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sense **and** simplicity

Royal Philips Electronics

Healthcare Capital Markets Day

Boston

May 6, 2010

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sense **and** simplicity

Philips Healthcare overview

Steve Rusckowski
CEO Philips Healthcare

Executive summary

Exited 2009 with renewed strength

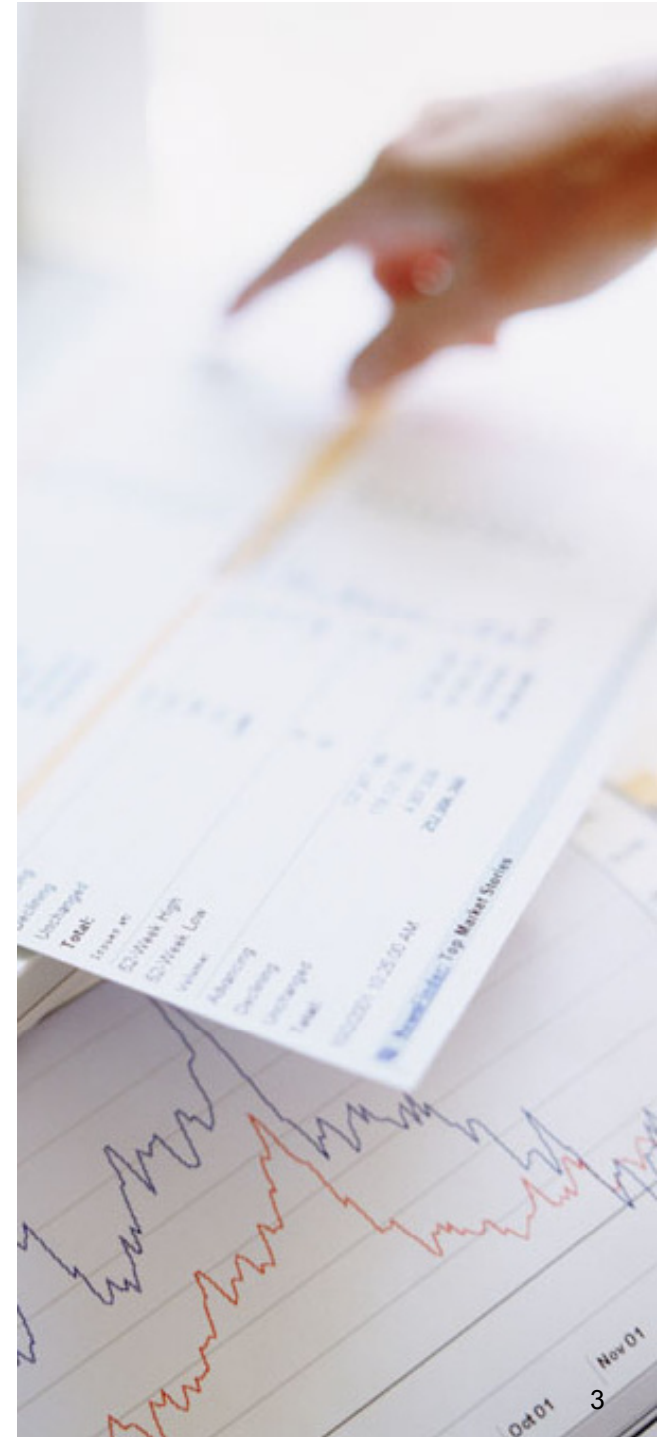
- Delivered solid orders and sales in a challenging market
- Demonstrated significant 2H margin expansion
- Maintained focus on strategic areas of growth
- Integrated acquisitions to plan

Entered 2010 ready for market recovery

- Started strong with solid growth, margin, and order intake in Q1
- Maintain strategic focus on strong growth opportunities within our current business portfolio
- Continue multi-year margin expansion programs

Positioned well long-term as global healthcare needs increase

- Care cycle approach
 - Better patient outcomes
 - Reduced healthcare system costs



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Philips is well positioned through our focus on health and well-being

Synergies across the portfolio

Our mission

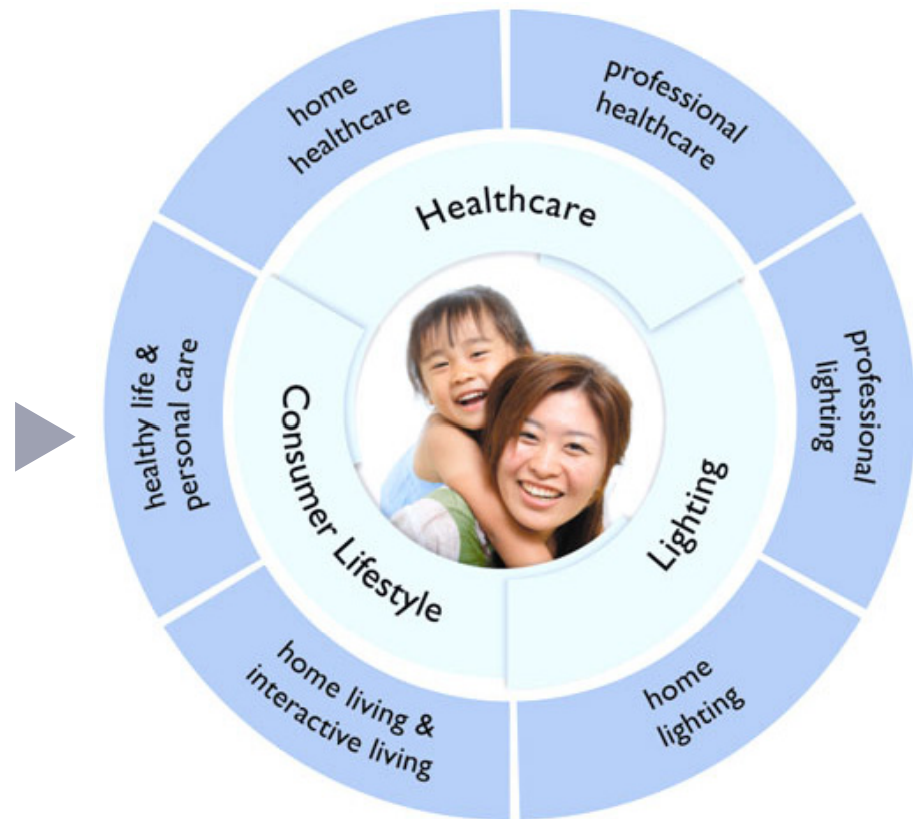
Improving people's lives

Our promise

“sense and simplicity”

Our company

- Common, end-user driven innovation process
- Strong global brand
- Channel access and global presence
- Engaged workforce
- Technology, know-how and strong IP positions
- Economies of scale
e.g. Shared service centers



Management Agenda 2010

The leading company in health and well-being

Drive performance

- Drive top-line growth and market share
- Continue to reduce costs and improve cost agility
- Further increase cash flow by managing cash aggressively

Accelerate change

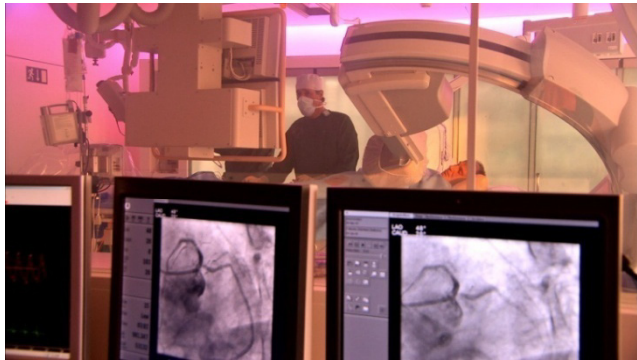
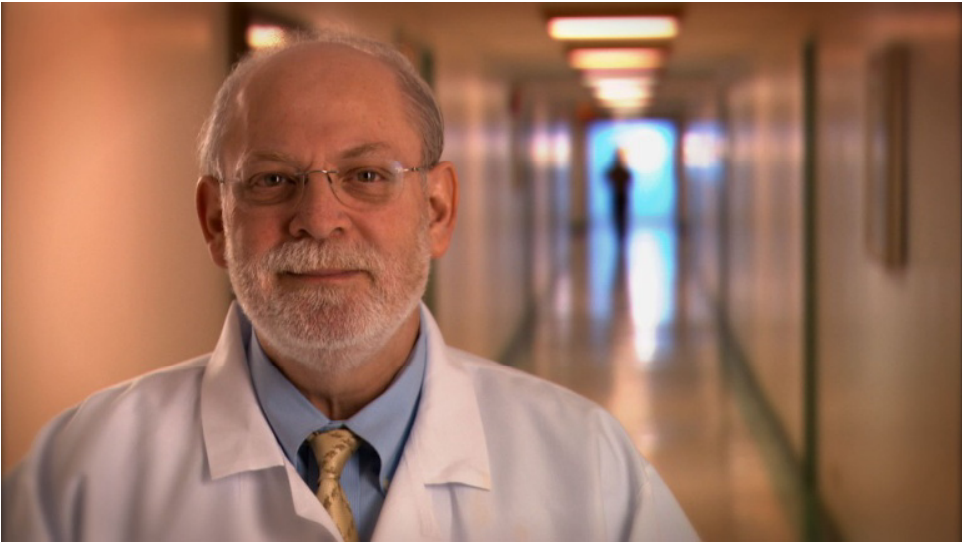
- Increase customer centricity by empowering local markets and customer facing staff
- Increase number of businesses with NPS co/leader positions
- Increase employee engagement to high performance level

Implement strategy

- Increase our market position in emerging markets
- Drive key strategy initiatives for each sector
 - **Move towards leadership position in imaging**
 - **Grow Home Healthcare**
 - Grow Health and Wellness
 - Manage TV to profitability
 - Become lighting solutions leader in outdoor
 - Grow consumer luminaries
 - Optimize lamps lifecycle
- Leverage Sustainability as an integral part of our strategy

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Healthcare brand video



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People Focused. Healthcare Simplified.



People focused



Care cycle driven



Care anywhere



Meaningful innovation

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

Overall market outlook improving

United States

- Market decline leveling off with modest growth expected in 2010
- Access to capital still limited
- Healthcare reform implications uncertain

International

- Flat to modest growth expected in 2010
- Accelerated drive towards efficiency
- Continued stimulus programs in some markets

Emerging Markets

- High single digit growth expected in 2010 led by China and India
- Increased demand for mid to low priced solutions
- Continued stimulus programs

Global Market Growth - 4 to 5% including equipment, home healthcare, services

The U.S. market still has some unique challenges

Dynamic market conditions

Economy & Financials → Long, slow recovery

Reimbursement → Ongoing

HC Reform → “Devil is in the details”

ARRA → Long-term Opportunity

Demographics → Drive Demand

Integrated Delivery Network (IDN) Growth → “Systemness”

Performance Varies → Winners & Losers

Healthcare reform impacts

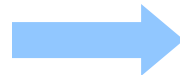
Components	Impact
Healthcare coverage expanded (+32 M people by 2014)	↑
Medical device excise tax (2013)	↓
CT, MR utilization assumption increase to 75% (2011)	↓
Contiguous body parts reimbursement reduction increased from 25% to 50%	↓
Changes in CMS physician fee schedule	↓

We remain focused on three areas

Focus Areas

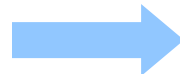
Initiatives

Accelerate Growth



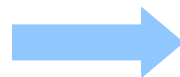
1. Increase presence in emerging markets
2. Expand mid / low-end product offering
3. Increase sales to home healthcare
4. Drive growth in healthcare informatics
5. Leverage patient/care provider brand

Increase Margins



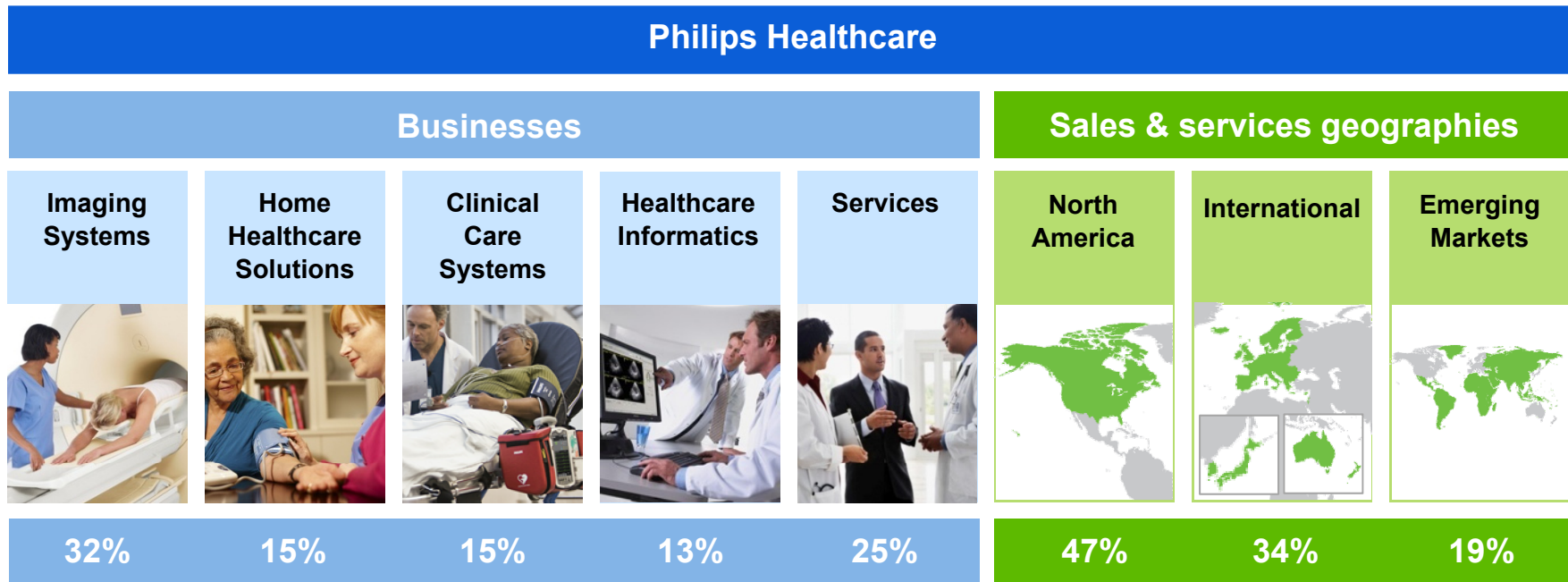
1. Expand low cost country sourcing
2. Improve product reliability costs
3. Increase service productivity / effectiveness
4. Optimize market approach
5. Improve quote to cash

Capitalize on Acquisitions



1. Deliver value from existing acquisitions
2. Pursue new acquisitions in strategic areas

Philips Healthcare in 2009



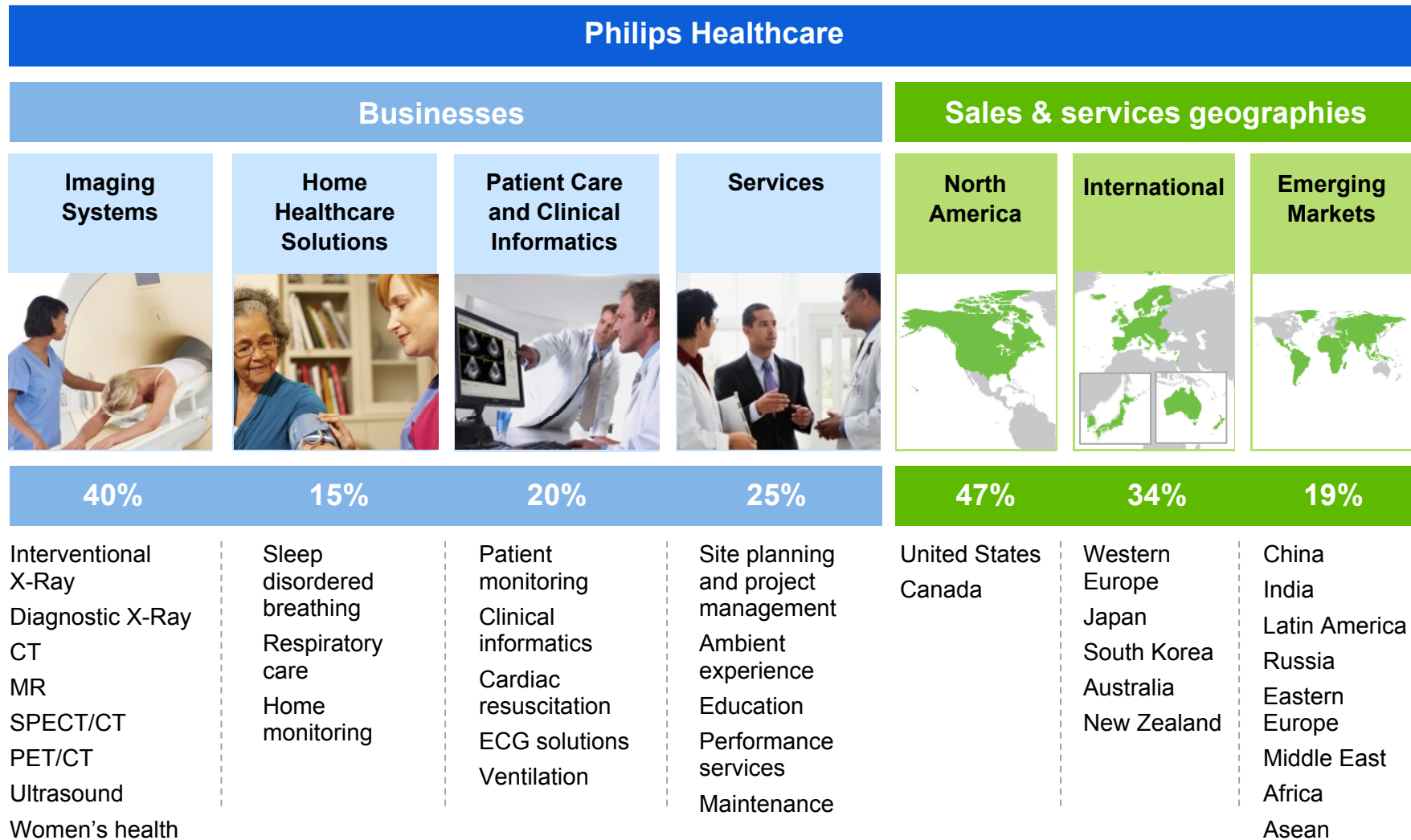
€7.8
Billion in sales in 2009

34,000+
People employed worldwide in 100 countries

9%
of sales invested in R&D in 2009

450+
Products and services offered in over 100 countries

Our organizational changes serve our strategy



Philips Healthcare organization



■ Today's speakers

Q&A

Steve Rusckowski



