

# About Philips



**PHILIPS**

sense and simplicity

# The Philips Way

Philips has been improving the quality of life with pioneering innovations for over 115 years, ever since the company was founded as a manufacturer of lamps in 1891. Our company is a global leader in healthcare, lighting and consumer lifestyle, delivering products, services and solutions through the brand promise of “sense and simplicity”. Headquartered in the Netherlands, Philips employs approximately 128,100 employees in more than 60 countries worldwide. With sales of EUR 27 billion in 2006, the company is a market leader in medical diagnostic imaging and patient monitoring systems, energy efficient lighting solutions and lifestyle solutions for personal health, wellness and pleasure.

To remain viable and competitive, every company must embrace change. So, while celebrating our rich heritage, we have in recent years been engaged in a process of fundamental transformation – one designed to turn Philips into a market-driven company capable of delivering sustained profitable growth.

Today, Philips is a much simpler company focused on the market, centered around the brand and driven by innovation. The emergence of the experience economy is creating a new market space with considerable growth potential for Philips. It is one in which we can leverage our competencies in design, technology and branding to capture value from some of the major economic, social and demographic trends, e.g. the growing demand for healthcare, the desire for a greater sense of wellbeing – in the broadest sense of the word – and the need for energy efficiency.

Our mission remains to improve the quality of people’s lives through the timely introduction of meaningful innovations. In an increasingly complex



world, we strive to bring the power of human insight and experience to technology. We believe that technology should enable people to live life to the full. Applying our deep understanding of people’s needs and desires and delivering on our promise of simplicity, we empower our customers with solutions that are advanced, yet designed around them and easy to experience.

Our solutions promote health and well-being and enhance the spaces in which people live, work and play, e.g. by offering them improved diagnostic experiences or greater control over their surroundings. Increasingly, these solutions are intelligent (sensing, learning and adapting), connected and easy to interact with.

Based on insights into what consumers really need and want, and supported by advances in miniaturization and interaction design, our focus is gradually evolving towards embedded functionality as an enabler of experiences. In this way, we can help create appealing ambiances and experiences in the home, offices, hotels, public spaces, sports venues, etc., making life simpler, more enjoyable and more productive.

# Our Mission

Philips has reinvented itself many times, but through it all our core, the soul of our company, remained intact. That is because it was part of our company since its inception in 1891. It is the passion to...

"Improve the quality of people's lives through timely introduction of meaningful innovations."



Simplicity is knowing his healthy smile can lead to a healthy life.

# Our Vision for 2010

Philips is on a journey to transform itself into a truly market driven and people centric company. This involves a strategy that aims to grow the company further in the areas of Healthcare, Lighting and Consumer Lifestyle. As part of its "Vision 2010" strategy, Philips will simplify its business structure to align with this strategy by creating three core sectors as per January 1, 2008: Philips Healthcare, Philips Lighting, and Philips Consumer Lifestyle.

- Vision 2010 aims to fuel growth through sharpened strategies for Healthcare and Lighting, as well as an integrated approach for Consumer Lifestyle.
- Vision 2010 positions Philips as a market-driven company, people centric with a structure that matches the needs of our customer base. Vision 2010 confirms we're a company focusing on three market sectors: Healthcare, Lighting and Consumer Lifestyle.
- As a result of Vision 2010, Philips has announced it expects higher levels of operating profitability. By 2010, Philips expects to more than double its EBITA per share compared to the level expected in 2007.

# Vision 2010

**Our mission is** to improve the quality of people's lives through meaningful innovations. We care about the wellbeing of people and place them at the center of everything we do.

**Our innovations are** meaningful because we apply our brand promise of sense and simplicity through its three pillars of designed around you, easy to experience and advanced. We are organized around markets, not products.

**We constantly look** at issues and trends in society to ensure that people's needs remain at the heart of our thinking. Taking this view means we remain loyal to our DNA as a sustainable enterprise.

**Our values-based culture** - the 'four Ds' (delight customers, deliver on our commitments, develop our people and depend on each other) is a cornerstone for behavior inside and outside the company.

**These philosophies must** be clearly recognized through the solutions we provide in our chosen markets of Healthcare, Lighting and Consumer Lifestyle.

**We will adhere** to the highest standards in business ethics and use our General Business Principles, Compliance Officers and ethics hotlines to ensure the integrity and openness of our operations.

**When we deliver** all of these ambitions, then all of us will be rewarded with industry leading results, which will be reflected in our returns to shareholders and all other stakeholders.



Signed on behalf of the company and all its employees by the Board of Management, Royal Philips Electronics, September 10, 2007



R Provoost



T van Deursen



G Dutiné



GJ Kleisterlee



P.-J. Sivignon



S Ruszkowski



A Ragnetti

**PHILIPS**  
sense and simplicity

# Our Enablers

## Our brand promise

Our “sense and simplicity” brand promise guides us in everything we do. It expresses a commitment to put people at the center of our thinking, to eliminate unnecessary complexity, and to emphasize the meaningful benefits of technology.

## Our Values

Delight customers  
Deliver on commitments  
Develop people  
Depend on each other

## Our mindset and way of working – One Philips

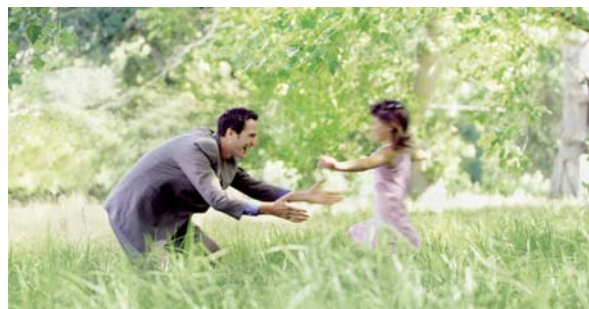
The concept of One Philips is central to becoming a focused, market-driven company that can deliver sustained profitable growth. One Philips is all about unlocking synergies by leveraging competencies and resources across the company. It expresses the belief that by working together we can create more value than the sum of the parts and achieve further growth at the points where our application domains converge.

## Our talent

Ultimately, the quality of our people will determine whether we fulfill our mission. Accordingly, we are strengthening our talent management in order to secure the quality of leadership required to take our company forward – leaders who pursue market insight, create innovative strategies, inspire commitment, leverage capabilities, champion people’s growth and drive for results. Leadership is very much about securing employee engagement. This requires the creation of a diverse and inclusive working environment, where all employees are aligned and energized to contribute. We will be driving this forward on various fronts.

## Innovation

We leverage our multi-disciplinary research and development capabilities to create new technologies and sustain our strong intellectual property position. And we are maintaining our investment in technology leadership, e.g. at our Incubators, which act as



seedbeds for the transformation of promising innovations into winning business propositions.

## Design

We enrich our design process by integrating established design skills with input from other disciplines such as the human sciences, technology and business – and always with a clear people focus. It is our intention to design solutions based on in-depth user research, which harness technology to improve the quality of people’s lives.

## Sustainability

Social and environmental performance is a driver of innovation and value propositions, helping to keep our business sustainable in both the short and long term.

## Our strategy

We will reach our objectives by executing on the following strategic actions:

- We are a people-centric company that organizes around customers and markets
- We invest in a strong brand and consistently deliver on our brand promise of “sense and simplicity”, in our actions, products and services
- We deliver innovation by investing in world class strengths in end-user insights, technology, design and superior supplier networks
- We develop our people’s leadership, talent and engagement and align ourselves with high performance benchmarks
- We invest in high growth and profitable businesses and emerging geographies to achieve market leadership positions
- We are committed to sustainability and focus on making the difference in efficient energy use
- We drive operational excellence and quality to best in class levels, allowing us the above mentioned strategic investments in our businesses.

# Healthcare

Philips Healthcare is a global provider of innovative healthcare solutions designed to address the needs of patients as well as healthcare professionals. It aims to improve access to healthcare with products and services at every stage of care. The sector continued to grow in 2006 as Healthcare expanded its service offerings – through organic growth and acquisitions – to better meet the requirements of its customers.

The Healthcare sector offers – through its respective businesses – advanced solutions for: imaging: X-ray, magnetic resonance (MR), computed tomography (CT) and nuclear medicine ultrasound and monitoring; patient monitoring, ultrasound systems, defibrillators and other cardiac care technologies healthcare informatics: picture archiving and communications systems (PACS) and other information systems medical transcription services (MedQuist) customer services: supporting the optimization of workflow and maintenance in all markets served.

Products and services are sold to healthcare providers around the world, including academic, enterprise and standalone institutions, clinics, physicians and consumer retailers. Healthcare's development and innovation program broadens its product and service portfolio and enables it to gain preferred-supplier positions with leading hospitals. Increasing the speed of innovation is a strong business driver. The Healthcare sector has approximately 33,000 employees in over 100 countries around the globe.

## Major developments

In 2006 and 2007, Healthcare made a number of significant advances in the areas of diagnostic imaging, healthcare informatics, cardiology and clinical decision support, through acquisitions as well as the introduction of products and services. The division continued to build upon its current portfolio with acquisitions that complement and enhance its market offerings. These included Witt Biomedical, a world-renowned supplier of hemodynamic monitoring and



clinical reporting systems, and Intermagnetics, a leading manufacturer of high-field superconducting magnets and radio-frequency coils for magnetic resonance imaging systems.

In order to ensure alignment with its customers and markets and drive future growth, The Healthcare sector simplified its operations in 2006 by creating a single global sales and service organization, while also strengthening a number of processes to improve talent management.

In the second quarter of 2006, the Consumer Healthcare Solutions business was set up to target the growing market in products and services that deliver cost-effective monitoring, treatment and care outside the hospital environment and the consumer retail domain. The business focuses on sales to consumers and care providers through non-retail channels and consists of two business units: Lifeline and Connected Care. Lifeline comprised the activities of the former Lifeline Systems, Inc., a leading provider of personal response services and emergency call systems, which Philips acquired in March 2006, while Connected Care comprises Remote Patient Management platforms like Motiva, focusing on more effective care delivery solutions for people with functional limitations and/or chronic illnesses. Per January 1, 2008, Consumer Healthcare Solutions, renamed as Home Healthcare Systems, will be an integral part of the Healthcare sector.

# Lighting

Philips Lighting is the global market leader, with recognized expertise in the development, manufacturing and application of innovative lighting solutions. The sector pioneered many of the key breakthroughs in lighting technology, creating a solid basis for both its present activities and future aspirations. Through its expertise and in-depth understanding of the customer and the end-user, the division is an innovator in lighting and a shaper of the lighting industry landscape. As stated in its mission, Philips Lighting understands people and improves their lives with lighting.

Lighting consists of the following businesses: Lamps; Professional Luminaires & Systems; Home Luminaires & Systems, Lighting Electronics; Automotive, Solid State Modules, Lumileds and Special Lighting Applications. The full range of products includes incandescent and halogen lamps, compact and normal fluorescent lamps, high-intensity gas-discharge and special lamps, luminaires, electromagnetic and electronic ballasts and solid-state components, modules and systems.

Lighting's products are found everywhere, throughout the home and in professional applications – at work, on the move, in shops, in the city, hospitals, stadiums, etc. The division has manufacturing facilities in 25 countries, and sales organizations in more than 60. Commercial activities in other countries are handled via dealers working with the division's International Sales organization. Lighting has approximately 55,000 employees worldwide.

## Major developments

In 2006 and 2007, Lighting continued to strengthen its performance and increased its market share. In June 2006, it entered the emergency lighting market by



acquiring The Bodine Company – a US-based lighting manufacturer. And in February 2007 it acquired Partners in Lighting International (PLI), the leading European manufacturer of home luminaires. This acquisition is a strategic move designed to strengthen Philips Lighting's presence in the home lighting market, where solid-state lighting will bring major benefits in terms of creating atmospheres and reducing energy consumption. To even further strengthen the position in the USA and the luminaires market, Philips also acquired two US-based companies: Color Kinetics, a leader in LED technology, and Genlyte, a North-American luminaires company.

Lighting has initiated a project to further simplify and streamline the organization in order to shape itself for future growth. Part of this project is the re-design of the marketing organization and way of working, leading to a single marketing strategy aligned across, and leveraging the key competencies of, all the businesses. The focus is on cross-business market segments, with a strategic segment marketing team established to define new growth opportunities and develop new concepts for the division.

# Consumer Lifestyle

The Consumer Lifestyle Sector offers consumers exciting experiences to help them look, feel and live better, and it is to help create a world where consumers enjoy great lifestyle entertainment experiences and services whenever and wherever they want. Consumer Lifestyle brings to market advanced products that are designed around the consumer and easy to use. It offers a wide range of products that help people enhance their homes, appearance and sense of well-being. These products include the whole-fruit juicer, Swarovski encrusted headphones, the Aurea ambilight television, the Wake-up Light and the *arcitec* shaver. In short, propositions designed to improve people's quality of life – every day.

The Consumer Lifestyle sector is engaged in the development, manufacturing and marketing of innovative propositions through its businesses – Connected Displays, Video & Multimedia, Audio & Multimedia, Home Networks, Peripherals & Accessories, Domestic Appliances, Shaving & Beauty and Health & Wellness. In its drive to offer consumers appealing value propositions, Consumer Lifestyle also partners with leading companies from other fields in order to deliver exciting appliance/consumable combinations. The division employs over 25,000 people in 49 countries.

## Major developments

The Consumer Lifestyle sector is a result of the merge of Consumer Electronics with Domestic Appliances and Personal Care (DAP). The combined strength of CE and DAP forms the platform for sustainable growth. The combination of both divisions results in a sector that has the best of both worlds: an optimized



supply chain, range optimization, competence in specialized categories and speed in competitive markets. It has a host of No. 1 or 2 global market positions across its portfolio.

## Moving forward on objectives

Consumer Lifestyle has invested more in R&D, specifically in breakthrough R&D. Results of such investments include the innovative 3-in-1 Wardrobe Care Solution, which combines a high-end ironing system with a steamer and a refresher into one solution, underscoring Philips' position as an innovator in garment care. The sector has won several prestigious awards, including the European Imaging & Sound Association (EISA) award, Innovation Awards at the 2006 Consumer Electronics Show (CES) in the US, and an iF Design Award by the International Forum Design Hanover.

# Gerard Kleisterlee

1946, Dutch

President and Chief Executive Officer of Philips and Chairman of the Board of Management.

President/CEO and Chairman of the Board of Management since April 2001, member of the Board of Management since April 2000 and member of the Group Management Committee since January 1999.

After graduating in electronic engineering at Eindhoven University of Technology, Gerard Kleisterlee started his career with Philips in 1974 at Medical Systems. In 1981 he became General Manager of Professional Audio Systems. In 1986 he joined Philips Components and, after becoming General Manager of Philips Display Components for Europe, he was appointed Managing Director of Philips Display



Components worldwide in 1994. He became President of Philips Taiwan and Regional Manager for Philips Components in Asia Pacific in 1996. He was also responsible for the activities of the Philips Group in China from September 1997 to June 1998. From January 1999 to September 2000 he was President/CEO of the former Philips Components division.

Gerard Kleisterlee is also Chairman of the Supervisory Board of Eindhoven University of Technology, member of the Supervisory Board of the Dutch Central Bank and holds an honorary doctorate from the Catholic University of Leuven, Belgium.

# Pierre-Jean Sivignon

1956, French

Executive Vice-President, Chief Financial Officer and a member of the Board of Management.

CFO and member of the Board of Management and the Group Management Committee since June 2005.

Pierre-Jean Sivignon graduated from the Ecole Supérieure des Sciences Economiques in Paris, where he studied economics and business administration. After graduating he enrolled as an officer in the French Navy in 1978. Upon completion of his military services, he took a position as an external auditor for the firm Peat Marwick Mitchell and worked there until



1982. From 1982 until early 2001, he worked for the Schlumberger Group, where he held a variety of positions. These included Financial Controller for Dowell Schlumberger Oilfield Services (in Europe and Africa), General Manager of the Bank & Industry Division in Paris, and Group Treasurer in Paris and New York. In 2001, he moved to Faurecia SA, a leading supplier of automotive equipment listed on the Paris Stock Exchange, to become its CFO.

# Gottfried Dutiné

1952, German

Executive Vice-President of Philips and a member of the Board of Management.

Member of the Board of Management since April 2002 and member of the Group Management Committee since February 2002.

Gottfried Dutiné holds a degree in electrical engineering and a Ph.D. in communications technology from the University of Darmstadt, Germany. He began his career at Rockwell Collins in Frankfurt, where he was appointed Director of Engineering. In 1984 he joined Motorola as Group Director in charge of



engineering and marketing of their European communications business. He went on to the Bosch group in 1989, where he held several positions. These included Managing Director of Blaupunkt GmbH and President Mobile Communications Division of Robert Bosch GmbH. At the end of 1997 he left for Alcatel in Paris and became Vice-President of the Telecom Board Committee and Area President Central & Eastern Europe and Russia.

# Theo van Deursen

1946, Dutch

Executive Vice-President, Chief Executive Officer of Philips Lighting and a member of the Board of Management.

Member of the Board of Management since April 2006 and member of the Group Management Committee since April 2003 and CEO of the Lighting division since 2003.

Theo van Deursen joined Philips in 1973 after graduating in electronics and business administration at Eindhoven University of Technology. In 1985 he



graduated from IMD's Executive MBA program and later complemented this study with an Executive MBA from the University of Virginia. Since then, he has held a number of key management positions, including CEO of the Lighting Electronics and Automotive & Special Lighting business groups. In 2002 he was entrusted with responsibility for the dissolution of the Components division.

# Steve Rusckowski

1957, American

Executive Vice-President, Chief Executive Officer Philips Healthcare and a member of the Board of Management.

Member of the Board of Management since April 2007 and member of the Group Management Committee and Chief Executive Officer Philips Healthcare since November 2006.

Steve Rusckowski holds a Bachelor of Science in Mechanical Engineering from Worcester Polytechnic Institute and a degree in management science from the Mass Institute of Technology (MIT). Before joining



Philips he held numerous management positions with the healthcare division of Hewlett-Packard/Agilent Technologies. He was the General Manager of Agilent's Healthcare Solutions Group when Philips acquired this business in 2001.

Mr. Rusckowski was previously the CEO of the Imaging Systems business group of Philips Medical Systems (now Philips Healthcare).

# Rudy Provoost

1959, Belgian

Executive Vice-President and Chief Executive Officer of Philips Consumer Electronics and a member of the Board of Management.

Member of the Board of Management since April 2006 and member of the Group Management Committee since August 2003.

Rudy Provoost holds degrees in psychology and business administration & management from the University of Gent. He began his career in 1984 with Procter & Gamble Benelux. In 1987 he joined Canon Belgium, in the fields of Sales and Marketing, becoming General Manager of Marketing for all business operations in 1989. In 1992 he joined Whirlpool Belgium as Managing Director, going on to become



Vice-President Whirlpool Brand Group Europe in 1999. He joined Philips in October 2000, when he was appointed Executive Vice-President of Philips Consumer Electronics in Europe. He was appointed CEO of Philips Consumer Electronics Global Sales and Services in 2003.

As per January 1, Philips DAP and CE will jointly form the new Philips Consumer Lifestyle Sector. On January 1, 2008, Rudy Provoost will move to Philips Lighting, transitioning to take over as CEO from Theo van Deursen who will retire on April 1, 2008.

# Andrea Ragnetti

1960, Italian

Executive Vice-President, Chief Marketing Officer, Chief Executive Officer of Philips Domestic Appliances and Personal Care (DAP) and a member of the Board of Management.



Member of the Board of Management since April 2006 and member of the Group Management Committee since January 2003, Chief Marketing Officer since 2003 and CEO of the Domestic Appliances and Personal Care division since 2005.

Andrea Ragnetti holds a degree in political science from Perugia University. He began his career in Marketing at Procter & Gamble in 1987. In 1993 he joined Joh. A. Benckiser, becoming Marketing Vice-

President, a position he held until 1997. He joined Telecom Italia in 1998 as Executive Vice-President of Marketing for its Mobile division and took up a similar position with its Fixed Line division a year later.

As per January 1, Philips DAP and CE will jointly form the new Philips Consumer Lifestyle Sector.