Building global category leadership

_In Male Grooming_

Caroline Clarke
GM Personal Care

**PHILIPS**

**Key takeaways**

- We drive _global scale_ and _category leadership_ in Male Grooming through _global_ and _local relevance_
- We will _attract new and younger users_ into electrical grooming solutions
- We have _competitive ranges_ and a _compelling innovation pipeline_
- We will bring _superior_ technologies into _new spaces_
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We drive global scale and category leadership
Through global and local relevance

We will continue to grow with superior technology and proprietary know-how in rotary shaving

Growing global sales and market share leadership

Market share leader (#1 or #2) in the biggest markets

From 17 to 20 market share leadership positions in the coming years

Growing high single digit growth

Double digit growth

Growing low single digit decline

2009 2010 H1 2011

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We will attract new and younger users into electrical grooming solutions
Growing 6% pts. faster than blade in 2010; 15% of new users come from blade in the United States

We will recruit younger users into electrical solutions

We will generate dual users from exclusive blade users

We will grow the electrical category

• By engaging with our consumers using new/digital media, understanding their needs, lifestyles and preferred grooming solutions
• Electric is the modern way to groom

• Introduce skin friendly wet and dry shaving and precision styling solutions

• Introducing breakthrough technologies that deliver superior performance

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We are continually launching competitive products
And have a compelling innovation pipeline for Male Grooming solutions

<table>
<thead>
<tr>
<th>In the market: SensoTouch 3D</th>
<th>New: AquaTouch wet &amp; dry shave with skin protection</th>
<th>Full Male Grooming range to delight customers and consumers</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Unique cutting and contour following technology</td>
<td>• Wet &amp; dry shaving</td>
<td>• A full product range to deliver upon the global need of men to express themselves by wearing different facial hairstyles</td>
</tr>
<tr>
<td>• NPS driver: early buyer study shows: 92% satisfied users</td>
<td>• Supported by a strong claim on skin friendliness</td>
<td>• Fulfilling retail requirements through offering broad ranges, price points and late customization</td>
</tr>
<tr>
<td>• Growing our share in the high-end segment</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**PHILIPS**

We will further strengthen existing leadership positions
Male Grooming China expansion

<table>
<thead>
<tr>
<th>We will further expand geographically</th>
<th>We will drive brand equity further</th>
<th>The BMC Male Grooming China is resourced to win</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Increase the number of counters in Metro tier 1 &amp; tier 2 from 4,300 to 5,000</td>
<td>• Launch localized Male Grooming platform</td>
<td>• Local for Local innovation programmes</td>
</tr>
<tr>
<td>• Develop 420 tier 3 &amp; below cities with local dealers by establishing 1,000 counters</td>
<td>• Increase overall advertising investment</td>
<td>• Strengthen distribution with additional resources to</td>
</tr>
<tr>
<td>• Increase number of promoters to sustain counter expansion from 7,500 to 8,500 promoters</td>
<td>– Nation wide and regional TV campaigns to double share of voice</td>
<td>– Increase presence in more cities</td>
</tr>
<tr>
<td></td>
<td>– Focus on online marketing</td>
<td>– Increase counter presence</td>
</tr>
<tr>
<td></td>
<td></td>
<td>– Increase promoters</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Further develop online</td>
</tr>
<tr>
<td></td>
<td></td>
<td>– Additional retail partners</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Strong brand equity underpinned with increased investment</td>
</tr>
</tbody>
</table>
PHILIPS

We will develop future global leadership positions

Male Grooming India

We will expand both geographically and channel

- Rapid expansion of our sales distribution points and in-store focus
- Availability and visibility of our range in all channels (MT, traditional, personal care channel, gadget channel, pharma)
- Leading in online sales channel as it emerges

We will recruit first time shavers and converting blade users

- Drive ‘awareness’ and ‘consideration of electric shavers’ through our A&P program and by developing local insight based propositions
- Build up Philips as THE preferred Male Grooming brand by leveraging growing trend of facial styling

The BMC Male Grooming India is resourced to win

- Celebrity Endorsement John Abraham, Bollywood movie star, Style Sutra Campaign
- Develop and launch new innovations based on local Indian insights, to suit Indian beards and styling habits

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We will expand our core into adjacencies and new businesses

Bringing superior technologies into new spaces such as “hi-tech skincare”

We will introduce effective skincare technologies

- With the launch of Lumea, Intense Pulsed Light for hair re-growth prevention
- Achieved #1 position in Europe and opened >500 new Beauty doors and continue to innovate on this technology platform

We are well positioned to win

- Philips is the No.1 brand in consumer minds for trust and technology in skin care
- Consumers and retailers see Philips as the pioneers in this new category

We will develop new distribution channels and new propositions

- Introducing new to the world/new to Philips innovation bringing professional laser skin rejuvenation into the home
- Exclusive launch with Space NK (UK) and Douglas (NL)
Key takeaways

• We drive **global scale** and **category leadership** in Male Grooming through **global** and **local relevance**

• We will **attract new and younger users** into electrical grooming solutions

• We have **competitive ranges** and a **compelling innovation pipeline**

• We will bring **superior technologies** into **new spaces**
Key takeaways

• We are building a **leading global Oral Healthcare business**

• We have a **proven track record** of growth built on **professional endorsement** and **innovation**, which delivers **clinically superior products**

• We are **expanding geographically** into new markets, covering more **price points** and **new channels**

• We are **expanding our portfolio** through acquisitions and innovation, addressing **more consumer needs**

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**We are building a leading global Oral Healthcare business**

*From a platform of strong sales growth, we are expanding our global presence, developing the power toothbrush market and winning share*

**Track record of strong sales growth**

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>H1 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low teens</td>
<td>Mid single digit</td>
<td></td>
<td>Mid teens</td>
</tr>
<tr>
<td>Mid teens</td>
<td>Low teens</td>
<td></td>
<td>H1 2011</td>
</tr>
</tbody>
</table>

**Growing global sales and market share leadership**

**Market share leader (#1 or #2) in the biggest markets**

- USA
- Japan
- Germany
- UK
- Korea

**From 5 to 11 market share leadership positions in the coming years**
**PHILIPS**

To globalize we will grow in three ways
Focus on driving the conversion from manual toothbrush to electric

<table>
<thead>
<tr>
<th>Increase penetration</th>
<th>Broaden Innovation Portfolio</th>
<th>Geographic expansion</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="image" alt="Sonicare image" /></td>
<td><img src="image" alt="Innovation image" /></td>
<td><img src="image" alt="Geographic expansion image" /></td>
</tr>
<tr>
<td>- Consumer marketing campaigns</td>
<td>- Innovation to grow product range, targeting consumers at different price points</td>
<td>- Global roll-out of Oral Healthcare success model</td>
</tr>
<tr>
<td>- Dental professional endorsement</td>
<td>- Innovation in New value spaces, e.g. interdental cleaning</td>
<td>- Enter new markets</td>
</tr>
<tr>
<td>- Distribution of handles &amp; brush heads</td>
<td>- Successful integration and value delivery Discus Dental</td>
<td>- Increase power toothbrush adoption</td>
</tr>
</tbody>
</table>

**Increase penetration to grow sales**
Combining dental professional endorsement, distribution and marketing excellence

<table>
<thead>
<tr>
<th>Dental professional endorsement</th>
<th>Distribution</th>
<th>Marketing Excellence</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="image" alt="Dental professional" /></td>
<td><img src="image" alt="Distribution" /></td>
<td><img src="image" alt="Marketing Excellence" /></td>
</tr>
<tr>
<td>- &gt;50% Sonicare sales driven by dental professional endorsement</td>
<td>- Distribution increase in Germany in new channels and online</td>
<td>- Consumer Awards, e.g. FlexCare Stiwa award, Germany</td>
</tr>
<tr>
<td>- Dental professionals prefer Sonicare (67%)*</td>
<td>- Reaching 1,500 new stores in Netherlands</td>
<td>- Best-in-class Online activation and Social Media (e.g. Facebook)</td>
</tr>
<tr>
<td>- Recommend Sonicare most often to their patients (54%)*</td>
<td>- Quadrupled online Amazon sales</td>
<td>- Superiority of claims drive purchase</td>
</tr>
</tbody>
</table>

Note: * Based on research in the US
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Innovation delivers clinically proven superiority
That beats competition and expands our portfolio into new spaces

In the market: DiamondClean

• Removes up to 4x more plaque*
• Twice as effective at whitening teeth*
• First in-market response very positive

New launch: AirFloss

• Removes up to 99% more plaque*
• 86% of people find it easier than flossing**
• Outstanding dental professional endorsement

Future: New Value Spaces

• Teeth whitening
• Oral hygiene & bad breath
• Interdental cleaning

Note: All claims are supported by clinical trials (* compared to manual toothbrush alone; ** Compared to dental floss)

We are rolling out our proven success model to large oral healthcare markets outside US and Japan
Driving growth in Germany, Europe’s largest Oral Healthcare market

Dental Professionals, Marketing & Distribution

• Quadrupled number of dental professional sales reps
• 50% increase Advertising & Promotion to drive share
• >50% increase in online Amazon sales
• New listings in Pharmacy channels

Product Innovation

• Sonicare for Kids in 2010
• Lead market for DiamondClean and AirFloss
• Family value packs (parents and kids)
• Major success at International Dental show (Cologne)

Results

Sales
Mkt share

2009 2010 H1 2011

• 100% sales increase
• +6% pts market share increase
• 50% increase in dentist recommendations
Key takeaways

• We are building a leading global Oral Healthcare business

• We have a proven track record of growth built on professional endorsement and innovation which delivers clinically superior products

• We are expanding geographically, into new markets, covering more price points and new channels

• We are expanding our portfolio through acquisitions and innovation, addressing more consumer needs

Building global category leadership

In Kitchen Appliances

Murali Sivaraman
GM Domestic Appliances
PHILIPS

Key takeaways

- Kitchen Appliances market is big and growing, driven by demand in growth geographies
- We will build global leadership through local relevance
- Innovations will be driven by four regional product creation hubs, leveraging acquisitions
- Integrated supply chain to differentiate, improve quality and drive costs down

PHILIPS

Global Kitchen Appliances market is big and growing
Driven by demand in growth geographies

Kitchen appliances is growth driver in Domestic Appliances

<table>
<thead>
<tr>
<th>Country</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2015</th>
<th>CAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America*</td>
<td>8.8</td>
<td>9.2</td>
<td>9.6</td>
<td>12.1</td>
<td>5.5%</td>
</tr>
<tr>
<td>China</td>
<td>1.5</td>
<td>1.5</td>
<td>1.5</td>
<td>1.5</td>
<td>5%</td>
</tr>
<tr>
<td>Japan*</td>
<td>1.1</td>
<td>1.1</td>
<td>1.1</td>
<td>1.1</td>
<td>5%</td>
</tr>
<tr>
<td>Russia</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
<td>5%</td>
</tr>
<tr>
<td>UK &amp; Ireland</td>
<td>0.4</td>
<td>0.4</td>
<td>0.4</td>
<td>0.4</td>
<td>5%</td>
</tr>
<tr>
<td>DACH</td>
<td>0.4</td>
<td>0.4</td>
<td>0.4</td>
<td>0.4</td>
<td>5%</td>
</tr>
<tr>
<td>France</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
<td>5%</td>
</tr>
<tr>
<td>Brazil</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
<td>5%</td>
</tr>
<tr>
<td>India</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
<td>5%</td>
</tr>
<tr>
<td>Others</td>
<td>3.0</td>
<td>3.0</td>
<td>3.0</td>
<td>3.0</td>
<td>5%</td>
</tr>
</tbody>
</table>

Growth geographies account for about 50% of the total market and grow more than three times the rate of mature geographies

<table>
<thead>
<tr>
<th>Region</th>
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<th>CAGR</th>
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<tr>
<td>India</td>
<td>0.3</td>
<td>0.4</td>
<td>5%</td>
</tr>
<tr>
<td>Other Mature</td>
<td>1.9</td>
<td>1.8</td>
<td>8%</td>
</tr>
<tr>
<td>Other Growth</td>
<td>1.9</td>
<td>1.8</td>
<td>8%</td>
</tr>
<tr>
<td>Russia</td>
<td>0.5</td>
<td>0.6</td>
<td>5%</td>
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<td>0.4</td>
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<tr>
<td>France</td>
<td>0.4</td>
<td>0.5</td>
<td>5%</td>
</tr>
<tr>
<td>Other Growth</td>
<td>1.9</td>
<td>1.8</td>
<td>8%</td>
</tr>
</tbody>
</table>

* Philips Kitchen Appliances is not present in North America and Japan at this moment.
Source: Internal estimate based on GFK and Euromonitor measure.
We will build global leadership through local relevance

- Kitchen appliances market is driven by different eating habits across the world
- Generic habits addressed through global propositions like kettles, hand blenders and juicers
- Specific habits drive significant market opportunities locally like rice cookers, meat mincers and mixer grinders

Innovations will be driven by four regional product creation hubs, leveraging acquisitions

- Global portfolio driven from Europe
- Product creation hubs set-up in China, India and Brazil, creating global innovation network
- Innovation capabilities in China and India augmented by acquisitions
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In China, Povos and local product creation hub complement our global ranges
Addressable market moves from 15% to 95%

Chinese KA Market
- Juicers, Kettles, Blenders: 15% (international range)
- Toasters, Grills: 20% (China specific range)
- Soya milk maker: 60% (Povos range)
- Foodcleaner: 5%
- Rice cooker
- E. Pressure cooker
- Induction cooker
- Other: 5%

* Povos acquisition closure subject to confirmatory due diligence and government approval

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In India, we continue to drive our Kitchen Appliances leadership
Leveraging Preethi portfolio and innovation

Preethi acquisition gives Philips clear market leadership
Strong portfolio in food processing which is biggest category

India Kitchen Appliances Market Share Index

<table>
<thead>
<tr>
<th>Category</th>
<th>2010 Pre-acquisition</th>
<th>2010 Post-acquisition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Others</td>
<td>6%</td>
<td>9%</td>
</tr>
<tr>
<td>Competition B</td>
<td>13%</td>
<td>13%</td>
</tr>
<tr>
<td>Competition A</td>
<td>21%</td>
<td>30%</td>
</tr>
<tr>
<td>Preethi</td>
<td>51%</td>
<td>51%</td>
</tr>
<tr>
<td>Philips</td>
<td>6%</td>
<td>6%</td>
</tr>
</tbody>
</table>

Source: Francis Kanoi - market research agency
PHILIPS

Key takeaways

• Kitchen Appliances market is big and growing, driven by demand in growth geographies
• We will build global leadership through local relevance
• Innovations will be driven by four regional product creation hubs, leveraging acquisitions
• Integrated supply chain to differentiate, improve quality and drive costs down

PHILIPS

sense and simplicity

Building global category leadership

In Coffee

Federico de Angelis
GM Coffee
PHILIPS

Key takeaways

• We build our coffee business market by market through innovation, quality, speed and marketing effectiveness

• We will focus on the two big and fast growing market segments:
  • Full Automatic espresso – Re-gaining market share with Philips-Saeco
  • Portioned solutions – Developing our partnerships and alliances

• We are expanding geographically

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We drive coffee category leadership market by market
Focusing on the two biggest and fastest growing segments

Coffee to focus on Full Automatic espresso and portioned solutions
(> 60% of market value; > 95% of market growth)

1. We are developing a wide range of product propositions to provide the best solutions to the consumer needs, market by market

2. With SAECO we strengthen our position in espresso and we are delivering double digit growth since the acquisition

3. We will grow coffee regaining market share from competitors
**PHILIPS**

We are re-gaining full automatic espresso leadership positions
Through new to the world innovations, marketing execution, and customer service

<table>
<thead>
<tr>
<th>Developing in-home coffee variety</th>
<th>Developing and distinguishing Philips-Saeco brand</th>
<th>Establishing quality leadership and excel in consumer care</th>
</tr>
</thead>
<tbody>
<tr>
<td>• We enable consumers to create their own variety of (milk based) coffee experiences at home, while always delivering best in cup coffee quality</td>
<td>• Introducing a new brand campaign, supported by endorsed superiority claims in coffee taste</td>
<td>• Full quality process integration, introduction of fast quality feedback loops, post purchase engagement enhancing satisfaction and accessory sales</td>
</tr>
</tbody>
</table>

We drive our Senseo® business and develop new portioned initiatives
Through venturing into new solutions, and into new geographies

<table>
<thead>
<tr>
<th>Developing Senseo® Leadership</th>
<th>Venturing into new geographies</th>
<th>Leveraging growth of portioned espresso</th>
</tr>
</thead>
<tbody>
<tr>
<td>• We will grow in portioned long coffee through continuous product innovation.</td>
<td>• We are launching Senseo® outside Europe (e.g. Argentina, Brazil)</td>
<td>• We are increasing our focus on the fast growing portioned espresso segment</td>
</tr>
</tbody>
</table>
**PHILIPS**

We relentlessly launch new competitive products
And are setting the industry standards for innovation

<table>
<thead>
<tr>
<th>In the market:</th>
<th>New:</th>
<th>Future innovation:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Xelsis ID</td>
<td>Senseo® Cappuccino Select</td>
<td>New-to-the-world solutions</td>
</tr>
</tbody>
</table>

- Xelsis ID enables up to 6 users to access personalized coffee- and milk specialties at the touch of a finger
- Xelsis range establishes Philips – Saeco and gains share in the high-end full automatic espresso segment
- Best cappuccino made by Senseo®, using fresh milk, easy to use
- Accessible, Senseo® is to grab share of the milk based coffee preparation segment
- We will bring new to the world coffee machine solutions, improving the coffee experience at home

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**PHILIPS**

We are strengthening our position market by market
Winning market share in Coffee Germany

<table>
<thead>
<tr>
<th>Major product launches and innovations</th>
<th>In-store impact &amp; shop staff recommendation</th>
<th>Accelerated communication</th>
</tr>
</thead>
<tbody>
<tr>
<td>New competitive Intelia range</td>
<td>Introduction of full in-store solutions</td>
<td>Professional endorsement</td>
</tr>
<tr>
<td>Saeco’s full automatic (499 Euro*) and</td>
<td>driving consumer orientation and purchase value</td>
<td>programs leverage the competitive edge of our products</td>
</tr>
<tr>
<td>automatic milk solutions (699 Euro*)</td>
<td>Double digit increase of demonstrations, demonstrating products for both Senseo and Philips Saeco</td>
<td>Full year 360 campaigns offer continuous waves of communication throughout all media channels</td>
</tr>
<tr>
<td>New SENSEO Cappuccino Select</td>
<td>Dedicated coffee trainers</td>
<td>Best in class digital content and online (social) recommendation programs expand product experience online</td>
</tr>
<tr>
<td>(139 Euro*) using fresh milk and</td>
<td>Interactive training modules to drive shopstaff recommendation</td>
<td></td>
</tr>
<tr>
<td>special edition New SENSEO Viva Café Eco</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Recommended retail price
PHILIPS

Key takeaways

• We build our coffee business market by market through innovation, quality, speed and marketing effectiveness

• We will focus on the two big and fast growing market segments:
  • **Full Automatic espresso** – Re-gaining market share with Philips-Saeco
  • **Portioned solutions** – Developing our partnerships and alliances

• We are expanding geographically