

PHILIPS

Sustaining Profitable Growth in the Consumer Business

Leon Husson

Executive Vice President Consumer Businesses

Philips Semiconductors

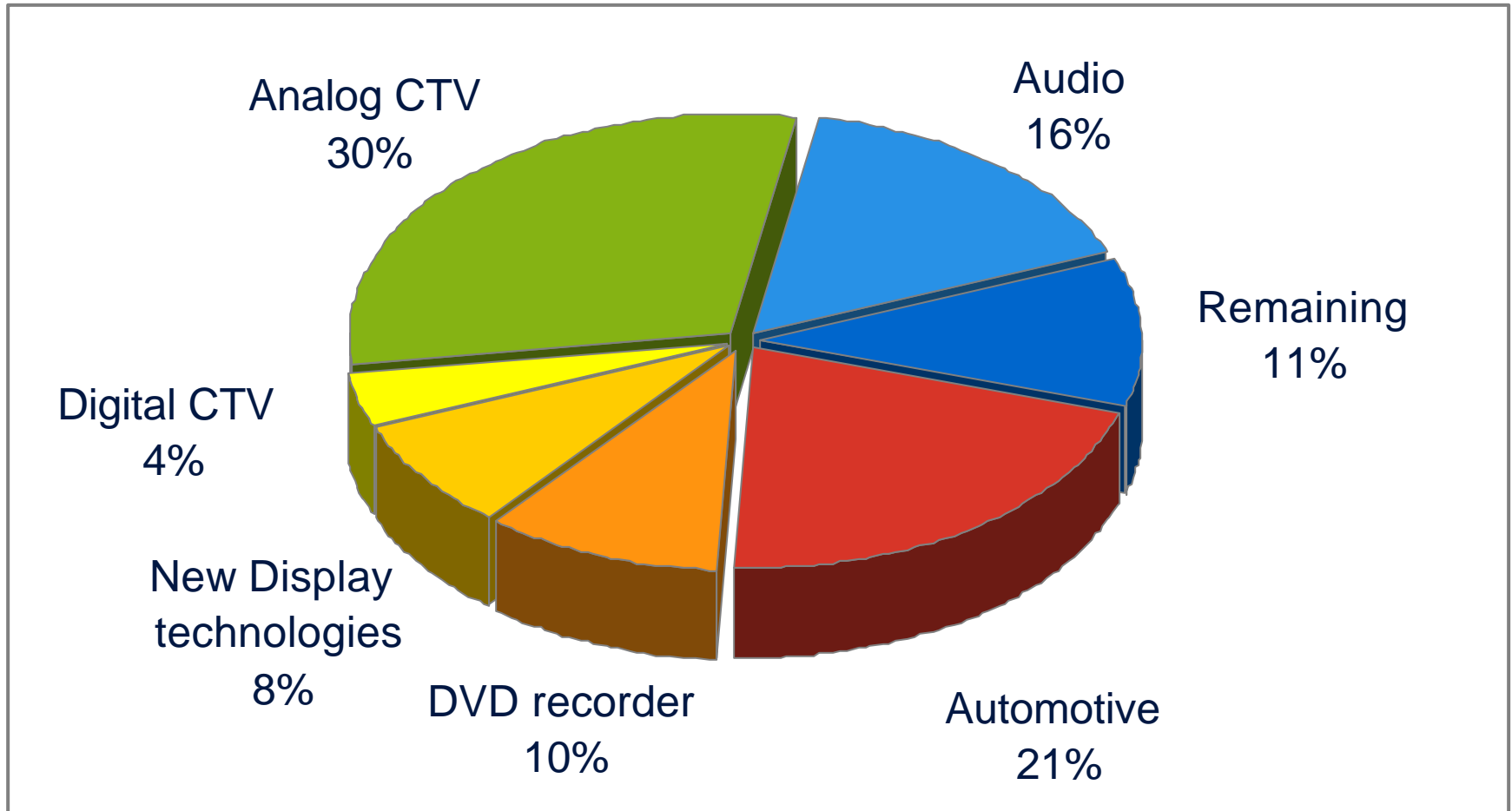
Financial Analysts Day 2004

Agenda

- Business update
- The Connected Consumer's journey
- Enabling the Connected Consumer
- Summary

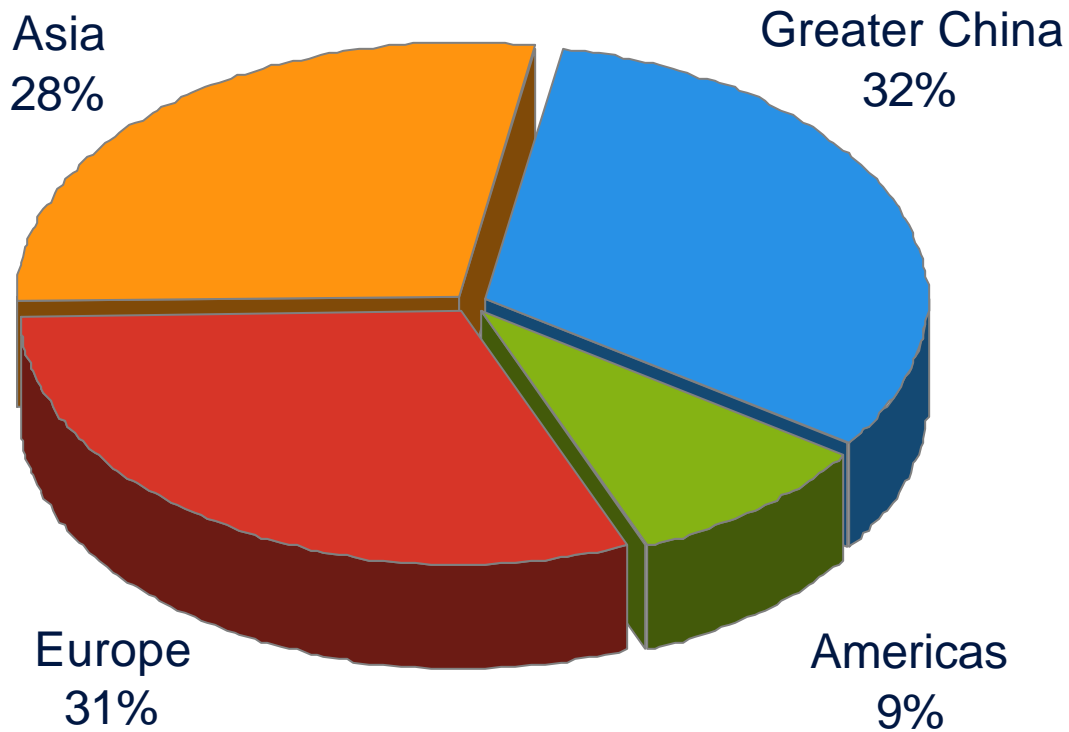
Consumer business in 2004

By application



Consumer business in 2004

By region



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

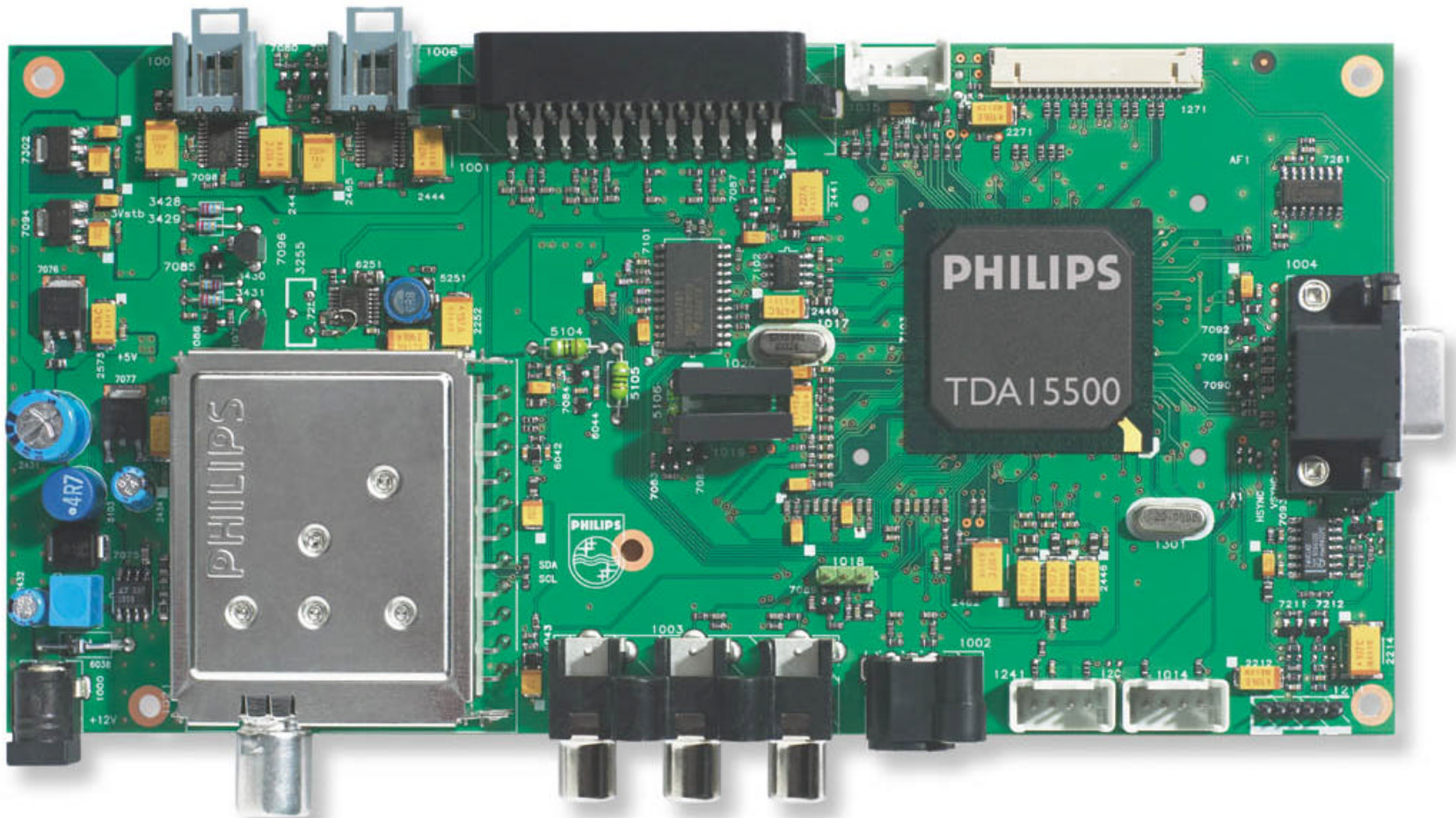


Continued global leadership in TV

- 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

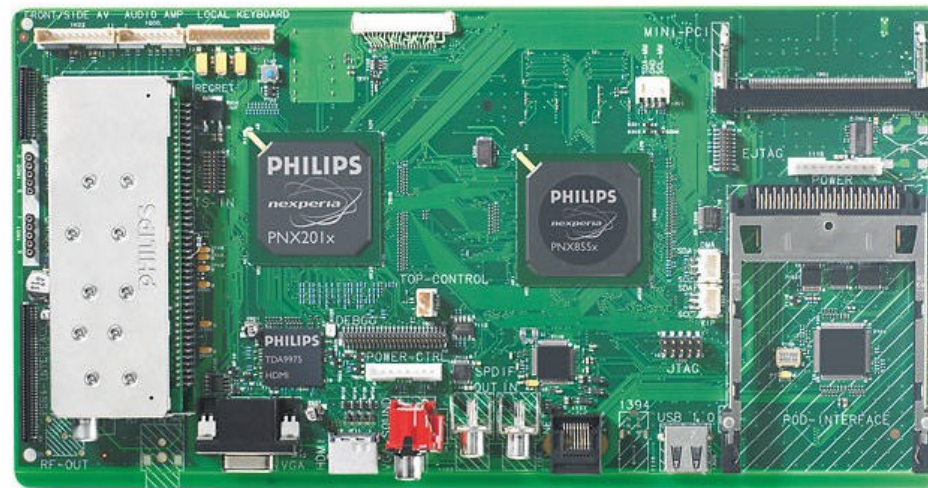
Successes today

- 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

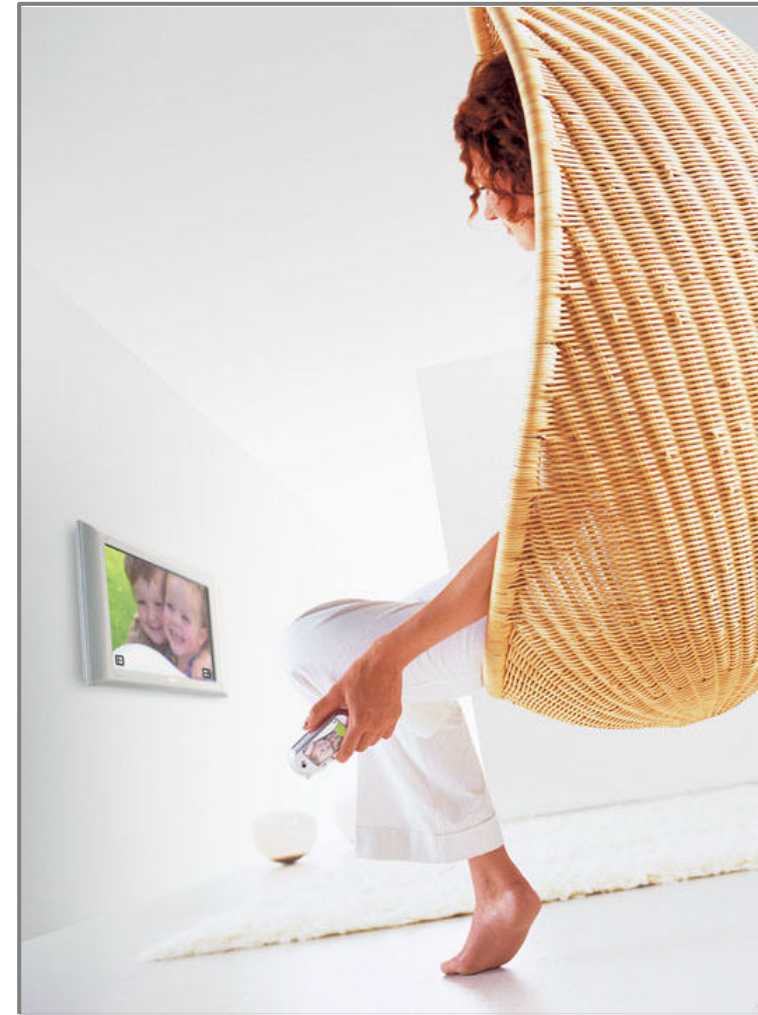


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The Connected Consumer in the living room today

- 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
 sense and simplicity

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Enabling the Connected Consumer

- Nexperia Home
- Interoperability through common API



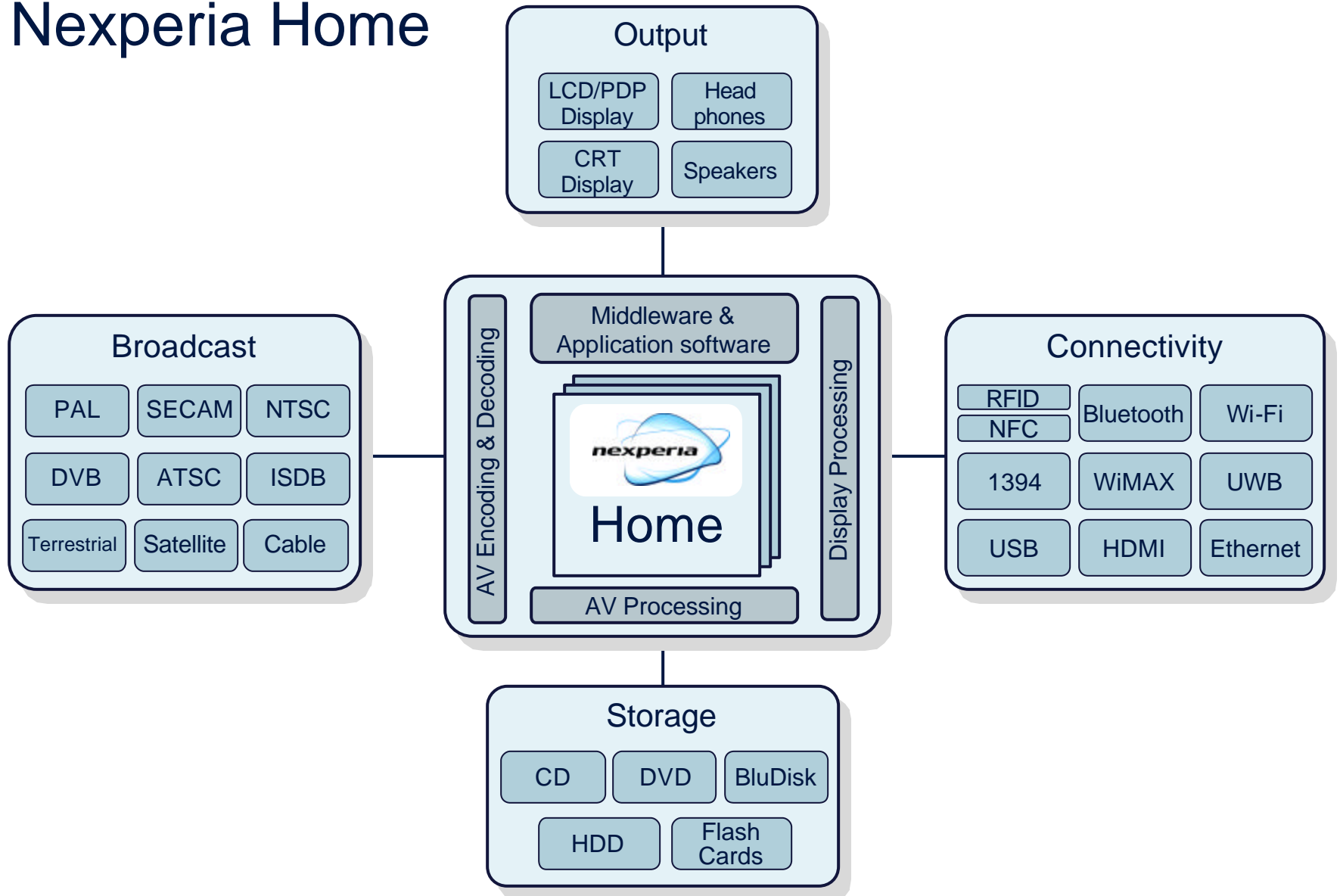
Nexperia Home is here and now



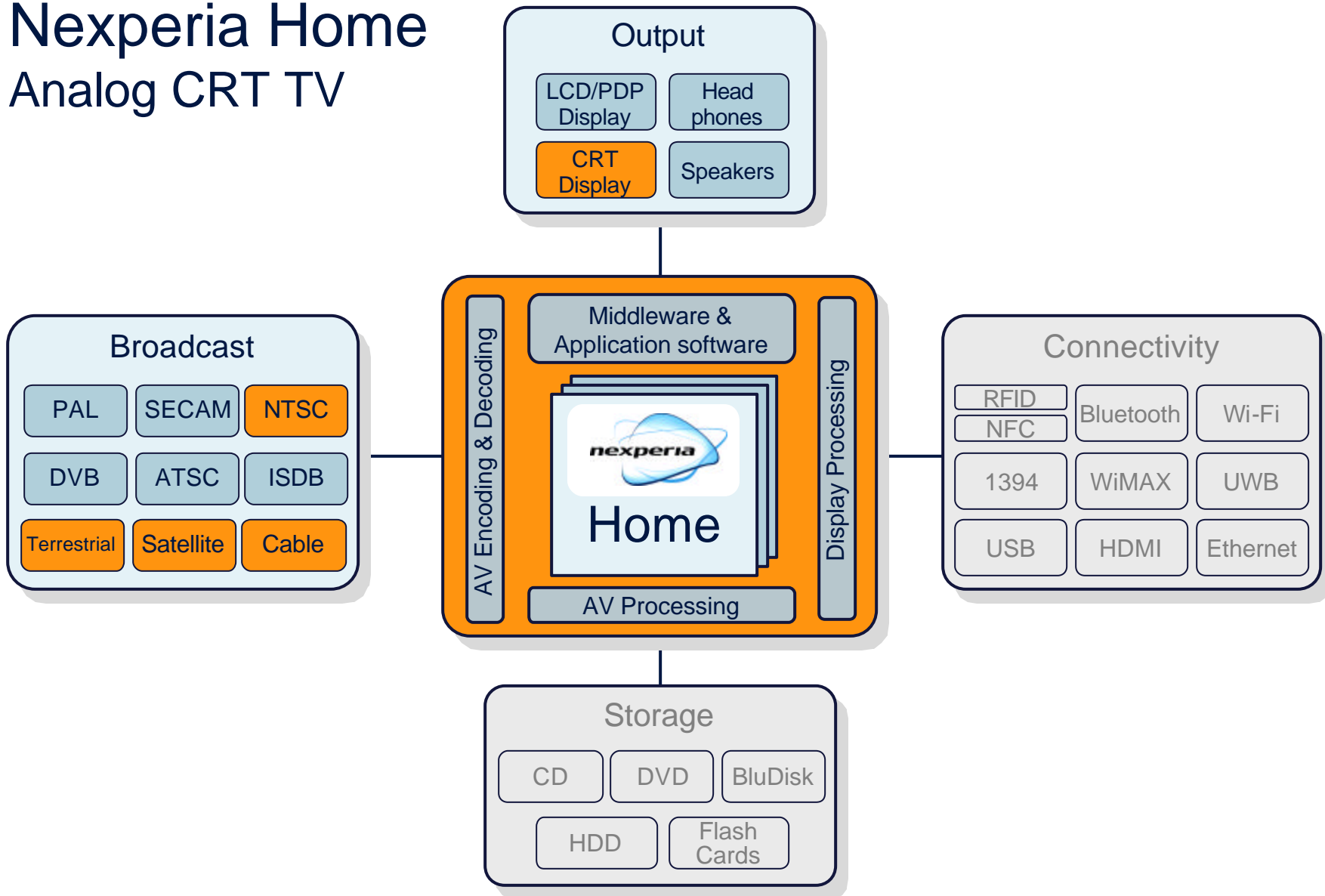
- Nexperia enables
 - Fast time-to-market
 - Future proofing
 - “Living room” prices
- Nexperia Home provides a consistent architecture to deal with convergence devices
 - Connected TV
 - DVD/HDD combinations
 - STB/PVR
 - Media adapters



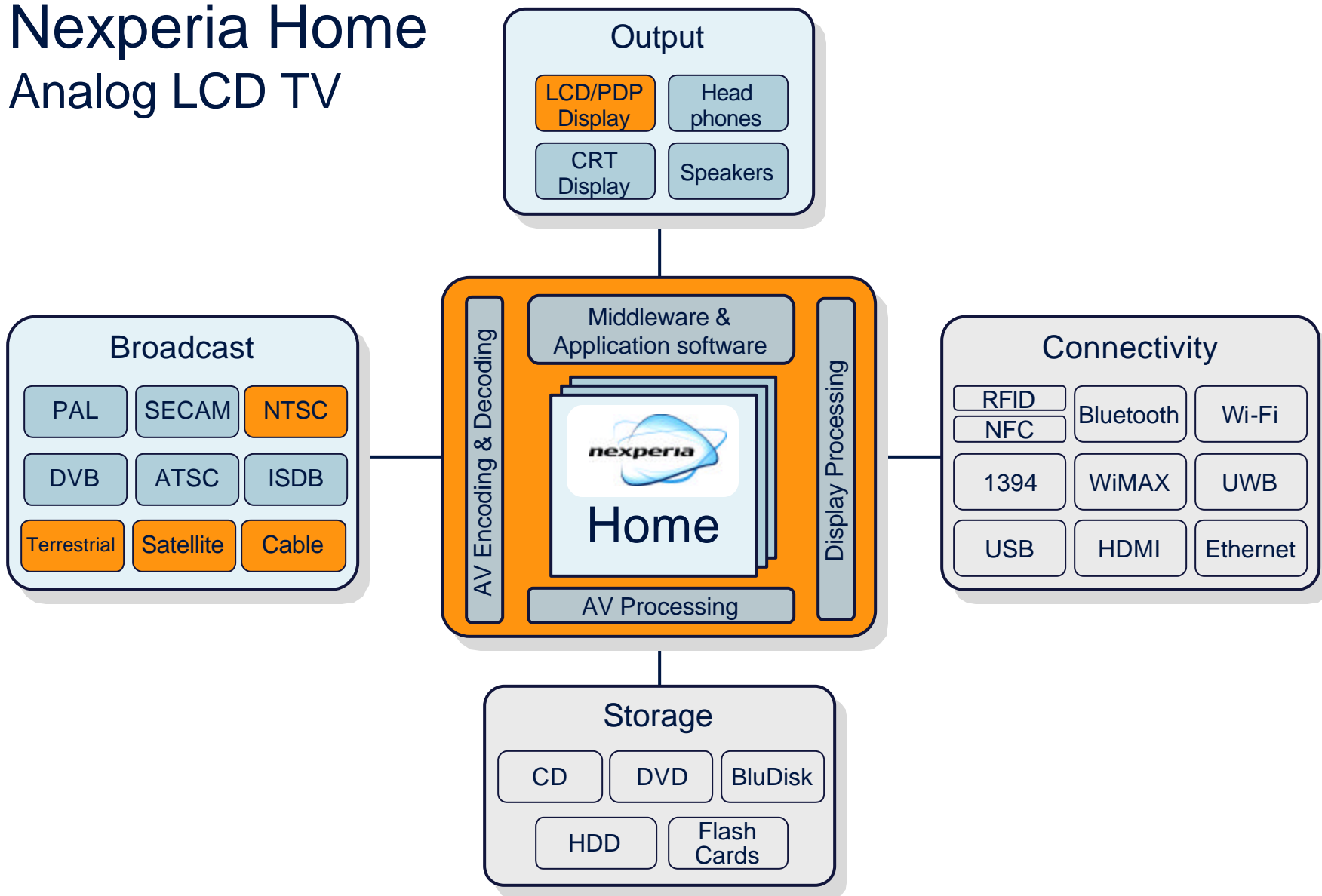
Nexperia Home



Nexperia Home Analog CRT TV

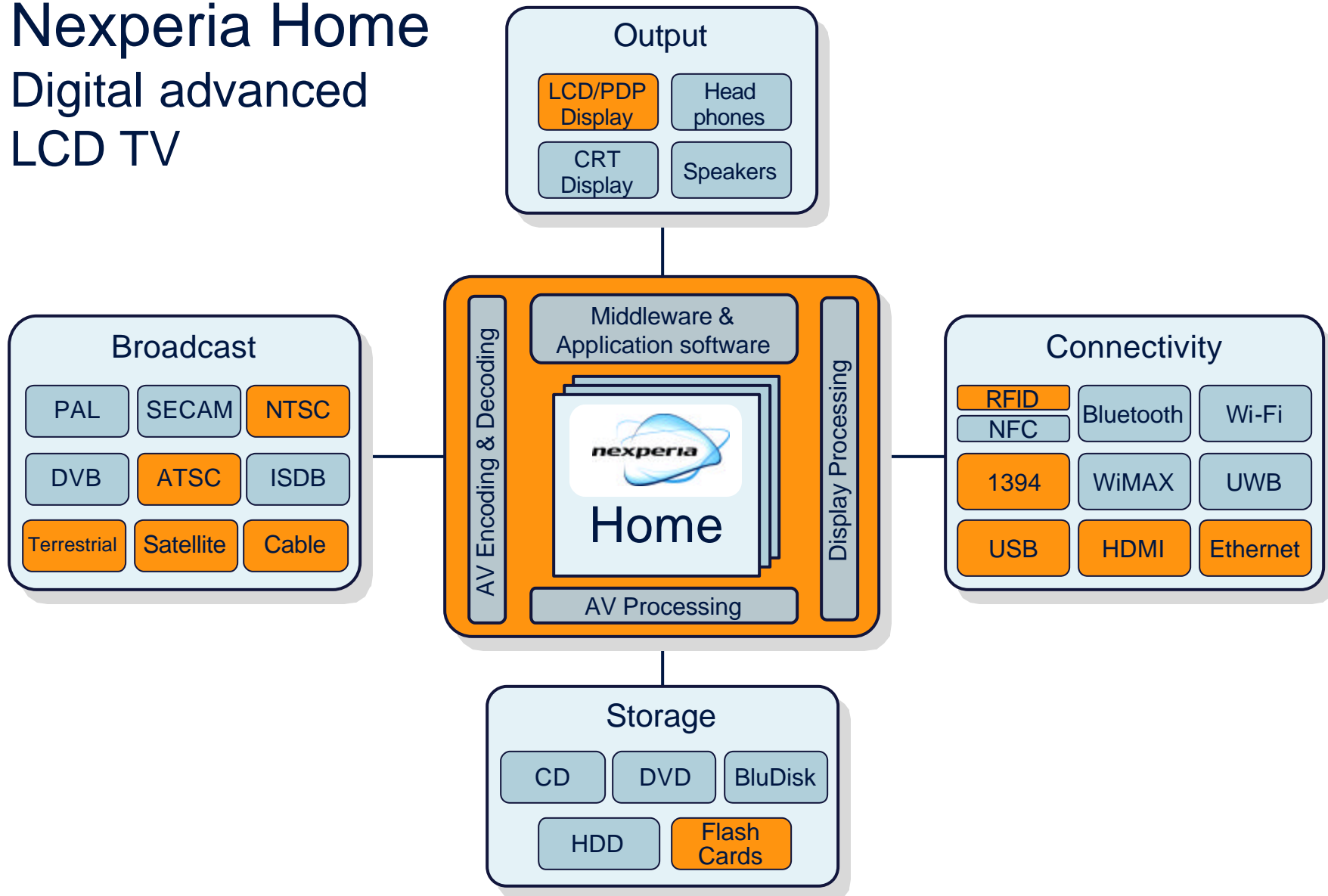


Nexperia Home Analog LCD TV

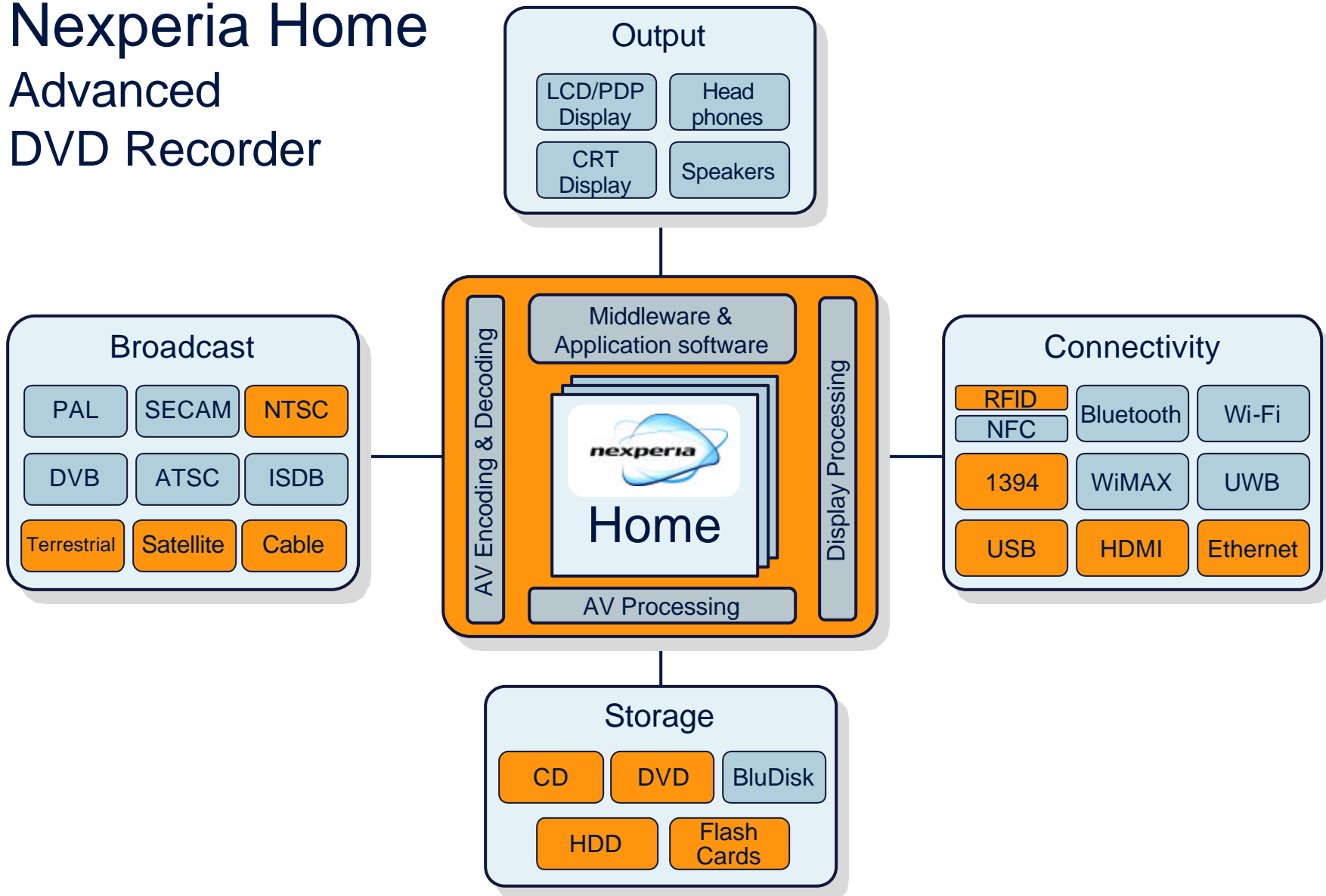


Nexperia Home

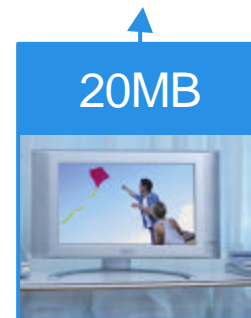
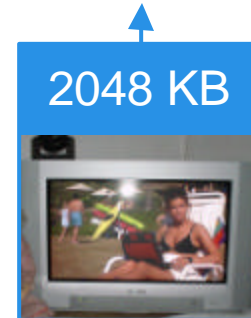
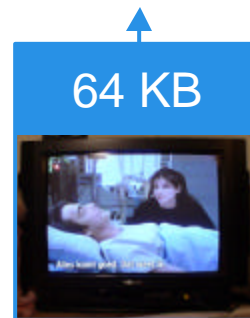
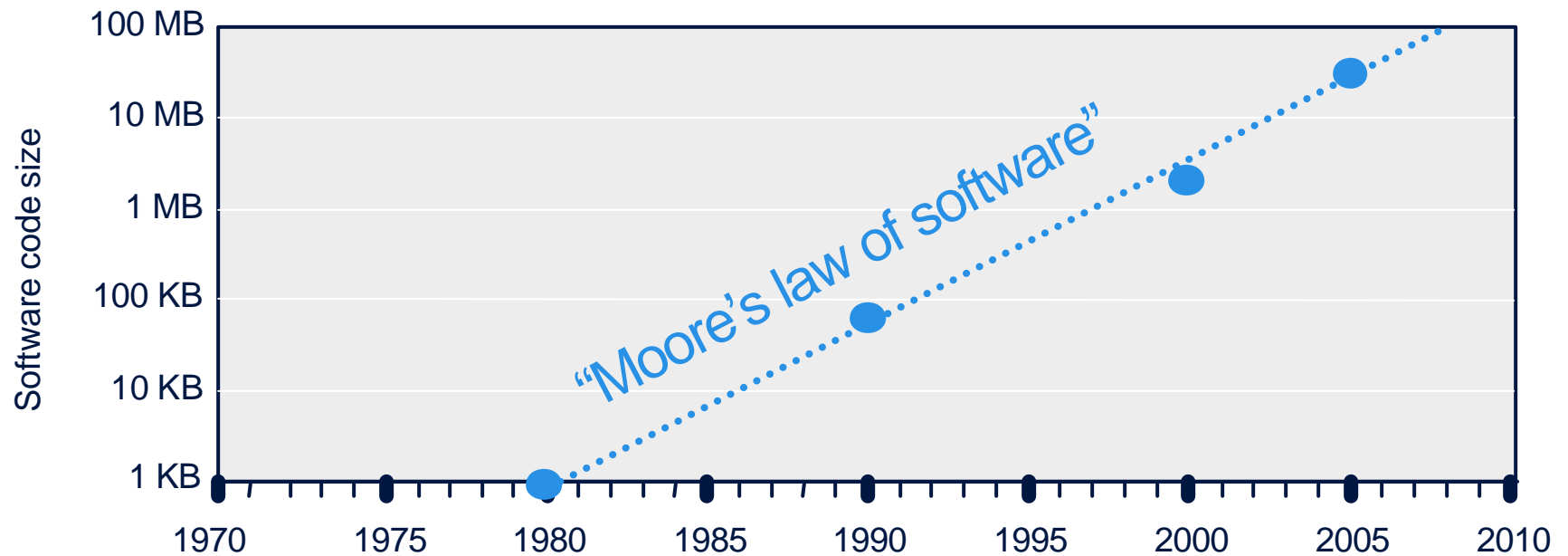
Digital advanced LCD TV



Nexperia Home Advanced DVD Recorder



The importance of software in the TV



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

