

# PHILIPS

## Winning strategy - Consumer

**Leon Husson**

Executive Vice President Consumer Businesses  
Semiconductor Division

- The transition to digital television
- Performance in displays
- Leading in optical storage

# Our vision is the connected home



# Philips' focus 2002 - 2005

Digital television

Digital displays

DVD recorder



We are a major player in these three areas!

# Strong market positions

- #1 in TV with over 35% market share (and increasing)
- #1 in media access (tuners/decoders) with over 60% market share
- #2 in digital audio with 18% market share
- #5 in display drivers with 10% market share (and rapidly increasing)
- #1 in DVD recorder chips. Philips was first to market

# Strong growth opportunities

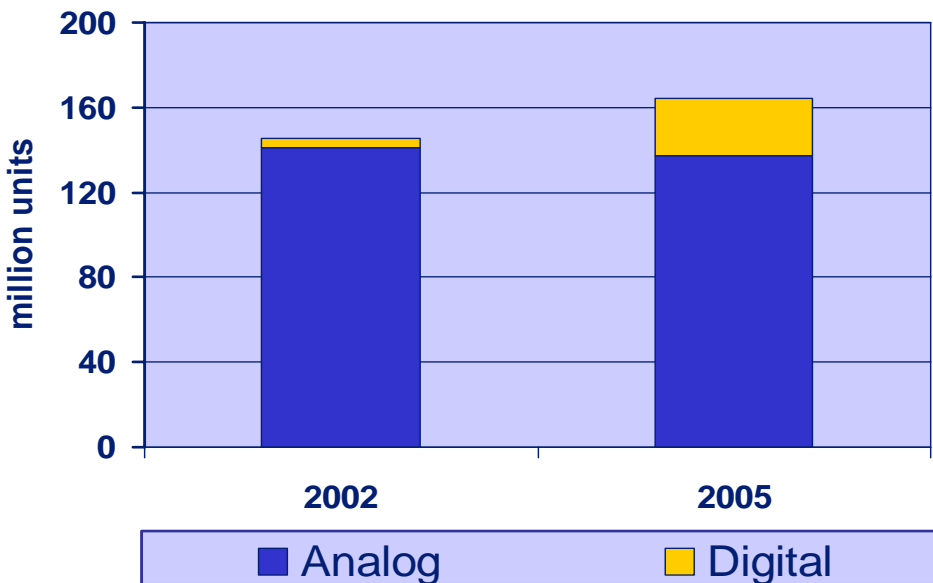
- DTV will add \$1 bn to the semiconductor TAM by 2005  
source: DisplaySearch
- Overall, LCDs represent a semiconductor growth opportunity of \$4 bn between now and 2005  
source: Stanford Resources/iSupply
- DVD recorder chip sales grow from nothing in 2001 to almost \$1 bn by 2005  
source: IDC



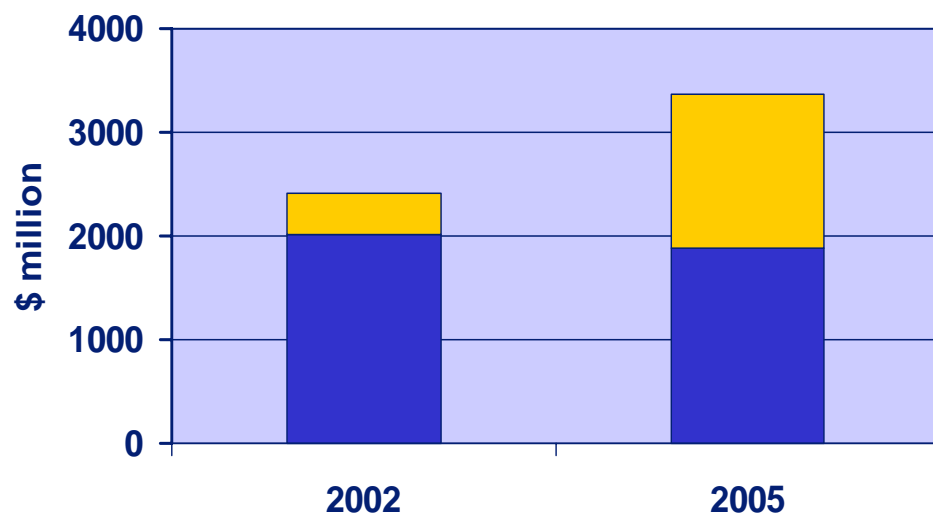
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# DTV – a sizeable business opportunity

Total TV set market - volumes



Total semiconductor value



**Digital TV growth  
from \$400 m to \$1.5 bn**

Source: Display Search, 2002

# Philips – a major player

- Worldwide there are around 145 million TVs sold annually today, and Philips is the #1 supplier of chipsets
- Our global TV chassis solution is widely embraced by the top brands who have partnered with us on their digital strategies
- Philips' Nexperia Digital Video Platform has been endorsed by leading consumer electronics manufacturers

# Our strategy in digital TV

Philips is a proponent of 'open digital TV standards'

- Provide the technology that enables introduction of digital receivers at the **same consumer price point as the analog equivalent**
- Enable interconnectivity in the home by means of scalable, future-proof Nexperia platform
- Maintain close association with the world's major manufacturers, broadcasters and governments



# Philips' Nexperia Digital Video Platform



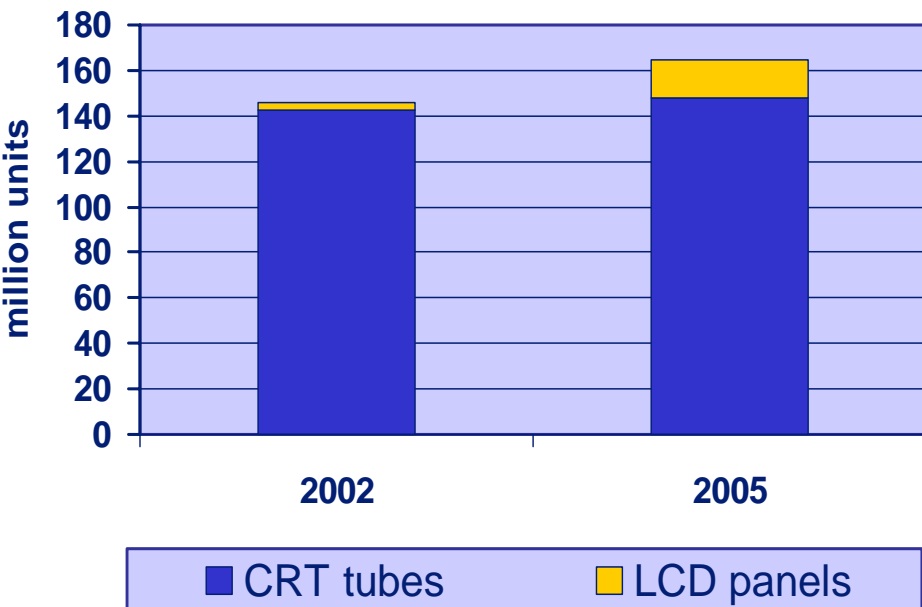
- Meets setmakers' requirements for a smooth transition from analog to digital and cuts time-to-market
- Offers future-proof creation of integrated digital TV and home media centres and enables Philips' vision of the connected home
- Supports open standards (MHP, MHEG-5, JAVA, OSGi, HDMI) as well as proprietary middleware, conditional access and content protection

Nexperia: The firm foundation for a digital future

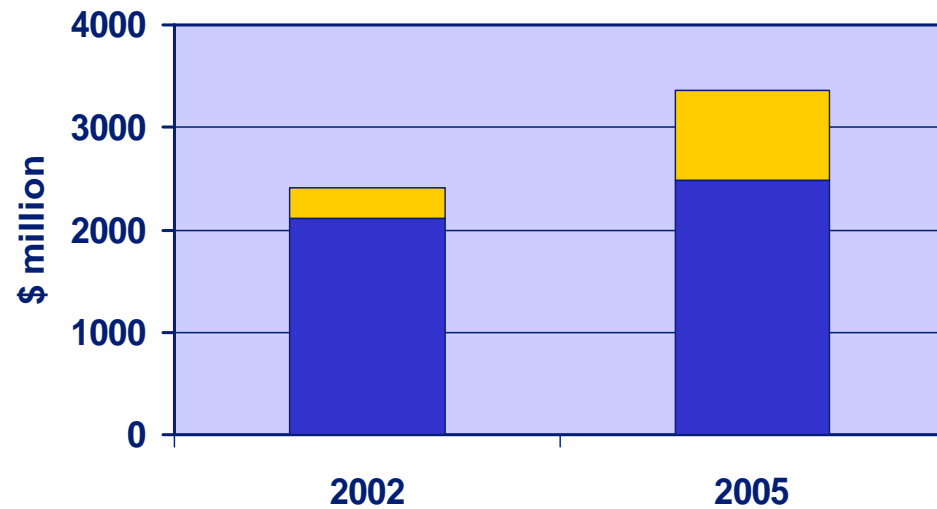
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# Flat panel TV – a sizeable business opportunity

Total TV set market – volume



Total semiconductor value



**Flat panel TV growth  
from \$300 m to \$900 m**

Source: Display Search, 2002

# Philips – a major player

- Unique combination of classical TV know-how and LCD competence
- The only semiconductor company in the world to address the entire LCD TV functionality:
  - Picture-processing and scaler ICs
  - Display processors
  - Display drivers



# Our strategy in LCD TV

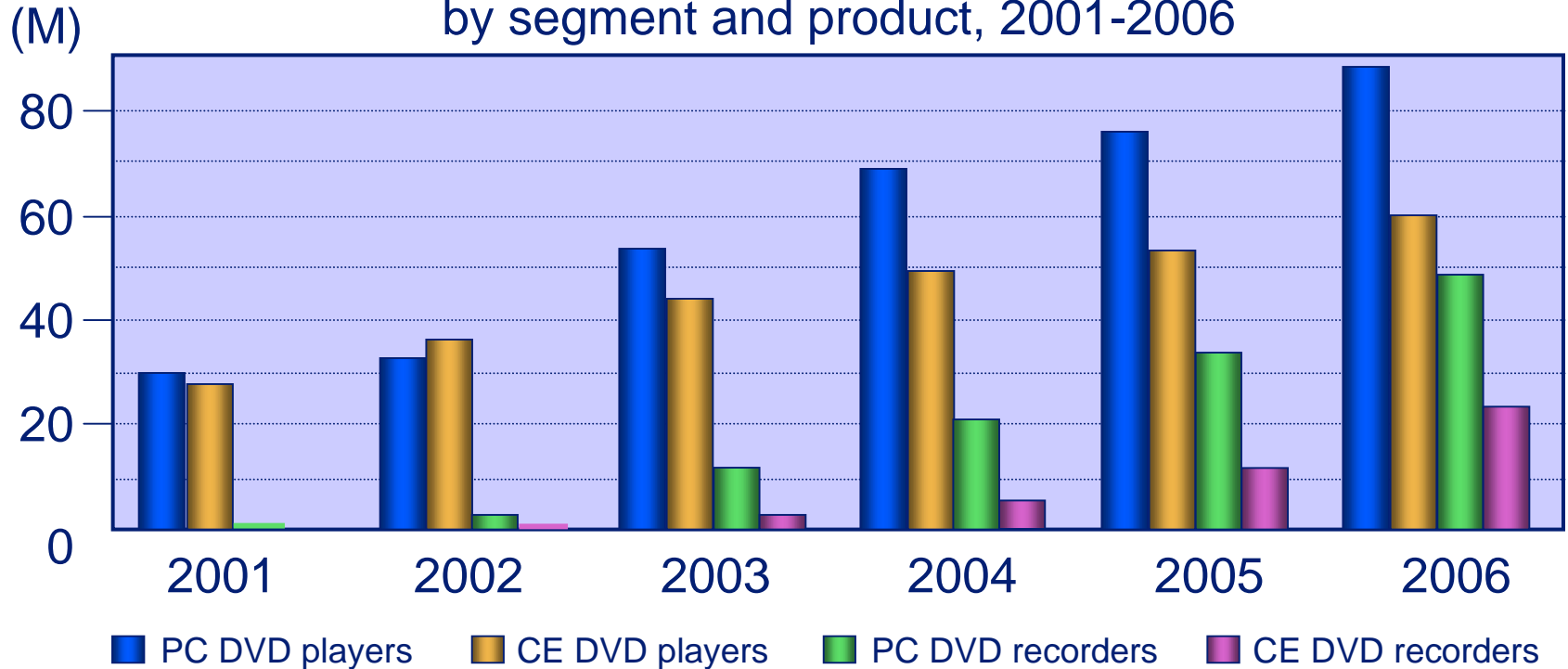
- Capitalize on the combination of our strong positions in chipsets for both TVs and LCD monitors
- Exploit Philips' expertise in picture enhancement in order to capitalize on the growing opportunity in LCD TV
- Drive cost down through integration of all three functions on a single chip – based on Nexperia
- Build on our close partnership with the leading panel maker, LG.Philips LCD



- The transition to digital television
- Performance in displays
- Leading in optical storage

# DVD recorder – a sizeable business opportunity

Worldwide DVD player and recorder shipments  
by segment and product, 2001-2006



Source: IDC, 2002

# DVD recorder – a sizeable business opportunity

Worldwide DVD Player and Recorder semiconductor revenue by product and segment, 2001-2006 (\$M)

|                  | 2001           | 2002           | 2003           | 2004           | 2005           | 2006           | 2001-2006 CAGR (%) |
|------------------|----------------|----------------|----------------|----------------|----------------|----------------|--------------------|
| <b>Players</b>   |                |                |                |                |                |                |                    |
| PC DVD           | 445.7          | 333.4          | 461.1          | 528.3          | 528.9          | 561.1          | 4.7                |
| CE DVD           | 1,036.3        | 998.2          | 1,029.8        | 1,032.2        | 992.7          | 1,010.7        | -0.5               |
| <b>Subtotal</b>  | <b>1,482.0</b> | <b>1,331.6</b> | <b>1,490.9</b> | <b>1,560.6</b> | <b>1,521.6</b> | <b>1,571.8</b> | <b>1.2%</b>        |
| <b>Recorders</b> |                |                |                |                |                |                |                    |
| PC DVD           | 31.2           | 64.1           | 168.9          | 275.5          | 379.9          | 494.7          | 73.8               |
| CE DVD           | 1.2            | 58.8           | 143.1          | 277.9          | 483.1          | 848.8          | 270.6              |
| <b>Subtotal</b>  | <b>32.4</b>    | <b>122.9</b>   | <b>312.1</b>   | <b>553.5</b>   | <b>863.0</b>   | <b>1,343.4</b> | <b>110.6%</b>      |
| <b>Total</b>     | <b>1,514.4</b> | <b>1,454.5</b> | <b>1,803.0</b> | <b>2,114.0</b> | <b>2,384.6</b> | <b>2,915.3</b> | <b>14.0</b>        |

Source: IDC, 2002

# DVD+RW: the de-facto standard!

- Microsoft has endorsed DVD+RW in its next generation OS
- Major computer companies including Dell, HP/Compaq and Fujitsu-Siemens have committed to DVD+RW
- As of Q2, DVD+RW is the leading format in consumer applications in all regions of the world (except Japan) with over 50% market share



# Philips – a major player

- We are leading in DVD+RW
- We are the only company with a complete system-level solution offering low cost and low R&D investment for customers
- Philips' Nexperia Digital Video Platform has been endorsed by leading computer and consumer electronics manufacturers

# Our strategy in DVD recorders for data drives

- Develop single-chip solution for PC products
- Engage in partnerships in order to lead the race for speed in data drives



# Our strategy in DVD recorders for consumer products

- Support multiple applications (DVD recorder, HD recorder, etc.) and next generation standards (Blu-Ray)
- Execute low cost system roadmap (to replace VCR and DVD-player)



# Conclusions

- Nexperia DVP is the solution for the transition from analog to digital – and central to our vision of the connected home
- We have the enabling products today to address the market's key growth areas in DTV, LCD TV and DVD recorder
- Industry leading customers have chosen our solutions

