Philips Components

Welcome to
Financial Analysts Meeting

September 15, 2000

Let's make things better.

PHILIPS

Financial Analysts Meeting

Agenda

09.30-10.00	Registration/Coffee	
10.00-10.30	Introduction	Cor Boonstra President and Chairman of the Board of Management Royal Philips Electronics
10.30-11.20	Remaking Components	Gerard Kleisterlee Executive Vice-President and COO Royal Philips Electronics CEO Philips Components
11:20-11:35	Break	
11:35-12:15	Display Components	Philippe Combes Executive Vice-President Philips Components CEO Business Group Display Components
12:15-13:00	Optical Storage	Hein van der Zeeuw Executive Vice-President Philips Components CEO Business Group Optical Storage

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Financial Analysts Meeting

Agenda

13:00 – 14:15	Lunch	
14:15 – 15:30	Flat Display Systems	**Matt Medeiros** Executive Vice-President Philips Components CEO Business Group Flat Display Systems **David Chang** Chairman of the Board LG.Philips Senior Vice-President Business Group Flat Display Systems **Peter Hopper** Managing Director Mobile Display Systems Senior Vice-President Business Group Flat Display Systems
15:30 – 15:45	Break	
15:45 – 16:25	Final Q&A	**Management Team**
16:25 – 16:30	Closing Remarks	**Jan Hommen** Executive Vice-President, CFO and Member of the Board of Management

“Safe Harbor” Statement under the Private Securities Litigation Reform Act of October 1995

These presentations and discussions/document contain 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. 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, the levels of marketing and promotional expenditures by Philips and its competitors, raw materials and employee costs, changes in future exchange and interest rates, changes in tax rates and future business combinations, acquisitions or dispositions and the rate of technical changes. Market share estimates contained in this report are based on outside sources such as specialized research institutes, industry and dealer panels, etc. in combination with management estimates.

Philips Components

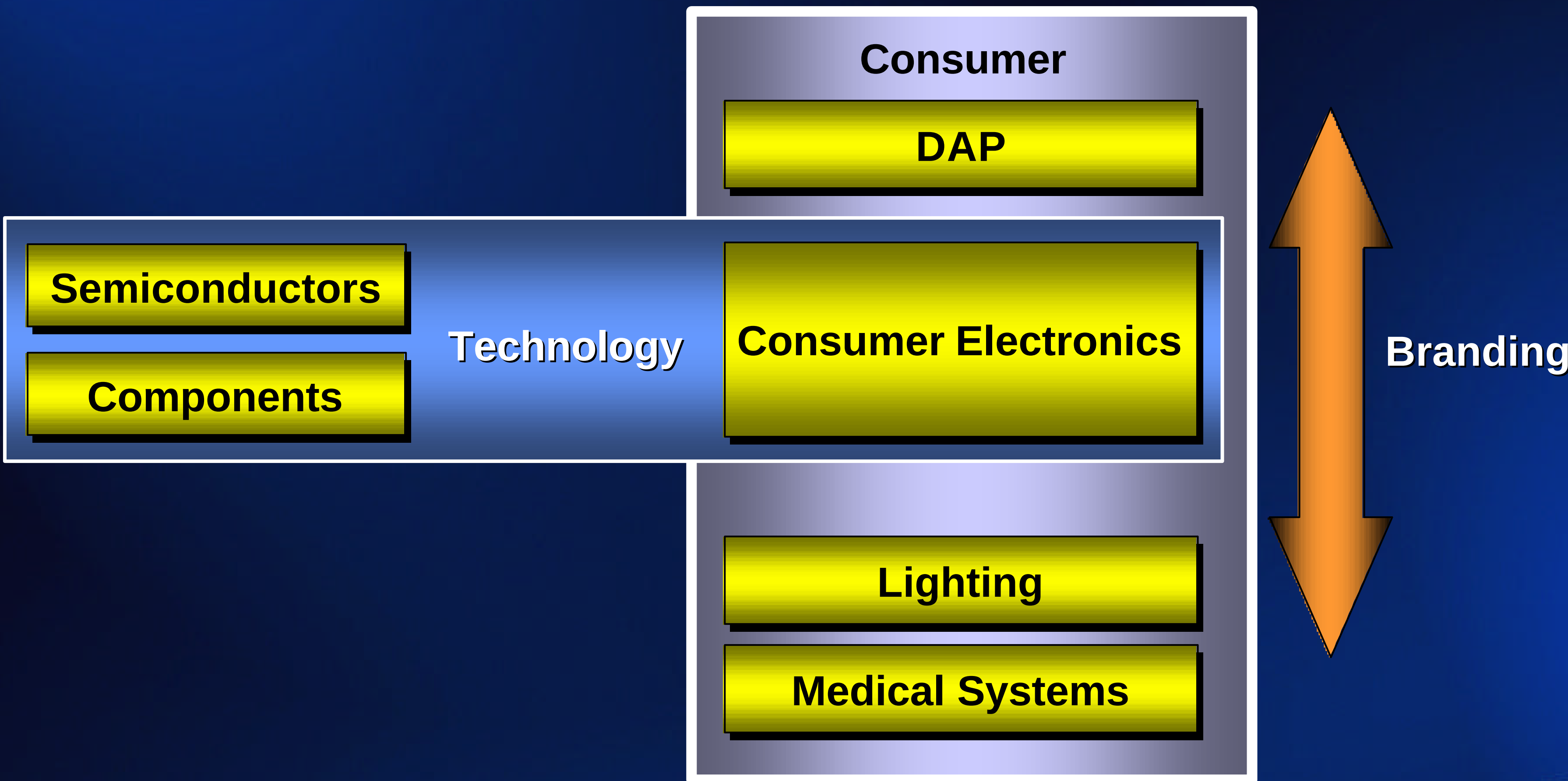
Gerard Kleisterlee
Executive Vice-President and COO Royal Philips Electronics
CEO Philips Components

Remaking Components

- Philips Components at a Glance
- Evaluation - Need to change
- Our Vision
- Transformation - Focus on Value
- Where We Are

Philips Components at a Glance

Key enabler for Philips' high-volume electronics strategy



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Philips Components at a Glance

€5.3 b

Revenues in 1999

4 Business groups

Manufacturing in 18 countries

Marketing & Sales in 39 countries

Approximately 40,000 employees

Philips Components at a Glance

Our customers are global market leaders

Microsoft
TOSHIBA
KONKA
KONKA GROUP CO.,LTD.
COMPAQ
GRUNDIG
ERICSSON
B&O

JVC
长虹 CHANGHONG
NOKIA
CONNECTING PEOPLE
Acer
MOTOROLA
IBM
SAMSUNG

CHRYSLER
SHARP
LG Electronics
FUJITSU COMPUTERS SIEMENS
hp
invent
DELL.COM
TCL

PHILIPS
Gateway
Car Multimedia Systems
VDO Dayton
Panasonic
SANYO

Remaking Components

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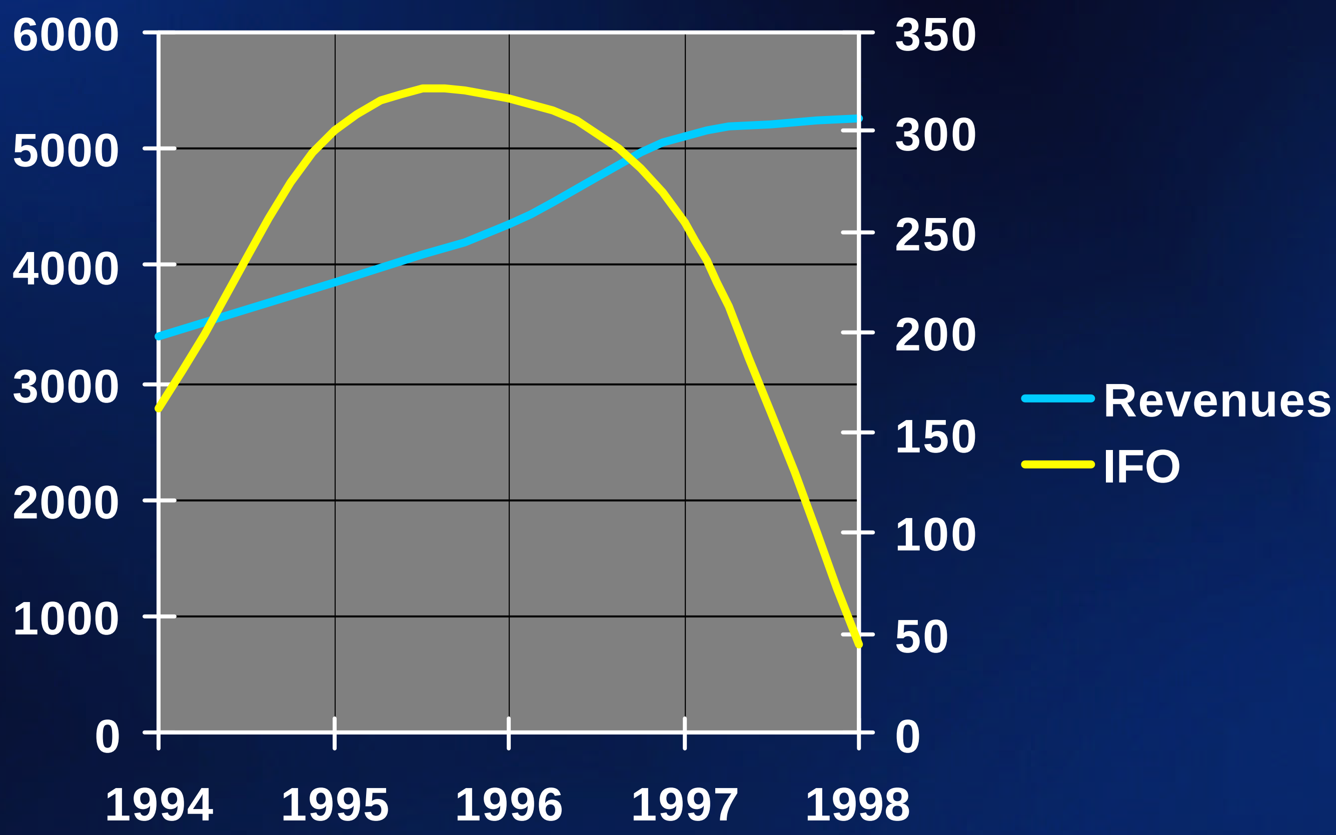
Evaluation - need for change

Philips Components - the picture in early 1999



Evaluation - need to change

Philips Components - the picture in 1998

- Stagnating revenues
- Rapidly declining profits
- Destroying value

as a result of

- Too many businesses, with different business models in different markets
- Over exposure in low-growth commodity businesses
- Operational performance problems in some businesses
- 'Grey' image - low tech, slow moving, old
- Product focused rather than market oriented

→ **Need to Focus on Value**

Remaking Components

- Philips Components at a Glance
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Our Vision

Vision

- In our digital, internet-driven, 24x7 world, consumers demand the functionality of different applications - interactively, anywhere, anytime
- Networked products for home and away will be made possible by the emergence of new enabling technologies
- OEM customers will increasingly focus on product definition, branding, and channel management, demanding plug&play functionality from their technology suppliers
- Successful suppliers will be expert in applications integrating technologies and functions

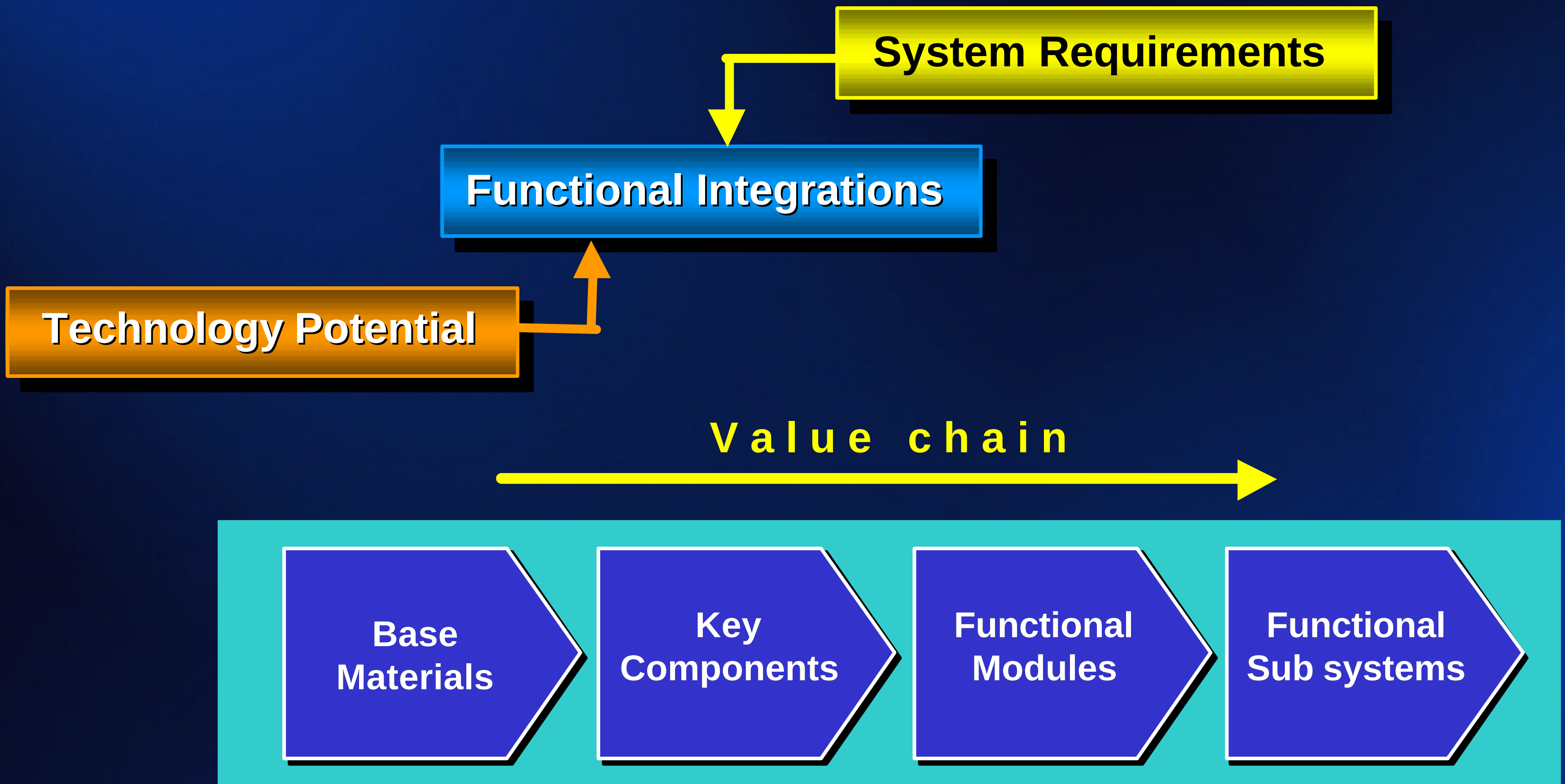
Our Vision

Mission

- We will be a recognised leader in high growth, high value-added digital electronic solutions
- We provide customer-driven integrated solutions for the Digital CE, Mobile Telecom, PC-related, and Automotive Infotainment segments
- We partner with customers who are global market and innovation leaders in their industry
- We leverage our strengths in Display, Storage, Wireless Connectivity, and Power Management across applications and segments

Our Vision

Strategic Direction



Remaking Components

- Philips Components at a Glance
- Evaluation - Need to change
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- Transformation - Focus on Value
- Where We Are

Transformation - Focus on Value

- Rebuild the organisation with new talent and a co-operative structure
- Manage operations to world-class standards
- Apply Value Based Management approach to transform the portfolio away from commodity businesses
- Invest in digital-age technologies to fuel growth

Transformation - Focus on Value

A new team with diverse experience

President & CEO
Gerard Kleisterlee

Finance
Frans Spaargaren

Strategy
Rob van Geertruij

Technology
Marino Carasso

Human Resource Management
Hayko Kroese

Global Commercial Organisation
Harrie Brunklaus

Display Components
Philippe Combes

Flat Display Systems
Matt Medeiros

Optical Storage
Hein vd Zeeuw

Emerging Electronic Solutions
Rob van Geertruij

New since 1998

Let's make things better.

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Transformation - Focus on Value

Integrated Market Approach

Established a Global Commercial Organisation, focusing on

- Key Account Management
  - Partnership with market- and innovation-leading customers
  - Focused customer teams

- Sales processes and systems
  - Consistent world-wide interface
  - World-wide management information and control
  - Lower operational costs, flexibility for changes

- Simplified Back-Office Infrastructure
  - Concentration of sales back-offices
  - Single point of invoicing and accounting

Transformation - Focus on Value

E-Business

eK@m - Electronic Key Account Management

- Facilitates collaborative approach
- increases transparency of the supply chain
- speeds-up logistics
- improves technology road-mapping
- Currently being rolled-out to all major accounts
- Nokia selected Philips Components as one of only 3 e-Suppliers

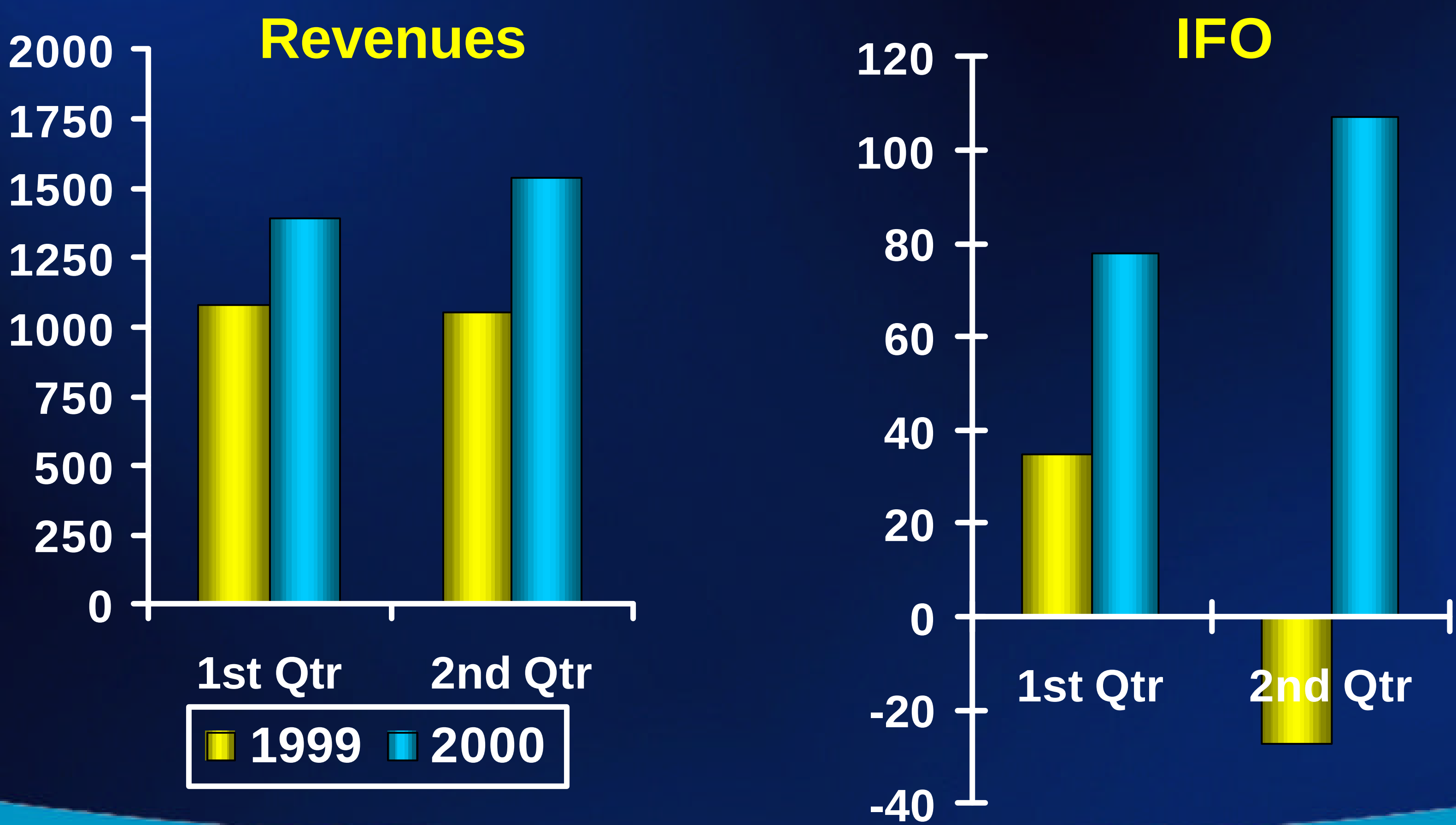
Transformation - Focus on Value

Improve Operational Performance

- Speeded-up migration to low-cost manufacturing centers
- Closure of non-performing operational units
- Focus in product portfolio and industrial improvements
- Turn-around Optical Storage

Transformation - Focus on Value

Sales and IFO per Quarter / in M €



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Transformation - Focus on Value

Portfolio Decisions

Display Components
- Color Television Tubes
- Color Monitor Tubes
- Large Flat Displays
- Key Components

Flat Display Systems
- Active Matrix LCDs
- LCD Cells & Modules
- Poly-LEDs
- Reflective LCDs
- Software & Electronics

Optical Storage
- Audio/Video
- ROM
- Read / ReWritable
- OPU

Advanced Ceramics & Modules
- Discrete Ceramics
- Yoke Rings
- Soft Ferrites
- Integration

General System Components
- Automotive Playback Modules (APM)
- Inpact (WWC)
- Electronic Power Modules (EPM)
- Micro Electronic Modules (MiMo)
- Imaging & Optical Modules (IOM)

Transformation - Focus on Value

Annualised Impact of Portfolio Divestments

	1997-98	1999-00
Sales	623	578
IFO *% of sales*	30 *5%*	90 *15%*
# of employees	7,033	4,023
# of factories	25	16

1997-1998
- Hard Ferrites
- Conventional Passives
- Rare earth
- Flat Shadow Masks
- a.o.

1999-2000
- Discrete Ceramics
- Ferrite Ceramics
- Imaging Optical Modules
- a.o.

Transformation - Focus on Value

Investments in Growth

- Invested $1.6 b in LG.Philips LCD
  - Created leadership position in active matrix LCD
  - Provided basis for leading position in LCD monitors and LCD television
- Started business in Wireless Connectivity
  - Leveraged position in RF tuners
- Have doubled capital expenditures in 2000 to over €500 m to capture market opportunities
  - CRT Large/Jumbo
  - Optical Storage R/RW
  - Mobile displays

Transformation - Focus on Value

Portfolio Decisions

Display Components

- Color Television Tubes
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- Key Components

Flat Display Systems

- Active Matrix LCDs
- LCD Cells & Modules
- Poly-LEDs
- Reflective LCDs
- Software & Electronics

Optical Storage

- Audio/Video
- ROM
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Advanced Ceramics & Modules

- Discrete Ceramics
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- Soft Ferrites
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General System Components

- Automotive Playback Modules (APM)
- Inpact (WWC)
- Electronic Power Modules (EPM)
- Micro Electronic Modules (MiMo)
- Imaging & Optical Modules (IOM)

Transformation - Focus on Value

Portfolio Decisions

Display Components	Flat Display Systems	Optical Storage	Advanced Ceramics & Modules	General System Components
• Color Television Tubes • Color Monitor Tubes • Large Flat Displays • Key Components	• Active Matrix LCDs • LCD Cells & Modules • Poly-LEDs • Reflective LCDs	• Audio/Video • ROM • Read / ReWritable • OPU	• Yoke Rings	• Automotive Playback Modules (APM) • Electronic Power Modules (EPM)

Transformation - Focus on Value

Portfolio Decisions

Display Components	Flat Display Systems	Optical Storage	Advanced Ceramics & Modules	General System Components
• Color Television Tubes • Color Monitor Tubes • Large Flat Displays • Key Components • Yoke Rings	• Active Matrix LCDs • LCD Cells & Modules • Poly-LEDs • Reflective LCDs	• Audio/Video • ROM • Read / ReWritable • OPU • Automotive Playback Modules (APM)		• Power Management

Transformation - Focus on Value

Portfolio Decisions

Display Components

- Color Television Tubes
- Color Monitor Tubes
- Large Flat Displays
- Key Components
- Yoke Rings

Flat Display Systems

- Active Matrix LCDs
- LCD Cells & Modules
- Poly-LEDs
- Reflective LCDs

Optical Storage

- Audio/Video
- ROM
- Read / ReWritable
- OPU
- Automotive Playback Modules (APM)

LG. Philips LCD

E2S - Emerging Electronic Solutions

- Power Management

Transformation - Focus on Value

… to a more focused portfolio of functional solutions

Display Components
- Color Television Tubes
- Color Monitor Tubes
- Key Components
- Plasma Displays

Flat Display Systems
- Mobile Display Systems
- Large Display
- Enablers for Differentiation

Optical Storage
- Audio/Video
- ReWritable
- Automotive
- Optical Pick-up Unit

Emerging Electronics Solutions
- Power Solutions
- Power Components
- Tuners
- Wireless Connectivity

Key Account Management

LG. Philips LCD

Transformation - Focus on Value

Investments in digital-age technologies

Display

Storage

Power

Connectivity

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Investments in digital-age technologies

Display - The Human Interface Surface of the Future

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Investments in digital-age technologies

Connectivity - Effortless connection of appliances, enabling free communication in a mobile environment

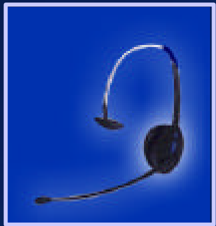




Personal, home or office network








Investments in digital-age technologies

Storage - media for interchange, portability and archiving of digital content

Save it

Keep it

Share it

Move it

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Investments in digital-age technologies

Power solutions - a continuum between stationary and mobile applications

Stationary

- Modules to transmit Data Over Mains
- Power Solutions which enable flat, efficient and green HVE products

Semi-Stationary

- "Active" surfaces for energy transfer
- Standard universal mechanical interface
- Uninterruptable power buffer unit

Mobile

- Turbo Charging Power Systems
- Integrated Charger
- Alternative power generation systems

Investments in digital-age technologies

convergence and integration drive future opportunities

Digital
Consumer Electronics

PC Related

Mobile Communications

Convergence
&
Integration

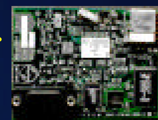
Transformation - Focus on Value

Bluetooth product development

Now

Commercial

- "Single chip"
- Widcomm soft ware



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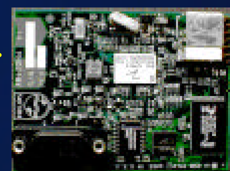
COMPACT FLASH

June 2000

Samples

- Philips baseband
- Philips RF module
- Widcomm soft ware



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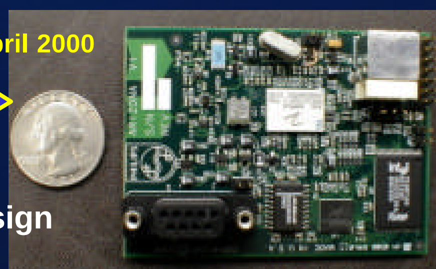
EXTENDED COMPACT FLASH

April 2000

Prototype

- VLSI baseband
- VLSI reference design



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PC Card

HP selects Philips as supplier of connectivity modules for printer division

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Where We Are

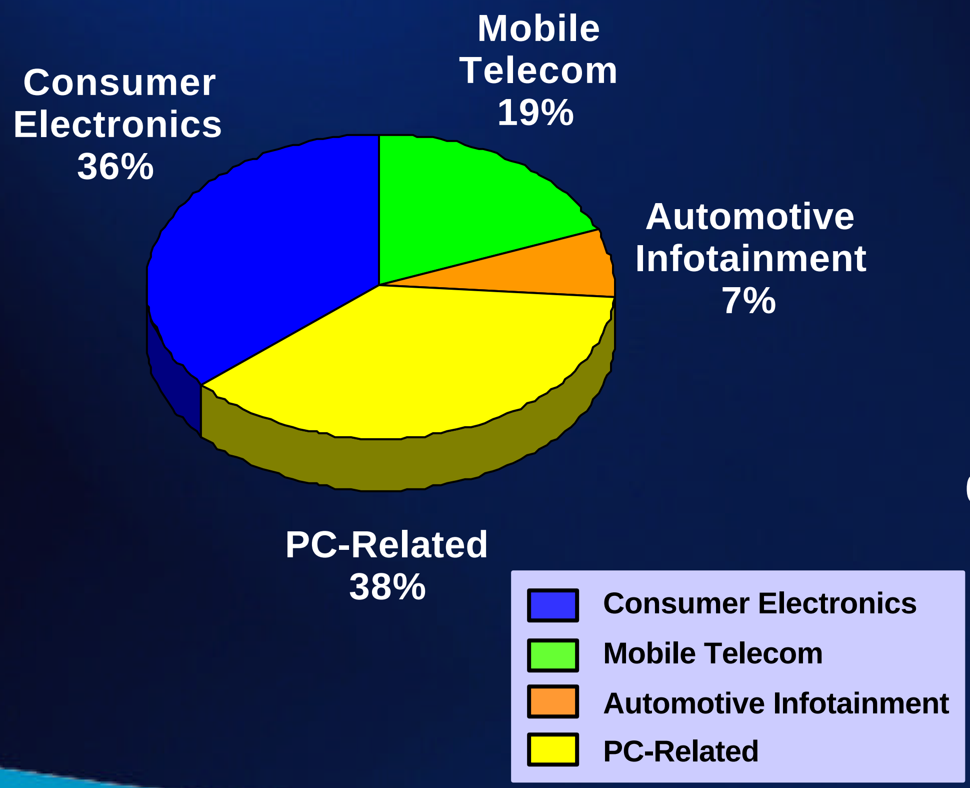
Key Trends

	1996	1997	1998	1999	2000 H1
Sales to Thirds	2870	3671	3841	3754	2330
Internal Sales	1479	1428	1420	1571	810
Total Sales	4349	5099	5261	5325	3140
IFO	316	267	44	289	227
%	7.2%	5.2%	0.8%	5.4%	7.2%
Headcount	41,995	46,131	42,613	41,709	42,370

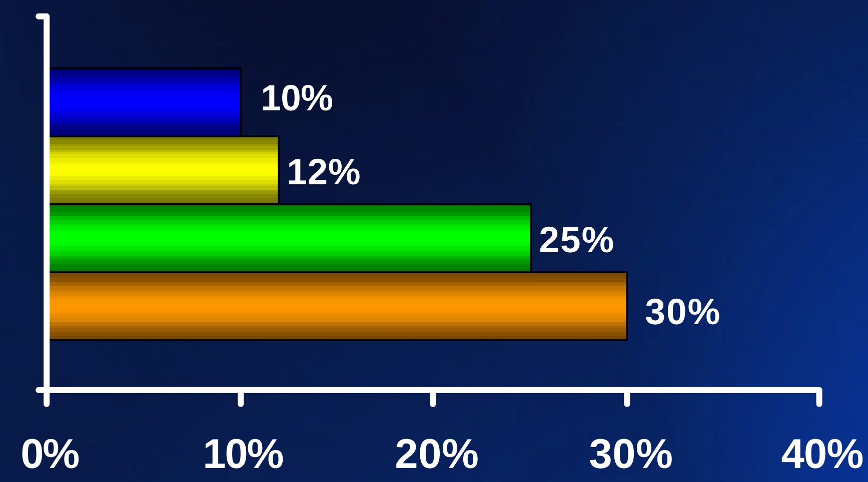
Where We Are

Strategic Direction - focus on high-growth markets

Revenue per Segment 1999



CAGR 2000-2004



Philips Components

Summary

- World leader in display technology
  - #1 in large LCD displays - with LG.Philips 23% market share
  - #1 in colour TV tubes - 18% market share
  - #1 in Mobile Displays - 35% market share

- Leading innovator in CD and DVD formats for the information technology and consumer electronics markets
  - Will ship 10 million CD-R/RW units in 2000 and 20 million in 2001!
  - DVD+RW - the only fully-compatible DVD format

- Building a position in wireless connectivity modules
  - Supported by world number three position in RF tuners

Philips Components

Ambition

- We will be an industry shaper in
  - display
  - optical storage
  - wireless connectivity
  - power management
- We aim, with out current market outlook, to maintain >25% growth rate through both organic growth and alliances and acquisitions
- We will deliver significant shareholder value

Philips Components

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Philips Components

Gerard Kleisterlee

Executive Vice-President and COO Royal Philips Electronics

CEO Philips Components

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