

Philips to Acquire Personal Emergency Response Company Lifeline Systems, Inc.

Royal Philips Electronics (NYSE:PHG, AEX:PHI) announced today that they have signed a definitive merger agreement with Lifeline Systems, Inc. (NASDAQ: LIFE) under which Philips will acquire Lifeline, a leader in personal emergency response services. Philips has agreed to acquire Lifeline for USD 47.75 per share or a total equity value of USD 750 million (equaling an aggregate value of USD 690 million net of USD 60 million cash and cash equivalents) in a transaction that has been unanimously approved by the Board of Directors of Lifeline. Completion of the transaction is subject to the terms and conditions of the merger agreement, which contains customary closing conditions and is subject to the approval of Lifelines shareholders. The acquisition of Lifeline is an important step on our roadmap for growth in healthcare, says Gerard Kleisterlee, President and CEO of Royal Philips Electronics. By targeting seniors and other people who want to continue living independently and exerting more control over their health and lifestyle, he added, we aim to become a global player in the evolving home healthcare market.

The aging of the population provides strong underlying market growth for home healthcare solutions such as those offered by Lifeline. Today, seniors represent around 15% of the population in the developed world and are expected to almost double in size over the next 25 years. At the same time they are becoming increasingly active in managing their own health and wellness. Personal response services are already the largest category of home healthcare solutions purchased out-of-pocket by older adults and their caregivers. Still, penetration in the age group 65 years and older is just 2-3%, allowing for significant future growth.

Lifelines revenues in 2005 are expected to be approximately USD 150 million, representing a 15% increase over 2004. A large part of the revenues are recurring in nature. Lifelines operating margins in 2005 are expected to be approximately 15%. The company has a broad market presence in the United States and Canada. The company markets its services through a network of more than 2,500 hospitals and other healthcare providers and serves a subscriber base of nearly 470,000.

Lifelines twenty-four hours a day service gives independently minded seniors the confidence to maintain an active life at home, knowing if they suddenly need help, they can send an alert to a monitoring center that indicates that they need assistance. Two-way communication allows a caring and professionally trained operator - who has instant access to the pertinent health history and personal profile of the caller - to establish the nature of the problem. Appropriate action can then be taken, including notifying a neighbor or family member, or summoning emergency services.

Our many years of understanding consumers and their needs have led us to identify healthcare at home as a key sector for us, stated Ivo Lurvink, CEO of Philips Consumer Health & Wellness. Lifeline is a market-leader that offers us a platform for other home healthcare products and services. As such it complements our existing presence in telemedicine, showcased in Motiva, our advanced interactive healthcare system. We believe our brand, global presence, technology and innovation capabilities will accelerate the growth of the company and were very much looking forward to working with their experienced management team and talented employees.

Lifeline President and CEO, Ron Feinstein said: Philips acquisition of Lifeline represents the next phase in the continued evolution and growth of our company. This combination of two industry leaders opens up numerous product and technology synergies, as well as growth opportunities designed to both further and broaden Lifelines founding mission of providing personal emergency response and support services to the at-risk elderly and their families to enhance their independence and quality of life.

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