

PHILIPS

sense **and** simplicity

Philips Consumer Lifestyle Strategy

Pieter Nota
Chief Executive Officer

Consumer Lifestyle is led by an experienced and international team

We are geared for growth in Emerging Markets and Growth Categories

Presenting today

Pieter Nota
CEO



Paul Verhagen
CFO



Antonio Hidalgo
CTO



Fabian Wong
GM China,
Consumer Lifestyle



Murali Sivaraman
GM Domestic Appliances



Egbert van Acht
GM Health & Wellness



Caroline Janssen-Clarke
GM Personal Care

Consumer Lifestyle is a significant part of Philips' vision to improve people's health & well-being

Who we are

Founded in 1891

Headquartered in Amsterdam, Netherlands

MAT Sales of €25.3 billion

Over 8% comparable growth year-to-date 2010

Emerging Markets

32% of MAT sales generated in Emerging Markets

Globally recognized brand

Our brand value doubled to \$8.7bn since 2004

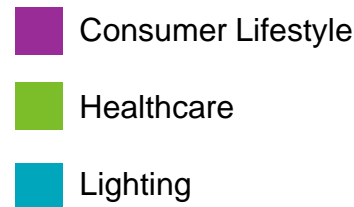
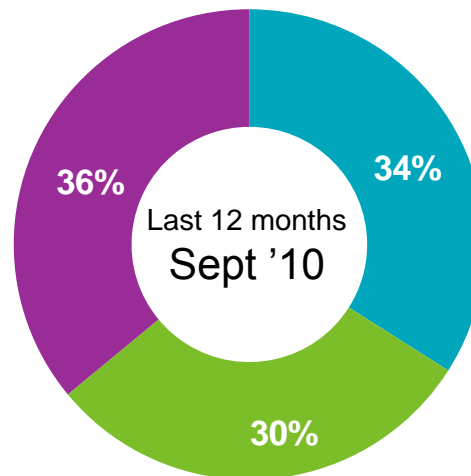
118,000 employees

Sales and service outlets in over 100 countries

€1.6 billion investment in R&D, 7% of sales

48,000 patent rights, 35,000 registered trademarks, 56,000 design rights

Our businesses



Our mission

“...a global company of leading businesses creating value with meaningful innovations that improve people's health and well-being.”

Key takeaways

- We have **leading positions** in health & well-being with a **global footprint** and a **strong brand**, especially in **emerging markets**
- We are taking further **decisive action** to **reduce our exposure** in the **Television business**
- We will increasingly **focus on growth**, taking a **granular approach** to key categories and markets to **ignite top-line growth**
- We will expand **business creation capabilities** in **emerging markets** and are investing in **key enablers** to **accelerate growth**



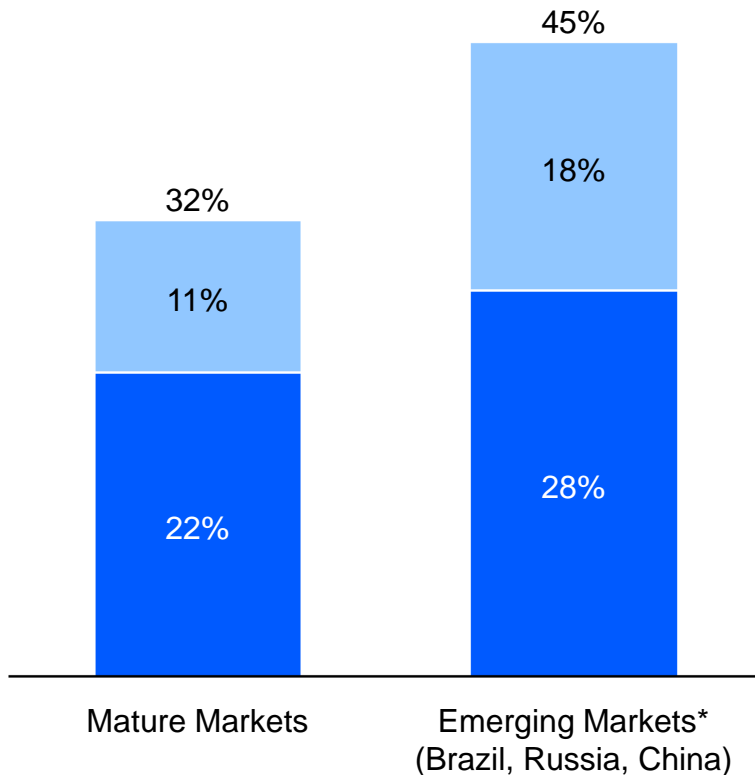
We have **leading positions** in health & well-being with a **global footprint** and a **strong brand**, especially in **emerging markets**



We have leadership positions across our portfolio

Market share leadership, 2010

■ Co-Leadership
■ Leadership



NPS leadership



Mother & Child Care



Power Toothbrush



Coffee Preparation



Male Shaving & Grooming

Note: Leadership – market share greater than nearest competitor by >5%; Co-leadership – market share within 5% of nearest competitor
 * Emerging market based on available data in Brazil, Russia, China




We are a leading global brand

Consumer Lifestyle brings the Philips brand into homes and lives globally

42 PHILIPS 8,696 \$m

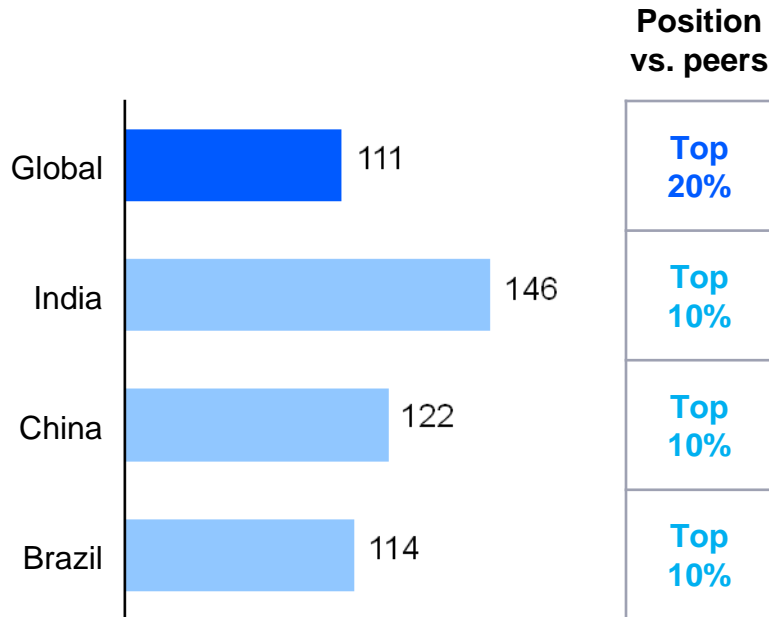
Interbrand

Best Global Brands

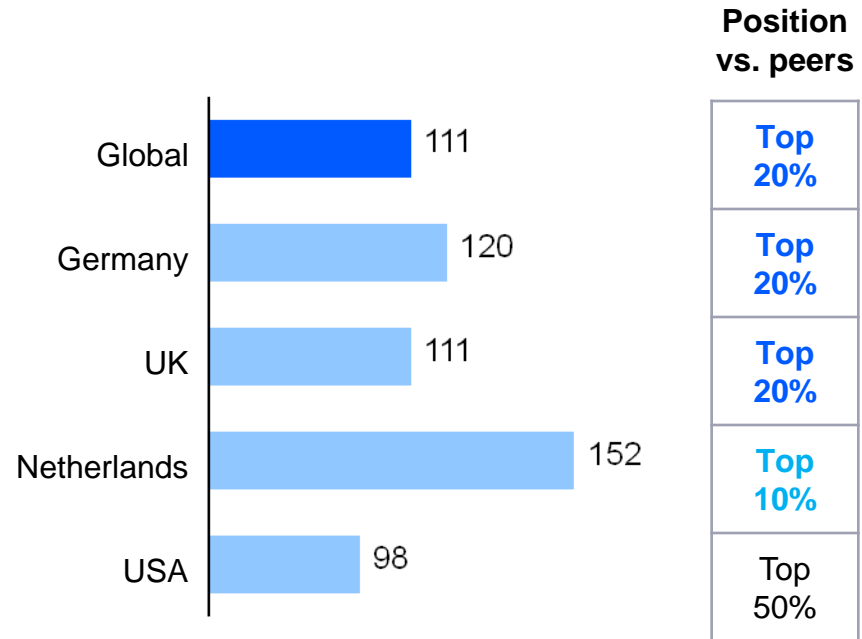
Rank	Previous Rank	Brand	Country of Origin	Sector	Brand Value (\$m)	Change in Brand Value
40	36		United States	Financial Services	8,887	-13%
41	35		United States	Electronics	8,880	-14%
42	42	PHILIPS	Netherlands	Electronics	8,696	7%
43	46		United States	Internet Services	8,453	15%
44	41	GUCCI	Italy	Luxury	8,346	2%
45	44	L'ORÉAL	France	FMCG	7,981	3%
46	48		United States	FMCG	7,534	4%
47	45		United States	Business Services	7,481	-3%
48	50	ZARA	Spain	Apparel	7,468	10%
49	47	SIEMENS	Germany	Diversified	7,315	0%

Our brand is strong in both emerging markets and developed markets

Brand equity index, 2010
Emerging markets



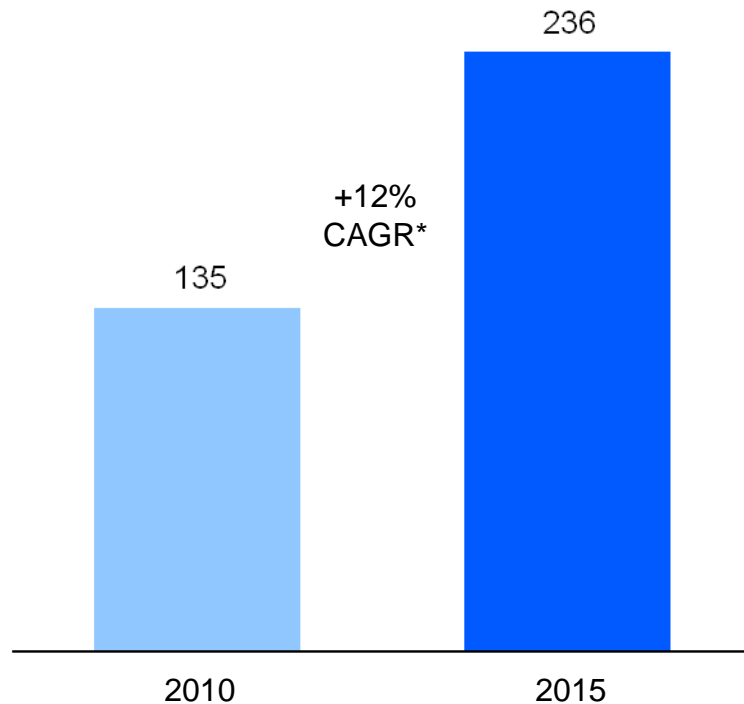
Brand equity index, 2010
Mature markets



We see strong growth in Emerging markets where spending power is set to explode, especially China

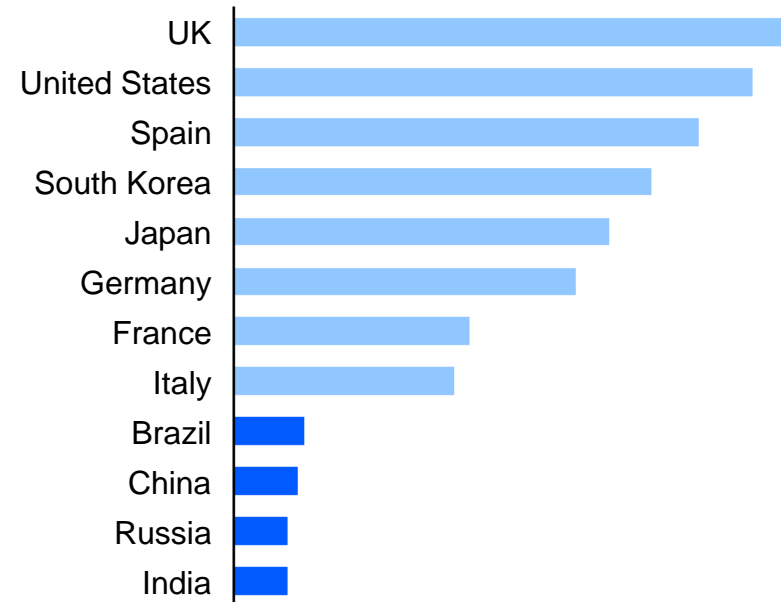
The urban middle class in emerging markets will encompass more than 200M households by 2015¹

Emerging markets (BRIC) urban households (millions)



Consumers in emerging markets have low personal debt compared to developed markets²

Household debt as % of GDP



Source: 1. BCG, Winning in Emerging Market Cities - BRIC

2. McKinsey analysis, Economist 2010

Note: * Compound Annual Growth Rate

As wealth grows, purchase habits and brand preference will drive sales beyond GDP growth

As consumers move into the middle class, penetration of key product categories grows



Penetration increase of key categories when consumers move from emerging middle class into middle class (urban China)¹

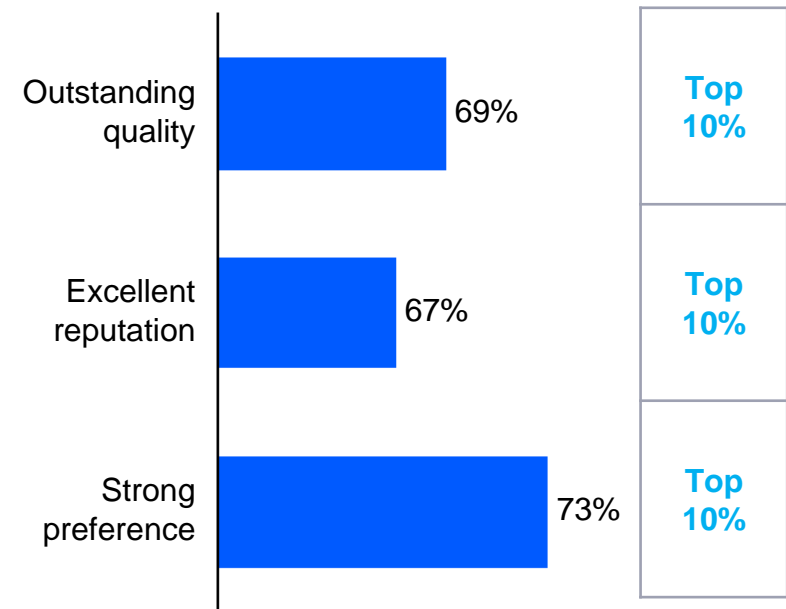
Men's electric shavers	+7% pts	▲
Body groomers	+8% pts	▲
Vacuum cleaners	+7% pts	▲
Steam irons	+6% pts	▲
Garment steamers	+8% pts	▲
Electric rice cookers	+7% pts	▲
Blenders	+12% pts	▲
Air purifiers	+8% pts	▲

Consumers strongly prefer Philips products



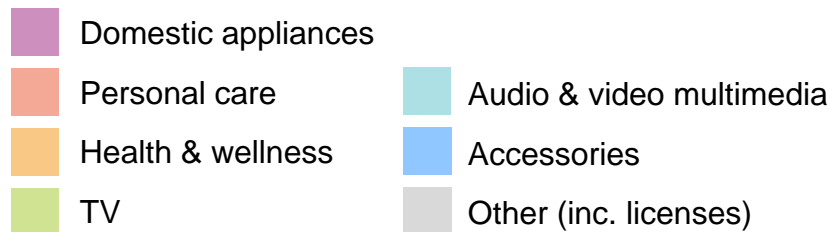
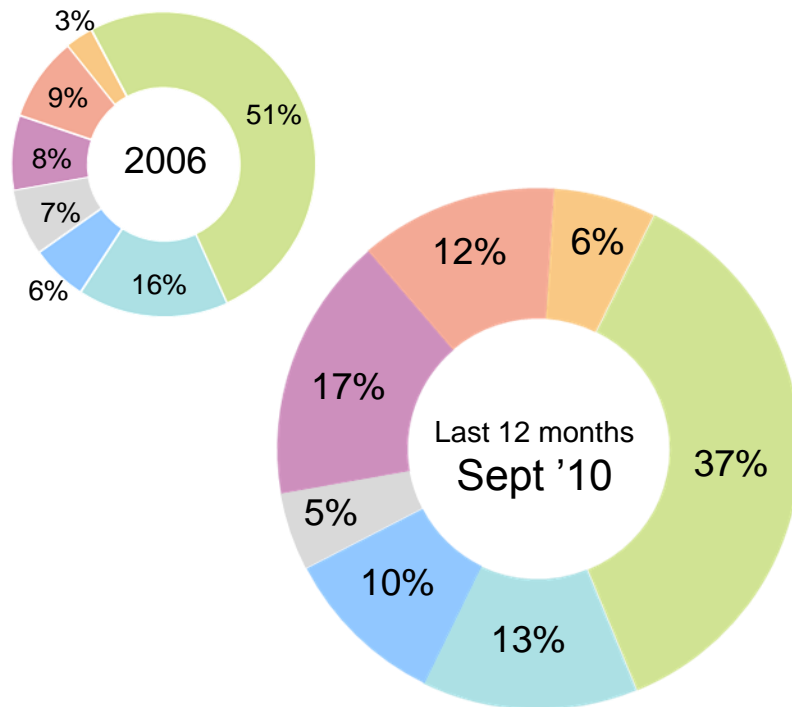
% of Chinese consumers scoring high or very high for Philips²

Position vs. peers

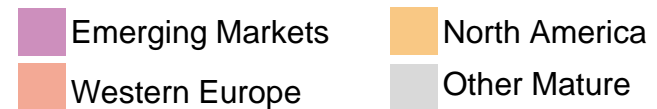
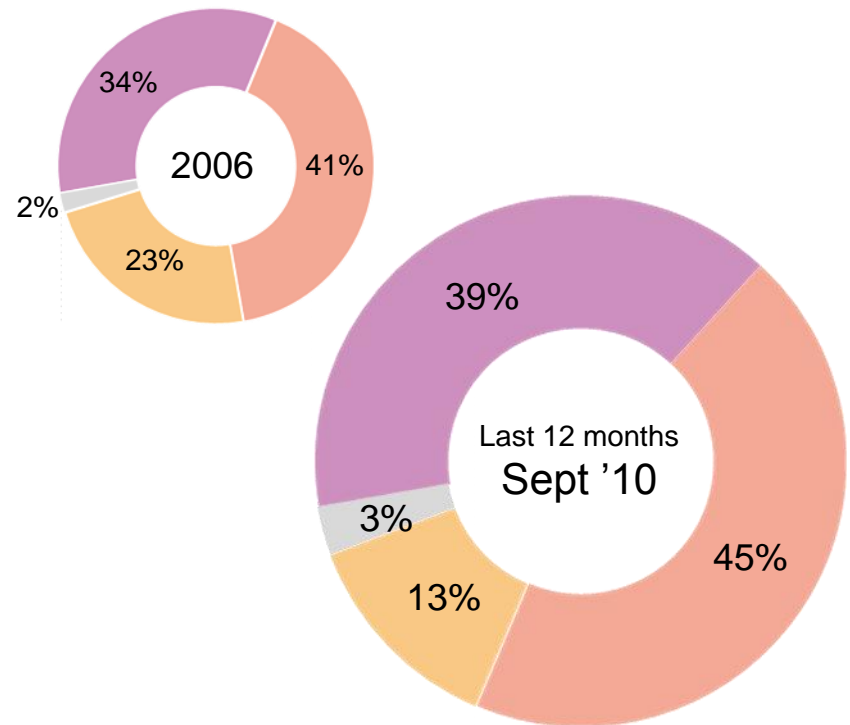


We have a diverse health & well-being portfolio and a global reach

Sales split by business group



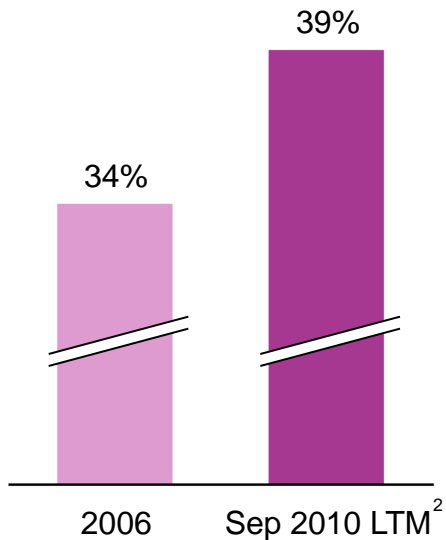
Sales split by region



We are growing in emerging markets, which brings a positive impact on margins

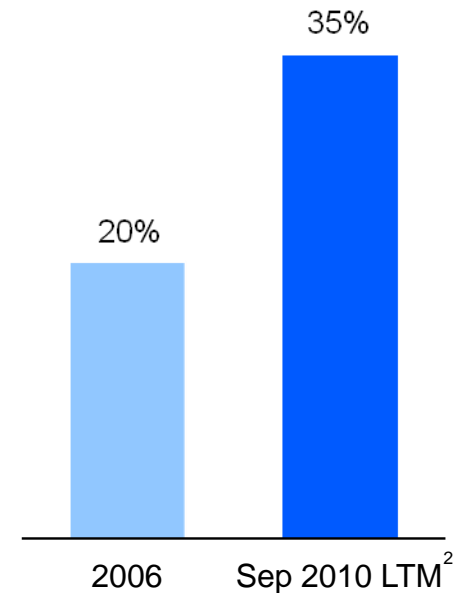
We continue to grow emerging market sales...

Base: total sales



... and increase the proportion of sales in high margin categories¹

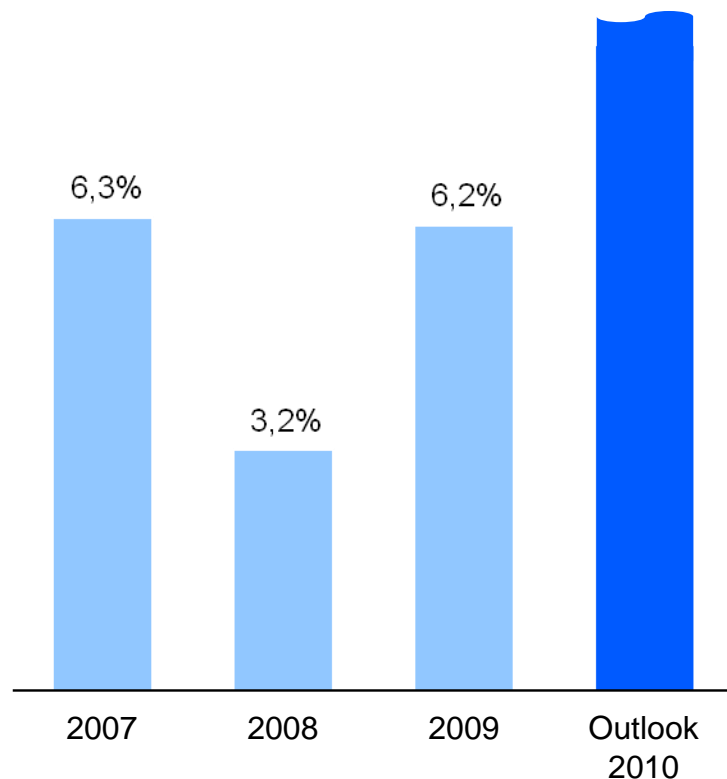
Base: total sales



Note: 1. High margin defined as business: Health & wellness, Personal care, Domestic appliances
2. LTM – Last twelve months

We have significantly grown our EBITA with disciplined cost reduction, and portfolio pruning

Adjusted EBITA (as % of sales)*



Profitability improvement measures

- Move to high margin categories, doubling proportion of total portfolio
- Right-sized the organisation, delaying from 8 to 5 layers, reducing FTEs by about one third including executive level
- Simplified the Supply chain, streamlining manufacturing sites and supplier base.
- Simplified the Innovation footprint from 25 innovation centers to 11
- Earn-2-Invest reduced the fixed cost base, and instilled a mindset of ongoing cost-discipline

We are taking further
decisive action to
reduce our exposure in
the Television business



Improvement actions taken in TV

Brand licensing

Successfully extended licensing partnerships in 2010 with Videocon (India) and TPV (China), which will both contribute positively in 2011

Cost improvements

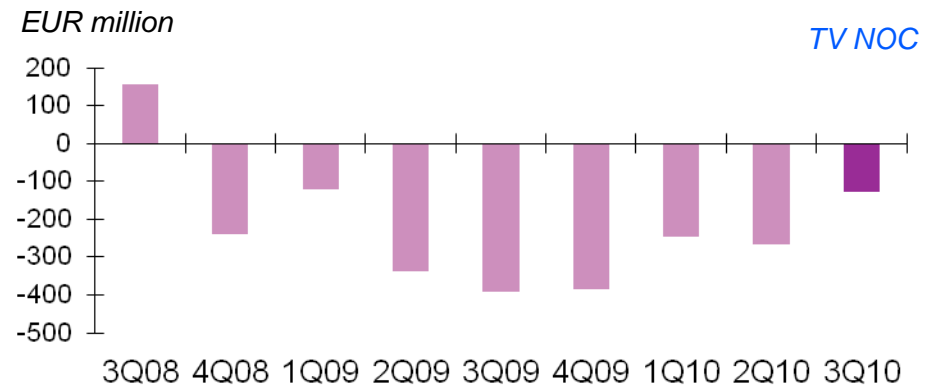
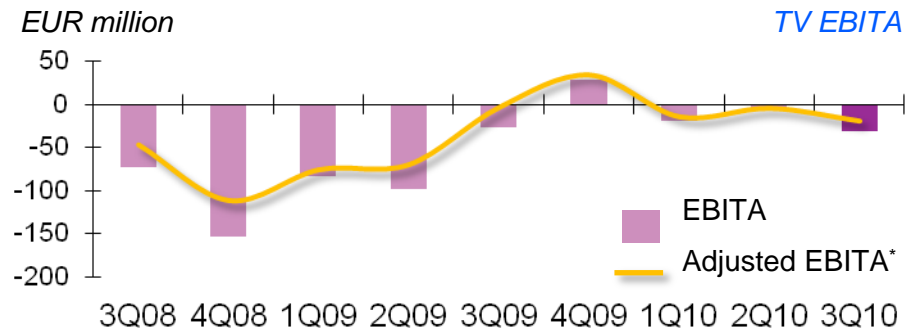
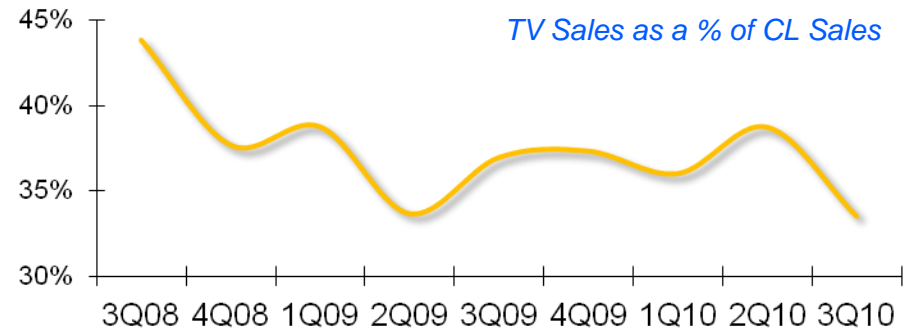
Continue to reduce costs to improve profitability in 2011

Strong supply partnerships

Established forward integration and co-location partnerships with TPV, LGD and Sharp

Negative NOC, positive ROIC impact

We continue to manage TV with a negative NOC, meaning a positive contribution to CL and Philips ROIC



Outlook for TV in 2010

Reduced losses during the first 9 months of 2010

- We have reduced adjusted EBITA loss in TV from EUR 150 million, in the first 9 months of 2009, to EUR 40 million in the same period of 2010

Taking swift action in an adverse market environment

- Our TV revenue will be higher in Q4 than in Q3, however the environment is increasingly challenging, and we see:
 - High stock levels in retail and strong price erosion
 - Deterioration of results in China as a consequence of a delay in closing the licensing agreement. We now expect to close the agreement around year end
- Given the market conditions we are taking swift actions to manage our net operating capital

Outlook full year 2010

- TV will still deliver a significant year on year improvement in profitability and will generate a 2% to 3% adjusted EBITA loss on a revenue of around 3 billion in 2010

We continue to excite consumers with innovation that delivers premium differentiated products

21:9 and 3D TV



A true cinema experience at home

- Philips leads the way with high definition 21:9 TV, also in in 3D
- Award winning home cinema experience

Ambilight TV



Ambilight technology

- Ambilight technology unique to Philips
- Ambilight mix continues to increase

Econova TV



Sustainable solutions in TV

- Winner of European Green TV 2010-11
- Significantly lower energy consumption and body largely made from recycled plastic

Design TV
















TVs designed for modern living

- Iconic design TVs to suit modern living rooms and contemporary living

We will increasingly
focus on growth, taking
a granular approach to
key categories and
markets to ignite
top-line growth



We prioritise growth in key categories and markets

Businesses						Geographies	
Personal Care	Health & wellness	Domestic Appliances	Television	Audio Video Multimedia	Accessories	Mature Markets	Emerging Markets
							
 Strong growth		 Manage for cash	 Maintain position			 Growth	 Strong growth

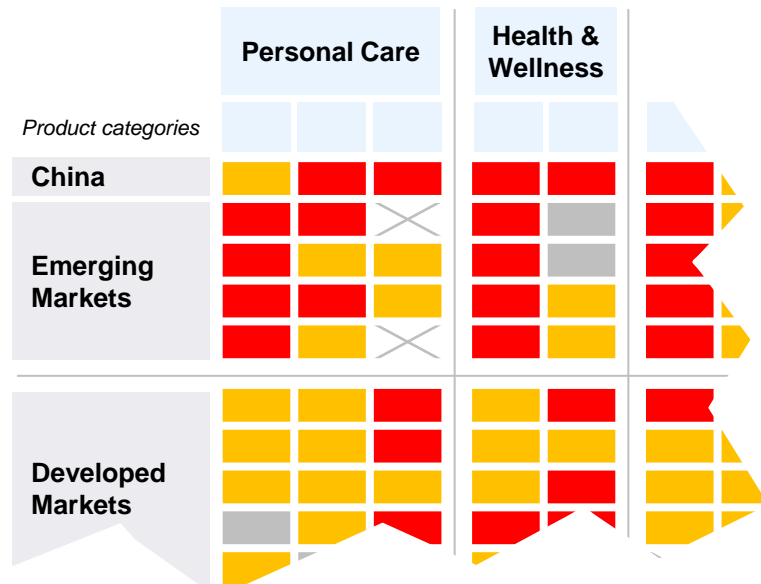
Strong growth means higher than GDP-level growth

Growth means around GDP-level growth

A granular approach to ignite growth

Focusing investments at a category / country level for growth

Granular growth approach



Clear investment choices

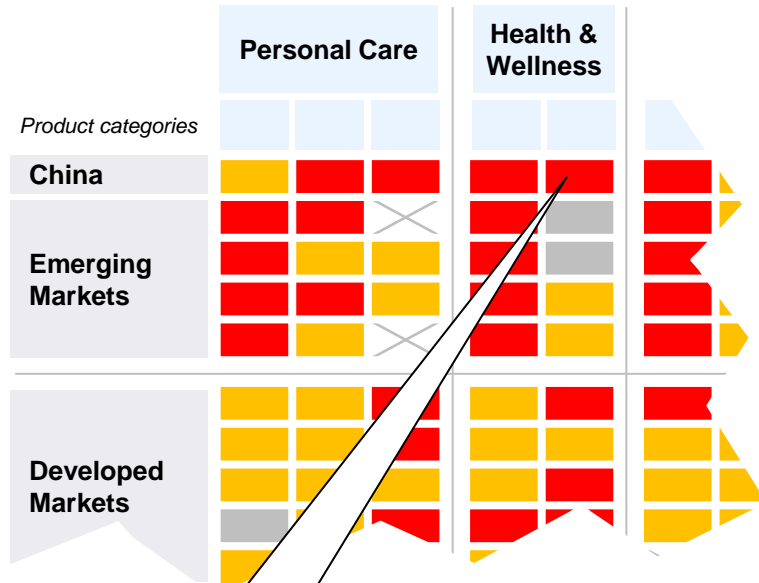


- Strong growth
- Growth
- Maintain position
- Manage for cash
- X No position

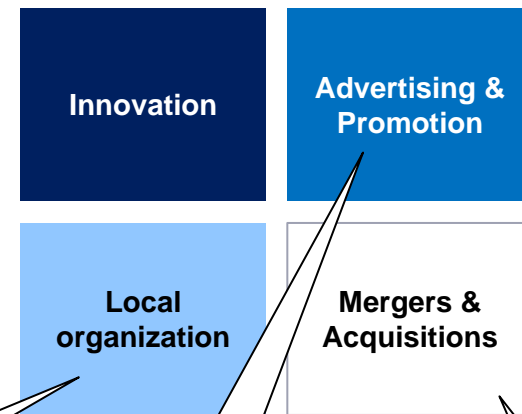
A granular approach to ignite growth

Example: Driving growth in oral healthcare

Granular growth approach



Clear investment choices



Grow oral health care in China



Increase investments to equip local sales force with required capabilities

Increase above the line investments to drive sales

Targeted activities to deepen relationships with oral healthcare professionals

We have delivered strong growth in the higher margin businesses

PHILIPS
AVENT



PHILIPS
sonicare
the sonic toothbrush



Health & wellness

- Double digit growth

PHILIPS
SensoTouch 3D



Personal care

- Double digit growth



Domestic appliances

- Mid single digit growth

We will maintain our position in Audio, Video and Multimedia (AVM)

Audio Video Multimedia categories

Docking stations



Home Cinema Systems



DVD



MP3/4 Players



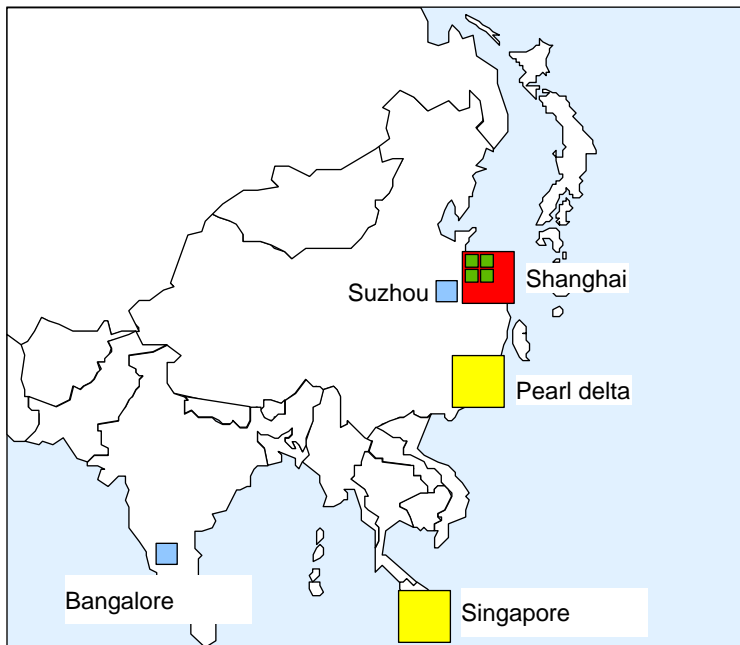
We are transitioning our portfolio from product areas such as DVD and MP3/4 players to growing segments such as Docking systems, Blu-ray and Home cinema systems

We will expand
business creation
capabilities in emerging
markets and are
investing in key
enablers to accelerate
growth



Expanding business creation capabilities in emerging markets and building a second global home in China

Business creation foot print in Asia



- Global headquarters, Domestic appliances
- Innovation hub
- Kitchen Appliances innovation centres
- Other emerging market innovation centres

Building a second home in China

- Moved our global headquarters for domestic appliances to Shanghai, China. Asia is the centre of gravity for growth in domestic appliances

Investing in local business creation capabilities for kitchen appliances

- Building local innovation centres, reporting to management in Shanghai

Leveraging communication and connectivity expertise in India

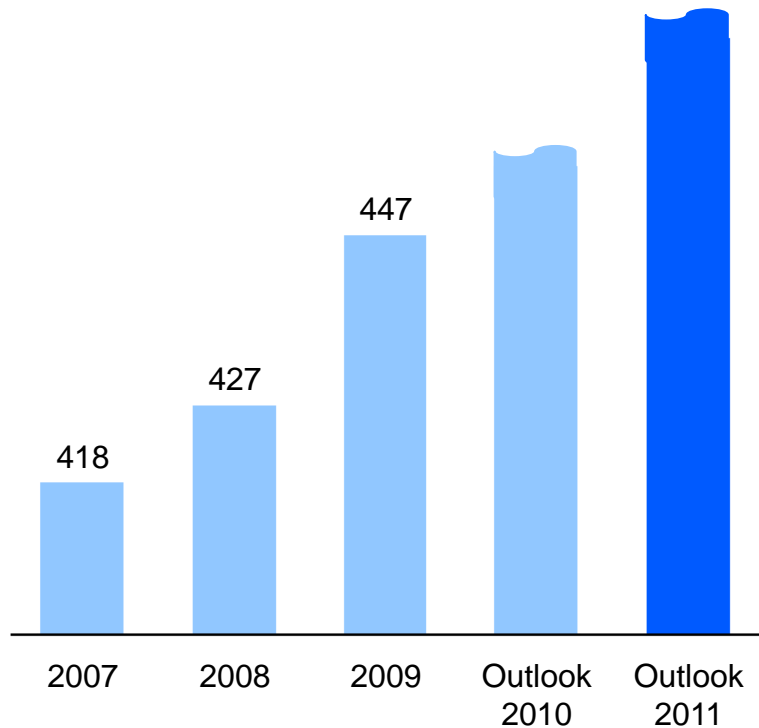
- Our team in India is specialized in software, internet services, inter-operability and connectivity

We are activating sales in emerging markets by expanding our consumer reach and advertising spend

We are building distribution into 2nd and 3rd tier cities to reach more consumers

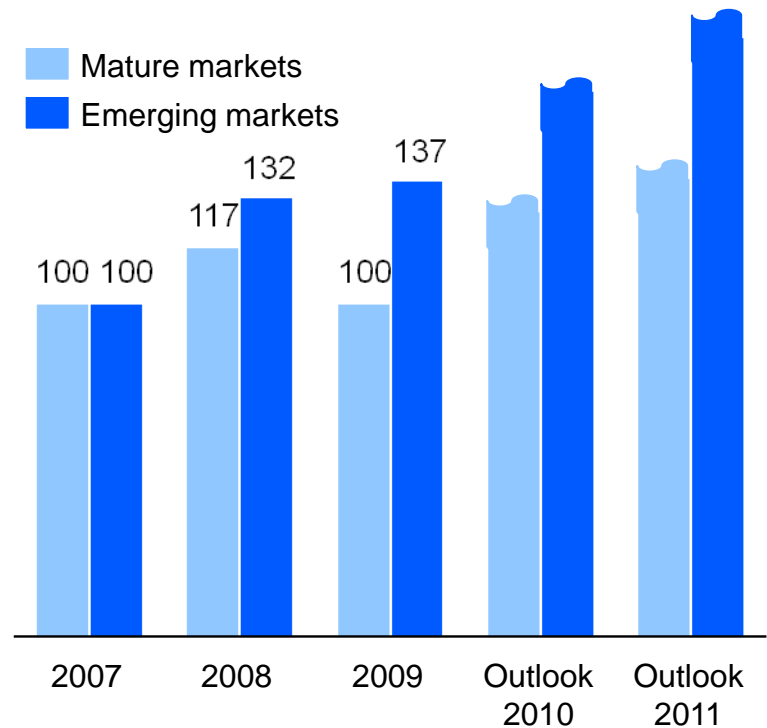


China example: cities reached



We are investing in our brand and advertising to grow sales

A&P spend as % of sales in (index 2007 for emerging markets and mature markets respectively)



We are investing in innovation to drive NPS and win market share in growth categories

Innovation for emerging markets

Local products for local needs

Innovating for local consumer needs, and grow product accessibility for lower income consumers

- Garment steamer – innovating of Asian garment care customs
- Washable shaver – affordable and designed for Chinese men
- Air purifier – for clean air in homes in emerging markets



Innovation in growth categories

Superior core products

Innovating core products to drive NPS leadership & grow market share

- SensoTouch 3D – our best shave ever
- Saeco – superior coffee at home
- O’Neil headphones – designed to live life to the max



Breakthrough innovation

Innovating to lead in key growth categories and new technologies

- Lumea - Intense Pulsed Light technology for stubble-free hair re-growth control
- Air Fryer – air-frying technology for healthier cooking without the fat



We are pioneering online and social media to build our brand and drive sales

Developing online advice centers



Philips Avent support center for mothers

- Impartial resource for mothers, supported by healthcare professionals

Building a presence on third part social media sites



Wake-up light social media experience

- Live Social media experiment with consumers
- Bring the benefits of the Wake-up light during the dark winter in the Arctic

Award winning online and social media campaigns



Philips cinema social media campaign

- Online and social media campaign in collaboration with Ridley Scott Associates

We use strategic acquisitions to build leadership positions in growth categories

Avent, 2006
Health and wellness



- Building global leadership in mother and child care

Saeco, 2009
Domestic appliances



- Reinforcing leadership and broadening our coffee portfolio

Discus, 2010
Health and wellness



- Expanding oral healthcare portfolio into adjacent categories

Vision 2015

- We will continue to grow through acquisitions to build leadership positions
- We will target acquisitions in growth categories and emerging markets

We are empowering well resourced local teams to act entrepreneurially to accelerate growth

Resources

- Our granular approach to growth equips country sales teams with the right resources and funding to grow in priority categories and markets

Local empowerment

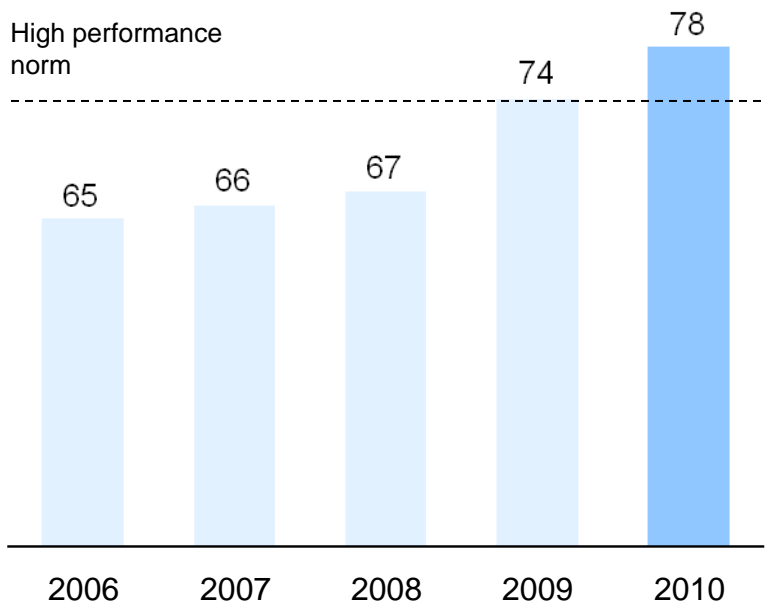
- We recognise the importance of tailoring activities to local markets to drive growth. Country teams are empowered to adapt their product innovation, and sales and marketing activities to win locally

Speed and agility

- We encourage speed and agility. We quickly learn from sales successes, invest further and replicate to grow. We quickly identify changing market conditions and competitive challenges, and act decisively to win

We have highly engaged teams with local leaders, which is a strong platform to ignite growth

Employee Engagement



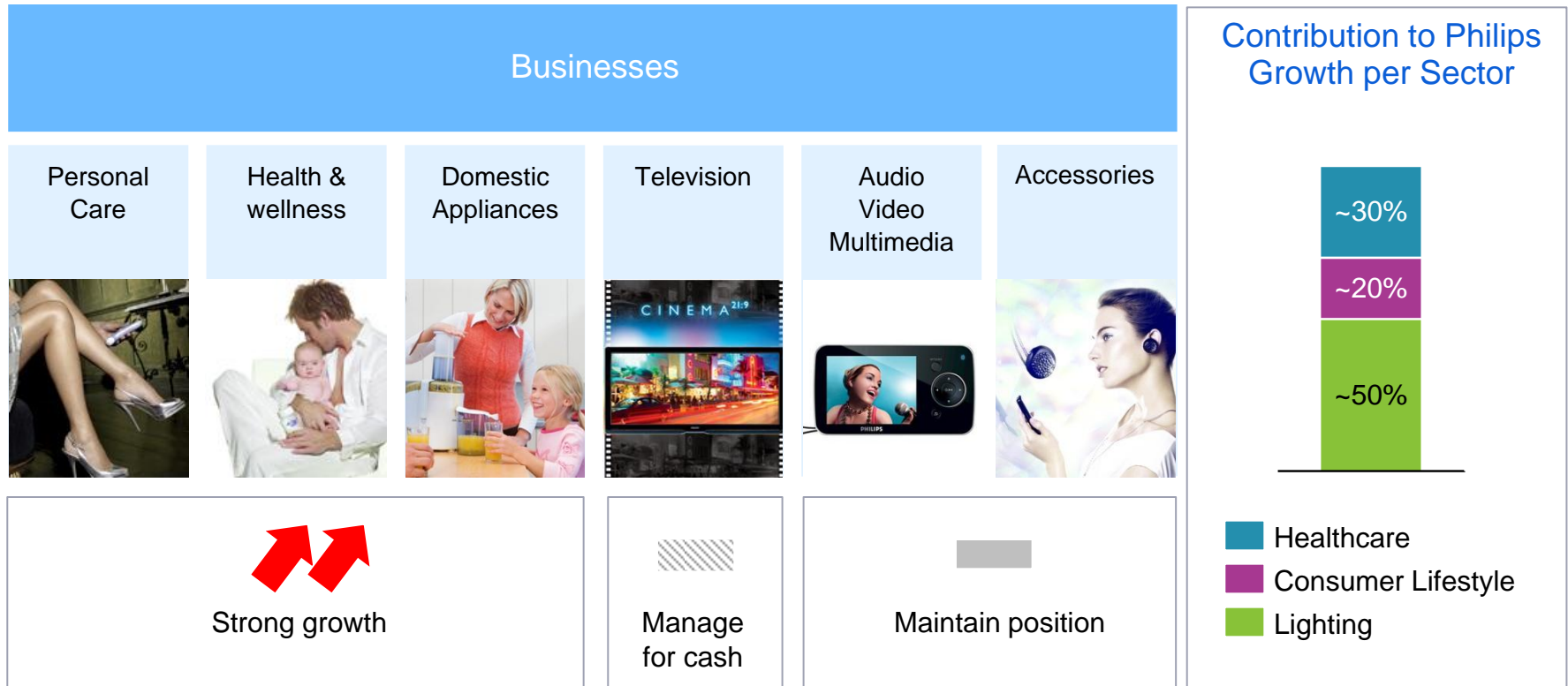
Local leaders

Country	Leader Nationality
 Brazil	 Brazilian
 Argentina	 Argentinean
 Turkey	 Turkish
 Russia	 Dutch
 Poland	 Polish
 India	 Indian
 China	 Singaporean-Chinese

Note: 2006/2007 scores are based on combined CE/DAP results

Source: Employee engagement survey conducted by external consultants, Kenexa, and compared against global benchmarks; Sep 2010

Vision 2015: contribute to 20% of Philips Group growth



Key takeaways

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