

August 3, 2006

PHILIPS TO SELL MAJORITY STAKE IN SEMICONDUCTORS BUSINESS TO PRIVATE EQUITY CONSORTIUM KKR, SILVER LAKE AND ALPINVEST

Amsterdam, The Netherlands and London, United Kingdom – Royal Philips Electronics (NYSE:PHG, AEX: PHI) announced today that the company has signed an agreement with Kohlberg Kravis Roberts & Co. (KKR), Silver Lake Partners and Alpinvest Partners NV (together referred to as “the consortium”) through which the consortium will acquire an 80.1% stake in Philips’ Semiconductors business, with Philips retaining a 19.9% stake in this business. The transaction will put the enterprise value for Philips’ Semiconductors business at approximately EUR 8.3 billion – consisting of EUR 3.4 billion purchasing price, EUR 4.0 billion for debt and other liabilities, and EUR 0.9 billion for Philips’ remaining stake. Philips estimates it will receive cash proceeds after tax and transaction related costs of approximately EUR 6.4 billion. The transaction is expected to close in the fourth quarter of 2006, subject to closing conditions, including governmental and regulatory approvals.

Philips’ Semiconductors is a leading supplier of silicon system solutions for mobile communications, consumer electronics, digital displays, contactless payment and connectivity, and in-car entertainment and networking, with approximately 37,000 employees worldwide. The business had sales in 2005 of EUR 4.6 billion.

Commenting on today’s announcement, Mr. Gerard Kleisterlee, President and CEO of Royal Philips Electronics, said: “This is a defining moment for both Philips and its semiconductors business. As a stand-alone company, the semiconductors business will have every opportunity to realize its full potential and we are very pleased to have found strong partners that share our belief. As a business partner, we will remain strongly committed to the future success of the business. As Philips, we are completing our shift away from running cyclical activities, and can fully focus on building an even stronger company in Healthcare and Lifestyle around the brand promise of Sense and Simplicity.”

Upon completion of the transaction, Mr. Frans van Houten will relinquish his current positions as member of the Board of Royal Philips Electronics and CEO of Philips’ Semiconductors business to become the President and CEO of the new stand-alone semiconductors company. The renaming of the new company will be announced in due course.

Commenting on today’s announcement, Mr. van Houten said: “Today’s agreement with KKR, Silver Lake and Alpinvest represents an exciting

foundation upon which our new semiconductors company can successfully grow and compete as a stand-alone company. The business, with its strong R&D capabilities and broad intellectual property portfolio, will continue to focus on strengthening its performance and presence in Mobile & Personal, Home, Automotive & Identification and Multi Market Semiconductors – our four key markets. We remain entirely committed to completing our successful business renewal program.”

The consortium consists of KKR, one of the world’s most experienced private equity firms, Silver Lake, the leading private equity firm focused on technology and AlInvest, a major Dutch-based private equity investor operating worldwide. The extensive expertise in technology buy-outs of the partners in the consortium is evidenced by buy-outs such as SunGard Data Systems Inc. in the US and Avago Technologies Ltd. in Singapore.

Commenting on the transaction, Johannes Huth, a Member of KKR said: “We are very pleased to be making this investment and are excited about the opportunity to work with the company’s outstanding management team. With the support of the consortium and Philips as an investor, the company will continue to innovate in order to provide its customers with leading-edge solutions and products that drive growth.”

Egon Durban, a Managing Director of Silver Lake Partners, commented: “We believe the Philips’ Semiconductor business is well positioned to pursue and achieve significant expansion. We look forward to partnering with management to continue building value through a demonstrated commitment to innovative technologies and a strong share in both established and emerging markets.”

Credit Suisse and Bank of America acted as lead M&A financial advisors to the consortium, with ABN Amro also providing advice. Clifford Chance and Simpson Thacher & Bartlett served as legal advisors.

For more information on this announcement and on a second announcement on Philips’ transformation to a healthcare and lifestyle company, please visit www.newscenter.philips.com.

The webcasting of the press conference on this announcement is accessible via www.philips.com/webcast. This will be live as from 10:00 CET on Friday, August 4, 2006 with a replay available shortly afterwards.

An analysts' conference call will be held on August 4 at 11:30am CET. Dial in numbers are:

Netherlands: +31 20 794 8506
Rest of Europe: +44 20 715 42 666
USA/Canada: +1 480 629 9564

In addition a live audio webcast and a replay of the conference call will be made available on www.philips.com/investor.

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About Royal Philips Electronics:

Royal Philips Electronics of the Netherlands (NYSE: PHG, AEX: PHI) is one of the world's biggest electronics companies and Europe's largest, with sales of EUR 30.4 billion in 2005. With activities in the three interlocking domains of healthcare, lifestyle and technology and 158,000 employees in more than 60

countries, it has market leadership positions in medical diagnostic imaging and patient monitoring, color television sets, electric shavers, lighting and silicon system solutions.

About KKR: KKR is one of the world's oldest and most experienced private equity firms specializing in management buy-outs, with offices in New York, Menlo Park, California, London, Paris, Hong Kong and Tokyo. Over the past year, KKR has committed more than \$1 billion to technology businesses, including SunGard Data Systems and Avago Technologies, which are considered the two largest private equity technology investments in history, with transaction prices of US\$11.8 billion and US\$2.8 billion, respectively. Past KKR technology industry investments include: Amphenol, RELTEC, Wincor Nixdorf, Tenovis, Zhong Technologies and the software development and solutions business of Flextronics International Ltd (pending). Over the past thirty years, KKR has invested in more than 141 transactions with a total value of US\$213 billion. In Europe, KKR has invested a total of US\$5.9bn in 20 companies, including Vendex, AVR, VNU, SBS Broadcasting, Newsquest, Willis Group, Wincor Nixdorf, Legrand, FL Selenia, ATU and MTU, among others. For more information, please visit www.kkr.com.

About Silver Lake Partners: Silver Lake Partners is the leading private equity firm focused on large-scale investing in technology and related growth industries. Silver Lake seeks to achieve superior returns by investing with the strategic insight of an experienced industry participant, the operating skill of a world-class manager and the financial expertise of a disciplined private equity investor. Specifically, Silver Lake's mission is to function as a value-added partner to the management teams of the world's leading technology franchises. Its portfolio companies include technology industry leaders such as Avago, Flextronics, Gartner, Instinet, NASDAQ, Network General, Seagate Technology, Serena Software, SunGard Data Systems, Thomson and UGS. For more information, please visit www.silverlake.com.

About AlInvest Partners NV: AlInvest Partners is one of the largest private equity investors in the world with over EUR 30 billion of assets under management. Approximately 80% of these funds are invested by AlInvest Partners in private equity funds globally, with the remainder invested directly in companies as a co-investor in Europe and the US. AlInvest Partners has 56 investment professionals based in Amsterdam and New York. Its shareholders and main clients are ABP and PGGM, two of the largest pension funds in the world with respectively EUR 192 billion and EUR 71 billion of assets under management (as per December 2005). To learn more about AlInvest Partners visit www.alinvest.com

Forward-looking statements This release 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. 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 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.

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