

PHILIPS



Growth in Asia-Pacific

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Agenda

Market share gains and growth of installed base

- Market overview
- Care Cycle Innovation in Asia
- Philips Medical development

Accelerating margin potential

- Customer Services
- Philips-Neusoft JV

Conclusions



Asia Pacific Market Overview

The current medical equipment market in APAC is ~ 5B Euro, accounting for ~ 20% of the global market

Total spending on healthcare as % of GDP is increasing

- Continued stress on healthcare systems across the region fueled by ageing; cancer and heart disease; urbanization

Supplementing growth with Medical Tourism and privatization of healthcare

Characterized by two distinct markets

- Developed markets (Japan, Australia & Korea) with modest growth and significant share of high-end products
- Emerging markets (China, India and ASEAN) with high growth and large share of low/mid range products

Philips Medical in Asia Pacific

Philips Medical an increasingly important player across the region

170 Mln Euro revenue growth across the region in 2005

Increase in order intake in the same time period:

- Equipment > 24%
- Customer Services > 31%

Continue to aggressively build Asia Pacific organization

- 10% year on year growth in sales and service headcount, with first footprints in smaller emerging markets (Philippines, Indonesia, Vietnam and Pakistan)
- Investing in regional training facility - Philips Learning Center launched in Singapore in May 2006
- Launched and activated customer financing portfolio



Philips Medical in Asia Pacific

Growing top-line faster than forecasted in 2005

- 24% revenue growth in Japan
 - the world's second largest medical market
- 25% revenue growth in China
 - the world's third largest medical market
- 42% revenue growth in India
- Strong revenue growth in all other markets

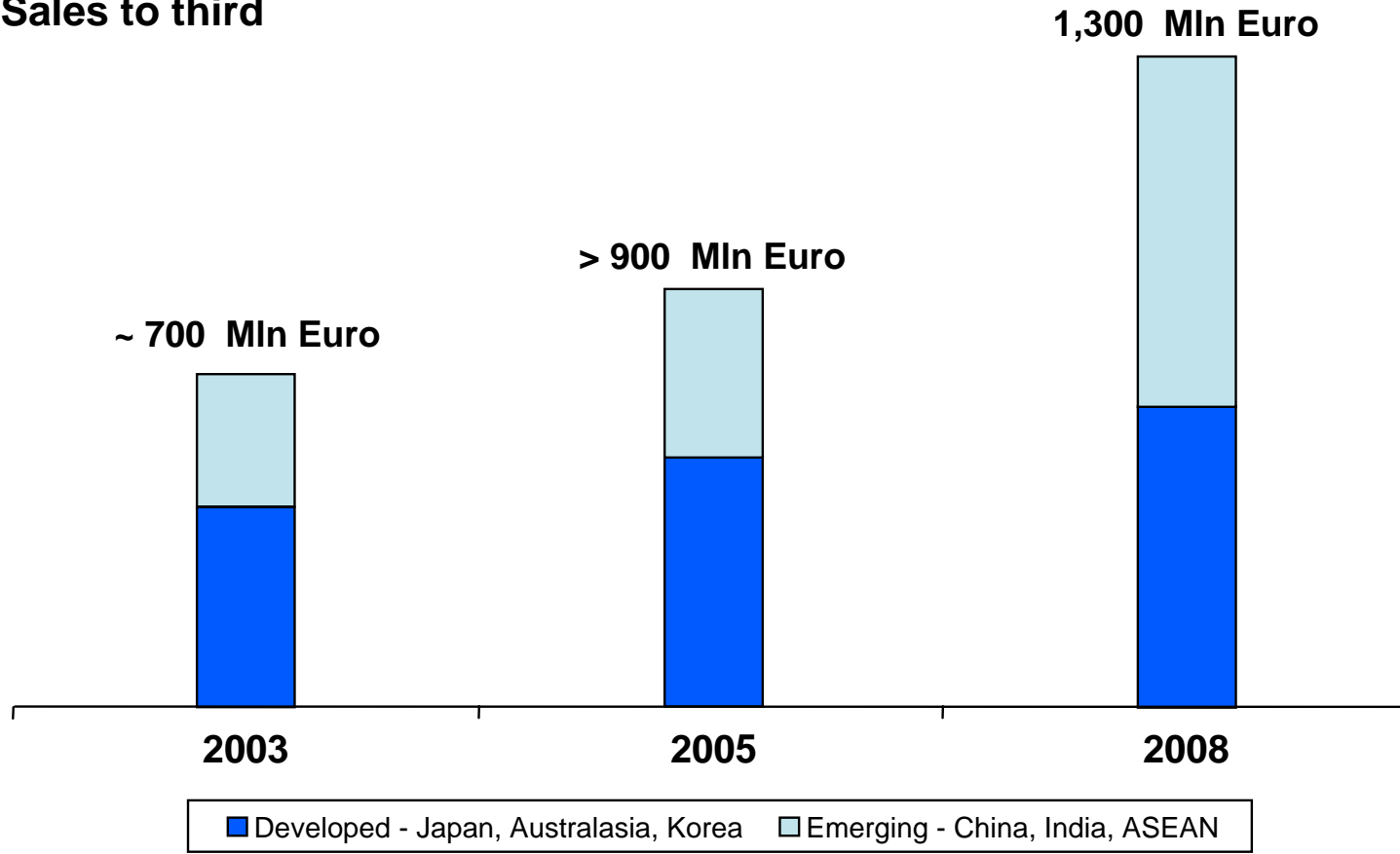
Key Drivers:

- Great product portfolio based on high innovation rate
- Customer centric approach
- Great team
- Understanding and knowledge of how to do business in Asia

We continue to gain market share

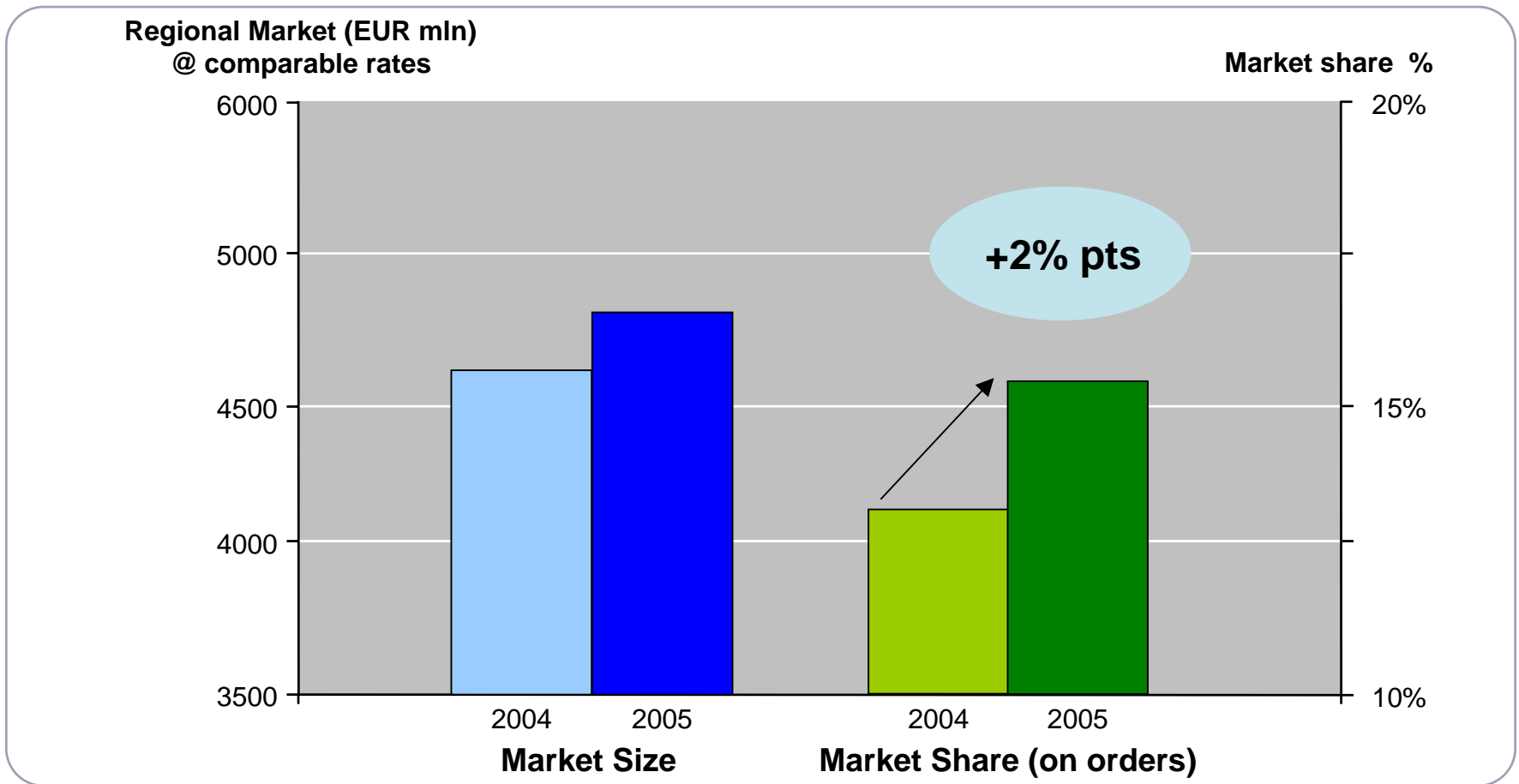
On track with Philips Medical Asia Pacific Ambition: Grow to € 1.3 Bln

PMS Sales to third



Significant Market Share Gain in 2005

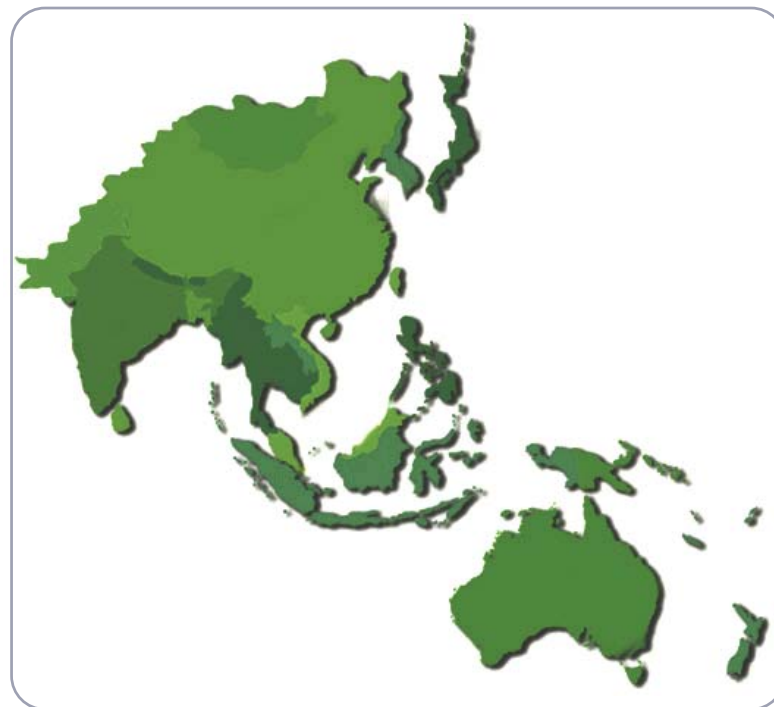
*Equipment Market v/s Market Share Development
(Comparable basis on orders)*



Source: PMS Internal Analysis & Market Reports

High innovation rate, customer centric approach key drivers to growth

- **Korea:** Kyunghee University Kodeok Hospital purchase order for Philips equipment & services across different modalities valued above 10M Euro
- **Australia:** Queensland Health Department group purchase order for Brilliance 64 slice CT systems valued above 6M Euro
- **China:** Hebei Hospital multi-modality purchase valued approx. 12M Euro
- **ASEAN:** The Department of Health of Philippines' ORET project to supply medical multi-modality equipment valued at 22.5M Euro
- **Japan:** National Hospital Organization (NHO) bulk purchase order for MR 1.5T systems valued at 12.6M Euro



Innovation in Care Cycle: an Asian example

The world's first surgery suite with seamlessly integrated MRI, CT and vascular Cath-lab (MRXO).



Innovation in Care Cycle: an Asian example



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Highlights: India

- Philips Medical India achieved an impressive 42% revenue growth
- Major wins:



13 out of 29 Cardiac CTs



All 4 orders of 3.0T MRIs



22 out of 35 Cath Labs



Approved supplier in four Indian states for Color Ultrasound

Customer Testimonial

Dr PC Reddy, Apollo Hospitals, India



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Dr. Prathap C Reddy

Chairman, Apollo Hospitals Group

A scholar and practitioner of promise, Dr. Reddy's quest for medical excellence took him from the relatively unknown village of Aragonda in Andhra Pradesh, where he was born in 1932, to the UK and the USA. He did his fellowship at the Massachusetts General Hospital, Boston, and went on to head research programmes at the Missouri State Chest Hospital. Dr. Prathap C Reddy is the founder chairman of the Rs. 15 billion Apollo Group. An entrepreneur who brought in high technology and professional management, to benchmark Indian healthcare against the world's best.

Apollo Hospitals

Apollo Hospitals was started in 1983 in an industry fraught with obstacles. Dr. Reddy, with his single-minded pursuit of internal excellence, spared no effort to bring in the latest technology. He set up nursing schools, sent doctors abroad to study new developments and brought innovation in health insurance, health education and emergency and preventive health care. Today, Apollo is the largest private hospital chain in Asia and the largest integrated healthcare service provider in the world. The system consists 23,000 people, a total of 7000 hospital beds and 38 centres that operate across India and even across its borders, and lastly a heart-warming figure of 10 million people, who have been treated at Apollo.

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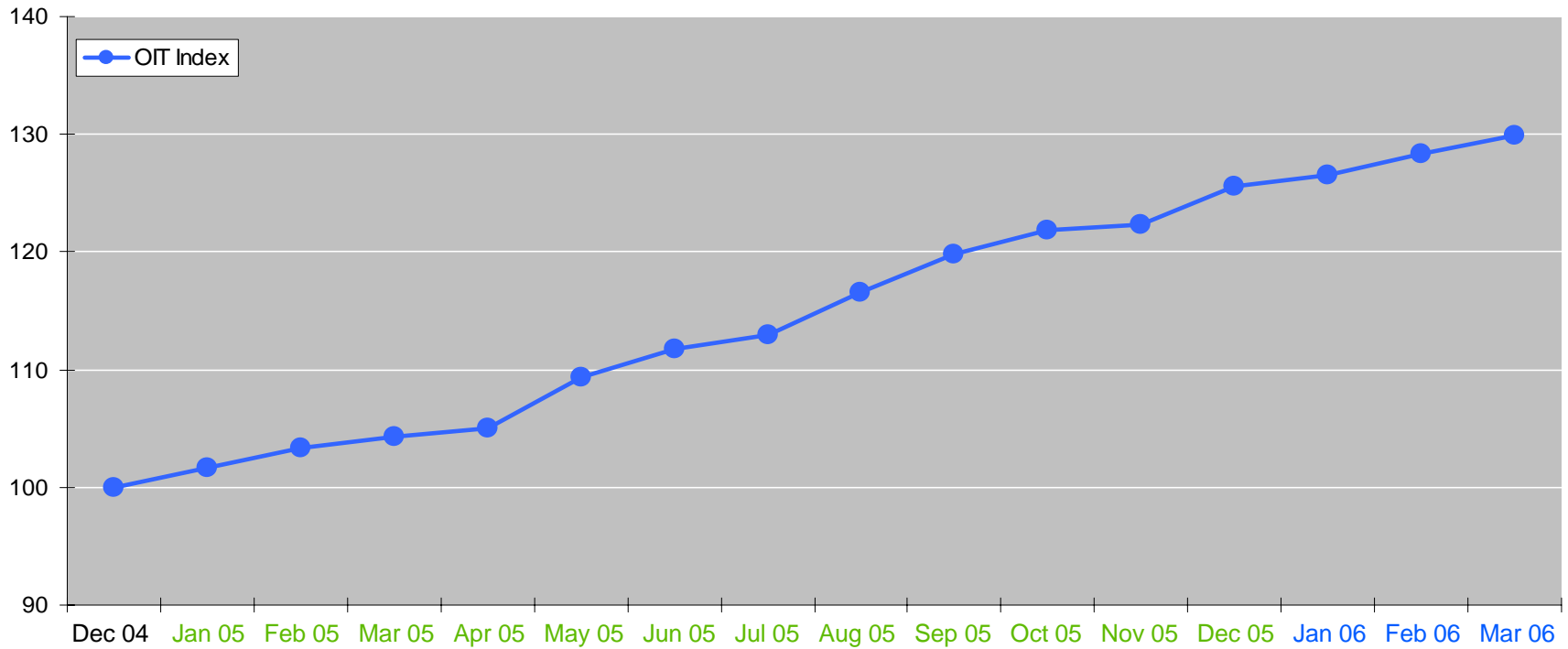
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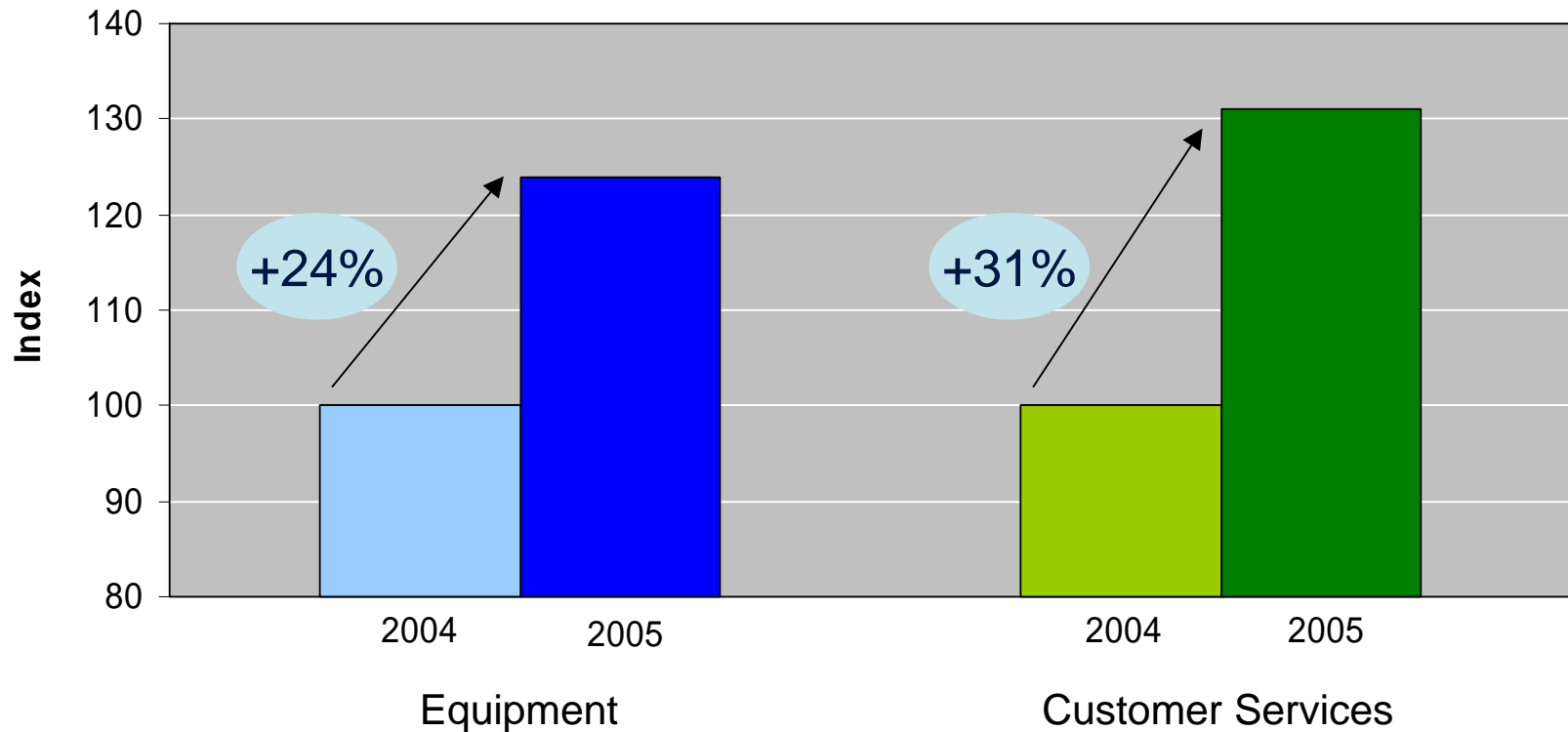


Order intake drives growth and increases our customer installed base

Trend - Moving Annual Total 2005-Q1 2006 OIT Index
at Comparable Exchange Rate



Customer services orders grow faster than equipment



Philips Neusoft JV

Locally manufactured PNMS products will address the needs for low/mid range products

- **Example: Dual-slice CT**
(> 20% cost improvement)

Product Training

Product Launch in China

Product Launch in Asia

Sept 2005

Nov 2005

April 2006



Philips Neusoft JV

- **Example GXR Essenta
(~ 30% cost improvement)**

Product Training in China

Jan 2006

Product Launch in China

Feb 2006

Product Training in Asia

Mar 2006

Product Launch in Asia

June 2006



Philips Neusoft JV committed to success

Increased investments

- Doubled R&D spending
- Increase of 20% + in headcounts

Expansion in product portfolio across different modalities

- New product introductions to increase three-fold by 2007



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Philips Medical continues to...

- Increase footprint and grow market share
- Drive customer services revenue to increase profitability
- Expand margins by leveraging low-mid range product portfolio to support emerging market requirements
- Evaluate future potential of local acquisitions in emerging markets
- Key success drivers - great product portfolio based on high innovation rate and a customer centric approach



**The Asia Pacific Message:
Strong growth with increased emphasis on profitability**

