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Royal Philips Electronics

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Forward Looking Statements

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, 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. Statements regarding market share, including as to Philips' competitive position, contained in this document are based on outside sources such as specialized research institutes, industry and dealer panels in combination with management estimates. Where information is not yet available to Philips, those statements may also be based on estimates and projections prepared by outside sources or management. Rankings are based on sales unless otherwise stated.

Use of non-GAAP Information

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

Agenda

Highlights

Performance

Looking ahead

Highlights (I)

- 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.

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Highlights (II)

- 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 due to the sale of various stakes and a dilution gain at LG.Philips LCD.

- Cash flow from operating activities increased from EUR 238 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%.

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Summary - 3Q06

EUR million

	3Q05	3Q06
Sales	6,265	6,313
EBIT	353	25
Result relating to UCCs	929	(81)
Net income from continuing operations	1,401	1
Discontinued operations	35	4,241
Net Income	1,436	4,242
Net cash provided by (used for) operating activities	246	678
Net debt : Group equity ratio	0:100	(16):116

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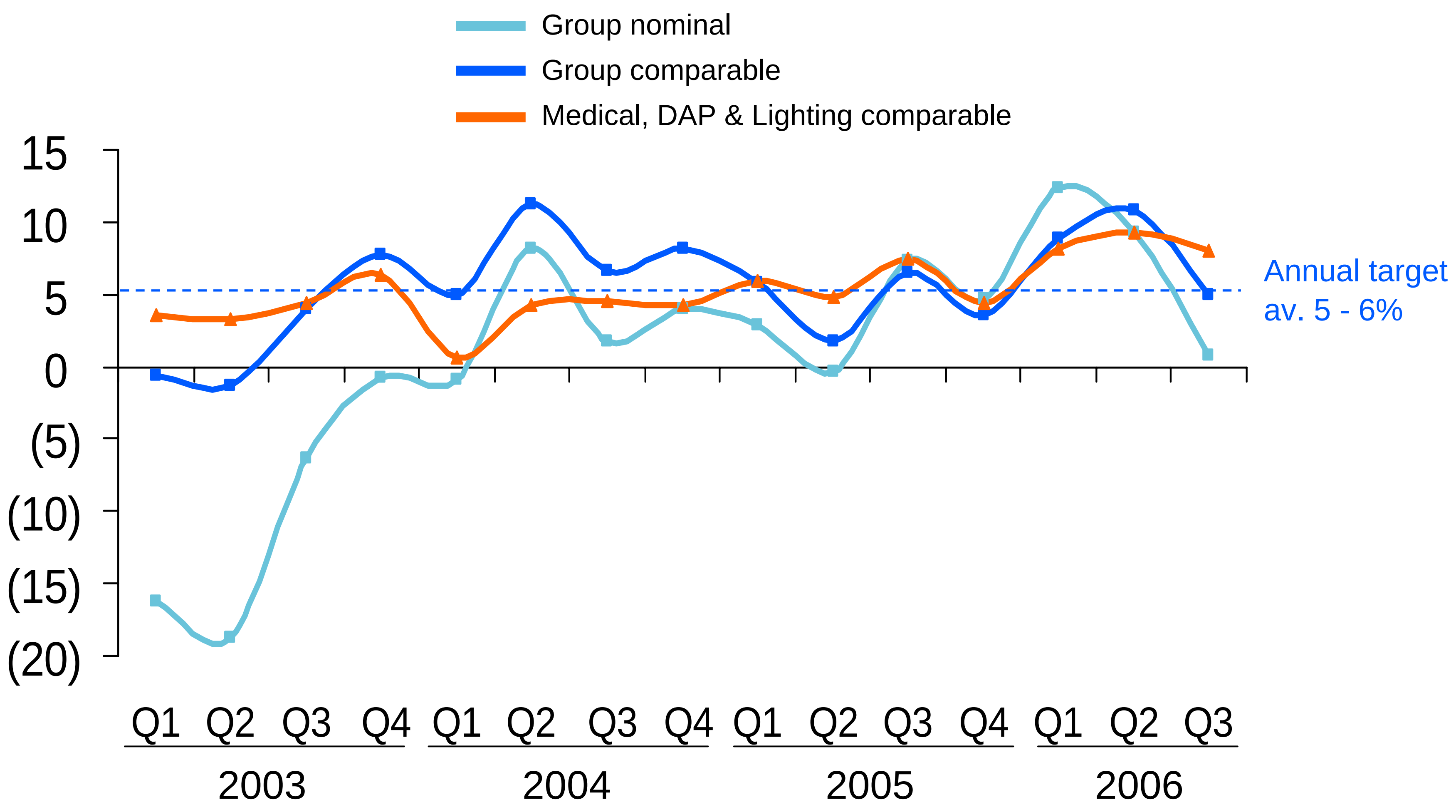
Quarterly sales growth y-o-y

%



Sales to thirds by sector – 3Q06

EUR million

	3Q05	3Q06	% nom	% comp
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
Group sales	6,265	6,313	1	5

Sales to thirds by region – 3Q06

EUR million

	3Q05	3Q06	% nom	% comp
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
Group sales	6,265	6,313	1	5

EBIT by sector – 3Q06

EUR million

	3Q05	3Q06
Medical Systems	155	186
DAP	91	94
CE (*including Licenses*)	164*	54
Lighting	130	141
Other Activities	(61)	(327)**
Unallocated	(126)	(123)
Philips Group	353	25
as % of sales	5.6	0.4

* Including gain of EUR 136 m. on the deal with TPV

** Including provision for liabilities of EUR 265 m.

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Major publicly quoted investments – end 3Q06

	number shares rounded in millions	% ownership	Market value end 3Q06 in EUR m.
TSMC	4,188	16.4	5,985
LG.Philips LCD	118	32.9	3,083
TPV	263	13.8	197
FEI	8	25.1	140
JDS Uniphase	39	2.7	68
Total			9,473

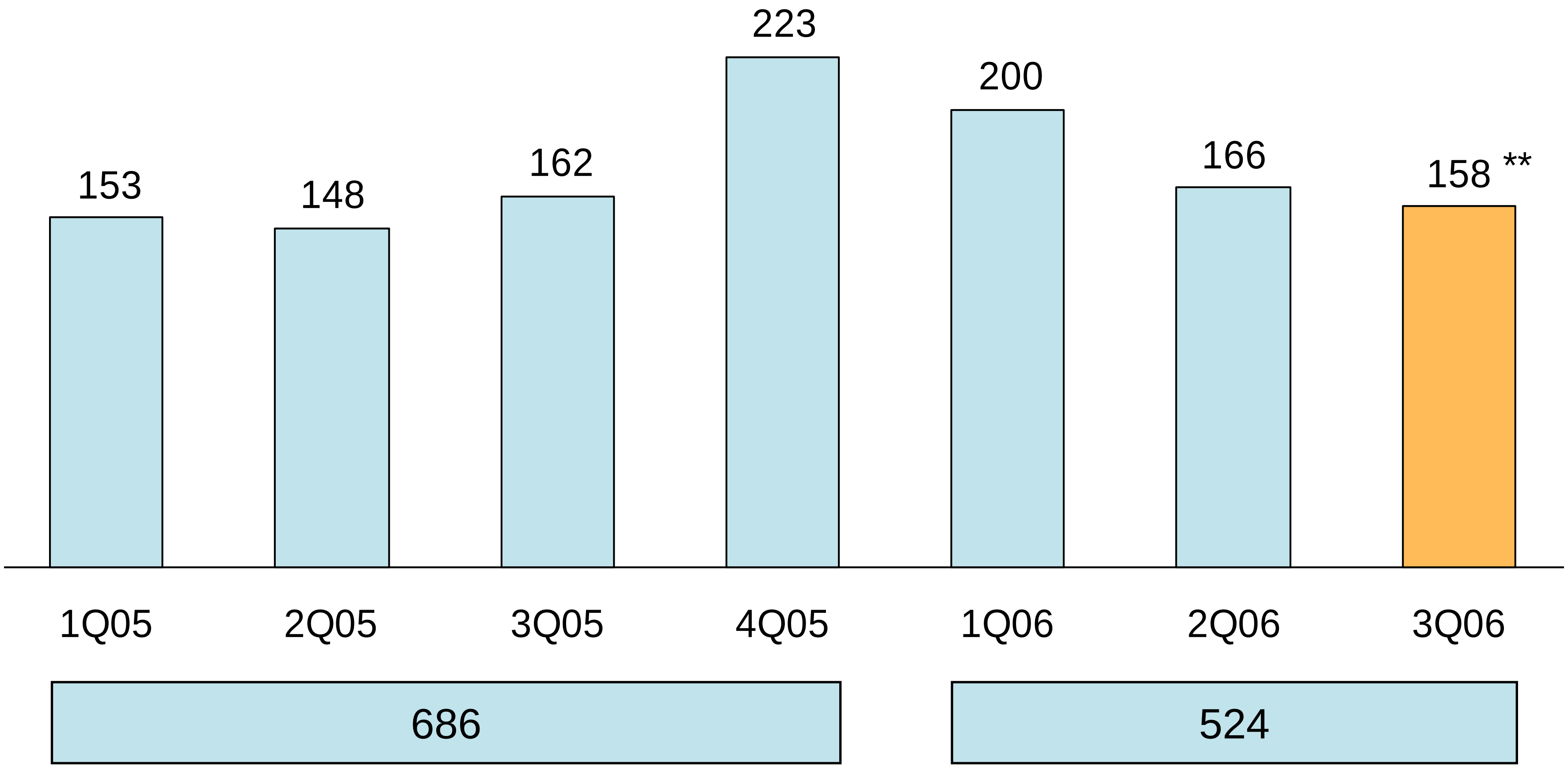
Cash Flow from continuing operations– 3Q06

EUR million

	3Q05	3Q06
Net income	1,436	4,242
Income/loss discontinued operations	(35)	(4,241)
Depreciation / amortization / impairments	175	214
Net gain on sale of assets	(958)	(11)
Income from UCCs	(126)	78
Decrease in WC/other current assets	(250)	299
Other	4	97
CF from operations	246	678
Gross capital investments	(162)	(218)
Acquisitions/divestments/other	1,552	(763)
CF before financing activities	1,636	(303)

Gross capital expenditures

EUR million



* Restated to exclude Semiconductors

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

Gross capital expenditures by sector – 3Q06

EUR million

	3Q05	3Q06
Medical Systems	24	36
DAP	18	23
CE	19	17
Lighting	45	71
Other Activities	56	11
Group gross capex	162	158 *

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

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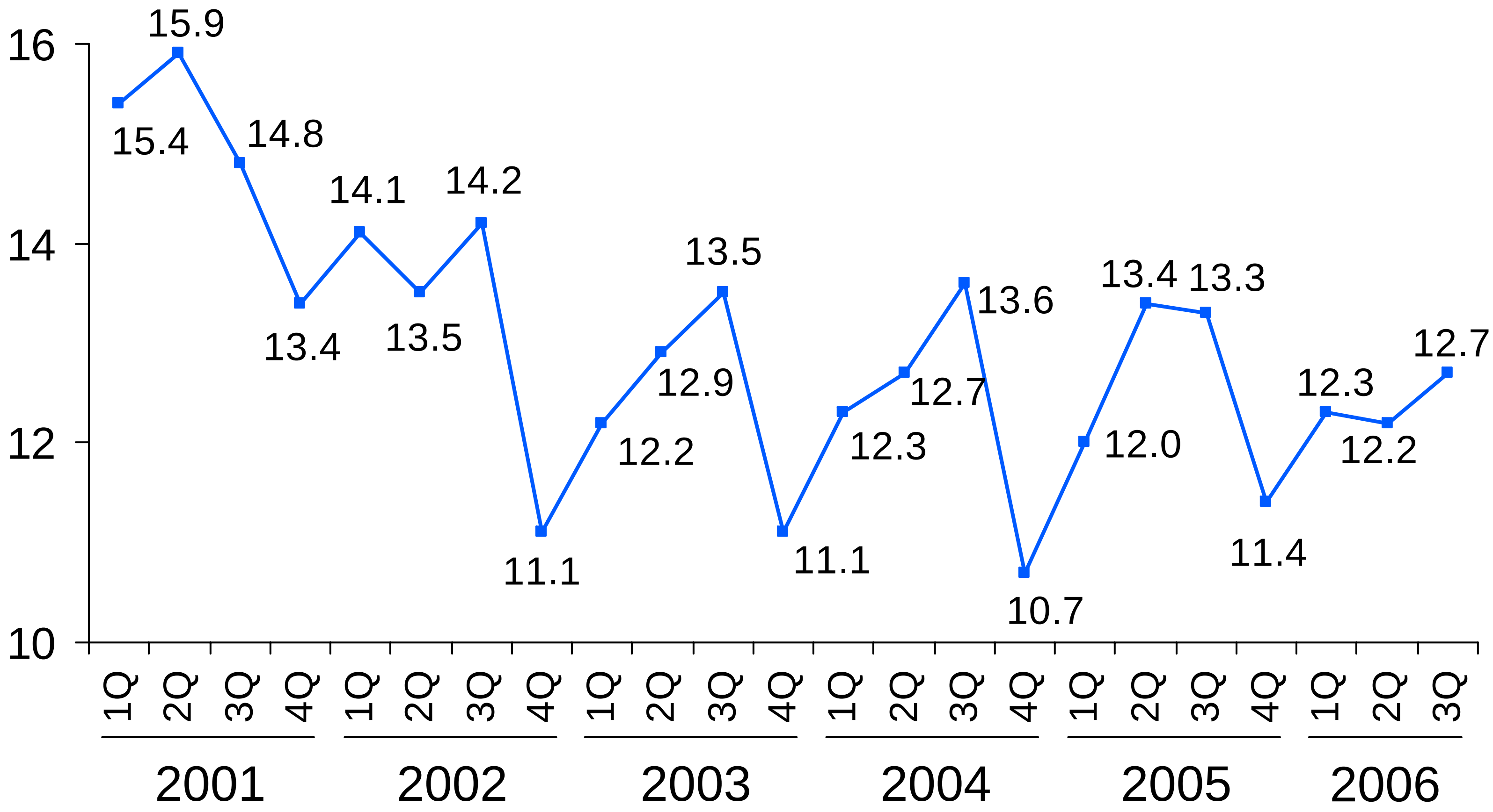
Inventories

as % of MAT sales



* Historic numbers not restated to exclude Semiconductors

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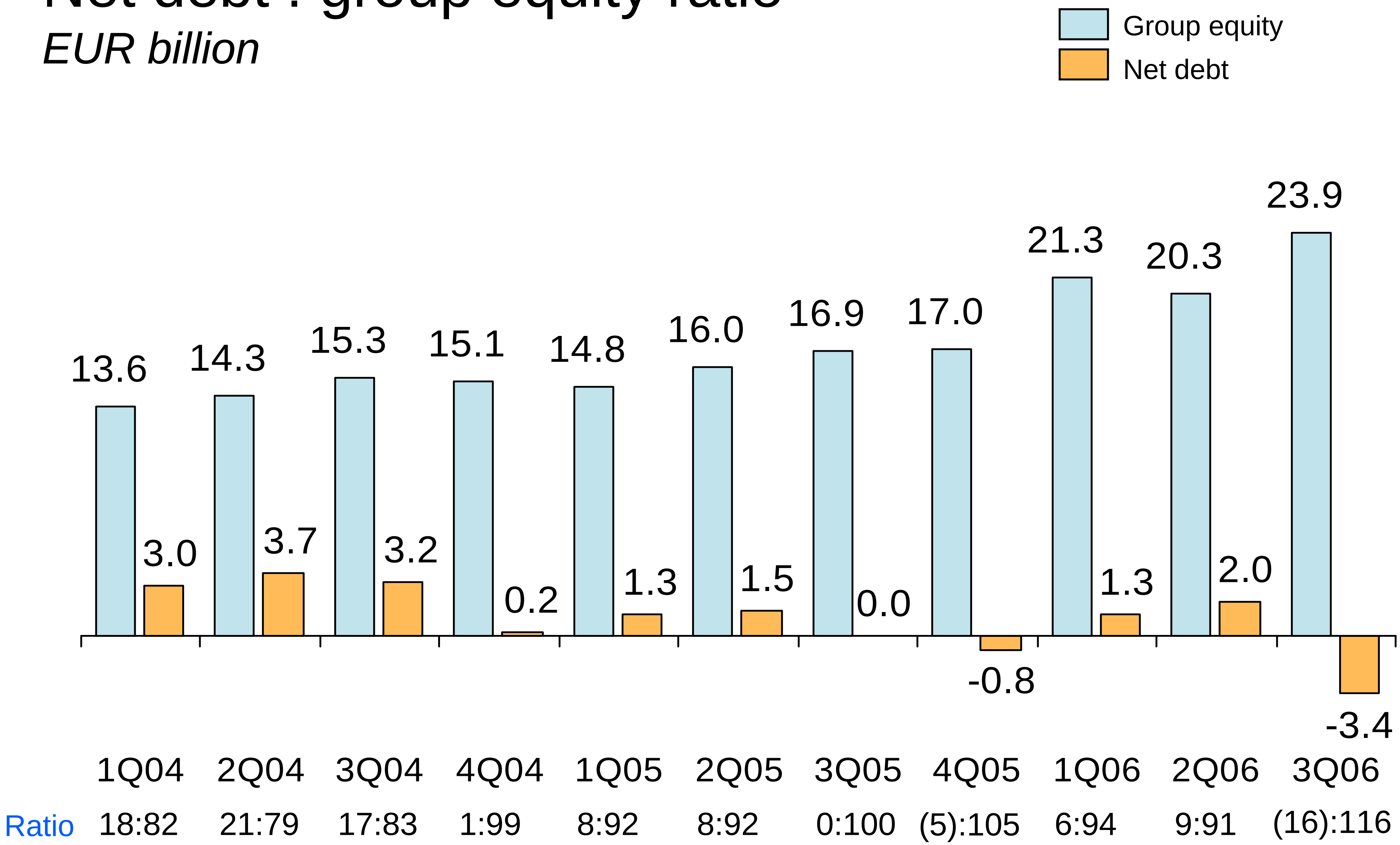
Net debt : group equity ratio

EUR billion



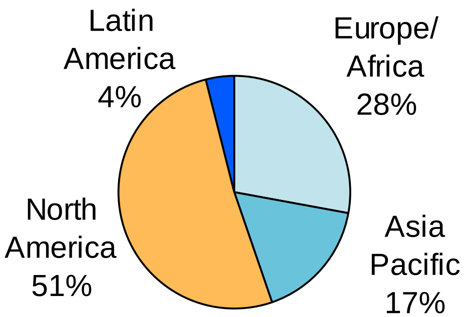
Medical Systems

EUR million unless otherwise stated

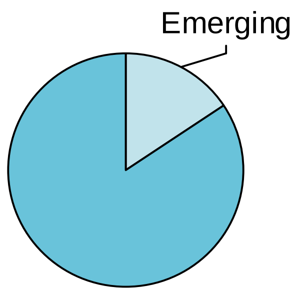
Key figures

	3Q05	2Q06	3Q06
Sales	1,531	1,630	1,575
% sales growth comp.	7	9	6
EBIT	155	199	186
EBIT as % of sales	10.1	12.2	11.8
EBITA	180	228	213
EBITA as % of sales	11.8	14.0	13.5
NOC	3,506	3,387	3,330
Employees (FTEs)	31,245	31,261	31,524

Sales per region 3Q06



Emerging markets



Financial performance

- Order intake for equipment grew 6% on a comparable basis, led by MR and Healthcare Informatics. Orders for iSite PACS more than doubled compared to 3Q05.
- The 6% comparable sales growth was primarily driven by double-digit growth in CT and X-ray. From a geographical perspective, Asia Pacific was the main contributor to this growth.
- As a result of improved margins and lower cost base, EBIT improved. Profitability improvement was evident across most businesses.
- Performance of Witt Biomedical exceeded expectations. Purchase-accounting charges related to the acquisition amounted to EUR 5 m.

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 Intermagenetics related charges, and the 4Q05 accrual for MedQuist, we expect margin in Q4, in amount and in percentage, to be above last year.

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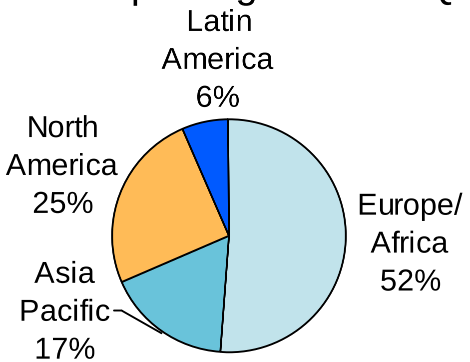
DAP

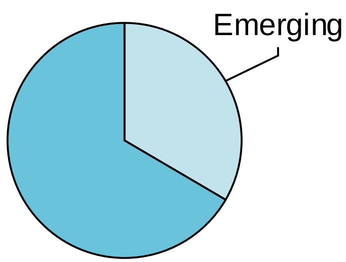
EUR million unless otherwise stated

Key figures

	3Q05	2Q06	3Q06
Sales	519	572	614
% sales growth comp.	13	13	9
EBIT	91	66	94
EBIT as % of sales	17.5	11.5	15.3
EBITA	93	71	106
EBITA as % of sales	17.9	12.4	17.3
NOC	569	1,071	1,885
Employees (FTEs)	8,801	9,515	11,306

Sales per region 3Q06 Emerging markets





Financial performance

- Comparable sales up 9%; 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.
- The recently formed Consumer Healthcare Solutions business reported sales of EUR 36 m., most of which was attributable to Lifeline Systems. CHS reported an EBIT loss of EUR 9 m., including purchase-accounting and miscellaneous charges of EUR 10 m.
- Excluding CHS, EBIT improved by EUR 12 m. compared to Q3 2005. At business level, Shaving & Beauty and Oral Healthcare drove the profitability improvement.
- The increase in NOC and employees 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

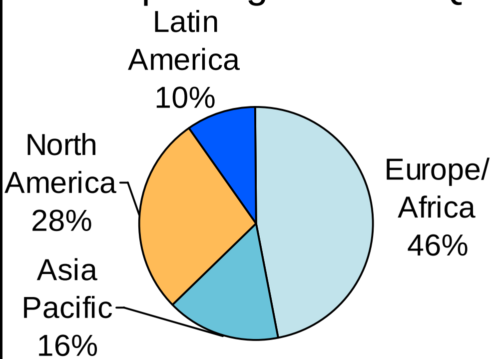
Consumer Electronics

EUR million unless otherwise stated

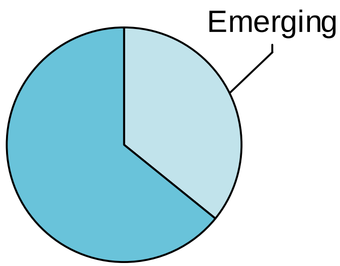
Key figures

	3Q05	2Q06	3Q06
Sales	2,541	2,484	2,407
% sales growth comp.	8	17	(1)
EBIT	164	45	54
EBIT as % of sales	6.5	1.8	2.2
EBITA	164	46	54
EBITA as % of sales	6.5	1.9	2.2
NOC	212	5	192
Employees (FTEs)	16,570	14,677	16,142

Sales per region 3Q06



Emerging markets



Financial performance

- Sales of EUR 2,407 m. 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 sales 8% above Q3 2005 .
- Q3 2005 included a gain of EUR 136 m. on the deal with TPV. Excluding this gain, EBIT was EUR 26 m. 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.

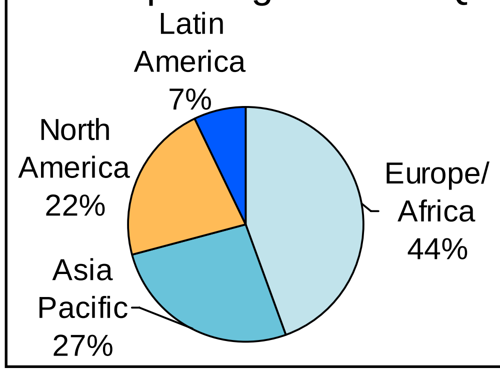
Lighting

EUR million unless otherwise stated

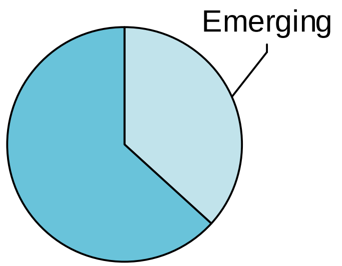
Key figures

	3Q05	2Q06	3Q06
Sales	1,185	1,296	1,370
% sales growth comp.	5	9	10
EBIT	130	158	141
EBIT as % of sales	11.0	12.2	10.3
EBITA	131	164	149
EBITA as % of sales	11.1	12.7	10.9
NOC	1,721	2,652	2,697
Employees (FTEs)	44,559	46,652	48,753

Sales per region 3Q06



Emerging markets



Financial performance

- 10% comparable growth, driven by all businesses, notably Automotive, Special Lighting & UHP and Lighting Electronics. Geographically, comparable sales growth in emerging markets was 16%, 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%

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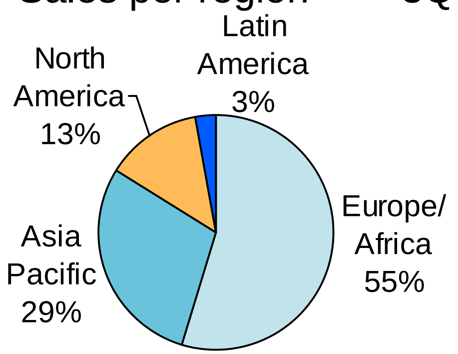
Other Activities

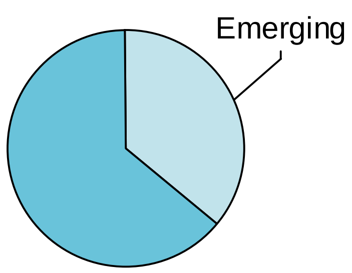
EUR million unless otherwise stated

Key figures

	3Q05	2Q06	3Q06
Sales	489	398	347
% sales growth comp.	(6)	(10)	18
EBIT	(61)	(57)	(327)
EBIT as % of sales	(12.5)	(14.3)	(94.2)
EBITA	(61)	(57)	(326)
EBITA as % of sales	(12.5)	(14.3)	(93.9)
NOC	395	290	(272)
Employees (FTEs)	19,844	16,772	15,419

Sales per region 3Q06 Emerging markets





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.

Corporate 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

EUR million unless otherwise stated

Key figures

	3Q05	2Q06	3Q06
Corporate and regional overheads	(71)	(116)	(90)
Global brand campaign	(13)	(22)	(13)
Pensions/postretirement benefit costs	(42)	(26)	(20)
EBIT	(126)	(164)	(123)
EBITA	(128)	(162)	(125)
Employees (FTEs)	2,397	2,471	2,420

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 .

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Looking ahead

Looking ahead information in the 3Q quarterly report on October 16,2006 - I

Medical Systems

- 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

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

Consumer Electronics

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

Lighting

- 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%

Looking ahead information in the 3Q quarterly report on October 16,2006 – II

Other Activities

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

Unallocated

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

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

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