

**PHILIPS**

**sense and simplicity**

# PHILIPS



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**Philips Healthcare**  
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# Forward Looking Statements

## Forward Looking Statements

This document and the related oral presentation, including responses to questions following the presentation may contain certain forward-looking statements with respect to the financial condition, results of operations and business of Philips and certain of the plans and objectives of Philips with respect to these items. We caution readers that no forward-looking statement is a guarantee of future performance and that actual results could differ materially from those contained in the forward-looking statements. Examples of forward-looking statements are statements we have made about our strategy, estimates of sales growth, future EBITA and cost savings, future developments in our organic business as well as the benefit of future acquisitions, and our capital position. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances and there are many factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements.

Forward looking statements that we make are subject to, among other things, domestic and global economic and business conditions, levels of consumer and business spending in major economies, changes in consumer preferences with respect to our existing and new products, our ability to develop and market new products, changes in legislation, the successful implementation of our strategy and our ability to realize the benefits of this strategy, changes in exchange and interest rates, changes in tax rates, the performance of the financial markets, pension costs, the levels of marketing and promotional expenditures by Philips and its competitors, raw materials and employee costs, our ability to identify and complete successful acquisitions and to integrate those acquisitions into our business, our ability to successfully exit certain product lines and businesses or restructure our operations, the rate of technological changes, political and other developments in countries where Philips operates and industry consolidation as well as the impact of competition – a number of which factors are beyond our control. As a result, our actual future results may differ materially from the plans, goals, and expectations set forth in such forward-looking statements.

Additional risks and factors are identified in our Annual Report for the fiscal year ended December 31, 2006 and our Annual Report on Form 20-F filed with the U.S. Securities and Exchange Commission (the “SEC”), which is available on the SEC’s website at [www.sec.gov](http://www.sec.gov). Readers should consider the disclosures in that Report and any additional disclosures that we have made or may make in documents that we have filed or furnished to the SEC or may file with or furnish to the SEC or other regulatory authorities.

Any forward-looking statements made by or on our behalf speak only as of the date they are made. We do not undertake to update forward-looking statements to reflect any changes in expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based. Statements regarding market share, including as to Philips’ competitive position, contained in this document are based on outside sources such as specialized research institutes, industry and dealer panels in combination with management estimates. Where information is not yet available to Philips, those statements may also be based on estimates and projections prepared by outside sources or management. Rankings are based on sales unless otherwise stated.

## Use of non-GAAP Information

In presenting and discussing the Philips Group’s financial position, operating results and cash flows, management uses certain non-US GAAP financial measures. These non-US GAAP financial measures should not be viewed in isolation as alternatives to the equivalent US GAAP measure(s) and should be used in conjunction with the most directly comparable US GAAP measure(s).

## Use of fair value measurements

In presenting the Philips Group’s financial position, fair values are used for the measurement of various items in accordance with the applicable accounting standards. These fair values are based on market prices, where available, and are obtained from sources that are deemed to be reliable. Readers are cautioned that these values are subject to changes over time and are only valid at the balance sheet date. When a readily determinable market value does not exist, fair values are estimated using valuation models which we believe are appropriate for their purpose. They require management to make significant assumptions with respect to future developments which are inherently uncertain and may therefore deviate from actual developments. In certain cases, independent valuations are obtained to support management’s determination of fair values.

## Additional information

Investors and stockholders of Respiroics, Inc. (“Respiroics”) are urged to read the Tender Offer Statement on Schedule TO (containing the offer to purchase, a letter of transmittal and related materials) filed by Moonlight Merger Sub, Inc., an indirect wholly owned subsidiary of Philips, relating to its tender offer for shares of common stock of Respiroics that has been filed with the SEC because it contains important information, including the various terms of, and conditions to, the tender offer. Investors and stockholders of Respiroics may obtain these and other documents regarding the tender offer, the merger and the related transactions filed by Moonlight Merger Sub, Inc. and Respiroics for free from the SEC’s website at [www.sec.gov](http://www.sec.gov).

# Philips Healthcare: our businesses in 2007

**Imaging Systems**

**€2.7B**

CT

MR

SPECT/ PET

X-Ray

**Information,  
Ultrasound  
and  
Monitoring  
Solutions**

**€1.9B**

Healthcare  
Informatics

Ultrasound

Patient Monitoring

Cardiac Systems

**Customer  
Services**

**€1.9B**

Consultancy

Clinical services

Asset manage-  
ment

Maintenance  
& Repair

**Home  
Healthcare  
Solutions**

**€0.2B**

Medical alert  
services

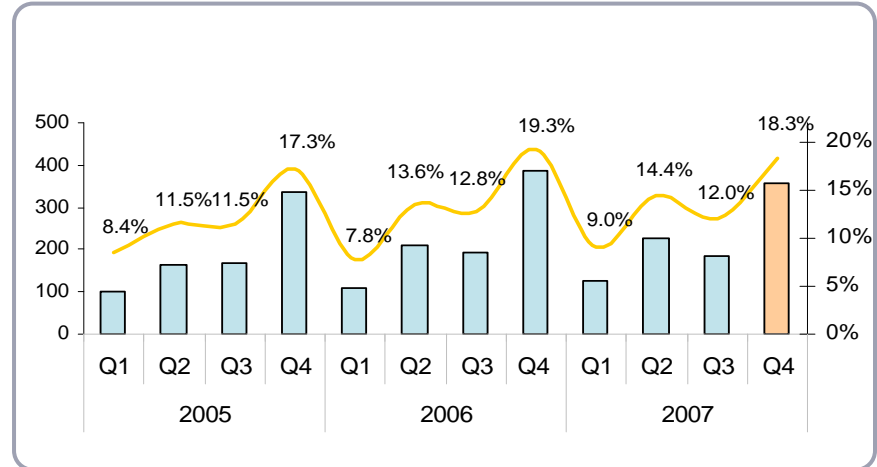
Tele-monitoring  
services

## EBITA (in millions of euros)

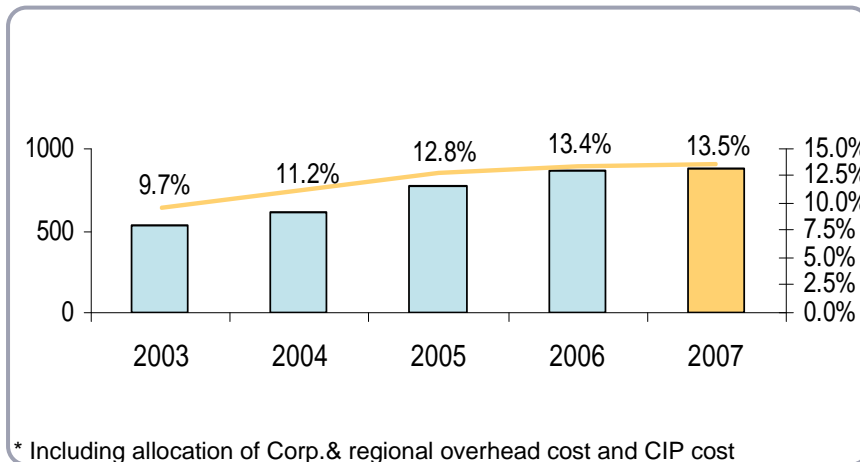
Quarterly as reported (restated to exclude MedQuist)



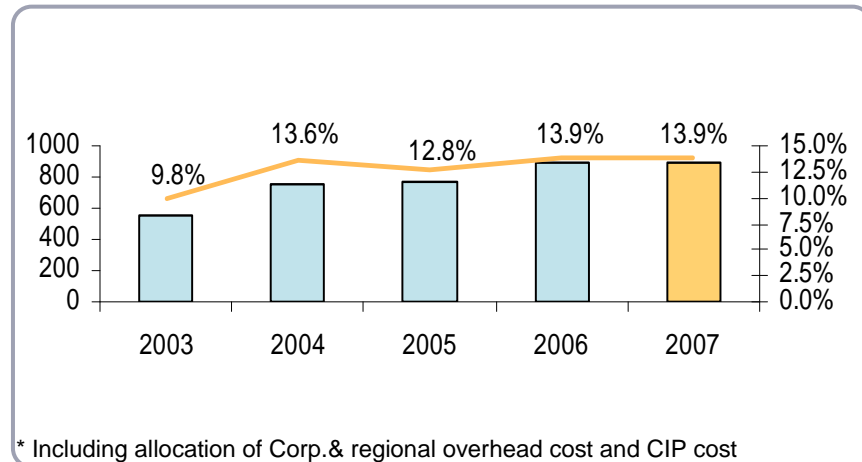
Quarterly adjusted (see footnotes below)



Full Year as reported (restated to exclude MedQuist)



Full Year adjusted (see footnotes below)



**Quarterly adjustments:** Q4 2006 excludes Intermagnetics-related acquisition and integration charges of EUR 65m in EBIT of which EUR 36m impacted EBITA. Q1 – Q4 2007 excludes Intermagnetics-related acquisition and integration charges of EUR 8m, EUR 5m, EUR 5m, and EUR 5m respectively.

**Full year adjustments:** 2003 excludes reported special items of EUR 8m. 2004 excludes the Volumetrics settlement of EUR 133m. 2006 & 2007 exclude Intermagnetics-related acquisition and integration charges of EUR 36m and EUR 23m respectively.

# Margin expansion

Supply Management

Supply Chain

Information Technology

Sales Organization

Industrial Footprint

Additional Areas of Opportunity

**Simplify**  
your work



## Strong growth in emerging markets

- Focused teams across the world
- Strengthening product portfolio for mid range of the market
- Orders and Sales growth of 15 % in 2007, year-on-year, in key markets



# Care Cycle Strategy to address Healthcare's Challenges

“ 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*



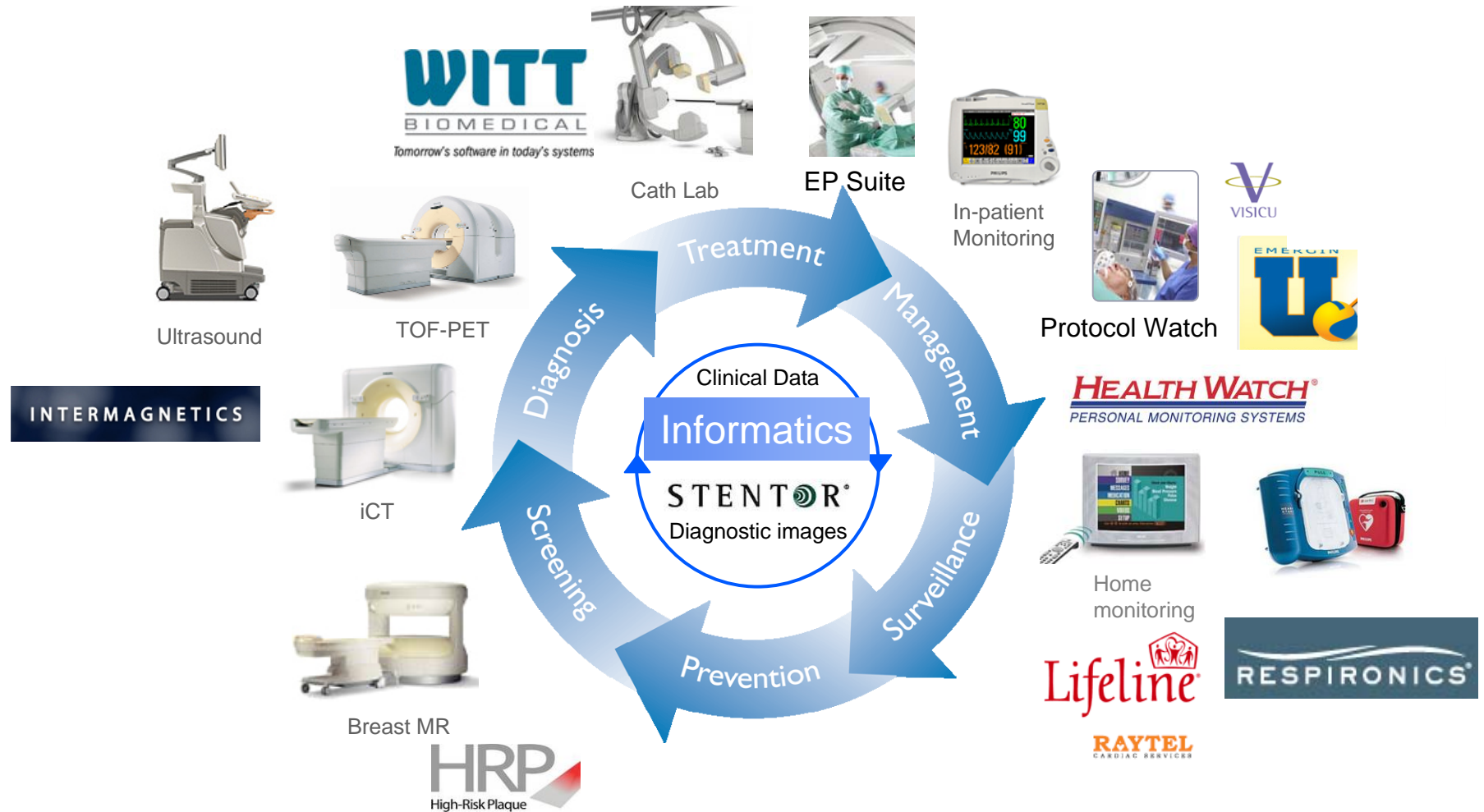
“ CT screening could eliminate 80% of lung cancer deaths in high risk patients. ”  
- *NEJM*

“ 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*

Focus on the people in the care cycle, the patients and care providers  
Innovate across the care cycle by .....  
combining **human insights** and **clinical expertise**

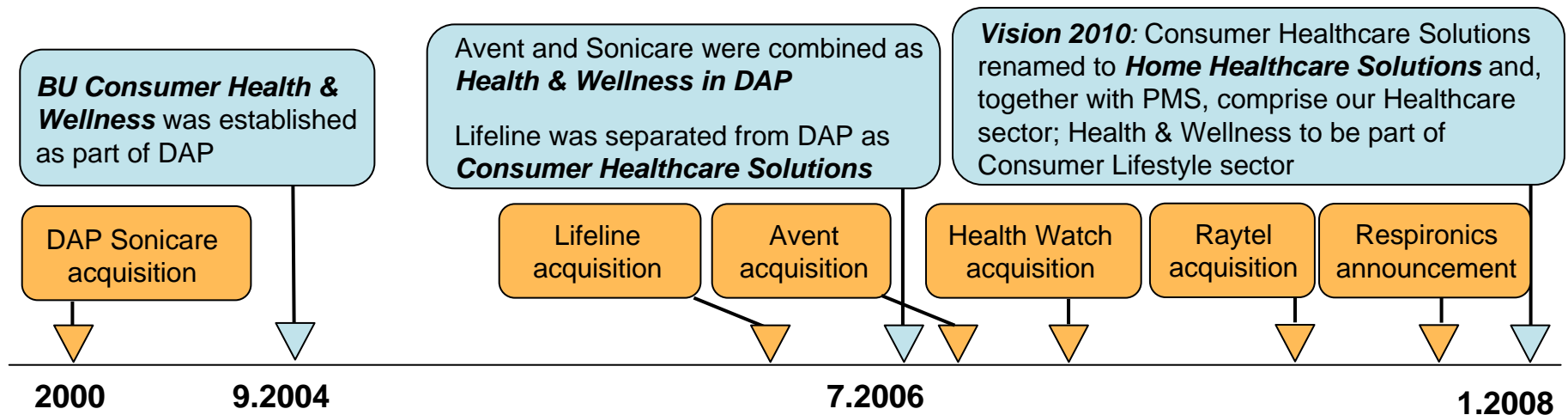
## In-house Innovations, Strategic acquisitions and alliances to strengthen Care Cycles



**Over €5.7 bln in acquisitions done or announced in the last 2.5 years**

## And now to build the leading Home Healthcare Franchise

- Home Healthcare is a large and attractive market
- The acquisition of Respironics is a significant milestone
- Respironics significantly broadens Philips' home healthcare platform



## In 2008, Philips Healthcare includes Home Healthcare

Focused acquisition strategy to build a leading position in Home Healthcare

- Lifeline



- #1 Medical Alert Service

- Health Watch



- Medical Alert Service, expands customer base

- Raytel



- #1 home monitoring service

- Respironics\*



- #1 in obstructive sleep apnea

\*acquisition expected to close in Q1 2008

Investment of over €4 bln

# Respironics has strategic links to multiple Philips business areas

## Philips business area

Home Healthcare Solutions

Healthcare (hospital)

Consumer Lifestyle

Lighting & Philips Research

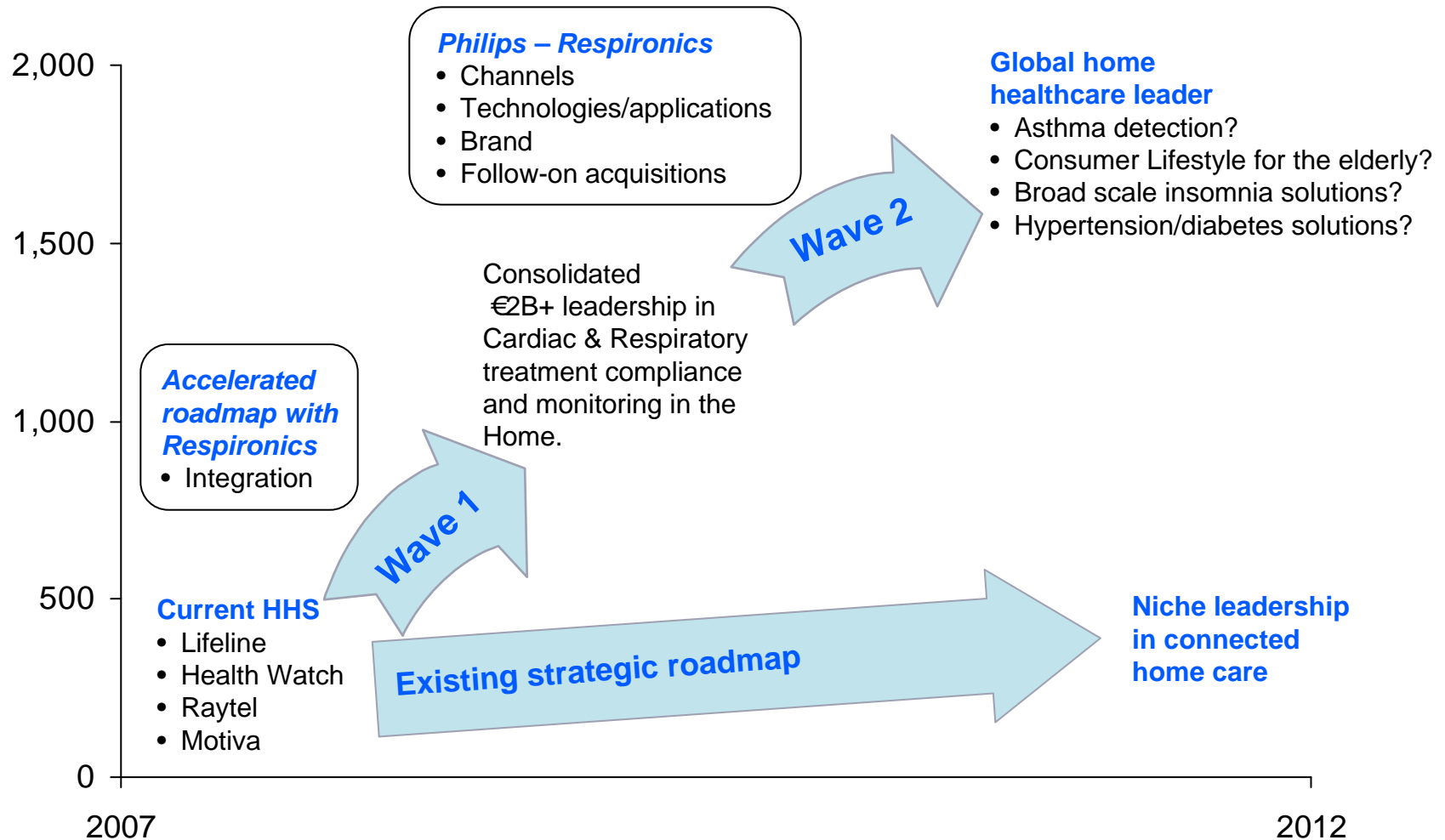
## Respironics-Philips strategic links

- End-user overlap between Respironics oxygen therapy patients and Lifeline subscribers
- Comorbidity link between Raytel Cardiac Services patients and obstructive sleep apnea patients
- Links to Philips Healthcare's cardiac care cycle strategy through sleep apnea comorbidities with cardiac conditions
- Respironics' (future) consumer products around sleep add to existing Lifestyle portfolio in mass retail channels
  - Snoring
  - Insomnia
- Respironics' light-based solutions for sleep disorders e.g. jet lag prevention products, treatment devices for Seasonal Affective Disorder and other Circadian Rhythm disorders



## Respironics provides the platform for accelerating our Home Healthcare strategic vision

Size (Eur M)



## Respironics contributes to execution of the Philips Healthcare Sector's Vision 2010 strategy...

### *Vision & Mission*

#### **Vision**

- Removing boundaries in healthcare

#### **Mission**

- Improve lives through solutions designed around needs of customers and patients

#### **Philips' differentiation**

- Patient and care provider driven

### Respironics' fit

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*Respironics provides a logical bridge between the professional and home healthcare settings, filling many existing gaps in the care cycle*

*Respironics adds close to €1B immediate additional business, with leading growth and profitability*

*Respironics would be a key differentiator for growing home care and also provides further levers to growth in Emerging Markets*

## 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, margin expansion and strategic acquisitions and alliances
- We are building the leading Home Healthcare Solutions franchise and leverage the Philips brand in global market place

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