Agenda

• Philips Lighting

• Mission, Vision, Strategy

• Building on Strength

• Shaping the Future

• Breaking away from the past
PHILIPS

sense and simplicity

In:

Healthcare
Lifestyle
Technology
Philips Lighting

Sales
Comparable Sales growth

EBIT

2005
EUR 4.8 billion
+4%

EUR 556 million
or 11.6% of sales

Avg. ’96–’03
+ 2%
Philips Lighting: Key Product Areas

- Lamps
- Luminaires
- Solid State Lighting Modules
- Lighting Electronics
- Automotive, Special Lighting & UHP
- Lumileds

Philips Lighting, 2006
Philips Lighting
2000-2005 Sales distribution by region

2000
- Europe: 54%
- Asia: 16%
- Latin America: 5%
- North America: 25%

2005
- Europe: 50%
- Asia: 22%
- Latin America: 5%
- North America: 23%

Comp. Annual Growth 2000-2005
- Europe: 2%
- Asia Pac.: 9%
- N. America: 0%
- L. America: 2%

Both at currency rates 2005, and excl. Lumileds
Philips Lighting – Sales per Business Group

2005

- Lamps: 49%
- Luminaires: 18%
- Automotive: 18%
- Special Lighting & UHP: 15%
- Lighting Electronics: 15%

Comp. Annual Growth 2000-2005

- Lamps: 2%
- Luminaires: 0%
- ASU: 10%
- Lighting Electronics: 2%

Excl. Lumileds
Philips Lighting: leading around the world
Value market shares per business per region 2005
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Philips Lighting:

Our Mission

We understand people
...and improve their lives with lighting

Our Vision

The Clear Leader;
Setting the pace in the lighting industry
Philips Lighting strategy

Profitable growth via

• Building on strength
  – In emerging countries
  – With leading (global) accounts
  – In Business to Business

• Shaping the future
  – In (consumer) display applications
  – In Solid State Lighting (LEDs, OLEDs, lasers)
Philips Lighting strategy

Building on strength, Shaping the future via

- **Key business drivers**
  - End user driven innovation, building on technology leadership
  - Marketing excellence
  - Supply excellence
  - Committed and competent people, living our values

- **on basis of:**
  - A learning organization (continuous improvement)
  - Control of costs and assets
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Philips Lighting: sales growth in emerging markets

<table>
<thead>
<tr>
<th>Region</th>
<th>2005 vs 2004 comparable growth</th>
<th>Lamps market share 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Latam</td>
<td>4%</td>
<td>30%</td>
</tr>
<tr>
<td>C&amp;E Europe</td>
<td>11%</td>
<td>32%</td>
</tr>
<tr>
<td>China/HK</td>
<td>11%</td>
<td>14%</td>
</tr>
<tr>
<td>India</td>
<td>14%</td>
<td>37%</td>
</tr>
<tr>
<td>Asean</td>
<td>16%</td>
<td>35%</td>
</tr>
<tr>
<td>Tw,Pkst,Mex-NA,LIS</td>
<td>22%</td>
<td></td>
</tr>
</tbody>
</table>

The sales in emerging markets represent 31% of Philips Lighting sales.
Growth with leading (global) key accounts

<p>| | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>The Home Depot</td>
<td>Carrefour</td>
<td>REXEL</td>
<td>IMELCO</td>
<td>Infocus</td>
</tr>
<tr>
<td>Ahold</td>
<td>TESCO</td>
<td>GRAINGER</td>
<td>HAGEMEYER</td>
<td>Cooper</td>
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<tr>
<td>Sonepar</td>
<td>IDEE</td>
<td>GENLYTE</td>
<td>AcuityBrands</td>
<td>Schreder</td>
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<tr>
<td>WESCO</td>
<td>Solar</td>
<td>REGIME</td>
<td>Valeo</td>
<td>Fagerhult</td>
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<tr>
<td>Sanyo</td>
<td>Epson</td>
<td>HELLA</td>
<td>Sony</td>
<td>Kito</td>
</tr>
</tbody>
</table>
Accelerating growth: building on strengths

Olympic games 2004 Athens
28 out of 33 venues (85%)
with Philips Lighting

Market leader in MasterColor CDM
Today 5% penetration in shops
Miniaturization increases # of light points
Acceleration of growth: 10% pa in value
Philips system approach (example outdoor)

- Modena
- Triangel
- Iridium
- Milewide
- Mini Milewide
- Metronomis I family
- Metronomis II family
- Brussels
- Porto

With CosmoWhite 60W / 140W and Primavision (fixed output ballast)
With significant Financial & Environmental Potential

How do we increase the speed of changeover

1. Investment acts as **cost barrier**

2. But **95%** of the environmental/cost impact is **energy consumption**

3. European municipalities could **save 600-700 million euros per year** by investing in new technology for road lighting

4. And **meet Kyoto targets** at the same time
Our Brand promise: Sense & Simplicity
Customer Touch points: relevant for all functional areas
New market themes drive additional growth

End user / Market Awareness

Maturity

Latent awareness
Emerging awareness
Increasing awareness
High awareness
Decreasing interest

Light & health
Lifestyle lighting
Safety
Total cost of ownership
See and be seen

Today
Yesterday
Tomorrow
Market theme concept: Safety

The same street before and after

• The street with new solution
  – Uses less energy
  – Provides higher quality light
  – Provides greater safety
Market theme concept: Lifestyle lighting
Market theme concept: Light & Health

Water purification

Infra red sauna
Product-technology innovation will continue to drive growth in Lighting
Building on technology leadership
Development R&D % and size patent portfolio

Increasing R&D effort

<table>
<thead>
<tr>
<th>Year</th>
<th>%</th>
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<tbody>
<tr>
<td>2002</td>
<td>3</td>
</tr>
<tr>
<td>2003</td>
<td>3.3</td>
</tr>
<tr>
<td>2004</td>
<td>3.8</td>
</tr>
<tr>
<td>2005</td>
<td>4.6</td>
</tr>
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<td>2006</td>
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<table>
<thead>
<tr>
<th>Year</th>
<th># of Patent Families</th>
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<tbody>
<tr>
<td>2000</td>
<td>1155</td>
</tr>
<tr>
<td>2001</td>
<td>1303</td>
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<tr>
<td>2002</td>
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<tr>
<td>2003</td>
<td>1604</td>
</tr>
<tr>
<td>2004</td>
<td>1782</td>
</tr>
<tr>
<td>2005</td>
<td>2158</td>
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</tbody>
</table>

*) Excluding Lumileds

Philips Lighting, 2006
Innovation drives investment for growth (2005)
No growth without Supply excellence

e.g. secure impeccable delivery reliability Total Philips Lighting
We do not need to do everything ourselves
Philips Lighting: Selective outsourcing

Number of Energy savers (CFL-I) from China

- 2000: 0 million
- 2001: 40 million
- 2002: 50 million
- 2003: 80 million
- 2004: 120 million
- 2005: 160 million
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Growth in (consumer) display applications
Philips Aptura for LCD backlighting systems

- New fluorescent solution for LCD:
  Creating a new viewing experience

- Wider viewing angle
- Better contrast
- Less motion blur

- Launch Q1 2006
The LCD TV market is growing fast

Million units

<table>
<thead>
<tr>
<th>Year</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volume</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Million units</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Digital Rear Projection TV at Home
Philips Lighting
Market share 2004: 70%
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A brief history of (white) light sources

- Open wood fire
- Oil
- Filament
- Gas discharge

- In-organic LED
- Organic LED
- Solid State Laser
Lumileds’ leadership in high power in-organic LEDs

- JV established in 1999
- Philips increased ownership to 96.5% in November 2005
- Industry leader in high power LED’s (LUXEON platform)
Lumileds: Increases Philips Lighting growth by 1%
Lumileds has a much broader scope than illumination

Source: Strategies Unlimited; PennWell
Philips Lighting is with In-organic LEDs especially active in decorative outdoor and shop lighting...
Philips Lighting operates in the In-organic LED system illumination market

Estimated by Philips at 3 times the LED component market as stated by Strategies Unlimited; PennWell
We explore new applications....
e.g. creating atmospheres in shops....

Winter

Spring

Summer

Autumn

Demo Philips Lighting application centre Eindhoven
We explore new applications....
.. creating an Ambient Experience during hospital diagnostics
We explore new applications……
……or creating a Bathroom experience…..

Demo in Philips Lighting Application Centre Eindhoven
We explore new applications

…… light in textiles, controlled by SMS messages

IFA, Sept 2005