The new realm of Philips Medical Systems

Hans Barella
December 5, 2001
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
Agenda

• Developments in Healthcare and our vision

• Position of Philips

• Business priorities
The Health Care Market 2000

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

- Medical equipment, services and supplies: €240 bln
We serve a €27.5 Bln market 2000

Customer Services, with recurring revenues and high margins are some 30%
The role of Diagnostic imaging and Patient Monitoring
Demand for healthcare is accelerating

% of people over 60 years, developed world
The Empowered Consumer
Proliferation of medical technology across society: care anytime, anywhere
Medical technology to reduce cost while improving patients’ health

Initial Coronary Procedure Costs

Example: Coronary Angioplasty

- CABG: Fixed Capital Costs: $50,000, Initial Cost: $32,300
- PTCA: Fixed Capital Costs: $1,000,000, Initial Cost: $21,100

35% reduction in cost compared to CABG.
Medical technology to reduce cost while improving patients’ health

Example:
Digital Mammography
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
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
The Opportunity Space

Medical Technology
- size: € 240 bln
- growth: 8%

PMS Market Scope
- size: € 27.5 bln
- growth: 5%

Extending PMS Market Scope:
- home healthcare
- molecular imaging
- Information Technology
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
Agenda

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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
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

Let’s make things better.
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
To obtain the strongest portfolio

**MR**
- Siemens: 28%
- GE: 31%
- Marconi: 6%
- Philips: 22%
- Others: 13%

**Ultrasound**
- Siemens: 24%
- GE: 18%
- Agilent: 11%
- ATL: 17%
- Others: 30%

**NM**
- Siemens: 32%
- GE: 25%
- ADAC: 27%
- Others: 7%
- Marconi: 9%

**CT**
- Siemens: 19%
- GE: 40%
- Marconi: 13%
- Philips: 4%
- Others: 24%

**X Ray**
- Siemens: 17%
- GE: 22%
- Philips: 24%
- Others: 37%

**Pat. Monitoring**
- Siemens: 8%
- GE: 23%
- Agilent: 27%
- Others: 42%
To achieve leadership in Modalities Imaging & Patient Monitoring (2001 E)

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Source: various sources
## And markets Imaging & Patient Monitoring (2001 E)

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## Accelerating Industry Consolidation

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1: Pro Forma sales

Let's make things better.
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

Let's make things better.
Video clip of
Jim Fitzgerald
President & CEO of HealthTrust
Purchase organization for 600 hospitals
What brought us together also sets us apart - A Passion for Clinical Excellence
Clinical excellence without compromising on:

• Economics

• Workflow

• Ease of use

• Patient comfort

• Support
Building the Clinical Excellent Company

- Deep and broad range of systems and services

- Accelerated innovations
  - The most advanced technologies
  - Superior design characteristics
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

Let’s make things better.
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
Shaping the Future

Vascular MR

Neuro MR

Wearable Electronics

Home Monitoring

Let's make things better.
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

Let's make things better
... and the strongest portfolio
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

Let’s make things better.
Clinical focus areas

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

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

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

• Grow faster than the market

• € 8 billion sales by 2004

• EBITA of 14% in 2004
Philips is delivering on the Vision

Earlier and more accurate Diagnosis:

• The world’s fastest MR to become even faster
Philips is delivering on the Vision

Earlier and more accurate Diagnosis:

• Infinite Detector System CT
CT

• Revolution in CT due to Multi detector technology

• Leads to:
  – Dramatically shorter examination times
  – Substitution of more invasive methods
  – Earlier diagnosis
Life saving with early detection

![Bar chart showing new cases, related deaths, and potential to be saved for various cancer types in the US in 1999. The chart highlights the potential for saving lives through early detection.]
Philips is delivering on the Vision

Earlier and more accurate Diagnosis:

• Real-time 3D Ultrasound and SonoCT
Philips is delivering on the Vision

Earlier and more accurate Diagnosis:

• Open PET - CT combination
Philips is delivering on the Vision

Highly-effective treatment

• Roll-out the Integris Allura with second generation Flat Detector
The standard in Cardio/Vascular X-Ray

- Vascular and cardiological interventions
- Undisputed market leader worldwide
- Every second Cardiac intervention on a Philips system
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
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
Philips is delivering on the Vision

Empowering consumers:

• Cardiac services to consumers in Europe and the USA

• Next generation of Heartstream defibrillators
Delivering on the Vision

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