

PHILIPS

Global Customer Services

Greg Sebasky

Analysts' Meeting

June 15th, 2005

Agenda

Market Intro

Financial Results

Services Strategy

Refurbishment

Summary

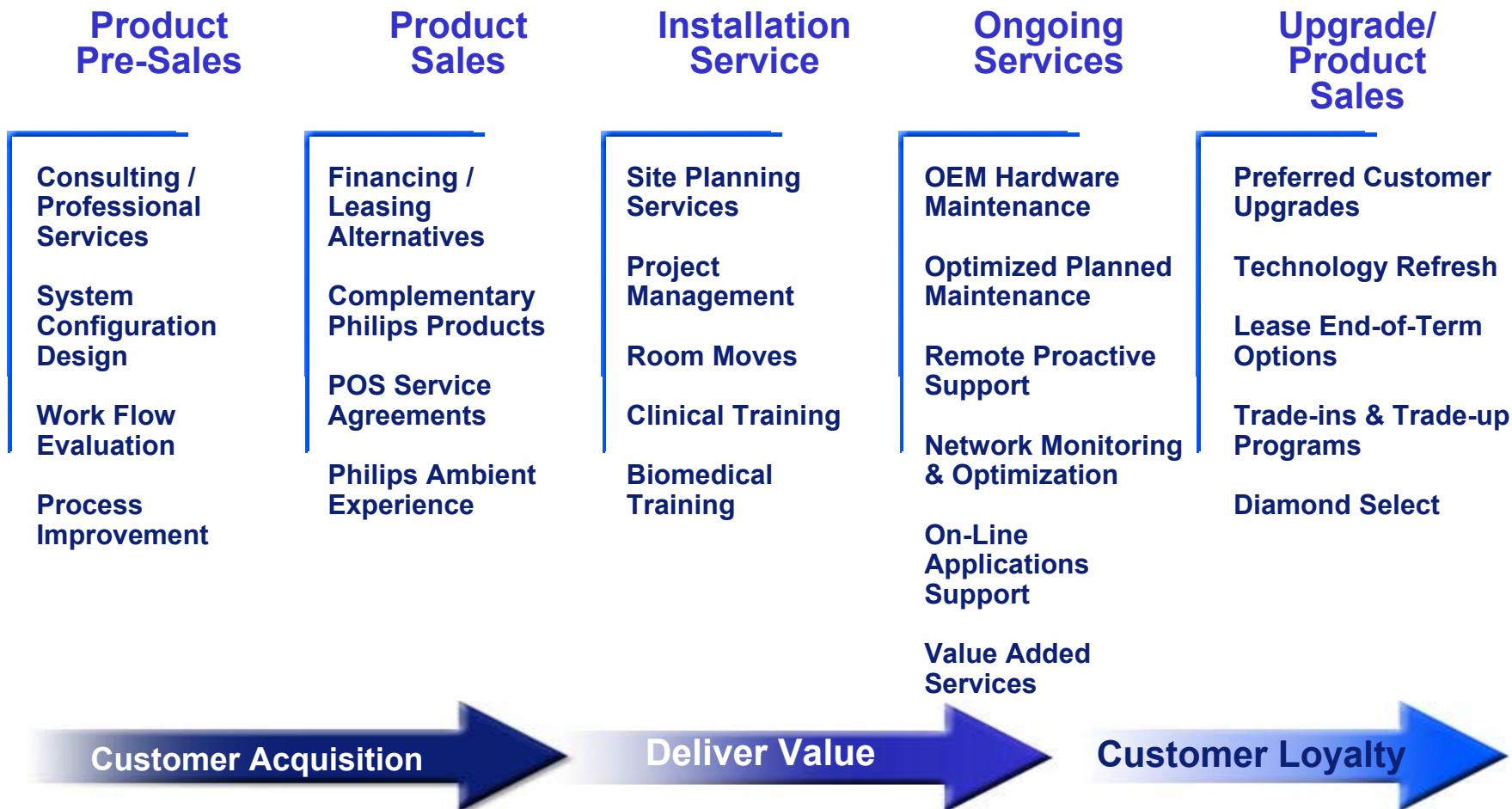


Philips Medical Systems Portfolio – 2004 Results



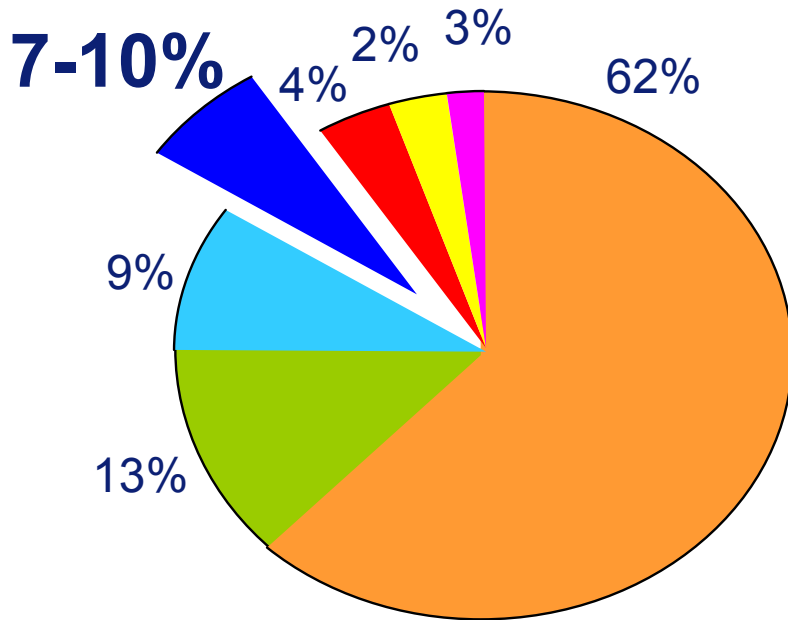
Services 26% of Revenue and Growing

Lifecycle Services



Ensuring value over the entire customer lifecycle !

Cash expenditure for Healthcare Organizations (USA)

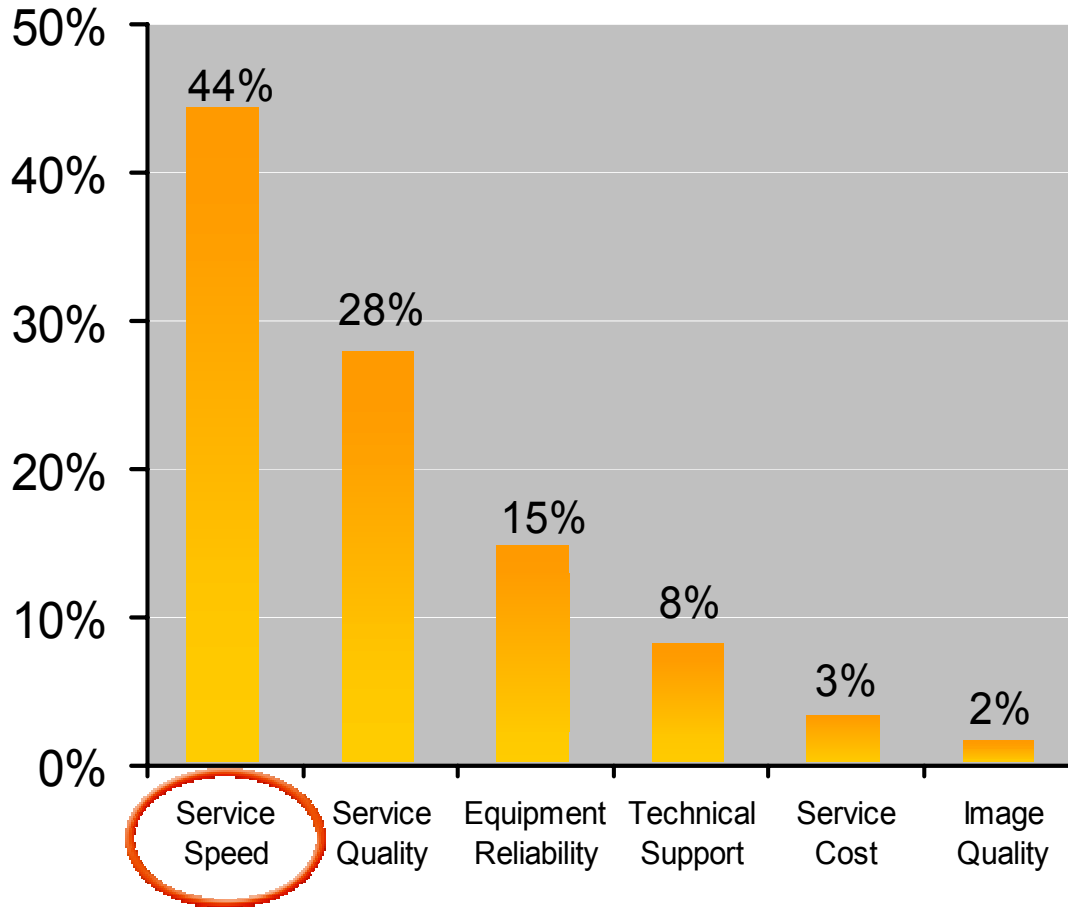


- Primary Care Services*
- Prescription Drugs
- Nursing Home & Home Healthcare
- Medical Equipment & Devices
- Government Public Health Activities
- IT in Healthcare
- Research

* Largely physician salaries and cost of hospitalization

Medical Equipment Capital & Servicing is a significant cash outlay for hospitals

What Do Customers Value?



“What is the single most important thing your manufacturer can do to make you completely happy with their service?”

(IMV Survey 2004)

Service velocity is key to securing loyalty!

Philips Customer Service... delivering what the customer wants

Philips Medical Systems Customer Services



customer and industry feedback
Philips ranked #1

ANNUAL SERVICE TRAK IMAGING SURVEY BY IMV LIMITED

NO BUDLINE MARKET OUTLOOK REPORTS

FROST & SULLIVAN CUSTOMER SERVICE MARKET ENGINEERING AND LEADERSHIP AWARDS

Prestigious industry awards reflect our commitment to our customers. Given our tradition of delivering the highest quality of service in our industry, we are proud to announce that Philips Medical Systems was recently honored with several distinctive awards for customer satisfaction and industry excellence. Because these results are a measure of how our customers view us, this recognition reflects our commitment to providing the best possible equipment and service in a complex healthcare environment.

PHILIPS SETS NEW RECORD FOR OVERALL SERVICE PERFORMANCE 2002 ANNUAL SERVICE TRAK IMAGING SURVEY BY IMV LIMITED



Philips was the first company to earn top honors in the *ServiceTrak Imaging Survey* for such a wide array of medical technology disciplines. Over 2,000 users from hospitals across the country responded to the survey, which analyzes customer satisfaction in fourteen categories. Philips dominated at #1 in eight of these: X-ray Angiography, X-ray Cardiology, Ultrasound Cardiology, Ultrasound Radiology/OB-GYN, Ultrasound All Systems, Nuclear Medicine Cameras, PET Systems and Patient Monitoring.

Factors rated included engineer competence and attitude, troubleshooting effectiveness, emergency service, hardware and software reliability and the system installation process.



IMV Limited, based in Greenbelt, MD, is an independent healthcare research company with over 15 years experience in analyzing the medical imaging, clinical diagnostic and instrument markets.

IMV Survey 2002 ranks Philips #1 in eight categories for overall service performance

Overall Service Performance

- #1 X-ray Angiography
- #1 X-ray Cardiology
- #1 Ultrasound Cardiology
- #1 Ultrasound Radiology/OB-GYN
- #1 Ultrasound All Systems
- #1 Nuclear Medicine Cameras
- #1 PET Systems
- #1 Patient Monitoring

2004 IMV ServiceTrak™ Ranking	
Diagnostic Imaging: All Systems	#1
XR – All Systems	#1
XR - General	#1
XR - Cardiology	#1
XR - RF	#1
Ultrasound - All Systems	#1
Ultrasound - Cardiology	#1
Ultrasound - Rad/OB-GYN	#1
Patient Monitoring Systems	#1
Multi-Vendor Services	#1

IMV Annual ServiceTrak™, Survey Ratings - 2004

Philips Ranked #1 in 10 out of 18 Product Categories

Philips Customer Service... delivering what the customer wants



Philips Medical Systems CUSTOMerCARE Customer Services

Philips Imaging Systems ranked #1

Customers rank Philips imaging systems #1 in customer satisfaction

The power of choice in a complex healthcare environment

Philips Leads the Industry in Service Performance 

Customers ranked Philips Medical Systems #1 in overall service performance in the 2004 IMV ServiceTrak™ Imaging—All Systems survey. Philips was rated the top vendor in the ServiceTrak survey of more than 7,500 respondents using more than 6,700 imaging systems across multiple modalities (Computed Tomography, Magnetic Resonance Imaging, Nuclear Medicine, Positron Emission Tomography, Ultrasound and X-ray).

Philips Customer Services ranked #1
Philips also received top honors in Overall Service Performance for X-ray, Cardiology, Sleep, General Radiology, X-ray Radiography, Fluoroscopy, Ultrasound, Cardiology, Ultrasound Radiology OB-GYN, Patient Monitoring Systems, and in the summary reports for Ultrasound—All Systems, X-ray—All Systems and Multi-Modality Service.

Customers were asked to rate manufacturers based on more than 33 performance factors across the product ownership lifecycle, including satisfaction with service, satisfaction with service engineer, help desk support, installation and training, satisfaction with manufacturer, and system performance.

In addition to receiving the #1 ranking for overall service performance, Philips was ranked #1 by customers in 19 out of 33 performance factors. Philips outperformed the industry average in 26 factors. This performance reflects the company's commitment to continually improving service to customers.



Philips Medical Systems #1 in Imaging all Systems Ranking	
Satisfaction with OEM Service	
Overall Service Performance	#1
Service Follow-Up	#1
Service Performance Relative to Charge	#1
Satisfaction with Service Engineer	
Timeliness of Returning Initial Phone Calls	#1
Effective Troubleshooting on Phone	#1
Timeliness of Arrival On-Site	#1
Meeting Commitments	#1
Service Engineer Competence	#1
Service Engineer Attitude	#1
Help Desk Telephone Support	
Solving Problems on the Phone	#1
Meeting Commitments	#1
Effectiveness of Phone Troubleshooting	#1
Remote Dial-In Diagnostic Support	
Satisfaction with Remote Diagnostics	#1
Satisfaction with Manufacturer	
Effectiveness in Resolving Any Problems	#1
Fair Value of Replacement Parts	#1
System Performance	
System Ease of Use	#1
Reliability of Software	#1
Installation and Training	
Operating Manual	#1
Training-Response to Inquiries	#1

IMV Annual ServiceTrak™, Survey Ratings - 2004

Philips Ranked #1 in 19 out of 33 Performance Factors

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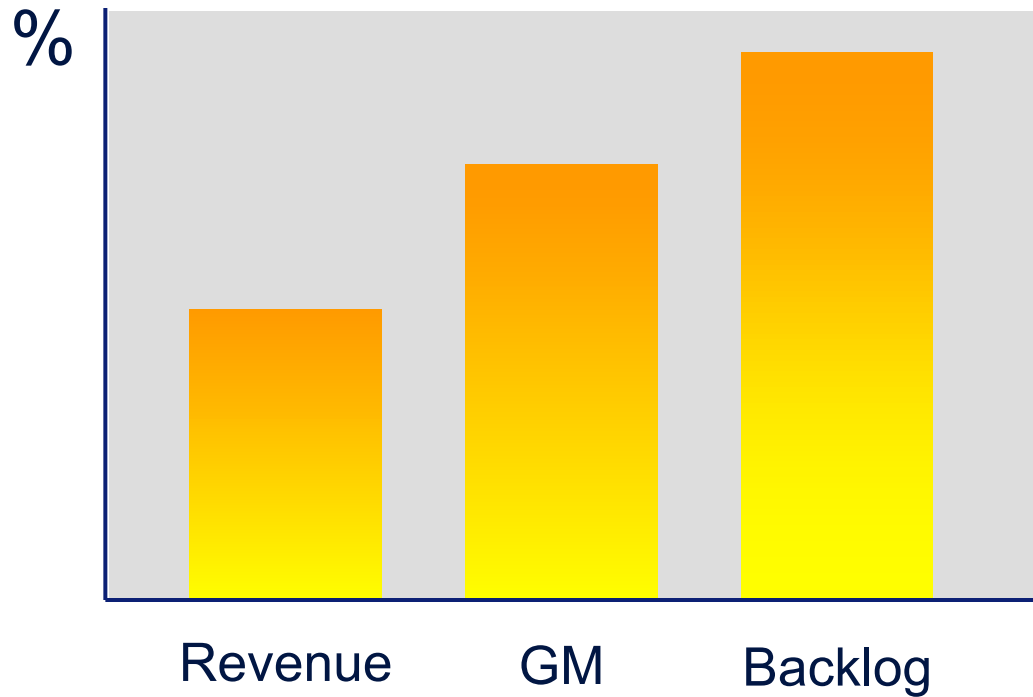
Services Strategy

Refurbishment

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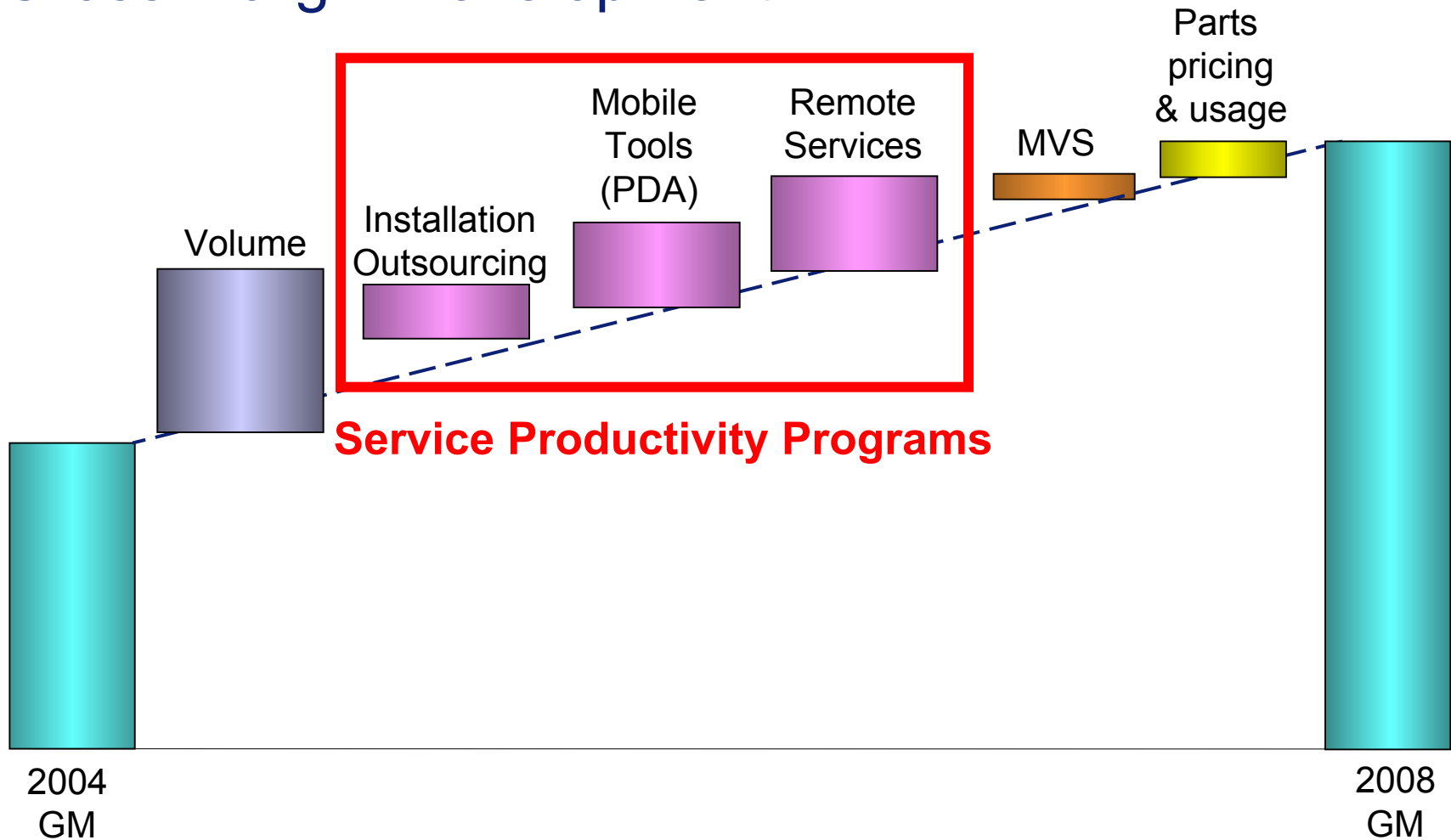
Revenue, Gross Margin (CAGR '02-'04)



* Currency adjusted

Contract penetration, point of sales contracts and productivity initiatives drive growth in key metrics

Gross Margin Development



Significant additional GM from Productivity Programs

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Global Customer Services Strategy

Operational Excellence

Growth

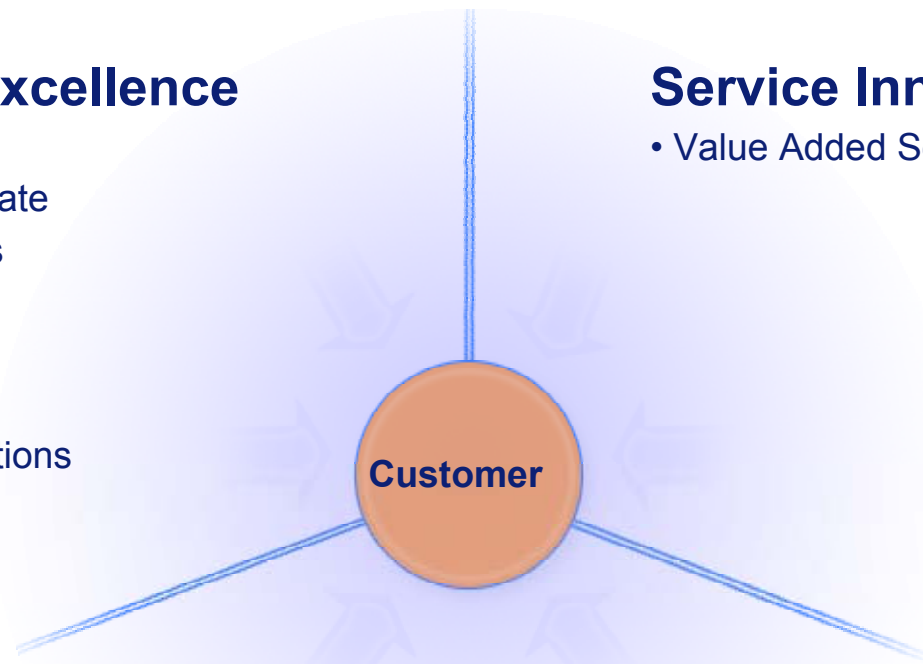
- Contract Capture Rate
- Transactional Sales

Productivity

- Remote Services
- PDA Workflow Tool
- Mechanical Installations
- Training

Service Innovation

- Value Added Services



Customer

Customer Responsiveness

- Tiered Support
- Spare part logistics

Success is based on three pillars

Global Customer Services Strategy

Operational Excellence

Growth

- Contract Capture Rate
- Transactional Sales

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Service Innovation

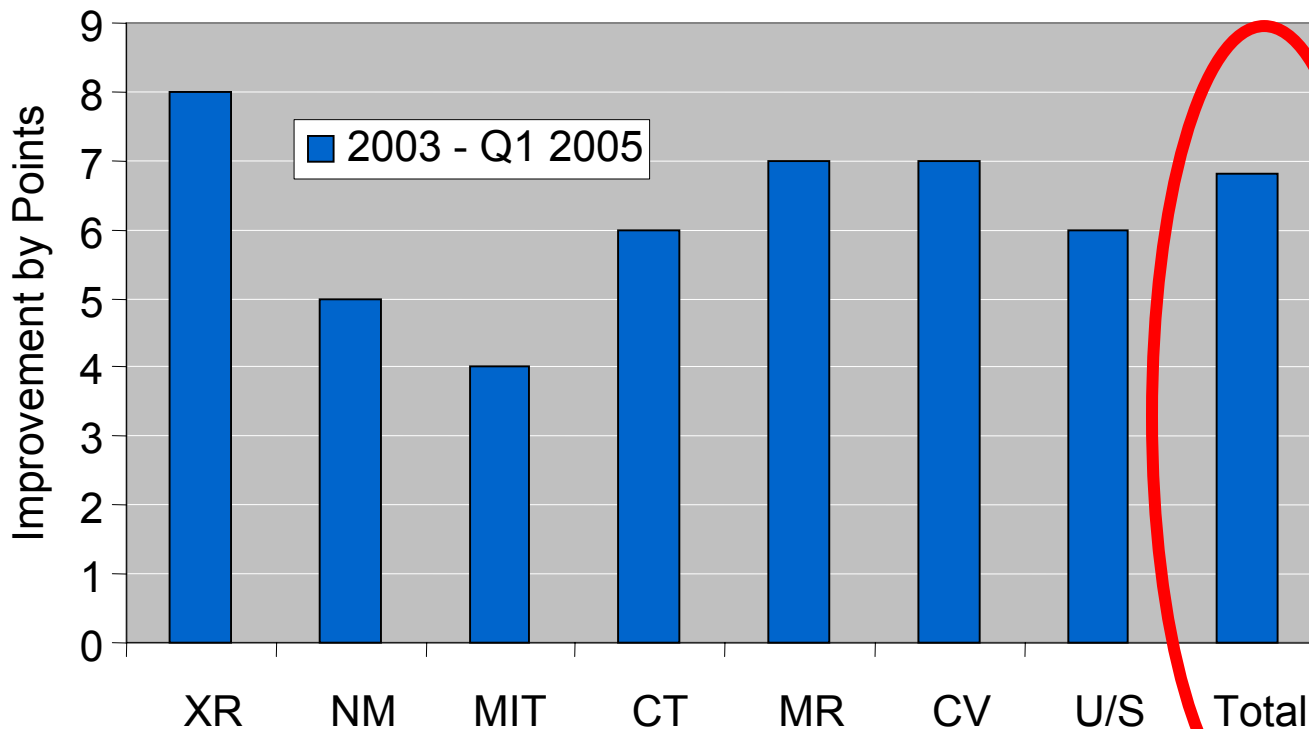
- Value Added Services



Existing installed base has sizable growth opportunity

Contract Penetration by Modality

Contract Penetration Rate Improvements



7 point increase in contract capture rate in five quarters

Significant improvements in every modality

Global Customer Services Strategy

Operational Excellence

Growth

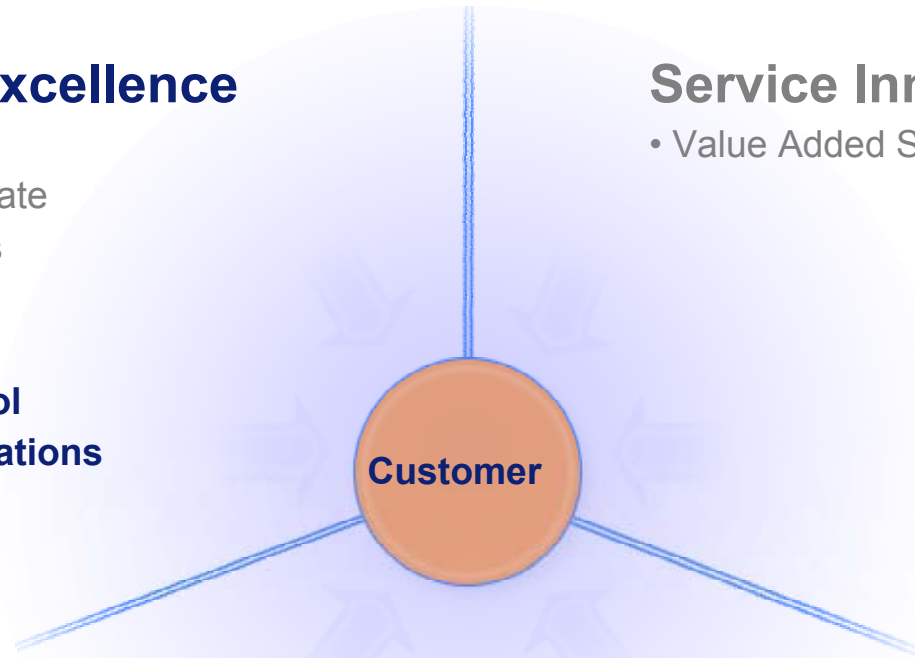
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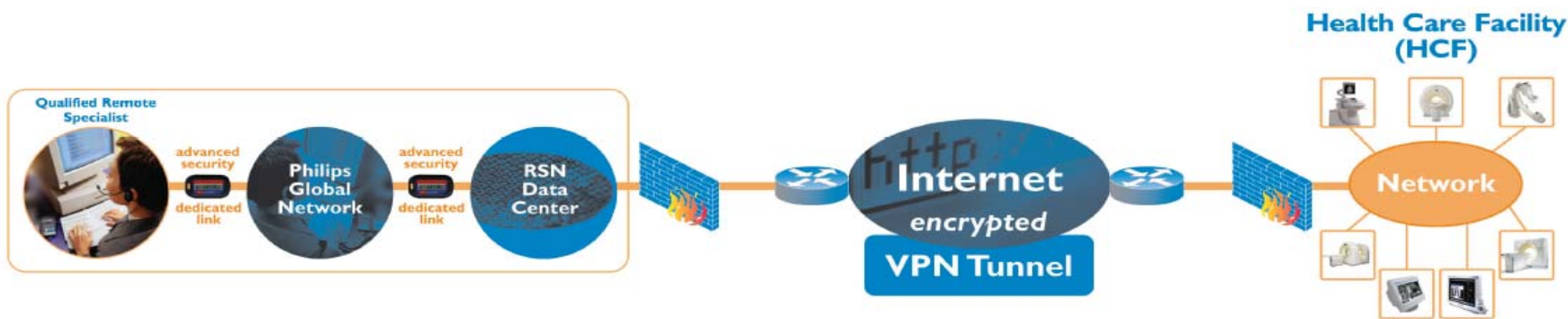
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Customer Responsiveness

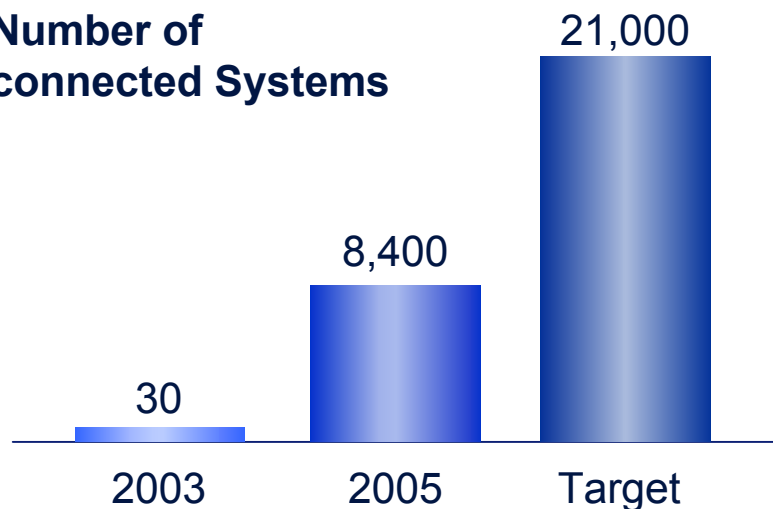
- Tiered Support
- Spare parts logistics

Numerous productivity initiatives with large ROI's

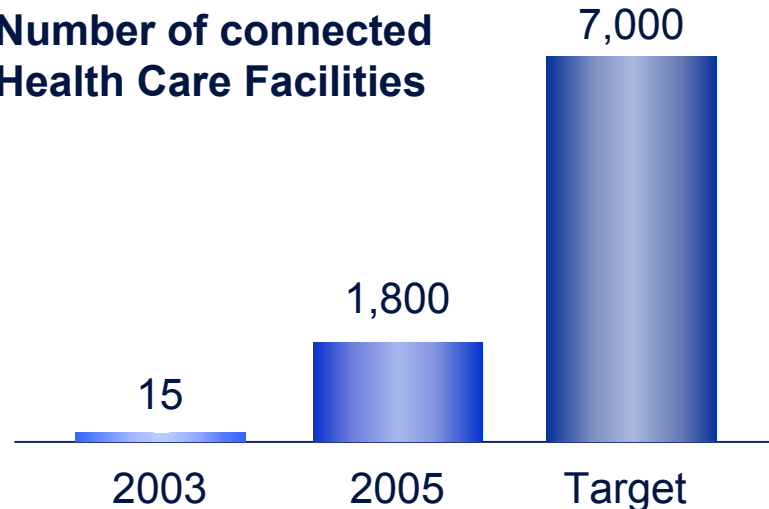
Remote Services Network (RSN)



Number of connected Systems



Number of connected Health Care Facilities



Aggressive rollout of remote services

Field Service Engineer Productivity

PDA

- **Wireless real time scheduling tool (integrated Phone, Pager, Scheduler)**
- **Streamlined Work Orders process**
- **Customer signature capture improves billing process**
- **Access to service knowledge base**
- **10% productivity increase**

Mechanical Installation Outsourcing

- **Frees up engineers to better serve our customers**
- **12% reduction in the overall installation costs**
- **11% reduction in installation cycle times**
- **Reduction in variability – standard, repeatable process for every install**
- **Achieve high standard of customer satisfaction**



Productivity investments driving customer satisfaction, service engineer satisfaction, & gross margin improvements

Global Training & Development

Investment:

- One Academy, Two Locations (Cleveland & Best)
- Exploring a 3rd training center in Asia
- 60.000 Person days training/year
- 7000 students/year
- 70% hands-on activity in the training

Benefits:

- Customer training offered regionally
- Service engineer competency
- Improved uptime, system performance, & system utilization



Cleveland Campus



Best Campus

Improved training drives mean time to repair, lower parts usage, and customer benefits (uptime, revenue)

Global Customer Services Strategy

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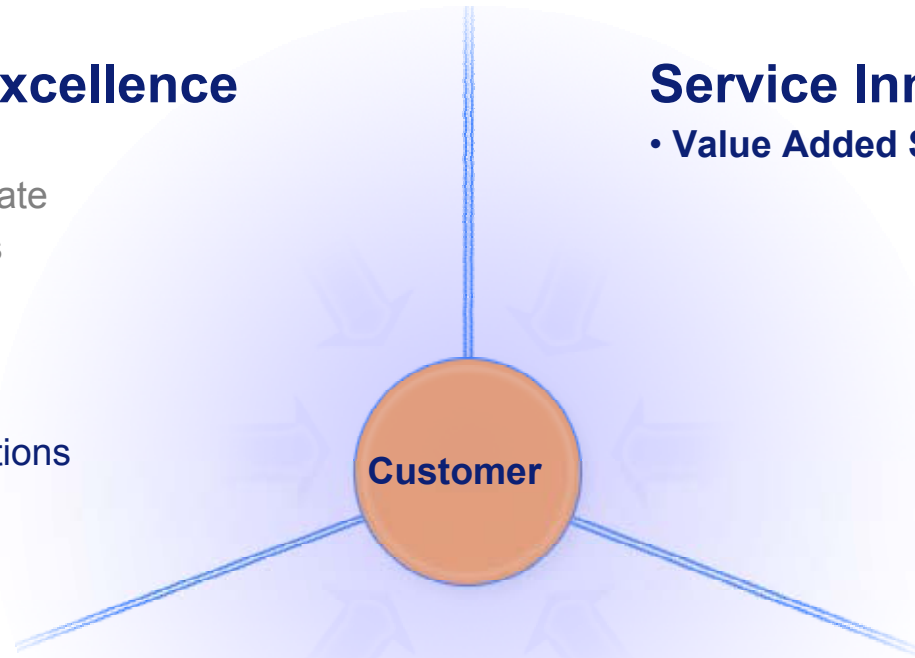
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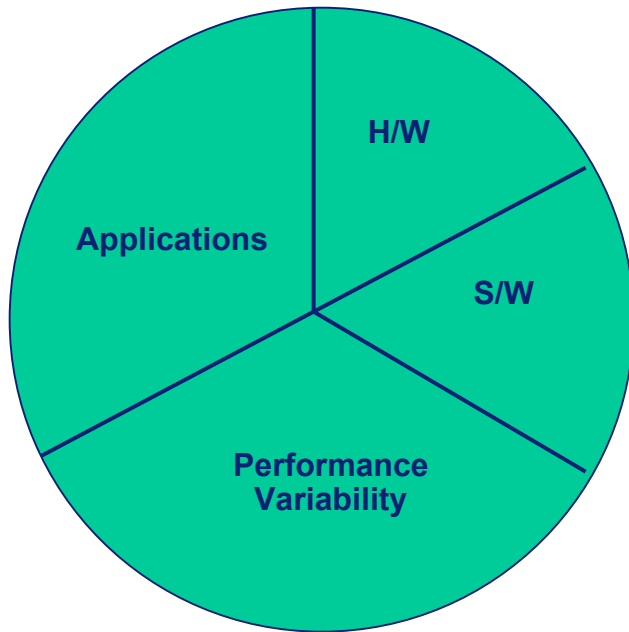
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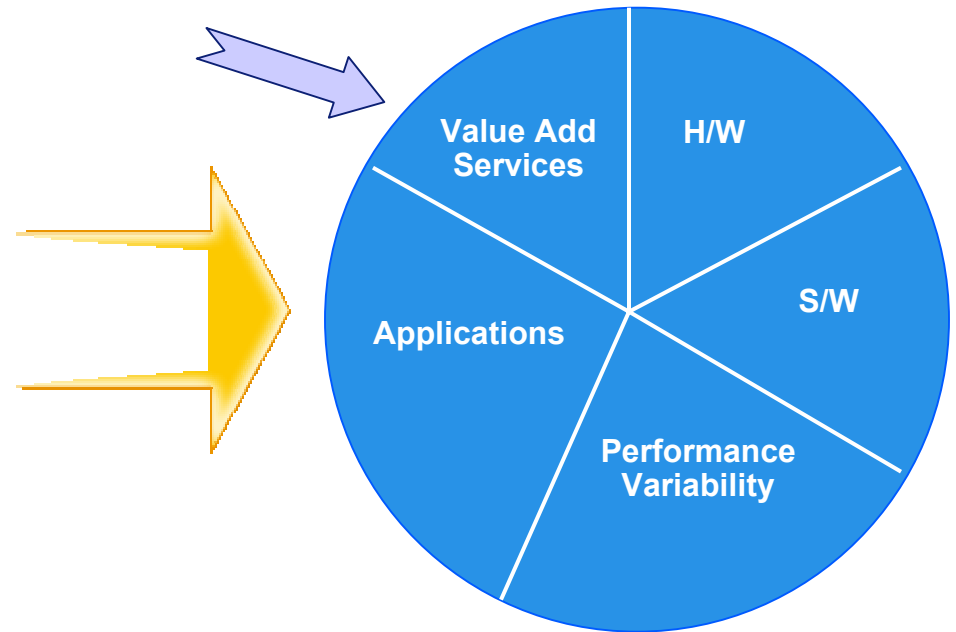
**Improving customers services
thru technological innovations**

Composition of Service Revenue

2003 Break/Fix Service Focus



2007 Value Added Services



Develop new services that drive customer productivity & improve healthcare delivery

Lifecycle Services

Product
Sales

Installation
Service

Ongoing
Services

Upgrade/
Product
Sales



Value Added Services in Development

- **Asset management services**
 - System administration service
- **Customer utilization reports**
 - Service history reports
- **Try & buy software (remote download)**
 - Try & buy hardware (coils, probes)
- **Proactive system monitoring & optimization**
 - LIFE Education
- **RFID asset tracking**
 - Early alert escalations

Customer Acquisition

Deliver Value

Customer Loyalty

Developing new services that add value to our customers' business processes

Global Customer Services Strategy

Operational Excellence

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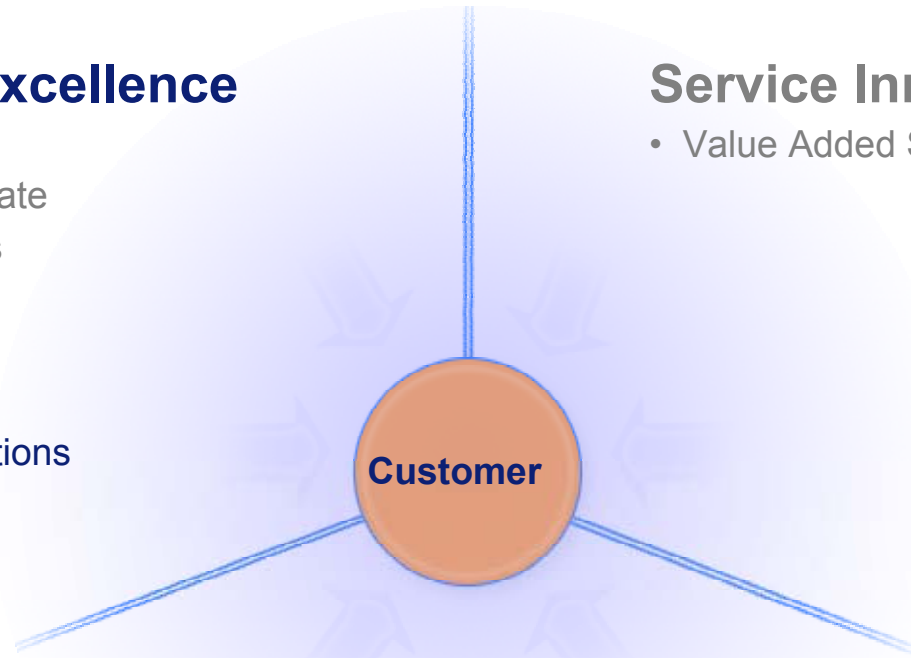
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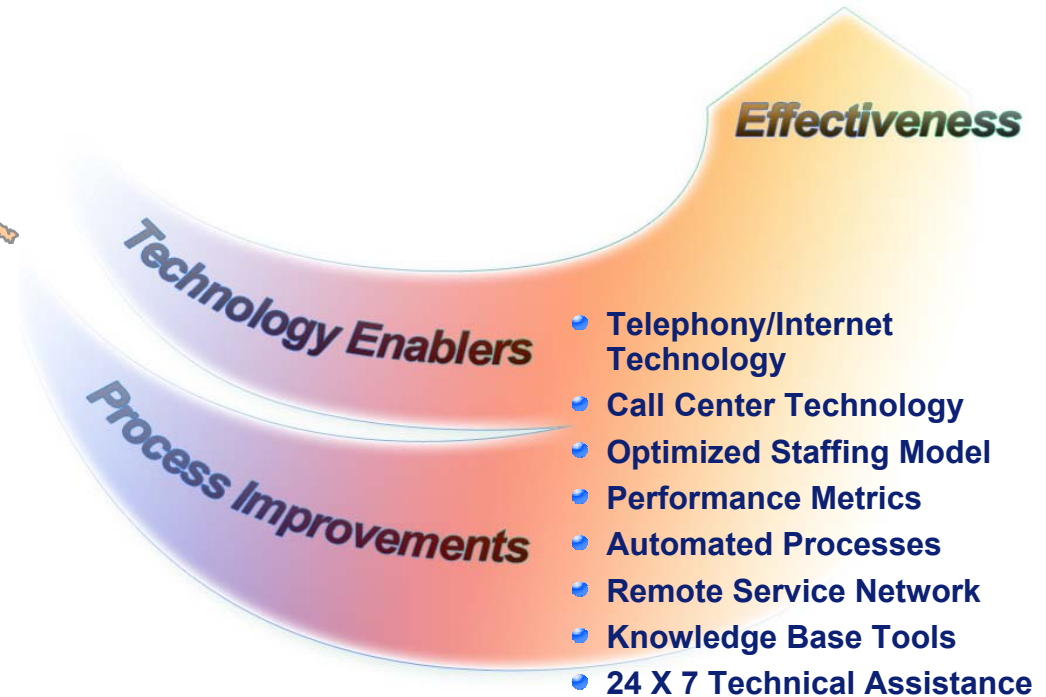
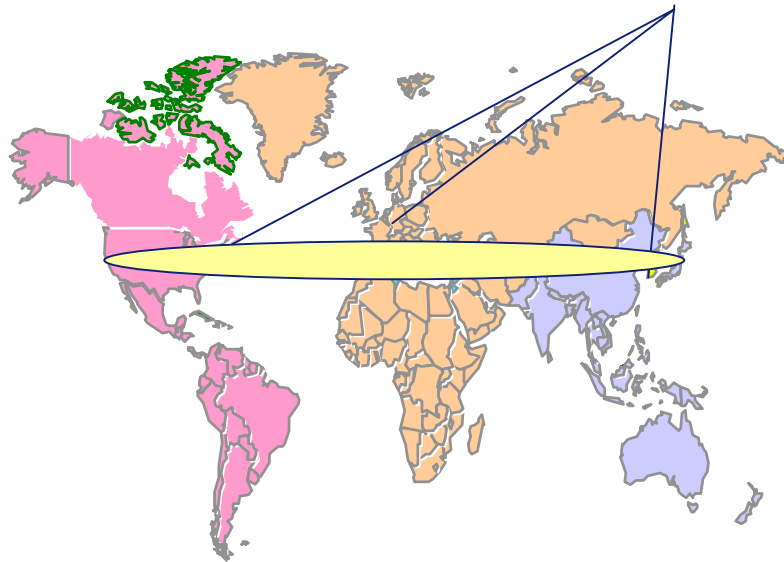
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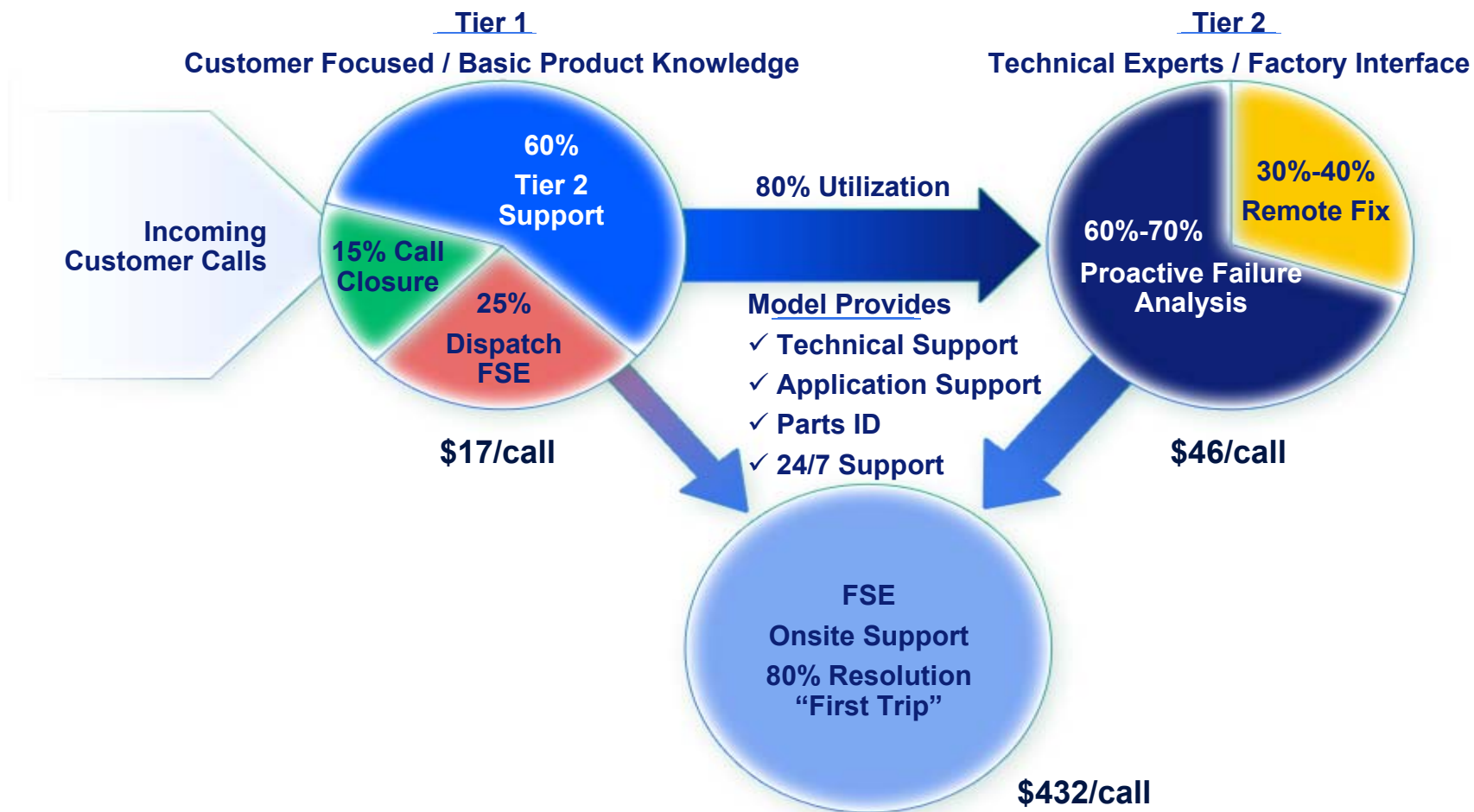
Focus on profitably improving customer responsiveness

Worldwide CUSTOMerCARE Service Centers



Technical expert centers offer world-wide support...whenever, wherever

Workflow Optimization



Faster resolution at far lower cost

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Disposition and Refurbishment Services

Benefits:

- Increases customers' ROI
- Bridge to new Technology
- Supports Residual Values
- Preserves Philips installed base
- Enables competitive upgrades
- Increases parts reclaim / recovery
 - Reduces costs
 - Contributes to sustainability

Philips Medical Refurbishment Services completes and renews the asset management lifecycle

Diamond Select

Refurbished Philips Equipment

- High performance
- Attractive Price
- Upgraded to latest Hardware and SW
- Full Warranty
- Support from Philips worldwide Customer Support Organization

Annual Growth Rate > 25%



**“... for its excellence in the field of refurbished medical imaging systems . . .
... created new standards for quality in this market . . .”**

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Summary

**Product
Pre-Sales**

**Product
Sales**

**Installation
Service**

**Ongoing
Services**

**Upgrade/
Product
Sales**

- Philips is the services customer satisfaction leader
- Contract penetration and new lifecycle services drive growth
- Margins grow faster than revenue
- Strategy based on three elements:
 - Customer Responsiveness
 - Service Innovation
 - Operational Excellence



