

PHILIPS

Is IPTV Ready ?

Rudy Roth

Consumer Electronics – Home Networks

March 27, 2007



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.

Philips CE – Home Networks CPE products for operators

Home Communication



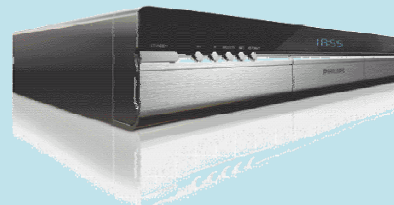
Top 3 player Eur. market

**Retail
B2B**

Products :

- Range of DECT –phones
- VoIP –phones
 - MSN
 - Skype
 - KPN video phone
- WiFi Videophone

Set-Top Boxes



Top 3 player WW market
(addressable market)

**B2B
Retail Europe**

Products :

- Digital TV
 - Satellite
 - Cable
 - Terrestrial
 - IP

Connectivity



**B2B
Retail**

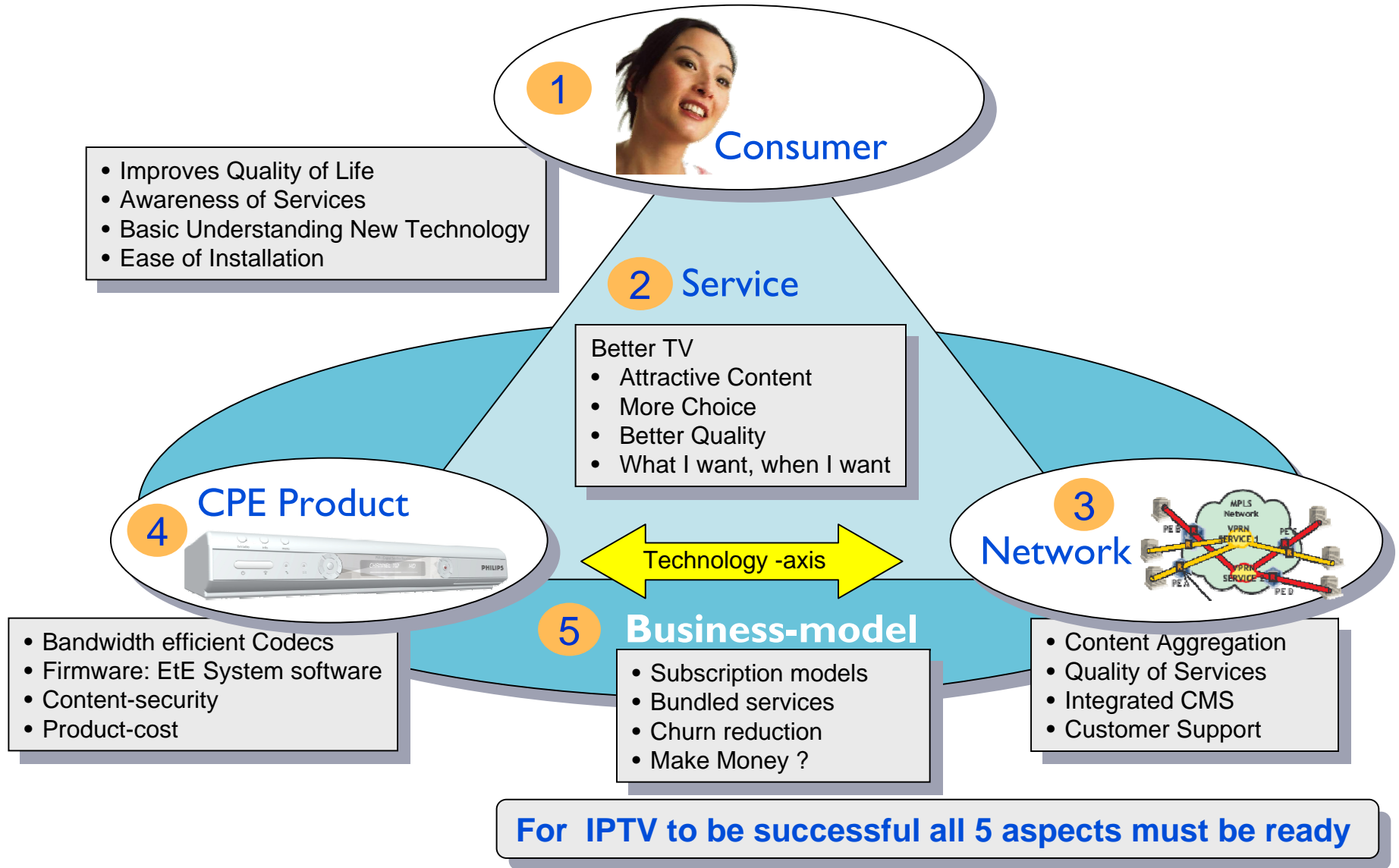
Products :

- Wireless Gateways
- Media adaptors
- Digital Links

HQ: Paris – France

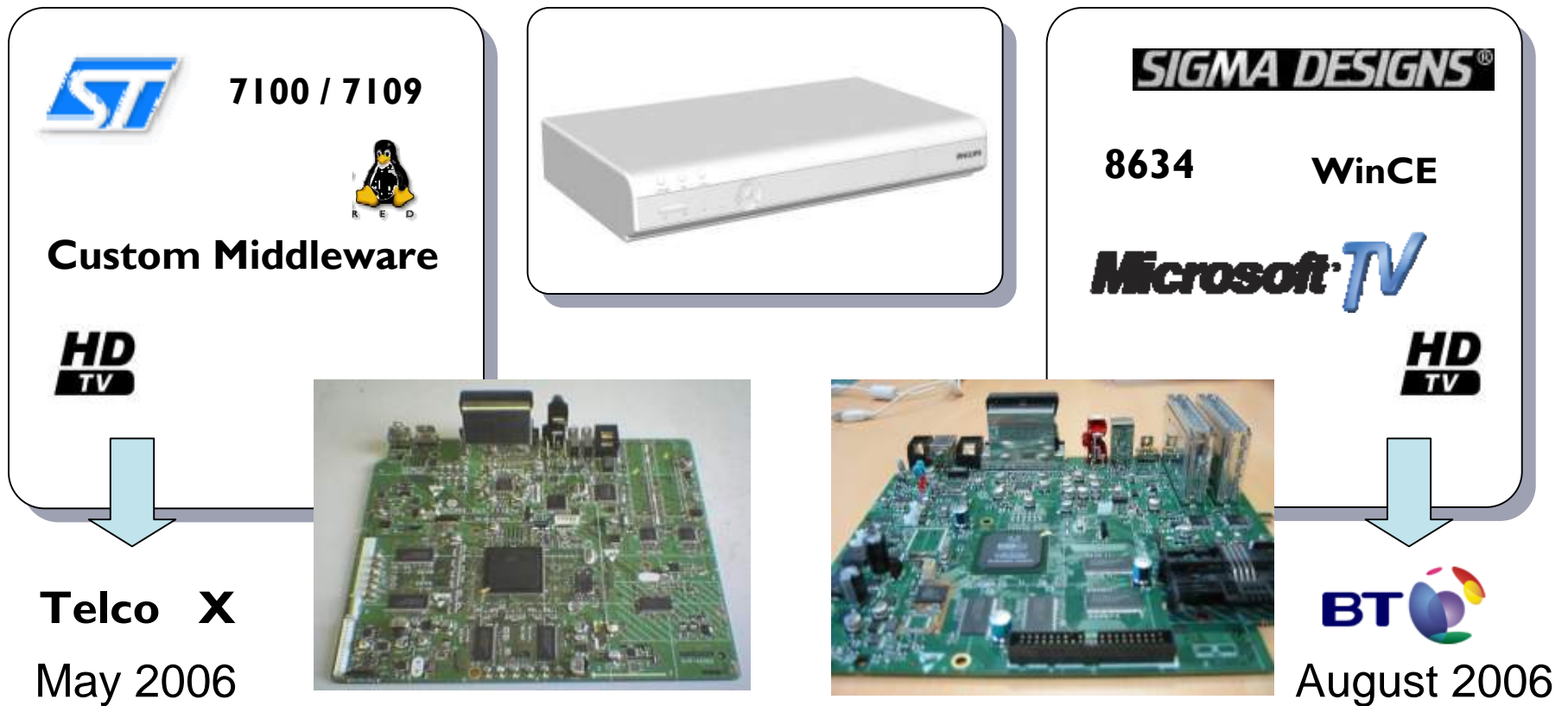
Facilities: NL, USA, India, China Brazil

Is IPTV Ready ?

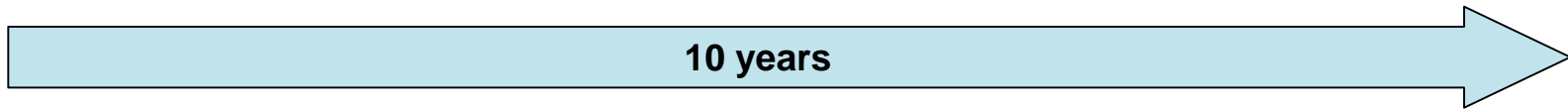
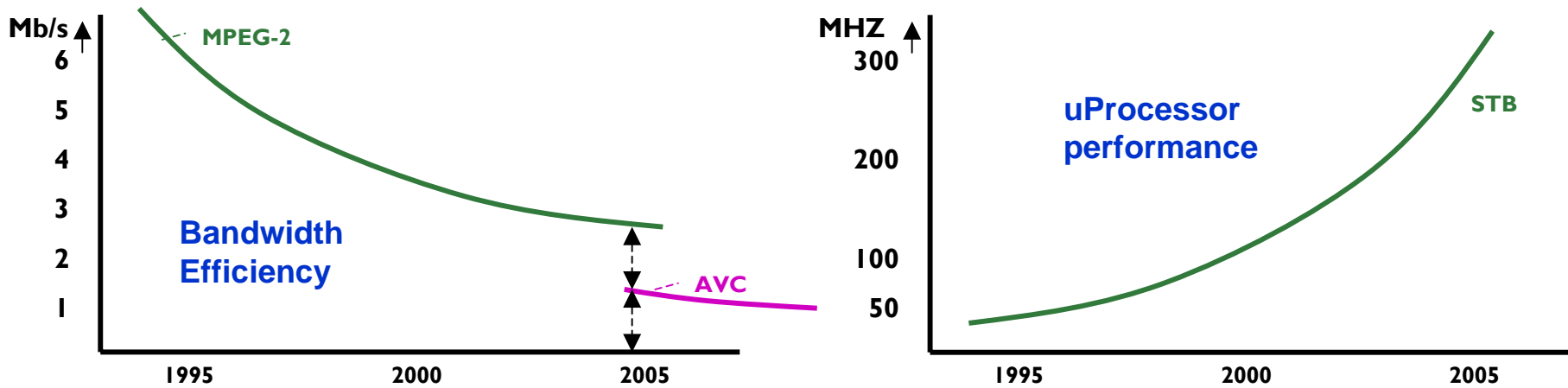


Philips contribution

**2 Hardware Platforms for IPTV
supporting multiple Middleware's
for launch in 2006 with committed customers**



Evolution MPEG 2 Set-Top Boxes



Many discrete components



Several components



Single chip System-On-Chip



PHILIPS
SCART STB

IPTV starts based on System-On- Chip

Powerful Decoders:

- Multi-channel MPEG 2
- H.264 / VC 1
 - Standard Definition 1.5 Mb/sec
 - High Definition 4-6 Mb/sec

Powerful Microcontroller:

- 300 MHz, 350 MIPS
- Linux , WinCE
- Comparable to Pentium III

Embedded **Secure processor** for DRM

3D Graphics

I/O- support

- Hard Disk Drive
- USB
- Ethernet

**Products based on
Single Chip Technology**

**Technology fits with
ADSL network capabilities**

High Def. TV capable

Interactive Applications

Securing Content

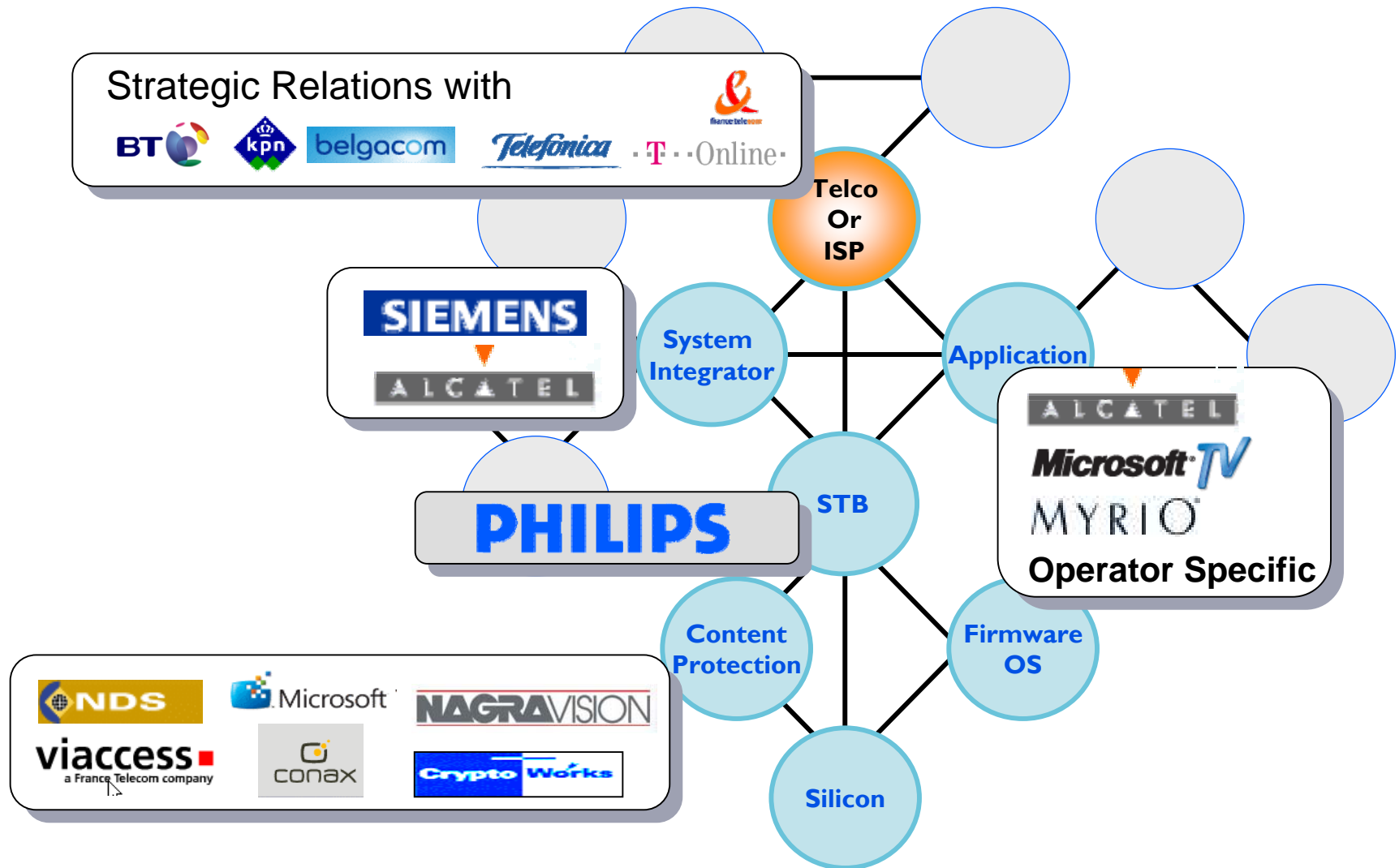
Right Cost Price Level

High Definition Picture Resolution

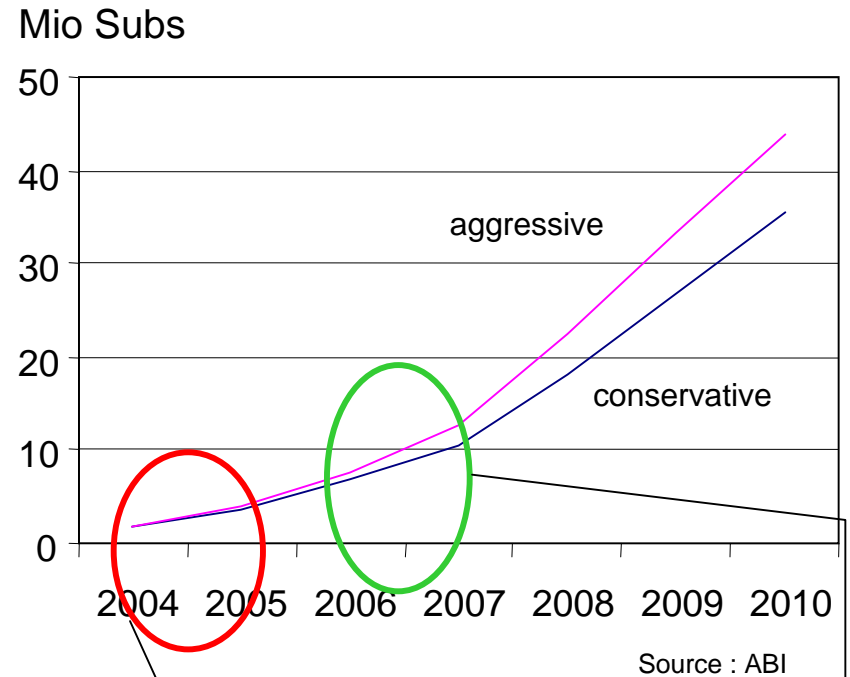
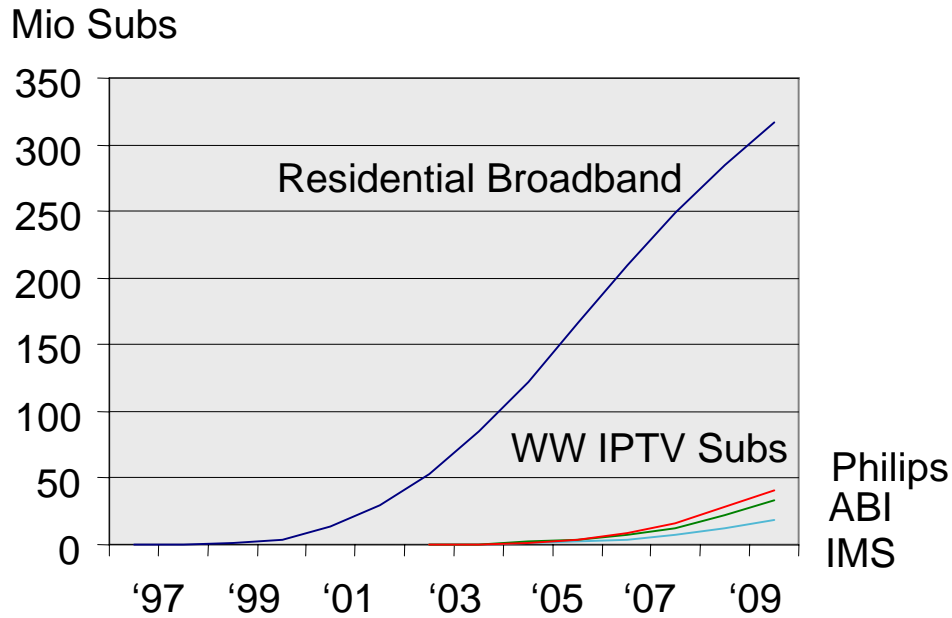


- HD Content availability
- Strong growth of HD-capable Flat display's
- Consumers' demand for improved picture quality

Philips has established Key-Partner relations



Worldwide IPTV Subscriber Market Forecast



**Forecast are mainly for Telco TV
All wired networks will converge to IP**

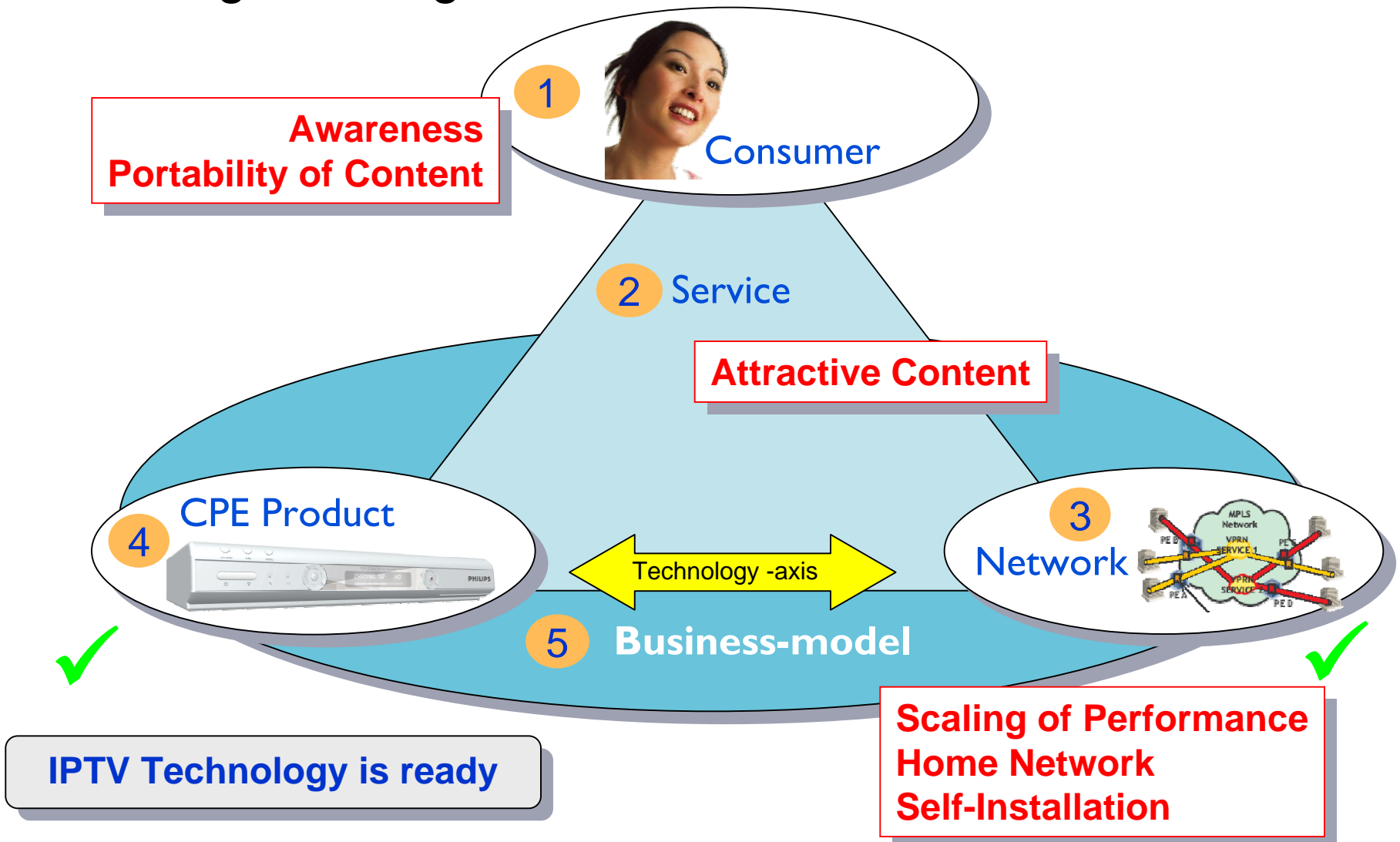
**In next 5 years large % of
Residential Broadband
will be IPTV enabled**

MPEG 2 only
Special brands

H.264
Established brands

Is IPTV Ready ?

Remaining challenges



Philips vision



A world where consumers can **connect and access** entertainment, information and services, independent of time and location



