

PHILIPS

sense and simplicity

Winning in Key Markets: A North American perspective

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CEO Philips Lightolier Group

Key takeaways

- We are **uniquely positioned** to **win in our segments** in the US
- The current economic situation **accelerates the changes** in our market and we **stand to benefit**

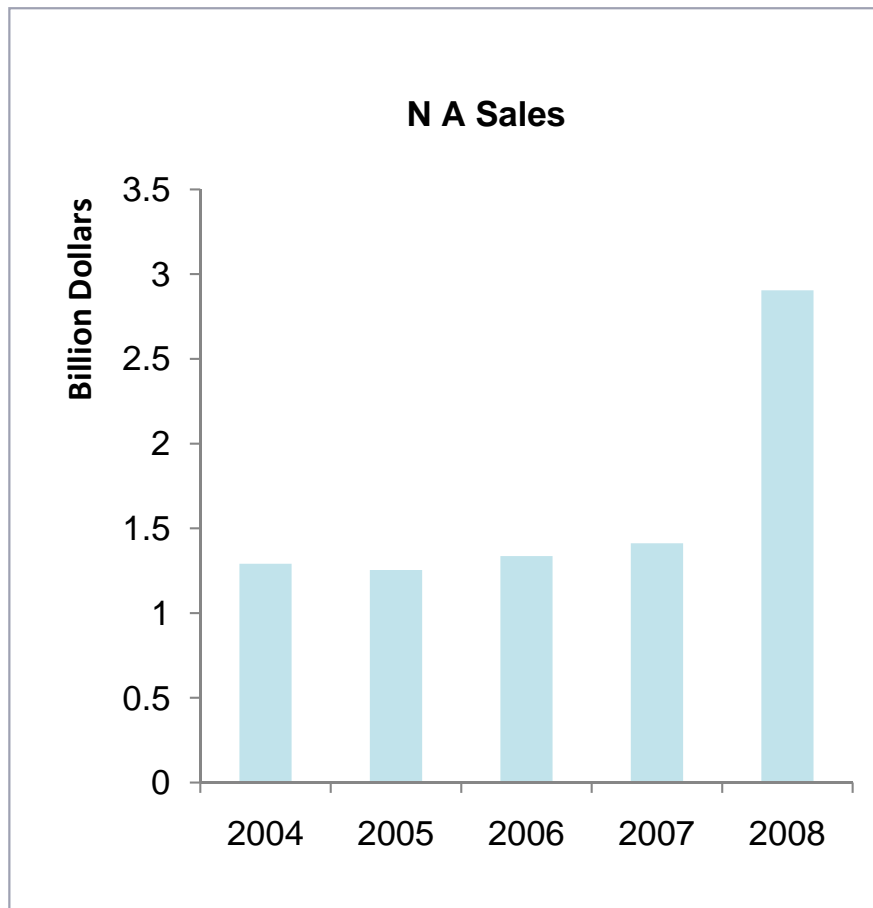


We are uniquely
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US

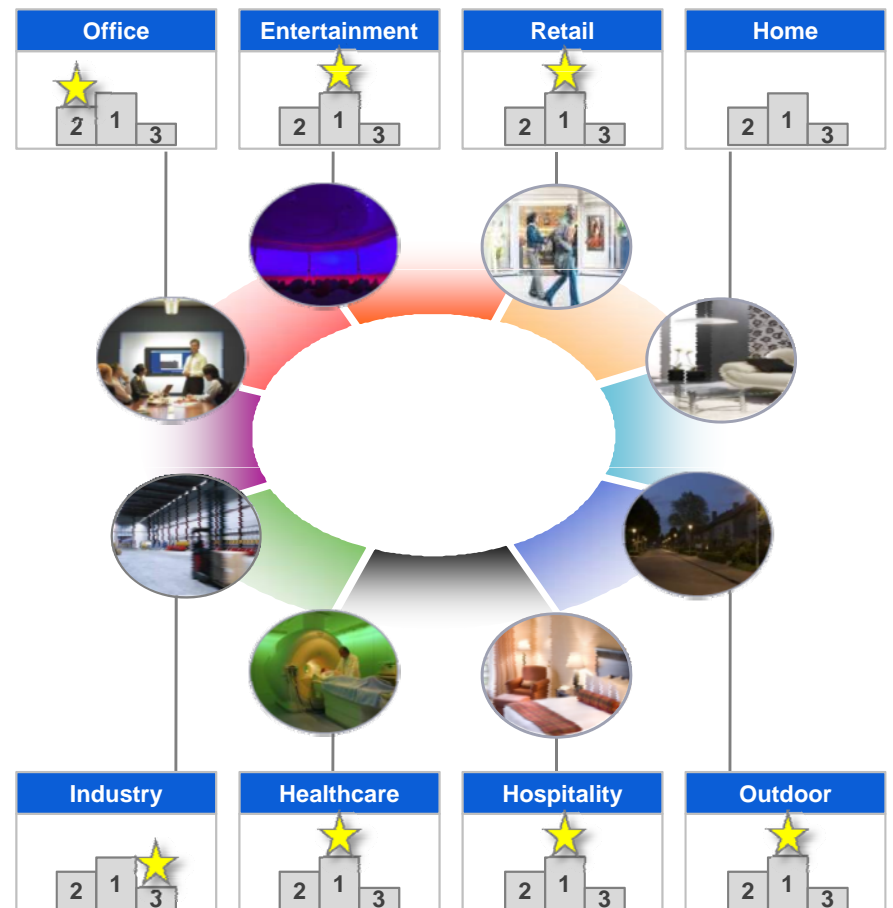


We are the biggest player in Lighting in the US, with multiple number one positions in segments

We are the biggest player in the US...



... with #1 position on 5 out of 8 segments



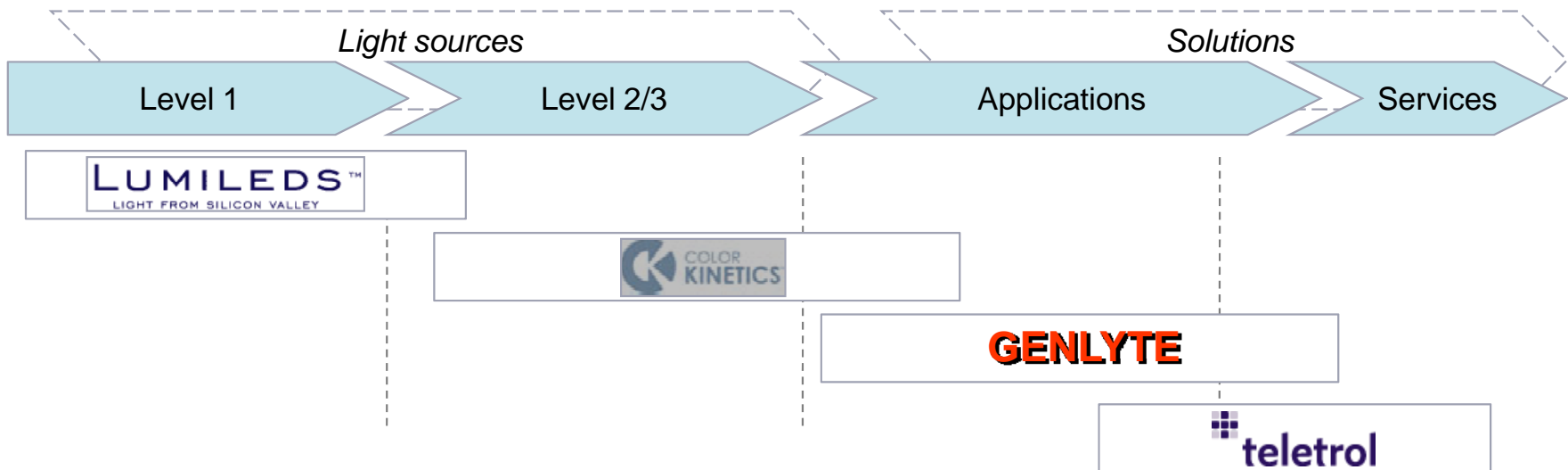
Source: Philips Lighting

The way we built it up...

US-based Lighting acquisitions built up to One Philips Lighting company



- Building on Philips traditional light source **core competencies**
- Combined with **Lumileds leadership** position in LED
- And significant **IP portfolio of Color Kinetics**
- With **expanded accesses to end-users**, specifiers and the trade partners through Genlyte



... allowed us to develop unique core competencies and forge unique relationships with our end users...

Core competencies

People focused

- Focus on Specification market to get closer to the end-user
- Emphasis on project business vs. wholesaler stock allowing pull-through specification demand creation

Partners in innovation

- **One Philips** approach
- Develop tailor-made solutions by working **hand-in-hand with our customers**

Meaningful solutions

- Segment-focused comprehensive **solutions**
- Unique **LED cross-value chain** strengths allowing the **best lighting** from functional white to dynamic color light
- Unique **Energy services**

Unique relationships

End users



Creative specifiers



Technical specifiers



Contractors



Trade



... And become the leader in LED solutions



Marriott Place – Indianapolis, Indiana

- Marriott Place hotel currently under construction is using **over 6,000 Remote Phosphor LED downlights** for general circulation and guest rooms
- Warm white color matches incandescent sources...While using **75% less energy**

- Replacing metal halide lamps with LED floodlights... From static light **to color changing dynamic show**
- **Cut energy consumption by 66%** vs. the previous metal halide floodlights
- Eliminating the need for color filters...Significantly **reducing maintenance**



- LED sources illuminating the exterior closely **matching the desired warm-white incandescent sources**
- **Cut energy consumption by 67%** vs. the previous lighting system
- Projected to last 20 years at 6 hours per day use



Marriott Custom House Tower, Boston, Massachusetts



Peace Bridge - Buffalo, NY / Fort Erie, ON

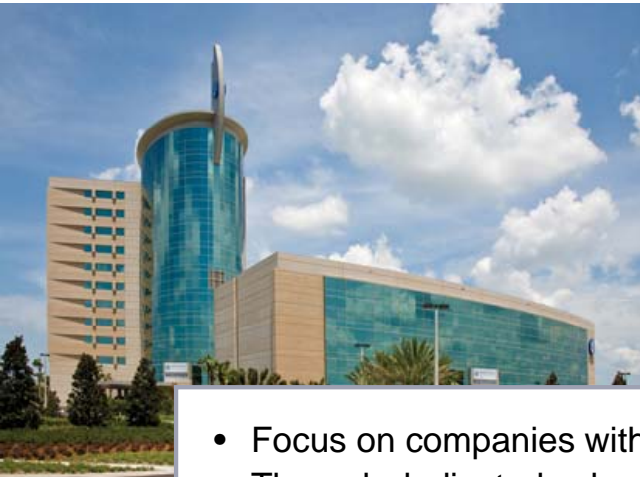


Healthcare: sustainable lighting providing patient well being and staff productivity

Florida Hospital

Florida Hospital

Kaiser Permanente



- Focus on companies with multiple locations or campus facilities...and propose multi-year contracts
- Through dedicated sales group...With One Philips package including comprehensive product selection

People focused

- Create lighting schemes that **enhance staff productivity**
- Design public areas to **reduce visitor stress**
- Create patient rooms that allow for **individual environment control**



Partners in innovation

Leverage capabilities from other sectors:

- Healthcare Equipment
- Lifeline
- **Consumer Lifestyle**

Leverage **relationship with specifiers and contractors**



Meaningful solutions

Patient centric hospital rooms that **speed recovery** by integrating lighting with controls to mimic circadian rhythm



Hospitality: lighting environments promoting guest comfort and building brand differentiation

Gaylord Harbor Center, Virginia



Harrah's



Mariot



- Focus on global hotels and resorts
- Through dedicated sales group...With One Philips package including comprehensive product selection

People focused

- Provide solution to achieve **performance** and **style** requirements
- Focus on **sustainability**, **cost** and **maintenance**



Partners in innovation

Provide hospitality solutions by leveraging **Philips full package** including:

- **Consumer Lifestyle**
- **Philips Healthcare**
- **Professional Luminaires**

Leverage relationship with **specifiers and contractors**



Meaningful solutions

Dedicated to working with global hotel and resorts to support their **branding efforts**.



Entertainment: design creativity and artistic lighting expression through automated lighting applications

Universal Studios Florida

Nokia Live in Los Angeles

Fox Sports

Tale of Two Cities on Broadway



- Comprehensive product portfolio...
- Automated lighting and lighting controls...
- Supported with professional application group



People focused

- Create lighting environments that **excite the senses**
- Dependable duplication of theatrical experiences to consistently **delight attendees**



Partners in innovation

Leverage **full product portfolio** from:

- Philips Color Kinetics
- Philips Strand
- Philips Vari*Lite

Leverage relationship with **specifiers and contractors**



Meaningful solutions

Easy to program controls that allow designers to create dynamic spaces in less time with a shorter learning curve

The current
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We are proactively addressing the opportunities that emerge from the shift in the economic landscape

Emerging opportunities

The value creation is **shifting towards solutions**

Our answer

We are building on the strength of our **product portfolio** and developing our **services** offering to provide **turnkey solutions** to our customers

Companies are actively looking for means to **optimize their energy spending**

We are leveraging the **tax deduction** and promoting our strong **LED Retrofit portfolio** to accelerate the **relamping** of existing buildings

The US government is implementing a **stimulus package** to **accelerate the renovation** of its building

We have put in place a **dedicated organization** and are developing **alliances** to ensure we are best positioned, which led us to being the **first lighting company with Schedule 56 contract**

Solution sales is a big opportunity...

Our wide product and services offering allow us to offer unique solutions

Wide product portfolio...



... Supported by relevant service offering

Diagnosis services

- Analysis of facility lighting energy
- Benchmark of current lighting system performance
- Audit of investment grade

Implementation services

- Design of innovative lighting systems and controls
- Implementation of lighting system retrofits and/or replacements

Financial services

- Qualification and support for tax and utility incentives
- Financing
- Cost Segregation to support accelerate depreciation and/or write-off old lighting systems
- Payback guarantee

... Especially in the energy saving area Capitalizing on our strong LED retrofit portfolio

The opportunity

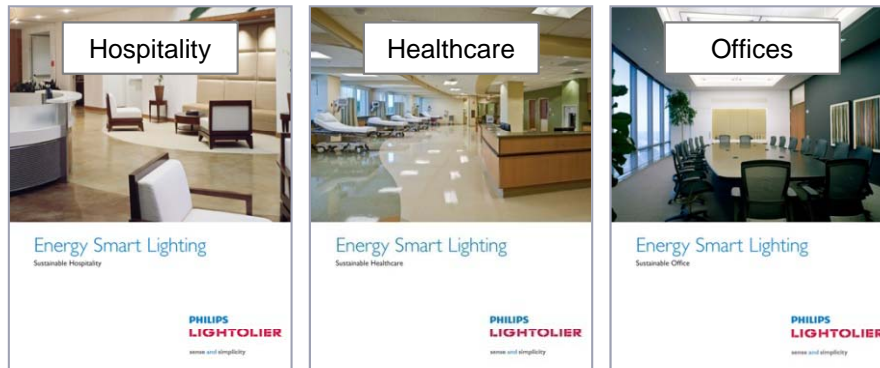
- Opportunity fueled by **government tax deduction** system:
 - For building space built before 1986 (85% of the 100 billion sq. ft. of existing building space)
 - Only 3% of the existing buildings have taken advantage of Tax Deductions in EPACT - Energy Policy ACT - 2005 (extended to December 2013)
- ... And by **increase in electricity rates**
 - Approximately +40% in top 16 largest US cities. Projection showing similar increases in coming years

How we are addressing it

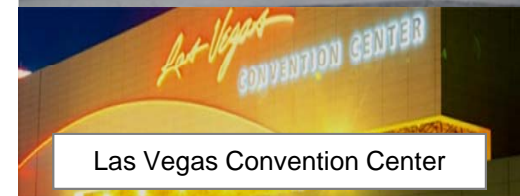
Components & Applications

- Strong LED portfolio
- CFL
- Outdoor Fixtures
- Interior Fixtures
- Controls

Services



Nordstrom national contract



Las Vegas Convention Center



Paris Hotel Las Vegas



ESPN Headquarters

GSA a significant on-going opportunity

Now substantially expanded and fast-forwarded with the stimulus funds

The opportunity

- \$819B Stimulus package **with \$540B Spending target**
 - Building Modernization / Expansion - \$76.5B
 - \$31B Build/Repair Federal buildings
 - \$7.7B Earmarked for GSA
 - 1,150 **Government owned buildings to be renovated** before end **2010**
 - 130,000,000 sq. ft. of interior space (allowing \$10/sq. ft. for renovation)
- Renovation must have a 10 year payback or better

How we are addressing it

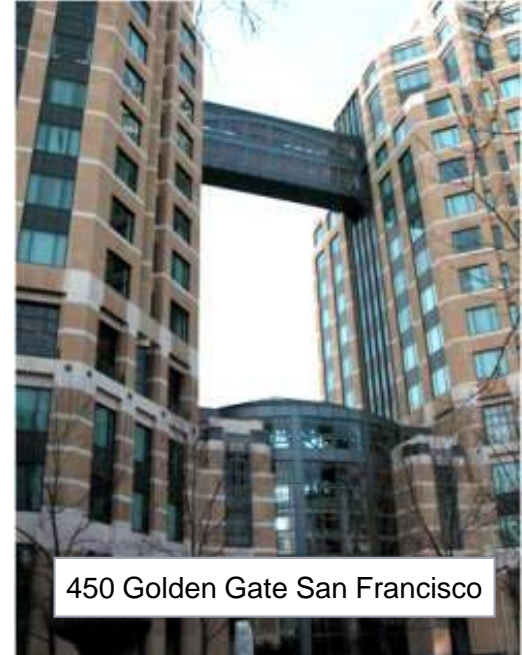
- **Dedicated organization** (7 Regional Directors, 29 GSA specialists)
- **Alliances** with Energy Savings Performance Contract Holders (16 Major Firms (SESPC) 250 Smaller Firms (ESPC))
- Established **12 Dealers** to sell to GSA

Philips the **only lighting company with Schedule 56 contract**

*Pre approved 10,000 products on the schedule
(=no tender required to source Philips products)*



555 Battery Street San Francisco



450 Golden Gate San Francisco



Oakland Federal Building

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Q&A

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