

# staying focused acting decisively

Please note: this PDF contains only the pages highlighted in the list of contents below.  
The contents of this file are qualified in their entirety by reference to the printed version  
of the Philips Annual Report 2009.

The information on this PDF has been derived from the audited financial statements 2009  
of Koninklijke Philips Electronics N.V.

KPMG has issued unqualified auditors' reports on these financial statements.

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Grey text indicates parts not included in this selection from the Philips Annual Report 2009.

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## IFRS basis of presentation

Philips moved to International Financial Reporting Standards (IFRS) as its sole accounting standard from January 1, 2009 onwards. The use of US GAAP has been discontinued per the same date.

The financial information included in this document is based on IFRS, unless otherwise indicated.

## Forward-looking statements

Please refer to chapter 17, Forward-looking statements and other information, of this Annual Report for more information about forward-looking statements, third-party market share data, fair value information, IFRS basis of preparation, use of non-GAAP information, statutory financial statements and management report, and reclassifications.

## Dutch Financial Markets Supervision Act

This document comprises regulated information within the meaning of the Dutch Financial Markets Supervision Act (*Wet op het Financieel Toezicht*).

## Statutory financial statements and management report

The chapters Group financial statements and Company financial statements contain the statutory financial statements of the Company. The introduction to the chapter Group financial statements sets out which parts of this Annual Report form the management report within the meaning of Section 2:391 of the Dutch Civil Code (and related Decrees).

# Performance highlights

## Financial table

all amounts in millions of euros unless otherwise stated

	2007	2008	2009
Sales	26,793	26,385	23,189
EBITA <sup>1)</sup>	2,094	744	1,050
as a % of sales	7.8	2.8	4.5
EBIT	1,867	54	614
as a % of sales	7.0	0.2	2.6
Net income (loss)	4,880	(92)	424
per common share in euros			
- basic	4.49	(0.09)	0.46
- diluted	4.43	(0.09)	0.46
Net operating capital <sup>1)</sup>	10,802	14,069	12,649
Free cash flows <sup>1)</sup>	824	773	863
Stockholders' equity	21,741	15,544	14,595
Employees at December 31 <sup>2)</sup>	123,801	121,398	115,924

<sup>1)</sup> For a reconciliation to the most directly comparable GAAP measures, see the chapter Reconciliation of non-GAAP information

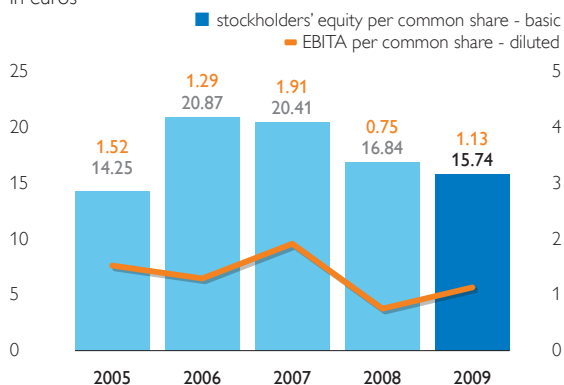
<sup>2)</sup> Includes discontinued operations 5,703 at December 31, 2007

<sup>3)</sup> Comprises of Western Europe, North America, Japan, Korea, Israel, Australia and New Zealand

<sup>4)</sup> Comprises of Asia Pacific (excluding Japan, Korea, Australia and New Zealand) Latin America, Central & Eastern Europe, Middle East (excluding Israel) and Africa

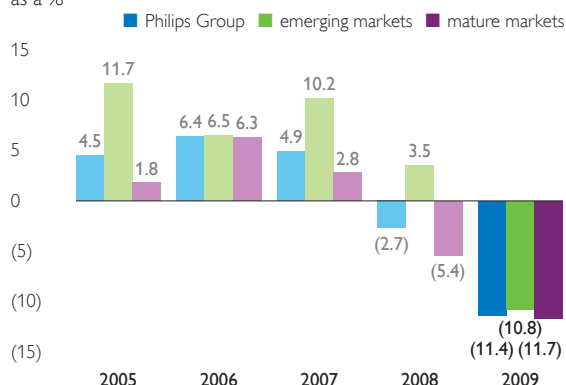
## Equity and EBITA per common share<sup>1)</sup>

in euros



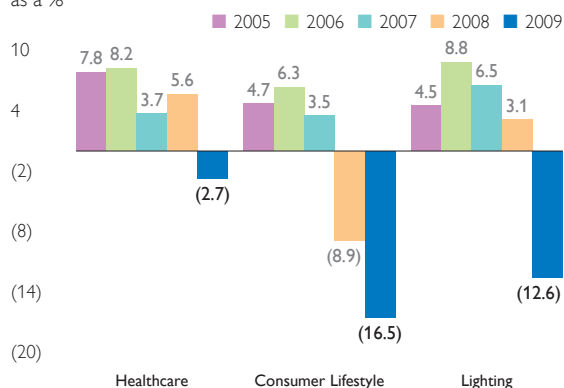
## Comparable sales growth by market cluster<sup>1)</sup>

as a %



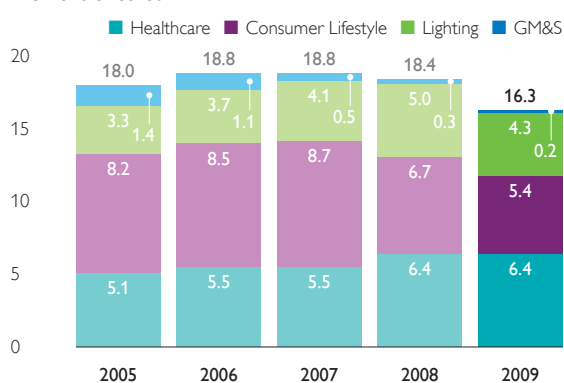
## Comparable sales growth by operating sector<sup>1)</sup>

as a %



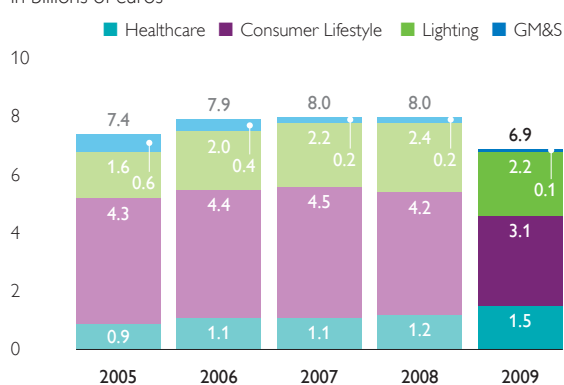
## Sales per sector in mature markets<sup>3)</sup>

in billions of euros



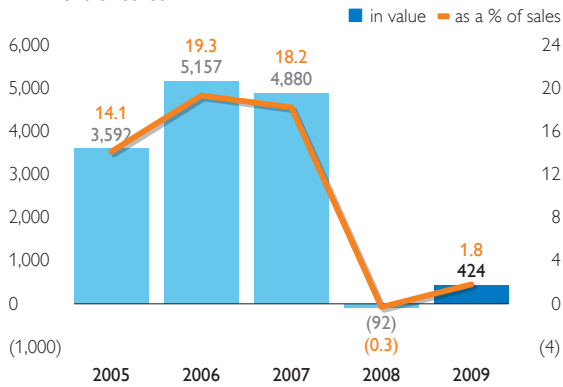
## Sales per sector in emerging markets<sup>4)</sup>

in billions of euros



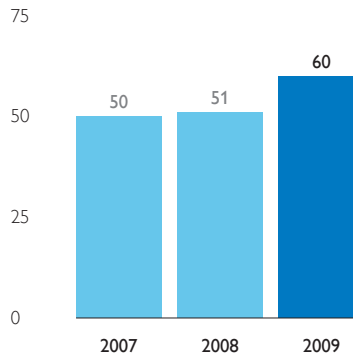
**Net income (loss)**

in millions of euros



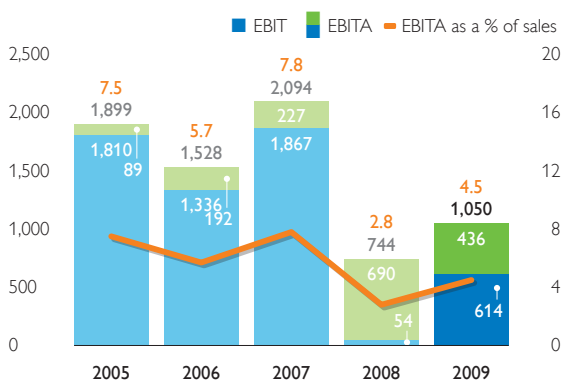
**Net Promoter Score**

% of businesses with (co-)leadership scores



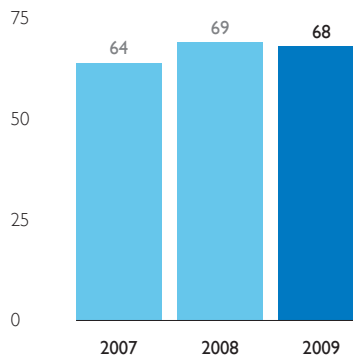
**EBIT and EBITA<sup>1)</sup>**

in millions of euros



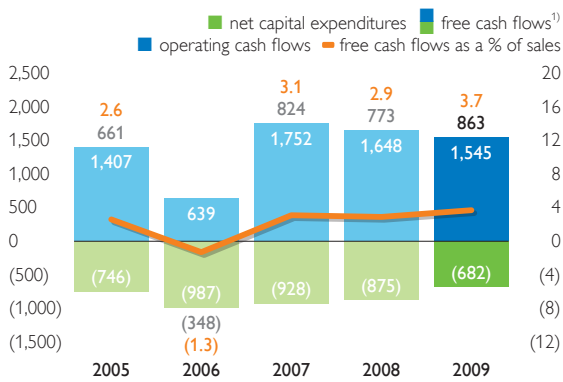
**Employee Engagement Index**

% favorable



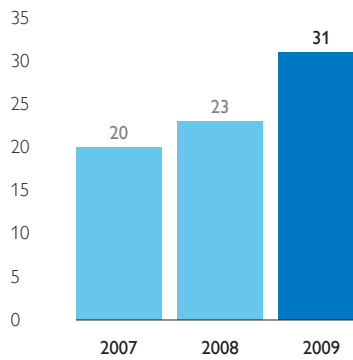
**Operating cash flows**

in millions of euros



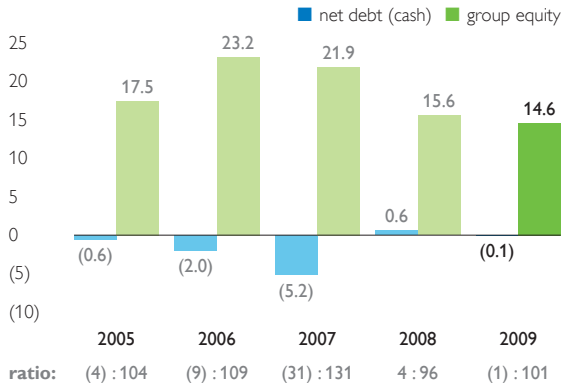
**Sales of Green Products**

as a % of total sales



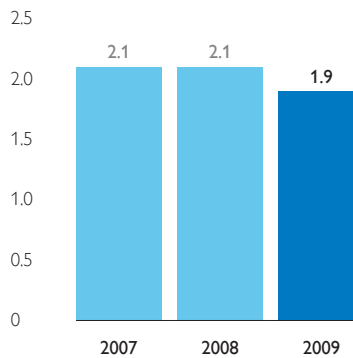
**Net debt (cash) to group equity<sup>1)</sup>**

in billions of euros



**Operational carbon footprint**

in millions of tons CO<sub>2</sub>-equivalent



# President's message



“2009 was all about staying focused and acting decisively. As a result of the swift action we took, the Philips of 2010 is clearly a more agile, better company than the one that went into 2009.”

**Gerard Kleisterlee**, President

## Dear stakeholder

Looking back at what was a testing year for Philips, I am very pleased with the progress we made in 2009. In the most challenging economic environment in decades, we acted swiftly and decisively to adjust our cost structure and working capital to market conditions – while continuing to invest in our future. We did this to make sure we emerge from the recession as a stronger company, well positioned to capitalize on future economic growth. The effects of our actions became increasingly visible in our earnings, our cash flow performance and our stronger position with customers, especially in the second half of the year.

Philips today is a simpler, more agile company. Compared to previous downturns, our new Health and Well-being portfolio proved its intrinsic quality and increased resilience through sustained profitability.

For the full year, comparable sales were down 11% on 2008. While Healthcare revenues were almost on par with 2008, Consumer Lifestyle saw the biggest drop in sales, due to a very weak consumer market and active portfolio pruning. Lighting rebounded strongly in the course of the year, though it continued to feel the impact of the ongoing decline in commercial construction. Emerging markets accounted for a steady 30% of revenues, with strong growth at Healthcare offsetting declines at Consumer Lifestyle.

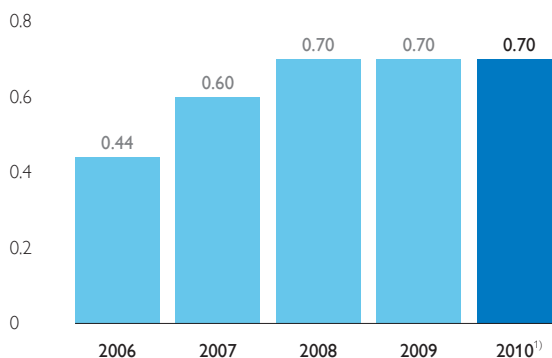
EBITA as a percentage of sales rose from 2.8% to 4.5%. Our performance in the second half of the year reflected our proactive cost management and strong fundamentals, delivering an adjusted profitability of 9.9% for that period and a record 12.3% for a fourth quarter.

We tackled the recession without sacrificing our longer-term strategic ambitions. We continued to invest in marketing and innovation and to reallocate resources to emerging markets and high-margin, sustainable growth initiatives, while maintaining a strong balance sheet supported by robust operating cash flows. Examples include our acquisition of coffee-machine maker Saeco and the expansion of our Philips-branded stores for Consumer Lighting in China and India.

As a responsible corporate citizen committed to helping build a sustainable society, we continued to drive the implementation of our EcoVision programs. Green Products generated 31% of total sales, up from 23% in 2008, and our investment in Green Innovations is ahead of target to reach a cumulative EUR 1 billion by 2012.

As a sign of confidence in our future, we are proposing to the upcoming General Meeting of Shareholders to maintain this year's dividend at EUR 0.70 per common share, in cash or stock – resulting in a yield (as of December 31, 2009) of 3.4% for shareholders.

**Dividend per common share**  
in euros



<sup>1)</sup> Subject to approval by the 2010 Annual General Meeting of Shareholders

## How did we do against our Management Agenda 2009

### Drive performance

#### Relentlessly manage cash

On the back of improved operating performance and strongly reduced working capital, we improved free cash flow to 3.7% of sales, more than offsetting the EUR 485 million cash-out for the final settlement of asbestos claims.

#### Proactively align cost structure with market conditions and increase productivity

We took swift action to adjust our cost structure to lower revenues. We substantially reduced our fixed costs through decisive but responsible actions to optimize our industrial footprint and organizational structure, and we tightly managed our discretionary expenses.

In 2009, in spite of 11% lower revenues, overall productivity improved by 5.6%, driven by the positive effect of our ongoing efficiency programs in all sectors. The restructuring and change programs across our sectors have put us in a stronger position, and we will continue to drive productivity improvement going forward.

#### Manage risks and opportunities in a balanced way to strengthen our market positions

In the face of the ongoing uncertainty, we focused on cash flow and profitability when making decisions regarding mix and pricing. Nevertheless we broadly managed to maintain our shares in the market, with gains for Healthcare and Lighting in emerging markets.

At Healthcare, we strengthened our position in image-guided intervention with the acquisition of Traxtal. At Consumer Lifestyle, we extended our leadership in the market for coffee appliances into the high-growth high-margin espresso machine segment with the acquisition of Italian manufacturer Saeco. And at Lighting, we further reinforced our position across the solid-state lighting value chain, for instance through the acquisition of lighting controls companies Dyalite and Teletrol.

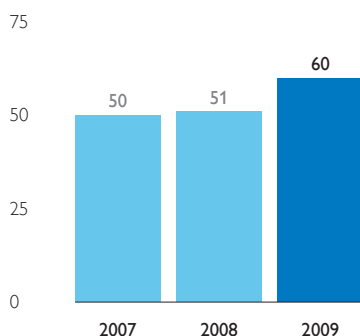
**Accelerate change**

**Organize around customers and markets, thereby improving Net Promoter Score**

In today's highly competitive business environment, customer intimacy and flexibility are essential, and we are continually adapting our organization to the changing needs of the marketplace – in both mature and emerging economies. In 2009 this translated to a 9% improvement in our Net Promoter Score to 60% (co-)leadership, up from 51% last year.

**Net Promoter Score**

% of businesses with (co-)leadership scores



**Increase Employee Engagement to high-performance level and implement 'Leading to Win'**

Compared to 2008, our Employee Engagement Index fell one point to 68, two points short of our high-performance target of 70. Though disappointed by this slight decline, it is encouraging to see that our engagement levels remain high despite such difficult times, and have indeed improved in several of our businesses. In fact, the participation rate increased to 91%.

The Employee Engagement survey is a key element of 'Leading to Win', the new way our people are evaluated and rewarded at year-end, which we drove deeper into the organization in 2009. Employees are no longer assessed solely on *what* they achieve (results), but also on *how* they achieve it (behavior). 'Leading to Win' is designed to develop a strong customer and performance-

oriented culture that encourages employees to strive for results, not just in their own area, but for Philips as a whole.

**Accelerate sector transformation programs**

In view of macro-economic developments, we accelerated planned initiatives to increase organizational effectiveness, lower our fixed and discretionary cost base and simplify our structure. Within Healthcare we focused on de-layering our management structure to increase our speed of execution and lower operating costs. We effected further changes in Consumer Lifestyle in our drive for strong market-focused execution. And within Lighting we organized our sales force along channels and applications while continuing to reduce our fixed cost base through various restructuring projects.

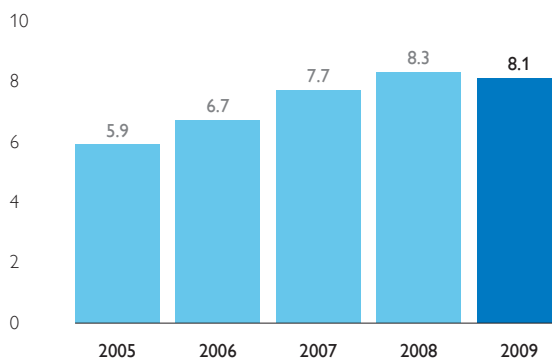
**Implement strategy**

**Further build the brand in the Health and Well-being space**

We continue to invest heavily in our key differentiators – our brand and our end-user-driven innovation and design. In 2009 we again improved our position in the annual Interbrand ranking of the top-100 global brands, rising to 42<sup>nd</sup> place. This clearly demonstrates we are translating our brand promise of "sense and simplicity" into a positive customer experience designed around their needs.

**Philips brand value<sup>1)</sup>**

in billions of USD



<sup>1)</sup> According to Interbrand

**Continue to re-allocate resources to growth opportunities and emerging markets, including selective mergers and acquisitions**

Despite the recession, we sustained our investment in growth in 2009. One of our key endeavors was to step up our resource investment in emerging markets so that we are even better placed to meet the needs of local people – and to develop solutions for these countries that can also transfer to more mature markets throughout the rest of the world.

We acquired a number of strategically aligned high-growth businesses in 2009. As outlined above, these included coffee machine maker Saeco, healthcare company Traxtal in the growth area of image-guided intervention and therapy, and Dyalite and Teletron, two specialists in lighting controls – technology that is key to the unfolding LED lighting revolution.

#### Increase revenue derived from leadership positions

In spite of worldwide market downturns, some 60% of our revenue was generated by businesses with global leadership positions in 2009.

#### Building the leading company in Health and Well-being

Based on fundamental customer and end-user insights, we integrate technology and design into people-centric solutions that deliver on our promise of “sense and simplicity”. We believe the current economic crisis is likely to have the effect of accelerating the fundamental trends underpinning our strategy, thereby intensifying demand for healthcare (especially outside the hospital), a healthy lifestyle and solutions with a better ecological footprint, such as energy-efficient high-quality lighting.

With strong leadership positions in both clinical and home healthcare, as well as a growing presence in emerging markets, we will continue to simplify healthcare by focusing on the people in the care cycle – patients and care providers – in order to improve patient outcomes while easing the financial pressure on the healthcare system.

Building upon market-leading positions based on differentiation and profitability rather than scale, we will also continue to focus on innovative lifestyle solutions that enhance consumers' sense of personal well-being. Where appropriate, we will enter new value spaces.

And, supported by the growing demand for energy-saving solutions and the trend toward solid-state lighting, we will continue to drive the transition from lighting products to application-based solutions.

We have responded to the economic downturn by stepping up our efforts to become a more customer-focused, agile and simpler company. I remain confident we will come out of this difficult economic period as a leader in the field of health and well-being. We have the strategy, financial resources and human capital that are required for success. Clearly, aspiring to improve people's health and well-being automatically implies that sustainability will remain integral to everything we do.

#### Management Agenda 2010

Our Management Agenda 2010 is our compass for the next year of our journey to bring “sense and simplicity” to health and well-being markets.

In the column *Drive performance* we stress the importance of returning to growth and increasing market share. At the same time, we must continue to manage cost and cash aggressively, as that is essential to enable healthy growth.

Under *Accelerate change* we have made the empowerment of our people in local markets and customer-facing staff a key priority, so that we can help our customers more quickly and effectively and thus gain a competitive edge. Increasing the number of Philips promoters and driving engagement levels remain crucial objectives.

As well as referring to key strategic initiatives in our sectors, the final column, *Implement strategy*, reaffirms our vital ambition to strengthen our position in emerging markets and the importance of leveraging sustainability as an integral part of our strategy and an additional driver of growth.

#### Final thoughts

In the current climate we cannot reliably predict future developments. Visibility beyond the short term remains low. However, we are very confident about our prospects when the economy does recover.

We have a portfolio of strong businesses that provide innovative, simplicity-led solutions to many of the issues associated with important global trends – the demand for affordable healthcare, the desire for personal well-being and the need for greater energy efficiency.

We have a solid balance sheet and a good cash position, an increasingly strong brand and leading market positions, especially in emerging markets, as well as a committed, highly motivated workforce.

We will continue to stay focused on cost and cash flow and to act decisively to capture growth opportunities. I believe 2010 will be a year of solid progress towards our EBITA profitability target of 10% or better. During the past 12 months we have rigorously managed cash and cost while retaining the capability to ramp up production to meet demand when sales do rebound. Across our sectors we have substantially lowered our fixed costs and our break-even point. At the same time, we continue to invest in emerging markets and acquisitions while maintaining our spending on innovation and marketing.

We have weathered the storm and prepared the ground for a future of profitable growth. Going forward, I am convinced that relentless focus on our customers' needs, along with rigorous execution of our strategy, will enable us to realize our ambition of becoming the leading company in Health and Well-being.

In conclusion, I would like to thank our customers and suppliers for their loyalty and support in these tough economic times. Once again, our employees – including those from our 2009 acquisitions – have responded to adversity with resilience and creative endeavor. Their efforts are greatly appreciated.

Finally, on behalf of the entire Board of Management, I would like to thank our shareholders for their continuing support. They can rest assured that we remain fully committed to increasing the value of their investment.



Gerard Kleisterlee, *President*

## Management Agenda 2010

The leading company in Health and Well-being

### Drive performance

- Drive top-line growth and market share
- Continue to reduce costs and improve cost agility
- Further increase cash flow by managing cash aggressively

### Accelerate change

- Increase customer centricity by empowering local markets and customer facing staff
- Increase number of businesses with NPS (co-) leadership positions
- Increase employee engagement to high performance level

### Implement strategy

- Increase our market position in emerging markets
- Drive key strategy initiatives for each sector
- Leverage Sustainability as an integral part of our strategy

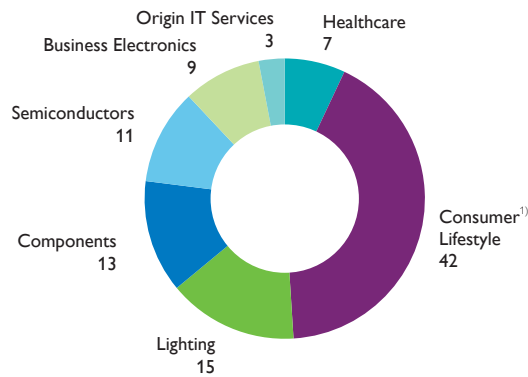
# 1 Who we are

## 1.1 Our company

Our company was founded in Eindhoven, The Netherlands, in 1891 by Anton and Gerard Philips to manufacture incandescent lamps and other electrical products. Ever since then, our innovations have been making people's lives simpler, more enjoyable and more productive.

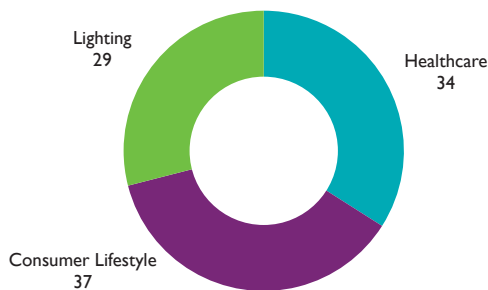
We are committed to enhancing economic prosperity, environmental quality and social equity wherever we operate.

### 1998 actual sales split as a %



<sup>1)</sup> Consumer Lifestyle in 1998 included the former DAP and Consumer Electronics divisions

### 2009 actual sales split as a %



### Our values

Our values, the four Ds, are like a compass – guiding us in how we behave every day, and reminding us of the attitude we should have towards our work, our customers and our colleagues.

#### Delight customers

We anticipate and exceed customer expectation

#### Deliver great results

We continually raise the bar

#### Develop people

We get the best from ourselves and each other

#### Depend on each other

We deliver more value by working as One Philips

● Employees ● Manufacturing sites ● Research laboratories



**35%**  
female

**100**  
countries with  
sales and service  
outlets

**127**  
production  
sites

**7**  
research  
laboratories spread  
over Europe, North  
America and Asia

**3**  
incubators

**35,000**  
registered  
trademarks

**3,100**  
domain names

**56,000**  
design rights

**48,000**  
patent rights

## 1.2 Our strategic focus

Philips is a global company which delivers meaningful innovations that improve people's health and well-being.

Our health and well-being focus extends beyond our products and services to include the way we work: engaging our employees; focusing our social investment in communities on education in energy efficiency and healthy lifestyles; reducing the environmental impact of our products and processes; and driving sustainability throughout our supply chain.

Our health and well-being offering is powered by our three sectors: Healthcare, Consumer Lifestyle and Lighting.

### Meeting people's needs with "sense and simplicity"

People's needs form the starting point for everything we do. By tracking trends in society and obtaining fundamental insights into the issues people face in their daily lives, we are able to identify opportunities for innovative solutions that meet their needs and aspirations.

Our "sense and simplicity" brand promise expresses a commitment to put people at the center of our thinking, to eliminate unnecessary complexity and to deliver the meaningful benefits of technology. Our adoption of Net Promoter Score (NPS), which measures people's willingness to recommend a company/product to a friend or colleague, shows how we are doing in this respect.

### Capturing value in mature and emerging markets

Despite the global financial and economic crisis, we still see enormous potential in both mature and emerging markets, and we apply our competence in marketing, design and innovation to capture value from major economic, social and demographic trends.

These include the need of a growing and longer-living population for more and affordable healthcare, the demand for energy-efficient solutions to help combat climate change and promote sustainable development, the emergence of empowered consumers with high health and well-being aspirations, and, last but not least, the growing importance of emerging markets in the world economy.

We have a long-established presence, strong brand equity and large workforce in the emerging economies. This gives us the home-grown insights needed to produce sustainable solutions that meet the needs of local people. We already realize one-third of our sales in the emerging markets, and this figure could conceivably rise to around 50% by the middle of this decade. In order to capture the growth opportunities that are available, we continue to invest in building our local organizations, competencies and resources in these markets.

The current economic crisis is likely to have the effect of accelerating the fundamental trends outlined above, increasing demand for healthcare (especially outside the hospital), a healthy lifestyle and energy-efficient high-quality lighting.

### Building the leading company in Health and Well-being

Delivering on our promise of "sense and simplicity", our sectors deliver solutions that create value for our customers – healthcare and lighting professionals and end-consumers.

### People-focused, healthcare simplified

In Healthcare, we are building businesses with strong leadership positions in both professional and home healthcare, as well as a growing presence in emerging markets. We simplify healthcare by focusing on the people in the care cycle – patients and care providers – rather than technologies or products. By combining human insights and clinical expertise, we deliver innovative solutions that help improve patient outcomes while lowering the financial burden on the healthcare system.

### Enabling people to enjoy a healthy lifestyle

The pursuit of personal well-being is a universal trend, equally relevant in mature and emerging markets. With a strong market-driven, insight-led culture, coupled with technological expertise and excellent design, Consumer Lifestyle focuses on innovative lifestyle solutions that enhance consumers' sense of personal well-being. With simplicity providing our competitive edge, we continue to build upon existing market-leading positions based on differentiation and profitability rather than scale, as well as entering new value spaces.

### Simply enhancing life with light

Supported by the growing demand for energy-saving solutions and the structural shift toward solid-state lighting, our Lighting sector is strengthening its global leadership in fast-growing areas, such as LEDs and energy-efficient lighting, by driving the transition from products

and components to life-enhancing applications and solutions. Our strong IP position across the LED value chain will further reinforce this leadership.

## One Philips focus on Health and Well-being

Synergies across the portfolio

### One mission

Improving people's lives

### One promise

"sense and simplicity"

### One 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



### Strategic priorities

We have simplified our organization, tightened our focus and defined six platforms – Professional Healthcare, Home Healthcare, Healthy Life / Personal Care, Home Living / Interactive Living, Home Lighting and Professional Lighting – all with drivers for growth.

Together, these six platforms create a coherent portfolio. We see many opportunities to leverage capabilities and synergies across the platforms, as they are united in different combinations by customer segments, channels, key processes and capabilities, and technology platforms.

For the coming period we have set the following strategic priorities:

- Increase our market position in emerging markets
- Drive key strategy initiatives for each sector:
  - Move towards leadership position in imaging
  - Grow Home Healthcare
  - Grow Health & Wellness
  - Manage TV to profitability
  - Become the lighting solutions leader in Outdoor
  - Grow Consumer Luminaires
  - Optimize the lamps lifecycle
- Leverage Sustainability as an integral part of our strategy

### Achieving our objectives

Our goals have become even more challenging with the economic downturn. We intend to realize our ambitions by continuing to focus relentlessly on people's needs and aspirations. This means:

- creating meaningful innovations based on validated user insights
- developing and maintaining strong relationships with our customers
- nurturing talent and unlocking the full potential of our own highly engaged Philips people, as measured by our Employee Engagement Index.

Any strategy is only as good as its execution. We believe that if we maintain our focus and continue to execute swiftly and decisively, we will succeed in making Philips the leading company in Health and Well-being.

## 1.3 Our ambitions

### **Our financial targets**

- Comparable sales growth:
  - well in excess of global GDP
- Group EBITA margin: 10% or more
- Sector EBITA targets:
  - Healthcare 15-17%
  - Consumer Lifestyle 8-10%
  - Lighting 12-14%
- Return on invested capital: 12-13%

### **Our EcoVision4 targets**

over the period 2007 - 2012

- Double revenues from Green Products to 30% of total sales
- Double investment in Green Innovations to a cumulative EUR 1 billion
- Improve our operational energy efficiency by 25% and reduce CO<sub>2</sub> emissions by 25%

# 17 Forward-looking statements and other information

## Forward-looking statements

This document contains certain forward-looking statements with respect to the financial condition, results of operations and business of Philips and certain of the plans and objectives of Philips with respect to these items, in particular the Outlook section of the chapter Our group performance in this Annual Report. 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, 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, 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 also the chapter Risk management.

## Third-party market share data

Statements regarding market share, contained in this document, including those regarding Philips' competitive position, are based on outside sources such as specialized research institutes, industry and dealer panels in combination with management estimates. Where full-year information regarding 2009 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.

## Fair value information

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 an observable market value 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.

## IFRS basis of presentation

The financial information included in this document is based on 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.

Further information on non-GAAP information and a reconciliation of such measures to the most directly comparable GAAP measures can be found in the chapter Reconciliation of non-GAAP information.

## Statutory financial statements and management report

The chapters Group financial statements and Company financial statements contain the statutory financial statements of the Company. The introduction to the chapter Group financial statements sets out which parts of this Annual Report form the management report within the meaning of Section 2:391 of the Dutch Civil Code (and related Decrees).

## Reclassifications

As of January 2009, the Hospitality business moved from Consumer Lifestyle to Lighting. In 2009, the activities of the Incubators, which are included in Innovation & Emerging Businesses, were charged to Research & Development cost of the operating sectors. Beginning in 2009, Innovation & Emerging Businesses is reported under Group Management & Services. As a consequence of the aforementioned, prior-year financials have been restated.

## Analysis of 2008 compared to 2007

The analysis of the 2008 financial results compared to 2007, and the discussion of the critical accounting policies, have not been included in this Annual Report. These sections are included in Philips' Form 20-F for the financial year 2009, which is filed electronically with the US Securities and Exchange Commission.



