

PHILIPS

Progress in Ultrasound 2005

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Analysts' Meeting
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Ultrasound

A Flagship Modality for Philips Medical Systems

- Ultrasound is highly innovative with great imaging ability (advanced)
- Exam has unequalled patient intimacy and interaction (easy to use and designed around you)
- Ultrasound's flexibility, mobility and relatively low cost help fuel continued growth



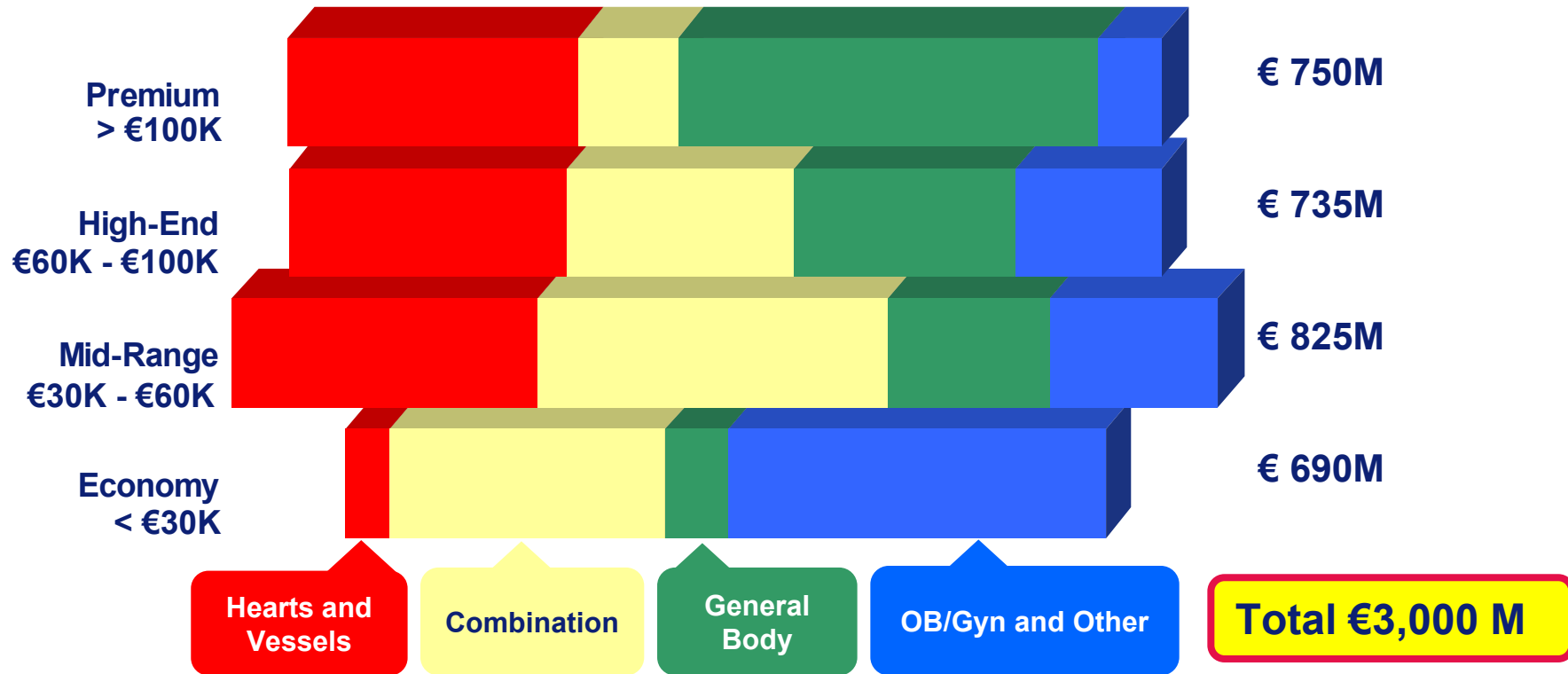
Ultrasound at Philips Medical

- Ultrasound Market and Growth
- Innovation in Products
- Operational Excellence and Cost Reductions



2005 Ultrasound Market Segmentation

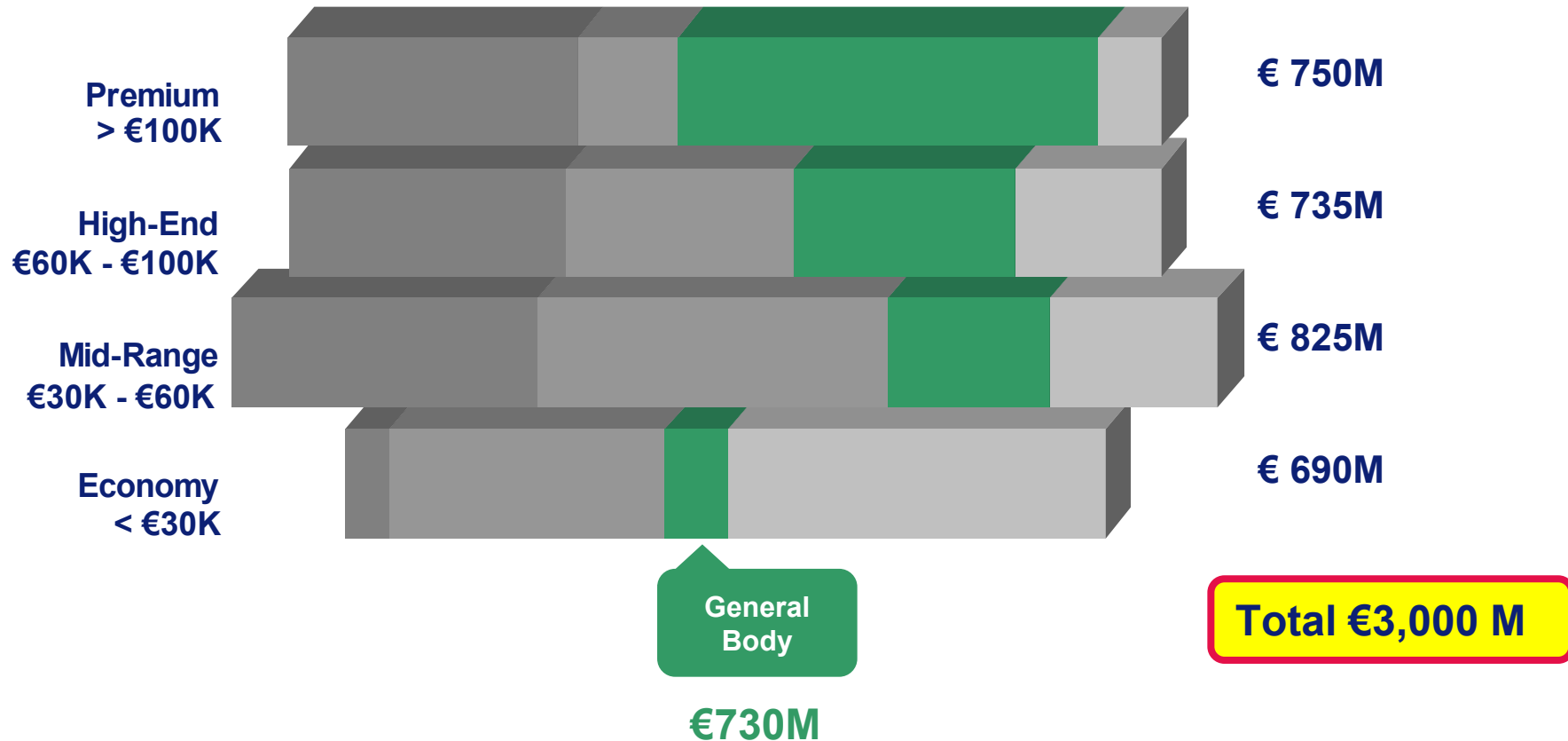
Equipment Revenue (€M projected)



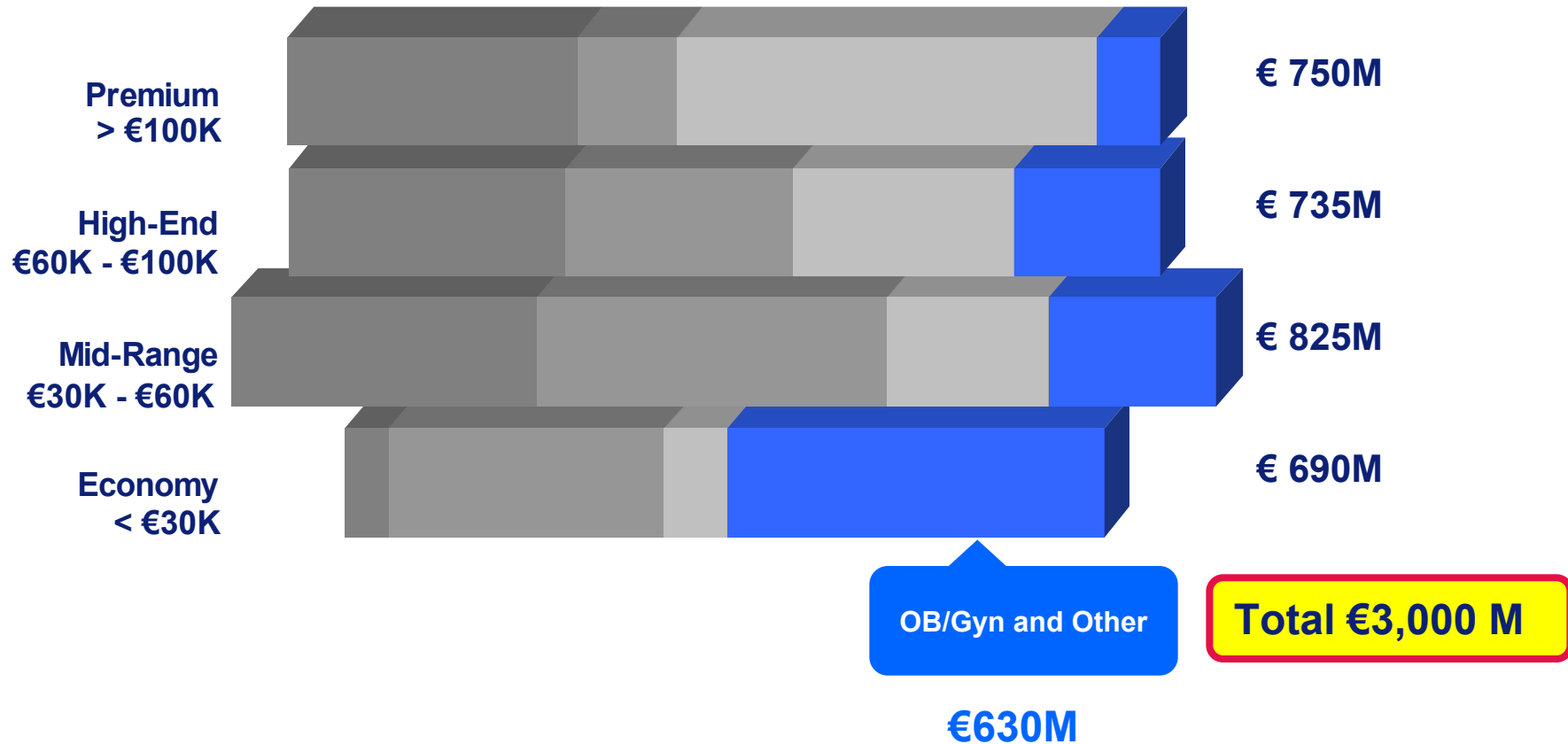
Cardiology Market Growing Due to New Live 3D



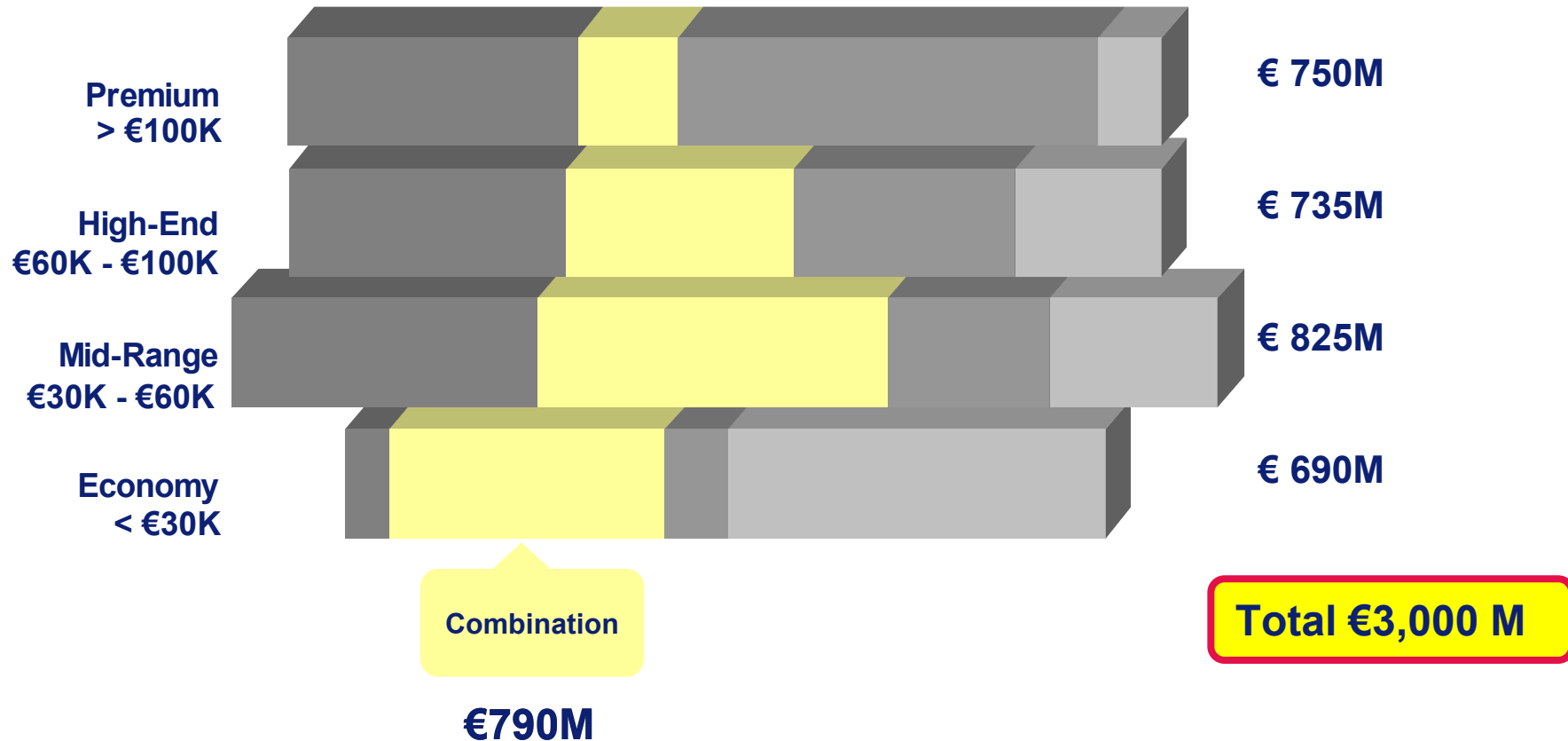
Radiology Requires Premium Technologies



OB / Gyn Grows Mostly in the Low-end



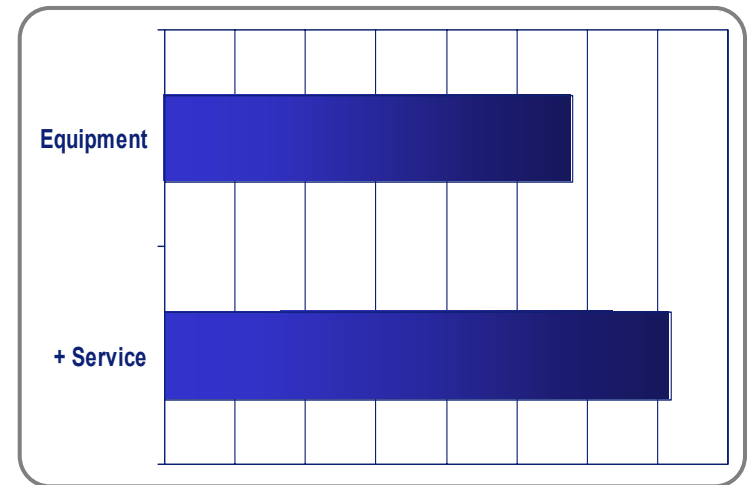
Combination Ultrasound Still Important and growing in Europe, Asia and Private offices



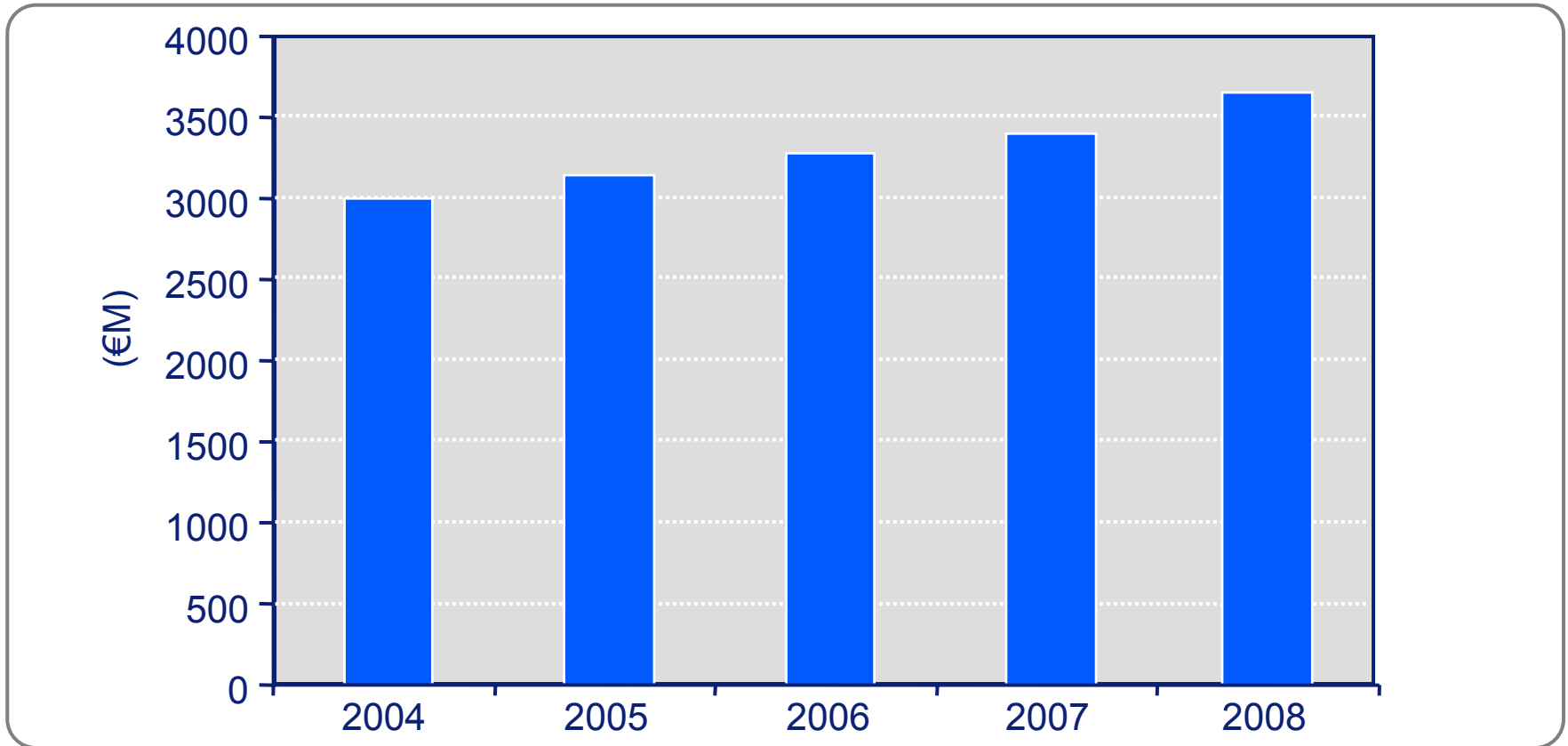
2005 Ultrasound Market Segmentation

Equipment Revenue + Service Revenue (€M projected)

- Inclusion of Service increases 2005 projected market total revenue from €3,000M to €3,600 M
- Service continues to be more profitable than new equipment and insures annuity stream

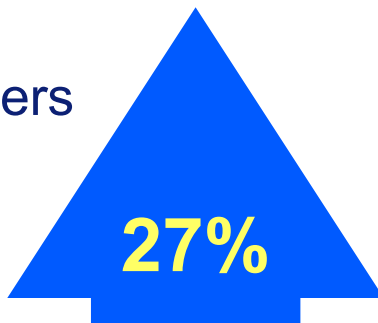


Total Ultrasound Equipment Market grows 4-5% CAGR, 2004 to 2008



And we are Growing Faster than the Market!

Q1 2005 vs. Q1 2004
Comparable Growth of Orders



**Order Growth
significant YTD**

Q1 2005 Orders On Hand

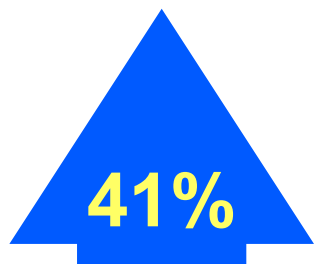


Market Share Growth Q1 2005



USA Growth Trending Up Significantly (new Premium Cardiac and GI products)

Q1 2005 vs. Q1 2004
Comparable Order Growth

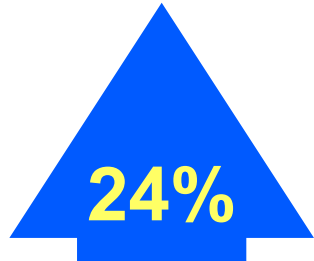


Q1 2005 vs. Q1 2004
Comparable Sales Growth



Asian Pacific Advancing As Well

Q1 2005 vs. Q1 2004
Comparable Order Growth



Q1 2005 vs. Q1 2004
Comparable Sales Growth



What are the Unique Drivers of Philips Ultrasound's Market Success?

- New Products which give increased **diagnostic confidence**
- Unmatched **ergonomics** to reduce the cost of Work Related Musculoskeletal Injuries
- Cutting-edge **clinical applications**:
 - QLAB quantification onboard
 - Breast lesion detection



**Four new products
Since March 2004**

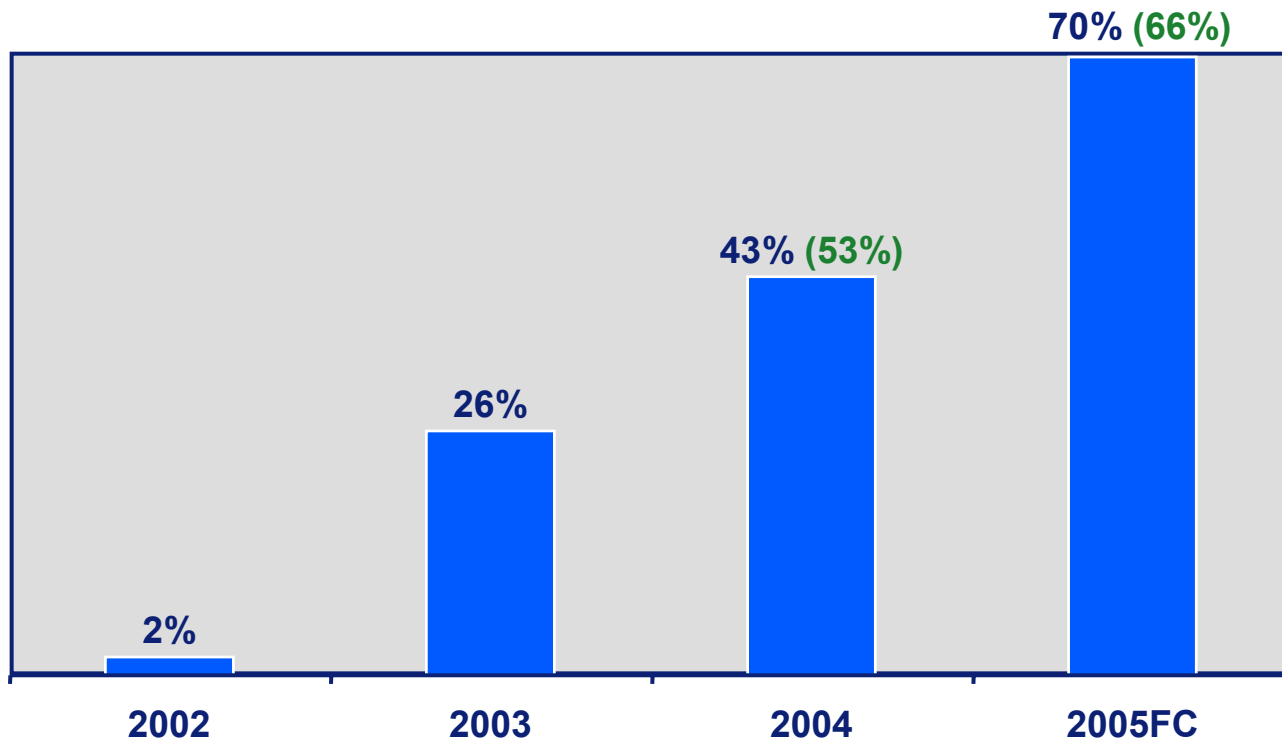
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Ultrasound New Product Revenues

% Revenues based on products < 2 yrs old



*(value)
from 2004
Analyst
Presentation*

New product = a product based on a new hardware platform or a product with a significant increase in functionality, or cost-per-function improvement

The New Philips Ultrasound Family

- Excellent **image quality**
- Enhancing productivity through **automation** and **ease of use**
- Addressing the high costs of work-related repetitive motion injuries through **ergonomic design**

New technology for every price segment



iU22 – Gaining Share in the €335M Premium, General Imaging Market

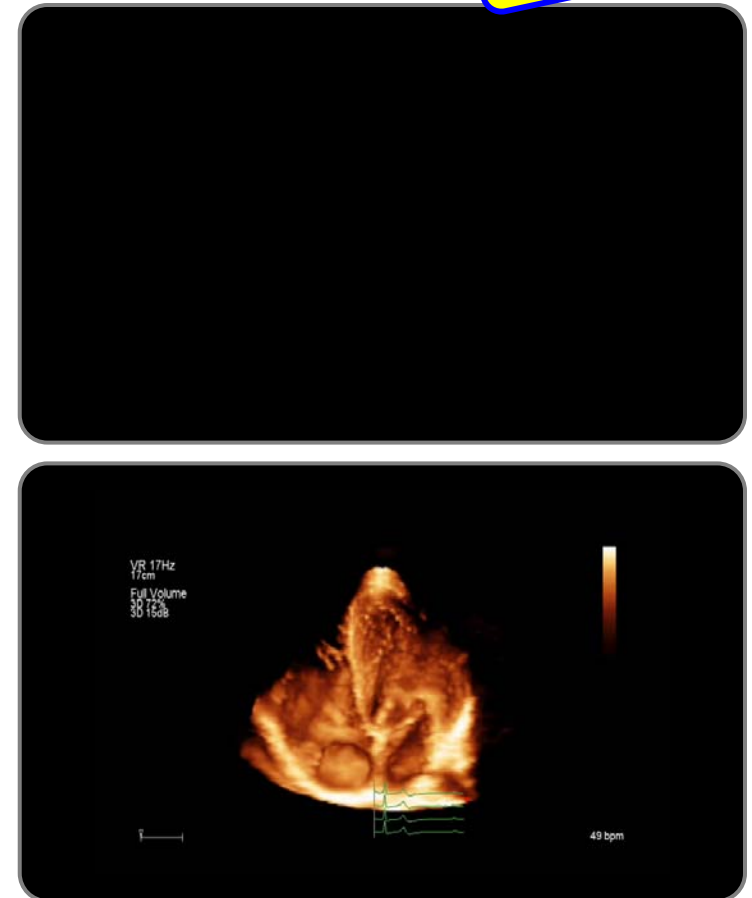
- Image quality stand out
- Advanced automation, ease of use and voice activation
- Well-differentiated by strong ergonomics, flat panel display and connectivity



iE33 – the Only Echo System with Live 3D and Onboard Quantification

- Live 3D and Quantification – the Holy Grail of Echo
- Connectivity to Xcelera (MIT) for complete solutions
- Historic HP/Agilent echo customers and market share is returning

New!



Ultrasound Impacts People – the Story of Jasper Brown and the iE33

- TV story picked up by over 25 media markets, including 8 of top 25 in US
- Over 3 Million viewers
- Featured on CBS “Early Show”
- Powerful testimonial by Dr. Roberto Lang



HD11 – Designed to Target the €790M, Combination Unit Market

- Designed from the ground up to fully meet the needs of this market segment
- Cost-effective, small footprint reliable workhorse with 21 different transducer options
- Robust product with competitive cardiac features, automation and versatility



HD3 – Entering the €640M Low End Market

- First Philips product in this segment in ten years – important part of our **strategic growth** plan
- Significant market demand in Europe, Asia and Latin America
- Compact, user-installed system



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Operational Advances

- Divestment of PCB facility in Dec. 2004
- Major consolidation of transducer operations and industrial footprint
- New development and supply chain processes, JV with Neusoft in China, strategic alliances



Expanding OEM and JV Partnering

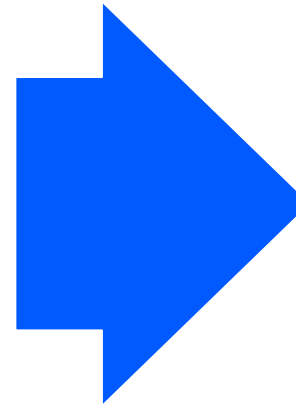
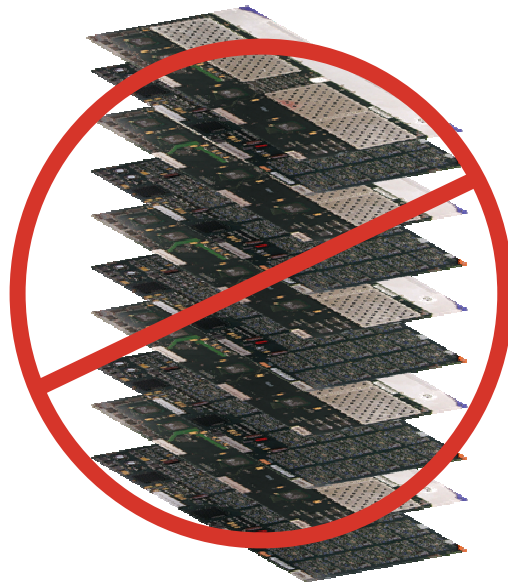
- Shared costs and expanded sales channels keep us more competitive
- China JV manufacturing and R&D provides cost advantage and innovation
- Partnering with leading edge contrast and technology companies for “next steps”



Still Continue to Miniaturize and Cost Reduce our Product Electronics



Electronics needed for image formation



Compressed into Transducer Housing

Ultrasound Financial Metrics Still Improving

- Net Working Capital reduced – 60% improvement in turnover in 2004
- Equipment Gross Margin % improves 2 pts in 2004
- Operating expense as % of Sales reduces 4 pts. in 2004



Philips Ultrasound is ...

- Gaining share and improving profitability in a growing market
- Providing the triple impact image quality, automation and ergonomics into new market segments
- Will win...with continued momentum and endless energy



