

**PHILIPS**

**sense and simplicity**

# PHILIPS

Royal Philips Electronics

November 28, 2007

# Forward Looking Statements

## Forward Looking Statements

This document and the related oral presentation, including responses to questions following the presentation may 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 are statements we have made about our strategy, estimates of sales growth, future EBITA and cost savings, 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.

Forward looking statements that we make are subject to, among other things, domestic and global economic and business conditions, levels of consumer and business spending in major economies, changes in consumer preferences with respect to our existing and new products, our ability to develop and market new products, changes in legislation, the successful implementation of our strategy and our ability to realize the benefits of this strategy, changes in exchange and interest rates, changes in tax rates, 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, our ability to identify and complete successful acquisitions and to integrate those acquisitions into our business, our ability to successfully exit certain product lines and businesses or restructure our operations, the rate of technological changes, political and other developments in countries where Philips operates and industry consolidation as well as the impact of competition – a number of which factors are beyond our control. As a result, our 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, 2006 and 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](http://www.sec.gov). Readers should consider the disclosures in that Report 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. Statements regarding market share, 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.

# Agenda

- Results third quarter 2007
- Moving into Philips 'Vision 2010'
- Capital reallocation
- Growth
- Acquisitions
- Conclusion

# Agenda

- Results

- Highlights

Performance

Looking ahead

# Highlights

- Comparable sales increased by 7% to EUR 6,524 million, driven by growth in the consumer businesses and in key emerging markets.
- EBITA grew to EUR 438 million, or 6.7% of sales, compared with EUR 71 million, or 1.1% of sales, in Q3 2006.
- Net income amounted to EUR 331 million; Q3 2006 net income included a gain of EUR 4,241 million, largely attributable to the sale of our Semiconductors division.

# Agenda

- Results

Highlights

➤ Performance

Looking ahead

# Summary - 3Q07

*EUR million*

	3Q06	3Q07
Sales	6,313	6,524
EBITA	71 <sup>1</sup>	438
Financial income and expenses	32	20
Income tax	27	(201) <sup>3</sup>
Results equity-accounted investees	(81)	128
Net income from continuing operations	1	333
Discontinued operations	4,241 <sup>2</sup>	(2)
Net Income	4,242	331
Net cash provided by operating activities	634	388
-----		
Net debt : Group equity ratio	(16):116	(8):108

1 - includes product liability charge of EUR 265 m

2 - estimated gain on the sale of a majority stake in the Semiconductors division

3 - includes EUR 91 m charges related to a reduction in the value of carried-forward tax losses resulting from a decrease in corporate tax rate in Germany

# Sales to thirds by sector – 3Q07

*EUR million*

	3Q06	3Q07	% nom	% comp
Medical Systems	1,575	1,600	2	3
DAP	577	718	24	20
CE	2,407	2,520	5	8
Lighting	1,370	1,496	9	2
I&EB	355	146	(59)	30
GMS	29	44	52	73

Group sales

6,313

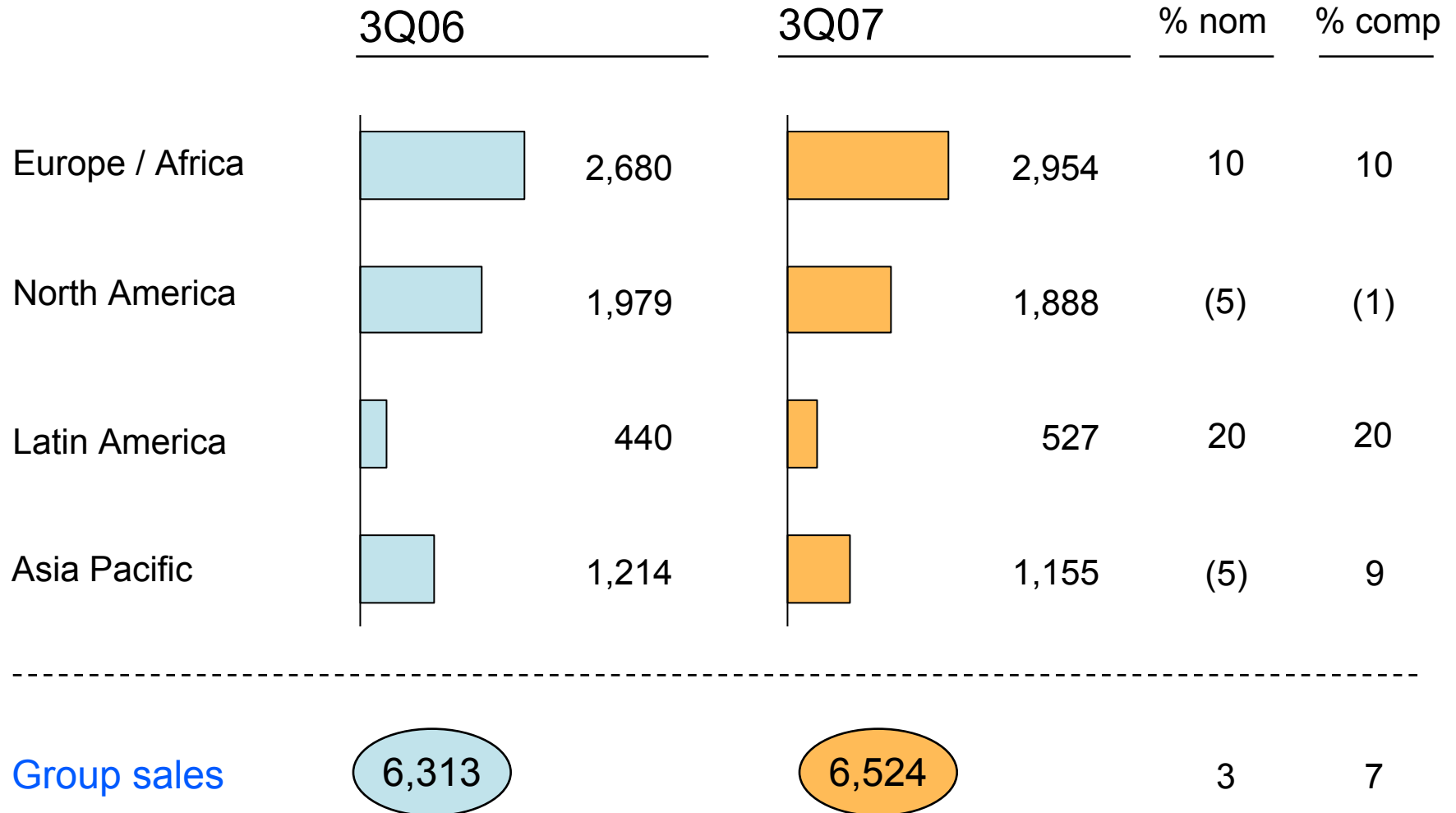
6,524

3

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# Sales to thirds by region – 3Q07

*EUR million*



# EBITA by sector – 3Q07

*EUR million*

	3Q06	3Q07
Medical Systems	192	182
DAP	96	135
CE	27	36
Lighting	134	190
Innovation & Emerging Bus.	(41)	(33)
Group Mgt & Services	(337) <sup>*</sup>	(72)
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Philips Group	71	438
as % of sales	1.1	6.7

\* includes product liability charge of EUR 265 m

# Cash Flow from continuing operations – 3Q07

*EUR million*

	3Q06	3Q07
Net income	4,242	331
Income/loss discontinued operations	(4,241)	2
Depreciation / amortization / impairments	206	215
Net gain on sale of assets	(11)	(59)
Income from equity accounted investees	78	(128)
Decrease in WC/other current assets	300	1
Other	60	26
<i>CF from operations</i>	634	388
Gross capital investments	(218)	(151)
Acquisitions/divestments/other	(719)	(363)
<i>CF before financing activities</i>	(303)	(126)

# Fixed assets expenditures & Depreciation by sector\*

*EUR million*

	Gross CapEx		Depreciation	
	3Q06	3Q07	3Q06	3Q07
Medical Systems	24	38	21	22
DAP	20	17	18	19
CE	17	21	16	20
Lighting	82	56	58	57
I&EB and GMS	15	19	29	27
<b>Group</b>	<b>158**</b>	<b>151</b>	<b>142</b>	<b>145</b>

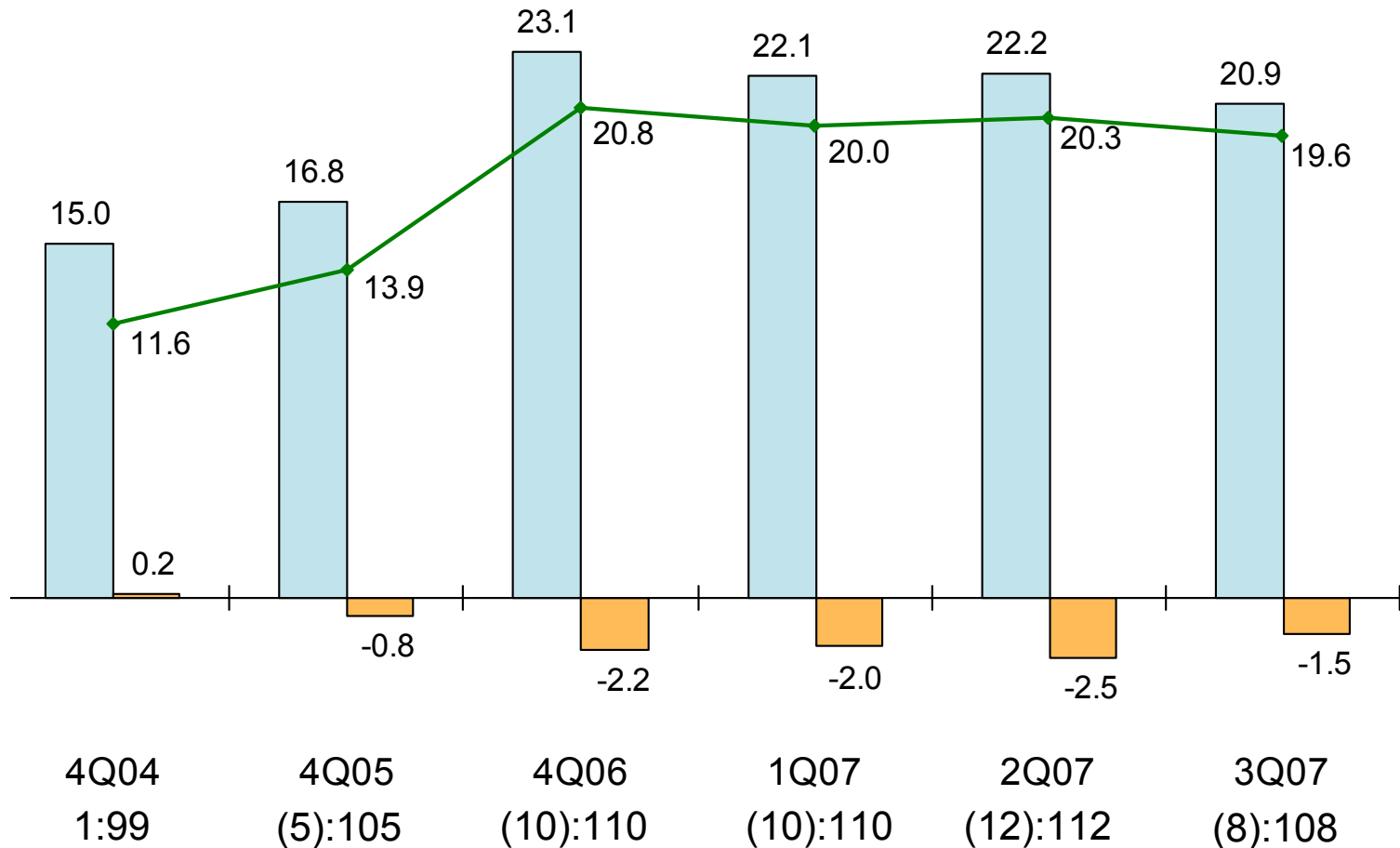
\* Excluding software related capital expenditures and depreciation

\*\* Excluding gross capital expenditures related to Q3 2006 timing difference in the finalization of the sale of the Semiconductors business

# Net debt : group equity ratio

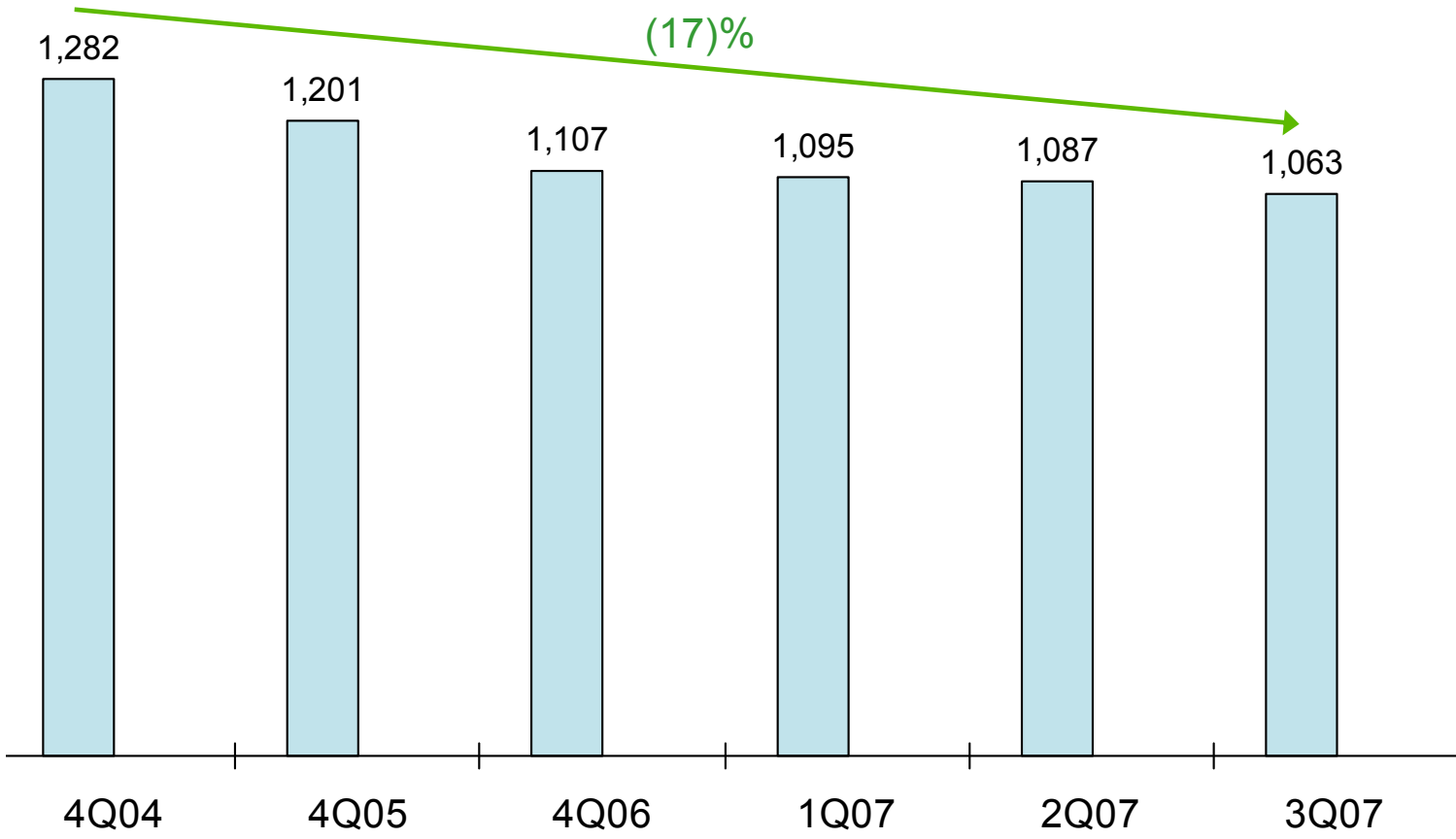
*EUR billion*

- Group equity (in billion EUR)
- Net debt (in billion EUR)
- Stockholders' equity per share (in EUR)



# Basic shares outstanding

*Million*



Basic shares  
outstanding

1,282m    1,201m    1,107m    1,098m    1,087m    1,063m

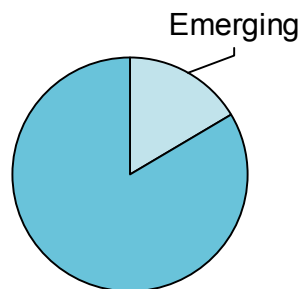
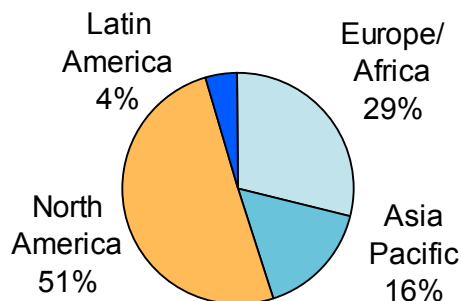
# Medical Systems

*EUR million unless otherwise stated*

## Key figures

	3Q06	2Q07	3Q07
Sales	1,575	1,651	1,600
% sales growth comp.	6	4	3
EBITA	192	218	182
EBITA as % of sales	12.2	13.2	11.4
EBIT	166	151	151
EBIT as % of sales	10.5	9.1	9.4
NOC	3,330	4,272	4,193
Employees (FTEs)	31,524	33,033	33,085

## Sales per region 3Q07 Emerging markets



## Financial performance

- Equipment order intake grew 3% compared to 3Q06 on a currency-comparable basis. Outside North America, order intake remained robust. In the US, growth at Ultrasound & Monitoring and General X-Ray was tempered by lower order intake at Imaging Systems, mainly in CT, Nuclear Medicine and Cardiovascular X-Ray. The increasing impact of the US Budget Deficit Reduction Act continued to pressure the imaging systems industry.
- Comparable sales grew 3% year-on-year thanks to strong growth at Ultrasound & Monitoring, Healthcare Informatics and Customer Services. Year-on-year sales at Imaging Systems declined however, particularly in CT, which suffered from the ongoing market contraction. MedQuist sales fell 9% comparably due to a decline in transcription revenues.
- EBITA declined by EUR 10 million, or 0.8 percentage points, compared to Q3 2006, primarily driven by the decline in sales performance of CT. Excluding CT, EBITA improved by 0.7 percentage points, driven by solid margin expansion in Ultrasound & Monitoring, Customer Services and by sales growth outside of the US.
- NOC and headcount increased, mainly due to the acquisition of Intermagnetics in Q4 2006.

## Looking ahead

- The ongoing impact of the US Budget Deficit Reduction Act is expected to lead to a broadly flat year-on-year US healthcare market. We expect to partially offset the impact on our business through sales growth outside North America and the contribution from acquisitions.

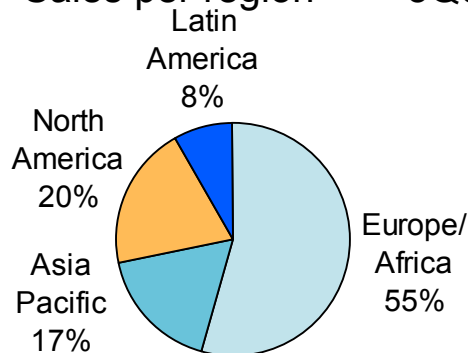
## DAP

EUR million unless otherwise stated

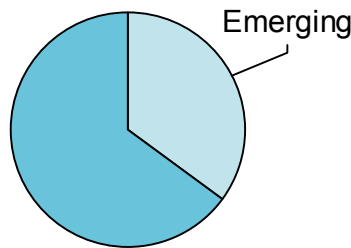
### Key figures

	3Q06	2Q07	3Q07
Sales	577	638	718
% sales growth comp.	9	14	20
EBITA	96	84	135
EBITA as % of sales	16.6	13.2	18.8
EBIT	94	80	132
EBIT as % of sales	16.3	12.5	18.4
NOC	1,276	1,297	1,326
Employees (FTEs)	10,347	10,059	10,423

### Sales per region 3Q07



### Emerging markets



### Financial performance

- Comparable sales grew 20% compared to Q3 2006, largely driven by strong growth at Shaving & Beauty, supported by the launch of the new shavers (Arcitec and Moisturizing Shaving System), and at Domestic Appliances, most notably Kitchen Appliances, due to a strong product portfolio and the successful healthy-living positioning.
- All regions reported strong double-digit sales growth, led by a 33% comparable increase in emerging markets.
- EBITA improved by EUR 39 million year-on-year, driven by higher sales and cost control.

### Looking ahead

- Notwithstanding the 13% comparable sales growth achieved in Q4 2006, DAP expects sales growth to continue. The growth will be supported by higher advertising and promotion investments, particularly for the newly introduced ranges in Shaving and Oral Healthcare.

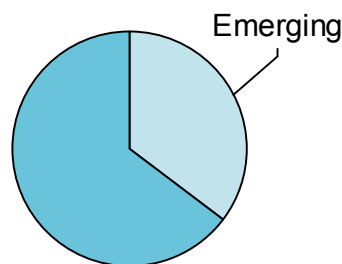
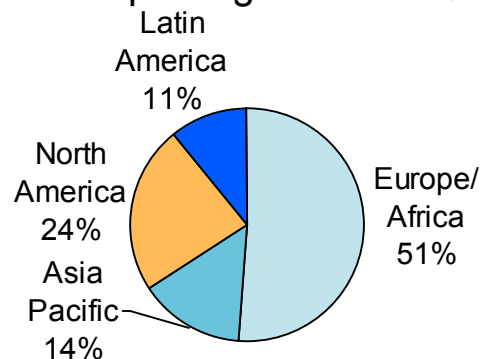
# Consumer Electronics

*EUR million unless otherwise stated*

## Key figures

	3Q06	2Q07	3Q07
Sales	2,407	2,148	2,520
% sales growth comp.	(1)	(11)	8
EBITA	27	22	36
EBITA as % of sales	1.1	1.0	1.4
EBIT	27	21	34
EBIT as % of sales	1.1	1.0	1.3
NOC	192	254	181
Employees (FTEs)	16,142	14,499	15,117

## Sales per region 3Q07 Emerging markets



## Financial performance

- Consumer Electronics' sales amounted to EUR 2,520 million, a year-on-year comparable increase of 8%, with growth visible across all operating businesses and in all key emerging markets.
- EBITA improved to EUR 36 million (1.4% of sales), compared to EUR 27 million (1.1% of sales) in Q3 2006. High margin pressure at Flat Displays, particularly in North America, was more than offset by higher EBITA in the other businesses.
- Despite the increased sales level, net operating capital remained low, consistent with the division's business model.

## Looking ahead

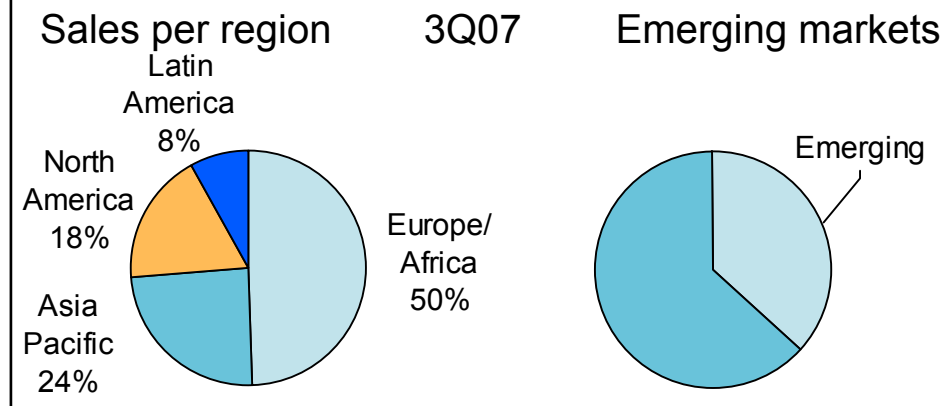
- Sales in the fourth quarter are expected to show strong year-on-year growth, supported by a number of new product introductions. It is expected that the competitive market environment in Flat Displays will continue, with pressure on margins.

# Lighting

*EUR million unless otherwise stated*

## Key figures

	3Q06	2Q07	3Q07
Sales	1,370	1,464	1,496
% sales growth comp.	10	6	2
EBITA	134	161	190
EBITA as % of sales	9.8	11.0	12.7
EBIT	126	150	178
EBIT as % of sales	9.2	10.2	11.9
NOC	2,697	3,578	4,116
Employees (FTEs)	48,753	53,500	54,951



## Financial performance

- 2% comparable growth compared to Q3 2006. Excluding the impact of the contracting UHP lighting market and the exit this year from fluorescent lamp-based LCD backlighting, sales increased 7% on a comparable basis, driven by the global demand for energy-efficient lighting solutions and strong growth in emerging markets.
- EBITA increased by EUR 56 million compared to Q3 2006, including a EUR 20 million gain on the sale of real estate, which was partly offset by purchase accounting, restructuring and other net incidental charges totaling EUR 9 million. Q3 2006 included restructuring and miscellaneous net charges totaling EUR 32 million.
- The increase in net operating capital and number of employees is related to the acquisition of PLI, Color Kinetics and TIR Systems.

## Looking ahead

- Charges for restructuring, purchase accounting and integration-related charges for Color Kinetics of around EUR 15 m are expected in Q4 2007.
- Lighting will continue to invest in green products to meet the rapidly growing global demand for energy-efficient lighting solution.

# Innovation & Emerging Businesses

*EUR million unless otherwise stated*

## Key figures

	3Q06	2Q07	3Q07
Sales	355	151	146
% sales growth comp.	1	26	30
Technologies / incubators	(34)	(32)	(33)
CHS, Corporate Investments & Others	(7)	(3)	-
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EBITA	(41)	(35)	(33)
EBITA as % of sales	(11.5)	(23.2)	(22.6)
EBIT	(51)	(39)	(38)
EBIT as % of sales	(14.4)	(25.8)	(26.0)
NOC	799	931	925
Employees (FTEs)	11,991	7,783	7,440

## Financial performance

### Corporate Technologies / Incubators

- The investment-driven results within the Technologies / Incubators sector were consistent with the run-rate of previous quarters.

### CHS and Others

- Consumer Healthcare Solutions' EBITA improved compared to Q3 2006. Sales grew 15% on a comparable basis, driven by Lifeline, which also supported the increase in earnings compared to Q3 2006.
- The year-on-year EBITA improvement within the Corporate Investments portfolio was largely attributable to improved earnings driven by the divestment of low-margin businesses.

## Looking ahead

- Investment in Research and the Incubators is expected to continue at approximately the same level as in Q3 2007.

# Group Management & Services

*EUR million unless otherwise stated*

## Key figures

	3Q06	2Q07	3Q07
Sales	29	48	44
% sales growth comp.	(7)	61	73
Corporate and Regional Costs	(48)	(38)	(37)
Global brand campaign	(13)	(29)	(26)
Service units, Pensions and Other	(276)	6	(9)
-----			
EBITA	(337)	(61)	(72)
EBIT	(337)	(61)	(72)
NOC	666	574	728
Employees (FTEs)	6,807	6,960	7,103

## Financial performance

- The EBITA of Group Management & Services improved significantly year-on-year due to last year's product liability charge of EUR 265 million in Q3 2006 as well as lower corporate overhead charges and lower pension costs in the current quarter.
- The increased investment in the brand campaign is wholly related to a shift in the annual spend pattern.

## Looking ahead

- Investments in the global brand campaign in Q4 are expected to total approximately EUR 60 million.
- Restructuring charges of approximately EUR 10 million related to the simplification of the regional and country management structures are expected in Q4.

# Agenda

- Results

Highlights

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➤ Looking ahead

# Looking ahead information in the 3Q quarterly report on October 15, 2007 - I

## **Medical Systems**

- The ongoing impact of the US Budget Deficit Reduction Act is expected to lead to a broadly flat year-on-year US healthcare market. We expect to partially offset the impact on our business through sales growth outside North America and the contribution from acquisitions.

## **Domestic Appliances and Personal Care**

- Notwithstanding the 13% comparable sales growth achieved in Q4 2006, DAP expects sales growth to continue. The growth will be supported by higher advertising & promotion investments, particularly on the newly introduced ranges in Shaving and Oral Healthcare.

## **Consumer Electronics**

- Sales in the fourth quarter are expected to show strong year-on-year growth, supported by a number of new product introductions. It is expected that the competitive market environment in Flat Displays will continue, with pressure on margins.

## **Lighting**

- Charges for restructuring, purchase accounting and integration-related charges for Color Kinetics of around EUR 15 million are expected in Q4 2007.
- Lighting will continue to invest in green products to meet the rapidly growing global demand for energy-efficient lighting solutions.

# Looking ahead information in the 3Q quarterly report on October 15, 2007 - II

## **Innovation & Emerging Businesses**

- Investment in Research and the Incubators is expected to continue at approximately the same level as in Q3 2007.

## **Group Management & Services**

- Investments in the global brand campaign in Q4 are expected to total approximately EUR 60 million.
- Restructuring charges of approximately EUR 10 million related to the simplification of the regional and country management structures are expected in Q4.

## **Outlook**

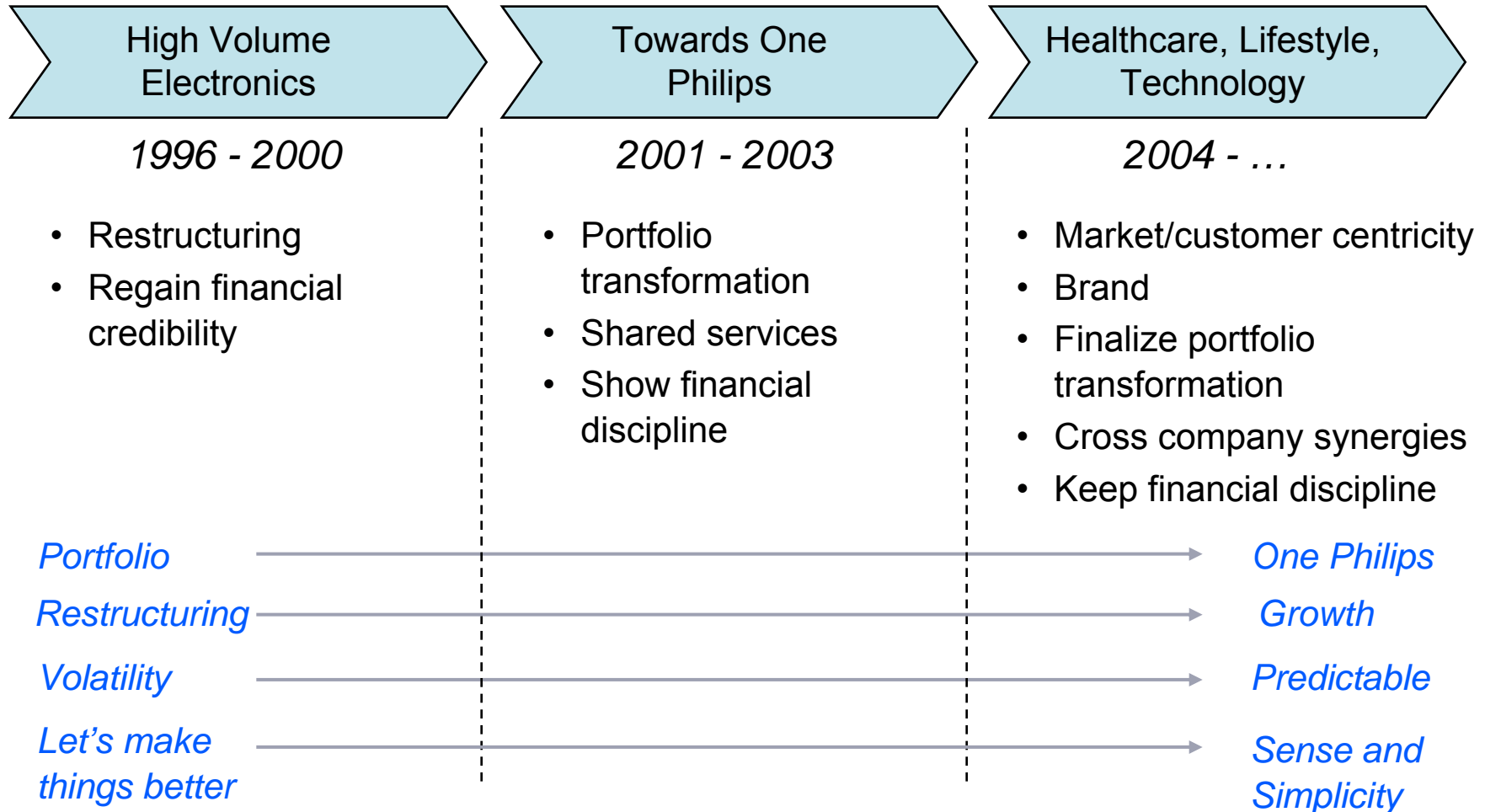
- Our robust third-quarter performance represents good progress towards achieving our sales and earnings targets – annual average top-line growth of 5-6% and EBITA of at least 7.5% of sales.
- Going forward, we expect the Company's strong business portfolio, coupled with continuing growth in the majority of our geographies, particularly in the emerging markets, will offset a potentially weaker US market environment.
- We will continue the reallocation of capital by pursuing value-creating acquisitions consistent with our strategic direction and will announce the next step in our program to return capital to shareholders together with the publication of our fourth-quarter results.

# Agenda

- Results third quarter 2007
- Moving into Philips 'Vision 2010'
- Capital reallocation
- Growth
- Acquisitions
- Conclusion

# How we changed our company in the past 10 years

*The journey of becoming truly market driven*



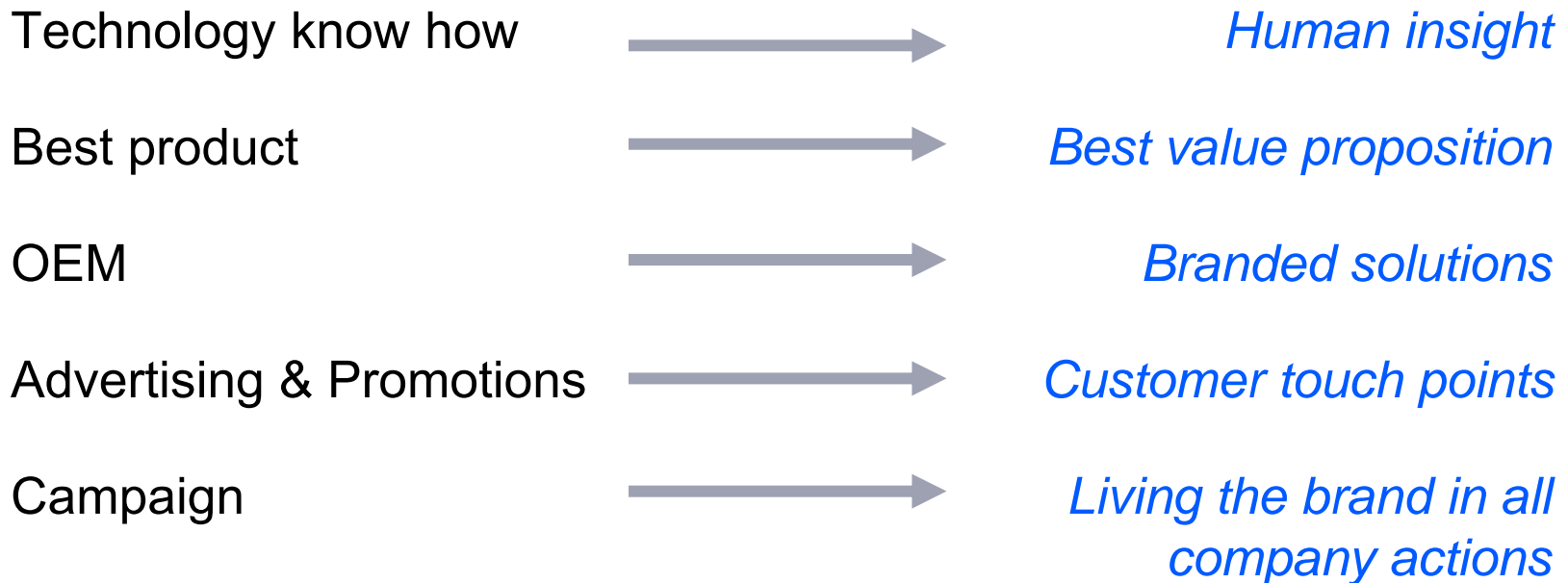
# Our mission

*“Improve the quality of people’s lives  
through the timely introduction of  
meaningful innovations”*



# Turning the brand promise into reality

## sense **and** simplicity



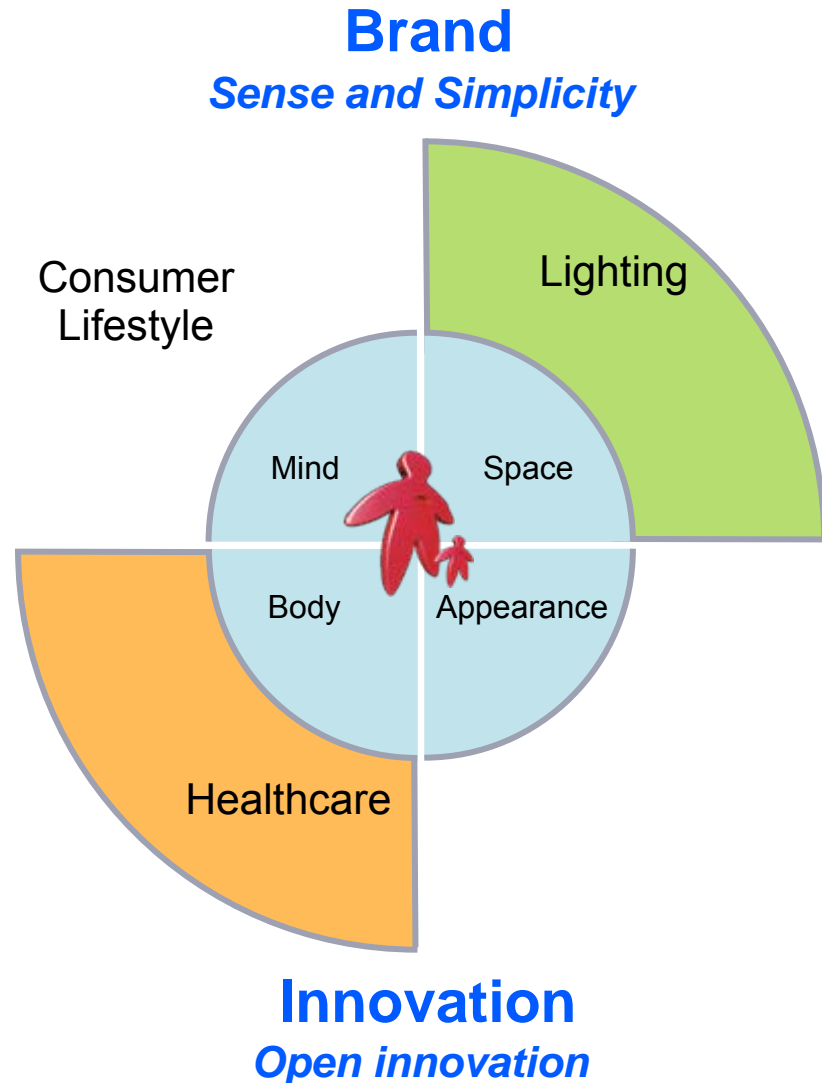
# Winning in our chosen market sectors

Our businesses are centered around *people* and the *quality of their lives*

We address the needs of *consumers* in the four domains of lifestyle; *space, appearance, body and mind...*

..and the needs of *professionals* that improve the quality of life in the domains of body (*healthcare*) and space (*lighting*)

Our competitive differentiation is in our *brand* and in our *innovation* capabilities



# Philips 'Vision 2010' ambition

- We have the ambition to increase shareholder value by:
  - *Improving EBITA margin of our current businesses* to exceed 10% from our 2007 target of >7.5% through:
    - Improved *margin management*
    - Increased contribution from recent *acquisitions*
    - Improvement of our *product mix*
    - Cost benefits of EUR 150-200M through effects of *organizational simplification*
  - *Driving comparable growth* at a minimum of 6% average per year for the period 2008-2010
- We intend to arrive at an efficient balance sheet by the end of 2009 through a combination of value-creating acquisitions as well as continued returns of capital to shareholders
- Thanks to these measures we expect to *more than double our EBITA per common share by 2010* compared to 2007



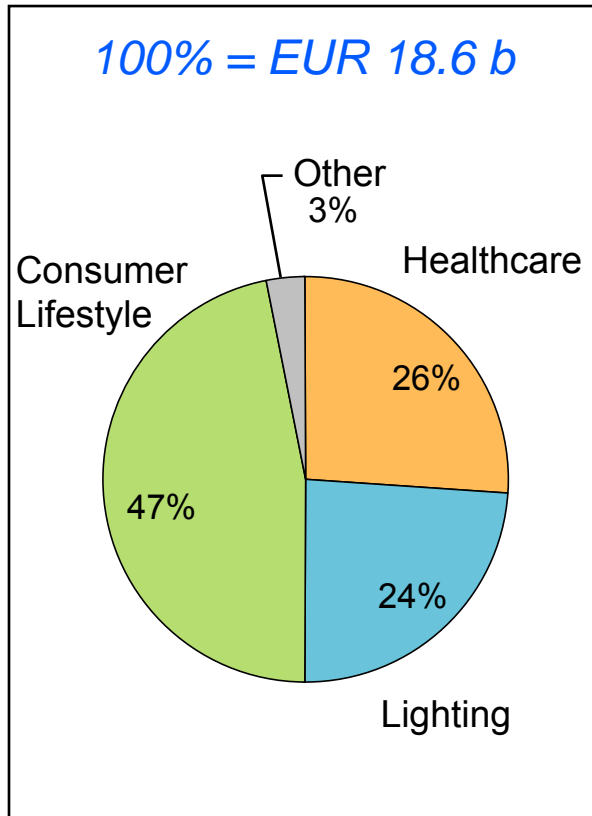
# We will reach our objectives by executing on the following strategic actions

1. We are a *people-centric* company that organizes around *customers and markets*
2. We invest in a *strong brand* and consistently deliver on our *brand promise* of “*sense and simplicity*”, in our actions, products and services
3. We deliver *innovation* by investing in world class strengths in *end-user insights, technology, design* and superior *supplier networks*
4. We develop our *people’s leadership, talent* and *engagement* and align ourselves with high performance benchmarks
5. We invest in *high growth and profitable businesses* and *emerging geographies* to achieve *market leadership* positions
6. We are committed to *sustainability* and focus on making the difference in *efficient energy use*
7. We drive *operational excellence* and *quality* to best in class levels, allowing us the above mentioned strategic investments in our businesses

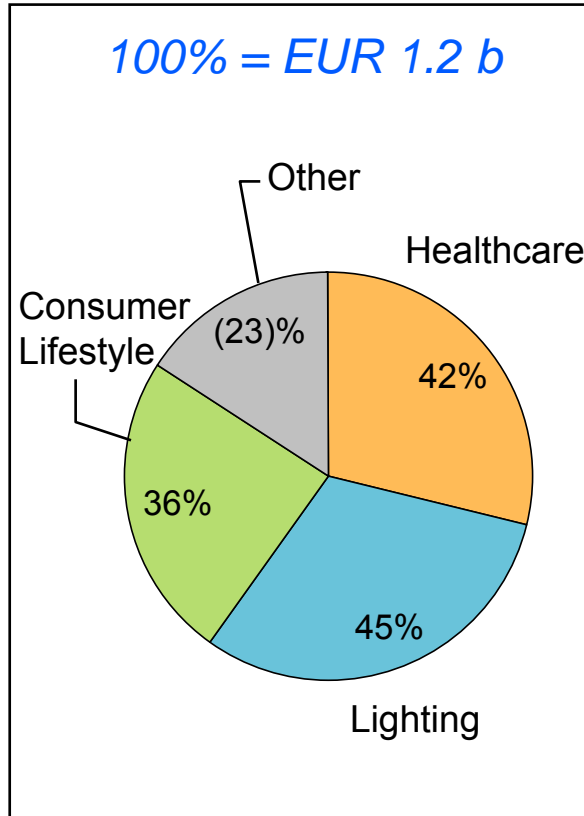
# Simplifying business structure by creating three core sectors: Healthcare, Lighting and Consumer Lifestyle

Q3 2007 Year-to-date, EUR million

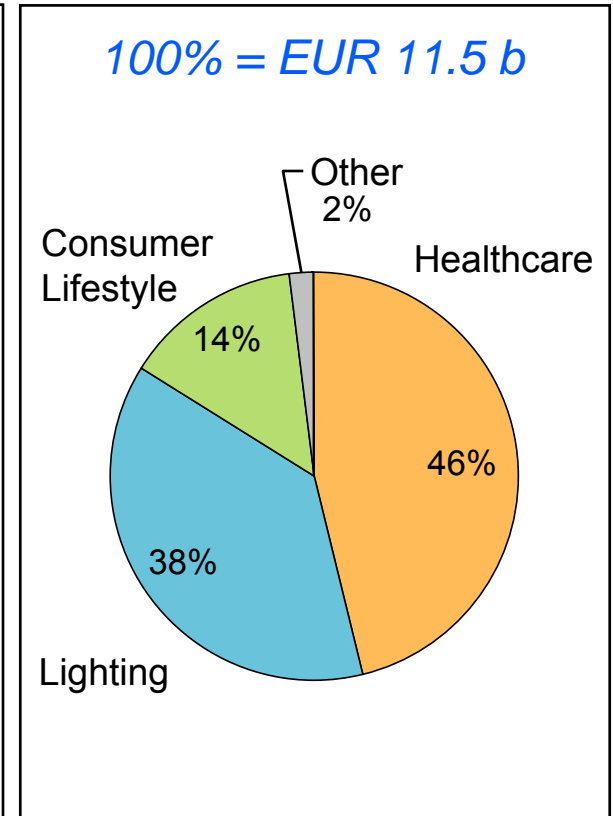
Sales



EBITA



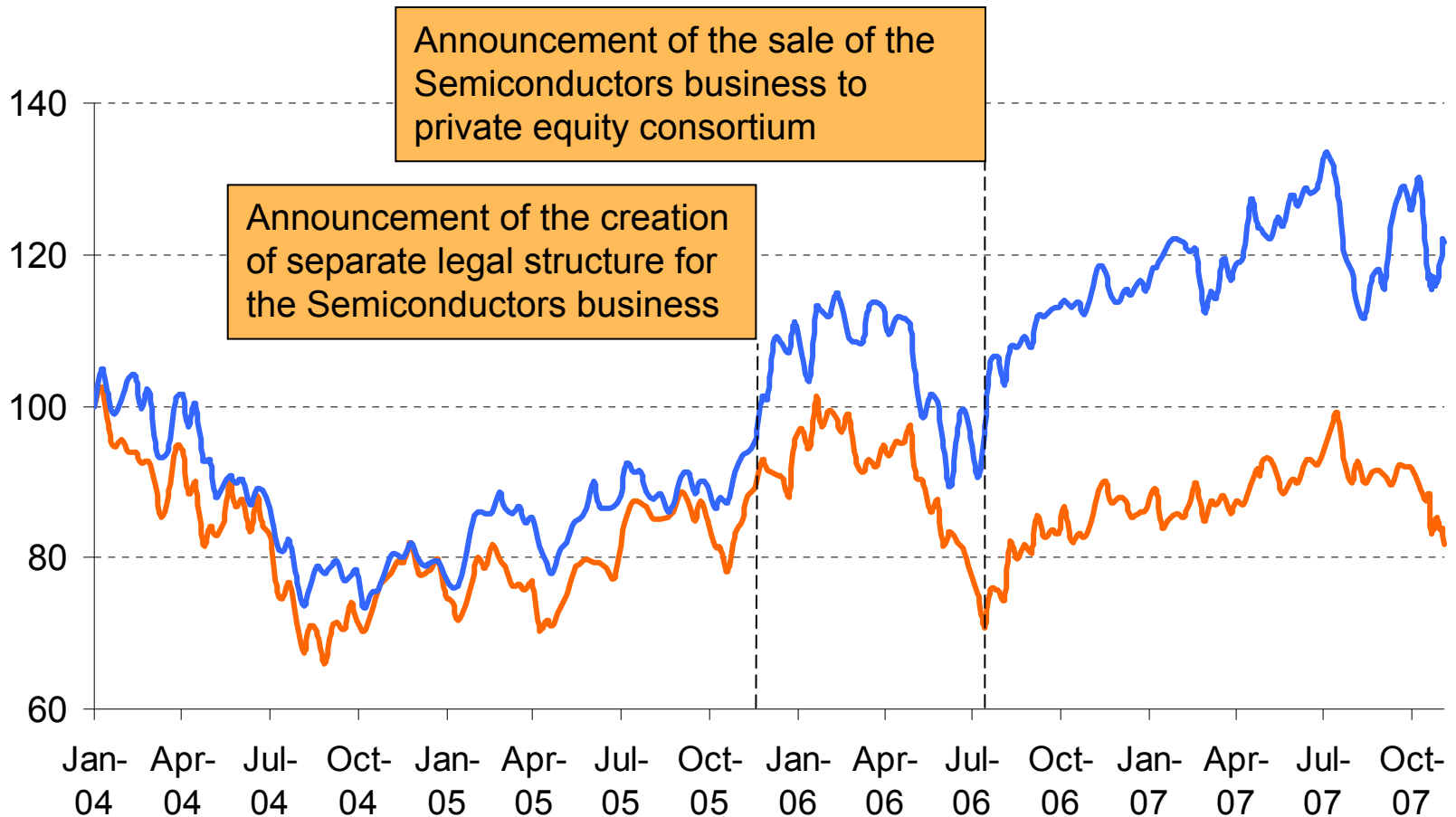
Net Operating Capital



# Share price gained momentum after decoupling from Semiconductor Index

*base 100 = Jan 2, 2004*

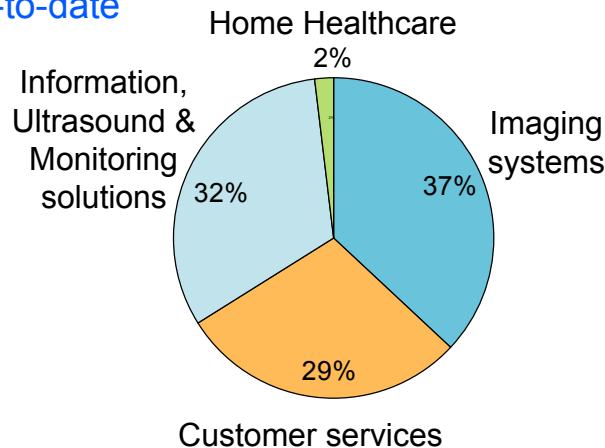
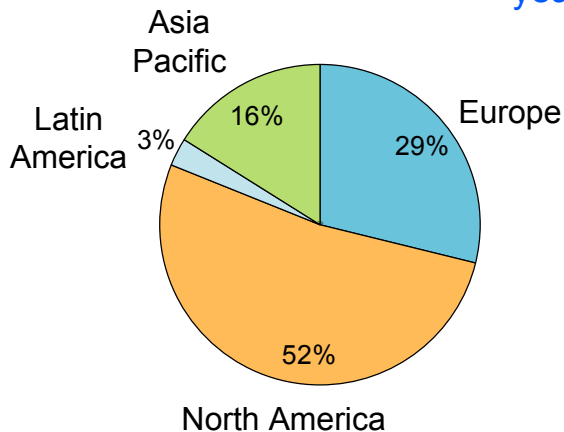
— Philips  
— Soxx



## Healthcare

- Long-term growth driven by demographics and economic advancement of emerging markets
- Strong market position and market share
- Making wide use of Philips range of skills
- Strong margins based on innovation
- Strong cash flow
- Home Healthcare integrated into Philips Healthcare to provide solutions to all segments of the care cycle

Sales 3Q07  
year-to-date



BrightView  
SPECT



EP Navigator



MR  
Achieva 3.0T



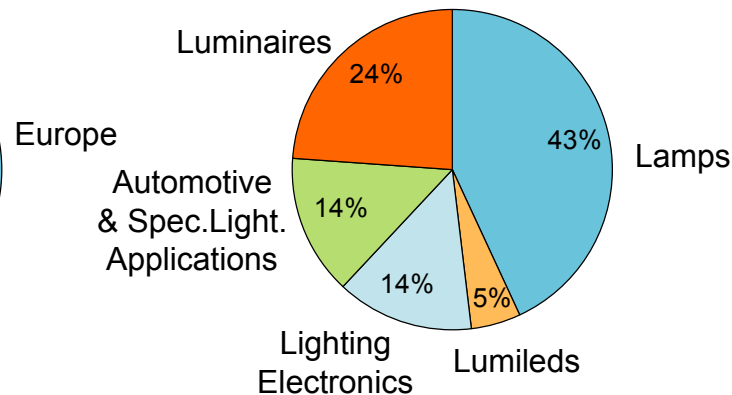
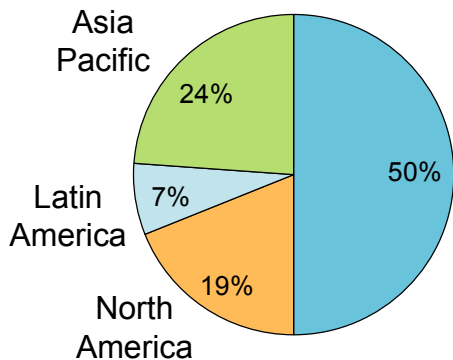
HeartStart MRx



## Lighting

- Number 1 market position globally with strong margins and cash flows
- World leader in Solid State Lighting
- End-user-driven innovation, marketing and supply excellence
- Wide range of energy saving propositions
- Profitable growth in fast-growing economies in innovative new market segments

Sales 3Q07  
year-to-date



Luxeon  
Automotive LEDs



Edore



LivingColors



CosmoPolis



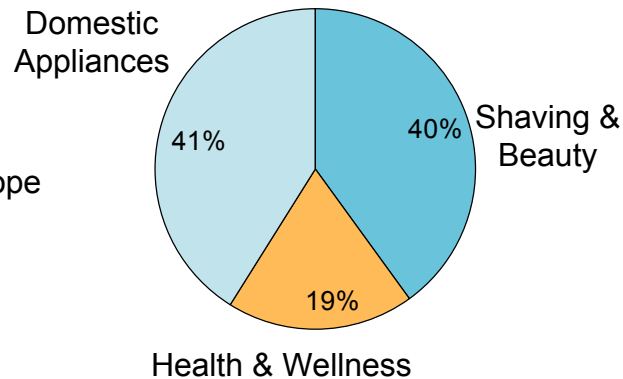
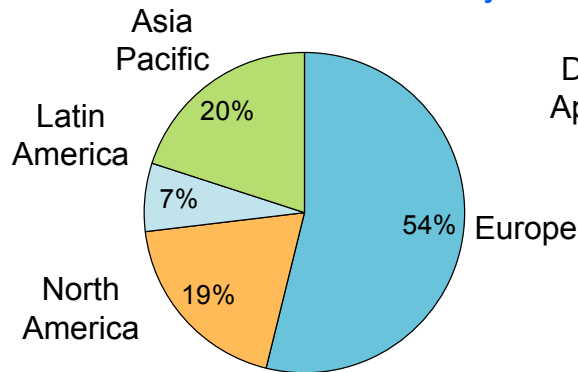
# Consumer Lifestyle

## *Domestic Appliances and Personal care*

- Breakthrough products through innovation and customer understanding with many leading market positions
- Combining market excellence with best in class cost position
- Expanding retail channels into emerging markets
- Leveraging the brand
- Strong cash flow



Sales 3Q07  
year-to-date



## Consumer Lifestyle Consumer Electronics

- Focus on innovation in design and marketing of high-end differentiative products
- Leveraging the Brand
- Outsourced approx. 80% of manufacturing, resulting in negative NOC
- Further de-risking the business through new business models resulting in negative capital base

Active Crystals



AmbiSound

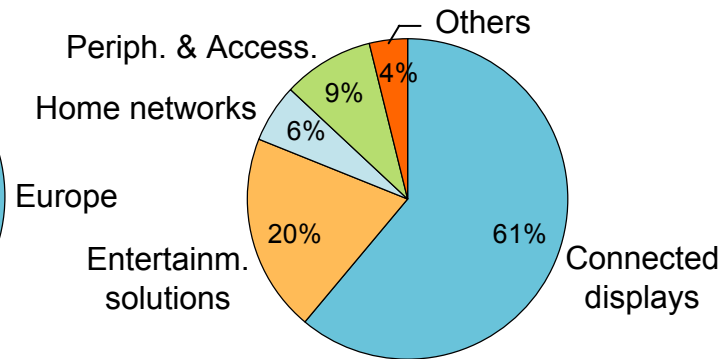
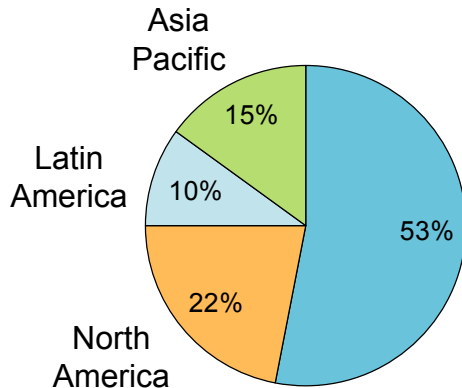
Portable Media devices



Ambilight



Sales 3Q07  
year-to-date



\* Excluding Mobile Phones



# Consumer Lifestyle

## *Objectives of integrating our consumer businesses*

By integration of our current CE and DAP divisions into one sector we will:

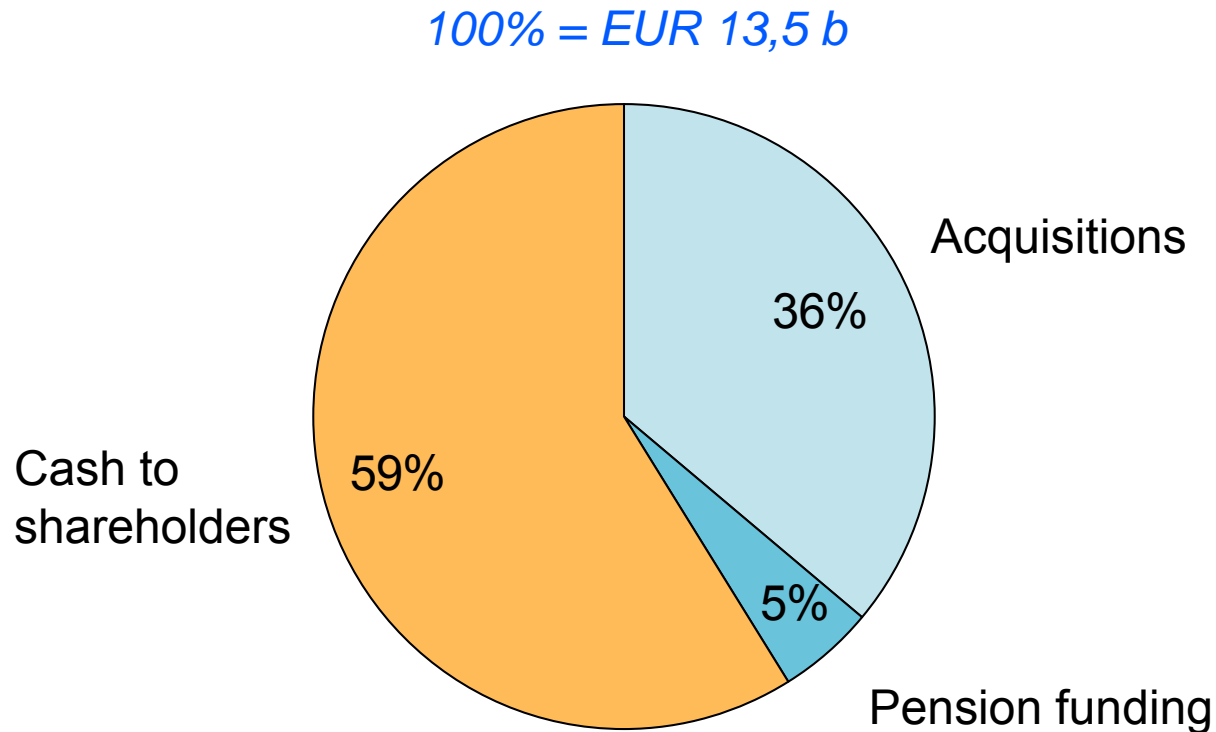
- create an organization and management team capable of executing a single consumer strategy
- allow the new organization to leverage the best capabilities of both organizations
- create a consumer solutions powerhouse closely grouped around the end-consumer, with deep consumer insight and the ability to develop, produce and market innovative products with higher profitability levels than before.
- deliver cost benefits of EUR 150-200M, which will further support our profitability

# Agenda

- Results third quarter 2007
- Moving into Philips 'Vision 2010'
- Capital reallocation
- Growth
- Acquisitions
- Conclusion

# Financial assets: Cash utilization

*Year 2005 – 2007 \**



\* Including announced acquisitions and share repurchase program

# Portfolio changes in the last 18 months

*EUR million*

## Major acquisitions <sup>1</sup>

- Lifeline Systems
- Witt Biomedical
- Avent
- Intermagnetics
- Partners in Lighting
- Color Kinetics

Sales	913 <sup>2</sup>
Comp. growth	13%
EBIT	167
% of sales	18.3%



## Divestments <sup>3</sup>

- MDS
- Optical Storage
- Enabling Technologies Group
- HTP Tooling
- Business Communications

Sales	2,343
Comp. growth	-17%
EBIT	(142)
% of sales	-6.0%

1 – US GAAP restated sales and EBIT exclude annualized amortization from year before purchase. Comparable growth based on RFA.

2 – Excludes sales from Intermagnetics to Philips

3 – Actual figures based on 2005.

# Cash generated from sale of major participations

*EUR million*

	2004	2005	2006	2007	Total
Sale securities	883	67	—	—	950
Sale Atos Origin shares	552	554	—	—	1,106
NAVTEQ	672	932	—	—	1,604
TSMC	—	770	—	3,156**	3,926
LG.Philips LCD	—	938	—	1,550	2,488
FEI	—	—	154	—	154
Semiconductors (NXP)	—	—	7,059*	—	7,059
<hr/>					
<b>Total</b>	<b>2,107</b>	<b>3,261</b>	<b>7,213</b>	<b>4,706</b>	<b>17,287</b>

\* Excluding the recorded income tax expense which has yet to be paid

\*\* First two parts of announced program to sell down stake in TSMC completed. Tender offer by TSMC still to come in 2007

# Cash utilization

EUR million

	2005	2006	2007	Total**
Acquisition Stentor	194	–	–	4,434 34.0 %
Acquisition Witt Biomedical	–	110	–	
Acquisition Lifeline	–	583	–	
Acquisition Intermagnetics	–	993	–	
Acquisition Lumileds	788	–	–	
Acquisition PLI	–	–	561	
Acquisition Color Kinetics	–	–	516	
Acquisition Avent	–	689	–	683 5.2 %
Extra funding pensions (UK&US)	–	683	–	
Share repurchase program	1,836	414	–	7,936 60.8 %
Dividend	504	523	659	
EUR 4.0 billion buy-back program	–	2,367	1,633*	
<b>Total</b>	<b>3,322</b>	<b>6,362</b>	<b>3,369</b>	<b>13,053</b>

\* Still to be completed

\*\* Excl. acquisitions of Bodine, Power Sentry, TIR and announced acquisitions of Health Watch and DLO because amounts were small

Color: Healthcare, Lighting & DAP

# Major investments

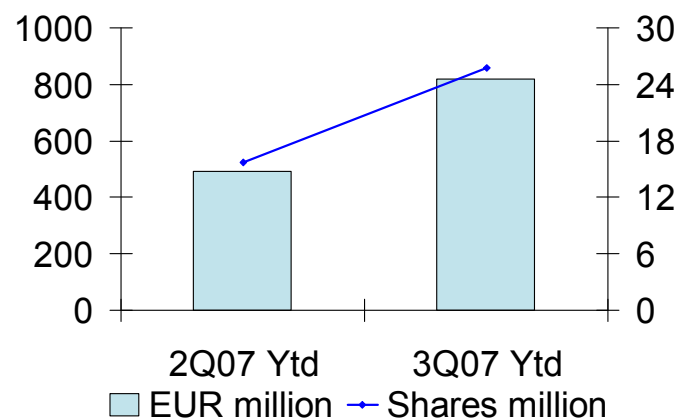
	number shares rounded in millions	% ownership	Nov 16 <sup>th</sup> , 2007 <i>in EUR m.</i>
<i>Quoted</i>			Market value
TSMC	2,111	8.0	2,698
LG.Philips LCD	71	19.9	2,914
TPV	263	13.6	107
<i>Non-quoted</i>			Book value
NXP	18	19.9 <sup>1</sup>	854
<b>Total</b>			<b>6,573</b>

<sup>1</sup> Economic ownership

# Share Repurchase Program over ‘Second Trading Line’: EUR 819 million executed by end of September

- EUR 1,633 million share repurchase program for capital reduction to complete the return of EUR 4 billion to shareholders
- Executed over a Second Trading Line (‘STL’) to enable Philips to buy back from holders who are tax exempt or able to achieve tax compensation
- On this trading line, shares will be purchased ‘off exchange’ exclusively by Philips and settled net of 15% dividend withholding tax
- Trades on the STL shall include a transaction cost reimbursement of 1.0%
- Most trades have been from shareholders who sell small clips of shares and subsequently repurchase these over the ordinary trading line
- 26 million shares repurchased for EUR 819 million by end of September

Cumulative Repurchases STL in EUR million



### Conditions to trade

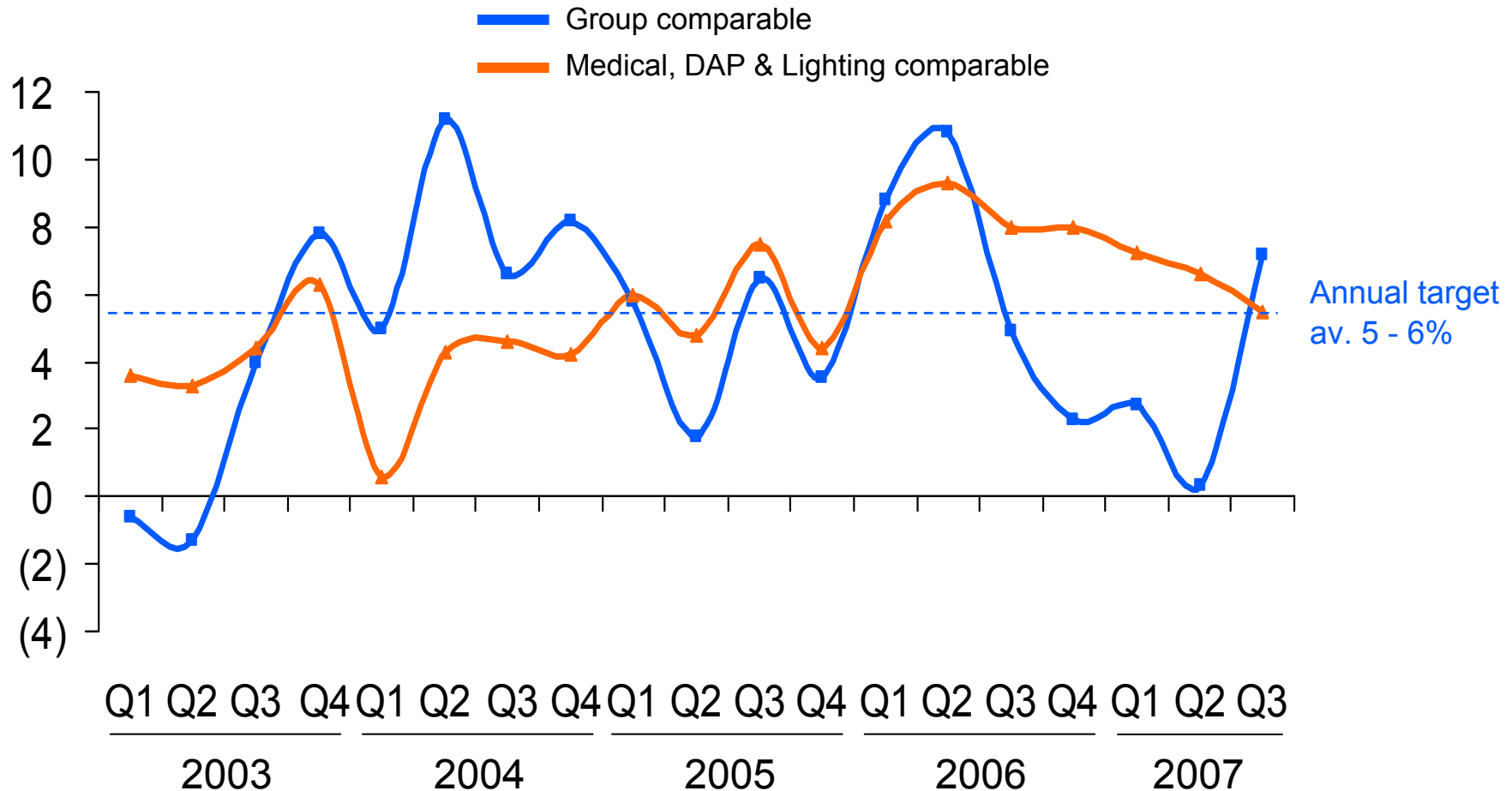
- Position to reclaim/offset dividend taxes
- Transactions of at least 10,000 shares
- Daily maximum: lower of 1,500,000 shares and 15% of daily trading volume (ordinary trading line)
- For more information:
  - ABN AMRO: Rogier de la Rambelje +31 20 383 6982
  - [www.philips.com/investor](http://www.philips.com/investor)

# Agenda

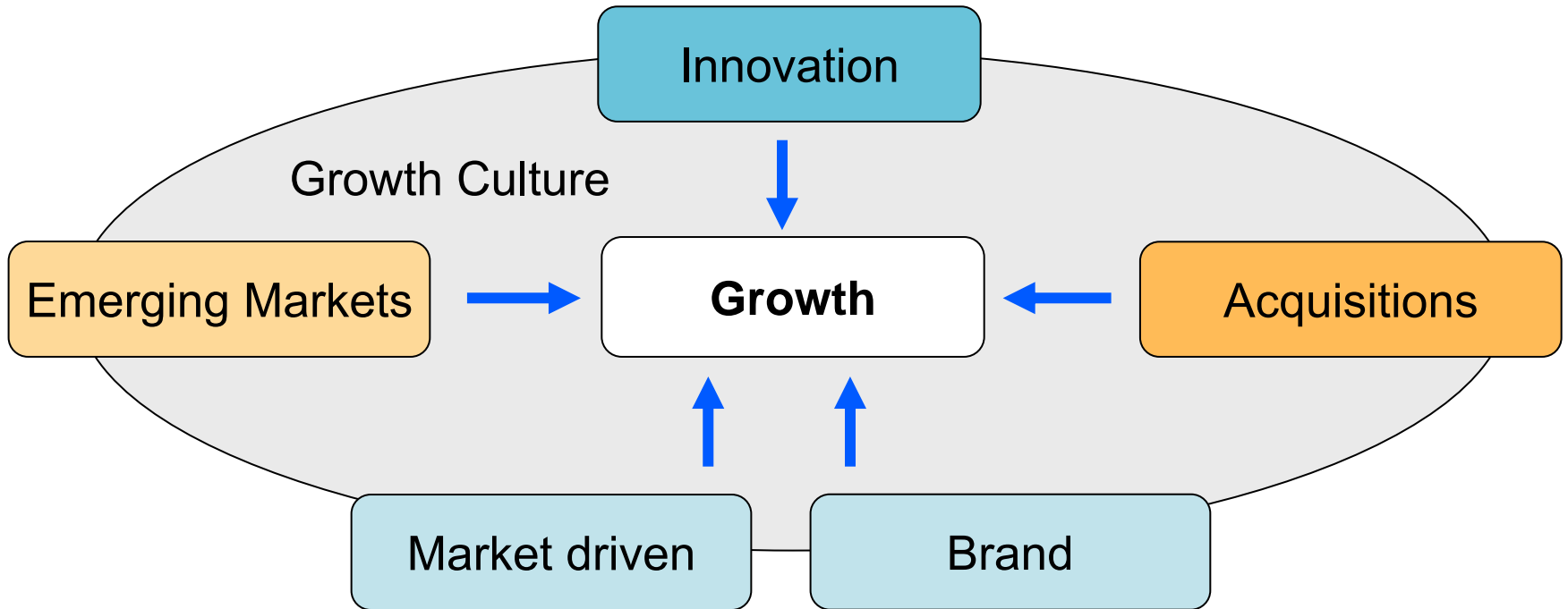
- Results third quarter 2007
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# Quarterly sales growth y-o-y

%

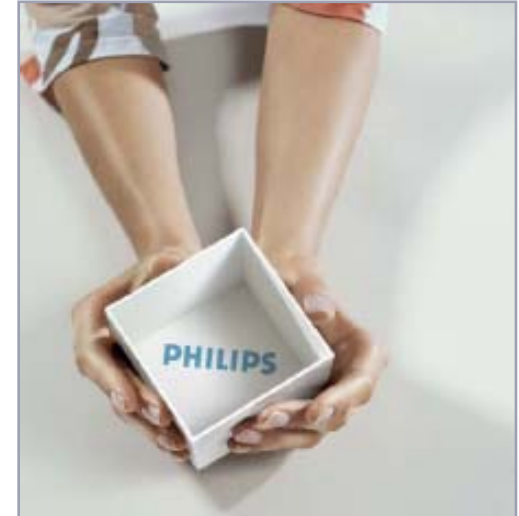


# Pulling all levers for growth



# Becoming a more market driven organization

- New sector organization build around markets
- Key account teams for large customers both in B2B and B2C
- Introduction of Net promoter score to measure customer satisfaction
- All innovations program based on unique customer insight
- Comprehensive program to strengthen marketing competencies



# Our increased innovation focus fuels growth

## Initiatives

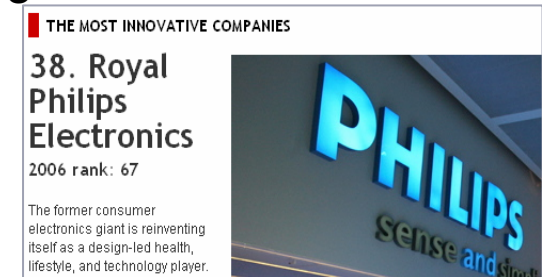
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- We deliver innovation by investing in world class strengths in end-user insights, technology, design and superior supplier networks.
- We increased our investments in Incubation, Molecular Healthcare and Emerging Market new business development.

## Results

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- Our New Product Sales index increased from 39% (2004) to 53% (2006).
- We continue to move up in Business Week's ranking of most innovative companies:
  - 2006: 67
  - 2007: 38



*“The former consumer electronics giant is reinventing itself as a design-led health, lifestyle, and technology player. Think in-home health-monitoring devices for heart patients, computer games with sensory effects, and energy-efficient color-changing lighting. Philips taps teams of futurists, cultural anthropologists, designers, and scientists to develop user-centered products and services.”*

# Our increased brand focus fuels growth

## Initiatives

- Sustained competitive investment behind brand campaign
- Use A&P to ‘claim’ simplicity, also establish a dialogue with our stakeholders to allow them to experience the brand.
- Creating conditions to ‘live the brand’ by filters in all key processes (8 commitments)

## Results

- The Philips Brand continues to move up in the Interbrand Best Global Brands ranking

- 2004: 65
- 2005: 53
- 2006: 48
- 2007: 42

		Brand value in US\$		
		2007	2006	change
<b>41</b>	30 FORD	8,982	11,056	-19%
<b>42</b>	48 PHILIPS	7,741	6,730	15%
<b>43</b>	44 SIEMENS	7,737	7,828	-1%
<b>44</b>	51 NINTENDO	7,730	6,559	18%

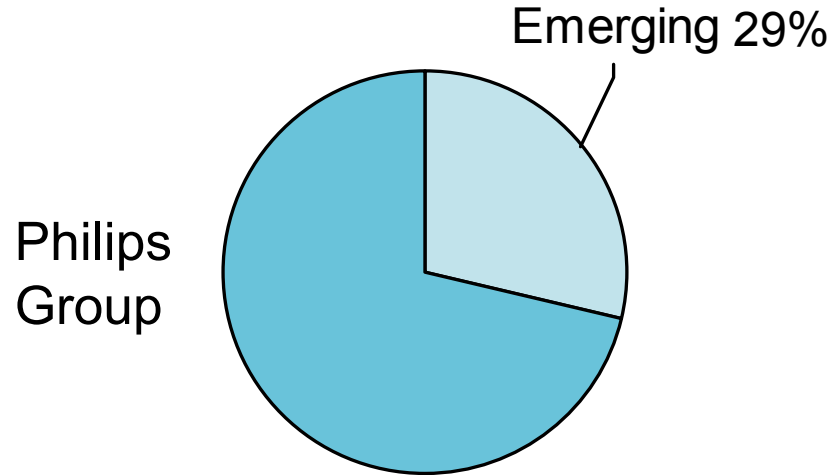
60 | BusinessWeek | August 6, 2007

## Interbrand

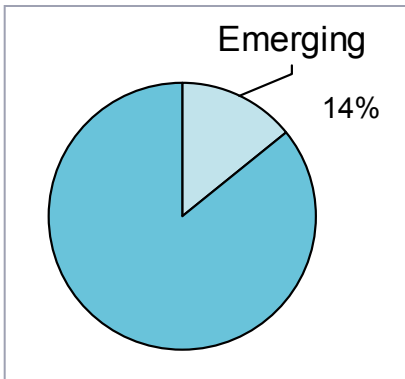
*“Philips brand value shows an impressive growth rate. The 15% increase in value not only reflects that investments in the brand paid off, but it also reveals that the brand’s core messages resonate with customers. Philips not only talks about simplicity; it lives simplicity – through its focus on core activities and efficient operations Philips managed to simplify the organization and reduce costs, and through its focus on customers and their needs the brand signals that it makes a true effort to stay attractive for customers.”*

# Emerging markets

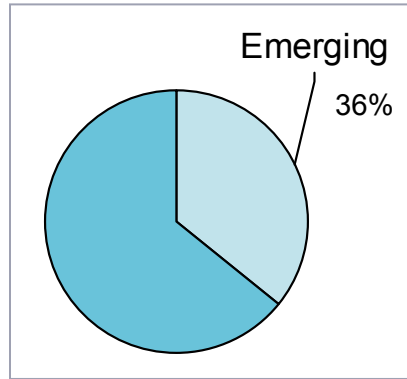
*Sales in emerging markets Q3 2007 year-to-date*



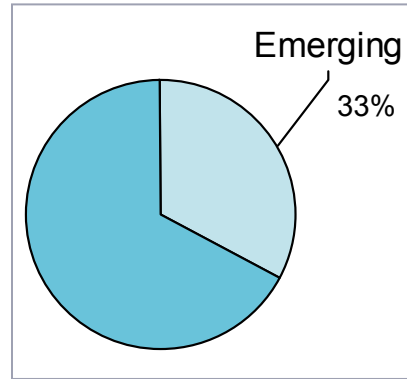
Medical



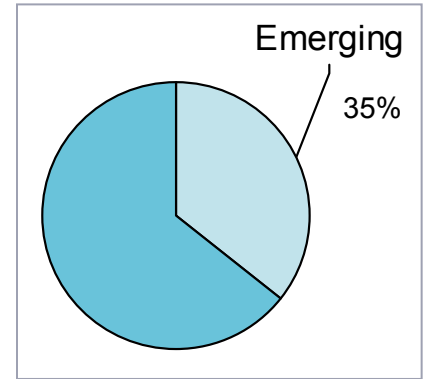
DAP



CE



Lighting




# Agenda

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# Guiding principles for acquisitions

- ① Growth opportunities in our high margin, more predictable businesses
- ② No or time-limited margin dilution
- ③ Quality of management
- ④ Clear commercial, clinical, and technology synergies
- ⑤ Complementary position
- ⑥ Strong market position
- ⑦ Integration strategy part of acquisition decision
- ⑧ Walk-away price set at discussion start
- ⑨ A good alliance is an alternative to acquisition



Value  
Creation

# Intermagnetics: Magnetic Resonance Imaging

*Purchase price EUR 993 million*

- Acquired November 9, 2006
- Approximately 4 points additional growth in Philips' MRI market share within 3 years
- Improved supply chain cost, 3-5 margin points
- Acceleration time-to-market by approx. 20-25%
- Rationalize business footprint of Philips' MR business
- Growing coils & monitoring business using our global reach
- Positioning for future, expands PMS's portfolio with a leading position in MR compatibles patient monitors
- Take advantage of the new magnet technology

# Witt Biomedical:

## World leader in Hemodynamic Reporting

*Purchase price EUR 110 million*

- Acquired April 27, 2006 and positioned Philips as the #1 global provider of fully integrated Cath Labs
- 2006 order intake grew by 34%
- 2006 sales grew by 20%
- The acquisition positioned Philips to offer the first fully integrated cath lab (ICL)
- Philips now ranked as number 1 in Hemodynamic Reporting with no position prior to acquisition
- Expansion via direct selling into Europe and Asia is underway
- Mid-year KLAS report ranked Philips #1 in Cardiology Hemodynamics

# Consumer healthcare market

*Purchase price EUR 682 million, Lifeline & Health Watch*

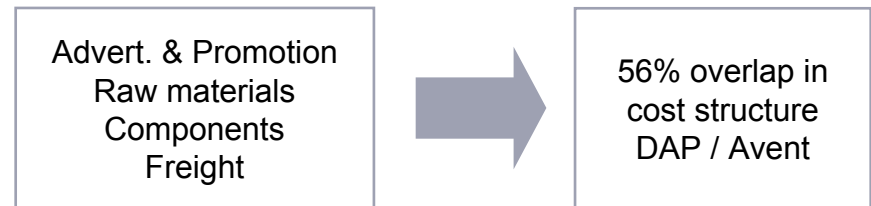
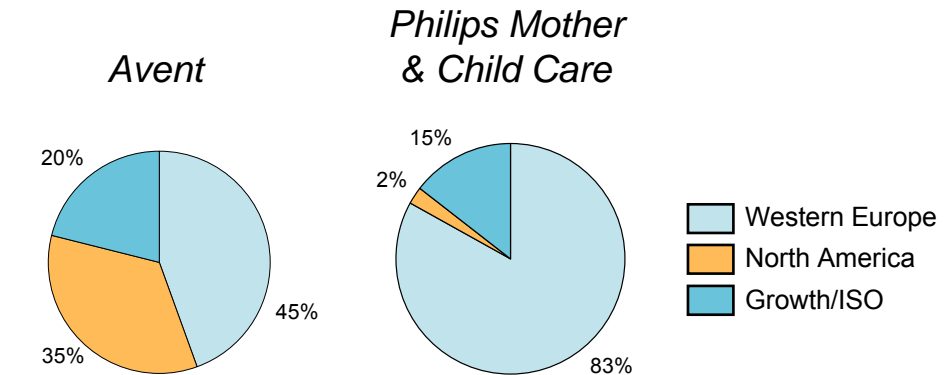
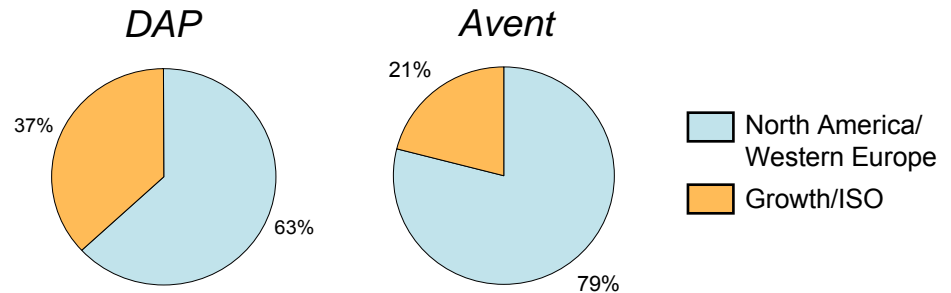
- Lifeline is an acquisition that has created a platform for building a consumer healthcare market
- By acquiring Health Watch, we add to this platform and Philips can spread its fixed cost over a wider customer base while boosting demand for its products through its increased network of healthcare distributors.
- 2007 sales expected to be approximately USD 220 million\*, which is more than 15% organic growth over 2006 and represents an acceleration of the growth achieved in 2006.
- Number of subscribers of Medical Alert services is now in excess of 695,000.
- The growth is based on:
  - increase in the subscriber base
  - increase in average monthly income per subscriber
  - sales synergies expected from the brand and from the introduction of the Philips remote patient monitoring product and service offers into the Lifeline channel
  - R&D investment increased to stimulate further growth

\* Including Health Watch for 8 months of operations

# Avent: Growth in Health & Wellness

*Purchase price EUR 689 million*

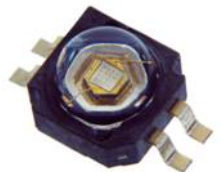
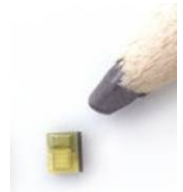
- DAP's larger presence in Emerging Markets provides growth opportunities for Avent
- Avent's regional strengths provides growth opportunity for existing Philips M&CC business
- Large overlap in major components of cost structure of Avent provides cost synergy opportunities.
- Integration into Philips sales organizations, in particular in emerging markets, progressing according to plan, now completed for 70%. growth acceleration expected over the coming year.



## Philips + Lumileds: A powerful combination

*Total purchase price EUR 873 million*

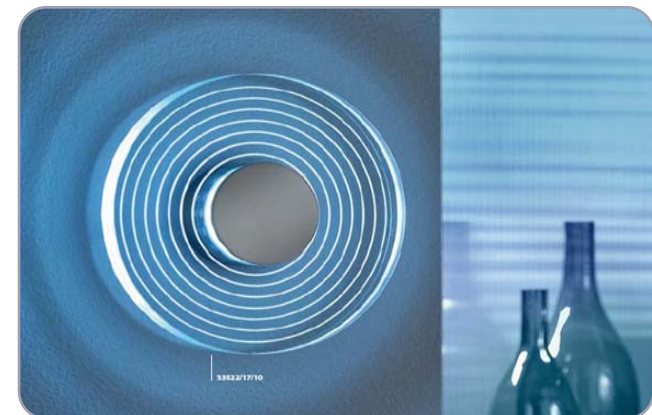
- Lumileds will launch superior Luxeon platforms combining their significant LED capabilities with the rich knowledge of Philips about phosphors, manufacturing processes and lighting technology.
- Underscoring its technological leadership, Philips Lumileds announced in March 2007 the launch of LUXEON Rebel power LEDs with new packaging technology that will dramatically reduce the size of LEDs (footprint 75% smaller than other surface-mount LEDs) and enable new approaches to solid-state lighting design.
- Lumileds is expected to grow sales annually by 25% at an EBITA target of 25%. Demand for applications in cell phone camera flash, automotive, LCD Backlighting, and general lighting are the main growth opportunities.
- In June 2007 Philips acquired TIR Systems, a Canada-based leading supplier of SSL modules for high-quality white light for a total purchase price of EUR 53 Mln. TIR Systems holds a patent portfolio that will strengthen Philips' IP position and give us a leadership position in SSL modules in the high- and mid-end segments of this market.



# PLI: Leading European Consumer Luminaire player

*Purchase price EUR 561 million*

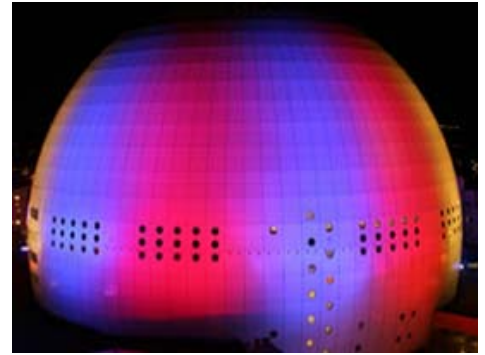
- The acquisition of PLI is a strategic move to enter new market segment for Philips Lighting: Consumer Luminaires
- Sales for 2007 is expected to be around EUR 440 million (full year basis) with a recurring EBITA above 12%
- LED content in Consumer Luminaires will grow driven by consumers needs in the area of energy efficiency and ambiance creation
- The acquisition generates the following synergies:
  - Combining Philips Leadership in LED with PLI's competence to quickly address market and consumer lifestyle trends
  - Regional expansion by leveraging Philips' global reach and resources
  - Leveraging of sales channels
- The acquisition positions Philips Lighting to become the global industry shaper in the consumer LED application market



# Color Kinetics: Leading SSL Luminaire player

*Purchase price EUR 592 million*

- Closed on August 24, 2007.
- Purchase price corresponds to a Color Kinetics enterprise value of approximately EUR 516 million.
- Combination strengthens Philips' LED portfolio, technology base and intellectual property position.
- Complementary technological expertise in combination with Philips' global infrastructure will fuel growth.
- Builds on Lumileds and TIR Systems acquisitions in the sector.
- With Color Kinetics, Philips will become also a leader in the North American SSL luminaires market, therefore establishing a strong presence in all aspects of the SSL value chain
- Acquisition will further enhance Philips' position to lead the future global shift to more energy-efficient lighting solutions, using LED sources
- Post merger integration has started and is well on track
- Color Kinetics renamed in Philips Solid State Lighting Solutions



# Agenda

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# 2007 Management Agenda

- Maintain annual average sales growth of 5-6% and achieve above 7.5% EBITA
- Continue to redeploy capital in a disciplined way through value creating acquisitions, share buy back and dividends
- Drive a culture of superior customer experience by delivering on the brand promise and implement the Net Promoter Score measure in the company.
- Be an exciting place to work and bring employee engagement to high performance benchmark level within 2-3 years.

# Summary

- Simplified portfolio of world-class businesses built around a strong brand
- Focus on market driven innovation provides basis for growth across the portfolio to deliver minimum of 6% comp. annual average sales growth for 2008 to 2010
- Focus on high margin products & markets
- Grow via acquisitions when value is created
- Leverage the brand
- Continue to improve the predictability of results
- Continue to focus on cash flow
- Improving EBITA margin of our current businesses to exceed 10% in 2010



Creating  
Shareholder  
Value

# PHILIPS

sense and simplicity