



Reducing healthcare inequality



Philips
Foundation

Annual Report 2017

About the Philips Foundation

The Philips Foundation is a registered charity that was established in July 2014 as the central platform for Philips' CSR activities – founded on the belief that through innovation and collaboration we can solve some of the world's toughest challenges and make an impact where it really matters.

Reflecting our commitment to United Nations Sustainable Development Goals 3 (*Ensure healthy lives and promote well-being for all at all ages*) and 17 (*Revitalize the global partnership for sustainable development*), the mission of the Foundation is to **reduce healthcare inequality by providing access to quality healthcare for disadvantaged communities**.

We do this by deploying Philips' expertise, innovative products and solutions, by collaborating with key partners around the world (including respected NGOs such as UNICEF, Amref and ICRC), and by providing financial support for the collaborative activities.

www.philips-foundation.com

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Cover photo:
Portable ultrasound is a great example of
how health technology can contribute to
sustainable models for access to care.



The Board of the Philips Foundation. From left to right: Herman Wijffels, Ronald de Jong, Mirjam van Reisen, Wim Leereveld

Renewed focus and growing momentum

Welcome to the Philips Foundation Annual Report 2017. This year, Philips Foundation revised its initial strategy in light of Royal Philips' ongoing transformation into a focused leader in health technology and the accompanying divestment of Philips Lighting. Today, the Foundation's mission is clear: to reduce healthcare inequality by providing access to quality healthcare for disadvantaged communities. Thus, the Philips Foundation supports Philips' goal to improve the lives of 3 billion people per annum by the year 2025.

As of 2017 we have more than 100 community projects worldwide, leveraging the assets, resources and capabilities of Royal Philips and its partners.

Through collaboration with the International Committee of the Red Cross, national Red Cross Organizations and UNICEF, we have also been exploring sustainable new models of access to care that strengthen health systems, improve outcomes, and reduce costs. And we have been working with Amref (African Medical & Research Foundation) and other organizations with field knowledge to eliminate the obstacles preventing patients from accessing the healthcare system in specific areas.

Further to this, we have intensified our partnership with Ashoka, selecting social entrepreneurs who work on access to primary healthcare.

In 2017, the Philips Foundation also developed a new approach for Royal Philips' team volunteering program, connecting it to the Foundation's mission – and enabling real impact – by choosing each year a specific access-to-healthcare issue to focus all volunteering activities.

In closing, I would like to extend a warm welcome to Wim Leereveld, who joined the Philips Foundation Board in January 2018. Wim is the founding father of the Access to Medicine Index, and I know that his board membership will add great value to the Foundation.

I am convinced that the course we set in 2017 will inspire impactful innovation in the future, leading to accessible, quality healthcare for those who need it most. In the years ahead we want the Philips Foundation to be a catalyst for sustainable ideas, actions and solutions with proven potential to deliver life-changing results.

Ronald de Jong, Chairman
On behalf of the Philips Foundation Board

Key figures 2017

100+

local projects supported from 2014-2017, aimed at touching the lives of

6,500,000+
people worldwide

6

main categories of care supported: mother & child care, cardiology, respiratory, oncology, primary care, healthy living & awareness

29

new healthcare projects approved, initiated by Philips country offices with local NGOs – total value

EUR 2,016,000

14

new social entrepreneurs selected with Ashoka in the access-to-care field

2

new international NGO collaborations: Amref and Mercy Ships, alongside ICRC/Red Cross and UNICEF

EUR 750,000

donated for disaster relief



"I was inspired by the idea of applying a business lens to the work of the Philips Foundation as a non-profit organization"

Margot Cooijmans, Director Philips Foundation

Hopi Native American wisdom says that any endeavor that lacks a moral question at its core is certain to be short-lived. After more than 27 years in business, I am convinced that companies with societal relevance have the future. Doing good while doing well can – and I believe must – go hand in hand.

Philips has a long history of contributing to the wider community while doing good business. When I joined Philips Foundation at the end of 2016 we faced an 'entrepreneurial' challenge: to step away from traditional philanthropy and increase our social impact. I was inspired by the idea of applying a business lens to the work of the Philips Foundation as a non-profit organization, as I firmly believe that creating social impact requires the same result-driven mindset as the quest for financial returns. It's all about bringing focus to the mission, and walking efficient ways to get there.

Today, 18 months down the line, I am so proud of the many highly engaged Philips employees who have contributed their time, knowledge and skills to the Foundation's many projects and partnerships. It is absolutely key in our work with non-governmental organizations all over the world, in healthcare innovation with global not-for-profit organizations, and in our support for – and collaboration with – social entrepreneurs.

Looking ahead, I see three main challenges for the Foundation:

- To increase impact by providing access to quality healthcare for a substantial number of disadvantaged people in underserved communities who still lack basic healthcare;
- To ensure that every Philips employee is aware of the Foundation's activities, increasing their pride at working for a truly caring company, and encouraging others to get involved;
- To align more closely with Philips' innovation capabilities as a key enabler of impactful access-to-care solutions in low-resource settings.

If we are able to deliver on these ambitions, and we continue to intensify collaboration with experienced parties in the field, we will surely succeed in our goal to reduce healthcare inequality.

In conclusion, I would like to express my gratitude to everyone who has supported the work of the Philips Foundation – in any way – in 2017. And finally, I would like to thank the members of the Foundation Board for their inspiring reflections and insightful contributions to our strategic discussions.

Margot Cooijmans
Director
Philips Foundation

Our work

across the world



Local projects

Since the launch of the Philips Foundation in 2014, around 100 CSR projects have been set up to address opportunities, identified by Philips' country offices, to improve healthcare delivery for disadvantaged communities. These projects are carried out in collaboration with local NGOs, with support and guidance from the Foundation.

In 2017 we supported projects with organizations including national Red Cross organizations, Çocuk Kalp Vakfı – Children Heart Health Foundation (Turkey), Seattle Center Foundation, Heart Healers International (Africa), RAD-AID (India), Gorilla (Switzerland), Hope for Uganda, La Liga contra el Cáncer Seccional Bogotá (Colombia), and many more. The projects encompass mother and child care, diagnostic technology for cardiology and oncology, respiratory care, and education around healthy living.



Global programs

Through collaboration with global humanitarian organizations the Philips Foundation seeks to co-create innovative solutions to specific healthcare system shortfalls and challenges.

We work with the International Committee of the Red Cross (ICRC), the Dutch Red Cross, UNICEF, Amref flying doctors, and others to provide sustainable models that improve access to quality healthcare, especially in low-resource settings.



Social entrepreneurship

The Philips Foundation aims to cultivate and advance social entrepreneurs as a catalyst for societal innovation and progress. For example, the Foundation partners with Ashoka to support social entrepreneurs who have ideas and products that can help drive systemic change and extend access to healthcare for underserved communities.

In 2017, 14 new social entrepreneurs around the world were selected with the help of Ashoka. These entrepreneurs will be supported by skilled Philips employees on a specific aspect of the challenge they face (e.g. business plan, bring to market, scaling, promotion, financial).



Employee volunteering

Our strongest asset is the talent of Philips' employees, and we encourage them to share their skills. The Philips Foundation has helped develop a program focusing the company's one-day team volunteering on a single, firm topic each year. Combining the capabilities of over 70,000 employees on a shared global healthcare goal makes it possible to have real impact.

We believe that as employees engage, those experiences will help them better understand the needs of the people Philips Foundation seeks to serve, and will inspire innovative new ideas for how to make life better. For the coming year, reducing worldwide child mortality rates caused by childhood pneumonia will be the common aim.

Market project: Uganda

Fighting rheumatic heart disease

The Children's National Health System and the Uganda Heart Institute established a country-wide clinical and research infrastructure, focused on screening, prevention and care, to support a vastly underserved population with – or at risk of developing – rheumatic heart disease (RHD).

In support of this initiative, Philips Foundation donated Philips Lumify mobile ultrasound devices, strengthening a program to screen more than 35,000 children for RHD in Gulu, Uganda. Funding provided by the Foundation also made it possible to perform screening operations and follow up with children suffering from RHD.

While preventable, RHD continues to cause significant levels of morbidity and mortality in children and young adults living in countries with fragile health systems.



Market project: Germany, Austria and Switzerland

Encouraging children to get active

Many children and young adults today live on high-fat, sugary diets and spend too many hours sitting every day. Such behaviors can lead to obesity, a higher risk of developing heart disease and diabetes, and other chronic conditions that can often be prevented by living a healthy and active life.

Philips Foundation supports GORILLA Germany, Austria and Switzerland to help educate younger generations about the benefits of living a healthier life and taking responsibility for their own health. With its interactive and informative online presence, engaging healthy living workshops, Swiss school program and event series – the GORILLA Event Container – GORILLA inspires more than 244,000 people each year to rethink their everyday lives.

Market project: Netherlands

Boosting the number of first responders

The Philips Foundation supported the Dutch Heart Foundation's goal to make the Netherlands a 'six-minute cardiac arrest' zone by helping to expand the network of community first responders and AEDs across the entire country.

When someone goes into cardiac arrest, the sooner they receive help the greater their chance of survival. The Dutch Heart Foundation estimates that 2,500 lives could be saved each year once the six-minute zone is in place. In 2016 and 2017, the Dutch Heart Foundation held multiple, large-scale events to promote CPR and the use of AEDs, resulting in 4000 new volunteers registering as first responders.

Market project: United States of America

Helping communities in rural Appalachia

With the support of the Philips Foundation, Life is Great (LIG) Global headed to the Appalachian region to help the Smiddy Clinic in Wise, West Virginia, serve some of the poorest and most isolated people in the United States. An estimated one million people in the region have limited or no access to healthcare.

In 2017, the Philips Foundation supported LIG Global and the Smiddy Clinic by donating Philips Lumify mobile ultrasound devices and providing education materials on healthy eating. Philips employees also got involved, serving heart-healthy soup to the community and providing other forms of support.

Market project: United States of America

Rethinking healthcare delivery

RAD-AID, Straightline Aviation and Lockheed Martin have teamed up to build the world's first medical airship. With low-vibration, land-anywhere technology, and the ability to carry heavy cargo, this innovative airship will be able to deliver humanitarian aid and medical services to isolated regions.

Philips Foundation supported RAD-AID in 2017 by providing funding for the design of the airship, coordinating with Philips Community Life Centers to help provide the best medical care possible to populations in need, and working alongside expert partners to better serve remote communities lacking access to quality care.



Market project: United States of America

Innovating with telehealth

The Blackfeet Tribal Health Department and Life is Great (LIG) Global have been exploring how to use telemedicine-supported, ultrasound-guided cardiology monitoring for tribal members at risk of dying from cardiovascular disease. They have also helped telemedicine consultants to deliver sustainable, community-based mental and physical health services to tribal members without local access to care.

Philips Foundation supported the Blackfeet Tribe in 2017 by assisting in the remote clinic, helping to serve a community of 15,000 people and supporting the school-aged clinic, where 60% of the children suffer from diabetes.



Disaster relief

Early in 2017, the Philips Foundation donated to the Somalia Red Crescent Society, in response to an emergency appeal for help to deliver health services to the people most affected by the severe drought that hit the region.

The donation supported six mobile health clinics in Somalia, where clinicians provided essential health services for more than 64,000 people and nutrition screening for more than 31,000 children under the age of five.

Philips Foundation responded to calls throughout 2017 to support areas affected by hurricanes and earthquakes. Initiatives included:

- donating Philips Lumify portable ultrasound devices to support the US Veterans Administration respond to calls for help after Hurricane Harvey hit the US
- making a financial donation and encouraging employee fundraising to support the Red Cross after hurricanes destroyed parts of Puerto Rico and Saint Maarten
- making a financial donation and encouraging employee fundraising to support the Mexican Red Cross after two strong earthquakes in Mexico

Better Me Better World

A part of the funding provided by Philips' Better Me Better World initiative was used to support the ICRC's response to the food crisis in Nigeria and Lake Chad, and also to support the organization's mother and child health-related activities across eight crisis-affected countries in Africa.

Collaboration enabling structural access to healthcare

Global health challenges are complex and require collaboration among companies, non-governmental organizations, governments and others. That is why the Philips Foundation partners with leading international NGOs and humanitarian organizations, with the aim of helping to shape programs that expand access to quality healthcare.

International non-governmental and humanitarian organizations we work with to achieve sustainable healthcare access



We work with the **International Committee of the Red Cross (ICRC)** and the **Netherlands Red Cross** to co-create solutions for healthcare needs in fragile settings.

Through our partnership with **UNICEF**, we focus on positively influencing the lives of mothers and young children across the globe during the key first 1000 days of a baby's life.

Working with **Amref Health Africa** – an NGO with a goal to create lasting health change in Kenya – we aim to strengthen health systems for vulnerable populations.

With our support of **Mercy Ships**, we help to deliver high-level medical care to areas where healthcare is nearly non-existent.

Screening imaging technology for Global Mercy hospital ship

Mercy Ships' fleet serves populations that live within 100 miles of the coast, where the skills and services that the Mercy medical professionals offer are not available anywhere ashore.

The donation of Philips CT imaging equipment will enable Mercy Ships to screen patients for pre- and post-surgical interventions, and deliver capacity-building healthcare education programs and infrastructure capabilities to reinforce sustainable care for Africa.

Philips Foundation and Mercy Ships continue to discuss further collaboration and knowledge exchange in order to improve access to quality healthcare for these communities.



High-Risk Pregnancy Toolkit to support expectant mothers

Mother and childcare is a key focus of the United Nations (UN) Sustainable Development Goals, with 99% of maternal deaths occurring in developing countries.

The development of the high-risk pregnancy toolkit was sponsored by the Philips Foundation and Philips in 2016, based on the needs of the **International Committee of the Red Cross (ICRC)**.

The High-Risk Pregnancy Toolkit comprises a durable dual-function carry bag containing a pocket-sized waterproof and tear-proof set of cards, which doubles as a teaching aid, plus a battery-less fetal stethoscope that allows both the health worker and expectant mother to hear the baby's heartbeat.

In 2017, Philips Foundation continued supporting the deployment of the toolkit. The ICRC plans to deploy the cards in 100 primary care facilities across eight African countries, with the ambition to reach 75,000 pregnant women. The cards are designed to help raise awareness about the importance of timely referral to a doctor when any risk is detected and a healthy lifestyle during pregnancy.

Photo: Copyright ICRC – Sigrid Kopp



Partnering for accelerated innovation

In 2017, the Philips Foundation continued working with **UNICEF**. In collaboration with Concern Worldwide, the Kenya Maker Space at the University of Nairobi, Kenyatta Hospital, Gearbox and the Government of Kenya, Philips professionals helped students to develop innovative, low-cost, locally designed medical devices to improve access to quality care for women, newborns and children. The project aims to develop key innovations and bring them to communities in need.

Improving the management and use of medical equipment

Logistics and equipment management challenges are a key bottleneck in the delivery of quality healthcare in many public health facilities across Kenya and other countries. The Philips Foundation is working with **UNICEF** and the local government on a project to address this issue by systematically assessing all medical devices and equipment in public health facilities, starting with a pilot in Kakamega county, and using the findings to develop an efficient equipment management and maintenance system.



Making primary healthcare sustainable with Amref

The Philips Foundation is supporting **Amref Health Africa** to conduct research aimed at developing a solid business case for public-private partnership (PPP) cooperation in healthcare. The study will build upon the internationally recognized vision that strengthening primary care is the most efficient and effective way to improve a developing nation's healthcare system and, in turn, achieve universal health coverage.

In Makueni county, Kenya, more than 61% of people live in poverty and primary care services are of low quality due to ill-equipped facilities, staff shortages and a lack of sustainable funding. The government of Makueni county is considering the outsourcing of primary care clinics through PPP in order to improve the quality of healthcare services. Following this strategy, Amref, the Philips Foundation and Philips have been working with the Makueni Government to develop a PPP model for primary care. This model combines Amref's strength in training and managing health workers, with the Philips Community Life Center platform and the government's potential to ensure financial access to care for all.



Ashoka partnership

Targeted support for social entrepreneurs

Accelerating Healthcare Access (AHA!) is an ambitious movement between Philips Foundation and Ashoka social entrepreneurs, addressing United Nations Sustainable Development Goal 3 (Ensure healthy lives and promote well-being for all at all ages) by scaling social innovation.

The participating social entrepreneurs – selected by Ashoka for their ability to make systemic change and increase access to healthcare – are supported by seasoned business leaders within Philips, a leading health technology company.

Recognizing the need to increase healthcare access in disadvantaged communities, social entrepreneurs are creating new, visionary solutions aimed at providing suitable healthcare services and, in certain cases, even driving systemic change of healthcare ecosystems to increase access to quality healthcare for all.

Philips Foundation and Ashoka are cooperating in a multi-year program to increase access to healthcare around the world by connecting social entrepreneurship with industry skills and exploring collaborative action for developing geographies.

The collaboration is rooted in the Philips Foundation's longstanding commitment to improve the health of disadvantaged communities through innovation and Ashoka's network of leading social entrepreneurs, who advance health equality with new solutions and approaches.



Financial statements

Balance sheet as at 31 December 2017

(in euros after result appropriation)

	2017	2016
	EUR	EUR
Current assets		
Cash and cash equivalents	1	9,833,659
Short-term receivables	2	3,500,000
		5,554
Total assets	13,333,659	14,661,953
Equity		
Other reserves	3	3,563,067
		8,281,892
Total equity	3,563,067	8,281,892
Current liabilities		
Accounts payable	4	1,074,843
Accrued expenses	5	8,695,749
		5,989,628
Total current liabilities	9,770,592	6,380,061
Total equity and liabilities	13,333,659	14,661,953

Statement of Contributions and Expenses 2017

	2017	2016
	EUR	EUR
Contributions		
Contribution from Koninklijke Philips N.V.	7	3,510,000
Other contributions		411,118
		16,135
Total contributions	3,921,118	9,786,135
Expenses		
Donations	8	8,439,529
Other expenses	9	112,053
		66,725
Financial expenses		88,361
		47,856
Total expenses	8,639,943	7,506,134
Result	-4,718,825	2,280,001

Notes

Notes to the Balance sheet and the Statement of Contributions and Expenses

General

The Philips Foundation, having its legal address at Amstelplein 2, 1096 BC Amsterdam, is a foundation under Dutch law.

Financial reporting period

These financial statements cover the year 2017, which ended at the balance sheet date of 31 December 2017. The comparative figures cover the year 2016, which started on 1 January 2016 and ended at the balance sheet date of 31 December 2016.

Basis of preparation

The financial statements have been prepared in accordance with the guidelines of RJ640 *organisaties zonder winststreven*.

Voluntary change in accounting principles

As of 1 January 2017 the Foundation has applied the revised guidelines of RJ 640 to align the Foundation's accounting policies with the industry standard. The main change is that donations are recognized as an expense in the year the commitment has been approved by the Board and communicated to the beneficiary of the donation, where previously these donations were recognized in the Statement of Contributions and Expenses when the relating donations were delivered to the beneficiary.

The impact of this voluntary change in accounting principles as of 2017 has been applied retrospectively and has the following implications on the 2017 financial statements (in EUR):

31 December 2017

	Before	After
Equity	6,235,683	3,563,067
Liabilities	7,097,976	9,770,592
Total equity and liabilities	13,333,659	13,333,659
Result	-2,046,209	-4,718,825

Going concern

These financial statements have been prepared on the basis of the going concern assumption.

Accounting policies

General

The principles applied for the valuation of assets and liabilities and result determination are based on the historical cost convention. Unless stated otherwise, assets and liabilities are shown at nominal value. Valuation takes place at nominal value less any provision deemed necessary. Provisions for receivables are determined based on individual assessments of the collectability of receivables.

An asset is recognized in the balance sheet when it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. A liability is recognized in the balance sheet when it is expected to result in an outflow from the entity of resources embodying economic benefits and the amount of the obligation can be measured with sufficient reliability.

Income is recognized in the statement of income and expenditure when an increase in future economic potential related to an increase in an asset or a decrease of a liability has arisen, the size of which can be measured reliably. Expenses are recognized when a decrease in the economic potential related to a decrease in an asset or an increase of a liability has arisen, the size of which can be measured with sufficient reliability.

Assets and liabilities are not included in the balance sheet if economic benefits are not probable and/or cannot be measured with sufficient reliability. Income and expenses are allocated to the period to which they relate. Contributions are recognized in the Statement of Contributions and Expenses when the amount can be determined in a reliable manner, and collection of the related contribution to be received is probable.

Use of estimates

The preparation of the financial statements requires the Board of the Foundation to make judgments, estimates and assumptions that affect the application of accounting principles and reported amounts of assets, liabilities and income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are continually reviewed. The earnings impact of revised estimates is reflected in the period in which the estimate is revised.

Functional currency

The financial statements are presented in euros, which is the Foundation's functional currency. Transactions denominated in foreign currency are translated into euros at the exchange rate applying on the transaction date.

Translation gains and losses are recognized in the Statement of Contributions and Expenses. Monetary assets and liabilities denominated in foreign currency are translated at the balance sheet date into the functional currency at the exchange rate applying on that date. Exchange differences resulting from the settlement of monetary items, or resulting from the translation of monetary items denominated in foreign currency, are recognized in the Statement of Contributions and Expenses in the period in which they arise.

Financial instruments

Financial instruments comprise only primary financial instruments, such as receivables, cash and cash equivalents and accounts payable. For the principles applying to these instruments, please refer to the treatment of each relevant balance sheet item.

Receivables

Receivables are measured at fair value at initial recognition. After initial recognition, the assets are measured at amortized cost using the effective interest method, less an allowance for uncollectible debts. This allowance is determined by individual assessment of the receivables.

Cash and cash equivalents

Cash and cash equivalents are stated at nominal value. If cash and cash equivalents are not readily available, this fact is taken into account in the measurement.

Current liabilities

At initial recognition, current liabilities are measured at fair value. After initial recognition, the liabilities are measured at amortized cost using the effective interest method.

Other reserves

Other reserves consist of the results of the previous years as well as the current year.

Notes to the Balance sheet

1. Cash and cash equivalents

Cash and cash equivalents mainly relate to current account balances on the Philips Foundation's bank account. Cash and cash equivalents are available without restrictions.

2. Short-term receivables

The short-term receivables as per 31 December 2017 relate to the contribution of Koninklijke Philips N.V. relating to 2017, which was received in January 2018.

3. Equity

Other reserves

	2017	2016
	EUR	EUR
Opening balance	8,281,892	6,001,891
Additions (result for the year)	-4,718,825	2,280,001
Total	3,563,067	8,281,892

The other reserves consist fully of the results of both previous years as well as the current year.

4. Accounts payable

	2017	2016
	EUR	EUR
Payables in EUR	907,536	352,454
Payables in foreign currency (USD)	167,308	37,979
Total	1,074,843	390,433

The Accounts payable position on 31 December 2017 is largely related to the 2017 partnership agreement with UNICEF. The Foundation is exposed to currency risk on payables that are denominated in a currency other than the respective functional currency of the Foundation. This exposure is also applicable to payables outstanding on 31 December 2017. At 31 December 2017, the Philips Foundation had two open positions in USD.

5. Accrued expenses

	2017	2016
	EUR	EUR
Accruals related to Market CSR projects	7,250,854	3,965,470
Accruals related to projects on request of Red Cross, ICRC and UNICEF	1,420,000	1,993,884
Accruals related to transfer and matching of employee contributions, amongst others to Red Cross and UNICEF	-	11,519
Other accruals	24,895	18,755
Total	8,695,749	5,989,628

The accrual for 2017 relates to projects in North America, Benelux, Vietnam and Africa. The 2016 accrual related to Market CSR projects in, amongst others, Africa, India, Argentina and China.

Other accruals relate to consultancy and audit fees.

6. Fair value

The fair value of the financial instruments stated on the balance sheet, including receivables, cash and cash equivalents and current liabilities, is approximately equal to their carrying amount.

Notes to the Statement of Contributions and Expenses

7. Contribution Koninklijke Philips N.V.

In 2017 Koninklijke Philips N.V. made the commitment to donate EUR 3.5 million to the Philips Foundation. This contribution was received in full in 2018.

8. Donations

	2017	2016
	EUR	EUR
Donations to strategic partners	2,081,393	3,770,350
Donations related to Market CSR	3,123,539	3,074,081
Global donations	293,041	160,277
Donations related to employee fundraisers	86,926	
Donations to social entrepreneurship	2,941,556	299,920
Total	8,439,529	7,391,554

The donations in 2017 and 2016 consisted of five types of donations. The first type relates to partnership donations to the International Committee of the Red Cross, Dutch Red Cross and UNICEF. The second type of donation relates to Market CSR projects proposed and implemented by Philips country offices with local partners. The third type of donation relates to activities involving Philips equipment for various projects. The fourth type of donation consists of matching employee donations for various initiatives. The final type of donation relates to the partnership with Ashoka. The decrease in donations to strategic partners in 2017 is in line with the strategy of the Philips Foundation to focus more on donations with more direct involvement.

Other information

9. Other expenses

Other expenses in 2017 and 2016 consist of audit fees, consultancy expenses, communications costs, Board expenses and representation costs.

10. Financial expenses

The financial expenses in 2017 and 2016 consist of interest, currency results and banking fees. The currency results relate to both paid invoices denominated in foreign currency as well as the revaluation result of the outstanding accounts payable at the end of the year. In 2017, the Philips Foundation was negatively impacted by currency results of EUR 23,406 (versus a negative impact of EUR 15,394 in 2016). The Philips Foundation also incurred interest costs due to the fact that Citibank charged interest costs on positive bank balances. The net interest costs in 2017 were EUR 64,954 (EUR 32,056 in 2016). The interest costs are the main drivers of the increase in financial expenses versus 2016.

11. Personnel

As at 31 December 2017, the Foundation had, other than three Board members, no staff members employed. The Board members receive no remuneration for their duties. Expenses can be reimbursed. In 2017, no reimbursements took place. The Foundation's operational team consists of employees of Koninklijke Philips N.V. who are seconded to the Foundation. Their salaries and expenses are paid by Koninklijke Philips N.V.

Subsequent events

A project in support of the Red Cross on the Ivory Coast, including the set-up of community centers, was cancelled in February 2018. The related expected expenses of EUR 1,370,000 were accounted for as a donation in the 2017 Statement of Contributions and Expenses.

The Board:

Prof. Dr. M. van Reisen

Amsterdam, 15 June 2018

Prof. Dr. H. Wijffels

Amsterdam, 15 June 2018

Prof. R. de Jong

Amsterdam, 15 June 2018

Independent auditor's report

To: the Board of Stichting Philips Foundation

Report on the audit of the financial report 2017 included in the annual report

Our opinion

We have audited the financial report of 2017 of Stichting Philips Foundation, based in Amsterdam.

In our opinion the accompanying financial report gives a true and fair view of the financial position of Stichting Philips Foundation as at 31 December 2017 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial report comprises:

- The balance sheet as at 31 December 2017;
- The statement of contributions and expenses for 2017;
- The notes comprising a summary of the accounting policies and other explanatory information

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial report" section of our report.

We are independent of Stichting Philips Foundation in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on other information included in the annual report

In addition to the financial report and our auditor's report thereon, the annual report contains other information that consists of:

- The Board's report
- Other information pursuant to Part 9 of Book 2 of the Dutch Civil Code

Based on the following procedures performed, we conclude that:

- The Board's report and Other information are consistent with the financial report and does not contain material misstatements
- The Other information contains the information as required by Part 9 of Book 2 of the Dutch Civil Code

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial report or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial report.

The Board is responsible for the preparation of the other information, including the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Description of responsibilities for the financial report

Responsibilities of the Board for the financial report

The Board is responsible for the preparation and fair presentation of the financial report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Board is responsible for such internal control as the Board determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial report, the Board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the Board should prepare the financial report using the going concern basis of accounting unless the Board either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The Board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial report.

Our responsibilities for the audit of the financial report

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial report, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control

- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board
- Concluding on the appropriateness of the Board's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern
- Evaluating the overall presentation, structure and content of the financial report, including the disclosures
- Evaluating whether the financial report represent the underlying transactions and events in a manner that achieves fair presentation

We communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

Eindhoven, 15 June 2018

Ernst & Young Accountants LLP

Signed by J.C.F. Lemmens



Philips Foundation