



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)

€750,000,000 0.500 per cent. Notes due 22 May 2026

Issue price: 99.494 per cent. for the Notes

The €750,000,000 0.500 per cent. Notes due 22 May 2026 (the “**Notes**”) will be issued by Koninklijke Philips N.V. (the “**Issuer**”) on 22 May 2019 (the “**Issue Date**”).

The Notes will bear interest from the Issue Date at the rate of 0.500 per cent. per annum payable annually in arrear on 22 May of each year commencing on 22 May 2020. Payments on the 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 Notes.

Unless previously redeemed or purchased and cancelled, the Notes will be redeemed at their principal amount on 22 May 2026. The Issuer has the option to redeem the 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 Note Maturity Date. The 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 Notes are subject to redemption at their principal amount at the option of the Noteholders upon the occurrence of a Change of Control Put Event. See Condition 6 (*Redemption and Purchase*) of the Notes.

The net proceeds of the Notes will be allocated by the Issuer to Green Eligible Projects. See “*Use of Proceeds*”.

This prospectus (the “**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(the “**CSSF**”), which is the Luxembourg competent authority for the purpose of Directive 2003/71/EC (as amended or superseded, the “**Prospectus Directive**”) and relevant implementing measures in Luxembourg, as a prospectus.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 and for the Notes to be displayed on the Luxembourg Green Exchange (the “**LGX**”). The CSSF is solely responsible for the approval of this Prospectus for the purposes of admission to trading and listing on the Luxembourg Stock Exchange’s regulated market and is not involved in, nor does it assume any responsibility for, the application to the LGX. 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 and displayed on the LGX. The Luxembourg Stock Exchange’s regulated market is a regulated market for the purposes of Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments (as amended, “**MiFID II**”). 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, together with any supplement thereto, is available for viewing on the website of the Luxembourg Stock Exchange (www.bourse.lu).

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 S&P Global Ratings Europe Limited (“**S&P**”). The 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 (“EU”) 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 (<https://www.esma.europa.eu/supervision/credit-rating-agencies/risk>) (last updated 18 March 2019). 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 Notes will each initially be represented by a temporary global note (each, a “**Temporary Global Note**”), without interest coupons. The 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 1 July 2019 (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*”).

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”) or the securities laws of any state of the United States and may not be offered, sold or delivered within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and subject to U.S. tax law requirements for securities in bearer form. 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 Notes have not been approved or disapproved by the U.S. Securities and Exchange Commission, any state securities commission in the United States or any U.S. regulatory authority, nor have the foregoing authorities passed upon or endorsed the merits of the offering contemplated hereby or the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the United States.

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

ABN AMRO

BNP PARIBAS

**DEUTSCHE
BANK**

HSBC

ING

**MIZUHO
SECURITIES**

MUFG

RABOBANK

**UBS INVESTMENT
BANK**

Sustainability Structuring Adviser

RABOBANK

The date of this Prospectus is 17 May 2019.

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 Joint Lead 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 Joint Lead Managers, Citicorp Trustee Company Limited (the “**Trustee**”) nor any of their respective affiliates have independently verified the information contained herein or authorised the whole or any part of this Prospectus. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Joint Lead Managers, the Trustee or any of their respective affiliates 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 issue and offering of the Notes or any responsibility for any acts or omissions of the Issuer or any other person in connection with the issue and offering of the Notes. None of the Joint Lead Managers 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 Joint Lead Managers or the Trustee to give any information or to make any representation not contained in or not consistent with this Prospectus or with 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 Joint Lead 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 Joint Lead 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 Joint Lead 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 Joint Lead 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 Securities Act or the securities laws of any state of the United States 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 is not intended as investment advice and 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 Joint Lead 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 Joint Lead 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 (“**EEA**”) (including the Netherlands and the United Kingdom (“**U.K.**”)) (see “*Subscription and Sale*”).

USE OF PROCEEDS

None of the Joint Lead Managers will verify or monitor the proposed use of proceeds of the Notes.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “**PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

MIFID II PRODUCT GOVERNANCE/TARGET MARKET

Solely for the purposes of each manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the manufacturers’ target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers’ target market assessment) and determining appropriate distribution channels.

IN CONNECTION WITH THE ISSUE OF THE NOTES, ING BANK N.V. 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**” 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. All references to “**Signify**” are to Signify N.V., the company formerly known as Philips Lighting N.V.

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. None of the Issuer or the Joint Lead Managers makes 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 2018 and 2017 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 EU and with the statutory provisions of Part 9 of Book 2 of the Dutch Civil Code.

As announced on 10 January 2019, the Group has realigned the composition of its reporting segments effective as of 1 January 2019. The most notable changes are the shifts of the Sleep & Respiratory Care business from the Personal Health segment to the renamed Connected Care segment and most of the Healthcare Informatics business from the renamed Connected Care segment to the Diagnosis & Treatment segment. Accordingly, the comparative figures of the three months ended 31 March 2018 have been restated. The full year figures for 2017 and 2018 presented in this Prospectus have not been restated.

Alternative Performance Measures (or "Non-IFRS Financial Measures")

In this Prospectus, the Issuer presents certain financial measures when discussing the Group's performance that are not measures of financial performance or liquidity under IFRS ("**non-IFRS**"). These non-IFRS measures (also known as non-GAAP or alternative performance measures) are presented because management considers them important supplemental measures of the Group's performance and believes that they are widely used in the industry in which the Group operates as a means of evaluating a company's operating performance and liquidity. The Group believes that an understanding of its sales performance, profitability, financial strength and funding requirements is enhanced by reporting the following non-IFRS measures:

- Comparable sales growth;

- Adjusted EBITA;
- Adjusted income from continuing operations attributable to shareholders;
- Adjusted income from continuing operations attributable to shareholders per common share (in EUR) - diluted;
- Adjusted EBITDA;
- Free cash flow;
- Net debt : group equity ratio; and
- Comparable order intake.

Non-IFRS measures do not have standardised meanings under IFRS and not all companies calculate non-IFRS measures in the same manner or on a consistent basis. As a result, these measures may not be comparable to measures used by other companies that have the same or similar names. Accordingly, undue reliance should not be placed on the non-IFRS measures contained in this Prospectus and they should not be considered as substitutes for sales, net income, net cash provided by operating activities or other financial measures computed in accordance with IFRS.

This section contains the definitions of the non-IFRS measures used in this Prospectus as well as reconciliations from the most directly comparable IFRS measures. These non-IFRS measures should not be viewed in isolation or as alternatives to equivalent IFRS measures and should be used in conjunction with the most directly comparable IFRS measures.

The non-IFRS financial measures presented are not measures of financial performance or liquidity under IFRS, but measures used by management to monitor the underlying performance of the Group's business and operations and, accordingly, they have not been audited or reviewed by the Group's external auditors. Furthermore, they may not be indicative of the Group's future results and should not be construed as an indication that the Group's future results will be unaffected by exceptional or non-recurring items.

Comparable sales growth

Comparable sales growth represents the period-on-period growth in sales excluding 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 2018, incorporated by reference herein, foreign currency sales and costs are translated into the Group's presentation currency, the euro, at the exchange rates prevailing at the respective transaction dates. As a result of significant foreign currency sales and currency movements during the periods presented, the effects of translating foreign currency sales amounts into euros could have a material impact on the comparability of sales between periods. Therefore, these impacts are excluded when presenting comparable sales in euros by translating the foreign currency sales of the previous period and the current period into euros at the same average exchange rates. In addition, the years presented were affected by a number of acquisitions and divestments, as a result of which various 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 control is lost, relevant sales for that entity of the corresponding prior year period are excluded. Similarly, when an entity is acquired and consolidated, relevant sales for that entity of the current year period are excluded.

Comparable sales growth is presented for the Group, operating segments and geographic clusters. The Group believes that the presentation of comparable sales growth is meaningful for investors to evaluate the performance of the Group's business activities over time. Comparable sales growth may be subject to limitations as an analytical tool for investors, because comparable sales growth figures are not adjusted for other effects, such as increases or decreases in prices or quantity/ volume. In addition, interaction effects between currency movements and changes in consolidation are not taken into account.

Sales growth composition per segment in %

	Nominal Growth	Currency Effects	Consolidation Changes	Comparable Growth
2018 versus 2017				
Diagnosis & Treatment	5.1	4.1	(2.4)	6.8
Connected Care & Health Informatics	(2.5)	4.1	(1.3)	0.3
Personal Health	(1.1)	4.4	0.0	3.3
Group	1.9	4.2	(1.4)	4.7

Sales growth composition per geographic cluster in %

	Nominal Growth	Currency Effects	Consolidation Changes	Comparable Growth
2018 versus 2017				
Western Europe	4.9	0.4	(2.6)	2.7
North America	(1.1)	4.4	(2.6)	0.7
Other mature geographies	10.8	4.1	(0.4)	14.5
Total Mature geographies¹⁾	2.5	3.1	(2.3)	3.3
Growth geographies²⁾	0.7	6.5	0.4	7.6
Group	1.9	4.2	(1.4)	4.7

1) Mature geographies are the highly developed markets comprising of Western Europe, North America, Japan, South Korea, Israel, Australia and New Zealand.

2) Growth geographies are the developing geographies comprising of Asia Pacific (excluding Japan, South Korea, Australia and New Zealand), Latin America, Central and Eastern Europe, Middle East & Turkey (excluding Israel) and Africa.

Sales growth composition per segment in %

	Nominal Growth	Currency Effects	Consolidation Changes	Comparable Growth
Q1 2019 versus Q1 2018				
Personal Health	4.6	(0.2)	0.5	4.9
Diagnosis & Treatment	5.3	(3.5)	(0.2)	1.6
Connected Care ¹⁾	5.1	(5.1)	(1.1)	(1.1)
Group	5.3	(2.8)	(0.2)	2.3

¹⁾ Effective 1 January 2019, Connected Care & Health Informatics was renamed to Connected Care and the composition of the reporting segments was realigned. The Q1 2018 figures have been restated for this. See “*Important Notices – Presentation of Financial Information*”.

Adjusted EBITA

The term Adjusted EBITA is used to evaluate the performance of the Group and its segments. EBITA represents Income from operations excluding amortisation and impairment of acquired intangible assets and impairment of goodwill. Adjusted EBITA represents EBITA excluding gains or losses from restructuring costs, acquisition-related charges and other items.

Restructuring costs are defined as the estimated costs of initiated reorganisations, the most significant of which have been approved by the Group’s executive committee (the “**Executive Committee**”), and which generally involve the realignment of certain parts of the industrial and commercial organisation.

Acquisition-related charges are defined as costs that are directly triggered by the acquisition of a company, such as transaction costs, purchase accounting related costs and integration-related expenses.

Other items are defined as any individual item with an income statement impact (loss or gain) that is deemed by management to be both significant and incidental to normal business activity. Other items may extend over several quarters and are not limited to the same financial year.

The Group considers the use of Adjusted EBITA appropriate as the Group uses it as a measure of segment performance and as one of its strategic drivers to increase profitability through re-allocation of its resources towards opportunities offering more consistent and higher returns. This is done with the aim of making the underlying performance of the businesses more transparent.

The Group believes Adjusted EBITA is useful to evaluate financial performance on a comparable basis over time by factoring out restructuring costs, acquisition-related charges and other incidental items which are not directly related to the operational performance of the Group or its segments.

Adjusted EBITA may be subject to limitations as an analytical tool for investors, as it excludes restructuring costs, acquisition-related charges and other incidental items and therefore does not reflect the expense associated with such items, which may be significant and have a significant effect on the Group's net income.

Adjusted EBITA margin refers to Adjusted EBITA divided by sales expressed as a percentage.

Adjusted EBITA is not a recognised measure of financial performance under IFRS. The reconciliation of Adjusted EBITA to the most directly comparable IFRS measure, Net income, for the years indicated is included in the table below. 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.

Reconciliation of Net income to Adjusted EBITA
in millions of EUR unless otherwise stated

	Group	Diagnosis & Treatment	Connected Care & Health Informatics	Personal Health	Other
2018					
Net Income	1,097				
Discontinued operations, net of income taxes	213				
Income tax expense	193				
Investments in associates, net of income taxes	2				
Financial expense	264				
Financial income	(51)				
Income from operations	1,719	600	179	1,045	(105)
Amortisation of intangible assets	347	97	46	126	79
EBITA	2,066	696	225	1,171	(27)
Restructuring and acquisition-related charges	258	142	59	26	31
Other items	41	-	56	18	(33)
Adjusted EBITA	2,366	838	341	1,215	(28)

	Group	Diagnosis & Treatment	Connected Care & Health Informatics	Personal Health	Other
2017					
Net Income	1,870				
Discontinued operations, net of income taxes	(843)				
Income tax expense	349				
Investments in associates, net of income taxes	4				
Financial expense	263				
Financial income	(126)				
Income from operations	1,517	488	206	1,075	(252)
Amortisation of intangible assets	260	55	44	135	26
Impairment of goodwill	9	-	-	-	9
EBITA	1,787	543	250	1,211	(217)
Restructuring and acquisition-related charges	316	151	91	11	64
Other items	50	22	31	-	(3)
Adjusted EBITA	2,153	716	372	1,211	(157)

Reconciliation of Net income to Adjusted EBITA
in millions of EUR unless otherwise stated

	Group	Diagnosis & Treatment	Connected Care¹⁾	Personal Health	Other
Q1 2019					
Net Income	162				
Discontinued operations, net of income taxes	9				
Income tax expense	66				
Investments in associates, net of income taxes	(2)				
Financial expense	57				
Financial income	(47)				
Income from operations	245	51	20	168	6
Amortisation of acquired intangible assets	70	27	35	6	2
EBITA	314	77	55	174	8
Restructuring and acquisition-related charges	71	27	19	16	9
Other items	(21)	3	10	-	(35)
Adjusted EBITA	364	107	84	190	(18)

	Group	Diagnosis & Treatment	Connected Care¹⁾	Personal Health	Other
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¹⁾ Effective 1 January 2019, Connected Care & Health Informatics was renamed to Connected Care and the composition of the reporting segments was realigned. The Q1 2018 figures have been restated for this. See “*Important Notices – Presentation of Financial Information*”.

	Group	Diagnosis & Treatment	Connected Care¹⁾	Personal Health	Other
Q1 2018					
Net Income	124				
Discontinued operations, net of income taxes	(30)				
Income tax expense	28				
Investments in associates, net of income taxes	-				
Financial expense	93				
Financial income	(13)				
Income from operations	201	22	61	171	(52)
Amortisation of intangible assets	62	16	34	9	3
EBITA	263	39	95	180	(50)
Restructuring and acquisition-related charges	64	43	7	2	13
Other items	18		17		1
Adjusted EBITA	344	81	119	181	(37)

¹⁾ Effective 1 January 2019, Connected Care & Health Informatics was renamed to Connected Care and the composition of the reporting segments was realigned. The Q1 2018 figures have been restated for this. See “*Important Notices – Presentation of Financial Information*”.

Adjusted income from continuing operations attributable to shareholders

The term Adjusted income from continuing operations attributable to shareholders represents income from continuing operations less continuing operations non-controlling interests, amortisation and impairment of acquired intangible assets, impairment of goodwill, excluding gains or losses from restructuring costs and acquisition-related charges, other items, adjustments to net finance expenses, adjustments to investments in associates and the tax impact of the adjusted items. Shareholders refers to shareholders of the Issuer.

Restructuring costs, acquisition-related charges and other items are all defined in the Adjusted EBITA section above.

Net finance expenses are defined as either the financial income or expense component of an individual item already identified to be excluded as part of the Adjusted income from continuing operations, or a financial income or expense component with an income statement impact (gain or loss) that is deemed by management to be both significant and incidental to normal business activity.

The tax impact of the adjusted items is calculated using the weighted average statutory tax rate plus any recurring tax costs or benefits.

The Group considers the use of Adjusted income from continuing operations attributable to shareholders appropriate as it uses it as the basis for the Adjusted income from continuing operations attributable to shareholders per common share (in EUR) - diluted, a non-IFRS measure.

Adjusted income from continuing operations attributable to shareholders may be subject to limitations as an analytical tool for investors, as it excludes certain items and therefore does not reflect the expense associated with such items, which may be significant and have a significant effect on the Group's net income. Net income, for the years indicated is included in the table below. 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. Adjusted income from continuing operations attributable to shareholders is not a recognised measure of financial performance under IFRS. The reconciliation of Adjusted income from continuing operations attributable to shareholders to the most directly comparable IFRS measure, Net income, for the years indicated is included in the table below.

Adjusted income from continuing operations attributable to shareholders per common share (in EUR) – diluted

Adjusted income from continuing operations attributable to shareholders per common share (in EUR) - diluted is calculated by dividing the Adjusted income from continuing operations attributable to shareholders by the diluted weighted average number of shares (after deduction of treasury shares) outstanding during the period, as defined in “Significant accounting policies” to the Group’s audited consolidated financial statements as of and for the financial year ended 31 December 2018, incorporated by reference herein.

The Group considers the use of Adjusted income from continuing operations attributable to shareholders per common share (in EUR) - diluted appropriate as it is a measure that is useful when comparing its performance to other companies in the health technology (“HealthTech”) industry. However, it may be subject to limitations as an analytical tool for investors, as it uses Adjusted income from continuing operations attributable to shareholders which has certain items excluded.

Adjusted income from continuing operations attributable to shareholders per common share (in EUR) - diluted is not a recognised measure of financial performance under IFRS. The most directly comparable IFRS measure, income from continuing operations attributable to shareholders per common share (in EUR) - diluted for the years indicated, is included in the table below.

Adjusted income from continuing operations attributable to shareholders¹⁾
in millions of EUR unless otherwise stated

	2017	2018
Net Income	1,870	1,097
Less: Discontinued operations, net of income taxes	(843)	213
Income from continuing operations	1,028	1,310
Less: Continuing operations Non-controlling interest	(11)	(7)
Income from continuing operations attributable to shareholders	1,017	1,303
Adjustments for:		
Amortisation of acquired intangible assets	260	347
Impairment of goodwill	9	
Restructuring costs and acquisition-related charges	316	258
Other items	50	41
Net finance expenses		57
Tax impact of adjusted items	(194)	(365)
Adjusted Income from continuing operations attributable to shareholders	1,459	1,643
Earnings per common share:		
Income from continuing operations attributable to shareholders per common share - diluted	1.08	1.39
Adjusted income from continuing operations attributable to shareholders ¹⁾ per common share - diluted	1.54	1.76

¹⁾ Shareholders refers to shareholders of the Issuer

Adjusted EBITDA

Adjusted EBITDA is defined as Income from operations excluding amortisation and impairment of intangible assets, impairment of goodwill, depreciation and impairment of property, plant and equipment, restructuring costs, acquisition-related charges and other items.

The Group understands that Adjusted EBITDA is broadly used by analysts, rating agencies and investors in their evaluation of different companies because it excludes certain items that can vary widely across different industries or among companies within the same industry. The Group considers Adjusted EBITDA useful when comparing its performance to other companies in the HealthTech industry. However, Adjusted EBITDA may be subject to limitations as an analytical tool because of the range of items excluded and their significance in a given reporting period. Furthermore, comparisons with other companies may be complicated due to the absence of a standardised meaning and calculation framework. The Group's management compensates for the limitations of using Adjusted EBITDA by using this measure to supplement IFRS results to provide a more complete understanding of the factors and trends affecting the business rather than IFRS results alone. In addition to the limitations noted above, Adjusted EBITDA excludes items that may be recurring in nature and should not be disregarded in the evaluation of performance. However, the Group believes it is useful to exclude such items to provide a supplemental analysis of current results and trends compared to other periods. This is because certain excluded items can vary significantly depending on specific underlying transactions or events. Also, the variability of such items may not relate specifically to ongoing operating results or trends and certain excluded items, while potentially recurring in future periods and may not be indicative of future results. A reconciliation from net income to Adjusted EBITDA is provided below. Net income, for the years indicated is included in the table below. 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.

Reconciliation of Net income to Adjusted EBITDA in millions of EUR unless otherwise stated

	Group	Diagnosis & Treatment	Connected Care & Health Informatics	Personal Health	Other
2018					
Net Income	1,097				
Discontinued operations, net of income taxes	213				
Income tax expense	193				
Investments in associates, net of income taxes	2				
Financial expense	264				
Financial income	(51)				
Income from operations	1,719	600	179	1,045	(105)
Depreciation, amortisation and impairment of assets	1,089	302	176	367	244
Restructuring and acquisition-related charges	258	142	59	26	31
Other items	41	-	56	18	(33)
Adding back impairment of fixed assets included in restructuring and acquisition-related charges and other items	(15)	(7)	(9)	-	1
Adjusted EBITDA	3,093	1,036	462	1,456	139

	Group	Diagnosis & Treatment	Connected Care & Health Informatics	Personal Health	Other
2017					
Net Income	1,870				
Discontinued operations, net of income taxes	(843)				
Income tax expense	349				
Investments in associates, net of income taxes	4				
Financial expense	263				
Financial income	(126)				
Income from operations	1,517	488	206	1,075	(252)
Depreciation, amortisation and impairment of assets	1,025	267	208	371	179
Impairment of goodwill	9				9
Restructuring and acquisition-related charges	316	151	91	11	64
Other items	50	22	31		(3)
Adding back impairment of fixed assets included in restructuring and acquisition-related charges and other items	(86)	(44)	(34)	(1)	(7)
Adjusted EBITDA	2,832	884	502	1,456	(11)

Reconciliation of Net income to Adjusted EBITDA
in millions of EUR unless otherwise stated

	Group	Diagnosis & Treatment	Connected Care¹⁾	Personal Health	Other
Q1 2019					
Net Income	162				
Discontinued operations, net of income taxes	9				
Income tax expense	66				
Investments in associates, net of income taxes	(2)				
Financial expense	57				
Financial income	(47)				
Income from operations	245	51	20	168	6
Depreciation, amortisation and impairment of fixed assets	283	91	79	40	72
Restructuring and acquisition-related	71	27	19	16	9

	Group	Diagnosis & Treatment	Connected Care¹⁾	Personal Health	Other
charges					
Other items	(21)	3	10	-	(35)
Adding back impairment of fixed assets included in restructuring and acquisition-related charges and other items	(1)	(1)		-	
Adjusted EBITDA	576	170	129	224	53

¹⁾ Effective 1 January 2019, Connected Care & Health Informatics was renamed to Connected Care and the composition of the reporting segments was realigned. The Q1 2018 figures have been restated for this. See “*Important Notices – Presentation of Financial Information*”.

	Group	Diagnosis & Treatment	Connected Care¹⁾	Personal Health	Other
Q1 2018					
Net Income	124				
Discontinued operations, net of income taxes	(30)				
Income tax expense	28				
Investments in associates, net of income taxes	-				
Financial expense	93				
Financial income	(13)				
Income from operations	201	22	61	171	(52)
Depreciation, amortisation and impairment of fixed assets	231	74	77	41	38
Impairment of goodwill					
Restructuring and acquisition-related charges	64	43	7	2	13
Other items	18		17		1
Adding back impairment of fixed assets included in restructuring and acquisition-related charges and other items	(2)	(1)	-		
Adjusted EBITDA	512	138	161	214	(1)

¹⁾ Effective 1 January 2019, Connected Care & Health Informatics was renamed to Connected Care and the composition of the reporting segments was realigned. The Q1 2018 figures have been restated for this. See “*Important Notices – Presentation of Financial Information*”.

Free cash flow

Free cash flow is defined as net cash flows from operating activities minus net capital expenditures. Net capital expenditures are comprised of the purchase of intangible assets, expenditures on development assets, capital expenditures on property, plant and equipment and proceeds from sales of property, plant and equipment.

The Group discloses free cash flow as a supplemental non-IFRS financial measure, as the Group believes it is a meaningful measure to evaluate the performance of its business activities over time. The Group understands that free cash flow is broadly used by analysts, rating agencies and investors in assessing its performance. The Group also believes that the presentation of free cash flow provides useful information to investors regarding the cash generated by the Group's operations after deducting cash outflows for purchases of intangible assets, capitalisation of product development, expenditures on development assets, capital expenditures on property, plant and equipment and proceeds from disposal of property, plant and equipment. Therefore, the measure gives an indication of the long-term cash generating ability of the business. In addition, because free cash flow is not impacted by purchases or sales of businesses and investments, it is generally less volatile than the total of net cash provided by (used for) operating activities and net cash provided by (used for) investing activities.

Free cash flow may be subject to limitations as an analytical tool for investors, as free cash flow is not a measure of cash generated by operations available exclusively for discretionary expenditures and the Group requires funds in addition to those required for capital expenditures for a wide variety of non-discretionary expenditures, such as payments on outstanding debt, dividend payments or other investing and financing activities. In addition, free cash flow does not reflect cash payments that may be required in future for costs already incurred, such as restructuring costs.

Composition of free cash flow
in millions of EUR

	2017	2018
Net cash flows from operating activities	1,870	1,780
Net capital expenditures:	(685)	(796)
Purchase of intangible assets	(106)	(123)
Expenditures on development assets	(333)	(298)
Capital expenditures on property, plant and equipment	(420)	(422)
Proceeds from disposals of property, plant and equipment	175	46
Free cash flow	1,185	984

Composition of free cash flow
in millions of EUR

	Q1 2018	Q1 2019
Net cash flows from operating activities	92	14
Net capital expenditures:	(139)	(220)
Purchase of intangible assets	(21)	(40)
Expenditures on development assets	(67)	(80)
Capital expenditures on property, plant and equipment	(81)	(103)
Proceeds from disposals of property, plant and equipment	31	2
Free cash flow	(47)	(206)

Net debt : group equity ratio

Net debt : group equity ratio is presented to express the financial strength of the Group. Net debt is defined as the sum of long- and short-term debt minus cash and cash equivalents. Group equity is defined as the sum of shareholders' equity and non-controlling interests. This measure is used by the Group's Treasury management and investment analysts to evaluate financial strength and funding requirements. This measure may be subject to limitations because cash and cash equivalents are used for various purposes, not only debt repayment. The net debt calculation deducts all cash and cash equivalents whereas these items are not necessarily available exclusively for debt repayment at any given time.

Composition of net debt and group equity
in millions of EUR unless otherwise stated

	2017	2018
Long-term debt	4,044	3,427
Short-term debt	672	1,394
Total debt	4,715	4,821
Cash and cash equivalents	1,939	1,688

	2017	2018
Net debt	2,776	3,132
Shareholders' equity	11,999	12,088
Non-controlling interests	24	29
Group equity	12,023	12,117
Net debt : group equity ratio	19:81	21:79

Comparable order intake

Comparable order intake is reported for equipment and software and is defined as the total contractually committed amount to be delivered within a specified timeframe excluding the effects of currency movements and changes in consolidation. Comparable order intake does not derive from the financial statements and thus a quantitative reconciliation is not provided.

The Group uses comparable order intake as an indicator of business activity and performance. Comparable order intake is not an alternative to revenue and may be subject to limitations as an analytical tool due to differences in amount and timing between booking orders and revenue recognition. Due to divergence in practice, other companies may calculate this or a similar measure (such as order backlog) differently and therefore comparisons between companies may be complicated.

FORWARD-LOOKING STATEMENTS

This Prospectus contains certain forward-looking statements with respect to the financial condition, results of operations and business of the Group and certain of the plans and objectives of the Group with respect to these items. Examples of forward-looking statements include statements made about the Group's strategy, estimates of sales growth, future developments in the Group's organic business, the completion of acquisitions and divestments and future Adjusted EBITA). Forward-looking statements can be identified generally as those containing words such as "anticipates", "assumes", "believes", "estimates", "expects", "should", "will", "will likely result", "forecast", "outlook", "projects", "may" or similar expressions. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances and there are many factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include but are not limited to: global economic and business conditions; political instability, including developments within the European Union, with adverse impact on financial markets; the successful implementation of the Group's strategy and the ability to realise the benefits of this strategy; the ability to develop and market new products; changes in legislation; legal claims; changes in currency exchange rates and interest rates; future changes in tax rates and regulations, including trade tariffs; pension costs and actuarial assumptions; changes in raw materials prices; changes in employee costs; the ability to identify and complete successful acquisitions, and to integrate those acquisitions into the business, the ability to successfully exit certain businesses or restructure the operations; the rate of technological changes; cyber-attacks, breaches of cybersecurity; political, economic and other developments in countries where the Group operates; industry consolidation and competition; and the state of international capital markets as they may affect the timing and nature of the disposal by the Group of its remaining interests in Signify. As a result, the Group's actual future results may differ materially from the plans, goals and expectations set forth in such forward-looking statements.

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 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 health technology 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 financial condition and results

The Group's business environment is influenced by political and economic conditions in individual and global markets. Mature economies are the main source of revenues, and emerging economies are an increasing source of revenues. The Group sources its products and services mainly from the U.S., EU and China, and the majority of the Group's investments in tangible and intangible assets are located in these geographies.

Changes in the monetary policy and trade and tax laws of the U.S., China and EU can have a significant adverse impact on other mature economies, emerging economies and international financial markets. Such changes, including competitive or nationalistic tariffs and sanctions, may trigger reactions and countermeasures, leading to adverse impacts on global trade levels and flows, economic growth and political stability, all of which may have an adverse effect on business growth and stability on international financial markets.

It remains difficult to predict changes in, among others, U.S., Chinese and EU macro-economic outlook, foreign policy, monetary policy, healthcare budgets, and trade and tax laws, and the impact of such changes cannot be predicted. The Group may encounter difficulty in planning and managing operations due to the lack of adequate infrastructure, foreign currency import or export controls, increased healthcare regulation, nationalisation of assets or restrictions on the repatriation of returns from foreign investments. Economic and political uncertainty may have a material adverse impact on the Group's results of operations or financial condition and can also make it more difficult for the Group to budget and forecast accurately. Instability and volatility on international financial markets could have a negative impact on the timing of, and revenues from, the sale of the remaining interest in Signify and on the Group's access to funding. Uncertainty remains as to the levels of (public) capital expenditure in general, unemployment levels, and consumer and business confidence, which could adversely affect demand for products and services offered by the Group. Given that growth in emerging economies is correlated to U.S., Chinese and European economic growth and that such emerging economies are increasingly important to the Group's business operations, the above-mentioned risks are also expected to grow and could have a material adverse effect on the Group's financial condition and results.

The general global political environment remains unfavourable for the businesses due to continued political conflicts and terrorism. Regional geo-political instability in the Middle East, Turkey, the Korean peninsula and other regions, as well as large-scale migration and social instability could continue to impact macroeconomic factors and the international financial markets.

The form of exit of the United Kingdom from the European Union (“**Brexit**”) remains uncertain, the Group is exposed to operational and financial risks related to Brexit which may have an adverse impact on its financial condition and operating results.

The Group’s overall risk profile is changing as a result of the focus on health technology

The risk profile of the Group is expected to focus on one industry due to the dynamics of its changing products and services portfolio, acquisitions and partnerships resulting from the execution of the Group’s health technology strategy.

The Group’s overall performance in the coming years is expected to depend on the realisation of its growth ambitions and results 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 participants 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 its portfolio in order to stay competitive. If the Group fails to achieve these objectives, it could have a material adverse effect on the Group’s growth ambitions, financial condition and operating results.

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

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

The Group holds interests and has invested, and may continue to hold interests and invest, in joint ventures and associated companies in which it has 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 subjecting the Group to additional claims. The combined Lumileds and Automotive businesses is an example of an investment in which the Group may continue to have a (residual) investment but does not have control.

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

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 (“**IT**”) 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. Acquisitions may divert management attention from other business priorities and risks.

Furthermore, the 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 business developments 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 the Group’s personal health segment (“**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, regulations and associated regulatory actions 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 and in the provision of related services. In this regard, the Group is subject to the supervision of various national regulatory authorities. For example, in the EU, the new EU Medical Device Regulation (EU) 2017/745 was published in 2017 (the “**EU MDR**”), which will impose significant additional pre-market and post-market requirements. Conditions imposed by such national regulatory authorities could result in product recalls or a temporary ban on products and/or stoppages at production facilities, or increased implementation costs in the roll out of products and services. In addition, quality issues and/or liability claims related to products and services 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 and services in their business processes). As a result, depending on the product and manufacturing site concerned and the severity of the quality and/or regulatory issue, this could lead to financial losses through lost revenue and the cost of any required remedial actions, and could have further impact on the Group’s reputation, market share and brand.

A breach in the security of, or a significant disruption to, the Group's IT systems or violation of data privacy laws could adversely affect its operating results, financial condition, reputation and brand

The Group relies on IT to operate and manage its businesses and store confidential data (relating to employees, customers, IP, suppliers and other partners). The Group’s products, solutions and services increasingly contain sophisticated IT and generate confidential data related to customers and patients. Potential geopolitical conflicts and criminal activity continue to drive increases in the number and severity of cyber-attacks in general. Like many other multinational companies, the Group is therefore inherently and increasingly exposed to the risk of cyber-attacks. Information systems may be damaged, disrupted (including the provision of services to customers) or shut down due to (cyber) attacks by hackers, computer viruses or other malware. In addition, breaches in the security of the Group’s systems (or the systems of the Group’s customers, suppliers or other business partners) could result in the misappropriation, destruction or unauthorised disclosure of confidential information (including IP) or personal data belonging to the Group or its employees, partners, customers or suppliers. This is particularly significant with respect to patient medical records. 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 regulators, customers and partners and may involve incurrance of civil and/or criminal penalties. Furthermore, enhanced protection measures can involve significant costs.

To manage cyber security risks, the Group has created a Group Security function, instituted a Security Steering Committee (“**SSC**”), and implemented security management processes and controls, as well as monitoring risk trends on material security topics, such as the risk of security breaches in the Group’s information systems and its products and services. Dedicated security reports are shared with the Board of Management, Executive Committee and Supervisory Board and external auditors. On a quarterly basis, briefings on cyber security risks are provided to the IT Audit and Risk Committee, including an overview of risk responses and progress made. Risk workshops are held to calibrate cyber security risks and the appropriate risk appetite.

The SSC contains representation from several corporate functions, such as Group Security and Internal Audit, Business Groups and relevant Executive Committee members, for example, the Chief Legal Officer, attend SSC meetings; the SSC is chaired by the Chief Financial Officer. The SSC evaluates and sets the Group’s security strategy and issues security policies. In addition to security strategy, the status of the action items defined during the risk management process are evaluated on progress and effectiveness. Additionally, fundamental and risk-based security training has been provided throughout the organisation. For mergers and acquisitions, specific attention is devoted to ensuring a sufficient level of security maturity before and during the merger and acquisition processes, including post-merger integration. However, these efforts may prove to be insufficient or unsuccessful.

The Group has experienced cyber-attacks but to date has not incurred any significant damage as a result, or incurred significant monetary cost in taking corrective action. However, there can be no assurance that in the future the Group will be as successful in avoiding damage from cyber-attacks, which could lead to financial losses and other penalties and consequences described above. Additionally, the integration of new acquisitions and the 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 third-party 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. The Group has strengthened the security clauses in supplier contracts, increased the compliance reviews for those contracts (internally and externally), and instigated more reviews on key suppliers with regard to information security. However these measures may prove to be insufficient or unsuccessful.

If the Group is unable to ensure effective supply chain management and is faced, for example, with an interruption to 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 demand sufficiently quickly to avoid disruptions.

Shortages or delays could materially harm the Group's 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 change. 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.

The Group purchases raw materials, including so-called rare earth metals, copper, steel, aluminium, noble gases and oil-related products, which exposes it 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 drive operational excellence and productivity 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

To realise the Group's ambitions for profitable growth, it is important that the Group makes further improvements in its solution and product creation process, ensuring timely delivery of new solutions and products at lower cost, and in customer service levels, to gain sustainable competitive advantage. 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 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 (“R&D”), finance, and general management, as well as 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 the 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 to technology applied in the Group’s 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 labour, human rights, health and safety, environmental and chemical management. Reputational damage could materially impact the Group’s brand value, financial condition and operating results.

Brexit could have an adverse effect on the Group’s operations

The Group sells products and services and has manufacturing operations in the United Kingdom. Depending on expectations (in financial markets) and the actual mode of Brexit, which is currently uncertain, the potential financial impact ranges from adverse movements of the pound sterling versus the euro and the U.S. dollar, supply chain disruptions due to the reintroduction of customs controls and to the imposition of new tariffs on imports or exports to and from the United Kingdom. The Group has been preparing and planning for the potential impact of Brexit and is taking precautionary measures, for example, by building additional inventories to provide continuity of supplies and services to customers. However, in the event of a disruptive Brexit such precautionary measures may prove to be unsuccessful or insufficient.

Legal and Compliance Risks

The Group is exposed to non-compliance with product safety laws, good manufacturing practices and data privacy

The Group’s brand image and reputation would be adversely impacted by non-compliance with various product safety laws, good manufacturing practices and data protection. In light of the Group’s digital strategy, data privacy laws are increasingly important. Also, the diagnosis & treatment (“**Diagnosis & Treatment**”) businesses and connected care (“**Connected Care**”) businesses are subject to various (patient) data protection and safety laws. In the Diagnosis & Treatment businesses and Connected Care businesses, 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 not to be 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 (for example, the EU MDR) by various government agencies, including the U.S. Food and Drug Administration (“**FDA**”) and comparable foreign agencies (for example, the National Medical Products Administration in China, the Medicines and Healthcare products Regulatory Agency in the U.K., the French National Agency for Medicines and Health Products Safety in France, the Federal Institute for Drugs and Medical Devices in Germany, and the Dutch Health Care Inspectorate in the Netherlands). 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, as in the past, 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 Group may be

obligated to pay more costs in the future because, among other things, the FDA may determine that the Group is not fully compliant with the consent decree agreed to by the Issuer and the U.S. government, as announced in the Issuer's press release on 11 October 2017 (the "**Consent Decree**"), and therefore impose penalties under the Consent Decree, and/or the Group may be subject to future proceedings and litigation relating to the matters addressed in the Consent Decree.

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 anti-competitive market practices

European and various national authorities are 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. In the past, the Group has been subject to such investigations, litigation and related claims.

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 of pending or future proceedings

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.

Please refer to the section headed "*Description of the Issuer and the Group—Legal and Arbitration Proceedings*" for additional disclosure relating to specific legal 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 financial 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, including internal controls to identify and manage cybersecurity risks, 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, including disclosures with respect to cybersecurity risks and incidents, 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 consistent and correct application of the accounting rules throughout the Group's global business.

Financial Risks

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 economies. The Group's sourcing and manufacturing spend is concentrated in the Eurozone, U.S. and China. Income from operations is particularly sensitive to movements in currencies of countries where the Group has no or very small scale manufacturing/local sourcing activities such as Japan, Canada, Australia and the U.K., and in a range of emerging markets such as Russia, South 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 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 risks which could have a significant adverse financial impact

The Group is exposed to tax risks which could result in double taxation, penalties and interest payments. The source of the risks could originate from local tax rules and regulations as well as in the international and EU regulatory frameworks. These include transfer pricing risks on internal cross-border deliveries of goods and services, tax risks related to acquisitions and divestments, tax risks related to permanent establishments, tax risks relating to tax loss, interest and tax credits carried forward and potential changes in tax law that could result in higher tax expenses and payments. The risks 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 deferred tax assets, such as tax losses carried forward, is subject to the availability of sufficient taxable income within the tax loss-carry-forward period, but also to the availability of sufficient taxable income within the foreseeable future in the case of tax losses carried forward with an indefinite carry-forward period. The ultimate realisation of the Group's deferred tax assets, including tax losses and tax credits carried forward, depends on 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 depends on the successful execution of tax planning strategies. Accordingly, there can be no absolute assurance that all deferred tax assets, such as (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 markets 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. Changes in these assumptions (for example, due to movements in financial markets) can have a significant impact on the defined benefit obligation 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 uncertainty on the timing and proceeds of a sale of Signify

The Group has sold a substantial part of its ownership in Signify since 2016. The Group's overall objective is to fully divest its ownership of Signify. The nature or form, timing and level of proceeds from this divestment process are uncertain. The timing and level of proceeds will depend on general market conditions, investor appetite for companies of this size and nature, and the actual and expected future financial performance of Signify. The Group no longer has control over Signify and has deconsolidated the assets, liabilities and financial results of Signify.

The Group is exposed to a number of financial reporting risks, i.e. the risk of material misstatements or errors in its financial reporting

A risk rating is assigned for each financial reporting risk identified by the Group, 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.

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 Conditions of the Notes contain provisions for calling meetings of the 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 meeting and Noteholders who voted in a manner contrary to the majority.

The Conditions of the Notes also provide that the Trustee may, without the consent of the 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 (*Meetings of Noteholders, Modification, Waiver, Authorisation and Determination, Substitution*) of the Notes.

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

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

The Conditions of the Notes 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 the 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 the 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 Notes contain an optional redemption feature, as set out in Condition 6.3 (*Redemption at the option of the Issuer*) of the Notes, which is likely to limit their market value. During any period when the Issuer may elect to redeem the Notes, the market value of the 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 Notes when its cost of borrowing is lower than the interest rate on the 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 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 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 Notes in accordance with the Notes.

If the Issuer calls and redeems the 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 Conditions of the Notes 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 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 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 the 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 Notes, which bear a fixed rate of interest, involves the risk that if market interest rates subsequently increase above the rate paid on the Notes, this will adversely affect the value of the 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 Notes may fall as a result of movements in market interest rates.

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.

Payments under the Notes may become subject to Dutch withholding tax as a result of new Dutch legislation

Under current law, payments under the Notes are not subject to withholding tax in the Netherlands. In the 2017 Dutch Coalition Agreement dated 10 October 2017 (*Regeerakkoord 2017 "Vertrouwen in de toekomst"*), it was announced that the Netherlands will introduce a new withholding tax on interest paid to low-taxed jurisdictions and in abusive situations. In a letter to the Dutch parliament dated 23 February 2018 (the "**Letter**"), the Under Secretary of Finance announced that it is intended for the withholding tax on interest to be effective from 2021 and that a proposal of law to that effect will be submitted to the Dutch parliament in 2019. The Letter mentions that the withholding tax will only be applicable to interest paid within a group to entities that are resident in a jurisdiction with a low statutory rate or a jurisdiction that is included in the EU list of non-cooperative jurisdictions. However, the exact scope of the legislation to be proposed is not yet known and, accordingly, the possibility that payments under the Notes will become subject to Dutch withholding tax cannot be excluded. If payments under the Notes become subject to Dutch withholding tax under the proposed legislation, the Issuer may be required to pay additional amounts (as set out in Condition 7.1 (*Payment without Withholding*) of the Notes) in which case the Issuer will be entitled to redeem the Notes (as set out in Condition 6.2 (*Redemption for Taxation Reasons*) of the Notes).

The Notes may not be a suitable investment for all investors seeking exposure to green assets

Prospective investors in the Notes must determine for themselves the relevance of the information in this Prospectus for the purpose of any investment in the Notes together with any other investigation such investors deem necessary. In particular, no assurance is or can be given by the Issuer or the Joint Lead Managers to investors that the Green Eligible Projects to be included in the Green Eligible Project Portfolio (both as defined in the section headed "*Use of Proceeds*") against which the proceeds of the Notes issue will be allocated will meet or continue to meet on an ongoing basis any or

all investor expectations regarding investment in “green bond”, “green” or “sustainable” or similarly-labelled projects. In addition, although the Issuer has agreed to certain reporting and use of proceeds obligations in the Group’s Green and Sustainability Innovation Bond Framework dated 24 April 2019 (the “**Framework**”), it would not be an event of default under the Notes if the Issuer fails to comply with such obligations. Any failure to allocate the net proceeds of the Notes to Green Eligible Projects, and/or any failure to meet, or to continue to meet, investors’ expectations or requirements as regards any investment criteria or guidelines with which such investors or their investments are required to comply (in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of, or related to, the Green Eligible Projects) with respect to the Notes may affect the value and/or trading price of the Notes, and/or may have consequences for certain investors with portfolio mandates to invest in green assets, which may cause one or more of such investors to dispose of the Notes held by them, which may affect the value, trading price and/or liquidity of the Notes.

In connection with the issue of the Notes, the Issuer has appointed a sustainability specialist, Sustainalytics B.V. (“**Sustainalytics**”), to issue an opinion confirming that the Framework and intended use of proceeds on Green Eligible Projects are aligned with the International Capital Market Association Green Bond Principles (the “**Second Party Opinion**”). The Second Party Opinion is not, nor shall it be deemed to be, incorporated in and/or form part of this Prospectus. The Second Party Opinion may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed above or incorporated by reference herein and other factors that may affect the value of the Notes or the Green Eligible Projects. The Second Party Opinion does not constitute a recommendation to buy, sell or hold securities and would only be current as of the date it is released. Prospective investors must determine for themselves the relevance of the Second Party Opinion and/or the information contained therein and/or the provider of the Second Party Opinion for the purpose of any investment in the Notes. In particular, no assurance or representation is or can be given by the Issuer or the Joint Lead Managers to investors that the Second Party Opinion will reflect any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply. The Noteholders have no recourse against the provider of the Second Party Opinion. A withdrawal of the Second Party Opinion may affect the value of the Notes and/or may have consequences for certain investors with portfolio mandates to invest in green assets.

Application has been made for the Notes to be displayed on the LGX and no representation or assurance is given by the Issuer, the Joint Lead Managers or any other person that such display satisfies, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply. Furthermore, it should be noted that the criteria for any such display may vary from one stock exchange or securities market to another and may be subject to change. Nor is any representation or assurance given or made by the Issuer, the Joint Lead Managers or any other person that such display will be maintained during the life of the 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 2018 and 2017 (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 2018 are set out on the following pages of the Annual Report 2018:

Consolidated statements of income.....	Page 107
Consolidated statement of comprehensive income....	Page 108
Consolidated balance sheets.....	Pages 109
Consolidated statements of cash flows.....	Page 110
Consolidated statements of changes in equity.....	Page 111
Explanatory Notes.....	Pages 112-179

The Annual Report 2018 is available on the Issuer's website at the link below:

<https://www.results.philips.com/publications/ar18#/>

(ii) The Group's audited consolidated financial statements as of and for the financial year ended 31 December 2017 are set out on the following pages of the Annual Report 2017:

Consolidated statements of income.....	Page 102
Consolidated statement of comprehensive income....	Page 103
Consolidated balance sheets.....	Pages 104
Consolidated statements of cash flows.....	Page 105
Consolidated statements of changes in equity.....	Page 106
Explanatory Notes.....	Pages 107-170

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

<https://www.philips.com/static/annualresults/2017/PhilipsFullAnnualReport2017-English.pdf>

- (b) (i) The independent auditors' report on the audited consolidated financial statements of the Group, as of and for the financial year ended 31 December 2018, is set out on pages 189 to 196 of the Annual Report 2018, which is available on the Issuer's website at the link below:

<https://www.results.philips.com/publications/ar18#/>

(ii) The independent auditors' report on the audited consolidated financial statements of the Group, as of and for the financial year ended 31 December 2017, is set out on pages 182 to 189 of the Annual Report 2017, which is available on the Issuer's website at the link below:

<https://www.philips.com/static/annualresults/2017/PhilipsFullAnnualReport2017-English.pdf>

- (c) the unaudited consolidated financial information of the Group for the three months ended 31 March 2019 is set out on the following pages of the Q1 2019 Quarterly Report:

Condensed consolidated statements of income.....	Page 8
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The Q1 2019 Quarterly Report is available on the Issuer's website at the link below:

<https://www.results.philips.com/#/downloads>

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). 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 NOTES

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

The €750,000,000 0.500 per cent. Notes due 22 May 2026 (the “Notes”, which expression shall in these terms and conditions (the “Conditions”), unless the context otherwise requires, include any further notes issued pursuant to Condition 15 (*Further Issues*) and forming a single series with the Notes) of Koninklijke Philips N.V. (the “Issuer”) are constituted by a trust deed dated 22 May 2019 (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 Notes (the “Noteholders”) and the holders of the interest coupons appertaining thereto (the “Couponholders” and the “Coupons” respectively) and are the subject of an agency agreement dated 22 May 2019 (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 Conditions are summaries or, any are subject to, the detailed provisions of and definitions in the Trust Deed and the Agency Agreement. The Noteholders and the 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 Noteholders and the Couponholders at the principal office for the time being of the Trustee, being at the date of issue of the 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 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 Coupons attached on issue. Notes of one denomination may not be exchanged for Notes of another denomination.

1.2 Title

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

Notes shall not be physically delivered in Belgium except to a clearing system, a depositary 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 Note or Coupon as the absolute owner for all purposes (whether or not the Note or Coupon shall be overdue and notwithstanding any notice of ownership or writing on the Note or Coupon or any notice of previous loss or theft of the Note or 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 Notes and the 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 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 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 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 Notes bear interest on their outstanding principal amount from and including 22 May 2019 at the rate of 0.500 per cent. per annum, payable annually in arrear on 22 May in each year (each an “**Interest Payment Date**”), subject to Condition 5 (*Payments*), commencing on 22 May 2020.

The amount of interest payable on each Interest Payment Date shall be €5.00 per €1,000 of outstanding principal amount (the “**Calculation Amount**”) of the Notes. Each 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 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 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 an 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 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 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 Note, without any further rounding.

5. PAYMENTS

5.1 Payments in respect of Notes

Payments of principal and interest in respect of each Note will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the Note, except that payments of interest due on an Interest Payment Date will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the relevant 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 Coupons

Each Note should be presented for payment together with all relative unmatured Coupons, failing which the full amount of any relative missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the full amount of the missing unmatured 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 Coupon at any time before expiry of 10 years after the Relevant Date (as defined in Condition 7 (*Taxation*)) in respect of the relevant Note (whether or not the 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 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 Note or 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 Note or 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 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 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 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 Notes at their principal amount on 22 May 2026 (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 Noteholders in accordance with Condition 12 (*Notices*) (which notice shall be irrevocable and specify the date fixed for redemption), redeem all the 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 relevant 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 17 May 2019, 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 Noteholders and the 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 Notes and 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 Noteholders in accordance with Condition 12 (*Notices*) (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem the 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 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 Notes at any time prior to the Maturity Date (the "**Make-Whole Redemption Date**"), at an amount per 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 Note; or
- (b) the sum of the then current values of the remaining scheduled payments of principal and interest on such Note (not including any interest accrued on the 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 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 DBR 0.5% due February 2026 (ISIN: DE0001102390) (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 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 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 Notes in accordance with Condition 6.2 (*Redemption for Taxation Reasons*) or Condition 6.3 (*Redemption at the option of the Issuer*), each Noteholder shall have the option to require the Issuer to redeem or, at the Issuer's option, purchase (or procure the purchase of) that 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 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 Noteholder must deliver such Note to be redeemed or purchased, together with all 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 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 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 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 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 S&P (or its equivalent under any successor rating category of S&P) 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 Notes (provided that all unmatured Coupons appertaining to the Notes are purchased with the Notes) in any manner and at any price.

6.6 Cancellations

All 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 Coupons attached to the Notes or surrendered with the 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 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 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 Noteholders or Couponholders after the withholding or deduction is equal to the amount that would have been received in respect of the Notes or, as the case may be, 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 Note or Coupon:

- (a) the holder of which is liable for Taxes in respect of such Note or Coupon by reason of having or having had a present or former connection with the Relevant Jurisdiction other than a mere holding of the Notes; or
- (b) presented for payment in the Netherlands where such withholding or deduction would not have been required had such Note or Coupon not been presented 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 Note or 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 Notes or, as the case may be, 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 Noteholders by the Issuer in accordance with Condition 12 (*Notices*).

7.2 Additional Amounts

Any reference in these Conditions to any amounts in respect of the 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

Notes and 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 Notes or, as the case may be, the 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 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 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 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 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 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 and the term “**Holding Company**” of any other person means a company in respect of which that other person is a Subsidiary.

“**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 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.

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 Notes and the 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 Noteholders or so requested in writing by the holders of at least one-quarter in principal amount of the 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 Noteholders

No Noteholder or 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 Notes or the 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 NOTES AND COUPONS

Should any Note or 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 Notes or Coupons must be surrendered before replacements will be issued.

12. NOTICES

12.1 Notices to the Noteholders

All notices to the Noteholders will be valid if published in a leading English language daily newspaper published in London and, so long as the 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). 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. Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Noteholders in accordance with this paragraph.

12.2 Notices from the Noteholders

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together with the relative Note or Notes, with the Principal Paying Agent or, if the 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 NOTEHOLDERS, MODIFICATION, WAIVER, AUTHORISATION AND DETERMINATION, SUBSTITUTION

13.1 Meetings of Noteholders

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the modification of any of these 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 the Noteholders holding not less than one-quarter of the aggregate principal amount of the outstanding 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 Notes for the time being outstanding, or at any adjourned such meeting one or more persons present whatever the principal amount of the 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 Conditions and certain of the provisions of the Trust Deed (including the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or interest payable in respect of the Notes, altering the currency of payment of the Notes, altering the method of calculating the amount of any payment in respect of the 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 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 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 Notes for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Noteholders. An Extraordinary Resolution passed by the Noteholders will be binding on all Noteholders whether or not they are present at any meeting and whether or not they voted on the resolution, and on all Couponholders.

13.2 Modification, Waiver, Authorisation and Determination

The Trustee may agree, without the consent of the Noteholders or 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 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 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 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 Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders or Couponholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders or 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 Noteholder or 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 Noteholders or 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 Noteholders

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

13.5 Substitution

The Trustee may agree, without the consent of the Noteholders or the 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 Notes and the Coupons; provided that the Notes are unconditionally and irrevocably guaranteed by the Issuer; the Trustee is of the opinion that the interests of the 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 Noteholders and Couponholders and shall be notified to the 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 Noteholders and the 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 Noteholders or 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 Noteholders or Couponholders create and issue further notes, having terms and conditions the same as those of the 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 Notes. Any further notes or bonds which are to form a single series with the outstanding notes or bonds of any series (including the 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 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 Notes and the Coupons and any non-contractual obligations arising out of or in connection with the Trust Deed, the Notes and the Coupons are governed by, and construed in accordance with, English law.

16.2 Submission to Jurisdiction

- (a) Subject to Condition 16.2(c) (*Submission to Jurisdiction*) below, the English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Trust Deed, the Notes or the 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 Notes or the Coupons (a “**Dispute**”) and each of the Issuer, the Trustee and any Noteholders or Couponholders in relation to any Dispute submits to the exclusive jurisdiction of the English courts.
- (b) For the purposes of this Condition 16.2 (*Submission to Jurisdiction*), 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 Noteholders and the 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 16.3 (*Appointment of Process Agent*) 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 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 Notes will 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 “Eurosystem”), 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 Eurosystem operations if the NGN form is used.

The Notes are intended to be held in a manner which would allow Eurosystem eligibility, that is, in a manner which would allow the Notes to be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem 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, the Temporary Global Note and Permanent Global Note will contain provisions which modify the Conditions as they apply to the 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 Notes are represented by the Global Note for the Notes and such Global Note is 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 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 Global Note.

Payments

On or after the Exchange Date, no payment will be made on the Temporary Global Note unless exchange for an interest in the 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 Notes are represented by the Global Note for the Notes and such Global Note is 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 Accountholders rather than by publication as required by Condition 12 (*Notices*) of the Notes, 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 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 the 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 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 the 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 the 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 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 the 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 the Permanent Global Note, the Issuer will procure that it is cancelled and, if the holder so requests, returned to the holder together with any 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 the Notes).

Cancellation

Cancellation of any Note represented by a Global Note and required by the 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 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 Note 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 Notes, the Permanent Global Note may be redeemed in part in the principal amount specified by the Issuer in

accordance with the Conditions and the 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 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 net proceeds of the issuance of the Notes will be allocated by the Issuer to a portfolio (the “**Green Eligible Projects Portfolio**”) of eligible green innovations (the “**Green Eligible Projects**”), which belong to the following categories: (i) Group expenditures related to Green Innovation in R&D; (ii) Group expenditures related to the implementation of circular products and solutions; and/or (iii) expenditures under the Group’s “Sustainable Operations Programmes”, as further described in the Framework, available on the Group’s global investor relations website. For the avoidance of doubt, the Framework is not, nor shall it be deemed to be, incorporated and/or form part of this Prospectus.

The Green Eligible Projects Portfolio will include Green Eligible Projects that were funded or distributed during the last 24 months preceding the issue of the Notes or that will be funded or distributed over the lifetime of the Notes.

The Issuer will monitor and track an amount equal to the net proceeds through its internal accounting system. Pending the full allocation to Green Eligible Projects, the Issuer will hold and/or invest the balance of net proceeds not yet allocated, at its own discretion, in its treasury liquidity portfolio. If a project in the Green Eligible Projects Portfolio against which Notes proceeds have been allocated ceases to be a Green Eligible Project, the proceeds will be re-allocated against different Green Eligible Projects in the Green Eligible Projects Portfolio as soon as reasonably practicable.

Reporting on the use of proceeds and impact evaluation of the Green Eligible Projects Portfolio will be available to investors within one year from the Issue Date and annually thereafter until the proceeds have been fully allocated, as further described in the Framework.

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 legal and commercial 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 ("**Board of Management**") and certain key officers) under the supervision of the supervisory board ("**Supervisory Board**"). The Executive Committee operates under the chairmanship of the Chief Executive Officer ("**CEO**") 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 (renamed Signify in 2018) within the Group, effective 1 February 2016. Following the listing of Signify on Euronext Amsterdam on 27 May 2016, the Issuer retained a 71.23 per cent. stake and, in the course of 2017, the Issuer completed three accelerated bookbuilt offerings as a result of which the Issuer no longer has control over Signify and ceased to consolidate Signify in the Group's accounts as from the end of November 2017. In February 2018, the Issuer successfully completed a fourth accelerated book-build offering to institutional investors of 16.22 million shares in Signify. During that year, the Issuer sold Signify shares in the open market, reducing its shareholding to 16.5 per cent. of Signify's issued share capital as of 31 December 2018. As from that date, the Issuer no longer had board representation on the supervisory board of Signify. The remaining shares were reclassified to Other current financial assets, with fair value changes recognised through Other comprehensive income. See "*Business of the Group—Recent Developments—Signify Sell-Down*" below.

At the end of 2018, the Group had 39 manufacturing sites across the globe with 77,400 employees, of which 10,528 were in R&D.

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 2018, the Group's reportable segments were Diagnosis & Treatment businesses, Connected Care & Health Informatics (now renamed "Connected Care") businesses and Personal Health businesses, each having been responsible for the management of its business worldwide. Additionally, the Group identifies the reportable segment Other.

To further align its businesses with customer needs, the Group announced in January 2019 the realignment of the three reportable segments, Diagnosis & Treatment, Connected Care & Health Informatics and Personal Health, effective 1 January 2019. The most notable changes are the shift of the Sleep & Respiratory Care business from the Personal Health segment to the renamed Connected Care segment and the shift of the Healthcare Informatics business (excluding the Tasy EMR business and IntelliSpace Enterprise Edition) from the Connected Care segment to the Diagnosis & Treatment segment.

As of 1 January 2019, the Group's reporting segments are composed as follows:

- **Diagnosis & Treatment**, which unites the businesses related to the promise of precision diagnosis and disease pathway selection, and the businesses related to image-guided, minimally invasive treatments. This segment comprises the Diagnostic Imaging, Ultrasound, Healthcare Informatics and Image-Guided Therapy businesses.
- **Connected Care**, which focuses on patient care solutions, advanced analytics and patient and workflow optimisation inside and outside the hospital, and aims to unlock synergies from integrating and optimising patient care pathways and leveraging provider-payer-patient business models. This segment comprises the Monitoring & Analytics, Therapeutic Care, Population Health Management and Sleep & Respiratory Care businesses (including the Home Respiratory Care business).
- **Personal Health**, which focuses on healthy living and preventative care. This segment comprises the Personal Care, Domestic Appliances, Oral Healthcare and Mother & Child Care businesses.

Diagnosis & Treatment Businesses

Overview

The Group's Diagnosis & Treatment businesses are fundamental 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 the "quadruple aim", an improved patient experience, better health outcomes, an improved staff experience and lower cost of care, by connecting people, data and technology. The Group is focused on solutions (consisting of suites of systems, smart devices, software and services) that are robust and easy to use, while providing the most efficient path to obtaining a precise 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 extract and analyse the information needed to offer highly personalised care. Informatics is central to everything the Group does: its KLAS-awarded IntelliSpace Portal platform, for example, provides artificial intelligence ("AI") to make more consistent decisions, as well as making it easier to share and collaborate.

The Group continues to expand the applications for image-guided treatment and therapy, where clinicians are provided with the technology necessary to determine the presence of disease, guide procedures, deliver least-invasive treatment 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. In 2018, the Group completed the roll-out of its new Ingenia range of digital magnetic resonance systems. This was part of a broader renewal of the Group's Diagnostic Imaging portfolio, 70 per cent. of which has been introduced in the past two years. 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 Image-Guided Therapy, Instant Wave-Free Ratio ("iFR"), a technology used to assess coronary lesions, continued to gain traction and was incorporated into the European Society of Cardiology's updated guidelines for revascularisation. The Group continued to expand its portfolio in Image-Guided Therapy with the acquisition of EPD Solutions, an innovator in image-guided procedures for cardiac arrhythmias. The Group announced a partnership with Innovative Imaging Technologies to launch an integrated tele-ultrasound solution based on the Group's Lumify portable ultrasound system. The Group also announced a partnership agreement with innovative women's health company Hologic to offer care professionals integrated solutions comprising diagnostic imaging modalities, advanced informatics and services for the screening, diagnosis and treatment of women.

The Group's Diagnosis & Treatment businesses' value proposition to customers is based on combining the Group's 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 the Group's customers.

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

- industry-leading tailored applications and sharper imaging to drive growth in the core and adjacencies in Ultrasound;
- the Group's suite of innovative procedural solutions to support delivery of the right therapy in real-time in Image-Guided Therapy;

- intelligent, AI-enabled applications combined with successful innovations in the Group’s systems platforms in Diagnostic Imaging; and
- enhanced offerings in oncology, cardiology and radiology, and expanding the Group’s solutions offering, which comprises systems, smart devices, software and services.

The Issuer is one of the world’s leading health technology companies (based on sales) along with Medtronic, General Electric and Siemens Healthineers. The competitive landscape in the healthcare industry is evolving with the emergence of new market participants.

In 2018, the Diagnosis & Treatment segment consisted of the following areas of business:

- **Diagnostic Imaging:** Magnetic Resonance Imaging (“MRI”), Computed Tomography (“CT”), Advanced Molecular Imaging, Diagnostic X-Ray, as well as integrated clinical solutions, which include radiation oncology treatment 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 (“FFR”) and iFR, and atherectomy catheters and drug-coated balloons for the treatment of coronary artery and peripheral vascular disease.
- **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 interventions.

For the year ended 31 December 2018, in the Diagnosis & Treatment segment, Diagnostic Imaging represented 47 per cent. of total sales, Image-Guided Therapy represented 32 per cent. of total sales and Ultrasound represented 21 per cent. of total sales.

Revenue is predominantly earned through the sale of products, leasing, customer services fees and software license fees. For certain offerings, per study fees or outcome-based fees are earned over the contract term.

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 to the Group’s customer base frequently.

Sales at 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.

As of 31 December 2018, Diagnosis & Treatment had 27,381 employees worldwide.

2018 Business Highlights

Continuing the renewal of its diagnostic imaging portfolio, the Group launched the Ingenia Elition 3.0T and Ingenia Ambition 1.5T MR systems. Both systems offer superb image quality while performing exams up to 50 per cent. faster. The Ingenia Ambition enables imaging departments to perform more productive, helium-free operations. The Group also received China Food and Drug Administration approval to market its advanced Vereos Digital positron emission tomography/computed tomography in China.

The expansion of the Ultrasound business beyond its core strength in cardiac ultrasound into adjacent fields (such as ultrasound for obstetrics, gynaecology, general imaging and telehealth, which offer attractive prospects) continues to be successful, driven by innovations such as an advanced transducer optimised for OB/GYN and General Imaging applications, and the telehealth capabilities of its Lumify app-based ultrasound solution.

As a leader in image-guided therapy, the Group launched its EPIQ CVxi ultrasound system combined with the latest version of its EchoNavigator software specifically designed for minimally invasive structural heart repairs, a fast-growing image-guided therapy segment.

The Group’s Image-Guided Therapy Devices continued their strong momentum, supported by a growing amount of clinical data. Results from the DEFINE FLAIR trial demonstrated that an iFR-guided strategy reduces costs, improves

patient comfort compared to an FFR-guided strategy, and delivers consistent patient outcomes. The adoption of the Group's proprietary iFR technology also reached a major milestone after its inclusion in the European Society of Cardiology's updated guidelines for the assessment of coronary artery lesions.

To further strengthen the Group's businesses through targeted acquisitions, it acquired EPD Solutions, an innovator that has developed a breakthrough technology for image-guided treatments for cardiac arrhythmia.

The Group launched an extension to the successful Azurion image-guided therapy platform. Azurion with FlexArm includes innovations for optimal visualisation across the whole patient in 2D and 3D to simplify and enhance a broad range of procedures. Additionally, the Group announced the enrolment of the first patient in the new Stellarex ILLUMENATE Below-the-Knee Investigational Device Exemption study in the U.S.

Financial Performance

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.

Diagnoses & Treatment

Key data in millions of EUR unless otherwise stated

	2017	2018	January to March 2018 ¹⁾	January to March 2019
Sales	6,891	7,245	1,635	1,722
Sales growth				
Nominal sales growth	3%	5%	3%	5%
Comparable sales growth	3%	7%	9%	2%
Income from operations	488	600	22	51
as a % of sales	7.1%	8.3%	1.3%	3.0%
Adjusted EBITA	716	838	81	107
as a % of sales	10.4%	11.6%	5.0%	6.2%

1) The comparative figures have been restated for the realigned composition of the reporting segments. See "Important Notices – Presentation of Financial Information".

In 2018, sales amounted to €7,245 million, 5 per cent. higher than in 2017 on a nominal basis. Excluding a 1.7 per cent. negative currency effect and consolidation impact, comparable sales increased by 7 per cent., reflecting double-digit growth in Image Guided Therapy and Ultrasound and low-single-digit growth in Diagnostic Imaging.

From a geographic perspective, nominal sales in growth geographies increased by 4 per cent. in 2018, while comparable sales showed double-digit growth, driven by double-digit growth in China and Latin America. Sales in mature geographies increased by 6 per cent. on a nominal basis, while comparable sales showed mid-single-digit growth, reflecting mid-single-digit growth in North America, Western Europe and other mature geographies.

Sales in growth geographies increased to €2,416 million in 2018. Sales in Western Europe increased to €1,463 million in 2018. Sales in North America increased to €2,592 million in 2018. Sales in other mature geographies increased to €775 million in 2018.

Income from operations increased to €600 million, or 8.3 per cent. of sales, compared to €488 million, or 7.1 per cent. of sales, in 2017. The year 2018 included €97 million of amortisation charges, compared to €55 million in 2017. These charges mainly relate to intangible assets in Image Guided Therapy. Restructuring and acquisition-related charges to improve productivity were €142 million, compared to €151 million in 2017, which also included the charges related to the acquisition of Spectranetics, as well as charges of €22 million related to portfolio rationalisation measures.

Adjusted EBITA increased by €122 million and the Adjusted EBITA margin improved to 11.6 per cent., mainly due to growth and operational improvements.

In the three months ended 31 March 2019, comparable sales growth was 2 per cent., reflecting double-digit growth in Image-Guided Therapy and a mid-single-digit decline in Diagnostic Imaging. Comparable sales in growth geographies showed double-digit growth, reflecting double-digit growth in China and Latin America. Mature geographies recorded a low-single-digit decline, reflecting flat sales in North America, a low-single-digit decline in other mature geographies

and a high-single-digit decline in Western Europe. Adjusted EBITA increased by €26 million, resulting in a margin of 6.2 per cent., mainly due to operational improvements. Restructuring, acquisition-related and other charges to improve productivity were €30 million, compared to €43 million in the three months ended 31 March 2018.

Connected Care & Health Informatics Businesses¹

Overview

Spanning the entire health continuum, the Connected Care & Health Informatics businesses (as per the 2018 reporting structure) aim to improve patient outcomes, increase efficiency and enhance patient and care-giver satisfaction, driving towards value-based care. The Group's solutions build on its strength in patient monitoring and clinical informatics to improve clinical and economic outcomes in all care settings, within and outside the hospital.

The Group has a deep understanding of clinical care and the patient experience that, when coupled with its consultative approach, allows the Group to be an effective partner for transformation, both across the enterprise and at the level of the individual clinician. The Group delivers services that take the burden off hospital staff with optimised patient and data flow, a smooth integration process, improved workflow, customised training and improved accessibility across its application landscape.

This requires a secure common digital platform that connects and aligns consumers, patients, payers and healthcare providers. The Group's platforms aggregate and leverage information from clinical, personal and historical data to support care providers in delivering first-time-right diagnoses and treatment. The Group continually builds out new capabilities within Philips HealthSuite, which is a cloud-based connected health ecosystem of devices, apps and digital tools, to accomplish just that.

The Group delivers personalised insights by applying predictive analytics and AI across its solutions. As an example, the Group is able to support healthcare professionals caring for elderly patients living independently at home in making clinical decisions and alerting medical teams to potential issues. The Group's integrated and data-driven approach promotes seamless patient care, helps identify risks and needs of different groups within a population and provides clinical decision support.

In 2018, the Connected Care & Health Informatics segment consisted of the following areas of business:

- **Monitoring & Analytics:** is a solutions business enabling smart decision-making for care-givers, administrators and patients, to help control costs, increase efficiency and support better health. Monitoring & Analytics solutions encompass integrated patient monitoring systems for all price levels, wearable biosensors, advanced intelligence platforms providing key insights and clinical decision support to clinicians when and where they need it, for real-time clinical information at the patient's bedside; patient analytics, including diagnostic electrocardiogram data management for improved quality of cardiac care; the electronic intensive care unit ("eICU")/Tele-ICU (intensive care unit) programme. Monitoring & Analytics also includes maintenance, clinical and IT services as well as consumables.
- **Therapeutic Care:** expands access to and quality of respiratory care, resuscitation, and emergency care solutions (including devices, services, and digital/data solutions). Hospital Respiratory Care and Emergency Care & Resuscitation solutions are helping care-givers both inside and outside the hospital, 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; customer service, including clinical, IT, technical and remote customer propositions. In 2018, the Group acquired Remote Diagnostic Technologies, a UK-based leading innovator of advanced solutions for the pre-hospital market providing monitoring, cardiac therapy and data management. Remote Diagnostic Technologies' portfolio of comprehensive connected emergency care solutions complements and strengthens the Group's current range of proven monitoring and therapeutic products and solutions to help emergency medical services, hospitals and lay responders accelerate the delivery of care at the scene.
- **Healthcare Informatics:** This business includes: advanced healthcare IT, clinical and advanced visualisation and quantification informatics solutions for radiology, cardiology and oncology departments; Universal Data Management solutions, Picture Archiving and Communication Systems and fully integrated Electronic Medical Record ("EMR") systems to support healthcare enterprises in optimising health system performance; advanced clinical and hospital IT platforms which are leveraged across the Group. The Group's IntelliSpace

¹ Effective 1 January 2019, Connected Care & Health Informatics was renamed to Connected Care and the composition of the reporting segments was realigned. See "Important Notices – Presentation of Financial Information".

Portal application platform is recognised as industry-leading by KLAS. The Group uses AI at the point of care to optimise the clinician experience, help improve productivity and total cost of ownership, and streamline patient experiences across the clinical pathway. Proof of clinical and economic outcomes, connectivity and cybersecurity are key priorities of the Group's engagement with its customers. The acquisition of interoperability software solutions provider Forcare provides the Group with critical standards and interoperability expertise to interconnect healthcare information systems, share and exchange clinical data, and offer secure and reliable access to digital health information for medical staff and patients across multiple organisations and care settings.

- **Population Health Management:** The Group's services and solutions leverage data, analytics and actionable workflow products for solutions to improve clinical and financial results and increase patient engagement, satisfaction and compliance. These solutions include: technology-enabled monitoring and intervention support outside the hospital (telehealth, remote patient monitoring, personal emergency response systems and care coordination) to improve the experience of elderly people and those living with chronic conditions; actionable programmes to predict risk (including medication and care compliance, outreach, and fall prediction); cloud-based solutions for health organisations to manage population health. Leveraging its acquisitions of Wellcentive, VitalHealth and BlueWillow Systems, the Group's solutions enable health systems to analyse their patient population along clinical and financial criteria, coordinate care outside the hospital, and engage patients in their health. They help drive quality improvement and business transformation for those transitioning to value-based care.

For the year ended 31 December 2018, in the Connected Care & Health Informatics segment, Monitoring & Analytics represented 61 per cent. of total sales, Therapeutic Care represented 17 per cent. of total sales, Healthcare Informatics represented 15 per cent. of total sales and Population Health Management represented 7 per cent. of total sales.

Revenue is earned through the sale of products and solutions, customer services fees and software license fees. Where bundled offerings result in solutions for the Group's customers or offerings are based on number of people being monitored, the Group sees more usage-based earnings models.

Sales channels include a mix of a direct sales force, partly paired with an online sales portal and distributors (varying by product, market and price segment). Sales are mostly driven by a direct sales force with an intimate knowledge of the procedures that use the Group's integrated solutions' smart devices, systems, software and services. The Group works with customers and partners to co-create solutions, drive commercial innovation and adapt to new models such as "monitoring-as-a-service".

Sales at the Group's Connected Care & Health Informatics businesses are generally higher in the second half of the year, largely due to customer spending patterns.

As of 31 December 2018, Connected Care & Health Informatics had 10,517 employees worldwide.

2018 Business Highlights

Building on its strengths in healthcare informatics, the Group entered into a multi-year partnership agreement with St. Andrew's Toowoomba Hospital in Australia for the hospital-wide installation of Philips Tasy and an integrated EMR system improving patient care and safety, hospital management, supply and financials. The Group will fully digitise the hospital's entire care management processes and enable "anytime, anywhere" access to clinical analytics.

The Group partnered with Children's Health in Dallas, one of the top paediatric hospitals in the U.S., to improve paediatric care with its patient monitoring and healthcare informatics solutions.

The Group acquired Remote Diagnostic Technologies, a leading provider of advanced monitoring, cardiac therapy and data management solutions for the prehospital market. Remote Diagnostic Technologies' portfolio will complement the Group's Therapeutic Care business and strengthen its leadership position in the estimated €1.4 billion resuscitation and emergency care market.

Highlighting its leadership in healthcare informatics, IntelliSpace Portal, the Group's advanced data integration, visualisation and analysis platform, was named 2018 Category Leader in the Advanced Visualisation category in the 2018 Best in KLAS: Software & Services report.

The Group and Miami's Jackson Health System, one of the largest public health systems in the U.S., entered into an agreement involving an 'enterprise patient monitoring as a service' business model. This will enable Jackson to standardise patient monitoring at all acuity levels for each care setting across its network for a per-patient fee.

Partnering with Showa University, the Group launched the first tele-intensive care eICU programme in Japan. This delivers near real-time remote patient monitoring and early intervention through predictive analytics and advanced audio-visual technology. It has already been successfully implemented in the U.S., the U.K., Australia and the Middle East.

To expand its leadership in patient monitoring solutions, the Group launched FocusPoint, a web-based operational performance management application for its patient monitoring solutions. The application aggregates, processes and stores statistical and alert information, which are presented on a dashboard for optimal management of the technology.

The Group partnered with the Dana-Farber Cancer Institute to deploy best practices in cancer care. The incorporation of the Institute's Clinical Pathways in the Group's IntelliSpace Oncology Platform will help oncologists reach the most appropriate cancer treatments for patients, based on a unified view of the patient across diagnostic modalities and the embedded knowledge of both partners.

New York-Presbyterian Hospital selected the Group's IntelliSpace Enterprise Edition as its in-hospital clinical decision support platform to help address the "quadruple aim" of improved patient experience, better health outcomes, improved staff experience, and lower cost of care across its sites.

Leveraging its expertise in remote monitoring solutions, the Group partnered with Dartmouth-Hitchcock Health in the U.S. to implement the Group's eICU technology at their hospital sites. Following the success of similar programmes across the globe, Dartmouth-Hitchcock Health is the latest health system to incorporate this telehealth model to improve critical care support across multiple sites.

Financial Performance

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.

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

	<u>2017</u>	<u>2018</u>	<u>January to March 2018¹⁾</u>	<u>January to March 2019</u>
Sales	3,163	3,084	965	1,014
Sales growth				
Nominal sales growth	0%	(2)%	(7)%	5%
Comparable sales growth	3%	0%	2%	(1)%
Income from operations	206	179	61	20
as a % of sales	6.5%	5.8%	6.3%	2.0%
Adjusted EBITA	372	341	119	84
as a % of sales	11.8%	11.1%	12.3%	8.3%

1) The comparative figures have been restated for the realigned composition of the reporting segments. See "Important Notices – Presentation of Financial Information".

In 2018, sales amounted to €3,084 million, a decrease of 2 per cent. on a nominal basis compared to 2017. Excluding a 3 per cent. negative currency effect and consolidation impact, comparable sales remained flat, reflecting low-single-digit growth in Healthcare Informatics while Monitoring & Analytics and Therapeutic Care remained flat year-on-year. Therapeutic Care includes a negative impact from the Consent Decree of 135 basis points.

From a geographic perspective, sales on a nominal basis remained flat in growth geographies in 2018 and on a comparable basis showed high-single-digit growth, reflecting double-digit growth in Latin America and low-single-digit growth in China. Sales in mature geographies decreased by 3 per cent. on a nominal basis and showed a low-single-digit decline on a comparable basis, reflecting high-single-digit growth in Western Europe and mid-single-digit growth in other mature geographies, offset by a mid-single-digit decline in North America.

Sales in growth geographies increased to €460 million in 2018. Sales in Western Europe increased to €554 million in 2018. Sales in North America decreased to €1,774 million in 2018. Sales in other mature geographies increased to €297 million in 2018.

Income from operations in 2018 decreased to €179 million, compared to €206 million in 2017. The year 2018 included €46 million of amortisation charges, compared to €44 million in 2017. These charges mainly related to acquired intangible assets in Population Health Management. Restructuring and acquisition-related charges amounted to €59 million, compared to €91 million in 2017. The year 2018 also included €56 million of charges related to the Consent Decree. 2017 also included €47 million of charges related to quality and regulatory actions, €20 million of charges related to the Consent Decree and a €36 million net release of provisions.

Adjusted EBITA decreased by €31 million and the Adjusted EBITA margin decreased to 11.1 per cent. of sales, mainly due to lower growth and adverse currency impacts.

In the three months ended 31 March 2019, comparable sales showed a low-single-digit decline, reflecting low-single-digit growth in Sleep & Respiratory Care and a mid-single-digit decline in Monitoring & Analytics. Comparable sales in growth geographies showed double-digit growth, reflecting double-digit growth in China and Middle East & Turkey. Mature geographies recorded a low-single-digit decline, reflecting a low-single-digit decline in Western Europe, a mid-single-digit decline in North America and mid-single-digit growth in other mature geographies. Adjusted EBITA decreased by €35 million, resulting in a margin of 8.3 per cent., mainly due to negative growth, adverse currency impacts and tariffs. Restructuring, acquisition-related and other charges were €29 million, compared to €24 million in the three months ended 31 March 2018.

Personal Health Businesses

Overview

The Group's Personal Health businesses (as per the 2018 reporting structure) play an important role on the health continuum, in the healthy living, prevention and home care stages, delivering integrated, connected and personalised solutions that support healthier lifestyles and those living with chronic disease.

Leveraging its 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.

Supported by meaningful innovation and high-impact marketing, the Group is focused on three key objectives:

- growing the Group's core businesses through geographical expansion and increased penetration;
- unlocking business value through direct digital consumer engagement, leading to higher brand preference and recurring revenues; and
- extending the Group's core businesses with innovative solutions and new business models to address unmet consumer needs.

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, in 2018, ResMed in Sleep & Respiratory Care.

In 2018, the Personal Health segment consisted of the following areas of business:

- **Health & Wellness:** oral healthcare, mother and child care.
- **Sleep & Respiratory Care:** healthy sleeping, respiratory care.
- **Personal Care:** male grooming, beauty.
- **Domestic Appliances:** food preparation, home care.

For the year ended 31 December 2018, 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 31 per cent. of total sales and Sleep & Respiratory Care represented 24 per cent. of total sales.

Through its Personal Health businesses, the Group offers a broad range of solutions in various consumer price segments, always aiming to offer and realise premium value. The Group continues to rationalise its portfolio of locally

relevant innovations 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 ecommerce capabilities.

The Group is leveraging connectivity to offer new business models, partnering with other participants in the health ecosystem with the goal of extending opportunities for people to live healthily, prevent or manage disease. The Group is engaging with consumers in their health journey in new and impactful ways through social media and digital innovation. For example, with the introduction of the Philips Sonicare Solutions Teledentistry Service in 2018, the Group's Sonicare complete oral care solution has become even more wide-reaching, enabling professional, remote dental consultations. The Philips Sonicare app acts as a 'virtual hub' for personal oral healthcare, helping users to manage their complete oral care on a daily basis and share brushing data with their dental practitioners, putting personalised guidance and advice at their fingertips.

The Group's wide portfolio of connected consumer health platforms, such as its Sonicare dental solutions and its Dream Family sleep care solution, leverages Philips HealthSuite, a cloud-enabled connected health ecosystem of devices, apps and digital tools that enable personalised health and continuous care.

The revenue model is mainly based on product sale at the point in time the products are delivered to the end-user or wholesalers or distributors. In Sleep & Respiratory Care, revenue is generated both through product sales and through rental models whereby revenue is generated over time.

Under normal economic conditions, the Group's Personal Health businesses experience seasonality, with higher sales around key national and international events and holidays.

As of 31 December 2018, Personal Health employed 22,471 people worldwide.

2018 Business Highlights

In line with its focus on innovation, the Group launched the new Philips Sonicare ProtectiveClean power toothbrush in North America, with further roll-out around the world. This introduction will further boost the profitable growth of the Oral Healthcare business.

The Group completely renewed the high-end range of its leading male grooming portfolio with the introduction of the Series 9000 Prestige shaver, which cuts facial hair feeling as close as a wet blade, while being very gentle on the skin. In 2018, over one billion shavers were sold, a landmark achievement by the Group's Personal Care business.

The Group continued the roll-out of its OneBlade male grooming innovation, adding another 10 countries, with many more to follow.

At IFA 2018, the Group introduced the High-Speed Connected Blender, which can help people achieve specific health goals, such as boosting their energy, reducing their sugar and calorie intake, or increasing their general well-being.

The app Pregnancy+ by Philips Avent is designed to support a healthy full-term pregnancy plus a safe delivery and gives expectant parents a comprehensive guide through all stages of pregnancy.

The Group's Sleep & Respiratory Care business continues to gain traction for its leading home ventilation offerings, such as the new Trilogy Evo ventilator platform, a portable life support solution designed to stay with patients as they change care environments. Integrated with Care Orchestrator, the Groups' sleep and respiratory care cloud-based management system, Trilogy Evo will help to ease the burden of managing chronic conditions such as Chronic Obstructive Pulmonary Disease by allowing physicians, clinicians, and care providers to collaborate and coordinate care from hospital to home by storing their patient prescription and therapy information in a single secure location.

The Group acquired NightBalance, a digital health scale-up company based in the Netherlands that has developed an innovative, easy-to-use device to treat positional obstructive sleep apnoea and positional snoring.

At the Consumer Electronics Show 2018, the Group introduced SmartSleep, the world's first and only clinically proven wearable solution for consumers to improve deep sleep quality for people who do not get enough sleep. SmartSleep joins the Group's growing portfolio of smart digital platforms and intelligent solutions that give consumers data-driven insights into their health and access to professional expertise and advice.

Highlighting the success of its patient-centric product designs in sleep care, the Group has sold more than 10 million DreamWear CPAP masks and cushions in just three years after the Dream Family platform introduction, growing the DreamWear patient interface sales faster than the market.

Financial Performance

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.

Personal Health

Key data in millions of EUR unless otherwise stated

	2017	2018	January to March 2018 ¹⁾	January to March 2019
Sales	7,310	7,228	1,238	1,295
Sales growth				
Nominal sales growth	3%	(1)%	(6)%	5%
Comparable sales growth	6%	3%	3%	5%
Income from operations	1,075	1,045	171	168
as a % of sales	14.7%	14.5%	13.8%	13.0%
Adjusted EBITA	1,221	1,215	181	190
as a % of sales	16.7%	16.8%	14.6%	14.7%

1) The comparative figures have been restated for the realigned composition of the reporting segments. See "Important Notices – Presentation of Financial Information".

In 2018, sales amounted to €7,228 million, a nominal decrease of 1 per cent. compared to 2017. Excluding a 4 per cent. negative currency effect and consolidation impact, comparable sales were 3 per cent. higher year-on-year, reflecting high-single-digit growth in Sleep & Respiratory Care and low-single-digit growth in Personal Care and Domestic Appliances, while Health & Wellness remained flat year-on-year.

Sales in growth geographies decreased 1 per cent. on a nominal basis in 2018 and on a comparable basis showed high-single-digit growth, reflecting double-digit growth in Central & Eastern Europe, high-single-digit growth in Latin America, and low-single-digit growth in Middle East & Turkey. Sales in mature geographies decreased 1 per cent. on a nominal basis and on a comparable basis showed low-single-digit growth, reflecting high-single-digit growth in other mature geographies, flat sales in North America, and a low-single-digit decline in Western Europe.

Sales in growth geographies decreased to €2,901 million in 2018. Sales in Western Europe decreased to €1,797 million in 2018. Sales in North America decreased to €1,894 million in 2018. Sales in other mature geographies increased to €636 million in 2018.

Income from operations in 2018 decreased to €1,045 million, or 14.5 per cent. of sales, compared to €1,075 million, or 14.7 per cent. of sales, in 2017, mainly due to a €18 million charge related to the conclusion of the European Commission investigation into retail pricing and higher restructuring and acquisition-related charges. The year 2018 included €126 million of amortisation charges, compared to €135 million in 2017. These charges mainly relate to intangible assets in Sleep & Respiratory Care. Restructuring and acquisition-related charges were €26 million, compared with €11 million in 2017. Adjusted EBITA decreased by €6 million, while the Adjusted EBITA margin improved to 16.8 per cent., mainly due to operational improvements offset by adverse currency impacts.

In the three months ended 31 March 2019, comparable sales grew 5 per cent., reflecting double-digit growth in Oral Healthcare and low-single-digit growth in Personal Care and Domestic Appliances. Comparable sales in growth geographies showed low-single-digit growth, reflecting double-digit growth in India and a mid-single-digit decline in Middle East and Turkey. Mature geographies recorded high-single-digit growth, reflecting high-single-digit growth in Western Europe, low-single-digit growth in North America and double-digit growth in other mature geographies. Adjusted EBITA increased by €9 million, resulting in a margin of 14.7 per cent., mainly due to growth, partly offset by investments. Restructuring, acquisition-related and other charges amounted to €16 million, compared to €2 million in the three months ended 31 March 2018.

Other

Overview

In the Group's external reporting on Other it reports on the items Innovation & Strategy, IP Royalties, Central costs, and other small items.

Innovation & Strategy

The Innovation & Strategy organisation includes, among others, the Chief Technology Office ("CTO"), Research, HealthSuite Platforms, the Chief Medical Office, Product Engineering, Design, Strategy, and Sustainability. The Group's Innovation Hubs are in Eindhoven (Netherlands), Cambridge (USA), Bangalore (India) and Shanghai (China).

Innovation & Strategy, in collaboration with the operating businesses and the markets, is responsible for directing the Group strategy, in line with the Group's growth and profitability ambitions.

The Innovation & Strategy function facilitates innovation from 'idea' to 'market' ("I2M") as co-creator and strategic partner for the Group's businesses, markets and partners. It does so through cooperation between research, design, marketing, strategy and businesses in interdisciplinary teams along the innovation chain, from exploration and advanced development to "first-of-a-kind" proposition development. In addition, it opens up new value spaces beyond the direct scope of current businesses through internal and external venturing, manages the Group-funded R&D portfolio, and creates synergies for cross-segment initiatives and integrated solutions.

Innovation & Strategy actively participates in Open Innovation through relationships with academic, clinical, industrial partners and start-ups, as well as via public-private partnerships. It does so in order to improve innovation speed, effectiveness and efficiency; to capture and generate new ideas, and to leverage third-party capabilities. This may include sharing the related financial exposure and benefits.

Finally, Innovation & Strategy sets the agenda and drives continuous improvement in the Group's product and solution portfolio, the efficiency and effectiveness of innovation, the creation and adoption of (digital) platforms, and the uptake of high-impact technologies such as data science, AI and the "Internet of Things".

CTO and Product Engineering Organisation

The CTO and Product Engineering organisation is a group of innovation teams that orchestrates innovation across the Group's businesses and markets, initiating innovations that disrupt and cross boundaries in health technology to address opportunities for better clinical and economic outcomes and support the associated transformation of the Group into a digital solutions company. It encompasses the following organisations:

- **Innovation Management**, responsible for end-to-end innovation strategy and portfolio management, integrated roadmaps linked to solutions, "New Business Creation Excellence" (the creation of new, innovation-led business ventures), R&D competency management, innovation performance management and public funding programmes.
- **Philips Research**, the co-creator and strategic partner of the Group's businesses, markets and complementary open innovation ecosystem participants, driving front-end innovation and clinical research at sites across the globe.
- **Philips HealthWorks**, responsible for accelerating breakthrough innovation. HealthWorks incubates early-stage ventures and engages with the external start-up ecosystem.
- **I2M Excellence** is a global programme driven centrally to improve and harmonise the Group's capabilities, processes and tools.
- **The Chief Architect Office**, responsible for defining, steering and ensuring compliance and uptake of the Philips HealthSuite architecture for configurable and interoperable digital propositions.
- **The Software and System Engineering Centres of Excellence**, driving adoption of industry best practices in writing and maintaining application-level software, modular and configurable system design and model-based system engineering.

- **Philips Innovation Services** provides hardware and embedded software development and engineering, technology consulting, and low-volume specialised manufacturing.

Philips HealthSuite

Philips HealthSuite constitutes the Group’s common digital framework that connects consumers, patients, healthcare providers, payers and partners in a cloud-based connected health ecosystem of devices, apps and tools.

- **HealthSuite Digital Platform (“HSDP”)** is the secure Philips cloud and “Internet of Things” solution that forms the basis for the Group’s digital software stack, with key functionalities including hosting, authorisation, connecting, storing, sharing, and analysis of data and applications. New functionality is continuously being added to the platform, such as building blocks for federated data management, workflow management, and patient engagement.
- **HealthSuite Premise** is the recently launched extension of HSDP to form a hybrid-cloud solution, offering more flexibility in deployment and implementation.

The Philips HealthSuite Platforms are managed and orchestrated across Innovation & Strategy and all Group businesses. The majority of professional and consumer-oriented digital propositions offered by the Group leverage HealthSuite, and there is also a growing number of third-party customers doing the same.

Innovation Hubs

To drive innovation effectiveness and efficiency, and to enable locally relevant solution creation, the Group has established four Innovation Hubs: Eindhoven (Netherlands), Cambridge (U.S.), Bangalore (India) and Shanghai (China). Each Hub includes a combination of technical, design and clinical capabilities, representing Group Innovation & Strategy, selected R&D groups from the Group’s businesses, market innovation teams and other functions. These Hubs, where most of the Group Innovation & Strategy organisation is concentrated, complement the business-specific innovation capabilities of the Group’s R&D centres that are integrated in the Group’s global business sites.

- **Philips Innovation Centre Eindhoven** is the Group’s largest cross-functional Innovation Hub worldwide, hosting the global headquarters of many of the Group’s innovation organisations as well as many collaboration partnerships. Many of the Group’s core research programmes are run from here.
- **Philips Innovation Centre Cambridge, U.S.** is focused on Data Science and AI, among other things. Being within close proximity to the Massachusetts Institute of Technology campus and clinical collaboration partners allows researchers to collaborate easily on jointly defined research programmes, validate clinical relevance, as well as to participate in Open Innovation projects.
- **Philips Innovation Centre Bangalore** hosts activities from most of the Group’s operating businesses, Research, Design, IP & Standards, and IT. This is the Group’s largest software-focused site, with over 3,500 engineers. The Centre works with growth geographies to build market-specific solutions, and several businesses have also located business organisations focusing on growth geographies at the site.
- **Philips Innovation Centre Shanghai** combines digital innovation, research and solutions development for the China market, while several of its locally relevant innovations are also finding their way globally.

Alongside the hubs, where most of the central Innovation & Strategy organisation is concentrated together with selected business R&D and market innovation teams, the Group continues to have significant, more focused innovation capabilities integrated into key technology centres at the Group’s other global business sites.

Chief Medical Office

The Chief Medical Office is responsible for clinical innovation and strategy, hospital economics, clinical evidence and market access, as well as medical thought leadership, with a focus on the “quadruple aim” and value-based care. This includes engaging with stakeholders across the health continuum to extend the Group’s leadership in health technology and acting 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 Group’s objectives across the health continuum, its activities include strategic guidance built on 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.

Philips Design

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

Philips Design partners with stakeholders across the organisation to develop methodologies and enablers to define value propositions, implement data-enabled design tools and processes to create meaning from data and leverage "Co-create" methodologies to define solutions. The Group's "Co-create" approach facilitates collaboration with customers and patients to create solutions that are tailored specifically to the challenges facing them, as local circumstances and workflows are key ingredients in the successful implementation of solutions.

To ensure that the Group connects end users along the health continuum it creates a consistent experience across all touchpoints. A key enabler for this is a consistent and differentiating design language that applies to software, hardware and services across the Group's operating businesses. In recognition of its continued excellence, Philips Design received 141 awards in 2018.

Emerging Businesses

Emerging Businesses is a business group in emerging spaces with a mission to bring intelligence to diagnosis in pathology and neurology and to guide therapy. It includes:

- **Digital & Computational Pathology:** digitises diagnosis in anatomic pathology and uses AI to aid detection of disease and progression to reduce inter-observer variability and improve outcomes. The Issuer is involved in the area of routine primary diagnosis using Digital Pathology and the only company in the market to have an FDA-approved solution for primary diagnosis.
- **Philips Neuro:** focuses on a mission to advance neuroscience for better care. The business provides an integrated neurology solution comprising full head high definition electroencephalography with diagnostic imaging to map brain activity and anatomy for a wide range of neuro disorders, and uses machine learning to improve diagnosis of various neuro disorders.

IP Royalties

The Group's Intellectual Property & Standards ("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.

The Issuer's total IP portfolio currently consists of 65,000 patent rights, 39,400 trademarks, 61,300 design rights and 3,200 domain names. The Group filed 1,120 new patents in 2018, with a strong focus on the growth areas in health technology services and solutions.

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. Licence fees and royalties are earned on the basis of usage, or fixed fees over the term of the contract.

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 Group recharges the directly attributable part of the central costs to the business segments. The remaining part includes the Executive Committee, Brand Management and Sustainability, as well as functional services such as IT and Real Estate.

Financial Performance

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.

Other

Key data in millions of EUR unless otherwise stated

	2017	2018	January to March 2018 ¹⁾	January to March 2019
Sales	416	564	103	120
Income from operations	(252)	(105)	(52)	6
Adjusted EBITA	(157)	(28)	(37)	(18)

1) The comparative figures have been restated for the realigned composition of the reporting segments. See “Important Notices – Presentation of Financial Information”.

In 2018, sales amounted to €564 million, compared to €416 million in 2017. The increase was mainly due to higher IP royalty income and revenue from innovation. Following deconsolidation at the end of November 2017, license income from Signify is reported as third-party sales.

In Other the Group reports on the items Innovation, IP Royalties, Central costs and Other. In 2018, Income from operations totalled €(105) million, compared to €(252) million in 2017. The year 2018 included: restructuring and acquisition-related charges of €31 million; a gain related to divestments; a release related to a legal provision; a gain related to movements in environmental provisions. The year 2017 included: restructuring and acquisition-related charges of €64 million; a €59 million gain on the sale of real estate assets; €31 million of charges related to the separation of Signify; €26 million of provisions related to the CRT litigation in the U.S.; €15 million of costs related to environmental provisions; €14 million of stranded costs related to the combined Lumileds and Automotive businesses.

Adjusted EBITA increased by €129 million compared to 2017, mainly due to higher IP royalty income and revenue from innovation.

In the three months ended 31 March 2019, sales increased by €17 million, mainly due to higher IP royalty income. Restructuring, acquisition-related and other charges amounted to €9 million, compared to €14 million in the three months ended 31 March 2018. EBITA in the three months ended 31 March 2019 also includes a charge related to a litigation provision and a gain related to the sale of the Photonics business in Germany.

Environmental Performance

Green Innovation

Green Innovation is the Group’s R&D investment related to the development of new generations of “Green Products and Solutions” and “Green Technologies”.

Sustainable Innovation is the Group’s R&D investment related to the development of new generations of products and solutions that address the United Nations’ Sustainable Development Goals 3 (“to ensure healthy lives and promote well-being for all at all ages”) or 12 (“to ensure sustainable consumption and production patterns”). With regard to Sustainable Innovation investment, the Group set a target of €7.5 billion (cumulative) for the period 2016-2020 as part of the ‘Healthy people, Sustainable planet’ programme.

In 2018, the Group invested €228 million in Green Innovation and some €1.4 billion in Sustainable Innovation.

Diagnosis & Treatment businesses

The Group develops innovative diagnosis and treatment solutions that support precision diagnosis and effective, minimally invasive interventions and therapy, while respecting the boundaries of natural resources. Investments in Green Innovation in 2018 amounted to €101 million, broadly in line with 2017. All Group Green Focal Areas are taken into account as the Group aims to reduce environmental impact over the total lifecycle. Energy efficiency is an area of focus, especially for the Group’s large imaging systems such as MRI. The Group also pays particular attention to enabling upgrading pathways, so its customers can benefit from enhancements in workflow, dose management and imaging quality with the equipment they already own. The Group’s Diagnosis & Treatment businesses actively support

a voluntary industry initiative to improve the energy efficiency of medical imaging equipment. Moreover, the Group is actively partnering with multiple leading care providers to look together for innovative ways to reduce the environmental impact of healthcare, for example by maximising energy-efficient use of medical equipment and optimising lifecycle value. Additionally, the Group aims to apply this approach to all large medical equipment that becomes available to it by the end of 2020, and to extend circular practices to all medical equipment by 2025. To achieve this target, the Group will actively drive trade-ins in markets where de-install, trade-in and reverse logistics capabilities are in place, and build these capabilities in countries that do not yet have them.

Connected Care & Health Informatics businesses

The Group's connected health IT solutions 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 e-health solutions can reduce the travel-related carbon footprint of healthcare, increase efficiency in hospitals, and improve access to care and outcomes. Investments in Green Innovation in 2018 amounted to €36 million, in line with previous years. Some large Green Innovation projects will deliver new green patient monitors and ventilators in 2019, with lower environmental footprints reflecting all the Group Green Focal Areas. Energy efficiency and material reduction are the main areas of focus.

Personal Health businesses

The continued high level of R&D investments at the Group's Personal Health businesses is also reflected in the Green Innovation investment, which amounted to €86 million in 2018, compared with €91 million in 2017. Green Innovation investment in 2017 included a sizeable project in Oral Healthcare, resulting in a series of new Green Products in 2018. The Personal Health businesses continued their work on improving the energy efficiency of their products, closing the materials loop (for example, by using recycled materials in products and packaging) and the voluntary phase-out of polyvinyl chloride ("**PVC**"), brominated flame retardants ("**BFR**"), Bisphenol A and phthalates from, among others, food contact products. Mother & Child Care introduced a reusable sterilisation box for soothers, eliminating the need for separate packaging. In the Group's OneBlade shaver range, further progress was made in transitioning the Group's packaging to include recycled materials.

Other

The segment Other invested €5 million in Green Innovation, spread over projects focused on global challenges relating to water, air, energy, food, Circular Economy, and access to affordable healthcare. One example is the Contrast agent-free project, which is aimed at enhancing MRI imaging applications in oncology by eliminating the use of external Gadolinium-based contrast agent. This is expected to have large benefits in terms of patient management, safety, access, healthcare and environmental cost.

Circular Economy

For a sustainable world, the transition from a linear to a circular economy is essential. A circular economy aims to decouple economic growth from the use of natural resources and ecosystems by using these resources more effectively. It is a driver of innovation in the areas of material, component and product re-use, as well as new business models such as system solutions and services. By 2020, the Group wants 15 per cent. of its revenues to come from circular products and services, and it wants to send zero waste to landfill in its own operations. At the beginning of 2018, the Group added a pledge to take back and repurpose all the large medical systems equipment (for example, MRI and CT scanners) that its customers are prepared to return to it, and to extend those practices across the Group's professional portfolio by 2025. In 2018, after pilot projects in Italy and Greece, the Group successfully launched the roll-out of a global programme to achieve its ambitious circular economy goal, together with metrics to monitor progress.

Green Revenues

Green revenues ("**Green Revenues**") are revenues generated through products and solutions which offer a significant environmental improvement in one or more Green Focal Areas: Energy efficiency, Packaging, Hazardous substances, Weight, Circularity, and Lifetime reliability. Green Revenues increased to €11.5 billion in 2018, or 63.7 per cent. of sales (60.2 per cent. in 2017), thereby reaching a record level for the Group.

Through its EcoDesign process the Group aims to create products and solutions that have significantly less impact on the environment during their whole lifecycle. Overall, the most significant improvements have been realised in energy efficiency, although there was also growing attention for hazardous substances and recyclability in all segments in 2018, the latter driven by the Group's Circular Economy initiatives.

Diagnosis & Treatment businesses

In 2018, the Group's Diagnosis & Treatment businesses maintained their Green Product and Solutions portfolio with redesigns of various Green Products with further environmental improvements. These products improve patient outcomes, provide better value, and help secure access to high-quality care, while reducing environmental impact. A good example is BlueSeal magnet technology, which is designed to reduce lengthy and costly disruptions in MRI practice, and help healthcare facilities transition to more productive and sustainable helium-free operations. In 2018 the Group received third-party confirmation that the 2017 Group portfolio of 1.5T MRI scanners leads the industry in terms of energy efficiency according to the European Coordination Committee of the Radiological, Electromedical and Healthcare IT Industry Self-Regulatory Initiative methodology.

Connected Care & Health Informatics businesses

The Group's Connected Care & Health Informatics businesses maintained their Green Product and Solutions portfolio in 2018.

Personal Health businesses

The Group's Personal Health businesses focus on Green Products and Solutions which meet or exceed the Group's minimum requirements in the areas of energy consumption, packaging, and substances of concern. Green Revenues in 2018 amounted to 62 per cent. of total sales, compared to 58 per cent. in 2017. All the Group's new consumer Green Products with rechargeable batteries (like toothbrushes, shavers, and grooming products) outperform the world's most stringent energy efficiency norm set by the U.S. Federal government. With the introduction of the new Philips Sonicare DiamondClean toothbrush the Green Revenue percentage in the Oral Healthcare portfolio increased significantly, to over 88 per cent. The Group continues to make steady progress in developing PVC/BFR-free products. More than 74 per cent. of the Group's consumer product sales consist of PVC/BFR-free products, with the exception of the power cords, for which there are not yet economically viable alternatives available. In 2018 the Group introduced the PVC- and BFR-free SpeedPro Max vacuum cleaner. In the remaining 26 per cent. of consumer product sales, PVC/BFR has already been phased out to a significant extent, though not yet entirely.

Organisational Structure

Set out below is a list of material subsidiaries as at 31 December 2018 representing greater than 5 per cent. of either the consolidated group Sales, Income from operations or Income from continuing operations (before any intra-group eliminations) of Group legal entities. All of the entities are fully consolidated in the Issuer's financial statements.

Legal entity name	Principal country of business	Ownership (%)
Philips (China) Investment Company, Ltd.	China	100
Philips Medizin Systeme Böblingen GmbH	Germany	100
Philips GmbH	Germany	100
Philips Consumer Lifestyle B.V.	The Netherlands	100
Philips Medical Systems Nederland B.V.	The Netherlands	100
Philips Ultrasound, Inc.	United States	100
Philips Oral Healthcare, LLC	United States	100
Philips North America LLC	United States	100
Respironics, Inc.	United States	100

As of 31 December 2018, six consolidated subsidiaries are not wholly owned by the Issuer (31 December 2017: four). In 2018, Sales to third parties and Net income for these subsidiaries in aggregate are €627 million and €27 million respectively.

The Issuer has investments in a number of associates. None of them are regarded as individually material. During 2018, the Issuer purchased ten investments in associates, which involved an aggregated amount of €107 million.

The Issuer founded three Philips Medical Capital ("PMC") entities, in the U.S., 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 U.S., PMC operates as a subsidiary of De Lage Landen Financial Services, Inc. The same structure 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 control and does not retain any obligations towards PMC or its customers, from the sales contracts.

At 31 December 2018, the Issuer's stake in Philips Medical Capital, LLC had a carrying value of €24 million (31 December 2017: €29 million). The Issuer does not have any material exposures to losses from interests in unconsolidated structured entities other than the invested amounts.

Share Capital and Ownership

The Dutch Act on Financial Supervision 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 per cent. (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 relates not only 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 the Issuer of such disclosures 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.

As at 13 May 2019, the AFM register shows the following notifications 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 (as of 5 January 2017); and Capital Research and Management Company / Capital Group International Inc.: 3.03 per cent. of the voting rights (as of 30 November 2018). The AFM register also shows a notification by the Issuer of a substantial holding of 4.42 per cent. in its own share capital (no voting rights) (as of 29 April 2019).

As of 31 December 2018, authorised common shares consist of 2 billion shares (31 December 2017: 2 billion) and the issued and fully paid share capital consists of 926,195,539 common shares, each share having a par value of €0.20 (31 December 2017: 940,909,027).

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 Annual 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 that 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 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. The same applies in the case of re-appointment, which is possible for consecutive terms of four years. 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.

Name	Year of Birth	Position	Positions outside the Issuer
Frans van Houten ¹⁾	1960	Chief Executive Officer (CEO) Chairman of the Board of Management and the Executive Committee	Served as Co-Chair at the World Economic Forum in Davos in 2017. Currently co-chair of the World Economic Forum Platform to Accelerate the Circular Economy. Member of the European Round Table of Industrialists. Co-founder and advocate of NL2025, a platform of Dutch influencers who support initiatives to create a better future for the Netherlands in the areas of education, sustainable growth and a vital society. Appointed a member of the Board of Directors of Novartis in February 2017. Served as chairman of the Supervisory Board of the Erasmus University Trust Fund.
Abhijit Bhattacharya ¹⁾	1961	Executive Vice President Chief Financial Officer (CFO)	Previously, Head of Investor Relations of the Issuer, CFO of Philips Healthcare, CFO of Philips Lighting N.V., Head of Operations & Quality at ST-Ericsson, the joint venture of ST Microelectronics and Ericsson, and CFO of NXP's largest business group.
Roy Jakobs	1974	Executive Vice President Chief Business Leader Personal Health	Previously, Chief Marketing Officer for Philips Lighting N.V. (now Signify), held various management positions at Royal Dutch Shell in their retail businesses and was Managing Director of Reed Elsevier
Sophie Bechu	1960	Executive Vice President Chief of Operations	Previously Vice President, Strategic Outsourcing, North America Delivery at IBM.
Rob Cascella	1954	Executive Vice President Chief Business Leader Precision Diagnosis	Previously, president and CEO at Hologic.
Marnix van Ginneken ¹⁾	1973	Executive Vice President Chief Legal Officer	Previously, in-house lawyer for Akzo Nobel and prior to that an attorney in a private practice. Currently a part-time Professor of International Corporate Governance at the Erasmus School of Law in Rotterdam. Currently a board member of the American Chamber of Commerce in the Netherlands, the

			Association of listed Companies (Vereniging Effecten Uitgevende Ondernemingen (VEUO)), the Dutch Lawyers Association (Nederlandse Juristen Vereniging (NJV), and the Grotius Academy Foundation (Stichting Grotius Academie).
Andy Ho	1961	Executive Vice President Market Leader of Philips Greater China	Previously held sales, technology and senior management roles at IBM and was also a member of the IBM Group's Global Technology Team Committee and Global Strategy Team Committee.
Henk Siebren de Jong	1964	Executive Vice President Chief of International Markets	Member of the Board of Philips Capital N.V. Previously, held a number of leadership roles in the Group's former Consumer Lifestyle businesses in Europe and Asia. Currently teaches digital transformation management at ISE Business School in São Paulo and IESE Business School in Barcelona.
Ronald de Jong	1967	Executive Vice President Chief Human Resources Officer, Chairman Philips Foundation	Was appointed Distinguished Professor of Practice in Business at the School of Economics and Management of Tilburg University in July 2017. Currently a member of the Supervisory Board of SNV, an international not-for-profit organisation based in the Netherlands.
Carla Kriwet	1971	Executive Vice President Chief Business Leader Connected Care	Member of the Supervisory Board of Zeiss AG and Save the Children, Germany.
Vitor Rocha	1969	Executive Vice President Market Leader of Philips North America	Previously, held leadership positions at GE. Is currently a board member of the Advanced Medical Technology Association (AdvaMed) and is active in the Health Management Academy.
Jeroen Tas	1959	Executive Vice President Chief Innovation and Strategy Officer	Previously, co-founded and served as President, COO and Vice-Chairman of the board for MphasiS, an IT and Business Process Outsourcing company. Previously, head of Transaction Technology, Inc. (Citigroup's tech lab) and was Vice President and General Manager at EDS.
Bert van Meurs	1961	Executive Vice President Chief Business Leader Image Guided Therapy	–

1) Member of the Board of Management

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:

Name ⁵⁾	Year of Birth	Positions outside the Issuer
Jeroen van der Veer ^{2) 3)}	1947	Former Chief Executive and Non-executive Director of Royal Dutch Shell. Member of the Supervisory Board of Royal Boskalis Westminster N.V. and Statoil ASA. Chairman of the Supervisory Council of Delft University of Technology. Chairman of Het Concertgebouw Fonds (foundation). Also a senior advisor at Mazarine Energy B.V..
Neelam Dhawan ¹⁾	1959	Former Vice President - Asia Pacific & Japan - Global Industries and Strategic Alliances Hewlett Packard Enterprise. Currently non-Executive Board Member of ICICI Bank Limited.
Orit Gadiesh ^{1) 2)}	1951	Currently Chairman of Bain & Company and member of the Foundation Board of the World Economic Forum. Also a member of the United States Council of Foreign Relations.
Marc Harrison ⁴⁾	1964	Currently President and Chief Executive Officer of Intermountain Healthcare. Former Chief of International Business Development for Cleveland Clinic and Chief Executive Officer of Cleveland Clinic Abu Dhabi.
Christine Poon ^{2) 3) 4)}	1952	Former Vice-Chairman of Johnson & Johnson's Board of Directors and Worldwide Chairman of the Pharmaceuticals Group and former dean of Ohio State University's Fisher College of Business. Currently member of the Board of Directors of Prudential, Regeneron and Sherwin Williams.
David Pyott ^{1) 4)}	1953	Former Chairman and Chief Executive Officer of Allergan, Inc.. Currently Lead Director of Avery Dennison Corporation. Member of the Board of Directors of Alnylam Pharmaceuticals Inc., BioMarin Pharmaceutical Inc. and privately held Rani Therapeutics, and Chairman of Bioniz Therapeutics. 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.
Paul Stoffels	1950	Currently Vice Chair of the Executive Committee and Chief Scientific Officer at Johnson & Johnson. Previously, Worldwide Chair of Pharmaceuticals at Johnson & Johnson, CEO of Virco and Chairman of Tibotec.

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

5) The Annual General Meeting of Shareholders of the Issuer held on 9 May 2019 approved a proposal to appoint Ms E. Doherty as member of the Supervisory Board with effect from 1 August 2019

Material Contracts

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 sustainability score will be used as the benchmark against which performance improvements will be assessed.

The RCF has a maturity date of 21 April 2024, and can be used for general corporate purposes. At present, no amounts under the RCF have been drawn down.

Legal and Arbitration Proceedings

Certain 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, 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 Group is of the opinion that the cases described below may have, or have had in the recent past, a significant impact on the Group’s consolidated financial position, results of operations and cash flows.

Cathode Ray Tube (“CRT”) Antitrust Litigation

Starting in 2007, competition law authorities in several jurisdictions had commenced investigations into possible anticompetitive activities in the Cathode Ray Tubes, or CRT industry. On 5 December 2012, this led to a European Commission decision imposing fines on (former) CRT manufacturers including certain Group companies. The European Commission imposed a fine of €313 million on certain Group companies and a fine of €392 million jointly and severally on certain Group companies 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 Group appealed the decision of the European Commission with the General Court and later with European Court of Justice. These appeals were denied on 9 September 2015 and 15 September 2017, respectively. No further appeals are pending.

United States and Canada

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 certain Group companies 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. In addition, the state attorneys general of California, Florida, Illinois, Oregon and Washington filed actions against certain Group companies and other defendants seeking to recover damages on behalf of the states and, acting as *parens patriae*, their consumers.

All actions have been settled or otherwise resolved. The indirect purchaser settlement that was approved by the United States District Court for the Northern District of California in 2016 is now again pending before the District Court after it had been remanded to the District Court by the Ninth Circuit Court of Appeals in February 2019.

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. In 2017, a settlement has been reached for all three proposed class actions which was approved by the courts in 2018.

Other jurisdictions

In 2014, certain Group companies were named as defendants 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 certain Group companies and several co-defendants with a court in the Netherlands and Turkey, also seeking compensation for the alleged damage sustained as a result from the alleged anticompetitive activities in the CRT industry. In 2015 and 2016, certain Group companies became involved in further civil CRT antitrust litigation with previous CRT customers based in the United Kingdom, Germany, Brazil and Denmark. In 2018, a case in Germany and in Denmark were settled while two new cases were brought in the United Kingdom.

Currently, two cases are pending before the Dutch courts (one of which is also subject to parallel proceedings in Turkey), one case pending before the Israeli court, two cases are pending before the German courts and three cases have been filed in the United Kingdom. Except for the case in Israel where the plaintiffs are a purported class of consumers, all plaintiffs are television or monitor manufacturers who acquired either CRT's to be integrated in their finished products or original equipment manufacturer monitors containing CRT's. In all cases, the same substantive allegations about anticompetitive activities in the CRT industry are made and damages are sought. Despite prior settlements, the Group has concluded that due to the specific circumstances in the cases that settled and the particularities and considerable uncertainty associated with the remaining matters, based on current knowledge, potential losses cannot be reliably estimated with respect to these matters.

Claim LG Electronics, Inc (“LGE”)

In connection with the CRT matter, the Group was served with a claim filed by LGE in the Seoul Central District Court on 29 January 2019. LGE claims restitution of €64.6 million, representing a portion of the fine that LGE paid to the European Commission relating to the joint venture LG.Philips Displays, for which LGE and the Group were jointly and severally liable. LGE alleges that based on the manner in which the fine was calculated, the Group should have paid proportionately more than it currently has.

Connected Care & Health Informatics

On 4 July 2018, the Public Prosecution Service in Rio de Janeiro and representatives from the Brazilian antitrust authority (CADE) inspected the offices of more than 30 companies, including certain Group companies, in São Paulo. The Brazilian authorities are conducting an investigation into tender irregularities in the medical device industry. The Group has also received inquiries from certain U.S. authorities in respect of this matter.

Personal Health

In April 2017, the Group received a Civil Investigative Demand (“CID”) out of the U.S. Attorney’s Office in Northern District of Iowa. The CID relates to an evaluation of the appropriateness of certain sleep and respiratory care equipment financing programmes available for Respiroics’ products. In addition, in late 2017, the Group received an information request from the Department of Justice regarding the relationship between Respiroics’ business and certain sleep centres that use Respiroics’ products. In 2018, the Group has provided the requested information to the U.S. government and is awaiting next steps. The Group has not been advised that any claim has been asserted by the U.S. government in connection with these matters and it continues to cooperate fully in both inquiries.

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 Group’s consolidated financial position, results of operations and cash flows.

Recent Developments

Signify Sell-Down

In September 2014, the Group announced its plan to sharpen its strategic focus by establishing two standalone companies focused on the HealthTech and Lighting opportunities respectively. A stand-alone structure was established for lighting activities within the Group, effective 1 February 2016. On 27 May 2016, Philips Lighting (renamed Signify in 2018) was listed and started trading on Euronext in Amsterdam under the symbol ‘LIGHT’. Following the listing of Signify, the Issuer retained a 71.23 per cent. stake.

In 2017, the Issuer successfully completed three accelerated book-build offerings to institutional investors of 65.35 million shares in Signify, reducing the Issuer’s stake in the issued share capital to 29.01 per cent. by the end of 2017.

The first two transactions in February and April 2017 involved 48.25 million shares. In April 2017, the Issuer concluded that a “loss of control” from an accounting perspective could occur due to the further sell down of the remaining shares

within one year. Accordingly, from that date the lighting activities (substantially representing Signify shares) were presented as a discontinued operation.

In November 2017, by selling another 17.1 million shares, the Issuer lost control, resulting in the deconsolidation of Signify.

In February 2018, the Issuer successfully completed a fourth accelerated book-build offering to institutional investors of 16.22 million shares in Signify. During that year, the Issuer sold Signify shares in the open market, reducing its shareholding to 16.5 per cent. of Signify's issued share capital as of 31 December 2018. As from that date, the Issuer no longer had board representation in the Supervisory Board of Signify. The remaining shares were reclassified to Other current financial assets, with fair value changes recognised through Other comprehensive income.

New Share Buyback Programme

On 29 January 2019, the Group announced a new share buyback programme for an amount of up to €1.5 billion. At the current share price, the programme represents a total of approximately 46 million shares. The Group expects to start the programme in the first quarter of 2019 and to complete it within two years. As the programme will be initiated for capital reduction purposes, the Group intends to cancel all of the shares acquired under the programme. The programme will be executed by an intermediary to allow for purchases in the open market during both open and closed periods, in accordance with the EU Market Abuse Regulation.

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 Noteholder has a substantial interest in the Issuer if the Noteholder, alone or, in the case of an individual, together with a partner for Dutch tax purposes, or any relative by blood or by marriage in the ascending or descending line (including foster-children) of the Noteholder or the partner, owns or holds, or is deemed to own or hold, certain rights to shares, including rights to directly or indirectly acquire shares, directly or indirectly representing 5 per cent. or more of the Issuer's issued capital as a whole or for any class of shares or profit participating certificates (*winstbewijzen*) relating to 5 per cent. or more of the Issuer's annual profits or 5 per cent. or more of the Issuer's liquidation proceeds;
- (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 51.75 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 1.94 per cent. of this positive balance up to €71,650;
- (ii) to 4.45 per cent. of this positive balance of €71,651 up to €989,736; and
- (iii) to a maximum of 5.60 per cent. of this positive balance of €989,737 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.

SUBSCRIPTION AND SALE

ABN AMRO Bank N.V., BNP Paribas, Coöperatieve Rabobank U.A., Deutsche Bank AG, London Branch, HSBC Bank plc, ING Bank N.V., Mizuho Securities Europe GmbH, MUFG Securities (Europe) N.V. and UBS AG London Branch (the “**Joint Lead Managers**”) have, pursuant to a subscription agreement (the “**Subscription Agreement**”) dated 17 May 2019, jointly and severally agreed to subscribe or procure subscribers for the Notes. The Issuer will pay certain commissions to the Joint Lead Managers and will reimburse them in respect of certain of their expenses, and has also agreed to indemnify the Joint Lead Managers against certain liabilities, incurred in connection with the issue of the Notes. The Subscription Agreement provides that the obligations of the Joint Lead 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 at the time the buy order for the Notes was originated and continues to be located outside the United States, has not purchased the Notes for the benefit of any person 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 Joint Lead Manager has represented and agreed that 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 (the “**distribution compliance period**”) only in accordance with Rule 903 of Regulation S under the Securities Act and that it will have sent to each distributor, dealer or other person receiving a selling concession, fee or other remuneration 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 later of the commencement of the offering and the Issue Date, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering of the Notes) 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.

Prohibition of Sales to EEA Retail Investors

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the European Economic Area. For the purposes of this provision, the expression “retail investor” means a person who is one (or more) of the following:

- (a) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
- (b) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.
- (c)

United Kingdom

Each Joint Lead 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 U.K.

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 Joint Lead 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 Joint Lead 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 Joint Lead 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 April 2019 and approved by the Supervisory Board of the Issuer on 1 May 2019, as evidenced by the certificate of a resolution of the Supervisory Board dated 10 May 2019.

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 22 May 2019. Application has also been made for the Notes to be displayed on the LGX. The total expenses relating to the admission to listing and trading are expected to be approximately €9,800.

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN for the Notes is XS2001175657 and the Common Code is 200117565. 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.

LEI Code

The Issuer's LEI Code is H1FJE8H61JGM1JSGM897.

No Significant or Material Adverse Change

Other than as disclosed in the section headed "*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 31 March 2019 and there has been no material adverse change in the prospects or financial position of the Issuer or the Group since 31 December 2018.

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 incorporated by reference in this Prospectus are Ernst & Young Accountants LLP ("EY"), Cross Towers, Antonio Vivaldistraat 150, 1083 HP Amsterdam, the Netherlands.

EY has audited and rendered unqualified independent auditors' reports on the financial statements of the Issuer and the Group for the financial years ended 31 December 2018 and 31 December 2017.

EY is currently the Issuer's independent registered audit firm. EY has no interest in the Issuer and the registered accountants of EY are members of the Royal Netherlands Institute of Chartered Accountants (*Koninklijke 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 2017 and 31 December 2018, in each case together with the independent auditor's report prepared thereon;
- (c) the unaudited consolidated financial information of the Group for the three months ended 31 March 2019;
- (d) the Trust Deed, the Agency Agreement and the forms of the Global Notes, the Notes in definitive form and the Coupons; and
- (e) a copy of this Prospectus together with any supplement to this Prospectus.

Yield

The yield on the Notes will be 0.574 per cent. calculated on an annual basis on the basis of the issue price of 99.494 per cent.

Joint Lead Managers transacting with the Issuer

Each of the Joint Lead 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 Joint Lead 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 Joint Lead 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 Joint Lead 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 Joint Lead 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.

As further described in the section "*Subscription and Sale*", each of the Joint Lead Managers under the Notes will receive a commission.

THE ISSUER

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ING Bank N.V.

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Mizuho Securities Europe GmbH

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Germany

MUFG Securities (Europe) N.V.

World Trade Center, Tower H, 11th Floor
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UBS AG London Branch

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London EC2M 2QS
United Kingdom

TRUSTEE

Citicorp Trustee Company Limited

Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

PRINCIPAL PAYING AGENT

Citibank, N.A., London Branch

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LISTING AGENT

Banque Internationale à Luxembourg SA

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