Sustaining Profitable Growth in the Consumer Business

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Philips Semiconductors
Financial Analysts Day 2004
Agenda

• Business update

• The Connected Consumer’s journey

• Enabling the Connected Consumer

• Summary
Consumer business in 2004
By application

- Analog CTV: 30%
- Audio: 16%
- Remaining: 11%
- Automotive: 21%
- DVD recorder: 10%
- New Display technologies: 8%
- Digital CTV: 4%

Source: Philips, 2004
Consumer business in 2004
By region

- Greater China: 32%
- Americas: 9%
- Europe: 31%
- Asia: 28%

Source: Philips, 2004
Consumer business growth above 25% in 2004

- #1 in FM radio chips for handheld devices, 100 Million pieces sold
- #1 in portable digital audio with 25% market share
- #1 in car radio with 35% market share
- #1 in TV add-on cards for PC with 40% market share
- #2 in DVD recording with 20% market share

Source: various/Philips, 2004
Continued global leadership in TV

• Record of 80 Million TV engines sold on market of 170 Million

• Connected HD TV introduced with Philips

• Picture improvement solutions for premium range LCD, PDP and DLP products

• UOCIII introduction to leading brands

• Introduction of worlds first One-Chip LCD TV
TV505 reference design - One chip LCD TV
Nexperia Home
Successes today

- Almost doubled Nexperia Home sales in 2004, close to 15% of Consumer sales is Nexperia

- Nexperia solutions continue to enable growing consumer markets
  - Strong position in growing DVD recording market
  - Superior Audio/Video performance is key for LCD TV
  - Entry into the horizontal STB markets in Europe and China
  - Continuing roll-out of digital reception TV solutions in Europe
  - Strong offering for emerging ATSC market
TV810 reference design - fully integrated DTV

- Industry’s only fully integrated DTV reference design – analog plus digital!
- Will support coexistence of analog and digital TV for many years
- Significant space and cost reduction compared to bolt-on solutions
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The Connected Consumer in the living room today

• Digital Storage and Retrieval: DVD recording

• Digital Displays: LCD-TV

• Digital Broadcast and Broadband taking off

• First experiences with connectivity, such as USB, IEEE1394 and WiFi

• Links to the mobile world
The digital home centered around the Connected Consumer
Meeting Connected Consumers’ requirements

Designed around you
• Designed around the needs for personal content management
• Living room prices

Easy to experience
• Easy to install, easy to use
• Evolutionary path: new devices and features one at a time

Advanced
• Advanced video and audio quality
• Design for the right look and feel

Provide PHILIPS for the Connected Consumer
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Enabling the Connected Consumer

- Nexperia Home
- Interoperability through common API
Nexperia Home is here and now

- Nexperia enables
  - Fast time-to-market
  - Future proofing
  - “Living room” prices

- Nexperia Home provides a consistent architecture to deal with convergence devices
  - Connected TV
  - DVD/HDD combinations
  - STB/PVR
  - Media adapters
Nexperia Home

Output
- LCD/PDP Display
- Headphones
- CRT Display
- Speakers

Middleware & Application software

AV Processing

Storage
- CD
- DVD
- BluDisk
- HDD
- Flash Cards

Broadcast
- PAL
- SECAM
- NTSC
- DVB
- ATSC
- ISDB
- Terrestrial
- Satellite
- Cable

Connectivity
- RFID
- NFC
- Bluetooth
- Wi-Fi
- 1394
- WiMAX
- UWB
- USB
- HDMI
- Ethernet

Display Processing

Home

Display Processing

Nexperia Home
Nexperia Home
Analog CRT TV

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AV Encoding & Decoding

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Home

Nexperia Home
Analog CRT TV

PHILIPS
Nexperia Home
Analog LCD TV

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AV Encoding & Decoding

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Nexperia Home
Analog LCD TV
Nexperia Home
Digital advanced LCD TV

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Middleware & Application software

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AV Encoding & Decoding

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Nexperia Home
Advanced
DVD Recorder

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Nexperia Home
Advanced
DVD Recorder

Semiconductors
21
The importance of software in the TV

Software code size

"Moore’s law of software"

Source: Philips Research Archives
The Nexperia Home Partner Program

- Announced in December 2003
- A variety of leading Independent Software Vendors (ISVs) create middleware and application software for the Connected Consumer
- System Integration partners provide customized turnkey solutions with fast time-to-market
Enabling the ecosystem

Industry standards for maximizing economy of scale

• Universal Home API (UHAPI)
  – Hardware-independent API allowing interoperability between semiconductor platforms and ISV software
  – Announced in January 2004 by Samsung & Philips
  – UHAPI Forum will be launched soon with leading CE and PC companies from all major regions
  – Nexperia Home is fully UHAPI compliant

• Linux Operating System
  – De-facto OS for emerging categories of connected products
  – CE Linux Forum optimizes Linux applicability in the CE space
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In summary

• Our Consumer business is outgrowing the market
• The Connected Consumer creates, shares, enjoys content from broadcast, broadband and personal sources
• Philips and its partners are driving the required standards and ecosystems
• Philips Nexperia based solutions are powering the Connected Consumer today