

KONINKLIJKE PHILIPS NV
Form 6-K
April 25, 2016

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN ISSUER

Pursuant to Rule 13a-16 or 15d-16 of the

Securities Exchange Act of 1934

April 25, 2016

KONINKLIJKE PHILIPS N.V.

(Exact name of registrant as specified in its charter)

Royal Philips

(Translation of registrant's name into English)

The Netherlands

(Jurisdiction of incorporation or organization)

Breitner Center, Amstelplein 2, 1096 BC Amsterdam, The Netherlands

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule101(b)(7):

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

Name and address of person authorized to receive notices
and communications from the Securities and Exchange Commission:

M.J. van Ginneken

Koninklijke Philips N.V.

Amstelplein 2

1096 BC Amsterdam The Netherlands

This report comprises a copy of the following press release:

Philips First Quarter Results 2016 , dated April 25, 2016.

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf, by the undersigned, thereunto duly authorized at Amsterdam, on the 25th of April, 2016.

KONINKLIJKE PHILIPS N.V.

/s/ M.J. van Ginneken
(General Secretary)

Philips reports Q1 comparable sales growth of 3% to EUR 5.5 billion and a 14% improvement in Adjusted EBITA to EUR 374 million

Amsterdam, April 25, 2016

First-quarter highlights

Comparable sales growth driven by 5% growth in HealthTech portfolio

Adjusted EBITA amounted to EUR 374 million, or 6.8% of sales, compared to 6.1% of sales in Q1 2015

EBITA totaled EUR 290 million, or 5.3% of sales, compared to 4.3% of sales in Q1 2015

Net income amounted to EUR 37 million, compared to EUR 100 million in Q1 2015, mainly impacted by tax charges related to the separation

Free cash outflow of EUR 177 million, compared to an outflow of EUR 443 million in Q1 2015

Philips Lighting separation process well on track

Frans van Houten, CEO:

Philips' first-quarter 2016 results reflect solid comparable sales growth across our HealthTech businesses and our LED Lighting business, bolstered by the successful launch of several new products. We also delivered continued operational improvements throughout the company, driven by higher volume and improved product mix. Our overall performance strengthened, supported by the ongoing benefits of our multi-year Accelerate! transformation program, despite challenging macro-economic conditions in several markets.

Our outlook for 2016 remains unchanged, as we continue to expect earnings improvements in the year to be back-end loaded, taking into account ongoing macro-economic headwinds and the phasing of costs and sales.

HealthTech

Our HealthTech portfolio delivered another strong quarter, with 5% comparable sales growth overall, despite anticipated lower royalty income. We also achieved significant operational improvements, which were partly offset by ongoing investments in high-growth businesses, such as wearable patient monitoring solutions, digital pathology and health informatics. Equipment-order intake in the quarter declined by 3% on a comparable basis, after a quarter with double-digit order growth, largely reflecting the unevenness of our order intake dynamics.

In Personal Health, comparable sales growth was 6%, with the Adjusted EBITA margin improving by 130 basis points. Diagnosis & Treatment showed 5% comparable growth, and the Adjusted EBITA margin improved by 80 basis points. Connected Care & Health Informatics grew 9%, while the Adjusted EBITA margin improved by 310 basis points.

Philips' new integrated Dream Family solution, which is designed to improve the sleep therapy experience for people with obstructive sleep apnea, is showing strong traction in Europe and the US, with more than 200,000 Dream Family users since its introduction in 2015, and is now being launched in Japan.

Building on the synergies of the Volcano acquisition, the Image-Guided Therapy business posted a strong first quarter across its markets, supported by the expansion of its Phoenix Atherectomy catheter product range and the strong synergies between its smart catheter and systems sales forces.

In line with our strategy of building multi-year strategic partnerships, Philips signed a 15-year, USD 90 million agreement with San Francisco Bay-based Marin General Hospital that includes a managed services agreement for imaging systems, patient monitoring and clinical informatics solutions.

Strengthening its Health Informatics portfolio, Philips partnered with Hitachi Data Systems to introduce a next-generation Vendor Neutral Archive system, supporting rapid access to medical imaging and digital health records across the enterprise. Philips also teamed up with Amazon Web Services to deliver a new cloud-based, enterprise-wide rapid and secure data recovery solution.

Philips Oral Healthcare business continued its growth trajectory, with a strong performance in Greater China where the Philips Sonicare Essence+ was recently launched, providing consumers with a high-quality brushing experience at affordable price points.

Lighting

Philips Lighting's first-quarter performance improvement signals its great future as a focused, stand-alone company. Lighting posted its sixth consecutive quarter of year-on-year operational improvements, underpinning the strong potential of our LED business and the transformation from individual products to connected lighting systems and services. As a result of our market success in LED and its growing share of the overall business, Philips Lighting is expected to return to positive comparable sales growth in the course of 2016.

LED lighting sales grew strongly by 27% and now account for 50% of overall Lighting sales. Conventional lamps sales continued their anticipated decline, contracting 15% year-on-year. The Home business delivered double-digit growth for the second consecutive quarter, while Professional in North America returned to positive growth in the quarter. The Adjusted EBITA margin at Philips Lighting increased by 60 basis points, driven by cost productivity and product mix.

Philips Lighting introduced great innovations at Light + Building, a leading industry trade show, showcasing its connected LED lighting growth platforms for smart cities, smart retailing, smart offices and smart homes.

Philips Lighting has partnered with Vodafone to help increase adoption of connected LED street lighting for smart cities. Currently, of the over 300 million street lights globally, less than 12% are LED and less than 2% are connected. Philips Lighting introduced DigiStreet, its new range of LED street lighting luminaires which can wirelessly connect to CityTouch, enabling the street lights to be monitored, controlled and managed remotely for additional savings on energy and maintenance.

To further fuel its LED growth, Philips Lighting continues to innovate with the introduction of three new LED lamp families: the Philips classic LED spot range to replace the popular halogen spotlight, the Philips SceneSwitch LED lamp range with its unique three light settings in one light bulb, and the Philips classic LED with DimTone.

Underlining its market leadership in dynamic connected LED lighting to transform building facades and monuments, Philips Lighting lit up two iconic landmarks in Spain: the CEPSA Tower, one of Spain's tallest buildings, and Baño de la Cava, a World Heritage site in Toledo.

Separation Update

As previously communicated, Philips continues to simultaneously prepare for an initial public offering (IPO) or a private sale of Philips Lighting. With equity markets sentiment improving compared to the first couple of months of the year, an IPO increasingly appears a more likely outcome, subject to further market developments and other relevant circumstances. However, the company has not yet concluded on all proposals in the private sale process and continues to assess the attractiveness of this route compared to the IPO, both in terms of value and conditions, while taking into account the best interests of Philips and its stakeholders. As such, Philips expects to update the market on conclusions and next steps shortly.

Costs related to the separation amounted to EUR 52 million in the first quarter of 2016. For 2016, Philips now expects separation costs to be in the range of EUR 200 - 225 million.

Cost Savings

Overhead cost savings amounted to EUR 19 million in the first quarter. The Design for Excellence (DfX) program generated EUR 67 million of incremental procurement savings in the quarter. The End2End improvement program achieved EUR 41 million in productivity gains.

Miscellaneous

As of March 31, 2016, Philips had completed 82% of the 3-year EUR 1.5 billion share buy-back program.

This first-quarter 2016 results publication is based on Philips' new segment reporting structure. The related historical key figures for 2014 and 2015 have been published on the Investor Relations website.

Conference call and audio webcast

Frans van Houten, CEO, and Abhijit Bhattacharya, CFO, will host a conference call for investors and analysts at 10:00 am CET to discuss the results. A live audio webcast of the conference call will be available on the Philips Investor Relations website.

Philips Q1 2016 Earnings call

Philips**Key data** in millions of EUR unless otherwise stated

| | Q1 2015 | Q1 2016 |
|---|----------------|----------------|
| Sales | 5,339 | 5,517 |
| Nominal sales growth | 14% | 3% |
| Comparable sales growth | 2% | 3% |
| Adjusted EBITA | 327 | 374 |
| <i>as a % of sales</i> | <i>6.1%</i> | <i>6.8%</i> |
| EBITA | 230 | 290 |
| <i>as a % of sales</i> | <i>4.3%</i> | <i>5.3%</i> |
| EBIT | 139 | 199 |
| <i>as a % of sales</i> | <i>2.6%</i> | <i>3.6%</i> |
| Financial expenses, net | (67) | (114) |
| Income taxes | (31) | (75) |
| Results investments in associates | 23 | 3 |
| Net income from continuing operations | 64 | 13 |
| Discontinued operations | 36 | 24 |
| Net income | 100 | 37 |
| Net income attributable to shareholders per common share (in EUR) - diluted | 0.11 | 0.03 |

Currency-comparable order intake declined by a low single digit, due to a low-single-digit decline in Connected Care & Health Informatics and a mid-single-digit decline in Diagnosis & Treatment. North America and other mature geographies were in line with Q1 2015, while growth geographies showed a low-single-digit decline, mainly due to China. Western Europe posted a high-single-digit decline.

Comparable sales growth was driven by 5% growth in the HealthTech portfolio, partly offset by a 2% decline in Lighting.

Adjusted EBITA improved by EUR 47 million, or 0.7% of sales, year-on-year. The improvement was mainly attributable to higher volume, product mix and cost productivity, partly offset by currency impacts.

Restructuring and acquisition-related charges amounted to EUR 32 million, compared to EUR 58 million in Q1 2015. EBITA also included EUR 52 million of charges related to the separation of the Lighting business, compared to EUR 11 million in Q1 2015. EBITA in Q1 2015 also included a EUR 28 million charge related to the currency revaluation of the provision for the Masimo litigation.

Net financial expenses increased by EUR 47 million year-on-year, mainly due to a market fair value adjustment of Philips' stake in Corindus Vascular Robotics.

Income tax expense increased by EUR 44 million compared to Q1 2015, mainly due to additional tax charges resulting from activities related to the separation of the Lighting business.

Results from investments in associates showed a year-on-year decrease of EUR 20 million due to a gain from the sale of Assembléon Technologies B.V. in Q1 2015.

Net income decreased by EUR 63 million compared to Q1 2015. Improved performance in the HealthTech portfolio and in Lighting was more than offset by higher financial charges as well as tax charges resulting from activities related to the separation of the Lighting business.

Sales per geographic cluster in millions of EUR unless otherwise stated

| | | | % change | |
|--------------------------|--------------|--------------|-----------|------------|
| | Q1 2015 | Q1 2016 | nominal | comparable |
| Western Europe | 1,334 | 1,334 | 0% | 0% |
| North America | 1,753 | 1,937 | 10% | 5% |
| Other mature geographies | 443 | 459 | 4% | (1)% |
| Total mature geographies | 3,530 | 3,730 | 6% | 3% |
| Growth geographies | 1,809 | 1,787 | (1)% | 3% |
| Philips | 5,339 | 5,517 | 3% | 3% |

Comparable sales growth in mature geographies was largely driven by mid-single-digit growth in North America. Western Europe was in line with Q1 2015. Double-digit growth in Benelux was offset by a mid-single-digit decline in Germany, Austria & Switzerland and a high-single-digit decline in Iberia.

Comparable sales growth in growth geographies was driven by low-single-digit growth in China and high-single-digit growth in India.

Cash balance in millions of EUR

| | Q1 2015 | Q1 2016 |
|--|----------------|----------------|
| Beginning cash balance | 1,873 | 1,766 |
| Free cash flow | (443) | (177) |
| <i>Net cash flow from operating activities</i> | (256) | 10 |
| <i>Net capital expenditures</i> | (187) | (187) |
| Acquisitions and divestments of businesses | (1,066) | (31) |
| Other cash flow from investing activities | (17) | (66) |
| Treasury shares transactions | (108) | (157) |
| Changes in debt | 1,190 | 75 |
| Other cash flow items | 174 | (40) |
| Net cash flow discontinued operations | 64 | 15 |
| Ending cash balance | 1,667 | 1,385 |

In Q1 2016 the cash balance decreased to EUR 1,385 million, with a free cash outflow of EUR 177 million, which included an outflow of EUR 172 million related to pension liability de-risking in the United States.

The cash balance decreased during Q1 2015 to EUR 1,667 million, with a free cash outflow of EUR 443 million, which included an outflow of EUR 171 million related to settlements for pension de-risking and an outflow of EUR 309 million related to the settlement of CRT antitrust litigation.

As of March 31, 2016, Philips had completed 82% of the 3-year EUR 1.5 billion share buy-back program.

Performance per segment**Personal Health****Key data** in millions of EUR unless otherwise stated

| | Q1 2015 | Q1 2016 |
|-------------------------|----------------|----------------|
| Sales | 1,522 | 1,610 |
| Sales growth | | |
| Nominal sales growth | 17% | 6% |
| Comparable sales growth | 9% | 6% |
| Adjusted EBITA | 195 | 227 |
| <i>as a % of sales</i> | 12.8% | 14.1% |
| EBITA | 194 | 225 |
| <i>as a % of sales</i> | 12.7% | 14.0% |

Comparable sales growth was driven by double-digit growth in Health & Wellness, high-single-digit growth in Personal Care, mid-single-digit growth in Sleep & Respiratory Care and low-single-digit growth in Domestic Appliances.

Comparable sales in growth geographies showed high-single-digit growth, driven by double-digit growth in Middle East & Turkey and Central & Eastern Europe and low-single-digit growth in China. Mature geographies recorded mid-single-digit growth, with mid-single-digit growth in North America, low-single-digit growth in Western Europe and double-digit growth in other mature geographies.

Adjusted EBITA increased by EUR 32 million, or 1.3% of sales, compared to Q1 2015. The increase was attributable to higher volumes and product mix.

Restructuring and acquisition-related charges were EUR 2 million, compared to EUR 1 million in Q1 2015.

Restructuring and acquisition-related charges are expected to total approximately EUR 5 million in Q2 2016.

Diagnosis & Treatment**Key data** in millions of EUR unless otherwise stated

| | Q1 2015 | Q1 2016 |
|-------------------------|----------------|----------------|
| Sales | 1,304 | 1,419 |
| Sales growth | | |
| Nominal sales growth | 20% | 9% |
| Comparable sales growth | 5% | 5% |
| Adjusted EBITA | 19 | 32 |
| <i>as a % of sales</i> | 1.5% | 2.3% |

| | | |
|------------------------|---------------|-------------|
| EBITA | (13) | 23 |
| <i>as a % of sales</i> | <i>(1.0)%</i> | <i>1.6%</i> |

Comparable sales growth was driven by double-digit growth in Image-Guided Therapy, mid-single-digit growth in Ultrasound and low-single-digit growth in Diagnostic Imaging.

Comparable sales in growth geographies showed double-digit growth, largely driven by China and India. Mature geographies recorded low-single-digit growth, with mid-single-digit growth in Western Europe and low-single-digit growth in North America, partly offset by a low-single-digit decline in other mature geographies.

Adjusted EBITA improved by EUR 13 million, or 0.8% of sales, year-on-year. The improvement was due to higher volumes and cost productivity, partly offset by currency impacts.

Restructuring and acquisition-related charges were EUR 9 million, compared to EUR 32 million in Q1 2015.

Restructuring and acquisition-related charges are expected to total approximately EUR 20 million in Q2 2016.

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

| | Q1 2015 | Q1 2016 |
|-------------------------|----------------|----------------|
| Sales | 625 | 694 |
| Sales growth | | |
| Nominal sales growth | 4% | 11% |
| Comparable sales growth | (7)% | 9% |
| Adjusted EBITA | 5 | 27 |
| <i>as a % of sales</i> | <i>0.8%</i> | <i>3.9%</i> |
| EBITA | (24) | 23 |
| <i>as a % of sales</i> | <i>(3.8)%</i> | <i>3.3%</i> |

Comparable sales growth was driven by double-digit growth in Patient Care & Monitoring Solutions and high-single-digit growth in Healthcare Informatics, Solutions & Services, partly offset by a mid-single-digit decline in Population Health Management.

Comparable sales in growth geographies showed double-digit growth, mainly driven by Middle East & Turkey and India. Mature geographies posted high-single-digit growth. North America achieved double-digit growth, other mature geographies recorded low-single-digit growth, while Western Europe reported a low-single-digit decline.

Adjusted EBITA improved by EUR 22 million, or 3.1% of sales, year-on-year. The increase was attributable to higher volumes.

Restructuring and acquisition-related charges were EUR 4 million, compared to EUR 1 million in Q1 2015. EBITA in Q1 2015 included charges of EUR 28 million related to the currency revaluation of the provision for the Masimo litigation.

Restructuring and acquisition-related charges are expected to total approximately EUR 5 million in Q2 2016.

HealthTech Other

Key data in millions of EUR

| | Q1 2015 | Q1 2016 |
|----------------------------|---------|---------|
| Sales | 135 | 103 |
| Adjusted EBITA | 20 | (9) |
| <i>IP Royalties</i> | 87 | 57 |
| <i>Emerging Businesses</i> | (12) | (20) |
| <i>Innovation</i> | (32) | (24) |
| <i>Central costs</i> | (18) | (21) |
| <i>Other</i> | (5) | (1) |
| EBITA | 24 | (7) |

Sales reflected lower royalty income due to the expiration of licenses, as anticipated, partly offset by strong double-digit growth in Emerging Businesses.

The Adjusted EBITA decline was mainly due to lower royalty income and higher investments in Emerging Businesses.

EBITA included a EUR 2 million net release of restructuring charges, while Q1 2015 included a net release of EUR 4 million.

Restructuring and acquisition-related charges are expected to total approximately EUR 10 million in Q2 2016.

Lighting

Key data in millions of EUR unless otherwise stated

| | Q1 2015 | Q1 2016 |
|-------------------------|---------|---------|
| Sales | 1,722 | 1,691 |
| Sales growth | | |
| Nominal sales growth | 9% | (2)% |
| Comparable sales growth | (3)% | (2)% |
| Adjusted EBITA | 113 | 121 |

| | | |
|------------------------|-----------|------------|
| <i>as a % of sales</i> | 6.6% | 7.2% |
| EBITA | 85 | 102 |
| <i>as a % of sales</i> | 4.9% | 6.0% |

Comparable sales reflected double-digit growth in LED and Home, which was more than offset by a double-digit decline in Lamps and a low-single-digit decline in Professional.

Total LED lighting sales grew 27% year-on-year and now represent 50% of total Lighting sales, compared to 39% in Q1 2015. Conventional lighting sales declined 20% year-on-year, in line with the industry trend, and now represent 50% of total Lighting sales, compared to 61% in Q1 2015.

With the continued growth of LED within the total portfolio, Philips Lighting is expected to return to growth in the course of 2016.

Mature geographies recorded low-single-digit growth, with mid-single-digit growth in North America and low-single-digit growth in other mature geographies, while Western Europe reported a mid-single-digit decline. Growth geographies recorded a mid-single-digit decline, mainly due to Middle East & Turkey and Latin America.

Adjusted EBITA improved year-on-year for the sixth consecutive quarter. The increase of EUR 8 million, or 0.6% of sales, was attributable to cost productivity and product mix, partly offset by currency impacts.

Restructuring and acquisition-related charges were EUR 19 million, compared to EUR 28 million in Q1 2015.

Restructuring and acquisition-related charges are expected to total approximately EUR 60 million in Q2 2016.

Legacy Items

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

Q1 2016 EBITA largely included EUR 52 million of charges related to the separation of the Lighting business, EUR 12 million of charges related to movements in environmental provisions, and EUR 8 million of stranded costs related to the combined Lumileds and Automotive businesses.

Charges related to the separation of the Lighting business are expected to total approximately EUR 70 million in Q2 2016.

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Additional information on the combined businesses of Lumileds and Automotive**Results of combined Lumileds and Automotive businesses** in millions of EUR

| | Q1 2015 | Q1 2016 |
|---|----------------|----------------|
| EBITA as previously reported in Lighting | 33 | (1) |
| Adjustment of amortization and depreciation following assets held for sale reclassification | 42 | 41 |
| Disentanglement costs | (19) | (1) |
| Former net costs allocated to Lighting | (1) | |
| Former net costs allocated to Legacy Items | 23 | 8 |
| EBIT of discontinued operations | 78 | 47 |
| Financial expenses, net | | (1) |
| Income taxes | (41) | (14) |
| Net income of discontinued operations | 37 | 32 |

The combined businesses of Lumileds and Automotive are reported as discontinued operations in the Consolidated statements of income and cash flows. As a result, Lumileds and Automotive sales and EBITA are no longer included in the Lighting and Group results of continuing operations. The applicable assets and liabilities of the combined businesses are reported under Assets and Liabilities classified as held for sale in the Condensed consolidated balance sheets as per November 2014.

EBITA decreased by EUR 34 million, mainly due to lower sales impacting gross margins. Net income of discontinued operations attributable to the combined businesses of Lumileds and Automotive decreased by EUR 5 million, mainly due to lower operational performance, partly offset by lower income tax charges.

Philips is actively engaging with other parties that have expressed an interest in the businesses and will continue to report the Lumileds and Automotive businesses as discontinued operations.

Overhead and other indirect costs of Philips that were previously allocated to Lumileds and Automotive and were not affected by the transfer to Discontinued operations have been allocated to Lighting and Legacy Items.

Adjusted EBITA and EBITA per segment

Personal Health

Adjusted EBITA in millions of EUR unless otherwise stated

EBITA in millions of EUR unless otherwise stated

Diagnosis & Treatment

Adjusted EBITA in millions of EUR unless otherwise stated

EBITA in millions of EUR unless otherwise stated

Connected Care & Health Informatics

Adjusted EBITA in millions of EUR unless otherwise stated

EBITA in millions of EUR unless otherwise stated

Lighting

Adjusted EBITA in millions of EUR unless otherwise stated

EBITA in millions of EUR unless otherwise stated

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Forward-looking statements and other presentation matters

Forward-looking statements

This document and the related oral presentation, including responses to questions following the presentation, contain certain forward-looking statements with respect to the financial condition, results of operations and business of Philips and certain of the plans and objectives of Philips with respect to these items. Examples of forward-looking statements include statements made about the strategy, estimates of sales growth, future EBITA, future developments in Philips organic business and the completion of acquisitions and divestments. By their nature, these statements involve risk and uncertainty because they relate to future events and circumstances and there are many factors that could cause actual results and developments to differ materially from those expressed or implied by these statements.

These factors include but are not limited to domestic and global economic and business conditions, developments within the euro zone, the successful implementation of Philips' strategy and the ability to realize the benefits of this strategy, the ability to develop and market new products, changes in legislation, legal claims, changes in exchange and interest rates, changes in tax rates, pension costs and actuarial assumptions, raw materials and employee costs, the ability to identify and complete successful acquisitions, and to integrate those acquisitions into the business, the ability to successfully exit certain businesses or restructure the operations, the rate of technological changes, political, economic and other developments in countries where Philips operates, industry consolidation and competition and the state of international capital markets as they may affect the timing and nature of the dispositions by Philips of its interests in the Lighting business and the Lumileds and Automotive business. As a result, Philips' actual future results may differ materially from the plans, goals and expectations set forth in such forward-looking statements. For a discussion of factors that could cause future results to differ from such forward-looking statements, see the Risk management chapter included in the Annual Report 2015.

Third-party market share data

Statements regarding market share, including those regarding Philips' competitive position, contained in this document are based on outside sources such as research institutes, industry and dealer panels in combination with management estimates. Where information is not yet available to Philips, those statements may also be based on estimates and projections prepared by outside sources or management. Rankings are based on sales unless otherwise stated.

Use of non-GAAP information

In presenting and discussing the Philips Group financial position, operating results and cash flows, management uses certain non-GAAP financial measures. These non-GAAP financial measures should not be viewed in isolation as alternatives to the equivalent IFRS measures and should be used in conjunction with the most directly comparable IFRS measures. Non-GAAP financial measures do not have standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other issuers. A reconciliation of these non-GAAP measures

to the most directly comparable IFRS measures is contained in this document. Further information on non-GAAP measures can be found in the Annual Report 2015.

Use of fair-value measurements

In presenting the Philips Group financial position, fair values are used for the measurement of various items in accordance with the applicable accounting standards. These fair values are based on market prices, where available, and are obtained from sources that are deemed to be reliable. Readers are cautioned that these values are subject to

changes over time and are only valid at the balance sheet date. When quoted prices or observable market data are not readily available, fair values are estimated using appropriate valuation models and unobservable inputs. Such fair value estimates require management to make significant assumptions with respect to future developments, which are inherently uncertain and may therefore deviate from actual developments. Critical assumptions used are disclosed in the Annual Report 2015. Independent valuations may have been obtained to support management's determination of fair values.

Presentation

All amounts are in millions of euros unless otherwise stated. All reported data is unaudited. Financial reporting is in accordance with the accounting policies as stated in the Annual Report 2015, unless otherwise stated.

Condensed consolidated statements of income**Condensed consolidated statements of income** in millions of EUR unless otherwise stated

| | Q1 2015 | Q1 2016 |
|--|----------------|----------------|
| Sales | 5,339 | 5,517 |
| Cost of sales | (3,223) | (3,251) |
| Gross margin | 2,116 | 2,266 |
| Selling expenses | (1,341) | (1,418) |
| General and administrative expenses | (214) | (189) |
| Research and development expenses | (436) | (470) |
| Impairment of goodwill | | (2) |
| Other business income | 22 | 21 |
| Other business expenses | (8) | (9) |
| Income from operations | 139 | 199 |
| Financial income | 31 | 27 |
| Financial expenses | (98) | (141) |
| Income before taxes | 72 | 85 |
| Income taxes | (31) | (75) |
| Income after taxes | 41 | 10 |
| Results relating to investments in associates | 23 | 3 |
| Net income from continuing operations | 64 | 13 |
| Discontinued operations - net of income tax | 36 | 24 |
| Net income | 100 | 37 |
| Attribution of net income for the period | | |
| Net income attributable to Koninklijke Philips N.V. shareholders | 99 | 32 |
| Net income attributable to non-controlling interests | 1 | 5 |
| Earnings per common share attributable to shareholders | | |
| Weighted average number of common shares outstanding (after deduction of treasury shares) during the period (in thousands): | | |
| - basic | 912,086 | 913,929 |
| - diluted | 918,215 | 924,706 |
| Net income attributable to shareholders per common share in EUR: | | |
| - basic | 0.11 | 0.04 |
| - diluted | 0.11 | 0.03 |

Condensed consolidated balance sheets

Condensed consolidated balance sheets in millions of EUR

| | March 31, 2016 | December 31, 2015 | March 31, 2016 |
|--|----------------|-------------------|----------------|
| Non-current assets: | | | |
| Property, plant and equipment | 2,344 | 2,322 | 2,218 |
| Goodwill | 8,596 | 8,523 | 8,265 |
| Intangible assets excluding goodwill | 3,985 | 3,693 | 3,526 |
| Non-current receivables | 195 | 191 | 166 |
| Investments in associates | 173 | 181 | 205 |
| Other non-current financial assets | 512 | 489 | 436 |
| Non-current derivative financial assets | 63 | 58 | 45 |
| Deferred tax assets | 2,677 | 2,758 | 2,689 |
| Other non-current assets | 89 | 68 | 70 |
| Total non-current assets | 18,634 | 18,283 | 17,620 |
| Current assets: | | | |
| Inventories | 3,916 | 3,463 | 3,601 |
| Other current financial assets | 125 | 12 | 12 |
| Other current assets | 537 | 444 | 523 |
| Current derivative financial assets | 288 | 103 | 87 |
| Income tax receivable | 118 | 114 | 120 |
| Receivables | 4,917 | 4,982 | 4,597 |
| Assets classified as held for sale | 1,591 | 1,809 | 1,812 |
| Cash and cash equivalents | 1,667 | 1,766 | 1,385 |
| Total current assets | 13,159 | 12,693 | 12,137 |
| Total assets | 31,793 | 30,976 | 29,757 |
| Equity | | | |
| Shareholders' equity | 11,382 | 11,662 | 11,279 |
| Non-controlling interests | 114 | 118 | 130 |
| Group equity | 11,496 | 11,780 | 11,409 |
| Non-current liabilities: | | | |
| Long-term debt | 4,118 | 4,095 | 3,984 |
| Non-current derivative financial liabilities | 798 | 695 | 518 |
| Long-term provisions | 2,575 | 2,392 | 2,341 |
| Deferred tax liabilities | 106 | 164 | 129 |
| Other non-current liabilities | 2,066 | 1,782 | 1,533 |
| Total non-current liabilities | 9,663 | 9,128 | 8,505 |
| Current liabilities: | | | |
| Short-term debt | 1,667 | 1,665 | 1,705 |
| Current derivative financial liabilities | 590 | 238 | 268 |

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| | | | |
|---|---------------|---------------|---------------|
| Income tax payable | 154 | 116 | 153 |
| Accounts payable | 2,913 | 2,673 | 2,434 |
| Accrued liabilities | 2,778 | 2,863 | 2,695 |
| Short-term provisions | 862 | 833 | 790 |
| Liabilities directly associated with assets held for sale | 335 | 407 | 430 |
| Other current liabilities | 1,335 | 1,273 | 1,368 |
| Total current liabilities | 10,634 | 10,068 | 9,843 |
| Total liabilities and group equity | 31,793 | 30,976 | 29,757 |

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Condensed consolidated statements of cash flows**Condensed consolidated statements of cash flows** in millions of EUR

| | Q1 2015 | Q1 2016 |
|--|----------------|--------------|
| Cash flows from operating activities | | |
| Net income | 100 | 37 |
| Results of discontinued operations - net of income tax | (36) | (24) |
| Adjustments to reconcile net income to net cash of operating activities: | | |
| Depreciation, amortization, and impairments of fixed assets | 283 | 310 |
| Impairment of goodwill and other non-current financial assets | | 23 |
| Net gain on sale of assets | (34) | (4) |
| Interest income | (14) | (14) |
| Interest expense on debt, borrowings and other liabilities | 66 | 72 |
| Income taxes | 31 | 75 |
| Results from investments in associates | (2) | (2) |
| Increase in working capital: | (18) | (60) |
| <i>Decrease in receivables and other current assets</i> | 82 | 323 |
| <i>Increase in inventories</i> | (243) | (223) |
| <i>Increase (decrease) in accounts payable, accrued and other liabilities</i> | 143 | (160) |
| Decrease (increase) in non-current receivables, other assets, other liabilities | 42 | (312) |
| Decrease in provisions | (162) | (50) |
| Other items | (365) | 141 |
| Interest paid | (101) | (116) |
| Interest received | 14 | 14 |
| Income taxes paid | (60) | (80) |
| Net cash provided by (used for) operating activities | (256) | 10 |
| Cash flows from investing activities | | |
| Net capital expenditures | (187) | (187) |
| <i>Purchase of intangible assets</i> | (28) | (32) |
| <i>Expenditures on development assets</i> | (72) | (74) |
| <i>Capital expenditures on property, plant and equipment</i> | (92) | (87) |
| <i>Proceeds from sale of property, plant and equipment</i> | 5 | 6 |
| Cash used for derivatives and current financial assets | (37) | (70) |
| Purchase of other non-current financial assets | | (1) |
| Proceeds from other non-current financial assets | 20 | 5 |
| Purchase of businesses, net of cash acquired | (1,103) | (27) |
| Proceeds from (cash used for) sale of interests in businesses, net of cash disposed of | 37 | (4) |
| Net cash used for investing activities | (1,270) | (284) |
| Cash flows from financing activities | | |
| Proceeds from issuance of short-term debt | 1,192 | 64 |
| Principal payments on long-term debt | (20) | (8) |
| Proceeds from issuance of long-term debt | 18 | 19 |
| Re-issuance of treasury shares | 35 | 11 |
| Purchase of treasury shares | (143) | (168) |
| Net cash provided by (used for) financing activities | 1,082 | (82) |

| | | |
|---|--------------|--------------|
| Net cash used for continuing operations | (444) | (356) |
| Cash flows from discontinued operations | | |
| Net cash provided by operating activities | 64 | 15 |
| Net cash provided by discontinued operations | 64 | 15 |
| Net cash provided by (used for) continuing and discontinued operations | (380) | (341) |
| Effect of change in exchange rates on cash and cash equivalents | 174 | (40) |
| Cash and cash equivalents at the beginning of the period | 1,873 | 1,766 |
| Cash and cash equivalents at the end of the period | 1,667 | 1,385 |

For a number of reasons, principally the effects of translation differences, certain items in the statements of cash flows do not correspond to the differences between the balance sheet amounts for the respective items.

Condensed consolidated statement of changes in equity

Condensed consolidated statement of changes in equity in millions of EUR

| | common shares | capital in excess of par value | retained earnings | valuation reserves | translation differences | available- for-sale financial assets | cash flow hedges | treasury shares at cost | total shareholders' equity | non-controlling interests | total equity |
|---|------------------|--|----------------------|-----------------------|----------------------------|---|------------------------|----------------------------------|----------------------------------|------------------------------|-----------------|
| Balance as of December 31, 2015 | 186 | 2,669 | 8,040 | 4 | 1,058 | 56 | 12 | (363) | 11,662 | 118 | 11,780 |
| Total comprehensive income (loss) | | | 36 | (2) | (263) | (20) | (4) | | (253) | 5 | (248) |
| Movement non-controlling interest | | | | | | | | | | 7 | 7 |
| Purchase of treasury shares | | | | | | | | (174) | (174) | | (174) |
| Re-issuance of treasury shares | | (1) | (8) | | | | | 20 | 11 | | 11 |
| Share call options ¹⁾ | | | (77) | | | | | 77 | | | |
| Share-based compensation plans | | 28 | | | | | | | 28 | | 28 |
| Income tax share-based compensation plans | | 5 | | | | | | | 5 | | 5 |
| Total other equity movements | | 32 | (85) | | | | | (77) | (130) | 7 | (123) |
| Balance as of March 31, 2016 | 186 | 2,701 | 7,991 | 2 | 795 | 36 | 8 | (440) | 11,279 | 130 | 11,409 |

- ¹⁾ During the first quarter of 2016 Philips bought call options to hedge a part of the commitments under share based payment plans. The call option premiums paid (EUR 64 million) are deducted from retained earnings and were settled in Philips shares (representing a historical cost of EUR 77 million based on a FIFO method) held by the company. The difference between the option premiums and the historical cost of the Philips shares is recorded in retained earnings.

Segments and main countries

Sales and income (loss) from operations in millions of EUR unless otherwise stated

| | Q1 2015 | | | Q1 2016 | | |
|-------------------------------------|--------------|---|-------------|--------------|---|-------------|
| | sales | income from operations as a % of sales | | sales | income from operations as a % of sales | |
| Personal Health | 1,522 | 157 | 10.3% | 1,610 | 190 | 11.8% |
| Diagnosis & Treatment | 1,304 | (24) | (1.8)% | 1,419 | 10 | 0.7% |
| Connected Care & Health Informatics | 625 | (37) | (5.9)% | 694 | 11 | 1.6% |
| HealthTech Other | 135 | 21 | | 103 | (9) | |
| Lighting | 1,722 | 59 | 3.4% | 1,691 | 73 | 4.3% |
| Legacy Items | 31 | (37) | | | (76) | |
| Philips | 5,339 | 139 | 2.6% | 5,517 | 199 | 3.6% |

Sales and tangible and intangible assets in millions of EUR

| | sales | | long-lived assets ¹⁾ | |
|-----------------|--------------|--------------|---------------------------------|-------------------|
| | Q1 2015 | 2016 | March 31, 2015 | March 31, 2016 |
| Netherlands | 142 | 157 | 950 | 974 |
| United States | 1,627 | 1,813 | 9,693 | 8,893 |
| China | 615 | 649 | 1,255 | 1,140 |
| Germany | 317 | 308 | 147 | 174 |
| Japan | 247 | 283 | 425 | 473 |
| France | 186 | 189 | 50 | 47 |
| India | 171 | 174 | 146 | 119 |
| Other countries | 2,034 | 1,944 | 2,259 | 2,189 |
| Philips | 5,339 | 5,517 | 14,925 | 14,009 |

¹⁾ Includes property, plant and equipment, intangible assets excluding goodwill, and goodwill

Reconciliation of non-GAAP performance measures

Certain non-GAAP financial measures are presented when discussing the Philips Group's performance. In the following tables, reconciliations to the most directly comparable IFRS measures are presented.

Sales growth composition in %

| | Q1 | | | |
|-------------------------------------|--------------------------|-------------------------|------------------------------|-----------------------|
| | comparable growth | currency effects | consolidation changes | nominal growth |
| 2016 versus 2015 | | | | |
| Personal Health | 5.8 | 0.0 | 0.0 | 5.8 |
| Diagnosis & Treatment | 5.0 | 1.0 | 2.8 | 8.8 |
| Connected Care & Health Informatics | 8.8 | 2.6 | (0.2) | 11.2 |
| HealthTech Other | (23.7) | 0.0 | 0.0 | (23.7) |
| Lighting | (1.7) | (0.1) | 0.0 | (1.8) |
| Philips | 2.8 | 0.4 | 0.1 | 3.3 |

Adjusted EBITA to Income from operations (or EBIT)

in millions of EUR

| | Q1 | | | | | | |
|-------------------------------------|---|--------------------|------------------------|------------------------|------------------------------------|-------------------------------|-------------|
| | EBITA | | | | | | |
| | Restructuring (or and acquisition) adjusted income | | | | | | |
| | Adjusted EBITA | Other items | related charges | from operations | Amortization of intangibles | Impairment of goodwill | EBIT |
| 2016 | | | | | | | |
| Personal Health | 227 | | (2) | 225 | (35) | | 190 |
| Diagnosis & Treatment | 32 | | (9) | 23 | (13) | | 10 |
| Connected Care & Health Informatics | 27 | | (4) | 23 | (12) | | 11 |
| HealthTech Other | (9) | | 2 | (7) | (2) | | (9) |
| Lighting | 121 | | (19) | 102 | (27) | (2) | 73 |
| Legacy Items | (24) | (52) | | (76) | | | (76) |
| Philips | 374 | (52) | (32) | 290 | (89) | (2) | 199 |
| 2015 | | | | | | | |
| Personal Health | 195 | | (1) | 194 | (37) | | 157 |
| Diagnosis & Treatment | 19 | | (32) | (13) | (11) | | (24) |
| Connected Care & Health Informatics | 5 | (28) | (1) | (24) | (13) | | (37) |
| HealthTech Other | 20 | | 4 | 24 | (3) | | 21 |
| Lighting | 113 | | (28) | 85 | (26) | | 59 |
| Legacy Items | (25) | (11) | | (36) | (1) | | (37) |
| Philips | 327 | (39) | (58) | 230 | (91) | | 139 |

Composition of cash flows in millions of EUR

| | Q1 2015 | Q1 2016 |
|--|----------------|----------------|
| Cash flows provided by (used for) operating activities | (256) | 10 |
| Cash flows used for investing activities | (1,270) | (284) |
| Cash flows before financing activities | (1,526) | (274) |
| Cash flows provided by (used for) operating activities | (256) | 10 |
| Net capital expenditures: | (187) | (187) |
| Purchase of intangible assets | (28) | (32) |
| Expenditures on development assets | (72) | (74) |
| Capital expenditures on property, plant and equipment | (92) | (87) |
| Proceeds from sale of property, plant and equipment | 5 | 6 |
| Free cash flows | (443) | (177) |

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Reconciliation of non-GAAP performance measures (continued)

| Net operating capital to total assets in millions of EUR | | |
|---|-----------------------|-----------------------|
| | March 31, 2015 | March 31, 2016 |
| Net operating capital (NOC) | 10,977 | 11,118 |
| Exclude liabilities comprised in NOC: | | |
| - payables/liabilities | 10,634 | 8,969 |
| - provisions | 3,437 | 3,131 |
| Include assets not comprised in NOC: | | |
| - investments in associates | 173 | 205 |
| - other current financial assets | 125 | 12 |
| - other non-current financial assets | 512 | 436 |
| - deferred tax assets | 2,677 | 2,689 |
| - cash and cash equivalents | 1,667 | 1,385 |
| Assets classified as held for sale | 1,591 | 1,812 |
| Total assets | 31,793 | 29,757 |

| Composition of net debt to group equity in millions of EUR unless otherwise stated | | |
|---|-----------------------|-----------------------|
| | March 31, 2015 | March 31, 2016 |
| Long-term debt | 4,118 | 3,984 |
| Short-term debt | 1,667 | 1,705 |
| Total debt | 5,785 | 5,689 |
| Cash and cash equivalents | 1,667 | 1,385 |
| Net debt (total debt less cash and cash equivalents) | 4,118 | 4,304 |
| Shareholders' equity | 11,382 | 11,279 |
| Non-controlling interests | 114 | 130 |
| Group equity | 11,496 | 11,409 |
| Net debt and group equity | 15,614 | 15,713 |
| Net debt divided by net debt and equity (in %) | 26% | 27% |
| Equity divided by net debt and equity (in %) | 74% | 73% |

Philips statistics

in millions of EUR unless otherwise stated

| | 2015 | | | | 2016 | | | |
|--|---------|---------|---------|---------|---------|----|----|----|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| Sales | 5,339 | 5,974 | 5,836 | 7,095 | 5,517 | | | |
| comparable sales growth | | | | | | | | |
| % | 2% | 3% | 2% | 2% | 3% | | | |
| Gross margin | 2,116 | 2,495 | 2,422 | 2,823 | 2,266 | | | |
| <i>as a % of sales</i> | 39.6% | 41.8% | 41.5% | 39.8% | 41.1% | | | |
| Selling expenses | (1,341) | (1,440) | (1,390) | (1,644) | (1,418) | | | |
| <i>as a % of sales</i> | (25.1)% | (24.1)% | (23.8)% | (23.2)% | (25.7)% | | | |
| G&A expenses | (214) | (224) | (241) | (530) | (189) | | | |
| <i>as a % of sales</i> | (4.0)% | (3.7)% | (4.1)% | (7.5)% | (3.4)% | | | |
| R&D expenses | (436) | (483) | (471) | (537) | (470) | | | |
| <i>as a % of sales</i> | (8.2)% | (8.1)% | (8.1)% | (7.6)% | (8.5)% | | | |
| EBIT | 139 | 349 | 342 | 162 | 199 | | | |
| <i>as a % of sales</i> | 2.6% | 5.8% | 5.9% | 2.3% | 3.6% | | | |
| EBITA | 230 | 450 | 429 | 263 | 290 | | | |
| <i>as a % of sales</i> | 4.3% | 7.5% | 7.4% | 3.7% | 5.3% | | | |
| Net income (loss) | 100 | 274 | 324 | (39) | 37 | | | |
| Net income (loss) attributable to shareholders | 99 | 272 | 319 | (45) | 32 | | | |
| Net income (loss) - shareholders per common share in EUR - diluted | 0.11 | 0.30 | 0.34 | (0.05) | 0.03 | | | |

| | 2015 | | | | 2016 | | | |
|-------------------------|---------------|--------------|-------------------|------------------|---------------|--------------|-------------------|------------------|
| | January-March | January-June | January-September | January-December | January-March | January-June | January-September | January-December |
| Sales | 5,339 | 11,313 | 17,149 | 24,244 | 5,517 | | | |
| comparable sales growth | | | | | | | | |
| % | 2% | 3% | 2% | 2% | 3% | | | |
| Gross margin | 2,116 | 4,611 | 7,033 | 9,856 | 2,266 | | | |
| <i>as a % of sales</i> | 39.6% | 40.8% | 41.0% | 40.7% | 41.1% | | | |
| Selling expenses | (1,341) | (2,781) | (4,171) | (5,815) | (1,418) | | | |
| <i>as a % of sales</i> | (25.1)% | (24.6)% | (24.3)% | (24.0)% | (25.7)% | | | |
| G&A expenses | (214) | (438) | (679) | (1,209) | (189) | | | |
| <i>as a % of sales</i> | (4.0)% | (3.9)% | (4.0)% | (5.0)% | (3.4)% | | | |

| | | | | | |
|--|---------|---------|---------|---------|---------|
| R&D expenses | (436) | (919) | (1,390) | (1,927) | (470) |
| <i>as a % sales</i> | (8.2)% | (8.1)% | (8.1)% | (7.9)% | (8.5)% |
| EBIT | 139 | 488 | 830 | 992 | 199 |
| <i>as a % of sales</i> | 2.6% | 4.3% | 4.8% | 4.1% | 3.6% |
| EBITA | 230 | 680 | 1,109 | 1,372 | 290 |
| <i>as a % of sales</i> | 4.3% | 6.0% | 6.5% | 5.7% | 5.3% |
| Net income | 100 | 374 | 698 | 659 | 37 |
| Net income attributable to shareholders | 99 | 371 | 690 | 645 | 32 |
| Net income - shareholders per common share in EUR - diluted | 0.11 | 0.40 | 0.75 | 0.70 | 0.03 |
| Net income from continuing operations as a % of shareholders equity | 2.4% | 5.3% | 6.5% | 3.6% | 0.5% |
| Number of common shares outstanding (after deduction of treasury shares) at the end of period (in thousands) | 910,616 | 925,277 | 921,181 | 917,104 | 913,011 |
| Shareholders equity per common share in EUR | 12.50 | 12.32 | 12.43 | 12.72 | 12.35 |
| Inventories as a % of sales ^{1,2)} | 17.3% | 17.0% | 16.8% | 14.2% | 14.7% |
| Net debt : equity ratio | 26:74 | 28:72 | 28:72 | 25:75 | 27:73 |
| Net operating capital | 10,977 | 11,397 | 11,427 | 11,096 | 11,118 |
| Total employees | 115,970 | 114,606 | 114,380 | 112,959 | 114,021 |
| <i>of which discontinued operations</i> | 8,334 | 8,689 | 8,812 | 8,755 | 8,913 |

*of which
third-party
workers*

| | | | | |
|--------|--------|--------|--------|--------|
| 13,930 | 13,796 | 13,337 | 12,188 | 12,250 |
|--------|--------|--------|--------|--------|

- 1) Sales is calculated over the preceding 12 months
- 2) Inventories as a % of sales excludes inventories and sales related to acquisitions, divestments and discontinued operations

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