1.**

*Joint Lead Managers*

**BofA Merrill Lynch**

**BNP PARIBAS**

**Deutsche Bank**

**HSBC**

**ING**

**Mizuho Securities**

**MUFG**

**Société Générale  
Corporate & Investment  
Banking**

*Co-Manager*

**ICBC (Europe) S.A.**

The date of this Prospectus is 4 September 2017.

## IMPORTANT NOTICES

The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Issuer, having made all reasonable enquiries, has confirmed to the Managers (as defined in “*Subscription and Sale*”) that this Prospectus contains all material information with respect to the Issuer and the Notes (including all information which, according to the particular nature of the Issuer and of the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and of the rights attaching to the Notes), that the information contained or incorporated in this Prospectus is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed in this Prospectus are honestly held or made and that there are no other facts the omission of which would make this Prospectus or any of such information or the expression of any such opinions or intentions misleading. The Issuer accepts responsibility accordingly.

Neither the Managers (as described under “*Subscription and Sale*”, below) nor Citicorp Trustee Company Limited (the “**Trustee**”) have independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Managers or the Trustee as to the accuracy or completeness of the information contained or incorporated in this Prospectus or any other information provided by the Issuer in connection with the offering of the Notes. No Manager or the Trustee accepts any liability in relation to the information contained or incorporated by reference in this Prospectus or any other information provided by the Issuer in connection with the offering of the Notes or their distribution.

No person is or has been authorised by the Issuer, the Managers or the Trustee to give any information or to make any representation not contained in or not consistent with this Prospectus or any other information supplied in connection with the offering of the Notes and approved for such purpose by the Issuer and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, any of the Managers or the Trustee.

Neither this Prospectus nor any other information supplied in connection with the offering of the Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer, any of the Managers or the Trustee that any recipient of this Prospectus or any other information supplied in connection with the offering of the Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Prospectus nor any other information supplied in connection with the offering of the Notes constitutes an offer or invitation by or on behalf of the Issuer, any of the Managers or the Trustee to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Prospectus nor the offering, sale or delivery of the Notes shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the offering of the Notes is correct as of any time subsequent to the date indicated in the document containing the same. The Managers and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Notes or to advise any investor in the Notes of any information coming to their attention. The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended, (the “**Securities Act**”) and are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to U.S. persons. For a further description of certain restrictions on the offering and sale of the Notes and on distribution of this document, see “*Subscription and Sale*” below.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy the Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer, the Managers and the Trustee do not represent that this Prospectus may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Managers or the Trustee which is intended to permit a public offering of the Notes or the distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or any Notes

may come must inform themselves about, and observe any such restrictions on the distribution of this Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Notes in the United States and the European Economic Area (including the Netherlands and the United Kingdom) (see “*Subscription and Sale*”).

**IN CONNECTION WITH THE ISSUE OF THE NOTES, DEUTSCHE BANK AG, LONDON BRANCH AS STABILISING MANAGER(S) (THE STABILISING MANAGER(S)) (OR PERSONS ACTING ON BEHALF OF ANY STABILISING MANAGER(S)) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILISATION MAY NOT NECESSARILY OCCUR. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILISING MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILISING MANAGER(S)) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.**

All references in this document to “**U.S. dollars**”, “**U.S.\$**” and “**\$**” refer to the currency of the United States of America and to “**euro**”, “**€**” and “**EUR**” refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended. All references in this document to the “**Group**” are to the group consisting of Koninklijke Philips N.V. and its direct and indirect subsidiaries.

Certain figures included in this Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

## **MARKET AND INDUSTRY INFORMATION**

This Prospectus includes and refers to industry and market data derived from or based upon a variety of official, non-official and internal sources, such as internal surveys and management estimates, market research, publicly available information and industry publications.

Market share, ranking and other data contained in this Prospectus may also be based on the Group's good faith estimates, the Group's own knowledge and experience and such other sources as may be available. Industry publications and surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of included information. The information in this Prospectus that has been sourced from third parties has been accurately reproduced and, as far as the Issuer is aware and has been able to ascertain from information published by such third parties, no

facts have been omitted that would render the reproduced information inaccurate or misleading. Neither the Issuer nor the Managers make any representation as to the accuracy or completeness of any such third party information in this Prospectus. Although the Issuer believes that this information is reliable, the Issuer has not independently verified the data from third party sources.

## **PRESENTATION OF FINANCIAL INFORMATION**

### **Presentation of Financial Information**

The audited consolidated financial statements of the Group as of and for the financial years ended 31 December 2016 and 2015 are incorporated by reference herein, as described under “*Information Incorporated by Reference*” and have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) as endorsed by the European Union (“**EU-IFRS**”) and with the statutory provisions of Part 9 of Book 2 of the Dutch Civil Code.

The audited consolidated financial statements of the Group as of and for the financial years ended 31 December 2016 and 2015 include the contributions from Philips Lighting which is presented as a discontinued operation in the financial statements of the Group as of the six months ended 30 June 2017.

The audited company financial statements of the Issuer as of and for the financial years ended 31 December 2016 and 2015 are incorporated by reference herein, as described under “*Information Incorporated by Reference*” and have been prepared in accordance with the legal requirements of Part 9 of Book 2 of the Dutch Civil Code. Section 2:362 (8) of the Dutch Civil Code allows companies that apply EU-IFRS in their consolidated financial statements to use the same measurement principles in their company financial statements. For additional information on such accounting policies, please see the section headed “*Significant accounting policies*” set forth in the audited consolidated financial statements of the Group as of and for the financial years ended 31 December 2016 and 2015, incorporated by reference in this Prospectus. In the audited company financial statements of the Issuer, investments in subsidiaries are accounted for using the equity method. The Issuer’s audited company financial statements are presented in euros, the Issuer’s functional currency.

### **Alternative Performance Measures (or “Non-GAAP Financial Measures”)**

The Issuer believes that an understanding of sales performance, capital efficiency, financial strength and its funding requirements is enhanced by introducing certain Non-GAAP Financial Measures, such as Comparable sales growth and EBITA, which are referred to in this Prospectus. In this section these measures are further explained and reconciled to GAAP measures.

The Group’s Non-GAAP Financial Measures are defined as follows:

#### ***Comparable sales growth***

Comparable sales exclude the effects of currency movements and changes in consolidation. As indicated in “*Significant accounting policies*” to the Group’s audited consolidated financial statements as of and for the financial year ended 31 December 2016, incorporated by reference herein, sales and income are translated from foreign currencies into the Issuer’s reporting currency, the euro, at the exchange rate on transaction dates during the respective years. As a result of significant currency movements during the years presented, the effects of translating foreign currency sales amounts into euros could have a material impact. Therefore, these impacts have been excluded in arriving at the comparable sales in euros. Currency effects have been calculated by translating previous years’ foreign currency sales amounts into euros at the following year’s exchange rates in comparison with the sales in euros as historically reported. The years under review were characterised by a number of acquisitions and divestments, as a result of which activities were consolidated or deconsolidated. The effect of consolidation changes has also been excluded in arriving at the comparable sales. For the purpose of calculating comparable sales, when a previously consolidated entity is sold or contributed to a venture that is not consolidated by the Issuer, relevant sales are excluded from impacted prior-year periods. Similarly, when an entity is acquired, relevant sales are excluded from impacted periods.

**Sales growth composition per segment in %**

	<b>Nominal Growth</b>	<b>Currency Effects</b>	<b>Consolidation Changes</b>	<b>Comparable Growth</b>
<b>2016 versus 2015</b>				
Personal Health	5.2	2.0	0.0	7.2
Diagnosis & Treatment	3.1	0.9	(0.4)	3.6
Connected Care & Health Informatics	4.5	0.1	(0.1)	4.5
HealthTech Other	(5.0)	0.0	0.0	(5.0)
Lighting	(4.6)	2.1	0.2	(2.3)
<b>Group</b>	<b>1.1</b>	<b>1.4</b>	<b>0.2</b>	<b>2.7</b>

**Sales growth composition per geographic cluster in %**

	<b>Nominal Growth</b>	<b>Currency Effects</b>	<b>Consolidation Changes</b>	<b>Comparable Growth</b>
<b>2016 versus 2015</b>				
Western Europe	0.0	1.6	0.2	1.8
North America	2.1	(0.3)	(0.1)	1.7
Other mature geographies	7.9	(5.5)	(0.4)	2.0
<b>Mature geographies</b>	<b>2.0</b>	<b>(0.2)</b>	<b>0.0</b>	<b>1.8</b>
<b>Growth geographies</b>	<b>(0.5)</b>	<b>4.6</b>	<b>0.4</b>	<b>4.5</b>
<b>Group</b>	<b>1.1</b>	<b>1.4</b>	<b>0.2</b>	<b>2.7</b>

**EBITA**

The Issuer uses the terms EBIT and EBITA to evaluate the performance of the Group and its operating segments. The term EBIT has the same meaning as Income from operations (as defined below). EBITA represents income from operations before amortisation and impairment on intangible assets (excluding software and capitalised development expenses). Referencing EBITA is considered appropriate as the Issuer uses it as one of its strategic drivers to increase profitability through re-allocation of its resources towards opportunities offering more consistent and higher returns and believes it will make the underlying performance of its businesses more transparent as it will not be distorted by the unpredictable effects of future, unidentified acquisitions.

EBITA is not a financial measure in accordance with IFRS. Below is a reconciliation of EBITA to the most directly comparable IFRS measure, Net income, for the years indicated. Net income is not allocated to segments as certain income and expense line items are monitored on a centralised basis, resulting in them being shown on a Group level only.

“**Income from operations (EBIT)**” represents net income, less discontinued operations net of income taxes, investments in associates net of income taxes, income tax expense, financial income and financial expense.

**Net Income to EBITA in millions of EUR**

		<b>Personal Health</b>	<b>Diagnosis &amp; Treatment</b>	<b>Connected Care &amp; Health &amp; Informatics</b>	<b>Health-Tech Other</b>	<b>Lighting</b>	<b>Legacy Items</b>
	<b>Group</b>						
<b>2016</b>							
Net Income	1,491						
Discontinued operations, net of income taxes	(416)						
Investments in associates, net of income taxes	(13)						
Income tax expense	327						
Financial expenses	569						
Financial income	(76)						
Income from operations (EBIT)	1,882	953	546	275	(129)	432	(195)
Amortization of intangible assets <sup>1)</sup>	350	139	48	47	9	108	(1)
Impairment of goodwill	3	-	-	-	-	2	1
<b>EBITA</b>	<b>2,235</b>	<b>1,092</b>	<b>594</b>	<b>322</b>	<b>(120)</b>	<b>542</b>	<b>(195)</b>
Sales	24,516	7,099	6,686	3,158	478	7,094	
EBITA as a % of sales	9.1%	15.4%	8.9%	10.2%		7.6%	
<b>2015</b>							
Net Income	659						
Discontinued operations, net of income taxes	(245)						
Investments in associates, net of income taxes	(30)						
Income tax expense	239						
Financial expenses	467						
Financial income	(98)						
Income from operations (EBIT)	992	736	322	173	49	334	(622)
Amortization of intangible assets <sup>1)</sup>	380	149	55	54	15	107	-
Impairment of goodwill	-	-	-	-	-	-	-
<b>EBITA</b>	<b>1,372</b>	<b>885</b>	<b>377</b>	<b>227</b>	<b>64</b>	<b>441</b>	<b>(622)</b>
Sales	24,244	6,751	6,484	3,022	503	7,438	
EBITA as a % of sales	5.7%	13.1%	5.8%	7.5%		5.9%	

1) Excluding amortization of software and product development.

## FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements. In some cases, these forward-looking statements can be identified by the use of forward-looking terminology, including the words “believes”, “estimates”, “aims”, “targets”, “anticipates”, “expects”, “intends”, “plans”, “continues”, “ongoing”, “potential”, “projects”, “guidance”, “seeks”, “may”, “will”, “could”, “would”, “should”, “forecasts”, “outlook” or, in each case, their negative, or other variations or comparable terminology or by discussions of strategies, plans, objectives, targets, goals, future events or intentions. These forward-looking statements include matters that are not historical facts. They appear in a number of places throughout this Prospectus and include statements regarding the Issuer’s intentions, beliefs or current expectations concerning, among other things, the Group’s results of operations, financial condition, liquidity, prospects, competition in areas of its business, outlook and growth prospects, strategies and the industry in which it operates.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance and actual results of operations, financial condition and liquidity and the development of the industry in which the Group operates may differ materially from those made in or suggested by the forward-looking statements contained in this Prospectus. In addition, even if the Group’s results of operations, financial condition and liquidity, and the development of the industry in which it operates are consistent with the forward-looking statements contained in this Prospectus, those results or developments may not be indicative of results or developments in subsequent periods.

Due to such uncertainties and risks, investors are cautioned not to place undue reliance on these forward-looking statements, which speak only as at the date of this Prospectus. Investors are urged to read the sections of this Prospectus entitled “*Risk Factors*” and “*Description of the Issuer and the Group*” for a more detailed discussion of the factors that could affect future performance and the industry in which the Group operates. In light of these risks, uncertainties and assumptions, the forward-looking events described in this Prospectus may not occur. Moreover, the Group operates in a competitive and rapidly changing environment. New risks may be faced from time to time, and it is not possible to predict all such risks; nor can the impact of all such risks on the Group’s business be assessed or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results.

The forward-looking statements are based on plans, estimates and projections as they are currently available to management. The Issuer undertakes no obligation, and does not expect, to publicly update or publicly revise any forward-looking statement, whether as a result of new information, future events or otherwise, save as required by applicable law or regulation. Although the Issuer believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to be correct. All subsequent written and oral forward-looking statements attributable to the Issuer or to persons acting on its behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Prospectus.



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## **RISK FACTORS**

*Any investment in the Notes is subject to a number of risks. Prior to investing in the Notes, prospective investors should carefully consider risk factors associated with any investment in the Notes, the business of the Issuer and the industries in which it operates together with all other information contained in this Prospectus, including, in particular the risk factors described below.*

*The Issuer believes that the factors described below may affect its ability to fulfil its obligations under the Notes. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring. The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes, but additional risks and uncertainties relating to the Issuer that are not currently known to the Issuer or that it currently deems immaterial, may individually or cumulatively also have a material adverse effect on the business, prospects, results of operations and/or financial position of the Issuer and, if any such risk should occur, the price of the Notes may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the Notes is suitable for them in light of the information in this Prospectus and their personal circumstances.*

*Words and expressions defined in “Terms and Conditions of the Floating Rate Notes” and in “Terms and Conditions of the Fixed Rate Notes” shall have the same meanings in these risk factors.*

### **Factors that may affect the Issuer's ability to fulfil its obligations under the Notes**

#### ***Risks relating to the Issuer's Industry, Business and Operations***

***The Group may be unable to adapt swiftly to changes in industry or market circumstances, which could have a material adverse impact on its financial condition and results***

Fundamental shifts in the Healthcare industry, like the transition towards digital, may drastically change the business environment. If the Group is unable to recognise these changes in good time, is late in adjusting its business models, or if circumstances arise such as pricing actions by competitors, then this could have a material adverse effect on the Group's growth ambitions, financial condition and operating results.

***As the Group's business is global, its operations are exposed to economic and political developments in countries across the world that could adversely impact its revenues and income***

The Group's business environment is influenced by political and economic conditions in individual and global markets. The Group continues to experience the impact from changes in macroeconomic development in various geographies. Economic growth in China is lower compared to average growth over the last two decades. The economic growth of countries which are highly dependent on revenues from energy, raw materials and commodities remains adversely affected by the lower levels of growth in China, most strongly in emerging market countries. Low revenues from oil also affected countries in the Middle East where public spending has been dramatically reduced. Monetary interventions by the European Central Bank has not resulted in a meaningful increase of inflation, although economic growth in parts of the European Union has improved. The consensus economic outlook for the United Kingdom as well as for the European Union has become less favourable as a result of the Brexit vote in June 2016. The result of the U.S. presidential election and potential changes in U.S. economic and monetary policies (i.e., expected further rate hikes) may have an impact not only on the U.S. dollar but also on a range of emerging market currencies. Both Brexit and the policies of the new U.S. administration may have a significant impact on international trade tariffs and customs laws. The disparate macroeconomic outlook for the main geographies, political conflicts and the unknown impact of potential changes in Eurozone monetary policy continue to create uncertainty as to the levels of (public) capital expenditures in general, unemployment levels and consumer and business confidence, which could adversely affect demand for products and services offered by the Group. These economic conditions may have an adverse effect on financial markets, which could affect the ability of the Group to make strategic divestments at reasonable price levels or within a reasonable period of time.

The general global political environment remains unfavourable for the business environment due to a rise in political conflicts and terrorism and financial markets continue to be highly volatile due to political and macroeconomic issues in most major regions such as Europe, the United States, China, Russia, the Middle East, Turkey and Latin America. Such conditions in financial markets may adversely affect the financing of and revenues from the ongoing divestment of Philips Lighting. Numerous other factors, such as sustained lower levels of energy and raw material prices, regional political conflicts in the Middle East, Turkey, Russia and Ukraine and other regions, as well as large-scale (in)voluntary

migration and profound social instability could continue to impact macroeconomic factors and the international capital and credit markets. The new U.S. administration may implement changes in, among others, U.S. foreign policy, healthcare, trade and tax laws, the impact of which cannot be predicted. After the 2017 elections in the United Kingdom, there is continued uncertainty on the nature of Brexit, which may adversely affect economic growth and the business environment in the United Kingdom and the rest of the European Union. Economic and political uncertainty may have a material adverse impact on the Group's financial condition or results of operations and can also make it more difficult for the Group to budget and forecast accurately. The Group may encounter difficulty in planning and managing operations due to the lack of adequate infrastructure and unfavourable political factors, including unexpected legal or regulatory changes such as foreign exchange restrictions, import or export controls, increased healthcare regulation, nationalisation of assets or restrictions on the repatriation of returns from foreign investments. Given that growth in emerging market countries is correlated to U.S. and European economic growth and that such emerging market countries are increasingly important in the Group's operations, the above-mentioned risks are also expected to grow and could have a material adverse effect on the Group's financial condition and operating results.

***The Group's overall risk profile will be changing as a result of the focus on Health Technology***

The risk profile of the Group will change as and when Philips Lighting N.V. ("**Philips Lighting**") is sold and deconsolidated. As described in "*Description of the Issuer and the Group—Business of the Group—Lighting*", the Issuer intends to fully sell down its interest in Philips Lighting over the next few years and as at 27 July 2017 (being the date of the latest publicly available information), the Issuer's interest in the issued share capital of Philips Lighting was approximately 40.97 per cent. The risk profile is expected to shift towards risks generally associated to health technology companies.

***The Group's overall performance in the coming years is expected to depend on the realisation of its growth ambitions in growth geographies***

Growth geographies are becoming increasingly important in the global market. In addition, Asia is an important production, sourcing and design centre for the Group. The Group faces strong competition to attract the best talent in tight labour markets and intense competition from local companies as well as other global players for market share in growth geographies. The Group needs to maintain and grow its position in growth geographies, invest in data driven services, invest in local talent, understand developments in end user preferences and localise the portfolio in order to stay competitive. If the Group fails to achieve these objectives, then this could have a material adverse effect on growth ambitions, financial condition and operating results.

The growth ambitions of the Group may also be adversely affected by economic volatility inherent in growth geographies and the impact of changes in macroeconomic circumstances on growth economies.

***The Group may not control joint ventures or associated companies in which it invests, which could limit the ability of the Group to identify and manage risks***

The Group has invested and may invest in joint ventures and associated companies in which the Group will have a non-controlling interest. In these cases, the Group has limited influence over, and limited or no control of, the governance, performance and cost of operations of joint ventures and associated companies. Some of these joint ventures and associated companies may represent significant investments and potentially also use the Group's brand. The joint ventures and associated companies that the Group does not control may make business, financial or investment decisions contrary to the Group's interests or may make decisions different from those that the Group itself may have made. Additionally, the Group partners or members of a joint venture or associated company may not be able to meet their financial or other obligations, which could expose the Group to additional financial or other obligations, as well as having a material adverse effect on the value of its investments in those entities or potentially subject the Group to additional claims. Lumileds and Philips Lighting are examples of companies in which the Group may continue to have a significant (residual) interest but may not have control.

***Acquisitions could expose the Group to integration risks and challenge management in continuing to reduce the complexity of the Issuer***

The Group's acquisitions may expose the Group in the future to integration risks in areas such as sales and service force integration, logistics, regulatory compliance, information technology and finance. Integration difficulties and complexity may adversely impact the realisation of an increased contribution from acquisitions. The Group may incur significant acquisition, administrative and other costs in connection with these transactions, including costs related to the integration of acquired businesses.

Furthermore, organisational simplification expected to be implemented following an acquisition and the resulting cost savings may be difficult to achieve. Acquisitions may also lead to a substantial increase in long-lived assets, including goodwill. Write-downs of these assets due to unforeseen business development may have a material adverse effect on the Group's earnings.

***The Group's inability to secure and maintain intellectual property rights for products, whilst maintaining overall competitiveness, could have a material adverse effect on its results***

The Group is dependent on its ability to obtain and maintain licenses and other intellectual property ("IP") rights covering its products and its design and manufacturing processes. The IP portfolio is the result of an extensive patenting process that could be influenced by a number of factors, including innovation. The value of the IP portfolio is dependent on the successful promotion and market acceptance of standards developed or co-developed by the Group. This is particularly applicable to Personal Health where third-party licences are important and a loss or impairment could have a material adverse impact on the Group's financial condition and operating results.

***Failure to comply with quality standards and regulations can trigger warranty and product liability claims against the Group and can lead to financial losses and adversely impact the Group's reputation, market share and brand***

The Group is required to comply with the highest standards of quality in the manufacture of its medical devices. The Group hereto is subject to the supervision of various national regulatory authorities. Conditions imposed by such national regulatory authorities could result in product recalls or a temporary ban on products and/or production facilities. In addition such quality issues and/or liability claims could affect the Group's reputation and its relationships with key customers (both customers for end products and customers that use the Group's products in their production process). As a result, depending on the product and manufacturing site concerned and the severity of the objection, this could lead to financial losses through lost revenue and costs of any required remedial actions, and have further impacts on the Group's reputation, market share and brand.

***The Group has observed a global increase in information technology ("IT") security threats and higher levels of sophistication in computer crime, posing a risk to the confidentiality, availability and integrity of data and information***

The global increase in security threats and higher levels of professionalism in computer crime have increased the importance of effective IT security measures, including proper identity management processes to protect against unauthorised systems access. Nevertheless, the Group's systems, networks, products, solutions and services remain vulnerable to attacks, which could lead to the leakage of confidential information, improper use of its systems and networks or defective products, which could in turn have a material adverse effect on the Group's financial condition and operating results. In recent years, the risks that the Group and other companies face from cyber-attacks have increased significantly. The objectives of these cyber-attacks vary widely and may include, among things, disruptions of operations including provision of services to customers or theft of IP or other sensitive information belonging to the Group or other business partners. Successful cyber-attacks may result in substantial costs and other negative consequences, which may include, but are not limited to, lost revenues, reputational damage, remediation costs, and other liabilities to customers and partners. Furthermore, enhanced protection measures can involve significant costs. Although the Group has experienced cyber-attacks and to date has not incurred any significant damage as a result and did not incur significant monetary cost in taking corrective action, there can be no assurance that in the future the Group will be as successful in avoiding damages from cyber-attacks, which could lead to financial losses. Additionally, the integration of new companies and successful outsourcing of business processes are highly dependent on secure and well-controlled IT systems.

***Diversity in IT could result in ineffective or inefficient business management. IT outsourcing and off-shoring strategies could result in complexities in service delivery and contract management***

The Group continuously seeks to create a more open, standardised and cost-effective IT landscape, including through further outsourcing, off-shoring, commoditisation and ongoing reduction in the number of IT systems. These changes create risk with regard to the delivery of IT services, the availability of IT systems and the scope and nature of the functionality offered by IT systems.

***Transformation programmes***

In 2011, the Group began a transformation programme ("Accelerate!") designed to unlock the Group's full potential. In 2014, as a next phase in the Accelerate! transformation programme, the Group announced its plan to sharpen its strategic focus by establishing two standalone companies focused on the HealthTech and Lighting opportunities respectively. The Philips Lighting business was separated in 2016, with the Issuer selling a portion of its ownership

stake and Philips Lighting becoming listed on the Amsterdam Stock Exchange. As described in “*Description of the Issuer and the Group—Business of the Group—Lighting*”, the Issuer has subsequently further decreased its stake in Philips Lighting through accelerated bookbuilt offerings in February and April 2017 and, as at 27 July 2017 (being the date of the latest publicly available information), the Issuer’s interest in the issued share capital of Philips Lighting was approximately 40.97 per cent.

Failure to achieve the objectives of any transformation programme may have a material adverse effect on the mid-term and long-term financial targets of the Group.

In addition, any transformation programme in relation to the Finance function may expose the Group to adverse changes in the quality of its systems of internal control.

***If the Group is unable to ensure effective supply chain management, for example, through an interruption of its supply chain, including the inability of third parties to deliver parts, components and services on time, and if it is subject to rising raw material prices, it may be unable to sustain its competitiveness in its markets***

The Group is continuing the process of creating a leaner supply base with fewer suppliers, while maintaining dual/multiple sourcing strategies where possible. This strategy very much requires close cooperation with suppliers to enhance, among other things, time to market and quality. In addition, the Group is continuing its initiatives to replace internal capabilities with less costly outsourced products and services. These processes may result in increased dependency on external suppliers and providers. Although the Group works closely with its suppliers to avoid supply-related problems, there can be no assurance that it will not encounter supply problems in the future or that it will be able to replace a supplier that is not able to meet its demand sufficiently quickly to avoid disruptions.

Shortages or delays could materially harm its business. Most of the Group’s activities are conducted outside of the Netherlands, and international operations bring challenges. For example, the Group depends partly on the production and procurement of products and parts from Asian countries, and this constitutes a risk that production and shipping of products and parts could be interrupted by regional conflicts, a natural disaster or extreme weather events resulting from climate changes. A general shortage of materials, components or subcomponents as a result of natural disasters also poses the risk of unforeseeable fluctuations in prices and demand, which could have a material adverse effect on the Group’s financial condition and operating results.

Businesses purchase raw materials, including so-called rare earth metals, copper, steel, aluminium, noble gases and oil-related products, which exposes them to fluctuations in energy and raw material prices. In recent times, commodities have been subject to volatile markets, and such volatility is expected to continue. If the Group is not able to compensate for increased costs or pass them on to customers, price increases could have a material adverse impact on the Group’s results. In contrast, in times of falling commodity prices, the Group may not fully benefit from such price decreases, since the Group attempts to reduce the risk of rising commodity prices by several means, including long-term contracting or physical and financial hedging.

***Failure to achieve improvements in the Group’s solution and product creation process and/or increased speed in innovation-to-market could hamper the Group’s profitable growth ambitions***

Further improvements in the Group’s solution and product creation process, ensuring timely delivery of new solutions and products at lower cost and improvement in customer service levels to create sustainable competitive advantages, are important in realising the Group’s profitable growth ambitions. The emergence of new low-cost competitors, particularly in Asia, further underlines the importance of improvements in the product creation process. The success of new solution and product creation, however, depends on a number of factors, including timely and successful completion of development efforts, market acceptance, the Group’s ability to manage the risks associated with new products and production ramp-up issues, the ability of the Group to attract and retain employees with the appropriate skills, the availability of products in the right quantities and at appropriate costs to meet anticipated demand and the risk that new products and services may have quality or other defects in the early stages of introduction. Accordingly, the Group cannot determine in advance the ultimate effect that new solutions and product creations will have on its financial condition and operating results. If the Group fails to create and commercialise products or fails to ensure that end user insights are translated into solution and product creations that improve product mix and consequently contribution, it may lose its market share and competitiveness, which could have a material adverse effect on its financial condition and operating results.

***Because the Group is dependent on its personnel for leadership and specialised skills, the loss of its ability to attract and retain such personnel would have an adverse effect on its business***

The attraction and retention of talented employees in sales and marketing, research and development, finance and general management, as well as of highly specialised technical personnel, especially in transferring technologies to low-cost countries, is critical to the Group's success particularly in times of economic recovery. The loss of specialised skills could also result in business interruptions. There can be no assurance that the Group will be successful in attracting and retaining highly qualified employees and key personnel needed in the future.

#### ***Risk of unauthorised use of IP rights***

The Group produces and sells products and services which incorporate technology protected by IP rights. The Group develops and acquires IP rights on a regular basis. The Group is exposed to the risk that a third party may claim to own the IP rights on technology applied in Group products and services and that in the event that their claims of infringement of these IP rights are successful, they may be entitled to damages and the Group could incur a fine.

#### ***Any damage to the Group's reputation could have an adverse effect on its businesses and brand***

The Group is exposed to developments which could affect its reputation. Such developments could be of an environmental or social nature, connected to the behaviour of individual employees or suppliers, or could relate to adherence to regulations related to, for example, labour, health and safety, environmental and chemical management. Reputational damage could materially impact the Group's brand value, financial condition and operating results.

#### ***Legal and Compliance Risks***

##### ***The Group is exposed to non-compliance with product safety laws and data privacy***

The Group's brand image and reputation would be adversely impacted by non-compliance with various product safety laws and data protection. In light of the Group's digital strategy, data privacy laws are increasingly important. Also, Diagnosis & Treatment and Connected Care & Health Informatics are subject to various (patient) data protection and safety laws. In Diagnosis & Treatment and Connected Care & Health Informatics, privacy and product safety and security issues may arise, especially with respect to remote access or monitoring of patient data or loss of data on the Group's customers' systems. The Group is exposed to the risk that its products, including components or materials procured from suppliers, may prove to be not compliant with safety laws, for example, chemical safety regulations. Such non-compliance could result in a ban on the sale or use of these products.

The Group operates in a highly regulated product safety and quality environment. The Group's products are subject to regulation and ongoing inspection by various government agencies, including the U.S. Food and Drug Administration ("FDA") and comparable foreign agencies. Obtaining their approval is costly and time consuming, but a prerequisite for introducing products in the market. A delay or inability to obtain the necessary regulatory approvals for new products could have a material adverse effect on business. The risk exists that product safety incidents or user concerns could trigger FDA business reviews which, if failed, could lead to business interruption which in turn could adversely affect the Group's financial condition and operating results. For example, the voluntary suspension in 2014 of new production at the Group's Healthcare facility in Cleveland, Ohio targeted to further strengthen manufacturing process controls after certain issues in this area were identified during an ongoing FDA inspection.

##### ***The Group's global presence exposes the Issuer to regional and local regulatory rules, changes to which may affect the realisation of business opportunities and investments in the countries in which the Group operates***

The Group has established subsidiaries in over 80 countries. These subsidiaries are exposed to changes in governmental regulations and unfavourable political developments, which may affect the realisation of business opportunities or impair the Group's local investments. The Group's increased focus on the healthcare sector increases its exposure to highly regulated markets, where obtaining clearances or approvals for new products is of great importance, and where there is a dependency on the available funding for healthcare systems. In addition, changes in government reimbursement policies may affect spending on healthcare.

##### ***The Group is exposed to governmental investigations and legal proceedings with regard to possible anticompetitive market practices***

National and European authorities are increasingly focused on possible anti-competitive market practices. The Group's financial position and results could be materially affected by an adverse final outcome of governmental investigations and litigation, as well as any potential related claims. See "Description of the Issuer and the Group—Legal and Arbitration Proceedings".

***Legal proceedings covering a range of matters are pending in various jurisdictions against the Group and its current and former group companies. Due to the uncertainty inherent in legal proceedings, it is difficult to predict the final outcome***

The Group, including a certain number of its current and former group companies, is involved in legal proceedings relating to such matters as competition issues, commercial transactions, product liability, participations and environmental pollution. Since the ultimate outcome of asserted claims and proceedings, or the impact of any claims that may be asserted in the future, cannot be predicted with certainty, the Group's financial position and results of operations could be affected materially by adverse outcomes. See "*Description of the Issuer and the Group—Legal and Arbitration Proceedings*".

***The Group is exposed to non-compliance with business conduct rules and regulations***

The Group's attempts to realise its growth ambitions could expose it to the risk of non-compliance with business conduct rules and regulations, such as anti-bribery provisions. This risk is heightened in growth geographies as the legal and regulatory environment is less developed in growth geographies compared to mature geographies. Examples include commission payments to third parties, remuneration payments to agents, distributors, consultants and the like, and the acceptance of gifts, which may be considered in some markets to be normal local business practice.

***Defective internal controls would adversely affect the Group's financial reporting and management process***

The reliability of reporting is important in ensuring that management decisions for steering the businesses and managing both top-line and bottom-line growth are based on reliable data. Flaws in internal control systems could adversely affect the financial position and results and hamper expected growth.

Accurate disclosures provide investors and other market professionals with significant information for a better understanding of the Group's businesses. Imperfections or lack of clarity in disclosures could create market uncertainty regarding the reliability of the data presented and could have a negative impact on the Issuer's share price.

The reliability of revenue and expenditure data is key for steering the business and for managing top-line and bottom-line growth. The long lifecycle of healthcare sales, from order acceptance to accepted installation, together with the complexity of the accounting rules for when revenue can be recognised in the accounts, presents a challenge in terms of ensuring there is consistency of application of the accounting rules throughout the Group's global business.

***Financial Risks***

***The Issuer is exposed to uncertainty on the timing and proceeds of a sale of Philips Lighting***

In 2016, the Issuer separated its Lighting business and on 27 May 2016, Philips Lighting was listed on the Amsterdam Stock Exchange. Since then Philips Lighting operates as a separate listed company. The Issuer has subsequently sold down part of its ownership in Philips Lighting. As described in "*Description of the Issuer and the Group—Business of the Group—Lighting*", the Issuer's overall objective is to fully divest its ownership of Philips Lighting. The nature or form, timing and the level of proceeds from this divestment process are uncertain. The timing and level of proceeds will depend on general market conditions and investor appetite for companies of this size and nature. During this process the Issuer may lose control over Philips Lighting and deconsolidate the assets, liabilities and financial results of Philips Lighting.

***The Group is exposed to a variety of treasury risks and other financial risks including liquidity risk, currency risk, interest rate risk, commodity price risk, credit risk, country risk and other insurable risk***

Negative developments impacting the liquidity of global capital markets could affect the ability of the Issuer to raise or re-finance debt in the capital markets or could lead to significant increases in the cost of such borrowing in the future. If the markets expect a downgrade or downgrades by the rating agencies or if such a downgrade has actually taken place, this could increase the cost of borrowing, reduce the Issuer's potential investor base and adversely affect the Group's business.

The Group operates in over 100 countries and its earnings and equity are therefore inevitably exposed to fluctuations in exchange rates of foreign currencies against the euro. The Group's sales are sensitive in particular to movements in the U.S. dollar, Japanese yen and a wide range of other currencies from developed and emerging markets. The Group's sourcing and manufacturing spend is concentrated in the Eurozone, United States and China. Income from operations is sensitive to movements in currencies from countries where the Group has no manufacturing/sourcing activities or only

has manufacturing/sourcing activities on a small scale such as Japan, Canada, Australia and the United Kingdom and in a range of emerging markets such as Russia, Korea, Indonesia, India and Brazil.

The credit risk of financial and non-financial counterparties with outstanding payment obligations creates exposures for the Group, particularly in relation to accounts receivable with customers and liquid assets and fair values of derivatives and insurance receivables contracts with financial counterparties. A default by counterparties in such transactions can have a material adverse effect on the Group's financial condition and operating results.

The Group's supply chain is exposed to fluctuations in energy and raw material prices. Commodities such as oil are subject to volatile markets and significant price increases from time to time. If the Group is not able to compensate for, or pass on in good time, its increased costs to customers, such price increases could have an adverse impact on its financial condition and operating results.

The Group is exposed to interest rate risk, particularly in relation to its long-term debt position; this risk can take the form of either fair value or cash flow risk. Failure to effectively hedge this risk can impact the Group's financial condition and operating results.

***The Group is exposed to tax uncertainties, which could have a significant financial impact***

The Group is exposed to tax uncertainties, which could result in double taxation, penalties and interest payments. These include transfer pricing uncertainties on cross-border deliveries of goods and services to related parties, tax uncertainties related to acquisitions, divestments, the use of tax credits, permanent establishments, tax loss and tax credits carried forward, and potential changes in tax law that could result in higher tax expenses and payments. The uncertainties may have a significant impact on local financial tax results which in turn could adversely affect the Group's financial condition and operating results.

The value of the tax losses carried forward is subject to availability of sufficient taxable income within the tax loss-carry-forward period, or within the foreseeable future in the case of tax losses carried forward with an indefinite carry-forward period. The ultimate realisation of the Issuer's deferred tax assets, including tax losses and tax credits carried forward, is dependent upon the generation of future taxable income in the countries where the temporary differences, unused tax losses and unused tax credits were incurred and on periods during which the deferred tax assets become deductible. Additionally, in certain instances, realisation of such deferred tax assets is dependent upon the successful execution of tax planning strategies. Accordingly, there can be no absolute assurance that all (net) tax losses and credits carried forward will be realised.

***Changes to taxation or the interpretation or application of tax laws could have an adverse impact on the Group's results of operations and financial condition***

The Group's business is subject to various taxes in the Netherlands and elsewhere as it operates on a global basis. The various taxes to which the Group is subject include, among others, corporate income tax, regional trade tax, value added tax ("VAT"), excise duty, registration tax and other direct and indirect taxes. This exposes the Group to the risk that the overall tax burden that it suffers may increase in the future. Also, as a global business, the Group's effective average tax rate from period to period will be affected by many factors, including changes in tax legislation, global mix of earnings, the tax characteristics of the Group's income, the timing and recognition of goodwill impairments, acquisitions and dispositions and adjustments to the Group's reserves related to uncertain tax positions.

Changes in tax laws or regulations or in the position of the relevant tax authorities regarding the application, administration or interpretation of these laws or regulations, particularly if applied retrospectively, could have negative effects on the Group's current business model and have a material adverse effect on the Group's operating results, business and financial condition.

In addition, tax laws are complex and subject to subjective evaluations and interpretative decisions, and the Group will periodically be subject to tax audits aimed at assessing its compliance with direct and indirect taxes. The tax authorities may not agree with the Group's interpretations of, or with the positions the Group has taken or intends to take on, tax laws applicable to its ordinary activities and extraordinary transactions. In case of challenges by the tax authorities to the Group's interpretations, the Group could face long tax proceedings that could result in the payment of penalties and have a material adverse effect on the Group's operating results, business and financial condition.

***The Group has defined-benefit pension plans and other post-retirement plans in a number of countries. The funded status and the cost of maintaining these plans are influenced by movements in financial market and demographic developments, creating volatility in the Group's financials***



A significant proportion of (former) employees in Europe and North and Latin America is covered by defined-benefit pension plans and other post-retirement plans. The accounting for such plans requires management to make estimates on assumptions such as discount rates, inflation, longevity, expected cost of medical care and expected rates of compensation. Movements (for example, due to the movements of financial markets) in these assumptions can have a significant impact on the defined benefit obligations and net interest cost. A negative performance of the financial markets could have a material impact on cash funding requirements and net interest cost and also affect the value of certain financial assets and liabilities of the Group.

***The Group is exposed to a number of reporting risks***

A risk rating is assigned for each risk identified, based on the likelihood of occurrence and the potential impact of the risk on the financial statements and related disclosures. In determining the probability that a risk will result in a misstatement of a more than inconsequential amount or of a material nature, the following factors are considered to be critical: complexity of the associated accounting activity or transaction process, history of accounting and reporting errors, likelihood of significant (contingent) liabilities arising from activities, exposure to losses, existence of a related party transaction, volume of activity and homogeneity of the individual transactions processed, and changes in accounting characteristics in the prior period compared to the period before that.

The Issuer considers that reporting risk is closely related to the use of estimates and application of judgment. The areas where the most significant judgments and estimates are made are goodwill, deferred tax asset recoverability, impairments, financial instruments, the accounting for an arrangement containing a lease, revenue recognition (multiple element arrangements), assets and liabilities from employee benefit plans, tax risks and other contingencies, classification of assets and liabilities held for sale and the presentation of items of profit and loss and cash flow as continued or discontinued, as well as determining the fair value of acquired identifiable intangible assets based on an assessment of future cash flows.

**Factors which are material for the purpose of assessing the risks associated with the Notes**

***The Issuer is a holding company***

The Issuer is a holding company and the operations of the Group are carried out through its subsidiaries and, to such extent, the Issuer depends on the earnings and cash flows of, and the distribution of funds from, these subsidiaries to meet its debt obligations, including its obligations with respect to the Notes. Generally, creditors of a subsidiary, including trade creditors, secured creditors and creditors holding indebtedness and guarantees issued by the subsidiary, will have a claim over the assets of that subsidiary before any of those assets can be distributed to shareholders upon liquidation or winding up. As a result, the Issuer's obligations in respect of the Notes will, to the extent described above, effectively be subordinated to the prior payment of all the debts and other liabilities of the Issuer's direct and indirect subsidiaries, including the rights of trade creditors, secured creditors and creditors holding indebtedness and guarantees issued by the subsidiaries, all of which could be substantial.

***The conditions of the Notes may be modified and/or the Issuer may be substituted***

The Floating Rate Note Conditions and the Fixed Rate Note Conditions contain provisions for calling meetings of the relevant class of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Floating Rate Note Conditions and the Fixed Rate Note Conditions also provide that the Trustee may, without the consent of the relevant class of Noteholders, agree to (i) certain modifications of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of Notes, the Trust Deed or the Agency Agreement, or (ii) determine without the consent of the Noteholders that any Event of Default or potential Event of Default shall not be treated as such, in the circumstances described in Condition 13 (*Meeting of Floating Rate Noteholders, Modification, Waiver, Authorisation and Determination, Substitution*) of the Floating Rate Notes and Condition 13 (*Meeting of Fixed Rate Noteholders, Modification, Waiver, Authorisation and Determination, Substitution*) of the Fixed Rate Notes.

The Floating Rate Note Conditions and the Fixed Rate Note Conditions also provide for the substitution of another entity in place of the Issuer without the consent of the relevant Noteholders (subject to certain conditions as referred to therein). See Condition 13 (*Meeting of Floating Rate Noteholders, Modification, Waiver, Authorisation and Determination, Substitution*) of the Floating Rate Notes and Condition 13 (*Meeting of Fixed Rate Noteholders, Modification, Waiver, Authorisation and Determination, Substitution*) of the Fixed Rate Notes.

***The Notes do not restrict the amount of debt which the Issuer may incur***

The Floating Rate Note Conditions and the Fixed Rate Note Conditions do not contain any restriction on the amount of indebtedness which the Issuer and its subsidiaries may from time to time incur. In the event of any insolvency or winding-up of the Issuer, the Notes will rank equally with the Issuer's other unsecured senior indebtedness and, accordingly, any increase in the amount of the Issuer's unsecured senior indebtedness in the future may reduce the amount recoverable by Noteholders. In addition, the Notes are unsecured and, save as provided in Condition 3 (*Negative Pledge*) of each of the Floating Rate Notes and the Fixed Rate Notes, do not contain any restriction on the giving of security by the Issuer and its subsidiaries over present and future indebtedness. Where security has been granted over assets of the Issuer to secure indebtedness, in the event of any insolvency or winding-up of the Issuer, subject to Condition 3 (*Negative Pledge*) of each of the Floating Rate Notes and the Fixed Rate Notes, such indebtedness will rank in priority over the Notes and other unsecured indebtedness of the Issuer in respect of such assets. In relation to the assets and indebtedness of the Issuer's subsidiaries, see also "*The Issuer is a holding company*" above.

***The Notes may be redeemed prior to maturity***

The Fixed Rate Notes contain an optional redemption feature, as set out in Condition 6.3 (*Redemption at the option of the Issuer*) of the Fixed Rate Notes, which is likely to limit their market value. During any period when the Issuer may elect to redeem the Fixed Rate Notes, the market value of the Fixed Rate Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem the Fixed Rate Notes when its cost of borrowing is lower than the interest rate on the Fixed Rate Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Fixed Rate Notes being redeemed and may only be able to do so at a significantly lower rate.

In addition, in the event that the Issuer would be obliged to increase the amounts payable in respect of any Floating Rate Notes or Fixed Rate Notes due to any withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by or on behalf of the Netherlands or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may redeem all outstanding Floating Rate Notes or Fixed Rate Notes in accordance with the Floating Rate Notes and the Fixed Rate Notes.

If the Issuer calls and redeems the Floating Rate Notes or Fixed Rate Notes in the circumstances mentioned above, the Noteholders may not be able to reinvest the redemption proceeds in securities offering a comparable yield. Potential investors should consider reinvestment risk in light of other investments available at that time.

***Changes in the Group's credit ratings and/or the credit ratings assigned to the Notes could adversely affect the value of the Notes***

Any of the rating agencies that rate the debt of the Group, including the Notes, has the ability to lower the ratings currently assigned to that debt as a result of its views about the Group's current or future business, financial condition, results of operations or other matters. Any ratings decline could adversely affect the value of the Notes. In addition, the credit ratings ascribed to the Notes are intended to reflect the Issuer's ability to meet its repayment obligations in respect of the Notes, and may not reflect the potential impact of all risks related to the structure, the market, the Group and other factors on the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating organisation. Each rating should be evaluated independently of any other rating.

***No assurance can be given as to the impact of any change of law***

The Floating Rate Note Conditions and the Fixed Rate Note Conditions are based on English law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Prospectus. In addition, any change in law or regulation that obliges the Issuer to increase the amount payable in respect of the Notes for withholding or other taxes may entitle the Issuer to redeem the Notes. See "*The Notes may be redeemed prior to maturity*" above.

***Because the Global Notes are held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on their procedures for transfer, payment and communication with the Issuer***

The Notes will be represented by the Global Notes except in certain limited circumstances described in the relevant Permanent Global Note. The Global Notes will be deposited with a common safekeeper for Euroclear and Clearstream, Luxembourg. Except in certain limited circumstances described in the relevant Permanent Global Note, investors will not be entitled to receive definitive Notes. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Notes and, while the Notes are represented by the Global Notes, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

The Issuer will discharge its payment obligations under the Notes by making payments to or to the order of the common safekeeper for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Note must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies.

***Denominations involve integral multiples: definitive Notes***

The Notes have denominations consisting of a minimum specified denomination of €100,000 plus one or more higher integral multiples of €1,000 in excess thereof up to and including €199,000 as set out in Condition 1 (“*Form, Denomination and Title*”) of each of the Floating Rate Notes and the Fixed Rate Notes and as such it is possible that the Notes may be traded in amounts in excess of the minimum specified denomination that are not integral multiples of such minimum specified denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum specified denomination in his account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a principal amount of Notes at or in excess of the minimum specified denomination such that its holding amounts to a specified denomination. Further, a holder who, as a result of trading such amounts, holds an amount which is less than the minimum specified denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes at or in excess of the minimum specified denomination such that its holding amounts to a specified denomination.

If such Notes in definitive form are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum specified denomination may be illiquid and difficult to trade.

***An active secondary market in respect of the Notes may never be established or may be illiquid and this would adversely affect the value at which an investor could sell its Notes***

The Notes are new securities which may not be widely distributed and for which there is currently no active trading market. If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. Although applications have been made for the Notes to be admitted to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Luxembourg Stock Exchange's regulated market, there is no assurance that an active trading market will develop, and if a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. In addition, liquidity may be limited if the Notes are allocated to a limited number of investors.

***The Notes are subject to exchange rate risks and exchange controls***

The Issuer will pay principal and interest on the Notes in euro. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the “**Investor's Currency**”) other than the euro. These include the risk that exchange rates may significantly change (including changes due to devaluation of the euro or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the euro would decrease (i) the Investor's Currency-equivalent yield on the Notes, (ii) the Investor's Currency-equivalent value of the principal payable on the Notes, and (iii) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

### ***The Notes are subject to interest rate risks***

Investment in the Fixed Rate Notes, which bear a fixed rate of interest, involves the risk that if market interest rates subsequently increase above the rate paid on the Fixed Rate Notes, this will adversely affect the value of the Fixed Rate Notes. While the nominal interest rate of a security with a fixed interest rate is fixed during the life of such security or during a certain period of time, market interest rates typically change on a daily basis. As market interest rates change, the price of such security changes in the opposite direction. If market interest rates increase, the price of such security typically falls, until the yield of such security is approximately equal to the prevailing market interest rate. Conversely, if market interest rates fall, the price of a security with a fixed interest rate typically increases, until the yield of such security is approximately equal to the prevailing market interest rate. Investors should be aware that the market price of the Fixed Rate Notes may fall as a result of movements in market interest rates.

Similarly, investment in the Floating Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Floating Rate Notes. A key difference between the Floating Rate Notes and the Fixed Rate Notes is that interest income on the Floating Rate Notes cannot be anticipated. Due to varying interest income, investors are not able to determine a definite yield of the Floating Rate Notes at the time they purchase them, so their return on investment cannot be compared with that of investments having longer fixed interest periods.

### ***Legal investment considerations may restrict certain investments***

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) the Notes are legal investments for it, (ii) the Notes can be used as collateral for various types of borrowing, and (iii) other restrictions apply to its purchase or pledge of the Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

### ***The Notes may not, or may cease to, satisfy the criteria to be recognised as eligible collateral for the Eurosystem***

The Notes are issued in new global note form. The new global note form has been introduced to allow for the possibility of debt instruments being issued and held in a manner which will permit them to be recognised as eligible collateral for monetary policy of the Eurosystem and intra-day credit operations by the Eurosystem upon issue or at any or all times during their existence. However, in any particular case such recognition will depend upon satisfaction of the Eurosystem eligibility criteria at the relevant time and the Notes may not, or may cease to, qualify as eligible collateral for the Eurosystem. Investors should make their own assessment as to whether the Notes meet such Eurosystem eligibility criteria.

### ***Regulation and reform of “benchmarks” including EURIBOR***

The Euro Interbank Offered Rate (“**EURIBOR**”) and other interest rate, equity, commodity, foreign exchange rate and other types of indices which are deemed to be “benchmarks” are the subject of recent national, international and other regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such “benchmarks” to perform differently than in the past, or to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on the Floating Rate Notes.

Key international proposals for reform of “benchmarks” include the International Organisation of Securities Commission’s (“**IOSCO**”) Principles for Financial Market Benchmarks (July 2013) (the “**IOSCO Benchmark Principles**”) and the EU Regulation on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds (the “**Benchmark Regulation**”). The IOSCO Benchmark Principles aim to create an overarching framework of principles for benchmarks to be used in financial markets, specifically covering governance and accountability as well as the quality and transparency of benchmark design and methodologies. A review published by IOSCO in February 2015 of the status of the voluntary market adoption of the IOSCO Benchmark Principles noted that, as the benchmarks industry is in a state of change, further steps may need to be taken by IOSCO in the future, but that it is too early to determine what those steps should be. The review noted that there has been a significant market reaction to the publication of the IOSCO Benchmark Principles, with widespread efforts being made to implement the IOSCO Benchmark Principles by the majority of administrators surveyed. On 17 May 2016, the

Council of the European Union adopted the Benchmark Regulation. The Benchmark Regulation was published in the Official Journal of the European Union on 29 June 2016 and entered into force on 30 June 2016. It applies across the EU from 1 January 2018, with the exception of certain provisions (specified in article 59) that began to apply from 30 June 2016 and certain provisions which amend Regulation (EU) No 596/2014 on market abuse (the “**Market Abuse Regulation**”) and therefore became effective on the date of entry into force of the Market Abuse Regulation, 3 July 2016.

The Benchmark Regulation will apply to “contributors”, “administrators” and “users” of “benchmarks” in the EU, and will, among other things, (i) require benchmark administrators to be authorised (or, if non-EU-based, to have satisfied certain “equivalence” conditions in its local jurisdiction, to be “recognised” by the authorities of a Member State pending an equivalence decision or to be “endorsed” for such purpose by an administrator authorised or registered in the EU, following authorisation of such endorsement by the relevant competent authority) and to comply with requirements in relation to the administration of “benchmarks” and (ii) ban the use of “benchmarks” of unauthorised administrators. The scope of the Benchmark Regulation is wide and, in addition to so-called “critical benchmark” indices such as EURIBOR, it will apply to many other interest rate indices, as well as equity, commodity and foreign exchange rate indices and other indices (including “proprietary” indices or strategies) which are referenced in certain financial instruments, certain financial contracts and investment funds.

The Benchmark Regulation could have a material impact on the Floating Rate Notes, including in any of the following circumstances:

- a rate which is a “benchmark” could not be used as such if its administrator does not obtain authorisation or is based in a non-EU jurisdiction which (subject to applicable transitional provisions) does not satisfy the “equivalence” conditions, is not “recognised” pending such a decision and is not “endorsed” for such purpose. In such event, the Floating Rate Notes could be de-listed, adjusted, redeemed prior to maturity or otherwise impacted; and
- the methodology or other terms of the “benchmark” could be changed in order to comply with the terms of the Benchmark Regulation, and such changes could have the effect of reducing or increasing the rate or level or affecting the volatility of the published rate or level, and could lead to adjustments to the terms of the Floating Rate Notes, including the Calculation Agent’s determination of the rate or level in its discretion.

Any of the international, national or other proposals for reform or the general increased regulatory scrutiny of “benchmarks” could increase the costs and risks of administering or otherwise participating in the setting of a “benchmark” and complying with any such regulations or requirements. Such factors may have the effect of discouraging market participants from continuing to administer or contribute to certain “benchmarks”, trigger changes in the rules or methodologies used in certain “benchmarks” or lead to the disappearance of certain “benchmarks”. The disappearance of a “benchmark” or changes in the manner of administration of a “benchmark” could result in adjustment to the terms and conditions, early redemption, discretionary valuation by the Calculation Agent, delisting or other consequence in relation to the Floating Rate Notes. Any such consequence could have a material adverse effect on the value of and return on the Floating Rate Notes.

## INFORMATION INCORPORATED BY REFERENCE

The information set out below which has previously been published or is published simultaneously with this Prospectus and has been filed with the CSSF, shall be incorporated by reference in, and form part of, this Prospectus.

Any non-incorporated parts of a document referred to herein are either deemed not relevant for an investor or are otherwise covered elsewhere in this Prospectus.

- (a) The audited consolidated financial statements of the Group as of and for the financial years ended 31 December 2016 and 2015 (including consolidated statements of income, consolidated statements of comprehensive income, consolidated balance sheets, consolidated statements of cash flows, consolidated statements of changes in equity and notes to the consolidated financial statements).

(i) The Group's audited consolidated financial statements as of and for the financial year ended 31 December 2016 are set out on the following pages of the Annual Report 2016:

Consolidated statements of income.....	Page 96
Consolidated statement of comprehensive income....	Page 97
Consolidated balance sheets.....	Pages 98 to 99
Consolidated statements of cash flows.....	Page 100
Consolidated statements of changes in equity.....	Page 101
Explanatory Notes.....	Pages 102-167

The Annual Report 2016 is available on the Issuer's website at the link below:

[http://www.philips.com/static/annualresults/2016/PhilipsFullAnnualReport2016\\_English.pdf](http://www.philips.com/static/annualresults/2016/PhilipsFullAnnualReport2016_English.pdf)

(ii) The Group's audited consolidated financial statements as of and for the financial year ended 31 December 2015 are set out on the following pages of the Annual Report 2015:

Consolidated statements of income.....	Page 106
Consolidated statement of comprehensive income....	Page 107
Consolidated balance sheets.....	Pages 108 to 109
Consolidated statements of cash flows.....	Page 110
Consolidated statements of changes in equity.....	Page 111
Explanatory Notes.....	Pages 112-170

The Annual Report 2015 is available on the Issuer's website at the link below:

[https://2015.annualreport.philips.com/downloads/pdf/en/PhilipsFullAnnualReport2015\\_English.pdf](https://2015.annualreport.philips.com/downloads/pdf/en/PhilipsFullAnnualReport2015_English.pdf)

- (b) The audited company financial statements (including statements of income, balance sheets before appropriation of results, statement of changes in equity and notes to the company financial statements) of the Issuer, as of and for the financial years ended 31 December 2016 and 31 December 2015.

(i) The audited company financial statements of the Issuer, as of and for the financial year ended 31 December 2016 are set out on pages 168 to 177 of the Annual Report 2016, which is available on the Issuer's website at the link below:

[http://www.philips.com/static/annualresults/2016/PhilipsFullAnnualReport2016\\_English.pdf](http://www.philips.com/static/annualresults/2016/PhilipsFullAnnualReport2016_English.pdf)

(ii) The audited company financial statements of the Issuer, as of and for the financial year ended 31 December 2015 are set out on pages 171 to 177 of the Annual Report 2015, which is available on the Issuer's website at the link below:

[https://2015.annualreport.philips.com/downloads/pdf/en/PhilipsFullAnnualReport2015\\_English.pdf](https://2015.annualreport.philips.com/downloads/pdf/en/PhilipsFullAnnualReport2015_English.pdf)

- (c) (i) The independent auditors' report on (A) the audited consolidated financial statements of the Group, as of and for the financial year ended 31 December 2016, and (B) the audited company financial statements of the Issuer, as of and for the financial year ended 31 December 2016 is set out on pages 178 to 184 of the Annual

Report 2016, which is available on the Issuer's website at the link below:

[http://www.philips.com/static/annualresults/2016/PhilipsFullAnnualReport2016\\_English.pdf](http://www.philips.com/static/annualresults/2016/PhilipsFullAnnualReport2016_English.pdf)

(ii) The independent auditors' report on (A) the audited consolidated financial statements of the Group, as of and for the financial year ended 31 December 2015, and (B) the audited company financial statements of the Issuer, as of and for the financial year ended 31 December 2015 is set out on pages 178 to 182 of the Annual Report 2015, which is available on the Issuer's website at the link below:

[https://2015.annualreport.philips.com/downloads/pdf/en/PhilipsFullAnnualReport2015\\_English.pdf](https://2015.annualreport.philips.com/downloads/pdf/en/PhilipsFullAnnualReport2015_English.pdf)

(d) the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2017 are set out on the following pages of the Q2 2017 Quarterly Report:

Consolidated statements of income.....	Page 22
Consolidated statement of comprehensive income.....	Page 23
Consolidated balance sheets.....	Page 24
Consolidated statements of cash flows.....	Page 25
Consolidated statements of changes in equity.....	Page 26
Explanatory Notes.....	Pages 27 to 36

The Q2 2017 Quarterly Report is available on the Issuer's website at the link below:

<https://www.philips.com/static/qr/2017/q2/philips-second-quarter-results-2017-report.pdf>

Copies of the information incorporated by reference into this Prospectus have been filed with the CSSF and the Luxembourg Stock Exchange and may be inspected free of charge at the registered office of the Issuer and from the specified office of the Paying Agent, in each case at the address given at the end of this Prospectus, as well as on the website of the Issuer at the links provided above. The information incorporated by reference will also be available on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)). Any websites referred to in this Prospectus are for information purposes only and do not form part of this Prospectus.

Any documents themselves incorporated by reference in the information incorporated by reference in this Prospectus shall not form part of this Prospectus.

## TERMS AND CONDITIONS OF THE FLOATING RATE NOTES

*The following is the text of the Terms and Conditions of the Floating Rate Notes which (subject to modification) will be endorsed on each Floating Rate Note in definitive form (if issued):*

The €500,000,000 Floating Rate Notes due 6 September 2019 (the “**Floating Rate Notes**”, which expression shall in these terms and conditions (the “**Floating Rate Note Conditions**”), unless the context otherwise requires, include any further notes issued pursuant to Condition 15 (*Further Issues*) and forming a single series with the Floating Rate Notes) of Koninklijke Philips N.V. (the “**Issuer**”) are constituted by a trust deed dated 6 September 2017 (as amended or supplemented from time to time, the “**Trust Deed**”) made between the Issuer and Citicorp Trustee Company Limited as trustee (the “**Trustee**”, which expression shall include its successor(s)) as trustee for the holders of the Floating Rate Notes (the “**Floating Rate Noteholders**”) and the holders of the interest coupons appertaining thereto (the “**Floating Rate Couponholders**” and the “**Floating Rate Coupons**” respectively)) and are the subject of an agency agreement dated 6 September 2017 (as amended or supplemented from time to time, the “**Agency Agreement**”) made between the Issuer, Citibank, N.A., London Branch as principal paying agent (the “**Principal Paying Agent**” and, together with any other agents appointed in accordance with such agreement, the “**Paying Agents**”, which expression shall include any successor(s)), Citibank, N.A., London Branch as calculation agent (the “**Calculation Agent**”) and the Trustee.

Certain provisions of these Floating Rate Note Conditions are summaries or, any are subject to, the detailed provisions of and definitions in the Trust Deed and the Agency Agreement. The Floating Rate Noteholders and the Floating Rate Couponholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them.

Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours by the Floating Rate Noteholders and the Floating Rate Couponholders at the principal office for the time being of the Trustee, being at the date of issue of the Floating Rate Notes at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB and at the specified office of each of the Paying Agents.

### 1. FORM, DENOMINATION AND TITLE

#### 1.1 Form and Denomination

The Floating Rate Notes are in bearer form, serially numbered, in the denominations of €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000 each with Floating Rate Coupons attached on issue. Floating Rate Notes of one denomination may not be exchanged for Floating Rate Notes of another denomination.

#### 1.2 Title

Title to the Floating Rate Notes and to the Floating Rate Coupons will pass by delivery.

Floating Rate Notes shall not be physically delivered in Belgium except to a clearing system, a depository or other institution for the purpose of their immobilisation in accordance with article 4 of the Belgian Law of 14 December 2005.

#### 1.3 Holder Absolute Owner

The Issuer, any Paying Agent and the Trustee will (except as ordered by a court of competent jurisdiction or as otherwise required by law) deem and treat the bearer of any Floating Rate Note or Floating Rate Coupon as the absolute owner for all purposes (whether or not the Floating Rate Note or Floating Rate Coupon shall be overdue and notwithstanding any notice of ownership or writing on the Floating Rate Note or Floating Rate Coupon or any notice of previous loss or theft of the Floating Rate Note or Floating Rate Coupon) and shall not be required to obtain any proof thereof or as to the identity of such bearer and no person shall be liable for so treating the bearer.

### 2. STATUS

The Floating Rate Notes and the Floating Rate Coupons are direct, unconditional and (subject to the provisions of Condition 3 (*Negative Pledge*)) unsecured obligations of the Issuer and (subject as provided above) rank and



will rank *pari passu*, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

### 3. **NEGATIVE PLEDGE**

So long as any Floating Rate Note remains outstanding (as defined in the Trust Deed), the Issuer shall not create or permit to subsist any mortgage, charge, pledge, lien or other security interest upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness (as defined below) or any guarantee of Relevant Indebtedness, without:

- (a) at the same time or prior thereto ensuring that the Issuer's obligations under the Floating Rate Notes are secured equally and rateably therewith to the satisfaction of the Trustee; or
- (b) providing such other guarantee or other arrangement (whether or not comprising security) as the Trustee may in its absolute discretion consider to be not materially less beneficial to the interests of the Floating Rate Noteholders or as may be approved by an Extraordinary Resolution (as defined in the Trust Deed).

In this Condition 3 (*Negative Pledge*):

“**Relevant Indebtedness**” means any indebtedness which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other debt security which is, or is intended to be, listed, quoted or traded on any stock exchange or on any other recognised securities market (including, without limitation, any over-the-counter securities market).

### 4. **INTEREST**

#### 4.1 **Accrual of interest**

The Floating Rate Notes bear interest on their outstanding principal amount from and including 6 September 2017 payable quarterly in arrear on 6 March, 6 June, 6 September and 6 December of each year, commencing on 6 December 2017 (each a “**Floating Rate Interest Payment Date**”). However, if any Floating Rate Interest Payment Date would fall on a day that is not a business day (as defined below), the Floating Rate Interest Payment Date will be postponed to the next succeeding day that is a business day, except that if the business day falls in the next succeeding calendar month, the applicable Floating Rate Interest Payment Date will be the immediately preceding business day. In each such case, except for the Floating Rate Interest Payment Date falling on the maturity date, the Floating Rate Interest Periods (as defined below) and the Floating Rate Interest Payment Dates will be adjusted accordingly to calculate the amount of interest payable on the Floating Rate Notes. Each Floating Rate Note will cease to bear interest from and including its due date for redemption unless, upon due presentation, payment of the principal in respect of the Floating Rate Note is improperly withheld or refused or unless default is otherwise made in respect of payment. In such event interest will continue to accrue in respect of the principal amount of, and any unpaid amounts on, the Floating Rate Notes, both before and after judgment, as provided in the Trust Deed.

#### 4.2 **Rate of interest**

Interest on the Floating Rate Notes will accrue at a rate per annum (the “**Applicable Rate**”), reset quarterly, equal to the sum of (i) three-month EURIBOR plus (ii) 0.2 per cent., as determined by the Calculation Agent.

The first interest period will be the period from and including the original issue date to but excluding the immediately succeeding Floating Rate Interest Payment Date. Thereafter, the interest periods will be the periods from and including a Floating Rate Interest Payment Date to but excluding the immediately succeeding Floating Rate Interest Payment Date (together with the first interest period, each a “**Floating Rate Interest Period**”). However, the final Floating Rate Interest Period will be the period from and including the Floating Rate Interest Payment Date immediately preceding the Maturity Date to but excluding the Maturity Date (as defined in Condition 6.1 (*Redemption at Maturity*)).

The Calculation Agent in respect of the Floating Rate Notes will determine EURIBOR (as defined below) for each Floating Rate Interest Period on the day that is two TARGET2 Settlement Days prior to the first day of such Floating Rate Interest Period (an “**Interest Determination Date**”). EURIBOR for the first Floating Rate Interest Period will be as determined on 4 September 2017.

In this Condition 4 (*Interest*):

“**EURIBOR**” (Euro Interbank Offered Rate) with respect to a Floating Rate Interest Period, means the rate (expressed as a percentage per annum) for deposits in euro for a three-month period beginning on the day that is two TARGET2 Settlement Days after the Interest Determination Date that appears on the display on Reuters Screen “EURIBOR01” (or such other page or service as may replace it for the purpose of displaying the euro inter-bank offered rate administered by the European Money Markets Institute (or any other person who takes over the administration of such rate) as of 11:00 a.m. Brussels time, on the Interest Determination Date. If page EURIBOR01 of the Reuters Screen does not include such a rate or is unavailable on an Interest Determination Date, the Calculation Agent will request the principal Eurozone office of each of four major banks in the euro-zone inter-bank market, as selected by the Calculation Agent, to provide such bank’s offered quotation (expressed as a percentage per annum) as of approximately 11:00 a.m., Brussels time, on such Interest Determination Date, to prime banks in the euro-zone inter-bank market for deposits in a Representative Amount in euro for a three-month period beginning on the day that is two TARGET2 Settlement Days after the Interest Determination Date. If at least two such offered quotations are so provided, the rate for the Floating Rate Interest Period will be the arithmetic mean of such quotations. If fewer than two such quotations are so provided, the Calculation Agent will request each of three major banks in London, as selected by the Calculation Agent, to provide such bank’s rate (expressed as a percentage per annum), as of approximately 11:00 a.m., London time, on such Interest Determination Date, for loans in a Representative Amount in euro to leading European banks for a three-month period beginning on the day that is two TARGET2 Settlement Days after the Interest Determination Date. If at least two such rates are so provided, the rate for the Floating Rate Interest Period will be the arithmetic mean of such rates. If fewer than two such rates are so provided then the rate for the Floating Rate Interest Period will be the rate in effect with respect to the immediately preceding Floating Rate Interest Period.

“**business day**” means, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and a TARGET2 Settlement Day.

“**euro-zone**” means the region comprised of member states of the European Union that adopt the euro.

“**Representative Amount**” means the greater of (i) €1,000,000 and (ii) an amount that is representative for a single transaction in the relevant market at the relevant time.

“**TARGET2 Settlement Day**” means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System is open.

The Calculation Agent shall, as soon as practicable after 11:00 a.m. (Brussels time) on each Interest Determination Date, determine the Applicable Rate and calculate the aggregate amount of interest payable in respect of the following Interest Period (the “**Interest Amount**”). The Interest Amount shall be calculated by applying the Applicable Rate to the principal amount of each Floating Rate Note outstanding at the commencement of the Floating Rate Interest Period, and multiplying each such amount by the actual amount of days in the relevant Floating Rate Interest Period concerned divided by 360. All percentages resulting from any of the above calculations will be rounded, if necessary, to the nearest one hundred thousandth of a percentage point, with five one-millionths of a percentage point being rounded upwards (for example 4.876545 per cent. (or .04876545) being rounded to 4.87655 per cent. (or .0487655)). The determination of the Applicable Rate and the Interest Amount by the Calculation Agent shall, in the absence of wilful default, negligence, fraud or manifest error, be final and binding on all parties. In no event will the rate of interest on the Floating Rate Notes be higher than any maximum rate permitted by applicable law, *provided, however*, that the Calculation Agent shall not be responsible for verifying that the rate of interest on the Floating Rate Notes is permitted under any applicable law. The Trustee and the Paying Agents shall not be responsible for, nor incur any liability in connection with, any loss resulting from any calculation made or intended to be made by the Calculation Agent.

In no event shall the rate of interest on the Floating Rate Notes be less than zero.

### 4.3 Publication

The Calculation Agent will cause each Applicable Rate and Interest Amount determined by it, together with the relevant Floating Rate Interest Payment Date, to be notified to the Paying Agents, the Trustee and each

listing authority, stock exchange and/or quotation system (if any) by which the Floating Rate Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Floating Rate Noteholders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Floating Rate Interest Period.

## **5. PAYMENTS**

### **5.1 Payments in respect of Floating Rate Notes**

Payments of principal and interest in respect of each Floating Rate Note will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the Floating Rate Note, except that payments of interest due on a Floating Rate Interest Payment Date will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the relevant Floating Rate Coupon, in each case at the specified office outside the United States of any of the Paying Agents.

### **5.2 Method of Payment**

Payments will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee with a bank in a city in which banks have access to the TARGET2 system.

### **5.3 Unmatured Coupons Void**

On the due date for final redemption of any Floating Rate Note or early redemption of such Floating Rate Note pursuant to Condition 6.2 (*Redemption for Taxation Reasons*), Condition 6.3 (*Redemption at the Option of the Holders upon a Change of Control Put Event*) or Condition 9 (*Events of Default*), all unmatured Floating Rate Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.

### **5.4 Payments subject to applicable laws**

Payments in respect of principal and interest on the Floating Rate Notes are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*).

### **5.5 Payment only on a Presentation Date**

A holder shall be entitled to present a Floating Rate Note or Floating Rate Coupon for payment only on a Presentation Date and shall not, except as provided in Condition 4 (*Interest*), be entitled to any further interest or other payment if a Presentation Date is after the due date for payment.

In this Condition 5 (*Payments*):

“**Presentation Date**” means a day which (subject to Condition 8 (*Prescription*)):

- (a) is or falls after the relevant due date;
- (b) is a Business Day in the place of the specified office of the Paying Agent at which the Floating Rate Note or Floating Rate Coupon is presented for payment; and
- (c) in the case of payment by credit or transfer to a euro account as referred to above, is a TARGET2 Settlement Day.

“**Business Day**” means, in relation to any place, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in that place and “**TARGET2 Settlement Day**” means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System is open.

## 5.6 Initial Paying Agents

The names of the initial Paying Agents and their initial specified offices are set out at the end of these Floating Rate Note Conditions. The Issuer reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents provided that:

- (a) there will at all times be a Principal Paying Agent;
- (b) so long as the Floating Rate Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be at least one Paying Agent (which may be the Principal Paying Agent) having a specified office in any place required by the rules and regulations of the relevant Stock Exchange or any other relevant authority; and
- (c) there will at all times be a Paying Agent in a jurisdiction within Europe, other than the jurisdiction in which the Issuer is incorporated.

Notice of any variation, termination, appointment and/or of any changes in specified offices will be given to the Floating Rate Noteholders promptly by the Issuer in accordance with Condition 12 (*Notices*).

## 6. REDEMPTION AND PURCHASE

### 6.1 Redemption at Maturity

Unless previously redeemed or purchased and cancelled as provided below, the Issuer will redeem the Floating Rate Notes at their principal amount on 6 September 2019 (the “**Maturity Date**”).

### 6.2 Redemption for Taxation Reasons

The Issuer may at its option, subject to giving notice to the Trustee in accordance with this Condition 6.2 (*Redemption for Taxation Reasons*), and on giving not less than 30 nor more than 60 days' notice to the Floating Rate Noteholders in accordance with Condition 12 (*Notices*) (which notice shall be irrevocable and specify the date fixed for redemption), redeem all the Floating Rate Notes, but not some only, on any Floating Interest Rate Payment Date at their principal amount together with interest accrued to but excluding the date of redemption, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts, were a payment in respect of the Floating Rate Notes then due, if:

- (a) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction, or any change in the application or official interpretation of the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective after 4 September 2017, on the next Interest Payment Date the Issuer would be required to pay additional amounts as provided or referred to in Condition 7 (*Taxation*); and
- (b) the requirement cannot be avoided by the Issuer taking reasonable measures available to it.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee (i) a certificate signed by an Authorised Signatory (as defined in the Trust Deed) of the Issuer stating that the Issuer is entitled to effect such redemption, and setting forth a statement of facts showing that the conditions precedent as set out in this Condition 6.2 (*Redemption for Taxation Reasons*) to the right of the Issuer so to redeem have occurred and (ii) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of the change or amendment referred to above. The Trustee shall be entitled to accept the certificate and opinion as sufficient evidence of the satisfaction of the condition precedents set out in paragraphs (a) and (b) above, in which event they shall be conclusive and binding on the Floating Rate Noteholders and the Floating Rate Couponholders and the Trustee shall be entitled to rely on such certificate and opinion without further enquiry and without liability to any person.

For the purposes of these Conditions:

“**Relevant Jurisdiction**” means the Netherlands or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein

having power to tax to which the Issuer becomes subject in respect of payments made by or on behalf of it of principal and interest on the Floating Rate Notes and Floating Rate Coupons.

### 6.3 Redemption at the option of the Holders upon a Change of Control Put Event

Upon the occurrence of a Change of Control Put Event, unless the Issuer has exercised its right to redeem the Floating Rate Notes in accordance with Condition 6.2 (*Redemption for Taxation Reasons*), each Floating Rate Noteholder shall have the option to require the Issuer to redeem or, at the Issuer's option, purchase (or procure the purchase of) that Floating Rate Note on the Put Date (as defined below) at its principal amount together with interest accrued to but excluding the Put Date.

Within 60 days following the date upon which the Change of Control Put Event has occurred, the Issuer shall give notice to the Floating Rate Noteholders in accordance with Condition 12 (*Notices*) of the occurrence of a Change of Control Put Event and shall, in the notice, specify a date being not less than 30 nor more than 60 days after the date on which the notice was given as the "**Put Date**".

To exercise such option, the Floating Rate Noteholder must deliver such Floating Rate Note to be redeemed or purchased, together with all Floating Rate Coupons relating to it maturing after the Put Date, to the specified office of the Principal Paying Agent at any time during normal business hours together with a duly completed notice of exercise in the form obtainable from the specified office of the Principal Paying Agent (a "**Change of Control Put Notice**"), not less than 15 nor more than 30 days before the Put Date. A Change of Control Put Notice, once given, shall be irrevocable.

If 80 per cent. or more in aggregate principal amount of the Floating Rate Notes then outstanding have been redeemed or purchased pursuant to the foregoing provisions of this Condition 6.3 (*Redemption at the option of the Holders upon a Change of Control Put Event*), the Issuer may, having given not less than 30 nor more than 60 days' notice to the Floating Rate Noteholders (such notice being given within 30 days after the Put Date) in accordance with Condition 12 (*Notices*), redeem or purchase (or procure the purchase of), at its option, all (but not some only) of the remaining Floating Rate Notes at their principal amount together with interest accrued to but excluding the date fixed for such redemption or purchase.

In this Condition 6.3 (*Redemption at the option of the Holders upon a Change of Control Put Event*):

A "**Change of Control**" means the occurrence of any one of the following: (i) Control is acquired or held by any Person or any Persons acting in concert ("acting in concert" to be within the meaning of Section 5:45, subsection 5 of the Dutch Act on financial supervision (*Wet op het financieel toezicht*)) as to the exercise of Voting Shares or (ii) the Issuer consolidates with, or merges with or into, any Person, or any Person consolidates with, or merges with or into, the Issuer, in any such event pursuant to a transaction in which any of the outstanding Voting Shares of the Issuer or such other Person is converted into or exchanged for cash, securities or other property, other than any such transaction where the Voting Shares of the Issuer outstanding immediately prior to such transaction constitute, or are converted into or exchanged for, a majority of the Voting Shares of the surviving Person immediately after giving effect to such transaction, provided that a Change of Control shall be deemed not to occur (i) solely as a result of the issuance or transfer, with the co-operation of the Issuer's Supervisory Board, Board of Management or the Issuer's general meeting of shareholders, as applicable, and, in each case, if required, of any preference shares in the Issuer's share capital to the foundation Stichting Preferente Aandelen Philips or its successor; or (ii) if the event which would otherwise have constituted a Change of Control occurs or is carried on terms previously approved by the Trustee or by an Extraordinary Resolution.

"**Change of Control Put Event**" means the Floating Rate Notes are rated below Investment Grade by each of the Rating Agencies on any date during the period (the "**Change of Control Period**") commencing on the date of the first public announcement by the Issuer of any Change of Control (or pending Change of Control) and ending 60 days following consummation of such Change of Control (which Change of Control Period will be extended following consummation of a Change of Control for so long as any of the Rating Agencies has publicly announced that it is considering a possible ratings downgrade) and are not, within the Change of Control Period, subsequently upgraded to an Investment Grade rating provided that a Change of Control Put Event otherwise arising by virtue of a particular reduction in rating shall not be deemed to have occurred in respect of a particular Change of Control (and shall not be deemed a Change of Control Put Event) if the Rating Agencies making the reduction in rating to which this definition would otherwise apply do not announce or publicly confirm or inform the Trustee in writing at its request that the reduction was the result, in whole or in part, of any event or circumstance comprised of or arising as a result of, or in respect of, the

applicable Change of Control (whether or not the applicable Change of Control shall have occurred at the time of the Change of Control Put Event). Notwithstanding the foregoing, no Change of Control Put Event will be deemed to have occurred in connection with any particular Change of Control unless and until such Change of Control has actually been consummated.

“**Control**” means the ownership of such a number of Voting Shares carrying more than 50 per cent. of the voting rights of the Issuer.

“**Investment Grade**” means a rating of Baa3 or better by Moody’s (or its equivalent under any successor rating category of Moody’s); a rating of BBB- or better by Fitch (or its equivalent under any successor rating category of Fitch) or the equivalent investment grade credit rating from any replacement Rating Agency of equivalent international standing.

“**Person**” means any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity).

“**Rating Agency**” means each of Moody’s Deutschland GmbH (“**Moody’s**”) or Fitch Ratings Ltd. (“**Fitch**”), and their respective successors.

“**Voting Shares**” means shares in the issued share capital of the Issuer carrying voting rights.

#### **6.4 Purchases**

The Issuer or any of its Subsidiaries (as defined in Condition 9 (*Events of Default*)) may at any time purchase Floating Rate Notes (provided that all unmatured Floating Rate Coupons appertaining to the Floating Rate Notes are purchased with the Floating Rate Notes) in any manner and at any price.

#### **6.5 Cancellations**

All Floating Rate Notes which are (a) redeemed or (b) purchased by or on behalf of the Issuer or any of its Subsidiaries may be cancelled, together with all relative unmatured Floating Rate Coupons attached to the Floating Rate Notes or surrendered with the Floating Rate Notes or may be reissued or resold.

#### **6.6 Notices Final**

Upon the expiry of any notice as is referred to in Condition 6.2 (*Redemption for Taxation Reasons*) or Condition 6.3 (*Redemption at the Option of the Holders upon a Change of Control Put Event*) above, the Issuer shall be bound to redeem the Floating Rate Notes to which the notice refers in accordance with the terms of such paragraph.

### **7. TAXATION**

#### **7.1 Payment without Withholding**

All payments in respect of the Floating Rate Notes by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (“**Taxes**”) imposed or levied by or on behalf of any Relevant Jurisdiction, unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer will pay such additional amounts as may be necessary in order that any amount received by the Floating Rate Noteholders or Floating Rate Couponholders after the withholding or deduction is equal to the amount that would have been received in respect of the Floating Rate Notes or, as the case may be, Floating Rate Coupons, in the absence of the withholding or deduction; except that no additional amounts shall be payable in relation to any payment in respect of any Floating Rate Note or Floating Rate Coupon:

- (a) the holder of which is liable for Taxes in respect of such Floating Rate Note or Floating Rate Coupon by reason of having or having had a present or former connection with the Relevant Jurisdiction other than a mere holding of the Floating Rate Notes; or
- (b) presented for payment in the Netherlands; or

- (c) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days assuming that day to have been a Presentation Date (as defined in Condition 5 (*Payments*)); or
- (d) presented for payment by, or on behalf of, a holder who is entitled to avoid such withholding or deduction in respect of such Floating Rate Note or Floating Rate Coupon by making a declaration or any other statement to the relevant tax authority, including, but not limited to, a declaration of residence or non-residence or other similar claim for exemption; or
- (e) payable due to any combination of items (a) to (d).

Notwithstanding any other provisions contained herein, the Issuer shall be permitted to withhold or deduct any amounts required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any amended or successor provisions), any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto (“**FATCA Withholding**”). The Issuer will have no obligation to pay additional amounts or otherwise indemnify an investor for any such FATCA Withholding deducted or withheld by the Issuer, any paying agent or any other party.

For the avoidance of doubt, the obligation of the Issuer to pay additional amounts in respect of Taxes will not apply to (i) any estate, inheritance, gift, sales, transfer, personal property or any similar tax, duty, assessment or other governmental charge or (ii) any Taxes payable otherwise than by deduction or withholding from payments of principal of, or interest on, the Floating Rate Notes or, as the case may be, Floating Rate Coupons.

In this Condition 7 (*Taxation*):

“**Relevant Date**” means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the Principal Paying Agent or the Trustee on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect has been duly given to the Floating Rate Noteholders by the Issuer in accordance with Condition 12 (*Notices*).

## 7.2 Additional Amounts

Any reference in these Floating Rate Note Conditions to any amounts in respect of the Floating Rate Notes shall be deemed also to refer to any additional amounts which may be payable under this Condition 7 (*Taxation*) or under any undertakings given in addition to, or in substitution for, this Condition pursuant to the Trust Deed.

## 8. PRESCRIPTION

Floating Rate Notes and Floating Rate Coupons will become void unless presented for payment within periods of 10 years (in the case of principal) and 5 years (in the case of interest) from the Relevant Date (as defined in Condition 7 (*Taxation*)) in respect of the Floating Rate Notes or, as the case may be, the Floating Rate Coupons, subject to the provisions of Condition 5 (*Payments*).

## 9. EVENTS OF DEFAULT

If any of the following events (each an “**Event of Default**”) occurs and is continuing, the Trustee at its discretion may and, if so requested in writing by holders of at least one-quarter in principal amount of the Floating Rate Notes then outstanding or, if so directed by an Extraordinary Resolution, shall (subject, in the case of the happening of any of the events mentioned in paragraphs (b) to (g) (other than (d) below), to the Trustee having certified in writing that the happening of such events is in its opinion materially prejudicial to the interests of the Floating Rate Noteholders) subject in all cases, to the Trustee having been indemnified and/or secured and/or prefunded to its satisfaction) give written notice to the Issuer declaring the Floating Rate Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their principal amount together with accrued interest without further action or formality:

- (a) **Non-payment:** the Issuer fails to pay any amount of principal or interest due in respect of the Floating Rate Notes and that failure to pay continues for more than 14 days after the due date for payment; or

- (b) **Breach of other obligations:** the Issuer defaults in the performance or observance of any one or more other obligations under or in respect of the Floating Rate Notes or the Trust Deed required to be performed or observed by the Issuer and such default is either:
  - (i) in the opinion of the Trustee, incapable of remedy, in which case no notice referred to in (ii) below will be required; or
  - (ii) in the opinion of the Trustee, capable of remedy and the default remains unremedied for 30 days (or such longer period as the Trustee may agree) after the Trustee has given written notice to the Issuer specifying the default and requiring that default to be remedied; or
- (c) **Cross-acceleration:** (i) the repayment of any indebtedness for borrowed money owing by the Issuer or any of its Material Subsidiaries is accelerated by reason of default (however expressed) and such acceleration has not been rescinded, waived, cancelled or annulled, or (ii) the Issuer or any of its Material Subsidiaries is in default (after the expiry of any originally applicable grace period) in any payment when due of such indebtedness for borrowed money; provided that no such event shall constitute an Event of Default (A) if it is being contested in good faith by, in the reasonable opinion of the Issuer, appropriate proceedings; or (B) unless the aggregate outstanding amount of such accelerated or unpaid indebtedness for borrowed money, whether alone or when aggregated with all other such outstanding accelerated or unpaid indebtedness for borrowed money, exceeds €100 million (or its equivalent in another currency or currencies); or
- (d) **Winding-up:** any final order is made by any competent court or other authority or an effective resolution is passed for the liquidation, dissolution or winding-up of the Issuer or any of its Material Subsidiaries otherwise than (i) for the purposes of a Permitted Reorganisation; or (ii) on terms previously approved by the Trustee or by an Extraordinary Resolution; or
- (e) **Insolvency, etc.:** (i) the Issuer or any of its Material Subsidiaries admits in writing that it is insolvent or unable to pay its debts as they fall due, (ii) an administrator or liquidator is appointed (or application for any such appointment is made) in respect of the Issuer or any of its Material Subsidiaries or the whole or substantially all of the undertaking, assets and revenues of the Issuer or any of its Material Subsidiaries, (iii) the Issuer or any of its Material Subsidiaries makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its indebtedness or any guarantee of any indebtedness given by it or (iv) the Issuer or any of its Material Subsidiaries ceases or threatens to cease to carry on all or substantially all of its business otherwise, in each of (i) to (iv), than (i) for the purposes of a Permitted Reorganisation; or (ii) on terms previously approved by the Trustee or by an Extraordinary Resolution;
- (f) **Security enforced:** a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or substantially all of the undertaking, assets and revenues of the Issuer or any of its Material Subsidiaries; or
- (g) **Analogous Event:** if any event occurs which, under the laws of any Relevant Jurisdiction (as defined in Condition 6.2 (*Redemption for Taxation Reasons*)), has or may have an analogous effect to any of the events referred to in subparagraphs (d) to (f) above.

In this Condition 9 (*Events of Default*):

“**Material Subsidiary**” means, at any time, a Subsidiary of the Issuer whose total assets represent at least 5 per cent. of the consolidated total assets of the Group or whose total net sales represent at least 7.5 per cent. of the consolidated net sales of the Group and in relation to which the Issuer has, directly or indirectly, the power to direct its management and policies whether through the ownership of voting capital, by contract or otherwise. For this purpose:

- (a) in the case of each Subsidiary, the calculation shall be made by comparing the total assets or, as the case may be, total net sales of that Subsidiary individually (and not on a consolidated basis) to those of the Group;
- (b) assets or sales which arise from transactions between members of the Group and which would be eliminated in the consolidated financial statements of the Group shall be excluded;



- (c) the total assets or total net sales of a Subsidiary shall be calculated by reference to:
  - (i) the accounts of that Subsidiary used for the purpose of the latest audited consolidated financial statements of the Group; or
  - (ii) if the company became a Subsidiary after the end of the financial period to which the latest audited consolidated financial statements of the Group relate, its then latest audited accounts;
- (d) the consolidated total assets or consolidated net sales of the Group shall be calculated by reference to the latest audited consolidated financial statements of the Group, adjusted as appropriate to reflect the total assets or total net sales of any company which has become or ceased to be a Subsidiary after the end of the financial period to which those accounts relate; and
- (e) where a Material Subsidiary transfers all or substantially all of its assets to the Issuer or another Subsidiary, the transferor (if it is not the Holding Company of the transferee) shall cease to be a Material Subsidiary and (if the transferee is a Subsidiary but not a Material Subsidiary) the transferee shall become a Material Subsidiary.

For the purposes of this definition of Material Subsidiary, the term “**Group**” means the Issuer and its Subsidiaries, provided, however, that any reference to the financial statements of the Group shall be to the financial statements of the Issuer and its present and future subsidiaries, direct and indirect, within the meaning of Article 2:24a of the Dutch Civil Code (*Burgerlijk Wetboek*); the term “**Holding Company**” of any other person means a company in respect of which that other person is a Subsidiary; and any reference to the consolidated assets of the Group or to the consolidated net sales of the Group shall be with respect to the Group excluding Philips Lighting N.V. and its Subsidiaries.

“**Permitted Reorganisation**” means (i) any merger, consolidation, amalgamation, reorganisation, transfer of all or substantially all of its business, assets or undertaking (by operation of law or by way of sale, contribution, lease, conveyance, demerger or otherwise), reconstruction or restructuring on a solvent basis, pursuant to which the surviving or acquiring company (if not the Issuer) assumes all obligations of the Issuer under the Floating Rate Notes and the Trust Deed either expressly, by operation of law or by universal succession; or (ii) for the purposes of or in connection with, and followed by, a substitution of the relevant entity pursuant to and in accordance with Condition 13.5 (*Substitution*).

“**Subsidiary**” means a consolidated entity of which a person has direct or indirect control or owns directly or indirectly more than 50 per cent. of the voting rights or similar right of ownership and “**control**” for this purpose means the power to direct the management and the policies of the entity whether through the ownership of voting capital, by contract or otherwise provided that neither Philips Lighting N.V. nor any of Philips Lighting N.V.’s Subsidiaries shall be considered a Subsidiary of the Issuer.

## 10. ENFORCEMENT

### 10.1 Enforcement by the Trustee

The Trustee may at any time, at its discretion and without notice, take such proceedings and/or other steps or action (including lodging an appeal in any proceedings) against or in relation to the Issuer as it may think fit to enforce the provisions of the Trust Deed, the Floating Rate Notes and the Floating Rate Coupons or otherwise, but it shall not be bound to take any such proceedings or other steps or action unless (a) it has been so directed by an Extraordinary Resolution of the Floating Rate Noteholders or so requested in writing by the holders of at least one-quarter in principal amount of the Floating Rate Notes then outstanding and (b) it has been indemnified and/or secured and/or pre-funded to its satisfaction.

### 10.2 Limitation on Trustee actions

The Trustee may refrain from taking any action in any jurisdiction if the taking of such action in that jurisdiction would, in its opinion based upon legal advice in the relevant jurisdiction, be contrary to any law of that jurisdiction. Furthermore, the Trustee may also refrain from taking such action if it would otherwise render it liable to any person in that jurisdiction or if, in its opinion based upon such legal advice, it would not have the power to do the relevant thing in that jurisdiction by virtue of any applicable law in that jurisdiction or if it is determined by any court or other competent authority in that jurisdiction that it does not have such power.

### **10.3 Enforcement by the Floating Rate Noteholders**

No Floating Rate Noteholder or Floating Rate Couponholder shall be entitled to (i) take any steps or action against the Issuer to enforce the performance of any of the provisions of the Trust Deed, the Floating Rate Notes or the Floating Rate Coupons or (ii) take any other proceedings (including lodging an appeal in any proceedings) in respect of or concerning the Issuer, in each case unless the Trustee, having become bound so to take any such action, steps or proceedings, fails so to do within a reasonable period and such failure shall be continuing.

## **11. REPLACEMENT OF FLOATING RATE NOTES AND FLOATING RATE COUPONS**

Should any Floating Rate Note or Floating Rate Coupon be lost, stolen, mutilated, defaced or destroyed it may be replaced subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Principal Paying Agent upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Floating Rate Notes or Floating Rate Coupons must be surrendered before replacements will be issued.

## **12. NOTICES**

### **12.1 Notices to the Floating Rate Noteholders**

All notices to the Floating Rate Noteholders will be valid if published in a leading English language daily newspaper published in London and, so long as the Floating Rate Notes are admitted to listing on the Official List and to trading on the regulated market of the Luxembourg Stock Exchange and the rules of that exchange so require, a daily newspaper of general circulation in Luxembourg or the website of the Luxembourg Stock Exchange (at [www.bourse.lu](http://www.bourse.lu)). It is expected that publication in a newspaper will normally be made in the *Financial Times* in London and the *Luxemburger Wort* in Luxembourg. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not practicable, notice will be given in such other manner, and shall be deemed to have been given on such date, as the Trustee may approve. Floating Rate Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Floating Rate Noteholders in accordance with this paragraph.

### **12.2 Notices from the Floating Rate Noteholders**

Notices to be given by any Floating Rate Noteholder shall be in writing and given by lodging the same, together with the relative Floating Rate Note or Floating Rate Notes, with the Principal Paying Agent or, if the Floating Rate Notes are held in a clearing system, may be given through the clearing system in accordance with its standard rules and procedures.

## **13. MEETINGS OF FLOATING RATE NOTEHOLDERS, MODIFICATION, WAIVER, AUTHORISATION AND DETERMINATION, SUBSTITUTION**

### **13.1 Meetings of Floating Rate Noteholders**

The Trust Deed contains provisions for convening meetings of the Floating Rate Noteholders to consider any matter affecting their interests, including the modification of any of these Floating Rate Note Conditions or any of the provisions of the Trust Deed. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Trustee (subject to it being indemnified and/or secured and/or prefunded to its satisfaction) upon the request in writing of Floating Rate Noteholders holding not less than one-quarter of the aggregate principal amount of the outstanding Floating Rate Notes.

The quorum at any meeting convened to vote on an Extraordinary Resolution will be one or more persons present holding or representing more than 50 per cent. in principal amount of the Floating Rate Notes for the time being outstanding, or at any adjourned such meeting one or more persons present whatever the principal amount of the Floating Rate Notes held or represented by him or them, except that, at any meeting the business of which includes any matter defined in the Trust Deed as a Basic Terms Modification, including the modification of certain of the provisions of these Floating Rate Note Conditions and certain of the provisions of the Trust Deed (including the date of maturity of the Floating Rate Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal payable in respect of the Floating Rate Notes, altering

the currency of payment of the Floating Rate Notes, altering the method of calculating the amount of any payment (including interest) in respect of the Floating Rate Notes or changing the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution), the necessary quorum required to pass an Extraordinary Resolution will be one or more persons present holding or representing not less than two-thirds, or at any adjourned such meeting not less than one-third, of the principal amount of the Floating Rate Notes for the time being outstanding.

In addition, the Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than two-thirds in principal amount of the Floating Rate Notes for the time being outstanding or consent given by way of electronic consents through the relevant clearing system(s) by or on behalf of the holders of not less than two-thirds in principal amount of the Floating Rate Notes for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Floating Rate Noteholders. An Extraordinary Resolution passed by the Floating Rate Noteholders will be binding on all Floating Rate Noteholders, whether or not they are present at any meeting and whether or not they voted on the resolution, and on all Floating Rate Couponholders.

### **13.2 Modification, Waiver, Authorisation and Determination**

The Trustee may agree, without the consent of the Floating Rate Noteholders or Floating Rate Couponholders (i) (other than in relation to any Basic Terms Modification (as defined in the Trust Deed)) to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of these Floating Rate Note Conditions or any of the provisions of the Trust Deed or the Agency Agreement, or determine, without any such consent as aforesaid, that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such (provided that, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Floating Rate Noteholders), or (ii) to any modification which, in its opinion, is of a formal, minor or technical nature or to correct a manifest error or an error which is, in the opinion of the Trustee, proven or to comply with mandatory provisions of law.

### **13.3 Trustee to have Regard to Interests of Floating Rate Noteholders as a Class**

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or determination), the Trustee shall have regard to the general interests of the Floating Rate Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Floating Rate Noteholders or Floating Rate Couponholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Floating Rate Noteholders or Floating Rate Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Floating Rate Noteholder or Floating Rate Couponholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Floating Rate Noteholders or Floating Rate Couponholders except to the extent already provided for in Condition 7 (*Taxation*) and/or any undertaking given in addition to, or in substitution for, Condition 7 (*Taxation*) pursuant to the Trust Deed.

### **13.4 Notification to the Floating Rate Noteholders**

Any modification, abrogation, waiver, authorisation or determination shall be binding on the Floating Rate Noteholders and the Floating Rate Couponholders and, unless the Trustee agrees otherwise, any modification shall be notified by the Issuer to the Floating Rate Noteholders as soon as practicable thereafter in accordance with Condition 12 (*Notices*).

### **13.5 Substitution**

The Trustee may agree, without the consent of the Floating Rate Noteholders or the Floating Rate Couponholders, to the substitution of (i) any Subsidiary of the Issuer or (ii) any company which directly or indirectly owns 100 per cent. of the shares or other equity interests (as the case may be) carrying the right to vote in the Issuer in place of the Issuer as issuer and principal debtor under the Trust Deed, the Floating Rate Notes and the Floating Rate Coupons; provided that the Floating Rate Notes are unconditionally and irrevocably guaranteed by the Issuer; the Trustee is of the opinion that the interests of the Floating Rate Noteholders will not be materially prejudiced thereby and certain other conditions specified in the Trust Deed are fulfilled. Any such substitution shall be binding on the Floating Rate Noteholders and Floating Rate

Couponholders and shall be notified to the Floating Rate Noteholders within 14 days thereafter. For the purpose of this Condition, “**Subsidiary**” has the meaning given to it in Condition 9 (*Events of Default*).

## **14. INDEMNIFICATION AND PROTECTION OF THE TRUSTEE AND ITS CONTRACTING WITH THE ISSUER**

### **14.1 Indemnification and protection of the Trustee**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility and liability towards the Issuer, the Floating Rate Noteholders and the Floating Rate Couponholders, including (i) provisions relieving it from taking action unless indemnified and/or secured and/or pre-funded to its satisfaction and (ii) provisions limiting or excluding its liability in certain circumstances.

### **14.2 Trustee Contracting with the Issuer**

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with the Issuer and/or any of the Issuer's Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any of the Issuer's Subsidiaries, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Floating Rate Noteholders or Floating Rate Couponholders, and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

## **15. FURTHER ISSUES**

The Issuer may from time to time without the consent of the Floating Rate Noteholders or Floating Rate Couponholders create and issue further notes, having terms and conditions the same as those of the Floating Rate Notes, or the same except for the amount and date of the first payment of interest, which may be consolidated and form a single series with the outstanding Floating Rate Notes. Any further notes or bonds which are to form a single series with the outstanding notes or bonds of any series (including the Floating Rate Notes) constituted by the Trust Deed or any supplemental deed shall, and any other further notes or bonds may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Floating Rate Noteholders and the holders of notes or bonds of other series in certain circumstances where the Trustee so decides.

## **16. GOVERNING LAW AND SUBMISSION TO JURISDICTION**

### **16.1 Governing Law**

The Trust Deed, the Floating Rate Notes and the Floating Rate Coupons and any non-contractual obligations arising out of or in connection with the Trust Deed, the Floating Rate Notes and the Floating Rate Coupons are governed by, and construed in accordance with, English law.

### **16.2 Submission to Jurisdiction**

- (a) Subject to Condition 16.2(c) below, the English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Trust Deed, the Floating Rate Notes or the Floating Rate Coupons, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Trust Deed, the Floating Rate Notes or the Floating Rate Coupons (a “**Dispute**”) and each of the Issuer, the Trustee and any Floating Rate Noteholders or Floating Rate Couponholders in relation to any Dispute submits to the exclusive jurisdiction of the English courts.
- (b) For the purposes of this Condition, the Issuer waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.
- (c) To the extent allowed by law, the Issuer, the Trustee, the Floating Rate Noteholders and the Floating Rate Couponholders may, in respect of any Dispute or Disputes, take (i) proceedings in any other court with jurisdiction and (ii) concurrent proceedings in any number of jurisdictions.

### **16.3 Appointment of Process Agent**

The Issuer irrevocably appoints Philips Electronics UK Limited (Attention: Company Secretary), Philips Centre, Guildford Business Park, Guildford, Surrey GU2 8XG as its agent for service of process in any proceedings before the English courts in relation to any Dispute and agrees that, in the event of Philips Electronics UK Limited being unable or unwilling for any reason so to act, it will immediately appoint another person approved by the Trustee as its agent for service of process in England in respect of any Dispute. The Issuer agrees that failure by a process agent to notify it of any process will not invalidate service. Nothing in this Condition shall affect the right to serve process in any other manner permitted by law.

### **16.4 Other Documents**

The Issuer has in the Agency Agreement and the Trust Deed submitted to the jurisdiction of the English courts and appointed an agent in England for service of process, in terms substantially similar to those set out above.

### **17. RIGHTS OF THIRD PARTIES**

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Floating Rate Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

## TERMS AND CONDITIONS OF THE FIXED RATE NOTES

*The following is the text of the Terms and Conditions of the Fixed Rate Notes which (subject to modification) will be endorsed on each Fixed Rate Note in definitive form (if issued):*

The €500,000,000 0.500 per cent. Notes due 6 September 2023 (the “**Fixed Rate Notes**”, which expression shall in these terms and conditions (the “**Fixed Rate Note Conditions**”), unless the context otherwise requires, include any further notes issued pursuant to Condition 15 (*Further Issues*) and forming a single series with the Fixed Rate Notes) of Koninklijke Philips N.V. (the “**Issuer**”) are constituted by a trust deed dated 6 September 2017 (as amended or supplemented from time to time, the “**Trust Deed**”) made between the Issuer and Citicorp Trustee Company Limited as trustee (the “**Trustee**”, which expression shall include its successor(s)) as trustee for the holders of the Fixed Rate Notes (the “**Fixed Rate Noteholders**”) and the holders of the interest coupons appertaining thereto (the “**Fixed Rate Couponholders**” and the “**Fixed Rate Coupons**” respectively)) and are the subject of an agency agreement dated 6 September 2017 (as amended or supplemented from time to time, the “**Agency Agreement**”) made between the Issuer, Citibank, N.A., London Branch as principal paying agent (the “**Principal Paying Agent**” and, together with any other agents appointed in accordance with such agreement, the “**Paying Agents**”, which expression shall include any successor(s)), Citibank, N.A., London Branch as calculation agent (the “**Calculation Agent**”) and the Trustee.

Certain provisions of these Fixed Rate Note Conditions are summaries or, any are subject to, the detailed provisions of and definitions in the Trust Deed and the Agency Agreement. The Fixed Rate Noteholders and the Fixed Rate Couponholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them.

Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours by the Fixed Rate Noteholders and the Fixed Rate Couponholders at the principal office for the time being of the Trustee, being at the date of issue of the Fixed Rate Notes at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB and at the specified office of each of the Paying Agents.

### 1. FORM, DENOMINATION AND TITLE

#### 1.1 Form and Denomination

The Fixed Rate Notes are in bearer form, serially numbered, in the denominations of €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000 each with Fixed Rate Coupons attached on issue. Fixed Rate Notes of one denomination may not be exchanged for Fixed Rate Notes of another denomination.

#### 1.2 Title

Title to the Fixed Rate Notes and to the Fixed Rate Coupons will pass by delivery.

Fixed Rate Notes shall not be physically delivered in Belgium except to a clearing system, a depository or other institution for the purpose of their immobilisation in accordance with article 4 of the Belgian Law of 14 December 2005.

#### 1.3 Holder Absolute Owner

The Issuer, any Paying Agent and the Trustee will (except as ordered by a court of competent jurisdiction or as otherwise required by law) deem and treat the bearer of any Fixed Rate Note or Fixed Rate Coupon as the absolute owner for all purposes (whether or not the Fixed Rate Note or Fixed Rate Coupon shall be overdue and notwithstanding any notice of ownership or writing on the Fixed Rate Note or Fixed Rate Coupon or any notice of previous loss or theft of the Fixed Rate Note or Fixed Rate Coupon) and shall not be required to obtain any proof thereof or as to the identity of such bearer and no person shall be liable for so treating the bearer.

### 2. STATUS

The Fixed Rate Notes and the Fixed Rate Coupons are direct, unconditional and (subject to the provisions of Condition 3 (*Negative Pledge*)) unsecured obligations of the Issuer and (subject as provided above) rank and will rank *pari passu*, without any preference among themselves, with all other outstanding unsecured and

unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

### 3. **NEGATIVE PLEDGE**

So long as any Fixed Rate Note remains outstanding (as defined in the Trust Deed), the Issuer shall not create or permit to subsist any mortgage, charge, pledge, lien or other security interest upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness (as defined below) or any guarantee of Relevant Indebtedness, without:

- (a) at the same time or prior thereto ensuring that the Issuer's obligations under the Fixed Rate Notes are secured equally and rateably therewith to the satisfaction of the Trustee; or
- (b) providing such other guarantee or other arrangement (whether or not comprising security) as the Trustee may in its absolute discretion consider to be not materially less beneficial to the interests of the Fixed Rate Noteholders or as may be approved by an Extraordinary Resolution (as defined in the Trust Deed).

In this Condition 3 (*Negative Pledge*):

“**Relevant Indebtedness**” means any indebtedness which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other debt security which is, or is intended to be, listed, quoted or traded on any stock exchange or on any other recognised securities market (including, without limitation, any over-the-counter securities market).

### 4. **INTEREST**

#### 4.1 **Accrual of interest**

The Fixed Rate Notes bear interest on their outstanding principal amount from and including 6 September 2017 at the rate of 0.500 per cent. per annum, payable annually in arrear on 6 September in each year (each a “**Fixed Rate Interest Payment Date**”), subject to Condition 5 (*Payments*), commencing on 6 September 2018. The amount of interest payable on each Fixed Rate Interest Payment Date shall be €5 per €1,000 of outstanding principal amount (the “**Calculation Amount**”) of the Fixed Rate Notes. Each Fixed Rate Note will cease to bear interest from and including its due date for redemption unless, upon due presentation, payment of the principal in respect of the Fixed Rate Note is improperly withheld or refused or unless default is otherwise made in respect of payment. In such event interest will continue to accrue in respect of the principal amount of, and any unpaid amounts on, the Fixed Rate Notes, both before and after judgment, as provided in the Trust Deed.

#### 4.2 **Calculation of Broken Interest**

When interest is required to be calculated in respect of an interest payment on a date other than a Fixed Rate Interest Payment Date, it shall be calculated by applying the rate of 0.500 per cent. per annum to each Calculation Amount and on the basis of (a) the actual number of days in the period from and including the date from which interest begins to accrue (the “**Accrual Date**”) to but excluding the date on which it falls due divided by (b) the actual number of days from and including the Accrual Date to but excluding the next following Fixed Rate Interest Payment Date. The resultant figure shall be rounded to the nearest cent, half a cent being rounded upwards. The interest payable in respect of a Fixed Rate Note shall be the product of such rounded figure and the amount by which the Calculation Amount is multiplied to reach the denomination of the relevant Fixed Rate Note, without any further rounding.

### 5. **PAYMENTS**

#### 5.1 **Payments in respect of Fixed Rate Notes**

Payments of principal and interest in respect of each Fixed Rate Note will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the Fixed Rate Note, except that payments of interest due on a Fixed Rate Interest Payment Date will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the relevant Fixed Rate Coupon, in each case at the specified office outside the United States of any of the Paying Agents.

## 5.2 Method of Payment

Payments will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee with a bank in a city in which banks have access to the TARGET2 system.

## 5.3 Missing Unmatured Fixed Rate Coupons

Each Fixed Rate Note should be presented for payment together with all relative unmatured Fixed Rate Coupons, failing which the full amount of any relative missing unmatured Fixed Rate Coupon (or, in the case of payment not being made in full, that proportion of the full amount of the missing unmatured Fixed Rate Coupon which the amount so paid bears to the total amount due) will be deducted from the amount due for payment. Each amount so deducted will be paid in the manner mentioned above against presentation and surrender (or, in the case of part payment only, endorsement) of the relative missing Fixed Rate Coupon at any time before expiry of 10 years after the Relevant Date (as defined in Condition 7 (*Taxation*)) in respect of the relevant Fixed Rate Note (whether or not the Fixed Rate Coupon would otherwise have become void pursuant to Condition 8 (*Prescription*)).

## 5.4 Payments subject to applicable laws

Payments in respect of principal and interest on the Fixed Rate Notes are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*).

## 5.5 Payment only on a Presentation Date

A holder shall be entitled to present a Fixed Rate Note or Fixed Rate Coupon for payment only on a Presentation Date and shall not, except as provided in Condition 4 (*Interest*), be entitled to any further interest or other payment if a Presentation Date is after the due date for payment.

In this Condition 5 (*Payments*):

“**Presentation Date**” means a day which (subject to Condition 8 (*Prescription*)):

- (a) is or falls after the relevant due date;
- (b) is a Business Day in the place of the specified office of the Paying Agent at which the Fixed Rate Note or Fixed Rate Coupon is presented for payment; and
- (c) in the case of payment by credit or transfer to a euro account as referred to above, is a TARGET2 Settlement Day.

“**Business Day**” means, in relation to any place, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in that place and “**TARGET2 Settlement Day**” means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System is open.

## 5.6 Initial Paying Agents

The names of the initial Paying Agents and their initial specified offices are set out at the end of these Fixed Rate Note Conditions. The Issuer reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents provided that:

- (a) there will at all times be a Principal Paying Agent;
- (b) so long as the Fixed Rate Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be at least one Paying Agent (which may be the Principal Paying Agent) having a specified office in any place required by the rules and regulations of the relevant Stock Exchange or any other relevant authority; and



- (c) there will at all times be a Paying Agent in a jurisdiction within Europe, other than the jurisdiction in which the Issuer is incorporated.

Notice of any variation, termination, appointment and/or of any changes in specified offices will be given to the Fixed Rate Noteholders promptly by the Issuer in accordance with Condition 12 (*Notices*).

## **6. REDEMPTION AND PURCHASE**

### **6.1 Redemption at Maturity**

Unless previously redeemed or purchased and cancelled as provided below, the Issuer will redeem the Fixed Rate Notes at their principal amount on 6 September 2023 (the “**Maturity Date**”).

### **6.2 Redemption for Taxation Reasons**

The Issuer may at its option, subject to giving notice to the Trustee in accordance with this Condition 6.2 (*Redemption for Taxation Reasons*), and on giving not less than 30 nor more than 60 days' notice to the Fixed Rate Noteholders in accordance with Condition 12 (*Notices*) (which notice shall be irrevocable and specify the date fixed for redemption), redeem all the Fixed Rate Notes, but not some only, at any time at their principal amount together with interest accrued to but excluding the date of redemption, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts, were a payment in respect of the Fixed Rate Notes then due, if:

- (a) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction, or any change in the application or official interpretation of the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective after 4 September 2017, on the next Interest Payment Date the Issuer would be required to pay additional amounts as provided or referred to in Condition 7 (*Taxation*); and
- (b) the requirement cannot be avoided by the Issuer taking reasonable measures available to it.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee (i) a certificate signed by an Authorised Signatory (as defined in the Trust Deed) of the Issuer stating that the Issuer is entitled to effect such redemption, and setting forth a statement of facts showing that the conditions precedent as set out in this Condition 6.2 (*Redemption for Taxation Reasons*) to the right of the Issuer so to redeem have occurred and (ii) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of the change or amendment referred to above. The Trustee shall be entitled to accept the certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out in paragraphs (a) and (b) above, in which event they shall be conclusive and binding on the Fixed Rate Noteholders and the Fixed Rate Couponholders and the Trustee shall be entitled to rely on such certificate and opinion without further enquiry and without liability to any person.

For the purposes of these Conditions:

“**Relevant Jurisdiction**” means the Netherlands or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject in respect of payments made by or on behalf of it of principal and interest on the Fixed Rate Notes and Fixed Rate Coupons.

### **6.3 Redemption at the option of the Issuer**

#### *Issuer Maturity Par Call*

The Issuer may at its option, having given not less than 30 nor more than 60 days' notice to the Fixed Rate Noteholders in accordance with Condition 12 (*Notices*) (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem the Fixed Rate Notes then outstanding in whole, but not in part, at any time during the period commencing on (and including) the day that is 90 days prior to the Maturity Date to (but excluding) the Maturity Date, at their principal amount, together (if appropriate) with interest accrued but unpaid to (but excluding) the date fixed for redemption.

### *Make-Whole Redemption by the Issuer*

The Issuer may at its option, subject to compliance with all relevant laws, regulations and directives and on giving not less than thirty (30) nor more than sixty (60) days' notice to the Fixed Rate Noteholders in accordance with Condition 12 (*Notices*) (which notice shall be irrevocable and specify the date fixed for redemption), redeem in whole or in part the Fixed Rate Notes at any time prior to their Maturity Date (the "**Make-Whole Redemption Date**") at an amount per Fixed Rate Note calculated by the Calculation Agent, which will be an amount in euro rounded to the nearest cent (half a cent being rounded upwards) and equal to the greater of:

- (a) 100 per cent. of the principal amount of the Fixed Rate Note; or
- (b) the sum of the then current values of the remaining scheduled payments of principal and interest on such Fixed Rate Note (not including any interest accrued on the Fixed Rate Note to, but excluding, the Make-Whole Redemption Date) discounted to the Make-Whole Redemption Date on an annual basis (based on the actual number of days elapsed divided by 365 or (in the case of a leap year) by 366) at the Reference Rate (as defined below) plus 0.15 per cent.,

plus, in each case (a) or (b) above, any interest accrued on the Fixed Rate Note to, but excluding, the Make-Whole Redemption Date.

The Reference Rate will be published by the Issuer in accordance with Condition 12 (*Notices*).

In this Condition 6.3 (*Redemption at the option of the Issuer*):

"**Business Day**" means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System is open.

"**Reference Dealers**" means each of four banks selected by the Issuer which are (i) primary European government securities dealers or (ii) market makers in pricing corporate bond issues.

"**Reference Rate**" means the average of the quotations given by the Reference Dealers on the third Business Day prior to the Make-Whole Redemption Date (the "**Calculation Date**") at 11.00 a.m. (Brussels time) of the mid-market annual yield to maturity of the 2.000% Bundesobligationen of the Bundesrepublik Deutschland (Bund) due August 2023 ISIN: DE0001102325 (the "**Reference Bond**"). If the Reference Bond is no longer outstanding, a Similar Security will be chosen by the Reference Dealers at 11.00 a.m. (Brussels time) on the Calculation Date, quoted in writing by the Reference Dealers to the Issuer and published in accordance with Condition 12 (*Notices*).

"**Similar Security**" means a reference bond or reference bonds issued by the issuer of the Reference Bond having an actual or interpolated maturity comparable with the remaining term of the Fixed Rate Notes that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Fixed Rate Notes.

#### **6.4 Redemption at the option of the Holders upon a Change of Control Put Event**

Upon the occurrence of a Change of Control Put Event, unless the Issuer has exercised its right to redeem the Fixed Rate Notes in accordance with Condition 6.2 (*Redemption for Taxation Reasons*) or Condition 6.3 (*Redemption at the option of the Issuer*), each Fixed Rate Noteholder shall have the option to require the Issuer to redeem or, at the Issuer's option, purchase (or procure the purchase of) that Fixed Rate Note on the Put Date (as defined below) at its principal amount together with interest accrued to but excluding the Put Date.

Within 60 days following the date upon which the Change of Control Put Event has occurred, the Issuer shall give notice to the Fixed Rate Noteholders in accordance with Condition 12 (*Notices*) of the occurrence of a Change of Control Put Event and shall, in the notice, specify a date being not less than 30 nor more than 60 days after the date on which the notice was given as the "**Put Date**".

To exercise such option, the Fixed Rate Noteholder must deliver such Fixed Rate Note to be redeemed or purchased, together with all Fixed Rate Coupons relating to it maturing after the Put Date, to the specified

office of the Principal Paying Agent at any time during normal business hours together with a duly completed notice of exercise in the form obtainable from the specified office of the Principal Paying Agent (a “**Change of Control Put Notice**”), not less than 15 nor more than 30 days before the Put Date. A Change of Control Put Notice, once given, shall be irrevocable.

If 80 per cent. or more in aggregate principal amount of the Fixed Rate Notes then outstanding have been redeemed or purchased pursuant to the foregoing provisions of this Condition 6.4 (*Redemption at the option of the Holders upon a Change of Control Put Event*), the Issuer may, having given not less than 30 nor more than 60 days’ notice to the Fixed Rate Noteholders (such notice being given within 30 days after the Put Date) in accordance with Condition 12 (*Notices*), redeem or purchase (or procure the purchase of), at its option, all (but not some only) of the remaining Fixed Rate Notes at their principal amount together with interest accrued to but excluding the date fixed for such redemption or purchase.

In this Condition 6.4 (*Redemption at the option of the Holders upon a Change of Control Put Event*):

A “**Change of Control**” means the occurrence of any one of the following: (i) Control is acquired or held by any Person or any Persons acting in concert (“acting in concert” to be within the meaning of Section 5:45, subsection 5 of the Dutch Act on financial supervision (*Wet op het financieel toezicht*)) as to the exercise of Voting Shares or (ii) the Issuer consolidates with, or merges with or into, any Person, or any Person consolidates with, or merges with or into, the Issuer, in any such event pursuant to a transaction in which any of the outstanding Voting Shares of the Issuer or such other Person is converted into or exchanged for cash, securities or other property, other than any such transaction where the Voting Shares of the Issuer outstanding immediately prior to such transaction constitute, or are converted into or exchanged for, a majority of the Voting Shares of the surviving Person immediately after giving effect to such transaction, provided that a Change of Control shall be deemed not to occur (i) solely as a result of the issuance or transfer, with the co-operation of the Issuer’s Supervisory Board, Board of Management or the Issuer’s general meeting of shareholders, as applicable, and, in each case, if required, of any preference shares in the Issuer’s share capital to the foundation Stichting Preferente Aandelen Philips or its successor; or (ii) if the event which would otherwise have constituted a Change of Control occurs or is carried on terms previously approved by the Trustee or by an Extraordinary Resolution.

“**Change of Control Put Event**” means the Fixed Rate Notes are rated below Investment Grade by each of the Rating Agencies on any date during the period (the “**Change of Control Period**”) commencing on the date of the first public announcement by the Issuer of any Change of Control (or pending Change of Control) and ending 60 days following consummation of such Change of Control (which Change of Control Period will be extended following consummation of a Change of Control for so long as any of the Rating Agencies has publicly announced that it is considering a possible ratings downgrade) and are not, within the Change of Control Period, subsequently upgraded to an Investment Grade rating provided that a Change of Control Put Event otherwise arising by virtue of a particular reduction in rating shall not be deemed to have occurred in respect of a particular Change of Control (and shall not be deemed a Change of Control Put Event) if the Rating Agencies making the reduction in rating to which this definition would otherwise apply do not announce or publicly confirm or inform the Trustee in writing at its request that the reduction was the result, in whole or in part, of any event or circumstance comprised of or arising as a result of, or in respect of, the applicable Change of Control (whether or not the applicable Change of Control shall have occurred at the time of the Change of Control Put Event). Notwithstanding the foregoing, no Change of Control Put Event will be deemed to have occurred in connection with any particular Change of Control unless and until such Change of Control has actually been consummated.

“**Control**” means the ownership of such a number of Voting Shares carrying more than 50 per cent. of the voting rights of the Issuer.

“**Investment Grade**” means a rating of Baa3 or better by Moody’s (or its equivalent under any successor rating category of Moody’s); a rating of BBB- or better by Fitch (or its equivalent under any successor rating category of Fitch) or the equivalent investment grade credit rating from any replacement Rating Agency of equivalent international standing.

“**Person**” means any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity).

“**Rating Agency**” means each of Moody’s Deutschland GmbH (“**Moody’s**”) or Fitch Ratings Ltd. (“**Fitch**”), and their respective successors.

“**Voting Shares**” means shares in the issued share capital of the Issuer carrying voting rights.

## 6.5 Purchases

The Issuer or any of its Subsidiaries (as defined in Condition 9 (*Events of Default*)) may at any time purchase Fixed Rate Notes (provided that all unmatured Fixed Rate Coupons appertaining to the Fixed Rate Notes are purchased with the Fixed Rate Notes) in any manner and at any price.

## 6.6 Cancellations

All Fixed Rate Notes which are (a) redeemed or (b) purchased by or on behalf of the Issuer or any of its Subsidiaries may be cancelled, together with all relative unmatured Fixed Rate Coupons attached to the Fixed Rate Notes or surrendered with the Fixed Rate Notes or may be reissued or resold.

## 6.7 Notices Final

Upon the expiry of any notice as is referred to in Condition 6.2 (*Redemption for Taxation Reasons*), Condition 6.3 (*Redemption at the option of the Issuer*) or Condition 6.4 (*Redemption at the option of the Holders upon a Change of Control Put Event*) above the Issuer shall be bound to redeem the Fixed Rate Notes to which the notice refers in accordance with the terms of such paragraph.

## 7. TAXATION

### 7.1 Payment without Withholding

All payments in respect of the Fixed Rate Notes by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (“**Taxes**”) imposed or levied by or on behalf of any Relevant Jurisdiction, unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer will pay such additional amounts as may be necessary in order that any amount received by the Fixed Rate Noteholders or Fixed Rate Couponholders after the withholding or deduction is equal to the amount that would have been received in respect of the Fixed Rate Notes or, as the case may be, Fixed Rate Coupons, in the absence of the withholding or deduction; except that no additional amounts shall be payable in relation to any payment in respect of any Fixed Rate Note or Fixed Rate Coupon:

- (a) the holder of which is liable for Taxes in respect of such Fixed Rate Note or Fixed Rate Coupon by reason of having or having had a present or former connection with the Relevant Jurisdiction other than a mere holding of the Fixed Rate Notes; or
- (b) presented for payment in the Netherlands; or
- (c) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days assuming that day to have been a Presentation Date (as defined in Condition 5 (*Payments*)); or
- (d) presented for payment by, or on behalf of, a holder who is entitled to avoid such withholding or deduction in respect of such Fixed Rate Note or Fixed Rate Coupon by making a declaration or any other statement to the relevant tax authority, including, but not limited to, a declaration of residence or non-residence or other similar claim for exemption; or
- (e) payable due to any combination of items (a) to (d).

Notwithstanding any other provisions contained herein, the Issuer shall be permitted to withhold or deduct any amounts required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any amended or successor provisions), any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto (“**FATCA Withholding**”). The Issuer will have no obligation to pay additional amounts or otherwise indemnify an investor for any such FATCA Withholding deducted or withheld by the Issuer, any paying agent or any other party.

For the avoidance of doubt, the obligation of the Issuer to pay additional amounts in respect of Taxes will not apply to (i) any estate, inheritance, gift, sales, transfer, personal property or any similar tax, duty, assessment or other governmental charge or (ii) any Taxes payable otherwise than by deduction or withholding from payments of principal of, or interest on, the Fixed Rate Notes or, as the case may be, Fixed Rate Coupons.

In this Condition 7 (*Taxation*):

“**Relevant Date**” means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the Principal Paying Agent or the Trustee on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect has been duly given to the Fixed Rate Noteholders by the Issuer in accordance with Condition 12 (*Notices*).

## 7.2 Additional Amounts

Any reference in these Fixed Rate Note Conditions to any amounts in respect of the Fixed Rate Notes shall be deemed also to refer to any additional amounts which may be payable under this Condition 7 (*Taxation*) or under any undertakings given in addition to, or in substitution for, this Condition pursuant to the Trust Deed.

## 8. PRESCRIPTION

Fixed Rate Notes and Fixed Rate Coupons will become void unless presented for payment within periods of 10 years (in the case of principal) and 5 years (in the case of interest) from the Relevant Date (as defined in Condition 7 (*Taxation*)) in respect of the Fixed Rate Notes or, as the case may be, the Fixed Rate Coupons, subject to the provisions of Condition 5 (*Payments*).

## 9. EVENTS OF DEFAULT

If any of the following events (each an “**Event of Default**”) occurs and is continuing, the Trustee at its discretion may and, if so requested in writing by holders of at least one-quarter in principal amount of the Fixed Rate Notes then outstanding or, if so directed by an Extraordinary Resolution, shall (subject, in the case of the happening of any of the events mentioned in paragraphs (b) to (g) (other than (d) below), to the Trustee having certified in writing that the happening of such events is in its opinion materially prejudicial to the interests of the Fixed Rate Noteholders) subject in all cases, to the Trustee having been indemnified and/or secured and/or prefunded to its satisfaction) give written notice to the Issuer declaring the Fixed Rate Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their principal amount together with accrued interest without further action or formality:

- (a) **Non-payment:** the Issuer fails to pay any amount of principal or interest due in respect of the Fixed Rate Notes and that failure to pay continues for more than 14 days after the due date for payment; or
- (b) **Breach of other obligations:** the Issuer defaults in the performance or observance of any one or more other obligations under or in respect of the Fixed Rate Notes or the Trust Deed required to be performed or observed by the Issuer and such default is either:
  - (i) in the opinion of the Trustee, incapable of remedy, in which case no notice referred to in (ii) below will be required; or
  - (ii) in the opinion of the Trustee, capable of remedy and the default remains unremedied for 30 days (or such longer period as the Trustee may agree) after the Trustee has given written notice to the Issuer specifying the default and requiring that default to be remedied; or
- (c) **Cross-acceleration:** (i) the repayment of any indebtedness for borrowed money owing by the Issuer or any of its Material Subsidiaries is accelerated by reason of default (however expressed) and such acceleration has not been rescinded, waived, cancelled or annulled, or (ii) the Issuer or any of its Material Subsidiaries is in default (after the expiry of any originally applicable grace period) in any payment when due of such indebtedness for borrowed money; provided that no such event shall constitute an Event of Default (A) if it is being contested in good faith by, in the reasonable opinion of the Issuer, appropriate proceedings; or (B) unless the aggregate outstanding amount of such accelerated or unpaid indebtedness for borrowed money, whether alone or when aggregated with all other such outstanding accelerated or unpaid indebtedness for borrowed money, exceeds €100 million (or its equivalent in another currency or currencies); or

- (d) **Winding-up:** any final order is made by any competent court or other authority, or an effective resolution is passed for the liquidation, dissolution or winding-up of the Issuer or any of its Material Subsidiaries otherwise than (i) for the purposes of a Permitted Reorganisation; or (ii) on terms previously approved by the Trustee or by an Extraordinary Resolution; or
- (e) **Insolvency, etc.:** (i) the Issuer or any of its Material Subsidiaries admits in writing that it is insolvent or unable to pay its debts as they fall due, (ii) an administrator or liquidator is appointed (or application for any such appointment is made) in respect of the Issuer or any of its Material Subsidiaries or the whole or substantially all of the undertaking, assets and revenues of the Issuer or any of its Material Subsidiaries, (iii) the Issuer or any of its Material Subsidiaries makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its indebtedness or any guarantee of any indebtedness given by it or (iv) the Issuer or any of its Material Subsidiaries ceases or threatens to cease to carry on all or substantially all of its business otherwise, in each of (i) to (iv), than (i) for the purposes of a Permitted Reorganisation; or (ii) on terms previously approved by the Trustee or by an Extraordinary Resolution;
- (f) **Security enforced:** a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or substantially all of the undertaking, assets and revenues of the Issuer or any of its Material Subsidiaries; or
- (g) **Analogous Event:** if any event occurs which, under the laws of any Relevant Jurisdiction (as defined in Condition 6.2 (*Redemption for Taxation Reasons*)), has or may have an analogous effect to any of the events referred to in subparagraphs (d) to (f) above.

In this Condition 9 (*Events of Default*):

“**Material Subsidiary**” means, at any time, a Subsidiary of the Issuer whose total assets represent at least 5 per cent. of the consolidated total assets of the Group or whose total net sales represent at least 7.5 per cent. of the consolidated net sales of the Group and in relation to which the Issuer has, directly or indirectly, the power to direct its management and policies whether through the ownership of voting capital, by contract or otherwise. For this purpose:

- (a) in the case of each Subsidiary, the calculation shall be made by comparing the total assets or, as the case may be, total net sales of that Subsidiary individually (and not on a consolidated basis) to those of the Group;
- (b) assets or sales which arise from transactions between members of the Group and which would be eliminated in the consolidated financial statements of the Group shall be excluded;
- (c) the total assets or total net sales of a Subsidiary shall be calculated by reference to:
  - (i) the accounts of that Subsidiary used for the purpose of the latest audited consolidated financial statements of the Group; or
  - (ii) if the company became a Subsidiary after the end of the financial period to which the latest audited consolidated financial statements of the Group relate, its then latest audited accounts;
- (d) the consolidated total assets or consolidated net sales of the Group shall be calculated by reference to the latest audited consolidated financial statements of the Group, adjusted as appropriate to reflect the total assets or total net sales of any company which has become or ceased to be a Subsidiary after the end of the financial period to which those accounts relate; and
- (e) where a Material Subsidiary transfers all or substantially all of its assets to the Issuer or another Subsidiary, the transferor (if it is not the Holding Company of the transferee) shall cease to be a Material Subsidiary and (if the transferee is a Subsidiary but not a Material Subsidiary) the transferee shall become a Material Subsidiary.

For the purposes of this definition of Material Subsidiary, the term “**Group**” means the Issuer and its Subsidiaries, provided, however, that any reference to the financial statements of the Group shall be to the financial statements of the Issuer and its present and future subsidiaries, direct and indirect, within the meaning of Article 2:24a of the Dutch Civil Code (*Burgerlijk Wetboek*); the term “**Holding Company**” of any other

person means a company in respect of which that other person is a Subsidiary; and any reference to the consolidated assets of the Group or to the consolidated net sales of the Group shall be with respect to the Group excluding Philips Lighting N.V. and its Subsidiaries.

**“Permitted Reorganisation”** means (i) any merger, consolidation, amalgamation, reorganisation, transfer of all or substantially all of its business, assets or undertaking (by operation of law or by way of sale, contribution, lease, conveyance, demerger or otherwise), reconstruction or restructuring on a solvent basis, pursuant to which the surviving or acquiring company (if not the Issuer) assumes all obligations of the Issuer under the Fixed Rate Notes and the Trust Deed either expressly, by operation of law or by universal succession; or (ii) for the purposes of or in connection with, and followed by, a substitution of the relevant entity pursuant to and in accordance with Condition 13.5 (*Substitution*).

**“Subsidiary”** means a consolidated entity of which a person has direct or indirect control or owns directly or indirectly more than 50 per cent. of the voting rights or similar right of ownership and **“control”** for this purpose means the power to direct the management and the policies of the entity whether through the ownership of voting capital, by contract or otherwise provided that neither Philips Lighting N.V. nor any of Philips Lighting N.V.’s Subsidiaries shall be considered a Subsidiary of the Issuer.

## **10. ENFORCEMENT**

### **10.1 Enforcement by the Trustee**

The Trustee may at any time, at its discretion and without notice, take such proceedings and/or other steps or action (including lodging an appeal in any proceedings) against or in relation to the Issuer as it may think fit to enforce the provisions of the Trust Deed, the Fixed Rate Notes and the Fixed Rate Coupons or otherwise, but it shall not be bound to take any such proceedings or other steps or action unless (a) it has been so directed by an Extraordinary Resolution of the Fixed Rate Noteholders or so requested in writing by the holders of at least one-quarter in principal amount of the Fixed Rate Notes then outstanding and (b) it has been indemnified and/or secured and/or pre-funded to its satisfaction.

### **10.2 Limitation on Trustee actions**

The Trustee may refrain from taking any action in any jurisdiction if the taking of such action in that jurisdiction would, in its opinion based upon legal advice in the relevant jurisdiction, be contrary to any law of that jurisdiction. Furthermore, the Trustee may also refrain from taking such action if it would otherwise render it liable to any person in that jurisdiction or if, in its opinion based upon such legal advice, it would not have the power to do the relevant thing in that jurisdiction by virtue of any applicable law in that jurisdiction or if it is determined by any court or other competent authority in that jurisdiction that it does not have such power.

### **10.3 Enforcement by the Fixed Rate Noteholders**

No Fixed Rate Noteholder or Fixed Rate Couponholder shall be entitled to (i) take any steps or action against the Issuer to enforce the performance of any of the provisions of the Trust Deed, the Fixed Rate Notes or the Fixed Rate Coupons or (ii) take any other proceedings (including lodging an appeal in any proceedings) in respect of or concerning the Issuer, in each case unless the Trustee, having become bound so to take any such action, steps or proceedings, fails so to do within a reasonable period and such failure shall be continuing.

## **11. REPLACEMENT OF FIXED RATE NOTES AND FIXED RATE COUPONS**

Should any Fixed Rate Note or Fixed Rate Coupon be lost, stolen, mutilated, defaced or destroyed it may be replaced subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Principal Paying Agent upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Fixed Rate Notes or Fixed Rate Coupons must be surrendered before replacements will be issued.

## **12. NOTICES**

### **12.1 Notices to the Fixed Rate Noteholders**

All notices to the Fixed Rate Noteholders will be valid if published in a leading English language daily newspaper published in London and, so long as the Fixed Rate Notes are admitted to listing on the Official List and to trading on the regulated market of the Luxembourg Stock Exchange and the rules of that exchange so require, a daily newspaper of general circulation in Luxembourg or the website of the Luxembourg Stock Exchange (at [www.bourse.lu](http://www.bourse.lu)). It is expected that publication in a newspaper will normally be made in the *Financial Times* in London and the *Luxemburger Wort* in Luxembourg. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not practicable, notice will be given in such other manner, and shall be deemed to have been given on such date, as the Trustee may approve. Fixed Rate Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Fixed Rate Noteholders in accordance with this paragraph.

### **12.2 Notices from the Fixed Rate Noteholders**

Notices to be given by any Fixed Rate Noteholder shall be in writing and given by lodging the same, together with the relative Fixed Rate Note or Fixed Rate Notes, with the Principal Paying Agent or, if the Fixed Rate Notes are held in a clearing system, may be given through the clearing system in accordance with its standard rules and procedures.

## **13. MEETINGS OF FIXED RATE NOTEHOLDERS, MODIFICATION, WAIVER, AUTHORISATION AND DETERMINATION, SUBSTITUTION**

### **13.1 Meetings of Fixed Rate Noteholders**

The Trust Deed contains provisions for convening meetings of the Fixed Rate Noteholders to consider any matter affecting their interests, including the modification of any of these Fixed Rate Note Conditions or any of the provisions of the Trust Deed. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Trustee (subject to it being indemnified and/or secured and/or prefunded to its satisfaction) upon the request in writing of Fixed Rate Noteholders holding not less than one-quarter of the aggregate principal amount of the outstanding Fixed Rate Notes.

The quorum at any meeting convened to vote on an Extraordinary Resolution will be one or more persons present holding or representing more than 50 per cent. in principal amount of the Fixed Rate Notes for the time being outstanding, or at any adjourned such meeting one or more persons present whatever the principal amount of the Fixed Rate Notes held or represented by him or them, except that, at any meeting the business of which includes any matter defined in the Trust Deed as a Basic Terms Modification, including the modification of certain of the provisions of these Fixed Rate Note Conditions and certain of the provisions of the Trust Deed (including the date of maturity of the Fixed Rate Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or interest payable in respect of the Fixed Rate Notes, altering the currency of payment of the Fixed Rate Notes, altering the method of calculating the amount of any payment in respect of the Fixed Rate Notes or changing the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution), the necessary quorum required to pass an Extraordinary Resolution will be one or more persons present holding or representing not less than two-thirds, or at any adjourned such meeting not less than one-third, of the principal amount of the Fixed Rate Notes for the time being outstanding.

In addition, the Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than two-thirds in principal amount of the Fixed Rate Notes for the time being outstanding or consent given by way of electronic consents through the relevant clearing system(s) by or on behalf of the holders of not less than two-thirds in principal amount of the Fixed Rate Notes for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Fixed Rate Noteholders. An Extraordinary Resolution passed by the Fixed Rate Noteholders will be binding on all Fixed Rate Noteholders, whether or not they are present at any meeting and whether or not they voted on the resolution, and on all Fixed Rate Couponholders.



### **13.2 Modification, Waiver, Authorisation and Determination**

The Trustee may agree, without the consent of the Fixed Rate Noteholders or Fixed Rate Couponholders (i) (other than in relation to any Basic Terms Modification (as defined in the Trust Deed)) to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of these Fixed Rate Note Conditions or any of the provisions of the Trust Deed or the Agency Agreement, or determine, without any such consent as aforesaid, that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such (provided that, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Fixed Rate Noteholders), or (ii) to any modification which, in its opinion, is of a formal, minor or technical nature or to correct a manifest error or an error which is, in the opinion of the Trustee, proven or to comply with mandatory provisions of law.

### **13.3 Trustee to have Regard to Interests of Fixed Rate Noteholders as a Class**

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or determination), the Trustee shall have regard to the general interests of the Fixed Rate Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Fixed Rate Noteholders or Fixed Rate Couponholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Fixed Rate Noteholders or Fixed Rate Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Fixed Rate Noteholder or Fixed Rate Couponholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Fixed Rate Noteholders or Fixed Rate Couponholders except to the extent already provided for in Condition 7 (*Taxation*) and/or any undertaking given in addition to, or in substitution for, Condition 7 (*Taxation*) pursuant to the Trust Deed.

### **13.4 Notification to the Fixed Rate Noteholders**

Any modification, abrogation, waiver, authorisation or determination shall be binding on the Fixed Rate Noteholders and the Fixed Rate Couponholders and, unless the Trustee agrees otherwise, any modification shall be notified by the Issuer to the Fixed Rate Noteholders as soon as practicable thereafter in accordance with Condition 12 (*Notices*).

### **13.5 Substitution**

The Trustee may agree, without the consent of the Fixed Rate Noteholders or the Fixed Rate Couponholders, to the substitution of (i) any Subsidiary of the Issuer or (ii) any company which directly or indirectly owns 100 per cent. of the shares or other equity interests (as the case may be) carrying the right to vote in the Issuer in place of the Issuer as issuer and principal debtor under the Trust Deed, the Fixed Rate Notes and the Fixed Rate Coupons; provided that the Fixed Rate Notes are unconditionally and irrevocably guaranteed by the Issuer; the Trustee is of the opinion that the interests of the Fixed Rate Noteholders will not be materially prejudiced thereby and certain other conditions specified in the Trust Deed are fulfilled. Any such substitution shall be binding on the Fixed Rate Noteholders and Fixed Rate Couponholders and shall be notified to the Fixed Rate Noteholders within 14 days thereafter. For the purpose of this Condition, “**Subsidiary**” has the meaning given to it in Condition 9 (*Events of Default*).

## **14. INDEMNIFICATION AND PROTECTION OF THE TRUSTEE AND ITS CONTRACTING WITH THE ISSUER**

### **14.1 Indemnification and protection of the Trustee**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility and liability towards the Issuer, the Fixed Rate Noteholders and the Fixed Rate Couponholders, including (i) provisions relieving it from taking action unless indemnified and/or secured and/or pre-funded to its satisfaction and (ii) provisions limiting or excluding its liability in certain circumstances.

### **14.2 Trustee Contracting with the Issuer**

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with the Issuer and/or any of the Issuer's Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any of the Issuer's Subsidiaries, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Fixed Rate Noteholders or Fixed Rate Couponholders, and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

## **15. FURTHER ISSUES**

The Issuer may from time to time without the consent of the Fixed Rate Noteholders or Fixed Rate Couponholders create and issue further notes, having terms and conditions the same as those of the Fixed Rate Notes, or the same except for the amount and date of the first payment of interest, which may be consolidated and form a single series with the outstanding Fixed Rate Notes. Any further notes or bonds which are to form a single series with the outstanding notes or bonds of any series (including the Fixed Rate Notes) constituted by the Trust Deed or any supplemental deed shall, and any other further notes or bonds may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Fixed Rate Noteholders and the holders of notes or bonds of other series in certain circumstances where the Trustee so decides.

## **16. GOVERNING LAW AND SUBMISSION TO JURISDICTION**

### **16.1 Governing Law**

The Trust Deed, the Fixed Rate Notes and the Fixed Rate Coupons and any non-contractual obligations arising out of or in connection with the Trust Deed, the Fixed Rate Notes and the Fixed Rate Coupons are governed by, and construed in accordance with, English law.

### **16.2 Submission to Jurisdiction**

- (a) Subject to Condition 16.2(c) below, the English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Trust Deed, the Fixed Rate Notes or the Fixed Rate Coupons, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Trust Deed, the Fixed Rate Notes or the Fixed Rate Coupons (a “**Dispute**”) and each of the Issuer, the Trustee and any Fixed Rate Noteholders or Fixed Rate Couponholders in relation to any Dispute submits to the exclusive jurisdiction of the English courts.
- (b) For the purposes of this Condition, the Issuer waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.
- (c) To the extent allowed by law, the Issuer, the Trustee, the Fixed Rate Noteholders and the Fixed Rate Couponholders may, in respect of any Dispute or Disputes, take (i) proceedings in any other court with jurisdiction and (ii) concurrent proceedings in any number of jurisdictions.

### **16.3 Appointment of Process Agent**

The Issuer irrevocably appoints Philips Electronics UK Limited (Attention: Company Secretary), Philips Centre, Guildford Business Park, Guildford, Surrey GU2 8XG as its agent for service of process in any proceedings before the English courts in relation to any Dispute and agrees that, in the event of Philips Electronics UK Limited being unable or unwilling for any reason so to act, it will immediately appoint another person approved by the Trustee as its agent for service of process in England in respect of any Dispute. The Issuer agrees that failure by a process agent to notify it of any process will not invalidate service. Nothing in this Condition shall affect the right to serve process in any other manner permitted by law.

### **16.4 Other Documents**

The Issuer has in the Agency Agreement and the Trust Deed submitted to the jurisdiction of the English courts and appointed an agent in England for service of process, in terms substantially similar to those set out above.

**17. RIGHTS OF THIRD PARTIES**

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Fixed Rate Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

## OVERVIEW OF PROVISIONS RELATING TO THE NOTES WHILE REPRESENTED BY THE GLOBAL NOTES

The Floating Rate Notes and the Fixed Rate Notes will, in each case, initially be in the form of a Temporary Global Note which will be deposited on or around the Issue Date with a common safekeeper for Euroclear and Clearstream, Luxembourg.

The Notes will be issued in new global note (“NGN”) form. On 13 June 2006 the European Central Bank (the “ECB”) announced that Notes in NGN form are in compliance with the “Standards for the use of EU securities settlement systems in ESCB credit operations” of the central banking system for the euro (the “Eurosystème”), *provided that* certain other criteria are fulfilled. At the same time the ECB also announced that arrangements for notes in NGN form will be offered by Euroclear and Clearstream, Luxembourg as of 30 June 2006 and that debt securities in global bearer form issued through Euroclear and Clearstream, Luxembourg after 31 December 2006 will only be eligible as collateral for Eurosystème operations if the NGN form is used.

The Notes are intended to be held in a manner which would allow Eurosystème eligibility, that is, in a manner which would allow the Notes to be recognised as eligible collateral for Eurosystème monetary policy and intra-day credit operations by the Eurosystème either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystème eligibility criteria.

So long as the Notes are represented by a Temporary Global Note or a Permanent Global Note and the relevant clearing system(s) so permit, the Notes will be tradeable only in the minimum authorised denomination of €100,000 and higher integral multiples of €1,000, notwithstanding that no definitive Notes will be issued with a denomination above €199,000.

In addition, each Temporary Global Note and Permanent Global Note will contain provisions which modify the Floating Rate Note Conditions and the Fixed Rate Note Conditions (as applicable) as they apply to the relevant Temporary Global Note and Permanent Global Note. The following is a summary of certain of those provisions:

### Accountholders

For so long as all of the Floating Rate Notes or the Fixed Rate Notes (as applicable) are represented by one or both of the relevant Global Notes for such Floating Rate Notes or Fixed Rate Notes (as applicable) and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular principal amount of such Notes (each an “Accountholder”) (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal amount of such Notes standing to the account of any person shall, in the absence of manifest error, be conclusive and binding for all purposes) shall be treated as the holder of such principal amount of such Notes for all purposes (including but not limited to, for the purposes of any quorum requirements of, or the right to demand a poll at, meetings of the Noteholders) other than with respect to the payment of principal and interest on such principal amount of such Notes, the right to which shall be vested, as against the Issuer and the Trustee, solely in the bearer of the relevant Global Note in accordance with and subject to its terms and the terms of the Trust Deed. Each Accountholder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the bearer of the relevant Global Note.

### Payments

On or after the Exchange Date, no payment will be made on the relevant Temporary Global Note unless exchange for an interest in the relevant Permanent Global Note is improperly withheld or refused. Payments of principal and interest in respect of Notes represented by a Global Note will, subject as set out below, be made to the bearer of such Global Note and each payment so made will discharge the Issuer’s obligations in respect thereof. Upon any payment of principal or interest in respect of Notes represented by a Global Note, the Issuer shall procure that the amount so paid shall be entered *pro rata* in the records of Euroclear or Clearstream, Luxembourg and the principal amount of the Notes recorded in the records of Euroclear and Clearstream, Luxembourg and represented by such Global Note will be reduced accordingly. Any failure to make such entries shall not affect the discharge of the Issuer’s obligations in respect thereof. Payments of interest on the Temporary Global Note (if permitted by the first sentence of this paragraph) will be made only upon certification as to non-U.S. beneficial ownership unless such certification has already been made.

## Notices

For so long as all of the Floating Rate Notes or the Fixed Rate Notes (as applicable) are represented by one or both of the relevant Global Notes for such Floating Rate Notes or Fixed Rate Notes (as applicable) and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg (as the case may be) for communication to the relevant Accountholders rather than by publication as required by Condition 12 (*Notices*) of each of the Floating Rate Note Conditions and the Fixed Rate Note Conditions, provided that, so long as the Notes are listed on any stock exchange, notices shall also be published in accordance with the rules of such exchange. Any such notice shall be deemed to have been given to the Noteholders on the day on which such notice is delivered to Euroclear and/or Clearstream, Luxembourg (as the case may be) as aforesaid.

Whilst any of the Notes held by a Noteholder are represented by a Global Note, notices to be given by such Noteholder may be given by such Noteholder (where applicable) through the applicable clearing system's operational procedures approved for this purpose and otherwise in such manner as the Principal Paying Agent and the applicable clearing system may approve for this purpose.

## Exchange

The relevant Permanent Global Note will be exchangeable in whole but not in part (free of charge to the holder) for definitive Notes only:

- (a) upon the happening of any of the events defined in Condition 9 as an Event of Default (*Events of Default*) of each of the Floating Rate Notes and the Fixed Rate Notes;
- (b) if the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have announced an intention permanently to cease business or have in fact done so and no successor clearing system satisfactory to the Trustee is available; or
- (c) if the Issuer has or will become subject to adverse tax consequences which would not be suffered were the relevant Notes in definitive form and a certificate to such effect signed by an Authorised Signatory (as defined in the Trust Deed) of the Issuer is given to the Trustee.

Thereupon (in the case of (a) and (b) above) the holder of such Permanent Global Note (acting on the instructions of one or more of the Accountholders) or the Trustee may give notice to the Issuer and the Principal Paying Agent and (in the case of (c)) the Issuer may give notice to the Trustee, the Principal Paying Agent and the Noteholders, of its intention to exchange such Permanent Global Note for definitive Notes. Any exchange shall occur no later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

Exchanges will be made upon presentation of the relevant Permanent Global Note to or to the order of the Principal Paying Agent on any day on which banks are open for general business in London. In exchange for such Permanent Global Note the Issuer will deliver, or procure the delivery of, an equal aggregate principal amount of definitive Notes (having attached to them all Coupons in respect of interest which has not already been paid on the Permanent Global Note), security printed in accordance with any applicable legal and stock exchange requirements and in or substantially in the form set out in the Trust Deed. On exchange of such Permanent Global Note, the Issuer will procure that it is cancelled and, if the holder so requests, returned to the holder together with any relevant definitive Notes.

## Prescription

Claims against the Issuer in respect of principal and interest on the Notes represented by a Global Note will be prescribed after 10 years (in the case of principal) and 5 years (in the case of interest) from the Relevant Date (as defined in Condition 7 (*Taxation*) of each of the Floating Rate Notes and the Fixed Rate Notes).

## Cancellation

Cancellation of any Note represented by a Global Note and required by the Floating Rate Note Conditions or the Fixed Rate Note Conditions to be cancelled following its redemption or purchase will be effected by endorsement by or on behalf of the Principal Paying Agent of the reduction in the principal amount of the relevant Global Note on the relevant part of the schedule thereto.

## **Euroclear and Clearstream, Luxembourg**

Notes represented by a Global Note are transferable in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as appropriate. References in the Global Notes and this summary to Euroclear and/or Clearstream, Luxembourg shall be deemed to include references to any other clearing system approved by the Trustee.

### **Partial exercise of call option**

In connection with an exercise of the option contained in Condition 6.3 (*Redemption at the option of the Issuer*) of the Fixed Rate Note Conditions in relation to some only of the Fixed Rate Notes, the relevant Permanent Global Note may be redeemed in part in the principal amount specified by the Issuer in accordance with the Fixed Rate Note Conditions and the Fixed Rate Notes to be redeemed will not be selected as provided in the Conditions but in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in principal amount at their discretion).

### **Exercise of put option**

In order to exercise the change of control put option contained in the Conditions, the bearer of the Permanent Global Note must, within the period specified in the Conditions for the deposit of the relevant Note and change of control put notice, give written notice of such exercise to the Principal Paying Agent specifying the principal amount of Notes in respect of which such put option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

## USE OF PROCEEDS

The gross proceeds of the issue of the Notes, amounting to approximately €998,825,000, will be applied by the Issuer in the repayment of the €1,000,000,000 bridge loan made available under the credit facility dated 28 July 2017 made between, *inter alia*, the Issuer and ING Bank N.V. as Facility Agent and Bank of America Merrill Lynch International Limited, BNP Paribas Fortis SA/NV, Deutsche Bank Luxembourg S.A., HSBC Bank plc, Industrial and Commercial Bank of China (Europe) S.A. Amsterdam Branch, ING Bank N.V., Mizuho Bank Europe N.V., MUFG Bank (Europe) N.V. and Société Générale as the lenders thereunder (the “**Bridge Loan**”), a description of which is set out in “*Description of the Issuer and the Group—Material Contracts—Royal Philips Acquisition Bridge Loan*” and which was entered into for the purpose of financing the Acquisition, as defined in and described in “*Description of the Issuer and the Group—Recent Developments—Spectranetics*”. The net proceeds will also be used for the Issuer’s general corporate purposes.

## DESCRIPTION OF THE ISSUER AND THE GROUP

### History and Development

The Issuer is a public limited liability company (*naamloze vennootschap*) organised under the laws of the Netherlands and is the parent company of the Group, headquartered in Amsterdam, the Netherlands. The Issuer, which started as a limited partnership with the name Philips & Co in Eindhoven, the Netherlands, in 1891, was converted into a company with limited liability with the name N.V. Philips' Gloeilampenfabrieken on 11 September 1912. The Issuer's name was changed to Philips Electronics N.V. on 6 May 1994, to Koninklijke Philips Electronics N.V. on 1 April 1998 and to Koninklijke Philips N.V. on 15 May 2013. Its shares have been listed on the Amsterdam Stock Exchange, Euronext Amsterdam, since 1912. The shares have been traded in the United States since 1962 and have been listed on the New York Stock Exchange since 1987. The Issuer's corporate seat (*statutaire zetel*) is in Eindhoven, the Netherlands, and the executive offices of the Issuer are located at the Philips Center, Amstelplein 2, 1096 BC Amsterdam, the Netherlands.

The Issuer is registered with the Dutch Chamber of Commerce with number 17001910. Its telephone number is +31 20 59 77 777.

The Issuer is managed by the members of the Executive Committee (comprising the Board of Management and certain key officers) under the supervision of the Supervisory Board. The Executive Committee operates under the chairmanship of the Chief Executive Officer and shares responsibility for the deployment of the Group's strategy and policies, and the achievement of its objectives and results.

In September 2014, the Issuer announced its plan to sharpen its strategic focus by establishing two stand-alone companies focused on the HealthTech and Lighting opportunities respectively. To this end, a stand-alone structure was established for Philips Lighting within the Group, effective 1 February 2016. See "*Business of the Group—Lighting—Separation of Lighting*" below.

At the end of 2016, the Group had 82 production sites in 22 countries, sales and service outlets in approximately 100 countries, and 105,223 employees.

The Issuer's existing long-term debt is rated Baa1 (with stable outlook) by Moody's, A- (with stable outlook) by Fitch and BBB+ (with stable outlook) by S&P.

### Business of the Group

The Group is a health technology group focused on improving people's lives through meaningful innovation across the health continuum: from healthy living and prevention to diagnosis, treatment and home care. Applying advanced technologies and deep clinical and consumer insights, the Group partners with customers to deliver integrated solutions that enable better outcomes at lower cost.

In light of its focus on health technology, effective 1 January 2016, the Group eliminated the former Healthcare and Consumer Lifestyle sector layers in order to drive the convergence of consumer health and professional healthcare, as well as to reduce overhead costs, and changed the reporting of its health technology activities. At the same time, the former Innovation, Group & Services was split and allocated to the Issuer and Philips Lighting, respectively.

In 2016, the Group's activities in the field of health technology were organised on a segment basis. The reportable segments are Personal Health businesses, Diagnosis & Treatment businesses, Connected Care & Health Informatics businesses and Lighting, each being responsible for the management of its business worldwide. Additionally, the Group identifies HealthTech Other and Legacy Items.

### Personal Health Businesses

#### Overview

The Group's Personal Health businesses play an important role on the health continuum, delivering integrated, connected solutions that support healthier lifestyles and those living with chronic disease.

Leveraging the Group's deep consumer expertise and extensive healthcare know-how, the Group enables people to live a healthy life in a healthy home environment, and to proactively manage their own health.



Through the Group's various businesses, Personal Health has delivered sustained strong growth and margin expansion in recent years, driven by four main factors:

- Innovation at the forefront of digital health, based on deep consumer insights;
- Value propositions leveraging consumer data, unlocking recurring revenue streams;
- High-impact consumer marketing programmes; and
- Geographical expansion with proven propositions.

During 2016, the Group has driven above-market growth and is stepping up profitability towards the midteens, building on a strong track record. Personal Health has many distinct product categories and associated competitors, including Procter & Gamble in Personal Care and Oral Healthcare, Groupe SEB in Domestic Appliances and ResMed in Sleep & Respiratory Care.

In 2016, the Personal Health segment consisted of the following areas of business:

- **Health & Wellness:** mother and child care, oral healthcare, pain relief;
- **Personal Care:** male grooming, beauty;
- **Domestic Appliances:** kitchen appliances, coffee, air, garment care, floor care; and
- **Sleep & Respiratory Care:** sleep, respiratory care, respiratory drug delivery.

For the year ended 31 December 2016, Health & Wellness represented 20 per cent. of total sales in the Personal Health segment; Personal Care represented 25 per cent. of total sales; Domestic Appliances represented 34 per cent. of total sales and Sleep & Respiratory Care represented 21 per cent. of total sales.

Through the Group's Personal Health businesses, the Group offers a broad range of products from high to low price/value quartiles, necessitating a diverse distribution model. The Group continues to expand its portfolio and increase its accessibility, particularly in lower-tier cities in growth geographies. The Group is well positioned to capture further growth in online sales and continue to build its digital and e-commerce capabilities. The Group is adapting its web functionality to offer consumers a better user experience via smaller screens, driving improvements from conversion to sales. In addition, the Group continues to roll-out high-impact consumer marketing programmes in support of key innovations. The launch of Philips OneBlade, for example, was accompanied by the deployment of an innovative Digital Advocacy Marketing Programme.

The Issuer's wide portfolio of connected consumer health products leverages Philips HealthSuite, which is a cloud-enabled connected health ecosystem of devices, apps and digital tools that enables personalised health and continuous care.

The Group is leveraging connectivity to engage consumers in new and impactful ways through social media and digital innovation. For example, in 2016 it launched the Philips Sonicare FlexCare Platinum Connected toothbrush. With unique smart sensor technology inside the toothbrush (connecting to the Philips Sonicare smartphone app via Bluetooth) users receive personalised step-by-step coaching, real-time feedback and post-brush analysis with a visual 3D mouth map to help improve brushing technique. Via the Philips HealthSuite digital platform, the app allows data to be shared with dental practices, so hygienists can mark-up areas that need special attention.

Under normal economic conditions, the Group's Personal Health businesses experience seasonality, with higher sales in the fourth quarter.

In 2016, Personal Health employed approximately 22,530 people worldwide. The global sales and service organisation covered more than 50 mature and growth geographies. In addition, the Group operated manufacturing and business creation organisations in Argentina, Austria, Brazil, China, India, Indonesia, Italy, the Netherlands, Romania, the U.K. and the U.S.

The Group's Personal Health businesses are subject to regulatory requirements in the markets where they operate. This includes the European Union's Waste from Electrical and Electronic Equipment ("WEEE"), Restriction of Hazardous Substances ("RoHS"), Registration, Evaluation, Authorisation and Restriction of Chemicals ("REACH"), Energy-

using Products requirements and Product Safety Regulations. The Group has a growing portfolio of medically regulated products in the Group's Health & Wellness and Personal Care businesses. For these products the Group is subject to the applicable requirements of the U.S. FDA, the European Medical Device Directive, the China Food and Drug Administration ("CFDA") and comparable regulations in other countries. Through the Group's growing beauty, oral healthcare and mother and child care product portfolio the range of applicable regulations has been extended to include requirements relating to cosmetics and, on a very small scale, pharmaceuticals.

### *Business Highlights*

The Group introduced a range of personalised health programmes at this year's Internationale Funkausstellung Berlin trade show in Berlin, including the Philips Sonicare FlexCare Platinum Connected toothbrush and the uGrow medical-grade baby app. The health programmes leverage Philips HealthSuite.

Personal Care successfully launched Philips OneBlade (a hybrid styler that can trim, shave and create clean lines and edges) in France, the U.K., Germany and North America.

Sleep & Respiratory Care launched the cloud-based Patient Adherence Management Service, which supports new patients' transition to sleep therapy. Building on the success of the integrated Dream Family solution in the U.S., Europe and Japan, the Philips DreamStation Go portable continuous positive airway pressure solution was introduced. DreamStation Go is a compact and lightweight device designed to provide sleep therapy for travellers with obstructive sleep apnea.

Oral Healthcare continued its growth trajectory, supported by a strong performance of the Philips Sonicare FlexCare Platinum Connected toothbrush.

### *Financial Performance*

Net income is not allocated to segments as certain income and expense line items are monitored on a centralised basis.

#### **Personal Health** **Key data in millions of EUR unless otherwise stated**

	<u>2015</u>	<u>2016</u>	<u>January to June 2016</u>	<u>January to June 2017</u>
Sales	6,751	7,099	3,271	3,480
Sales growth				
% increase, nominal	14%	5%	5%	6%
% increase comparable	5%	7%	7%	6%
Income from operations (EBIT)	736	953	389	466
as a % of sales	10.9%	13.4%	11.9%	13.4%
EBITA	885	1,092	458	535
as a % of sales	13.1%	15.4%	14.0%	15.4%

In 2016, sales amounted to €7,099 million, a nominal increase of 5 per cent. compared to 2015 (€6,751 million). Excluding a 2 per cent. negative currency impact, comparable sales were 7 per cent. higher year-on-year, driven by double-digit growth in Health & Wellness and mid-single-digit growth in Personal Care, Sleep & Respiratory Care and Domestic Appliances. 'Green Revenues', which are revenues generated through products and solutions that offer a significant environmental improvement in one or more 'green' focal areas (energy efficiency, packaging, hazardous substances, weight, circularity and lifetime reliability), amounted to €3,951 million, or 56 per cent. of total segment sales.

From a geographic perspective, on a comparable basis both growth geographies and certain mature geographies achieved high-single-digit growth. In growth geographies, the increase was mainly driven by Central & Eastern Europe and Middle East & Turkey. Mature geographies recorded high-single-digit growth in Western Europe, mid-single-digit growth in North America and low-single-digit growth in other mature geographies.

Sales in growth geographies increased to €2,755 million in 2016. Sales in Western Europe increased to €1,800 million in 2016. Sales in North America increased to €1,901 million in 2016. Sales in other mature geographies increased to €643 million in 2016.

Income from operations (EBIT) amounted to €953 million, or 13.4 per cent. of sales, which included €139 million of amortisation charges, mainly related to intangible assets at Sleep & Respiratory Care.

EBITA increased from €885 million, or 13.1 per cent. of sales, in 2015 to €1,092 million, or 15.4 per cent. of sales, in 2016. Restructuring and acquisition-related charges amounted to €16 million in 2016. EBITA in 2015 also included charges related to the devaluation of the Argentine peso. The increase in EBITA was attributable to higher volumes and cost productivity.

In the six months ended 30 June 2017, sales increased by 6 per cent. on a nominal basis. Excluding currency impact and consolidation changes, the 6 per cent. comparable sales growth was driven by high-single-digit growth in Health & Wellness and mid-single-digit growth in Personal Care, Sleep & Respiratory Care and Domestic Appliances. Comparable sales in growth geographies showed double-digit growth, driven by double-digit growth in Latin America and Middle East & Turkey, and high-single-digit growth in China. Mature geographies recorded low-single digit growth driven by mid-single-digit growth in Western Europe and North America, partly offset by a high-single-digit decline in other mature geographies. EBITA increased by EUR 77 million and EBITA as a percentage of sales improved by 140 basis points compared to the first half of 2016.

### *Sustainability*

Sustainability continued to play an important role in the Personal Health businesses in 2016, with the main focus on optimising the sustainability performance of the Group's products and operations. Green Revenues accounted for 56 per cent. of total sales in 2016. All Green Products, which are products that offer a significant environmental improvement in one or more 'green' focal areas: energy efficiency, packaging, hazardous substances, weight, recycling and disposal and lifetime reliability, with rechargeable batteries exceed the stringent California energy efficiency standard by at least 10 per cent. and over 54 per cent. of total sales in 2016 are polyvinyl chloride ("PVC") and/or brominated flame retardants ("BFR") free products (excluding power cords).

As part of the Group's Circular Economy programme it has continued to increase the use of recycled materials in its products. Over 1,440 tonnes of recycled plastics were used in kitchen appliances, vacuum cleaners, irons, air purification and coffee machines in 2016, compared to 900 tonnes in 2015. The revenue from Circular Products reached over €414 million in 2016, comprised of turnover generated from performance- and access-based business models in Sleep & Respiratory Care and products with recycled plastic materials.

As a concrete example of its commitment to sustainability the Group launched the new Performer Ultimate vacuum cleaner, for which it has created a closed-loop recycling system. Old Philips vacuum cleaners are collected in Western Europe and recycled separately from other products and brands. The plastics from the old vacuum cleaners are then mixed with other recycled plastics to create a new recycled plastic that is used to produce the new Performer Ultimate, which is free of PVC/BFR, has an A-class energy label and contains 36 per cent. recycled plastics.

In its operations the Group continues to draw most of its electricity from renewable sources, with the ultimate aim of having carbon dioxide-neutral production sites by 2020. In 2016, 47 per cent. of the electricity used in manufacturing sites came from renewable sources and 85 per cent. of the industrial waste was recycled. The Group sent 7 per cent. of its manufacturing waste to landfill in 2016 and started a detailed analysis of waste streams that are landfilled by its production sites. Based on this the Group will define actions to reach its goal of zero waste to landfill in 2020.

### *Diagnosis & Treatment Businesses*

#### *Overview*

The Group's Diagnosis & Treatment businesses are foundational to its health technology strategy, delivering on the promise of precision medicine and least-invasive treatment and therapy. The Group enables its customers to realise the full potential of their 'triple aim': to improve outcomes, lower the cost of care delivery and enhance the patient experience, by enabling first-time-right diagnosis and treatment. The Group is focused on providing the most efficient path to obtaining a definitive diagnosis by integrating multiple sources of information and combining the data to create a comprehensive patient view. By bringing together imaging morphology, pathology and genomics, the Group is able to interrogate and extract the information needed to offer very personalised care. The Group's informatics platform provides the intelligence to make more consistent decisions, as well as making it easier to share and collaborate.

With the Group's image-guided therapy, clinicians are provided with the technology necessary to determine the presence of disease, guide treatment procedures and confirm effectiveness. The Group's solutions enable patient-specific treatment planning and selection, simplify complex procedures through integrated real-time guidance, and

provide clinically proven treatment solutions. The Group provides image guidance both in its proprietary products and by partnering with radiation therapy companies like Elekta and IBA to deliver real-time, precise cancer treatment.

In addition to the Group's solutions for clinical pathways, it provides a range of technologies to help its customers improve their operational results. This year the Group introduced a comprehensive suite of software services designed to improve radiology department operations. PerformanceBridge is a multi-vendor offering that provides practice management, dose management and service analytics. It can be delivered as a service offering to promote continuous improvement, or as a professional service where the Group's people partner with its customers to improve operating effectiveness.

The value proposition to the Group's customers is based on leveraging its extensive clinical experience with its broad portfolio of technologies – making the Group capable of providing meaningful solutions that ultimately can improve the lives of the patients it serves while lowering the cost of care delivery for its customers.

Through the Group's various businesses, Diagnosis & Treatment is focused on growing market share and profitability by:

- continuing to improve business fundamentals in Diagnostic Imaging; the Group made substantial progress in 2016, with, amongst others, the full computed tomography portfolio shipping from Cleveland, Haifa, Suzhou and other facilities;
- enhancing the Group's offering in oncology and radiology and expanding its solutions offering, which comprises systems, smart devices, software and services;
- leveraging the successful integration of Volcano, a US-based global leader in catheter-based imaging and measurement solutions for cardiovascular applications, and driving expansion into devices for treatment; and
- addressing underpenetrated adjacencies in general imaging and obstetrics/gynaecology in ultrasound.

The Group is one of the world's leading health technology groups (based on sales) along with General Electric and Siemens. The competitive landscape in the healthcare industry is evolving with the emergence of new market players. The United States, the Group's largest market, represented 34 per cent. of Diagnosis & Treatment's global sales in 2016, followed by China, Japan and Germany. Growth geographies accounted for 33 per cent. of Diagnosis & Treatment's sales. In 2016, Diagnosis & Treatment had 23,791 employees worldwide.

Through 2016 the Group consistently focused on its value creation strategy to ensure continued growth and margin improvement.

In 2016, the Diagnosis & Treatment segment consisted of the following areas of business:

- **Diagnostic Imaging:** Magnetic Resonance Imaging ("MRI"), Computed Tomography, Diagnostic X-Ray, which includes digital X-ray and mammography, Advanced Molecular Imaging, and integrated clinical solutions, which include radiation oncology planning, disease-specific oncology solutions and X-Ray dose management;
- **Image-Guided Therapy:** interventional X-ray systems, encompassing cardiology, radiology and surgery, and interventional imaging and therapy devices that include intravascular ultrasound, fractional flow reserve and atherectomy for the treatment of coronary artery and peripheral vascular disease; and
- **Ultrasound:** imaging products focused on diagnosis, treatment planning and guidance for cardiology, general imaging, obstetrics/gynaecology, and point-of-care applications, as well as proprietary software capabilities to enable advanced diagnostics and intervention.

For the year ended 31 December 2016, in the Diagnosis & Treatment segment, Diagnostic Imaging represented 50 per cent. of total sales, Image-Guided Therapy represented 29 per cent. of total sales and Ultrasound represented 21 per cent. of total sales.

Sales in the Group's Diagnosis & Treatment businesses are generally higher in the second half of the year, largely due to the timing of new product availability and customer spending patterns.

Sales channels are a mix of a direct sales force, especially in all the larger markets, combined with online sales portal and distributors which varies by product, market and price segment. Sales are mostly driven by a direct sales force that

has an intimate knowledge of the procedures for which the Group's devices are used, and visits the Group's customer base frequently.

The Group is committed to compliance with regulatory product approval and quality system requirements in every market the Group serves, by addressing specific requirements of local and national regulatory authorities including the U.S. FDA, the CFDA and comparable agencies in other countries, as well as the European Union's WEEE, RoHS and REACH regulations.

The imaging businesses and image processing applications are governed by regulatory approvals in the markets that the Group serves. In almost all cases, new products that the Group introduces are subject to a regulatory approval process (for example, 510k for FDA approvals in the U.S.). Failing to comply with the regulatory requirements can have severe consequences. The number and diversity of regulatory bodies in the various markets the Group operates in globally adds complexity and time to product introductions. Regulatory approval is a prerequisite for market introduction of medical devices.

Further progress was made in 2016 in strengthening the remediated quality management system at the Group's facility in Cleveland, Ohio, with the ramp-up of production and shipments continuing in 2017.

### *Business Highlights*

In line with its strategy of building multi-year strategic partnerships, the Group signed multiple agreements in 2016, including a 10-year €74 million agreement with Russia's Expert Group of Companies to provide solutions combining advanced imaging systems with clinical informatics to improve cardiac care. In China, leveraging its expertise in cardiology, the Group signed a 5-year interventional cardiology solutions agreement with DeltaHealth for the new DeltaHealth Hospital Shanghai, which will specialise in cardiac care. The agreement comprises interventional X-ray systems, ultrasound imaging, software and services.

Within Image-Guided Therapy, in 2016 Philips Volcano delivered a strong performance with comparable sales growth and continued operational improvements. This was driven by growth across the smart catheter product portfolio, synergies with the Image-Guided Therapy Systems business and expansion in therapy solutions and new geographies.

At the Radiological Society of North America in 2016, the Group launched new data-driven, intelligent solutions to improve operational efficiencies and enhance diagnostics and patient care. These include Illumeo Adaptive Intelligence and IntelliSpace Portal 9.0, which are advanced informatics and visual analysis solutions with machine-learning capabilities to support the physician.

Leveraging its innovation leadership in diagnostic imaging, the Group has installed the Philips IQon Spectral CT across the globe. The system is the world's first and only spectral detector computed tomography modality that provides clinicians with a comprehensive view of the patient's anatomy, with a single, low-dose examination. Market success is the result of the modality's excellent image quality and disease assessment, in particular for oncology.

Demonstrating its continued leadership in ultrasound imaging solutions, the Group received the '2016 Best in KLAS' award in the Ultrasound category. KLAS, a leading global research firm, recognises companies with the Best in KLAS award for outstanding innovation and contributions to improved patient outcomes based on the past 12 months' performance ratings.

The Group introduced the first commercially available MRonly simulation solution indicated for prostate cancer radiation oncology treatment planning in the United States. The solution is part of the Group's Ingenia MR-RT platform, which supports radiation departments that want to rely on MRI as their primary imaging modality for prostate cancer treatment planning.

### *Financial Performance*

Net income is not allocated to segments as certain income and expense line items are monitored on a centralised basis.

## Diagnoses & Treatment

Key data in millions of EUR unless otherwise stated

	2015	2016	January to June 2016	January to June 2017
Sales	6,484	6,686	3,019	3,162
Sales growth				
% increase (decrease), nominal	23%	3%	2%	5%
% increase (decrease) comparable	6%	4%	3%	2%
Income from operations (EBIT)	322	546	121	154
as a % of sales	5.0%	8.2%	4.0%	4.9%
EBITA	377	594	147	172
as a % of sales	5.8%	8.9%	4.9%	5.4%

In 2016, sales amounted to €6,686 million, 3 per cent. higher than in 2015 on a nominal basis. Excluding a 1 per cent. negative currency effect, comparable sales increased by 4 per cent., driven by double-digit growth in Image Guided Therapy, low-single-digit growth in Diagnostic Imaging, while Ultrasound was in line with 2015. Green Revenues amounted to €4,798 million, or 72 per cent. of total segment sales.

From a geographic perspective, comparable sales in growth geographies showed double-digit growth, reflecting double-digit growth in Latin America and India and high-single-digit growth in China. Mature geographies were in line with 2015, driven by low-single-digit growth in Western Europe, partly offset by a low-single-digit decline in other mature geographies. North America was in line with 2015.

Sales in growth geographies increased to €2,215 million in 2016. Sales in Western Europe remained at €1,368 million in 2016. Sales in North America increased to €2,340 million in 2016. Sales in other mature geographies increased to €763 million in 2016.

Income from operations (EBIT) amounted to €546 million, or 8.2 per cent. of sales, and included €48 million of amortisation charges, mainly related to acquired intangible assets in Image-Guided Therapy.

In 2016, EBITA amounted to €594 million, or 8.9 per cent. of sales, compared to €377 million, or 5.8 per cent. of sales, in 2015. 2016 included restructuring and acquisition- related charges of €37 million. 2015 also included charges related to the devaluation of the Argentine peso. The improvement in margin was driven by Image-Guided Therapy and Diagnostic Imaging, as well as lower restructuring and acquisition-related charges.

In the six months ended 30 June 2017, sales increased by 5 per cent. on a nominal basis. Excluding consolidation changes, the 2 per cent. comparable sales growth reflected mid-single-digit growth in Image Guided Therapy and low-single-digit growth in Ultrasound and Diagnostic Imaging. Comparable sales in mature geographies showed mid-single-digit growth, driven by double-digit growth in Western Europe and mid-single-digit growth in North America, partly offset by a mid-single-digit decline in other mature geographies. Comparable sales in growth geographies showed a low-single-digit decline, reflecting a high-single-digit growth in China, which was more than offset by a decline in India, Middle East & Turkey and Africa. EBITA increased by EUR 25 million and EBITA as a percentage of sales improved by 50 basis points year on-year.

### *Sustainability*

A growing and ageing population, the rise of chronic and lifestyle-related diseases and global resource constraints pose a number of challenges, including pollution and stressed healthcare systems. The Group believes that it continues to improve lives around the globe by developing diagnosis and treatment solutions that enable first-time-right diagnosis, precision interventions and therapy, while respecting the boundaries of natural resources.

In 2016, Green Revenues in Diagnosis & Treatment amounted to €4,798 million, due to a large portfolio of Philips Green Products and Solutions that support energy efficiency, materials reduction and other sustainability goals. The Group also actively collaborates with care providers around the globe to look for ways to minimise the environmental impact of healthcare, for example by reducing the energy use of medical equipment.

Supporting the transition to a circular economy, the Group has continued to expand the Diamond Select refurbishment programme and also the SmartPath upgrading programme for all modalities in the Diagnosis & Treatment portfolio.

In 2016, the Group was presented with the ‘Champion for Change’ Award by Practice Greenhealth for the third year in a row. This award honours businesses that go beyond taking steps to improve their own green practices, but also help hospitals to expand their sustainable practices.

### ***Connected Care & Health Informatics Businesses***

#### *Overview*

Spanning the entire health continuum, the Connected Care & Health Informatics businesses aim to empower consumers, care givers and clinicians with digital solutions that facilitate value-based care by enabling precision medicine and population health management, building on the Group’s strengths in consumer technology, patient monitoring and clinical informatics.

This requires a common digital framework that connects and aligns consumers, patients, payers and healthcare providers. A framework that aggregates and leverages information from clinical, personal and historic data, using analytics to support care providers in first-time-right diagnosis and treatment, and helps identify the risk and needs of different groups within a population.

To this end the Group has developed Philips HealthSuite. Applying analytics and algorithms, the Group can use data to deliver predictive, personalised insights, for example to help motivate healthy behaviour through digital coaching, to support healthcare professionals in making clinical decisions, or to alert medical teams to potential problems, for example, with elderly patients living independently at home.

In 2016, the Connected Care & Health Informatics segment consisted of the following areas of business:

- **Patient Care & Monitoring Solutions:** Enterprise-wide patient monitoring solutions, from value solutions to sophisticated connected solutions, for real-time clinical information at the patient’s bedside; patient analytics, patient monitoring and clinical decision support systems including diagnostic ECG data management for improved quality of cardiac care; therapeutic care, including cardiac resuscitation, emergency care solutions, invasive and non-invasive ventilators for acute and sub-acute hospital environments, and respiratory monitoring devices; consumables across the patient monitoring and therapeutic care businesses; and customer service, including clinical, IT, technical, and remote customer propositions.
- **Healthcare Informatics, Solutions & Services:** Comprises advanced healthcare IT, clinical and advanced visualisation and quantification informatics solutions for radiology, cardiology, oncology and neurology departments. It also offers universal data management solutions, picture archiving and communication systems and fully integrated electronic medical record systems to support healthcare enterprises in optimising health system performance. The business group also includes a professional services business (Healthcare Transformation Services) spanning consulting, education, clinical and business performance improvement, programme management and system integration services, as well as the Philips HealthSuite digital platform. This platform enables interoperability, data security, big data and predictive analytics, optimised workflows and care pathways, rapid application development, enhanced patient centricity and engagement for the solutions part of the Philips HealthSuite connected health ecosystem.
- **Population Health Management:** The Group’s services and solutions leverage its data, analytics and actionable workflow products, and include: personal health programmes (app-based with medical grade measurement devices and coaching) to help people manage their health; technology-enabled monitoring and intervention (telehealth, remote patient monitoring, personal emergency response systems, and care coordination) to improve ageing and chronic condition experiences; actionable programmes to predict risk (including medication and care compliance, outreach, and fall prediction); and cloud-based solutions for health organisations to manage population health, driving quality improvement and business transformation for those transitioning to value-based care.

For the year ended 31 December 2016, in the Connected Care & Health Informatics segment, Patient Care & Monitoring Solutions represented 76 per cent. of total sales. Healthcare Informatics, Solutions & Services represented 16 per cent. of total sales and Population Health Management represented 8 per cent. of total sales.

Sales at the Group’s Connected Care & Health Informatics businesses are generally higher in the second half of the year, largely due to the timing of new product availability and customer spending patterns.

Sales channels are a mix of a direct sales force, especially in all the larger markets, combined with online sales portal and distributors which varies by product, market and price segment. Sales are mostly driven by a direct sales force that has an intimate knowledge of the procedures for which the Group's devices are used and visits the Group's customer base frequently.

The Group is committed to compliance with regulatory product approval and quality system requirements in every market it serves, by addressing specific requirements of local and national regulatory authorities including the U.S. FDA, the CFDA and comparable agencies in other countries, as well as the European Union's WEEE, RoHS and REACH regulations.

The connected care and health informatics applications are governed by regulatory approvals in the markets that the Group serves. In almost all cases, new products that the Group introduces are subject to a regulatory approval process (for example, 510k for FDA approvals in the U.S., CE Mark in the European Union). Failing to comply with the regulatory requirements of the target markets can prevent shipment of products. The number and diversity of regulatory bodies in the various markets the Group operates in globally adds complexity and time to product introductions. Regulatory approval is a prerequisite for market introduction.

### *Business Highlights*

The Group launched new data-driven, intelligent solutions to improve operational efficiencies and enhance diagnostics and patient care. These include PerformanceBridge, a new suite of operational performance improvement software and services for radiology departments, and Illumeo Adaptive Intelligence and IntelliSpace Portal 9.0, advanced informatics and visual analysis solutions with machine-learning capabilities to support the physician.

The Group acquired Wellcentive, a leading U.S.-based provider of population health management software solutions. Wellcentive complements the Group's portfolio with cloud-based IT solutions to import, aggregate and analyse clinical, claims and financial data across hospital and health systems, to help care providers deliver coordinated care.

In line with its strategy of delivering solutions consisting of smart devices, software and services to address specific customer needs, the Group signed a 3-year patient monitoring solutions agreement with Rush University Medical Center, Chicago. The Issuer also signed a multi-year agreement with the Medical University of South Carolina Health focused on integrated patient monitoring solutions.

Expanding its global leadership in patient monitoring solutions beyond acute care settings, the Group launched the latest version of its IntelliVue Guardian solution in Europe. This solution comprises smart devices including wearable biosensors, clinical decision support software and services. It is designed to aid clinicians in the early recognition of patient deterioration in the hospital's general wards, allowing timely intervention and avoiding adverse events, unplanned transfers back to intensive care units and longer lengths of hospitalisation.

Building on its expertise in new care models based on telehealth technologies, the Group enabled Macquarie University's MQ Health in Sydney, Australia, and Emory Healthcare in Atlanta, U.S., to provide continuous night-time critical care oversight to incentive care unit patients back in Atlanta during daytime hours in Australia.

### *Financial Performance*

Net income is not allocated to segments as certain income and expense line items are monitored on a centralised basis.

#### **Connected Care & Health Informatics** **Key data in millions of EUR unless otherwise stated**

	<u>2015</u>	<u>2016</u>	<u>January to June 2016</u>	<u>January to June 2017</u>
Sales	3,022	3,158	1,461	1,500
Sales growth				
% increase (decrease), nominal	13%	5%	6%	3%
% increase (decrease) comparable	0%	4%	7%	1%
Income from operations (EBIT)	173	275	57	4
as a % of sales	5.7%	8.7%	3.9%	0.3%
EBITA	227	322	80	28
as a % of sales	7.5%	10.2%	5.5%	1.9%



In 2016, sales amounted to €3,158 million, 5 per cent. higher than in 2015 on a nominal basis. The 4 per cent. increase on a comparable basis was driven by mid-single-digit growth in Patient Care & Monitoring Solutions, low-single-digit growth in Healthcare Informatics, Solutions & Services, partly offset by a low-single-digit decline in Population Health Management. Green Revenues amounted to €1,442 million, or 46 per cent. of segment sales.

From a geographic perspective, comparable sales in growth geographies showed high-single-digit growth, and mature geographies recorded low-single-digit growth.

Sales in growth geographies decreased to €469 million in 2016. Sales in Western Europe decreased to €472 million in 2016. Sales in North America increased to €1,906 million in 2016. Sales in other mature geographies increased to €311 million in 2016.

In 2016, income from operations (EBIT) amounted to €275 million, or 8.7 per cent. of sales, and included €47 million of amortisation charges, mainly related to acquired intangible assets at Population Health Management and Patient Care & Monitoring Solutions.

In 2016, EBITA amounted to €322 million, or 10.2 per cent. of sales, compared to €227 million, or 7.5 per cent. of sales, in 2015. EBITA in 2016 included restructuring and acquisition-related charges of €14 million. 2016 EBITA also included a net release of provisions of €12 million, while in 2015 included charges related to the currency revaluation of the Masimo provision, as described in the section headed “*Legal and Arbitration Proceedings—Masimo Corporation (“Masimo”) Patent Litigation*”, and charges related to the devaluation of the Argentine peso. The margin increase was mainly driven by higher volumes and lower restructuring and acquisition-related charges and other items, partly offset by higher expenditure on innovation.

In the six months ended 30 June 2017, sales increased by 3 per cent. on a nominal basis. Excluding currency impact and consolidation changes, the 1 per cent. comparable sales growth reflected low-single-digit growth in Patient Care & Monitoring Solutions, partly offset by a low-single-digit decline in Healthcare Informatics and Population Health Management. Comparable sales in growth geographies showed low-single-digit growth, with double-digit growth in Middle East & Turkey. Mature geographies posted low-single-digit growth, driven by mid-single-digit growth in Western Europe and low-single-digit growth in North America. EBITA decreased by EUR 52 million and EBITA as a percentage of sales deteriorated by 360 basis points year-on-year.

### *Sustainability*

A growing and ageing population, the rise of chronic and lifestyle-related diseases and global resource constraints pose a number of challenges, including pollution and stressed healthcare systems. The Group is committed to addressing these challenges with connected health IT solutions that integrate, collect, combine and deliver quality data for actionable insights to help improve access to quality care, while respecting the boundaries of natural resources.

It is the Group’s belief that well-designed solutions can reduce the travel-related carbon footprint of healthcare, and improve access and outcomes.

In 2016, Green Revenues in Connected Care and Health Informatics increased to €1,442 million and the Group continued to expand the portfolio of Green Products that support energy efficiency, materials reduction and other sustainability goals.

Supporting the transition to a circular economy, the Group continues to expand innovative ‘access over ownership’ service solutions where its customers pay for things where and when required, while the Group can secure high levels of recycling and materials re-use.

In 2016, the Group was presented with the ‘Champion for Change’ Award by Practice Greenhealth for the third year in a row. This award honours businesses that go beyond taking steps to improve their own green practices, but also help hospitals to expand their sustainable practices.

### ***HealthTech Other***

#### *Overview*

In the Group’s external reporting on HealthTech Other it reports on the items Innovation, Emerging Businesses, IP Royalties, Central costs and Other.

#### *Innovation*

The Group's innovation efforts are aligned with its business strategy. The Innovation & Strategy function feeds the innovation pipeline, enabling the Group's operating businesses to create new business options through new technologies, new business creation, and IP management and development. Focused research and development improvement activities drive time-to-market efficiency and increased innovation effectiveness.

Innovation & Strategy facilitates innovation from idea to product as co-creator and strategic partner for the Group's businesses and complementary partners. It does so through cooperation between research, design, marketing, strategy and businesses in interdisciplinary teams along the innovation chain, from front-end to first-of-a-kind product development. In addition, it opens up new value spaces beyond the direct scope of current businesses (Emerging Businesses), manages the Issuer-funded research and development ("R&D") portfolio, and creates synergies for cross-segment initiatives.

Innovation & Strategy includes, among others, the Chief Technology Office and Research, the Chief Medical Office, Innovation Services, Intellectual Property & Standards ("IP&S"), Design, Strategy, and Sustainability. Key locations include Eindhoven (Netherlands), Cambridge (USA), Bangalore (India) and Shanghai (China). In total, Innovation & Strategy employs some 5,000 professionals around the globe.

Innovation & Strategy actively participates in Open Innovation through relationships with academic, clinical, and industrial partners, as well as via public-private partnerships. It does so in order to improve innovation effectiveness and efficiency, capture and generate new ideas, enhance technology partnering capabilities, and share the related financial exposure.

### *Research*

Research focuses on exploration of new technologies and business ideas, delivering proofs-of-concept and offering consultancy in technology development projects, particularly for first-of-a-kind products and services. It aims to improve people's lives through technology-enabled meaningful innovations – as co-creator and strategic partner of the Group's businesses, markets and Open Innovation ecosystem participants. Research investigates trends and creates concepts for solutions within strategic Philips domains linked to societal challenges, such as the increase in cardiovascular diseases and cancer, ageing societies, limited access to healthcare and increasing obesity.

The Eindhoven lab is the core lab of Philips Research. It was awarded the Open Innovation 2.0 award from the European Union in 2016 in recognition of its role in creating the High Tech Campus as a vibrant innovation ecosystem. In the autumn of 2015, Philips Research opened a new Innovation Lab in Cambridge, MA (USA), which is now fully functional. It is home to approximately 100 Philips Research North America employees and another 150 Group employees from other innovation functions and ventures. Being within close proximity to the Massachusetts Institute of Technology campus and clinical collaboration partners allows researchers to collaborate easily with its faculties and PhD students on jointly defined research programmes, as well as to participate in 'Open Innovation' projects.

Philips Research China broadened its scope in 2016 by adding a Digital Innovation team focused on the creation of local digital propositions.

With the aim of extending its capabilities in research for IT healthcare applications, in 2016 the Group announced its intention to open an R&D site at the Skolkovo Innovation Centre in Moscow, Russia. The new Centre will focus on machine learning, artificial intelligence, and computer and data science.

The Philips Africa Innovation Hub in Nairobi, Kenya, creates locally relevant innovations 'in Africa, for Africa', with particular focus on improving access to affordable healthcare. The Africa Innovation Hub is a collaboration between Philips Research and the Philips Africa market organisation. Based on work from this hub, in 2016 the Group and Grand Challenges Canada signed a repayable grant agreement to scale the manufacturing and distribution of the Philips Children's Respiration Monitor (also known as ChARM) to make it affordable and accessible for community-based health workers in low-resource settings throughout the world.

Coming under the Chief Technology Office for reporting purposes, Philips Photonics is a global leader in Vertical Cavity Surface Emitting Laser ("VCSEL") technology. VCSELs are infrared lasers for a rapidly growing range of consumer and professional applications like gesture control, environmental sensing, precise scene illumination for surveillance cameras, and ultra-fast data communication. Following a significant rise in demand for VCSELs, Philips Photonics announced in 2016 that it would double manufacturing capacity at its laser-diode facility in Ulm, Germany.

### *Chief Medical Office*

The Chief Medical Office is responsible for clinical innovation and strategy, health economics and market access, and medical thought leadership. This includes engaging with stakeholders across the care continuum to build the Group's leadership in health technology and acting with agility on new value-based reimbursement models that benefit the patient and care provider.

Leveraging the knowledge and expertise of the medical professional community across the Group, the Chief Medical Office includes many healthcare professionals who practice in the world's leading health systems. Supporting the Issuer's objectives across the health continuum, its activities include strategic guidance, leveraging clinical and scientific knowledge, fostering peer-to-peer relationships in relevant medical communities, liaising with medical regulatory bodies, and supporting clinical and marketing evidence development.

### *Innovation Services*

Innovation Services offers a wide range of expert services in development, realisation and consulting. Its skills are leveraged by the Group's businesses, markets and Innovation & Strategy in all regions.

### *Innovation Campus Bangalore*

Philips Innovation Campus Bangalore ("PIC") hosts activities from most of the Group's operating businesses, Research, Design, IP&S and IT. R&D activities at the PIC include Diagnostic Imaging, Patient Care & Monitoring Solutions, Sleep & Respiratory Care, Personal Health, and Healthcare Informatics, Solutions & Services.

PIC plays a key role in the Group's digital transformation journey. Originally a software centre, today PIC is a broad product development centre including mechanical, electronics, and supply chain capabilities. PIC works with growth geographies to build market-specific solutions, and several businesses have also located business organisations focusing on growth geographies at PIC.

### *Philips Design*

Philips Design is the global design function for the Issuer, ensuring that innovations are meaningful, people-focused and locally relevant. Design is also responsible for ensuring that the Philips brand experience is differentiating, consistently expressed, and drives customer preference.

Philips Design partners with the Group's businesses, Innovation & Strategy, markets and functions, championing a multidisciplinary co-create approach that brings teams together to understand the different factors that influence how a new product or solution will appear, perform and behave.

Increasingly the Group leverages its design capabilities and processes to work directly with its customers and its customer-facing teams. Innovating directly with the Group's customers enables Philips Design to deliver people-focused solutions that optimise the user and patient experience and the overall performance of their healthcare systems across the health continuum.

### *Emerging Businesses*

Emerging Businesses is a group dedicated to identifying, developing and bringing to market breakthrough products and services that will help shape the future of healthcare. The group focuses on innovating at the intersection between supportive technologies and current care models that drive improved outcomes, higher patient satisfaction/ engagement and reductions in overall cost of care.

One of the businesses is Digital Pathology Solutions, which empowers pathologists with a complete connected digital pathology solution that is designed to optimise productivity and workflow, and ultimately improve the quality of diagnosis. In June 2016, the Group acquired Northern Ireland-based PathXL, an innovator in digital pathology image analysis, workflow software and educational tools, to further expand its Digital Pathology Solutions offering and leadership in Computational Pathology.

Another business is Handheld Diagnostics, with its Minicare proposition launched in May 2016, which provides direct point-of-care diagnostic information at the patient's bedside, enabling physicians to make medical decisions on the spot. Based on innovative technologies, the Group has designed easy-to-use, patient-centric IVD (in-vitro diagnostics)-enabled solutions and connected services that have the potential to revolutionise health management and improve existing workflows.

A third business is Light & Health, a pioneer in photo dermatology. Leveraging its advanced understanding of the biological effects of light, the team of Philips Light & Health researchers, collaborating with leading research institutions and hospitals, has developed a number of products, for instance Philips BlueControl for treating patients with psoriasis, which feature LED light and offer proven medical benefits.

Finally, a fourth team in Emerging Businesses is working on computational neurology, neuro-mapping and neuro-monitoring.

#### *IP Royalties*

Philips IP&S proactively pursues the creation of new IP in close co-operation with the Group's operating businesses and Innovation & Strategy. IP&S is a leading industrial IP organisation providing world-class IP solutions to the Group's businesses to support their growth, competitiveness and profitability.

As at 31 December 2016, the Group's total IP portfolio consisted of approximately 79,000 patent rights, 49,000 trademarks, 86,000 design rights and 4,400 domain names. The Group filed 1,690 patents in 2016, with a strong focus on the growth areas in health and well-being.

IP&S participates in the setting of standards to create new business opportunities for the Group's operating businesses. A substantial portion of revenue and costs is allocated to the operating businesses. The Group believes its business as a whole is not materially dependent on any particular patent or license, or any particular group of patents and licenses.

#### *Central costs*

The central cost organisation supports the creation of value, connecting the Group with key stakeholders, especially the Group's employees, customers, governments and society. It includes the Executive Committee, Brand Management, Sustainability, New Venture Integration, the Group functions related to strategy, human resources, legal and finance, as well as country and regional management. It also includes functional services to businesses in areas such as IT, Real Estate and Accounting, thereby helping to drive global cost efficiencies.

#### *Business Highlights*

Strengthening its Digital Pathology business, the Group acquired PathXL, an innovator in digital pathology image analysis, workflow software and educational tools. The Group also signed a licensing agreement with Visiopharm to offer their breast cancer panel software algorithms with the Group's IntelliSite digital pathology solution to support pathologists in providing an objective diagnosis of breast cancer.

In the 2016 Interbrand annual ranking of the world's most valuable brands, the Group's ranking improved to number 41 from 47, with a total estimated brand value of approximately U.S.\$11.3 billion.

The Group rose to first place in the European Patent Office's 2015 ranking of patent applicants for patents filed. In addition, the Issuer ranked first in three of the ten leading fields of technology: Medical Technology; Electrical machinery, apparatus, energy; and Measurement.

Building on its commitment to sustainability, the Group launched its new 5-year 'Healthy people, sustainable planet' programme to improve the lives of 2.5 billion people per year, increase its Green Revenues to 70 per cent. of sales, generate 15 per cent. of its sales from Circular Revenues and become carbon-neutral in its operations by 2020.

The Group became the Industry Group Leader in the Capital Goods category in the 2016 Dow Jones Sustainability Index, achieving the highest possible scores in three sections, including climate strategy and operational eco-efficiency. Philips Design received 158 design awards, including becoming the number 1 ranked company in the prestigious international iF ranking for design.

#### *Financial Performance*

Net income is not allocated to segments as certain income and expense line items are monitored on a centralised basis.

## HealthTech Other

Key data in millions of EUR unless otherwise stated

	2015	2016	January to June 2016	January to June 2017
Sales	503	478	208	188
Income from operations (EBIT)	49	(129)	(27)	(49)
EBITA				
IP Royalties	284	286	123	99
Emerging businesses	(63)	(98)	-	-
Innovation	(118)	(127)	(100)	(107)
Central costs	(31)	(173)	(44)	(49)
Other	(8)	(8)	(2)	(13)
EBITA	64	(120)	(24)	(21)

In 2016, sales amounted to €478 million and reflected €38 million lower royalty income due to the foreseen expiration of licenses, partly offset by new patent licence agreements and strong double-digit growth in Emerging Businesses.

In 2016, income from operations (EBIT) totaled to €(129) million compared to €49 million in 2015. EBITA amounted to a net cost of €120 million, compared to net gain of €64 million in 2015. EBITA in 2016 included restructuring and acquisition-related charges of €28 million and a €26 million impairment of real estate assets. EBITA in 2015 included a net restructuring release and gains related to the sale of real estate assets. The year-on-year decrease was mainly attributable to higher restructuring and acquisition-related charges and other items, investments in Emerging Businesses, brand campaigns and cyber security.

In the six months ended 30 June 2017, sales reflected EUR 27 million lower royalty income due to the foreseen expiration of licenses. EBITA increased by EUR 3 million year-on-year.

### *Lighting*

#### *Overview*

Philips Lighting is a global market leader with recognised expertise in the development, manufacture and application of innovative, energy-efficient lighting products, systems and services that improve people's lives. It has pioneered many of the key breakthroughs in lighting over the past 125 years, laying the basis for its current strength and leading position in the digital transformation to connected lighting.

Philips Lighting has a firm strategy which is based upon six priorities:

- Optimise cash from conventional products to fund the Group's growth;
- Innovate in light-emitting diode (“LED”) products commercially and technologically to outgrow the market;
- Lead the shift to systems, building the largest connected installed base;
- Capture adjacent value through new services business models;
- Be the Group's customers' best business partner locally, leveraging its global scale; and
- Accelerate! on the Group's operational excellence improvement journey.

The work Philips Lighting did in 2016 saw it extend its lighting leadership into the ‘Internet of Things’ and allowed it to unlock new experiences and value for customers. It announced many connected lighting innovations, and new customers and partnerships, for street lighting, retail, offices and homes.

The Issuer aims to further invest to support its leadership in LED and connected lighting systems and services while at the same time capitalising on its broad portfolio, distribution and brand in conventional lighting by successful implementation of its ‘last man standing’ strategy.

Philips Lighting addresses people's lighting needs across a full range of market segments. Indoors, it offers lighting products, systems and services for homes, shops, offices, schools, hotels, factories and hospitals. Outdoors, it offers products, systems and services for roads, streets, public spaces, residential areas and sports arenas, as well as solar-powered LED off-grid lighting. In addition, it addresses the desire for light-inspired experiences through architectural projects. Finally, it offers specific applications of lighting in specialised areas, such as entertainment, horticulture, and water purification.

In 2016, Philips Lighting spanned a full-service lighting value chain from lamps, luminaires, electronics and controls to connected and application-specific systems and services through the business groups Lamps, LED, Professional and Home.

For the year ended 31 December 2016, the Professional business group represented 38 per cent. of total sales in the Lighting segment; Home represented 8 per cent. of total sales; LED represented 21 per cent. of total sales and Lamps represented 33 per cent. of total sales.

Philips Lighting is one of the few companies in the world to offer solutions across the lighting value chain –including software, controls, luminaires, light sources, and modules. It intends to build on its global reach with current commercial activities that cover approximately 180 countries. Philips Lighting has operational manufacturing plants in 22 countries in all major regions of the world, and more than 70 sales offices worldwide.

Lighting is subject to significant regulatory requirements in the markets where it operates. These include the European Union's WEEE, RoHS, REACH, Energy-related Products and Energy Performance of Buildings directives.

#### *Separation of Lighting*

In September 2014, the Issuer announced its plan to sharpen its strategic focus by establishing two standalone companies focused on the HealthTech and Lighting opportunities respectively. To this end, a stand-alone structure was established for Philips Lighting within the Group, effective 1 February 2016. Then, on 27 May 2016, Philips Lighting was listed and started trading on Euronext in Amsterdam under the symbol 'LIGHT'. Following the listing of Philips Lighting, the Issuer retained a 71.225 per cent. stake in the issued share capital of Philips Lighting and continued to consolidate Philips Lighting, through 2016. On 8 February 2017, the Issuer announced that it had successfully completed an accelerated bookbuilt offering to institutional investors and to Philips Lighting of 26.0 million shares in Philips Lighting, reducing the Issuer's stake in Philips Lighting's issued share capital from 71.225 per cent. to approximately 53.892 per cent. On 25 April 2017, the Issuer announced that it had successfully completed a further accelerated bookbuilt offering to institutional investors and to Philips Lighting of 22.25 million shares in Philips Lighting, reducing the Issuer's stake in Philips Lighting's issued share capital from approximately 53.891 per cent. to approximately 39.058 per cent. Following the cancellation of 3.5 million shares by Philips Lighting on 4 May 2017 and the cancellation of 3.5 million shares by Philips Lighting on 27 July 2017, the Issuer's stake in Philips Lighting's issued share capital increased to approximately 40.970 per cent. as of 27 July 2017 (being the date of the latest publicly available information). The Issuer continues to consolidate Philips Lighting however, as a loss of control under IFRS is highly probable within the next year, Philips Lighting is presented as a discontinued operation in the financial results of the Group as of the six months ended 30 June 2017.

To effectuate the separation and to provide a framework for the relationship between the two companies after the separation, the Issuer and Philips Lighting entered into a separation agreement and a set of ancillary agreements (collectively, the "**Separation Agreement**"). The Separation Agreement allocated assets, liabilities, employees and contracts of the Group between the current groups of the Issuer and Philips Lighting. The separation was guided by the principle that the Philips Lighting group comprises substantially all of the Group's former lighting business, related assets and liabilities, employees and contracts, as well as allocated activities from the former Innovation, Group & Services sector. Furthermore, certain historical exposures and liabilities of the Group were allocated to each of the groups of the Issuer and Philips Lighting, which are unrelated to their respective businesses.

Upon the listing of Philips Lighting in May 2016, the Issuer and Philips Lighting also entered into a relationship agreement (the "**Relationship Agreement**") to manage the continuing relationship between Philips Lighting and the Issuer as a large shareholder of Philips Lighting upon such listing. The Relationship Agreement will terminate when the stake of the Issuer falls below 10 per cent. (with the exception of certain specific provisions).

#### *Business Highlights*

Philips Lighting is actively building partnerships for its connected lighting systems for both professional and consumer markets. The Issuer announced a partnership with U.S. company Aisle411 for digital mapping of retail stores. It also

teamed up with Amazon Alexa, Google Home and with Huawei's OceanConnect for the interoperability of the Philips Hue connected lighting system, making this the first connected lighting system that can be used with all leading smart home platforms.

Philips Lighting's partnership with Cisco resulted in Power-over-Ethernet connected lighting systems for the headquarters of Smartworld in Dubai, Intel's new research campus in Bangalore and Infinorsa's Torre Europa building in Madrid.

In the retail segment Philips Lighting implemented its first connected lighting indoor positioning system in the Middle East with United Arab Emirates-based retailer aswaaq, one of the world's most innovative supermarkets and community malls. The new system uses lights that act as a positioning system and allows customers to use smartphones to access location-based services.

Philips Lighting also extended the number of connected street lighting contracts, supplying nearly 90,000 connected street luminaires in Jakarta as one of its biggest projects to date. The system will be managed by the Philips CityTouch street lighting management system, which has been installed in more than 700 projects across 35 countries since its inception in 2012.

The range of LED lighting was extended with Philips SceneSwitch, which combines multiple light settings in one lamp, enabling users to select the right light for their needs using an existing wall switch. It also introduced a range of spots and decorative bulbs that use WarmGlow for dimming, meaning the more you dim, the warmer the light effect. With Dubai Municipality Philips Lighting developed the Dubai lamp, the world's most energy-efficient commercially available lamp. This family of six lamps and two spots covers 80 per cent. of the light sockets in the city.

Philips Lighting broadened the appeal of its Philips Hue connected lighting system for the home by adding an innovative motion sensor, which allows users to switch their Philips Hue lights on and off simply by walking in or leaving a room.

The Philips Hue range was also extended with Philips Hue white ambiance, providing users with every shade of white light.

Philips Lighting expanded the number of sports stadiums using its Philips ArenaVision dynamic LED pitch lighting, adding the Amsterdam Arena, the Juventus Stadium in Turin, the Volkswagen Arena in Wolfsburg and the indoor stadium in Cairo. The company also provided pitch, façade and office lighting for Atletico Madrid. Philips Lighting is responsible for the pitch lighting of over 65 per cent. of stadiums involved in major international sports events.

### *Financial Performance*

Net income is not allocated to segments as certain income and expense line items are monitored on a centralised basis.

<b>Lighting</b>		
<b>Key data in millions of EUR unless otherwise stated*</b>		
	<b>2015</b>	<b>2016</b>
Sales	7,438	7,094
Sales growth		
% increase (decrease), nominal	8%	(5)%
% increase (decrease) comparable	(3)%	(2)%
Income from operations (EBIT)	334	432
as a % of sales	4.5%	6.1%
EBITA	441	542
as a % of sales	5.9%	7.6%

\* The Lighting segment results differ from the stand-alone Philips Lighting reporting mainly due to the exclusion of intercompany sales and the reporting within Legacy Items of Philips Lighting separation costs incurred

In 2016, sales amounted to €7,094 million, 5 per cent. decrease on a nominal basis. Excluding a 3 per cent. negative currency effect and portfolio changes, comparable sales decreased by 2 per cent., reflecting double-digit growth in LED and Home, a low-single-digit decline in Professional and a double-digit decline in Lamps. Green Revenues amounted to €5,536 million, or 78 per cent. of total segment sales.

Sales in growth geographies decreased to €2,774 million in 2016. Sales in Western Europe decreased to €2,130 million in 2016. Sales in North America decreased to €1,982 million in 2016. Sales in other mature geographies remained at €208 million in 2016.

Income from operations (EBIT) amounted to €432 million, or 6.1 per cent. of sales, which included €110 million of amortisation charges, mainly related to acquired intangible assets at Professional.

EBITA increased from €441 million, or 5.9 per cent. of sales, in 2015 to €542 million, or 7.6 per cent. of sales in 2016. Restructuring and acquisition-related charges were €119 million. EBITA in 2016 also included a gain of €14 million related to a release of provisions originating from the separation activities. EBITA in 2015 also included charges related to the devaluation of the Argentine peso. The increase was mainly attributable to cost reduction programmes and an increase in gross margin, partly offset by higher restructuring and acquisition-related charges.

As of the six months ended 30 June 2017, the Issuer presents the results of Philips Lighting as a discontinued operation. See “—Discontinued Operations” below.

### *Sustainability*

During Climate Week NYC, Eric Rondolat launched Philips Lighting’s new sustainability programme ‘Brighter Lives, Better World’, building on the long legacy of the Group’s EcoVision programmes. The new programme is built on two pillars: Green Revenues and Sustainable operations. With 78 per cent. of 2016 sales coming from sustainable products, systems and services, Green Revenues reached a record level for Philips Lighting.

In 2016, approximately 15 per cent. of the world’s electricity is still being used for lighting. Through its digital LED technology, Philips Lighting offers light that is up to 80 per cent. more energy-efficient than conventional technologies, which are still commonly used globally. For this reason, the company has pledged to cumulatively sell 2 billion LED light bulbs by 2020, for which it has already sold 628 million units thus far. In addition, Philips Lighting effectively reduced its operational carbon footprint year-on-year by 20 per cent., also increasing the share of renewable electricity to 67 per cent. Its solutions to effectively reduce, recycle, and re-use the waste in its sites as much as possible resulted in 85 per cent. of its total industrial waste being recycled, as part of its journey towards zero waste to landfill.

### *Legacy Items*

#### *Overview*

Legacy Items consists mainly of separation costs, legacy legal items, legacy pension costs, environmental provisions and stranded costs.

#### *Financial Performance*

<b>Legacy Items</b>				
<b>Key data in millions of EUR unless otherwise stated</b>				
	<b>2015</b>	<b>2016</b>	<b>January to June 2016</b>	<b>January to June 2017</b>
Separation costs	(183)	(152)	(97)	(20)
Other	(439)	(43)	(52)	(60)
<b>Income from operation (EBIT)</b>	<b>(622)</b>	<b>(195)</b>	<b>(149)</b>	<b>(80)</b>

Income from operations (EBIT) mainly included €152 million of charges related to the separation of the Lighting business, a €14 million charge related to provisions originating from the separation of the Lighting business, €9 million of costs of addressing legacy issues related to environmental provisions, €4 million of pension costs, €36 million of stranded costs related to the combined Lumileds and Automotive businesses, charges related to various provisions, as well as gains from the settlement of a pension-related claim. Income from operations (EBIT) in 2015 included settlements mainly related to pension de-risking.

In the six months ended 30 June 2017, income from operations (EBIT) mainly included EUR 20 million of charges related to the separation of the Lighting business, EUR 26 million of provisions related to the CRT litigation in the U.S., EUR 14 million of stranded costs related to the combined Lumileds and Automotive businesses, EUR 3 million of pension costs and EUR 3 million related to movements in environmental pensions.



## Discontinued Operations

### Discontinued operations

#### Net income of discontinued operations in millions of EUR

	January to June	
	2016	2017
Lighting	94	177
The combined Lumileds and Automotive businesses	92	83
Other	131	(1)
Net income of discontinued operations	317	259

As of the six months ended 30 June 2017, Philips presents the results of Philips Lighting as a discontinued operation. Net income of Philips Lighting increased by EUR 83 million compared to the six months ended 30 June 2016, mainly reflecting higher income from operations. Net income of the combined businesses of Lumileds and Automotive decreased by EUR 9 million and included the EUR 66 million net loss from the sale of the 80.1 per cent. interest. See “Recent Developments—Lumileds”. A gain related to the sale of real estate was recognised in income from continuing operations in the first three months of 2017. In addition, trademark license revenue will be recognised in income from continuing operations in the future, resulting in an overall net gain on the sale of the combined businesses. Other includes the gain from the arbitration award in the first half of 2016 in respect of the arbitration case against Funai Electric Co. Ltd (see note 3 to the audited consolidated financial statements of the Group as of and for the financial year ended 31 December 2016, incorporated by reference herein).

### Organisational Structure

Set out below is a list of material subsidiaries as at 31 December 2016 representing greater than 5 per cent. of either the consolidated group sales, income from operations or net income (before any intra-group eliminations). All of the entities are fully consolidated in the group accounts of the Issuer. Entities that are 100 per cent. owned by Philips Lighting are consequently 71.225 per cent. owned by the Issuer. The remaining entities are 100 per cent. owned by the Issuer.

The Issuer has subsequently reduced its interest in the issued share capital of Philips Lighting to approximately 40.970 per cent. as at 27 July 2017 (being the date of the latest publicly available information).

Legal entity name	Principal country of business	Ownership (%)
Invivo Corporation	United States	100.00
Lifeline Systems Company	United States	100.00
Lumileds International B.V.	Netherlands	100.00
Lumileds LLC	United States	100.00
Lumileds Malaysia Sdn. Bhd	Malaysia	100.00
Philips (China) Investment Company, Ltd.	China	100.00
Philips Consumer Lifestyle B.V.	Netherlands	100.00
Philips Electronics Hong Kong Limited	Hong Kong	100.00
Philips Electronics Nederland B.V.	Netherlands	100.00
Philips Electronics North America Corporation	United States	100.00
Philips GmbH	Germany	100.00
Philips Holding USA Inc.	United States	100.00
Philips International B.V.	Netherlands	100.00
Philips Lighting B.V. <sup>1)</sup>	Netherlands	71.225
Philips Lighting Holding B.V. <sup>1)</sup>	Netherlands	71.225
Philips Lighting Hong Kong Limited <sup>1)</sup>	Hong Kong	71.225
Philips Lighting North America Corporation <sup>1)</sup>	United States	71.225
Philips Medical Systems (Cleveland), Inc	United States	100.00
Philips Medical Systems Nederland B.V.	Netherlands	100.00

Philips Medizin Systeme Böblingen GmbH	Germany	100.00
Philips Oral Healthcare, LLC	United States	100.00
Philips Ultrasound, Inc.	United States	100.00
RIC Investments, LLC	United States	100.00
The Genlyte Group Incorporated <sup>1)</sup>	United States	71.225
Volcano Corporation	United States	100.00

1) Owned by Philips Lighting

As at 31 December 2016, in total, five consolidated material subsidiaries are not wholly owned by the Issuer. Group companies that have significant non-controlling interests are Philips Lighting (28.775 per cent.) and General Lighting Company (49 per cent.).

The Issuer has investments in a number of associates, none of them are regarded as individually material.

The Issuer founded three Philips Medical Capital (“**PMC**”) entities, in the United States, France and Germany, in which the Issuer holds a minority interest. Philips Medical Capital, LLC in the United States is the most significant entity. PMC entities provide healthcare equipment financing and leasing services to the Group’s customers for diagnostic imaging equipment, patient monitoring equipment, and clinical IT systems.

The Issuer concluded that it does not control, and therefore should not consolidate the PMC entities. In the United States, PMC operates as a subsidiary of De Lage Landen Financial Services, Inc. The same set up and treatment is applied to the PMC entities in the other countries, with other majority shareholders. Operating agreements are in place for all PMC entities, whereby acceptance of sales and financing transactions resides with the respective majority shareholder. After acceptance of a transaction by PMC, the Issuer transfers significant risk and rewards and does not retain any obligations towards PMC or its customers.

At 31 December 2016, the Group’s stake in Philips Medical Capital, LLC amounted to €25 million. The Group sold equipment and nonrecourse third-party receivables to PMC U.S. amounting to €250 million in 2016.

### Share Capital and Ownership

The Dutch Act on Financial Supervision (*Wet op het financieel toezicht*) imposes an obligation on persons holding certain interests to disclose (*inter alia*) percentage holdings in the capital and/or voting rights in the Issuer when such holdings reach, exceed or fall below 3, 5, 10, 15, 20, 25, 30, 40, 50, 60, 75 and 95 percent (as a result of an acquisition or disposal by a person, or as a result of a change in the Issuer’s total number of voting rights or capital issued). Certain derivatives (settled in kind or in cash) are also taken into account when calculating the capital interest. The statutory obligation to disclose capital interest does not only relate to gross long positions, but also to gross short positions. Required disclosures must be made to the Netherlands Authority for the Financial Markets (“**AFM**”) without delay. The AFM then notifies such disclosures to the Issuer and includes them in a register which is published on the AFM’s website. Furthermore, an obligation to disclose (net) short positions is set out in the EU Regulation on Short Selling.

The AFM register shows the following notification of substantial holdings and/or voting rights at or above the 3 per cent. threshold: BlackRock, Inc.: substantial holding of 5.03 per cent. and 6.19 per cent. of the voting rights (23 August 2017).

As of 31 December 2016, the issued and fully paid share capital of the Issuer consisted of 929,644,864 common shares, each share having a par value of €0.20.

As of 31 December 2016, approximately 90 per cent. of the common shares were held in bearer form and approximately 10 per cent. of the common shares were represented by registered shares of New York Registry issued in the name of approximately 1,081 holders of record, including Cede & Co. Cede & Co acts as nominee for the Depository Trust Company holding the shares (indirectly) for individual investors as beneficiaries. Citibank, N.A., 388 Greenwich Street, New York, New York 10013 is the transfer agent and registrar.

Only bearer shares are traded on the stock market of Euronext Amsterdam. Only the shares of New York Registry are traded on the New York Stock Exchange. Bearer shares and registered shares may be exchanged for each other. Since certain shares are held by brokers and other nominees, these numbers may not be representative of the actual number of United States beneficial holders or the number of shares of New York Registry beneficially held by U.S. residents.

## Management and Supervisory Bodies

### *Executive Committee*

The Issuer is managed by an Executive Committee which comprises the members of the Board of Management and certain key officers from functions, businesses and markets.

The Executive Committee operates under the chairmanship of the Chief Executive Officer and shares responsibility for the deployment of the Group's strategy and policies, and the achievement of its objectives and results.

Under Dutch Law, the Board of Management is accountable for the actions of the Executive Committee and has ultimate responsibility for the management and external reporting of the Issuer and is answerable to shareholders at the Annual General Meeting of Shareholders. Pursuant to the two-tier corporate structure, the Board of Management is accountable for its performance to a separate and independent Supervisory Board.

Members of the Board of Management as well as the CEO are appointed by the General Meeting of Shareholders upon a binding recommendation drawn up by the Supervisory Board after consultation with the CEO. This binding recommendation may be overruled by a resolution of the General Meeting of Shareholders adopted by a simple majority of the votes cast and representing at least one-third of the issued share capital. If a simple majority of the votes cast is in favour of the resolution to overrule the binding recommendation, but such majority does not represent at least one-third of the issued share capital, a new meeting may be convened at which the resolution may be passed by a simple majority of the votes cast, regardless of the portion of the issued share capital represented by such majority. In the event a binding recommendation has been overruled, a new binding recommendation shall be submitted to the General Meeting of Shareholders. If such second binding recommendation has been overruled, the General Meeting of Shareholders shall be free to appoint a board member.

Members of the Board of Management and the CEO are appointed for a term of four years, it being understood that this term expires at the end of the General Meeting of Shareholders to be held in the fourth year after the year of their appointment. Reappointment is possible for consecutive terms of four years or, if applicable, until a later retirement date or other contractual termination date in the fourth year, unless the General Meeting of Shareholders resolves otherwise. Members may be suspended by the Supervisory Board and by the General Meeting of Shareholders and dismissed by the latter.

The other members of the Executive Committee are appointed, suspended and dismissed by the CEO, subject to approval by the Supervisory Board.

Set forth below is the name, year of birth and position of each of the persons currently serving on the Executive Committee of the Issuer. Unless otherwise indicated, the business address of each person listed below is c/o Koninklijke Philips N.V., Philips Center, Amstelplein 2, 1096 BC Amsterdam, the Netherlands.

<b>Name</b>	<b>Year of Birth</b>	<b>Position</b>
Frans van Houten*	1960	Chief Executive Officer (CEO)
Abhijit Bhattacharya*	1961	Chief Financial Officer (CFO)
Sophie Bechu	1960	Executive Vice President
Rob Cascella	1954	Executive Vice President
Marnix van Ginneken**	1973	Executive Vice President
Andy Ho	1961	Executive Vice President
Henk de Jong	1964	Executive Vice President
Ronald de Jong	1967	Executive Vice President
Carla Kriwet	1971	Executive Vice President
Pieter Nota***	1964	Executive Vice President
Brent Shafer	1957	Executive Vice President
Jeroen Tas	1959	Executive Vice President

*\* Member of the Board of Management*

*\*\* As announced on 24 August 2017, the Supervisory Board intends to propose at an extraordinary general meeting of shareholders to be held in October 2017 to appoint Marnix van Ginneken to the Board of Management.*

*\*\*\* As announced on 20 July 2017, Pieter Nota is stepping down from the Executive Committee and the Board of Management. It was announced on 24 August 2017 that he would be succeeded by Egbert van Acht with effect from 31 October 2017.*

### *Frans van Houten*

Frans van Houten is CEO of the Issuer, a position he has held since April 2011. He is also Chairman of the Board of Management and the Executive Committee. Frans is passionate about innovation, entrepreneurship and business transformation. He is leading the Group on a course to leadership in health technology, dedicated to making the world healthier and more sustainable, with the aim of improving three billion lives per year by 2025. Frans first joined the Group in 1986 and has held multiple global leadership positions across the Issuer on three continents, including the role of co-CEO of the Consumer Electronics division. From 2004 to 2009 he led the successful Philips spin-off NXP Semiconductors. Between 2009 and 2010 he ran his own consultancy practice and was, among other roles, senior advisor to the board of Dutch financial services business ING Group, where he was responsible for the separation of the Issuer's banking and insurance activities. Frans launched the Group's global Accelerate! programme in 2011 with the objective of improving customer focus, transforming the portfolio, driving innovation and operational excellence and improving competitiveness throughout the Issuer in order to boost growth. Accelerate! remains the engine of the Issuer's improved results today. Frans' team has driven the transformation and revitalisation of the portfolio to become a focused health technology company through targeted divestment, acquisition and organic business development. This is exemplified by the sale of the television business in 2012; the audio and video businesses in 2014 and the IPO of Philips Lighting on the Amsterdam Euronext stock exchange in May 2016. At the same time, the Group has invested in acquiring complementary health technology businesses, including U.S. image-guided therapy leader Volcano and population health analytics leader Wellcentive, while stepping-up in-house R&D to establish new businesses in areas like Digital Pathology, Medical Wearables and Health Informatics. With these steps, the Issuer is poised to accelerate growth and performance and capture the opportunities in the €145+ billion market for health technology. As a stand-alone company, Philips Lighting is able to leverage its leadership in the €65+ billion market for digital lighting solutions. Frans holds a Master's degree in Economics and Business Management from Erasmus University in Rotterdam and is a member of the European Round Table of Industrialists, an advocacy organisation comprising the 50 largest European multinationals. Since May 2016, he has been vice chairman and a member of the supervisory board of Philips Lighting. He was appointed a member of the Board of Directors of Novartis in February 2017. Married with four children, Frans lives near Amsterdam and enjoys contributing to community projects, sailing, skiing, running, gardening and art.

### *Abhijit Bhattacharya*

Abhijit joined the Group in 1987 and has held various senior leadership roles in the Issuer in Asia Pacific, Europe and the U.S. He chaired the team responsible for the overall planning and execution of the separation process to create two winning companies focused on the HealthTech and Lighting opportunities, reporting directly to CEO Frans van Houten, and was also appointed CFO of Philips Lighting. He has previously been CFO of Philips Healthcare, the Group's largest sector, and headed Philips Investor Relations from 2010 to 2013. Prior to this, he was Head of Operations and Quality at the ST Microelectronics and Ericsson joint venture, and CFO of NXP's largest business group. Abhijit Bhattacharya was born in India in 1961.

### *Sophie Bechu*

Sophie Bechu joined the Group as Executive Vice President and Chief of Operations in September 2016. Sophie has extensive experience in operations, service delivery, procurement, supply chain, quality, engineering and strategic outsourcing. She has international experience working in Europe, Hong Kong, India and the U.S. She leads the Group's improvement in its operational excellence and drives the Group's Order to Cash (O2C) initiative as the operational backbone of the Issuer. This covers everything from the way the Issuer receives a customer order, to producing the goods or services, to delivery, invoicing, collecting payments and offering a global, consistent service experience to customers. Sophie joins from IBM where she worked for more than 30 years and where she was most recently Vice President, Strategic Outsourcing, North America Delivery. In her former role she was responsible for the IT services delivery for the Issuer's clients in North America and this portfolio included Healthcare and Life Sciences businesses in the U.S. Her key responsibilities included customer satisfaction, compliance and service level. Sophie holds a degree in Engineering from the Ecole Supérieure d'Electricité, Paris, France.

### *Rob Cascella*

Rob Cascella joined the Group in April 2015. He was appointed Executive Vice President in July 2016. He has more than 30 years of experience in the healthcare industry and has served on several Boards. Rob has spent ten years as President and later CEO of Hologic Inc., a global leader in women's health. Under his tenure, Hologic broadly diversified its product portfolio and substantially grew revenues through a combination of innovative product development and acquisition, as well as the building of strong customer relationships. He is a graduate of Fairfield University.

### *Marnix van Ginneken*

Marnix van Ginneken joined the Group's legal department in 2007. In 2010 he became Head of Group Legal. In this role he was responsible for the various Group Legal departments in Amsterdam and Eindhoven, including Corporate & Financial Law, Legal Compliance and Legal M&A. Before joining the Group, Marnix worked as an in-house lawyer for Akzo Nobel and before that as an attorney in a private practice. Since 2011, he has been a part-time Professor of International Corporate Governance at the Erasmus School of Law in Rotterdam. Marnix studied law at the University of Utrecht and at Wayne State University in Detroit. He holds a Ph.D. from the University of Amsterdam.

### *Andy Ho*

Andy Ho joined the Group in 2015 as Executive Vice President and became CEO of Philips Greater China in the same year. Andy is leading the Group's transformation in Greater China into an integrated solutions provider, with a focus on the integration of professional healthcare and personal health. He has deep expertise in customer-focused organisational restructuring and is passionate about driving entrepreneurship and operational excellence across all areas of the Issuer. He leads the Group's collaboration and alliances among governments, innovation and technology incubators, universities and other businesses, so that the Group can help create a local innovation ecosystem to jointly reshape the future of health technology in China. Prior to joining the Group, Andy held a wide range of sales, technology and senior management roles across Greater China, Canada and the United States in a career spanning 32 years in IBM, where he had also been a member of the Technology Team Committee, and the Strategy Team Committee, Global, IBM. Andy holds a Bachelor's degree in Business Administration from the Chinese University of Hong Kong.

### *Henk de Jong*

Henk de Jong was appointed Chief of International Markets in April 2017 with responsibility for results of customer-facing activities across the world (with the exception of North America and Greater China). He is also a member of the Board of Philips Capital N.V. Henk joined the Group in 1990. His most recent role was Market Leader in Latin America (LATAM). Under his leadership, the region delivered consistent profitable growth in frequently challenging local environments. Henk also led major transformations in the Group's businesses across the region. Among his achievements, he drove productivity implementing LEAN; led a more a customer-centred approach in the Group's Personal Health businesses and oversaw a shift towards a more innovative solutions-based approach in the Group's Health Systems businesses. Prior to that he held a number of leadership roles in the Group's former Consumer Lifestyle businesses in Europe and Asia. Henk is fluent in Dutch, English and Portuguese. He holds an MBA from the Rijksuniversiteit Groningen and graduated in Finance for Senior Executives at Harvard Business School. He has also taught transformation management at ISE business school in São Paulo.

### *Ronald de Jong*

Ronald de Jong is Chief Human Resources Officer, a position he has held since April 2017. Ronald is also Executive Vice President and has been a Member of the Executive Committee since 2011. Ronald started his career at the Group in 1990 and held various leadership positions in marketing, sales, service, operations, supply chain and general management. In 2011, he was appointed Chief Market Leader responsible for International Markets, Government Affairs and Market-to-Order Excellence with the aim of strengthening the Group's entrepreneurship with focus on customers and markets. As Chief Market Leader, Ronald led the transformation of the Group's market organisation under the global Accelerate! programme in 2011 with the objective of building more entrepreneurial market and country organisations; improving customer focus by generating deep market and customer insights; developing local business opportunities by co-creating locally relevant propositions with customers and helping drive the Issuer's approach to winning more long-term strategic partnerships. Since 2014 Ronald has been Chairman of the board of the Philips Foundation, set up to enable lasting social change in disadvantaged communities through the application of innovation, talent and resources provided by the Group. Ronald was honoured by the World Economic Forum as a 'Young Global Leader' in 2007 and proclaimed a Distinguished Fellow of the Globalization, Aging, Innovation and Care (GAIC) research programme at Tilburg University in 2015. Ronald is a member of the Supervisory Board of SNV,

an international not-for-profit organisation based in the Netherlands. Ronald holds a Master of Science degree in Business Administration from the Erasmus University in Rotterdam, the Netherlands. In addition, he has participated in educational programmes at, among others, Harvard Business School, Harvard Kennedy School of Government, Stanford University, Yale Institute for Global Leadership and IMD Lausanne.

#### *Carla Kriwet*

Dr. Carla Kriwet is Chief Business Leader of the Group's Connected Care & Health Informatics (CCHI) cluster of businesses. She was appointed to this role in February 2017 and oversees the Group's Patient Care & Monitoring Solutions (PCMS), Population Health Management and Healthcare Informatics businesses. Previously she led the Business Group PCMS. Carla has successfully driven growth and innovation in PCMS. Before this role she led the Group's market in Germany, Switzerland and Austria to greater growth and profitability. Prior to joining the Group in 2013 she was Chief Sales & Marketing Officer and Member of the Global Executive Board at Drägerwerk AG & Co KGaA, a German-based engineering and medical technology firm. Before that, she enjoyed multiple leadership roles at Linde AG, Germany, and was a Senior Principal at The Boston Consulting Group. She is Vice Chairman of the Supervisory Board of Zeiss Meditec AG, and Vice Chairman of the Supervisory Board of Save the Children, Germany, which focuses on children's rights, health, education and emergency relief. Carla graduated in Business Studies at the University of St. Gallen, Switzerland. She holds a PhD in Inter- and intra-organisational knowledge transfer from the University of St. Gallen, Switzerland and University of Tokyo, Japan.

#### *Pieter Nota*

Pieter joined the Group in 2010 as CEO of Philips Consumer Lifestyle. Prior to that he was on the Board of Management as Chief Marketing & Innovation Officer at Beiersdorf AG (a.o. Nivea), based in Hamburg, Germany. He started his career at Unilever in the Netherlands as a Brand manager in 1990, rising to Marketing Director and Member of the Executive Board of Unilever Poland and Germany, where he worked until 2005. Pieter is passionate in his support of the Group's goal to improve the lives of three billion people a year by 2025. He is a longtime champion of the Group's innovation, marketing, its customers and the company culture. He has a strong track record in building and leading high-performing teams and is credited with transforming Philips Personal Health through a combination of astute portfolio decisions, clear strategic choices, more disciplined operations, a rigorous focus on performance management, and an absolute commitment to a growth and performance culture. Pieter is dedicated to the long-term stewardship of the Philips brand and to building a strategic approach to the Group's digital marketing and digital innovation efforts globally. Pieter was born in the Netherlands in 1964. He is married with two children and holds a degree in Business Administration from Erasmus University in Rotterdam, the Netherlands.

#### *Brent Shafer*

Brent Shafer was appointed to his current role in 2014. He has previously led the Philips Home Healthcare Solutions business where the Group achieved significant growth, expanded its portfolio of offerings and secured inroads into new markets globally. Prior to joining the Group, he served as Vice President and General Manager of the Patient Care Environment Division for Hill-Rom Company. He started his career at Intermountain Healthcare's Primary Children's Hospital and over the course of his career, has held positions of increasing responsibility in sales, marketing and general management at GE Medical Systems, Hewlett-Packard's Medical Products Group and Johnson & Johnson. He completed his bachelor's degree and additional graduate course work at the University of Utah.

#### *Jeroen Tas*

Jeroen Tas has over 30 years of global experience as an entrepreneur and senior executive in the healthcare, information technology and financial services industries. He was appointed to the role of Chief Innovation & Strategy Officer in February 2017, driving innovations in smart systems, software and services to improve people's health, embedding artificial intelligence and the Internet of Things. He previously led the Issuer's Connected Care and Informatics businesses, demonstrating a passion to create new models of people-centric healthcare, based on the power of information technology. Prior to that, he was CEO of Philips Healthcare, Informatics Solutions & Services, overseeing digital health and clinical informatics and was the Group Chief Information Officer (CIO), leading IT worldwide. Jeroen has long been a highly respected thought leader. He was responsible for turning around the Group's healthcare IT business and has been instrumental in establishing HealthSuite as the new open industry standard for the 'Healthcare Internet of Things' Cloud platform. He clearly sees the tremendous value that information technology and data can add to managing health and care. He co-founded and served as President, COO and vice-chairman of the board for MphasiS, an IT and Business Process Outsourcing company, which was acquired by HP in 2006. From 2007 to 2008, he was Vice President and General Manager at EDS, responsible for the global competency centres. Prior to MphasiS, Jeroen was the head of Transaction Technology, Inc., Citigroup's tech lab, responsible for the innovation and development of the bank's customer-facing systems, including Internet banking and self-service devices. Jeroen is the 2004 winner of the

E&Y Entrepreneur of the Year Award in the Information technology category for the New York region. He also won the Dutch CIO of the year 2013 Award, NASSCOM Global CIO Award 2014, the World Innovation Congress 2014 CIO Leadership Award, CIO Net European CIO of 2014 Award, the IT Executive 2014 Award and the Accenture 2015 Innovator of the Year award. He holds a Master's Degree in computer science and business administration from the VU University, Amsterdam.

### ***Supervisory Board***

The Supervisory Board supervises the policies of the executive management and the general course of affairs of the Issuer and advises the executive management thereon. The Supervisory Board, in the two-tier corporate structure under Dutch law, is a separate and independent corporate body.

Set forth below is the name and year of birth of each of the persons currently serving on the Supervisory Board, as well as details of their involvement in other committees of the Issuer. The business address of each person listed below is c/o Koninklijke Philips N.V., Philips Center, Amstelplein 2, 1096 BC Amsterdam, the Netherlands:

<b>Name</b>	<b>Year of Birth</b>	<b>Positions outside the Issuer</b>
Jeroen van der Veer <sup>2) 3)</sup>	1947	Chairman of the Supervisory Board of ING Group. Member of the Supervisory Board of Concertgebouw N.V., Royal Boskalis Westminster N.V. and Statoil ASA. Also a senior advisor to Mazarine B.V.
Neelam Dhawan <sup>1)</sup>	1959	Currently Vice President - Asia Pacific & Japan - Global Industries and Strategic Alliances Hewlett Packard Enterprise.
Orit Gadiesh <sup>1)</sup>	1951	Currently Chairman of Bain & Company and Member of the Foundation Board of the World Economic Forum (WEF). Also serves on the Supervisory Board of Renova AG and is a member of the United States Council of Foreign Relations.
Christine Poon <sup>2) 3) 4)</sup>	1952	Currently member of the Board of Directors of Prudential and Regeneron and Sherwin Williams.
Heino von Prondzynski <sup>2) 3) 4)</sup>	1949	Currently Chairman of the Supervisory Board of Epigenomics AG, member of the Supervisory Board of HTL Strefa and Lead Director of Quotient Ltd.
David Pyott <sup>1) 4)</sup>	1953	Currently Director of Avery Dennison Corporation and its Lead Independent Director (since 1999 and 2010, respectively). Member of the Board of Directors of Alnylam Pharmaceuticals Inc., of BioMarin Pharmaceutical Inc. and of privately-held Rani Therapeutics, an InCube Labs company. Also member of the Governing Board of the London Business School, President of the International Council of Ophthalmology Foundation and member of the Advisory Board of the Foundation of the American Academy of Ophthalmology.
Jackson Tai <sup>1) 4)</sup>	1950	Currently a member of the Boards of Directors of Eli Lilly and Company HSBC Holdings PLC and MasterCard. Also Non-Executive Director of privately-held Russell Reynolds Associates and Canada Pension Plan Investment Board.

*1) Member of the Audit Committee*

*2) Member of the Remuneration Committee*

*3) Member of the Corporate Governance and Nomination & Selection Committee*

*4) Member of the Quality & Regulatory Committee*

### **Material Contracts**

#### ***Royal Philips January 2017 Bridge Loan***

On 9 January 2017, the Issuer entered into a U.S.\$1 billion and €300 million credit facility with a consortium of international banks. Under this credit facility, the Issuer drew U.S.\$1 billion in January 2017, which was used for the

early redemption of 5.750 per cent. Notes due 2018 in the aggregate principal amount of U.S.\$1.25 billion. The maturity date of the facility is 29 December 2017, however, the Issuer fully prepaid the U.S.\$1 billion drawn on 18 May 2017.

### ***Royal Philips Revolving Credit Facility***

On 12 April 2017, the Issuer entered into a €1 billion revolving credit facility (“**RCF**”) with a consortium of international banks. The interest rate under the RCF will be partially dependent on the Issuer’s year-on-year sustainability performance improvement. This innovative construction was created by the Issuer in collaboration with ING as the Sustainability Coordinator of the RCF and supported by the banks in the consortium.

The Issuer’s current sustainability performance has been assessed by Sustainalytics, an independent provider of environmental, social and corporate governance research and ratings. The resulting score will be used as the benchmark against which performance improvements will be assessed.

The RCF has a maturity date of 21 April 2022, subject to an option to extend (with the agreement of the banks in the consortium) for two one-year periods, and can be used for general corporate purposes. It substitutes the Issuer’s previous €1.8 billion revolving credit facility. At present, no amounts under the RCF have been drawn down.

### ***Philips Lighting IPO Credit Facility***

On 12 May 2016, in connection with the IPO of Philips Lighting, certain subsidiaries of the Issuer entered into a credit agreement (the “**Credit Agreement**”) with a syndicate of financial institutions which established (i) a term loan facility comprising (a) a euro term loan facility of €740 million and (b) a U.S. dollar term loan facility of U.S.\$500 million (the “**Term Loan Facility**”); and (ii) a multi-currency revolving credit facility in a maximum amount of €500 million (the “**Philips Lighting RCF**”). Both the Term Loan Facility and the Philips Lighting RCF have a term of five years from the date of the Credit Agreement but may be prepaid during the term at the option of the borrowers under the Credit Agreement without penalty. The Term Loan Facility was drawn in full by the borrowers under the Credit Facility on 27 May 2016 to refinance outstanding financial indebtedness to the Issuer and transaction costs. At present, no amounts under the Philips Lighting RCF have been drawn down.

The loans under the Term Loan Facility bear interest at a variable rate, based on the relevant applicable EURIBOR or LIBOR plus a margin. The margin is initially 0.75 per cent. and is subject to adjustment based on a net leverage ratio.

The Credit Agreement includes a financial covenant providing that the Philips Lighting Group must maintain a net leverage ratio in respect of any test period ending on or after 31 December 2016 of not greater than 3.00x consolidated adjusted EBITDA.

### ***Merger Agreement***

On 27 June 2017, the Issuer’s wholly owned subsidiaries Philips Holding USA Inc. (“**Parent**”) and HealthTech Merger Sub, Inc. (“**Merger Sub**”) entered into an agreement and plan of merger (the “**Merger Agreement**”) with The Spectranetics Corporation (“**Spectranetics**”), a U.S.-based global leader in vascular intervention and lead management solutions. The Merger Agreement provides for the acquisition of Spectranetics by Parent in a two-step all cash transaction, consisting of a tender offer, followed by a subsequent back-end merger (the “**Acquisition**”).

Pursuant to the Merger Agreement, and upon the terms and subject to the conditions set forth therein, Parent caused Merger Sub to commence a tender offer (the “**Offer**”) on 12 July 2017 for all of the outstanding shares of common stock, par value U.S.\$0.001 per share (the “**Shares**”), of Spectranetics, at a purchase price of U.S.\$38.50 per Share, net to the seller in cash (the “**Offer Price**”), without interest and subject to any required withholding of taxes.

The obligation of Merger Sub to purchase Shares tendered in the Offer was subject to customary closing conditions, including (1) Shares having been validly tendered and not properly withdrawn prior to the expiration of the Offer (excluding Shares tendered pursuant to guaranteed delivery procedures that are not yet received) that represent, together with the Shares then owned by Merger Sub, at least one Share more than 50 per cent. of the then outstanding Shares (the “**Minimum Condition**”), (2) the absence of any law, injunction, judgment or other legal restraint that prohibits the consummation of the Offer or the Merger (as defined below), (3) the expiration or early termination of the waiting periods applicable to the Offer and the Merger under U.S. and foreign antitrust laws and the receipt of approvals thereunder, (4) the accuracy of Spectranetics’ representations and warranties contained in the Merger Agreement (subject in certain cases to certain materiality qualifiers), (5) Spectranetics’ performance of its obligations under the Merger Agreement in all material respects (6) the absence, since the date of the Merger Agreement, of any effect, change, event or occurrence that, individually or in the aggregate, has had or would reasonably be expected to have a



Material Adverse Effect (as defined in the Merger Agreement) and (7) the Merger Agreement not having been terminated in accordance with its terms.

The Offer expired at 12:00 midnight, New York City time, on 9 August 2017 (the “**Expiration Time**”), (one minute after 11:59 p.m., New York City time on 8 August 2017), as scheduled, and was not extended. Wells Fargo Bank, N.A., the depositary and paying agent in the Offer (the “**Depositary and Paying Agent**”), advised Merger Sub that, as of the Expiration Time, a total of 37,685,108 Shares (excluding Shares with respect to which Notices of Guaranteed Delivery were delivered) had been validly tendered and not withdrawn pursuant to the Offer, representing approximately 85.5 per cent. of the outstanding Shares. The number of Shares tendered pursuant to the Offer satisfied the Minimum Condition. All conditions to the Offer having been satisfied, on 9 August 2017, Merger Sub accepted for payment (such time of acceptance for payment, the “**Acceptance Time**”) all such Shares validly tendered and not withdrawn pursuant to the Offer on or prior to the Expiration Time, and payment for such Shares was made on 9 August 2017 to the Depositary and Paying Agent, which acts as agent for tendering stockholders for the purpose of receiving payments for tendered Shares and transmitting such payments to tendering stockholders whose Shares have been accepted for payment, in accordance with the terms of the Offer. The Depositary and Paying Agent also advised Parent and Merger Sub that, as of the Expiration Time, it received Notices of Guaranteed Delivery with respect to 2,700,773 additional Shares, representing approximately 6.1 per cent. of the outstanding Shares.

On 9 August 2017, pursuant to the terms of the Merger Agreement, Merger Sub merged with and into Spectranetics, with Spectranetics continuing as the surviving corporation (the “**Merger**”). Upon completion of the Merger, Spectranetics became a wholly owned subsidiary of Parent. The Merger was effected without a vote or meeting of Spectranetics stockholders pursuant to Section 251(h) of the Delaware General Corporation Law (the “**DGCL**”). At the effective time of the Merger (the “**Effective Time**”), each Share issued and outstanding immediately prior to the Effective Time (other than (i) Shares subject to vesting or forfeiture conditions, (ii) Shares owned by Spectranetics as treasury stock, (iii) Shares accepted by Merger Sub in the Offer and (iv) Shares owned by any stockholders who properly exercised their appraisal rights under Section 262 of the DGCL in connection with the Merger) was automatically cancelled and converted into the right to receive an amount in cash equal to the Offer Price (without interest and less any applicable tax withholding).

#### ***Royal Philips Acquisition Bridge Loan***

On 28 July 2017, the Issuer entered into a €1,000,000,000 credit facility with a consortium of international banks to fund the Acquisition (including the refinancing of all outstanding indebtedness of Spectranetics) and to pay the fees, costs and expenses incurred in connection therewith or in connection with the credit facility. Under this credit facility, the Issuer drew €1,000,000,000 in August 2017 (the “**First Utilisation Date**”), which was used to fund the Acquisition. The maturity date is the date falling two months after the First Utilisation Date with an option for the Issuer to extend for a further two months. The credit facility contains a prepayment event requiring the net proceeds of the issue of the Notes to be used to prepay the loans made under the credit facility.

#### **Legal and Arbitration Proceedings**

The Issuer and certain of its group companies and former group companies are involved as a party in legal proceedings, including regulatory and other governmental proceedings, including discussions on potential remedial actions, relating to such matters as competition issues, intellectual property, commercial transactions, product liability, participations and environmental pollution.

While it is not feasible to predict or determine the ultimate outcome of all pending or threatened legal proceedings, regulatory and governmental proceedings, the Issuer is of the opinion that the cases described below may have, or have had in the recent past, a significant impact on the Issuer’s consolidated financial position, results of operations and cash flows.

#### ***Cathode Ray Tube (“CRT”) Antitrust Litigation***

On 21 November 2007, the Issuer announced that competition law authorities in several jurisdictions had commenced investigations into possible anticompetitive activities in the Cathode Ray Tubes (“**CRT**”) industry. On 5 December 2012, the European Commission issued a decision imposing fines on (former) CRT manufacturers including the Issuer. The European Commission imposed a fine of €313 million on the Issuer and a fine of €392 million jointly and severally on the Issuer and LG Electronics, Inc. In total a payable of €509 million was recognised in 2012 and the fine was paid in the first quarter of 2013. The Issuer appealed the decision of the European Commission with the General Court which appeal was denied on 9 September 2015. On 23 November 2015 the Issuer lodged an appeal against the decision of the General Court with the European Court of Justice.

## *United States*

Subsequent to the public announcement of these investigations in 2007, certain Group companies were named as defendants in class action antitrust complaints by direct and indirect purchasers of CRTs filed in various federal district courts in the United States. These actions alleged anticompetitive conduct by manufacturers of CRTs and sought treble damages on a joint and several liability basis. In addition, sixteen individual plaintiffs, principally large retailers of CRT products who opted out of the direct purchaser class, filed separate complaints against the Issuer and other defendants based on the same substantive allegations. All these actions were consolidated for pre-trial proceedings in the United States District Court for the Northern District of California.

The Issuer reached settlements with both the direct purchaser plaintiffs and indirect purchaser plaintiffs fully resolving all claims of the direct and indirect purchaser class. The direct purchaser settlement was approved by the court in 2012, while the indirect purchaser settlement was approved by the United States District Court for the Northern District of California in 2016.

In addition, the state attorneys general of California, Florida, Illinois, Oregon and Washington filed actions against the Issuer and other defendants seeking to recover damages on behalf of the states and, acting as *parens patriae*, their consumers. In 2012 the Florida complaint was withdrawn. In 2013 a settlement agreement was reached with the state attorney general of California that has been approved subject to review by the California Court of Appeal. In 2016, settlements were reached with the state attorneys general of Illinois and Oregon which settlements are awaiting final approval in their respective state courts. The action brought by the state attorney of Washington is pending; a trial date has not been set.

In the CRT-related civil antitrust litigation pending in the United States, the Group has now reached settlements with all individual private plaintiffs, resolving all outstanding CRT-related civil antitrust litigation in the United States except for the action brought by the state attorney general of Washington. The CRT-related civil antitrust actions reported in other jurisdictions are still pending.

## *Canada*

In 2007, certain Group companies were also being named as defendants in proposed class proceedings in Ontario, Quebec and British Columbia, Canada, along with numerous other participants in the industry. After years of inactivity, in 2014, plaintiffs in the Ontario action initiated the class certification proceedings leading to class certification in the second half of 2016.

## *Other civil claims related to CRT*

In 2014, the Issuer was named as a defendant in a consumer class action lawsuit filed in Israel in which damages are claimed against several defendants based on alleged anticompetitive activities in the CRT industry. In addition, an electronics manufacturer filed a claim against the Issuer and several co-defendants with a court in the Netherlands, also seeking compensation for the alleged damage sustained as a result from the alleged anticompetitive activities in the CRT industry. In 2015, the Issuer became involved in further civil CRT antitrust litigation with previous CRT customers in the United Kingdom, Germany, Brazil and Denmark. In all cases the same substantive allegations about anticompetitive activities in the CRT industry are made and damages are sought. The Issuer has received indications that more civil claims may be filed in due course.

The Issuer has concluded that due to the considerable uncertainty associated with certain of these matters, on the basis of current knowledge, potential losses cannot be reliably estimated with respect to these matters.

## ***Optical Disc Drive (“ODD”) Antitrust Litigation***

On 27 October 2009, the Antitrust Division of the United States Department of Justice confirmed that it had initiated an investigation into possible anticompetitive practices in the ODD industry. Philips Lite-On Digital Solutions Corp. (“PLDS”), a joint venture owned by the Issuer and Lite-On IT Corporation, as an ODD market participant, is included in this investigation. PLDS and the Issuer have been accepted under the Corporate Leniency programme of the U.S. Department of Justice and have continued to cooperate with the authorities in these investigations. On this basis, the Issuer expects to be immune from governmental fines.

In July 2012, the European Commission issued a Statement of Objections addressed to (former) ODD suppliers including the Issuer and PLDS. The European Commission granted the Issuer and PLDS immunity from fines, conditional upon the Issuer's continued cooperation. The Issuer responded to the Statement of Objections both in writing and at an oral hearing. On 21 October 2015 the European Commission issued its fining decisions in which it granted immunity to the Issuer, Lite-On IT Corporation and PLDS.

The antitrust authority in one remaining jurisdiction is still investigating the matter.

Subsequent to the public announcement of these investigations in 2009, the Issuer, PLDS and Philips & Lite-On Digital Solutions USA, Inc. ("**PLDS USA**"), among other industry participants, were named as defendants in numerous class action antitrust complaints filed in various federal district courts in the United States. These actions allege anticompetitive conduct by manufacturers of ODDs and seek treble damages on behalf of direct and indirect purchasers of ODDs and products incorporating ODDs. These actions have been consolidated for pre-trial proceedings in the United States District Court for the Northern District of California. Initially the plaintiffs' applications for certification of both the direct and indirect purchaser classes were denied.

In September 2015, PLDS entered into a settlement agreement with the direct purchaser plaintiffs under which the Issuer was released from the direct purchaser claims. In December 2016, PLDS reached a settlement with the indirect purchaser plaintiffs which is subject to court approval. Under the settlement, the Issuer will be released from the indirect purchaser claims.

In addition, various individual entities have filed separate actions against the Issuer, PLDS, PLDS USA and other defendants. The allegations contained in these individual complaints are substantially identical to the allegations in the direct purchaser class complaints. All of these matters have been consolidated into the action in the Northern District of California for pre-trial purposes and discovery is being coordinated.

Also, in June 2013, the State of Florida filed a separate complaint in the Northern District of California against the Issuer, PLDS, PLDS USA and other defendants containing largely the same allegations as the class and individual complaints. Florida seeks to recover damages sustained in its capacity as a buyer of ODDs and, in its *parens patriae* capacity, on behalf of its citizens. In December 2016, PLDS reached a settlement with the state attorney general of Florida, which settlement is subject to court approval. Pursuant to the settlement agreement, the Issuer is also released from the Florida state attorney general's claim.

The Issuer and certain Group companies have also been named as defendants, in proposed class proceedings in Ontario, Quebec, British Columbia, Manitoba and Saskatchewan, Canada along with numerous other participants in the industry. These complaints assert claims against various ODD manufacturers under federal competition laws as well as tort laws and may involve joint and several liability among the named defendants. The Group intends to vigorously defend these lawsuits. Plaintiffs in the British Columbia case have proceeded with their application to certify that proceeding as a class action. The hearing was held in January 2015. The Court's decision on class certification is still pending.

Furthermore, in the second half of 2016 the Issuer was named as defendant in a class action in Israel based on allegations similar to the class actions in the United States.

Due to the considerable uncertainty associated with these matters, on the basis of current knowledge, the Issuer has concluded that potential losses cannot be reliably estimated with respect to these matters.

#### ***Masimo Corporation ("Masimo") Patent Litigation***

On 1 October 2014, a jury awarded U.S.\$ 467 million to Masimo in a trial held before the United States District Court for the District of Delaware. The decision by the jury completed an initial phase of a three-phase trial regarding a first lawsuit started by Masimo against the Issuer in 2009. A second lawsuit was started by Masimo against the Issuer in 2016. Between the two lawsuits, claims were raised by the parties against each other relating to patent infringement and antitrust violations in the field of pulse oximetry.

On 5 November 2016, the Issuer and Masimo entered into a wide-ranging, multi-year business partnership involving both companies' innovations in patient monitoring and therapy solutions, ending all pending lawsuits between the two companies, including releasing the Issuer from paying the U.S.\$ 467 million jury verdict.

The Issuer and Masimo also have agreed to:

- a U.S.\$ 300 million cash payment by the Issuer to Masimo;

- a one-time donation to the Masimo Foundation of U.S.\$ 5 million to support the Masimo Foundation’s project on patient safety and better outcomes; and
- commitments of the Issuer with respect to sales targets, marketing and product integration over the coming years of about U.S.\$ 136 million.

Entering into the agreements resulted in a payment of U.S.\$ 305 million (€280 million) in November 2016, a release of litigation provisions of U.S.\$ 86 million (€79 million) and a liability reclassification from litigation provisions to other provisions of U.S.\$ 136 million (€125 million).

The additions in 2014 and utilisations and reclassifications in 2016 mainly related to Masimo. Reclassifications include reclassification from litigation provisions to other provisions.

### ***Zoll Patent Litigation***

In June 2010, the Issuer filed a patent infringement lawsuit against Zoll Medical Corporation claiming that its defibrillator related patents were infringed by Zoll’s Automatic External Defibrillator (AED) products. Zoll filed a countersuit claiming patent infringement by the Group’s Advanced Life Support (ALS) products and a method for testing defibrillator electrodes.

In December 2013, the liability phase of the Zoll lawsuit was tried before a jury in the United States District Court for the District Massachusetts. The Issuer and Zoll were both held to infringe each other’s patents. The Zoll liability judgment was appealed by both parties to the United States Court of Appeal for the Federal Circuit (“**CAFC**”) in August 2014. In a 28 July 2016 decision, the liability judgment was affirmed-in-part, reversed-in-part and vacated-in-part by the CAFC. In view of the CAFC decision, the Issuer continues to expect a net difference in damages in its favour. The damages phase of the lawsuit begun on 24 July 2017. The jury verdict rendered on 3 August 2017 awarded the Issuer a net difference of approximately €6 million. The verdict is subject to appeal.

### ***Personal Health***

In December 2013, the European Commission commenced an investigation into alleged restrictions of online sales of consumer electronics products and small domestic appliances. The Issuer was one of several companies involved in the investigation. In February 2017, the European Commission completed its preliminary investigation and opened its formal proceedings. The Group is fully cooperating with the European Commission.

### ***Miscellaneous***

As part of the divestment of the Television and Audio, Video, Multimedia & Accessories businesses in 2012 and 2014, the Issuer transferred economic ownership and control in some legal entities or divisions thereof, while retaining (partial) legal ownership. Considering the current challenging business environment, the Issuer might face employee and operational liabilities in case of certain adverse events. Given the uncertain nature of the relevant events and liabilities, it is not practicable to provide information on the estimate of the financial effect, if any, or timing. The outcome of the uncertain events could have a material impact on the Issuer’s consolidated financial position, results of operations and cash flows.

The Issuer is currently in advanced discussions on resolving a civil matter with the U.S. Department of Justice representing the U.S. FDA, arising from past inspections by the FDA in and prior to 2015. The discussions focus primarily on the Issuer’s compliance with the FDA’s Quality System Regulations in the Issuer’s Emergency Care and Resuscitation (“**ECR**”) business in the United States. While discussions have not yet concluded, the Issuer anticipates that the actions necessary to address the FDA’s compliance concerns will have a meaningful impact on the operations of its ECR business.

### **Recent Developments**

#### ***Lumileds***

On 12 December 2016, the Issuer announced that it had signed an agreement to sell an 80.1 per cent. interest in Lumileds to certain funds managed by affiliates of Apollo Global Management, LLC. This transaction was completed on 30 June 2017, when the Issuer received cash proceeds, before tax and transaction-related costs, in the amount of U.S.\$ 1.3 billion and participating preferred equity. As part of the agreement, the Issuer retains a 19.9 per cent. interest

in Lumileds for a minimum period of three years following 30 June 2017, subject to the customary drag-along and tag-along conditions or an IPO. There are no voting rights associated with the interest held by the Issuer.

### *Spectranetics*

On 28 June 2017, the Issuer announced that its wholly owned subsidiaries, Parent and Merger Sub, had entered into the Merger Agreement with Spectranetics, as further described in “*Description of the Issuer and the Group—Material Contracts—Merger Agreement*”.

The transaction closed on 9 August 2017. Pursuant to the Merger Agreement, the Issuer, through such wholly owned subsidiaries, acquired all of the outstanding shares of Spectranetics for U.S. \$38.50 per share, which was paid in cash upon completion. This represented a 27 per cent premium to Spectranetics’ closing price on 27 June 2017. The implied enterprise value was approximately €1.9 billion, inclusive of Spectranetics’ cash and debt.

The Issuer believes that the Acquisition will further expand and strengthen its Image-Guided Therapy Business Group. Spectranetics is a leader in vascular intervention to treat coronary and peripheral artery disease and in lead management for the minimally invasive removal of implanted pacemaker and implantable cardioverter defibrillator (ICD) leads. Spectranetics’ device portfolio includes a range of laser atherectomy catheters for treatment of blockages with laser energy in both coronary and peripheral arteries.

Pursuant to the Merger Agreement, the Acquisition was subject to customary closing conditions, including certain regulatory clearances in the U.S. and in certain non-U.S. jurisdictions. The Acquisition was not subject to any financing conditions. The Issuer financed the Acquisition through a combination of cash on hand and through short term borrowings under the Bridge Loan, as further described in “*Description of the Issuer and the Group—Material Contracts—Royal Philips Acquisition Bridge Loan*”, which will be repaid with the proceeds of the offering of the Notes.

### *Share Buyback Programme*

The Issuer announced on 28 June 2017 that it will launch a share buyback programme for an amount of €1.5 billion during the third quarter of 2017, to be completed within two years with all shares acquired under the programme to be cancelled. The Issuer is executing part of the programme through a series of individual forward purchase transactions, which will be reported as debt until settlement of those transactions.

## TAXATION

### Taxation in the Netherlands

This section outlines the principal Dutch tax consequences of the acquisition, holding, settlement, redemption and disposal of the Notes. It does not present a comprehensive or complete description of all aspects of Dutch tax law which could be of relevance to Noteholders. For Dutch tax purposes, a Noteholder may include an individual, or an entity, that does not hold the legal title of the Notes, but to whom nevertheless the Notes, or their income, are attributed based either on this individual or entity owning a beneficial interest in the Notes or based on specific statutory provisions. These include statutory provisions under which Notes are attributed to an individual who is, or who has directly or indirectly inherited from a person who was, the settlor, grantor or similar originator of a trust, foundation or similar entity that holds the Notes.

This paragraph is intended as general information only. A prospective Noteholder should consult his own tax adviser regarding the tax consequences of any acquisition, holding or disposal of Notes.

This paragraph is based on Dutch tax law as applied and interpreted by Dutch tax courts and as published and in effect on the date of the Prospectus, including, for the avoidance of doubt, the tax rates applicable on that date, without prejudice to any amendments introduced at a later date and implemented with or without retroactive effect.

Any reference in this paragraph made to Dutch taxes, Dutch tax or Dutch tax law must be construed as a reference to taxes of whatever nature levied by or on behalf of the Netherlands or any of its subdivisions or taxing authorities or to the law governing such taxes, respectively. The Netherlands means the part of the Kingdom of the Netherlands located in Europe.

Any reference made to a treaty for the avoidance of double taxation concluded by the Netherlands includes the Tax Regulation for the Kingdom of the Netherlands (*Belastingregeling voor het Koninkrijk*), the Tax Regulation for the country of the Netherlands (*Belastingregeling voor het land Nederland*), the Tax Regulation the Netherlands Curacao (*Belastingregeling Nederland Curacao*), the Tax Regulation for the Netherlands Saint Martin (*Belastingregeling Nederland Sint Maarten*) and the Agreement between the Taipei Representative Office in the Netherlands and the Netherlands Trade and Investment Office in Taipei for the avoidance of double taxation.

This section does not describe the possible Dutch tax considerations or consequences that may be relevant to a Noteholder:

- (i) who is an individual and for whom the income or capital gains derived from the Notes are attributable to employment activities, the income from which is taxable in the Netherlands;
- (ii) which has a substantial interest (*aanmerkelijk belang*) or a fictitious substantial interest (*fictief aanmerkelijk belang*) in the Issuer within the meaning of chapter 4 of the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*). Generally, a substantial interest in the Issuer arises if the Noteholder, alone or – in case of an individual – together with his partner, owns or holds certain rights to shares, including rights to directly or indirectly acquire shares, representing, directly or indirectly, 5 per cent. or more of the issued capital of the Issuer or of the issued capital of any class of shares;
- (iii) that is an entity which under the Dutch Corporate Income Tax Act 1969 (*Wet op de vennootschapsbelasting 1969*) (the “CITA”), is not subject to Dutch corporate income tax or is in full or in part exempt from Dutch corporate income tax (such as a qualifying pension fund); or
- (iv) that is an investment institution (*beleggingsinstelling*) as described in Section 6a or 28 CITA.

### Withholding Tax

Any payments made under the Notes will not be subject to withholding or deduction for, or on account of, any Dutch taxes.

### Taxes on Income and Capital Gains

#### Residents of the Netherlands

The description of certain Dutch tax consequences in this paragraph is only intended for the following Noteholders:

- (i) individuals who are resident or deemed to be resident in the Netherlands (“**Dutch Individuals**”); and
- (ii) entities or enterprises that are subject to the CITA and are resident or deemed to be resident in the Netherlands (“**Dutch Corporate Entities**”).

#### *Dutch Individuals engaged or deemed to be engaged in an enterprise or in miscellaneous activities*

Dutch Individuals engaged or deemed to be engaged in an enterprise or in miscellaneous activities (*resultaat uit overige werkzaamheden*) are generally subject to income tax at statutory progressive rates with a maximum of 52 per cent. with respect to any benefits derived or deemed to be derived from the Notes, including any capital gains realised on their disposal, that are attributable to:

- (i) an enterprise from which a Dutch Individual derives profits, whether as an entrepreneur (*ondernemer*) or pursuant to a co-entitlement (*medegerechtigde*) to the net worth of this enterprise other than as an entrepreneur or a shareholder; or
- (ii) miscellaneous activities, including, without limitation, activities which are beyond the scope of active portfolio investment activities (*meer dan normaal vermogensbeheer*).

#### *Dutch Individuals not engaged or deemed to be engaged in an enterprise or in miscellaneous activities*

Generally, the Notes held by a Dutch Individual who is not engaged or deemed to be engaged in an enterprise or in miscellaneous activities, will be subject annually to an income tax imposed on a fictitious yield on the Notes. The Notes held by this Dutch Individual will be taxed under the regime for savings and investments (*inkomen uit sparen en beleggen*). Irrespective of the actual income or capital gains realised, the annual taxable benefit of the assets and liabilities of a Dutch Individual that are taxed under this regime, including the Notes, is set at a percentage of the positive balance of the fair market value of these assets, including the Notes, and the fair market value of these liabilities. The percentage increases:

- (i) from 2.87 per cent. of this positive balance up to EUR 75,000;
- (ii) to 4.60 per cent. of this positive balance of EUR 75,000 up to EUR 975,000; and
- (iii) to a maximum of 5.39 per cent. of this positive balance of EUR 975,000 or higher.

No taxation occurs if this positive balance does not exceed a certain threshold (*heffingvrij vermogen*). The fair market value of assets, including the Notes, and liabilities that are taxed under this regime is measured, in general, exclusively on 1 January of every calendar year. The tax rate under the regime for savings and investments is a flat rate of 30 per cent.

#### *Dutch Corporate Entities*

Dutch Corporate Entities are generally subject to corporate income tax at statutory rates up to 25 per cent. with respect to any benefits derived or deemed to be derived from the Notes, including any capital gains realised on their disposal.

#### Non-residents of the Netherlands

The description of certain Dutch tax consequences in this paragraph is only intended for the following Noteholders:

- (i) individuals who are not resident and not deemed to be resident in the Netherlands (“**Non-Dutch Individuals**”); and
- (ii) entities that are not resident and not deemed to be resident in the Netherlands (“**Non-Dutch Corporate Entities**”).

#### *Non-Dutch Individuals*

A Non-Dutch Individual will not be subject to any Dutch taxes on income or capital gains in respect of the purchase, ownership and disposal or transfer of the Notes, unless:

- (i) the Non-Dutch Individual derives profits from an enterprise, whether as entrepreneur or pursuant to a co-entitlement to the net worth of this enterprise other than as an entrepreneur or a shareholder, which enterprise is, in whole or in part, carried on through a permanent establishment (*vaste inrichting*) or a permanent representative (*vaste vertegenwoordiger*) in the Netherlands, to which the Notes are attributable;
- (ii) the Non-Dutch Individual derives benefits from miscellaneous activities carried on in the Netherlands in respect of the Notes, including (without limitation) activities which are beyond the scope of active portfolio investment activities; or

- (iii) the Non-Dutch Individual is entitled to a share in the profits of an enterprise, other than by way of securities, which enterprise is effectively managed in the Netherlands and to which enterprise the Notes are attributable.

#### *Non-Dutch Corporate Entities*

A Non-Dutch Corporate Entity will not be subject to any Dutch taxes on income or capital gains in respect of the purchase, ownership and disposal or transfer of the Notes, unless:

- (i) the Non-Dutch Corporate Entity derives profits from an enterprise, which enterprise is, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands, to which the Notes are attributable; or
- (ii) the Non-Dutch Corporate Entity is entitled to a share in the profits of an enterprise or a co-entitlement to the net worth of an enterprise, other than by way of securities, which enterprise is effectively managed in the Netherlands and to which enterprise the Notes are attributable.

Under certain specific circumstances, Dutch taxation rights may be restricted for Non-Dutch Individuals and Non-Dutch Corporate Entities pursuant to treaties for the avoidance of double taxation.

#### *Dutch Gift Tax or Inheritance Tax*

No Dutch gift tax or inheritance tax is due in respect of any gift of the Notes by, or inheritance of the Notes on the death of, a Noteholder, unless:

- (i) at the time of the gift or death of the Noteholder, the Noteholder is resident, or is deemed to be resident, in the Netherlands;
- (ii) the Noteholder dies within 180 days after the date of the gift of the Notes while being, or being deemed to be, resident in the Netherlands at the time of his death but not at the time of the gift; or
- (iii) the gift of the Notes is made under a condition precedent and the Noteholder is resident, or is deemed to be resident, in the Netherlands at the time the condition is fulfilled.

#### *Other Taxes and Duties*

No other Dutch taxes, including taxes of a documentary nature, such as capital tax, stamp or registration tax or duty, are payable by the Issuer or by, or on behalf of, the Noteholders by reason only of the issue, acquisition or transfer of the Notes.

#### *Residency*

A Noteholder will not become resident, or deemed resident, in the Netherlands by reason only of holding the Notes. Subject to the exceptions above, a Noteholder will not become subject to Dutch taxes by reason only of the Issuer's performance, or the Noteholder's purchase (by way of issue or transfer to the Noteholder), ownership or disposal of the Notes.

#### **The proposed financial transactions tax ("FTT")**

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be



altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

### **U.S. Foreign Account Tax Compliance Withholding**

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as “FATCA”, certain non-U.S. financial institutions must comply with information reporting requirements or certification requirements in respect of their direct and indirect United States shareholders and/or United States accountholders to avoid becoming subject to withholding on certain payments. The Issuer believes that it should not be treated as a “financial institution” under FATCA, but this conclusion is a factual determination that may be subject to change. The Issuer may accordingly (if it is treated as a “foreign financial institution”) be required to report information to the U.S. Internal Revenue Service regarding the holders of Notes and to withhold on a portion of payments under the Notes to certain holders that fail to comply with the relevant information reporting requirements (or hold Notes directly or indirectly through certain non-compliant intermediaries). However, such withholding would generally not apply to the Notes unless (i) the Notes are significantly modified after the date that is at least six months after the date on which final regulations implementing the withholding rules are enacted and (ii) the payments on such modified Notes are made on or after 1 January 2019. In addition, if additional Notes (as described under Condition 15 (*Further Issues*) of each of the Floating Rate Notes and the Fixed Rate Notes) that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders are urged to consult their own tax advisors and any banks or brokers through which they will hold Notes as to the consequences (if any) of these rules to them.

## SUBSCRIPTION AND SALE

BNP Paribas, Deutsche Bank AG, London Branch, HSBC Bank plc, Merrill Lynch International, ING Bank N.V., Mizuho International plc, MUFG Securities EMEA plc and Société Générale (the “**Joint Lead Managers**”) and Industrial and Commercial Bank of China (Europe) S.A. (the “**Co-Manager**” and, together with the Joint Lead Managers the “**Managers**”) have, pursuant to a subscription agreement (the “**Subscription Agreement**”) dated 4 September 2017, jointly and severally agreed to subscribe or procure subscribers for the Notes. The Issuer will pay certain commissions to the Managers and will reimburse them in respect of certain of their expenses, and has also agreed to indemnify the Managers against certain liabilities, incurred in connection with the issue of the Notes. The Subscription Agreement provides that the obligations of the Managers to subscribe for the Notes may be subject to certain conditions precedent, including (among other things) receipt of legal opinions from counsel. The Subscription Agreement may be terminated in certain circumstances prior to payment of the Issuer.

### United States

The Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with applicable state securities laws. Terms used in this paragraph have the meanings given to them by Regulation S.

Accordingly, the offer is not being made in the United States and this document does not constitute an offer, or an invitation to apply for, or an offer or invitation to purchase or subscribe for any Notes in the United States. The Notes offered hereby are being offered and sold only outside the United States in “offshore transactions” as defined in Regulation S. Any person who subscribes or acquires Notes will be deemed to have represented, warranted and agreed, by accepting delivery of this Prospectus or delivery of Notes, that it has not received this document or any information related to the Notes in the United States, is not located in the United States and is subscribing for or acquiring Notes in compliance with Rule 903 of Regulation S in an “offshore transaction” as defined in Regulation S.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury regulations promulgated thereunder.

Each Manager has represented and agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the later of the commencement of the offering and the Issue Date within the United States or to, or for the account or benefit of, U.S. persons and that it will have sent to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer that is not participating in the offering may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

### United Kingdom

Each Manager has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000, as amended (the “**FSMA**”)) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

## **The Netherlands**

The Notes (including the rights representing an interest in the Notes in global form) which are the subject of this Prospectus, have not been and shall not be offered, sold, transferred or delivered in the Netherlands other than to qualified investors (within the meaning of the Prospectus Directive), provided that no such offer of Notes shall require the publication of a Prospectus pursuant to article 3 of the Prospectus Directive or supplement to a prospectus pursuant to article 16 of the Prospectus Directive.

## **General**

No action has been taken or will be taken in any jurisdiction by the Issuer, or any of the Managers that would, or is intended to, permit a public offer of the Notes in any country or jurisdiction where any such action for that purpose is required. Accordingly, each Manager has undertaken that it will not, directly or indirectly, offer or sell any Notes or distribute or publish any offering circular, prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations. Persons into whose hands this Prospectus comes are required by the Issuer and the Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Prospectus or any other offering material relating to the Notes, in all cases at their own expense.

## GENERAL INFORMATION

### Authorisation

The issue of the Notes was duly authorised by a resolution of the Board of Management of the Issuer dated 24 August 2017 and approved by the Supervisory Board of the Issuer in its meeting held on 24 August 2017.

### Listing and Admission to Trading

Application has been made for the Notes to be admitted to listing on the Official List of the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange with effect from 6 September 2017. The total expenses relating to the admission to listing and trading are expected to be approximately €11,800.

### Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN for the Floating Rate Notes is XS1671754650 and the Common Code is 167175465 and the ISIN for the Fixed Rate Notes is XS1671760384 and the Common Code is 167176038. The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

### No Significant or Material Adverse Change

Other than as disclosed in the section headed “*Description of the Issuer and the Group—Business of the Group—Lighting*” and “*Description of the Issuer and the Group—Recent Developments*”, there has been no significant change in the financial or trading position of the Issuer or the Group since 30 June 2017 and there has been no material adverse change in the prospects or financial position of the Issuer or the Group since 31 December 2016.

### Litigation

Other than as disclosed in the section headed “*Description of the Issuer and the Group—Legal and Arbitration Proceedings*” neither the Issuer nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this Prospectus which may have or have in such period had a significant effect on the financial position or profitability of the Issuer or the Group.

### Material Contracts

Other than as disclosed in the section headed “*Description of the Issuer and the Group—Material Contracts*”, neither the Issuer nor any other member of the Group has entered into any material contracts outside the ordinary course of business which could result in its being under an obligation or entitlement which is, or may be, material to the ability of the Issuer to meet its obligations in respect of the Notes.

### Potential Conflicts of Interests

There are no potential conflicts of interest between any duties of the members of the Executive Committee which includes the Board of Management and the Supervisory Board and their private interests in relation to the issue of the Notes by the Issuer.

### Auditors

The statutory auditors of the Issuer and the Group for the period covered by the historical financial information are KPMG Accountants N.V. (“**KPMG**”), Laan van Langerhuize 1, 1186 DS Amstelveen, the Netherlands and, further to its appointment at the Annual General Meeting of shareholders of the Issuer on 7 May 2015 as auditor of the Issuer and the Group for the financial year beginning 1 January 2016, Ernst & Young Accountants LLP (“**EY**”), Cross Towers, Antonio Vivaldistraat 150, 1083 HP Amsterdam, the Netherlands.

KPMG has audited and rendered an unqualified audit report on the financial statements of the Issuer and the Group for the year ended 31 December 2015. KPMG resigned with effect from the Annual General Meeting of shareholders of the

Issuer on 12 May 2016 pursuant to an auditor rotation requirement under Dutch law. EY has audited and rendered an unqualified audit report on the financial statements of the Issuer and the Group for the financial year ended 31 December 2016.

EY is currently the Issuer's independent registered accounting firm. Prior to that, KPMG was the Issuer's independent registered accounting firm before resigning on 12 May 2016. Each of KPMG and EY have no material interest in the Issuer and are members of the Netherlands Institute of Chartered Accountants (*Nederlandse Beroepsorganisatie van Accountants*).

No other information in this Prospectus has been audited.

### **U.S. tax**

The Notes and Coupons will contain the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."

### **Documents Available**

As long as the Notes remain outstanding, electronic copies of the following documents will be available for inspection from the registered office of the Issuer and from the specified offices of the Paying Agent for the time being in London:

- (a) the constitutional documents (with an English translation thereof) of the Issuer;
- (b) the audited consolidated financial statements of the Group as of and for the financial years ended 31 December 2015 and 31 December 2016, in each case together with the independent auditor's report prepared thereon;
- (c) the audited company financial statements of the Issuer as of and for the financial years ended 31 December 2015 and 31 December 2016, in each case together the independent auditor's report prepared thereon;
- (d) the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2017;
- (e) the Trust Deed, the Agency Agreement and the forms of the Global Notes, the Notes in definitive form and the Coupons; and
- (f) a copy of this Prospectus.

### **Yield**

The yield on the Fixed Rate Notes will be 0.591 per cent. calculated on an annual basis on the basis of the issue price of the Fixed Rate Notes of 99.465 per cent.

It is not possible to provide a yield for the Floating Rate Notes.

### **Managers transacting with the Issuer**

Each of the Managers and its affiliates (including their parent companies) has engaged, and may in future engage, in investment banking and/or commercial banking (including derivatives contracts, the provision of loan facilities and consultancy services) and other related transactions with, and may perform services for the Issuer and its affiliates (including other members of the Group) in the ordinary course of business.

In addition, in the ordinary course of their business activities, the Managers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or its affiliates or any entity related to the Notes. The Managers or their respective affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk-management policies. Typically, such Managers and their respective affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Issuer's securities, including potentially the

Notes offered hereby. Any such short positions could adversely affect future trading prices of the Notes. The Managers and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. For the purposes of this paragraph, the term “affiliates” includes also parent companies.

Furthermore, each Manager under the Notes (and/or its affiliates) has a significant lending relationship with the Issuer and certain subsidiary companies within the Group, has provided the Issuer with investment banking services in the last twelve months and has a conflict of interest in to the extent that the proceeds from the issue of the Notes are used to repay previous loans granted to the Issuer. In particular, the proceeds from the issue of the Notes will be applied to repay the Bridge Loan, under which each of the Managers (or an affiliate of each Manager) is a lender (see the “*Use of Proceeds*” section for further detail).

As further described in the section “*Subscription and Sale*”, each of the Managers under the Notes will receive a commission.

## **THE ISSUER**

### **Koninklijke Philips N.V.**

Philips Center,  
Amstelplein 2,  
1096 BC Amsterdam,  
the Netherlands

## **JOINT LEAD MANAGERS**

### **BNP Paribas**

10 Harewood Avenue  
London NW1 6AA  
United Kingdom

### **HSBC Bank plc**

8 Canada Square  
London E14 5HQ  
United Kingdom

### **ING Bank N.V.**

Foppingadreef 7  
1102 BD Amsterdam  
The Netherlands

### **MUFG Securities EMEA plc**

Ropemaker Place  
25 Ropemaker Street  
London EC2Y 9AJ  
United Kingdom

### **Deutsche Bank AG, London Branch**

Winchester House  
1 Great Winchester Street  
London EC2N 2DB  
United Kingdom

### **Merrill Lynch International**

2 King Edward Street  
London EC1A 1HQ  
United Kingdom

### **Mizuho International plc**

Mizuho House  
30 Old Bailey  
London EC4M 7AU  
United Kingdom

### **Société Générale**

29, boulevard Haussmann  
75009 Paris  
France

## **TRUSTEE**

### **Citicorp Trustee Company Limited**

Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5LB  
United Kingdom

## **PRINCIPAL PAYING AGENT**

### **Citibank, N.A., London Branch**

Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5LB  
United Kingdom

## **LEGAL ADVISERS**

*To the Issuer as to English law*

### **Sullivan & Cromwell LLP**

1 New Fetter Lane  
London EC4A 1AN  
United Kingdom

*To the Issuer as to Dutch law*

### **De Brauw Blackstone Westbroek**

Claude Debussylaan 80  
1082 MD Amsterdam  
The Netherlands

*To the Managers as to English law*

### **Clifford Chance LLP**

10 Upper Bank Street  
London E14 5JJ  
United Kingdom

*To the Managers as to Dutch law*

### **Clifford Chance LLP**

Droogbak 1A  
1013 GE Amsterdam  
The Netherlands

*To the Trustee as to English law*

### **Clifford Chance LLP**

10 Upper Bank Street  
London E14 5JJ  
United Kingdom

## **AUDITORS**

*To the Issuer*

### **Ernst & Young Accountants LLP**

Cross Towers  
Antonio Vivaldistraat 150  
1083 HP Amsterdam  
The Netherlands

## **LISTING AGENT**

### **Banque Internationale à Luxembourg SA**

69, route d'Esch  
Office PLM -101F  
L-2953 Luxembourg