

PHILIPS

sense and simplicity

PHILIPS

Royal Philips Electronics *The “New” Philips*

Pierre-Jean Sivignon
Executive Vice President and CFO

Forward Looking Statements

Forward Looking Statements

This press release 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. 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 in this document include the statements we have made about our strategy, estimates of sales growth, future EBITA and cost savings, future developments in our organic business as well as the benefit of future acquisitions, and our capital position. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances and there are many factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. The forward looking statements in this document are subject to, among other things, domestic and global economic and business conditions, the successful implementation of our strategy, our ability to identify and complete successful acquisitions and to integrate those acquisitions into our business, consumer preferences with respect to our existing and new products, our ability to develop and market new products, our ability to realize the benefits of this strategy, the policies and actions of governmental and regulatory authorities, changes in legislation, and the impact of competition – a number of which factors are beyond our control. As a result, our actual future results may differ materially from the plans, goals, and expectations set forth in such forward-looking statements. Additional risks and factors are identified in our documents filed with or furnished to the U.S. Securities and Exchange Commission (the “SEC”) including in our Annual Report on Form 20-F for the fiscal year ended December 31, 2006, which is available on the SEC’s website at www.sec.gov. 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. The reader should, however, consult any additional disclosures that we have made or may make in documents we have filed or may file with the SEC.

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

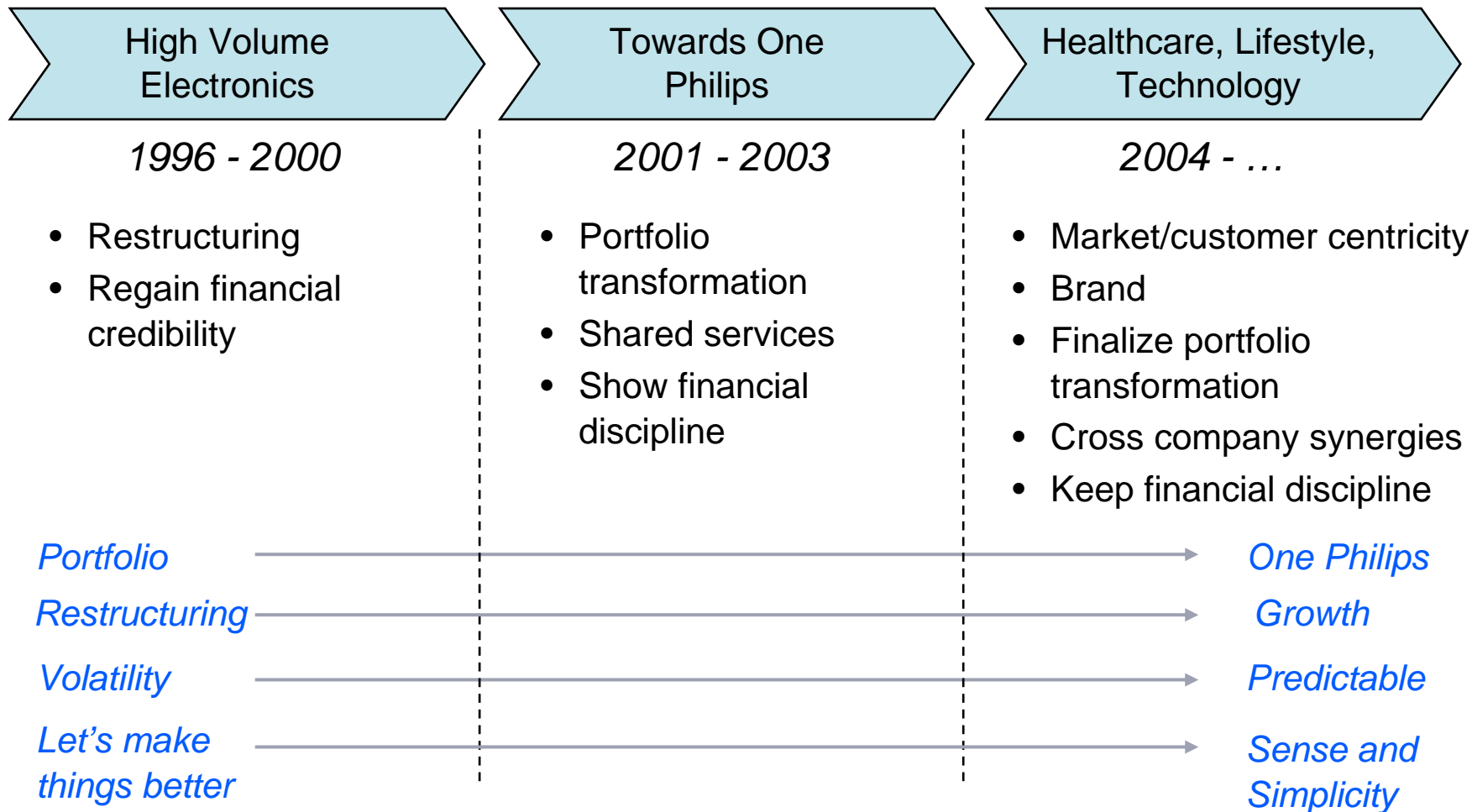
In presenting the Philips Group’s financial position, fair values are used for the measurement of various items in accordance with the applicable accounting standards. These fair values are based on market prices, where available, and are obtained from sources that are deemed to be reliable. Readers 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

- Moving into Philips 'Vision 2010'
- Capital reallocation
- Growth drivers
- Acquisitions
- Conclusion

How we changed our company in the past 10 years

The journey of becoming truly market driven



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”*

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

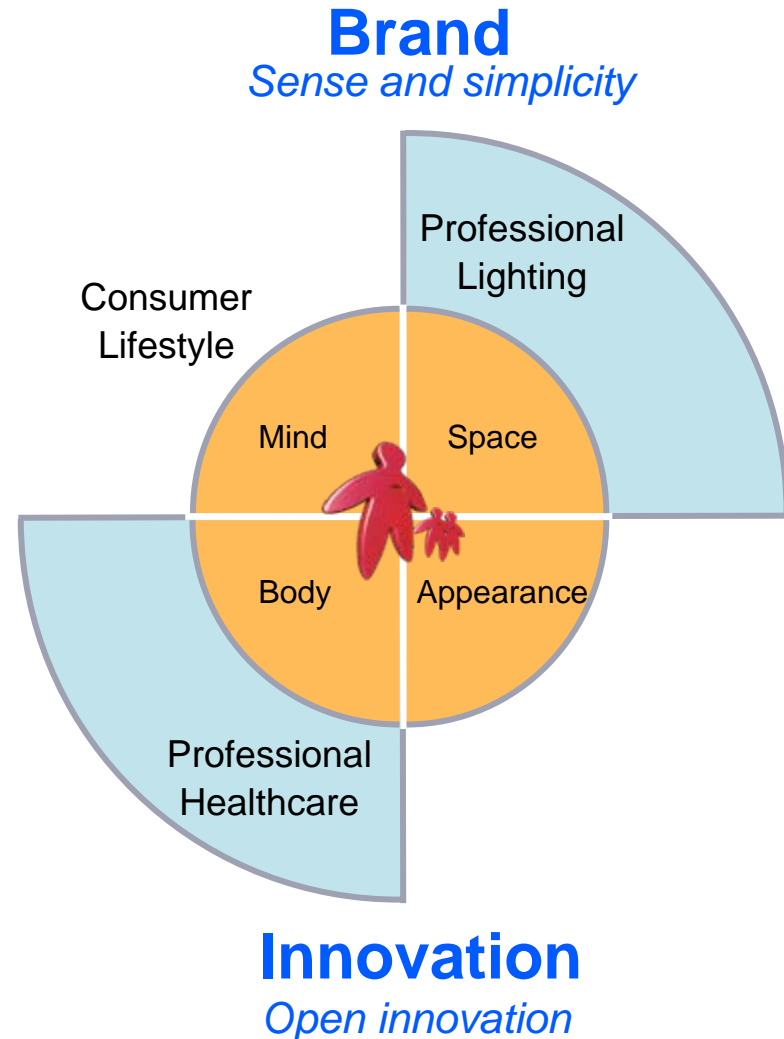
Where and how we compete

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



Philips 'Vision 2010' ambition

- We have the ambition to increase shareholder value by:
 - *Improving EBITA margin of our current businesses* to exceed 10% from our 2007 target of >7.5% 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
- We intend to arrive at an efficient balance sheet by the end of 2009 through a combination of value-creating acquisitions as well as continued returns of capital to shareholders
- Thanks to these measures we expect to *more than double our EBITA per common share by 2010* compared to 2007

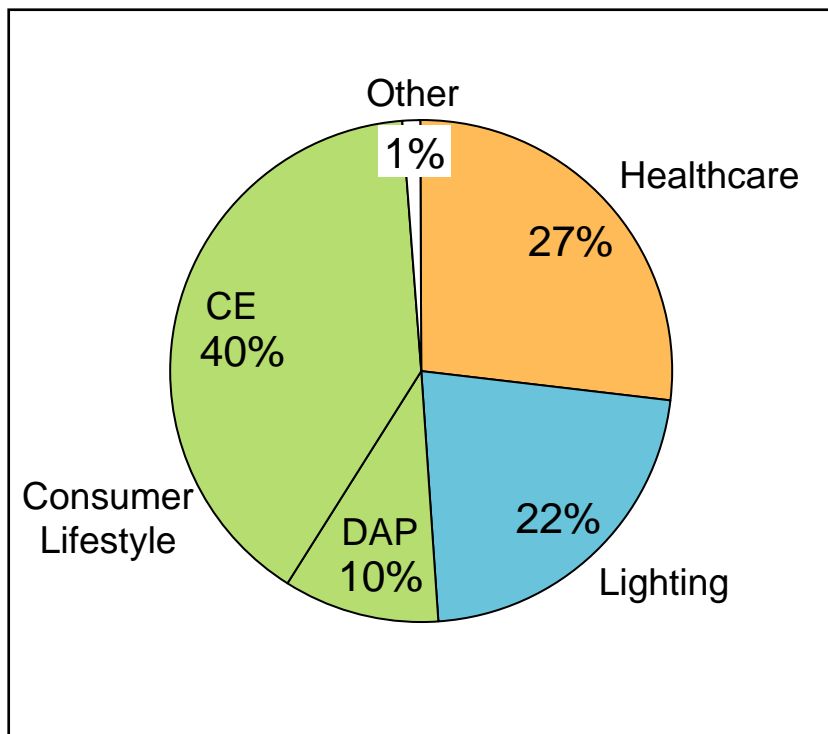


We will reach our objectives by executing on the following strategic actions

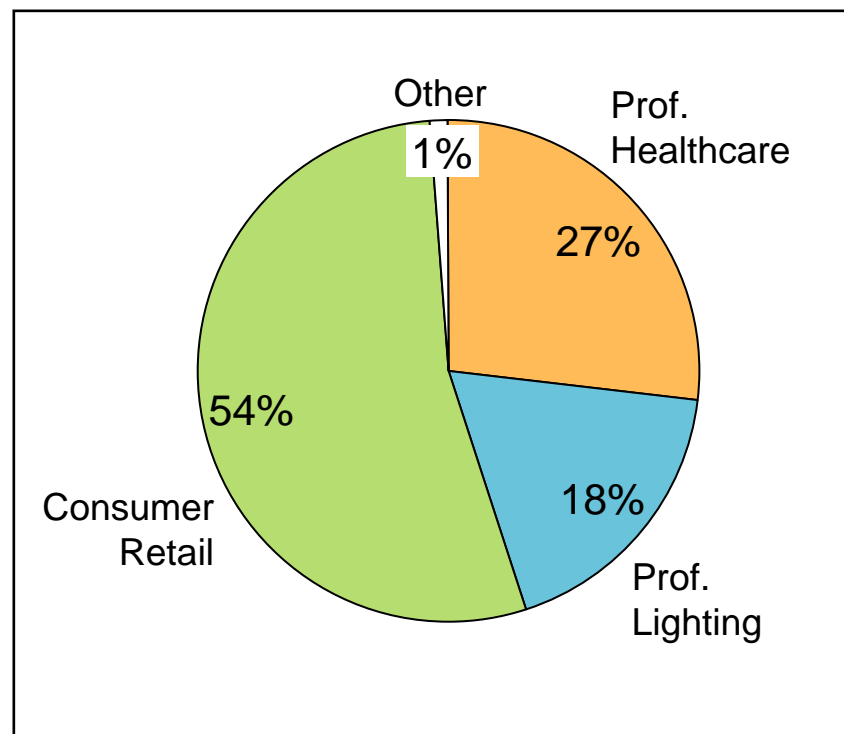
1. We are a *people-centric* company that organizes around *customers and markets*
2. We invest in a *strong brand* and consistently deliver on our *brand promise* of “*sense and simplicity*”, in our actions, products and services
3. We deliver *innovation* by investing in world class strengths in *end-user 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

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

Sectors – Sales 2006*



Market spaces – Sales 2006



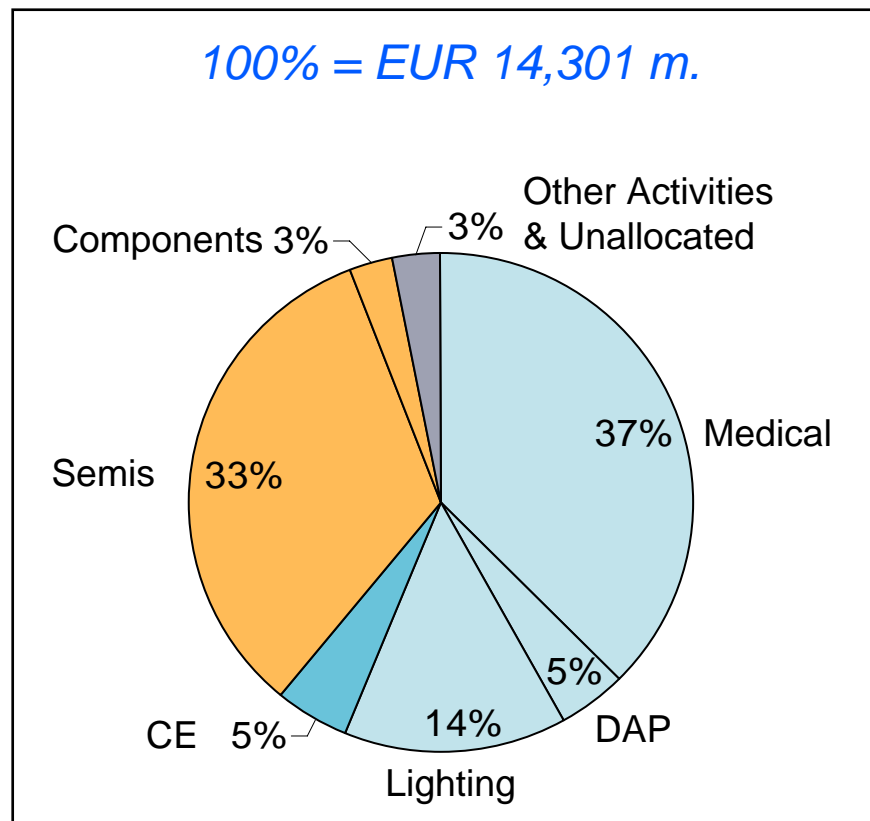
* Restated for simplified business structure

Reallocation of capital towards stable and higher margin businesses

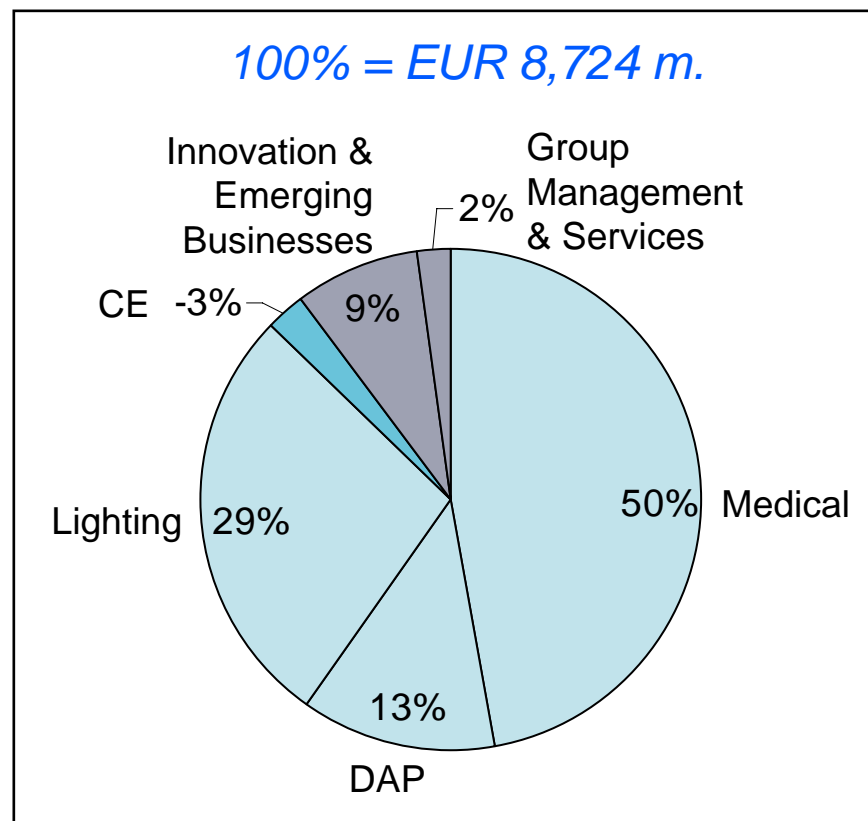
NOC as % of group NOC

- Stable and high margin businesses
- Low margin businesses
- High volatility businesses

2001



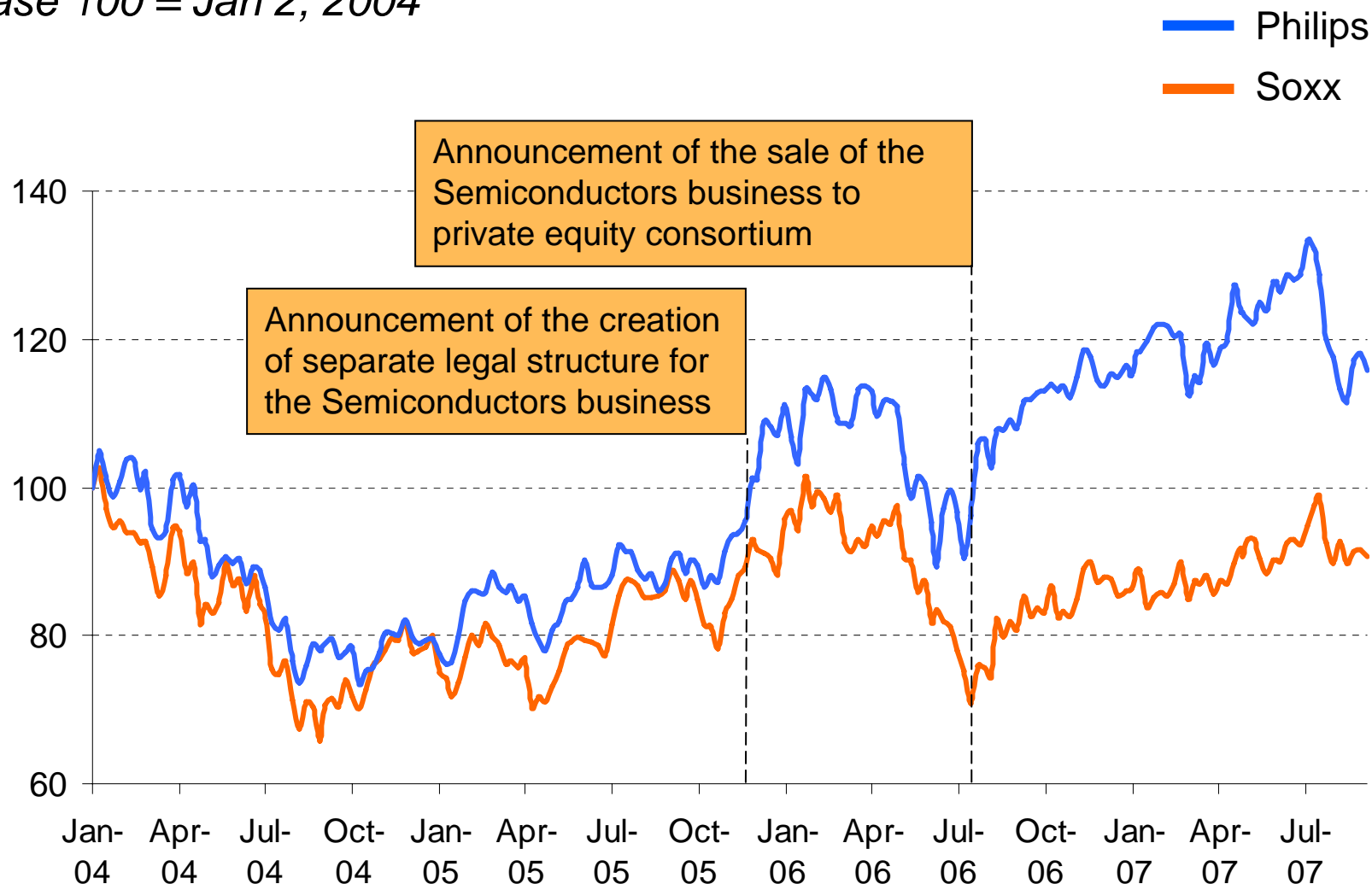
2006



* 2006 restated for new reporting structure

Share price gained momentum after decoupling from Semiconductor Index

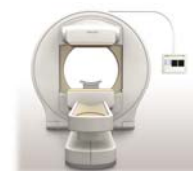
base 100 = Jan 2, 2004



Healthcare

- 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
- Home Healthcare integrated into Philips Healthcare to provide solutions to all segments of the care cycle

BrightView
SPECT



EP Navigator



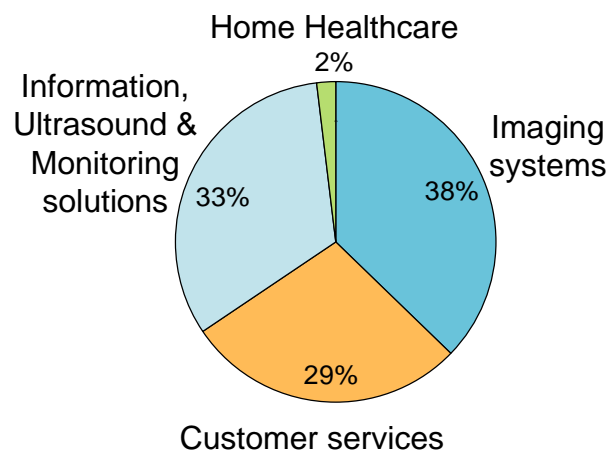
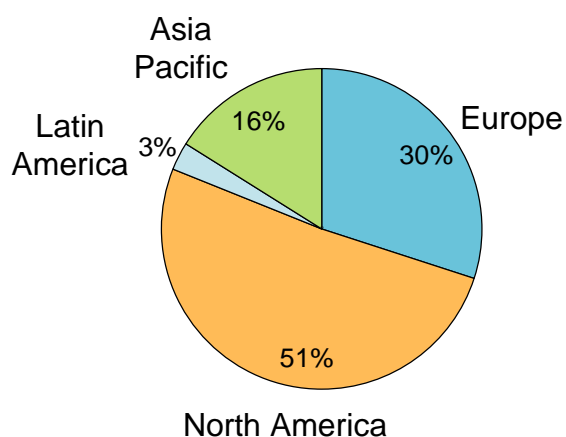
MR
Achieva 3.0T



SureSigns VM



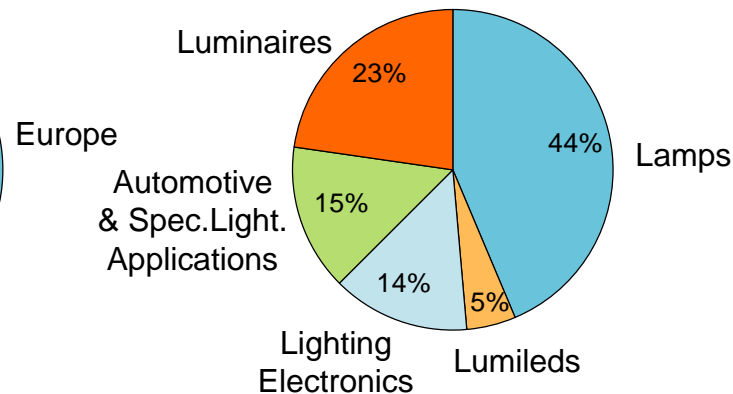
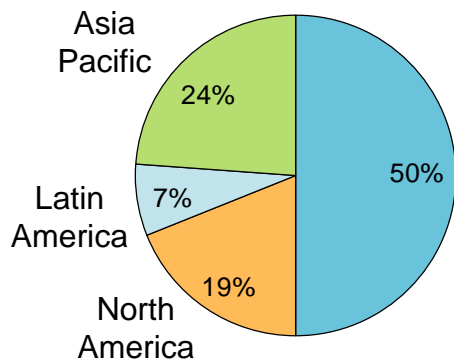
Sales 1H07



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

Sales 1H07



Luxeon
Automotive LEDs



Edore



Mini CDM
Mastercolour



CosmoPolis



Consumer Lifestyle

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



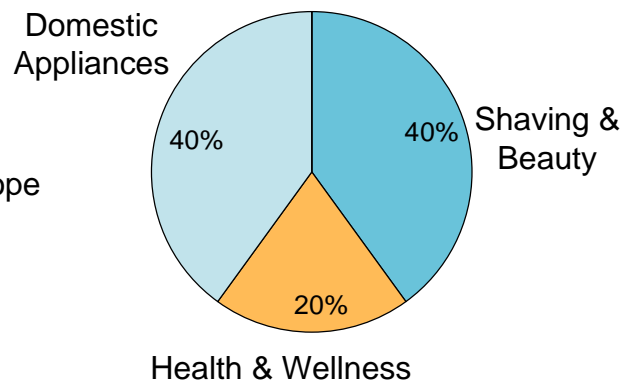
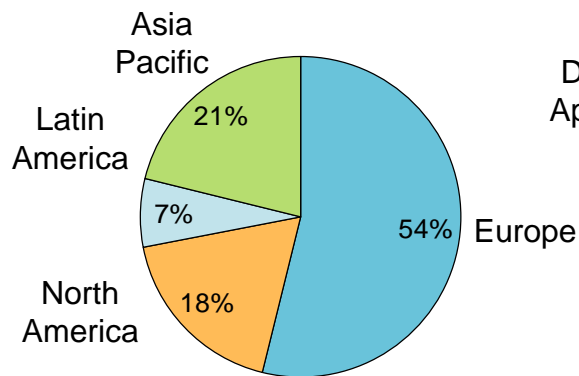
Wake up light



Wardrobe care



Sales 1H07



Consumer Lifestyle

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



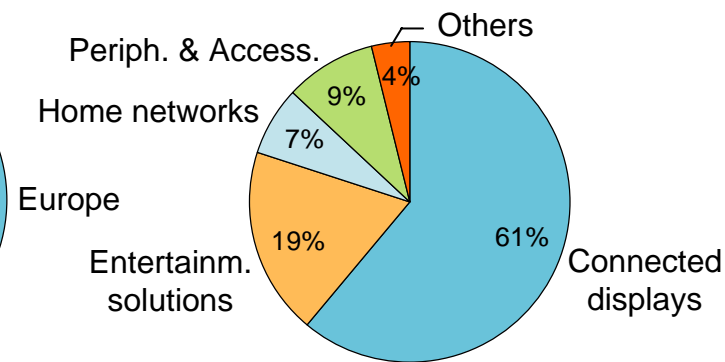
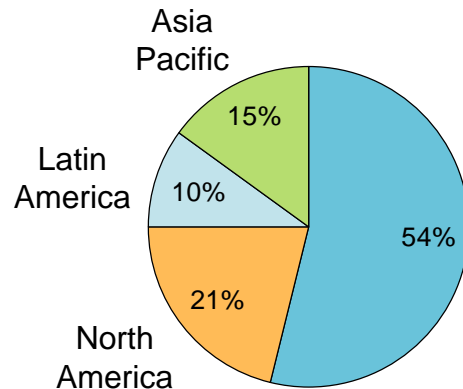
VOIP phone



Ambilight



Sales 1H07



* Excluding Mobile Phones



Consumer Lifestyle

Objectives of integrating our consumer businesses

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

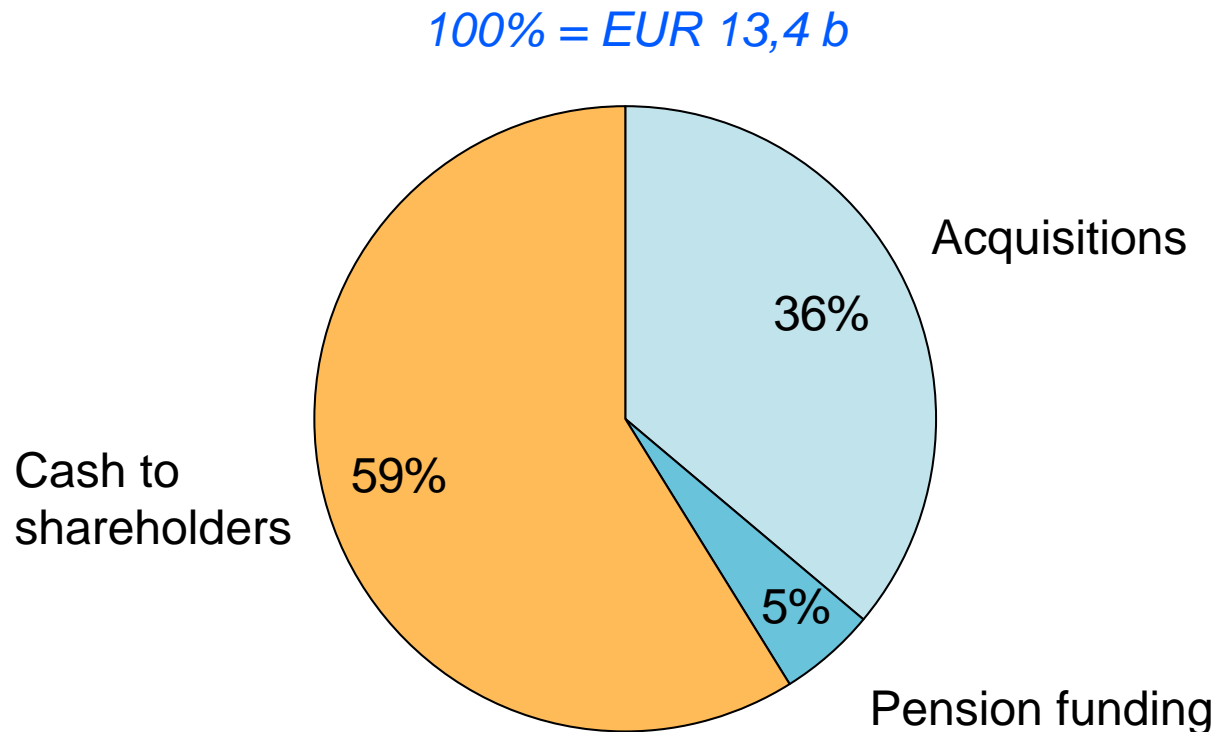
- create an organization and management team capable of executing a single consumer strategy
- allow the new organization to leverage the best capabilities of both organizations
- create a consumer solutions powerhouse closely grouped around the end-consumer, with deep consumer insight and the ability 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

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Financial assets: Cash utilization

*Year 2005 – 2007 **



* Including announced acquisitions and share repurchase program

Portfolio changes in the last 18 months

In EUR millions

Major acquisitions ¹

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

Sales	913 ²
Comp. growth	13%
EBIT	167
% of sales	18.3%



Divestments ³

- MDS
- Optical Storage
- Enabling Technologies Group
- HTP Tooling
- Business Communications

Sales	2,343
Comp. growth	-17%
EBIT	(142)
% of sales	-6.0%

1 – US GAAP restated sales and EBIT exclude annualized amortization from year before purchase. Comparable growth based on RFA.

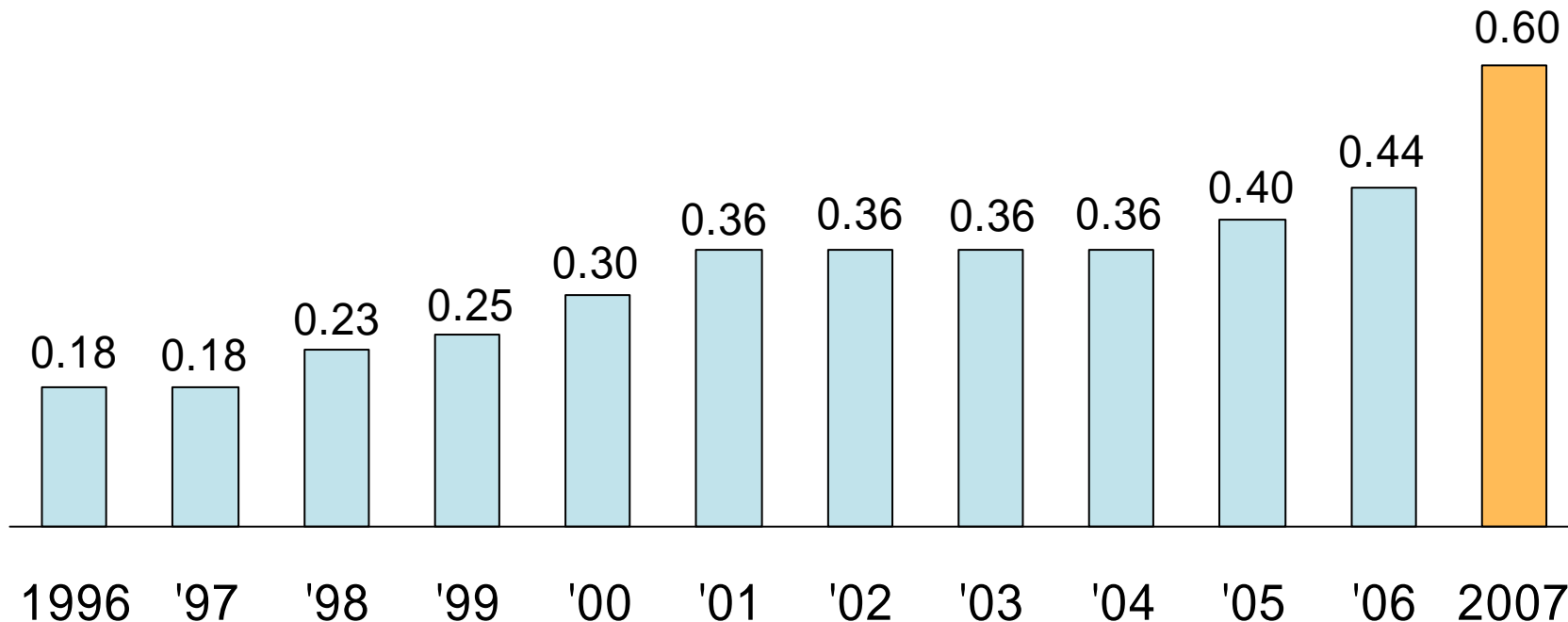
2 – Excludes sales from Intermagnetics to Philips

3 – Actual figures based on 2005.

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%.”



Major investments

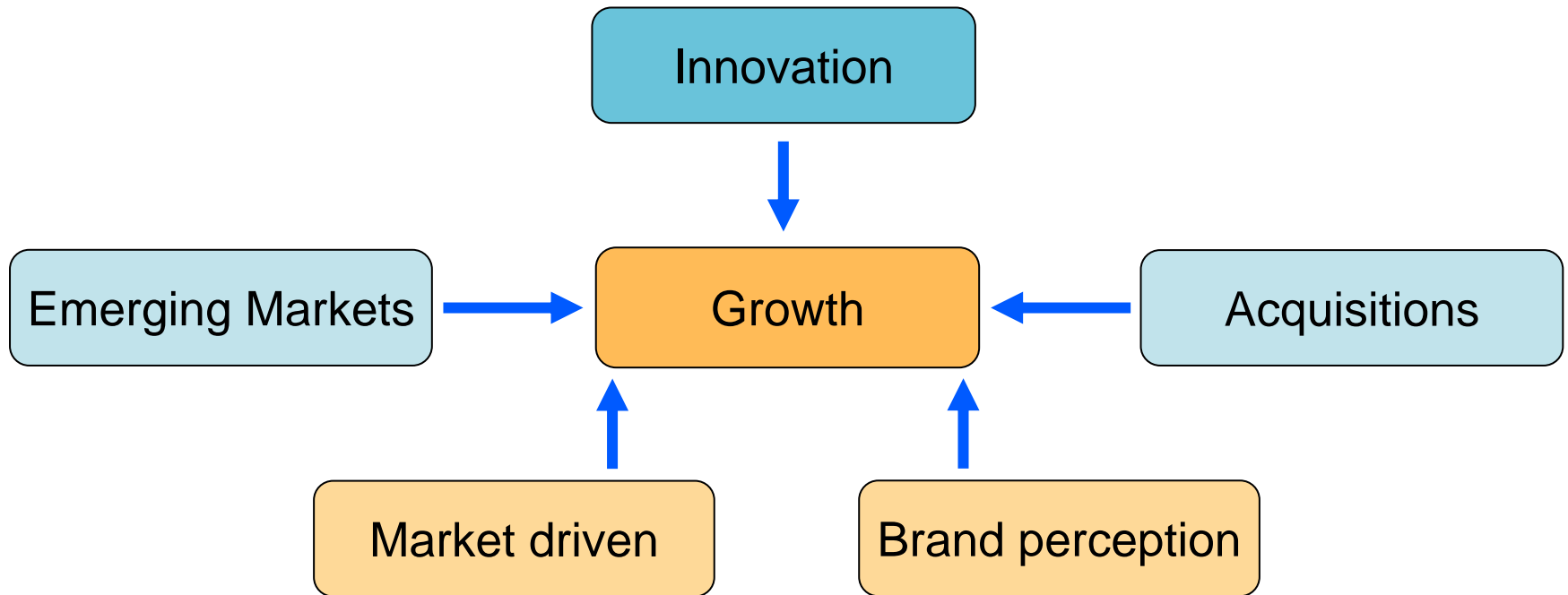
	number shares rounded in millions	% ownership	Sep 7 th , 2007 in EUR m.
<i>Quoted</i>			Market value
LG.Philips LCD	118	32.9	3,904
TSMC	2,111	8.0	2,899
TPV	263	13.6	130
<i>Non-quoted</i>			Book value
NXP	18	19.9 ¹	854
Total			7,787

¹ Economic ownership

Agenda

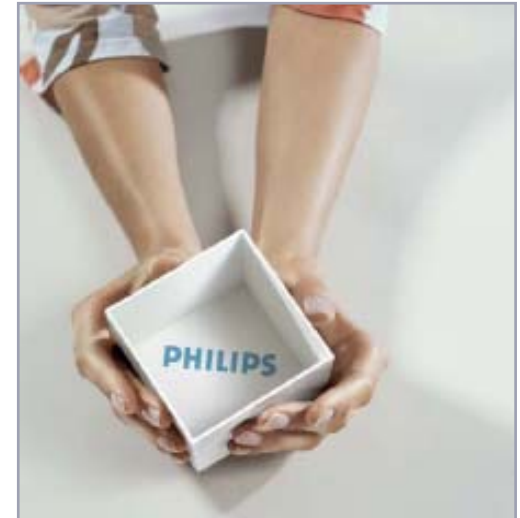
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Creating growth opportunities in healthcare, lifestyle and technology



Becoming a more market driven organization

- Continued roll out of “Sense and Simplicity” moving Philips up for the fourth consecutive time to rank 42 from 48 last year and 53 in 2005 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



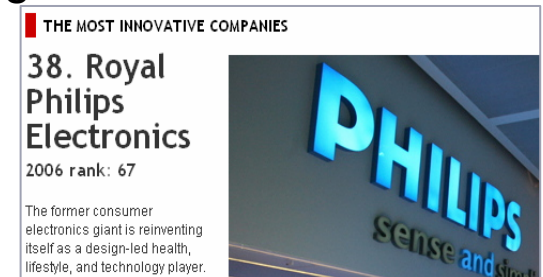
Our increased innovation focus fuels growth

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

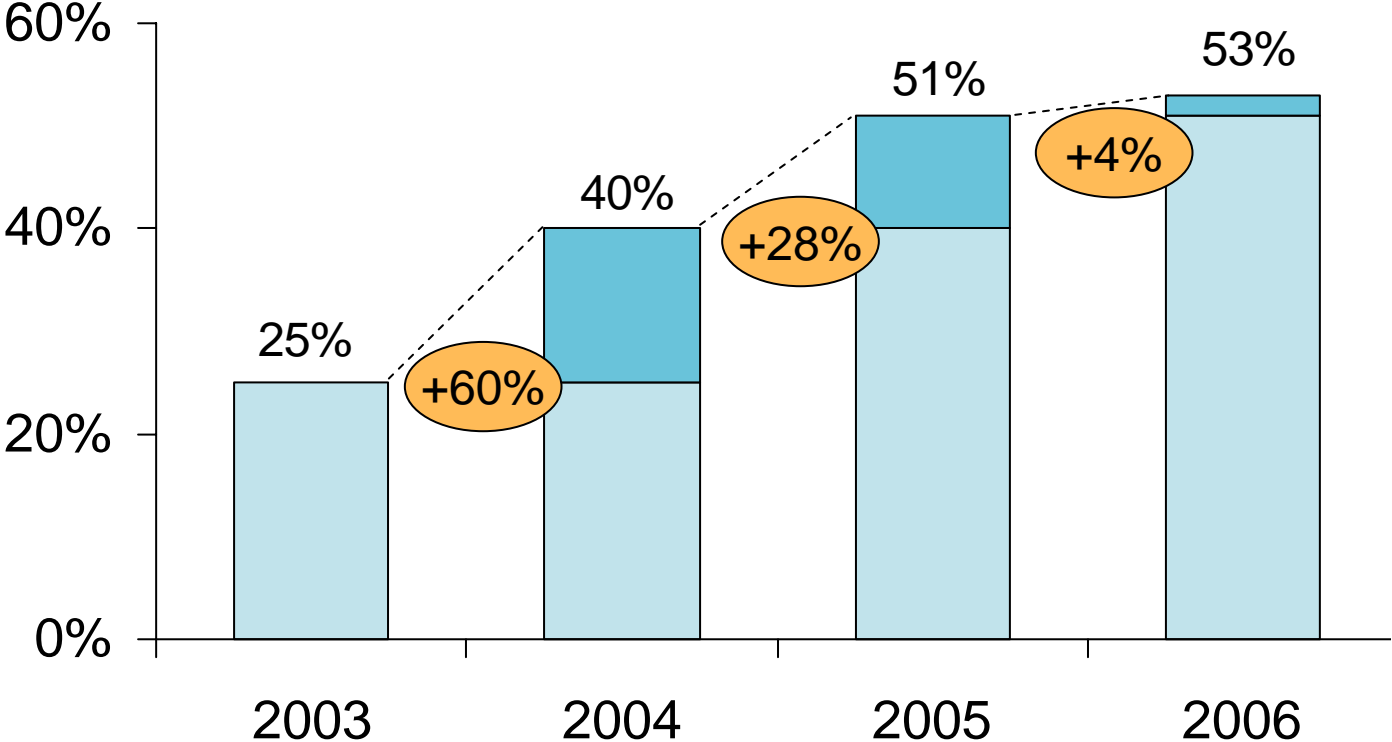
- Our New Product Sales index increased from 39% (2004) to 53% (2006).
- We continue to move up in Business Week's ranking of most innovative companies:
 - 2006: 67
 - 2007: 38



“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.”

Innovation drives growth

Group revenues from new products



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)

Interbrand

Results

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

- 2004: 65
- 2005: 53
- 2006: 48
- 2007: 42

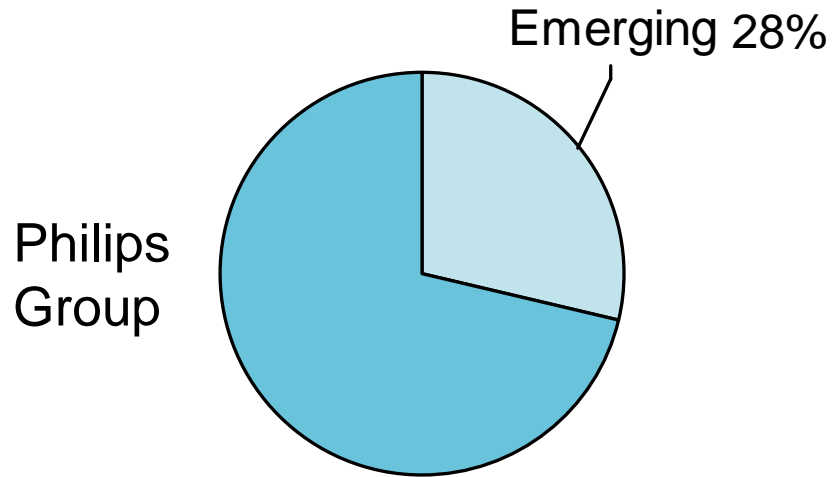
		Brand value in US\$		
		2007	2006	change
41	30 FORD	8,982	11,056	-19%
42	48 PHILIPS	7,741	6,730	15%
43	44 SIEMENS	7,737	7,828	-1%
44	51 NINTENDO	7,730	6,559	18%

60 | BusinessWeek | August 6, 2007

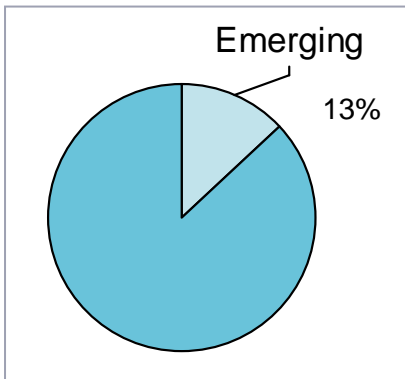
“Philips brand value shows an impressive growth rate. The 15% increase in value not only reflects that investments in the brand paid off, but it also reveals that the brand’s core messages resonate with customers. Philips not only talks about simplicity; it lives simplicity – through its focus on core 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.”

Emerging markets

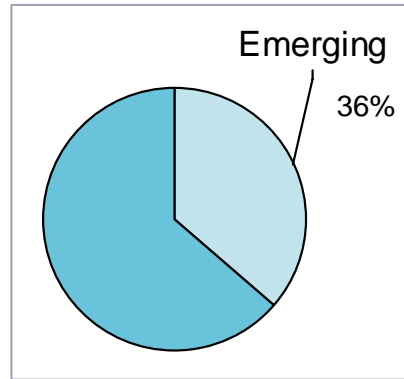
Sales in emerging markets Q2 2007 year-to-date



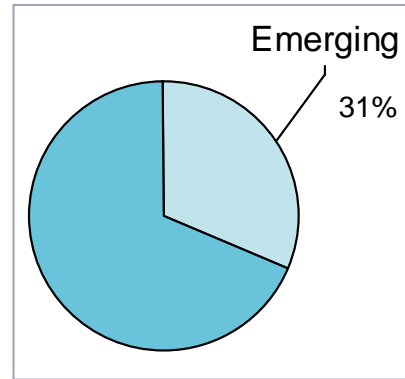
Medical



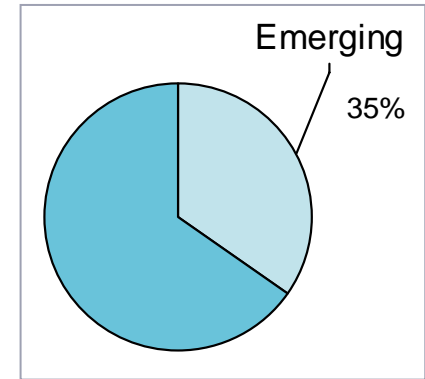
DAP



CE



Lighting



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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 iSite order intake totaled €230 million
 - order volume grew 87% over full year 2005 (pre + post acquisition)
 - included €28 mln of new orders in international markets
- 2007 iSite order volume will grow by 15% to €265 mln
 - €43 mln in new orders expected from international markets
- 2006 sales grew by 41%
- Projected 2007 sales growth is 57%
- Financial performance is ahead of original plans
- Expansion into EMEA and APAC is gaining momentum with 32 deals to date spanning Europe, Israel, South Africa, UAE, Australia & Brazil

Intermagnetics: Magnetic Resonance Imaging

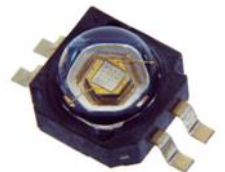
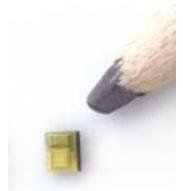
Purchase price EUR 993 million

- 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

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.
- Lumileds is expected to grow sales annually by 25% at an EBITA target of 25%. Demand for applications in cell phone camera flash, automotive, LCD Backlighting, and general lighting are the main growth opportunities.
- In June 2007 Philips acquired TIR Systems, a Canada-based leading supplier of SSL modules for high-quality white light for a total purchase price of EUR 53 Mln. 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.



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 grow driven by consumers needs in the area of energy efficiency and ambiance creation
- 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
 - Leveraging of sales channels
- The acquisition positions Philips Lighting to become the global industry shaper in the consumer LED application market

Color Kinetics: Leading SSL Luminaire player

Purchase price EUR 592 million

- Purchase price corresponds to a Color Kinetics enterprise value of approximately EUR 516 million
- Combination strengthens Philips' LED portfolio, technology base and intellectual property position
- Complementary technological expertise in combination with Philips' global infrastructure will fuel growth.
- Builds on Lumileds and TIR Systems acquisitions in the sector.
- With Color Kinetics, Philips will become also a leader in the North American SSL luminaires market, therefore establishing a strong presence in all aspects of the SSL value chain
- Acquisition will further enhance Philips' position to lead the future global shift to more energy-efficient lighting solutions, using LED sources

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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
- Improving EBITA margin of our current businesses to exceed 10% in 2010



Creating
Shareholder
Value

PHILIPS

sense and simplicity