KONINKLIJKE PHILIPS ELECTRONICS NV
Form 6-K
July 23, 2012
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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

July 23, 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)

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 x Form 40-F ¨

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

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

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

Yes ¨ No x

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

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This report comprises a copy of the following press releases:

Q2 2012 Quarterly Report and Semi-annual Report , dated July 23, 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 23rd day of July 2012.

KONINKLIJKE PHILIPS ELECTRONICS N.V.

/s/ **E.P. Coutinho**
(General Secretary)

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Q2 2012 Quarterly report and Semi-annual report

Philips reports second-quarter comparable sales growth of 5% to EUR 5.9 billion; EBITA of EUR 450 million

- Growth led by 7% growth at Healthcare and 6% growth at Lighting
- Sales in growth geographies up 11% on a comparable basis, now representing 35% of total revenue
- Reported EBITA of EUR 450 million, or 7.6% of sales
- Net income of EUR 167 million
- Overhead-reduction plan on track; cumulative savings now EUR 176 million
- Distribution agreement signed for Lifestyle Entertainment in North America with Funai

Q2 financials: Strong growth at Healthcare, Lighting and the growth businesses in Consumer Lifestyle. Positive growth momentum improves operating margins.

Healthcare comparable sales grew by 7%, with a solid sales increase across all businesses and a 22% increase in growth geographies. Currency-comparable order intake increased by 4% year-on-year, with equipment order growth seen at both Imaging Systems and Patient Care & Clinical Informatics. Reported EBITA margin for the quarter was 13.8%.

Consumer Lifestyle sales increased by 3% on a comparable basis. High-single-digit growth in the combined growth businesses, i.e. Personal Care, Health & Wellness and Domestic Appliances, was partly offset by a decline at Lifestyle Entertainment. Reported EBITA margin for the quarter was 7.6% and included a one-time gain on the sale of the Speech Processing business.

Lighting comparable sales increased by 6%, led by double-digit sales growth at Light Sources & Electronics, as well as high-single-digit sales growth at Automotive. LED-based sales grew by 37% year-on-year and now account for 20% of total Lighting sales. Reported EBITA margin for the quarter was 4.6%.

We have completed 56% of our EUR 2 billion share buy-back program since the start of the program in July 2011.

Gaining further traction with Accelerate!

Our multi-year change and performance improvement program Accelerate! is in its second year and we continue to make good progress. We see employees across the company embracing the transformation program, which is positively changing our company culture to become agile and entrepreneurial. We now have many End2End pilot transformation projects, which currently cover over 10% of revenue, forming the basis for further rollout across the rest of the company. The implementation of our granular performance management approach is resulting in accelerated growth and an improved bottom-line.

The actions to deliver on our overhead cost-reduction program are on track. Incremental savings amounted to EUR 176 million in the first half of 2012, and more than 50% of the total TV stranded costs have been taken out. Cumulative savings by the end of 2012 are expected to be approximately EUR 400 million.

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CEO quote:

The improved performance in the second quarter of 2012 is encouraging proof that our Accelerate! transformation program, and the relentless focus on execution, are enabling us to continue on the path to achieve our 2013 mid-term financial targets.

The initiatives to stimulate growth show promising results, especially in the light of the weaker economic situation. Healthcare sales are growing well at 7%, and order intake showed solid growth, whereby a decline in Europe was more than offset by increases in the rest of the world. The growth businesses in Consumer Lifestyle again performed solidly. At Lighting, LED-based sales showed strong growth momentum. Overall, the cost-saving initiatives are on track, resulting in improved operational performance across the group compared to the previous year.

We are considering various business models for Lifestyle Entertainment to drive more value. As a result, we are happy to announce a distribution agreement for Lifestyle Entertainment in North America and the sale of the Speech Processing business.

There is no denying that the global economy is weaker now than it was just three months ago, especially in Europe which accounts for approximately 25% of our revenue. We continue to take actions to mitigate the risks from the increased economic headwinds globally, and we remain confident in our ability to further improve our performance.

Frans van Houten, CEO of Royal Philips Electronics

Please refer to page 16 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.

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Philips Group

Net income

in millions of euros unless otherwise stated

	Q2 2011	Q2 2012
Sales	5,216	5,892
EBITA	371	450
as a % of sales	7.1	7.6
EBIT	(1,123)	338
as a % of sales	(21.5)	5.7
Financial income and expenses	(74)	(79)
Income taxes	(47)	(89)
Results investments in associates	(4)	(10)
Income (loss) from continuing operations	(1,248)	160
Discontinued operations	(97)	7
Net income (loss)	(1,345)	167
Net income (loss) - shareholders per common share (in euros) - basic	(1.39)	0.18

Sales by sector

in millions of euros unless otherwise stated

	Q2 2011	Q2 2012	nominal	% change comparable
Healthcare	2,080	2,413	16	7
Consumer				
Lifestyle	1,247	1,356	9	3
Lighting	1,777	2,026	14	6
IG&S	112	97	(13)	(13)
Philips Group	5,216	5,892	13	5

Sales per geographic cluster

in millions of euros unless otherwise stated

	Q2[1)] 2011	Q2 2012	nominal	% change comparable
Western Europe	1,456	1,455	(0)	(4)
North America	1,627	1,935	19	7
Other mature geographies	404	456	13	2
Total mature geographies	3,487	3,846	10	2
Growth geographies	1,729	2,046	18	11

Philips Group	5,216	5,892	13	5

1) Revised to reflect an adjusted market cluster allocation

Net income

Net income of EUR 167 million was EUR 1,512 million higher year-on-year, largely due to goodwill and intangible-asset impairments of EUR 1,385 million in Q2 2011. Excluding impairments, net income was EUR 127 million higher year-on-year, reflecting higher operating earnings and the loss on discontinued operations recorded in Q2 2011.

EBITA increased by EUR 79 million year-on-year to 7.6% of sales, driven by higher earnings at Healthcare and Consumer Lifestyle, partly offset by higher cost at Innovation, Group & Services and lower EBITA at Lighting.

EBITA included acquisition and restructuring-related charges, the gain on the divestment of the Speech Processing activities in Consumer Lifestyle and a one- time gain of prior service cost related to a medical retiree benefit plan. Excluding these items, EBITA amounted to 8.6% of sales.

Tax charges were EUR 42 million higher than in Q2 2011, mainly due to higher taxable earnings.

In Q2, after-tax income from discontinued operations, which represents the results of the Television business, was a gain of EUR 7 million, compared to a loss of EUR 97 million in Q2 2011. The EUR 7 million gain came from lower costs leading to an improved deal result.

Sales per sector

Group sales amounted to EUR 5,892 million, an increase of 5% on a comparable basis. Group nominal sales increased by 13%, including a 7% positive currency effect.

Healthcare sales improved by 7% on a comparable basis, with solid sales increases in all businesses, notably double-digit growth at Patient Care & Clinical Informatics, high-single-digit growth at Imaging Systems, and mid-single-digit growth at Home Healthcare Solutions.

Consumer Lifestyle comparable sales grew by 3% year- on-year, driven by strong double-digit growth at Health & Wellness and strong single-digit growth at Domestic Appliances, partly offset by a sales decline at Lifestyle Entertainment.

Lighting sales grew by 6% on a comparable basis, led by double-digit growth at Light Sources & Electronics and high-single-digit growth at Automotive.

Sales per geographic cluster

Comparable sales in the mature markets grew by 2% compared to Q2 2011, driven by Healthcare and Lighting, while Consumer Lifestyle sales declined.

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EBITA

in millions of euros

	Q2 2011	Q2 2012
Healthcare	276	333
Consumer Lifestyle	26	103
Lighting	101	93
Innovation, Group & Services	(32)	(79)
Philips Group	371	450

EBITA

as a % of sales

	Q2 2011	Q2 2012
Healthcare	13.3	13.8
Consumer Lifestyle	2.1	7.6
Lighting	5.7	4.6
Innovation, Group & Services	(28.6)	(81.4)
Philips Group	7.1	7.6

Restructuring and acquisition-related charges

in millions of euros

	Q2 2011	Q2 2012
Healthcare	1	(8)
Consumer Lifestyle	(13)	(13)
Lighting	(14)	(38)
Innovation, Group & Services	2	(40)
Philips Group	(24)	(99)

EBIT

in millions of euros unless otherwise stated

	Q2 2011	Q2 2012
Healthcare	(611)	284
Consumer Lifestyle	(9)	86
Lighting	(470)	49

Innovation, Group & Services	(33)	(81)
Philips Group	(1,123)	338
as a % of sales	(21.5)	5.7

Growth geographies showed 11% comparable growth, predominantly driven by Healthcare and Consumer Lifestyle.

Earnings

EBITA amounted to EUR 450 million, an increase of EUR 79 million compared to Q2 2011, as higher earnings at Consumer Lifestyle and Healthcare were partly offset by higher costs at IG&S and lower EBITA at Lighting. EBITA included restructuring and acquisition-related charges of EUR 99 million, EUR 75 million higher than in Q2 2011, as well as the impact of the divestment of the Speech Processing activities in Consumer Lifestyle and a one-time gain of prior service cost related to a medical retiree benefit plan. Excluding these items, EBITA amounted to EUR 504 million, or 8.6% of sales.

Healthcare EBITA increased by EUR 57 million year-on-year, with improvement in earnings in most businesses, particularly Patient Care & Clinical Informatics and Customer Services. Restructuring and acquisition-related charges were EUR 9 million higher than in Q2 2011.

Consumer Lifestyle EBITA increased by EUR 77 million year-on-year, with improved earnings seen in all businesses. The year-on-year improvement included the EUR 20 million gain on the Speech Processing divestment and EUR 9 million lower stranded costs from the Television business. Restructuring and acquisition-related charges were in line with Q2 2011.

Lighting EBITA decreased by EUR 8 million year-on-year, as the increases driven by sales growth and improvements in the cost structure related to the Accelerate! program were more than offset by EUR 24 million higher restructuring charges year-on-year.

IG&S EBITA decreased by EUR 47 million to a net cost of EUR 79 million, mainly due to investments related to the Accelerate! program and higher restructuring costs. IG&S EBITA included a EUR 25 million one-time gain of prior service cost related to a medical retiree benefit plan.

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Financial income and expenses

in millions of euros

	Q2 2011	Q2 2012
Net interest expenses	(48)	(65)
NXP arrangement	4	(2)
Other	(30)	(12)
	(74)	(79)

Financial income and expenses

Financial income and expenses amounted to a net expense of EUR 79 million, EUR 5 million higher than in Q2 2011. Last year included a fair-value gain on the option related to NXP and a negative value adjustment in respect of available-for-sale financial assets.

Cash balance

in millions of euros

	Q2 2011	Q2 2012
Beginning cash balance	4,772	4,225
Free cash flow	(180)	(211)
Net cash flow from operating activities	63[1)]	52
Net capital expenditures	(243)[1)]	(263)
Acquisitions and divestments of businesses	(136)	41
Other cash flow from investing activities	35	(23)
Treasury shares transactions	45	(288)
Dividend paid	(259)	(256)
Changes in debt/other	(839)	(276)
Net cash flow discontinued operations	(178)	(78)
Ending balance	3,260	3,134

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

Cash balance

The Group cash balance decreased during the quarter to EUR 3,134 million, mainly due to a free cash outflow of EUR 211 million, the use of EUR 288 million in treasury share transactions largely for our buy-back program, EUR 256 million of cash dividend, as well as a net decrease of EUR 276 million mainly related to debt redemption.

In Q2 2011, the cash balance decreased to EUR 3,260 million, largely due to a EUR 839 million redemption of debt, EUR 259 million of cash dividend, a negative free cash flow of EUR 180 million, as well as EUR 178 million related to discontinued operations and EUR 136 million of cash used for acquisitions.

Cash flows from operating activities

in millions of euros

1) 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 52 million, compared to an inflow of EUR 63 million in Q2 2011. The Q2 2012 figure includes a net increase in working capital requirements of EUR 366 million, compared to EUR 213 million in Q1 2012. The higher working capital outflow was largely offset by higher earnings, lower non-current liabilities and increased provisions.

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Gross capital expenditures[1)]

in millions of euros

1) Capital expenditures on property, plant and equipment only
2) 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 11 million higher than in Q2 2011, mainly due to higher investments at Lighting and Consumer Lifestyle.

Inventories

as a % of moving annual total sales

Inventories

Inventories as a percentage of sales amounted to 16.8%, broadly in line with Q1 2012. Inventory value at the end of Q2 2012 was EUR 4.0 billion, an increase of EUR 154 million in the quarter, attributable to Healthcare and Lighting.

Compared to Q2 2011, inventories as a % of sales were stable.

Net debt and group equity

in billions of euros

Net debt and group equity

At the end of Q2 2012, Philips had a net debt position of EUR 1.8 billion, compared to EUR 156 million at the end of Q2 2011. During the quarter, the net debt position increased by EUR 979 million, mainly attributable to treasury stock transactions and the payment of the annual dividend and negative free cash flow in Q2 2012.

Group equity decreased by EUR 97 million in the quarter to EUR 12.2 billion. The decrease was largely a result of treasury share transactions and the payment of the annual dividend, offset partially by currency effects as well as net income earned during the period.

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Number of employees

in FTEs

1) Number of employees excludes discontinued operations. Discontinued operations, comprising the Television business, employed at end of Q2 2011 3,506.

2) Adjusted to reflect a change of employees reported in the Healthcare sector

Employees

The number of employees decreased by 207 in the quarter. The increase at Consumer Lifestyle mainly related to acquisitions (Preethi and Povos) and was more than offset by higher restructuring activities at Lighting.

Compared to Q2 2011, the number of employees increased by 569. This increase includes 3,068 employees from acquisitions and a reduction of 410 employees from divestments. Excluding acquisitions and divestments, the number of employees decreased by 2,089, mainly due to the company s overhead reduction program.

Healthcare

Key data

in millions of euros unless otherwise stated

	Q2 2011	Q2 2012
Sales	2,080	2,413
Sales growth		
% nominal	1	16
% comparable	8	7
EBITA	276	333
as a % of sales	13.3	13.8
EBIT	(611)	284
as a % of sales	(29.4)	11.8
Net operating capital (NOC)	7,534	8,542
Number of employees (FTEs)	37,351[1)]	37,887

1) Adjusted to reflect a change of reported employees

Sales

in millions of euros

EBITA

Business highlights

Philips opened its imaging systems manufacturing facilities in Pune, India and Suzhou, China. These sites will further enhance our innovation capabilities in growth geographies, and drive competitiveness of our product offering in key growth market segments.

Philips continues to win new business by joining forces with three leading institutes for medical imaging technology research in Russia and by providing customized clinical imaging solutions and consulting services in Turkey and Brazil, fueling growth in these important countries.

Philips IntelliSpace Picture Archiving & Communication System solution continues to gain traction in the market: six NHS trusts in the UK, representing ten acute-care and 18 community hospitals, selected this solution, which will be used to support over a million new studies annually.

To strengthen its position in the obstructive sleep apnea market, Philips introduced the Amara full-face mask. Amara sets the standard for innovation in the market by being physically smaller and lighter than other traditional full-face masks.

Philips continues to transform healthcare with its remote monitoring solutions. By playing an instrumental role in the US Federal Communications Commission decision on Medical Body Area Networks (MBANs), Philips expanded the market for patient monitoring from the hospital to the home.

Financial performance

Currency-comparable equipment order intake grew 4% year-on-year. Equipment order growth was seen at both Imaging Systems and Patient Care & Clinical Informatics. Equipment orders in North American markets were 3% lower than in Q2 2011, while orders in Western Europe declined by 6%. Equipment orders in growth geographies were 13% higher, while equipment orders in Japan showed strong double-digit growth.

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Comparable sales were 7% higher year-on-year, with solid sales increases in all businesses, notably double-digit growth at Patient Care & Clinical Informatics, high-single-digit growth at Imaging Systems, and mid-single-digit growth at Home Healthcare Solutions. From a regional perspective, comparable sales in mature markets grew 4% year-on-year, with North America growing by 7% and Western Europe declining by 1%. Growth-geography sales grew 22% year-on-year.

EBITA increased by EUR 57 million year-on-year to EUR 333 million, or 13.8% of sales. EBITA improvement was driven by higher sales volumes and increased operational leverage. Excluding restructuring and acquisition-related charges, EBITA amounted to EUR 341 million, or 14.1% of sales, compared to EUR 275 million, or 13.2% of sales, in Q2 2011.

Net operating capital increased by EUR 1.0 billion to EUR 8.5 billion, mainly due to currency effects.

Compared to Q2 2011, the number of employees increased by 536, mainly driven by the build-up of sales and service teams during the second half of 2011.

Miscellaneous

Restructuring and acquisition-related charges in Q3 2012 are expected to total approximately EUR 15 million.

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Consumer Lifestyle

Key data

in millions of euros unless otherwise stated

	Q2 2011	Q2 2012
Sales	1,247	1,356
Sales growth		
% nominal	(2)	9
% comparable	(0)	3
EBITA	26	103
as a % of sales	2.1	7.6
EBIT	(9)	86
as a % of sales	(0.7)	6.3
Net operating capital (NOC)	1,428	1,546
Number of employees (FTEs)	17,026	19,277

Sales

in millions of euros

EBITA

Business highlights

Showcasing its position as the most recommended brand by mothers worldwide, Philips AVENT launched its innovative new Natural infant-feeding breast pump and bottle range in the UK and US, with the global launch taking place in September.

Philips launched the Airfryer in 2010 and has since rapidly expanded into more than 60 countries worldwide. Sales of the innovative kitchen appliance, which creates meals with up to 80% less fat, have significantly exceeded projected volumes. The Airfryer is now also available in India.

Philips recently sold its millionth garment steamer in Asia, having launched its first product less than three years ago. Philips is the clear market leader in the rapidly growing Chinese market.

Philips launched the PowerPro bagless vacuum cleaner, which uses innovative technology to deliver exceptional dust pick-up performance on carpet, at levels 40% higher than the top-selling bagless vacuum cleaner in Europe.

Philips has closed the divestment of its Speech Processing business to Invest AG.

Philips has signed a distribution agreement with Funai for its Lifestyle Entertainment business in North America, effective from September 1, 2012. This is in addition to Funai s existing Television and Video brand licensing agreement in the region.

Financial performance

Sales increased 9% nominally year-on-year. On a comparable basis sales increased 3%, driven by high-single-digit growth in the combined growth businesses, i.e. Personal Care, Health & Wellness and Domestic Appliances, partly offset by a decline at Lifestyle Entertainment. Excluding Licenses and Lifestyle Entertainment, comparable sales increased by 8% year- on-year.

Double-digit growth in Asia Pacific and mid-single-digit growth in North America were partly offset by a decline in Western Europe.

EBITA included EUR 9 million of net costs formerly reported as part of the Television business in Consumer Lifestyle (EUR 18 million in Q2 2011).

Excluding restructuring and acquisition-related charges of EUR 13 million in both Q2 2011 and Q2 2012 and the EUR 20 million gain on the Speech Processing business transaction in Q2 2012, EBITA margin increased from 3.1% to 7.1%. EBITA improvement was driven by higher earnings across all businesses and by lower net costs formerly reported as part of the Television business.

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Working capital as a percentage of the last twelve months sales improved from 6% to 2%, largely driven by lower accounts receivable related to the former Television business in Consumer Lifestyle. Net operating capital increased by EUR 118 million, mainly due to the consolidation of the Povos acquisition offsetting the working capital improvement.

The number of employees increased by 2,251 year-on-year, largely attributable to the acquisitions of Preethi and Povos.

Miscellaneous

Restructuring and acquisition-related charges in Q3 2012 are expected to total approximately EUR 15 million.

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Lighting

Key data

in millions of euros unless otherwise stated

	Q2 2011	Q2 2012
Sales	1,777	2,026
Sales growth		
% nominal	(4)	14
% comparable	4	6
EBITA	101	93
as a % of sales	5.7	4.6
EBIT	(470)	49
as a % of sales	(26.4)	2.4
Net operating capital (NOC)	5,021	5,343
Number of employees (FTEs)	54,728	52,749

Sales

in millions of euros

EBITA

Business highlights

The Belgian city of Mechelen selected Philips to renovate its entire city with Philips LED LunaVision, a custom-made design luminaire that offers significant energy savings, reduces maintenance costs and improves safety.

Philips signed an agreement with Optogan, a leading Russian company in LED solutions, to set up a joint venture that will provide an inroad into the fast- growing LED road-lighting market in Russia.

Philips was selected by the Empire State Building in New York City to create a state-of-the-art dynamic lighting system that changes the building s mast colors in real- time.

Philips will deliver the largest-ever solar road-lighting installation, 1,050 pieces, in Nanyang, China. In addition, Philips will provide lighting products for over 800 new SINOPEC and about 80 Shell petrol stations in China.

In Mexico, Philips was chosen by Alsea to illuminate, with LED lighting solutions, the interior of approximately 1,200 outlets of brands such as Starbucks, Domino s Pizza, PF Changs, and Burger King, enhancing the ambiance.

Financial performance

Comparable sales increased by 6% year-on-year, led by double-digit sales growth at Light Sources & Electronics and high-single-digit sales growth at Automotive.

From a geographical perspective, sales (excluding Lumileds) in the growth geographies increased by 13%, while high-single-digit growth was recorded in North America. Sales in Europe were slightly below the level of Q2 2011.

LED-based sales grew 37% compared to Q2 2011, and now represent 20% of total Lighting sales.

EBITA, excluding restructuring and acquisition-related charges of EUR 38 million (Q2 2011: EUR 14 million), amounted to EUR 131 million, or 6.5% of sales. The year-on-year EBITA increase was driven by sales growth and improvements in our cost structure delivered by the Accelerate! program.

Inventories as a percentage of sales improved by 40 basis points year-on-year. The increase in net operating capital is due to currency impact and the consolidation of Indal in Q1 2012.

The number of employees compared to Q2 2011 decreased by 1,979, which comprises of an increase of 959 employees due to the acquisition of Indal and a reduction of 2,938 employees. The reduction was related to overhead cost reduction initiatives as well as the rationalization of the industrial footprint.

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Miscellaneous

Philips signed its 200th license agreement under the Philips LED Luminaire and Retrofit Bulb Licensing Program with the German company Paulmann. This unique program will help accelerate the adoption of LED solutions and foster industry growth.

Restructuring and acquisition-related charges in Q3 2012 are expected to total around EUR 70 million.

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Innovation, Group & Services

Key data

in millions of euros unless otherwise stated

	Q2 2011	Q2 2012
Sales	112	97
Sales growth		
% nominal	(27)	(13)
% comparable	(7)	(13)
EBITA Group Innovation	(6)	(33)
EBITA IP Royalties	50	35
EBITA Group and Regional Costs	(29)	(28)
EBITA Accelerate! investment		(34)
EBITA Pensions	(12)	31
EBITA Service Units and Other	(35)	(50)
EBITA	(32)	(79)
EBIT	(33)	(81)
Net operating capital (NOC)	(2,681)[1)]	(3,900)
Number of employees (FTEs)	12,128	11,888

1) Revised to reflect an adjusted property, plant and equipment reclassification to assets classified as held for sale

Sales

in millions of euros

EBITA

in millions of euros

Business highlights

As a leading provider of solutions for image-guided intervention and therapies, Philips has initiated a research consortium with the University Medical Center Utrecht, Utrecht University, and Eindhoven University of Technology, all internationally renowned players in image-guided interventions, to bring future therapies, such as new minimally invasive treatments based on MR-HIFU (Magnetic Resonance High-Intensity Focused Ultrasound), to patients faster.

Building on its expertise in LED lighting applications, Philips Research is successfully testing and validating new LED-based retail lighting concepts, designed to enhance the appearance of fashion merchandise in shops, at multiple customer locations.

In line with its policy of Open Innovation, Philips Research and the Dutch Technology Foundation STW have started a five-year partnership program in the area of advanced sustainable lighting solutions. The objective is to stimulate LED research at Dutch universities in the area of LED materials, sustainable production and lighting applications, and to facilitate the knowledge transfer to Philips for subsequent commercialization.

Financial performance

Sales decreased from EUR 112 million in Q2 2011 to EUR 97 million in Q2 2012, mainly due to lower license income.

EBITA amounted to a net cost of EUR 79 million, an increase of EUR 47 million year-on-year, mainly due to investments related to the Accelerate! program and higher restructuring costs. Excluding the Q2 2012 restructuring costs of EUR 40 million (EUR 2 million accrual release in Q2 2011) and the one-time gain of prior service cost related to a medical retiree benefit plan in Q2 2012, EBITA amounted to a net cost of EUR 64 million, compared to EUR 34 million in the prior year.

EBITA in Pensions was EUR 43 million higher than in Q2 2011, mainly due to a one-time gain of prior service cost related to a medical retiree benefit plan of EUR 25 million.

Service Units and Other EBITA includes EUR 9 million (EUR 21 million in Q2 2011) of net costs formerly reported as part of the Television business in Consumer Lifestyle, as well as EUR 28 million of additional restructuring charges compared to Q2 2011.

Excluding both these items, Service Units and Other EBITA was EUR 5 million better than in Q2 2011.

Net operating capital decreased by EUR 1.2 billion year-on-year, mainly due to an increase in net pension liabilities in Q4 2011 as well as a decrease in the value of currency hedges held at Group level.

Miscellaneous

Restructuring charges in Q3 2012 are expected to total approximately EUR 15 million.

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Forward-looking statements

Forward-looking statements

This document contains 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, in particular the sector sections Miscellaneous . Examples of forward-looking statements include statements made about our strategy, estimates of sales growth, future EBITA and future developments in our organic business. Forward-looking statements can be identified generally as those containing words such as anticipates , assumes , believes , estimates , expects , should , will likely result , forecast , outlook , projects , may or similar expressions. By their nature, these statemen 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, 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 and the Risk and uncertainties section in our semi-annual financial report for the six months ended July 1, 2012.

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 or observable market data do not exist, we estimated the fair values using appropriate valuation models and 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. This document comprises regulated information within the meaning of the Dutch Financial Markets Supervision Act *Wet op het Financieel Toezicht* .

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Semi-annual financial report

Introduction

This report contains the semi-annual financial report of Koninklijke Philips Electronics N.V. (the Company), a company with limited liability, headquartered in Amsterdam, the Netherlands. The principal activities of the Company and its group companies (the Group) are described in note 4, Segment information.

The semi-annual financial report for the six months ended July 1, 2012 consists of the condensed consolidated semi-annual financial statements, the semi-annual management report and responsibility statement by the Company s Board of Management. The information in this semi-annual financial report is unaudited.

The condensed consolidated semi-annual financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company s consolidated IFRS financial statements for the year ended December 31, 2011.

The Board of Management of the Company hereby declares that to the best of their knowledge, the semi-annual financial statements, which have been prepared in

accordance with the applicable financial reporting standards for interim financial reporting, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole, and the semi-annual management report gives a fair review of the information required pursuant to section 5:25d(8)/(9) of the Dutch Financial Markets Supervision Act (*Wet op het Financieel toezicht*).

Amsterdam, July 23, 2012

Board of Management

Frans van Houten
Pieter Nota

Ron Wirahadiraksa

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Management report

The 1st six months of 2012

Group sales for the first half of the year ended at EUR 11.5 billion, EUR 1.0 billion above the 2011 level.

On a comparable basis, sales grew 5%, with a double-digit sales increase in growth geographies and a low-single-digit decline in European markets.

EBITA increased EUR 193 million year-on-year, with higher earnings at Consumer Lifestyle and Healthcare.

Net income of EUR 416 million was EUR 1.6 billion higher than in the same period last year, largely as a result of the EUR 1.4 billion impairment charges in Q2 2011, as well as a lower loss from discontinued operations. Net income reflected the impact of one-time gains related to the Senseo transaction and the divestment of the Speech Processing activities.

Net income

in millions of euros unless otherwise stated

	January to June 2011	2012
Sales	10,473	11,500
EBITA	809	1,002
as a % of sales	7.7	8.7
EBIT	(804)	776
as a % of sales	(7.7)	6.7
Financial income and expenses	(76)	(133)
Income taxes	(140)	(185)
Results investments in associates	2	(16)
Income (loss) from continuing operations	(1,018)	442
Discontinued operations	(189)	(26)
Net income (loss)	(1,207)	416
Net income (loss) - shareholders per common share (in euros) - basic	(1.26)	0.45

Performance of the Group

Group sales, at EUR 11.5 billion, were EUR 1.0 billion above the level of the first half of 2011, with higher sales across all sectors, especially at Healthcare and Lighting. Adjusted for currency impacts and portfolio changes, sales were 5% above last year s level, with strong single-digit growth at Healthcare and moderate growth at Lighting.

Group EBITA improved by EUR 193 million compared to the first half of 2011, largely driven by higher sales and operational leverage at Healthcare and improved earnings at Consumer Lifestyle, while earnings at Lighting were lower year-on-year. EBITA improvements were seen across all Consumer Lifestyle businesses and included the gain from the Senseo transaction in Q1 2012 and the gain on the sale of the

Speech Processing activities to Invest AG in Q2 2012.

Net income was EUR 1.6 billion higher than in the first half of 2011, mainly as a result of the EUR 1.4 billion impairment charge in Q2 2011, the one-time gains related to the Senseo transaction and the divestment of the Speech Processing activities, as well as a lower loss from discontinued operations.

Cash flow from operating activities came to EUR 383 million, an increase of EUR 813 million compared to the first half of 2011. This increase was a result of lower working capital requirements, mainly attributable to vendor payments and lower inventory level, as well as higher provisions.

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Sales by sector