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Royal Philips Electronics

First Quarter 2006

April 18, 2006

Forward Looking Statements

Forward Looking Statements

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

Use of non-GAAP Information

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

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Highlights (I)

- Philips recorded net income of EUR 160 m., compared with net income of EUR 117 million in the corresponding period of 2005. The increase was primarily attributable to improved performance of the main divisions, particularly at Semiconductors and Lighting

- Sales increased strongly to EUR 7,374 m., 14% above Q1 2005. Adjusted for the effects of currency movements and consolidation changes, comparable sales increased by 10%, driven by strong growth in all main divisions.

- EBIT amounted to EUR 335 m. compared to EUR 207 m. in the same period of last year. The increase was largely driven by higher sales and improved business performance and a EUR 30 m. gain on the sale of the CryptoTec encryption business reported under Other Activities

- Financial income and expenses resulted in an expense of EUR 23 m., an improvement of EUR 25 m. compared to Q1 2005. This improvement mainly resulted from a EUR 20 m. revaluation of the option on the convertible bond issued by TPV

Highlights (II)

- Unconsolidated companies recorded a loss of EUR 36 m., compared to a profit of EUR 22 m. in Q1 2005.

  In Q1 2005, income from TSMC of EUR 71 m. was reported under results relating to unconsolidated companies. From 2006, a change in accounting treatment means that Philips will no longer recognize income from TSMC but rather will recognize a dividend which will be reported under financial income and expense.

- Cash outflow from operating activities increased to EUR 867 m. compared to EUR 332 m. in Q1 2005. The increase was entirely due to EUR 582 m. additional funding for the UK pension fund.

- Inventories as a percentage of sales amounted to 12.3%, marginally higher than in Q1 2005.

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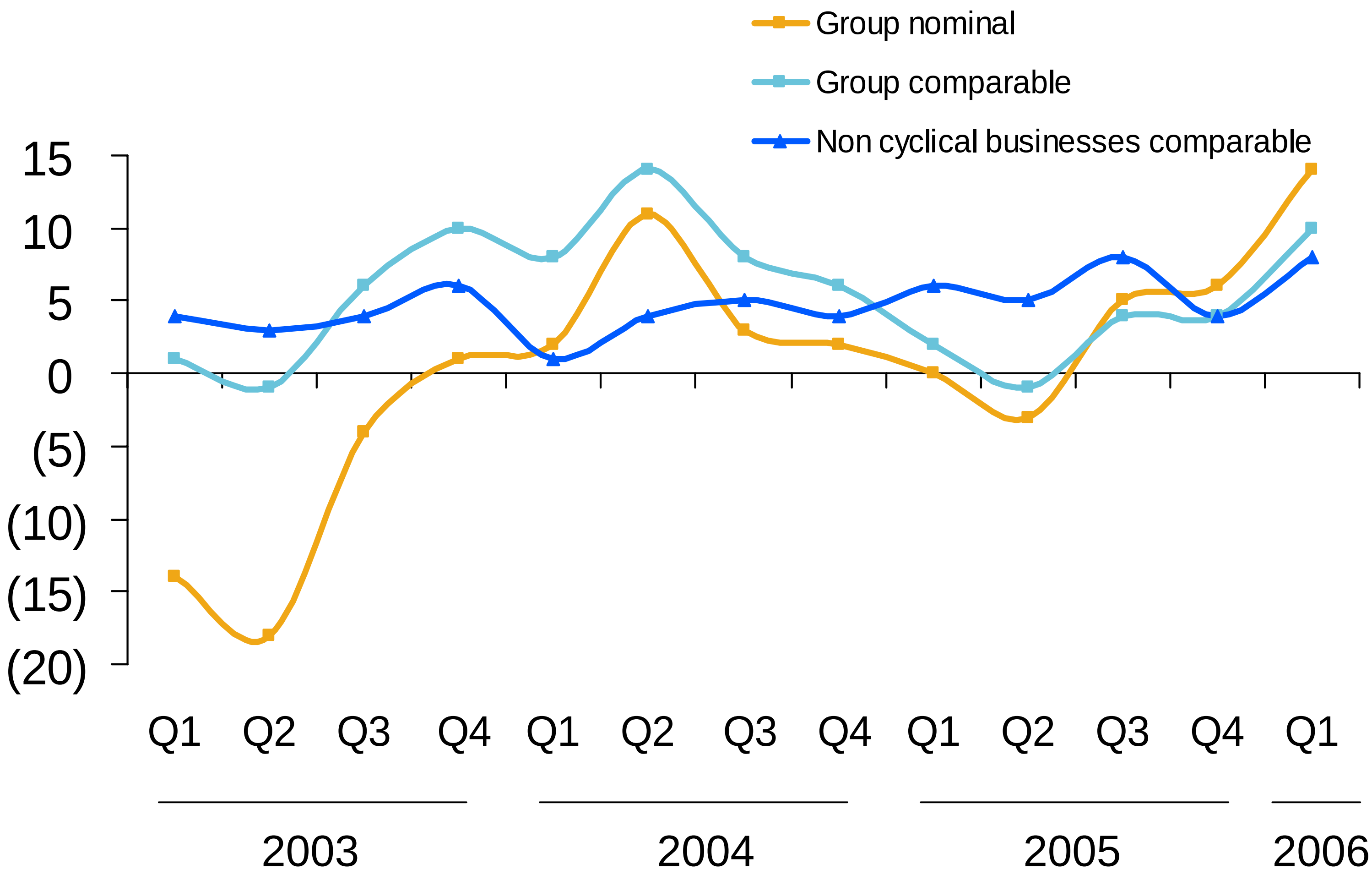
Summary - 1Q06

EUR million

	1Q05	1Q06
Sales	6,492	7,374
EBIT	207	335
Result relating to UCCs	22	(36)
Net Income	117	160
Cash flow before financing activities	(616)	(1,725)
Net debt : Group equity ratio	8:92	6:94

Quarterly sales growth y-o-y

%



Non cyclical business = Medical Systems + Lighting + DAP

Sales to thirds by sector – 1Q06

EUR million

	1Q05	1Q06	% nom	% comp
Medical Systems	1,285	1,469	14	8
DAP	427	496	16	10
CE	2,153	2,423	13	16
Lighting	1,128	1,345	19	8
Semiconductors	1,012	1,219	20	13
Other Activities	487	422	(13)	(16)
Group sales	6,492	7,374	14	10

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Sales to thirds by region – 1Q06

EUR million

	1Q05	1Q06	% nom	% comp
Europe / Africa	2,849	3,086	8	10
North America	1,645	1,845	12	6
Latin America	316	485	53	29
Asia Pacific	1,682	1,958	16	8
Group sales	6,492	7,374	14	10

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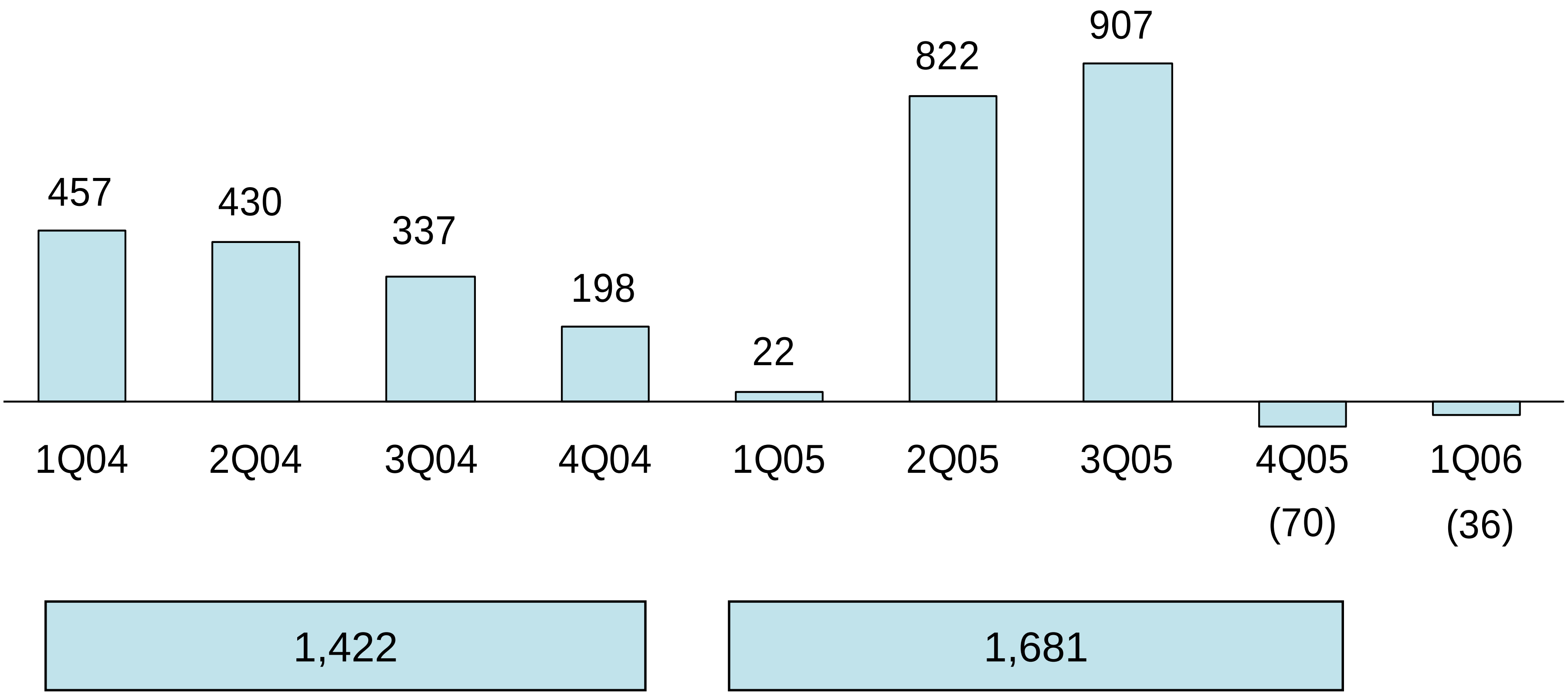
EBIT by sector – 1Q06

EUR million

	1Q05	1Q06
Medical Systems	100	99
DAP	56	62
CE (*including Licenses*)	46	58
Lighting	149	195
Semiconductors	14	89
Other Activities	(59)	(67)
Unallocated	(99)	(101)
Philips Group	207	335
as % of sales	3.2	4.5

Results unconsolidated companies

EUR million



Major publicly quoted investments – end 1Q06

	number shares rounded in millions	% ownership	Market value end 1Q06 in EUR m.
TSMC	4,066	16.4	6,657
LG.Philips LCD	118	32.9	4,379
TPV	263	14.7	243
JDS Uniphase	39	2.7	136
FEI	8	25.1	138
Total			11,553

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Cash Flow – 1Q06

EUR million

	1Q05	1Q06
Net income from continuing operations	117	160
Income/loss discontinued operations	14	0
Depreciation / amortization / impairments	356	345
Net gain on sale of assets	(17)	(71)
Income from UCCs	67	(11)
Decrease in WC/other current assets	(894)	(1,307) *
Other	25	17
CF from operations	(332)	(867)
Gross capital investments	(220)	(274)
Acquisitions/divestments/other	(64)	(584)
CF before financing activities	(616)	(1,725)

* Includes EUR 582 m. additional funding UK pension fund

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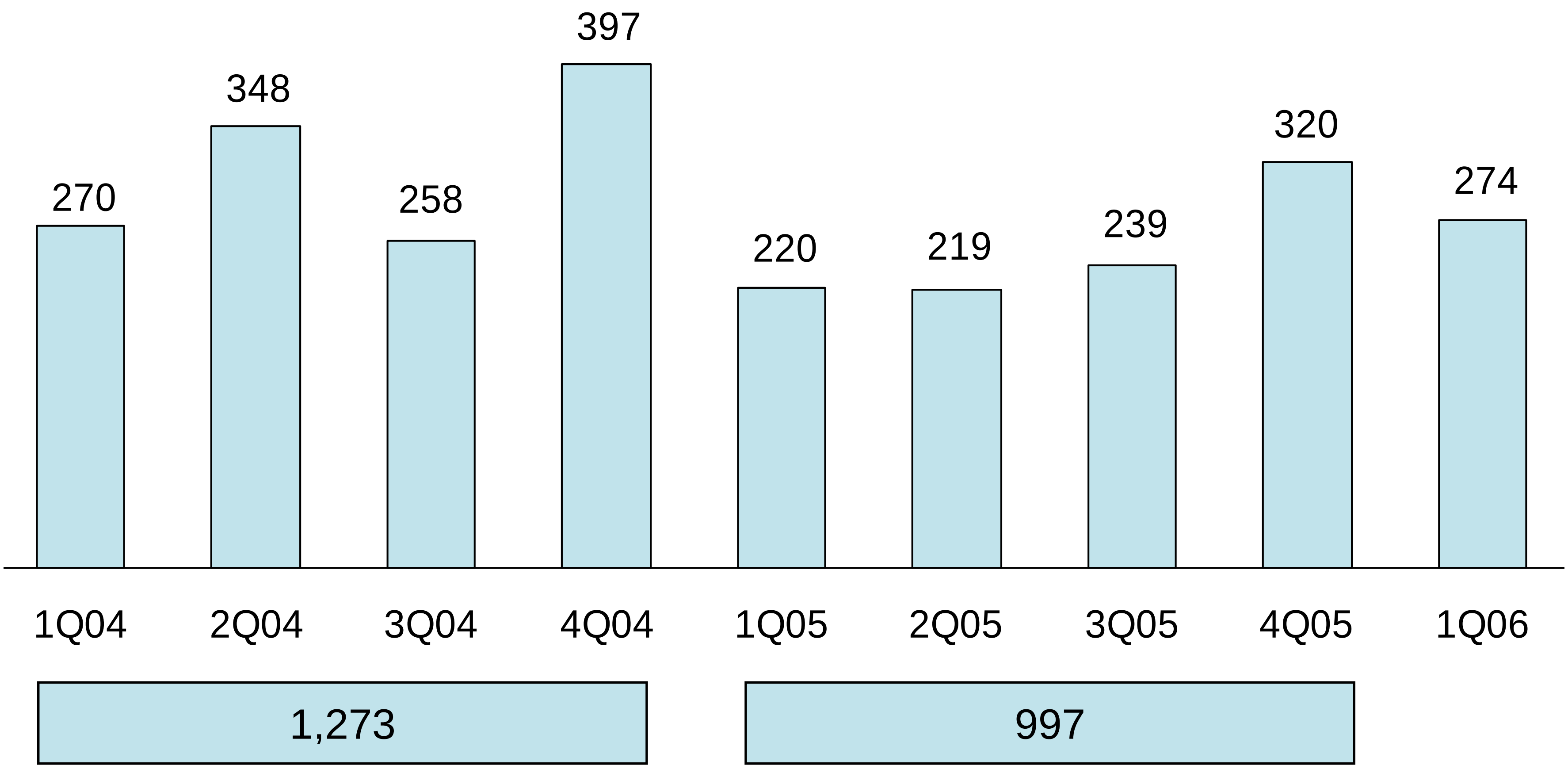
Gross capital expenditures
EUR million



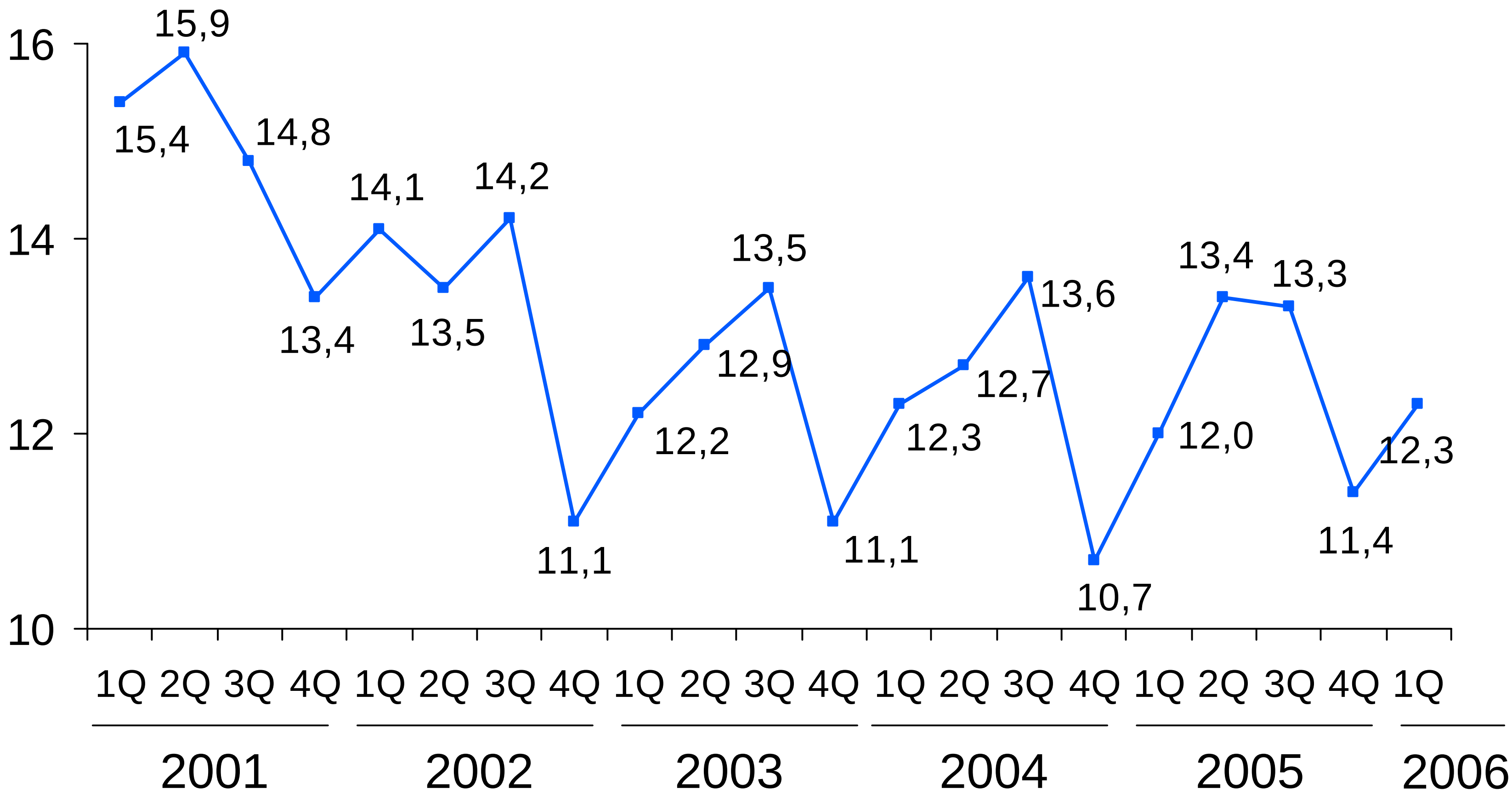
Gross capital expenditures by sector – 1Q06

EUR million

	1Q05	1Q06
Medical Systems	12	16
DAP	7	20
CE	18	18
Lighting	38	104
Semiconductors	79	76
Other Activities	65	40
Unallocated	1	0
Group gross capex	220	274

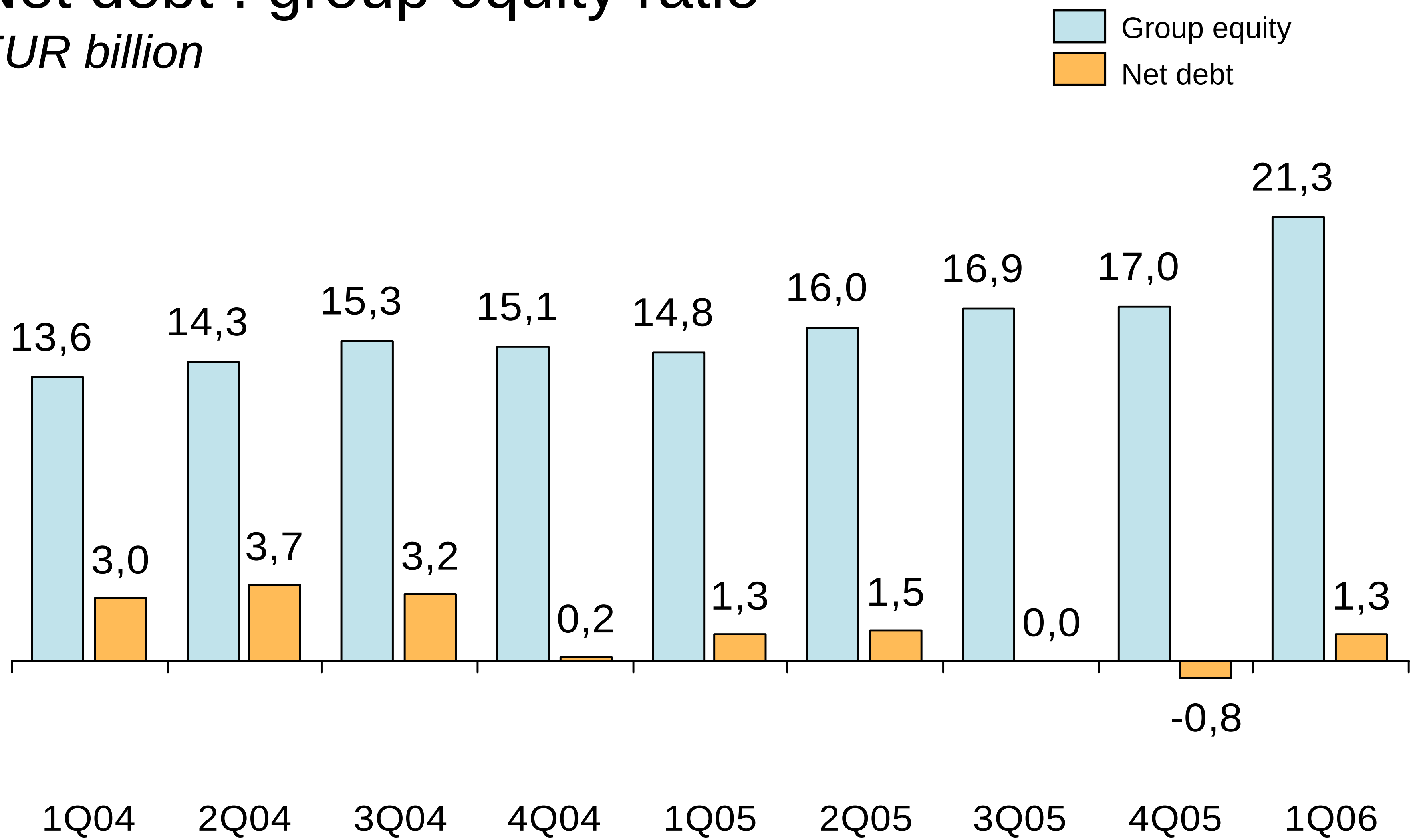
Inventories

as % of MAT sales



Net debt : group equity ratio

EUR billion



Ratio	18:82	21:79	17:83	1:99	8:92	8:92	0:100	(5):105	6:94

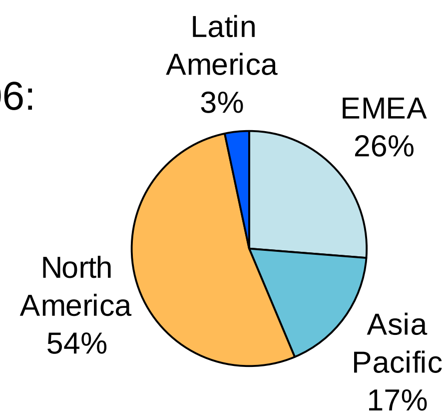
Medical Systems

EUR million unless otherwise stated

Key figures

	1Q05	4Q05	1Q06
Sales	1,285	2,029	1,469
% sales growth comp.	5	8	8
EBIT	100	267	99
EBIT as % of sales	7.8	13.2	6.7
NOC	3,058	3,400	3,362
Employees (FTEs)	30,756	30,978	30,696

Sales per region in 1Q06:



Financial performance

- Order intake for equipment grew by 18% compared to 1Q05. Demand for iSite PACS continued to exceed expectations
- Comparable sales up 8%, led by Computed Tomography, Ultrasound, X-ray and Healthcare Informatics
- All regions contributed to the 8% sales growth, especially Latin America (48%) and Asia Pacific (16%)
- Incremental sales-driven margin was largely offset by additional investments in R&D, increased selling expenses and additional charges related to the acquisition of Stentor

Looking ahead

- Charges of EUR 15 m. expected in 2Q06 related to the anticipated completion of the acquisition of Witt Biomedical Corporation

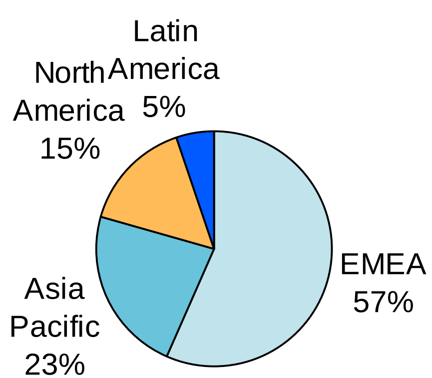
DAP

EUR million unless otherwise stated

Key figures

	1Q05	4Q05	1Q06
Sales	427	787	496
% sales growth comp.	9	3	10
EBIT	56	167	62
EBIT as % of sales	13.1	21.2	12.5
NOC	460	370	1,126
Employees (FTEs)	8,542	8,203	9,384

Sales per region in 1Q06:



Financial performance

- Comparable sales up 10% driven by Shaving & Beauty and Domestic Appliances
- EBIT improvement was visible across all businesses except Consumer Health & Wellness, which continued to invest in business development
- EBIT included restructuring charges of EUR 12 m.
- NOC increased, mainly due to consolidation of Lifeline Systems (EUR 662 m.)

Looking ahead

- The focus will remain on maintaining the 15 - 16% EBIT margin and achieving the 7% comparable sales growth target for 2006, based on innovation, new product launches and emerging markets
- The acquisition of Lifeline systems, completed in March 2006, will result in charges of approximately EUR 12 m. in 2006

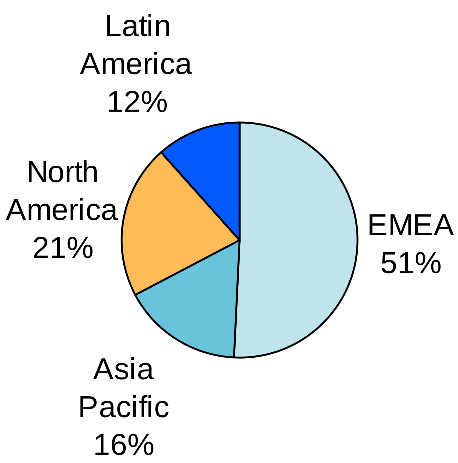
Consumer Electronics

EUR million unless otherwise stated

Key figures

	1Q05	4Q05	1Q06
Sales	2,153	3,469	2,423
% sales growth comp.	7	6	16
EBIT	46	234	58
EBIT as % of sales	2.1	6.7	2.4
NOC	108	(296)	78
Employees (FTEs)	16,725	15,537	14,932

Sales per region in 1Q06:



Financial performance

- Strong sales growth in Connected Displays, driven by the accelerating transition from CRT to flat displays, and Peripherals & Accessories fueled most of the increase
- From a geographical perspective, double-digit growth, both nominal and comparable, was visible in Europe, North and Latin America
- EBIT increased EUR 12 m., or 0.3% of sales, due to higher optical license income. Excluding the additional license income, EBIT was in line with 1Q05
- NOC was lower than in 1Q05, underscoring the continued effectiveness of the division's asset-light business model.

Looking ahead

- Q2 2006 will see the introduction of an extensive new range of Monitors and FlatTV's
- CE is expected to sustain its full-year profitability bandwidth of 4 – 4.5%

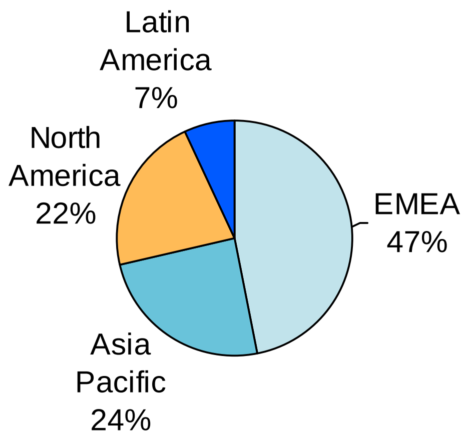
Lighting

EUR million unless otherwise stated

Key figures

	1Q05	4Q05	1Q06
Sales	1,128	1,346	1,345
% sales growth comp.	6	1	8
EBIT	149	157	195
EBIT as % of sales	13.2	11.7	14.5
NOC	1,617	2,491	2,665
Employees (FTEs)	44,429	45,649	46,701

Sales per region in 1Q06:



Financial performance

- Comparable growth was seen across all businesses and, geographically, was strong in Europe, Asia Pacific and Latin America. Lumileds' sales increased 25% in US dollar terms compared with 1Q05. This business remains on track to deliver EBITA of 25% on a full-year basis
- EBIT was impacted by restructuring charges of EUR 16 m., a Lumileds purchase-accounting-related charge of EUR 14 m. and a one-time real estate gain of EUR 11 m.
- Increase in NOC and employees was mainly attributable to Lumileds consolidation in 4Q05

Looking ahead

- Charge of EUR 8 m. is expected for purchase accounting-related amortization in 2Q06
- Strict cost control and optimization of the supply chain remain a priority
- Full-year 2006 sales are expected to show comparable growth of 6%

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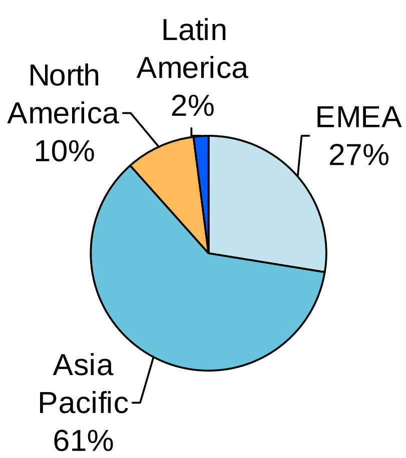
Semiconductors

EUR million unless otherwise stated

Key figures

	1Q05	4Q05	1Q06
Sales	1,012	1,327	1,219
% sales growth comp.	(2)	9	13
EBIT	14	176	89
EBIT as % of sales	1.4	13.3	7.3
NOC	2,649	2,363	2,326
Employees (FTEs)	34,856	35,637	35,472

Sales per region in 1Q06:



Financial performance

- Sequential sales in US Dollar terms declined by 7% reflecting seasonality
- Book-to-bill ratio at 1.12 at the end of 1Q06. Order book increased by 16%.
- Utilization rate improved to 82% in 1Q06 compared to 75% in 1Q05
- EBIT improvement was attributable to higher sales and better utilization, partially offset by costs of EUR 10 m. related to the legal disentanglement of the division
- EBIT included charges of EUR 11 m. related to restructuring in Sales & Marketing organization

Looking ahead

- Low-to-mid-single-digit sequential sales growth in US dollar terms is expected in 2Q06
- Costs related to the set-up of a separate legal structure are expected to be slightly higher than in 1Q06

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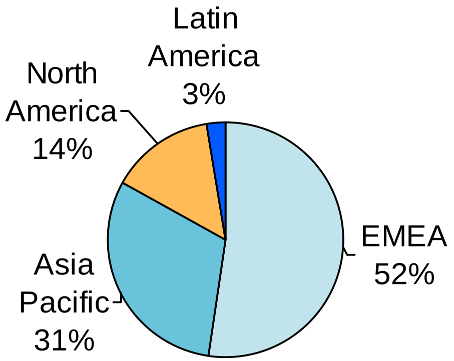
Other Activities

EUR million unless otherwise stated

Key figures*

	1Q05	4Q05	1Q06
Sales	487	560	422
% sales growth comp.	2	(16)	(16)
EBIT	(59)	24	(67)
EBIT as % of sales	(12.1)	4.3	(15.9)
NOC	282	272	361
Employees (FTEs)	20,584	19,050	20,158

Sales per region in 1Q06:



Financial performance

Corporate Technologies

- Improvement in EBIT compared to 1Q05 was primarily attributable to a EUR 30 m. gain on the sale of CryptoTec and to increased license income

Corporate Investments / Others

- Nominal sales declined by 16%. Due to the lower sales level, the ongoing businesses in Corporate Investment posted a loss of EUR 16m., compared to a profit of EUR 5 m. in Q1 2005
- Real Estate was negatively impacted by a valuation adjustment of EUR 9 m.

Looking ahead

- Upon completion of the intended transfer of Optical Storage, expected in 2Q06, Philips will deconsolidate PBDS, which will reduce sales by approximately EUR 650 m. annually
- Average quarterly EBIT for Other Activities is expected to be similar to that for 1Q06

* Figures adjusted to exclude MDS

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Unallocated

EUR million unless otherwise stated

Key figures

	1Q05	4Q05	1Q06
Corporate and regional overheads	(67)	(92)	(76)
Global brand campaign	(2)	(54)	(3)
Pensions/postretirement benefit costs	(30)	92	(22)
EBIT	(99)	(54)	(101)
Employees (FTEs)	2,505	2,392	2,471

Financial performance

- Corporate and regional overheads were higher than in Q1 2005, due in part to compliance with section 404 of the Sarbanes Oxley act
- Pension costs / post-retirement benefit costs were lower than in 1Q05, largely as a consequence of the abolition in 2006 of the other post-retirement benefit plan in the Netherlands and lower pension costs, also in the Netherlands

Looking ahead

- Brand campaign spend is expected to be at similar levels, and to follow a similar seasonal pattern, as in 2005
- The implementation costs related to Sarbanes Oxley compliance for full-year 2006 are expected to be approximately EUR 20 m.

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Looking ahead information in the 1Q quarterly report on April 18,2006 - I

Medical Systems

- Following the anticipated completion in Q2 of the acquisition of Witt Biomedical Corporation in the core area of Cardiovascular Imaging, integration costs and the application of purchase accounting will result in a charge of approximately EUR 15 million in Q2.
- As a first step towards optimizing the industrial blueprint and accelerating operational efficiencies, Medical Systems announced in March 2006 the transfer of Nuclear Medicine manufacturing activities from Milpitas, CA to Cleveland, OH, the diagnostic imaging manufacturing center
- To continue the strong growth of the past two years, Medical Systems has reorganized its global sales and service structure, enabling the division to operate more efficiently through shared back-offices and processes

Domestic Appliances and Personal Care

- The focus will remain on maintaining the 15-16% EBIT margin and achieving the 7% comparable sales growth target for 2006, based on innovation, new product launches and emerging markets .
- The acquisition of Lifeline Systems, completed in March 2006, will result in purchase accounting charges of approximately EUR 12 million in 2006

Consumer Electronics

- Q2 2006 will see the introduction of an extensive new range of Monitors and FlatTVs, including models with the innovative 4-side Ambilight feature
- CE is expected to sustain its full-year profitability bandwidth of 4 – 4.5%

Lighting

- In Q2 2006, a charge of EUR 8 million is expected for purchase-accounting-related amortization
- Strict cost control and optimization of the supply chain remain a priority
- Full-year 2006 sales are expected to show comparable growth of 6%

Looking ahead information in the 1Q quarterly report on April 18,2006 – II

Semiconductors

- Low-to-mid-single-digit sequential sales growth in US dollar terms is expected in Q2 2006
- In Q2, costs related to the set-up of a separate legal structure are expected to be slightly higher than in Q1

Other Activities

- The divestment of Philips Business Communications was closed on April 3
- Philips intends to transfer its Optical Storage Data Drive business to Philips BenQ Digital Storage (PBDS). As a result of the transaction, the conditions for Philips to consolidate PBDS are no longer fulfilled. Philips will therefore deconsolidate PBDS upon completion, expected in Q2, which will reduce sales by approximately EUR 650 million annually
- The average quarterly EBIT of Other Activities in 2006 is expected to be similar to that reported for Q1

Unallocated

- Brand campaign spend is expected to be at similar levels, and to follow a similar seasonal pattern, as in 2005
- The implementation costs related to Sarbanes Oxley compliance for full-year 2006 are expected to be approximately EUR 20 million

Outlook

- The first quarter of 2006 reaffirmed that we are on track to achieve our medium-term sales growth and EBIT margin targets
- We are pleased with the performance of Semiconductors. We are on schedule with the creation of a separate legal structure for the division, which we expect will be completed by the end of the third quarter. We remain confident that, in this way, we will create options to further strengthen the activity and maximize shareholder value
- During the remainder of the year, we will continue to explore opportunities to add to organic growth through targeted acquisitions consistent with our portfolio realignment
- We will continue to manage our balance sheet in line with our policy to maximize value creation and will further improve our cost structure by simplifying our organization and our way of working

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2006 Management Agenda

- Realize 5-6% top-line growth and attain 7-10% EBIT margin
- Continue to grow Healthcare as part of the portfolio
- Accelerate movement to become a simpler, market oriented organization
- Set up separate legal structure for Semiconductors and create value by pursuing strategic options
- Increase the number of entrepreneurial business leaders with broad based experience
- Exceed € 500M overall cost reduction target (2-3 years)

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sense and simplicity