

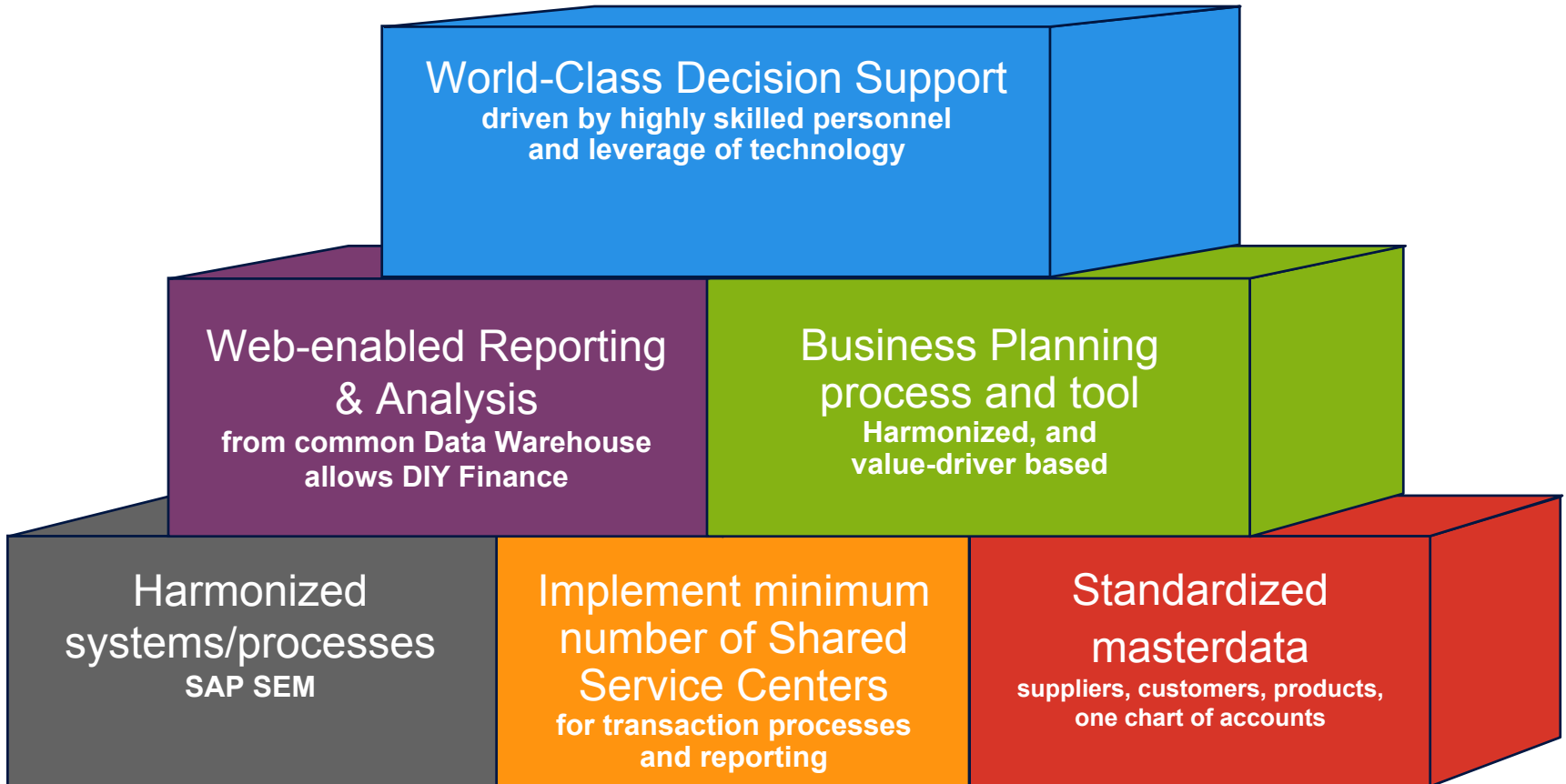
PHILIPS

BEST in Finance

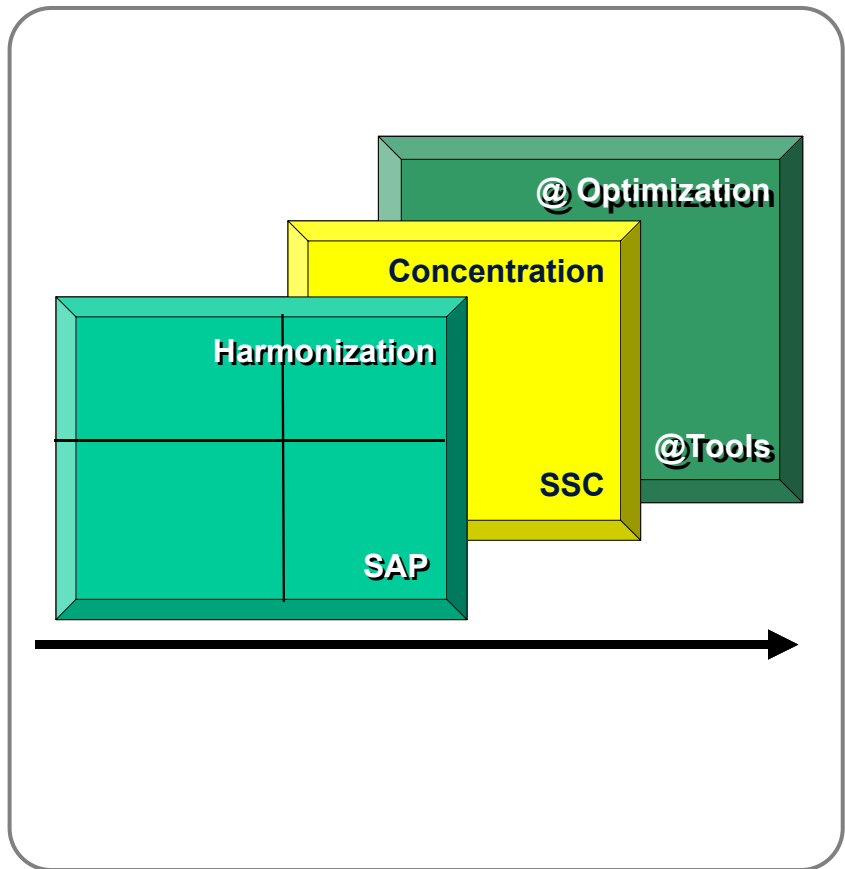
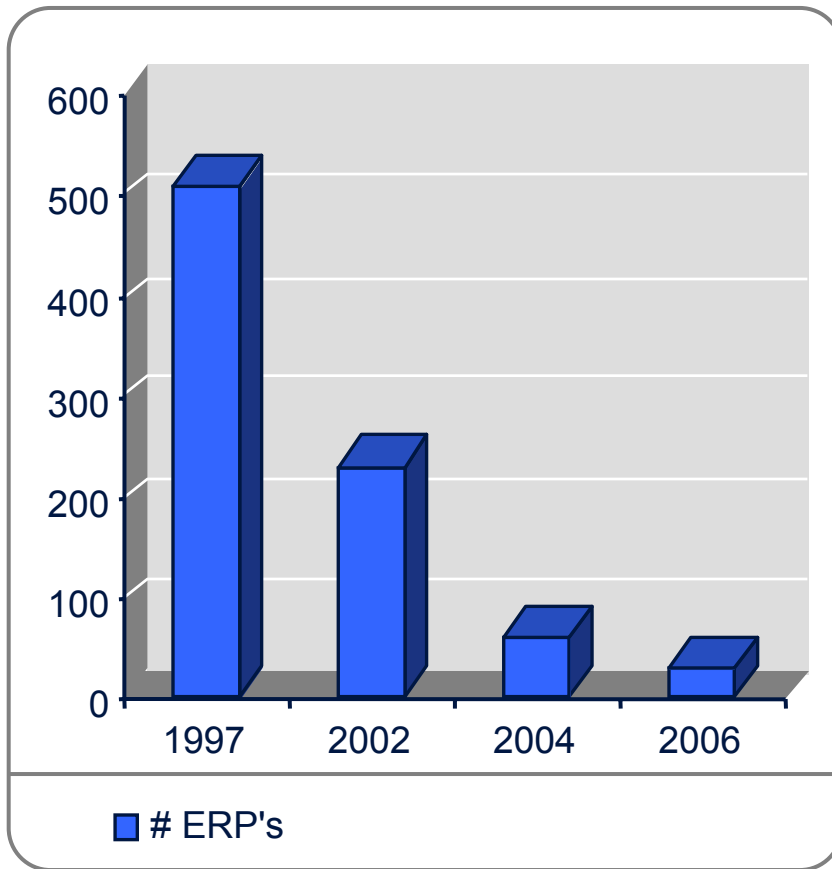
Gerard Ruizendaal
Executive Vice President Group Controller

November 23, 2004

Building the House of Finance



Harmonization of processes and systems



Standardized Masterdata

Harmonized master data enable:

- ☑ Standardized primary registration
- ☑ Business process harmonization
- ☑ Storage without conversions
- ☑ Seamless access to intelligence

Philips one chart of accounts enables:

- ☑ Further integration of PD SAP kernels
- ☑ Shared Service initiatives
- ☑ Standard ways of working in transaction accounting
- ☑ Flexible, seamless reporting and consolidation



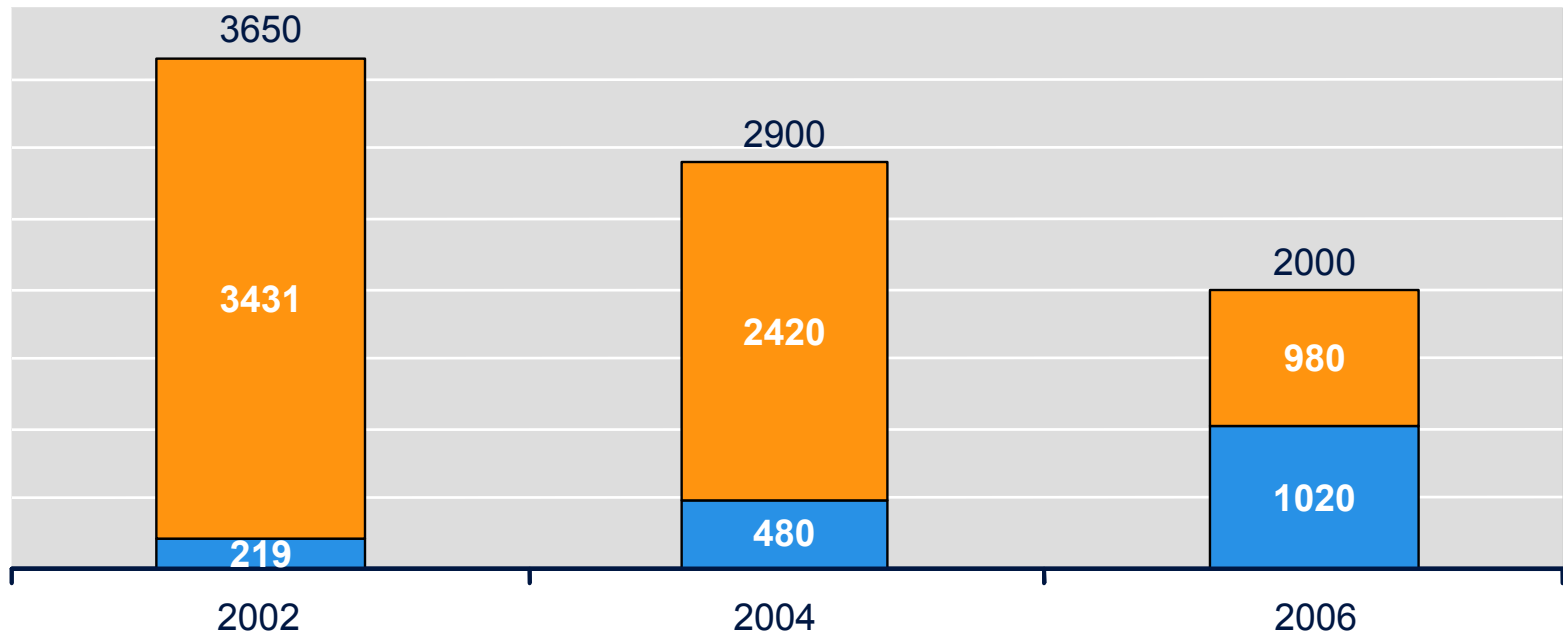
...reducing costs and organizational complexity



One example of the benefit of standardization of data is the company wide purchasing spend information which will be available from Jan 2005

- Business Benefits
 - One definition of spend
 - Global visibility of spend
 - Purchasing details for total spend reports
 - Purchasing details for consignment stock scenarios

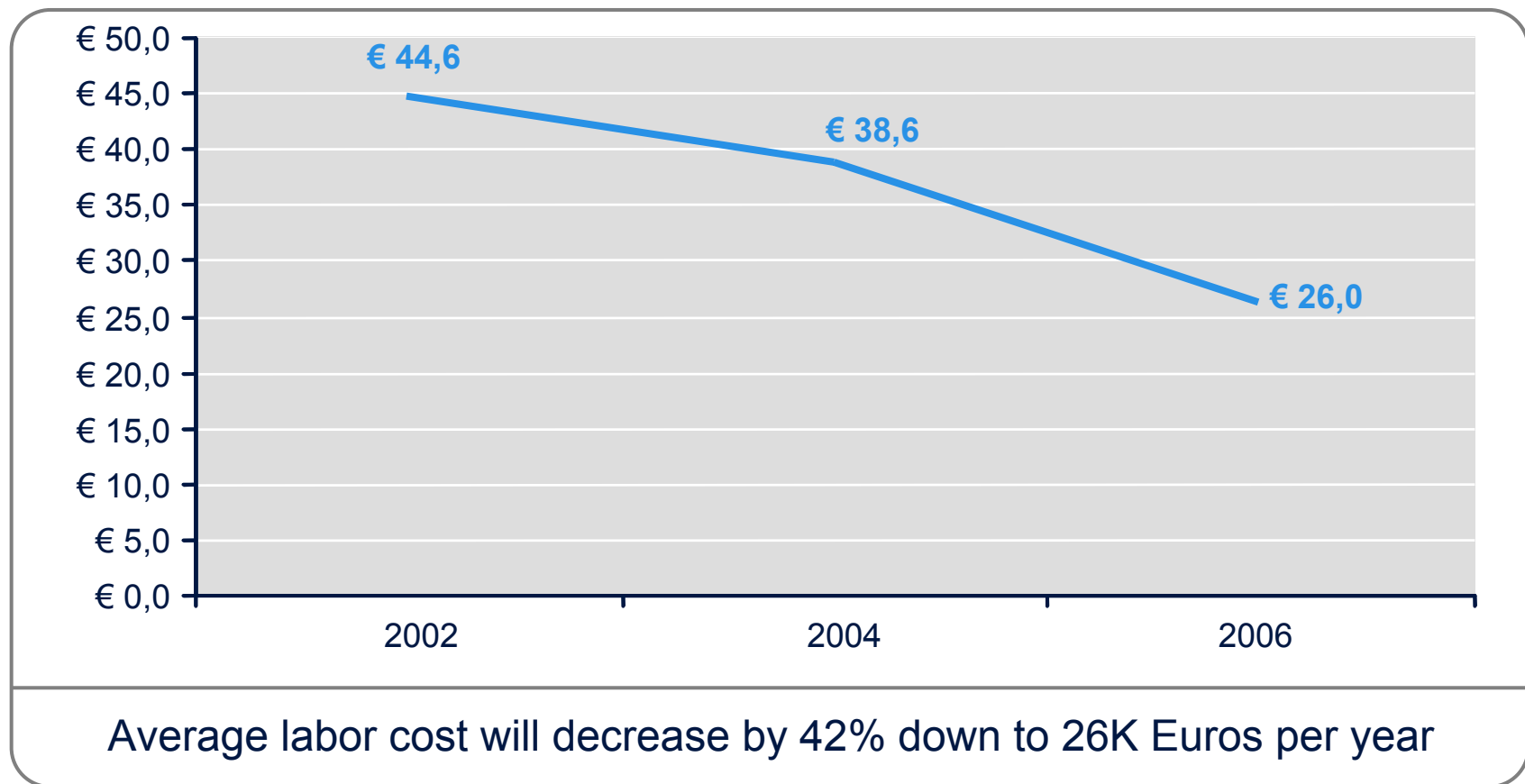
Number of Full Time Equivalent Employees in Shared Service Centers



- Reduction from 3650 in 2002 to 2000 by the end of 2006
- 51% of staff will be located in low cost regional service centers

- Local Operations
- Regional SSC

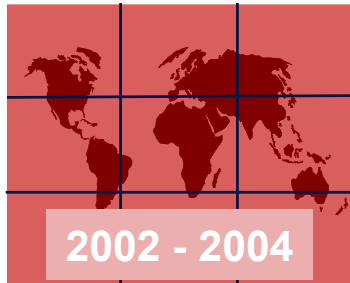
Average Labor Cost of Full Time Equivalent Employees in Shared Service Centers



Fast Steps Approach

- Created the foundations in 2 years with:
 - Focus on transaction processing only
 - 3 regional centers already up and running
 - 40% of customers already handled by service centers
- Learning and testing phases behind
- Acceleration phase in 2005 and 2006:
 - 100% of customers by the end of 2006
 - Scope expansion to more value added services

Our Roadmap Towards World Class



Get it Going

- Transaction Processing
- Regional Concentration
- Systems & Process Standardization
- Automation “Must Haves”
- Create organizational Identity
- Selected cost reductions



Improve and Expand

- All customers on Board
- Automation “Facilitators and Optimizers”
- Global harmonization
- Global Systems & Processes
- Performance optimization
- Expand Scope of Services
- Reach 1st quartile benchmark

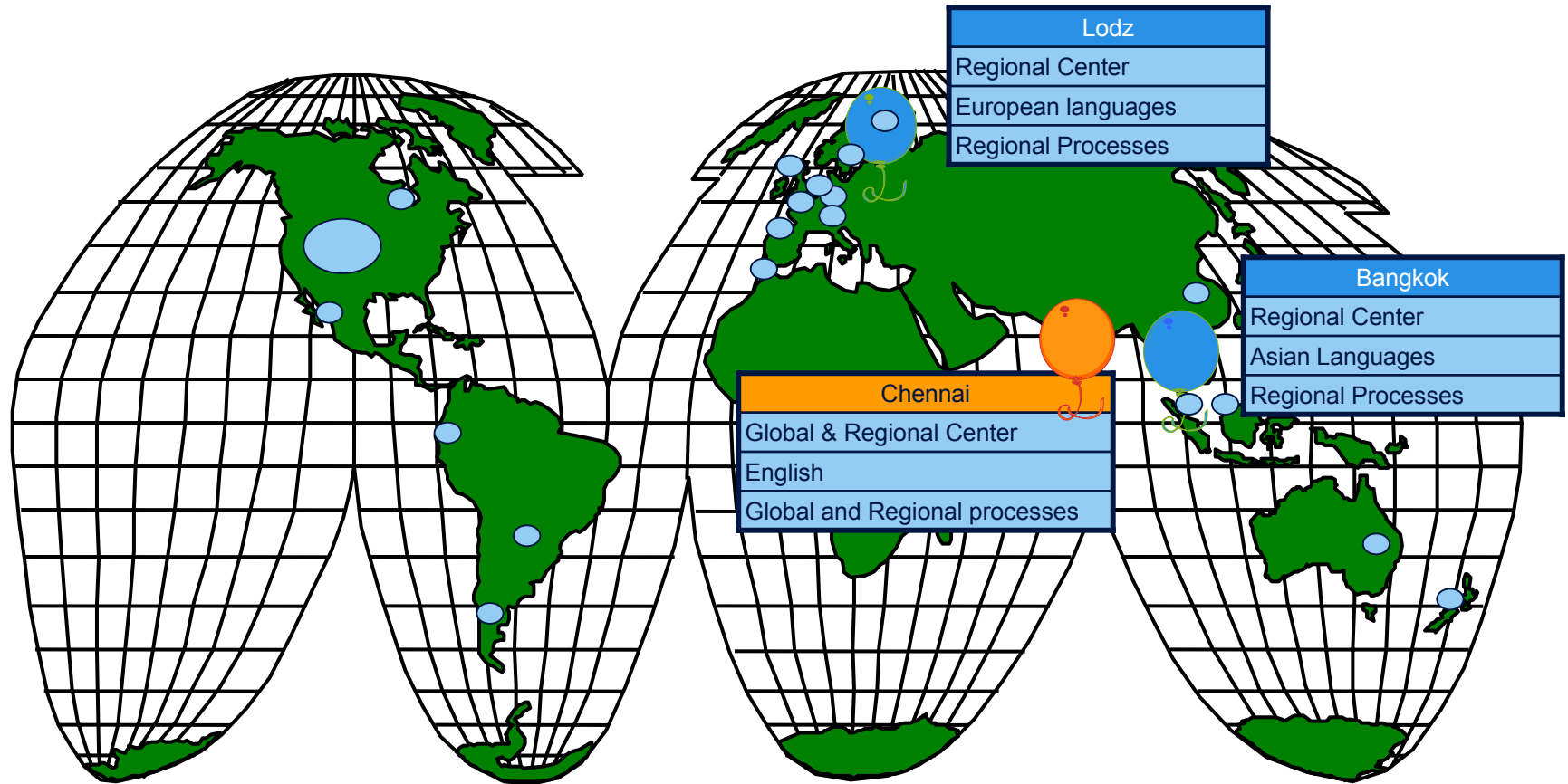


Full Value

- Global economies of scale
- Global synergies
- Process Based Organization
- “End-to-End” process automation
- Delight Customers
- High Employee Satisfaction
- World Class Status
- Recognition in all areas

Finance Shared Services Model

Local / Regional / Global Model



All Service Centers operate in a standard way

Building on a solid foundation enables other benefits

Initiative

Business Planning

Faster close

Customer profitability

Moving standard reports to the SSC

Reporting Optimization

Business Benefit

Reduction in cycle time from 10 weeks to 2 weeks
Market driven approach

60% reduction in time to close
Reporting time reduced by one week

Global visibility of profitability of Customer accounts

Further €10M savings from wage arbitrage

€10M savings from process improvements
More transparency in management information

World-class decision support

