

PHILIPS

Lighting Strategy: Accelerating profitable growth

- Building on strength in existing businesses
- Shaping the future in new business areas

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Financial Analysts Meeting

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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

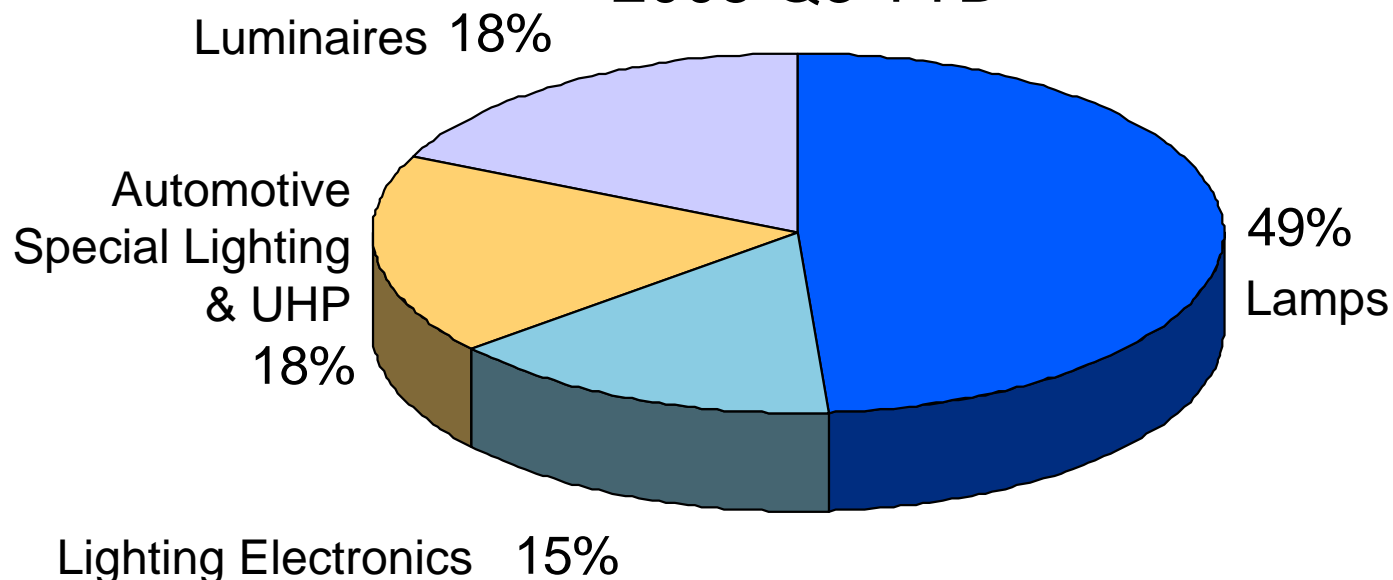
In presenting and discussing the Philips Group's financial position, operating results and cash flows, management uses certain non-GAAP financial measures. These non-GAAP financial measures should not be viewed in isolation as alternatives to the equivalent GAAP measure and should be used in conjunction 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.

Agenda

- Philips Lighting: Existing businesses
- Accelerated growth examples
- Continuous improvement and control of costs and assets

Philips Lighting – Sales per business group

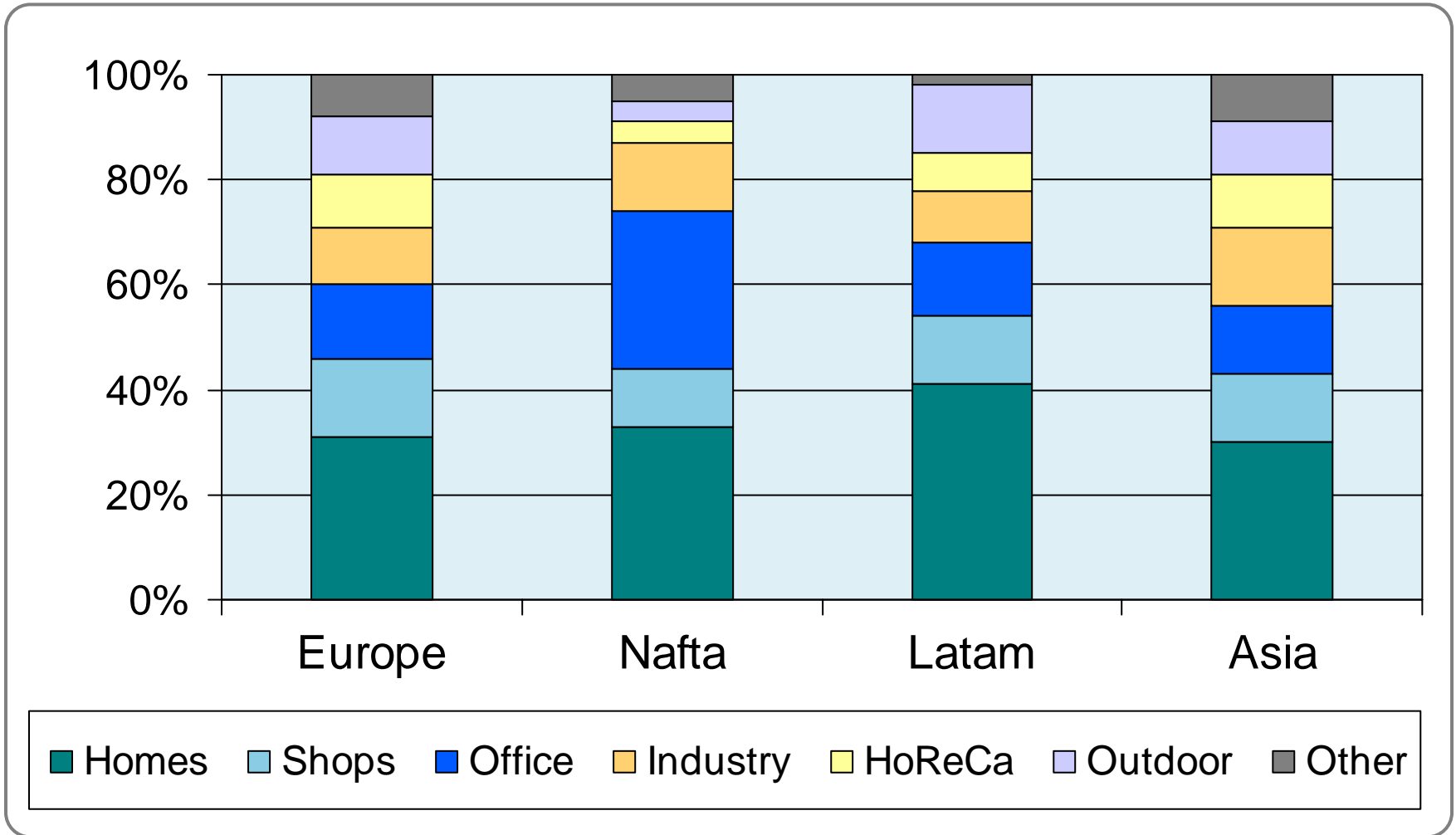
2005 Q3 YTD



Cum. Annual Growth 2000-2005

Lamps	3%	ASU	9%
Luminares	0%	Lighting Electronics	2%

Market value by application segment



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Philips Lighting: sales growth in emerging markets

	2005 Q3 YTD vs. 2004 comparable growth	Lamps market share 2005
Brazil	12%	27%
C&E Europe	12%	32%
China	10%	14%
India	16%	40%
Asean	13%	35%

**The sales in emerging markets represent
21% of Philips Lighting sales**

Growth with leading (global) key accounts

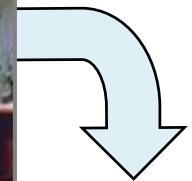
				
				
				
				
				

Accelerating growth: building on strengths

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



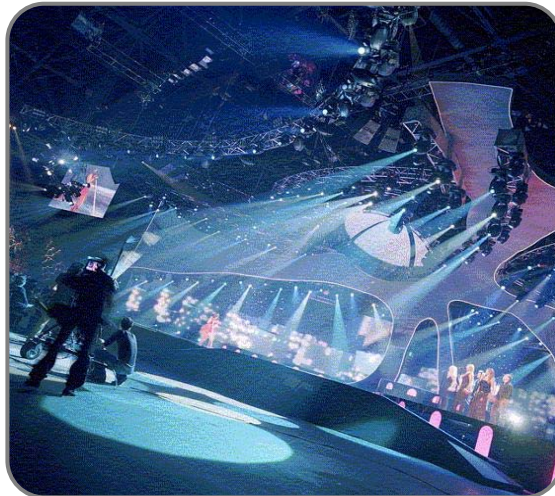
Market leader in MasterColor CDM
Today 5% penetration in shops
Miniaturization increases # of light points
Acceleration of growth: 10% pa in value



The opportunity of end-user applications, using lighting as key enabler



Safety

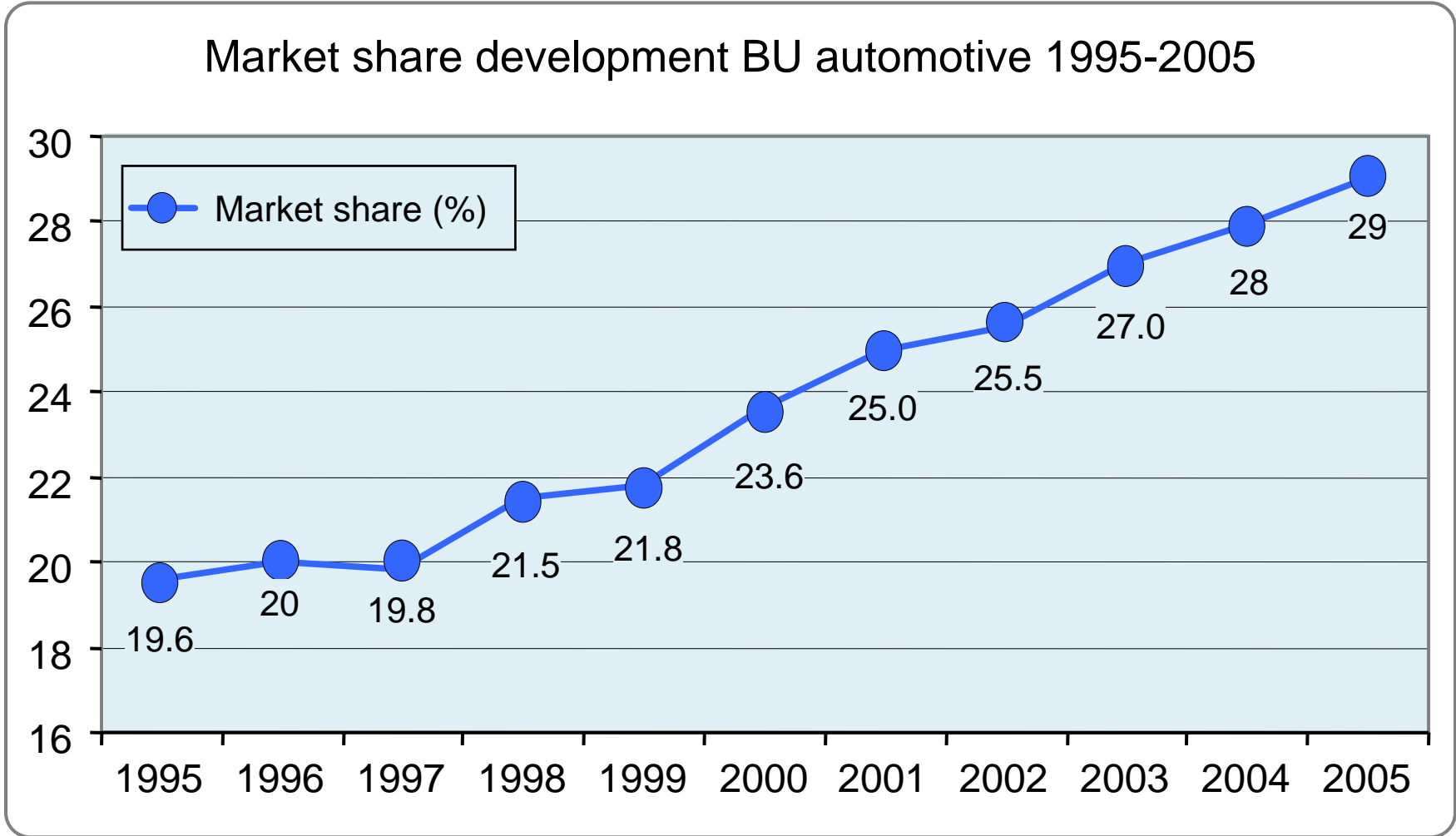


Lifestyle



Health

Building on our strength



Example: day time running lights

- Anticipation on emerging consumer need especially when **day time running lights become mandatory in EU**
 - **Hassle-free and reliable** solution
 - The Philips Halogen **Longer Life**



Marketing Excellence: building the Brand

PHILIPS

sense and simplicity

Delivering on our brand promise Customer in-store experience

- Unique interactive merchandising system to define a new way of “buying light”
- Better shopping experience for the customers
 - Helps find the right product for the right application
- Competitive differentiation for Philips and our retail partners
 - Drive higher-end product mix



Delivering on our Brand promise Architectural approach...



Containers with Architect's vision on use of light



Fiber optics, reflected in mirror walls

Winy Maas & Fokke Moerel, Rotterdam



Day-light rhythm in flower garden

Frederic Druot & Georges Berne, Paris

Road show of containers with light designs by Architects for Architects

Copenhagen, Denmark



Delivering on our brand promise (2) CosmoPolis

- White light system
(Lamps, Gear and Luminaires)
- Cost-efficiency similar
to existing yellow-lighting



With significant Financial & Environmental Potential

- What is this ?



1. 175 Million Trees
2. 600 Million Euro
3. High Pressure Mercury Lamp
4. 30% Sales Growth
5. 14 Million Barrels of Oil

Environmental trends

- Energy
 - Scarcity (Americas)
 - Booming Demand (Asia Pacific)
 - Climate Change / Kyoto (Europe; Global)
 - Oil Prices (Global)



Observations:

1. Growing awareness of environmental / energy issues
2. Lisbon agenda key to Europe`s future
3. Environmental issue will never go away (growing relevance)

The untapped potential of new lighting technology

If all lighting in all sectors across e.g. Europe were switched from energy inefficient to the latest technology



- 4.3 Billion euros cost savings per year
- More than 50 million barrels of oil per year
- 28 Million tons of CO₂ per year
- Equivalent CO₂ consumption of more than 1 billion trees
- Energy savings = output of 12 medium sized power plants

Current rate of switch over too slow

- Most lighting (80%) is used in Public sector, Industry, Commerce not the home
- More than 50% of all Europe's lighting is old energy inefficient technology
- For example - Switch over in Street lighting only 3% per year meaning it will take another generation to upgrade



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















Price: 1 Euro



Energy: 24 Euro

Examples of new energy saving technology

Area of lighting	Energy improvement last 15 years	CO2 savings per lamp per year
Road lighting	 225%  	110 kg CO ₂
Shop Lighting	 400%  	166 kg CO ₂
Office & Industrial Lighting	 300%  	140 kg CO ₂
Home Lighting	 500%  	100 kg CO ₂

Philips outdoor portfolio May 2005



Modena



Triangel



Iridium



Metronomis I family



Milewide



Metronomis II family



Brussels



Porto



Mini Milewide



With CosmoWhite 60W / 140W and Primavision (fixed output ballast)

...and new technology for the future

First experiments with Solid State road lighting



Next generation
Technology:

Energy efficient

Long life

Leading to growth in our traditional business

- New lighting technology **exists** now to make a major impact
- This technology offers a unique **advantage**
 1. **Users/tax payers** save costs and have better light quality
 2. **The environment** benefits from lower CO₂ emissions
- Accelerated adoption rate brings higher **growth**
- Continuing **'traditional business' growth** for Philips Lighting

Environmentally-friendly car lighting



Environment

- Cadmium-, mercury- and lead-free products
- Low-energy products and production
- Recycling of materials
- 5% less packaging
- No hazardous materials



New technology adopted by car industry



First on the road with mercury-free Xenon bulbs: Toyota Porte

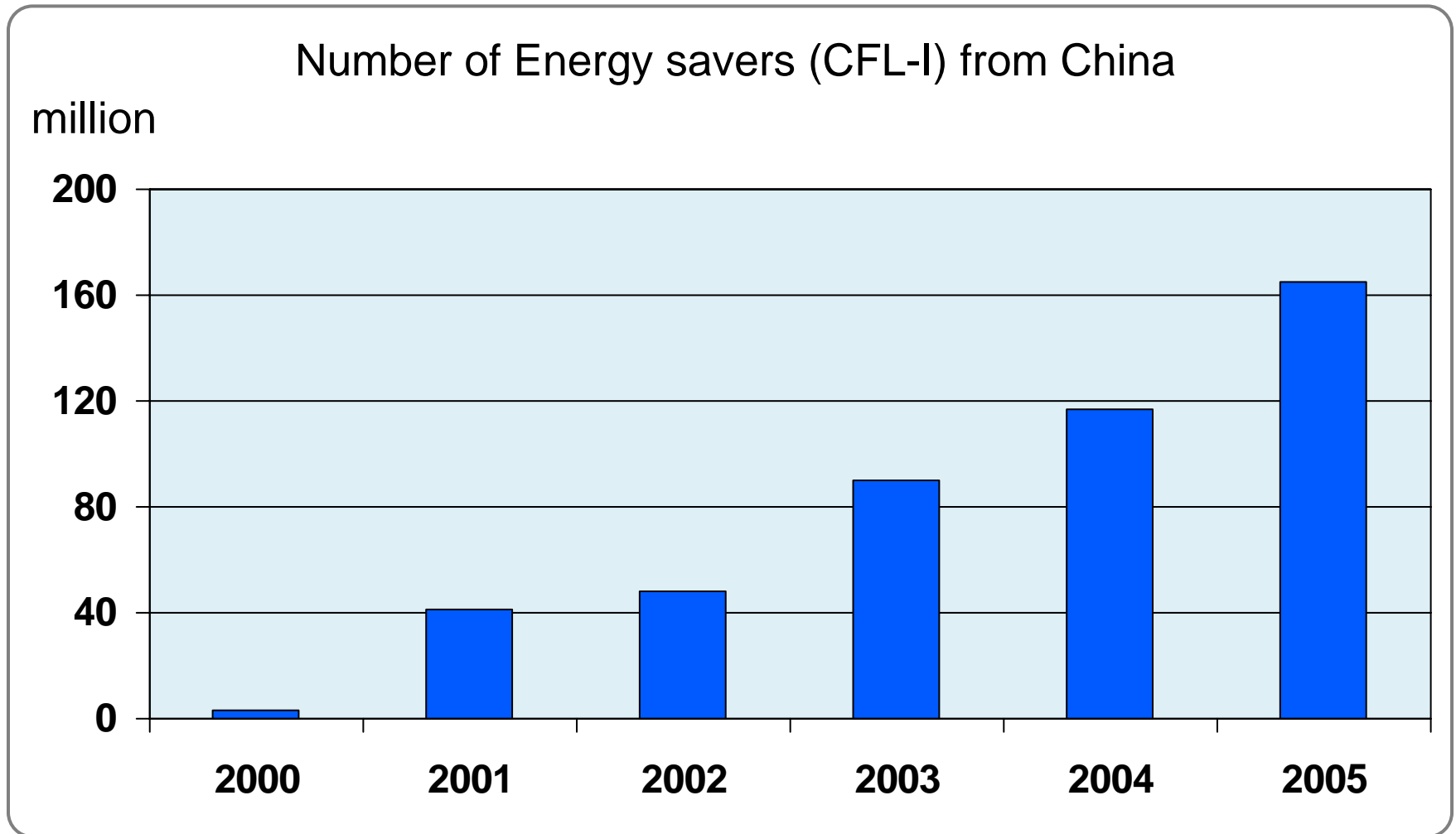
- Brighter lights for safer roads
- Helping the environment



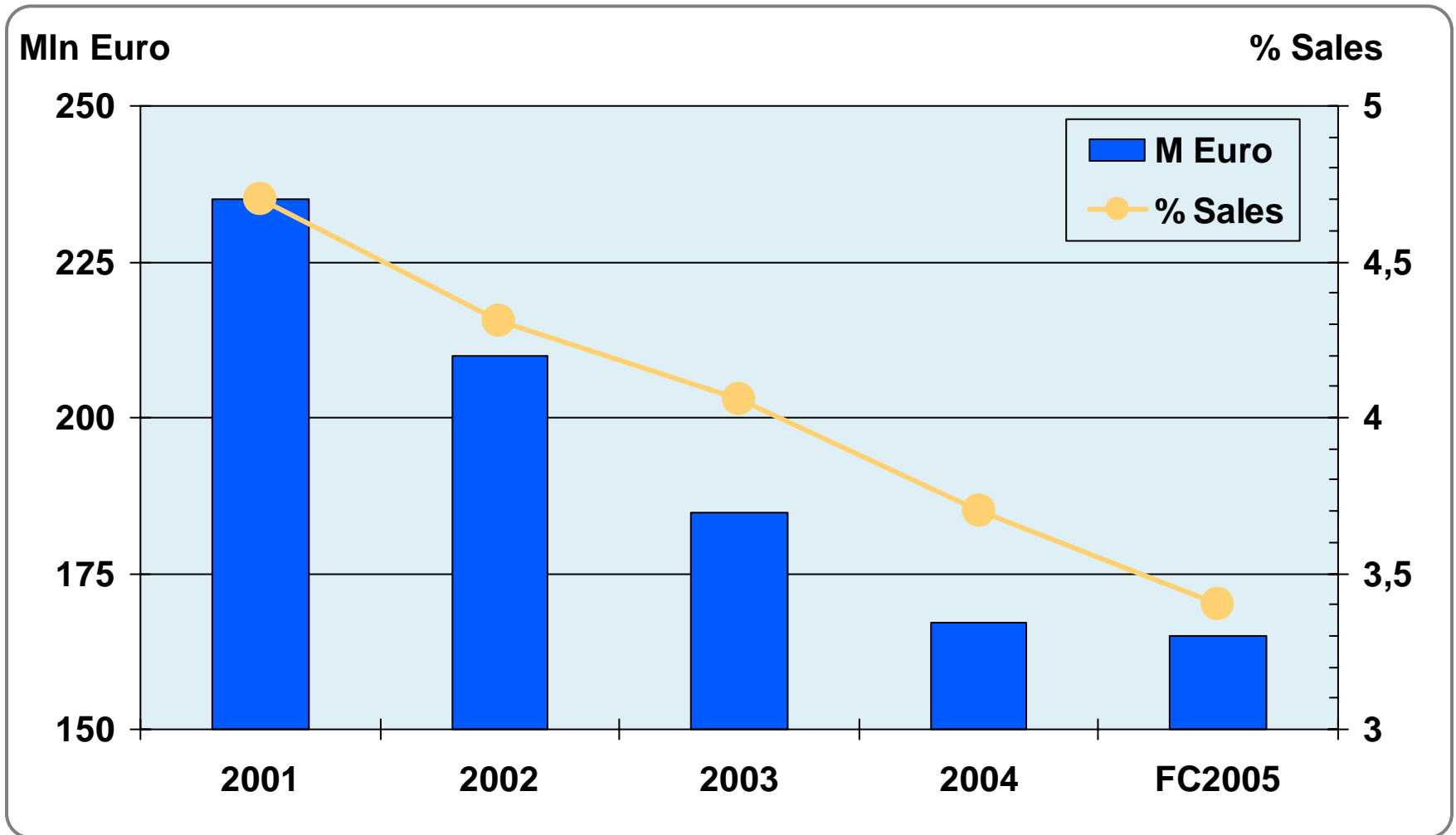
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Philips Lighting: Selective outsourcing



Philips Lighting IT costs



Philips Lighting: number of ERP systems

