

PHILIPS

Ultrasound

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CEO Philips Medical Systems Business Line Ultrasound

Agenda

- Integration
- Markets
- New Products

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Building the leading Ultrasound Business

- ATL acquired in 1998
- Maintained its operational structure recognizing the unique characteristics of the Ultrasound business
- Agilent HSG acquisition brought us the leading cardiac Ultrasound business
- Creating Philips Ultrasound demanded a full integration of both Ultrasound businesses, while
 - Migrating to the Philips infrastructure

Integration Challenges

- 2 separate sales forces with a history of fierce competition
- Moving from competing product platforms to a harmonized product portfolio
 - Innovation delays due to long acquisition cycle
- Each organization proud of its heritage
- Migrating to a new set of operating standards and infrastructure, while
 - Disentangling Agilent HSG from Agilent's legacy IT systems and transitioning to a Philips ERP platform under construction

Agenda

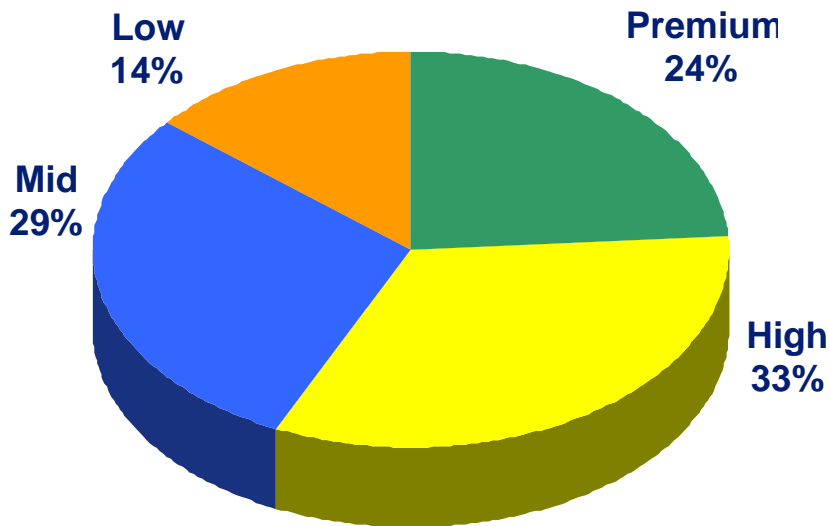
- Integration
- Markets
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Market situation

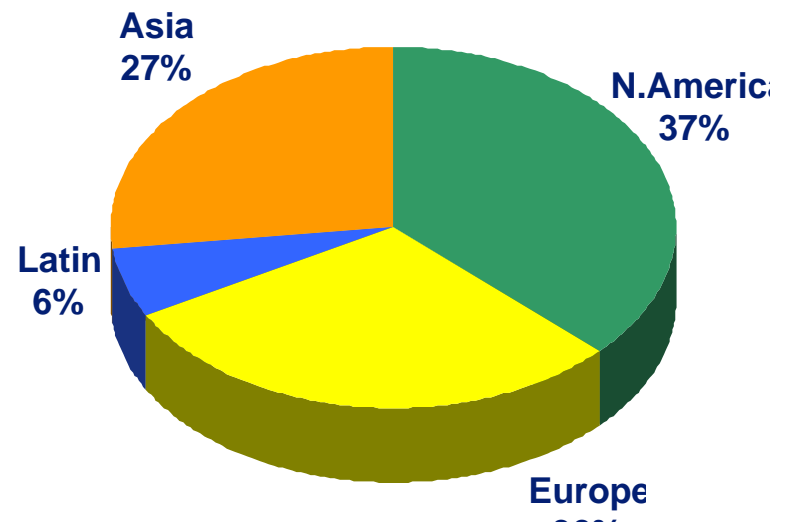
- Cardiology market started to soften in the USA early 2001
- We maintained the # 1 position overall as well as in the cardiology segment
- Turning the corner as challenges are addressed



Market Segmentation by Performance and Geography



Performance Segments



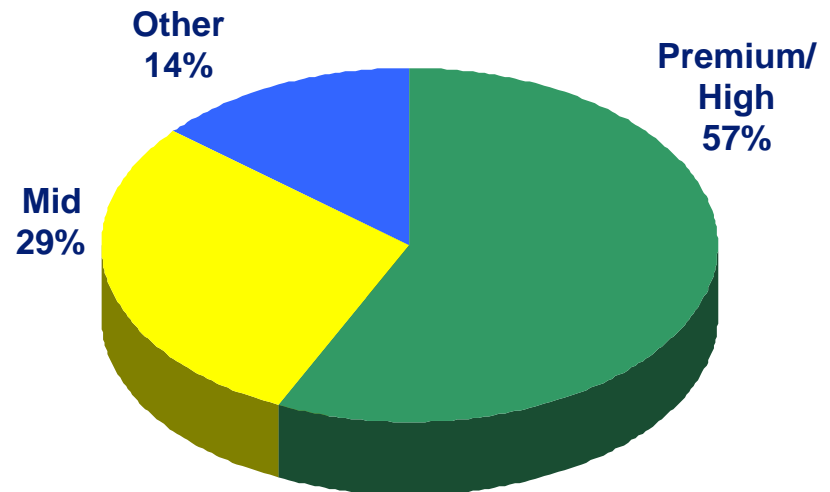
Geographic Segments

Total market \$3.1 Billion

Addressable Markets of Philips New Product Entries

Flagship products HDI 5000 and Sonos 7500 will address the Premium and High segments, over half of the worldwide market

New product EnVisor will address the Mid range segment, nearly one third of the worldwide market



These three products will address nearly 90% of the worldwide market

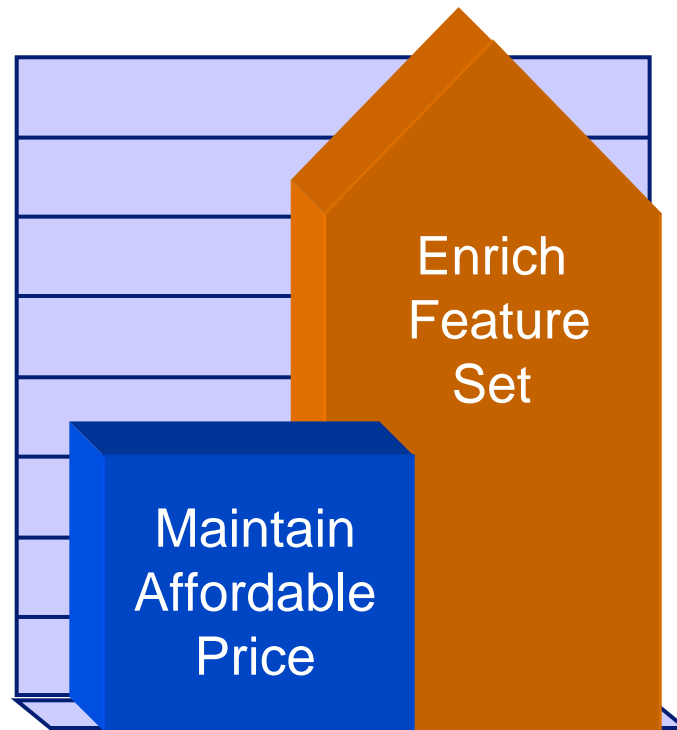
Premium and high end segments
driven by innovative capabilities
and advanced performance



Technological leadership brings the #1 position

Midrange segment (\$40K – 90K) is driven by price/performance

The Midrange
Sweet Spot



Best value proposition brings leadership

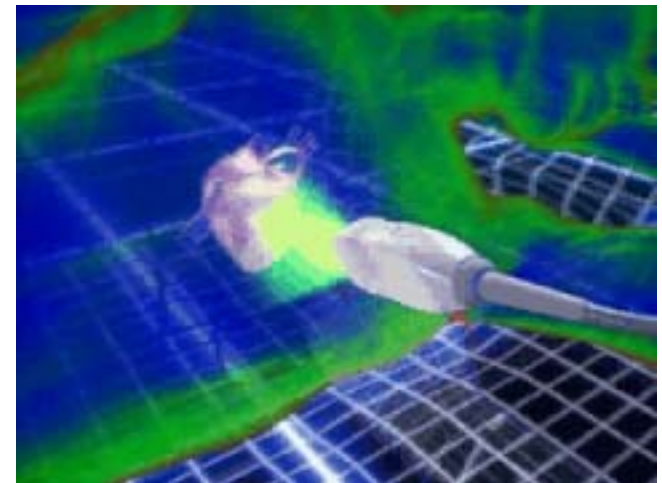
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Revolutionary Live 3D Echo -

seeing the heart in a whole new way with the SONOS 7500

- Instant hi-res 3D images of the beating human heart in real-time
- A major technological achievement on several fronts
 - Miniaturized probe technology with the power of 150 circuit boards
 - Image processing from Philips Research
 - Massive high-speed algorithmic processing
 - Elegantly simple user interface



Fundamentally changing the practice of Echocardiography

Revolutionary Live 3D Echo - *seeing the heart in a whole new way*



Live 3D has a “wow” factor that stuns cardiologists

The New Standard in Echocardiography



Roberto Lang, MD
Director of Cardiac
Non-invasive Imaging Labs
University of Chicago
Medical Center

Live 3D will become the standard way to perform echo

Live 3D Competitive Advantage - xMATRIX

- 4D technology for Obstetrics applications is mechanical only



Live 3D represents a 18-36 month technology lead

High End Cardiology Market Impact

- Demo/luminary units in December 2002
- Revenue shipments January 2003
- Upgrade program leverages installed base
- Outpacing market growth



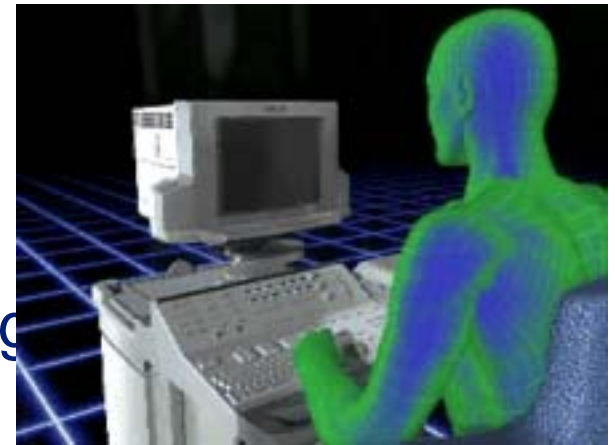
SONOS 7500..Philips Design

Continued strong leadership of global echocardiography

New Philips HDI 5000 -

more ergonomic on the outside, faster and more powerful on the inside

- Third generation SonoCT
Real-time Compound Imaging
 - 9 lines of sight in real time versus conventional single line of sight
- Ergonomic features by Philips Design
- Image enhancements by Philips Research
- Breakthrough ease of use through iSCAN instant optimization



Widening the technology gap in general imaging

SonoCT - an historic advance in image quality



Image quality remains the ultimate factor in definitive diagnosis

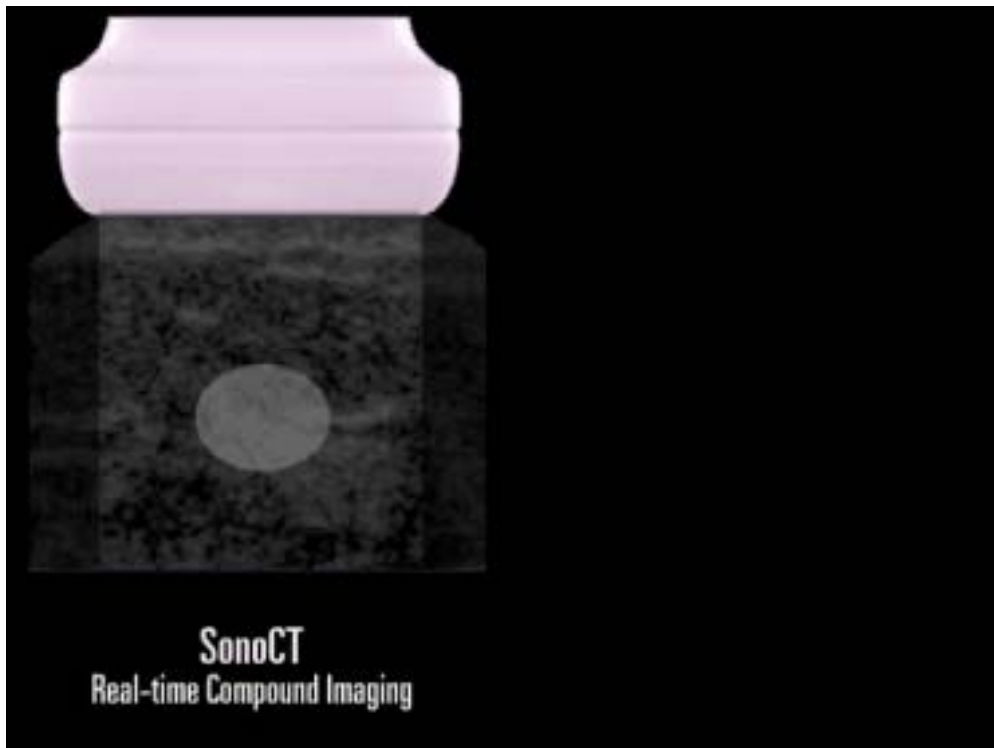
SonoCT - the standard in general imaging



Jay Parikh, MD
Medical Director,
Women's Diagnostic
Imaging Center
Swedish Medical Center

SonoCT improves productivity and patient care

SonoCT Competitive Advantage



SonoCT is in its third generation - competition has yet to deliver their first generation compound imaging

High End General Imaging Market Impact

- Revenue shipments in Dec 2002
- Outpace market growth



Philips HDI 5000

Extend high end General Imaging leadership in 2003

Two New Products for the Midrange

Midrange represents Philips Ultrasound ' largest growth opportunity

- HDI 4000 System
 - Powerful combination of Live 3D Imaging and HDI technology
- The EnVisor System
 - Combining HDI and SONOS technologies to create a new standard of affordability without compromise



Bringing our high performance legacy to a new and broader audience

EnVisor - the new standard in the midrange

“It’s lightweight and portable.

It will be great in the ICU where space is limited.”

“The image quality is better than some high end systems.”

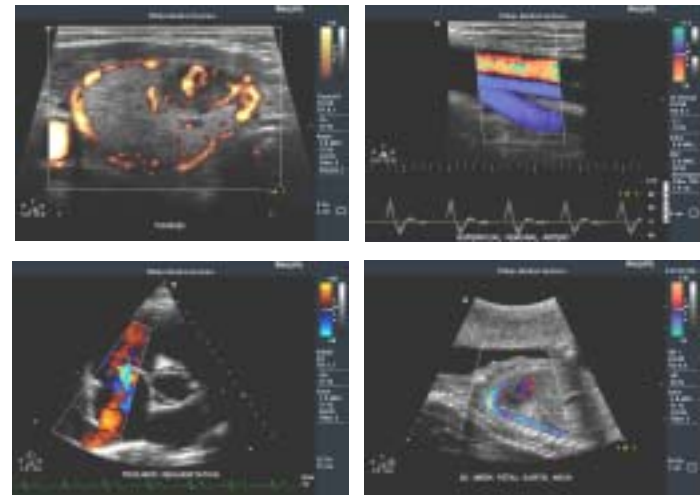
“The adjustable keyboard and monitor are outstanding.”

“I can’t believe I can get such a full featured system at this price.”

EnVisor - immediate global impact, one month after introduction

Midrange Competitive Advantage

- HDI 4000 provides the only Live 3D capability on a fully functional general imaging system
- EnVisor – Delivering best-in-class performance and ergonomics



EnVisor is freezing competition in the market

Midrange Market Impact

- Shipping HDI 4000 units now
- EnVisor demos in Nov 2002
- EnVisor revenue units Q1/2003
- Aggressive growth (30 - 40%)



The EnVisor

EnVisor is a \$100 million opportunity for 2003

Conclusions

- Just beginning to see new products from the two best engineering teams in ultrasound, backed by Philips Research
- Rationalized and revamped product line in 12 months
- Unprecedented introduction of three major products simultaneously in Q4
- Outpacing market growth in 2003



Extension of market leadership

