Lighting: Building the future

Kaj den Daas
Chairman Philips Lighting N. America
Citigroup, New York
March 5, 2008

PHILIPS

Important information

Forward-looking statements

This document and the related oral presentation, including responses to questions following the presentation may contain certain forward-looking statements with respect to the financial condition, results of operations and business of Philips and certain of the plans and objectives of Philips with respect to these items. We caution readers that no forward-looking statement is a guarantee of future performance and that actual results could differ materially from those contained in the forward-looking statements. Examples of forward-looking statements include statements made about our strategy, estimates of sales growth, future EBITA and cost savings and future developments in our organic business as well as the benefit of future acquisitions, and our capital position. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances and there are many factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements.

These factors include but are not limited to domestic and global economic and business conditions, the successful implementation of our strategy and our ability to realize the benefits of this strategy, our ability to develop and market new products, changes in legislation, legal claims, changes in exchange and interest rates, changes in tax rates, pension costs, raw materials and employee costs, our ability to identify and complete successful acquisitions and to integrate those acquisitions into our business, our ability to successfully exit certain businesses or restructure our operations, the rate of technological changes, political, economic and other developments in countries where Philips operates, industry consolidation and competition. As a result, Philips' actual future results may differ materially from the plans, goals, and expectations set forth in such forward-looking statements.

Additional risks and factors are identified in our Annual Report for the fiscal year ended December 31, 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, like: comparable growth; EBITA; NOC; net debt (cash); and cash flow before financing activities. These non-US GAAP financial measures should not be viewed in isolation as alternatives to the equivalent US GAAP measures. In our Annual report or form 20-F we've included a reconciliation of such non-US GAAP financial measures to the most directly related US GAAP measures .

Use of fair value measurements

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

Agenda

- Philips Lighting
- The Growth challenge
- Growth drivers
  - Acquisitions
    - Home Lighting
    - Professional Luminaire systems
    - Solid State Lighting
  - Emerging markets
  - Energy saving solutions
  - Segment innovation (e.g. Automotive)
- Conclusion

Philips: Three people centric sectors

Healthcare

Lighting

Consumer Lifestyle

Philips Lighting

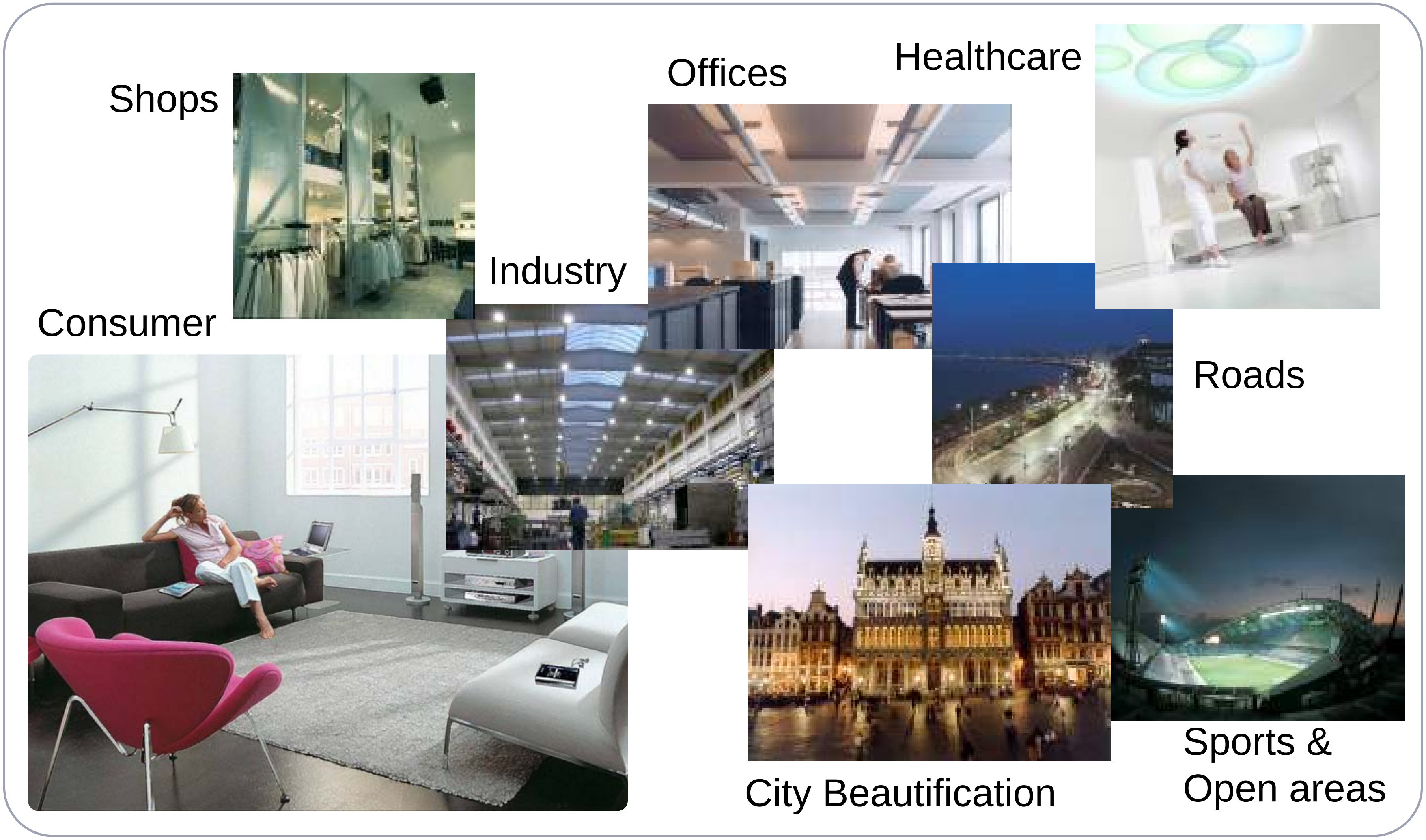
Mission: We understand people…and improve their lives with lighting

Vision: The Clear Leader; Setting the pace in the lighting industry

PHILIPS

Lighting facilitates the activities of people

(working, relaxing, driving, shopping, dining, curing, reading, meeting, feeling)



PHILIPS

Philips Lighting

Key Product Areas

Lamps

Lighting Electronics & Controls

Professional Luminaires

Automotive & Special Lighting Applications

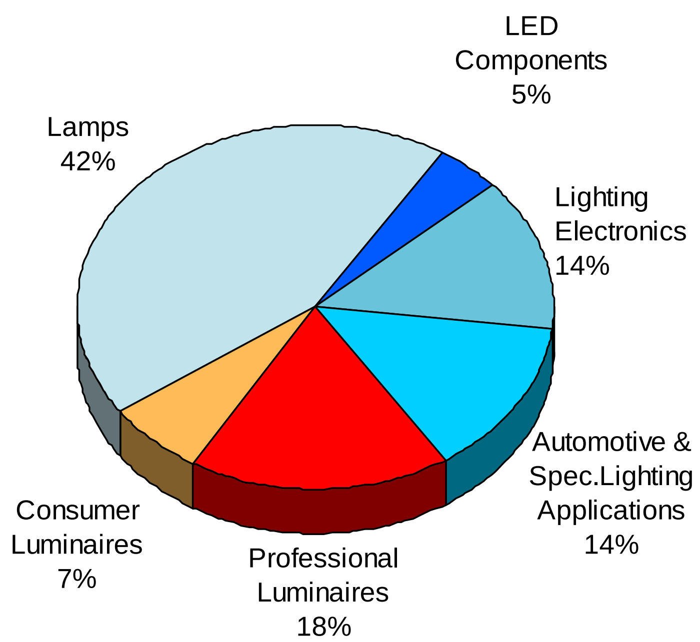
Consumer Luminaires

Solid State Lighting Components & Modules

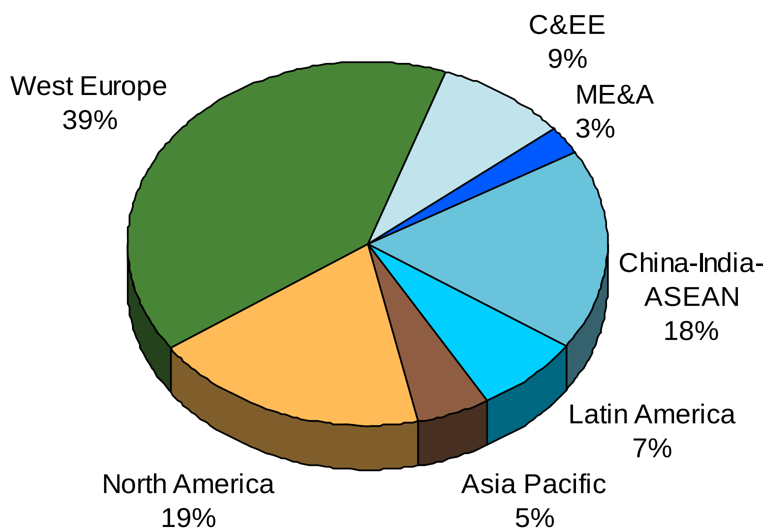
Philips Lighting

Sales distribution by business and region 2007

By Business



By Region

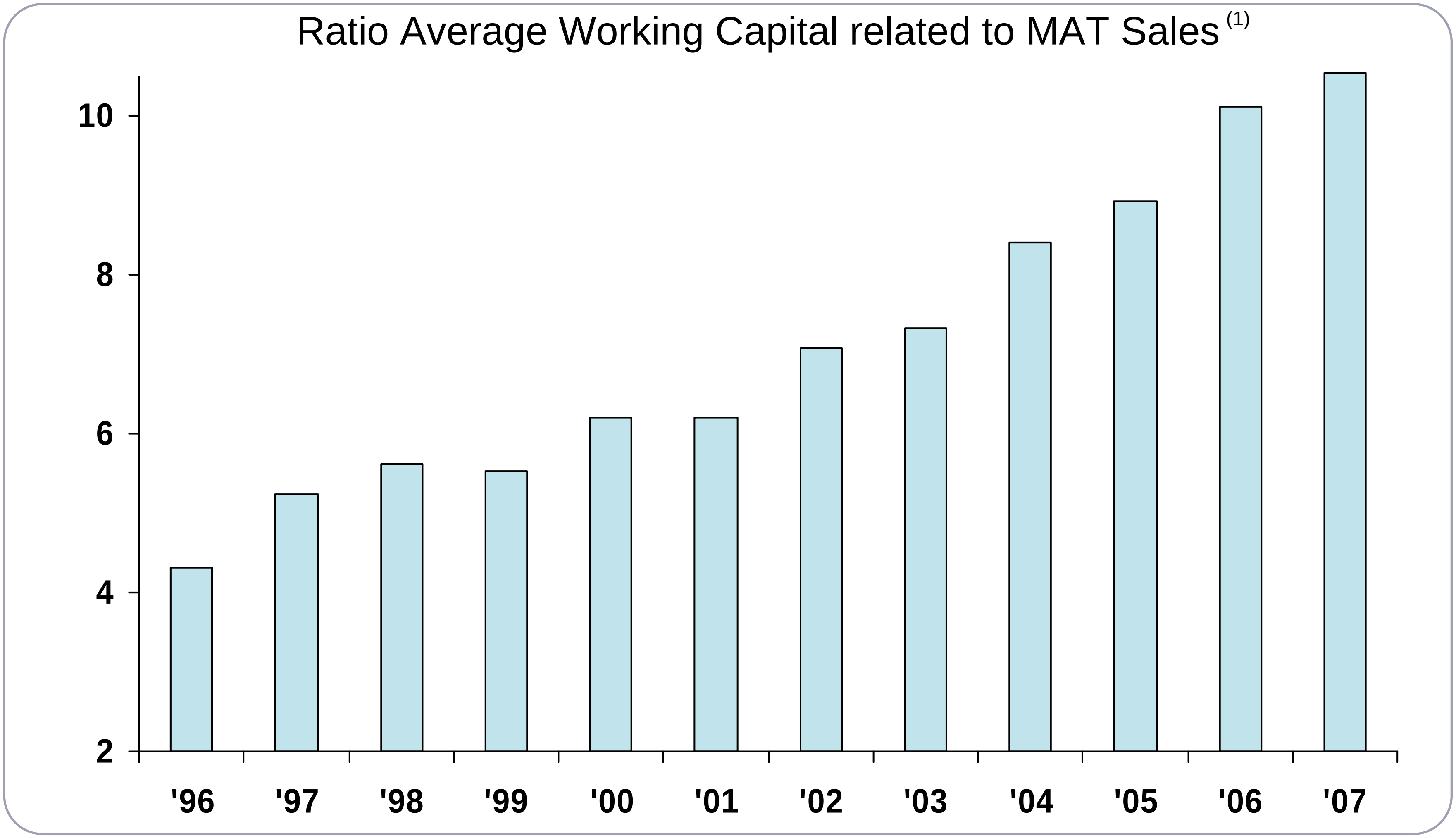


Philips Lighting

	2006	**2007**
Sales (€ B)	5.5	6.1
Comp. growth	*8%*	*6%*
EBITA (€ M)	608	722
as % of sales	*11.1%*	*11.9%*
Headcount	47,739	54,323
R&D %	*4.9%*	*4.5%*
Net Capex (€ M)	319	230
Depreciation PPE (€ M)	205	217
NOC (€ B)	2.5	3.9

Continuous improvement

Working Capital turns



(1) MAT is Moving Annual Total

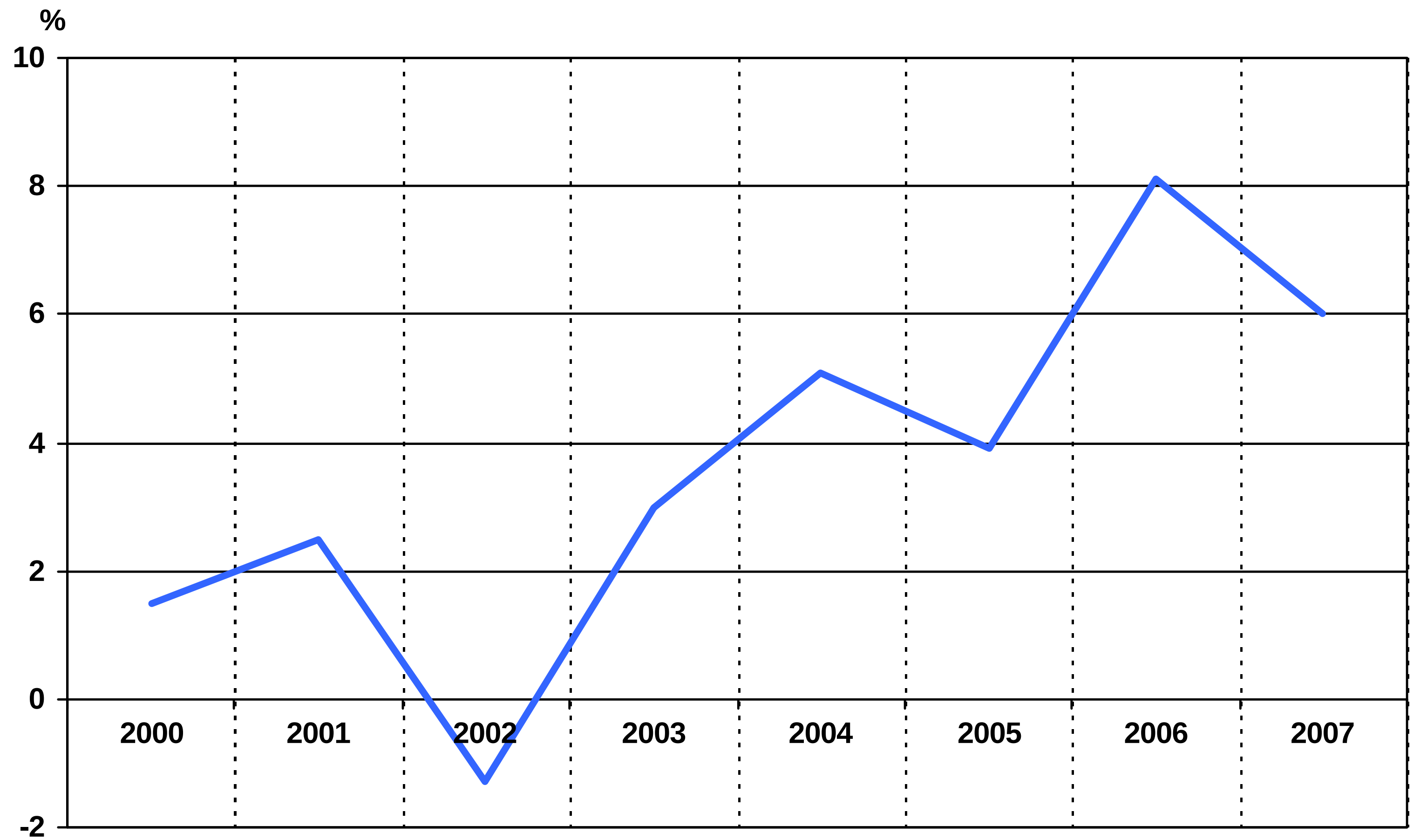
PHILIPS

Agenda

- Philips Lighting
- The Growth challenge
- Growth drivers
  - Acquisitions
    - Home Lighting
    - Professional Luminaire systems
    - Solid State Lighting
  - Emerging markets
  - Energy saving solutions
  - Segment innovation (e.g. Automotive)
- Conclusion

Philips Lighting: Accelerated growth

Comparable Sales Growth 2000 – 2007

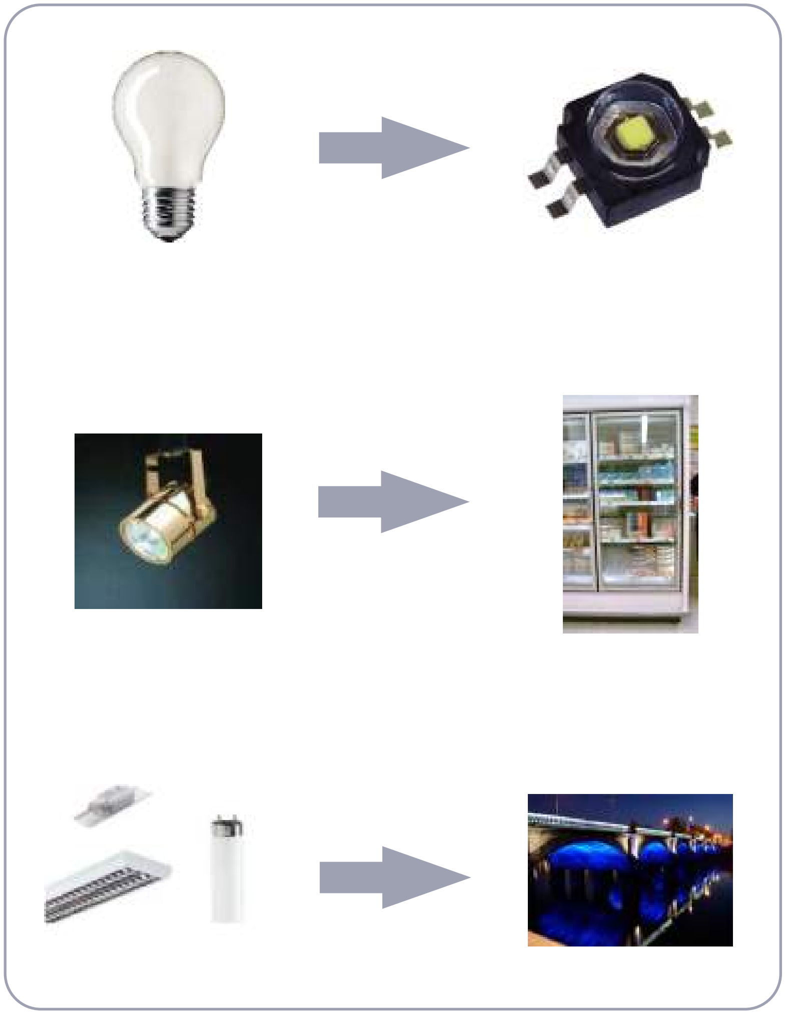


The lighting industry faces significant changes

From conventional light sources to solid state lighting (SSL)
- No replacement
- Emphasis on initial installations

From product to application focus
- New use of light
- Close contact to end users

From components to solutions
- Increased importance of controls



PHILIPS

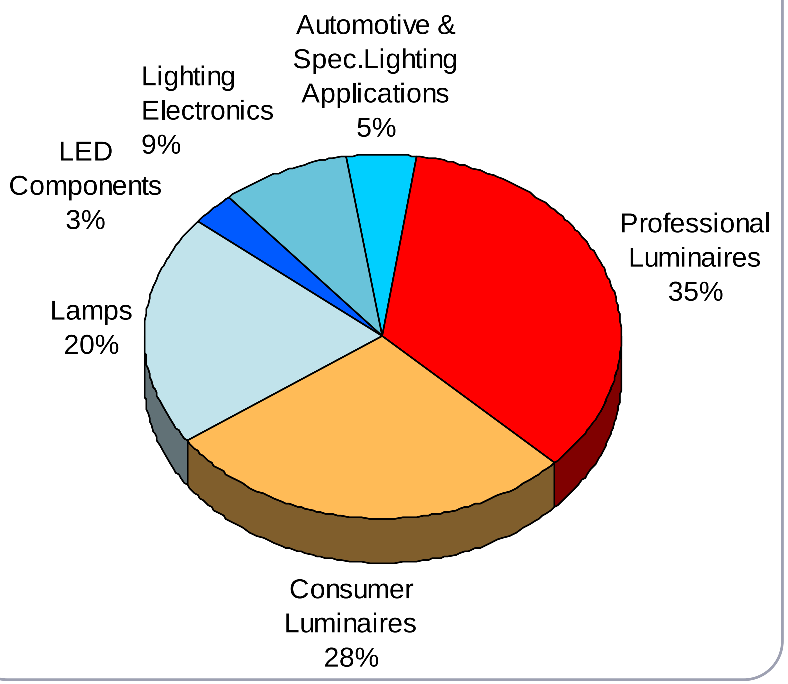
Luminaires systems & controls play a crucial role in transformation towards SSL

- We offer lighting solutions to show new use of light
- Market driven innovation close to end user
- Giving direction in developing SSL technology
- Having footholds in all major markets

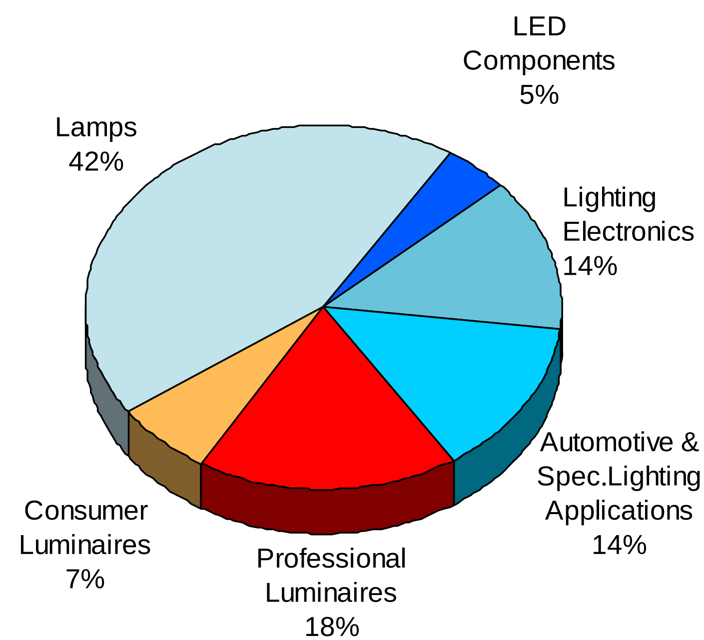
PHILIPS

Luminaires 63% of lighting market of c. € 58B*

World market



Philips Lighting

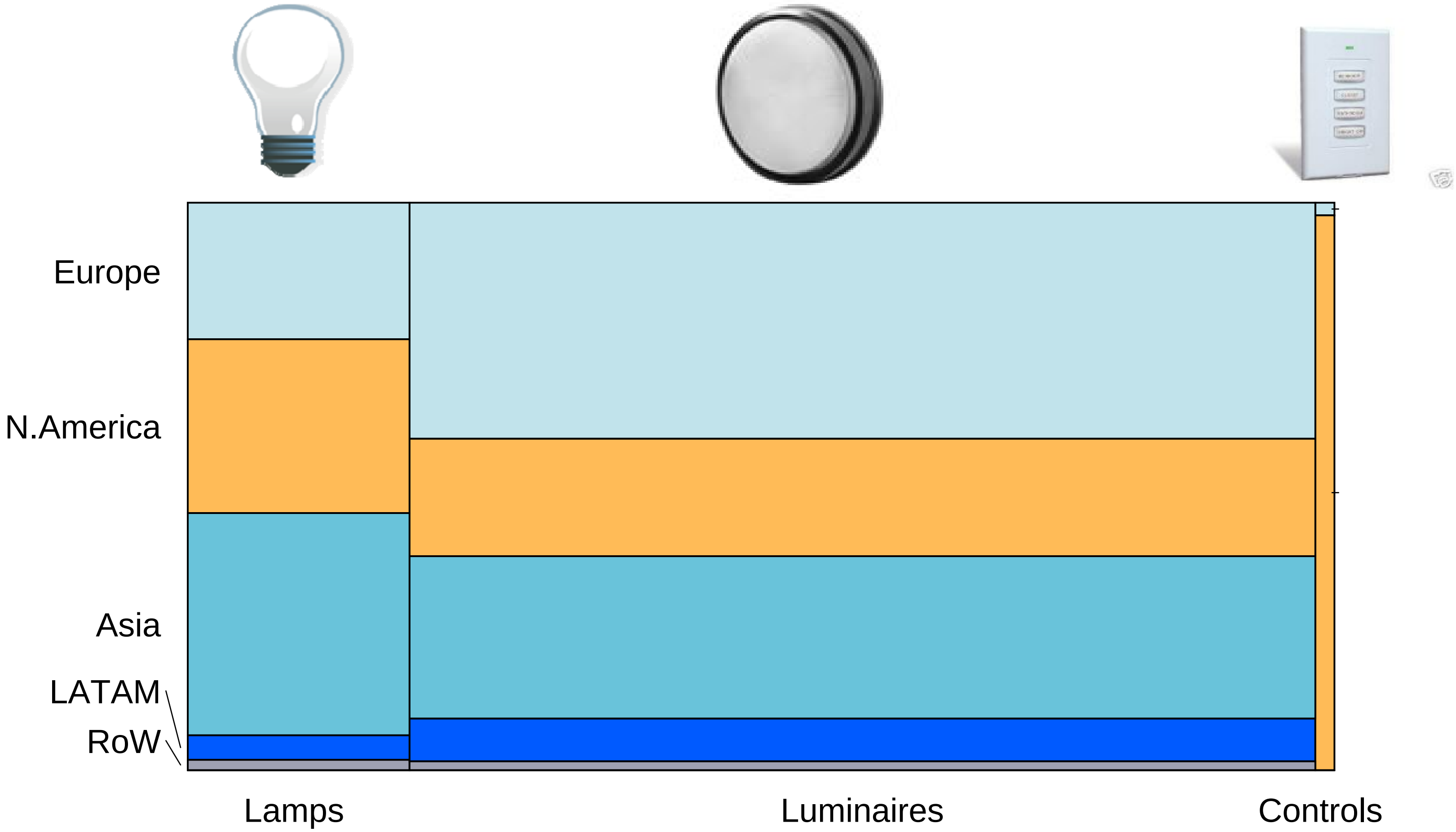


Luminaires only 25% of Philips Lighting sales (2007)

*) € 58 B market value measured at supplier level

PHILIPS

The global home lighting market is c. € 21B* with luminaires representing around 80%



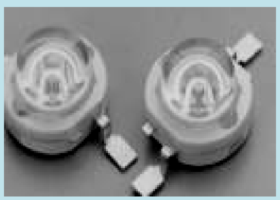
*) € 21 B market value measured at supplier level

PHILIPS

We play in all parts of the SSL value chain

SSL success requires end user presence

Components



Sub-Assembly

Modules & Drivers

Solutions

Delivery

Global technology platforms

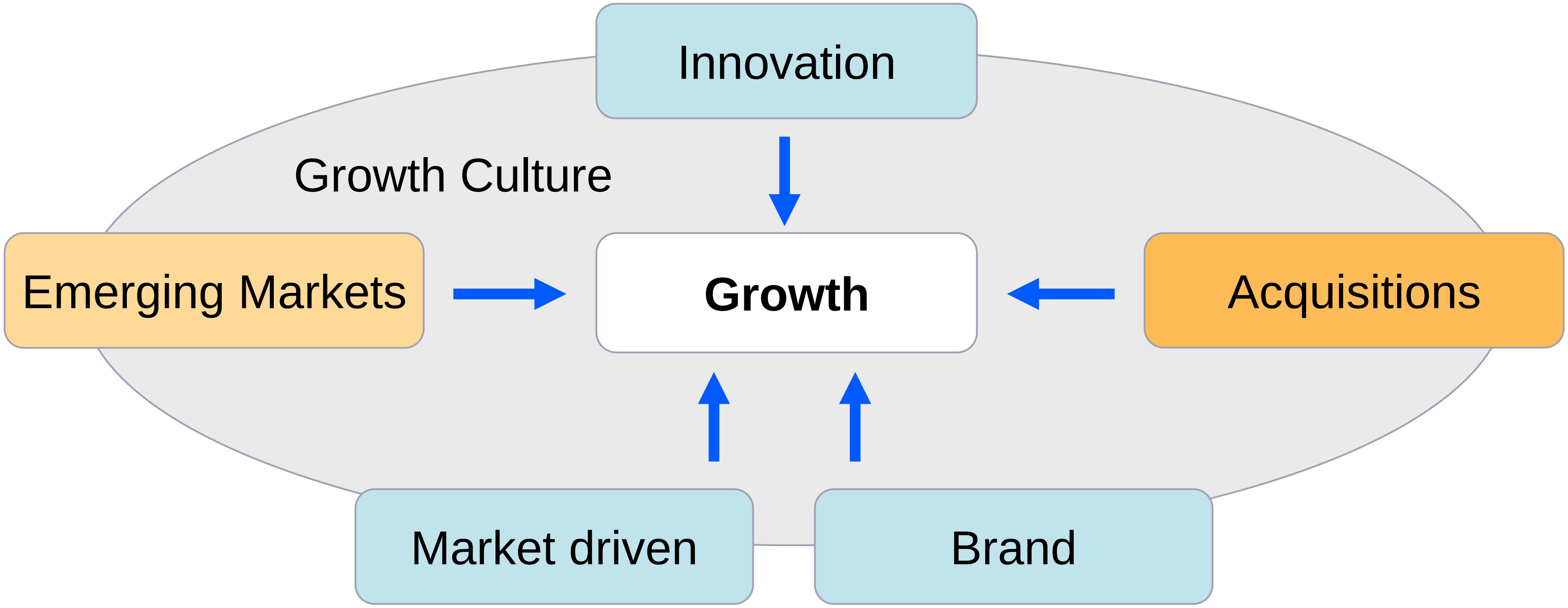
End-user presence approx. 50% of this is in the U.S.

PHILIPS

Agenda

- Philips Lighting
- The Growth challenge
- Growth drivers
  - Acquisitions
    - Home Lighting
    - Professional Luminaire systems
    - Solid State Lighting
  - Emerging markets
  - Energy saving solutions
  - Segment innovation (e.g. Automotive)
- Conclusion

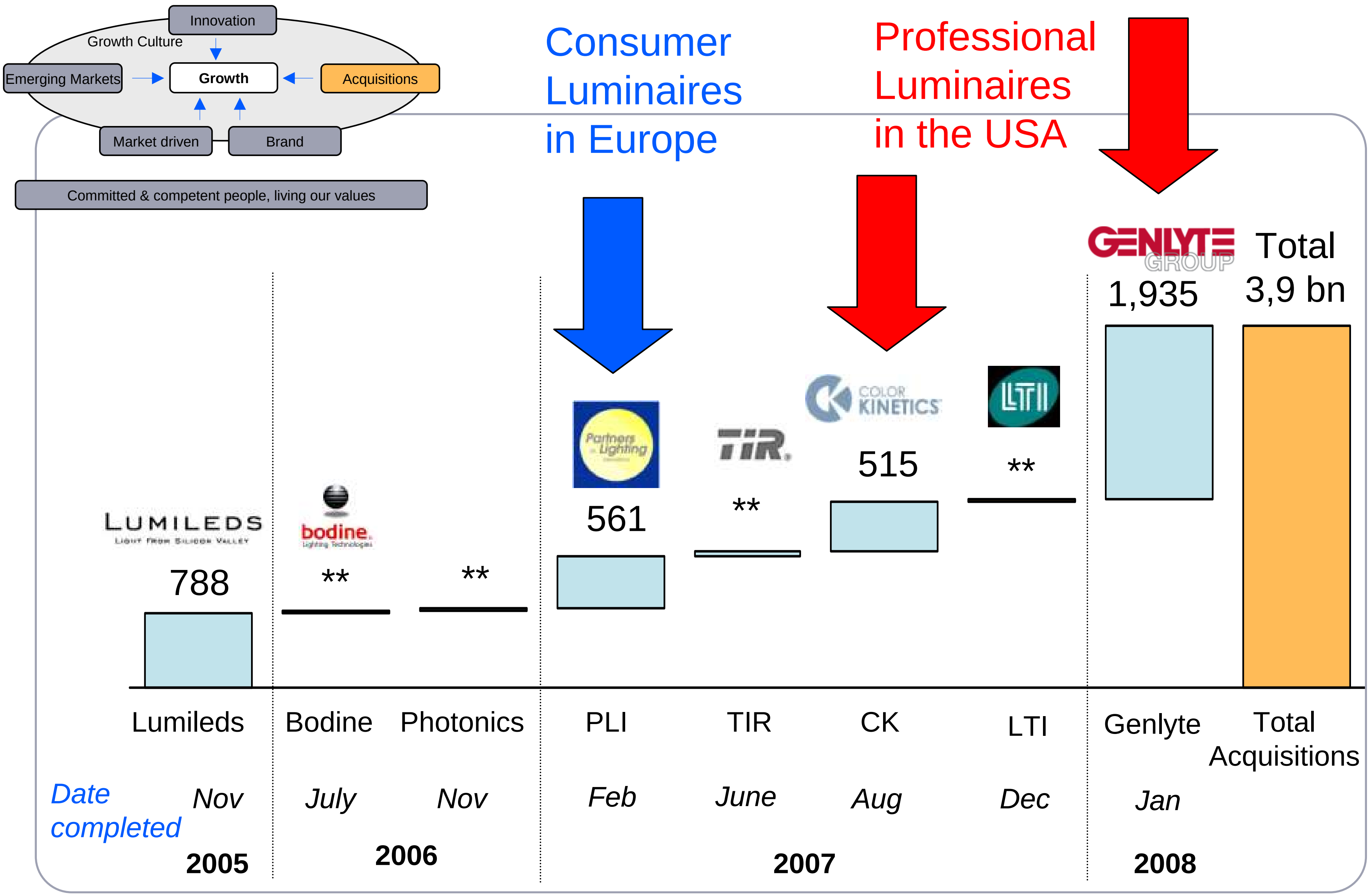
We will pull all levers of growth



Committed & competent people, living our values

PHILIPS

Strategic value adding acquisitions (€M) in Lighting



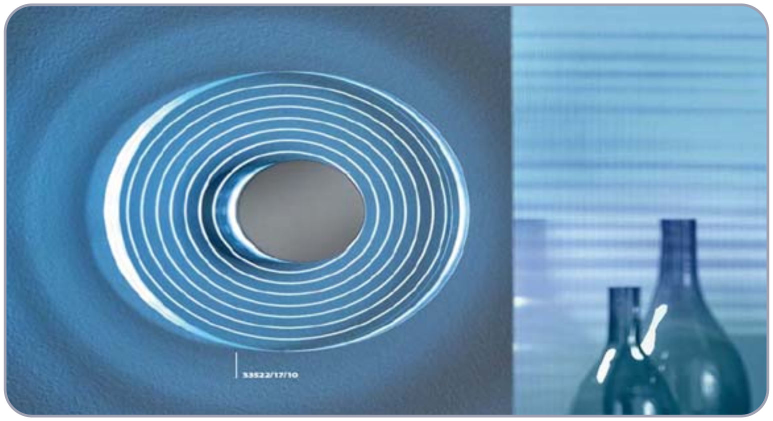
** Not disclosed

PHILIPS

PLI: Leading European Consumer Luminaire player

- Enter new market segment for Philips Lighting: Consumer Luminaires
  - Leveraging of each others sales channels in Europe
  - Regional expansion by leveraging Philips' global reach

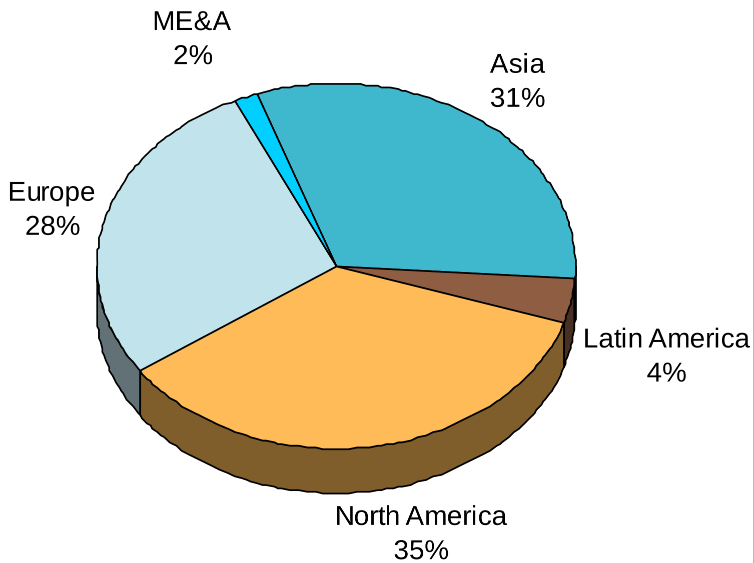
- To become the global industry shaper in the Home LED application market
  - Combining Philips Leadership in LED with PLI's competence to quickly address market and consumer lifestyle trends



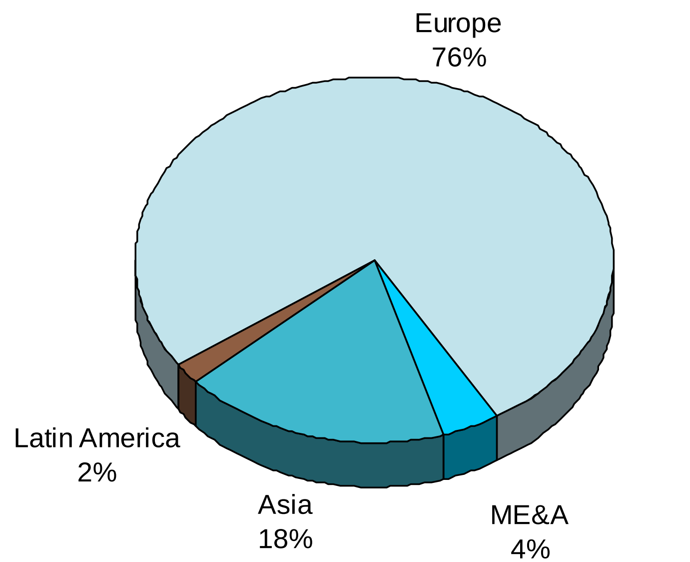
PHILIPS

72% of professional luminaire market outside Europe

Prof. Luminaire Market c. € 20B*



Philips Prof. Lum. sales **



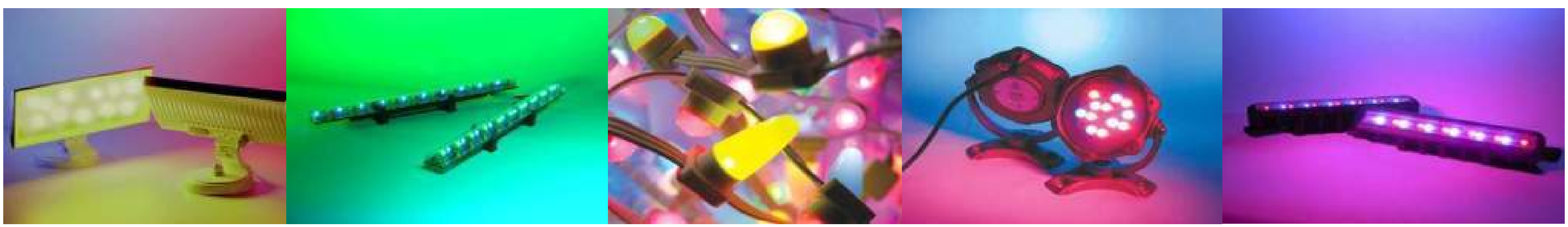
Growth opportunity for Philips based on strength in Europe

*) € 20 B market value measured at supplier level

**) 2007 without acquisition of Color Kinetics

Philips and Color Kinetics together market leader in intelligent Solid State Lighting

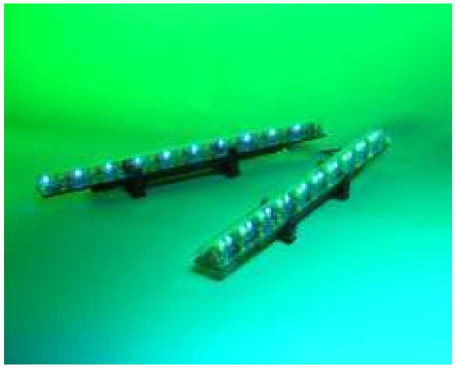
- Combination strengthens Philips' LED portfolio, technology base and intellectual property position
- Philips' global infrastructure will fuel growth.
- Builds on Lumileds and TIR Systems acquisitions in the sector.
- Leadership in the North American SSL luminaires market
- Enhance Philips' position in future energy-efficient lighting solutions, using LED sources



Example: Shop – ambience creation

Lacoste, Multiple USA Locations

Lighting design by David Apfel Lighting Design

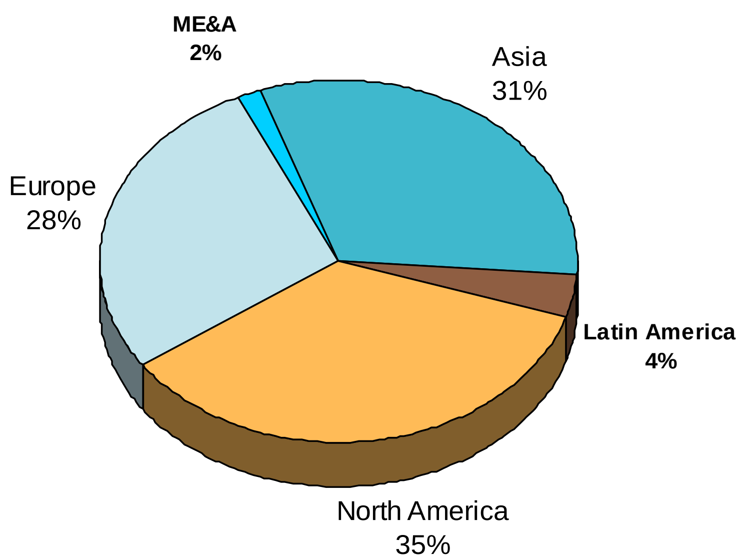


Color Kinetics iColor Cove® QL

Entry in US market by Color Kinetics acquisition

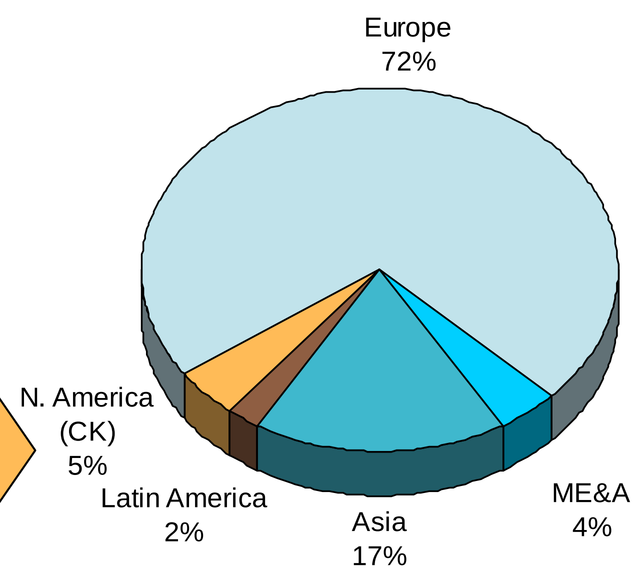
Leading in Solid State Lighting controllable systems

Prof. Luminaire Market c. € 20B*



*) € 20 B market value measured at supplier level

Philips Prof. Lum. sales **



** 2007: Sales Color Kinetics Pro Forma included for total year

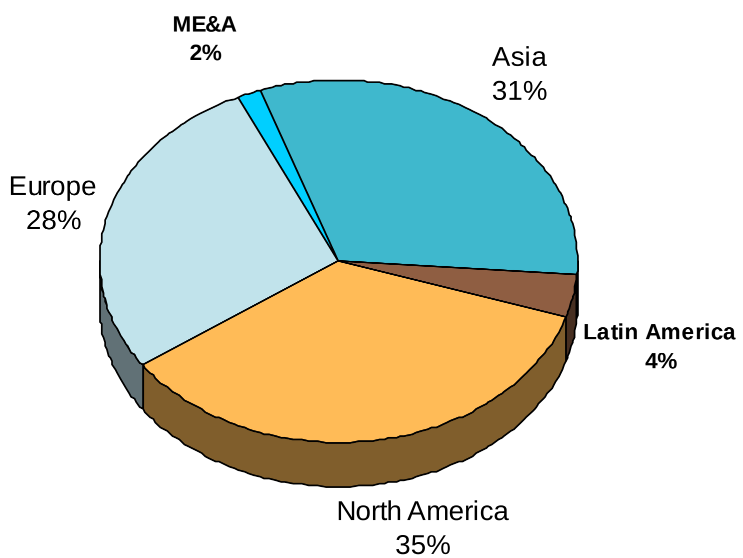
35% of professional luminaire market in N. America

Genlyte: Key strengths

- Strong *#2 position in North American* market
- *High organic revenue growth* complemented with high operating margin
- *Diversified end-markets* with limited exposure to residential market
- *Strong relationships with specifiers* using multi-brand approach
- *Largest sales force* of all competitors
- *High-end product offering*
- Strong *focus on innovation*

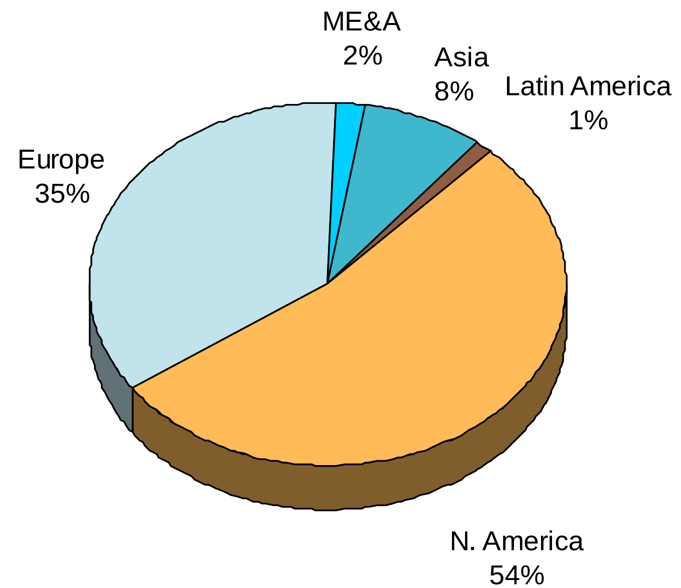
With the acquisition of Genlyte we take a major position in N. America

Prof. Luminaire Market c. € 20B*



*) € 20 B market value measured at supplier level

Philips Prof. Lum. sales **

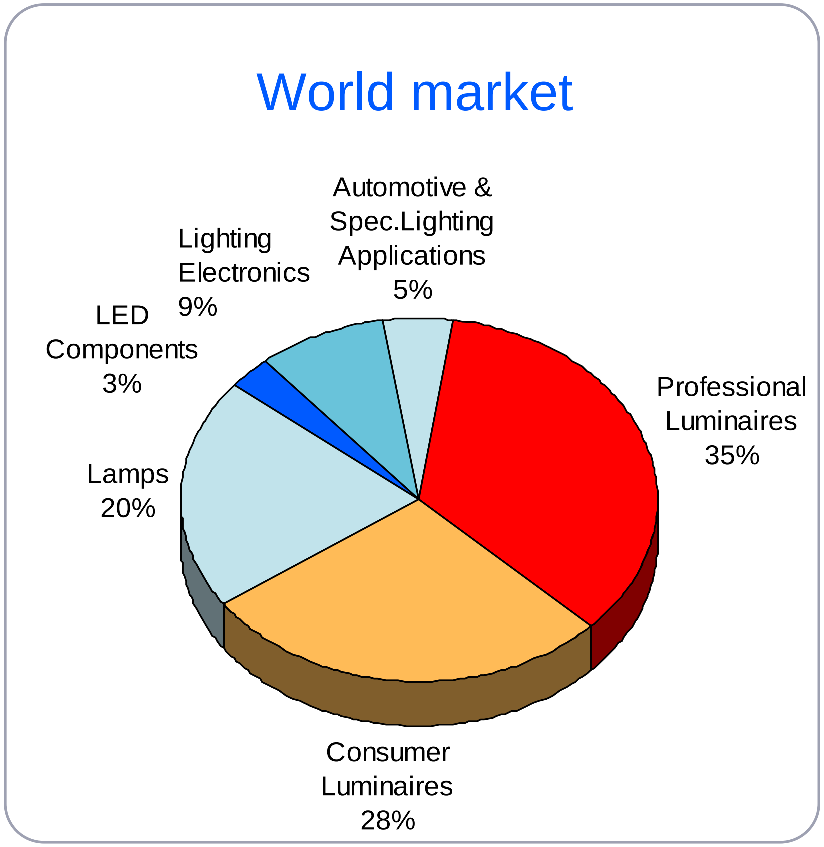


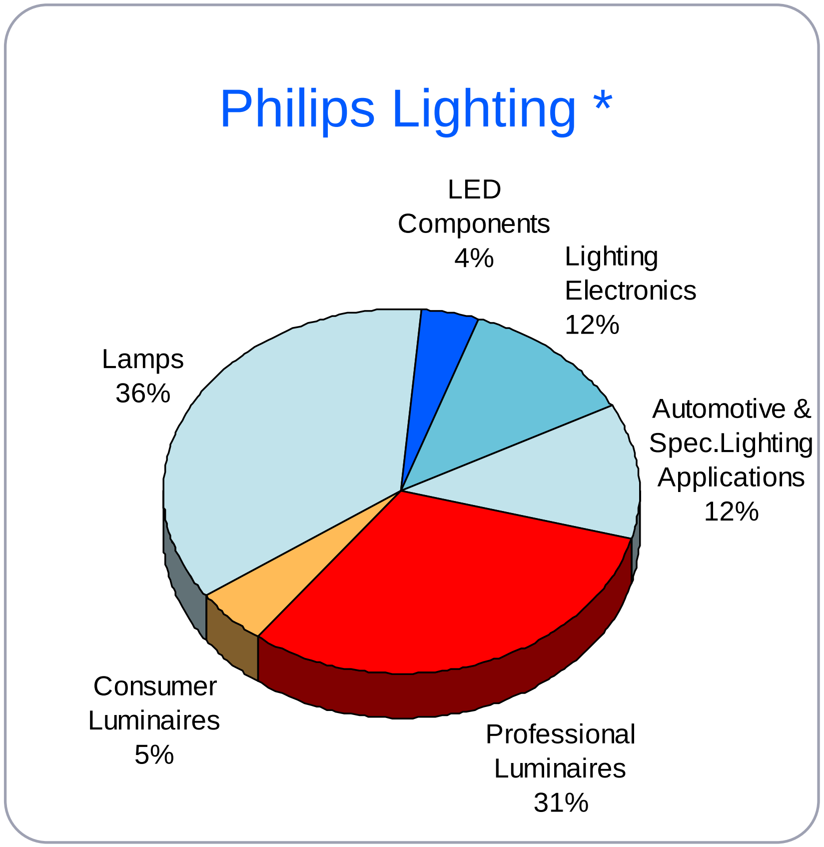
** 2007: Sales CK & Genlyte Pro Forma included for total year

Now we have to increase our position in Asia

PHILIPS

Acquisition of Genlyte increases our stake in Professional Luminaires





Luminaires 36% of Philips Lighting sales (2007)*

*) *as if Genlyte would be consolidated in 2007*

PHILIPS

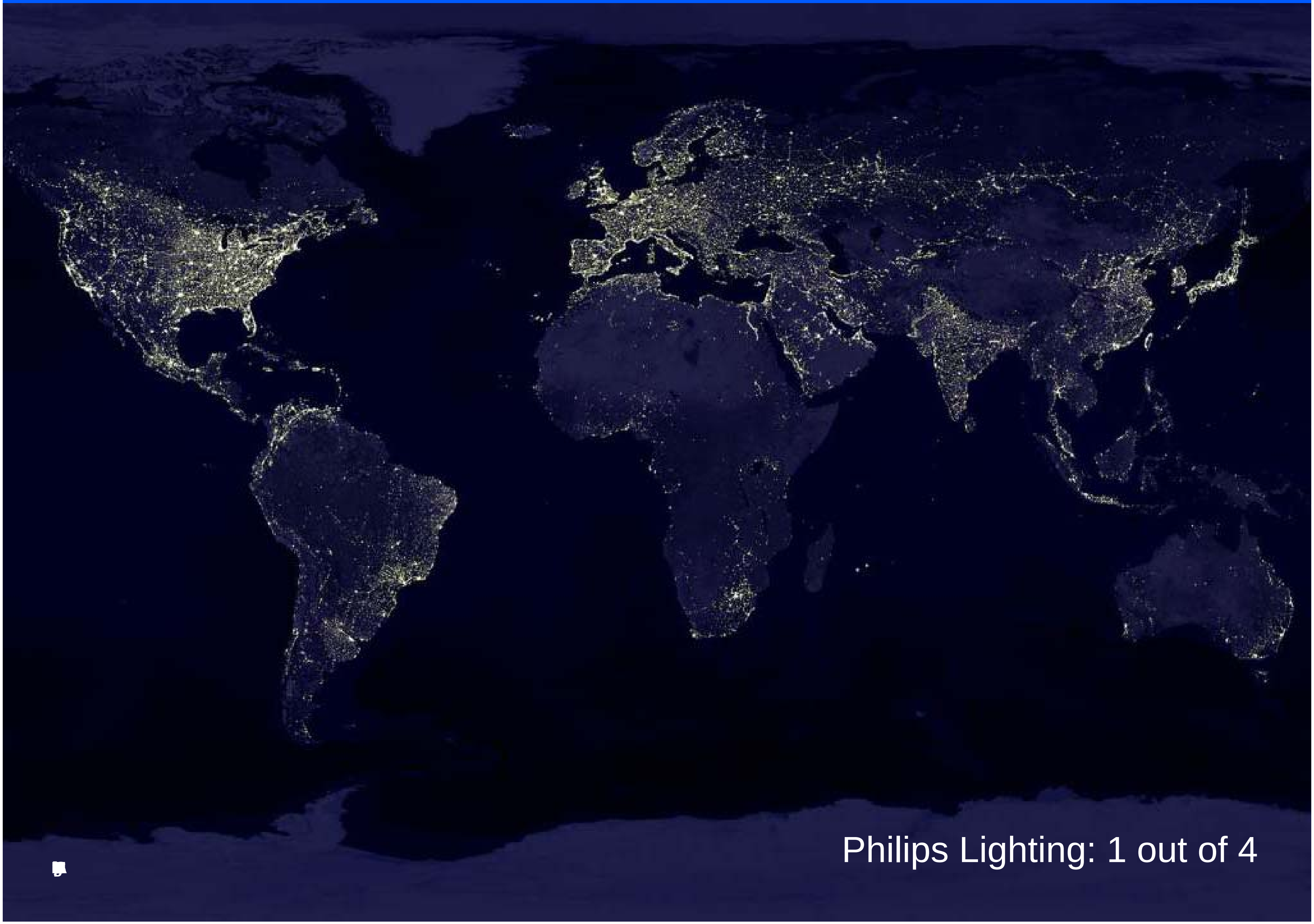
Philips Lighting: leading around the world

Value market shares per business per region 2006/07

Philips Lighting: expanding its leadership position

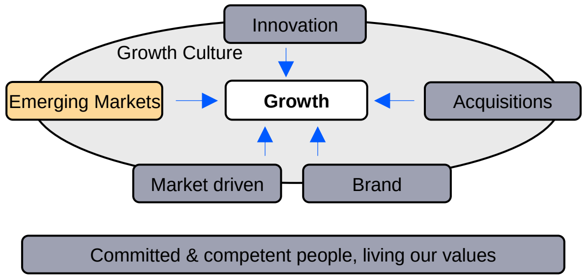
Value market shares per business per region 2007/08

PHILIPS

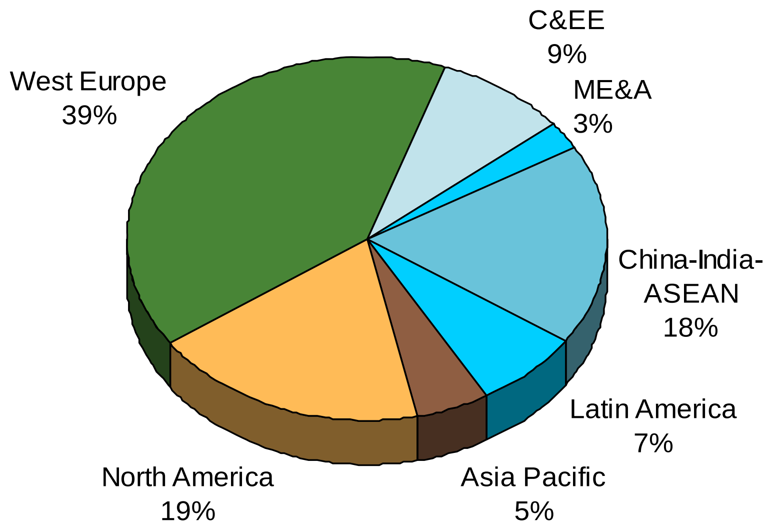


PHILIPS

We are well positioned in emerging - fast growth markets



Comparable growth	2007
Latam	17%
C&E Europe, Russia	18%
China/HK	18%
India	16%
Asean	3%



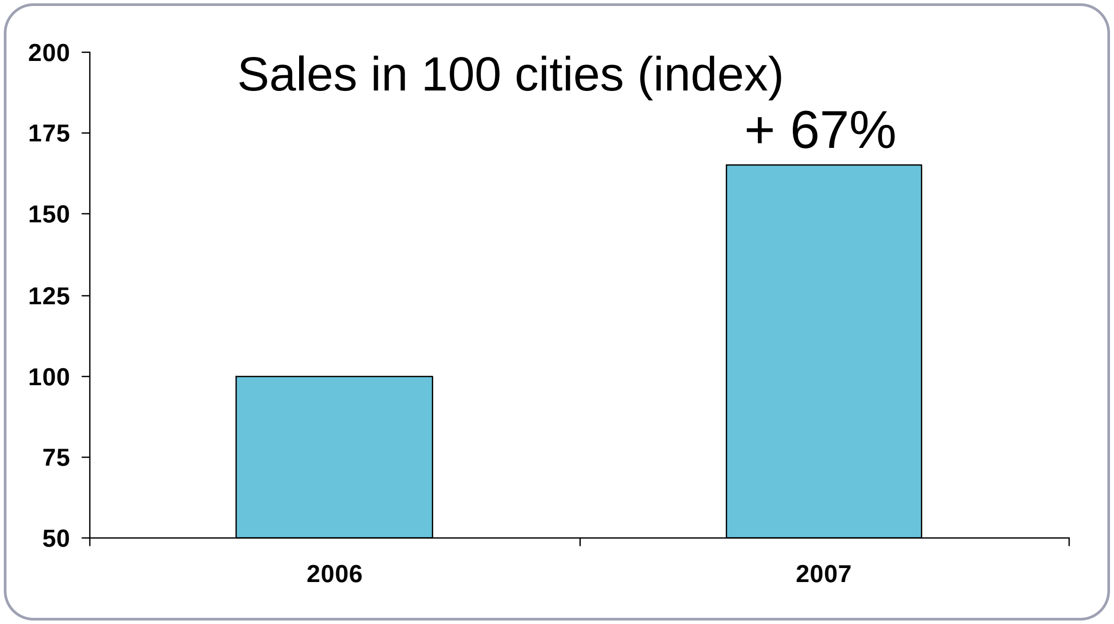
The sales in emerging/fast growth markets represent 37% of Philips Lighting sales

PHILIPS

37% of Philips Lighting sales in fast growing markets

China: Increasing Distribution in 600 2nd/3rd tier cities (0.5-2 million people)

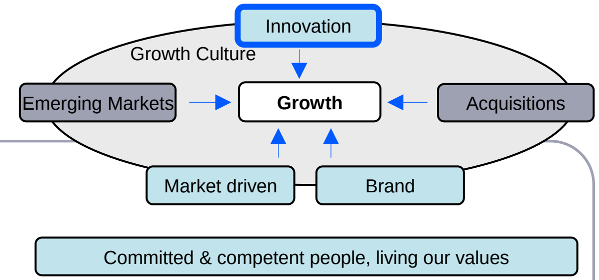
- In excess of 8000 outlets added in 2007 in 100 cities newly covered
- Target for 2008: another 7800 outlets and coverage of an additional 188 cities

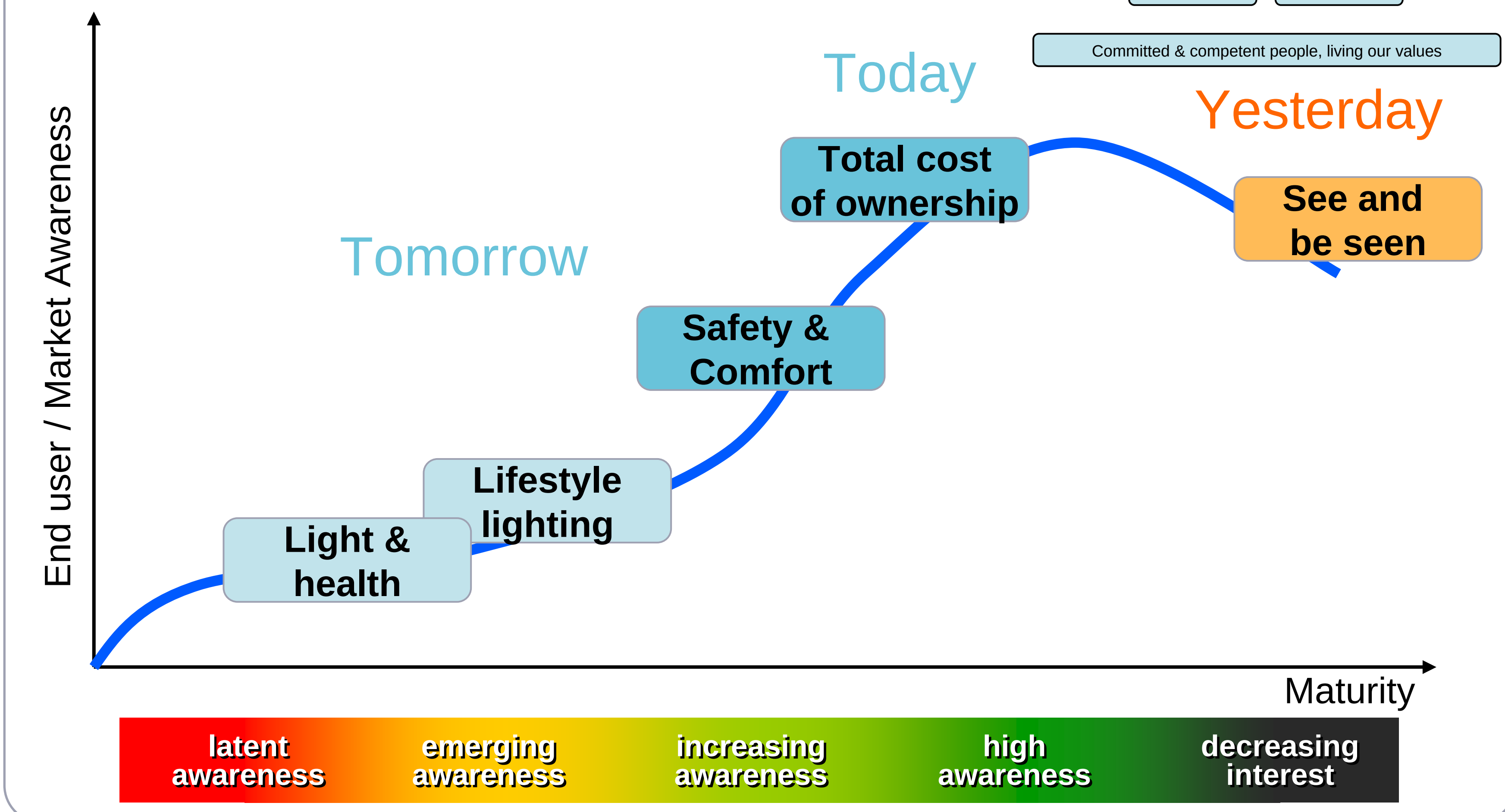


PHILIPS

End-user driven innovation

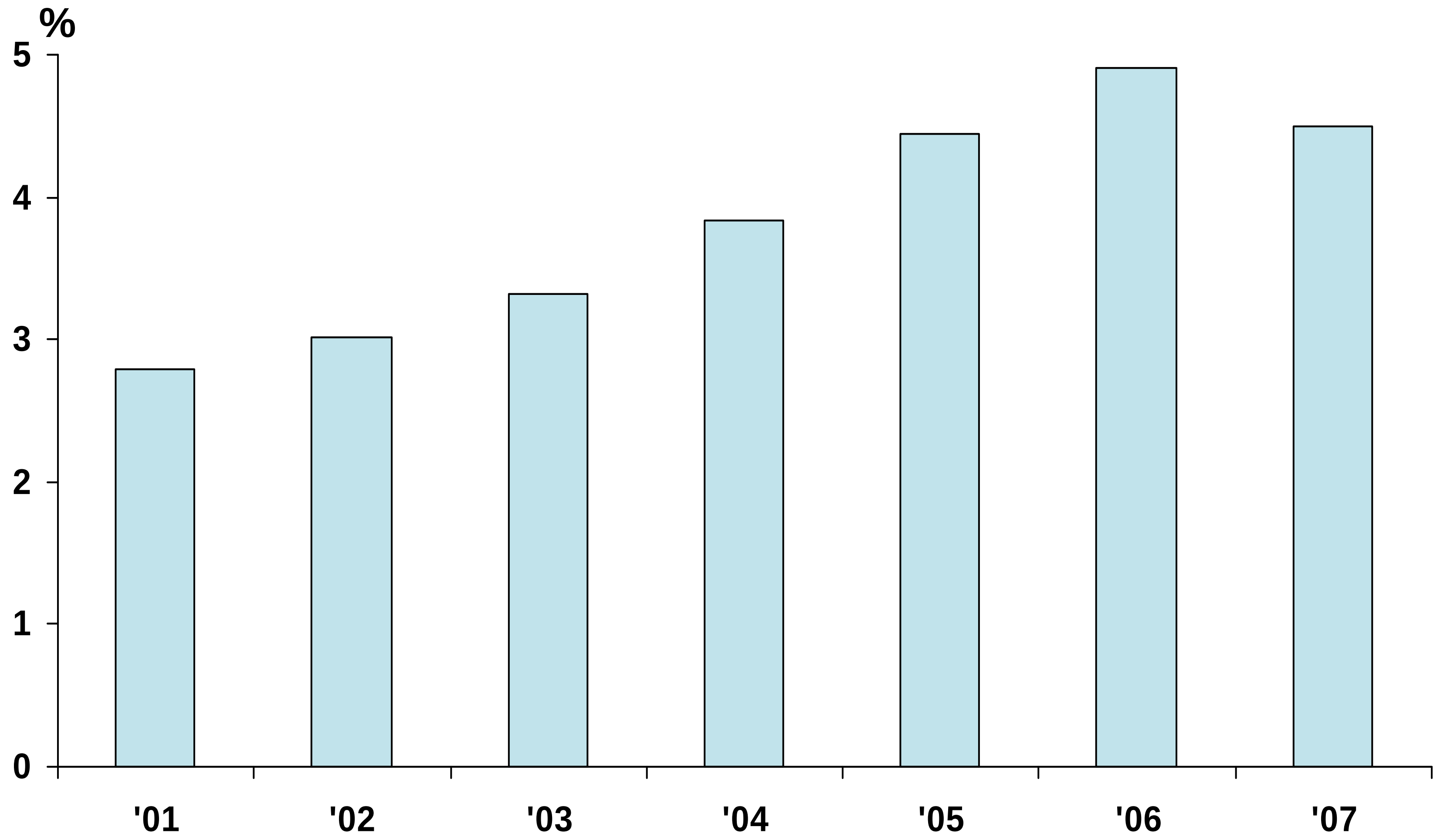
New market themes drive additional growth





R&D% of Sales

We increased R&D to support Solid State Lighting portfolio



’07 Incl. PLI acquisition

Energy saving opportunity

- New innovative lighting solutions could realistically save up to 40% energy on all today's installed lighting

Global savings of:

EUR 106 billion in energy costs per year
This equates to:

- 555 million tonnes of CO_2 per year
- 1.5 billion barrels of oil per year
- Annual output of 530 medium sized power stations @ 2TWh/yr

PHILIPS

We focus on Outdoor, Indoor and Home lighting

Potential Energy Savings through innovative lighting solutions

Segment	% of total CO_2 emission	Main Product	Potential savings in segment *
Outdoor: Street lighting	18%	HID / Metal Halide CosmoPolis	35%
Indoor: Buildings	45%	New TL	35%
Homes	25%	CFLi / Eco-Hal / LED	70%
Lighting total			**40%**

• Savings takes % of segment that uses old technology into account; including use of lighting controls

PHILIPS

Outdoor: street lighting

- 56 Mio street-lighting light points in Europe
- 18 Mio still using 1930`s technology
  - High-Pressure Mercury Lamps (HPL)
- Alternatives available:
  - High Pressure Sodium
  - Ceramic Metal Halide (Cosmopolis)

50 lm/W

100 lm/W

PHILIPS

Outdoor: street lighting - a global success

- CosmoPolis globalisation
  projects today in Anyang City, Seoul, Shang Hai, Singapore, Jakarta, Perth, Melbourne, Panama City, Kiev and Recife

- CosmoPolis European sales spread
  over 35 OEMs design-in
  over 75 luminaire families available
  over 50 european cities applied CosmoPolis
  over 50,000 systems currently installed

PHILIPS

Public Private Partnerships: contract with VINCI

Example: City of Rouen

- 120 000 inhabitants (Area: 450 000 inh.); Normandy Regional Urban Pole
- VINCI's PPP contract amount: 100 M€ , a large 18-years Design, Build, Finance, Operate & Maintain contract in the area of:
  - Public lighting (15 000 public lighting points)
  - Wireless local lop in the old center
  - Traffic management equipments

Legal measures – Europe - USA

Europe

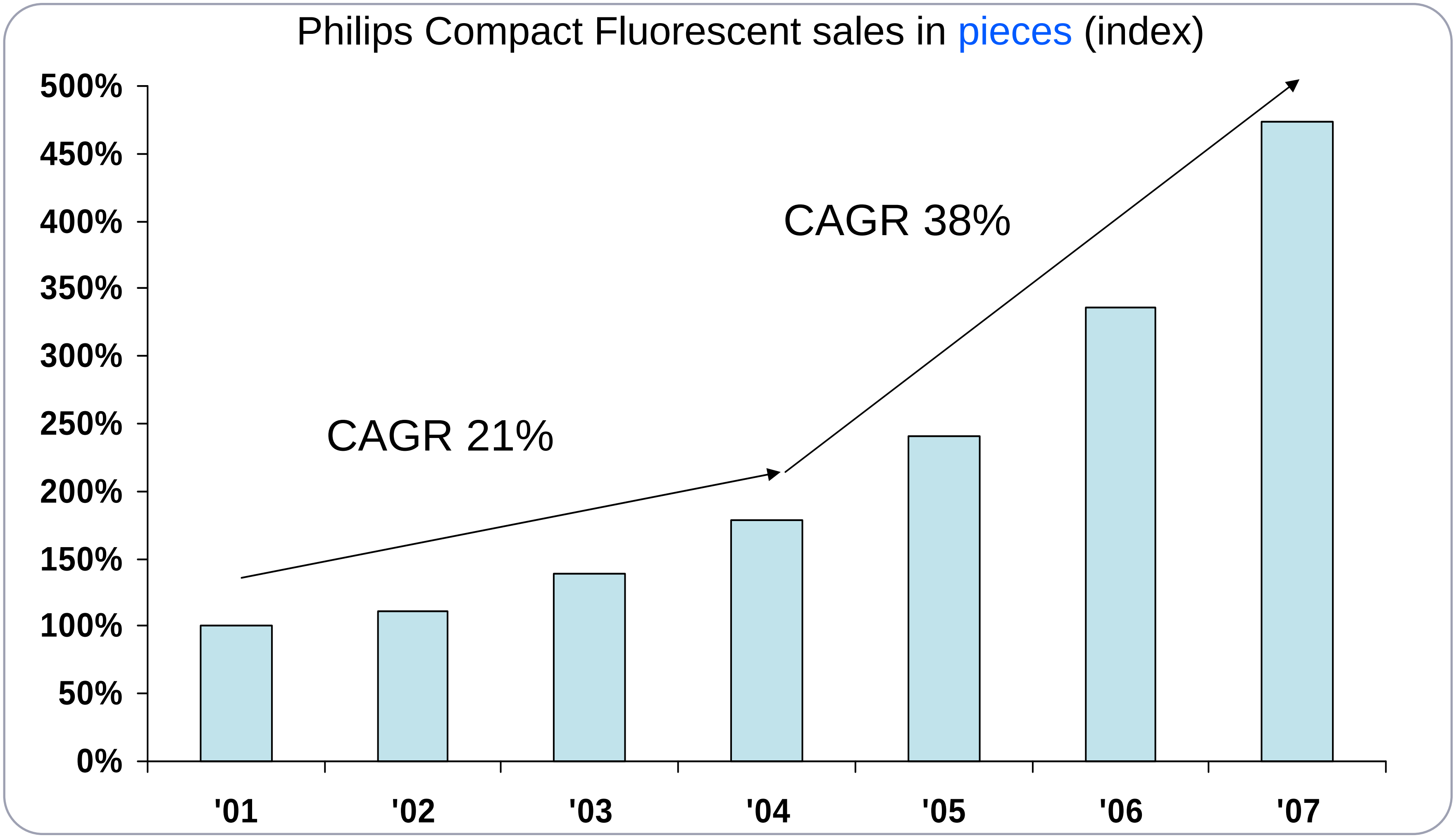
- Energy Performance of Buildings Directive (EPBD)
- Eco Design requirements Directive for Energy Using Products (EuP)
- Ballast Directive
- Energy Efficiency Label Directive (EEL)
- Energy Services Directive COM (ESD) → National Energy action plans
- Eco Label

USA

- Energy Independence and Security Act
  - Title III- Energy savings through improved standards for Lighting
    - Section 321: Efficient light bulbs - phasing out most common GLS by 2012-2014
    - Section 322 Incandescent Reflector Lamp Efficiency standards
    - Section 323 Public Building Energy Efficiency performance standards
    - Section 324 Metal Halide Lamp Fixtures-efficiency standards

Home lighting:

Philips sales of energy savers accelerates



PHILIPS

Extra Bright

Tornado
5w - 24w

Classic

Ambiance
5w - 11w

Consumer

Ambiance Reflector
8w - 23w

Value for Money

Essential
3w - 23w

Compact

Genie
5w - 18w

Ambiance Deco
14w - 18w

Deco Twist
25w

Shops

Ecotone High Lumen
45w - 80w

Professional

Offices & Hospitality

Ecotone High Switch
5w - 23w

PHILIPS

Home lighting: clear energy saving options

Philips address this market via 3 steps

1. Compact Fluorescent Lamps
   - 80% Energy Savings
   - Major improvements last few years (size; light quality; forms, cost, dim ability)

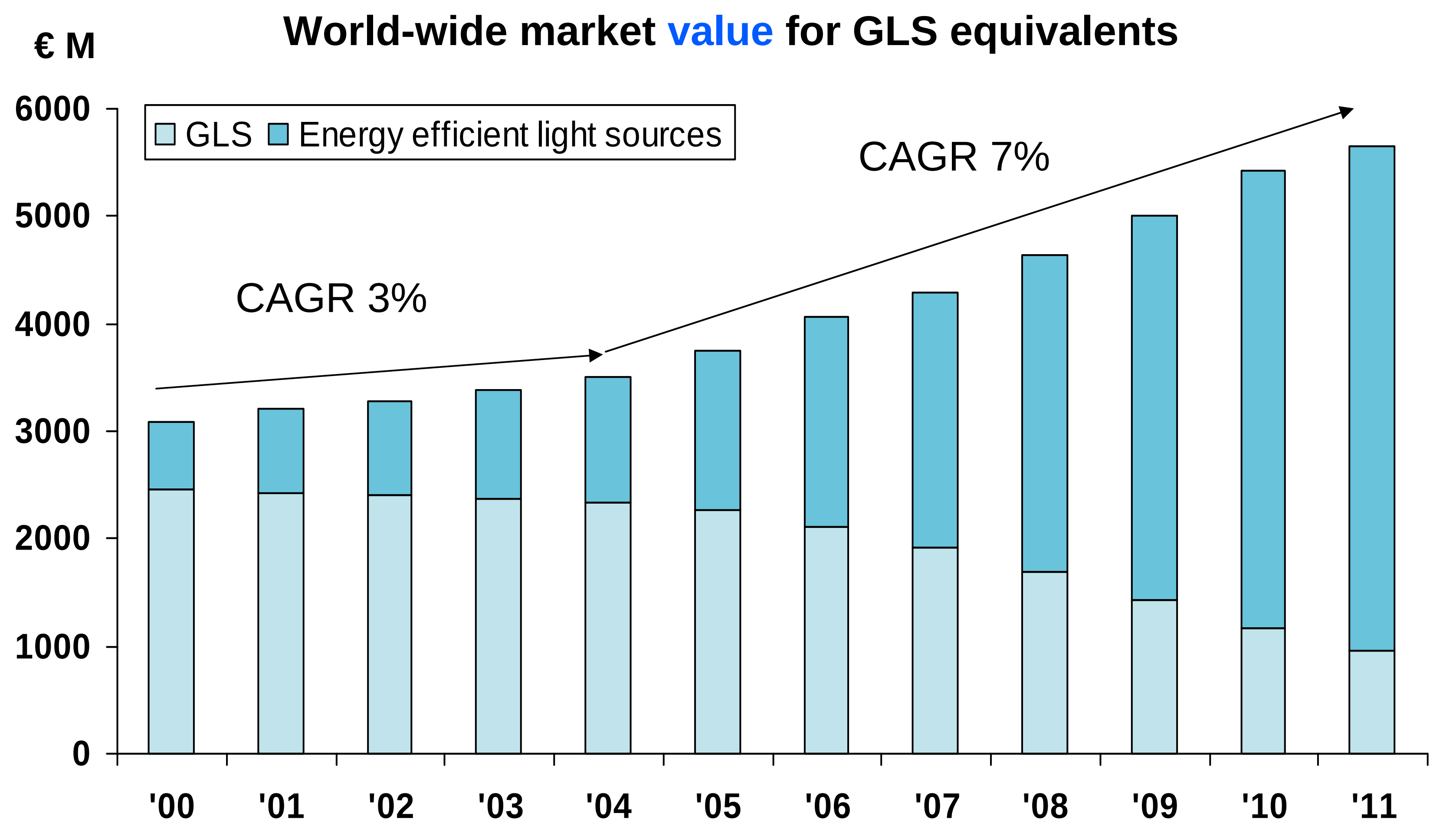
2. Eco-Classic: Energy Saving Halogen
   - Up to 50% Energy Savings; brilliant, high quality light
   - New range in launch phase

3. Solid State Lighting (LED`s)
   - Currently for decorative replacements and orientation light
   - Today limited but fast improving light output

PHILIPS

Market value growth by phasing out GLS

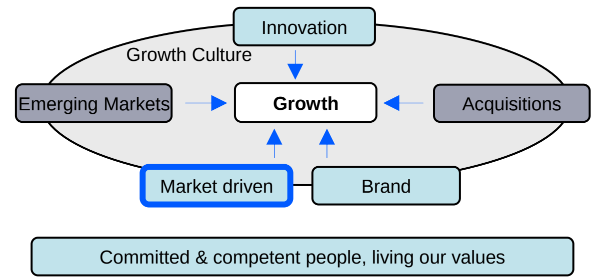
value captured by Compact fluorescent, Eco-classic and SSL solutions



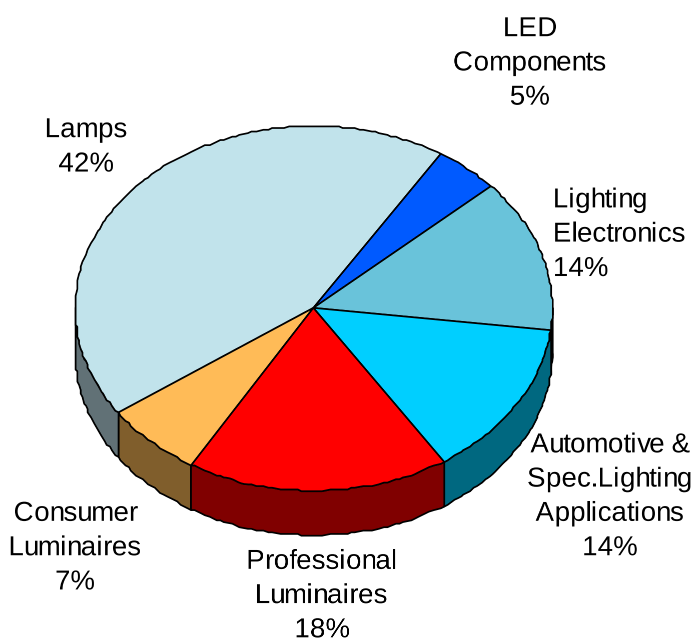
PHILIPS

From Product focus to Segment marketing

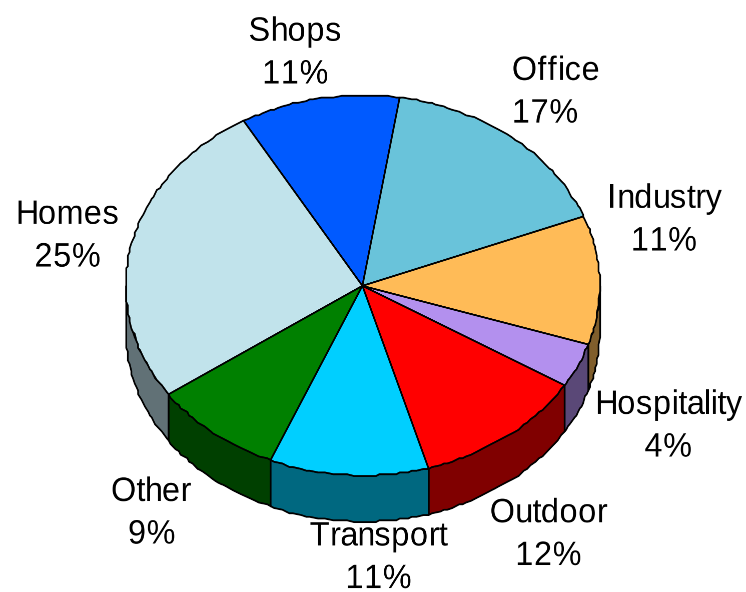
Philips Lighting Sales by product and segment



By product



By segment



Incl. Automotive

PHILIPS

Automotive: Market driven innovation

- Xenon lighting can save lives
- The TÜV in Germany has presented evidence*, based on analyses of actual road accidents data, that implies:
  - Up to 18% less fatal accidents on German roads as a result of the increased use of Xenon car lighting
- Xenon light reduces CO_2 emissions**

TÜVRheinland®

Precisely Right.

With Xenon light

With standard Halogen

* *Source: TÜV Rheinland study, September 2007, Germany*
** *Compared to standard Halogen*

PHILIPS

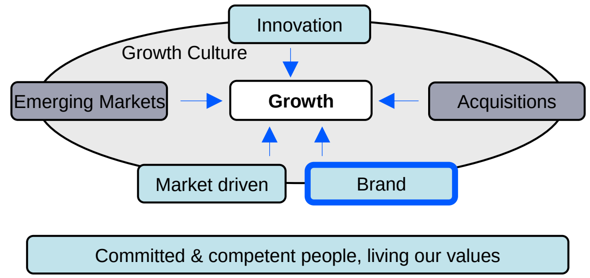
With standard Halogen

PHILIPS

With Xenon light

PHILIPS

Living our brand promise



We empower people to benefit from innovation by delivering on our *brand promise* of

sense and simplicity

it encapsulates our commitment to deliver solutions that are advanced, easy to experience and designed around the needs of our users

brand value USD 7.7 B
2007: 42nd place
2006: 48th place
2005: 53rd place
2004: 65th place

BusinessWeek
Interbrand

Advanced

Easy
to experience

Designed
around you

Agenda

- Philips Lighting
- The Growth challenge
- Growth drivers
  - Acquisitions
    - Home Lighting
    - Professional Luminaire systems
    - Solid State Lighting
  - Emerging markets
  - Energy saving solutions
  - Segment innovation (e.g. Automotive)
- Conclusion

PHILIPS

Philips Lighting is well positioned to win

- Profitable growth
  - Acquisitions
  - Emerging markets
  - Energy saving opportunity
  - End user driven innovation
- Solution provider, focused on applications
  - Professional lighting solutions
  - Consumer lighting solutions
  - Special/Automotive lighting solutions
- Building on our leading position and transforming the business
  - Conventional lighting
  - Solid State Lighting technology

Crucial to Engage Customers and People

Q&A

PHILIPS

sense and simplicity