

PHILIPS

Vision 2010

Philips Consumer Lifestyle Sector

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CEO Consumer Lifestyle Sector
Financial Analysts' Day
December 6, 2007

Our mission

Philips has reinvented itself many times, but through it all, our core, the soul of our company, remained intact. That is because it was part of our company since its inception in 1891. It is the passion to...

“Improve the quality of people’s lives through timely introduction of meaningful innovations”



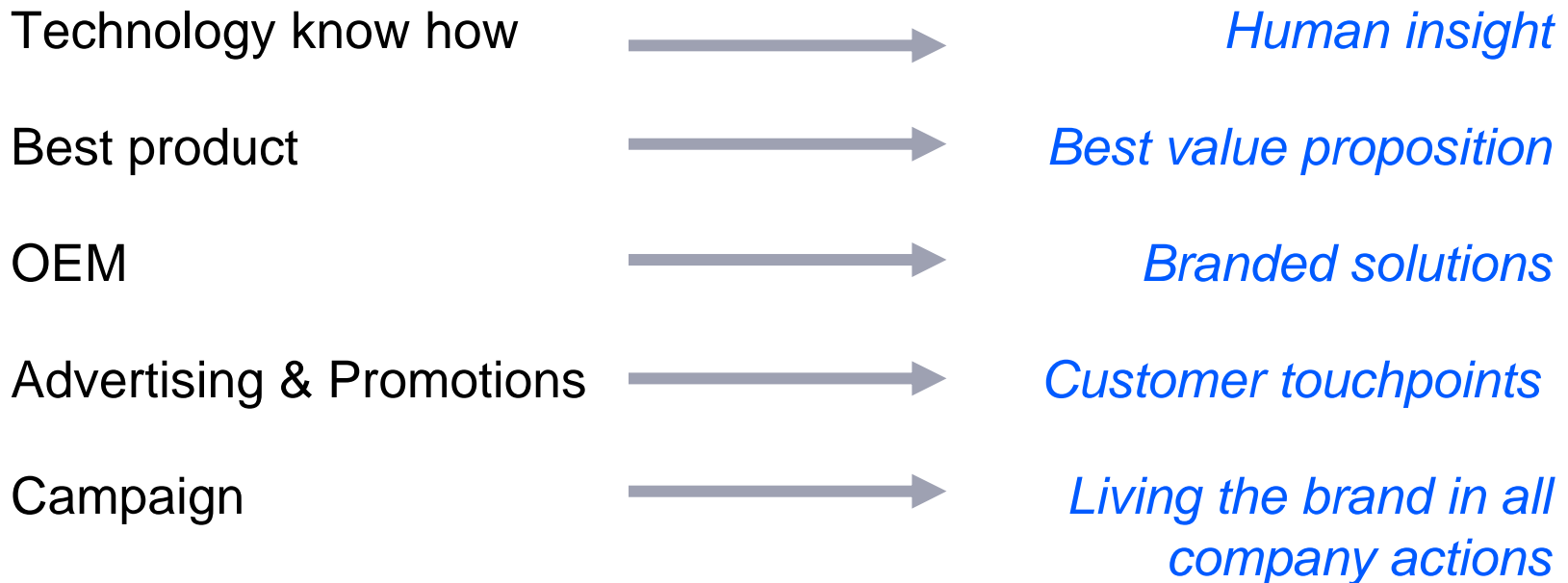
Our vision

“In a world where complexity increasingly touches every aspect of our daily lives, we will lead in bringing sense and simplicity to people”



Turning the brand promise into reality

sense **and** simplicity



Winning in our chosen markets

Our businesses are centered around *people* and the *quality of their lives*

We address the needs of *consumers* in four domains of lifestyle; *space, appearance, body and mind...*

..and the needs of *professionals* that improve the quality of life in the domains of body (*healthcare*) and space (*lighting*)

Our competitive differentiation is in our *brand* and in our *innovation* capabilities

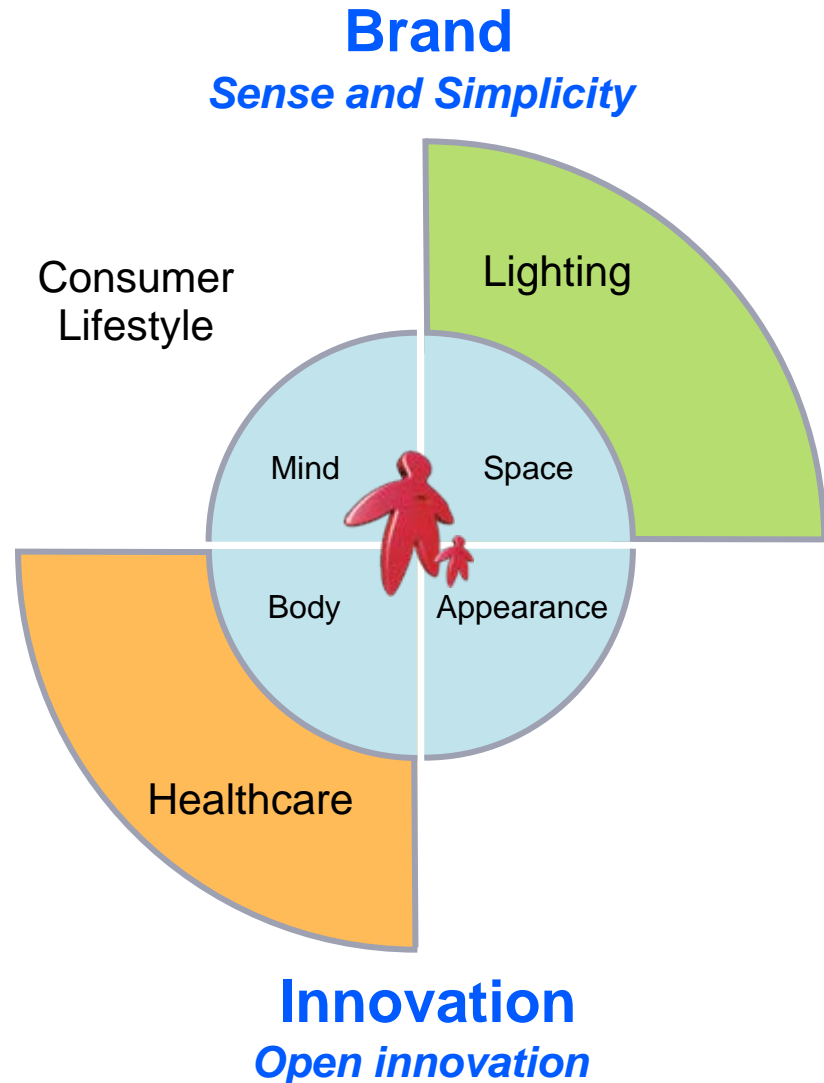
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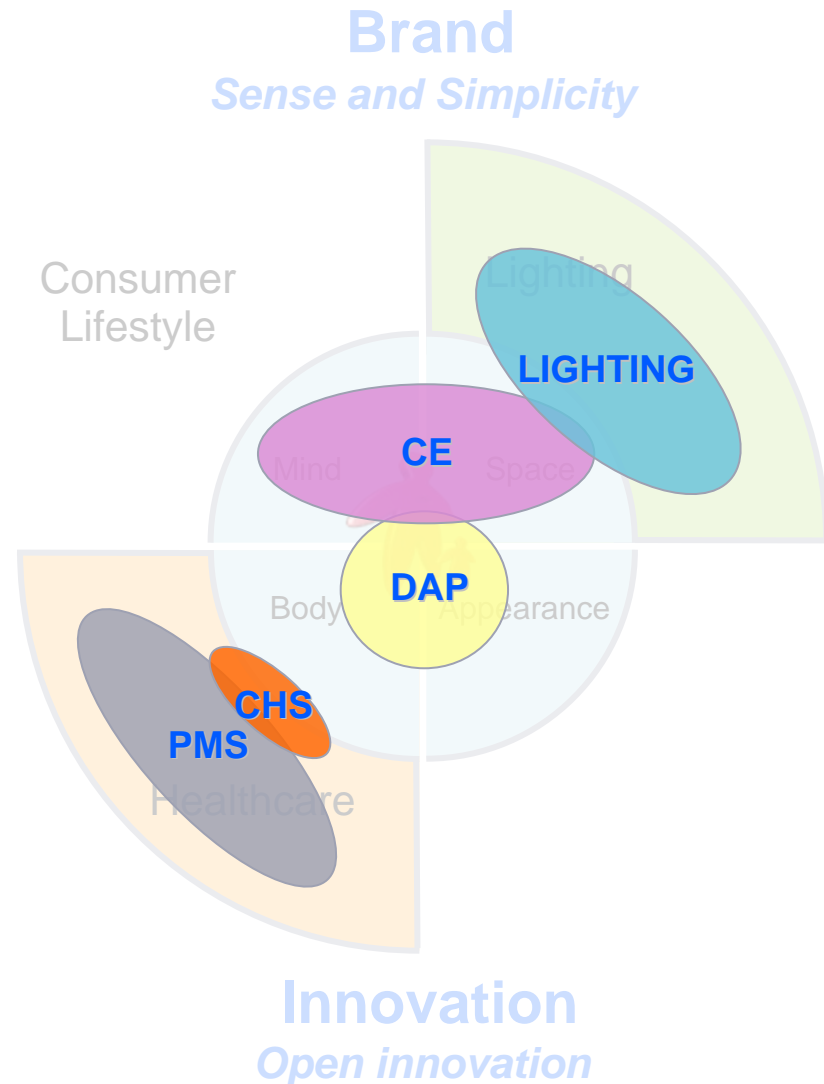
Our existing divisions span multiple domains/markets

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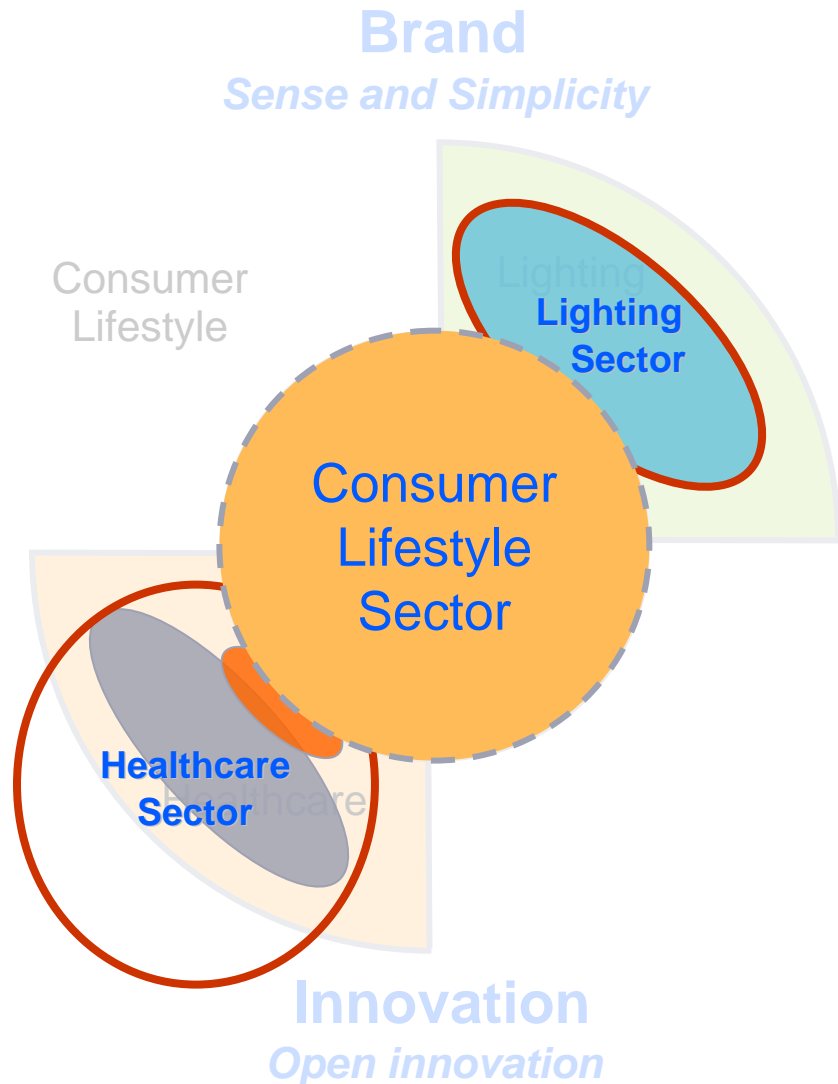
Our organization follows our strategy

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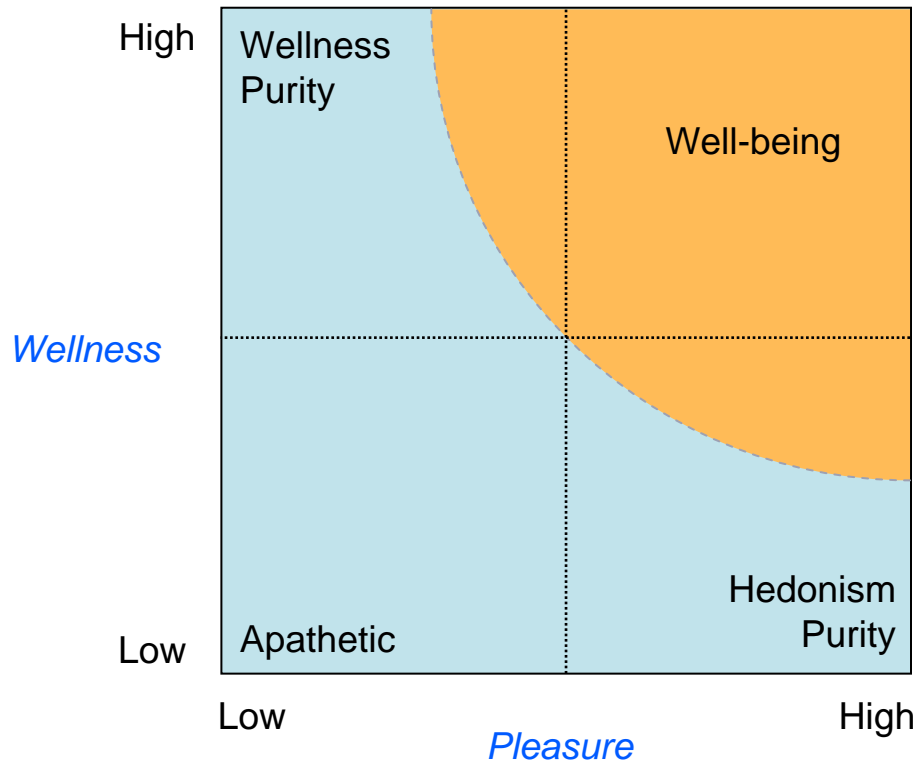
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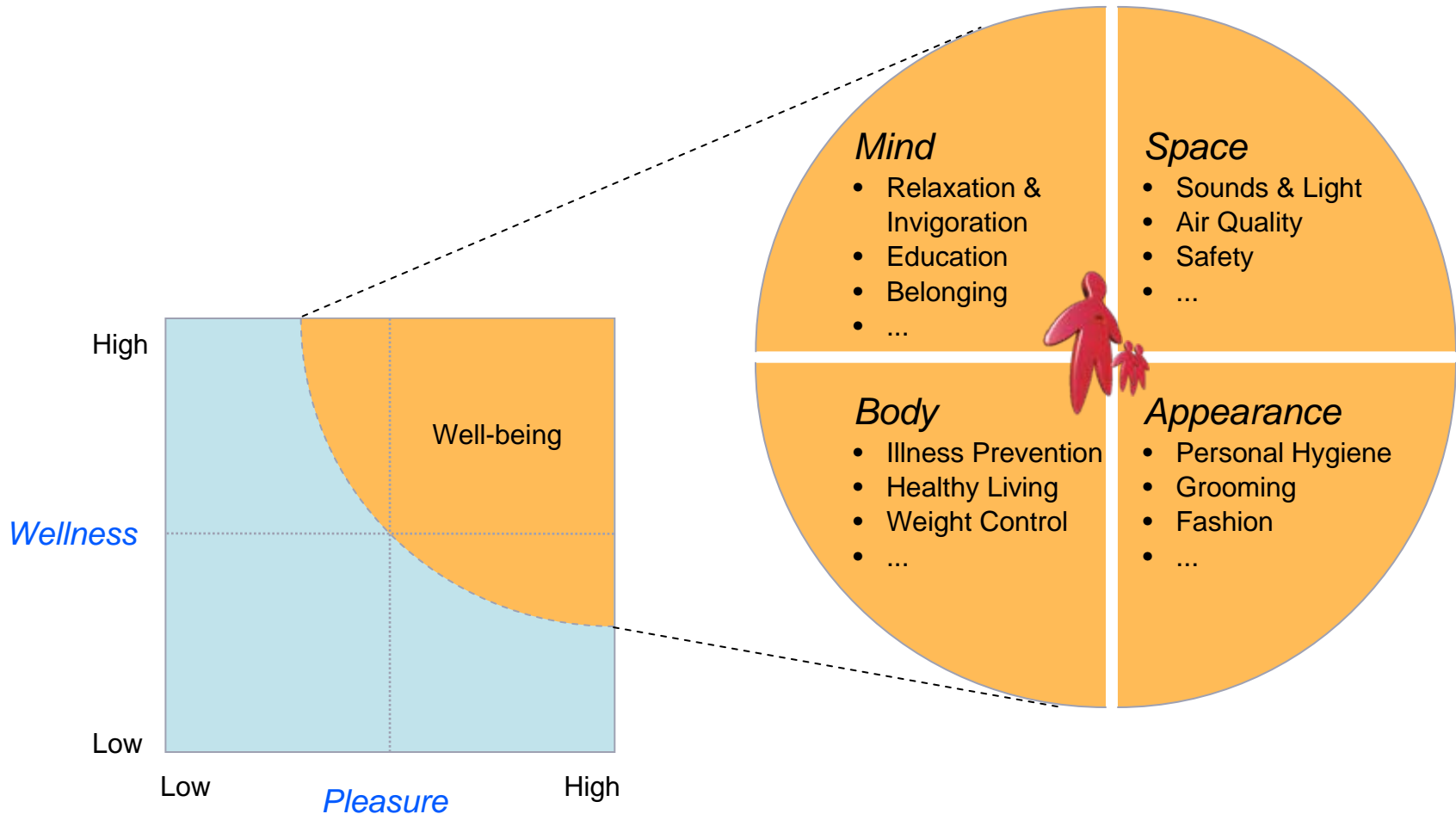


Our Consumer Lifestyle Sector targets the Well-Being space

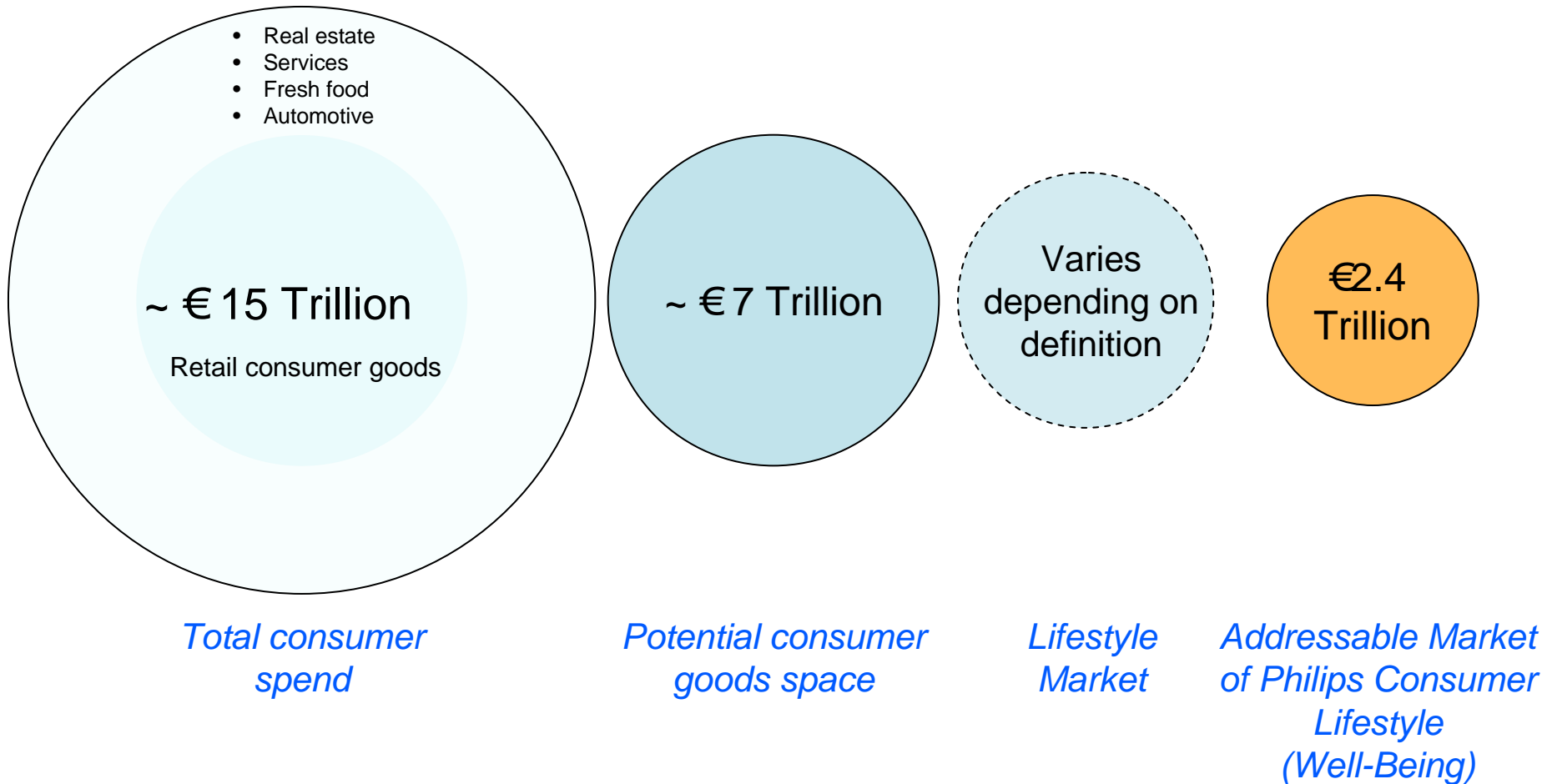
*Well-being: a combination of both **Wellness** and **Pleasure** needs*



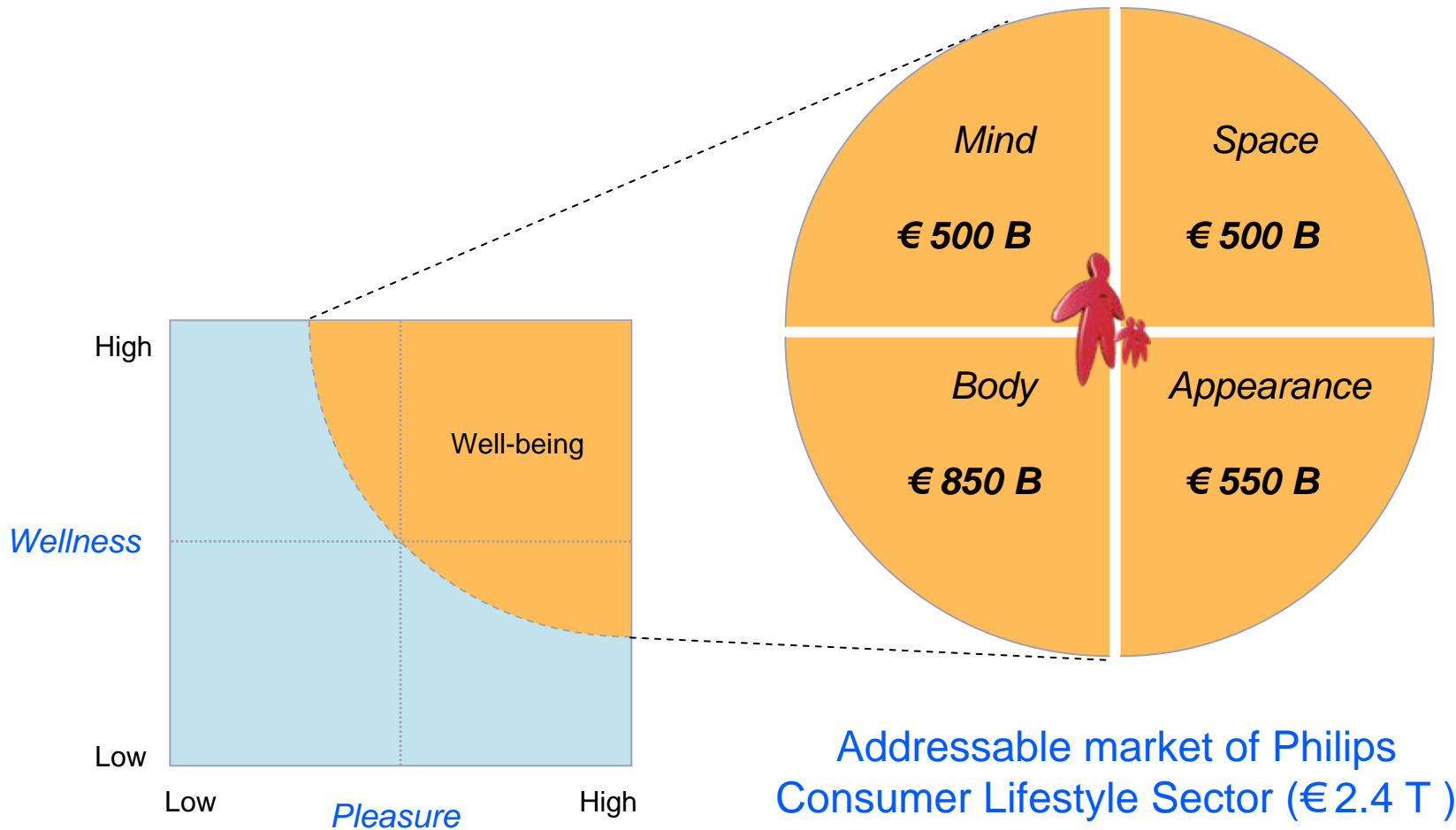
Within this space, consumers realize their personal Well-Being through four domains



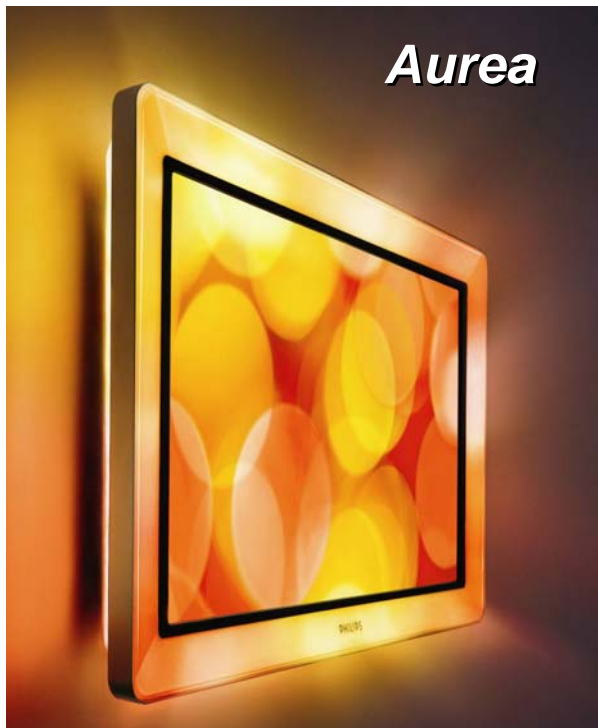
The Well-Being market is substantial



This ~ €2.4 Trillion Market is spread across the four domains of Well-Being



My **Mind** and My **Space**



Wake-up Light

Ontwaak zonder gewekt te worden

Philips Wake-up Light. Als u het bed bent om moe wakker te worden, laat ons dan uw ogen openen voor een nieuwe manier van wakker worden! De Philips Wake-up Light wekt het lichaam geleidelijk met licht in plaats van plotseling met geluid. Als u opstaat, bent u vanzelf wakkerder en alerte en klaar om de dag te beginnen.



PHILIPS

The advertisement features a woman waking up in bed, with a warm, golden light emanating from a bedside table. A small inset image shows the Philips Wake-up Light device. The Philips logo is at the bottom right.

My **Body** and My **Appearance**



Moisturizing shaving system

PHILIPS

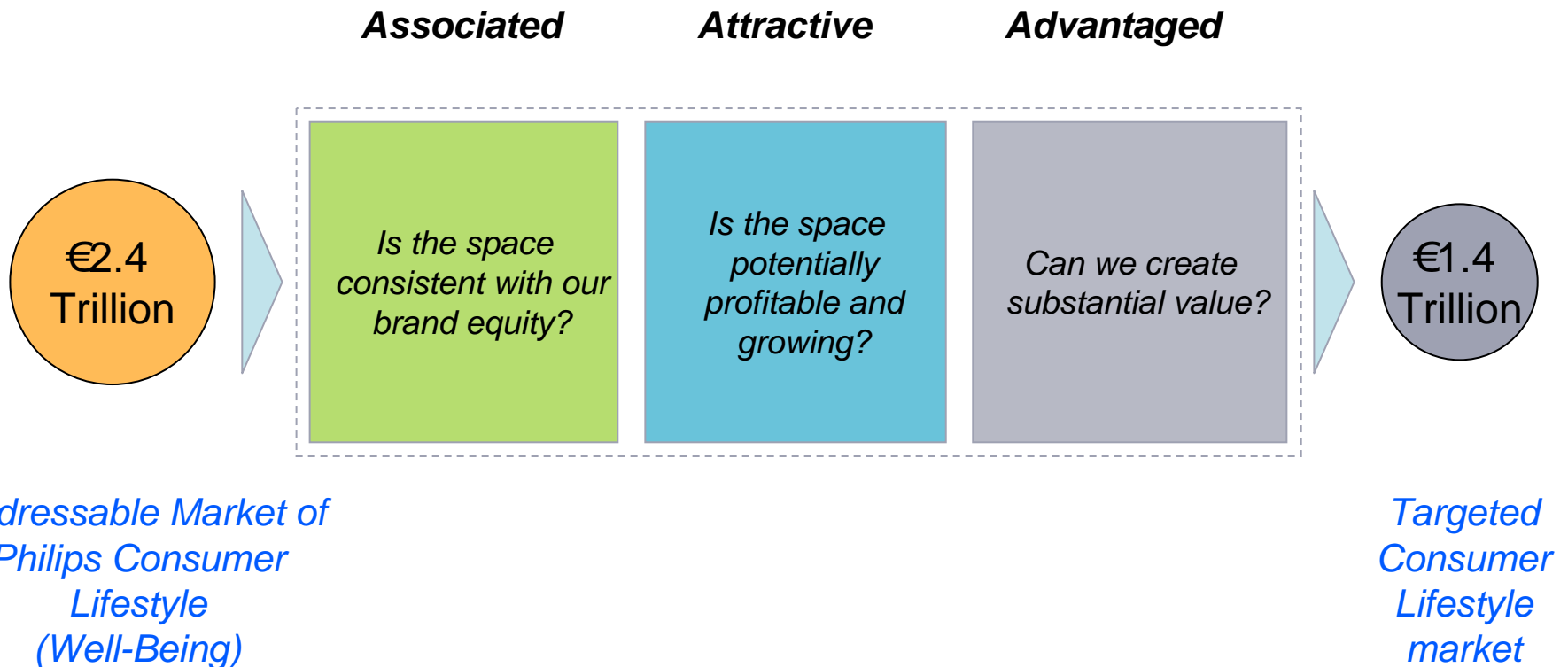
Feel different

www.philips.com/feeldifferent

The sleek new Moisturizing shaving system can make all the difference to your skin. With built-in NIVEA FOR MEN moisturizer, it soothes the skin, prevents irritation and keeps it looking healthy. So, you won't just see the difference it makes to you and your skin, you'll feel the difference.

A promotional image for the Philips Moisturizing shaving system. It features a man and a woman in a futuristic, rainy setting. The man is wearing a blue earbud, and the woman is wearing a futuristic, metallic headpiece. The background is dark and rainy, with light reflecting off the water droplets.

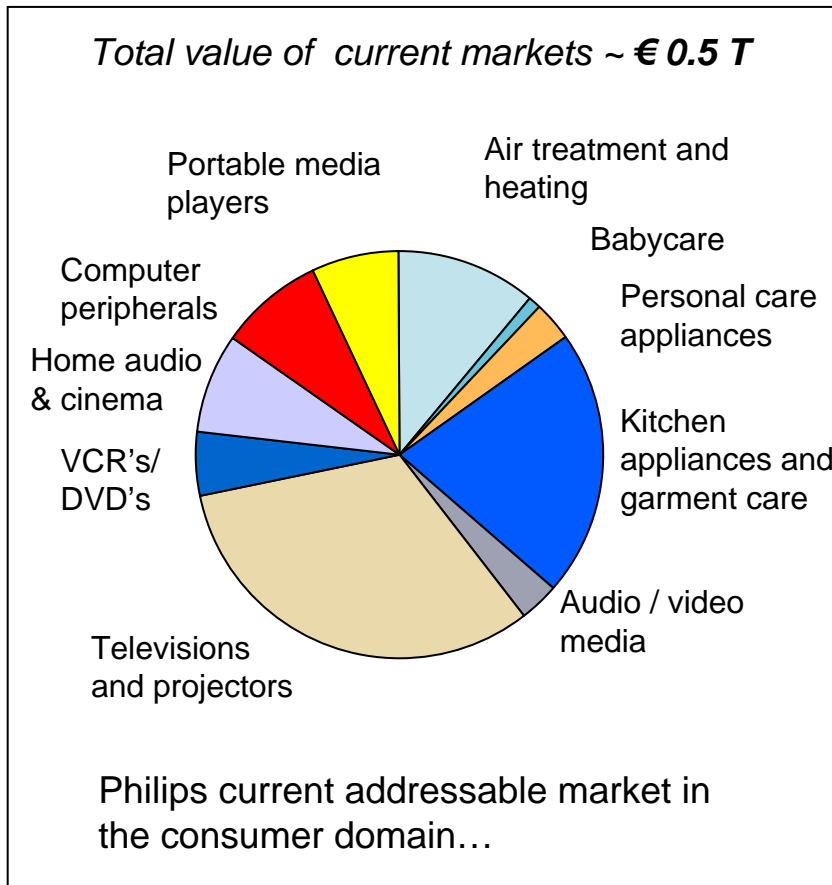
Within this Well-Being market, we have made explicit choices about where we will focus



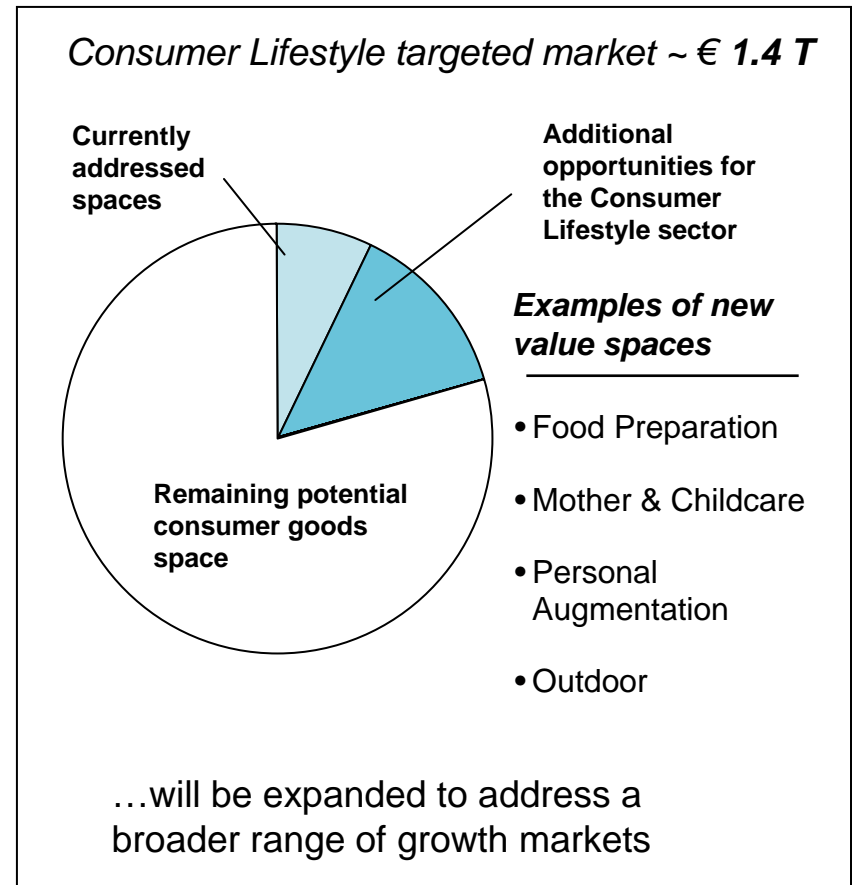
Consistent with mission, vision, and "Sense and Simplicity"

Our targeted Consumer Lifestyle markets include more than just the combination of CE and DAP

Current Philips DAP+CE Markets 2007



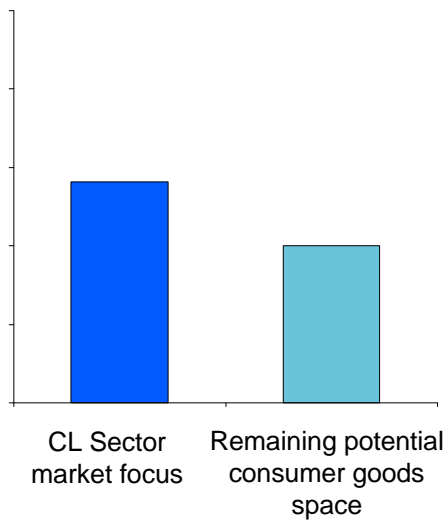
Targeted Consumer Lifestyle Market



Our targeted Consumer Lifestyle markets grow faster than the overall consumer goods market

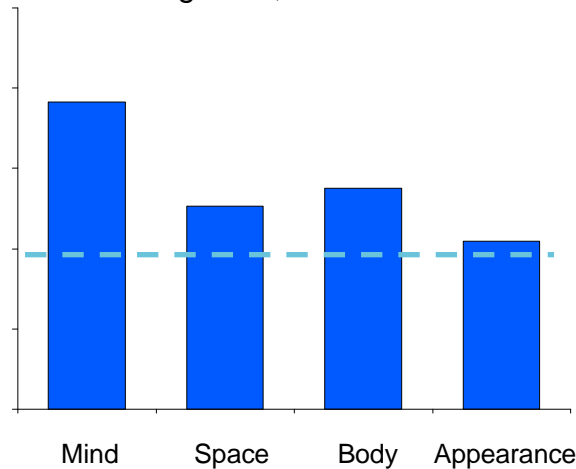
Overall

Market growth, 04-07 CAGR



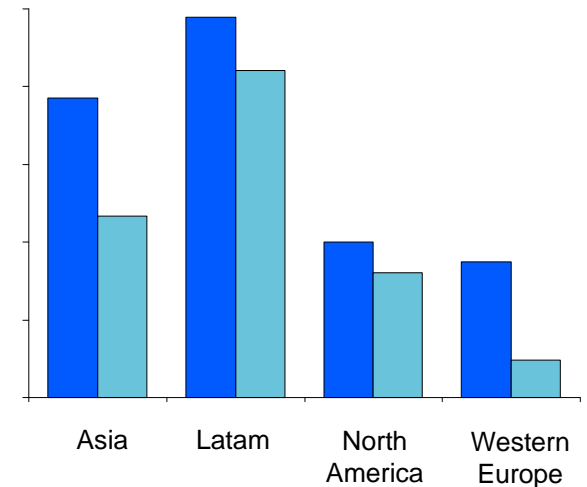
Across our Consumer Lifestyle Domains


Market growth, 04-07 CAGR



Across Regions

Market growth, 04-07 CAGR



 Consumer lifestyle sector targeted markets

 /  Remaining consumer goods markets

Our Consumer Lifestyle target group is sizable and commercially attractive

The Core Well-Being Consumer shows attractive demographics...

- 55-65% of total spend on top ~200 consumer goods categories
- ~45% of population
- Relevant in both mature as emerging markets
- Balanced age distribution (center of gravity 30~55 years)
- Medium – high economic level
- Medium – high education level

... and is likely to be a highly profitable customer

- Interested in relevant innovation
- Attracted to strong brands
- Buy selectively but not at the lowest price
- Enthusiastic about new technology
- High level of cultural mobility
- Want to be leaders and part of community

The creation of our Consumer Lifestyle Sector marks the completion of a journey we started in 2003/2004

Unified approach
to key accounts

- One-Philips key account teams
- International Retail Board

Common brand
and market focus

- Sense and Simplicity brand promise
- Focus on emerging markets
- Alignment on consumer centric innovation
 - Insights
 - Value proposition houses
 - Marketing planning
 - Net promoter score

Harmonized
front & back-office

- Shared services (finance, HR)
- Unified small country sales organizations
- On our way to common platforms (e.g. IT)

Both CE and DAP contribute to the Consumer Lifestyle Sector



CE

10b

1%

3%

15,000

5,900

SALES

Growth 05-08

EBITA

Employees

SKUs

DAP

3b

13%

17%

10,000

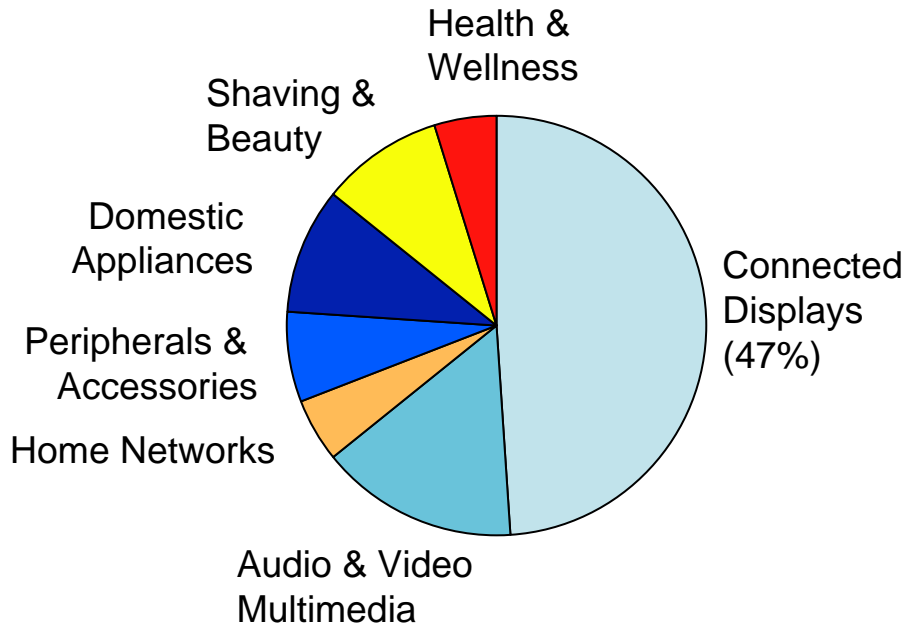
4,200



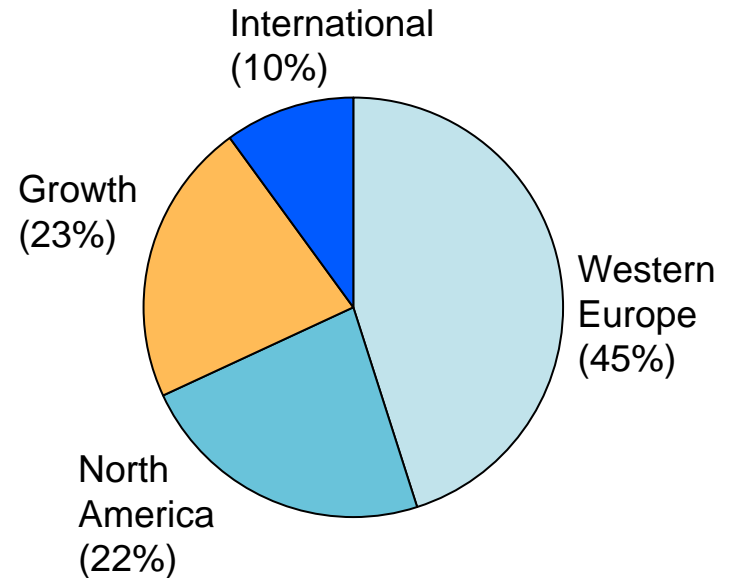
Composition of the new Consumer Lifestyle Sector

Consumer Lifestyle Sector revenue, September 2007 YTD

Per Business Unit (% of revenue)



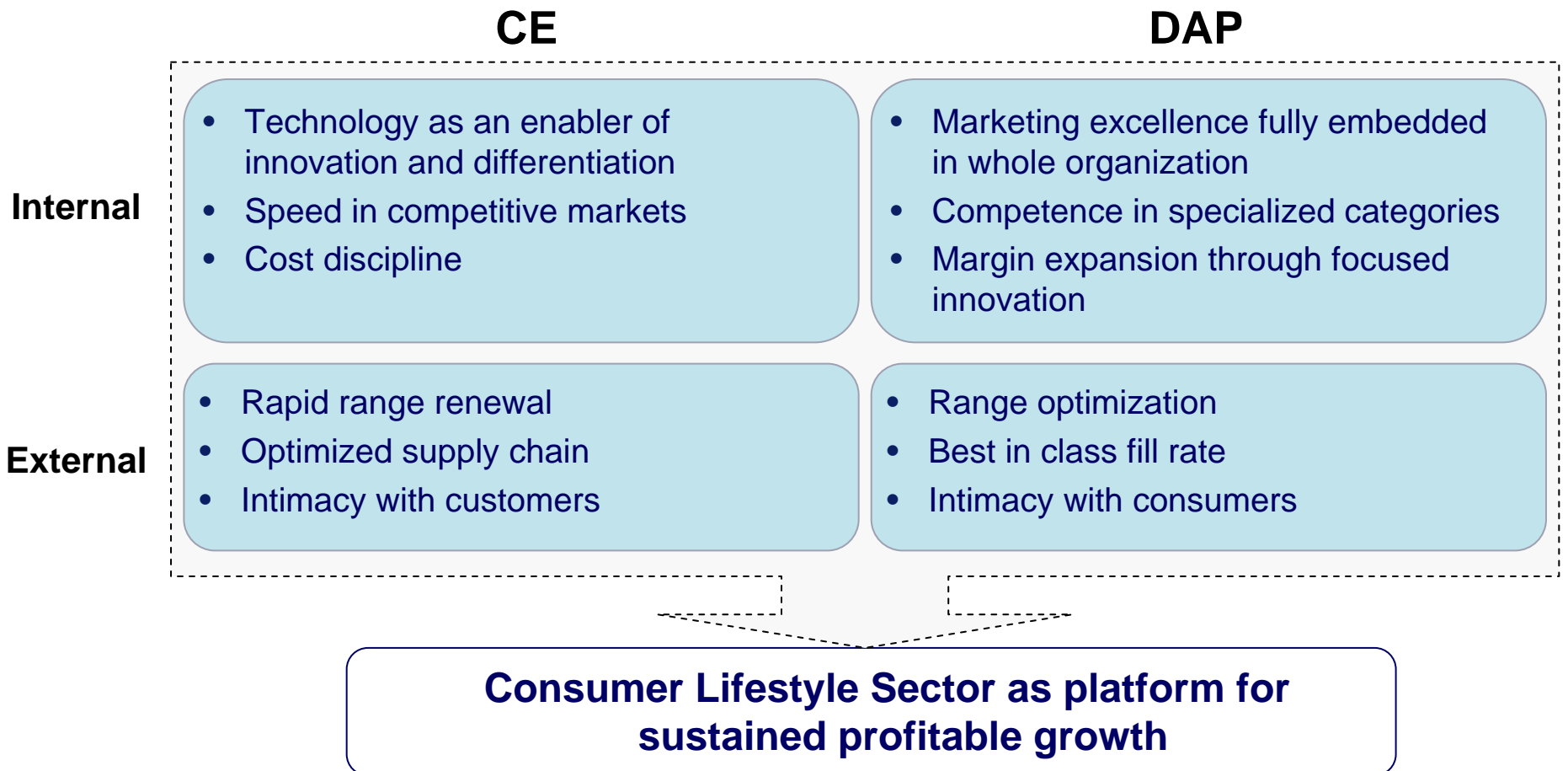
Per Sales Cluster (% of revenue)



Total 2007 YTD sales of EUR 8.8 billion

The combined Strength of CE and DAP forms the platform for sustained profitable growth

Strengths of combined Consumer Lifestyle Sector



The Consumer Lifestyle sector opens new opportunities for expanding our distribution

CE and DAP distribution channels



- Access to new distribution channels for both DAP and CE
- Increased relevance in overlapping channels

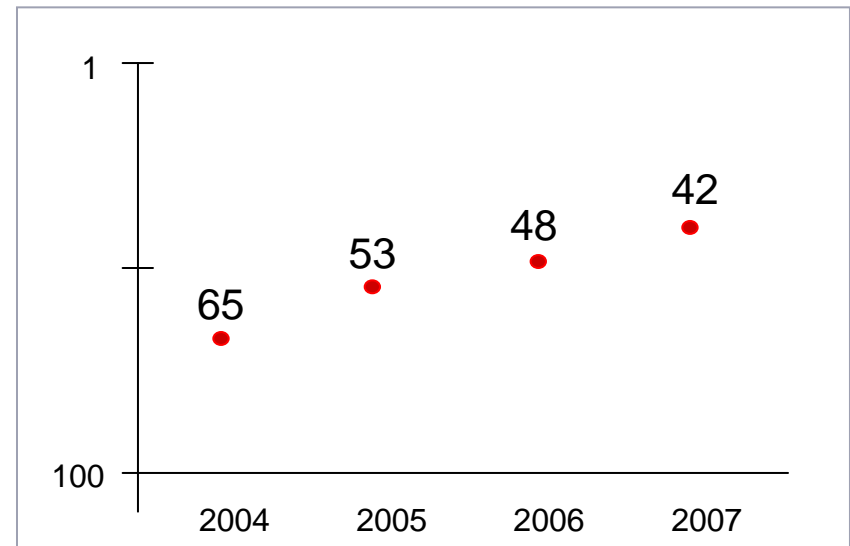
The Consumer Lifestyle Sector will further support the Philips Brand by delivering on simplicity

Philips Brand value (USD)

	2007	2006	change
41 30 FORD	8,982	11,056	-19%
42 48 PHILIPS	7,741	6,730	15%
43 44 SIEMENS	7,737	7,828	-1%
44 51 NINTENDO	7,730	6,559	18%

60 | BusinessWeek | August 6, 2007

Development Philips Ranking



“Philips brand value shows an impressive growth rate. The 15% increase in value not only reflects that investments in the brand paid off, but it also reveals that the brand’s core messages resonate with customers. Philips not only talks about simplicity; it lives simplicity – through its focus on core activities and efficient operations Philips managed to simplify the organization and reduce costs, and through its focus on customers and their needs the brand signals that it makes a true effort to stay attractive for customers.”

We expect cost synergies of approximately
€150-200 million annually by 2010

**Geographical
Footprint**

- Footprint rationalization
 - R&D
 - Manufacturing
 - Sales
- Increased efficiency in locations and offices

**Organizational
Structure**

- Elimination of duplication in functions at the executive level
- Optimization of sales structure through clusters
- Delaying our overall organization

**Process
optimization**

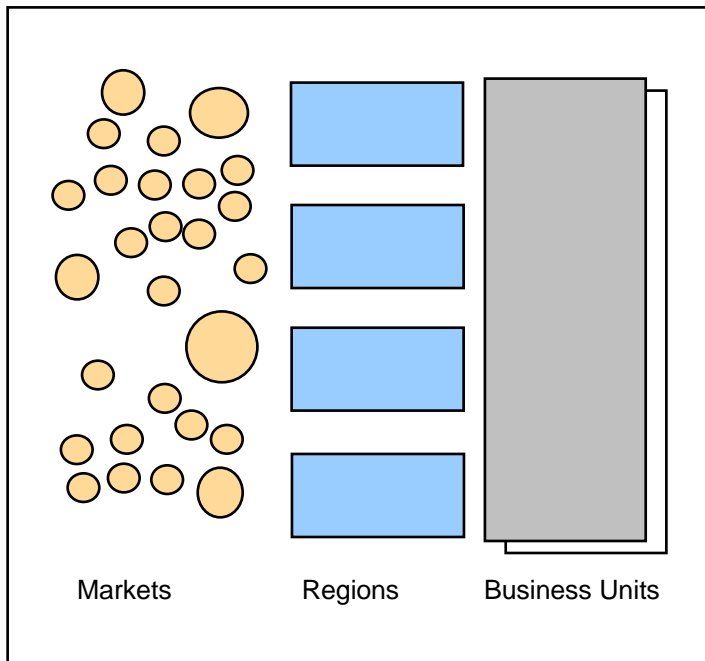
- Functions focused on value delivery for increased efficiency
- Rationalization of back office support
- Greater relevance with 3rd party suppliers and partners
- Improved supply chain effectiveness through shared platforms
- Increased marketing effectiveness

Key choices have already been made in our move to Consumer Lifestyle

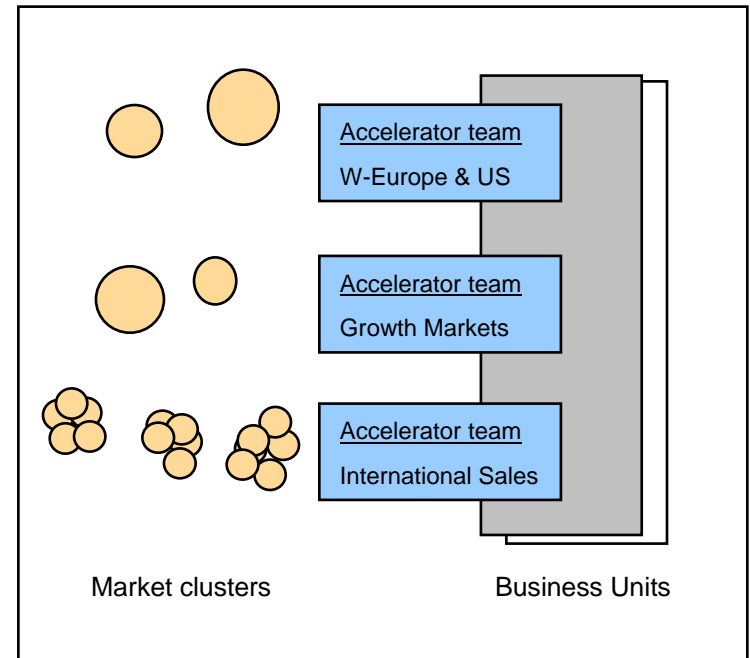
- **Sales** organization move from regions to clusters
- **Business Units** focused on value creation through category development
- **Functions** provide support in value delivery through functional excellence
- **Fewer management layers:**
 - Target four, maximum five
 - Increase span of control of leaders
 - Increase employee empowerment
- **Aligned blueprints and ways-of-working for comparable organizations**
- **Strengthened global approach in functions**

Cluster approach will bring business units closer to their key markets

Regional structure



Sales clusters

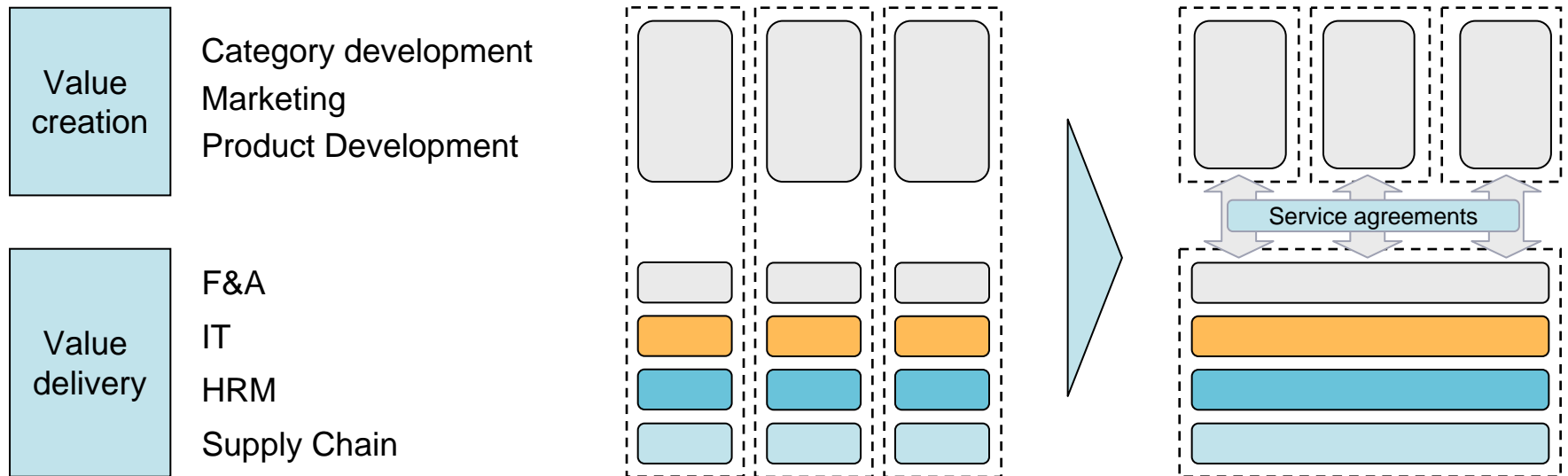


- Direct contact between the Business Unit and key markets
- Upgrade of local capabilities in key markets
- Entrepreneurial approach to International Sales cluster

Functional structure unleashes the marketing power of the Business Units

From a BU oriented structure...

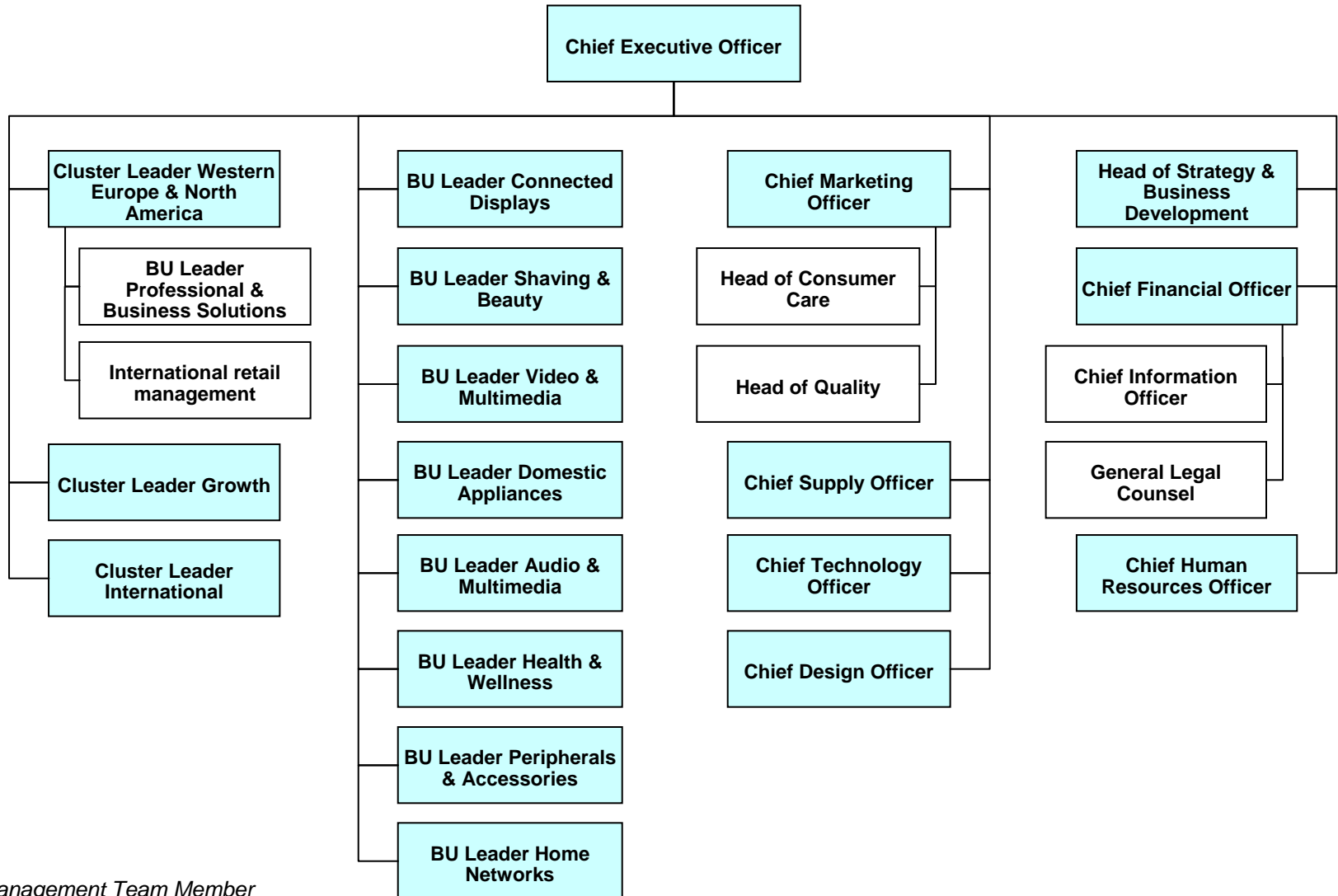
...to a Functional Structure



- Business focus fully on value creation, functions on value delivery
- Value creation through category development
- Focus on marketing and consumer activities

New Consumer Lifestyle Sector Management Team

As of January 1, 2008



We have already put in place a robust process to create a unified sector and to drive the synergy

Transformation team in place to support the overall effort

- Including external support for outside-in view and best practices on selected topics
- Newly appointed management team has already taken operational responsibility for driving the change effort

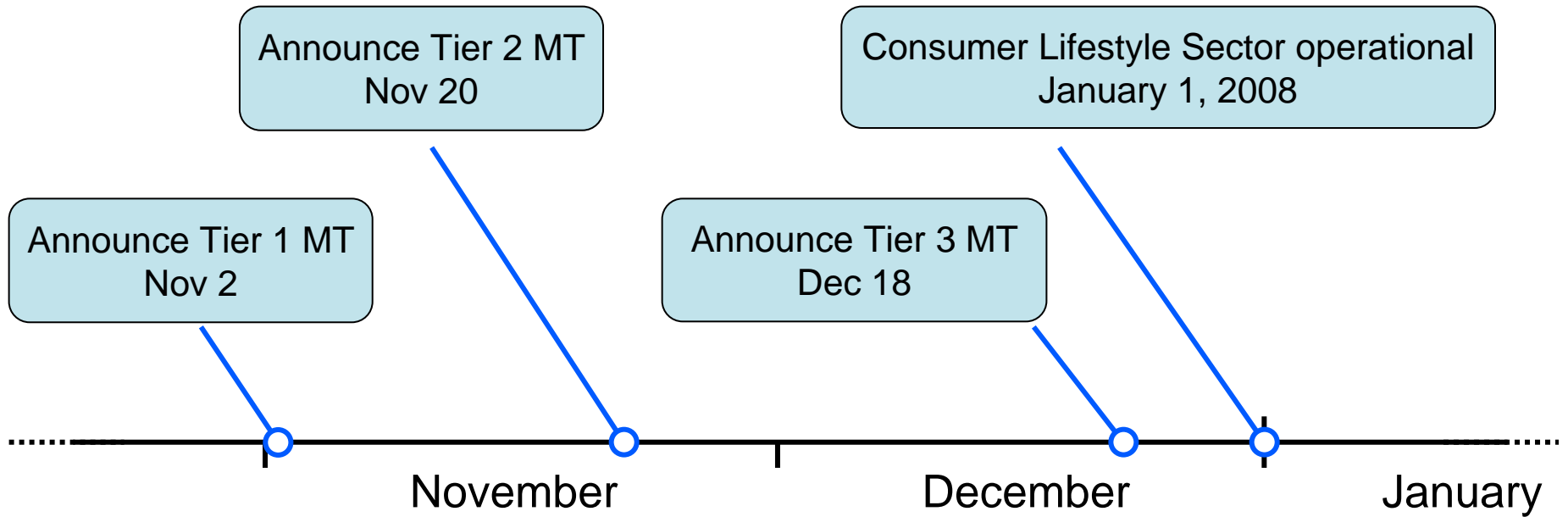
Milestones and tracking mechanisms in place through 2008 to ensure effective execution and consistent implementation

We were already optimizing CE and DAP prior to the integration

- The Consumer Lifestyle sector will extend existing platforms for realizing efficiencies

A smooth, speedy, effective and well communicated process to date

The Consumer Lifestyle Sector is operational as of the 1st of January 2008



Our 2010 ambition: Consumer Lifestyle Sector

- We expect to contribute our fair share to the Philips' 'Vision 2010' Commitments
- The Consumer Lifestyle Sector will play an important role in realizing that ambition by
 - Delivering EBITA improvement through synergy realization and business improvement
 - Entering new value spaces
 - Preparing the business for sustained growth

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sense and simplicity