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CREDIT OPINION
7 August 2023

Update

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RATINGS

Royal Philips N.V.

Domicile	Amsterdam, Netherlands
Long Term Rating	Baa1
Type	LT Issuer Rating
Outlook	Negative

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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Royal Philips N.V.

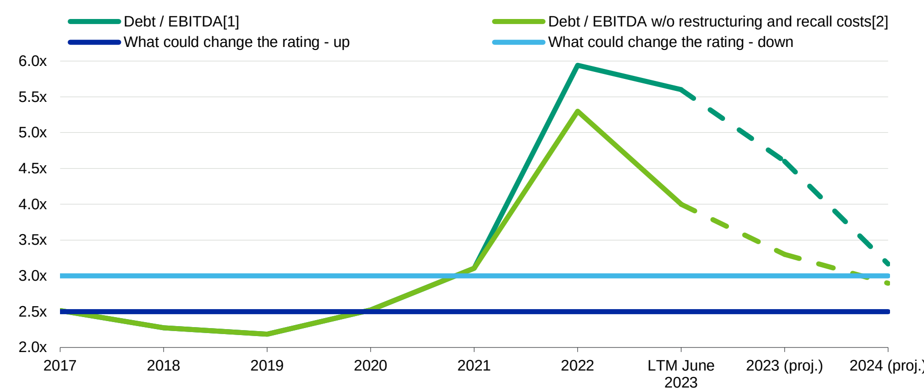
Update to credit analysis

Summary

Royal Philips N.V.'s (Philips) Baa1 issuer rating is currently weakly positioned, as expressed by its negative outlook. Although the company performed somewhat ahead of our expectations during H1 2023, there are still risks to its ability to restore its credit metrics in line with the Baa1 rating by year-end 2024, given the increasing pressure on hospital equipment spending and the difficult macroeconomic environment with a lower GDP growth. The earnings recovery is contingent upon a continued revenue growth and a sustained realisation of benefits from the company's comprehensive operational restructuring. Furthermore, significant uncertainties remain with regard to financial consequences of the Respironics product recall.

We tolerate the weaker-for-longer credit metrics primarily because Philips remains committed to conservative financial policies and we expect it to prioritise leverage reduction. The company's large scale, diversified portfolio, and market and technology leadership positions in a sector with good growth fundamentals; well-balanced geographic footprint; and its solid order book with a high share of recurring revenue; also support its Baa1 rating.

Exhibit 1
We expect Philips' leverage to remain below our expectation for the Baa1 rating at least until year-end 2024



The ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. The data for 2018 and 2019 contain the disposed Domestic Appliances business. The forward view is our view; not the view of the issuer.
[1] Only provision for field action is adjusted as unusual in 2021 and 2022. [2] All costs related to the Respironics recall and restructuring cost are adjusted as unusual.
Source: Moody's Investors Service

Credit strengths

- Large scale and market-leading positions for a large part of its product portfolio
- Well-balanced geographic footprint and diversified product portfolio
- Positive sector fundamentals
- Solid order book and a high share of recurring revenue

Credit challenges

- Mixed quality track record, as illustrated by past manufacturing issues and the recent Respironics product recall
- History of lower profit margins than industry peers and currently weak credit metrics for the rating category
- Competitive market environment, which has historically led to industrywide pricing pressure
- Execution risk related to the ambitious restructuring programme

Rating outlook

The negative outlook reflects the current weak positioning of Philips' rating and the risk that the company will not be able to restore its credit metrics broadly in line with the Baa1 rating by year-end 2024. It also reflects ongoing uncertainties regarding the financial implications of the Respironics product recall.

We could change the outlook to stable if Philips demonstrates its ability to improve its operating performance, including a return to sales growth and meaningfully positive free cash flow (FCF) generation, with a sustained increase in profitability. A stable outlook would also require an indication that negative financial implications of the Respironics product recall will not significantly weaken the company's credit quality.

Factors that could lead to an upgrade

- Moody's-adjusted debt/EBITDA remains below 2.5x on a sustained basis
- Moody's-adjusted FCF/debt approaches 20%
- Moody's-adjusted operating margin improves on a sustained basis

Factors that could lead to a downgrade

- Moody's-adjusted debt/EBITDA remaining above 3.0x for a prolonged period
- Moody's-adjusted FCF/debt staying below 10% on a sustained basis

Key indicators

Exhibit 2
Key indicators for Philips

	2019	2020	2021	2022	LTM Jun-23	Moody's 12-18 Month Forward View
Revenue (in € billion)	19.5	17.3	17.2	17.8	18.4	
Revenue (in $ billion equivalent)	21.8	19.8	20.3	18.8	19.2	20.0-21.0
Return on Sales (NPATBUI / Sales)	7.3%	7.2%	7.1%	0.4%	-0.2%	5.0% - 7.0%
Debt / EBITDA	2.2x	2.8x	3.1x	5.9x	5.6x	2.9x - 3.3x
CFO / Debt	26.7%	30.4%	19.0%	-5.2%	4.7%	22.0% - 25.0%
FCF / Debt	6.4%	19.8%	3.0%	-19.3%	-4.7%	5.0% - 7.0%
EBITA / Interest	11.4x	11.2x	10.7x	2.9x	2.8x	7.0x -8.5x

All ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. With regards to the Respironics product recall, only provisions for field action in 2021 and 2022 were adjusted as unusual. The data for 2018 and 2019 contain the Domestic Appliances business. The forward view is our view; not the view of the issuer.
Source: Moody's Financial Metrics

Profile

Headquartered in Amsterdam, the Netherlands, Royal Philips N.V. is one of the world's leading health technology companies. In 2022, it generated revenue of around €17.8 billion, operating in more than 100 countries worldwide with workforce of around 71,500 at the end of June 2023. Philips is a publicly listed company, with a well-diversified shareholder base and market capitalisation of around €18 billion as of 25 July 2023.

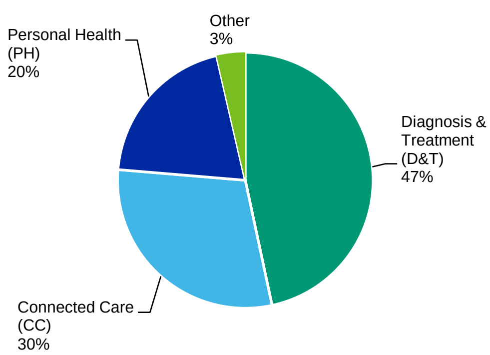
The company reports three key segments:

» **Diagnosis & Treatment** (D&T), which includes mainly precision diagnosis, such as diagnostic X-ray, magnetic resonance (MR), computed tomography (CT) and ultrasound; and image guided therapy systems and devices

» **Connected Care** (CC), including monitoring, sleep and respiratory care, and enterprise informatics

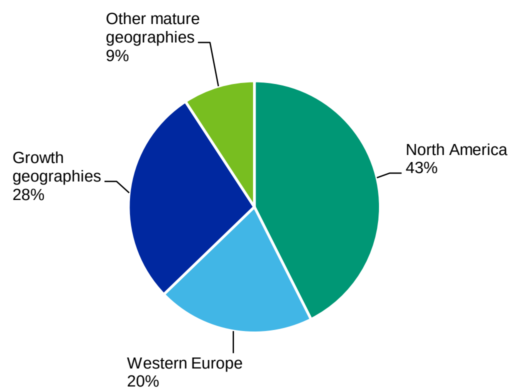
» **Personal Health** (PH), comprising consumer products, such as oral healthcare, grooming and beauty products, and mother and child care offering.

Exhibit 3
Revenue by segment
2022



Segment “Other” includes Intellectual property royalties, among other items.
Source: Company

Exhibit 4
Revenue by geography
2022



Growth geographies consist of all geographies excluding USA, Canada, Western Europe, Australia, New Zealand, South Korea, Japan and Israel.
Source: Company

Detailed credit considerations

Large scale and market-leading positions in a sector with good underlying growth prospects

Over the past 10 years, Philips has undergone a major transformation from a diversified conglomerate into a company focused on health technologies. It has exited several businesses, including consumer electronics in 2014, lighting in 2016 and domestic appliances in 2021, while strengthening its offering in the healthcare sector through investments and bolt-on acquisitions, such as Spectranetics in 2017 and BioTelemetry in 2021. We expect the major portfolio pruning to have ended, with the company retaining its consumer-facing PH business. The PH business is more cyclical, with lower revenue visibility, but also somewhat more profitable and asset lighter; and provides some diversification to Philips, because it follows different demand patterns than CC and D&T businesses mainly serving healthcare providers.

Despite the more narrow focus, Philips has a large scale, mapping to an "A" score for the scale factor according to our Medical products and devices rating methodology (even without PH), with a broad product offering across all key geographies. In its current setup, the company has developed several market-leading positions, with the first or the second positions in its addressable markets reportedly representing around 70% of its revenue. In a relatively consolidated sector, its two key competitors are GE HealthCare Technologies Inc. (Baa2 stable) and Siemens Healthineers, which is majority-owned by Siemens Aktiengesellschaft (Aa3 stable). Philips also competes with several specialised medical device companies, such as Medtronic, Inc. (A3 stable) and Stryker Corporation (Baa1 stable) for some of its products.

The healthcare sector has good underlying growth prospects. Besides its natural growth drivers — ageing populations, an increase in chronic diseases and higher healthcare spending in emerging markets — digital transformation of healthcare and the increasing adoption of virtual care also support growth. Philips estimates its addressable markets to grow at a compound annual growth rate of 3%-6% between 2022 and 2025.

Hospital equipment spend may vary through the cycle and the competitive pressure is high

Although Philips is generally less sensitive to economic cycles than manufacturing companies serving industrial customers, it is exposed to volatility in hospital equipment spending. Healthcare providers in many advance economies face ongoing cost pressures, more recently accentuated by labour shortages and cost inflation. The company's solid order book of products that are mission critical for the healthcare system and a high share of recurring revenue at around 40% of its sales (including service revenue and sales of consumables) partly mitigate the risk of lower procedure volumes and hospital spending in the near term. While a hospital may defer a high-ticket equipment purchase such as an MR from time to time, its service needs will remain steady and are largely contractual in nature.

Despite substantial barriers to entry in the company's key businesses, competition is high and constant product innovation — increasingly also requiring software capabilities — is needed to maintain market shares and pricing power. Although Philips seeks to increase efficiency of its R&D spending, recently having reduced its budget to around 9% of sales from 10.5% previously, the lower level is still above the sector average and should enable it to stay ahead on the innovation curve. Philips also has a strong intellectual property portfolio that regularly generates royalties (roughly €0.4 billion in 2022).

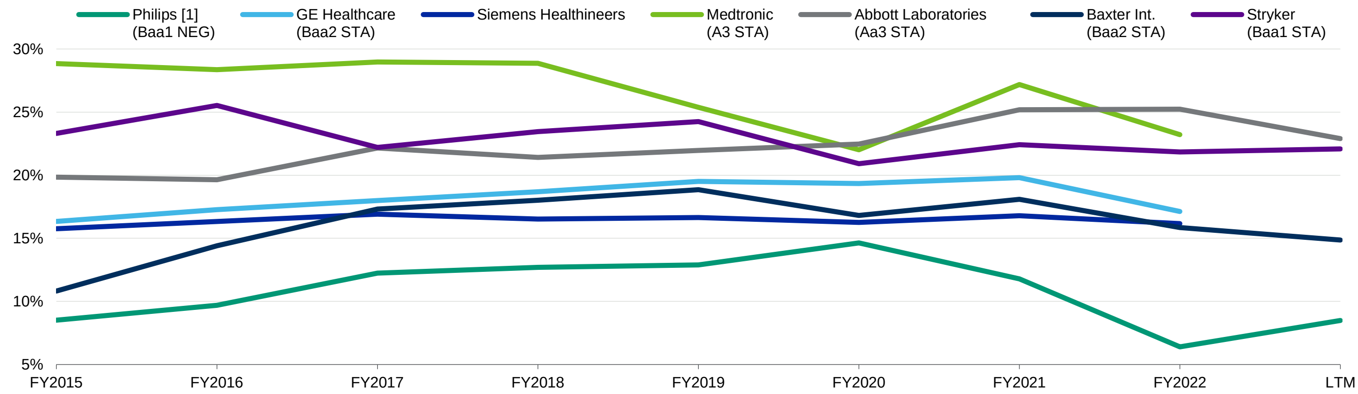
Acceleration of efficiency measures to boost below-average profitability

Philips' profitability has been historically below the industry average. To address the gap, the company is accelerating its efforts to achieve productivity improvements of up to €2 billion (excluding inflation) between 2023 and 2025. Among others, the measures include lower and more efficient R&D spending; efficiencies in procurement and supply-chain management; and a 10,000 headcount reduction by 2025, of which around 6,600 roles were addressed by Q2 2023. We forecast exceptionally high restructuring costs of around €0.5 billion in 2023, gradually declining to a level of low hundreds of € million in 2024 and 2025 each. In Q2 2023, Philips already reported total savings of close to €240 million.

Exhibit 5

Philips' profitability lags behind the industry peers

Headline margin [2]



FY represent respective financial years and LTM is for March 2023, except for Philips, for which we used June 2023.
[1] Margin for Philips is average margin of its CC and D&T segments. [2] Headline margin refers to Moody's-adjusted EBITA margin; except for Philips, where it is Philips-reported adjusted EBITA margin; and GE Healthcare, for which we used segment profit margin of the former division of General Electric Company (Baa1 negative) until FY2019.
Source: Moody's Financial Metrics

Recent product quality issues entail substantial costs and reputational risks

Philips has a history of product quality related issues, including past manufacturing issues in some of its facilities, that resulted in manufacturing suspensions and costly remediations. Examples include the voluntary production suspension at its CT manufacturing facility in Cleveland, the US, in 2014, and the suspension of the manufacturing and distribution of most of its defibrillators to the US market from two facilities in the US between October 2017 and April 2020. Most recently, in June 2021, Philips Respironics, a subsidiary in the CC segment, issued a recall notification to mitigate health risks related to the sound abatement foam component in certain sleep and respiratory care devices. Philips launched a voluntary recall programme (field action), aiming to replace or repair around 5.6 million of these devices globally. By July 2023, it had produced roughly 99% of the recalled units, the vast majority of which had already reached end users, with the programme's total costs exceeding €1 billion.

Despite the encouraging testing results for devices that represent 95% of the recalled units, indicating that the exposure related to degraded foam in the devices is unlikely to cause appreciable harm to patients, the product recall exposes Philips to a litigation risk. In Q1 2023, the company already booked a €0.6 billion provision in anticipation of a resolution of the class action related to economic loss claims in the US, where it sold roughly a half of the recalled units. Philips expects that the payments will not occur before Q1 2024 and that it will achieve a settlement on its product liability insurance with cash inflows starting in Q1 2024. However, uncertainties remain over other types of claims in the country, such as for personal injuries, and litigations in other countries.

Furthermore, in July 2022, following the U.S. Food and Drug Administration's (FDA) inspection of some of Respironics' facilities in the country, the US Department of Justice, acting on behalf of the FDA, began discussions with Philips regarding the terms of a proposed consent decree to resolve the identified issues. The company still cannot estimate the financial consequences of the consent decree.

Although we model ongoing costs related to the product recall in high tens of € million annually until 2025, Philips' Baa1 rating currently does not factor in any substantial outflows related to a consent decree or litigations, other than those already provided for. We also do not forecast a major sales resumption of sleep therapy systems in 2023, which is also subject to a reputational risk. Philips is currently not taking new orders for these products, which represented roughly €0.6 billion of revenue annually before the recall, but continues to sell masks and other consumables.

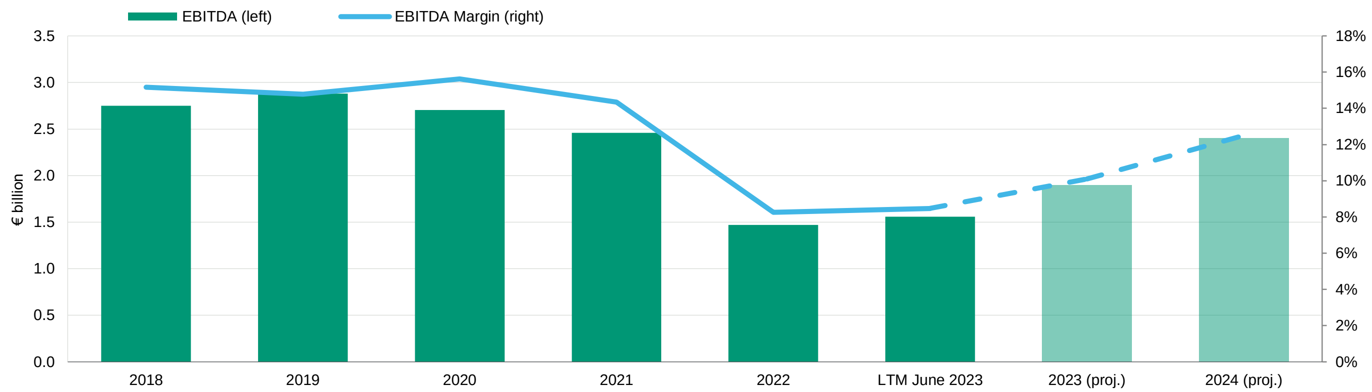
A return to sales growth and positive FCF as supply chain constraints ease

Over the past 24 months, Philips' operational performance was generally below our expectations for its Baa1 rating. The industrywide shortage of electronic components hit the company particularly hard, causing delays in delivery times and backlog conversion. Lower operating leverage and additional costs related to the Respironics product recall hit the company's EBITDA and its profitability particularly in 2022 amid increasingly challenging macroeconomic environment. Starting Q4 2022, Philips restored comparable revenue growth as supply chain constraints started to ease, and in Q2 2023, it upgraded its 2023 annual guidance, now expecting revenue increase of mid-single-digit percentages and the company-adjusted EBITA margin at the upper end of the high-single-digit range.

In our base case, we forecast Moody's-adjusted EBITDA ranging between €1.8 billion and €1.9 billion in 2023 (including restructuring and product recall costs; around €1.4 billion in 2022) and further up to a range of €2.3 billion-€2.5 billion in 2024. However, the EBITDA recovery is contingent upon a sustained realisation of benefits from operational restructuring and a continuation of revenue growth at around mid-single-digit percentages. There are risks to this forecast, considering the increasing pressure on hospital equipment spending and the difficult macroeconomic environment with a lower GDP growth. Although Philips' comparable order intake declined in Q2 2023 year-on-year, its order book is still roughly a quarter higher than in 2021 after a strong growth in 2022, which partly mitigates the pressure.

Exhibit 6

We expect a progressive improvement of the company's EBITDA and EBITDA margin towards historical levels

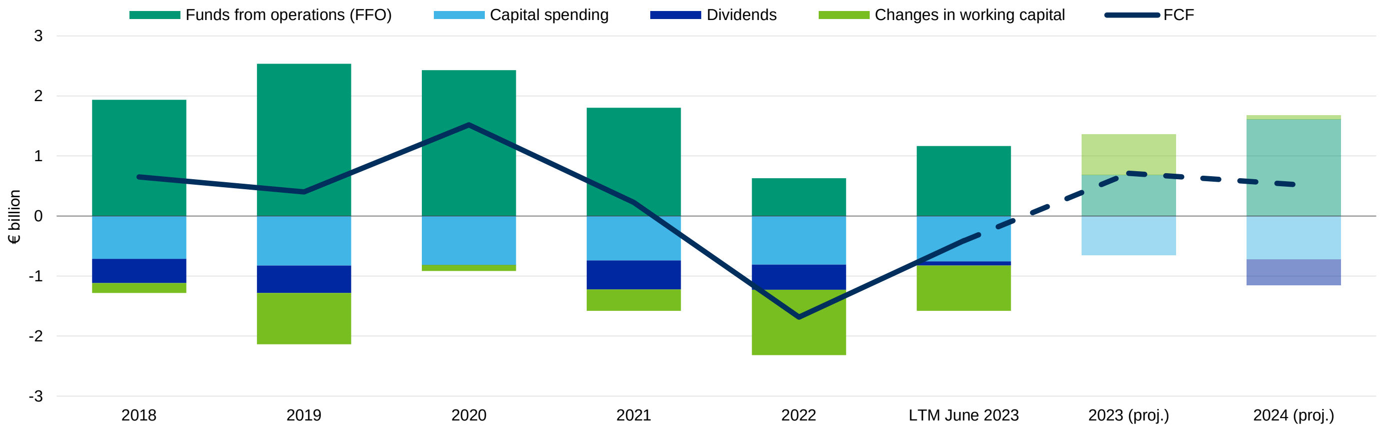


All metrics are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. With regards to the Respironics product recall, only provisions for field action in 2021 and 2022 were adjusted as unusual. The data for 2018 and 2019 contain the Domestic Appliances business. The forward view is our view; not the view of the issuer.
Source: Moody's Financial Metrics

The component shortages also contributed to a significant build-up of the company's working capital, especially inventories, which strained cash flow generation in 2022, leading to substantial negative Moody's-adjusted FCF of around €1.6 billion. We forecast that Philips will be able to release working capital in 2023 as supply chain disruptions continue to ease, which will support its return to significant positive FCF at around €0.6 billion-€0.7 billion in the year, despite ongoing costs related to the Respironics product recall and sizeable restructuring payments. Philips' ability to return to a sustained positive FCF is a prerequisite for its Baa1 rating.

Exhibit 7

We expect Philips to return to positive FCF already in 2023



All metrics are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. The data for 2018 and 2019 contain the Domestic Appliances business. The forward view is our view; not the view of the issuer.
Source: Moody's Financial Metrics

Reducing high leverage is a priority

Between 2017 and 2020, Philips managed its capital allocation priorities, having achieved Moody's-adjusted gross debt/EBITDA between 2.2x and 2.8x, which positioned the company well in line with its Baa1 rating. The adjusted leverage increased to 3.1x in 2021 and further to 5.9x in 2022, mainly because of earnings deterioration. We forecast a progressive leverage reduction towards 3.0x by year-end 2024.

We tolerate the weaker-for-longer credit metrics, because the company remains committed to conservative financial policies, prioritising cash generation and leverage reduction, including repayment of debt. For instance, although dividend stability, with a payout ratio of 40%-50% of adjusted income (typically offered in cash or shares at investors' discretion), is a key element of the company's financial policies, Philips distributed its 2022 dividend in May 2023 in shares only. It also committed to reducing its reported net leverage towards 1.5x by 2025 from the peak level of 4.9x in 2022. Moreover, Philips reiterated that it will aim to manage its balance sheet such that it retains its current rating.

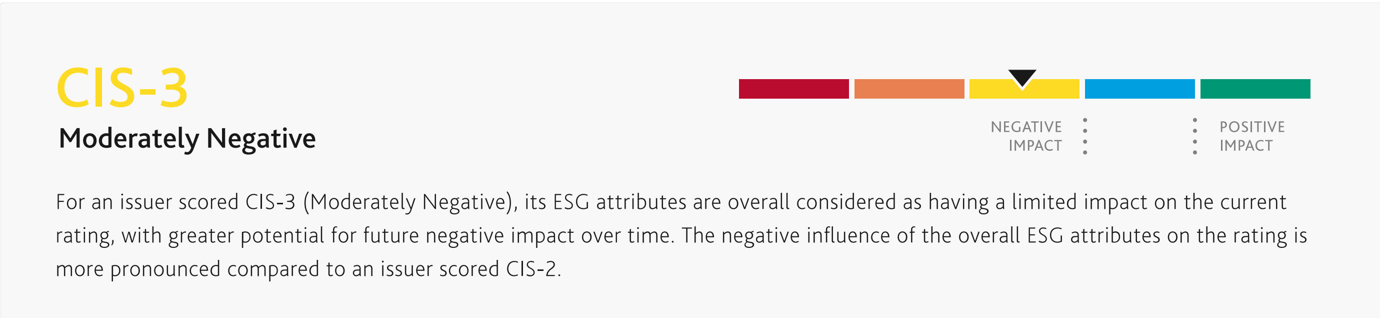
The Baa1 rating also incorporates our assumption that the company will not engage in any new share buybacks. Philips executed its current €1.5 billion buyback programme launched in July 2021 through open market purchases and forward contracts that are included in its reported debt. The value of the liability related to these contracts was around €0.9 billion (including long term incentive plans) at the end of June 2023, the majority of which is payable within 12 months.

Philips regularly engages in M&A activity, and between 2018 and 2022, it spent on average around €1.0 billion annually on acquisitions (net of cash acquired). Although M&A is a risk factor, we currently do not expect the company to undertake sizeable transactions until the restructuring is successfully executed.

ESG considerations

Philips' ESG credit impact score is moderately negative CIS-3

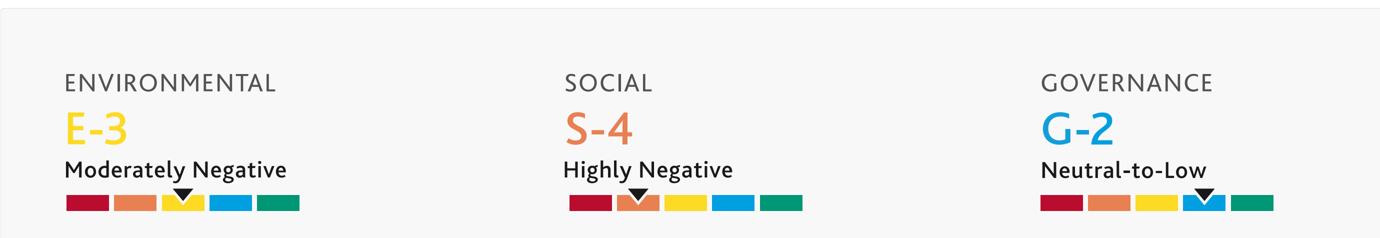
Exhibit 8
ESG Credit Impact Score



Source: Moody's Investors Service

Philips' **CIS-3** indicates that ESG considerations have a limited impact on its current credit rating with potential for greater negative impact over time. This is primarily because of the company's exposure to risks associated with responsible production, as its devices are subject to potential product recalls, regulatory actions or product liability litigations. Philips' conservative financial policies partly mitigate this risk.

Exhibit 9
ESG Issuer Profile Scores



Source: Moody's Investors Service

Environmental

Philips' **E-3** mostly reflects its exposure to waste and pollution risks. As a manufacturer of large imaging devices, the company may be impacted by increased environmental regulation associated with pollution, which could increase its production costs.

Social

Philips' **S-4** mainly reflects risks associated with responsible production, because the company's devices are subject to potential product recalls, regulatory actions or product liability litigations. Philips has a history of product quality related issues, most recently the Respironics product recall, that have had meaningfully negative financial implications.

Governance

Philips' **G-2** primarily reflects its conservative financial policies with willingness to adjust capital allocation priorities to support its current rating and its status as a publicly listed company with a diversified shareholder base, a largely independent board of directors and a high-quality reporting.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Liquidity analysis

Philips' liquidity is adequate, supported by our expectation that the company will return to a sustained positive FCF during the next 12-18 months. At the end of June 2023, Philips reported around €1.0 billion of cash and cash equivalents, with an access to a fully undrawn €1 billion revolving credit facility maturing in 2028. In addition, in October 2022, the company contracted a €1 billion term loan with a two-year maturity, under which it drew around €0.5 billion at the end of June 2023. Neither of the facilities have covenants nor material adverse change (MAC) clauses. At the end of June 2023, Philips reported around €1.0 billion of short-term debt, mostly consisting of forward contracts related to its share repurchase programmes. The company's debt maturity profile is well spread, with annual maturities typically below €1 billion.

Methodology and scorecard

We use our Medical products and devices rating methodology as the primary methodology to rate Philips. The scorecard-indicated outcome is a Ba1 for last 12 months to June 2023, improving to Baa2 for our 12-18-month forward view. The difference to the assigned Baa1 rating can be explained by our assessment that the weakness in Philips' performance is temporary.

Exhibit 10
Methodology scorecard for Philips

Medical product & device industry scorecard	LTM June 2023		Moody's 12-18 month forward view As of 7/31/2023	
Factor 1 : Scale and Diversification (20%)	**Measure**	**Score**	**Measure**	**Score**
a) Revenue ($ Billion)	$19.2	A	$20 - $21	A
Factor 2 : Business Profile (20%)				
a) Diversity and Market Presence	A	A	A	A
b) Product and Market Characteristics	Baa	Baa	Baa	Baa
Factor 3 : Profitability (7.5%)				
a) Return on Sales (NPATBUI / Sales)	-0.2%	Ca	5% - 7%	Ba
Factor 4 : Leverage and Coverage (32.5%)				
a) Debt / EBITDA	5.6x	B	2.9x - 3.3x	Ba
b) CFO / Debt	4.7%	Caa	22% - 25%	Ba
c) FCF / Debt	-4.7%	Caa	5% - 7%	B
d) EBITA / Interest	2.8x	Ba	7x - 8.5x	Baa
Factor 5 : Financial Policy (20%)				
a) Financial Policy	Baa	Baa	Baa	Baa
Rating:				
a) Scorecard-Indicated Outcome		Ba1		Baa2
b) Actual Rating Assigned				Baa1

All ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. With regards to the Respironics product recall, only provisions for field action were adjusted as unusual. The data for 2018 and 2019 contain the Domestic Appliances business. The forward view is our view; not the view of the issuer.
Source: Moody's Financial Metrics

Appendix

Exhibit 11

Peer comparison

(in $ million)	Royal Philips N.V. Baa1 Negative			GE HealthCare Technologies Inc. [1] Baa2 Stable			Stryker Corporation Baa1 Stable			Baxter International Inc. Baa2 Stable		
	FYE Dec-21	FYE Dec-22	LTM Jun-23	FYE 2022 proj.	FYE 2023 proj.	FYE 2024 proj.	FYE Dec-21	FYE Dec-22	LTM Mar-23	FYE Dec-21	FYE Dec-22	LTM Mar-23
Revenue	20,298	18,788	19,235	18,939	19,905	20,821	17,108	18,449	18,952	12,784	15,113	15,055
EBITDA	2,911	1,551	1,631	n/a	n/a	n/a	4,328	4,536	4,702	3,007	3,156	2,989
Total Debt	8,687	9,334	9,559	n/a	n/a	n/a	13,925	14,263	14,297	19,197	17,981	17,776
Cash & Cash Equivalents	2,619	1,251	1,047	n/a	n/a	n/a	2,944	1,844	1,671	2,951	1,718	1,673
ROS (NPATBUI / Sales)	7.1%	0.4%	-0.2%	10.5%	8.3%	8.5%	14.6%	14.6%	15.0%	12.3%	6.2%	5.4%
EBITA / Interest Expense	10.7x	2.9x	2.8x	17.4x	6.0x	6.6x	10.6x	10.8x	11.2x	11.4x	5.1x	4.3x
Debt / EBITDA	3.1x	5.9x	5.6x	4.2x	3.8x	3.5x	3.2x	3.1x	3.0x	6.4x	5.7x	5.9x
CFO / Debt	19.0%	-5.2%	4.7%	22.2%	19.4%	19.2%	24.8%	19.8%	21.5%	12.1%	7.3%	8.9%
FCF / Debt	3.0%	-19.3%	-4.7%	19.7%	12.6%	13.1%	13.3%	7.4%	8.8%	4.9%	-0.3%	1.1%

All ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
[1] our estimates based on the latest credit opinion.
Source: Moody's Financial Metrics

Exhibit 12

Moody's-adjusted debt reconciliation

(in € million)	FYE Dec-19	FYE Dec-20	FYE Dec-21	FYE Dec-22	LTM Jun-23
As Reported Total Debt	**5,447**	**6,934**	**6,980**	**8,200**	**8,216**
Pensions	824	750	659	546	546
Non-Standard Adjustments	21	0	0	0	0
Moody's Adjusted Total Debt	**6,292**	**7,684**	**7,639**	**8,746**	**8,762**

Source: Moody's Financial Metrics

Exhibit 13

Moody's-adjusted EBITDA reconciliation

(in € million)	FYE Dec-19	FYE Dec-20	FYE Dec-21	FYE Dec-22	LTM Jun-23
As Reported EBITDA	**3,149**	**3,012**	**2,011**	**1,472**	**1,147**
Pension Adjustments	(2)	20	(8)	7	7
Capital Development Costs	(338)	(305)	(262)	(257)	(257)
Interest Expense - Discounting	(22)	(22)	0	0	0
Unusual	92	0	719	250	660
Other Adjustments	(1)	0	0	0	0
Moody's Adjusted EBITDA	**2,879**	**2,705**	**2,460**	**1,472**	**1,557**

We defined EBITDA as pretax income + gross interest expense + depreciation and amortisation. With regards to the Respironics product recall, only provisions for field action were adjusted as unusual.
Source: Moody's Financial Metrics

Exhibit 14

Select historical Moody's-adjusted financial data

(in € million)	FYE Dec-19	FYE Dec-20	FYE Dec-21	FYE Dec-22	LTM Jun-23
INCOME STATEMENT					
Revenue	19,482	17,313	17,156	17,827	18,368
EBITDA	2,879	2,705	2,460	1,472	1,557
EBITA	2548	2299	2165	802	960
EBIT	2,022	1,691	1,481	353	519
Interest Expense	199	181	171	264	328
BALANCE SHEET					
Cash & Cash Equivalents	1,425	3,226	2,303	1,172	960
Total Debt	6,292	7,684	7,639	8,746	8,762
Net Debt	4,867	4,458	5,336	7,574	7,802
CASH FLOW					
Funds from Operations (FFO)	2,538	2,432	1,805	631	1,167
Cash Flow From Operations (CFO)	1,682	2,335	1,452	(457)	413
Capital Expenditures	(827)	(813)	(740)	(809)	(757)
Dividends	455	3	484	418	69
Retained Cash Flow (RCF)	2,083	2,429	1,321	213	1,098
RCF / Debt	33.1%	31.6%	17.3%	2.4%	12.5%
Free Cash Flow (FCF)	400	1,519	228	(1,684)	(413)
FCF / Debt	6.4%	19.8%	3.0%	-19.3%	-4.7%
PROFITABILITY					
% Change in Sales (YoY)	7.5%	-11.1%	-0.9%	3.9%	6.8%
EBIT margin %	10.4%	9.8%	8.6%	2.0%	2.8%
EBITA margin %	11.7%	11.6%	10.7%	4.3%	5.0%
EBITDA margin %	14.8%	15.6%	14.3%	8.3%	8.5%
INTEREST COVERAGE					
EBIT / Interest Expense	10.2x	9.4x	8.6x	1.3x	1.6x
EBITA / Interest Expense	11.4x	11.2x	10.7x	2.9x	2.8x
EBITDA / Interest Expense	14.5x	15.0x	14.4x	5.6x	4.7x
LEVERAGE					
Debt / EBITDA	2.2x	2.8x	3.1x	5.9x	5.6x
Net Debt / EBITDA	1.7x	1.6x	2.2x	5.1x	5.0x

Source: Moody's Financial Metrics

Ratings

Exhibit 15

Category	Moody's Rating
ROYAL PHILIPS N.V.	
Outlook	Negative
Issuer Rating	Baa1
Senior Unsecured	Baa1
Commercial Paper	P-2

Source: Moody's Investors Service

REPORT NUMBER 1376399

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454