

PHILIPS

Sustainable profitable growth in DAP

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CMO Royal Philips Electronics

CEO Philips Domestic Appliances and Personal Care

Analysts' day December 5, 2006

Financials reported in presentation

- All financials presented exclude the Consumer Healthcare Solutions BG
- 2006 quarterly reports have provided separate information on CHS, as part of DAP
- BG CHS will be reported as part of Innovation and Emerging Businesses as of 2007

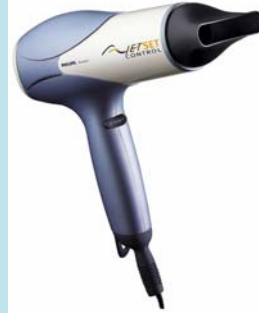
Agenda

- **Philips DAP (Domestic Appliances and Personal Care)**
- Key drivers of sustainable organic profitable growth
 - The Markets
 - Managing the P&L for sustained growth
 - Leveraging structural competitive advantages
 - Accelerating focus on Emerging/Growth Markets
 - Providing room for growth by redefining all our categories
- Growth via new business opportunities - Acquisitions
- Conclusion

Philips DAP

Portfolio

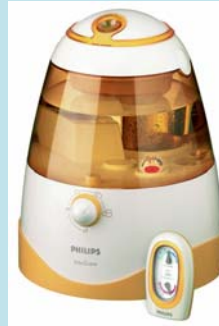
Shaving & Beauty



Domestic Appliances



Health & Wellness

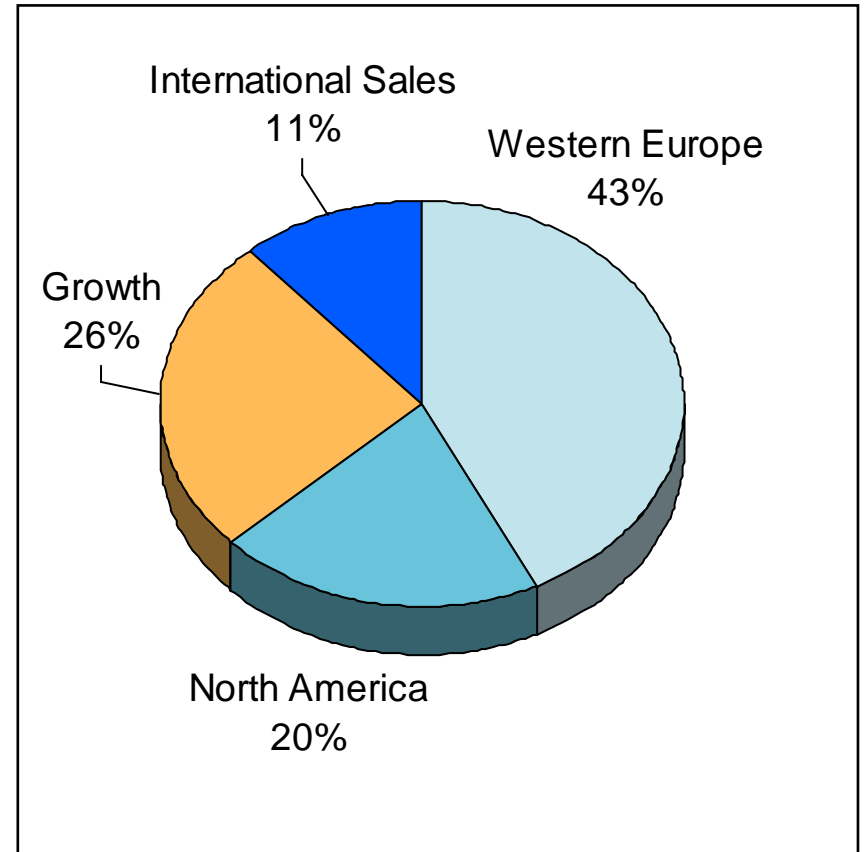
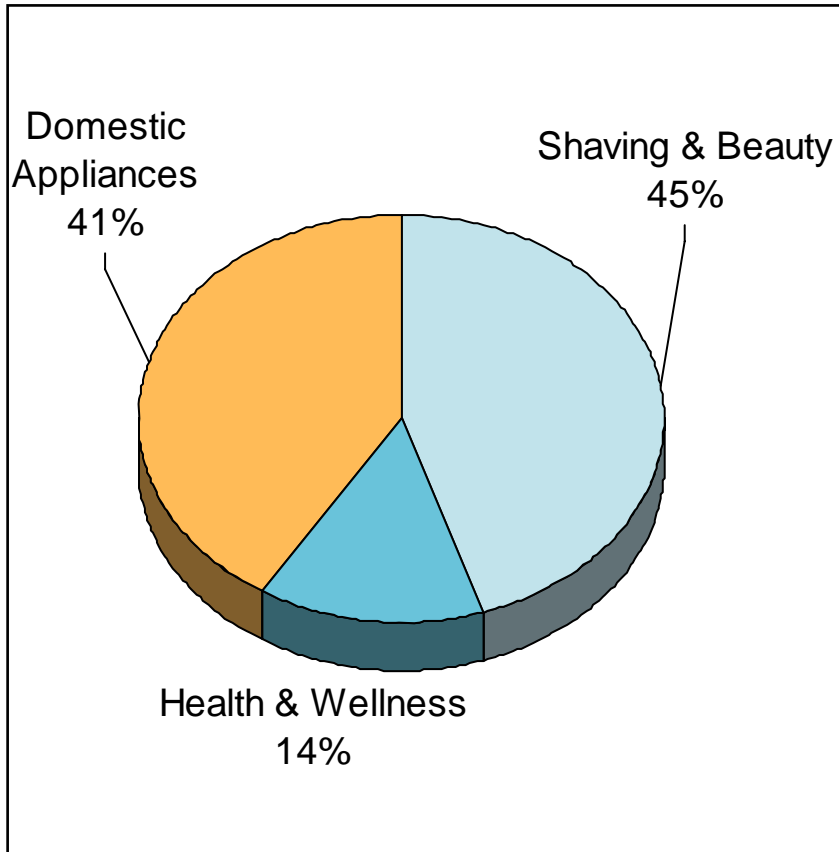


A portfolio with many #1 or #2 global positions

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

	Europe	North America	Apac	Latam	RoW	World
Male Shaving	NR1	NR1	NR1	NR1	NR1	NR1
Beauty	NR1	< # 3	NR1	# 1 or 2	# 1 or 2	# 1 or 2
Oral Health care	# 1 or 2	NR1	# 1 or 2	Not present	Not present	# 1 or 2
Food & Beverage	# 1 or 2	Not present	# 1 or 2	NR1	# 3	# 1 or 2
Garment Care	NR1	Not present	NR1	# 3	# 1 or 2	# 1 or 2
Floor Care	< # 3	Not present	# 3	Not present	Not present	# 3

DAP Sales by business and by regional cluster



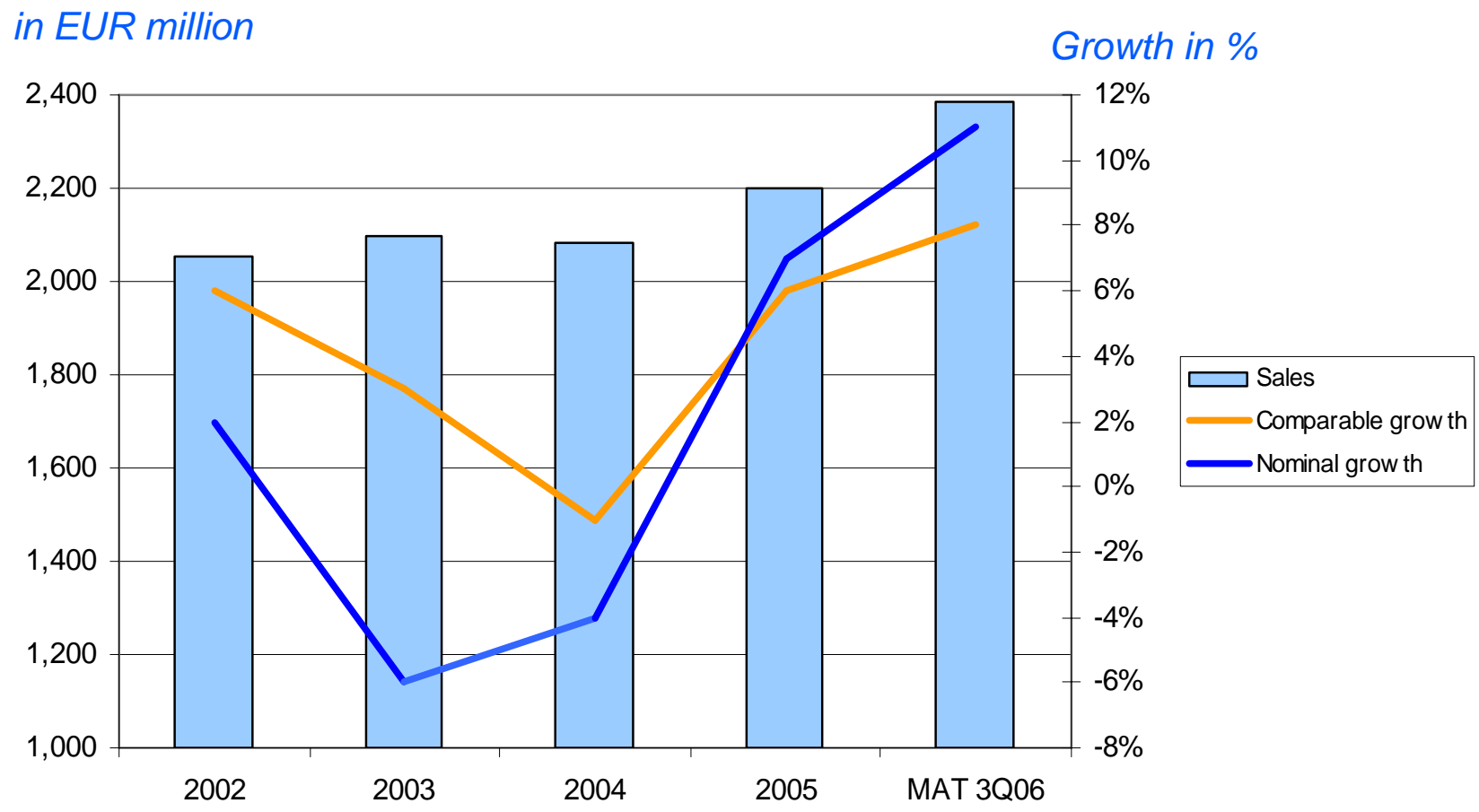
Total MAT 3Q06 sales of EUR 2.4 billion

We keep delivering on our growth/margins goals

	Commitment	2005	MAT 3Q06	YTD 3Q06
Sales		2.2 billion	2.4 billion	1.6 billion
Comp. Sales growth	7%	6%	8 %	10%
EBIT		358 million	399 million	232 million
EBIT as % of sales	15-16%	16.3%	16.7%	14.5%*

*YTD 3Q05 EBIT % was 13.6%

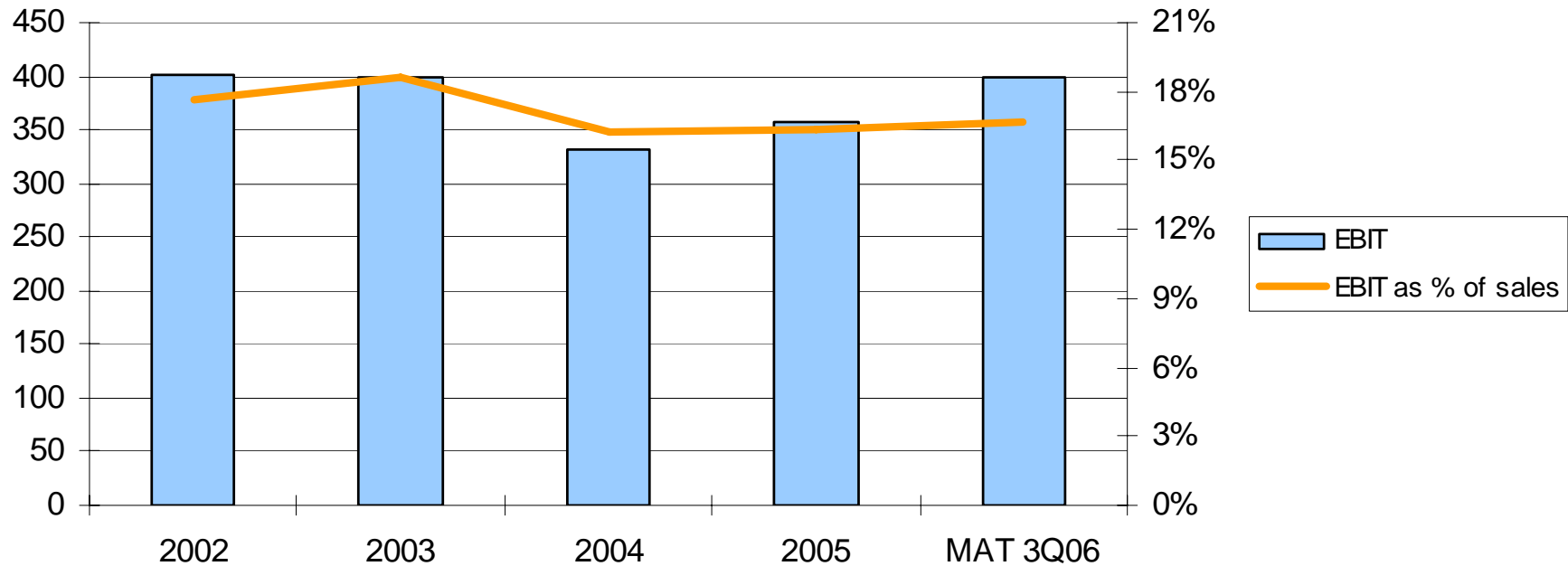
...with accelerated comparable sales growth



Sales at comparable rates

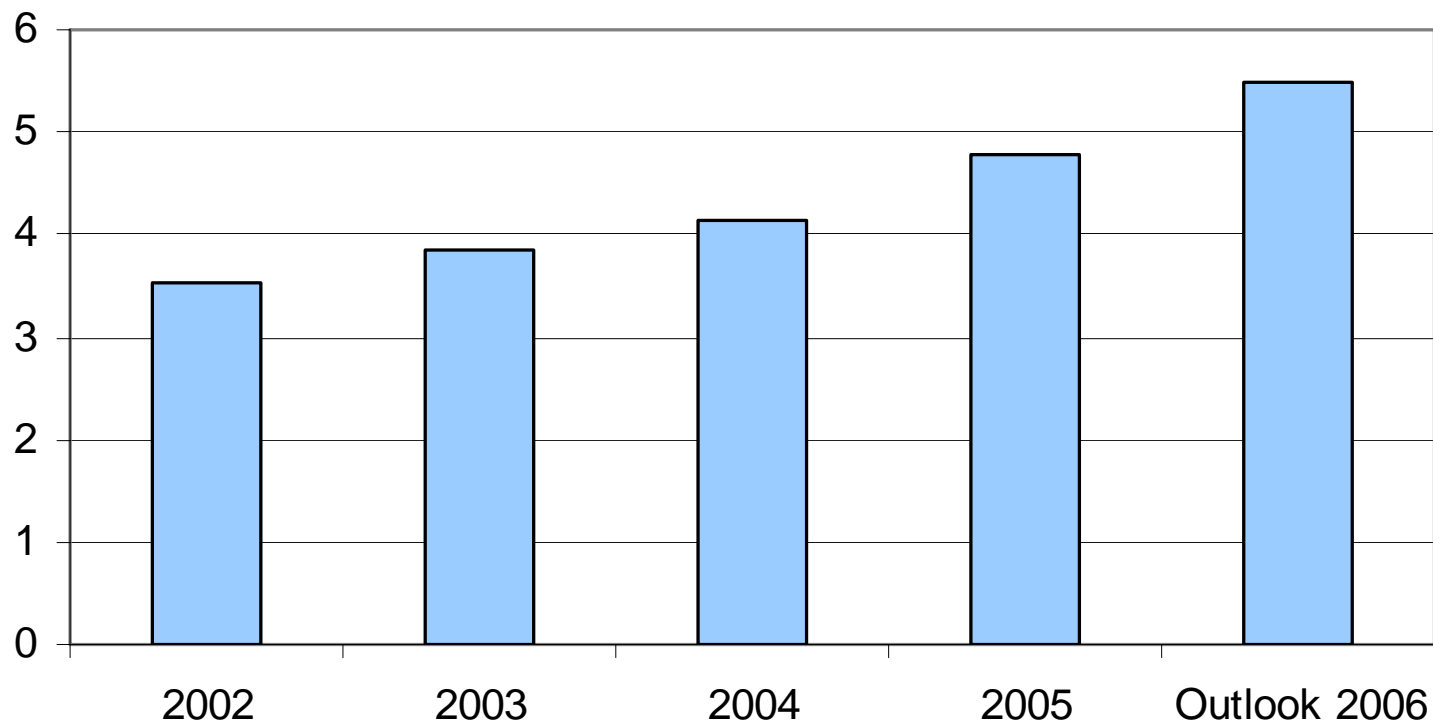
...profitability maintained above 15%

in EUR million



...and continued improvements in capital turnover*

NOC Turnover



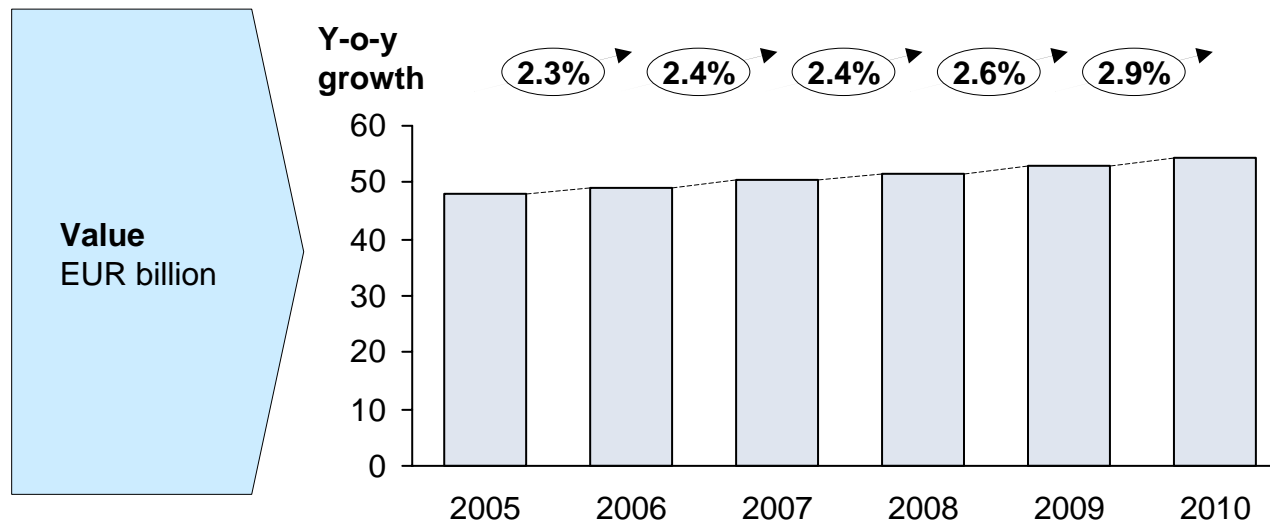
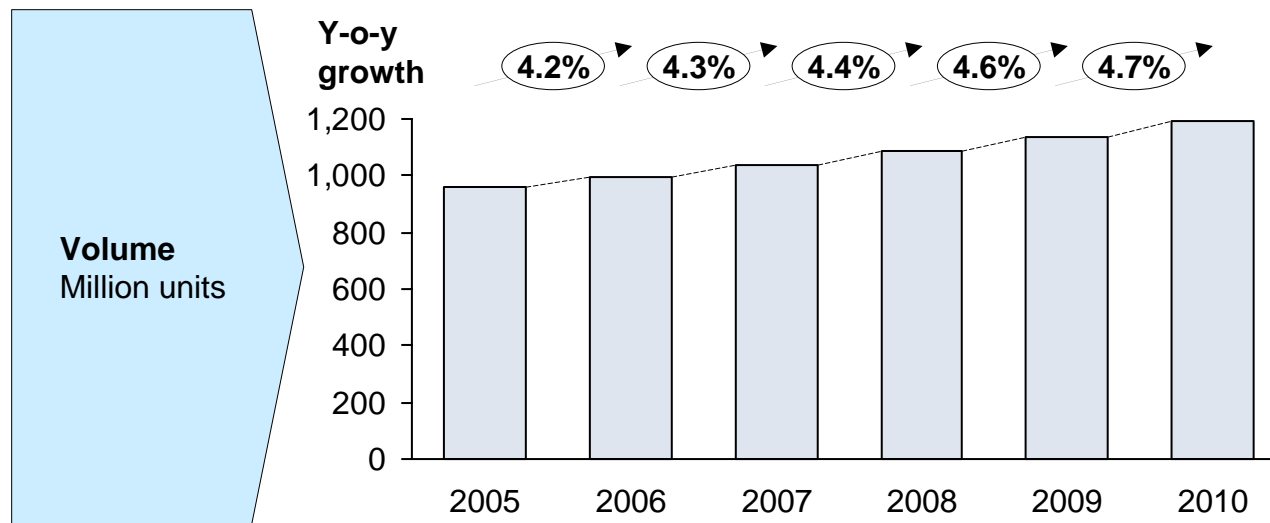
* excl Avent

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SDA Worldwide* market continues to grow

Forecast- retail volume – retail value



Worldwide SDA market is accelerating

- Volume growth is accelerating from 4.2% in 2006 to 4.7% in 2010 on a y-o-y base
- Value growth is accelerating from 2.3% in 2006 to 2.9% in 2010 on a y-o-y base
- Average selling price decreases at a constant base of about -2%

1) Excluding cooling & heating appliances

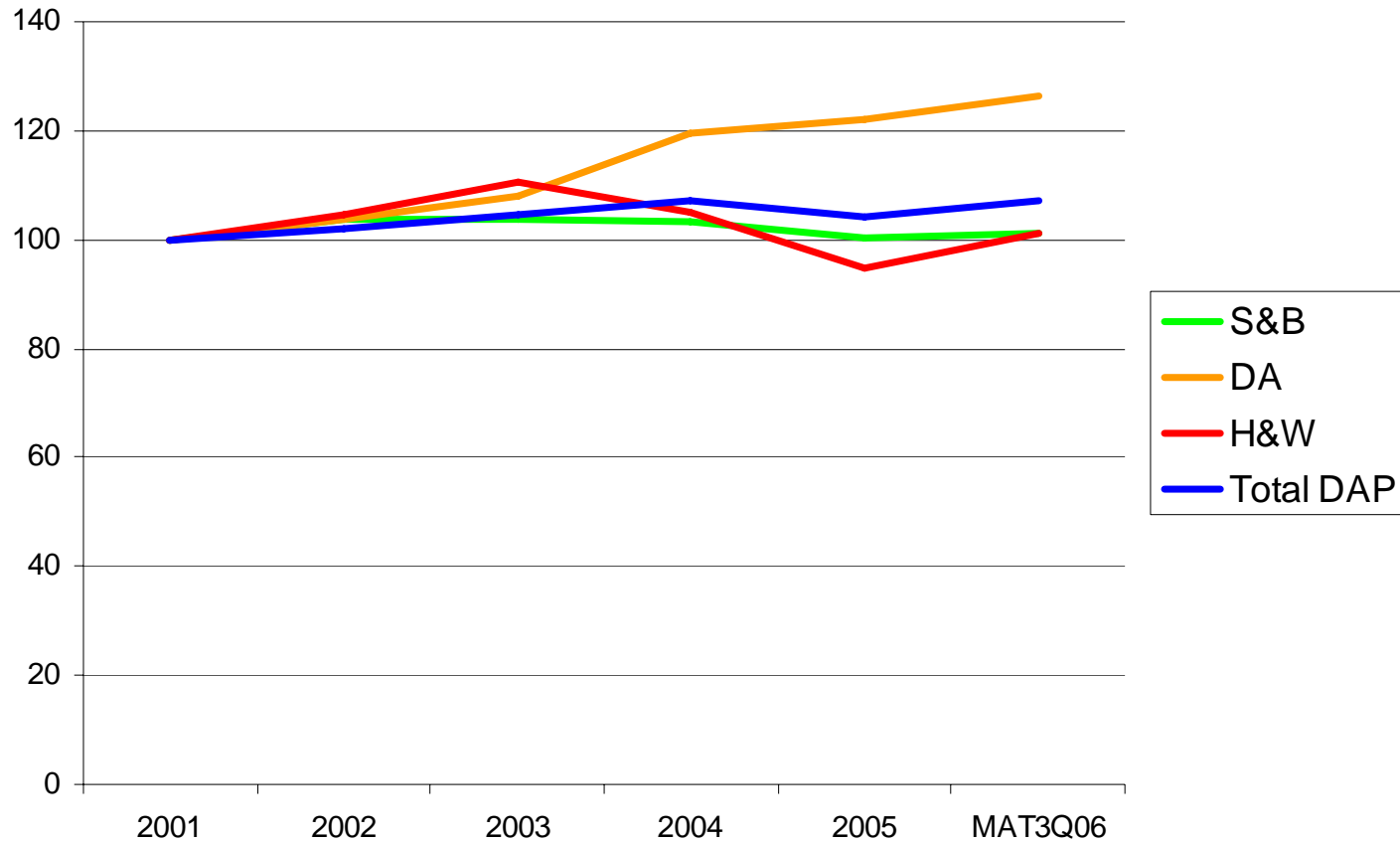
Source: Euromonitor, SDA forecast "World Market for Domestic Electrical Appliances"

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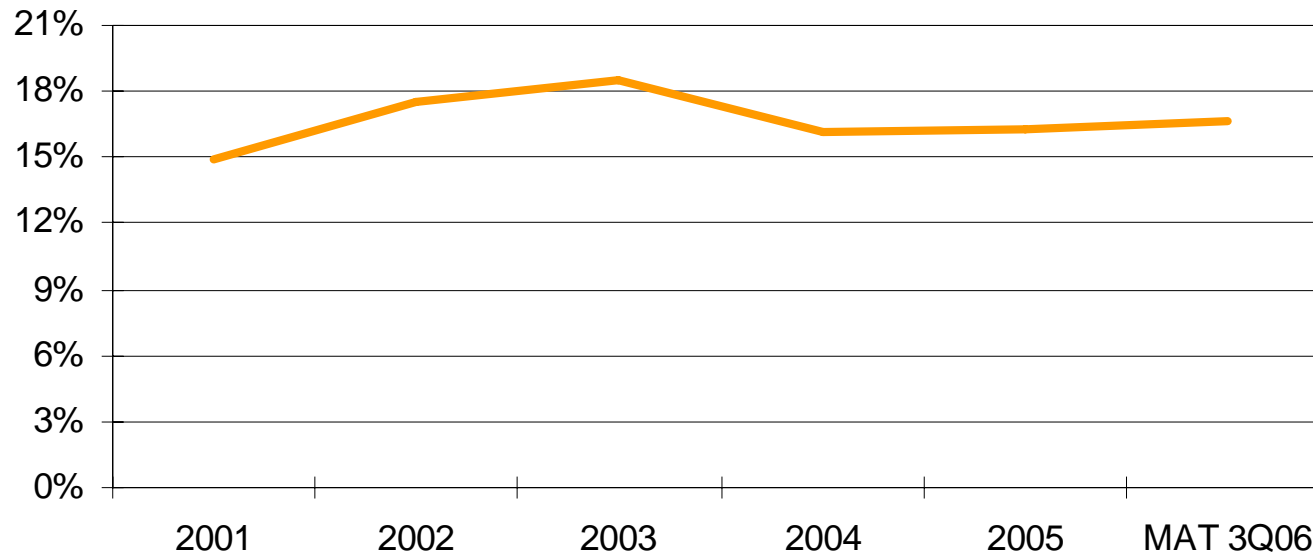
Through maintaining or increasing Gross Margin percentage across BU's while growing sales...

GM as % of sales (index)



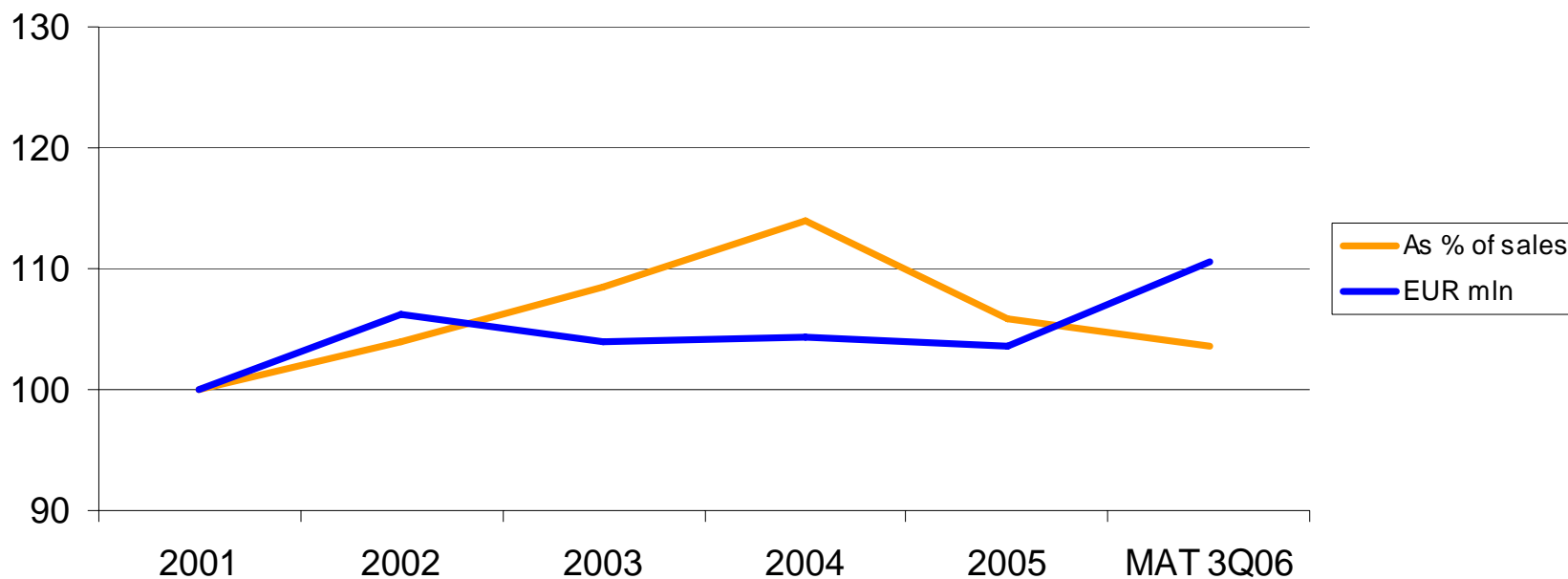
... we maintain profitability above 15%

EBIT as % of sales



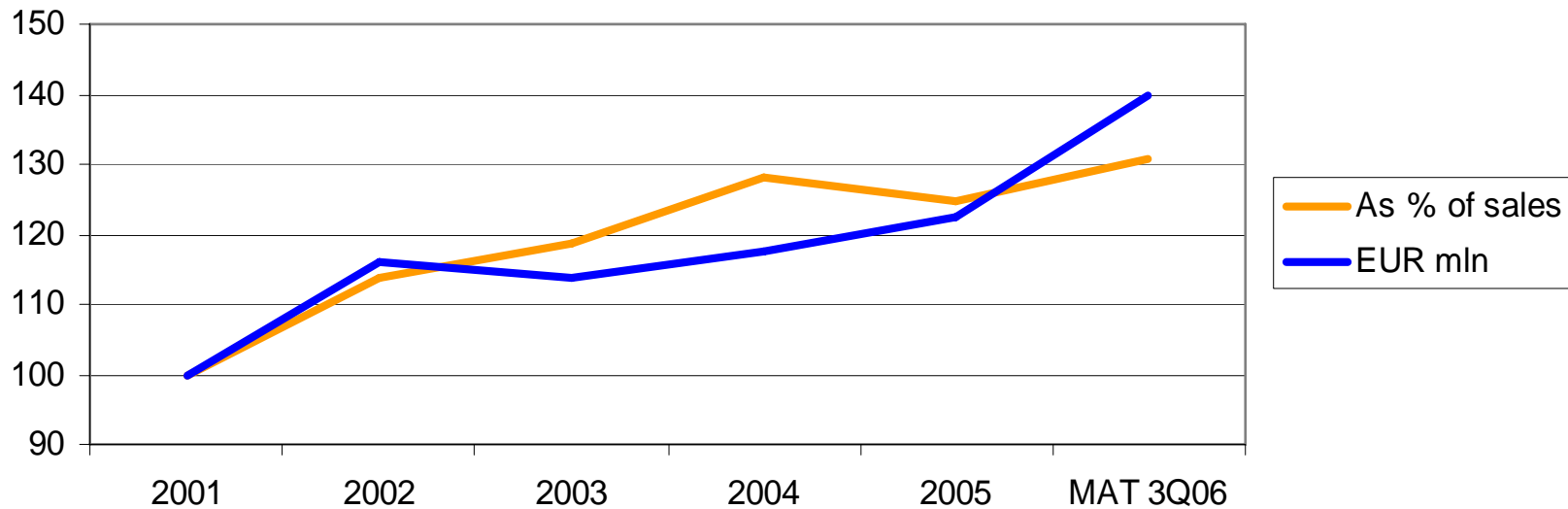
...we can continue to invest in Advertising and Promotion along with sales growth...

Advertising & Promotion (Index)



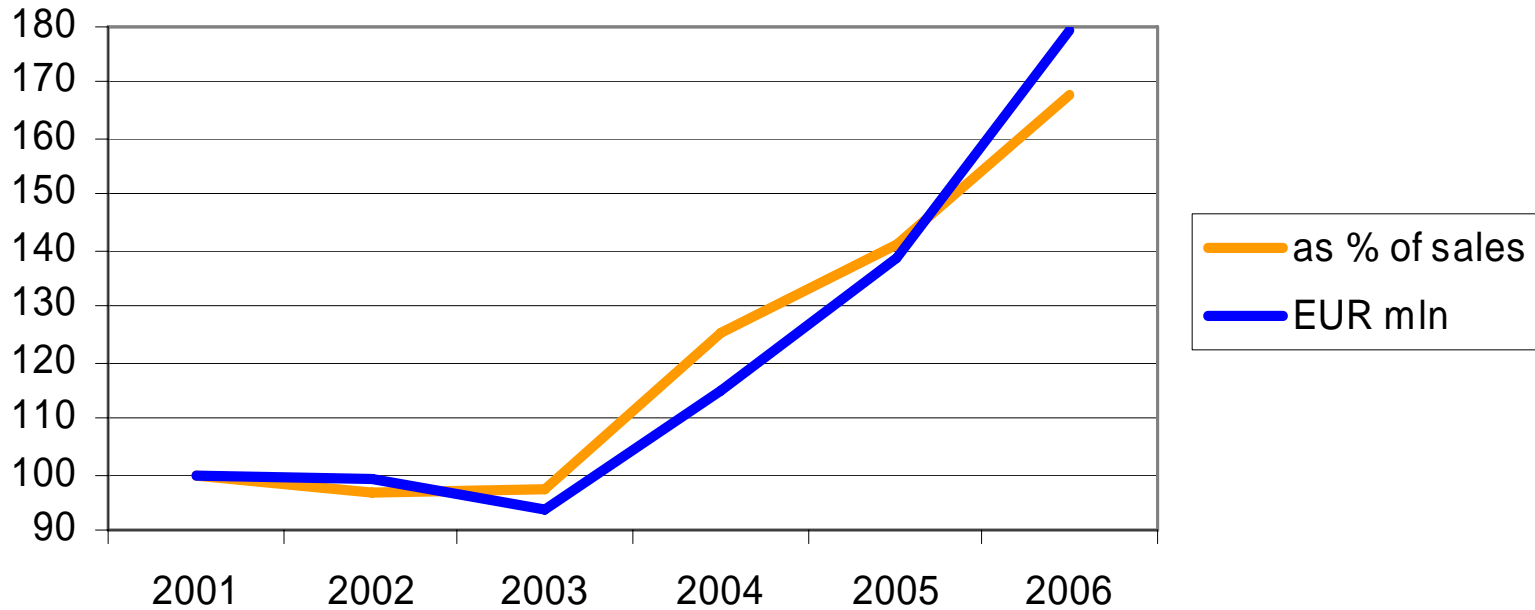
...and we can increase our R&D investments to ensure breakthrough innovation...

R&D (index)



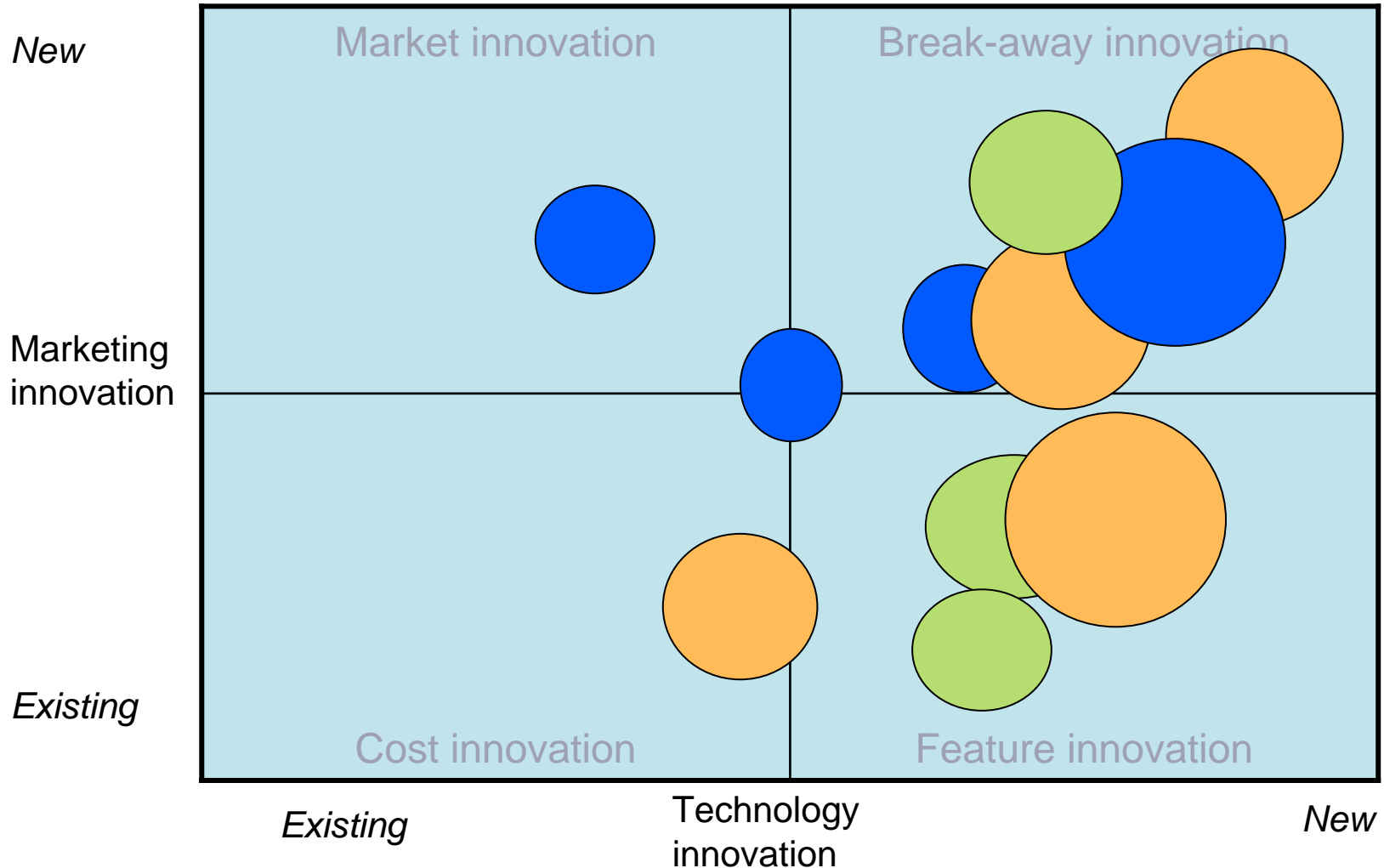
With an increasing focus on Design ...

Design investments (index)



Innovation investments are increasingly geared towards new technologies and new markets

Size = relative R&D spend ● S&B ● DA ● H&W



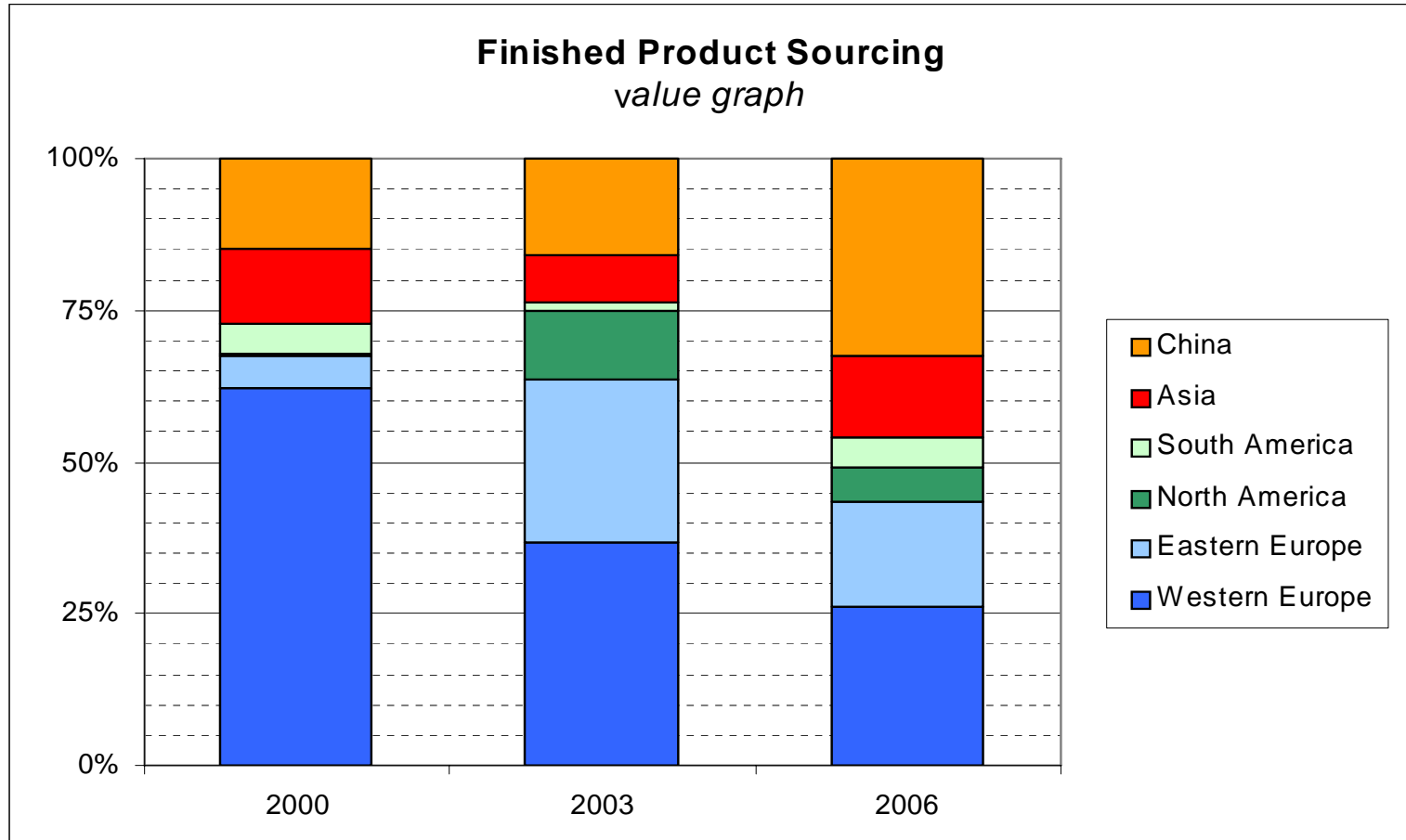
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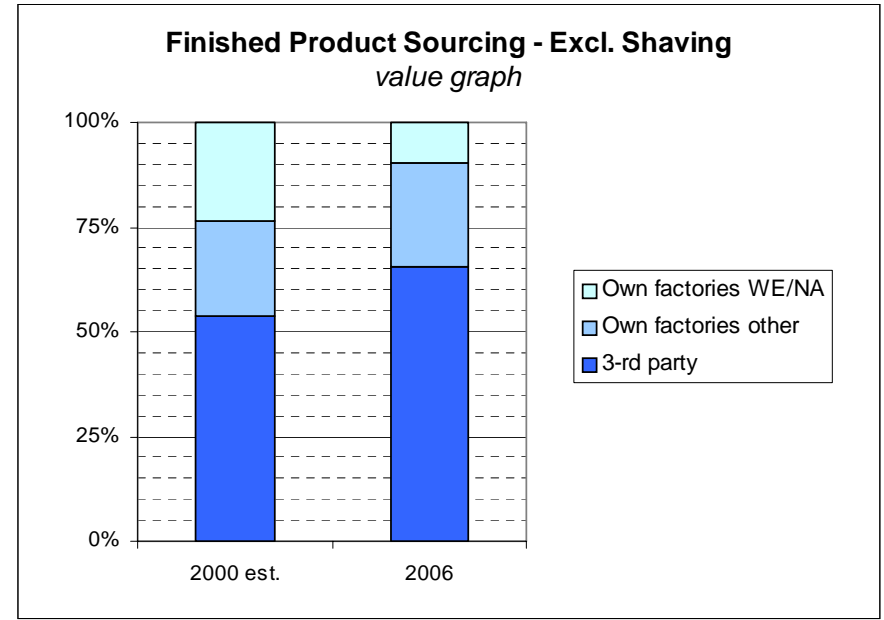
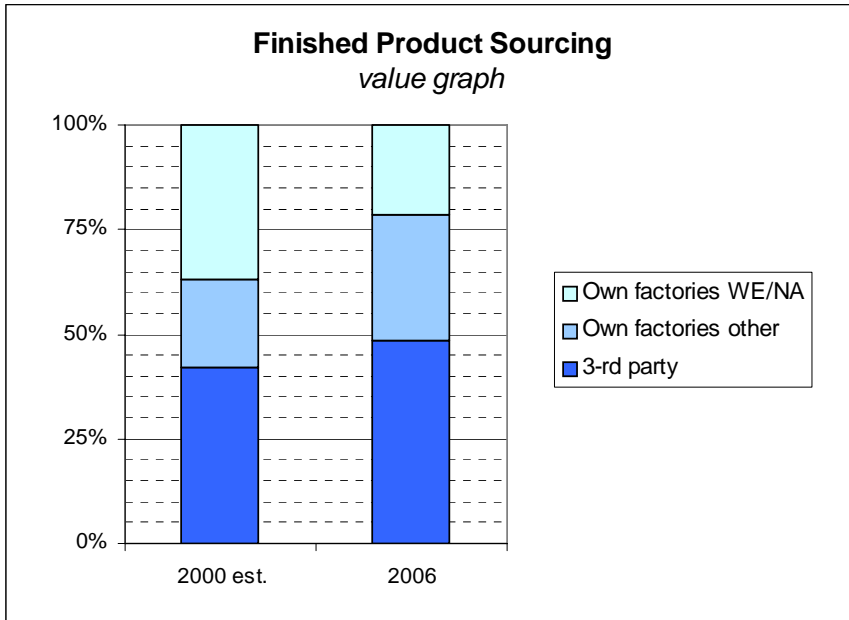
We improve/leverage on our competitive advantages

- Fastest PCP (Product Creation Process) amongst key competitors
 - Hair care as short as 5-6 months
 - Food & Beverage down to 12 months
 - Throughput time for Shavers halved in last two years
- Best industrial footprint giving more speed and flexibility at better cost
- Best competencies through One Philips in:
 - Our brand
 - Design capability
 - Technologies
 - Experience in alliances/partnerships
 - Shared services
- Effective programs to drive direct and indirect costs down

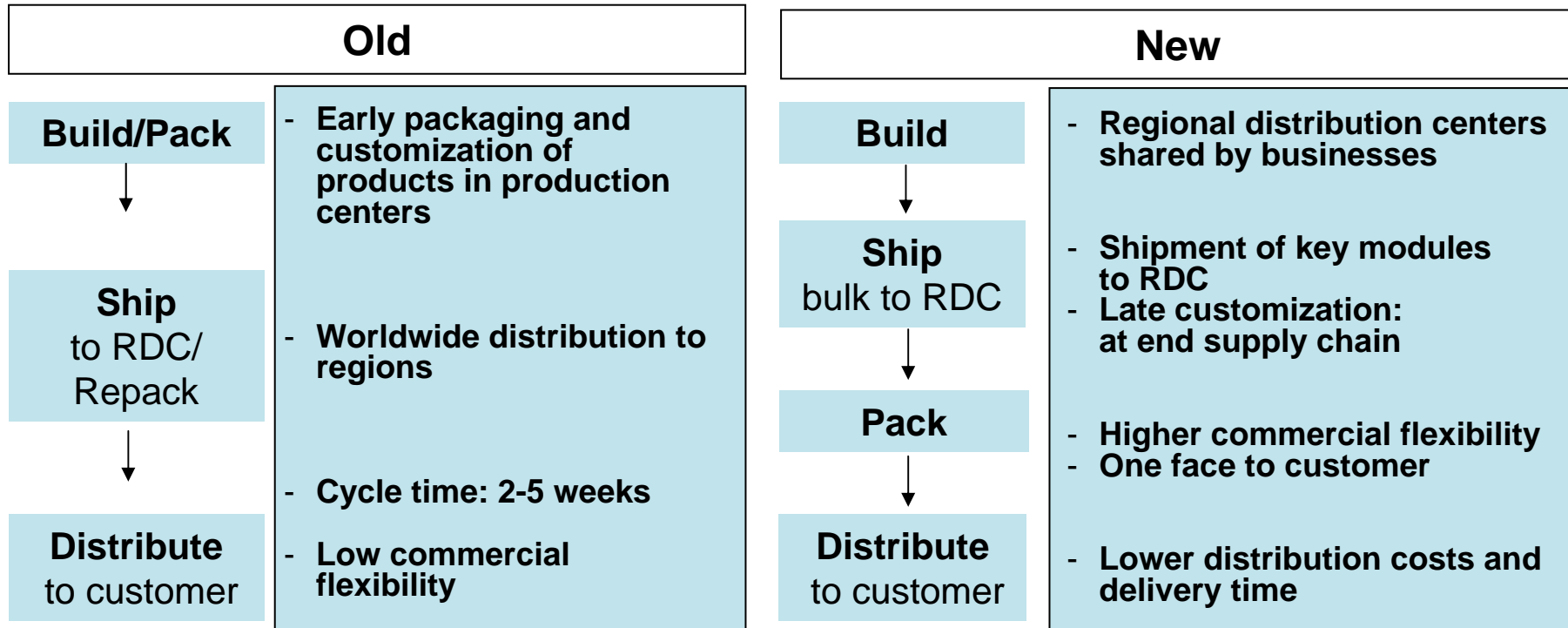
Product sourcing increasingly from low cost regions of supply...



...and the outsourcing of production matches the business agenda



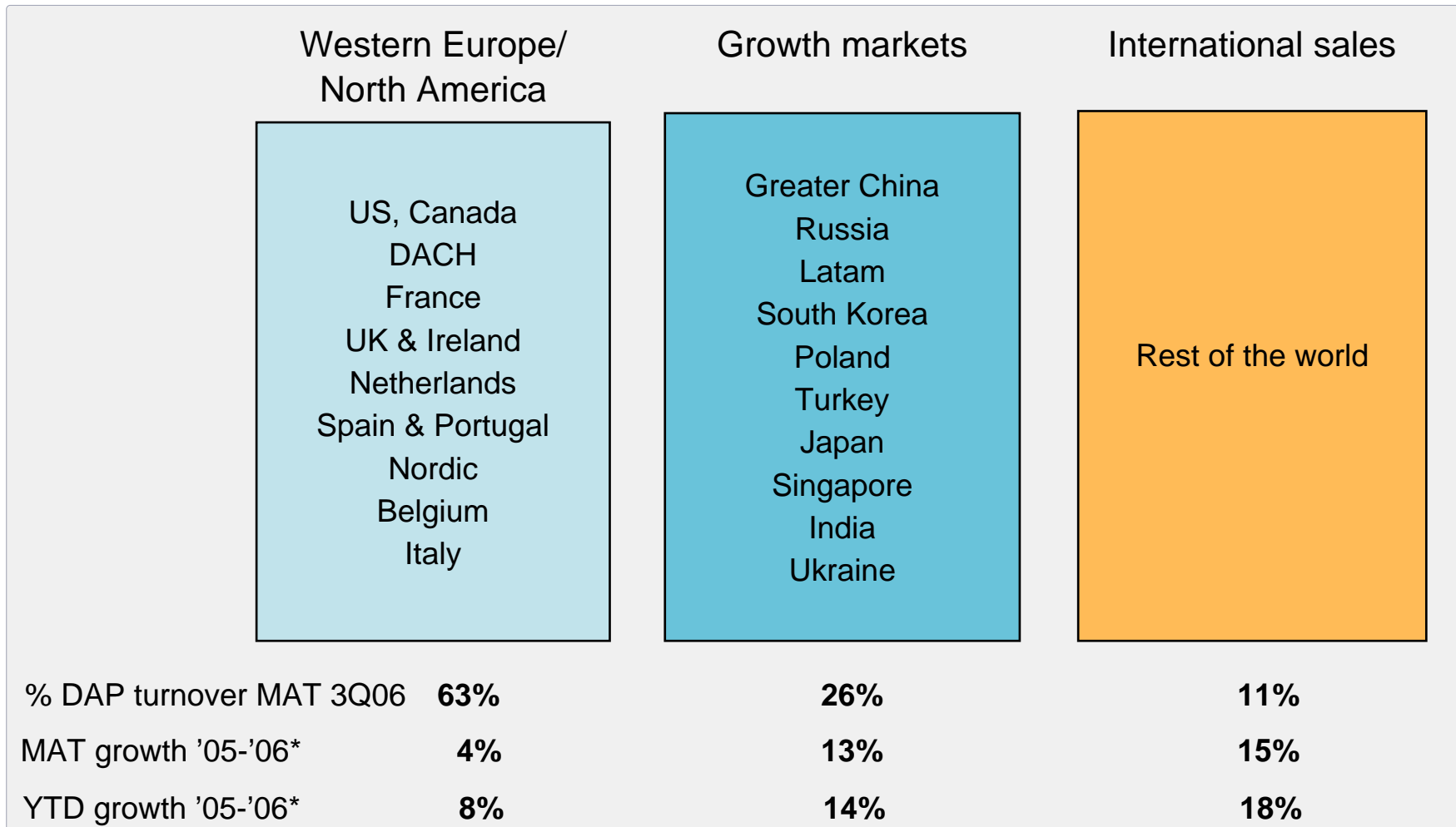
More efficient approach to distribution and customization (US example)



Agenda

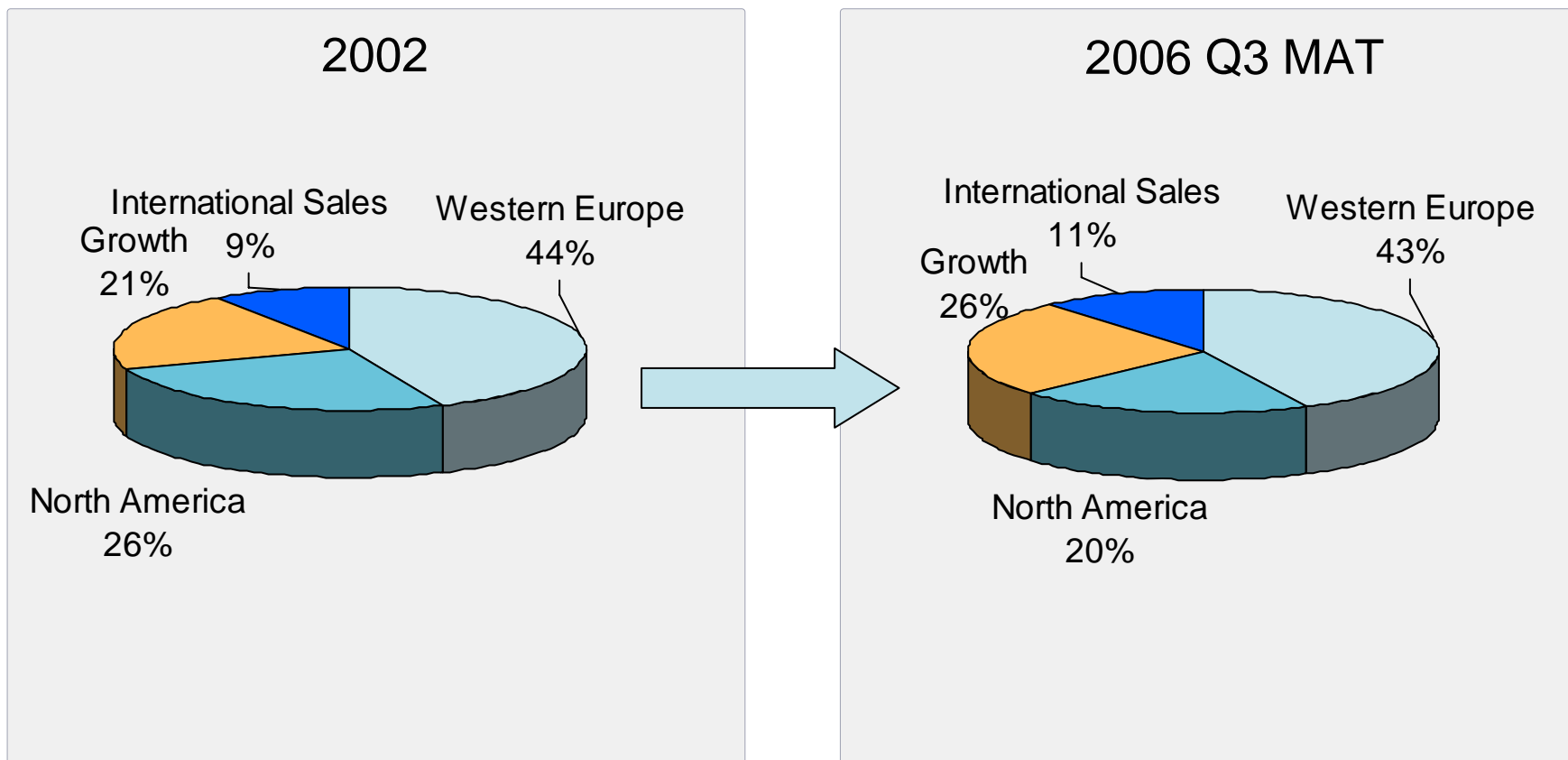
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We have reshaped our market orientation with a focused approach to similar markets



* at comparable rates, minor adjustments in cluster composition compared to last year

Growth- and IS markets represent a growing part of DAP sales compared to 2002...



...driven by strong growth in key emerging markets

CAGR '02-06

Greater China	15%
India	17%
Latam	14%
Turkey	28%
Central and Eastern Europe	8%

*sales CAGR at comparable rates

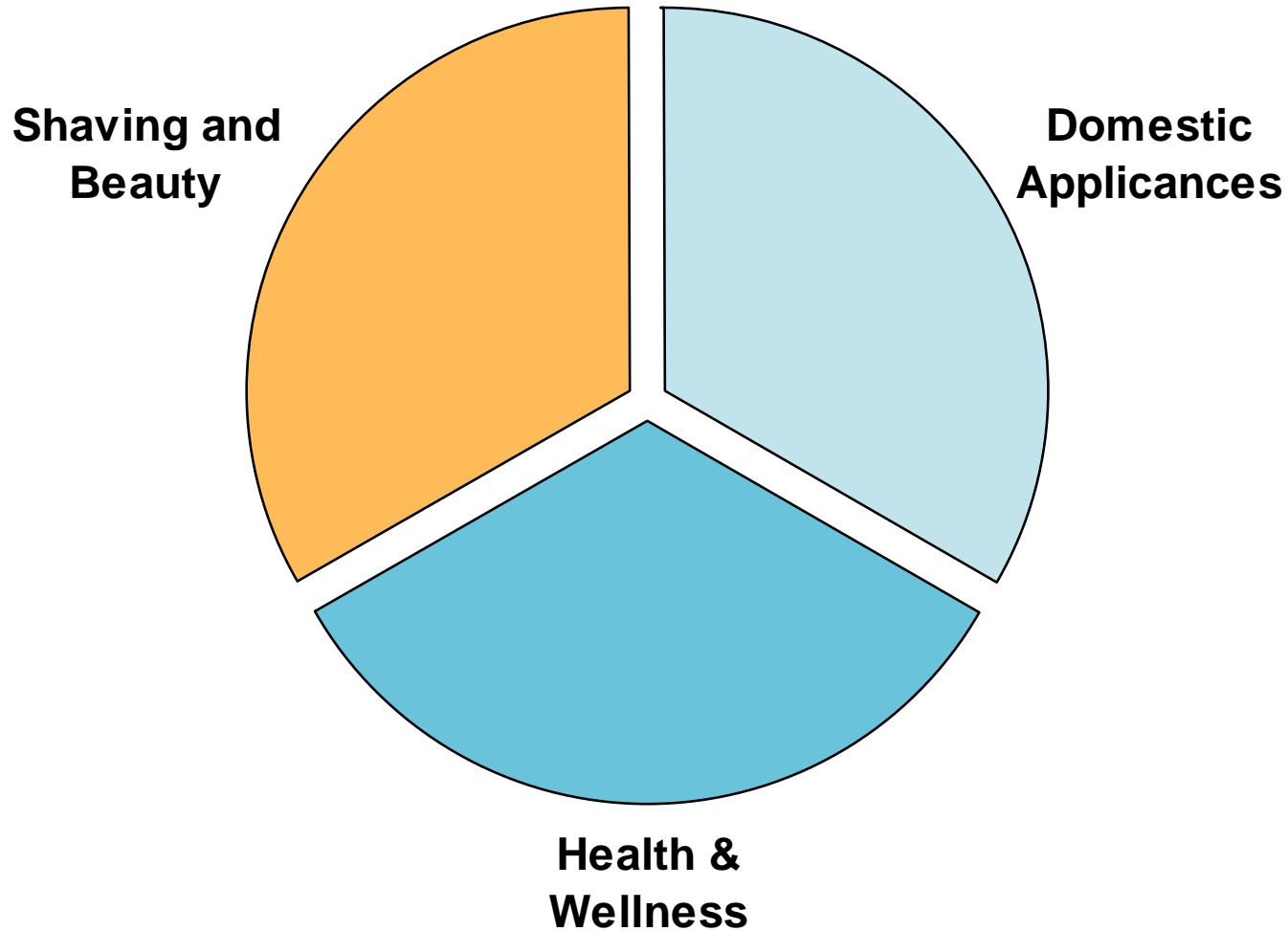
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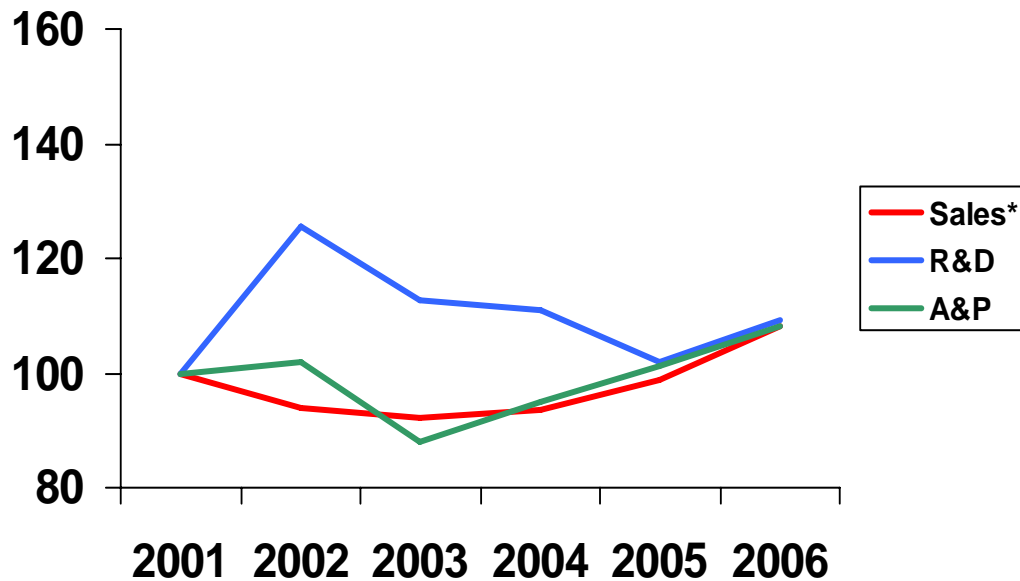
Portfolio mgt – redefining the categories for growth in all businesses



Shaving & Beauty accelerates its growth

Shaving & Beauty

index 2002 = 100 (*)

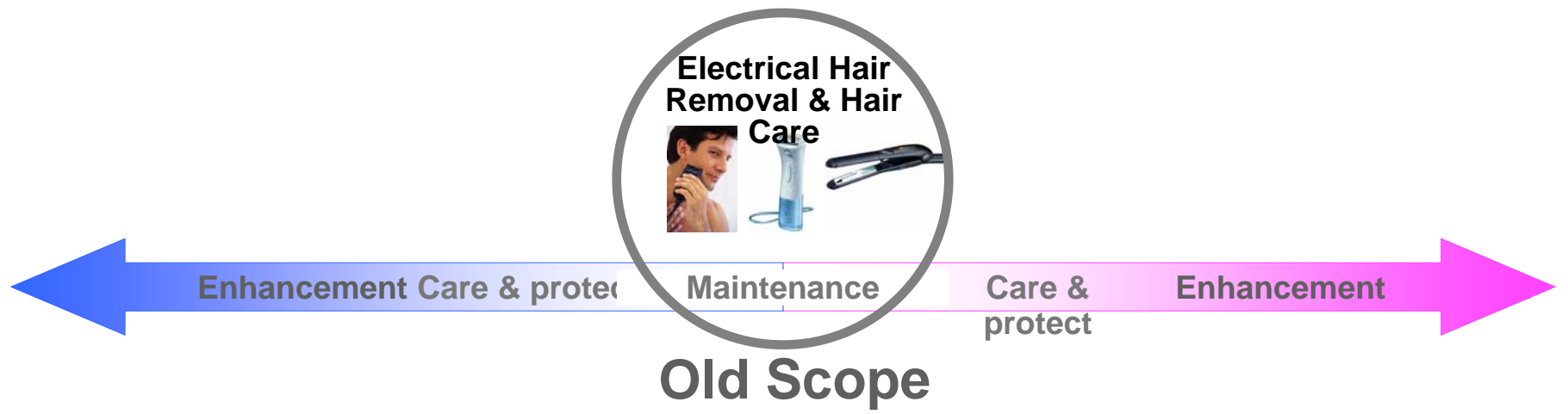


Shaving & Beauty

- >40m products sold in 2006
- Above Average Growth
- Above Average EBIT
- Investments in the markets: A&P
- ...and in the future: R&D

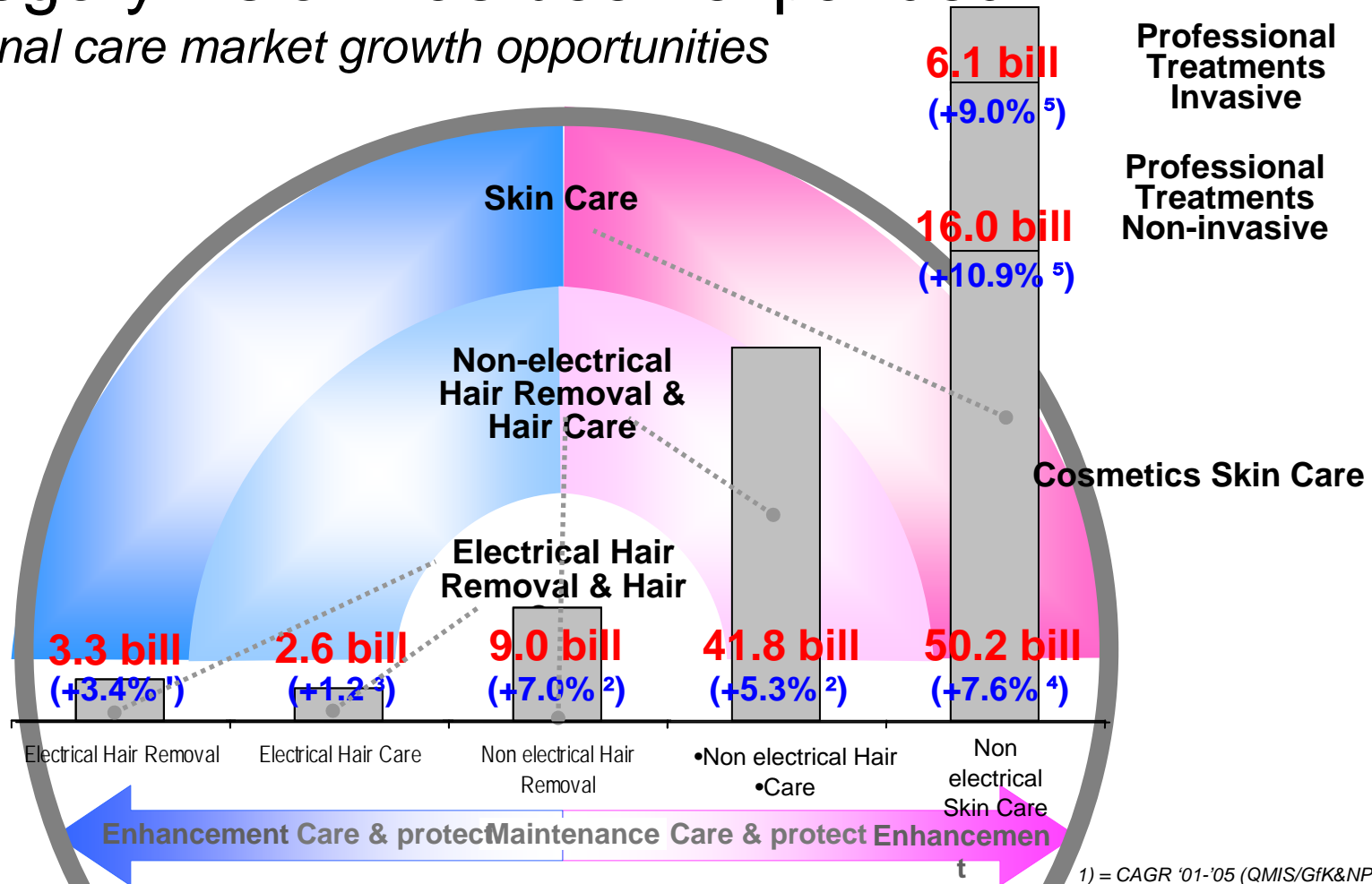
(*) comparable sales development index; 2006: MAT

Shaving & Beauty's current's scope



Category vision has been expanded

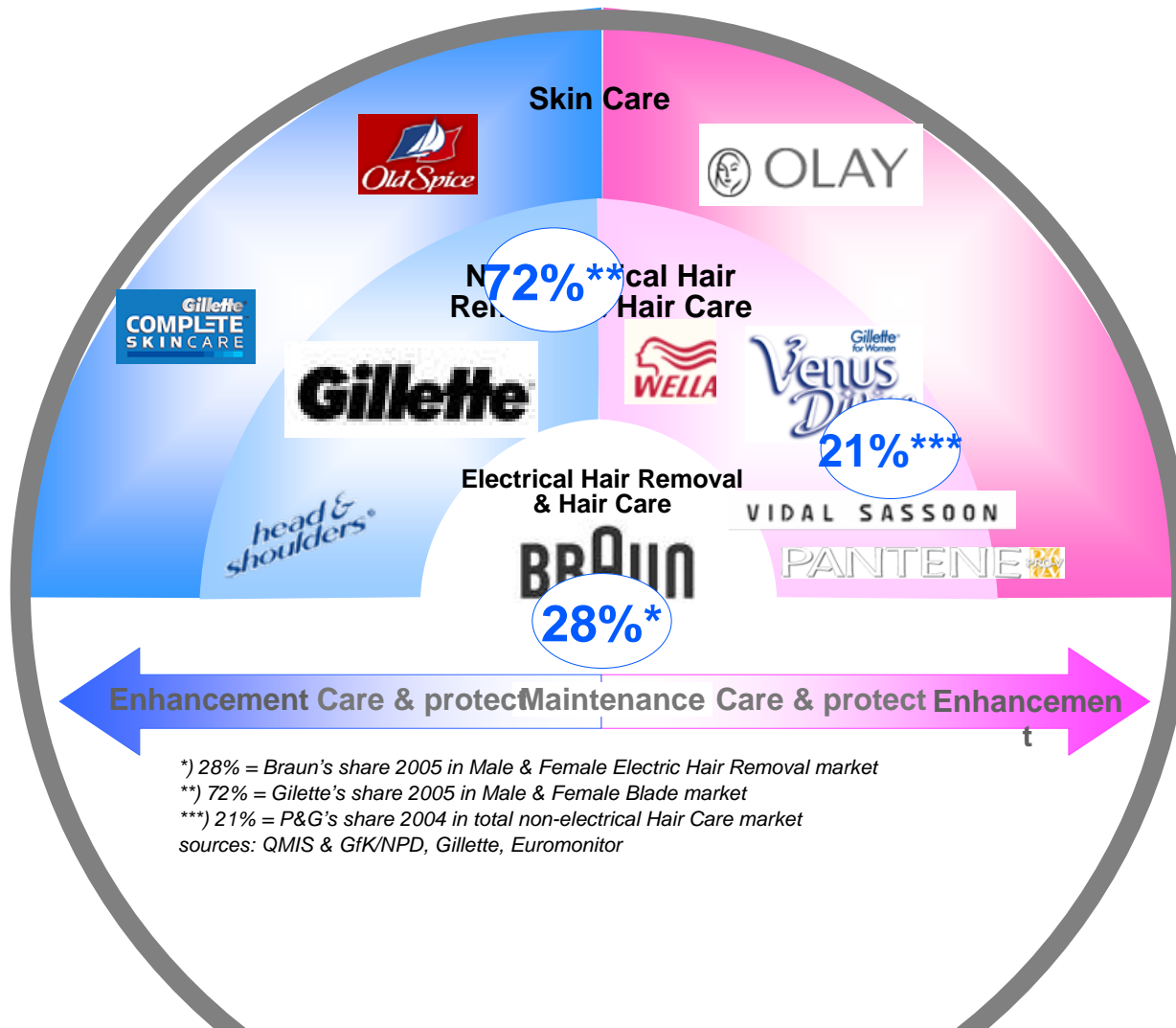
Personal care market growth opportunities



New Scope

1) = CAGR '01-'05 (QMIS/GfK&NPD)
 2) = CAGR '00-'04 (Euromonitor)
 3) = CAGR '04-'05 (QMIS/GfK&HWB)
 4) = CAGR '99-'04 (Euromonitor 2004)
 5) = CAGR '03-'06 (Prof Aesthetic Market '04)

P&G is the only Company well positioned in the larger space after its merger with Gillette/Braun



*) 28% = Braun's share 2005 in Male & Female Electric Hair Removal market
 **) 72% = Gillette's share 2005 in Male & Female Blade market
 ***) 21% = P&G's share 2004 in total non-electrical Hair Care market
 sources: QMIS & GfK/NPD, Gillette, Euromonitor

...So DAP's core competencies make it the ideal partner to capture marketing opportunities



- Coolskin business model in progress



- Cellesse Perfect Skin: promotional co-branding in 2006



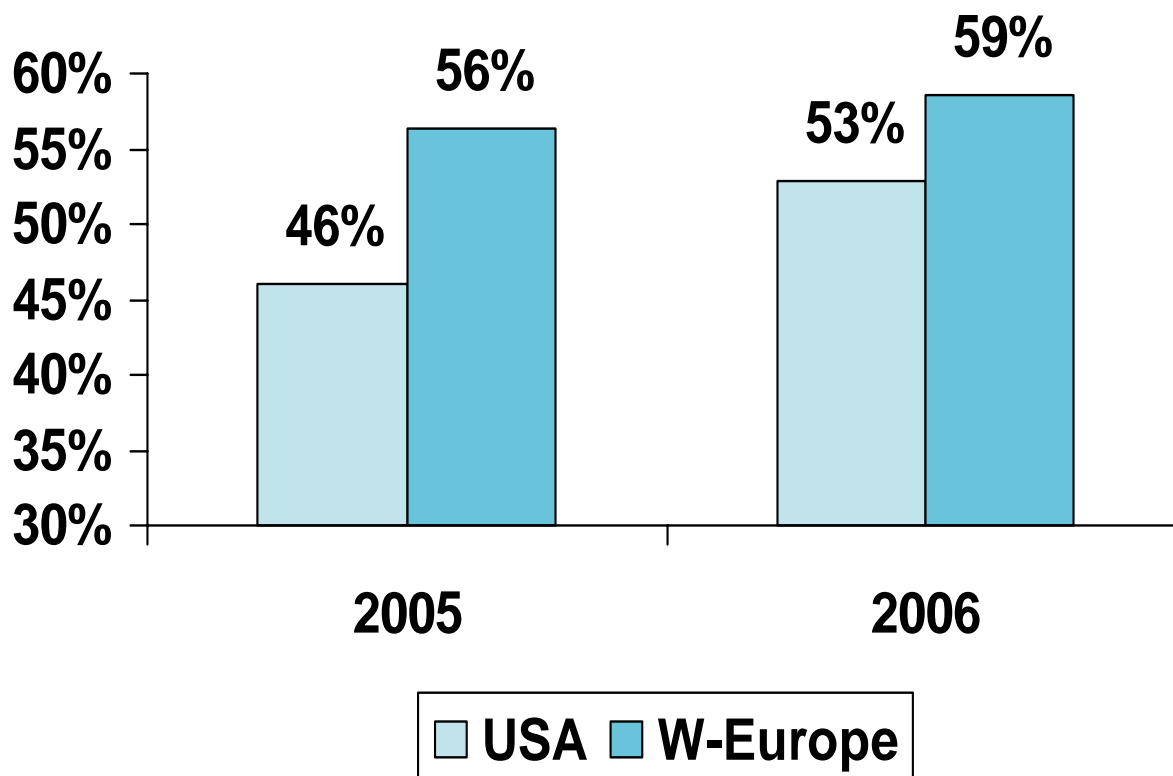
- Successfully building position in UK 10% market share in 2006



- Philips owns the Schick brand for the US electric shaving category

Innovations in Shaving drives market share growth in United States and Western Europe

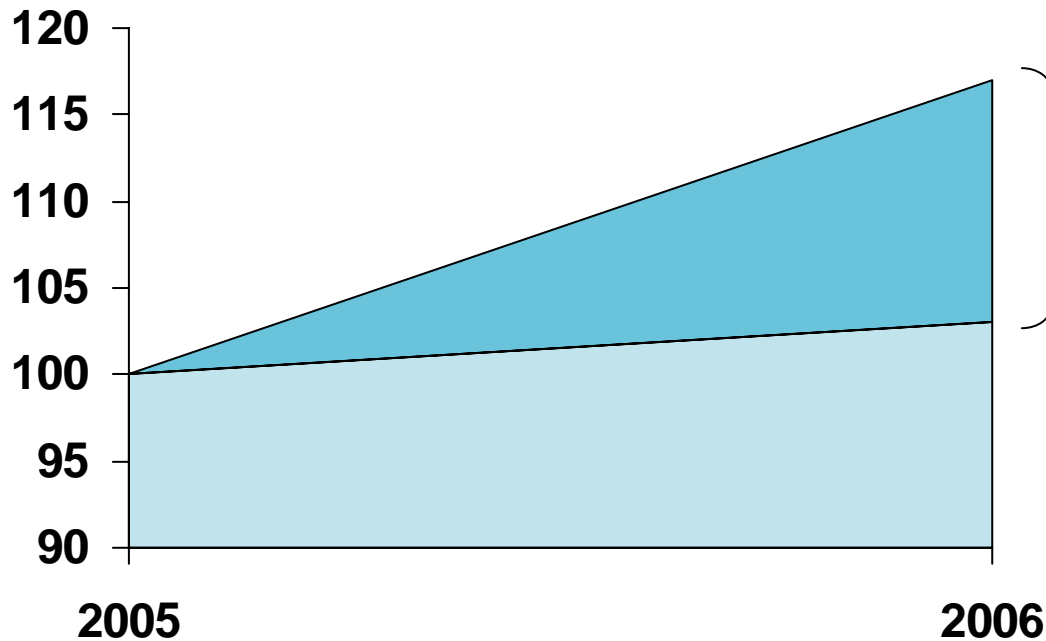
Marketshare Value
MAT (*)



(*) Market share data: GFK. US: MAT Aug, WEU: MAT May

Extended portfolio delivers double digit growth also in the Beauty and Grooming segment

Sales Index Beauty & Grooming Segment
index 2005 = 100



- Bodygroom
- Tresemme Haircare UK
- DIY Clipper



Innovation: Revolutionary design

Williams F1 shaver

Designed around you

“Shaving is part of my life and needs to be done. I don’t really pay much attention. I just want to have a close shave from a reliable brand and when push comes to shove I’d prefer a modern and trendy version over current models.”

Easy to experience

- Washable shaver: easily cleaned in seconds
- A stylish and modern design, different from any other electric shaver

Advanced

- Precision Cutting System with slots to catch long hairs and holes to catch short stubble
- Super Lift & Cut system that gently lifts the hairs to cut even closer to the skin

- New William F1 shavers with revolutionary design
- Very positive market reaction
- Build on customizable platform and reduced number of platforms to 4



Innovation: Addition of ice pack based on Consumer Insight **Satinelle Ice**

<i>Designed Around You</i>	<i>Easy To Experience</i>	<i>Advanced</i>
<p>“I want a hair removal method that gives me longer lasting results, but the existing ones are just too painful”</p>	<p>Simply click the ice cooler and the cooling effect of the ice is directly noticeable for most gentle epilation</p>	<ul style="list-style-type: none"> • Pivoting ice cooler for optimal contour following • Ice cooler changes to deep blue color to indicate ready-for-use temperature • Ceramic system for faster epilation and helps to reduce skin irritation

- 15% sales growth v.s last year in high end epilation
- Over 700.000 units sold in 2006

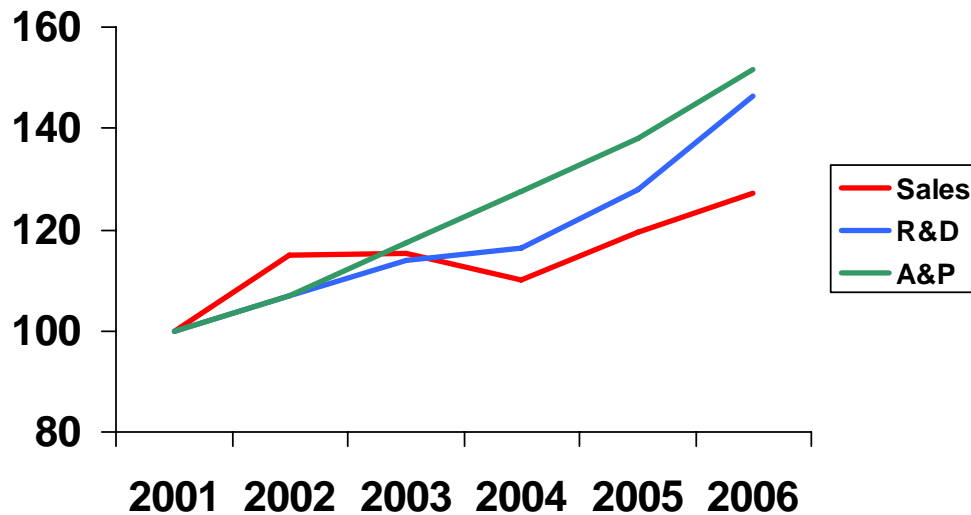


“Most gentle epilator with soothing ice”

Domestic Appliances contributes significantly to DAP's growth

Domestic Appliances

index 2002 = 100 (*)

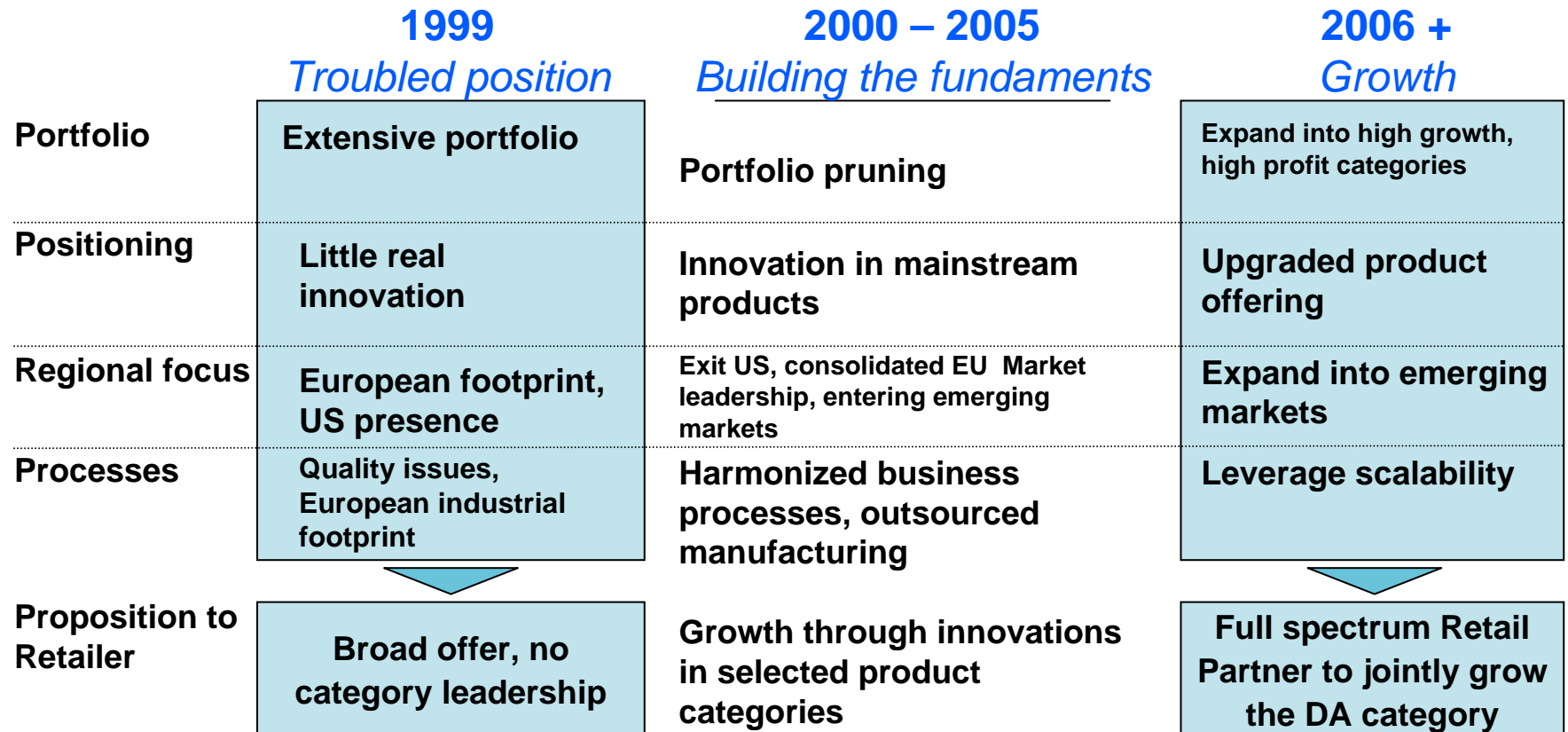


Domestic Appliances

- >75 introductions in 2006
- Growing market shares
- Above market average profitability
- Investments in innovations, consumer experiences, customer relationships
- Coherent cross-category strategy

(*) comparable sales development index; 2006: MAT

Domestic Appliances is fully geared to continue to deliver profitable growth



Becoming leader in mainstream categories

- Kitchen Appliances strong growth (>10% in 2006) -

- Portfolio Management:
 - Entry in high-end segment

- Focus on emerging markets (BRIC)
 - Localized approaches

- Addressing key-consumer needs
 - Focus on Health experience



Extending the portfolio by entering high growth markets and categories

- **Coffee: Espresso**

- Espresso concentrated in Western Europe, growing around 10% and above average profitability.
- Entry in espresso enhances Philips DAP strong position in coffee in Europe.



- **Asia-Pacific Cooking**

- Rice cooker: staple category with highest household penetration in SE-Asia (more than 50%).
- Addressing retail demand in eg. China



- **Water purification**

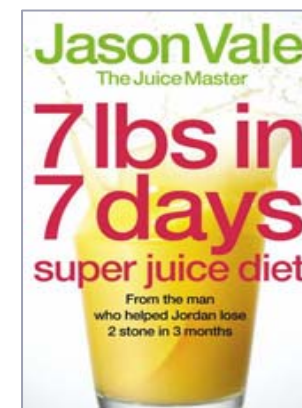
- Pure water made easy – Always
- Entering in India, China, Brazil
- Global water purification market > €2.5 Bln
- Double digit growth in emerging markets



Innovation means also building consumer experiences


- Experience in Garment Care
 - Wardrobe Care solution
 - Fashion week sponsoring


- Health campaign
 - Growing juicing/blending category
 - Marketing innovation



Senseo / PerfectDraft continue to be rolled-out globally

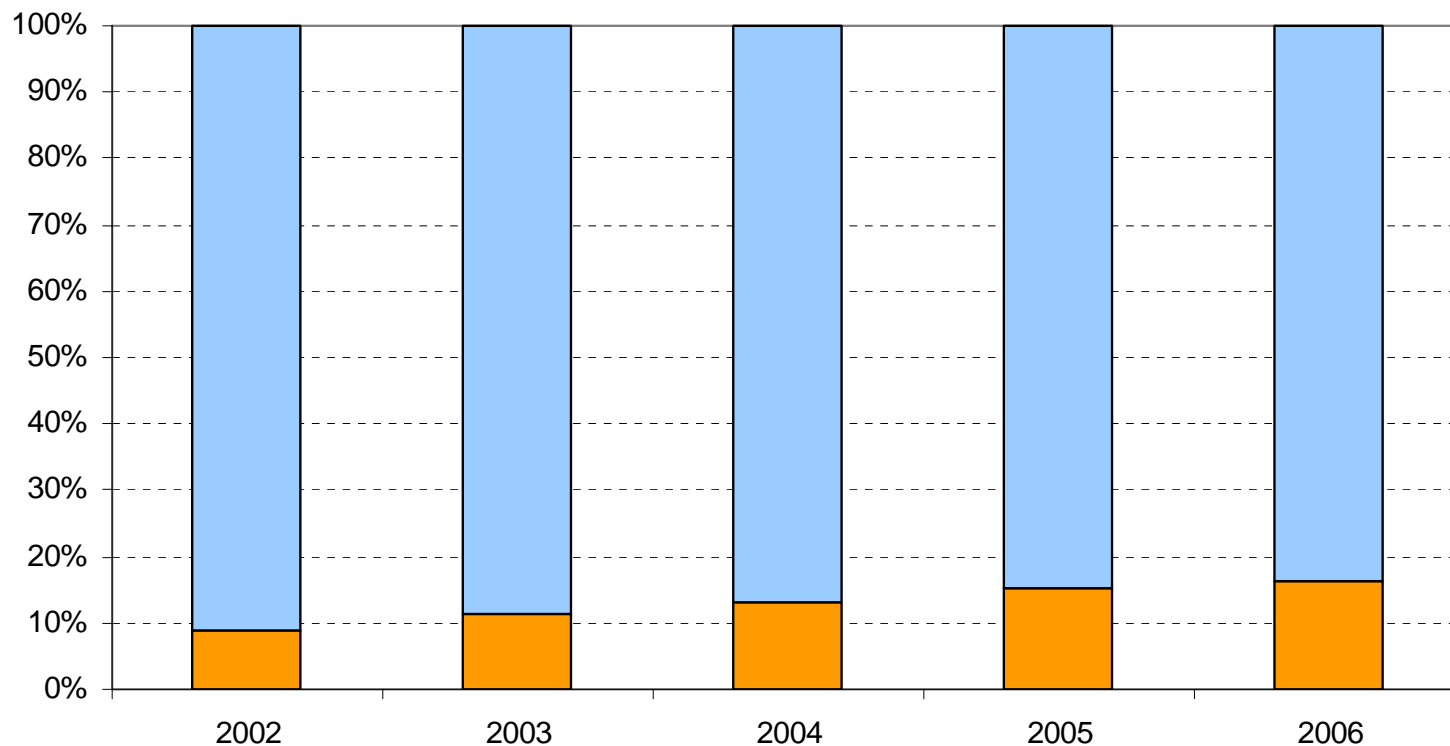
- Senseo/PerfectDraft
 - Combined approximately 8% of total DAP Sales

- Senseo 
 - Launch New Generation Senseo as from October 2006
 - Introduction in Hungary and China in 2006

- PerfectDraft 
 - Roll-out of Next Generation PerfectDraft in 2007, the Netherlands, Belgium, Luxemburg and Germany



.. And contribute to the increase in recurring income from consumables and royalties



 EBIT contribution of consumables/ royalties

Innovation: expanding the category

Wardrobe Care

<i>Designed Around You</i>	<i>Easy To Experience</i>	<i>Advanced</i>
<p>“...Ironing is a major task that is squeezing my precious time and anything that reduces this task would be a big help’. The insight is from the hearts & minds of over a 100 women (Concept Labs).</p>	<ul style="list-style-type: none"> • User interface that is simple & intuitive. • Effortless opening, folding and height adjustment at the touch of a button. • Unique board shape that makes ironing shirts very easy. • No need to rinse the boiler to remove calc. Just empty the rinse tray ! 	<ul style="list-style-type: none"> • Smart control software starts-up relevant functions simultaneously • hi-tech materials allow the user to leave hot iron on the board cover • internal Balancing springs make Board movement effortless. • Auto-rinse technology to flushes out calc.

- Growing the category by adding innovative product on top of the existing high-end
- This new category has generated 20% of the growth realized in 2006 by Garment Care



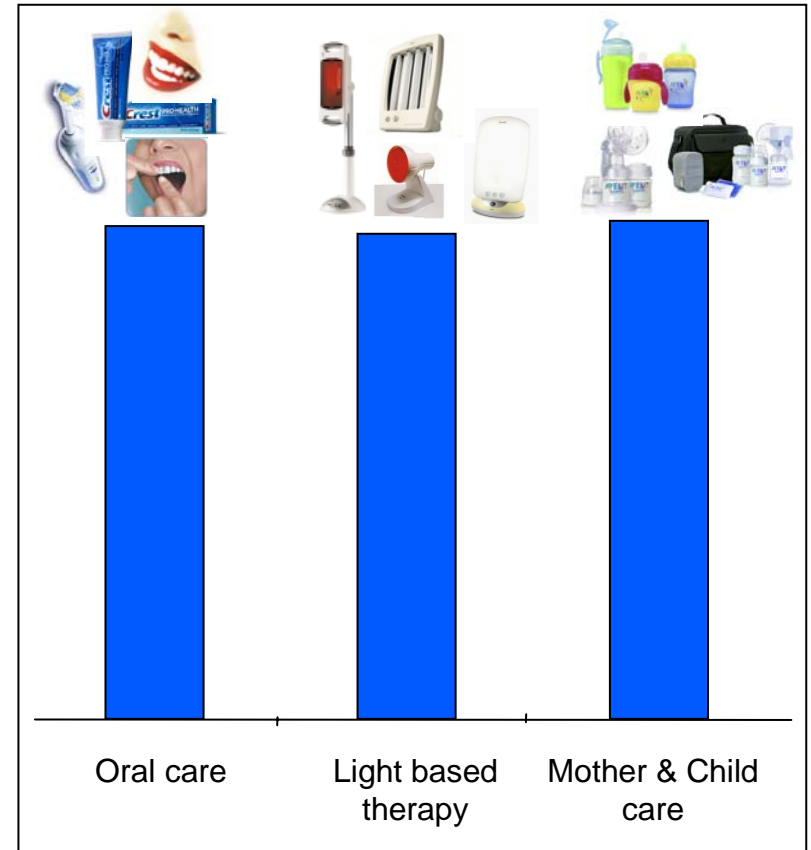
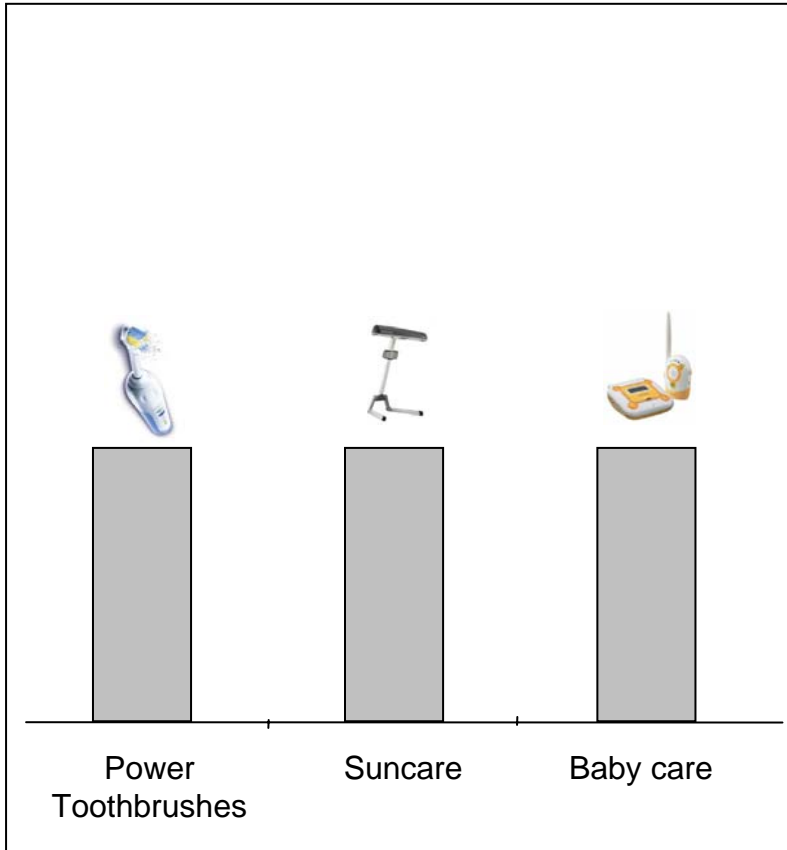
Innovation: Marketing positioning focusing on Health benefits Aluminium Juicer

<i>Designed Around You</i>	<i>Easy To Experience</i>	<i>Advanced</i>
<p>With this juicer you will enjoy your freshly prepared juices with the least effort. You can throw in apples, kiwis or pineapple without having to peel or core</p>	<p>You do not have to cut or chop your fruit and vegetables on beforehand. Just get your fresh juice in seconds.</p>	<p>This juicer has an extra large feeding tube, which means that you do not have to cut or chop your fruit and vegetables beforehand. And the unique micromesh filter and 700W motor will give you more juice than ordinary juicers.</p>

- Focus on Health benefits very successful
- Increase of sales by 52%
- Number 1 product in category in Germany and the Netherlands



Health & Wellness broadens focus



Old Scope



New Scope

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Health & Wellness' current businesses

- Mother & Child Care – including Avent acquisition
- Oral Health Care
- Feel & Look Better



Philips/AVENT endorsement packaging for non-electronics



AVENT

Avent Airflex Natural Feeding Bottles

9 OZ / 260ml 3x

Airflex

Clinically proven to reduce colic
Built-in Airflex valve

Supports breast feeding
Naturally shaped teat

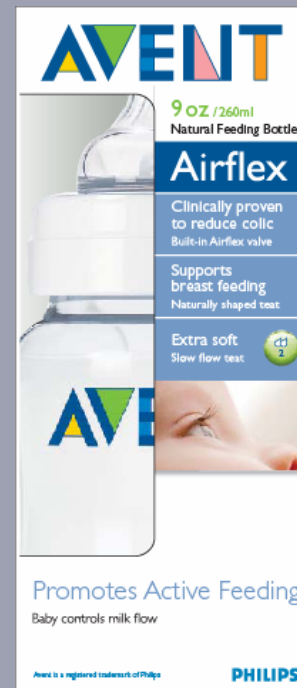
Extra soft
Slow flow test 



Promotes Active Feeding
Baby controls milk flow

Avent is a registered trademark of Philips

PHILIPS




AVENT


9 OZ / 260ml Natural Feeding Bottles

Airflex

Clinically proven to reduce colic
Built-in Airflex valve

Supports breast feeding
Naturally shaped teat

Extra soft
Slow flow test 



Promotes Active Feeding
Baby controls milk flow

Avent is a registered trademark of Philips

PHILIPS

Philips/AVENT Makers Mark for electronics

PHILIPS
AVENT

Philips AVENT
Electronic Steam
Sterilizer

Express
ELECTRONIC STEAM

Ready in 9 minutes
Eliminates bacteria safely and quickly

Large capacity
Holds six 9-oz bottles + accessories

Internal rack converts
to dishwasher basket
Holds breast pump
components + accessories

Contents stay safe
Contents remain sterile for up to
3 hours

PHILIPS
AVENT

Ensures safe feeding for baby
Reliable and convenient sterilization

PHILIPS
AVENT

Philips AVENT
Electronic Steam
Sterilizer

iQ 24
ELECTRONIC STEAM

Contents
always ready
to use
iQ steam technology
keeps contents sterile
for 24 hours

Keeps you informed
LED display communicates each phase

Remove items any time
Pause and remove what you need,
when you need it

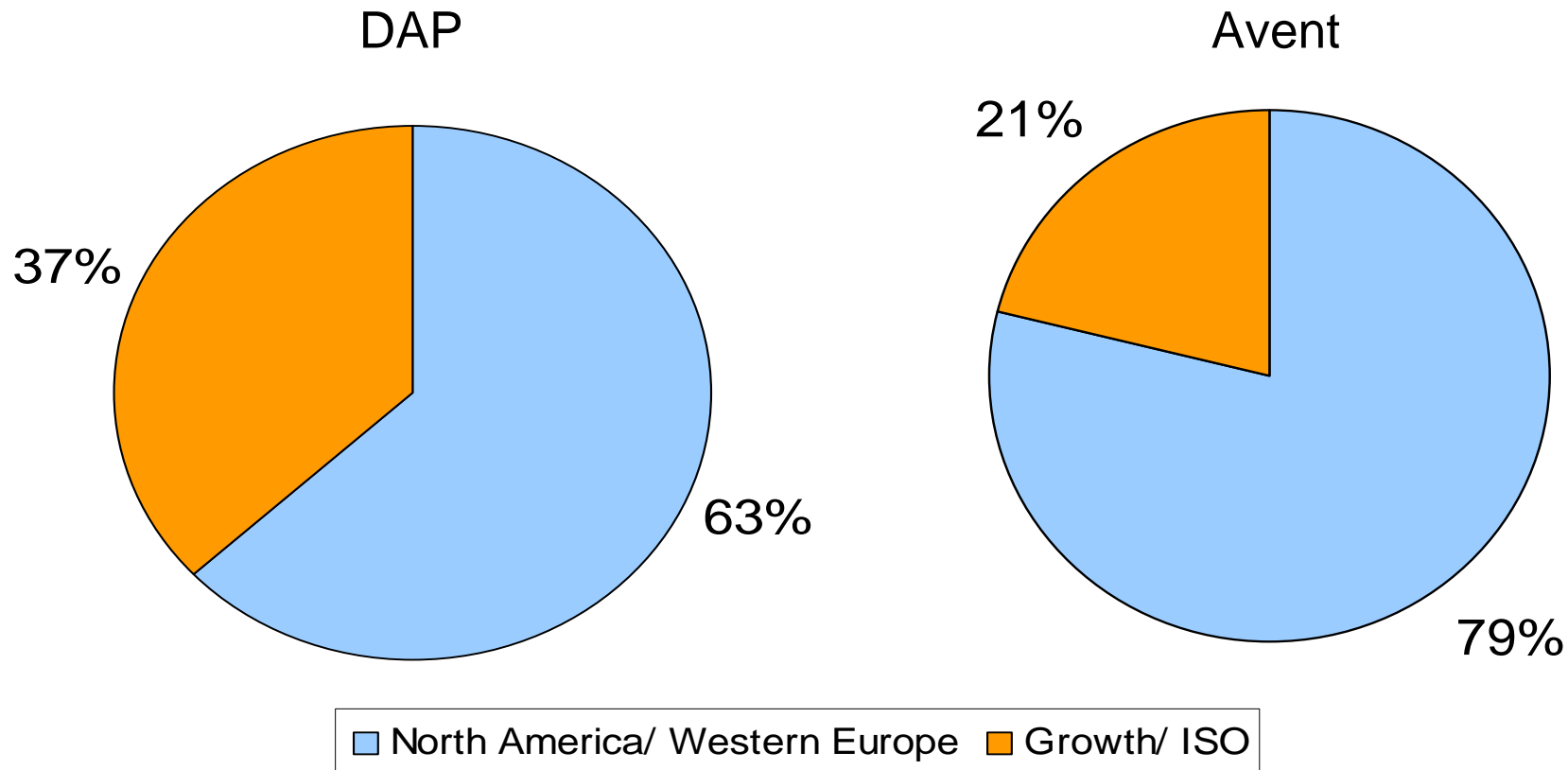
Large capacity
Holds six 9-oz bottles + breast
pump components

Internal rack converts
to dishwasher basket
Holds breast pump components
+ accessories

PHILIPS
AVENT

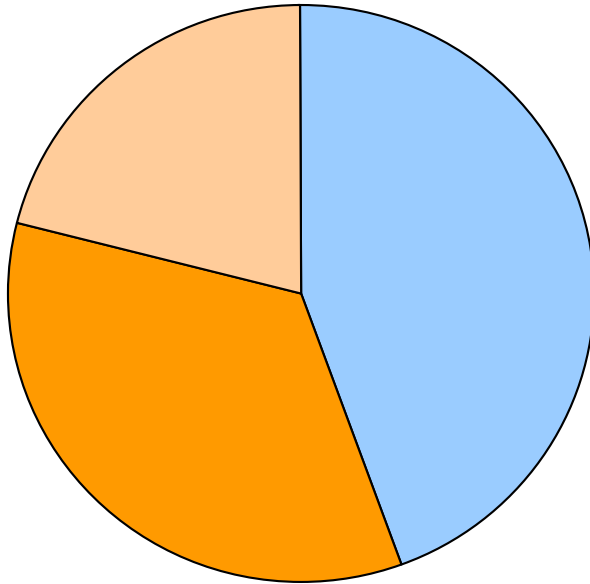
Always ready when you are
Intelligent steam technology with 24-hour mode

DAP's larger presence in Emerging Markets provides growth opportunities for Avent

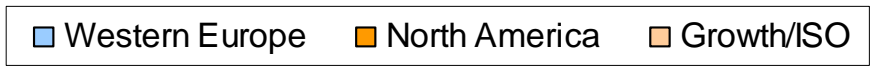
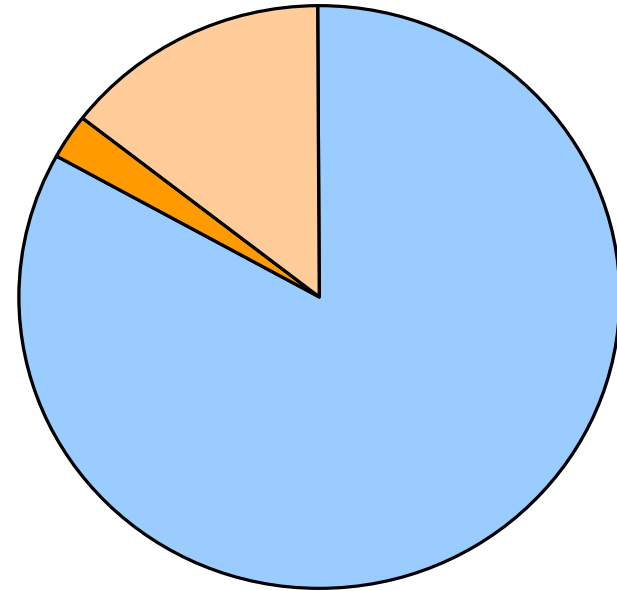


...and Avent's regional strengths provides growth opportunity for existing Philips M&CC business

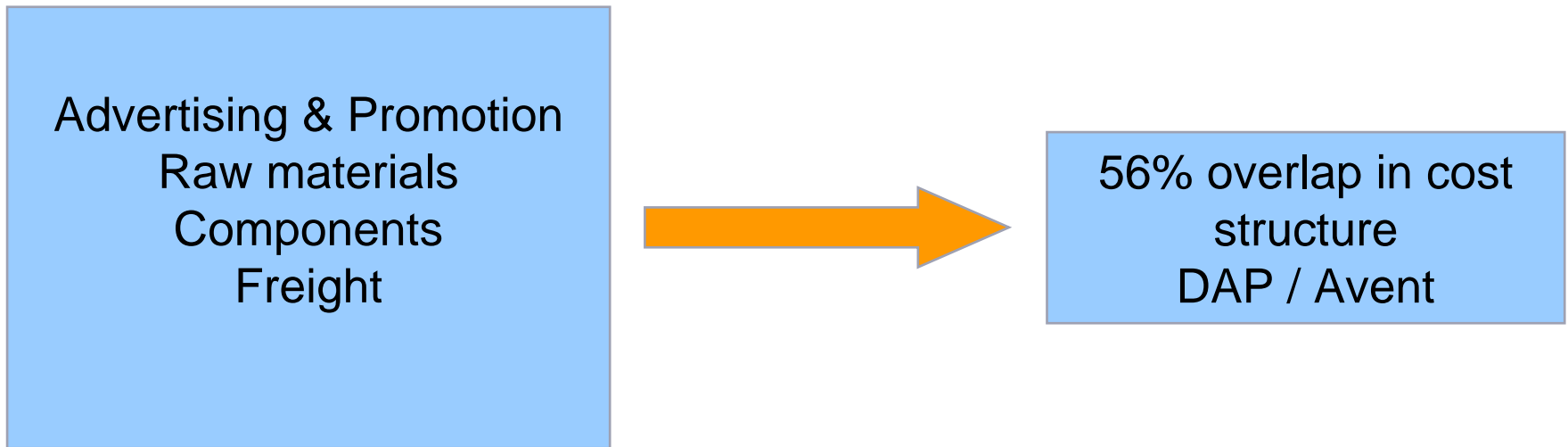
Avent



Philips Mother & Child Care



The large overlap in major components of cost structure of Avent provides cost synergy opportunities



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In summary, DAP expects to:

- Sustain 7% comparable growth target
- Sustain ~15% EBITA
- Continue to grow organically including portfolio expansion with new categories
- Explore acquisition opportunities across businesses
- Become a substantially more valuable division over the next five years

PHILIPS

sense and simplicity