

PHILIPS

sense and simplicity

PHILIPS

Royal Philips Electronics
Fourth Quarter 2007

January 21st, 2008

Forward Looking Statements

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 are 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.

Forward looking statements that we make are subject to, among other things, domestic and global economic and business conditions, levels of consumer and business spending in major economies, changes in consumer preferences with respect to our existing and new products, our ability to develop and market new products, changes in legislation, the successful implementation of our strategy and our ability to realize the benefits of this strategy, changes in exchange and interest rates, changes in tax rates, 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, our ability to identify and complete successful acquisitions and to integrate those acquisitions into our business, our ability to successfully exit certain product lines and businesses or restructure our operations, the rate of technological changes, political and other developments in countries where Philips operates and industry consolidation as well as 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 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.

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).

Use of fair value measurements

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

Agenda

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

Agenda

- Results

- Highlights

- Performance

- Looking ahead

Highlights

- Comparable sales increased by 8% to EUR 8,365 million, driven by strong growth at Lighting and the consumer businesses, particularly in emerging markets, where sales growth was 18%
- EBITA as a percentage of sales grew by 1.1 percentage points compared to Q4 2006 to reach 10.3%, or EUR 865 million.
- Net income amounted to EUR 1,393 million; the increase in earnings was boosted by EUR 1,087 million in gains on the sale of stakes in LG.Philips LCD and TSMC.
- The announced acquisitions of Genlyte and Respironics strengthen Philips leadership positions in Lighting and Home Healthcare.
- Following an amendment to Dutch tax legislation, the Company announced a further EUR 5 billion (tax-free) share repurchase plan.
- It is proposed to increase the dividend for 2007 by 17% to EUR 0.70 per share.
- Our Q4 financial performance – and the other progressive steps taken during the quarter – puts Philips well on track to achieve its Vision 2010 goals.

Agenda

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Summary - 4Q07

EUR million

	4Q06	4Q07
Sales	8,058	8,365
EBITA	738 ¹	865 ¹
Financial income and expenses	(104) ²	579 ²
Income tax	(58) ³	(226)
Results equity-accounted investees	31	628 ⁴
Net income from continuing operations	539	1,789
Discontinued operations	141 ⁵	(396) ⁵
Net Income	680	1,393
Net cash provided by operating activities	721	1,357

Net debt : Group equity ratio	(10):110	(32):132

1 - Q4 2006 results included a EUR 42 m gain on the sale of Philips Sound Solutions, while Q4 2007 improved due to a EUR 48 m increase in IP income.

2 - Q4 2006 included fair-value adjustments related to TPO and TPV totaling EUR (125) m; Further sale of shares in TSMC led to a gain of EUR 579 m in Q4 2007.















3 - Income tax charges in Q4 2006 included the positive impact of a reduction of the Dutch corporate tax rate on the net deferred tax position.

4 - Further sale of shares in LG.Philips LCD led to a gain of EUR 508 m in Q4 2007.

5 - Discontinued operations in 4Q07 included an impairment of EUR 325 m, taking into account cumulative currency translation loss related to MedQuist, and EUR 79 m charges related to certain pension obligations stemming from the 2006 sale of a majority stake in the Semiconductors division.

Sales to thirds by sector – 4Q07

EUR million

	4Q06	4Q07	% nom	% comp
Medical Systems	 1,998	 1,951	(2)	3
DAP	 927	 1,004	8	12
CE	 3,262	 3,486	7	10
Lighting	 1,455	 1,659	14	8
I&EB	 341	 209	(39)	32
GMS	 75	 56	(25)	(20)
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Group sales	 8,058	 8,365	4	8

Sales to thirds by region – 4Q07

EUR million

	4Q06	4Q07	% nom	% comp
Europe / Africa	3,948	4,370	11	11
North America	2,256	2,040	(10)	(2)
Latin America	548	603	10	10
Asia Pacific	1,306	1,352	4	17
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Group sales	8,058	8,365	4	8

EBITA by sector – 4Q07

EUR million

	4Q06	4Q07
Medical Systems	349	354
DAP	167	197
CE	233	233
Lighting	135*	185
Innovation & Emerging Bus.	6	15
Group Mgt & Services	(152)	(119)

Philips Group	738	865
as % of sales	9.2	10.3

* includes approximately EUR 13 m of restructuring charges and EUR 8 m charge related to the acquisition of the final 3.5% stake in Lumileds

Cash Flow from continuing operations – 4Q07

EUR million

	4Q06	4Q07
Net income	680	1,393
Income/loss discontinued operations	(141)	396
Depreciation / amortization / impairments	241	234
Net gain on sale of assets	(181)	(1,057)
Income from equity accounted investees	96	(121)
Decrease in WC/other current assets	(252)	534
Other	278	(22)
<i>CF from operations</i>	721	1,357
Gross capital investments	(116)	(178)
Acquisitions/divestments/other	(754)	2,674
<i>CF before financing activities</i>	(149)	3,853

Fixed assets expenditures & Depreciation by sector*

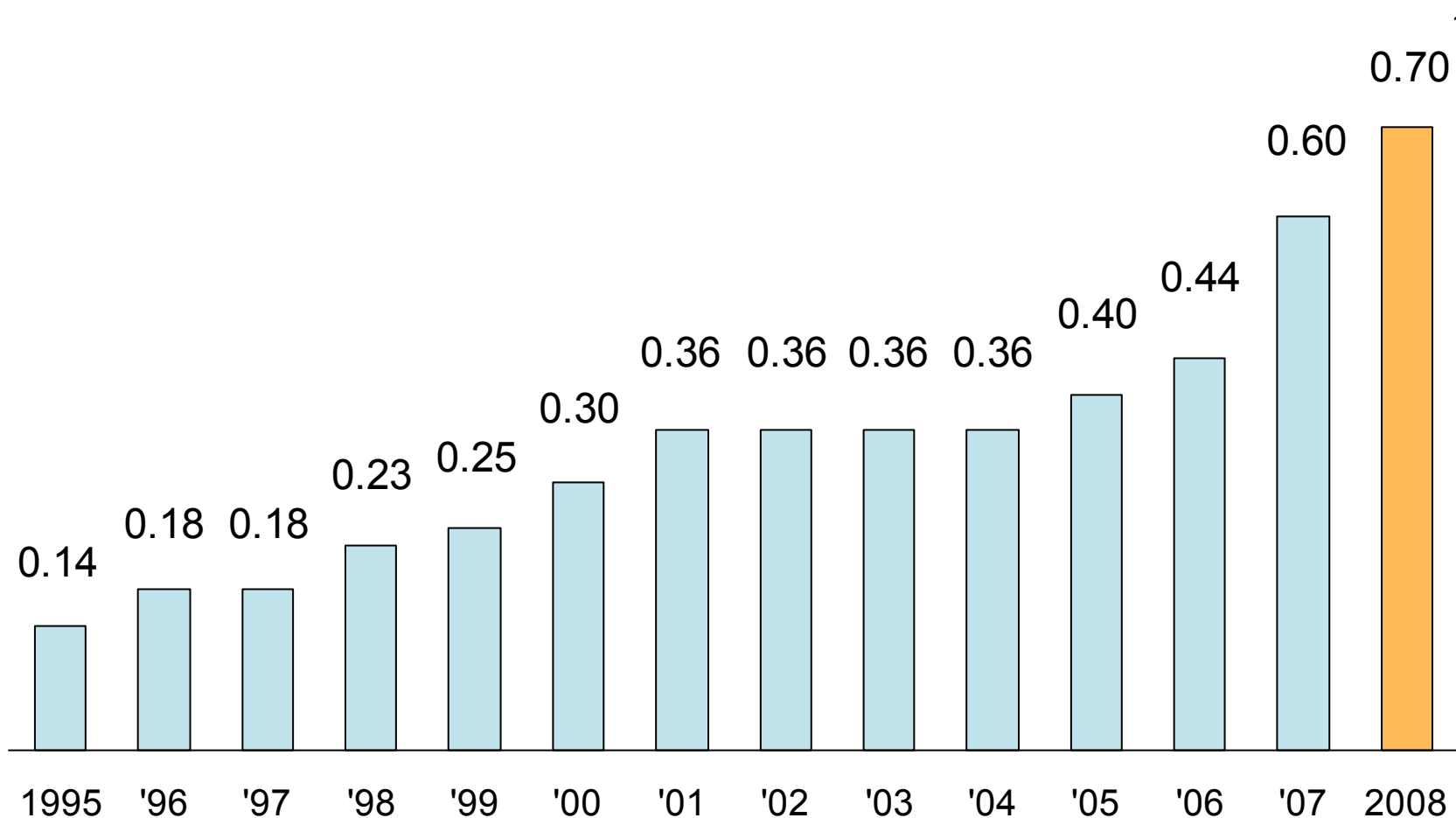
EUR million

	Gross CapEx		Depreciation	
	4Q06	4Q07	4Q06	4Q07
Medical Systems	24	47	21	23
DAP	28	26	19	20
CE	20	19	24	26
Lighting	85	72	54	55
I&EB and GMS	19	14	36	30
Group	176**	178	154	154

* Excluding software related capital expenditures and depreciation

** Excluding gross capital expenditures related to the Q4 2006 timing difference in the finalization of the sale of the Semiconductors business

Dividend paid *amounts in EUR*



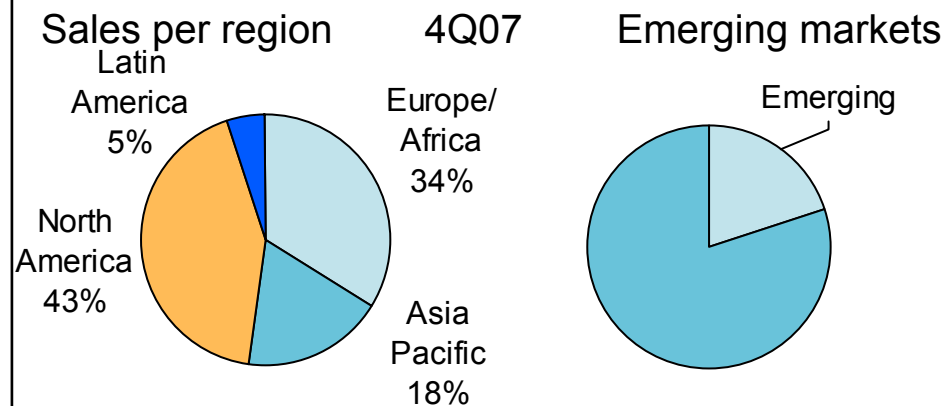
1 – Proposal subject to approval in the General Shareholders Meeting on March 27th, 2008

Medical Systems

EUR million unless otherwise stated

Key figures

	4Q06	3Q07	4Q07
Sales	1,998	1,541	1,951
% sales growth comp.	7	4	3
EBITA	349	180	354
EBITA as % of sales	17.5	11.7	18.1
EBIT	293	151	322
EBIT as % of sales	14.7	9.8	16.5
NOC	4,125	4,043	4,104
Employees (FTEs)	26,203	27,090	27,441



Financial performance

- Equipment order intake grew 10% on a currency-comparable basis compared to 4Q06, 4% of which related to four large long-term contracts. Growth was driven by Patient Monitoring, Cardiac Care, General X-Ray and MR. Equipment order intake for FY2007 grew 6% on a currency-comparable basis compared to 2006; it would have been 4% excluding the four large orders in Q4 2007.
- Comparable sales grew 3%, with strong growth at Patient Monitoring, Cardiac Care and Customer Services partially offset by flat sales at Imaging Systems, which was impacted by continued softening of market, incl. effect of the DRA in the US and weakening of Japanese market.
- EBITA margin was slightly above 4Q06, albeit favorably impacted by 1.1% due to release of inventory valuation provisions driven by improvements in SCM. Consistent with sales performance, higher earnings in Patient Monitoring, Cardiac Care and Customer Services businesses were largely offset by continued lower results at Imaging Systems

Looking ahead

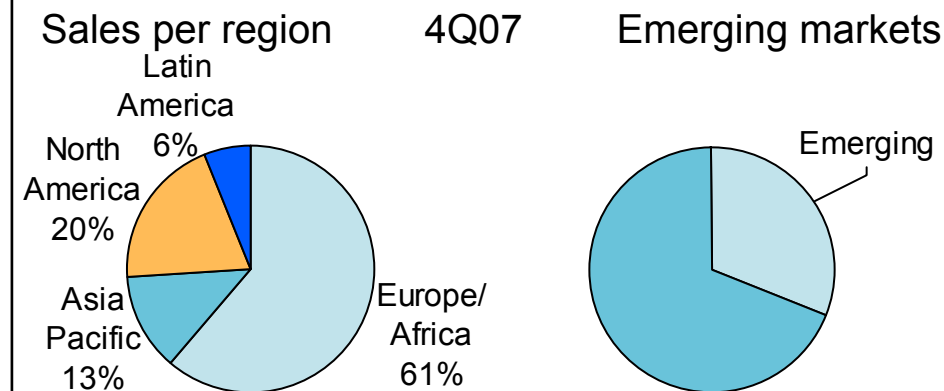
- For 2008, we anticipate continued strong sales growth in Patient Monitoring, Cardiac Care, Home Healthcare and Customer Services, tempered by limited growth in our Imaging businesses.
- Consistent with our Vision 2010, Medical Systems and Home Healthcare Solutions have been integrated effective Jan 1, 2008 to form the Philips Healthcare sector
- Home Healthcare Solutions expects to complete the acquisition of Respironics in Q1 2008. Assuming the acquisition is completed as planned, we anticipate acquisition and integration charges in 2008, the exact magnitude of which will be known after closure of the deal

DAP

EUR million unless otherwise stated

Key figures

	4Q06	3Q07	4Q07
Sales	927	718	1,004
% sales growth comp.	13	20	12
EBITA	167	135	197
EBITA as % of sales	18.0	18.8	19.6
EBIT	164	132	194
EBIT as % of sales	17.7	18.4	19.3
NOC	1,138	1,326	1,136
Employees (FTEs)	9,933	10,423	9,881



Financial performance

- Rounding off a consistently strong performance throughout the year, DAP again delivered excellent results in the fourth quarter, with comparable sales growth at 12% – supported by all businesses and geographies – yielding an EBITA margin of 19.6%.
- Emerging markets, trending at about one third of total DAP sales, grew in excess of 20% in currency-comparable terms, with strong double-digit growth in all businesses.
- Compared to 4Q06, sales growth was particularly strong at Domestic Appliances, mainly driven by the Kitchen Appliances business, which benefited from a substantial portfolio renewal, dedicated marketing programs and ongoing rapid expansion in emerging markets.
- Health & Wellness sales grew above the divisional growth rate, due to successful roll-out of the Wake-up Light and the geographic expansion of the Avent product portfolio
- EBITA increased by EUR 30 m. compared to 4Q06, taking profitability up from 18.0% to 19.6%, largely driven by higher sales coupled with continuing cost management

Looking ahead

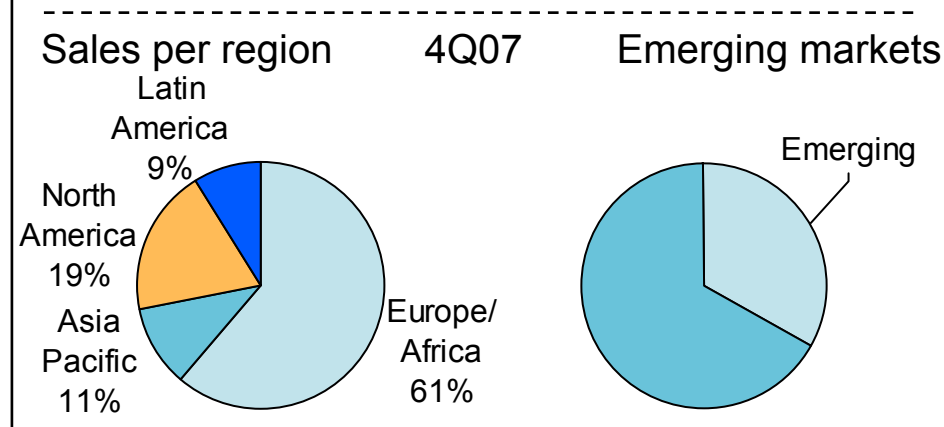
- Following the announcement of Vision 2010 in September 2007, the former product divisions Consumer Electronics and Domestic Appliances and Personal Care have been integrated as of January 1, 2008 and going forward will be reported under Consumer Lifestyle.

Consumer Electronics

EUR million unless otherwise stated

Key figures

	4Q06	3Q07	4Q07
Sales	3,262	2,520	3,486
% sales growth comp.	(4)	8	10
EBITA	233	36	233
EBITA as % of sales	7.1	1.4	6.7
EBIT	233	34	233
EBIT as % of sales	7.1	1.3	6.7
NOC	(228)	181	(246)
Employees (FTEs)	14,486	15,117	13,516



Financial performance

- Consumer Electronics' sales amounted EUR 3,486 m., a comparable increase of 10%, with growth visible across all operating businesses and all geographic regions except North America. Sales in emerging markets, which represent around one-third of total divisional sales, grew at 17%.
- EBITA of EUR 233 m. was in line with 4Q06 and took the full-year EBITA margin to 3.1% of sales, in spite of continuing margin pressure in Flat Displays.
- NOC remained negative, consistent with division's business model and tight inventory management.

Looking ahead

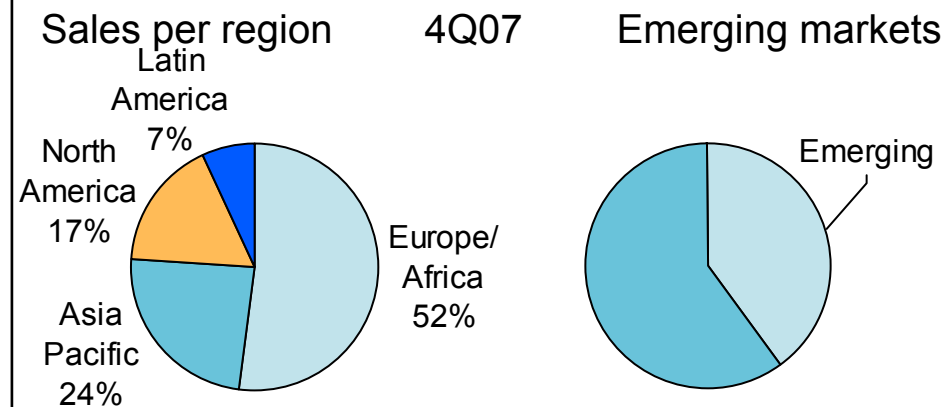
- In December 2007, Philips agreed in principle to sell its Set-Top Boxes (STB) and Connectivity Solutions (CS) businesses to UK-based technology provider Pace Micro Technology. Closure of the deal is expected in Q1 2008.
- In 2008, decisive steps will be taken to structurally deal with unsatisfactory EBITA margins in Connected Displays
- Following the announcement of Vision 2010 in September 2007, the former product divisions CE and DAP have been integrated as of January 1, 2008 and going forward will be reported under Consumer Lifestyle.

Lighting

EUR million unless otherwise stated

Key figures

	4Q06	3Q07	4Q07
Sales	1,455	1,496	1,659
% sales growth comp.	7	2	8
EBITA	135	190	185
EBITA as % of sales	9.3	12.7	11.2
EBIT	127	178	170
EBIT as % of sales	8.7	11.9	10.2
NOC	2,527	4,116	3,886
Employees (FTEs)	47,739	54,951	54,323



Financial performance

- 8% comparable growth supported by ongoing growth in “green” energy-efficient lighting, including LED-based solutions, of 20%. Geographically, sales continued to show double-digit growth in emerging markets, most notably in China and Latin America.
- Year-over-year increase in earnings was supported by profitable growth in energy-efficient lighting solutions and positive contributions from recent acquisitions. Restructuring, purchase accounting and other net incidental charges totaled EUR 22 m., in line with Q4 2006.
- The year-on-year increase in net operating capital and employees relates largely to the acquisitions of PLI, Color Kinetics, TIR Systems and LTI.

Looking ahead

- Going forward, Lighting expects to continue its robust growth, particularly in energy-efficient lighting and across the emerging markets, and from the successful integration of the acquired companies.
- Restructuring, purchase accounting and other incidental charges are expected to amount to approximately EUR 15 m. in Q1 2008.
- Acquisition of Genlyte will be completed by the end of January. We currently anticipate acquisition and integration charges in 2008 of approximately EUR 55 m, of which some EUR 40 m. will impact EBITA

Innovation & Emerging Businesses

EUR million unless otherwise stated

Key figures

	4Q06	3Q07	4Q07
Sales	341	146	209
% sales growth comp.	(9)	30	32
Technologies / incubators	(35)	(33)	19
CHS, Corporate Investments & Others	41	-	(4)
<hr/>			
EBITA	6	(33)	15
EBITA as % of sales	1.8	(22.6)	7.2
EBIT	2	(38)	10
EBIT as % of sales	0.6	(26.0)	4.8
NOC	748	925	1,001
Employees (FTEs)	9,852	7,440	7,638

Financial performance

Corporate Technologies / Incubators

- The EBITA of the Technologies/Incubators improved significantly compared to Q4 2006 due to a EUR 48 m. increase in IP income, partly offset by post-merger integration costs of EUR 6 m., mainly related to Health Watch.

CHS and Others

- Q4 2006 results included a EUR 42 m. gain on the sale of Philips Sound Solution.
- The year-on-year increase in NOC was mainly related to the acquisition of Health Watch.
- The reduction in employees during the year was primarily due to the divestment of businesses within the Corporate Investments portfolio, notably Optical Storage

Looking ahead

- As of January 1, 2008, Consumer Healthcare Solutions has been renamed Home Healthcare Solutions and has become part of the Philips Healthcare sector
- Investment in Research and the Incubators in Q1 2008 is foreseen to be slightly higher than the estimated EBITA run-rate of EUR 35 million for the year 2008
- The two remaining activities within Corporate Investments are expected to be divested in the first half of 2008

Group Management & Services

EUR million unless otherwise stated

Key figures

	4Q06	3Q07	4Q07
Sales	75	44	56
% sales growth comp.	77	73	(20)
Corporate and Regional Costs	(68)	(37)	(48)
Global brand campaign	(88)	(26)	(54)
Service units, Pensions and Other	4	(9)	(17)
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EBITA	(152)	(72)	(119)
EBIT	(152)	(72)	(119)
NOC	208	729	705
Employees (FTEs)	6,879	7,103	5,299

Financial performance

- The EBITA of Corporate & Regional improved year-on-year, primarily due to the reduction of Sarbanes-Oxley compliance costs compared to Q4 2006, as well as the impact of ongoing cost-reduction initiatives.
- Q4 2007 included approximately EUR 8 m restructuring and other incidental charges related to the simplification of the regional and country management structures.
- Investment in the global brand campaign was significantly lower than in Q4 2006, primarily as a result of a different seasonal spending pattern. The full-year 2007 investment in the brand campaign totaled EUR 111 m., compared to EUR 126 m. in 2006.
- EBITA was negatively impacted by additional legal expenses, mainly in the US, as well as investments in projects targeting further simplification of the service units

Looking ahead

- For 2008, costs of post-retirement benefit plans are expected to be broadly in line with 2007.
- The investment in the brand campaign is expected to be approximately EUR 95 million in 2008, with broadly equal spend per quarter. Given the success of the campaign, we anticipate that corporate investment in the brand will be largely phased out over the coming two years.

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➤ Looking ahead

Looking ahead information in the 4Q quarterly report on January 21, 2008 - I

Medical Systems

- For 2008, we anticipate continued strong sales growth in Patient Monitoring, Cardiac Care, Home Healthcare and Customer Services, tempered by limited growth in our Imaging businesses.
- Consistent with our Vision 2010, Medical Systems and Home Healthcare Solutions have been integrated effective January 1, 2008 to form the Philips Healthcare sector.
- Home Healthcare Solutions expects to complete the acquisition of Respironics in Q1 2008. Assuming the acquisition is completed as planned, we anticipate acquisition and integration charges in 2008, the exact magnitude of which will be known soon after closure of the deal.

Domestic Appliances and Personal Care

- Following the announcement of Vision 2010 in September 2007, the former product divisions Consumer Electronics and Domestic Appliances and Personal Care have been integrated as of January 1, 2008 and going forward will be reported under Consumer Lifestyle.

Consumer Electronics

- In December 2007, Philips agreed in principle to sell its Set-Top Boxes (STB) and Connectivity Solutions (CS) businesses to UK-based technology provider Pace Micro Technology. Closure of the deal is expected in Q1 2008.
- In 2008, decisive steps will be taken to structurally deal with unsatisfactory EBITA margins in Connected Displays.
- Following the announcement of Vision 2010 in September 2007, the former product divisions Consumer Electronics and Domestic Appliances and Personal Care have been integrated as of January 1, 2008 and going forward will be reported under Consumer Lifestyle.

Lighting

- Going forward, Lighting expects to continue its robust growth, particularly in energy-efficient lighting and across the emerging markets, and from the successful integration of the acquired companies.
- Restructuring, purchase accounting and other incidental charges are expected to amount to approximately EUR 15 million in Q1 2008.
- The acquisition of Genlyte will be completed by the end of January. We currently anticipate acquisition and integration charges in 2008 of approximately EUR 55 million, of which some EUR 40 million will impact EBITA.

Looking ahead information in the 4Q quarterly report on January 21, 2008 - II

Innovation & Emerging Businesses

- As of January 1, 2008, Consumer Healthcare Solutions has been renamed Home Healthcare Solutions and has become part of the Philips Healthcare sector.
- Investment in Research and the Incubators in Q1 2008 is foreseen to be slightly higher than the estimated EBITA run-rate of EUR 35 million for the year 2008.
- The two remaining activities within Corporate Investments are expected to be divested in the first half of 2008.

Group Management & Services

- For 2008, costs of post-retirement benefit plans are expected to be broadly in line with 2007.
- The investment in the brand campaign is expected to be approximately EUR 95 million in 2008, with broadly equal spend per quarter. Given the success of the campaign, we anticipate that corporate investment in the brand will be largely phased out over the coming two years.

Outlook

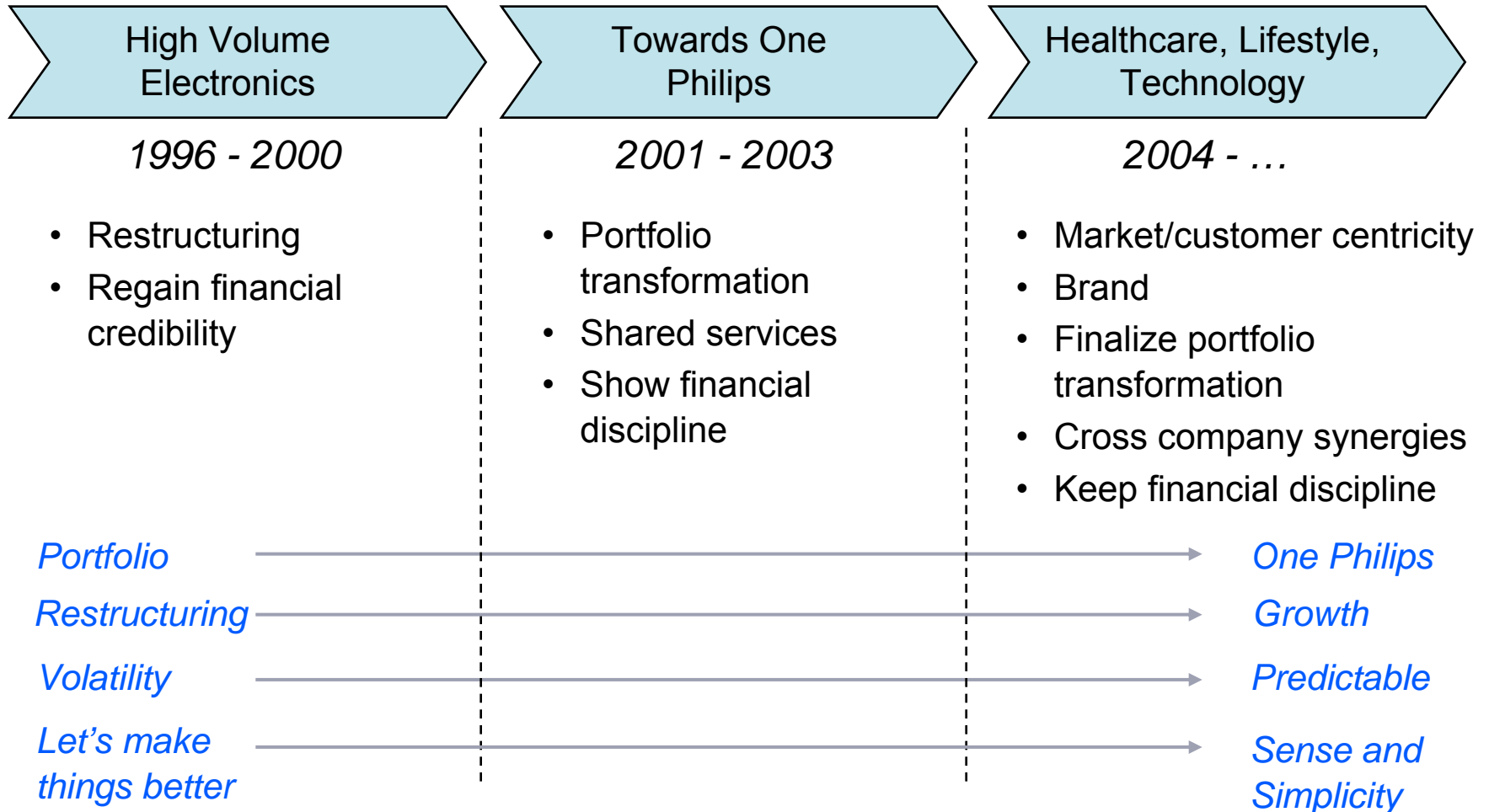
- With our portfolio restructuring nearing completion, and having once again delivered on our targets, we look forward with confidence. 2008 is going to be a challenging but exciting year for Philips – one in which we expect to take further solid steps towards achieving our Vision 2010 objectives.
- The successful integration of acquisitions will be high on the management agenda for 2008. We expect to complete our recently announced acquisitions of Genlyte and Respironics in the early part of this year. This will put us in a position to inform the market on the contribution of the sectors to the realization of our Vision 2010 plans; this will include our objective for return on invested capital.
- We also expect to make substantial progress towards achieving an efficient balance sheet, which we will continue to base on an A-/A3 credit rating with both our rating agencies. We plan to continue the responsible sell-down of our remaining stakes during the year and we expect that our recently announced EUR 5 billion share repurchase program will be largely completed by the end of 2008.
- While we recognize the market's caution on 2008 macro-economic developments – particularly in North America and Europe – we are confident that our sustained growth in the emerging markets, a strong innovation pipeline, a balanced portfolio and synergies from our acquisitions will allow us to continue on our improvement path through 2008 and to meet our targets as set out in Vision 2010.

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How we changed our company in the past 10 years

The journey of becoming truly market driven



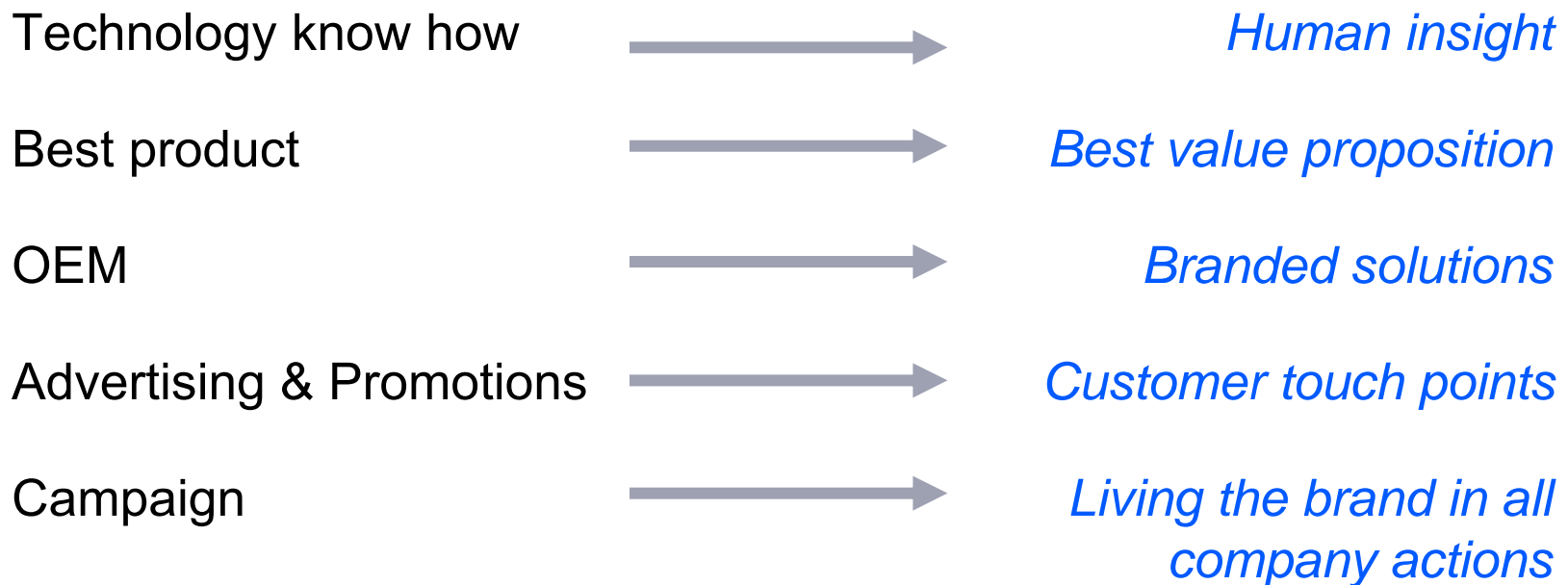
Our mission

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



Turning the brand promise into reality

sense and simplicity



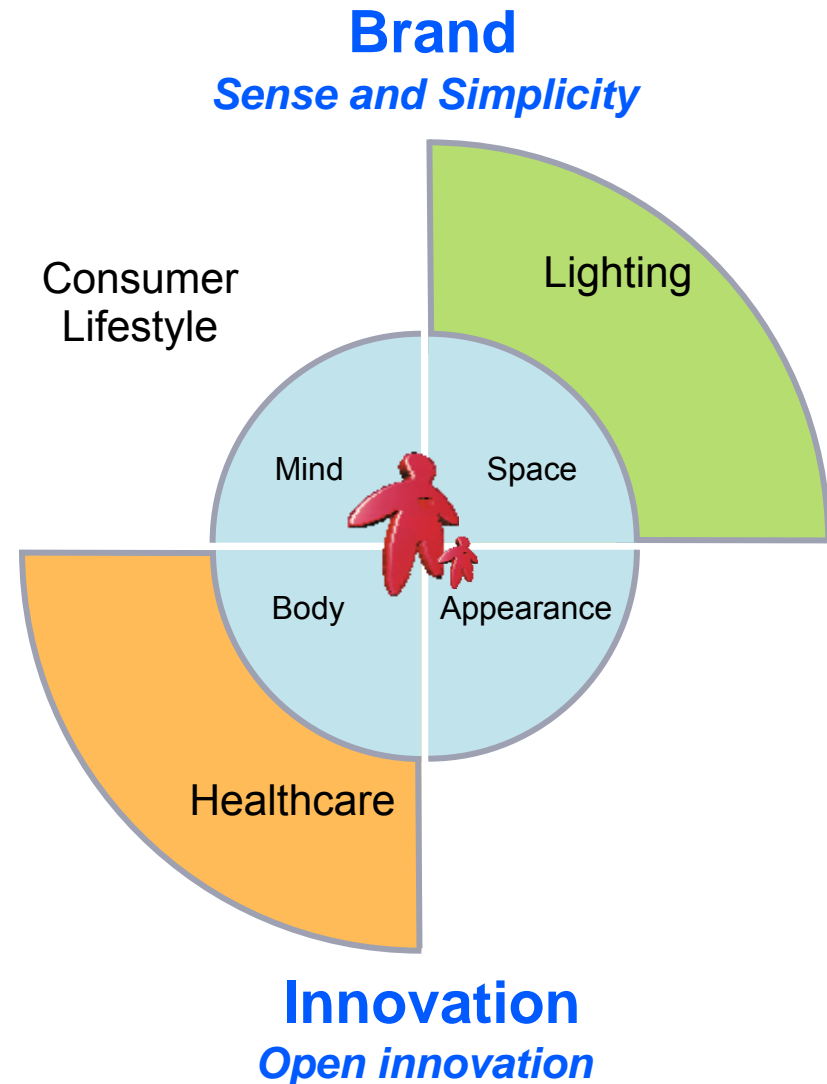
Winning in our chosen market sectors

Our businesses are centered around *people* and the *quality of their lives*

We address the needs of *consumers* 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

Announced September 2007

- 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



Vision 2010: ambition to significantly increase shareholder value

Improving EBITA margin of our current businesses to exceed 10%

- >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%

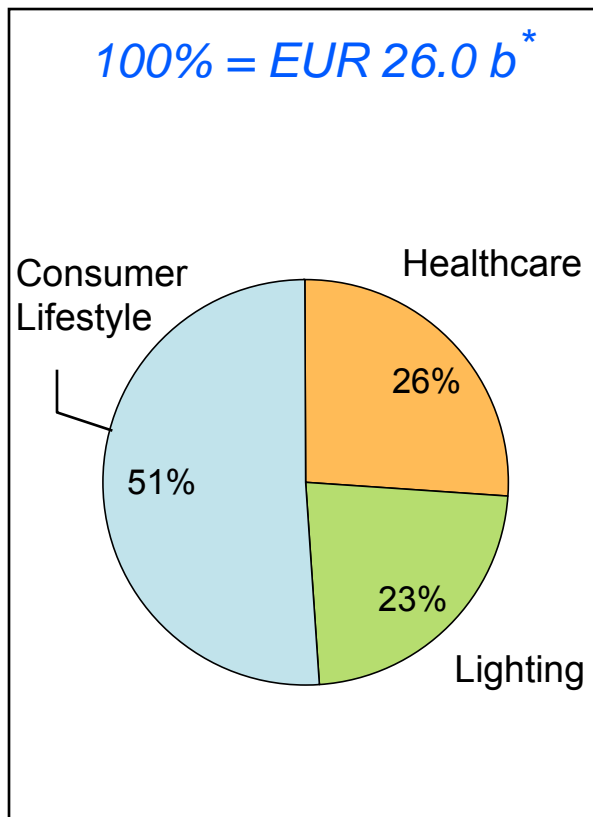
We will reach our objectives by executing on the following strategic actions

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

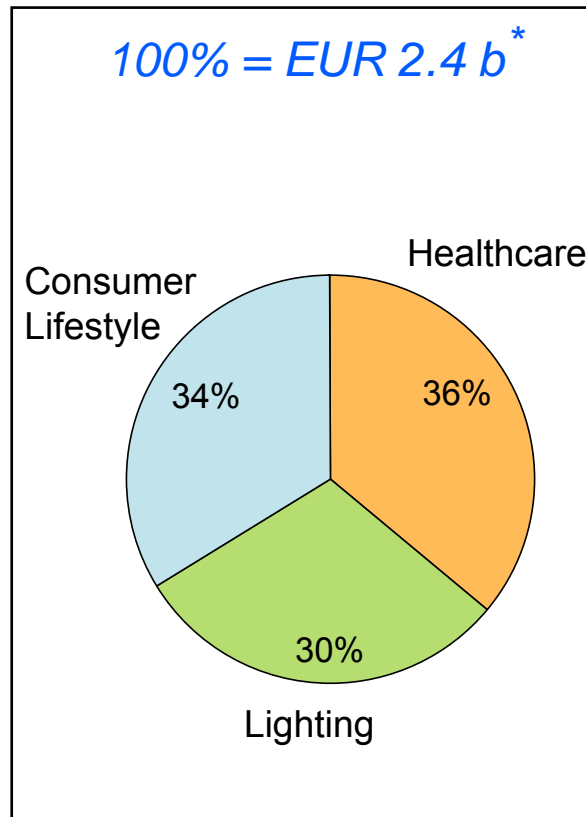
Simplifying business structure by creating three core sectors: Healthcare, Lighting and Consumer Lifestyle

Q4 2007 Year-to-date, EUR million

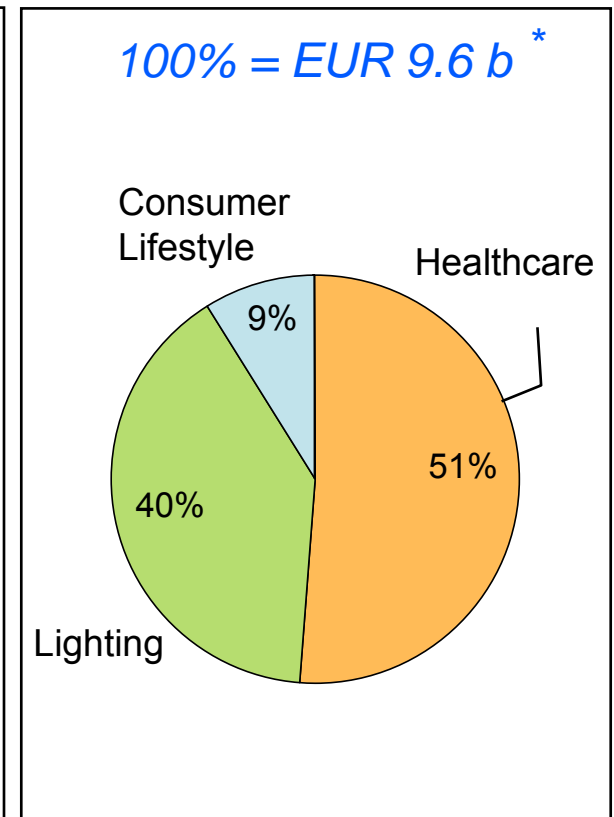
Sales



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
- 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



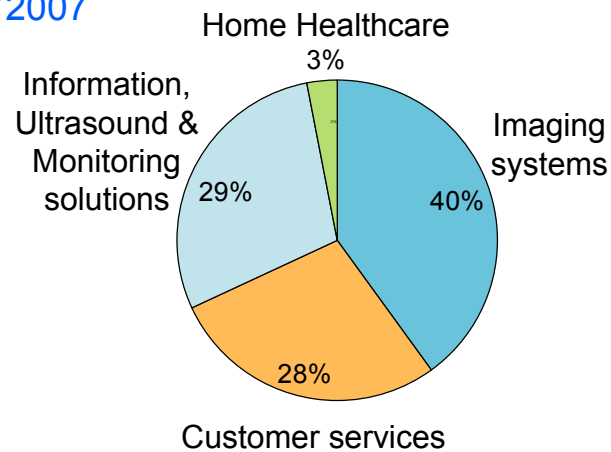
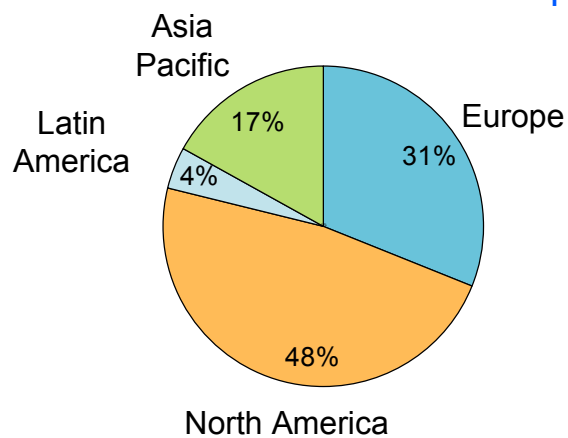
MR
Achieva 3.0T



HeartStart MRx



Sales
FY2007



Lighting

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



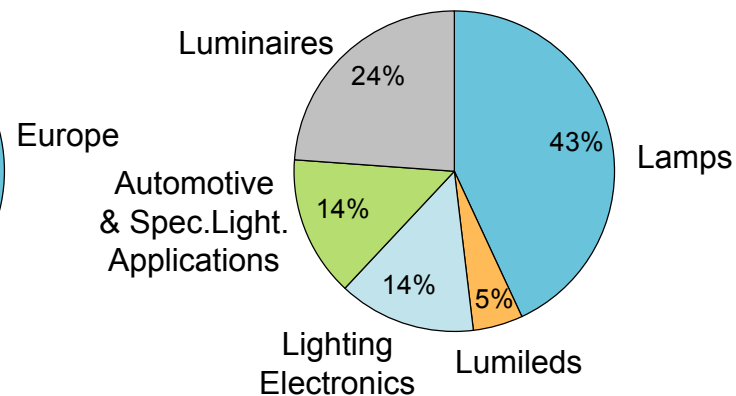
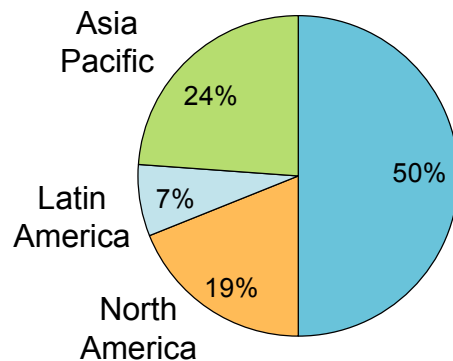
LivingColors



CosmoPolis



Sales
FY2007



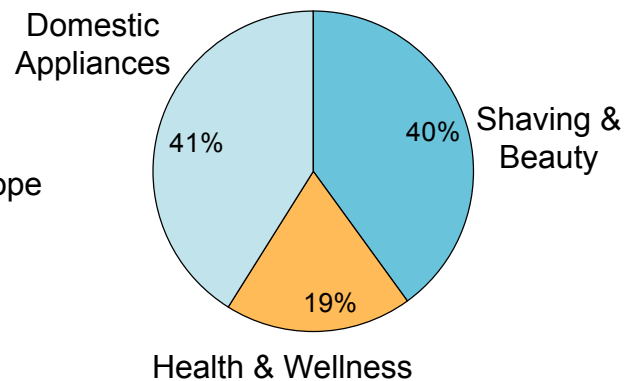
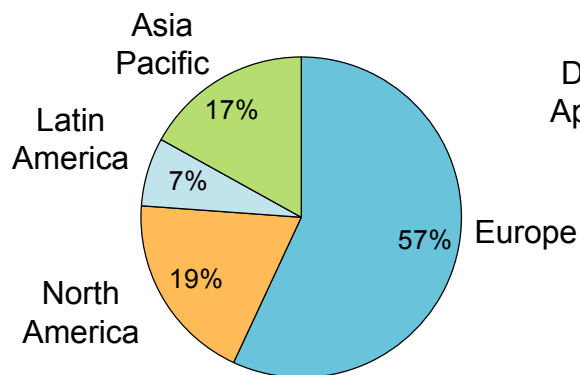
Consumer Lifestyle

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
- Expanding retail channels into emerging markets
- Leveraging the brand
- Strong cash flow



Sales
FY2007



Consumer Lifestyle Consumer Electronics

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

Active Crystals



AmbiSound

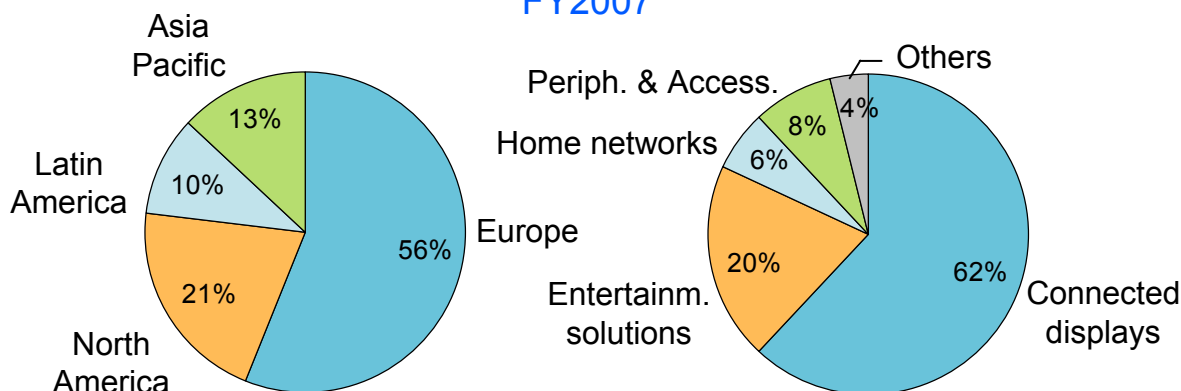
Portable Media devices



Ambilight



Sales
FY2007



* 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:

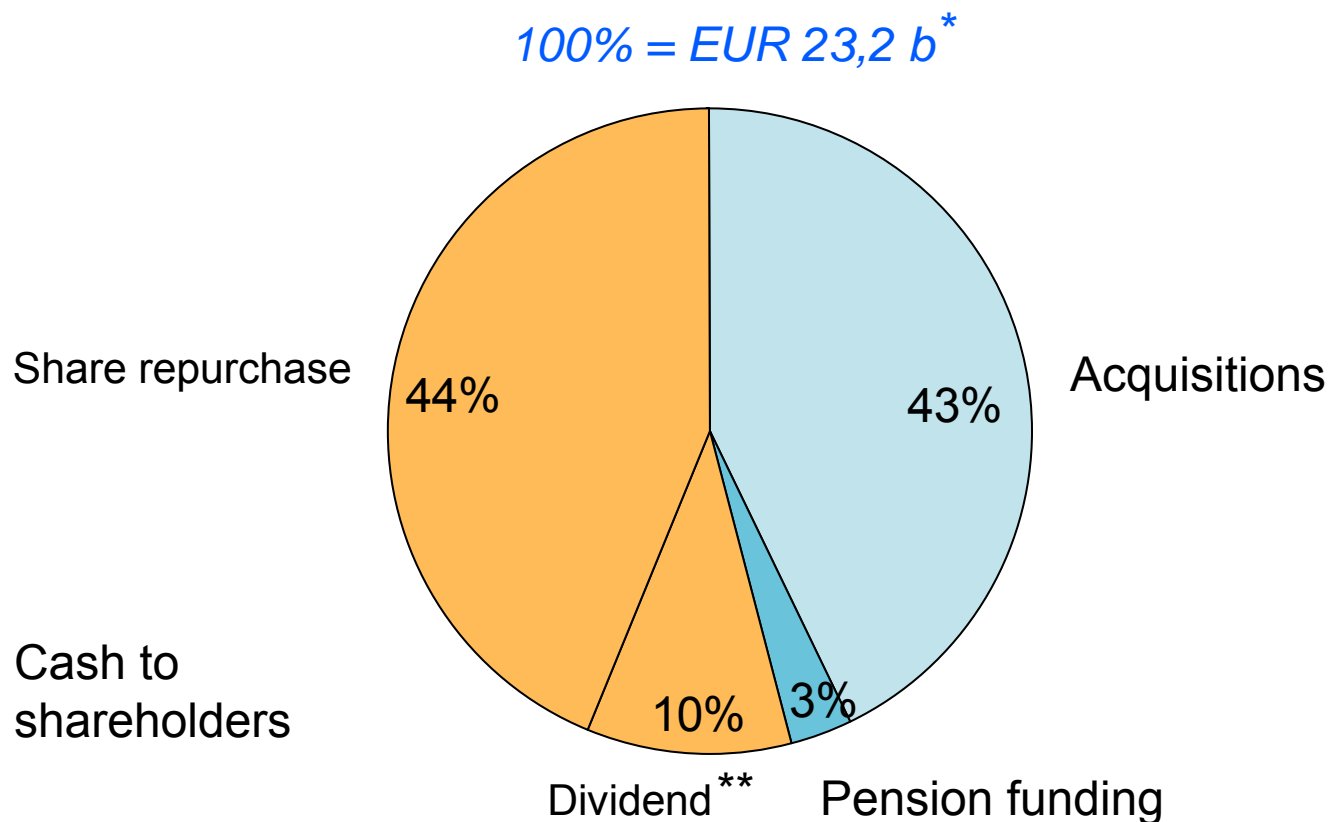
- create an organization and management team capable of executing a single consumer strategy
- allow the new organization to leverage the best capabilities of both organizations
- create a consumer solutions powerhouse closely grouped around the end-consumer, with deep consumer insight and the ability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

Agenda

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

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
Sale Atos Origin shares	552	554	—	—	
NAVTEQ	672	932	—	—	
TSMC	—	770	—	4,083*	
LG.Philips LCD	—	938	—	1,547	
FEI	—	—	154	—	
Semiconductors (NXP)	—	—	7,059	(99)	
Total	2,107	3,261	7,213	5,531	18,112

* First three parts of announced program to sell down stake in TSMC completed (see press release March 9, 2007)

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

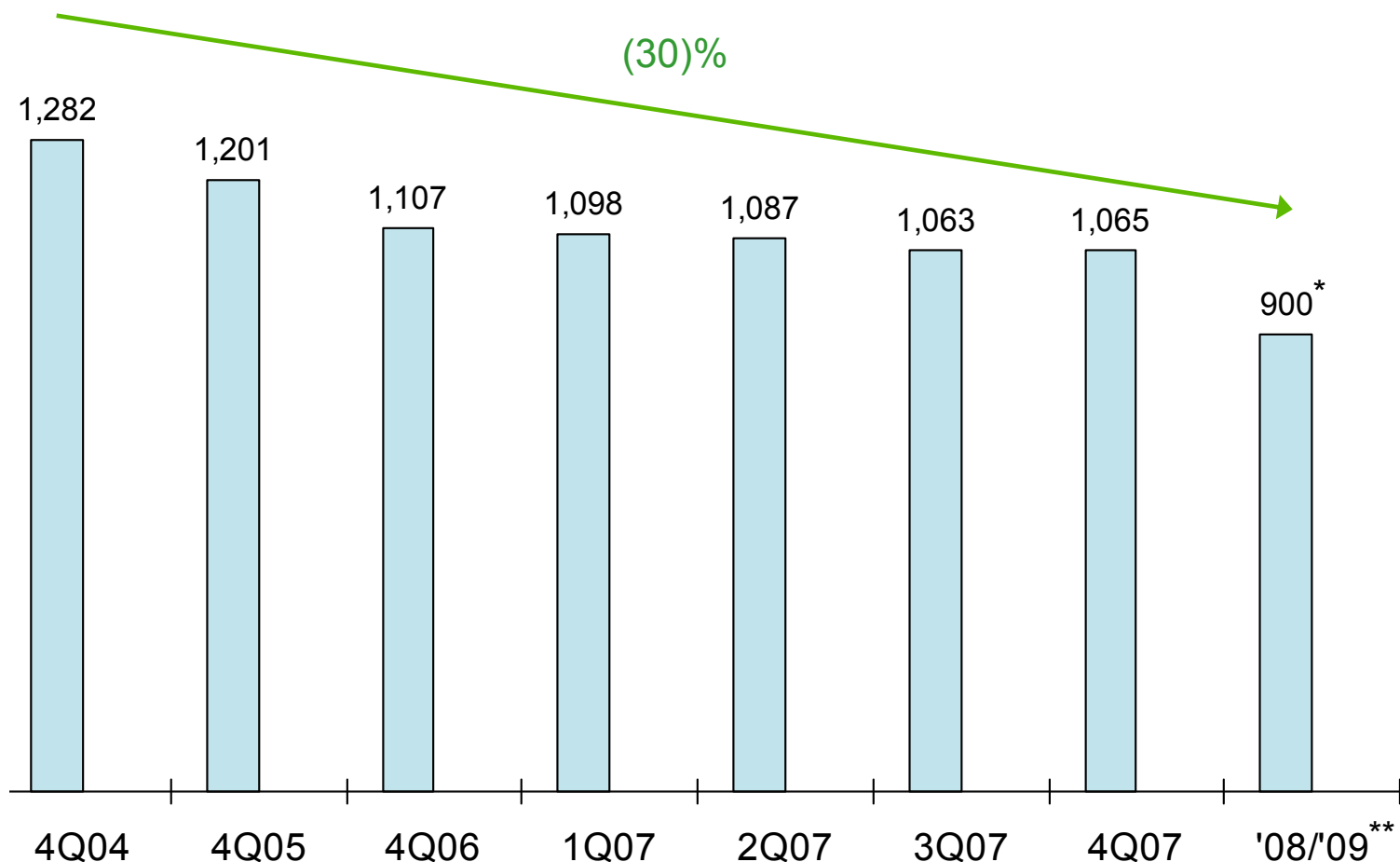
* Still to be completed

** 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



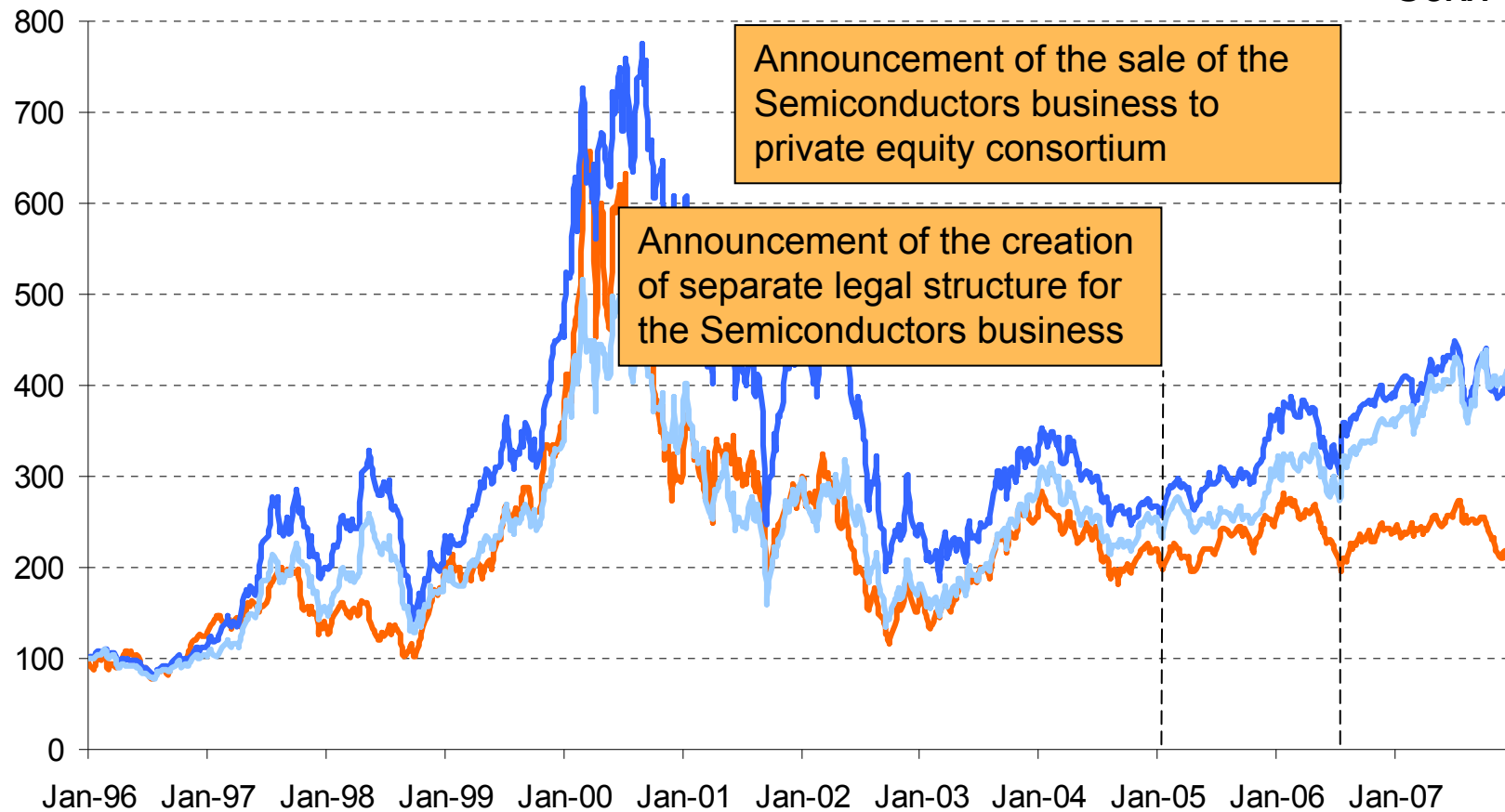
* After finalizing announced repurchase program; calculation includes average purchase price of EUR 30.

** 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

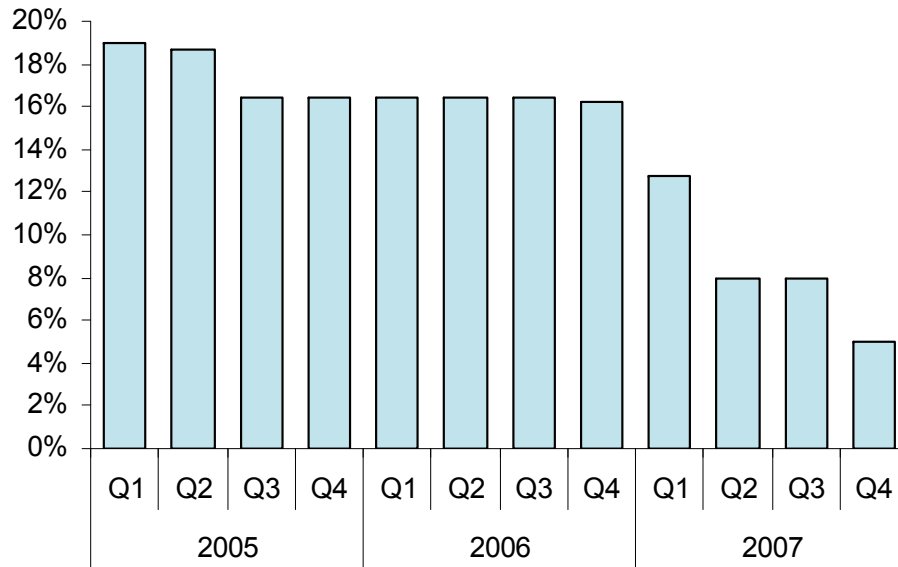
	number shares rounded in millions	% ownership	Jan 17 th , 2008 <i>in EUR m.</i>
<i>Quoted</i>			Market value
LG.Philips LCD	71	19.9	2,230
TSMC	1,311	5.0	1,503
TPV	263	13.5	107
<i>Non-quoted</i>			Book value
NXP	18	19.9 ¹	854
Total			4,694

¹ Economic ownership

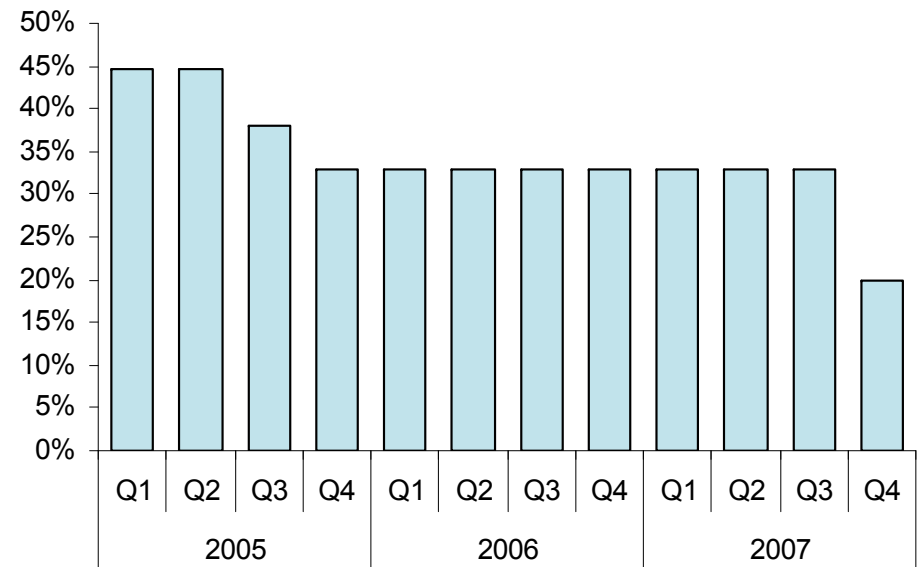
Major investments

Development of major investments

%Holding TSMC



%Holding LG.Philips LCD

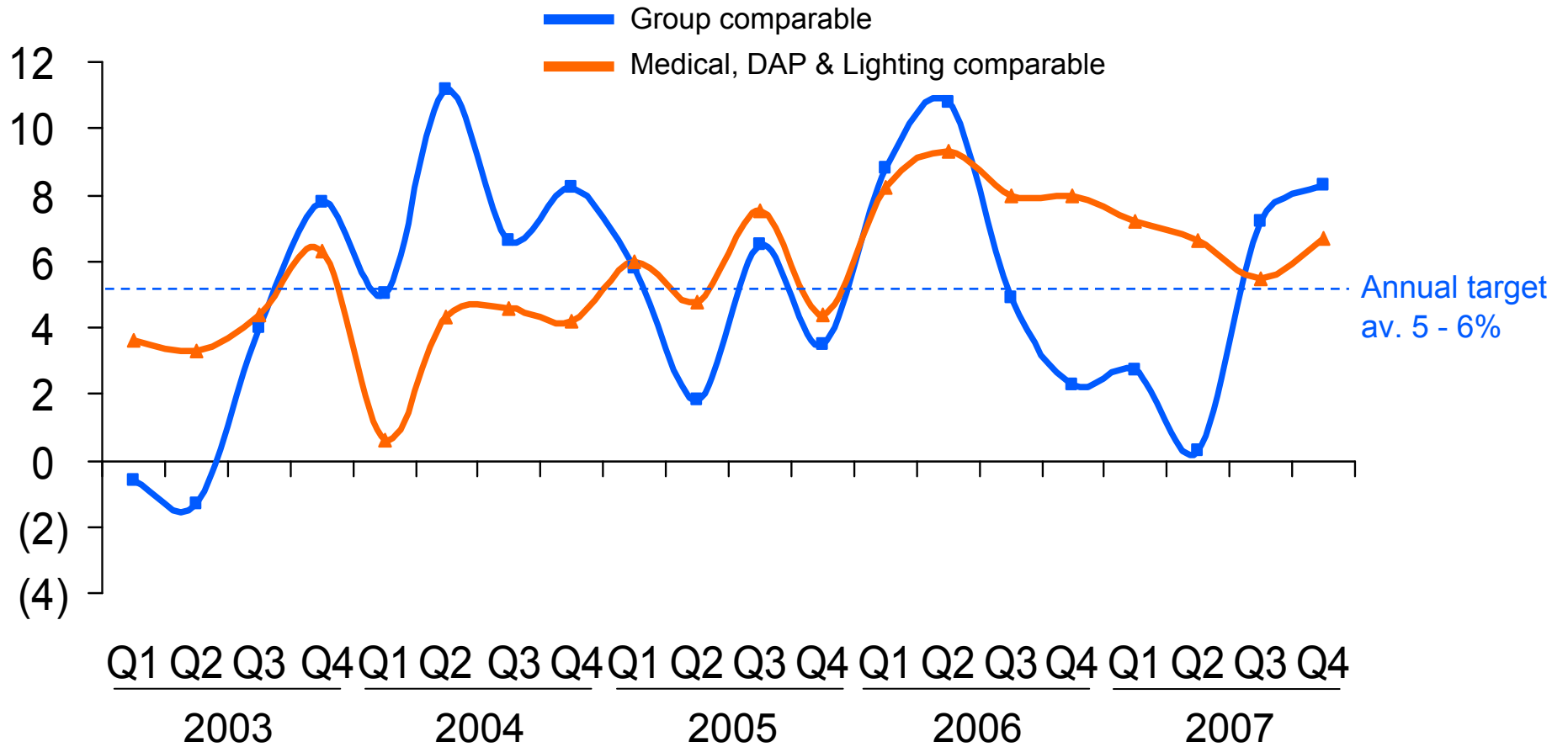


Agenda

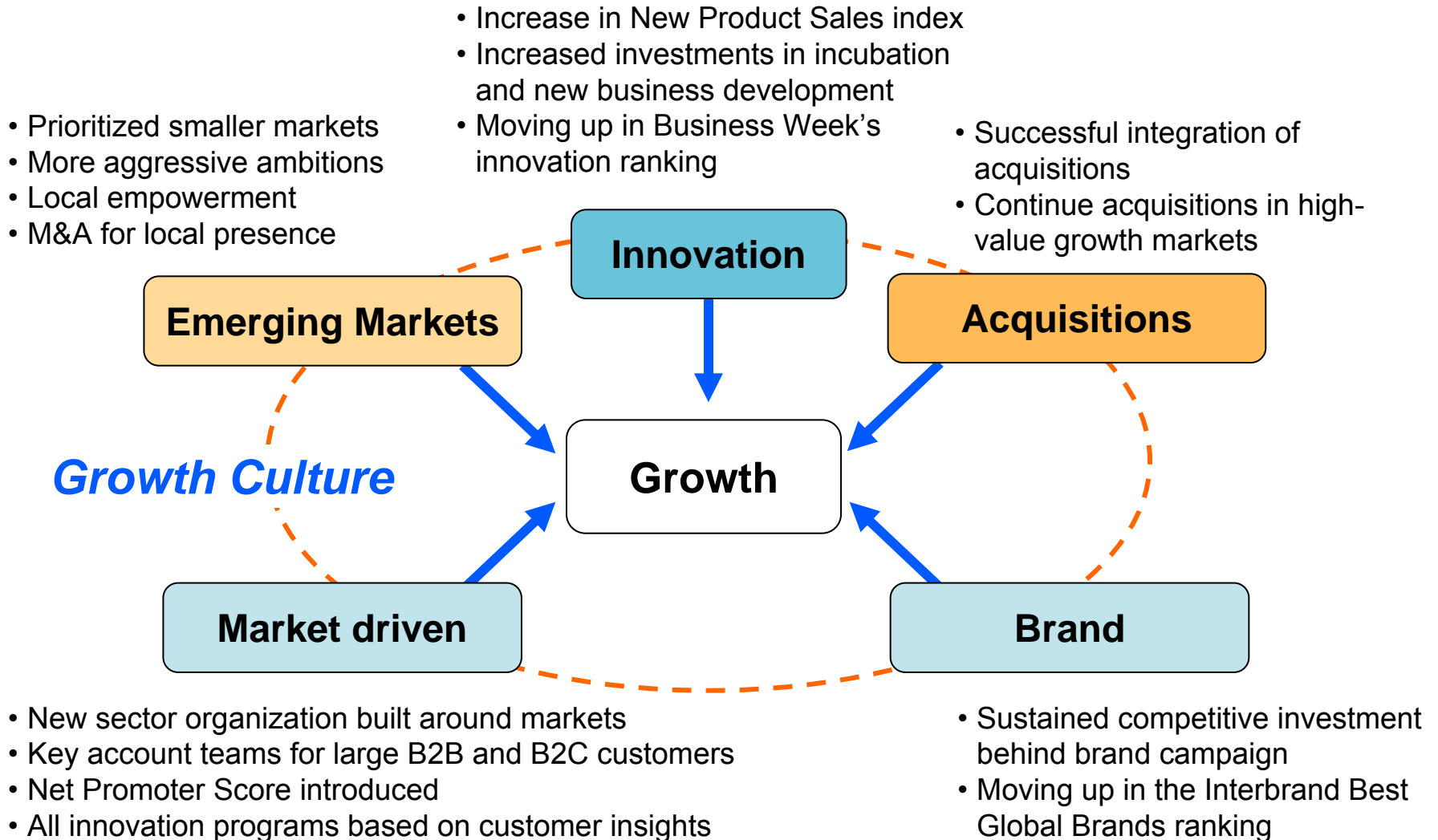
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Quarterly sales growth y-o-y

%



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



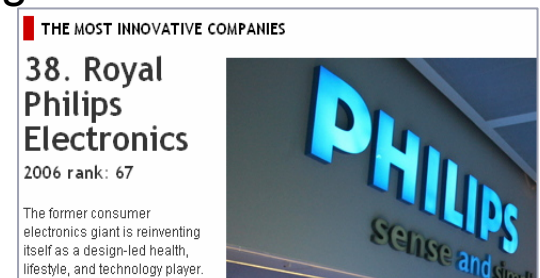
Our increased innovation focus fuels growth

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



“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

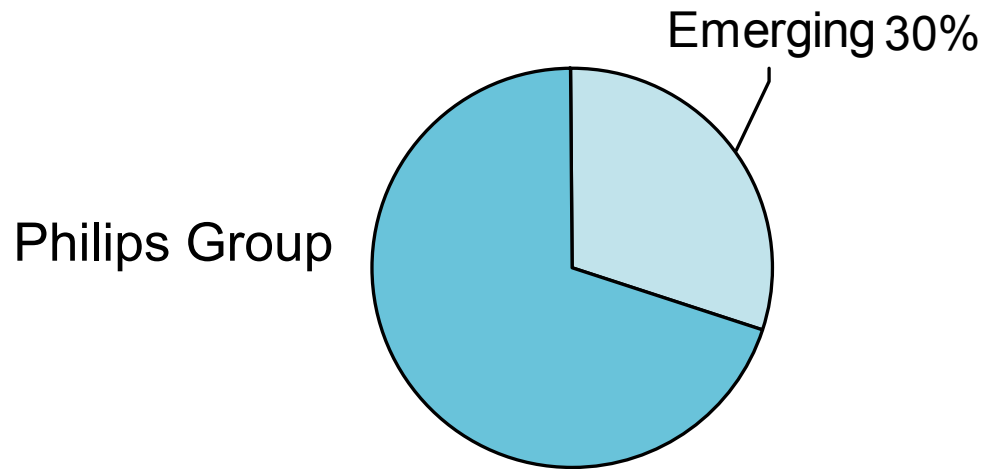
- 2004: 65
- 2005: 53
- 2006: 48
- 2007: 42

		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%

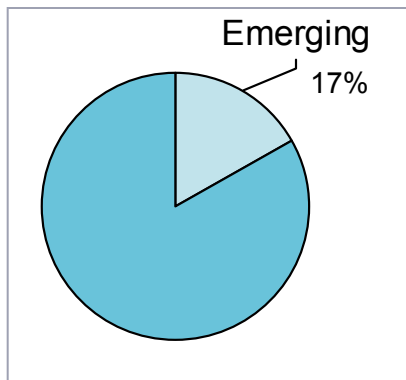
60 | BusinessWeek | August 6, 2007

Emerging markets

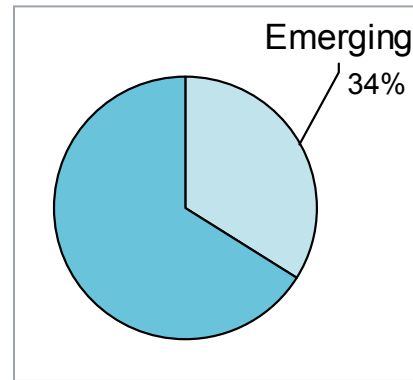
Sales in emerging markets FY 2007



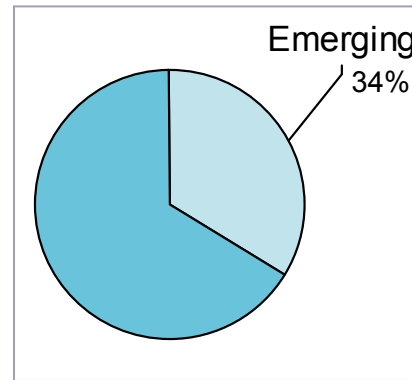
Medical



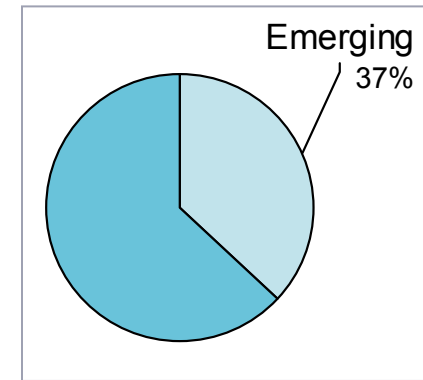
DAP



CE



Lighting



Emerging markets

Sales growth in emerging markets

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

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Guiding principles for acquisitions

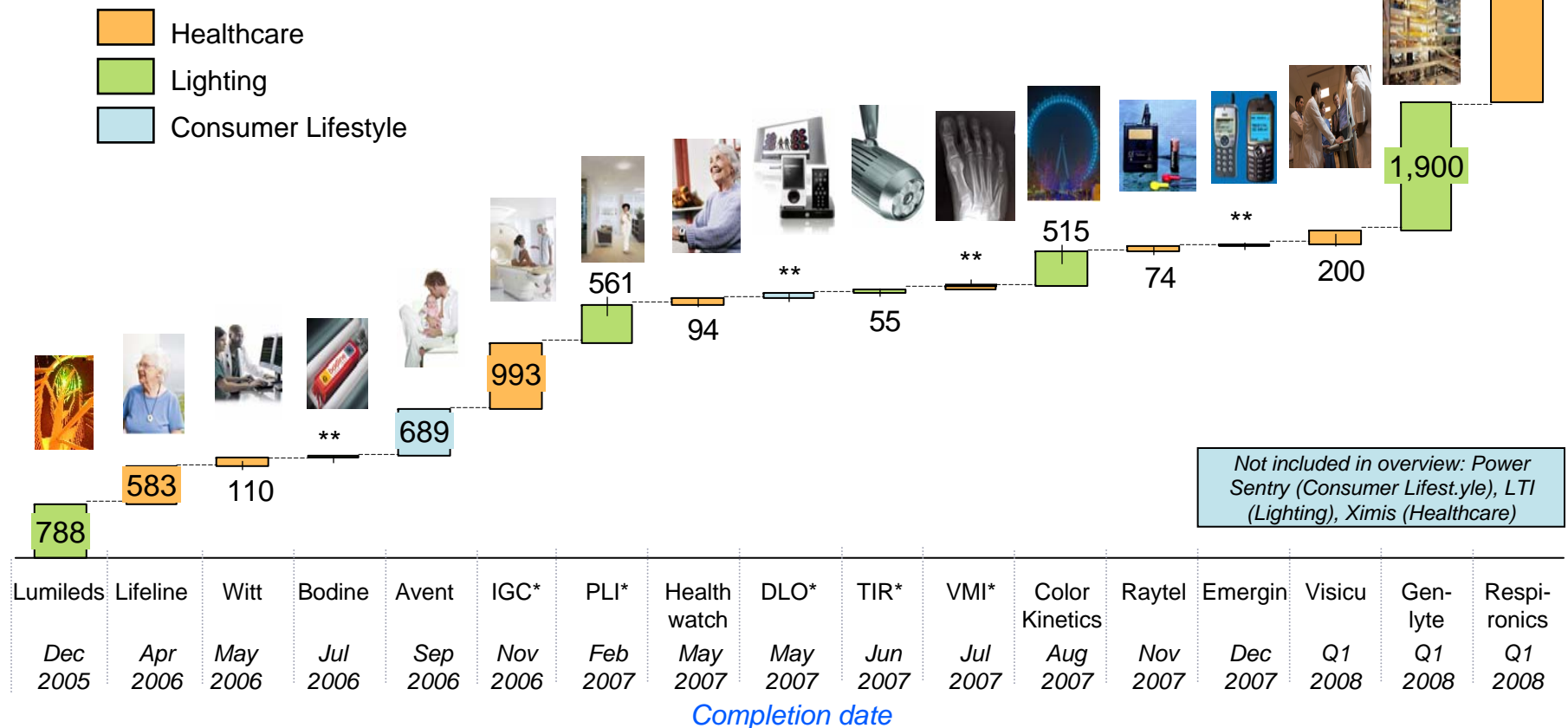
- ① Growth opportunities in our high margin, more predictable businesses
- ② No or time-limited margin dilution
- ③ Quality of management
- ④ Clear commercial, clinical, and technology synergies
- ⑤ Complementary position
- ⑥ Strong market position
- ⑦ Integration strategy part of acquisition decision
- 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

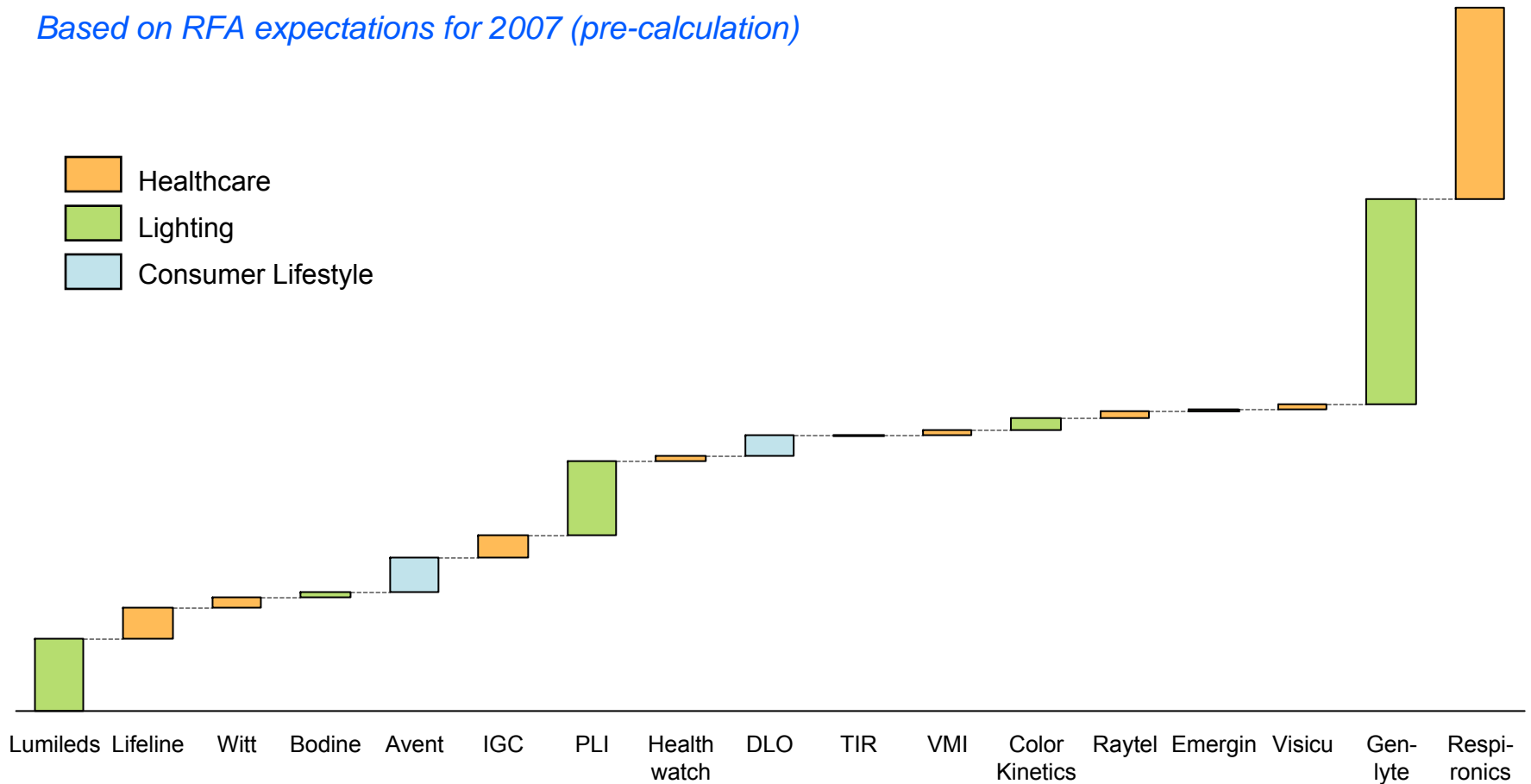
Enterprise value; amounts in EUR millions



* 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% ...

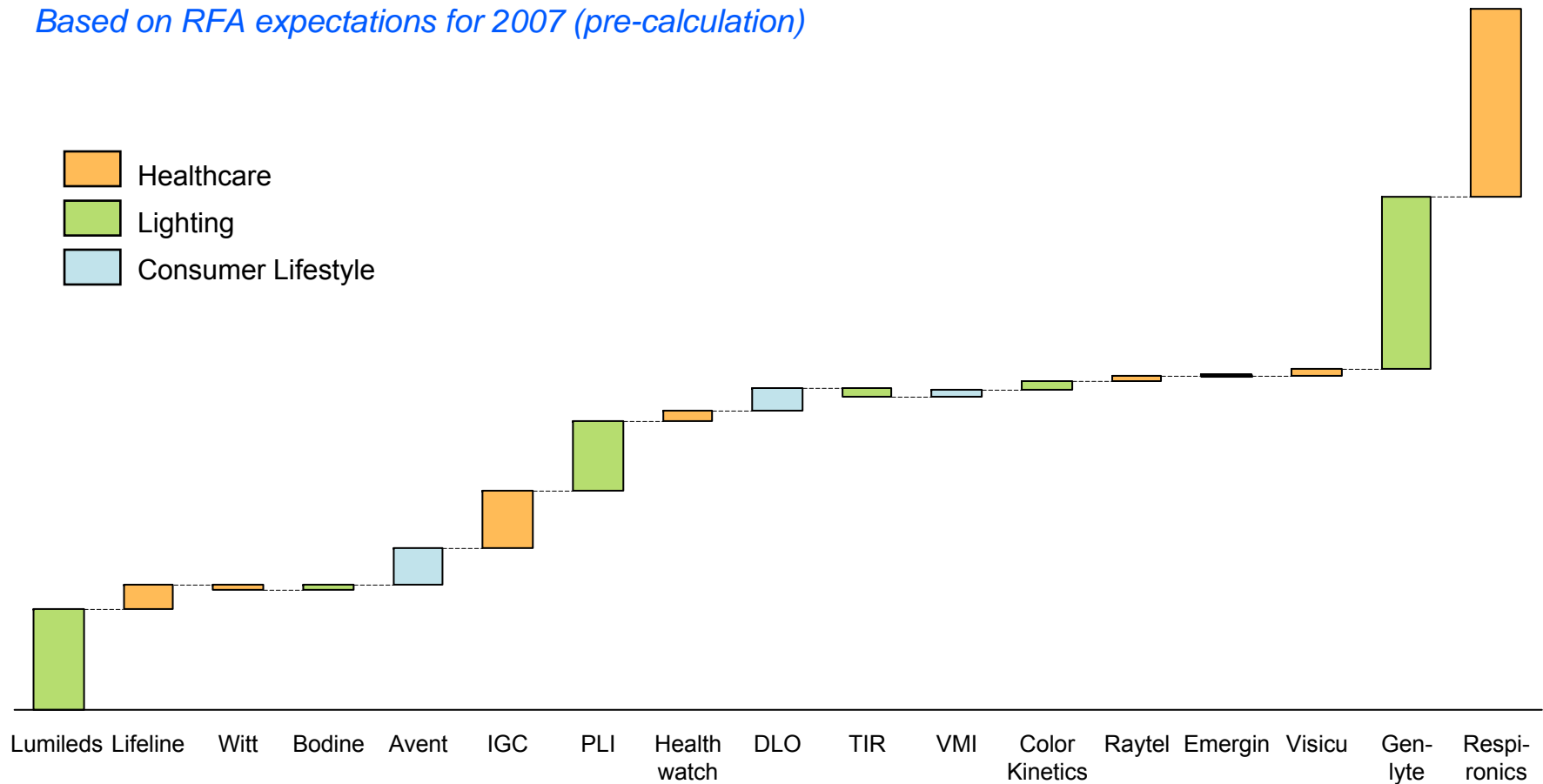
Based on RFA expectations for 2007 (pre-calculation)



Source: RFA expectations for 2007 (Respironics: 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

Offer price EUR 3.6 billion

- Announced on December 21, 2007; Enterprise value 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

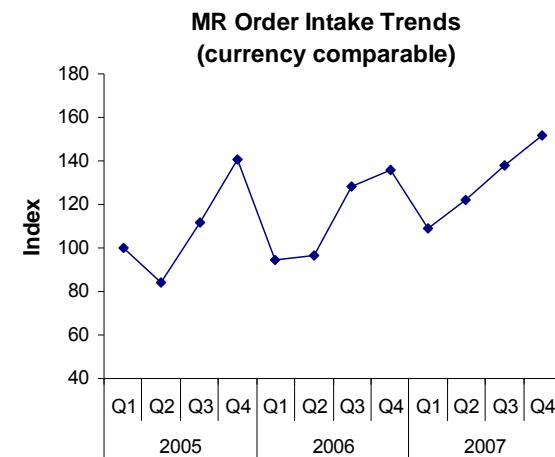
Offer price EUR 290 million

- Announced on December 18, 2007; Enterprise value 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

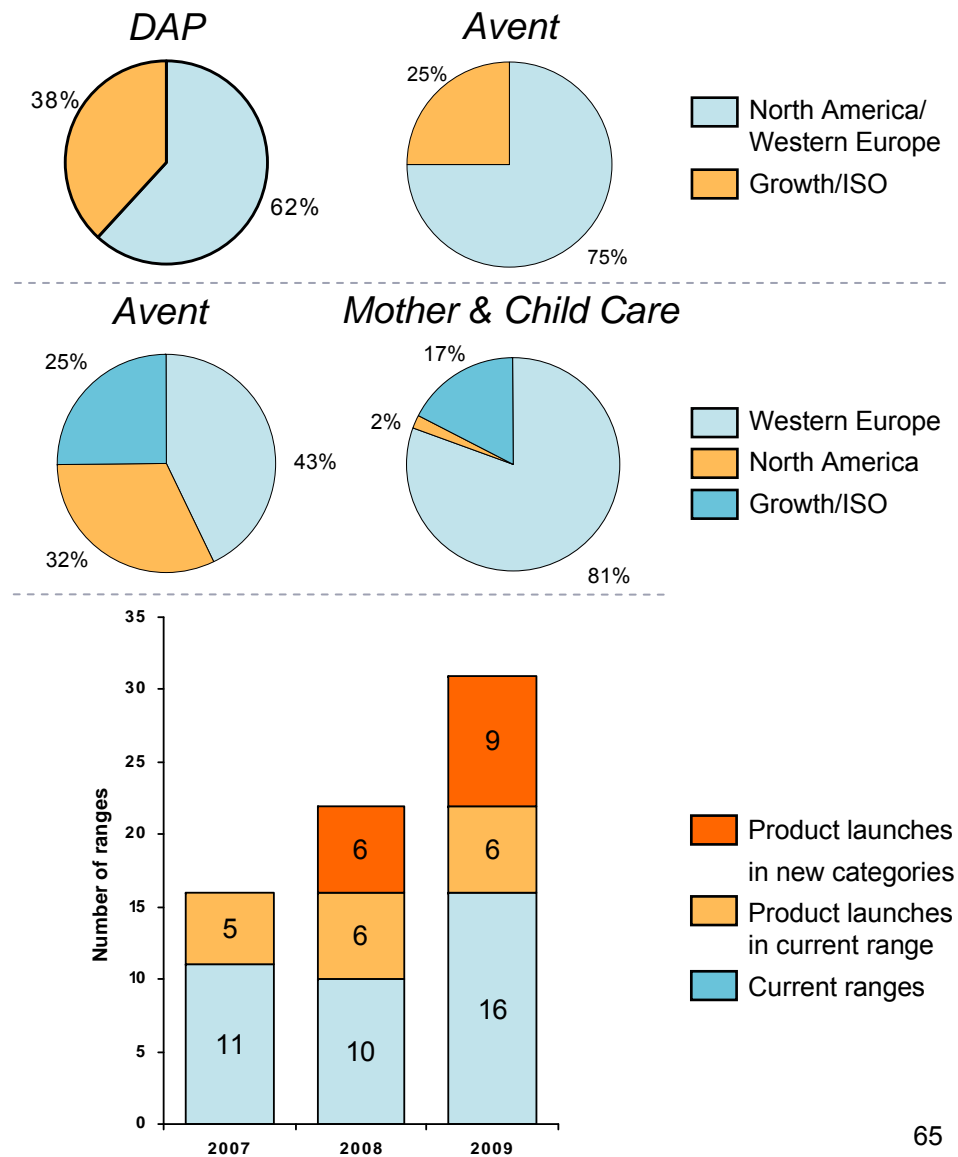
Purchase price EUR 194 million

- 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

Offer price EUR 1.8 billion

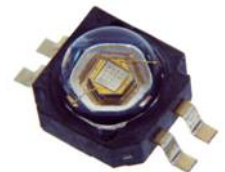
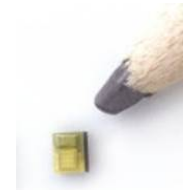
- Announced on November 26, 2007; Enterprise value EUR 1.9 billion.
- Acquisition is consistent with Philips' strategy to *strengthen its leadership position in Lighting*.
- Combination will create the *#1 Lighting company in North America* and establish Philips as *the largest Luminaires company globally*.
- *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

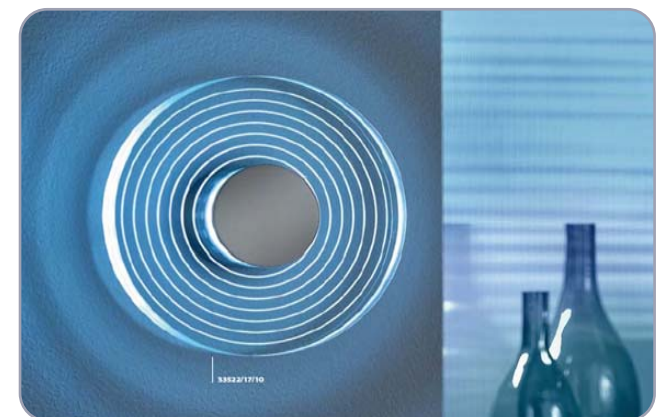
- Lumileds is launching superior **Luxeon** platforms combining their significant LED capabilities with the rich knowledge of Philips about phosphors, manufacturing processes and general lighting technology.
- Underscoring its technological leadership, Philips Lumileds launched in 2007 LUXEON **Rebel** 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

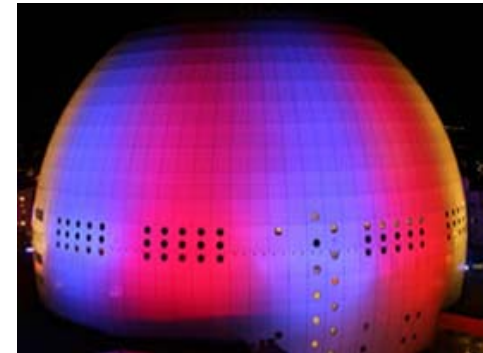
- The acquisition of PLI is a strategic move to enter new market segment for Philips Lighting: **Consumer Luminaires**.
- **Sales** in 2007 **grew 10%**, with a recurring **EBITA** above **15%**.
- LED content in Consumer Luminaires is expected to grow driven by consumers needs in the area of energy 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.



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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

Delivering on this agenda, we will achieve the targets as set out in our Vision 2010

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