

PHILIPS

sense and simplicity

PHILIPS



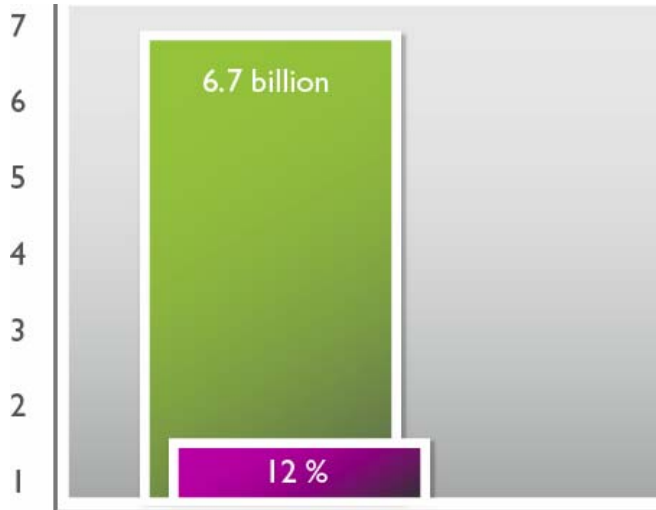
Steve Rusckowski
CEO Philips Medical Systems
May 31st, 2007

Agenda

- **Introduction**
- Performance Update
- Value Creation Strategy
- Summary



Philips Medical Systems: a leader in healthcare for 100 years



2006 sales of € 6.7B

12% of system sales invested in R&D



33,000 employees in over 100 countries



Global development and manufacturing sites

Philips Medical Systems: our businesses in 2006

**Imaging
Systems**
€2.7B

Nuclear Medicine
CT
MR
PET
X-Ray

**Customer
Services**
€1.8B

Consultancy
Clinical services
Asset management
Maintenance
& Repair

**Information,
Ultrasound
and
Monitoring
Solutions**
€2.2B

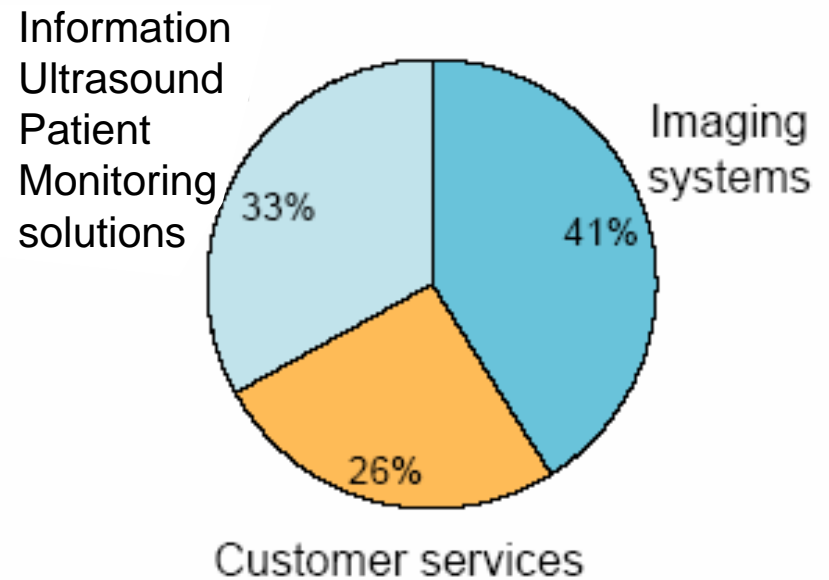
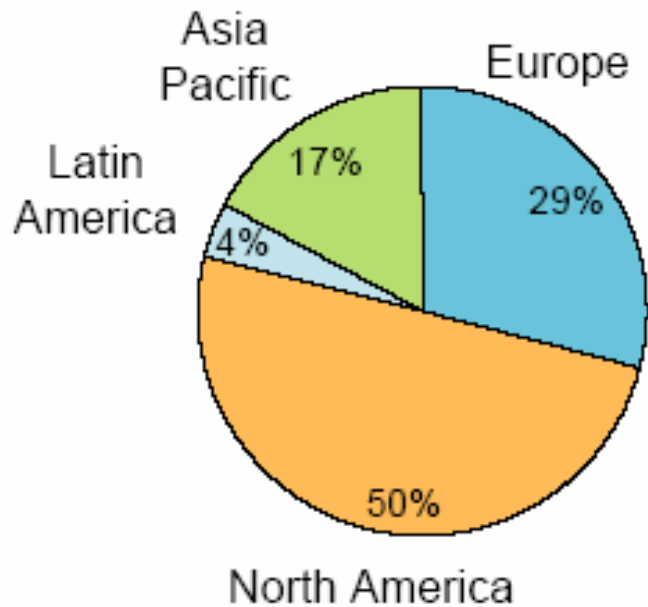
Healthcare Informatics

Ultrasound
Patient Monitoring
Cardiac Systems

Document services

Philips Medical Systems: our businesses in 2006

2006



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Performance Update

May 2006 we said:

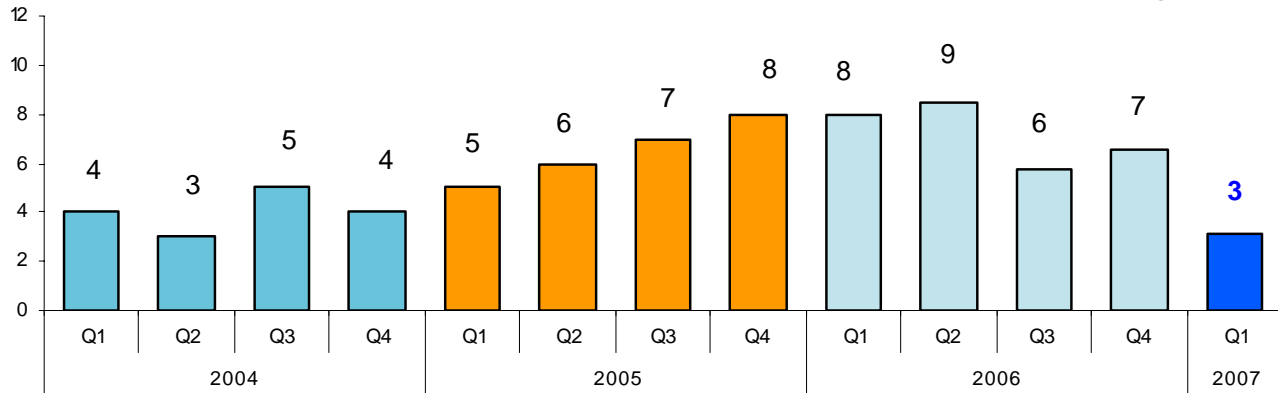
- **Two years** of market shares gains
- Return to margin improvements
 - accelerate operational improvements
 - accelerate low cost sourcing
 - drive service penetration & scope
- Next step expansion is also a path
 - acquired Stentor and Witt with clear growth synergies
 - focus on improving care cycle, build on existing strengths, and differentiate
- **Value creation driven, not just top line continues to be our agenda**

May 2007 we say:

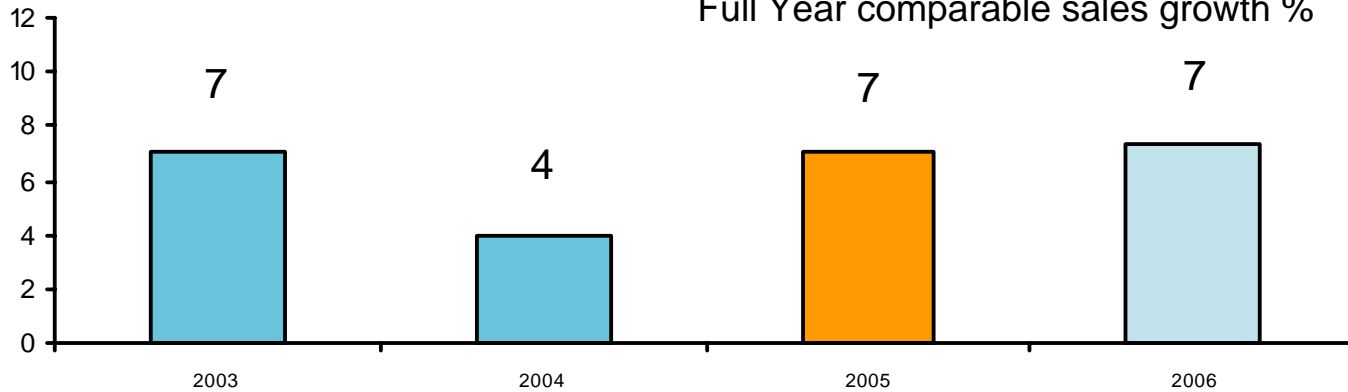
- **Three years** of market shares gains
- Drive operational excellence for further margin improvement
- Continue exploration of new business models for specific markets
- Value will be created by both growth and margin expansion
- Enhance competitive position with key acquisitions and partnerships

Sales Growth

Quarterly comparable sales growth %



Full Year comparable sales growth %

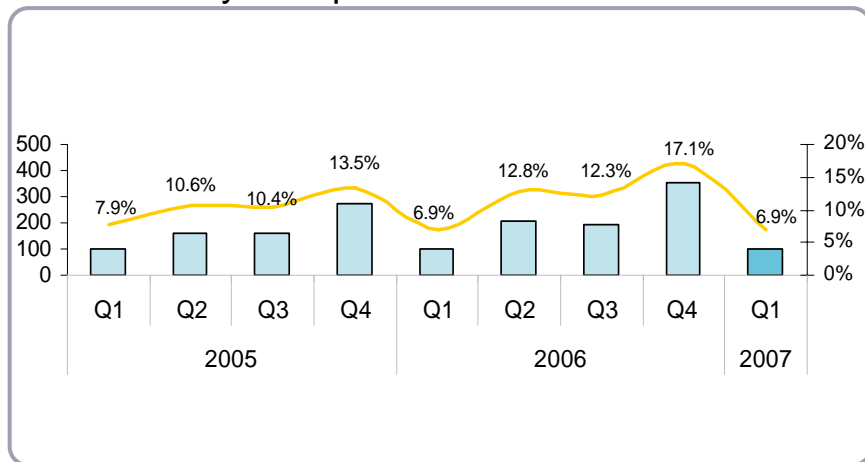


Quarterly adjustment: Belfast order in Q4 2005

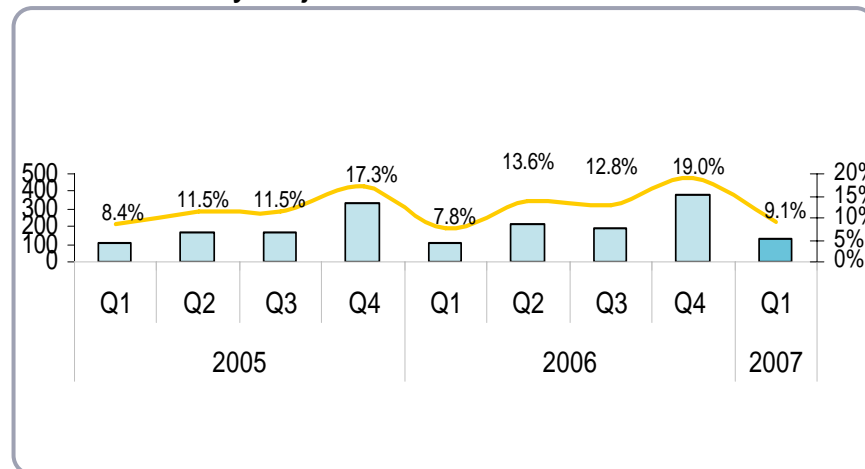
Full year adjustment: Belfast order in 2005

EBITA (in millions of euros)

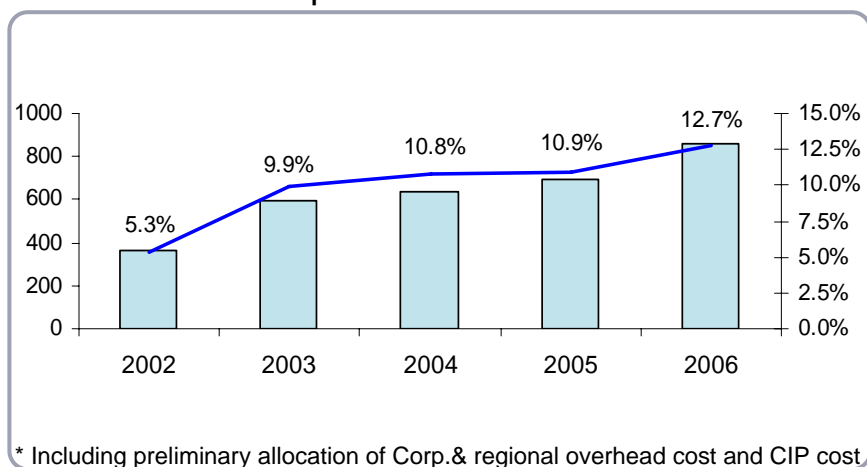
Quarterly as reported



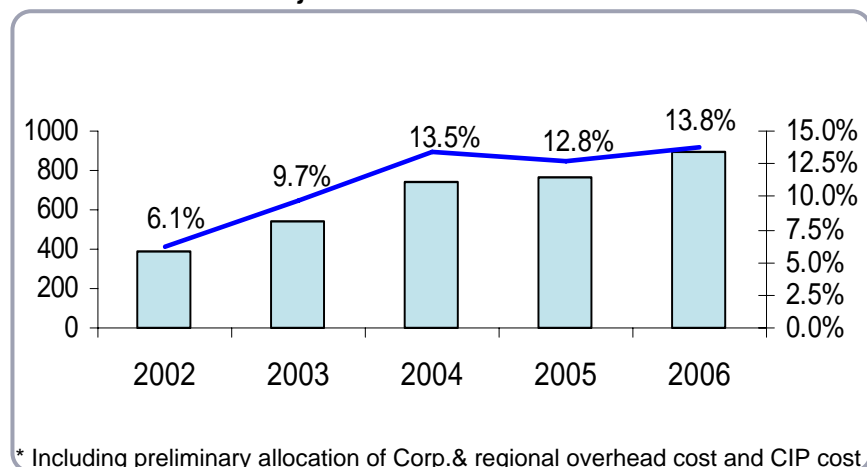
Quarterly adjusted



Full Year as reported



Full Year adjusted



Quarterly adjustments: Excludes MedQuist, 2006 excludes Intermagnetics-related acquisition and integration charges of EUR 31 m.

Full year adjustments: Excludes MedQuist, Excludes reported special items for 2002 and 2003 corrected for amortization, respectively EUR 107 m and EUR 8 m, 2004 Volumetrics settlement EUR 133 m and for 2006 Intermagnetics-related acquisition and integration charges of EUR 31 m.

Our new technology Introductions in 2006 and 2007

Some highlights include...

Cardiology



EP Navigator



Integrated cath lab



IU33
2007 vision

Radiology



Essenta RAD,
compact radiography system



MX 6000 Dual
CT scanner

Acute Care



SureSigns VM, targeting
Emerging Markets and
low-acuity settings



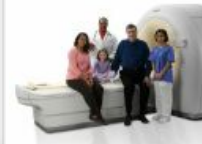
Enhanced Clinical
Decision Support
applications

Healthcare Informatics



Xcelera R2.1
cardiovascular
workstation

Oncology



GEMINI TF, industry's
first Time of Flight
PET/CT

Women's Health



Avalon FM 20 & FM
30 fetal monitors

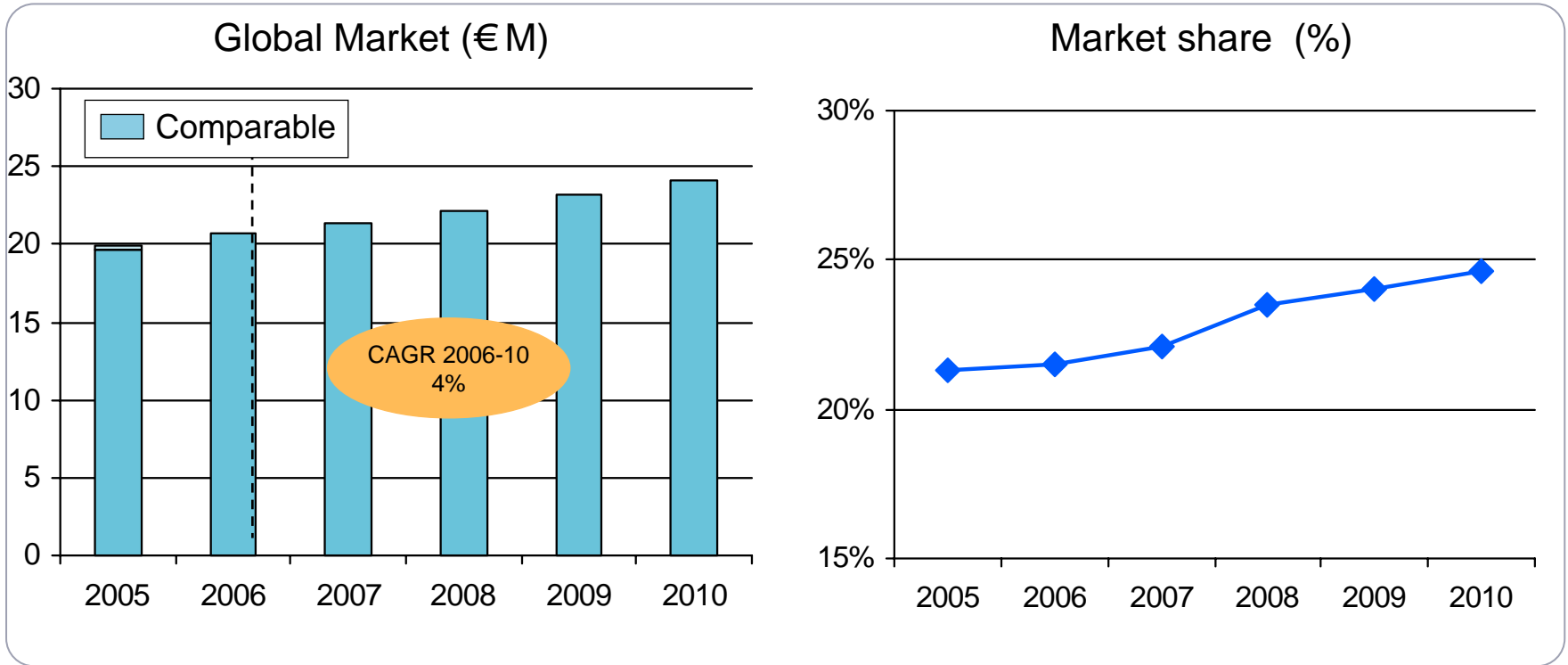
Neurology



MRXO, world's first
combined MR, X-Ray
and CT machine
installed in Japan

Providing customers with better care solutions

Market and Share Development



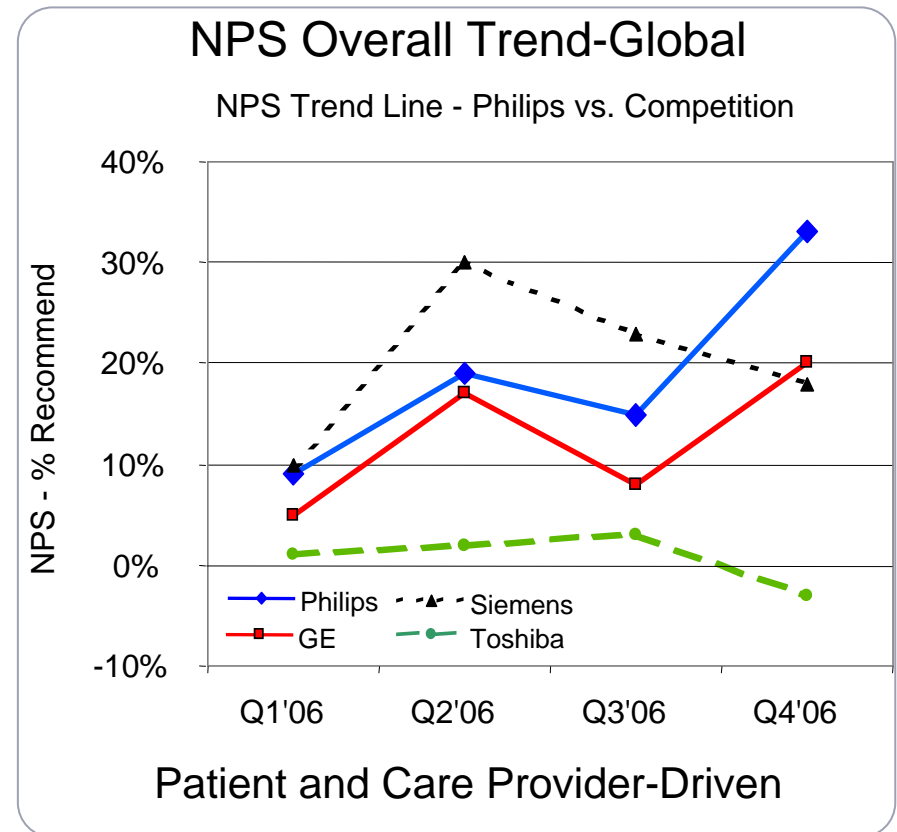
Strong Improvement in Customer Satisfaction As measured by Net Promoter Score

Philips Ultrasound ranks #1 in Overall Service Performance for All Ultrasound Systems fourteenth year in a row

Philips Patient Monitoring #1 for the eighth consecutive year

Increased focus on product reliability for product releases in Ultrasound, CT, MR, X-ray and NM

Increasing field service engineer training



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Current healthcare trends: growth opportunities

Changing demographics

- From 2000-2050, the world's population aged 60 and over will more than triple from 600 million to 2 billion.¹

Challenges in healthcare delivery

- In the US, 2x as many deaths die from hospital infections than motor vehicle accidents.²

Healthcare expenditure outpaces GDP Growth

- Healthcare costs increased by 50% in the United States to \$1.9 trillion in 2006 since 2000.³

1) UN 2006: Revision of World Population Prospects

2) World Health Organization

3) Alonso-Zaldivar, Boston University, Los Angeles Times

4) Institute for Healthcare Improvement



“Many healthcare systems around the world will become unsustainable by 2015. The only way to avoid this critical situation is to implement radical changes...”⁴



Philips focuses on the **people** in the care cycle,....
the **patients** and **care providers**

We innovate across the care cycle by
combining **human insights** and **clinical expertise**



People focused

- Listening to customers
- Innovation based on human insight
- Investing in employees

Care simplified

- Integrated approaches across the care cycle
- Seamless information
- Clinical excellence

“ Care Cycles are the best way to transform Healthcare from a zero-sum game to a patient-value driven industry.”
– Porter and Olmstedt, *Redefining Healthcare*, 2006

“ Image-guided stents for brain aneurysms allow patients to return to normal lives after only a month vs. a year. ”
- *The Lancet*



“ CT screening could eliminate 80% of lung cancer deaths in high risk patients. ”
- *NEJM*

“ X-ray fluoroscopy for opening clogged kidney arteries virtual elimination of a hospital stay. And it saves about \$ 15K per procedure.”
- *Radiology*

“ Ultrasound guidance in placing large catheters reduces infections. ”
- *British Medical Journal*

Care simplified in Clinical IT

Insight

- The best care requires collaboration of clinicians and specialists.

Clinical challenges

- Diagnosis of complex cases requires real time access to full fidelity images from multiple scans and sources.

Organization challenges

- Typical PACS solutions are not equipped to share data beyond the radiology department. Complex licensing fees and limited bandwidth make sharing outside hospital impractical.

Solution

- iSite PACS delivers full fidelity diagnostic images to any web browser in less than 3 seconds.



“In critical situations, I can access diagnostic images and make decisions on emergency surgery from any location in the hospital as soon as a scan is completed.”

– Garrett Walsh, M.D. Anderson Cancer Center

Care simplified in Ambient CT

Insight

- Pediatric patients are often fidgety during CT scans due to the scary hospital environment.

Clinical challenges

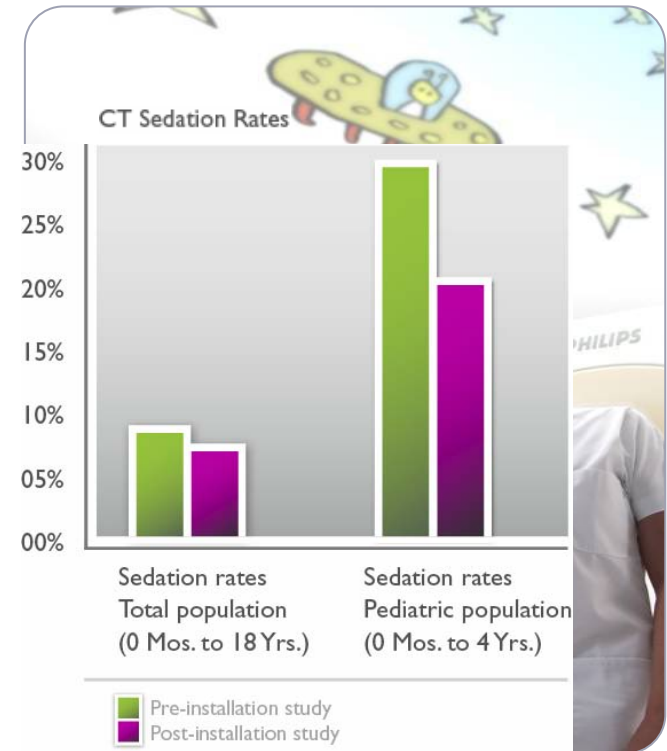
- Clinicians need quality images for accurate diagnosis. Retakes can lead to unnecessary radiation exposure while sedation introduces additional risks.

Organization challenges

- Pressure to maximize workflow and productivity while delivering excellent outcomes.

Solution

- Ambient Experience CT brings a human design approach that can decrease sedation rates and increase workflow.



“If we sedate a patient, we add at least four hours to the procedure time. Without sedation, most scans can be accomplished within 30 minutes.”

– Chris Semler, R.N.

Care simplified in Protocol Watch

Insight

- Clinicians can be overwhelmed with the increasing amount of clinical data.

Clinical challenges

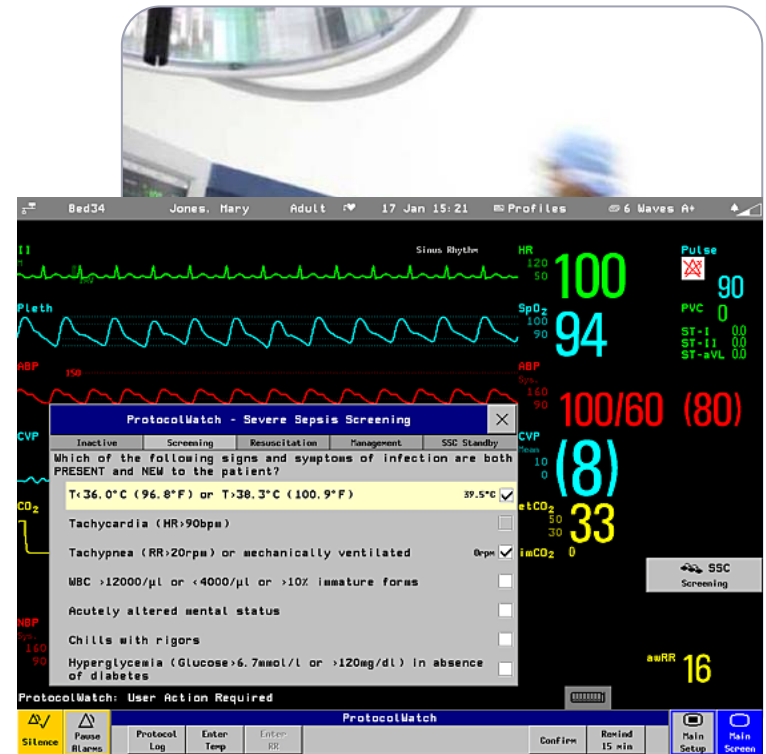
- Hospital infection rates increasing dramatically (data point).

Organization challenges

- Staffing shortages and training gaps can leave patients at risk.

Solution

- Protocol Watch has built-in "intelligence" designed to assist clinicians by automatically screening for severe sepsis.



“It is like having an extra set of eyes, within the monitor watching the patient 24 hours a day.”

– Russ Smith, R.N.

Care simplified in EP navigator

Insight

- Electro physiologists are hampered by the need to cobble together complex systems in life and death situations.

Clinical challenges

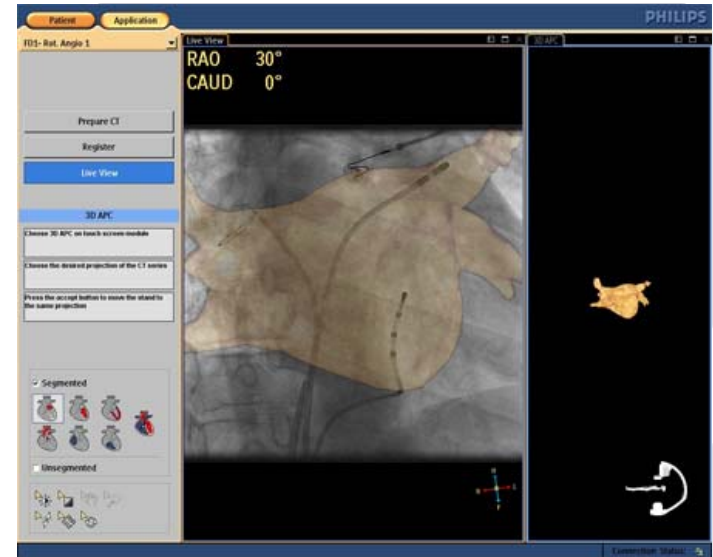
- Successful EP procedures require integration of multiple image and physio data.

Organization challenges

- EP procedures growing. Lengthy procedures tie up Cath Labs.

Solution

- Philips has partnered with best-in-class companies to develop holistic approach to EP.
 - Improved environment
 - Integrated data management
 - Enables complex therapies, such as
 - intuitive 3D catheter guidance



e.g., A Cath-CT fusion image can be viewed in the EP exam room. The registered image shows the position of any catheter with respect to detailed 3D cardiac anatomy in real time.



EP Cockpit

"This is good news for the millions of patients suffering from heart rhythm disease. Atrial fibrillation is a terrible disorder but EP navigator can help to shorten procedure time thereby making effective treatment available to a lot more patients."

-Professor Dr. E. Fleck MD, German Heart Institute Berlin

How we will create additional value ...

- **Organic growth**
 - Improved market orientation
 - Operational excellence

- **Strategic acquisitions and alliances**
 - Improves the care cycle
 - Enhances product range

Improved Market Orientation

- Stronger products and better services throughout the full care cycle based on enhanced clinical insights;
- Further strengthen our position in emerging markets;
- Balanced product portfolio: increase our mid to low- price product presence (developed and emerging markets).
- Improve the effectiveness of our global sales and service organizations

Operational Excellence

- Increase speed of product innovation;
- Focus on improving customer satisfaction (NPS);
- Improve the quote to cash cycle time;
- Increase our sourcing from lower cost countries;
- Improve the efficiency of our go to market approach.

Strategic acquisitions and alliances



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Summary: what can you expect from us

- We are a healthcare business that produces strong returns by focusing on the patient and care-provider. Our solutions will help deliver better healthcare at lower cost;
- We will build value by our focus on organic growth and strategic acquisitions and alliances;
- We will leverage the Philips brand and will provide an excellent expression of the Philips brand to the global market place.

