Global Customer Services

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Analysts’ Meeting
June 15th, 2005
Agenda

- Market Intro
- Financial Results
- Services Strategy
- Refurbishment
- Summary
Philips Medical Systems Portfolio – 2004 Results

Imaging Systems
EUR 2.8 bln
- Nuclear Medicine
- CT
- MR
- PET
- Ultrasound
- X-Ray

Customer Services
EUR 1.6 bln
- Consultancy
- Clinical services
- Asset management
- Maintenance & Repair

Information and Monitoring Solutions
EUR 1.5 bln
- Medical IT
- Patient Monitoring and Cardiac Devices
- Document services

Services 26% of Revenue and Growing
Lifecycle Services

Product Pre-Sales
- Consulting / Professional Services
- System Configuration Design
- Work Flow Evaluation
- Process Improvement

Product Sales
- Financing / Leasing Alternatives
- Complementary Philips Products
- POS Service Agreements
- Philips Ambient Experience

Installation Service
- Site Planning Services
- Project Management
- Room Moves
- Clinical Training

Ongoing Services
- OEM Hardware Maintenance
- Optimized Planned Maintenance
- Remote Proactive Support
- Network Monitoring & Optimization
- On-Line Applications Support
- Value Added Services

Upgrade/ Product Sales
- Preferred Customer Upgrades
- Technology Refresh
- Lease End-of-Term Options
- Trade-ins & Trade-up Programs
- Diamond Select

Customer Acquisition
Deliver Value
Customer Loyalty

Ensuring value over the entire customer lifecycle!

Philips Medical Systems
Cash expenditure for Healthcare Organizations (USA)

- Primary Care Services*: 7-10%
- Prescription Drugs: 4%
- Nursing Home & Home Healthcare: 2%
- Medical Equipment & Devices: 3%
- Government Public Health Activities: 9%
- IT in Healthcare: 13%
- Research: 13%

* 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 Medical Systems
Philips Customer Service… delivering what the customer wants

Philips Ranked #1 in 10 out of 18 Product Categories

IMV Annual ServiceTrak™, Survey Ratings - 2004

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 Limited, based in Greenwich, CT, is an independent third-party research company with over 25 years of experience in studying the medical imaging, clinical diagnostic and healthcare markets.

IMV surveys 3000 hospitals on an annual basis to determine the top ranking service providers in 18 distinct product categories. Philips Medical Systems ranked #1 in 10 out of 18 categories.

For more information on Philips Medical Systems visit www.PHILIPS.com.
### Philips Customer Service… delivering what the customer wants

#### Philips Medical Systems #1 in Imaging all Systems Ranking

<table>
<thead>
<tr>
<th>Category</th>
<th>Rank</th>
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<tbody>
<tr>
<td>Satisfaction with OEM Service</td>
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<tr>
<td>Overall Service Performance</td>
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<td>Service Follow-Up</td>
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<tr>
<td>Service Performance Relative to Charge</td>
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<tr>
<td>Timeliness of Returning Initial Phone Calls</td>
<td>#1</td>
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<tr>
<td>Effective Troubleshooting on Phone</td>
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<tr>
<td>Timeliness of Arrival On-Site</td>
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<td>Meeting Commitments</td>
<td>#1</td>
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<td>Service Engineer Competence</td>
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<tr>
<td>Service Engineer Attitude</td>
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<tr>
<td>Help Desk Telephone Support</td>
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<tr>
<td>Solving Problems on the Phone</td>
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<td>Meeting Commitments</td>
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<tr>
<td>Effectiveness of Phone Troubleshooting</td>
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<td>Remote Dial-In Diagnostic Support</td>
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<tr>
<td>Satisfaction with Remote Diagnostics</td>
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<tr>
<td>Satisfaction with Manufacturer</td>
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<tr>
<td>Effectiveness in Resolving Any Problems</td>
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<tr>
<td>Fair Value of Replacement Parts</td>
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<td>System Performance</td>
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<tr>
<td>System Ease of Use</td>
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<td>Reliability of Software</td>
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<tr>
<td>Installation and Training</td>
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<tr>
<td>Operating Manual</td>
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<tr>
<td>Training-Response to Inquiries</td>
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IMV Annual ServiceTrak™, Survey Ratings - 2004

Philips Ranked #1 in 19 out of 33 Performance Factors
Agenda

Market Intro

Financial Results

Services Strategy

Refurbishment

Summary
Revenue, Gross Margin (CAGR ’02–’04)

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

* Currency adjusted
Gross Margin Development

Service Productivity Programs

Volume

Installation Outsourcing

Mobile Tools (PDA)

Remote Services

Parts pricing & usage

MVS

Significant additional GM from Productivity Programs
Agenda

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Summary
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 Responsiveness
- Tiered Support
- Spare part logistics

Success is based on three pillars
Global Customer Services Strategy

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Service Innovation
- Value Added Services

Existing installed base has sizable growth opportunity
Contract Penetration by Modality

Contract Penetration Rate Improvements

Improvement by Points

% Improvement 2003 - Q1 2005

XR  NM  MIT  CT  MR  CV  U/S  Total

7 point increase in contract capture rate in five quarters

Significant improvements in every modality
Global Customer Services Strategy

**Operational Excellence**
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**Service Innovation**
- Value Added Services

**Customer Responsiveness**
- Tiered Support
- Spare parts logistics

Numerous productivity initiatives with large ROI’s
Remote Services Network (RSN)

- Number of connected Systems:
  - 2003: 30
  - 2005: 8,400
  - Target: 21,000

- Number of connected Health Care Facilities:
  - 2003: 15
  - 2005: 1,800
  - Target: 7,000

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

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

**Operational Excellence**
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**Service Innovation**
- Value Added Services

**Customer Responsiveness**
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Improving customers services thru technological innovations
Composition of Service Revenue

2003 Break/Fix Service Focus

- H/W
- S/W
- Applications
- Performance Variability

2007 Value Added Services

- Value Add Services
- H/W
- S/W
- Applications
- Performance Variability

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
Growth
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- Transactional Sales
Productivity
- Remote Services
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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

**Tier 1**
Customer Focused / Basic Product Knowledge

- 60% Tier 2 Support
- 15% Call Closure
- 25% Dispatch FSE

Incoming Customer Calls

- 80% Resolution “First Trip”
- 30%-40% Remote Fix
- 60%-70% Proactive Failure Analysis

FSE Onsite Support
80% Resolution “First Trip”

- $17/call
- $46/call
- $432/call

**Faster resolution at far lower cost**

**Tier 2**
Technical Experts / Factory Interface

Model Provides
- Technical Support
- Application Support
- Parts ID
- 24/7 Support

80% Utilization

FSE Onsite Support
80% Resolution “First Trip”

- $17/call
- $46/call
- $432/call
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Market Intro

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Services Strategy

Refurbishment

Summary
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...”

Frost & Sullivan’s Customer Service Leadership Award 2005 for Refurbishment
Summary

• 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