

PHILIPS

Margin expansion

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CFO of Medical Systems
May 31st 2007

Margin expansion

Supply Management

Information Technology

Supply Chain

Sales Organization

Industrial Footprint

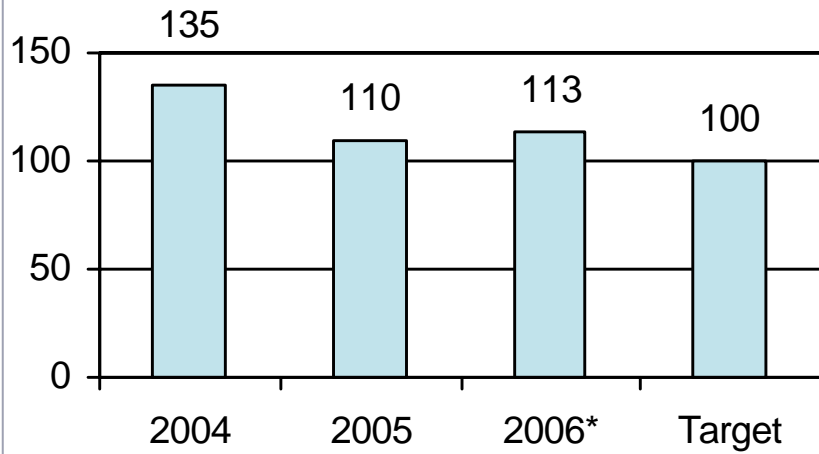
Additional Areas of Opportunity

Simplify
your work



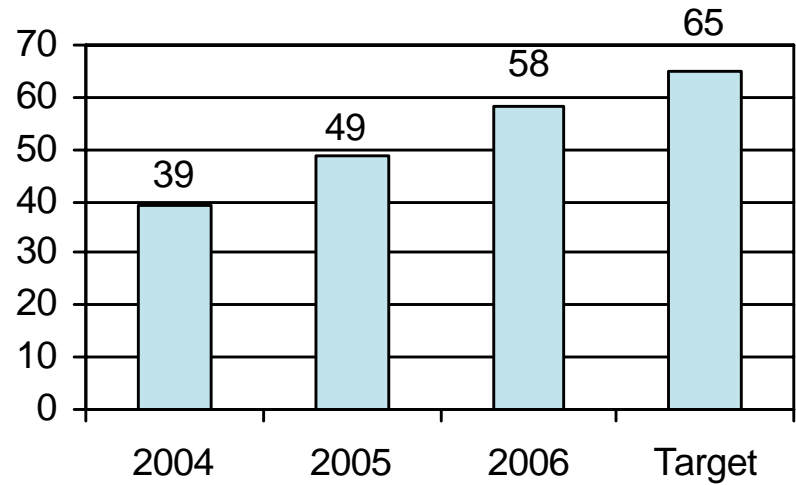
Supply Management

No. of Suppliers
(80 % of BOM spend)



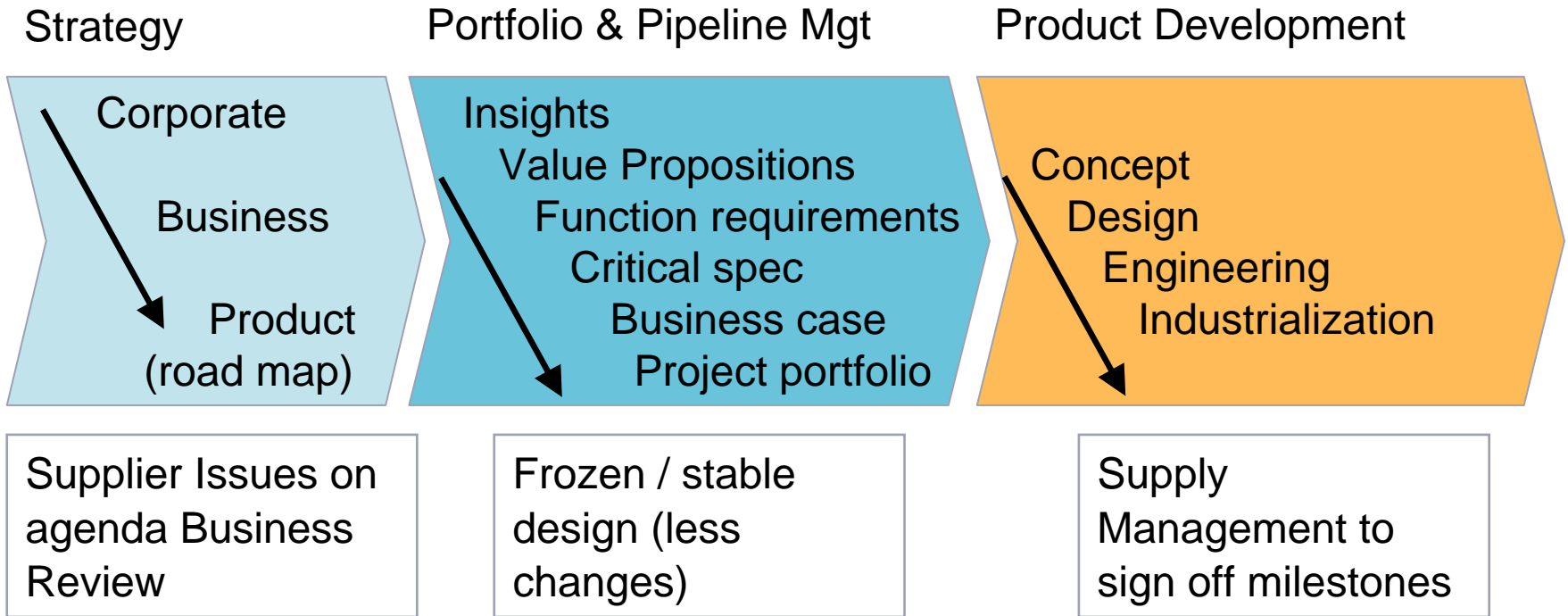
* Increase in 2006 due to IGC acquisition

Supplier Owned Inventory (%)



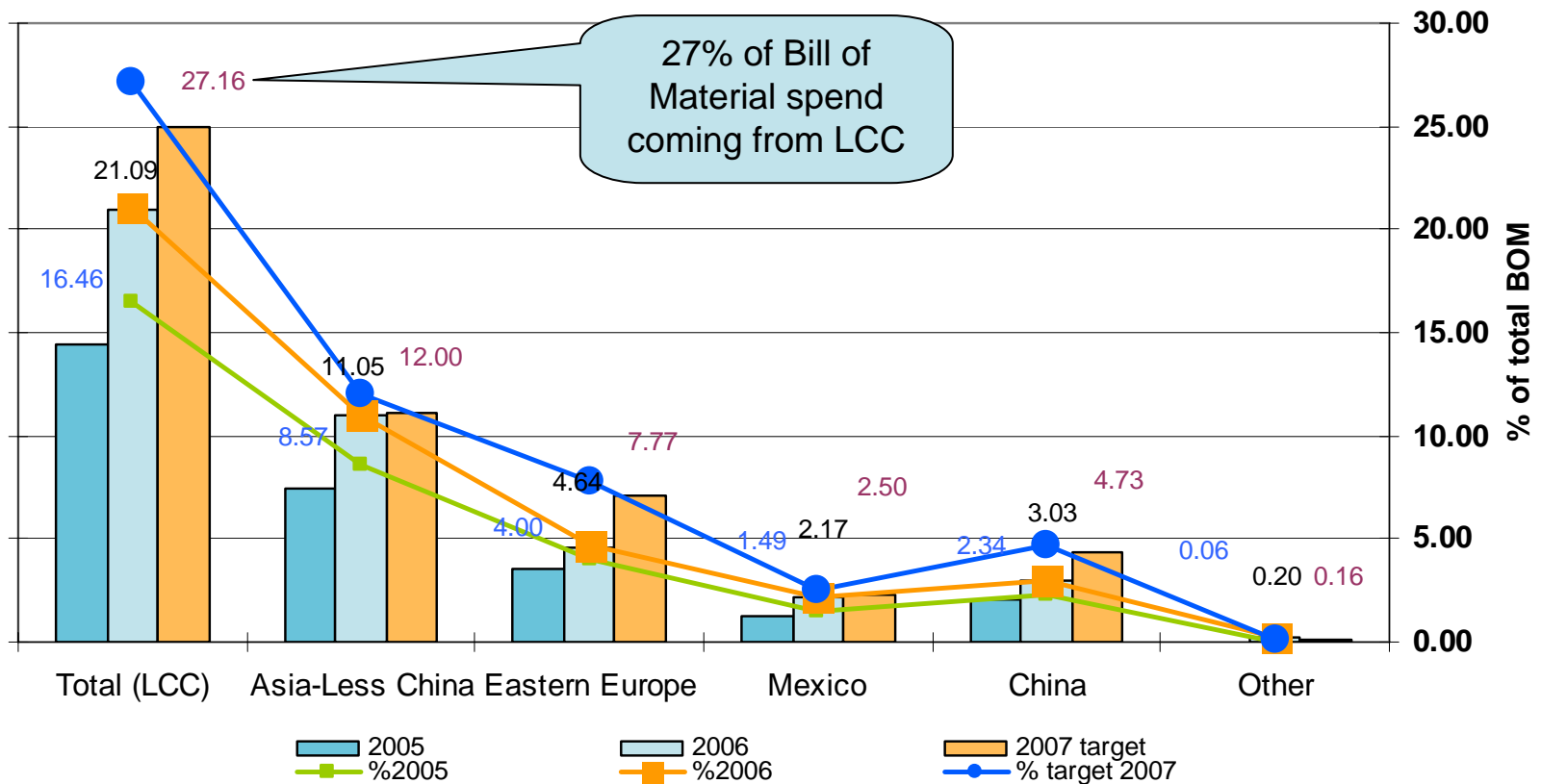
Supply Management

Early Supplier Involvement (ESI)



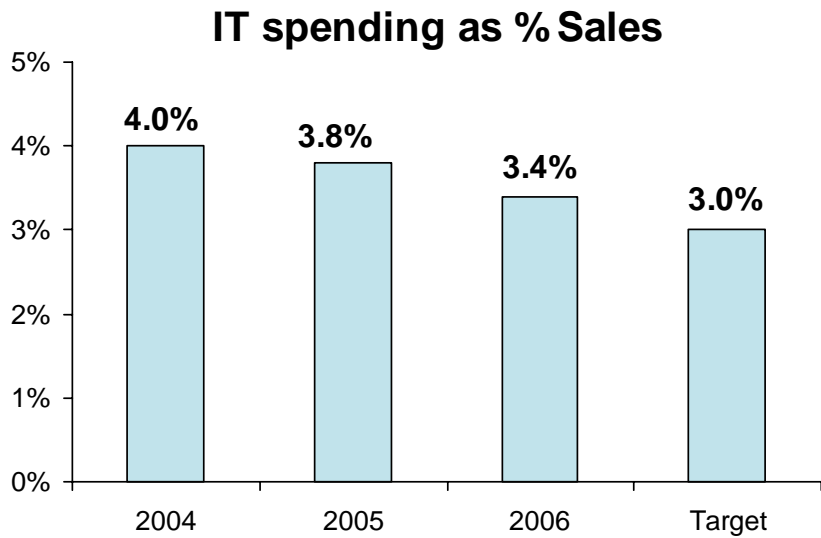
Supply Management

Low Cost Country Sourcing

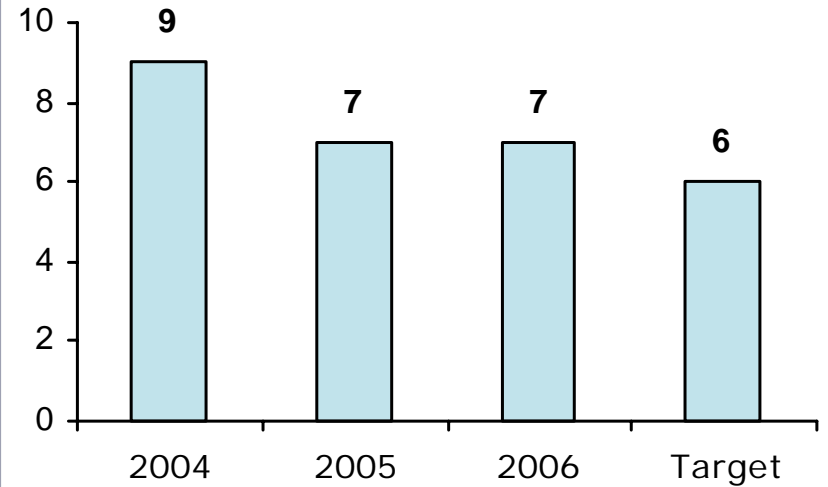


IT

IT spending as % of sales

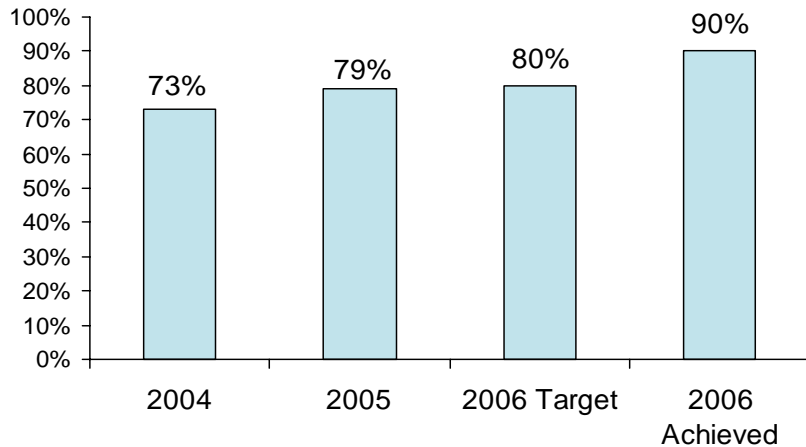


of Key ERP Systems

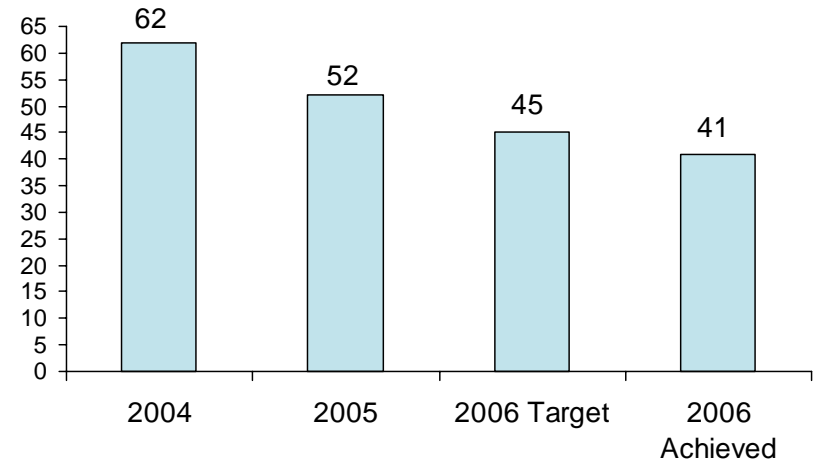


Supply Chain

Equipment Direct Deliveries as % Sales (world)

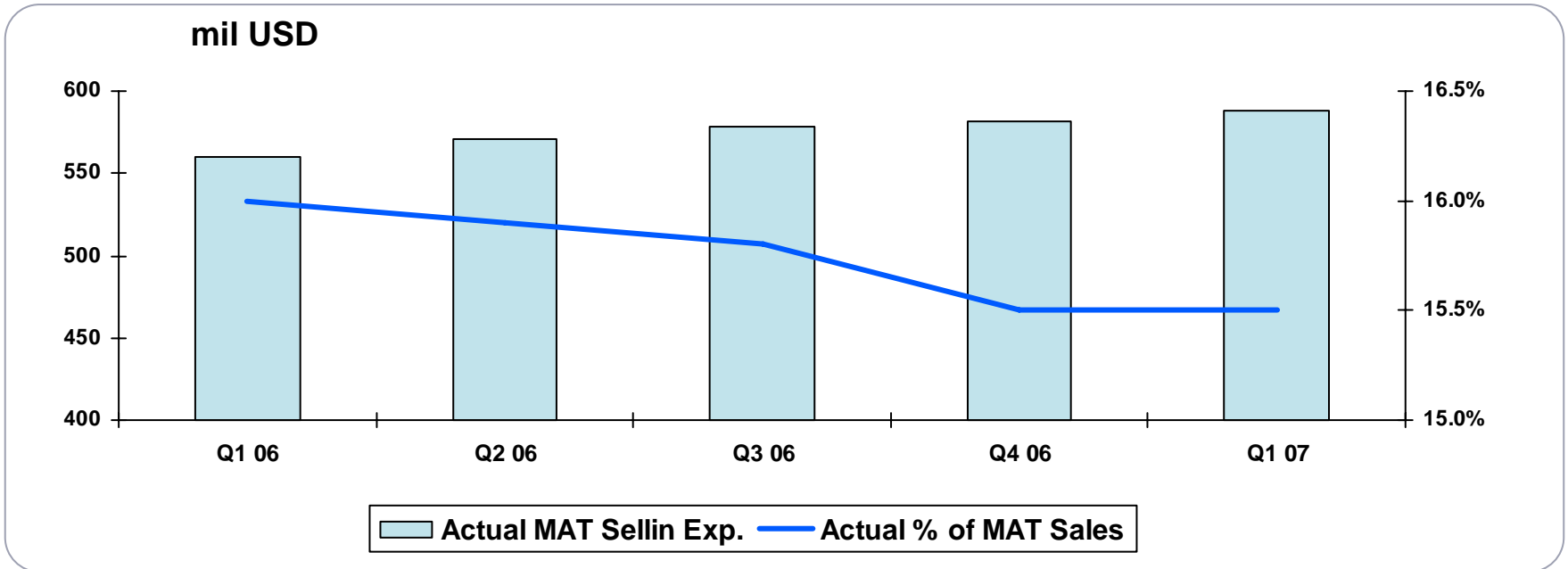


Supply Chain Cycle Time (# of Days)



We have raised the bar for 2007 and are in the process of defining new KPIs going forward

Selling Cost Efficiencies in North America



North America re-organization will bring further efficiencies by:

- Eliminating 100+ non-customer facing positions
- Reducing real estate by 8000 M²
- Restructuring self funding within 2007
- Annualized savings will be at a run rate of USD 25M by Q4 2007

Industrial Footprint Optimization

Nuclear Medicine	Moved Milpitas manufacturing (SPECT) to existing Cleveland site
Patient Monitoring	Moving Orlando manufacturing (Invivo MR monitors) to existing Andover site
Ultrasound	Moved Bothell manufacturing (transducers) to existing Reedsville, PA site
Magnetic Resonance	Moved Helsinki manufacturing (low and mid field open systems) to other existing sites
Philips Neusoft Medical Systems - China	Moving certain low and mid range system manufacturing to China

Philips Neusoft Medical System (PNMS) - China

PNMS established at the end of 2004

New products have been designed and released in 2006:

- Computed Tomography (single and dual slice)
- X-Ray (Radiography and Fluoroscopy)

Next generation of products are in development for market introduction in 2007/2008

- 16 slice CT
- Additional X-ray products
- Extended Ultrasound platform focusing on emerging markets

Philips establishing China Support and Competence Centre (CSCC) based in Shanghai 2007/2008

- Product development and technology transfer
- Local sourcing opportunities
- Industrial operations efficiencies

Intermagnetics - finalize integration



What did we buy?

- The world's largest independent developer of MR magnets, Coils and MR monitors
- Headquartered in Latham, NY, sites in Orlando, Gainesville, FL and Pewaukee, WI, 1100 employees

Why did we buy?

- Get access to best magnets, coils and MR monitors
- Own the MRI value chain

Intermagnetics - Integration Update

Deal Closed November 2006

What did we say?	What did we do?
Strengthen MRI position	One integrated entity <ul style="list-style-type: none"> - MR systems and Magnets integrated - Integrated Invivo Sales Team - Expanded Philips Patient Monitors with IGC leading MR-monitors
Rationalize our Supply Chain	Supply Chain and integration <ul style="list-style-type: none"> - Move global MR-Headquarters to Latham - Pre-assembly in Latham NY (NA market) - Discontinue manufacturing Helsinki
Closer cooperation of R&D teams	R&D <ul style="list-style-type: none"> - World's first rampable 1.5T MR System
Participate in growing Coils market	Philips becoming leading MR Coil supplier <ul style="list-style-type: none"> - Accelerated launch of new coils
Accretive towards end of 2007	On track to become accretive

Additional Areas of Opportunity

- Healthcare Informatics margin development
- Customer Service growth as installed base grows
- Continued improvement in product reliability
- Never-ending search for efficiencies...

Margin Expansion Conclusions

Margin expansion is underlying goal of several key initiatives in:

- Supply Management
- IT
- Supply Chain
- Sales Organization
- Industrial Footprint
- and others

...in order to support margin expansion

