

Philips Procurement
Philips Finance Operations

To

Philips Suppliers

From

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July 2014

Subject: Philips has moved to e-Invoicing

Dear Valued Business Partner,

As part of our overall strategy, we are continuously improving quality, efficiency, service and speed. Philips is therefore moving away from paper-based processing and has implemented an electronic invoicing program for its goods and service providers. We strongly believe that this new process is mutually beneficial to Philips and its Suppliers. Based on analysis of invoicing activity over the last year, your company has been included in this program. The use of electronic invoicing is mandated as of January 1, 2015.

You are encouraged to adopt this initiative early to start receiving the benefits, some of which are indicated below:

- Lower processing costs
- Secure and guaranteed invoice delivery within hours
- Invoices processed quickly and accurately
- Elimination of time-consuming paper based processes

Philips has partnered with Tungsten Network, a global third party service provider formally known as OB10, to facilitate your transition to e-Invoicing and to manage the process going forward. Tungsten offers flexible options for submitting e-Invoices that accommodate a wide variety of Supplier sizes, systems, and processing needs.

We have asked Tungsten to contact you in the next 10 days to help you understand the detailed way of working, the options available and to make the transition to electronic invoicing. In addition, once you are established on the Tungsten network, you will be able to send electronic invoices to other customers on the Tungsten network and therefore further streamline and improve your own processes.

The enclosed information sheet outlines the options and costs of the Tungsten service. Further information on the network and the benefits it can add to your business, is available at www.tungsten-network.com/Philips. This will further be explained when Tungsten contacts you.

PHILIPS

We strongly believe that this process is mutually beneficial to Philips and its Suppliers. **From January 1, 2015 onwards Philips will no longer process paper invoices.** We strongly advise you to join during the transition phase, in order to avoid that your company's invoices will be rejected.

Thank you in advance for your support of this critical initiative. If you wish to contact Tungsten, simply email clientservices@tungsten-network.com. Alternatively, if you prefer to contact Philips about this request please direct your initial enquiry to your Procurement contact.

Regards,



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Frequently Asked Questions

What are the project timelines?

We are measuring electronic invoicing adoption among our Suppliers by the following milestones:

- **August 15th 2014** – Tungsten to have received a test data file for the Integrated Solution
- **November 1st 2014** – All invoices to be in electronic form and processed via Tungsten

What happens if I miss the deadlines?

From January 1, 2015 onwards Philips will no longer process paper invoices. We strongly advise you to join during the transition phase, in order to avoid that your company's invoices will be rejected.

Why should I use Tungsten to send my invoices?

Tungsten is used by a number of companies. Once on the network, you will be able to send e-Invoices to other Buyers on the network, which will improve the efficiency of the process and reduce costs associated with paper invoices.

Is invoicing via Tungsten a requirement for doing business with Philips?

Philips is moving towards eliminating paper invoices and Tungsten e-Invoicing is one of the key channels that will be used. If you have received this letter, it signifies that you have been selected by your Philips Buyer to move to e-Invoicing, as it has been seen as the best channel for your company.

What are my benefits from using Tungsten?

- **Secure and guaranteed invoice delivery**, no more invoices getting lost in the post
- **No more delays** due to missing information, landing on the wrong desk or manual intervention
- It will take us less time to process your invoices and therefore we will be able to **pay you on time**. This is especially beneficial in combination with Supplier Financing, where fast invoice processing is a prerequisite.
- **ANY-TO-ANY DATA FORMATTING** Technology - there is no need for additional software or hardware
- Higher processing transparency and better Cash Flow Management due to **24/7 access and reporting**
- **VAT compliant**, regardless of where invoices are sent from or received
- **Easy and cost efficient** to send invoices at any time

Will electronic invoicing be a requirement for new tenders and new Suppliers?

Yes. Electronic invoicing via Tungsten will be included in the evaluation process for new Suppliers and tenders. For new contracts, Philips will include terms and conditions in contracts for future business, which will require Suppliers to use the Tungsten network.

Will I need to use this service if my account is currently paid on time?

Yes. Your use of the Tungsten service will ensure we continue to pay you on time.

What happens if I still send paper invoices?

While you are working with Tungsten to complete your registration we will be happy to continue to receive your paper invoices. We have set a deadline of November 1st 2014 for Suppliers to transition to the network. Once you are sending invoices via the Tungsten network please ensure you cease sending paper copies. **From January 1, 2015 onwards Philips will no longer process paper invoices.**



What is the impact if I am on Supplier Financing?

Tungsten e-Invoicing will be a key improvement for Supplier Financing, as it will reduce the processing time significantly by removing the manual handling of paper invoices. Immediate processing of invoices is a prerequisite for Citibank to execute the payment according to the Supplier Finance agreement.

Can I receive my Purchase Orders via Tungsten?

Purchase order information will be sent electronically from Philips to Tungsten, and a series of checks will be performed by Tungsten to enhance invoice compliance and improve Philips' ability to process your invoice automatically.

All purchase order activity can be accessed via the Tungsten Portal for 24/7 review and reporting.

How will I benefit from the Purchase Order service?

The benefits you will gain include the knowledge that your invoice has met the compliance requirements set by Philips, ensuring your invoice is delivered directly into Philips accounting systems.

How does the PO Convert solution work?

For Suppliers who wish to create their invoices online, you can access the purchase order on the Tungsten Portal and 'flip' the PO to create your invoice directly from the PO information. This eases the creation of the invoice and ensures invoice and PO information is synchronized, enabling rapid invoice matching.

Are there fees associated with this service?

If you choose the Integrated Solution there is an annual membership fee plus a transaction fee. For the Web Portal, there is also a transaction fee depending on the volume of invoices, however, if you send 12 or less invoices a year, the Web Portal is free.

Please see the enclosed Options document for current pricing.

What does the membership fee for the Integrated Solution cover?

The membership fee covers the cost to Tungsten of setting you up on their network and the general costs of maintaining the network. This is a once a year cost irrespective of the number of your Customers that you service via the network.

Why doesn't Philips pay the fees?

To use the Tungsten service, we both pay a fee, as we will both benefit from the service. Please consider that you will save costs associated with paper, printing and posting when moving to e-Invoicing. Our analysis shows that moving to electronic invoicing will create savings for Suppliers by streamlining their processes and significantly reducing the time in which their invoices are paid.

Will Philips make payments using Tungsten?

Tungsten is not a payment platform. Philips will continue to use their current payment method.

Will I need to sign an agreement with Tungsten?

Yes, if you choose to use the Integrated Solution you will sign a specific agreement with Tungsten. If you choose to use the Web Form you will be required to accept the standard terms and conditions.

Do I need to install any software?

No. There is no software required. Tungsten provides an easy-to-use solution. Instead of mandating data types, Tungsten's **ANY-TO-ANY DATA FORMATTING** capability accepts invoices in any format and any file structure.



I already send some invoice data directly to other Customers; can I send EDI/XML Invoices directly to Philips?

EDI and XML are just data formats, as far as Tungsten is concerned; therefore you can use this preferred format to deliver the data to Tungsten if you choose to use the Integrated Solution. Philips will not take any electronic data directly from Suppliers as we take a single consolidated invoice file from Tungsten, which will contain invoices from all of our Suppliers.

I already have the facility to make invoices available to my Customers via the Internet, which enables them to view an image of an invoice on the web. Can I use this facility instead of Tungsten?

No, the Tungsten network ensures that Philips receives the data you send in a format that will upload to our accounting software and, where applicable, match to a goods receipt record. Offering Philips an image of the invoice or an option to download the data in a fixed format does not satisfy Philips's business processes.

What if I don't have a system capable of creating electronic invoices?

You can access the Tungsten secure web site and create invoices online using the Web Form. No software installation is required. All you need is an Internet connection and a standard browser.

Can I send electronic invoices using Tungsten to all of my Customers?

Yes. Once you are subscribed to the Tungsten network, Tungsten can enable you to send electronic invoices to any other Customers that are members of the network.

I am planning to change my Invoicing software soon; can I wait?

Our stated aim is to have all Suppliers registered and sending invoices by November 1st 2014. The Tungsten network accepts any incoming data formats, so you can join the network, send your invoices and when you are ready to use your new software, simply advise Tungsten of the changes to data output and they will make the necessary changes to the network, ensuring a smooth transition uninterrupted invoice delivery.

Can Tungsten offer assistance in multiple languages?

Yes, Tungsten provide Sales, Implementation and Support services in English, French, German, Dutch, Polish, Portuguese, Spanish and Italian. Tungsten also have local client services numbers for the following countries:

- Australia: +61 (0)1800035399
- Belgium: +32 (0)24031011
- Denmark: +45 (0)80885818
- Finland: +358 (0)800118871
- France: +33 (0)170708100
- Germany: +49 (0)69222220290
- Ireland: +353 (0)12477709
- Italy: +39 0236006340
- Malaysia: +60 (0)1800813158
- Netherlands: +31 (0)207121385
- New Zealand: +64 (0)800448121
- Singapore: +65 (0)8001204757
- Spain: +34 (0)914141472
- Sweden: +46 (0)850578418

Is there further information available on the Tungsten service?

Yes, please visit www.tungsten-network.com/Philips.

How do I learn more about becoming a Buyer using the Tungsten service?

Please visit www.tungsten-network.com.

e-Invoicing and an overview of your options

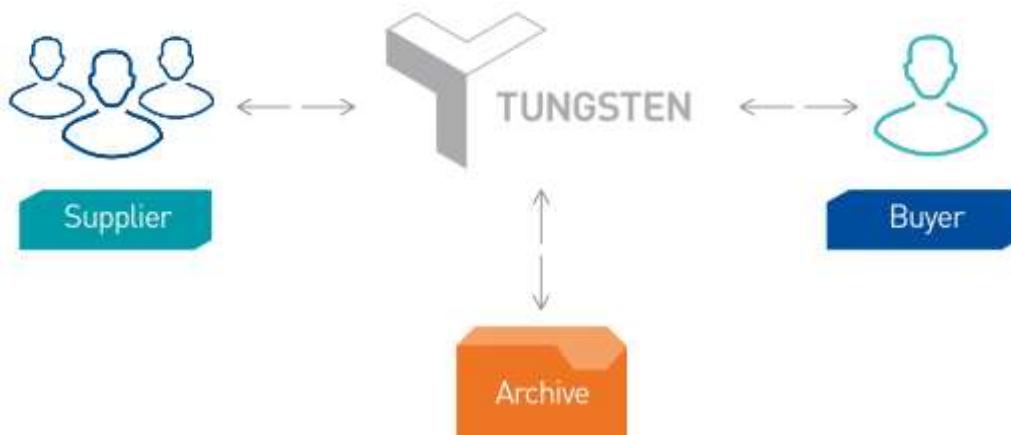
Join the Tungsten Network and benefit from:

- **Secure and guaranteed invoice delivery:** no more paper invoices getting lost in the mail
- **On-time payment:** your customers can process your invoices faster
- **No more delays:** invoices cannot be sent with missing information, cannot land on the wrong desk and do not need manual intervention
- **Secure online connection:** send invoices easily with no need for additional software or hardware
- **24/7 access and reporting:** enjoy higher processing transparency and better cash-flow management
- **Tax compliance:** guaranteed legal and tax compliance
- **Easy and cost-efficient** invoicing at any time

Tungsten offers two primary methods for sending invoice and credit transactions. You can either send a data file directly to the Tungsten Network using our Integrated Solution or create invoices online using the Web Form through the Portal.

This document explains how e-Invoicing works and the options available to you.

How it works



By checking invoices for duplicates and ensuring they contain the information required by your customer, we ensure automated, straight-through processing and enable on-time payment. Through the Portal you have access to the invoice archive and a number of reporting functions.

Please read this document thoroughly before deciding whether **Integrated Solution** or **Web Form** submission through the Portal is the best option for your company.

1. Integrated Solution: sending an extracted data file

The Integrated Solution gives you a fully automated process where invoice data is extracted directly from your billing system and delivered directly into your buyers' finance systems. This means:

- We process invoices in any consistent data file format and handle the data transformation based on your customers' requirements
- No need to install additional software or hardware
- You can send one consolidated data file for all your invoices
- Once on the network, you can easily connect and send invoices to other customers

Costs for the Integrated Solution

Every Integrated Solution account receives **520 free invoice transactions** per year. Once you have used these transactions, the prices below will apply. We will replenish the free invoices back to 520 on your renewal date.

Annual membership	£900*
1-520	Free
Per invoice transaction costs for additional invoices	
1 – 20 invoices per month	£0.69
21 – 100 invoices per month	£0.57
101 – 500 invoices per month	£0.42
501 – 2,000 invoices per month	£0.31
2001 + invoices per month	£0.23

* Buyer connection fees will apply. The annual fee covers the creation and maintenance of your account for a single tax entity. Please note: transactions are charged on a monthly basis according to volume.

Getting started with the Integrated Solution

Once your customer invites you to join the Tungsten Network, one of our onboarding experts will walk you through the registration process.

NOTICE: The information within this document is proprietary to Tungsten and is intended for use by employees, business partners and customers. It may not be copied, duplicated, used in any way, or passed to any third party without the prior written consent of Tungsten.

2. Web Form: sending electronic invoices using the Portal

The Web Form is designed for companies who send a low volume of invoices to their customers each year. The Portal offers you a secure connection and guarantees delivery of your invoice to your customers within hours, which allows them to process your invoice and pay you promptly.

Costs for the Web Form

Once registered, all new suppliers using this option automatically receive 52 free transactions. At the end of your first anniversary (one year after registration), we will replenish your account, at no charge, back to 52 free invoices for you to use during the next 12 months.

If you use all 52 free invoices and need more during this 12-month period, you will be required to purchase additional transactions (minimum 25 invoices), priced at £1.50 per invoice. You can purchase transactions as you need them. Any unused, paid-for invoice transactions will expire 12 months from the date of purchase. If you have paid credit on your account you will still receive 52 free invoices at each anniversary

Annual per-invoice transaction costs

1 – 52 invoices per year	Free
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Each invoice (minimum purchase of 25)	£1.50
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* Payment options: You can pay by PayPal or credit card. We accept Visa, MasterCard and Visa Debit. You can also pay by direct debit.

Getting started with the Web Form submission through the Portal

As part of your invitation to join the network, you will receive an email with instructions on how to register. Once your registration is complete, we will send you your login credentials by e-mail so you can start sending electronic invoices via the Tungsten Network.

For more information on Tungsten, e-Invoicing and the options available to you, visit www.tungsten-network.com or email us at info@tungsten-network.com.