

# PHILIPS

## Philips Medical Systems Progress Report

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Philips Medical System

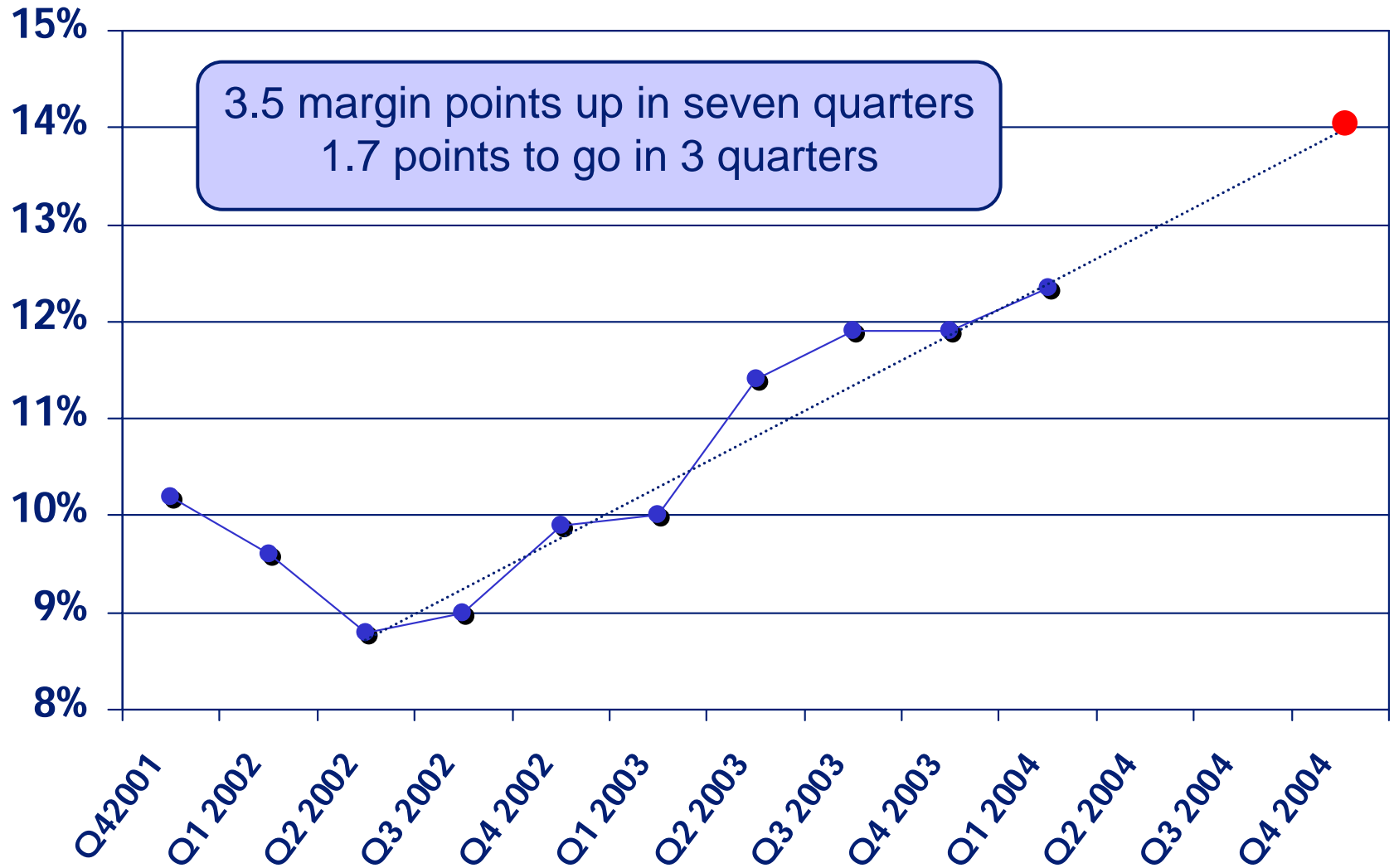
Analyst Meeting, Amsterdam June 9<sup>th</sup> 2004

# Philips Medical Progress Report

- Seven consecutive quarters of improvement
- Building the future – Innovation
- Building the future – Customers
- Where do we go from here



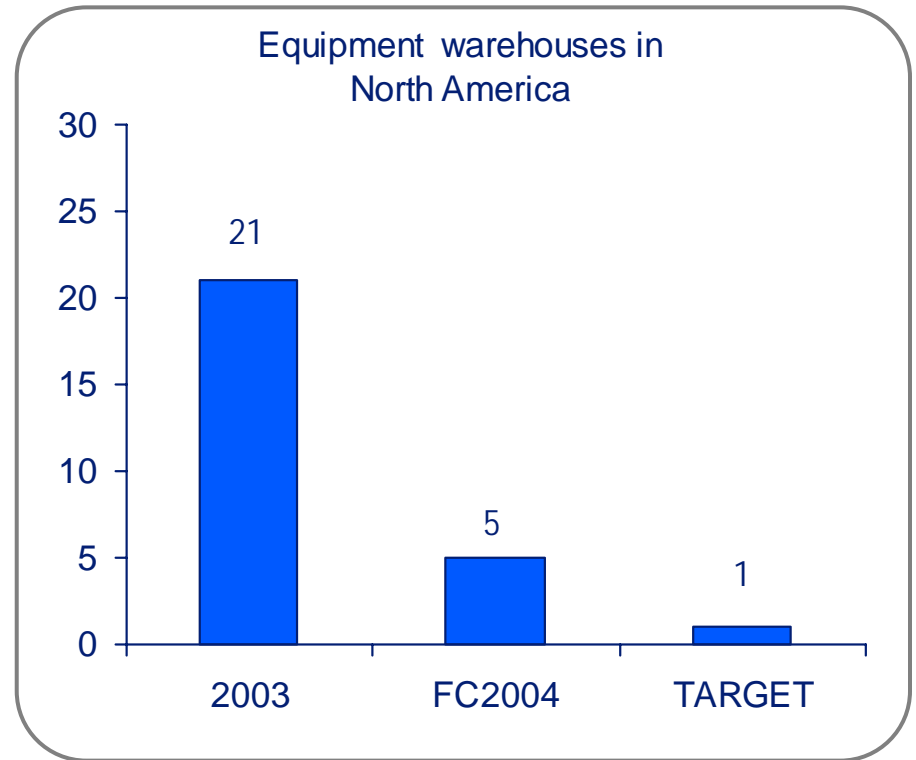
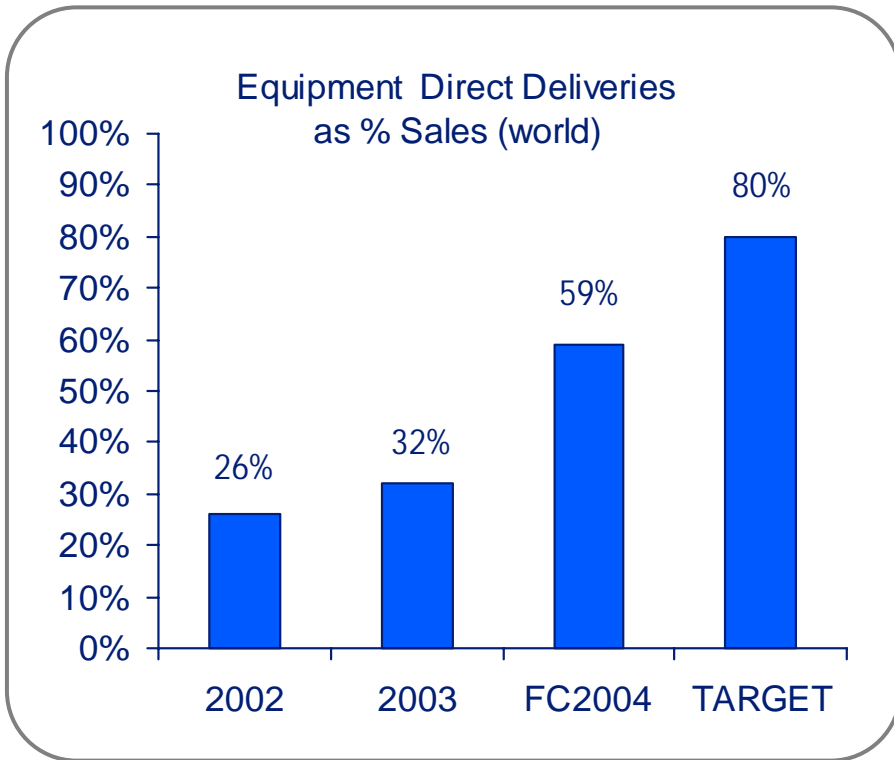
# The path (EBITA)



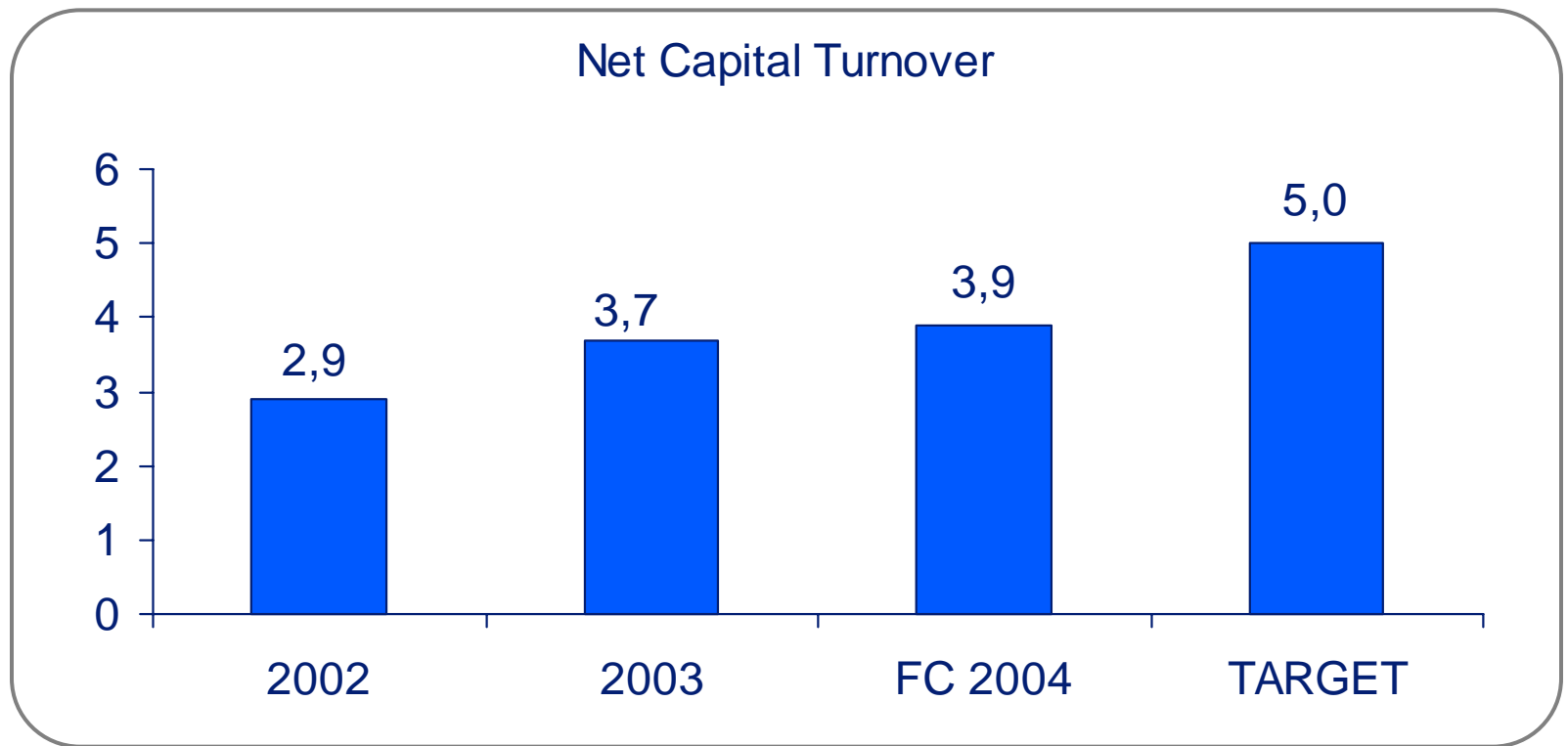
# Progress Report

Year-on-Year Improvement	2002 to 2003 Achievements	Q1 03 to Q1 04 Achievements
Comparable Growth	+ 7 %	+ 4 %
EBIT	+19 %	+32 %
EBIT margin Improvement <small>excl. special and one time items 02/03</small>	+ 2 pts	+ 2 pts

# Supply Chain Improvements



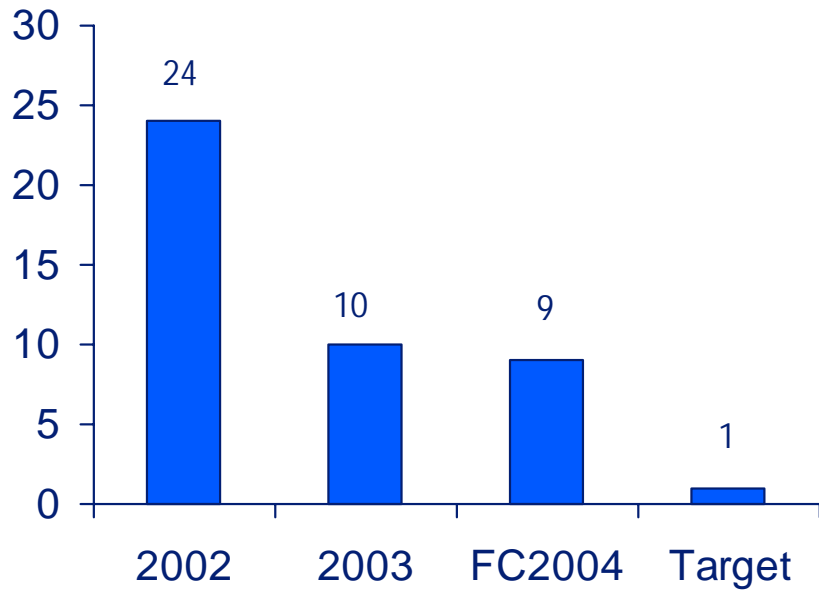
# Net Capital turnover goes up



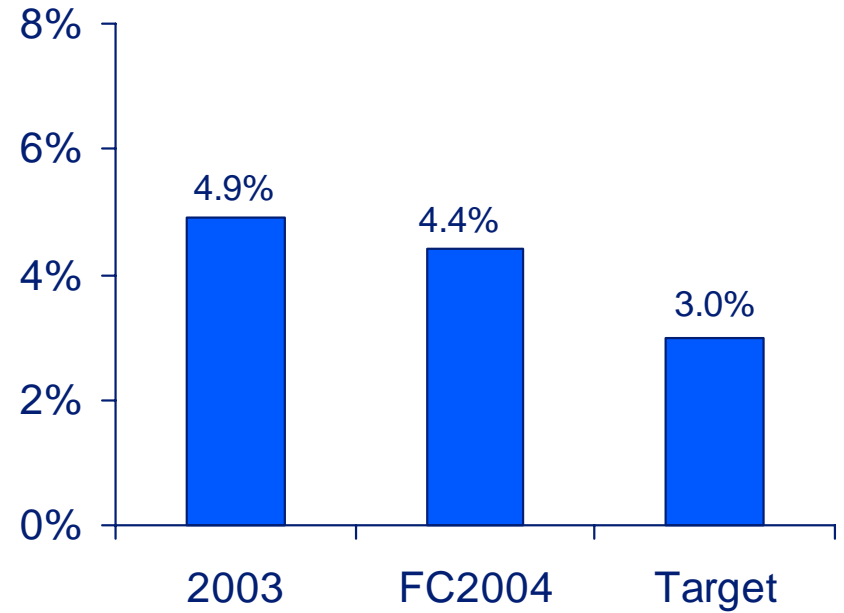
Net Capital = Capital excluding Goodwill

## IT

### Number of ERP systems

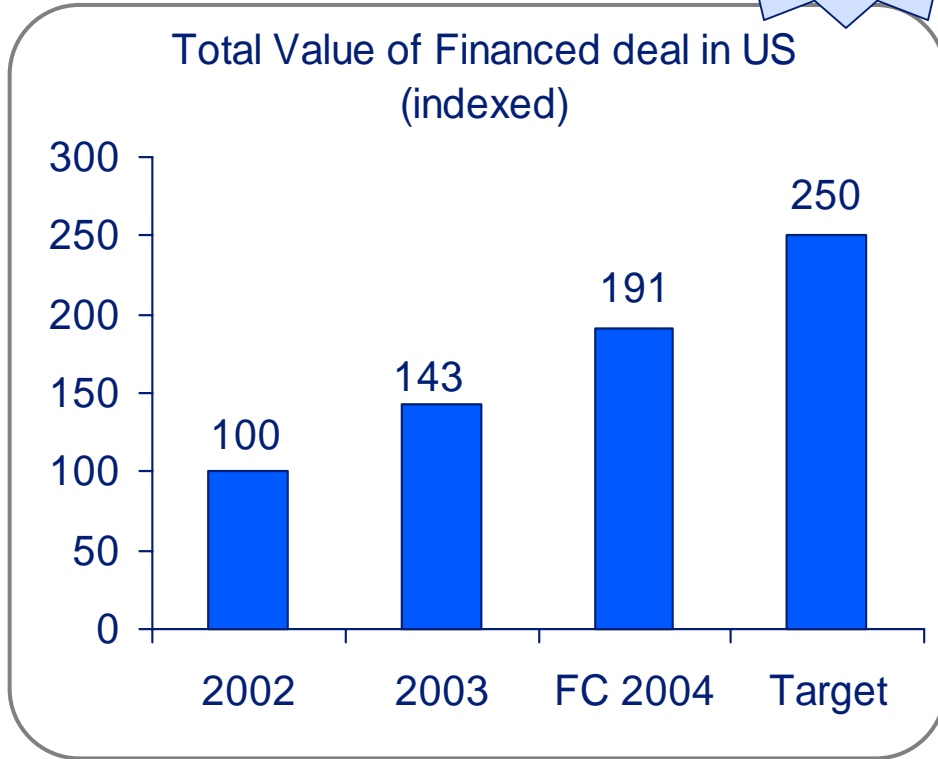


### IT spending as % Sales



# Financing

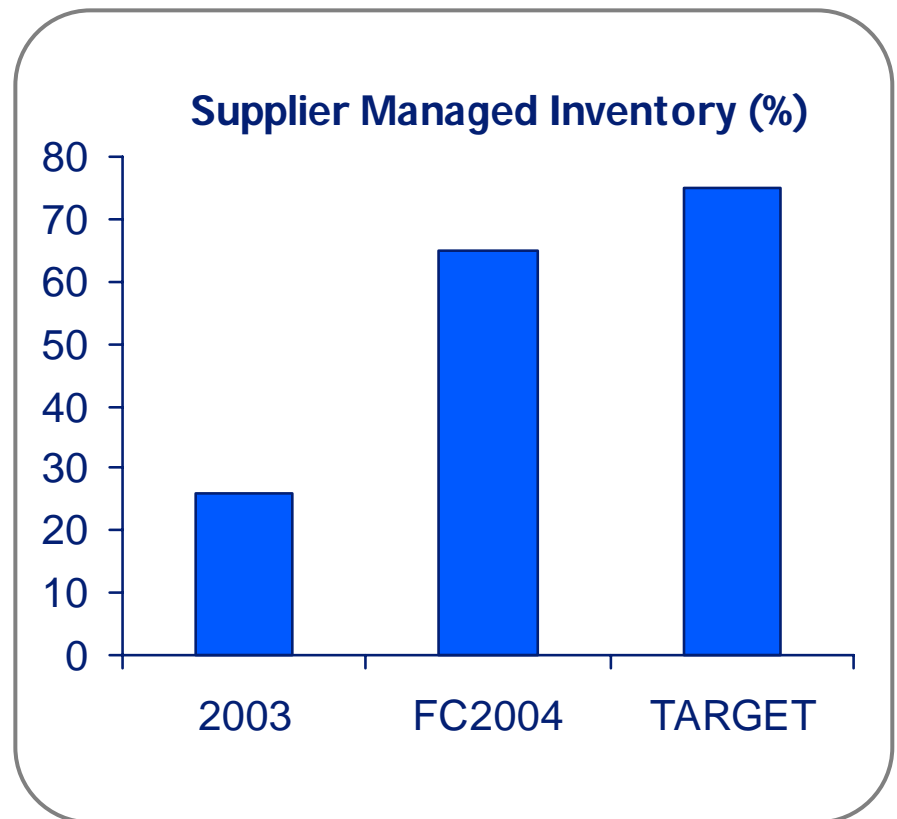
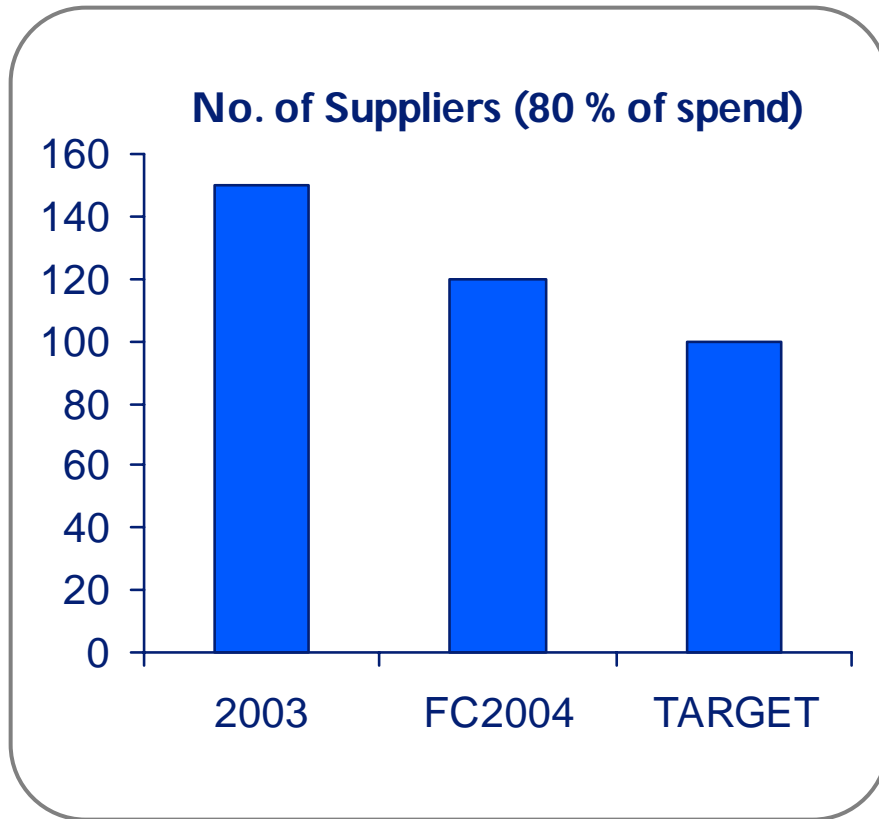
**30% average growth**



- 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



# We drive to gain market share

## World by Region

Product Line	2003 Trend	6 months Trend
Americas	Red	Green
Europe, ME & Africa	Yellow	Green
Asia Pacific	Green	Green
Total	Yellow	Green

## Global Product Lines

Product Line	2003 Trend	6 months Trend
X-ray	Red	Yellow
CT	Yellow	Green
MR	Red	Green
NM	Red	Yellow
US	Yellow	Yellow
MIT	Yellow	Green
Monitoring	Green	Green
Total	Yellow	Green

Sources – NEMA, various European studies and estimates

## Last 6 months show positive trend

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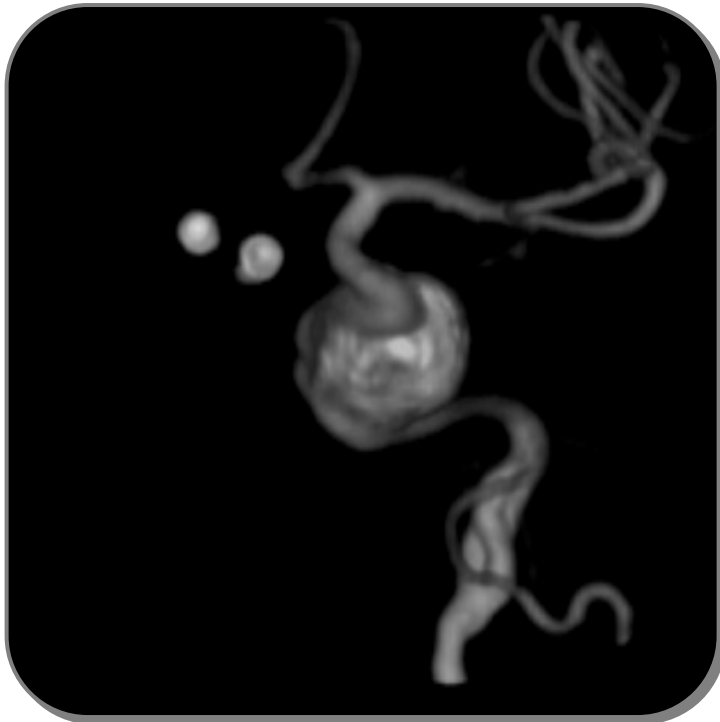


# X-ray – FD20 with large detector

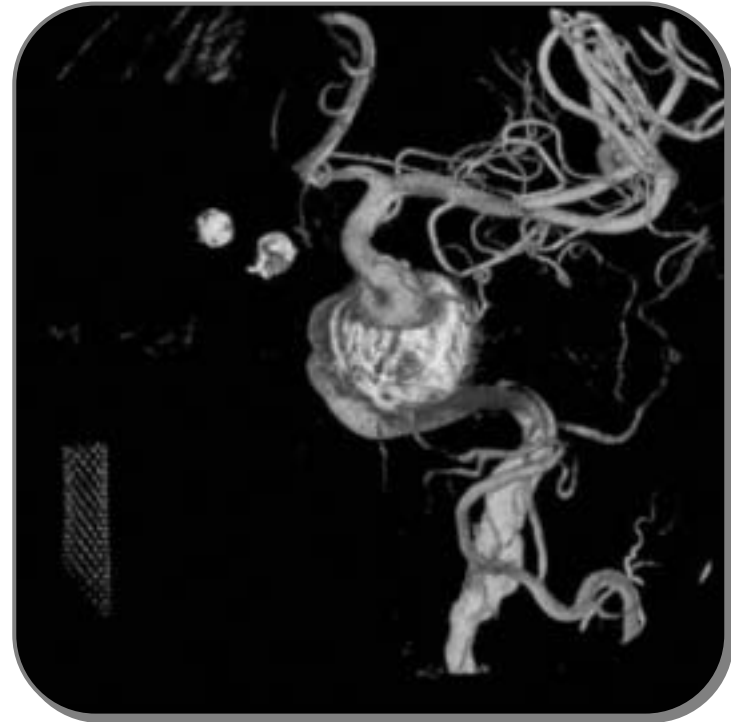


# Cardiovascular X-ray with 250 x finer details

5 years ago..



Now

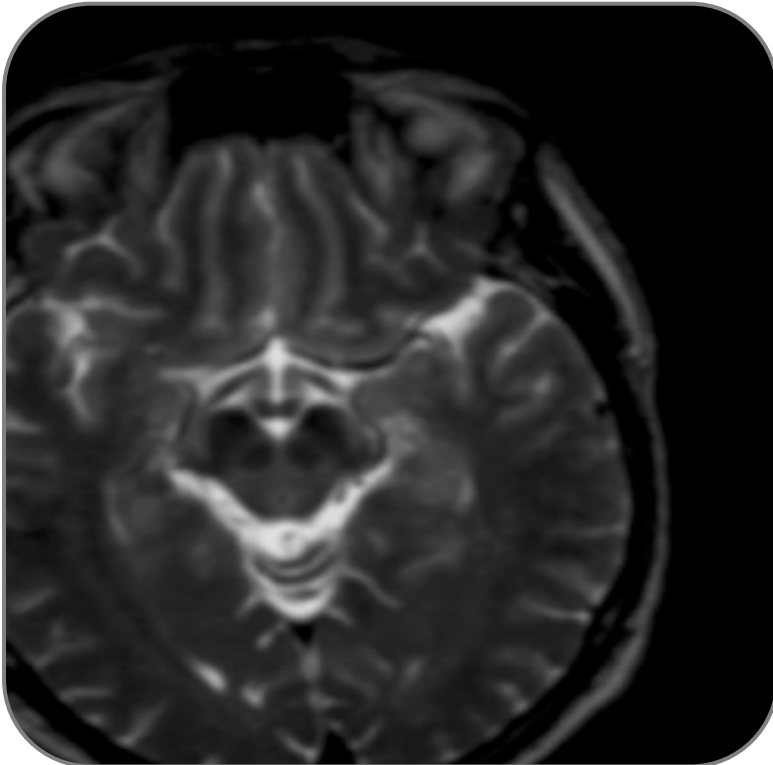


# MR – Achieva 3T

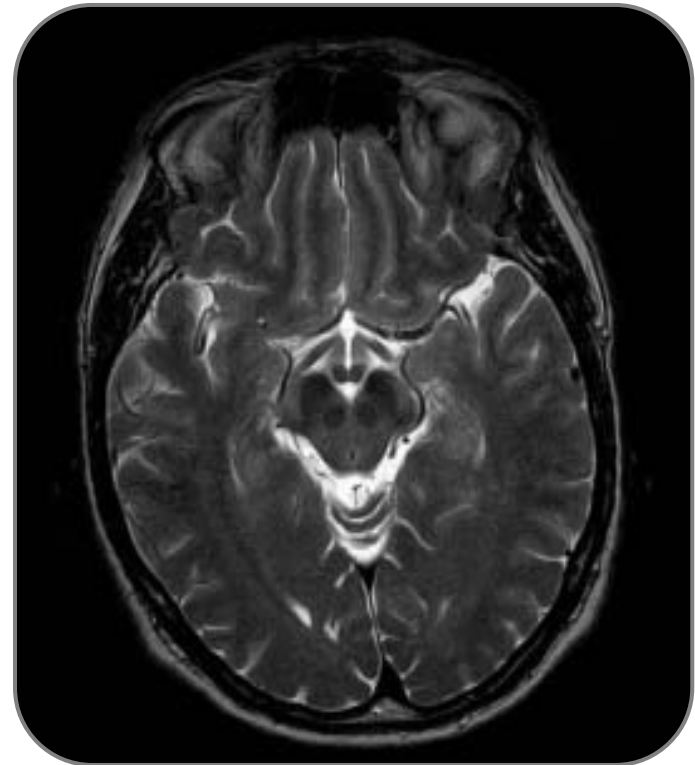


# MR with 15 x more specificity and scan speed

5 years ago..



Now



# CT – Brilliance with up to 40 slices

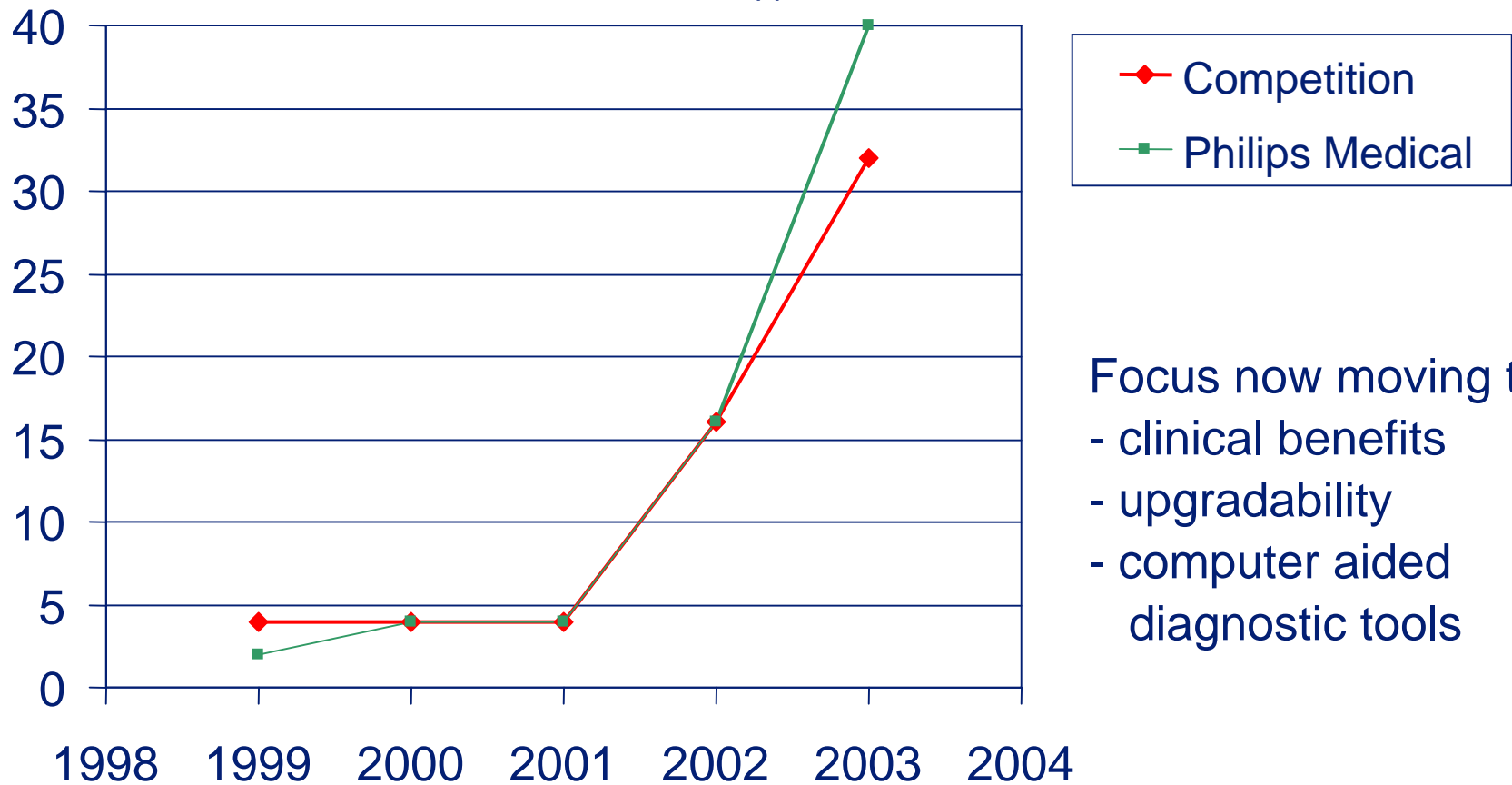




# CT Competitive Race

## from Follower to an Industry Leader

CT /No. of Slices/ Launch Year with FDA approval and clinical data

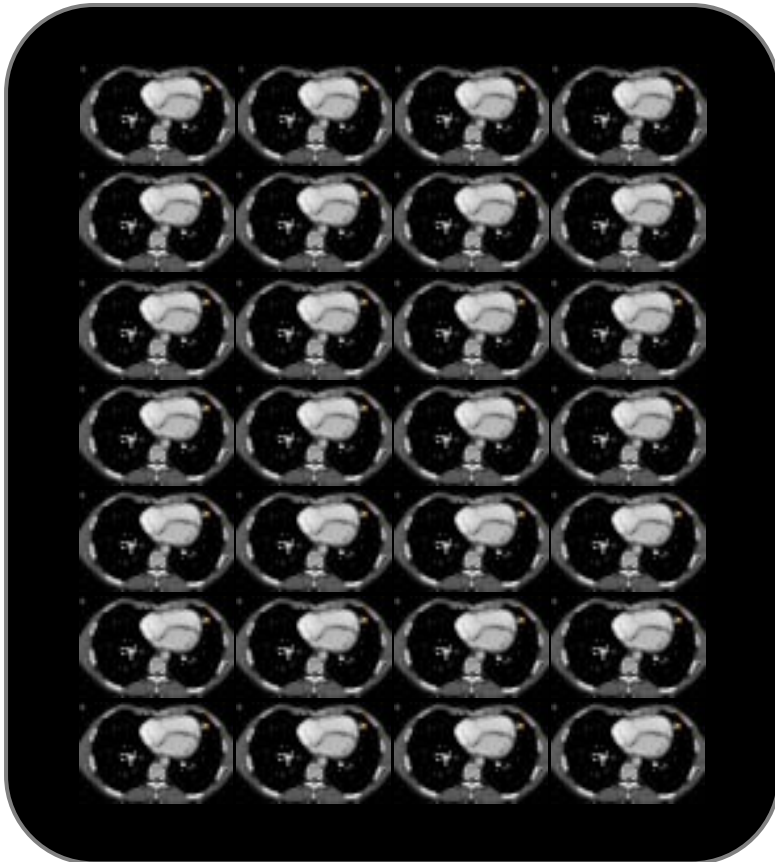


Focus now moving to

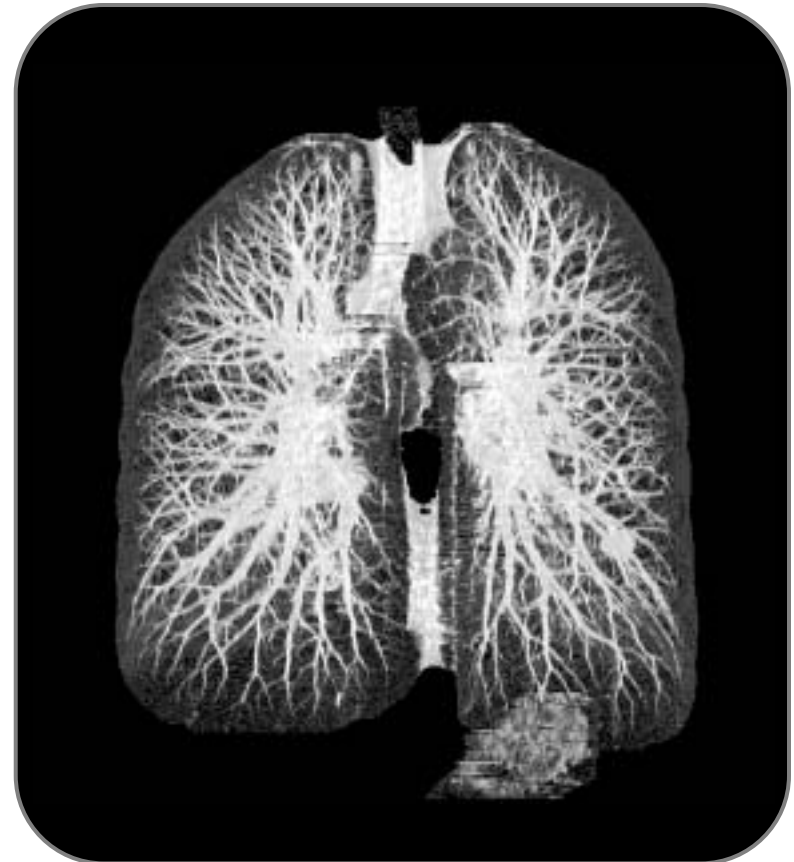
- clinical benefits
- upgradability
- computer aided diagnostic tools

# CT with 35 x scan speed, 3X specificity

5 years ago..



Now 3D



# Ultrasound – iU22 with voice control



# Cardiac Ultrasound with 5 x Improvement in Signal to Noise and Scan Time

2 years ago..



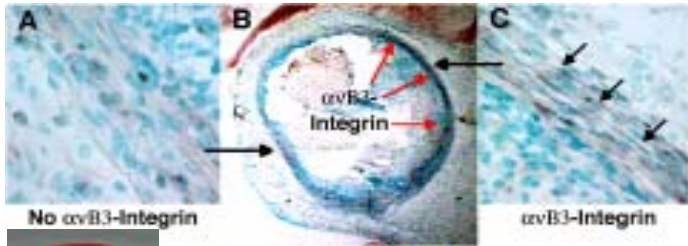
Now – Live 3D



# Nuclear Medicine PET-CT with 16-slice CT



# Progress in Molecular Imaging



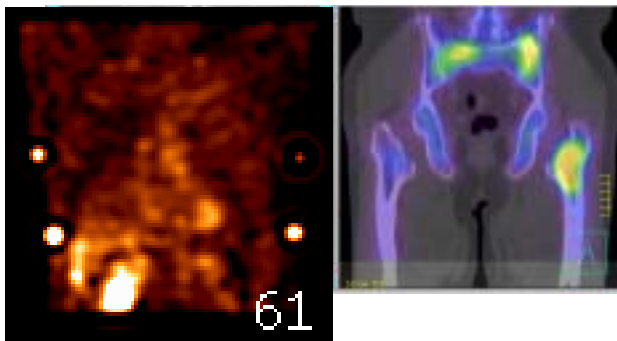
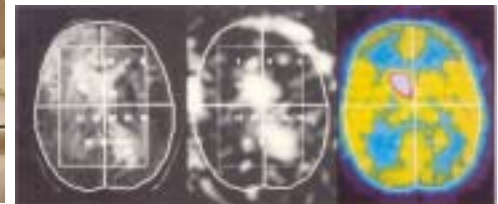
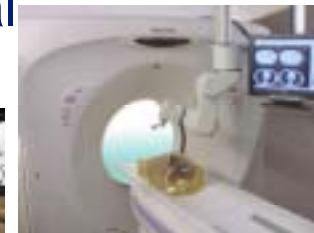
From agent discovery ..



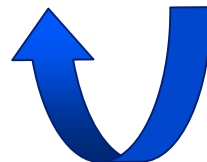
...and Animal Imaging ...



... and experimental Hybrid Imaging ...

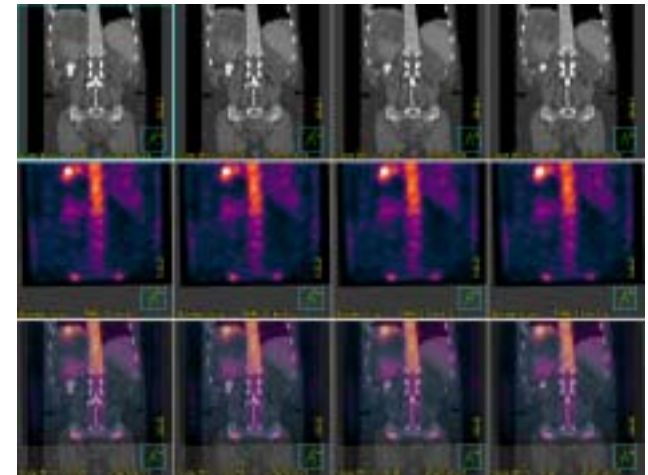


to expedite Clinical Molecular Imaging



# Launching a new Molecular Imaging platform...

- First open PET-CT
- Launching an unique SPECT-CT



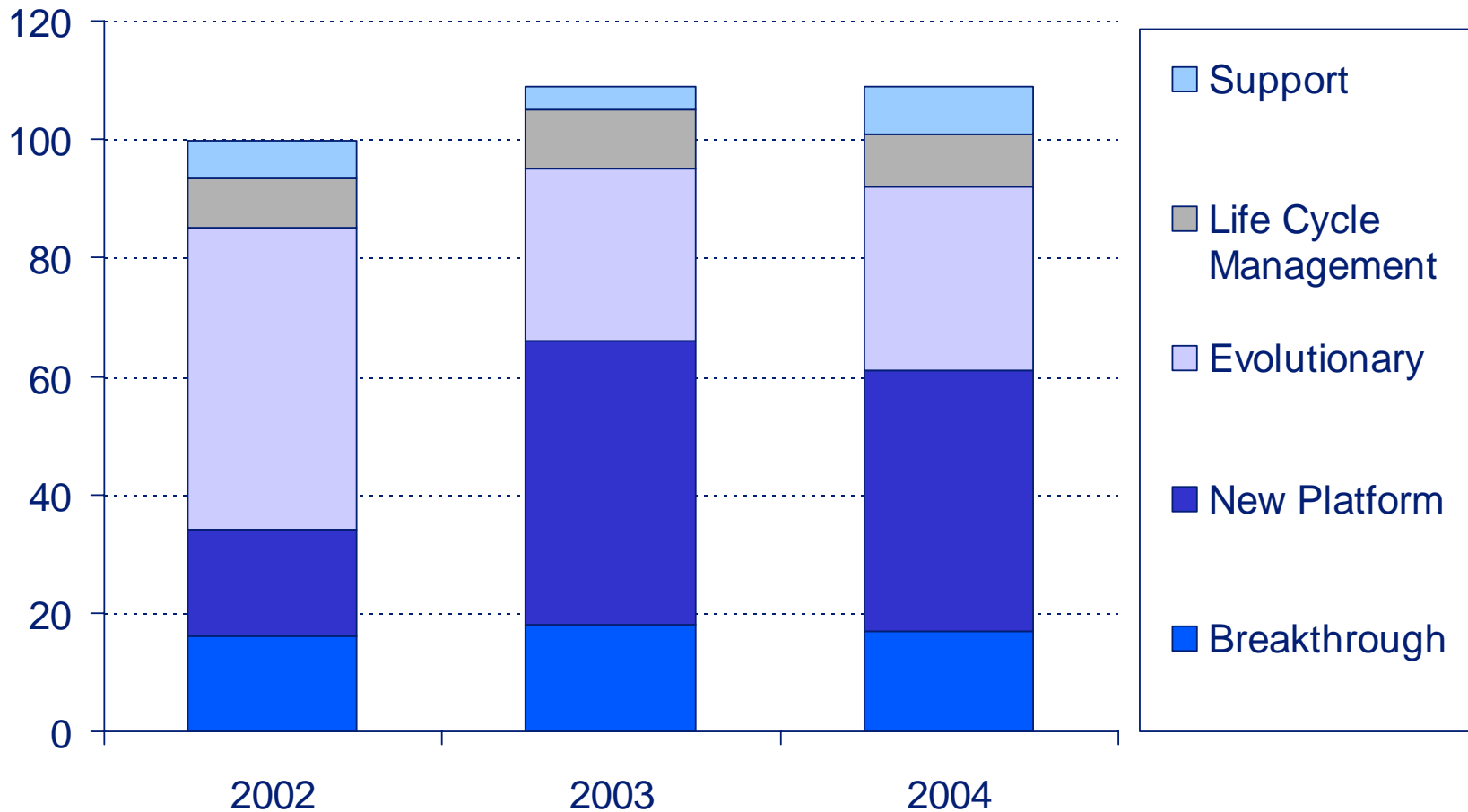
...To develop new Molecular Imaging agents  
with Top Academia and highly innovative start-ups

<b>Stanford</b>	CV / Oncology / Neuro
<b>Washington University</b>	CV / Oncology
<b>Johns Hopkins</b>	Oncology / CV / Neuro
<b>NIH/NCI</b>	Oncology / CV
<b>U of Washington</b>	Oncology / CV
<b>Sloan Kettering</b>	Oncology
<b>MD Anderson</b>	Oncology
<b>University of Bordeaux</b>	Gene Therapy
<b>Kereos</b>	CV / Oncology
<b>Theseus</b>	Oncology / CV
<b>Cytogen</b>	Image Optimization



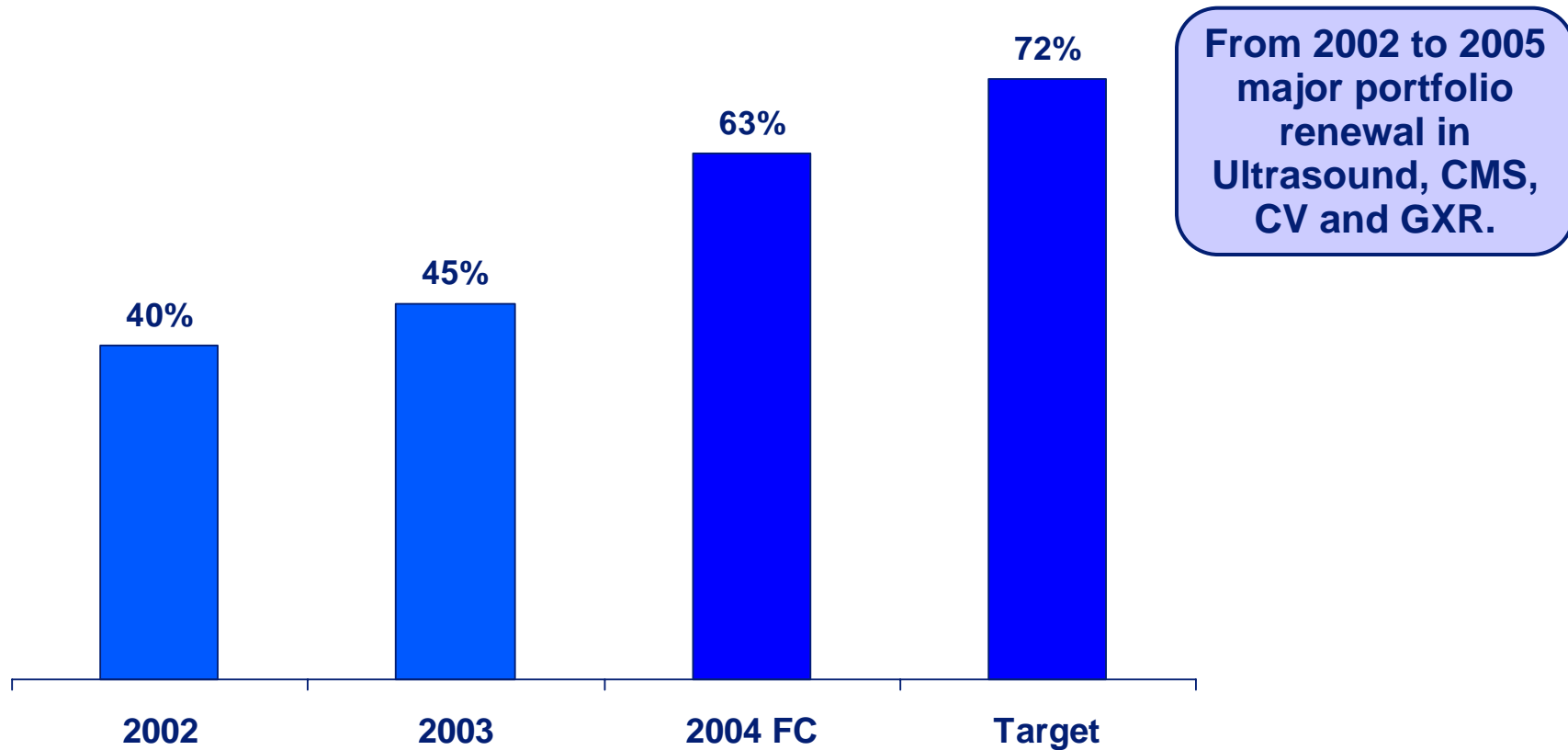
# PMS – Renewing Product Portfolio

Total R&D investment, indexed. 2002 = 100



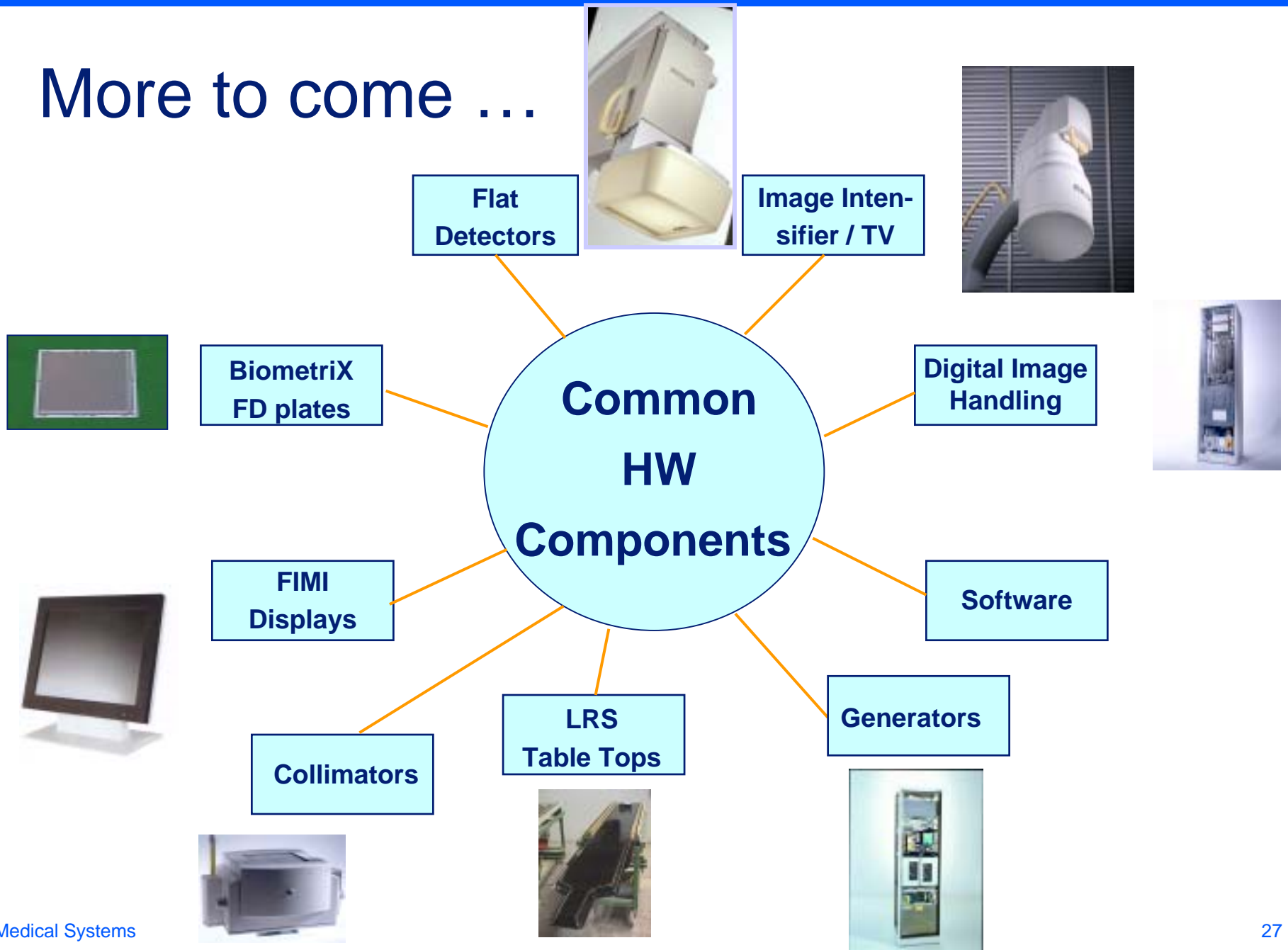
# PMS – Renewing Product Portfolio

% 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**

More to come ...

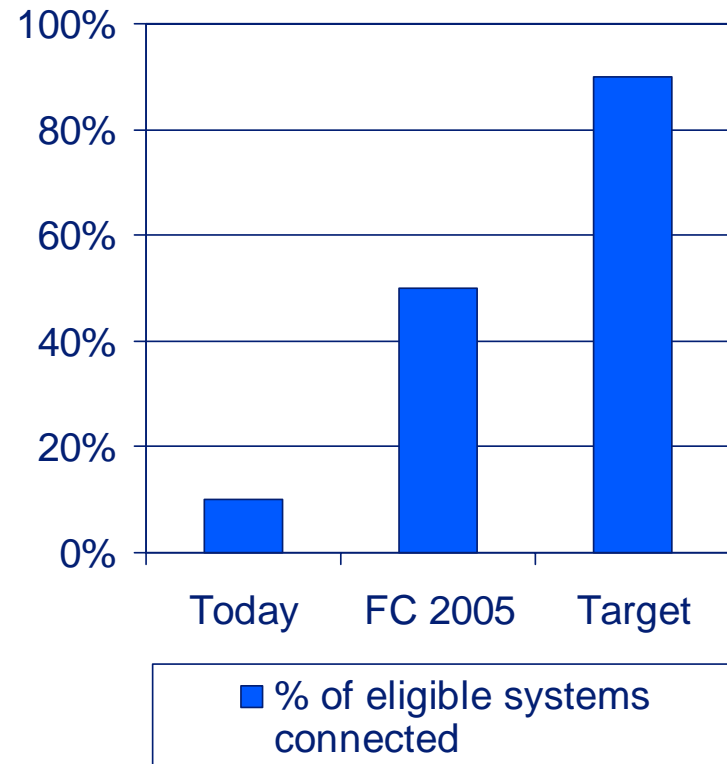


# Improving Customer Support

## 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

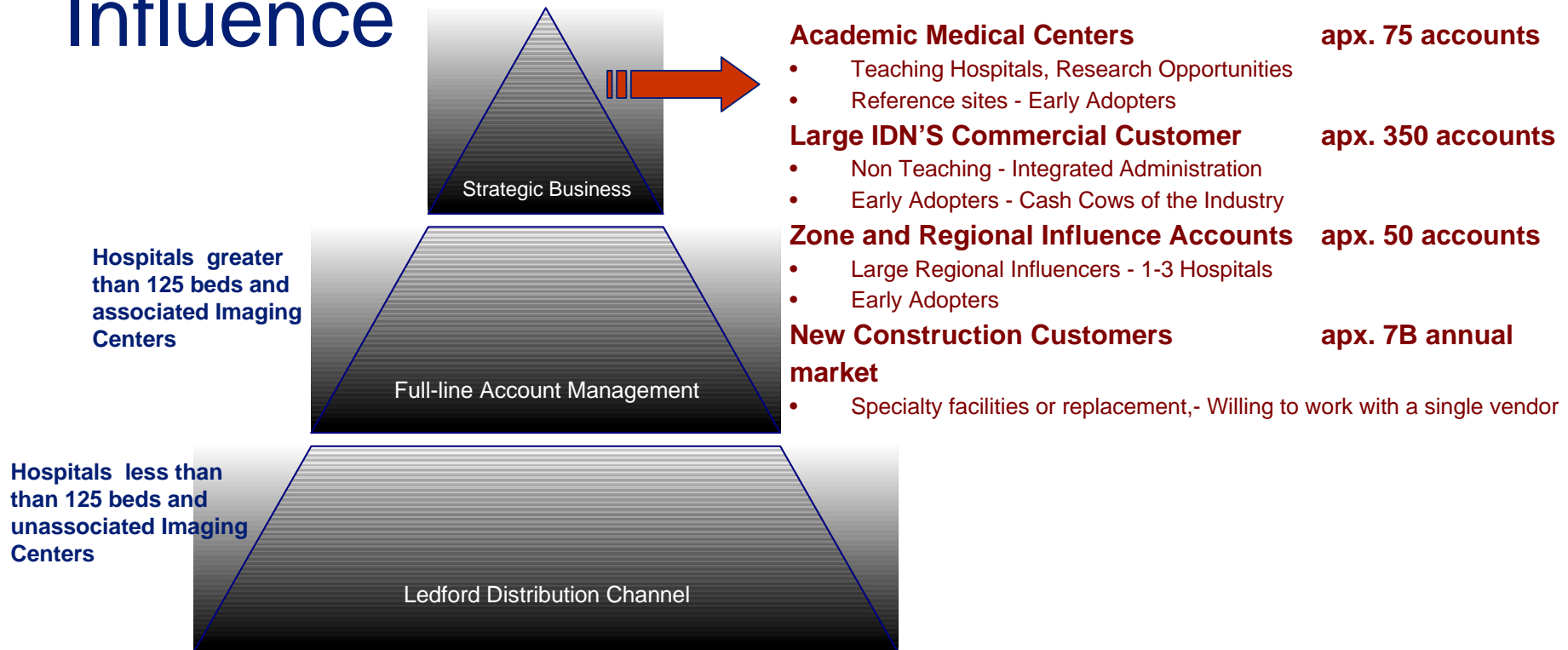


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# North American Market is Segmented by Size, Profitability, and Market Influence



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

Rank	Hospital	Cath Lab	Ultrasound	Nuclear Medicine
1	Cleveland Clinic, Rochester, Ohio	Philips	Philips	Philips
2	Mass General Hospital, Boston	Philips	Philips	Philips
3	Brigham and Women's Hospital, Boston	Philips	Philips	Philips
4	Duke University Medical Center, Durham, N.C.	Philips	Philips	Philips
5	Brigham Young University Hospital, Provo, Utah	Philips	Philips	Philips
6	Johns Hopkins Hospital, Baltimore	Philips	Philips	Philips
7	Emory University Hospital, Atlanta	Philips	Philips	Philips
8	Erwin F. Smith Institute at St. Luke's Episcopal Hospital, Houston	Philips	Philips	Philips
9	Stanford Hospital and Clinics, Stanford, Calif.	Philips	Philips	Philips
10	Harvard Medical School, Boston	Philips	Philips	Philips
11	Northwestern Memorial Hospital, Chicago	Philips	Philips	Philips
12	UCLA Medical Center, Los Angeles	Philips	Philips	Philips
13	Georgetown University Hospital, Washington, D.C.	Philips	Philips	Philips
14	Washington Hospital Center, Washington, D.C.	Philips	Philips	Philips
15	Brigham Women's Hospital, Boston	Philips	Philips	Philips
16	Methodist Hospital, Houston	Philips	Philips	Philips
17	Medical Center, Los Angeles	Philips	Philips	Philips
18	Case Western Reserve University, Cleveland, Ohio	Philips	Philips	Philips
19	University of California, San Francisco Medical Center	Philips	Philips	Philips
20	University of Colorado, Denver	Philips	Philips	Philips
21	Albert Einstein College of Medicine, Bronx, N.Y.	Philips	Philips	Philips
22	Harvard Medical School, Boston	Philips	Philips	Philips
23	Georgetown University Hospital, Washington, D.C.	Philips	Philips	Philips
24	University of Michigan Medical Center, Ann Arbor	Philips	Philips	Philips
25	University of Texas Medical Center, Houston	Philips	Philips	Philips
26	Georgetown University Hospital, Washington, D.C.	Philips	Philips	Philips
27	University of Colorado, Denver	Philips	Philips	Philips
28	St. Francis Hospital, Boston	Philips	Philips	Philips
29	University of Chicago Medical Center, Chicago	Philips	Philips	Philips
30	University of Pittsburgh Medical Center, Pittsburgh	Philips	Philips	Philips
31	University of Pennsylvania, Philadelphia	Philips	Philips	Philips
32	Christ Hospital, Newark, N.J.	Philips	Philips	Philips
33	Lenox Hill Hospital, New York	Philips	Philips	Philips
34	St. Vincent's Medical Center, Jacksonville, Fla.	Philips	Philips	Philips
35	St. Vincent's Medical Center, Orlando, Fla.	Philips	Philips	Philips
36	Florida Hospital, Winter Park, Fla.	Philips	Philips	Philips
37	North Carolina Baptist Hospital, Winston-Salem	Philips	Philips	Philips
38	North Carolina Baptist Hospital, La Jolla, Calif.	Philips	Philips	Philips
39	Scriven Memorial Hospital, Rockville, Md.	Philips	Philips	Philips
40	Hackensack University Medical Center, Hackensack, N.J.	Philips	Philips	Philips
41	Hackensack University Medical Center, Dear Park, Fla.	Philips	Philips	Philips
42	Hackensack University Medical Center, Dear Park, Fla.	Philips	Philips	Philips
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50	Hackensack University Medical Center, Dear Park, Fla.	Philips	Philips	Philips

Source: US News and World Report

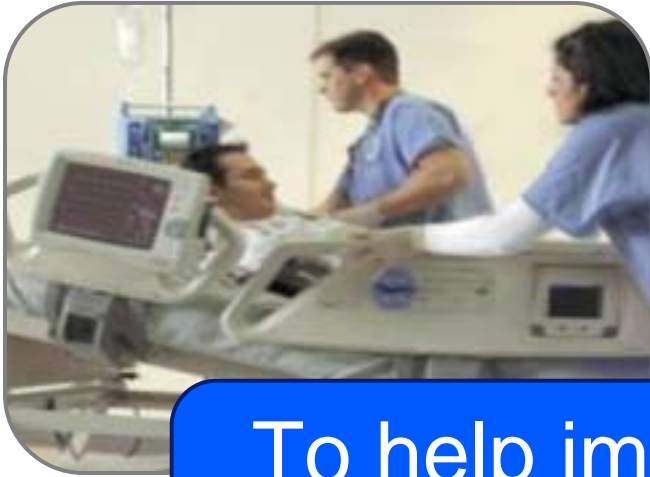
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# Our Mission



To help improve people's lives  
by healthcare technology



# Our Vision: *“Healthcare without Boundaries”*

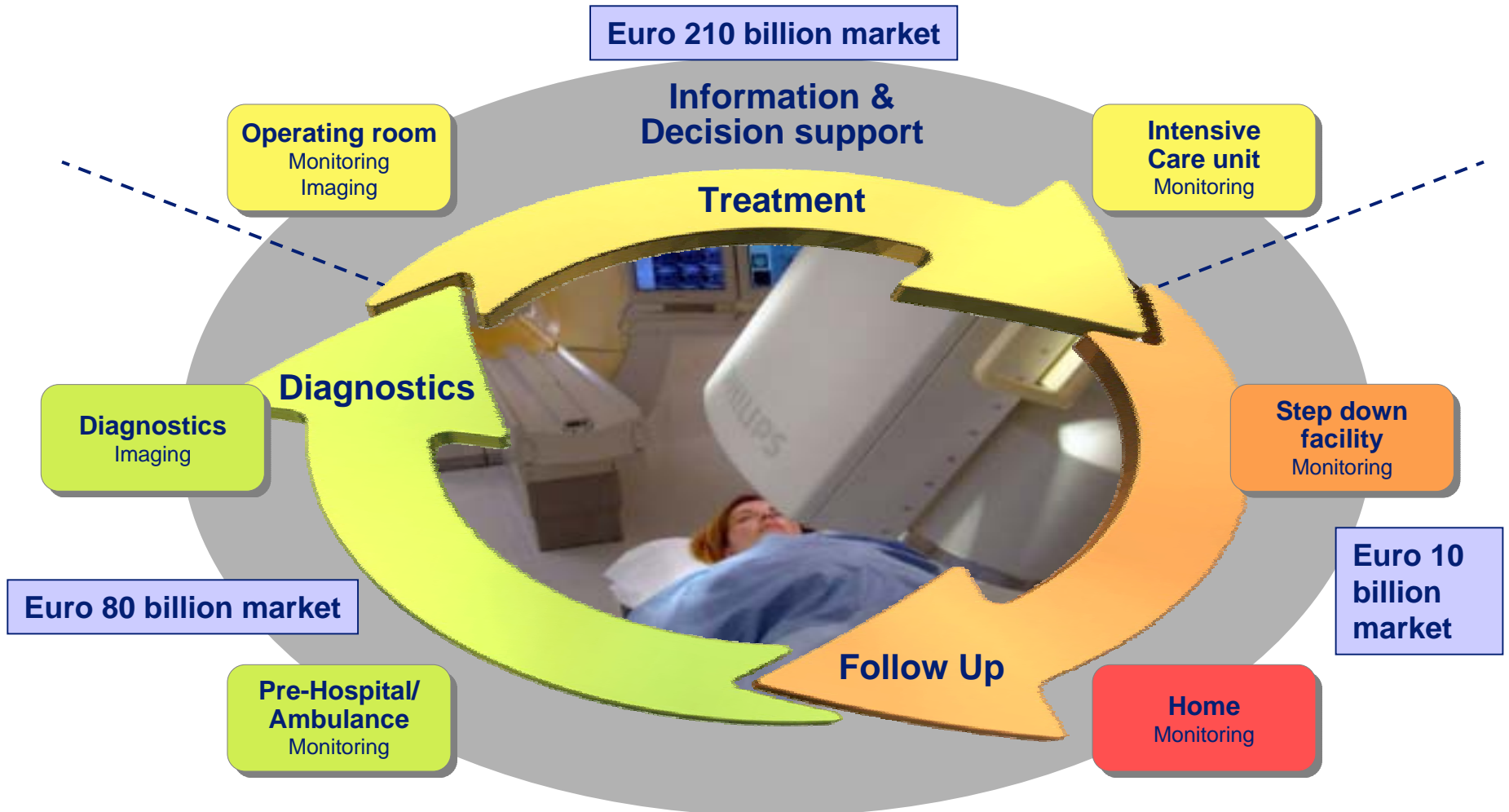
## **Remove barriers to the best care**

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



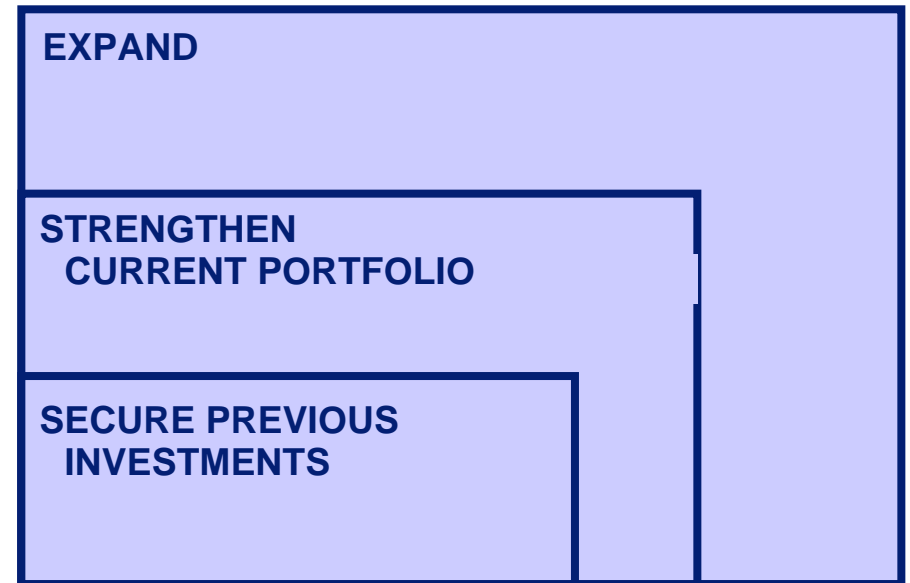
# Focus on the Care Cycle



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**

