

Magnetic Resonance

An Outstanding Success

Freek Knoet

December 5, 2001

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What MR is

Magnetic Resonance Imaging:

- Immersed in a strong magnetic field, nuclei of the hydrogen atoms in the body resonate with radio waves
- Through fast computers and powerful software digital images can be obtained, in real time
- No hazardous radiation



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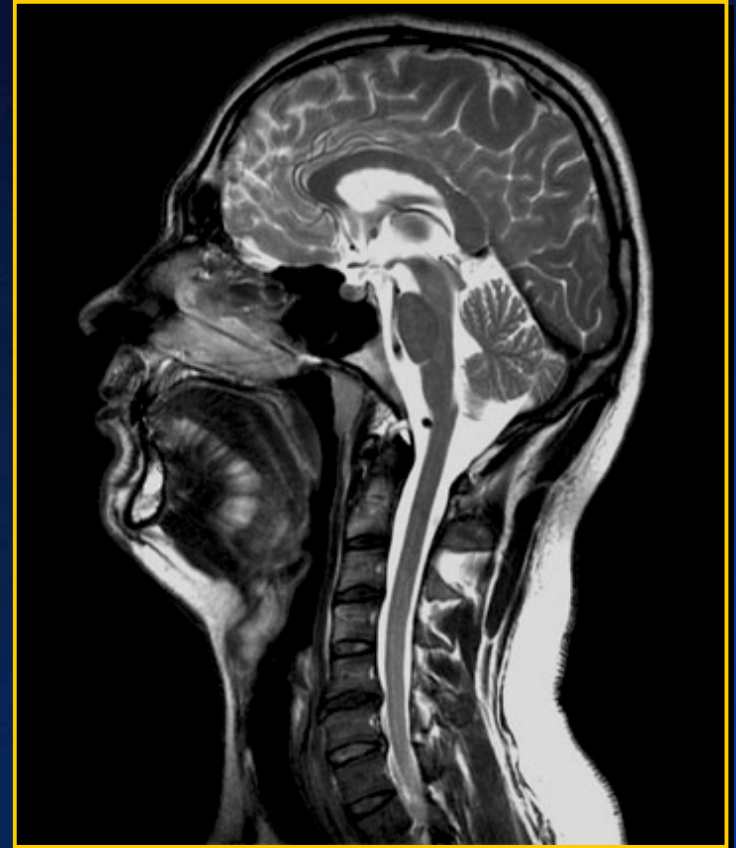


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What MR is used for

Excellent resolution of soft tissue:

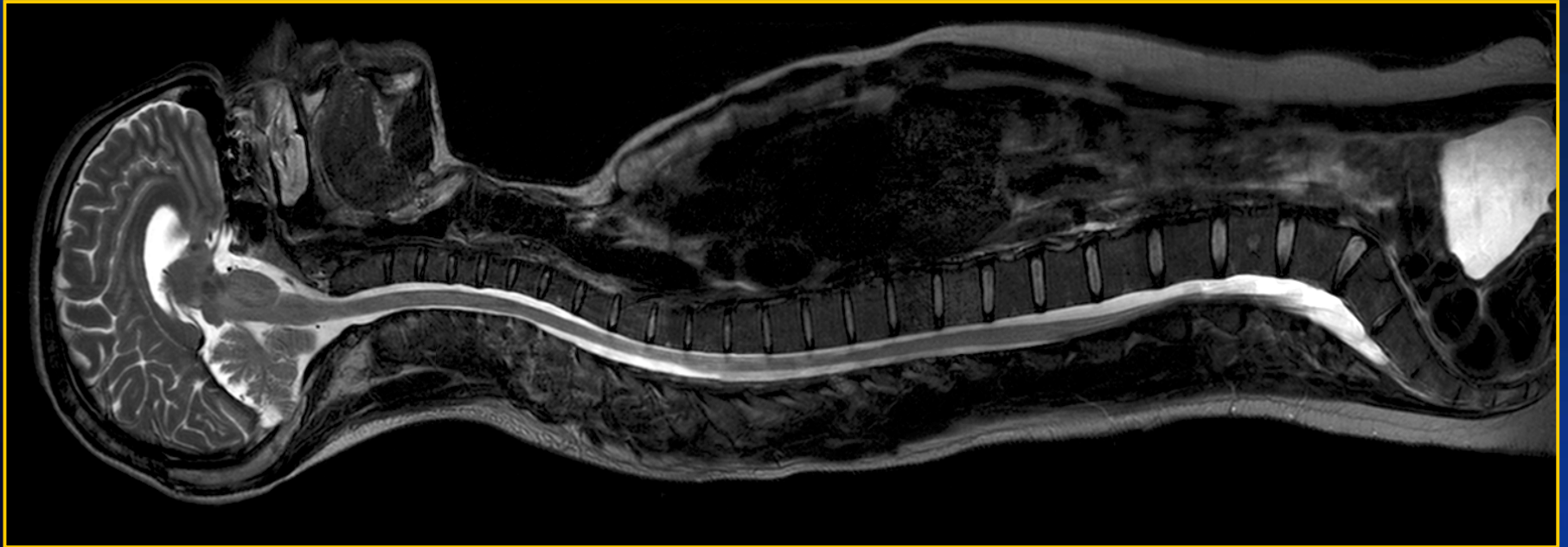
- **Neurology**
 - Brain
- **Neurology/Orthopedics**
 - Spine
- **Anatomy and function**



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Trends in MR

- Ever growing variety of Imaging procedures
- Ever higher Magnetic field strength
- Ever more patient comfort and patient access

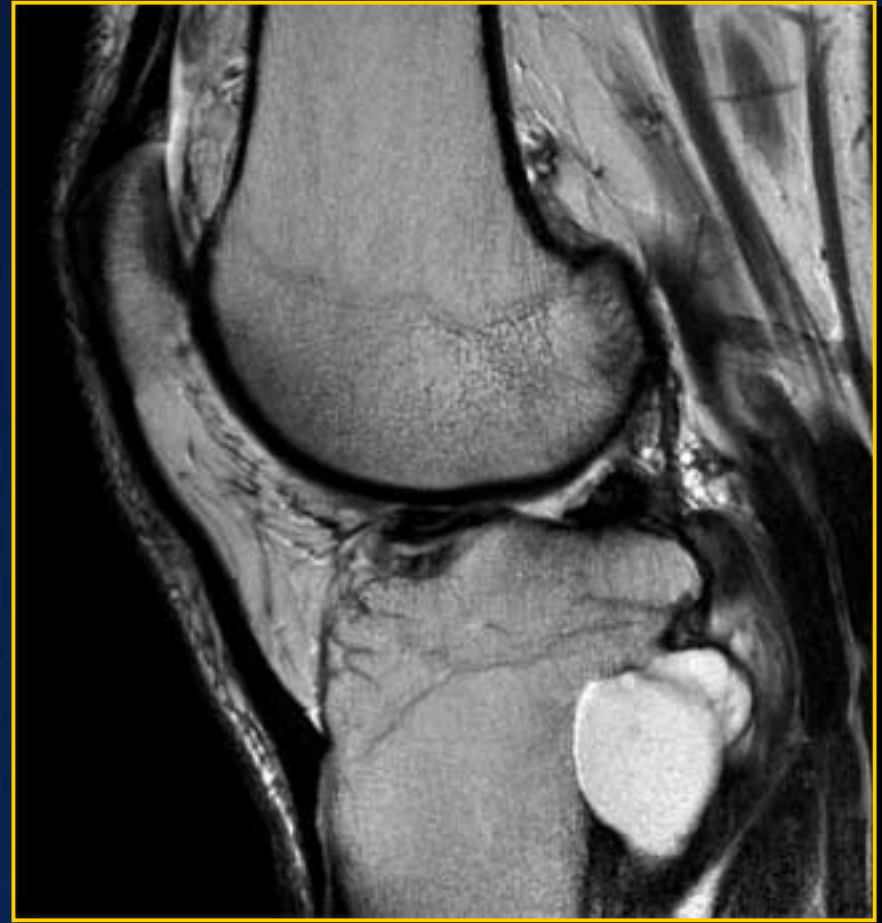
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Ever growing variety of Imaging procedures

- Orthopedics, Joints



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Ever growing variety of Imaging procedures

- **Cardiology/Vascular, Blood vessels and the Heart**



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Ever growing variety of Imaging procedures

- Guiding minimally invasive interventions



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Charles Higgins

Professor and Vice Chairman of Radiology

University of California
San Francisco UCSF

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Demand for ever higher magnetic field strength

- Up to 3.0 Tesla
- Better clinical image quality, less risk of false diagnosis
- Faster imaging
- Examine more patients per hour
- Allows greater variety of (new) imaging procedures

- Increases demands on technology

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Ever more patient comfort and patient access



- Main stream: 1.5 Tesla
- “Breakthrough”: 3.0 Tesla



- Main stream: 0.2 - 0.7 Tesla
- “Breakthrough”: 1.0 Tesla

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Market

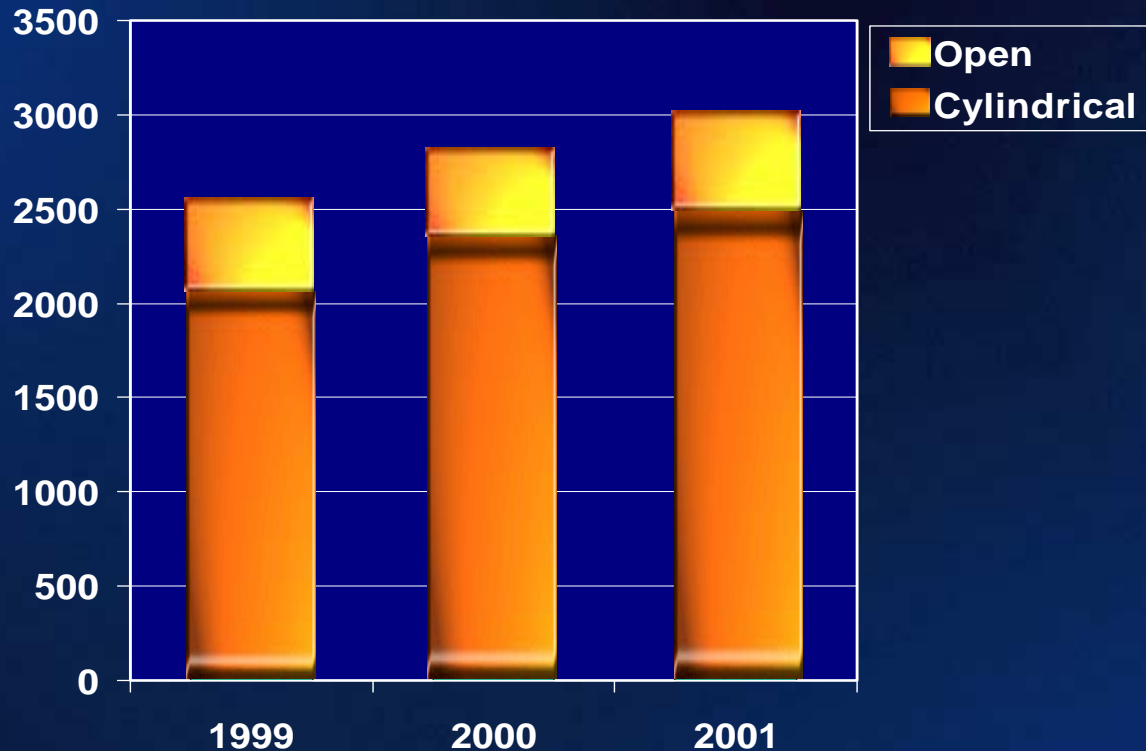
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Worldwide MR Equipment Market

€ Millions



Annual sales of €3.0 billion, 2400 systems
Average selling price of €1.2 million per system
Market grew by 10% annually in 2000 and 2001

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Market Growth Drivers

- **Market growth is driven by:**
 - **mix shift to systems with higher magnetic fields**
 - **new imaging procedures, in particular for heart and for intervention**
 - **accelerated replacement cycle (60 - 70% of sales)**

Margin improvement!

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After Sales Market

- Philips Installed Base: 3500 systems
- Very significant “after sales” market:
 - options and upgrades: 3%-5%/year of the initial system price
 - annual maintenance contracts: over 6%/year of the initial system price

after sales business doubles the revenue per system sold, in general with better margins

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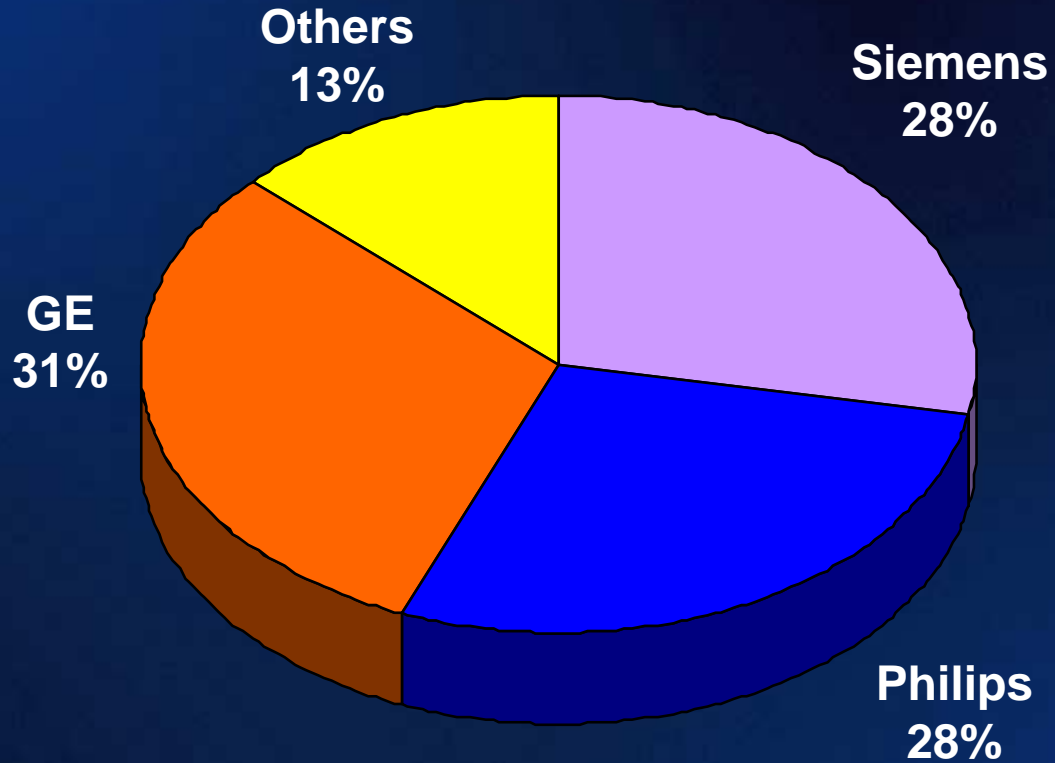
Competitive Position

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2001E WW MR Competitive Shares



€3.0 Bln Market

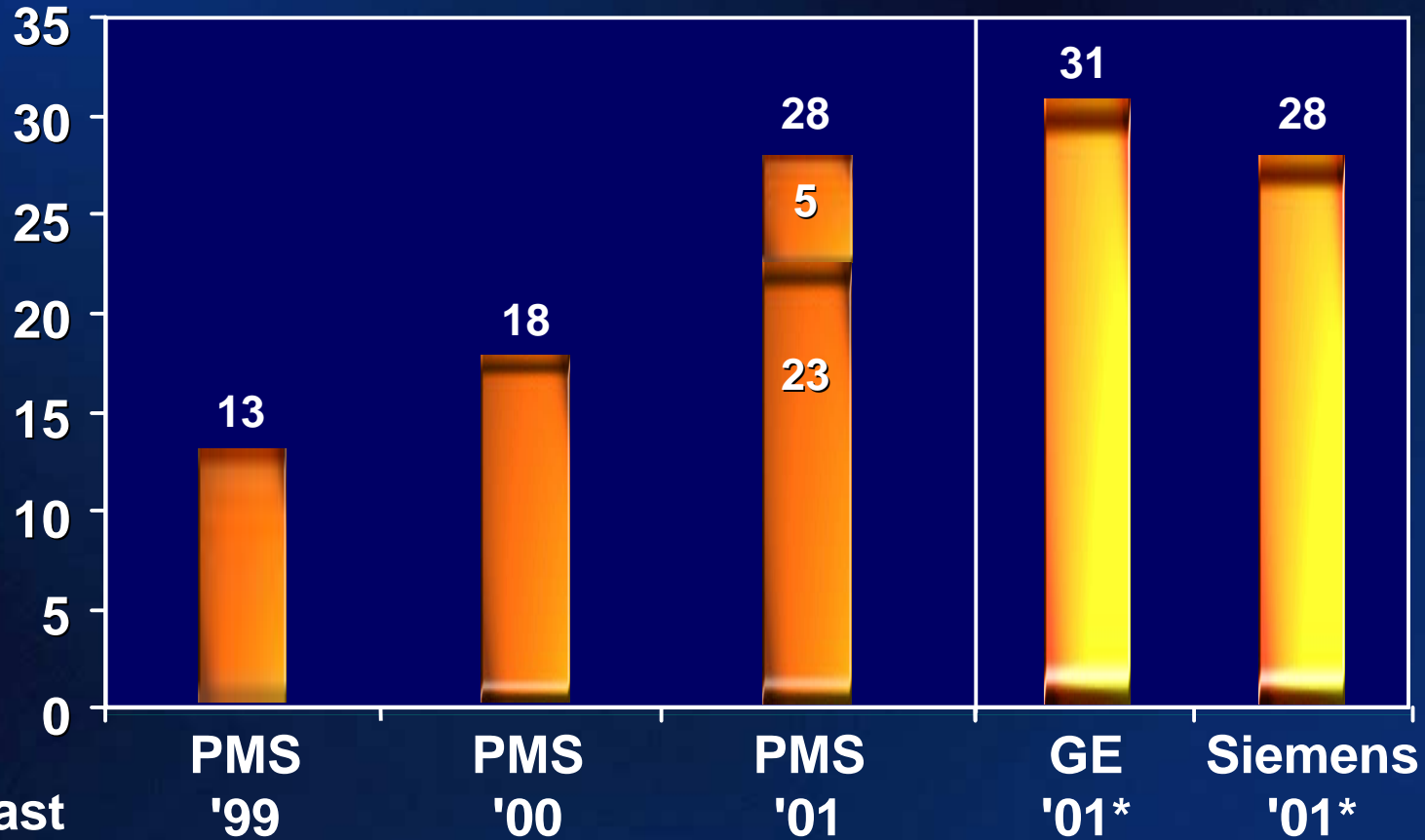
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Strong growth to continue

Market Share (%) Total World



* forecast

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Winning on Clinical Excellence

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Foundations of our success

- **Technology innovations**
- **Superior System Architecture and Design**
- **Development of new Clinical Applications**

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Unique Technologies: best performing and fastest systems

“SENSE inside”:
4 times faster

- Interactive/
Real Time
- Best Cardio performance



1.5 Tesla is 50% of the market

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Unique Innovation: the new GOLD standard for ultra-compact ultra-high field MR: 3.0 Tesla

- Breakthrough: **same** compact form factor containing **twice** the field strength
- Easy installation in normal MR rooms, and in existing ones
- Philips exclusive



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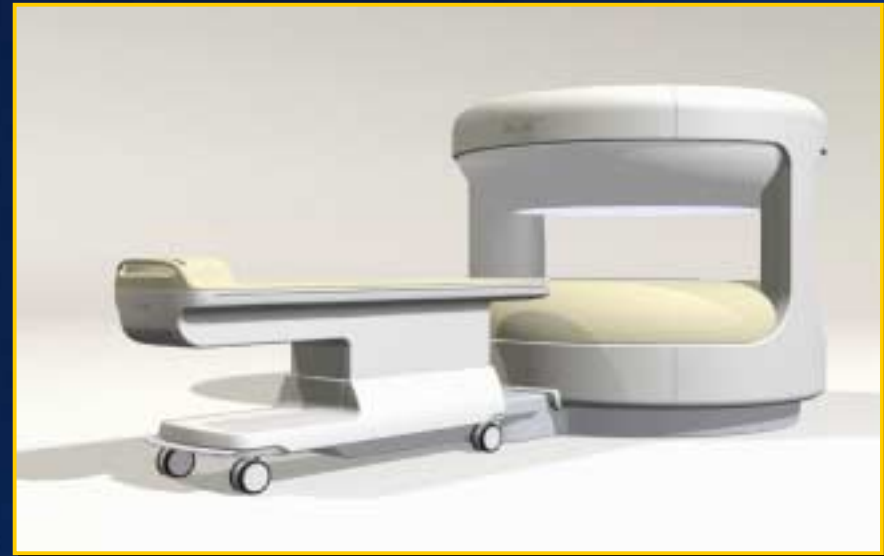


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Unique breakthrough MR design: Revolutionary 1.0 Tesla Open System

The future “classic”

- A combination of technical, clinical and styling design excellence

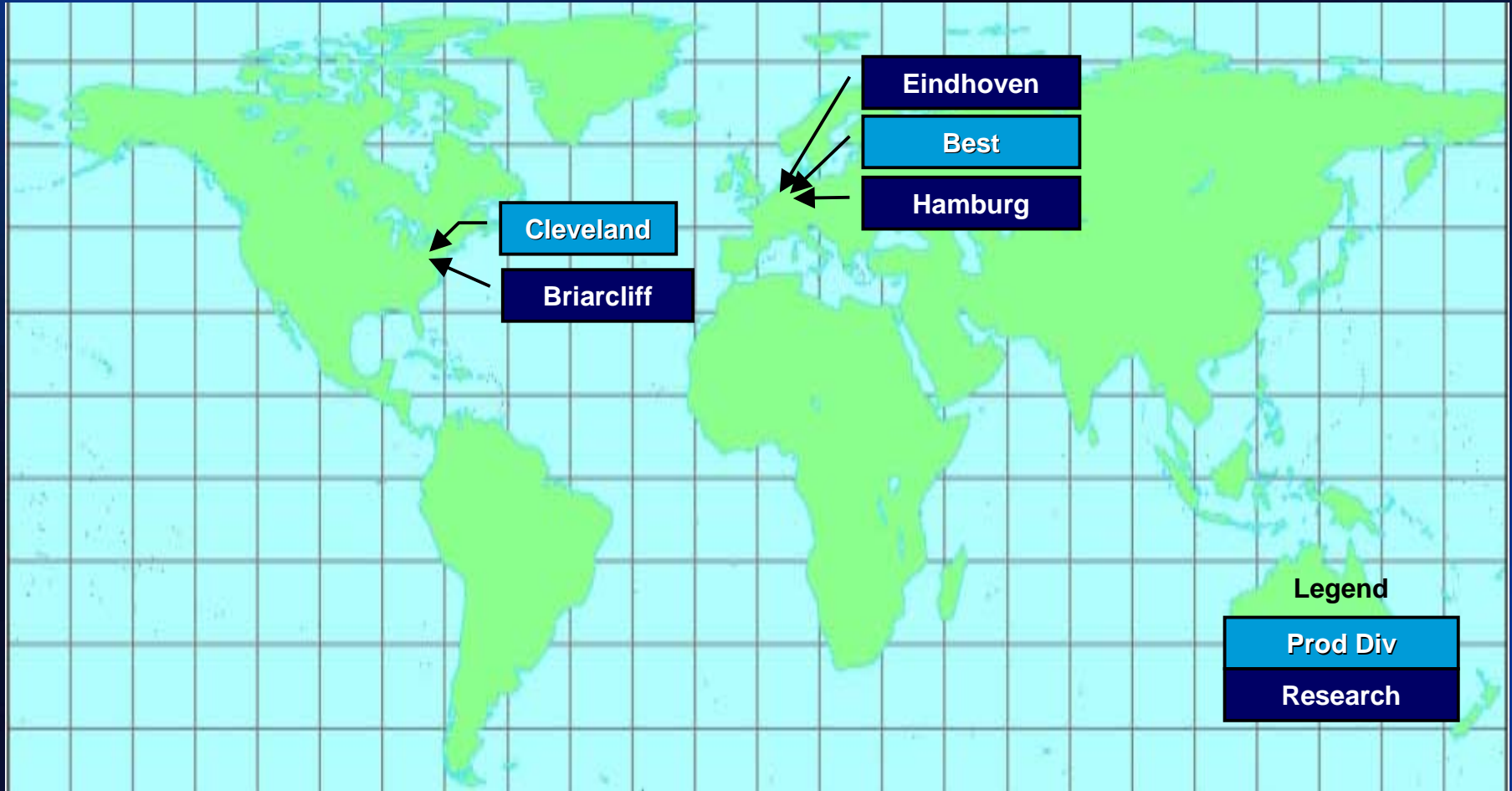


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Combining the best Technologies



Extensive R&D network of over 1000 scientists and engineers

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Superior Systems architecture and design

- Strong modular architecture of the product family and re-use


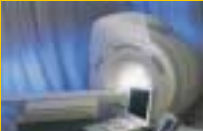
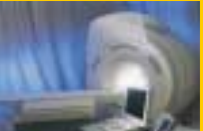

















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Strong and complete product portfolio

	Cylindrical				"Open"		
	$\geq 3T$	1.5T	1.0T	0.5T	$\geq 1.0T$	0.5-0.9T	$\leq 0.35T$
GE					NO		
SIEMENS				NO		NO	
PHILIPS					1.0T 		

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Summary

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Summary

- **Technology Innovations drive the market**
- **MR enjoys ever wider clinical applications**
- **Strong leadership built up over the last 4 years**
 - **Technology leadership based on in-house R&D resources and strategic partners**
 - **Clinical leadership through Clinical Research Network**
- **Growing market share**

We are the fastest growing player in MR









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Marketing Strategy: Simple Positioning

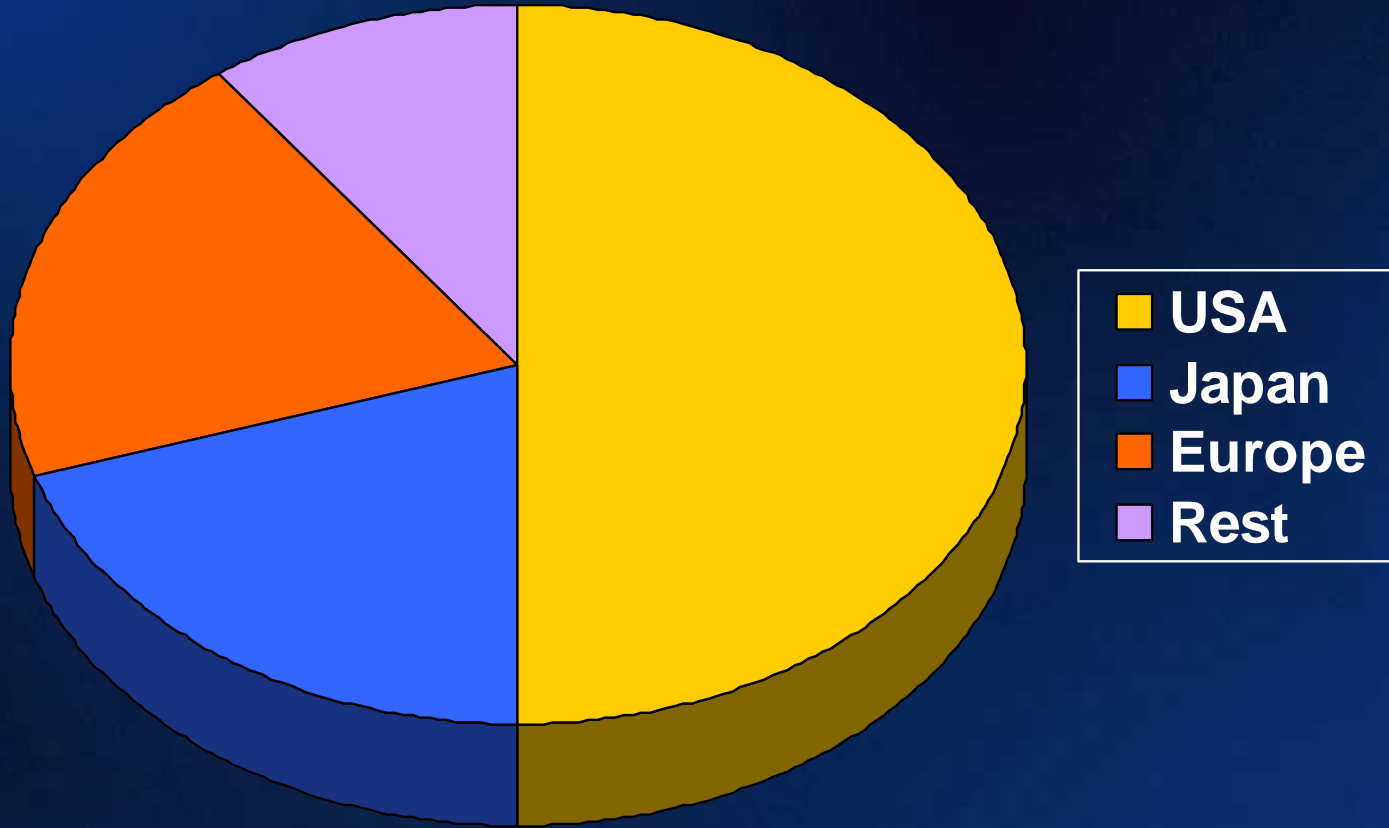
	Intera Most Performance in class				Panorama Most Open in class			
0.5T		I/T CV	Intera 0.5T	Panorama 0.23T		LFO		
1.0T			Intera 1.0T	Infinion 0.6T		MFO		
1.5T			Intera 1.5T	Infinion 1.5T		1.5T		
3.0T			Intera 3.0T	Panorama 1.0T		HFO		

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Regional Euro's



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Market is consolidating

- **GE + Siemens + Philips have 85% of the total installed base**
- **Toshiba + Hitachi have 15% of the total installed base**
- **Philips has an installed base of 3500 systems, ~ 20%**
- **To become number one we must grow our installed base to over 30% of the total installed base**

- **Therefore we must also grow our market share in initial equipment sales to over 30% (retaining our own sockets by upgrades and replacement, and maximally selling to new sockets and to replacement sockets of the competition)**

- **GE + Siemens + Philips have also 85% of the initial equipment market : we must reposition w.r.t. GE and Siemens**

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MR Market segments

- Currently four clinical segments
- Magnetic Field is measured in Tesla or T

– Radiology/Cylindrical	3.0T, 1.5T, 1.0T, 0.5T
– Radiology/Open	1.0T, 0.6 - 0.7T, < 0.5T
– CardioVascular	1.5T

Units in 2000
1700
575
50
2370

- Strongest growth expected in Cardiovascular and Interventional
- Geographic Segmentation:
 - Americas - North America, South America
 - EMEA - Europe, Middle East, Africa
 - Pacific - Japan, Rest of AsPac

2000
1130
555
685
2370

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Strong in innovation: professional marketing

- Define future roadmap in customer benefits, together with the clinical users, increasing the volume of profitable imaging procedures
- Track record in upgradability of functions and performance of our systems: every Philips MR system is a growth diamond
- “Business to business” down stream marketing, sales support, training, service (including use of intranet, internet)
- Offerings include services and financing, package deals
- Reputation of clinical excellence: customers see us delivering high healthcare value per dollar

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