

PHILIPS

Algemene Vergadering van
Aandeelhouders
Koninklijke Philips Electronics N.V.

29 maart 2007

Forward Looking Statements

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 (including, but not limited to, cost savings) 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 (in particular changes in the euro and the US dollar can materially affect results), changes in tax rates and future business combinations, acquisitions or dispositions and the rate of technological changes. 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-GAAP financial measures. These non-GAAP financial measures should not be viewed in isolation as alternatives to the equivalent GAAP measures and should be used in conjunction with the most directly comparable US GAAP measure(s). A discussion of the non-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.

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Highlights

- Strong 2006 with sales of EUR 26,976 million, comparably up 6% on 2005
- Development of EBIT margin with 8.2% in Q4/2006 in line with medium term target
- Well balanced, brand focused portfolio after sale of Semiconductors and ongoing disposal of corporate investments
- Acceleration of capital reallocation including ongoing share buy-back program and proposed policy for higher dividends
- Seven acquisitions in high margin sectors since Q1/2006 will add to value creation going forward
- Strong product pipeline for 2007 and beyond, based on continued investment in innovation, brand and improved marketing

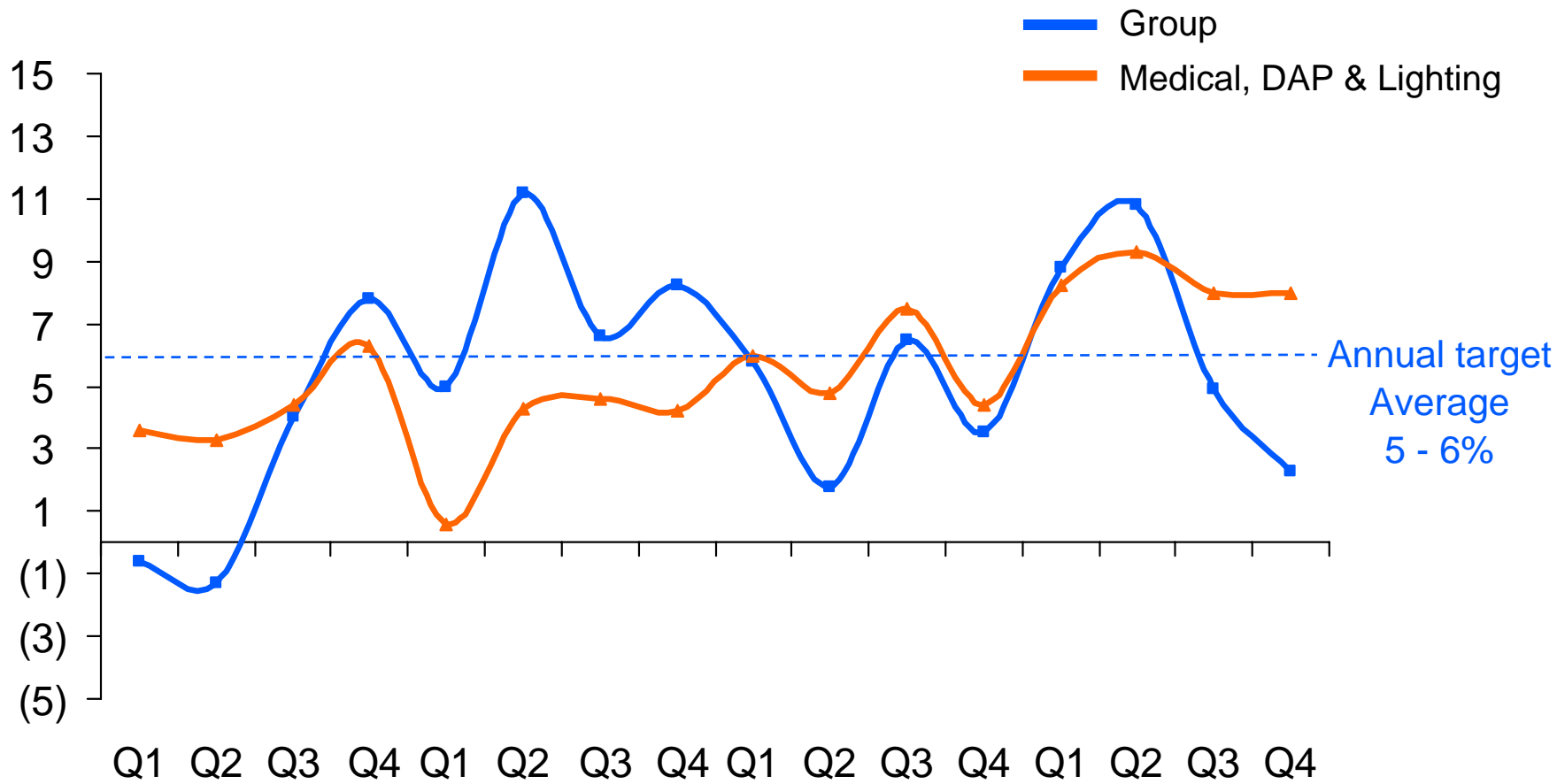
Performance of the Philips Group

Amounts in EUR million

	2005	2006
Sales	25,775	26,976
Earnings before interest & tax	1,472	1,183
Net income	2,868	5,383
Cash flow from operations	1,141	342
<hr/>		
Gross capital expenditures	(644)	(703)
Inventories as % of sales	10.9	10.7
Net debt to group equity	(5) : 105	(10) : 110
Employees	121,809	121,732

Y-o-Y quarterly sales growth

%



FY Group Growth %

3%

9%

4%

6%

EBIT – FY

amounts in EUR million

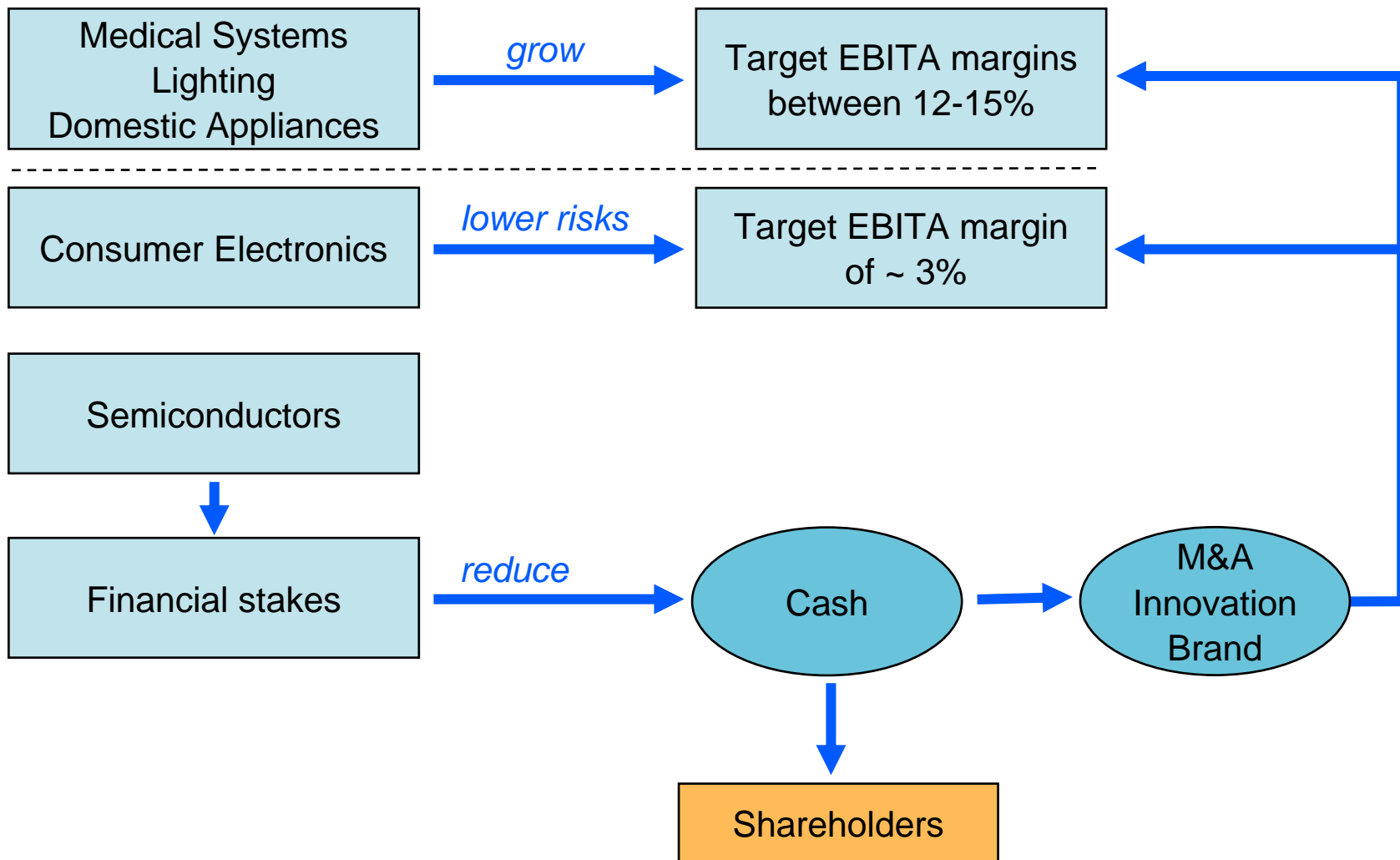
	2005	2006
Medical Systems	679	795
DAP	358	386
CE	506	416
Lighting	556	635
<i>Main divisions</i>	2,099	2,232
Other Activities / Unallocated	(627)	(1,049)
Philips Group	1,472	1,183
EBIT margin	5.7%	4.4%
Net income	2,868	5,383

Including Q3 EUR 136 m. TPV gain

Including Q3 EUR 265 m. asbestos provision

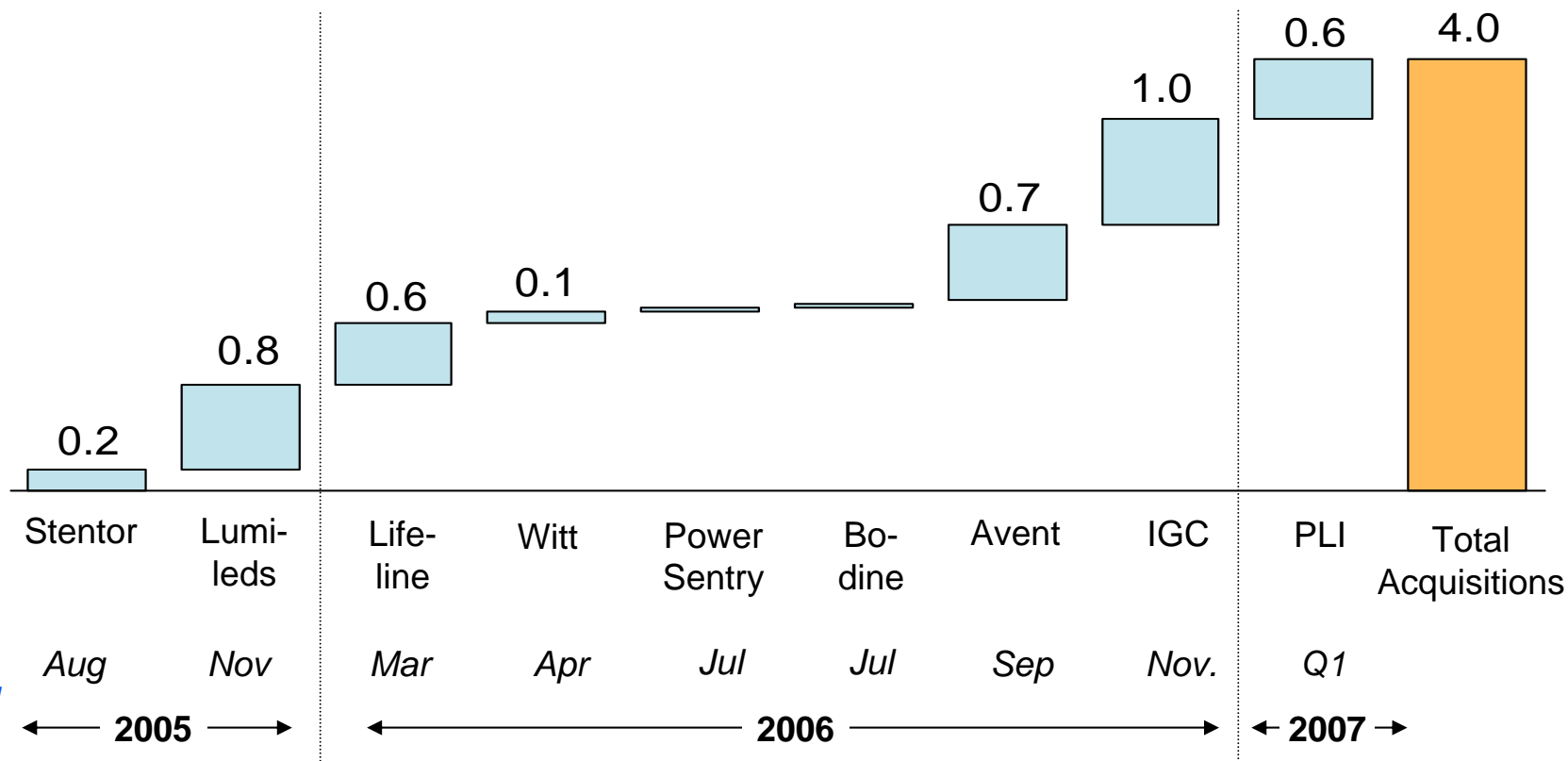
Including Q4 EUR 170 m. Post-retirement benefits provision release

2006: Acceleration of capital reallocation



~ EUR 4 billion of mostly add-on acquisitions made over the past 18 months...

Re-allocation of resources (€ B)



Portfolio changes in 2006

In EUR millions

Major acquisitions¹

- Lifeline Systems
- Witt Biomedical
- Avent
- Intermagnetics

Sales to 3rd	415
Comp. growth	20%
EBIT	60
% of sales	14.5%



Divestments²

- MDS
- Activities in Optical Storage (Optical Pick-up Unit / Sound Solutions / BenQ Digital Storage)
- Enabling Technologies Group
- HTP Tooling

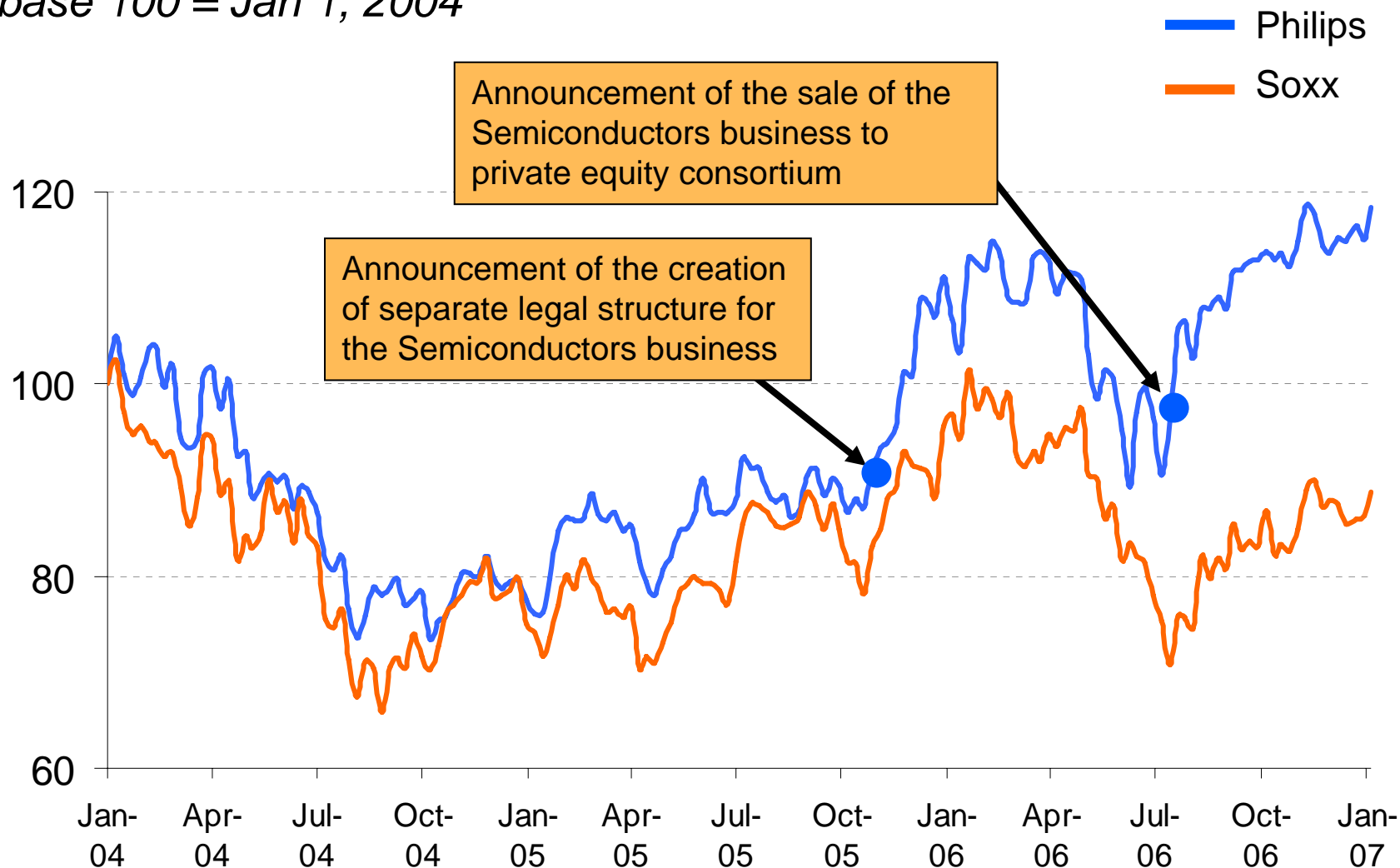
Sales to 3rd	1,570
Comp. growth	-15%
EBIT	-73
% of sales	-4.6%

1: US GAAP restated 2005 sales and EBIT excluding annualized amortization costs. Comp. growth based on RFA.

2: Based on actual 2005

Share price gained momentum after decoupling from Semiconductor Index

base 100 = Jan 1, 2004



2006 Management Agenda

Realize 5-6% top-line growth and attain 7-10% EBIT margin



Continue to grow Healthcare as part of the portfolio



Accelerate movement to become a simpler, market oriented organization



Set up separate legal structure for Semiconductors and create value by pursuing strategic options



Increase the number of entrepreneurial business leaders with broad based experience

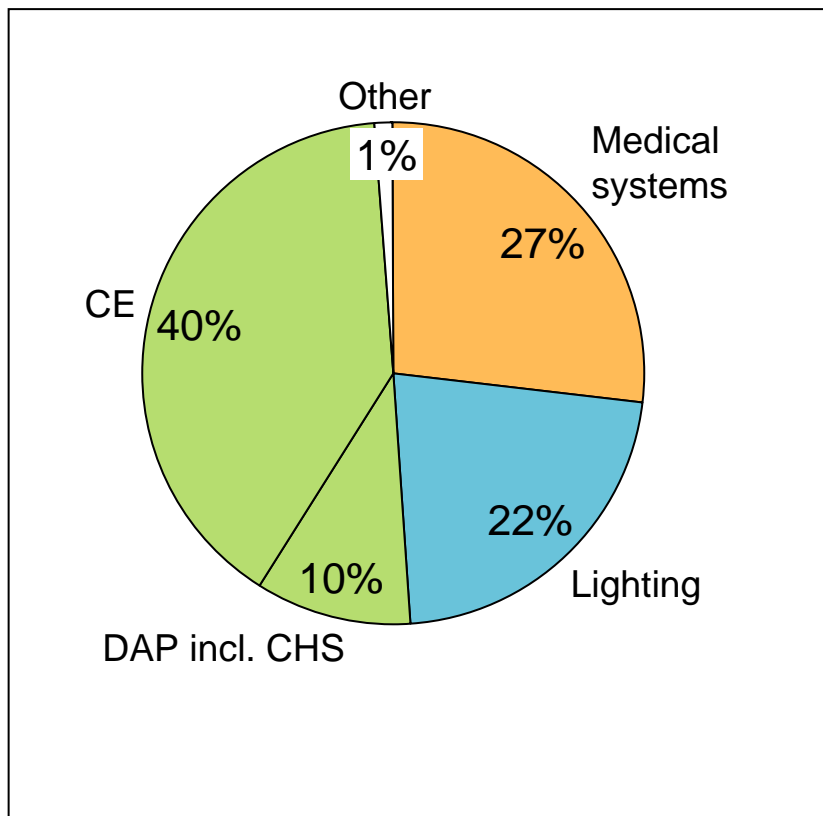


Exceed €500M overall cost reduction target (2-3 years)

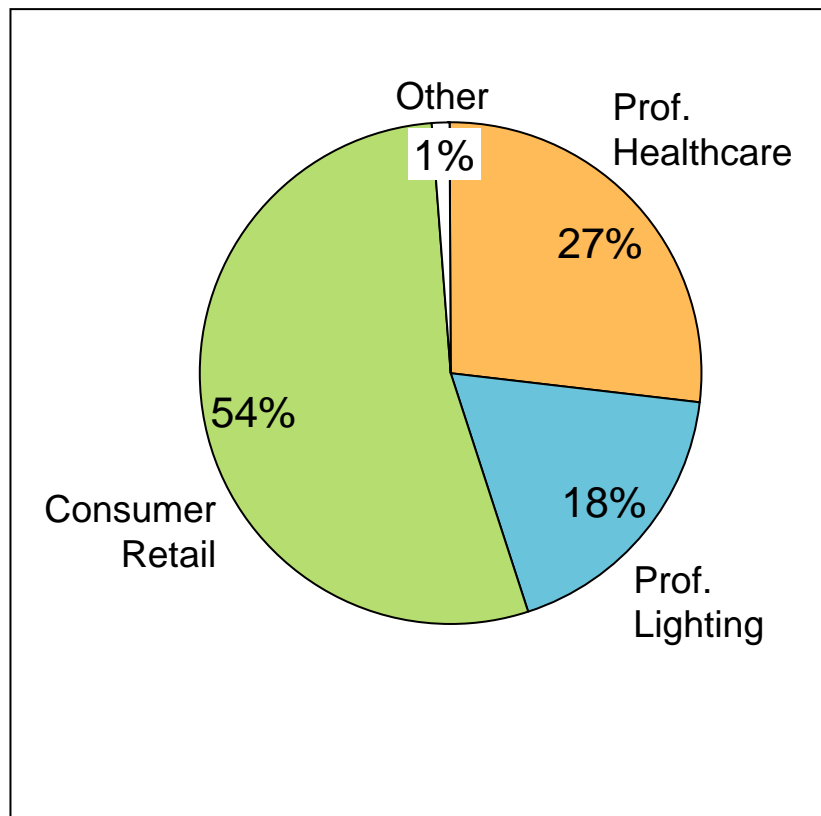


A well-balanced portfolio in consumer retail and professional markets built around the brand

Divisions – Sales*

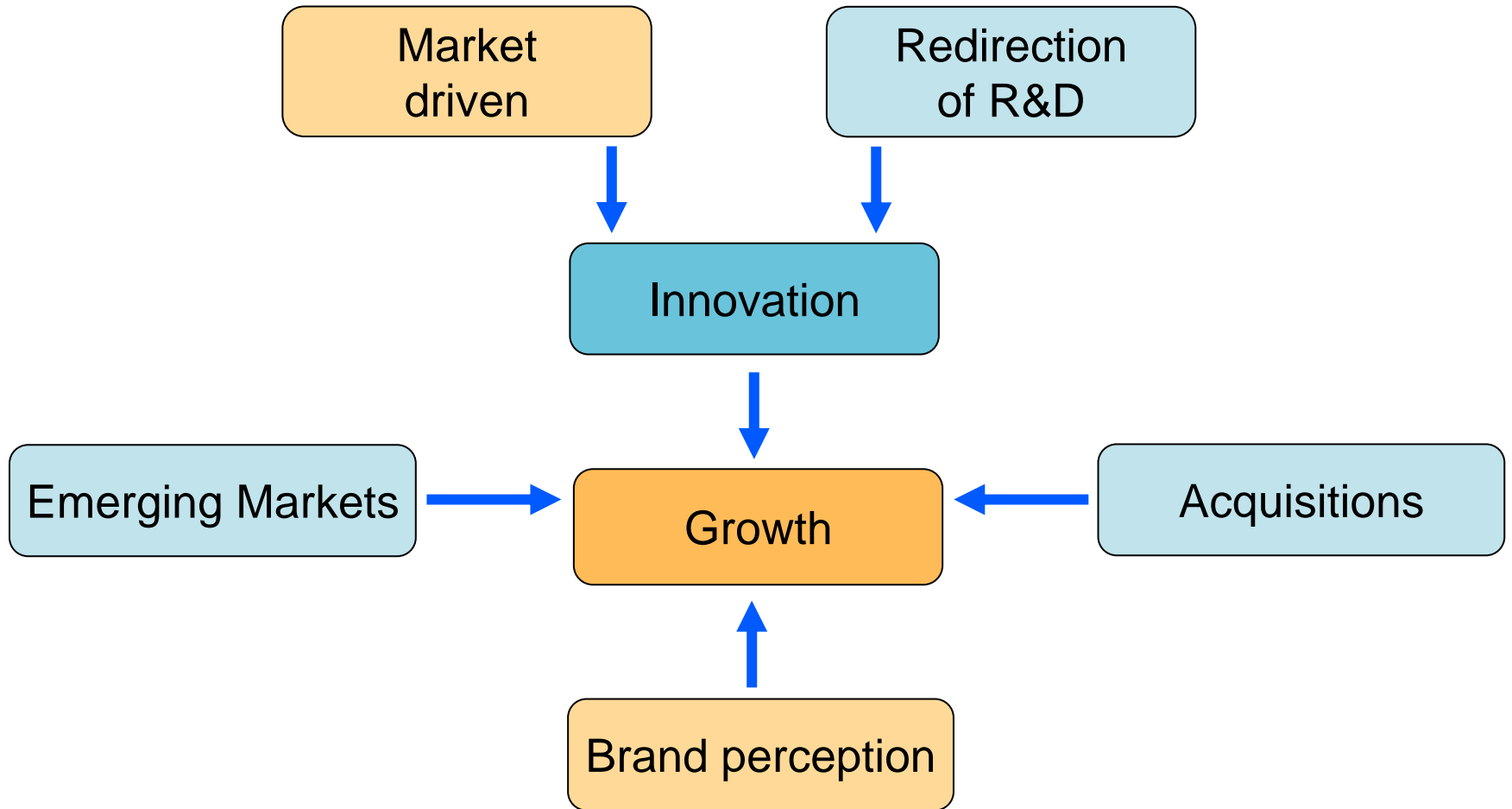


Market spaces - Sales



* 2006 excluding Mobile Phones and Corporate Investments

Creating growth opportunities in healthcare, lifestyle and technology



Brand investments drive growth



- The Philips Brand continues to move up the Business Week / Interbrand rankings tracking brand value
 - 2006: 48th place
 - 2005: 53rd place
 - 2004: 65th place



- In 2006, the brand value was estimated at USD 6.7 billion
- Sense and Simplicity supports the entire Philips portfolio
- Brand investment will be continued in 2007, supporting profitable growth

Simplicity is making hospitals feel less like hospitals.

Philips Ambient Experience. Hospital care is frightening places for the patient's eyes and the doctors get their work done more easily. It made sense to let patients decide what they want to see around them - a field with flowers, the color orange, was a modest step. Now Philips is enabling patients to control what they see and hear while they're with.

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Join us on our journey at www.philips.com/simplicity

Simplicity is a healthy diet as easy as vitamins A, B, C.

Philips Juice. From getting all your daily vitamins is very just place fruit and vegetable in the large feeding tube and the juicer squeezes out a luscious dose of good health.

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Simplicity is a light bulb that can help change the world.

Philips energy saving light bulbs. Switching to efficient lighting can help reduce global warming. Philips GreenLine 820 has energy decreasing CO2 greenhouse gas emissions that impact our planet's climate. A light bulb helping to save the world and future generations.

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Join us on our journey at www.philips.com/simplicity

Simplicity is a button that transforms television into an incredible evening.

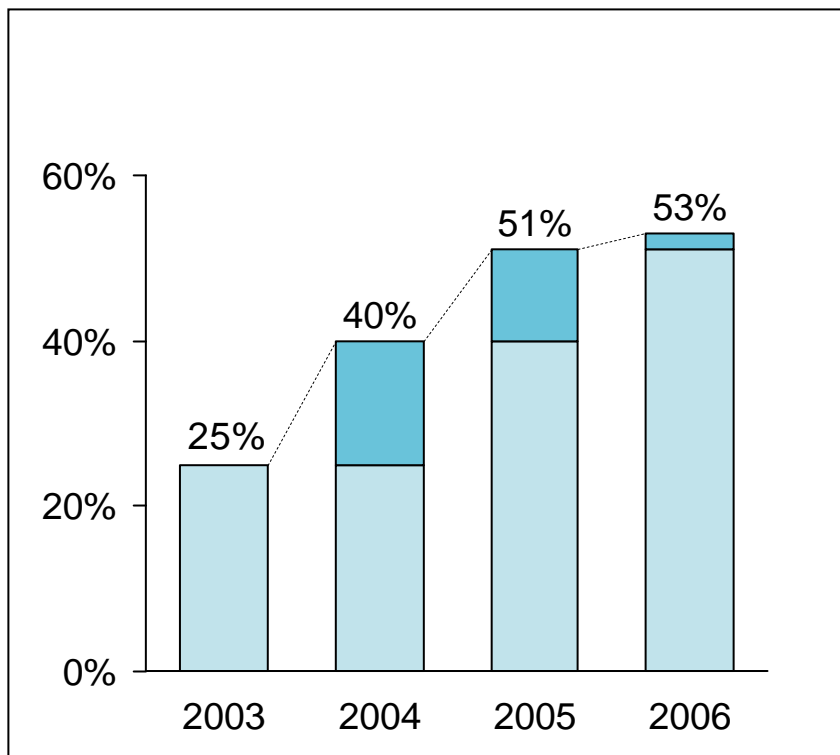
Philips AmbientLight On. The AmbientLight creates a unique halo of light around the screen which changes colour with whatever you are watching. Saving is better - it transforms your evening experience. Switch the AmbientLight On, watch your screen and watch the rest of the world off.

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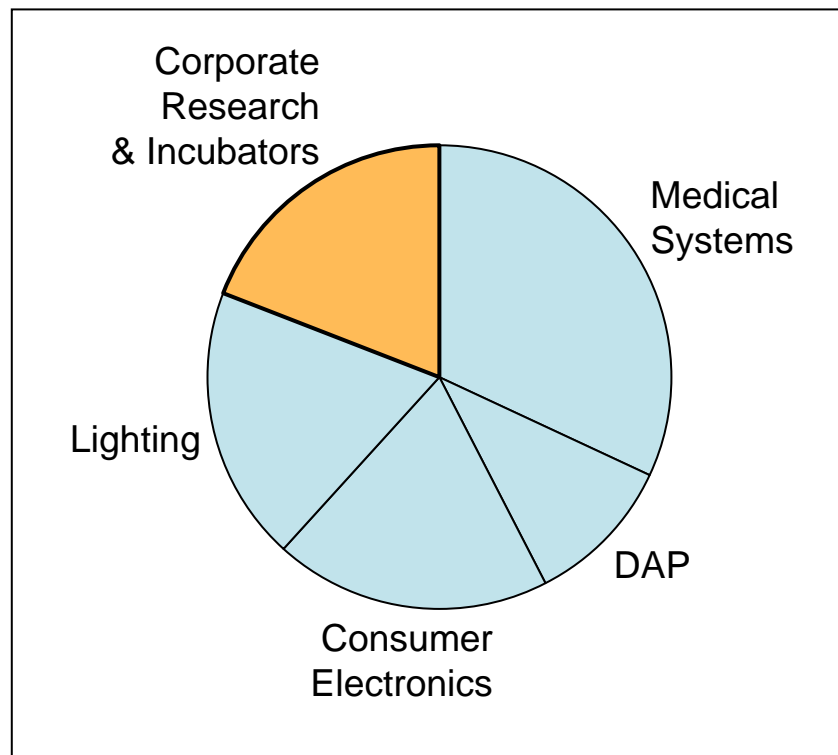
Join us on our journey at www.philips.com/simplicity

Innovation drives growth

New Product sales / total Group sales



R&D allocation



Corporate Research and Incubators merged into new Innovation and Emerging Markets group together with Consumer Healthcare Solutions

Year-on-year improvements in new product sales – exceeding 53% in 2006

Professional Healthcare

- Major product innovations in 2006 included the BrightView SPECT nuclear medicine camera
- Major product innovations in 2007 will include innovations in Cardiology



BrightView SPECT

EP Navigator



Gemini
Time-of-Flight
PET/CT



SureSigns VM



Acquisitions



- No. 1 magnetic resonance imaging (MRI) components and accessories manufacturer



STENTOR

- Picture Archiving and Communication Systems (PACS) company with unique web-based technology and service model



Tomorrow's software in today's systems



- Through acquisition, Philips can offer integrated, best-in-class technologies for Cath Labs

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Lifeline



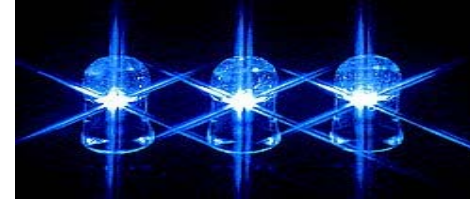
- Leader in 'personal emergency response' services targeting seniors living at home
- Network of 2,500 hospitals and over 500,000 subscribers

Professional Lighting

- Major product innovations in 2006 included Cosmopolis
- Major product innovations in 2007 will further build on Philips' leading position in energy efficient solid state lighting



Acquisitions



- Industry leader in high power light emitting diodes (LEDs)
- LEDs will change the future of lighting with totally new applications and business models
- Acquisition an important step to ensure leading position in high growth, profitable LED market



- Leading manufacturer of emergency ballasts
- Acquisition gives Philips strong position in emergency ballast market
- Enables Philips to enter strategic new market segments



- The leading European player in home luminaires
- More than 10,000 home lighting luminaires,
- Enhances Philips's position in emerging solid state lighting (LED) market

Consumer Retail

- Major product innovations in 2006 included the Wakeup Light and the Full Surround Ambilight
- Major product innovations in 2007 expected in new and existing categories e.g. shaving, coffee brewing and Flat TV



Wake up light



Williams F1 shaver



Portable Media Devices



Ambilight



VOIP phone

Acquisitions



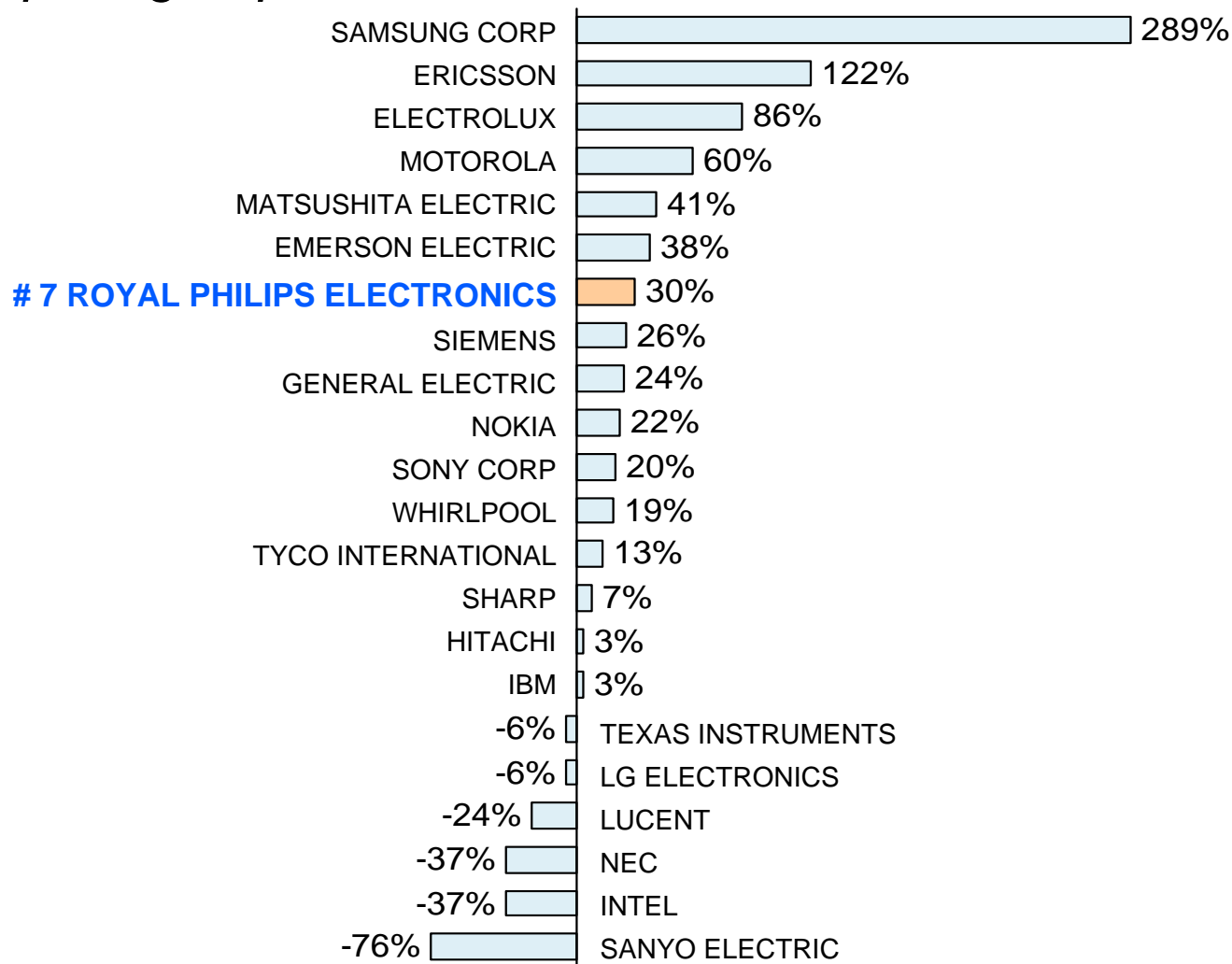
- Leading provider of baby care products in the UK and US
- Expands Philips' presence in health & wellness



- #2 player in the North American plug-in power surge market
- Accessories and peripherals is fast growing, high margin consumer electronics business
- Builds on earlier Gemini acquisition, and helps round out product offering

Total Return to Shareholders – 3 Years

Existing peer group



Adapt peer group to Philips transformation

Existing peer group (until 2006)

Electrolux
Emerson Electric
General Electric
Hitachi
Matsushita
Siemens

Existing members



Ericsson
Gillette
IBM
Intel
LG Electronics
Lucent
Marconi
Motorola
NEC

Nokia
Samsung
Sanyo Electric
Sharp
Sony
Texas Instruments
Tyco International
Whirlpool

Proposed peer group (2007-)

Existing members

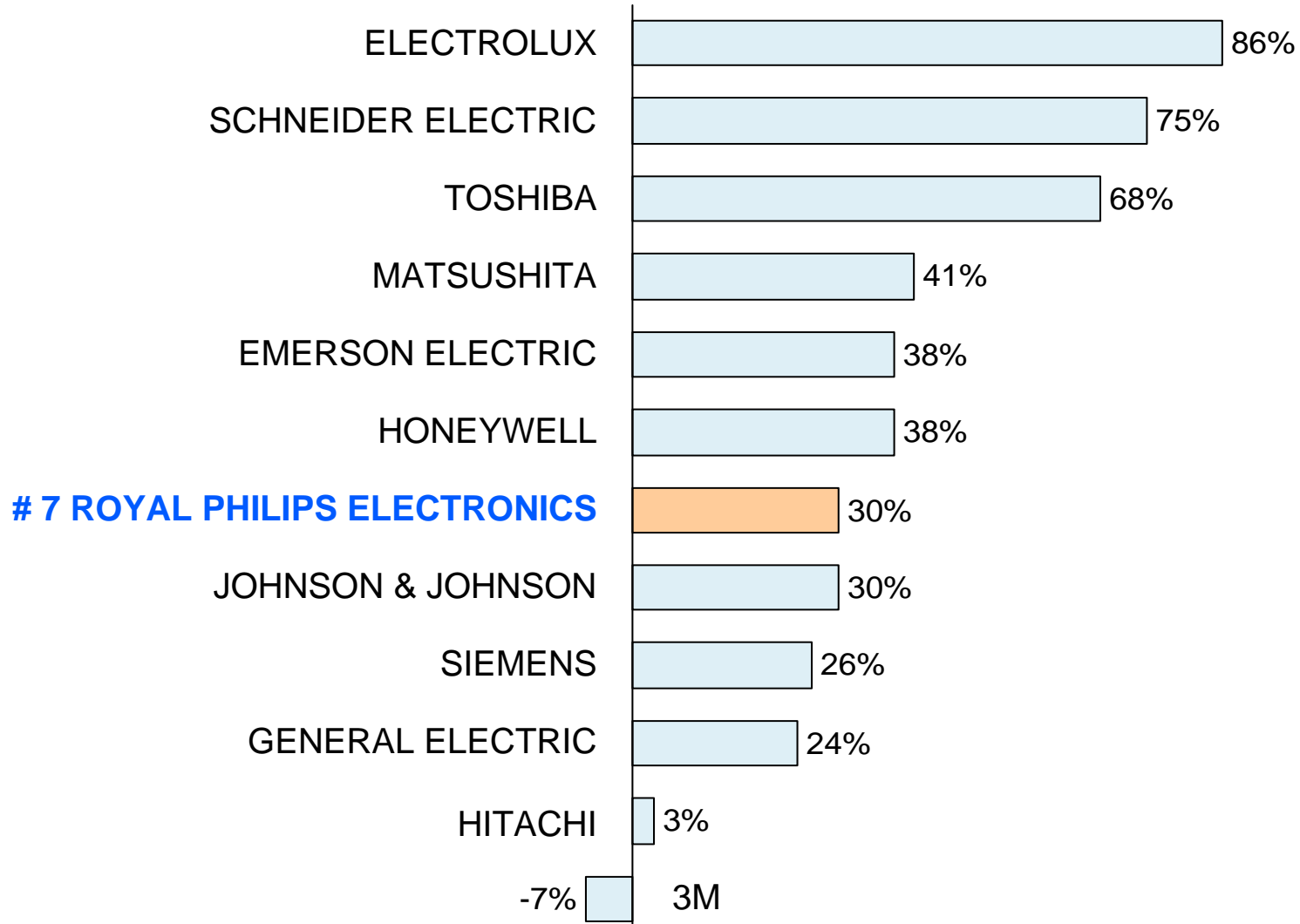
Electrolux
Emerson Electric
General Electric
Hitachi
Matsushita
Siemens

New members



Honeywell
Johnson & Johnson
Schneider Electric
Toshiba
3M

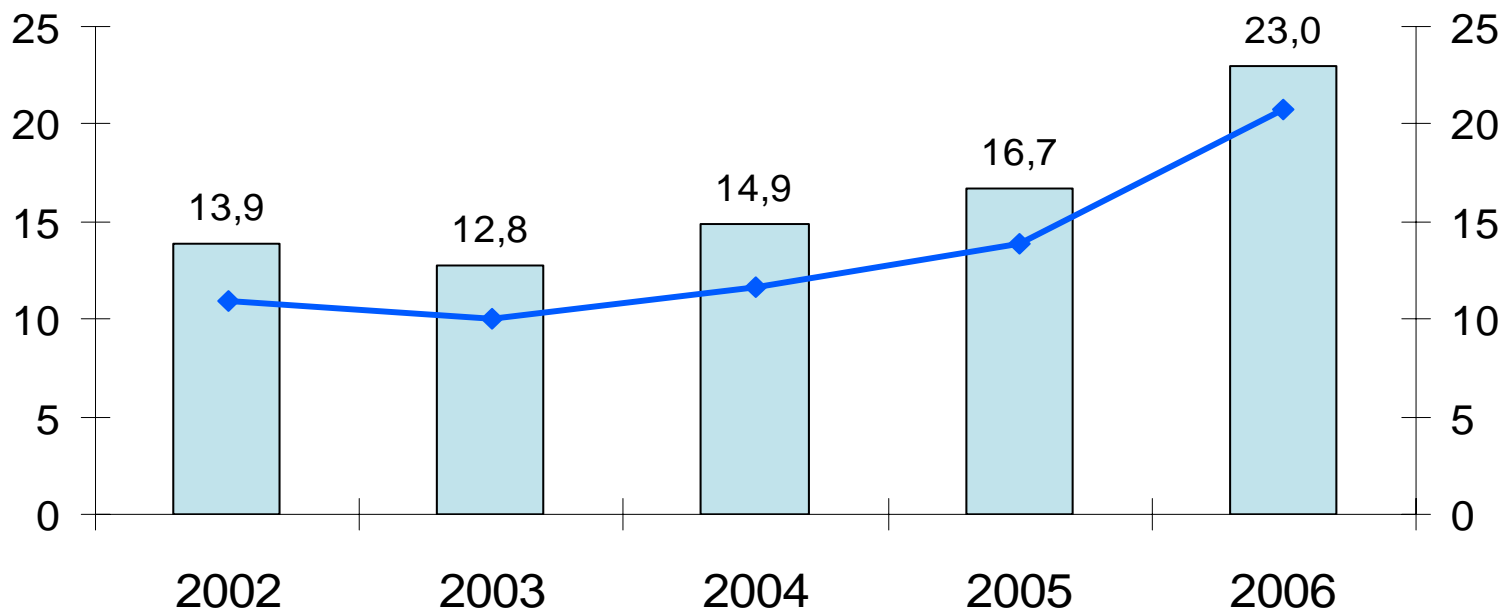
Total Return to Shareholders – 3 Years

Proposal new peer group



Stockholders' equity per share almost doubled during the past 4 years

Euro billions  Stockholders' equity  Stockholders' equity per share in euros *Euros*



Net debt to equity Ratio

27:73

18:82

1:99

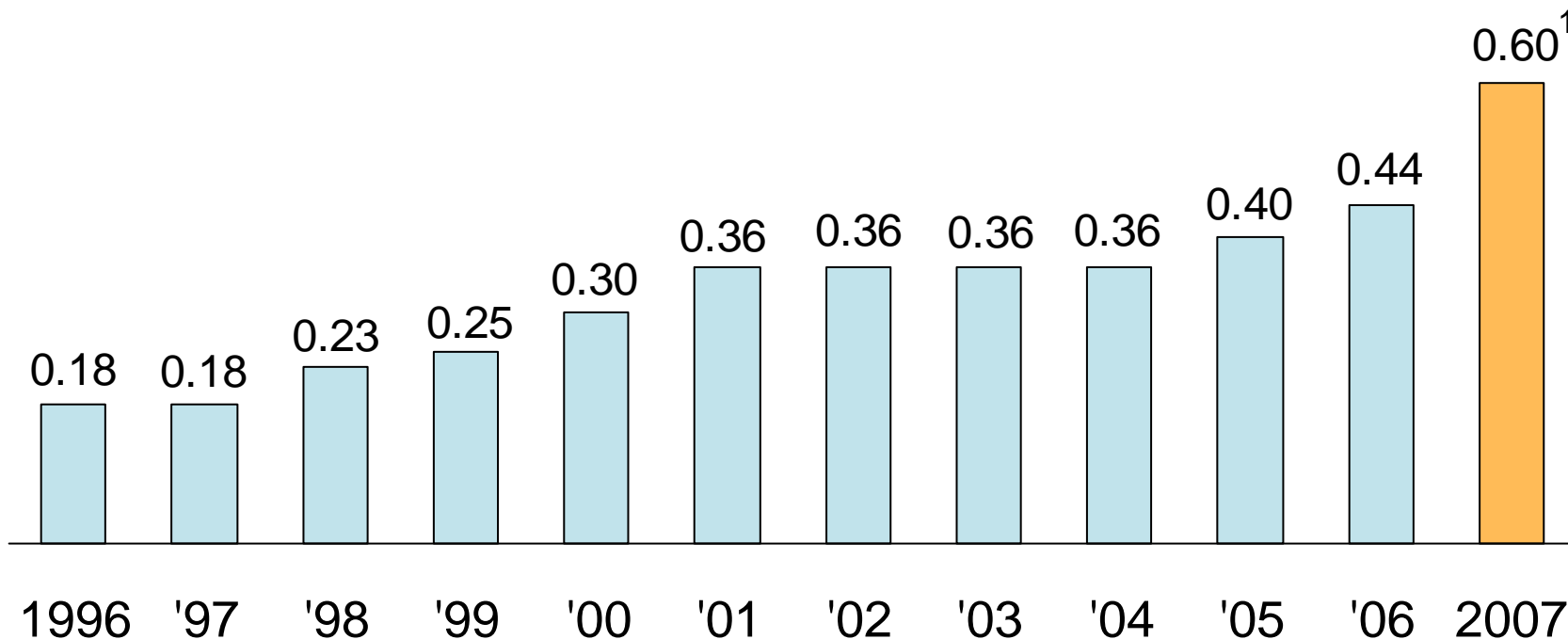
(5):105

(10):110

Biggest dividend increase in 10 years

Proposal to shareholders, amounts in EUR per share

“Philips’ present dividend policy is based on an average annual pay-out ratio of 25-35% of continuing net income. Philips will explain a revised dividend policy at the 2007 General Meeting of Shareholders which raises this average annual pay out ratio to 40-50% of continuing net income”



1 – Proposal subject to approval in the General Shareholders Meeting on March 29th, 2007

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 buybacks and dividends
- Drive a culture of superior customer experience by delivering on the brand promise and implementing the Net Promoter Score measure in the company
- Be an exciting place to work and bring employee engagement to a high performance benchmark level within 2 to 3 years

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