

PHILIPS

sense and simplicity

PHILIPS

sense **and** simplicity

Royal Philips Electronics
Second Quarter 2008
Information booklet

July 14th, 2008

Important information

Forward-looking statements

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

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

Additional risks and factors are identified in our Annual Report for the fiscal year ended December 31, 2007 and our Annual Report on Form 20-F filed with the U.S. Securities and Exchange Commission (the "SEC"), which is available on the SEC's website at www.sec.gov. Readers should consider the disclosures in that Report and any additional disclosures that we have made or may make in documents that we have filed or furnished to the SEC or may file with or furnish to the SEC or other regulatory authorities.

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

US GAAP basis of presentation

The financial information included in this document is based on US GAAP, unless otherwise indicated. As used in this document, the term EBIT has the same meaning as Income from operations (IFO).

Use of non-GAAP Information

In presenting and discussing the Philips Group's financial position, operating results and cash flows, management uses certain non-US GAAP financial measures, like: comparable growth; EBITA; NOC; net debt (cash); and cash flow before financing activities. These non-US GAAP financial measures should not be viewed in isolation as alternatives to the equivalent US GAAP measures. In our Quarterly report, Annual report or form 20-F we've included a reconciliation of such non-US GAAP financial measures to the most directly related US GAAP measures.

Use of fair value measurements

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

Agenda

- Results Q2 2008

- Highlights

- Performance

- Philips – who we are
- Moving to Philips ‘Vision 2010’
- Sectors
- Management agenda 2008

Highlights

- Strong comparable sales growth of 6%, fueled by 16% growth in emerging markets.
- EBITA increased to € 413 million from € 386 million in Q2 2007, mainly driven by higher earnings at Lighting.
- Strong contribution to results from recent acquisitions, both in Home Healthcare Solutions and in Professional Luminaires.
- Consumer Lifestyle performed well in a weaker environment; plans to improve the Television business remain well on track.
- Net income of € 720 million includes a gain of € 780 million on the sale of TSMC shares and an impairment charge of € 299 million for NXP. Net income for Q2 2007 included a € 1.2 billion gain in respect of TSMC.

Agenda

- Results Q2 2008

Highlights

➤ Performance

- Philips – who we are
- Moving to Philips ‘Vision 2010’
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Summary - 2Q08

€ million

	2Q07	2Q08
Sales	6,033	6,463 ¹
EBITA	386 ²	413 ²
Financial income and expenses	1,335 ³	494 ³
Income tax	(112)	(97)
Results equity-accounted investees	56	4
Net income from continuing operations	1,614	724
Discontinued operations	(45) ⁴	(4)
Net Income	1,569	720
Net cash from operating activities	(26)	140
<hr style="border-top: 1px dashed black;"/>		
Net debt : Group equity ratio	(12):112	7:93

1 - In 2Q08 the sales of the recently acquired companies Respironics and Genlyte are included for the full quarter

2 - 2Q07 includes € 18 m of restructuring and acquisition-related charges for Lighting while in 2Q08 in total € 121 m of charges and € 95 m of gains were disclosed

3 - 2Q07 includes € 1,220 m gain on sale of shares in TSMC and € 139 m of TSMC dividend;

2Q08 includes € 780 m gain related to further sale of shares in TSMC and a € 299m impairment for NXP

4 - 2Q07 includes € 35 m impairment of the stake in MedQuist

Sales to thirds by sector – 2Q08

€ million

	2Q07	2Q08	% nom	% comp
Healthcare	1,625	1,800	11	3
Consumer Lifestyle	2,786	2,787	0	7
Lighting	1,464	1,739	19	6
I&EB	110	103	(6)	8
GMS	48	34	(29)	(27)
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Group sales	6,033	6,463	7	6

Sales to thirds by region – 2Q08

€ million

	2Q07	2Q08	% nom	% comp
Western Europe	2,356	2,276	(3)	(1)
North America	1,653	2,036	23	5
Other mature markets	284	284	0	6
Emerging markets	1,740	1,867	7	16
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Group sales	6,033	6,463	7	6

EBITA by sector – 2Q08

€ million

	2Q07	2Q08
Healthcare	218	195 ¹
Consumer Lifestyle	106	83 ²
<i>of which Television</i>	(69)	(112)
Lighting	161 ³	202 ³
Innovation & Emerging Bus.	(36)	(41)
Group Mgt & Services	(63)	(26) ⁴
<hr/>		
Philips Group	386	413
as % of sales	6.4	6.4

1 - includes € 35 m of integration and acquisition-related charges

2 - includes € 66 m of restructuring charges mainly at Television

and € 56 m gain the sale of the Set-Top Boxes and Connectivity Solutions businesses

3 - includes € 20 m of restructuring and acquisition-related charges in 2Q08; 2Q07 included approx. € 18 m charges

4 - Compared to Q2 2007, EBITA at the Service Units was positively impacted by higher gains on the sale of real estate

Cash Flow from continuing operations – 2Q08

€ million

	2Q07	2Q08
Net income	1,569	720
Income/loss discontinued operations	45	4
Depreciation / amortization / impairments	204	563
Net gain on sale of assets	(1,217)	(891)
Income from equity accounted investees	(60)	(3)
Decrease in WC/other current assets	(604)	(311)
Other	37	58
<i>CF from operations</i>	(26)	140
Gross capital investments	(184)	(178)
Acquisitions/divestments/other	1,650	1,200
<i>CF before financing activities</i>	1,440	1,162

Fixed assets expenditures & Depreciation by sector *

€ million

	Gross CapEx		Depreciation	
	2Q07	2Q08	2Q07	2Q08
Healthcare	53	52	23	36
Consumer Lifestyle	42	39	37	41
Lighting	63	74	53	60
I&EB **	35	0	9	7
GMS **	-9	13	13	13
Group	184	178	135	157

* Excluding software related capital expenditures and depreciation

** € 28 million transfer of real estate from GMS to I&EB in 2Q07

Healthcare

€ million unless otherwise stated

Key figures

	2Q07	1Q08	2Q08
Sales	1,625	1,474	1,800
% sales growth comp.	4	5	3
EBITA	218	121	195
EBITA as % of sales	13.4	8.2	10.8
EBIT	185	77	138
EBIT as % of sales	11.4	5.2	7.7
NOC	4,857	8,331	8,382
Employees (FTEs)	28,114	34,645	35,087

Sales per region	2Q08	Emerging markets
Latin America	4%	
Europe/Africa	27%	
Asia Pacific	14%	
North America	55%	
		Emerging 13%

Financial performance

- Equipment order intake grew 4% on a currency-comparable basis, further strengthening the order book. Strong growth was seen at Patient Monitoring and Clinical Care Systems, while Imaging Systems showed modest growth.
- Sales growth was 3% on a comparable basis, driven by solid growth at Customer Services, Home Healthcare Solutions, Clinical Care Systems and Patient Monitoring. Imaging Systems saw strong growth in MR and Nuclear Medicine more than offset by a decline in CT as a result of a lower-value mix, partly in anticipation of commercial delivery of the new brilliant iCT scan later in the year.
- EBITA amounted to € 195 million, or 10.8% of sales, including € 35 million of integration and acquisition-related charges, mainly for Respironics. Higher earnings were reported at Home Healthcare Solutions, Healthcare Informatics (driven by higher margins) and Clinical Care Systems (thanks to a favorable product mix).
- Net operating capital increased by € 3.5 billion compared to Q2 2007, mainly due to acquisitions.

Looking ahead

- The expectation for the Healthcare sector's full-year results remains in line with plan. Consequently, we expect sales and margins to improve during the 2nd half of the year
- For 2008, acquisition and integration charges related to Respironics, VISICU and Emergin are estimated at approximately € 100 million, of which around € 30 million is expected to impact EBITA in Q3.

Consumer Lifestyle

€ million unless otherwise stated

Key figures

	2Q07	1Q08	2Q08
Sales	2,786	2,662	2,787
% sales growth comp.	(6)	-	7
EBITA	106	77	83
EBITA as % of sales	3.8	2.9	3.0
EBIT	101	73	79
EBIT as % of sales	3.6	2.7	2.8
NOC	1,551	1,398	1,499
Employees (FTEs)	24,558	21,868	21,661

Sales per region	2Q08	Emerging markets
Latin America	12%	
North America	20%	
Asia Pacific	16%	
Europe/Africa	52%	
		Emerging 36%

Financial performance

- Consumer Lifestyle’s comparable sales grew 7% year-on-year, driven by double-digit growth in emerging markets.
- Most businesses contributed to the year-on-year sales growth, in particular Health & Wellness, Television who posted double digit growth and Domestic Appliances.
- Sales growth at Television reached 14%, driven by strong growth in emerging markets and supported somewhat by demand from soccer’s Euro 2008 championship.
- EBITA included restructuring charges of € 66 million, mainly at Television in connection with ongoing actions to improve profitability, and a € 56 million gain on the sale of the Set-Top Box activity.

Looking ahead

- New product launches scheduled for the third quarter include the Senseo Latte and a new mid-range shaver series.
- The brand license agreements with Funai and TPV are expected to close in Q3 and Q4 respectively.
- Television-related restructuring charges are expected to amount to € 125 million for the full year, of which € 40 million in Q3.

Lighting

€ million unless otherwise stated

Key figures

	2Q07	1Q08	2Q08
Sales	1,464	1,711	1,739
% sales growth comp.	6	3	6
EBITA	161	200	202
EBITA as % of sales	11.0	11.7	11.6
EBIT	150	158	175
EBIT as % of sales	10.2	9.2	10.1
NOC	3,578	5,999	6,120
Employees (FTEs)	53,500	60,866	59,788

Sales per region	2Q08	Emerging markets
Latin America	7%	
North America	27%	
Asia Pacific	22%	
Europe/Africa	44%	
		Emerging 34%

Financial performance

- Lighting sales increased by € 275 million compared to Q2 2007, driven by the good performance of Genlyte. On a comparable basis, sales rose 6% thanks to 16% growth in energy-efficient lighting solutions – including Lumileds – and 18% growth in emerging markets, partly tempered by softening markets in Western Europe and North America.
- The € 41 million year-on-year increase in EBITA was supported by the recent acquisitions of Genlyte and Color Kinetics and profitable growth in energy-efficient lighting solutions. Restructuring and acquisition-related charges amounted to € 20 million, compared to € 18 million in Q2 2007.
- The increase in both net operating capital and employees was primarily the result of the Genlyte and Color Kinetics acquisitions.

Looking ahead

- Lighting will continue to drive both growth and profitability – including from recent acquisitions – in line with Vision 2010 targets"
- Restructuring and integration-related charges are expected to amount to approximately € 85 million for the full year 2008, of which € 15 million in Q3.

Innovation & Emerging Businesses

€ million unless otherwise stated

Key figures

	2Q07	1Q08	2Q08
Sales	110	79	103
% sales growth comp.	37	(22)	8
Technologies / incubators	(32)	(46)	(35)
Corporate Investments & Others	(4)	(22)	(6)

EBITA	(36)	(68)	(41)
EBITA as % of sales	(32.7)	(86.1)	(39.8)
EBIT	(36)	(68)	(41)
EBIT as % of sales	(32.7)	(86.1)	(39.8)
NOC	189	216	189
Employees (FTEs)	6,358	5,608	5,534

Financial performance

- EBITA of Innovation & Emerging Businesses was in line with expectation, albeit slightly lower than in Q2 2007 due to additional investments in innovative healthcare technologies.

Looking ahead

- Investment in Research and the Incubators is expected to remain at a quarterly run-rate of € 40 million for the second half of the year, with a higher spend expected in Q3.

Group Management & Services

€ million unless otherwise stated

Key figures

	2Q07	1Q08	2Q08
Sales	48	39	34
% sales growth comp.	61	(22)	(27)
Corporate and Regional Costs	(38)	(42)	(38)
Global brand campaign	(29)	(5)	(14)
Service units, Pensions and Other	4	(18)	26

EBITA	(63)	(65)	(26)
EBIT	(63)	(65)	(26)
NOC	567	987	1,115
Employees (FTEs)	6,960	5,628	5,814

Financial performance

- Investment in the global brand campaign was lower than expected due to a shift in seasonal spend pattern.
- Compared to Q2 2007, EBITA at the Service Units was positively impacted by higher gains on the sale of real estate.
- Costs of pensions and other post-retirement benefits were broadly in line with Q2 2007.
- The increase in net operating capital mainly relates to increased prepaid pension assets in the Netherlands.

Looking ahead

- Corporate and Regional overhead costs are expected to decrease in the second half of 2008 thanks to ongoing cost-reduction initiatives.
- Costs of pensions and other post-retirement benefit plans allocated to Group Management & Services are expected to total approximately € 40 million for the full year 2008.

Agenda

- Results Q2 2008

- Philips – who we are

- Moving to Philips 'Vision 2010'

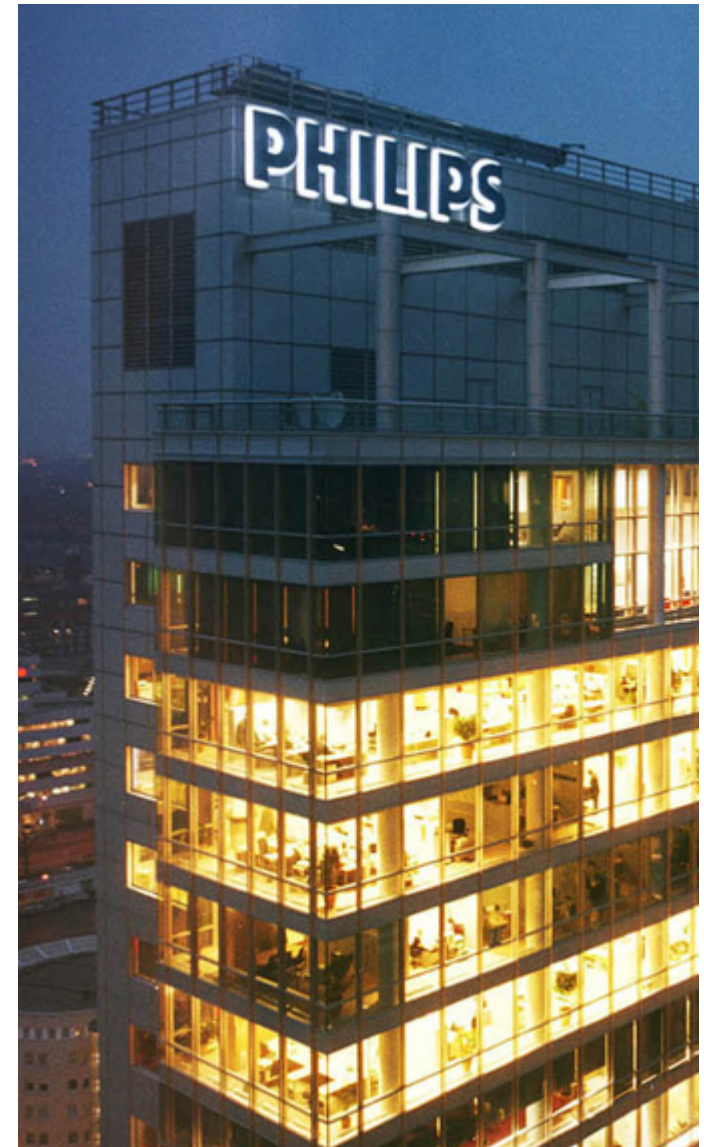
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PHILIPS

- Founded in 1891; headquarters in Amsterdam, The Netherlands
- One of the largest global diversified industrial companies with sales in 2007 of almost € 27 billion
- Multinational workforce of over 133,000 employees*
- R&D expenditures € 1.6 billion; owner of 60,000 patents
- Strong position in emerging markets
- Number 42 of the world's most valuable brands
- Sector leader in Dow Jones Sustainability Index

* As per June 2008



We are everywhere you go on the planet

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



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 - Vision 2010
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Well-positioned to leverage a number of key global trends centered around health & well-being

Global trends

Globalization, urbanization and rise of emerging markets

Aging population

Climate Change

Consumer empowerment

Sustainable development

Philips opportunities

Energy efficiency

Personalized experiences and atmospheres

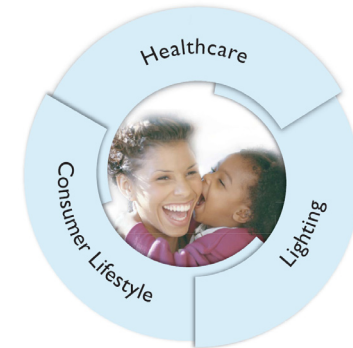
Personal well-being

Home care, independent living

Better healthcare for all at lower cost

Philips focus

Brand
"sense and simplicity"

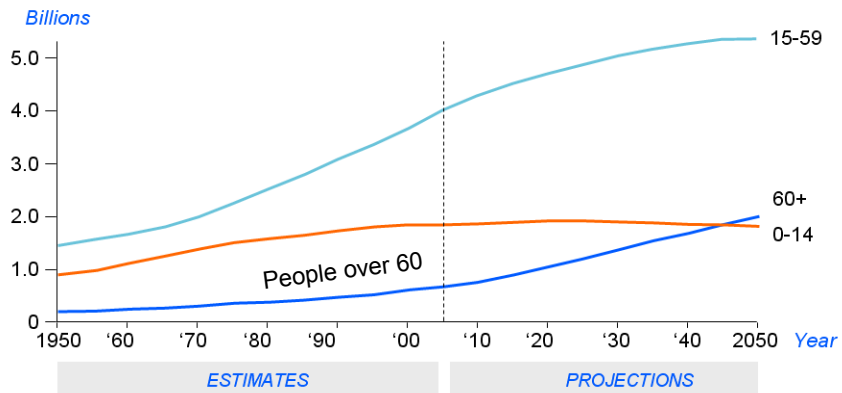


Innovation
Open innovation

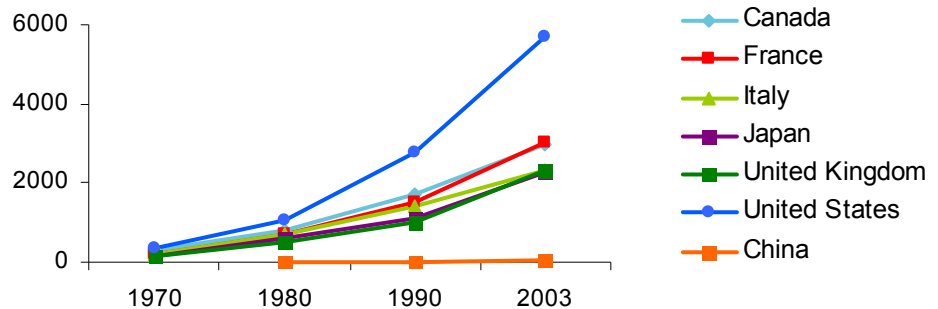
Healthcare trends – aging population, cost pressures, health-at-home, emerging markets growth

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

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



Healthcare expenditure per capita, US \$



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

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

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



Active Crystals



Arcitec



Portable Media devices



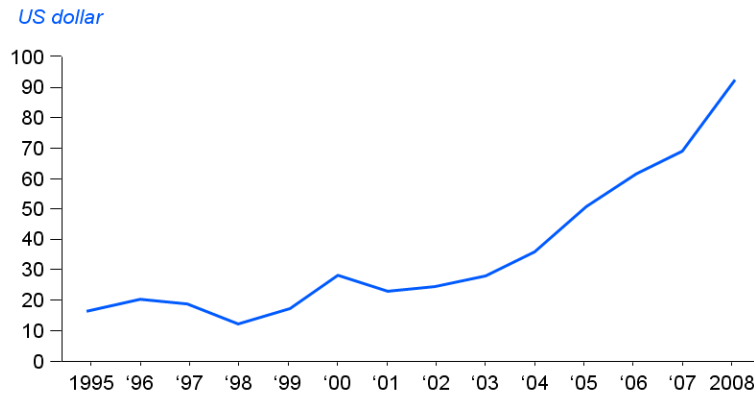
Flexicare



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

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

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



Huge potential for energy saving

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

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

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

Announced April 2008

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



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

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

Reduce group overhead cost as % of sales

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

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Vision 2010

➤ Growth

Acquisitions

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



Philips is a global brand, growing in strength

Initiatives

- Sustained competitive investment to build the leading brand in health and well-being
- Redirect € 250 million to emerging markets to align marketing spend with innovation to ‘embed’ our product & solution simplicity message with customers; increase the dialogue with stakeholders to allow them to experience the brand.
- Make the brand promise part of the Company’s DNA; create conditions to ‘live the brand’ using filters in all key processes.

Results

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

- ‘04: 65
- ‘05: 53
- ‘06: 48
- ‘07: 42

Brand value in US\$

	2007	2006	change
41 30 FORD	8,982	11,056	-19%
42 48 PHILIPS	7,741	6,730	15%
43 44 SIEMENS	7,737	7,828	-1%
44 51 NINTENDO	7,730	6,559	18%

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

Interbrand

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

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

Initiatives

- We deliver innovation by investing in our world class strengths in end-user insights, application of technology and design
- We are redirecting € 250 million of innovation spend from mature to emerging market to drive growth and (original) product & market development
- We continue to drive 'Open Innovation' to enhance the efficiency and success of our research and development efforts

Results

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



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

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

Initiatives

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

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

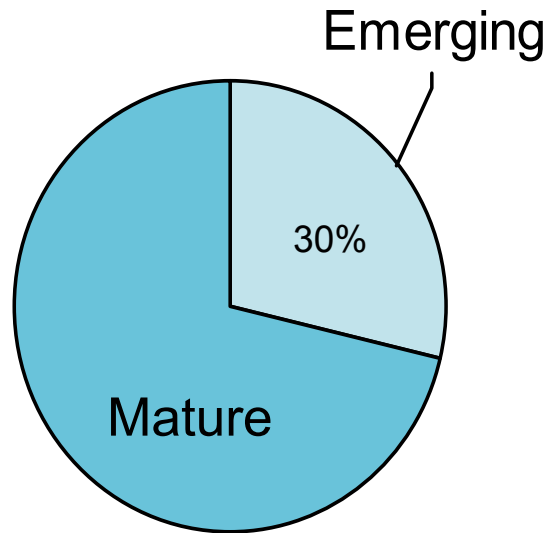
Results

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

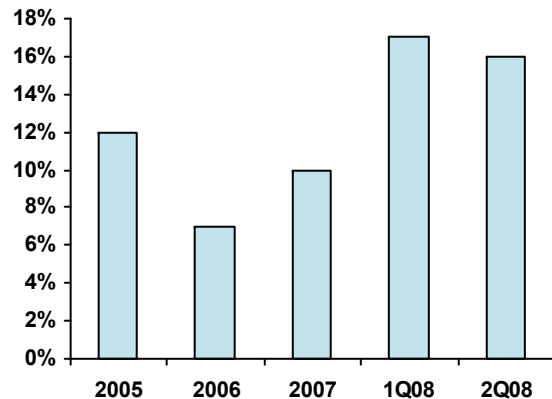


Design has been instrumental in developing concepts that demonstrate the company's commitment to simplicity-led design

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



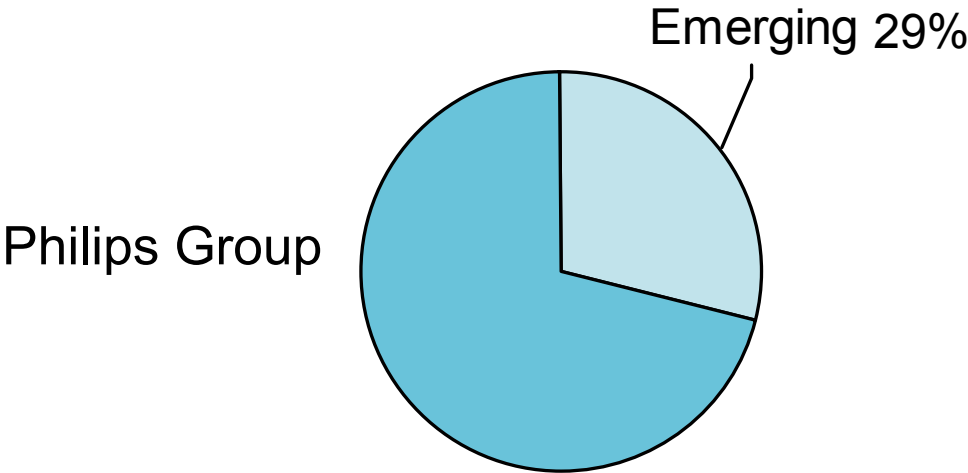
Growth in emerging markets



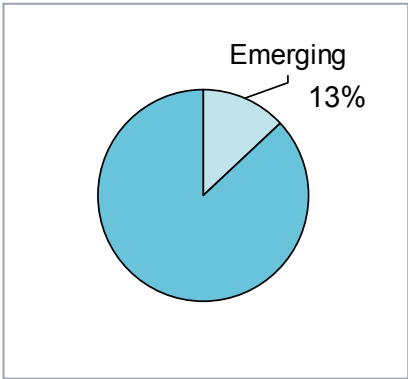
- The Philips brand is a long-established household name in key emerging markets
- Driven by enhanced consumer insight, we create products specifically tailored to emerging markets needs/tastes
- We continue to enhance our position through smaller but targeted JV or acquisitions of leading companies in emerging markets, particularly in Healthcare
 - Philips-Neusoft JV in China (X-Ray)
 - VMI in Brazil (X-Ray)
 - Goldway in China (Patient Monitoring)
 - Dixtal in Brazil (Patient Monitoring)

Emerging markets

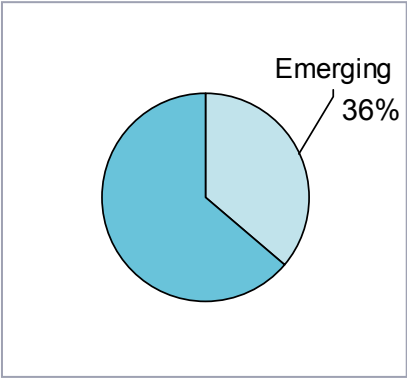
Sales in emerging markets Q2 2008



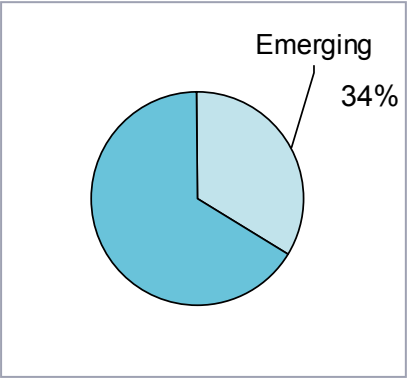
Healthcare



Consumer Lifestyle



Lighting



Emerging markets

Sales growth in emerging markets

	Q2 2007	FY 2007	Q2 2008
Healthcare	(2) %	8 %	(2) %
Consumer Lifestyle	(7) %	7 %	18 %
Lighting	17 %	16 %	18 %
<hr/>			
Philips Group	1 %	10 %	16 %

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Vision 2010

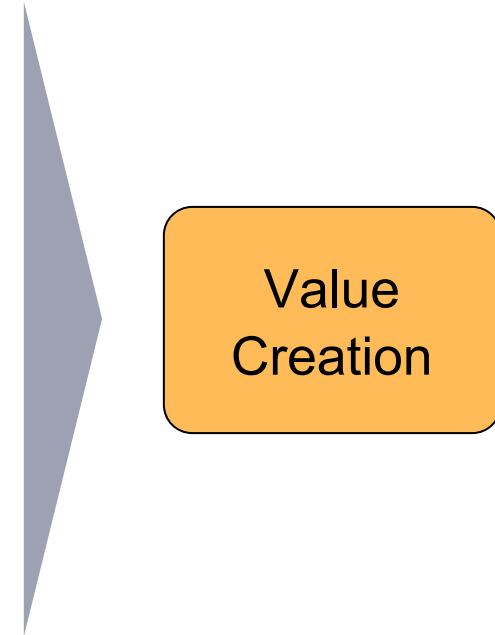
Growth

➤ Acquisitions

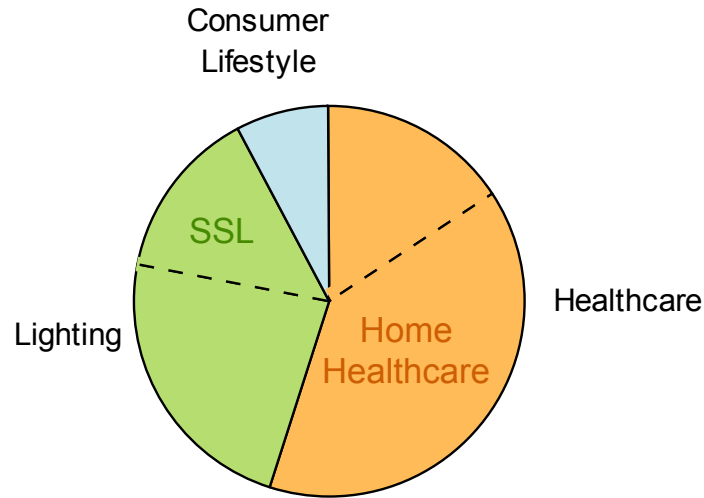
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Guiding principles for acquisitions

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



Growth and value creation through **acquisitions**



100% = € 10 billion

Home Healthcare

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

Energy efficiency

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

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

Respironics: Leading player in respiratory market

Enterprise value € 3.2 billion

- Announced on December 21, 2007; Closing March 10, 2008.
- Respironics, with calendar 07 revenues of USD 1.3 B, EBITA of USD 200 m and a CAGR in previous 5-years of 19%, strengthens Philips' **leadership position in Home Healthcare as well as "hospital based"** healthcare given Respironics' strong non-invasive ventilation and respiratory products for hospitals and clinics.
- Acquisition presents Philips with a **leading position in the high growth respiratory devices and sleep apnea market** and top 5 positions in oxygen therapy and ventilation
- The transaction further **strengthens Philips' strategy of developing solutions across the patient care cycle** and expands its presence in home healthcare
- Respironics is an acquisition that **positively differentiates us from our key competitors** by market segment, device segment, care cycle focus and disease focus
- **Based on Respironics' management plan and our synergies, value would be created after the third year** and with a more **conservative view** that we have used in our decision-making, we will be creating value **within year five**. The transaction will add to revenue growth and EBITA margin. Expected cost synergies approx USD 50 m by 2010 run rate, and revenue synergies of approx USD 180 m by 2012 with an EBITA contribution of USD 50 m
- Q2 sales and EBITA in line with plan

Genlyte: Leading N-A Luminaires manufacturer

Enterprise value € 1.8 billion

- Closed on January 22, 2008.
- Acquisition is consistent with Philips' strategy to strengthen its leadership position in Lighting. Combination created the *#1 Lighting company in North America* and established Philips as *the largest Luminaires company globally*.
- Luminaires & Controls are a *spearhead in developing "green" lighting markets, including Solid State Lighting (SSL)*. Genlyte will be a cornerstone of growth in SSL.
- Post merger integration is well on track to deliver the expected synergies.
- Sales growth in Q2 was 3%, reflecting softer market conditions.
- Profit margin (excluding acquisition related charges) improved versus prior year.



Agenda

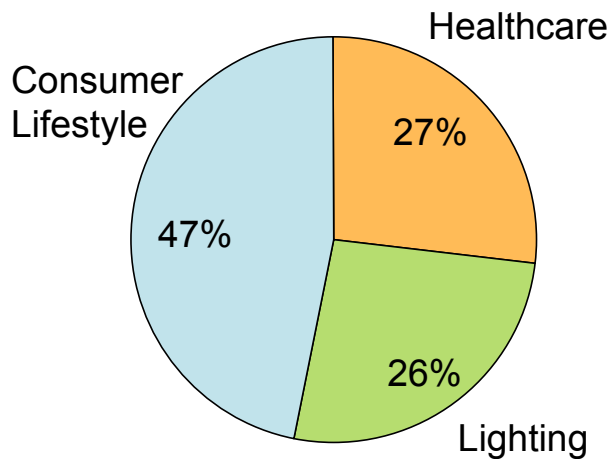
- Results Q2 2008
- Philips – who we are
- Moving to Philips ‘Vision 2010’
- Sectors
- Management agenda 2008

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

LTM June 2008, € million

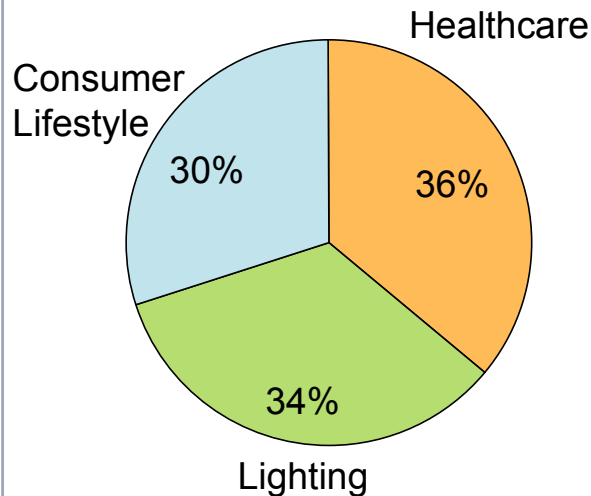
Sales

100% = € 27.9 b *



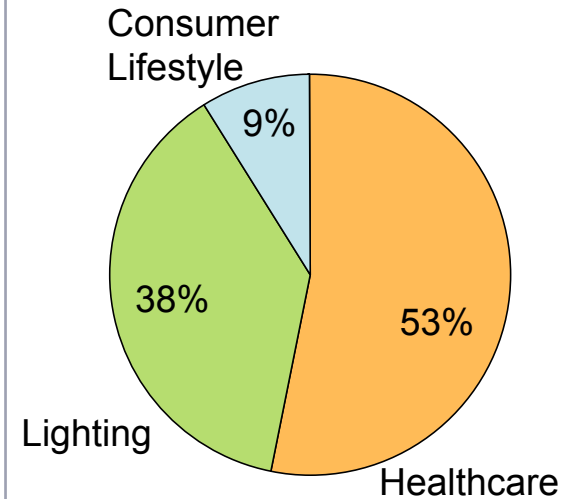
EBITA

100% = € 2.6 b *



Net Operating Capital

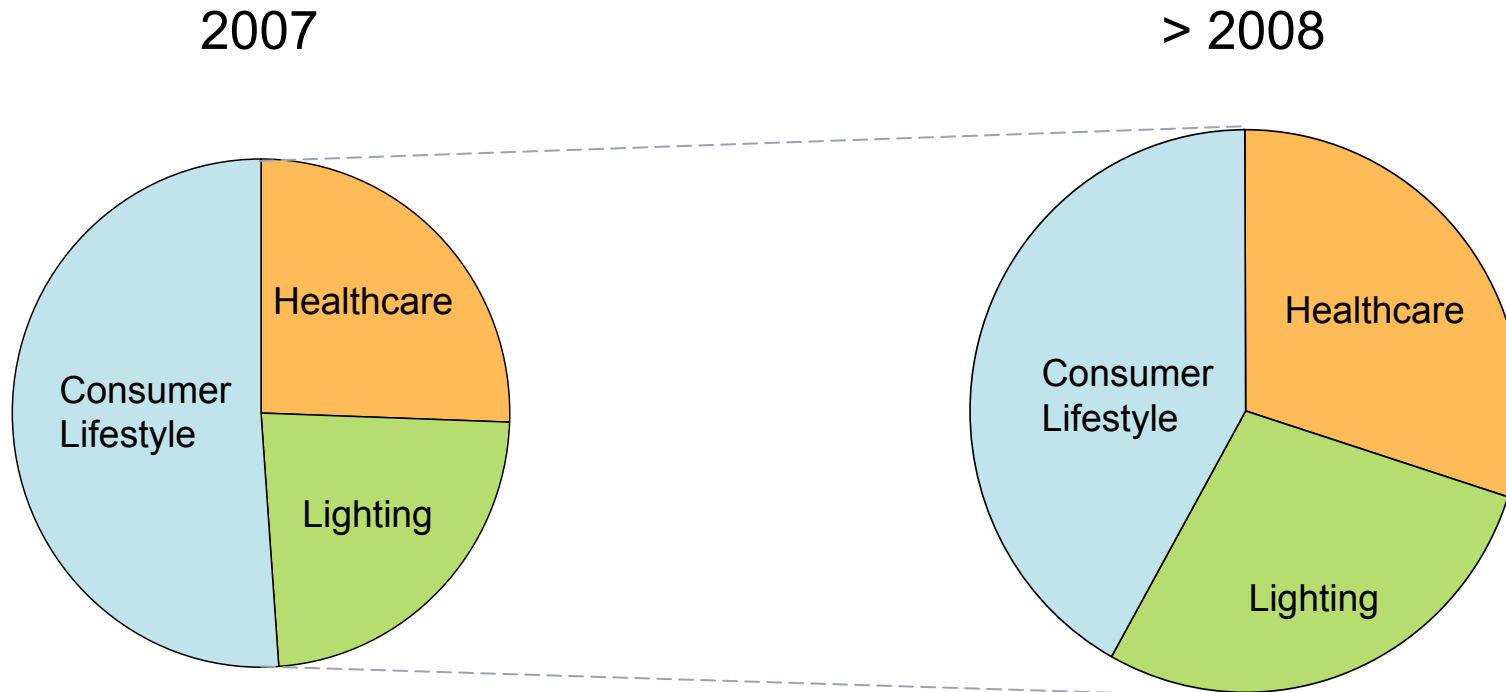
100% = € 16.0b *



* Excluding Central sectors (I&EB; GM&S), including pro forma numbers for Respironics and Genlyte
for Sales € 0.9 bn is included for Respironics and € 1.1 bn for Genlyte
for EBITA € 0.1 bn is included for Respironics and € 0.1 bn for Genlyte

Recent acquisitions & divestments, coupled with further organic growth, leads to an increasingly well-balanced portfolio

Sales split



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

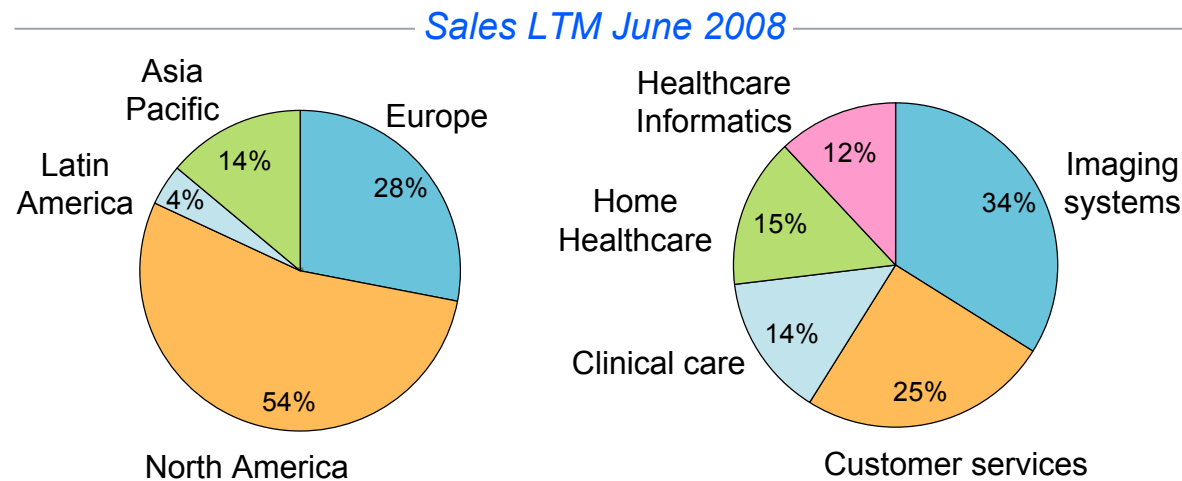


Healthcare

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

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

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

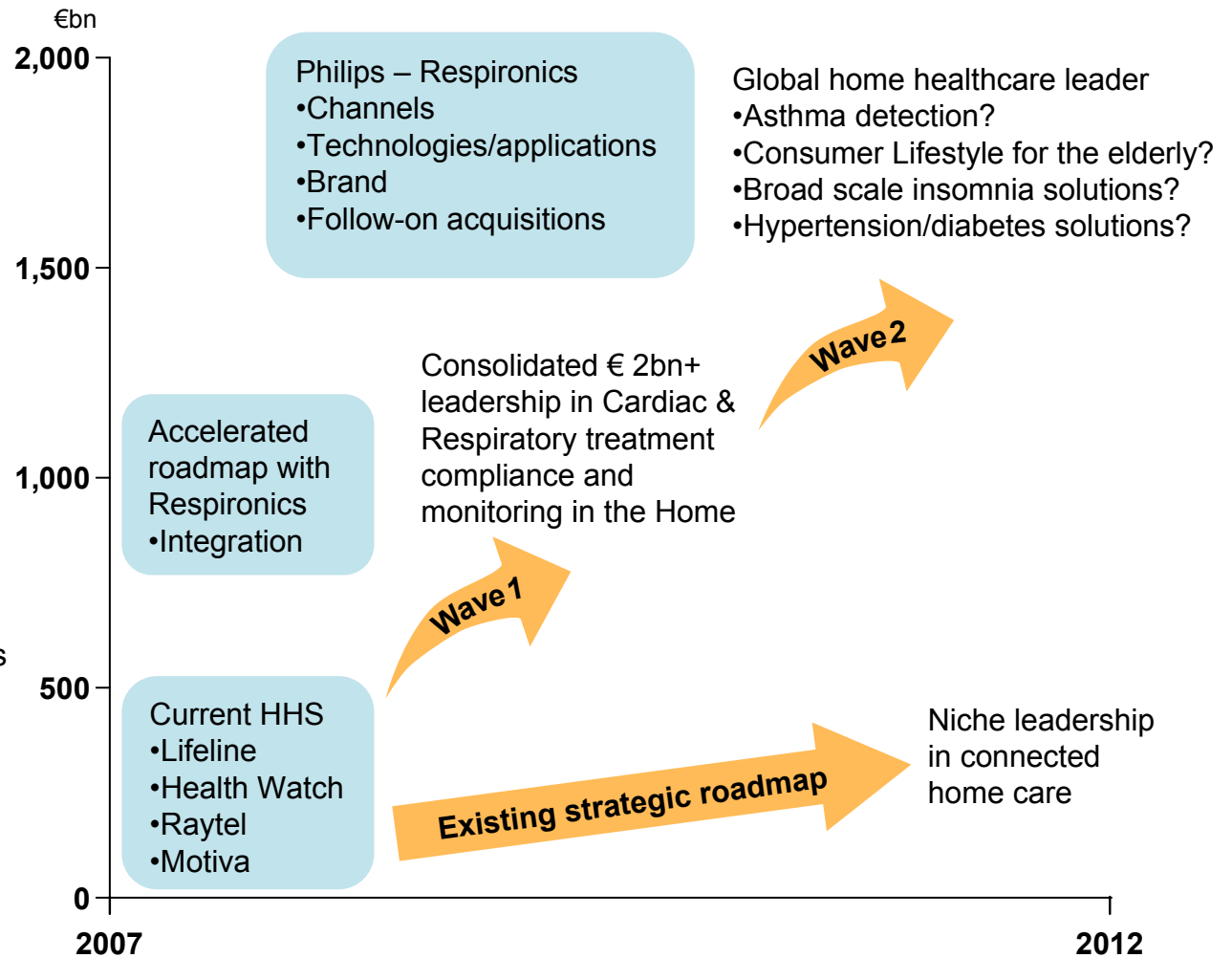


Including pro forma LTM Jun-2008 sales of € 0.9 bn for Respironics

* Annual average comparable sales growth

Philips' Home Healthcare vision

- Cost pressures and early management of disease conditions driving the development of the Home Healthcare market
- Leveraging its global presence, trusted brand name and medical capabilities Philips is proactively positioning itself, via acquisitions, to be a global leader
- Respironics acquisition a key step in becoming a global leader in the market. :
 - provides a logical bridge between the professional and home healthcare
 - provides a leadership position in OSA and respiratory markets
 - further establishes Care Cycle presence by providing entry points into the early and end stages of “home” focused disease conditions



Healthcare – global presence with integrated offering

- Full range of Diagnostic imaging modalities
 - Reflecting customer demand
- Ability to fund R&D across the care cycle
 - Equivalent to approximately 12 % of equipment sales
- Customer satisfaction Philips consistently scores high
 - Top quality service activity
 - Outstanding track record



- Longevity of customer relationships
- Trustworthy brand
 - Strong awareness in both professional and consumer channels
- Global presence

Market position in Healthcare

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

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

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



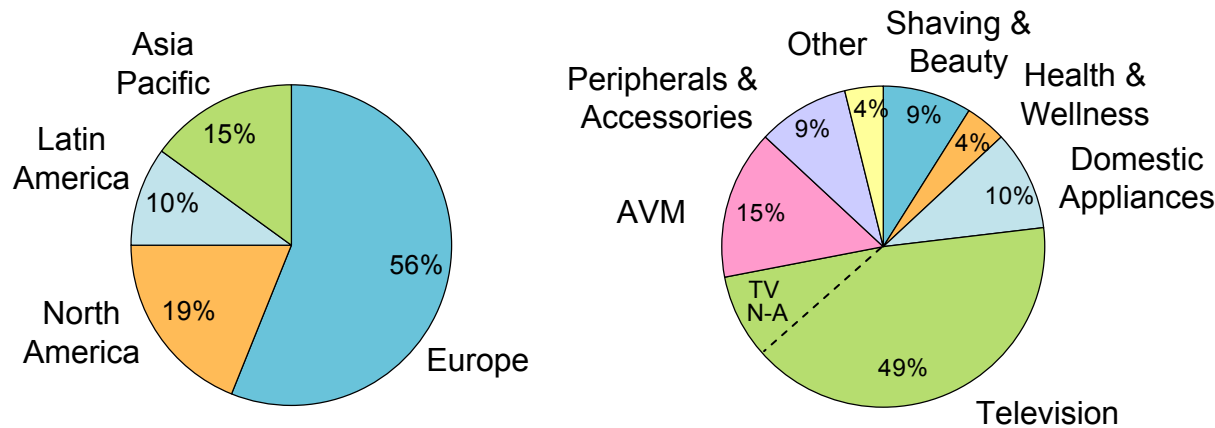
Consumer Lifestyle

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

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

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

Sales LTM June 2008



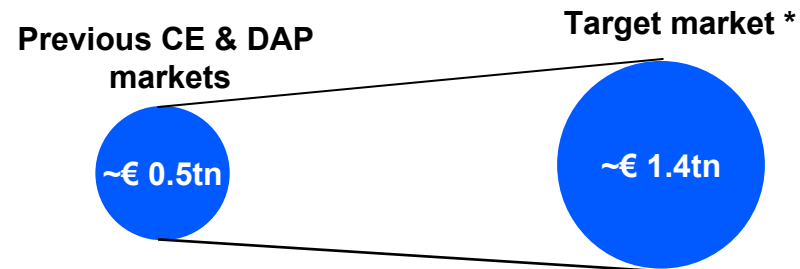
Excluding LTM Jun-2008 sales of € 0.4 bn for Home Network business that was divested in Q2 2008

* Annual average comparable sales growth

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

- A vast market (~€ 7 tn) with diverse product categories. Philips focuses on specific value areas based upon the following criteria:
 - is the space consistent with our brand equity?
 - is the space potentially profitable and growing?
 - can we create substantial value?
- Merger of Consumer Electronics and DAP businesses together form a platform for sustained profitable growth
- Technology, design capabilities and constant innovation driving product excellence and margin expansion in a market of falling ASPs
- Continued footprint rationalisation (R&D, Sales, Manufacturing) and process optimisation (supply chain)

Targeted Well-Being market



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

Consumer Lifestyle targeted market ~ € 1.4 T

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

- TV
- Audio-visual
- Kitchen
- Shaving

- Food preparation
- Mother & Childcare
- Personal Appearance
- Outdoor

Consumer Lifestyle – brand leader with leading design capabilities

- Strong brand awareness in the fastest growing markets
 - Enabling growth in emerging markets
- Innovation at the heart of the business model
 - DAP introduces approximately 100 new or reinvigorated products annually
- Strong market positions in many important categories
 - Top 3 in virtually all markets where present
- Design capabilities
 - Creating meaningful and exciting experiences for people - through lifestyle propositions - based on our deep understand of people, cultures & trends
- Decades of proven success in selling high margin consumer products (e.g. shavers)
 - Wide range of DAP products



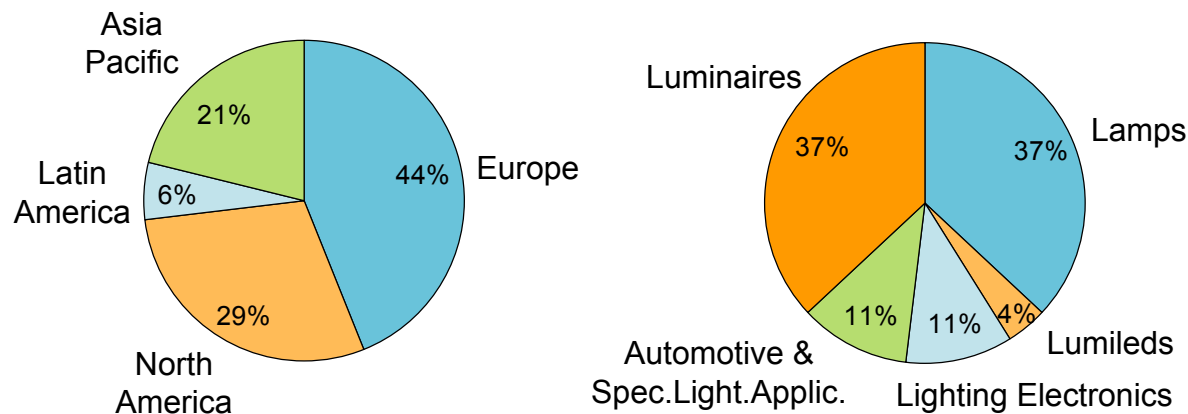
Lighting

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

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

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

Sales LTM June 2008



Including pro forma LTM Jun-2008 sales of € 1.1 bn for Genlyte








* Annual average comparable sales growth

Lighting – innovation and technology leader

- Global presence
- Brand strength
 - Enables easy access to growth in emerging markets
- Technology leader
 - Leading in virtually all technology segments, e.g. Cosmopolis, Xenon
- Positioned at all points of the Solid State Lighting value chain
 - Enabled by acquisition of e.g. Lumileds, TIR, Color Kinetics
- Very strong IP portfolio including the latest technologies (SSL)
 - Increased R&D investments from 2002 being 3.0% to 4.5 % in 2007
- “Zero defect capabilities” in Automotive Lighting
 - 30% market share

Current market position in Lighting

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

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

Note: Updated November 2007

Agenda

- Results Q2 2008
- Philips – who we are
- Moving to Philips ‘Vision 2010’
- Sectors
- Management agenda 2008

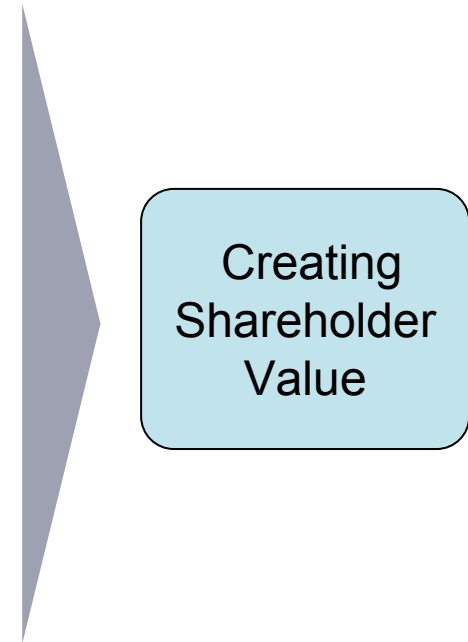
In 2008, our focus will be on **execution**

The Management Agenda for this year

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

Summary

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



PHILIPS

sense and simplicity

Appendix

Solid progress on key financials

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

Including product reliability charges of € 256 m

Including Pension funding and TSMC tax payment totaling € 1 billion

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

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

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

Cash generated from sale of major participations

€ million

	2004	2005	2006	2007	2008	Total
Sale securities	883	67	–	–	–	950
Atos Origin	552	554	–	–	–	1,106
NAVTEQ	672	932	–	–	–	1,604
TSMC	–	770	–	4,083	1,131	5,984
LG Displays	–	938	–	1,547	670	3,155
FEI	–	–	154	–	–	154
Semiconductors (NXP)	–	–	7,059	(99)	–	6,960
<hr/>						
Total	2,107	3,261	7,213	5,531	1,801	19,913

Cash utilization

€ million

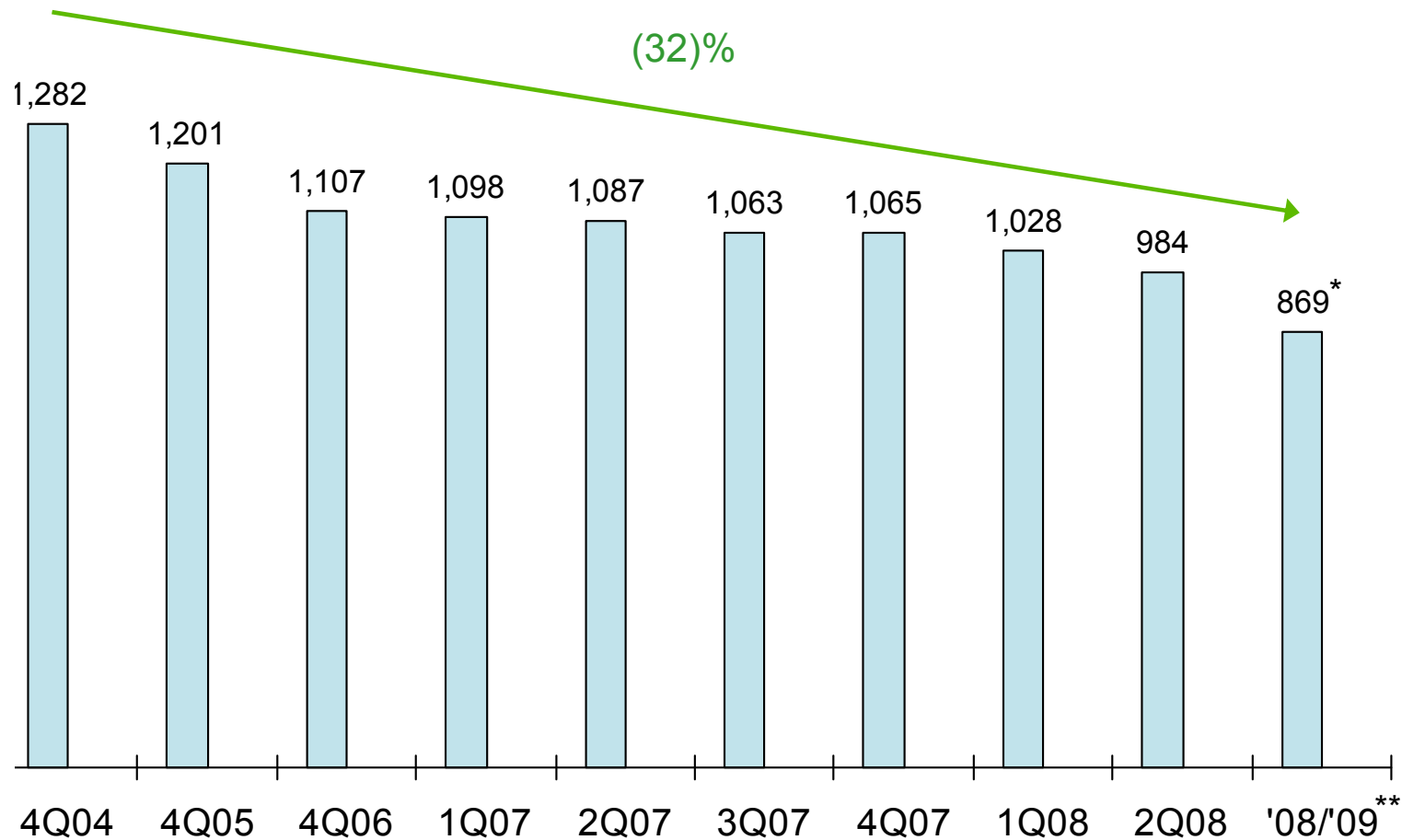
	2005/2007	Announced / being implemented	Total**
Healthcare Acquisition Stentor Acquisition Witt Biomedical Acquisition Lifeline Acquisition Intermagnetics Acquisition VISICU Acquisition Respirationics Acquisition Lumileds Acquisition PLI Acquisition Color Kinetics Acquisition Genlyte Acquisition Avent	194	—	9,632 42.1 %
	110	—	
	583	—	
	993	—	
	—	198	
	—	3,196	
	788	—	
	561	—	
	515	—	
	—	1,805	
	689	—	
Extra funding pensions (UK&US)	683	—	683 3.0 %
Share repurchase program	5,187	—	12,571 54.9 %
Dividend	1,686	698	
€ 5.0 billion buy-back program	—	5,000*	
Total	11,989	10,897	22,886

* Still to be completed

** Excluding acquisitions of Bodine, Power Sentry, TIR, Health Watch, DLO, LTI, Ximis, Raytel, Emergin, Tomcat, Goldway and Dixtal because amounts were small

Basic shares outstanding

Million



* After finalizing announced repurchase program; calculation includes purchase price of € 25/share for remaining buy-back

** We expect our recently announced € 5 billion share repurchase program will be largely completed by the end of 2008

Peer group adapted to Philips' transformation

Previous peer group (until 2006)

Electrolux
Emerson Electric
General Electric
Hitachi
Matsushita
Siemens

Maintained members



Existing peer group (2007-)

Maintained members

Electrolux
Emerson Electric
General Electric
Hitachi
Matsushita
Siemens

New members

Honeywell
Johnson & Johnson
Schneider Electric
Toshiba
3M

Ericsson
Gillette
IBM
Intel
LG Electronics
Lucent
Marconi
Motorola
NEC

Nokia
Samsung
Sanyo Electric
Sharp
Sony
Texas Instruments
Tyco International
Whirlpool

Major investments

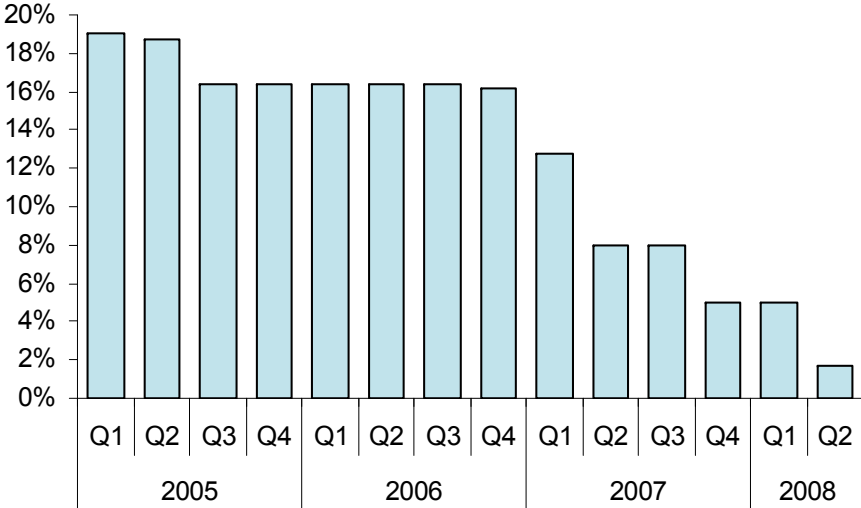
	number shares rounded in millions	% ownership	July 10 th , 2008 <i>in € m.</i>
<i>Quoted</i>			Market value
LG Displays	47	13.2	989
TSMC	423	1.7	527
TPV	263	13.4	90
<i>Non-quoted</i>			Book value
NXP	18	19.9 ¹	555
Total			2,161

¹ Economic ownership

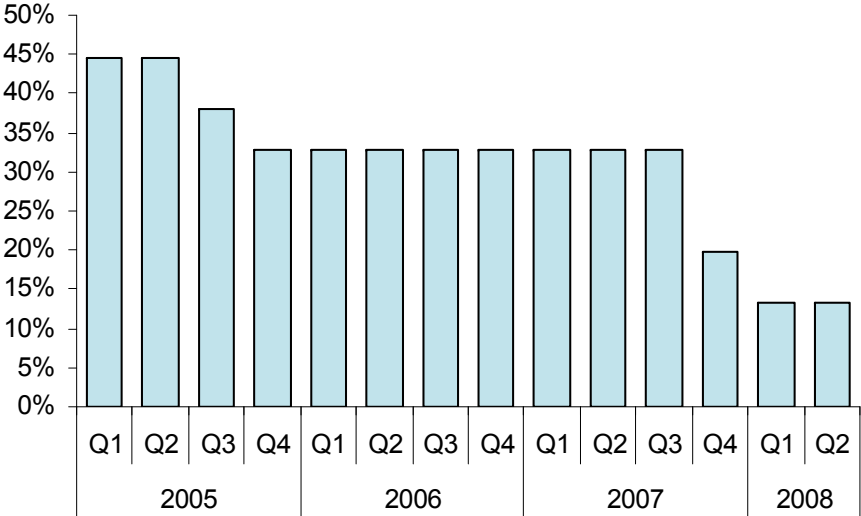
Major investments

Development of major investments

% Holding TSMC



% Holding LG Displays



Overview

€ million

Sales and Comparable growth by sector	2006	2007 per quarter				2007	2008 per quarter	
	Jan.-Dec.	1st	2nd	3rd	4th	Jan.-Dec.	1st	2nd
Healthcare	6,562	1,431 4%	1,625 4%	1,585 4%	1,997 3%	6,638 4%	1,474 5%	1,800 3%
Consumer Lifestyle *	13,108	2,816 -2%	2,786 -6%	3,238 10%	4,490 11%	13,330 4%	2,662 0%	2,787 7%
Lighting	5,466	1,474 8%	1,464 6%	1,496 2%	1,659 8%	6,093 6%	1,711 3%	1,739 6%
I&EB	1,379	160	110	102	163	535	79	103
GMS	167	49	48	44	56	197	39	34
Philips Group	26,682	5,930 3%	6,033 0%	6,465 7%	8,365 8%	26,793 5%	5,965 1%	6,463 6%
* of which Television business	6,559	1,293	1,258	1,511	2,208	6,270	1,227	1,359
EBITA and EBITA% by sector	2006	2007 per quarter				2007	2008 per quarter	
	Jan.-Dec.	1st	2nd	3rd	4th	Jan.-Dec.	1st	2nd
Healthcare	860 13%	119 8%	218 13%	188 12%	348 17%	873 13%	121 8%	195 11%
Consumer Lifestyle *	692 5%	141 5%	106 4%	171 5%	430 10%	848 6%	77 3%	83 3%
Lighting	608 11%	186 13%	161 11%	190 13%	185 11%	722 12%	200 12%	202 12%
I&EB	-75	(31)	(36)	(35)	21	(81)	(68)	(41)
GMS	-699	(45)	(63)	(70)	(119)	(297)	(65)	(26)
Philips Group	1,386 5%	370 6%	386 6%	444 7%	865 10%	2,065 8%	265 4%	413 6%
* of which Television business	155 2%	(51) -4%	(69) -5%	(43) -3%	95 4%	(68) -1%	(95) -8%	(112) -8%

PHILIPS

