

PHILIPS

sense and simplicity

PHILIPS

Royal Philips Electronics
First Quarter 2008

April 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, 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.

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 Q1 2008
- Market dynamics and competitive strengths
- Moving to Philips 'Vision 2010'
- Conclusion

Agenda

- Results

- Highlights

Performance

Looking ahead

Highlights

- Group sales increase to EUR 5,965 million; growth in Healthcare and Lighting offset by lower television sales.
- Ongoing growth at Healthcare with 5% higher sales; 9% higher equipment order intake, including double-digit growth in North America.
- Continuing strong growth of 17% in emerging markets.
- Decisive action taken to improve the profitability of the television business through an alliance with Funai in North America and optimization of the global supply base.
- Net income of EUR 219 million, compared with EUR 875 million in Q1 2007, when EUR 650 million higher gains on the sale of stakes boosted the bottom line.
- Vision 2010 EBITA target specified and upgraded to 10-11%.

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➤ Performance

Looking ahead

Summary - 1Q08

EUR million

	1Q07	1Q08
Sales	5,930	5,965
EBITA	370	265 ¹
Financial income and expenses	681 ²	46 ²
Income tax	(92)	(49)
Results equity-accounted investees	(49)	60
Net income from continuing operations	852	232
Discontinued operations	23 ³	(13) ³
Net Income	875	219
Net cash from operating activities	(194)	(574) ⁴
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Net debt : Group equity ratio	(9):109	4:96

1 - Lower results mainly related to acquisition-related charges and lower EBITA in Connected Displays and Optical Licenses.





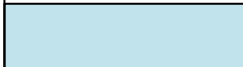







2 - 1Q07 included EUR 733m gain on sale of shares in TSMC; 1Q08 includes EUR 83m gain related to further sale of shares in LG Displays.

3 - 1Q07 included EUR 23m gain mainly related to Semiconductors settlements; 1Q08 includes EUR 7 m loss related to a cumulative translation adjustment at MedQuist.

4 - Lower cash in 1Q08 mainly caused by higher working capital requirements; largely in Consumer Lifestyle (inventories) and Healthcare (accounts receivable).

Sales to thirds by sector – 1Q08

EUR million

	1Q07		1Q08		% nom	% comp
Healthcare	 1,431		 1,474		3	5
Lighting	 1,474		 1,711		16	3
Consumer Lifestyle	 2,816		 2,662		(5)	-
I&EB	 160		 79		(51)	(22)
GMS	 46		 39		(20)	(22)
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Group sales	 5,930		 5,965		1	1

Sales to thirds by region – 1Q08

EUR million

	1Q07	1Q08	% nom	% comp
Europe / Africa	2,797	2,841	2	3
North America	1,641	1,645	-	(9)
Latin America	367	412	12	15
Asia Pacific	1,125	1,067	(5)	4
<hr style="border-top: 1px dashed black;"/>				
Group sales	5,930	5,965	1	1

EBITA by sector – 1Q08

EUR million

	1Q07	1Q08
Healthcare	119	121 ¹
Lighting	186 ²	200 ²
Consumer Lifestyle	141	77
<i>of which Connected Displays</i>	<i>(51)</i>	<i>(95)</i>
Innovation & Emerging Bus.	(31)	(68) ³
Group Mgt & Services	(45)	(65)
<hr/>		
Philips Group	370	265
as % of sales	6.2	4.4

1 - includes approximately EUR 19 m of acquisition-related charges

2 - includes approximately EUR 35 m of restructuring, acquisition-related and other charges in 1Q08; 1Q07 included approximately EUR 34 m charges

3 - includes approximately EUR 13 m loss on the sale of HTP Optics

Cash Flow from continuing operations – 1Q08

EUR million

	1Q07	1Q08
Net income	875	219
Income/loss discontinued operations	(23)	13
Depreciation / amortization / impairments	243	252
Net gain on sale of assets	(774)	(69)
Income from equity accounted investees	87	(9)
Decrease in WC/other current assets	(804)	(982)
Other	202	2
<i>CF from operations</i>	(194)	(574)
Gross capital investments	(152)	(148)
Acquisitions/divestments/other	630	(4,316)
<i>CF before financing activities</i>	284	(5,038)

Fixed assets expenditures & Depreciation by sector*

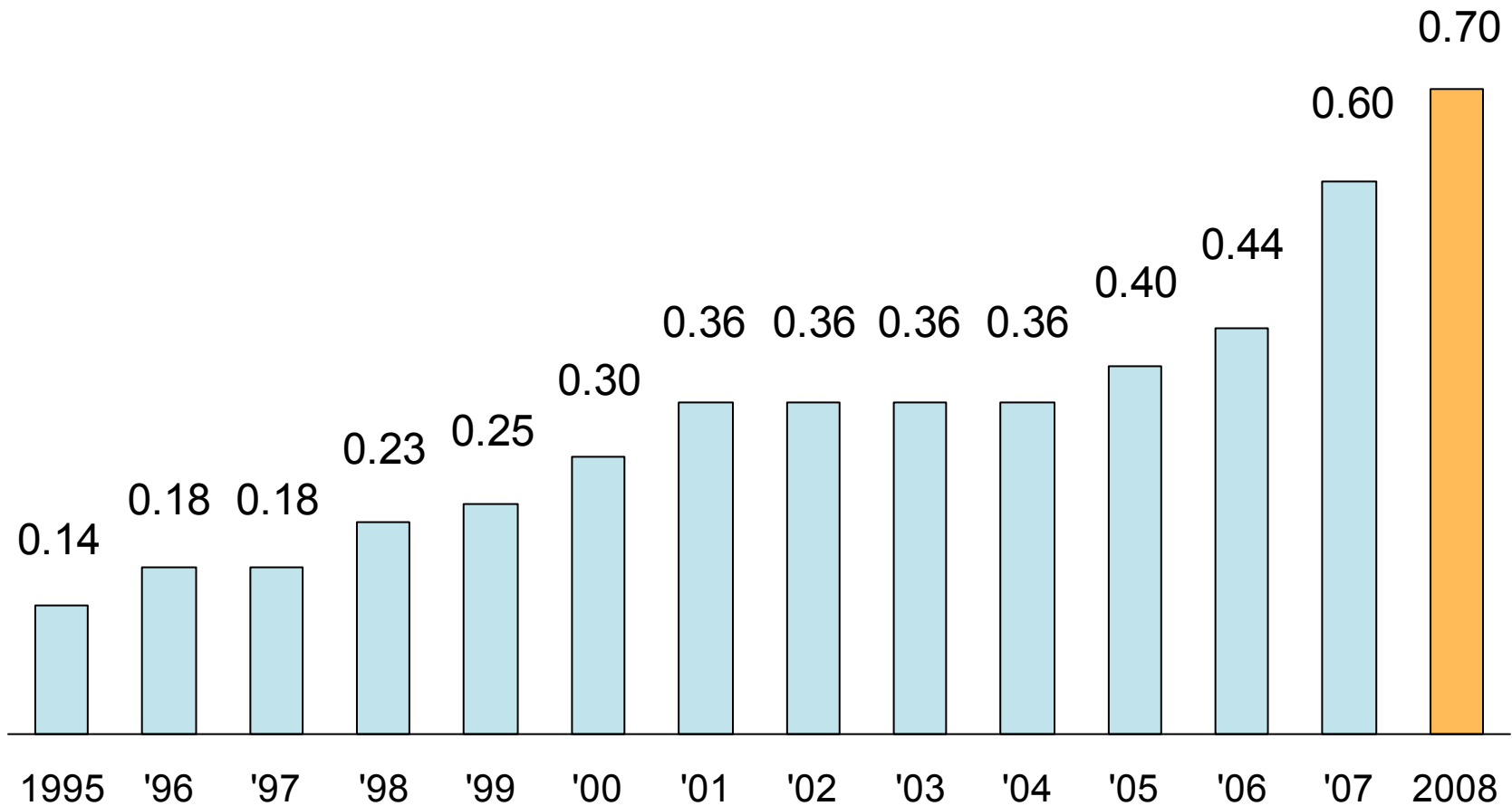
EUR million

	Gross CapEx		Depreciation	
	1Q07	1Q08	1Q07	1Q08
Healthcare	23	23	22	26
Lighting	58	67	52	58
Consumer Lifestyle	40	48	35	40
I&EB	4	1	10	8
GMS	27	9	11	12
Group	152	148	130	144

* Excluding software related capital expenditures and depreciation

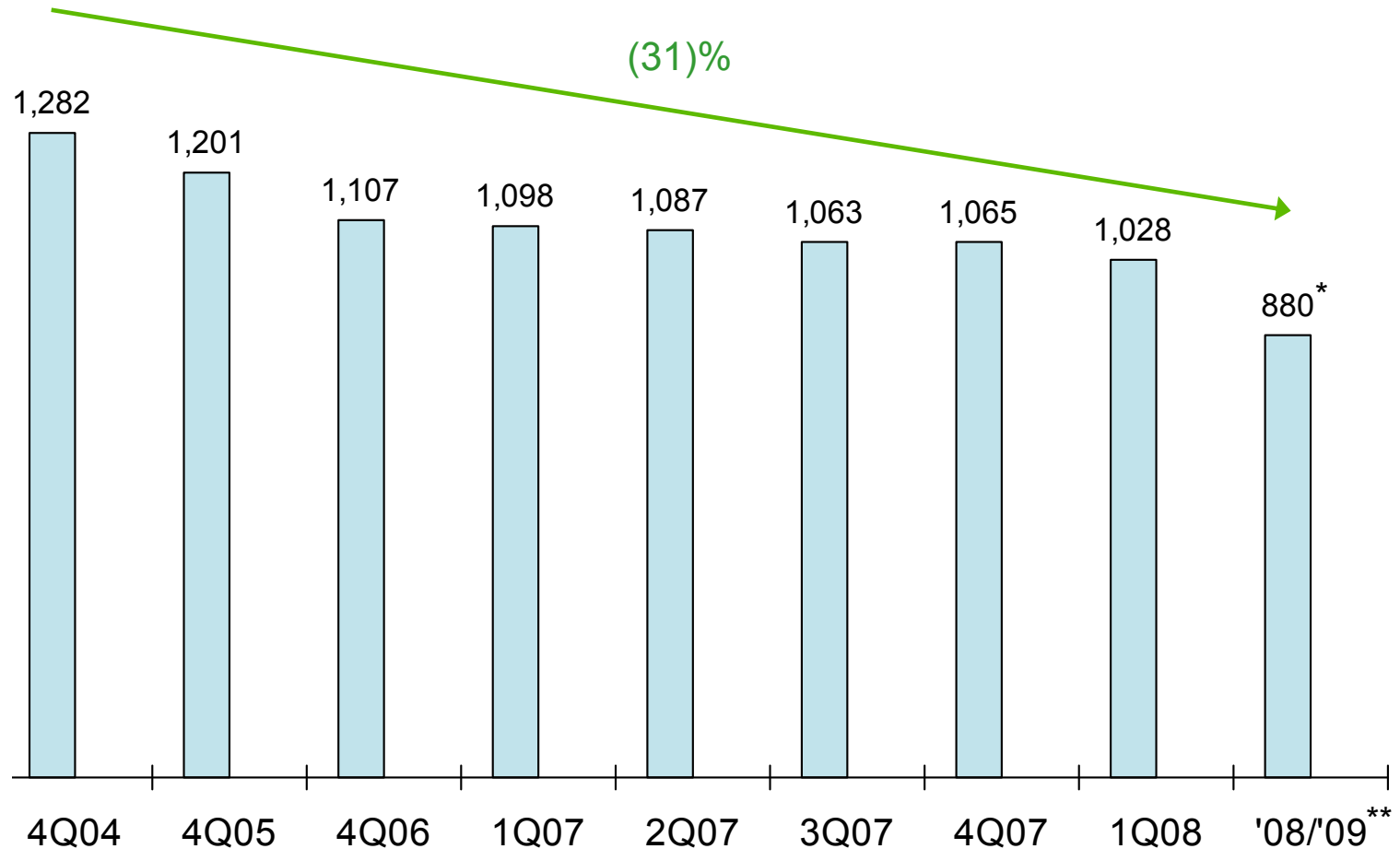
Dividend paid

amounts in EUR



Basic shares outstanding

Million



* After finalizing announced repurchase program; calculation includes average purchase price of EUR 27.

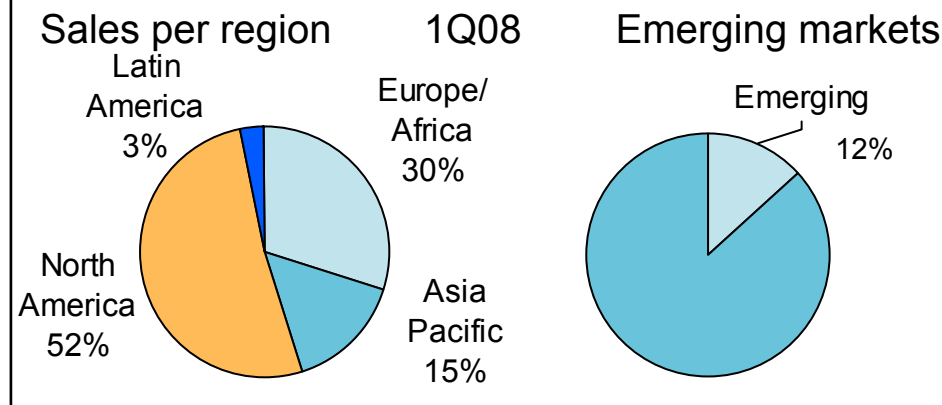
** We expect our recently announced EUR 5 billion share repurchase program will be largely completed by the end of 2008

Healthcare

EUR million unless otherwise stated

Key figures

	1Q07	4Q07	1Q08
Sales	1,431	1,997	1,474
% sales growth comp.	4	3	5
EBITA	119	352	121
EBITA as % of sales	8.3	17.6	8.2
EBIT	73	316	77
EBIT as % of sales	5.1	15.8	5.2
NOC	4,590	4,859	8,331
Employees (FTEs)	27,204	29,191	34,645



Financial performance

- Equipment order intake grew 9% on a currency-comparable basis versus 1Q07. Imaging Systems showed double-digit growth in North America, driven mainly by MR, Nuclear Medicine and C/V X-Ray.
- Comparable sales grew 5% year-on-year thanks to strong growth in Ultrasound, Cardiac Care, Patient Monitoring and Customer Services. The impact of the growth of these businesses was moderated by a weaker performance at Imaging Systems, which – despite growth in some key modalities – saw flat sales overall.
- EBITA was at 8.2% of sales, including EUR 19 million of integration and acquisition-related charges, mainly for Respironics, which reduced profitability by 1.3%. Higher earnings were seen in Ultrasound, Patient Monitoring and Customer Services, mainly driven by margin improvements and cost reductions, partially offset by lower earnings at Imaging Systems.
- Net operating capital increased by EUR 3.7 billion compared to Q1 2007, largely due to the acquisitions and a temporary increase in receivables.

Looking ahead

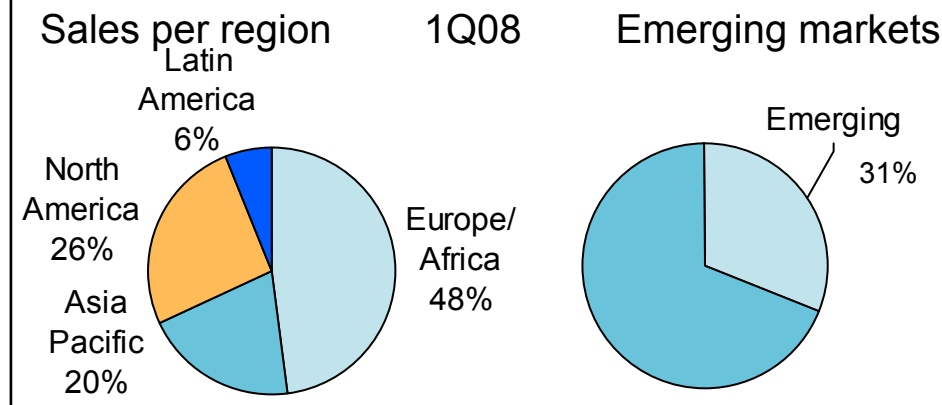
- For the full year 2008, acquisition and integration charges related to Respironics, VISICU and Emergin are expected to negatively impact EBITA by approx. EUR 100 m, of which EUR 40 m in Q2.

Lighting

EUR million unless otherwise stated

Key figures

	1Q07	4Q07	1Q08
Sales	1,474	1,659	1,711
% sales growth comp.	8	8	3
EBITA	186	185	200
EBITA as % of sales	12.6	11.2	11.7
EBIT	177	170	158
EBIT as % of sales	12.0	10.2	9.2
NOC	3,441	3,886	5,999
Employees (FTEs)	53,308	54,323	60,866



Financial performance

- 3% comparable growth supported by strong growth of energy-efficient lighting solutions and growth in emerging markets, notably China, India and Latin America. This growth was tempered by lower sales in UHP, backlighting and Lumileds, the latter having executed a product recall earlier in the quarter.
- The recent strategic acquisitions of Genlyte, Color Kinetics, LTI and PLI all contributed positively to both sales and earnings – in line with expectations.
- EBITA increased by EUR 14 million year-on-year – albeit with increased spending on solid-state lighting solutions and temporary softness in Western European markets – and included restructuring, acquisition-related and other incidental charges amounting to EUR 35 million. Q1 2007 included charges totaling EUR 34 million.
- The increase in both net operating capital and employees is mainly related to the acquisitions of Genlyte and Color Kinetics.

Looking ahead

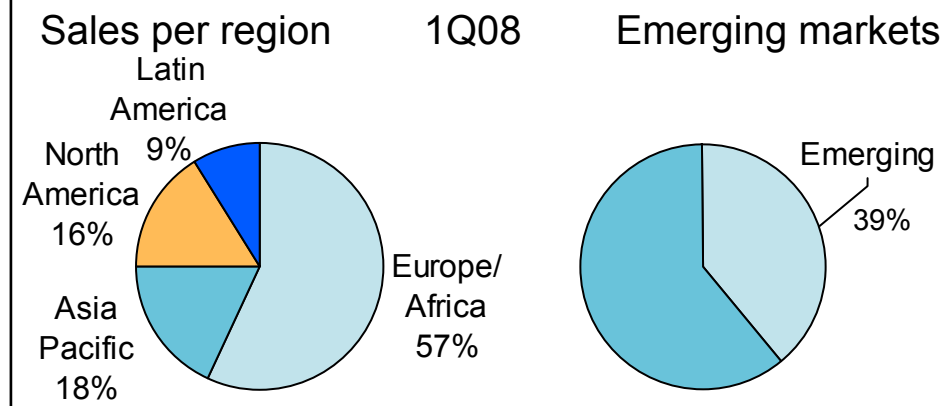
- Restructuring and acquisition-related charges are expected to amount to approximately EUR 20 million in Q2 2008.

Consumer Lifestyle

EUR million unless otherwise stated

Key figures

	1Q07	4Q07	1Q08
Sales	2,816	4,490	2,662
% sales growth comp.	(2)	11	-
EBITA	141	430	77
EBITA as % of sales	5.0	9.6	2.9
EBIT	138	427	73
EBIT as % of sales	4.9	9.5	2.7
NOC	1,337	890	1,398
Employees (FTEs)	24,009	23,397	21,868



Financial performance

- Comparable sales Consumer Lifestyle on par with 1Q07. At Connected Displays, comparable sales declined by 2%, as a result of the continued focus on margin management. Sales levels at most other operational businesses were in line with or higher than Q1 2007, with the strongest growth visible at Domestic Appliances, Shaving & Beauty and Peripherals & Accessories.
- From a geographical perspective, comparable sales growth was particularly strong in emerging markets.
- EBITA at 2.9% of sales; a EUR 44 m reduction in Connected Displays' EBITA and EUR 30 m lower past-use optical license revenue more than offset moderate improvements in the rest of the business.
- Profitability at the remaining Consumer Lifestyle businesses, notably Domestic Appliances, Shaving & Beauty and Video & Multimedia Applications, remained strong.

Looking ahead

- Margin pressure at Connected Displays is expected to continue.
- Actions to structurally improve the profitability of Connected Displays will continue, resulting in total financial charges of up to EUR 125 million in 2008.
- The sale of the Set-Top Box and Connectivity Solutions activities is now expected to close in 2Q08.

Innovation & Emerging Businesses

EUR million unless otherwise stated

Key figures

	1Q07	4Q07	1Q08
Sales	160	163	79
% sales growth comp.	40	39	(22)
Technologies / incubators	(30)	19	(46)
Corporate Investments & Others	(1)	(2)	(22)

EBITA	(31)	17	(68)
EBITA as % of sales	(19.4)	10.4	(86.1)
EBIT	(31)	16	(68)
EBIT as % of sales	(19.4)	9.8	(86.1)
NOC	155	246	216
Employees (FTEs)	6,500	5,888	5,608

Financial performance

- The EBITA decline compared to Q1 2007 was primarily due to a EUR 13 million loss on the sale of HTP Optics and lower IP license revenues. Q1 2007 EBITA included a EUR 6 million gain on the sale of TASS.
- The year-on-year increase in net operating capital was attributable to the divestment of businesses which operated with negative working capital.
- Compared to Q1 2007, the reduction in the number of employees was mainly due to the divestment of businesses over the past 12 months.

Looking ahead

- Further investment in Research and the Incubators is expected to result in an average quarterly spend of EUR 40 million for the remainder of 2008.

Group Management & Services

EUR million unless otherwise stated

Key figures

	1Q07	4Q07	1Q08
Sales	49	56	39
% sales growth comp.	96	(20)	(22)
Corporate and Regional Costs	(33)	(48)	(42)
Global brand campaign	(2)	(54)	(5)
Service units, Pensions and Other	(10)	(17)	(18)

EBITA	(45)	(119)	(65)
EBIT	(45)	(119)	(65)
NOC	425	705	987
Employees (FTEs)	6,956	5,299	5,628

Financial performance

- The EBITA decline of Corporate & Regional overheads compared to Q1 2007 was mainly due to a different seasonal pattern in overhead-related project spend.
- Costs of pensions and other post-retirement benefits increased compared to Q1 2007.
- The year-on-year increase in net operating capital was primarily related to prepaid pension assets.

Looking ahead

- Investment in the brand campaign is expected to total approximately EUR 20 million in Q2 2008 and EUR 70 million for the full year.
- For the full year, Corporate and Regional overhead costs are expected to be lower than in 2007.
- Costs of pensions and other post-retirement benefit plans for each of the next three quarters are anticipated to be broadly in line with Q1 2008, implying a limited nominal increase for the full year.

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➤ Looking ahead

Looking ahead information in the 1Q quarterly report on April 14, 2008 - I

Healthcare

- For the full year 2008, acquisition and integration charges related to Respironics, VISICU and Emergin are expected to negatively impact EBITA by approximately EUR 100 million, of which EUR 40 million in Q2.

Lighting

- Restructuring and acquisition-related charges are expected to amount to approximately EUR 20 million in Q2 2008.

Consumer Lifestyle

- Margin pressure at Connected Displays is expected to continue.
- Actions to structurally improve the profitability of Connected Displays will continue, resulting in total financial charges of up to EUR 125 million in 2008.
- The sale of the Set-Top Box and Connectivity Solutions activities is now expected to close in Q2 2008.

Innovation & Emerging Businesses

- Further investment in Research and the Incubators is expected to result in an average quarterly spend of EUR 40 million for the remainder of 2008.

Group Management & Services

- Investment in the brand campaign is expected to total approximately EUR 20 million in Q2 2008 and EUR 70 million for the full year.
- For the full year, Corporate and Regional overhead costs are expected to be lower than in 2007.
- Costs of pensions and other post-retirement benefit plans for each of the next three quarters are anticipated to be broadly in line with Q1 2008, implying a limited nominal increase for the full year.

Looking ahead information in the 1Q quarterly report on April 14, 2008 - II

Vision 2010 outlook

In September last year we announced our vision for the year 2010, specifically our goal to more than double our EBITA per share in the coming three years. Following the successful completion of the bulk of our capital reallocation program – including in particular the acquisitions of Genlyte and Respiroics – we are now in a position to update Vision 2010 in more detail as follows:

- Our Group-level EBITA margin is now expected to be in the range of 10 – 11% in 2010, with average annual sales growth of above 6%.
- This Group EBITA target is underpinned by the following 2010 EBITA margins per sector:
 - Healthcare 15% - 17%
 - Lighting 12% - 14%
 - Consumer Lifestyle 8% - 10%
- We confirm our objective to more than double EBITA per share by 2010 from the 2007 level.
- We expect our return on invested capital (ROIC) to reach 12 – 13% by the year 2010, significantly above our current ROIC level, which has been negatively impacted by the increase in our asset base driven by recent acquisitions.

Outlook

- We expect to be able to continue to benefit from the good defensive qualities demonstrated by our business in the first quarter, specifically Healthcare, Lighting and the non-TV businesses of Consumer Lifestyle.
- Anticipating a softening in some mature economies, we will further invest in supporting the excellent growth across the emerging markets and will further sharpen our focus on both cost levels and cash flow.
- We will continue to execute on our management agenda with specific focus on the integration of our recent acquisitions and on the further structural steps necessary to deal with the unsatisfactory margins in our TV business.
- We are confident that 2008 will be a year in which we make progress towards reaching the objectives set out in Vision 2010.

Agenda

- Results Q1 2008
- Market dynamics and competitive strengths
- Moving to Philips 'Vision 2010'
- Conclusion

Philips three sectors are well positioned to address global challenges and trends

Global trends

Globalization, urbanization and rise of emerging markets

Aging population

Climate Change

Consumer empowerment

Sustainable development

Philips opportunities

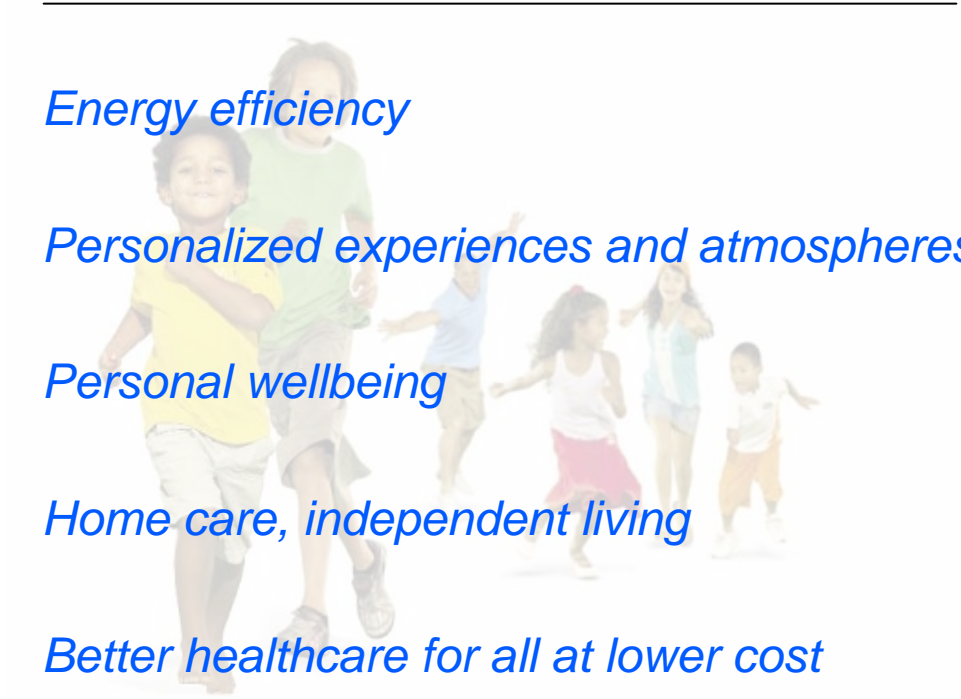
Energy efficiency

Personalized experiences and atmospheres

Personal wellbeing

Home care, independent living

Better healthcare for all at lower cost



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

- Strong market position and market share
- Structurally strong cash flow and margins
- Long-term growth driven by demographics and economic advancement of emerging markets
- Global leadership positions in cardiac care, acute care and home healthcare
- Driving profitability by focus on operational excellence and leveraging acquisitions
- Home Healthcare integrated into Philips Healthcare to provide solutions to all segments of the care cycle

BrightView SPECT



EP Navigator



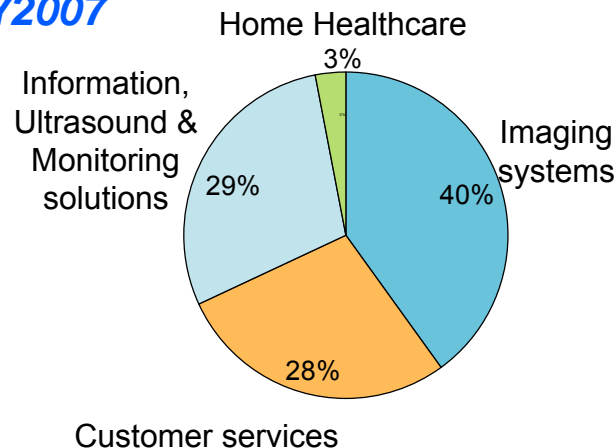
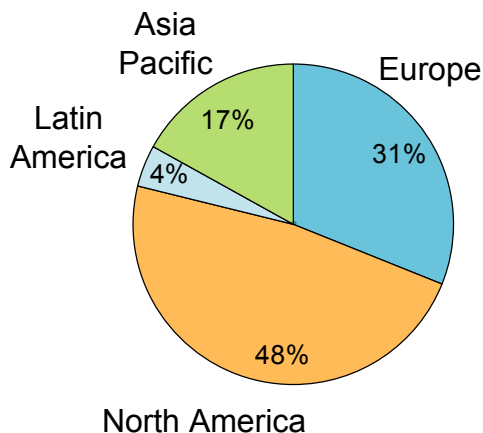
MR Achieva 3.0T



Healthcare informatics



**Sales
FY2007**



Healthcare – strong secular growth supported by demographic trends and emerging market spending

Demographics

- World population grows and ages at similar rates across the world increasing the need for healthcare services
- People are requiring more healthcare; previously fatal diseases are becoming manageable increasing the number of people with chronic disease
- Emerging markets starting to invest in Healthcare, where currently the expenditures per capita are a fraction of the expenditures in for example North America, leaving significant room for growth

Preventative healthcare

- Refocus of reimbursement systems in order to optimise patient results and costs and reduce medical errors
- Diagnostic imaging at the heart of preventative medicine

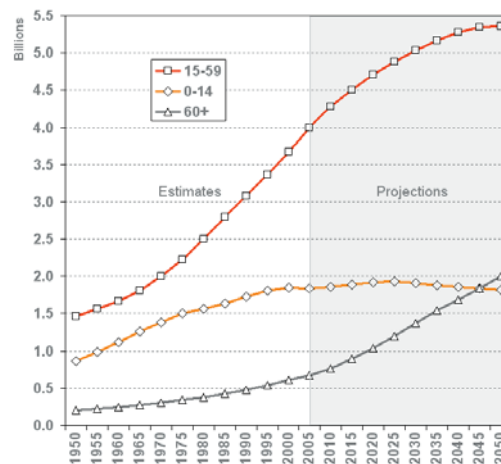
Innovation

- Favours industry leaders
- Opening up new medical applications/markets
- Integrated care delivery via optimised care cycles

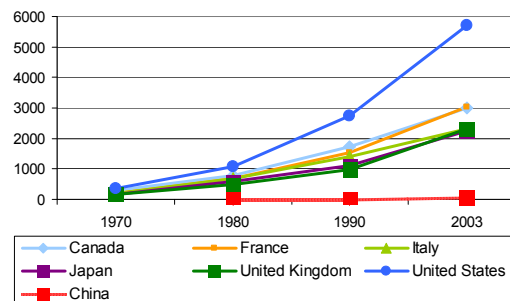
Patients as customers

- Expected growth of treating people at home

World population by age group, 1950-2050 ¹



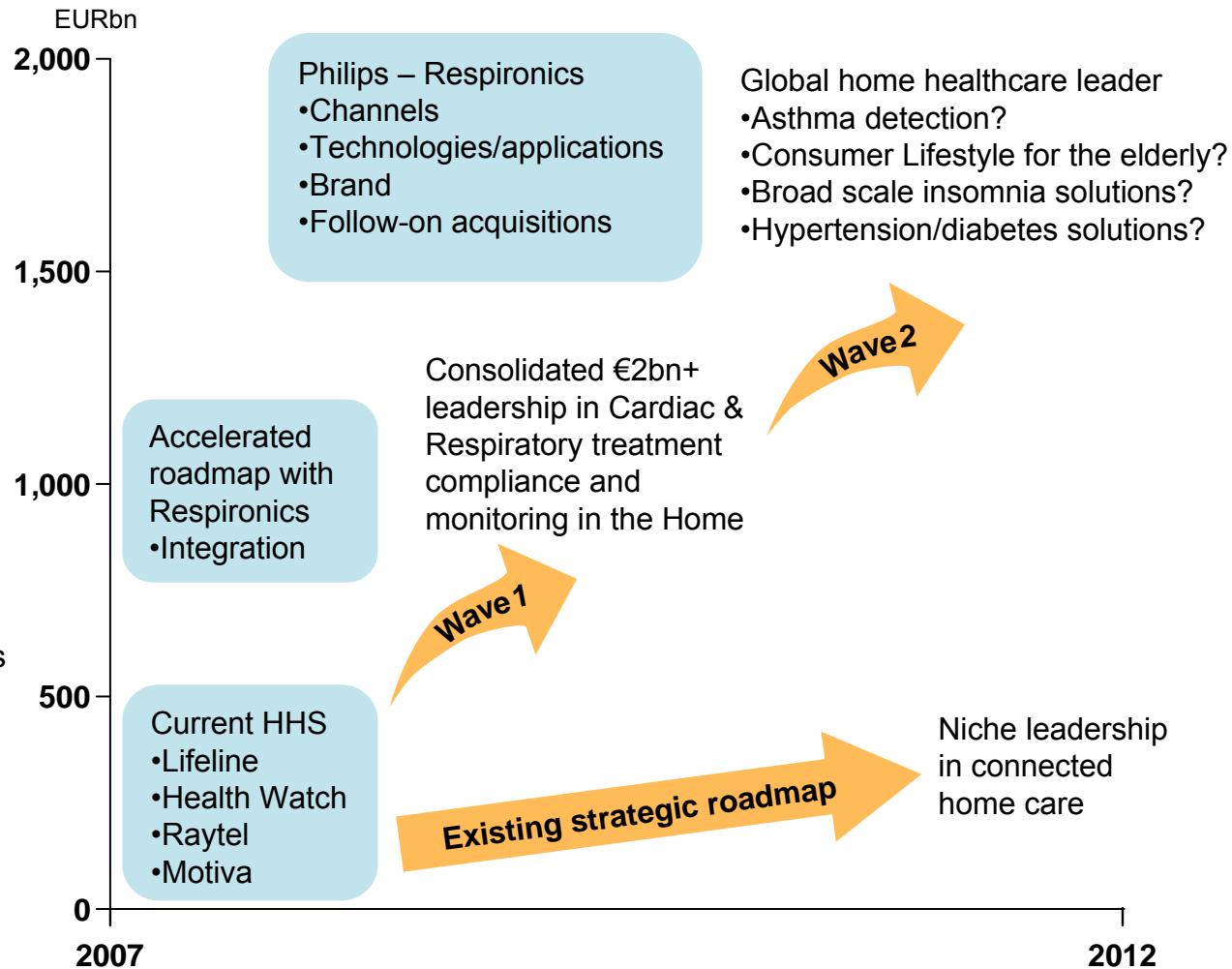
Healthcare expenditure per capita, US \$



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

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
- Respiroics 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			

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

- Number 1 market position globally with strong margins and cash flows
- Global leadership in energy saving propositions and advanced lighting solutions
- End-user-driven innovation, marketing and supply excellence
- Shift from products to application focus
- Drive profitability by managing for higher than historical growth

*Luxeon
Automotive LEDs*



Mini softone



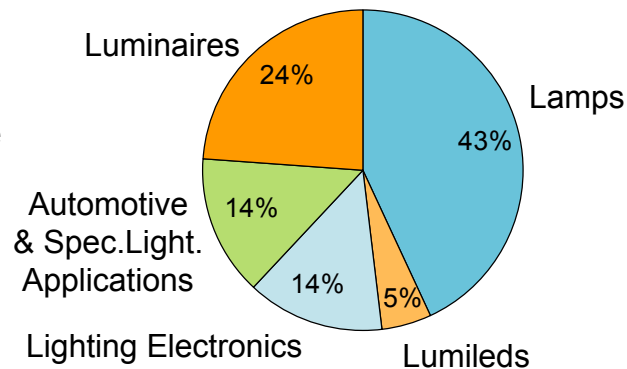
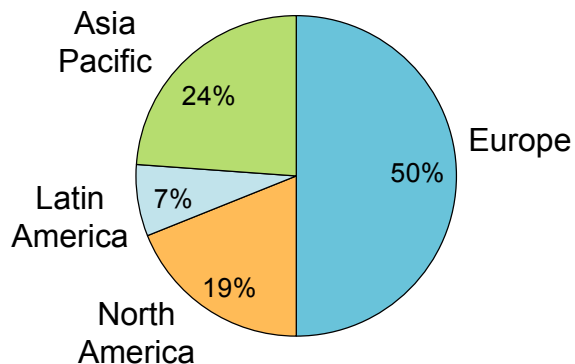
LivingColors



CosmoPolis



**Sales
FY2007**



Lighting – Product innovation and energy efficiency

Energy efficiency

- Worldwide untapped potential of existing lighting technology driven by energy and climate challenges; with oil prices rising and 19% of electricity usage for Lighting, potential savings by efficient lighting trigger changeover

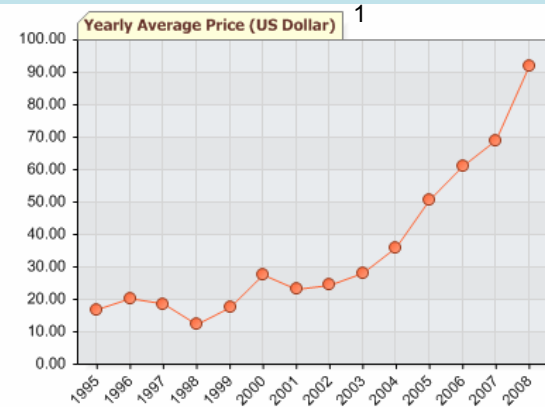
Focus on solutions

- Professional lighting solutions
- Consumer lighting solutions
- Special/Automotive lighting solutions

Innovation

- From conventional light sources to solid state lighting
- From product to application focus
- From products to controllable systems

Oil at a historical high



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




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

Lighting

One of the most efficient ways to cut CO₂

- 19% of electricity usage for lighting
- Existing innovative lighting solutions could realistically save **up to 40%** energy on all today's installed lighting
- Global savings of EUR 106 billion in energy costs per year

This equates to:

-  555 million tonnes of CO₂ per year
-  1.5 billion barrels of oil per year
-  Annual output of 530 medium sized power stations @ 2TWh/yr










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						# 1
 Solid State Lighting	# 2 or 3						# 2 or 3

Note: Updated November 2007

Consumer Lifestyle



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

Consumer Lifestyle

- Focused on innovative lifestyle solutions for personal well being
- Strong marketing & sales capabilities with many leading market positions; leveraging Philips brand
- Consumer-driven insights and dedicated business models driving innovation and differentiation
- Entering strategic new value spaces
- Driving sustainable, profitable growth
- In 2008, decisive steps will be taken to structurally deal with unsatisfactory EBITA margins

Active Crystals



Portable Media devices



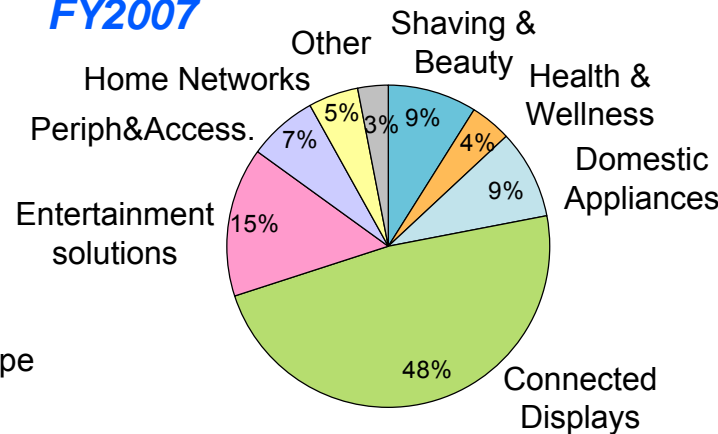
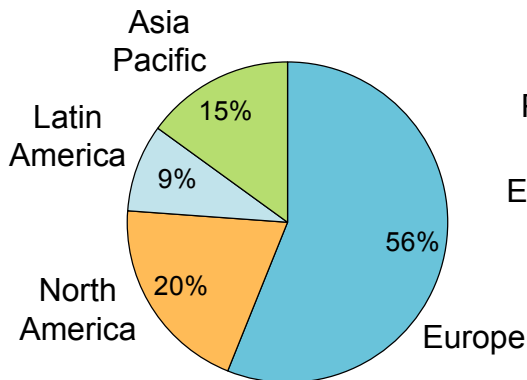
Arcitec



Flexcare



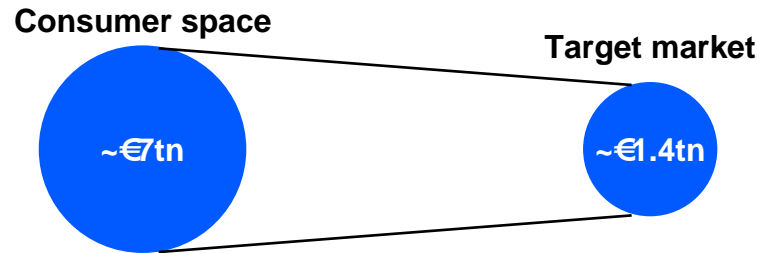
Sales FY2007



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

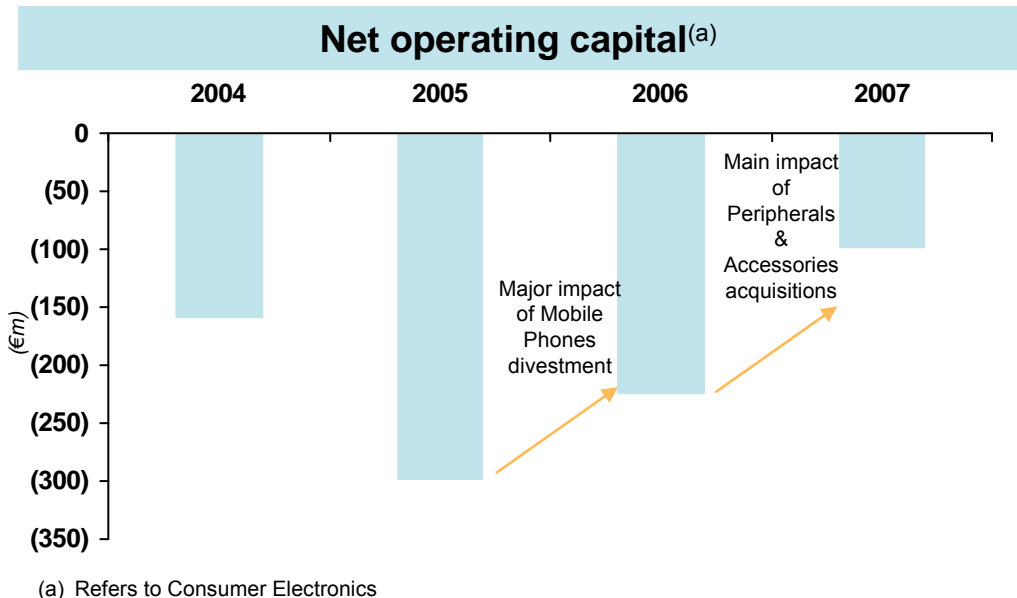
Consumer Lifestyle targeted market ~ € 1.4 T

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

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

Consumer lifestyle – an asset-light business model supported by a leading brand

- As part of the focus on innovation and design Philips has de-risked the business via the adoption of an asset light strategy
- Supported by leading brand awareness in both developed and fast growing emerging markets
- Continued focus on profitability instead of growth in Connected Displays business; already 80% of manufacturing outsourced
 - decisive actions announced to address US Connected Displays business facing continued margin pressure, low brand loyalty and supply chain challenges
 - active ongoing effort to exit/limit low profit positions, reinforcement of European position, development of product differentiation and supply chain rationalisation in order to enhance overall profitability



Leading Brand awareness

Brand value US\$7.7bn

- 2007: 42nd place
- 2006: 48th place
- 2005: 53rd place
- 2004: 65th place



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
 - 400 internal professional designers focused on product differentiation
- Decades of proven success in selling high margin consumer products (shavers)
 - Wide range of DAP products

Former DAP business strongly positioned globally

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

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

Note: Updated July/August 2007

Agenda

- Results Q1 2008
- Market dynamics and competitive strengths
- Moving to Philips 'Vision 2010'
- Conclusion

Agenda

- Market dynamics and competitive strengths

- Moving to Philips 'Vision 2010'

- Vision 2010

- Profitability

- Growth

- Acquisitions

- Conclusion

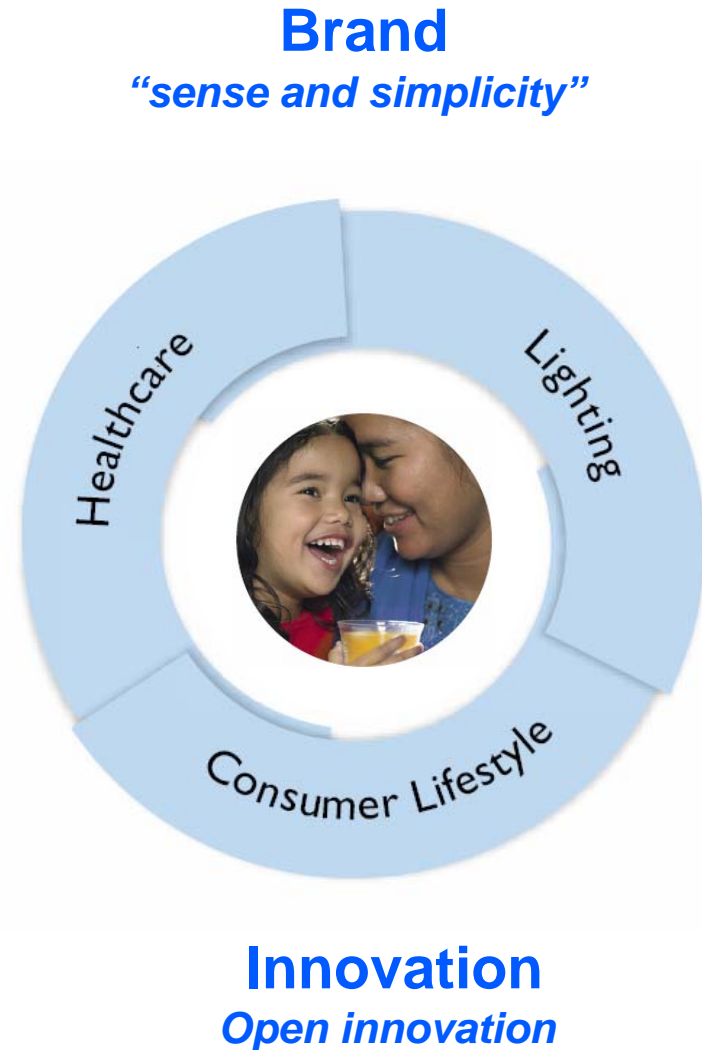
An overall focus on Health and Wellbeing

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

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

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

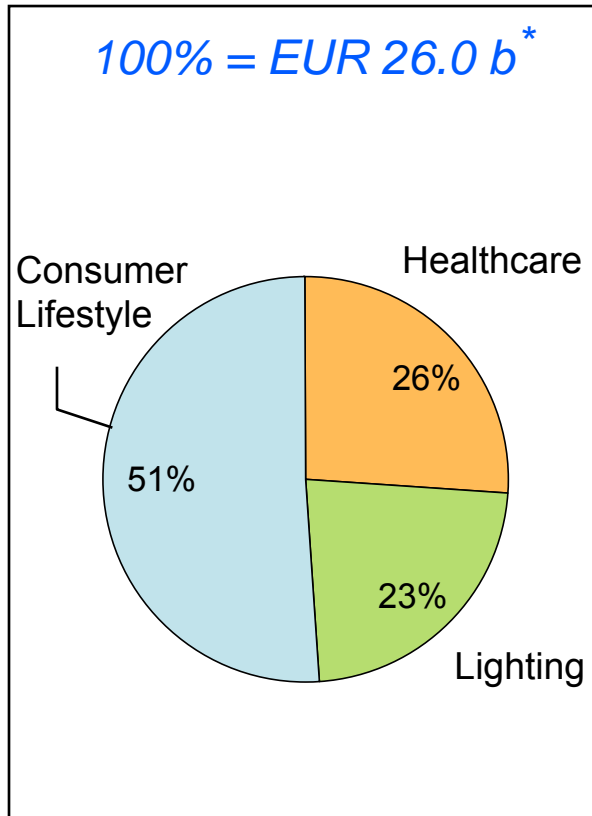
Our competitive differentiation is in our *brand* and in our *innovation* capabilities



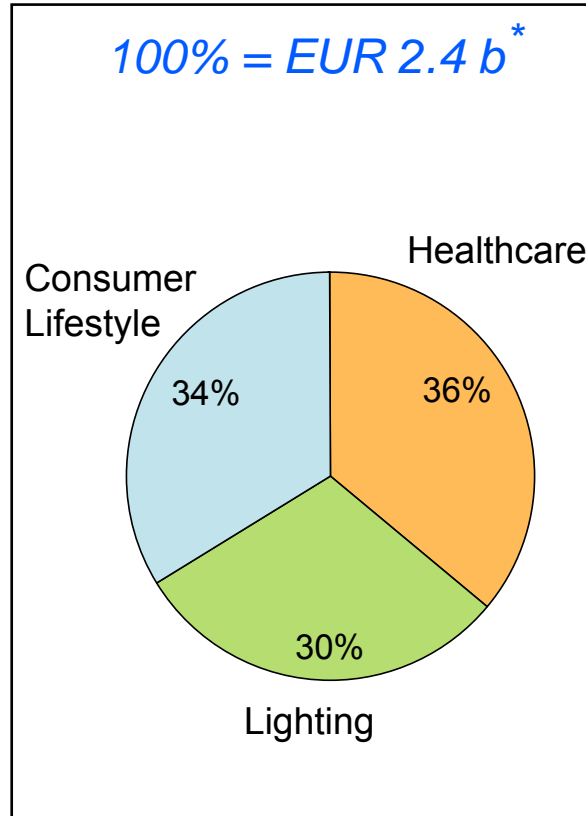
Simplified business structure by creating three core sectors: Healthcare, Lighting and Consumer Lifestyle

Full Year 2007, EUR million

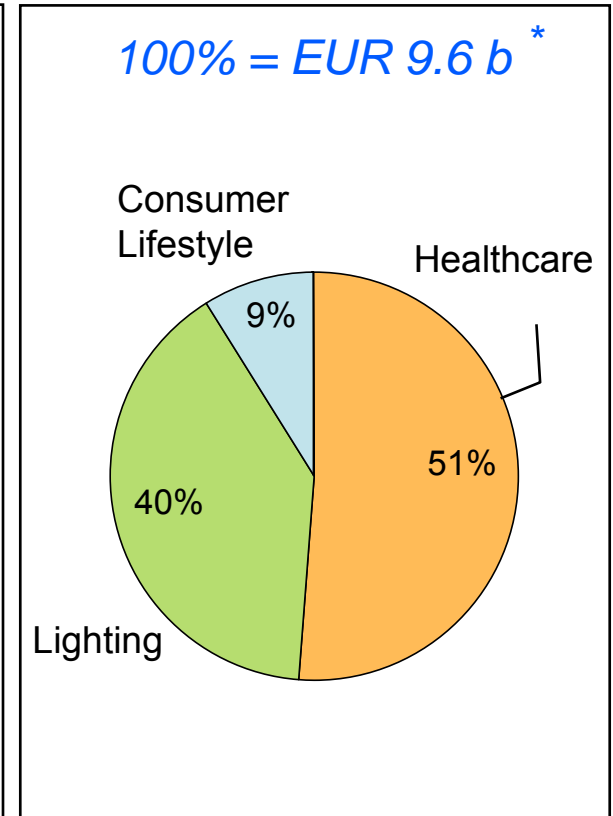
Sales



EBITA



Net Operating Capital



* Excluding Central sectors

We will reach our objectives by executing on the following strategic actions

1. We are a *people-centric* company that organizes around *customers and markets*
2. We invest in a *strong brand* and consistently deliver on our *brand promise* of “*sense and simplicity*”, in our actions, products and services
3. We deliver *innovation* by investing in world class strengths in *end-user insights, technology, design* and superior *supplier networks*
4. We develop our *people’s leadership, talent* and *engagement* and align ourselves with high performance benchmarks
5. We invest in *high growth and profitable businesses* and *emerging geographies* to achieve *market leadership* positions
6. We are committed to *sustainability* and focus on making the difference in *efficient energy use*
7. We drive *operational excellence* and *quality* to best in class levels, allowing us the above mentioned strategic investments in our businesses

Philips 'Vision 2010' ambition

Announced September 2007

- *Improving EBITA margin of our current businesses* to exceed 10% from our 2007 actual of 7.7% through:
 - Improved *margin management*
 - Increased contribution from recent *acquisitions*
 - Improvement of our *product mix*
 - Cost benefits of EUR 150-200M through effects of *organizational simplification*

- *Driving comparable growth* at a minimum of 6% average per year for the period 2008-2010

- More efficient balance sheet by the end of 2009 through a combination of value-creating acquisitions as well as continued return of capital to shareholders, while maintaining A rating

- Thanks to these measures we expect to *more than double our EBITA per common share by 2010* compared to 2007



Philips updated 'Vision 2010' ambition

Announced April 2008

- Following the successful completion of the bulk of our capital reallocation program, we are now in a position to update Vision 2010 in somewhat more detail:

– *Improving EBITA margin of our current businesses:*

<i>Healthcare</i>	<i>15 % - 17 %</i>
<i>Lighting</i>	<i>12 % - 14 %</i>
<i>Consumer Lifestyle</i>	<i>8 % - 10 %</i>
Group	10 % - 11 %

– *Driving comparable growth* at a minimum of 6% average per year for the period 2008-2010

- The objective to *double 2010 EBITA per share from 2007 level* is maintained
- After 2008 decline in return on invested capital following recent acquisitions, *return on invested capital for 2010* is expected to be at a *level of 12% - 13%*



Agenda

- Market dynamics and competitive strengths

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Vision 2010

➤ Profitability

Growth

Acquisitions

- Conclusion

Vision 2010: ambition to significantly increase shareholder value

Improving EBITA margin of our businesses to 10% - 11%

- Around 3% additional EBITA required over 3 years to bridge 7.7% to 10%/11%
 - Phasing out the Corporate Brand Campaign ~ 0.4% (EUR 100 M)
 - Simplifying our organizational structure ~ 0.7% (EUR 150-200 M)
 - Mix / margin management per sector
 - Leveraging acquisitions
 - Growing high margin businesses
 - Productivity improvement
- } > 1.2% - 2.2%

Simplifying our organisational structure

Objectives of integrating our consumer businesses

By integration of our current CE and DAP divisions into one sector we will:

- create an organization and management team capable of executing a single consumer strategy
- allow the new organization to leverage the best capabilities of both organizations
- create a consumer solutions powerhouse closely grouped around the end-consumer, with deep consumer insight and the ability to develop, produce and market innovative products with higher profitability levels than before.
- deliver cost benefits of EUR 150-200M, which will further support our profitability

Agenda

- Market dynamics and competitive strengths

- Moving to Philips 'Vision 2010'

Vision 2010

Profitability

➤ Growth

Acquisitions

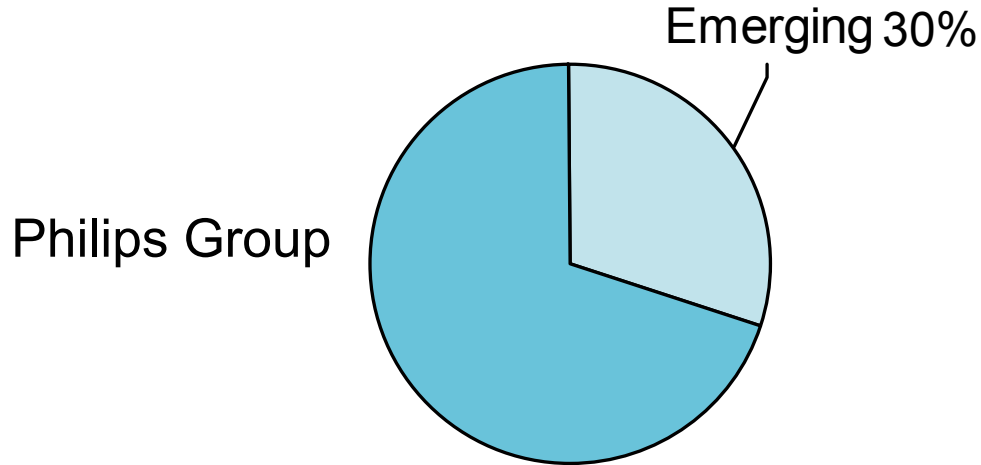
- Conclusion

To realize our ambitions we continue to pull all levers of growth

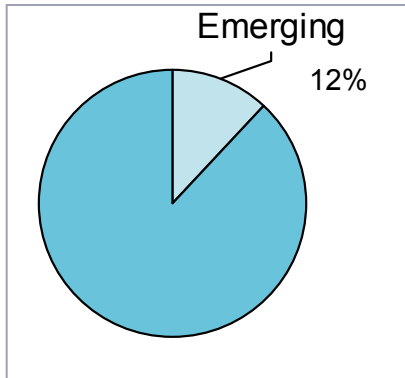


Emerging markets

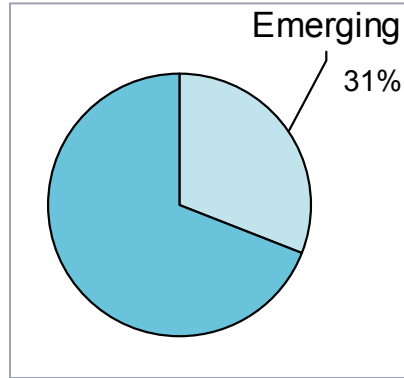
Sales in emerging markets Q1 2008



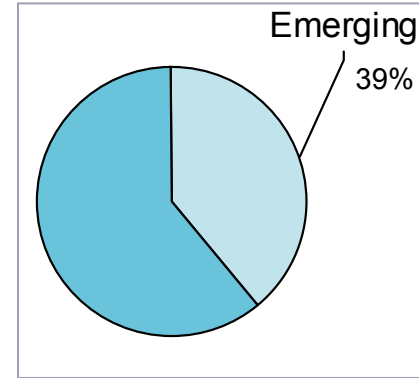
Healthcare



Lighting



Consumer Lifestyle



Emerging markets

Sales growth in emerging markets

	Q1 2007	FY 2007	Q1 2008
Healthcare	(3) %	8 %	8 %
Lighting	15 %	16 %	13 %
Consumer Lifestyle	(10) %	7 %	22 %
<hr style="border-top: 1px dashed black;"/>			
Philips Group	(2) %	10 %	17 %

Becoming a more market driven organization

- New sector organization build around markets
- Key account teams for large customers both in B2B and B2C
- Introduction of Net promoter score to measure customer satisfaction
- All innovations program based on unique customer insight
- Comprehensive program to strengthen marketing competencies



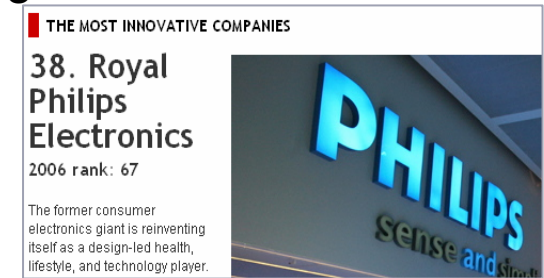
Our increased innovation focus fuels growth

Initiatives

- We deliver innovation by investing in world class strengths in end-user insights, technology, design and superior supplier networks.
- We increased our investments in Incubation, Molecular Healthcare and Emerging Market new business development.

Results

- Our New Product Sales index increased from 39% (2004) to 56% (2007).
- We continue to move up in Business Week's ranking of most innovative companies:
 - 2006: 67
 - 2007: 38



“The former consumer electronics giant is reinventing itself as a design-led health, lifestyle, and technology player. Think in-home health-monitoring devices for heart patients, computer games with sensory effects, and energy-efficient color-changing lighting. Philips taps teams of futurists, cultural anthropologists, designers, and scientists to develop user-centered products and services.”

Our increased brand focus fuels growth

Initiatives

- Sustained competitive investment behind brand campaign
- Use A&P to ‘claim’ simplicity, also establish a dialogue with our stakeholders to allow them to experience the brand.
- Creating conditions to ‘live the brand’ by filters in all key processes (8 commitments)

Results

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

- 2004: 65
- 2005: 53
- 2006: 48
- 2007: 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. The 15% increase in value not only reflects that investments in the brand paid off, but it also reveals that the brand’s core messages resonate with customers. Philips not only talks about simplicity; it lives simplicity – through its focus on core activities and efficient operations Philips managed to simplify the organization and reduce costs, and through its focus on customers and their needs the brand signals that it makes a true effort to stay attractive for customers.”

Agenda

- Market dynamics and competitive strengths

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Vision 2010

Profitability

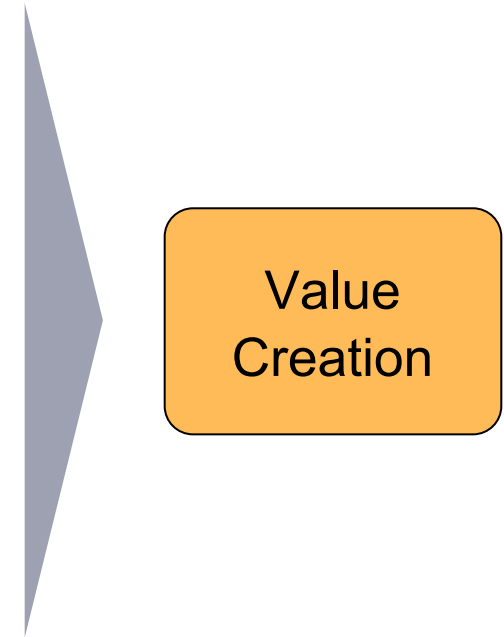
Growth

➤ Acquisitions

- Conclusion

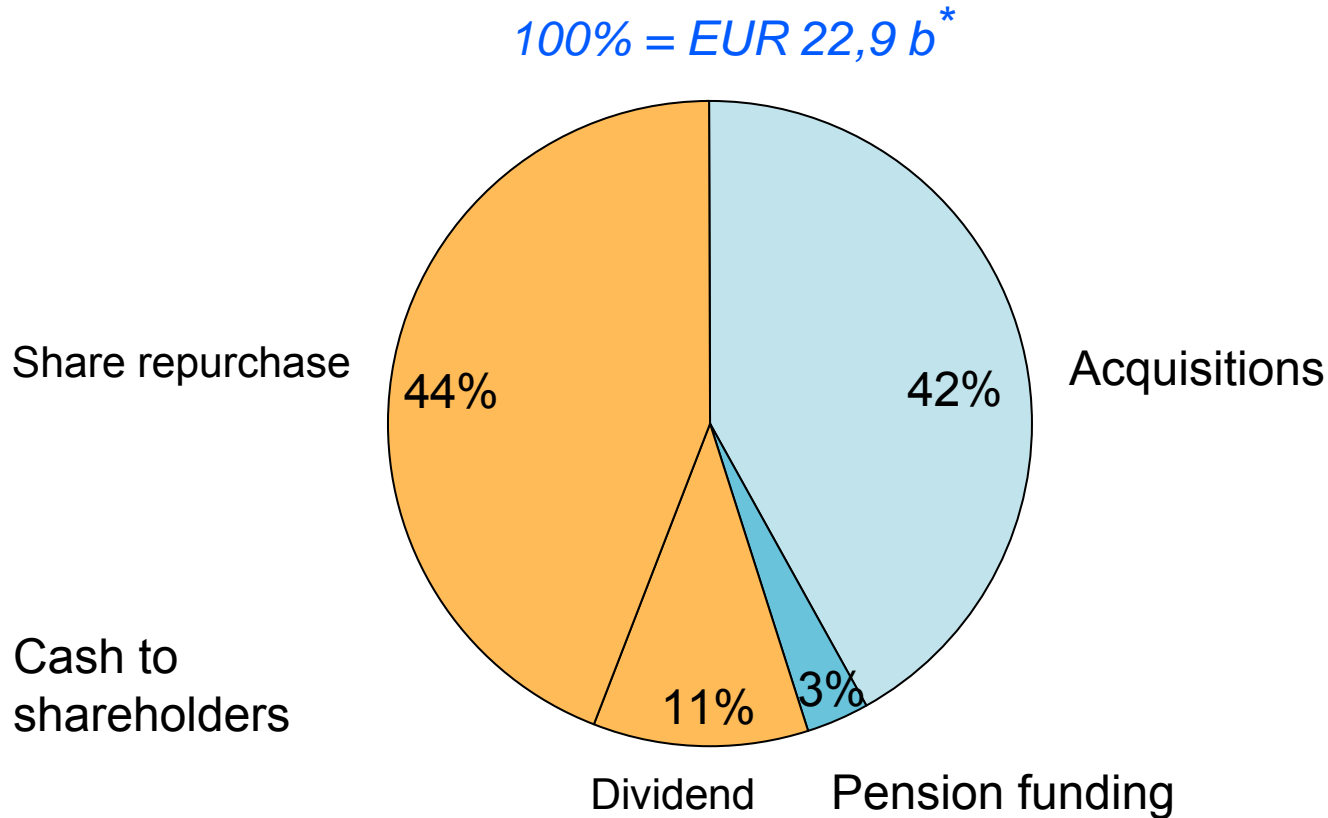
Guiding principles for acquisitions

- 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



Capital reallocation

Year 2005-2008



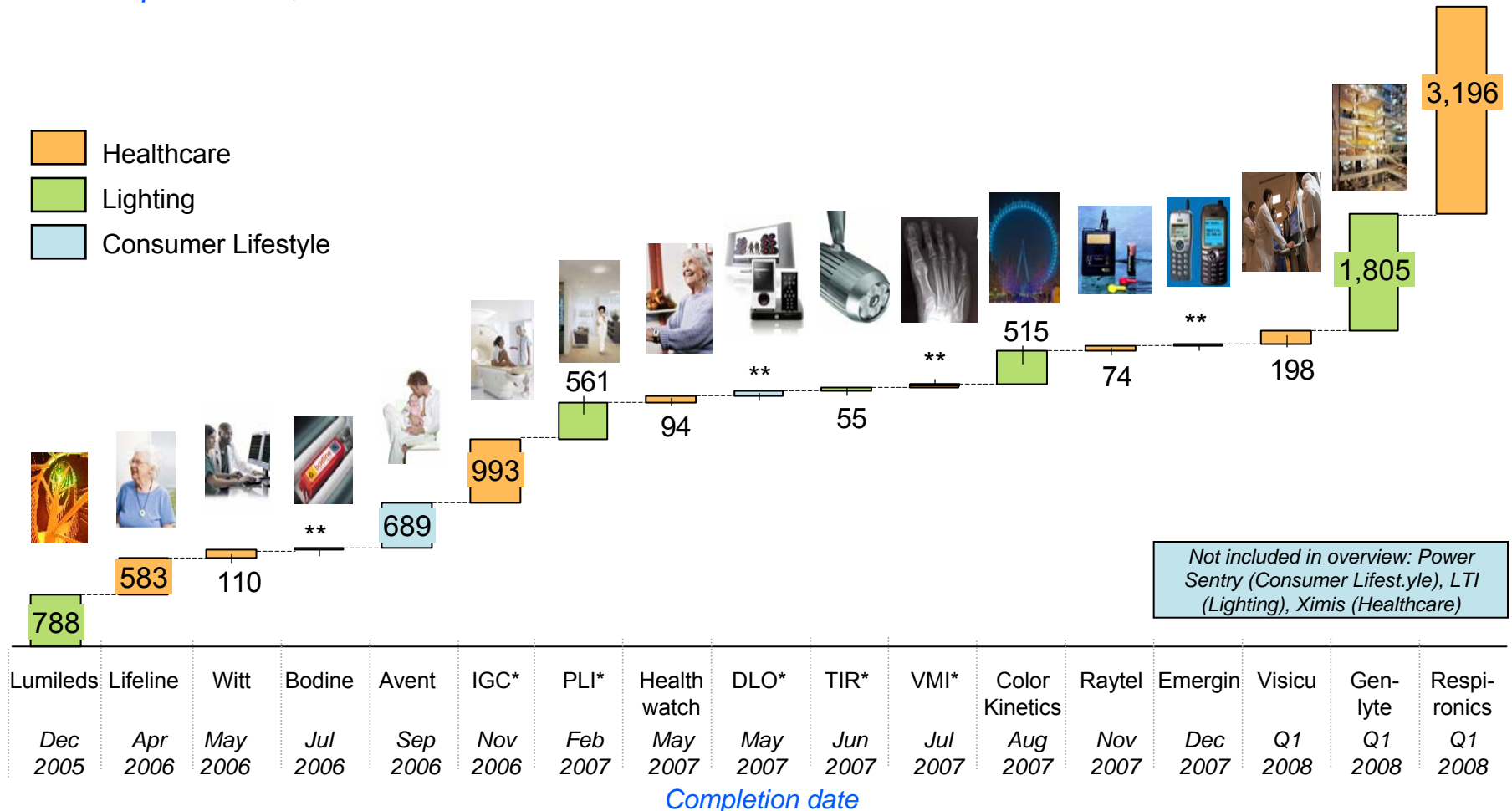
* Including announced acquisitions and share repurchase program of EUR 5.0 b, which we expect will be largely completed in 2008.

We've invested > EUR 10 B on acquisitions over past 2 years

These companies are expected to increase annual sales by > EUR 4 B, growing at 15%, while generating more than EUR 700 m earnings at a 17% margin



Enterprise value; amounts in EUR millions



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

Respironics: Leading player in respiratory market

Enterprise value EUR 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 USD180 m by 2012 with an EBITA contribution of USD 50 m
- Q1 sales and EBITA in line with plan

Genlyte: Leading N-A Luminaires manufacturer

Enterprise value EUR 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.
- Sales growth since acquisition remained solid as growth in non-residential market more than offset by the declining residential market.
- Recurring EBITA remains at the high pre-acquisition level.
- Post merger integration started and is well on track to deliver the expected synergies.
- Q1 sales and EBITA slightly above plan



Agenda

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2008 Management Agenda: Focus on Execution!

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

Summary

- Simplified portfolio of world-class businesses built around a strong brand
- Focus on high margin products & markets and market driven innovation, which provides basis for growth across the portfolio
- Focus on integration and leverage of recent acquisitions
- Leverage the brand
- Continue to improve the predictability of results
- Continue to focus on cash flow



Creating
Shareholder
Value

PHILIPS

sense and simplicity

Appendix

Cash generated from sale of major participations

EUR 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	—	4,853
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	670	18,782

Cash utilization

EUR million

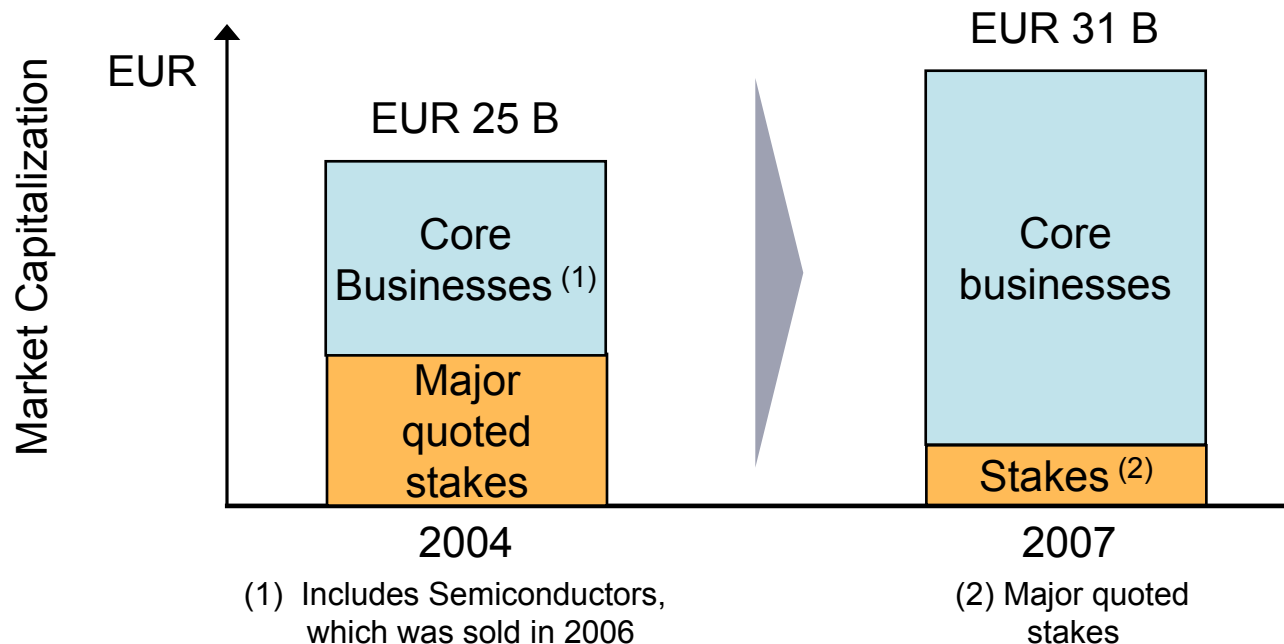
	2005/2007	Announced / being implemented	Total**
Consumer Lifestyle, Lighting & Healthcare	Acquisition Stentor	194	9,632 42.0 %
	Acquisition Witt Biomedical	110	
	Acquisition Lifeline	583	
	Acquisition Intermagnetics	993	
	Acquisition VISICU	—	
	Acquisition Respirationics	—	
	Acquisition Lumileds	788	
	Acquisition PLI	561	
	Acquisition Color Kinetics	515	
	Acquisition Genlyte	—	
Acquisition Avent	689	—	
Extra funding pensions (UK&US)	683	—	683 3.0 %
Share repurchase program	5,187	—	12,593 55.0 %
Dividend	1,686	720	
EUR 5.0 billion buy-back program	—	5,000*	
Total	11,989	10,919	22,908

* Still to be completed

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

Capital reallocation largely completed in 2007, moving towards a more stable business mix

- In 2001 we started a journey to transform Philips into a focused, market-driven company capable of delivering sustained profitable growth
- This involved significant capital reallocation, away from cyclical technology business and towards expansion of our high-margin, core businesses through acquisitions, innovation and brand injection and divestments of our non-core businesses and stakes
- With the reallocation of more than EUR 20 billion in previous four years we are nearing the end of the journey. Focus is now on delivering on our Vision 2010 ambition



Peer group adapted to Philips' transformation

Previous peer group (until 2006)

Electrolux
Emerson Electric
General Electric
Hitachi
Matsushita
Siemens

Maintained members



Ericsson
Gillette
IBM
Intel
LG Electronics
Lucent
Marconi
Motorola
NEC

Nokia
Samsung
Sanyo Electric
Sharp
Sony
Texas Instruments
Tyco International
Whirlpool

Existing peer group (2007-)

Maintained members

Electrolux
Emerson Electric
General Electric
Hitachi
Matsushita
Siemens

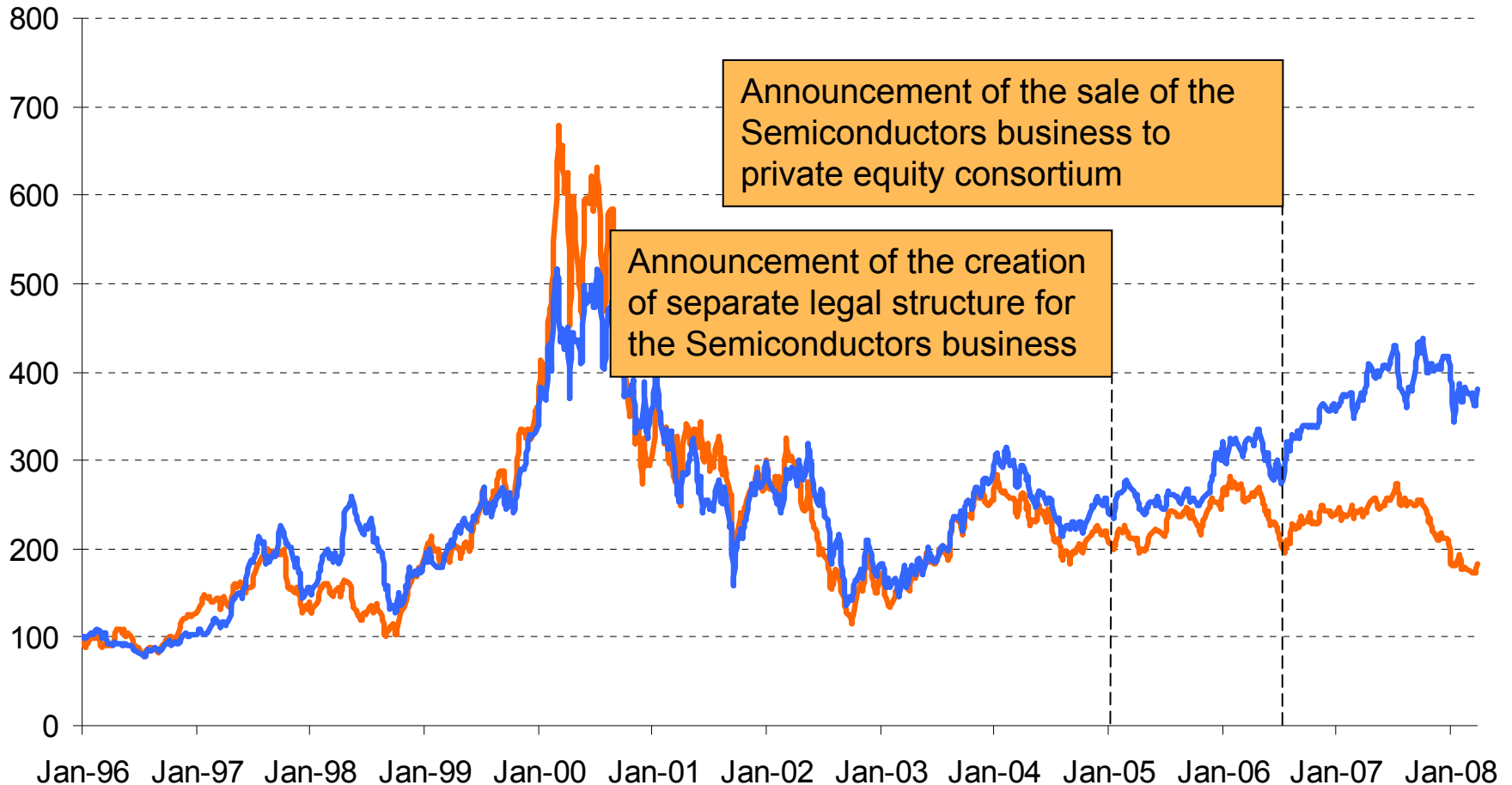
New members

Honeywell
Johnson & Johnson
Schneider Electric
Toshiba
3M

Share price gained momentum after decoupling from Semiconductor Index

base 100 = Jan 1, 1996

— Philips NY
— Soxx



Major investments

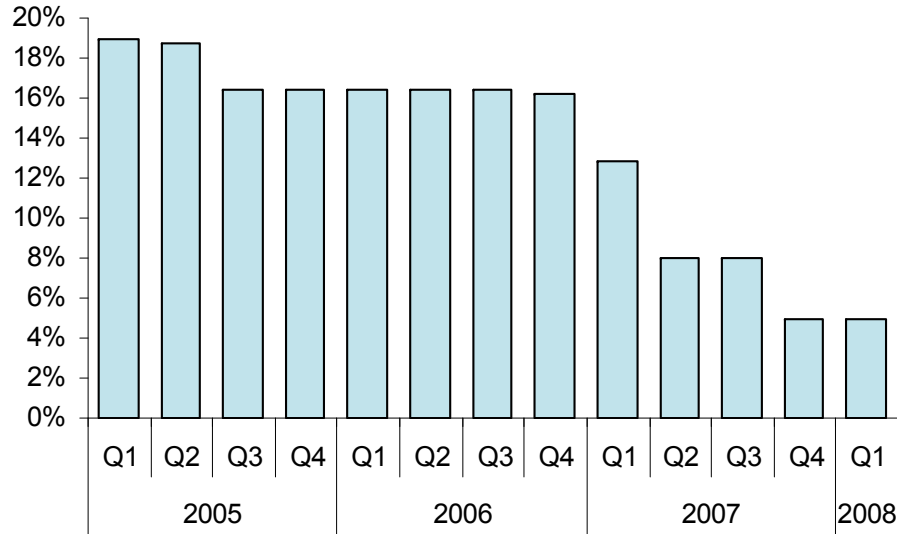
	number shares rounded in millions	% ownership	Apr 8 th , 2008 <i>in EUR m.</i>
<i>Quoted</i>			Market value
LG.Philips LCD	47	13.2	1,443
TSMC	1,311	5.0	1,763
TPV	263	13.5	107
<i>Non-quoted</i>			Book value
NXP	18	19.9 ¹	854
Total			4,167

¹ Economic ownership

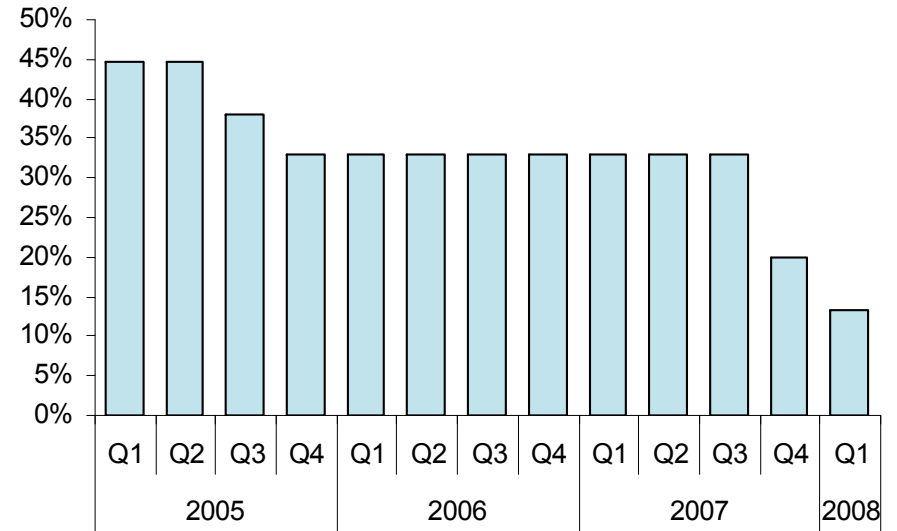
Major investments

Development of major investments

%Holding TSMC



%Holding LG.Philips LCD



Overview

EUR million

Sales and Comparable growth by sector	2006	2007 per quarter				2007	2008
	Jan.-Dec.	1st	2nd	3rd	4th	Jan.-Dec.	1st
Healthcare	6,562	1,431 4%	1,625 4%	1,585 4%	1,997 3%	6,638 4%	1,474 5%
Lighting	5,466	1,474 8%	1,464 6%	1,496 2%	1,659 8%	6,093 6%	1,711 3%
Consumer Lifestyle *	13,108	2,816 -2%	2,786 -6%	3,238 10%	4,490 11%	13,330 4%	2,662 0%
I&EB	1,379	160	110	102	163	535	79
GMS	167	49	48	44	56	197	39
Philips Group	26,682	5,930 3%	6,033 0%	6,465 7%	8,365 8%	26,793 5%	5,965 1%
* of which Connected Displays	6,559	1,293	1,258	1,511	2,208	6,270	1,227
EBITA and EBITA% by sector	2006	2007 per quarter				2007	2008
	Jan.-Dec.	1st	2nd	3rd	4th	Jan.-Dec.	1st
Healthcare	860 13%	119 8%	224 14%	182 11%	352 18%	877 13%	121 8%
Lighting	608 11%	186 13%	161 11%	190 13%	185 11%	722 12%	200 12%
Consumer Lifestyle *	692 5%	141 5%	106 4%	171 5%	430 10%	848 6%	77 3%
I&EB	-75	(31)	(36)	(35)	17	(85)	(68)
GMS	-699	(45)	(61)	(72)	(119)	(297)	(65)
Philips Group	1,386 5%	370 6%	394 7%	436 7%	865 10%	2,065 8%	265 4%
* of which Connected Displays	155 2%	(51) -4%	(69) -5%	(43) -3%	95 4%	(68) -1%	(95) -8%