Royal Philips Electronics

Q3 Quarterly report
October 16, 2006

Forward-looking statements
This document contains certain forward-looking statements with respect to the financial condition, results of operations and business of Philips and certain of the plans and objectives of Philips with respect to these items (including, but not limited to, restructuring cost and cost savings), in particular the outlook paragraph in this report.
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 (in particular changes in the euro and the US dollar can materially affect results), 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, Philips' ability to secure short-term profitability and invest in long-term growth, and industry consolidation.
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-US 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. Users 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. The models that are used 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.

Report on the performance of the Philips Group

- all amounts in millions of euros unless otherwise stated; data included are unaudited
- financial reporting according to US GAAP unless otherwise stated
- restated for the sale of the Semiconductors and MDS businesses

High-margin divisions report comparable sales growth of 8% and EBIT increase of 12%

Group net income was EUR 4.2 billion in the third quarter

Sales increased by 1% in the third quarter to EUR 6,313 million. Adjusted for the effects of currency movements and consolidation changes, comparable sales increased by 5%, driven by strong growth in the high-margin Medical Systems, DAP and Lighting divisions, partly offset by some decline at CE as a consequence of the division's focus on margin improvement.

EBIT in the quarter amounted to EUR 290 million, before changes in estimation methodology for asbestos-related product liabilities, which resulted in a charge, net of insurance recoveries, of EUR 265 million. In Q3 2005, EBIT of EUR 353 million included a gain of EUR 136 million due to the completion of the TPV deal. Excluding this gain, Medical Systems, Lighting, DAP and CE delivered strong increases in profitability compared to Q3 2005.

Financial income and expenses resulted in income of EUR 32 million, including gains of EUR 97 million from TSMC, compared to income of EUR 190 million in Q3 2005. Last year's figure included a gain of EUR 233 million on the sale of the remaining stakes in Atos Origin and Great Nordic.

Unconsolidated companies recorded a loss of EUR 81 million, which was wholly attributable to lower results from LG.Philips LCD. Q3 2005 income of EUR 929 million included a gain on the sale of shares in TSMC (EUR 460 million) and a sale of shares and dilution gain at LG.Philips LCD totaling EUR 310 million.

Net income of EUR 4,242 million (EUR 3.57 per share) compared to EUR 1,436 million (EUR 1.14 per share) in the corresponding period of 2005. Income from discontinued operations was EUR 4,241 million, mainly due to the estimated gain on the sale of the Semiconductors division. Income from continuing operations in Q3 2005 included EUR 1,003 million from the sale of various stakes and a dilution gain at LG.Philips LCD.

Cash flow from operating activities increased from EUR 246 million in Q3 2005 to EUR 678 million. Compared to Q3 2005, inventories as a percentage of sales improved by 0.2% to 12.7%.

PHILIPS

Gerard Kleisterlee,
Philips' President and CEO:

"It was a good quarter for Philips. We were able to build on our strong performance in the first half of the year and deliver on our promise of continuing to grow our high-margin businesses. We also posted a significant year-on-year improvement in the performance of our main operating divisions.

The third quarter also marked a big step forward for Philips as we completed, as planned, the sale of a majority stake in our Semiconductors business. With our portfolio now more sharply focused on healthcare and lifestyle markets, we're increasingly well-placed to deliver sustainable, profitable growth from our strong innovation and technology base."

Philips Group

Highlights in the quarter

Net income

in millions of euros unless otherwise stated

	Q3 2005	Q3 2006
Sales	6,265	6,313
EBIT	353	25
as a % of sales	5.6	0.4
Financial income and expenses	190	32
Income taxes	(71)	27
Results unconsolidated companies	929	(81)
Minority interests	-	(2)
Income from continuing operations	1,401	1
Discontinued operations	35	4,241
Net income	1,436	4,242
Per common share (in euros) – basic	1.14	3.57

Net income

- Net income amounted to EUR 4,242 million (EUR 3.57 per share), compared to EUR 1,436 million (EUR 1.14 per share) in the same period last year.
- EBIT included a charge of EUR 265 million, net of insurance recoveries, related to a change in estimation methodology for asbestos-related product liabilities. In Q3 2005, EBIT included a gain of EUR 136 million related to the TPV deal.
- Excluding separately disclosed gains and charges, EBIT improved by EUR 92 million compared to Q3 2005.
- Financial income and expenses included income of EUR 97 million related to TSMC. Q3 2005 included a EUR 233 million gain on the sale of the remaining stakes in Atos Origin and Great Nordic.
- In Q3 2005, results relating to unconsolidated companies were boosted by the sale of several stakes and a dilution gain totaling EUR 770 million.
- The result from discontinued operations is mainly due to the estimated gain on the sale of the Semiconductors division.

Sales by sector

in millions of euros unless otherwise stated

	Q3 2005	Q3 2006	% change nominal	% change comparable
Medical Systems	1,531	1,575	3	6
DAP	519	614	18	9
CE	2,541	2,407	(5)	(1)
Lighting	1,185	1,370	16	10
Other Activities	489	347	(29)	18
Philips Group	6,265	6,313	1	5

Sales by sector

- Comparable sales for the Group increased by 5% compared to Q3 2005 after adjustment for the effect of currency movements and consolidation changes; nominal sales increased by 1%. Comparable sales showed strong growth in all divisions except Consumer Electronics.
- Comparable sales at Medical Systems increased by 6%, driven by double-digit growth in Computed Tomography and X-ray. DAP sales grew 9% on a comparable basis, with growth visible in all businesses, particularly Shaving & Beauty and Oral Healthcare. Within Consumer Electronics, growth in Connected Displays and Peripherals & Accessories was offset by declines in the remaining businesses. Strong comparable growth in Lighting was evident across all businesses.

Sales by region

in millions of euros unless otherwise stated

	Q3 2005	Q3 2006	% change nominal	% change comparable
Europe/Africa	2,662	2,680	1	5
North America	1,919	1,979	3	6
Latin America	482	440	(9)	(5)
Asia Pacific	1,202	1,214	1	8
Philips Group	6,265	6,313	1	5

Sales by region

- Comparable growth was led by Asia, notably double-digit sales increases at Medical Systems and Lighting. In North America, all divisions contributed to the 6% comparable growth. Sales in Europe grew by 5%, led by Lighting and CE. In Latin America, sales declined 5% compared to the strong performance in Q3 2005.

EBIT

in millions of euros unless otherwise stated	Q3 2005	Q3 2006
Medical Systems	155	186
DAP	91	94
CE	164	54
Lighting	130	141
Other Activities	(61)	(327)
Unallocated	(126)	(123)
Philips Group	353	25
as a % of sales	5.6	0.4

EBITA

in millions of euros unless otherwise stated	Q3 2005	Q3 2006
Medical Systems	180	213
DAP	93	106
CE	164	54
Lighting	131	149
Other Activities	(61)	(326)
Unallocated	(128)	(125)
Philips Group	379	71
as a % of sales	6.0	1.1

Earnings before interest and tax (EBIT)

- EBIT at Medical Systems increased by EUR 31 million, with improvement evident in most businesses, particularly Computed Tomography.
- DAP's EBIT increased by EUR 3 million, in spite of additional investments in the Consumer Healthcare Solutions business and other incidental charges totaling EUR 10 million.
- Consumer Electronics' EBIT of EUR 54 million was EUR 26 million higher than in Q3 2005, excluding last year's EUR 136 million gain on completion of the TPV deal. The increase in EBIT was driven by the Connected Displays and Peripherals & Accessories businesses.
- At Lighting, EBIT was EUR 11 million higher than in Q3 2005 despite restructuring charges of EUR 14 million and other miscellaneous charges totaling EUR 18 million.
- Other Activities' EBIT included a charge of EUR 265 million, net of insurance recoveries, related to a change in estimation methodology for asbestos-related product liabilities.
- EBIT of Unallocated was in line with Q3 2005.

Financial income and expenses

in millions of euros	Q3 2005	Q3 2006
Interest expenses (net)	(50)	(71)
Income from financial assets	242	98
Other	(2)	5
Total	190	32

Results unconsolidated companies

in millions of euros	Q3 2005	Q3 2006
LG.Philips LCD	379	(85)
Other	550 *	4
Total	929	(81)

* Includes EUR 460 million from sale of TSMC shares

Financial income and expenses

- Net interest expense was EUR 21 million higher than in Q3 2005 as a result of a higher average net debt level during the quarter.
- Income from financial assets included EUR 97 million attributable to TSMC. Q3 2005 included a gain of EUR 233 million on the sale of the remaining stakes in Atos Origin and Great Nordic.

Results relating to unconsolidated companies

- The result relating to unconsolidated companies is wholly attributable to LG.Philips LCD. In Q3 2005, results were boosted by the sale of a stake in TSMC (EUR 460 million) and by both a sale of shares (EUR 121 million) and a dilution gain (EUR 189 million) at LG.Philips LCD.
- In Q3 2005, TSMC was accounted for as an equity investment, with income of EUR 103 million reported under results relating to unconsolidated companies.

Cash balance

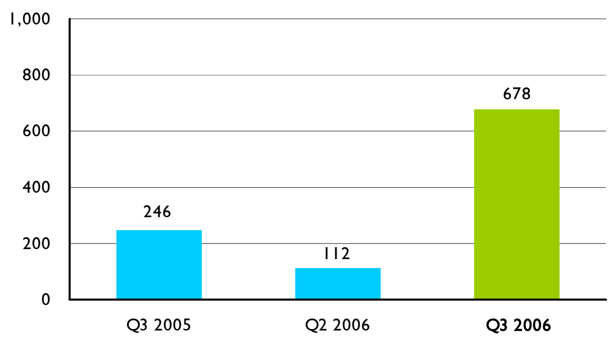
in millions of euros	Q3 2005	Q3 2006
Beginning balance	3,005	2,538
Net cash from operating activities	246	678
Gross capital expenditures	(162)	(218)
Acquisitions/divestments	1,549	(721)
Other cash from investing activities	3	(42)
Changes in debt/other	(453)	(1,705)
Cash provided by discontinued operations	156	6,742
Ending balance	4,344	7,272

Cash balance

- The cash balance increased by EUR 4,734 million during the quarter compared to an increase of EUR 1,339 million in Q3 2005, mainly as a result of the consideration received for the sale of Semiconductors. Q3 2005 included EUR 1,714 million proceeds from the sale of stakes in TSMC, Atos Origin, LG.Philips LCD and Great Nordic.
- The main cash outflows in the quarter were EUR 848 million for the share repurchase program, EUR 689 million for the acquisition of Avent and a EUR 240 million payment of withholding tax for the transfer of TSMC shares, as reported in Q4 2005.

Cash flows from operating activities

in millions of euros

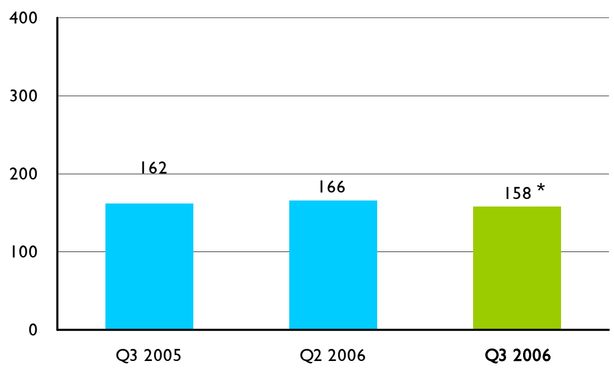


Cash flows from operating activities

- Cash flows from operating activities improved by EUR 432 million compared to Q3 2005, mainly driven by the higher level of operational income and the lower increase in working capital attributable to tight inventory control.
- A cash contribution of EUR 101 million was made to US pension plans.

Gross capital expenditures

in millions of euros

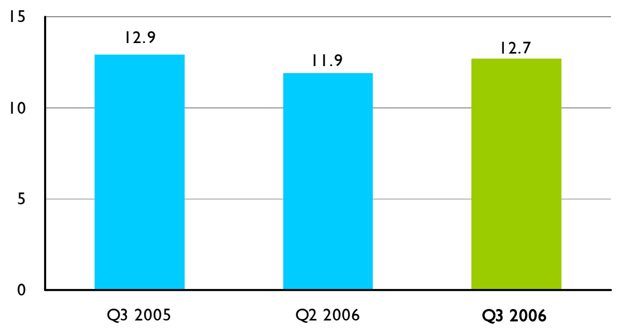


* Excluding gross capital expenditures related to Q3 2006 timing difference in the finalization of the sale of the Semiconductors business

Gross capital expenditures

- Gross capital expenditures remained in line with Q3 2005. Additional investments at Lighting were offset by a lower expenditure level at Other Activities.

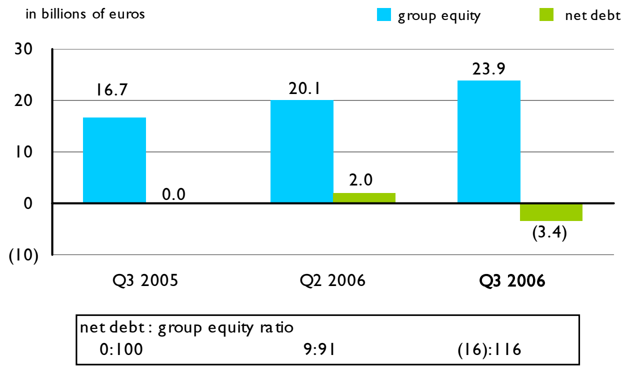
Inventories as a % of sales



Inventories

- Inventories as a percentage of sales amounted to 12.7%, 0.2 percentage points below Q3 2005. Tight inventory and supply chain management at Medical Systems and Consumer Electronics accounted for most of the reduction.

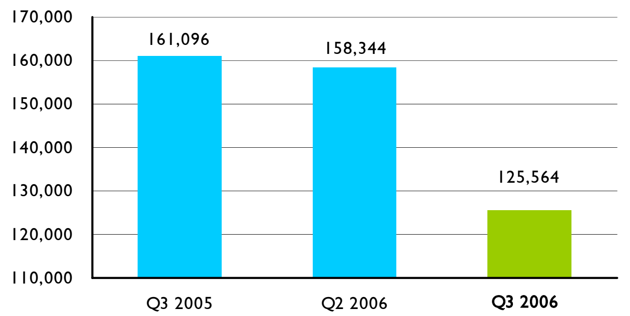
Net debt and group equity



Net debt and group equity

- The net debt of EUR 2.0 billion reported at the end of Q2 2006 moved to a net cash position of EUR 3.4 billion, largely as a result of the consideration received on the sale of the Semiconductors division.
- Group equity increased by EUR 7.2 billion compared to Q3 2005, primarily due to the change from equity to fair-value investment accounting for TSMC and the estimated net gain from the Semiconductors transaction.

Number of employees (FTEs)



of which discontinued operations 37,680 end Q3 2005 and 36,996 end Q2 2006

Employment

- The sale of the Semiconductors division resulted in a reduction of 38,144 employees in Q3 2006.
- In continuing operations, the number of employees increased by 4,196 during the quarter due to new acquisitions, including Avent, and a demand-driven seasonal increase in temporary employees at Consumer Electronics, DAP and Lighting.

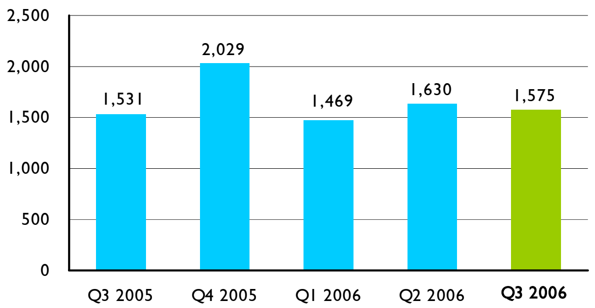
Medical Systems

Key data

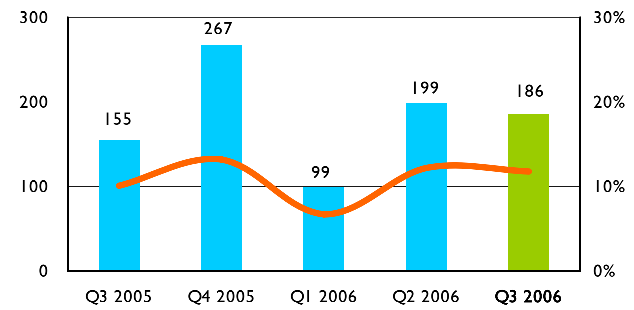
in millions of euros unless otherwise stated	Q3 2005	Q3 2006
Sales	1,531	1,575
Sales growth		
% nominal	9	3
% comparable	7	6
EBITA	180	213
as a % of sales	11.8	13.5
EBIT	155	186
as a % of sales	10.1	11.8
Net operating capital (NOC)	3,506	3,330
Number of employees (FTEs)	31,245	31,524

Sales

in millions of euros



EBIT



Business highlights

- Philips launched a multi-year research agreement with the US medical and engineering schools of Dartmouth College to develop new imaging capabilities for earlier detection and treatment of heart disease, cancer and neurological diseases.
- In China, Philips joined forces with the Red Cross for the "Philips Rural Healthcare Program" to support the central government in training 300 village doctors over the next 3 years and establishing 10 clinics and hospitals in rural areas.
- Philips introduced a new release of its integrated cardiovascular information solution, the Xcelera R2.1, which provides clinicians with access to relevant images and information on patients – including documentation, viewing, quantification and reporting tasks – from a single workspace.

Financial performance

- Order intake for equipment grew 6% year-on-year on a currency-comparable basis, led by Magnetic Resonance and Healthcare Informatics. Orders for iSite PACS more than doubled compared to Q3 2005.
- Sales of EUR 1,575 million were a record for the third quarter. The 6% comparable sales growth was primarily driven by double-digit growth in Computed Tomography and X-ray. From a geographical perspective, Asia Pacific was the main contributor to this growth.
- As a result of the improved margins and a lower cost base, EBIT improved from EUR 155 million (or 10.1% of sales) in Q3 2005 to EUR 186 million (or 11.8% of sales). Improvement in profitability was evident across most businesses, particularly Computed Tomography.
- The performance of Witt Biomedical exceeded expectations. Purchase-accounting-related charges relating to the acquisition amounted to EUR 5 million.

Looking ahead

- The acquisition of Intermagnetics is expected to be completed in Q4. Purchase-accounting and related acquisition and integration charges are now estimated at EUR 75 million.
- Excluding these Intermagnetics-related charges, and the Q4 2005 accrual for MedQuist, we expect margin in Q4, in amount and in percentage, to be above last year.

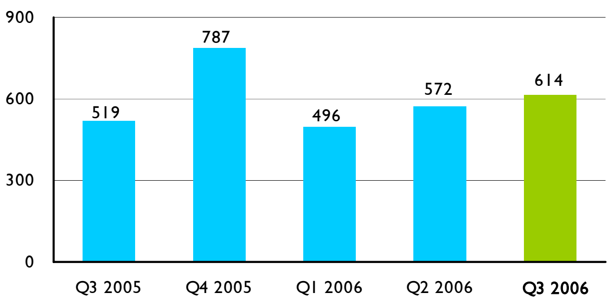
Domestic Appliances and Personal Care

Key data

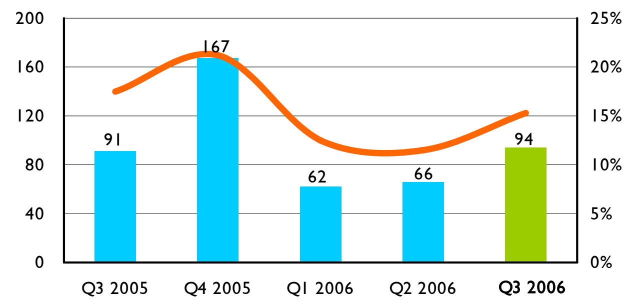
in millions of euros unless otherwise stated	Q3 2005	Q3 2006
Sales	519	614
Sales growth		
% nominal	15	18
% comparable	13	9
EBITA	93	106
as a % of sales	17.9	17.3
EBIT	91	94
as a % of sales	17.5	15.3
Net operating capital (NOC)	569	1,885
Number of employees (FTEs)	8,801	11,306

Sales

in millions of euros



EBIT



Business highlights

- Philips completed its GBP 460 million acquisition of Avent Holdings Ltd., a leading provider of baby and infant feeding products with sales in more than 60 countries.
- Philips' online Bodygroom campaign won the Cannes Gold Cyber Lion advertising award. Attracting over 1 million visitors, the website helped exceed sales targets and Bodygroom became a no. 1 selling item on Amazon.com.
- Philips won an INKA award for most innovative company in 2006 from the German Fraunhofer Institute in recognition of innovation and creativity at Philips DAP's Center of Competence in Klagenfurt, Austria.
- Philips forged a fashion industry alliance by sponsoring the Amsterdam and London Fashion Weeks to showcase its new 3-in-1 Wardrobe Care Solution, which was launched in the UK in September.

Financial performance

- Sales grew 9% on a comparable basis compared with Q3 2005; the increase was evident across all businesses, particularly Shaving & Beauty and Oral Healthcare. Growth was visible in all regions, with double-digit growth in most emerging markets, notably Latin America and China.
- The recently formed Consumer Healthcare Solutions business reported sales of EUR 36 million, most of which was attributable to Lifeline Systems. CHS reported an EBIT loss of EUR 9 million, including purchase-accounting and miscellaneous charges of EUR 10 million.
- Excluding CHS, EBIT improved by EUR 12 million compared to Q3 2005. At business level, Shaving & Beauty and Oral Healthcare drove the profitability improvement.
- The increase in NOC and employee numbers is attributable to the acquisitions of Lifeline (in Q1) and Avent (in Q3).

Looking ahead

- DAP is expected to achieve its 15-16% EBIT margin target for 2006, prior to purchase-accounting charges.

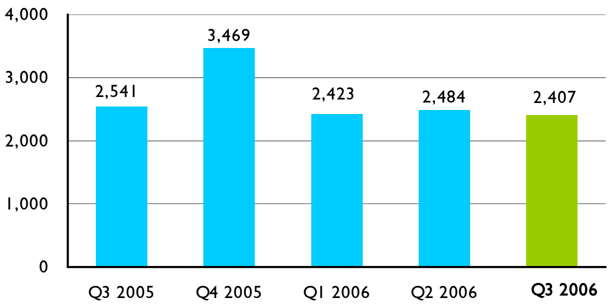
Consumer Electronics

Key data

in millions of euros unless otherwise stated	Q3 2005	Q3 2006
Sales	2,541	2,407
Sales growth		
% nominal	11	(5)
% comparable	8	(1)
EBITA	164	54
as a % of sales	6.5	2.2
EBIT	164	54
as a % of sales	6.5	2.2
Net operating capital (NOC)	212	192
Number of employees (FTEs)	16,570	16,142

Sales

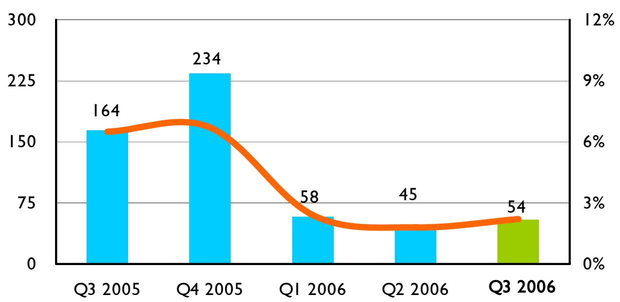
in millions of euros



EBIT

EBIT in millions of euros

EBIT as a % of sales



Business highlights

- Philips was recognized for its leadership in flat display technology, winning European Imaging & Sound Association (EISA) awards – European High-End LCD TV, 2006-2007 for the Philips Cineos Ambilight Flat TV, and European Green TV of the Year for one of its Flat TVs.
- At IFA – Europe's largest consumer electronics show – Philips showcased its world leadership in HD display technology, premiering a 100-inch Ambilight Flat TV.
- Philips announced the world's first DECT phone for Skype™ that works without a PC to communicate via the Internet; it will be available in December 2006.
- Philips announced its intention to transfer its mobile phones activity to China Electronics Corporation (CEC), providing a global license to market and sell mobile phones under the Philips brand for 5 years.

Financial performance

- Sales of EUR 2,407 million were below the level of Q3 2005, with growth in Connected Displays and Peripherals & Accessories being offset by declines in the remaining businesses. As anticipated, growth in flat displays showed signs of deceleration. On the regional axis, North America posted the strongest growth, with comparable sales 8% above Q3 2005.
- Q3 2005 included a gain of EUR 136 million on the deal with TPV. Excluding this gain, EBIT was EUR 26 million above Q3 2005, helped by an easing of over-supply in the channels and the ongoing benefits of the business renewal program.
- Net operating capital of EUR 192 million was EUR 20 million below Q3 2005, mainly due to lower working capital.

Looking ahead

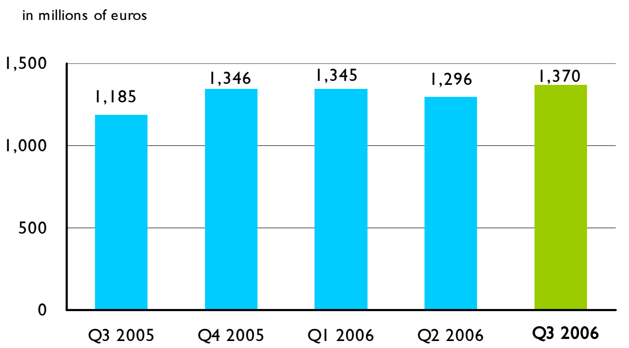
- Sales in Q4 are expected to be in line with last year.

Lighting

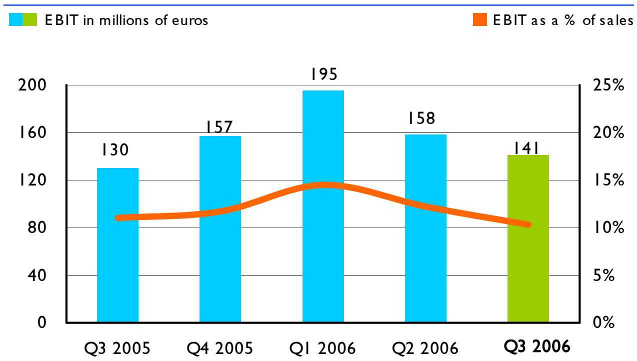
Key data

in millions of euros unless otherwise stated	Q3 2005	Q3 2006
Sales	1,185	1,370
Sales growth		
% nominal	7	16
% comparable	5	10
EBITA	131	149
as a % of sales	11.1	10.9
EBIT	130	141
as a % of sales	11.0	10.3
Net operating capital (NOC)	1,721	2,697
Number of employees (FTEs)	44,559	48,753

Sales



EBIT



Business highlights

- Philips acquired a plant in Singapore that it will convert into a high-power light-emitting-diode (LED) plant to double its high-power LED production capacity by the end of 2007.
- In Aachen, Germany, Philips produced its 3-millionth mercury-free xenon headlight bulb. The company is the sole supplier of this 'green' product to the automotive industry.
- In India, Philips launched a pilot project for rural dwellers with limited access to electricity that involves two rechargeable lighting products – a weatherproof, portable lamp for general illumination, and a hand-held, hand-cranked LED flashlight.
- Working with handset manufacturers, Philips demonstrated a new version of the LED LUXEON® Flash, the first version to beat the light performance of xenon flash camera phones.

Financial performance

- Sales amounted to EUR 1,370 million, equivalent to 10% comparable growth compared to Q3 2005, driven by all businesses, notably Automotive, Special Lighting & UHP and Lighting Electronics. Geographically, comparable sales growth in emerging markets was 18%, with the strongest growth in Asia Pacific.
- Sales growth at Lumileds is well on track to achieve a growth rate of 25% for the full year.
- EBIT increased from EUR 130 million to EUR 141 million, including restructuring charges of EUR 14 million and other miscellaneous net charges totaling EUR 18 million.
- The increase in net operating capital and headcount was attributable to the consolidation of Lumileds in Q4 2005.

Looking ahead

- The division will continue to launch innovative products and to focus on emerging markets.
- The division is on track to achieve its longer- term sales growth target of 6%.

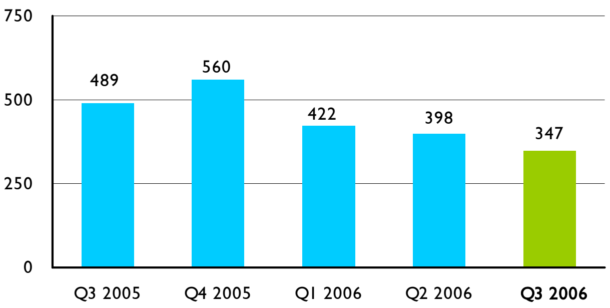
Other Activities

Key data

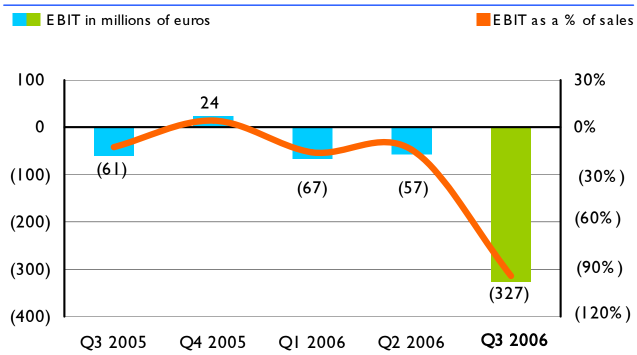
in millions of euros unless otherwise stated	Q3 2005	Q3 2006
Sales	489	347
Sales growth		
% nominal	(18)	(29)
% comparable	(6)	18
Total EBITA	(61)	(326)
as a % of sales	(12.5)	(93.9)
EBIT Corporate Technologies	(60)	(64)
EBIT Corp. Investments and others	(1)	(263)
Total EBIT	(61)	(327)
as a % of sales	(12.5)	(94.2)
Net operating capital (NOC)	395	(272)
Number of employees (FTEs)	19,844	15,419

Sales

in millions of euros



EBIT



Business highlights

- Philips Research received funding from the research arm of the US Department of Defense to lead a consortium to develop a new ultrasound-based technology that detects and stems the internal bleeding of wounded soldiers.
- As part of the company's increasing steps into molecular medicine, Philips has taken a minority stake in US-based BG Medicine – a specialist in biomarkers used in molecular imaging and diagnostics.
- In September, acclaimed German fashion designer, Anke Loh, presented her new collection, which for the first time incorporated Lumalive textiles – fabrics developed by Philips Research that incorporate light-emitting diodes.
- In its August issue, I.D. (International Design) magazine featured four Philips products – the Wireless Music Center and Station WACS700, Digital Photo Display, Practix Convenio and LED Pedestrian Luminaire – out of 2000 entries.

Financial performance Corporate Technologies

- EBIT showed a loss of EUR 64 million, EUR 4 million more than in Q3 2005 as a result of additional R&D investment, including in Molecular Healthcare.

Financial performance Corp. Investments/others

- EBIT included a charge of EUR 265 million for asbestos-related product liabilities, net of insurance recoveries.
- Excluding this charge, Corporate Investments reported a slight improvement in EBIT, mainly attributable to improved performance at the Enabling Technologies Group.

Looking ahead

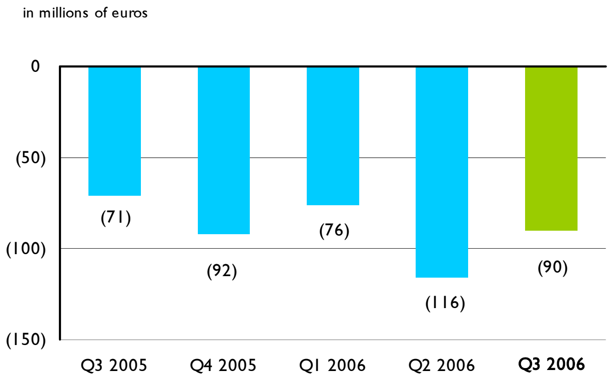
- As Corporate Investments continues to reduce its business portfolio, further divestments can be expected in the fourth quarter.

Unallocated

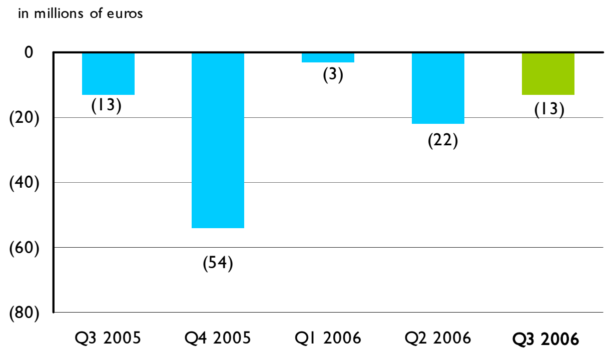
Key data

in millions of euros unless otherwise stated	Q3 2005	Q3 2006
Corporate and regional overheads	(71)	(90)
Global brand campaign	(13)	(13)
Pensions/postretirement benefit costs	(42)	(20)
Total EBIT	(126)	(123)
Total EBITA	(128)	(125)
Number of employees (FTEs)	2,397	2,420

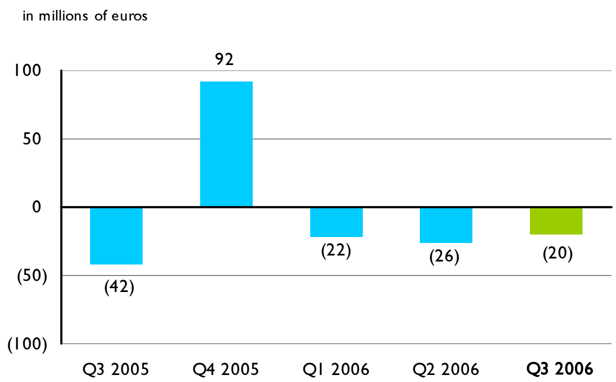
EBIT Corporate and regional overheads



EBIT Global brand campaign



EBIT Pensions/postretirement benefit costs



Business highlights

- Philips entered the top 50 global brands in a ranking by leading brand consultant Interbrand, achieving the biggest increase in the electronics sector and advancing to the 48th place with an estimated brand value of USD 6.7 billion.
- Philips showcased its commitment to its "sense and simplicity" brand promise at a Simplicity Event in London; featuring future well-being and lifestyle concepts and soon-to-launch products, the event attracted 1,600 key stakeholders.
- As part of the company's drive for further improvements in supply management, Philips increased purchasing via e-auctions more than fourfold during the first three quarters of 2006 compared to the same period in 2005.
- Philips climbed the Dow Jones Sustainability Indexes from 77 to 82 points out of 100, gaining in all three fields – social, economic and environmental – and ranking 1st in the Leisure sector.
- For the 2nd year in a row, Philips won the Guangming Daily Corporate Social Responsibility Award in a ranking of 200 foreign multinationals by China's 4th-largest public-owned media group.

Financial performance

- EBIT of Corporate and Regional Overheads was EUR 19 million lower than in Q3 2005, mainly due to implementation costs related to compliance with section 404 of the Sarbanes-Oxley Act.
- Pension and post-retirement benefit costs were EUR 22 million lower than in Q3 2005. Increased costs for employees in North America were more than compensated by lower costs in the Netherlands.

Looking ahead

- Investments in the brand campaign are expected to be approximately EUR 85 million in Q4.

Additional information on the sale of Semiconductors in Q3

Enterprise value

in millions of euros	Q3 2006
Enterprise value	8,275
SSMC minority interest	(200)
Unrecognized pension liability	(150)
Other	41
Consideration	7,966

Deal result

in millions of euros	Q3 2006
Net cash consideration	7,068
Retained interest 19.9%	857
Other	41
Consideration	7,966
Net assets divested	(2,806)
Cumulative translation differences and other transaction-related items	(403)
Gross deal result	4,757
Tax on transaction	(570)
Net deal result	4,187

Sale of 80.1% of the Semiconductors division

- On September 29, Philips announced that it had completed the sale of an 80.1% stake in its Semiconductors business to a private equity consortium led by Kohlberg Kravis Roberts & Co. (KKR). The business has meanwhile been renamed 'NXP Semiconductors'.
- Philips has retained a 19.9% stake in NXP Semiconductors – initially at fair value and recorded on the balance sheet at cost as an investment in Unconsolidated companies.
- Based on an estimated enterprise value of EUR 8,275 million, the total consideration for the sale the Semiconductors business was EUR 7,966 million.
- After tax and transaction-related costs, a net deal gain of EUR 4,187 million was recognized in Q3.
- It is estimated that the net cash consideration of EUR 7,068 million will result in a net cash inflow (proceeds) of approximately EUR 6.4 billion, after the final settlement of taxes and other transaction-related items.
- Charges due to the settlement of certain Semiconductors-related pension obligations will be recorded in 2007. These charges, to be reported under income from discontinued operations, are expected to be approximately EUR 75 million, before tax.
- Management has used estimations in the calculation of the net deal result. Final results could differ from the amounts presented.

Highlights in the 1st nine months

The 1st nine months of 2006

- Net income of EUR 4,703 million, including the gain on the sale of the Semiconductors division
- Comparable sales up 8%, driven by double-digit growth at DAP and CE
- EBIT of EUR 518 million
- Unconsolidated companies showing a loss of EUR 187 million due to LG.Philips LCD
- Income from discontinued operations of EUR 4,335 million, which includes both Semiconductors' operational results and the gain on the deal
- Net debt : group equity ratio was (16) : 116 at the end of Q3.

Net income

in millions of euros unless otherwise stated	January-September 2005	2006
Sales	17,584	18,848
EBIT	677	518
as a % of sales	3.9	2.7
Financial income and expenses	85	136
Income taxes	(21)	(89)
Results unconsolidated companies	1,800	(187)
Minority interests	(9)	(10)
Income from continuing operations	2,532	368
Discontinued operations	4	4,335
Net income	2,536	4,703
Per common share (in euros) – basic	2.01	3.96

Management summary

- Net income showed a profit of EUR 4,703 million, compared to EUR 2,536 million in the first nine months of 2005.
- Sales amounted to EUR 18,848 million, 7% higher than in the same period last year. The downward effect of consolidation changes was only partly offset by the upward currency effect, leading to comparable sales growth of 8% compared to the first nine months of 2005.
- Comparable sales grew at all main divisions, with double-digit growth at DAP (10%) and CE (10%). Lighting (9%) and Medical Systems (8%) also showed strong growth, while Corporate Investments declined by 4%.
- EBIT was EUR 518 million, compared to EUR 677 million in the same period last year. EBIT increased in all divisions except Consumer Electronics (due to last year's gain on the TPV transaction) and Other Activities (impacted by the Q3 2006 additional asbestos-related charge).
- The negative result from unconsolidated companies was mainly due to the loss incurred by LG.Philips LCD; last year's result included gains from the sale of shares in TSMC, LG.Philips LCD and NAVTEQ.
- Income from discontinued operations of EUR 4,335 million includes both the operational results of Semiconductors for the year to September 29 as well as the deal result from the sale of the division in Q3 2006.

Other information

Share repurchase

On August 3, 2006 the Company announced that it would return a total of EUR 4 billion to its shareholders by the end of 2007 through a combination of dividends and share repurchases. This EUR 4 billion includes the EUR 1.5 billion share buyback program for capital reduction purposes announced in July 2006.

The current EUR 1.5 billion share buyback, which forms part of the EUR 4 billion, will be expanded and we expect to complete share repurchases of up to EUR 2.5 billion by the end of this year.

Subject to approval of the proposals put before the Extraordinary General Meeting of Shareholders, the Company intends, starting at the beginning of 2007, to return the remaining part of the EUR 4 billion through share buybacks from holders who are tax-exempt or are able to achieve tax compensation.

Asbestos

Judicial proceedings have been brought in the United States relating primarily to the activities of a subsidiary prior to 1981, involving allegations of personal injury from alleged asbestos exposure.

Historically, the subsidiary has established an accrual for loss contingencies with respect to asserted claims for asbestos product liability. However, an accrual for loss contingencies with respect to unasserted claims has not been established in prior periods since this liability could not be reasonably estimated in accordance with SFAS No. 5 (see page 164 Annual Report 2005).

Other information

In the third quarter of 2006, in light of additional claims history experienced by the Company's subsidiary and other changed circumstances, a third-party expert provided the Company with a projection of the subsidiary's liability for pending and unasserted potential future asbestos-related claims, and provided such a projection through 2016. Accordingly, the subsidiary increased its accrual for loss contingencies related to asbestos product liability for claims asserted through 2016 to EUR 398 million, representing the undiscounted estimate of indemnity costs at September 30, 2006.

This resulted in a pre-tax charge to earnings of EUR 331 million at the end of the third quarter. During the third quarter of 2006, the amount of related insurance recoveries recognized in pre-tax earnings totaled EUR 66 million, reflecting agreements in place with insurance carriers.

In light of the inherent uncertainties involved in long-term forecasts of asbestos claims, the Company cannot assess in accordance with SFAS No. 5 the impact that claims asserted after 2016 may have on its consolidated financial position and results of operation. If actual experience differs significantly from the assumptions made in forecasting future liabilities, the Company's consolidated financial position and results of operations could be materially affected.

Subsequent events

Philips announced on October 12 that it has signed a letter of intent to transfer its remaining mobile phone activities to China Electronics Corporation (CEC). CEC will take over the responsibility for Philips' Mobile Phones business, which currently has an annual turnover of approximately EUR 400 million and approximately 240 employees, mainly in Asia Pacific and Eastern Europe.

Under the terms of the letter of intent, CEC will receive a global license to market and sell mobile phones under the Philips brand for the coming five years.

The transaction is still subject to confirmatory due diligence. The transaction will be conditional on all required shareholder, government and regulatory approvals and consents and is expected to be completed by the end of 2006.

Outlook

We expect the fourth quarter to round out what has already been a very good year for the Company. The planned completion of the Intermagnetics acquisition will help further strengthen our Medical business, and we anticipate making further value-adding acquisitions consistent with our strategic direction.

We will continue to invest heavily in the brand and, reflecting our commitment to create value for investors, will continue to return cash to our shareholders.

Amsterdam, October 16, 2006

Board of Management

Consolidated statements of income

all amounts in millions of euros unless otherwise stated
restated for the sale of the Semiconductors and MDS businesses

	3rd quarter		January to September	
	2005	**2006**	2005	**2006**
Sales	6,265	**6,313**	17,584	**18,848**
Cost of sales	(4,351)	**(4,580)**	(12,113)	**(13,246)**
Gross margin	1,914	**1,733**	5,471	**5,602**
Selling expenses	(1,112)	**(1,074)**	(3,146)	**(3,252)**
General and administrative expenses	(211)	**(252)**	(667)	**(743)**
Research and development expenses	(404)	**(395)**	(1,188)	**(1,204)**
Write-off of acquired in-process R&D	-	**-**	-	**(3)**
Other business income (expense)	166	**13**	207	**118**
Income from operations	353	**25**	677	**518**
Financial income and expenses	190	**32**	85	**136**
Income before taxes	543	**57**	762	**654**
Income tax expense	(71)	**27**	(21)	**(89)**
Income after taxes	472	**84**	741	**565**
Results relating to unconsolidated companies, including a year-to-date net dilution gain of EUR 16 million (gain of EUR 165 million in the 3rd quarter of 2005)	929	**(81)**	1,800	**(187)**
Minority interests	-	**(2)**	(9)	**(10)**
Income from continuing operations	1,401	**1**	2,532	**368**
Discontinued operations	35	**4,241**	4	**4,335**
Net income	1,436	**4,242**	2,536	**4,703**
Weighted average number of common shares outstanding (after deduction of treasury stock) during the period (in thousands):				
• basic			1,259,133	**1,188,121**
• diluted			1,261,517	**1,195,750**
Net income per common share in euros:				
• basic	1.14	**3.57**	2.01	**3.96**
• diluted	1.14	**3.55**	2.01	**3.93**
Ratios				
Gross margin as a % of sales	30.6	**27.5**	31.1	**29.7**
Selling expenses as a % of sales	(17.7)	**(17.0)**	(17.9)	**(17.3)**
G&A expenses as a % of sales	(3.4)	**(4.0)**	(3.8)	**(3.9)**
R&D expenses as a % of sales	(6.4)	**(6.3)**	(6.8)	**(6.4)**
EBIT or Income from operations	353	**25**	677	**518**
as a % of sales	5.6	**0.4**	3.9	**2.7**
EBITA	379	**71**	748	**640**
as a % of sales	6.0	**1.1**	4.3	**3.4**

Consolidated balance sheets

all amounts in millions of euros unless otherwise stated
restated for the sale of the Semiconductors and MDS businesses

	Sept. 30, 2005	Dec. 31, 2005	Sept. 30, 2006
Current assets:			
Cash and cash equivalents	4,344	5,293	**7,272**
Securities	-	-	**173**
Receivables	4,679	4,638	**4,732**
Current assets of discontinued operations	1,539	1,462	**-**
Inventories	3,289	2,797	**3,435**
Other current assets	850	894	**1,084**
Total current assets	14,701	15,084	**16,696**
Non-current assets:			
Investments in unconsolidated companies	5,563	5,399	**4,067**
Other non-current financial assets	573	673	**6,564**
Non-current receivables	167	213	**204**
Non-current assets of discontinued operations	2,642	2,511	**-**
Other non-current assets	3,332	3,231	**3,860**
Property, plant and equipment	2,881	3,019	**3,157**
Intangible assets excluding goodwill	971	1,240	**1,611**
Goodwill	1,973	2,535	**3,216**
Total assets	32,803	33,905	**39,375**
Current liabilities:			
Accounts and notes payable	3,131	3,457	**3,311**
Current liabilities of discontinued operations	965	1,044	**-**
Accrued liabilities	3,149	3,281	**3,415**
Short-term provisions	810	807	**1,304**
Other current liabilities	570	657	**581**
Short-term debt	967	1,167	**870**
Total current liabilities	9,592	10,413	**9,481**
Non-current liabilities:			
Long-term debt	3,377	3,320	**3,039**
Long-term provisions	1,971	1,903	**2,167**
Non-current liabilities of discontinued operations	345	341	**-**
Other non-current liabilities	799	1,103	**745**
Total liabilities	16,084	17,080	**15,432**
Minority interests	181	159	**140**
Stockholders' equity	16,538	16,666	**23,803**
Total liabilities and equity	32,803	33,905	**39,375**
Number of common shares outstanding (after deduction of treasury stock) at the end of period (in thousands)	1,232,102	1,201,358	**1,157,592**
Ratios			
Stockholders' equity per common share in euros	13.42	13.87	**20.56**
Inventories as a % of sales	12.9	10.9	**12.7**
Net debt : group equity	0:100	(5):105	**(16):116**
Net operating capital	5,912	5,679	**8,960**
Employees at end of period of which discontinued operations 37,680 end Sept. 2005, and 37,417 end Dec. 2005	161,096	159,226	**125,564**

Consolidated statements of cash flows *

all amounts in millions of euros

restated for the sale of the Semiconductors and MDS businesses

	3rd quarter		January to September	
	2005	**2006**	2005	**2006**
Cash flows from operating activities:				
Net income	1,436	**4,242**	2,536	**4,703**
(Income) loss discontinued operations	(35)	**(4,241)**	(4)	**(4,335)**
Adjustments to reconcile income to net cash provided by operating activities:				
Depreciation and amortization	175	**214**	516	**584**
Impairment of equity investments	-	**-**	-	**8**
Net gain on sale of assets	(958)	**(11)**	(1,724)	**(108)**
Unconsolidated companies (net of dividends received)	(126)	**78**	(156)	**132**
Minority interests (net of dividends paid)	(7)	**(34)**	11	**10**
(Increase) decrease in working capital/other current assets	(213)	**(281)**	(1,155)	**(927)**
(Increase) decrease in non-current receivables/other assets	(110)	**428**	(333)	**(300)**
Increase (decrease) in provisions	73	**152**	(23)	**105**
Other items	11	**131**	14	**(95)**
Net cash provided by (used for) operating activities	246	**678**	(318)	**(223)**
Cash flows from investing activities:				
Purchase of intangible assets	(16)	**(19)**	(48)	**(68)**
Capital expenditures on property, plant and equipment	(162)	**(218)**	(463)	**(584)**
Proceeds from disposals of property, plant and equipment	20	**19**	86	**62**
Cash from (to) derivatives	(1)	**(42)**	(34)	**(113)**
Proceeds from sale (purchase) of other non-current financial assets	619	**10**	617	**10**
Proceeds from sale (purchase) of businesses	930	**(731)**	1,795	**(1,418)**
Net cash provided by (used for) investing activities	1,390	**(981)**	1,953	**(2,111)**
Cash flows from financing activities:				
Increase (decrease) in debt	(106)	**(729)**	(432)	**(504)**
Treasury stock transactions	(337)	**(795)**	(1,036)	**(1,202)**
Dividends paid	-	**-**	(504)	**(523)**
Net cash provided by (used for) financing activities	(443)	**(1,524)**	(1,972)	**(2,229)**
Net cash provided by (used for) continuing operations	1,193	**(1,827)**	(337)	**(4,563)**
Cash flows from discontinued operations.				
Net cash provided by (used for) operating activities	249	**(158)**	500	**191**
Net cash provided by (used for) investing activities	(93)	**6,900**	(259)	**6,633**
Net cash provided by (used for) financing activities	-	**-**	-	**-**
Net cash provided by (used for) discontinued operations	156	**6,742**	241	**6,824**
Net cash provided by (used for) continuing and discontinued operations	1,349	**4,915**	(96)	**2,261**
Effect of change in consolidations and exchange rates on cash positions	(10)	**(181)**	91	**(282)**
Cash and cash equivalents at beginning of period	3,005	**2,538**	4,349	**5,293**
Cash and cash equivalents at end of period	4,344	**7,272**	4,344	**7,272**
Ratio				
Cash flows before financing activities	1,636	**(303)**	1,635	**(2,334)**

* For a number of reasons, principally the effects of translation differences and consolidation changes, certain items in the statements of cash flows do not correspond to the differences between the balance sheet amounts for the respective items.

Consolidated statement of changes in stockholders' equity

all amounts in millions of euros

January to September 2006

	Common stock	Capital in excess of par value	Retained earnings	Accumulated other comprehensive income (loss): Currency translation differences	Accumulated other comprehensive income (loss): Unrealized gain (loss) on available-for-sale securities	Accumulated other comprehensive income (loss): Additional minimum pension liability	Accumulated other comprehensive income (loss): Changes in fair value of cash flow hedges	Accumulated other comprehensive income (loss): Total	Treasury shares at cost: To hedge share-based compensation plans	Treasury shares at cost: To cover capital reduction program	Total stockholders' equity
Balance as of December 31, 2005	263	82	21,710	(1,886)	(10)	(545)	(29)	(2,470)	(1,333)	(1,586)	16,666
Net income			4,703								4,703
Net current period change				(176)	3,637	214	53	3,728			3,728
Reclassifications into income				395			(13)	382			382
Total comprehensive income, net of tax			4,703	219	3,637	214	40	4,110			8,813
Reduction authorized share capital	(17)		(1,983)							2,000	-
Dividend paid			(523)								(523)
Purchase of treasury stock									(118)	(1,262)	(1,380)
Re-issuance of treasury stock		(109)	(83)						392		200
Share-based compensation plans		27									27
Balance as of September 30, 2006	**246**	**0**	**23,824**	**(1,667)**	**3,627**	**(331)**	**11**	**1,640**	**(1,059)**	**(848)**	**23,803**

Sectors

all amounts in millions of euros unless otherwise stated
restated for the sale of the Semiconductors and MDS businesses

Sales and income from operations

	3rd quarter					
	2005			**2006**		
	Sales	Income from operations amount	Income from operations as a % of sales	Sales	Income from operations amount	Income from operations as a % of sales
Medical Systems	1,531	155	10.1	**1,575**	**186**	**11.8**
DAP	519	91	17.5	**614**	**94**	**15.3**
Consumer Electronics	2,541	164	6.5	**2,407**	**54**	**2.2**
Lighting	1,185	130	11.0	**1,370**	**141**	**10.3**
Other Activities	489	(61)	(12.5)	**347**	**(327)**	**(94.2)**
Unallocated		(126)			**(123)**	
Total	6,265	353	5.6	**6,313**	**25**	**0.4**

	January to September					
	2005			**2006**		
	Sales	Income from operations amount	Income from operations as a % of sales	Sales	Income from operations amount	Income from operations as a % of sales
Medical Systems	4,314	412	9.6	**4,674**	**484**	**10.4**
DAP	1,407	191	13.6	**1,682**	**222**	**13.2**
Consumer Electronics	6,953	272	3.9	**7,314**	**157**	**2.1**
Lighting	3,429	399	11.6	**4,011**	**494**	**12.3**
Other Activities	1,481	(180)	(12.2)	**1,167**	**(451)**	**(38.6)**
Unallocated		(417)			**(388)**	
Total	17,584	677	3.9	**18,848**	**518**	**2.7**

Sectors and main countries

all amounts in millions of euros

restated for the sale of the Semiconductors and MDS businesses

Sales and total assets

	Sales		Total assets	
	January to September		September 30,	
	2005	**2006**	2005	**2006**
Medical Systems	4,314	**4,674**	5,519	**5,340**
DAP	1,407	**1,682**	1,033	**2,486**
Consumer Electronics	6,953	**7,314**	2,936	**2,908**
Lighting	3,429	**4,011**	2,737	**3,885**
Other Activities	1,481	**1,167**	7,118	**5,671**
Unallocated			9,279	**19,085**
Total	17,584	**18,848**	28,622	**39,375**
Discontinued operations			4,181	**-**
Total			32,803	**39,375**

Sales and long-lived assets

	Sales		Long-lived assets *	
	January to September		September 30,	
	2005	**2006**	2005	**2006**
Netherlands	711	**787**	1,064	**1,136**
United States	4,971	**5,254**	3,043	**4,506**
Germany	1,307	**1,370**	262	**339**
France	1,137	**1,063**	145	**119**
United Kingdom	763	**828**	97	**741**
China (incl. Hong Kong)	1,261	**1,311**	208	**183**
Other countries	7,434	**8,235**	1,006	**960**
Total	17,584	**18,848**	5,825	**7,984**

* Includes property, plant and equipment and intangible assets

Pension costs

all amounts in millions of euros unless otherwise stated
restated for the sale of the Semiconductors and MDS businesses

Net periodic pension costs of defined-benefit plans

	3rd quarter 2006		January-September 2006	
	Netherlands	Other	Netherlands	Other
Service cost	52	34	159	103
Interest cost on the projected benefit obligation	135	98	403	305
Expected return on plan assets	(203)	(96)	(609)	(292)
Amortization of unrecognized transition obligation	-	1	-	1
Net actuarial (gain) loss recognized	(10)	21	(30)	65
Amortization of prior service cost	(15)	6	(45)	19
Settlement loss	-	-	-	-
Net periodic cost (income)	**(41)**	**64**	**(122)**	**201**

The net periodic pension costs in the third quarter of 2006 amounted to EUR 47 million, of which EUR 23 million related to defined-benefit plans (the Netherlands income of EUR 41 million, other countries cost of EUR 64 million) and EUR 24 million related to defined-contribution plans outside the Netherlands (the Netherlands cost of EUR 2 million, other countries cost of EUR 22 million).

Net periodic costs of postretirement benefits other than pensions

	3rd quarter 2006		January-September 2006	
	Netherlands	Other	Netherlands	Other
Service cost	-	1	-	3
Interest cost on the accumulated postretirement benefit obligation	-	6	-	19
Amortization of unrecognized transition obligation	-	1	-	4
Net actuarial loss recognized	-	1	-	3
Curtailment gain	-	-	-	-
Net periodic cost (income)	**-**	**9**	**-**	**29**

Consolidated statements of income in accordance with IFRS

all amounts in millions of euros unless otherwise stated
restated for the sale of the Semiconductors and MDS businesses

	3rd quarter		January to September	
	2005	**2006**	2005	**2006**
Sales	6,265	**6,313**	17,584	**18,848**
Cost of sales	(4,355)	**(4,597)**	(12,132)	**(13,300)**
Gross margin	1,910	**1,716**	5,452	**5,548**
Selling expenses	(1,111)	**(1,061)**	(3,132)	**(3,249)**
General and administrative expenses	(254)	**(293)**	(773)	**(859)**
Research and development expenses	(408)	**(390)**	(1,159)	**(1,175)**
Other business income (expense)	163	**11**	191	**91**
Income from operations	300	**(17)**	579	**356**
Financial income and expenses	192	**32**	85	**136**
Income before taxes	492	**15**	664	**492**
Income tax expense	(53)	**37**	15	**(39)**
Income after taxes	439	**52**	679	**453**
Results relating to unconsolidated companies, included a year-to-date net dilution gain of EUR 16 million (gain of EUR 214 million in the 3rd quarter of 2005)	1,091	**(82)**	1,938	**(193)**
Minority interests	-	**(1)**	(10)	**(9)**
Income from continuing operations	1,530	**(31)**	2,607	**251**
Discontinued operations	87	**3,659**	114	**3,820**
Net income	1,617	**3,628**	2,721	**4,071**
Weighted average number of common shares outstanding (after deduction of treasury stock) during the period (in thousands)				
• basic			1,259,133	**1,188,121**
• diluted			1,261,517	**1,195,750**
Net income per common share in euros:				
• basic	1.29	**3.05**	2.16	**3.43**
• diluted	1.29	**3.03**	2.16	**3.40**
Ratios				
Gross margin as a % of sales	30.5	**27.2**	31.0	**29.4**
Selling expenses as a % of sales	(17.7)	**(16.8)**	(17.8)	**(17.2)**
G&A expenses as a % of sales	(4.1)	**(4.6)**	(4.4)	**(4.6)**
R&D expenses as a % of sales	(6.5)	**(6.2)**	(6.6)	**(6.2)**
EBIT or Income from operations	300	**(17)**	579	**356**
as a % of sales	4.8	**-**	3.3	**1.9**
EBITA	359	**42**	725	**512**
as a % of sales	5.7	**0.7**	4.1	**2.7**

Consolidated balance sheets in accordance with IFRS

all amounts in millions of euros unless otherwise stated
restated for the sale of the Semiconductors and MDS businesses

	Sept. 30, 2005	Dec. 31, 2005	Sept. 30, 2006
Current assets:			
Cash and cash equivalents	4,344	5,293	**7,272**
Securities	-	-	**173**
Receivables	4,679	4,638	**4,732**
Current assets of discontinued operations	1,539	1,462	**-**
Inventories	3,289	2,797	**3,435**
Other current assets	479	412	**633**
Total current assets	14,330	14,602	**16,245**
Non-current assets:			
Investments in unconsolidated companies	5,339	5,221	**3,963**
Other non-current financial assets	573	673	**6,564**
Non-current receivables	167	213	**204**
Non-current assets of discontinued operations	3,780	3,542	**-**
Other non-current assets	2,289	2,173	**2,125**
Property, plant and equipment	2,907	3,038	**3,164**
Intangible assets excluding goodwill	1,323	1,952	**2,332**
Goodwill	1,656	2,174	**2,874**
Total assets	32,364	33,588	**37,471**
Current liabilities:			
Accounts and notes payable	3,131	3,457	**3,311**
Current liabilities of discontinued operations	965	1,044	**-**
Accrued liabilities	3,107	3,243	**3,380**
Short-term provisions	706	780	**735**
Other current liabilities	570	658	**581**
Short-term debt	968	1,168	**863**
Total current liabilities	9,447	10,350	**8,870**
Non-current liabilities:			
Long-term debt	3,404	3,339	**3,041**
Long-term provisions	1,861	1,606	**2,370**
Non-current liabilities of discontinued operations	570	535	**-**
Other non-current liabilities	856	1,086	**646**
Total liabilities	16,138	16,916	**14,927**
Minority interests*	330	353	**159**
Stockholders' equity	15,896	16,319	**22,385**
Total liabilities and equity	32,364	33,588	**37,471**
Number of common shares outstanding (after deduction of treasury stock) at the end of period (in thousands)	1,232,102	1,201,358	**1,157,592**
Ratios			
Stockholders' equity per common share in euros	12.90	13.58	**19.34**
Inventories as a % of sales	12.9	10.9	**12.7**
Net debt : group equity	0:100	(5):105	**(18):118**
Employees at end of period of which discontinued operations 37,680 end Sept. 2005 and 37,417 end Dec. 2005	161,096	159,226	**125,564**

* Of which discontinued operations 146 end of September 2005 and 173 end of December 2005

Reconciliation from US GAAP to IFRS

all amounts in millions of euros unless otherwise stated
restated for the sale of the Semiconductors and MDS businesses

Reconciliation of net income from US GAAP to IFRS

	3rd quarter		January to September	
	2005	**2006**	2005	**2006**
Net income as per the consolidated statements of income on a US GAAP basis	1,436	**4,242**	2,536	**4,703**
Adjustments to IFRS:				
Capitalized product development expenses	61	**82**	188	**208**
Amortization of product development assets	(59)	**(69)**	(146)	**(156)**
Pensions and other postretirement benefits	(49)	**(53)**	(120)	**(164)**
Amortization of intangible assets	-	**-**	-	**-**
Unconsolidated companies	162	**(2)**	138	**(6)**
Deferred income tax effects	18	**11**	36	**50**
Discontinued operations	52	**(582)**	110	**(515)**
Other differences in income	(4)	**(1)**	(21)	**(49)**
Net income in accordance with IFRS	1,617	**3,628**	2,721	**4,071**

Reconciliation of stockholders' equity from US GAAP to IFRS

	Sept. 30, 2005	**Sept. 30, 2006**
Stockholders' equity as per the consolidated balance sheets on a US GAAP basis	16,538	**23,803**
Adjustments to IFRS:		
Product development expenses	464	**508**
Pensions and other postretirement benefits	(1,909)	**(2,295)**
Goodwill amortization (until January 1, 2004)	(316)	**(298)**
Goodwill capitalization (acquisition-related)	-	**(44)**
Acquisition-related intangibles	-	**242**
Assets from discontinued operations	767	**-**
Unconsolidated companies	(226)	**(104)**
Recognized results on sale-and-leaseback transactions	84	**75**
Deferred income tax effects	499	**499**
Other differences in equity	(5)	**(1)**
Stockholders' equity in accordance with IFRS	15,896	**22,385**

Reconciliation of non-US GAAP performance measures

all amounts in millions of euros unless otherwise stated
restated for the sale of the Semiconductors and MDS businesses

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

Sales growth composition (in %)

	January to September			
	Comparable growth	Currency effects	Consolidation changes	Nominal growth
2006 versus 2005				
Medical Systems	**7.6**	**0.7**	**0.0**	**8.3**
DAP	**10.3**	**1.3**	**7.9**	**19.5**
Consumer Electronics	**10.2**	**1.7**	**(6.7)**	**5.2**
Lighting	**8.8**	**1.0**	**7.2**	**17.0**
Other Activities	**(4.6)**	**0.5**	**(17.1)**	**(21.2)**
Philips Group	**8.2**	**1.2**	**(2.2)**	**7.2**

EBITA and EBIT to income before taxes

	Philips Group	Medical Systems	DAP	Consumer Electronics	Lighting	Other Activities	Unallocated
January to September 2006							
EBITA	**640**	**563**	**241**	**158**	**517**	**(450)**	**(389)**
Eliminate amortization of intangibles	**(122)**	**(79)**	**(19)**	**(1)**	**(23)**	**(1)**	**1**
EBIT or Income from operations	**518**	**484**	**222**	**157**	**494**	**(451)**	**(388)**
Eliminate financial income and expenses	**136**						
Income before taxes	**654**						
January to September 2005							
EBITA	748	478	195	272	400	(179)	(418)
Eliminate amortization of intangibles	(71)	(66)	(4)	-	(1)	(1)	1
EBIT or Income from operations	677	412	191	272	399	(180)	(417)
Eliminate financial income and expenses	85						
Income before taxes	762						

Composition of net debt and group equity

	Sept. 30, 2005	**Sept. 30, 2006**
Long-term debt	3,377	3,039
Short-term debt	967	870
Total debt	4,344	3,909
Cash and cash equivalents	(4,344)	(7,272)
Net debt (total debt less cash and cash equivalents)	0	(3,363)
Minority interests	181	140
Stockholders' equity	16,538	23,803
Group equity	16,719	23,943
Net debt and group equity	16,719	20,580
Net debt divided by net debt and group equity (in %)	0	16
Group equity divided by net debt and group equity (in %)	100	116

Reconciliation of non-US GAAP performance measures (continued)

all amounts in millions of euros unless otherwise stated
restated for the sale of the Semiconductors and MDS businesses

Net operating capital to total assets

	Philips Group	Medical Systems	DAP	Consumer Electronics	Lighting	Other Activities	Unallocated
September 30, 2006							
Net operating capital (NOC)	**8,960**	**3,330**	**1,885**	**192**	**2,697**	**(272)**	**1,128**
Eliminate liabilities comprised in NOC:							
– payables/liabilities	**8,052**	**1,665**	**521**	**2,329**	**993**	**1,404**	**1,140**
– intercompany accounts	**-**	**28**	**20**	**72**	**31**	**(129)**	**(22)**
– provisions[1)]	**2,610**	**245**	**60**	**279**	**150**	**846**	**1,030**
Include assets not comprised in NOC:							
– investments in unconsolidated companies	**4,067**	**72**	**-**	**36**	**14**	**3,822**	**123**
– securities	**173**						**173**
– other non-current financial assets	**6,564**						**6,564**
– deferred tax assets	**1,677**						**1,677**
– liquid assets	**7,272**						**7,272**
Total assets	**39,375**	**5,340**	**2,486**	**2,908**	**3,885**	**5,671**	**19,085**

1) provisions on balance sheet EUR 3,471 million excluding deferred tax liabilities of EUR 861 million

	Philips Group	Medical Systems	DAP	Consumer Electronics	Lighting	Other Activities	Unallocated
September 30, 2005							
Net operating capital (NOC)	5,912	3,506	569	212	1,721	395	(491)
Eliminate liabilities comprised in NOC:							
– payables/liabilities	7,650	1,672	391	2,312	779	1,014	1,482
– intercompany accounts	-	20	19	87	33	(136)	(23)
– provisions[2)]	2,471	259	54	305	131	583	1,139
Include assets not comprised in NOC:							
– investments in unconsolidated companies	5,563	62		20	73	5,262	146
– other non-current financial assets	573						573
– deferred tax assets	2,109						2,109
– liquid assets	4,344						4,344
Total assets	28,622	5,519	1,033	2,936	2,737	7,118	9,279
Discontinued operations	4,181						
Total	32,803						

2) provisions on balance sheet EUR 2,781 million excluding deferred tax liabilities of EUR 310 million

Composition of cash flows before financing activities

	3rd quarter		January to September	
	2005	**2006**	2005	**2006**
Cash flows from operating activities	246	**678**	(318)	**(223)**
Cash flows from investing activities	1,390	**(981)**	1,953	**(2,111)**
Cash flows before financing activities	1,636	**(303)**	1,635	**(2,334)**

Philips quarterly statistics

all amounts in millions of euros unless otherwise stated; percentage increases always in relation to the corresponding period of previous year

restated for the sale of the Semiconductors and MDS businesses

	2005				2006			
	1st quarter	2nd quarter	3rd quarter	4th quarter	1st quarter	2nd quarter	3rd quarter	4th quarter
Sales	5,480	5,839	6,265	8,191	6,155	6,380	**6,313**	
% increase	3	-	7	5	12	9	**1**	
EBIT	193	131	353	795	246	247	**25**	
as a % of sales	3.5	2.2	5.6	9.7	4.0	3.9	**0.4**	
Net income	117	983	1,436	332	160	301	**4,242**	
per common share in euros	0.09	0.78	1.14	0.28	0.13	0.26	**3.57**	

	January-March	January-June	January-September	January-December	January-March	January-June	January-September	January-December
Sales	5,480	11,319	17,584	25,775	6,155	12,535	**18,848**	
% increase	3	1	3	4	12	11	**7**	
EBIT	193	324	677	1,472	246	493	**518**	
as a % of sales	3.5	2.9	3.9	5.7	4.0	3.9	**2.7**	
Net income	117	1,100	2,536	2,868	160	461	**4,703**	
as a % of stockholders' equity (ROE)	4.2	16.7	23.8	18.1	3.8	4.6	**2.7**	
per common share in euros	0.09	0.87	2.01	2.29	0.13	0.39	**3.96**	

	period ending 2005				**period ending 2006**			
Inventories as a % of sales	11.4	12.9	12.9	10.9	11.9	11.9	**12.7**	
Net debt : group equity ratio	8:92	8:92	0:100	(5):105	6:94	9:91	**(16):116**	
Total employees (in thousands)	161	160	161	159	161	158	**126**	
of which discontinued operations	37	38	38	38	37	37	**-**	

Information also available on Internet, address: www.investor.philips.com
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