

The new realm of Philips Medical Systems

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December 5, 2001

Let's make things better.



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Three years ago Philips Medical Systems
took a new **direction** . . .

embarking on a mission to become
the **industry leader** in meeting the
changing needs of healthcare providers
around the world

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Agenda

- **Developments in Healthcare and our vision**
- **Position of Philips**
- **Business priorities**

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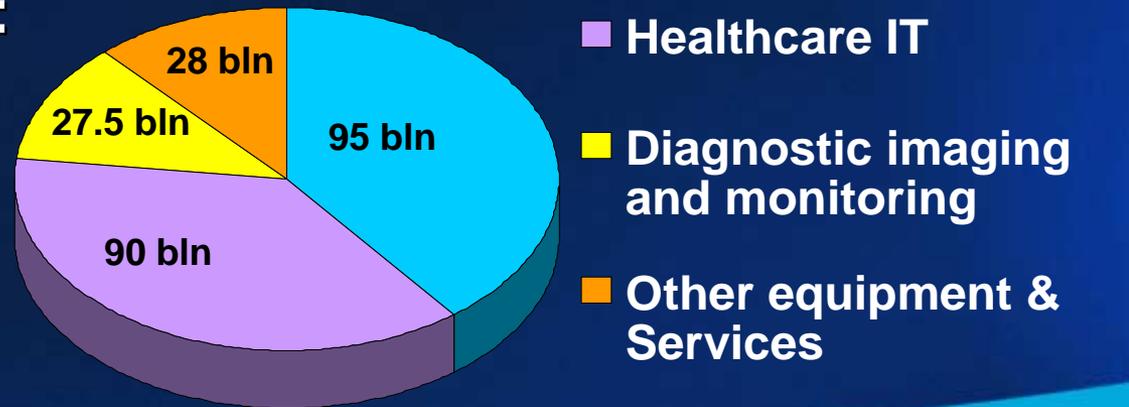


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The Health Care Market 2000

- **Healthcare Expenditures:**
\$ 3000 bln worldwide,
USA makes up 45%

- **Medical equipment,
services and supplies:**
€240 bln

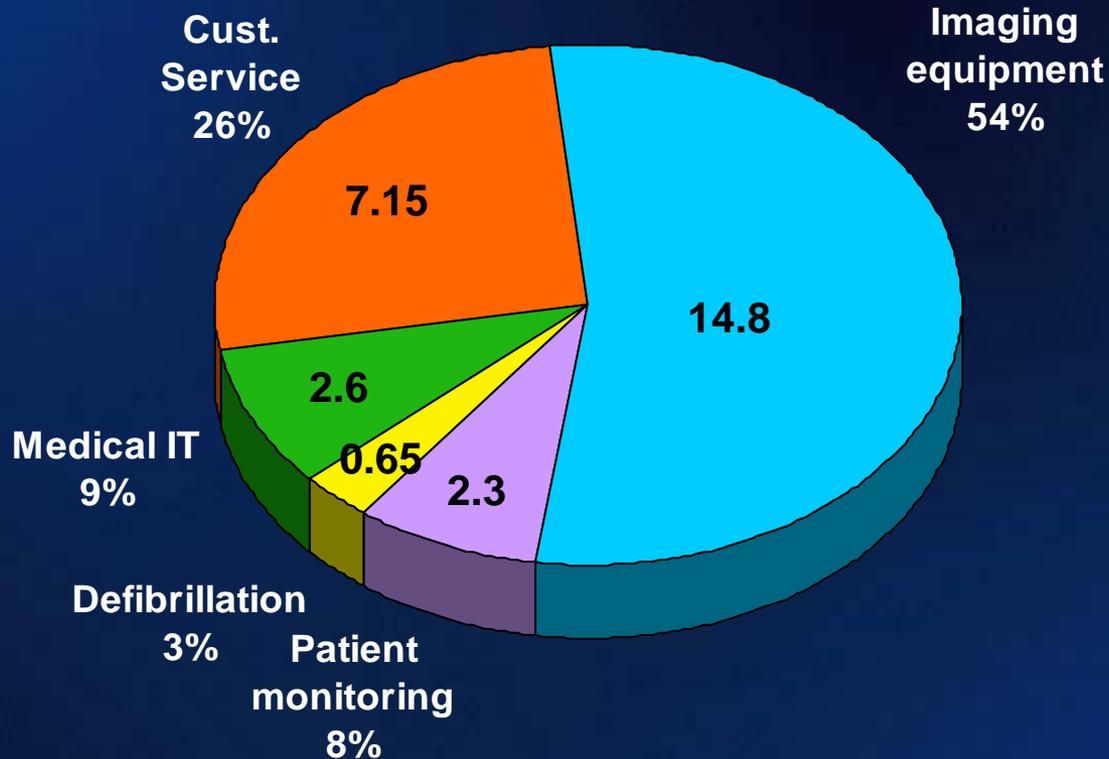


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We serve a €27.5 Bln market 2000



Customer Services, with recurring revenues
and high margins are some 30%

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The role of Diagnostic imaging and Patient Monitoring

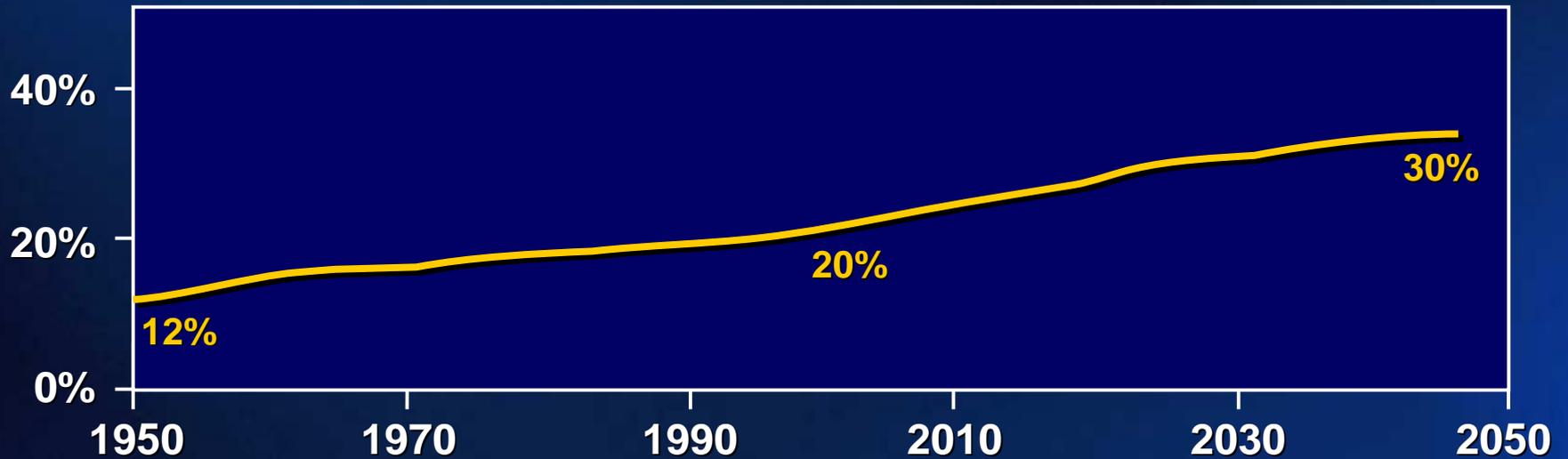
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Demand for healthcare is accelerating

% of people over 60 years, developed world



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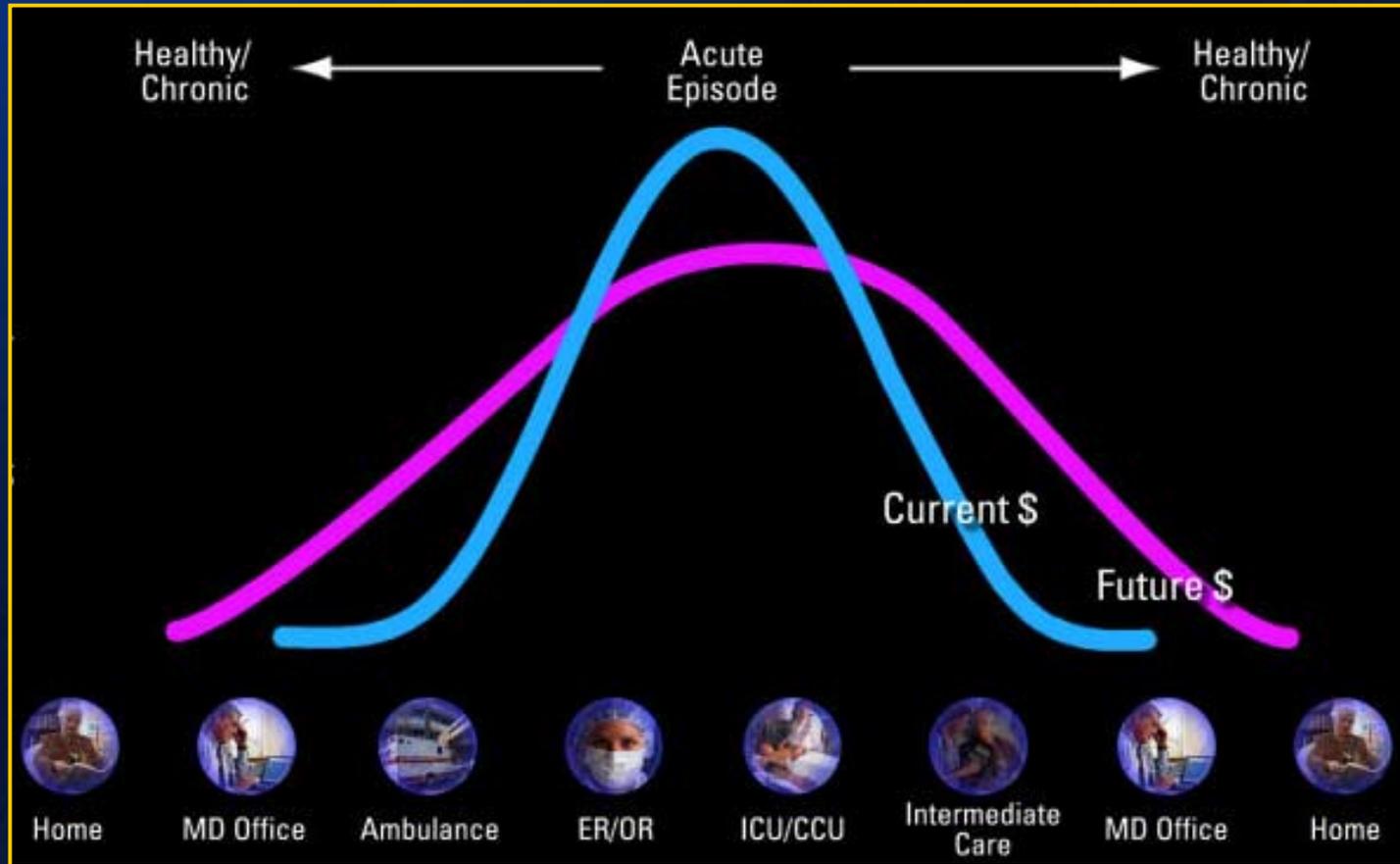
The Empowered Consumer

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Proliferation of medical technology across society: care anytime, anywhere



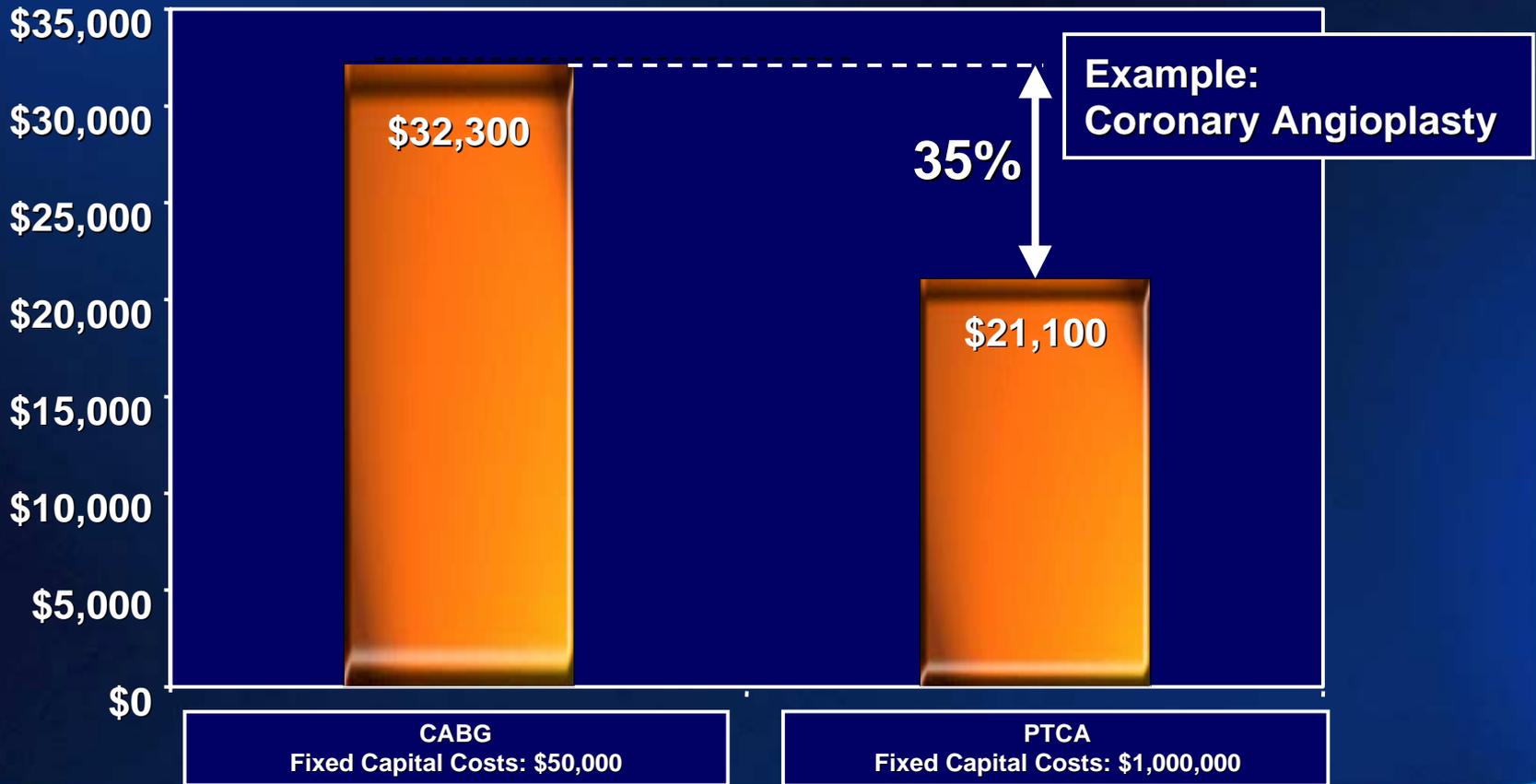
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Medical technology to reduce cost while improving patients' health

Initial Coronary Procedure Costs



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Medical technology to reduce cost while improving patients' health

Example:
Digital Mammography

X-Ray Mammogram

MRE Mammogram

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Genomics & Proteomics

- **Gene-based Medicine will revolutionize healthcare**
- **Some 4000 diseases have been linked to genetic causes**
- **Gene-based diagnoses and therapies will find large-scale application soon**
- **Our Industry will play a vital role**

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Our vision of the future

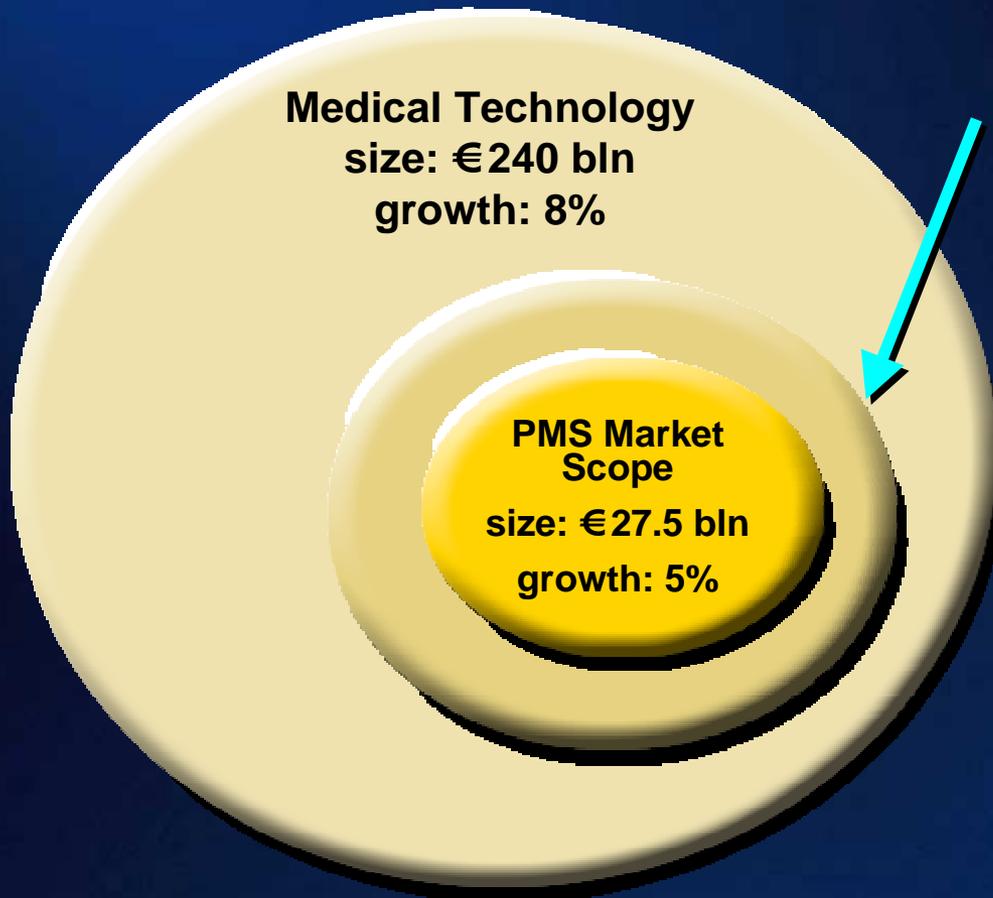
**To make healthcare better through
medical technology that enables:
earlier diagnosis
optimized workflow
highly-effective treatment
empowered consumers
and personalized care**

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The Opportunity Space



Extending PMS Market Scope:

- home healthcare
- molecular imaging
- Information Technology

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What did we need to make our Vision happen?

- A broad and deep product program, strong in all categories, complete in Imaging
- Medical IT and Services
- Strength and Scale in R&D
- Global operations

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Philips Medical Systems Pre-Acquisitions

- Commitment to the medical industry for over 100 years
- A €1.7 billion company in 1997 at around 9% EBIT
- 9,500 employees in more than 60 countries
- Research and development commitment of 8% of revenues
- A global leader in x-ray, cardiovascular imaging

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Expanded Mission

- **To be the world's premier healthcare systems company**
- **Improve the quality of health care anywhere, anytime: in the clinical environment, at home, at work**
- **Create the most innovative products and services resulting in more effective diagnosis, monitoring and treatment**
- **Measure our success by delighting our customers, strongly motivating our employees, providing high value to our shareholders, and maintaining loyal and committed suppliers**

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We acquired the best companies in their field

- **ATL**: Build leading Position in Ultrasound
- **ADAC**: Become leader in nuclear medicine
- **Agilent HSG**: Become leader in cardiac Ultrasound, diagnostic Cardiology and patient monitoring
- **Marconi MS**: Build technology leadership in CT, strengthen MR and position in the USA
- **MedQuist**: Establish a unique service through Philips' speech recognition technology
- **Medcare**: Obtain unique asset management service

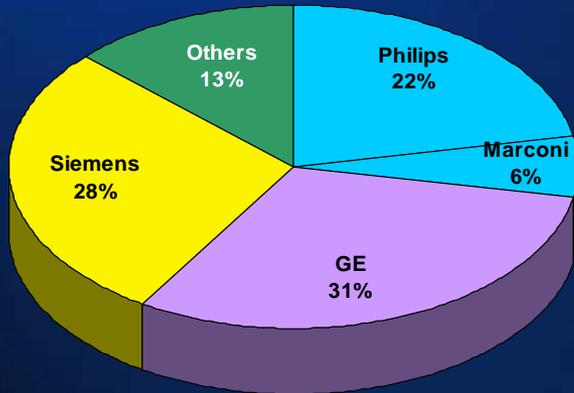
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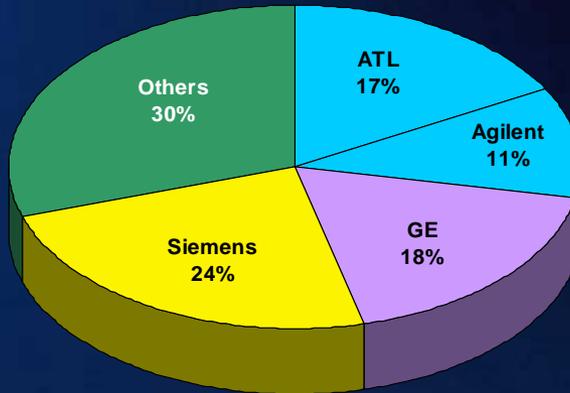
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To obtain the strongest portfolio

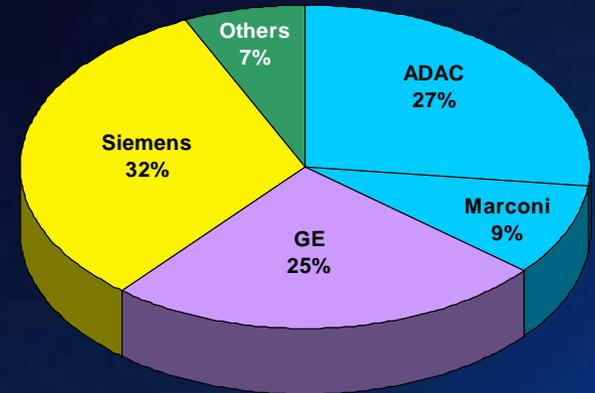
MR



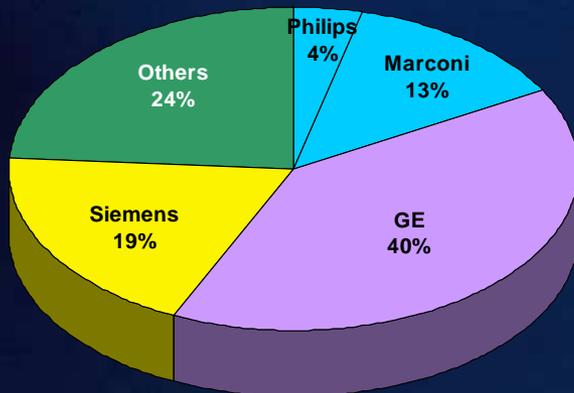
Ultrasound



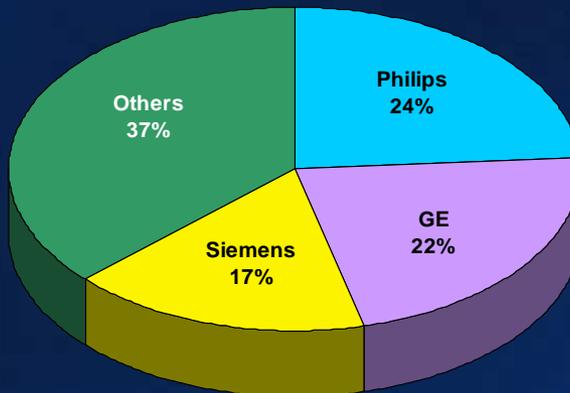
NM



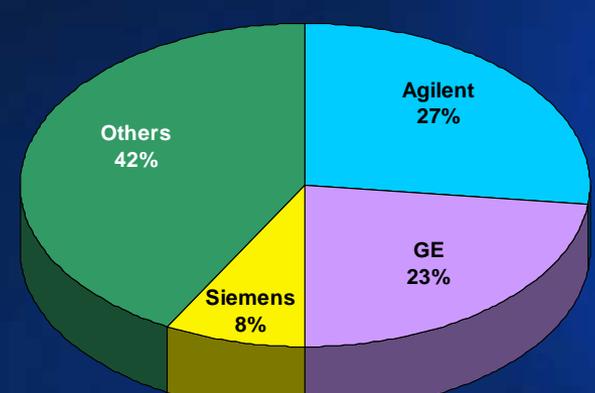
CT



X Ray



Pat. Monitoring



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To achieve leadership in Modalities Imaging & Patient Monitoring (2001 E)

	X-Ray	US	MR	CT	NM	PM	Total	
GE	22%	18%	31%	40%	25%	23%	25%	#1
Philips	24%	29%	28%	17%	36%	27%	25%	#1
Siemens	17%	24%	28%	19%	32%	8%	20%	#3

	Green	# 1,2
	Yellow	# 3/4

Source: various sources

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And markets Imaging & Patient Monitoring (2001 E)

	WE	NA	Japan	RoW	Total	
GE	20%	30%	20%	24%	25%	#1
Philips	28%	28%	10%	26%	25%	#1
Siemens	28%	21%	8%	19%	20%	#3

	Green	# 1,2
	Yellow	# 3/4

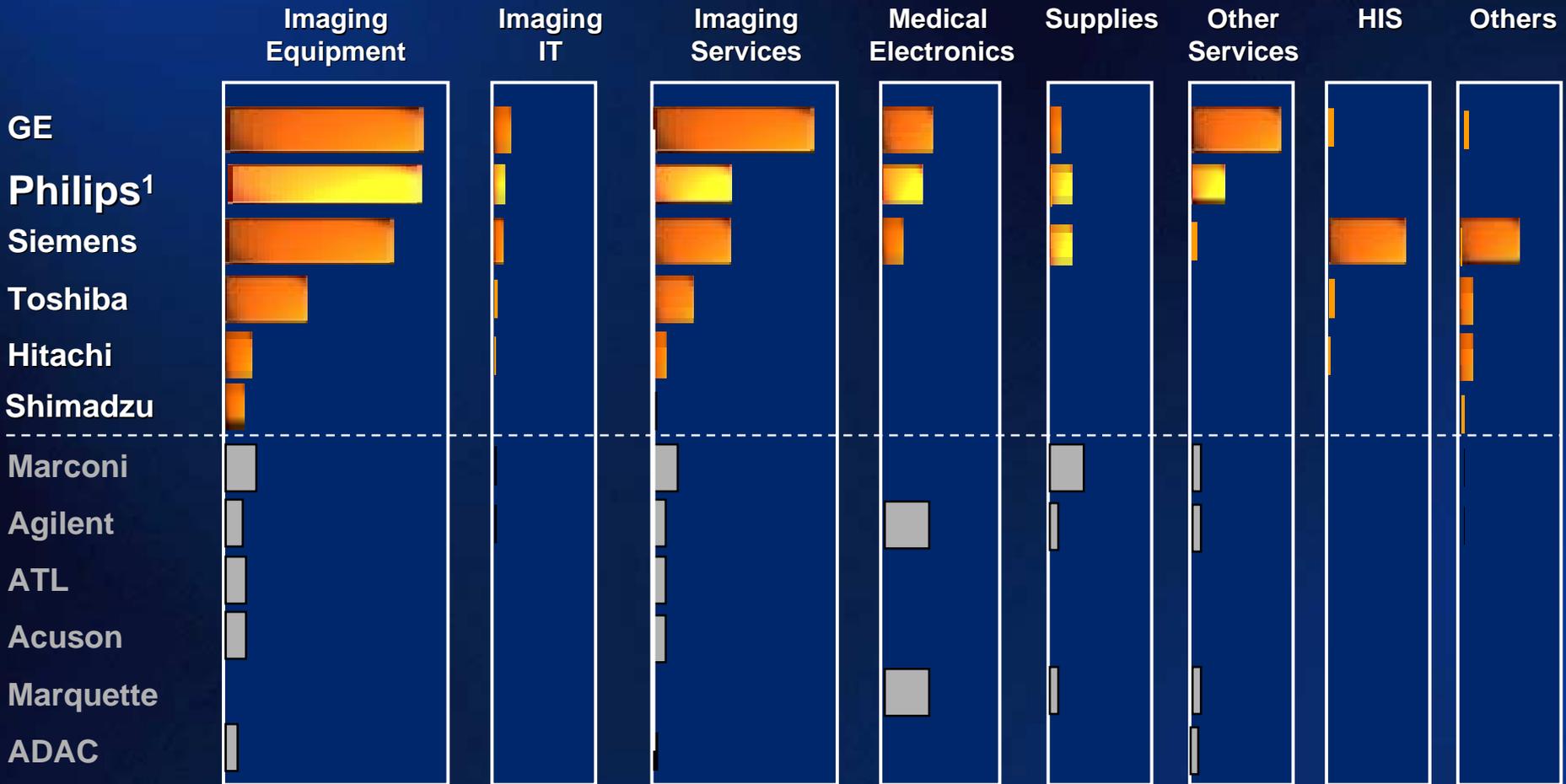
Source: various sources

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Accelerating Industry Consolidation



1: Pro Forma sales

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Philips Medical Systems Today

1 in X-Ray

1 in Cardiovascular
X-Ray

1 in Ultrasound

1 in Cardiovascular
Ultrasound

1 in Patient Monitoring

1 in Nuclear Medicine

1 Customer choice
in PACS

1 in Critical Care IT

1 in Cardiology IT

1 in Cardiology
solutions

1 in Automatic External
Defibrillators

1 in high-field MR

1 Oncology simulation
and planning

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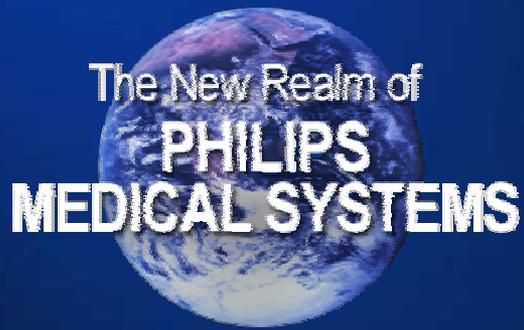
Video clip of
Jim Fitzgerald
President & CEO of HealthTrust

Purchase organization for 600 hospitals

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What brought us together also sets us apart - A Passion for Clinical Excellence



A Philips
Medical Systems
Company



Medical Systems



Agilent Technologies

A D A C

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Clinical excellence without compromising on:

- **Economics**
- **Workflow**
- **Ease of use**
- **Patient comfort**
- **Support**

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Building the Clinical Excellent Company

- **Deep and broad range of systems and services**
- **Accelerated innovations**
 - **The most advanced technologies**
 - **Superior design characteristics**

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Powered by Philips Research a Legacy of Innovations

100 Years of Innovation

3000 Scientists and engineers

70,000 patents

50 Medical research programs

The Netherlands



England



France



Germany



Italy



Belgium



India



Japan



USA



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Shaped by Philips Design

- **Over 450 Designers
in 16 locations**
- **Over 300 design awards,
30 for PMS**
- **Winner of prestigious
2001 World Technology
Award for Design**

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Shaping the Future

**Vascular
MR**

Neuro MR

**Wearable
Electronics**

**Home
Monitoring**

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Philips Medical Systems post acquisitions

- An operational model dedicated to clinical excellence
- Pro forma sales - €6.5 billion
- Over 50% of sales in North America
- R&D over 11% of system sales
- Over 450 products and services sold in over 100 countries
- Continuous strong cashflow performance
- 18 manufacturing sites
- Over 6,000 service professionals

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... and the strongest portfolio

- Digital X-ray
- Magnetic Resonance
- Computed Tomography
- CV X-Ray/Cath Labs
- Surgical X-Ray/C-arm
- Medical IT/PACS
- Ultrasound
- Positron Emission Tomography
- Nuclear Medicine
- Radiation Therapy Planning
- Multimodality Fusion
- Patient Monitoring
- Echocardiography
- Electrocardiography
- Defibrillation/resuscitation
- Home monitoring
- Supplies

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Business focus areas

Imaging Systems €3.3 bln

Nuclear Medicine

CT

MR

PET

Ultrasound

X-Ray

Customer Services €2.0 bln

Consultancy

Clinical services

Financing

Document services

Asset management

Maintenance
& Repair

Information and Monitoring Solutions €1.2 bln

Medical IT

Patient Monitoring
and Cardiac Devices

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Clinical focus areas

- Radiology
- Cardiology
- Critical and emergency care
- Women's health
- Oncology
- Surgery

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Agenda

- **Developments in Healthcare and our vision**
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Business Priorities

- **Realize the financial targets**
- **Deliver on the vision**
- **Post Merger Integration Program**

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Financial targets

- **Grow faster than the market**
- **€8 billion sales by 2004**
- **EBITA of 14% in 2004**

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Philips is delivering on the Vision

Earlier and more accurate Diagnosis:

- The world's fastest MR to become even faster



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Philips MR Family

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Philips is delivering on the Vision

Earlier and more accurate Diagnosis:

- Infinite Detector System CT 

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CT

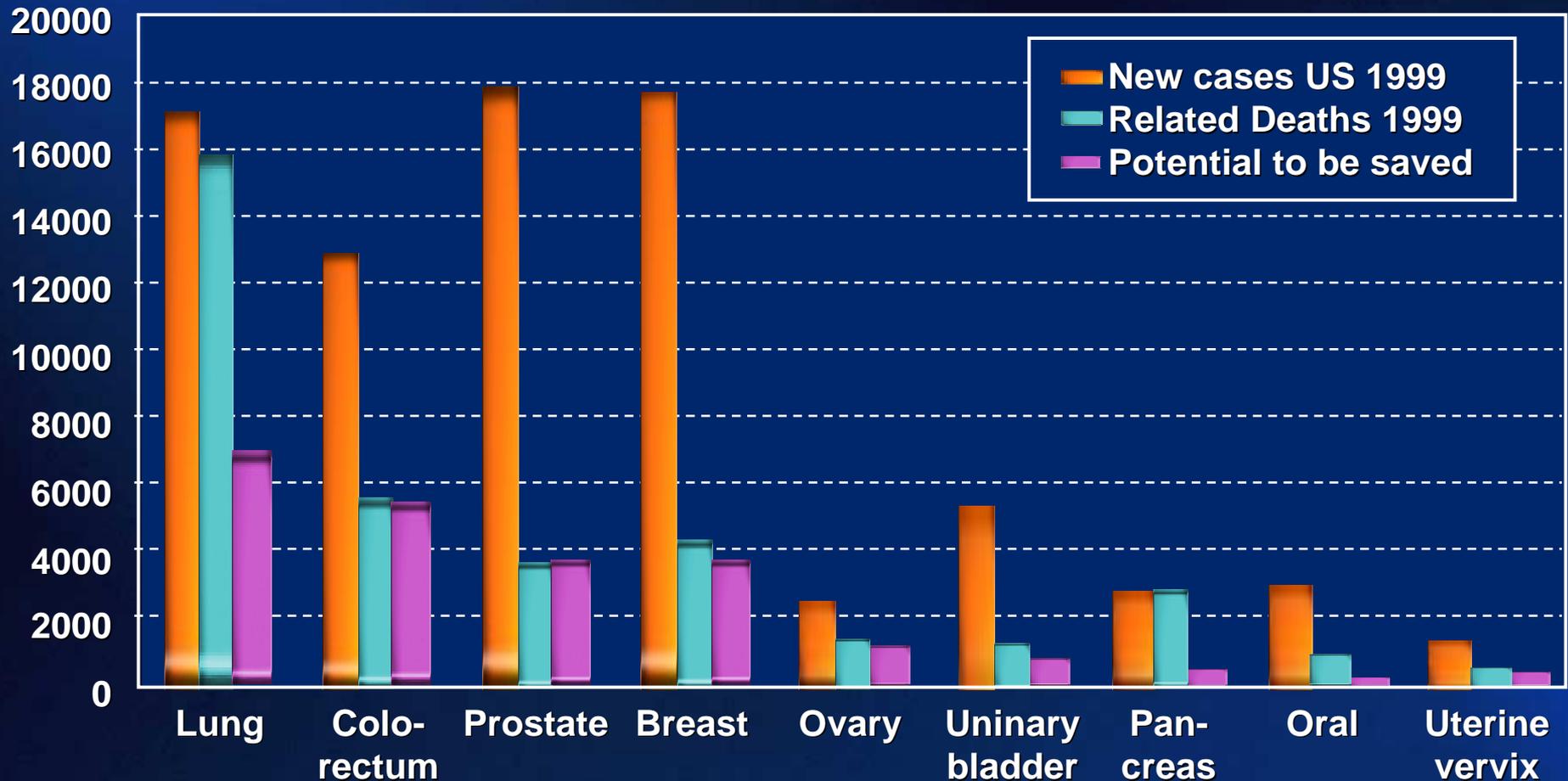
- **Revolution in CT due to Multi detector technology**
- **Leads to:**
 - **Dramatically shorter examination times**
 - **Substitution of more invasive methods**
 - **Earlier diagnosis**

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Life saving with early detection



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Philips is delivering on the Vision

Earlier and more accurate Diagnosis:

- Real-time 3D Ultrasound and SonoCT

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Philips is delivering on the Vision

Earlier and more accurate Diagnosis:

- Open PET - CT combination

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Philips is delivering on the Vision

Highly-effective treatment

- Roll-out the Integris Allura with second generation Flat Detector 

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The standard in Cardio/Vascular X-Ray

- **Vascular and cardiological interventions**
- **Undisputed market leader worldwide**
- **Every second Cardiac intervention on a Philips system**

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Philips is delivering on the Vision

Highly-effective treatment

- **Combine X-Ray with MR in XMR**
- **Offer the industry's leading Radiation Therapy Planning systems with the world's only wide bore CT**
- **Supply the world's smartest defibrillator**

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Philips is delivering on the Vision

To optimize workflow:

- Large scale roll-out of digital X-Ray
- Workflow centric product design
- A wide range of medical IT solutions

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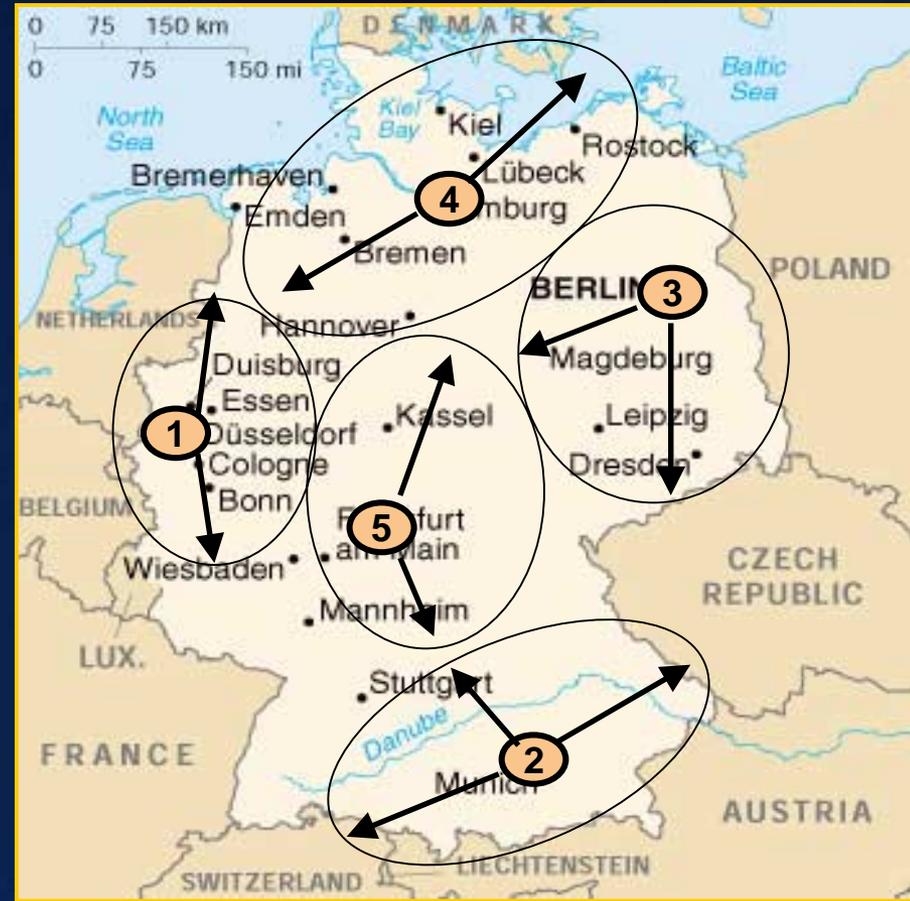


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Philips is delivering on the Vision

Empowering consumers:

- Cardiac services to consumers in Europe and the USA
- Next generation of Heartstream defibrillators



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Delivering on the Vision

- **Expanding Customer Services:**
 - **Asset management through Philips Medicare**
 - **Training and educational programs, e-learning**
 - **Customer financing programs**
 - **MedQuist, the leading document management company**

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MedQuist (72%)

- **Largest U.S.- Based Medical Transcription Company**
- **MedQuist to roll out Philips speech and other technologies, enabling significant productivity improvements in the conversion of dictated medical records into written text**

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Post merger integration program goals

- **Create one integrated company**
- **Align the organization to meet customers' needs**
- **Position the company to expand market leadership across all product lines**
- **Achieve a synergy target of at least €350 Mln by 2003**
- **Retain over 90% of top talent**
- **Reward the organization for exceeding the synergy targets**

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In Summary

- **Technology is at the heart of meeting growing healthcare demands**
- **We have positioned ourselves as a leading provider of products and services**
- **Technology innovation sets us apart:**
 - **Clinical excellence without compromise**
- **We are confident of achieving our financial targets of €8 Bln of sales and 14% EBITA in 2004**

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