

KONINKLIJKE PHILIPS ELECTRONICS NV  
Form 6-K  
October 22, 2012

# **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**

**October 22, 2012**

## **KONINKLIJKE PHILIPS ELECTRONICS N.V.**

**(Exact name of registrant as specified in its charter)**

### **Royal Philips Electronics**

**(Translation of registrant's name into English)**

**The Netherlands**

**(Jurisdiction of incorporation or organization)**

Edgar Filing: KONINKLIJKE PHILIPS ELECTRONICS NV - Form 6-K

**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 Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(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:

E.P. Coutinho

Koninklijke Philips Electronics N.V.

Amstelplein 2

1096 BC Amsterdam The Netherlands

This report comprises a copy of the following press release:

Philips Third Quarter Report 2012 , dated October 22, 2012.

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 22<sup>nd</sup> day of October 2012.

**KONINKLIJKE PHILIPS ELECTRONICS N.V.**

*/s/ E.P. Coutinho*

(General Secretary)

Q3 2012 Quarterly report

Philips reports third-quarter comparable sales growth of 5% to EUR 6.1 billion; EBITA of EUR 450 million

Comparable sales up 5%, with all three sectors contributing to growth

Sales in growth geographies up 10% on a comparable basis, now representing 36% of total revenue

Reported EBITA of EUR 450 million, or 7.3% of sales

Net income of EUR 170 million

Free cash flow of EUR 395 million

**Q3 financials: Strong growth at Healthcare and growth businesses in Consumer Lifestyle. Profit margin improvements for the Group led by Consumer Lifestyle and Healthcare.**

Healthcare comparable sales grew by 7%, led by double-digit growth at Imaging Systems and high-single-digit growth at Home Healthcare Solutions. In growth geographies, comparable sales increased by 14%. Currency-comparable order intake increased by 6% year-on-year. Reported EBITA margin for the quarter was 13.5%.

Consumer Lifestyle comparable sales increased by 3%, driven by double-digit growth in the combined growth businesses, i.e. Personal Care, Health & Wellness and Domestic Appliances. These sales increases were partly offset by a decline at Lifestyle Entertainment. Reported EBITA margin for the quarter was 8.5%.

Lighting comparable sales increased by 4%, with double-digit growth at Lumileds and Automotive and low-single-digit growth at Light Sources & Electronics. LED-based sales grew by 51% and now account for 24% of total Lighting sales. Reported EBITA margin for the quarter was 2.2%, reflecting higher restructuring and acquisition-related charges as well as a loss on the sale of industrial assets. Excluding these items, EBITA amounted to 7.0%.

We have completed 63% of our EUR 2 billion share buy-back program since the start of the program in July 2011.

#### **Accelerate! program continues to make good progress**

Our multi-year change and performance improvement program Accelerate! continues to make good progress. Philips employees across the globe are becoming more entrepreneurial, resulting in stronger growth for the company, an encouraging sign in a weak global economy. We continued to extend the number of LEAN End-to-End transformations in the last quarter, paving the way for a simplified and more efficient future IT platform. Additionally, we started a program to improve procurement effectiveness and see significant opportunities to reduce the cost of goods and improve gross margins in 2013 and beyond.

Our actions to deliver on our overhead cost-reduction program are on track. Cumulative savings amounted to EUR 306 million through the third quarter of 2012. We recently communicated that we have increased our overhead cost savings target to EUR 1.1 billion. The increased savings will require a step-up in restructuring charges this year. We now expect restructuring and acquisition-related charges of approximately EUR 300 million in the fourth quarter of 2012.

**CEO quote:**

Philips' operational and financial performance in the third quarter demonstrates further progress on our path towards our 2013 financial targets, driven by our transformation program Accelerate!. Our investments in building meaningful innovative solutions to meet the needs of our customers in local markets are positively impacting our growth and performance. Improvements in our operational excellence and agility are positioning the company for better performance in the coming years. The recently announced additional cost savings, as well as our actions to drive higher savings from procurement, further underpin our profitability potential.

Group sales growth in the quarter of 5%, together with the cost productivity improvements we have made, enabled us to deliver an EBITA margin of 9.2%, excluding non-operational charges.

Our Healthcare business continues to perform well as comparable sales grew 7% and order intake increased by 6%. The growth businesses in Consumer Lifestyle posted another solid quarter, delivering a double-digit revenue increase. In Lighting, LED-based sales continued to show strong momentum with comparable sales growth of over 50%, which requires us to accelerate the rationalization of our conventional lighting industrial footprint.

We continue to experience strong economic headwinds on a global scale, which affect growth going forward. Our Accelerate! program is helping to mitigate some of these pressures, and we have full confidence in our ability to continue improving the operational and financial performance of the company.

**Frans van Houten**, CEO of Royal Philips Electronics

Please refer to page 15 of this press release for more information about forward-looking statements, third-party market share data, use of non-GAAP information and use of fair-value measurements.

## Philips Group

**Net income**

in millions of euros unless otherwise stated

|   | Q3<br>2011 | Q3<br>2012 |
|---|------------|------------|
| Sales   | 5,394      | 6,127      |
| EBITA   | 368        | 450        |
| as a % of sales   | 6.8        | 7.3        |
| EBIT  | 273        | 333        |
| as a % of sales   | 5.1        | 5.4        |
| Financial income (expenses)                                   | (93)       | (94)       |
| Income taxes  | (64)       | (64)       |
| Results investments in associates                             | 14         | (5)        |
| Net income from continuing operations                         | 130        | 170        |
| Discontinued operations                                       | (54)       |            |
| Net income  | 76         | 170        |
| Net income - shareholders per common share (in euros) - basic | 0.08       | 0.18       |

**Sales by sector**

in millions of euros unless otherwise stated

|                              | Q3<br>2011 | Q3<br>2012 | nominal | % change<br>comparable |
|------------------------------|------------|------------|---------|------------------------|
| Healthcare                   | 2,077      | 2,443      | 18      | 7                      |
| Consumer Lifestyle           | 1,332      | 1,453      | 9       | 3                      |
| Lighting                     | 1,886      | 2,139      | 13      | 4                      |
| Innovation, Group & Services | 99         | 92         | (7)     | (7)                    |
| Philips Group                | 5,394      | 6,127      | 14      | 5                      |

**Sales per geographic cluster**

in millions of euros unless otherwise stated

|                          | Q3 <sup>1)</sup><br>2011 | Q3<br>2012 | nominal | % change<br>comparable |
|--------------------------|--------------------------|------------|---------|------------------------|
| Western Europe           | 1,480                    | 1,495      | 1       | (2)                    |
| North America            | 1,645                    | 1,904      | 16      | 2                      |
| Other mature geographies | 411                      | 535        | 30      | 15                     |
| Total mature geographies | 3,536                    | 3,934      | 11      | 2                      |
| Growth geographies       | 1,858                    | 2,193      | 18      | 10                     |
| Philips Group            | 5,394                    | 6,127      | 14      | 5                      |

<sup>1)</sup> Revised to reflect an adjusted geographic cluster allocation**Net income**

Net income amounted to EUR 170 million, an increase of EUR 94 million compared to Q3 2011. The higher net income reflects higher operating earnings and a loss from discontinued operations in Q3 2011.

EBITA, at EUR 450 million, increased by EUR 82 million to 7.3% of sales, driven by Healthcare, Consumer Lifestyle and Innovation, Group & Services, partly offset by lower operating earnings at Lighting.

EBITA included total charges of EUR 112 million related to restructuring and acquisitions, and a loss on the sale of industrial assets. Excluding these charges, EBITA amounted to EUR 562 million, or 9.2% of sales.

In Q3 2011, the after-tax loss from discontinued operations represents the results of the Television business.

**Sales per sector**

Group sales amounted to EUR 6,127 million, an increase of 5% on a comparable basis. Group nominal sales increased by 14%, including a 9% positive impact of currency and portfolio changes.

Healthcare comparable sales improved by 7%, with double-digit growth at Imaging Systems, high-single-digit growth at Home Healthcare Solutions, and mid-single-digit growth at Customer Services and Patient Care & Clinical Informatics.

Consumer Lifestyle comparable sales grew by 3% year- on-year. Double-digit growth in the combined growth businesses, i.e. Personal Care, Health & Wellness and Domestic Appliances, was partly offset by a double- digit decline at Lifestyle Entertainment.

Lighting sales grew by 4% on a comparable basis, with double-digit growth at Lumileds and Automotive, and low-single-digit growth at Light Sources & Electronics, partly offset by a sales decrease at Consumer Luminaires. Sales at Professional Lighting Solutions were flat.

**Sales per geographic cluster**

Sales in the mature geographies grew by 2% on a comparable basis relative to Q3 2011. Growth at Healthcare was partly offset by declines at Consumer Lifestyle and Lighting.

Growth geographies delivered 10% comparable sales growth, driven by higher sales in all sectors.

**EBITA**

in millions of euros

|                              | Q3<br>2011 | Q3<br>2012 |
|------------------------------|------------|------------|
| Healthcare                   | 261        | 330        |
| Consumer Lifestyle           | 62         | 124        |
| Lighting                     | 110        | 47         |
| Innovation, Group & Services | (65)       | (51)       |
| <b>Philips Group</b>         | <b>368</b> | <b>450</b> |

**EBITA**

as a % of sales

|                              | Q3<br>2011 | Q3<br>2012 |
|------------------------------|------------|------------|
| Healthcare                   | 12.6       | 13.5       |
| Consumer Lifestyle           | 4.7        | 8.5        |
| Lighting                     | 5.8        | 2.2        |
| Innovation, Group & Services | (65.7)     | (55.4)     |
| <b>Philips Group</b>         | <b>6.8</b> | <b>7.3</b> |

**Restructuring and acquisition-related charges**

in millions of euros

|                              | Q3<br>2011  | Q3<br>2012  |
|------------------------------|-------------|-------------|
| Healthcare                   | (2)         | (3)         |
| Consumer Lifestyle           | (10)        | (9)         |
| Lighting                     | (11)        | (68)        |
| Innovation, Group & Services | (1)         | 2           |
| <b>Philips Group</b>         | <b>(24)</b> | <b>(78)</b> |

**EBIT**

in millions of euros unless otherwise stated

|                              | Q3<br>2011 | Q3<br>2012 |
|------------------------------|------------|------------|
| Healthcare                   | 207        | 278        |
| Consumer Lifestyle           | 49         | 106        |
| Lighting                     | 86         | 1          |
| Innovation, Group & Services | (69)       | (52)       |

|                 |     |     |
|-----------------|-----|-----|
| Philips Group   | 273 | 333 |
| as a % of sales | 5.1 | 5.4 |

**Earnings**

EBITA amounted to EUR 450 million, an increase of EUR 82 million compared to Q3 2011. EBITA included restructuring and acquisition-related charges of EUR 78 million, EUR 54 million higher than in Q3 2011, and a loss on the sale of industrial assets at Lighting of EUR 34 million. Excluding these charges, EBITA amounted to EUR 562 million, or 9.2% of sales.

Healthcare EBITA was EUR 330 million, compared to EUR 261 million in Q3 2011. Higher earnings were primarily a result of strong sales-driven gross margin, mainly at Imaging Systems, and productivity improvements at Customer Services. Restructuring and acquisition-related charges were EUR 1 million higher than in Q3 2011.

Consumer Lifestyle EBITA amounted to EUR 124 million, compared to EUR 62 million in Q3 2011. The increase was mainly driven by higher sales across all growth businesses, higher License revenue, non-manufacturing cost efficiencies, and lower net costs formerly reported as part of the Television business. Restructuring and acquisition-related charges were EUR 1 million lower than in Q3 2011.

Lighting EBITA amounted to EUR 47 million, compared to EUR 110 million in Q3 2011. Earnings were impacted by an increase in restructuring and acquisition-related charges, which were EUR 57 million higher than in Q3 2011, as well as a EUR 34 million loss on the sale of industrial assets.

Innovation, Group & Services EBITA improved by EUR 14 million to a net cost of EUR 51 million.

**Financial income and expenses**

in millions of euros

|                       | Q3<br>2011 | Q3<br>2012 |
|-----------------------|------------|------------|
| Net interest expenses | (42)       | (64)       |
| NXP value adjustment  | (17)       | (12)       |
| Other                 | (34)       | (18)       |
|                       | (93)       | (94)       |

**Financial income and expenses**

Financial income and expenses amounted to a net expense of EUR 94 million, broadly in line with Q3 2011.

**Cash balance**

in millions of euros

|  | Q3<br>2011          | Q3<br>2012 |
|--|---------------------|------------|
| Beginning cash balance                         | 3,260               | 3,134      |
| Free cash flow                                 | (172)               | 395        |
| <i>Net cash flow from operating activities</i> | 45 <sup>1)</sup>    | 651        |
| <i>Net capital expenditures</i>                | (217) <sup>1)</sup> | (256)      |
| Acquisitions of businesses                     | (57)                | (18)       |
| Other cash flow from investing activities      | (43)                | (18)       |
| Treasury shares transactions                   | (525)               | (135)      |
| Changes in debt/other                          | (26)                | (141)      |
| Net cash flow discontinued operations          | (98)                | 14         |
| Ending balance                                 | 2,339               | 3,232      |

<sup>1)</sup> Revised to reflect an adjusted allocation of capital expenditures on property, plant and equipment

**Cash balance**

The group cash balance increased during the quarter to EUR 3,232 million, largely due to a free cash inflow of EUR 395 million. This was partly offset by the net impact of EUR 135 million for our buy-back program and the delivery of shares related to the long-term incentive employee program. In addition, there was a net decrease of EUR 141 million mainly related to debt redemption.

In Q3 2011, the cash balance decreased to EUR 2,339 million, mainly due to the use of EUR 525 million for treasury share transactions, a free cash outflow of EUR 172 million, and EUR 98 million cash outflow related to discontinued operations.

**Cash flows from operating activities**

in millions of euros

<sup>1)</sup> Revised to reflect an adjusted allocation of capital expenditures on property, plant and equipment

**Cash flows from operating activities**

Operating activities resulted in a cash inflow of EUR 651 million, compared to an inflow of EUR 45 million in Q3 2011. The Q3 2012 figure includes a net decrease in working capital of EUR 222 million, compared to a net increase in working capital of EUR 292 million in Q3 2011. The remaining difference compared to Q3 2011 is mainly attributable to higher earnings and a net increase in provisions.

Q3 2012 Quarterly report 5

**Gross capital expenditures<sup>1)</sup>**

in millions of euros

<sup>1)</sup> Capital expenditures on property, plant and equipment only

<sup>2)</sup> Revised to reflect an adjusted allocation of capital expenditures on property, plant and equipment

**Gross capital expenditure**

Gross capital expenditures on property, plant and equipment were EUR 8 million lower than in Q3 2011, mainly due to lower investments at Lighting.

**Inventories**

as a % of moving annual total sales

**Inventories**

Inventories as a percentage of sales amounted to 16.7%, slightly below the previous quarter's 16.8%. Inventory value at the end of Q3 2012 was EUR 4.1 billion, an increase of EUR 98 million in the quarter that was largely attributable to Consumer Lifestyle in preparation for Q4 sales.

Compared to Q3 2011, inventories were 1.5 percentage points of sales lower due to reduced production inventory across all sectors, mainly in Consumer Lifestyle and Healthcare.

**Net debt and group equity**

in billions of euros

**Net debt and group equity**

At the end of Q3 2012, Philips had net debt of EUR 1.5 billion, compared to EUR 1.2 billion at the end of Q3 2011. During the quarter, the net debt position decreased by EUR 302 million, largely due to a free cash inflow of EUR 395 million.

Group equity decreased by EUR 96 million in the quarter to EUR 12.1 billion. The decrease was largely a result of treasury share transactions, partially offset by currency effects and net income earned during the period.

**Number of employees**

in FTEs

- 1) Number of employees excludes discontinued operations. Discontinued operations, comprising the Television business, employed at end of Q3 2011 3,636
- 2) Adjusted to reflect a change of employees reported in the Healthcare sector

**Employees**

The number of employees decreased by 517 in the quarter. This includes 488 as a result of footprint reduction activities within Lighting.

Compared to Q3 2011, the number of employees increased by 30. This increase reflects the addition of 2,890 employees from acquisitions, the departure of 905 employees due to divestments, and a reduction of around 1,955 employees, mainly as a result of the company's overhead reduction program, primarily at Lighting and IG&S.

Q3 2012 Quarterly report 7

Healthcare

**Key data**

in millions of euros unless otherwise stated

|                             | Q3<br>2011           | Q3<br>2012 |
|-----------------------------|----------------------|------------|
| Sales                       | 2,077                | 2,443      |
| Sales growth                |                      |            |
| % nominal                   | 0                    | 18         |
| % comparable                | 7                    | 7          |
| EBITA                       | 261                  | 330        |
| as a % of sales             | 12.6                 | 13.5       |
| EBIT                        | 207                  | 278        |
| as a % of sales             | 10.0                 | 11.4       |
| Net operating capital (NOC) | 8,081                | 8,261      |
| Number of employees (FTEs)  | 37,887 <sup>1)</sup> | 38,228     |

<sup>1)</sup> Adjusted to reflect a change of reported employees**Sales**

in millions of euros

**EBITA****Business highlights**

Philips has entered into a joint venture with Al Faisaliah Medical Systems in Saudi Arabia, continuing the company's expansion in fast-growing markets such as the Middle East. In addition, Philips has entered into its first partnership solutions agreement in the region with Burjeel Hospital, a new 196-bed facility in Abu Dhabi.

Reinforcing its strong position in the premium segment in China, Philips has received SFDA clearance to market its innovative Ingenia 1.5T and 3.0T MRI systems in this fast-growing market. In addition, Philips' first Big Bore PET/CT, the only 85 cm bore system with Time-of-Flight technology for enhanced PET image quality in the market, was installed in China's Shandong Tumor Hospital.

To expand its offering in the fast-growing image-guided intervention and therapy market, Philips has become the exclusive distributor of Corindus' CorPath 200 System, the world's first robotic-assisted system for minimally invasive treatments of obstructed coronary arteries.

## Edgar Filing: KONINKLIJKE PHILIPS ELECTRONICS NV - Form 6-K

Philips and Isala Klinieken, a major Dutch hospital with close to 1,000 beds, have entered into a multi-year collaboration for the acquisition, use and maintenance of medical equipment as well as the improvement of the hospital's care processes. This is to date the largest partnership solutions agreement for Philips in the Netherlands.

Philips has secured a five-year multi-million euro contract with the UK's Surrey & Sussex Healthcare NHS Trust for its IntelliSpace Picture Archiving and Communications solutions.

### **Financial performance**

Currency-comparable equipment order intake grew 6% year-on-year. Double-digit growth was seen at Patient Care & Clinical Informatics, and low-single-digit growth at Imaging Systems. Equipment orders in Europe showed double-digit growth, while in North America equipment order intake showed a mid-single-digit decline. Equipment orders in growth geographies grew by 9%.

Comparable sales were 7% higher year-on-year, driven by double-digit growth at Imaging Systems and high-single-digit growth at Home Healthcare Solutions. Mid-single-digit growth was seen at Customer Services and Patient Care & Clinical Informatics. On a comparable basis, sales in growth geographies increased by 14% while sales in mature geographies grew by 5%, with low- single-digit growth in North America, flat sales in Europe, and strong double-digit growth in other mature geographies.

EBITA was EUR 330 million, or 13.5% of sales, compared to EUR 261 million, or 12.6% of sales, in Q3 2011. Strong sales-driven gross margin, mainly at Imaging Systems, and productivity improvements at Customer Services drove the year-on-year EBITA improvement. Excluding restructuring and acquisition-related charges, EBITA grew to EUR 333 million, or 13.6% of sales, compared to EUR 263 million, or 12.7% of sales, in Q3 2011.

Net operating capital increased by EUR 180 million to EUR 8.3 billion, mainly due to currency effects, with all businesses showing improved efficiency in inventory usage year-over-year.

Compared to Q3 2011, the number of employees increased by 341, largely driven by increased investments in sales and service channels.

**Miscellaneous**

Restructuring and acquisition-related charges in Q4 2012 are expected to total approximately EUR 105 million.

Q3 2012 Quarterly report 9

## Consumer Lifestyle

**Key data**

in millions of euros unless otherwise stated

|                             | Q3<br>2011 | Q3<br>2012 |
|-----------------------------|------------|------------|
| Sales                       | 1,332      | 1,453      |
| Sales growth                |            |            |
| % nominal                   | (2)        | 9          |
| % comparable                | 1          | 3          |
| EBITA                       | 62         | 124        |
| as a % of sales             | 4.7        | 8.5        |
| EBIT                        | 49         | 106        |
| as a % of sales             | 3.7        | 7.3        |
| Net operating capital (NOC) | 1,181      | 1,460      |
| Number of employees (FTEs)  | 16,893     | 19,647     |

**Sales**

in millions of euros

**EBITA****Business highlights**

Philips launched the HomeCooker, the first in a new range of kitchen appliances that have been co-developed in a multi-year partnership with world-renowned chef Jamie Oliver.

Philips launched the StyleShaver, an innovative 3-in-1 facial hair styler for men that targets younger users to switch to electrical grooming. The global electrical grooming market outgrew blade by 1.6% in the first half of 2012.

Philips and D.E. Master Blenders 1753 introduced the SENSEO Sarista. A premium single- and multi-serve coffee system, it prepares coffee straight from fresh beans, aiming at a growing segment of the coffee market.

Philips introduced the Sonicare PowerUp. Delivering sonic technology at a lower price point, the PowerUp will enable more consumers to improve their oral health by converting from manual to power tooth brushing.

At the 2012 Australian International Design competition, Philips received two awards for the Sonicare DiamondClean power toothbrush and the QuickClean Juicer.

**Financial performance**

Sales increased 9% nominally year-on-year. On a comparable basis, sales increased 3%, driven by double-digit growth in the combined growth businesses, i.e. Personal Care, Health & Wellness and Domestic Appliances, partly offset by a double-digit decline at Lifestyle Entertainment.

On a regional basis, comparable sales in growth geographies registered a high-single-digit increase. North America saw mid-single-digit growth while comparable sales in Western Europe declined 7%.

EBITA included EUR 7 million of net costs formerly reported as part of the Television business in Consumer Lifestyle (Q3 2011: EUR 16 million).

Excluding restructuring and acquisition-related charges of EUR 9 million in Q3 2012 and EUR 10 million in Q3 2011, EBITA margin increased from 5.4% to 9.2%. The EBITA improvement was driven by higher sales across all growth businesses, higher License revenue, non-manufacturing cost efficiencies, and lower net costs formerly reported as part of the Television business.

Net operating capital increased by EUR 279 million as lower working capital was more than offset by higher intangible assets related to the Povos acquisition and by a reduction in the accounts payable balance related to the former Television business in Consumer Lifestyle. Inventories as a percentage of sales improved by 2.5 percentage points compared to Q3 2011.

The number of employees increased by 2,754 year-on year. This was largely attributable to the acquisition of Povos and an increase in the growth businesses.

**Miscellaneous**

Restructuring and acquisition-related charges in Q4 2012 are expected to total approximately EUR 30 million.

Q3 2012 Quarterly report 11

## Lighting

**Key data**

in millions of euros unless otherwise stated

|                             | Q3<br>2011 | Q3<br>2012 |
|-----------------------------|------------|------------|
| Sales                       | 1,886      | 2,139      |
| Sales growth                |            |            |
| % nominal                   | (1)        | 13         |
| % comparable                | 8          | 4          |
| EBITA                       | 110        | 47         |
| as a % of sales             | 5.8        | 2.2        |
| EBIT                        | 86         | 1          |
| as a % of sales             | 4.6        | 0.0        |
| Net operating capital (NOC) | 5,238      | 5,107      |
| Number of employees (FTEs)  | 54,140     | 51,751     |

**Sales**

in millions of euros

**EBITA****Business highlights**

Philips is partnering with Jones Lang LaSalle to provide energy management and intelligent lighting solutions to all Jones Lang LaSalle's customers. The global agreement starts in Asia Pacific, involving more than 70 million light points for over 150 corporate clients.

Philips teamed up with ALDI Nord to develop and deliver the indoor and outdoor lighting for its 2,600 outlets in Germany, Belgium, France and Denmark. In South Korea, Philips will supply LED solutions to the 139 stores of E-mart, one of the country's largest discount chains, saving them more than 50% on electricity consumption.

In the US, Philips lit up two iconic projects with LED solutions: the exterior of Florida's Miami Tower and The Bay Lights, the world's largest LED light sculpture on San Francisco's Bay Bridge.

In China, Philips lit up the Pu Wan Bridge in Dalian and Guangxi's sports center. In addition, Philips provided LED solutions for a 22 kilometer tunnel project in Dantong, saving up to 40% on energy consumption.

## Edgar Filing: KONINKLIJKE PHILIPS ELECTRONICS NV - Form 6-K

Philips will deliver more than 200,000 high-quality, energy-saving MASTER LED lamps to the Rezidor Hotel Group, which includes well-known brands such as Radisson. The project will be implemented in Europe over the next year.

### **Financial performance**

Comparable sales were 4% higher year-on-year, driven by double-digit sales growth at Lumileds and Automotive, and low-single-digit sales growth at Light Sources & Electronics. Sales at Professional Lighting Solutions were flat, while Consumer Luminaires sales were slightly below the Q3 2011 level.

From a regional perspective, comparable sales in growth geographies increased by 11% compared to Q3 2011, partly offset by a low-single-digit decline in North America and Europe.

LED-based sales grew 51% compared to Q3 2011, and now represent 24% of total Lighting sales.

EBITA amounted to EUR 47 million, compared to EUR 110 million in Q3 2011. Earnings were impacted by an increase in restructuring and acquisition-related charges, as well as a loss on the sale of industrial assets.

EBITA, excluding restructuring and acquisition-related charges of EUR 68 million (Q3 2011: EUR 11 million) and a loss on the sale of industrial assets of EUR 34 million, was EUR 149 million, or 7.0% of sales (Q3 2011: EUR 121 million, or 6.4% of sales). This year-on-year EBITA improvement was driven by revenue growth and improvements in the cost structure. Lumileds, Automotive and Professional Lighting Solutions were the main contributors to the EBITA improvement.

Net operating capital decreased by EUR 131 million to EUR 5,107 million. The decrease was largely driven by improved working capital management and an increase in provisions related to restructuring charges, partly offset by the consolidation of Indal in Q1 2012 as well as currency impact. Inventories as a percentage of sales improved by 1% year-on-year.

Compared to Q3 2011, the number of employees decreased by 2,389. The increase due to the consolidation of the Indal acquisition was more than offset by the overhead cost reductions and the rationalization of our industrial footprint.

**Miscellaneous**

Restructuring and acquisition-related charges in Q4 2012 are expected to total approximately EUR 145 million.

Innovation, Group & Services

### Key data

in millions of euros unless otherwise stated

|                                | Q3<br>2011  | Q3<br>2012  |
|--------------------------------|-------------|-------------|
| Sales                          | 99          | 92          |
| Sales growth                   |             |             |
| % nominal                      | (24)        | (7)         |
| % comparable                   | (3)         | (7)         |
| EBITA Group Innovation         | (12)        | (27)        |
| EBITA IP Royalties             | 45          | 37          |
| EBITA Group and Regional Costs | (30)        | (36)        |
| EBITA Accelerate! investments  | (9)         | (34)        |
| EBITA Pensions                 | (12)        | 6           |
| EBITA Service Units and Other  | (47)        | 3           |
| <b>EBITA</b>                   | <b>(65)</b> | <b>(51)</b> |
| EBIT                           | (69)        | (52)        |
| Net operating capital (NOC)    | (2,876)     | (3,734)     |
| Number of employees (FTEs)     | 12,334      | 11,658      |

### Sales

in millions of euros

### EBITA

in millions of euros

### Business highlights

Philips increased its brand value by 5% in 2012 to over USD 9 billion in the ranking of the top-100 global brands compiled by Interbrand. In the 2012 listing, Philips maintained its ranking as the 41<sup>st</sup> most valuable brand in the world.

For a second consecutive year, Philips achieved the status of supersector leader in the 2012 Dow Jones Sustainability Index (DJSI). The result highlights Philips' leadership in sustainability, which is an integral part of the company's health and well-being strategy.

## Edgar Filing: KONINKLIJKE PHILIPS ELECTRONICS NV - Form 6-K

Using Philips' digital pathology system, the Erasmus Medical Center is the first hospital in the Netherlands to switch to digital pathology for their experimental laboratory analysis of cell and tissue samples. This transformation, enabled by Philips Digital Pathology (part of Philips Healthcare Incubator), is an important step in tumor research and aims to speed up and improve the diagnosis and treatment of cancer and other diseases.

### **Financial performance**

Sales decreased from EUR 99 million in Q3 2011 to EUR 92 million in Q3 2012, due to lower royalty income.

EBITA amounted to a net cost of EUR 51 million, which is a EUR 14 million lower net cost than in Q3 2011. The year-on-year change was largely due to legal and environmental expenses incurred in Q3 2011 (in Service Units and Other) and favorable results in Pensions, partly offset by higher investments in Group Innovation and Accelerate!.

Service Units and Other EBITA was negatively impacted in Q3 2011 by EUR 38 million of legal and environmental provisions related to a discount rate change, as well as EUR 17 million of net costs formerly reported as part of the Television business in Consumer Lifestyle (Q3 2012: EUR 3 million).

Compared to Q3 2011, the number of employees decreased by 676, primarily due to restructuring activities in the Service Units, particularly in IT.

Net operating capital decreased by EUR 858 million, mainly due to an increase in net pension liabilities in Q4 2011 and a decrease in the value of currency hedges held at Group level.

### **Miscellaneous**

Restructuring charges in Q4 2012 are expected to total approximately EUR 20 million.

Forward-looking statements

*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 our strategy, estimates of sales growth, future EBITA and future developments in our organic business. 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 our strategy and our ability to realize the benefits of this strategy, our 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, our ability to identify and complete successful acquisitions and to integrate those acquisitions into our business, our ability to successfully exit certain businesses or restructure our operations, the rate of technological changes, political, economic and other developments in countries where Philips operates, industry consolidation and competition. 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 our Annual Report 2011.

*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's 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. A reconciliation of such measures to the most directly comparable IFRS measures is contained in this document. Further information on non-GAAP measures can be found in our Annual Report 2011.

*Use of fair-value measurements*

In presenting the Philips Group's 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 do not exist, we estimated the fair values using appropriate valuation models, and when observable market data are not available, we used unobservable inputs. They 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 our 2011 financial statements. Independent valuations may have been obtained to support management's determination of fair values.

All amounts in millions of euros unless otherwise stated; data included are unaudited. Financial reporting is in accordance with IFRS, unless otherwise stated.

## Consolidated statements of income

in millions of euros unless otherwise stated

|   | 2011                  | 3rd quarter<br>2012 | January to September<br>2011 | September<br>2012 |
|---|-----------------------|---------------------|------------------------------|-------------------|
| Sales   | 5,394                 | 6,127               | 15,867                       | 17,627            |
| Cost of sales   | (3,313)               | (3,780)             | (9,628)                      | (10,915)          |
| <b>Gross margin</b>   | <b>2,081</b>          | <b>2,347</b>        | <b>6,239</b>                 | <b>6,712</b>      |
| Selling expenses  | (1,213)               | (1,329)             | (3,653)                      | (3,909)           |
| General and administrative expenses   | (204)                 | (211)               | (634)                        | (537)             |
| Research and development expenses   | (389)                 | (441)               | (1,161)                      | (1,321)           |
| Impairment of goodwill  |                       |                     | (1,355)                      |                   |
| Other business income   | 37                    | 9                   | 96                           | 262               |
| Other business expenses   | (39)                  | (42)                | (63)                         | (98)              |
| <b>Income from operations</b>   | <b>273</b>            | <b>333</b>          | <b>(531)</b>                 | <b>1,109</b>      |
| Financial income  | 12                    | 14                  | 118                          | 63                |
| Financial expenses  | (105)                 | (108)               | (287)                        | (290)             |
| <b>Income before taxes</b>  | <b>180</b>            | <b>239</b>          | <b>(700)</b>                 | <b>882</b>        |
| Income tax expense  | (64)                  | (64)                | (204)                        | (249)             |
| <b>Income after taxes</b>   | <b>116</b>            | <b>175</b>          | <b>(904)</b>                 | <b>633</b>        |
| Results relating to investments in associates   | 14                    | (5)                 | 16                           | (21)              |
| <b>Net income from continuing operations</b>  | <b>130</b>            | <b>170</b>          | <b>(888)</b>                 | <b>612</b>        |
| Discontinued operations - net of income tax   | (54)                  |                     | (243)                        | (26)              |
| <b>Net income</b>   | <b>76</b>             | <b>170</b>          | <b>(1,131)</b>               | <b>586</b>        |
| <b>Attribution of net income for the period</b>   |                       |                     |                              |                   |
| Net income attributable to shareholders   | 74                    | 169                 | (1,133)                      | 584               |
| Net income attributable to non-controlling interests  | 2                     | 1                   | 2                            | 2                 |
| <b>Weighted average number of common shares outstanding</b><br>(after deduction of treasury shares) during the period (in thousands): |                       |                     |                              |                   |
| - basic   | 960,103 <sup>1)</sup> | 928,988             | 957,592 <sup>1)</sup>        | 924,839           |
| - diluted   | 962,543 <sup>1)</sup> | 935,903             | 962,551 <sup>1)</sup>        | 929,212           |
| <b>Net income attributable to shareholders per common share in euros:</b>   |                       |                     |                              |                   |
| - basic   | 0.08                  | 0.18                | (1.18)                       | 0.63              |
| - diluted <sup>2)</sup>   | 0.08                  | 0.18                | (1.18)                       | 0.63              |
| <b>Ratios</b>   |                       |                     |                              |                   |
| Gross margin as a % of sales  | 38.6                  | 38.3                | 39.3                         | 38.1              |
| Selling expenses as a % of sales  | (22.5)                | (21.7)              | (23.0)                       | (22.2)            |
| G&A expenses as a % of sales  | (3.8)                 | (3.4)               | (4.0)                        | (3.0)             |
| R&D expenses as a % of sales  | (7.2)                 | (7.2)               | (7.3)                        | (7.5)             |
| <b>EBIT</b>   | <b>273</b>            | <b>333</b>          | <b>(531)</b>                 | <b>1,109</b>      |
| as a % of sales   | 5.1                   | 5.4                 | (3.3)                        | 6.3               |
| <b>EBITA</b>  | <b>368</b>            | <b>450</b>          | <b>1,177</b>                 | <b>1,452</b>      |
| as a % of sales   | 6.8                   | 7.3                 | 7.4                          | 8.2               |

- 1) Adjusted to make 2011 comparable for the bonus shares (889 thousand) issued in May 2012
- 2) The incremental shares from assumed conversion are not taken into account in the periods for which there is a loss attributable to shareholders, as the effect would be antidilutive

16 Q3 2012 Quarterly report

## Consolidated balance sheets

in millions of euros unless otherwise stated

|   | October 2,<br>2011 | December 31,<br>2011 | September 30,<br>2012 |
|---|--------------------|----------------------|-----------------------|
| <b>Non-current assets:</b>                                |                    |                      |                       |
| Property, plant and equipment                             | 2,933              | 3,014                | 2,992                 |
| Goodwill  | 6,580              | 7,016                | 7,117                 |
| Intangible assets excluding goodwill                      | 3,919              | 3,996                | 3,902                 |
| Non-current receivables                                   | 106                | 127                  | 154                   |
| Investments in associates                                 | 197                | 203                  | 195                   |
| Other non-current financial assets                        | 335                | 346                  | 557                   |
| Deferred tax assets                                       | 1,421              | 1,713                | 1,820                 |
| Other non-current assets                                  | 267                | 71                   | 80                    |
| <b>Total non-current assets</b>                           | <b>15,758</b>      | <b>16,486</b>        | <b>16,817</b>         |
| <b>Current assets:</b>                                    |                    |                      |                       |
| Inventories - net   | 4,074              | 3,625                | 4,071                 |
| Other current financial assets                            | 1                  |                      |                       |
| Other current assets                                      | 413                | 351                  | 412                   |
| Derivative financial assets                               | 160                | 229                  | 129                   |
| Income tax receivable                                     | 188                | 162                  | 133                   |
| Receivables   | 4,110              | 4,415                | 4,227                 |
| Assets classified as held for sale                        | 668                | 551                  | 56                    |
| Cash and cash equivalents                                 | 2,339              | 3,147                | 3,232                 |
| <b>Total current assets</b>                               | <b>11,953</b>      | <b>12,480</b>        | <b>12,260</b>         |
| <b>Total assets</b>                                       | <b>27,711</b>      | <b>28,966</b>        | <b>29,077</b>         |
| Shareholders' equity                                      | 12,906             | 12,355               | 12,045                |
| Non-controlling interests                                 | 33                 | 34                   | 36                    |
| <b>Group equity</b>                                       | <b>12,939</b>      | <b>12,389</b>        | <b>12,081</b>         |
| <b>Non-current liabilities:</b>                           |                    |                      |                       |
| Long-term debt  | 2,930              | 3,278                | 3,837                 |
| Long-term provisions                                      | 1,750              | 1,880                | 1,955                 |
| Deferred tax liabilities                                  | 104                | 77                   | 144                   |
| Other non-current liabilities                             | 1,631              | 1,999                | 1,951                 |
| <b>Total non-current liabilities</b>                      | <b>6,415</b>       | <b>7,234</b>         | <b>7,887</b>          |
| <b>Current liabilities:</b>                               |                    |                      |                       |
| Short-term debt   | 598                | 582                  | 859                   |
| Derivative financial liabilities                          | 478                | 744                  | 674                   |
| Income tax payable  | 210                | 191                  | 142                   |
| Accounts and notes payable                                | 3,193              | 3,346                | 2,997                 |
| Accrued liabilities                                       | 2,688              | 3,026                | 2,986                 |
| Short-term provisions                                     | 517                | 759                  | 612                   |
| Liabilities directly associated with assets held for sale | 14                 | 61                   | 33                    |
| Other current liabilities                                 | 659                | 634                  | 806                   |
| <b>Total current liabilities</b>                          | <b>8,357</b>       | <b>9,343</b>         | <b>9,109</b>          |

|   |        |        |        |
|---|--------|--------|--------|
| <b>Total liabilities and group equity</b> | 27,711 | 28,966 | 29,077 |
|---|--------|--------|--------|

Q3 2012 Quarterly report 17

|  | October 2,<br>2011    | December 31,<br>2011 | September 30,<br>2012 |
|--|-----------------------|----------------------|-----------------------|
| Number of common shares outstanding (after deduction of treasury shares) at the end of period (in thousands) | 940,054               | 926,095              | 923,912               |
| <b>Ratios</b>  |                       |                      |                       |
| Shareholders' equity per common share in euros   | 13.73                 | 13.34                | 13.04                 |
| Inventories as a % of sales  | 18.2                  | 16.1                 | 16.7                  |
| Net debt : group equity  | 8:92                  | 5:95                 | 11:89                 |
| Net operating capital  | 11,624                | 10,427               | 11,094                |
| Employees at end of period   | 124,890 <sup>1)</sup> | 125,241              | 121,284               |
| of which discontinued operations   | 3,636                 | 3,353                |                       |

<sup>1)</sup> Adjusted to reflect a change of employees reported in the Healthcare sector

18 Q3 2012 Quarterly report

## Consolidated statements of cash flows

in millions of euros

|   | 2011                | 3rd quarter<br>2012 | January to September<br>2011 | September<br>2012 |
|---|---------------------|---------------------|------------------------------|-------------------|
| <b>Cash flows from operating activities:</b>                                      |                     |                     |                              |                   |
| Net income  | 76                  | 170                 | (1,131)                      | 586               |
| Loss from discontinued operations   | 54                  |                     | 243                          | 26                |
| Adjustments to reconcile net income to net cash provided by operating activities: |                     |                     |                              |                   |
| Depreciation and amortization   | 308 <sup>1)</sup>   | 355                 | 979 <sup>1)</sup>            | 1,042             |
| Impairment of goodwill and other non-current financial assets                     | 16                  | 9                   | 1,382                        | 12                |
| Net (gain) loss on sale of assets   | (20)                | 34                  | (84)                         | (179)             |
| (Income) loss from investments in associates                                      | (14)                | 3                   | (16)                         | 12                |
| Dividends received from investments in associates                                 |                     |                     | 23                           | 7                 |
| Dividends paid to non-controlling interests                                       |                     |                     | (1)                          |                   |
| (Increase) decrease in working capital:   | (292)               | 222                 | (1,355)                      | (194)             |
| <i>Decrease in receivables and other current assets</i>                           | (189)               | (196)               | (155)                        | (187)             |
| <i>Increase in inventories</i>  | (198)               | (165)               | (650)                        | (412)             |
| <i>Increase (decrease) in accounts payable, accrued and other liabilities</i>     | 95                  | 583                 | (550)                        | 405               |
| Increase in non-current receivables, other assets and other liabilities           | (135)               | (217)               | (410)                        | (476)             |
| Increase (decrease) in provisions   | 1                   | 54                  | (80)                         | 112               |
| Other items   | 51 <sup>1)</sup>    | 21                  | 65 <sup>1)</sup>             | 86                |
| <b>Net cash provided by (used for) operating activities</b>                       | <b>45</b>           | <b>651</b>          | <b>(385)</b>                 | <b>1,034</b>      |
| <b>Cash flows from investing activities:</b>                                      |                     |                     |                              |                   |
| Purchase of intangible assets   | (23)                | (21)                | (88)                         | (61)              |
| Proceeds from sale of intangible assets   |                     |                     |                              | 160               |
| Expenditures on development assets  | (49)                | (77)                | (168)                        | (216)             |
| Capital expenditures on property, plant and equipment                             | (169) <sup>1)</sup> | (161)               | (508) <sup>1)</sup>          | (504)             |
| Proceeds from disposals of property, plant and equipment                          | 24                  | 3                   | 80                           | 413               |
| Cash from (to) derivatives and securities   | (17)                | (9)                 | 35                           | (54)              |
| Purchase of other non-current financial assets                                    | (24)                | (9)                 | (30)                         | (163)             |
| Proceeds from other non-current financial assets                                  | (2)                 |                     | 87                           |                   |
| Purchase of businesses, net of cash acquired                                      | (64)                | (22)                | (254)                        | (252)             |
| Proceeds from sale of interests in businesses, net of cash disposed of            | 7                   | 4                   | 7                            | 45                |
| <b>Net cash used for investing activities</b>                                     | <b>(317)</b>        | <b>(292)</b>        | <b>(839)</b>                 | <b>(632)</b>      |
| <b>Cash flows from financing activities:</b>                                      |                     |                     |                              |                   |
| Proceeds from issuance of short-term debt   | (111)               | (20)                | (182)                        | 168               |
| Principal payments on long-term debt  | (24)                | (105)               | (1,076)                      | (588)             |
| Proceeds from issuance of long-term debt  | 102                 | 28                  | 223                          | 1,199             |
| Treasury shares transactions  | (525)               | (135)               | (463)                        | (577)             |
| Dividends paid  |                     | 1                   | (259)                        | (255)             |
| <b>Net cash used for financing activities</b>                                     | <b>(558)</b>        | <b>(231)</b>        | <b>(1,757)</b>               | <b>(53)</b>       |
| <b>Net cash provided by (used for) continuing operations</b>                      | <b>(830)</b>        | <b>128</b>          | <b>(2,981)</b>               | <b>349</b>        |
| <b>Cash flow from discontinued operations:</b>                                    |                     |                     |                              |                   |
| Net cash used for operating activities  | (78)                | (56)                | (438)                        | (257)             |
| Net cash (used for) provided by investing activities                              | (20)                | 70                  | (65)                         | 73                |
| <b>Net cash (used for) provided by discontinued operations</b>                    | <b>(98)</b>         | <b>14</b>           | <b>(503)</b>                 | <b>(184)</b>      |



|   | 2011  | 3rd quarter<br>2012 | January to September<br>2011 | September<br>2012 |
|---|-------|---------------------|------------------------------|-------------------|
| <b>Net cash provided by (used for) continuing and discontinued operations</b> | (928) | 142                 | (3,484)                      | 165               |
| Effect of change in exchange rates on cash and cash equivalents               | 7     | (44)                | (10)                         | (80)              |
| Cash and cash equivalents at the beginning of the period                      | 3,260 | 3,134               | 5,833                        | 3,147             |
| Cash and cash equivalents at the end of the period                            | 2,339 | 3,232               | 2,339                        | 3,232             |
| <b>Ratio</b>  |       |                     |                              |                   |
| Cash flows before financing activities  | (272) | 359                 | (1,224)                      | 402               |
| <b>Net cash paid during the period for</b>                                    |       |                     |                              |                   |
| Pensions  | (134) | (149)               | (499)                        | (490)             |
| Interest  | (64)  | (102)               | (200)                        | (210)             |
| Income taxes  | (176) | (92)                | (457)                        | (275)             |

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.

<sup>1)</sup> Revised to reflect an adjusted allocation of capital expenditures on property, plant and equipment

20 Q3 2012 Quarterly report

## Consolidated statement of changes in equity

in millions of euros

|  | common<br>shares | capital<br>in<br>excess<br>of par<br>value | retained<br>earnings | revaluation<br>reserve | translation<br>differences | available-<br>for-sale<br>financial<br>assets | other reserves<br>changes<br>unrealized<br>gain<br>(loss)<br>on<br>currency<br>for-sale<br>cash<br>flow<br>hedges | total | treasury<br>shares<br>at cost | total<br>shareholders'<br>equity | non-<br>controlling<br>interests | total<br>equity |
|--|------------------|--|----------------------|------------------------|----------------------------|---|---|-------|-------------------------------|----------------------------------|----------------------------------|-----------------|
| <b>January-September 2012</b>                |                  |  |                      |                        |                            |   |   |       |                               |                                  |                                  |                 |
| Balance as of December 31, 2011              | 202              | 813  | 12,917               | 70                     | 7                          | 45  | (9)   | 43    | (1,690)                       | 12,355                           | 34                               | 12,389          |
| Net income                                   |                  |  | 584                  |                        |                            |   |   |       |                               | 584                              | 2                                | 586             |
| Net current-period change                    |                  |  | (180)                | (12)                   | 81                         | (2)   | (15)  | 64    |                               | (128)                            |                                  | (128)           |
| Reclassifications into income                |                  |  |                      |                        | (1)                        | 2   | 11  | 12    |                               | 12                               |                                  | 12              |
| Total comprehensive income                   |                  |  | 404                  | (12)                   | 80                         |   | (4)   | 76    |                               | 468                              | 2                                | 470             |
| Dividend distributed                         | 6                | 422  | (687)                |                        |                            |   |   |       |                               | (259)                            |                                  | (259)           |
| Movement non-controlling interest            |                  |  |                      |                        |                            |   |   |       |                               |                                  |                                  |                 |
| Cancellation of treasury shares              | (17)             |  | (1,221)              |                        |                            |   |   |       | 1,238                         |                                  |                                  |                 |
| Purchase of treasury shares                  |                  |  | (47)                 |                        |                            |   |   |       | (567)                         | (614)                            |                                  | (614)           |
| Re-issuance of treasury shares               |                  | (21)                                       | (34)                 |                        |                            |   |   |       | 87                            | 32                               |                                  | 32              |
| Share-based compensation plans               |                  | 61   |                      |                        |                            |   |   |       |                               | 61                               |                                  | 61              |
| Income tax share-based<br>compensation plans |                  | 2  |                      |                        |                            |   |   |       |                               | 2                                |                                  | 2               |
|  | (11)             | 464  | (1,989)              |                        |                            |   |   |       | 758                           | (778)                            |                                  | (778)           |
| Balance as of September 30, 2012             | 191              | 1,277                                      | 11,332               | 58                     | 87                         | 45  | (13)  | 119   | (932)                         | 12,045                           | 36                               | 12,081          |

Q3 2012 Quarterly report 21

## Sectors

in millions of euros unless otherwise stated

**Sales and income (loss) from operations**

|                              | 3rd quarter            |        |                    |                                  |        |          |
|------------------------------|------------------------|--------|--------------------|----------------------------------|--------|----------|
|                              | 2011                   |        |                    | 2012                             |        |          |
|                              | income from operations |        |                    | income from operations<br>as a % |        |          |
|                              | sales                  | amount | as a %<br>of sales | sales                            | amount | of sales |
| Healthcare                   | 2,077                  | 207    | 10.0               | 2,443                            | 278    | 11.4     |
| Consumer Lifestyle           | 1,332                  | 49     | 3.7                | 1,453                            | 106    | 7.3      |
| Lighting                     | 1,886                  | 86     | 4.6                | 2,139                            | 1      | 0.0      |
| Innovation, Group & Services | 99                     | (69)   |                    | 92                               | (52)   |          |
|                              | 5,394                  | 273    | 5.1                | 6,127                            | 333    | 5.4      |

**Sales and income (loss) from operations**

|                              | January to September   |        |                    |                                  |        |          |
|------------------------------|------------------------|--------|--------------------|----------------------------------|--------|----------|
|                              | 2011                   |        |                    | 2012                             |        |          |
|                              | income from operations |        |                    | income from operations<br>as a % |        |          |
|                              | sales                  | amount | as a %<br>of sales | sales                            | amount | of sales |
| Healthcare                   | 6,128                  | (266)  | (4.3)              | 7,065                            | 737    | 10.4     |
| Consumer Lifestyle           | 3,828                  | 104    | 2.7                | 4,095                            | 433    | 10.6     |
| Lighting                     | 5,566                  | (232)  | (4.2)              | 6,180                            | 67     | 1.1      |
| Innovation, Group & Services | 345                    | (137)  |                    | 287                              | (128)  |          |
|                              | 15,867                 | (531)  | (3.3)              | 17,627                           | 1,109  | 6.3      |

## Sectors and main countries

in millions of euros

**Sales and total assets**

|                                    | sales                        |                   | total assets       |                       |
|------------------------------------|------------------------------|-------------------|--------------------|-----------------------|
|                                    | January to September<br>2011 | September<br>2012 | October 2,<br>2011 | September 30,<br>2012 |
| Healthcare                         | 6,128                        | 7,065             | 11,048             | 11,617                |
| Consumer Lifestyle                 | 3,828                        | 4,095             | 3,491              | 3,420                 |
| Lighting                           | 5,566                        | 6,180             | 6,894              | 7,152                 |
| Innovation, Group & Services       | 345                          | 287               | 5,610              | 6,832                 |
|                                    | 15,867                       | 17,627            | 27,043             | 29,021                |
| Assets classified as held for sale |                              |                   | 668                | 56                    |
|                                    |                              |                   | 27,711             | 29,077                |

**Sales and tangible and intangible assets**

|                 | sales                                      |                   | tangible and intangible assets <sup>1)</sup> |                       |
|-----------------|--|-------------------|--|-----------------------|
|                 | January to September<br>2011 <sup>2)</sup> | September<br>2012 | October 2,<br>2011 <sup>2)</sup>             | September 30,<br>2012 |
| Netherlands     | 489  | 467               | 893  | 892                   |
| United States   | 4,490                                      | 5,108             | 8,147  | 8,280                 |
| China           | 1,460                                      | 1,936             | 804  | 1,122                 |
| Germany         | 995  | 1,003             | 256  | 261                   |
| Japan           | 714  | 846               | 596  | 621                   |
| France          | 637  | 737               | 81   | 89                    |
| India           | 494  | 554               | 163  | 156                   |
| Other countries | 6,588                                      | 6,976             | 2,492  | 2,590                 |
|                 | 15,867                                     | 17,627            | 13,432                                       | 14,011                |

<sup>1)</sup> Includes property, plant and equipment, intangible assets excluding goodwill, and goodwill

<sup>2)</sup> Revised to reflect an adjusted country allocation

## Pension costs

in millions of euros

**Specification of pension costs**

|   | 3rd quarter |               |       |             |               |       |
|---|-------------|---------------|-------|-------------|---------------|-------|
|   | Netherlands | 2011<br>other | total | Netherlands | 2012<br>other | total |
| <b>Costs of defined-benefit plans (pensions)</b>        |             |               |       |             |               |       |
| Service cost  | 31          | 19            | 50    | 43          | 22            | 65    |
| Interest cost on the defined-benefit obligation         | 140         | 102           | 242   | 128         | 95            | 223   |
| Expected return on plan assets                          | (178)       | (98)          | (276) | (185)       | (106)         | (291) |
| Prior service cost                                      |             | 1             | 1     |             | 1             | 1     |
| Net periodic cost (income)                              | (7)         | 24            | 17    | (14)        | 12            | (2)   |
| <b>Costs of defined-contribution plans</b>              |             |               |       |             |               |       |
| <i>of which discontinued operations</i>                 |             | 1             | 1     |             |               |       |
| <b>Costs of defined-benefit plans (retiree medical)</b> |             |               |       |             |               |       |
| Service cost  |             |               |       |             |               |       |
| Interest cost on the defined-benefit obligation         |             | 4             | 4     |             | 3             | 3     |
| Net periodic cost                                       |             | 4             | 4     |             | 3             | 3     |

**Specification of pension costs**

|   | January to September |               |       |             |               |       |
|---|----------------------|---------------|-------|-------------|---------------|-------|
|   | Netherlands          | 2011<br>other | total | Netherlands | 2012<br>other | total |
| <b>Costs of defined-benefit plans (pensions)</b>        |                      |               |       |             |               |       |
| Service cost  | 95                   | 55            | 150   | 130         | 64            | 194   |
| Interest cost on the defined-benefit obligation         | 418                  | 303           | 721   | 383         | 290           | 673   |
| Expected return on plan assets                          | (535)                | (291)         | (826) | (554)       | (322)         | (876) |
| Prior service cost                                      |                      | 2             | 2     |             | 1             | 1     |
| Curtailment   |                      | (15)          | (15)  |             |               |       |
| Net periodic cost (income)                              | (22)                 | 54            | 32    | (41)        | 33            | (8)   |
| <i>of which discontinued operations</i>                 | 2                    | 1             | 3     |             | 1             | 1     |
| <b>Costs of defined-contribution plans</b>              |                      |               |       |             |               |       |
| <i>of which discontinued operations</i>                 |                      | 2             | 2     | 1           | 1             | 2     |
| <b>Costs of defined-benefit plans (retiree medical)</b> |                      |               |       |             |               |       |
| Service cost  |                      | 1             | 1     |             | 1             | 1     |
| Interest cost on the defined-benefit obligation         |                      | 13            | 13    |             | 9             | 9     |
| Prior service cost                                      |                      | (2)           | (2)   |             | (27)          | (27)  |
| Net periodic cost                                       |                      | 12            | 12    |             | (17)          | (17)  |

## Reconciliation of non-GAAP performance measures

in millions of euros unless otherwise stated

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

**Sales growth composition**

in %

|   | 3rd quarter       |                  |                       | nominal growth | comparable growth | January to September |                       |                |
|---|-------------------|------------------|-----------------------|----------------|-------------------|----------------------|-----------------------|----------------|
|   | comparable growth | currency effects | consolidation changes |                |                   | currency effects     | consolidation changes | nominal growth |
| <b>2012 versus 2011</b>   |                   |                  |                       |                |                   |                      |                       |                |
| Healthcare  | 6.9               | 10.8             | (0.1)                 | 17.6           | 7.6               | 7.7                  |                       | 15.3           |
| Consumer Lifestyle  | 2.8               | 5.9              | 0.4                   | 9.1            | 1.6               | 4.1                  | 1.3                   | 7.0            |
| Lighting  | 3.7               | 7.7              | 2.0                   | 13.4           | 3.8               | 5.1                  | 2.1                   | 11.0           |
| Innovation, Group & Services  | (7.4)             | 0.3              |                       | (7.1)          | (8.5)             | 0.2                  | (8.5)                 | (16.8)         |
| Philips Group   | 4.6               | 8.3              | 0.7                   | 13.6           | 4.5               | 5.8                  | 0.8                   | 11.1           |
| <b>EBITA (or Adjusted income from operations) to Income from operations (or EBIT)</b> |                   |                  |                       |                |                   |                      |                       |                |

|  | Philips Group | Consumer   |           |          |       |
|--|---------------|------------|-----------|----------|-------|
|  |               | Healthcare | Lifestyle | Lighting | IG&S  |
| <b>January to September 2012</b>           |               |            |           |          |       |
| EBITA (or Adjusted income from operations) | 1,452         | 888        | 486       | 201      | (123) |
| Amortization of intangibles <sup>1)</sup>  | (343)         | (151)      | (53)      | (134)    | (5)   |
| Income from operations (or EBIT)           | 1,109         | 737        | 433       | 67       | (128) |
| <b>January to September 2011</b>           |               |            |           |          |       |
| EBITA (or Adjusted income from operations) | 1,177         | 736        | 167       | 404      | (130) |
| Amortization of intangibles <sup>1)</sup>  | (353)         | (178)      | (63)      | (105)    | (7)   |
| Impairment of goodwill                     | (1,355)       | (824)      |           | (531)    |       |
| Income from operations (or EBIT)           | (531)         | (266)      | 104       | (232)    | (137) |

<sup>1)</sup> Excluding amortization of software and product development

**Composition of net debt to group equity**

|                | October 2, 2011 | December 31, 2011 | September 30, 2012 |
|----------------|-----------------|-------------------|--------------------|
| Long-term debt | 2,930           | 3,278             | 3,837              |

Edgar Filing: KONINKLIJKE PHILIPS ELECTRONICS NV - Form 6-K

|   |        |        |        |
|---|--------|--------|--------|
| Short-term debt   | 598    | 582    | 859    |
| Total debt  | 3,528  | 3,860  | 4,696  |
| Cash and cash equivalents                                   | 2,339  | 3,147  | 3,232  |
| Net debt (cash) (total debt less cash and cash equivalents) | 1,189  | 713    | 1,464  |
| Shareholders' equity  | 12,906 | 12,355 | 12,045 |
| Non-controlling interests                                   | 33     | 34     | 36     |
| Group equity  | 12,939 | 12,389 | 12,081 |
| Net debt and group equity                                   | 14,128 | 13,102 | 13,545 |
| Net debt divided by net debt and group equity (in %)        | 8      | 5      | 11     |
| Group equity divided by net debt and group equity (in %)    | 92     | 95     | 89     |

Q3 2012 Quarterly report 25

## Reconciliation of non-GAAP performance measures (continued)

in millions of euros

**Net operating capital to total assets**

|                                       | Philips<br>Group | Healthcare | Consumer<br>Lifestyle | Lighting | IG&S    |
|---------------------------------------|------------------|------------|-----------------------|----------|---------|
| <b>September 30, 2012</b>             |                  |            |                       |          |         |
| Net operating capital (NOC)           | 11,094           | 8,261      | 1,460                 | 5,107    | (3,734) |
| Exclude liabilities comprised in NOC: |                  |            |                       |          |         |
| - payables/liabilities                | 9,556            | 2,920      | 1,592                 | 1,628    | 3,416   |
| - intercompany accounts               |                  | 68         | 34                    | 54       | (156)   |
| - provisions                          | 2,567            | 281        | 334                   | 341      | 1,611   |
| Include assets not comprised in NOC:  |                  |            |                       |          |         |
| - investments in associates           | 195              | 87         |                       | 22       | 86      |
| - other non-current financial assets  | 557              |            |                       |          | 557     |
| - deferred tax assets                 | 1,820            |            |                       |          | 1,820   |
| - cash and cash equivalents           | 3,232            |            |                       |          | 3,232   |
|                                       | 29,021           | 11,617     | 3,420                 | 7,152    | 6,832   |
| Assets classified as held for sale    | 56               |            |                       |          |         |
| Total assets                          | 29,077           |            |                       |          |         |
| <b>December 31, 2011</b>              |                  |            |                       |          |         |
| Net operating capital (NOC)           | 10,427           | 8,418      | 884                   | 5,020    | (3,895) |
| Exclude liabilities comprised in NOC: |                  |            |                       |          |         |
| - payables/liabilities                | 9,940            | 2,697      | 2,039                 | 1,450    | 3,754   |
| - intercompany accounts               |                  | 103        | 87                    | 51       | (241)   |
| - provisions                          | 2,639            | 287        | 558                   | 227      | 1,567   |
| Include assets not comprised in NOC:  |                  |            |                       |          |         |
| - investments in associates           | 203              | 86         | 3                     | 23       | 91      |
| - other non-current financial assets  | 346              |            |                       |          | 346     |
| - deferred tax assets                 | 1,713            |            |                       |          | 1,713   |
| - cash and cash equivalents           | 3,147            |            |                       |          | 3,147   |
|                                       | 28,415           | 11,591     | 3,571                 | 6,771    | 6,482   |
| Assets classified as held for sale    | 551              |            |                       |          |         |
| Total assets                          | 28,966           |            |                       |          |         |
| <b>October 2, 2011</b>                |                  |            |                       |          |         |
| Net operating capital (NOC)           | 11,624           | 8,081      | 1,181                 | 5,238    | (2,876) |
| Exclude liabilities comprised in NOC: |                  |            |                       |          |         |
| - payables/liabilities                | 8,859            | 2,536      | 1,920                 | 1,363    | 3,040   |
| - intercompany accounts               |                  | 98         | 88                    | 47       | (233)   |
| - provisions                          | 2,267            | 253        | 302                   | 226      | 1,486   |
| Include assets not comprised in NOC:  |                  |            |                       |          |         |
| - investments in associates           | 197              | 80         |                       | 20       | 97      |
| - other current financial assets      | 1                |            |                       |          | 1       |
| - other non-current financial assets  | 335              |            |                       |          | 335     |
| - deferred tax assets                 | 1,421            |            |                       |          | 1,421   |
| - cash and cash equivalents           | 2,339            |            |                       |          | 2,339   |

Edgar Filing: KONINKLIJKE PHILIPS ELECTRONICS NV - Form 6-K

|                      |               |        |       |       |       |
|----------------------|---------------|--------|-------|-------|-------|
| Assets held for sale | 27,043<br>668 | 11,048 | 3,491 | 6,894 | 5,610 |
| Total assets         | 27,711        |        |       |       |       |

26 Q3 2012 Quarterly report

## Reconciliation of non-GAAP performance measures (continued)

in millions of euros

**Composition of cash flows**

|  | 2011                | 3rd quarter<br>2012 | January to September<br>2011 | September<br>2012 |
|--|---------------------|---------------------|------------------------------|-------------------|
| Cash flows provided by (used for) operating activities | 45 <sup>1)</sup>    | 651                 | (385) <sup>1)</sup>          | 1,034             |
| Cash flows used for investing activities               | (317) <sup>1)</sup> | (292)               | (839) <sup>1)</sup>          | (632)             |
| Cash flows before financing activities                 | (272)               | 359                 | (1,224)                      | 402               |
| Cash flows provided by (used for) operating activities | 45 <sup>1)</sup>    | 651                 | (385) <sup>1)</sup>          | 1,034             |
| Net capital expenditures:                              | (217)               | (256)               | (684)                        | (208)             |
| Purchase of intangible assets                          | (23)                | (21)                | (88)                         | (61)              |
| Proceeds from sale of intangible assets                |                     |                     |                              | 160               |
| Expenditures on development assets                     | (49)                | (77)                | (168)                        | (216)             |
| Capital expenditures on property, plant and equipment  | (169) <sup>1)</sup> | (161)               | (508) <sup>1)</sup>          | (504)             |
| Proceeds from sale of property, plant and equipment    | 24                  | 3                   | 80                           | 413               |
| Free cash flows  | (172)               | 395                 | (1,069)                      | 826               |

<sup>1)</sup> Revised to reflect an adjusted allocation of capital expenditures on property, plant and equipment

Q3 2012 Quarterly report 27

## Philips quarterly statistics

all amounts in millions of euros unless otherwise stated

|  | 2011              |              |                   |                  | 2012              |              |                   |                  |
|--|-------------------|--------------|-------------------|------------------|-------------------|--------------|-------------------|------------------|
|  | 1st quarter       | 2nd quarter  | 3rd quarter       | 4th quarter      | 1st quarter       | 2nd quarter  | 3rd quarter       | 4th quarter      |
| Sales  | 5,257             | 5,216        | 5,394             | 6,712            | 5,608             | 5,892        | 6,127             |                  |
| % increase   | 6                 | (2)          | (1)               | 3                | 7                 | 13           | 14                |                  |
| EBITA  | 438               | 371          | 368               | 503              | 552               | 450          | 450               |                  |
| as a % of sales  | 8.3               | 7.1          | 6.8               | 7.5              | 9.8               | 7.6          | 7.3               |                  |
| EBIT   | 319               | (1,123)      | 273               | 262              | 438               | 338          | 333               |                  |
| as a % of sales  | 6.1               | (21.5)       | 5.1               | 3.9              | 7.8               | 5.7          | 5.4               |                  |
| Net income (loss)  | 138               | (1,345)      | 76                | (160)            | 249               | 167          | 170               |                  |
| Net income (loss) - shareholders per common share in euros - basic         | 0.14              | (1.39)       | 0.08              | (0.17)           | 0.27              | 0.18         | 0.18              |                  |
|  | January-March     | January-June | January-September | January-December | January-March     | January-June | January-September | January-December |
| Sales  | 5,257             | 10,473       | 15,867            | 22,579           | 5,608             | 11,500       | 17,627            |                  |
| % increase   | 6                 | 1            | 0                 | 1                | 7                 | 10           | 11                |                  |
| EBITA  | 438               | 809          | 1,177             | 1,680            | 552               | 1,002        | 1,452             |                  |
| as a % of sales  | 8.3               | 7.7          | 7.4               | 7.4              | 9.8               | 8.7          | 8.2               |                  |
| EBIT   | 319               | (804)        | (531)             | (269)            | 438               | 776          | 1,109             |                  |
| as a % of sales  | 6.1               | (7.7)        | (3.3)             | (1.2)            | 7.8               | 6.7          | 6.3               |                  |
| Net income (loss)  | 138               | (1,207)      | (1,131)           | (1,291)          | 249               | 416          | 586               |                  |
| Net income (loss) - shareholders per common share in euros - basic         | 0.14              | (1.26)       | (1.18)            | (1.36)           | 0.27              | 0.45         | 0.63              |                  |
| Net income (loss) from continuing operations as a % of shareholders equity | 6.6               | (14.8)       | (8.8)             | (5.7)            | 8.9               | 7.2          | 6.8               |                  |
|  | period ended 2011 |              |                   |                  | period ended 2012 |              |                   |                  |
| Inventories as a % of sales  | 15.7              | 16.8         | 18.2              | 16.1             | 16.7              | 16.8         | 16.7              |                  |
| Net debt : group equity ratio  | (3):103           | 1:99         | 8:92              | 5:95             | 6:94              | 13:87        | 11:89             |                  |
| Total employees (in thousands)   | 122               | 125          | 125               | 125              | 122               | 122          | 121               |                  |
| of which discontinued operations   | 4                 | 4            | 4                 | 3                |                   |              |                   |                  |

Information also available on Internet, address: [www.philips.com/investorrelations](http://www.philips.com/investorrelations)

© 2012 Koninklijke Philips Electronics N.V.

<http://www.philips.com/investorrelations>

All rights reserved.