

PHILIPS



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Philips Medical Systems

Forward Looking Statements

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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. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of 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, levels of consumer and business spending in major economies, changes in consumer tastes and preferences, changes in law, the performance of the financial markets, pension costs, the levels of marketing and promotional expenditures by Philips and its competitors, raw materials and employee costs, changes in exchange and interest rates, changes in tax rates and future business combinations, acquisitions or dispositions and the rate of technological changes, political and military developments in countries where Philips operates and industry consolidation. Statements regarding market share, if any, including as to Philips' competitive position, contained in this document are based on outside sources such as specialized research institutes, industry and dealer panels in combination with management estimates. Where information is not yet available to Philips, those statements may also be based on estimates and projections prepared by outside sources or management. Rankings are based on sales unless otherwise stated.

Use of non-GAAP Information

In presenting and discussing the Philips Group's financial position, operating results and cash flows, management uses certain non-US GAAP financial measures. These non-US GAAP financial measures should not be viewed in isolation as alternatives to the equivalent US GAAP measure(s) and should be used in conjunction with the most directly comparable US GAAP measure(s). A discussion of the non-US GAAP measures included in this document and a reconciliation of such measures to the most directly comparable US GAAP measure(s) are contained in this document.

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 a readily determinable 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. In certain cases, independent valuations are obtained to support management's determination of fair values.

Philips Medical Systems: our businesses in 2006

**Imaging
Systems**
€2.7B

Nuclear Medicine
CT
MR
PET
X-Ray

**Customer
Services**
€1.8B

Consultancy
Clinical services
Asset management
Maintenance
& Repair

**Information,
Ultrasound
and
Monitoring
Solutions**
€2.2B

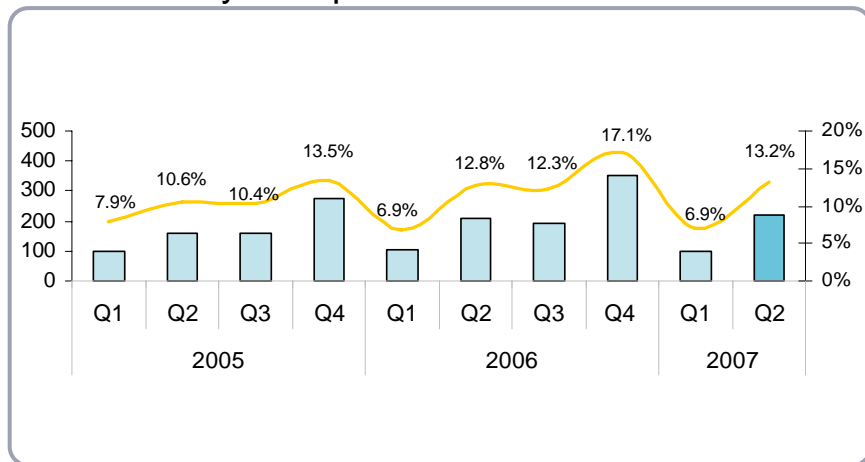
Healthcare Informatics

Ultrasound
Patient Monitoring
Cardiac Systems

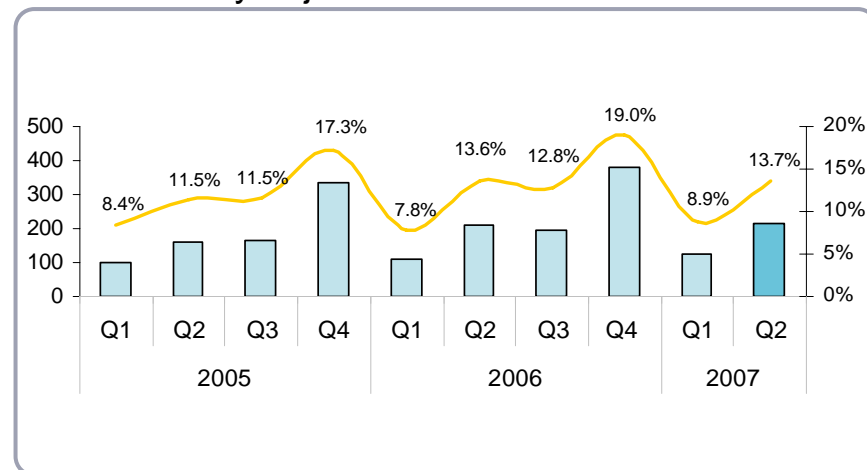
Document services

EBITA (in millions of euros)

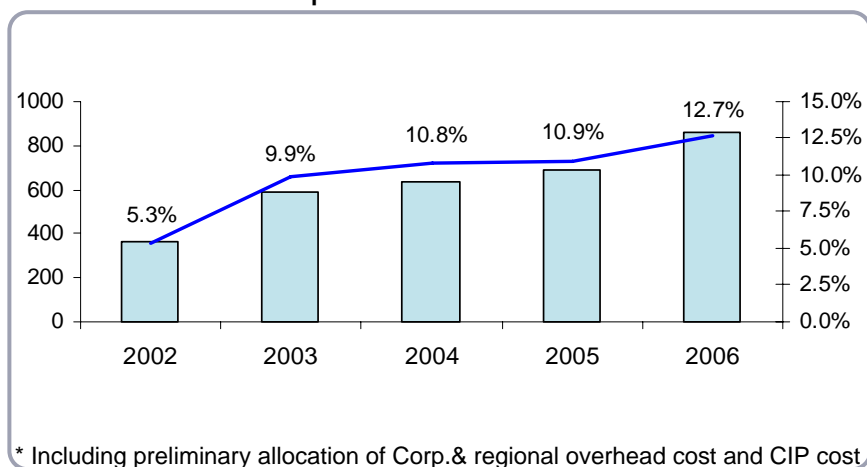
Quarterly as reported



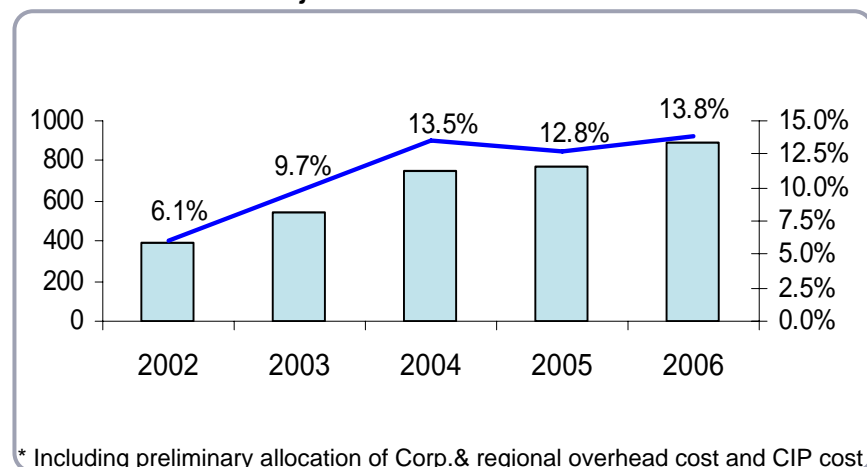
Quarterly adjusted



Full Year as reported



Full Year adjusted



Quarterly adjustments: Excludes MedQuist, 2006 excludes Intermagnetics-related acquisition and integration charges of EUR 31 m and EUR 5 m for 1Q07.

Full year adjustments: Excludes MedQuist, Excludes reported special items for 2002 and 2003 corrected for amortization, respectively EUR 107 m and EUR 8 m, 2004 Volumetrics settlement EUR 133 m and for 2006 Intermagnetics-related acquisition and integration charges of EUR 31 m.

Margin expansion

Supply Management

Supply Chain

Information Technology

Sales Organization

Industrial Footprint

Additional Areas of Opportunity

Simplify
your work

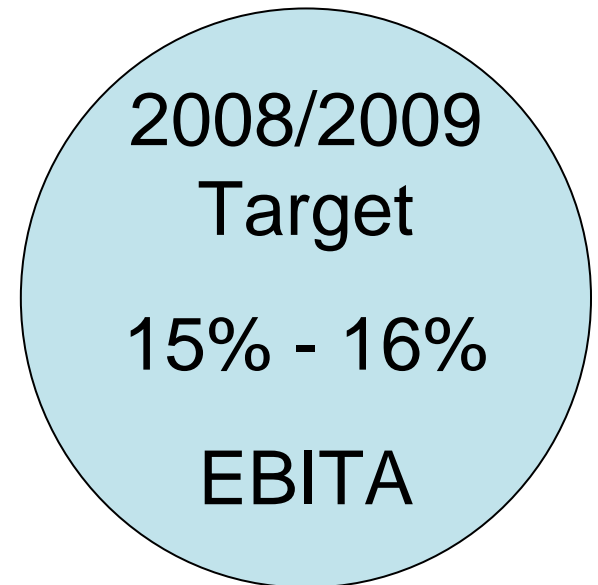
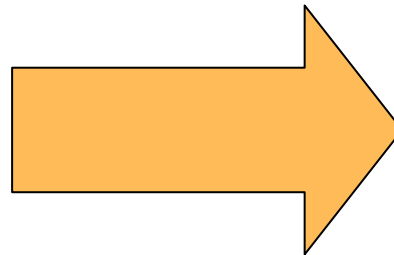


Margin Expansion Conclusions

Margin expansion is underlying goal of several key initiatives in:

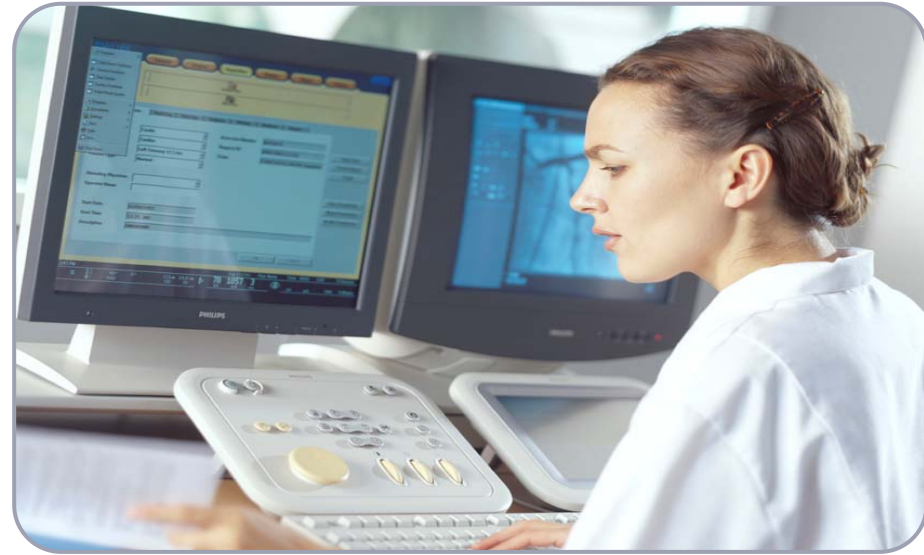
- Supply Management
- IT
- Supply Chain
- Sales Organization
- Industrial Footprint
- and others

...in order to support margin expansion



Portfolio Expansion - Acquisition of Stentor, Inc. #1 Rated PACS vendor

- Acquired August 5, 2005 - organization was fully integrated within 5 months
- 2006 i-Site order intake totaled €230 million
 - order volume grew 87% over full year 2005 (pre and post acquisition)
 - included €28M of new orders in international markets
- 2006 sales grew by 41 %; projected 2007 sales growth is 57%
- Financial performance is ahead of original plans
- Expansion into EMEA and APAC is gaining momentum



Intermagnetics - finalize integration



What did we buy?

- The world's largest independent developer of MR magnets, Coils and MR monitors
- Headquartered in Latham, NY, sites in Orlando, Gainesville, FL and Pewaukee, WI, 1100 employees

Why did we buy?

- Get access to best magnets, coils and MR monitors
- Own the MRI value chain

Intermagnetics - Integration Update

Deal Closed November 2006

What did we say?	What did we do?
Strengthen MRI position	One integrated entity <ul style="list-style-type: none"> - MR systems and Magnets integrated - Integrated Invivo Sales Team - Expanded Philips Patient Monitors with IGC leading MR-monitors
Rationalize our Supply Chain	Supply Chain and integration <ul style="list-style-type: none"> - Move global MR-Headquarters to Latham - Pre-assembly in Latham NY (NA market) - Discontinue manufacturing Helsinki
Closer cooperation of R&D teams	R&D <ul style="list-style-type: none"> - World's first rampable 1.5T MR System
Participate in growing Coils market	Philips becoming leading MR Coil supplier <ul style="list-style-type: none"> - Accelerated launch of new coils
Accretive towards end of 2007	On track to become accretive

“Care Cycles are the best way to transform Healthcare from a zero-sum game to a patient-value driven industry.”

– Porter and Olmstedt, *Redefining Healthcare*, 2006

“Image-guided stents for brain aneurysms allow patients to return to normal lives after only a month vs. a year.”

- *The Lancet*

“CT screening could eliminate 80% of lung cancer deaths in high risk patients.”

- *NEJM*



“X-ray fluoroscopy for opening clogged kidney arteries virtual elimination of a hospital stay. And it saves about \$ 15K per procedure.”

- *Radiology*

“Ultrasound guidance in placing large catheters reduces infections.”

- *British Medical Journal*

Focus on the people in the care cycle, the patients and care providers

Innovate across the care cycle by

combining **human insights** and **clinical expertise**

Strategic acquisitions and alliances



Summary: what can you expect from us

- We are a healthcare business that produces strong returns by focusing on the patient and care-provider. Our solutions will help deliver better healthcare at lower cost;
- We will build value by our focus on organic growth and strategic acquisitions and alliances;
- We will leverage the Philips brand and will provide an excellent expression of the Philips brand to the global market place.

