

Rudy Provoost
CEO Philips Lighting

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Simply Enhancing Life With Light

Ladies and gentlemen, welcome to Light + Building 2010.

It is good to be here today - together with you - surrounded by light, and I hope that we can make you feel what light can do here at our booth.

In many ways, this Light + Building is not about 2010 - it is about a new decade, a new era of growth, powered by innovation. A decade of opportunity, driven by a fundamental transformation of our industry.

The world is changing, the way we live our lives is changing, and that change is fast and radical.

Global trends, global demands

Let me start by looking together with you at some fundamental global trends.

First of all, urbanization. By 2050, some 75% of the world's population will live in cities. Life in the "bright lights" will be the reality most human beings share. And though we will consume more – more food, more energy – we will do so in smaller spaces.

Proximity will be a huge issue, requiring us to find different ways of making use of shared spaces in our towns and cities. Secondly, our lifestyles are changing and people are spending more time at home relaxing, socializing or entertaining, so the quality of our home environment is becoming increasingly important to us.

Lastly, we are all becoming increasingly aware of the impact our lives have on the environment, and the environment on our lives. With nearly one-fifth of all electricity consumed coming from lighting, it's clear we must change the way we consume.

So, against this background, our industry is experiencing one of the most significant paradigm shifts ever seen. New forms of innovation and value creation are triggered by the LED revolution.

The LED difference

Conventional lights are, mostly, turned on, turned down or turned off: a function, rather than an experience. Now, with LED we have the ability to transform how lighting is used to

enhance the human experience.

Millions of color variations and dynamic effects allow designers to paint with light, matched with the moods of people, or to the ambience of a space. We conservatively expect 50% LED penetration in the market by as early as 2015, and 75% by the end of this decade.

In our own business, we have seen the share of LED in our portfolio grow steadily, and recorded, for the first time, more than 10% of our total sales coming from LED in the final quarter of 2009. With many parts of the world, including Europe, implementing legislation to phase-out incandescent lights, LED is truly becoming a viable replacement across the lighting landscape.

The energy efficiency benefits of LED lighting are clear. The task now is to give lighting professionals and consumers the confidence to make use of LED-powered solutions in general lighting applications. Every year it is estimated that more than 425 million 60-Watt incandescent light bulbs are sold in the United States alone, representing approximately 50% of the domestic incandescent light bulb market. And in Europe, the installed base of incandescent bulbs consists of hundreds of millions of sockets. This indicates the scale of the opportunity for this industry.

Breakthrough 60 watt LED equivalent

At Philips we offer real choice to our customers. By developing a broad range of LED lamps, we are meeting specific end user needs with eventually the best performance. It's all about choice without compromise.

Today, I am happy to announce that in the second half of this year we will introduce a breakthrough **60-watt equivalent LED lamp** delivering more than 800 lumen – well above European norms for LED lamp performance.

This is another example of our intention to give LED a prominent place in general lighting applications. It is clear, however, that more needs to be done to engage and convince lighting professionals that LED is the light source of the future.

Over the last few months we've asked technical specifiers what they think about the LED opportunity. The outcome will be the launch of a series of online discussions and live Masterclass seminars, commencing tomorrow on this stage, aimed at helping specifiers maximize LED in their projects.

A global company creating value

Creating this kind of dialogue captures the spirit of how we want to do business.

At Philips, our approach is to create a connection with people - our customers, consumers, partners and stakeholders - to ensure that what we do every day addresses their real aspirations in life.

Fundamentally, our business is about people:

- Where they live, work and shop.

- When they are travelling, learning, or entertaining.
- With light, we can transform their environments;
- Create experiences; and shape identities.

Philips is taking citizens and consumers on an exciting journey with light – beginning in their private homes and ending in the shared experience of a great city space. I'd like to map that journey for you now.

Home

Where we live is an expression of who we are. And today it's possible to personalize the fabric of our homes in entirely new ways with light.

At Philips, we approach this in two distinctive yet complementary ways:

1. Creating personalized atmospheres and ambiances to suit your mood or occasion.
2. Enhancing personal space with contemporary lighting design for the home.

This year we are launching our biggest ever range of consumer lighting solutions to meet these needs.

Moods

Increasingly, people want to create different atmospheres that match their moods and personal moments at home. They want to create an inviting environment for friends and family.

Probably most of you are familiar with our **LivingColors** range, which really changed the way people experience light in their homes. LivingColors is a single luminaire that can be used alone or in combination, to allow you to choose a particular lighting effect inside your home to change the atmosphere, match your mood and suit every occasion.

Now, we're going to extend the LivingColors concept further, with **LivingAmbiance**.

LivingAmbiance allows you to connect multiple light sources in the same room, creating a choice of pre-set moods which can be instantly recalled using a remote control. You can transform a room from a bright functional play space for children into a cosy environment in which to read a book, or a vibrant space for entertaining friends.

We're extending our LivingColors range, too, introducing two new luminaires which can be incorporated into the LivingAmbiance ecosystem. You can even add existing home luminaires to it – as long as they have a plug attached. It's that simple - a home makeover and a change of ambience in a few seconds.

Design

Contemporary design of home luminaires today is as important to consumers as any other aspect of home décor. It is an expression of personality and style — something that illustrates

who they are.

I have just shown you how LED is enabling consumers to have even greater freedom to play with light at home. It doesn't stop there. In fact, the use of LED is also opening up a whole new world of lighting design possibilities for lighting designers *themselves*.

Inspired by the latest trends in architecture and design, and powered by LED, we are launching a number of new contemporary luminaires for the design savvy consumer.

Cielo and **Torno** - launched under the **Lirio by Philips** name - underline the endless possibilities of LED. Cielo, for example, is a lampshade without a visible light source!

Designed to complement minimalistic modern interiors, we now bring **ArciTone** - a new range of innovative luminaires. Some of which even feature gesture control - just wave your hand under the sensor and the light can be dimmed or switched on and off.

Our new **Ledino** range is the perfect fusion between elegant form and the latest generation of warm white high power LEDs. Their sleek designs are perfect for the modern interior.

In summary, all of these new luminaires increase our presence in the premium design segment. And this is just the beginning.

With our recent acquisition of the iconic Italian lighting design company **Luceplan** and our existing **Modular** brand, we will bring home illumination to the next level for our consumers.

Work

Good design, management and use of office space can improve an organization's performance by up to 15%. Lighting can play a key role in that. We're working with experts to better understand light's relationship to our physical and emotional health. Because when people feel better, they work better.

With these insights, we are creating lighting solutions that energize bodies and rejuvenate minds. While of course making sure that our offering is energy efficient. Green offices aren't just healthier for humans and our planet. They make for better business, too.

For offices, our goal is two-fold: make offices energizing places to work that make people more productive. Help offices to save costs by becoming more environmentally sustainable. Did you know, for example, that 75% of all office lighting is based on outdated energy-inefficient lighting?

Our new **DayZone LED** luminaire – being launched here at Light & Building – addresses both of these dimensions. Its use of LED creates a warm, comfortable light, suitable for a variety of office spaces.

Office lighting is often harsh and cold. DayZone will give lighting designers greater flexibility in

creating invigorating places to work and do business, enabling them to replace uniform rows of strip lighting with a bright, new circular design shape – enabled by LED.

Not only do lighting controls allow for light when and where you need it, they can add a further 50% to the energy savings produced by use of LED lighting.

Using less energy doesn't have to mean getting less light, though. By intelligently controlling the availability of artificial *and* natural light, we can create lighting that adapts to human patterns, to human behavior.

That's why we have formed a collaboration with **Somfy**, the leading specialist in automated sun protection systems for buildings. Together with Somfy, we are launching a new indoor lighting solution, bringing together daylight, artificial light sources, presence detection, controls and a unique ToBeTouched user interface in one dynamic system.

Retail

Retail lighting makes merchandise, brands and business shine. Retail lighting powered by LED, in particular, can provide diverse benefits:

- It creates a more engaging shopping experience, allowing shoppers to see the full quality and dimensions of what is for sale.
- From enhancing the appeal of fresh fruits and vegetables in a supermarket to highlighting aspirational brand appeal.
- It enables retailers to manage one of their biggest operational challenges – optimizing their retail mix to increase return on investment, while saving energy costs.

At Light + Building we are introducing a breakthrough lighting concept for the retail market – **StyliD**. StyliD is the first LED luminaire for retailers combining an attractive design with advanced energy management. This design offers substantial energy savings compared over halogen. More significantly though, it is the first LED solution to cover all retail accent lighting needs, due in part to its use of innovative optics.

Our innovation is also increasing flexibility for retailers. A great example of this are new lighting controls from **Dynalite**, one of our recent acquisitions. Easy-to-use, touchscreen interfaces enable retailers to customize light levels in individual as well as entire chains of stores.

What's more, light levels and color temperature can be dynamically managed throughout the day, adjusting light as customer profiles change, providing a more comfortable shopping experience for the consumer.

This kind of flexibility – including networked capabilities, creates the potential for retail chains to centrally control their lighting, further helping to manage energy use, while at the same time providing the freedom to even change store ambiance from a central location at the touch of a button.

Outdoor

One in every three outdoor light points in the world contains a Philips light source. So, we're doing our bit to make the "great outdoors" great again!

Our areas of focus specifically are:

- Improving the livability of cities by increasing citizens' sense of comfort, security and safety with lighting that's good for the planet too.
- And helping cities enhance their identities, image and appeal.

Let me give you a few examples of how we do this.

Historically, city lighting is dominated by sodium lamps, with their characteristic yellow/orange wash. But the reality is that many people prefer white light. It gives better definition to the spaces it illuminates. It makes it much easier for pedestrians and motorists to distinguish objects and obstacles. And it enables people to recognize each other's faces at night – a crucial element in removing anxiety in shared spaces.

Now, if you were to take a stroll along Thubaneau street in Marseille at night, you would find an excellent balance between high definition, white LED street lighting. At the same time you would also notice a dramatic reduction of light spill – a common problem in the narrower streets so typical of older cities like Marseille.

Passers-by get what they need - crisp illumination that makes them feel safe and secure. Residents get what they need - the fronts of their homes are no longer indiscriminately flooded by intrusive street lighting.

The municipality of Marseilles rightly recognized the value that the Thubaneau street project brought to its citizens and awarded it their annual Trophée des Lumières.

Philips **CitySoul** LED Luminaires are the light source for the project. Not only are they at the heart of one of the first LED-based street lighting projects in France. They are also reducing energy consumption by almost 50%, and cutting maintenance costs through longer lifetimes of 50,000 hours.

More can also be done to blend lighting into many city landscapes: cities are crowded places, not just because of people, but through the clutter of elements crowding the view.

We believe that it is possible to remove lighting from urban architecture without risking safety or upsetting the ambience of a vibrant city street.

We have developed an innovative new concept in **'invisible' outdoor lighting**, a LED luminaire with such a slender footprint that it can be incorporated into a thin cable suspended above a street. During the daytime, it is hardly noticeable, but at night, its bright white output

represents no compromise on quality.

Outdoor lighting is a vibrant and growing market for us: globally almost 6 billion Euros were invested in this segment alone last year. Significantly, 15% of that figure can be attributed to LED lighting.

We want to enable citizens of many more cities and towns to benefit from the benefits that urban lighting powered by LED can bring.

To help, we are introducing **LEDGINE**, a new global LED engine for outdoor luminaires. It's a simple, slot-in solution, providing bright, white and uniform light which will enhance the safety of any urban setting. Importantly, its simple design will also lower maintenance costs, providing an upgradeable, future-proofed approach that is designed firmly with the customer in mind.

I mentioned earlier the iconic idea of 'the bright lights'. We are partnering with cities around the globe to create signature lighting of buildings, sculptures and public spaces that defines and differentiates.

In Europe, cities the likes of Berlin, Madrid, London, Amsterdam, Copenhagen and Paris. Today we can announce another city, with the start of a collaboration between the city of Rome, Philips and the Italian energy provider **ACEA** to transform Rome's streets into beautiful, safe and comfortable places for residents and tourists alike.

Across the globe, from the Sydney Opera House to the Sphinx in Cairo, our LED powered lighting is transforming the identity and image of many cities and landmarks. And we continue to add impressive new installations to this roll call. These include the recent completion of the 610-metre Guangzhou TV tower, helping create a signature icon for this port city in the south of China.

Concepts like this go a long way to re-humanizing urban environments, as a means of bringing people together.

Delivery as well as innovation

In the last 15 minutes we've discussed many proof points of what simply enhancing life with light means. New concepts are fantastic because without them, there is no progress.

It all starts with **imagination**: being able to think differently, challenging the way things have been done before, dreaming about what might be possible.

It requires **invention** - practical capability and feasibility.

In other words, to make exciting things happen, you must be able to create and deliver reliable, affordable and consistently high quality solutions.

And lastly, it requires **innovation** – innovation that is advanced, designed around people, and

above all, easy and simple to use.

Put simply, we want to share this journey of imagination, invention and innovation with people. Together, through **open and collaborative partnerships**. With architects to lighting designers, city planners to public authorities, and even with consumers in their homes.

We bring our offering — expertise, depth and reach across the entire lighting value chain — to improve and simplify the work of our professional partners wherever our power and reach can create value **for them**. From LED light sources to the increased role of controls. And more and more we see the shift of value creation towards all-inclusive tailor-made solutions.

Engaging all our stakeholders in dialogue is a fundamental part of applying outside-in thinking.

In that spirit, we are launching a new place for lighting professionals online here at Light + Building. This website is a virtual place to find information, share inspiration and connect with each other. A community for professionals to be inspired by what is possible, whether specifying from our new online catalog, or sharing with fellow professionals their work, their experience and their ideas. It's also how we support our customers faster and better.

Taking lighting to the next level of enhancement

This is an exciting and creatively fertile time in the lighting industry. And there is more than LED. With the arrival of OLED technology we are writing the next chapter in the story of how life can be enhanced with light.

We are unlocking OLED's great potential, exploring light ambiance, novel design possibilities. Taking lighting beyond mere illumination to become an experience in itself.

One of the first fruits of this approach is '**O-leaf**' from our own **Modular** brand, along with collaborations with other leading figures in the home design world such as **Tom Dixon**, **Established & Sons**, and **Amanda Leveté**.

Here at Light + Building, we are also launching the world's first commercially available OLED module. Called **Lumiblade**, it enables luminaire designers to turn this stunning technology into new fantastic applications and merge simplicity and beauty together.

To drive this creativity further, we are opening up our **OLED Creative Lab** in Aachen to designers so that they can explore, create and bring OLED to life.

Imagination, invention, innovation. That's what it takes.

You may have noticed that Philips was recently on the cover of *Time* magazine, which featured our entry to the US Department of Energy 'L' Prize as one of the top three best inventions of 2009.

Our presence at Light + Building reflects that same drive for innovation, and our passionate

belief that light can and does make a positive difference to people's lives.

You can see it here, on our stand, but also throughout the Frankfurt Messe, where our LED solutions extend into our OEM partnerships. For example, eight out of the 10 top retail lighting partners here at Light + Building are using our modules.

Our guiding principle – simply enhancing life with light – is central to everything we do.

Being people-focused means listening and addressing people's real life needs and aspirations. It's about recognizing the trends in society and applying ourselves. From addressing globalization with LED powered street lighting to make cities more livable, to empowering people at home to transform their environments with color and light.

Great partnerships encourage great results. That's why we believe in open collaborative innovation, working together with designers, specifiers, architects, as well as companies, governments and end users.

Lastly, it's about offering the world meaningful lighting solutions: advanced, easy to experience, and all designed around you. That is what the Philips brand ultimately stands for.

Thank you very much, and have a great afternoon.