

KONINKLIJKE PHILIPS ELECTRONICS NV  
Form 6-K  
January 25, 2011

2011 01

**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**  
**January 25, 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  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 copy of the Quarterly Report of the Philips Group for the three months ended December 31, 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 25<sup>th</sup> day of January 2011.

**KONINKLIJKE PHILIPS  
ELECTRONICS N.V.**

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

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Quarterly report

Q4 2010

Philips reports fourth-quarter net income of EUR 465 million, EBITA of EUR 873 million and sales of EUR 7.4 billion

Net income of EUR 465 million, an increase of EUR 205 million compared to Q4 2009

EBITA of EUR 873 million at 11.8% of sales in the quarter

Nominal sales of EUR 7.4 billion, 2% higher year-on-year

Comparable sales declined 4%, primarily reflecting weak consumer demand in Western Europe

Emerging market sales increased from 31% to 33% of Group sales

Strong cash flow of EUR 1.3 billion

Proposed dividend increased to EUR 0.75 per share

We finished a strong 2010 on a stable note with fourth-quarter EBITA of EUR 873 million, or 11.8 % of sales, bringing EBITA for the full year to a record 10%.

Revenue for the quarter came in at EUR 7.4 billion, a nominal increase of 2%. Comparable sales however declined by 4%, impacted by a weak Television market, negative consumer sentiment in developed markets and inventory management in the trade which resulted in a particularly slow December. Revenue in all three sectors was also negatively affected by fewer working days in the Philips reporting calendar.

On the positive side, we continued to see good mid-single-digit comparable sales growth at Home Healthcare Solutions and Patient Care & Clinical Informatics in Healthcare. Additionally, Healthcare orders grew 3% in the quarter, allowing order intake to grow 9% for the year, providing an excellent basis for sales growth in 2011. In Consumer Lifestyle, Personal Care and Health & Wellness posted strong high-single-digit growth. And in Lighting, Lumileds and LED-based lighting products and solutions continued their high double-digit growth rate.

For the full-year, sales, having rebounded strongly in the first half of the year, came in at EUR 25.4 billion, a 10% nominal increase from 2009. On a comparable basis, that represents growth of almost 4.5% for the year.

2010 was an eventful and overall positive year for Philips. We rebounded strongly from the economic downturn caused by the financial crisis. Within the constraints of an economy that remained weak, with fragile consumer confidence in most mature markets, we successfully implemented a major part of our Vision 2010 roadmap.

Television profitability, however, remained a major issue that we are committed to resolve. We continued to strengthen our business portfolio and achieved an adjusted EBITA margin of 10.5%, significantly exceeding the target we had set ourselves three years ago. With that we set the stage for a successful future as outlined by our Vision 2015 program. Last but not least, we started to prepare for a seamless transition to a new leadership team.

Philips has undergone a profound transformation over the last decade. We are now a company with a clear focus, a customer-centric approach, a strong brand and a simpler structure. We are a global leader in important markets that are essential for tomorrow's world. We are a new Philips and we are ready for an even better future.

#### *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 sections *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 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 2009 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*.

**Gerard Kleisterlee**, President and CEO of Royal Philips Electronics

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## Philips Group

**Net income**

in millions of euros unless otherwise stated

|   | Q4<br>2009 | Q4<br>2010 |
|---|------------|------------|
| Sales   | 7,263      | 7,392      |
| EBITA   | 662        | 873        |
| as a % of sales   | 9.1        | 11.8       |
| EBIT  | 555        | 755        |
| as a % of sales   | 7.6        | 10.2       |
| Financial income and expenses                                 | (78)       | (63)       |
| Income taxes  | (230)      | (224)      |
| Results investments in associates                             | 13         | (3)        |
| Net income  | 260        | 465        |
| Net income – shareholders per common share (in euros) – basic | 0.27       | 0.49       |

**Sales by sector**

in millions of euros unless otherwise stated

|                    | Q4<br>2009 | Q4<br>2010 | % change<br>nominal | % change<br>comparable |
|--------------------|------------|------------|---------------------|------------------------|
| Healthcare         | 2,405      | 2,642      | 10                  | 2                      |
| Consumer Lifestyle | 2,903      | 2,687      | (7)                 | (11)                   |
| Lighting           | 1,846      | 1,975      | 7                   |                        |
| GM&S               | 109        | 88         | (19)                | (20)                   |
| Philips Group      | 7,263      | 7,392      | 2                   | (4)                    |

**Net income**

Net income of EUR 465 million was driven by an improvement in operating earnings and lower charges compared to Q4 2009.

EBITA increased by EUR 211 million year-on-year to 11.8% of sales, driven by higher operating earnings and EUR 180 million lower restructuring and acquisition-related charges. EBITA included a favorable effect of EUR 83 million from a release of pension provisions. Excluding these items, EBITA amounted to 11.4% of sales.

Financial income and expenses decreased due to lower net interest expenses.

Despite higher taxable earnings, tax charges were relatively lower compared to Q4 2009, resulting in an effective tax rate of 32% in the quarter.

**Sales by sector**

Group nominal sales increased by 2%, driven by a 6% positive currency impact. Sales amounted to EUR 7,392 million and were 4% lower than in Q4 2009 on a comparable basis. Compared to 2009, sales in the quarter were adversely affected by there having been 3 fewer business days in the Philips calendar. This impacted all our businesses, in particular Consumer Lifestyle and the consumer businesses of Lighting as well as our service business in Healthcare.

Healthcare comparable sales increased by 2%, as high single-digit growth in emerging markets was tempered by flat sales in mature markets. A sales decline at Imaging Systems was more than offset by growth in other businesses, primarily Home Healthcare Solutions.

Consumer Lifestyle reported an 11% comparable decline, which was mainly attributable to sales declines in mature markets, partly offset by high single-digit growth in emerging markets. Excluding Television, the comparable sales decline was 6%. Growth was recorded at Health & Wellness and Personal Care, while comparable sales in other businesses declined.

Lighting comparable sales were in line with Q4 2009; robust sales growth in LED and Lighting Systems & Controls was offset by a sales decline in our consumer businesses. From a geographic perspective, sales growth in North America and emerging markets, India in particular, was offset by a sales decline in Western Europe.

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**Sales per market cluster**

in millions of euros unless otherwise stated

|                      | Q4 <sup>1)</sup><br>2009 | Q4<br>2010 | % change |            |
|----------------------|--------------------------|------------|----------|------------|
|                      |                          |            | nominal  | comparable |
| Western Europe       | 2,804                    | 2,540      | (9)      | (10)       |
| North America        | 1,802                    | 1,978      | 10       | 1          |
| Other mature markets | 421                      | 462        | 10       | (4)        |
| Total mature markets | 5,027                    | 4,980      | (1)      | (5)        |
| Emerging markets     | 2,236                    | 2,412      | 8        | (1)        |
| Philips Group        | 7,263                    | 7,392      | 2        | (4)        |

<sup>1)</sup> Revised to reflect an adjusted market cluster allocation

**Sales per market cluster**

In the mature markets, improved business conditions in North America were more than offset by sales declines in Western Europe, primarily attributable to Consumer Lifestyle. Emerging markets saw a 1% comparable decline, as sales declined in key emerging markets, primarily attributable to operational issues in Brazil. Excluding Brazil, sales in emerging markets grew by 7%.

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**EBITA**

in millions of euros

|                             | Q4<br>2009 | Q4<br>2010 |
|-----------------------------|------------|------------|
| Healthcare                  | 452        | 522        |
| Consumer Lifestyle          | 266        | 151        |
| Lighting                    | 82         | 198        |
| Group Management & Services | (138)      | 2          |
| Philips Group               | 662        | 873        |

**EBITA**

as a % of sales

|                             | Q4<br>2009 | Q4<br>2010 |
|-----------------------------|------------|------------|
| Healthcare                  | 18.8       | 19.8       |
| Consumer Lifestyle          | 9.2        | 5.6        |
| Lighting                    | 4.4        | 10.0       |
| Group Management & Services | (126.6)    | 2.3        |
| Philips Group               | 9.1        | 11.8       |

**Restructuring and acquisition-related charges**

in millions of euros

|                             | Q4<br>2009 | Q4<br>2010 |
|-----------------------------|------------|------------|
| Healthcare                  | (27)       | 4          |
| Consumer Lifestyle          | (64)       | (15)       |
| Lighting                    | (103)      | (34)       |
| Group Management & Services | (36)       | (5)        |
| Philips Group               | (230)      | (50)       |

**EBIT**

in millions of euros unless otherwise stated

|                             | Q4<br>2009 | Q4<br>2010 |
|-----------------------------|------------|------------|
| Healthcare                  | 392        | 459        |
| Consumer Lifestyle          | 260        | 137        |
| Lighting                    | 41         | 156        |
| Group Management & Services | (138)      | 3          |
| Philips Group               | 555        | 755        |
| as a % of sales             | 7.6        | 10.2       |



## Earnings

**EBITA** was EUR 211 million above Q4 2009, mainly driven by higher earnings at GM&S and Lighting and a EUR 180 million decline in restructuring and acquisition-related charges. EBITA included the favorable impact of a EUR 83 million release of pension provisions. In Q4 2009 EBITA included a EUR 44 million release of a postretirement benefit provision. Adjusted for these items, EBITA as a percentage of sales declined slightly from 12.3% in Q4 2009 to 11.4%.

**Healthcare** EBITA increased by EUR 70 million, driven by higher earnings across most businesses, notably Customer Services and Patient Care & Clinical Informatics. Adjusted for restructuring and acquisition-related charges, EBITA improved by EUR 39 million to 19.6% of sales.

**Consumer Lifestyle** EBITA declined EUR 115 million, mainly due to lower earnings at Television Licenses, partly offset by improved results at Domestic Appliances and Accessories. Adjusted for restructuring and acquisition-related charges, EBITA amounted to EUR 166 million, or 6.2% of sales.

**Lighting** EBITA increased by EUR 116 million, mainly driven by higher operating earnings at Lamps and Lumileds, as well as lower restructuring and acquisition-related charges. Adjusted for restructuring and acquisition-related charges, EBITA was EUR 47 million above the level of Q4 2009, up to 11.7% of sales.

**GM&S** EBITA improved by EUR 140 million compared to Q4 2009, reflecting the effect of lower restructuring costs in Q4 2010 coupled with the favorable effect of a release of pension provisions in Q4 2010.

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**Financial income and expenses**

in millions of euros

|                       | Q4<br>2009 | Q4<br>2010 |
|-----------------------|------------|------------|
| Net interest expenses | (71)       | (49)       |
| Other                 | (7)        | (14)       |
|                       | (78)       | (63)       |

**Cash balance**

in millions of euros

|  | Q4<br>2009 | Q4<br>2010 |
|--|------------|------------|
| Beginning cash balance                         | 3,734      | 4,385      |
| Free cash flow                                 | 726        | 1,336      |
| <i>Net cash flow from operating activities</i> | 935        | 1,558      |
| <i>Net capital expenditures</i>                | (209)      | (222)      |
| Divestments (acquisitions) of businesses       | 52         | (155)      |
| Other cash flow from investing activities      | 19         | 95         |
| Treasury shares transactions                   | 8          | 9          |
| Changes in debt/other                          | (153)      | 163        |
| Ending cash balance                            | 4,386      | 5,833      |

**Cash flows from operating activities**

in millions of euros

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

in millions of euros

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

**Financial income and expenses**

Financial expenses were EUR 15 million lower than in Q4 2009, mainly due to EUR 22 million lower net interest expenses.

**Cash balance**

The Group cash balance increased by EUR 1,448 million in the quarter to EUR 5,833 million, mainly as a result of strong free cash flow and EUR 74 million of proceeds from redemption of the CBay convertible bond, partly offset by payments for acquisitions.

In Q4 2009, the Group cash balance increased by EUR 652 million to EUR 4,386 million, mainly as a result of EUR 726 million free cash inflow.

**Cash flows from operating activities**

Operating activities led to a cash inflow of EUR 1,558 million, which was EUR 623 million higher than in Q4 2009, driven by higher cash earnings and lower outflows from provisions, as well as last year's payment of the asbestos settlement.

**Gross capital expenditure**

Gross capital expenditures on property, plant, and equipment were EUR 25 million higher than in Q4 2009, mainly due to higher investment in LED equipment at Lighting.

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**Inventories**

as a % of moving annual total sales

**Net debt and group equity (cash)**

in billions of euros

**Number of employees**

in FTEs

**Inventories**

Inventories as a % of sales were 1.2 percentage points lower than in Q3 2010. Inventory value at the end of Q4 2010 was EUR 3.9 billion, a decline of EUR 291 million, mainly attributable to Consumer Lifestyle and Healthcare.

Inventories as a % of sales increased by 2.6 percentage points compared to Q4 2009, of which around 20% was currency-related.

**Net debt and group equity**

At the end of Q4 2010, Philips had a net cash position of EUR 1.2 billion, compared to a net cash position EUR 119 million at the end of Q4 2009 and a net position of EUR 80 million at the end of Q3 2010. The movement during the quarter was largely driven by EUR 1.3 billion of free cash inflow.

Group equity decreased in the quarter to EUR 15.1 billion, as higher net income was offset by a EUR 1.4 billion decrease in prepaid pension assets.

**Employees**

The number of employees increased by 1,377, largely attributable to Lighting and Healthcare, partly offset by Consumer Lifestyle.

Compared to Q4 2009, the number of employees increased by 3,077, driven by higher headcount in emerging markets, primarily at Lighting and Healthcare, partly offset by lower headcount at Consumer Lifestyle.

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## Healthcare

**Key data**

in millions of euros unless otherwise stated

|                             | Q4<br>2009 | Q4<br>2010 |
|-----------------------------|------------|------------|
| Sales                       | 2,405      | 2,642      |
| Sales growth                |            |            |
| % nominal                   | (6)        | 10         |
| % comparable                | (1)        | 2          |
| EBITA                       | 452        | 522        |
| as a % of sales             | 18.8       | 19.8       |
| EBIT                        | 392        | 459        |
| as a % of sales             | 16.3       | 17.4       |
| Net operating capital (NOC) | 8,434      | 8,908      |
| Number of employees (FTEs)  | 34,296     | 35,479     |

**Sales**

in millions of euros

**EBITA****Business highlights**

Philips and leading Russian medical equipment manufacturer Electron announced the completion of Russia's first installation of a domestically made Computed Tomography (CT) scanner at the Hospital of War Veterans in St. Petersburg.

At the annual Radiological Society of North America (RSNA) meeting in Chicago, Philips unveiled Imaging 2.0, a concept of integration of technology, clinician and patient. Imaging 2.0 is fueled by eight breakthrough innovations in imaging, proving Philips' leadership in radiology.

Philips extended its patient monitoring portfolio within the hospital with the introduction of IntelliVue Guardian Solutions, a comprehensive range of monitoring solutions designed specifically for hospital-based general care settings.

Philips signed a 10-year contract as system integrator with the Rijnstate hospital in The Netherlands, for the delivery and maintenance of imaging equipment for all their radiology and nuclear medicine departments.

**Financial performance**

Currency-comparable equipment order intake increased by 3% year-on-year, with notable improvements at Patient Care & Clinical Informatics. Equipment orders in North America grew by 8%, while order intake in markets outside of North America was flat. Emerging market equipment orders grew by 9% compared to Q4 2009. For the year, currency-comparable equipment orders grew by 9%, whereas 16% comparable growth was recorded in emerging market equipment order intake.

Nominal sales grew 10% compared with Q4 2009. Comparable sales were 2% higher year-on-year, with sales increases at Home Healthcare Solutions, Patient Care & Clinical Informatics and Customer Services. Imaging Systems sales were slightly lower than in Q4 2009 as a result of lower sales in the Latin America region. From a regional perspective, comparable sales in North America were in line with Q4 2009, while in markets outside North America sales grew by 2%. Emerging market sales grew by 8%, with notably better sales in China and at Customer Services.

EBITA increased by EUR 70 million year-on-year to EUR 522 million, or 19.8% of sales. Excluding restructuring and acquisition-related charges, EBITA amounted to EUR 518 million, or 19.6% of sales, compared to EUR 479 million, or 19.9% of sales, in Q4 2009. The EBITA improvement was driven by higher sales as well as service productivity improvements across our businesses.

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Net operating capital increased by EUR 474 million to EUR 8.9 billion. Excluding a EUR 713 million currency impact, net operating capital decreased by EUR 239 million.

**Looking ahead**

In January 2011, Philips announced a strengthening of its leadership position in home healthcare with the acquisition of the main business of medSage Technologies LLC, a leading provider of patient interaction and management applications for home care providers.

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## Consumer Lifestyle

**Key data**

in millions of euros unless otherwise stated

|                                      | Q4<br>2009 | Q4<br>2010 |
|--------------------------------------|------------|------------|
| Sales                                | 2,903      | 2,687      |
| <i>of which Television</i>           | 1,085      | 906        |
| Sales growth                         |            |            |
| % nominal                            | (3)        | (7)        |
| % comparable                         | 1          | (11)       |
| <i>Sales growth excl. Television</i> |            |            |
| % nominal                            | (2)        | (2)        |
| % comparable                         | (3)        | (6)        |
| EBITA                                | 266        | 151        |
| <i>of which Television</i>           | 29         | (67)       |
| as a % of sales                      | 9.2        | 5.6        |
| EBIT                                 | 260        | 137        |
| <i>of which Television</i>           | 29         | (69)       |
| as a % of sales                      | 9.0        | 5.1        |
| Net operating capital (NOC)          | 625        | 911        |
| <i>of which Television</i>           | (386)      | (299)      |
| Number of employees (FTEs)           | 18,389     | 17,706     |
| <i>of which Television</i>           | 4,766      | 3,613      |

**Sales**

in millions of euros

**EBITA****Business highlights**

Philips completed the implementation of its brand license agreement with display solution provider TPV to license its TV activities in China.

Philips announced that it would be moving its Domestic Appliances business group to Shanghai and stepping up investments in China in local business creation and marketing capabilities to better capture growth in China and the rest of Asia.

The Philips Econova LED TV, Europe's greenest LED TV, will be one of the first televisions to receive a green A+ classification at the launch of European energy labels for TVs early this year.

Following positive market feedback, Philips accelerated the roll-out of the airfryer, now available in the Benelux, UK and Germany. This innovative kitchen appliance, which creates meals with up to 80% less fat, will be further rolled out in other markets around the world.

**Financial performance**

Philips substantially increased its advertising and promotion spending to drive growth, in particular in its Health & Wellness and Personal Care businesses, resulting in high single-digit growth in these businesses. Focus products included the recently launched SensoTouch 3D electric shaver, the Sonicare toothbrush and the Lumea hair removal system.



This sales growth was more than offset by declines in other businesses. Excluding Television, comparable sales declined 6%, impacted by a different seasonality in license revenue and lower sales at Audio & Video Multimedia and Accessories.

Television sales were down EUR 179 million in challenging market circumstances, with strong promotion and price competition as well as declining sales in China following a delay in the implementation of the brand license agreement.

EBITA was EUR 115 million below Q4 2009, mainly impacted by lower earnings at Television, revenue decline and a different seasonality in license income, resulting in EUR 31 million lower license income compared to last year.

Net operating capital increased year-on-year, attributable to Television and an increase in assets following the acquisition of Discus Holdings.

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**Looking ahead**

Philips Sonicare will unveil innovations in oral healthcare at the world's largest dental trade show, the International Dental Show, in Cologne, Germany.

License revenues in the first quarter are expected to be around EUR 50 million below Q1 2010.

Actions to reduce TV inventories in the channel are expected to be completed in Q1 2011.

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## Lighting

**Key data**

in millions of euros unless otherwise stated

|                             | Q4<br>2009 | Q4<br>2010 |
|-----------------------------|------------|------------|
| Sales                       | 1,846      | 1,975      |
| Sales growth                |            |            |
| % nominal                   | (5)        | 7          |
| % comparable                |            |            |
| EBITA                       | 82         | 198        |
| as a % of sales             | 4.4        | 10.0       |
| EBIT                        | 41         | 156        |
| as a % of sales             | 2.2        | 7.9        |
| Net operating capital (NOC) | 5,104      | 5,561      |
| Number of employees (FTEs)  | 51,653     | 53,888     |

**Sales**

in millions of euros

**EBITA****Business highlights**

Philips expanded its global leadership position in professional lighting entertainment solutions with the acquisition of NCW Holdings Ltd in China, a leading provider of LED and conventional entertainment lighting and lighting controls.

Philips quadrupled LED Lamps sales in Asia compared to Q4 2009, supported by an increase in branded lighting shops in the region to over 200 in China alone, and the launch of a range of energy-efficient professional LED solutions.

In Spain, Philips innovations in LED outdoor lighting enhanced the monuments of Valladolid and reduced the city's energy bill by 60%, while its MasterLED indoor lighting solution reduced the energy bill of luxury Hotel Botanico in Tenerife by over 60%.

Philips installed the world's first intelligent street lighting system, LumiMotion, in partnership with the city of Lyon. This innovative motion sensor-based system provides light for pedestrians only when required and will be launched in the European market in Q1 2011.

Philips' LED replacement solution for traditional 60-watt bulbs was selected as the best LED replacement lamp of 2010 by the American Lighting Association (ALA), the Consortium for Energy Efficiency (CEE) and the US Department of Energy (DOE).

**Financial performance**

Nominal sales grew 7% compared with Q4 2009. Comparable sales were in line with Q4 2009; robust sales growth in LED and Lighting Systems & Controls was offset by a sales decline in our consumer businesses. From a geographic perspective, sales growth in North America and emerging markets, India in particular, was offset by a sales decline in Western Europe.

LED-based sales grew 37% compared to Q4 2009, representing 14% of total Lighting sales.

EBITA more than doubled to EUR 198 million. Excluding restructuring and acquisition-related charges of EUR 34 million (Q4 2009: EUR 103 million), EBITA amounted to EUR 232 million, or 11.7% of sales. The substantial year-on-year EBITA improvement was largely driven by a favorable product mix and ongoing cost management.

Net operating capital increased by EUR 457 million to EUR 5,561 million, mainly due to currency impact and an increase in working capital.

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**Looking ahead**

In January 2011, Philips has acquired North America-based Optimum Lighting LLC, a company specialized in customized energy-efficient lighting solutions for the office, industry and retail segments. This acquisition strengthens our global leadership position in professional luminaires.

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## Group Management &amp; Services

**Key data**

in millions of euros unless otherwise stated

|                                  | Q4<br>2009 | Q4<br>2010 |
|----------------------------------|------------|------------|
| Sales                            | 109        | 88         |
| Sales growth                     |            |            |
| % nominal                        | (14)       | (19)       |
| % comparable                     | (11)       | (20)       |
| EBITA Corporate Technologies     | (34)       | (25)       |
| EBITA Corporate & Regional Costs | (65)       | (44)       |
| EBITA Pensions                   | 51         | 91         |
| EBITA Service Units and Other    | (90)       | (20)       |
| EBITA                            | (138)      | 2          |
| EBIT                             | (138)      | 3          |
| Net operating capital (NOC)      | (1,514)    | (3,309)    |
| Number of employees (FTEs)       | 11,586     | 11,928     |

**Sales**

in millions of euros

**EBITA**

in millions of euros

**Business highlights**

Philips announced its intention to sell a majority stake in Assembléon to H2 Equity Partners, an independent private equity firm.

Philips, together with Panasonic, Sony and TDK, has been honored with the 62nd annual Technology & Engineering Emmy Award of the National Academy for Television Arts & Sciences for its contribution to the development of the Blu-ray Disc system.

The Dutch Association of Investors for Sustainable Development (known as VBDO) has again awarded Philips its Responsible Supply Chain Management Benchmark, ranking the company highest among the 40 large publicly listed Dutch companies benchmarked.

**Financial performance**

Sales declined from EUR 109 million in Q4 2009 to EUR 88 million, largely due to lower license revenue.

EBITA amounted to EUR 2 million (income), a EUR 140 million improvement year-on-year.

EBITA was favorably impacted by a EUR 83 million pension plan change, partly offset by EUR 5 million restructuring charges. Excluding these items, EBITA amounted to an expense of EUR 76 million.

In Q4 2009, EBITA included the favorable impact of a EUR 44 million release of a postretirement benefit provision, offset by EUR 46 million of asset write-offs, including EUR 26 million for Corporate Investments. In Q4 2009 earnings also included EUR 36 million restructuring charges, mainly at Corporate Investments, Research and Design.

**Looking ahead**

The cost level of Group Management & Services is expected to be around EUR 280 million for the full year 2011.

Philips will receive a total of 28 prestigious iF product design awards in 2011, of which 15 are for Consumer Lifestyle and 9 for Lighting.

A total of eight Philips projects, including the Philips Annual Report 2009, will receive a Good Design 2010 award, organized by The Chicago Athenaeum Museum of Architecture and Design and The European Centre for Architecture Art Design and Urban Studies.

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Outlook

2011 will be a year of progress on the way to achieving our Vision 2015 objectives. Our strong order book provides confidence in our Healthcare business for the year ahead. We see the first leading indicators of positive momentum in construction markets, which is expected to benefit Lighting sales in the latter half of 2011, supported by the increased adoption of LED products. We expect emerging markets to continue to support growth in all three sectors while consumer sentiment in mature markets remains subdued. We will continue our initiatives to ignite growth in Consumer Lifestyle.

Amsterdam, January 24, 2011

*Board of Management*

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## Full-year highlights

**The year 2010**

Sales for the full year 2010 amounted to EUR 25.4 billion, or 10% nominal growth. Excluding favorable currency impact and portfolio changes, comparable sales grew 4%, mainly driven by Lighting (+9%) and Healthcare (+4%).

Comparable growth was mainly attributable to emerging markets (+12%) mature markets saw modest 1% growth.

EBITA (EUR 2,552 million, or 10.0% of sales) increased by EUR 1,502 million compared to 2009, driven by all sectors, notably Lighting (+ EUR 724 million) and Healthcare (+ EUR 338 million).

Excluding restructuring and acquisition-related charges and pension provision releases of EUR 114 million, EBITA was EUR 2,666 million, or 10.5% of sales, compared to EUR 1,474 million, or 6.4% of sales, in 2009.

EBIT improved to EUR 2,065 million, an increase of EUR 1,451 million, largely driven by higher operational earnings across all sectors.

Net income improved to EUR 1,452 million, an increase of EUR 1,028 million, largely driven by higher earnings in all sectors.

Cash flows from operating activities improved from EUR 1,545 million in 2009 to EUR 2,156 million.

**Net income**

in millions of euros unless otherwise stated

|   | January-December |        |
|---|------------------|--------|
|   | 2009             | 2010   |
| Sales   | 23,189           | 25,419 |
| Sales growth  |                  |        |
| % nominal   | (12)             | 10     |
| % comparable  | (11)             | 4      |
| EBITA   | 1,050            | 2,552  |
| as a % of sales   | 4.5              | 10.0   |
| EBIT  | 614              | 2,065  |
| as a % of sales   | 2.6              | 8.1    |
| Financial income and expenses                             | (166)            | (122)  |
| Income taxes  | (100)            | (509)  |
| Results investments in associates                         | 76               | 18     |
| Net income  | 424              | 1,452  |
| Net income shareholders per common share (in euros) basic | 0.44             | 1.54   |

**Performance of the Group**

Sales for the full year 2010 amounted to EUR 25.4 billion, or 10% nominal growth. Excluding favorable currency impact and portfolio changes, comparable sales grew 4%. Sales growth was driven by Lighting (9%) and Healthcare (4%), tempered by 1% growth at Consumer Lifestyle. Comparable growth was mainly attributable to emerging markets (+12%), while mature markets saw modest 1% growth.

EBITA (EUR 2,552 million, or 10.0% of sales) increased by EUR 1,502 million compared to 2009, driven by all sectors, notably Lighting (EUR 724 million higher) and Healthcare (EUR 338 million higher). EBITA improvement was attributable to higher sales, improved gross margin and EUR 318 million lower restructuring and

acquisition-related charges.

Excluding restructuring and acquisition-related charges and pension provision releases of EUR 114 million, EBITA was EUR 2,666 million, or 10.5% of sales, compared to EUR 1,474 million, or 6.4% of sales, in 2009.

EBIT amounted to EUR 2,065 million, an improvement of EUR 1,451 million, largely driven by higher operational earnings across all sectors.

Financial income and expenses showed a net financial expense of EUR 122 million, EUR 44 million lower year-on-year, mainly driven by lower interest expenses and 2010's favorable impact of the gain on the sale of the remaining stake in NXP. This was partly offset by the gain on sale and dividend income from LG Display in 2009's result.

Tax charges were EUR 409 million higher than in 2009, mainly attributable to higher earnings in 2010 and the net tax benefit related to the recognition of a deferred tax asset for Lumileds in 2009, partly offset by the release of tax provisions in 2010.

Results from investments in associates were EUR 58 million lower than in 2009, especially due to gains in 2009 related to the reversal of impairments which were initially recognized in 2008.

Cash flows from operating activities improved from EUR 1,545 million in 2009 to EUR 2,156 million, mainly due to higher cash earnings, and asbestos payments in 2009, partly offset by higher working capital requirements.

Net operating capital decreased by EUR 578 million compared to the 2009 level, largely as a result of lower pension assets and lower working capital.

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Proposed distribution

**Proposed distribution to shareholders**

A proposal will be submitted to the General Meeting of Shareholders to pay a dividend of EUR 0.75 per common share (up to EUR 710 million), in cash or shares at the option of the shareholder, against the net income for 2010. Further details will be given in the agenda for the General Meeting of Shareholders, which will be published on February 17, 2011.

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Consolidated statements of income  
all amounts in millions of euros unless otherwise stated

|   | 2009    | 4th quarter<br>2010 | January to December<br>2009 | 2010     |
|---|---------|---------------------|-----------------------------|----------|
| Sales   | 7,263   | 7,392               | 23,189                      | 25,419   |
| Cost of sales   | (4,555) | (4,640)             | (15,110)                    | (15,873) |
| Gross margin  | 2,708   | 2,752               | 8,079                       | 9,546    |
| Selling expenses  | (1,495) | (1,470)             | (5,159)                     | (5,246)  |
| General and administrative expenses   | (200)   | (146)               | (734)                       | (735)    |
| Research and development expenses   | (468)   | (411)               | (1,631)                     | (1,576)  |
| Other business income   | 24      | 44                  | 97                          | 100      |
| Other business expenses   | (14)    | (14)                | (38)                        | (24)     |
| Income from operations  | 555     | 755                 | 614                         | 2,065    |
| Financial income  | 17      | 13                  | 225                         | 214      |
| Financial expenses  | (95)    | (76)                | (391)                       | (336)    |
| Income before taxes   | 477     | 692                 | 448                         | 1,943    |
| Income taxes  | (230)   | (224)               | (100)                       | (509)    |
| Income after taxes  | 247     | 468                 | 348                         | 1,434    |
| Results relating to investments in associates   | 13      | (3)                 | 76                          | 18       |
| Net income  | 260     | 465                 | 424                         | 1,452    |
| <b>Attribution of net income</b>  |         |                     |                             |          |
| Net income attributable to shareholders   | 251     | 463                 | 410                         | 1,446    |
| Net income attributable to non-controlling interests  | 9       | 2                   | 14                          | 6        |
| Weighted average number of common shares<br>outstanding (after deduction of treasury shares) during<br>the period (in thousands): |         |                     |                             |          |
| - basic   | 926,922 | 946,284             | 925,481                     | 939,861  |
| - diluted   | 933,261 | 952,937             | 929,037                     | 947,725  |
| Net income attributable to shareholders<br>per common share in euros:   |         |                     |                             |          |
| - basic   | 0.27    | 0.49                | 0.44                        | 1.54     |
| - diluted   | 0.27    | 0.49                | 0.44                        | 1.53     |
| <b>Ratios</b>   |         |                     |                             |          |
| Gross margin as a % of sales  | 37.3    | 37.2                | 34.8                        | 37.6     |

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|                                  |        |        |                  |        |
|----------------------------------|--------|--------|------------------|--------|
| Selling expenses as a % of sales | (20.6) | (19.9) | (22.2)           | (20.6) |
| G&A expenses as a % of sales     | (2.8)  | (2.0)  | (3.2)            | (2.9)  |
| R&D expenses as a % of sales     | (6.4)  | (5.6)  | (7.0)            | (6.2)  |
| <br>                             |        |        |                  |        |
| EBIT                             | 555    | 755    | 614              | 2,065  |
| as a % of sales                  | 7.6    | 10.2   | 2.6              | 8.1    |
| <br>                             |        |        |                  |        |
| EBITA                            | 662    | 873    | 1,050            | 2,552  |
| as a % of sales                  | 9.1    | 11.8   | 4.5              | 10.0   |
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Consolidated balance sheets  
in millions of euros unless otherwise stated

|                                      | December<br>31, 2009 | December 31,<br>2010 |
|--------------------------------------|----------------------|----------------------|
| <b>Non-current assets:</b>           |                      |                      |
| Property, plant and equipment        | 3,252                | 3,265                |
| Goodwill                             | 7,362                | 8,035                |
| Intangible assets excluding goodwill | 4,161                | 4,198                |
| Non-current receivables              | 85                   | 88                   |
| Investments in associates            | 281                  | 181                  |
| Other non-current financial assets   | 691                  | 479                  |
| Deferred tax assets                  | 1,243                | 1,351                |
| Other non-current assets             | 1,543                | 75                   |
| <b>Total non-current assets</b>      | <b>18,618</b>        | <b>17,672</b>        |
| <b>Current assets:</b>               |                      |                      |
| Inventories                          | 2,913                | 3,865                |
| Other current financial assets       | 191                  | 5                    |
| Other current assets                 | 334                  | 348                  |
| Derivative financial assets          | 102                  | 112                  |
| Income tax receivable                | 81                   | 79                   |
| Receivables                          | 3,902                | 4,355                |
| Cash and cash equivalents            | 4,386                | 5,833                |
| <b>Total current assets</b>          | <b>11,909</b>        | <b>14,597</b>        |
| <b>Total assets</b>                  | <b>30,527</b>        | <b>32,269</b>        |
| Shareholders' equity                 | 14,595               | 15,046               |
| Non-controlling interests            | 49                   | 46                   |
| <b>Group equity</b>                  | <b>14,644</b>        | <b>15,092</b>        |
| <b>Non-current liabilities:</b>      |                      |                      |
| Long-term debt                       | 3,640                | 2,818                |
| Long-term provisions                 | 1,734                | 1,716                |
| Deferred tax liabilities             | 530                  | 171                  |
| Other non-current liabilities        | 1,929                | 1,714                |
| <b>Total non-current liabilities</b> | <b>7,833</b>         | <b>6,419</b>         |
| <b>Current liabilities:</b>          |                      |                      |
| Short-term debt                      | 627                  | 1,840                |
| Derivative financial liabilities     | 276                  | 564                  |
| Income tax payable                   | 118                  | 291                  |

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|  |               |               |
|--|---------------|---------------|
| Accounts and notes payable   | 2,870         | 3,691         |
| Accrued liabilities  | 2,740         | 2,995         |
| Short-term provisions  | 716           | 623           |
| Other current liabilities  | 703           | 754           |
| Total current liabilities  | 8,050         | 10,758        |
| <b>Total liabilities and group equity</b>  | <b>30,527</b> | <b>32,269</b> |
| Number of common shares outstanding (after deduction of treasury shares) at the end of period (in thousands) | 927,457       | 946,506       |
| <b>Ratios</b>  |               |               |
| Shareholders' equity per common share in euros   | 15.74         | 15.90         |
| Inventories as a % of sales  | 12.6          | 15.2          |
| Net debt : group equity  | (1):101       | (8):108       |
| Net operating capital  | 12,649        | 12,071        |
| Employees at end of period   | 115,924       | 119,001       |
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Consolidated statements of cash flows  
all amounts in millions of euros

|   | 2009  | 4th quarter<br>2010 | January to December<br>2009 | 2010  |
|---|-------|---------------------|-----------------------------|-------|
| Cash flows from operating activities:   |       |                     |                             |       |
| Net income  | 260   | 465                 | 424                         | 1,452 |
| Adjustments to reconcile net income to net cash provided by<br>(used for) operating activities:               |       |                     |                             |       |
| Depreciation and amortization   | 429   | 381                 | 1,469                       | 1,422 |
| Impairment of other non-current financial assets and<br>(reversal of) impairment of investments in associates | 6     | (1)                 | 2                           | 5     |
| Net gain on sale of assets  | (13)  | (24)                | (140)                       | (211) |
| (Income) loss from investments in associates  | (12)  | 3                   | (23)                        | (18)  |
| Dividends received from investments in associates   | 1     | 5                   | 35                          | 19    |
| Dividends paid to non-controlling interests   | (2)   | (3)                 | (4)                         | (4)   |
| Decrease in working capital:  | 606   | 671                 | 704                         | 16    |
| <i>Decrease (increase) in receivables and other current assets</i>  | 365   | (87)                | 496                         | (194) |
| <i>Decrease (increase) in inventories</i>   | 540   | 367                 | 687                         | (705) |
| <i>(Decrease) increase in accounts payable, accrued and other<br/>liabilities</i>                             | (299) | 391                 | (479)                       | 915   |
| Increase (decrease) in non-current receivables/other<br>assets/other liabilities                              | 150   | 27                  | (363)                       | (291) |
| Decrease in provisions  | (513) | (64)                | (612)                       | (237) |
| Other items   | 23    | 98                  | 53                          | 3     |
| Net cash provided by operating activities   | 935   | 1,558               | 1,545                       | 2,156 |
| Cash flows from investing activities:   |       |                     |                             |       |
| Purchase of intangible assets   | (30)  | (36)                | (96)                        | (80)  |
| Expenditures on development assets  | (59)  | (62)                | (188)                       | (219) |
| Capital expenditures on property, plant and equipment   | (151) | (176)               | (524)                       | (653) |
| Proceeds from disposals of property, plant and equipment  | 31    | 52                  | 126                         | 129   |
| Cash from (to) derivatives and securities   | (1)   | 9                   | (39)                        | (25)  |
| Purchase of other non-current financial assets  |       |                     | (6)                         | (16)  |
| Proceeds from other non-current financial assets  | 20    | 86                  | 718                         | 268   |
| Purchase of businesses, net of cash acquired  | (13)  | (170)               | (294)                       | (223) |
| Proceeds from sale of interests in businesses   | 65    | 15                  | 84                          | 117   |
| Net cash used for investing activities  | (138) | (282)               | (219)                       | (702) |
| Cash flows from financing activities:   |       |                     |                             |       |
| (Decrease) increase in short-term debt  | (148) | 119                 | (201)                       | 143   |
| Principal payments on long-term debt  | (16)  | (21)                | (51)                        | (79)  |
| Proceeds from issuance of long-term debt  | 12    | 26                  | 312                         | 71    |
| Treasury shares transactions  | 8     | 9                   | 29                          | 65    |
| Dividend paid   |       |                     | (634)                       | (296) |



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|   |            |              |            |              |
|---|------------|--------------|------------|--------------|
| Net cash provided by (used for) financing activities        | (144)      | 133          | (545)      | (96)         |
| <b>Net increase (decrease) in cash and cash equivalents</b> | <b>653</b> | <b>1,409</b> | <b>781</b> | <b>1,358</b> |
| Effect of change in exchange rates on cash positions        | (1)        | 39           | (15)       | 89           |
| Cash and cash equivalents at beginning of period            | 3,734      | 4,385        | 3,620      | 4,386        |
| Cash and cash equivalents at end of period                  | 4,386      | 5,833        | 4,386      | 5,833        |
| <b>Ratio</b>  |            |              |            |              |
| Cash flows before financing activities                      | 797        | 1,276        | 1,326      | 1,454        |
| <b>Net cash paid during the period for</b>                  |            |              |            |              |
| Pensions  | (107)      | (132)        | (422)      | (474)        |
| Interest  | (32)       | (10)         | (244)      | (226)        |
| Income taxes  | (25)       | (13)         | (197)      | (206)        |

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

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Consolidated statements of changes in equity  
in millions of euros

January to December 2010

|  | common<br>shares | capital<br>in<br>excess<br>of<br>par<br>value | retained<br>earnings | revaluation<br>reserves | currency<br>translation<br>differences | available-<br>for-sale<br>financial<br>assets | other reserves<br>changes<br>in<br>unrealized<br>gain<br>(loss)<br>on<br>cash<br>flow<br>hedges | treasury<br>shares<br>total | total<br>shareholder<br>equity | controlling<br>interests | total<br>equity |        |
|--|------------------|---|----------------------|-------------------------|--|---|---|-----------------------------|--------------------------------|--------------------------|-----------------|--------|
| Balance as of<br>December 31,<br>2009              | 194              |   | 15,947               | 102                     | (591)                                  | 120   | 10  | (461)                       | (1,187)                        | 14,595                   | 49              | 14,644 |
| Net income   |                  |   | 1,446                |                         |  |   |   |                             |                                | 1,446                    | 6               | 1,452  |
| Net current<br>period change                       |                  |   | (1,336)              | (16)                    | 530                                    | 180   | (39)  | 671                         |                                | (681)                    |                 | (681)  |
| Reclassifications<br>into income                   |                  |   |                      |                         | (4)                                    | (161)   | 24  | (141)                       |                                | (141)                    |                 | (141)  |
| Total<br>comprehensive<br>income                   |                  |   | 110                  | (16)                    | 526                                    | 19  | (15)  | 530                         |                                | 624                      | 6               | 630    |
| Dividend<br>distributed                            | 3                | 343   | (650)                |                         |  |   |   |                             |                                | (304)                    |                 | (304)  |
| Movement<br>non-controlling<br>interests           |                  |   |                      |                         |  |   |   |                             |                                |                          | (9)             | (9)    |
| Re-issuance of<br>treasury shares                  |                  | (49)  | 9                    |                         |  |   |   | 111                         |                                | 71                       |                 | 71     |
| Share-based<br>compensation<br>plans               |                  | 55  |                      |                         |  |   |   |                             |                                | 55                       |                 | 55     |
| Income tax<br>share-based<br>compensation<br>plans |                  | 5   |                      |                         |  |   |   |                             |                                | 5                        |                 | 5      |
|  | 3                | 354   | (641)                |                         |  |   |   |                             | 111                            | (173)                    | (9)             | (182)  |
| Balance as of<br>December 31,                      | 197              | 354   | 15,416               | 86                      | (65)                                   | 139   | (5)   | 69                          | (1,076)                        | 15,046                   | 46              | 15,092 |

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## Sectors

all amounts in millions of euros unless otherwise stated

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

|  |       |        | 4th quarter  |       |        |  |
|--|-------|--------|--|-------|--------|--|
|  | sales | amount | 2009<br>income from operations<br>as a % of<br>sales | sales | amount | 2010<br>income from operations<br>as a % of<br>sales |
| Healthcare                                     | 2,405 | 392    | 16.3   | 2,642 | 459    | 17.4   |
| Consumer Lifestyle*                            | 2,903 | 260    | 9.0  | 2,687 | 137    | 5.1  |
| Lighting                                       | 1,846 | 41     | 2.2  | 1,975 | 156    | 7.9  |
| Group Management &<br>Services                 | 109   | (138)  | (126.6)  | 88    | 3      | 3.4  |
|  | 7,263 | 555    | 7.6  | 7,392 | 755    | 10.2   |
| <i>* of which Television</i>                   | 1,085 | 29     | 2.7  | 906   | (69)   | (7.6)  |
| <b>Sales and income (loss) from operations</b> |       |        |  |       |        |  |

|                                |        |        | January to December                                  |        |        |  |
|--------------------------------|--------|--------|--|--------|--------|--|
|                                | sales  | amount | 2009<br>income from operations<br>as a % of<br>sales | sales  | amount | 2010<br>income from operations<br>as a % of<br>sales |
| Healthcare                     | 7,839  | 591    | 7.5  | 8,601  | 922    | 10.7   |
| Consumer Lifestyle*            | 8,467  | 321    | 3.8  | 8,906  | 595    | 6.7  |
| Lighting                       | 6,546  | (16)   | (0.2)  | 7,552  | 695    | 9.2  |
| Group Management &<br>Services | 337    | (282)  | (83.7)   | 360    | (147)  | (40.8)   |
|                                | 23,189 | 614    | 2.6  | 25,419 | 2,065  | 8.1  |
| <i>* of which Television</i>   | 3,122  | (179)  | (5.7)  | 3,155  | (130)  | (4.1)  |

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Sectors and main countries  
in millions of euros

**Sales and total assets**

|                             | sales               |          | December | total assets |
|-----------------------------|---------------------|----------|----------|--------------|
|                             | January to December | December | 31,      | December     |
|                             | 2009                | 2010     | 2009     | 2010         |
| Healthcare                  | 7,839               | 8,601    | 10,969   | 11,962       |
| Consumer Lifestyle*         | 8,467               | 8,906    | 3,286    | 3,858        |
| Lighting                    | 6,546               | 7,552    | 6,748    | 7,379        |
| Group Management & Services | 337                 | 360      | 9,524    | 9,070        |
|                             | 23,189              | 25,419   | 30,527   | 32,269       |

\* of which Television

|  |       |       |     |     |
|--|-------|-------|-----|-----|
|  | 3,122 | 3,155 | 599 | 892 |
|--|-------|-------|-----|-----|

**Sales and tangible and intangible assets**

|                 | sales               |          | tangible and intangible assets <sup>1)</sup> | December |
|-----------------|---------------------|----------|--|----------|
|                 | January to December | December | 31,  | December |
|                 | 2009 <sup>2)</sup>  | 2010     | 2009 <sup>2)</sup>                           | 2010     |
| Netherlands     | 872                 | 816      | 1,194  | 1,274    |
| United States   | 6,130               | 6,459    | 9,513  | 10,032   |
| Germany         | 1,969               | 2,003    | 288  | 282      |
| China           | 1,715               | 1,976    | 369  | 446      |
| France          | 1,501               | 1,457    | 111  | 100      |
| Brazil          | 936                 | 1,092    | 128  | 148      |
| Japan           | 678                 | 862      | 489  | 568      |
| Other countries | 9,388               | 10,754   | 2,683  | 2,648    |
|                 | 23,189              | 25,419   | 14,775                                       | 15,498   |

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

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

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Pension costs  
in millions of euros

**Specification of pension costs**

|   | Netherlands | other | 4th quarter   |             |       | 2010<br>total |
|---|-------------|-------|---------------|-------------|-------|---------------|
|   |             |       | 2009<br>total | Netherlands | other |               |
| <b>Costs of defined-benefit plans (pensions)</b>        |             |       |               |             |       |               |
| Service cost  | 27          | 14    | 41            | 23          | 18    | 41            |
| Interest cost on the defined-benefit obligation         | 133         | 99    | 232           | 130         | 105   | 235           |
| Expected return on plan assets                          | (189)       | (87)  | (276)         | (186)       | (86)  | (272)         |
| Curtailment   |             | (5)   | (5)           |             | (1)   | (1)           |
| Settlement  |             |       |               |             | (6)   | (6)           |
| Prior service cost                                      |             | (6)   | (6)           |             | (83)  | (83)          |
| Other   | 2           | 1     | 3             | 1           | 1     | 2             |
| Net periodic cost (income)                              | (27)        | 16    | (11)          | (32)        | (52)  | (84)          |
| <b>Costs of defined-contribution plans</b>              |             |       |               |             |       |               |
|   | 2           | 22    | 24            | 1           | 26    | 27            |
| <b>Costs of defined-benefit plans (retiree medical)</b> |             |       |               |             |       |               |
| Service cost  |             | 1     | 1             |             | 1     | 1             |
| Interest cost on the defined-benefit obligation         |             | 5     | 5             |             | 5     | 5             |
| Prior service cost                                      |             | (1)   | (1)           |             |       |               |
| Curtailment   |             | (47)  | (47)          |             | (9)   | (9)           |
| Other   |             | 1     | 1             |             |       |               |
| Net periodic cost                                       |             | (41)  | (41)          |             | (3)   | (3)           |

**Specification of pension costs**

|  | Netherlands | other | January to December |             |       | 2010<br>total |
|--|-------------|-------|---------------------|-------------|-------|---------------|
|  |             |       | 2009<br>total       | Netherlands | other |               |
| <b>Costs of defined-benefit plans (pensions)</b> |             |       |                     |             |       |               |
| Service cost                                     | 107         | 75    | 182                 | 92          | 77    | 169           |
| Interest cost on the defined-benefit obligation  | 532         | 395   | 927                 | 521         | 418   | 939           |
| Expected return on plan assets                   | (758)       | (343) | (1,101)             | (743)       | (344) | (1,087)       |
| Curtailment                                      |             | (5)   | (5)                 |             | (1)   | (1)           |
| Settlement                                       |             |       |                     |             | (6)   | (6)           |
| Prior service cost                               |             | (3)   | (3)                 |             | (119) | (119)         |

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|   |       |       |       |       |                  |       |
|---|-------|-------|-------|-------|------------------|-------|
| Other   | 2     | 1     | 3     | 1     | 1                | 2     |
| Net periodic cost (income)                              | (117) | 120   | 3     | (129) | 26               | (103) |
| <b>Costs of defined-contribution plans</b>              | 8     | 99    | 107   | 7     | 111              | 118   |
| <b>Costs of defined-benefit plans (retiree medical)</b> |       |       |       |       |                  |       |
| Service cost  |       | 2     | 2     |       | 2                | 2     |
| Interest cost on the defined-benefit obligation         |       | 32    | 32    |       | 20               | 20    |
| Prior service cost                                      |       | (1)   | (1)   |       | (2)              | (2)   |
| Curtailment   |       | (134) | (134) |       | (9)              | (9)   |
| Other   |       | 1     | 1     |       |                  |       |
| Net periodic cost                                       |       | (100) | (100) |       | 11               | 11    |
|   |       |       |       |       | Quarterly report | 23    |

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Reconciliation of non-GAAP performance measures  
all amounts 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 %)**

|                         |                   |                  | 4th quarter                   |                   |                   | January to December |                               |                |
|-------------------------|-------------------|------------------|-------------------------------|-------------------|-------------------|---------------------|-------------------------------|----------------|
|                         | comparable growth | currency effects | consolid-<br>ation<br>changes | nominal<br>growth | comparable growth | currency effects    | consolid-<br>ation<br>changes | nominal growth |
| <b>2010 versus 2009</b> |                   |                  |                               |                   |                   |                     |                               |                |
| Healthcare              | 1.5               | 8.7              | (0.3)                         | 9.9               | 3.9               | 6.0                 | (0.2)                         | 9.7            |
| Consumer Lifestyle      | (10.9)            | 4.4              | (0.9)                         | (7.4)             | 1.2               | 4.7                 | (0.7)                         | 5.2            |
| Lighting                | (0.3)             | 6.9              | 0.4                           | 7.0               | 8.7               | 6.0                 | 0.7                           | 15.4           |
| GM&S                    | (20.4)            | 1.1              |                               | (19.3)            | 6.4               | 3.0                 | (2.6)                         | 6.8            |
| Philips Group           | (4.1)             | 6.3              | (0.4)                         | 1.8               | 4.3               | 5.5                 | (0.2)                         | 9.6            |

**EBITA (or Adjusted income from operations) to Income from operations (or EBIT)**

|  | Philips<br>Group | Consumer   |           |          |       |
|--|------------------|------------|-----------|----------|-------|
|  |                  | Healthcare | Lifestyle | Lighting | GM&S  |
| <b>January to December 2010</b>            |                  |            |           |          |       |
| EBITA (or Adjusted income from operations) | 2,552            | 1,186      | 639       | 869      | (142) |
| Amortization of intangibles <sup>1)</sup>  | (487)            | (264)      | (44)      | (174)    | (5)   |
| Income from operations (or EBIT)           | 2,065            | 922        | 595       | 695      | (147) |
| <b>January to December 2009</b>            |                  |            |           |          |       |
| EBITA (or Adjusted income from operations) | 1,050            | 848        | 339       | 145      | (282) |
| Amortization of intangibles <sup>1)</sup>  | (436)            | (257)      | (18)      | (161)    |       |
| Income from operations (or EBIT)           | 614              | 591        | 321       | (16)     | (282) |

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

**Composition of net debt to group equity**

|                 | December<br>31,<br>2009 | December<br>31,<br>2010 |
|-----------------|-------------------------|-------------------------|
| Long-term debt  | 3,640                   | 2,818                   |
| Short-term debt | 627                     | 1,840                   |
| Total debt      | 4,267                   | 4,658                   |



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|   |        |         |
|---|--------|---------|
| Cash and cash equivalents                                   | 4,386  | 5,833   |
| Net debt (cash) (total debt less cash and cash equivalents) | (119)  | (1,175) |
| Shareholders' equity  | 14,595 | 15,046  |
| Non-controlling interests                                   | 49     | 46      |
| Group equity  | 14,644 | 15,092  |
| Net debt and group equity                                   | 14,525 | 13,917  |
| Net debt divided by net debt and group equity (in %)        | (1)    | (8)     |
| Group equity divided by net debt and group equity (in %)    | 101    | 108     |
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## Reconciliation of non-GAAP performance measures (continued)

all amounts in millions of euros

**Net operating capital to total assets**

|                                       | Philips<br>Group | Healthcare | Consumer<br>Lifestyle | Lighting | GM&S    |
|---------------------------------------|------------------|------------|-----------------------|----------|---------|
| <b>December 31, 2010</b>              |                  |            |                       |          |         |
| Net operating capital (NOC)           | 12,071           | 8,908      | 911                   | 5,561    | (3,309) |
| Exclude liabilities comprised in NOC: |                  |            |                       |          |         |
| - payables/liabilities                | 10,009           | 2,603      | 2,509                 | 1,485    | 3,412   |
| - intercompany accounts               |                  | 54         | 95                    | 68       | (217)   |
| - provisions                          | 2,339            | 321        | 342                   | 247      | 1,429   |
| Include assets not comprised in NOC:  |                  |            |                       |          |         |
| - investments in associates           | 181              | 76         | 1                     | 18       | 86      |
| - other current financial assets      | 6                |            |                       |          | 6       |
| - other non-current financial assets  | 479              |            |                       |          | 479     |
| - deferred tax assets                 | 1,351            |            |                       |          | 1,351   |
| - cash and cash equivalents           | 5,833            |            |                       |          | 5,833   |
| Total assets                          | 32,269           | 11,962     | 3,858                 | 7,379    | 9,070   |
| <b>December 31, 2009</b>              |                  |            |                       |          |         |
| Net operating capital (NOC)           | 12,649           | 8,434      | 625                   | 5,104    | (1,514) |
| Exclude liabilities comprised in NOC: |                  |            |                       |          |         |
| - payables/liabilities                | 8,636            | 2,115      | 2,155                 | 1,247    | 3,119   |
| - intercompany accounts               |                  | 32         | 85                    | 62       | (179)   |
| - provisions                          | 2,450            | 317        | 420                   | 324      | 1,389   |
| Include assets not comprised in NOC:  |                  |            |                       |          |         |
| - investments in associates           | 281              | 71         | 1                     | 11       | 198     |
| - other current financial assets      | 191              |            |                       |          | 191     |
| - other non-current financial assets  | 691              |            |                       |          | 691     |
| - deferred tax assets                 | 1,243            |            |                       |          | 1,243   |
| - cash and cash equivalents           | 4,386            |            |                       |          | 4,386   |
| Total assets                          | 30,527           | 10,969     | 3,286                 | 6,748    | 9,524   |

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Reconciliation of non-GAAP performance measures (continued)  
all amounts in millions of euros

**Composition of cash flows**

|   | 2009  | 4th quarter<br>2010 | January to December<br>2009 | 2010  |
|---|-------|---------------------|-----------------------------|-------|
| Cash flows provided by operating activities           | 935   | 1,558               | 1,545                       | 2,156 |
| Cash flows used for investing activities              | (138) | (282)               | (219)                       | (702) |
| Cash flows before financing activities                | 797   | 1,276               | 1,326                       | 1,454 |
| Cash flows provided by operating activities           | 935   | 1,558               | 1,545                       | 2,156 |
| Purchase of intangible assets                         | (30)  | (36)                | (96)                        | (80)  |
| Expenditures on development assets                    | (59)  | (62)                | (188)                       | (219) |
| Capital expenditures on property, plant and equipment | (151) | (176)               | (524)                       | (653) |
| Proceeds from property, plant and equipment           | 31    | 52                  | 126                         | 129   |
| Net capital expenditures                              | (209) | (222)               | (682)                       | (823) |
| Free cash flows                                       | 726   | 1,336               | 863                         | 1,333 |
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## Philips quarterly statistics

all amounts in millions of euros unless otherwise stated

|   | 2009              |                  |                       |                      | 2010              |                  |                       |                      |
|---|-------------------|------------------|-----------------------|----------------------|-------------------|------------------|-----------------------|----------------------|
|   | 1st<br>quarter    | 2nd<br>quarter   | 3rd<br>quarter        | 4th<br>quarter       | 1st<br>quarter    | 2nd<br>quarter   | 3rd<br>quarter        | 4th<br>quarter       |
| Sales   | 5,075             | 5,230            | 5,621                 | 7,263                | 5,677             | 6,191            | 6,159                 | 7,392                |
| % increase  | (15)              | (19)             | (11)                  | (5)                  | 12                | 18               | 10                    | 2                    |
| EBITA   | (74)              | 118              | 344                   | 662                  | 504               | 527              | 648                   | 873                  |
| as a % of sales   | (1.5)             | 2.3              | 6.1                   | 9.1                  | 8.9               | 8.5              | 10.5                  | 11.8                 |
| EBIT  | (186)             | 8                | 237                   | 555                  | 389               | 404              | 517                   | 755                  |
| as a % of sales   | (3.7)             | 0.2              | 4.2                   | 7.6                  | 6.9               | 6.5              | 8.4                   | 10.2                 |
| Net income (loss)   | (57)              | 45               | 176                   | 260                  | 201               | 262              | 524                   | 465                  |
| Net income (loss)<br>shareholders per<br>common share in<br>euros basic                   | (0.06)            | 0.05             | 0.19                  | 0.27                 | 0.22              | 0.28             | 0.55                  | 0.49                 |
|   | January-<br>March | January-<br>June | January-<br>September | January-<br>December | January-<br>March | January-<br>June | January-<br>September | January-<br>December |
| Sales   | 5,075             | 10,305           | 15,926                | 23,189               | 5,677             | 11,868           | 18,027                | 25,419               |
| % increase  | (15)              | (17)             | (15)                  | (12)                 | 12                | 15               | 13                    | 10                   |
| EBITA   | (74)              | 44               | 388                   | 1,050                | 504               | 1,031            | 1,679                 | 2,552                |
| as a % of sales   | (1.5)             | 0.4              | 2.4                   | 4.5                  | 8.9               | 8.7              | 9.3                   | 10.0                 |
| EBIT  | (186)             | (178)            | 59                    | 614                  | 389               | 793              | 1,310                 | 2,065                |
| as a % of sales   | (3.7)             | (1.7)            | 0.4                   | 2.6                  | 6.9               | 6.7              | 7.3                   | 8.1                  |
| Net income (loss)   | (57)              | (12)             | 164                   | 424                  | 201               | 463              | 987                   | 1,452                |
| Net income (loss)<br>shareholders per<br>common share in<br>euros basic                   | (0.06)            | (0.02)           | 0.17                  | 0.44                 | 0.22              | 0.49             | 1.05                  | 1.54                 |
| Net income<br>(loss) from<br>continuing<br>operations as a %<br>of shareholders<br>equity | (1.6)             | (0.2)            | 1.5                   | 2.7                  | 5.9               | 6.7              | 9.3                   | 9.6                  |

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|                                   | period ended 2009 |      |      |         |      |      | period ended 2010 |         |
|-----------------------------------|-------------------|------|------|---------|------|------|-------------------|---------|
| Inventories as a %<br>of sales    | 13.6              | 13.7 | 14.5 | 12.6    | 13.9 | 15.9 | 16.4              | 15.2    |
| Net debt : group<br>equity ratio  | 3:97              | 6:94 | 4:96 | (1):101 | 1:99 | 2:98 | 1:99              | (8):108 |
| Total employees<br>(in thousands) | 116               | 116  | 118  | 116     | 116  | 117  | 118               | 119     |

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

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