

PHILIPS

Business update: Automotive

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General Manager BU Automotive & Identification

September 15, 2005

Agenda

- Business scope and portfolio
- Market development and market shares
- Three key thrusts for profitable market share growth



Philips Semiconductors leadership in selected areas in the car

Car Infotainment

SAF7730 and
2x TEF6721
**Radio/Audio
DSP and
digital IF Tuner**

4x TDA8566TH
**Power Amps for
Surround System**

CDM-M6 4.8/42
Audio CD Deck

SAF3550
**HD-Radio
Processor**

**Various Power,
Logic, Discretes**

MR Sensors

2x KMZ41
**MR Sensors in
wiper module**

3x KMZ41
**MR Sensors in
steering gear**

4x ABS Sensors

Tyre Pressure Monitoring

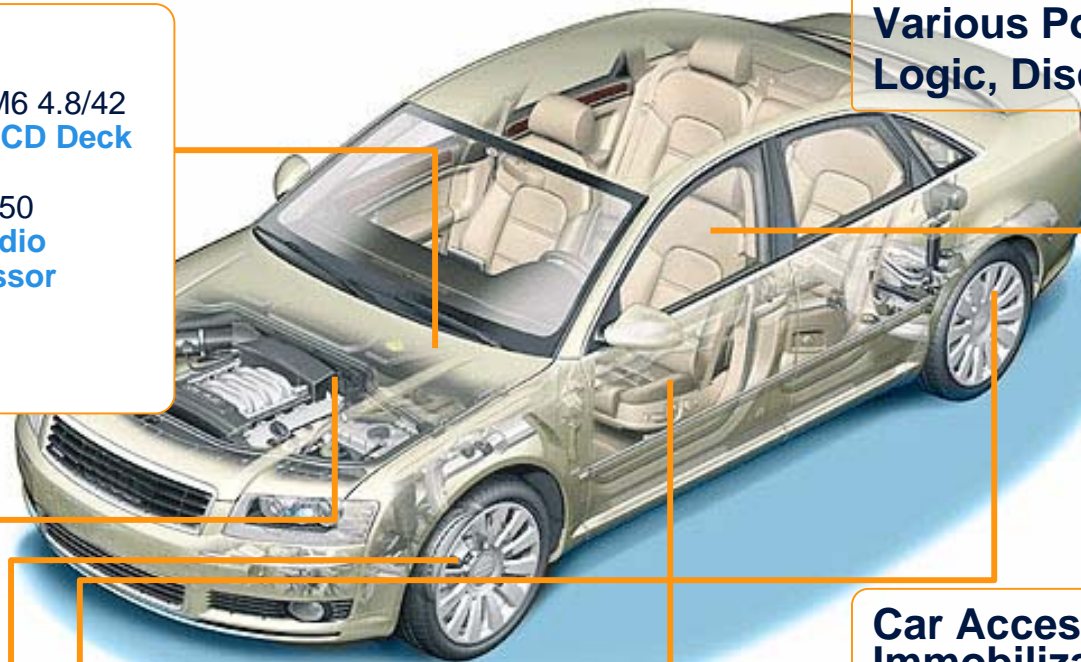
4x PCH7970
**TPMS Signal
Conditioning**

In Vehicle Network

10x TJA1020 , 17x TJA1054
8x PCA80C250
**LIN and CAN Network
Transceivers in various modules**

Car Access & Immobilization

PCF7946
**Remote Keyless Entry and
Immobilizer System**
PCF7943 and PCF7951
**Passive Keyless Entry and
Immobilizer System**



We have the leaders in the industry as our clients and partners

- We are proud to have 9 out of the top 10 industry players¹⁾ as our clients
- 9 of the top 10 Car Radio makers use our ICs (>70% market-share with radio/audio DSP)
- In September we ship our 1 Billionth IVN transceiver
- We drive key innovations with the leading car-brands
- We drive key industry consortia and partnerships



Customers and analysts appreciate what they see and get ...

...Philips IC technology have technical advantages over other chipset manufacturers. Thanks to the Philips Advanced Car DSP platform, JVC was able to improve the performance of our high-end products...

M.Kyoya
Development Group Manager

JVC

...Philips advanced digital and analog semiconductors drive the entertainment systems of most of the major automobile suppliers of the world. This is a strong profitable foundation for sustained growth...

Derek Lidow
President iSuppli

iSuppli
Applied Market Intelligence

SiemensVDO Korea
Best Supplier Award 2004,
Quality Management

SIEMENS VDO
A u t o m o t i v e

...Philips is the greatest electronic appliance manufacturer in Europe with a noble history. The company is an indispensable supplier for developing and releasing new technology products of the highest quality. We hope to expand the partnership we have with Philips forever...

Mr. Yasuki Matsui
Purchasing manager

ALPINE
Mobile Media Solutions

Automotive business scope & portfolio strategy

Car Info-tainment #3

Car radio #1

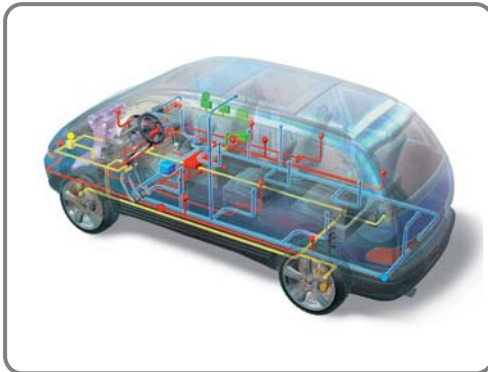


Car Infotainment

- Focusing investments towards
 - Extended Audio: Digital Radio & Connectivity
 - Video

Car networking #1

Car Access & Immobilization #1



Safety & Comfort

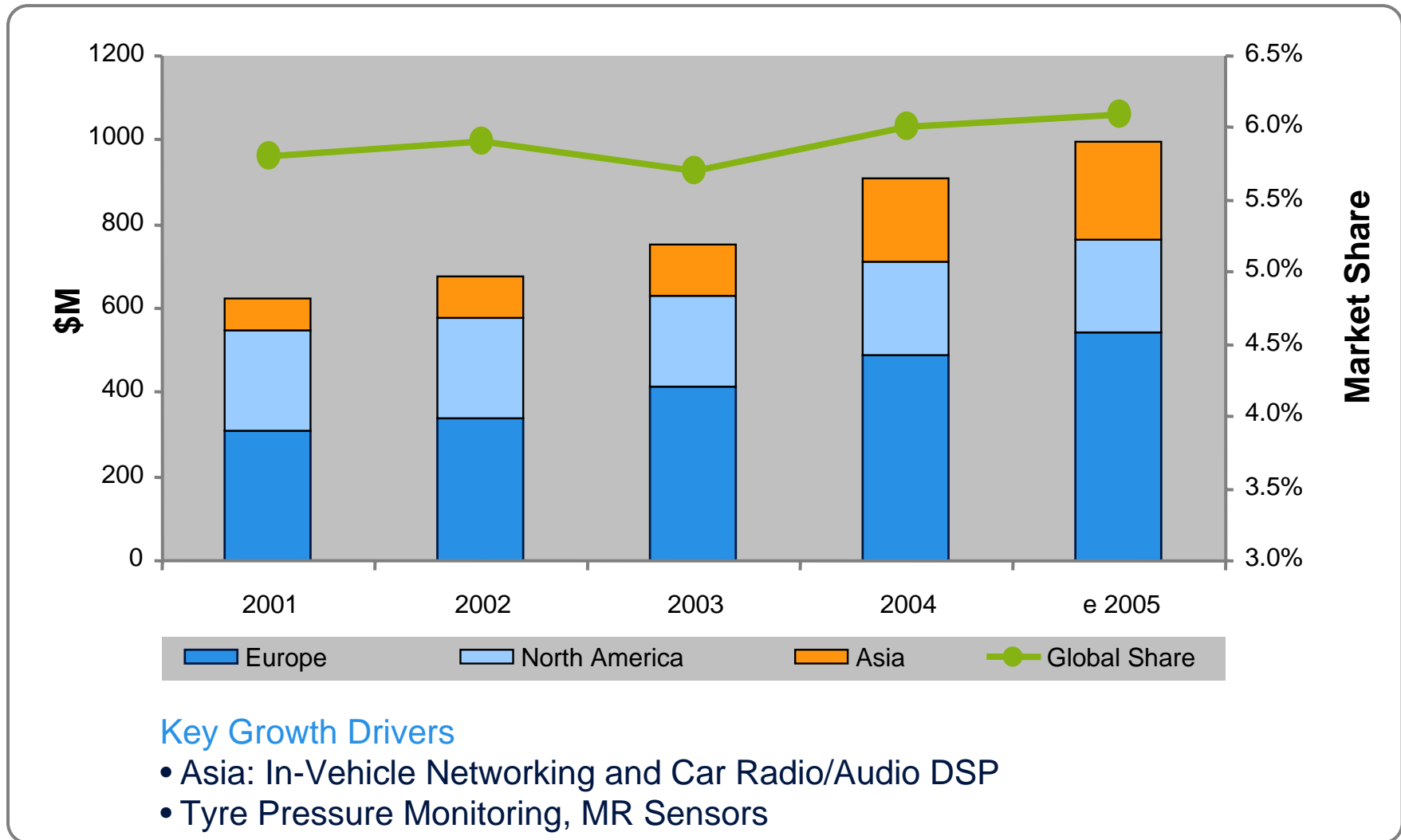
- Focusing investments towards leadership in emerging high growth Safety applications
 - Tyre Pressure Monitoring
 - FlexRay & Airbag Networking
 - Vision systems
- Focusing investments towards leadership in integrated Body & Comfort applications
 - Gateway controllers & smart transceivers
 - Intelligent Power MOSFETs
 - MR Sensors

Agenda

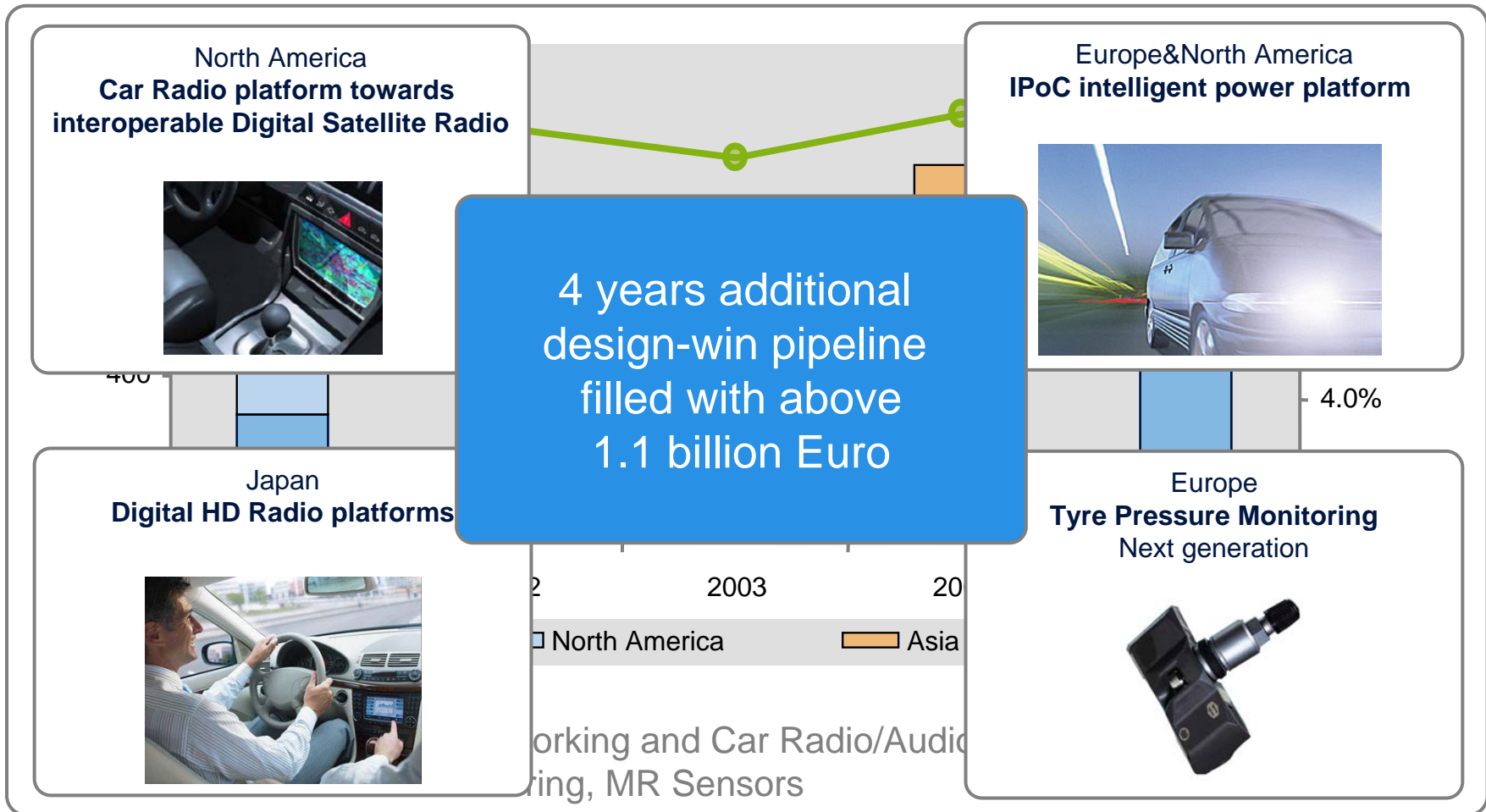
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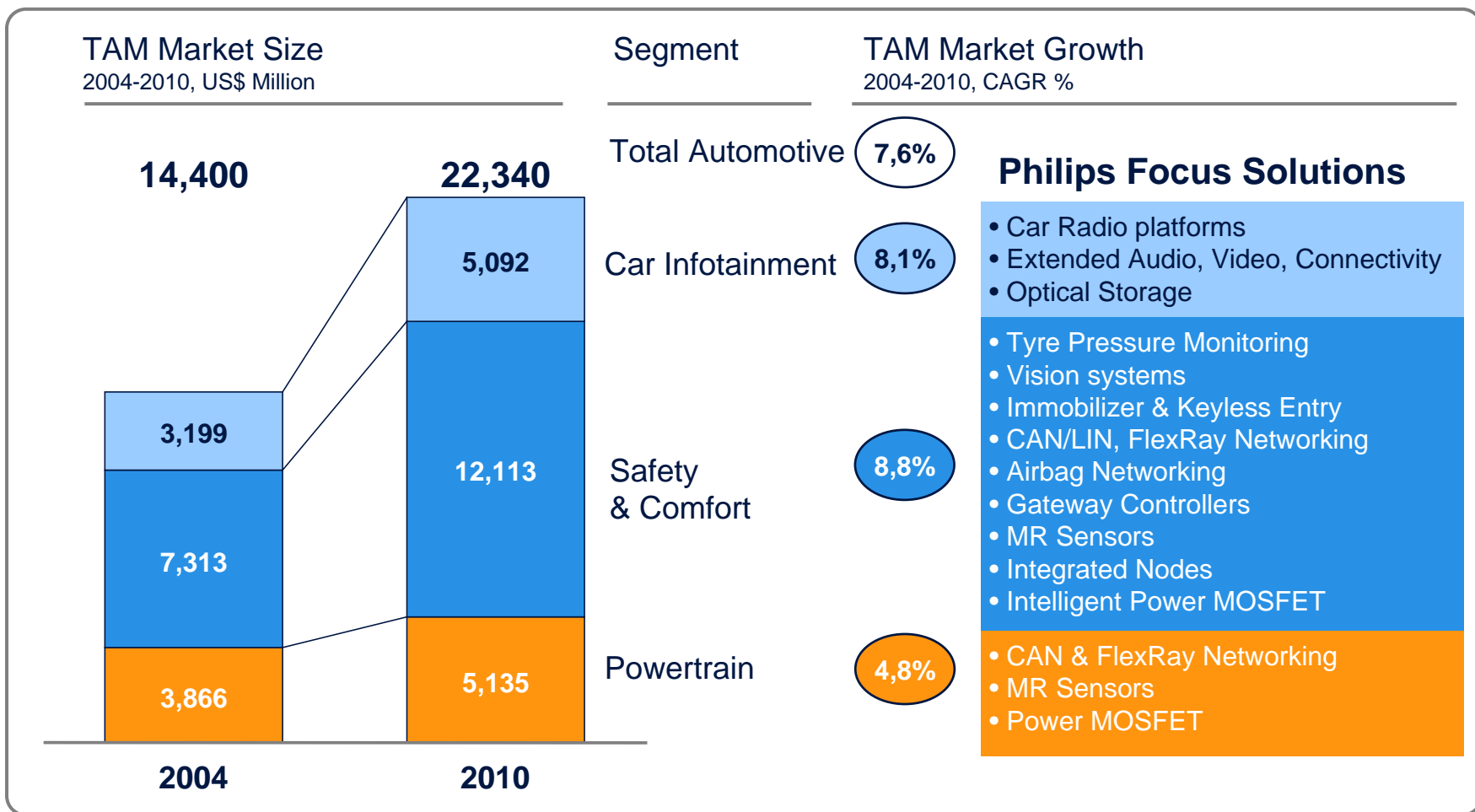
We are growing consistently...



...and have new design wins for future market share growth

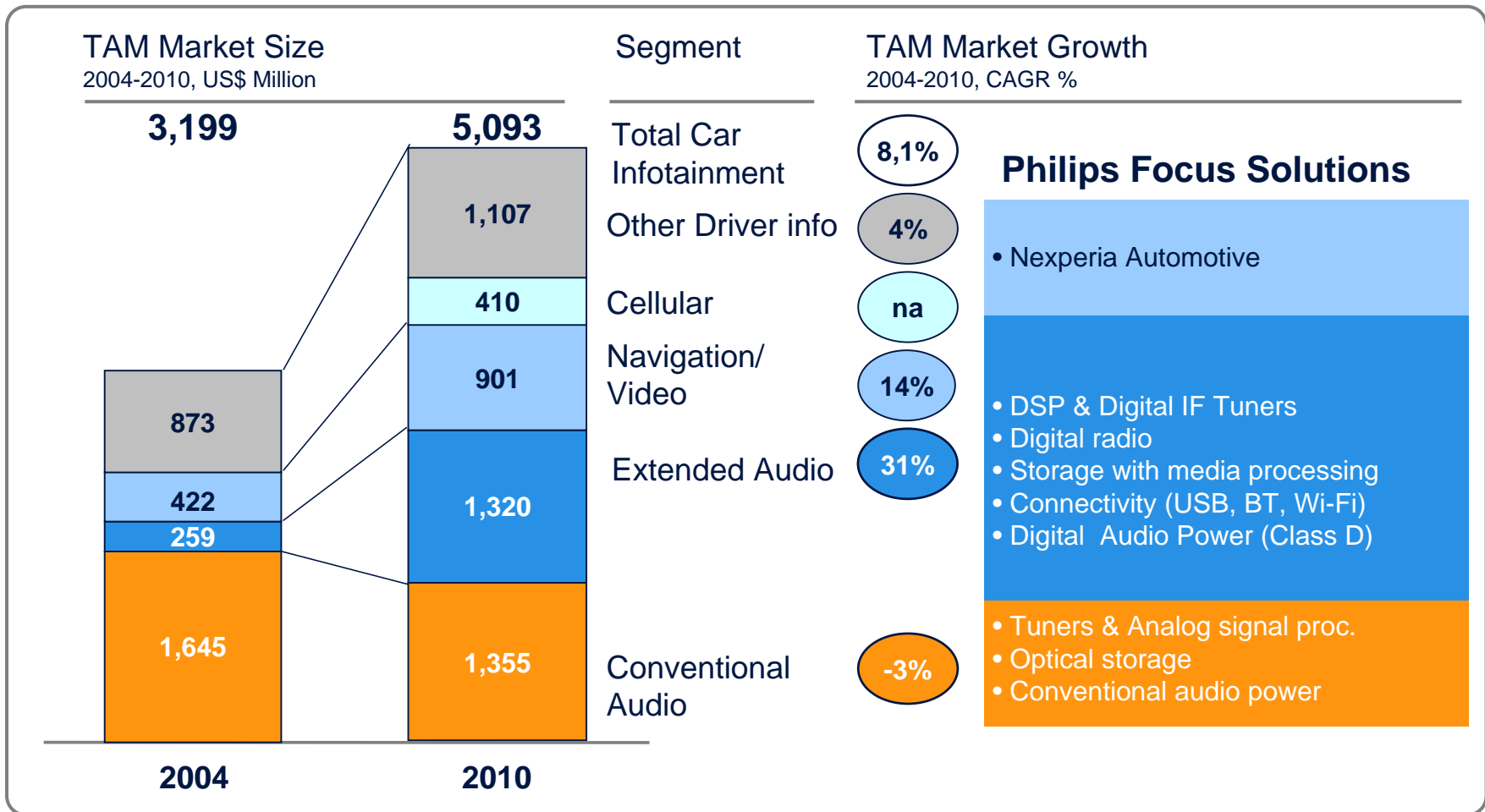


We focus on the high growth segments within Automotive...

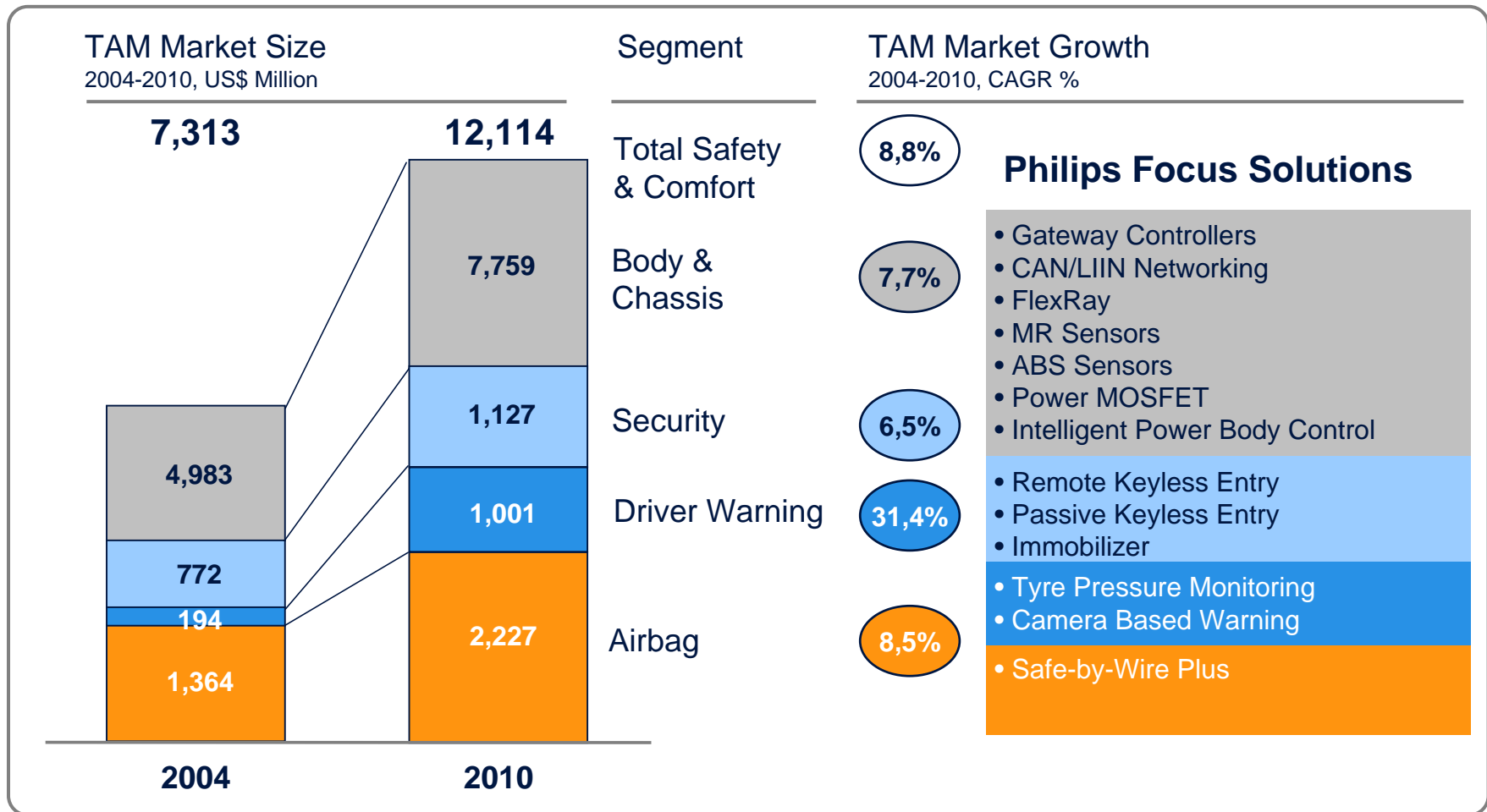


Car Infotainment

Moving beyond conventional car radio



Safety & Comfort Investing for the future



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Examples of key thrusts for accelerated market share growth

Serving and engaging in a selection of the fastest growing applications:

	SC TAM 2005	CAGR 2005-2010
Car Infotainment	\$3.2B	8.1% ¹⁾
Tyre Pressure Monitoring	\$200M	46% ¹⁾
In-Vehicle Networking	630M nodes	12% ²⁾

Focus on

- Fast time-to-market with leading system expertise
- Partnerships along the value-chain
- Working towards excellence in automotive quality

Our strategy is underpinned by design wins and leadership in these high-growth application areas...

Leadership for accelerated growth Car Infotainment DSPs: the heart of car A/V

Car-radio: leading the conversion from analogue to digital

- >70% MS in radio / audio DSP
- H1 2005 DSP sales growth 13% vs. market growth 11%¹⁾
- HD Digital Radio design-ins at market-leaders

Leveraging car audio leadership and consumer A/V experience

- Multicore DSP & Microprocessor for A/V, connectivity, and navigation
 - Nexperia Automotive demonstrated at IFA
 - Multi-media platform design at major customers

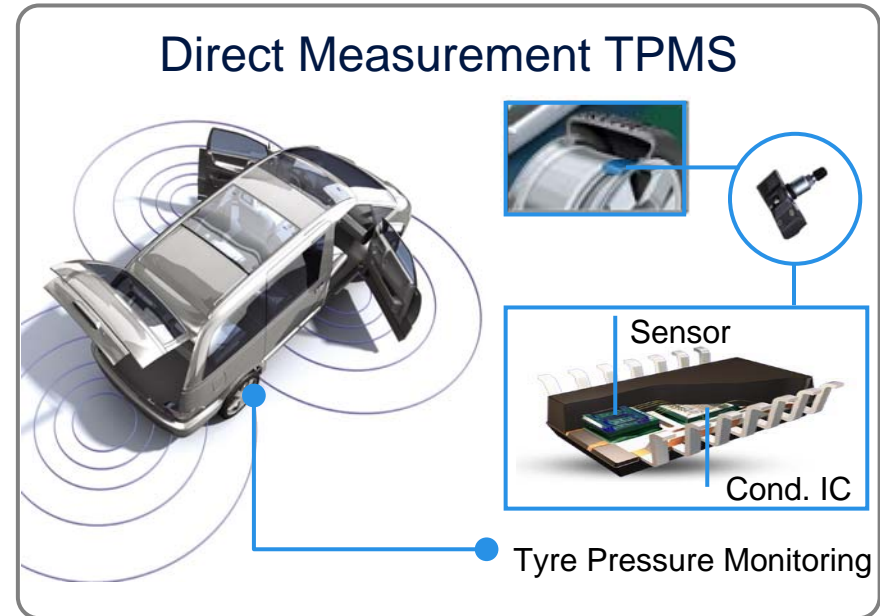


2 out of 3 car radios produced worldwide
have Philips Semiconductors inside

Leadership for accelerated growth

TPMS: the fastest growing application

- Market growth driven by legal requirements to increase passenger safety (USA TREAD; NHTSA mandate)
- Leveraging our RF-Identification competence from our #1 position in Car Access & Immobilization
- 2005 sales doubling over 2004



Number 1 supplier for TPMS Signal Conditioning ICs

Leadership for accelerated growth In-Vehicle-Networks: backbone of the car

- Extending CAN/LIN leadership beyond Europe
 - Japan: tripled sales in 4 yrs (CAGR '00-'04: 37%)
 - Design win with major Chinese car manufacturer
- Leading in innovation
 - Failsafe smart transceivers
 - FlexRay Transceiver & Controllers: 1st to market with Transceiver
 - CAN-LIN-FlexRay Gateway Controllers



4 out of 5 European cars contain Philips CAN transceivers.
1 Billionth IVN transceiver being shipped in September 2005

Conclusions

- Automotive is a key thrust for Philips
- We focus on selected high growth areas in Car Infotainment and Safety & Comfort
- We are working towards excellence in automotive quality and partner across the value chain to shape the leading solutions for tomorrow with stepped-up R&D investments
- A dedicated Business Unit with a great team, we have everything in place to outgrow the market 2005 – 2010

