

PHILIPS

sense and simplicity

Growth Geographies and Healthcare footprint in China

Ronald de Jong

EVP and GM Global Sales and Service Emerging Markets

Desmond Thio

SVP and GM Healthcare Greater China

Contents

- **The market reality & our unique approach**
- Looking back: How have we been doing so far?
- China: Cornerstone of our strategy
- Key takeaways

PHILIPS

The world population is increasing rapidly

In 2050, growth geographies will make up most of the world's 9 billion people



PHILIPS

Changing lifestyles introduce new challenges

Chronic disease increases the burden on struggling health care systems



Preparing for the rising tide

Three key challenges for growth geographies

- Increasing access to care
- Preparing for the increase in chronic disease
- Partnering to create solutions



Strategy execution proof points

People Focused. Healthcare Simplified.



People focused



Local acquisitions, close cooperation, and partnerships with local health organizations enable us to best meet needs.



Care cycle driven



We focus on the specific needs of caregivers and patients throughout the cycle of care.



Care anywhere



The need for care isn't limited to the hospital, so we strive to make care accessible anywhere.



Meaningful innovation



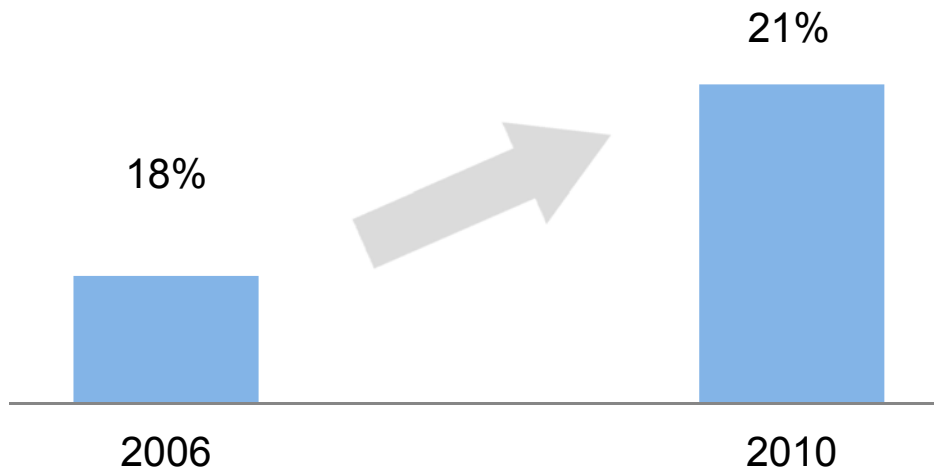
We design and develop solutions based on relevant and local clinical and business needs.

Contents

- The market reality & our unique approach
- **Looking back: How have we been doing so far?**
- China: Cornerstone of our strategy
- Key takeaways

From 2006 until 2010, we delivered **5** consecutive years of double digit growth in orders* and are on track to realize our market share ambitions in 2015

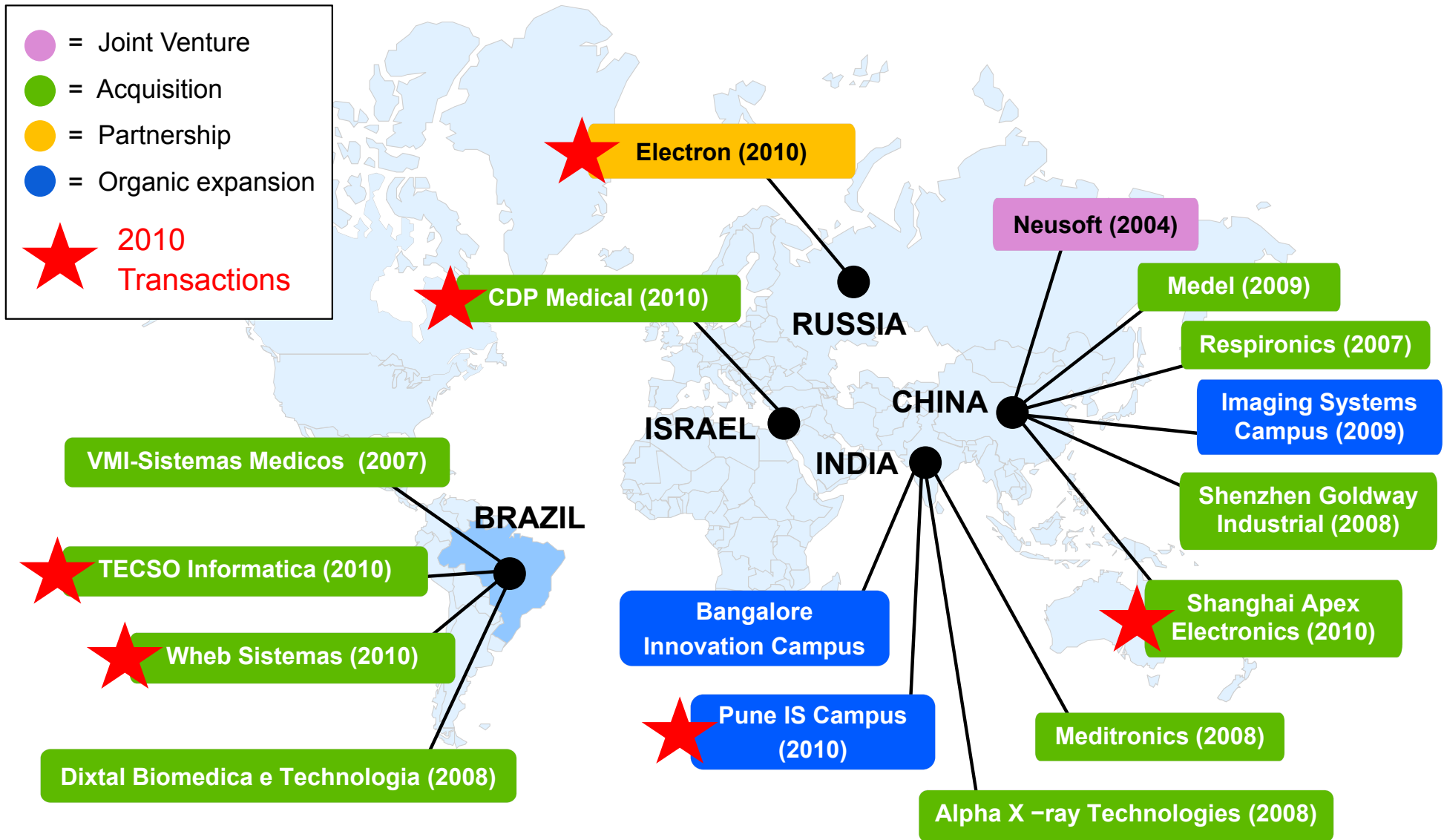
Philips market share development in addressable market 2006-2010



* Key growth geographies: Greater China, Greater Russia, Latam, Greater India



..and continued to expand our growth geographies footprint...

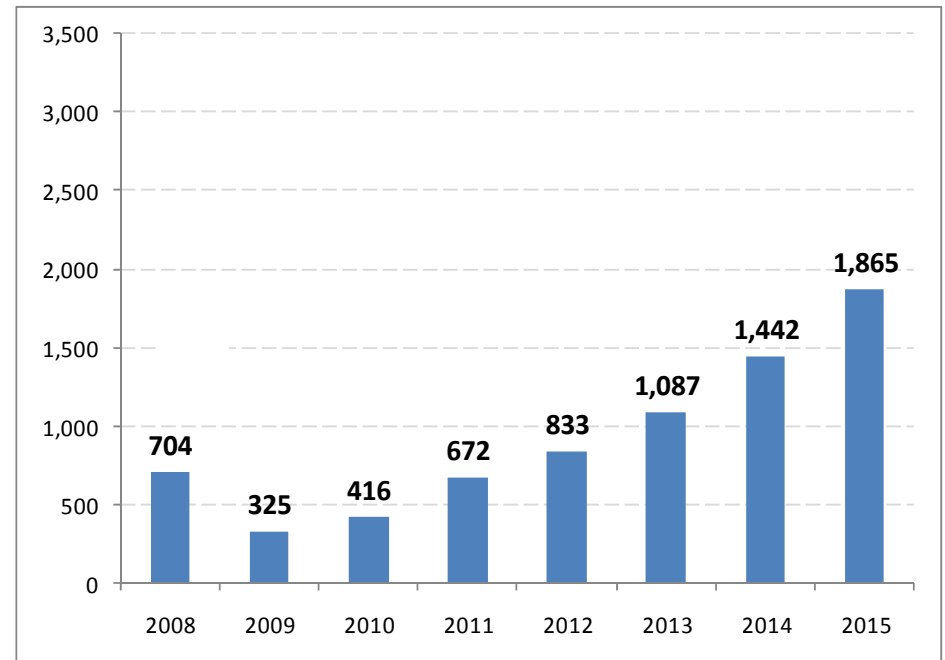




In 2010, we entered into a partnership with Electron for the Russian market...

- Fast growing demand for latest technology, as part of **modernization drive** in Russia
- Announced stimulus of **€11.5 B** will **accelerate** more market growth in Russia
- In 2010, established **partnership with Electron** and produced first CTs in Russia for Russia
- We are expanding market penetration in **regions**

Russian health care equipment market development 2008-2015
M EUR



Official forecast of Ministry of Industry and Trade on medical equipment market in Russia. 2006-2010" issued 28.02.11

...and further strengthened commercial footprint and increased customer satisfaction

- Strengthened our direct sales channel and got **closer to our key customers**. Increased NPS
- Since 2007, we more than **doubled** our **customer-facing workforce**
- Expanded our **indirect sales channel** network with ~15% and **customer service coverage** with 20% to penetrate into lower tier hospitals and regions
- Achieved **strong double-digit growth** in Customer Service (CS) enabled by increased customer satisfaction



...and made great progress in bringing care to the home...

- Over 1 billion people worldwide suffer from chronic respiratory diseases, **~200 million people** in growth geographies
- In 2010, we trained more than **6000 physicians** in growth geographies
- Philips supported the start of **~200 sleep labs** in growth geographies from which 130 were installed in India in 2010
- Driven by our strong consumer brand and most complete portfolio, we achieved **strong double-digit** growth in 2010





.... in Brazil, we have now the broadest Clinical IT portfolio in the market, with 340 installations at Brazilian health institutions.

- With increasing number of patients in growth geographies, doctors need information systems to manage their work in an efficient way
- In 2010, **acquired** Tecso Informatica and Wheb Sistemas in Brazil and CDP Medical in Israel
- Today, **340** health care institutions in Brazil have our HIS and RIS solutions implemented
- Strong **progress** on strategy to **expand our clinical informatics portfolio** with cost-effective solutions





Contents

- The market reality & our unique approach
- Looking back: How have we been doing so far?
- **China: Cornerstone of our strategy**
- Key takeaways

Some health facts ...

- China has **1/3 of the worlds smokers**
- **80% of deaths** in China are due to non-communicable diseases.
Productivity losses ~ **US\$550 billion**
2005-2015
- Tremendous need for **trained medical professionals**
- Between 2009 and 2011, China plans to **upgrade 2,000 city hospitals** and 29,000 health stations in rural areas



China's New Healthcare Reform brings opportunities...

Prime Minister Wen and Health Minister Chen:

- Improve public hospital management and explore pricing mechanism for health care services
- Prevent, control and manage major infectious diseases and chronic diseases
- Strengthen health care services for women and children and promote free exams for cervical and breast cancers
- Encourage private investment in health care
- Breakthrough in county hospital reform

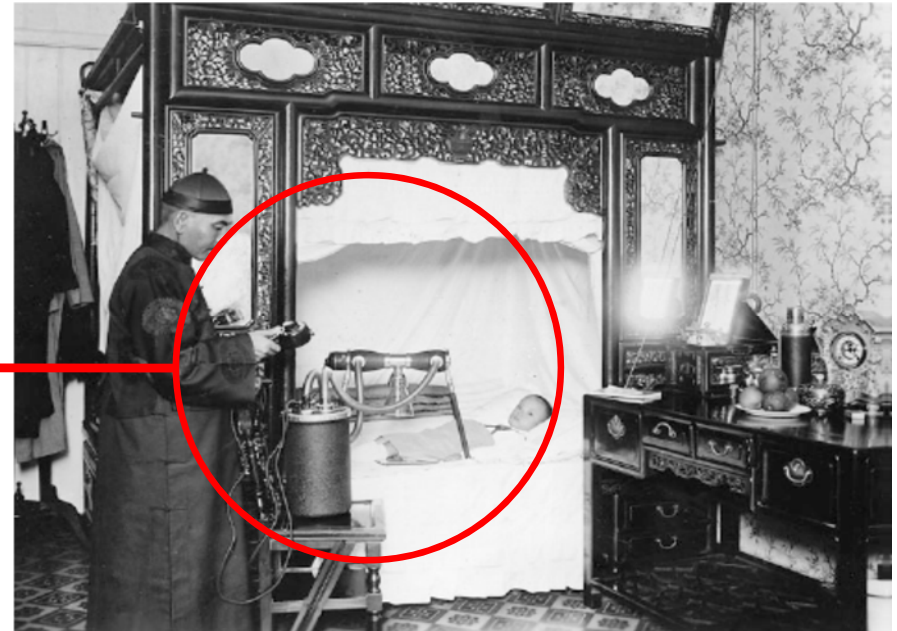


The government has announced an increase its funding for New Healthcare Reform (2009~2011) from originally RMB 850 Billion to > RMB 1 Trillion

Philips has a long history in China ...

Philips Healthcare has been present in China for over 80 years

In the early 1900s, Philips portable 'Metalix' x-ray device was already used in the Forbidden City



Prioritizing care

Women's cancer screening and cervical cancer

- 190k **breast cancer cases** and 100k new cervical cancer cases diagnosed every year
- Partnership with **Chinese Ministry of Health**
- In 2010, **1060** Chinese ultrasound physicians from **530 hospitals** participated the program



Clarity of insight

Chest Pain Center, China

- Partnership with the [Chinese Cardiac Society](#) of the China Medical Association
- In 2010, more than [30 cardiologists](#) and [120 KOLs participated](#) in the CPC expert consensus formulation
- 3 Pilot Chest Pain Centers in progress



Managing chronic disease

Partnership with HOPE Foundation

- 80 % of deaths in China are due to non-communicable diseases. (WHO)
- Improving patient care outcomes and reducing the overall burden on China's health care system.
- HOPE RAD-AID
 - Helps medical facilities in rural China (and India) become “radiology ready”



Hospital Leadership Program

CEO education program

- In China hospitals are short of qualified medical staff and management capability
- China Healthcare Reform aims to **increase management capability** for Chinese hospital administrators and presidents
- In partnership, Philips-Fudan and Philips-Beida ~700 hospital CEOs or VPs were trained



Strong position in the premium segment...

- Since 2009, we sold **more premium** 256 slices CT scanners “iCT” in China **than anywhere in the world ...**
- Leadership in cardiology
- State of the art “Clinical Sites” to demonstrate **innovation leadership**
- Partner with leading **Tsinghua University** to build a local research center



... and penetrating further in the value segment.

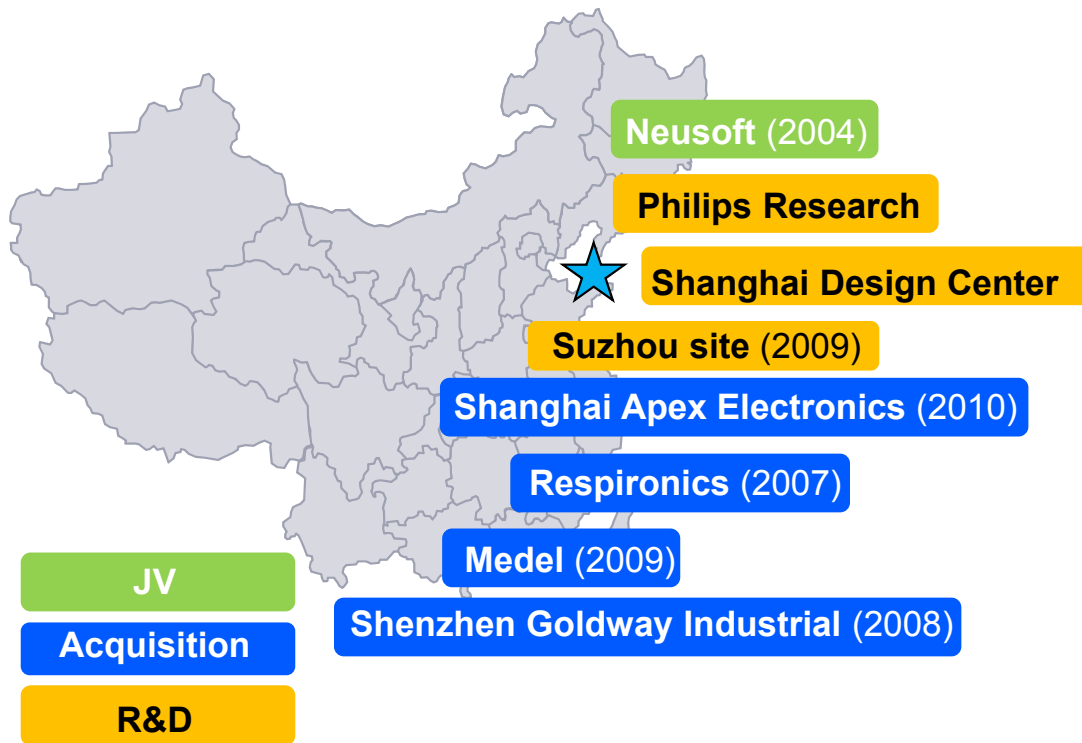
- **Fast growing** portfolio of value products - >100 products in growth geographies >30 in China
- Designed in China **to meet the needs** of China patients and caregivers
 - Suzhou innovation campus driving China imaging needs
 - Joint venture with Neusoft
 - Shanghai Apex Electronics
 - Design center Shanghai
 - Successfully acquired and integrated Goldway
- Leverage **Goldway** platform to further **penetrate into lower tier cities/hospitals**
 - Goldway founder became our executive leader for the value segment
 - Dedicated value team established.





We have invested significantly in our China footprint, making China another global home...

Industrial Footprint



Strong local-for-local and local-for-global R&D competence

Commercial Footprint

- Since 2007, tripled our workforce and China now represents ~10% of our global Healthcare workforce
- 27 offices throughout China
- Go West expansion strategy in place
- In 2010, we increased our sales channel network with 20% increasing penetration into lower tier hospitals and regions



...and achieved key leadership positions in China

We are **#1** in:

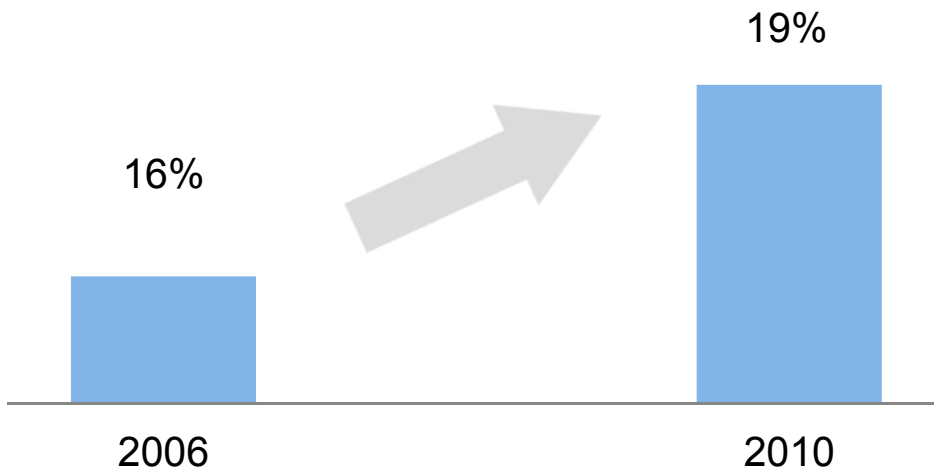
- Critical care in Level III hospitals
- Resuscitation defibrillator
- **#1** in Interventional Cardiology and co-leader in Interventional Radiology
- Premium MR & CT
- Colposcopy cervical cancer detection
- Oncology simulation and planning
- Digital radiography
- Home Healthcare “Sleep & Respiratory”
- Cardiac ultrasound
- People's Liberation Army segment

...and acknowledged as:

- “The **most exciting brand** in 2010” by health care professionals (Heartbeat Research)
- **Customer focused:** In Product NPS, China is now leader in 7 out of 8 business areas
- **Providing great service:** Golden Service Award by China Hospital CEO Summit 2010. Best Service Award for US /IS&PM by the China Biomed Engineering Association.
- For 5 consecutive years, Philips Research selected as one of the “**top R&D centers**” in China

China market share development

**Philips market share development in
China addressable market 2006-2010**



China Executive summary

Looking back: How have we been doing so far?

- Consistently outgrowing the market and key leadership positions in the China Healthcare Market
- “The most exciting brand in 2010” by Healthcare professionals (Heartbeat Research).
- Customer focused: In NPS, China is now leader in 7 out of 8 business areas
- Strong progress in strategic marketing initiatives and government relations

Market Development and Trends:

- The China market will double towards 2015, driven by healthcare spending and insurance coverage
- The government has announced to increase its funding for New Healthcare Reform (2009~2011) from originally RMB 850 Billion to > RMB 1 Trillion

Strategy in Action

- Strengthen leadership in the premium segment and penetrate further in the fast growing mid-end segment
- Accelerate stakeholder management to ensure we are part of the solution in addressing the healthcare challenges faced in China
- Continue rapid expansion of industrial and commercial footprint in China



Contents

- The market reality & our unique approach
- Looking back: How have we been doing so far?
- China: Cornerstone of our strategy
- **Key takeaways**

Key takeaways

We established a solid track record

- From 2006 until 2010, we delivered 5 consecutive years of double-digit growth in orders and are on track to realize our market share ambitions in 2015

Market continues to offer opportunity

- The key growth geographies will continue to have double-digit growth towards 2015
- Other growth geographies will follow the growth spurt of BRICs. Philips is very well positioned for growth in these upcoming growth geographies

We stay the course on our strategic choices

- We plan to continue to grow faster than the market in these growth geographies



