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sense and simplicity

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Royal Philips Electronics

June 6th, 2007

Forward Looking Statements

Forward Looking Statements

This document contains certain forward-looking statements with respect to the financial condition, results of operations and business of Philips and certain of the plans and objectives of Philips with respect to these items, in particular the outlook paragraph in this report. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to, levels of consumer and business spending in major economies, changes in consumer tastes and preferences, changes in law, the performance of the financial markets, pension costs, the levels of marketing and promotional expenditures by Philips and its competitors, raw materials and employee costs, changes in exchange and interest rates, changes in tax rates and future business combinations, acquisitions or dispositions and the rate of technological changes, political and military developments in countries where Philips operates and industry consolidation. Statements regarding market share, including as to Philips' competitive position, contained in this document are based on outside sources such as specialized research institutes, industry and dealer panels in combination with management estimates. Where information is not yet available to Philips, those statements may also be based on estimates and projections prepared by outside sources or management. Rankings are based on sales unless otherwise stated.

Use of non-GAAP Information

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

Use of fair value measurements

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

Agenda

- Results
- Portfolio changes
- Capital reallocation
- Growth
- Acquisitions
- Conclusion

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Agenda

- Results

  - Highlights

    Performance

    Looking ahead

Highlights

- EBITA amounted to EUR 353 million, or 5.9% of sales, compared with EUR 279 million, or 4.5% of sales, in Q1 2006.
- Including a gain on the sale of TSMC shares, net income increased to EUR 875 million from EUR 160 million in Q1 2006.
- Sales totaled EUR 5,991 million, up 3% on a comparable basis compared to the same period last year, driven by a very strong performance at DAP and Lighting.
- So far this year, announcement of three strategically aligned acquisitions that will add to growth.

Agenda

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➢ Performance

Looking ahead

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Summary - 1Q07

EUR million

	1Q06	1Q07
Sales	6,155	5,991
EBITA	279	353
Results equity-accounted investees	(17)	(48)
Net income from continuing operations	139	847
Discontinued operations	21	28
Net Income	160	875
Net cash provided by operating activities	(1,003)	(203)
Net debt : Group equity ratio	6:94	(10):110

Sales to thirds by sector – 1Q07

EUR million

	1Q06	1Q07	% nom	% comp
Medical Systems	1,469	1,455	(1)	3
DAP	496	608	23	17
CE	2,423	2,208	(9)	(6)
Lighting	1,345	1,474	10	8
I&EB	395	197	(50)	38
GMS	27	49	81	96
Group sales	6,155	5,991	(3)	3

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Sales to thirds by region – 1Q07

EUR million

	1Q06	1Q07	% nom	% comp
Europe / Africa	2,752	2,797	2	4
North America	1,727	1,702	(1)	4
Latin America	460	367	(20)	(14)
Asia Pacific	1,216	1,125	(7)	4
Group sales	6,155	5,991	(3)	3

EBITA by sector – 1Q07

EUR million

	1Q06	1Q07
Medical Systems	102	101
DAP	55	107
CE	33	34
Lighting	190	186
Innovation & Emerging Bus.	(19)	(30)
Group Mgt & Services	(82)	(45)
Philips Group	279	353
as % of sales	4.5	5.9

Cash Flow from continuing operations – 1Q07

EUR million

	1Q06	1Q07
Net income	160	875
Income/loss discontinued operations	(21)	(28)
Depreciation / amortization / impairments	187	247
Net gain on sale of assets	(70)	(774)
Income from equity accounted investees	(30)	86
Decrease in WC/other current assets	(1,254)	(809)
Other	25	200
CF from operations	(1,003)	(203)
Gross capital investments	(200)	(152)
Acquisitions/divestments/other	(546)	630
CF before financing activities	(1,749)	275

Fixed assets expenditures & Depreciation by sector*

EUR million

	Gross CapEx		Depreciation	
	1Q06	1Q07	1Q06	1Q07
Medical Systems	16	20	20	20
DAP	19	22	18	18
CE	18	18	15	17
Lighting	106*	58	45	52
I&EB	21	7	17	12
GMS	20	27	17	11
Group	200	152	132	130

* Excluding software related capital expenditures and depreciation

** Higher CapEx in Lighting relates to investments in Lumileds

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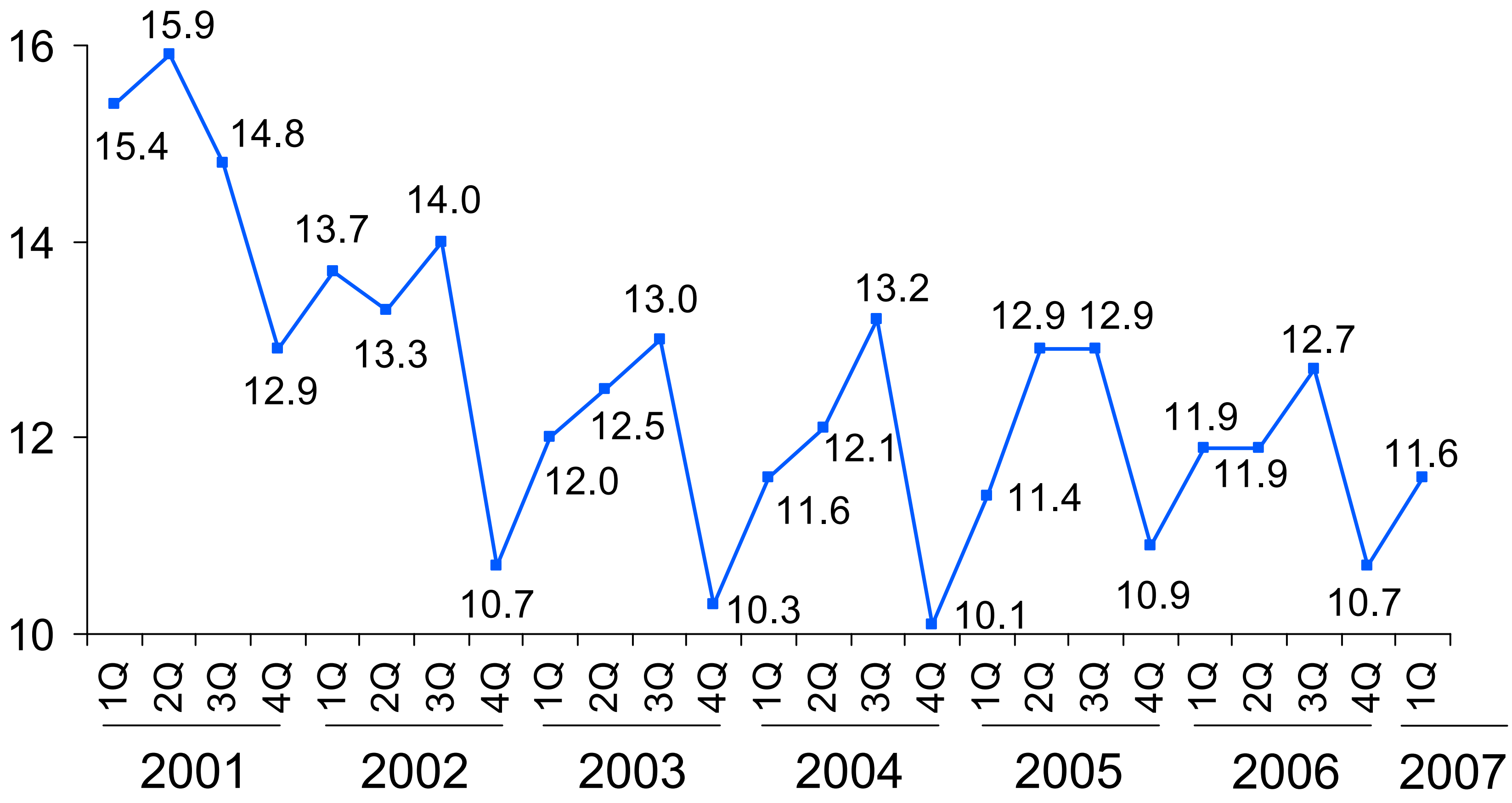
Inventories

as % of MAT sales



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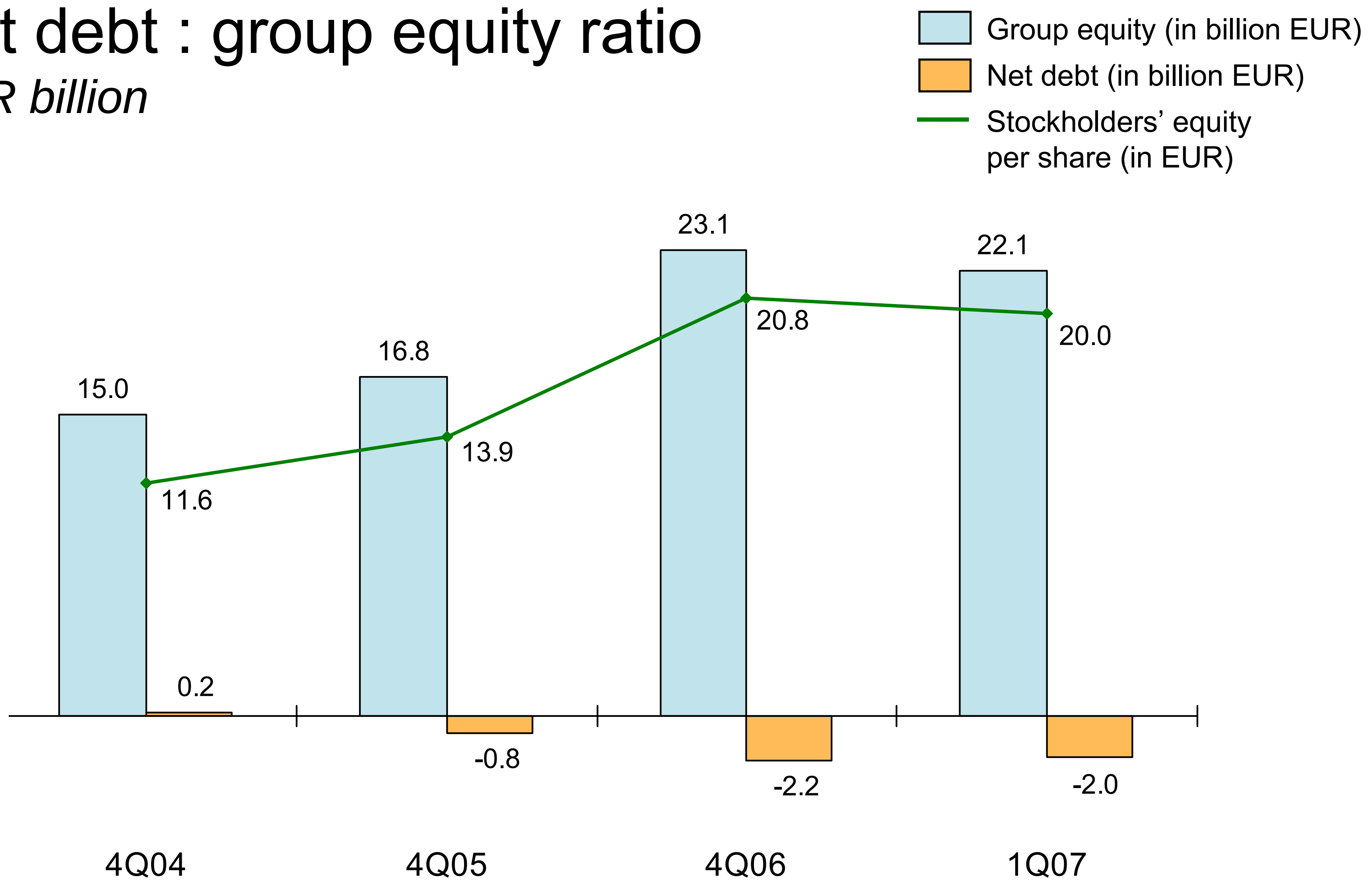
Net debt : group equity ratio

EUR billion



	4Q04	4Q05	4Q06	1Q07
Ratio	1:99	(5):105	(10):110	(10):110

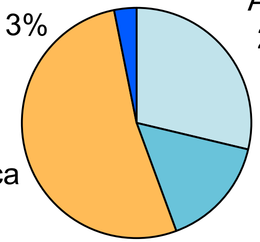
Medical Systems

EUR million unless otherwise stated

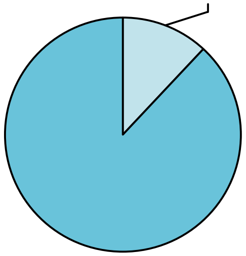
Key figures

	1Q06	4Q06	1Q07
Sales	1,469	2,068	1,455
% sales growth comp.	8	7	3
EBITA	102	353	101
EBITA as % of sales	6.9	17.1	6.9
EBIT	79	291	56
EBIT as % of sales	5.4	14.1	3.8
NOC	3,362	4,332	4,188
Employees (FTEs)	30,696	32,843	32,463

Sales per region 1Q07



Emerging markets



Financial performance

- Equipment order intake on a currency-comparable basis showed a minimal decline compared to Q1 2006, mainly due to a softening of the North American market for imaging equipment.
- 3% comparable sales growth driven by strong growth at Magnetic Resonance, Customer Services, Cardiac Care and General X-Ray, offset by declines at Computed Tomography and MedQuist
- Excluding MedQuist and the Intermagnetics-related charges, EBITA improved compared to Q1 2006, both in absolute amount and relative to sales. MedQuist's EBITA deteriorated by EUR 12 m compared to Q1 2006 mainly due to several incidental charges during the quarter.
- EBIT included EUR 30 m in Intermagnetics-related acquisition and integration charges, EUR 8 m of which also impacted EBITA
- NOC and employee numbers increased, mainly due to the consolidation of Intermagnetics and Witt.

Looking ahead

- Purchasing-accounting and integration-related charges for Intermagnetics are expected to be approx. EUR 15 m per quarter (of which approx. EUR 5 m will impact EBITA) for the remainder of the year.

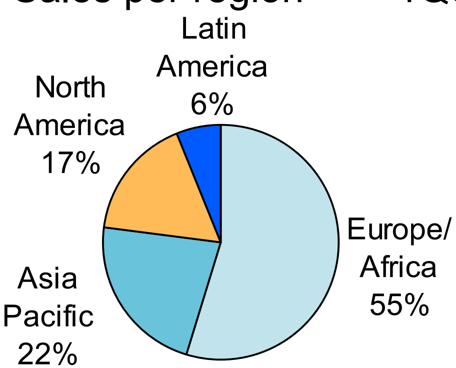
DAP

EUR million unless otherwise stated

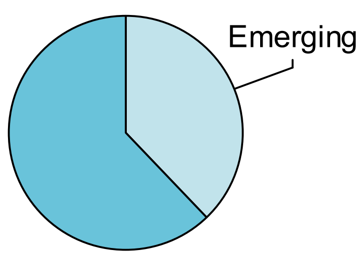
Key figures

	1Q06	4Q06	1Q07
Sales	496	927	608
% sales growth comp.	10	13	17
EBITA	55	167	107
EBITA as % of sales	11.1	18.0	17.6
EBIT	54	164	104
EBIT as % of sales	10.9	17.7	17.1
NOC	464	1,138	1,240
Employees (FTEs)	8,378	9,933	10,062

Sales per region 1Q07



Emerging markets



Financial performance

- Strong advertising and promotion-driven sell-through at the end of 2006 triggered very strong sales in the early part of the quarter, leading to 17% comparable sales growth. All regions contributed to the strong year-on-year increase, most notably China and the US with growth of 33% and 31% respectively.
- Strong double-digit sales growth was also visible across all businesses. Domestic Appliances' sales were boosted by Kitchen Appliances. Shaving & Beauty grew primarily in in Female Depilation and Grooming with strong growth in Shaving. The comparable sales growth at Health & Wellness was largely due to Oral Healthcare
- EBITA improved by EUR 52 m, or 6.5% of sales, driven by the strong sales growth and Avent, including the effect of early post-acquisition synergies. Restructuring costs were EUR 10 m lower compared to Q1 2006.
- The year-on-year increase in NOC and headcount was largely due to the acquisition of Avent.

Looking ahead

- During Q2, DAP plans several new product launches, supported by additional investments in advertising and promotion, and will continue its focus on emerging markets.

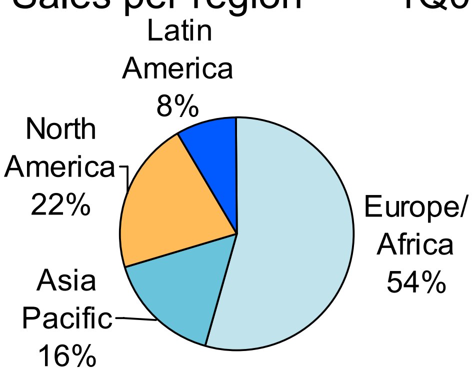
Consumer Electronics

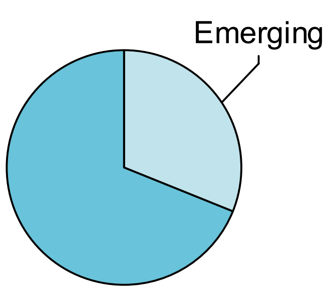
EUR million unless otherwise stated

Key figures

	1Q06	4Q06	1Q07
Sales	2,423	3,262	2,208
% sales growth comp.	16	(4)	(6)
EBITA	33	233	34
EBITA as % of sales	1.4	7.1	1.5
EBIT	33	233	34
EBIT as % of sales	1.4	7.1	1.5
NOC	78	(228)	97
Employees (FTEs)	14,932	14,486	13,947

Sales per region 1Q07 Emerging markets





Financial performance

- Comparable sales declined 6% compared to Q1 2006, a quarter in which sales were buoyed by the high sell-in ahead of soccer's FIFA World Cup™. In Q1 2007, higher sales of Flat TV (volume shipments were over 50% higher than in Q1 2006) were more than offset by lower sales of monitors and CRT televisions, both product categories for which the focus was predominantly on margin management. Sales at Mobile Phones, the divestment of which was completed at the end of March, declined by EUR 48 m. compared to Q1 2006.
- Despite the lower sales, EBITA increased slightly, both in value and as a percentage of sales. Margin pressure in Displays was offset by higher EBITA at Entertainment Solutions, Home Networks and Peripherals & Accessories.
- Inventories decreased to 6.4% of sales from 8.4% in Q1 2006, as strict inventory control remained a priority for categories such as Flat TV.

Looking ahead

- For Q2, little change is anticipated in the trading conditions in the global consumer electronics marketplace.

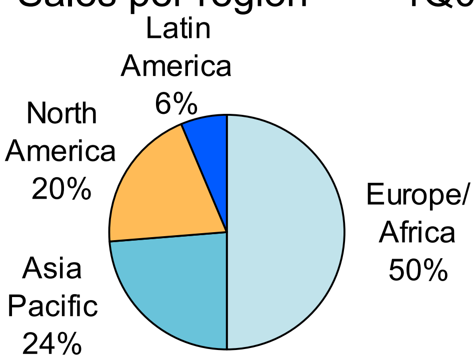
Lighting

EUR million unless otherwise stated

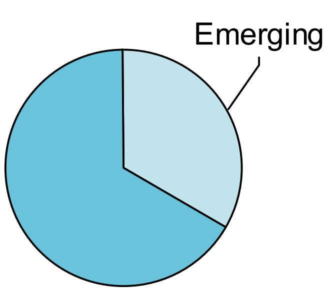
Key figures

	1Q06	4Q06	1Q07
Sales	1,345	1,455	1,474
% sales growth comp.	8	7	8
EBITA	190	135	186
EBITA as % of sales	14.1	9.3	12.6
EBIT	181	127	177
EBIT as % of sales	13.5	8.7	12.0
NOC	2,665	2,527	3,441
Employees (FTEs)	46,701	47,739	53,308

Sales per region 1Q07



Emerging markets



Financial performance

- 8% comparable growth, mainly due to strong growth in energy-efficient “Green-Switch” lighting solutions and to higher sales in emerging markets such as Russia, China and Brazil.
- EBITA included EUR 34 m in restructuring, purchase accounting-related and other incidental charges, slightly higher than in the corresponding period of 2006. Q1 2006 also included a EUR 11 m gain on the sale of real estate.
- The increase in net operating capital and number of employees is attributable to the consolidation of The Bodine Company and Partners in Lighting International (PLI).

Looking ahead

- The drive to launch innovative, energy-efficient products and to focus on emerging markets will remain a priority in 2007.
- Further optimization of the industrial footprint is expected to result in restructuring charges of approximately EUR 20 million in Q2 2007.

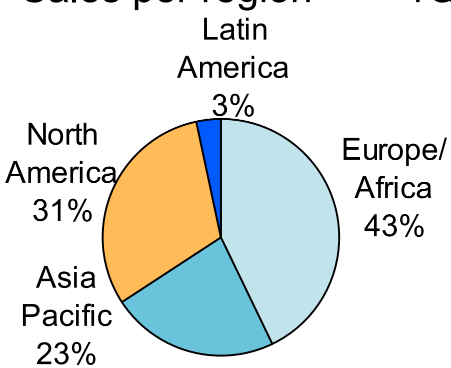
Innovation & Emerging Businesses

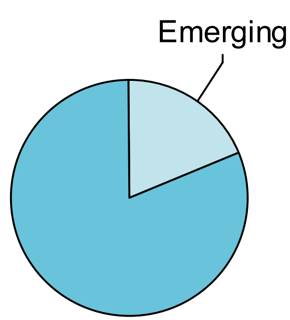
EUR million unless otherwise stated

Key figures

	1Q06	4Q06	1Q07
Sales	395	341	197
% sales growth comp.	(16)	(9)	38
EBITA	(19)	6	(30)
EBITA as % of sales	(4.8)	1.8	(15.2)
EBIT	(19)	2	(34)
EBIT as % of sales	(4.8)	0.6	(17.3)
NOC	960	748	753
Employees (FTEs)	16,707	9,852	7,561

Sales per region 1Q07 Emerging markets





Financial performance

Corporate Technologies / Incubators

- The EBITA decline at Corporate Technologies compared to Q1 2006 is related to last year's EUR 30 million gain on the sale of CryptoTec. Q1 2007 EBIT included a EUR 6 million gain on the sale of TASS, a software application business.

CHS and Others

- Sales at Consumer Healthcare Solutions grew 17% on a comparable basis, driven by the growth of services at Lifeline.
- A gain on the sale of the Automotive Playback Module (APM) business was offset by results in the remaining businesses to be sold.
- Compared to Q1 2006, the significant decline in employee numbers is attributable to the divestment of several businesses from the Corporate Investments portfolio, notably Optical Storage and ETG.

Looking ahead

- Further investments in technology and business development are expected in Q2.

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Group Management & Services

EUR million unless otherwise stated

Key figures

	1Q06	4Q06	1Q07
Sales	27	75	49
% sales growth comp.	(11)	77	96
Corporate and regional overheads	(36)	(68)	(33)
Global brand campaign	(3)	(88)	(2)
Service units, Pensions and Other	(43)	4	(10)
EBITA	(82)	(152)	(45)
EBIT	(82)	(152)	(45)
NOC	446	207	432
Employees (FTEs)	6,928	6,879	6,956

Financial performance

- Corporate & Regional costs, while in absolute spend reflecting the seasonally low first quarter, decreased compared to Q1 2006, confirming progress in the initiative to save EUR 75 million in cost (on a run-rate basis by the end of the year) by becoming a simpler and more market-driven organization.
- In addition to these cost savings, the improvement in EBIT compared to Q1 2006 was due to lower pension costs and lower costs related to legal claims.

Looking ahead

- Pension costs for Group Management & Services are expected to be approximately EUR 25 million for the full year 2007.
- Full year expenditures on the brand campaign are expected to be slightly lower than 2006, with approximately EUR 40 million planned for Q2 and most of the remainder in Q4.

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Agenda

- Results

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➢ Looking ahead

Looking ahead information in the 1Q quarterly report on April 16, 2007 - I

Medical Systems

- Purchase-accounting and integration-related charges for Intermagnetics are expected to be approximately EUR 15 million per quarter (of which approximately EUR 5 million will impact EBITA) for the remainder of the year.

Domestic Appliances and Personal Care

- During Q2, DAP plans several new product launches, supported by additional investments in advertising and promotion, and will continue its focus on emerging markets.

Consumer Electronics

- For Q2, little change is anticipated in the trading conditions in the global consumer electronics marketplace.

Lighting

- The drive to launch innovative, energy-efficient products and to focus on emerging markets will remain a priority in 2007.
- Further optimization of the industrial footprint is expected to result in restructuring charges of approximately EUR 20 million in Q2 2007.

Looking ahead information in the 1Q quarterly report on April 16, 2007 - II

Innovation & Emerging Businesses

- Further investments in technology and business development are expected in Q2.

Group Management & Services

- Pension costs for Group Management & Services are expected to be approximately EUR 25 million for the full year 2007.
- Full year expenditures on the brand campaign are expected to be slightly lower than 2006, with approximately EUR 40 million planned for Q2 and most of the remainder in Q4.

Outlook

- We made strong progress in the first quarter of 2007 towards meeting our targets of 5-6% average annual sales growth and EBITA of above 7.5% of sales, with all divisions on track to achieve their objectives. This year will again see the introduction of a stream of innovative, exciting new products across all markets we serve, including the further expansion of our 'green' product portfolio. Full-year sales at DAP and Lighting are expected to exceed these divisions' medium-term growth targets.
- With our portfolio now clearly defined, we will move forward with our shareholder-value-driven reallocation of capital. We will continue the responsible sell-down of our financial holdings while looking to make value-creating acquisitions in line with our strategic direction. We intend to complete our already-announced share buy-back programs by the end of the year.
- Overall, we remain confident that 2007 will be a year of further growth and increased profitability for Philips.

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Agenda

- Results
- Portfolio changes
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- Growth
- Acquisitions
- Conclusion

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Strategy Evolution

High Volume Electronics		Healthcare & Lifestyle
'90ties		*now …*
Portfolio	→	*One Philips*
Restructuring	→	*Growth*
Volatility	→	*Value Creation*
Let's make things better	→	*Sense and Simplicity*

Our Mission

Philips has reinvented itself many times, but through it all our core, the soul of our company, remained intact. That is because it was part of our company since its inception in 1891. It is the passion to…

“Improve the quality of people’s lives through timely introduction of meaningful innovations”

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Our Brand Promise

We empower people to benefit from innovation by delivering on our *brand promise* of

Sense and Simplicity

This brand promise of “Sense and Simplicity” encapsulates
our commitment to deliver solutions that are
advanced, easy to use, and designed around the needs of all our users.

Designed around you

Easy to experience

Advanced

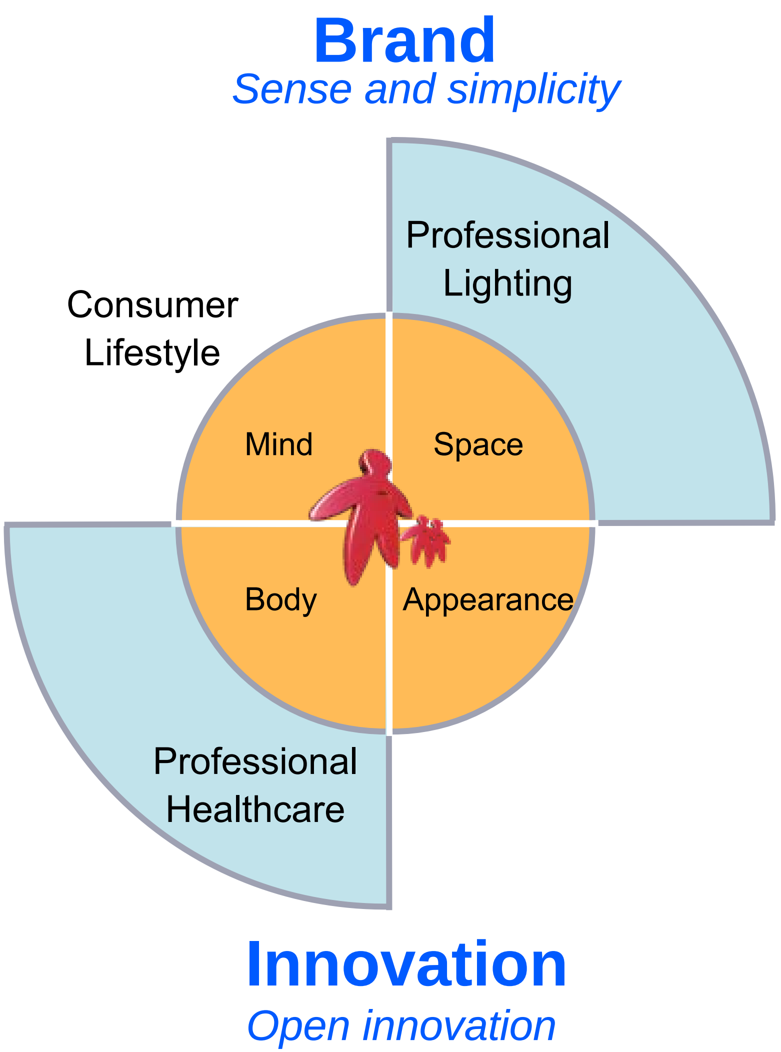
Where and how we compete

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 the quality of life in the domains of body *(healthcare)* and space *(lighting)*

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



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Our growth objectives

- Build a company with a significantly higher market capitalization and with significantly higher revenues

- We want to realize this through
  - 5-6 % average annual organic growth
  - Achieving above 7.5% EBITA margin
  - Adding value through acquisitions

- Maintain consistent quarterly performance

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

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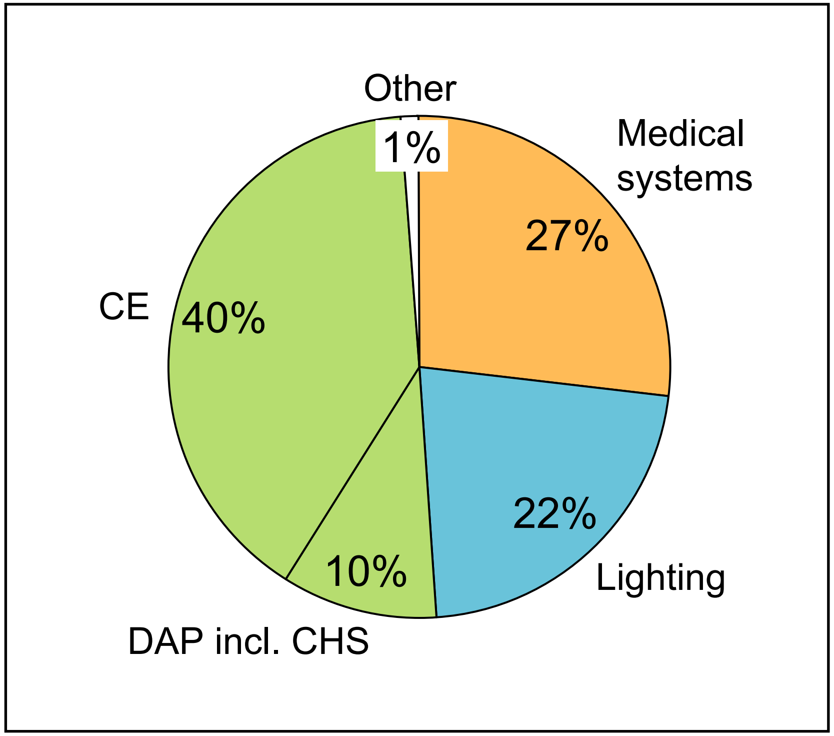
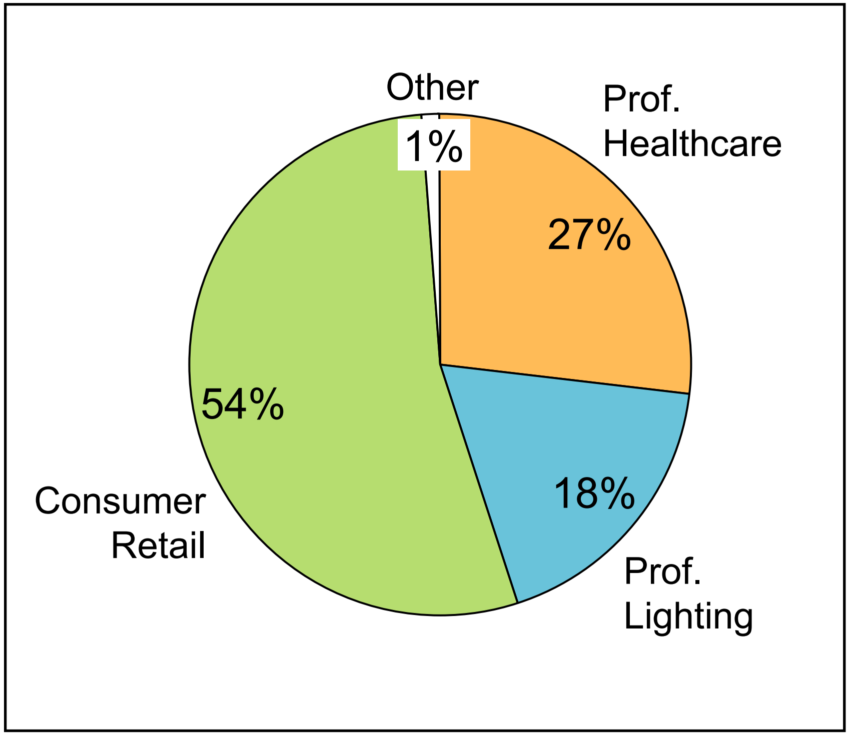
A well-balanced portfolio in consumer retail and professional markets built around the brand

Divisions – Sales*



* 2006 excluding disposed of activities

Market spaces - Sales



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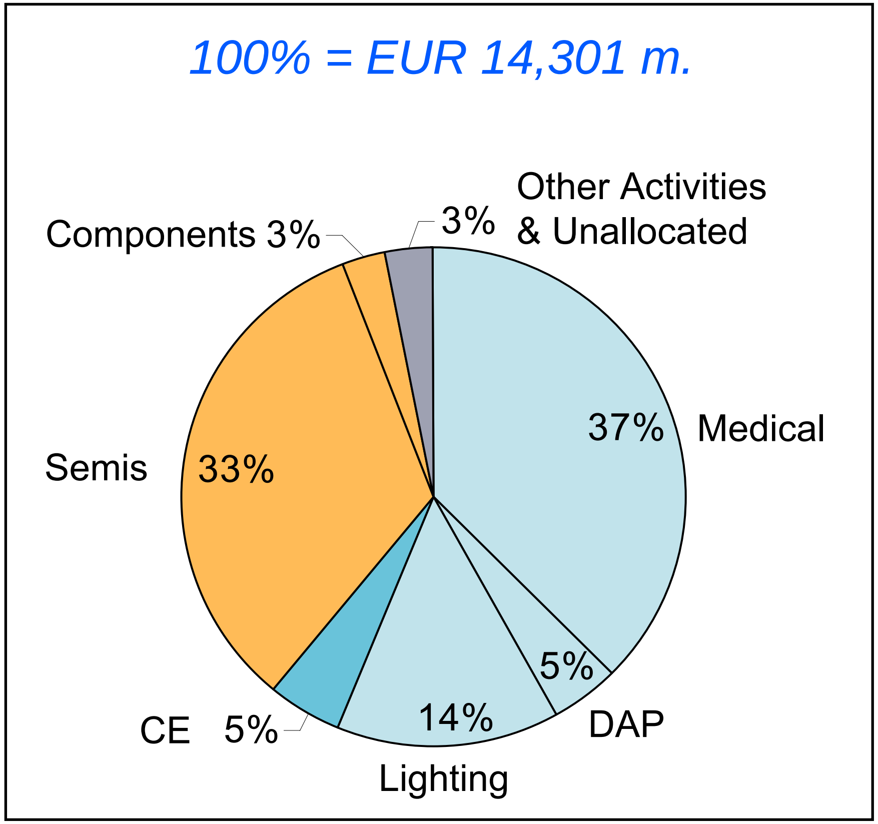
Reallocation of capital towards stable and higher margin businesses

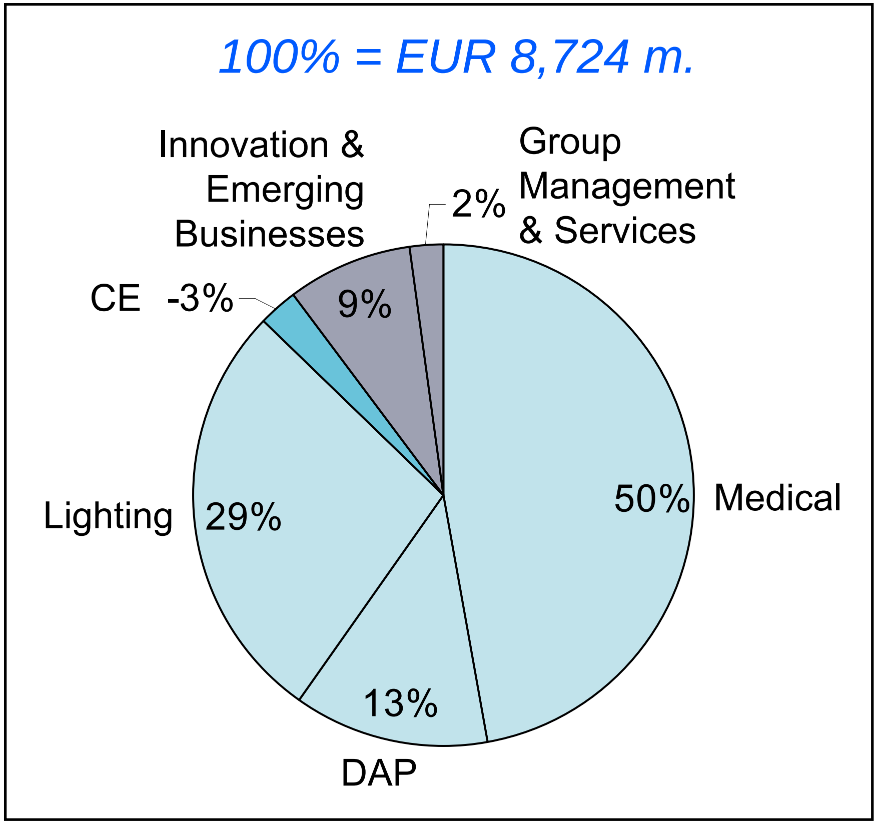
NOC as % of group NOC

Stable and high margin businesses
Low margin businesses
High volatility businesses

2001



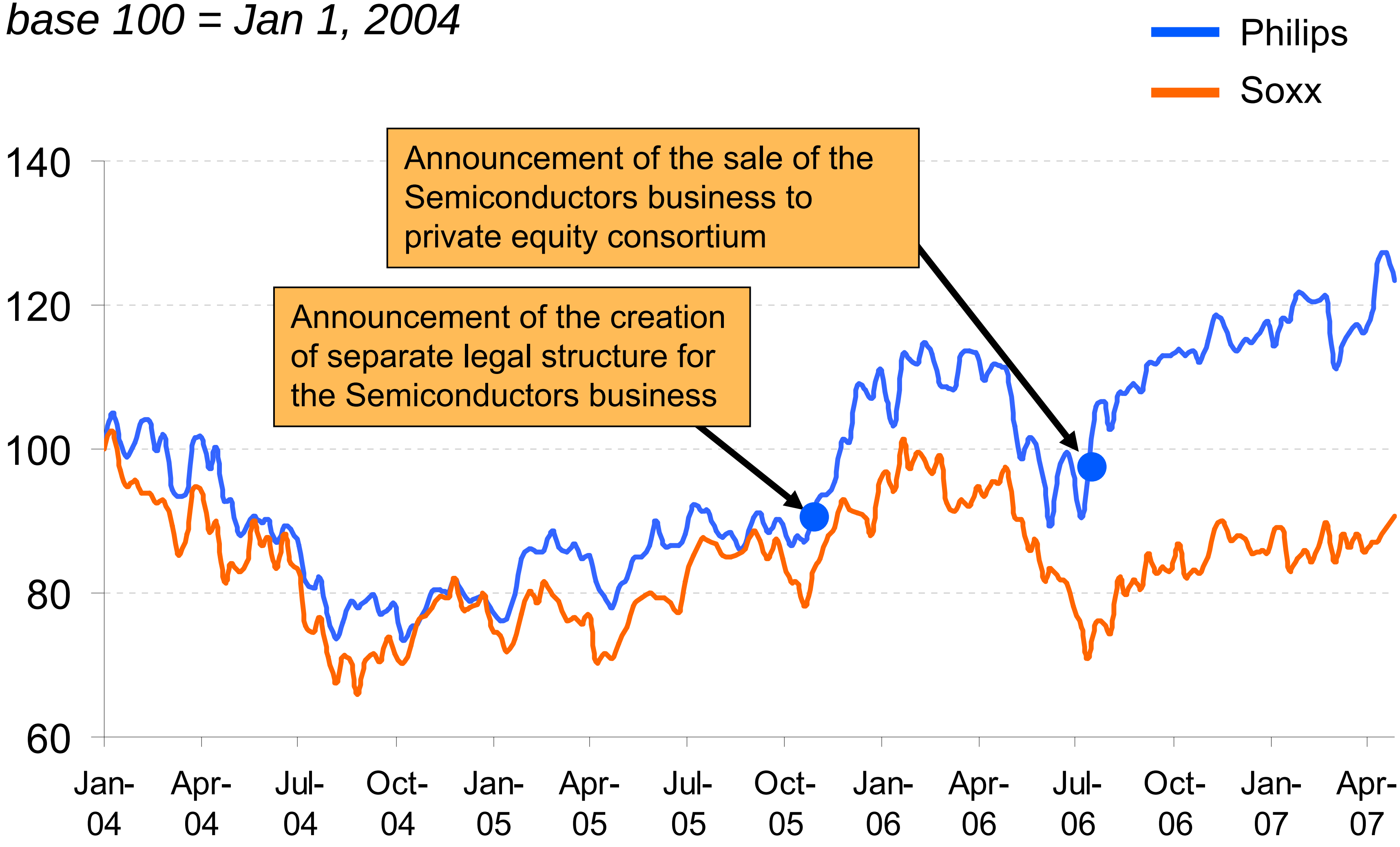
2006



* 2006 restated for new reporting structure

Share price gained momentum after decoupling from Semiconductor Index

base 100 = Jan 1, 2004



Medical Systems

- Long-term growth driven by demographics and economic advancement of emerging markets
- Strong market position and market share
- Making wide use of Philips range of skills
- Strong margins based on innovation
- Strong cash flow

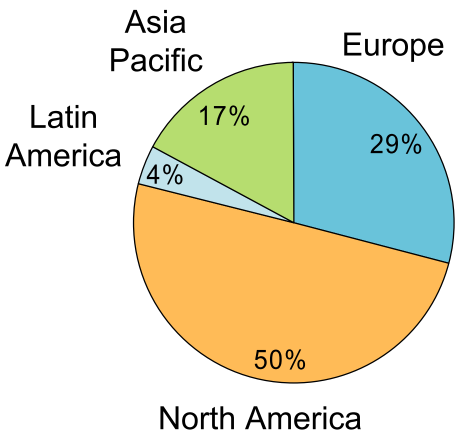
BrightView SPECT

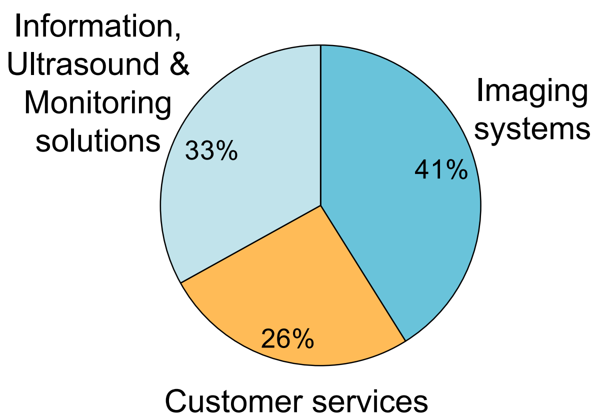
EP Navigator

MR Achieva 3.0T

SureSigns VM

2006





Domestic Appliances and Personal care

- Breakthrough products through innovation and customer understanding with many leading market positions
- Unique appliance-consumable propositions with major consumer brands
- Continuation of marketing excellence and best-in-class cost position
- Expanding retail channels into emerging markets
- Leveraging the brand
- Strong cash flow

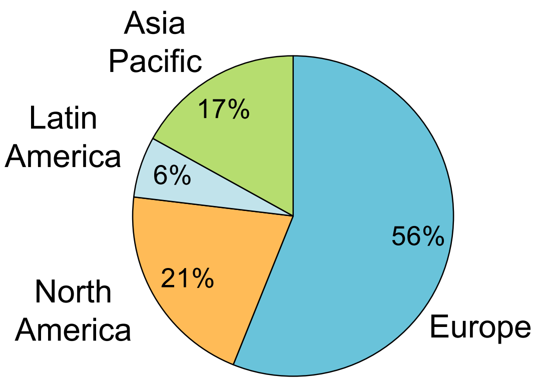
Smart Touch XL

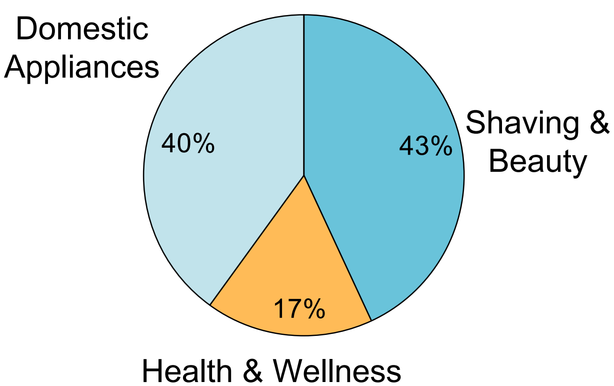
Sonicare

Wake up light

Wardrobe care

2006





* Excluding CHS

Lighting

- Number 1 market position globally with strong margins and cash flows
- End-user-driven innovation, marketing and supply excellence
- Wide range of energy saving propositions
- Profitable growth in fast-growing economies in innovative new market segments
- Investments in R&D and capital expenditures to propel innovation and growth

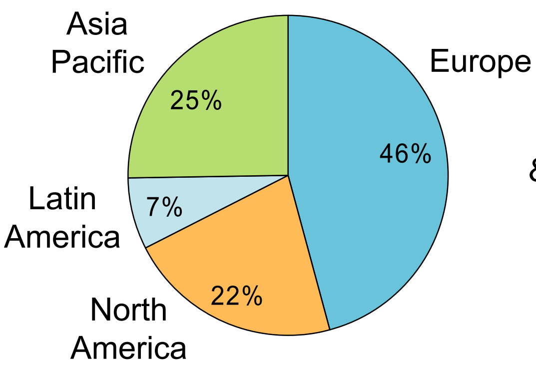
Luxeon Automotive LEDs

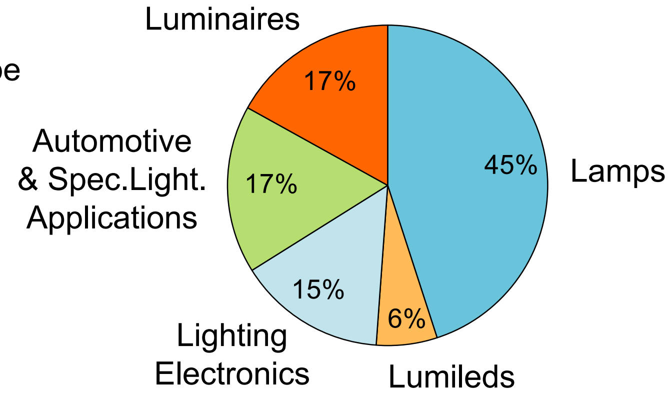
Edore

Mini CDM Mastercolour

CosmoPolis

2006





Consumer Electronics

- Focus on innovation in design and marketing of high-end differentiative products
- Leveraging the Brand
- Business Renewal Program to achieve EBITA margins of approximately 3% with negative capital base
- Outsourced approx. 80% of manufacturing, resulting in negative NOC
- Further de-risking the business through new business models

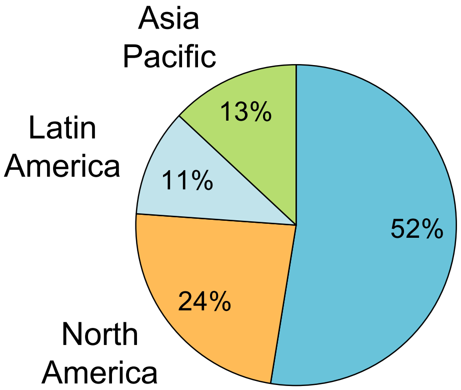
Portable Media devices

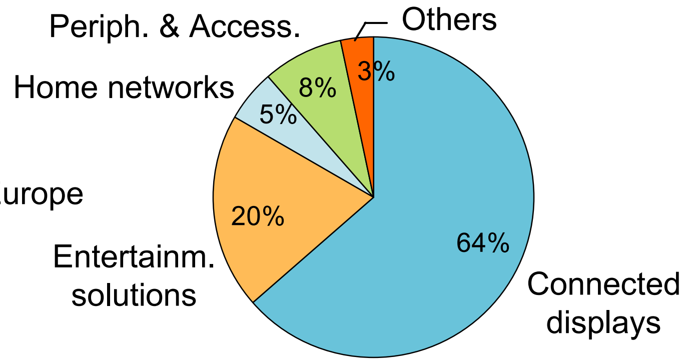
Wireless music center

VOIP phone

Ambilight

2006





* Excluding Mobile Phones

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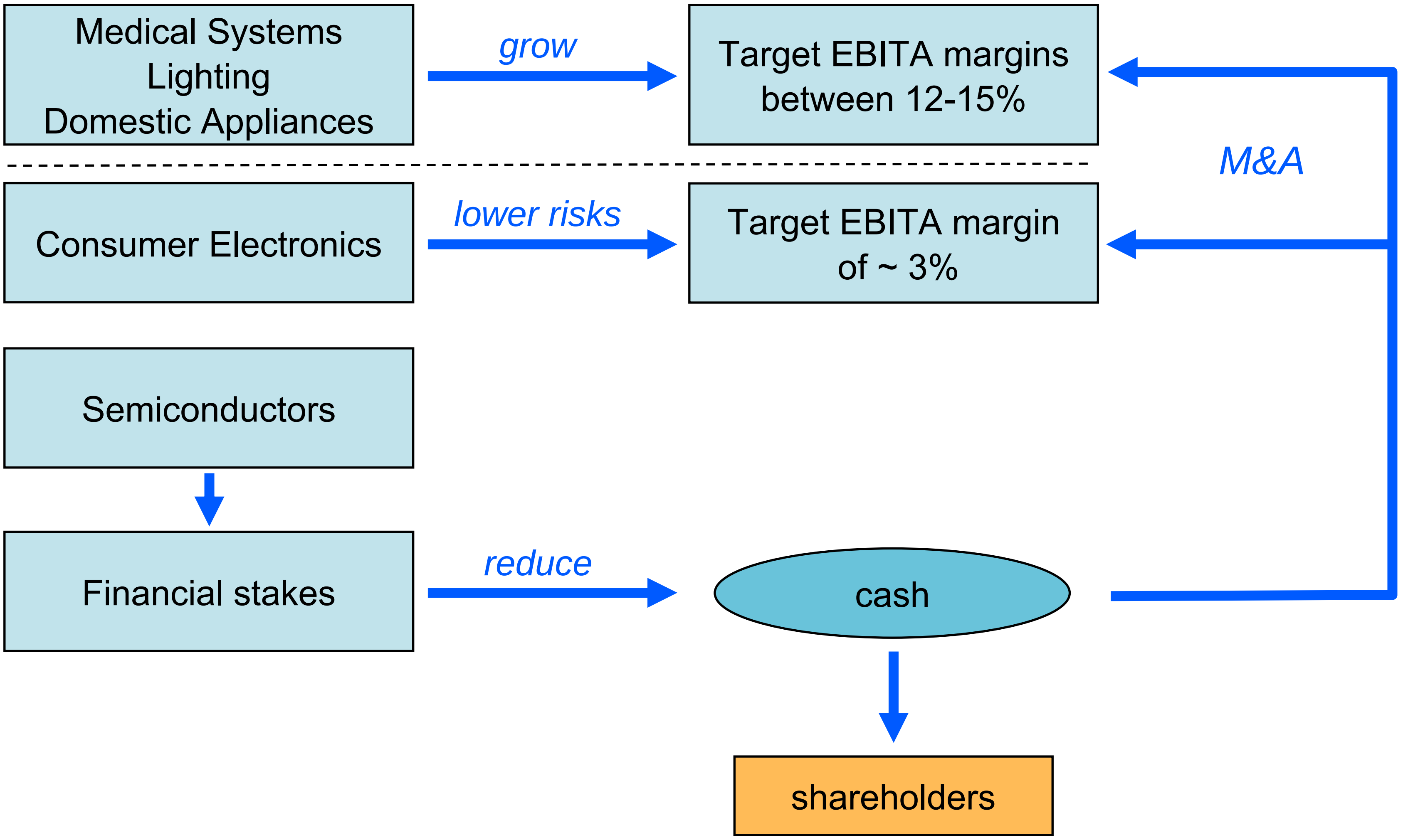
Acceleration of capital reallocation



Financial assets: Cash generated from sale of participations

EUR million

	2004	2005	2006	2007	Total
Sale securities	883	67	–	–	950
Sale Atos Origin shares	552	554	–	–	1,106
NAVTEQ	672	932	–	–	1,604
TSMC	–	770	–	3,155 **	3,925
LG.Philips LCD	–	938	–	–	938
FEI	–	–	154	–	154
Semiconductors (NXP)	–	–	7,059 *	–	7,059
Total	2,107	3,261	7,213	3,155	15,736

* Excluding the recorded income tax expense which has yet to be paid

** First two parts of announced program to sell down stake in TSMC. Tender offer by TSMC still to come in 2007

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Financial assets: Cash utilization

EUR million

	2005	2006 **	2007	Total
Acquisition Stentor	194	–	–	3,918 31.3 %
Acquisition Witt Biomedical	–	110	–	
Acquisition Lifeline	–	583	–	
Acquisition Intermagnetics	–	993	–	
Acquisition Lumileds	788	–	–	
Acquisition PLI	–	–	561	
Acquisition Avent	–	689	–	
Extra funding pensions (UK&US)	–	683	–	683 5.4 %
Share repurchase program	1,836	414	–	7,936 63.3 %
Dividend	504	523	659	
EUR 4.0 billion buy-back program	–	2,367	1,633 *	
Total	3,322	6,362	2,853	12,537

* Still to be completed

** Excl. acquisitions of Bodine, Power Sentry and announced acquisitions of TIR, Health Watch and DLO because amounts were small

Color: Healthcare, Lighting & DAP

Portfolio changes in 2006

In EUR millions

Major acquisitions [1]

- Lifeline Systems
- Witt Biomedical
- Avent
- Intermagnetics

Sales	415 [2]
Comp. growth	20%
EBIT	60
% of sales	14.5%

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Divestments [3]

- MDS
- Activities in Optical Storage (Optical Pick-up Unit / Sound Solutions / BenQ Digital Storage)
- Enabling Technologies Group
- HTP Tooling

Sales	1,570
Comp. growth	-15%
EBIT	-73
% of sales	-4.6%

1: US GAAP restated 2005 sales and EBIT excluding annualized amortization costs. Comp. growth based on RFA.
2: Excluding sales from Intermagnetics to Philips
3: Based on actual 2005

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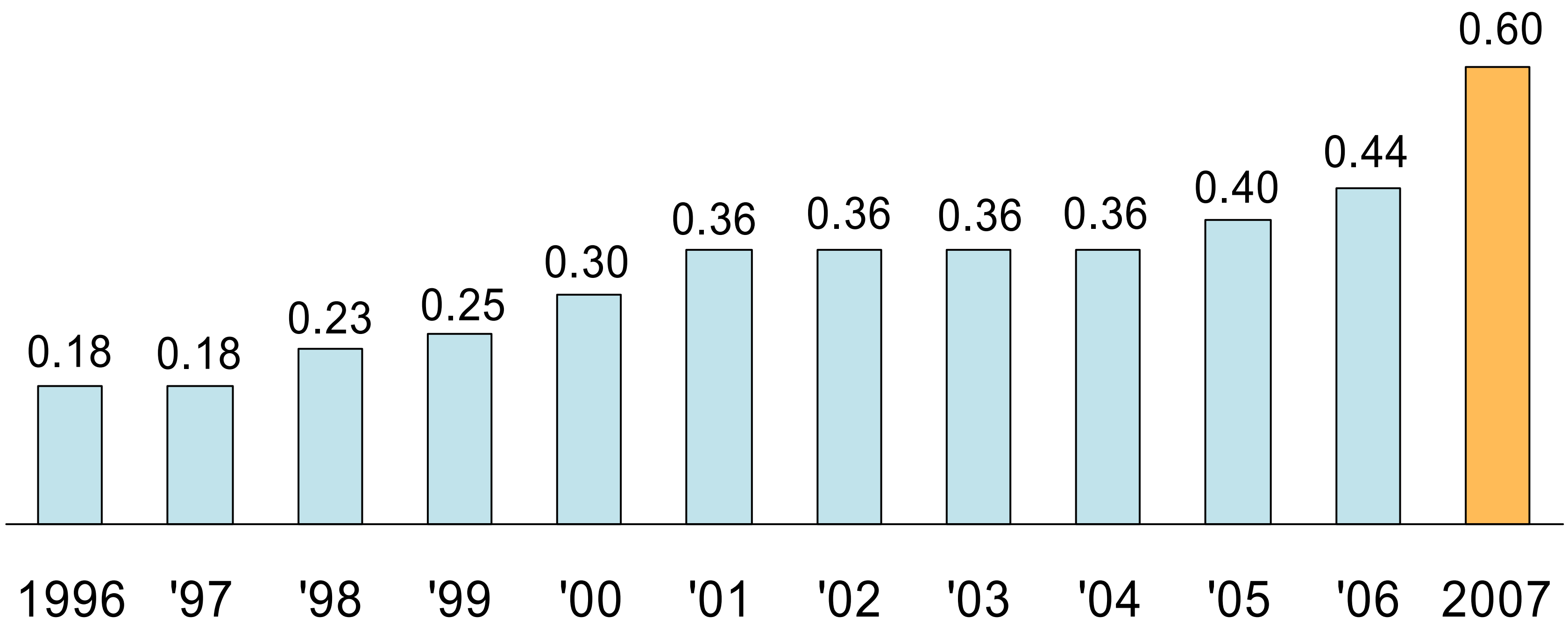
Biggest dividend increase in 10 years

amounts in EUR

"Philips aims for a sustainable dividend reflecting, over time, a distribution of 40% to 50% of continuing net income.

This is an increase from our previous pay out ratio of 25%-35%."



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Major investments

	number shares rounded in millions	% ownership	May 28th, 2007 *in EUR m.*
Quoted			Market value
LG.Philips LCD	118	32.9	3,577
TSMC	2,101	8.1	3,166
TPV	263	13.6	140
Non-quoted			Book value
NXP	18	19.9*	854
Total			7,737

* Economic ownership

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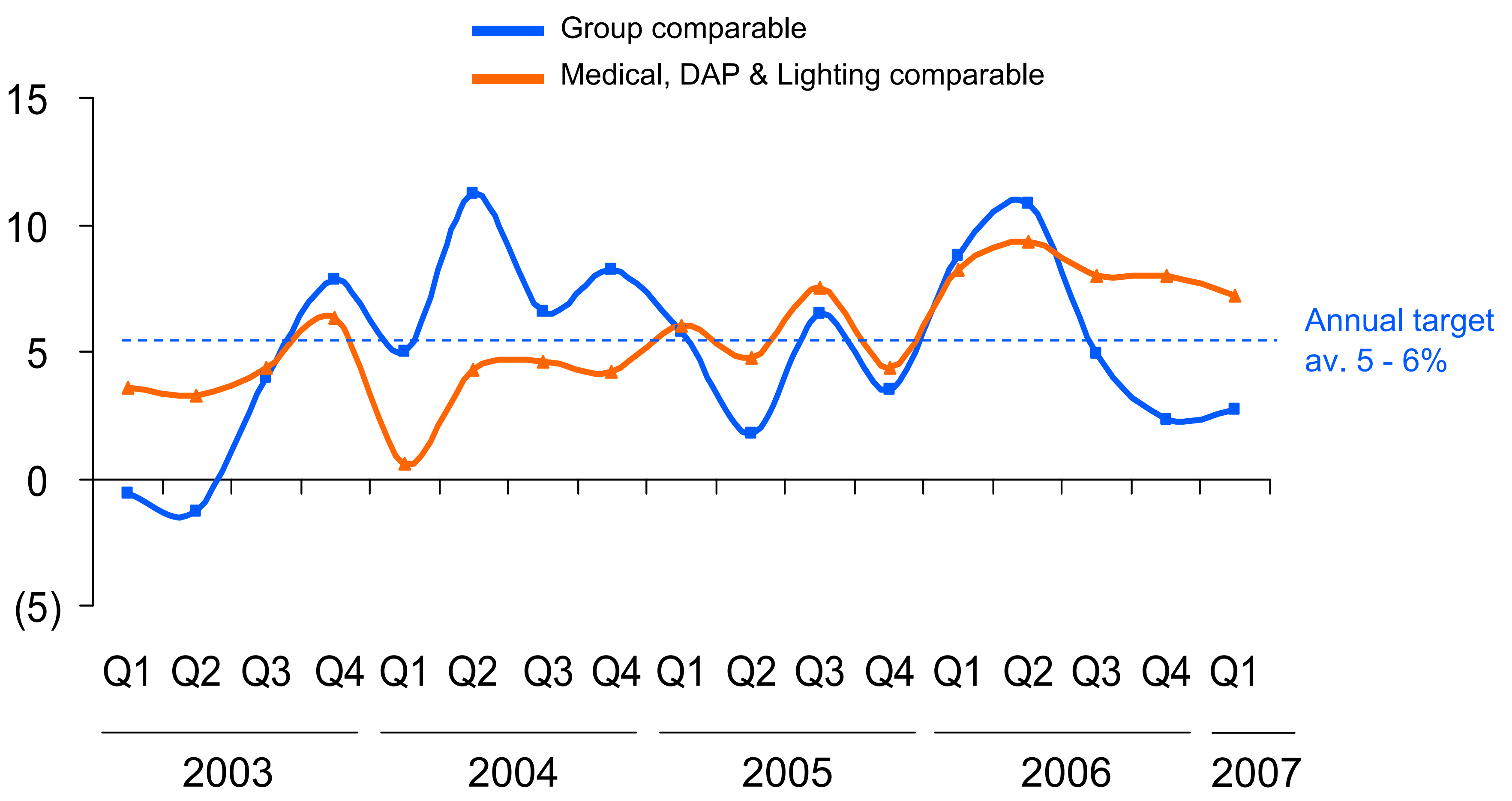
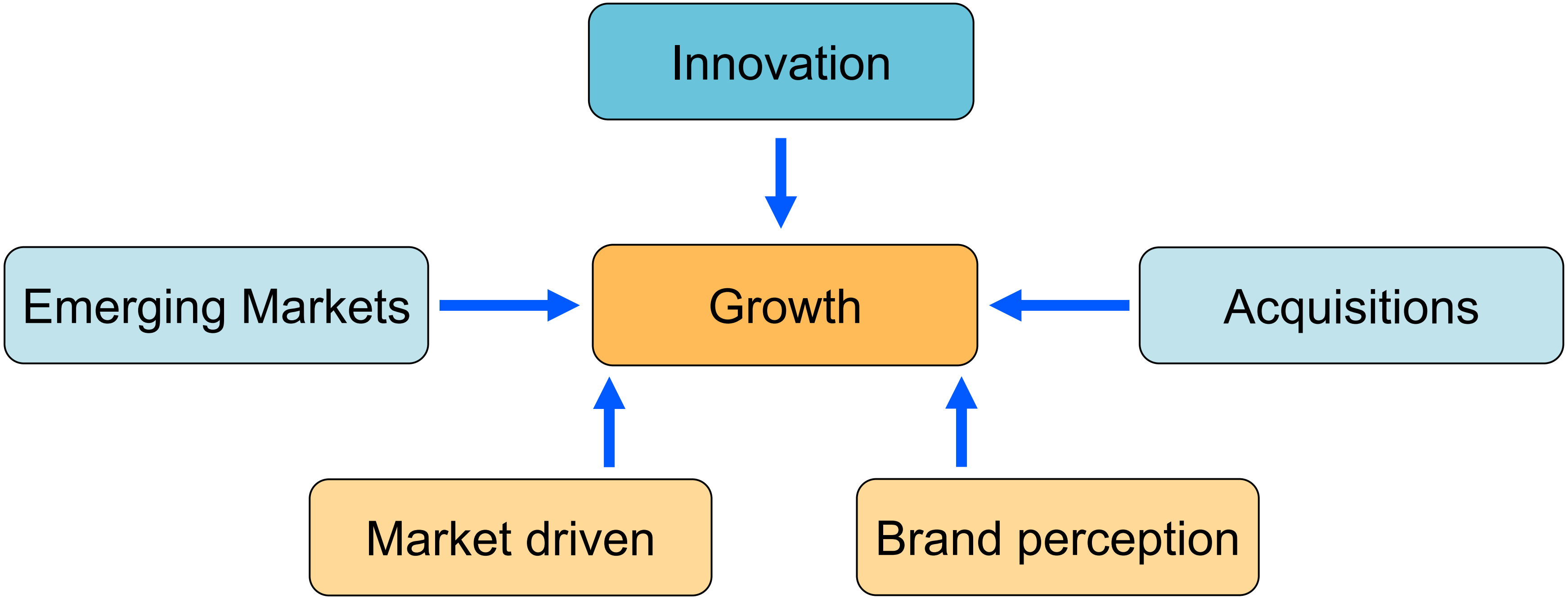
Quarterly sales growth y-o-y

%



Creating growth opportunities in healthcare, lifestyle and technology

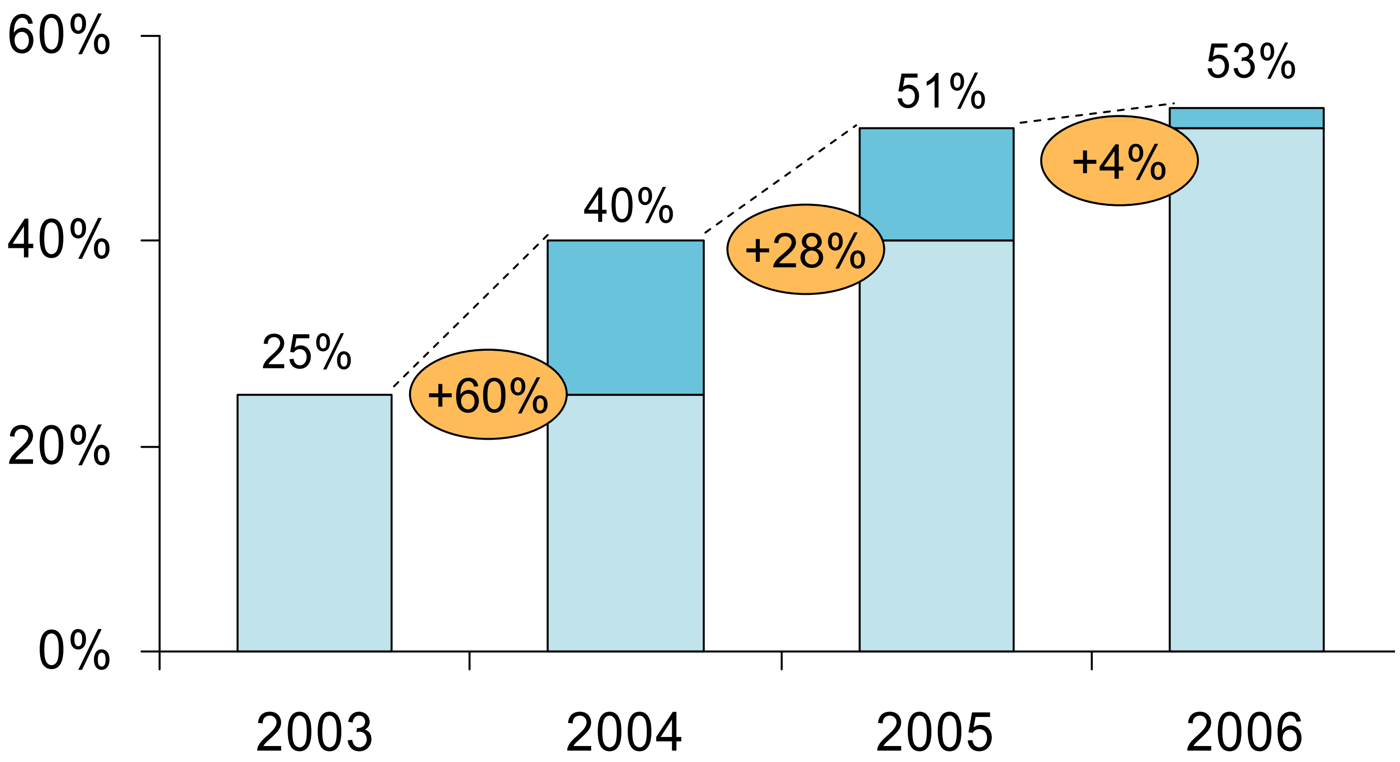


Becoming a more market driven organization

- Continued roll out of “Sense and Simplicity” moving Philips to rank 48 from 53 last year and 65 in 2004 on the Interbrand list
- Medical Systems ‘most customer-driven’ for the 2nd year in the USA
- Key Account Management under International Retail Board resulting in 25% growth with top 6 accounts, representing sales of EUR 2.5 billion
- Named ‘International Supplier of the Year’ by WalMart
- Philips Lighting (US) named ‘Best of the Best’ for Marketing by National Association of Distributors

Innovation drives growth

Group revenues from new products



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Brand strength

- Deployment of brand strategy
  - sustained competitive investment behind brand campaign
  - developing and airing product-based advertising

    → *resulting in improved brand rankings*

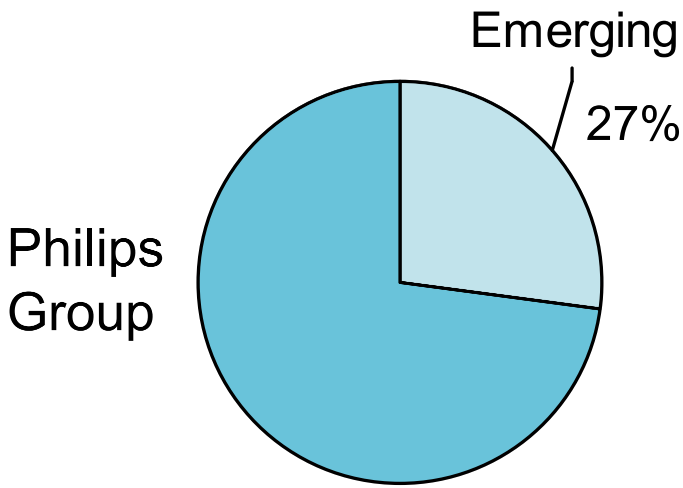
- Creating conditions to deliver brand promise
  - by embedded filters in all key processes we ensure that everything we do is
    - designed around a relevant end-user insight
    - easy to experience
    - technologically advanced

- Go-to-market approach
  - direct resources to areas with most potential growth

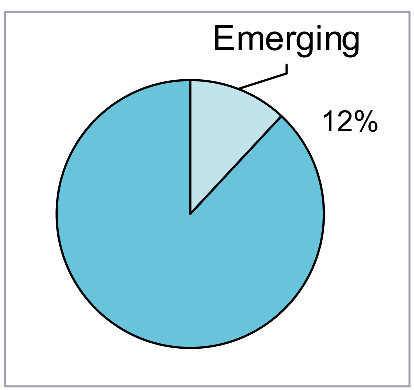
- Further develop marketing organization
  - attract marketing talent
  - increased focus on business development to support innovation projects

Emerging markets

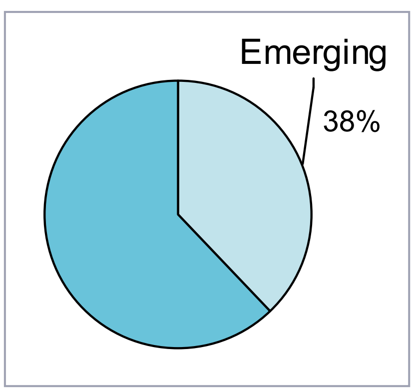
Sales in emerging markets Q1 2007



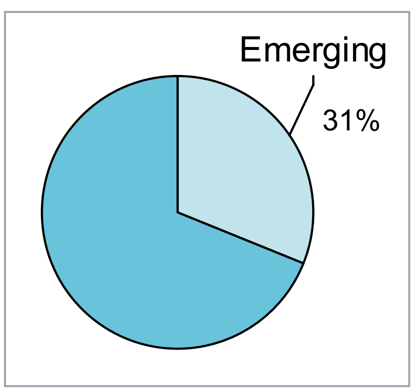
Medical



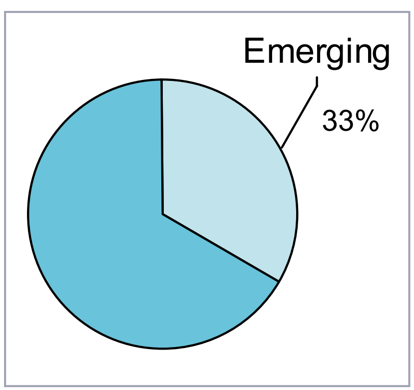
DAP



CE



Lighting



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Comparable growth and EBITA targets

	EBITA		Comp. sales growth	
	2006	Target	2006	Target
Medical	13%	Target 2007 14-15% Target 08-09 15-16%	7%	6%
DAP	15%	~15%	11%	7%
Lighting	11%	~12%	8%	6%
CE	3%	~ 3%	5%	*

	2006	Target 2007	2006	Target
Total Group	5%	> 7.5%	6%	5 – 6%

* No target disclosed

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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 at discussion start
9. A good alliance is an alternative to acquisition

Value Creation

Stentor: World-class in healthcare IT

Purchase price EUR 194 million

- Acquired August 5, 2005 and fully integrated within 5 months
- 2006 i-Site order intake totaled €230 million
  - included €28M of new orders in international markets
  - order volume grew 87% over full year 2005 (pre and post acquisition)
- 2006 sales grew by 41% and we expect 46% sales growth in 2007
- Performance level is in line with original plans
- Expansion into EMEA and APAC is gaining traction
- Business growth has been based on an excellent Stentor product combined with the strength of Philips in the market

Witt Biomedical:
World leader in Hemodynamic Reporting

Purchase price EUR 110 million

- Acquired April 27, 2006 and positioned Philips as the #1 global provider of fully integrated Cath Labs
- 2006 order intake grew by 34%
- 2006 sales grew by 10%
- Performance level is well ahead of original plans
- Philips now ranked as number 1 in Hemodynamic Reporting with no position prior to acquisition
- Expansion via direct selling into Europe and Asia is underway
- Order intake outside the USA was up 500% Q1 2007 versus Q1 2006

Intermagnetics: Magnetic Resonance Imaging

Purchase price EUR 993 million

- Acquired November 9, 2006
- Approximately 4 points additional growth in Philips' MRI market share within 3 years
- Improved supply chain cost, 3-5 margin points
- Acceleration time-to-market by approx. 20-25%
- Rationalize business footprint of Philips' MR business
- Growing coils & monitoring business using our global reach
- Positioning for future, expands PMS's portfolio with a leading position in MR compatibles patient monitors
- Take advantage of the new magnet technology

Consumer healthcare market

Purchase price EUR 682 million, Lifeline & Health Watch

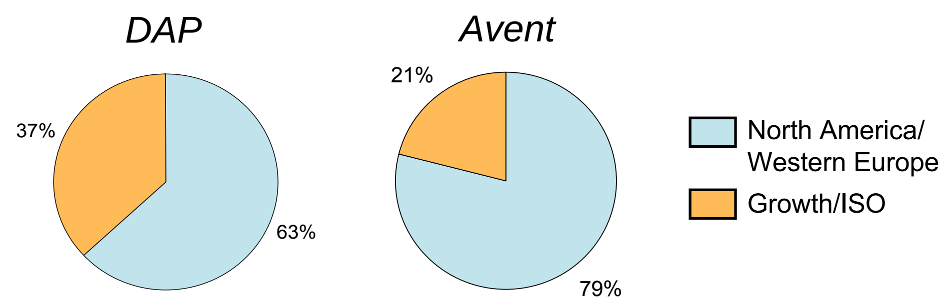
- Lifeline is an acquisition that has created a platform for building a consumer healthcare market
- 2007 sales expected to be approximately USD 220 million*, which is more than 15% organic growth over 2006 and represents an acceleration of the growth achieved in 2006.
- Number of subscribers of Medical Alert services is now in excess of 650,000.
- The growth is based on:
  - → increase in the subscriber base
  - → increase in average monthly income per subscriber
  - → sales synergies expected from the brand and from the introduction of the Philips remote patient monitoring product and service offers into the Lifeline channel
  - → R&D investment increased to stimulate further growth

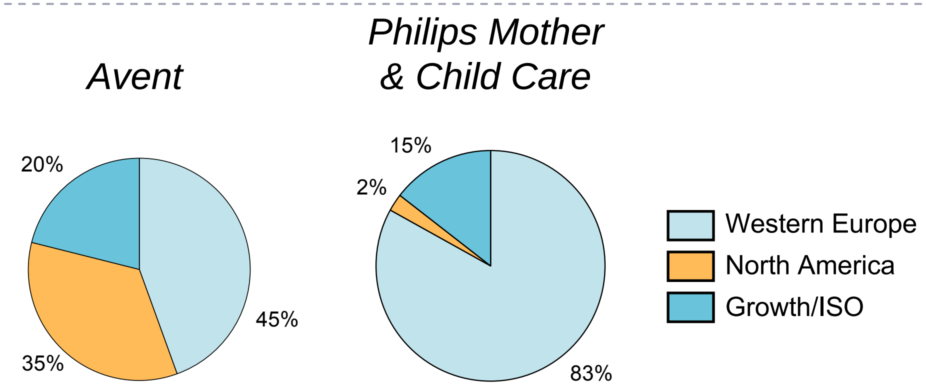
* Including Health Watch for 8 months of operations

Avent: Growth in Health & Wellness

Purchase price EUR 689 million

- DAP's larger presence in Emerging Markets provides growth opportunities for Avent
- Avent's regional strengths provides growth opportunity for existing Philips M&CC business
- Large overlap in major components of cost structure of Avent provides cost synergy opportunities. EBITA% already increased.
- Integration into Philips sales organizations, in particular in emerging markets, progressing according to plan, growth acceleration expected over the coming year.





Advert. & Promotion
Raw materials
Components
Freight

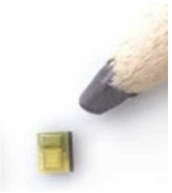
→

56% overlap in cost structure DAP / Avent

Philips + Lumileds: A powerful combination

Total purchase price EUR 873 million

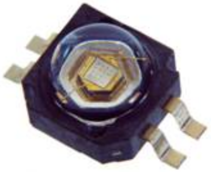
- Lumileds will launch superior Luxeon platforms from combining their significant LED capabilities with the rich knowledge of Philips about phosphors, manufacturing processes and lighting technology



- Underscoring its technological leadership, Philips Lumileds announced in March 2007 the launch of LUXEON Rebel power LEDs with new packaging technology that will dramatically reduce the size of LEDs (footprint 75% smaller than other surface-mount LEDs) and enable new approaches to solid-state lighting design.

- Philips made an offer in February 2007 to acquire TIR Systems, a Canada-based leading supplier of SSL modules for high-quality white light. TIR Systems holds a patent portfolio that will strengthen Philips’ IP position and give us a leadership position in SSL modules in the high- and mid-end segments of this market.

- Lumileds’ sales grew 33% (target 25%) in 2006, outperforming the market. Demand for applications in cell phone camera flash and general lighting was particularly strong



- Our target for the EBITA margin for the coming years remains 25%

PLI: Leading European Consumer Luminaire player

Purchase price EUR 561 million

- The acquisition of PLI is a strategic move to enter new market segment for Philips Lighting: Consumer Luminaires
- Sales for 2007 is expected to be around EUR 420 million (full year basis) with a recurring EBITA above 12%
- LED content in Consumer Luminaires will increase driven by consumers needs in the area of energy efficiency and ambiance creation
- With the increasing use of LED in general Lighting, Consumer Luminaires and light sources are become increasingly integrated
- The acquisition generates the following synergies:
  - Combining Philips Leadership in LED with PLI's competence to quickly address market and consumer lifestyle trends
  - Regional expansion by leveraging Philips' global reach and resources
  - Leverage of sales channels
- The acquisition positions Philips Lighting to become the global industry shaper in the consumer LED application market

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2007 Management Agenda

- Maintain annual average sales growth of 5-6% and achieve above 7.5% EBITA
- Continue to redeploy capital in a disciplined way through value creating acquisitions, share buy back and dividends
- Drive a culture of superior customer experience by delivering on the brand promise and implement the Net Promoter Score measure in the company.
- Be an exciting place to work and bring employee engagement to high performance benchmark level within 2-3 years.

Summary

- Simplified portfolio of world-class businesses built around a strong brand
- Focus on market driven Innovation provides basis for growth across the portfolio
- Focus on high margin products & markets
- Grow via acquisitions when value is created
- Leverage the brand
- Continue to improve the predictability of results
- Continue to focus on cash flow

Creating Shareholder Value

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sense and simplicity

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