

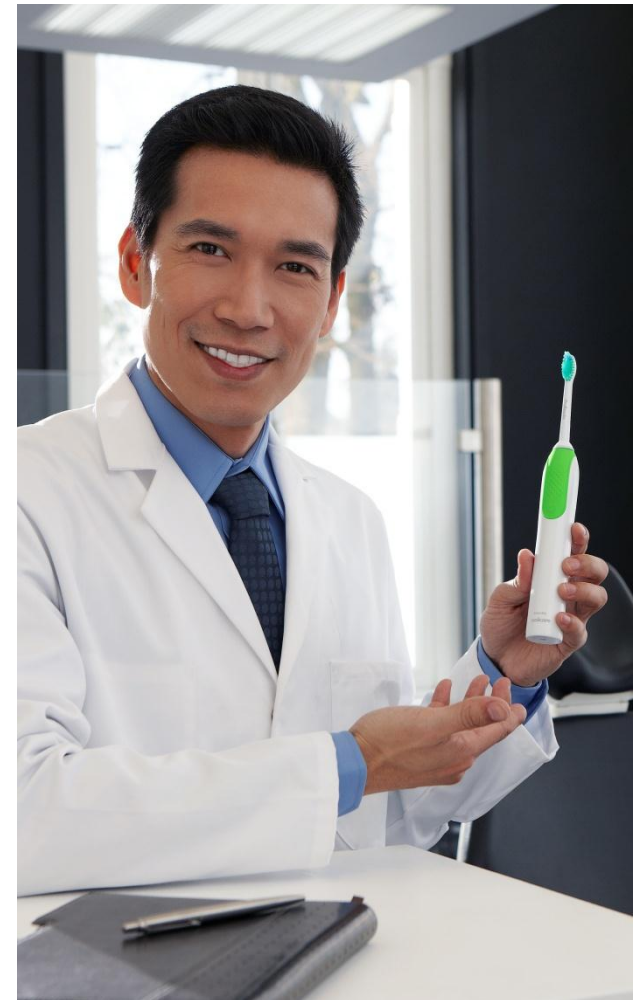
Accelerating Consumer Lifestyle – delivering on our strategy

Pieter Nota, CEO Philips Consumer Lifestyle



Key takeaways

- We are **delivering on our strategy**
 - We are **transforming** Consumer Lifestyle for **profitable growth**
 - We are **reshaping** our portfolio towards **Health and Well-being**
 - **Accelerate!** is showing solid results
- **Economic headwinds** are increasing. We are taking the **necessary measures** to **achieve** our targets for 2013



Accelerating Consumer Lifestyle – delivering on our strategy Presenting today:



Pieter Nota
CEO



Jan van Leeuwen
CFO



Murali Sivaraman
Domestic Appliances



Egbert van Acht
Health & Wellness



Caroline Clarke
Personal Care



Peter Vullings
GM Russia Central Asia,
Consumer Lifestyle



Bret Furio
Chief Market Leader

Key takeaways

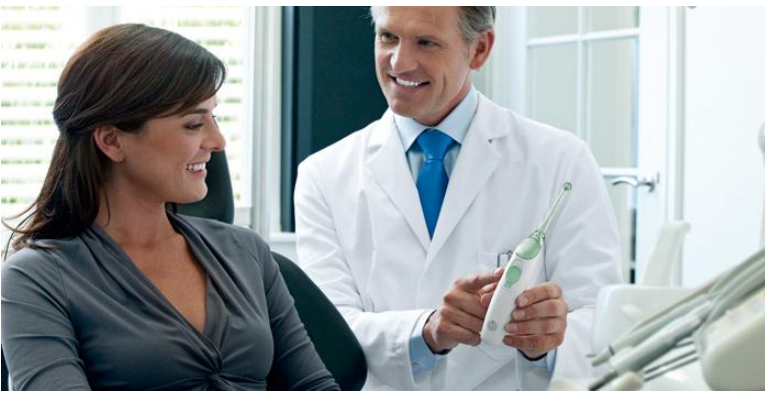
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Consumer Lifestyle captures global trends

Helping consumers to live well, in a more sustainable world

Consumers have a growing interest/ownership in personal health



Consumers are increasingly appearance-conscious



Consumers want healthy food, yet convenient



In a “blurred” market environment consumers look for responsible brands they can trust



Strong progress in driving scale and category leadership Through innovation and customer intimacy, tapping into attractive profit pools

Focusing on the following businesses:

Personal Care



Male Grooming

- 40% of SensoTouch and AquaTouch users recruited from blade
- Increasing our share in the total Male Grooming market (including blade), strengthening our leading position
- Further strengthening leadership in China by introducing new value propositions and expanding to lower tier cities



Beauty

- Philips is #1 in hair care in China and India
- Philips is #1 in Intense Pulse Light hair removal, since Lumea launch
- Active Care dryer strengthens #1 position of dryers in Europe

Health & Wellness



Oral Healthcare

- Increasing number of leadership positions¹ from 5 to 13
- Entering new channels, launching PowerUp in drugstores this quarter
- Successful expansion into interdental cleaning with Airfloss



Mother & Childcare

- Natural range launched, first consumer reviews are very positive
- Significant value growth and an increase of premium sales share
- Awards won in several countries from leading baby magazines

Strong progress in driving scale and category leadership Through innovation and customer intimacy, tapping into attractive profit pools

Focusing on the following businesses:

Domestic Appliances



Kitchen Appliances

- Double digit growth in first half of 2012 driven by strong innovation impetus
- Acquisitions and local product creation drive a strong increase of new product offers
- Leadership in key markets strengthened through local relevance



Garment Care

- Optimal Temp Innovation confirms global leadership in steam generators
- Locally relevant innovations like steamers drive leadership in China and expand portfolio globally



Coffee

- New, long-term agreement with DE Masterblenders to further strengthen the Senseo business
- Successfully launched the breakthrough innovation Senseo Sarista

We are transforming the Consumer Lifestyle portfolio TV joint venture off to a good start

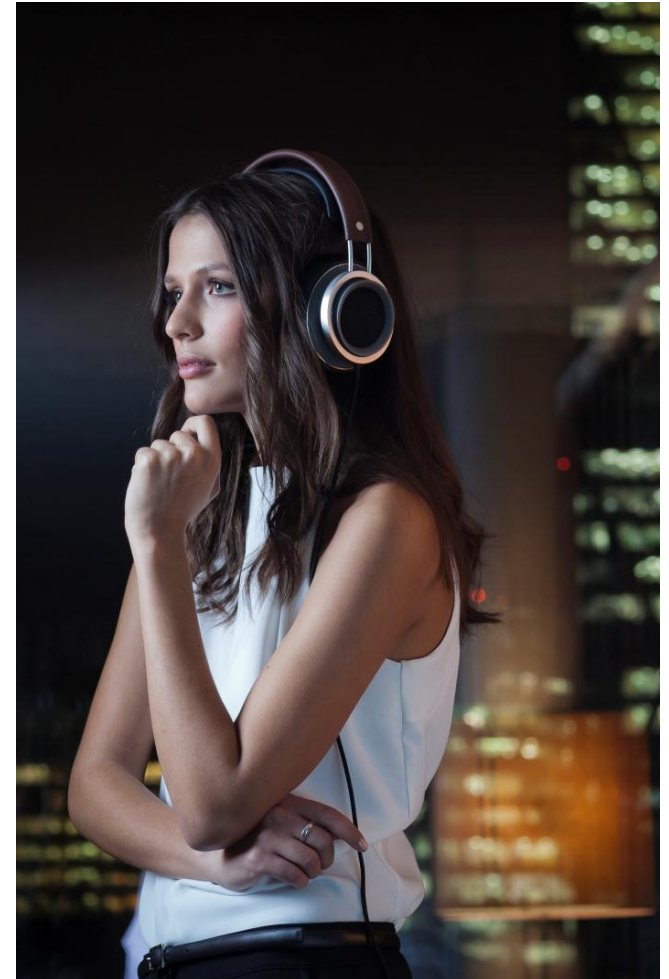
- Continuity of the Philips brand in television through our joint venture and brand licensing
- Bottom line performance of joint venture tracking to management's expectations
- TV stranded costs are being eliminated



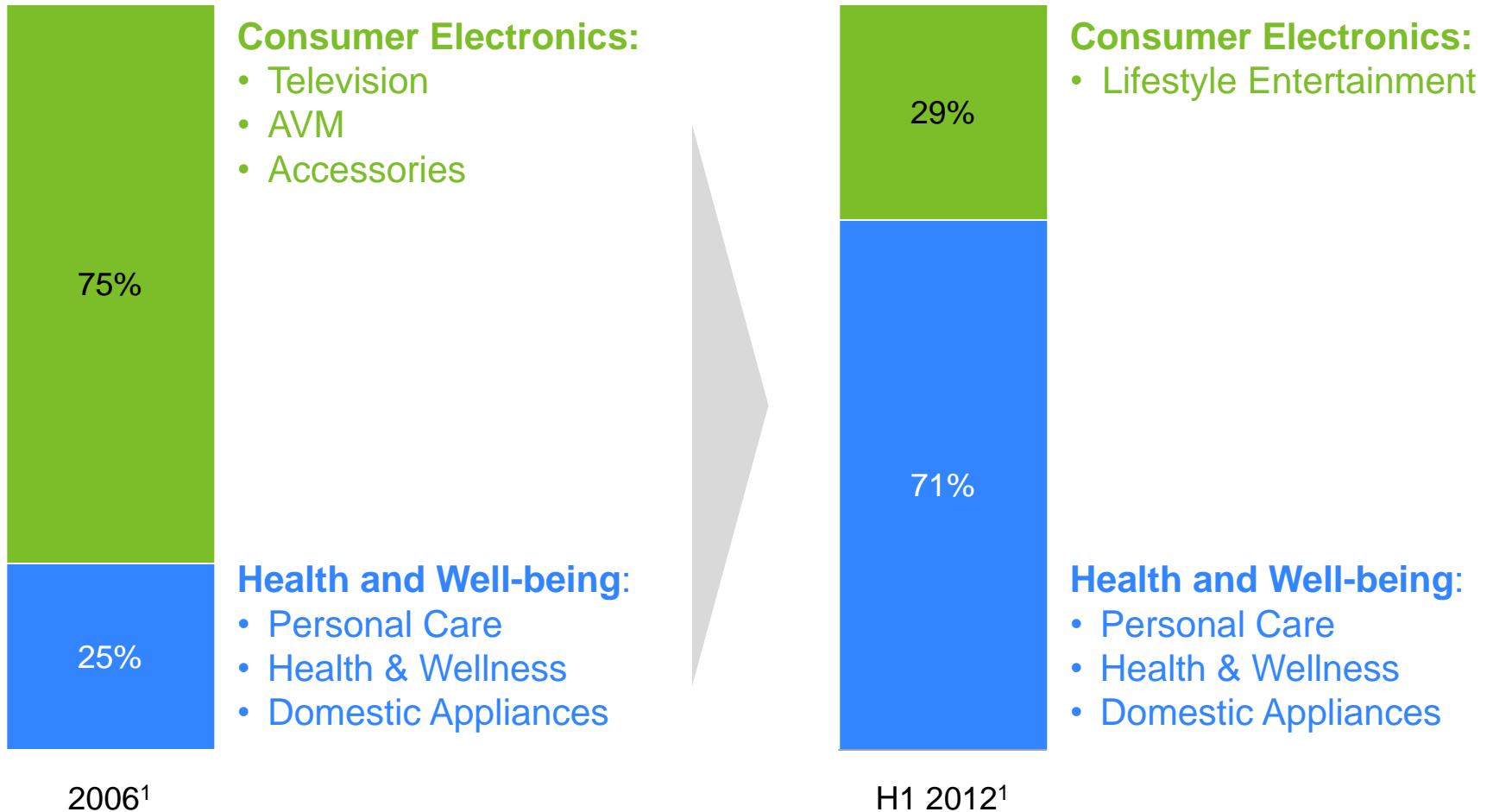
We are transforming the Consumer Lifestyle portfolio

Establishing new business models, driving more value in Lifestyle Entertainment

- We created Lifestyle Entertainment by combining Accessories with Audio, Video and Multimedia: Eliminated management layers and headquartered the operation in Hong Kong
- We are transitioning the portfolio towards growing categories like connected entertainment, away from rapidly declining categories like MP3, MP4 and DVD players
- Cost base significantly reduced to adjust to lower revenue base, enabling mid-single digit margin for the first half of 2012
- We are looking at new business models to further drive value, e.g. North American distribution agreement with Funai



We are reshaping the Consumer Lifestyle portfolio Towards the Health and Well-being domain



¹ % of Sales, excluding others

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Accelerate! is showing solid results

➤ Customer Centricity

- Addressing locally relevant consumer and customer needs by Business Market Combination (BMC)
- Accelerate! takes our relationship with Walmart to the next level

➤ Resource to Win

- Granular approach to growth:
 - 150 BMC plans in place
 - Allocating investments where the growth is
 - Effective management of performance issues

➤ End2End

- 7 pilots in place with clear deliverables: Reduced time-to-market, reduced inventories and better gross margin management (e.g. Male Grooming North America with Walmart)

➤ Operating Model

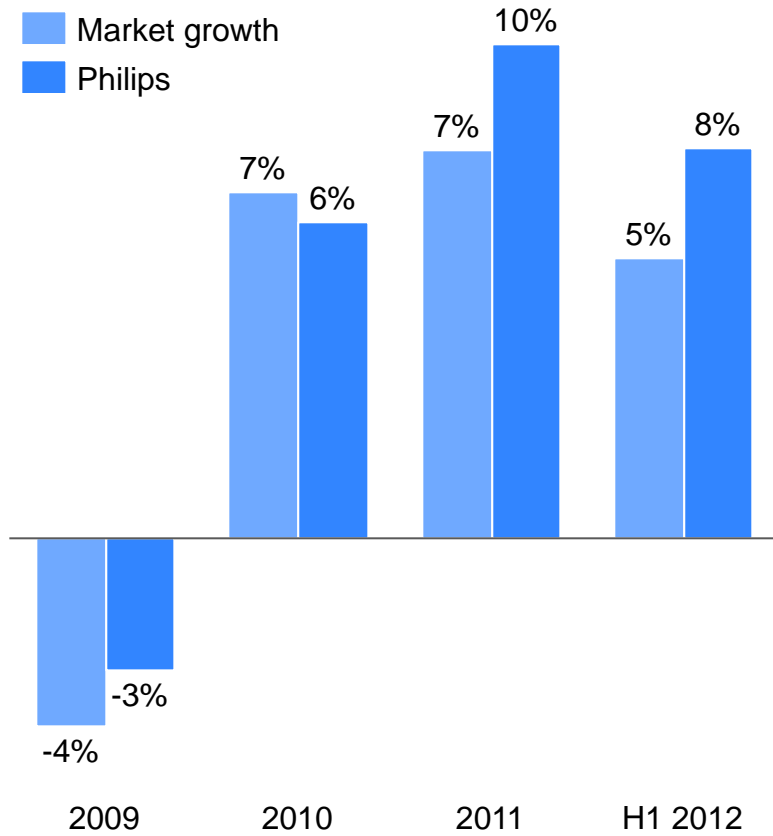
- We moved from a functional, centrally-led organization, to an organization built around businesses and markets

➤ Culture

- Clear accountability and ownership in our operating model, for both businesses and markets
- An extensive culture change program in place, completed for the top 200 leaders

Our granular approach to growth is showing solid results... We are gaining market share in key businesses

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



We have grown market share in the past 12 months¹

	Personal Care	Health & Wellness	Domestic Appliances
China	Share gain	Share gain	Share gain
Americas	Share gain	Share gain	Neutral
Europe	Share gain	Share gain	Share gain
APMEA ²	Share gain	Share gain	Share gain

■ Share gain
 ■ Neutral
 ■ Share loss

¹ GfK, ZYK YTD-Jun 2012

² APMEA: Asia Pacific, Middle East & Africa

...addressing locally relevant consumer needs in BMCs...

Plan, resource and measure performance by Business Market Combinations

Product categories	Sector A			Sector B		B
	B1	B2	B3	B4	B5	
Market 1		Green	Green	Green	Red	Red
Market 2	Green	Green	Grey	Green	Grey	Green
Market 3	Green	Red	Red	Green	Green	Green
Market 4	Green	Green	Grey	Green	Green	Green
Market 5	Green	Grey	Grey	Green	Red	Green
Market 6		Green	Green	Red	Green	Green
Market 7		Green	Green	Grey	Grey	Green
Market 8	Green	Green	Grey	Green	Green	Red
Market 9	Red	Grey	Red	Green	Green	Red

- In 2010 we launched our granular approach to growth
- This has led to solid underpinning and resourcing of all our growth initiatives

e.g.

Male Grooming China

- Locally relevant shaving innovation to penetrate lower tier cities in China
- We became a leader in the value segment with almost 50% in volume share



Kitchen Appliances Russia

- Locally relevant application incorporating hand-blending functionality into CubeCutter
- We became the leader in the largest hand-blender market in the world



...and leveraging our position in attractive growth geographies

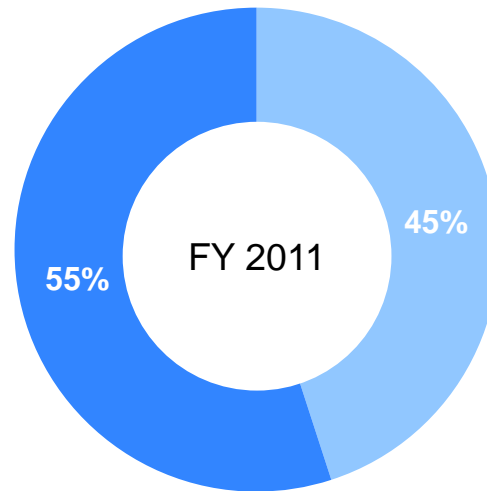
Successfully capturing the increasing spending power



- With locally relevant solutions for key BMCs we successfully capture increasing spending power in growth geographies

We capture significant growth from growth geographies

Sales (%)



- Growth geographies
- Mature geographies

In the first two quarters our market share 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	Share gain	Share gain

- Share gain
- Neutral
- Share loss

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

We continue to accelerate our distribution in growth geographies:

In China our “Go West” strategy is coming to fruition, adding 1 city every week to our distribution reach

Bolt-on acquisitions driving growth In growth geographies and businesses



POVOS

- POVOS is contributing to an incremental 30% growth in China by strengthening Chinese cuisine product offering
- Dual brands enabling Philips to play in all price quartiles and unlock the potential in lower tier cities
- POVOS capabilities are being rolled out to global markets such as Russia, France, ASEAN, Middle East and Latam



Preethi

- Leadership in South of India complements Philips position across India (>30% market share in Mixer Grinders, the largest category)
- We are leveraging the Preethi brand to build a portfolio beyond Kitchen Appliances



Discus

- Dental professional endorsement of Discus is the strongest driver of geographical expansion and conversion to electrical toothbrushes

We are resourced to win

Accelerated investments are yielding results

- We have significantly reduced our cost base
- TV stranded costs are being eliminated
- Incremental investments largely funded by cost reduction
- First End2End pilots show promising results, increasing efficiency in the customer value chain:
 - Reduced inventories
 - Reduced time to market
 - Better gross margin management
- We are increasing the effectiveness of our marketing spend



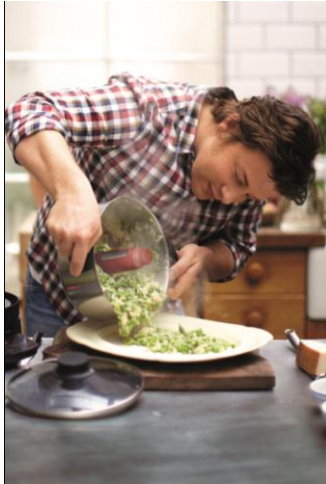
We are resourced to win High-impact market activation

Male Grooming China



- Testimonial
Godfrey Gao

Kitchen Appliances Global



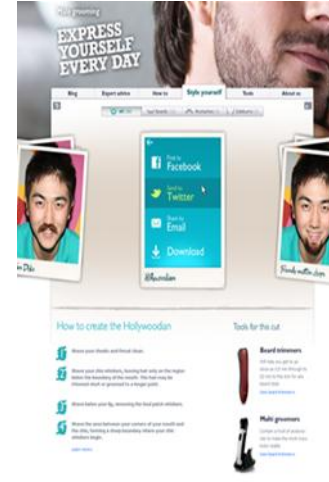
- Joint product
development
with Jamie
Oliver

Oral Healthcare Global



- Successful
dental
professional
endorsement

Male Grooming Global



- Leading-edge
social media
campaign

Oral Healthcare DACH



- Testimonial
Sylvie van der
Vaart

Our new operating model is fully in place now

Moving decisions closer to markets stimulating entrepreneurship and speed

- We moved from a functional, centrally-led organization, to an organization built around businesses and markets
- Collaborative P&L between businesses and markets implemented with clear accountability
- One Chief Market Leader, enabling BMC performance
- Significant reduction of overhead costs and stranded costs related to TV

CEO	CFO	Businesses					Markets	
		<i>Personal Care</i>	<i>Health & Wellness</i>	<i>Domestic Appliances</i>	<i>Coffee</i>	<i>Lifestyle Entertainment</i>	<i>Chief Market Leader</i>	<i>Greater China</i>
								
<i>Pieter Nota</i>	<i>Jan Van Leeuwen</i>	<i>Caroline Clarke</i>	<i>Egbert van Acht</i>	<i>Murali Sivaraman</i>	<i>Federico De Angelis</i>	<i>Wiebo Vaartjes</i>	<i>Bret Furio</i>	<i>Fabian Wong</i>

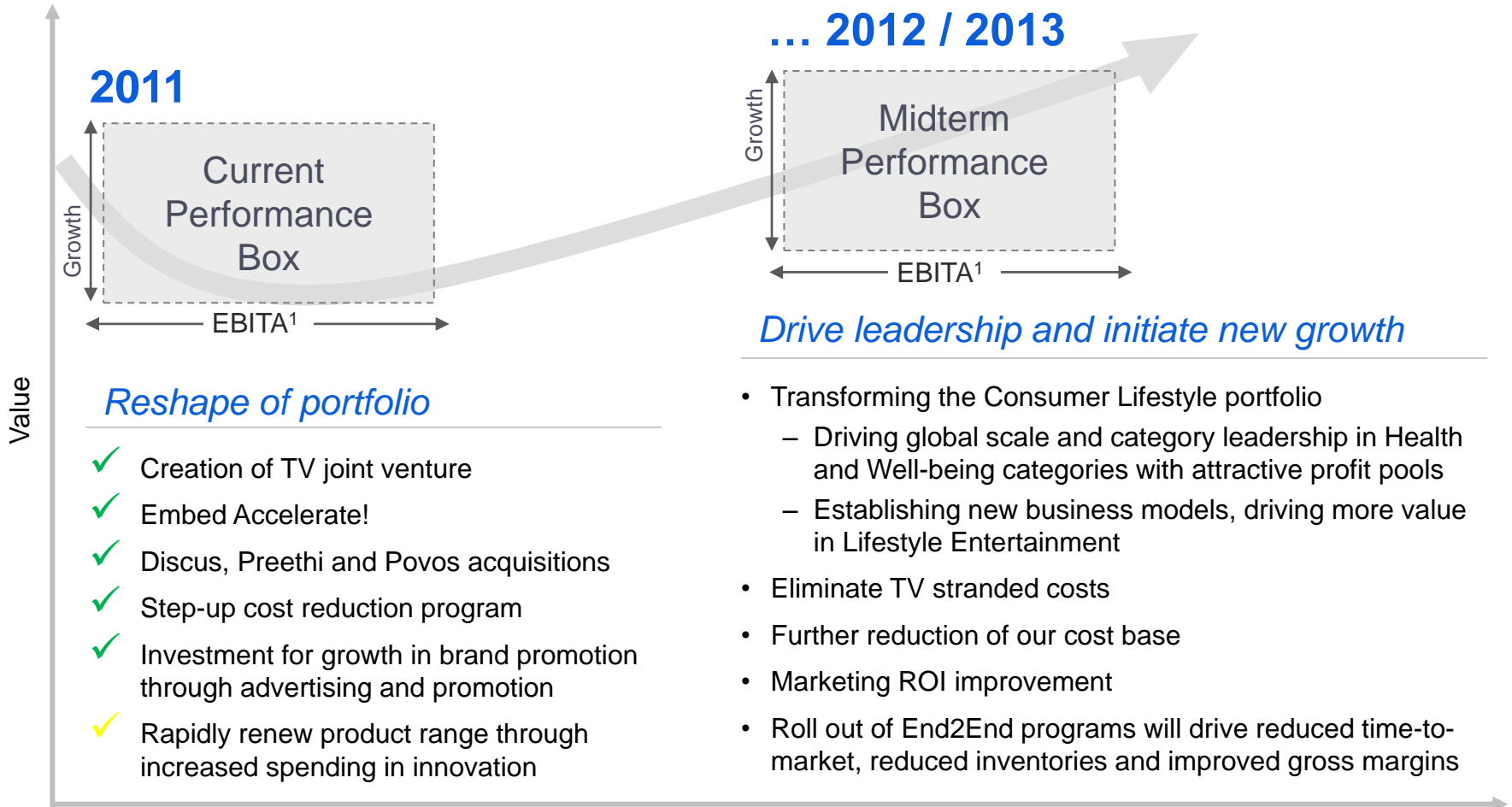
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Path to Value: Consumer Lifestyle

Drive performance towards 8% to 10% EBITA by 2013



Adj. EBITA¹ = EBITA excluding restructuring and acquisition related charges

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