4 Our strategic focus

4.2 How we create value

Understanding and meeting people’s needs
Building upon our long history of innovation, we take a systematic approach to value creation. Our starting point is always to understand the specific challenges local people face – whether they be a doctor, a real estate developer, a hospital director, a city planner, a consumer, etc.

Having gained these deep insights, we then apply our innovative competencies, strong brand, global footprint and talented, engaged people – often in value-adding partnerships – to deliver solutions that meet these needs. Making the world healthier and more sustainable.

To measure the impact our solutions are having around the world, we have developed our independently verified Lives Improved model. We take a two-dimensional approach – social and ecological – to improving people’s lives. Products and solutions that directly support the curative (care) or preventive (well-being) side of people’s health, determine the contribution to the social dimension. The contribution to the ecological dimension is determined by means of our Green Product portfolio, such as our energy-efficient lighting.

Our business system
With its four interlocking elements, the Philips Business System (PBS) is designed to help us deliver on our mission and vision – and to ensure that success is repeatable. As we execute our strategy and invest in the best opportunities, leverage our unique strengths and become operationally excellent, we will be able to consistently deliver value to our customers, consumers and other stakeholders.

- **Group strategy**: We manage our portfolio with clearly defined strategies and allocate resources to maximize value creation.
- **CAPs**: We strengthen and leverage our core Capabilities, Assets and Positions – our deep customer insights, technological innovation, global footprint, our people, and the trusted Philips brand – as they create differential value.
- **Excellence**: We are a learning organization that applies common operating principles and practices to deliver to our customers with excellence.
- **Path to Value**: We define and execute business plans that deliver sustainable results along a credible Path to Value.

The ‘Creating value for our stakeholders’ diagram, based on the International Integrated Reporting Council framework, shows how – with the Philips Business System at the heart of our endeavors – we use six different forms of capital to drive value in the short, medium and long term.
Human
- Employees 104,204, 35% female
- Training spend EUR 50 million on 450,000 courses, over 1 million hours through Philips University
- 48,092 employees in growth geographies

Intellectual
- Invested in R&D EUR 1.9 billion (Green Innovation EUR 495 million)
- Employees in R&D 11,462 in 60 R&D centers across the globe including growth markets

Financial
- Debt EUR 5.8 billion
- Equity EUR 11.8 billion
- Market capitalization EUR 21.6 billion

Manufacturing
- Manufacturing sites 95, cost of materials used EUR 8,446 million
- Total assets EUR 31.0 billion
- Capital expenditure EUR 522 million

Natural
- Energy used in manufacturing 9,702 terajoules
- Water used 2.7 million m³
- Recycled content in our products 13.5 kilotonnes

Social
- Philips Foundation
- Stakeholder engagement
This is an interactive electronic version of the Philips Annual Report 2015 and also contains certain information in summarized form. The contents of this version are qualified in their entirety by reference to the printed version of the Philips Annual Report 2015. The printed version is available as a PDF file on this website.

Information about: forward-looking statements, third-party market share data, fair value information, IFRS basis of presentation, use of non-GAAP information, statutory financial statements and management report, reclassifications and analysis of 2015 compared to 2014.

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