Philips Medical Progress Report

• Seven consecutive quarters of improvement
• Building the future – Innovation
• Building the future – Customers
• Where do we go from here
The path (EBITA)

3.5 margin points up in seven quarters
1.7 points to go in 3 quarters
# Progress Report

<table>
<thead>
<tr>
<th>Year-on-Year Improvement</th>
<th>2002 to 2003 Achievements</th>
<th>Q1 03 to Q1 04 Achievements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comparable Growth</td>
<td>+ 7 %</td>
<td>+ 4 %</td>
</tr>
<tr>
<td>EBIT</td>
<td>+19 %</td>
<td>+32 %</td>
</tr>
<tr>
<td>EBIT margin Improvement</td>
<td>+ 2 pts</td>
<td>+ 2 pts</td>
</tr>
</tbody>
</table>

*excl. special and one time items 02/03*
Supply Chain Improvements

**Equipment Direct Deliveries as % Sales (world)**
- 2002: 26%
- 2003: 32%
- FC2004: 59%
- TARGET: 80%

**Equipment warehouses in North America**
- 2003: 21
- FC2004: 5
- TARGET: 1
Net Capital turnover goes up

Net Capital Turnover

<table>
<thead>
<tr>
<th>Year</th>
<th>2002</th>
<th>2003</th>
<th>FC 2004</th>
<th>TARGET</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>2.9</td>
<td>3.7</td>
<td>3.9</td>
<td>5.0</td>
</tr>
</tbody>
</table>

Net Capital = Capital excluding Goodwill
Financing

- North America reaching industry levels
  - in combination with the “Diamond Select” trade-in program
- Europe Finance ventures agreement signed in May with Société Générale
  - Starting in 6 countries: France, Germany, Italy, UK, Netherlands, Spain
  - EUR 8 mln in deals signed / funded
- Asia to come next
Building Integrated Supply Base

No. of Suppliers (80% of spend)

2003: 150, FC2004: 120, TARGET: 100

Supplier Managed Inventory (%)

2003: 20, FC2004: 70, TARGET: 80
We drive to gain market share

World by Region

<table>
<thead>
<tr>
<th>Product Line</th>
<th>2003 Trend</th>
<th>6 months Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>Americas</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Europe, ME &amp; Africa</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asia Pacific</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Sources – NEMA, various European studies and estimates

Global Product Lines

<table>
<thead>
<tr>
<th>Product Line</th>
<th>2003 Trend</th>
<th>6 months Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>X-ray</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CT</td>
<td></td>
<td></td>
</tr>
<tr>
<td>MR</td>
<td></td>
<td></td>
</tr>
<tr>
<td>NM</td>
<td></td>
<td></td>
</tr>
<tr>
<td>US</td>
<td></td>
<td></td>
</tr>
<tr>
<td>MIT</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Monitoring</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Last 6 months show positive trend
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X-ray – FD20 with large detector
Cardiovascular X-ray with 250 x finer details

5 years ago.. Now
MR – Achieva 3T
MR with 15x more specificity and scan speed

5 years ago..  Now
CT – Brilliance with up to 40 slices
CT Competitive Race
from Follower to an Industry Leader

Focus now moving to
- clinical benefits
- upgradability
- computer aided diagnostic tools
CT with 35 x scan speed, 3X specificity

5 years ago..

Now 3D
Ultrasound – iU22 with voice control
Cardiac Ultrasound with 5x Improvement in Signal to Noise and Scan Time

2 years ago.. Now – Live 3D
Nuclear Medicine PET-CT with 16-slice CT
Progress in Molecular Imaging

...and Animal Imaging ...

From agent discovery ..

to expedite Clinical Molecular Imaging

... and experimental Hybrid Imaging ...
Launching a new Molecular Imaging platform...

- First open PET-CT

- Launching an unique SPECT-CT
...To develop new Molecular Imaging agents with Top Academia and highly innovative start-ups

<table>
<thead>
<tr>
<th>Stanford</th>
<th>CV / Oncology / Neuro</th>
</tr>
</thead>
<tbody>
<tr>
<td>Washington University</td>
<td>CV / Oncology</td>
</tr>
<tr>
<td>Johns Hopkins</td>
<td>Oncology / CV / Neuro</td>
</tr>
<tr>
<td>NIH/NCI</td>
<td>Oncology / CV</td>
</tr>
<tr>
<td>U of Washington</td>
<td>Oncology / CV</td>
</tr>
<tr>
<td>Sloan Kettering</td>
<td>Oncology</td>
</tr>
<tr>
<td>MD Anderson</td>
<td>Oncology</td>
</tr>
<tr>
<td>University of Bordeaux</td>
<td>Gene Therapy</td>
</tr>
<tr>
<td>Kereos</td>
<td>CV / Oncology</td>
</tr>
<tr>
<td>Theseus</td>
<td>Oncology / CV</td>
</tr>
<tr>
<td>Cytogen</td>
<td>Image Optimization</td>
</tr>
</tbody>
</table>
PMS – Renewing Product Portfolio
Total R&D investment, indexed. 2002 = 100
PMS – Renewing Product Portfolio
% Revenues based on products < 2 yrs old

New product is defined as a product based on a new hardware platform or a product with a significant increased in functionality, or cost-per-function improvement.

From 2002 to 2005 major portfolio renewal in Ultrasound, CMS, CV and GXR.
More to come …

Common HW Components

- Flat Detectors
- Image Intensifier / TV
- BiometriX FD plates
- Digital Image Handling
- Software
- FIMI Displays
- Collimators
- LRS Table Tops
- Generators

Medical Systems
Improving Customer Support

Bringing Customer Satisfaction to the next level:
- Increase system uptime
- Reduce service delivery costs
- Platform for future value-added services

Roll out of Remote Services Network

<table>
<thead>
<tr>
<th></th>
<th>Today</th>
<th>FC 2005</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of eligible systems connected</td>
<td>0%</td>
<td>40%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Medical Systems 28
Philips Medical
Progress Report

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North American Market is Segmented by Size, Profitability, and Market Influence

- **Academic Medical Centers**
  - Teaching Hospitals, Research Opportunities
  - Reference sites - Early Adopters
  - Apx. 75 accounts

- **Large IDN’S Commercial Customer**
  - Non Teaching - Integrated Administration
  - Early Adopters - Cash Cows of the Industry
  - Apx. 350 accounts

- **Zone and Regional Influence Accounts**
  - Large Regional Influencers - 1-3 Hospitals
  - Early Adopters
  - Apx. 50 accounts

- **New Construction Customers**
  - Specialty facilities or replacement;
  - Willing to work with a single vendor
  - Apx. 7B annual market

Hospitals greater than 125 beds and associated Imaging Centers

Hospitals less than 125 beds and unassociated Imaging Centers

The Strategic Business segment represents a significant opportunity for Philips N.A. to grow and establish critical relationships in this stable and profitable segment.
>70% of the US top hospitals have Philips in Cardiology

Source: US News and World Report
Philips Medical Progress Report

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Our Mission

To help improve people’s lives by healthcare technology
Our Vision: “Healthcare without Boundaries”

Remove barriers to the best care

Not having to:
• see the doctor to be seen
• wait for an ambulance to save a life
• be in the hospital to see the patient
• delay a decision waiting for information
• wait to be sick to be healed
• compromise Clinical Excellence to save costs
Focus on the Care Cycle

Operating room Monitoring  
Operating room Monitoring

Intensive Care unit Monitoring

Diagnostics  
Diagnostics Imaging

Pre-Hospital/ Ambulance Monitoring

Step down facility Monitoring

Euro 210 billion market

Euro 80 billion market

Euro 10 billion market

Information & Decision support

Treatment

Follow Up

Market size for medical devices and equipment
PMS Strategic Priorities

• Secure Previous Investments

• Strengthen Current Portfolio

• Expand the Business
Summary

• Seven consecutive quarters of improvement
  – financials, innovation, customer relationships & supply chain

• Will continue on this path to 14 % and beyond
  – significant & quantified opportunities still ahead

• Next step expansion is also a path
  – stay focused on improving care cycle
  – build on existing strengths of Medical and Philips
  – differentiate from competition

Deliver on commitment, focused on growth