FANNING THOMAS A
Form 4
February 14, 2018

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL

OMB Number:	3235-0287
Expires:	January 31, 2005
Estimated average burden hours per response...	0.5

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person [*]
FANNING THOMAS A

(Last) (First) (Middle)

30 IVAN ALLEN JR. BLVD. NW

(Street)

ATLANTA, GA 30308

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
SOUTHERN CO [SO]

3. Date of Earliest Transaction (Month/Day/Year)
02/12/2018

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
President, CEO & Chairman

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Southern Company Common Stock (1)	02/12/2018		A		128,089	A	$ 0	184,365.4085	D	
Southern Company Common Stock (2)	02/12/2018		F		57,529	D	$ 44.68	126,836.4085	D	
Southern Company Common Stock (3)	02/12/2018		M		18,643	A	$ 0	145,479.4085	D	

Southern Company Common Stock (2)	02/12/2018		F		5,651	D	$ 44.68	139,828.4085	D

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)	
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Performance Restricted Stock Units (4)	$ 0	02/12/2018		M			17,828	(4)	(4)	Southern Company Common Stock	17,828

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
FANNING THOMAS A 30 IVAN ALLEN JR. BLVD. NW ATLANTA, GA 30308			President, CEO & Chairman	

Signatures

/s/ Laura O. Hewett, Attorney-in-Fact for Thomas A. Fanning	02/14/2018
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Shares acquired upon vesting of performance share units under Company's Performance Share Program for the 2015-2017 award. The Compensation and Management Succession Committee certified performance on February 12, 2018. Includes accrued dividend equivalent units.

(2) Shares withheld to satisfy required state and federal tax withholding requirements.

(3) Shares acquired upon vesting of first 1/3 of performance restricted stock units granted on February 13, 2017. The Compensation and Management Succession Committee certified performance on February 12, 2018. Includes 815 accrued dividend equivalent units.

(4) Represents performance restricted stock units granted on February 13, 2017. The Compensation and Management Succession Committee certified performance on February 12, 2018 and the first 1/3 vested. The remaining award will vest 1/3 in 2019 and 1/3 in 2020. Each performance restricted stock unit represents the right to receive, at settlement, one share of common stock. Additional units will be acquired with deemed dividends. Shares will be withheld upon vesting to satisfy tax requirements.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. nt; line-height: 17px !important; margin: 0 5px 1px 5px; margin-top: 0; min-height: 11px; position: relative;">Divestments and transfers to assets classified as held for sale
(1,878)

(3)

Translation differences and other

(836)

310

Balance as of December 31:

Cost

9,074

9,908

Impairments

(1,343)

(1,405)

Book value

7,731

8,503

Goodwill increased by EUR 465 million in 2018, mainly from the acquisition of EPD Solutions for an amount of EUR 262 million and other acquisitions for an amount of EUR 203 million. The further increase of EUR 310 million is mainly due to translation differences which impacted the goodwill denominated in USD.

In 2017, the increase of goodwill for the amount of EUR 1,548 million relates to Spectranetics for an amount of EUR 1,255 million and other acquisitions for an amount of EUR 293 million. Divestments of EUR 1,878 million primarily relate to the divestment of Signify. Information on the divestment of Signify can be found in Discontinued operations and assets classified as held for sale. The decrease of EUR 836 million is mainly due to translation differences which impacted the goodwill denominated in USD.

In 2018, the activities of Patient Care & Monitoring Solutions in the segment Connected Care & Health Informatics were split over two new cash-generating units: Monitoring & Analytics and Therapeutic Care. As a result of the change, the goodwill associated with Patient Care & Monitoring Solutions was allocated over these two new units based on the estimated fair value of Monitoring & Analytics and Therapeutic Care relative to the Q4 2017 Patient Care & Monitoring Solutions value in use calculation. The Therapeutic Care goodwill is considered not to be significant in comparison to the total book value of goodwill.

Goodwill impairment testing

For impairment testing, goodwill is allocated to (groups of) cash-generating units (typically one level below segment level), which represent the lowest level at which the goodwill is monitored internally for management purposes.

Goodwill allocated to the cash-generating units Image-Guided Therapy, Monitoring & Analytics and Sleep & Respiratory Care is considered to be significant in comparison to the total book value of goodwill for the Group at December 31, 2018. The amounts associated as of December 31, 2018 are presented below:

Philips Group

Goodwill allocated to the cash-generating units

in millions of EUR

2017 - 2018

	2017	2018
Image-Guided Therapy	2,242	2,357
Patient Care & Monitoring Solutions	1,349	
Monitoring & Analytics		1,354
Sleep & Respiratory Care	1,819	1,925
Other (units carrying a non-significant goodwill balance)	2,321	2,867
Book value	7,731	8,503

The basis of the recoverable amount used in the annual impairment tests for the units disclosed in this note is the value in use. In the annual impairment test performed in the fourth quarter of 2018, the estimated recoverable amounts of the cash-generating units tested approximated or exceeded the carrying value of the units, therefore no impairment loss was recognized.

Key assumptions - general

Key assumptions used in the impairment tests for the units were sales growth rates, EBITA * and the rates used for discounting the projected cash flows. These cash flow projections were determined using the Royal Philips managements' internal forecasts that cover an initial period from 2019 to 2021. Projections were extrapolated with stable or declining growth rates for a period of 4 years, after which a terminal value was calculated. For terminal value calculation, growth rates were capped at a historical long-term average growth rate. The mentioned 4 years is linked to managements' new internal forecasts of 2022-2025 that will be concluded in 2019, and was updated from 5 years as applied in 2017 to be aligned with the current Philips forecasting process.

The sales growth rates and EBITA * used to estimate cash flows are based on past performance, external market growth assumptions and industry long-term growth averages. EBITA * in all units mentioned in this note is expected to increase over the projection period as a result of volume growth and cost efficiencies.

Key assumptions and sensitivity analysis relating to cash-generating units to which a significant amount of goodwill is allocated

Cash flow projections of Image-Guided Therapy, Monitoring & Analytics and Sleep & Respiratory Care are based on the key assumptions included in the table below, which were used in the annual impairment test performed in the fourth quarter:

Philips Group

Key assumptions

in %

2018

	compound sales growth rate [1]			
	initial forecast period	**extra-polation period** [2]	**used to calculate terminal value** [3]	**pre-tax discount rates**
Image-Guided Therapy	8.1	5.2	2.3	9.3
Monitoring & Analytics	6.5	4.0	2.3	9.9
Sleep & Respiratory Care	8.4	4.8	2.3	10.6

Key assumptions and sensitivity analysis relating to cash-generating units to which a significant amount of goodwill

[1] Compound sales growth rate is the annualized steady nominal growth rate over the forecast period
[2] Also referred to later in the text as compound long-term sales growth rate
[3] The historical long-term growth rate is only applied to the first year after the 4 year extrapolation period, after which no further growth is assumed for the terminal value calculation

The assumptions used for the 2017 cash flow projections were as follows:

Philips Group

Key assumptions

in %

2017

	compound sales growth rate [1]			
	initial forecast period	extra-polation period [2]	used to calculate terminal value [3]	pre-tax discount rates
Image-Guided Therapy	5.3	4	2.3	10.9
Patient Care & Monitoring Solutions	3.8	4.8	2.3	12.3
Sleep & Respiratory Care	7.2	5.6	2.3	12.1

Key assumptions and sensitivity analysis relating to cash-generating units to which a significant amount of goodwill

[1] Compound sales growth rate is the annualized steady nominal growth rate over the forecast period
[2] Also referred to later in the text as compound long-term sales growth rate
[3] The historical long-term growth rate is only applied to the first year after the 5 year extrapolation period, after which no further growth is assumed for the terminal value calculation
The results of the annual impairment test of Image-Guided Therapy, Monitoring & Analytics and Sleep & Respiratory Care indicate that a reasonably possible change in key assumptions would not cause the value in use to fall to the level of the carrying value.

Additional information relating to cash-generating units to which a non-significant amount relative to the total goodwill is allocated

In addition to the significant goodwill recorded at the units mentioned above, Aging & Caregiving (formerly Home Monitoring) and Population Insights & Care (formerly Population Health Management) are sensitive to fluctuations in the assumptions as set out above.

Based on the most recent impairment test of the cash-generating unit Aging & Caregiving, it was noted that an increase of 300 points in the pre-tax discount rate, a 730 basis points decline in the compound long-term sales growth rate or a 39% decrease in terminal value would, individually, cause its recoverable amount to fall to the level of its carrying value. The goodwill allocated to Aging & Caregiving at December 31, 2018 amounts to EUR 43 million.

Based on the annual impairment test of the cash-generating unit Population Insights & Care, it was noted that an increase of 10 points in the pre-tax discount rate, a 30 basis points decline in the compound long-term sales growth rate or a 3% decrease in terminal value would, individually, cause its recoverable amount to fall to the level of its carrying value. The goodwill allocated to Population Insights & Care at December 31, 2018 amounts to EUR 207 million.

Impairment tests are performed based on forward looking assumptions, using the most recent available information. By their nature, these assumptions 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 the plans, goals and expectations set forth in these assumptions. For the two cash-generating units Aging & Caregiving and Population Insights & Care there is a higher risk that those deviations might cause the recoverable amount to fall below the level of its carrying value.

For the other cash-generating units to which a non-significant amount relative to the total goodwill is allocated any reasonable change in assumptions would not cause the value in use to fall to the level of the carrying value.

[*] Non-IFRS financial measure. For the definition and reconciliation of the most directly comparable IFRS measure, refer to Information by segment and country.

Intangible assets excluding goodwill

The changes were as follows:

Philips Group

Intangible assets excluding goodwill

in millions of EUR

2018

	brand names	customer relationships	technology	product development	product development construction in progress	software	other	total
Balance as of January 1, 2018								
Cost	670	2,342	1,985	1,848	487	605	105	8,042
Amortization/ impairments	(392)	(1,338)	(1,161)	(1,262)	(51)	(431)	(84)	(4,720)
Book value	278	1,004	824	586	436	174	21	3,322
Changes in book value:								
Additions:								
Purchases		7	14		92	92	1	205
Internally generated assets					203			203
Assets available for use				256	(256)			
Acquisitions	11	17	330			-	56	415
Amortization	(34)	(114)	(116)	(221)		(59)	(4)	(549)
Impairments	(52)	(16)	(9)	(16)	(1)	(5)	(2)	(101)
Translation differences and other	3	36	27	15	8	2	3	94
Total changes	(72)	(70)	246	34	45	30	53	267
Balance as of December 31, 2018								
Cost	689	2,421	2,400	2,103	532	684	168	8,997
Amortization/ impairments	(484)	(1,488)	(1,330)	(1,483)	(51)	(480)	(93)	(5,408)
Book Value	205	934	1,070	621	481	204	75	3,589

Philips Group

Intangible assets excluding goodwill

in millions of EUR

2017

	brand names	customer relationships	technology	product development	product development construction in progress	software	other	total
Balance as of January 1, 2017								
Cost	1,088	3,429	2,074	1,899	578	580	134	9,782
Amortization/ impairments	(633)	(2,188)	(1,491)	(1,362)	(36)	(421)	(99)	(6,230)
Book value	455	1,241	583	537	542	159	34	3,552
Changes in book value:								
Additions:								
Purchases		-	23		149	86	3	261
Internally generated assets					189			189
Assets available for use				363	(363)			
Acquisitions	7	431	470			2	16	926
Amortization	(40)	(142)	(100)	(213)	-	(52)	(3)	(550)
Impairments			(12)	(43)	(27)	(1)		(83)
Divestments and transfers to assets classified as held for sale	(120)	(438)	(103)	(23)	(11)	(19)	(6)	(721)
Translation differences	(24)	(89)	(37)	(35)	(43)	(1)	(23)	(252)
Total changes	(178)	(238)	241	49	(106)	15	(13)	(230)
Balance as of December 31, 2017								
Cost	670	2,342	1,985	1,848	487	605	105	8,042
Accumulated amortization	(392)	(1,338)	(1,161)	(1,262)	(51)	(431)	(84)	(4,720)
Book Value	278	1,004	824	586	436	174	21	3,322

The acquisitions through business combinations in 2018 mainly consist of the acquired intangible assets of EPD Solutions Ltd. For more information, please refer to Acquisitions and divestments.

The amortization of intangible assets is specified in Income from operations.

The expected useful lives of the intangible assets excluding goodwill are as follows:

Philips Group

Expected useful lives of intangible assets excluding goodwill

in years

Brand names	2-20
Customer relationships	2-25
Technology	3-20
Other	1-10
Software	1-10
Product development	3-7

The weighted average expected remaining life of brand names, customer relationships, technology and other intangible assets is 9.3 years as of December 31, 2018 (2017: 9.6 years).

At December 31, 2018 the carrying amount of customer relationships of Sleep & Respiratory Care was EUR 278 million with a remaining amortization period of 5 years (2017: EUR 315 million; 6 years). For the intangibles relating to the acquisition of Spectranetics refer to Acquisitions and divestments.

Other financial assets

Other current financial assets

In 2018 current financial assets increased by EUR 434 million from EUR 2 million in 2017 to EUR 436 million in 2018, reflecting mainly the remaining interest in Signify (formerly Philips Lighting) of 16.5% as of December 31, 2018 (please refer to Interests in entities).

Other non-current financial assets

The changes during 2018 were as follows:

Philips Group

Other non-current financial assets

in millions of EUR

2018

	Non-current financial assets at FVTP&L	Non-current financial assets at FVTOCI	Non-current financial assets at Amortized cost	Total
Balance as of January 1, 2018 [1]	104	369	114	587
Changes:				
Acquisitions/additions	30	1	14	45
Sales/redemptions/reductions	(20)	(18)	(78)	(116)
Value adjustment through OCI	-	(164)		(164)
Value adjustment through P&L	(2)		-	(1)
Translation differences and other	2	12	(4)	10
Reclassifications	2	(2)	-	-
Balance as of December 31, 2018	116	198	46	360

[1] Refer to IFRS 9 disclosure in Significant accounting policies note for the impact of IFRS 9 on 2018 opening balance.

Philips Group

Other non-current financial assets

in millions of EUR

2017

	available-for-sale financial assets	loans and receivables	held-to-maturity investments	financial assets at fair value through profit or loss	total
Balance as of January 1, 2017	172	134	2	27	335
Changes:					
Reclassifications	(1)	2	-	1	2
Acquisitions/additions	368	5	-	-	374
Sales/redemptions	(23)	(8)	-	(3)	(34)
Impairment	(1)	-			(1)
Value adjustments	(46)	-		8	(39)
Translation differences and other	(24)	(20)	(1)	(6)	(50)
Balance as of December 31, 2017	446	114	1	27	587

The company's investments in non-current financial assets mainly consist of investments in common shares of companies in various industries. In 2018, the main movements in non-current financial assets at FVTOCI can be explained by value adjustments related to the retained investment in the combined Lumileds and Automotive businesses (please refer to Fair value of financial assets and liabilities)

The retained investment in the combined businesses of Lumileds and Automotive of EUR 112 million (December 31, 2017: EUR 243 million) is classified as a financial asset recognized at fair value through OCI.

Other assets

Other non-current assets

Other non-current assets in 2018 mainly related to prepaid expenses of EUR 47 million (2017: EUR 74 million).

Other current assets

Other current assets include EUR 276 million (2017: EUR 186 million) accrued income and EUR 193 million (2017: EUR 206 million) for prepaid expense mainly related to Diagnosis & Treatment businesses and Connected Care & Health Informatics businesses.

Inventories

Inventories are summarized as follows:

Philips Group

Inventories

in millions of EUR

2017 - 2018

	2017	**2018**
Raw materials and supplies	715	876
Work in process	358	366
Finished goods	1,280	1,432
Inventories	2,353	2,674

The write-down of inventories to net realizable value was EUR 159 million in 2018 (2017: EUR 150 million). The write-down is included in cost of sales.

Receivables

Non-current receivables

Non-current receivables are associated mainly with customer financing in Diagnosis & Treatment businesses amounting to EUR 44 million (2017: EUR 47 million), for Signify indemnification amounting to EUR 59 million and insurance receivables in Other in the US amounting to EUR 41 million (2017: EUR 47 million).

Current receivables

Current receivables at December 31, 2018 included accounts receivable net of EUR 3,805 million, accounts receivable other of EUR 203 million and accounts receivable from investments in associates of EUR 27 million.

The accounts receivable, net, per segment are as follows:

Philips Group

Accounts receivables-net

in millions of EUR

2017 - 2018

	2017	2018
Diagnosis & Treatment	1,489	1,601
Connected Care & Health Informatics	706	723
Personal Health	1,341	1,411
Other	72	70
Accounts receivable-net	3,609	3,805

The aging analysis of accounts receivable, net, is set out below:

Philips Group

Aging analysis

in millions of EUR

2017 - 2018

	2017	**2018**
current	3,046	3,222
overdue 1-30 days	256	228
overdue 31-180 days	242	270
overdue > 180 days	63	85
Accounts receivable-net	3,609	3,805

The above net accounts receivable represent current and overdue but not fully impaired receivables.

The changes in the allowance for doubtful accounts receivable are as follows:

Philips Group

Allowance for accounts receivable

in millions of EUR

2016 - 2018

	2016	2017	2018
Balance as of January 1	**301**	**318**	**215**
Additions charged to expense	76	41	28
Deductions from allowance [1]	(64)	(36)	(28)
Transfer to assets held for sale		(92)	
Other movements	5	(16)	(21)
Balance as of December 31	318	215	194

Current receivables

[1] Write-offs for which an allowance was previously provided.
The allowance for doubtful accounts receivable has been primarily established for receivables that are past due.

Included in the above balances as per December 31, 2018 are allowances for individually impaired receivables of EUR 181 million (2017: EUR 197 million; 2016: EUR 289 million). .

Contract assets

Current contract assets were EUR 232 million per December 31, 2018 (2017: EUR 171 million).

The contract assets increased with EUR 61 million. The year-on-year change is mainly driven by timing differences between billing terms and services provided.

Equity

Common shares

As of December 31, 2018, authorized common shares consist of 2 billion shares (December 31, 2017: 2 billion; December 31, 2016: 2 billion) and the issued and fully paid share capital consists of 926,195,539 common shares, each share having a par value of EUR 0.20 (December 31, 2017: 940,909,027; December 31, 2016: 929,644,864).

Preference shares

As a means to protect the Company and its stakeholders against an unsolicited attempt to obtain (de facto) control of the Company, the General Meeting of Shareholders in 1989 adopted amendments to the Company’s articles of association that allow the Board of Management and the Supervisory Board to issue (rights to acquire) preference shares to a third party. The ‘Stichting Preferente Aandelen Philips’ has been granted the right to acquire preference shares in the Company. Such right has not been exercised as of December 31, 2018 and no preference shares have been issued. Authorized preference shares consist of 2 billion shares as of December 31, 2018 (December 31, 2017: 2 billion; December 31, 2016: 2 billion).

Options, restricted and performance shares

The Company has granted stock options on its common shares and rights to receive common shares in the future (see Share-based compensation).

Treasury shares

In connection with the Company’s share repurchase programs (see next paragraph: Share repurchase methods for share-based compensation plans and capital reduction purposes), shares which have been repurchased and are held in Treasury for the purpose of (i) delivery upon exercise of options, restricted and performance share programs, and (ii) capital reduction, are accounted for as a reduction of shareholders’ equity. Treasury shares are recorded at cost, representing the market price on the acquisition date. When issued, shares are removed from treasury shares on a first-in, first-out (FIFO) basis.

When treasury shares are reissued under the Company’s option plans, the difference between the cost and the cash received is recorded in retained earnings. When treasury shares are reissued under the Company’s share plans, the difference between the market price of the shares issued and the cost is recorded in retained earnings, the market price is recorded in capital in excess of par value.

The following table shows the movements in the outstanding number of shares over the last three years:

Philips Group

Outstanding number of shares

in number of shares

2016 - 2018

	2016	2017	2018
Balance as of January 1	**917,103,586**	**922,436,563**	**926,191,723**
Dividend distributed	17,344,462	11,264,163	9,533,223
Purchase of treasury shares	(25,193,411)	(19,841,595)	(31,993,879)
Re-issuance of treasury shares	13,181,926	12,332,592	10,453,020
Balance as of December 31	922,436,563	926,191,723	914,184,087

The following transactions took place resulting from employee option and share plans:

Philips Group

Employee option and share plan transactions

2016 - 2018

	2016	2017	2018
Shares acquired	8,601,426	15,222,662	8,226,101
Average market price	EUR 24.73	EUR 31.81	EUR 32.59
Amount paid	EUR 213 million	EUR 484 million	EUR 268 million
Shares delivered	13,181,926	12,332,592	10,453,020
Average price (FIFO)	EUR 25.86	EUR 27.07	EUR 32.66
Cost of delivered shares	EUR 341 million	EUR 334 million	EUR 341 million
Total shares in treasury at year-end	7,208,301	10,098,371	7,871,452
Total cost	EUR 181 million	EUR 331 million	EUR 258 million

In order to reduce share capital, the following transactions took place:

Philips Group

Share capital transactions

2016 - 2018

	2016	2017	2018
Shares acquired	16,591,985	4,618,933	23,767,778
Average market price	EUR 23.84	EUR 32.47	EUR 32.58
Amount paid	EUR 396 million	EUR 150 million	EUR 774 million
Cancellation of treasury shares (shares)	18,829,985		24,246,711
Cancellation of treasury shares (EUR)	EUR 450 million		EUR 783 million
Total shares in treasury at year-end		4,618,933	4,140,000
Total cost		EUR 150 million	EUR 141 million

Share purchase transactions related to employee option and share plans, as well as transactions related to the reduction of share capital, involved a cash outflow of EUR 1,042 million. A cash inflow of EUR 94 million from treasury shares mainly includes settlements of share-based compensation plans.

Share repurchase methods for share-based compensation plans and capital reduction purposes

During 2018, Royal Philips repurchased shares for share-based compensation plans and capital reduction purposes via three different methods: (i) share buy-back repurchases in the open market via an intermediary (ii) repurchase of shares via forward contracts for future delivery of shares (iii) the unwinding of call options on own shares. In 2018, Royal Philips also used methods (i) and (ii) to repurchase shares for capital reduction purposes.

Forward share repurchase contracts

In order to hedge commitments under share-based compensation plans, Philips entered into three forward contracts in the last quarter of 2018, involving 10 million shares. This resulted in a reduction of Retained earnings of EUR 319 million against Short-term and Long-term liabilities. Additionally, in the first quarter of 2018 the remaining forward contracts under the forward share buy-back contract of 2017 were exercised at a forward price of EUR 27.03, resulting in a EUR 20 million increase in Retained earnings against Treasury shares. As of December 31, 2018, 10 million forward contracts connected to share based compensation plans were outstanding.

In order to reduce its share capital, Royal Philips also entered into six forward contracts in 2017. The forward contacts involved 31,020,000 shares with a settlement date varying between October 2018 and June 2019 and a weighted average forward price of EUR 32.22. In 2018, 12,420,000 forward contracts were exercised resulting in a EUR 423 million increase in Retained earnings against Treasury shares. As of December 31, 2018, 18,600,000 forward contracts connected to share capital reductions were outstanding. For further information on the forward contracts please refer to Debt.

Share call options

During 2016 Philips bought EUR and USD-denominated call options to hedge options granted under share-based compensation plans before 2013.

In 2018, the Company unwound 1,263,486 EUR-denominated and 1,204,126 USD-denominated call options against the transfer of the same number of Royal Philips shares (2,467,612 shares) and an additional EUR 51 million cash payment to the buyer of the call options.

The number of outstanding EUR denominated options were 2,023,639 and USD-denominated options were 1,770,218, as of December 2018.

Dividend distribution

2018

In June 2018, Philips settled a dividend of EUR 0.80 per common share, representing a total value of EUR 738 million including costs. Shareholders could elect for a cash dividend or a share dividend. Approximately 46% of the shareholders elected for a share dividend, resulting in the issuance of 9,533,233 new common shares. The settlement of the cash dividend involved an amount of EUR 400 million (including costs).

A proposal will be submitted to the 2019 Annual General Meeting of Shareholders to pay a dividend of EUR 0.85 per common share, in cash or shares at the option of the shareholders, against the net income of the Company for 2018.

2017

In June 2017, Philips settled a dividend of EUR 0.80 per common share, representing a total value of EUR 742 million including costs. Shareholders could elect for a cash dividend or a share dividend. Approximately 48% of the shareholders elected for a share dividend, resulting in the issuance of 11,264,163 new common shares. The settlement of the cash dividend involved an amount of EUR 384 million (including costs)

2016

In June 2016, Philips settled a dividend of EUR 0.80 per common share, representing a total value of EUR 732 million including costs. Shareholders could elect for a cash dividend or a share dividend. Approximately 55% of the shareholders elected for a share dividend, resulting in the issuance of 17,344,462 new common shares. The settlement of the cash dividend involved an amount of EUR 330 million (including costs).

Limitations in the distribution of shareholders' equity

As at December 31, 2018, pursuant to Dutch law, certain limitations exist relating to the distribution of shareholders' equity of EUR 1,558 million. Such limitations relate to common shares of EUR 185 million, as well as to legal reserves required by Dutch law included under retained earnings of EUR 634 million and unrealized currency translation differences of EUR 739 million. The unrealized losses related to fair value through OCI financial assets of EUR 181 million and unrealized losses related to cash flow hedges of EUR 10 million qualify as revaluation reserves and reduce the distributable amount due to the fact that these reserves are negative.

The legal reserve required by Dutch law of EUR 634 million included under retained earnings relates to any legal or economic restrictions on the ability of affiliated companies to transfer funds to the parent company in the form of dividends.

As at December 31, 2017, these limitations in distributable amounts were EUR 1,283 million and related to common shares of EUR 188 million, as well as to legal reserves required by Dutch law included under retained earnings of EUR 703 million and unrealized currency translation differences of EUR 392 million. The unrealized losses related to fair value through OCI financial assets of EUR 30 million qualify as a revaluation reserve and reduce the distributable amount due to the fact that this reserve is negative.

Non-controlling interests

Non-controlling interests relate to minority stakes held by third parties in consolidated group companies, for further details reference is made to Interest in entities.

Capital management

Philips manages capital based upon the IFRS measures, net cash provided by operating activities and net cash used for investing activities as well as the non-IFRS measure net debt. The definition of this non-IFRS measure and a reconciliation to the IFRS measure is included below.

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 Philips Treasury management and investment analysts to evaluate financial strength and funding requirements. The Philips net debt position is managed with the intention of retaining a strong investment grade credit rating. Furthermore, Philips' aim when managing the net debt position is dividend stability and a pay-out ratio of 40% to 50% of Adjusted income from continuing operations attributable to shareholders (reconciliation to the most directly comparable IFRS measure, Net income, is provided at the end of this note).

Philips Group

Composition of net debt and group equity

in millions of EUR unless otherwise stated

2016 - 2018

	2016	2017	2018
Long-term debt	4,021	4,044	3,427
Short-term debt	1,585	672	1,394
Total debt	5,606	4,715	4,821
Cash and cash equivalents	2,334	1,939	1,688
Net debt	3,272	2,776	3,132
Shareholders' equity	12,546	11,999	12,088
Non-controlling interests	907	24	29
Group equity	13,453	12,023	12,117
Net debt and group equity ratio	20:80	19:81	21:79

Adjusted income from continuing operations attributable to shareholders is not a recognized 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 2018 is included in the table below.

Philips Group

Adjusted income from continuing operations attributable to shareholders

[1] in millions of EUR

2018

	2018
Net income	1,097
Less: Discontinued operations, net of income taxes	213
Income from continuing operations	1,310
Continuing operations non-controlling interests	(7)
Income from continuing operations attributable to shareholders	1,303
Adjustments for:	
Amortization of acquired intangible assets	347
Restructuring costs and acquisition-related charges	258
Other items	41
Net finance expenses	57
Tax impact of adjusted items	(365)
Adjusted Income from continuing operations attributable to shareholders [1]	1,643

[1] Shareholders in this table refers to shareholders of Koninklijke Philips N.V.

Debt

Philips has a USD 2.5 billion Commercial Paper Programme and a EUR 1 billion committed standby revolving credit facility that can be used for general group purposes, such as a backstop of its Commercial Paper Programme. As of December 31, 2018, Philips did not have any loans outstanding under either facility. In April 2018, Philips successfully exercised, with existing terms and conditions, the first of two 1-year extension options of its EUR 1 billion committed standby revolving credit facility, extending the maturity date to April 21, 2023. The facility does not have a material adverse change clause, has no financial covenants and no credit-rating-related acceleration possibilities.

The provisions applicable to all USD-denominated corporate bonds issued by the company in March 2008 and March 2012 (due 2038 and 2042) contain a ‘Change of Control Triggering Event’. If the company would experience such an event with respect to a series of corporate bonds the company might be required to offer to purchase the bonds that are still outstanding at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any.

Furthermore, the conditions applicable to the EUR denominated corporate bonds issued in 2017 and 2018 (due 2019, 2023, 2024 and 2028) contain a similar provision (‘Change of Control Put Event’). Upon the occurrence of such an event, the company might be required to redeem or purchase any of such bonds at their principal amount together with interest accrued.

In March 2018, Philips refinanced a loan of EUR 178 million with a new long-term loan of EUR 200 million. In April 2018, Philips completed the early redemption of all the 3.750% USD bonds due 2022 with an aggregate principal amount of USD 1 billion, resulting in financial charges of EUR 24 million. For the purpose of the redemption, a EUR 900 million loan was entered into, which was repaid in May 2018 through the issuance of fixed-rate EUR bonds with an aggregate principal amount of EUR 1 billion (EUR 500 million 0.750% due 2024 and EUR 500 million 1.375% due 2028). 6.875% USD bonds due 2038 with an aggregate principal amount of USD 56 million and USD 16 million were redeemed in May and June 2018 respectively, resulting in financial charges of EUR 21 million. In Q4 2018, a nominal amount of EUR 423 million of forward contracts related to the EUR 1.5 billion share buyback program announced on June 28, 2017 matured. In addition, in Q4 2018, Philips entered into three tranches of forward purchases totaling 10 million shares for a nominal amount of EUR 319 million maturing through 2021 to cover its long-term incentive and employee stock purchase plans.

Long-term debt

The below tables present information about the long-term debt outstanding, its maturity and average interest rates in 2017 and 2018.

Philips Group

Long-term debt

in millions of EUR unless otherwise stated

2018

	amount outstanding in 2018	Current portion	Non-current portion	Between 1 and 5 years	amount due after 5 years	average remaining term (in years)	average rate of interest
USD bonds	1,303		1,303		1,303	18.1	6.3%
EUR bonds	1,988	500	1,488	497	991	5.0	0.7%
Forward contracts	807	618	188	188		0.8	
Finance leases	330	94	236	190	46	3.6	2.9%
Bank borrowings	211		211	6	205	6.2	0.3%
Other long-term debt	18	18	-	-	-	1.1	1.6%
Long-term debt	4,657	1,230	3,427	882	2,545	7.9	2.3%

Philips Group

Long-term debt

in millions of EUR unless otherwise stated

2017

	amount outstanding in 2017	Current portion	Non-current portion	Between 1 and 5 years	amount due after 5 years	average remaining term (in years)	average rate of interest
USD bonds	2,137		2,137	833	1,305	13.3	5.4%
EUR bonds	997		997	501	496	3.7	0.3%
Forward contracts	970	394	576	576		1.2	
Finance leases	281	87	195	170	24	4.8	3.4%
Bank borrowings	190	52	138	138		2.1	1.3%
Other long-term debt	20	19	1	1	-	1.1	0.9%
Long-term debt	4,595	552	4,044	2,218	1,825	7.6	2.8%

Bonds

The below table discloses the amount outstanding and effective rate of bonds in 2017 and 2018.

Philips Group

Unsecured Bonds

in millions of EUR unless otherwise stated

2017 - 2018

	effective rate	2017	2018
Unsecured EUR Bonds			
Due 9/06/2023; 1/2%	0.634%	500	500
Due 9/06/2019; 3M Euribor +20bps		500	500
Due 5/02/2024; 3/4%	0.861%		500
Due 5/02/2028; 1 3/8%	1.523%		500
Unsecured USD Bonds			
Due 5/15/25; 7 3/4%	7.429%	53	55
Due 6/01/26; 7 1/5%	6.885%	114	119
Due 5/15/25; 7 1/8%	6.794%	70	74
Due 11/03/38; 6 7/8%	7.210%	668	636
Due 3/15/22; 3 3/4% [1]	3.906%	837	
Due 3/15/42; 5%	5.273%	418	438
Adjustments [2]		(26)	(31)
Unsecured Bonds		3,134	3,291

[1] In April 2018, Philips completed the early redemption of all the 3.750% USD bonds due 2022 with an aggregate principal amount of USD 1 billion.
[2] Adjustments related to both EUR and USD bonds and concern bond discounts and premium, transaction costs and fair value adjustments for interest rate derivatives.

Finance lease liabilities

The below table discloses the reconciliation between the total of future minimum lease payments and their present value.

For further information regarding the adoption of IFRS 16, please refer to Significant accounting policies.

Philips Group

Finance lease liabilities

in millions of EUR

2017 - 2018

	2017			2018		
	future minimum lease payments	interest	present value of minimum lease payments	future minimum lease payments	interest	present value of minimum lease payments
Less than one year	93	6	87	100	6	94
Between one and five years	184	14	170	206	16	190
More than five years	29	4	24	52	6	46
Finance lease	306	24	281	357	28	330

Short-term debt

Philips Group

Short-term debt

in millions of EUR

2017 - 2018

	2017	2018
Short-term bank borrowings	71	76
Forward contracts	49	88
Other short-term loans		
Current portion of long-term debt	552	1,230
Short-term debt	672	1,394

During 2018, the weighted average interest rate on the bank borrowings was 15.0% (2017: 3.3%). The increase was mainly driven by a higher relative amount of borrowings in high interest rate countries. In addition, there was an increase in interest rates in these countries during 2018.

Provisions

Philips Group

Provisions

in millions of EUR

2017 - 2018

	2017			2018		
	long-term	short-term	total	long-term	short-term	total
Post-employment benefit (see note 20)	973		973	835		835
Product warranty	44	157	201	37	153	190
Environmental provisions	140	19	160	124	20	144
Restructuring-related provisions	25	87	112	45	68	114
Litigation provisions	26	24	50	17	9	26
Other provisions	451	113	564	730	112	842
Provisions	1,659	400	2,059	1,788	363	2,151

Assurance-type product warranty

The provisions for assurance-type product warranty reflect the estimated costs of replacement and free-of-charge services that will be incurred by the company with respect to products sold.

The company expects the provisions to be utilized mainly within the next year.

Philips Group

Provisions for assurance-type product warranty

in millions of EUR

2016 - 2018

	2016	2017	2018
Balance as of January 1	**289**	**259**	**201**
Changes:			
Additions	325	283	248
Utilizations	(357)	(270)	(261)
Transfer to liabilities directly associated with assets held for sale		(56)	
Translation differences and other	2	(16)	2
Balance as of December 31	259	201	190

Assurance-type product warranty

Environmental provisions

The environmental provisions include accrued costs recorded with respect to environmental remediation in various countries. In the United States, subsidiaries of the company have been named as potentially responsible parties in state and federal proceedings for the clean-up of certain sites.

Provisions for environmental remediation can change significantly due to the emergence of additional information regarding the extent or nature of the contamination, the need to utilize alternative technologies, actions by regulatory authorities as well as changes in judgments and discount rates.

Approximately EUR 70 million of the long term provision is expected to be utilized after one to five years, with the remainder after five years. For more details on the environmental remediation reference is made to Contingent assets and liabilities.

Philips Group

Environmental provisions

in millions of EUR

2016 - 2018

	2016	2017	2018
Balance as of January 1	**335**	**321**	**160**
Changes:			
Additions	18	18	23
Utilizations	(24)	(21)	(15)
Releases	(36)	(8)	(4)
Changes in discount rate	11	11	(28)
Accretion	7	6	5
Translation differences and other	10	(20)	4
Transfer to liabilities directly associated with assets held for sale		(146)	
Balance as of December 31	321	160	144

The additions and the releases of the provisions originate from additional insights in relation to factors like the estimated cost of remediation, changes in regulatory requirements and efficiencies in completion of various site work phases.

Restructuring-related provisions

Philips Group

Restructuring-related provisions

in millions of EUR

2018

	Jan. 1, 2018	additions	utilizations	releases	Dec. 31, 2018
Diagnosis & Treatment	38	60	(32)	(11)	55
Connected Care & Health Informatics	20	19	(13)	(8)	18
Personal Health	7	14	(6)	(1)	14
Other	47	42	(47)	(16)	26
Philips Group	112	136	(98)	(37)	114

In 2018, the most significant restructuring projects impacted Diagnosis & Treatment, Connected Care & Health Informatics and Other businesses and mainly took place in the Netherlands, Germany and the US. The restructuring comprised mainly product portfolio rationalization and the reorganization of global support functions.

The company expects the provisions to be utilized mainly within the next year.

2017

In 2017, the most significant restructuring projects impacted Diagnosis & Treatment and Other businesses and mainly took place in the Netherlands and the US.

The movements in the provisions for restructuring in 2017 are presented by segment as follows:

Philips Group

Restructuring-related provision

in millions of EUR

2017

	Jan. 1, 2017	additions	utilizations	releases	other changes [1]	Dec. 31, 2017
Diagnosis & Treatment	13	46	(16)	(5)	(1)	38
Connected Care & Health Informatics	13	27	(12)	(6)	(1)	20
Personal Health	5	14	(5)	(6)	(1)	7
Other	37	55	(27)	(16)	(1)	47
Lighting (now Signify)	133	9	(35)	(3)	(104)	
Philips Group	201	150	(96)	(37)	(107)	112

[1] Other changes primarily relate to translation differences and reclassification to liabilities directly associated with assets held for sale.

2016

In 2016, the most significant restructuring projects mainly impacted Other and mainly took place in the Netherlands.

The movements in the provisions for restructuring in 2016 are presented by segment as follows:

Philips Group

Restructuring-related provisions

in millions of EUR

2016

	Jan. 1, 2016	additions	utilizations	releases	other changes[1]	Dec. 31, 2016
Diagnosis & Treatment	28	11	(19)	(6)	(1)	13
Connected Care & Health Informatics	21	11	(14)	(6)	1	13
Personal Health	32	7	(29)	(2)	(3)	5
Other	38	34	(17)	(20)	2	37
Lighting (now Signify)	178	95	(118)	(27)	5	133
Philips Group	297	158	(197)	(61)	4	201

[1] Other changes primarily relate to translation differences and transfers between segments

Litigation provisions

The Company and certain of its group companies and former group companies are involved as a party in legal proceedings, including regulatory and other governmental proceedings.

Philips Group

Litigation provisions

in millions of EUR

2016 - 2018

	2016	2017	2018
Balance as of January 1	**578**	**96**	**50**
Changes:			
Additions	31	40	17
Utilizations [1]	(313)	(52)	(29)
Releases	(98)	(11)	(11)
Reclassifications [1]	(125)	2	-
Changes in discount rate	5		
Accretion	8	3	2
Transfer to liabilities directly associated with assets held for sale		(21)	
Translation differences and other	10	(7)	(3)
Balance as of December 31	96	50	26

[1] The presentation of prior-year information has been reclassified to conform to the current-year presentation.

The most significant proceedings

The majority of the movements in the above schedule related to the Cathode Ray Tube (CRT) antitrust litigation and Masimo Corporation (Masimo) patent litigation.

Cathode Ray Tube (CRT) antitrust litigation

In 2016, 2017 and 2018 the majority of the movements in relation to the CRT antitrust litigation were utilizations due to the transfer to other liabilities for which the company was able to reach a settlement. These settlements were subsequently paid out in the respective following year.

For more details reference is made to Contingent assets and liabilities.

Masimo Corporation (Masimo) patent litigation

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

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

The company and Masimo also agreed to:

- a USD 300 million cash payment by Philips to Masimo;
- a one-time donation to the Masimo Foundation of USD 5 million to support the Masimo Foundation's project on patient safety and better outcomes;
- commitments of the company with respect to sales targets, marketing and product integration over the coming years of about USD 136 million.

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

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

Other

In 2018 the translation differences in the schedule above are mainly explained by the movements in the BRL/EUR rate which impacted the litigation provisions denominated in BRL. In 2017 the translation differences are mainly explained by the movements in the USD/EUR rate which impacted the litigation provisions denominated in USD.

The company expects the provisions to be utilized mainly within the next three years.

Other provisions

Philips Group

Other provisions

in millions of EUR

2016 - 2018

	2016	2017	2018
Balance as of January 1	604	733	564
Changes:			
Additions [1]	183	241	176
Utilizations [1]	(167)	(175)	(226)
Releases	(61)	(88)	(58)
Reclassification	142	4	2
Accretion	8	-	14
Acquisitions	-	62	367
Transferred to liabilities directly associated with assets held for sale		(156)	
Translation differences and other	24	(56)	3
Balance as of December 31	733	564	842

[1] The presentation of prior-year information has been reclassified to conform to the current-year presentation.
In 2018 the acquisitions through business combinations mainly consists of a provision for contingent consideration of EUR 239 million relating to the acquisition of EPD. For more details reference is made to Acquisitions and divestments

The main elements of other provisions are:

- provisions for possible taxes/social security of EUR 65 million (2017: EUR 97 million);
- onerous contract provisions for unfavorable supply contracts as part of divestment transactions, onerous (sub)lease contracts and expected losses on existing projects /orders totaling EUR 18 million (2017: EUR 31 million);
- provisions for employee jubilee funds EUR 73 million (2017: EUR 57 million);
- self-insurance provisions of EUR 45 million (2017: EUR 48 million);
- provisions for decommissioning costs of EUR 32 million (2017: EUR 32 million);
- provisions for rights of return of EUR 35 million (2017: EUR 37 million);
- provisions for other employee benefits and obligatory severance payments of EUR 13 million (2017: EUR 24 million);
- provisions for contingent considerations of EUR 409 million (2017: EUR 66 million);
- the release in 2017 of EUR 88 million is due to the reassessment of our positions in other provisions.

The company expects the provisions to be utilized mainly within the next five years, except for:

- provisions for employee jubilee funds of which over a half is expected to be utilized after five years;
- provisions for decommissioning costs of which over half is expected to be utilized after five years;
- provisions for rights of return to be utilized mainly within the next year.

Post-employment benefits

Employee post-employment plans have been established in many countries in accordance with the legal requirements, customs and the local practice in the countries involved. All funded post-employment plans are considered to be related parties.

Most employees that take part in a company pension plan are covered by defined contribution (DC) pension plans. The main DC plans are in the Netherlands and the United States. The company also sponsors a number of defined benefit (DB) pension plans. The benefits provided by these plans are based on employees’ years of service and compensation levels. The company also sponsors a limited number of DB retiree medical plans. The benefits provided by these plans typically cover a part of the healthcare costs after retirement.

The larger funded DB and DC plans are governed by independent Trustees who have a legal obligation to protect the interests of all plan members and operate under the local regulatory framework.

The average duration of the defined benefit obligation (DBO) of the DB plans is 11 years (2017: 12 years).

The largest DB plans in 2018 are in the United States and Germany. These plans account for approximately 88% of the total DBO.

The United States

The US DB pension plans are closed plans without future pension accrual. For the funding of any deficit in the US plan the Group adheres to the minimum funding requirements of the US Pension Protection Act.

The assets of the US funded pension plans are in Trusts governed by Trustees. The excess pension plans that covered accrual above the maximum salary of the funded plan are unfunded.

The company's qualified pension commitments in the United States are covered via the Pension Benefit Guaranty Corporation (PBGC) which charges a fee to US companies providing DB pension plans. The fee is also dependent on the amount of unfunded liabilities.

In 2018, the company paid an additional de-risking contribution into the US plan of EUR 130 million (USD 150 million).

Germany

The company has several DB plans in Germany which for the largest part are unfunded, meaning that after retirement the company is responsible for the benefit payments to retirees.

Due to the relatively high level of social security in Germany, the company's pension plans mainly provide benefits for the higher earners and are open for future pension accrual. Indexation is mandatory due to legal requirements. Some of the German plans have a DC design, but are accounted for as DB plans due to a legal minimum return requirement.

Company pension commitments in Germany are partly protected against employer bankruptcy via the "Pensions Sicherungs Verein" which charges a fee to all German companies providing pension promises.

Philips is one of the sponsors of Philips Pensionskasse VVaG in Germany, which is a multi-employer plan. The plan is classified and accounted for as a DC plan.

Risks related to DB plans

DB plans expose the company to various demographic and economic risks such as longevity risk, investment risks, currency and interest rate risk and in some cases inflation risk. The latter plays a role in the assumed wage increase but more importantly in some countries where indexation of pensions is mandatory. Pension fund Trustees are responsible for and have full discretion over the investment strategy of the plan assets. In general Trustees manage pension fund risks by diversifying the investments of plan assets and by (partially) matching interest rate risk of liabilities.

The company has an active de-risking strategy in which it constantly looks for opportunities to reduce the risks associated with its DB plans. Liability-driven investment strategies, lump sum cash-out options, buy-ins, buy-outs and a change to DC are examples of the strategy.

Investment policy in our largest pension plans

The trustees of the Philips pension plans are responsible for and have full discretion over the investment strategy of the plan assets.

The plan assets of the Philips pension plans are invested in well diversified portfolios. The interest rate sensitivity of the fixed income portfolio is closely aligned to that of the plan's pension liabilities. Any contributions from the sponsoring company are used to further increase the fixed income part of the assets. As part of the investment strategy, any additional investment returns of the return portfolio are used to further decrease the interest rate mismatch between the plan assets and the pension liabilities.

Summary of pre-tax costs for post-employment benefits and reconciliations

The adjacent table contains the total of current and past service costs, administration costs and settlement results as included in Income from operations and the interest cost as included in Financial expenses.

Philips Group

Pre-tax costs for post-employment benefits

in millions of EUR

2016 - 2018

	2016	2017	2018
Defined-benefit plans	58	95	46
- included in income from operations	(19) [1]	32	23
- included in financial expense	48	37	23
- included in Discontinued operations	29	26	
Defined-contribution plans	392	397	327
- included in income from operations	299	315	327
- included in Discontinued operations	93	82	
Post-employment benefits costs	450	492	374

[1] The net income mainly relates to the settlement of the pension related legal claim in the UK

Summary of the net defined benefit liability and reconciliations

The adjacent tables contain the total net defined benefit liability and the reconciliations for the DBO and plan assets.

The negative past service cost in 2018 relates to plan amendments in Brazil and Switzerland.

Reconciliations for the DBO and plan assets for DB plans:

Philips Group

Defined-benefit obligations

in millions of EUR

2017 - 2018

	2017	2018
Balance as of January 1	**4,987**	**3,109**
Service cost	34	27
Interest cost	126	85
Employee contributions	4	4
Actuarial (gains) / losses		
– demographic assumptions	(14)	4
– financial assumptions	75	(131)
– experience adjustment	(15)	5
(Negative) past service cost	1	(6)
Settlements	(348)	(0)
Benefits paid from plan	(172)	(152)
Benefits paid directly by employer	(52)	(42)
Transfer to Liabilities directly associated with assets held for sale [1]	(1,210)	
Translation differences and other	(307)	94
Balance as of December 31	3,109	2,998
Present value of funded obligations at end of year	**2,476**	2,388
Present value of unfunded obligations at end of year	**633**	610

[1] The amount presented under 'Transfer to Liabilities directly associated with assets held for sale' in 2017 relates to Signify (former Philips Lighting)
Philips Group

Plan assets

in millions of EUR

2017 - 2018

	2017	2018
Balance as of January 1	**3,095**	**2,137**
Interest income on plan assets	87	62
Admin expenses paid	(2)	(1)
Return on plan assets excluding interest income	70	(129)
Employee contributions	4	4
Employer contributions	263	159
Settlements	(348)	(0)
Benefits paid from plan	(172)	(152)
Transfer to Assets classified as held for sale [1]	(642)	-
Translation differences and other	(218)	83
Balance as of December 31	2,137	2,164
Funded status	(972)	(834)
Unrecognized net assets		
Net balance sheet position	(972)	(834)

[1] The amount presented under 'Transfer to Liabilities directly associated with assets held for sale' in 2017 relates to Signify (former Philips Lighting)

Reconciliation for the effect of the asset ceiling:

Philips Group

Changes in the effect of the asset ceiling

in millions of EUR

2017

	2017
Balance as of January 1	**105**
Interest on unrecognized assets	4
Remeasurements	(100)
Translation differences	(9)
Balance as of December 31	

Due to the settlement of the Brazil pension plan in 2017 there is no effect of the asset ceiling remaining as of 31 December 2017 onwards.

Plan assets allocation

The asset allocation in the company's DB plans at December 31 was as follows:

Philips Group

Plan assets allocation

in millions of EUR

2017 - 2018

	2017	2018
Assets quoted in active markets		
- Debt securities	1,142	1,294
- Equity securities	69	
- Other	137	161
Assets not quoted in active markets		
- Debt securities	14	12
- Equity securities	457	368
- Other	318	329
Total assets	2,137	2,164

The assets in 2018 contain 33% (2017: 37%) unquoted assets. Plan assets in 2018 do not include property occupied by or financial instruments issued by the company.

Assumptions

The mortality tables used for the company's largest DB plans are:

- US: RP2014 with MP2018 improvement scale for qualified and retiree medical plan; RP2006 with MP2018 improvement scale + white collar adjustment for the unfunded excess plans
- Germany: Heubeck-Richttafeln 2018 Generational

The weighted averages of the assumptions used to calculate the DBO as of December 31 were as follows:

Philips Group

Assumptions used for defined-benefit obligations

in %

2017- 2018

	2017	2018
Discount rate	2.8%	3.2%
Inflation rate	2.1%	2.1%
Salary increase	2.4%	2.4%

Sensitivity analysis

The tables below illustrates the approximate impact on the DBO from movements in key assumptions. The DBO was recalculated using a change in the assumptions of 1% which overall is considered a reasonably possible change. The impact on the DBO because of changes in discount rate is normally accompanied by offsetting movements in plan assets, especially when using matching strategies.

Philips Group

Sensitivity of key assumptions

in millions of EUR

2018

	Defined benefit obligation
Increase	
Discount rate (1% movement)	(298)
Inflation rate (1% movement)	97
Salary increase (1% movement)	21
Longevity [1]	65
Decrease	
Discount rate (1% movement)	367
Inflation rate (1% movement)	(89)
Salary increase (1% movement)	(20)

[1] The mortality table (i.e. longevity) also impacts the DBO. The above sensitivity table illustrates the impact on the DBO of a further 10% decrease in the assumed rates of mortality for the company's major schemes. A 10% decrease in assumed mortality rates equals improvement of life expectancy by 0.5 - 1 year.

Philips Group

Sensitivity of key assumptions

in millions of EUR

2017

	Defined benefit obligation
Increase	
Discount rate (1% movement)	(323)
Inflation rate (1% movement)	85
Salary increase (1% movement)	20
Longevity [1]	72
Decrease	
Discount rate (1% movement)	394
Inflation rate (1% movement)	(86)
Salary increase (1% movement)	(19)

[1] The mortality table (i.e. longevity) also impacts the DBO. The above sensitivity table illustrates the impact on the DBO of a further 10% decrease in the assumed rates of mortality for the company's major schemes. A 10% decrease in assumed mortality rates equals improvement of life expectancy by 0.5 - 1 year.

Cash flows and costs in 2019

The company expects considerable cash outflows in relation to post-employment benefits which are estimated to amount to EUR 402 million in 2019, consisting of:

- EUR 20 million employer contributions to funded DB plans (US: EUR 0 million, DE: EUR 13 million, Other: EUR 7 million);
- EUR 42 million cash outflows in relation to unfunded DB plans (US: EUR 10 million, DE: EUR 19 million, Other: EUR 13 million); and
- EUR 340 million employer contributions to DC plans (NL: EUR 168 million, US: EUR 118 million, Other: EUR 54 million).

The service and administration cost for 2019 is expected to amount to EUR 31 million for DB plans. The net interest cost for 2019 for the DB plans is expected to amount to EUR 22 million. The cost for DC pension plans in 2019 is equal to the expected DC cash flow.

Accrued liabilities

Accrued liabilities are summarized as follows:

Philips Group

Accrued liabilities

in millions of EUR

2017 - 2018

	2017	2018
Personnel-related costs:		
- Salaries and wages	529	530
- Accrued holiday entitlements	109	111
- Other personnel-related costs	71	73
Fixed-asset-related costs:		
- Gas, water, electricity, rent and other	52	36
Communication and IT costs	42	55
Distribution costs	83	78
Sales-related costs:		
- Commission payable	7	6
- Advertising and marketing-related costs	174	179
- Other sales-related costs	38	28
Material-related costs	110	112
Interest-related accruals	38	36
Deferred income [1]	791	
Other accrued liabilities	273	293
Accrued liabilities	2,319	1,537

[1] Due to implementation of IFRS 15 balances included in deferred income are now presented as contract liabilities.

Other liabilities

Other non-current liabilities

Other non-current liabilities are summarized as follows:

Philips Group

Other non-current liabilities

in millions of EUR

2017 - 2018

	2017	**2018**
Accrued pension costs		
Deferred income [1]	249	
Other tax liability	161	181
Other liabilities	65	72
Other non-current liabilities	474	253

[1] Due to implementation of IFRS 15 balances included in deferred income are now presented as contract liabilities. The other non-current liabilities decreased with EUR 221 million. This increase is mainly driven by the change of presentation of balances included in deferred income.

For further details on tax related liabilities refer to Income taxes.

Other current liabilities

Other current liabilities are summarized as follows:

Philips Group

Other current liabilities

in millions of EUR

2017 - 2018

	2017	2018
Accrued customer rebates that cannot be offset with accounts receivables for those customers	435	422
Advances received from customers on orders not covered by work in process [1]	372	
Other taxes including social security premiums	164	178
Other liabilities	155	137
Other current liabilities	1,126	737

[1] Due to implementation of IFRS 15 balances included in advances received from customers on orders not covered by work in progress are now presented as contract liabilities.
The other current liabilities decreased with EUR 389 million. This decrease is mainly driven by the change of presentation of balances included in advances received from customers on orders not covered by work in process.

The other liabilities per December 31, 2017 and 2018 include reclassifications from litigation provisions to liabilities due to settlements reached. For more details reference is made to Litigation provisions in Provisions and to Legal proceedings in Contingent assets and liabilities.

Contract liabilities

Non-current contract liabilities were EUR 226 million at December 31, 2018 (2017: EUR 249 million) and current contract liabilities were EUR 1,303 million at December 31, 2018 (2017: EUR 1,163 million).

The current contract liabilities increased with EUR 140 million. The year-on-year change is mainly driven by an increase in contractual billings.

The current contract liabilities as per December 31, 2017 resulted in revenue recognized of EUR 1,163 million in 2018.

Cash flow statement supplementary information

Net cash used for derivatives and current financial assets

In 2018, a total of EUR 177 million cash was paid with respect to foreign exchange derivative contracts related to activities for liquidity management and funding (2017: EUR 295 million outflow; 2016: EUR 128 million outflow).

Purchase and proceeds from non-current financial assets

In 2018, the net cash inflow of EUR 43 million was mainly due to inflows from the repayment of loans receivable, the sale of stakes and capital distributions from investment funds, partly offset by an outflow due to capital contributions into investment funds.

In 2017, the net cash outflow of EUR 36 million was mainly due to capital contributions in Gilde and Abraaj Growth Markets Fund and the acquisition of other stakes.

In 2016, the net cash inflow of EUR 39 million was mainly due to the acquisition of stakes in Abraaj Growth Markets Fund.

Reconciliation of liabilities arising from financing activities

Philips Group

Reconciliation of liabilities arising from financing activities

in millions of EUR

2017 - 2018

	Balance as of Dec. 31, 2017	Cash flow	Currency effects and consolidation changes	Other [1]	Balance as of Dec. 31, 2018
Long term debt [2]	**4,595**	**126**	**45**	**(109)**	**4,657**
USD bonds	2,137	(866)	31	-	1,303
EUR bonds	997	990		1	1,988
Bank borrowings	190	21	-	-	211
Other long-term debt	20	(1)	-	-	18
Finance leases	281	(18)	13	53	330
Forward contracts [3]	970			(163)	807
Short term debt [2]	**120**	**34**	**(29)**	**39**	**164**
Short-term bank borrowings	71	34	(29)		76
Other short-term loans					
Forward contracts [3]	49			39	88
Equity	**(1,500)**	**(1,351)**		**1,558**	**(1,293)**
Dividend payable		(404)		404	
Forward contracts [3]	(1,018)			124	(894)
Treasury shares	(481)	(948)		1,030	(399)
Total		(1,192)			

[1] Besides non-cash, other includes interest paid on finance leases, which is part of cash flows from operating activities

[2] Long-term debt includes the short-term portion of long-term debt, and short-term debt excludes the short-term portion of the long-term debt.

[3] The forward contracts are related to the share buyback program and LTI plans

Philips Group

Reconciliation of liabilities arising from financing activities

in millions of EUR

2016 - 2017

	Balance as of Dec. 31, 2016	Cash flow [1]	Transfer to liabilities directly associated with assets held for sale	Currency effects and consolidation changes	Other [2]	Balance as of Dec. 31, 2017
Long term debt [3]	**5,396**	**(217)**	**(1,255)**	**(327)**	**998**	**4,595**
USD bonds	3,608	(1,184)		(287)	1	2,137
EUR bonds		997			-	997
Bank borrowings	1,470	(22)	(1,238)	(21)	-	190
Other long-term debt	39	(20)	-	1	(1)	20
Finance leases	279	12	(18)	(20)	29	281
Forward contracts [4]					970	970
Short term debt [3]	**210**	**(4)**	**(86)**	**(49)**	**49**	**120**
Short-term bank borrowings	207	(3)	(84)	(49)		71
Other short-term loans	2	(1)	(2)	-		
Forward contracts [4]					49	49
Equity	**(181)**	**168**			**(1,487)**	**(1,500)**
Sale of Lighting (now Signify) shares		1,060			(1,060)	
Dividend payable		(478)			478	
Forward contracts [4]					(1,018)	(1,018)
Treasury shares	(181)	(414)			114	(481)
Total		(53)				

[1] Cash flow includes cash movements related to Lighting from January to April 2017, and therefore does not equal cash flow financing activities in the consolidated statements of cash flows.
[2] Besides non-cash, other includes interest paid on finance leases, which is part of cash flows from operating activities
[3] Long-term debt includes the short-term portion of long-term debt, and short-term debt excluding the short-term portion of long-term debt.
[4] The forward contracts are mainly related to the share buyback program

Contingent assets and liabilities

Contingent assets

As per December 31, 2018, the company had no material contingent assets.

Contingent liabilities

Guarantees

Philips' policy is to provide guarantees and other letters of support only in writing. Philips does not stand by other forms of support. The total fair value of guarantees recognized on the balance sheet amounts to EUR nil million for both 2017 and 2018. Remaining off-balance-sheet business and credit-related guarantees provided on behalf of third parties and associates decreased by EUR 3 million during 2018 to EUR 40 million (December 31, 2017: EUR 44 million).

Environmental remediation

The Company and its subsidiaries are subject to environmental laws and regulations. Under these laws, the Company and/or its subsidiaries may be required to remediate the effects of certain manufacturing activities on the environment.

Legal proceedings

The Company and certain of its group companies and former group companies are involved as a party in legal proceedings, 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 Company is of the opinion that the cases described below may have, or have had in the recent past, a significant impact on the Company's consolidated financial position, results of operations and cash flows.

Cathode Ray Tubes (CRT)

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 December 5, 2012, this lead to a European Commission decision imposing fines on (former) CRT manufacturers including the company. The European Commission imposed a fine of EUR 313 million on the company and a fine of EUR 392 million jointly and severally on the company and LG Electronics, Inc (LGE). In total a payable of EUR 509 million was recognized in 2012 and the fine was paid in the first quarter of 2013. The company appealed the decision of the European Commission with the General Court and later with European Court of Justice. These appeals were denied on September 9, 2015 and September 15, 2017 respectively. No further appeals are pending. Please refer to Subsequent events for a recent claim filed in connection with the CRT matter.

United States and Canada

Subsequent to the public announcement of these investigations in 2007, certain Philips Group companies were named as defendants in class action antitrust complaints by direct and indirect purchasers of CRTs filed in various federal district courts in the United States. These actions alleged anticompetitive conduct by manufacturers of CRTs and sought treble damages on a joint and several liability basis. In addition, sixteen individual plaintiffs, principally large retailers of CRT products who opted out of the direct purchaser class, filed separate complaints against the company 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 the company 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 Philips 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, the company was named as a defendant in a consumer class action lawsuit filed in Israel in which damages are claimed against several defendants based on alleged anticompetitive activities in the CRT industry. In addition, an electronics manufacturer filed a claim against the company 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, the company 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 OEM 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 company 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.

Connected Care & Health Informatics

On July 4, 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 Philips, in São Paulo. The Brazilian authorities are conducting an investigation into tender irregularities in the medical device industry. The company has also received inquiries from certain US authorities in respect of this matter.

Personal Health

In April 2017, the company received a Civil Investigative Demand (CID) out of the US 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 programs available for Respironics’ products. In addition, in late 2017, the company received an information request from the Department of Justice regarding the relationship between Respironics' business and certain sleep centers that use Respironics' products. In 2018 the company has provided the requested information to the US government and is awaiting next steps. The company has not been advised that any claim has been asserted by the US 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 Company's consolidated financial position, results of operations and cash flows.

Miscellaneous

For details on other contractual obligations, please refer to liquidity risk in Details of Treasury risk / other financial risk.

Related-party transactions

In the normal course of business, Philips purchases and sells goods and services from/to various related parties in which Philips typically holds between 20% and 50% equity interest and has significant influence. These transactions are generally conducted with terms comparable to transactions with third parties.

From November 28, 2017, Philips lost control over Signify but still had significant influence. This has resulted in Signify becoming a non-consolidated related party which is reported in the table below for the time period January 1, 2018 to December 31, 2018. Philips and Signify have several agreements in place which impact the related party balances disclosed. There is a Transitional Service Level Agreement, based on which Philips provides Signify with services such as IT, real estate and human resources among others. Additionally, a Trademark License Agreement was signed in which Signify uses the Philips brand name. From December 31, 2018 Philips has no longer significant influence over Signify and therefore Signify ceased to be a related party. As a result, receivables from and payables to related parties in relation Signify are not included in the table below.

For details of these parties in which Philips typically holds between 20% and 50% equity interest, refer to the Investments in associates section of Interests in entities. For details on the Philips ownership changes in Signify, refer to Discontinued operations and assets classified as held for sale.

Philips Group

Related-party transactions

in millions of EUR

2016 - 2018

	2016	2017	2018
Sales of goods and services	207	196	232
Purchases of goods and services	81	62	67
Receivables from related parties	33	127	28
Payables to related parties	3	36	1

In addition to the table above, as part of its operations in the US, Philips sold non-recourse third-party receivables to PMC US amounting to EUR 244 million in 2018 (2017: EUR 151 million; 2016: EUR 139 million).

In light of the composition of the Executive Committee, the Company considers the members of the Executive Committee and the Supervisory Board to be the key management personnel as defined in IAS 24 'Related parties'.

For remuneration details of the Executive Committee, the Board of Management and the Supervisory Board see Information on remuneration.

For Post-employment benefit plans see Post-employment benefits.

Share-based compensation

The purpose of the share-based compensation plans is to align the interests of management with those of shareholders by providing incentives to improve the company's performance on a long-term basis, thereby increasing shareholder value.

The Company has the following plans:

- performance shares: rights to receive common shares in the future based on performance and service conditions;
- restricted shares: rights to receive common shares in the future based on a service condition; and
- options on its common shares, including the 2012 and 2013 Accelerate! grant.

Since 2013 the Board of Management and other members of the Executive Committee are only granted performance shares. Restricted shares are granted to executives, certain selected employees and new employees. Prior to 2013 options were also granted.

Under the terms of employee stock purchase plans established by the Company in various countries, employees are eligible to purchase a limited number of Philips shares at discounted prices through payroll withholdings.

Share-based compensation costs were EUR 102 million (2017: EUR 122 million; 2016: EUR 95 million). This includes the employee stock purchase plan of EUR 5 million, which is not a share-based compensation that affects equity. In the Consolidated statements of changes in equity EUR 107 million is recognized in 2018 and represent the costs of the share-based compensation plans, including EUR 10 million of costs of former Philips employees which are now employed with Signify. The amount recognized as an expense is adjusted for forfeiture. USD-denominated performance shares, restricted shares and options are granted to employees in the United States only.

Performance shares

The performance is measured over a three-year performance period. The performance shares have two performance conditions, relative Total Shareholders' Return compared to a peer group of 20 companies including Philips (2017: 20 companies, 2016: 21 companies) and adjusted Earnings Per Share growth. The performance shares vest three years after the grant date. The number of performance shares that will vest is dependent on achieving the two performance conditions, which are equally weighted, and provided that the grantee is still employed with the company.

The amount recognized as an expense is adjusted for actual performance of adjusted Earnings Per Share growth since this is a non-market performance condition. It is not adjusted for non-vesting or extra vesting of performance shares due to a relative Total Shareholders' Return performance that differs from the performance anticipated at the grant date, since this is a market-based performance condition.

The fair value of the performance shares is measured based on Monte-Carlo simulation, which takes into account dividend payments between the grant date and the vesting date by including reinvested dividends, the market conditions expected to impact relative Total Shareholders' Return performance in relation to selected peers. The following weighted-average assumptions were used for the 2018 grants:

- Risk-free rate: (0.47)%
- Expected share price volatility: 22 %

The assumptions were used for these calculations only and do not necessarily represent an indication of Management's expectation of future developments for other purposes. The company has based its volatility assumptions on historical experience measured over a ten-year period.

A summary of the status of the company's performance share plans as of December 31, 2018 and changes during the year are presented below:

Philips Group

Performance shares

2018

	shares	weighted average grant-date fair value
EUR-denominated		
Outstanding at January 1, 2018 [1]	**6,828,444**	**29.15**
Granted	1,322,107	39.22
Notional dividends [2]	112,952	32.21
Vested/Issued	4,237,835	28.50
Forfeited	415,273	29.61
Adjusted quantity [3]	1,127,703	28.97
Outstanding at December 31, 2018	4,738,099	32.54
USD-denominated		
Outstanding at January 1, 2018 [1]	**4,396,514**	**31.96**
Granted	907,782	47.50
Notional dividends [2]	70,579	37.51
Vested/Issued	2,840,286	30.14
Forfeited	424,139	36.12
Adjusted quantity [3]	767,599	30.32
Outstanding at December 31, 2018	2,878,048	23.71

[1] The outstanding number of performance shares as per January 1, 2018 was updated to reflect the dividend declared on outstanding shares between grant d