

PHILIPS

sense **and** simplicity

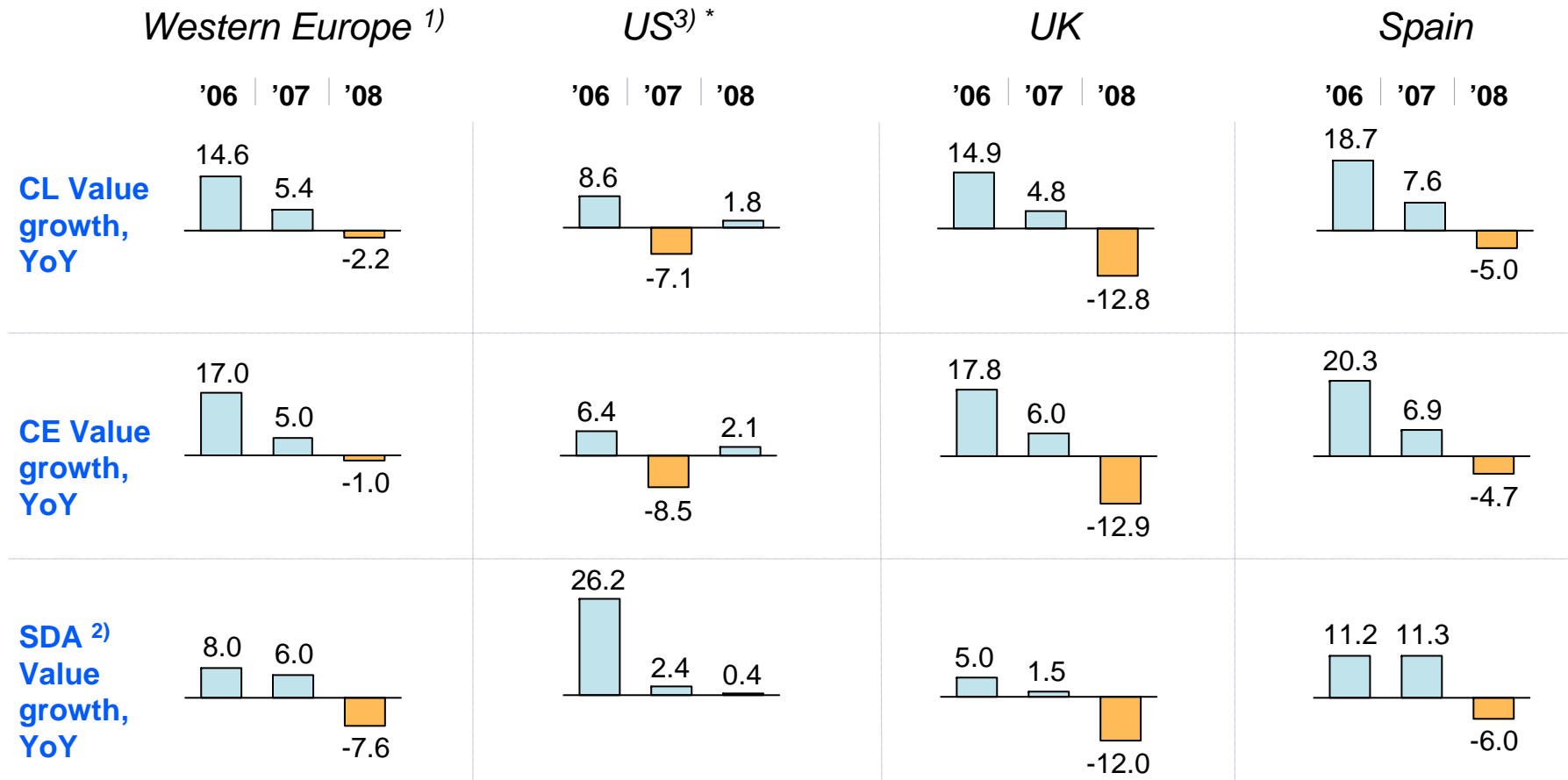
Marketing Strategy

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CMO Philips Consumer Lifestyle

The economic downturn is impacting demand in Consumer Lifestyle's mature markets

All figures given as percentages

06- YTD Sep '08, percent



1) Europe: UK, NL, IT, D, FR, SP

2) SDA = Small Domestic Appliances

3) CE Includes: DVD, Home Theatre Systems, Audio Home Systems, excluding TV.

SDA Includes: Men Shavers and Power Toothbrushes

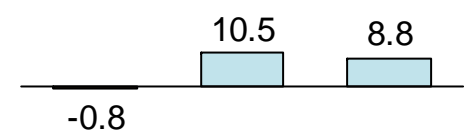
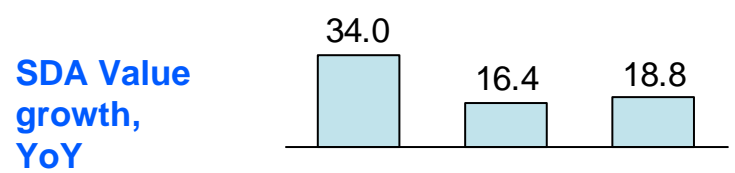
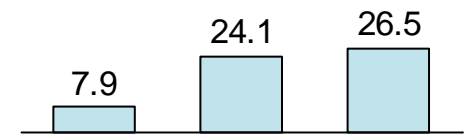
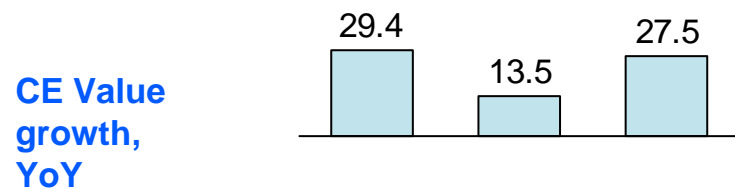
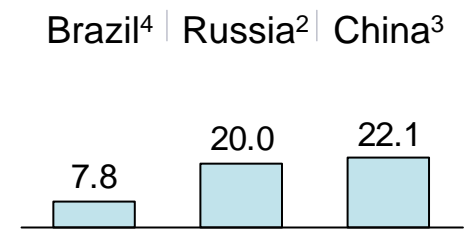
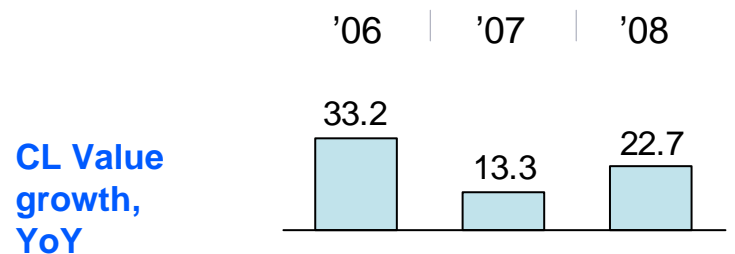
Source: GFK, NPD, AC Nielsen

Through August / September '08, Consumer Lifestyle markets developed positively in emerging markets

All figures given as percentages

CEE 1)

BRIC countries YTD Aug '08 growth



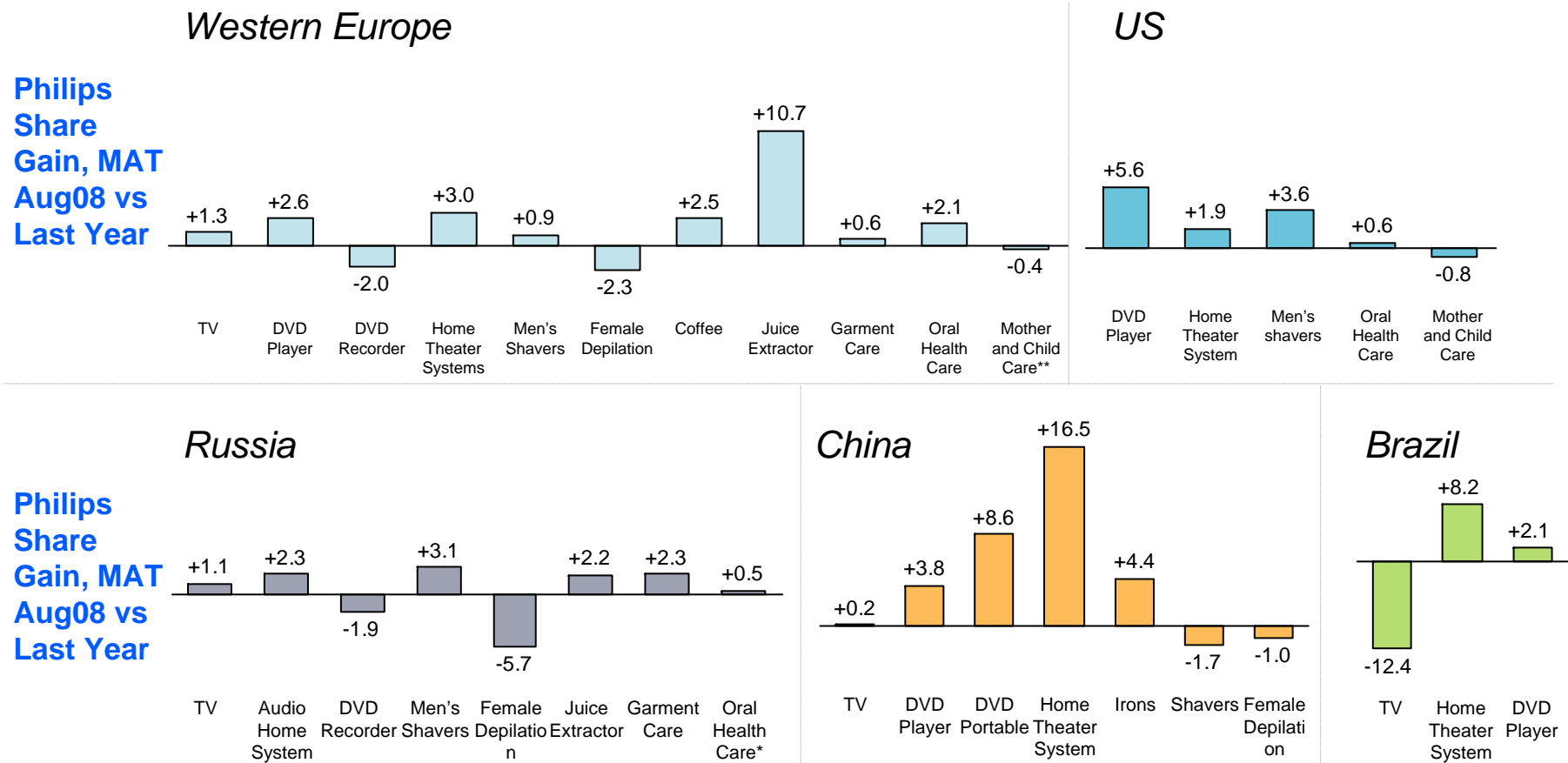
1) Russia and Poland for CL and CE; Russia, Poland, Turkey and Ukraine for SDA
 2) YTD Sept 08 was considered

3) Estimation based on low coverage panel data for key categories
 4) Estimation based on low coverage GfK panel data for key categories
 Source: ZYK, SINO, CEC (China), local GfK (Brazil)



We maintain or increase our market share in most key categories around the world

All figures given as percentages








* Power Toothbrush including Refills **UK only
 Source: GFK (WE countries, Brazil,Russia), SINO,CEC,ZYK (China), NPD(USA)

PHILIPS

Philips has clear global leadership positions

Male shaving, Power Toothbrushes, Mother & Childcare, DVD players and portable DVD

Philips is global #1 leader:

Philips Category	Key Competitor	Value Share Index ²⁾ Philips vs. Key Competitors
1 Male dry shaving		240
2 Power Toothbrush		124
3 Mother & Childcare		101
4 DVD players		195
5 DVD portable		143

1) Market share: 14 key markets: 6WE countries, US, BRIC, Poland, Turkey, Ukraine, MAT Aug 2008; US excluded for DA categories and hair care

2) Index: 100 = as good as the best competitor; > 100 better than the best competitor; < 100 less good than the best competitor








Source: market share data: GfK, NPD, AC Nielsen, CEC, SINO, ZYK;

PHILIPS

Philips has a number of regional leadership positions

Drip Filter Coffee, Female Depilation, Garment Care, Haircare and Food Preparation

Philips is regional leader: #1 / #2 in key regions

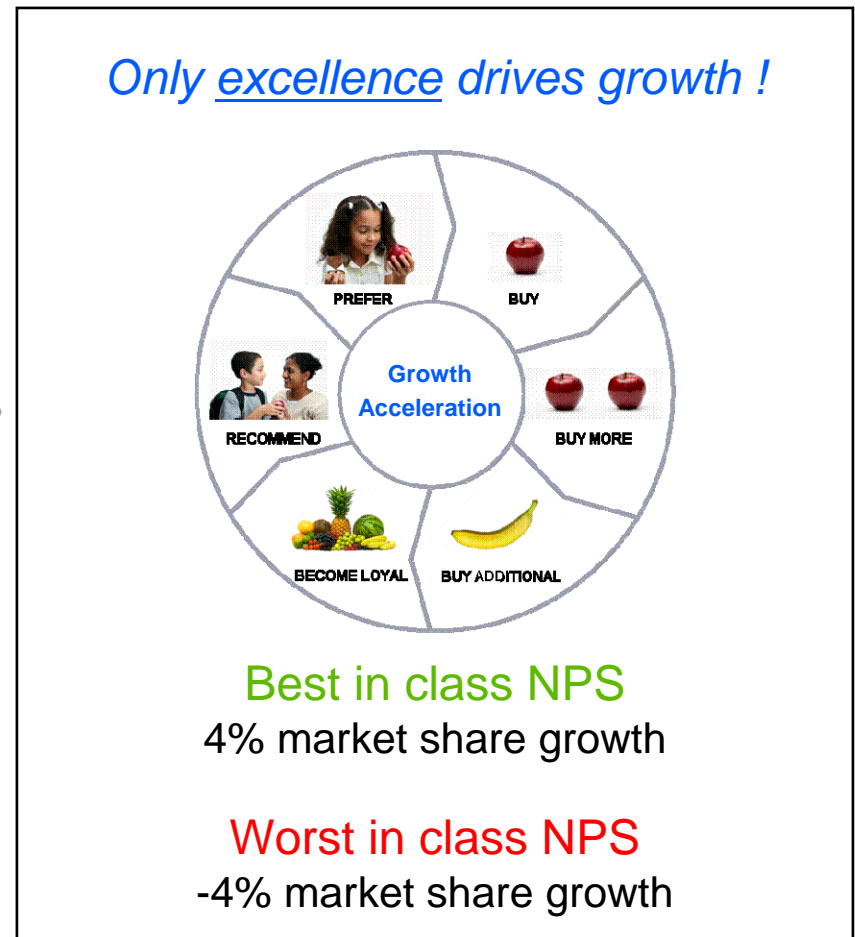
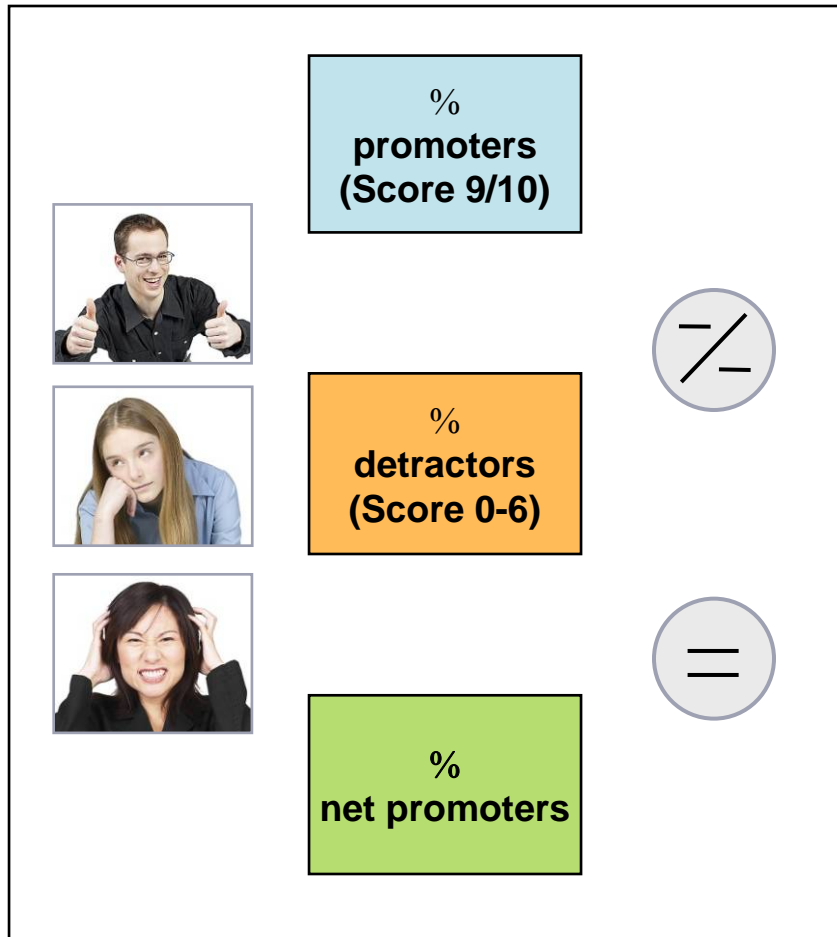
Philips Category	Key Competitor	Value Share Index ²⁾ Philips vs. Key Competitors	Regional Leader in
6 Drip Filter Coffee		307	WE
7 Female Depilation		55	WE, CEE
8 Garment Care	 	130	WE, CEE, China
9 Haircare		90	CEE, China
10 Food Preparation	 	95	WE, CEE, Brazil, China

1) Market share: 14 key markets: 6WE countries, US, BRIC, Poland, Turkey, Ukraine, MAT Aug 2008; US excluded for DA categories and hair care

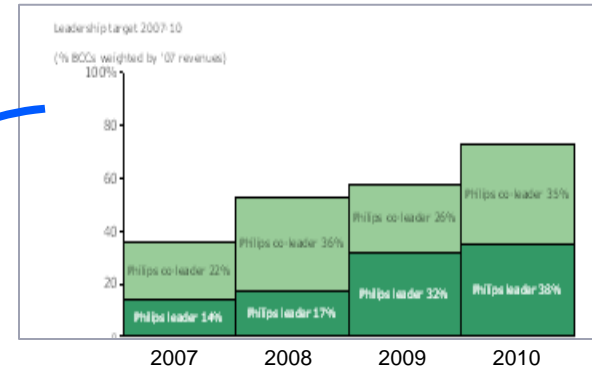
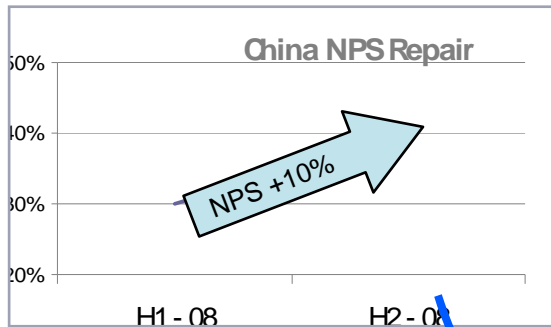
2) Index: 100 = as good as the best competitor; > 100 better than the best competitor; < 100 less good than the best competitor

Source: market share data: GfK, NPD, AC Nielsen, CEC, SINO, ZYK;

Net Promoter Score drives profitable growth



We drive NPS improvement across all touch points in a structured and disciplined manner



Tracking NPS at key touch point

Benchmark & deploy target

Measure at key touch point

Risk Management

Action – win promoter plans

PHILIPS Oral Healthcare NPS Initiatives

Top initiatives addressing Conversion of Non-Promoters				
Problem statement	Initiative	Project Status	Due Date	Owner
Are more steps to acquire positive Philips feedback from customers requirements are not met?	Reduce the barriers and make efficiency in regards to process to improve Philips customer requirement such as need to visit	On Track	Q1, 2009	Walter Chung (Asia/SEA)
Are Philips non-promoter product does not meet the expectations of cost and product performance?	Improve the price/Philips non-promoter NPS by reducing barriers regarding the non-brand perception	On Track	Q4, 2008	Walter Chung (Asia/SEA)
Are all sales centers are not not participating in Philips feedback & share products in, gathering	Reduce & improve barriers in current program through direct	On Track	2009	Eric Holmberg
Top initiatives addressing Leveraging Promoters				
Problem statement	Initiative	Project Status	Due Date	Owner
Availability & experience of point technology is not communicated to network	Improve communication & demonstration on how technology works	On Track	2009	Eric Holmberg
Professional sales are not used and commitment to professional and sales opportunities are not due to CP/operation as well as opportunity to sales able to sell to new offices	Drive sales support for existing products	On Track	Q4, 2008	Pat Davidson
Currently recommending dentists for initiatives is difficult to get their names and being about	Develop a pilot ambassador program aimed at helping dentists to engage their recommendation more easily and effectively, and create more frequency	On Track	Q1, 2009	Eric Holmberg



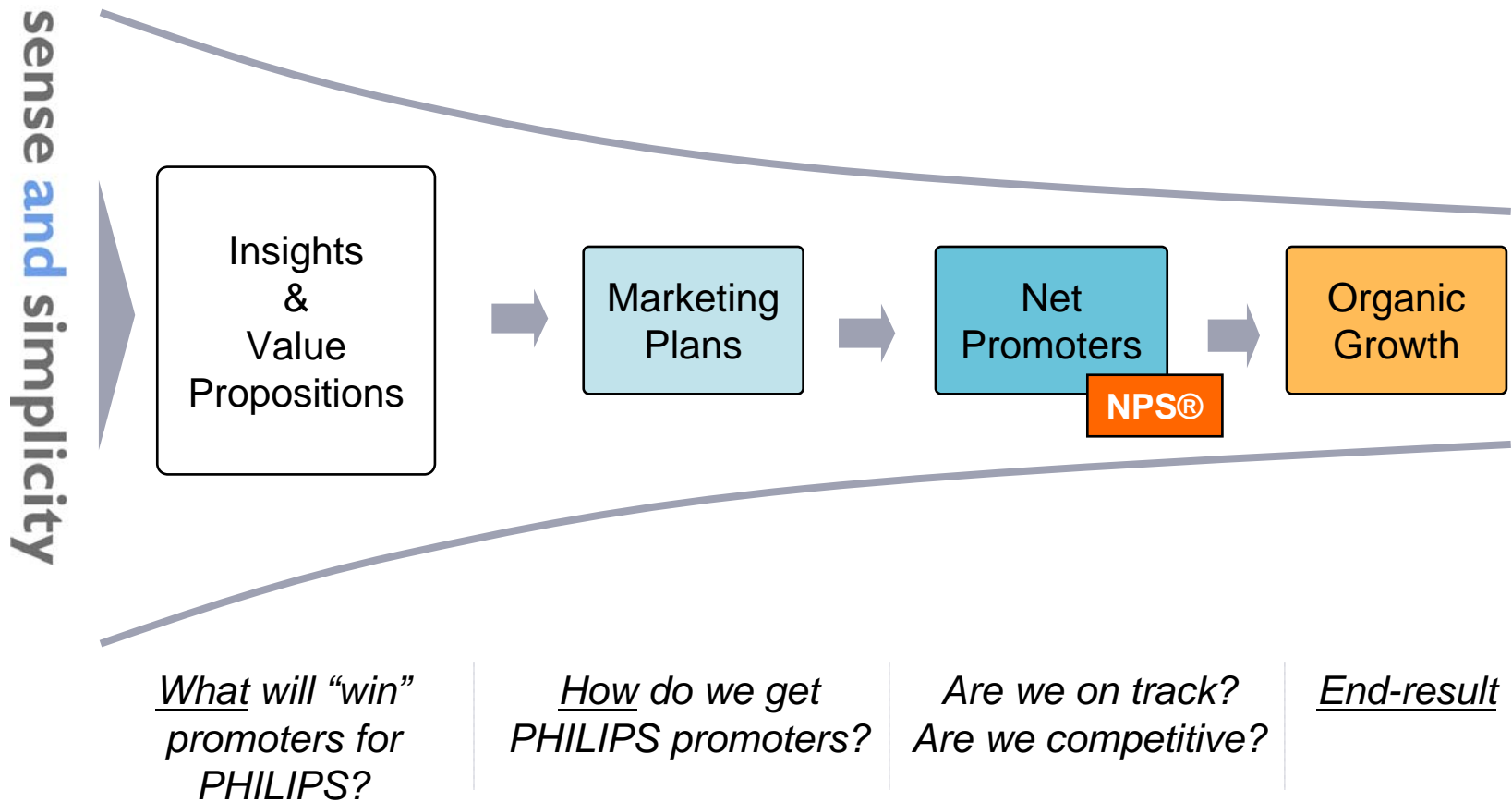


Global and Regional Leadership positions correlate with higher Net Promoter Score and higher profitability

Philips Category	Leadership position	Net Promoter Score	EBITA multiple vs. average Consumer Lifestyle
Shavers	Global	No 2	3-4x
Oral Healthcare	Global	No 1	3-4x
Mother & Childcare	Global	No 1	2-4x
Garment care	Regional	No 2	2-4x

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We have applied the unique marketing competence which was a core element of DAP's success



PHILIPS

We have already a number of great proofpoints that this marketing competence works to drive profitable growth



Arcitec Shavers



Health Juicers



Wake-Up-Light



Ambilight



Flexcare

Sales

Actual In-market – Index vs. plan

112

115

142

128

110

EBIT

Index vs. plan

156

133

1266

153

125

NPS

No. 2

No. 2

No. 1

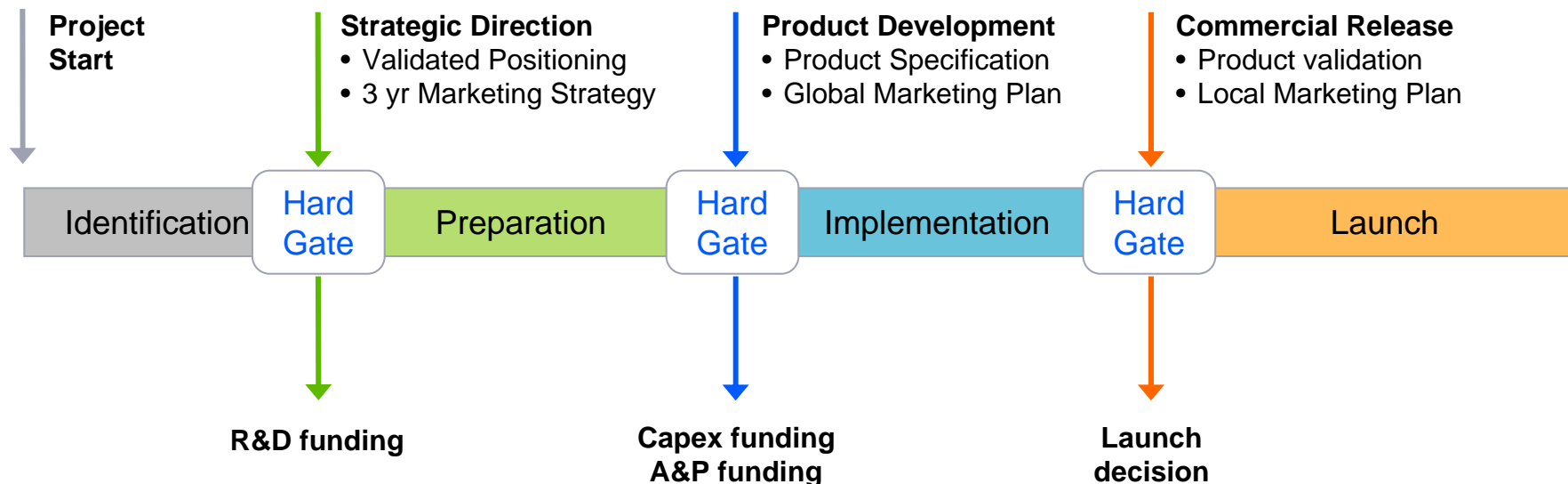
No. 1

No. 1

Note: In-market data in first 18 months after launch

We manage innovation with rigorous discipline to maximize return of R&D and Marketing investments

- Early agreement on what to deliver; multidisciplinary teams
- Predict chances of success by consumer validation. Stop earlier.
- Quality function ensures products released to the market meet consumer expectations.
- Hard gates for key projects are approved by the management team.
- Investments are visible and traceable through Intranet tool: Marketing @ Investor.





We are structurally making our Marketing investments more effective and efficient to improve ROI and Brand Strength

	2006/2007	2008	2009
Shift more funds to A from P	35 : 65	40 : 60	50 : 50
Increase investment in growth markets	Index 100	Index 120	Index 150
Advertising support for Mission Critical Initiatives	36%	42%	73%
Funds allocated for Advertising	many campaigns in many markets	fewer campaigns in many markets	fewer markets, focused campaigns
Campaign Effectiveness / ROI - % positive	45%	70%	>70%

Interbrand ranking: Philips +8% in brand value: \$ 8.3 billion 2008

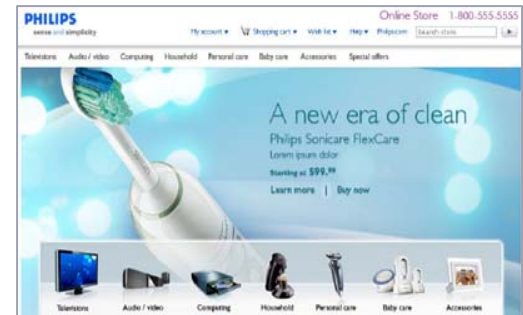
Online Sales and Marketing a great and incremental profitable opportunity!

A very solid base in 2008

- 100M consumer visits in 57 countries to our web environment; growth of 45%
- 36% of consumers positively influenced after their web visit; best in our industry
- Solid consumer loyalty online, 47% repeat

Mid term key targets

- One Billion Euro online sales at higher profitability; direct and via e-retail
- A social network of 200M online consumers



Key Takeaways

- We are maintaining our market shares and have several strong global and regional leadership positions
- Net Promoter Score is key to profitable growth and we drive it in a disciplined and structured manner
- Proven in former DAP, we have built a clear and unique marketing competence with great concrete proofpoints
- To optimize Return on Investment on R&D and Advertising & Promotion we have a thorough product creation and investment allocation process in place
- We have an incremental profitable growth opportunity in online sales and marketing

