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sense and simplicity

Consumer Lifestyle Strategy

Pieter Nota
CEO Philips Consumer Lifestyle

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Introduction

- We are **transforming Consumer Lifestyle** – reshaping the portfolio for profitable growth
- We are in an **advanced stage of implementing Accelerate!** – moving from a functional, centrally led organization, to an **organization built around businesses and markets**



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Consumer Lifestyle is led by an experienced and international team

We are geared for value delivery

Presenting today

Pieter Nota
CEO



Paul Verhagen
CFO



Antonio Hidalgo
CTO & CMO



Murali Sivaraman
GM Domestic
Appliances



Egbert van Acht
GM Health & Wellness



Caroline Clarke
GM Personal Care



Federico de Angelis
GM Coffee



Fabian Wong
GM Greater China,
Consumer Lifestyle

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Key takeaways

- We are **reshaping the Consumer Lifestyle portfolio for profitable growth**
 - We are further **re-positioning** Consumer Lifestyle towards the **health and well-being** domain, by driving **global scale** and **category leadership**
 - We are **turning around Lifestyle Entertainment**, focusing the portfolio on growing categories
 - We are **progressing with the Television Joint Venture**, reducing our exposure to Consumer Electronics
- We are in an advanced stage of **Accelerate!**, which is the key enabler to **reshape Consumer Lifestyle**
- We will create value in Consumer Lifestyle by stepping-up **sales growth**, targeting **8-10% EBITA** and **continued strong ROIC**



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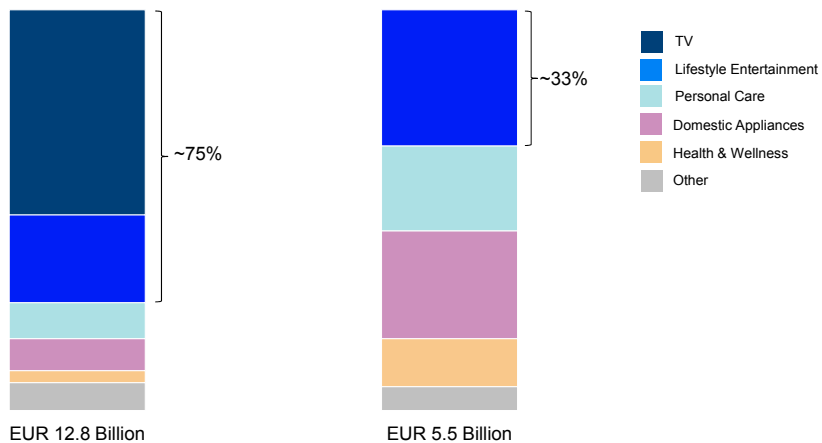
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Increased focus

We have reduced our exposure to Consumer Electronics from ~75% towards ~33%

CL sales including TV FY 2006

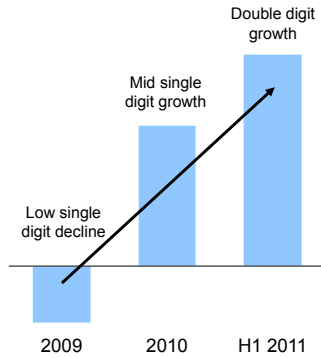
CL sales excluding TV¹ June 2011



Increased focus

Health and well-being portfolio showing strong growth

We see strong growth in the combined Personal Care, Health & Wellness and Domestic Appliances businesses¹



We significantly stepped-up investment in advertising & promotion and research & development, which improved market share²

	Personal Care	Health & Wellness	Domestic Appliances
Greater China	Share gain	Share gain	Share gain
Americas	Share gain	Share gain	Share gain
Europe	Share gain	Share gain	Neutral
APMEA ³	Share gain	Share gain	Share gain

Legend: ■ Share gain ■ Neutral ■ Share loss

1. Values in the matrix represent enterprise value based on an indexed midpoint of 100
 2. GfK, ZYK YTD-Jun 2011
 3. APMEA: Asia Pacific, Middle East & Africa

We will drive global scale and category leadership

In Male Grooming, Oral Healthcare, Kitchen Appliances and Coffee. All of these categories show healthy growth and profit potential

Ambitions

Male Grooming



- Attract new and younger users (combined wet and dry)
- Local product range in China to expand our value segment offerings

Oral Healthcare



- Strengthen global #2 position in rechargeable toothbrushes and brush heads
- Expand geographically, addressing more price points and entering new channels
- Expand into adjacencies; e.g. interdental cleaning

Kitchen Appliances



- Global leadership through local relevance
- Establish four regional product creation hubs (leveraging acquisitions)
- Integrated supply chain to differentiate, improve quality and drive costs down

Coffee



- Gaining leadership positions in full automatic espresso
- Launching new portioned initiatives

We will drive global scale and category leadership In Male Grooming, Oral Healthcare, Kitchen Appliances and Coffee

We will address our 'spottiness' by increasing our market share leadership positions in Business Market Combinations

...by stepping-up our investments in Brand and Innovation in Personal Care, Health & Wellness, Domestic Appliances and Coffee

Market	Male Grooming	Oral Healthcare	Kitchen Appliances	Coffee
1	Green	Green	Blue	Blue
2	Green	Green	Grey	Blue
3	Green	Green	Green	Green
4	Green	Green	Green	Green
5	Green	Green	Green	Green
6	Green	Green	Grey	Green
7	Green	Green	Green	Green
8	Green	Green	Green	Green
9	Green	Green	Grey	Green
10	Green	Green	Green	Green
11	Green	Green	Green	Blue
12	Green	Green	Green	Green
13	Green	Green	Green	Green
14	Green	Green	Grey	Green
15	Green	Green	Green	Green
16	Green	Grey	Green	Grey
17	Green	Green	Green	Green

■ Remain leader (1st or 2nd) ■ Significant move-up in market position
■ Move from non-leader to leader ■ Others

Brand:

- ~85% of A&P investment in growth businesses

Innovation:

- ~77% of R&D investment in growth businesses

We will drive global scale and category leadership Using bolt-on acquisitions to grow our businesses

Strengthen existing Business Market Combinations (BMCs)

Strengthen product portfolio for existing global businesses

Enter new adjacent businesses



Regional innovation hubs enable us to bring relevant innovation in large growth geographies

The acquisition of Discus Dental in 2010 complements our Oral Healthcare portfolio and strengthens the network of dental professionals that we are serving

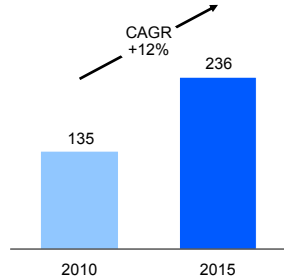
We will explore high-growth adjacent businesses in the health and well-being domain

We will drive global scale and category leadership

Leveraging our position in attractive growth geographies

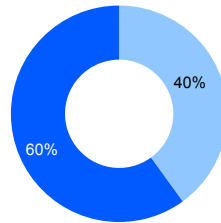
In growth geographies spending power is increasing rapidly¹

Growth geographies urban households (millions)



We see strong growth coming from the rising urban middle class in growth geographies, driving aspirational demand to improve their lifestyle

Significant part of our business comes from growth geographies



■ Growth geographies
■ Mature geographies

In the first two quarters our market share² improved

	Personal Care	Health & Wellness	Domestic Appliances
China	Share gain	Share gain	Share gain
India	Share gain	Share gain	Share gain
Brazil	Share gain	Share gain	Neutral
Russia	Share gain	Neutral	Share gain

■ Share gain ■ Neutral ■ Share loss

We will leverage growth geographies by creating innovations catering to local needs

1. BCG, Winning in Emerging Market Cities – BRIC
2. GfK, ZYK YTD-Jun 2011

We will drive global scale and category leadership

Leveraging our position in our distribution channels and online

We will drive preference amongst our target audiences in-store (e.g. China)



In China we are continuously expanding our large base of ~8,500 dedicated retail counters

We will drive preference amongst our target audiences online (e.g. United Kingdom)



By stepping-up our performance in e-commerce

- Increase online market share

Proof points:

- In Germany our online share in Male Grooming is bigger than our offline market share

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We are turning around Lifestyle Entertainment focusing the portfolio on growing categories

Lifestyle Entertainment will be profitable over the full year 2011

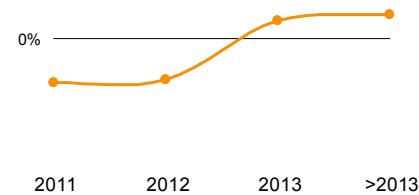
We will transition the Lifestyle Entertainment portfolio towards growing and profitable categories

The transition of the portfolio will result in modest sales growth from 2013 onwards



- Launch Airplay & Android docking
- Grow Connected Entertainment
- Remain close to leading eco-systems (e.g. Apple & Android)

Sales growth development (%)
2011 - 2013



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We are progressing with the Television Joint Venture, delivering on what we said before

1. Due diligence is completed, final negotiations with TPV are progressing and we aim to complete the transaction by year-end, subject to regulatory approvals
2. We will deal with the stranded Television costs
3. We have stabilized our sales force following the Television separation
4. Disentanglement cost and deal result pending finalization

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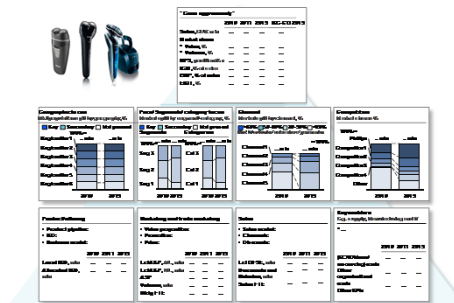
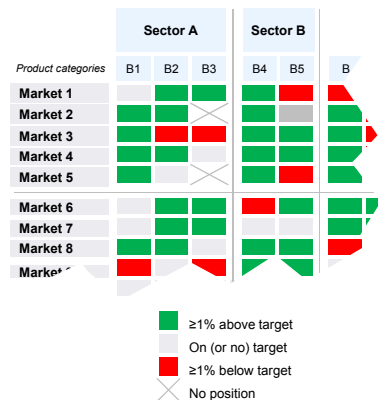


We plan, resource and manage performance by Business Market Combinations (BMC)

Now more than 80% of our growth is underpinned with BMC 'handshakes'

In December 2010 we launched our granular approach to growth

BMC plans detail our aspirations, where to play and how to win





Our new operating model stimulates entrepreneurship and speed, ensuring accountability

Delivering on what we promised in 2010, moving decisions closer to markets

1. We move from a functional, centrally-led organization, to an organization centered around businesses and markets
2. Functions are now embedded in the businesses to enable an end-to-end value chain
3. Market leaders are now part of the Management Team, e.g. Fabian Wong, GM Greater China and Bret Furio, GM Americas
4. We are stepping-up the capabilities of the Market Organizations to ensure excellence in execution in the markets



We will increase speed and quality of product innovation

Through effective end-to-end customer value chains and processes

We will accelerate Idea-to-Market performance

We will increase agility and technological competitiveness

We will strengthen the local relevance of our innovations



The **Sonicare Airfloss**, removing 99% more plaque than manual brushing alone, is easier to use than traditional floss



The **Aquatouch** is our dedicated skin friendly wet and dry shaver



The **Soya milk Maker**, most efficient solution in soya milk making: less residue through advanced grinding technology and filtering

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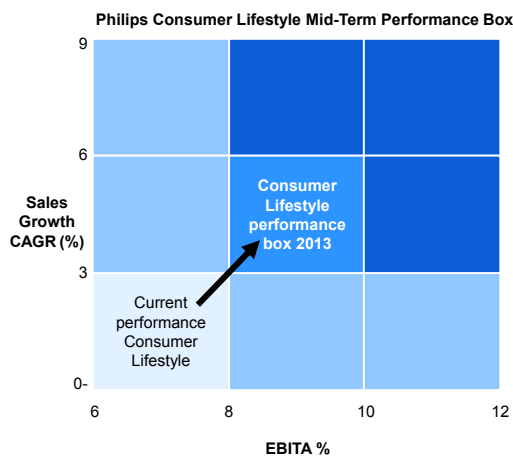
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We will create value in Consumer Lifestyle

Stepping-up sales growth, targeting 8-10% EBITA excluding licenses and continued strong ROIC



Mid-Term financial objectives CL (2013)

Sales growth ¹	3 - 6%
Reported EBITA ^{2 3}	8 - 10%

¹ Assuming real GDP growth of 3-4%
² Including restructuring and acquisition related charges
³ Excluding licenses

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