



Royal Philips Electronics First Quarter 2000

April 19th, 2000

Let's make things better.



PHILIPS

Agenda

First Quarterly Results 2000

- **Highlights**
- **Growth**
- **Performance**
- **Management Agenda**

Let's make things better.



PHILIPS

Highlights

- Achieved RONA of 25%
- Sales growth - Nominal 22%, Comparable 11%
- Strong Semiconductor performance
- Reduced pension costs
- Euro 526m gain on sale of 20% of JDS Uniphase shares
- Good performance across most divisions
- Continued Millenium induced slowdown for Origin, which seems to be in line with the IT industry

Let's make things better.



PHILIPS

Highlights

- **20% tax rate except for the gain on the sale of JDS Uniphase**
- **Large contribution from non-consolidated companies**
- **Further move into line with US GAAP by no longer capitalizing R&D in inventory valuations**

Agenda

First Quarterly Results 2000

- Highlights
- **Growth**
- Performance
- Management Agenda

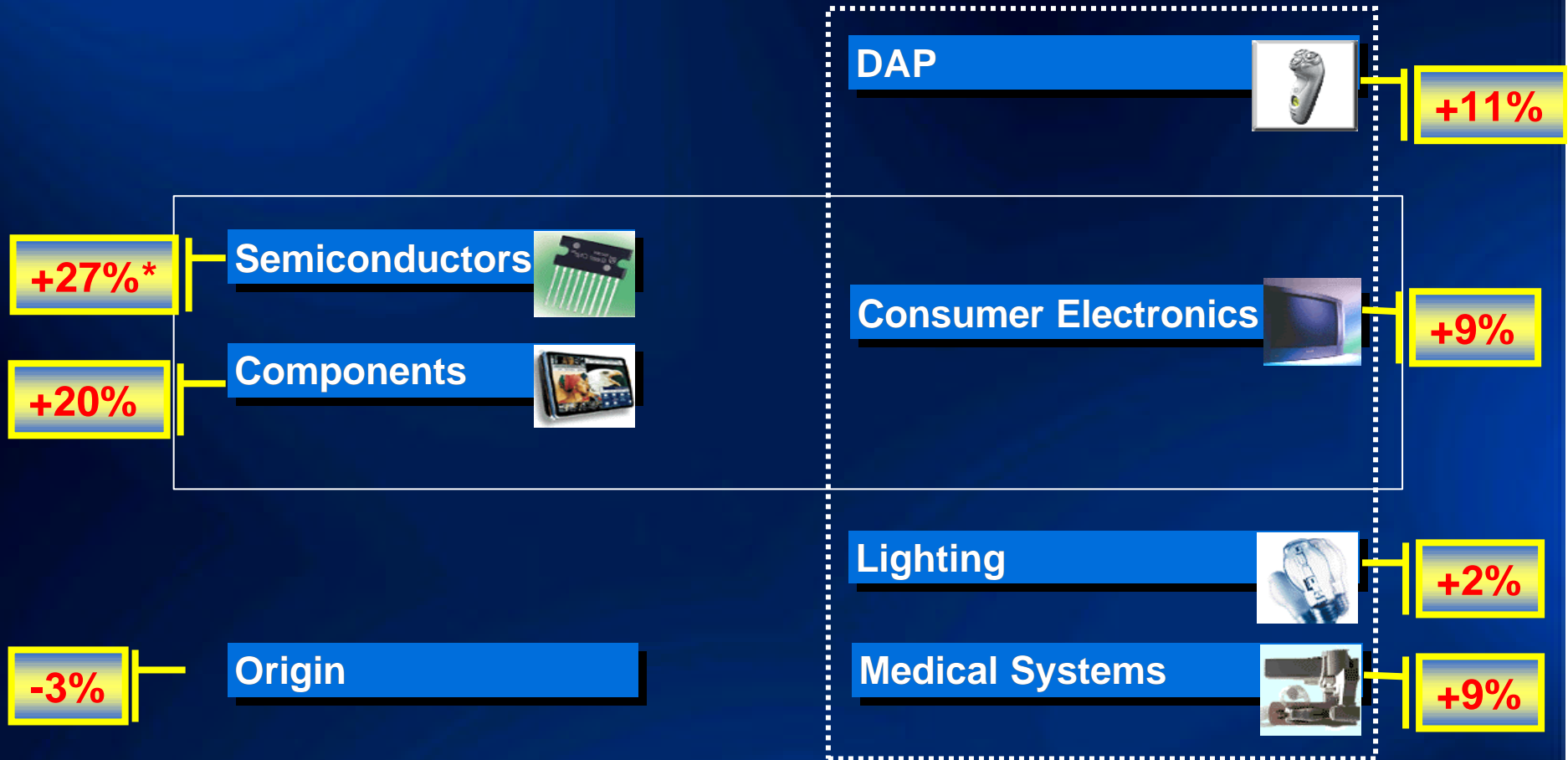
Let's make things better.



PHILIPS

Growth:

1Q00 Comparable Segment Revenue Growth



* Including the comparable growth of VLSI

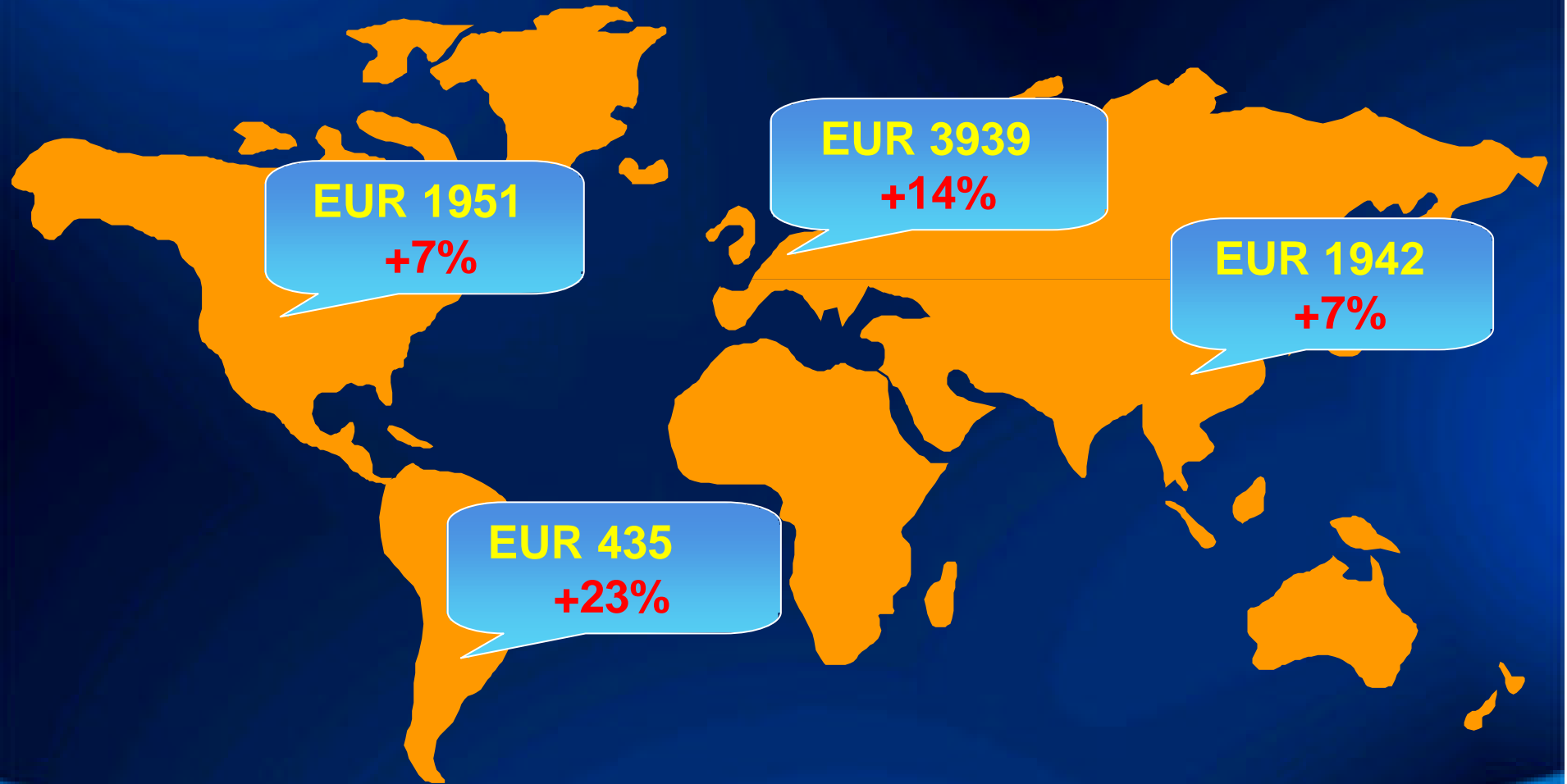
Let's make things better.



PHILIPS

Growth:

1Q00 Sales and comparable growth per Region



EUR 435
+23%

Let's make things better.



PHILIPS

Agenda

First Quarterly Results 2000

- Highlights
- Growth
- **Performance**
- Management Agenda

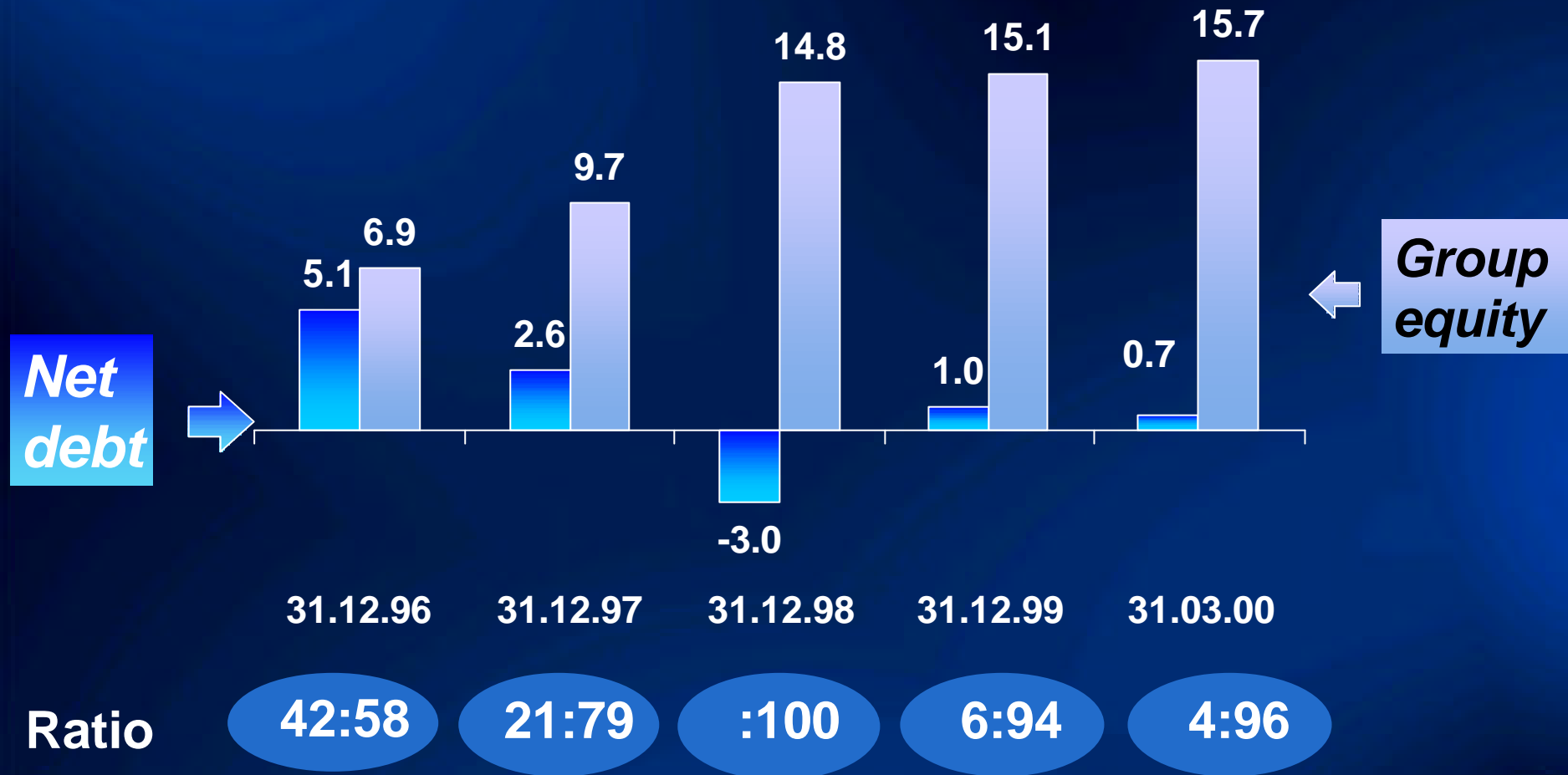
Let's make things better.



PHILIPS

Performance:

Net Debt/Group Equity in billion EUR



Let's make things better.

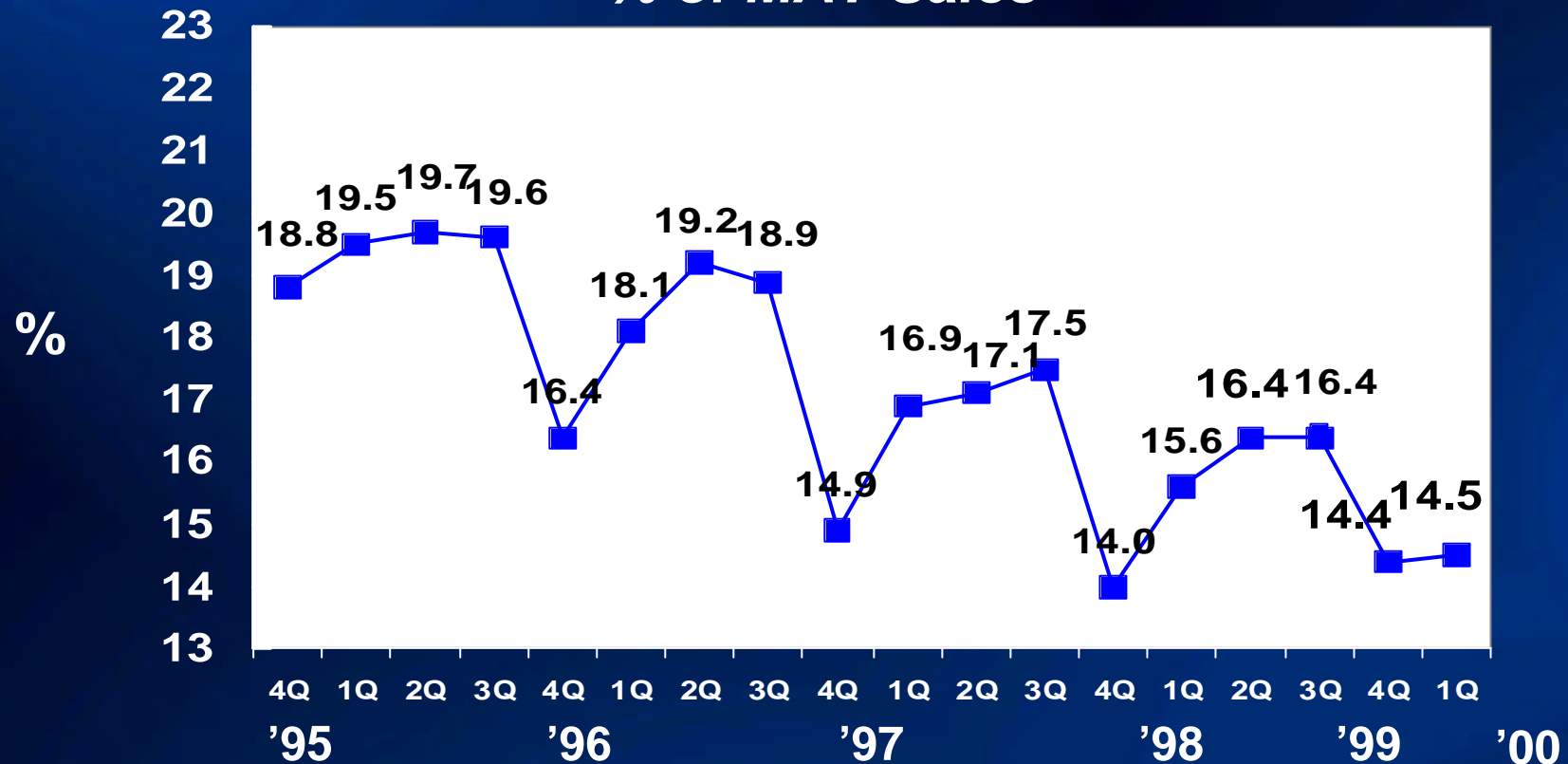


PHILIPS

Performance:

Inventory Levels

% of MAT Sales



Note : Figures for 4Q96, 1Q97, 2Q97 and 3Q97 corrected for Grundig,
 1Q98, 2Q98, 3Q98 and 4Q98 corrected for PolyGram
 3Q99, 4Q99 corrected for VLSI.
 1Q00 reduced by 0.7 by change in method of inventory valuation

Let's make things better.



PHILIPS

Cash Flow

	1Q00	1Q99
• Operating activities	405	71
• Cash flow from investing activities	130 ¹⁾	213 ²⁾
	-----	-----
	535	284
	=====	=====

1) Includes sale of securities Euro 550m

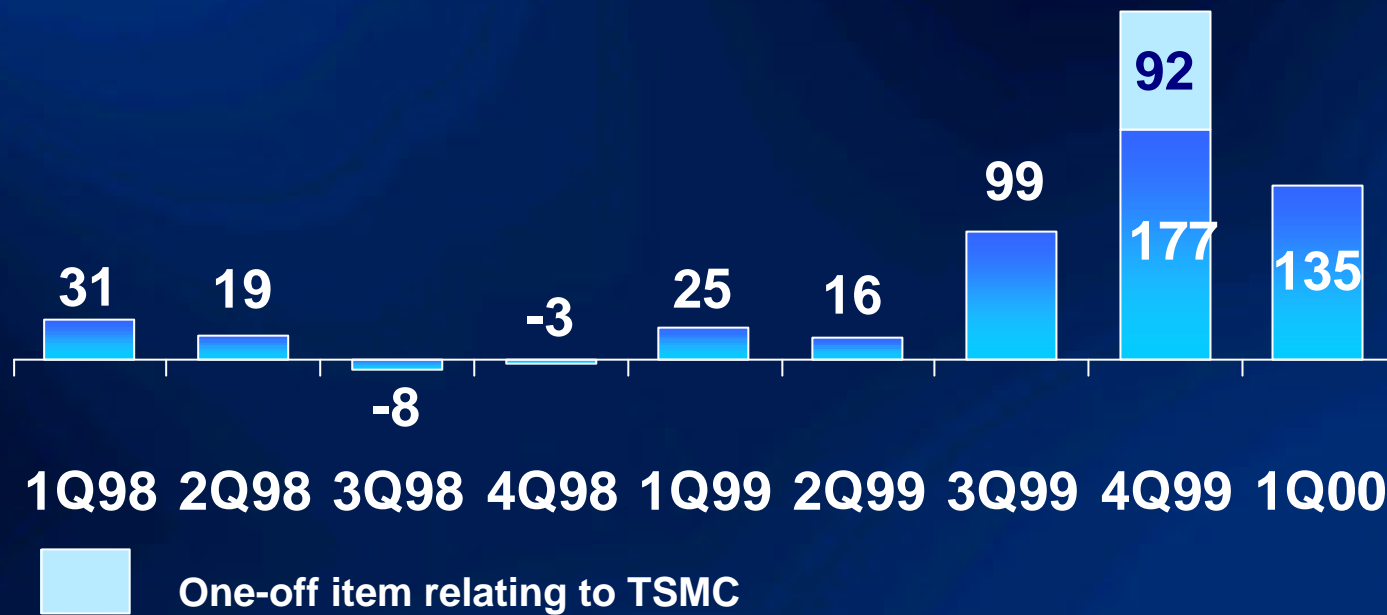
2) Includes sale of activities Euro 455m

Let's make things better.



PHILIPS

Results relating to unconsolidated companies in million EUR



Let's make things better.



PHILIPS

Lighting

- Continuing performance improvement via the **B**usiness **E**xcellence through **S**peed and **T**eamwork program
- Innovation
- Benefits from past restructurings
- Richer product mix including Automotive
- Q1 is the strongest quarter for reasons of seasonality
- Developments in Asia are encouraging
- Strong cash flow

Let's make things better.



PHILIPS

Consumer Electronics

MAINSTREAM

- Seasonally low period
- Restructuring charge - Euro 15m
- Higher R&D for DVD+RW
- Negative effects of shortages in the component industry

Let's make things better.



PHILIPS

Consumer Electronics

DIGITAL NETWORKS

- Continuing investments for the US market
- High R&D costs for future growth
- High level of growth expected for
 - Set top boxes
 - MPEG 4
 - Conditional access systems
- Flexibility in organization and structure

SPECIAL PRODUCTS

- Continuing investments in Speech

Let's make things better.



PHILIPS

PCC

- **1Q00 GSM unit sales increased by 100% compared to 1Q99**
- **Sales impacted by a shortage of components**
- **Profitable for the quarter with a positive cash flow**
- **3 new products will be launched in the second quarter**

Let's make things better.



PHILIPS

Domestic Appliances & Personal Care

- Comparable sales growth of 11% which is higher than the historical trend line due to
 - Male shaving
 - Food & Beverage
 - US Market
 - Recovery in some developing markets
- Lower overheads due to cost reduction program
- Innovation and product pruning
- High RONA
- Strong cash flow

Let's make things better.



PHILIPS

Components

DISPLAY COMPONENTS

- **Strong growth in Europe**
- **Improvements in Brazil and China**
- **Continuing actions to move production in lower cost areas**
- **Increase in CAPEX**

Let's make things better.



PHILIPS

Components

OPTICAL STORAGE

- Strong growth of sales and IFO based on CD-R

FLAT PANEL DISPLAYS

- Strong performance in Mobile Displays which could have been more but for a shortage of semiconductors

Semiconductors

- Order intake was very strong
- Comparable sales grows 1Q00 vs 1Q99 was 27%*
- Price erosion 1Q00 vs 1Q99 was 3% and on a declining trend
- Operating margin for the quarter was 16.8% including the goodwill charge for VLSI
- We remain constrained by the limits of the existing capacity, which is being raised as rapidly as possible
- CAPEX for 2000 Euro 1.25b or possibly higher

**Including the comparable growth of VLSI*

Let's make things better.



PHILIPS

Medical Systems

- **Comparable growth of 9% which is higher than in the past**
- **Good performance by ATL**
- **Overheads reduced based on actions being taken including the benefits of past restructurings**
- **Strong cash flow**

Let's make things better.



PHILIPS

Origin

- **Net charges of approx. Euro 10m relating to restructuring and acquisition integration costs with an additional amount of approx. Euro 5m in the second quarter**
- **Continuation of Millenium induced slowdown with a reversal of the trend expected in the second quarter**
- **Goodwill charge of Euro 4m more than 1Q99**
- **Business mix being redirected to more value added services**

Unallocated

- Includes a FAS 87 pension credit of Euro 70m which will be more or less ongoing, compares to a credit of Euro 3m in 1Q99
- Reductions in Corporate/Regional/Country overheads

Objectives

- **Positive cash flow**
- **Double digit earnings growth per share**
- **Maintain RONA target of 24%**

Let's make things better.



PHILIPS

Agenda

First Quarterly Results 2000

- Highlights
- Growth
- Performance
- **Management Agenda**

Let's make things better.



PHILIPS

Management Agenda

- Profitable growth
- Reduction of overhead costs
- BEST program
- Leadership
- IT/e-Commerce

Let's make things better.



PHILIPS