PHILIPS

sense and simplicity

Marketing Strategy

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CMO Philips Consumer Lifestyle

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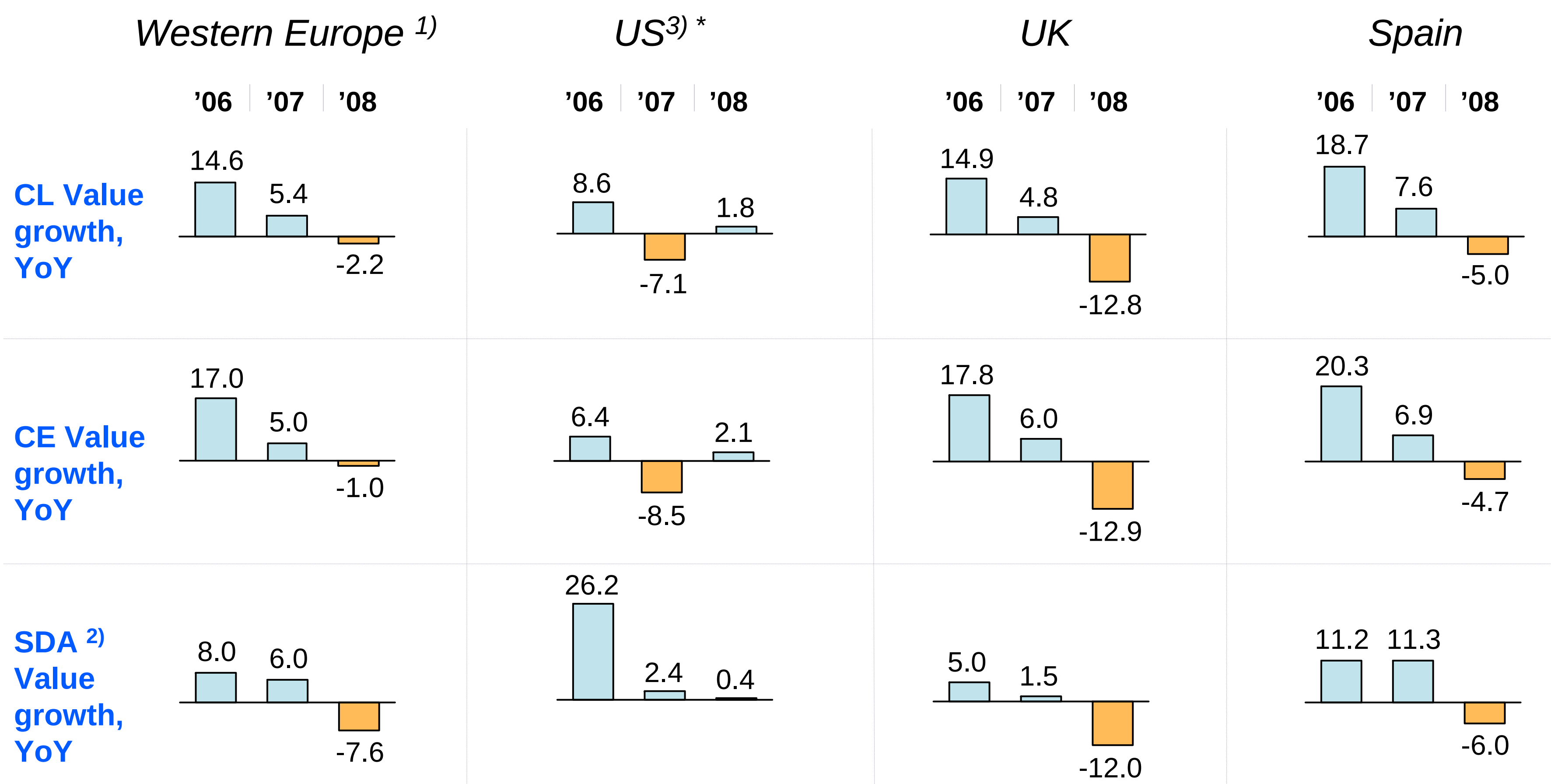
The economic downturn is impacting demand in Consumer Lifestyle's mature markets

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

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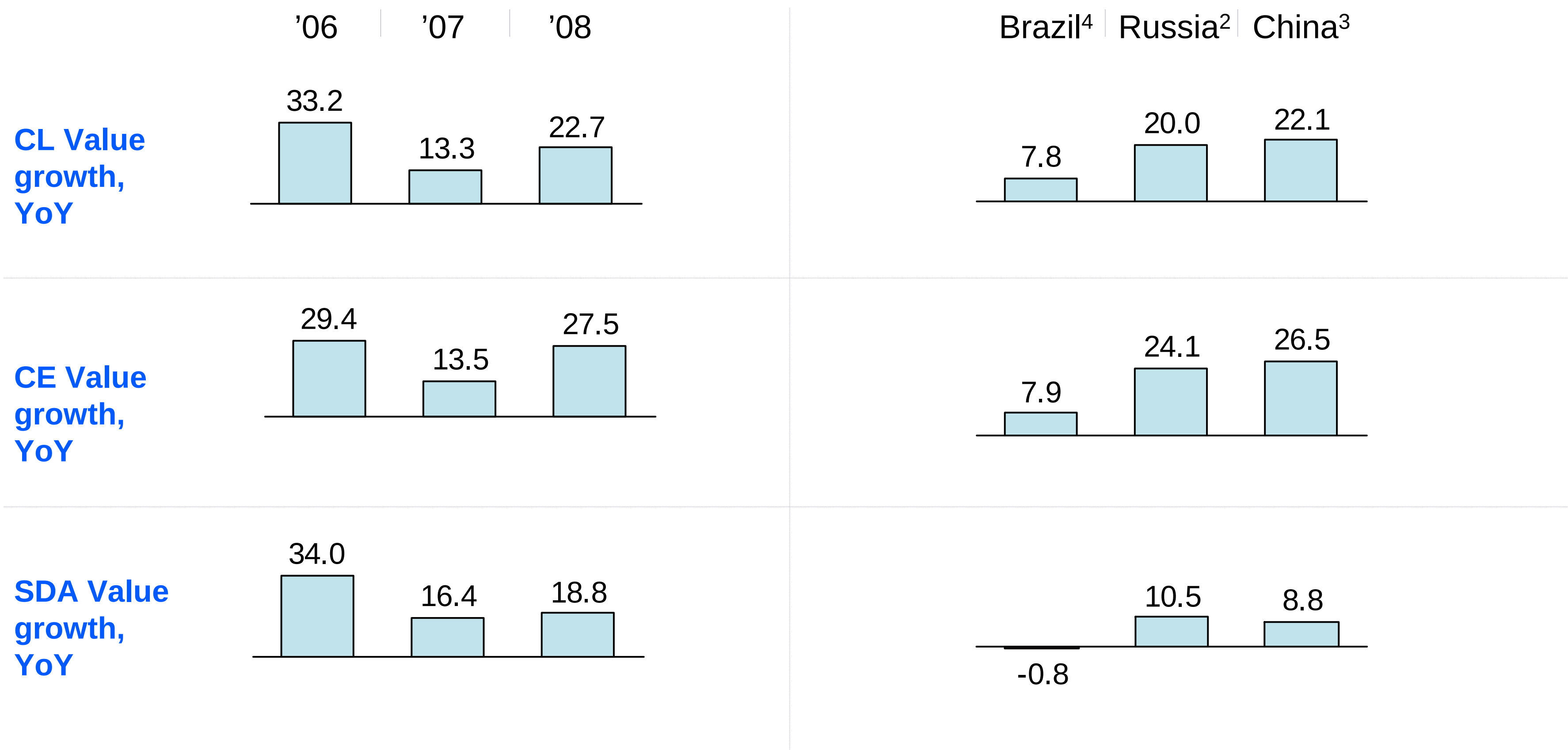
Through August / September '08, Consumer Lifestyle markets developed positively in emerging markets

All figures given as percentages

CEE 1) *BRIC countries YTD Aug '08 growth*



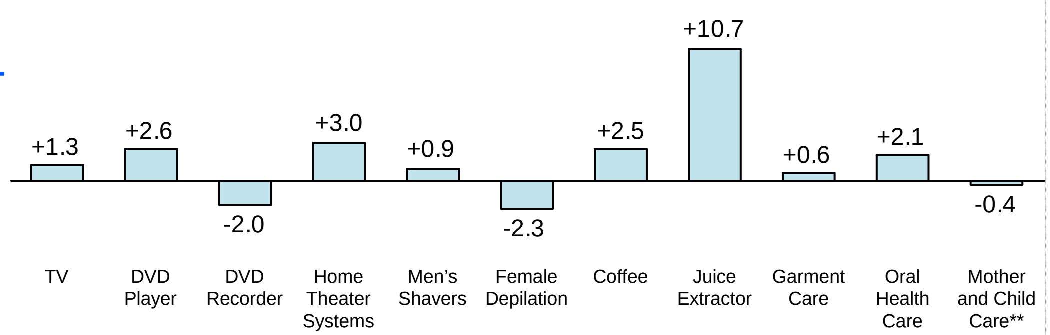
1) Russia and Poland for CL and CE; Russia, Poland, Turkey and Ukraine for SDA
2) YTD Sept 08 was considered
3) Estimation based on low coverage panel data for key categories
4) Estimation based on low coverage GfK panel data for key categories
Source: ZYK, SINO, CEC (China), local GfK (Brazil)

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

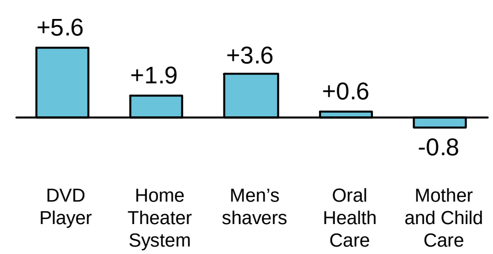
All figures given as percentages

Western Europe

Philips Share Gain, MAT Aug08 vs Last Year

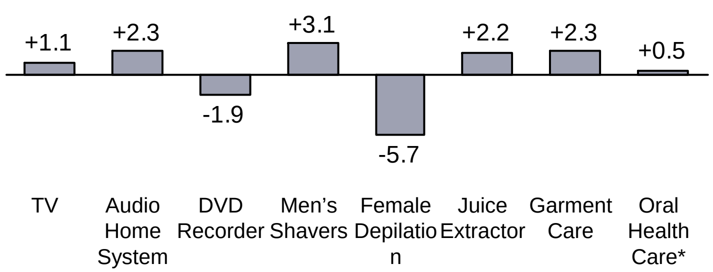


US

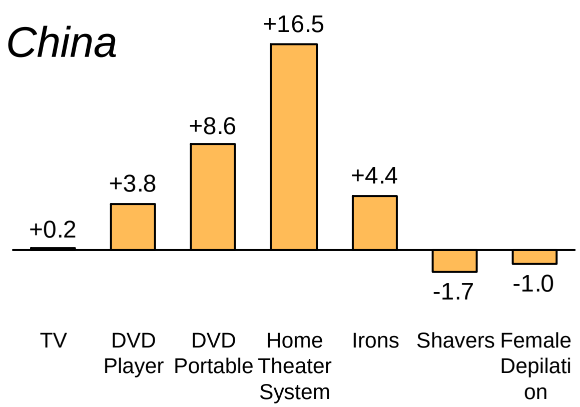


Russia

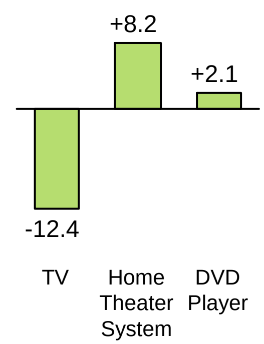
Philips Share Gain, MAT Aug08 vs Last Year



China



Brazil



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

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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	P&G BRAUN	240
2 Power Toothbrush	P&G Oral-B	124
3 Mother & Childcare	Energizer Playtex	101
4 DVD players	LG	195
5 DVD portable	SONY	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;

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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	Groupe SEB Krups	307	WE
7 Female Depilation	P&G Braun	55	WE, CEE
8 Garment Care	Groupe SEB Tefal	130	WE, CEE, China
9 Haircare	Conair BaByliss Paris	90	CEE, China
10 Food Preparation	DeLonghi Kenwood	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;

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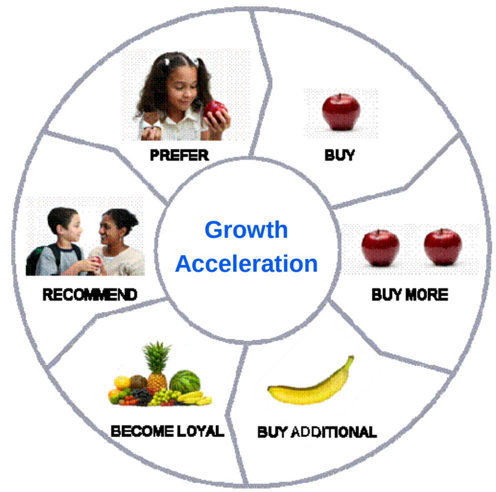
Net Promoter Score drives profitable growth

%
promoters
(Score 9/10)

%
detractors
(Score 0-6)

%
net promoters

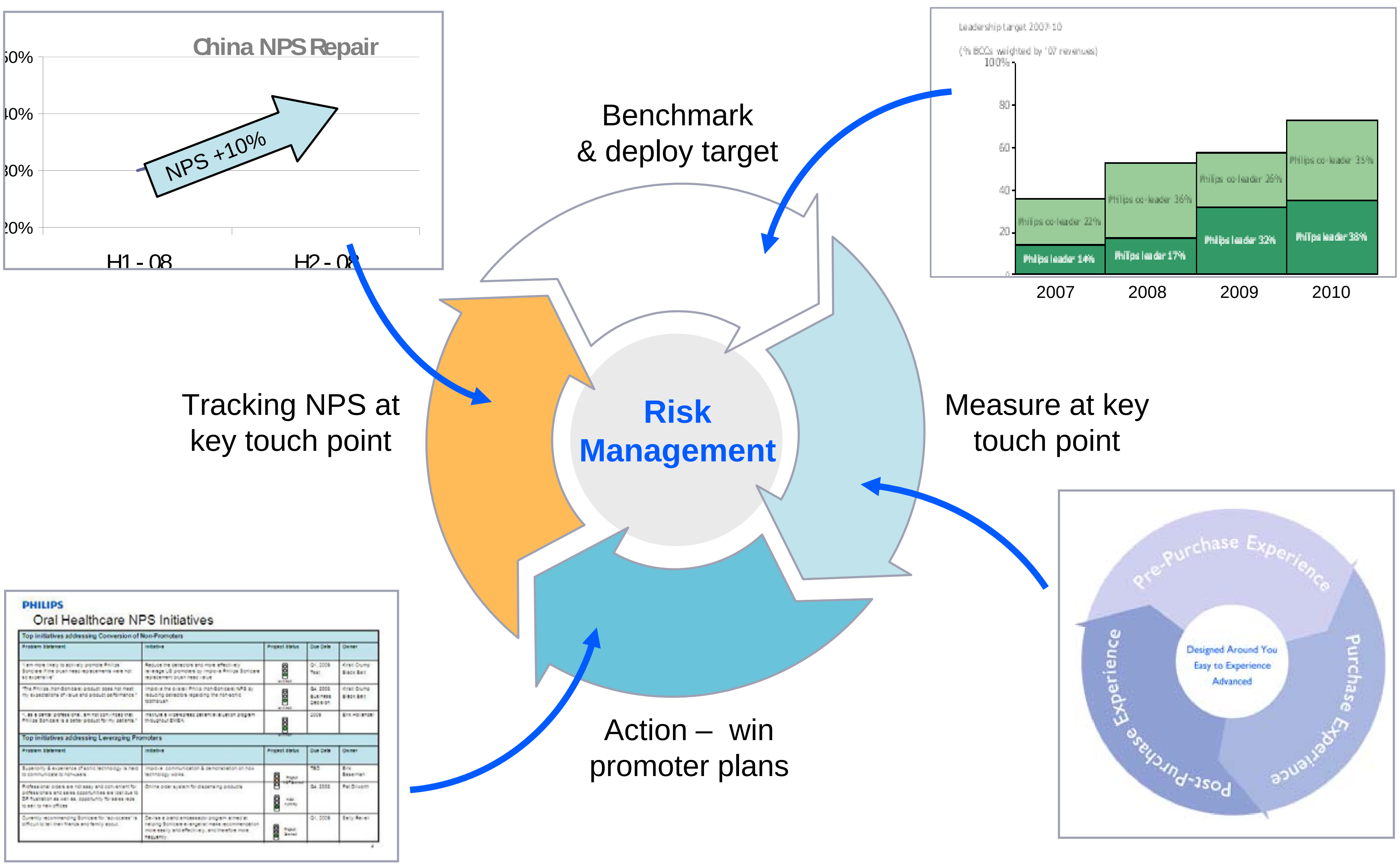
Only <u>excellence</u> drives growth !



Best in class NPS
4% market share growth

Worst in class NPS
-4% market share growth

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



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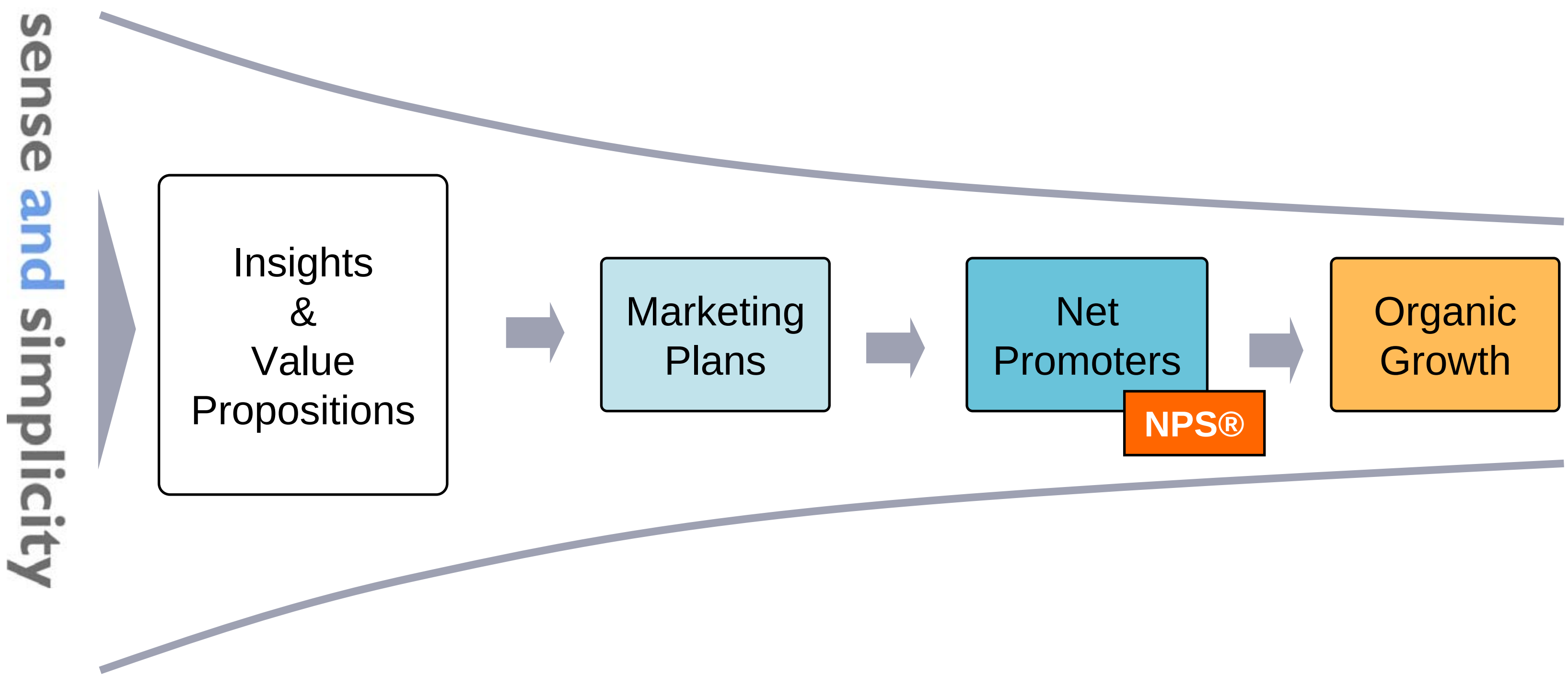
We have applied the unique marketing competence which was a core element of DAP’s success



<u>What</u> will “win” promoters for PHILIPS?

<u>How</u> do we get PHILIPS promoters?

Are we on track? Are we competitive?

<u>End-result</u>

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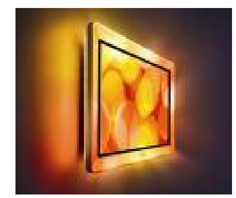
We have already a number of great proofpoints that this marketing competence works to drive profitable growth






	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

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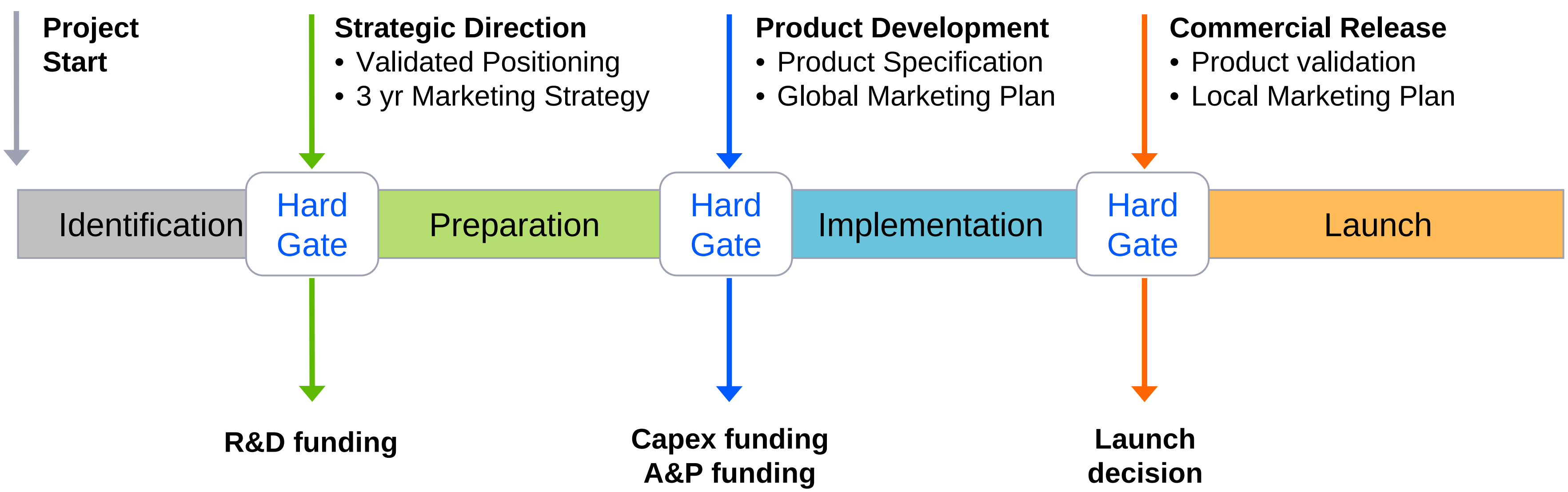
We manage innovation with rigorous discipline to maximize return of R&D and Marketing investments

- 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.



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

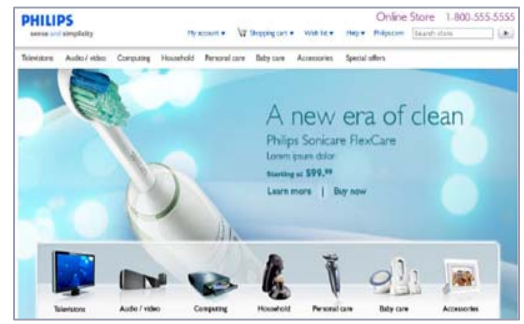
	2006/2007	2008	2009
Shift more funds to A from P	35 : 65	40 : 60	50 : 50
Increase investment in growth markets	Index 100	Index 120	Index 150
Advertising support for Mission Critical Initiatives	36%	42%	73%
Funds allocated for Advertising	many campaigns in many markets	fewer campaigns in many markets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

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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

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