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

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K
REPORT OF FOREIGN ISSUER
Pursuant to Rule 13a-16 or 15d-16 of the
Securities Exchange Act of 1934
July 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)

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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.

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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.

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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* .

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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.

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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.

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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.

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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.

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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.

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.

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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.

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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.

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.

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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

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Semi-annual financial report

Introduction

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

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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 below last year s level.

Net income

in millions of euros unless otherwise stated

	January-June	
	2009	2010
Sales	10,305	11,868
EBITA	44	1,031
as a %of sales	0.4	8.7
EBIT	(178)	793
as a %of sales	(1.7)	6.7
Financial expenses	(44)	(140)
Income taxes	186	(208)
Results investments in associates	24	18
Net income (loss)	(12)	463
Net income (loss) -shareholders per common share (in euros) basic	(0.02)	0.49

Performance of the Group

Group sales were some EUR 1.6 billion above the level of the first half of 2009, driven by higher sales across all operating sectors, notably Consumer Lifestyle and Lighting. Adjusted for currency impacts and portfolio changes, sales were 12% above last year s level.

Group EBITA improved by EUR 987 million compared to the first half of 2009, largely driven by higher sales in the three operating sectors, notably Consumer Lifestyle and Lighting.

Net income was EUR 475 million higher than in the first half of 2009, mainly driven by higher sector earnings, partly offset by lower net gains on the sale of stakes and higher income tax expenses.

Cash flow from operating activities was EUR 450 million higher than in the first half of 2009, driven by higher earnings, partly offset by higher provision payments and higher working capital outflow from inventories and accounts receivable.

Philips sectors

Healthcare

Equipment order intake at Healthcare increased 14% compared to the first half of 2009, with improvements seen across all businesses, notably at Imaging Systems. In North America, orders increased by 9%, while markets outside of North America showed order intake growth of 14%.

Nominal sales at Healthcare grew by 8%. Excluding currency effects and portfolio changes, comparable sales increased by 5% year-on-year, with improved sales across all businesses, notably at Customer Services and at

Patient Care and Clinical Informatics. Sales outside of North America, particularly in emerging markets, continued to show double-digit growth.

EBITA amounted to EUR 382 million, or 9.8% of sales, EUR 161 million higher than in the first half of 2009. Improvements were mainly driven by higher volume and fixed cost savings as a result of ongoing cost management programs. EBITA included restructuring and acquisition-related charges of EUR 75 million in the first half of 2010, compared to EUR 39 million in the first half of 2009.

Sales by sector
in millions of euros unless otherwise stated

	January-June		% change	
	2009	2010	nominal	comparable
Healthcare	3,613	3,889	8	5
Consumer Lifestyle	3,491	4,125	18	15
Lighting	3,054	3,669	20	15
GM&S	147	185	26	30
Philips Group	10,305	11,868	15	12

EBITA
in millions of euros

	January-June	
	2009	2010
Healthcare	221	382
Consumer Lifestyle	(56)	339
Lighting	(16)	455
Group Management & Services	(105)	(145)
Philips Group	44	1,031

EBITA
as a % of sales

	January-June	
	2009	2010
Healthcare	6.1	9.8
Consumer Lifestyle	(1.6)	8.2
Lighting	(0.5)	12.4
Group Management & Services	(71.4)	(78.4)
Philips Group	0.4	8.7

Consumer Lifestyle

Sales amounted to EUR 4,125 million, a nominal increase of 18% compared to the first half of 2009, driven by Saeco and higher sales in most businesses. Excluding currency effects and portfolio changes, comparable sales grew 15%, led by 29% growth at Television, double-digit growth at Health &Wellness, higher license income, and single-digit growth in most other businesses.

EBITA improved significantly compared to the first half of 2009, driven by double-digit sales growth, structural cost improvements, higher license income, EUR 20 million lower restructuring and acquisition-related charges, and last year s EUR 47 million of product recall charges.

Lighting

Sales in the first half of 2010 amounted to EUR 3,669 million, an increase of 15% on a comparable basis compared to last year. Sales were higher across all regions, notably in emerging markets, with 33% year-on-year comparable sales growth.

EBITA increased by EUR 471 million compared to the first half of 2009, mainly driven by higher sales and gross margin improvements in most businesses. Results included restructuring and acquisition-related charges of EUR 46 million, compared to EUR 101 million in the first half of 2009.

Group Management & Services

EBITA declined EUR 40 million compared to the first half of 2009, as last year s results were favorably impacted by EUR 57 million insurance recoveries and a EUR 33 million legal settlement. Excluding those items, EBITA increased by EUR 50 million year-on-year, driven by higher revenue from licenses and lower R&D costs.

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Risks and uncertainties

In our Annual Report 2009 we have extensively described certain risk categories and risk factors which could have a material adverse effect on our financial position and results. Those risk categories and risk factors are deemed incorporated and repeated in this report by reference.

For the remainder of 2010, we see the risk of growth stagnation due to government deficits in our markets, in particular in our activities that cater to the consumer markets and the healthcare market.

Additional risks not known to us, or currently believed not to be material, could later turn out to have a material impact on our businesses, objectives, revenues, income, assets, liquidity or capital resources.

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

	2nd quarter		**January-June**	
	2009	2010	2009	2010
Sales	5,230	6,191	10,305	11,868
Cost of sales	(3,455)	(3,910)	(6,900)	(7,409)
Gross margin	1,775	2,281	3,405	4,459
Selling expenses	(1,209)	(1,265)	(2,414)	(2,488)
General and administrative expenses	(211)	(231)	(424)	(425)
Research and development expenses	(384)	(398)	(790)	(773)
Other business income	56	17	64	27
Other business expenses	(19)		(19)	(7)
Income (loss) from operations	8	404	(178)	793
Financial income	76	17	173	28
Financial expenses	(79)	(88)	(217)	(168)
Income (loss) before taxes	5	333	(222)	653
Income taxes	15	(82)	186	(208)
Income (loss) after taxes	20	251	(36)	445
Results relating to investments in associates	25	11	24	18
Net income (loss) for the period	45	262	(12)	463
Attribution of net income for the period				
Net income (loss) attributable to shareholders	44	259	(15)	459
Net income attributable to non-controlling interests	1	3	3	4
Weighted average number of common shares outstanding (after deduction of treasury shares) during the period (in thousands):				
basic	925,244	939,690	924,271	933,714
diluted	927,918	948,708	926,413	941,817
Net income (loss) attributable to shareholders per common share in euros:				
basic	0.05	0.28	(0.02)	0.49
diluted[1)]	0.05	0.27	(0.02)	0.49
Ratios				
Gross margin as a %of sales	33.9	36.8	33.0	37.6
Selling expenses as a %of sales	(23.1)	(20.4)	(23.4)	(21.0)
G&A expenses as a %of sales	(4.0)	(3.7)	(4.1)	(3.6)
R&D expenses as a %of sales	(7.3)	(6.4)	(7.7)	(6.5)
EBIT	8	404	(178)	793
as a %of sales	0.2	6.5	(1.7)	6.7

EBITA	118	527	44	1,031
as a %of sales	2.3	8.5	0.4	8.7

1) the incremental shares from assumed conversion are not taken into account in the periods for which there is a loss attributable to shareholders, as the effect would be antidilutive.

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Consolidated statements of comprehensive income
all amounts in millions of euros

	2nd quarter		January-June	
	2009	2010	2009	2010
Net income (loss) for the period:	45	262	(12)	463
Other comprehensive income:				
Actuarial losses on pension plans:				
Net current period change, before tax	(2,377)		(2,381)	
Income tax on net current period change	613		613	(4)
Revaluation reserve:				
Release revaluation reserve	(2)	(4)	(6)	(8)
Reclassification into retained earnings	2	4	6	8
Currency translation differences:				
Net current period change, before tax	(135)	568	58	954
Income tax on net current period change		(5)	(1)	(9)
Reclassification into loss				(2)
Available-for-sale securities:				
Net current period change	55	(47)	204	1
Reclassification into income	(51)	(4)	(123)	(4)
Cash flow hedges:				
Net current period change, before tax	(8)	(34)	(18)	(44)
Income tax on net current period change	(5)	9	(14)	11
Reclassification into (income) loss	29	(1)	55	(4)
Other comprehensive income for the period	(1,879)	486	(1,607)	899
Total comprehensive income for the period	(1,834)	748	(1,619)	1,362
Total comprehensive income attributable to:				
Shareholders	(1,835)	745	(1,622)	1,358
Non-controlling interests	1	3	3	4

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Consolidated balance sheets
in millions of euros unless otherwise stated

	June 28, 2009	**December 31,** 2009	**July 4,** 2010
Non-current assets:			
Property, plant and equipment	3,423	3,252	3,430
Goodwill	7,449	7,362	8,589
Intangible assets excluding goodwill	4,358	4,161	4,612
Non-current receivables	80	85	104
Investments in associates	245	281	191
Other non-current financial assets	822	691	764
Deferred tax assets	1,365	1,243	1,390
Other non-current assets	59	1,543	1,714
Total non-current assets	17,801	18,618	20,794
Current assets:			
Inventories	3,330	2,913	3,928
Other current financial assets	125	191	195
Other current assets	518	436	636
Receivables	3,796	3,983	4,268
Cash and cash equivalents	3,589	4,386	4,493
Total current assets	11,358	11,909	13,520
Total assets	29,159	30,527	34,314
Shareholders equity	13,325	14,595	15,736
Non-controlling interests	47	49	61
Group equity	13,372	14,644	15,797
Non-current liabilities:			
Long-term debt	3,745	3,640	3,053
Long-term provisions	1,853	1,734	1,803
Deferred tax liabilities	149	530	519
Other non-current liabilities	1,943	1,929	2,307
Total non-current liabilities	7,690	7,833	7,682
Current liabilities:			
Short-term debt	684	627	1,746
Accounts and notes payable	2,560	2,870	3,462
Accrued liabilities	3,217	3,134	4,132
Short-term provisions	1,057	716	732
Other current liabilities	579	703	763
Total current liabilities	8,097	8,050	10,835
Total liabilities and group equity	29,159	30,527	34,314
Number of common shares outstanding (after deduction of treasury shares) at the end of period (in thousands)	926,041	927,457	945,312

Ratios			
Shareholders equity per common share in euros	14.39	15.74	16.65
Inventories as a % of sales	13.7	12.6	15.9
Net debt : group equity	6:94	(1):101	2:98
Net operating capital	11,804	12,649	14,083
Employees at end of period	116,023	115,924	116,590

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Consolidated statements of cash flows
all amounts in millions of euros

	2nd quarter		January to June	
	2009	2010	2009	2010
Cash flows from operating activities:				
Net income (loss)	45	262	(12)	463
Adjustments to reconcile net income to net cash provided by (used for) operating activities:				
Depreciation and amortization	346	349	678	687
Impairment of other non-current financial assets and (reversal of) impairment of investments in associates	(25)	4	24	4
Net gain on sale of assets	(51)	(12)	(124)	(18)
Income from investments in associates		(14)	(1)	(16)
Dividends received from investments in associates	5	5	34	13
Decrease (increase) in working capital:	229	132	(96)	(220)
Decrease (increase) in receivables and other current assets	*98*	*(127)*	*621*	*(35)*
Decrease (increase) in inventories	*130*	*(354)*	*232*	*(593)*
Increase (decrease) in accounts payable, accrued and other liabilities	*1*	*613*	*(949)*	*408*
Increase in non-current receivables/other assets/other liabilities	(123)	(57)	(402)	(144)
Increase (decrease) in provisions	32	(29)	25	(71)
Other items	(12)	(78)	14	(108)
Net cash (used for) provided by operating activities	446	562	140	590
Cash flows from investing activities:				
Purchase of intangible assets	(22)	(18)	(45)	(26)
Expenditures on development assets	(52)	(55)	(86)	(109)
Capital expenditures on property, plant and equipment	(140)	(167)	(252)	(305)
Proceeds from disposals of property, plant and equipment	19	26	27	47
Cash from (to) derivatives and securities	(12)	(20)	(10)	(42)
Purchase of other non-current financial assets		(6)	(6)	(12)
Proceeds from other non-current financial assets	77	11	706	14
Purchase of businesses, net of cash acquired	(55)	(21)	(90)	(24)
Proceeds from sale of interests in businesses				98
Net cash provided by (used for) investing activities	(185)	(250)	244	(359)
Cash flows from financing activities:				
Decrease (increase) in short-term debt	(59)	11	(98)	23
Principal payments on long-term debt	(13)	(23)	(24)	(37)
Proceeds from issuance of long-term debt	26	19	289	29
Treasury shares transactions	6	19	15	43
Dividend paid	(634)	(296)	(634)	(296)
Net cash provided by financing activities	(674)	(270)	(452)	(238)
Net increase (decrease) in cash and cash equivalents	(413)	42	(68)	(7)
Effect of change in exchange rates on cash positions	2	63	37	114
Cash and cash equivalents at beginning of period	4,000	4,388	3,620	4,386

Cash and cash equivalents at end of period	3,589	4,493	3,589	4,493
Ratio				
Cash flows before financing activities	261	312	384	231
Net cash paid during the period for				
Pensions	(98)	(105)	(204)	(220)
Interest	(62)	(62)	(136)	(138)
Income taxes	(34)	(47)	(108)	(108)

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

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Consolidated statements of changes in equity
in millions of euros

January to June 2010

					other reserves							
	common shares	capital in excess of par value	retained earning	revaluation reserve	currency translation differences	unrealized gain (loss) on available-for-sale financial assets	changes in fair value of cash flow hedges	total	treasury shares at cost	total shareholders' equity	non-controlling interests	total equity
January-June 2010												
Balance as of December 31, 2009	194		15,947	102	(591)	120	10	(461)	(1,187)	14,595	49	14,644
Total comprehensive income			463	(8)	943	(3)	(37)	903		1,358	4	1,362
Dividend distributed	3	343	(650)							(304)		(304)
Non-controlling interest movement											8	8
Re-issuance of treasury shares		(46)	8						86	48		48
Share-based compensation plans		29								29		29
Income tax share-based compensation plans		10								10		10
	3	336	(642)						86	(217)	8	(209)
Balance as of July 4, 2010	197	336	15,768	94	352	117	(27)	442	(1,101)	15,736	61	15,797
January-June 2009												
Balance as of December 31, 2008	194		17,101	117	(527)	(25)	(28)	(580)	(1,288)	15,544	49	15,593
Total comprehensive income			(1,777)	(6)	57	81	23	161		(1,622)	3	(1,619)

Dividend distributed			(647)							(647)		(647)
Non-controlling interest movement											(5)	(5)
Re-issuance of treasury shares		(35)	(21)						71	15		15
Share-based compensation plans		35								35		35
			(668)						71	(597)	(5)	(602)
Balance as of June 28, 2009	194		14,656	111	(470)	56	(5)	(419)	(1,217)	13,325	47	13,372

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Sectors

all amounts in millions of euros unless otherwise stated

Sales and income (loss) from operations

	2nd quarter 2009				2010			
	Sales		income from operations		Sales		income from operations	
	including inter-company	sales	amount	as a % of sales	including inter-company	sales	amount	as a % of sales
Healthcare	1,873	1,872	88	4.7	2,072	2,068	148	7.2
Consumer Lifestyle*	1,739	1,735	(12)	(0.7)	2,188	2,183	164	7.5
Lighting	1,552	1,550	(61)	(3.9)	1,864	1,859	166	8.9
Group Management & Services	121	73	(7)	(9.6)	123	81	(74)	(91.4)
Inter-sector eliminations	(55)				(56)			
	5,230	5,230	8	0.2	6,191	6,191	404	6.5
* of which Television	588	587	(99)	(16.9)	848	846	(9)	(1.1)

Sales and income (loss) from operations

	January to June 2009				2010			
	Sales		income from operations		Sales		income from operations	
	including inter-company	sales	amount	as a % of sales	including inter-company	sales	amount	as a % of sales
Healthcare	3,616	3,613	89	2.5	3,896	3,889	251	6.5
Consumer Lifestyle*	3,500	3,491	(65)	(1.9)	4,134	4,125	321	7.8
Lighting	3,058	3,054	(97)	(3.2)	3,676	3,669	370	10.1
Group Management & Services	238	147	(105)	(71.4)	265	185	(149)	(80.5)
Inter-sector eliminations	(107)				(103)			
	10,305	10,305	(178)	(1.7)	11,868	11,868	793	6.7
* of which Television	1,270	1,270	(182)	(14.3)	1,550	1,546	(29)	(1.9)

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Sectors and main countries
in millions of euros

Sales and total assets

	sales		total assets	
	January to June			
	2009	2010	June 28, 2009	July 4, 2010
Healthcare	3,613	3,889	11,297	12,550
Consumer Lifestyle	3,491	4,125	3,137	3,904
Lighting	3,054	3,669	7,100	7,766
Group Management & Services	147	185	7,625	10,094
	10,305	11,868	29,159	34,314

Sales and long-lived assets

	sales		long-lived assets[1)]	
	January to June			
	2009[2)]	2010	June 28, 2009[2)]	July 4, 2010
Netherlands	400	399	1,264	1,206
United States	3,003	3,061	10,154	11,007
China	787	952	362	452
Germany	834	928	289	286
France	650	693	132	117
Brazil	354	555	114	140
Japan	304	423	448	605
Other countries	3,973	4,857	2,467	2,818
	10,305	11,868	15,230	16,631

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

2) Revised to reflect an adjusted country allocation

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Pension costs
in millions of euros
Specification of pension costs

	2nd quarter					
	2009			2010		
	Netherlands	other	total	Netherlands	other	total
Costs of defined-benefit plans (pensions)						
Service cost	27	22	49	23	21	44
Interest cost on the defined-benefit obligation	133	100	233	131	110	241
Expected return on plan assets	(189)	(86)	(275)	(186)	(93)	(279)
Prior service cost		1	1		(1)	(1)
Net periodic cost (income)	(29)	37	8	(32)	37	5
Costs of defined-contribution plans						
Costs	1	29	30	2	29	31
Total	1	29	30	2	29	31
Costs of defined-benefit plans (retiree medical)						
Service cost		1	1			
Interest cost on the defined-benefit obligation		9	9		6	6
Prior service cost					(1)	(1)
Net periodic cost		10	10		5	5

Specification of pension costs

	January to June					
	2009			2010		
	Netherlands	other	total	Netherlands	other	total
Costs of defined-benefit plans (pensions)						
Service cost	54	44	98	46	39	85
Interest cost on the defined-benefit obligation	266	201	467	261	211	472
Expected return on plan assets	(379)	(173)	(552)	(372)	(176)	(548)
Prior service cost		2	2		(1)	(1)
Net periodic cost (income)	(59)	74	15	(65)	73	8
Costs of defined-contribution plans						
Costs	3	53	56	4	58	62
Total	3	53	56	4	58	62
Costs of defined-benefit plans (retiree medical)						
Service cost		1	1		1	1
Interest cost on the defined-benefit obligation		18	18		11	11
Prior service cost					(2)	(2)

Net periodic cost	19	19	10	10

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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 %)

	2nd quarter				January to June			
	comparable growth	currency effects	Consolidation changes	nominal growth	comparable growth	currency effects	Consolidation changes	nominal growth
2010 versus 2009								
Healthcare	4.1	6.5	(0.1)	10.5	5.3	2.4	(0.1)	7.6
Consumer Lifestyle	19.6	6.5	(0.3)	25.8	15.2	3.7	(0.7)	18.2
Lighting	12.9	6.9	0.1	19.9	15.4	3.6	1.1	20.1
GM&S	11.2	5.9	(6.1)	11.0	29.8	3.2	(7.1)	25.9
Philips Group	11.9	6.6	(0.1)	18.4	12.0	3.2	0.0	15.2

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

	Philips Group	Healthcare	Consumer Lifestyle	Lighting	GM&S
January to June 2010					
EBITA (or Adjusted income from operations)	1,031	382	339	455	(145)
Amortization of intangibles[1)]	(238)	(131)	(18)	(85)	(4)
Income from operations (or EBIT)	793	251	321	370	(149)
January to June 2009					
EBITA (or Adjusted income from operations)	44	221	(56)	(16)	(105)
Amortization of intangibles[1)]	(222)	(132)	(9)	(81)	
Income from operations (or EBIT)	(178)	89	(65)	(97)	(105)

1) Excluding amortization of software and product development

Composition of net debt to group equity

	June 28, 2009	December 31, 2009	July 4, 2010
Long-term debt	3,745	3,640	3,053
Short-term debt	684	627	1,746
Total debt	4,429	4,267	4,799
Cash and cash equivalents	3,589	4,386	4,493
Net debt (cash) (total debt less cash and cash equivalents)	840	(119)	306
Shareholders equity	13,325	14,595	15,736

Non-controlling interests	47	49	61
Group equity	13,372	14,644	15,797
Net debt and group equity	14,212	14,525	16,103
Net debt divided by net debt and group equity (in *%)*	6	(1)	2
Group equity divided by net debt and group equity (in *%)*	94	101	98

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

Net operating capital to total assets

	Philips Group	Healthcare	Consumer Lifestyle	Lighting	GM&S
July 4, 2010					
Net operating capital (NOC)	14,083	9,545	1,055	5,934	(2,451)
Exclude liabilities comprised in NOC:					
- payables/liabilities	10,664	2,521	2,358	1,443	4,342
- intercompany accounts		49	94	76	(219)
- provisions	2,535	355	396	290	1,494
Include assets not comprised in NOC:					
- investments in associates	191	80	1	23	87
- other current financial assets	194				194
- other non-current financial assets	764				764
- deferred tax assets	1,390				1,390
- cash and cash equivalents	4,493				4,493
Total assets	34,314	12,550	3,904	7,766	10,094
December 31, 2009					
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			