

PHILIPS

sense **and** simplicity

Royal Philips Electronics

*“Building the leading brand
in health and well-being”*

Important information

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 include statements made about our strategy, estimates of sales growth, future EBITA and cost savings and future developments in our organic business as well as the benefit of future acquisitions, and our capital position. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances and there are many factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements.

These factors include but are not limited to domestic and global economic and business conditions, 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, raw materials and employee costs, our ability to identify and complete successful acquisitions and to integrate those acquisitions into our business, our ability to successfully exit certain businesses or restructure our operations, the rate of technological changes, political, economic and other developments in countries where Philips operates, industry consolidation and competition. As a result, Philips' actual future results may differ materially from the plans, goals, and expectations set forth in such forward-looking statements.

Additional risks and factors are identified in our Annual Report for the fiscal year ended December 31, 2007 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. 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.

US GAAP basis of presentation

The financial information included in this document is based on US GAAP, 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-US GAAP financial measures, like: comparable growth; EBITA; NOC; net debt (cash); and cash flow before financing activities. These non-US GAAP financial measures should not be viewed in isolation as alternatives to the equivalent US GAAP measures. In our Quarterly report, Annual report or form 20-F we've included a reconciliation of such non-US GAAP financial measures to the most directly related US GAAP measures.

Use of fair value measurements

In presenting the Philips Group's financial position, fair values are used for the measurement of various items in accordance with the applicable accounting standards. These fair values are based on market prices, where available, and are obtained from sources that are deemed to be reliable. Readers are cautioned that these values are subject to changes over time and are only valid at the balance sheet date. When 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. Critical assumptions used are disclosed in the financial statements. In certain cases, independent valuations are obtained to support management's determination of fair values.

Agenda

Introduction

Vision 2010

Growth

Sectors

Management agenda 2008

Royal Philips Electronics

- Founded in 1891; headquarters in Amsterdam, The Netherlands
- One of the largest global diversified industrial companies with sales in 2007 of almost EUR 27 billion
- Multinational workforce of over 134,000 employees (*March 2008*)
- R&D expenditures EUR 1.6 billion; owner of 60,000 patents
- Number 42 of the world's most valuable brands
- Sector leader in Dow Jones Sustainability Index



We are everywhere you go on the planet

- 70% of the top-50 US hospitals have chosen Philips solutions for cardiology
- We light 65% of world's top airports, 30% of offices and hospitals, and landmarks such as the Eiffel Tower, the Sydney Opera House, the Great Pyramids
- One-in-three cars worldwide uses Philips automotive lighting
- Each day more than a million of our consumer lifestyle products are purchased



Our mission

Philips has reinvented itself many times, but through it all, our core, the soul of our company, remained intact. That is because it was part of our company since its inception in 1891. It is the passion to...

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



Our vision



“In a world where complexity increasingly touches every aspect of our daily lives, we will lead in bringing sense and simplicity to people”

Philips....Sense and Simplicity

- We empower people to benefit from innovation by delivering on our brand promise of *Sense & Simplicity*
- Its our commitment to deliver, driven by deep consumer insight, solutions that are *advanced, easy to use, and designed around the needs of all our users.*
- Simplifying healthcare by focusing on the people in the care cycle – patients and care providers.
- Leading the switch to energy-efficient lighting solutions and shaping the future with exciting new lighting applications and technologies
- Focused on innovative lifestyle solutions for personal well being



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Vision 2010

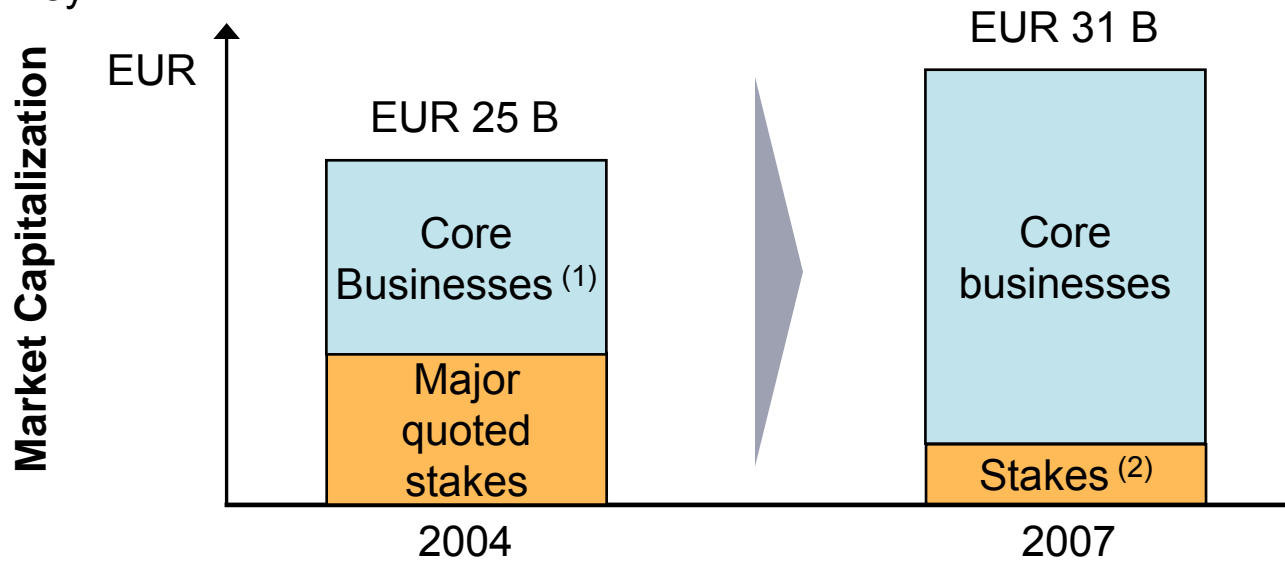
Growth

Sectors

Management agenda 2008

Portfolio change and capital reallocation largely completed leading to a more stable business mix

- In 2001 we started a journey to transform Philips into a focused, market-driven company capable of delivering sustained profitable growth
- This involved significant capital reallocation, away from cyclical technology business and towards expansion of our high-margin, core businesses through acquisitions, innovation and brand injection and divestments of our non-core businesses and stakes
- With the reallocation of over EUR 23 billion in the last four years we are nearing the end of the journey.



(1) Includes Semiconductors, which was sold in 2006

(2) Major quoted stakes

Reflected in solid progress on key financials

	2005	2006	2007
Sales	25,445	26,682	26,793
<i>Comparable sales growth %</i>	4.5%	6.4%	4.9%
EBITA ¹	1,652	1,386	2,065
<i>EBITA as % of sales</i>	6.5%	5.2%	7.7%
Net income	2,868	5,383	4,168
Cash flow from operations	1,147	330	1,519
Dividend per share ²	0.44	0.60	0.70
Dividend yield ³	1.9%	2.0%	2.3%

Including product reliability charges of EUR 256 m

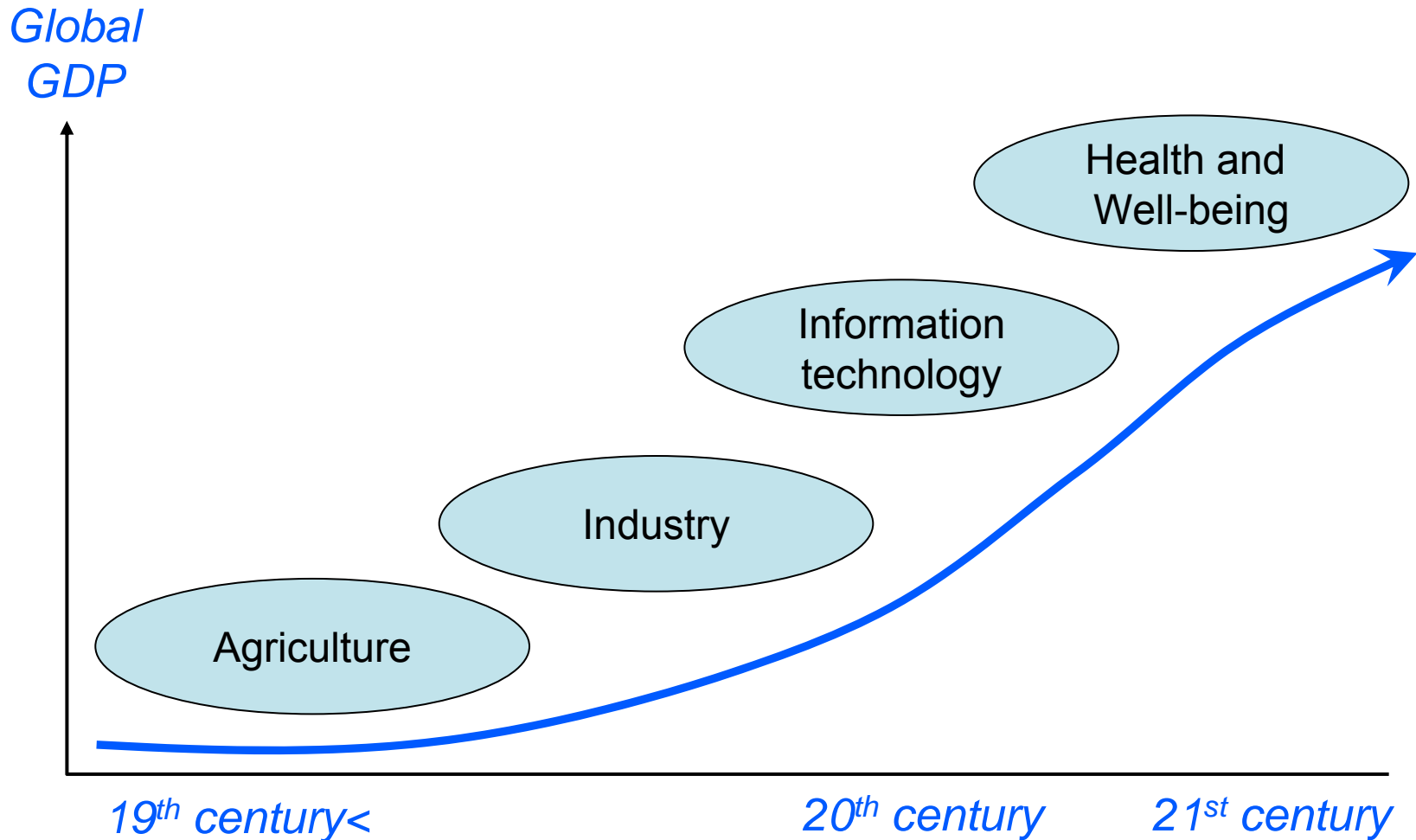
Including Pension funding and TSMC tax payment totaling EUR 1 billion

1 – MedQuist has been restated to Discontinued Operations in all years

2 – Dividend per share based on its year's profit; payout in next year

3 – Dividend yield is calculated as dividend based on prior-year profit divided by average share price of prior year

Health and Well-being: the next economic wave



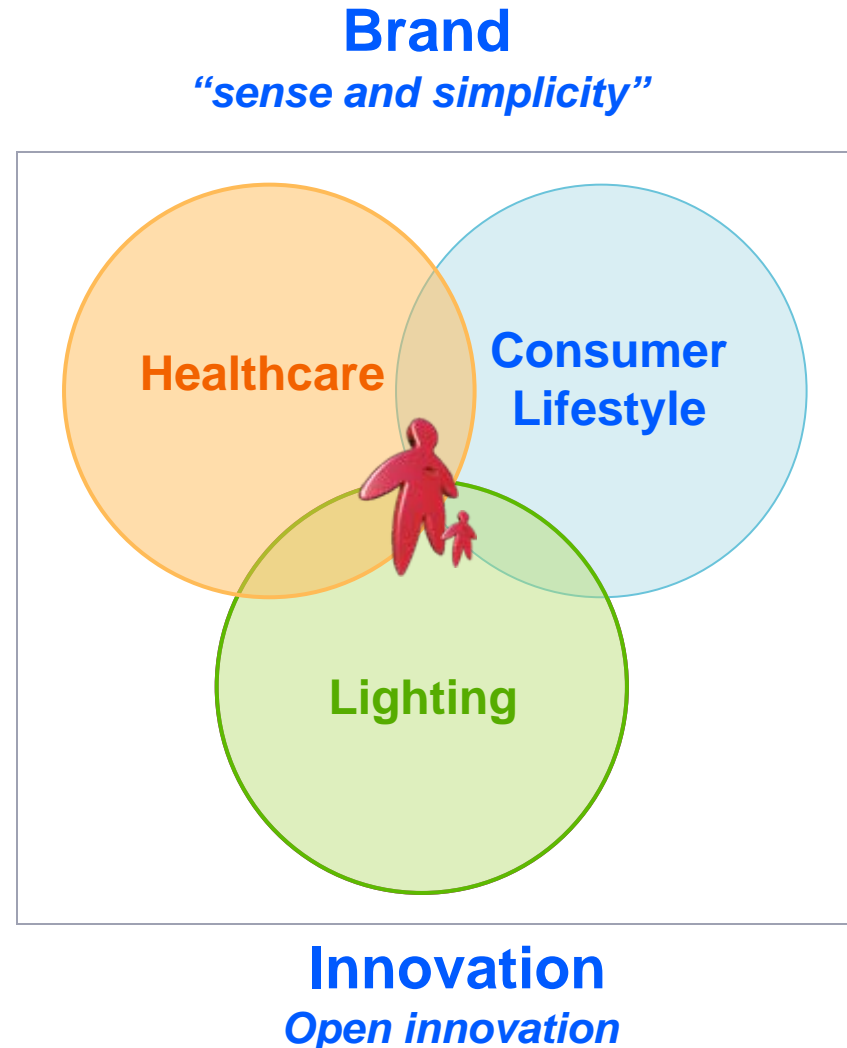
An overall focus on Health and Wellbeing

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

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

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

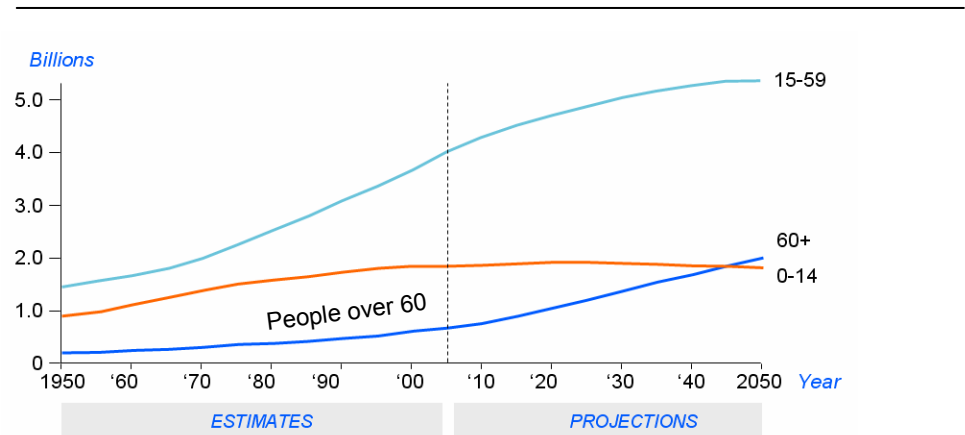
Our competitive differentiation is in our *brand* and in our *innovation* capabilities



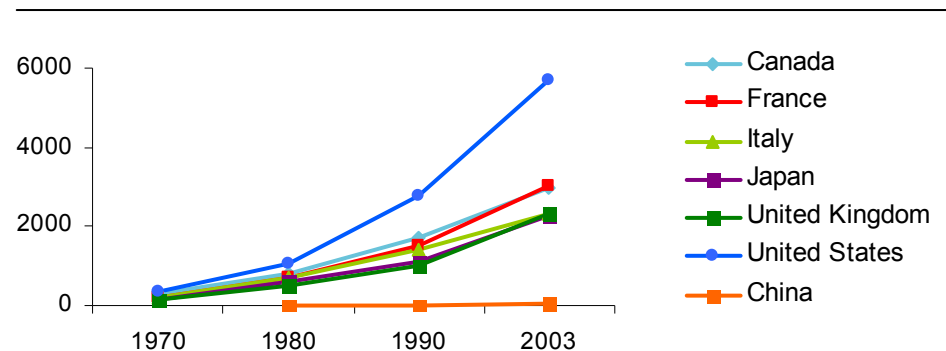
Healthcare trends – aging population, cost pressures, health-at-home, emerging markets growth

- Global population is increasing and continues to age
- People are living longer with chronic diseases
- Healthcare costs – especially in mature economies – are becoming unsustainable
- Healthcare at home is an increasingly viable and cost effective complement to in-hospital care
- People are becoming increasingly aware of the impact of lifestyle on health

*World population by age group, 1950-2050 **



Healthcare expenditure per capita, US \$



Source: UN, 2006 Revision of World Population Prospects, http://www.un.org/esa/population/publications/wpp2006/FS_ageing.pdf

Lifestyle trends – healthy living/healthy home, more personal care, technology-made-easy, design

- Core well-being consumer shows attractive demographics and is likely to be a highly profitable customer
- The Consumer Lifestyle targeted market is 3x the size of the CE market + DAP market
- Increased demand for personal care product categories and technology-advanced, easy-to-use customer solutions
- Design has become an important competitive differentiator
- Consumers are becoming increasingly 'eco-aware' of issues facing the planet



Active Crystals



Portable Media devices



Arcitec



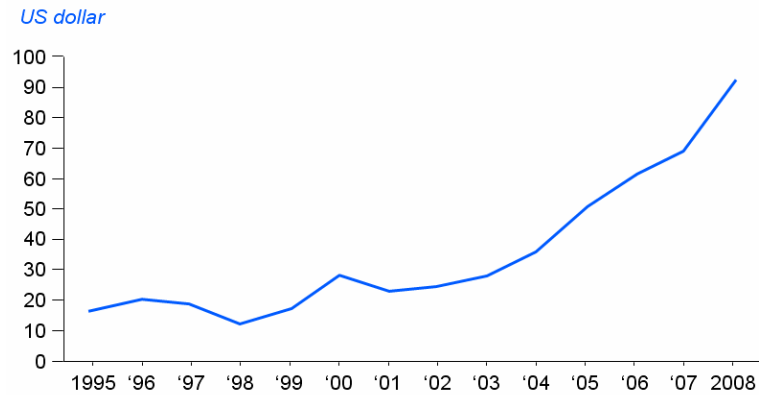
Flexcare



Lighting trends – rising energy costs, increasing awareness of climate change, product innovation

- Energy costs are rising across the globe, driven by high oil prices
- Increased awareness/legislation around climate change is driving a reduction in CO₂
- Atmosphere-creating and safety-enhancing lighting solutions increasingly become part of individual and community well-being
- Demand for (energy-efficient) lighting in emerging markets continues to grow
- Future LED solutions: application IP and luminaries will be key

*Oil at a historical high, yearly average price (US dollar) **



Huge potential for energy saving

Area of lighting	Energy saving	CO ₂ savings per lamp per year
Road lighting	57%	132 kg CO ₂
Shop Lighting	80%	140 kg CO ₂
Office & Industrial Lighting	61%	93 kg CO ₂
Home Lighting	80%	41 kg CO ₂
LEDs	80%	41 kg CO ₂

* Source: OPEC Reference Basket (ORB), www.opec.org

The growth objectives: **What we said last year**

- Build a company with a significantly higher market capitalization and with significantly higher revenues
- We want to realize this through
 - 5-6 % average annual organic growth
 - Achieving above 7.5% EBITA margin
 - Adding value through acquisitions
- Maintain consistent quarterly performance

*Achieved
in 2007*

*5 %
7.7 %*



Having delivered on our 3 year target in 2007, we have announced a new 'Vision 2010' ambition *Announced April 2008*

- Improve Group EBITA from 7.7% in 2007 to 10-11% in 2010
- Drive comparable growth at a minimum of 6% average per year for the period 2008-2010
- Double 2010 EBITA per share compared to 2007
- Achieve a return on invested capital for 2010 at the level of 12% - 13%



The main elements leading to an increase in our EBITA compared with 2007

<i>EBITA margin</i>	<i>2007</i>	<i>2010</i>
Healthcare	13.2%	15 – 17%
Lighting	11.9%	12 – 14%
Consumer Lifestyle	6.4%	8 – 10%

Reduce group overhead cost as % of sales
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Achieving an EBITA margin of 10%-11% will, coupled with the reduction in shares through our buy-back program, lead to a more-than-doubling of EBITA per common share compared to 2007.

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We see 6 key levers to drive growth....

Brand

- Competitive investment behind brand campaign
- Moving up in the Interbrand Best Global Brands ranking

Innovation

- Increase in New Product Sales index
- Increased investments in incubation and new business development

Design

- Research-based and people-focused
- Develop appropriate and relevant propositions
- Offers services within and outside the organization

Market driven

- New sector organization built around markets
- Key account teams for large B2B and B2C customers
- Net Promoter Score introduced
- All innovation programs based on customer insights

Acquisitions

- Successful integration of acquisitions
- Continue acquisitions in high-value growth markets

Emerging Markets

- Prioritized smaller markets
- More aggressive ambitions
- Local empowerment
- M&A for local presence



HTWORG

Philips is a global brand, growing in strength

Initiatives

- Sustained competitive investment behind the Philips brand
- 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

‘04: 65
 ‘05: 53
 ‘06: 48
 ‘07: 42

*Brand value in US\$
 2007 2006 change*

41	30	FORD	8,982	11,056	-19%
42	48	PHILIPS	7,741	6,730	15%
43	44	SIEMENS	7,737	7,828	-1%
44	51	NINTENDO	7,730	6,559	18%

60 | **BusinessWeek** | August 6, 2007

Interbrand

“Philips brand value shows an impressive growth rate ...
 Philips not only talks about simplicity; it lives simplicity...”

Philips is leveraging its technology heritage to drive smart **innovation**

Initiatives

- 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 Emerging Market new business development.
- Open Innovation to enhance the efficiency and success of its research and development

Results

- Our New Product Sales index increased from 39% (2004) to 56% (2007)
- By joining forces with industrial and academic partners, we speed up innovation of new concepts, which lead to a faster time-to-market for products that improve people's lives



Early involvement of both professional and end-user customers in new technologies and product concepts ensures the deepest possible insight into real, underlying customer needs.

Simplicity-led **design** is key to the application of technology in an easy-to-experience way

Initiatives

- Offer a full range of design services to many different types of clients both within and outside the organization
- Develop appropriate and relevant propositions based on socio-cultural trends and people-insights
- Create products that satisfy people's needs, empower them and make them happier.

“Design can never be consistently successful unless it is research-based and people-focused”

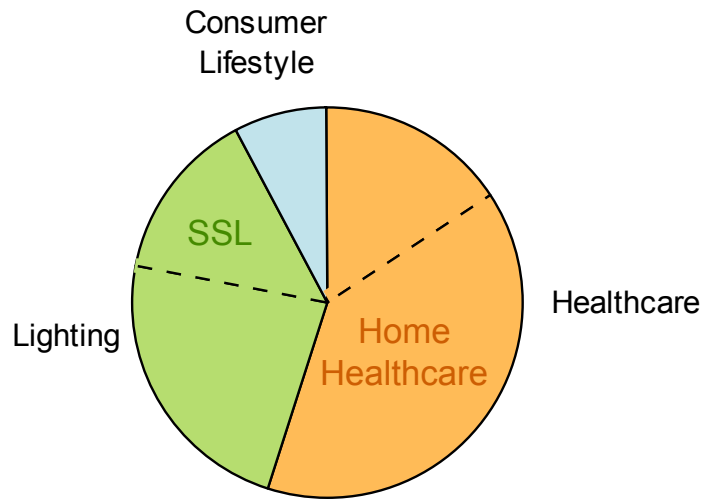
Results

- Philips wins 27 prestigious iF design awards in the 2008 iF design exhibition
- Philips Design's revolutionary SKIN Probe project listed as one of Time magazine's 'best inventions of the year' 2007
- In 2007 alone, Philips received a total of over thirty-five design awards.



Design has been instrumental in developing concepts that demonstrate the company's commitment to simplicity-led design

Growth and value creation through **acquisitions**



100% = EUR 10 billion

Home Healthcare

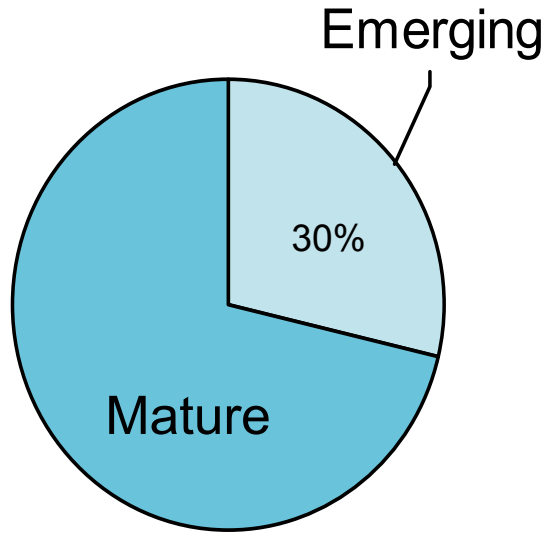
Over 50% of our acquisitions have targeted Healthcare, specifically Home Healthcare, a market which will be driven by increased demand for more independent living and better healthcare at a lower cost. Philips brings to this market a unique combination of trusted brand, advanced consumer insight and our existing strong medical expertise & hospital relationships.

Energy efficiency

The other key focus of our acquisitions has been to strengthen our global leadership position in Lighting, on positioning Philips to effectively bring new energy efficient lighting propositions to the market, Key acquisitions have been Lumileds and Color Kinetics (Solid State Lighting) and Genlyte, a leading player in the North American luminaires (fixtures) market.

We've invested approximately EUR 10 billion in acquisitions over the past 3 years. These companies add over EUR 4 billion to our annual sales, are expected to grow at 15% per year while generating EBITA margins of around 17%.

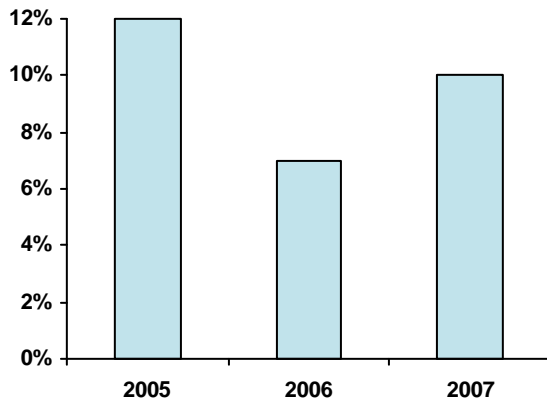
Emerging Markets: reached 30% of sales in 2007 and continue to show double-digit growth









- The Philips brand is a long-established household name in key emerging markets
- Driven by enhanced consumer insight, we create products specifically tailored to emerging markets needs/tastes
- We continue to enhance our position through smaller but targeted JV or acquisitions of leading companies in emerging markets, particularly in Healthcare

- Philips-Neusoft JV in China (X-Ray)
- VMI in Brazil (X-Ray)
- Goldway in China (Patient Monitoring)
- Dixtal in Brazil (Patient Monitoring)

Growth in emerging markets



In practice: the smart application of technology - driven by consumer insight - drives value

	Customer insight	Solution	Impact
 	<p>Hospitals, in particular areas with imaging equipment, are scary and not inviting rooms, especially for children, which hampers efficiency</p>	<ul style="list-style-type: none"> • Ambient experience creates a more comfortable experience for patients and staff • Reduced anxiety; less sedation of children 	<ul style="list-style-type: none"> • 50th Ambient experience suite installed in Q1 2008 and demand growing. • Increased sales & margins
 	<p>Variation is important in creating the right atmosphere in home interior with lighting that fit ever changing moods, feelings or moments</p>	<ul style="list-style-type: none"> • Living Colors improves feeling of well-being by allowing you to adapt your house lighting to how you feel and what you do 	<ul style="list-style-type: none"> • 4 out of 5 consumers find it an exciting product, 'designed around them'. • Increased sales and margins
 	<p>People want to live a healthier life but don't manage to eat enough fresh fruit to get their daily recommended hit of vitamins</p>	<ul style="list-style-type: none"> • Juice extractor that can handle whole fruit and delivers juice instantly • Maximum juice with minimum effort • Easy to use & clean 	<ul style="list-style-type: none"> • 1 million Juicers sold • Halo effect on kitchen appliances • Significant increase in market share • Increased sales and margins.

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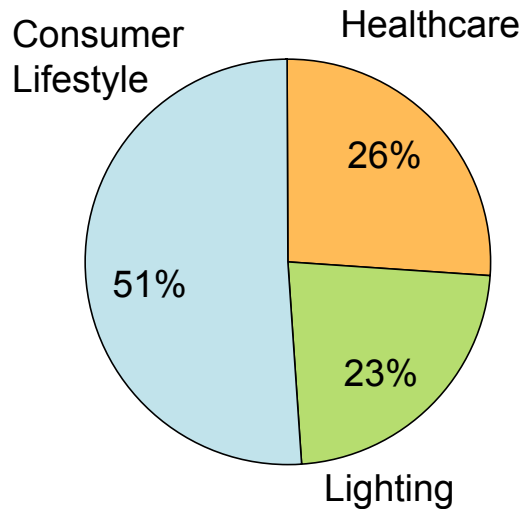
Management agenda 2008

Simplified business structure in 3 core sectors: Healthcare, Lighting and Consumer Lifestyle

Full Year 2007, EUR million

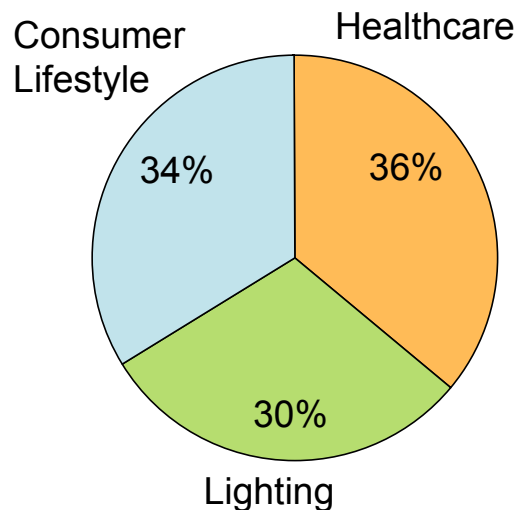
Sales

100% = EUR 26.0 b *



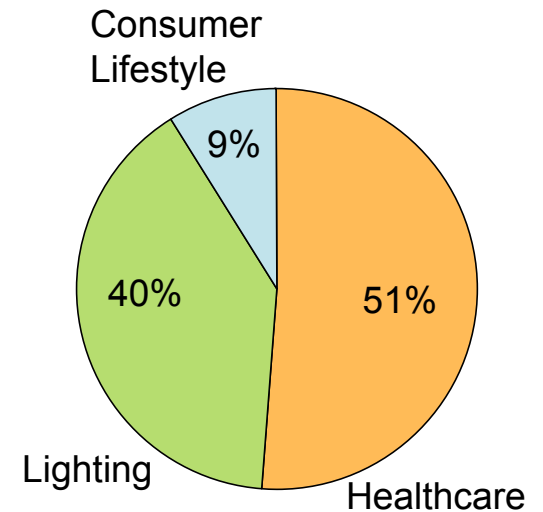
EBITA

100% = EUR 2.4 b *



Net Operating Capital

100% = EUR 9.6b *



* Excluding Central sectors (I&EB; GM&S)



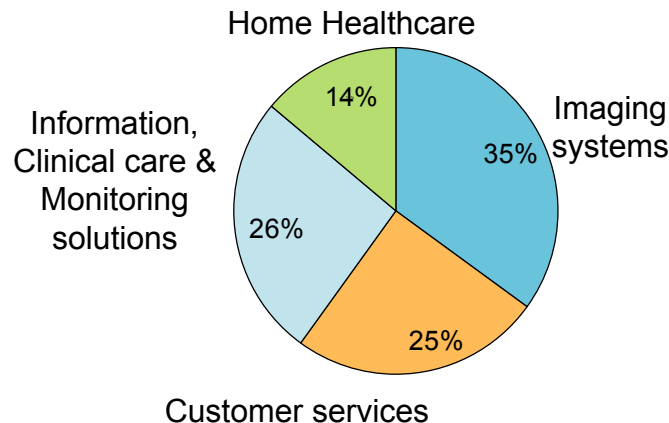
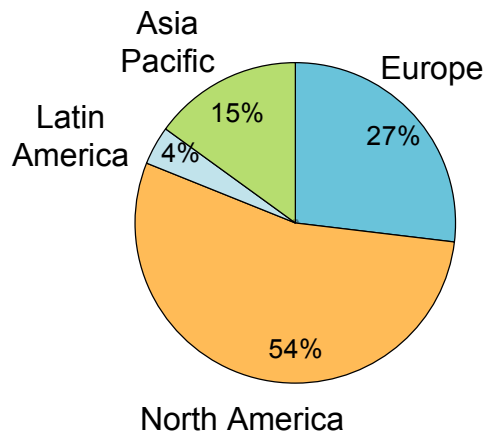
Healthcare

We simplify healthcare by focusing on the people in the care cycle – patients and care providers. Through combining human insights and clinical expertise, we aim to improve patient outcomes while lowering the burden on the healthcare system.

Healthcare: Sales growth* 6 – 8%; 2010 margin 15 – 17%

- Strong market position and market share.
- Focused approach to care cycles: Oncology, Cardiology, Women's Health
- Ongoing growth, particularly in Monitoring/HIT, Service and Clinical Care
- Leader in new, growing Home Healthcare: Respironics, Lifeline, Raytel
- Strong growth in emerging markets driven by brand and acquisitions
- Margin improvement through increased low-cost sourcing, improved supply chain & industrial footprint and lower IT costs

Sales FY2007



Including pro forma MAT Dec-2007 sales of EUR 0.9 bn for Respironics

* Annual average comparable sales growth

Respironics: strengthening home healthcare

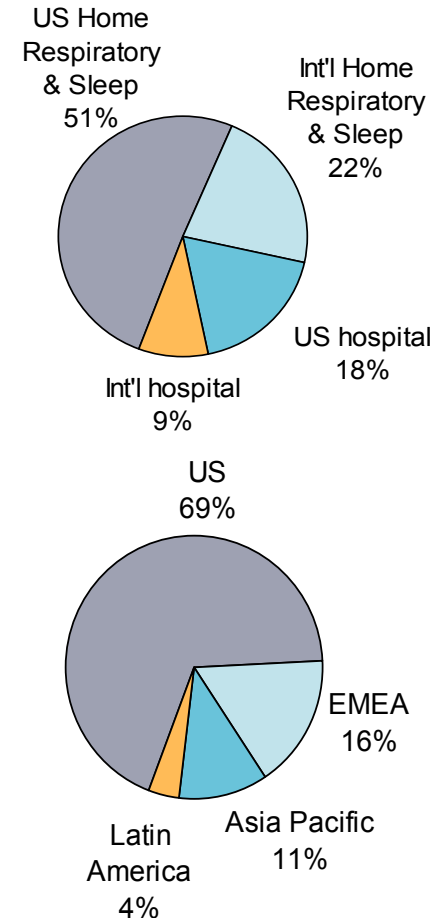
Key financials

MAT Dec 2007 Sales : US\$ 1.3 billion

MAT Dec 2007 EBITA margin ^(a): 16%

- Founded in 1976 and headquartered in Murrysville, US
- A leading developer, manufacturer, and distributor of products for the global respiratory market
- #1 in the global OSA market with products distributed in over 131 countries
- History of innovation with a portfolio of emerging growth technologies
- Approximately 5,000 employees

Sales Distribution
(Fiscal year 2007)



(a): EBITA includes stock based compensation expense and excludes restructuring and acquisition related expenses, adjusted for stock based compensation EBITA is US\$ 194 m./16% margin. MAT is Moving Annual Total.

Market position in Healthcare

- Our Healthcare sector is a global leader in the growing medical device and diagnostic industry and a market leader in patient monitoring systems
- Market share in high-end Imaging systems is approximately 20-21%
- Our positions within businesses is:

Philips position ■ # 1 ■ # 2 or 3 ■ < # 3

	Developed market	Emerging market	Total market
Imaging			
Monitoring			
Clinical Systems			
Healthcare Informatics			

PHILIPS



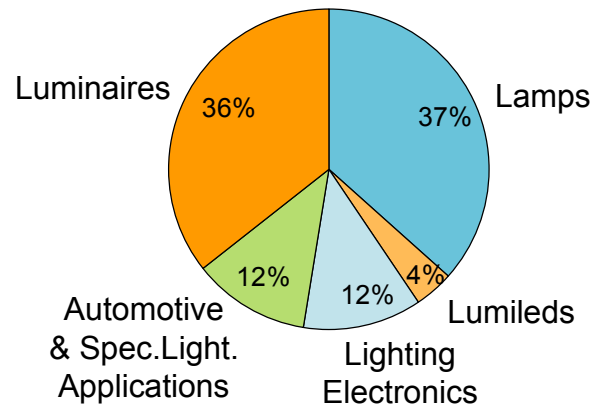
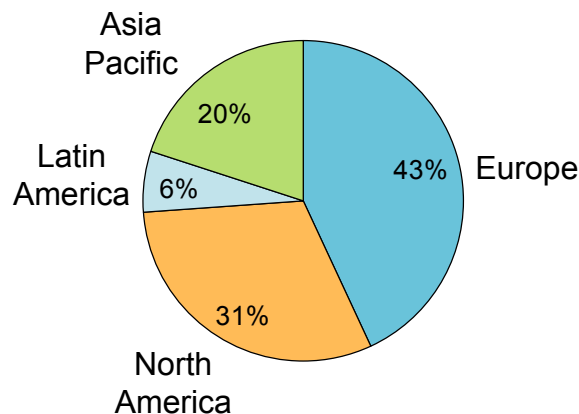
Lighting

As the world's leader in Lighting, Philips is driving the switch to energy-efficient solutions, as well as shaping the future with exciting new lighting applications and technologies.

Lighting: Sales growth* around 6%; 2010 margin 12 – 14%

- Global Leader in Lighting
- Strong presence across the complete Solid State Lighting value chain
- Readily available portfolio of innovative, energy efficient lighting solutions
- Technology base and application IP will help to lead the changeover to new lighting solutions
- Profitable growth in fast-growing economies and innovative new market segments
- End-user driven Innovation and Brand both drive our profitable growth

Sales FY2007



Including pro forma MAT Dec-2007 sales of EUR 1.1 bn for Genlyte

* Annual average comparable sales growth

Genlyte: building a leader in Lighting

Key Financials

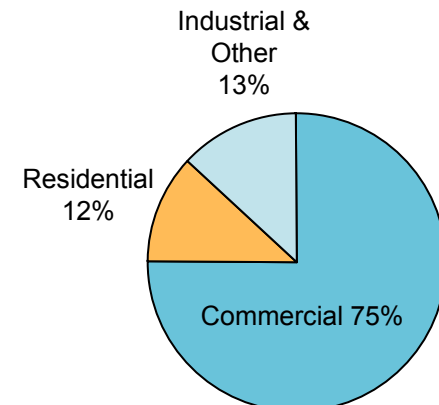
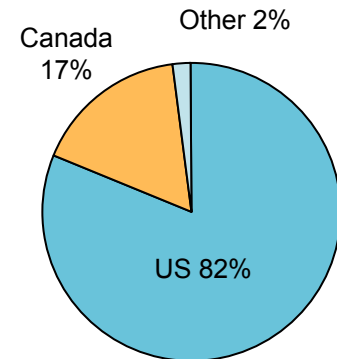
MAT Dec 2007 sales: US\$ 1,6 billion.

MAT Dec 2007 EBITA margin : 15%

- Founded in 1985 and located in Louisville, Kentucky, US
- Leading manufacturer of lighting fixtures, controls and related products for the commercial, industrial and residential markets
- #2 player in North America
- Strong track record in organic and acquisitive growth
- Key brands are Lightolier, Day-Brite, Capri, Thomas Lighting and Hadco
- Approximately 6,700 employees







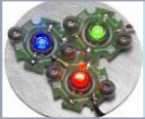
Sales distribution

Year 2007



Current market position in Lighting

Philips position # 1 # 2 or 3 < # 3 No data

	Western Europe	Eastern Europe	North America	Latin America	Japan	Asia/Pacific	Total
 Lamps	# 1	# 1	# 2 or 3	# 1	< # 3	# 1	# 1
 Consumer Luminaires	# 1	# 1	No data	< # 3	No data	< # 3	No data
 Professional Luminaires	# 1	# 1	# 2 or 3	# 2 or 3	< # 3	# 1	# 1
 Lighting Electronics	# 1		# 1	# 1	< # 3	# 1	# 1
 Automotive Lighting	# 1		# 2 or 3	# 1	# 1		# 1
 Special Lighting	# 1						# 1
 Solid State Lighting	# 2 or 3						# 2 or 3

Note: Updated November 2007



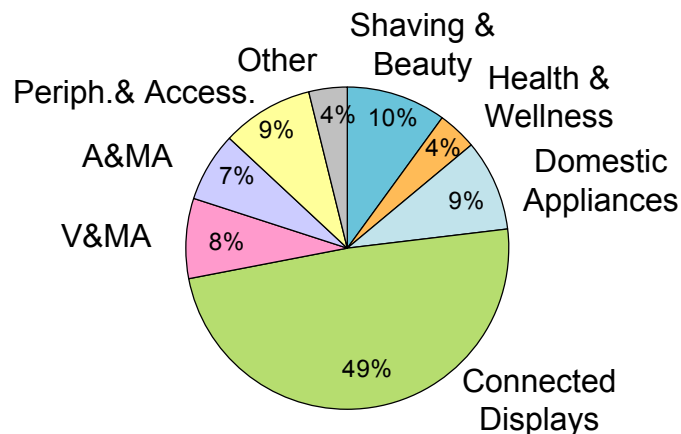
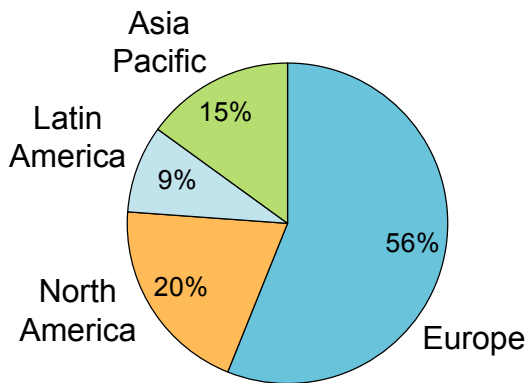
Consumer Lifestyle

Guided by our brand promise of “sense and simplicity” and starting from our consumer insights, Philips offers rich, new consumer experiences that meet consumers’ desire for health and wellbeing.

Consumer Lifestyle: Sales growth* around 6%; 2010 margin 8–10%

- Strong marketing & sales capabilities; leveraging Philips brand
- Focused on innovative lifestyle solutions for personal well-being
- Consumer-driven insights and dedicated business models driving innovation and differentiation
- Expand category management to all businesses and regions
- Deal with unsatisfactory EBITA margins in Connected Displays
- Drive growth by strengthening presence in Emerging Markets

Sales FY2007



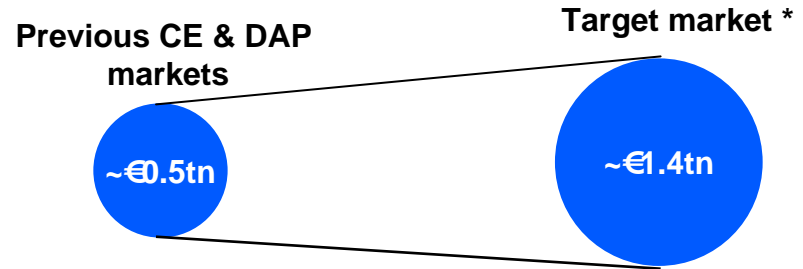
Excluding full year 2007 sales of EUR 0.4 bn for Home Network business that was divested beginning of 2008

* Annual average comparable sales growth

Consumer lifestyle – a diverse market in which Philips is a focused player on areas of strength and growth

- Philips focuses on specific value areas based upon the following criteria:
 - is the space consistent with our brand equity?
 - is the space potentially profitable and growing?
 - can we create substantial value?
- Merger of Consumer Electronics and DAP businesses together form a platform for sustained profitable growth
- Technology, design capabilities and constant innovation driving product excellence and margin expansion in a market of falling ASPs
- Continued footprint rationalisation (R&D, Sales, Manufacturing) and process optimisation (supply chain)

Targeted Well-Being market



Total value of previous DAP & CE markets ~ € 0.5 T

Consumer Lifestyle targeted market ~ € 1.4 T

Existing	New areas, e.g.
----------	-----------------

- | | |
|---|--|
| <ul style="list-style-type: none"> • Displays • Audio-visual • Kitchen • Computer peripherals | <ul style="list-style-type: none"> • Food preparation • Mother & Childcare • Personal Augmentation • Outdoor |
|---|--|

* Part of a ~€7 tn market with diverse product categories.

Former DAP business strongly positioned globally

Philips position # 1 # 2 or 3 < # 3 No data

	Europe	North America	Asia/Pacific	Latin America	Rest of World	World
Male Shaving	# 1	# 1	# 1	# 1	# 1	# 1
Female Depilation	# 2 or 3	< # 3	# 2 or 3	# 1	# 2 or 3	# 2 or 3
Oral Health care	# 2 or 3	# 2 or 3	# 2 or 3	Not present	Not present	# 2 or 3
Kitchen Appliances	# 2 or 3	Not present	No data	# 1	No data	# 2 or 3
Garment Care	# 1	Not present	# 2 or 3	# 2 or 3	# 2 or 3	# 2 or 3
Floor Care	# 2 or 3	Not present	# 2 or 3	Not present	Not present	# 2 or 3

Note: Updated July/August 2007

Agenda

Introduction

Vision 2010

Growth

Sectors

Management agenda 2008

In 2008, our focus will be on **execution**

The Management Agenda for this year

- Integrate and leverage recent acquisitions, delivering anticipated return on investment
- Take decisive steps to structurally deal with unsatisfactory EBITA margins in Connected Displays
- Improve productivity as a driver for margin expansion
- Step up resource investment in Developing Markets to accelerate growth in excess of 2x GDP
- Increase innovation focus in support of Philips growth ambition
- Continue to drive a culture of superior customer experience
- Bring employee engagement to high performance benchmark

Summary

- Simplified portfolio of world-class businesses built around a strong, global brand
- Well-positioned to leverage a number of important global trends to drive future growth and profitability
- Superior user-insight driving application of our technology in the simplest way possible resulting in smartly-designed, innovate, easy-to use products and applications
- Focus on integration and leverage of recent acquisitions
- Continued investment in growth in emerging markets
- Improved predictability of results
- Commitment to more than double EBITA per share by 2010



Creating
Shareholder
Value

