

# PHILIPS

DAP

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CEO DAP

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## Mission statement

" DAP offers consumers exciting experiences that help them look, feel and live better, thanks to breakthrough products that combine advanced technology with a deep understanding of what consumers seek with respect to health, beauty and home care"

## Agenda

- DAP overview
- Sustained financial performance
  - Continuing profitable growth
  - Enhancing operational performance
- Conclusion



# Divisional Strategy

- Consolidating and achieving leadership positions in main categories through superior value propositions for retailers and end-users
- Breakthrough concepts to accelerate growth and to change the dynamics in mature markets
- Further improvements in operational excellence, e.g. through asset management and diversity reduction

# DAP - setting the scene

In 2004, DAP is selling 77 million products to consumers worldwide



# Overview of businesses

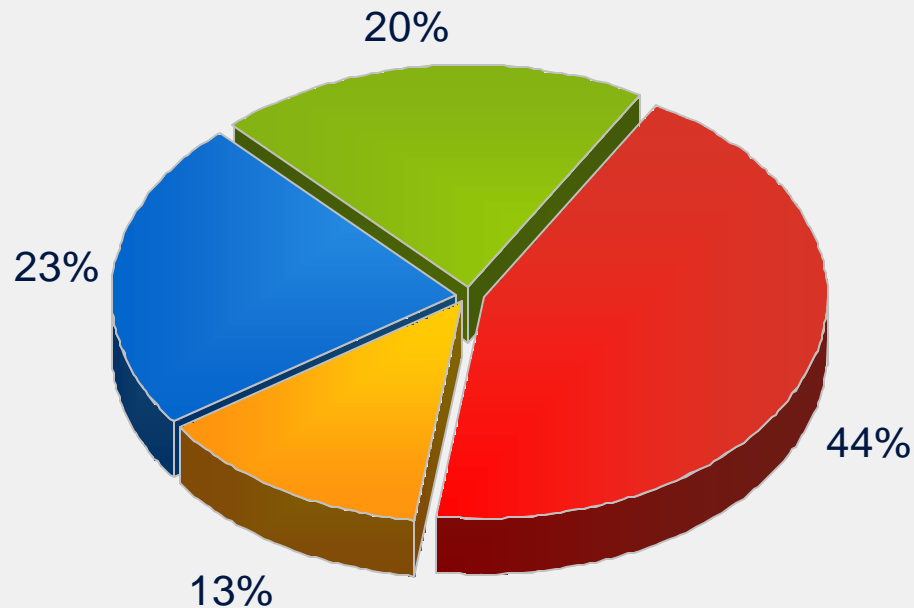
- Personal Care
  - Shaving & Beauty
  - Oral Health Care
  - Health & Wellness
  
- Food & Beverage
  
- Home Environment Care



# Sales by Global Business Unit

YTD September 04

Shaving & Beauty has the largest share of the DAP sales

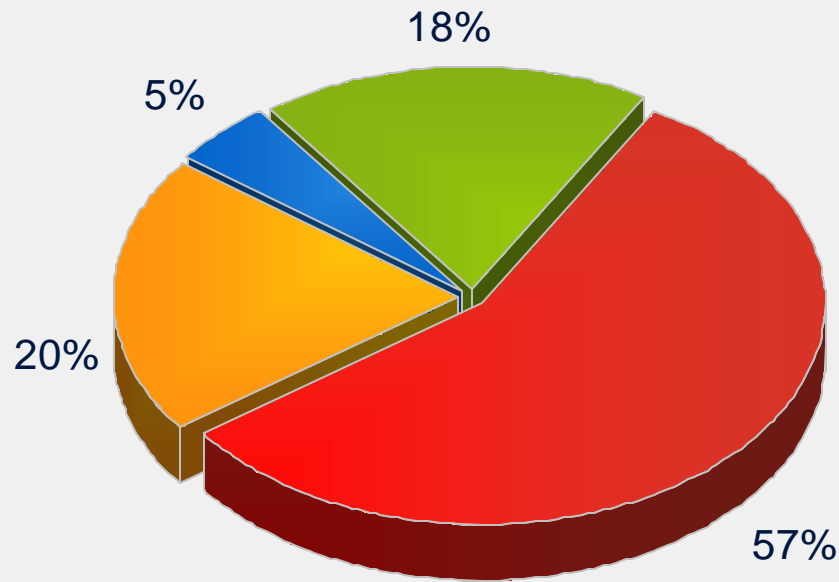


■ Shaving & Beauty  
 ■ Oral Healthcare  
 ■ Food & Beverage  
 ■ Home Environment Care

# Sales by Region

YTD September 04

EMEA Region represents the majority of the DAP sales



EMEA

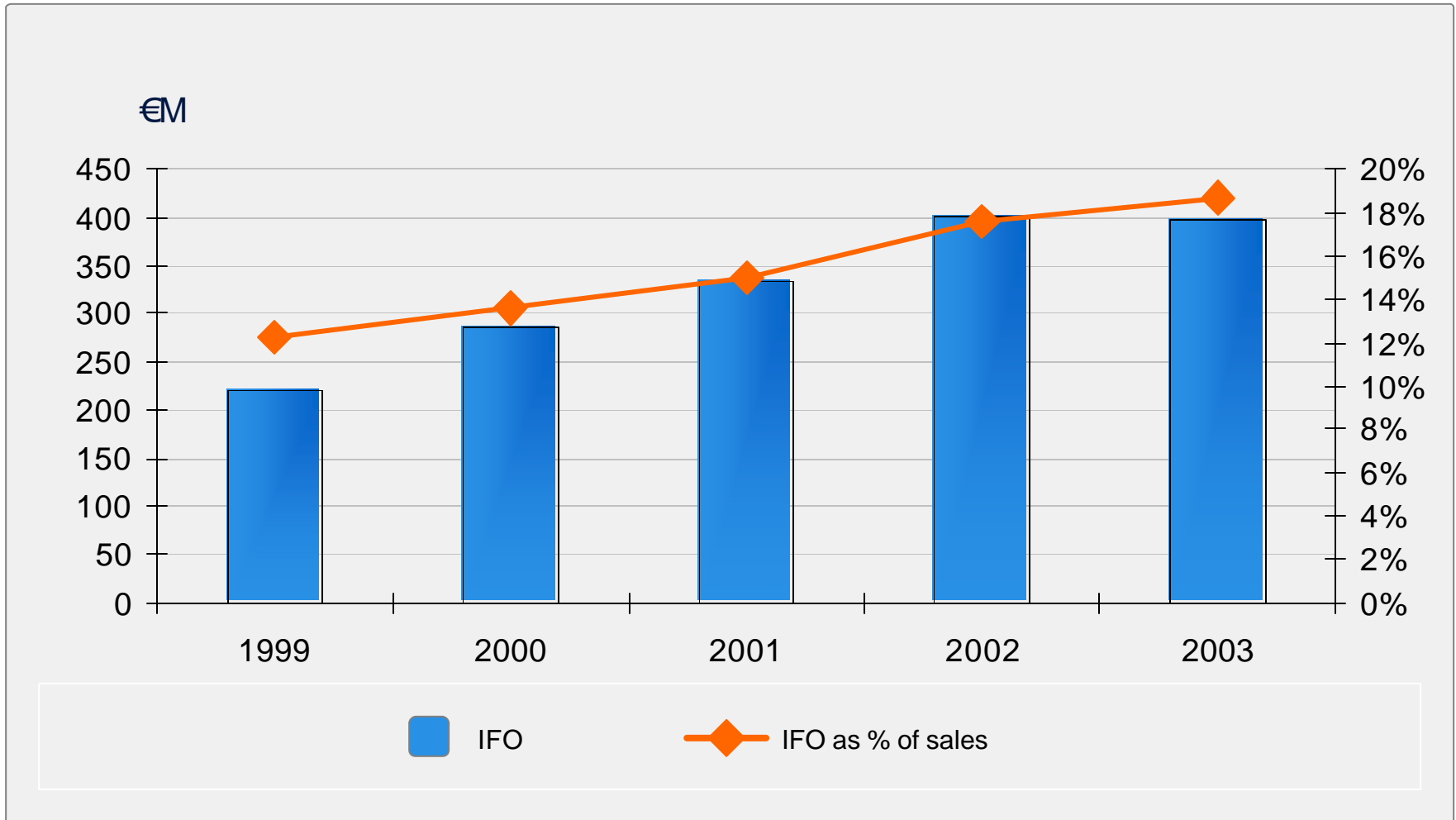
North America

Latin America

Asia Pacific

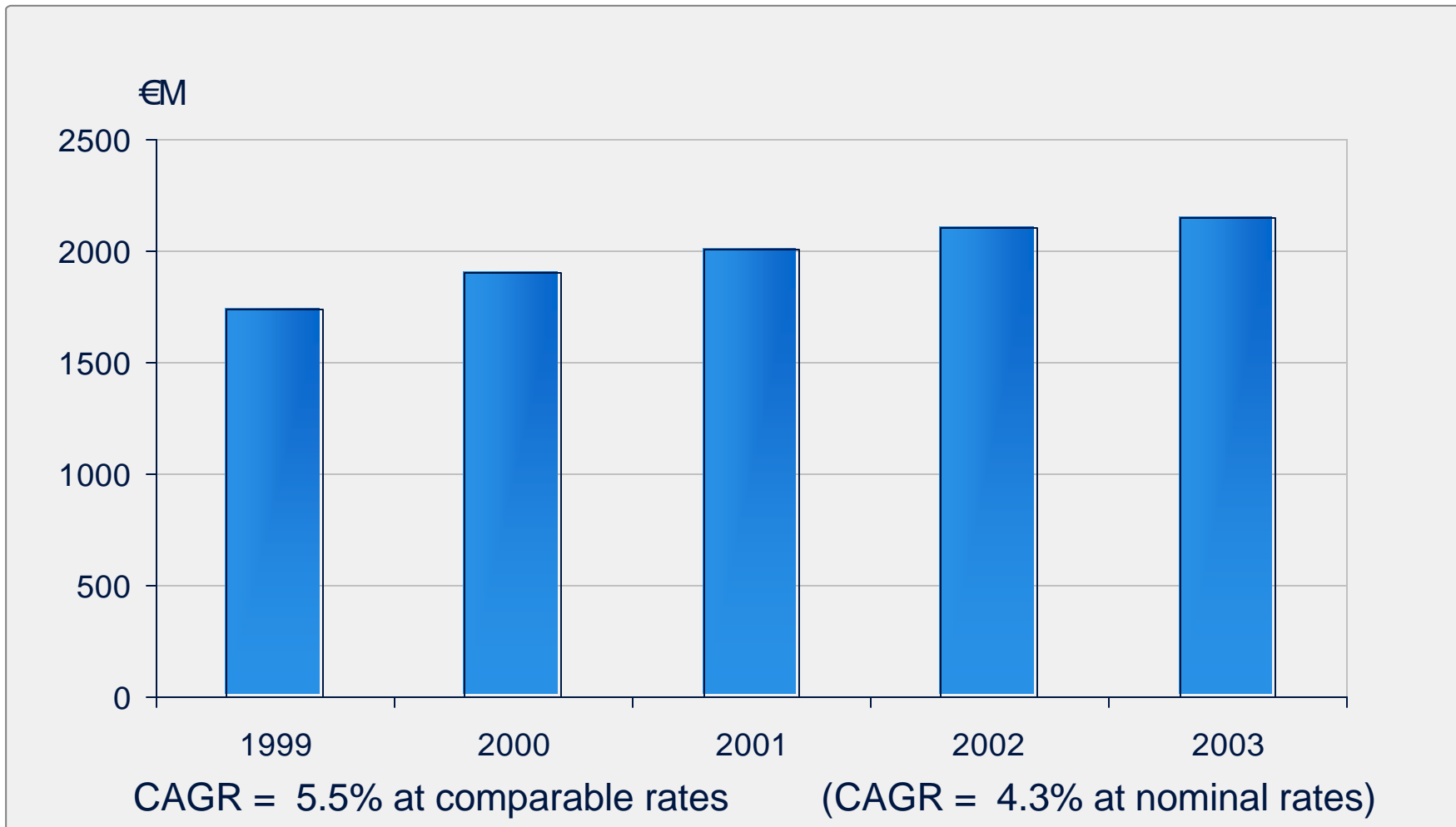


# DAP shows high operational margins

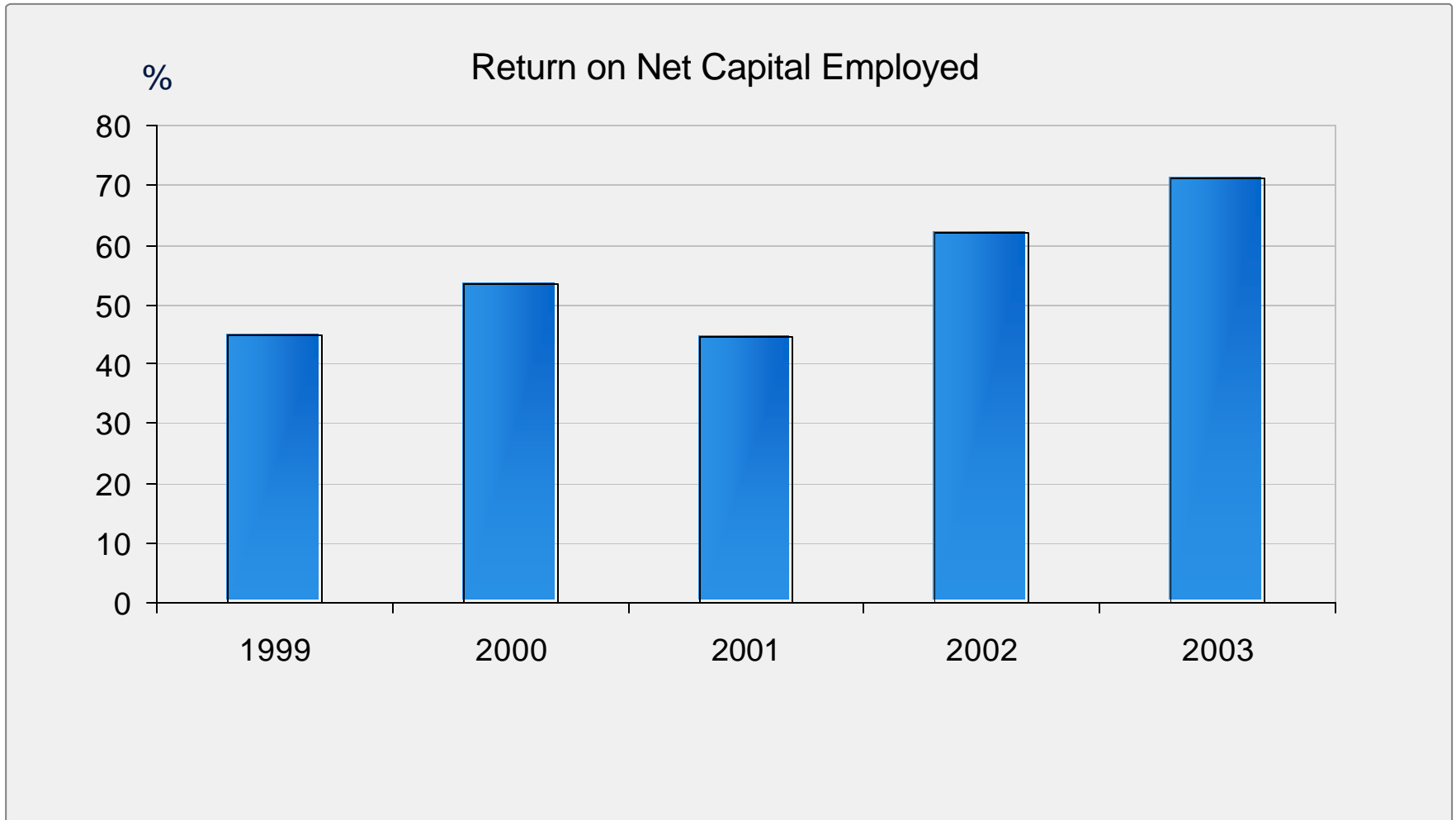


# However, the growth rate is insufficient

## DAP '99 – '03 sales at 2003 exchange rates



# Return on capital is improving



# DAP portfolio has high level of #1 or #2 global positions

Philips position ■ # 1 or 2 ■ # 3 ■ < # 3

	Europe	North America	Apac	Latam	RoW	World
Male Shaving						
Beauty						
Oral Health care				Not in scope		
Food & Beverage		Not in scope				
Garment Care		Not in scope				
Floor Care		Not in scope		Not in scope	Not in scope	

## Focus on China

- Market leadership position in 8 product categories
  - Shaver, Female Depilation, Haircare, Juicer, Blender, Food Processor, Coffee Maker & Iron
  - Oral Care and Floorcare at no.2 position
- High consumer/trade satisfaction
- Wide distribution coverage
  - Expand geographic coverage from 450 to 658 cities in 2008
- High brand equity & brand awareness

# Strategic A&P Program

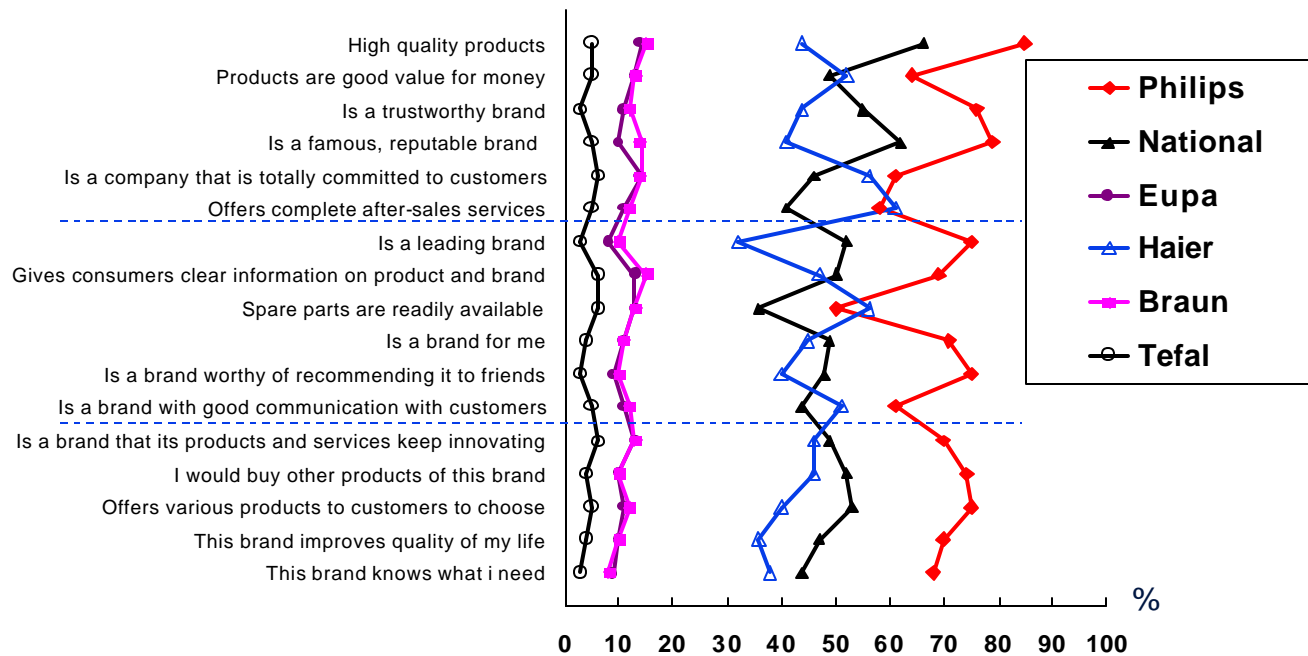
## Keep Top Brand Image in DAP Business

### Brand Awareness

<b>Brand</b>	<b>Top of Mind</b>	<b>Total Unaided + Aided</b>
Philips	54	100
National	15	97
Midea	7	94
Haier	5	93
Hitachi	5	74
Sanyo	3	82
LG	3	70
Eupa	2	40
Red Heart	1	47
Braun	1	40
Electrolux	<1	57
Rowenta	<1	36

# Strategic A&P Program ...

## BRAND IMAGE/ASSOCIATION (2003) - Key Cities -



Base: All respondents

3710

Ref:Q21 / T:A26

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# Product Creation Process is tailored to deliver strong end-user driven innovation

- Consumer at center of all we are doing
  - Market research
  - Test centres and Consumer test institutes
  - Independent consumer tests
- Structured and disciplined PCP
- Consumer validation of all new propositions

Leading to exciting new consumer propositions!



## Increasing number of product introductions

- New product introductions will increase from 89 this year to 111 in 2005 (+25%)
- Number of major initiatives up from 19 to 24 in 2005 (+26%)



# Product Launch in Shaving & Beauty: New Philishave Cool Skin

## Designed around you

- I shave for the “feel of it”
- I have sensitive skin which easily gets irritated
- After a wet shave I feel refreshed and clean
- After shaving, I regularly use a moisturizer

## Easy to experience

- The best of both shaving worlds combined:
  - Performance of blade
  - Convenience of electric
  - Moisturizing integrated
- Can be used under the shower
  - Time efficient for consumers

## Advanced

- Co-operation Nivea for men
- Super lift&cut technology
- Shaving heads (ECP)
- The first electric shaver that can claim as **close as a blade with less irritation** when using the HQ 170 lotion



# Product Launch in Oral Healthcare: IntelliClean System

## Designed around you

I am concerned about my oral health, and know that I should floss more often, but it is such a hassle.

*Only 12% of consumers floss regularly*

## Easy to experience

IntelliClean System delivers deep cleaning that is one step closer to daily flossing with the simple push of a button.

*93% of consumers rated IntelliClean better than any other brush/paste combination!*

## Advanced

The world's first and only integrated PTB combining Sonicare patented sonic technology and Crest specially formulated liquid toothpaste.

*IntelliClean scored in top 20% of Vantis database*



# Product Launch in Food & Beverage

## New Senseo aluminum

### Designed around you

- **Insight:** whenever I make coffee at home I make a whole pot. The first cup tastes ok, but after a couple of minutes the taste gets more bitter. I end up throwing away half of the coffee and not really enjoying my 2<sup>nd</sup> or 3<sup>rd</sup> cup
- Perfect taste: DE coffee and Philips brew system
- Available in blend of choice
- 1 cup in 30 sec., 2 in a minute

### Easy to experience

- See it, taste it, buy it
- Broad availability
- Penetration pricing strategy to stimulate buy
- 3 button-operation
- 4 steps to get fresh coffee
- Dishwasher proof parts
- Quick start guide

### Advanced

- Always fresh coffee
- Coffee blend of choice
- Easy and quick to make
- DE coffee and Philips brew-system deliver perfect coffee with crema layer
- The golden standard



# Product Launch in Food & Beverage

## PerfectDraft

### Designed around you

- **Insight:** At home if possible I would prefer the taste of draft beer in the pub over a bottle or a can. It simply has the best taste
- Offers tap beer quality at home (3C)
- Design is fit for featuring prominently in your kitchen
- 6 L kegs and 28 days match current average beer volume of target

### Easy to experience

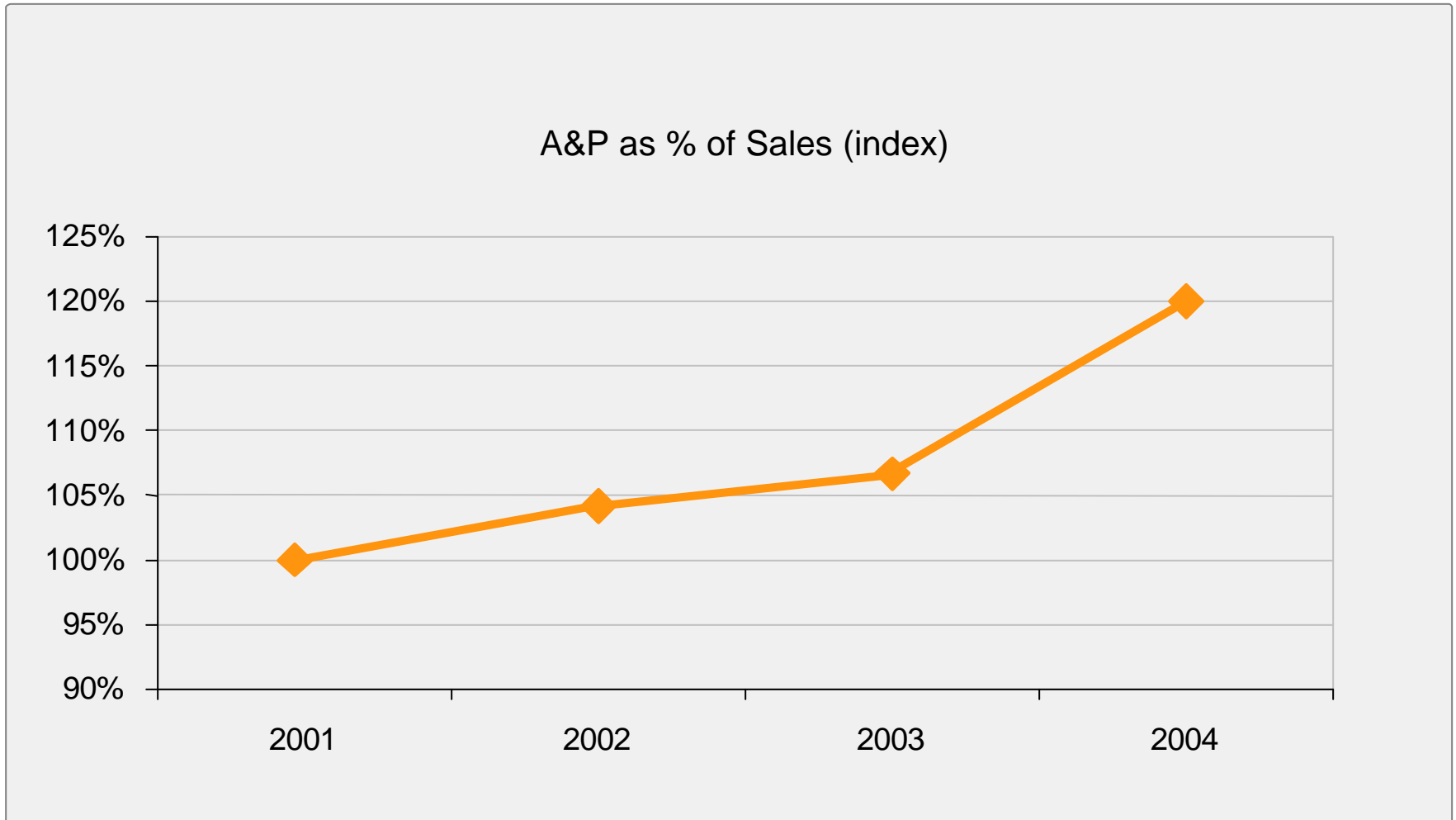
- **Easy to install by following logical steps:** visual steps in door of appliance
- Always a fresh, cold draft beer at hand at home
- No maintenance needed because beer never touches oxygen

### Advanced

- Now delivers the perfect taste of draft beer at home
- **Consistent quality through:** internal cooling system  
pressure controlling pump  
precision dispensing

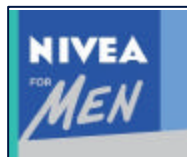


# Supported by higher A&P Investments



## Strategic partnerships rationale

- Partnerships to enhance or complement technical competence to create exciting new propositions – Senseo changed the way we drink coffee
- Partnerships to enhance credibility in specific areas
- Partnerships to gain access to specific distribution channels - e.g. Sara Lee / DE to Food Retail
- Partnerships to enhance knowledge build-up

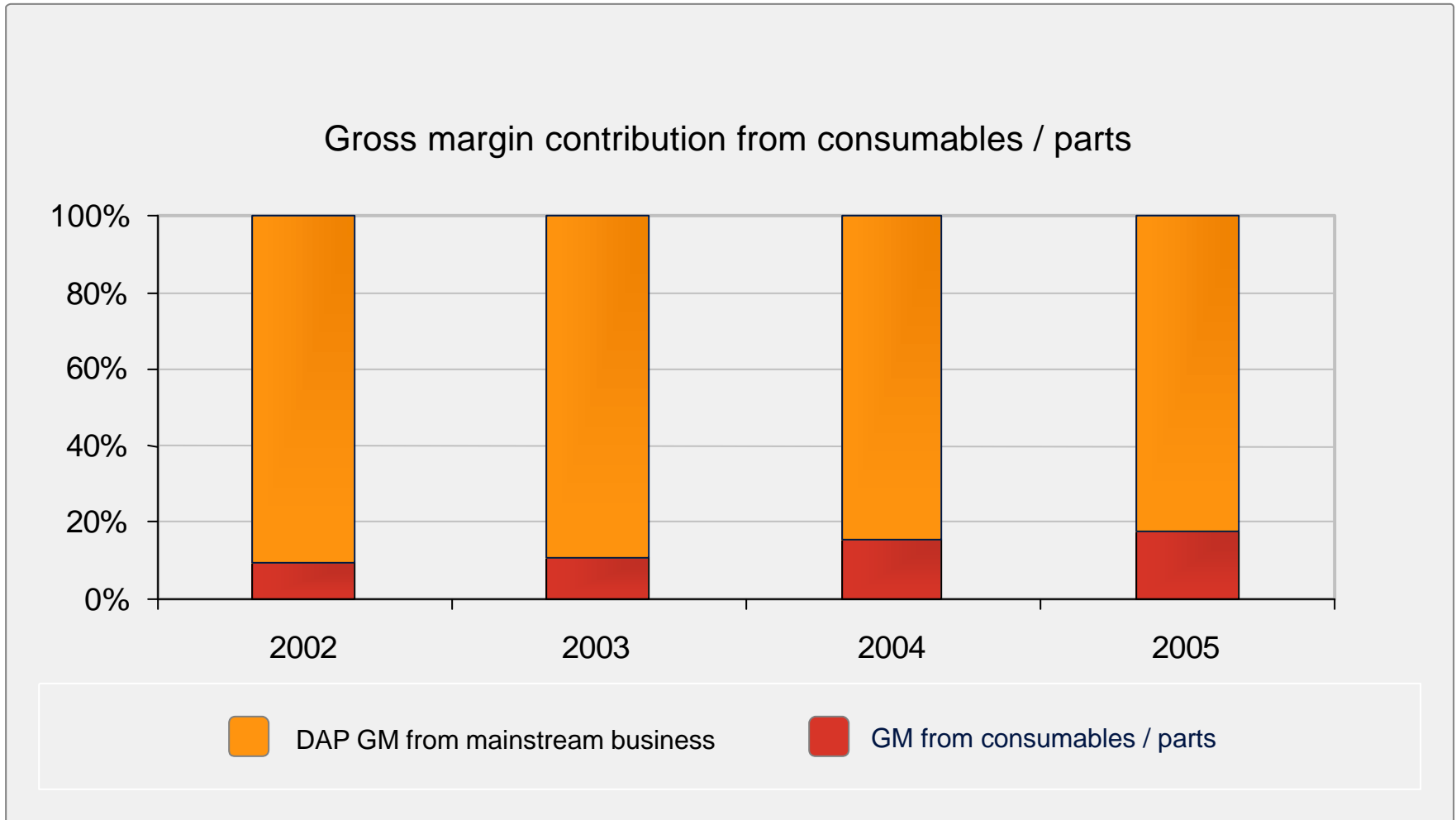




## Innovative products through powerful alliances

Philips + Douwe Egberts	Philips + Interbrew	Philips + Nivea	Philips + Unilever	Philips + Procter & Gamble
 	 	 	 	 

# Improving margin quality by increasing recurring income



## Agenda

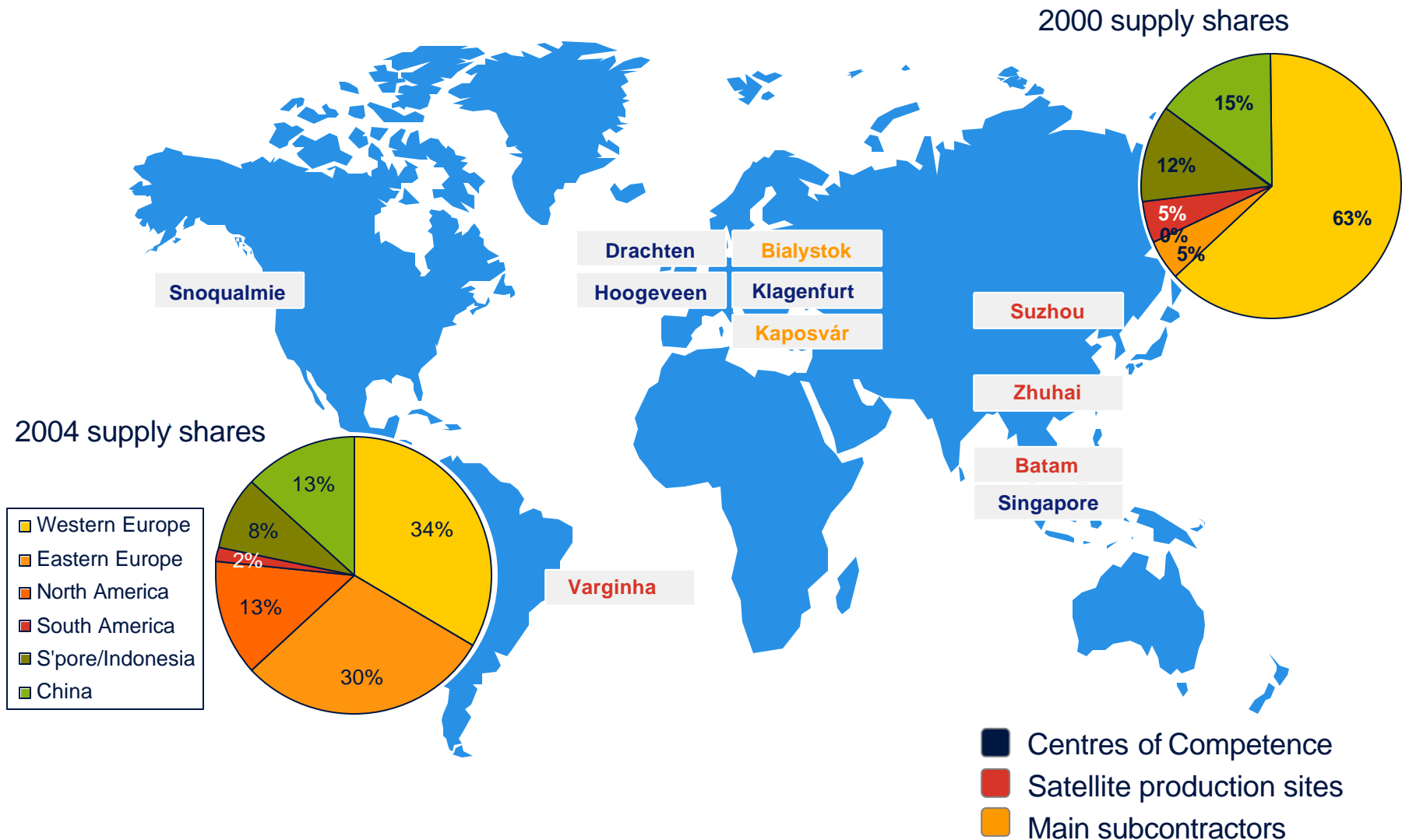
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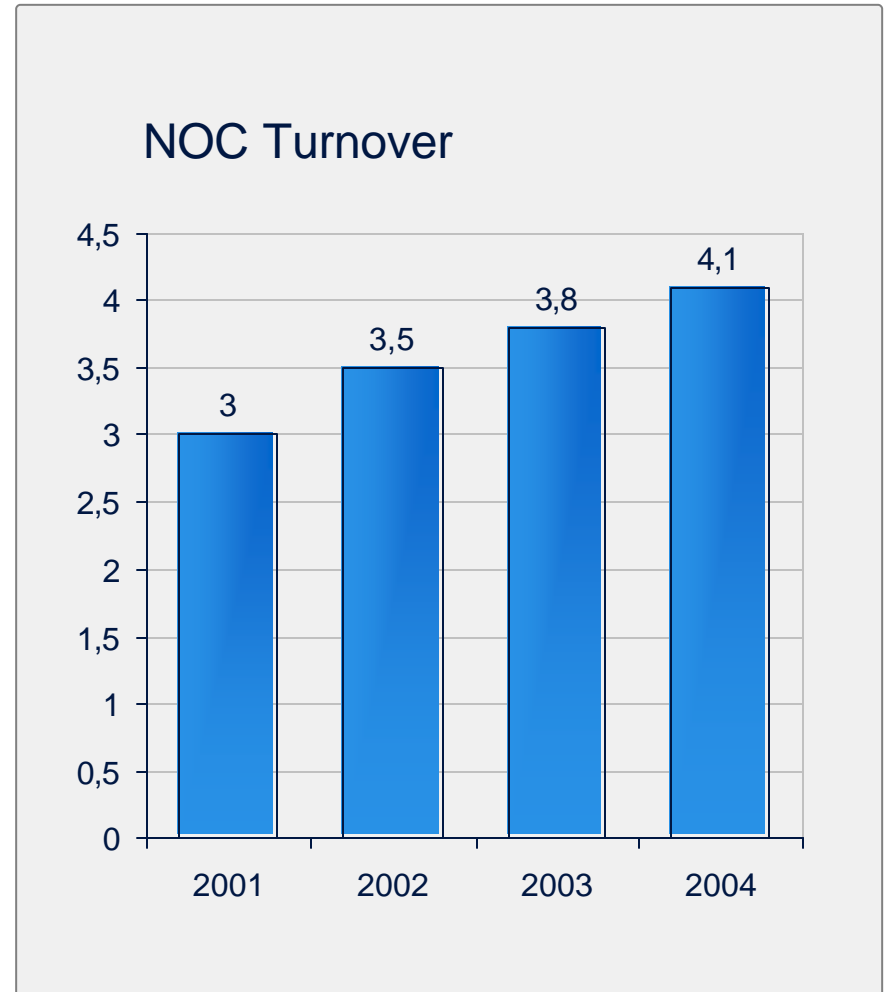
## Ongoing focus on operational efficiency

- Portfolio pruning to reduce non-value add product diversity
  - 56% improvement in sales/reduction in SKU's between 2001 and 2004
- Worldwide production base, balancing economies of scale, landed cost and supply lead times
- Expanding role of purchasing:
  - External suppliers / subcontractors for commodity products
  - From components - to module sourcing
  - Leverage Philips' buying power
  - A localized supplier base

# DAP manufacturing balanced globally



# Improved asset utilization driven by increase of working capital turnover



## Health and Wellness

- New BU natural consequence of Philips' healthcare and lifestyle strategy
- Focusing on products and services that help end consumers maintain their health and well-being
- Building a portfolio of businesses with a revenue of €750m to €1bn in coming 3-4 years



## Agenda

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  - Resuming profitable growth
  - Enhancing operational performance
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# Conclusions



- Many exciting new product propositions
- Best-in-class marketing organization and tools
- Strategy in place to maintain high margins
- Business processes are proven and under control
  
- Major initiatives in place to accelerate top-line growth

## DAP continues to break away & excite!



