

PRESS RELEASE

Sal. Oppenheim: Drive for efficiency powers growth on the medical technology market

- *Sal. Oppenheim publishes sector study on medical technology market*
- *Investor conference with leading industry representatives confirms expert opinion*

Cologne/Frankfurt, 22 September 2005 – Dynamic growth and continued consolidation are making the medical technology market an increasingly interesting option for investors. This was the conclusion drawn by experts at Sal. Oppenheim in their recently published sector study, which has been presented at an investor conference with leading industry representatives. The experts singled out the market for medical technology products in hospitals, which represents around one third of the overall market, as an area with particularly attractive growth potential. “One of the driving forces here is certainly the increasing need to use limited public resources as efficiently as possible,” said Peter Düllmann, head of the Health Care team at Sal. Oppenheim. The belief is that growth in these sub-markets is likely to exceed the round 7% forecast for the global medtech market.

But the market, which, according to Dr. Markus Krämer, medical technology analyst at Sal. Oppenheim, has a total volume of around €220 billion, is very heterogeneous. “The market ranges from simple disposables such as syringes, where the focus is on low manufacturing costs, right up to highly complex innovations that improve the quality of treatments, including instruments enabling corrective laser eye treatment, or “refractive surgery”.

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All these sub-segments are witnessing increasing demand for their services, the result of both demographic factors (increasing number of elderly people, population growth in developing countries) and advances in medical technology. And in particular, the disproportionate ageing of populations in industrialised nations is likely to lead to a substantial rise in overall patient numbers. In conjunction with future medical advances facilitating new procedures (e.g. minimally invasive surgery) and applications (e.g. in heart surgery), this should also mean that growth rates in this sector are significantly higher than those for the Gross National Product.

Drive for efficiency powers industry growth

In order to satisfy this growing efficiency drive in times of restricted public budgets, it is necessary to streamline patient treatment and care procedures. The experts' opinion was also confirmed by the companies participating in the investor conference on medical technology entitled "Drive for efficiency powers industry growth", which was hosted in Frankfurt by Sal. Oppenheim. Leading representatives from Philips, Siemens, Drägerwerk and Carl Zeiss Meditec provided deeper insight into the heterogeneous medical technology market and outlined their respective strategies for meeting the impending market challenges to a group of investors, the majority of whom specialise in Life Sciences. It was thus possible to present a broad cross-section of the market, both from the perspective of two large corporations with extensive product ranges, and from the perspective of two specialist companies, who are nevertheless equally active on the global market.

Siemens: Making treatment processes more efficient

Siemens focussed its presentation on the excellent growth opportunities for companies that provide products to make procedures and treatment processes more efficient. Particular emphasis was placed on the implications of the widespread introduction of IT systems, which most areas of the economy have already adopted. This would mean that in future the focus would shift to the overall costs of

treatment, rather than the cost of individual instruments. Consequently, provided you have the right, efficiency-boosting instruments, it is possible to continue to record healthy margins.

Industry specialists also identify the field of lifestyle applications as a potential candidate for above-average growth. Strictly speaking, treatment in this sphere is not classed as medical, but is rather focused on enhancing general well-being. One example of such an application is so-called 'refractive' surgery, whereby lasers are used to correct a patient's sight. In the vast majority of cases, patients no longer need to wear glasses after the operation. This kind of treatment is not generally covered by statutory health insurance, and must be funded by patients themselves. And demand is set to increase, due to an increasing willingness among patients to foot the bill for such applications. "This is even more significant, since we believe that insurers' willingness to include innovative treatment programmes in their catalogue of services, thus raising the cost of health provision, will continue to wane," explained Dr. Krämer.

In its presentation, Philips emphasised its intention to increase its share in the medical technology market, both organically and through external growth. This should boost corporate margins while reducing cyclicalities. Dr. Wolfgang Sawazki, head of Equity Research at Sal. Oppenheim, commented, "This underlines the significance of the medical technology field as a defensive growth market with excellent price potential."

Market performance forecasts echoed by specialists

The companies' general forecasts on market performance were precisely echoed by those of the sector specialists from Sal. Oppenheim. The effects on the two medium-sized players, Carl Zeiss Meditec and Dräger Medical, were however slightly different. As a specialist in the field of ophthalmology, Carl Zeiss Meditec is set to benefit from the ageing population and the self-funding market. In

developing instruments for corrective laser sight therapy, Carl Zeiss Meditec thus enjoys a presence in the two key growth areas in this sector.

Dräger Medical describes itself as a solution provider in the field of critical care medicine that is on the cutting edge in the optimisation of processes in this field. Dräger emphasised that although critical care beds only represent between 5% and 10% of a hospital's capacity, they generate around one third of costs. There is thus a particular need to increase efficiency in this area.

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