

PHILIPS

Business Renewal at work

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By creating a lean, focused organisation, we have delivered the Business Renewal targets

2003 organization

- De-centralised business planning, logistics and accounting
- 7 Business Units;
21 Creation Teams
- Each team individual R&D approach
- Distinct regional marketing programs
- Undifferentiated business models
- USA: focus on improving retail position
- In house infrastructure
- Large own consumer service organisation

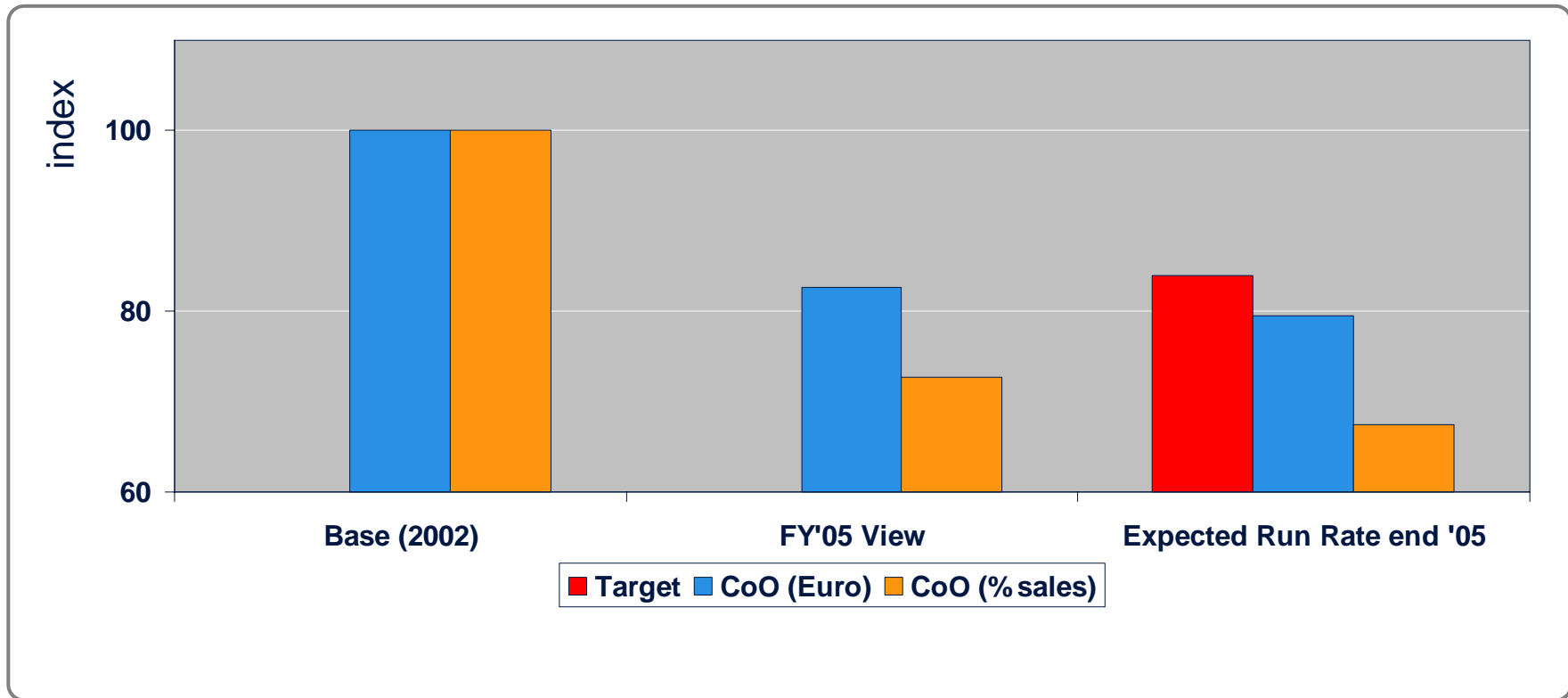


2005 organization

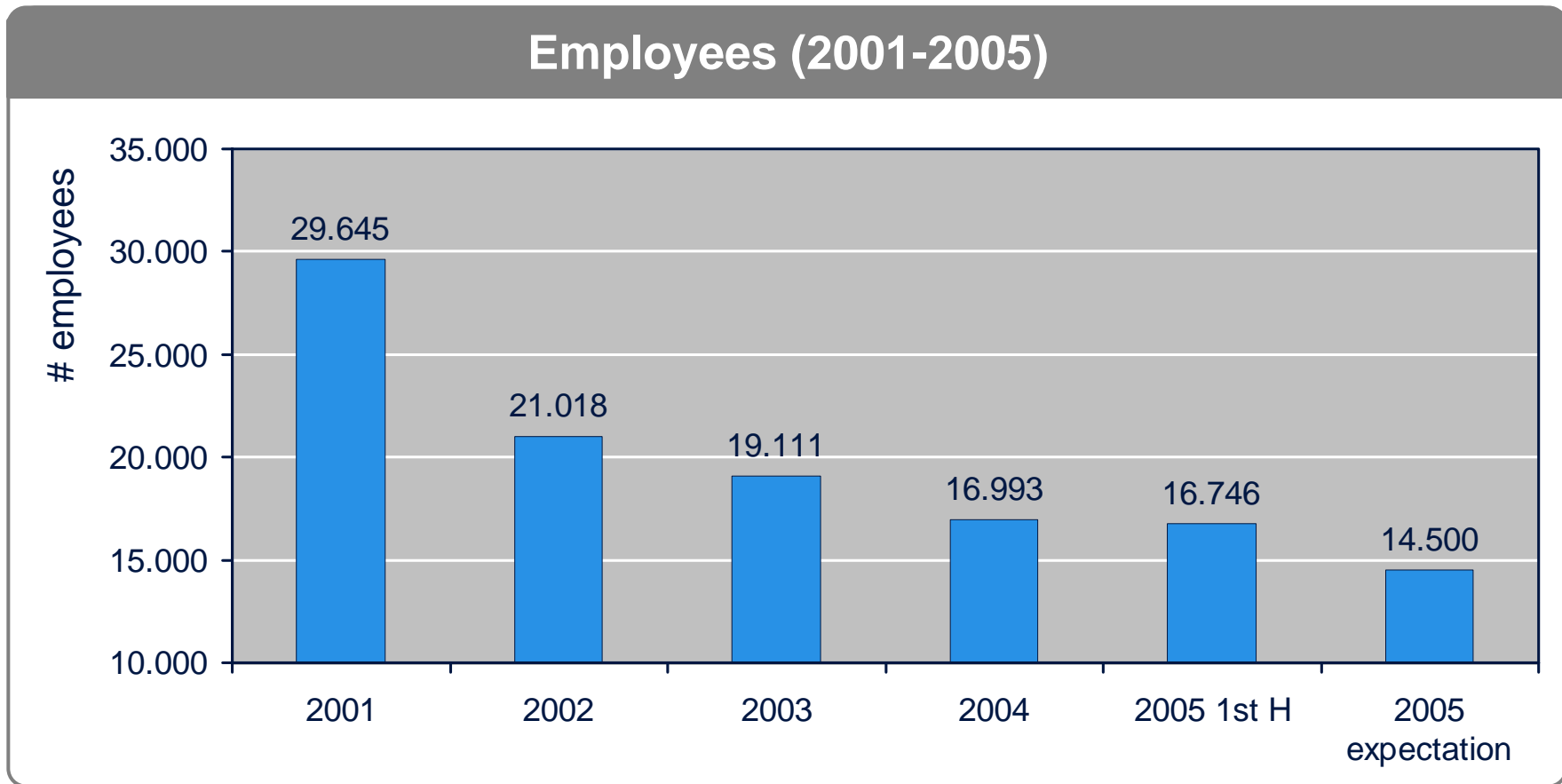
- ✓ Centralised business planning, logistics and accounting
- ✓ 3 Business Units;
12 Creation Teams
- ✓ Aligned R&D roadmaps
- ✓ Coherent global marketing approaches
- ✓ Business model adapted to life-cycle
- ✓ USA: lean organisation; executing global programs to drive business
- ✓ Outsourced, shared service centres
- ✓ Outsourced consumer service organisation

Resulting in a reduction of a €400 million run rate already by Q2 2005

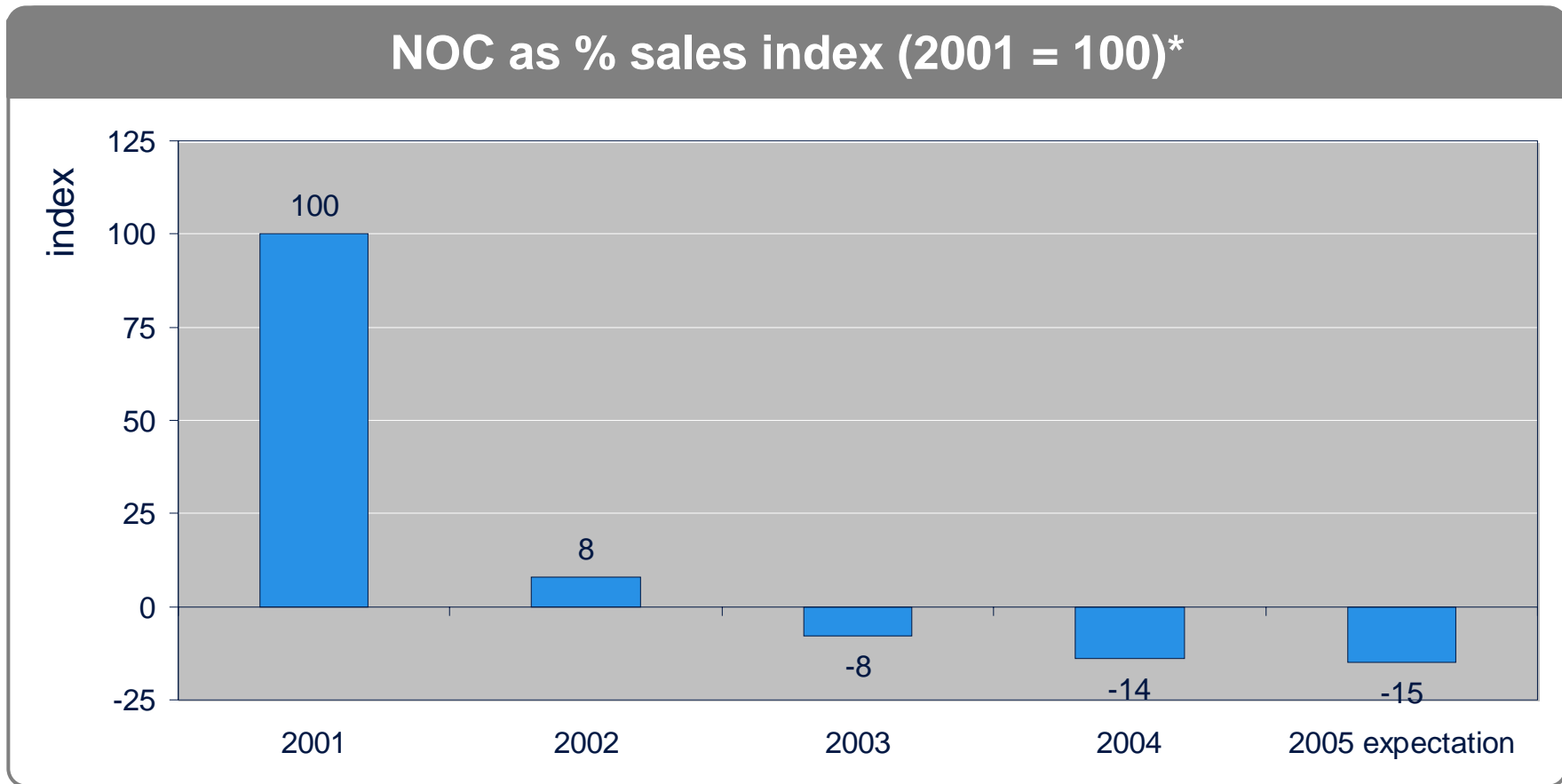
Target run rate already achieved in Q2 2005 through various cost savings and improvements



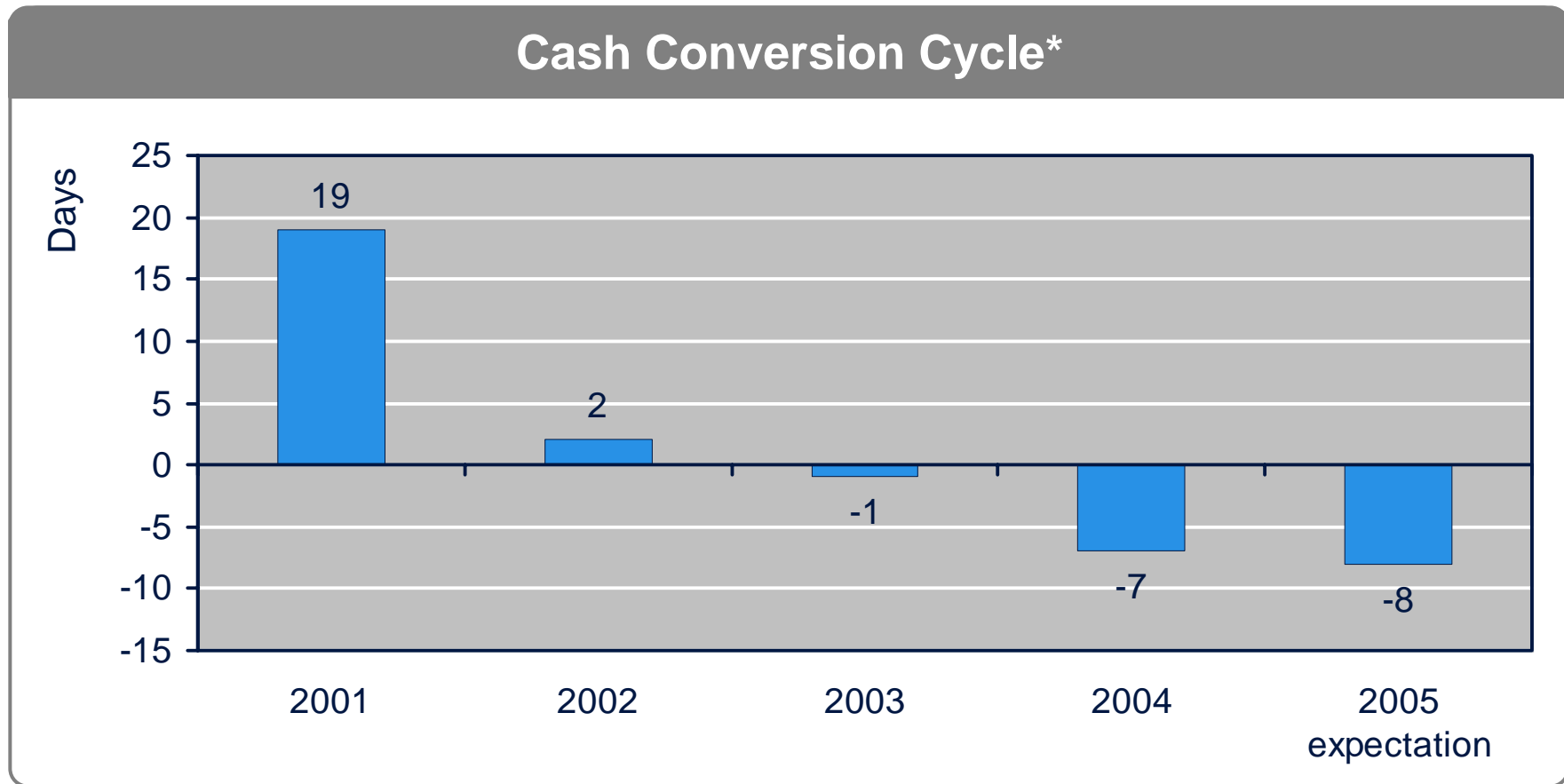
Snapshot 2001-2005: reduction in employees...



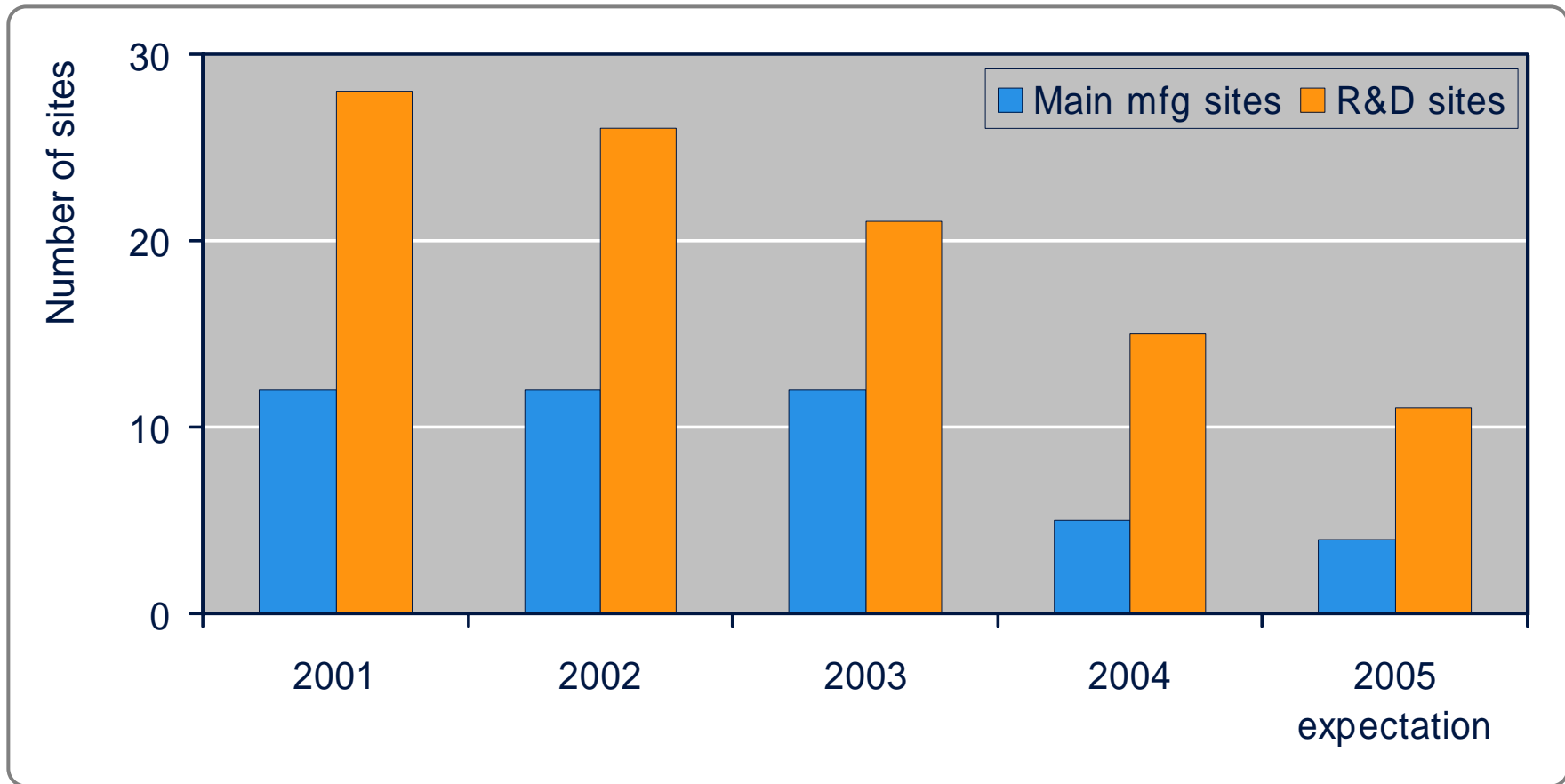
... reduction in NOC as % sales ...



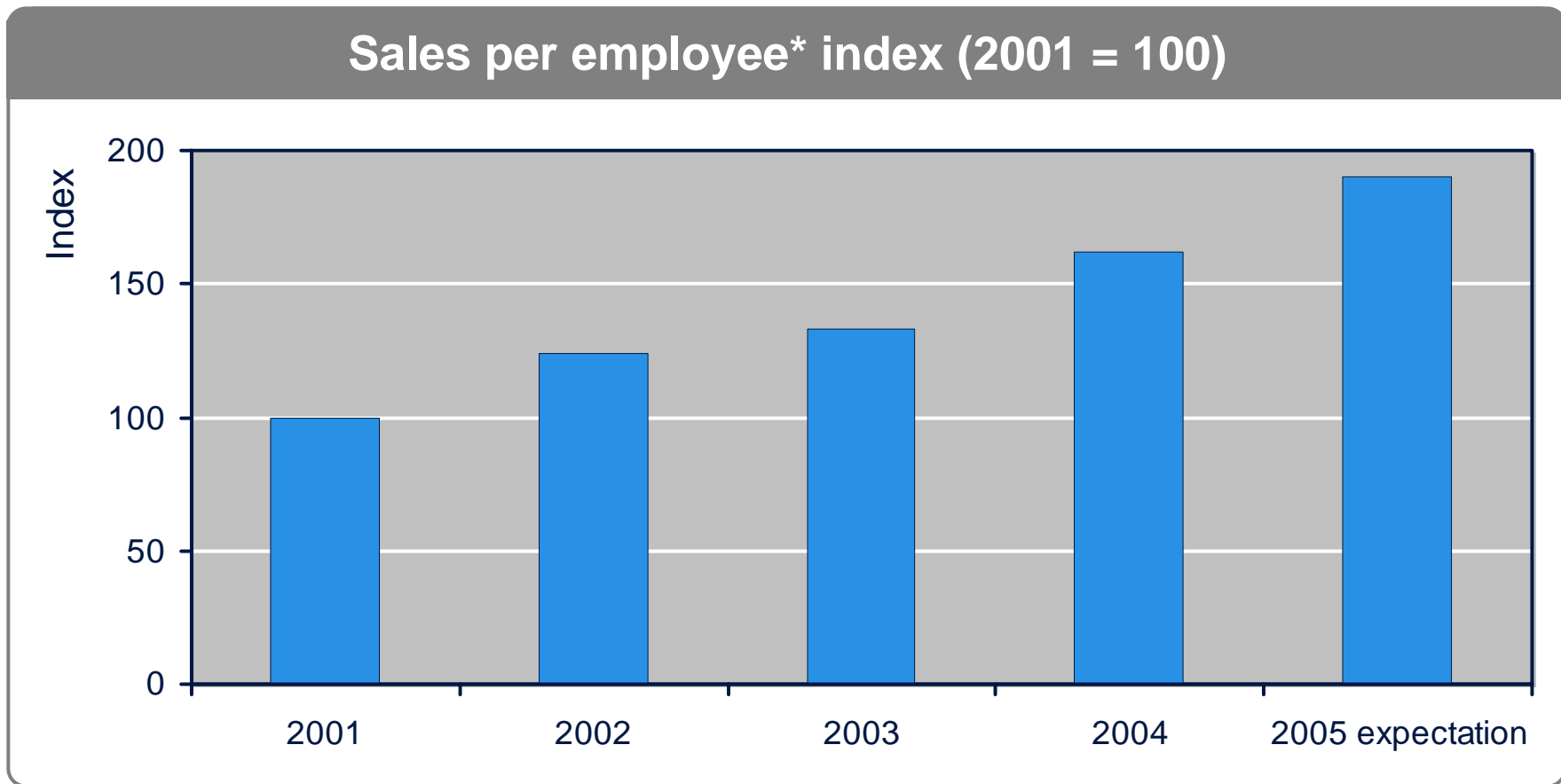
....reduction in the cash conversion cycle....



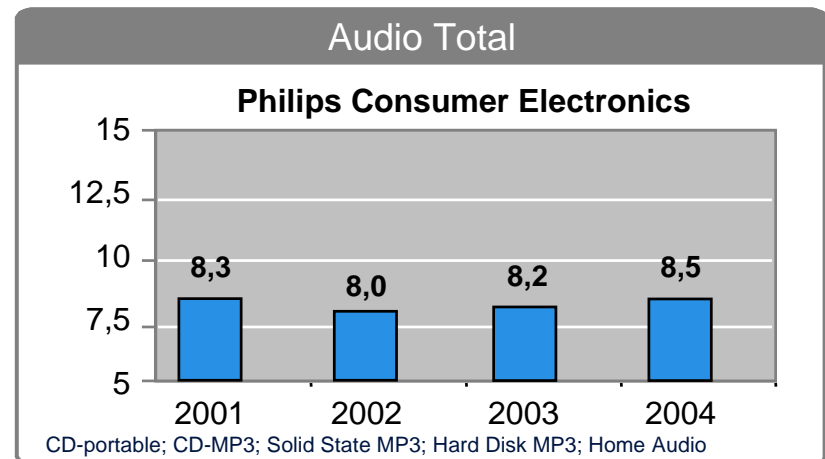
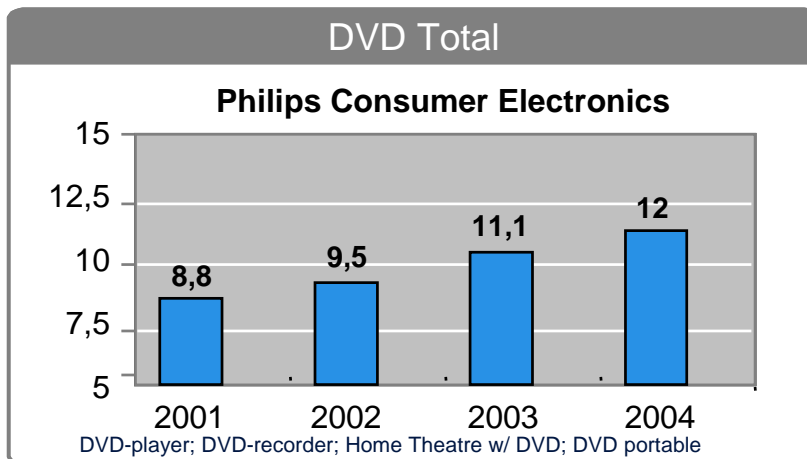
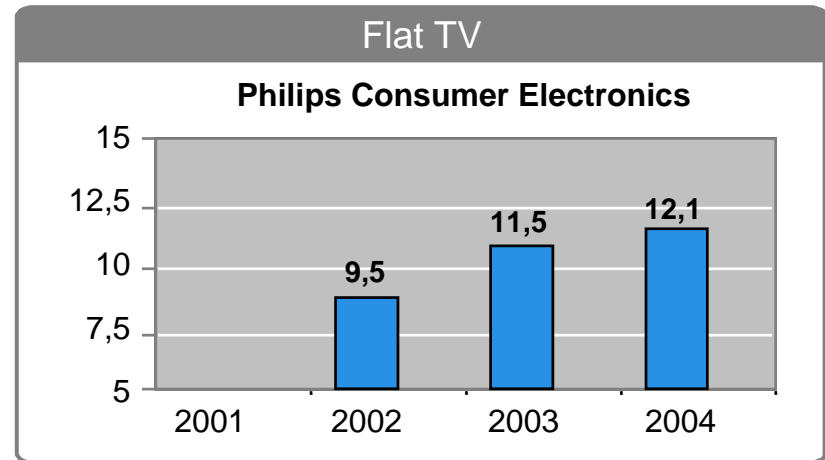
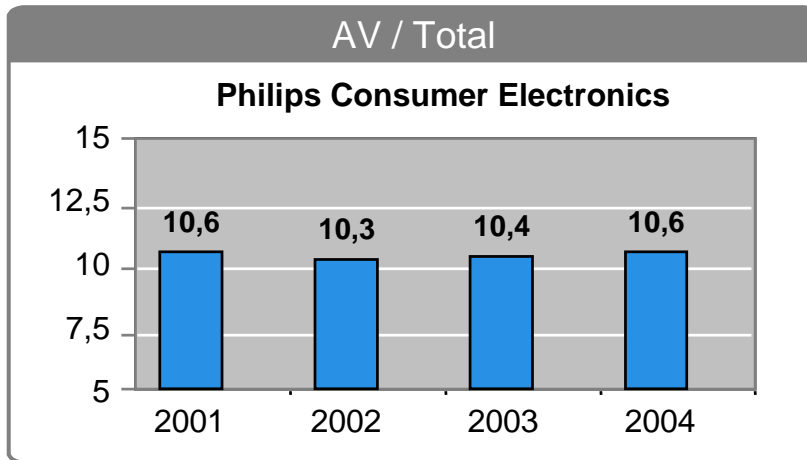
... reduction of sites (streamlined footprint)...



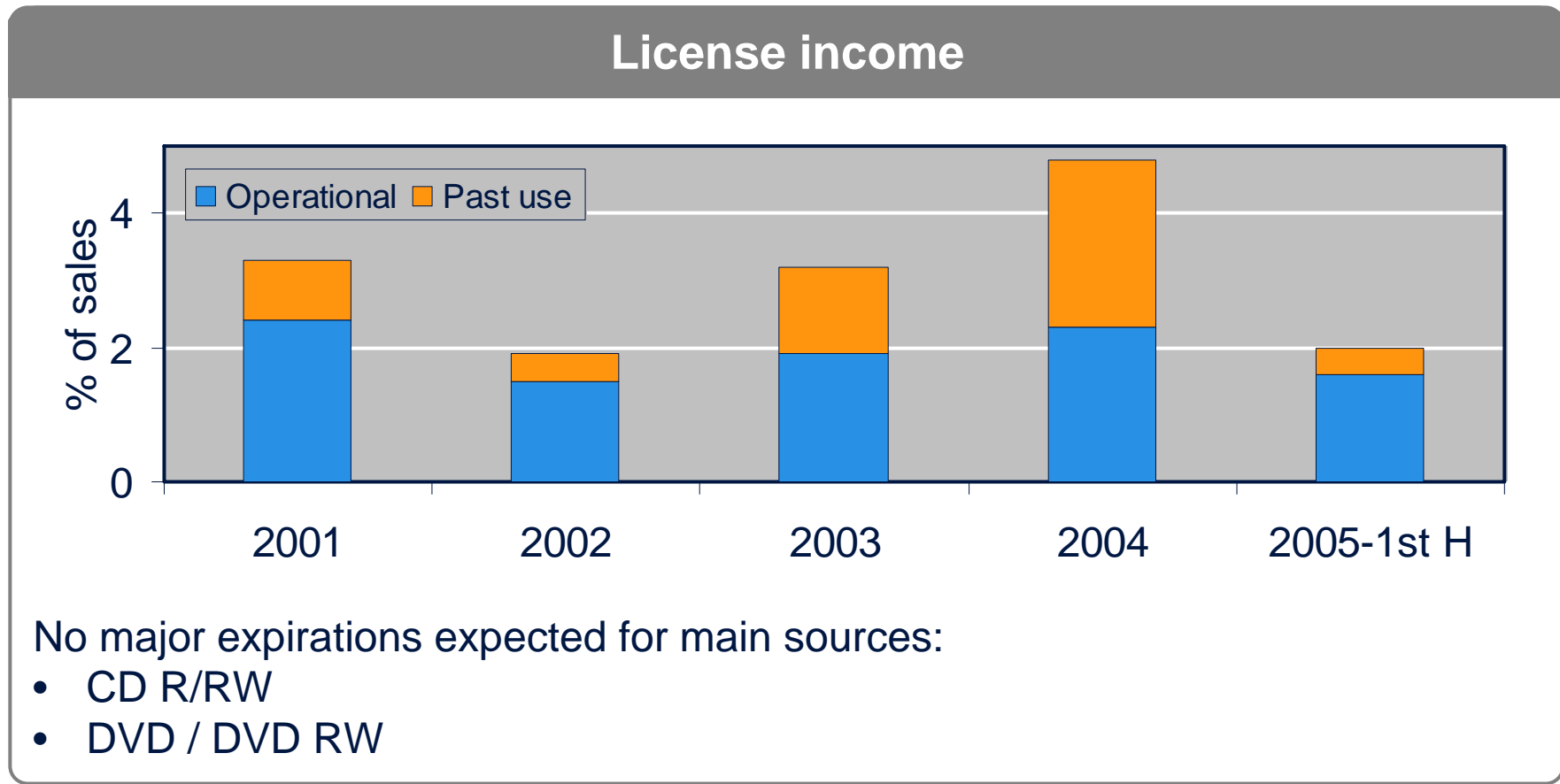
...increasing sales per employee ...



... growing market share in key categories ...



... operational license income stable around 2%



Business renewal substantiates 2006 financial targets

	From 2002	To 2006
Sales	9.6 Bln €	~ 10 Bln €
Margin	21.1 %	~ 18.0 – 19.0 %
CoO (SG&A, R&D)	21.0 %	~ 16.0 – 17.0 %
CE operational IFO (ex. restr., ex. lic.)	0.1 %	~ 2 – 2.5 %
NOC	0.3 %	Negative
License income	1.9 %	~ 2 %
CE total IFO	2.1 %	~ 4 – 4.5 %

