



PHILIPS

Veeza

Make licensing work
for your business



Unfair competition threatens the industry

- Companies that do not pay all royalties due, undercut the price charged by licensees to their customers
- Dishonest companies compete using royalty evasion schemes instead of competing on quality, manufacturing skills, and logistics excellence
- This creates unfair competition for honest licensees

A new approach

Make it easy to recognize products

- for customs
- for traders / importers
- for retailers

Participating in Veeza is simple

Circumventing Veeza is easy recognizable



Veeza is simple for manufacturers

- Put the registration **logo** on all discs/hardware and master/product cartons
- Place a serial number **label** on all master/product cartons
- Obtain an **LSCD** for every shipment
- LSCD requests are fully automated



Veeza is simple when buying direct from a Registered Manufacturer

It is easy to identify that discs or hardware are licensed under Veeza!

No logo on recordable discs or hardware



Not licensed

No label with serial number on hardware, master carton or product carton



Not licensed

No LSCD or incorrect LSCD per shipment



Not licensed

Veeza is difficult to circumvent

- Veeza is sophisticated
 - rights and obligations described in great detail
- Circumvention is immediately apparent
- Compliance is simple

Veeza makes sense:
reduced cost and improved margins

- Licensed goods improve the business climate - for both manufacturers and traders – with a positive result to:
 - Cost-effective production of quality products
 - Effective distribution

Veeza – at a glance

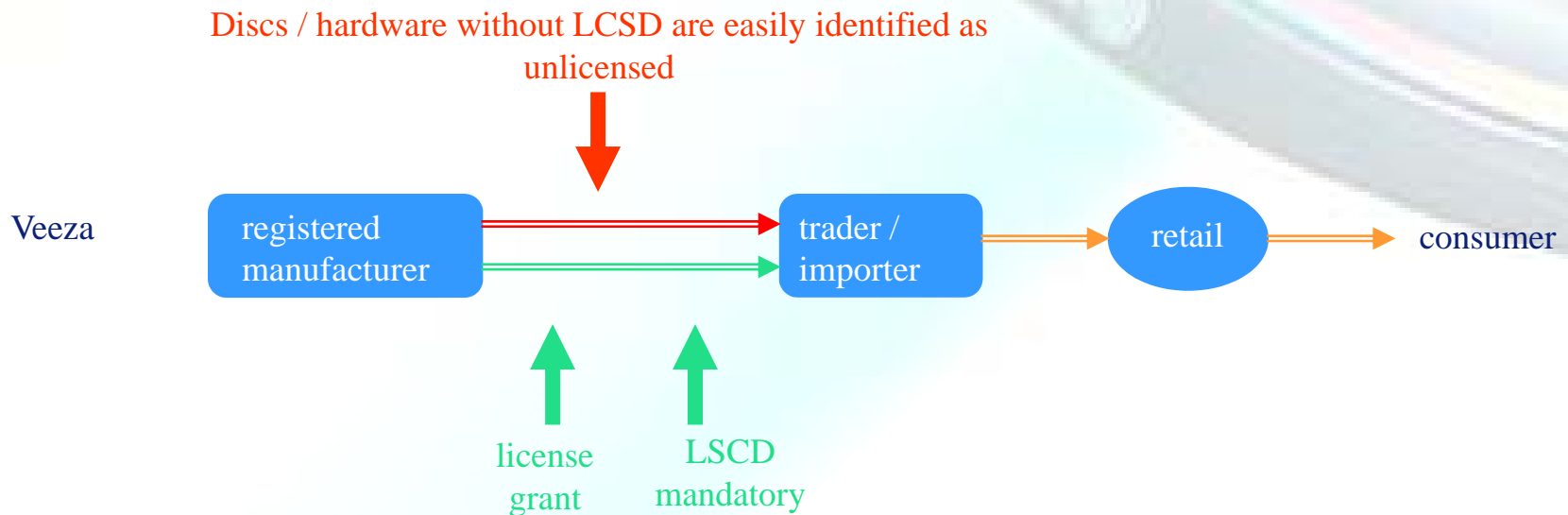
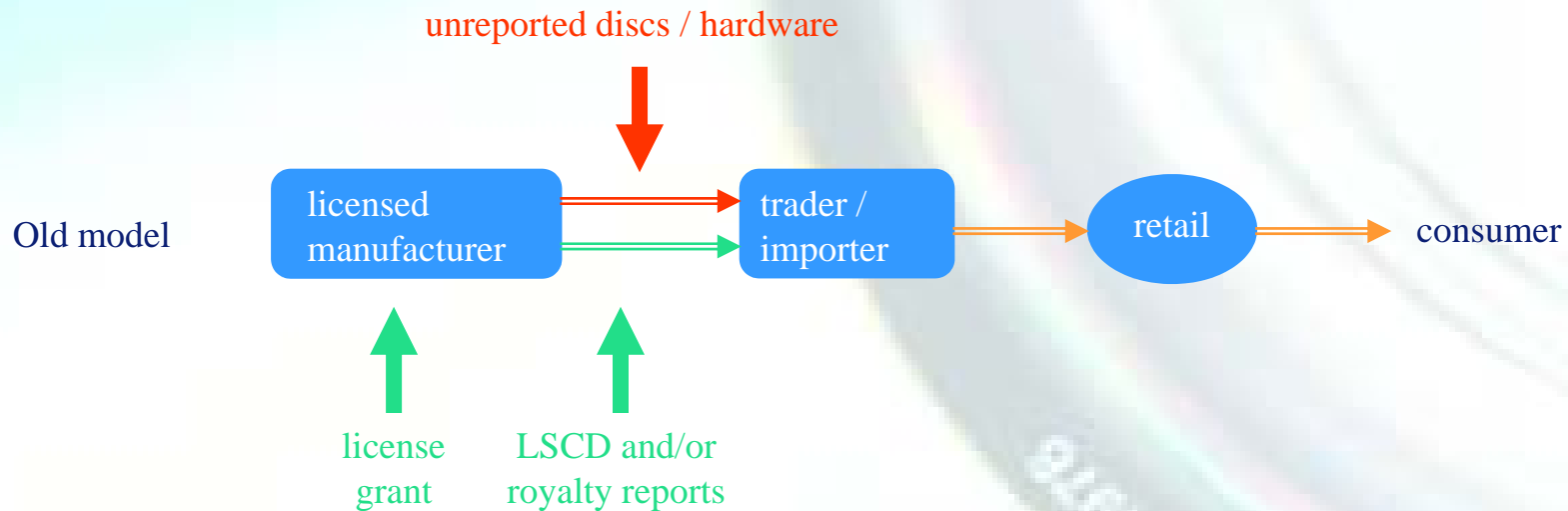
Topics

- (1) Licensed shipments instead of companies
- (2) A mandatory logo for discs and hardware
- (3) Recognizing products that were imported with an LSCD
- (4) Proving the licensed status throughout the supply chain
- (5) High-volume traders can become 'Registered Traders'
- (6) Territories
- (7) Working with Associated Companies
- (8) Obtaining LSCDs

(1) Licensed shipments instead of companies

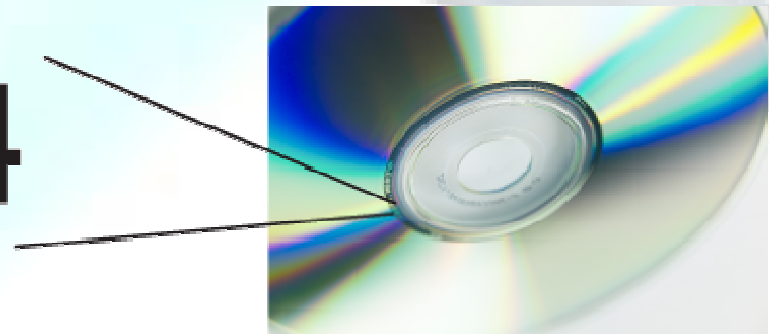
- Old model:
 - Difficult for traders and retailers to determine whether:
 - products are reported;
 - royalties on discs or hardware are paid,
 - and therefore whether products are licensed
- With Veeza:
 - Veeza-registered Manufacturers must obtain a separate license for each shipment
 - the ‘Licensed Status Confirmation Document’ (LSCD) becomes the proof that a shipment from a Registered Manufacturer is licensed
 - Registered Manufacturers and (Web) Registered Traders will be listed on the Philips website

Comparison between old and new model

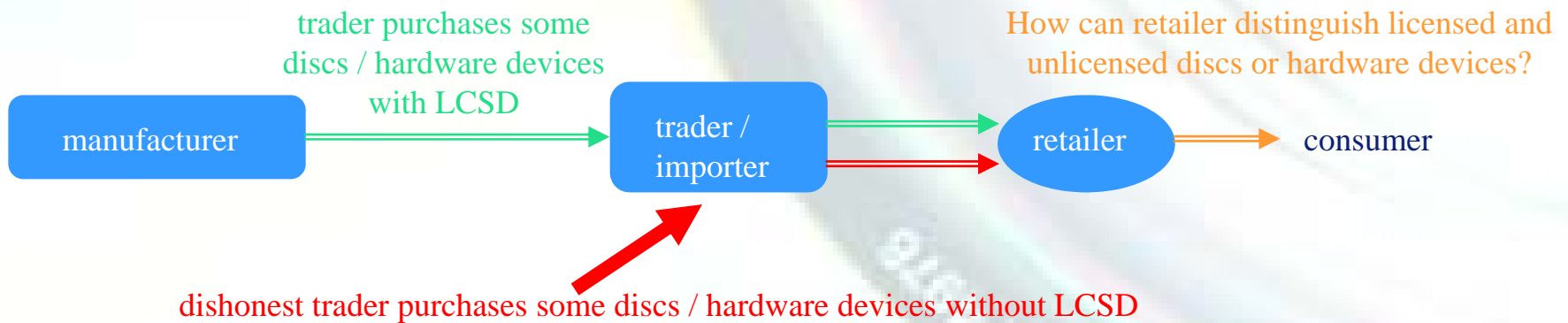


(2) A mandatory logo for licensed discs/ hardware

- Registered Manufacturers must put a small logo on each disc and hardware device (the Registration Logo)
 - recorded in the stamper (no cost);
 - combined with registration number of the manufacturing plant;



(3) Recognizing discs / hardware devices that were imported with an LSCD



The discs or hardware devices have a mark that identifies products imported with an LSCD: the Registration Logo

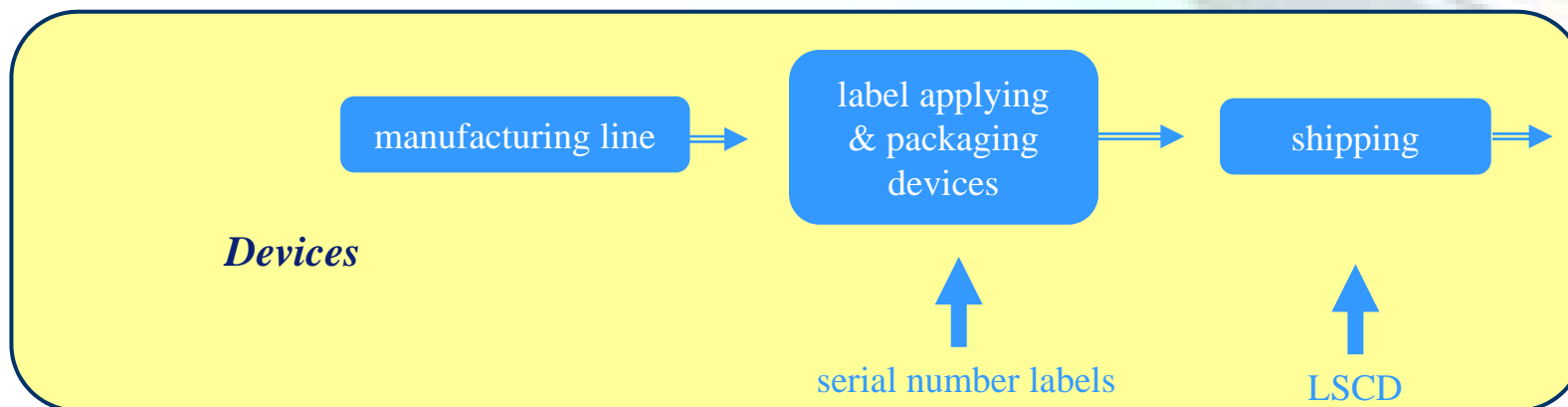
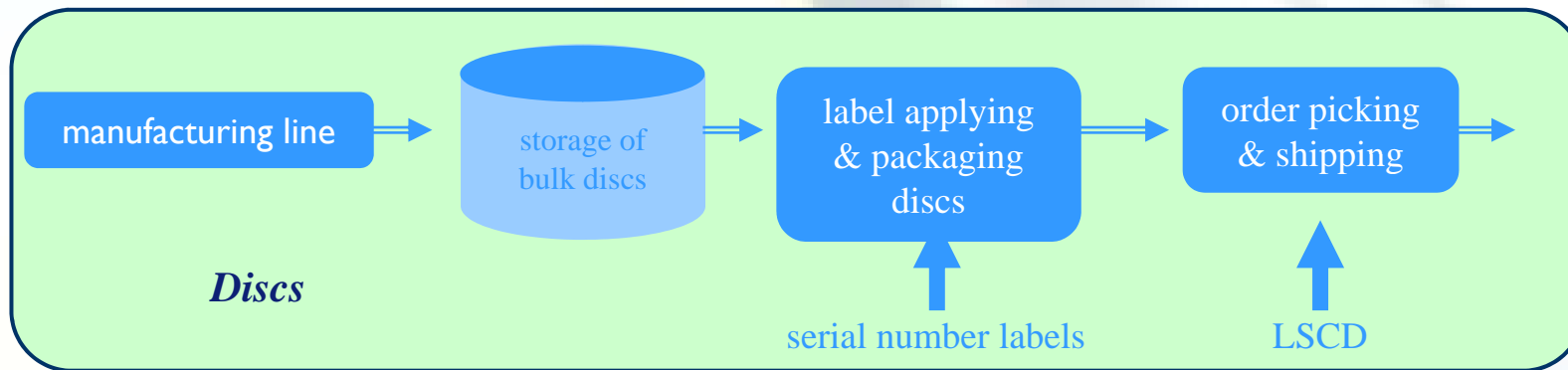
Serial Number labels

- A label with a barcode
- Contains anti-counterfeiting marks, like a bank note
- Labels will be sold to registered manufacturers
 - approximately 0.10 USD per label suitable for one mastercarton with discs



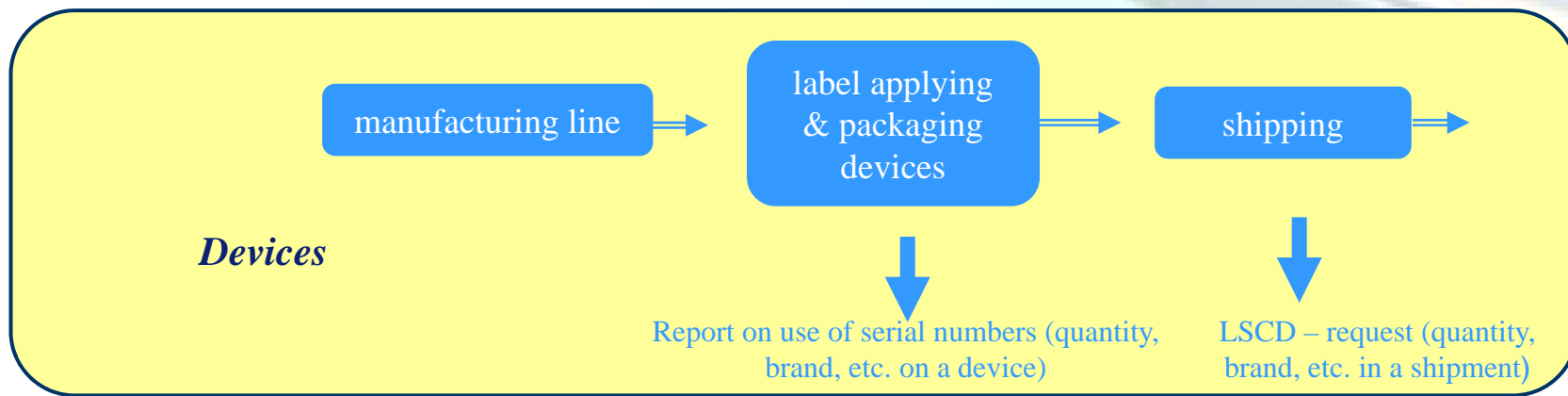
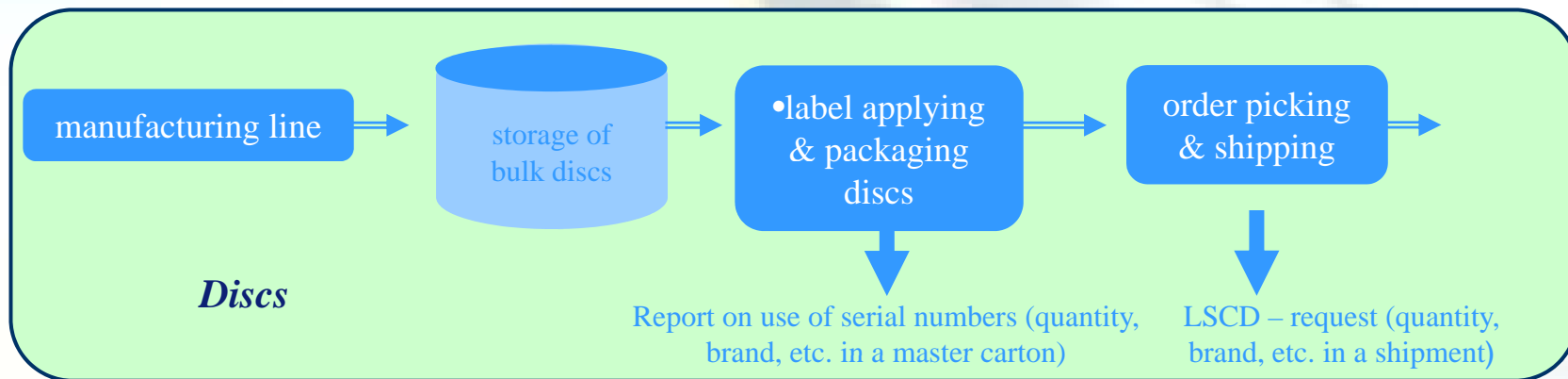
LSCD and Serial Number Label application

LSCD and Serial Number Labels are needed in different steps of the manufacturing operation

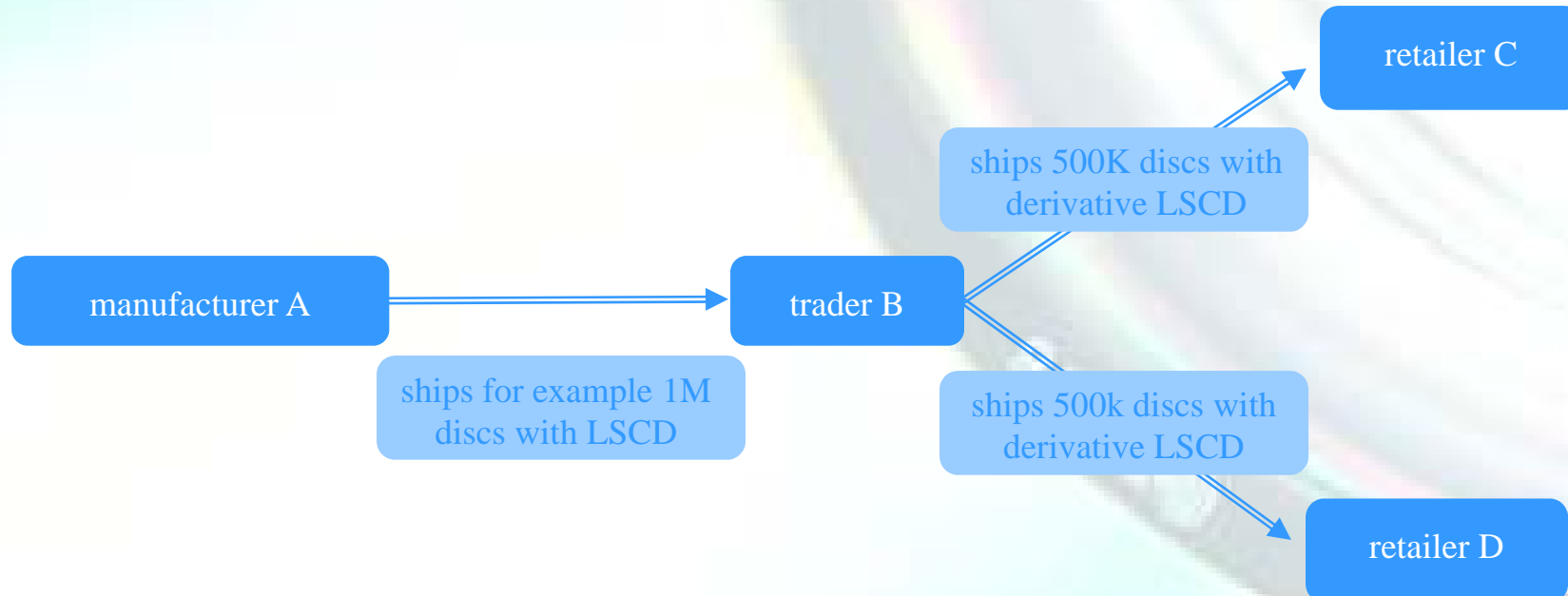


Reporting Serial Numbers

- Serial Numbers are reported after packaging
- The Serial Number need not appear on the LSCD



(4) Proving the licensed status throughout the supply chain: the derivative LSCD



Traders can prove to their customers that discs are licensed by obtaining a 'derivative LSCD' from Philips

(5) High-volume traders can become ‘Registered Traders’

- High-volume traders can become Registered Traders
 - this allows them to pay royalties instead of the manufacturer
- Benefits
 - secure their business and logistics chain
 - avoid disruption when a supplier cannot obtain an LSCD
 - avoid disruption when a supplier’s registration agreement is terminated
 - can obtain derivative LSCDs
 - can obtain serial number labels for re-packaging into other master cartons

Other traders can become ‘Web-Registered Traders’

- Register by filling in a web-form and clicking on the ‘I agree’ button
 - valid e-mail and business address required
- Can obtain a derivative LSCD, but only for discs or devices that were obtained with an LSCD that identifies this Web-Registered Trader as the recipient
- Cannot obtain serial number labels for re-packaging discs in new master cartons or extra serial number labels for devices

(6) Territories

- The license granted with the LSCD is only for the country of manufacture and the country of destination of the shipment
- New LSCD can be obtained for import into additional countries
 - no additional royalty payments for such LSCDs

Expiry of the last essential patent

- The Registration Agreement terminates when the last essential patent expires in the country of registration
- Philips will offer the Registration Agreement for Manufacturers in Non-Patent Countries

Non-patent countries

- **Manufacturers in Non-Patent Countries:**
 - offered a ‘Registration Agreement for Manufacturers in Non-Patent Countries’
 - pay royalties for the percentage of total production that it is estimated by the parties will end up in patent countries
 - this percentage is agreed between the parties, and may be re-negotiated, on the basis of market data
 - must put the registration logo on all discs
 - must obtain an LSCD for all shipments

(7) Working with Associated Companies

- Associated Companies are treated as independent entities
- Registered Manufacturer must obtain an LSCD when shipping discs to an Associated Company

(8) Obtaining LSCDs

- The LSCD is obtained by filling in a form on the Philips website
- Reduction of input by:
 - Automatic population of input with preset
 - Optionally copies of the LSCD directly to your customer
 - Handling of the payment negotiation if the recipient can settle the license fee

Data in the Application Form

- Product identification
- Quantity information
- Customer / recipient information
- Shipment information
- Security

A close-up, profile view of a man with dark hair, wearing a white dress shirt and a red tie. He is looking intently at a CD that he is holding with both hands. The CD is held in a way that its surface reflects light, creating a rainbow spectrum of colors. The background is a bright, out-of-focus window with a grid pattern.

PHILIPS

Veeza

Your passport to the
market.



April 2009