Important information

Forward-looking statements
This document and the related oral presentation, including responses to questions following the presentation contain 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. We caution readers that no forward-looking statement is a guarantee of future performance and that actual results could differ materially from those contained in the forward-looking statements. Examples of forward-looking statements include statements made about our strategy, estimates of future sales growth, future EBITA, future cost savings and future developments in our organic business as well as the benefit of future acquisitions, and our capital position. By their nature, forward-looking 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 forward-looking statements.

These factors include, but are not limited to, domestic and global economic and business conditions, particularly in light of the ongoing recessionary condition prevailing in many markets, 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. Additional risks and factors are identified in our Annual Report for the fiscal year ended December 31, 2008, our Annual Report on Form 20-F filed with the U.S. Securities and Exchange Commission (the “SEC”), which is available on the SEC’s website at www.sec.gov, and the “Risk and uncertainties” section in our semi-annual financial report for the six months ended June 28, 2009. Readers should consider the disclosures in these reports and any additional disclosures that we have made or may make in documents that we have filed or furnished to the SEC or may file with or furnish to the SEC or other regulatory authorities. Any forward-looking statements made by or on our behalf speak only as of the date they are made. We do not undertake to update forward-looking statements to reflect any changes in expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based.

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.

IFRS basis of presentation
The financial information included in this document is based on International Financial Reporting Standards as issued by the International Accounting Standards Board and as adopted by the European Union (IFRS), unless otherwise indicated. As used in this document, the term EBIT has the same meaning as Income from operations (IFO).

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 like: comparable growth; EBITA; NOC; net debt (cash); free cash flow; and cash flow before financing activities. These non-GAAP financial measures should not be viewed in isolation as alternatives to the equivalent GAAP measures. In our Quarterly report we’ve included a reconciliation of such non-GAAP financial measures to the most directly related GAAP measures.

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 observable market data does not exist, fair values are estimated using valuation models, which we believe are appropriate for their purpose. 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 the financial statements. In certain cases, independent valuations are obtained ** to support management’s determination of fair values.
1. **Philips Strategy and Investment Proposition**

2. Group results Q4 2009 and annual results 2009

3. Healthcare, Consumer Lifestyle and Lighting
A well-respected, blue-chip company for over 100 years

Founded in 1891
Headquartered in Amsterdam, the Netherlands

Sales over EUR 23 billion (USD 32 billion)
30% in emerging economies

Emerging Markets
30% of sales generated in Emerging Markets

Globally recognized brand (world top 50)
Our brand value almost doubled to $8.1bn since 2004

116,000 employees
Sales and service outlets in over 100 countries

€1.6 billion investment in R&D, 7% of sales
55,000 patent rights – 33,000 registered trademarks – 49,000 design rights
Building a leading company in Health and Well-being

Over the past decade we have fundamentally simplified our business portfolio, investing proceeds from disposals in our Healthcare, Consumer Lifestyle and Lighting businesses.

1 Consumer Lifestyle in 1998 includes the former DAP and Consumer Electronics divisions.
Our Health & Well-being portfolio leverages critical global trends

We have chosen our three markets well

Aging population
The number of people aged over 60 will double from 500m today to 1 billion by 2015.

Emerging markets
99% of future population growth will be in emerging markets. Emerging & developing economies are expected to account for 2/3rd of global GDP by 2016.

Empowered consumers
Consumers are increasingly focused on their Health and Well-being and look for products that fit their lifestyle

Climate change and sustainable development
19% of global electricity consumption is used for lighting. Energy efficient lighting can save 40%...or 600 power stations worth of energy!
Well positioned through focus on Health & Well-being

Synergies across the portfolio

Our mission
Improving people’s lives

Our promise
“Sense and simplicity”

Our company
- Common, end-user driven innovation process
- Strong global brand
- Channel access and global presence
- Engaged workforce
- Technology, know-how and strong IP positions
- Economies of scale e.g. Shared service centers
Our competitive difference will make us win

Innovation process
We follow a rigorous process to create meaningful innovations

Driving customer loyalty
We build customer loyalty to promote growth and profitability

Creating brand value
Driven by our brand promise “sense and simplicity”

Philips people
We develop highly engaged “Philips people”

Emerging markets
We keep on expanding our global footprint
Close customer relationships

Creating promoters of our brand

Customer loyalty
Is fundamental to growth and profitability.

We win the trust of customers and partners
• By understanding and anticipating their needs
• By sharing our insights
• By providing the right products and solutions

We monitor our effectiveness
With the Net Promoter Score based on a simple question:
“Would you recommend us to a friend or colleague?”

Closer customer relationships in 2009
Strengthened our relationships and increased Net Promoter Score leadership positions to over 60%
Moved up to world’s 42\textsuperscript{nd} most valuable brand in 2009

*Up from 43\textsuperscript{rd} in 2008*

Value of the Philips brand*

\begin{tabular}{|c|c|c|c|c|}
\hline
Year & Value (USD billions) \\
\hline
2004 & 4.4 & 5.9 & 6.7 & 7.7 & 8.3 & 8.1 \\
\hline
\end{tabular}

\textit{USD billions}

A strong brand drives sales

A significant amount of sales is attributable to the brand alone:

- Healthcare 29%
- Consumer Lifestyle 24%
- Lighting 21%

High brand value\textsuperscript{1} growth

Philips brand value, as measured by Interbrand, grew more than twice as fast as that of closest competitors. It has increased by 85\% within a 5-year period (2004-2009), due largely to our Healthcare and Lighting businesses.

Strong internal brand

78\% of employees are “proud to work for Philips”

Brand campaign 2009

Developing thought leadership in health and well-being and making our trusted brand promise of ‘sense and simplicity’ meaningful in this area.
Philips people

*Strong leadership, a highly engaged workforce*

**Employee Engagement Index**

*High performance benchmark*

A strong leadership team
60 culturally diverse top leaders focus on driving our global businesses to reach their short and long term goals.

A high performance workforce
The annual ‘employee engagement index’ polling over 90,000 of the Philips workforce is touching the high performance benchmark of the 3rd party agency managing the survey.

Living the values
Philips has four simple values which ‘live’ within the company and drive the actions of our people.

An eye on the leaders of tomorrow
We structurally manage our talent, offering fast-track, stretch opportunities for top performers to ensure a quality succession pipeline for our leadership team.
A strong position in emerging markets

Represents a significant and growing part of our global footprint

Emerging markets represent 30% of sales
In Healthcare double-digit growth in sales and order intake

High corporate brand equity\(^1\)
Consistently among the top-ranking players:
India: top 10%, China: top 10%,
Russia: top 40%, Brazil: top 10%

Championing growth with dedicated strategies
Based on local market insights, supported by increased marketing investments.

Increasing our footprint
• Opened more than 100 exclusively branded stores in China and India
• Established an Imaging Systems Industrial Campus in Suzhou, China

\(^1\) Source: TNS Consumer Heart BEAT brand equity study 2009
Emerging markets B2C

Continued strong brand equity in Emerging Markets means we are well-pointed to accelerate growth

Corporate brand equity index, 2009
BRIC Markets

2009 Position vs. Peers

Global 114  Top 20%
India 145  Top 10%
China 128  Top 10%
Russia 103  Top 40%
Brazil 119  Top 10%

Corporate brand equity index, 2009
Mature Markets

2009 Position vs. Peers

Global 114  Top 20%
France 124  Top 20%
Germany 120  Top 20%
UK 116  Top 20%
Netherlands 154  Top 10%
USA 98  Top 50%

Source: TNS Consumer Heart BEAT brand equity study 2009
Sustainability as a driver for growth

Our commitment
One of the strategic drivers behind our targets is a commitment to sustainability and making a difference in energy efficiency

EcoVision4 program
A clear example of how we are driving business growth through Sustainability is the launch of our EcoVision4 program in 2007.

Targets for the period 2007 – 2012

- Generate 30% of revenues from Green Products up from 15%
- Double our investment in Green Innovations to a cumulative EUR 1 billion
- Further increase the energy efficiency of our operations by 25%

1 We will give a full update of our integrated financial, social and environmental report on February 22
Philips investment proposition

“We believe that due to macro trends, the demand for healthcare, especially outside the hospital, healthy lifestyle and high quality, energy efficient lighting will grow by 6% per annum and will yield double digit EBITA margins.

We have therefore centered our portfolio on the leading businesses in these markets. We have consequently divested our portfolio of semiconductor and electronic components related businesses, including participations, and reinvested half the proceeds in acquiring further leading businesses in these target markets, with Genlyte and Respironics as the most important proof-points; the other half of the proceeds was used to return cash to shareholders while retaining a strong balance sheet.”
1. Philips Strategy and Investment Proposition

2. Group results Q4 2009 and annual results 2009

3. Healthcare, Consumer Lifestyle and Lighting
**PHILIPS**

**Headlines in Quarter 4**

- Strongly improved performance across all sectors
- Comparable sales on par with Q4 2008; sales in emerging markets up 8%
- EBITA improves to 9.1% of sales; adjusted EBITA of 12.3% at record level
- Operating cash flow of EUR 1.4 billion, once adjusted for legal settlement in North America
- Net income of EUR 260 million, driven by strong improvement in operational earnings and significantly lower charges
- Proposed dividend maintained at EUR 0.70 per share
### Key Financials Summary – Q4 2009 and FY 2009

**EUR million**

<table>
<thead>
<tr>
<th></th>
<th>Q4 2008</th>
<th>Q4 2009</th>
<th>FY 2008</th>
<th>FY 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sales</strong></td>
<td>7,623</td>
<td>7,263</td>
<td>26,385</td>
<td>23,189</td>
</tr>
<tr>
<td><strong>EBITA</strong></td>
<td>26</td>
<td>662</td>
<td>744</td>
<td>1,050</td>
</tr>
<tr>
<td><strong>Financial income and expenses</strong></td>
<td>(705)</td>
<td>(78)</td>
<td>88</td>
<td>(166)</td>
</tr>
<tr>
<td><strong>Income tax</strong></td>
<td>(117)</td>
<td>(230)</td>
<td>(256)</td>
<td>(100)</td>
</tr>
<tr>
<td><strong>Net income (loss)</strong></td>
<td>(1,179)</td>
<td>260</td>
<td>(92)</td>
<td>424</td>
</tr>
<tr>
<td><strong>Net Operating Capital</strong></td>
<td>14,069</td>
<td>12,649</td>
<td>14,069</td>
<td>12,649</td>
</tr>
<tr>
<td><strong>Net cash from operating activities</strong></td>
<td>1,761</td>
<td>935</td>
<td>1,648</td>
<td>1,545</td>
</tr>
<tr>
<td><strong>Net capital expenditures</strong></td>
<td>(294)</td>
<td>(209)</td>
<td>(875)</td>
<td>(682)</td>
</tr>
<tr>
<td><strong>Free cash flow</strong></td>
<td>1,467</td>
<td>726</td>
<td>773</td>
<td>863</td>
</tr>
</tbody>
</table>

1 - 4Q09 includes on balance EUR (232)M of gains and charges while 4Q08 included in total EUR (419)M gains and charges
2 - 2009 includes on balance EUR (423)M of gains and charges while 2008 included in total EUR (818)M gains and charges
3 - 4Q09 includes a negative amount of EUR (15)M relating to TPV option fair-value adjustment while 4Q08 included a positive amount of EUR 6M for TPV option fair-value adjustment and in total EUR (629)M impairment losses related to NXP, LG Display, Pace Micro Technology and Toppoly.
<table>
<thead>
<tr>
<th>Sector</th>
<th>Q4 2008</th>
<th>Q4 2009</th>
<th>Sales growth composition (in %)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Nom</td>
</tr>
<tr>
<td>Healthcare</td>
<td>2,569</td>
<td>2,405</td>
<td>(6)</td>
</tr>
<tr>
<td>Consumer Lifestyle</td>
<td>2,989</td>
<td>2,903</td>
<td>(3)</td>
</tr>
<tr>
<td>Lighting</td>
<td>1,939</td>
<td>1,846</td>
<td>(5)</td>
</tr>
<tr>
<td>GM&amp;S</td>
<td>126</td>
<td>109</td>
<td>(13)</td>
</tr>
<tr>
<td>Group sales</td>
<td>7,623</td>
<td>7,263</td>
<td>(5)</td>
</tr>
</tbody>
</table>
### Sales by sector – Full Year 2009

*EUR million*

<table>
<thead>
<tr>
<th>Sector</th>
<th>FY 2008</th>
<th>FY 2009</th>
<th>Sales growth composition (in %)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Nom</td>
<td>currency</td>
<td>portfolio</td>
</tr>
<tr>
<td>Healthcare</td>
<td>7,649</td>
<td>7,839</td>
<td>2</td>
</tr>
<tr>
<td>Consumer Lifestyle</td>
<td>10,889</td>
<td>8,467</td>
<td>(22)</td>
</tr>
<tr>
<td>Lighting</td>
<td>7,362</td>
<td>6,546</td>
<td>(11)</td>
</tr>
<tr>
<td>GM&amp;S</td>
<td>485</td>
<td>337</td>
<td>(30)</td>
</tr>
<tr>
<td>Group sales</td>
<td>26,385</td>
<td>23,189</td>
<td>(12)</td>
</tr>
</tbody>
</table>
Sales Growth and EBITA Margin Development

Comparable sales growth and EBITA%

<table>
<thead>
<tr>
<th></th>
<th>Healthcare</th>
<th>Consumer Lifestyle</th>
<th>Lighting</th>
<th>Group</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Comparable sales growth</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>0.9%</td>
<td>(0.8)%</td>
<td></td>
<td>(0.1)%</td>
</tr>
<tr>
<td>2008</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>18.8%</td>
<td>9.2%</td>
<td>4.4%</td>
<td>9.1%</td>
</tr>
</tbody>
</table>

21
## Sales by market cluster – Q4 2009

**EUR million**

<table>
<thead>
<tr>
<th>Market Cluster</th>
<th>Q4 2008</th>
<th>Q4 2009</th>
<th>% nom</th>
<th>% comp</th>
</tr>
</thead>
<tbody>
<tr>
<td>Western Europe</td>
<td>2,834</td>
<td>2,832</td>
<td>(0)</td>
<td>0</td>
</tr>
<tr>
<td>North America</td>
<td>2,178</td>
<td>1,794</td>
<td>(18)</td>
<td>(10)</td>
</tr>
<tr>
<td>Other mature markets</td>
<td>370</td>
<td>416</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>Emerging markets</td>
<td>2,241</td>
<td>2,221</td>
<td>(1)</td>
<td>8</td>
</tr>
<tr>
<td><strong>Group sales</strong></td>
<td>7,623</td>
<td>7,263</td>
<td>(5)</td>
<td>0</td>
</tr>
</tbody>
</table>
Emerging Markets Sales: trend through Q4 2009

Sales growth in emerging markets

<table>
<thead>
<tr>
<th>Year</th>
<th>Healthcare</th>
<th>Consumer Lifestyle</th>
<th>Lighting</th>
<th>Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Comparable sales growth in Emerging markets

<table>
<thead>
<tr>
<th>Year</th>
<th>Healthcare</th>
<th>Consumer Lifestyle</th>
<th>Lighting</th>
<th>Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Emerging Markets – Q4 2009 and FY 2009

Sales in emerging markets

Last twelve months

- Healthcare: 34%
- Consumer Lifestyle: 37%
- Lighting: 18%
- Philips Group: 30% Emerging, 70% Mature

Q4 2009

- Healthcare: 22%
- Consumer Lifestyle: 35%
- Lighting: 35%
- Philips Group: 31% Emerging, 69% Mature
### EBITA by sector – Q4 2009

**EUR million**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Q4 2008</th>
<th>Q4 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Healthcare</td>
<td>343^1</td>
<td>452^1</td>
</tr>
<tr>
<td>Consumer Lifestyle</td>
<td>(36)^2</td>
<td>266^2</td>
</tr>
<tr>
<td><strong>of which Television</strong></td>
<td>(154)</td>
<td>29</td>
</tr>
<tr>
<td>Lighting</td>
<td>(115)^3</td>
<td>82</td>
</tr>
<tr>
<td>GM&amp;S</td>
<td>(166)^4</td>
<td>(138)^4</td>
</tr>
<tr>
<td>Philips Group</td>
<td>26</td>
<td>662</td>
</tr>
<tr>
<td>as % of sales</td>
<td>0.3%</td>
<td>9.1%</td>
</tr>
</tbody>
</table>

1 - 4Q09 includes EUR (27)M of restructuring and acquisition-related charges; 4Q08 included on balance EUR (82)M charges
2 - 4Q09 includes EUR (64)M of restructuring and acquisition-related charges; 4Q08 included on balance EUR (82)M charges and a EUR 2M gain on the sale of our Set-Top Box activity
3 - 4Q09 includes EUR (103)M of restructuring and acquisition-related charges; 4Q08 included EUR (226)M charges
4 - 4Q09 includes EUR (36)M restructuring, EUR (46)M of incidental assets write-offs, including EUR (26)M for Corporate Investments and a EUR 44M gain from post-retirement benefit curtailment; 4Q08 included EUR (31)M restructuring charges
Adjusted EBITA Development: Q4 2009 and FY 2009

EUR million

**Adjusted EBITA & Adjusted EBITA%**  - Q4 2009

<table>
<thead>
<tr>
<th>Healthcare</th>
<th>Consumer Lifestyle</th>
<th>Lighting</th>
<th>Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>16.5%</td>
<td>19.9%</td>
<td>11.4%</td>
<td>5.8%</td>
</tr>
<tr>
<td>4Q08</td>
<td>4Q09</td>
<td>4Q08</td>
<td>4Q09</td>
</tr>
</tbody>
</table>

**Adjusted EBITA & Adjusted EBITA%**  - FY 2009

<table>
<thead>
<tr>
<th>Healthcare</th>
<th>Consumer Lifestyle</th>
<th>Lighting</th>
<th>Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>12.4%</td>
<td>12.2%</td>
<td>6.2%</td>
<td>5.9%</td>
</tr>
<tr>
<td>2008</td>
<td>2009</td>
<td>2008</td>
<td>2009</td>
</tr>
</tbody>
</table>

1 - Net adjustment based on the following incidentals (in EUR million)

Q4 2009: (82) (27) (80) (64) (226) (103) (419) (232)
FY 2009: (108) (106) (156) (183) (290) (247) (818) (423)
A more resilient company in much tougher times

**Previous crisis**
Numbers in %

**Current crisis**
Numbers in %

1. Real GDP growth; Source: EIU
2. Comparable sales growth, quarter on quarter
3. EBITA excluding restructuring, acquisition-related and other charges
Fixed costs are structurally being reduced

In view of macro-economic developments, Philips accelerated their planned initiatives to further increase organizational effectiveness and to lower fixed cost by streamlining operations and simplifying the structure.

Our restructuring plans announced since 2008 will lead to a reduction in our 2010 fixed cost base of well over EUR 700 million compared to the run rate in 2008. The expected restructuring costs for full year 2010 amount to EUR 150-250 million.

<table>
<thead>
<tr>
<th>Restructuring</th>
<th>Cost¹</th>
<th>Cash out</th>
<th>Benefit² compared to 2008 baseline</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>EUR million</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY2008</td>
<td>4Q09</td>
<td>FY2009</td>
<td>1Q10E</td>
</tr>
<tr>
<td>Healthcare</td>
<td>(63)</td>
<td>(10)</td>
<td>(43)</td>
</tr>
<tr>
<td>Consumer Lifestyle</td>
<td>(198)</td>
<td>(54)</td>
<td>(120)</td>
</tr>
<tr>
<td>Lighting</td>
<td>(245)</td>
<td>(96)</td>
<td>(225)</td>
</tr>
<tr>
<td>GM&amp;S</td>
<td>(31)</td>
<td>(36)</td>
<td>(62)</td>
</tr>
<tr>
<td>TOTAL</td>
<td>(537)</td>
<td>(196)</td>
<td>(450)</td>
</tr>
</tbody>
</table>

¹ These numbers exclude acquisition-related charges of EUR 130M for FY2008 and EUR 101M for FY2009
² For 2009 actual benefit realized per quarter see slide 72
# Cash Flow from continuing operations – Q4 2009

**EUR million**

<table>
<thead>
<tr>
<th></th>
<th>Q4 2008</th>
<th>Q4 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income from continuing operations</td>
<td>(1,172)</td>
<td>251</td>
</tr>
<tr>
<td>Depreciation / amortization / impairments</td>
<td>1,435</td>
<td>435</td>
</tr>
<tr>
<td>Net gain on sale of assets</td>
<td>33</td>
<td>(13)</td>
</tr>
<tr>
<td>Changes in Working Capital, of which:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- changes in Net inventories</td>
<td>740</td>
<td>540</td>
</tr>
<tr>
<td>- changes in Accounts receivable</td>
<td>646</td>
<td>365</td>
</tr>
<tr>
<td>- changes in Accounts payable</td>
<td>76</td>
<td>(299)</td>
</tr>
<tr>
<td>Other</td>
<td>3</td>
<td>(344)</td>
</tr>
<tr>
<td><strong>Cash flow from operations</strong></td>
<td>1,761</td>
<td>935</td>
</tr>
<tr>
<td>Expenditures on development assets</td>
<td>(17)</td>
<td>(59)</td>
</tr>
<tr>
<td>Gross capital investments</td>
<td>(256)</td>
<td>(151)</td>
</tr>
<tr>
<td>Acquisitions / divestments / other</td>
<td>(66)</td>
<td>72</td>
</tr>
<tr>
<td><strong>Cash flow before financing activities</strong></td>
<td>1,422</td>
<td>797</td>
</tr>
</tbody>
</table>
Continued strict cash flow management

*Structural reduction in working capital turns*

---

Working Capital of Healthcare, Consumer Lifestyle and Lighting; excluding central sector GM&S

---
Major items impacting cash flow in 2009

**EUR million**

- **Proceeds LG Display & Pace**: 704
- **Dividend distribution**: (634)
- **Asbestos**: (485)<sup>1</sup>
- **Restructuring**: (323)
- **Acquisitions**: (300)
- **Sale of remaining stakes**: 98

<sup>1</sup> Working Funding of the asbestos personal injury trust of USD 900M (EUR 599M at ECB fixing of November 30: 1.5023) occurred on November 30th 2009. Insurance recoveries in 2009 amounted to EUR 114M leading to a net cash out of EUR 485M.
# Main remaining financial assets

**EUR million**

<table>
<thead>
<tr>
<th>Financial assets</th>
<th>Participation</th>
<th>Book Value</th>
<th>Value Dec- 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>TPV Convertible</td>
<td></td>
<td>170</td>
<td>170</td>
</tr>
<tr>
<td>TPV Share</td>
<td>12.4%</td>
<td>119</td>
<td>113</td>
</tr>
<tr>
<td>NXP</td>
<td>19.8%</td>
<td>207</td>
<td>207</td>
</tr>
<tr>
<td>CBay convertible note</td>
<td></td>
<td>63</td>
<td>63</td>
</tr>
<tr>
<td>TCL</td>
<td>6.3%</td>
<td>27(^1)</td>
<td>85</td>
</tr>
<tr>
<td>TPO</td>
<td>16.1%</td>
<td>29(^1)</td>
<td>81</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>615</strong></td>
<td><strong>719</strong></td>
</tr>
</tbody>
</table>

\(^1\) Acquisition value of available for sale securities
First long-term debt maturing as of 2011

Debt maturity profile as of December 2009
Amounts in EUR millions

Characteristics of long-term debt
- Maturities up to 2038
- Average tenor of long-term debt is 9.5 years
- No financial covenants

Undrawn committed facilities
Long-term debt
Short-term debt

Short term debt consists mainly of local credit facilities that are being rolled forward on a continuous basis.
We ended 2009 with a strong liquidity position

*Structural improvements in asset management position as well for the future*

Amounts in EUR billions

- Cash balance Dec 2009: 4.4
- Committed stand-by: 1.9
- Total liquidity: 6.3

*Excluding uncommitted credit lines*
“Our aim is to sustainably grow our dividend over time. Philips’ present dividend policy is based on an annual pay-out ratio of 40 to 50% of continuing net income.”

1 Elective dividend, proposal subject to approval in the General Shareholders Meeting on March 25th, 2010
## Philips Pensions Plans: Full Year Update

**EUR million**

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2008</th>
<th>June 30, 2009</th>
<th>December 31, 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Funded Status</strong></td>
<td><strong>Balance sheet position</strong></td>
<td><strong>Balance sheet position</strong></td>
<td><strong>Balance sheet position</strong></td>
</tr>
<tr>
<td>Netherlands Pre-paid pension asset</td>
<td>2,619</td>
<td>1,837</td>
<td>1,549</td>
</tr>
<tr>
<td>Other major plans</td>
<td>(1,373)</td>
<td>(1,373)</td>
<td>(1,926)</td>
</tr>
<tr>
<td>Net balance sheet position major plans</td>
<td>464</td>
<td>(1,926)</td>
<td>(206)</td>
</tr>
<tr>
<td>Funded status minor plans</td>
<td>(301)</td>
<td>(199)</td>
<td></td>
</tr>
<tr>
<td><strong>Net balance sheet position</strong></td>
<td><strong>163</strong></td>
<td><strong>(2,125)</strong></td>
<td><strong>(544)</strong></td>
</tr>
</tbody>
</table>

• The amount of prepaid pension asset is an estimate of the future benefits from pension fund surpluses
• Prepaid pension asset was zero in Q2, 2009 due to decrease in pension assets and the movements of key assumptions i.e. inflation and expected returns on plan assets
• Based on the funded status of the Netherlands’ plan as at December 31\textsuperscript{st}, 2009 a prepaid pension asset is again being recognized in the net balance sheet and directly recorded in equity
## 2009 acquisitions at a glance

### Healthcare

<table>
<thead>
<tr>
<th>Date</th>
<th>Company</th>
<th>Sector</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>May-2009</td>
<td>Traxter</td>
<td>Clinical Care Systems</td>
<td>Become one of the leading solution providers for image guided medical procedures</td>
</tr>
<tr>
<td>Jul-2009</td>
<td>InnerCool</td>
<td>Clinical Care Systems</td>
<td>Broaden offering in emergency care by adding body temperature management</td>
</tr>
</tbody>
</table>

### Consumer Lifestyle

<table>
<thead>
<tr>
<th>Date</th>
<th>Company</th>
<th>Sector</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jul-2009</td>
<td>Saeco</td>
<td>Domestic Appliances</td>
<td>Expand in high-growth, high-margin espresso market with strong products range</td>
</tr>
</tbody>
</table>

### Lighting

<table>
<thead>
<tr>
<th>Date</th>
<th>Company</th>
<th>Sector</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Feb-2009</td>
<td>Iti Luce</td>
<td>Professional Luminaires</td>
<td>Enhance ability to offer unique indoor architectural lighting solutions</td>
</tr>
<tr>
<td>Mar-2009</td>
<td>Dynalite</td>
<td>Lighting Electronics</td>
<td>Provide further offering in lighting control systems for integral energy management</td>
</tr>
<tr>
<td>Apr-2009</td>
<td>Selecon</td>
<td>Professional Luminaires</td>
<td>Strengthen the breadth of solutions in the theatrical and architectural market</td>
</tr>
<tr>
<td>Jul-2009</td>
<td>Teletrol</td>
<td>Lighting Electronics</td>
<td>Adds to portfolio of intelligent light and energy management solutions</td>
</tr>
</tbody>
</table>
## Management agenda 2009

### Staying the course

<table>
<thead>
<tr>
<th>Drive performance</th>
<th>Accelerate change</th>
<th>Implement strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relentlessly manage cash through the year</td>
<td>Organize around customers and markets thereby improving Net Promoter Score</td>
<td>Further build the Brand in the Health and Well-being space</td>
</tr>
<tr>
<td>Proactively align cost structure with market conditions and increase productivity</td>
<td>Increase Employee Engagement to high performance level and implement “Leading to Win”</td>
<td>Continue to re-allocate resources to growth opportunities and emerging markets, including selective M&amp;A</td>
</tr>
<tr>
<td>Manage risks and opportunities in a balanced way to strengthen our market positions</td>
<td>Accelerate sector transformation programs</td>
<td>Increase revenue derived from leadership positions</td>
</tr>
</tbody>
</table>

**Our 3 key financial performance metrics:** Revenue, EBITA, Free Cash Flow

**Our 3 non-financial performance metrics:** Net Promoter Score, Employee Engagement, Productivity
Management agenda 2010

The leading company in Health and Well-being

<table>
<thead>
<tr>
<th>Drive performance</th>
<th>Accelerate change</th>
<th>Implement strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Drive top-line growth and market share</td>
<td>Increase customer centricity by empowering local markets and customer facing staff</td>
<td>Increase our market position in emerging markets</td>
</tr>
<tr>
<td>Continue to reduce costs and improve cost agility</td>
<td>Increase number of businesses with NPS co/leadership positions</td>
<td>Drive key strategy initiatives for each sector</td>
</tr>
<tr>
<td>Further increase cash flow by managing cash aggressively</td>
<td>Increase employee engagement to high performance level</td>
<td>• Move towards leadership position in imaging</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Grow Home Healthcare</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Grow Health and Wellness</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Manage TV to profitability</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Become lighting solutions leader in outdoor</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Grow consumer luminaires</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Optimize lamps lifecycle</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Leverage Sustainability as an integral part of our strategy</td>
</tr>
</tbody>
</table>

Our 3 key financial performance metrics: Revenue, EBITA, Free Cash Flow
Our 3 non-financial performance metrics: Net Promoter Score, Employee Engagement, Productivity
1. Philips Strategy and Investment Proposition

2. Group results Q4 2009 and annual results 2009

3. Healthcare, Consumer Lifestyle and Lighting
Our focused Health & Well-being portfolio: Healthcare, Consumer Lifestyle and Lighting

*Full Year 2009*

### Sales

100% = EUR 22.9B

- Healthcare: 34%
- Consumer Lifestyle: 37%
- Lighting: 29%

### Adjusted EBITA

100% = EUR 1.9B

- Healthcare: 51%
- Consumer Lifestyle: 28%
- Lighting: 21%

### Net Operating Capital

100% = EUR 14.2B

- Consumer Lifestyle: 60%
- Lighting: 36%
- Healthcare: 4%

---

1 Excluding Central sector (GM&S)
2 EBITA adjustments based on the following charges; for Healthcare EUR 106M, for Consumer Lifestyle EUR 183M and for Lighting EUR 247M of charges are excluded.
The power of Healthcare

Further strengthening our global leadership

Total sales EUR 2.5 billion

1999

55%
26%
16%
3%

Total sales EUR 7.8 billion

2009

32%
26%
15%
14%
13%

Imaging
Customer service
Clinical care
Healthcare informatics and patient monitoring
Home healthcare solutions

Target margin 15-17%
Healthcare opportunities

Global trends
• Ageing population leading to a spike in chronic diseases
• Urbanization and rise of emerging markets leading to lifestyle changes, fueling cardiovascular illnesses and respiratory and sleeping disorders

Priorities
• Move towards leadership position in Imaging Systems:
  • New products addressing the needs of customers in all segments – such as breakthrough PET/CT system and value 16 slice CT scanner – well perceived
  • New Industrial Campus for Imaging Systems in China

• Grow our Home Healthcare business:
  • Recent launch of a new Philips Respironics sleep therapy product range
  • Philips Lifeline will introduce its next generation medical alert service in the first quarter of 2010
# Depth and reach of Philips Healthcare

*What we do. Where we are.*

## Philips Healthcare

<table>
<thead>
<tr>
<th>Businesses¹</th>
<th>Sales &amp; services geographies¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Imaging Systems</td>
<td>North America (48%)</td>
</tr>
<tr>
<td>Home Healthcare Solutions</td>
<td>International (34%)</td>
</tr>
<tr>
<td>Clinical Care Systems</td>
<td>Emerging Markets (18%)</td>
</tr>
<tr>
<td>Healthcare Informatics</td>
<td></td>
</tr>
<tr>
<td>Customer Services</td>
<td></td>
</tr>
</tbody>
</table>

- 32%
- 14%
- 15%
- 13%
- 26%

### Key Figures:

- **€7.8 Billion sales in 2009**
- **34,000+ People employed worldwide in 100 countries**
- **9% of sales invested in R&D in 2009**
- **450+ Products & services offered in over 100 countries**

¹ Full Year 2009
Healthcare: key financials over the last two years

EUR million

**Sales, Comparable sales growth and Adjusted EBITA%**

- **Sales**
- **Comp. Sales Growth**
- **Adjusted EBITA%**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>1Q08</th>
<th>2Q08</th>
<th>3Q08</th>
<th>4Q08</th>
<th>1Q09</th>
<th>2Q09</th>
<th>3Q09</th>
<th>4Q09</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
</tr>
<tr>
<td>Comp. Sales Growth</td>
<td>10%</td>
<td>10%</td>
<td>10%</td>
<td>10%</td>
<td>10%</td>
<td>10%</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>Adjusted EBITA%</td>
<td>30%</td>
<td>30%</td>
<td>30%</td>
<td>30%</td>
<td>30%</td>
<td>30%</td>
<td>30%</td>
<td>30%</td>
</tr>
</tbody>
</table>

**Working capital as % of sales**

- **Working capital**
- **Working capital as % of LTM sales**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>1Q08</th>
<th>2Q08</th>
<th>3Q08</th>
<th>4Q08</th>
<th>1Q09</th>
<th>2Q09</th>
<th>3Q09</th>
<th>4Q09</th>
</tr>
</thead>
<tbody>
<tr>
<td>Working capital</td>
<td>1,200</td>
<td>1,200</td>
<td>1,200</td>
<td>1,200</td>
<td>1,200</td>
<td>1,200</td>
<td>1,200</td>
<td>1,200</td>
</tr>
<tr>
<td>Working capital as % of LTM sales</td>
<td>16%</td>
<td>16%</td>
<td>16%</td>
<td>16%</td>
<td>16%</td>
<td>16%</td>
<td>16%</td>
<td>16%</td>
</tr>
</tbody>
</table>

1 Adjusted EBITA is EBITA corrected for incidental charges (details on slide 71)
Healthcare: Q4 2009 Sector analysis

**EUR million**

### Key figures

<table>
<thead>
<tr>
<th></th>
<th>4Q08</th>
<th>4Q09</th>
<th>FY2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>2,569</td>
<td>2,405</td>
<td>7,839</td>
</tr>
<tr>
<td>% sales growth comp.</td>
<td>9</td>
<td>(1)</td>
<td>(3)</td>
</tr>
<tr>
<td>EBITA</td>
<td>343</td>
<td>452</td>
<td>848</td>
</tr>
<tr>
<td>EBITA as % of sales</td>
<td>13.4</td>
<td>18.8</td>
<td>10.8</td>
</tr>
<tr>
<td>EBIT</td>
<td>279</td>
<td>392</td>
<td>591</td>
</tr>
<tr>
<td>EBIT as % of sales</td>
<td>10.9</td>
<td>16.3</td>
<td>7.5</td>
</tr>
<tr>
<td>NOC</td>
<td>8,785</td>
<td>8,434</td>
<td>8,434</td>
</tr>
<tr>
<td>Employees (FTEs)</td>
<td>35,551</td>
<td>34,296</td>
<td>34,296</td>
</tr>
</tbody>
</table>

### Financial performance

- Currency-comparable equipment order intake increased 7% year-on-year, with improvements across all businesses. Higher orders at Imaging Systems, Clinical Care Systems and Healthcare Informatics were driven by strong intake in international markets. Growth in international markets was driven by both emerging and mature markets. North American market declines were less severe than in prior quarters.
- Comparable sales were 1% lower year-on-year. Sales growth at Home Healthcare Solutions and Customer Services was offset by declines at Imaging Systems and Patient Monitoring. Comparable sales in international markets rose, mainly in emerging markets; sales decreased in North America.
- EBITA amounted to EUR 479 million, or 20% of sales, excluding EUR 27 million of restructuring and acquisition-related charges. The comparable figure in Q4 2008, excluding EUR 82 million restructuring and acquisition-related charges, was EUR 425 million, or 16.5% of sales. EBITA improved across all businesses, notably at Imaging Systems, mainly driven by strict cost management and ongoing improvements in higher-margin businesses like Customer Services and Home Healthcare Solutions.

### Sales per region

#### 4Q09

- Latin America: 6%
- Europe/Africa: 32%
- North America: 41%
- Asia Pacific: 21%
- Emerging: 22%

### Looking ahead

- Philips Lifeline will introduce its next-generation medical alert service in the first quarter of 2010. Reflecting Philips’ commitment to support independent living for seniors and the chronically ill, the enhanced service will provide even greater benefits for those seeking to age in place.
- No material restructuring or acquisition-related charges are expected in Q1 2010.
Currency adjusted order intake only relates to the Imaging Systems, Clinical Care Systems and Healthcare Informatics/Patient Monitoring businesses which account for approximately 60% of the Healthcare portfolio.
Legislative actions and recent economic turmoil combine to impact healthcare market over time.

¹ 2009 market growth is a preliminary figure
The power of Consumer Lifestyle

Focusing on differentiating profitable businesses

Total sales EUR 9.5 billion

1999

8% Domestic appliances
10% Shaving & beauty
53% Health & wellness
1% Television
1% Audio & video multimedia

2009

37% Domestic appliances
14% Shaving & beauty
4% Health & wellness
11% Television
13% Audio & video multimedia
14% Peripherals & accessories
6% Other incl. Licenses

Target margin 8-10%

Total sales EUR 8.5 billion

1999

1% Domestic appliances
8% Shaving & beauty
28% Health & wellness
53% Television
2% Audio & video multimedia

2009

15% Domestic appliances
14% Shaving & beauty
11% Health & wellness
15% Television
4% Audio & video multimedia
14% Peripherals & accessories
6% Other incl. Licenses

Target margin 8-10%
Global trends
• Consumers are increasingly focused on their Health and Well-being
• The already substantial middle and upper income segments of Emerging Markets are growing fast
• Back to basics: consumers want simple propositions from trusted brands

Priorities
• Accelerate growth in four defined value spaces: Healthy Life; Personal Care; Home Living; Interactive living
• Maximize Health and Wellness opportunity
• Invest and prioritize Asia-first innovations for local and global markets
• Improve market shares in BRIC and key markets
• Manage TV to profitability for the year
**Consumer Lifestyle**
*What we do. Where we are.*

<table>
<thead>
<tr>
<th>Philips Consumer Lifestyle</th>
<th>Businesses¹ ²</th>
<th>Geographies¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shaving &amp; Beauty</td>
<td>13%</td>
<td>Mature Markets 63%</td>
</tr>
<tr>
<td>Health &amp; Wellness</td>
<td>6%</td>
<td>Emerging Markets 37%</td>
</tr>
<tr>
<td>Domestic Appliances</td>
<td>15%</td>
<td></td>
</tr>
<tr>
<td>Television</td>
<td>37%</td>
<td></td>
</tr>
<tr>
<td>Audio Video Multimedia</td>
<td>14%</td>
<td></td>
</tr>
<tr>
<td>Peripherals &amp; Accessories</td>
<td>11%</td>
<td></td>
</tr>
</tbody>
</table>

| Billion sales in 2009     | €8.5          |
| People employed worldwide | 18,000+       |
| 5% of sales invested in R&D in 2009 | €0.4 Billion negative NOC for TV end 2009 |

¹ Full Year 2009  
² Other category (4%) is mainly license income and is omitted from this overview
Consumer Lifestyle: key financials over the last two years

EUR million

### Sales, Comparable sales growth and Adjusted EBITA%

- **Sales**
- **Comp. Sales Growth**
- **Adjusted EBITA%**

![Graph showing sales, comparable sales growth, and adjusted EBITA%](image)

- **Working capital**
- **Working capital as % of LTM sales**

![Graph showing working capital and its percentage of LTM sales](image)

---

1 Adjusted EBITA is EBITA corrected for incidental charges (details on slide 71)
Consumer Lifestyle: Q4 2009 Sector analysis

EUR million

Key figures

<table>
<thead>
<tr>
<th></th>
<th>4Q08</th>
<th>4Q09</th>
<th>FY2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>2,989</td>
<td>2,903</td>
<td>8,467</td>
</tr>
<tr>
<td>% sales growth comp.</td>
<td>(25)</td>
<td>1</td>
<td>(17)</td>
</tr>
<tr>
<td>EBITA</td>
<td>(36)</td>
<td>266</td>
<td>339</td>
</tr>
<tr>
<td>EBITA as % of sales</td>
<td>(1.2)</td>
<td>9.2</td>
<td>4.0</td>
</tr>
<tr>
<td>EBIT</td>
<td>(40)</td>
<td>260</td>
<td>321</td>
</tr>
<tr>
<td>EBIT as % of sales</td>
<td>(1.3)</td>
<td>9.0</td>
<td>3.8</td>
</tr>
<tr>
<td>NOC</td>
<td>798</td>
<td>625</td>
<td>625</td>
</tr>
<tr>
<td>Employees (FTEs)</td>
<td>17,145</td>
<td>18,389</td>
<td>18,389</td>
</tr>
</tbody>
</table>

Sales per region 4Q09 Emerging markets

<table>
<thead>
<tr>
<th>Region</th>
<th>Sales 4Q09</th>
<th>Emerging</th>
</tr>
</thead>
<tbody>
<tr>
<td>Latin America</td>
<td>11%</td>
<td></td>
</tr>
<tr>
<td>North America</td>
<td>12%</td>
<td></td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>14%</td>
<td>63%</td>
</tr>
<tr>
<td>Europe/Africa</td>
<td>63%</td>
<td></td>
</tr>
<tr>
<td>Mature</td>
<td>35%</td>
<td></td>
</tr>
<tr>
<td>Emerging</td>
<td></td>
<td>35%</td>
</tr>
</tbody>
</table>

Financial performance

- Comparable sales grew 1% year-on-year, following double-digit declines in the first three quarters of the year. The growth was driven by Television, H&W, Shaving & Beauty and Domestic Appliances. Saeco sales were slightly ahead of plan. While low single-digit sales growth was achieved in emerging markets, this was largely offset by lower sales in North America; sales in Europe were flat.
- EBITA profitability for the sector improved to 9.2% of sales compared to -1.2% in Q4 2008. Adjusted EBITA, excluding restructuring and acquisition-related charges, increased from 1.5% in Q4 2008 to 11.4%. Television was profitable for the first time in 2009, driven by 7% comparable sales growth, a higher Ambilight share of sales, strict margin management and a reduction of the fixed cost base. Encouragingly, the non-Television product portfolio reached an adjusted EBITA margin of 16.3%, up from 8.4% in 2008.
- Net operating capital declined by EUR 173 million year-on-year, primarily due to managed reductions in working capital, notably inventories and accounts receivable.
- Headcount increased by 1,244 due to the acquisition of Saeco.

Looking ahead

- After successfully launching in France, Philips AVENT will further roll out its Combined Steamer and Blender. A breakthrough innovation in the toddler food preparation segment, it is the only product in the market that allows parents to prepare healthy, delicious meals in a simple and quick way.
- In a step to further enable consumers to customize products before purchase, Philips will launch an online customization service for its Senseo coffee machine. When buying their appliance, consumers will be able to choose from a wide range of colors and patterns to create a unique look to match their personal style.
- No material restr. or acq.-related charges are expected in Q1 2010.
Television within Philips

Total sales EUR 23.7 billion\(^1\)

- 27%
- 28%
- 20%
- 25%

2005

Total sales EUR 22.9 billion\(^1\)

- 34%
- 29%
- 14%
- 23%

2009

1 Sales in sectors which are still in portfolio, excluding central sector (GM&S)
2 Adjusted EBITA is EBITA corrected for restructuring charges (details on slide 71)
The power of Lighting

Focusing on differentiating profitable businesses

Total sales EUR 4.5 billion

Total sales EUR 6.5 billion

Target margin 12-14%
Lighting opportunities

Global trends
• Ongoing urbanization and globalization
• Increasing need for energy efficient solutions
• Fast growing global illumination market, partly driven by expanding renovation market
• Rapid adoption of LED-based lighting solutions worldwide

Priorities
• Launch new professional solutions with specific emphasis on being a leader in professional outdoor lighting solutions
• Substantially grow home lighting solutions business for consumers
• Develop and market new forms of versatile and energy efficient LED innovations
• Maximize the profitability of our conventional lighting business
We increase our focus towards the people we serve

*Further strengthening our global leadership in Lighting*

<table>
<thead>
<tr>
<th>Philips Lighting</th>
<th>Customer Segments¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Homes</td>
<td>Offices</td>
</tr>
<tr>
<td>Outdoor</td>
<td>Industry</td>
</tr>
<tr>
<td>Retail</td>
<td>Hospitality</td>
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<tr>
<td>Entertainment</td>
<td>Healthcare</td>
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<td>Automotive</td>
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</table>

<table>
<thead>
<tr>
<th></th>
<th>25%</th>
<th>16%</th>
<th>17%</th>
<th>11%</th>
<th>13%</th>
<th>5%</th>
<th>2%</th>
<th>3%</th>
<th>7%</th>
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</thead>
</table>

**€6.5 Billion sales in 2009**

**51,000+ People employed worldwide in 60 countries**

**5% of sales invested in R&D in 2009**

**80,000+ Products & services offered in 2009**

¹ Indicative split
Lighting: key financials over the last two years

Sales, Comparable sales growth and Adjusted EBITA%

Sales Comp. Sales Growth Adjusted EBITA%¹

Working capital as % of sales

Working capital Working capital as % of LTM sales

¹ Adjusted EBITA is EBITA corrected for incidental charges (details on slide 71)
Lighting: Q4 2009 Sector analysis

EUR million

Key figures

<table>
<thead>
<tr>
<th></th>
<th>4Q08</th>
<th>4Q09</th>
<th>FY2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>1,939</td>
<td>1,846</td>
<td>6,546</td>
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<tr>
<td>% sales growth comp.</td>
<td>(3)</td>
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<tr>
<td>EBITA</td>
<td>(115)</td>
<td>82</td>
<td>145</td>
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<tr>
<td>EBITA as % of sales</td>
<td>(5.9)</td>
<td>4.4</td>
<td>2.2</td>
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<td>EBIT</td>
<td>(376)</td>
<td>41</td>
<td>(16)</td>
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<td>EBIT as % of sales</td>
<td>(19.4)</td>
<td>2.2</td>
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<td>NOC</td>
<td>5,712</td>
<td>5,104</td>
<td>5,104</td>
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<td>Employees (FTEs)</td>
<td>57,367</td>
<td>51,653</td>
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Sales per region

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<th>Region</th>
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<th>Emerging markets</th>
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<tbody>
<tr>
<td>Latin America</td>
<td>5%</td>
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<td>North America</td>
<td>25%</td>
<td>35%</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>26%</td>
<td>35%</td>
</tr>
<tr>
<td>Europe/Africa</td>
<td>44%</td>
<td>35%</td>
</tr>
</tbody>
</table>

Financial performance

- On a comparable basis, sales growth in emerging markets – particularly Asia and Latin America – was offset by a sales decline in North America; sales in Western Europe were flat. This quarter saw LED-based products exceed 10% of total sector sales for the first time.
- Spectacular sales growth was seen at Lumileds, while Automotive sales also grew strongly, driven by Asia and Western Europe. The Lamps business benefited from growth in sales of energy-efficient lamps driven in part by the phase-out of incandescent lamps. This sales growth was partly offset by moderate double-digit declines at Professional Luminaires, which is heavily dependent on the depressed commercial construction market.
- EBITA was EUR 197 million higher than in Q4 2008, largely driven by higher operational earnings in almost all businesses, primarily due to cost reduction measures, improved factory loading and EUR 123 million lower restructuring and acquisition-related charges. Excluding these items, EBITA amounted to 10% of sales, compared to 5.7% in Q4 2008.
- Net operating capital decreased by EUR 608 million to EUR 5.1 billion year-on-year, mainly driven by improved working capital management and lower capital investments.
- Headcount decreased by some 5,700 as a consequence of reduced manufacturing capacity and staff reductions.

Looking ahead

- Lighting will bring a range of new LED lamps and LED-powered professional and consumer luminaires to markets around the world.
- No material restructuring or acquisition-related charges are expected in Q1 2010.
Lighting: the world's #1 lighting company

<table>
<thead>
<tr>
<th></th>
<th>Europe</th>
<th>N. America</th>
<th>L. America</th>
<th>Asia¹</th>
<th>Total</th>
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<tbody>
<tr>
<td>Lamps</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td>Consumer Luminaires</td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>Professional Luminaires</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Lighting Electronics</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Automotive</td>
<td></td>
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<td></td>
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<td>Packaged LEDs</td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>Overall Lighting</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

¹ Excluding Japan
LED: the future of lighting

Expect exponential growth

The move to LED will increasingly drive growth in the general lighting market in the years ahead, notably in luminaires. LED also offers an opportunity to create additional value across the innovation chain.

Philips is the fastest and broadest player in both light sources and solutions offering LED lamps, LED luminaire solutions as well as a LED licensing program. Philips is currently the world’s largest power LED company. Leading company in illumination segments, leader in consumer mobile phone camera flash and automotive LED signaling.

LED sales as a percentage of Lighting sales was over 8% in 2009.

Total sales EUR 0.6 billion

Growth LED Lamps and Luminaires

1 - Indexed Growth, base 2006 = 100
Lighting: the general illumination market will grow over the next decade

2009 general illumination market overview

Total market size: 45-50 B€

Value (global, B€)

Applications: ~70% and growing

CAGR 2010 - 2020: 6 %

1 Overview excludes Automotive and Entertainment
Source: Philips Lighting
Lighting: solutions is the right business for the future

In line with evolving customer needs

As a customer, what I want is...

... To monitor and control the amount of efficient light at the right place at the right time

... An expert Lighting solutions company to manage and monitor my lighting installation for best performance

... Efficient light at a place

... The right amount of efficient light at the right place at the right time
Group Management & Services

Adding value to the businesses

Corporate Technologies
Philips Corporate Technologies encompasses Corporate Research, Intellectual Property & Standards (IP&S) and Applied Technologies

Corporate & Regional Costs
Corporate center; Countries & regions and Brand campaign expenditures

Pensions
Pension and other postretirement benefit costs mostly related to former Philips’ employees

Service Units and Other
Global service units; Shared service centers; Corporate Investments, New venture integration and Philips Design
### Sector analysis Q4 – Group Management & Services

**EUR million**

#### Key figures

<table>
<thead>
<tr>
<th></th>
<th>4Q08</th>
<th>4Q09</th>
<th>FY2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>126</td>
<td>109</td>
<td>337</td>
</tr>
<tr>
<td>% sales growth comp.</td>
<td>(44)</td>
<td>(11)</td>
<td>(30)</td>
</tr>
<tr>
<td>Corporate Technologies</td>
<td>(39)</td>
<td>(34)</td>
<td>(162)</td>
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<tr>
<td>Corporate &amp; Regional</td>
<td>(79)</td>
<td>(65)</td>
<td>(174)</td>
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<tr>
<td>Costs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pensions</td>
<td>12</td>
<td>51</td>
<td>142</td>
</tr>
<tr>
<td>Service Units and Other</td>
<td>(60)</td>
<td>(90)</td>
<td>(88)</td>
</tr>
<tr>
<td>EBITA</td>
<td>(166)</td>
<td>(138)</td>
<td>(282)</td>
</tr>
<tr>
<td>EBIT</td>
<td>(166)</td>
<td>(138)</td>
<td>(282)</td>
</tr>
<tr>
<td>NOC</td>
<td>(1,226)</td>
<td>(1,514)</td>
<td>(1,514)</td>
</tr>
<tr>
<td>Employees (FTEs)</td>
<td>11,335</td>
<td>11,586</td>
<td>11,586</td>
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</table>

#### Financial performance

- EBITA included a EUR 44 million release of a post-retirement benefit provision, offset by EUR 46 million of asset write-offs, including EUR 26 million for Corporate Investments.
- Earnings included EUR 36 million restructuring charges, mainly at Corporate Investments, Research and Design, compared to EUR 31 million in Q4 2008.
- Adjusted for these charges, the total net costs for Group Management & Services amounted to EUR 100 million, EUR 35 million less than in Q4 2008, primarily due to higher license income and lower overhead costs.
- Following US District Court affirmation of TH Agriculture & Nutrition’s (‘THAN’) plan of reorganization, Philips has funded an asbestos personal injury trust with USD 900 million (around EUR 600 million gross). With this payment, which was already provided for, Philips has settled its current and future THAN-related legal obligations for asbestos.

#### Looking ahead

- Compared to EUR 400 million in 2009, the normalized cost level of Group Management & Services is expected to total EUR 300 million for the full year 2010.
- In Q1 2010, total costs for the sector are foreseen at around EUR 90 million.

---

1 EUR 42M Brand Campaign costs moved from Service Units and Other to Corp. & Regional costs category (correction compared with original release)
PHILIPS

sense and simplicity
Appendix
<table>
<thead>
<tr>
<th>Sector</th>
<th>Capitalization</th>
<th>Amortization</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q4 2008</td>
<td>Q4 2009</td>
</tr>
<tr>
<td>Healthcare</td>
<td>17</td>
<td>18</td>
</tr>
<tr>
<td>Consumer Lifestyle</td>
<td>(3)</td>
<td>20</td>
</tr>
<tr>
<td>Lighting</td>
<td>1</td>
<td>19</td>
</tr>
<tr>
<td>GM&amp;S</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Group</td>
<td>17</td>
<td>59</td>
</tr>
</tbody>
</table>
### Fixed assets expenditures & Depreciation by sector

**EUR million**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Gross CapEx Q4 2008</th>
<th>Gross CapEx Q4 2009</th>
<th>Depreciation Q4 2008</th>
<th>Depreciation Q4 2009</th>
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</thead>
<tbody>
<tr>
<td>Healthcare</td>
<td>67</td>
<td>42</td>
<td>42</td>
<td>58</td>
</tr>
<tr>
<td>Consumer Lifestyle</td>
<td>52</td>
<td>34</td>
<td>48</td>
<td>40</td>
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<td>Lighting</td>
<td>75</td>
<td>50</td>
<td>148</td>
<td>99</td>
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<td>GM&amp;S</td>
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<td>25</td>
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<td>37</td>
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<td><strong>Group</strong></td>
<td><strong>256</strong></td>
<td><strong>151</strong></td>
<td><strong>267</strong></td>
<td><strong>234</strong></td>
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</table>

1 Excluding software related capital expenditures and depreciation
## Fixed assets expenditures & Depreciation by sector

*EUR million*

<table>
<thead>
<tr>
<th>Sector</th>
<th>Gross CapEx</th>
<th>2008</th>
<th>2009</th>
<th>Depreciation</th>
<th>2008</th>
<th>2009</th>
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<td>164</td>
<td>139</td>
<td>187</td>
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<tr>
<td>Consumer Lifestyle</td>
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<td>137</td>
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<td></td>
<td>305</td>
<td>165</td>
<td>329</td>
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<tr>
<td>GM&amp;S</td>
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<td>58</td>
<td>88</td>
<td>103</td>
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<td>Group</td>
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<td>770</td>
<td>524</td>
<td>726</td>
<td>746</td>
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1 Excluding software related capital expenditures and depreciation
# Restructuring, acquisition-related and other charges

**EUR million**

<table>
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<tr>
<th></th>
<th>1Q08</th>
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<th>3Q08</th>
<th>4Q08</th>
<th>2008</th>
<th>1Q09</th>
<th>2Q09</th>
<th>3Q09</th>
<th>4Q09</th>
<th>2009</th>
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<tbody>
<tr>
<td>Restructuring</td>
<td></td>
<td></td>
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<td></td>
<td>(63)</td>
<td></td>
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<tr>
<td>Other Incidentals</td>
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<td>45</td>
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<tr>
<td><strong>Healthcare</strong></td>
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<td>(70)</td>
<td>(46)</td>
<td>(82)</td>
<td>(198)</td>
<td></td>
<td>(13)</td>
<td>(30)</td>
<td>(23)</td>
<td>(54)</td>
<td>(120)</td>
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<tr>
<td><strong>of which TV</strong></td>
<td>(63)</td>
<td>(26)</td>
<td>(41)</td>
<td>(130)</td>
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<td>(6)</td>
<td>(28)</td>
<td>(22)</td>
<td>(5)</td>
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<td>Other Incidentals</td>
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<td>30</td>
<td>17</td>
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<td>(47)</td>
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<tr>
<td><strong>Consumer Lifestyle</strong></td>
<td></td>
<td></td>
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<td>(4)</td>
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<tr>
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<td>(259)</td>
<td>(233)</td>
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</tr>
<tr>
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<td>(259)</td>
<td>(233)</td>
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<td><strong>Grand Total</strong></td>
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<td>(284)</td>
<td>(419)</td>
<td>(818)</td>
<td>(77)</td>
<td>(75)</td>
<td>(38)</td>
<td>(232)</td>
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Note - 2008 numbers have been adjusted to IFRS / other incidentals are disclosed in quarterly published reports
Restructuring benefits 2009

*EUR million*

Our restructuring plans announced since 2008 will lead to a reduction in our 2010 fixed cost base of well over EUR 700 million compared to the run rate in 2008. The overview below provides the 2009 benefits per quarter compared to 2008 baseline.

<table>
<thead>
<tr>
<th></th>
<th>1Q09</th>
<th>2Q09</th>
<th>3Q09</th>
<th>4Q09</th>
<th>2009</th>
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<tr>
<td>Healthcare</td>
<td>17</td>
<td>23</td>
<td>28</td>
<td>37</td>
<td>105</td>
</tr>
<tr>
<td>Consumer Lifestyle</td>
<td>32</td>
<td>38</td>
<td>61</td>
<td>69</td>
<td>200</td>
</tr>
<tr>
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<td>10</td>
<td>15</td>
<td>25</td>
<td>32</td>
<td>82</td>
</tr>
<tr>
<td>GM&amp;S</td>
<td>5</td>
<td>5</td>
<td>6</td>
<td>15</td>
<td>31</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>64</strong></td>
<td><strong>81</strong></td>
<td><strong>120</strong></td>
<td><strong>153</strong></td>
<td><strong>418</strong></td>
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