Agenda

Market Description

Innovation:
- Cardiovascular
- CT
- PET Time-of-Flight

Operational Excellence / EBIT Improvement

Care Cycle

Conclusions
New Imaging Systems Business Group

- A new business group to unify four imaging businesses.
- Focus will be on Innovation and Operational Excellence.
- Goal is to grow faster than the market and contribute to PMS’ EBIT improvement.
Imaging Systems - Continued Market Strength

Market Size in EUR B

WW Imaging Systems Equipment Market
5.4% CAGR 2002-2005

WW Markets include MR, CT, CV Xray, General Xray, PET, SPECT, PROS

Source: Internal PMS Analysis
Imaging Systems - Continued Market Strength

Market Size in EUR B

WW Imaging Systems Equipment & Service Market
5.4% CAGR 2002-2005

WW Markets include MR, CT, CV Xray, General Xray, PET, SPECT, PROS

Source: Internal PMS Analysis
Imaging Systems Markets - Regional and Modality

- North America leads with 50% of world market
- Market growth in 2005 lead by CT, Nuclear Medicine (PET)

Source: Internal PMS Analysis
# Market Share Trends - Imaging Systems

*Gained 2 points Since 2003*

<table>
<thead>
<tr>
<th></th>
<th>2003 - 2005</th>
<th>Q1 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>MR</td>
<td>Increasing</td>
<td></td>
</tr>
<tr>
<td>CT</td>
<td>Increasing</td>
<td></td>
</tr>
<tr>
<td>X-Ray</td>
<td>Increasing</td>
<td></td>
</tr>
<tr>
<td>Nuclear Medicine</td>
<td>Decreasing</td>
<td>2005 Order Growth - 12%</td>
</tr>
</tbody>
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CV X-Ray – Gained 4 points over past 2 years

Regained Market Share due to:

- Biplane Product Introductions completes FD portfolio
- Strong new product introductions based on Complete and Reliable systems
- High clinical added value from innovative interventional tools
- Strong partnerships with Key Opinion Leaders
Combining strengths for integrated Cath Lab solutions

**PHILIPS**

- Leading supplier of Cath Lab equipment, healthcare information technology and related healthcare services
- Global sales, service and delivery organization
- KLAS #1 in cardiology PACS domain (mid 2005)
- Top rankings in MD Buyline and Frost & Sullivan reports

**WITT**

- Leading company in hemodynamic monitoring and reporting systems
- KLAS #1 in 2005
- Global market share of 20% in the hemodynamic market and 40% in the USA market
- More than 900 facilities worldwide (~1000 units) use Witt Series IV® solutions
- Top rankings in MD Buyline
Shaping the integrated Cath Lab

Hospital IT System / Cardiology Information System

Cardiovascular X-Ray
- CV X-ray imaging

Hemodynamic monitoring & reporting
- Hemo reporting, exam reporting and storing of exam data

Cardiology PACS
- Multi modality image management, analysis, reporting and distribution to the enterprise
CT Gained 5 points over past 2 years

Product Innovations and Investment in Channels

2003
• New and improved multislice CT product line - “Brilliance”
  – Broadened portfolio (2, 6, 10, 16 slice products)
  – Introduced 40 slice
  – Introduced Workspace

2004
• Entry into Japan market
• Implemented refurbishment business

2005
• Brilliance 64 slice with strong cardiac application package
• Cardiac CT market expanded
• Introduced Oncology Big Bore 16 slice
• Growing ASPAC & LATAM markets
PET Gained 5 points over the past 2 years (1)

**GEMINI TrueFlight PET/CT System**

Breakthrough time of flight PET Technology

First commercial PET/CT delivering clinical value from time of flight technology
- Improved image quality
- Smaller lesion detection
- Higher patient throughput

A new benchmark for consistent image quality
- Eliminates today’s performance gap between large and small patient imaging

Pathway to Molecular Imaging (MI)
- Visualization of small concentrations of targeted new MI agents.
PET Gained 5 points over the past 2 years (2)

**GEMINI TrueFlight PET/CT System**

Breakthrough *time of flight* PET Technology

"We have found multiple lesions well under 1 centimeter using the Philips TF system. So we’re finding very small lesions that previous generations of PET scanners have missed completely."

James K. O’Donnell, M.D., Director of Nuclear Medicine at University Hospitals of Cleveland
GEMINI TF - Clinical Benefits

- Visualize smaller lesions through improved event accuracy and higher sensitivity.

- GEMINI TF technology

- measures small timing difference (pico seconds) between PET photon pairs

- more precisely localizes radioactivity (tumor) in the patient.
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Imaging Systems EBIT Improvement 2005-2009
(includes Service)

- Site / Functional Rationalization
- BOM Improvements
- Reuse of R&D
- Product Quality Improvement
- SG&A Productivity
- Volume / Mix

EBIT %

Price erosion 3%/year

2005

2009
Imaging Systems - Material Purchases Cost Reduction

Accelerate Integration of Supply Base...

Concentrate our BOM spend with Selected Suppliers....

Drive our BOM Savings with worldwide supply base....

No. of Suppliers (80 % of BOM spend)

<table>
<thead>
<tr>
<th>Year</th>
<th>2003</th>
<th>2005</th>
<th>Target</th>
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<tbody>
<tr>
<td>Suppliers</td>
<td>150</td>
<td>135</td>
<td>110</td>
</tr>
<tr>
<td>100</td>
<td>100</td>
<td></td>
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</table>

Supplier Owned Inventory (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>2003</th>
<th>2005</th>
<th>Target</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>12</td>
<td>39</td>
<td>49</td>
</tr>
<tr>
<td></td>
<td>60</td>
<td></td>
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</table>

% BOM Spend with Strategic & Preferred Suppliers

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Q1 2006</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>69%</td>
<td></td>
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</tbody>
</table>

% BOM Spend in Low Cost Countries

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Q1 2006</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>6%</td>
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</table>
R&D Reuse Opportunities in Imaging Systems

- Common imaging platform for workstations and workspots with standardized user interface, basic viewing functions, data handling, workflow & interfacing

- Advanced image processing and reconstruction with 4D visualization and analysis

- Clinical decision support systems with computer aided detection and diagnosis

- Materials and semiconductor technologies for radiation detection

- Common hardware modules with standardized control functions

- Multimodality prototypes for emerging clinical applications
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Cardiovascular Care Cycle - Imaging Systems

€ 1600 mln market
Cardiovascular Care Cycle - Imaging Systems

- € 700 mln market
- € 1600 mln market
Cardiovascular Care Cycle - Imaging Systems

- € 700 mln market
- € 1600 mln market
- € 50 mln market
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Imaging Systems - Conclusions

• The business has gained share over the past two years and its focus on innovation positions it well to gain more in the future

• There are a number of operational improvement opportunities which will contribute to PMS’ EBIT improvement

• Imaging technology is a key component of Philips’ value proposition to improve care cycles