PHILIPS

sense and simplicity

North American Market

Brent Shafer
CEO Global Sales & Service North America
May 16, 2008

PHILIPS

Agenda

- Introduction
- North America Market Drivers
- Philips Performance and Evolution
- Summary

Executive Summary

N.A. Market – Stabilizing in '08

- Cautious optimism about future direction
  - Imaging flat in 2008, moderate growth in 2009
  - Stronger growth rates in other markets
- Sustainable demand drivers work to offset reimbursement and profitability pressures
- Forecasted market growth (2008-2010):
  - 3 to 4% per year in traditional markets
  - 4 to 5% per year including home healthcare

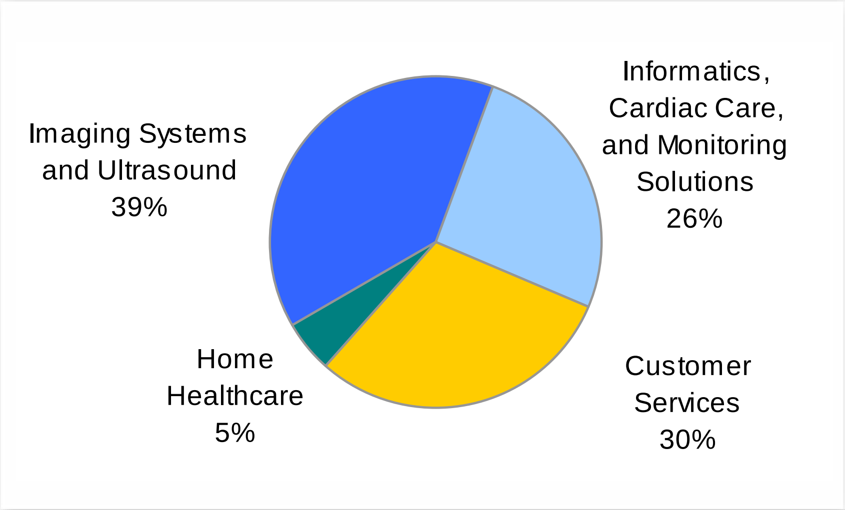
Philips – Improved Position in North America

- Strong momentum in market share, customer satisfaction, and orders growth
- Diversification of business (Respironics, Visicu, Emergin)

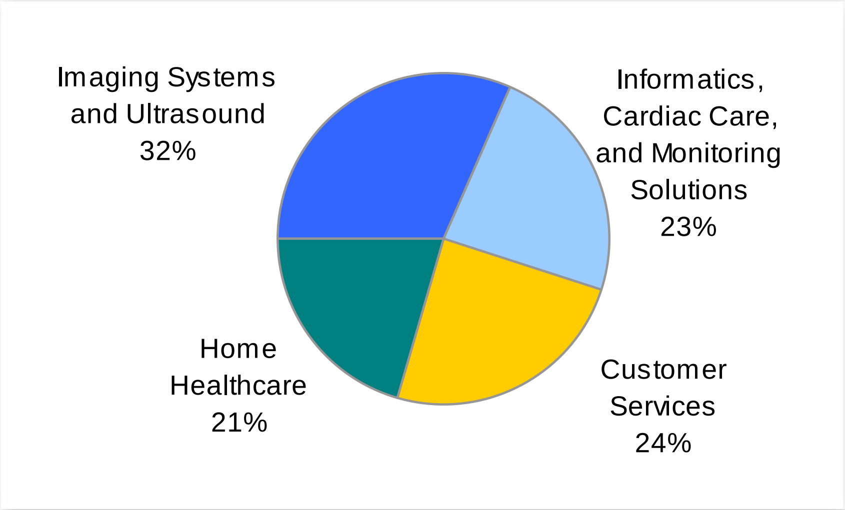
Market stabilizing in 2008. Cautious optimism towards modest growth.

PHILIPS

Portfolio Progress



2007 Orders Mix



Est. 2008-2010 Orders Mix

Evolution of portfolio breadth provides unique advantage and strengthens Philips position.

Agenda

- Introduction
- North America Market Drivers
- Philips Performance and Evolution
- Summary

PHILIPS

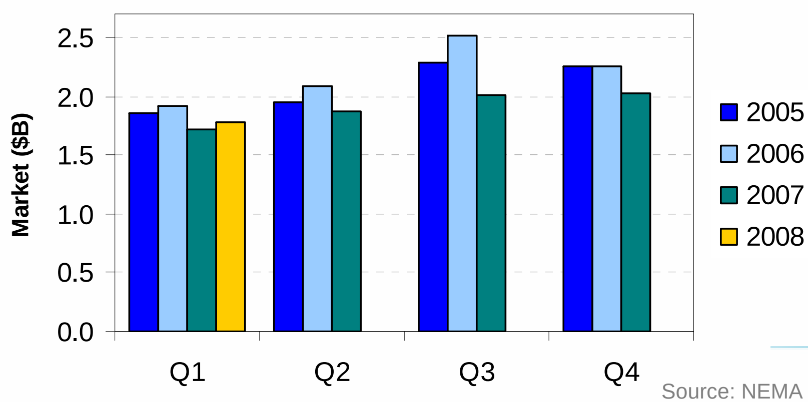
Macro Healthcare Trends

Healthcare Trend	Impact on Procedure Volumes	Impact on Philips Healthcare Markets
Population Demographics	↑	↑
Rise in Chronic Disease	↑	↑
Prevention / Increased Clinical Applications	↑	↑
Healthcare Building Boom	↑	↑
Healthcare Policy Driven by New Administration	↑	↔
Legislation / Reimbursement Pressure	↓	↓
Economy / Credit Markets	↔	↓
Strains on Hospital Profitability	↔	↓

Demand drivers offset pressures, creating moderate market growth in the long run.

DRA Impact on Imaging Equipment Market

North America Imaging Market (Incl. Ultrasound):
Year-Over-Year by Quarter



Slowdown started Q4 2006

- 2007 impact was near high end of forecast ($700M)
- CT, MR, PET hardest hit

Lingering affect in 2008, but market stabilizing

- Saw 3% market recovery in Q1

Imaging Orders (Incl. Ultrasound) – Q1 2008

	Large Hospital* (125+ beds)	Small Hospital* (<125 beds)	Non-Hospital Centers and Offices
Market	↑	↔	↓
Philips	↑	↓	↑

* AHA definition of "community hospitals" spans large and small hospitals

Outpatient imaging centers:

- Consolidated (fewer, more powerful providers)
- Led to increased availability of used equipment
- Market stabilizing; major short term recovery unlikely

Brunt of DRA impact felt in 2007. Expecting flat to slight rebound in 2008.

PHILIPS

More Than Just DRA in 2007

		Est. % of Total Market Slowdown:
DRA - Outpatient	Focus of DRA	55%
Courage Trial	Slow down awaiting results	15%
Innovation Slowdown	Slow down due to pre-announcements (next generation CT)	
DRA - Hospitals	Spill-over affect	30%
Other Reimbursement (SCHIP, CTA)	Slow down awaiting decisions	
Other	Economy and miscellaneous	

Imaging market (incl. ultrasound) down 13% in 2007

2007 was an exceptionally difficult year for the imaging market.

Legislation and Reimbursement Moving Forward

What?	Market	Comments
Courage Trial: Stents vs. medications	↔	Slowed 2007 CV X-Ray market; With lingering debate over findings, Q1 2008 market rebounded 19%.
Imaging Utilization Controls: Pre-authorization / radiology benefit managers	↓	Required by most private payers. Congress likely to recommend adoption for Medicare part B.
Cardiac CT Angiography (CTA): Local coverage continuation.	↑	Such proposals by Medicare typically are not overturned. Strong prospect for CTA growth.
Physician Reimbursement Cut (June): Pending 10.7% cut under Medicare part B	↓	Congress likely to look for cuts elsewhere to offset or delay. Imaging most likely safe, but not guaranteed.
Home Remote Monitoring Pilot Proposal: $100M over 5 years for cardiac monitoring	↑	In front of Congress now. Good chance of passing, but requires funding in June bill.
Home Healthcare Competitive Bidding: Medicare pilot to reduce costs	↓	Oxygen and sleep apnea fees reduced. Prospect of expansion.
Hospital Acquired Conditions (HAC's): Some payment reductions starting October	↔	Impacts hospital revenues, but creates opportunity for technology to help reduce HAC's.

State Children's Health Insurance Program (SCHIP) and Cardiac CT Angiography (CTA) imaging cut hurdles cleared in 2008. Overall legislative environment and impact less severe than 2007.

PHILIPS

Economy, Financial and Credit Markets

Market

- In spite of Federal Reserve actions, recession threat remains.
- Major healthcare lenders consolidating.

Customers

- Tighter credit markets and turmoil in auction rate bond market creating challenge for some customers

Philips

- Financial programs more stable - less subject to market turbulence
- Solid partner in non-conglomerate bank specializing in vendor leasing

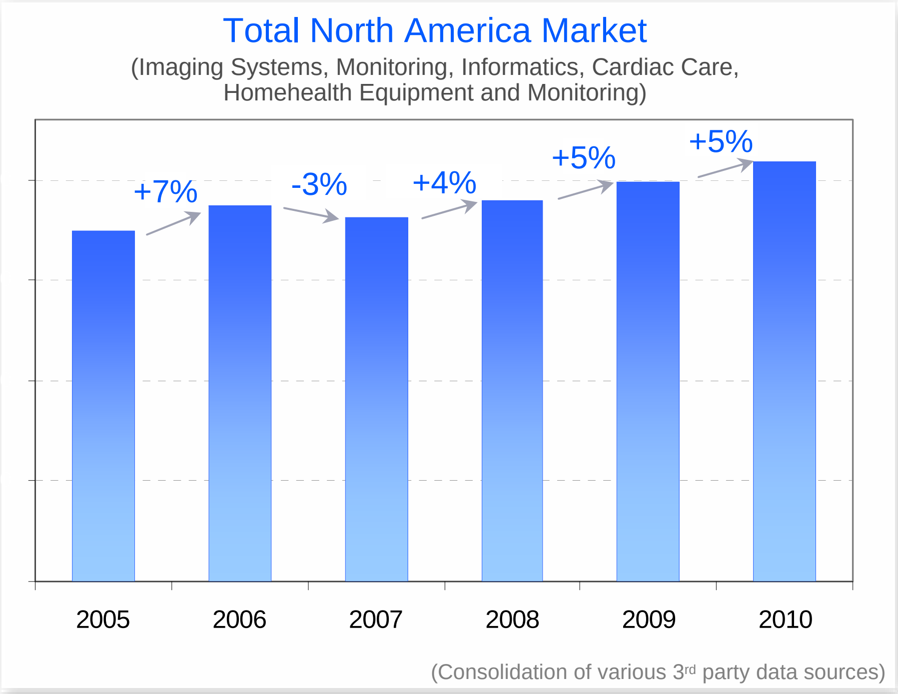
While overall market shows signs of stabilizing, reimbursement and economic environment are causing more scrutiny on capital spending.

Market Summary

- Moderate growth moving forward
  - Slight growth in imaging starting 2009
  - Stronger growth in monitoring, cardiac care, healthcare informatics, home healthcare

- Customer decisions increasingly focused on:
  - Productivity and workflow
  - Transformation of care around diseases

- Philips aligned with market opportunities
  - Care Cycle focus
  - Balanced business portfolio



Diverse portfolio of businesses positions Philips Healthcare for success in growing market.

Agenda

- Introduction
- North America Market Drivers
- Philips Performance and Evolution
- Summary

Progress in North America

Stated Focus	Results
Market	Gained share in difficult 2007 market. Entered 2008 with strong Q1 orders growth.
Customer	Improved customer satisfaction ratings
Employees	Higher employee engagement scores
Simplicity and Operational Excellence	2007 restructuring strengthened organization in terms of reach, depth, operations
Care Cycles	Deployed women's healthcare and cardiology go-to-market initiatives

Key Successes

- Gained market share and retained #1 position in ultrasound in '07
- Gained share and retained #1 position in patient monitoring in '07
- Gained 10 points of market share in defibrillation in '07
- Surgical X-ray orders grew by nearly 200% in '07
- Customer feedback on care cycle approach very positive! "Simplifying Cardiac Care" messaging was well received at American College of Cardiology 57th annual scientific session - *"Philips gets it! "*

Positive momentum and many successes in spite of challenging 2007 market conditions.

PHILIPS

Agenda

- Introduction
- North America Market Drivers
- Philips Performance and Evolution
- Summary

PHILIPS

Summary

- Cautious optimism regarding future of market

- Philips in strong, improved position:
  - Momentum in market share, customer satisfaction
  - Solid orders growth in 1st quarter of 2008

- Will sustain momentum through focus on:
  - Further deploying Care Cycles
  - Extending channel reach
  - Leveraging synergies from acquisitions
  - Driving customer satisfaction and loyalty

Portfolio breadth and mix give Philips unique advantage.
Focused to compete effectively in North America market.

PHILIPS