Ultrasound and Monitoring

Barbara Franciose
CEO Ultrasound and Monitoring
New **Ultrasound and Monitoring** Business Group

- A new business group to better address:
  - Fast moving, high volume businesses
  - Emerging markets

- Care cycle synergies

- Common business goal to **accelerate growth** – all businesses higher than PMS average EBIT

**We ship >150,000 New Devices per year**
Ultrasound and Monitoring at Philips Medical

• Markets and Growth:
  – Ultrasound
  – Patient Monitoring
  – Cardiac Care

• Operational Excellence and Process Improvement

• Innovations in the Cycle of Care – New Markets

• Summary
Total Ultrasound Equipment Market grows 4-5% CAGR, 2005 to 2009 – 3.6 billion Opportunity

Source: Philips Internal
Ultrasound Service Market Expands

Equipment Revenue + Service Revenue (€M projected)

- Inclusion of Service increases 2009 projected market total to approx. €4,6 M

- **Services** continues to be more profitable than new equipment and Ultrasound leads PMS in service margin

Source: Philips Internal

Our Market Share increase helps Ultrasound margin contribution
Ultrasound Growth Trending Up Significantly

Philips Regains USA Market Lead
The Klein Report 2005

26% Share

Annual Equipment Sales Growth Rate 2005

12%

Grew in all markets worldwide
Ultrasound 2005 Equipment Market Share –
Gained two points share to 22% global

Source: Philips Internal
Total Monitoring Equipment Market grows 3% CAGR, 2005 to 2009 – € 2,4B Opportunity

Major growth areas in Monitoring:
- Clinical Info Systems – CAGR (05-09) 9.5%

Source: Philips Internal
Monitoring Total Market in 2009 is > € 3B
Equipment + Service Revenue (€M projected)

Source: Philips Internal
Monitoring – Growing Momentum

Philips share in 2005 was 35%
Source: Frost & Sullivan- PM 2002-2005 Market Update Studies

11% Gain in 3 years

Double Digit Order growth globally

4% Annual Equipment Sales Growth Rate 2005
Monitoring Market Share – Philips is the Clear Market Leader in 2005

- Philips 35%
- GE 26%
- Other 21%
- Spacelabs 4%
- Datascope 4%
- Welch Allyn 4%
- Draeger 6%

Source: Absolute market size: Philips Internal
Cardiac Care Total Market (Resuscitation and Consumables)
Equipment Revenue + Service Revenue (€M projected)

Source: Philips Internal
PHILIPS

Cardiac Care – Great Device Growth in 2005

Resuscitation Market Share Growth 2005

7% Gain

Annual Equipment Sales Growth Rate 2005

27%
Cardiac Resuscitation Market Share

Equipment €643M Total Market

Services €325M Total Market

Needed to gain share in devices first, will now address Service Opportunity

Source: 2005 public earnings reports
Ultrasound and Monitoring at Philips Medical

• Markets and Growth

• Operational Excellence and Process Improvement

• Innovations in the Cycle of Care – New Markets

• Summary
Process Improvement Continues within the New Ultrasound and Monitoring Business

- Philips “fast transaction” processes are optimized for unique customer needs
  - 45,000 + transactions
- New Shared Service Groups in UM - reduced costs in Q&R, HR, Supply Chain
- Further outsourcing of commodity products to low cost countries and local/local collaborations
Innovation process is critical

- New Product Creation process concentrates on customer insights

- New mapping of clinical segments and price segments in each geography; one size does not fit all

- New business models with alliance, partnering, co-development, separate dedicated business units etc.

- Critical “design to cost” emphasis for each segment

New clinical innovation allowed five new Ultrasound products and growth in all segments and all geographies
Ultrasound and Monitoring Projecting Strongest Growth in Emerging Markets

CAGR (05-09)

- USA
- Japan
- China
- UK, FR, DE

Source: PMD Market Model Feb 2005
Emerging Market Growth in **Ultrasound / Monitoring** Requires Operational Excellence

- Local for local **Acquisitions** in lower cost countries to keep costs down and respond to local customer’s needs

- **Outsourced** commodity transducers and high volume production

- **New Partnerships and Alliances** to reduce development costs for emerging markets innovation – **new business models**

*Along with x-ray, ultrasound and basic patient monitoring IS emerging medicine*
Ultrasound and Monitoring at Philips Medical

• Markets and Growth

• Operational Excellence and Process Improvement

• Innovations in the Cycle of Care – New Markets

• Summary
Many Unique Touch Points in Cardiology Care Cycle

Diagnostics

Intervention lab EP/Cardiac Cath

Pre-Hospital/ ER Imaging

Diagnosics Cardiac Imaging

Operating room Imaging/Monitoring

Information & Decision support

Treatment

Step down facility Monitoring

Physician Office Monitoring

Home Monitoring

Pre-Hospital/ Ambulance Monitoring/Treatment

Follow Up
Monitoring Innovation Spans Care Continuum
SureSigns Patient Monitoring and Ultrasound for low end and emerging markets

- Uncomplicated and easy to use for novice users
- Addressing a wide range of care environments with Philips quality technology
- Represents our smallest market footprint today
Compact Ultrasound is Growing Worldwide

• Responding to a wide range of applications in the care cycles:
  – Anesthesiology
  – Interventional labs
  – Office environment in cardiac and OB/GYN
  – Emergency or remote care
Emergency Ultrasound in Pre-Hospital Markets

Emergency Ultrasound on Next Generation Advanced Life Support brings better remote care and transports key data to hospital.
Innovation in Screening Markets– Cardiac TOPS for Athlete Screening and Monitoring

"TOPS"
Save an athlete program
www.saveanathlete.org
Wireless ECG “Patch” in Trials during 2006

- Shortens hospital stay
- Improves care
- Reimbursable today
- Expands our cardiac care consumable business

Wearable, wireless, records arrhythmias
Additional Medical Sensor Innovation in the Future

Current State: Multiple single-parameter tethered sensors

Desired State: Single multi-parameter wireless sensor

Improves care, reduces costs, expands Philips consumables
Ultrasound and Monitoring at Philips Medical

• Markets and Growth

• Operational Excellence and Process Improvement

• Innovations in the Cycle of Care – New Markets

• Summary
The Last Three Years have been Quite Busy…

- Major Ultrasound Change Initiative started in 2003-integration effort
- Focus on customers and new clinical innovation; five new products w/ growth all segments / geographies
- Gained market share, #1 in USA

2003 - 2006

2006 - 2009

- Expand Care Cycle Innovation
- Participate in Emerging Markets and Emerging Medicine
- Develop Compact, Wireless and other disruptive technologies
- Strengthening Services Business in Cardiac Resuscitation
Summary – Three Things to remember about Ultrasound and Monitoring at Philips Medical

- Strong Businesses Today – still taking market share
- Accelerated growth plans – emerging markets, emergency medicine
- Will maintain > PMS average margins, develop stronger alliances and be part of M&A in our care cycles