

PHILIPS

Sustainable Profitable Growth in DAP

Andrea Ragnetti
Financial Analysts' Day
December 6, 2007

Sustainable profitable growth in DAP (Domestic Appliances and Personal Care)

Agenda

- DAP performance
- Building blocks of growth
- Key drivers of sustainable growth:
 - Insight driven innovation
 - Customer focus
 - Accelerating focus on growth markets
 - Managing the P&L for growth
 - Highly committed and engaged talent
- Conclusion

Snapshot: DAP portfolio 2007

Shaving & Beauty



Domestic Appliances



Health & Wellness



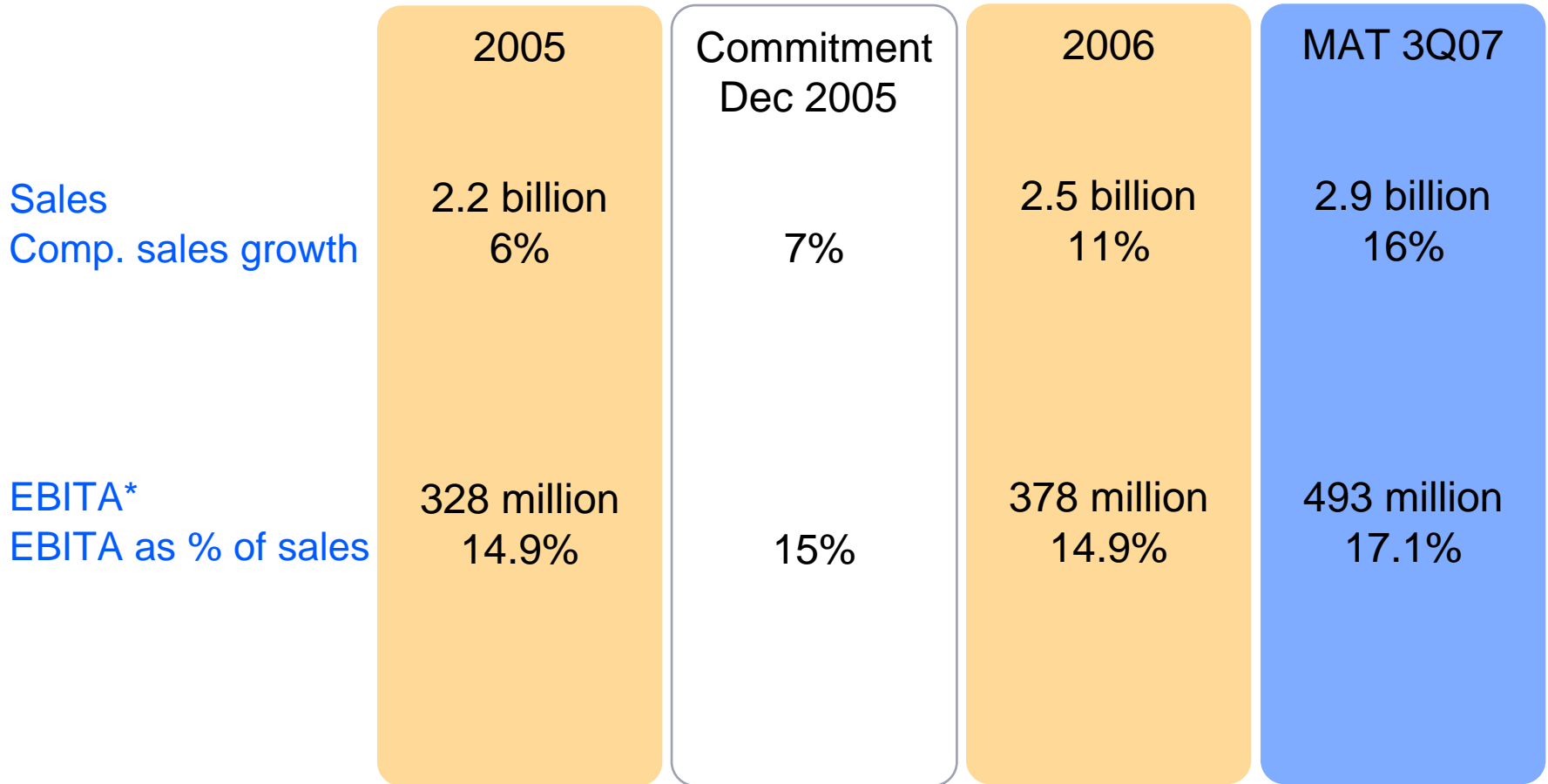
Strongly positioned globally

Philips position ■ # 1 ■ # 2 or 3 ■ < # 3 No data

	Europe	North America	Apac	Latam	RoW	World
Male Shaving						
Female Depilation						
Oral Health care				Not present	Not present	
Kitchen Appliances		Not present				
Garment Care		Not present				
Floor Care		Not present		Not present	Not present	

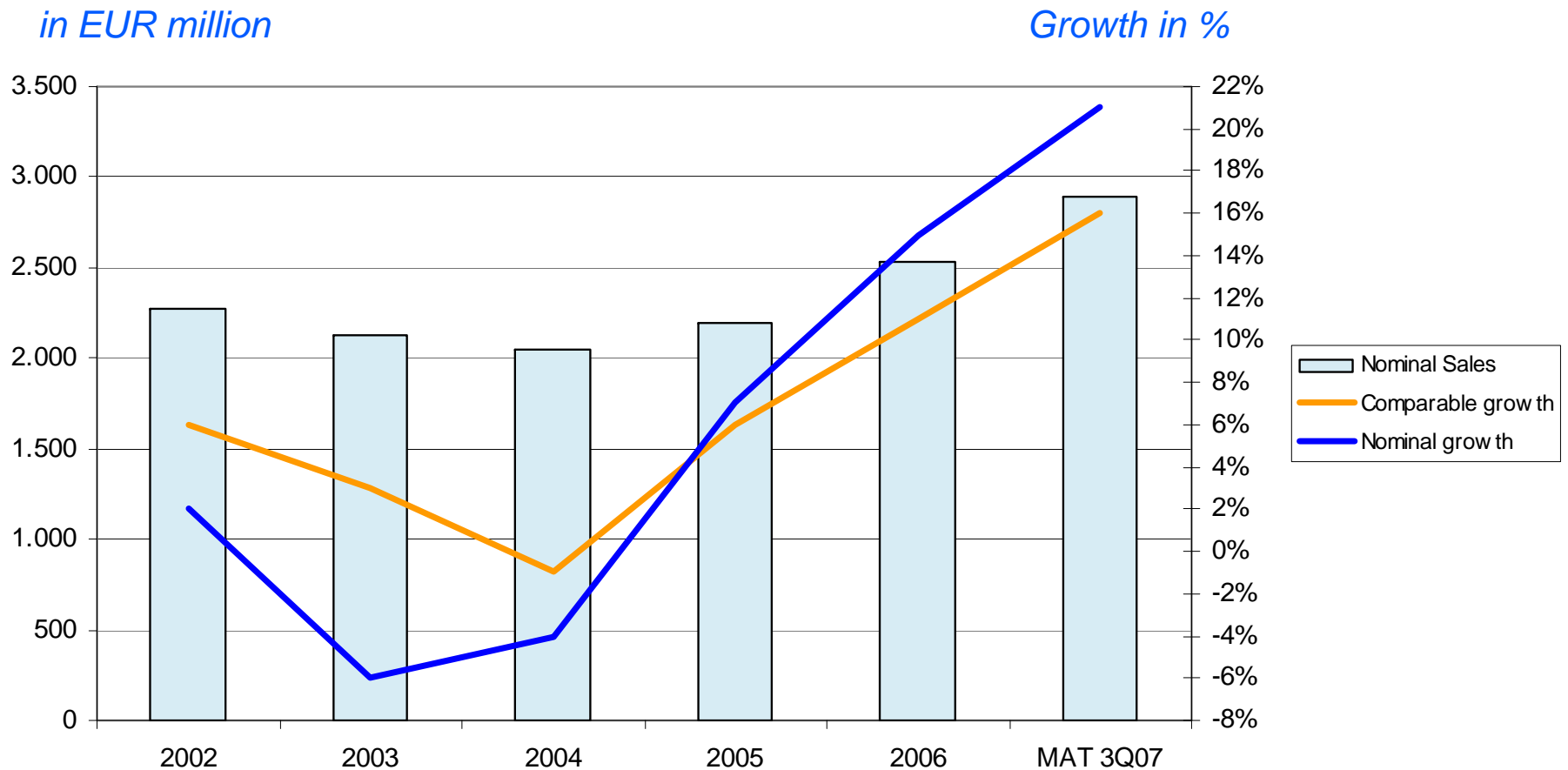
Note: Updated July/ August 2007

We keep delivering on our growth/ margin goals



Note: * EBITA including corporate charges (approx. 34 mln.)
2006 data does not include Consumer Healthcare Solutions (CHS)

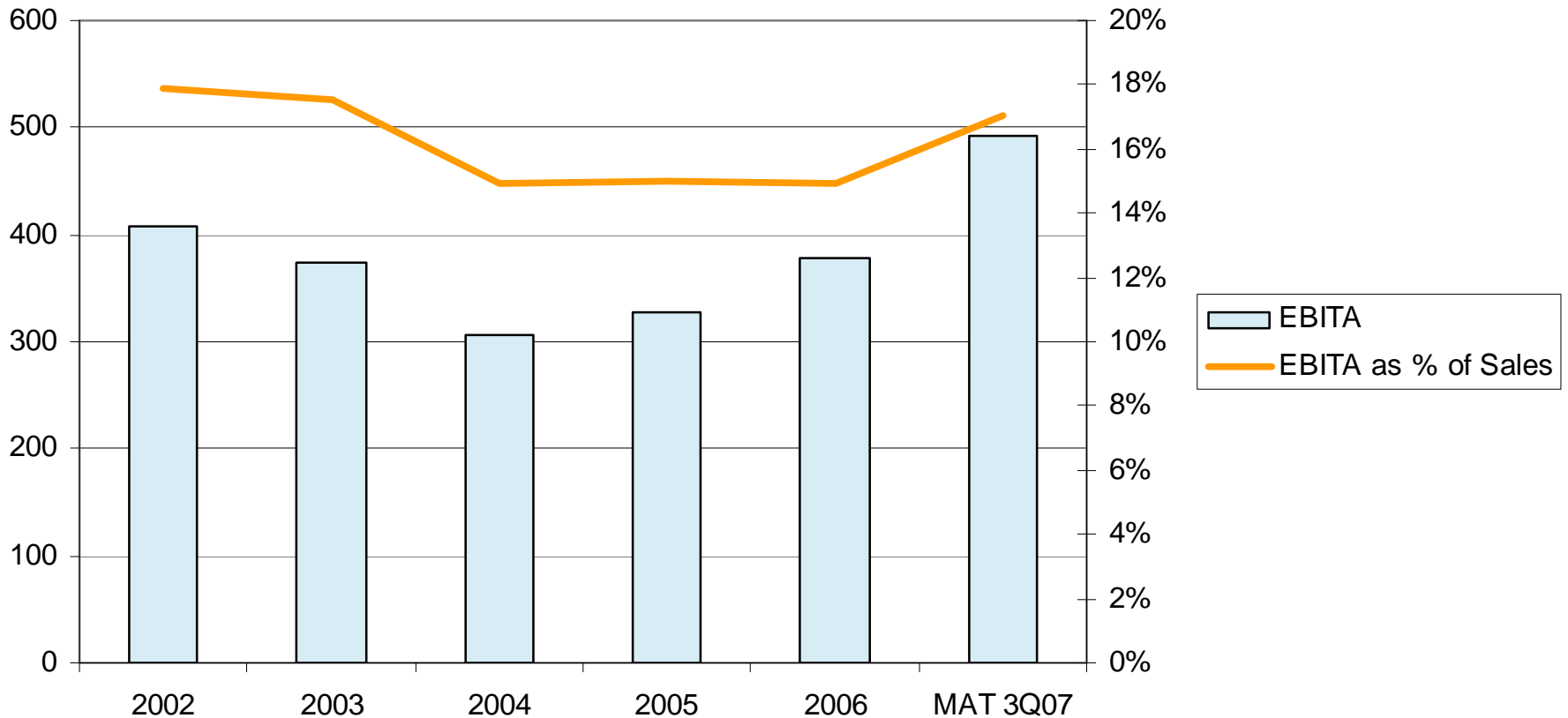
...with accelerated comparable sales growth



Note: Comparable sales growth at currency comparable rates and excluding the changes in consolidation (AVENT)

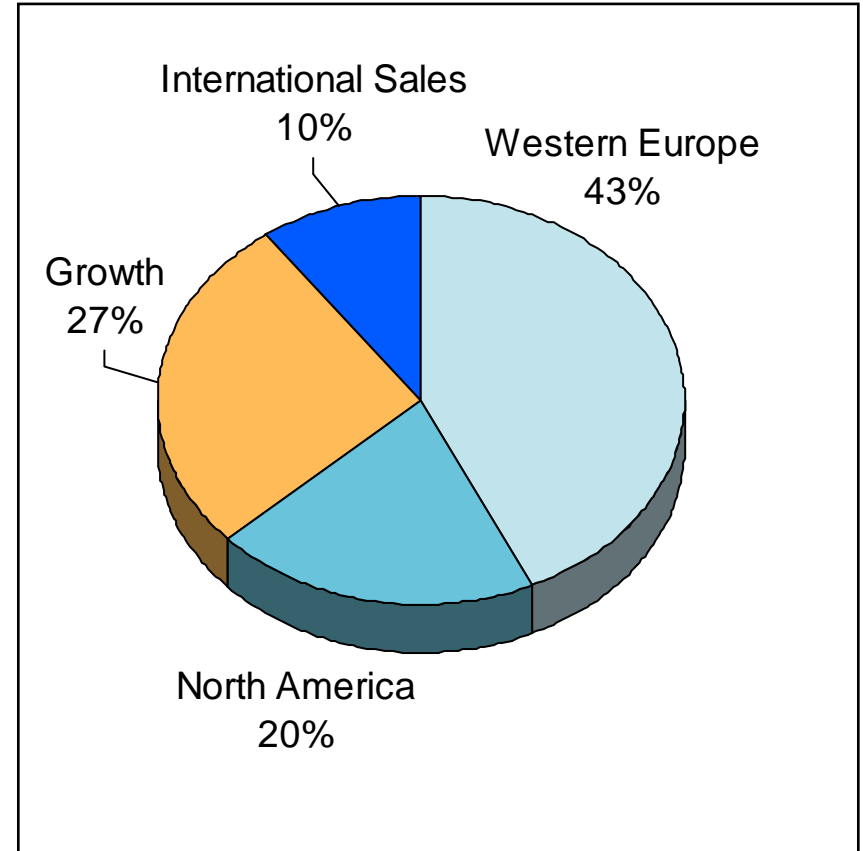
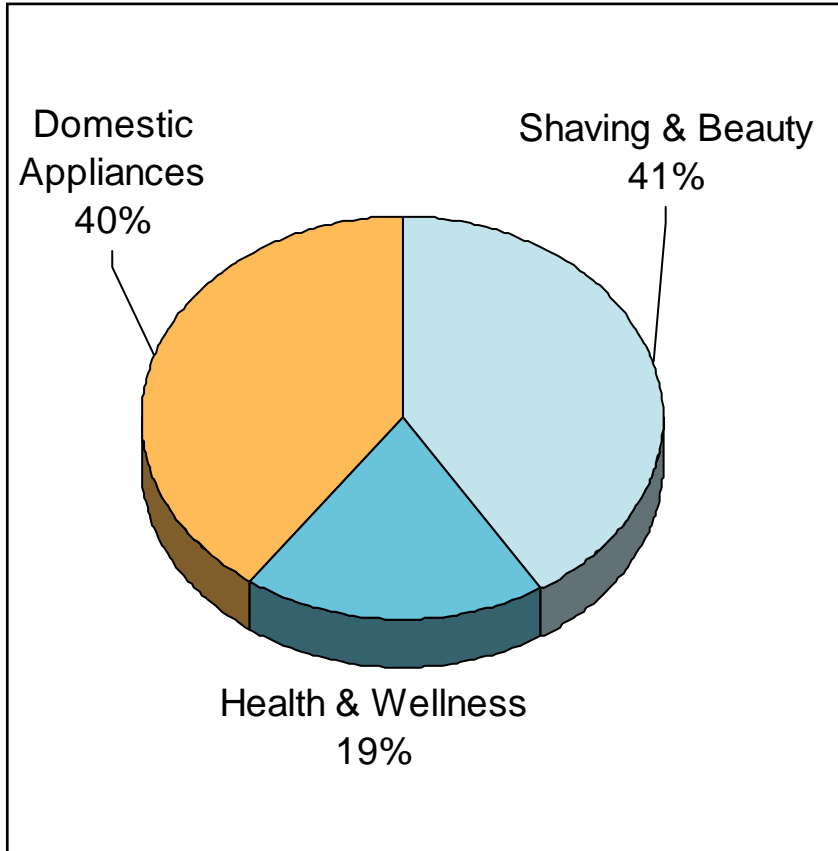
...profitability consistently high

in EUR million



Note: EBITA including corporate charges (approx. 34 mln.)

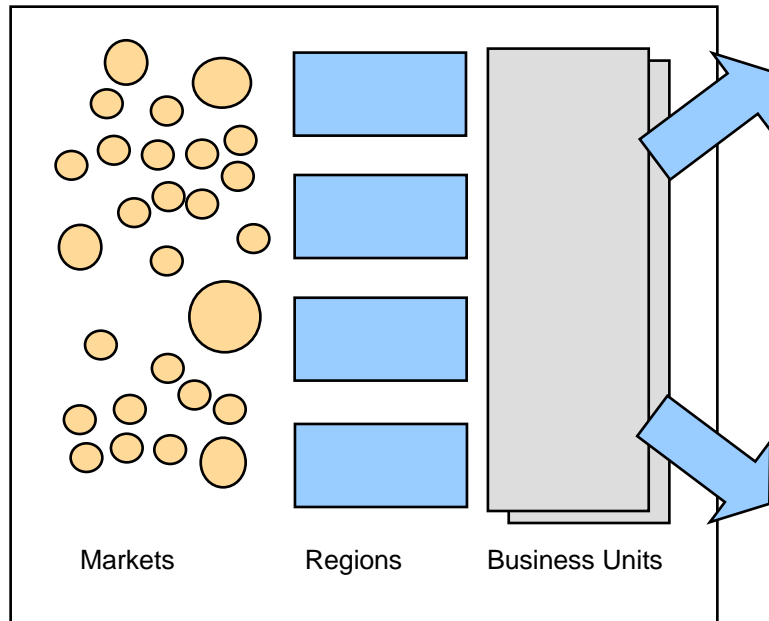
DAP sales by business and by regional cluster



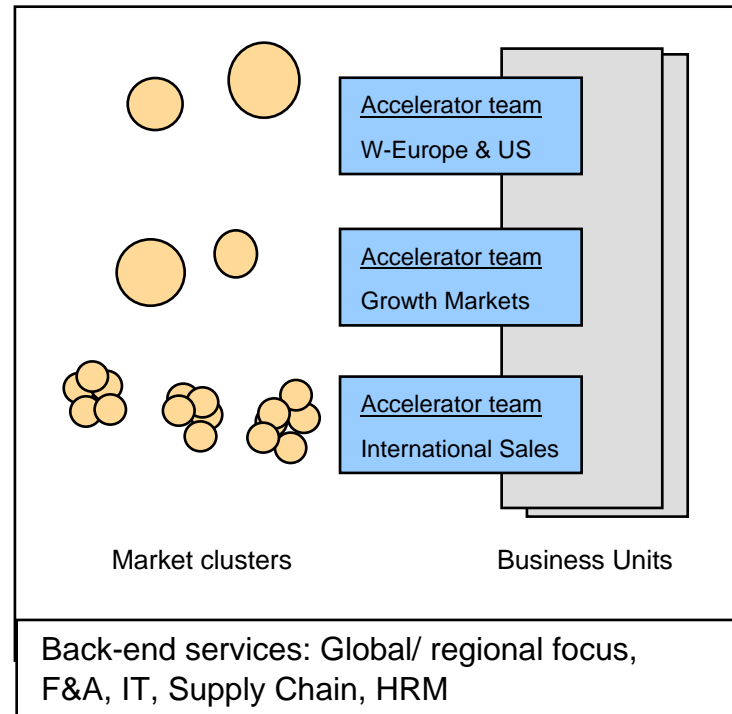
Total MAT 3Q07 sales of EUR 2.9 billion

Transformation of regional structure into cluster organization delivering results

Past

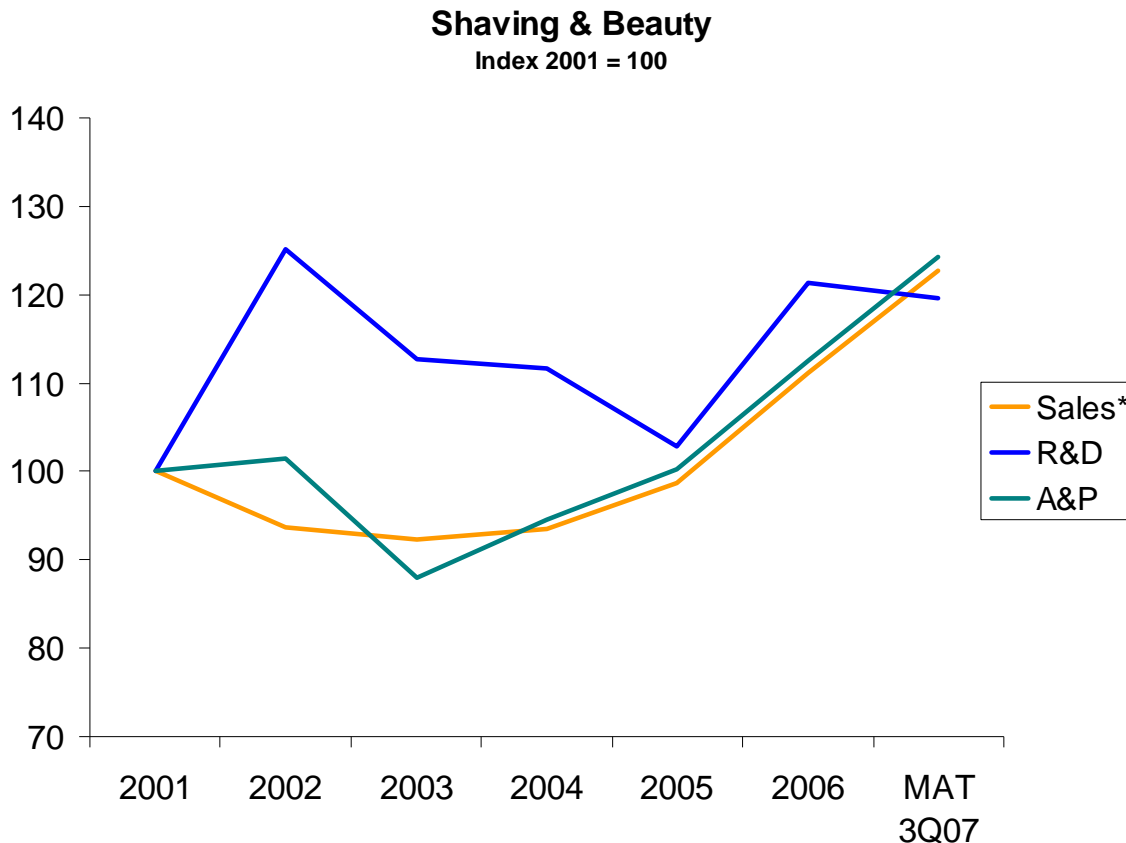


Present (since 1-1-2007)



- Upgrade of local capabilities in key markets
- Growth cluster driving significant growth
- Entrepreneurial approach to International Sales cluster
- Direct contact between the Business Unit and key markets
- Simplification has resulted in more focus and speed

Shaving & Beauty consistently delivering on its growth promise



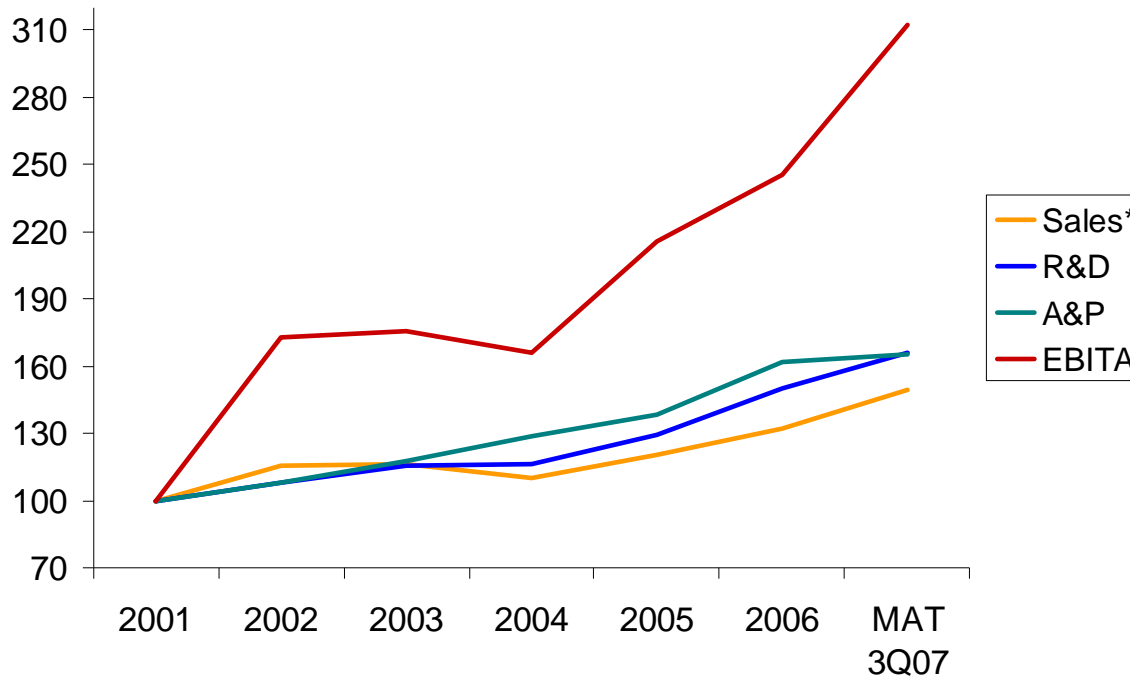
Shaving & Beauty

- 2007 marked milestone of production of our 500 millionth shaver
- Two major launches in Shaving – *arcitec*, Moisturizing shaving system
- 47 million products to be sold in 2007 (expected)
- High growth continued
- High profitability
- Strengthened investments in the markets: A&P

Note: Chart represents index on absolute value
(*) comparable sales development

Domestic Appliances transformed to be a profitable high growth business

Domestic Appliances
Index 2001 = 100

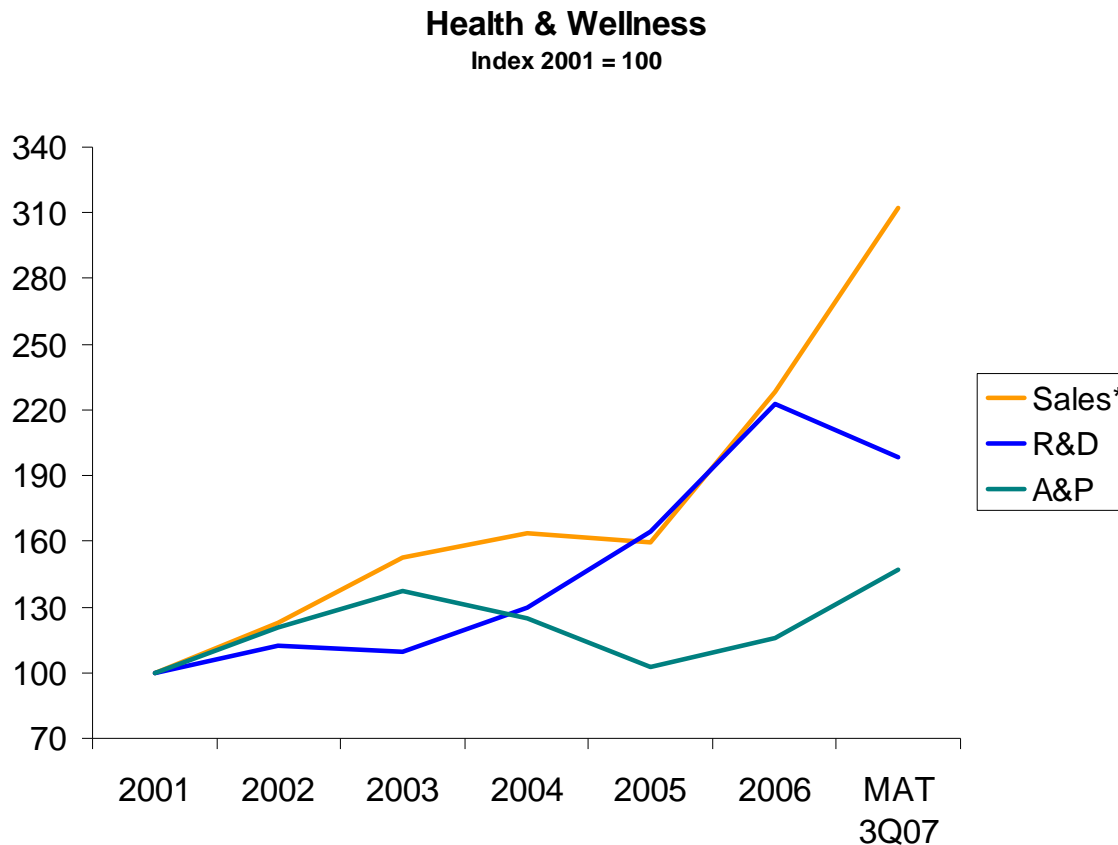


Domestic Appliances

- Consistent growth strategy:
 - Driving market growth
 - Growing market shares
 - Extending the scope
- Breakthrough profitability improvements
- Strong customer relationships – International Key Accounts
- Coherent consumer-driven marketing and product strategy (cross-category)

Notes: Chart represents index on absolute value
(*) comparable sales development

Acquisition of AVENT strengthening Health & Wellness business portfolio



Health & Wellness

- Professionally endorsed products with strong clinical support
- Above average growth rate
- New Sonicare FlexCare exceptionally well received among dental professionals
- AVENT integration on schedule. New product pipeline significantly expanded
- Aggressively looking at acquisitions

Notes: Chart represents index on absolute value
(*) currency comparable sales development

Sustainable profitable growth in DAP (Domestic Appliances and Personal Care)

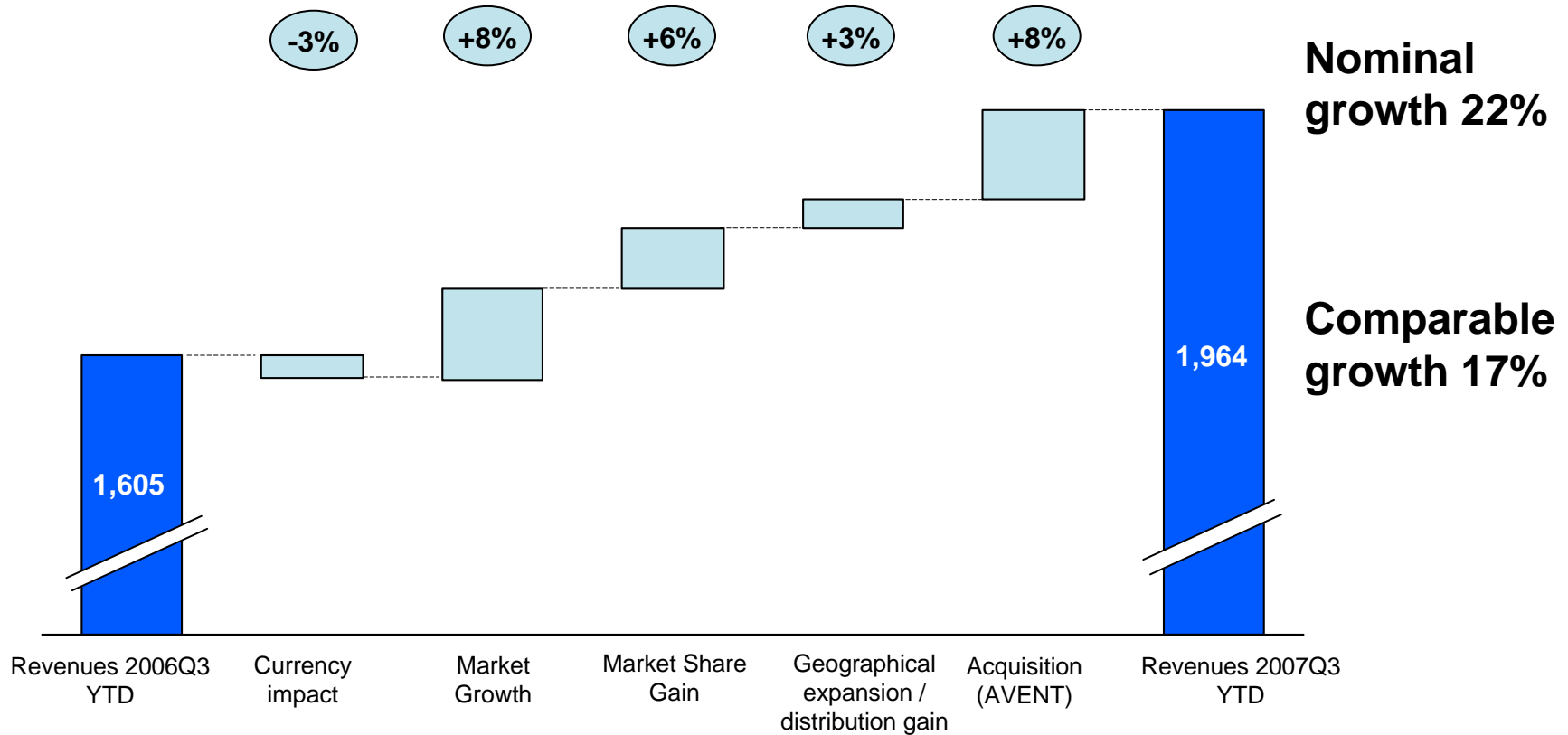
Agenda

- DAP performance
- Building blocks of growth
- Key drivers of sustainable growth:
 - Insight driven innovation
 - Customer focus
 - Accelerating focus on growth markets
 - Managing the P&L for growth
 - Highly committed and engaged talent
- Conclusion

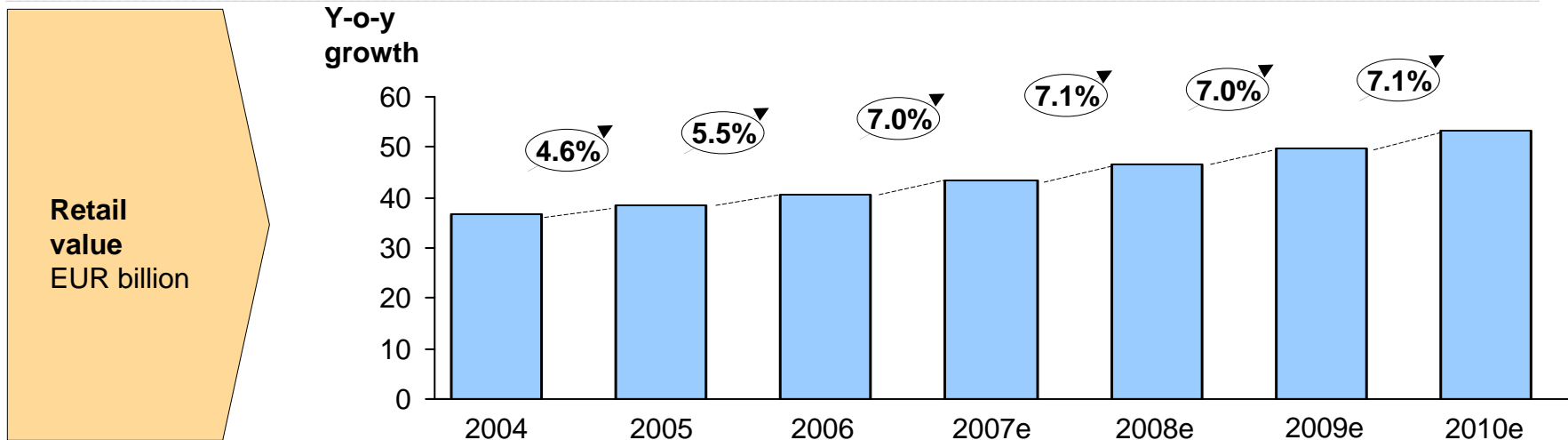
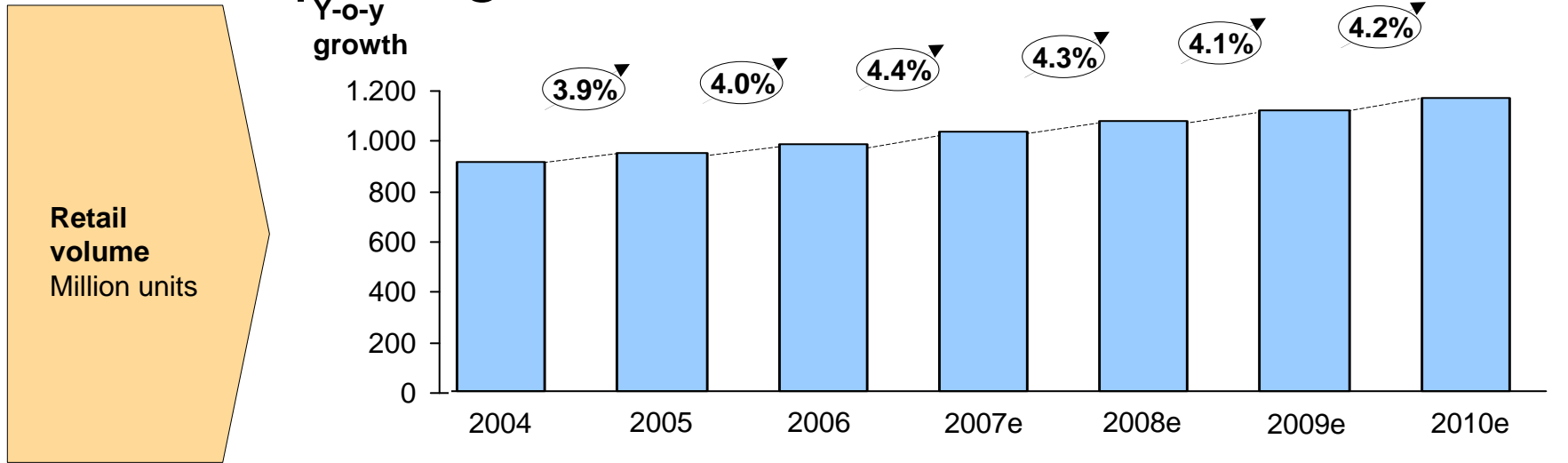
Combination of strong market growth and positive share trend driving DAP growth

Total DAP Revenues split 2007Q3 YTD vs. 2006Q3 YTD

EUR million



SDA Worldwide* market continues to grow, value outpacing volume...

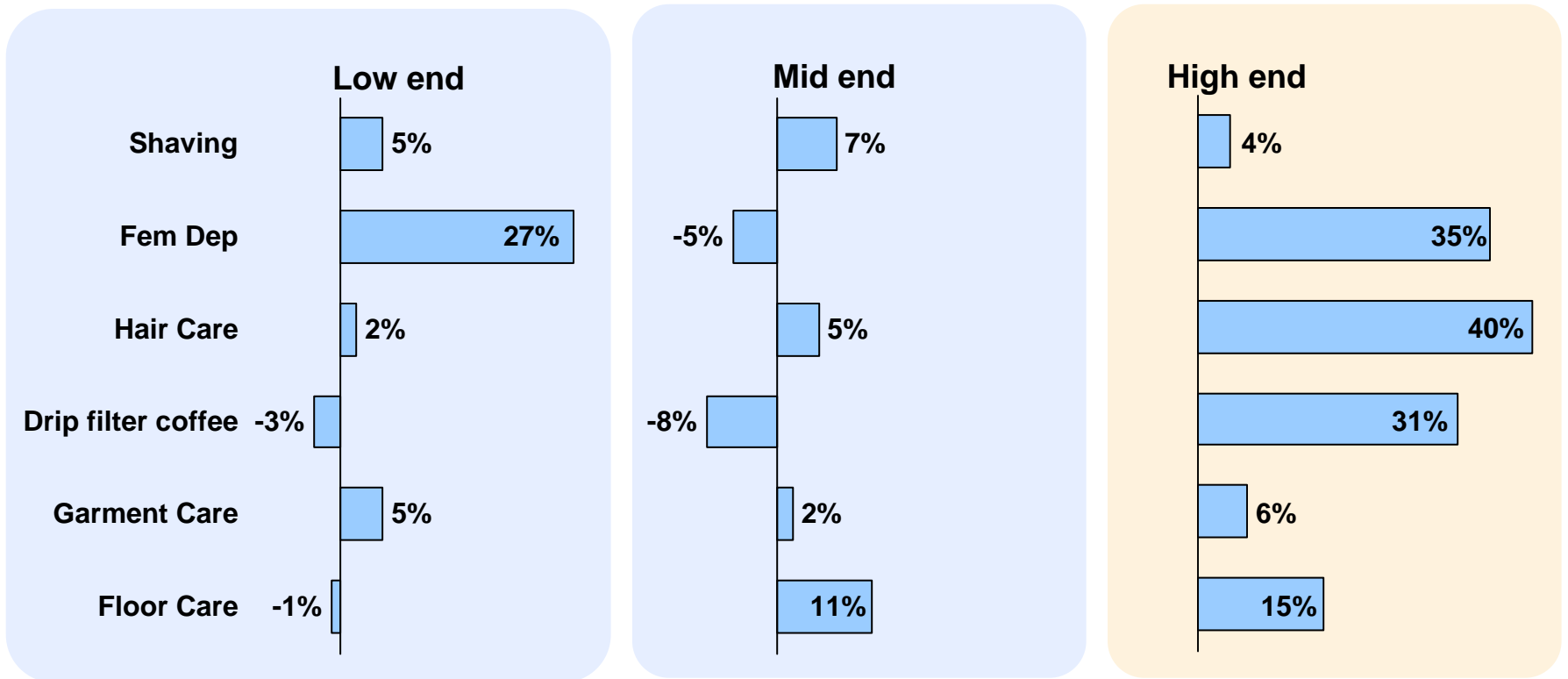


Notes: *) Excluding cooling & heating appliances. Source: Euromonitor, SDA forecast "World Market for Domestic Electrical Appliances"

... driven by high end categories

MAT Market value growth Western Europe (WE)

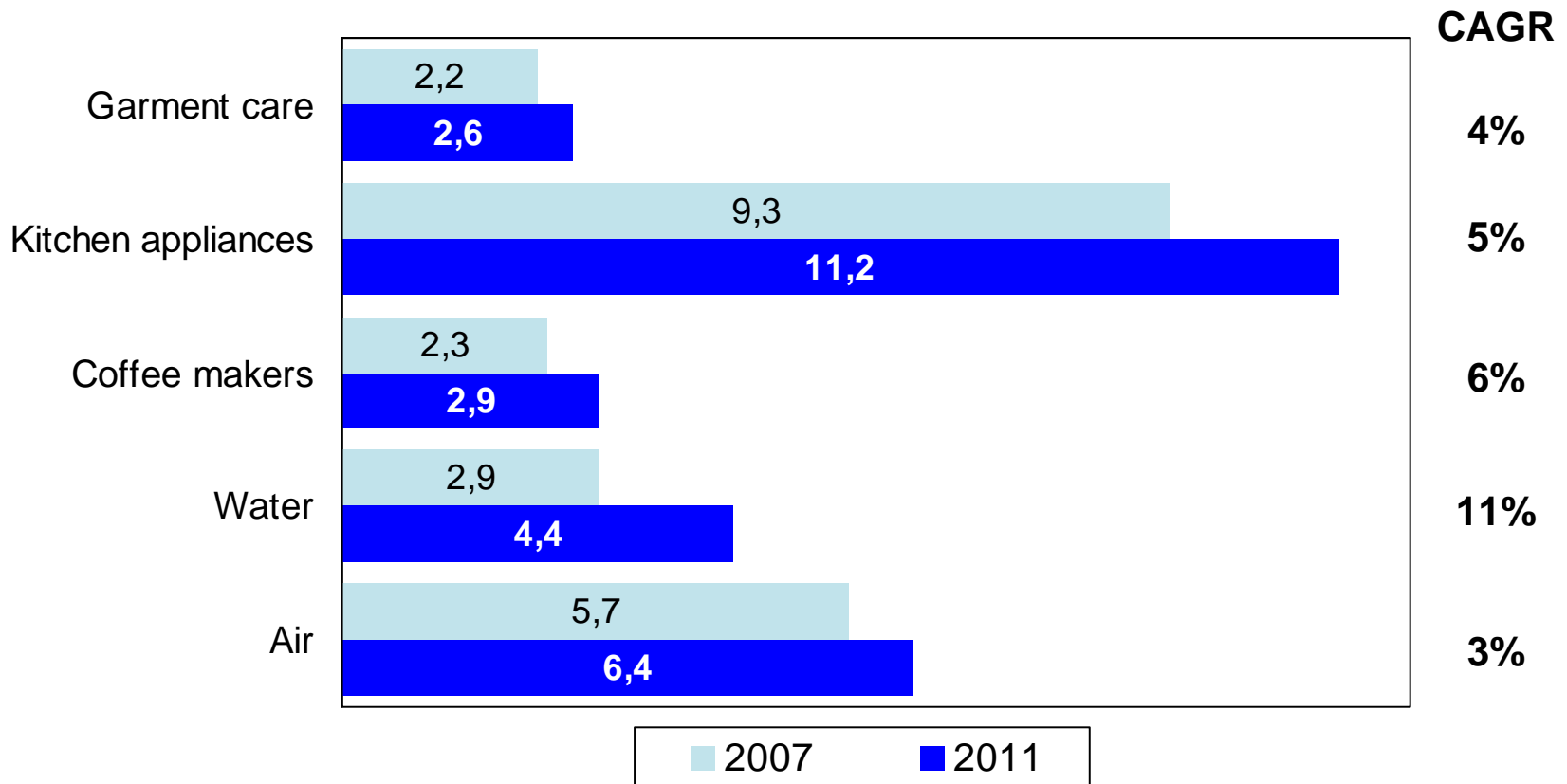
Jun07 vs. Jun06



Notes: Mid-end definitions cover about 50% of the market value. Data ending Jun 2007. Source: GfK; Cinocast.

... and foreseen to be sustained in the future

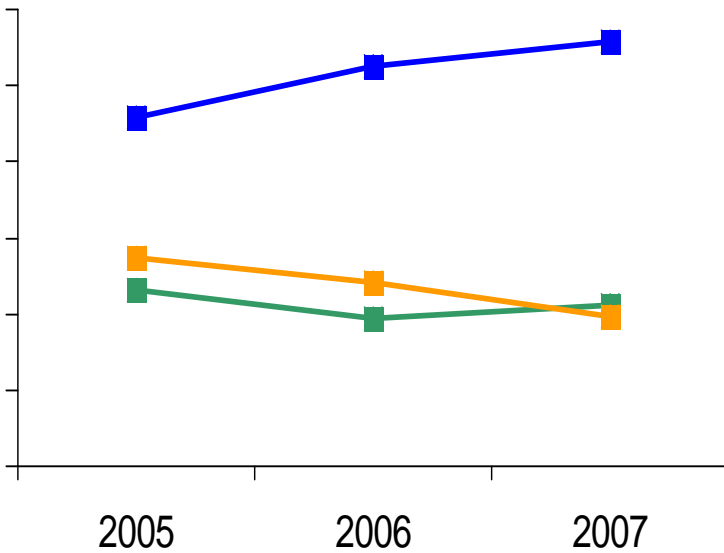
Worldwide Market Net Value 2007 vs. 2011, EUR Bln.



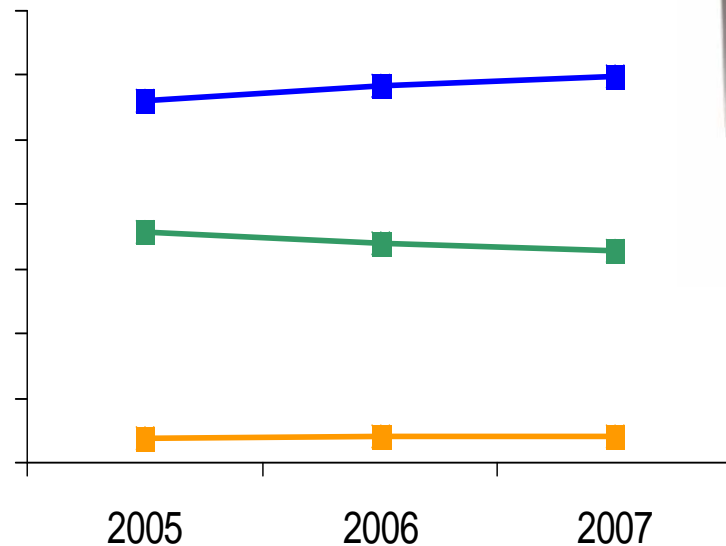
Notes: Source: GfK; Euromonitor

New launches and innovations in Shaving drive market share growth

USA market share



Western Europe market share



■ Philips ■ Competitor A ■ Competitor B

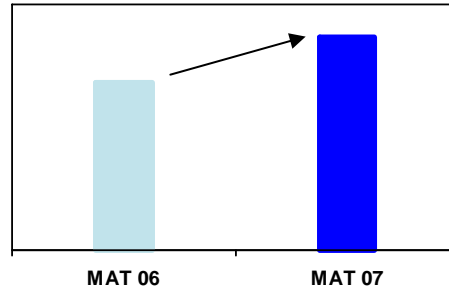


Note: Market share data: US (NDD) & WE (GFK): MAT August

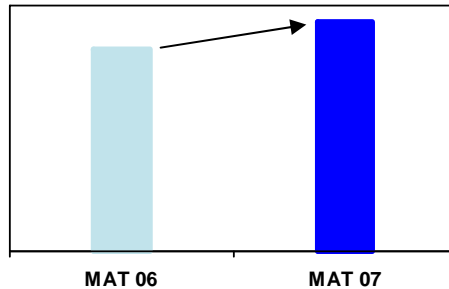
DA is gaining share and has significant room to grow in primary categories...

Philips WE market share % MAT '07 vs. '06

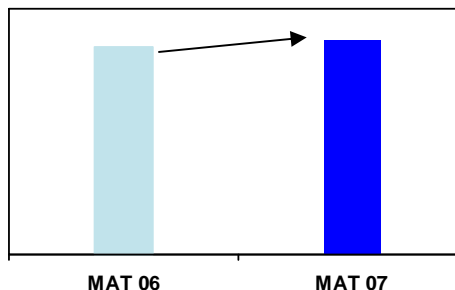
Food preparation



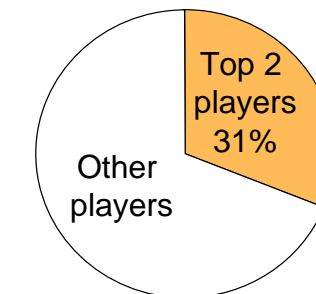
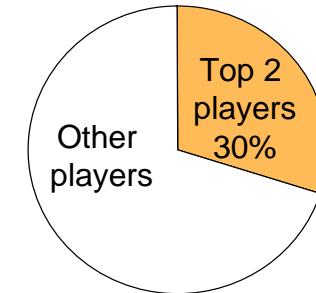
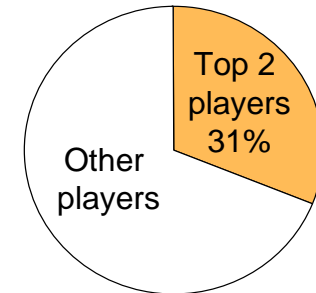
Garment care



Floor care

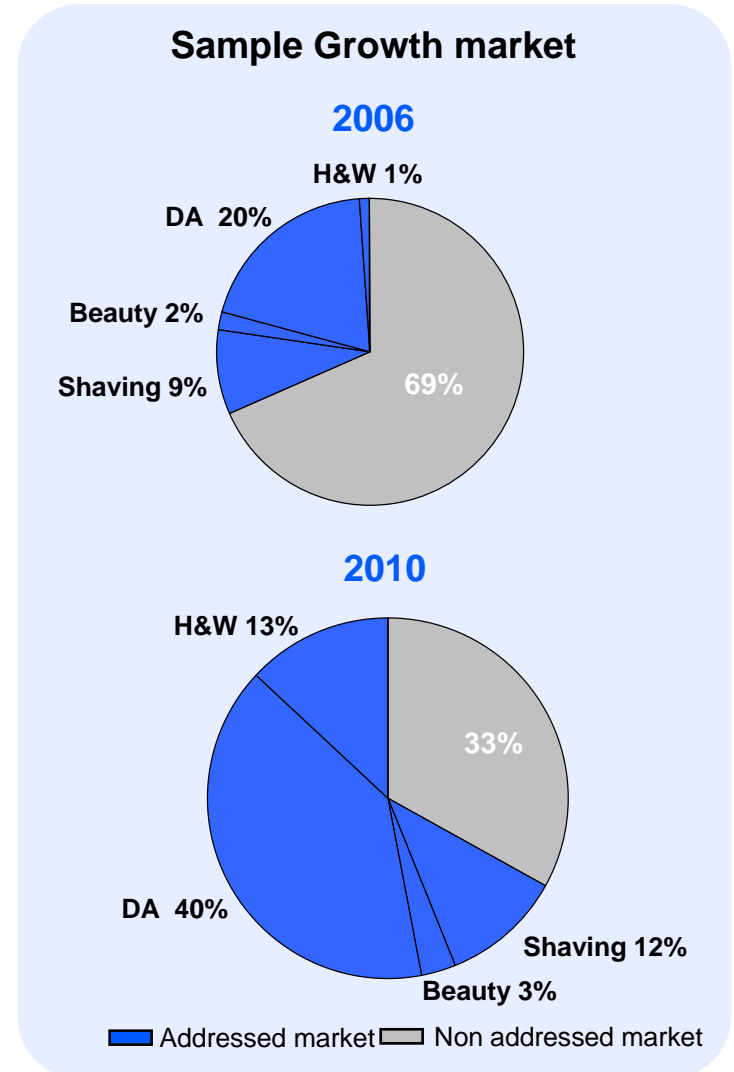


Market share % '07 - leading players WE



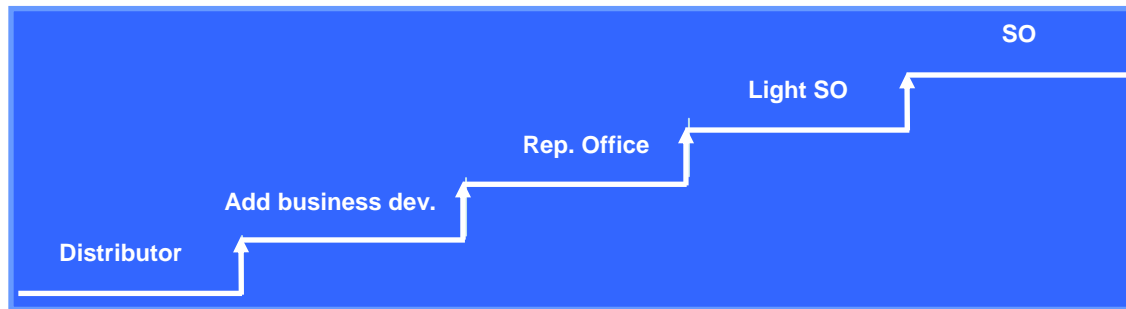
... and is expanding its addressable share in Growth markets by portfolio expansion...

- Portfolio roadmaps in place for key countries, covering:
 - Product introductions into new markets
 - Entering new product categories
 - Dedicated product development for local requirements



... and in International markets by geographical expansion

- Continuous monitoring of opportunities to enter into new countries.
- Gradual strengthening of the organizational footprint to secure sustained growth. Multi-year development roadmaps in place.



- Expanding the product portfolio by introducing more products from our range into new markets.
- Deepening the reach of our distribution network by new channel introduction and improving the coverage of local distribution.

Sustainable profitable growth in DAP (Domestic Appliances and Personal Care)

Agenda

- DAP performance
- Building blocks of growth
- Key drivers of sustainable growth:
 - **Insight driven innovation**
 - Customer focus
 - Accelerating focus on growth markets
 - Managing the P&L for growth
 - Highly committed and engaged talent
- Conclusion

DAP's continuous stream of high end insight driven Innovations drive market share in a profitable way

Product innovations

- **arcitec**
- Moisturising shaving system
- Wake-up Light
- One touch espresso
- UV water purifier



Marketing innovations

- Health campaign: Kitchen appliances
- 'Like a pro' culinary program: Kitchen appliances
- Fashion platform: Garment care

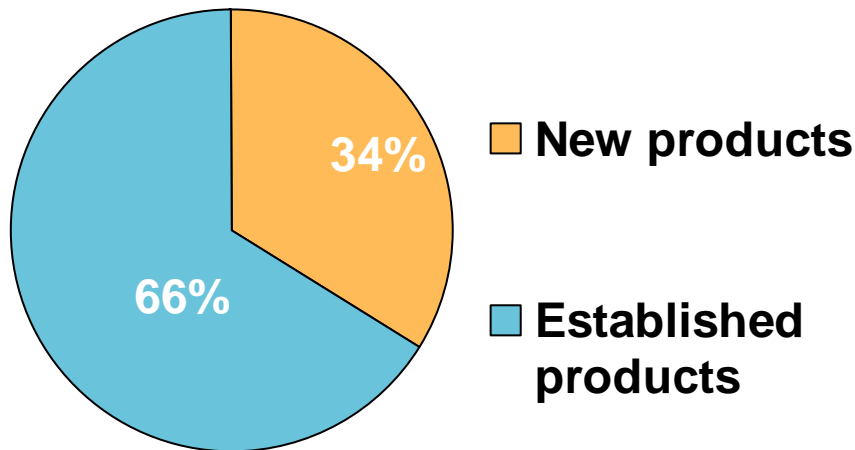


Note: In 2005, marketing and product innovations were 20% driven by validated end user insights. In 2008/2009 75% of all marketing and product innovations will be validated by end-user insight. *The balance of innovations are driven by customer comments and technical advancements.*

DAP's new products contribute 34% of the overall sales and are more profitable

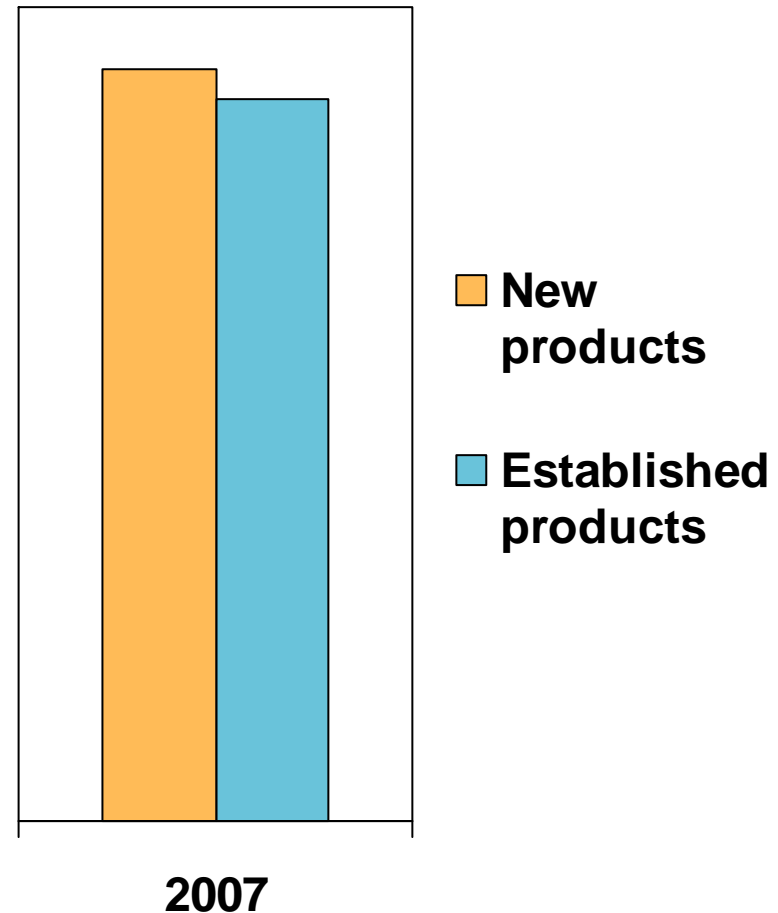
Sales

New vs. Established



Gross Margin %

New vs. Established



Note: A new product is defined as one introduced within the last 12 months in a specific country.

Innovation to take the category to the next level *arcitec* - revolutionary design and technology

“What I really want is a meticulous shave where even the most problematic neck hair is shaved off...”

“perfectly close, even on the neck”
arcitec



- **Initial sell-in data indicates double digit growth compared to predecessor**
- Strong consumer insight; recognized by 7 out of 10 target consumers
- Highest purchase preference in tests
- Average customer satisfaction score after 6 months use is 8.2 out of 10

Innovation to take the category to the next level

Moisturizing shaving system - new communication to blade users

"I like the smooth look and fresh feel of my face after shaving, so I use a razor blade. But the irritation it sometimes leaves on my face annoys me and makes me feel self-conscious."

*"the worlds most innovative
Moisturizing shaving system from
Philips and NIVEA FOR MEN"*



- **#1 selling electric shaver in lead markets France and the Netherlands**
- Strengthened alliance with BDF partner resulting in new business model for lead markets - including full distribution of shaving conditioner in drug channels
- Breakthrough product design resulting in strong consumer reviews

Innovation to take the category to the next level FlexCare – most advanced power toothbrush from Philips Sonicare

"It's important to me to take the best care possible of my teeth and gums. But sometimes my oral care needs or schedules change and its hard to always give my mouth the care it requires. I wish there were a brush that could change with my needs so I could be guaranteed superior results."

"redefine clean"
Sonicare FlexCare
with unique UV-Sanitizer



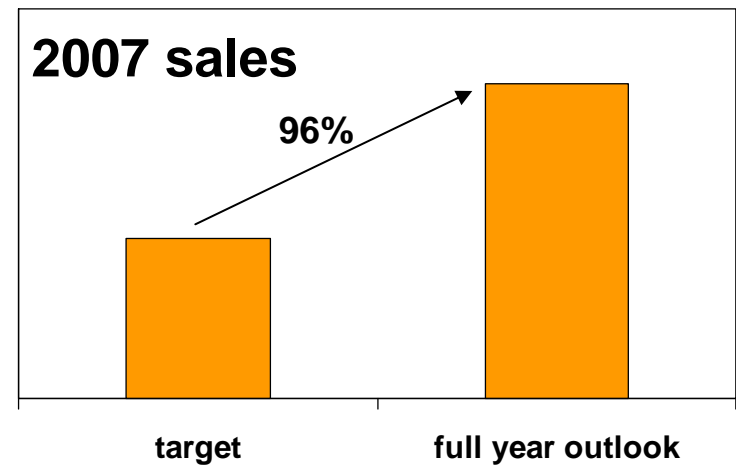
- **Initial sell-out data with key retailers showing significant increase compared to predecessor**
- World's first integrated UV-Sanitizer helps eliminate germs on the brush head
- Breakthrough product design resulting in 80% less vibration and 30% smaller handle
- Clinically proven to perform better than any other Philips power toothbrush

Innovation by entering a new home environment

Wake-up Light

“In autumn and winter months I wake up feeling sleepy, lethargic – in the summer it’s so much easier to wake up. It would be great if I could always wake up as easily as I do in summer.”

“the light that awakes you naturally”
Wake-up Light

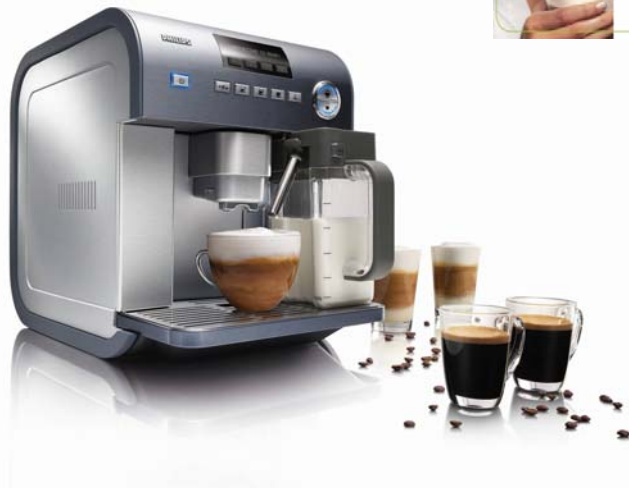


Innovating to expand an existing category

One touch espresso maker

“Wouldn’t it be great to have an appliance that prepares espresso varieties at the touch of a button?...”

“so simple so delicious”
One touch espresso maker



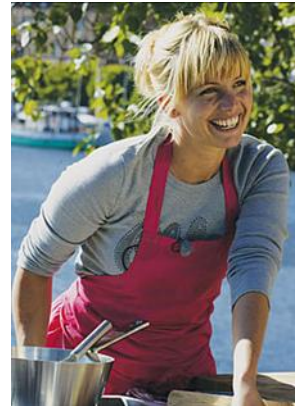
- **#1/2 position in the German >1000 Euro segment 7 weeks after launch**
- Making significant inroads into the overall German espresso market
- Home placement test received breakthrough satisfaction score of 4.3 out of 5
- One coffee strategy expanding the category

Innovations in marketing enhance consumer experiences

Health campaign



'Like a pro' culinary program

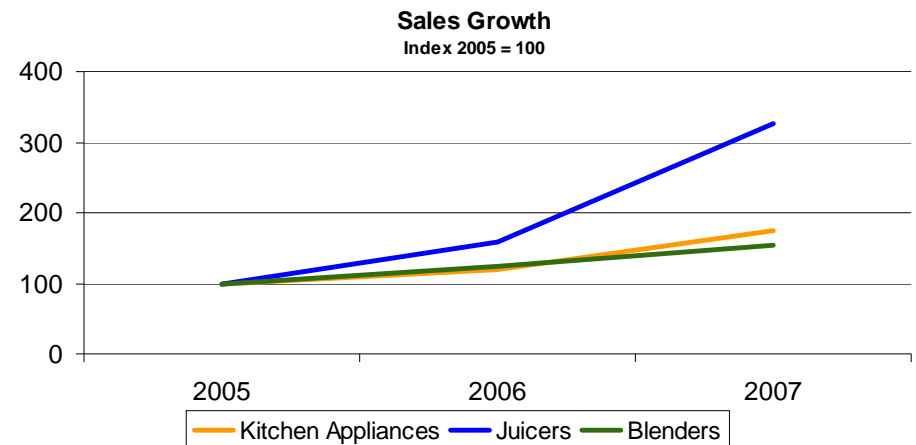
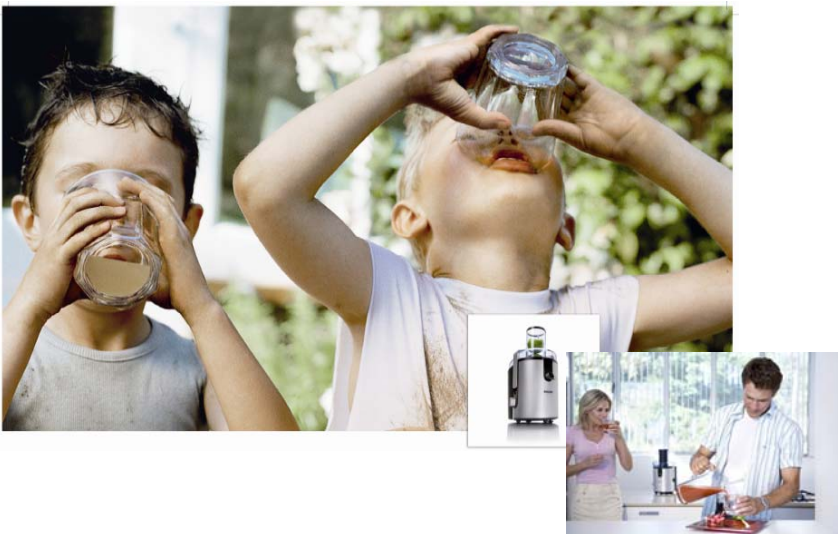


Fashion platform



Juicer Health Marketing

- Juicer share 9% to 26% in WE
- Blender share 9% to 14% in WE
- Juicer category more than doubled in size
- Health marketing lifting overall Kitchen Appliances business, up 25% vs. last year



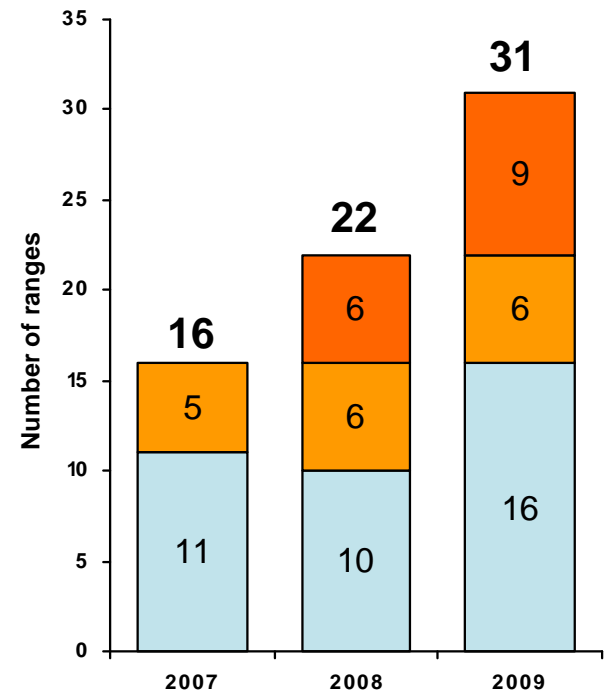
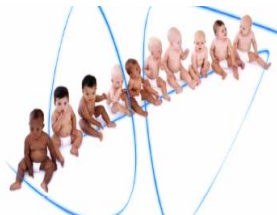
Innovative approach to expand product pipeline of newly acquired Philips AVENT Innovation Wave

- 10,000 DAP employees across the globe
- Stream of new ideas in the Mother & Child Care identified and integrated into road map
- Strong bond created between the entire DAP community and Philips AVENT

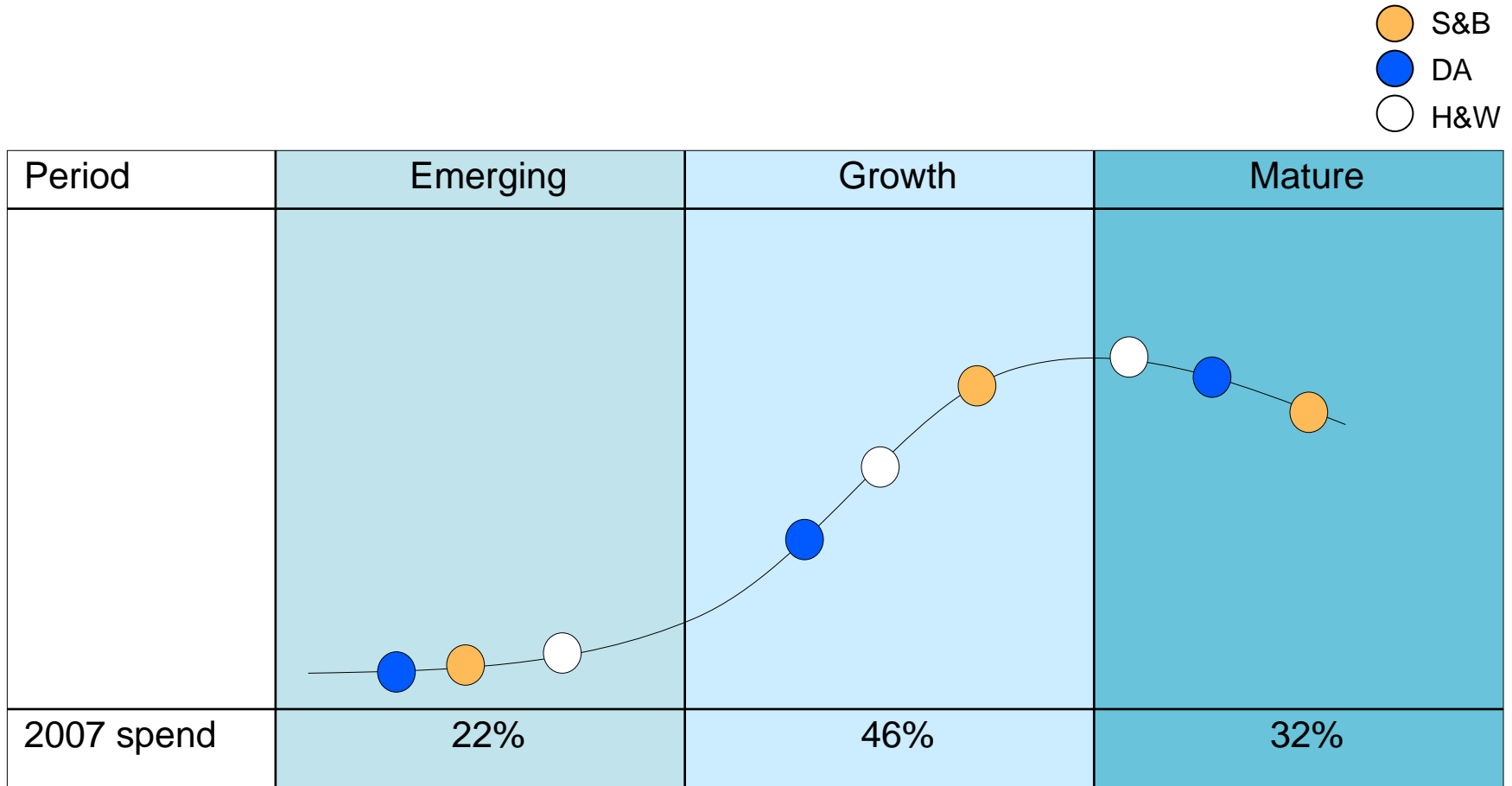


Innovation wave

Thursday June 28, 2007

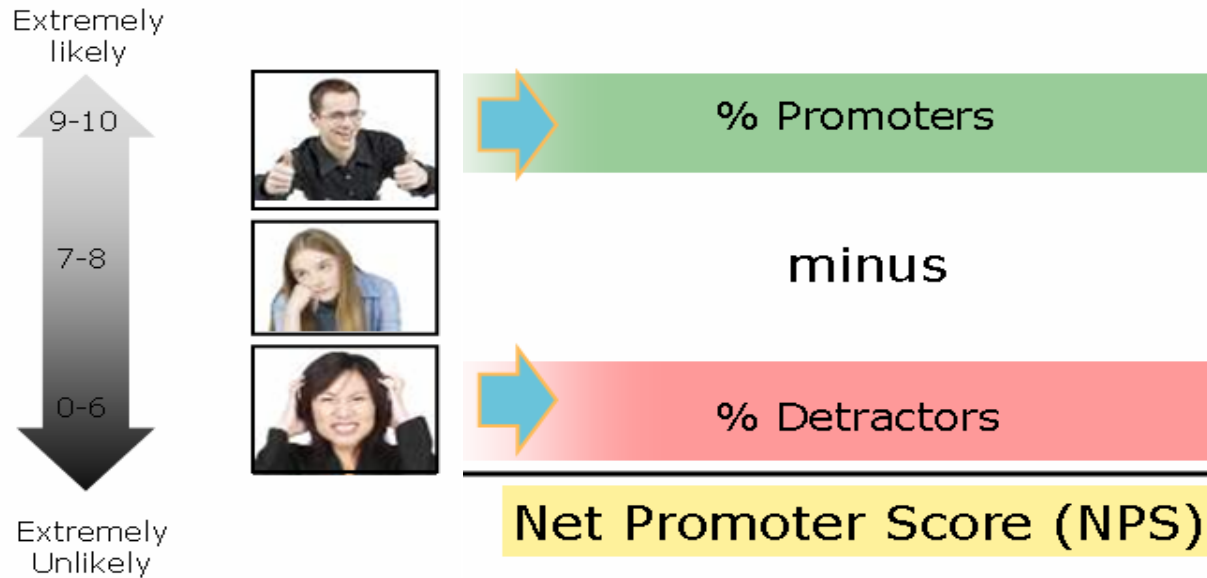


DAP is investing in a strong pipeline of high-end Emerging and Growth R&D projects in all BU's...



Note: DAP defines Emerging as 3 times average global market growth. Mature as less than average global market growth. Growth in between. Investing relates to R&D.

... and is focusing on one measure to drive customer centricity



Sustainable profitable growth in DAP (Domestic Appliances and Personal Care)

Agenda

- DAP performance
- Building blocks of growth
- Key drivers of sustainable growth:
 - Insight driven innovation
 - **Customer focus**
 - Accelerating focus on growth markets
 - Managing the P&L for growth
 - Highly committed and engaged talent
- Conclusion

In 2007 we became even more customer driven



- Q1 kick-off event opened to customers
- More frequent strategic meetings
- Dedicated category management resources
- Significantly upgraded marketing competency
- Philips School - tailored front line staff training

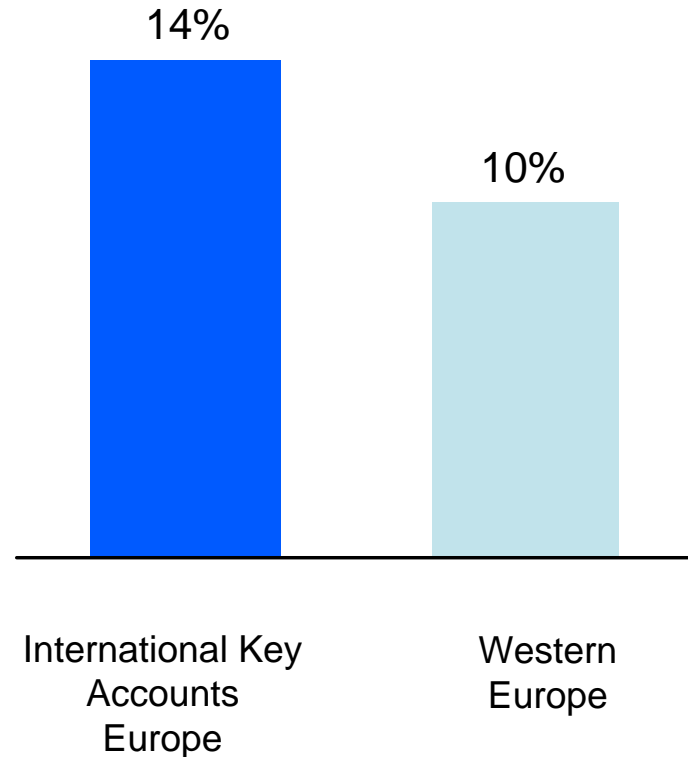
Growth of International Key Accounts in Europe is outpacing overall growth



METRO Group



September 2007 Nominal Growth YTD



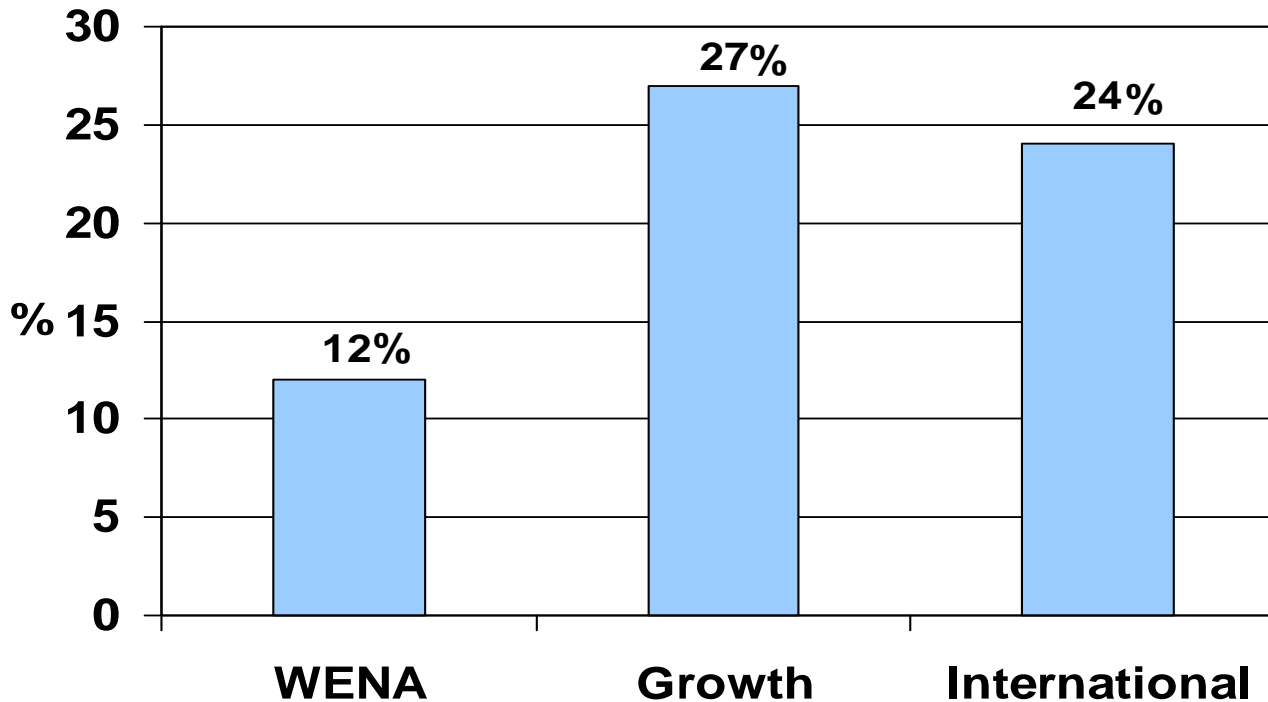
Sustainable profitable growth in DAP (Domestic Appliances and Personal Care)

Agenda

- DAP performance
- Building blocks of growth
- Key drivers of sustainable growth:
 - Insight driven innovation
 - Customer focus
 - Accelerating focus on growth markets
 - Managing the P&L for growth
 - Highly committed and engaged talent
- Conclusion

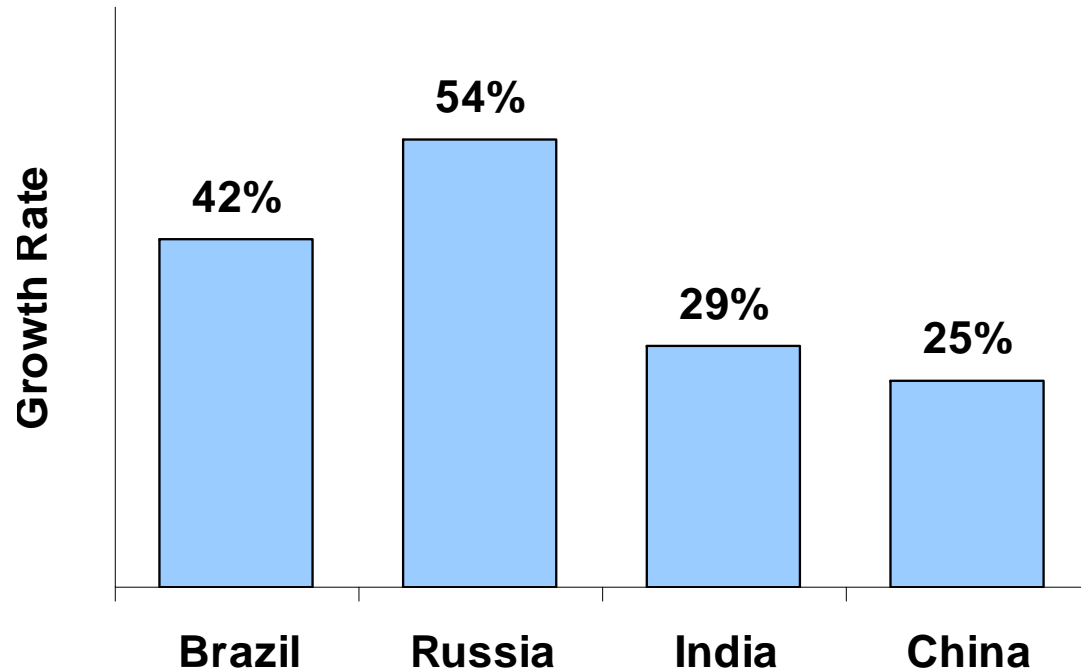
Cluster approach is driving strong comparable growth in Growth Markets...

YTD 2007 Comparable Sales Growth by Cluster



...especially in BRIC markets

Sales Growth YTD 2007



Key Drivers

- Portfolio extension with relevant local innovations
- Structural growth enablers
- Newly emerging channels
- New way of working with focus and entrepreneurship

Addressing strong local opportunities by creating new value spaces...

Mate kettle Argentina

October 2007: #1 SDA seller Argentina



Rice cookers Asia Pacific



Mixer grinder India



... by dedicated product development

Smart Touch-XL 2 header

- China/ Asia
- 2004



HQ 800 series

- China/ Asia
- 2007



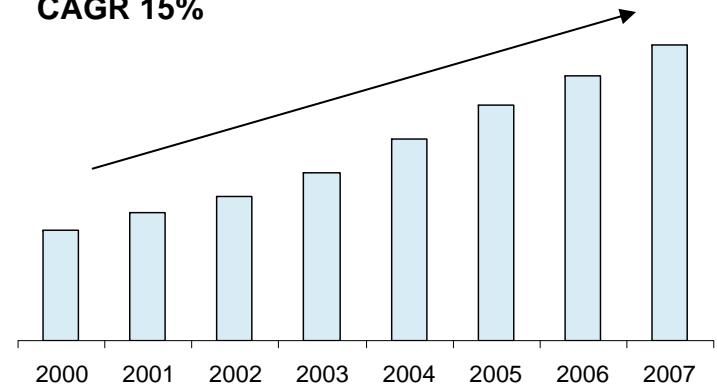
HQ 6900 series

- Latam/ EE/ Russia
- 2008



Total Chinese shaver market responding with significant sales growth

CAGR 15%



Note: Comparable sales development

... by entering new global categories

Water purifier

India insight: "Managing water is a chore that is always on my mind. It costs me a lot of time and brings tension to my life, which prevents me from enjoying and spending time on other things. It would be nice if I could trust this task to be taken care of without me being present."

"pure water – made easy – always"
Philips intelligent water purifier



- **Water purification business valued at €2.9 billion globally**
- Category growing at 5%
- Philips products driven by local consumer insights
- Specific executions for Brazil, India, Korea
 - Brazil/ Korea - *finding a water purification solution I can trust*

... by geographical expansion of existing categories

Bodygroom

- CEE, 2007
- 70% market share 6 months post launch



SalonStraight Jade

- Argentina, 2007
- Top 3 straightener in 1st year

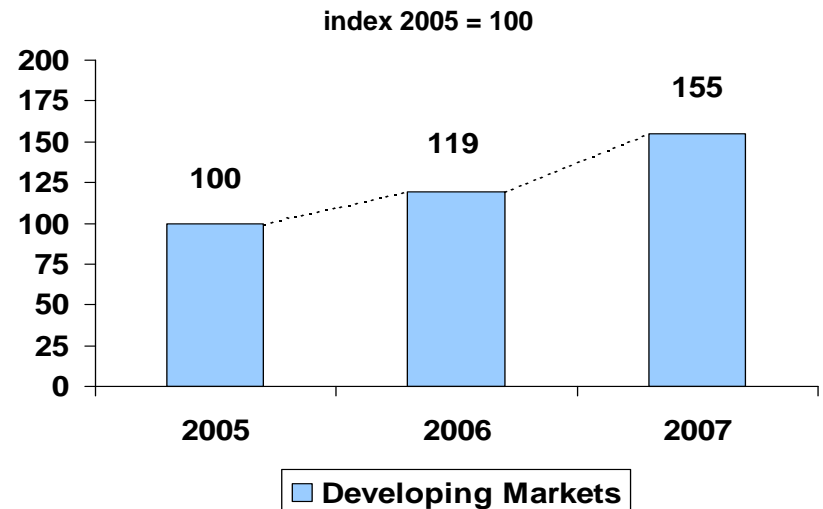


Epilator Range

- South Korea, 2004
- Currently 90% market share



Sales Index Beauty & Grooming Segment



Note: Comparable sales development

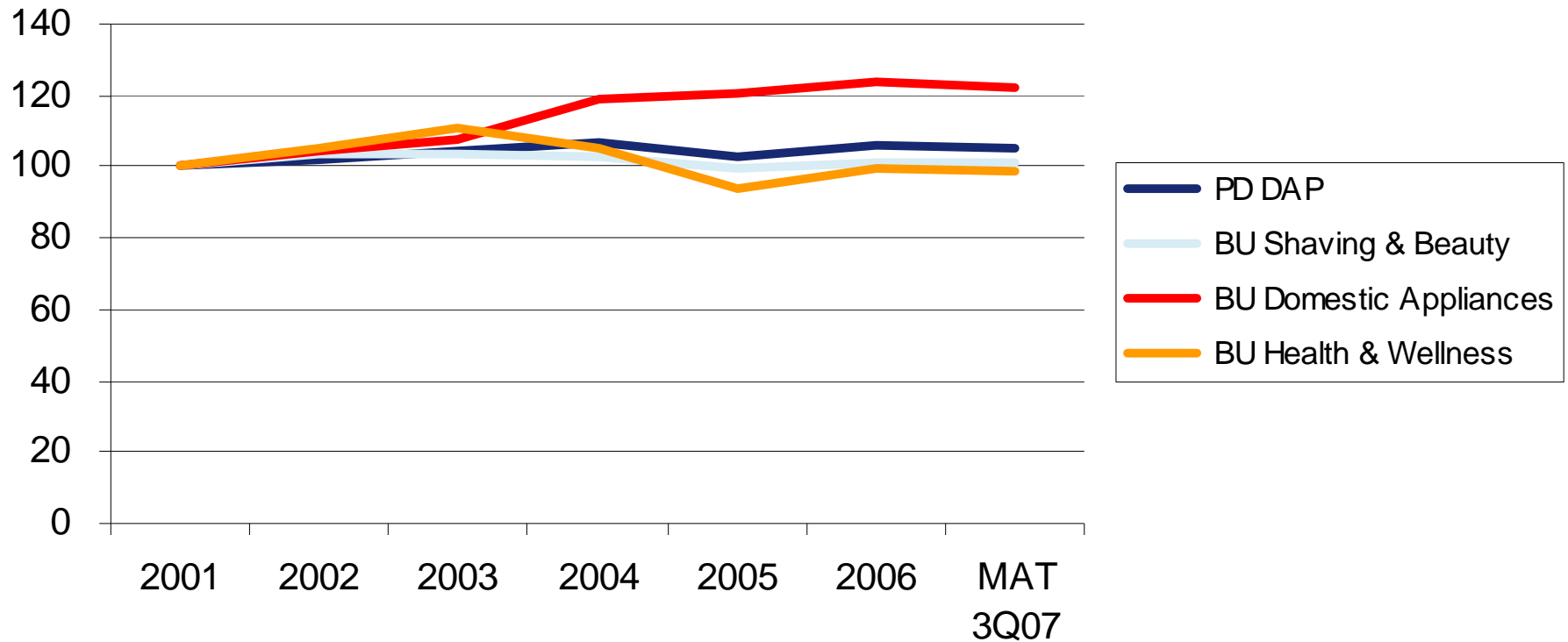
Sustainable profitable growth in DAP (Domestic Appliances and Personal Care)

Agenda

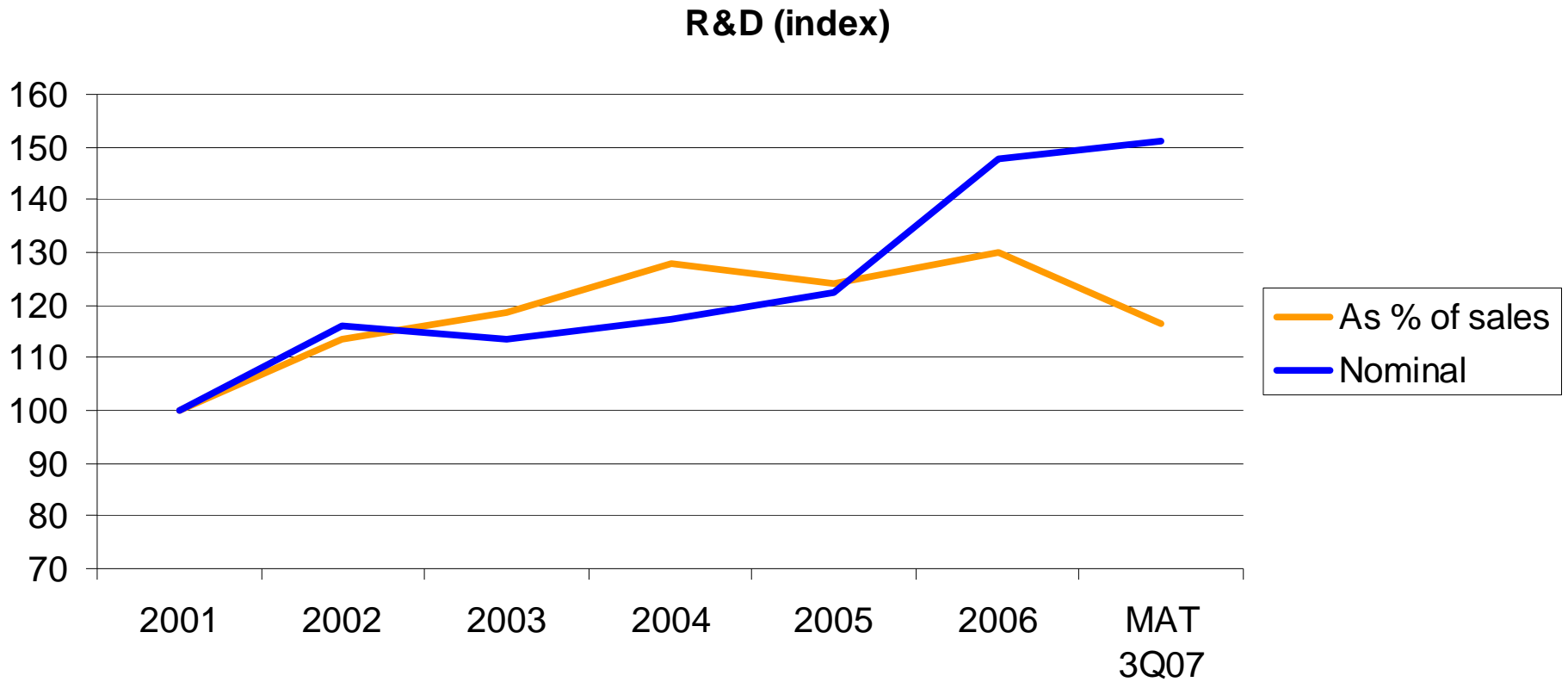
- DAP performance
- Building blocks of growth
- Key drivers of sustainable growth:
 - Insight driven innovation
 - Customer focus
 - Accelerating focus on growth markets
 - **Managing the P&L for growth**
 - Highly committed and engaged talent
- Conclusion

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

GM as % of sales to thirds (index)

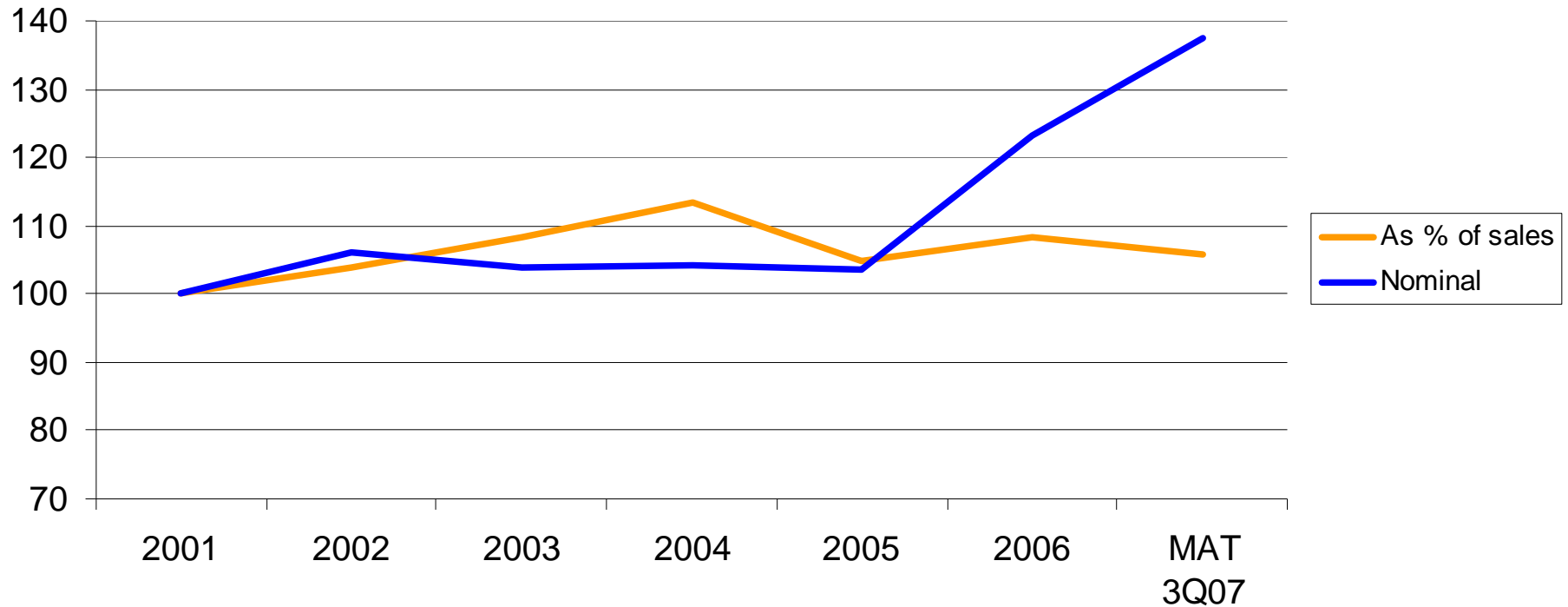


...and sustaining R&D investments to ensure breakthrough innovation...



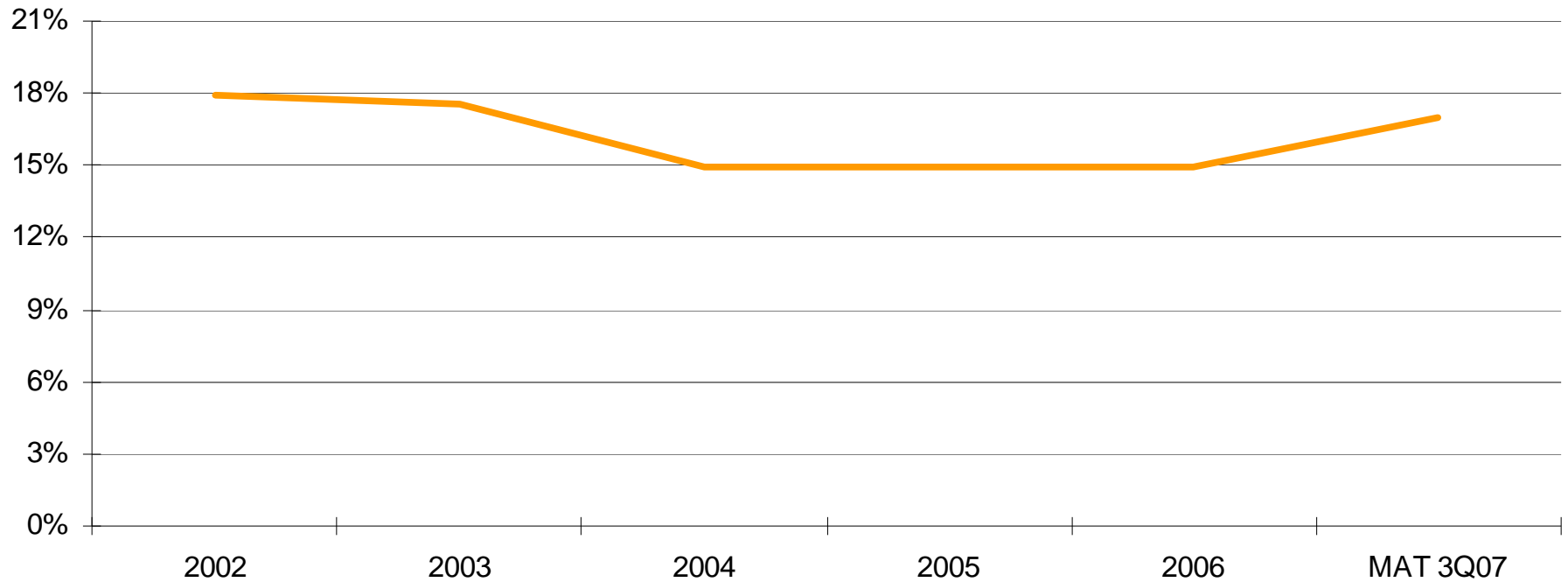
...we can continue to invest in Advertising and Promotion along with sales growth...

Advertising & Promotion (Index)



... and maintain strong profitability

EBITA as % of Sales



Note: EBITA including corporate charges from 2005 to 2007

Sustainable profitable growth in DAP (Domestic Appliances and Personal Care)

Agenda

- DAP performance
- Building blocks of growth
- Key drivers of sustainable growth:
 - Insight driven innovation
 - Customer focus
 - Accelerating focus on growth markets
 - Managing the P&L for growth
 - **Highly committed and engaged talent**
- Conclusion

Highly engaged leaders are driving profitable growth

Employee
Engagement Index

Are you happy in your job and with Philips?

2007 DAP
top 240 Leaders

Score: 78%

+14 pts vs.
2007 Philips average

+8 pts
HP norm

People
Leadership Index

Are you happy with your manager?

2007 DAP
top 240 Leaders

Score: 81%

+17 pts vs.
2007 Philips average

Inclusive Leadership
Index

Are you happy with how the organization is run?

2007 DAP
top 240 Leaders

Score: 85%

+21 pts vs.
2007 Philips average

Sustainable profitable growth in DAP (Domestic Appliances and Personal Care)

Agenda

- DAP performance
- Building blocks of growth
- Key drivers of sustainable growth:
 - Insight driven innovation
 - Customer focus
 - Accelerating focus on growth markets
 - Managing the P&L for growth
 - Highly committed and engaged talent
- Conclusion

In summary, DAP expects to:

- Contribute our fair share to 'Vision 2010'
- Continue to drive organic growth through strategic pillars:
 - Insight driven innovation
 - Customer focus
 - Focus on growth markets
 - P&L management
 - Talent development
- Explore acquisition opportunities across businesses
- Further drive category expansion/ redefinition
- Continue to grow in value through synergy effects with Consumer Electronics in the next three years

PHILIPS

sense and simplicity