

PHILIPS

sense and simplicity

Royal Philips Electronics

*“Building the leading brand in
health and well-being”*

Pierre-Jean Sivignon
CFO

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, 2007 and our Annual Report on Form 20-F filed with the U.S. Securities and Exchange Commission (the "SEC"), which is available on the SEC's website at www.sec.gov. Readers should consider the disclosures in that Report and any additional disclosures that we have made or may make in documents that we have filed or furnished to the SEC or may file with or furnish to the SEC or other regulatory authorities.

Any forward-looking statements made by or on our behalf speak only as of the date they are made. We do not undertake to update forward-looking statements to reflect any changes in expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based. Statements regarding market share, including as to Philips' competitive position, contained in this document are based on outside sources such as specialized research institutes, industry and dealer panels in combination with management estimates. Where information is not yet available to Philips, those statements may also be based on estimates and projections prepared by outside sources or management. Rankings are based on sales unless otherwise stated.

US GAAP basis of presentation

The financial information included in this document is based on US GAAP, unless otherwise indicated. As used in this document, the term EBIT has the same meaning as Income from operations (IFO).

Use of non-GAAP Information

In presenting and discussing the Philips Group's financial position, operating results and cash flows, management uses certain non-US GAAP financial measures, like: comparable growth; EBITA; NOC; net debt (cash); and cash flow before financing activities. These non-US GAAP financial measures should not be viewed in isolation as alternatives to the equivalent US GAAP measures. In our Quarterly report, Annual report or form 20-F we've included a reconciliation of such non-US GAAP financial measures to the most directly related US GAAP measures.

Use of fair value measurements

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

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Vision 2010

Sectors

Management agenda 2008

Royal Philips Electronics

- Founded in 1891; headquarters in Amsterdam, The Netherlands
- One of the largest global diversified industrial companies with sales in 2007 of almost EUR 27 billion
- Multinational workforce of over 133,000 employees*
- R&D expenditures EUR 1.6 billion; owner of 60,000 patents
- Strong position in emerging markets
- Number 42 of the world's most valuable brands



* As per June 2008

We are everywhere you go on the planet

- 70% of the top-50 US hospitals have chosen Philips solutions for cardiology
- We light 65% of world's top airports, 30% of offices and hospitals, and landmarks such as the Eiffel Tower, the Sydney Opera House, the Great Pyramids
- One-in-three cars worldwide uses Philips automotive lighting
- Each day more than a million of our lifestyle products are purchased






Philips....Sense and Simplicity

- We empower people to benefit from innovation by delivering on our brand promise of *Sense & Simplicity*
- Its our commitment to deliver, driven by deep consumer insight, solutions that are *advanced, easy to use, and designed around the needs of all our users.*
- Simplifying healthcare by focusing on the people in the care cycle – patients and care providers.
- Leading the switch to energy-efficient lighting solutions and shaping the future with exciting new lighting applications and technologies
- Focused on innovative lifestyle solutions for personal well being



In practice: the smart application of technology - driven by consumer insight - drives value

		Customer insight	Solution	Impact
	Healthcare	<ul style="list-style-type: none"> Hospitals can be uninviting places, especially for children, hampering efficiency 	<ul style="list-style-type: none"> Use design & lighting to reduce anxiety, less sedation of children, more efficient 	<ul style="list-style-type: none"> Growing product demand, increased sales & margins
	Lighting	<ul style="list-style-type: none"> Lighting can change our environment to fit ever changing moods, feelings or moments 	<ul style="list-style-type: none"> Living Colors improves well-being by allowing you to adapt your lighting to how you feel 	<ul style="list-style-type: none"> 4 out of 5 consumers find it an exciting product. Increased sales and margins
	Lifestyle	<ul style="list-style-type: none"> People want to live healthier but find it more difficult in their day-to-day lives 	<ul style="list-style-type: none"> Whole fruit juicer delivers juice instantly with minimum effort and is easy to clean 	<ul style="list-style-type: none"> 1 million sold, halo effect on kitchen appliances, increased market share, sales and margins.

Philips is a global brand, growing in strength

Initiatives

- Sustained competitive investment to build the leading brand in health and well-being
- Align marketing spend with innovation to ‘embed’ our product & solution simplicity message with customers; increase the dialogue with stakeholders to allow them to experience the brand.
- Make the brand promise part of the Company’s DNA; create conditions to ‘live the brand’ using filters in all key processes.

Results

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

- ‘04: 65
- ‘05: 53
- ‘06: 48
- ‘07: 42

*Brand value in US\$
2007 2006 change*

41	30	FORD	8,982	11,056	-19%
42	48	PHILIPS	7,741	6,730	15%
43	44	SIEMENS	7,737	7,828	-1%
44	51	NINTENDO	7,730	6,559	18%

60 | **BusinessWeek** | August 6, 2007

Interbrand

“Philips brand value shows an impressive growth rate ...
Philips not only talks about simplicity; it lives simplicity...”

Philips is leveraging its technology heritage to drive smart **innovation**

Initiatives

- We deliver innovation by investing in our world class strengths in end-user insights, application of technology and design
- We are redirecting EUR 250 million of innovation spend from mature to emerging market to drive growth and (original) product & market development
- We continue to drive 'Open Innovation' to enhance the efficiency and success of our research and development efforts

Results

- Our New Product Sales index increased from 39% (2004) to 56% (2007)
- Leverage new product-market combinations for Philips. Create completely new PMC's.
- By joining forces with industrial and academic partners, we speed up innovation of new concepts, which lead to a faster time-to-market for products that improve people's lives



Early involvement of both professional and end-user customers in new technologies and product concepts ensures the deepest possible insight into real, underlying customer needs.

Simplicity-led **design** is key to the application of technology in an easy-to-experience way

Initiatives

- Offer a full range of design services to many different types of clients both within and outside the organization
- Develop appropriate and relevant propositions based on socio-cultural trends and people-insights
- Create products that satisfy people's needs, empower them and make them happier.

“Design can never be consistently successful unless it is research-based and people-focused”

Results

- Philips wins 27 prestigious iF design awards in the 2008 iF design exhibition
- Philips Design's revolutionary SKIN Probe project listed as one of Time magazine's 'best inventions of the year' 2007
- In 2007 alone, Philips received a total of over thirty-five design awards.



Design has been instrumental in developing concepts that demonstrate the company's commitment to simplicity-led design

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Well-positioned to leverage a number of key global trends centered around health & well-being

Global trends

Globalization, urbanization and rise of emerging markets

Aging population

Climate Change

Consumer empowerment

Sustainable development

Philips opportunities

Energy efficiency

Personalized experiences and atmospheres

Personal well-being

Home care, independent living

Better healthcare for all at lower cost

Philips focus

Brand

"sense and simplicity"



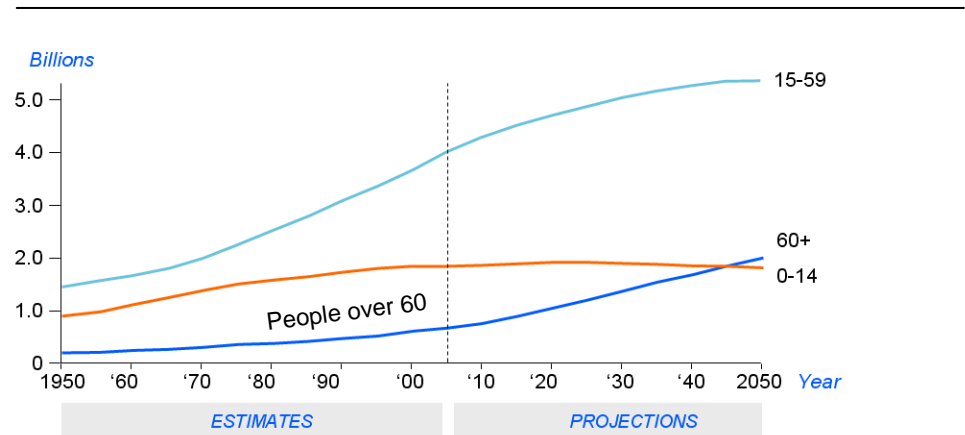
Innovation

Open innovation

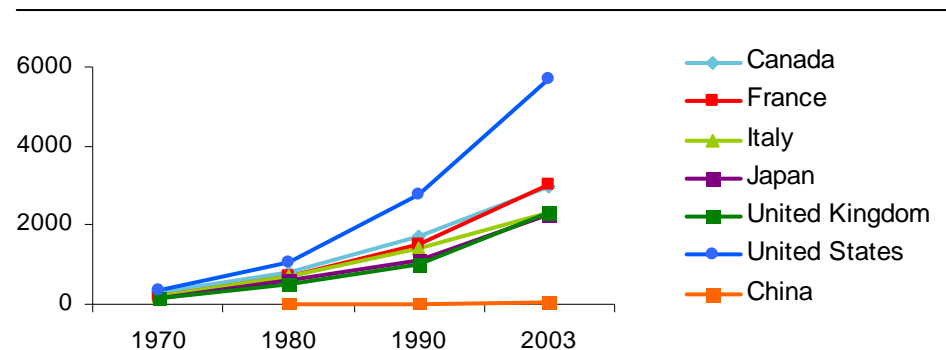
Healthcare trends – aging population, cost pressures, health-at-home, emerging markets growth

- Global population is increasing and continues to age
- People are living longer with chronic diseases
- Healthcare costs – especially in mature economies – are becoming unsustainable
- Healthcare at home is an increasingly viable and cost effective complement to in-hospital care
- People are becoming increasingly aware of the impact of lifestyle on health

*World population by age group, 1950-2050 **



Healthcare expenditure per capita, US \$



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

Lifestyle trends – healthy living/healthy home, more personal care, technology-made-easy, design

- Core well-being consumer shows attractive demographics and is likely to be a highly profitable customer
- The Lifestyle targeted market is 3x the size of the CE market + DAP market
- Increased demand for personal care product categories and technology-advanced, easy-to-use customer solutions
- Design has become an important competitive differentiator
- Consumers are becoming increasingly 'eco-aware' of issues facing the planet



Active Crystals



Portable Media devices



Arcitec



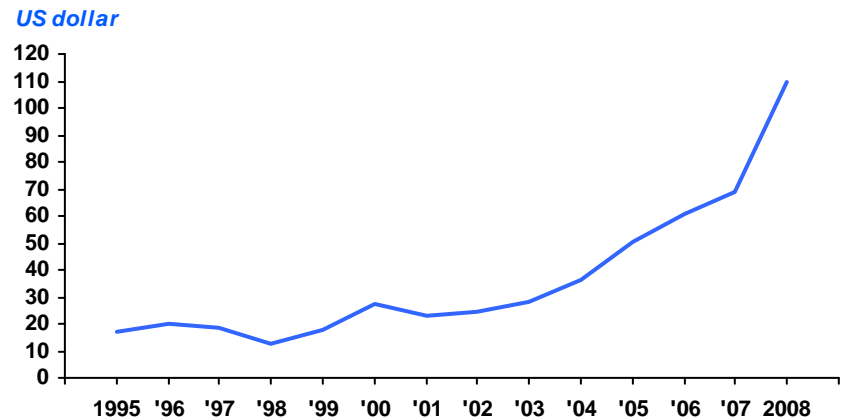
Flexcare



Lighting trends – rising energy costs, increasing awareness of climate change, product innovation

- Energy costs are rising across the globe, driven by high oil prices
- Increased awareness/legislation around climate change is driving a reduction in CO₂
- Atmosphere-creating and safety-enhancing lighting solutions increasingly become part of individual and community well-being
- Demand for (energy-efficient) lighting in emerging markets continues to grow
- Future LED solutions: application IP and luminaries will be key

*Oil at a historical high, yearly average price (US dollar) **



Huge potential for energy saving

Area of lighting	Energy saving	CO ₂ savings per lamp per year
Road lighting	57%	132 kg CO ₂
Shop Lighting	80%	140 kg CO ₂
Office & Industrial Lighting	61%	93 kg CO ₂
Home Lighting	80%	41 kg CO ₂
LEDs	80%	41 kg CO ₂

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

Having delivered on our 3 year target in 2007, we have announced a new 'Vision 2010' ambition *Announced April 2008*

- Improve Group EBITA from 7.7% in 2007 to 10-11% in 2010
- Drive comparable growth at a minimum of 6% average per year for the period 2008-2010
- Double 2010 EBITA per share compared to 2007
- Achieve a return on invested capital for 2010 at the level of 12% - 13%



The main elements leading to an increase in our EBITA compared with 2007

<i>EBITA margin</i>	<i>2007</i>	<i>2010</i>
Healthcare	13.2%	15 – 17%
Consumer Lifestyle	6.4%	8 – 10%
Lighting	11.9%	12 – 14%

Reduce group overhead cost as % of sales
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Achieving an EBITA margin of 10%-11% will, coupled with the reduction in shares through our buy-back program, lead to a more-than-doubling of EBITA per common share compared to 2007.

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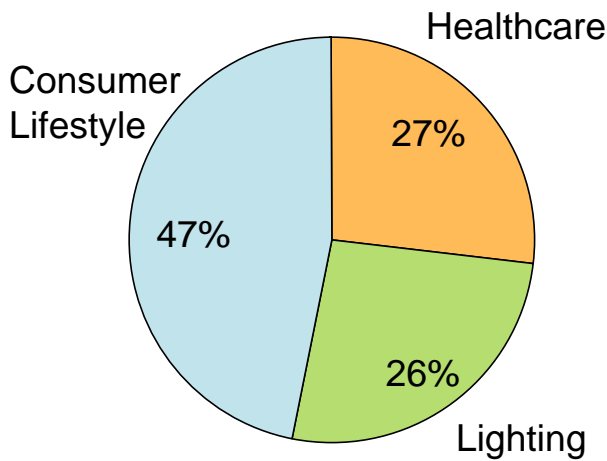
Management agenda 2008

Simplified business structure in 3 core sectors: Healthcare, Lighting and Lifestyle

LTM June 2008, € million

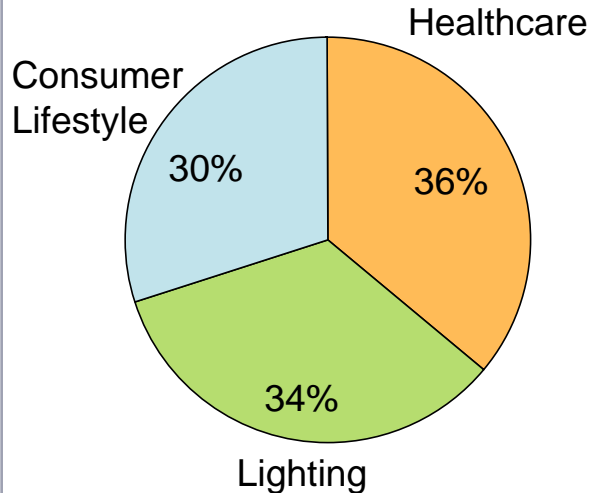
Sales

100% = € 27.9 b *



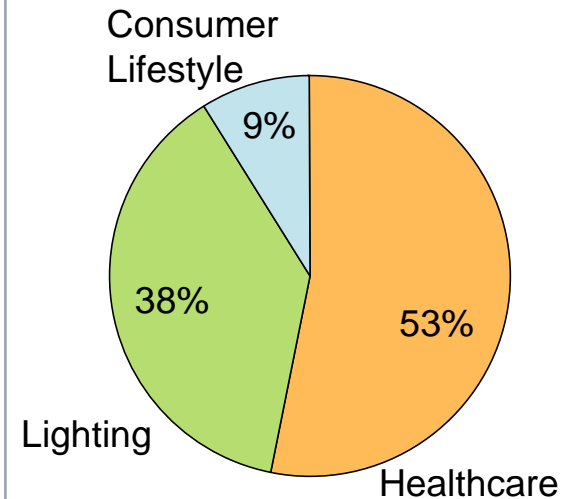
EBITA

100% = € 2.6 b *



Net Operating Capital

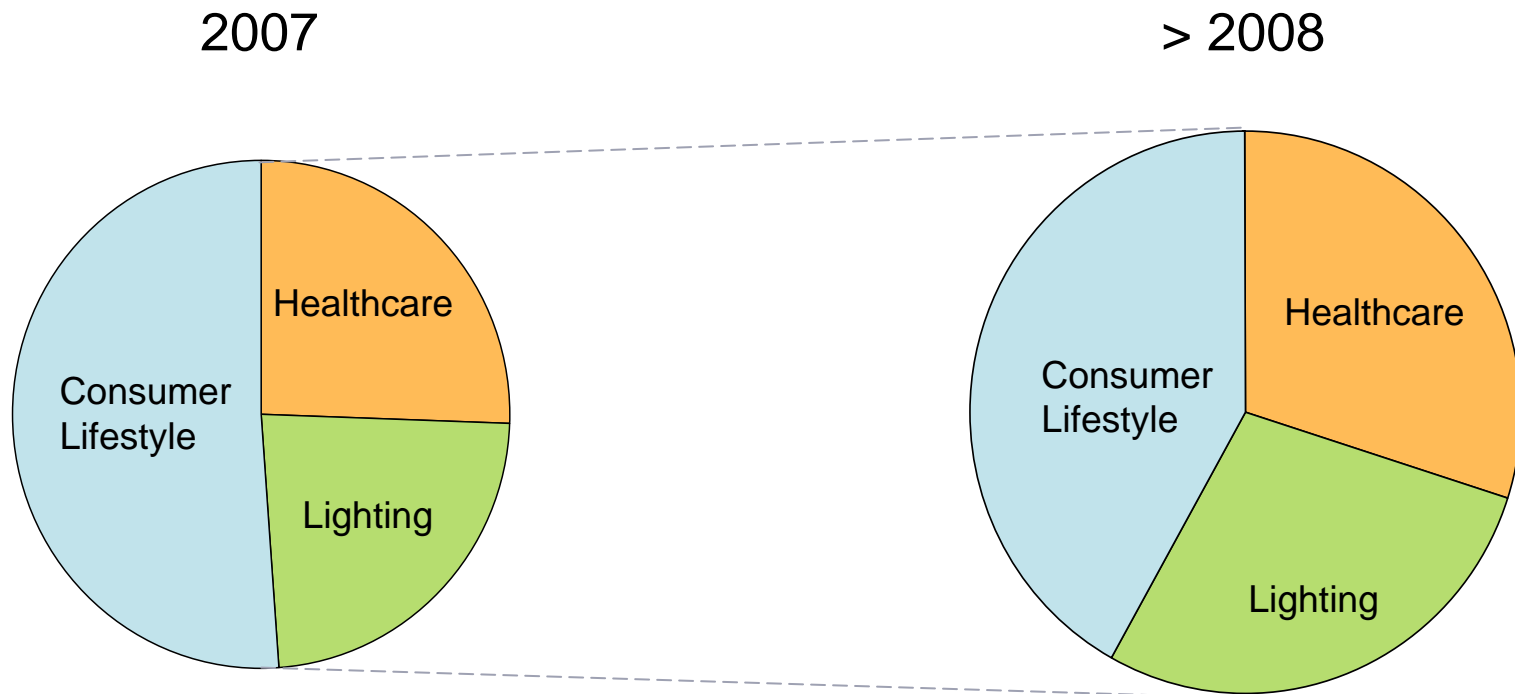
100% = € 16.0b *



* Excluding Central sectors (I&EB; GM&S), including pro forma numbers for Respironics and Genlyte
for Sales €0.9 bn is included for Respironics and €1.1 bn for Genlyte
for EBITA €0.1 bn is included for Respironics and €0.1 bn for Genlyte

Recent acquisitions & divestments, coupled with further organic growth, leads to an increasingly well-balanced portfolio

Sales split



* Excluding Central sectors (I&EB; GM&S)



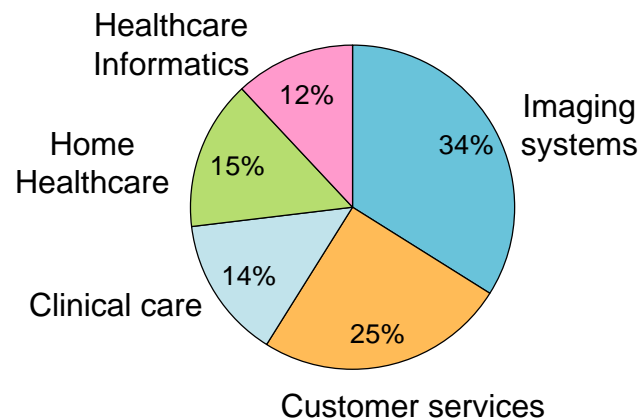
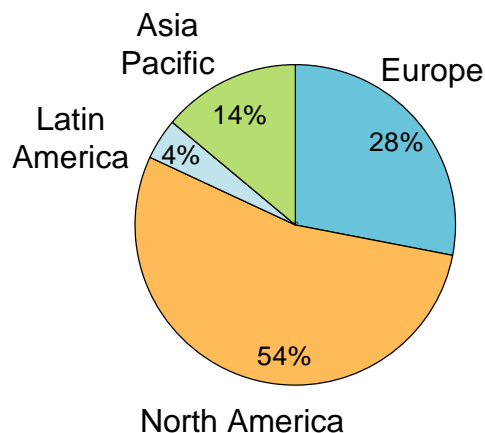
Healthcare

We simplify healthcare by focusing on the people in the care cycle – patients and care providers. Through combining human insights and clinical expertise, we aim to improve patient outcomes while lowering the burden on the healthcare system.

Healthcare: Sales growth* 6 – 8%; 2010 margin 15 – 17%

- Strong market position and market share.
- Focused approach to care cycles: Oncology, Cardiology, Women's Health
- Ongoing growth, particularly in Monitoring/HIT, Service and Clinical Care
- Leader in new, growing Home Healthcare: Respironics, Lifeline, Raytel
- Strong growth in emerging markets driven by brand and acquisitions
- Margin improvement through increased low-cost sourcing, improved supply chain & industrial footprint and lower IT costs

Sales LTM June 2008



Including pro forma LTM Jun-2008 sales of €0.9 bn for Respironics

* Annual average comparable sales growth



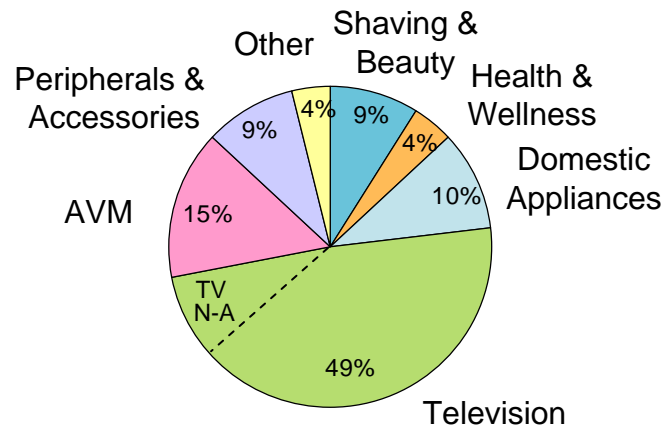
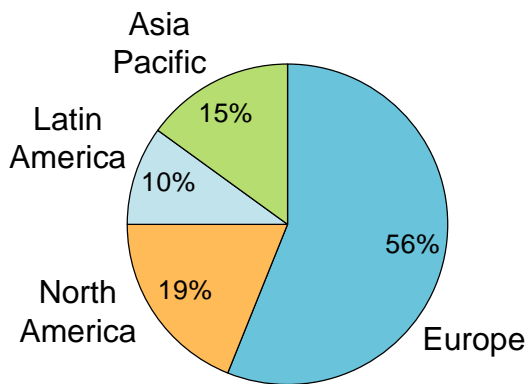
Consumer Lifestyle

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

Consumer Lifestyle: Sales growth* around 6%; 2010 margin 8–10%

- Strong marketing & sales capabilities; leveraging Philips brand
- Focused on innovative lifestyle solutions for personal well-being
- Consumer-driven insights and dedicated business models driving innovation and differentiation
- Expand category management to all businesses and regions
- Deal with unsatisfactory EBITA margins in Television
- Drive growth by strengthening presence in Emerging Markets

Sales LTM June 2008



Excluding LTM Jun-2008 sales of €0.4 bn for Home Network business that was divested in Q2 2008

* Annual average comparable sales growth



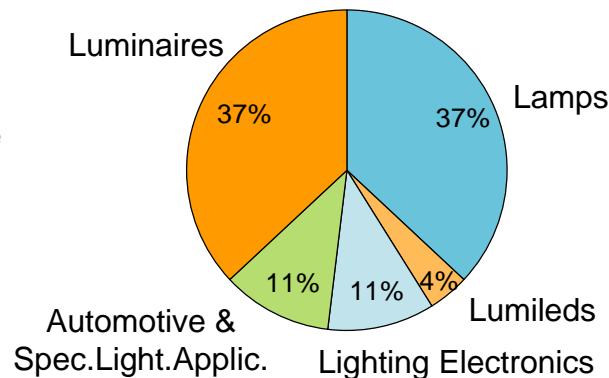
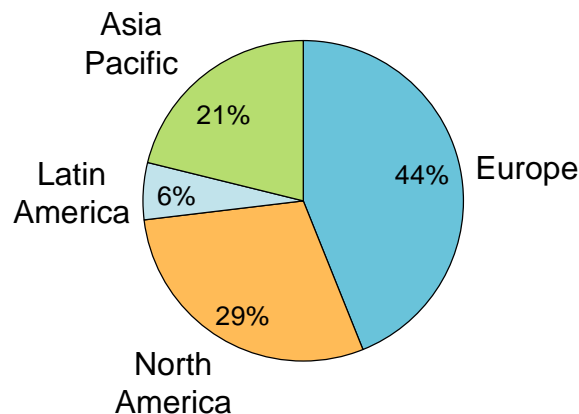
Lighting

As the world's leader in Lighting, Philips is driving the switch to energy-efficient solutions, as well as shaping the future with exciting new lighting applications and technologies.

Lighting: Sales growth* around 6%; 2010 margin 12 – 14%

- Global Leader in Lighting
- Strong presence across the complete Solid State Lighting value chain
- Readily available portfolio of innovative, energy efficient lighting solutions
- Technology base and application IP will help to lead the changeover to new lighting solutions
- Profitable growth in fast-growing economies and innovative new market segments
- End-user driven Innovation and Brand both drive our profitable growth

Sales LTM June 2008



Including pro forma LTM Jun-2008 sales of € 1.1 bn for Genlyte

* Annual average comparable sales growth

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In 2008, our focus will be on **execution**

The Management Agenda for this year

- 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, global brand
- Well-positioned to leverage a number of important global trends to drive future growth and profitability
- Superior user-insight driving application of our technology in the simplest way possible resulting in smartly-designed, innovate, easy-to use products and applications
- Focus on integration and leverage of recent acquisitions
- Continued investment in growth in emerging markets
- Improved predictability of results
- Ambition to more than double EBITA per share by 2010



Creating
Shareholder
Value

