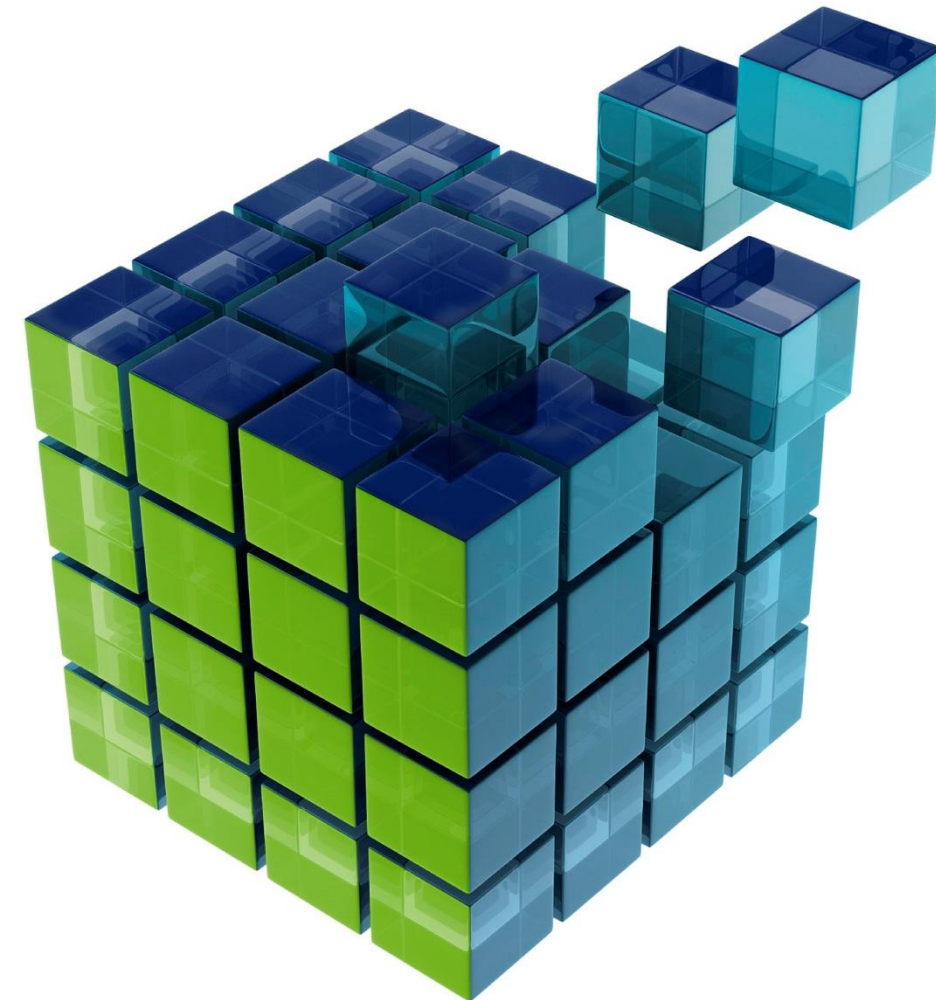
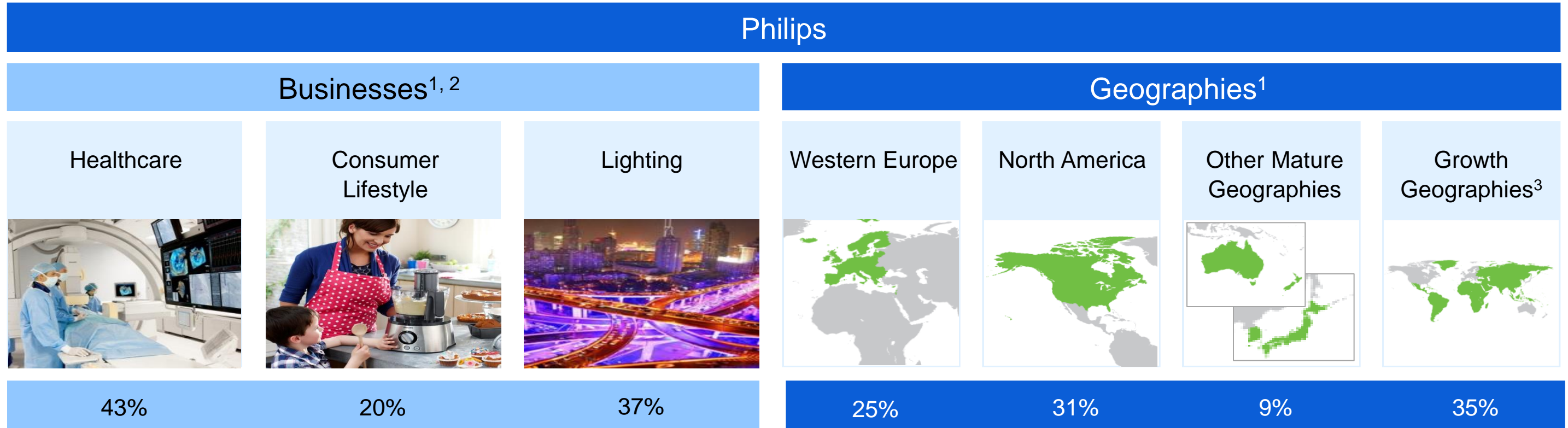


Using a business process outsourcing (BPO)
relationship to move up the value chain

Simone Noordegraaf
Global Head of Finance Operations, Philips



Philips: A strong diversified industrial group leading in health and well-being



Since 1891

Headquarters in Amsterdam, the Netherlands

€23.5 Billion

Sales in 2012.

Portfolio consists of ~70% B2B businesses worldwide in over 100 countries

115,000+

People employed

worldwide in over 100 countries

\$9.1 Billion

Brand value in 2012

8% of sales invested in R&D in 2012

59,000 patent rights, 35,000 trademark rights, 81,000 design rights

¹ Based on last twelve months sales June 2013

² Excluding Central sector (IG&S)

³ Growth geographies are all geographies excluding USA, Canada, Western Europe, Australia, New Zealand, South Korea, Japan and Israel

Note - Prior-period financials revised for discontinued operations, the adoption of IAS19R and for restatements included in the Annual Report 2012 (please refer to the Annual Report section 12.10 "Significant Accounting Policies")

At Philips we strive to make the world healthier and more sustainable through innovation

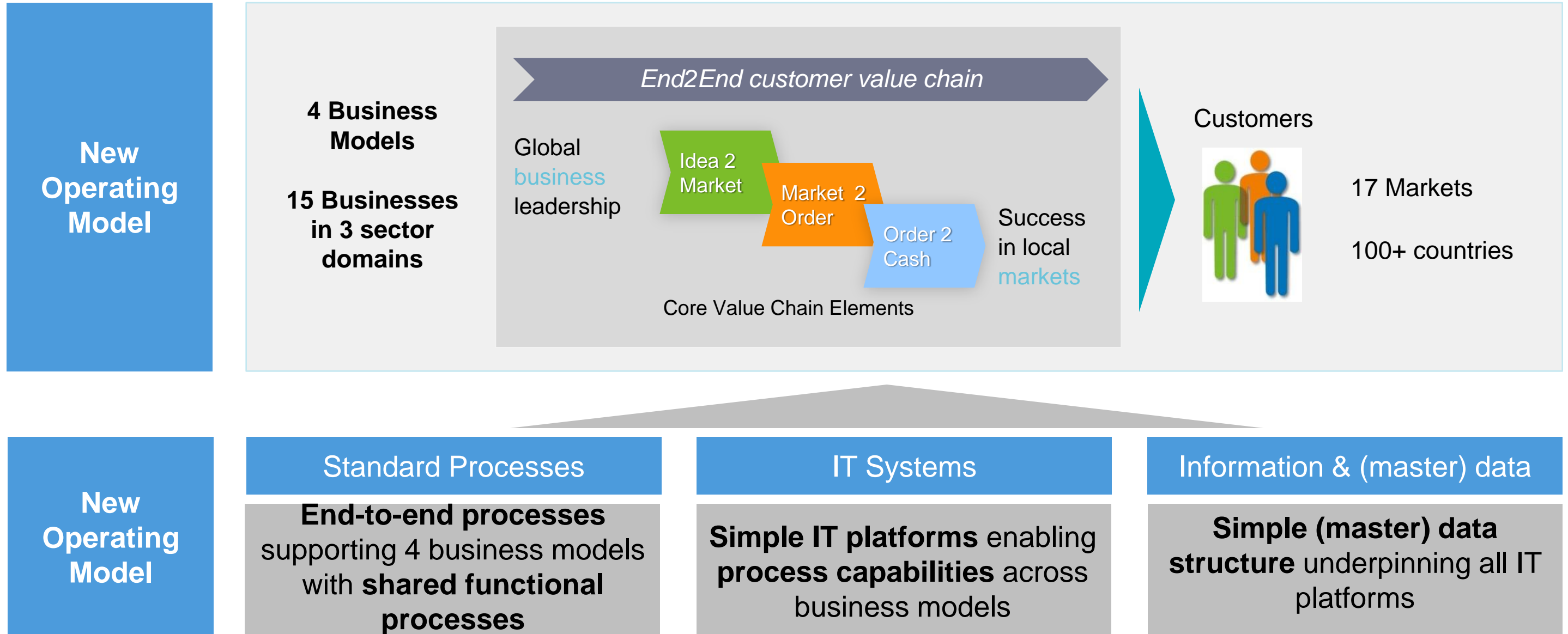


We will be the best place to work for people who share our passion

Together we will deliver superior value for our customers and shareholders

Improving people's lives through meaningful innovation

Philips is on a transformation journey – establishing a new operating model with standard processes



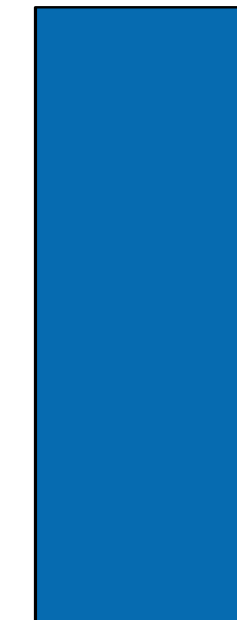
Accordingly, Philips Finance is also on a transformation journey...
From.....

Starting Point

- Widely regarded as one of the strongest functions
- But working in a complex environment
- Everyone is doing everything
- Lack of standards of processes and procedures
- Unsustainably complex IT and data landscape
- ... and too costly

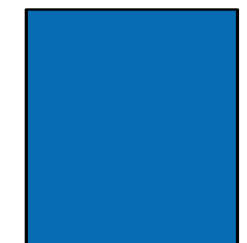
Cost of Finance (as % of sales)

2.1



Philips
Starting
Point

0.8



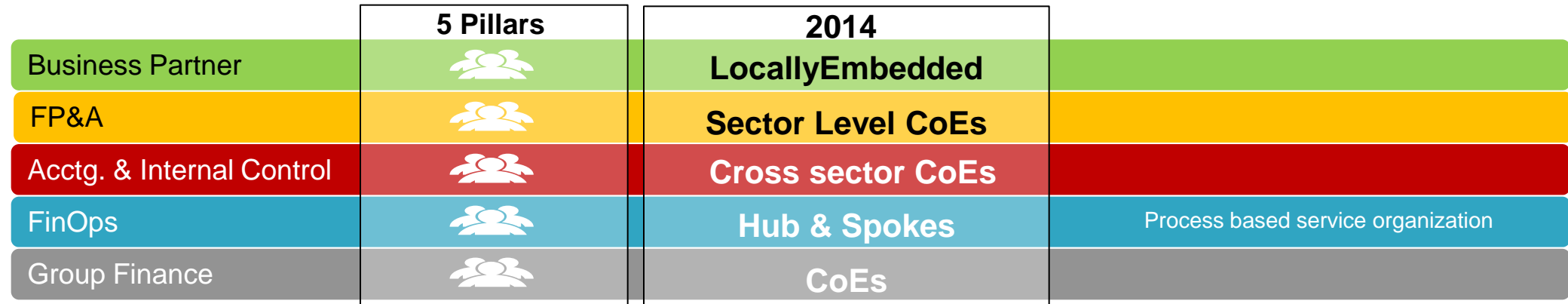
1st quartile

Accordingly, Philips Finance is also on a transformation journey...
To.....

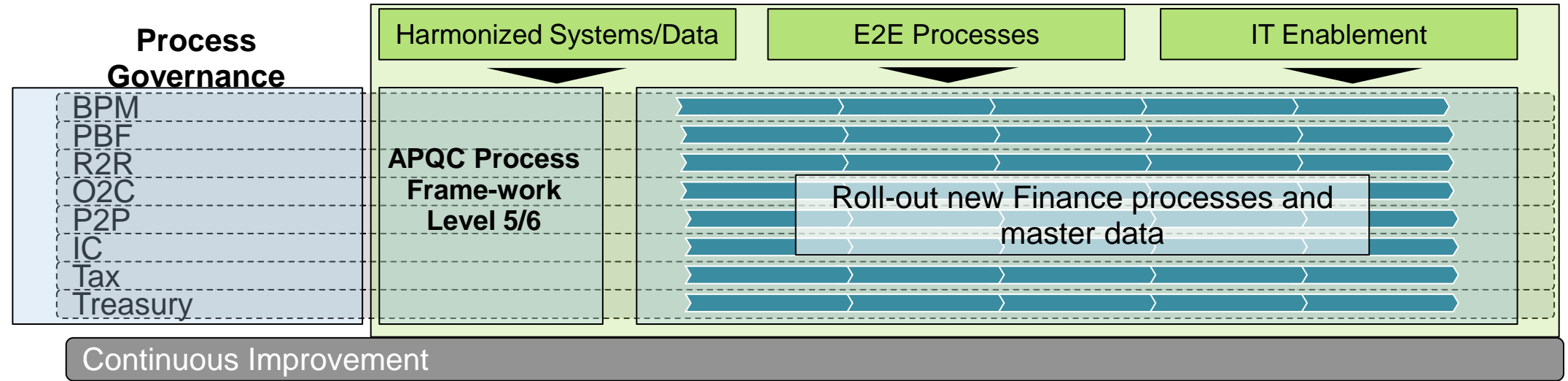
- Credible Business Partner with leading analysis capabilities enabling fast decision making
- Real-time and consistent data as basis for performance monitoring and decision making
- Operational excellence based on standard processes & tools delivered at benchmark cost levels
- Securing Philips Operations by leading edge compliance and control standards
- A great place to work and develop for top finance people

Accordingly, Philips Finance is also on a transformation journey....

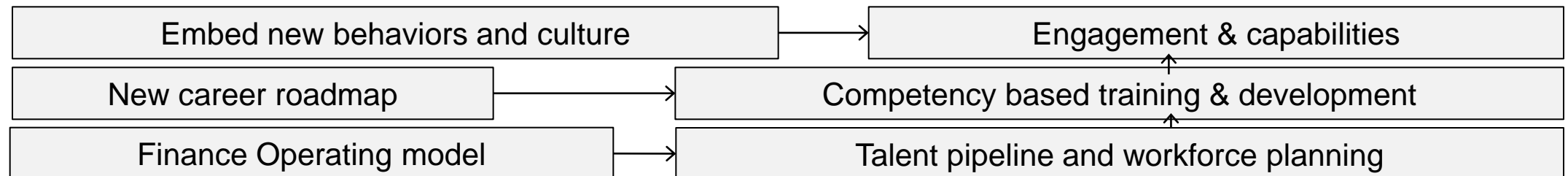
Scalable Best Practice Finance Organization



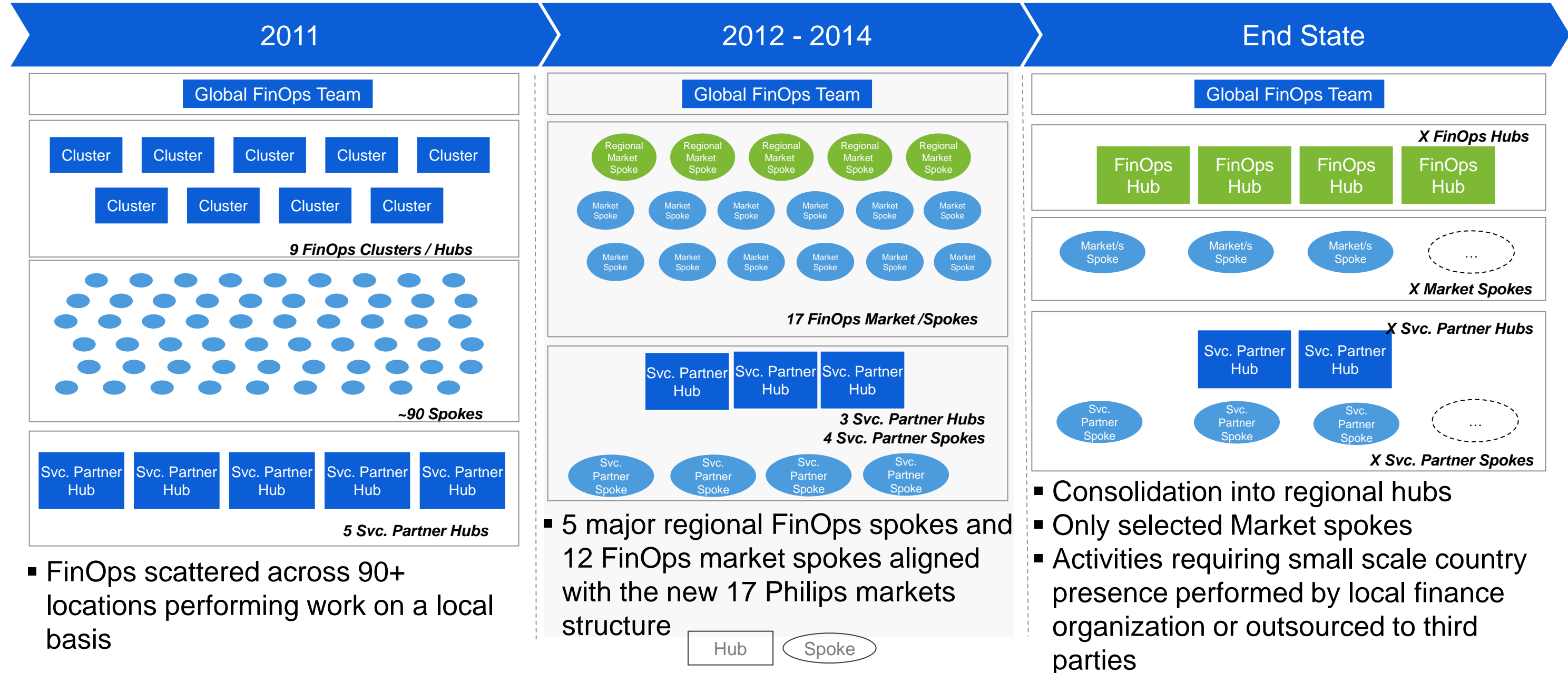
Standardized Processes and Tools



Relevant Finance capabilities for Philips



Within this context, Philips Finance Operations is transforming our operating model



The four main priorities for FinOps on our journey to world class performance

Vision and mission

- Establish a new vision and mission for a world class shared services organization
- Implement a new competency model based on the Philips Finance Career Framework
- Foster a culture of pride in FinOps as an integral value-creator for Philips

Operating model and capabilities

- Re-design the organization and install critical management capabilities
- Upgrade talent and establish a balanced management pyramid with related commitments
- Restructure the current FinOps global footprint to optimize efficiency and service levels

Governance model

- Implement new governance roles and processes to drive process improvement and cost performance
- Clearly define decision rights across Group, Sectors, Businesses & Markets and FinOps
- Restructure relationship, governance and cost/quality performance of Service Partner

Process transformation

- Implement process improvements including:
 - Automation and process enhancement to drive out process workload and cost
 - Revised distribution of in-house and outsourced activities

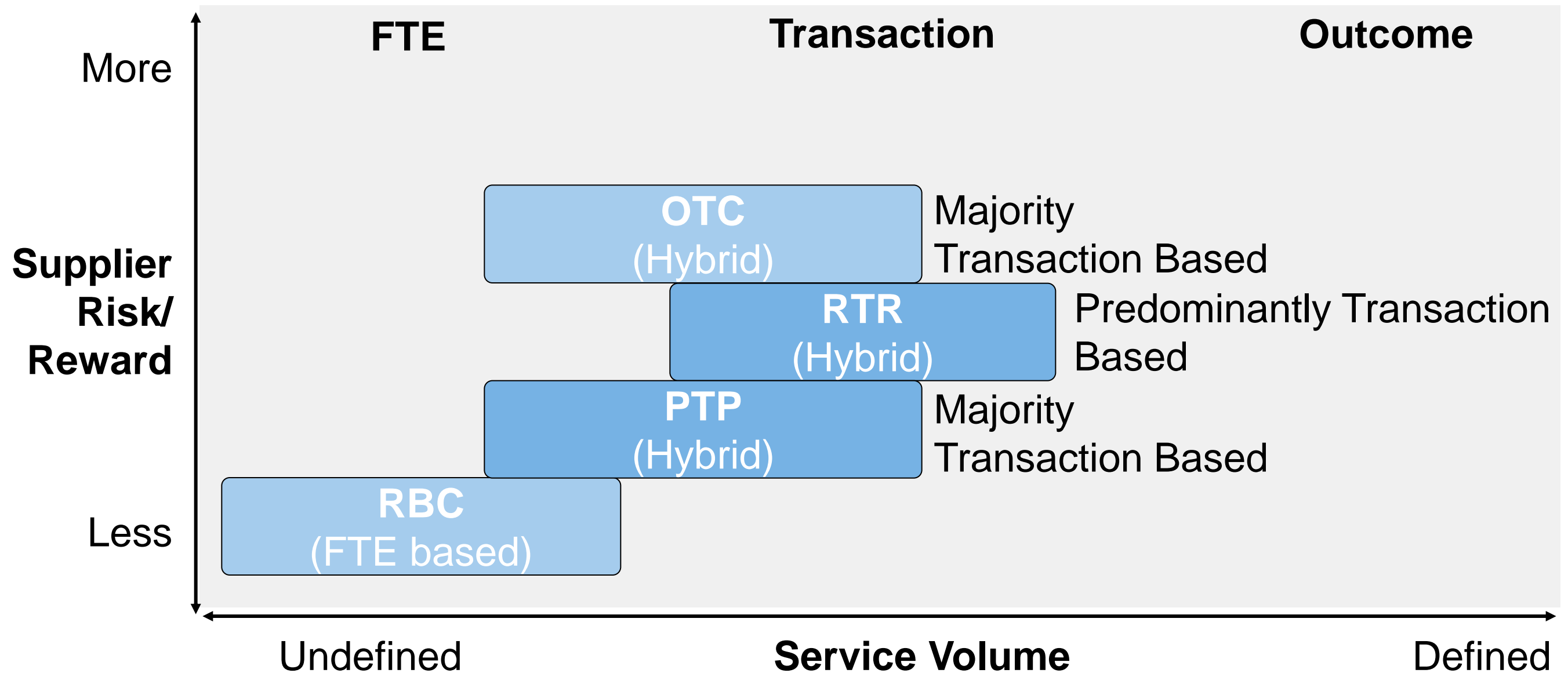
Infosys relationship evolved from 2007 to date...

FinOps and Infosys – Development and Current Status



- Philips sold parts of its Finance Shared Services Operations to Infosys
- Enhanced Accounting project focused on shifting further processes to BPO provider
- Rule Based Controlling project focused on shifting further rule based controlling and reporting to BPO provider
- Agreement focused on additional savings and efficiency gains
- Review of BPO relationship due to expiration date

Our pricing model already evolved from FTE-based model in 2007 to an increasingly hybrid one



Recent Improvement – End 2 End Dashboard



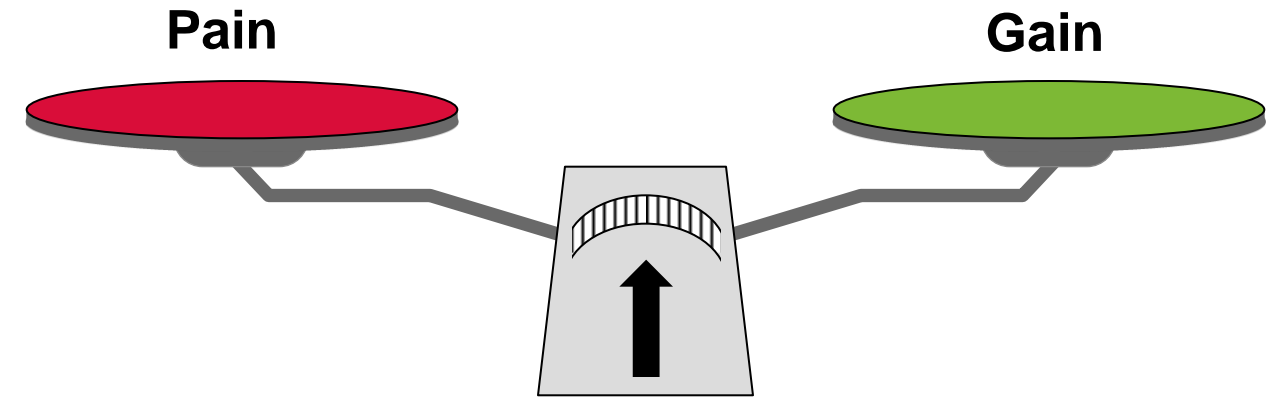
What are the Challenges?

- ▶ Watermelon effect
- ▶ Limited empowerment of BPO to drive required process changes
- ▶ Lack of clear accountabilities

How are we resolving it?

- ✓ One Dashboard for both captive and BPO
- ✓ BPO has clear accountability for E2E KPIs in-scope processes
- ✓ BPO creates insights to drive process changes

Recent Improvement – Pain / Gain Sharing



What are the Challenges?

- ▶ Slow quality improvements
- ▶ Lack of drive from BPO to improve processes E2E
- ▶ Lack of integration of diverse capabilities of BPO

How are we resolving it?

- ✓ Clear improvement targets for six key indicators
- ✓ Quality change leads to significant penalty or incentive
- ✓ Solid control environment prerequisite for incentive

Recent Improvement – Predictable efficiencies



What are the Challenges?

- ▶ Heavy dependency on ability of BPO to drive efficiencies
- ▶ Predictability of efficiencies
- ▶ Lack of integration of diverse capabilities of BPO

How are we resolving it?

- ✓ Efficiencies are upfront agreed
- ✓ Efficiencies based on projects aligned with Philips roadmaps
- ✓ BPO is responsible to find new projects to meet efficiencies

*Questions
and Answers*

