PHILIPS

sense and simplicity

Imaging Systems

Gene Saragnese, CEO Healthcare Imaging Systems
Imaging Systems focus

Delivering on a consistent strategy to win

Driving remarkable patient and customer experiences
• Reliability, ease-of-use, training and service delivery
• Patient comfort and safety

Growing faster than the market
• Accelerating innovation while decreasing cost of ownership
• Expanding the footprint in growth geographies with a growing pipeline of value products

Driving out cost, creating capacity
• Margin expansion by driving out costs and inefficiencies through Accelerate! and design to cost

Focused on profitable growth
Market overview

Market

• Global equipment market 3% - 5%
  – Growth geographies 7%-10%
• Increased patient awareness
• More patients, cost pressure
• Imaging will play a key role in improving health care

Meeting the needs of health care

• Ease-of-use and throughput
• Dose and comfort
• Minimally invasive image-guided interventions
• Demand for performance/value products
• Innovate for cost and outcomes
Imaging equipment market\(^1\) of €17 billion

2011 Imaging market by market group

- North America modest growth; 1.5 pts share gain in 2011
- China – continued fast growth; more than compensates declines in Europe and Japan

2011 Imaging market by modality

- #1 position in interventional x-ray and cardiology
- Strong #2 position in ultrasound
- Winning in radiology with MR, CT, DXR one point share gain in 2011, growth opportunity

Gaining share and well positioned to capitalize on market dynamics

\(^1\) Market for imaging equipment, based on industry reports (NEMA, COCIR) and Philips internal estimates
Remarkable patient and customer experiences

Patient experiences

- Significant X-Ray dose reduction
- Ingenia MR – shorter exam times
- HIFU - minimally invasive procedure to treat uterine fibroids
- PET/MR - prostate cancer images not possible before in one procedure
- Ambient Experience solutions

Customer experiences

- Improved quality and reliability

Customer call rate for new products

<table>
<thead>
<tr>
<th>Year</th>
<th>Call Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>37%</td>
</tr>
<tr>
<td>2011</td>
<td></td>
</tr>
</tbody>
</table>

- World class service experience
- ~70K systems connected and supported with Philips Remote Service

- #1 in 2011 IMV ServiceTrak in overall system performance
- Philips Portal #1 by KLAS
- NPS leader/ co-leader China, cardiology, and ultrasound

Our customers recognize the change – Driving equipment sockets and service growth
33 new products in two years, 45% of 2012 sales

Vital new portfolio designed for quality, cost and performance

Technology and innovation ➔ 9000+ patents ➔ high barriers to entry
Accelerating our rate of product creation

<table>
<thead>
<tr>
<th>Approach</th>
<th>CT example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer intimacy</td>
<td>Dose reduction – iDose</td>
</tr>
<tr>
<td>Investing in core technology</td>
<td>Highest performing tube platform in the industry</td>
</tr>
<tr>
<td>Design to cost, platforms, reuse</td>
<td>Breakthrough modular detection</td>
</tr>
<tr>
<td>24/7 development</td>
<td></td>
</tr>
</tbody>
</table>

iCT premium scanner
Intro 2008

Ingenuity Core
Intro 2011

Ingenuity family

Ingenuity CT
Intro 2010

Ingenuity Core 128
Intro 2011

Ingenuity Core
Intro 2011

Cut 2/3rd off time to market
Imaging 2.0 - our focused effort to win in radiology

Clinical integration and collaboration

Putting imaging at the center of diagnosis and therapy, improving clinical outcomes

Patient focus

Smart, patient-adaptive systems for optimal patient comfort and safety

Improved value

Reliable tools that improve economic value, throughput, uptime and capital utilization

Imaging 2.0 - our customer-centric approach to radiology
Winning in radiology, gaining one share point

Ingenia MR (1.5T and 3T)
First-ever digital broadband MR enabled by dStream architecture
• 40% improvement in image quality
• Increased throughput by up to 30%
• Easier upgradeability, rapid install

Fastest ramp up in MR history
• +2 pts globally, driven by NA
• Accounts for almost half of MR systems order value

Ingenuity CT and iDose
Highly reliable product, lower dose and improved image quality
• Driven by peer-to-peer marketing
• iDose – most successful upgrade
  – Access to ~3,000 installed base; 700 orders

Increased market share
• +3 pts in NA, driving global share gain

Driving profitable share growth
Breakthrough dose with high image quality

CT
- iDose4 iterative reconstruction
- Improved image quality at low dose
- Up to 57% spatial resolution improvement\(^1\)

Digital mammography
- MicroDose digital mammography
- Leveraging Sectra acquisition
- Excellent image quality with \textit{40\% average dose reduction}^2

Interventional X-ray
- AlluraClarity\(^3\) – industry leading image quality at a fraction of dose
- Breakthrough technology, setting a new standard in interventional imaging

DoseWise is Philips’ industry-leading drive to address patient and care giver experience

\(^1\) Relative to standard reconstruction
\(^2\) Dose reduction of 18\% to 50\%, with average 40\% dose reduction. The actual result of the average dose reduction will vary based on variations of digital mammography systems
\(^3\) Not currently available for sale in the USA. FDA 510(k) pending
Leadership in probe technology drives ultrasound

2004 - beam forming from cart into probe
  - Allowing 3D and imaging
  - TEE\(^1\) launched in 2007, smallest in size, best in image quality, four-year lead
  - #1 in cardiology

2010/2011 - expand use xMATRIX
  - Radiology and OB/GYN
  - 5x’s the number of elements
  - High barrier to entry
  - Platform for expansion

Future - enabler for growth
  - 3D, auto segmentation and reporting, transforming efficiency and access

Closing in on #1 … share up 2 pts over two years, 10 pts ahead of #3
Philips is #1 in image-guided interventions

Differentiating IGIT solutions and software

**Unique integration** of 3D ultrasound and interventional x-ray

- EchoNav … first in the industry
- Real-time simultaneous viewing of 3D soft tissue ultrasound images and x-ray images

“This is the first time in the history that we have had real-time 3D images to navigate equipment and deploy devices. The 3D ultrasound images provide an incredible visual guidance.”

**Dr. John Carroll, Interventional Cardiologist, UC Denver**

Leverage two of our leading businesses to create best-in-class and enable new minimally-invasive procedures
Investing in growth geographies

Accelerated innovation and cost out

• Growing competencies
• Leveraging technology and scale
• Delivering on local and global needs

Increasing resources

R&D staff in growth geographies

~1000

China: Suzhou, Shanghai and Shenyang

• Suzhou – new facility, rapidly ramping. Multimodality, development and manufacturing
  • Shenyang – development and manufacturing: CT, Ultrasound, DXR & components
  • Shanghai – research and ultrasound transducers

Low-cost manufacturing capacity

+124%

2009 2012

Brazil: Lagoa Santa

• Value products, local for local / regional
  • DXR and mammography
  • Localization of MR, CT and iXR

India: Pune and Bangalore

• Pune – COE for value interventional systems
• Bangalore – software COE

1 COE – Center of Excellence
Accelerating value segment pipeline

Value segment investments in China, India and Brazil
- Dedicated marketing, engineering and manufacturing
- Leadership based in China

Recently delivered

**iXR – Allura FC**
- Value cath lab
- First global value product from India

**DXR – Compacto DR**
- New value DR system from Brazil

**Ultrasound – ClearVue**
- Cart based system for value segment
- Designed in India, manufactured in China

Six new value offerings coming in 2012
- Value CT and DXR systems from China
- Value surgery systems from India
- Value DXR from Brazil
- Broader portfolio of subsystems

Building capacity and momentum - providing access to care
Strong growth and increased levels of investment

- Delivering remarkable patient and customer experiences
- Accelerating product creation, portfolio vitality
- Winning in radiology and interventional
- Investing in growth geographies, footprint and value segment
- Designing to cost and leverage value engineering
- Growing installed base and service

Accelerate! innovation and enhance returns

- Drive operational excellence and ROIC through Accelerate!
- Increase value segment presence leveraging growth geography footprint
- Continue to win in radiology
- Grow image-guided interventions and therapy
- Transform ultrasound for efficiency and access
- Closing the gap on co-leadership in Imaging

1 as reported, i.e. including restructuring and acquisition related charges
Key takeaways

Executing on our strategies

• Remarkable patient and customer experience

• Accelerating our rate of innovation 24/7 with an unprecedented portfolio vitality

• Expanding the footprint in growth geographies with a growing pipeline of value products

• Margin expansion by driving out costs and inefficiencies through Accelerate! and design to cost