KONINKLIJKE PHILIPS ELECTRONICS NV
Form 6-K
July 19, 2010

Table of Contents

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 19, 2010

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 þ Form 40-F o

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

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

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 o No þ

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 to nominate Frans van Houten as its next President and CEO, succeeding Gerard Kleisterlee in April 2011 , dated July 8, 2010.

, dated July 19, 2010.

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 19th day of July 2010.

KONINKLIJKE PHILIPS ELECTRONICS N.V.

/s/ E.P. Coutinho

(General Secretary)

Table of Contents

Philips to nominate Frans van Houten as its next President and CEO, succeeding Gerard Kleisterlee in April 2011
July 8, 2010

Amsterdam, The Netherlands Royal Philips Electronics (NYSE:PHG, AEX: PHI) today announced it will nominate Frans van Houten as its next President and Chief Executive Officer, effective April 1, 2011, as successor to Gerard Kleisterlee who will retire from Philips as per the same date.

Mr. van Houten was a member of Philips Board of Management until September 2006 when he led the successful spin out of Philips Semiconductors and the creation of NXP Semiconductors as an independent global company. He will re-join Philips on October 1, 2010 and will assume the position of Chief Operating Officer as of January 1, 2011, working closely with Mr. Kleisterlee to ensure a smooth transition. It is Philips intention to propose the appointment of Mr. van Houten as President and CEO of Philips to its Annual General Meeting of Shareholders on March 24, 2011.

With hands-on experience in marketing and sales and deep understanding of both professional systems and solutions as well as consumer products, and having lived and worked in Europe, the US and Asia Frans van Houten is the right leader in the world of today and tomorrow to continue Philips strategy to be a leader in the domain of health and well-being, Jan-Michiel Hessels, Chairman of Philips Supervisory Board said.

I am happy to see Frans return to our company, said Mr. Kleisterlee, Frans was a strong member of my team and a strong contributor in setting the direction of the company. I regretted to see him leave with the Semiconductor spin-out. Under his leadership Philips future will be in very good hands.

Mr. van Houten (Dutch, 1960) holds a Masters degree in Economics and Business Management from the Erasmus University in Rotterdam, The Netherlands. He started his career with the company in 1986 in marketing and sales at Philips Data Systems and held several leadership positions within the company. He became CEO of Airvision, an in-flight entertainment startup in the United States in 1992, and was appointed vice president international sales and operations of Philips Kommunikations Industrie in Germany in 1993. In 1996 Mr. van Houten joined Philips Consumer Electronics division for which he led the region Asia Pacific, Middle East and Africa, based in Singapore. In 2002, he became co-CEO of the Consumer Electronics division and was appointed member of Philips Group Management Committee in 2003. In 2004, Mr. van Houten was appointed CEO of Philips Semiconductors and in 2006 joined Philips Board of Management until the spin out and creation of NXP Semiconductors in September of that year. Mr. van Houten is currently leading the project to separate ING Group s banking and insurance operations as an independent advisor to ING s management board.

The CV of Frans van Houten is available via this link.

For further information, please contact:

Arent Jan Hesselink
Philips Corporate Communications
Tel: +31 20 59 77415
Email: arentjan.hesselink@philips.com

Table of Contents

About Royal Philips Electronics

Royal Philips Electronics of the Netherlands (NYSE: PHG, AEX: PHI) is a diversified health and well-being company, focused on improving people s lives through timely innovations. As a world leader in healthcare, lifestyle and lighting, Philips integrates technologies and design into people-centric solutions, based on fundamental customer insights and the brand promise of sense and simplicity . Headquartered in the Netherlands, Philips employs approximately 116,000 employees in more than 60 countries worldwide. With sales of EUR 23 billion in 2009, the company is a market leader in cardiac care, acute care and home healthcare, energy efficient lighting solutions and new lighting applications, as well as lifestyle products for personal well-being and pleasure with strong leadership positions in flat TV, male shaving and grooming, portable entertainment and oral healthcare. News from Philips is located at www.philips.com/newscenter.

Table of Contents

Quarterly report and Semi-annual report

Q2 2010, Royal Philips Electronics

Philips reports second-quarter EBITA of EUR 527 million and sales of EUR 6.2 billion

Comparable sales up 12%, led by double-digit growth at Lighting and Consumer Lifestyle

Emerging markets sales growth accelerates to 29%, now representing over one-third of Group sales

EBITA of EUR 527 million, or 8.5% of sales

EBITA, excluding EUR 93 million restructuring and acquisition-related charges, at 10% of sales

Net income of EUR 262 million

In Q2, Philips delivered another strong quarter, with good top-line growth and strong profitability in all three operating sectors. Sales performance was especially strong in emerging markets. We are particularly pleased to have reached an adjusted profitability level of 10% in the quarter.

It is encouraging to see that our performance continues to improve, despite ongoing weakness in many global markets and economic uncertainty a clear testimony to the soundness of our strategy and the strength of our portfolio. I believe we remain well on our way to becoming the leading company in health and well-being and consider this quarter another clear step in the right direction.

Gerard Kleisterlee, President and CEO of Royal Philips Electronics

*Forward-looking statement*s

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 paragraphs Looking ahead and Outlook . 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, 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 2009 and the Risk and uncertainties section in our semi-annual financial report for the six months ended July 4, 2010.

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 2009.

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 fairvalues 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 fairvalues 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 2009 financial statements. Independent valuations may have been obtained to support management s determination of fairvalues.

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* .

Philips Group
Net income
in millions of euros unless otherwise stated

	Q2 2009	Q2 2010
Sales	5,230	6,191
EBITA	118	527
as a % of sales	2.3	8.5
EBIT	8	404
as a % of sales	0.2	6.5
Financial expenses	(3)	(71)
Income taxes	15	(82)
Results investments in associates	25	11
Net income	45	262
Net income -shareholders per common share (in euros) basic	0.05	0.28

Net income

Net income was EUR 217 million higher than in Q2 2009, driven by substantially higher earnings in the operating sectors, notably Lighting and Consumer Lifestyle, partially offset by higher income taxes and financial expenses.

Financial income and expenses in Q2 2010 was impacted by unfavorable fair-value adjustments of the TPV bond option, whereas Q2 2009 included a EUR 48 million gain on the sale of Pace shares.

The decline in Results from investments in associates was largely attributable to last year s EUR 25 million favorable reversal of the accumulated value adjustment of Philips shareholding in TPV.

Income tax was higher than in Q2 2009 due to higher earnings and lower non-taxable income, mainly reflecting last year s EUR 48 million gain on the sale of Pace shares.

Sales by sector
in millions of euros unless otherwise stated

	Q2 2009	Q2 2010	% change nominal	% change comparable
Healthcare	1,872	2,068	10	4
Consumer Lifestyle	1,735	2,183	26	20
Lighting	1,550	1,859	20	13
GM&S	73	81	11	11
Philips Group	5,230	6,191	18	12

Sales per sector

Sales amounted to EUR 6,191 million, an increase of 12% on a comparable basis.

Healthcare sales improved by 4% on a comparable basis, driven by growth in all businesses, notably solid growth at Patient Care and Clinical Informatics and at Customer Services.

Consumer Lifestyle comparable sales grew by 20% year-on-year, driven by growth in almost all businesses, including double-digit growth at Television and Health &Wellness.

Lighting sales grew by 13% on a comparable basis, driven by double-digit growth at Lamps and Automotive, while Lumileds sales almost tripled. Professional Luminaires reported moderate sales growth, whereas Consumer Luminaires showed a modest decline.

Sales per market cluster

in millions of euros unless otherwise stated

	Q2 [1] 2009	Q2 2010	nominal	% change comparable
Western Europe	1,803	1,986	10	8
North America	1,633	1,745	7	0
Other mature markets	290	370	28	12
Total mature markets	3,726	4,101	10	5
Emerging markets	1,504	2,090	39	29
Philips Group	5,230	6,191	18	12

[1] Revised to reflect an adjusted market cluster allocation

Sales per market cluster

Comparable sales in the mature markets grew by 5% compared to Q2 2009, driven by Consumer Lifestyle.

Led by the BRIC countries, the emerging markets showed strong double-digit growth, predominantly driven by Lighting and Consumer Lifestyle. Emerging markets accounted for 34% of Group sales, up from 29% last year.

2

Table of Contents

EBITA
in millions of euros

	Q2 2009	Q2 2010
Healthcare	153	216
Consumer Lifestyle	(7)	173
Lighting	(21)	210
Group Management & Services	(7)	(72)
Philips Group	118	527

EBITA
as a % of sales

	Q2 2009	Q2 2010
Healthcare	8.2	10.4
Consumer Lifestyle	(0.4)	7.9
Lighting	(1.4)	11.3
Group Management & Services	(9.6)	(88.9)
Philips Group	2.3	8.5

Restructuring and acquisition-related charges
in millions of euros

	Q2 2009	Q2 2010
Healthcare	(24)	(46)
Consumer Lifestyle	(30)	(10)
Lighting	(82)	(37)
Group Management & Services	(12)	
Philips Group	(148)	(93)

EBIT
in millions of euros unless othen/vise stated

	Q2 2009	Q2 2010
Healthcare	88	148
Consumer Lifestyle	(12)	164
Lighting	(61)	166
Group Management & Services	(7)	(74)
Philips Group	8	404
as a % of sales	0.2	6.5

Earnings

EBITA amounted to EUR 527 million, an increase of EUR 409 million compared to Q2 2009, driven by improved earnings across all operating sectors. Restructuring and acquisition-related charges of EUR 93 million were recorded, EUR 55 million lower than in Q2 2009. Excluding these charges, EBITA amounted to EUR 620 million, or 10% of sales. Last year s restructuring and acquisition-related charges and product recall provision of EUR 17 million were partly offset by legal settlements and insurance recoveries totaling EUR 90 million.

EBIT improved by EUR 396 million, reflecting higher EBITA in all operating sectors. Amortization charges were EUR 13 million higher than in Q2 2009.

Healthcare EBITA increased by EUR 63 million year-on-year, despite a EUR 22 million increase in restructuring and acquisition-related charges. Improvements in earnings were seen across all businesses, notably Imaging Systems, Patient Care and Clinical Informatics and Customer Services.

Consumer Lifestyle EBITA increased by EUR 180 million year-on-year, with improved earnings in most businesses, notably Television. Restructuring and acquisition-related charges were EUR 20 million lower than in Q2 2009; the latter quarter included a EUR 17 million product recall provision.

Lighting EBITA increased by EUR 231 million year-on-year, driven by higher sales and an improved margin, largely attributable to Lamps, Lumileds and Automotive. Restructuring and acquisition-related charges were EUR 45 million lower than in Q2 2009.

GM&S EBITA declined by EUR 65 million to a net cost of EUR 72 million. Earnings in Q2 2009 were favorably impacted by EUR 57 million of insurance recoveries and EUR 33 million from legal settlements.

Table of Contents

Financial income and expenses

in millions of euros

	Q2 2009	Q2 2010
Net interest expenses	(57)	(64)
Sale of Pace shares	48	
TPV option fair value adjustment	14	(12)
Other	(8)	5
	(3)	(71)

Financial income and expenses

Q2 2010 was impacted by unfavorable fair-value adjustments of the TPV bond option.

Q2 2009 included a EUR 48 million gain on the sale of shares of Pace and favorable fair-value adjustments of the TPV bond option.

Results relating to investments in associates

in millions of euros

	Q2 2009	Q2 2010
TPV value adjustment	25	
Other		11
	25	11

Investments in associates

Results in Q2 2010 were mainly attributable to earnings from Philips   holding in Intertrust.

In Q2 2009, the accumulated value adjustment of the shareholding in TPV recognized in December 2008 was partially reversed by EUR 25 million following recovery of the TPV share price.

Table of Contents

Cash balance
in millions of euros

	Q2 2009	**Q2 2010**
Beginning cash balance	4,000	**4,388**
Free cash flow	251	**348**
Net cash flow from operating activities	*446*	***562***
Net capital expenditures	*(195)*	***(214)***
Acquisitions of businesses	(55)	**(21)**
Other cash flow from investing activities	65	**(15)**
Treasury shares transactions	6	**19**
Changes in debt/other	(44)	**70**
Dividend paid	(634)	**(296)**
Ending cash balance	3,589	**4,493**

Cash balance

The Group cash balance increased to EUR 4.5 billion, mainly driven by EUR 348 million free cash inflow, partly offset by a EUR 296 million cash dividend payment.

In Q2 2009, the cash balance declined by EUR 411 million. Free cash inflow of EUR 251 million was more than offset by a EUR 634 million cash dividend payment.

Cash flows from operating activities

Operating activities led to a cash inflow of EUR 562 million, compared to an inflow of EUR 446 million in Q2 2009. The year-on-year increase was driven by higher earnings, partly offset by lower working capital inflow.

[1] Capital expenditures on property, plant and equipment only

Gross capital expenditure

Gross capital expenditures on property, plant and equipment were EUR 27 million higher than in Q2 2009, due to higher investments, mainly at Lighting and Healthcare.

Table of Contents

Inventories

Inventories as a % of sales were 2.2 percentage points higher than in Q2 2009, representing a EUR 0.6 billion year-on-year value increase, more than half of which was due to currency effects. Higher inventories compared to last year were seen across all sectors, notably at Consumer Lifestyle.

Inventories as a % of sales increased by 2.0 percentage points compared to Q1 2010. Inventory value increased across the operating sectors to EUR 3.9 billion at the end of Q2 2010.

Net debt and group equity

At the end of Q2 2010, Philips had a net debt position of EUR 306 million, compared to EUR 840 million at the end of Q2 2009. During the quarter, the net debt position increased by EUR 233 million, mainly due to currency translation effects on debt.

Group equity increased by EUR 1.1 billion in the quarter to EUR 15.8 billion. The increase was largely the result of higher net income, a lower cash dividend following 50% shareholder election for payout in shares, and currency translation effects.

Employees

During Q2 2010, the number of employees increased by 404, primarily due to increases at Lighting and GM&S, partly offset by declines at Consumer Lifestyle and Healthcare.

Compared to Q2 2009, the number of employees increased by 567, as reductions at Healthcare and GM&S were more than offset by increases at Consumer Lifestyle (mainly as a result of the Saeco acquisition) and Lighting.

Table of Contents

Healthcare

Key data

in millions of euros unless otherwise stated

	Q2 2009	Q2 2010
Sales	1,872	2,068
Sales growth		
% nominal	4	10
% comparable	(5)	4
EBITA	153	216
as a % of sales	8.2	10.4
EBIT	88	148
as a % of sales	4.7	7.2
Net operating capital (NOC)	8,738	9,545
Number of employees (FTEs)	35,094	34,344

Business highlights

Philips and Electron announced a partnership for the development and production of healthcare solutions specifically designed for the Russian healthcare market, initially focusing on imaging modalities.

To further its capabilities in leading-edge imaging solutions, Philips is collaborating with the University of Washington (Seattle, USA) on research to extend the use of molecular imaging for radiotherapy planning.

Philips signed a five-year multi-million-euro contract with the Ministry of Health in Zambia to upgrade and maintain diagnostic imaging equipment for 71 government hospitals.

Philips and RXi Pharmaceuticals entered a research agreement to explore innovative ways of using ultrasound to trigger the delivery of new drug therapies that may treat conditions such as cancer and cardiovascular disease.

Financial performance

Currency-comparable equipment order intake increased by 10% year-on-year, with improvements across all businesses, notably at Patient Care and Clinical Informatics. In North America, equipment orders were 11% higher on a comparable basis.

Comparable sales increased by 4% year-on-year, with higher sales in all businesses. From a regional perspective, comparable sales in North America were in line with Q2 2009, while in markets outside North America they grew by 6%.

EBITA increased by EUR 63 million year-on-year to EUR 216 million, or 10.4% of sales. Excluding restructuring and acquisition-related charges of EUR 46 million, EBITA amounted to EUR 262 million, or 12.7% of sales, compared to EUR 177 million, or 9.5% of sales, in Q2 2009. The improvement was driven by Imaging Systems, Customer Services and Patient Care and Clinical Informatics as a result of higher margins from improved sales and ongoing cost management.

Looking ahead

Philips will introduce its Healthcare Consulting Solutions to help healthcare providers improve productivity, reduce costs, grow revenue and deliver better patient care.

Philips expects to introduce innovations in cardiac ultrasound in the second half of 2010, designed to provide clinicians with the versatility of 2D or 3D imaging, or a combination of both.

Restructuring and acquisition-related charges in Q3 2010 are expected to total around EUR 15 million.

Table of Contents

Consumer Lifestyle

Key data

in millions of euros unless otherwise stated

	Q2 2009	Q2 2010
Sales	1,735	2,183
of which Television	*587*	*846*
Sales growth		
% nominal	(36)	26
% comparable	(30)	20
Sales growth excl. Television		
% nominal	*(20)*	*16*
% comparable	(19)	6
EBITA	(7)	173
of which Television	(99)	(8)
as a % of sales	(0.4)	7.9
EBIT	(12)	164
of which Television	(99)	(9)
as a % of sales	(0.7)	7.5
Net operating capital (NOC)	903	1,055
of which Television	(338)	(266)
Number of employees (FTEs)	17,018	18,408
of which Television	4,955	4,519

Business highlights

Philips AVENT extended the target age range for its products with the launch of its toddler feeding range, designed for use by children aged up to 24 months.

Philips introduced its range of Full HD 3D Ready LED TVs, delivering a truly immersive 3D Ambilight cinema experience in the home.

Philips latest TV campaign won the Grand Prix for Film Craft at the Cannes Lions International Advertising Festival, making Philips the first brand to win the jury s highest accolade for two consecutive years.

Financial performance

On a comparable basis, sales grew 20%, led by 35% growth in emerging markets, particularly driven by Television in Latin America. Mature markets showed low-double-digit growth.

Most businesses saw single-digit comparable sales growth, while Television grew by 48%, despite some component supply constraints, in particular for high-end TVs.

EBITA improved significantly, driven by double-digit sales growth, structural cost improvements, higher license income and lower restructuring charges. Excluding restructuring and acquisition-related charges and last year s product recall-related charges, EBITA improved from 2.3% to 8.4%.

Net operating capital and headcount increased, mainly due to the Saeco acquisition.

Looking ahead

Further building its global leadership position in the male electric shaving market, Philips will, in Q3 2010, launch its most advanced premium electric shaver to date, the SensoTouch 3D, which allows men to choose between a dry and a wet shave.

At IFA 2010, Europe s largest consumer lifestyle trade show, Philips will launch a range of products that deliver simplicity to consumers, including coffee appliances, televisions, blu-ray players and domestic appliances.

Consumer Lifestyle expects to incur restructuring and acquisition-related charges of around EUR 30 million in Q3 2010.

Following an increase in license revenues in Q2, income from licenses in Q3 is expected to be lower.

Table of Contents

Lighting

Key data

in millions of euros unless otherwise stated

	Q2 2009	Q2 2010
Sales	1,550	1,859
Sales growth		
% nominal	(14)	20
% comparable	(18)	13
EBITA	(21)	210
as a % of sales	(1.4)	11.3
EBIT	(61)	166
as a % of sales	(3.9)	8.9
Net operating capital (NOC)	5,676	5,934
Number of employees (FTEs)	51,627	52,031

Business highlights

Philips and Cree signed a comprehensive worldwide patent cross-licensing agreement designed to accelerate growth of the LED lighting market.

Further strengthening its outdoor lighting portfolio, Philips announced the acquisition of the street lighting controls activities of Amplex A/S, a Danish provider of energy-efficient infrastructure solutions.

At the 2010 Light & Building fair in Frankfurt, Philips presented a breakthrough 12-watt LED lamp to replace 60-watt incandescent bulbs.

Philips expanded its existing relationship with LED lighting components provider Future Lighting Solutions.

Philips will partner with Somfy, a specialist in automated sun protection systems for buildings, to develop intelligent solutions for more comfortable and energy-efficient working environments.

Six of South Africa s top sports stadiums were equipped with Philips new ArenaVision sports lighting systems.

Financial performance

Comparable sales were 13% higher year-on-year, driven by growth across most businesses, mainly Lamps, Automotive and Lumileds, which tripled sales compared to Q2 2009. From a geographic perspective, significant growth was seen in emerging markets, led by China.

In Q2 2010, EBITA excluding restructuring and acquisition-related charges of EUR 37 million (Q2 2009: EUR 82 million) amounted to EUR 247 million, or 13.3% of sales. The substantial year-on-year EBITA improvement was largely driven by strong sales growth, a favorable product mix notably reflecting the transition to energy-saving lamps and LED, and ongoing cost management.

Net operating capital increased by EUR 258 million to EUR 5,934 million. Excluding currency impact, net operating capital decreased compared to Q2 2009.

Looking ahead

Restructuring and acquisition-related charges in Q3 2010 are expected to total around EUR 40 million.

Table of Contents

Group Management & Services

Key data

in millions of euros unless otherwise stated

	Q2 2009	Q2 2010
Sales	73	81
Sales growth		
% nominal	(47)	11
% comparable	(46)	11
EBITA Corporate Technologies	(44)	(22)
EBITA Corporate & Regional Costs	(30)	(35)
EBITA Pensions	23	(9)
EBITA Service Units and Other	44	(6)
EBITA	(7)	(72)
EBIT	(7)	(74)
Net operating capital (NOC)	(3,513)	(2,451)
Number of employees (FTEs)	12,284	11,807

Business highlights

Forbes magazine named Philips as one of the world s most reputable companies, following the release of the Global Reputation Pulse 2010 by the Reputation Institute.

The Philips Livable Cities Award program was launched in May, with a total prize fund of EUR 125,000, to support simple solutions that improve people s health and well-being in cities.

Amsterdam Airport Schiphol opened an innovative boarding gate, co-created with Philips Design and Philips Applied Technologies, using lighting and infotainment to enhance the traveler experience.

Financial performance

Sales increased from EUR 73 million in Q2 2009 to EUR 81 million in Q2 2010, driven by improved license revenues.

EBITA amounted to a net cost of EUR 72 million, a cost increase of EUR 65 million year-on-year, as last year s results were favorably impacted by EUR 57 million insurance recoveries and a EUR 33 million legal settlement.

Excluding the aforementioned items, EBITA improved EUR 25 million year-on-year, driven by higher earnings from licenses and lower R&D expenses.

Looking ahead

Philips Design will receive eight iF communication design awards in September, in recognition of exceptional design in the areas of digital media and packaging.

Net costs for the Group Management & Services sector in Q3 2010 are expected to total EUR 80 million.

Table of Contents

Outlook

After the strong rebound in the first half of the year, we expect comparable sales growth in the remainder of the year to moderate towards mid-single-digit level. This reflects continued but slow recovery in the US and Europe, different seasonality for our Television business following soccer s World Cup, and the improved sales performance in the second half of 2009.

We will continue to drive further improvements, including, where necessary, taking the required actions to offset the effects of rising commodity and component prices. Having achieved an EBITA before restructuring and acquisition-related charges of 9.9% in the first half-year, and assuming that the current economic climate will continue, we are confident that we can exceed 10% for the full-year 2010.

At our Capital Markets Day in London on September 14 we will update the markets on the medium-term prospects for our businesses in the context of our Vision 2015 plan.

Amsterdam, July 19, 2010

Board of Management

Table of Contents

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 Philips Group) are described in note 4.

The semi-annual financial report for the six months ended July 4, 2010 consists of the condensed consolidated semiannual financial statements, the semi-annual management report and responsibility statement by the Company s Board of Management. The information in this semiannual 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, 2009.

The Board of Management of the Company hereby declares that to the best of their knowledge, the semiannual 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 19, 2010

Board of Management

Gerard Kleisterlee	Pierre-Jean Sivignon
Gottfried Dutiné	Andrea Ragnetti
Rudy Provoost	Steve Rusckowski

Table of Contents

Management report

The 1st six months of 2010

The results for the first half of 2010 compared favorably to the recession-impacted results in the first half of 2009. Group sales were some EUR 1.6 billion above 2009, with strong contributions from all operating sectors.

On a comparable basis, sales grew 12%, driven by 25% growth in the emerging markets, particularly China and Latin America, while high-single-digit growth was visible in mature markets.

EBITA improved EUR 1 billion year-on-year, driven by top-line growth, fixed costs savings from restructuring programs and continued sound cost management. Philips has continued to focus on cost optimization and organizational effectiveness, spending EUR 111 million on restructuring, EUR 49 million bel