

# PHILIPS

sense and simplicity

Royal Philips Electronics

*Goldman Sachs European Medtech and  
Healthcare Services Conference*

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September 9<sup>th</sup>, 2010

# Important information

## *Forward-looking statements*

This document and the related oral presentation, including responses to questions following the presentation 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, in particular the paragraphs “Looking ahead” and “Outlook”. Examples of forward-looking statements include statements made about our strategy, estimates of sales growth, future EBITA and future developments in our organic business. By their nature, these 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 statements.

These factors include but are not limited to domestic and global economic and business conditions, the successful implementation of our strategy and our ability to realize the benefits of this strategy, our ability to develop and market new products, changes in legislation, legal claims, changes in exchange and interest rates, changes in tax rates, pension costs and actuarial assumptions, 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 businesses or restructure our operations, the rate of technological changes, political, economic and other developments in countries where Philips operates, industry consolidation and competition. As a result, Philips’ actual future results may differ materially from the plans, goals and expectations set forth in such forward-looking statements. For a discussion of factors that could cause future results to differ from such forward-looking statements, see the Risk management chapter included in our Annual Report 2009 and the “Risk and uncertainties” section in our semi-annual financial report for the six months ended July 4, 2010.

## *Third-party market share data*

Statements regarding market share, including those regarding Philips’ competitive position, contained in this document are based on outside sources such as 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-GAAP financial measures. These non-GAAP financial measures should not be viewed in isolation as alternatives to the equivalent IFRS measures and should be used in conjunction with the most directly comparable IFRS measures. A reconciliation of such measures to the most directly comparable IFRS measures is contained in this document. Further information on non-GAAP measures can be found in our Annual Report 2009.

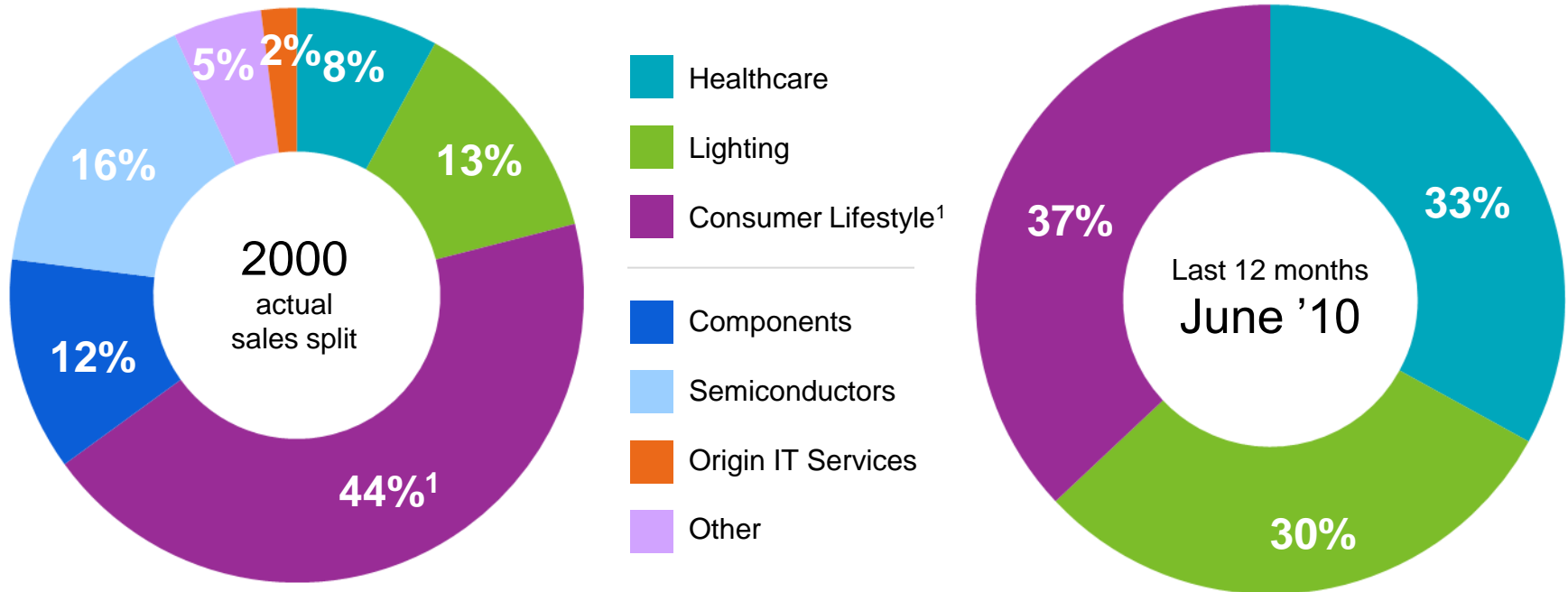
## *Use of fair-value measurements*

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 quoted prices or observable market data do not exist, we estimated the fair values using appropriate valuation models and unobservable inputs. They require management to make significant assumptions with respect to future developments, which are inherently uncertain and may therefore deviate from actual developments. Critical assumptions used are disclosed in our 2009 financial statements. Independent valuations may have been obtained to support management’s determination of fair values.

All amounts in millions of euro’s unless otherwise stated; data included are unaudited. Financial reporting is in accordance with IFRS, unless otherwise stated. This document comprises regulated information within the meaning of the Dutch Financial Markets Supervision Act ‘Wet op het Financieel Toezicht’.

# Building a leading company in health and well-being

Over the past decade we have fundamentally simplified our business portfolio, investing proceeds from disposals in our Healthcare, Consumer Lifestyle and Lighting businesses.



<sup>1</sup> Consumer Lifestyle in 2000 includes the former DAP and Consumer Electronics divisions

## Philips Healthcare: People Focused. Healthcare Simplified.



### People focused

We start with the needs of patients and their care providers because understanding their experiences ensures we create solutions that best meet their needs.

**Oncology**  
**Cardiology**  
**Women's Health**



### Care cycle driven

We focus on their specific medical needs throughout the care cycle...

**Prevention**  
**Screening**  
**Diagnosis**  
**Treatment**  
**Management**  
**Surveillance**



### Care anywhere

...wherever that care occurs.

**Ambulance**  
**Hospital**  
**Home**  
**Out-patient Settings**



### Meaningful innovation

And we apply our technology to help improve healthcare quality and reduce cost because meaningful innovations create value for patients and care providers.

**Targeted diagnostics**  
**Imaging**  
**Selective therapeutics**  
**Healthcare informatics**  
**Monitoring**  
**Services**

## Philips Healthcare: Key products and services

*Providing comprehensive support*

### Philips Healthcare

#### Businesses<sup>1</sup>

Imaging Systems



39%

Interventional X-Ray  
Diagnostic X-Ray  
CT  
MR  
SPECT/CT  
PET/CT  
Ultrasound  
Women's health

Home Healthcare Solutions



14%

Sleep disordered breathing  
Respiratory care  
Home monitoring

Patient Care and Clinical Informatics



21%

Patient monitoring  
Clinical informatics  
Cardiac resuscitation  
ECG solutions  
Ventilation

Customer Services

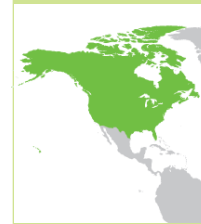


26%

Site planning and project management  
Ambient experience  
Education  
Performance services  
Maintenance

#### Sales & services geographies<sup>1</sup>

North America



46%

United States  
Canada

International



35%

Western Europe  
Japan  
South Korea  
Australia  
New Zealand

Emerging Markets



19%

China  
India  
Latin America  
Russia  
Eastern Europe  
Middle East  
Africa  
Asean

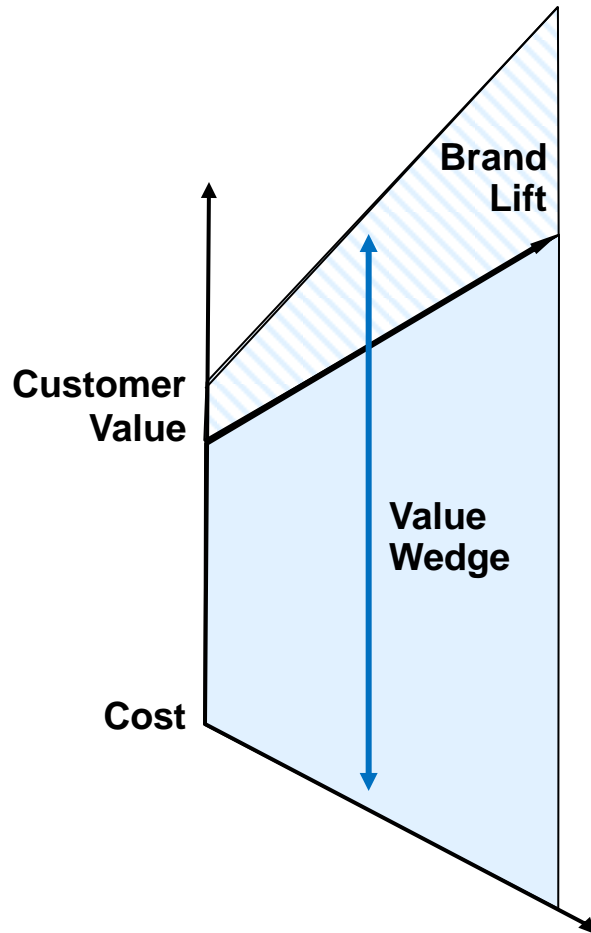
<sup>1</sup> Last 12 months June 2010

# Philips: Management agenda 2010

*The leading company in health and well-being*

Drive performance	Accelerate change	Implement strategy
<p>Drive top-line growth and market share</p> <p>Continue to reduce costs and improve cost agility</p> <p>Further increase cash flow by managing cash aggressively</p>	<p>Increase customer centricity by empowering local markets and customer facing staff</p> <p>Increase number of businesses with NPS co/leadership positions</p> <p>Increase employee engagement to high performance level</p>	<p>Increase our market position in emerging markets</p> <p>Drive key strategy initiatives for each sector</p> <ul style="list-style-type: none"> <li>• <b>Move towards leadership position in imaging</b></li> <li>• <b>Grow Home Healthcare</b></li> <li>• Grow Health and Wellness</li> <li>• Manage TV to profitability</li> <li>• Become lighting solutions leader in outdoor</li> <li>• Grow consumer luminaires</li> <li>• Optimize lamps lifecycle</li> </ul> <p>Leverage Sustainability as an integral part of our strategy</p>

## Imaging: Moving towards a leadership position



### *Drive Customer & Patient Experience*

- Quality, reliability and service delivery
- Interoperability

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### *Deliver customer value to win*

- Drive Cardiology and Oncology leadership
- Strengthen position in Radiology
- Expand in Women's Healthcare
- Broaden Ultrasound offering to address growth areas
- Strengthen and expand mid/low portfolio

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### *Drive out costs ... Create capacity*

- Leverage and expand global capabilities
- Design to cost

**Positioned to grow faster than the market**

## Home Healthcare Solutions: Growth in new segments

- Changing demographics will continue to be accretive to home health care growth and margin expansion
- Home Healthcare Solutions portfolio will continue to be accretive
- Strong new product line-up and pipeline across all the businesses will continue to fuel high single-digit sales growth
- Well positioned in our core markets with opportunities for future innovation; including long term hospital to home strategy
- Globalization of business – especially emerging markets will leverage Philips strengths



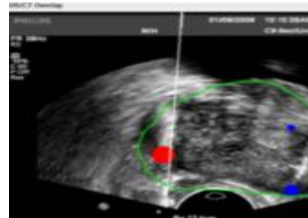
## Patient Care & Clinical Informatics: Growth from the core

- Philips patient monitoring is the world leader and focused on mobility, advanced clinical decision support, and interoperability  
Continuing to grow and gain share
- Philips leads in clinical informatics and will continue to grow  
We gained share in PACs, cardiology, and patient monitoring informatics
- Advanced clinical decision support is our focus and differentiator  
We are expanding CDS and telehealth solutions, and this will drive future growth
- We are winning share in emerging markets  
In both monitoring and clinical informatics



## Focus area 1: Accelerating growth

- Expanding product portfolio to address new market opportunities with exciting solutions  
**Move towards leadership position in imaging**
- Delivering innovative sleep, monitoring and respiratory care solutions in the home  
**Grow Home Healthcare**
- Leveraging our leadership position in patient monitoring, clinical informatics, and clinical decision support
- Expanding service offerings
- Executing emerging market strategies
- Driving unique care cycle driven strategies



## Focus area 2: Increasing margins

- Executing fixed cost reduction in industrial and geographic operations
- Streamlining operating costs throughout the organization
- Driving enterprise change through transPHorm programs...
  - Reducing material cost through low cost country sourcing
  - Establishing a flexible and responsive supply chain
  - Achieving cost reduction through purchasing excellence
  - Improving service productivity and effectiveness
  - Optimizing market approach



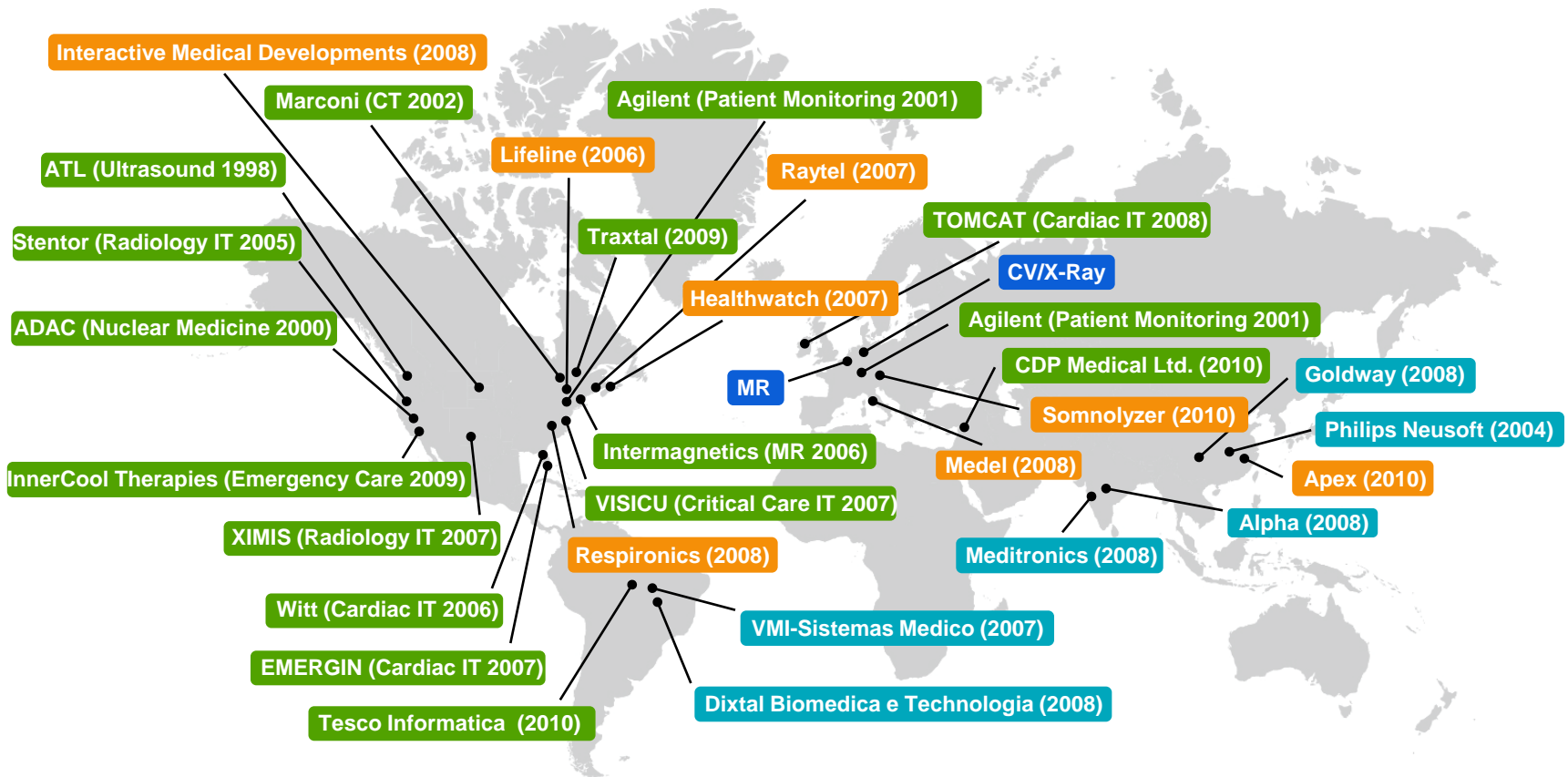
## Focus area 3: Capitalizing on acquisitions

Philips foundation

Aggregating technologies

Expanding care settings

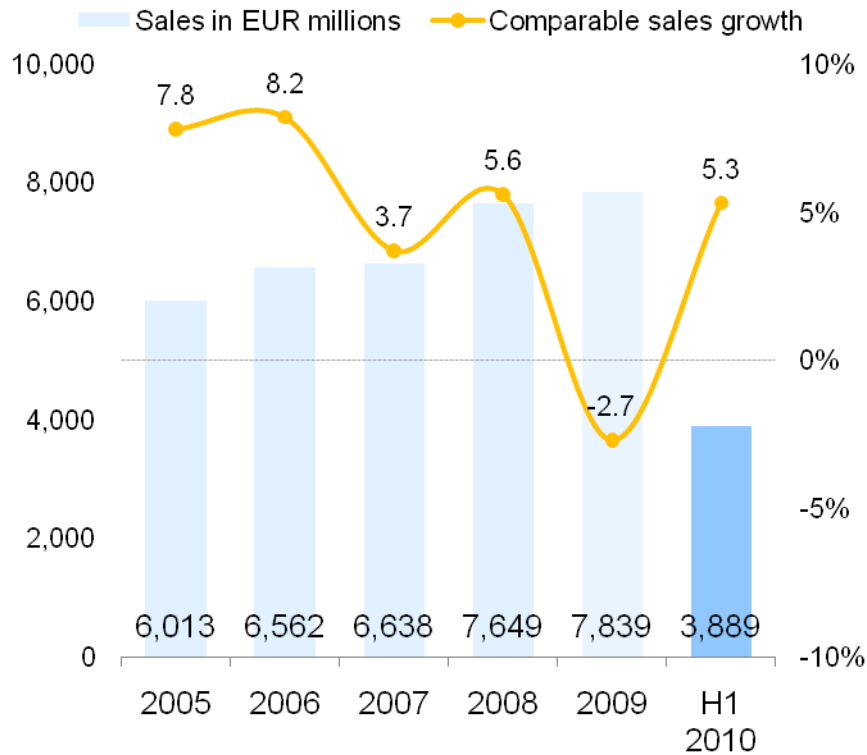
Global footprint



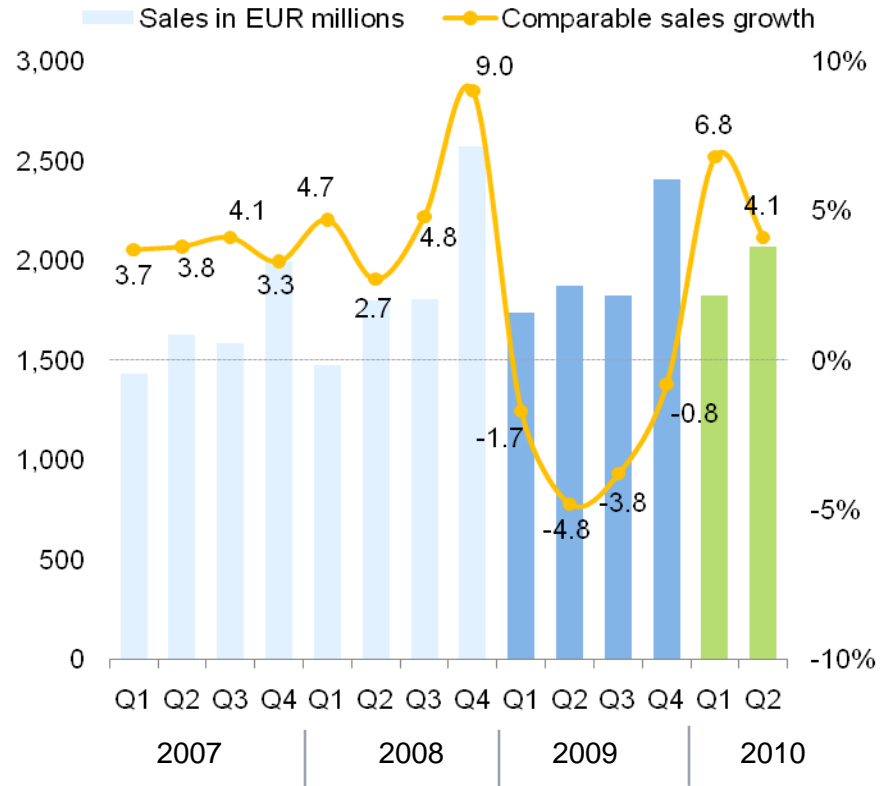
# Comparable sales rebounding in 2010

*Regaining mid single digit sales growth in 2010*

**Comparable sales growth**  
(adjusted for currency and portfolio)



**Quarterly comparable sales growth**  
(adjusted for currency and portfolio)

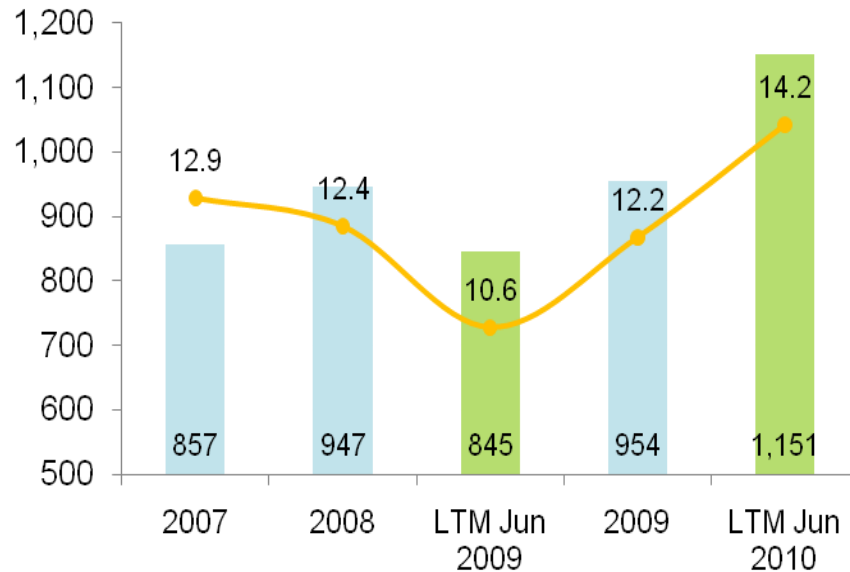


## Q2 2010 adjusted EBITA of 12.7%

*LTM Jun 2010 adjusted EBITA up to 14.2% from 10.6% last year*

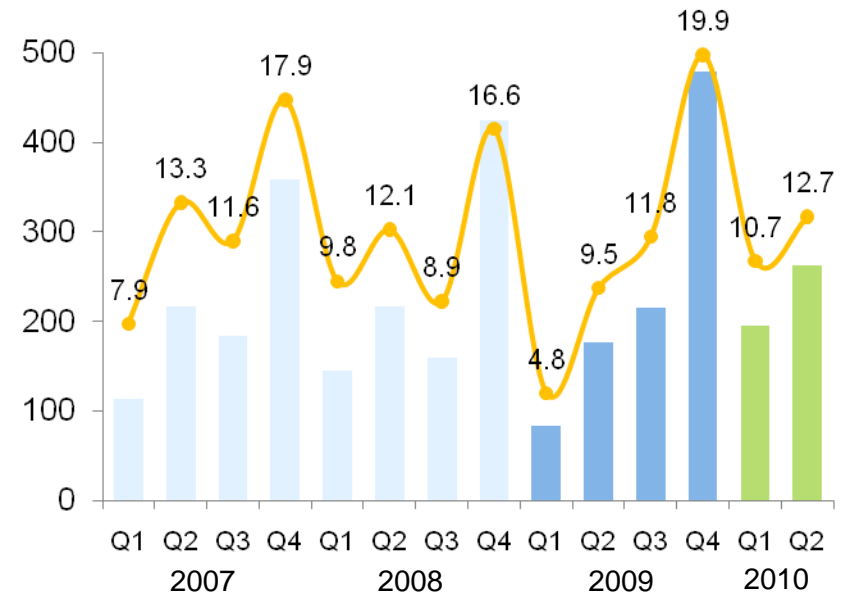
### EBITA full year adjusted <sup>1</sup>

EUR million, %



### EBITA quarterly adjusted <sup>1</sup>

EUR million, %



<sup>1</sup> Adjusted EBITA: EBITA excluding acquisition/integration related expenses, restructuring costs and gain on divestments.

## Philips Healthcare Summary

- Over the past decade, Philips Healthcare has tripled in size and now represents 33% of the Philips group.
- Philips Healthcare is a top 3 player in the global professional and consumer healthcare market.
- Three focused business growth initiatives:
  - Move towards a leadership position in Imaging
  - Grow Home Healthcare Solutions
  - Grow Patient Care and Clinical Informatics
- Three focused financial priorities:
  - Accelerate growth: expand portfolio in geographies and businesses
  - Increase margins: reduce costs, increase low cost country sourcing
  - Capitalize on acquisitions

