

PHILIPS

North America CE Region

Larry Blanford
President & CEO

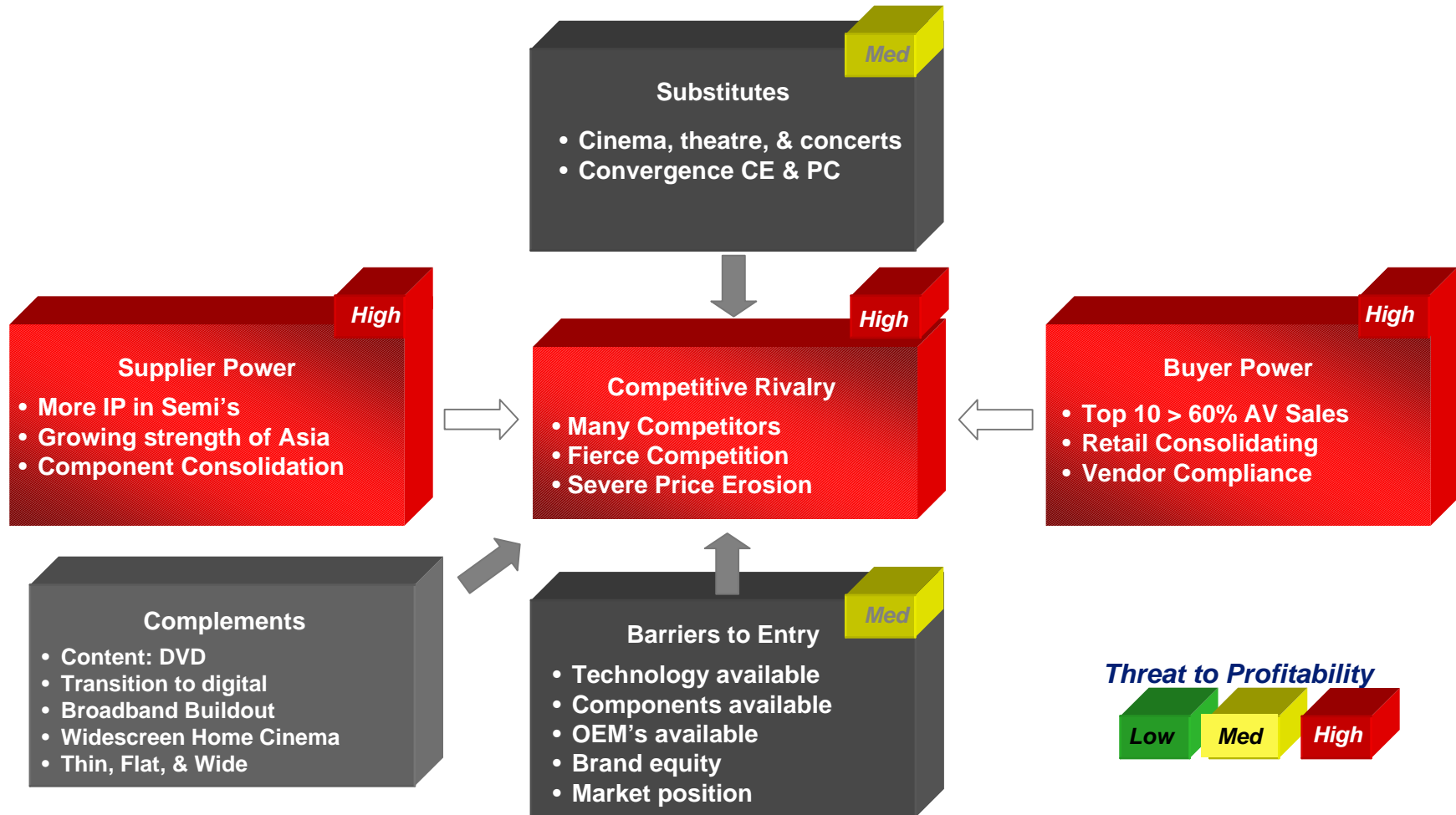
Agenda

- Where we were last year
- Progress made
- Looking ahead

Overarching Objectives for North America CE

- Reposition/reengineer the core CE business
 - premium brand
 - predictable results
 - profitable growth
- Create a visible and significant win in NA
 - create excitement for Philips brand
 - leverage CE success across Philips NA

North American CE Market Environment



Strategic Challenges



Low & declining awareness



Late To Market



Disjointed and inconsistent



Skewed to National Mass Merchants



Understaffed to serve up-market

**Requires disciplined execution of strategy
and sustained investment**

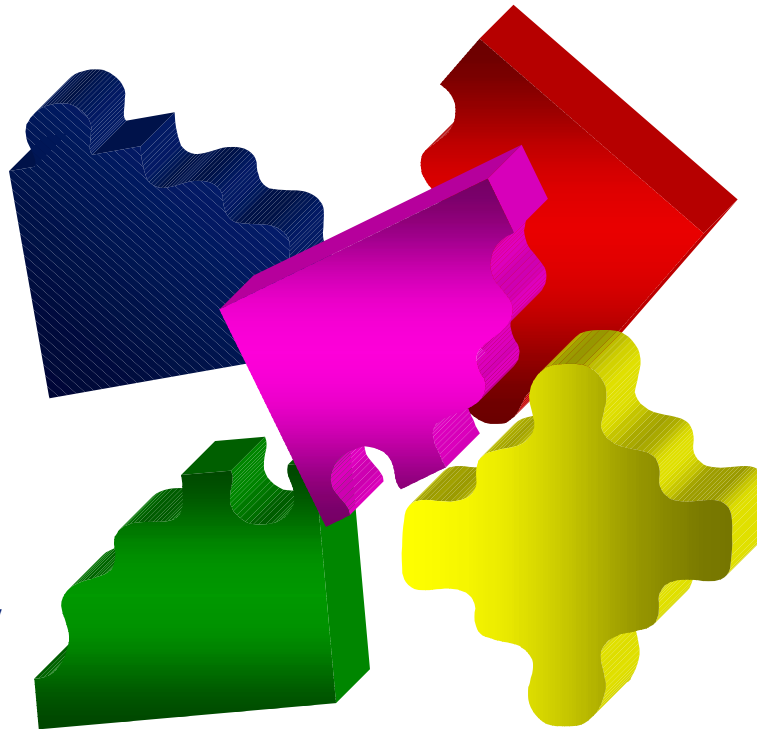
Operational Challenges

Organizational

- Complex
- Hardened silos
- Talent & leadership gaps

Margin Gaps

- Lack of transparency
- Mix management
- Customer incentives



Weak Processes

- PSI planning
- Supply chain performance
- Market Introduction

Cost Issues

- Business controls
- Returns & deductions
- Excess inventory

We Knew What We Had To Do

Turnaround
The Core
Business



- Improve Margins
- Improve Productivity
- Improve Asset Management
- Grow the Top Line

Invest for
Sustained
Success

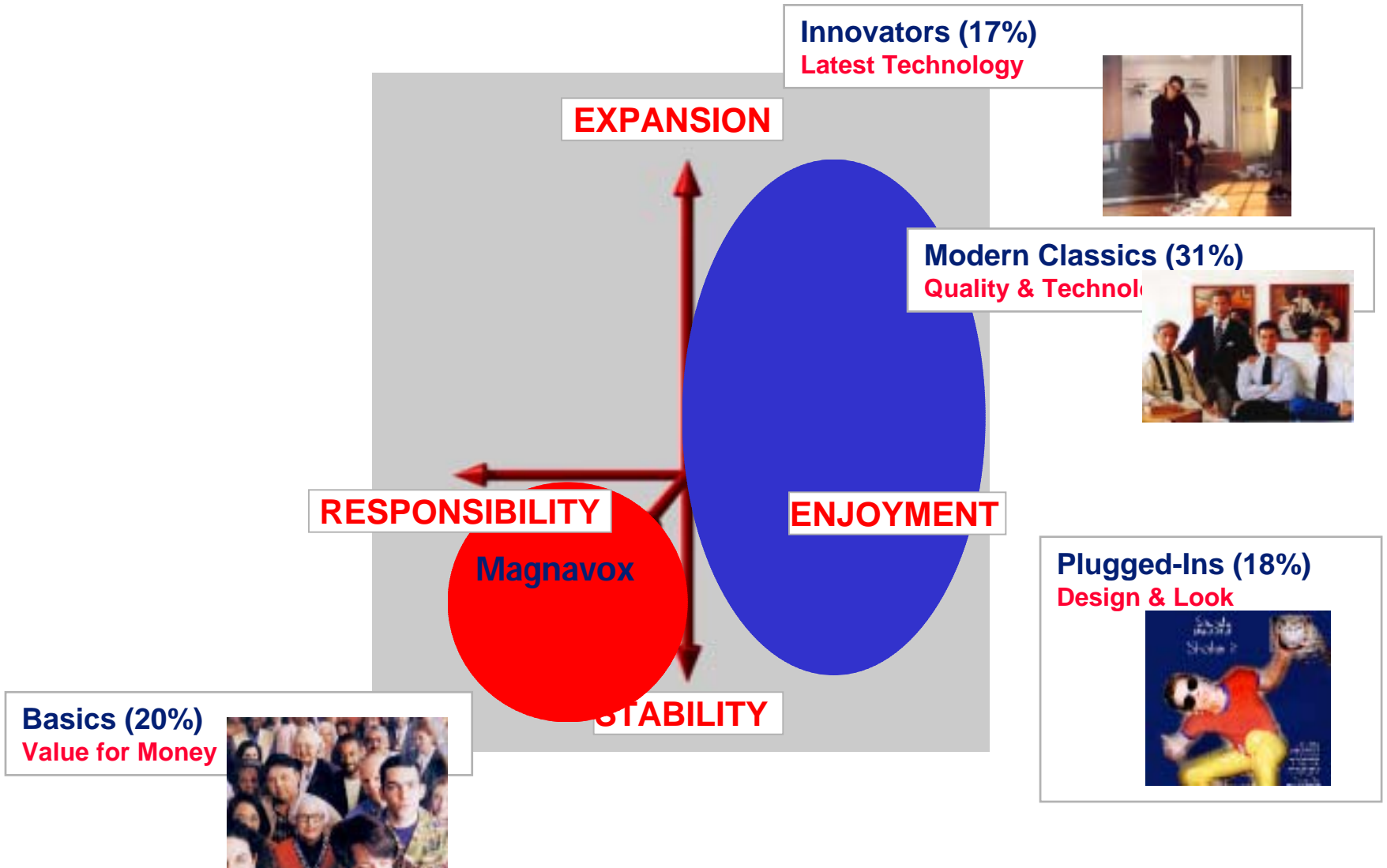


- Premium Positioning
- Product Leadership
- Leverage Broad Line (Q2 -Q4)
- Align Distribution & Sales Org.
- Win in Digital TV (F,S,W)
- New Paths to Targeted Markets

Agenda

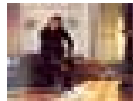
- Where we were last year
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 - Strategic Challenges
- Looking ahead

US Consumer Targets



Consumer Value Propositions

Matchline



Best in Class

Delivers the ultimate entertainment experience

Epic



Top Performance System

Delivers optimum integration across products

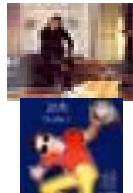
HD



Digital Cinema

Offers the best mix of style and value

Designer



Distinctive Style

Outstanding form and function

Magnavox



Reliable Brand

Excellent value from a reassuring brand


Market Roadmap: Philips Brand

Channel	Category			
	Matchline Series	Epic Series	HD Series	Designer Series
CE Specialty	X	X	X	X
Selling Directed	X	X	X	X
Selling Assisted		X	X	X
Clubs			X	X
Mass Retailers			X	X
R.T.O./Rental			X	X
D. I. Y. Home Centers				

Matchline Series 2003


Best in Class; Ultimate entertainment experience.

LCOS
44w, 55w




Display


HD PTV
55w, 60w



Flat TV
23w - 50w



HD CTV
30w, 34w



Slim Metal



Cinema Sound

SACD



DVD Recorder
DCDi, I-link



Storage

DVD/SACD
720p, HQ SACD



Pronto
Home automation control


Wireless
802.11B



Matchline Series 2003


Best in Class; Ultimate entertainment experience.

LCOS
44w, 55w




Display

HD PTV
55w, 60w




Pixel Plus

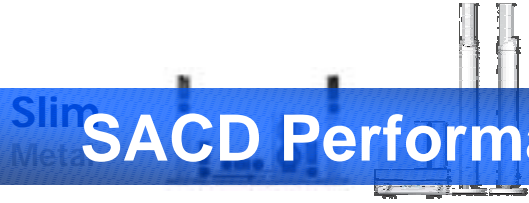
Flat TV
23w - 50w



HD CTV
30w, 34w




Cinema Sound



SACD Performance

SACD



DVD+RW
DCDi, I-link



Storage

Format Winner

DVD/SACD
720p, HQ SACD



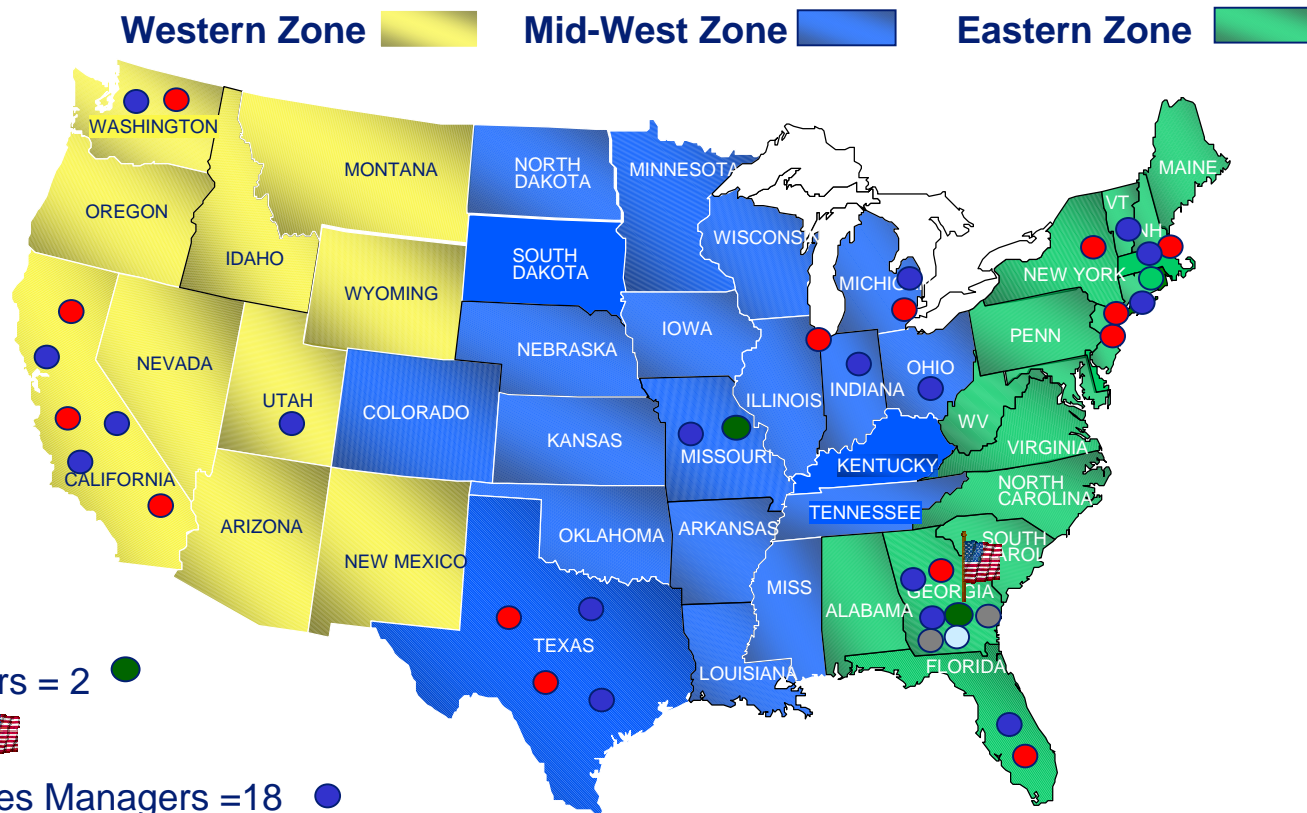
Pronto
Home automation control

Control

'Streamium' Wireless Control



Philips CE Field Sales - September 2002



Zone Directors = 2 ●

Philips HQ

Regional Sales Managers = 18 ●

Retail Sales Specialist = 13 ●

Buying Groups GM = 2 ●

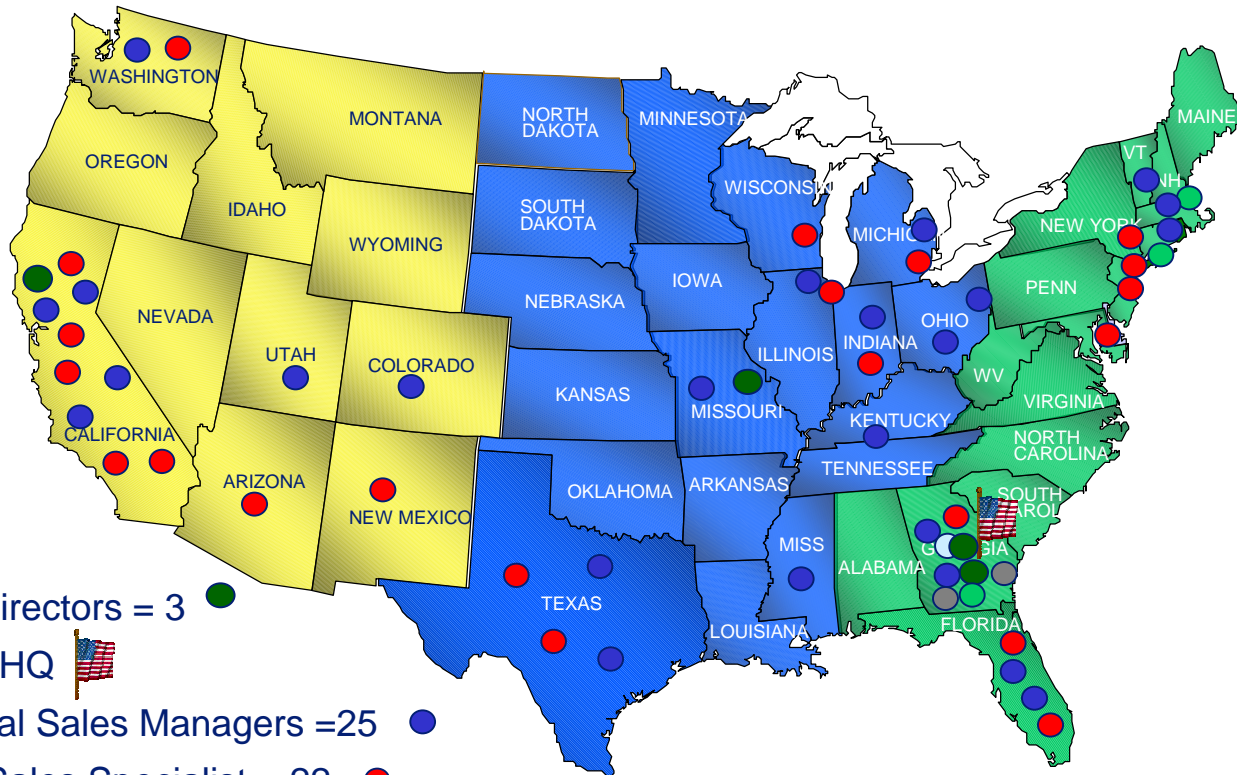
Outbound Sales Specialist = 2 ●

Total = 37

Emphasis on Sell-In in to Desired Distribution in 2002

Philips CE Field – 2003 Plan

Western Zone  Mid-West Zone  Eastern Zone 



Zone Directors = 3 

Philips HQ 

Regional Sales Managers = 25 

Retail Sales Specialist = 22 

Buying Groups GM = 2 

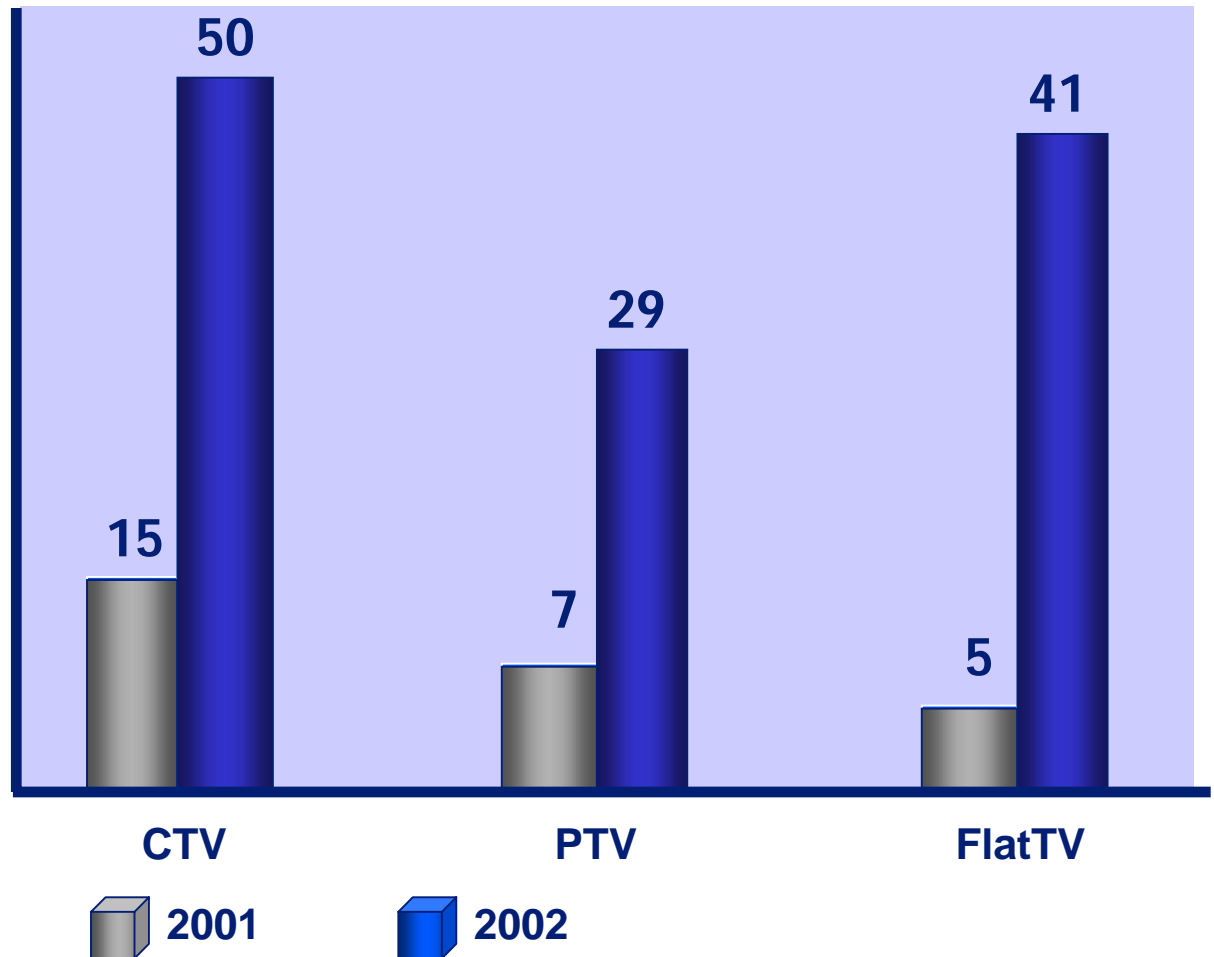
Outbound Sales Specialist = 2 

Total = 54

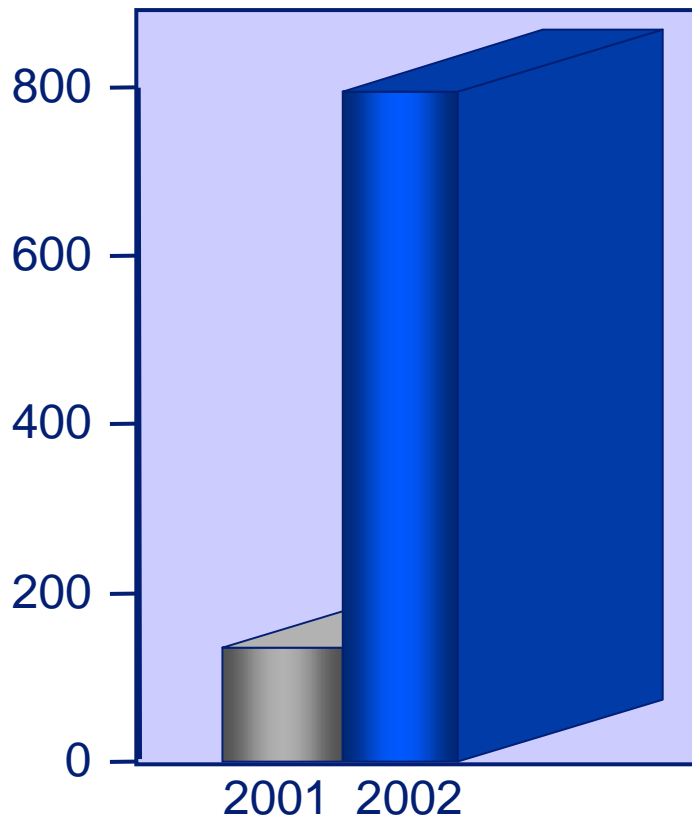
Increase Emphasis on Sell-Through Metrics in 2003

Upmarket Digital TV Placement Success...

Placements With
14 Upmarket
Regional Launch
Partners (YE)



... Translated Into More Visibility and Higher Sales



142% Sales Growth in Upmarket Retailers

Upmarket Store Fronts

**Excellent Progress in Forming Key
Marketing Alliances To Drive Brand
Awareness & Preference**

Nike PSA By Philips: A Global Alliance

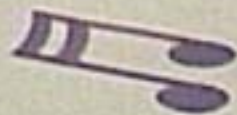


Bose & Philips: Superior Home Theater Solutions



PHILIPS

— HOME THEATER MADE EASY —



Agenda

- Where we were last year
- Progress made
 - Strategic Challenges
 - Operational Challenges
- Looking ahead

Operational Challenges

Progress Made

Organizational

- Streamlined Structure
- Executive Mgmt Team
- Four Executive Teams

Margin Gaps

- Customer Profitability Models
- Cross Functional Customer Planning



Weak Processes

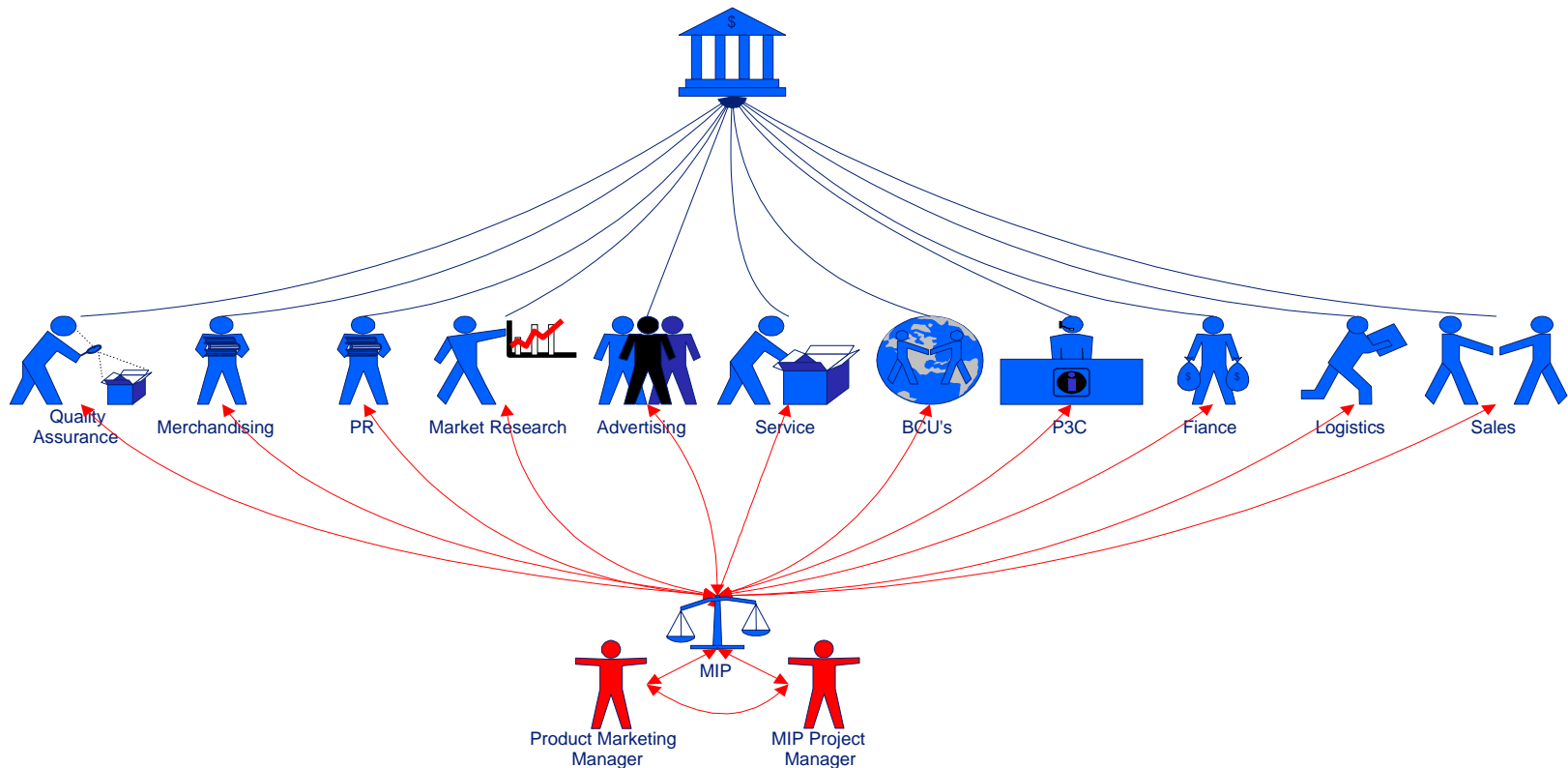
- Executive PSI Process
- IBM “End-to-End” SCM
- MIP with 8 Teams & Professional Project Mgmt

Cost Issues

- QIT ⇒ Reduce Deductions
- NFF Returns
- Cut & Build

The Market Introduction Process

- Focus on ONE Goal
- Create stronger plan for customers
- Provide consistent messaging
- Identify and address issues earlier in the planning process
- Provide accountability



The MIP in Action

- Strategy:
“Preserving Memories”
- >4000 stores
- >60% Share
- \$200 above #2



FLAT TV™

Flat



Wide



Slim



Wireless



Launch Overview – Flat TV

	CONSUMER	TRADE	MEDIA	SALES
GENERATE AWARENESS	Ad Campaign  Internet Downloads	FTV Brochure 	Holidays in June New York 	National Training Conference
CREATE PREFERENCE	Internet microsite 	Placement & POS Display 	Offered review units and quality information in a timely manner  CES Award	TV training – June 19 
TRIGGER ACTION	Dealer Locator   0% financing	Launch kit Sell-through specialist team  	FlatTV city USA 	Launch kit 
ENSURE SATISFACTION	Philips Priority Service  Online support 	Philips Priority Service 	  	CBT's 

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WHO SAYS THE HONEYMOON
CAN'T LAST FOREVER.



INTRODUCING THE PHILIPS DVD RECORDER. Now you can preserve your memories in perfect digital clarity. Just plug the Philips DVD recorder into your system and with the touch of a button you can archive videotapes, record TV shows, or make your own DVD home movies straight from your camcorder. And unlike other DVD recorders, the DVD+R and DVD+RW format allows you to record in real time and play back on virtually all DVD players. On top of all that, it's a superb progressive scan DVD player. To learn more about our home theatre breakthrough, visit dvdrecorder.philips.com/bestbuy AOL Keyword: Philips



14 FREE RECORDABLE DVD's

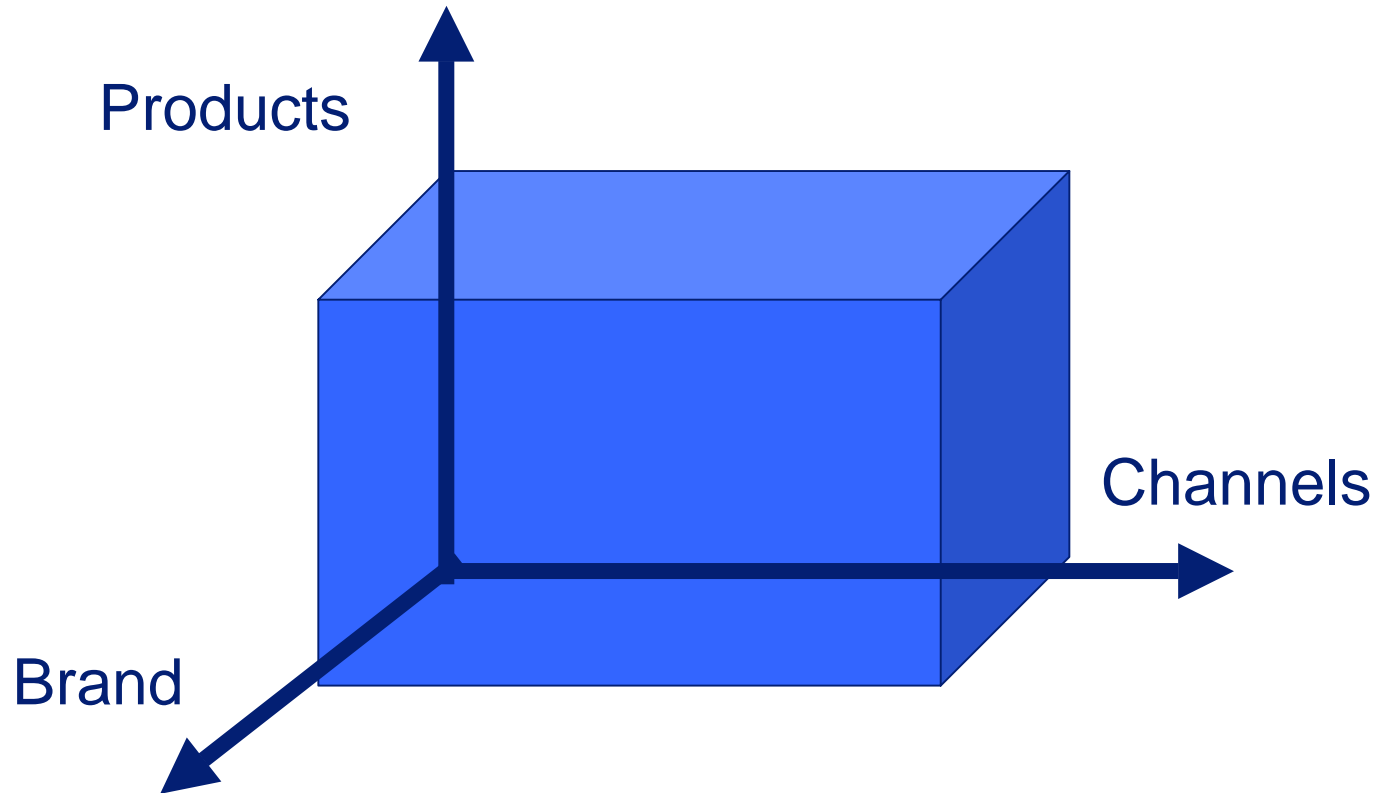
Buy a Philips DVD Recorder at Good Guys, Circuit City, Target or Sears and get 14 FREE recordable DVD's, a \$99 value.



PHILIPS

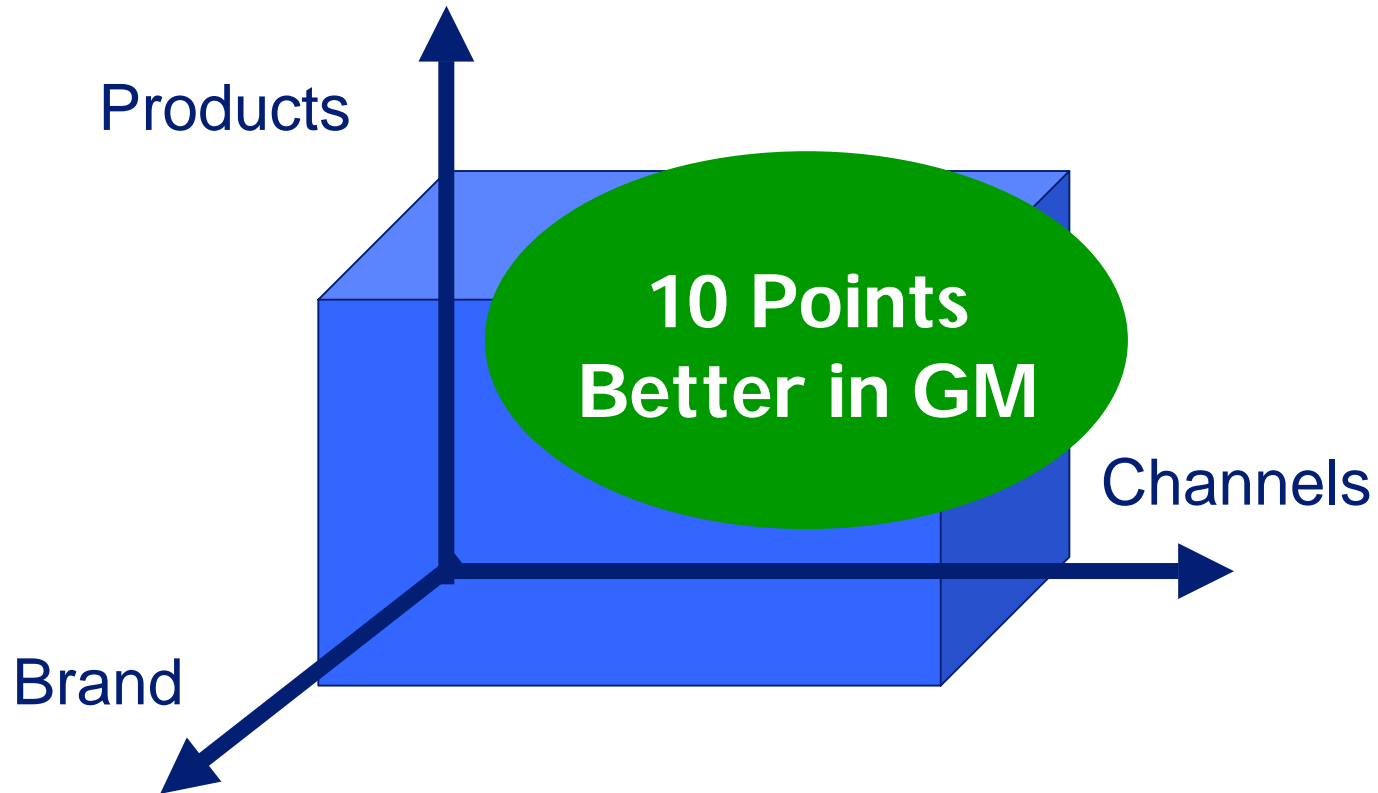
Let's make things better

Profitability Cube



Building a market driven, margin focused organization

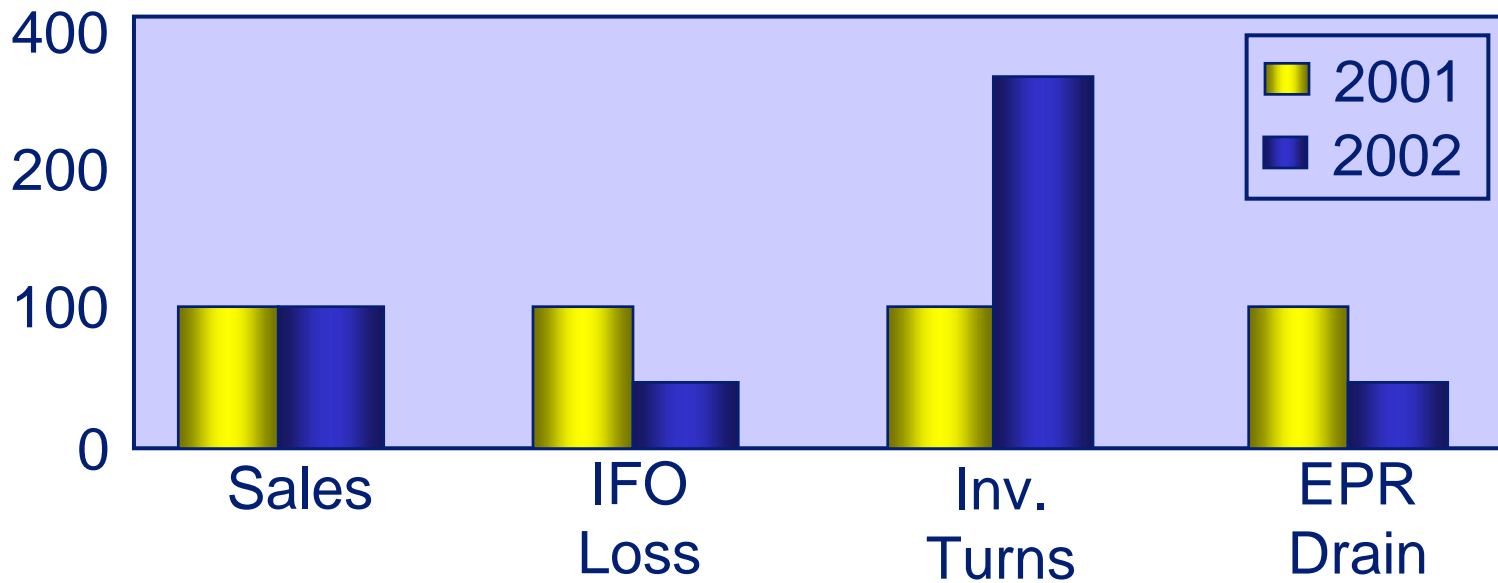
Profitability Cube



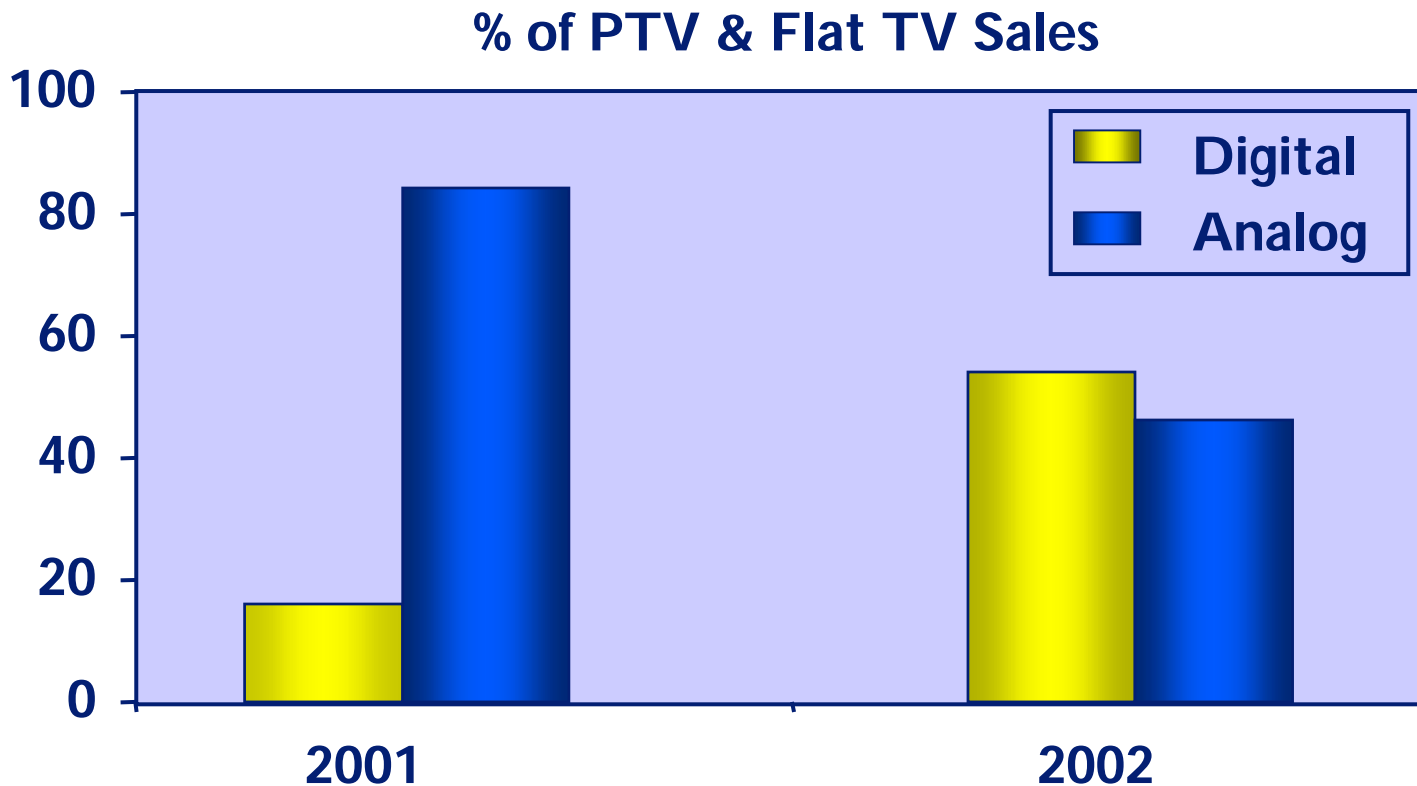
Building a market driven, margin focused organization

Despite soft economy, major improvements

Indexed Performance Comparison

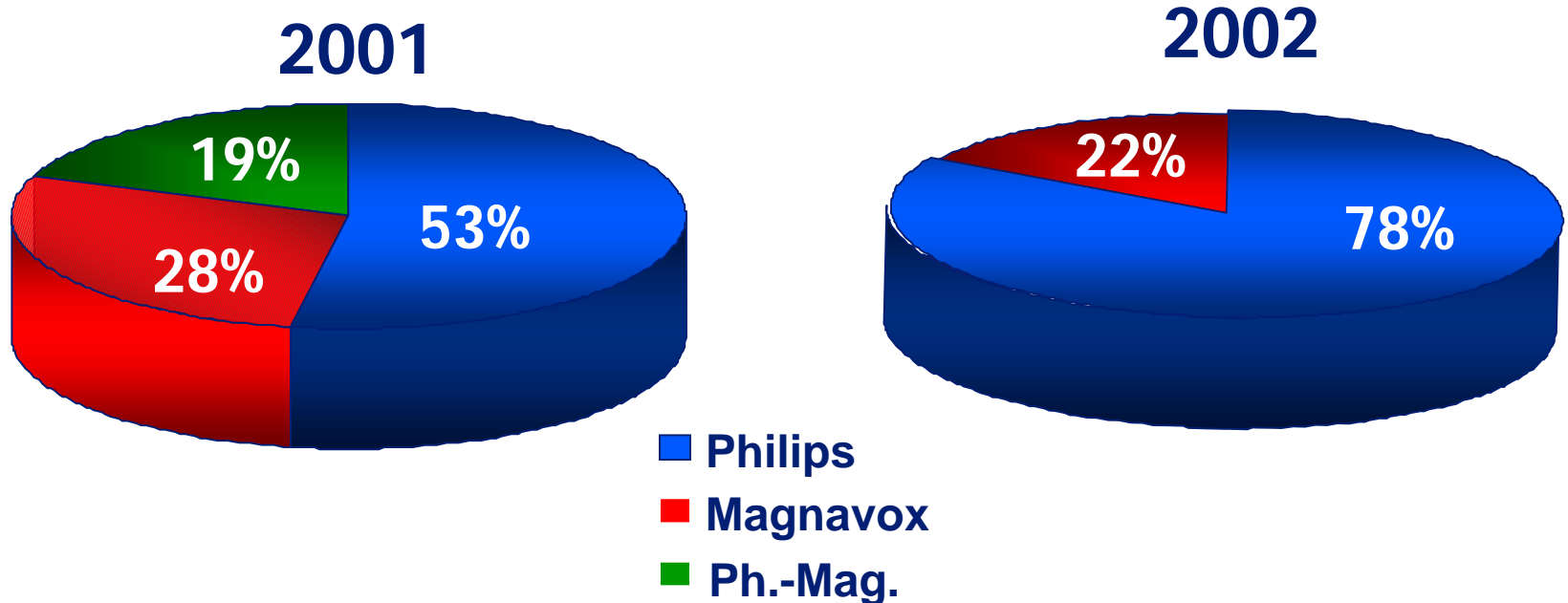


We Are Rapidly Converting Key Categories to Digital



Combined PTV & FlatTV Sales Growth: 45% in 2002

TV Conversion to Philips Brand Is A Real Success Story



Philips Branded TV Sales +55% over '01

PHILIPS

Ryder/Philips Operations, Roanoke, TX

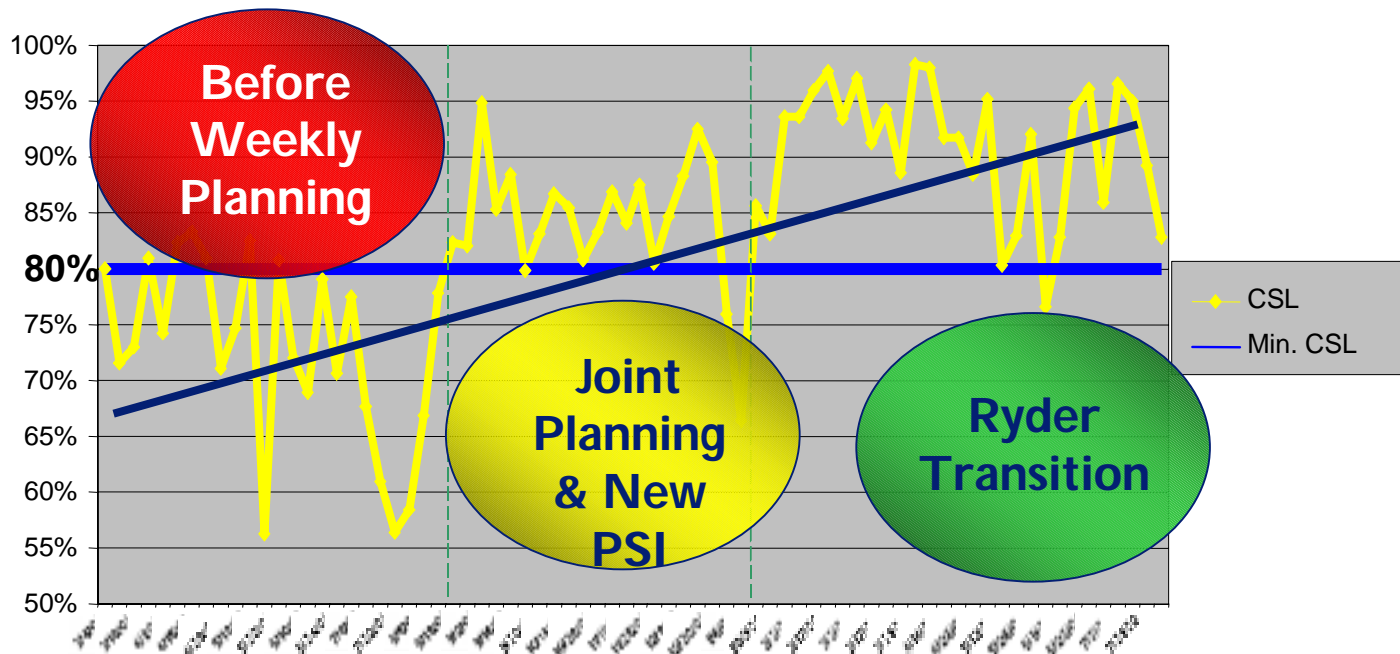




We Have Gone from One of the Worse to the Best in CE

On Time & Right Qty : +/- 2days

Best Buy Performance (3/4/01 - 7/28/02)



< 80% incurs vendor compliance charges

Agenda

- Where we were last year
- Progress made
- Looking ahead
 - Continue to build CE market demand
 - Establish brand ownership of new digital categories
 - Prove higher margin business models

For The Development and Commercialization of the 16 x 9 Aspect Ratio in Television

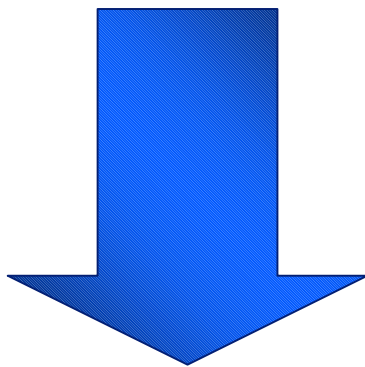
National Academy of
Television Arts and
Sciences





Philips Has Assumed A Leadership Position in DRM,
Focusing First and Foremost on Consumers Rights in
Digitally Connected Homes

What's the Potential Implication of the
FCC Mandates on Digital TV Tuners,
Open Cable and HDTV ?



Faster Replacement Cycle in TV

U.S. TV Market Potentially Poised For A Fast Growth Cycle ?

U.S.A. TV Market Today

Variable	Key Statistic
HH*	106 mln
TV/HH*	2.56
Installed Base	267 mln
Industry TV Sales	27 mln
Replace Rate %	~ 10%

Potential Future Growth

If Replacement Rate Is	Implicit Market Growth Rate
10%	2-3%
12%	24%
15%	48%
20%	100%

* HH = Households

What Do We Want To Be Known For ?

FlatTV

“More Room for Living”



Digital PTV

“Best Picture Quality”



DVD Recorder

“Preserving the Memories”



Wireless Devices

**“Broadband Content –
When & Where I want it”**



Why We Believe We Can Win !

FlatTV

48% Brand Assoc. LG JV in LCD

“More Room for Living”



Digital PTV

Pixel Plus Engaze(LCoS)

“Best Picture Quality”



DVD Recorder

>60% Value Market Share

“Preserving the Memories”



Wireless Devices

‘Streamium’ Connectivity Pronto Control

**“Broadband Content –
When & Where I want it”**



The Digital Home



Philips Business Solutions Branded to Professional Initiatives



**Financial & Call Center
Productivity**



**Medical
Display**



**Wide & Pivot
for Legal**



**Public Space
Advertising**



**Workstation
Productivity**



Large Venue Communications



**Wireless & Detachable for
Mobile Applications**

Summation:

- We are turning the business around
- We are successfully launching innovative products
- We are becoming a predictable business
- As One Philips, we will win in North America



The Time Is Now!

