

PHILIPS

Philips to acquire Respironics: A leading player in the respiratory market

Amsterdam

December 21, 2007

Forward Looking Statements

Forward Looking Statements

This document and the related oral presentation, including responses to questions following the presentation may contain certain forward-looking statements with respect to the financial condition, results of operations and business of Philips and certain of the plans and objectives of Philips with respect to these items. We caution readers that no forward-looking statement is a guarantee of future performance and that actual results could differ materially from those contained in the forward-looking statements. Examples of forward-looking statements are statements we have made about our strategy, estimates of sales growth, future EBITA and cost savings, future developments in our organic business as well as the benefit of future acquisitions, and our capital position. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances and there are many factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements.

Forward looking statements that we make are subject to, among other things, domestic and global economic and business conditions, levels of consumer and business spending in major economies, changes in consumer preferences with respect to our existing and new products, our ability to develop and market new products, changes in legislation, the successful implementation of our strategy and our ability to realize the benefits of this strategy, changes in exchange and interest rates, changes in tax rates, the performance of the financial markets, pension costs, the levels of marketing and promotional expenditures by Philips and its competitors, raw materials and employee costs, our ability to identify and complete successful acquisitions and to integrate those acquisitions into our business, our ability to successfully exit certain product lines and businesses or restructure our operations, the rate of technological changes, political and other developments in countries where Philips operates and industry consolidation as well as the impact of competition – a number of which factors are beyond our control. As a result, our actual future results may differ materially from the plans, goals, and expectations set forth in such forward-looking statements.

Additional risks and factors are identified in our Annual Report for the fiscal year ended December 31, 2006 and our Annual Report on Form 20-F filed with the U.S. Securities and Exchange Commission (the “SEC”), which is available on the SEC’s website at www.sec.gov. Readers should consider the disclosures in that Report and any additional disclosures that we have made or may make in documents that we have filed or furnished to the SEC or may file with or furnish to the SEC or other regulatory authorities.

Any forward-looking statements made by or on our behalf speak only as of the date they are made. We do not undertake to update forward-looking statements to reflect any changes in expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based. Statements regarding market share, including as to Philips’ competitive position, contained in this document are based on outside sources such as specialized research institutes, industry and dealer panels in combination with management estimates. Where information is not yet available to Philips, those statements may also be based on estimates and projections prepared by outside sources or management. Rankings are based on sales unless otherwise stated.

Use of non-GAAP Information

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

Use of fair value measurements

In presenting the Philips Group’s financial position, fair values are used for the measurement of various items in accordance with the applicable accounting standards. These fair values are based on market prices, where available, and are obtained from sources that are deemed to be reliable. Readers are cautioned that these values are subject to changes over time and are only valid at the balance sheet date. When a readily determinable market value does not exist, fair values are estimated using valuation models which we believe are appropriate for their purpose. They require management to make significant assumptions with respect to future developments which are inherently uncertain and may therefore deviate from actual developments. In certain cases, independent valuations are obtained to support management’s determination of fair values.

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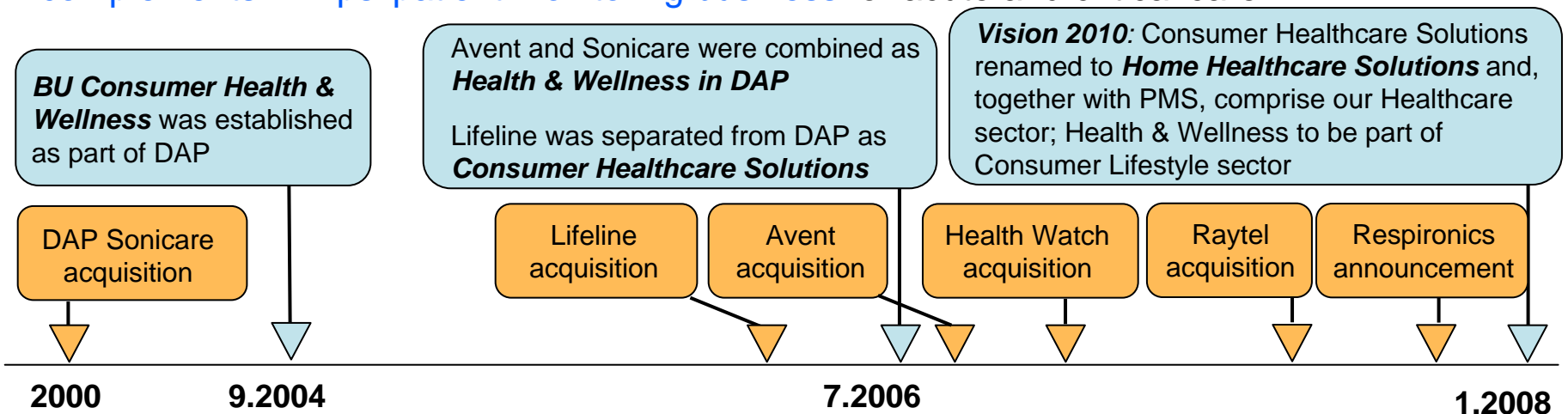
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Journey towards Consumer Health & Wellness

The acquisition of Respironics is a significant milestone on a journey we began in September 2004 when we announced our ambition to build a €750m - €1 billion business in Consumer Healthcare and Wellness within 3 to 4 years. By the end of 2007 we will have achieved €700m of this target and this acquisition will take us to almost €1.5 billion for 2008.

We believe that Home Healthcare will be a huge market in the future and the investments that we are making will clearly separate us from our competitors and develop a clear link with our Lifestyle businesses.

Respironics significantly broadens Philips' home healthcare platform. Philips' global distribution reach is likely to accelerate Respironics' sales volume, while enabling cost savings for both sleep and hospital businesses. The ventilation business of Respironics complements Philips' patient monitoring business for acute and critical care.



Respironics has strategic links to multiple Philips business areas

Philips business area

Home Healthcare Solutions

Healthcare (hospital)

Consumer Lifestyle

Lighting & Philips Research

Respironics-Philips strategic links

- End-user overlap between Respironics oxygen therapy patients and Lifeline subscribers
- Comorbidity link between Raytel Cardiac Services patients and obstructive sleep apnea patients
- Links to Philips Healthcare’s cardiac care cycle strategy through sleep apnea comorbidities with cardiac conditions
- Respironics’ (future) consumer products around sleep add to existing Lifestyle portfolio in mass retail channels
 - Snoring
 - Insomnia
- Respironics’ light-based solutions for sleep disorders e.g. jet lag prevention products, treatment devices for Seasonal Affective Disorder and other Circadian Rhythm disorders



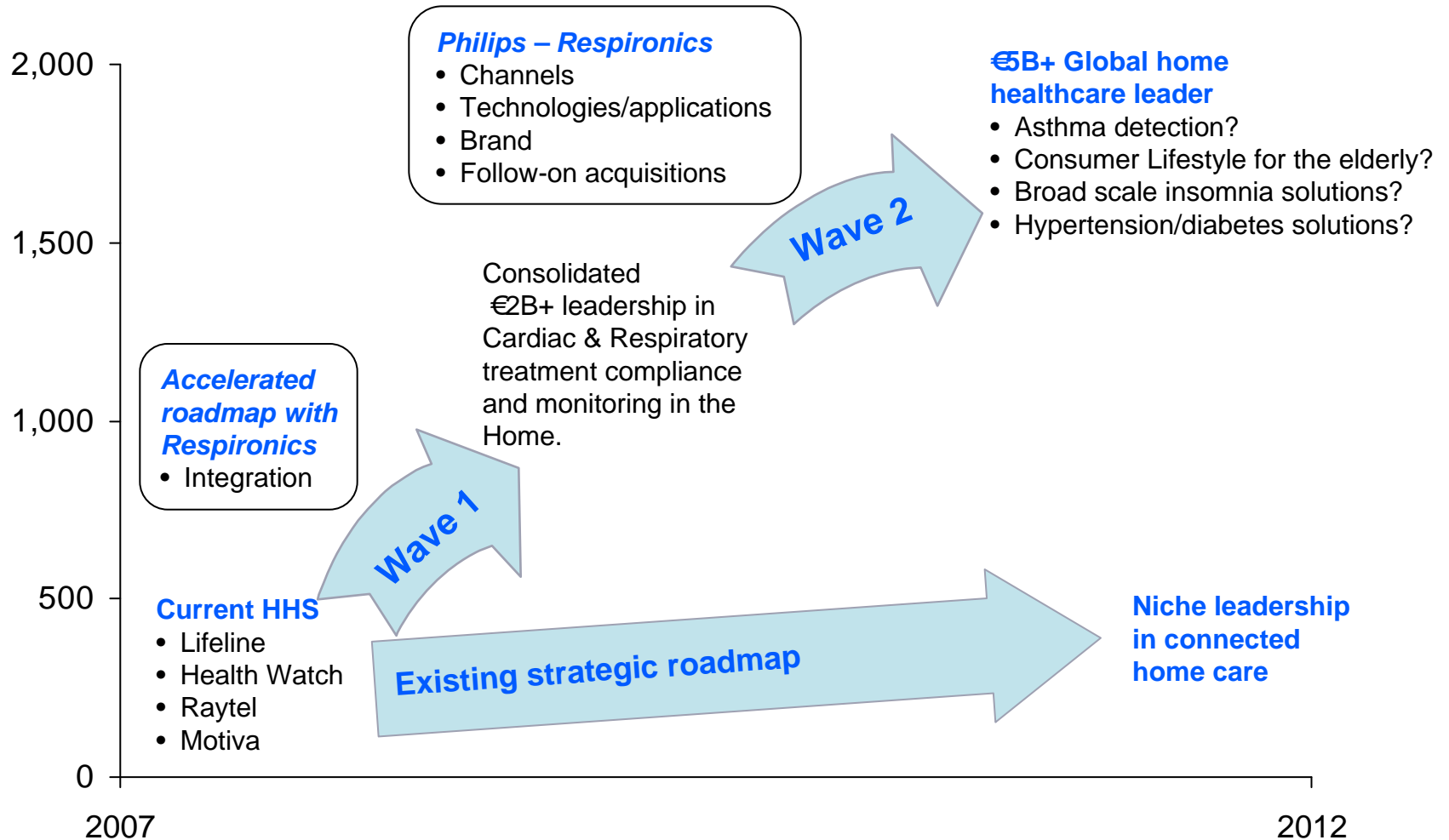
Through Respironics we differentiate ourselves from our key competitors

Respironics is an acquisition that positively differentiates us from our key competitors :

- **Market segment:** positions Philips as a true global leader in the fast growing Home Healthcare space with a strong product portfolio, extensive channel access and an improved R&D base to leverage future offerings and solutions
- **Device segment:** provides Philips with a leadership position in the fast-growing and profitable Respiratory market at a time when the North American Imaging Systems market is contracting
- **Care cycle focus:** offers Philips another possibility to move into the early and end stages of the care cycle of a disease that takes place in the home. The capabilities of Respironics (treatment and treatment compliance) complement Lifeline (monitoring) and Raytel (monitoring and 'self diagnosis')
- **Disease focus:** gives Philips a global leadership position in the fast-growing market of obstructive sleep apnea (OSA) therapy, a condition with high co-morbidities with many chronic conditions such as Congestive Heart Failure (CHF), hypertension and diabetes

Respironics provides the platform for accelerating our Home Healthcare strategic vision

Size (Eur M)



...and improves Philips' care cycle presence

The continuum of care

Pre hospital

Hospital

Home care



Emergency care



Radiology



Operating Room (OR) / Anesthesia



Intensive Care Unit (ICU)

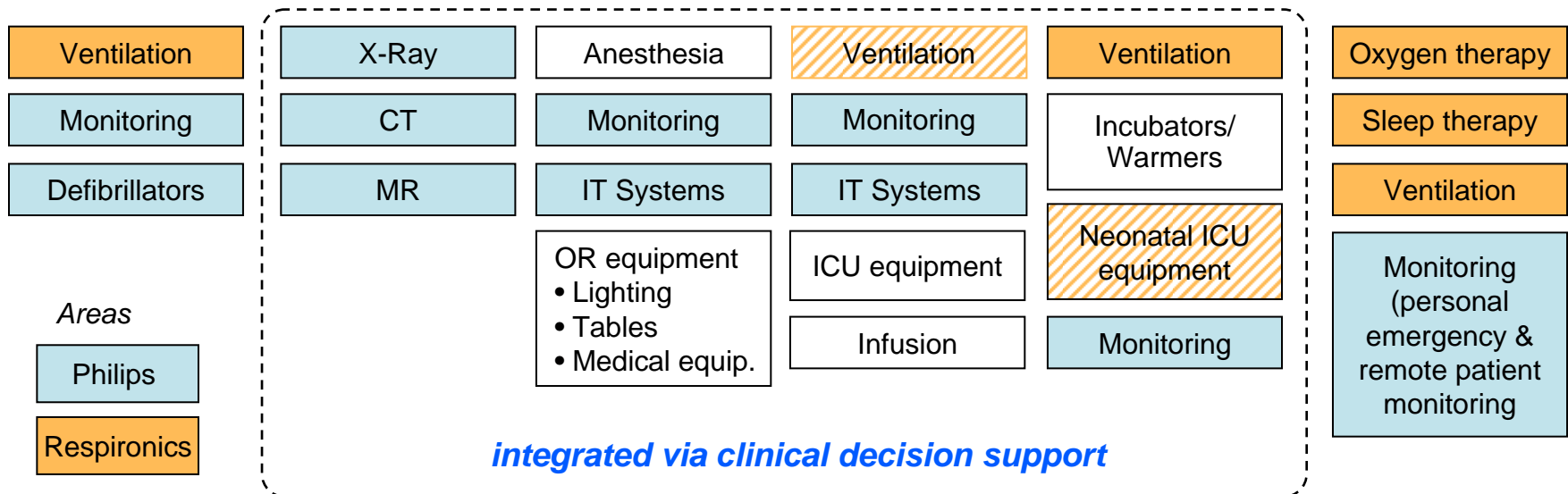


Perinatal care



Home care

Examples of components of the healthcare system:



Respironics contributes to execution of the Philips Healthcare Sector's Vision 2010 strategy...

Vision & Mission

Vision

- Removing boundaries in healthcare

Mission

- Improve lives through solutions designed around needs of customers and patients

Philips' differentiation

- Patient and care provider driven

Respironics' fit

Respironics provides a logical bridge between the professional and home healthcare settings, filling many existing gaps in the care cycle

Respironics adds close to €1B immediate additional business, with leading growth and profitability

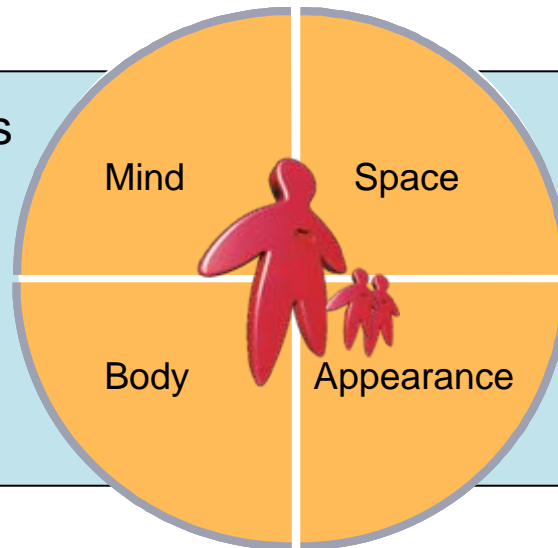
Respironics would be a key differentiator for growing home care and also provides further levers to growth in Emerging Markets

Vision 2010

We are taking the next evolutionary step in our journey towards becoming a market-driven global leader in Healthcare, Lifestyle and Technology

Brand

Formation of market sectors to realign our organization and go to market approach with the healthcare and lifestyle technology company strategy.



Integration of our businesses within these sectors will leverage our best capabilities to deliver on customer focus, growth and profitability targets.

Innovation

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Financial highlights

All cash offer of US\$66.00 per share represents a total enterprise value of US\$4.9bn/€3.4bn^(a)

Implied CY 2007 EBITA transaction multiple of 24.7x ^(b) and 22.5x ^(b) based on FY 2008 estimates.

Respironics will increase revenue growth and be EBITA margin accretive to Philips and Philips Medical Systems immediately

(a) Based on \$ to € exchange rate of 1.44

(b) Based on IBES estimates. Excludes one time charges. Includes stock based compensation expense

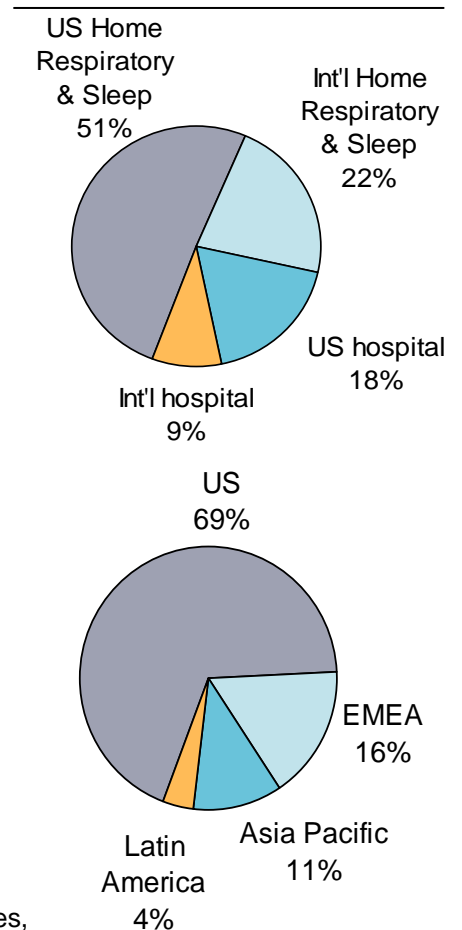
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Respironics introduction

- 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)



Key financials
 MAT Sept 2007 Revenue: US\$1.2bn
 MAT Sept 2007 EBITA margin ^(a): US\$180m/15%

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

Within home healthcare, respiratory is the most attractive segment

Global home healthcare market US\$B, 2007E

Market segment	Market, 2007E	
	Size (B)	Growth
Respiratory devices	5.6	10%
Labour intensive services	127.0	5%
Mobility and living aids	4.3	5%
Technology based services	1.5	12%
Infusion pumps	0.9	9%
Supplies	2.3	5%

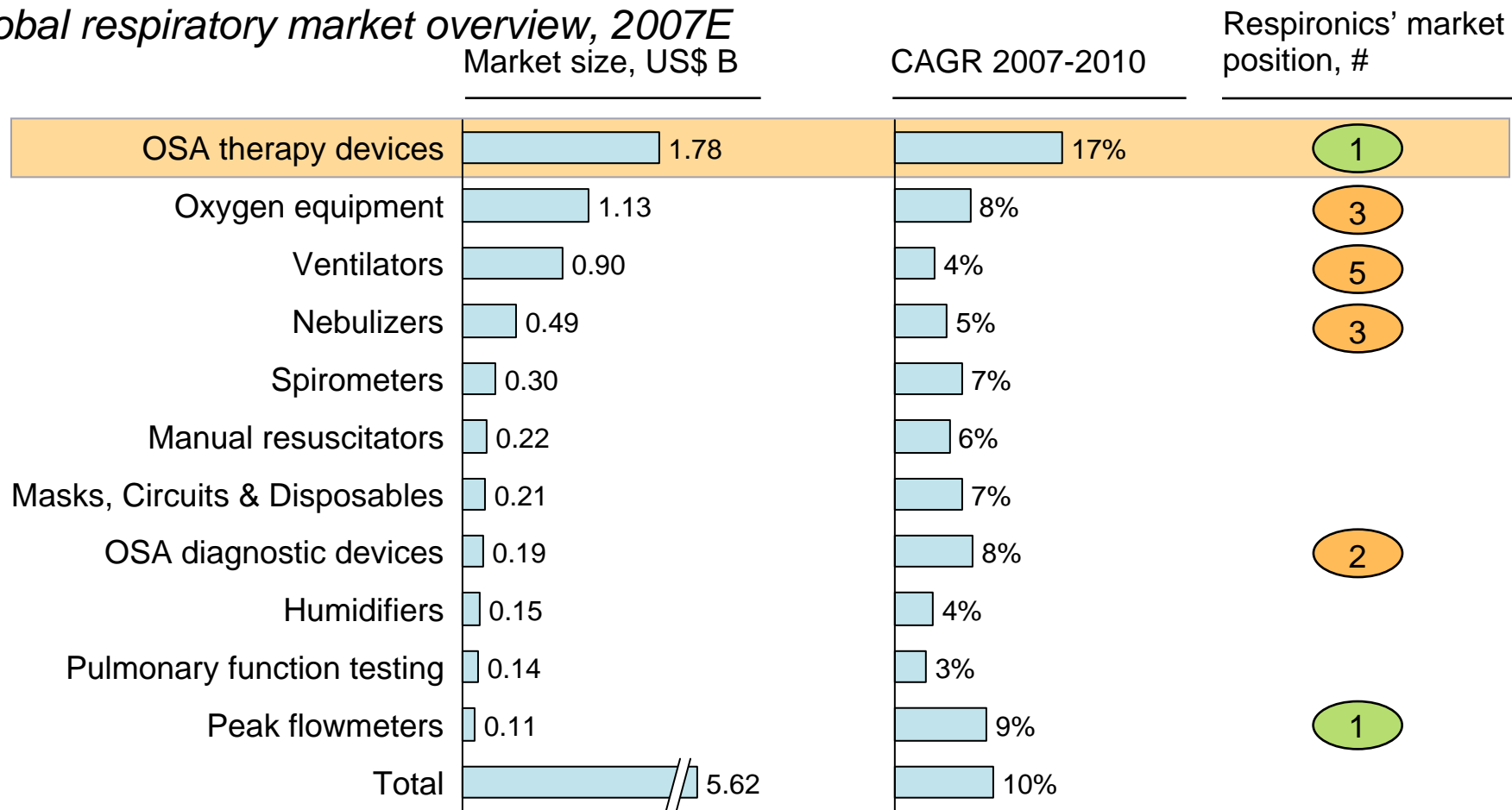
In the US\$ 140bn home healthcare market respiratory equipment is an attractive segment for Philips

- High market growth rates and profitability, especially in Sleep Apnea
- Market still largely under-penetrated, especially outside of the US
- Closest adjacency to current core (Acute Care)

Note: Services market is service-provider revenues; equipment and supplies markets are manufacturer revenues; overview excl. blood glucose meters

Respironics provides Philips with leading positions in obstructive sleep apnea (OSA) therapy and other attractive segments

Global respiratory market overview, 2007E



OSA diagnostics does not include Home Diagnostics devices
 Source: Global Industry Analysts; Frost & Sullivan; Company estimates

Diverse product portfolio addresses both home and hospital markets

Home

Sleep therapy devices



Home oxygen therapy



Sleep Well Ventures



Sleep Diagnostics



Patient Interfaces



Non-invasive Ventilation



Invasive Ventilation



Patient Monitoring



Respiratory Drug Delivery

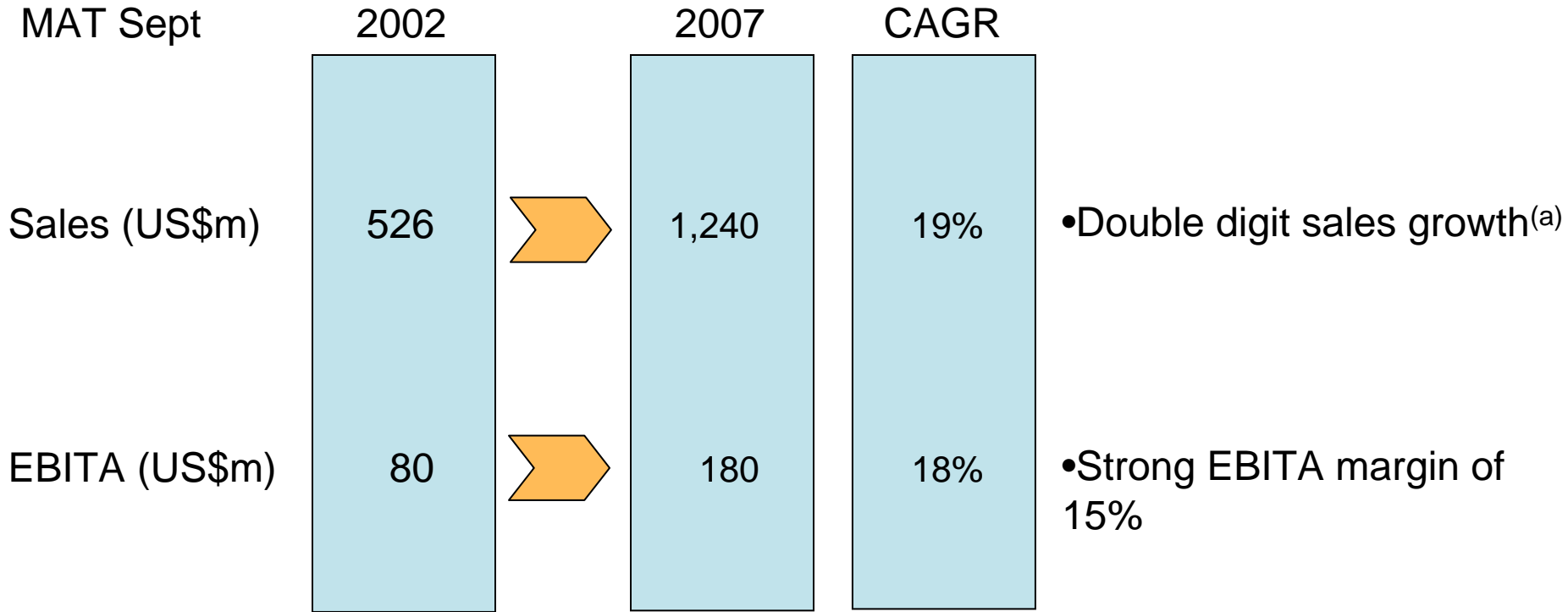


Children's Medical Ventures



Hospital

Strong financial record with leading growth and margins



Note: EBITA includes stock compensation expense and excludes restructuring and acquisition related expenses

EBITA excluding stock compensation EBITA for 2007 is US\$194m/CAGR 18%/EBITA margin 16%. MAT is Moving Annual Total

(a) Includes sales growth from acquisitions

Source: Company filings

Respironics: Key strengths

- #1 position in Global OSA market
- Market leader in fast-growing non-invasive ventilation
- Highly attractive market with low penetration and double digit growth
- Strong R&D capabilities in a market driven by product innovation
- Strong in home offering with leading position
- Strong and experienced management team
- Robust financial track record - earnings expectations met in the last 32 quarters with a EPS CAGR of 24% in the last 5 years

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Combined financials

MAT-Sept 2007	Philips ^(a)	Medical Systems ^(a)	Respironics ^(b)	Combined post-synergies ^(c)	
				Philips & Respironics	PMS & Respironics
Sales (€m)	26,486	6,517	873	27,485	7,516
EBITA (€m)	1,938	870	127	2,136	1,068
<i>Margin %</i>	7.3%	13.3%	14.6%	7.8%	14.2%

Note: Philips financials do not include Genlyte numbers. EBITA includes stock compensation expense.

(a) Financials for Philips and Medical Systems are excluding MedQuist

(b) Respironics' financials converted from \$ to € at the average exchange rate of 1.42

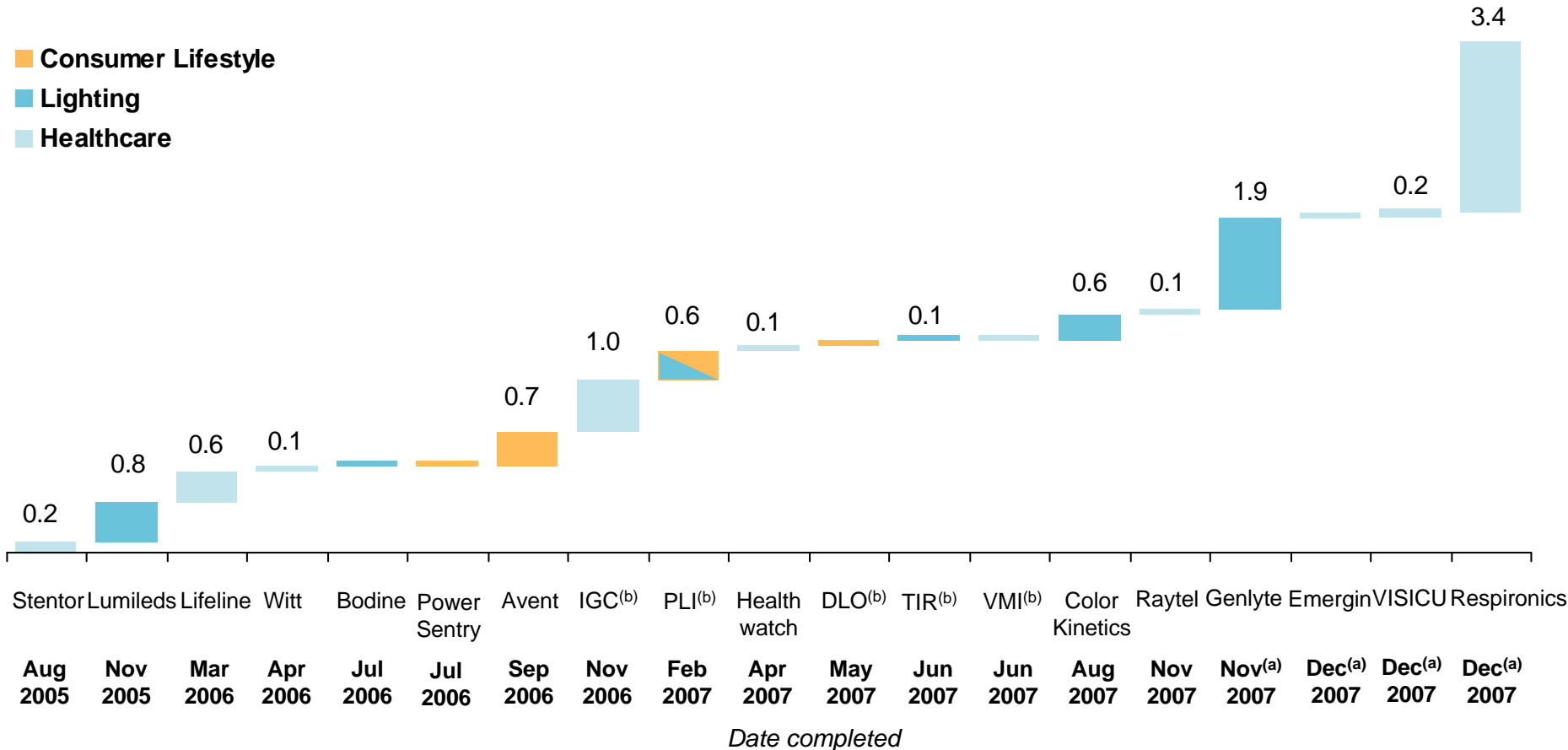
(c) Based on run-rate revenue and cost synergies.

Source: Company filings

Significant value creation

- Respiroics significantly broadens Philips' home healthcare platform
 - Enables Philips to execute home healthcare vision through greater depth to touchpoints of the consumer in healthcare management capacity
 - Expands footprint into consumer health and remote monitoring established by Lifeline and Raytel acquisitions
 - Opportunity for cross selling between the channels (notably Respiroics and Lifeline)
- Philips global distribution reach likely to accelerate Respiroics' sales volume while enabling cost savings for both sleep and hospital businesses
- Ventilation business of Respiroics complements Philips' patient monitoring business for acute and critical care. Philips' access and scale into the hospital channel will create opportunity to grow Respiroics' hospital sales and cut expenses

Respironics continues Philips' strategy of value accretive acquisitions ~ €10 bn over past 2 years invested



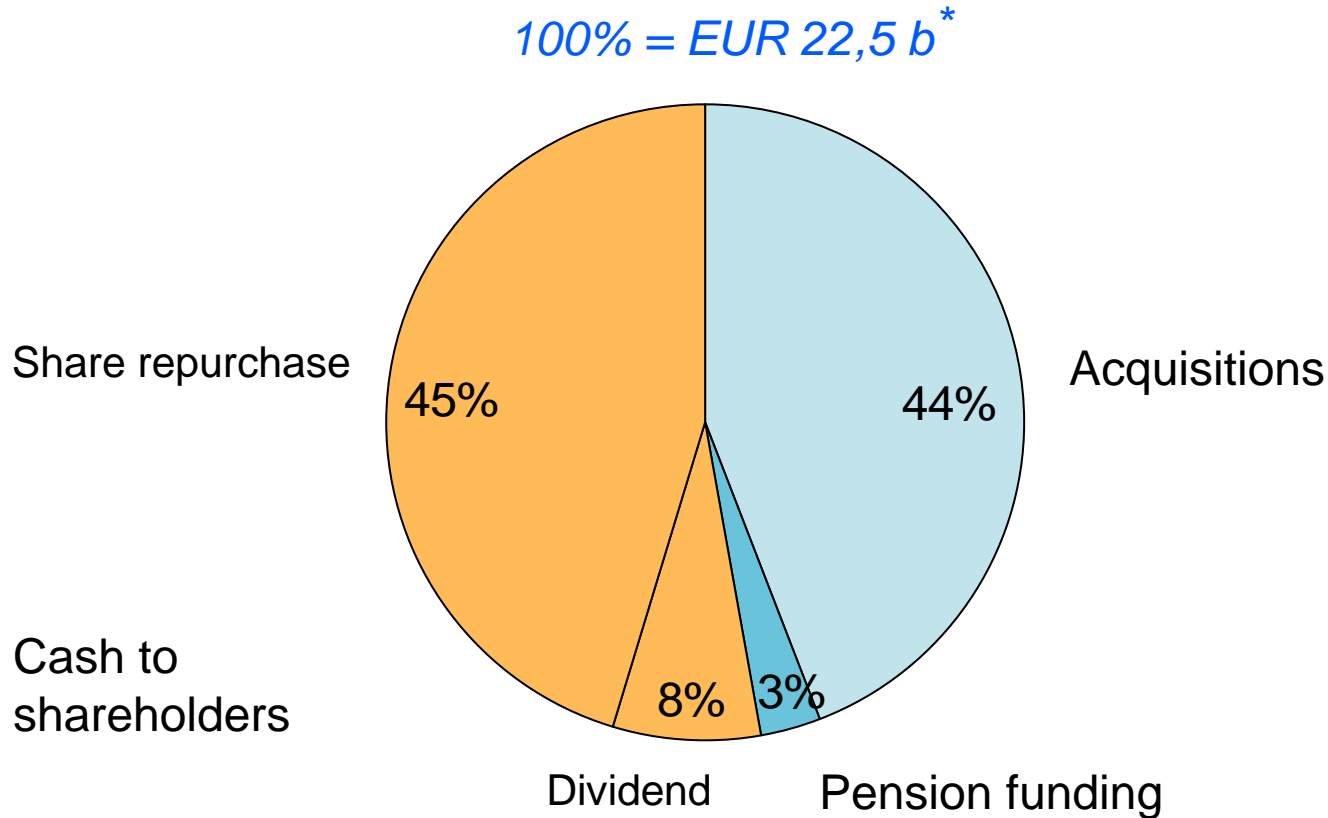
Amounts in € billions (Enterprise Value)

(a) - Date shown refers to announcement date

(b) – IGC: Intermagnetics, PLI: Partners in Lighting, DLO: Digital Lifestyle Outfitters, TIR: TIR Systems, VMI: VMI-sistemas medicos (Brazil)

Capital reallocation

2005-2007, including recently announced share repurchase program of EUR 5 billion



* Including announced acquisitions and share repurchase program of EUR 5.0 billion for 2008/2009

Expected 2008 growth and profitability of major 2006-2007 acquisitions

Major acquisitions

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

Sales to thirds Organic growth	12%-13%
EBITA % of sales	18%-19%

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Respironics timeline

Expected Date	Milestone
21-Dec	Announcement
Within 5 business days following execution of the agreement	Filing of tender offer
Q1-2008	Closure of tender offer