Royal Philips Electronics

Q1 Quarterly report
April 16, 2007

Forward-looking statements
This document contains certain forward-looking statements with respect to the financial condition, results of operations and business of Philips and certain of the plans and objectives of Philips with respect to these items, in particular the outlook paragraph in this report.
By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to, levels of consumer and business spending in major economies, changes in consumer tastes and preferences, changes in law, the performance of the financial markets, pension costs, the levels of marketing and promotional expenditures by Philips and its competitors, raw materials and employee costs, changes in exchange and interest rates, changes in tax rates and future business combinations, acquisitions or dispositions and the rate of technological changes, political and military developments in countries where Philips operates, and industry consolidation.
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-US GAAP information
In presenting and discussing the Philips Group's financial position, operating results and cash flows, management uses certain non-US GAAP financial measures. These non-US GAAP financial measures should not be viewed in isolation as alternatives to the equivalent US GAAP measure(s) and should be used in conjunction with the most directly comparable US GAAP measure(s). A discussion of the non-US GAAP measures included in this document and a reconciliation of such measures to the most directly comparable US GAAP measure(s) are contained in this document.

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

Philips reports 27% growth in Q1 EBITA

Net income increases to EUR 875 million

- EBITA amounted to EUR 353 million, or 5.9% of sales, compared with EUR 279 million, or 4.5% of sales, in Q1 2006.
- Including a gain on the sale of TSMC shares, net income increased to EUR 875 million from EUR 160 million in Q1 2006.
- Sales totaled EUR 5,991 million, up 3% on a comparable basis compared to the same period last year, driven by a very strong performance at DAP and Lighting.
- So far this year, announcement of three strategically aligned acquisitions that will add to growth.

Gerard Kleisterlee,
President and CEO of Royal Philips Electronics:

"Philips had an excellent start to 2007, with our EBITA growing by 27% to EUR 353 million in the first quarter. This significant growth reflects the strong market position of our more sharply focused portfolio of businesses, and validates the strategic choices we have made in the past.

In the first quarter, our businesses showed significant – and in parts of Consumer Retail exceptional – growth driven by innovation and the leveraging of investments we are making to deliver on our "sense and simplicity" brand promise. The integration of recent acquisitions such as Partners in Lighting will further add to this.

It is encouraging to see that the acquisitions we have made are contributing quickly to value creation. At Medical Systems the important integration of Intermagnetics is well on track, once completed, to deliver the expected benefits to our MR business. Our recent announcement on Health Watch

All amounts in millions of euros unless otherwise stated; data included are unaudited.
Financial reporting is in accordance with US GAAP, unless otherwise stated.
Figures have been restated for the new reporting structure of the Philips Group and the allocation of certain Corporate/ Regional/ Country and Intellectual Property costs to the operating divisions.

PHILIPS

will further strengthen our leadership position in the fast growing market for Emergency Response Services.

Our Lighting division is well positioned to benefit from the increasing awareness of the need for lower energy consumption, and we are already seeing the impact. In the first quarter, the strong top-line growth at Lighting was partly attributable to our eco-friendly, energy-efficient solutions.
In the first months of this year, Philips continued efforts to forge alliances with governments, industry partners and other organizations around the world to accelerate the replacement of inefficient lighting with newer, more efficient lighting solutions in the years to come.

We feel confident Philips will continue establishing a track record as a successful acquirer and operator of businesses that create sustainable value and drive increased growth and profitability for the group.”

Philips Group

Highlights in the quarter

Net income		
in millions of euros unless otherwise stated	Q1 2006	Q1 2007
Sales	6,155	5,991
EBITA	279	353
as a % of sales	4.5	5.9
EBIT	246	292
Financial income and expenses	(23)	683
Income taxes	(60)	(83)
Results equity-accounted investees	(17)	(48)
Minority interests	(7)	3
Income from continuing operations	139	847
Discontinued operations	21	28
Net income	160	875
Per common share (in euros) – basic	0.13	0.80

Net income

- Including a non-taxable net gain of EUR 697 million resulting from the sale of a further 3.4% stake in TSMC and a fair-value adjustment in the value of the Company's stake in JDS Uniphase, net income amounted to EUR 875 million, compared to EUR 160 million in Q1 2006. EBITA increased from 4.5% to 5.9% of sales, largely due to improved earnings at DAP and lower costs within Group Management & Services.
- Income taxes of EUR 83 million have been calculated using an estimated annual effective tax rate of 29% for 2007.
- Net income from discontinued operations of EUR 28 million reflects the result of a settlement relating to last year's sale of a majority stake in the Semiconductors division.

Sales by sector				
in millions of euros unless otherwise stated	Q1 2006	Q1 2007	% change nominal	% change comparable
Medical Systems	1,469	1,455	(1)	3
DAP	496	608	23	17
CE	2,423	2,208	(9)	(6)
Lighting	1,345	1,474	10	8
I&EB	395	197	(50)	38
GMS	27	49	81	96
Philips Group	6,155	5,991	(3)	3

Sales by sector

- Adjusted for the 5% downward effect of currency movements and 1% downward impact of consolidation changes, sales of EUR 5,991 million represent a comparable increase of 3% compared to Q1 2006.
- Medical Systems' sales declined by 1% nominally but grew 3% on a comparable basis compared to Q1 2006, driven mainly by higher sales at Imaging Systems. The 17% comparable sales growth at DAP was driven by higher revenues at Shaving & Beauty, Domestic Appliances and Health & Wellness. Compared to Q1 2006, sales at Consumer Electronics declined due to lower shipments of monitors, CRT televisions and, ahead of the March divestment of the business, mobile phones, partially offset by increased sales of Flat TV. At Lighting, almost all businesses contributed to the division's 8% comparable sales growth, notably Luminaires.

Sales by region				
in millions of euros unless otherwise stated	Q1 2006	Q1 2007	% change nominal	% change comparable
Europe/Africa	2,752	2,797	2	4
North America	1,727	1,702	(1)	4
Latin America	460	367	(20)	(14)
Asia Pacific	1,216	1,125	(7)	4
Philips Group	6,155	5,991	(3)	3

Sales by region

- Higher sales in Europe/Africa were driven primarily by Lighting and Medical Systems. Sales growth in North America was attributable mainly to DAP and Lighting. The lower sales in Latin America were almost exclusively due to a sharp decline of the (CRT) TV market in Brazil. In Asia, the comparable sales growth was driven by Lighting and DAP, while CE declined, largely due to Mobile Phones.

EBITA

in millions of euros unless otherwise stated	Q1 2006	Q1 2007
Medical Systems	102	101
DAP	55	107
CE	33	34
Lighting	190	186
Innovation & Emerging Businesses	(19)	(30)
Group Management & Services	(82)	(45)
Philips Group	279	353
as a % of sales	4.5	5.9

EBIT

in millions of euros unless otherwise stated	Q1 2006	Q1 2007
Medical Systems	79	56
DAP	54	104
CE	33	34
Lighting	181	177
Innovation & Emerging Businesses	(19)	(34)
Group Management & Services	(82)	(45)
Philips Group	246	292
as a % of sales	4.0	4.9

Earnings

- Compared to Q1 2006, EBITA improved by EUR 74 million, or 1.4% of sales, driven by improvements at DAP and Group Management & Services. EBIT grew by EUR 46 million, or 0.9% of sales, to reach 4.9% for the quarter.
- Excluding EUR 8 million in purchase-accounting charges for Intermagnetics and EUR 12 million of additional incidental losses at MedQuist, EBITA at Medical Systems improved by EUR 19 million compared to Q1 2006.
- DAP saw strong sales and earnings in all of its businesses take EBITA to 17.6% of sales, compared to 11.1% in Q1 2006.
- Despite the lower sales level, CE's EBITA was on par with Q1 2006.
- Lighting's EBITA included EUR 34 million in restructuring, purchase accounting-related and other incidental charges, slightly higher than in the corresponding period of 2006. Q1 2006 also included a EUR 11 million gain on the sale of real estate.
- Excluding a EUR 30 million gain on the sale of CryptoTec in Q1 2006, EBITA at Innovation & Emerging Businesses improved by EUR 19 million.
- EBITA at Group Management & Services improved due to lower pension costs and, in line with the Company's commitment, lower Corporate costs.

Financial income and expenses

in millions of euros	Q1 2006	Q1 2007
Interest expenses, net	(42)	(11)
TSMC		
- sale of securities	-	733
- fair-value adjustment of securities	-	(5)
JDS Uniphase impairment	-	(36)
Other	19	2
Total	(23)	683

Financial income and expenses

- As a result of a lower net debt position during the quarter, net interest expense declined considerably compared to Q1 2006.
- The sale of a further 3.4% of the Company's stake in TSMC resulted in a tax-free gain of EUR 733 million.
- Judging the continuing decline in the market value of JDS Uniphase to be other than temporary, a fair-value loss of EUR 36 million was recorded on the Company's stake in JDS Uniphase.

Results relating to equity-accounted investees

in millions of euros	Q1 2006	Q1 2007
LG.Philips LCD	15	(47)
LG.Philips Displays	(45)	-
Others	13	(1)
Total	(17)	(48)

Results relating to equity-accounted investees

- Results relating to equity-accounted investees decreased by EUR 31 million, due to lower results at LG.Philips LCD.
- Q1 2006 results included a EUR 45 million charge related to the voluntary support of a social plan for employees impacted by the bankruptcy of some LG.Philips Displays activities.

Cash balance

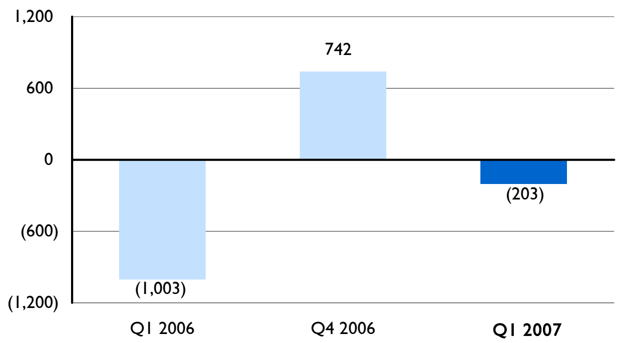
in millions of euros	Q1 2006	Q1 2007
Beginning balance	5,293	6,023
Net cash from operating activities	(1,003)	(203)
Gross capital expenditures	(222)	(171)
Acquisitions/divestments	(558)	(487)
Other cash from investing activities	34	1,136
Changes in debt/other	(180)	(318)
Net cash discontinued operations	25	(74)
Ending balance	3,389	5,906

Cash balance

- During the quarter, proceeds of EUR 1,315 million from the sale of shares in TSMC were more than offset by cash outflows of EUR 561 million for the acquisition of Partners in Lighting International (PLI), EUR 350 million for the repurchase of shares and the normal seasonal increase in working capital.
- Q1 2006 included cash outflows of EUR 582 million in additional funding for the UK pension plan, EUR 579 million for the acquisition of Lifeline Systems and EUR 414 million for share repurchases.

Cash flows from operating activities

in millions of euros

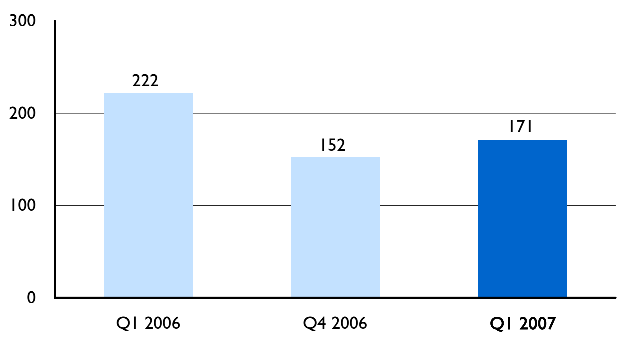


Cash flows from operating activities

- Compared to Q1 2006, cash flows from operating activities improved due to higher operating cash generation in almost all divisions.
- Q1 2006 cash flows from operating activities included a cash outflow of EUR 582 million for additional pension funding in the UK.

Gross capital expenditures

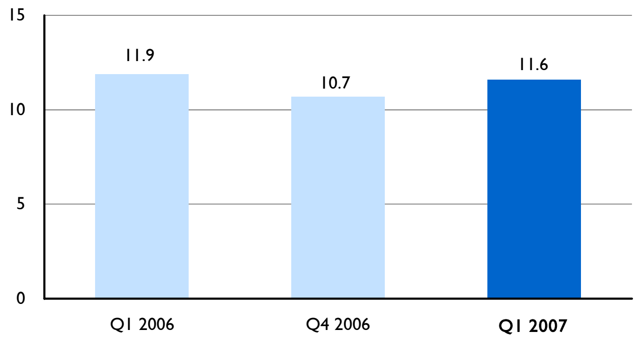
in millions of euros



Gross capital expenditures

- Gross capital expenditures of EUR 222 million in Q1 2006 included EUR 73 million for the acquisition of a Lumileds building. Excluding this, the year-on-year increase in capital expenditures is largely due to additional production-related investments in energy-efficient lighting products.

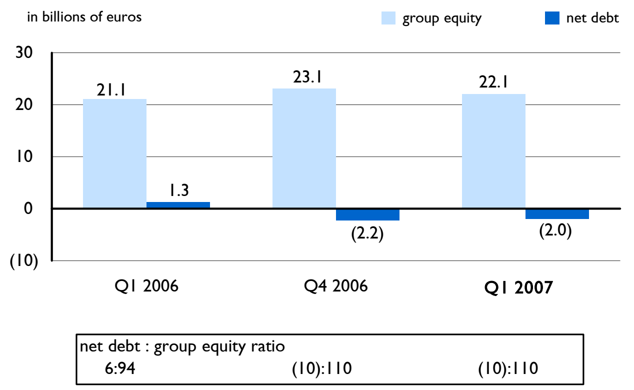
Inventories as a % of sales



Inventories

- Net inventories as a percentage of sales improved by 0.3 percentage points compared to Q1 2006, driven by lower inventory at Consumer Electronics and the positive impact of the further divestment of businesses from the Corporate Investments portfolio.

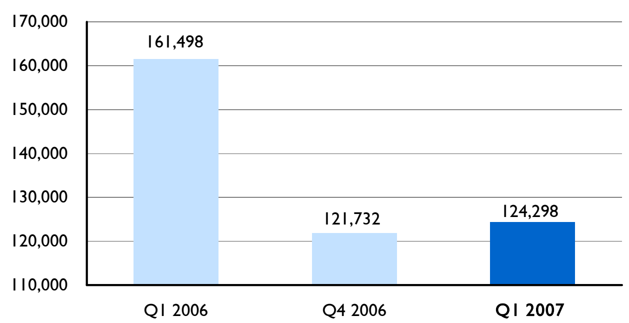
Net debt and group equity



Net debt and group equity

- The net debt to group equity ratio remained in line with Q4 2006 but improved relative to the corresponding period of last year, largely due to the sale of a majority stake in the Semiconductors division in Q3 2006.
- During the quarter, group equity declined by EUR 1,024 million, mostly due to the repurchase of shares totaling EUR 350 million and the recognition of a dividend payable of EUR 659 million.

Number of employees (FTEs)



of which discontinued operations 37,156 end Q1 2006

Employment

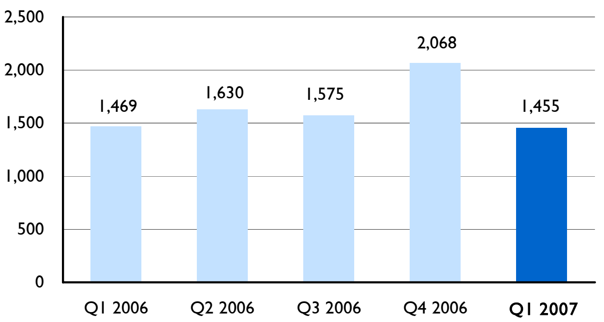
- During the quarter, the number of employees increased by 2,566, mainly due to the acquisition of Partners in Lighting International (PLI), partially offset by the divestment of the Automotive Playback Module and Mobile Phones businesses.
- Excluding the 37,156 employees included in discontinued operations in Q1 2006 (mainly the Semiconductors division), the number of employees has remained stable year-on-year. Increases in employee numbers as a result of acquisitions have been counterbalanced by divestments and efficiency-related reductions in headcount.

Medical Systems

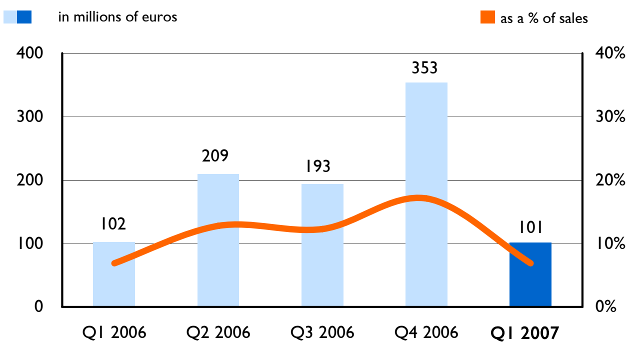
Key data		
in millions of euros unless otherwise stated	Q1 2006	Q1 2007
Sales	1,469	1,455
Sales growth		
% nominal	14	(1)
% comparable	8	3
EBITA	102	101
as a % of sales	6.9	6.9
EBIT	79	56
as a % of sales	5.4	3.8
Net operating capital (NOC)	3,362	4,188
Number of employees (FTEs)	30,696	32,463

Sales

in millions of euros



EBITA



Business highlights

- In January, Philips signed a EUR 27 million contract with Ascent Profit, a Chinese medical equipment wholesaler, to deliver 200 high-end radiography systems to China and so tap into the country's growing demand for medical equipment.
- MD Buyline, an independent healthcare research company covering more than 3,200 hospitals, named Philips the best defibrillator manufacturer for overall user satisfaction.
- Philips announced it will team up with AstraZeneca, Merck, BG Medicine and Humana to explore treatments for High-Risk Plaque – the primary cause of heart attacks.
- For the 2nd year in a row, KLAS – an independent health-care IT research firm – named Philips "Best in KLAS" in cardiology picture archiving and communication systems.

Financial performance

- Equipment order intake on a currency-comparable basis showed a minimal decline compared to Q1 2006, mainly due to a softening of the North American market for imaging equipment.
- Sales showed year-on-year comparable growth of 3%, driven by strong growth at Magnetic Resonance, Customer Services, Cardiac Care and General X-Ray, offset by declines at Computed Tomography and MedQuist.
- Excluding MedQuist and the Intermagnetics-related charges, EBITA improved compared to Q1 2006, both in absolute amount and relative to sales. MedQuist's EBITA deteriorated by EUR 12 million compared to Q1 2006 mainly due to several incidental charges during the quarter, including a settlement related to shareholder litigation and recognition of customer accommodation payments.
- EBIT included EUR 30 million in Intermagnetics-related acquisition and integration charges, EUR 8 million of which also impacted EBITA.
- Net operating capital and employee numbers increased, mainly due to the consolidation of Intermagnetics and Witt Biomedical.

Looking ahead

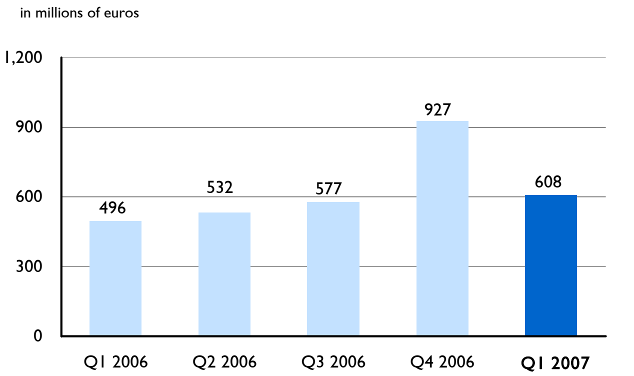
- Purchase-accounting and integration-related charges for Intermagnetics are expected to be approximately EUR 15 million per quarter (of which EUR 5 million will impact EBITA) for the remainder of the year.

Domestic Appliances and Personal Care

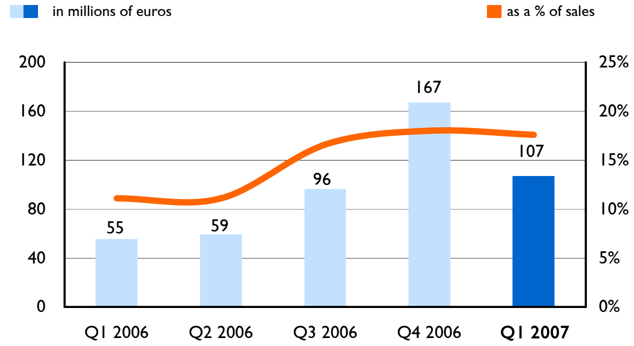
Key data

in millions of euros unless otherwise stated	Q1 2006	Q1 2007
Sales	496	608
Sales growth		
% nominal	16	23
% comparable	10	17
EBITA	55	107
as a % of sales	11.1	17.6
EBIT	54	104
as a % of sales	10.9	17.1
Net operating capital (NOC)	464	1,240
Number of employees (FTEs)	8,378	10,062

Sales



EBITA



Business highlights

- In February, Philips Shavers achieved a 5-year high market share of 55% in the United States.
- Product sales in various key lines of business, such as Kitchen Appliances and Oral Healthcare, improved on the back of global brand and health-oriented marketing campaigns and strong product portfolios.
- Philips Floor Care won a Red Dot design award for its Auto Clean bagless vacuum cleaner. Judging criteria include innovation, functionality, ergonomics and durability.
- Amazon.com recognized Philips DAP as the 2006 Health and Personal Care Vendor of the year. Philips products were described as “both innovative and instantly popular.”

Financial performance

- Strong advertising and promotion-driven sell-through at the end of 2006 triggered very strong sales in the early part of the quarter, leading to 17% comparable sales growth compared to Q1 2006. All regions contributed to the strong year-on-year increase, most notably China and the US with growth of 33% and 31% respectively.
- Strong double-digit sales growth was also visible across all businesses. Domestic Appliances’ sales were boosted by Kitchen Appliances, mainly driven by the healthy living initiative and a strong product portfolio in Garment Care and Floor Care. Shaving & Beauty sales grew primarily in Female Depilation and Grooming, with strong growth in Shaving (mainly in China, Russia and Latin America). The comparable growth at Health & Wellness was largely due to Oral Healthcare.
- EBITA improved by EUR 52 million, or 6.5% of sales, driven by the strong sales growth and Avent, including the effect of early post-acquisition synergies. Restructuring costs were EUR 10 million lower compared to Q1 2006.
- The year-on-year increase in NOC and headcount was largely due to the September 2006 acquisition of Avent.

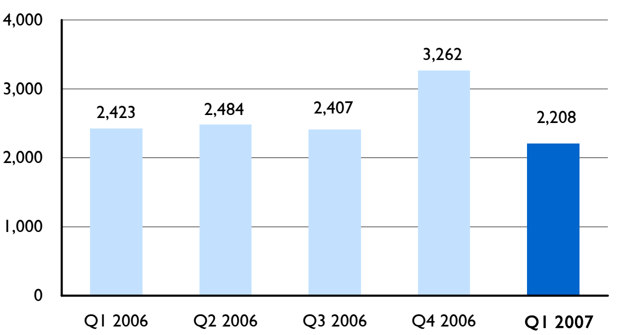
Looking ahead

- During Q2, DAP plans several new product launches, supported by additional investments in advertising and promotion, and will continue its focus on emerging markets.

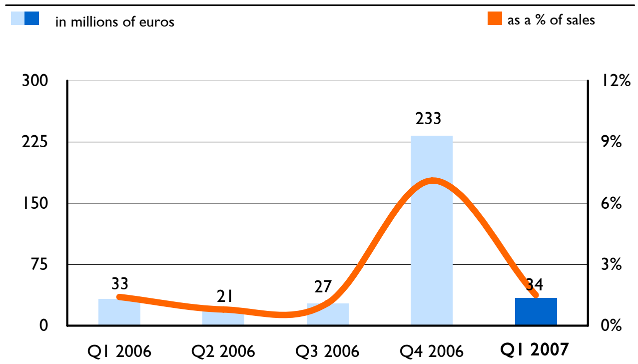
Consumer Electronics

Key data		
in millions of euros unless otherwise stated	Q1 2006	Q1 2007
Sales	2,423	2,208
Sales growth		
% nominal	13	(9)
% comparable	16	(6)
EBITA	33	34
as a % of sales	1.4	1.5
EBIT	33	34
as a % of sales	1.4	1.5
Net operating capital (NOC)	78	97
Number of employees (FTEs)	14,932	13,947

Sales



EBITA



Business highlights

- Strengthening its Peripherals & Accessories business, Philips announced it would buy US-based Digital Lifestyle Outfitters, which designs, markets and distributes accessories for mobile audio-visual devices such as MP3 and video players.
- Philips signed an exclusive worldwide hardware sponsorship agreement with the upcoming World Cyber Games, the leading international video-game competition, to demonstrate its new range of ambient peripherals (amBX), which revolutionize the way gamers experience games on their PC.
- Philips announced a partnership with crystal and jewelry company Swarovski to provide fashionable consumer-electronic lifestyle accessories for women. Products, including sound accessories and storage devices, will be available in Europe, North America and Asia from August 2007.
- Philips closed the sale of its remaining mobile phone activities to China Electronics Corporation (CEC). As part of this transaction, CEC received an exclusive license to market and sell mobile phones under the Philips brand name for the coming five years.

Financial performance

- Consumer Electronics sales amounted to EUR 2,208 million, a comparable decline of 6% compared to Q1 2006, a quarter in which sales were buoyed by the high sell-in ahead of soccer's FIFA World Cup™. In Q1 2007, higher sales of Flat TV (volume shipments were over 50% higher than in Q1 2006) were more than offset by lower sales of monitors and CRT televisions, both product categories for which the focus was predominantly on margin management. Sales at Mobile Phones, the divestment of which was completed at the end March, declined by EUR 48 million compared to Q1 2006.
- Despite the lower sales, EBITA increased slightly, both in value and as a percentage of sales. Margin pressure in Displays was offset by higher EBITA at Entertainment Solutions, Home Networks and Peripherals & Accessories.
- Inventories decreased to 6.4% of sales from 8.4% in Q1 2006, as strict inventory control remained a priority for categories such as Flat TV.

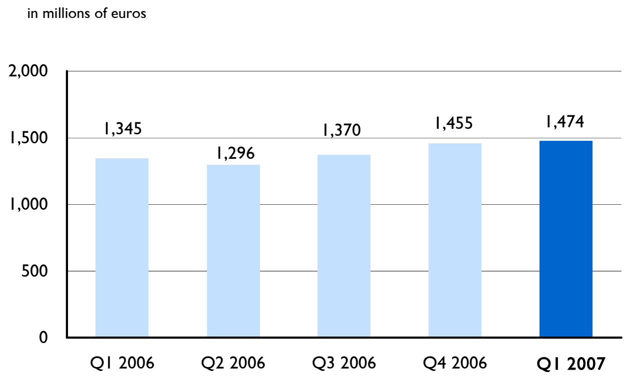
Looking ahead

- For Q2, little change is anticipated in the trading conditions in the global consumer electronics marketplace.

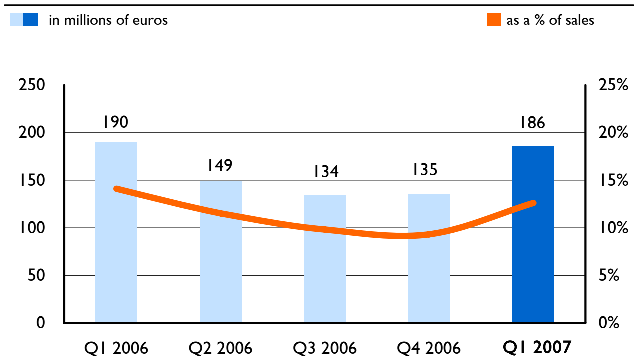
Lighting

Key data		
in millions of euros unless otherwise stated	Q1 2006	Q1 2007
Sales	1,345	1,474
Sales growth		
% nominal	19	10
% comparable	8	8
EBITA	190	186
as a % of sales	14.1	12.6
EBIT	181	177
as a % of sales	13.5	12.0
Net operating capital (NOC)	2,665	3,441
Number of employees (FTEs)	46,701	53,308

Sales



EBITA



Business highlights

- Philips made an offer to acquire TIR Systems, a Canada-based leading supplier of SSL modules for high-quality white light. TIR Systems holds a patent portfolio that will strengthen Philips' IP position and give a leadership position in SSL modules in the high- and mid-end segments of this market.
- Philips, together with a congressional coalition, announced an industry-wide initiative in the United States to accelerate replacement of inefficient lighting with newer, more energy-efficient lighting products in the years to come.
- Underscoring its technological leadership, Philips Lumileds announced the launch of LUXEON Rebel power LEDs with new packaging technology that will dramatically reduce the size of LEDs (footprint 75% smaller than other surface-mount LEDs) and enable new approaches to solid-state lighting design.

Financial performance

- Sales increased to EUR 1,474 million, on a comparable basis 8% higher than in Q1 2006, mainly due to strong growth in energy-efficient "Green-Switch" lighting solutions and to higher sales in emerging markets such as Russia, China and Brazil.
- EBITA included EUR 34 million in restructuring, purchase accounting-related and other incidental charges, slightly higher than in the corresponding period of 2006. Q1 2006 also included a EUR 11 million gain on the sale of real estate.
- The increase in net operating capital and number of employees is attributable to the consolidation of The Bodine Company and Partners in Lighting International (PLI).

Looking ahead

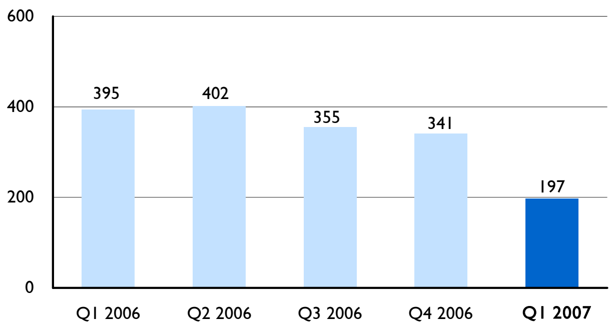
- The drive to launch innovative, energy-efficient products and to focus on emerging markets will remain a priority in 2007.
- Further optimization of the industrial footprint is expected to result in restructuring charges of approximately EUR 20 million in Q2 2007.

Innovation & Emerging Businesses

Key data		
in millions of euros unless otherwise stated	Q1 2006	Q1 2007
Sales	395	197
Sales growth		
% nominal	(13)	(50)
% comparable	(16)	38
EBITA Technologies / Incubators	(1)	(30)
EBITA CHS and others	(18)	-
EBITA	(19)	(30)
EBIT	(19)	(34)
Net operating capital (NOC)	960	753
Number of employees (FTEs)	16,707	7,561

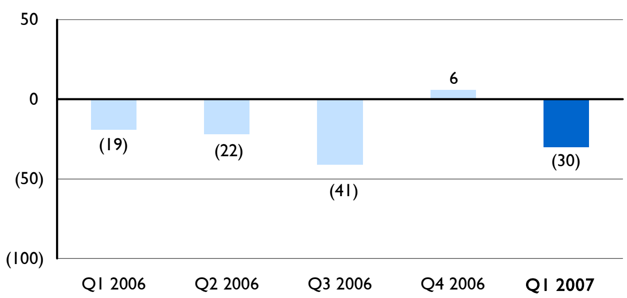
Sales

in millions of euros



EBITA

in millions of euros



Business highlights

- In Consumer Healthcare Solutions, Philips announced it will acquire personal emergency response company Health Watch Holdings, building on last year's Lifeline Systems acquisition.
- Philips Content Identification announced the introduction of MediaHedge, a content-rights clearing service for content owners and content users. This service helps the entertainment industry as well as the end-user to sell, share and distribute content optimally with respect to copyrights.
- Philips won 17 awards in six categories in the annual iF product design competition. The acclaimed designs were selected from 2,000 entries across 30 countries in categories such as consumer electronics, lighting and medicine, and for the first time, the Advanced Studies category.
- In January, Taiwan-based optical disc manufacturer Daxon Technology agreed to join Veeza, Philips' licensing program for CD-R discs. All major CD-R disc manufacturers have now joined the Veeza program.

Financial performance Corp. Tech./Incubators

- The EBITA decline at Corporate Technologies compared to Q1 2006 is related to last year's EUR 30 million gain on the sale of CryptoTec. Q1 2007 EBIT included a EUR 6 million gain on the sale of TASS, a software application business.

Financial performance CHS and others

- Sales at Consumer Healthcare Solutions grew 17% on a comparable basis, driven by the growth of services at Lifeline.
- A gain on the sale of the Automotive Playback Module (APM) business was offset by results in the remaining businesses to be sold.
- Compared to Q1 2006, the significant decline in employee numbers is attributable to the divestment of several businesses from the Corporate Investments portfolio, notably Optical Storage and ETG.

Looking ahead

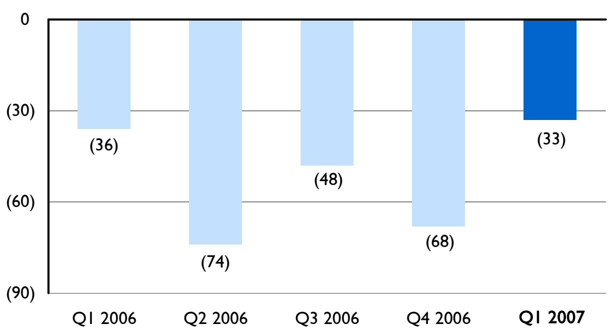
- Further investments in technology and business development are expected in Q2.

Group Management & Services

Key data		
in millions of euros unless otherwise stated	QI 2006	QI 2007
Sales	27	49
Sales growth		
% nominal	(24)	81
% comparable	(11)	96
EBITA Corporate & Regional Costs	(36)	(33)
EBITA Brand Campaign	(3)	(2)
EBITA Service Units, Pensions and Other	(43)	(10)
EBITA	(82)	(45)
EBIT	(82)	(45)
Net operating capital (NOC)	446	432
Number of employees (FTEs)	6,928	6,956

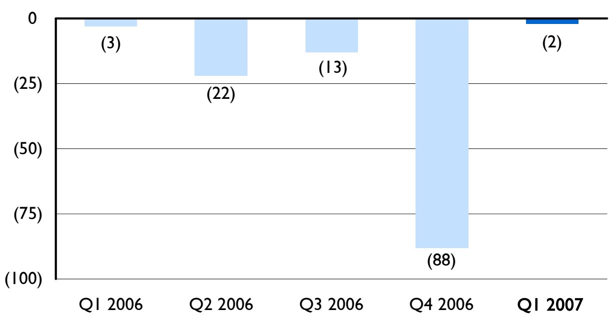
EBITA: Corporate & Regional Costs

in millions of euros



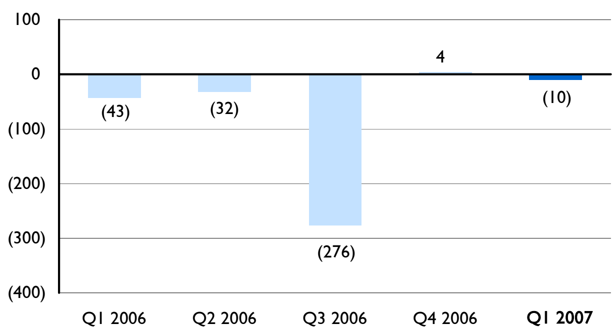
EBITA: Brand Campaign

in millions of euros



EBITA: Service Units, Pensions and Other

in millions of euros



Business highlights

- Philips published its ninth Sustainability Annual Report in February and announced sales of EUR 4 billion in Green Products in 2006.
- For the third year in a row, Philips ranked among the Global 100 Most Sustainable Corporations. The Global 100, which premiered in 2005, is a listing of the 100 large blue-chip companies around the world that demonstrated the strongest sustainability performance among their peers.
- At the largest Simplicity Event to date, Philips showcased how its simplicity-led design vision can contribute to a healthy lifestyle and improved quality of life. This event, held in Hong Kong in March, attracted more than 2,000 key stakeholders.
- Implementation of Philips' new Global Supplier Rating System (GSRS) is well on track, with 55% of spend on suppliers already included in the system. GSRS enables evaluation and tracking of supply management performance in key areas including quality and cost. This program is being implemented across the Philips divisions.

Financial performance

- Corporate & Regional costs, while in absolute spend reflecting the seasonally low first quarter, decreased compared to Q1 2006, confirming progress in the initiative to save EUR 75 million in cost (on a run-rate basis by the end of the year) by becoming a simpler and more market-driven organization.
- In addition to these cost savings, the improvement in EBIT compared to Q1 2006 was due to lower pension costs and lower costs related to legal claims.

Looking ahead

- Pension costs for Group Management & Services are expected to be approximately EUR 25 million in 2007.
- Full year expenditures on the brand campaign are expected to be slightly lower than 2006, with approximately EUR 40 million planned for Q2 and most of the remainder in Q4.

Outlook

We made strong progress in the first quarter of 2007 towards meeting our targets of 5-6% average annual sales growth and EBITA of above 7.5% of sales, with all divisions on track to achieve their objectives. This year will again see the introduction of a stream of innovative, exciting new products across all markets we serve, including the further expansion of our 'green' product portfolio. Full-year sales at DAP and Lighting are expected to exceed these divisions' medium-term growth targets.

With our portfolio now clearly defined, we will move forward with our shareholder-value-driven reallocation of capital. We will continue the responsible sell-down of our financial holdings while looking to make value-creating acquisitions in line with our strategic direction. We intend to complete our already-announced share buy-back programs by the end of the year.

Overall, we remain confident that 2007 will be a year of further growth and increased profitability for Philips.

Amsterdam, April 16, 2007

Board of Management

Consolidated statements of income

all amounts in millions of euros unless otherwise stated

	January to March	
	2006	2007
Sales	6,155	5,991
Cost of sales	(4,280)	(3,997)
Gross margin	1,875	1,994
Selling expenses	(1,067)	(1,115)
General and administrative expenses	(222)	(229)
Research and development expenses	(415)	(406)
Other business income and expenses	75	48
Income from operations	246	292
Financial income and expenses	(23)	683
Income before taxes	223	975
Income tax expense	(60)	(83)
Income after taxes	163	892
Results relating to equity-accounted investees	(17)	(48)
Minority interests	(7)	3
Income from continuing operations	139	847
Discontinued operations	21	28
Net income	160	875
Weighted average number of common shares outstanding (after deduction of treasury stock) during the period (in thousands):		
• basic	1,195,716	1,100,107
• diluted	1,204,537	1,111,232
Net income per common share in euros:		
• basic	0.13	0.80
• diluted	0.13	0.79
Ratios		
Gross margin as a % of sales	30.5	33.3
Selling expenses as a % of sales	(17.3)	(18.6)
G&A expenses as a % of sales	(3.6)	(3.8)
R&D expenses as a % of sales	(6.7)	(6.8)
EBIT or Income from operations	246	292
as a % of sales	4.0	4.9
EBITA	279	353
as a % of sales	4.5	5.9

Consolidated balance sheets

all amounts in millions of euros unless otherwise stated

	March 31, 2006	December 31, 2006	March 31, 2007
Current assets:			
Cash and cash equivalents	3,389	6,023	5,906
Receivables	4,464	4,773	4,345
Current assets of discontinued operations	1,469	-	-
Inventories	3,159	2,880	3,109
Other current assets	1,196	1,286	1,361
Total current assets	13,677	14,962	14,721
Non-current assets:			
Investments in equity-accounted investees	3,388	2,978	2,816
Other non-current financial assets	7,496	8,056	6,745
Non-current receivables	268	214	222
Non-current assets of discontinued operations	2,395	-	-
Other non-current assets	3,797	3,453	3,526
Property, plant and equipment	3,100	3,099	3,158
Intangible assets excluding goodwill	1,409	1,915	2,110
Goodwill	2,851	3,820	4,041
Total assets	38,381	38,497	37,339
Current liabilities:			
Accounts and notes payable	3,059	3,450	2,760
Current liabilities of discontinued operations	999	-	-
Accrued liabilities	3,231	3,336	3,395
Short-term provisions	949	876	684
Other current liabilities	708	605	561
Dividend payable	523	-	659
Short-term debt	1,453	863	1,006
Total current liabilities	10,922	9,130	9,065
Non-current liabilities:			
Long-term debt	3,239	3,006	2,927
Long-term provisions	1,879	2,449	2,577
Non-current liabilities of discontinued operations	343	-	-
Other non-current liabilities	908	784	666
Total liabilities	17,291	15,369	15,235
Minority interests	159	131	135
Stockholders' equity	20,931	22,997	21,969
Total liabilities and equity	38,381	38,497	37,339
Number of common shares outstanding (after deduction of treasury stock) at the end of period (in thousands)	1,188,852	1,106,893	1,097,563
Ratios			
Stockholders' equity per common share in euros	17.61	20.78	20.02
Inventories as a % of sales	11.9	10.7	11.6
Net debt (cash): group equity	6:94	(10):110	(10):110
Net operating capital	7,975	8,724	10,151
Employees at end of period	161,498	121,732	124,298
of which discontinued operations 37,156 end of March 2006			

Consolidated statements of cash flows *

all amounts in millions of euros

	January to March	
	2006	2007
Cash flows from operating activities:		
Net income	160	875
(Income) loss discontinued operations	(21)	(28)
Adjustments to reconcile income to net cash provided by (used for) operating activities:		
Depreciation and amortization	184	208
Impairment of equity-accounted investees and available-for-sale securities	3	39
Net gain on sale of assets	(70)	(774)
(Income) loss from equity-accounted investees (net of dividends received)	(30)	86
Minority interests (net of dividends paid)	7	(3)
(Increase) decrease in working capital/other current assets	(622)	(601)
(Increase) decrease in non-current receivables/other assets	(633)	(287)
Increase (decrease) in provisions	1	79
Proceeds from sales of trading securities	-	182
Other items	18	21
Net cash provided by (used for) operating activities	(1,003)	(203)
Cash flows from investing activities:		
Purchase of intangible assets	(22)	(19)
Capital expenditures on property, plant and equipment	(200)	(152)
Proceeds from disposals of property, plant and equipment	26	10
Cash from (to) derivatives	10	(15)
Proceeds from sale (purchase) of other non-current financial assets	(2)	1,141
Proceeds from sale (purchase) of businesses	(558)	(487)
Net cash provided by (used for) investing activities	(746)	478
Cash flows from financing activities:		
Increase (decrease) in debt	255	2
Treasury stock transactions	(373)	(306)
Net cash provided by (used for) financing activities	(118)	(304)
Net cash provided by (used for) continuing operations	(1,867)	(29)
Cash flows from discontinued operations.		
Net cash provided by (used for) operating activities	149	(74)
Net cash provided by (used for) investing activities	(124)	-
Net cash provided by (used for) financing activities	-	-
Net cash provided by (used for) discontinued operations	25	(74)
Net cash provided by (used for) continuing and discontinued operations	(1,842)	(103)
Effect of change in exchange rates on cash positions	(62)	(14)
Cash and cash equivalents at beginning of period	5,293	6,023
Cash and cash equivalents at end of period	3,389	5,906

*For a number of reasons, principally the effects of translation differences, certain items in the statements of cash flows do not correspond to the differences between the balance sheet amounts for the respective items.

Ratio

Cash flows before financing activities	(1,749)	275

Consolidated statement of changes in stockholders' equity

all amounts in millions of euros

January to March 2007

				accumulated other comprehensive income (loss)						
	common stock	capital in excess of par value	retained earnings	currency translation differences	unrealized gain (loss) on available-for-sale securities	pensions (FAS 158)	changes in fair value of cash flow hedges	total	treasury shares at cost	total stock-holders' equity
Balance as of December 31, 2006	228	-	22,085	(1,874)	4,281	(808)	8	1,607	(923)	22,997
Net income			875							875
Net current period change				(129)	(169)	17	4	(277)		(277)
Reclassifications into income				1	(694)		(1)	(694)		(694)
Total comprehensive income (loss), net of tax			875	(128)	(863)	17	3	(971)		(96)
Dividend payable			(659)							(659)
Purchase of treasury stock									(350)	(350)
Re-issuance of treasury stock		(20)	(25)						102	57
Share-based compensation plans		20								20
Balance as of March 31, 2007	228	-	22,276	(2,002)	3,418	(791)	11	636	(1,171)	21,969

Sectors

all amounts in millions of euros unless otherwise stated
restated for the new reporting structure of the Philips Group, and the allocation of certain Corporate/ Regional/ Country and Intellectual Property costs to the operating Divisions

Sales and income from operations

	January-March					
			2006			2007
	sales	income from operations		sales	income from operations	
		amount	as a % of sales		amount	as a % of sales
Medical Systems	1,469	79	5.4	1,455	56	3.8
DAP	496	54	10.9	608	104	17.1
Consumer Electronics	2,423	33	1.4	2,208	34	1.5
Lighting	1,345	181	13.5	1,474	177	12.0
Innovation & Emerging Businesses	395	(19)	(4.8)	197	(34)	(17.3)
Group Management & Services	27	(82)		49	(45)	
Total	6,155	246	4.0	5,991	292	4.9

Sectors and main countries

all amounts in millions of euros

restated for the new reporting structure of the Philips Group, and the allocation of certain Corporate/ Regional/ Country and Intellectual Property costs to the operating Divisions

Sales and total assets

	sales		total assets	
	January to March		March 31,	
	2006	2007	2006	2007
Medical Systems	1,469	1,455	5,434	6,256
DAP	496	608	934	1,782
Consumer Electronics	2,423	2,208	2,652	2,223
Lighting	1,345	1,474	3,783	4,696
Innovation & Emerging Businesses	395	197	1,790	1,248
Group Management & Services	27	49	19,924	21,134
Total	6,155	5,991	34,517	37,339
Discontinued operations			3,864	-
Total			38,381	37,339

Sales and long-lived assets

	sales		long-lived assets*	
	January to March		March 31,	
	2006	2007	2006	2007
Netherlands	255	255	1,117	1,171
United States	1,624	1,620	4,626	5,040
Germany	499	441	269	289
France	353	366	124	104
United Kingdom	265	279	20	784
China	445	420	199	165
Other countries	2,714	2,610	1,005	1,756
Total	6,155	5,991	7,360	9,309

* Includes property, plant and equipment and intangible assets

Pension costs

all amounts in millions of euros

Net periodic pension costs of defined-benefit plans

	January-March 2007	
	Netherlands	other
Service cost	37	26
Interest cost on the projected benefit obligation	129	102
Expected return on plan assets	(204)	(98)
Net actuarial (gain) loss	(1)	20
Prior service cost	(11)	4
Settlement loss	-	-
Curtailment loss (gain)	-	-
Other	-	-
Net periodic cost (income)	(50)	54

The net periodic pension costs in the first quarter of 2007 amounted to EUR 23 million, of which EUR 4 million related to defined-benefit (DB) plans (the Netherlands income of EUR 50 million, other countries cost of EUR 54 million) and EUR 19 million related to defined-contribution (DC) plans (the Netherlands cost of EUR 2 million, other countries cost of EUR 17 million).

Net periodic costs of postretirement benefits other than pensions

	January-March 2007	
	Netherlands	other
Service cost	-	1
Interest cost on the accumulated postretirement benefit obligation	-	6
Transition obligation	-	1
Net actuarial loss	-	1
Net periodic cost (income)	-	9

Consolidated statements of income in accordance with IFRS

all amounts in millions of euros unless otherwise stated

	January to March	
	2006	2007
Sales	6,155	5,991
Cost of sales	(4,302)	(4,008)
Gross margin	1,853	1,983
Selling expenses	(1,073)	(1,117)
General and administrative expenses	(259)	(289)
Research and development expenses	(400)	(402)
Other business income and expenses	63	17
Income from operations	184	192
Financial income and expenses	(22)	681
Income before taxes	162	873
Income tax expense	(61)	(60)
Income after taxes	101	813
Results relating to equity-accounted investees	(23)	(45)
Minority interests	(7)	3
Income from continuing operations	71	771
Discontinued operations	80	28
Net income	151	799
Weighted average number of common shares outstanding (after deduction of treasury stock) during the period (in thousands)		
• basic	1,195,716	1,100,107
• diluted	1,204,537	1,111,459
Net income per common share in euros:		
• basic	0.13	0.73
• diluted	0.13	0.72
Ratios		
Gross margin as a % of sales	30.1	33.1
Selling expenses as a % of sales	(17.4)	(18.6)
G&A expenses as a % of sales	(4.2)	(4.8)
R&D expenses as a % of sales	(6.5)	(6.7)
EBIT or Income from operations	184	192
as a % of sales	3.0	3.2
EBITA	231	239
as a % of sales	3.8	4.0

Consolidated balance sheets in accordance with IFRS

all amounts in millions of euros unless otherwise stated

	March 31, 2006	December 31, 2006	March 31, 2007
Current assets:			
Cash and cash equivalents	3,389	6,023	5,906
Receivables	4,464	4,773	4,345
Current assets of discontinued operations	1,469	-	-
Inventories	3,159	2,880	3,109
Other current assets	567	777	717
Total current assets	13,048	14,453	14,077
Non-current assets:			
Investments in equity-accounted investees	3,347	2,873	2,716
Other non-current financial assets	7,436	8,056	6,745
Non-current receivables	268	206	214
Non-current assets of discontinued operations	3,492	-	-
Other non-current assets	419	390	553
Deferred tax assets	2,101	1,475	1,563
Property, plant and equipment	3,113	3,117	3,173
Intangible assets excluding goodwill	2,170	2,660	2,824
Goodwill	2,496	3,500	3,726
Total assets	37,890	36,730	35,591
Current liabilities:			
Accounts and notes payable	3,059	3,450	2,760
Current liabilities of discontinued operations	998	-	-
Accrued liabilities	3,196	3,319	3,377
Short-term provisions	766	755	689
Other current liabilities	709	605	561
Dividend payable	523	-	659
Short-term debt	1,467	871	1,012
Total current liabilities	10,718	9,000	9,058
Non-current liabilities:			
Long-term debt	3,242	3,007	2,928
Long-term provisions	1,650	1,800	1,927
Non-current liabilities discontinued operations	519	-	-
Deferred tax liabilities	63	283	183
Other non-current liabilities	866	595	549
Total liabilities	17,058	14,685	14,645
Minority interests *	367	135	140
Stockholders' equity	20,465	21,910	20,806
Total liabilities and equity	37,890	36,730	35,591
Number of common shares outstanding (after deduction of treasury stock at the end of period (in thousands))	1,188,852	1,106,893	1,097,563
Ratios			
Stockholders' equity per common share in euros	17.21	19.79	18.96
Inventories as a % of sales	11.9	10.7	11.6
Net debt (cash) : group equity	6:94	(11):111	(10):110
Employees at end of period of which discontinued operations 37,156 end of March 2006	161,498	121,732	124,298

*of which discontinued operations EUR 188 million end of March 2006

Reconciliation from US GAAP to IFRS

all amounts in millions of euros

Reconciliation of net income from US GAAP to IFRS

	January to March	
	2006	2007
Net income as per the consolidated statements of income on a US GAAP basis	160	875
Adjustments to IFRS:		
Capitalized product development expenses	71	46
Amortization of product development assets	(48)	(47)
Pensions and other postretirement benefits	(54)	(71)
Amortization of intangible assets	(16)	-
Provisions	-	2
Unconsolidated companies	(7)	3
Deferred income tax effects	(2)	23
Discontinued operations	59	-
Other differences in income	(12)	(32)
Net income in accordance with IFRS	151	799

Reconciliation of stockholders' equity from US GAAP to IFRS

	March 31, 2006	March 31, 2007
Stockholders' equity as per the consolidated balance sheets on a US GAAP basis	20,931	21,969
Adjustments to IFRS:		
Product development expenses	518	513
Pensions and other postretirement benefits	(2,089)	(1,786)
Goodwill amortization (until January 1, 2004)	(316)	(287)
Goodwill capitalization (acquisition-related)	(39)	(29)
Acquisition-related intangibles	273	201
Assets from discontinued operations	733	-
Investments in equity-accounted investees	(101)	(100)
Provisions	-	55
Recognized results on sale-and-leaseback transactions	75	49
Deferred income tax effects	504	209
Other differences in equity	(24)	12
Stockholders' equity in accordance with IFRS	20,465	20,806

Reconciliation of non-US GAAP performance measures

all amounts in millions of euros unless otherwise stated
restated for the new reporting structure of the Philips Group, and the allocation of certain Corporate/ Regional/Country and Intellectual Property costs to the operating Divisions

Certain non-US GAAP financial measures are presented when discussing the Philips Group's performance. In the following tables, a reconciliation to the most directly comparable US GAAP performance measure is made

Sales growth composition (in %)

	January to March			
	comparable growth	currency effects	consolidation changes	nominal growth
2007 versus 2006				
Medical Systems	2.9	(6.2)	2.3	(1.0)
DAP	16.9	(3.7)	9.4	22.6
Consumer Electronics	(6.1)	(3.1)	0.3	(8.9)
Lighting	7.8	(4.4)	6.2	9.6
Innovation & Emerging Businesses	38.4	(3.5)	(85.0)	(50.1)
Group Management & Services	96.0	(7.2)	(7.3)	81.5
Philips Group	2.6	(4.2)	(1.1)	(2.7)

EBITA to Income from operations (or EBIT)

	Philips Group	Medical Systems	DAP	Consumer Electronics	Lighting	Innovation & Emerging Businesses	Group Management & Services
January to March 2007							
EBITA	353	101	107	34	186	(30)	(45)
Amortization of intangibles	(51)	(35)	(3)	-	(9)	(4)	-
Write-off of acquired in-process R&D	(10)	(10)	-	-	-	-	-
Income from operations (or EBIT)	292	56	104	34	177	(34)	(45)
January to March 2006							
EBITA	279	102	55	33	190	(19)	(82)
Amortization of intangibles	(33)	(23)	(1)	-	(9)	-	-
Write-off of acquired in-process R&D	-	-	-	-	-	-	-
Income from operations (or EBIT)	246	79	54	33	181	(19)	(82)

Composition of net debt and group equity

	March 31, 2006	March 31, 2007
Long-term debt	3,239	2,927
Short-term debt	1,453	1,006
Total debt	4,692	3,933
Cash and cash equivalents	(3,389)	(5,906)
Net debt (cash) (total debt less cash and cash equivalents)	1,303	(1,973)
Minority interests	159	135
Stockholders' equity	20,931	21,969
Group equity	21,090	22,104
Net debt and group equity	22,393	20,131
Net debt (cash) divided by net debt (cash) and group equity (in %)	6	(10)
Group equity divided by net debt (cash) and group equity (in %)	94	110

Reconciliation of non-US GAAP performance measures (continued)

all amounts in millions of euros unless otherwise stated
restated for the new reporting structure of the Philips Group, and the allocation of certain Corporate/ Regional/ Country and Intellectual Property costs to the operating Divisions

Net operating capital to total assets

	Philips Group	Medical Systems	DAP	Consumer Electronics	Lighting	Innovation & Emerging Businesses	Group Management & Services
March 31, 2007							
Net operating capital (NOC)	10,151	4,188	1,240	97	3,441	753	432
Exclude liabilities comprised in NOC:							
– payables/liabilities	7,382	1,749	470	1,807	1,047	324	1,985
– intercompany accounts	-	29	19	56	44	(22)	(126)
– provisions[1]	2,660	243	53	263	152	64	1,885
Include assets not comprised in NOC:							
– investments in equity-accounted investees	2,816	47	-	-	12	129	2,628
– other non-current financial assets	6,745	-	-	-	-	-	6,745
– deferred tax assets	1,679	-	-	-	-	-	1,679
– liquid assets	5,906	-	-	-	-	-	5,906
Total assets	37.339	6,256	1,782	2,223	4,696	1,248	21,134

1) provisions on balance sheet EUR 3,261 million excluding deferred tax liabilities of EUR 601 million

	Philips Group	Medical Systems	DAP	Consumer Electronics	Lighting	Innovation & Emerging Businesses	Group Management & Services
March 31, 2006							
Net operating capital (NOC)	7,975	3,362	464	78	2,665	960	446
Exclude liabilities comprised in NOC:							
– payables/liabilities	7,906	1,741	398	2,200	926	581	2,060
– intercompany accounts	-	35	16	69	38	(46)	(112)
– provisions[2]	2,362	253	56	294	134	119	1,506
Include assets not comprised in NOC:							
– investments in equity-accounted investees	3,388	43	-	11	20	176	3,138
– other non-current financial assets	7,496	-	-	-	-	-	7,496
– deferred tax assets	2,001	-	-	-	-	-	2,001
– liquid assets	3,389	-	-	-	-	-	3,389
Total assets	34,517	5,434	934	2,652	3,783	1,790	19,924
Discontinued operations	3,864						
Total	38,381						

2) provisions on balance sheet EUR 2,828 million excluding deferred tax liabilities of EUR 466 million

Composition of cash flows before financing activities

	January to March	
	2006	2007
Cash flows provided by (used for) operating activities	(1003)	(203)
Cash flows provided by (used for) investing activities	(746)	478
Cash flows before financing activities	(1,749)	275

Philips quarterly statistics

all amounts in millions of euros unless otherwise stated
% increase always in relation to the corresponding period of previous year

	2006				2007			
	1st quarter	2nd quarter	3rd quarter	4th quarter	1st quarter	2nd quarter	3rd quarter	4th quarter
Sales	6,155	6,380	6,313	8,128	5,991			
% increase	12	9	1	(1)	(3)			
EBITA	279	290	71	742	353			
as a % of sales	4.5	4.5	1.1	9.1	5.9			
EBIT	246	247	25	665	292			
as a % of sales	4.0	3.9	0.4	8.2	4.9			
Net income	160	301	4,242	680	875			
per common share in euros	0.13	0.25	3.59	0.60	0.80			
	January-March	January-June	January-September	January-December	January-March	January-June	January-September	January-December
Sales	6,155	12,535	18,848	26,976	5,991			
% increase	12	11	7	5	(3)			
EBITA	279	569	640	1,382	353			
as a % of sales	4.5	4.5	3.4	5.1	5.9			
EBIT	246	493	518	1,183	292			
as a % of sales	4.0	3.9	2.7	4.4	4.9			
Net income	160	461	4,703	5,383	875			
per common share in euros	0.13	0.39	3.96	4.58	0.80			
Income from continuing operations as a % of stockholders' equity (ROE)	3.8	4.6	2.7	4.4	17.3			
	period ended 2006				period ended 2007			
Inventories as a % of sales	11.9	11.9	12.7	10.7	11.6			
Net debt : group equity ratio	6:94	9:91	(16):116	(10):110	(10):110			
Total employees (in thousands)	161	158	126	122	124			
of which discontinued operations	37	37	-	-				

Information also available on Internet, address: www.investor.philips.com
Printed in the Netherlands