

PHILIPS

sense and simplicity

PHILIPS

Royal Philips Electronics

March 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 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.

Additional information

Investors and stockholders of Respirationics, Inc. ("Respirationics") are urged to read the Tender Offer Statement on Schedule TO (containing the offer to purchase, a letter of transmittal and related materials) filed by Moonlight Merger Sub, Inc., an indirect wholly owned subsidiary of Philips, relating to its tender offer for shares of common stock of Respirationics that has been filed with the SEC because it contains important information, including the various terms of, and conditions to, the tender offer.

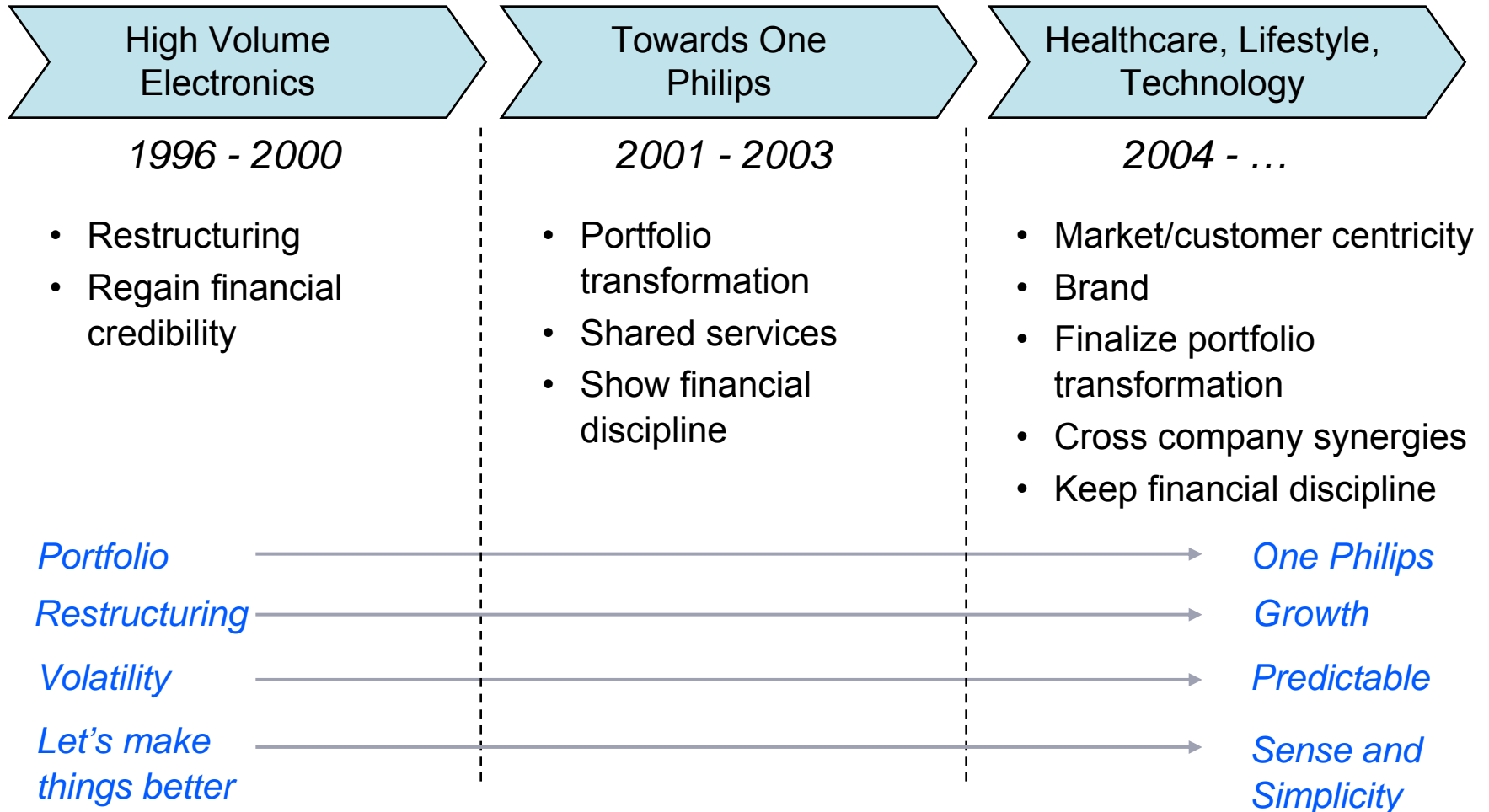
Investors and stockholders of Respirationics may obtain these and other documents regarding the tender offer, the merger and the related transactions filed by Moonlight Merger Sub, Inc. and Respirationics for free from the SEC's website at www.sec.gov.

Agenda

- Clear strategy
- Capital reallocation
- Acquisitions
- Growth
- Vision 2010
- Conclusion

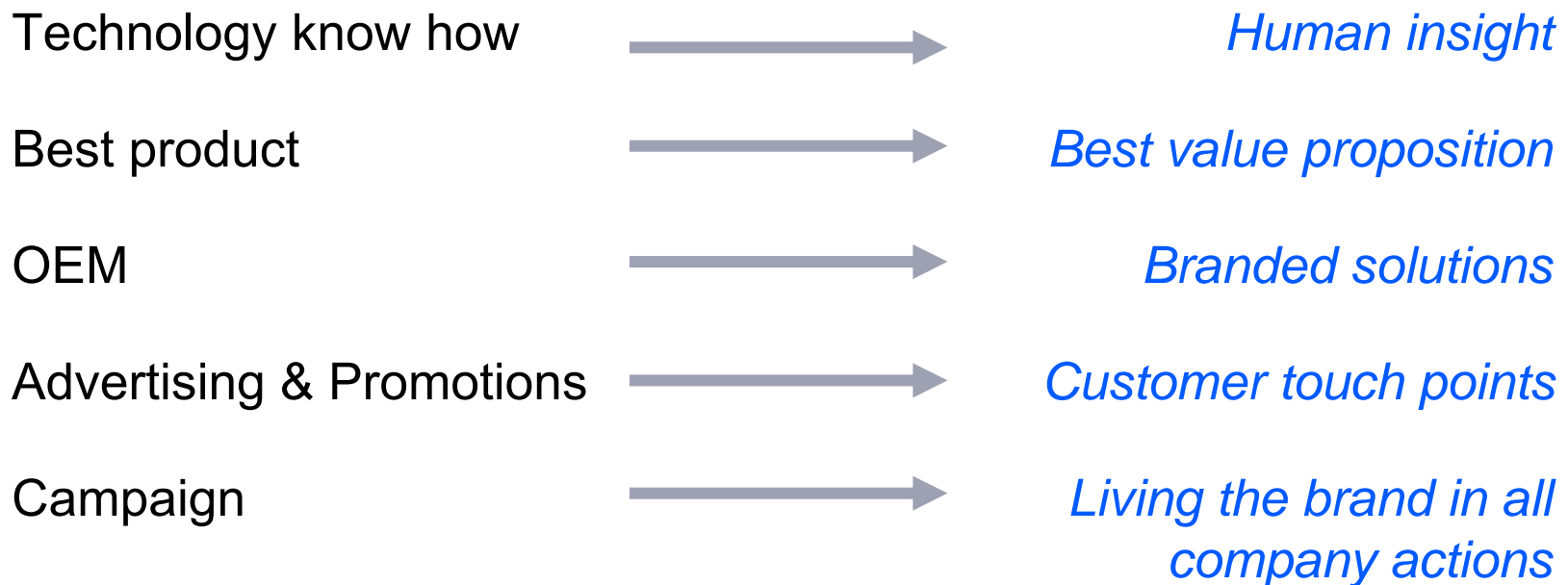
How we changed our company in the past 10 years

The journey of becoming truly market driven



Turning the brand promise into reality

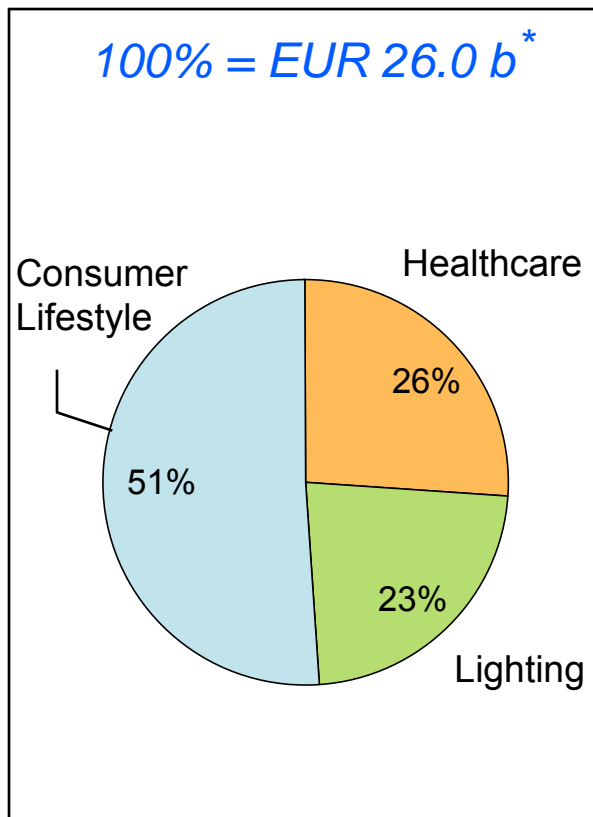
sense and simplicity



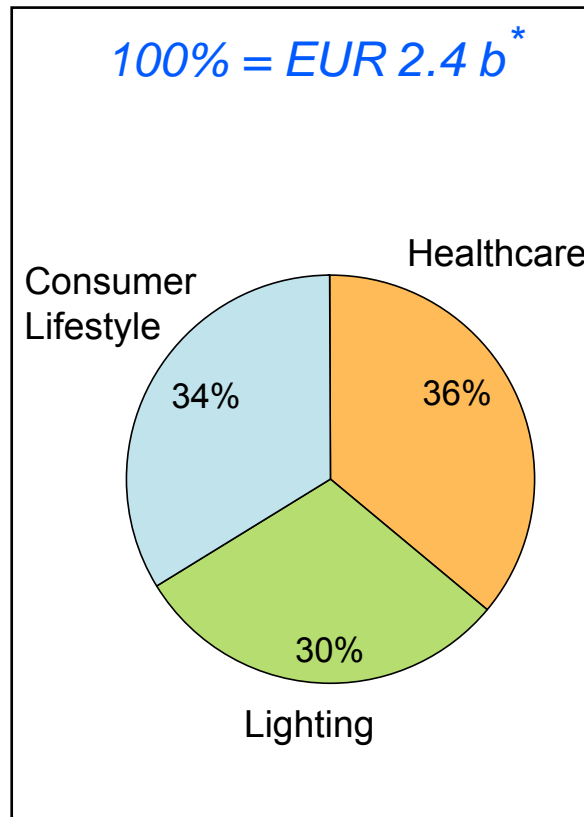
Simplifying business structure by creating three core sectors: Healthcare, Lighting and Consumer Lifestyle

Full Year 2007, EUR million

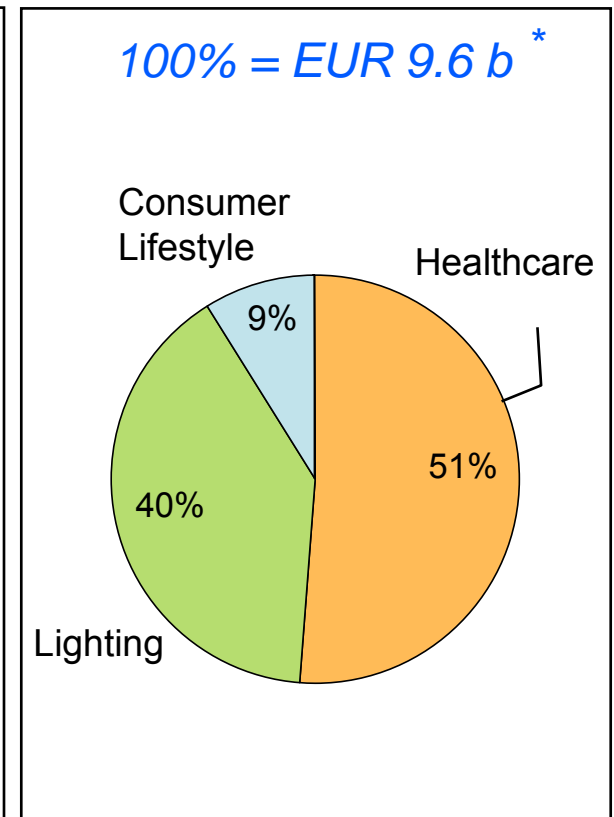
Sales



EBITA



Net Operating Capital



* Excluding Central sectors

Healthcare

- Long-term growth driven by demographics and economic advancement of emerging markets
- Strong market position and market share
- Increasing margins based on innovation & other improvements
- Structurally strong cash flow
- A global leader in the growing medical device and diagnostic industry and a market leader in patient monitoring systems

BrightView
SPECT



EP Navigator



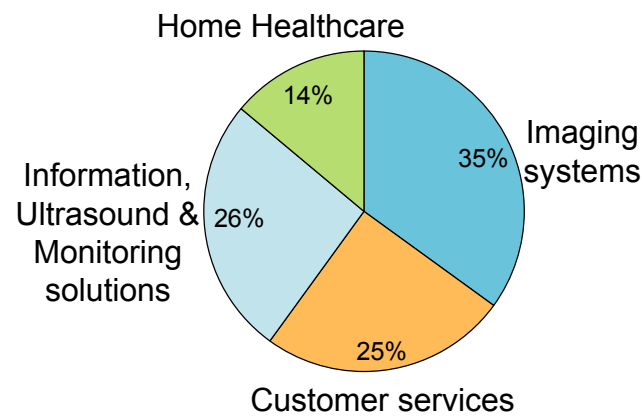
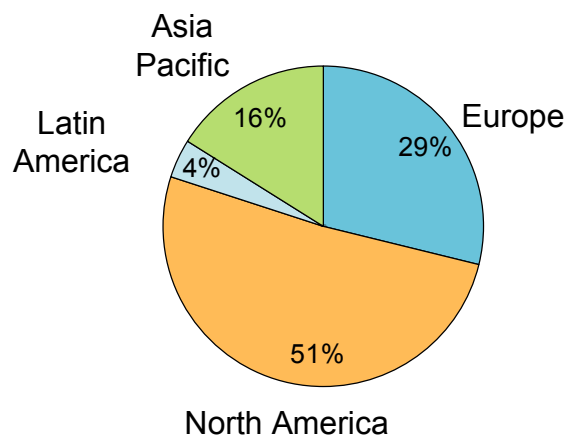
MR
Achieva 3.0T



HeartStart MRx



Sales
2007 ⁽¹⁾



(1) Including sales of EUR 168 m for Home Healthcare Solutions, formerly CHS, and including pro forma MAT Sept-2007 sales of EUR 873 m for Respironics.

Lighting

- Number 1 market position globally with strong margins and cash flows
- World leader in Solid State Lighting and energy efficient lighting solutions
- 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

Luxeon
Automotive LEDs



Mini softone



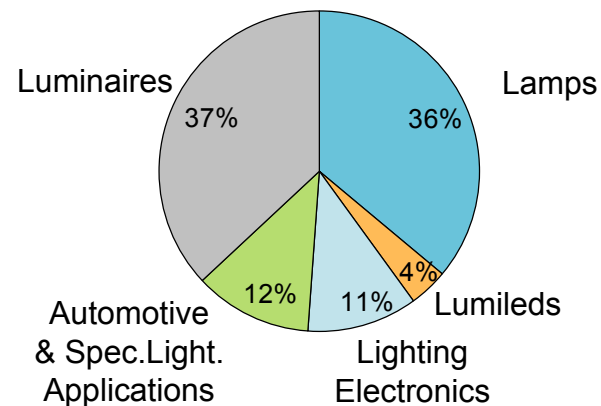
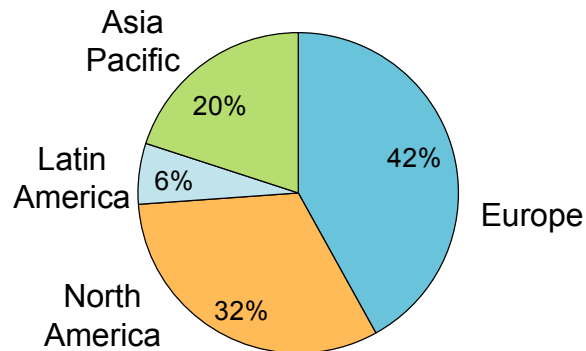
LivingColors



CosmoPolis



Sales
2007 ⁽¹⁾



(1) Including pro forma MAT Sept-2007 sales of EUR 1,204 m for Genlyte

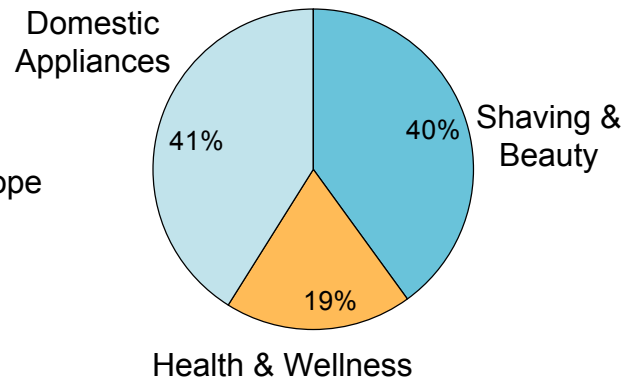
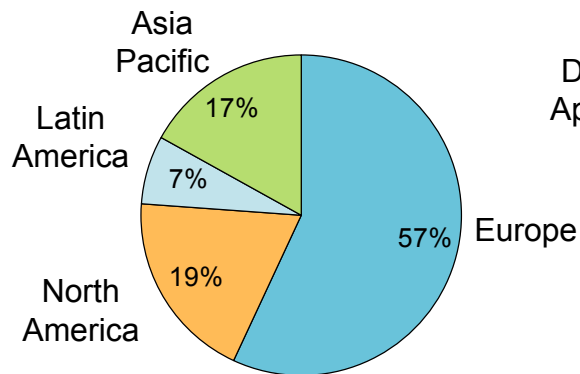
Consumer Lifestyle

Domestic Appliances and Personal care

- Breakthrough products through innovation and customer understanding with many leading market positions
- Combining market excellence with best in class cost position
- Outsourced approximately 50% of manufacturing
- Expanding presence in emerging markets
- Leveraging the brand
- Strong cash flow
- Market leader in shaving as well as lifestyle solutions for personal wellbeing



Sales
2007



Consumer Lifestyle *Consumer Electronics*

- Focus on innovation in design and marketing of high-end differentiating products
- Further de-risking the business through new business models resulting in negative capital base; outsourced approximately 80% of manufacturing.
- Leveraging the brand
- In 2008, decisive steps will be taken to structurally deal with unsatisfactory EBITA margins in Connected Displays

Active Crystals



AmbiSound

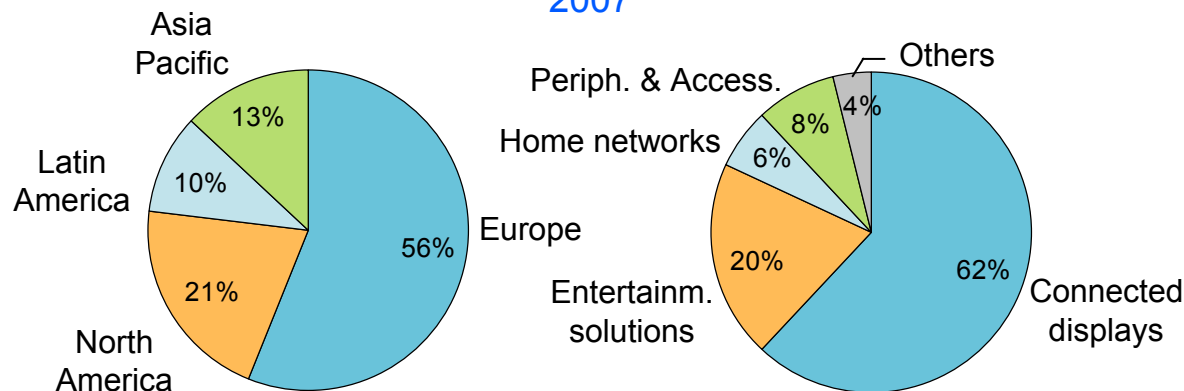
Portable Media devices



Ambilight



Sales
2007



Consumer Lifestyle

Objectives of integrating our consumer businesses

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

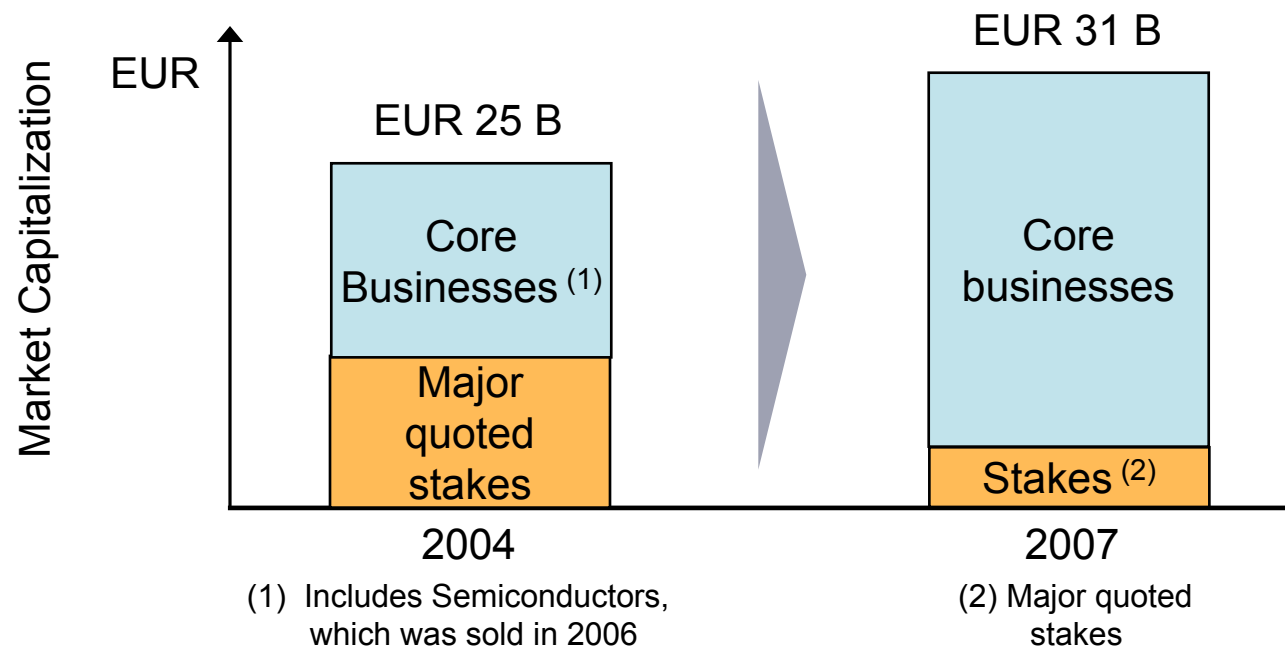
- create an organization and management team capable of executing a single consumer strategy
- allow the new organization to leverage the best capabilities of both organizations
- create a consumer solutions powerhouse closely grouped around the end-consumer, with deep consumer insight and the ability 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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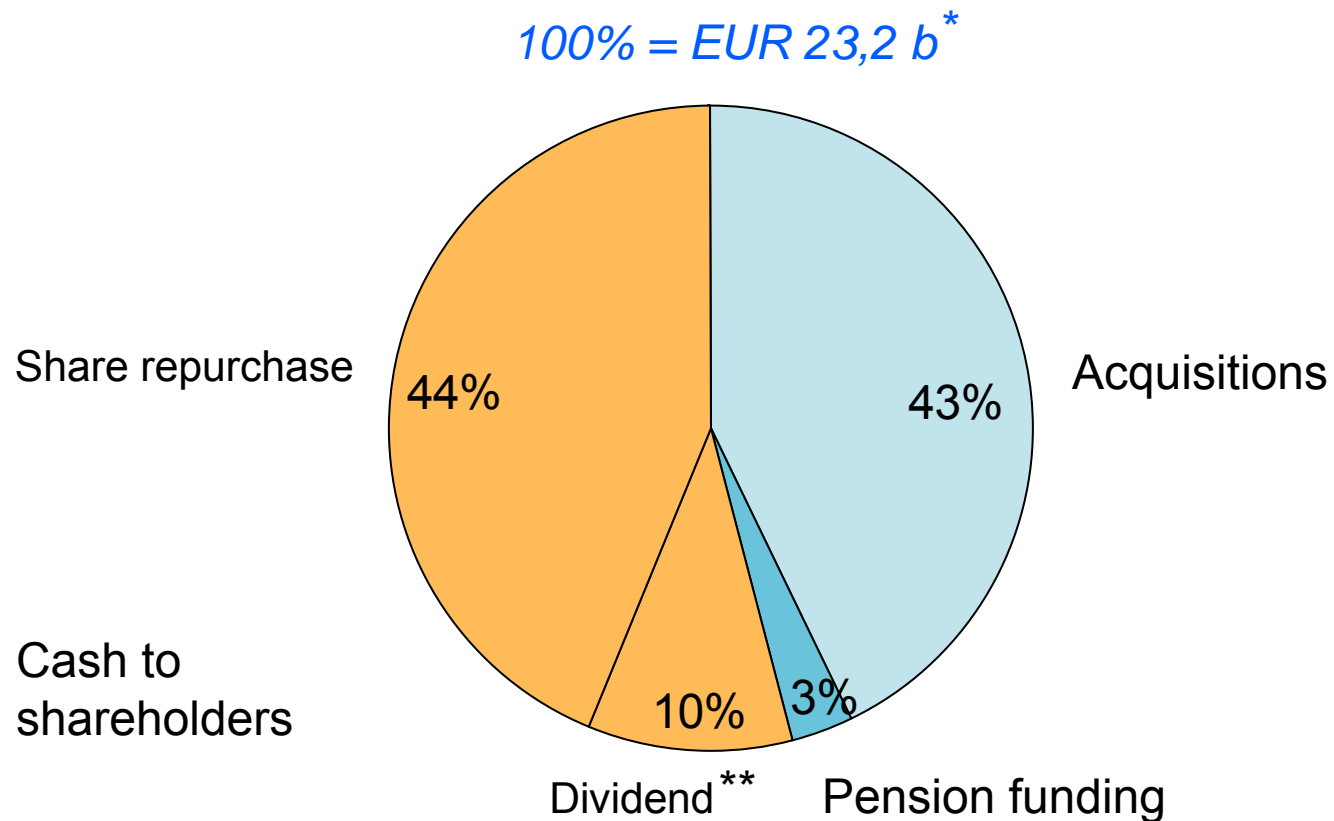
Capital reallocation largely completed in 2007, moving towards a more stable business mix

- 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



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.

** Including proposed dividend approx EUR 715 million

Cash generated from sale of major participations

EUR million

	2004	2005	2006	2007	Total
Sale securities	883	67	—	—	950 1,106 1,604 4,853 2,485 154 6,960
Sale Atos Origin shares	552	554	—	—	
NAVTEQ	672	932	—	—	
TSMC	—	770	—	4,083	
LG Displays	—	938	—	1,547	
FEI	—	—	154	—	
Semiconductors (NXP)	—	—	7,059	(99)	
Total	2,107	3,261	7,213	5,531	18,112

Cash utilization

<i>EUR million</i>	2005/2007	Announced / being implemented	Total ^{***}
Consumer Lifestyle, Lighting & Healthcare	Acquisition Stentor	194	—
	Acquisition Witt Biomedical	110	—
	Acquisition Lifeline	583	—
	Acquisition Intermagnetics	993	—
	Acquisition VISICU	—	200
	Acquisition Respirationics	—	3,400
	Acquisition Lumileds	788	—
	Acquisition PLI	561	—
	Acquisition Color Kinetics	515	—
	Acquisition Genlyte	—	1,900
Acquisition Avent	689	—	9,933 42.8 %
Extra funding pensions (UK&US)	683	—	683 2.9 %
Share repurchase program	5,187	—	12,588 54.3 %
Dividend	1,686	715 ^{**}	
EUR 5.0 billion buy-back program	—	5,000 [*]	
Total	11,989	11,215	23,204

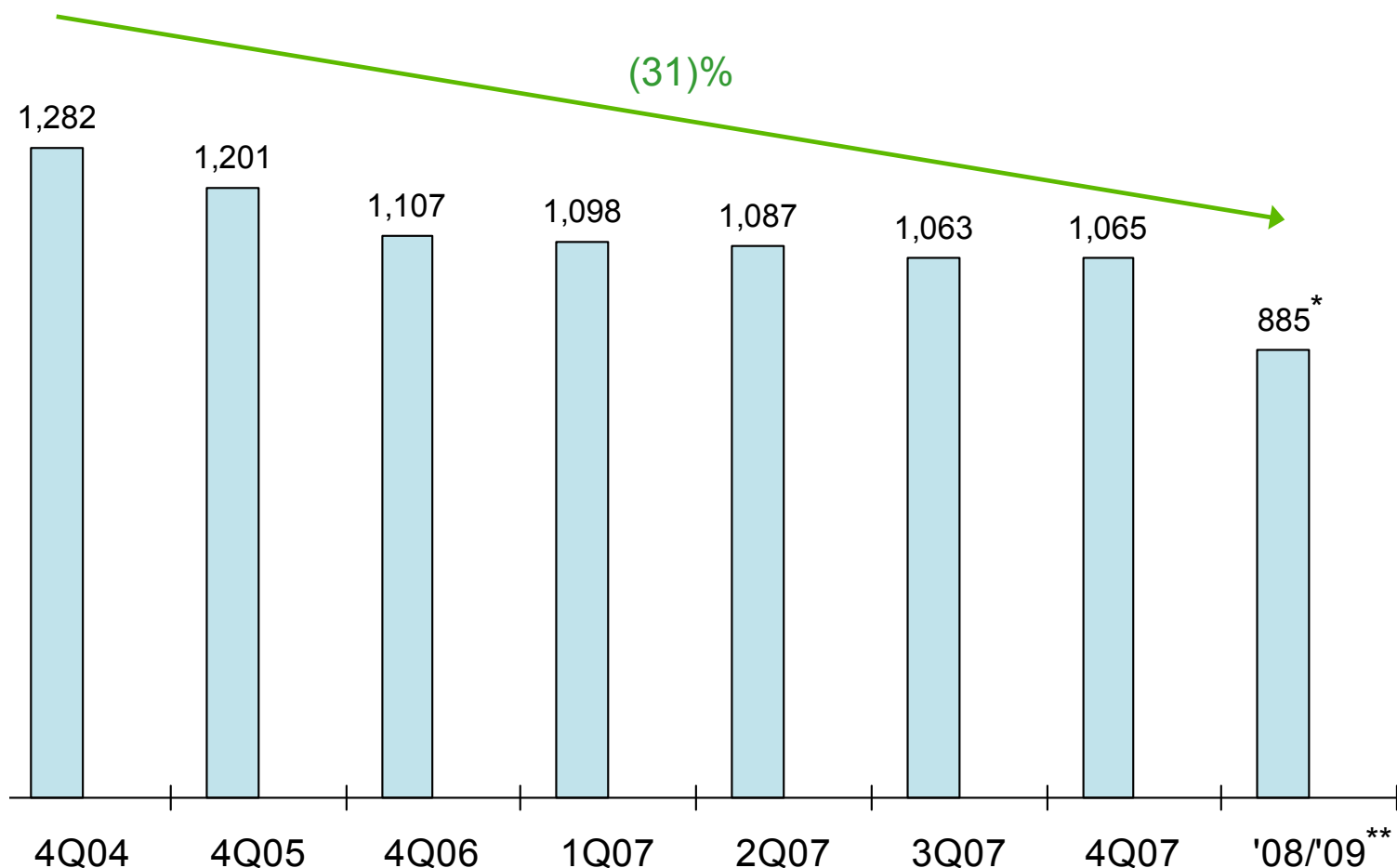
* Still to be completed

** Proposed dividend approximately EUR 715 million

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

Basic shares outstanding

Million



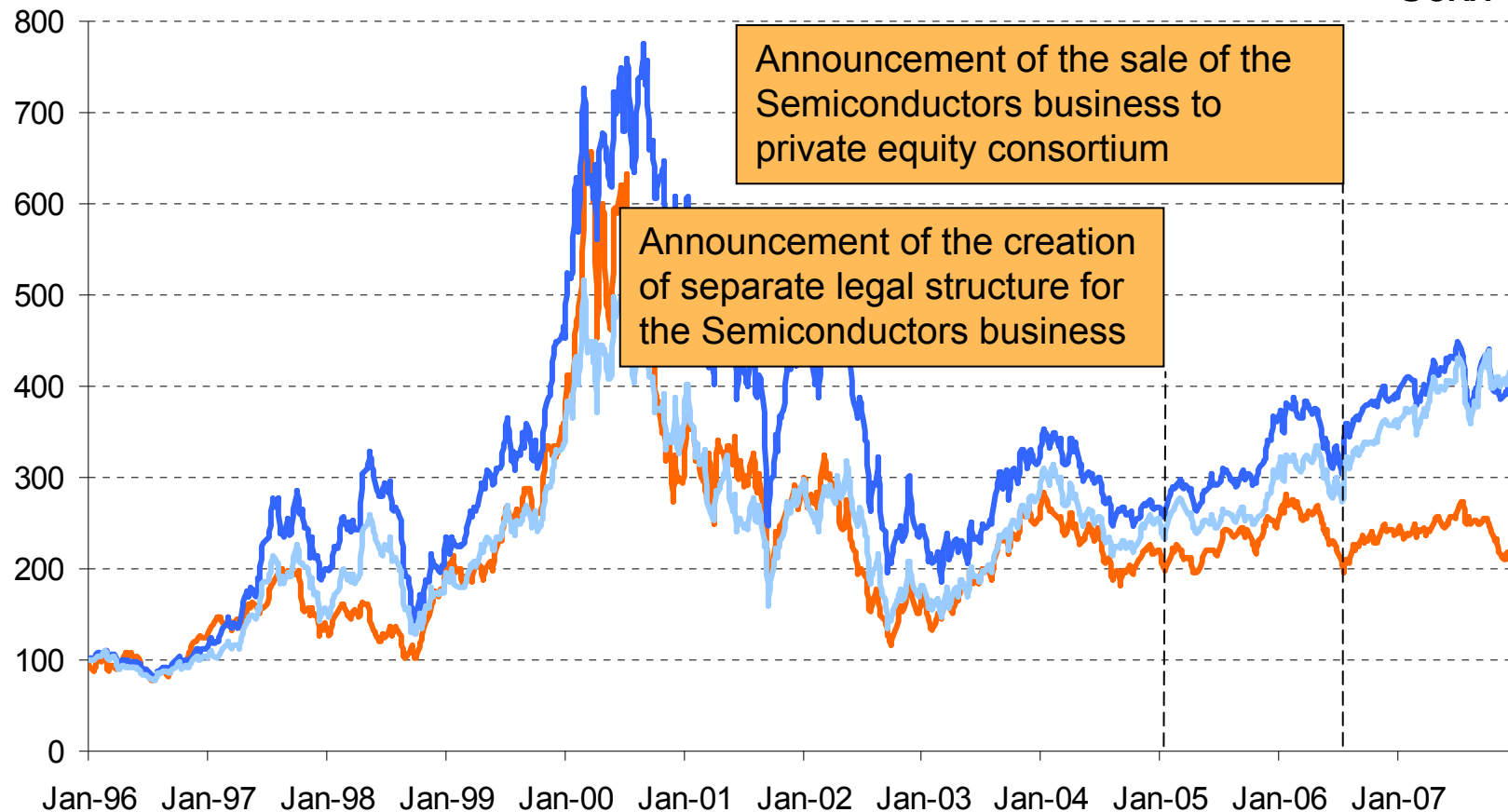
* After finalizing announced repurchase program; calculation includes average purchase price of EUR 28.

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

Share price gained momentum after decoupling from Semiconductor Index

base 100 = Jan 1, 1996

- Philips AMS
- Philips NY
- Soxx



Major investments

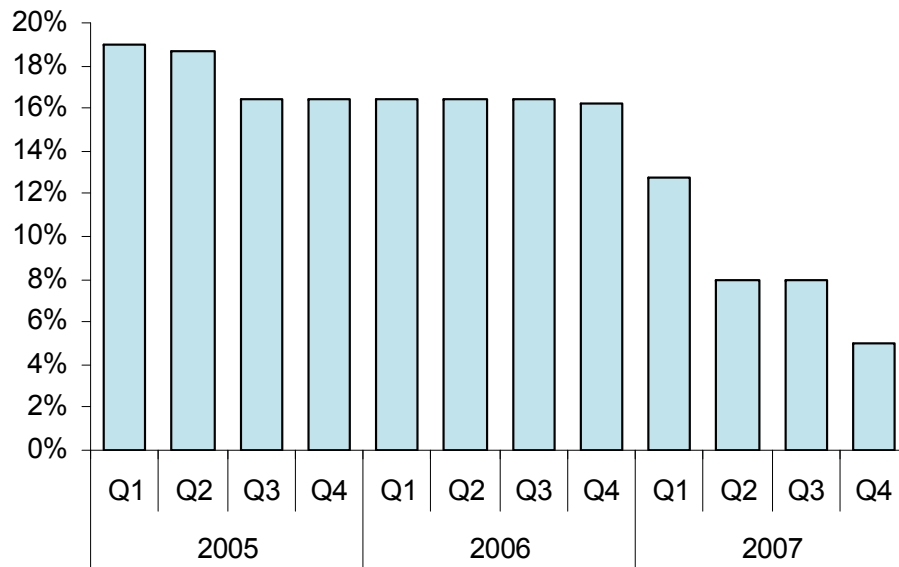
	number shares rounded in millions	% ownership	Feb 25 th , 2008 <i>in EUR m.</i>
<i>Quoted</i>			Market value
LG Displays	71	19.9	2,245
TSMC	1,311	5.0	1,724
TPV	263	13.5	107
<i>Non-quoted</i>			Book value
NXP	18	19.9 ¹	854
Total			4,930

¹ Economic ownership

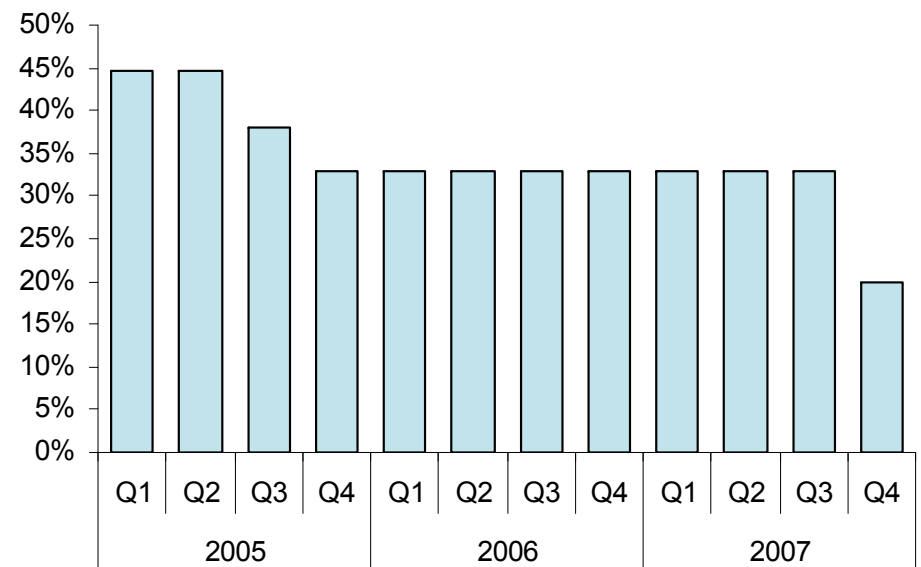
Major investments

Development of major investments

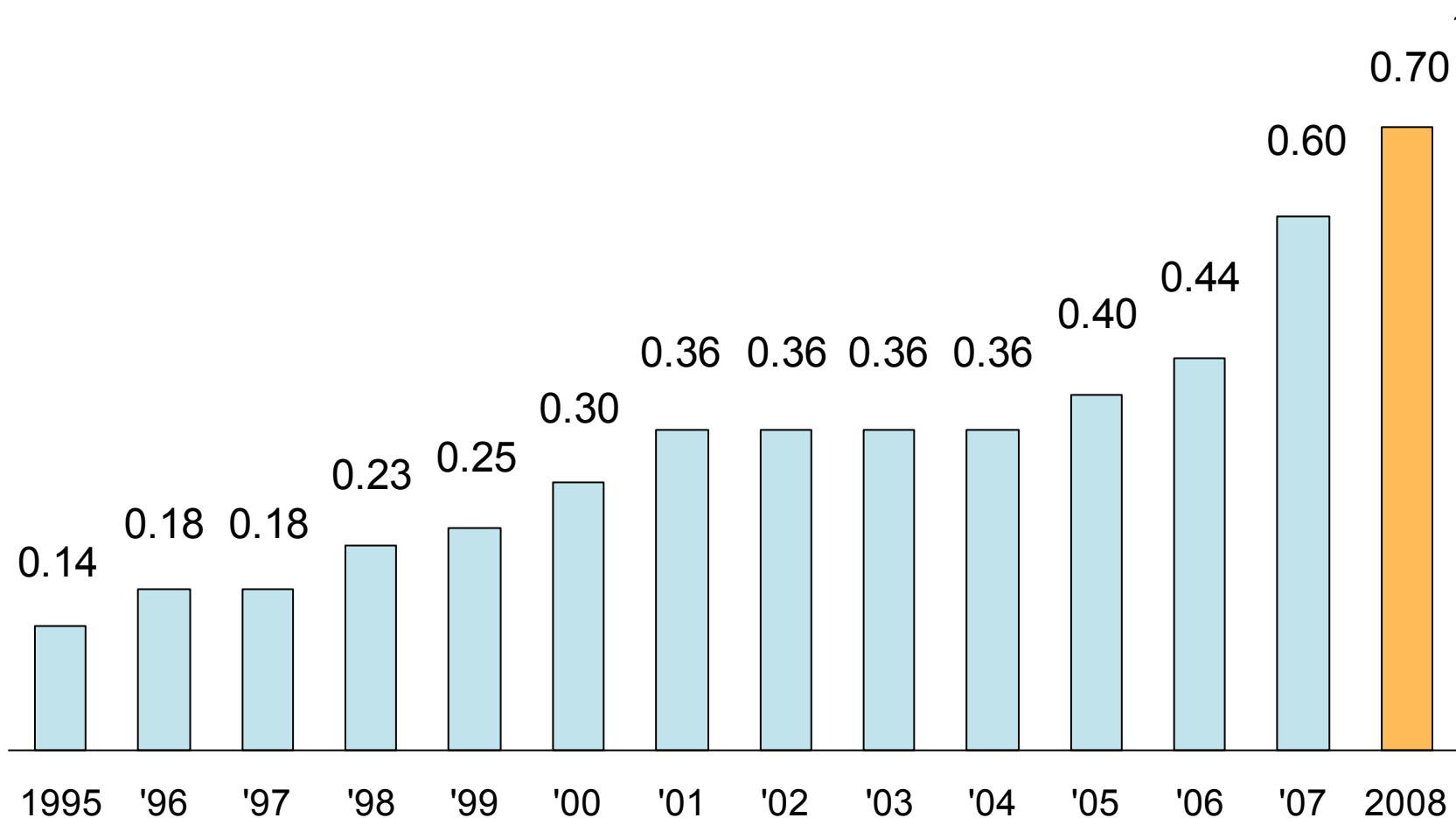
%Holding TSMC



%Holding LG Displays



Dividend paid *amounts in EUR*



1 – Proposal subject to approval in the General Shareholders Meeting on March 27th, 2008

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Guiding principles for acquisitions

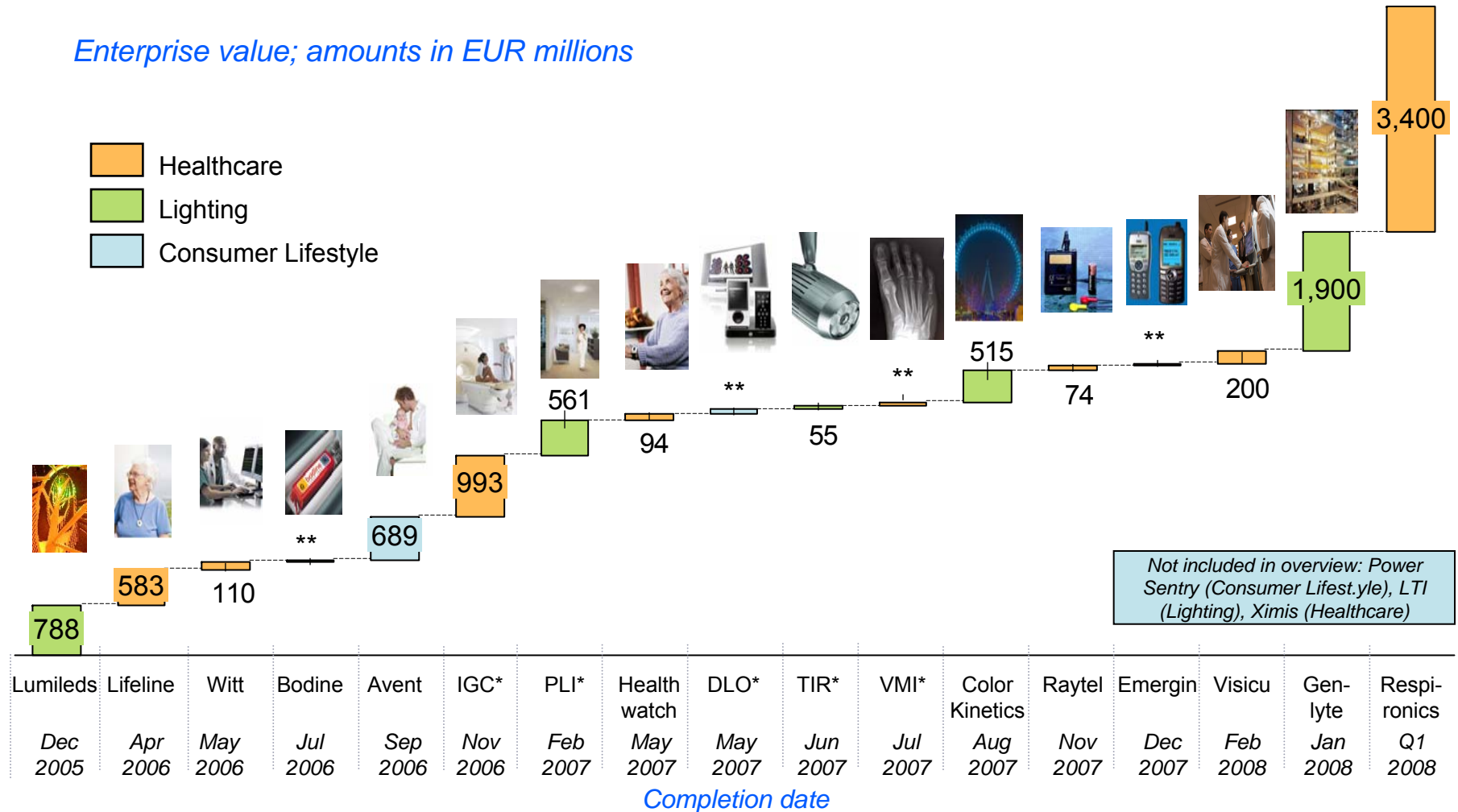
- ① Growth opportunities in our high margin, more predictable businesses
- ② No or time-limited margin dilution
- ③ Quality of management
- ④ Clear commercial, clinical, and technology synergies
- ⑤ Complementary position
- ⑥ Strong market position
- ⑦ Integration strategy part of acquisition decision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



Value
Creation

We have invested more than EUR 10 B on acquisitions over the past 2 years

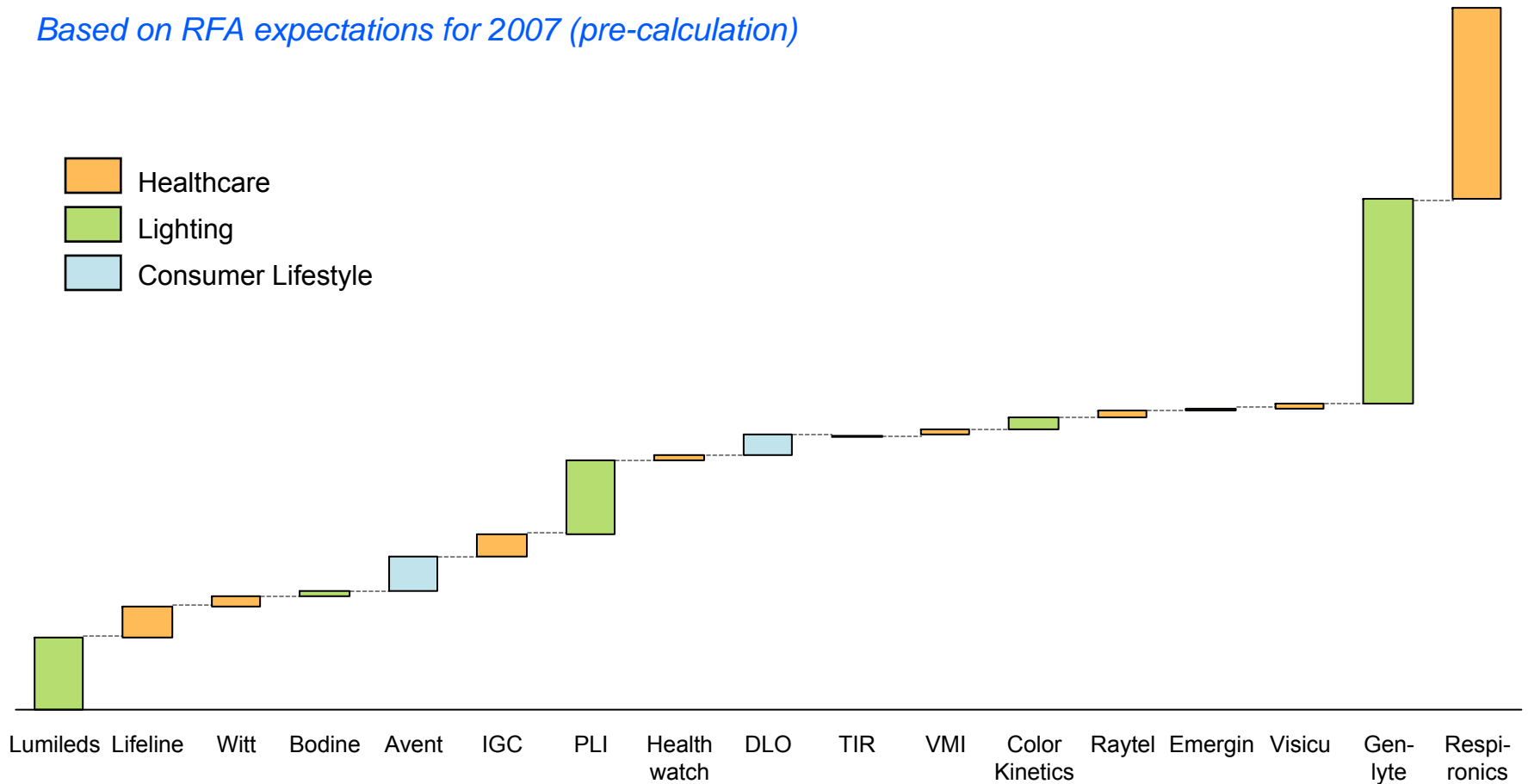
Enterprise value; amounts in EUR millions



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

These companies are expected to increase annual sales by > EUR 4 B, growing at 15% ...

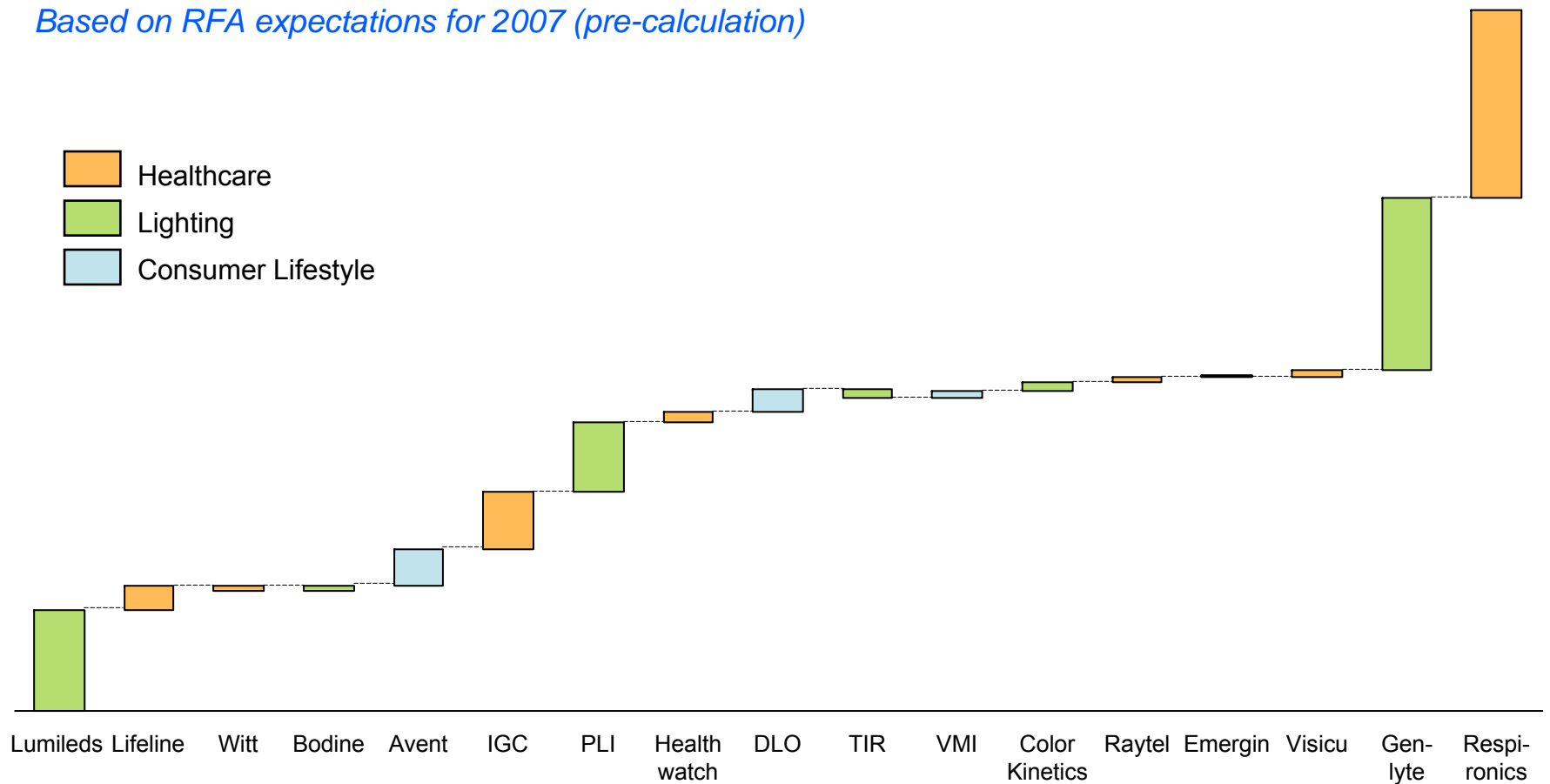
Based on RFA expectations for 2007 (pre-calculation)



Source: RFA expectations for 2007 (Respi-ronics: 2008). Growth percentages are Y1→Y2 growth from RFA.
RFA: Request For Acquisition

... while generating more than EUR 700 m. earnings at a 17% margin

Based on RFA expectations for 2007 (pre-calculation)



Source: RFA expectations for 2007 (Respironics: 2008).
RFA: Request For Acquisition

Respironics: Leading player in respiratory market

Purchase price EUR 3.4 billion

- Announced on December 21, 2007 with an enterprise value of approximately EUR 3.4 billion
- Respironics, with MAT September revenues of USD 1.2 B, EBITA of USD 180 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
- The acquisition represents a [continuation of Philips' strategy of investing in innovation and consumer centric markets](#)
- 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
- Acquisition expected to close in Q1 2008

VISICU: Leader in Clinical IT for the ICU

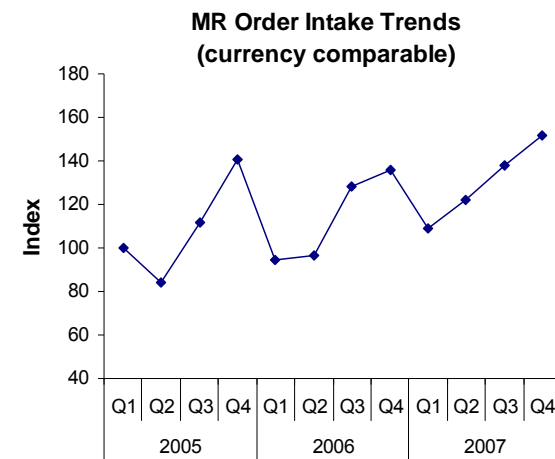
Purchase price EUR 200 million

- Acquired on February 21, 2007 with an enterprise value of EUR 200 million
- VISICU reported MAT September sales of USD 36 m and an EBITA of USD 9 m. Deal will add value by 2012; main synergies come from:
 - Leveraging Philips' installed base, sales force and market presence
 - Sell additional patient monitoring systems to hospitals that elect to install an eICU system
 - Market the eICU systems around the world
- Philips to grow business by combining VISICU's clinical IT hardware and software for the ICU with Philips' patient monitoring products to help medical staff actively and remotely monitor more ICU patients, boosting hospital productivity and patient care
- By combining VISICU's remote monitoring intensive care unit (ICU) software with Philips' patient monitoring products, we can offer doctors and nurses patient monitoring products that provide more effective clinical decision support while allowing them to monitor far greater numbers of critically ill patients
- Deal complements Philips' earlier acquisition of clinical IT company Emergin
- Acquisition expected to close in Q1 2008

Intermagnetics: Magnetic Resonance Imaging

Purchase price EUR 993 million

- Acquired November 9, 2006
- First year after the acquisition resulted in a 2 point market share growth therefore on track to realize approximately 4 points additional growth in Philips' MRI market share within 3 years
- Cost saving in line with plan, leading eventually to improved supply chain cost, 3-5 margin points
- Acceleration time-to-market by approx. 20-25%.
- First steps are taken to rationalize business footprint of Philips' MR business. Production in Helsinki and Orlando have been phased out
- Leveraging capabilities, hiring of sales force and installment of back-office to grow coils & MRI monitoring business using our global reach
- Positioning for future, expands PMS's portfolio with a leading position in MR compatible patient monitors in line with schedule and building on strong track-record of Philips Patient Monitoring business. Volume for the flagship MRI compatible monitor doubles in one year.
- Taking advantage of the new magnet technology which results in for example reduced weight or the newly launched XR 1.5T to 3.0T rampable.



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.
- Launched their new, state of the art hemodynamic product as planned in April 2007.
- New product was localized in 18 languages to facilitate sales in over 40 countries. Further localization is planned in 2008.
- Transitioned global Witt distributors to local Philips organizations in 50+ countries.
- Non-US sales grew 265% and are poised to continue rapid expansion in 2008 with product transition taking place in the US.
- 2007 hemodynamic systems order intake grew by 30%.
- Integrated Philips suppliers and realized purchasing synergies that reduced product cost 14%. Margin developing ahead of plan.

Home healthcare market

Total purchase price EUR 751 million, Lifeline, Health Watch & Raytel (Dec '07)

- Lifeline is an acquisition that has created a platform for building a consumer healthcare market
- By acquiring Health Watch, we add to this platform and Philips can spread its fixed cost over a wider customer base while boosting demand for its products through its increased network of healthcare distributors.
- The acquisition of Raytel, a leading US provider of home cardiac monitoring services, builds on Philips' leading technologies for heart disease and is a next step in expanding our home healthcare market position
- 2007 sales of USD 225 million*, which is more than 15% organic growth over 2006 and represents an acceleration of the growth achieved in 2006 with margins ahead of plan.
- Number of subscribers of Medical Alert services is now in excess of 700,000.
- 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

Stentor: World-class in Healthcare Informatics

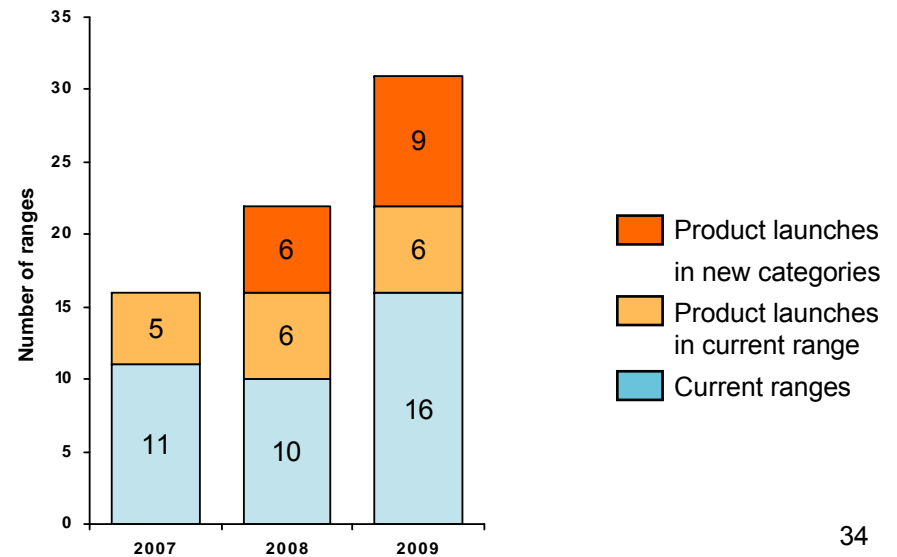
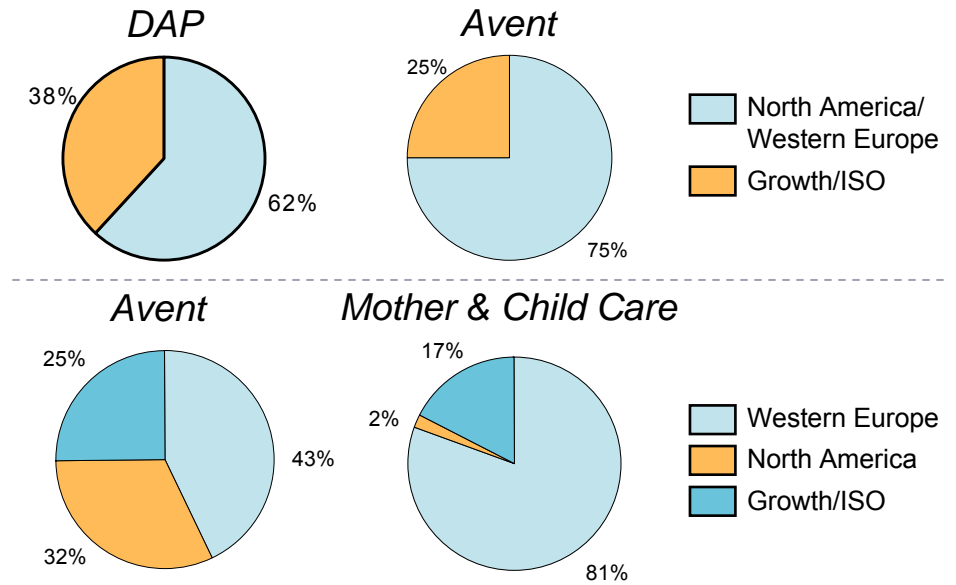
Purchase price EUR 194 million

- Acquired August 5, 2005
 - Integration completed in 5 months
- 2006 iSite order intake totaled €230 million
 - included €28M of new orders in non-USI markets
- 2007 iSite order intake totaled €200 million
 - Included €59M of new orders in non-US markets (110% growth)
- 2006 sales grew nominally by 23%
- 2007 sales grew nominally by 52%
- Business performance is in line with original expectations
- Business growth has been based on an excellent Stentor product combined with the strength of Philips in the market
- The EV/Sales multiple expected to decline from 5.6x at the time of acquisition to approximately 1.7x based on 2008 sales forecast

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
- Integration into Philips sales organizations, in particular in emerging markets, is now completed. Channels have been developed and cost synergies are being realized. Growth acceleration expected over the coming year.
- Innovation Wave – Innovative approach to expand product pipeline of newly acquired Philips AVENT



Genlyte: Leading N-A Luminaires manufacturer

Purchase price EUR 1.9 billion

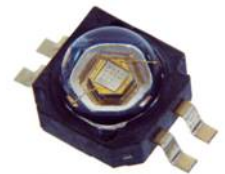
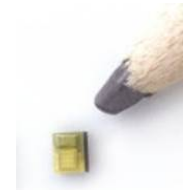
- Acquired January 25, 2008 with an enterprise value of EUR 1.9 billion.
- Acquisition is consistent with Philips' strategy to *strengthen its leadership position in Lighting*.
- Combination will create the *#1 Lighting company in North America* and establish Philips as *the largest Luminaires company globally*.
- *Builds on recent acquisitions* of Color Kinetics, LTI, TIR Systems, PLI and Lumileds
- Luminaires & Controls are a *spearhead in developing "green" lighting markets, including Solid State Lighting (SSL)*.
Genlyte will be a cornerstone of growth in SSL.
- Transaction *fits all Philips' acquisition criteria* and will be accretive to Philips Lighting margins. We are anticipating this acquisition to *add value after year four*.
- Acquisition will be completed by the end of January.



Philips + Lumileds: A powerful combination

Total purchase price EUR 873 million

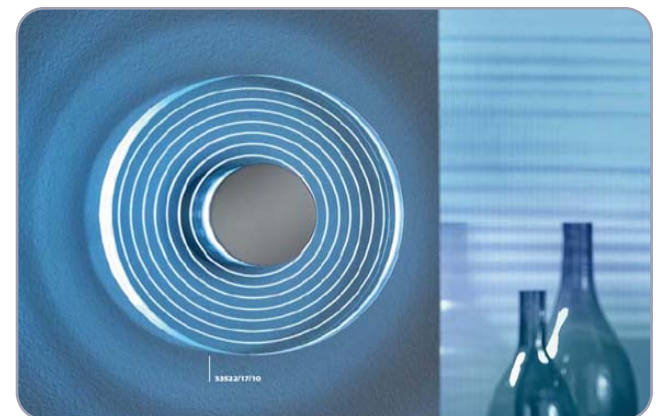
- Lumileds is launching superior **Luxeon** platforms combining their significant LED capabilities with the rich knowledge of Philips about phosphors, manufacturing processes and general lighting technology.
- Underscoring its technological leadership, Philips Lumileds launched in 2007 LUXEON **Rebel** power LEDs with new packaging technology that dramatically reduces the size of LEDs (footprint 75% smaller than other surface-mount LEDs) and enables new approaches to solid-state lighting design.
- Lumileds has grown sales on average by 24% over the last five year and projects **25% growth** for the future when its new product range has been phased-in. Demand for applications in cell phone camera flash, automotive lighting, Display Backlighting, and General Lighting are the main growth opportunities.
- **EBITA** is targeted at a level of **25%**. External valuation of Lumileds has increased since becoming 100% shareholder in 2005.
- In June 2007 Philips acquired **TIR Systems**, a Canada-based leading supplier of SSL modules for high-quality white light for an enterprise value of EUR 55 Million. TIR Systems holds a patent portfolio that will strengthen Philips' IP position and bring 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

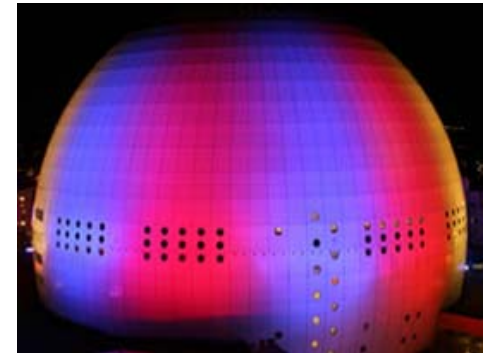
- The acquisition of PLI is a strategic move to enter new market segment for Philips Lighting: **Consumer Luminaires**.
- **Sales** in 2007 **grew 10%**, with a recurring **EBITA** above **15%**.
- LED content in Consumer Luminaires is expected to grow driven by consumers needs in the area of energy efficiency and ambiance creation.
- The acquisition generates the following synergies:
 - Combining Philips technological 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 has positioned Philips Lighting to become the global industry shaper in the consumer LED application market.
- Within one year of acquiring PLI, the company did already become **value creative**.



Color Kinetics: Leading SSL Luminaire player

Purchase price EUR 592 million

- Purchase price corresponds to an enterprise value of EUR 515 million.
- Combination strengthened Philips' **LED portfolio**, technology base and **intellectual property** position, and builds on the acquisitions of Lumileds and TIR Systems.
- The combination of Color Kinetics and Philips created the **global leader** in the SSL Luminaires market, and established a strong presence across the complete SSL value chain.
- Color Kinetics' technological expertise in combination with Philips' global infrastructure will fuel **ongoing growth**.
- Acquisition strengthened Philips' position to **lead** the **global shift** to more energy-efficient LED-based lighting solutions.
- Post merger **integration is well on track**:
 - Sales forces were merged
 - Branding was changed to Philips – Color Kinetics
 - R&D resources and product roadmaps were integrated
- Business grew by **30%** in 2007.
- Philips plans to grow the business by at least 30% annually, while reaching **double digit profit margins** from 2008.

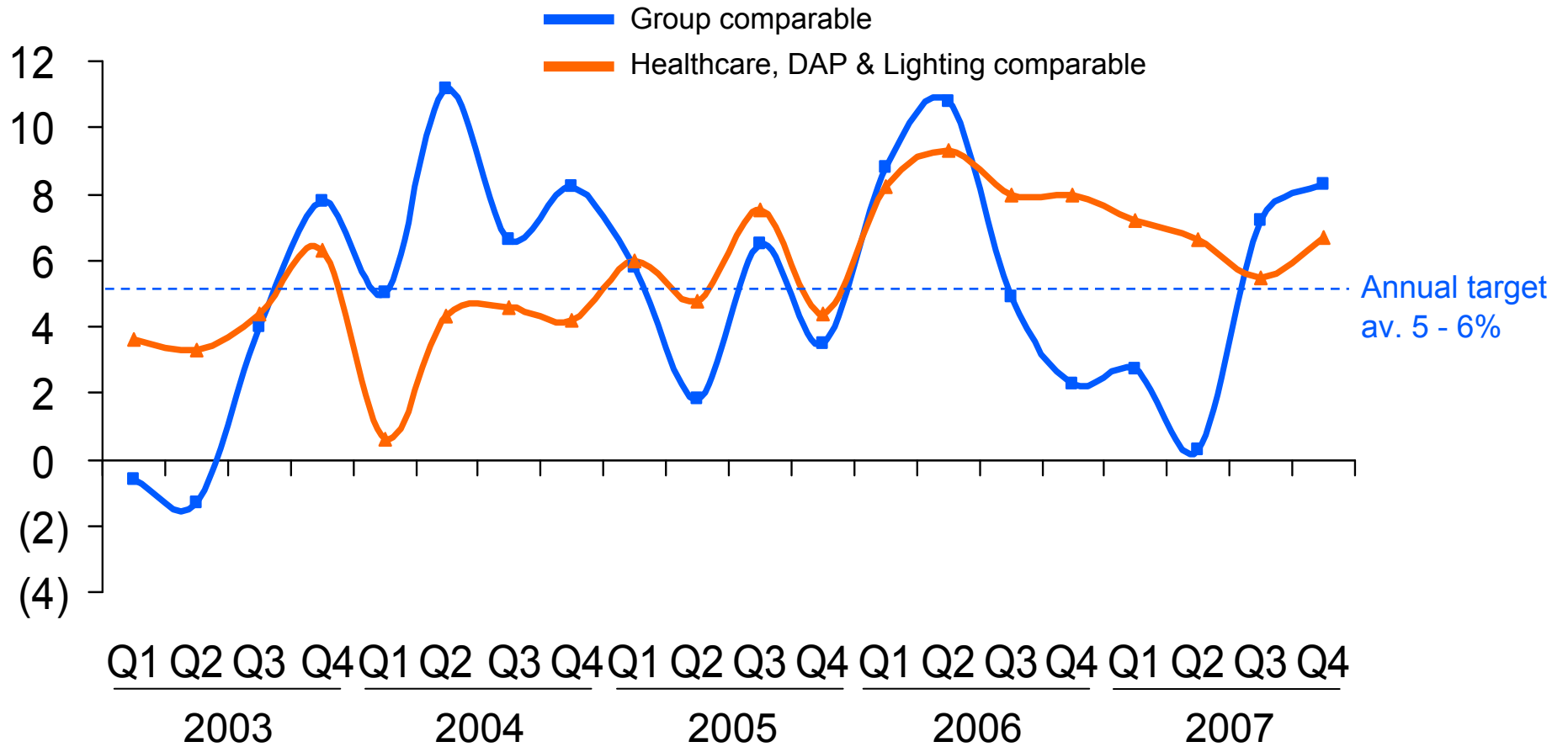


Agenda

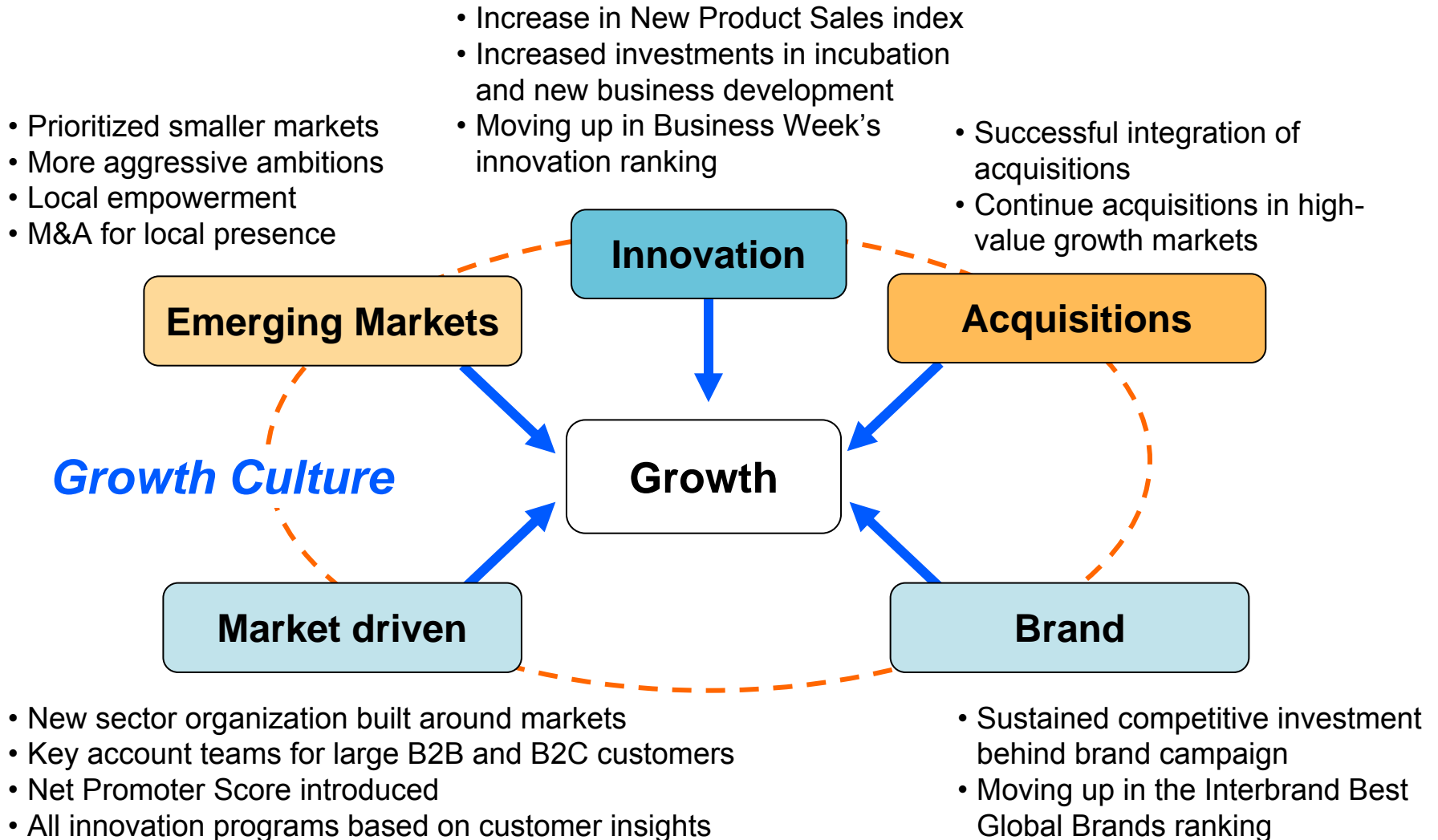
- Clear strategy
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Quarterly sales growth y-o-y

%



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



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

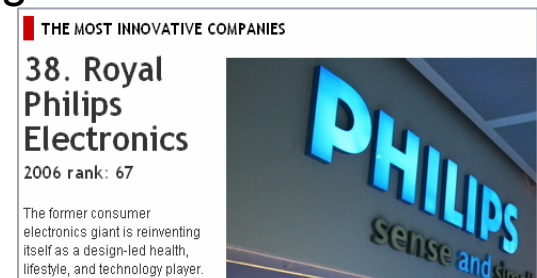
Initiatives

- 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 53% (2006).
- We continue to move up in Business Week's ranking of most innovative companies:

- 2006: 67
- 2007: 38



BusinessWeek

"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)

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."

Results

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

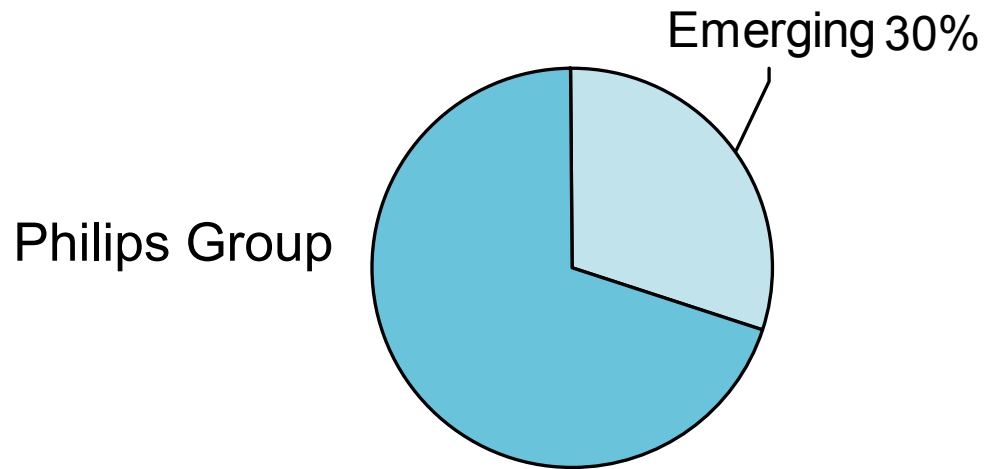
- 2004: 65
- 2005: 53
- 2006: 48
- 2007: 42

		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%

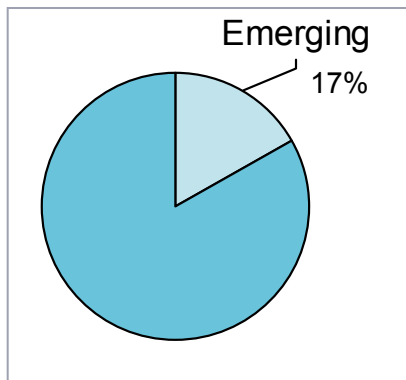
60 | BusinessWeek | August 6, 2007

Emerging markets

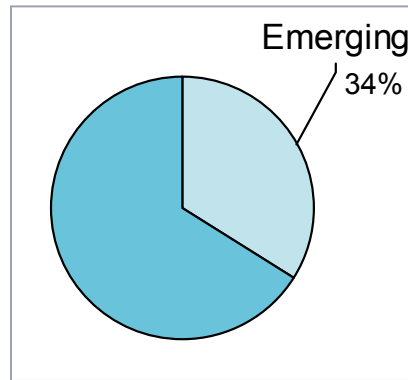
Sales in emerging markets FY 2007



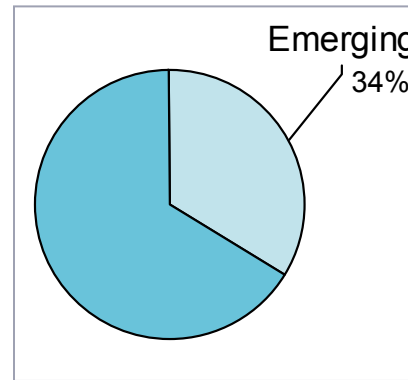
Healthcare



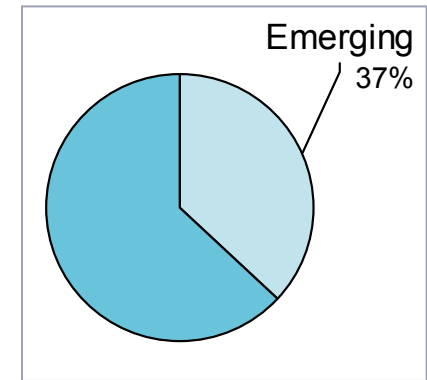
DAP



CE



Lighting



Emerging markets

Sales growth in emerging markets

	FY 2006	FY 2007	Q4 2007
Healthcare	11 %	8 %	13 %
Consumer Lifestyle			
DAP	18 %	28 %	25 %
CE	1 %	2 %	17 %
Lighting	13 %	16 %	17 %
<hr style="border-top: 1px dashed black;"/>			
Philips Group	7 %	10 %	17 %

Agenda

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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



Vision 2010: ambition to significantly increase shareholder value

Maximizing value of business portfolio by reaching EBITA margin for current businesses of above 10% on group level

>2.3% additional EBITA required over 3 years to bridge from 7.7% to >10%

- 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 earlier acquisitions
 - Growing high margin businesses
 - Productivity improvement
- } >1.2%

After closing the deals we will be in a position to inform the market on the contribution of the sectors to the realization of our Vision 2010 plans; this will include EBITA targets per sector and the introduction of our objective for return on invested capital





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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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. 

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