

## Explanatory note sector reporting Philips Group 2006

- all amounts in millions of euros unless otherwise stated
  - the data included in this report are unaudited
  - financial reporting according to US GAAP unless otherwise stated
  - updated to present the new reporting structure of the Philips Group, and the allocation of certain Corporate/Regional/Country overhead and Intellectual property costs to the operating Divisions as announced on December 5<sup>th</sup>, 2006.
- 
- As of January 2007, the following key portfolio changes have been applied to the Philips Group structure:
    - Other Activities is renamed Innovation & Emerging Businesses
    - Unallocated is renamed Group Management & Services
    - GSU activities and Miscellaneous have been transferred from Innovation & Emerging Businesses to Group Management & Services
    - Consumer Healthcare Solutions has been moved from DAP to Innovation & Emerging Businesses
  
  - As of January 2007, certain Corporate/Regional/Country overhead and Corporate Intellectual Property costs have been allocated to the operating Divisions to further improve transparency of the total cost structure.
  
  - As a consequence of the aforementioned, prior year financials have been restated. The tables below reflect the key restated financial data of the 4 quarters of 2006.
  
  - This restatement has no impact on the Net Operating Capital of the Divisions Medical Systems, Consumer Electronics and Lighting.

## Summarized profit and loss account – Philips Group

| in millions of euros              | 2006 per quarter |                 |                 |                 | 2006      |
|-----------------------------------|------------------|-----------------|-----------------|-----------------|-----------|
|                                   | 1 <sup>st</sup>  | 2 <sup>nd</sup> | 3 <sup>rd</sup> | 4 <sup>th</sup> | Jan.-Dec. |
| Sales                             | 6,155            | 6,380           | 6,313           | 8,128           | 26,976    |
| EBITA                             | 279              | 290             | 71              | 742             | 1,382     |
| as a % of sales                   | 4.5              | 4.5             | 1.1             | 9.1             | 5.1       |
| EBIT                              | 246              | 247             | 25              | 665             | 1,183     |
| as a % of sales                   | 4.0              | 3.9             | 0.4             | 8.2             | 4.4       |
| Financial income and expenses     | (23)             | 127             | 32              | (102)           | 34        |
| Income before taxes               | 223              | 374             | 57              | 563             | 1,217     |
| Income taxes                      | (60)             | (56)            | 27              | (48)            | (137)     |
| Results unconsolidated companies  | (17)             | (89)            | (81)            | 30              | (157)     |
| Minority interests                | (7)              | (1)             | (2)             | 6               | (4)       |
| Income from continuing operations | 139              | 228             | 1               | 551             | 919       |
| Discontinued operations           | 21               | 73              | 4,241           | 129             | 4,464     |
| Net income                        | 160              | 301             | 4,242           | 680             | 5,383     |

## Key data – per sector

restated to present the new reporting structure and the allocation of certain central cost

| in millions of euros             | Q1<br>2006 | Q2<br>2006 | Q3<br>2006 | Q4<br>2006 | Full year<br>2006 |
|----------------------------------|------------|------------|------------|------------|-------------------|
| <b>Sales by sector</b>           |            |            |            |            |                   |
| Medical Systems                  | 1,469      | 1,630      | 1,575      | 2,068      | 6,742             |
| DAP                              | 496        | 532        | 577        | 927        | 2,532             |
| Consumer Electronics             | 2,423      | 2,484      | 2,407      | 3,262      | 10,576            |
| Lighting                         | 1,345      | 1,296      | 1,370      | 1,455      | 5,466             |
| Innovation & Emerging Businesses | 395        | 402        | 355        | 341        | 1,493             |
| Group Management & Services      | 27         | 36         | 29         | 75         | 167               |
| Philips Group                    | 6,155      | 6,380      | 6,313      | 8,128      | 26,976            |

### EBITA by sector

|                                  |      |       |       |       |       |
|----------------------------------|------|-------|-------|-------|-------|
| Medical Systems                  | 102  | 209   | 193   | 353   | 857   |
| DAP                              | 56   | 59    | 96    | 167   | 378   |
| Consumer Electronics             | 33   | 21    | 27    | 233   | 314   |
| Lighting                         | 190  | 149   | 134   | 135   | 608   |
| Innovation & Emerging Businesses | (19) | (22)  | (41)  | 6     | (76)  |
| Group Management & Services      | (83) | (126) | (338) | (152) | (699) |
| Philips Group                    | 279  | 290   | 71    | 742   | 1,382 |

### EBIT by sector

|                                  |      |       |       |       |       |
|----------------------------------|------|-------|-------|-------|-------|
| Medical Systems                  | 79   | 180   | 166   | 291   | 716   |
| DAP                              | 54   | 58    | 94    | 164   | 370   |
| Consumer Electronics             | 33   | 20    | 27    | 233   | 313   |
| Lighting                         | 181  | 143   | 126   | 127   | 577   |
| Innovation & Emerging Businesses | (19) | (26)  | (51)  | 2     | (94)  |
| Group Management & Services      | (82) | (128) | (337) | (152) | (699) |
| Philips Group                    | 246  | 247   | 25    | 665   | 1,183 |

| in millions of euros                   | March 31,<br>2006 | June 30,<br>2006 | Sept. 30,<br>2006 | Dec. 31,<br>2006 |
|--|-------------------|------------------|-------------------|------------------|
| <b>Net operating capital by sector</b> |                   |                  |                   |                  |
| Medical Systems                        | 3,362             | 3,387            | 3,330             | 4,332            |
| DAP                                    | 464               | 436              | 1,276             | 1,138            |
| Consumer Electronics                   | 78                | 5                | 192               | (228)            |
| Lighting                               | 2,665             | 2,652            | 2,697             | 2,527            |
| Innovation & Emerging Businesses       | 960               | 832              | 799               | 748              |
| Group Management & Services            | 446               | 994              | 666               | 207              |
| Philips Group                          | 7,975             | 8,306            | 8,960             | 8,724            |

## Sales growth composition (in %) – per sector

restated to present the new reporting structure and the allocation of certain central cost

|   | Comparable<br>growth | Currency<br>effects | Consolidation<br>changes | Nominal<br>growth |
|---|----------------------|---------------------|--------------------------|-------------------|
| <b>1<sup>st</sup> quarter 2006 versus 1<sup>st</sup> 2005</b> |                      |                     |                          |                   |
| Medical Systems   | 8.2                  | 6.4                 | (0.3)                    | 14.3              |
| DAP   | 9.5                  | 5.4                 | 1.4                      | 16.3              |
| Consumer Electronics  | 15.6                 | 6.5                 | (9.6)                    | 12.5              |
| Lighting  | 7.6                  | 5.1                 | 6.5                      | 19.2              |
| Innovation & Emerging Businesses                              | (15.8)               | 3.1                 | -                        | (12.7)            |
| Group Management & Services                                   | (11.4)               | 2.4                 | (15.1)                   | (24.1)            |
| Philips Group   | 8.8                  | 5.7                 | (2.2)                    | 12.3              |
| <b>2<sup>nd</sup> quarter 2006 versus 2<sup>nd</sup> 2005</b> |                      |                     |                          |                   |
| Medical Systems   | 8.5                  | 0.1                 | 0.3                      | 8.9               |
| DAP   | 13.0                 | 1.1                 | 1.3                      | 15.4              |
| Consumer Electronics  | 17.4                 | 1.2                 | (8.6)                    | 10.0              |
| Lighting  | 8.7                  | (0.1)               | 7.5                      | 16.1              |
| Innovation & Emerging Businesses                              | (7.6)                | (0.3)               | (7.0)                    | (14.9)            |
| Group Management & Services                                   | (7.2)                | (0.3)               | 16.3                     | 8.8               |
| Philips Group   | 10.8                 | 0.5                 | (2.0)                    | 9.3               |
| <b>3<sup>rd</sup> quarter 2006 versus 3<sup>rd</sup> 2005</b> |                      |                     |                          |                   |
| Medical Systems   | 5.9                  | (3.0)               | (0.1)                    | 2.8               |
| DAP   | 9.0                  | (1.8)               | 4.1                      | 11.3              |
| Consumer Electronics  | (0.7)                | (1.5)               | (3.1)                    | (5.3)             |
| Lighting  | 10.2                 | (2.2)               | 7.7                      | 15.7              |
| Innovation & Emerging Businesses                              | 0.7                  | (2.2)               | (20.7)                   | (22.2)            |
| Group Management & Services                                   | (6.6)                | (1.5)               | 0.0                      | (8.1)             |
| Philips Group   | 4.9                  | (2.1)               | (2.0)                    | 0.8               |
| <b>4<sup>th</sup> quarter 2006 versus 4<sup>th</sup> 2005</b> |                      |                     |                          |                   |
| Medical Systems   | 6.7                  | (5.0)               | 0.2                      | 1.9               |
| DAP   | 12.8                 | (2.2)               | 7.0                      | 17.6              |
| Consumer Electronics  | (4.0)                | (2.5)               | 0.5                      | (6.0)             |
| Lighting  | 6.9                  | (3.6)               | 4.8                      | 8.1               |
| Innovation & Emerging Businesses                              | (9.1)                | (4.0)               | (21.6)                   | (34.7)            |
| Group Management & Services                                   | 77.0                 | (3.4)               | 33.3                     | 106.9             |
| Philips Group   | 2.3                  | (3.4)               | 0.3                      | (0.8)             |
| <b>Jan.-Dec. 2006 versus Jan.-Dec. 2005</b>                   |                      |                     |                          |                   |
| Medical Systems   | 7.3                  | (1.1)               | 0.1                      | 6.3               |
| DAP   | 11.3                 | 0.1                 | 4.0                      | 15.4              |
| Consumer Electronics  | 5.4                  | 0.1                 | (4.0)                    | 1.5               |
| Lighting  | 8.3                  | (0.3)               | 6.5                      | 14.5              |
| Innovation & Emerging Businesses                              | (8.7)                | (0.6)               | (12.3)                   | (21.6)            |
| Group Management & Services                                   | 14.1                 | (0.5)               | 8.9                      | 22.5              |
| Philips Group   | 6.1                  | (0.3)               | (1.1)                    | 4.7               |

## Reconciliation of non-US GAAP performance measures

restated to present the new reporting structure and the allocation of certain central cost

Certain non-US GAAP financial measures are presented when discussing the Philips Group's performance. In the following tables, reconciliation to the most directly comparable US GAAP performance measure is made.

### EBITA to Income from operations or EBIT

in millions of euros

|                                       | Philips<br>Group | Medical<br>Systems | DAP | Consumer<br>Electronics | Lighting | Innovation &<br>Emerging<br>Businesses | Group<br>Management<br>& Services |
|---------------------------------------|------------------|--------------------|-----|-------------------------|----------|--|-----------------------------------|
| <b>1<sup>st</sup> quarter 2006</b>    |                  |                    |     |                         |          |  |                                   |
| EBITA                                 | 279              | 102                | 56  | 33                      | 190      | (19)                                   | (83)                              |
| Eliminate amortization of intangibles | (33)             | (23)               | (2) | -                       | (9)      | -                                      | 1                                 |
| Income from operations (or EBIT)      | 246              | 79                 | 54  | 33                      | 181      | (19)                                   | (82)                              |
| <b>2<sup>nd</sup> quarter 2006</b>    |                  |                    |     |                         |          |  |                                   |
| EBITA                                 | 290              | 209                | 59  | 21                      | 149      | (22)                                   | (126)                             |
| Eliminate amortization of intangibles | (43)             | (29)               | (1) | (1)                     | (6)      | (4)                                    | (2)                               |
| Income from operations (or EBIT)      | 247              | 180                | 58  | 20                      | 143      | (26)                                   | (128)                             |
| <b>3<sup>rd</sup> quarter 2006</b>    |                  |                    |     |                         |          |  |                                   |
| EBITA                                 | 71               | 193                | 96  | 27                      | 134      | (41)                                   | (338)                             |
| Eliminate amortization of intangibles | (46)             | (27)               | (2) | -                       | (8)      | (10)                                   | 1                                 |
| Income from operations (or EBIT)      | 25               | 166                | 94  | 27                      | 126      | (51)                                   | (337)                             |
| <b>4<sup>th</sup> quarter 2006</b>    |                  |                    |     |                         |          |  |                                   |
| EBITA                                 | 742              | 353                | 167 | 233                     | 135      | 6                                      | (152)                             |
| Eliminate amortization of intangibles | (77)             | (62)               | (3) | 0                       | (8)      | (4)                                    | 0                                 |
| Income from operations (or EBIT)      | 665              | 291                | 164 | 233                     | 127      | 2                                      | (152)                             |

## Reconciliation of non-US GAAP performance measures (continued)

restated to present the new reporting structure and the allocation of certain central cost

### Reconciliation net operating capital to total assets

in millions of euros

|  | Phillips<br>Group | Medical<br>Systems | DAP          | Consumer<br>Electronics | Lighting     | Innovation<br>&<br>Emerging<br>Businesses | Group<br>Management<br>& Services |
|--|-------------------|--------------------|--------------|-------------------------|--------------|---|-----------------------------------|
| <b>March 31, 2006</b>                  |                   |                    |              |                         |              |   |                                   |
| Net operating capital (NOC)            | 7,975             | 3,362              | 464          | 78                      | 2,665        | 960                                       | 446                               |
| Eliminate liabilities included in NOC: |                   |                    |              |                         |              |   |                                   |
| – payables/liabilities                 | 7,906             | 1,741              | 398          | 2,200                   | 926          | 581                                       | 2,060                             |
| – intercompany accounts                | -                 | 35                 | 16           | 69                      | 38           | (46)                                      | (112)                             |
| – provisions <sup>1)</sup>             | 2,362             | 253                | 56           | 294                     | 134          | 119                                       | 1,506                             |
| Include assets not included in NOC:    |                   |                    |              |                         |              |   |                                   |
| – investments in unconsolidated comp.  | 3,388             | 43                 | -            | 11                      | 20           | 176                                       | 3,138                             |
| – other non-current financial assets   | 7,496             | -                  | -            | -                       | -            | -   | 7,496                             |
| – deferred tax assets                  | 2,001             | -                  | -            | -                       | -            | -   | 2,001                             |
| – liquid assets                        | 3,389             | -                  | -            | -                       | -            | -   | 3,389                             |
| <b>Total assets</b>                    | <b>34,517</b>     | <b>5,434</b>       | <b>934</b>   | <b>2,652</b>            | <b>3,783</b> | <b>1,790</b>                              | <b>19,924</b>                     |
| <b>Discontinued operations</b>         | <b>3,864</b>      |                    |              |                         |              |   |                                   |
| <b>Total</b>                           | <b>38,381</b>     |                    |              |                         |              |   |                                   |
| <b>June 30, 2006</b>                   |                   |                    |              |                         |              |   |                                   |
| Net operating capital (NOC)            | 8,306             | 3,387              | 436          | 5                       | 2,652        | 832                                       | 994                               |
| Eliminate liabilities included in NOC: |                   |                    |              |                         |              |   |                                   |
| – payables/liabilities                 | 7,589             | 1,724              | 404          | 2,071                   | 925          | 584                                       | 1,881                             |
| – intercompany accounts                | -                 | 25                 | 27           | 80                      | 35           | (43)                                      | (124)                             |
| – provisions <sup>2)</sup>             | 2,302             | 244                | 55           | 286                     | 138          | 108                                       | 1,471                             |
| Include assets not included in NOC:    |                   |                    |              |                         |              |   |                                   |
| – investments in unconsolidated comp.  | 3,233             | 39                 | -            | 8                       | 22           | 180                                       | 2,984                             |
| – other non-current financial assets   | 6,743             | -                  | -            | -                       | -            | -   | 6,743                             |
| – deferred tax assets                  | 1,940             | -                  | -            | -                       | -            | -   | 1,940                             |
| – liquid assets                        | 2,538             | -                  | -            | -                       | -            | -   | 2,538                             |
| <b>Total assets</b>                    | <b>32,651</b>     | <b>5,419</b>       | <b>922</b>   | <b>2,450</b>            | <b>3,772</b> | <b>1,661</b>                              | <b>18,427</b>                     |
| <b>Discontinued operations</b>         | <b>3,662</b>      |                    |              |                         |              |   |                                   |
| <b>Total</b>                           | <b>36,313</b>     |                    |              |                         |              |   |                                   |
| <b>September 30, 2006</b>              |                   |                    |              |                         |              |   |                                   |
| Net operating capital (NOC)            | 8,960             | 3,330              | 1,276        | 192                     | 2,697        | 799                                       | 666                               |
| Eliminate liabilities included in NOC: |                   |                    |              |                         |              |   |                                   |
| – payables/liabilities                 | 8,052             | 1,665              | 505          | 2,329                   | 993          | 493                                       | 2,067                             |
| – intercompany accounts                | -                 | 28                 | 15           | 72                      | 31           | (9)                                       | (137)                             |
| – provisions <sup>3)</sup>             | 2,610             | 245                | 60           | 279                     | 150          | 94  | 1,782                             |
| Include assets not included in NOC:    |                   |                    |              |                         |              |   |                                   |
| – investments in unconsolidated comp.  | 3,126             | 48                 | -            | 9                       | 14           | 180                                       | 2,875                             |
| – securities                           | 173               | -                  | -            | -                       | -            | -   | 173                               |
| – other non-current financial assets   | 7,505             | -                  | -            | -                       | -            | -   | 7,505                             |
| – deferred tax assets                  | 1,677             | -                  | -            | -                       | -            | -   | 1,677                             |
| – liquid assets                        | 7,272             | -                  | -            | -                       | -            | -   | 7,272                             |
| <b>Total assets</b>                    | <b>39,375</b>     | <b>5,316</b>       | <b>1,856</b> | <b>2,881</b>            | <b>3,885</b> | <b>1,557</b>                              | <b>23,880</b>                     |
| <b>December 31, 2006</b>               |                   |                    |              |                         |              |   |                                   |
| Net operating capital (NOC)            | 8,724             | 4,332              | 1,138        | (228)                   | 2,527        | 748                                       | 207                               |
| Eliminate liabilities included in NOC: |                   |                    |              |                         |              |   |                                   |
| – payables/liabilities                 | 8,175             | 1,707              | 550          | 2,389                   | 989          | 462                                       | 2,078                             |
| – intercompany accounts                | -                 | 32                 | 25           | 61                      | 50           | (28)                                      | (140)                             |
| – provisions <sup>4)</sup>             | 2,696             | 241                | 55           | 285                     | 146          | 79  | 1,890                             |
| Include assets not included in NOC:    |                   |                    |              |                         |              |   |                                   |
| – investments in unconsolidated comp.  | 2,978             | 51                 | -            | 9                       | 7            | 170                                       | 2,741                             |
| – other non-current financial assets   | 8,056             | -                  | -            | -                       | -            | -   | 8,056                             |
| – securities                           | 192               | -                  | -            | -                       | -            | -   | 192                               |
| – deferred tax assets                  | 1,653             | -                  | -            | -                       | -            | -   | 1,653                             |
| – liquid assets                        | 6,023             | -                  | -            | -                       | -            | -   | 6,023                             |
| <b>Total assets</b>                    | <b>38,497</b>     | <b>6,363</b>       | <b>1,768</b> | <b>2,516</b>            | <b>3,719</b> | <b>1,431</b>                              | <b>22,700</b>                     |

<sup>1)</sup> provisions on balance sheet EUR 2,828 million excluding deferred tax liabilities EUR 466 million

<sup>2)</sup> provisions on balance sheet EUR 2,766 million excluding deferred tax liabilities EUR 464 million

<sup>3)</sup> provisions on balance sheet EUR 3,471 million excluding deferred tax liabilities EUR 861 million

<sup>4)</sup> provisions on balance sheet EUR 3,325 million excluding deferred tax liabilities EUR 629 million