

# PHILIPS

## Philips Medical Systems in Asia Pacific

**Andreas Wente**

Analysts' Meeting  
June 15<sup>th</sup>, 2005

## Agenda

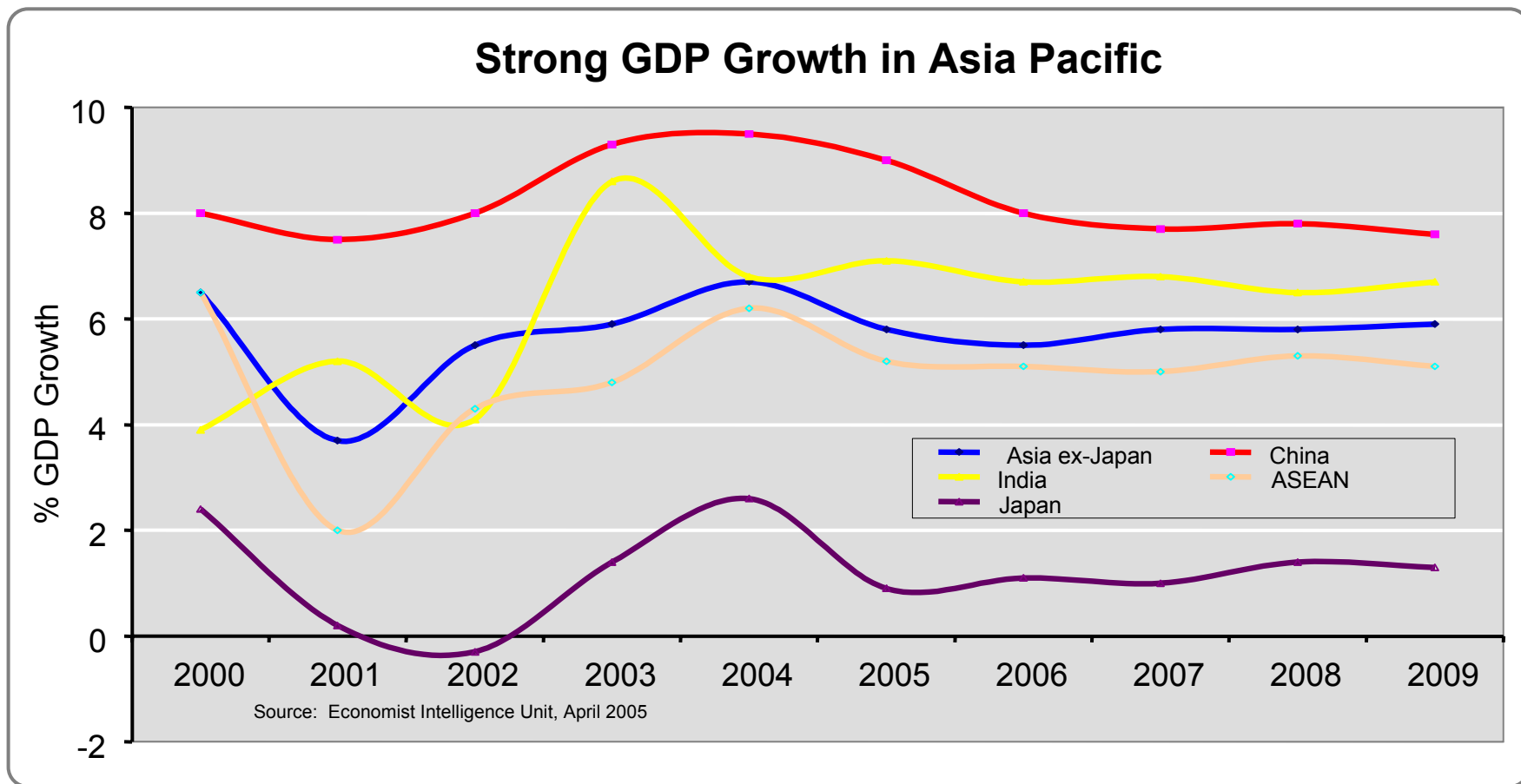
- APAC Region overview
  - Business overview
  - Growth ambition
- Country specifics
  - PMS China
  - PMS Japan
  - Rest of Asia-Pacific
- Conclusions



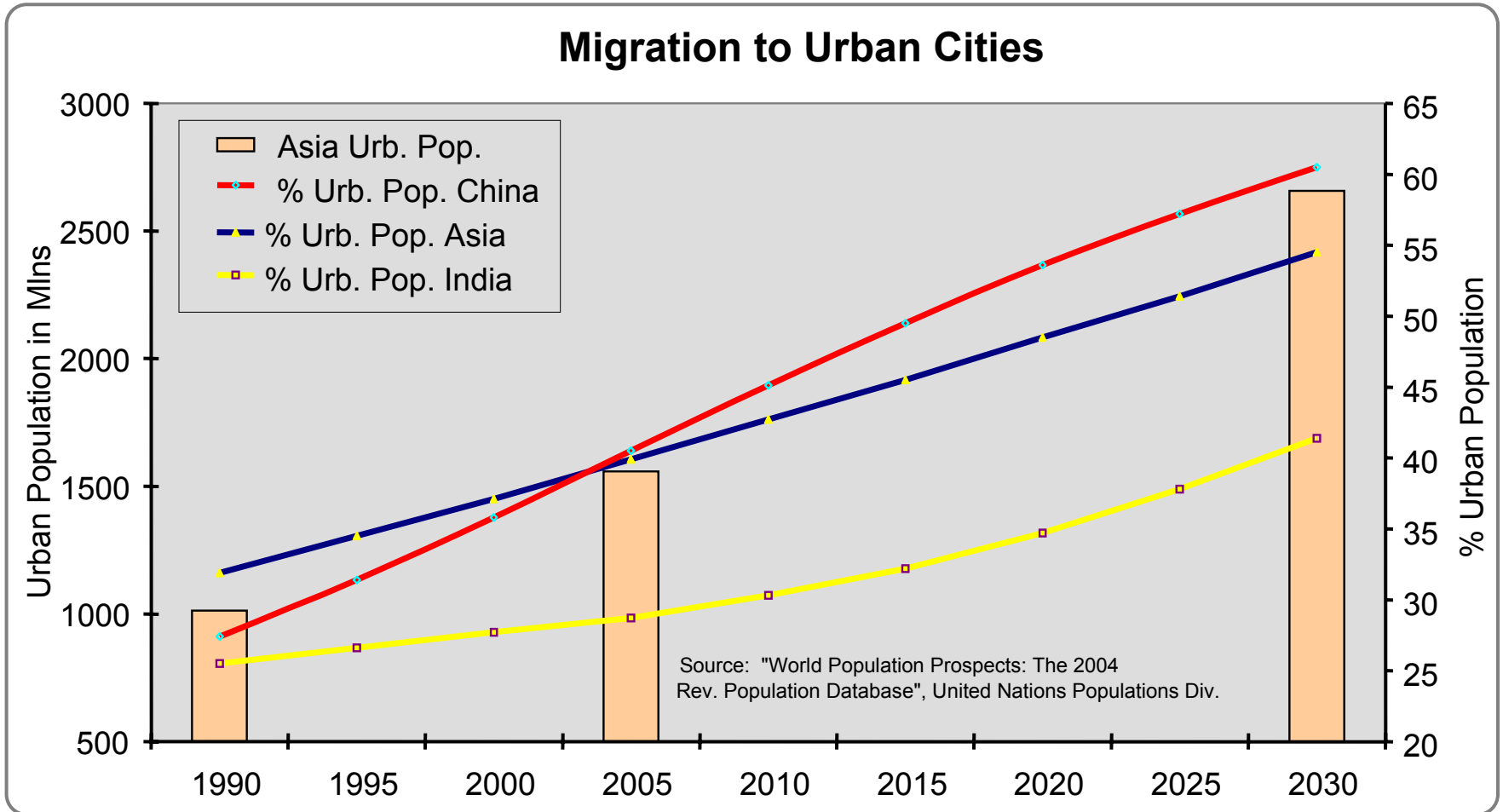
## Asia Pacific will continue to be a key growth engine:

- Continued high GDP growth of around 6% p.a excluding Japan (3.5% when including) in the next 5 years, where China expected to be ~ 8% p.a.
- Japan, while showing only 1+% growth, represents 45% of the total region's GDP
- Swift transformation from a rural to urban population will mean an additional 150 - 200 cities over 1 Mln population (some of which are megacities >5Mln) will be built by 2030

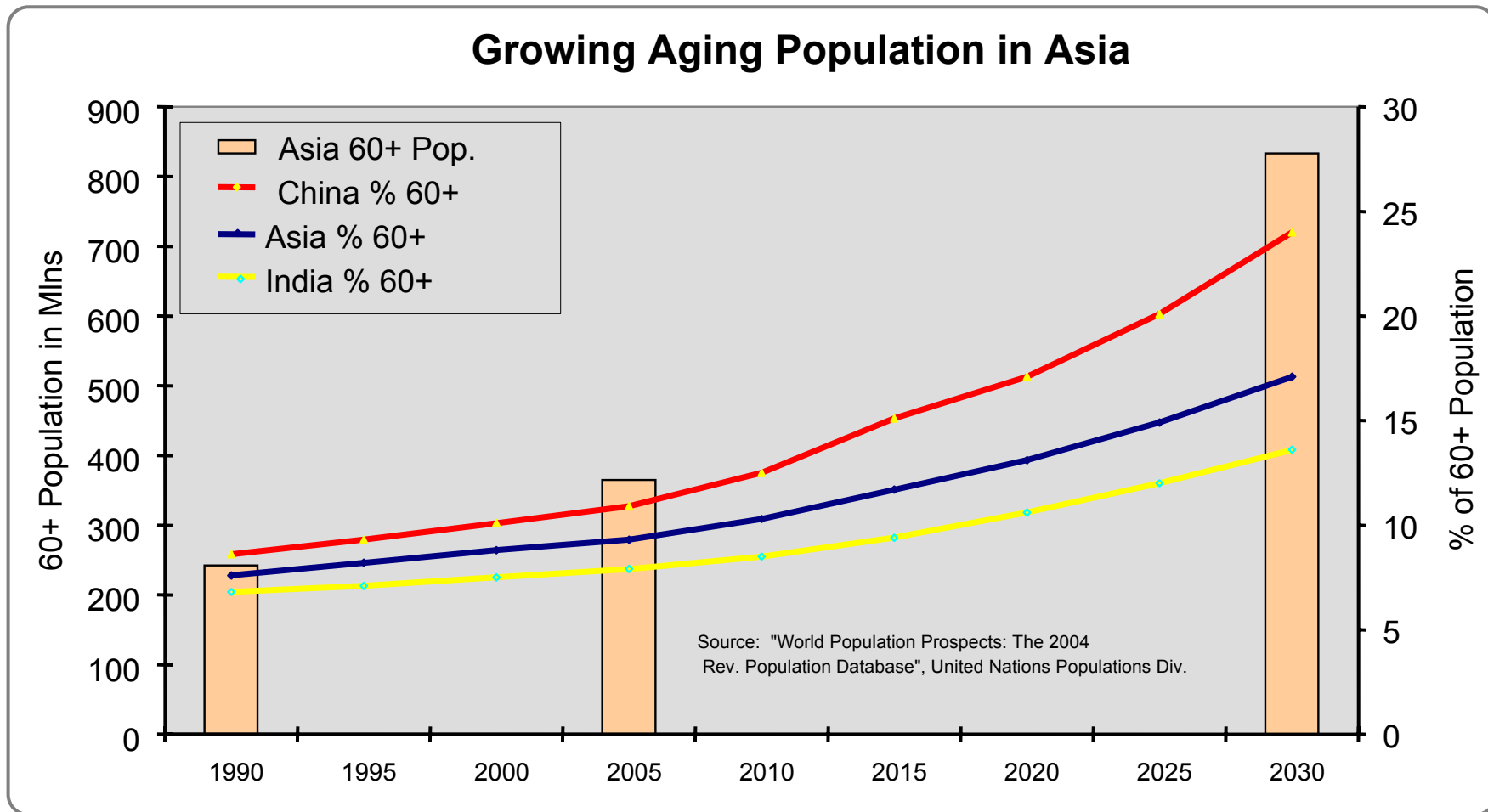
Asia economy (excl. Japan) will grow at around 6% p.a., with China growth expected to be close to 8% level



# 1.1 Bln more people will be living in urban cities by 2030 in Asia, with majority from China and India



# Population of age 60+ in Asia will more than double by 2030, with about 70% from China and India

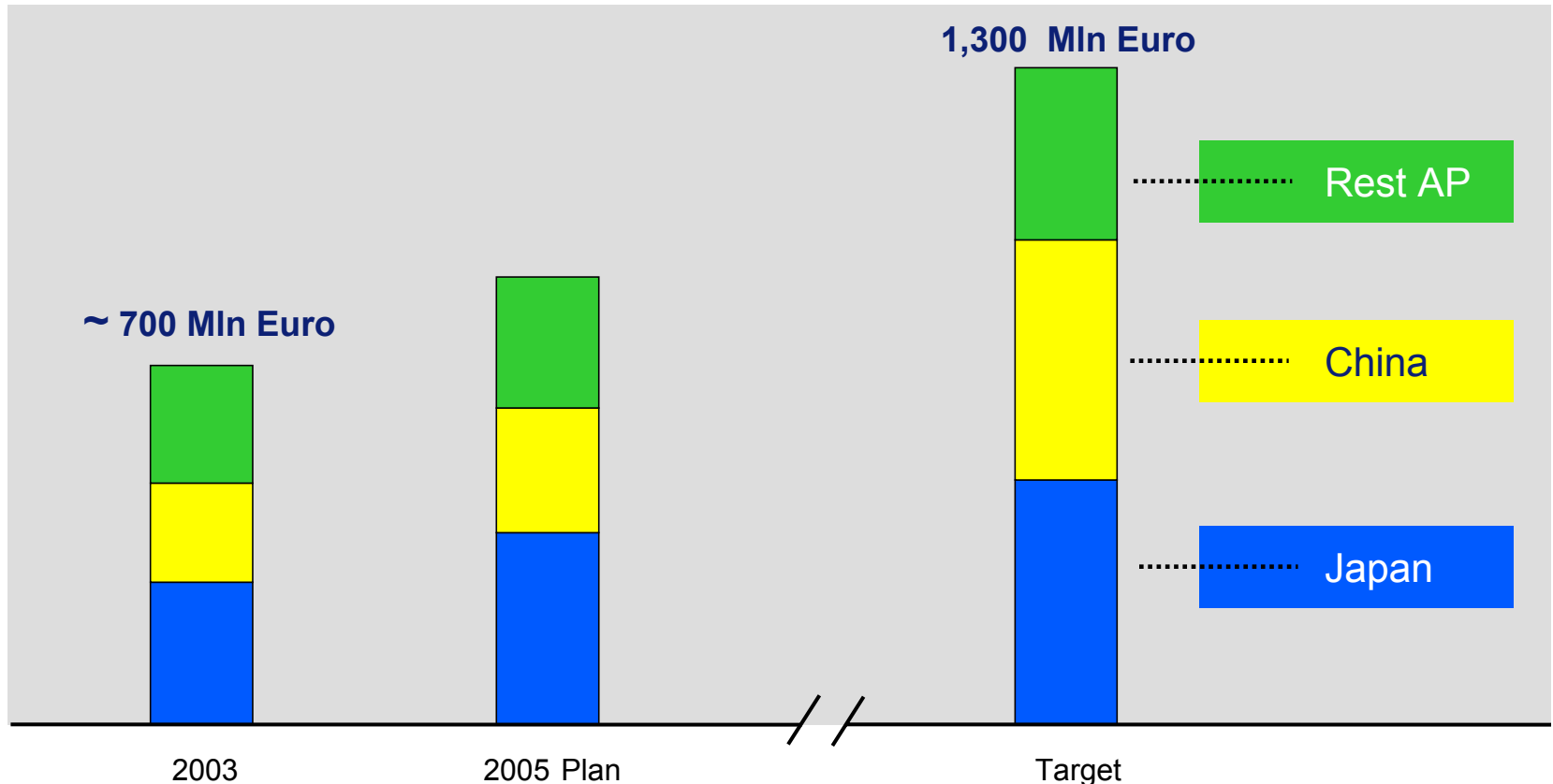


## Demographic changes underpin the increasingly high demand of healthcare:

- High GDP growth will vastly improve the livelihood of people as per capita income grows
- Many estimates put China's middle class at 200 Mln (15% population) in 2005, growing to 500 Mln by the turn of this decade.
- Likewise, estimates have put India's middle class at 300 Mln people toward the end of the decade
- Rapid urbanization and affluent lifestyle will consequently lead to an increase in lifestyle diseases such as Cancer and Heart disease, creating increased demand for healthcare
- Growing aging population will add further pressure to the healthcare sector

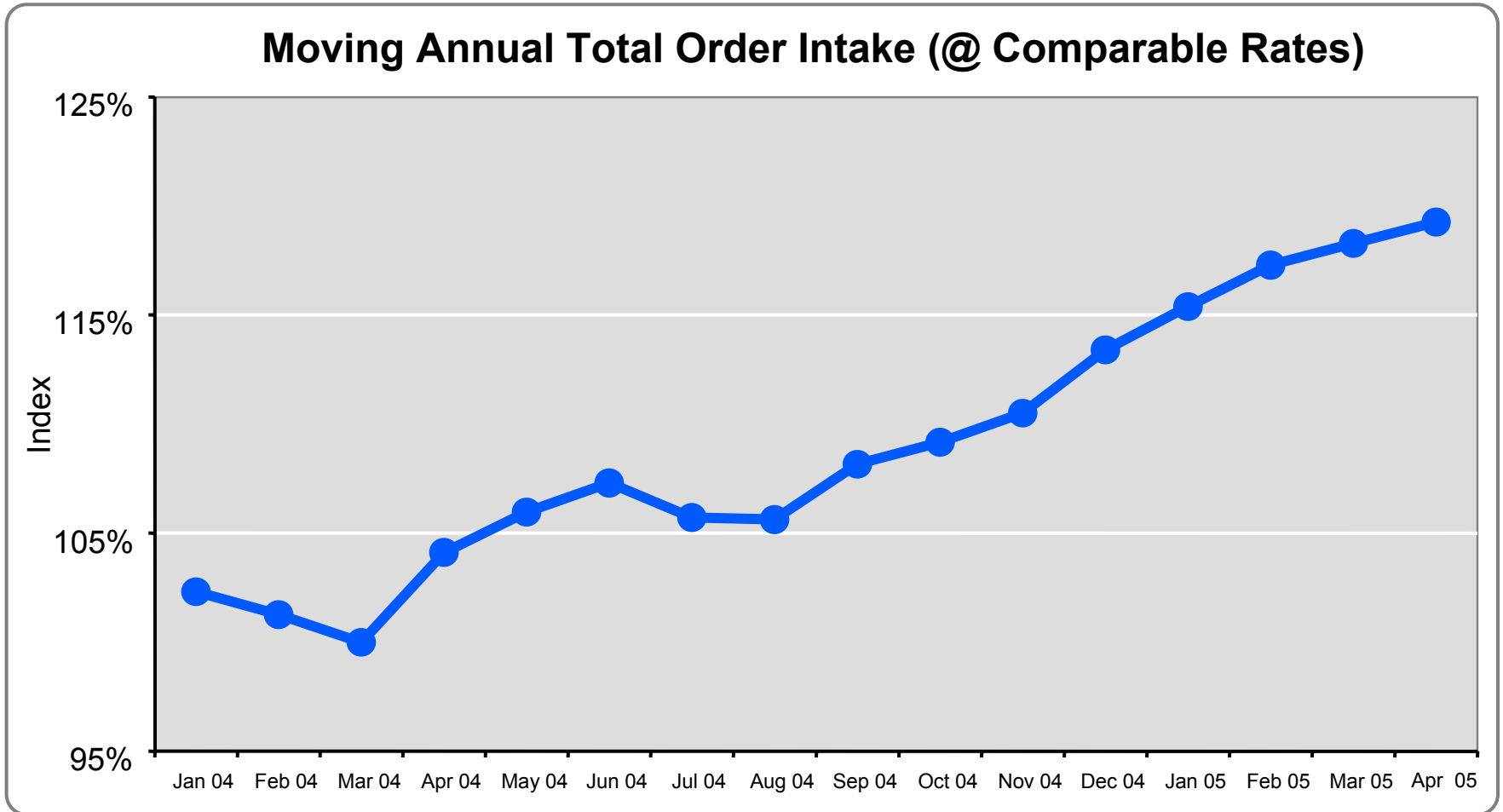
# On track with Philips Medical System (PMS) APAC Ambition: Grow to € 1.3 Bln

**PMS Sales to third**



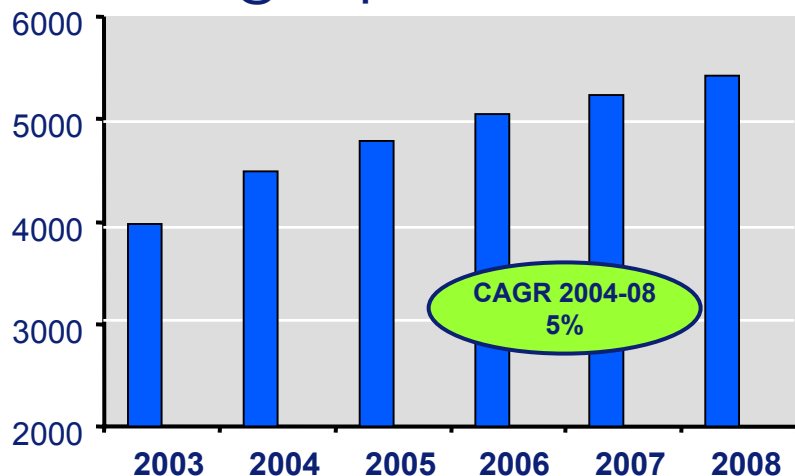


# Order Intake underpins sales development



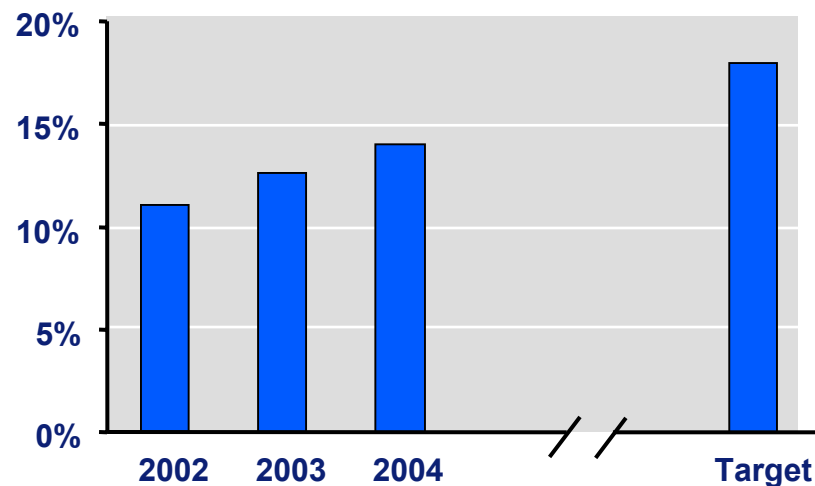
# PMS Asia Pacific – Equipment Market and Share Development

**Regional Market (EUR mln)  
@ comparable rates**



- Growth 2004 -2008: +5% CAGR, led by a strong growth across all lines of business
- While growth in Japan is ~1%, rest AP grows at ~6%
- Continued strong growth in China (>10%)

**Market share %**



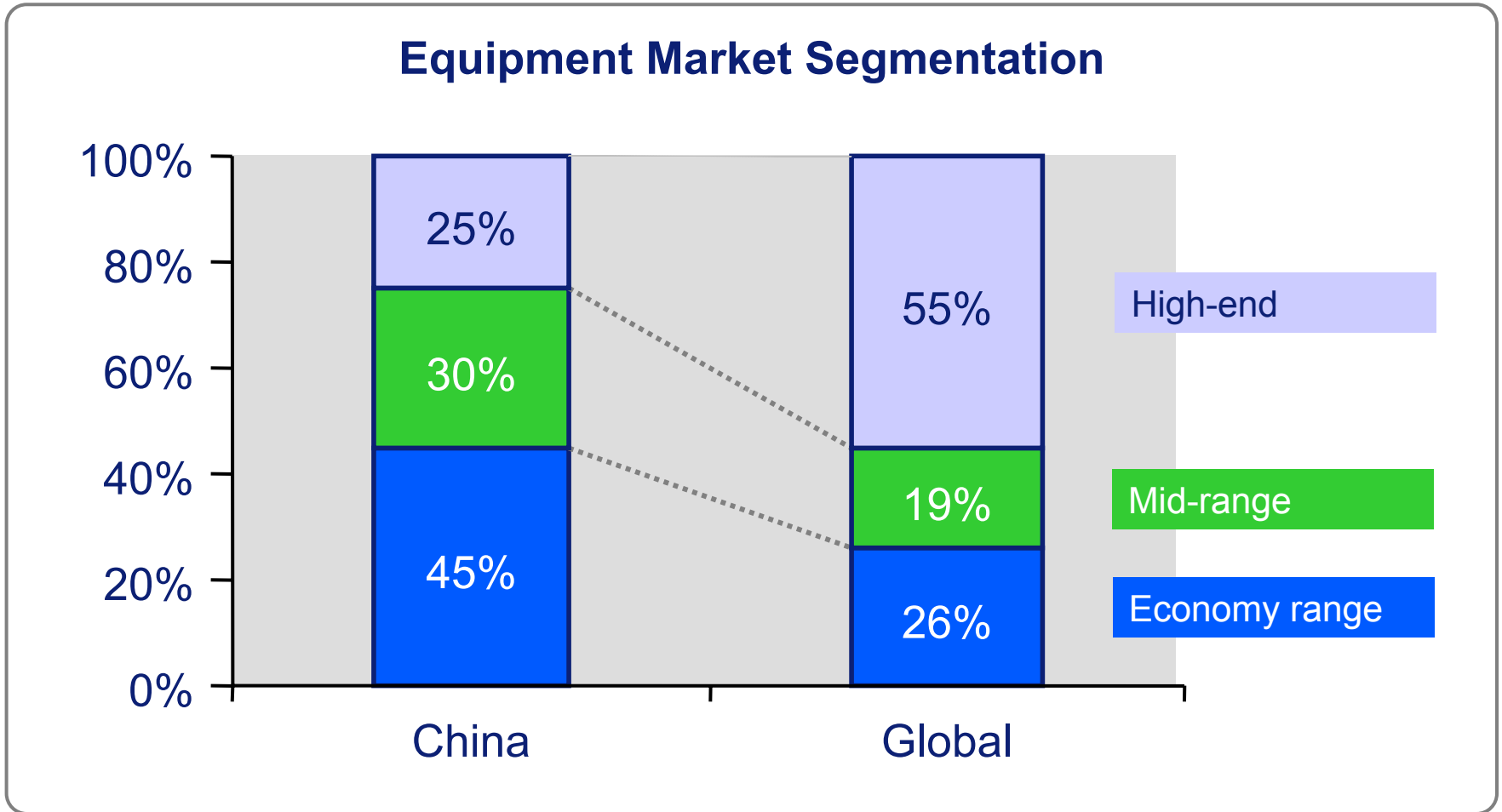
- Philips
  - 2003 to target: +5% points gains across Asia Pacific
  - 2004: Gained 1% market share
- Philips even gain market share in a flat Japan market

## Agenda

- APAC Region overview
  - Business overview
  - Growth ambition
- Country specifics
  - PMS China
  - PMS Japan
  - Rest of Asia-Pacific
- Conclusions

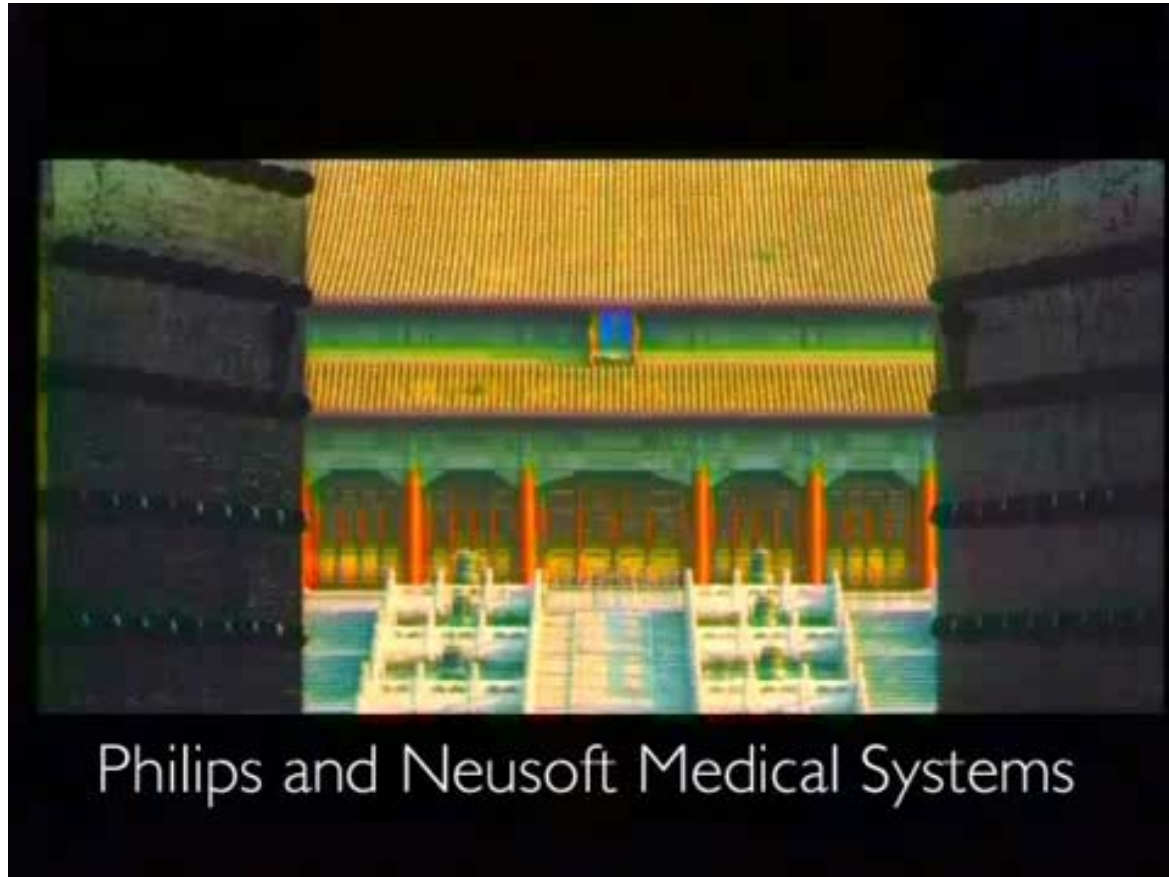


In comparison to other markets, China has a much larger value segment of 75%



## Philips Neusoft Medical Systems (PNMS) in Shenyang

- PNMS scope: Manufacturing and R&D, university and government relations
- Product scope: CT, MR, X-Ray and Ultrasound for economy and mid-range segments
- Launched first Ultrasound product in October 2004
- Go to market via two separate sales channels: Neusoft and Philips
- 2005: Focus on China. From 2006, expanding with global exports
- Currently 450 staff in R&D and manufacturing; will increase to over 1000 by end of 2007



**‘I believe our co-operation will have significant impact to the healthcare development of China and the world.’**

***Dr. Ji Ren Liu***  
***Chairman & CEO of China Neusoft Group***

## Agenda

- APAC Region overview
  - Business overview
  - Growth ambition
- Country specifics
  - PMS China
  - PMS Japan
  - Rest of Asia-Pacific
- Conclusions



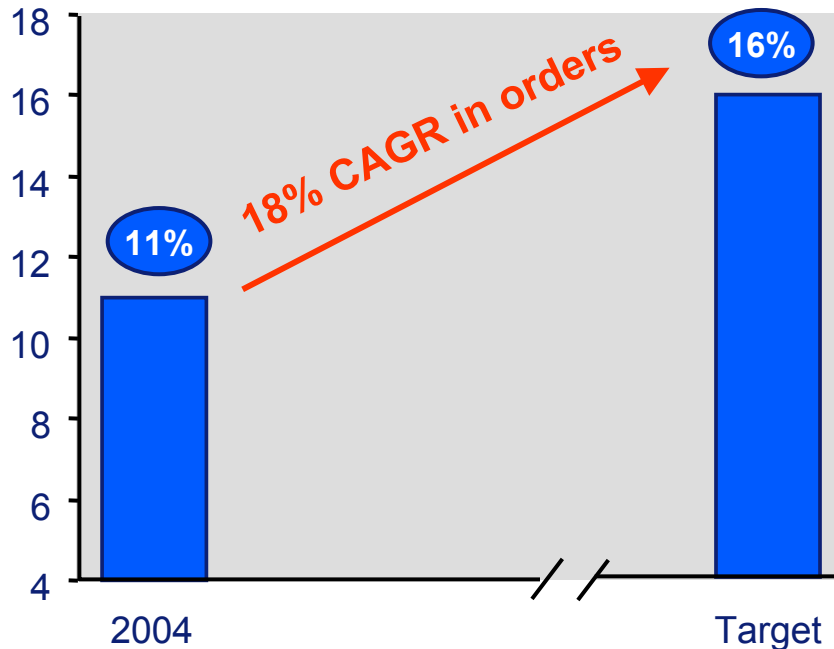
## Japan business status as per today

- World's second largest market, low growth
- Large Japanese players: 40% share but decreasing
- Philips and other key foreign companies: 34% share with Philips gaining share
- Several Japanese niche players
- Philips grew in six consecutive years through organic and acquisitions to 11% market share in 2004
- Industry consolidation likely to happen in near future



# Organic growth plan projects 18% CAGR to reach a market share target of 16%

## Market Share %



## Key Actions

### Increase market share through:

- Additional direct sales coverage addresses growth opportunities in the CT segment
- Additional channel alliances (Hitachi /Fukuda) increases coverage in targeted growth segments of Ultrasound, Cardiac Monitoring Systems, X-Ray and Nuclear Medicine.
- Key account management structure

## Agenda

- APAC Region overview
  - Business overview
  - Growth ambition
- Country specifics
  - PMS China
  - PMS Japan
  - Rest of Asia-Pacific
- Conclusions



## Rest of Asia Pacific

- Increased privatization, particularly in India and ASEAN fosters health tourism
- Have achieved market leadership in the 3 Tesla MRI
- Realized major aid projects in Vietnam and the Philippines
- Launched the first distance healthcare project in India as a pilot (under our commitment to Sustainability)
- PNMS products will be key driver to the healthcare needs across Asia, opening up new opportunities
- Improve customer service and training via the first APAC training center



Mr John Lee Koh Shun  
Samitivej Hospital Group

**‘We buy Philips because we believe Philips will be a good partner.’**

***Mr. John Lee Koh Shun  
Managing Director and CEO of Samitivej Hospital Group  
Bangkok, Thailand***

## Agenda

- APAC Region overview
  - Business overview
  - Growth ambition
- Country specifics
  - PMS China
  - PMS Japan
  - Rest of Asia-Pacific
- Conclusions



## Conclusions

- Asia Pacific is a priority growth market for Philips Medical Systems
- Built foundation of Philips-Neusoft JV to underpin growth in China and other Asian/global markets
- Strengthened organization and distribution in key markets
- Capitalize on Aid projects

By building a winning platform for growth,  
we are on track with our growth ambitions

