PHILIPS

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OPENING REMARKS BY:

GERARD KLEISTERLEE, PRESIDENT & CEO

PIERRE-JEAN SIVIGNON, CFO

Andre Manning: welcome word and opening.

GERARD KLEISTERLEE:

Ladies and gentlemen,

2010 was an eventful and very positive year for Philips. We rebounded strongly from the economic downturn caused by the financial crisis. Within the constraints of an economy that remained fragile, we successfully achieved a major part of our Vision 2010 roadmap. With that, we set the stage for a successful future as articulated in our Vision 2015 program. Last but not least, we started preparing for a seamless transition to a new leadership team.

Before I continue, please allow me to share a short summary of the 2010 highlights in Dutch for the local media present.

> 2010 was een bewogen maar zeer positief jaar voor Philips. Ons bedrijf wist uitstekend te herstellen van de economische recessie die was ontstaan door de financiele crisis. Binnen de beperkingen van een nog steeds kwetsbare economie, hebben we een belangrijk deel van ons visie 2010 strategische plan weten te realiseren. Nu kunnen we met visie 2015, het strategische plan dat we in September aankondigden, de volgende stappen gaan zetten voor een succesvolle toekomst. En tot slot, we zijn in 2010 begonnen met de voorbereidingen om de leiding van Philips over te dragen aan een nieuw team.
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> In 2010 kwam de omzet van Philips in een onzeker economisch klimaat uit op 25.4 miljard euro, een nominale stijging van 10%. Op vergelijkbare basis was de stijging bijna 4.5%. De aangepaste operationele winstmarge voor 2010 steeg tot 10.5% en daarmee hebben we een van de doelen gehaald die we onszelf hadden gesteld in het visie 2010 programma. De verbetering was groter dan menigeen iets meer dan een jaar geleden had kunnen voorzien. De winstgevendheid in Televisie bleef echter een groot probleem, wat wij absoluut zullen oplossen. Niettemin is de winstgevendheid voor geheel Philips de hoogste van de afgelopen 10 jaar. De nettowinst steeg naar 1.45 miljard euro, ten opzichte van 424 miljoen euro in 2009.

In de laatste 10 jaar heeft Philips een diepgaande verandering ondergaan. We zijn nu een bedrijf met een duidelijke focus, een sterk merk, gericht op klanten en met een eenvoudiger structuur. We zijn een wereldwijde leider in belangrijke markten die essentieel zijn voor de wereld van morgen. We zijn een nieuw Philips en klaar voor een nog betere toekomst.

And with that, I'll go back to my presentation in English.

Over the last decade, Philips has undergone a profound transformation. We are now a company with a clear focus, a strong brand, a customer-centric approach and a simpler structure. We are a global leader in important markets, essential for tomorrow's world. We are a new Philips – ready for an even better future.

We finished the year on a stable note, with solid results. Sales during the last quarter amounted to 7.4 billion euros, a nominal increase of 2% compared to Q4 of 2009. However, on a comparable basis, sales declined by 4%. While we had already articulated the difficult situation in the TV market during our December Capital Markets Day, sales in Consumer Lifestyle and Lighting were more broadly impacted by negative consumer sentiment in mature markets. In addition, renewed destocking in the trade resulted in a particularly slow December. A difference in the number of working days in Philips' reporting calender for the quarter also had a noticable impact on revenue in all three sectors. Pierre-Jean will further elaborate on this point in his presentation.

Profitability further improved with EBITA of 873 million euro, or 11.8% of sales. Adjusted EBITA came in at 11.4% of sales, not reaching last year's 12.3% as the deterioration of the TV business in particular, more than offset the improvement in the rest of the business. As such, profitability in TV remained a major issue that we are committed to resolve. Overall profitability was driven by a strong productivity improvement, ongoing mix- and margin management and further benefitted from a change in the UK pension plan.

Our Return On Invested Capital continued the strong recovery started in the second half of 2009 and reached 11.7% in the final quarter of 2010, well ahead of our Weighted Average Cost of Capital of 8.1%. Free cash flow was again strong at 1.3 billion euro.

As for the full year 2010, we came out a stronger company in a still fragile economic climate. In total the improvements were better than anyone could have expected just over a year ago. For the whole year, sales came in at 25.4 billion euro, a 10% nominal increase compared to 2009. On a comparable basis, that represents a growth of almost 4.5%. For the whole year, we achieved an EBITA margin of 10%. Our adjusted EBITA margin, excluding non-recurring items, was 10.5%, well ahead of the target we had set for ourselves 3 years ago in our Vision 2010 strategic program. Profitability on both reported and adjusted basis marked the highest level in a decade.

In Healthcare, we saw a strong year with 4% higher comparable sales, largely driven by Home Healthcare Solutions and Customer Care Services in particular. Healthcare's adjusted EBITA margin increased to 14.7% and its reported EBITA passed the 1 billion euro-milestone. In the last quarter of 2010, equipment order intake improved by 3%, taking the order intake growth for the year to 9%. This represents an excellent basis for revenue growth in 2011. The full-year order intake was up by 16% in emerging markets.

In Healthcare as in our other sectors, we continued to invest in acquisitions and innovations. To mention a few highlights: we launched eight breakthrough innovations in medical imaging during the RSNA medical conference in Chicago, and in the last quarter, we introduced our new IntelliVue wireless patient monitoring range. Earlier this month, we acquired medSage Technologies, a leading provider of patient interaction and management applications.

As I already mentioned, revenue growth at Consumer Lifestyle was hampered by the TV business and came in at 1% for the full year. On a much more positive note, profitability rose to 7.2% of sales, as losses at the TV business were materially reduced. For the full year, the TV losses stayed within the 2 to 3% bandwidth, as we indicated in early December. We recently closed the delayed licencing agreement with TPV for the Chinese market, which will have a positive impact on our TV business in 2011.

In contrast, strong performance continued in other Consumer Lifestyle businesses, especially in Health & Wellness and Personal Care.

To fuel growth in kitchen appliances, we accelerated investments in local innovation centers in major emerging markets. And as you may have seen, this morning we announced the acquisition of Preethi in India. I will share more details on this later on. We also broadened our oral healthcare portfolio with the acquisition of Discus and we will continue our acquisition strategy in Consumer Lifestyle in 2011.

In Lighting, we did particularly well with sales reaching 7.6 billion euros and adjusted EBITA of 12.8%. We saw significant growth in emerging markets, led by China in particular, where we increased the number of branded lighting shops to over 200. LED Lamps sales quadrupled in Asia compared to 2009.

In Lighting, we also continued to invest in growth. As a result, our professional lighting business is now very well positioned to benefit from increased demand, for example, in the commercial construction market particularly as this market starts to show signs of recovery. We will continue to invest in our LED leadership and we acquired NCW in China, expanding our global leadership position in professional lighting entertainment solutions. Earlier this month, we acquired Optimum Lighting, a company specializing in customized energy-efficient lighting solutions for the office, industry and retail segments.

We strengthened our position in emerging markets, the growth markets of the future. In 2010, Philips generated 33% of its revenue in emerging markets, up from 30% in the previous year. I would also like to highlight that our growing emerging market footprint, is not only related to Brazil, India and China, but also to areas such as ASEAN, the Middle East and parts of Africa. The healthy growth of our sales in these markets clearly illustrates the strength of our brand and the improvement of our competitive position we have achieved through targeted acquistions.

All in all, we made good strategic progress during 2010. Our focus on customer centricity and our growing brand presence in strategic growth businesses such as Home Healthcare resulted in a further 7% increase in the value of the Philips brand. Since we launched our brand promise of Sense & Simplicity in 2004, our brand value of 8.7 billion US dollars has doubled - a great achievement.

This year, it was very encouraging to see our employee engagement climb to 75 index points, well above the high performance benchmark. Another indication of our engaged employee base is the fact that we improved our organizational efficiency by increasing productivity by 20 percent in 2010.

The encouraging figures of 2010 would not have been possible without the consistent execution of our long-term strategy over a period of years. Over the decade, Philips has radically changed its business portfolio and has completed the largest acquisitions and divestments in its long history.

As part of our new focus and ambition to steer away from cyclical businesses, we divested both our components and semiconductor businesses. This meant freeing up capital for investments in our three sectors.

The great majority of our acquisitions took place in the **Healthcare sector**, including our acquisition of Respironics in 2008, the biggest in Philips' history, which made us a global leader in home healthcare solutions. In **Lighting**, our acquisitions of Genlyte and Lumileds stand out, whereas in **Consumer Lifestyle**, we acquired Saeco, a global leader in coffee machine market and in 2006 we acquired Avent, a leader in parenting and baby products. Especially in the second half of the decade, we acquired several companies in **emerging markets**. Through these acquisitions, we strengthened our position in fast-growing markets, but also created a springboard to supply other markets with value product offerings.

Entering this year, we have already announced three additional acquisitions, including Preethi which was announced this morning.

And following this, we are willing to continue to invest in growth.

Let me spend a few minutes on the acquisition of Preethi, which is a very important and exciting strategic step for Consumer Lifestyle in India. This will make Philips the clear leader in a fast-growing segment in this Asian country. Preethi has shown double-digit sales growth in the last several years and we're confident that sales from the company will continue to climb as its products cater to India's rapidly expanding middle class.

Our transformation was not limited to changes in our portfolio. We also transformed the way we do business; we changed our focus and our organization. That is why we moved from six product divisions to three market sectors. As a result, each of the sectors is now organized around customers instead of products and each of the sectors is roughly of the same size.

We also made adjustments to the balance of our portfolio within each sector. We increased our focus on new, high-margin / solid-growth activities. In Healthcare, the growth of Home Healthcare over the last few years stands out. In Consumer Lifestyle, we have seen faster growth of the Health & Wellness business and in Lighting, our transformation into a solutions and applications business is illustrated by the increased weight of luminaires. On the other hand, the relative weight of low margin businesses has decreased significantly.

Throughout the decade, we stuck to a conservative financial course, even when this was not always popular with financial markets. This resulted in a solid balance sheet that served us well during the crisis.

Let me take you through the slide, which plots our adjusted and reported EBITA margins on a quarterly basis between 2007 and 2010. In terms of profitability it is interesting to see that both the adjusted and reported EBITA margins were fairly close to each other in 2007, when the reported EBITA margin for the full year was 7.8%. After the sharp dip in EBITA margin at the end of 2008 and the beginning of 2009, margins recovered rapidly and, as I mentioned, 2010 saw the highest EBITA-margin in a decade. The reported EBITA margin rose above 10% and the adjusted EBITA margin came in at 10.5% for the full year, clearly exceeding our 10% target. Whilst this is good news, what is even more encouraging is that the reported profit margin in each quarter of 2010 is well above 2007 – showing that we not only weathered the crisis well but actually came out at a structurally higher profitability level than before.

Because our results have become more stable and sustainable, we were able to more than double our dividend per share. For the year 2011, we feel confident proposing to our shareholders a dividend of 75 Euro cents per share.

Let me now briefly discuss how we performed against the Management Agenda we had set ourselves for 2010.

In the first column, **Drive Performance**, we did well regarding cash flow generation and cost agility, as expressed by the two green lights. Although we did grow our revenues, we would have liked to have seen a bigger increase, hence the yellow light.

In the second column, **Accelerate Change**, we made progress on customer centricity and we started to empower staff in local markets, but much remains to be done in this respect. As for the Net Promotor Score, although our percentage of co-leadership was up for the year, the combined percentage of outright and combined leadership was slightly down, therefore a yellow light here. And as already mentioned, we managed to increase our Employee Engagement Index, above a high performance level, so a green light is justified.

In the last column, **Implement Strategy**,we did not return our TV business to profitability, although losses narrowed. The weak consumer demand also continued to impact our consumer luminaires business. Therefore, these remain red. The rest of the column is basically about growth. Home Healthcare showed encouraging results and we gained market share in Imaging. We did also well in Health & Wellness, outdoor lighting solutions, optimizing the lamp life cycle, that is, the transition in lighting, and in emerging markets. This totals seven green lights for this column.

With this, I would like to hand over to you, Pierre-Jean.

PIERRE-JEAN SIVIGNON:

Thank you Gerard.

Ladies and Gentlemen, from my side I would also like to thank you for attending this press conference.

From my perspective as CFO, Philips had a very strong year in 2010 when looking at profitability, cash flow and return on invested capital. We also made good progress in emerging markets, where our revenue grew to 33% of our total 2010 sales from 30% a year earlier, supported by our teams, our acquisitions and helped by our strong brand. Revenue growth for the full year was almost 4.5%. Actually, we had some tailwind in the first half of the year, which balanced out in the latter part of the year, leading to growth of 1% in the second half if you exclude our TV business.

Our performance for the full year confirms our belief that we emerged from the crisis a stronger company despite an economic climate that remained uncertain in 2010, characterized by subdued western consumer confidence and world construction markets.

I will now take you through our performance in the fourth quarter and then will discuss the whole of 2010. At the end of my presentation, I will briefly discuss the overall financial position of Philips.

Sales in the fourth quarter fell 4% on a comparable basis. The largest decline was in the TV business, for which we guided you on Dec. 1. I will go into more detail on this in a few moments. Excluding TV, sales for the group fell 2%. A lower number of working days in the Philips calendar in Q4 2010 verus Q4 2009 had an impact in particular on our Consumer and Lighting business, as well as the Customer service business of Healthcare. We estimate the impact of this to be around 4%. On a nominal basis, sales climbed 2% in the period to 7.4 billion euros.

EBITA for the quarter was 873 million euros, or 11.8% of sales. On an adjusted basis, which shows our underlying profitability as it strips out incidentals such as restructuring and integration or acquisition-related charges, the EBITA margin came in at 11.4% in the quarter.

Free cash flow was strong at 1.3 billion euros.

On the net income level, we reported earnings of 465 million euros in the fourth quarter, up from 260 million euros a year earlier.

Let's now look at the sales for each of our three sectors in the fourth quarter. As you probably know, when we review our performance we look at comparable growth, which gives a better comparison as it excludes currency movements and acquisitions present for less than a year in our portfolio. However, it doesn't correct for changes in working days, where the fourth quarter had a disadvantage.

Despite that, Healthcare showed growth of 2% on a comparable basis, while revenue at Lighting was virtually unchanged. Consumer Lifestyle dropped 11%, mainly as a result of lower sales in TV.

I'll devote a bit more time to Consumer Lifestyle's sales performance. Within the sector, our personal care and health & wellness businesses showed high single-digit growth. In domestic appliances, we are please that our growth in emerging markets continued with double-digit growth in the fourth quarter. This was offset by market weakness in western Europe. As in the previous quarter, sales in our audio, video and multimedia business declined in the fourth quarter. In Consumer Lifestyle we saw destocking in the channels at the end of the year.

On a geographical basis, comparable sales in emerging markets fell 1% in the fourth quarter. Excluding TV, emerging markets experienced moderate growth of 3%. This was mainly due to a couple of operational issues in Brazil. Excluding Brazil and TV, sales grew 7% on a comparable basis. As I said before, sales from emerging markets now generate 33% of our total revenue, which is an encouraging trend as we continue to strongly believe in the role of emerging markets growth in the coming years. The acquisition of Preethi, which we announced today, will further add to our growth plans. Revenue performance elsewhere was mixed: in North America, comparable sales rose 1%, while in Western Europe sales declined 10%. Excluding TV, the sales decline in Western Europe was 7%.

I earlier mentioned that the lower number of working days in the fourth quarter impacted our performance in the period. As you can see on this slide, the Philips reporting calendar between 2009 and 2010 had 3 less working days for the fourth quarter, which meant we had fewer days to sell or service our products and fewer days to absorb fixed costs. As a result, the reported quarterly comparable sales growth in the fourth quarter was negatively impacted, while the first and second quarters had had a positive impact. All in all, the comparable growth in the fourth quarter was negatively impacted by up to 4%.

Let us now look at EBITA margins per sector. As you can see on the slide, profitability at Healthcare and Lighting improved, while Consumer Lifestyle's profitability declined due to lower revenue and the losses on the TV business as well as a difficult seasonality in our license income. On an adjusted basis, which excludes restructuring and other incidental items, the EBITA margin at Healthcare was 19.6%, while Lighting posted a very healthy margin of 11.7%. Consumer Lifestyle reported an EBITA margin of 6.2%, down from 11.4% a year earlier.

As the global economy remained uncertain at best in 2010, we continued to focus on those things in our business we could influence. Our inventory position at the end of Q3 was a bit high, and we have made significant efforts to bring it down but I would say we are not quite there on that specific case. We will continue our efforts to manage our working capital tightly.

This slide shows that the main improvement in working capital was at Consumer Lifestyle in the fourth quarter. Good progress for the year was posted at Lighting and Healthcare over the year despite good growth in these two sectors at respectively 9% and 4%.

I would now like to turn my attention to our results in the full year 2010.

For the full year all three sectors posted growth, a clear supporting point to our current portfolio of businesses and our geographic mix, where emerging markets are playing an increasingly important role.

On a comparable basis, full-year 2010 sales grew almost 4.5% to 25.4 billion euros. Excluding TV, our comparable sales growth for the year was 5%. EBITA more than doubled to 2.6 billion euros, pushing the reported EBITA margin to 10% of sales. On an adjusted basis, the EBITA margin was 10. 5%.On the net level, we reported 1.5 billion euros in net income, a significant improvement on the 424 million euros we reported for 2009.

Sales, on a comparable basis, climbed 4% in Healthcare, in line with our guidance given during the Healthcare Capital Markets Day. Our Lighting business also showed healthy comparable growth of 9% for the year despite a construction market which remained depressed throughout the year. We are encouraged by our very strong growth in Lumileds and LED-related products in general. The Consumer Lifestyle sector grew by 1% during the year. Our growth businesses Personal Care, Health and Wellness and Domestic Appliances all grew in line with our expectations. This growth was mostly offset by the decline in our Audio, Video, Multimedia business, where we had a decline of mid-single digit for the year, mainly due to declining markets. Our Accessories business also declined during the year, where the main focus was to increase profitability, and this we have achieved by almost reaching double-digit margins for the year.

Let’s now turn to the revenue development across different geographies. In emerging markets, sales grew a healthy 12% on a comparable basis, and 13% excluding TV. On a nominal basis, sales in those economies climbed 20%. What we call other mature markets also posted comparable sales growth of 12%. In North America, comparable sales growth was 1%, while in Europe sales on that basis fell 1%.

As I mentioned before, our reported EBITA for the year was 10% of sales, or 2.6 billion euros. This is up from the 4.5% level in 2009.

All sectors posted higher EBITA for the full-year 2010. The EBITA excluding restructuring and other incidental items was 14.7% for Healthcare, while Consumer Lifestyle posted a profitability level of 7.9% and Lighting 12.8%. On a group level, EBITA adjusted for restructuring and acquisition related charges was 10.5%, up from 6.4% in 2009. As per our guidance, we have significantly exceeded the 10% target that we had set for ourselves three years ago as part of Vision 2010.

I am particularly pleased by our focus and improvement on the Return on Invested Capital. Despite two of the largest acquisitions in the history of Philips in early 2008, which doubled our asset base, we have got back in two years to value creation territory, i.e. with a ROIC that is on a level of 11.7% in the last quarter of 2010, so well above the WACC of the company, ending the year with a spread of 3.6% over the Weighted Average Cost of Capital.

On this slide, I would like to show you where we are with our savings from restructuring plans Rightsizing measures have led to a reduction in our 2010 fixed cost base of 741 million euros compared to the run rate in 2008. As we targeted last year, from 2010 onward, our total yearly fixed cost base will be well over 700 million euros lower than the one of 2008. We will continue to operate at this lower cost base level going forward as this is an improvement that is here to stay.

Let us now take a look at our financial situation, showing you the same slides as the one used last year. As you can see, the Philips debt has a long maturity profile with an average tenure of 9 years. Please note though, we will have 1 billion euros to cash out in the first half of 2011 as part of the reimbursement of long-term debt.

This final slide shows on the left hand side our capital allocation between 2007 and 2010. As you can see, 51% of the 13 billion euros in capital allocation went to acquisitions, followed by 32% on share repurchases and 17% on dividend payments.

In keeping with our dividend policy, and a sign of our confidence in our future, we propose to increase our dividend to 75 euro cents per share, above the 70 euro cents which was the dividend declared for the last 3 years.

Based on the positive response we received from shareholders last year, we will again offer an elective dividend. This is fully aligned with our capital allocation priorities, which outlined in London in September during our capital markets day. We are committed to maintain our A rating, followed by our dividend policy, which with our proposal of 75 cents, is above the higher end of our dividend payout bandwidth. Based on our cash in hand, even after considering the fact that we have about 1 billion euros of debt to repay, we will still have enough cash available to make investments to ignite growth to take us towards our vision 2015 objectives. Finally, if there is still undeployed cash, we will consider the repurchase of shares.

Before Gerard continues with his presentation, I would like to say that my time at Philips has been very enriching. I would like to say that I take particular pride in the fact that I leave this fine company in the knowledge that my successor as CFO, Ron Wirahadiraksa, comes from within Philips. It's a sign of the quality of the team and also a clear signal of continuity.

With that, I would like to give the floor back to Gerard.

GERARD KLEISTERLEE:

Thank you, Pierre-Jean.

Ladies and Gentlemen,

Clearly Philips has come out of the crisis a stronger company and over the last few difficult years, our strategy has been proven the right one. Our new strategic program Vision 2015 builds on what we have achieved with its predecessor, Vision 2010.

Our focus on Health & Well-being is in line with some major global trends that are shaping mankind's future. Our ambition is to both improve healthcare and reduce its costs and that is where our Home Healthcare solutions are relevant for aging populations and people with chronic diseases. To reduce the ecological footprint of our offices, streets, shops and homes, we continue to introduce energy efficient lighting solutions. The rise of emerging markets and worldwide changes in lifestyle also mean that average consumers are increasingly more interested in products and solutions that foster their health and well-being.

In Vision 2015, we have defined four key priorities. First, we want to expand our leadership positions in fast growing markets. Philips is already a global or regional leader in many businesses but we want to further expand these leadership positions. Secondly, we want to be the preferred brand in Health & Well-being in the majority of markets we operate in. Thirdly, we are committed to maintaining our leadership in sustainability by achieving the ambitious goals of our Ecovision 5 program. And last but not least, we want to be seen by all our stakeholders as making a positive, relevant difference to people's lives.

These priorities translate into clear financial aspirations for the period 2011-2015. We want our comparable annual sales growth, on an average annual basis, to be at least 2 percentage points above the growth in global Gross Domestic Product. Next, we want our reported EBITA to be in the range of 10 to 13% of sales over the next five years. Furthermore, we want our earnings per share to grow at least at double the rate of our comparable annual sales growth and our Return on Invested Capital should be at least 4 percentage points higher than our Weighted Average Cost of Capital.

We will have to work hard to achieve this, but we can do it, because we have excellent opportunities for growth. Let me explain where this growth will come from.

For each sector, we have classified our businesses according to how we aim to run them and what our business approach will be. In Healthcare, growth will come from Home Healthcare, Patient Care and Clinical Informatics as well as Customer Services. In the longer term, there is strong growth potential for image-guided intervention and therapy, as it will allow for better healthcare at lower costs. Short term growth in Consumer Lifestyle will come from our Health & Wellness business, for example in mother-and-child care. In the long term we are investing in areas such as skincare, lifestyle management and clean water & air.

In Lighting, the introduction of new technologies will radically impact the way we light our cities, streets, offices and homes. Therefore, many new lighting markets will grow rapidly over the next five years. Short term growth in Lighting will come from LEDs and LED based solutions; in the long run, additional growth is about offering smart, integrated lighting solutions to clients.

Before I conclude, let me talk you through our Management Agenda for 2011, which was developed under the stewardship of our incoming CEO, Frans van Houten, in collaboration with the management team. This reflects a continuation of last year's Management Agenda.

Starting with the column **Drive Performance**: we want to accelerate the pace of growth, gain market share, deliver on financial returns and deliver on the Sustainability commitments of our EcoVision program.

The focus in the second column, **Improve Capabilities**, remains firmly focused on customer centricity. We want to champion customer responsiveness and; accelerate meaningful innovation-to-market introductions to help us gain market share; achieve better and faster execution through an end-to-end value chain approach; and we want to foster a "Resource to win" mentality throughout Philips, to ensure we will achieve our Vision 2015 targets.

As for the third and last column, **Implement Strategy**, we want to build upon our strong foothold and grow in emerging markets; we will focus on "must win" strategic battles in our key business-market combinations; we also continue to increase the value of our portfolio through our recent and future acquisitions.

Looking forward, as the president of a company that this year celebrates its 120th anniversary, Philips' future looks promising. We have the right strategy in place and we are present in the right, fast-growing markets: in Europe and the U.S. as well as in emerging markets. Our profound transformation of the last decade has started to bear fruit and will continue to do so in the near future even more so as the global economy starts to recover.

In Healthcare, our strong order book gives us confidence in the year ahead. In Consumer Lifestyle, we will continue our initiatives to ignite growth. In Lighting, we are seeing the first signs of positive momentum in the construction markets and we expect this to benefit sales in the latter half of 2011. Furthermore, growth in Lighting will be supported by the increased adoption of LED products.

For all three sectors, we continue to expect emerging markets to fuel growth in the year ahead, although consumer sentiment in mature markets remains subdued. All in all, 2011 will be a year of progress on our way to achieve the Vision 2015 objectives.

Ladies and Gentlemen,

As you know, this is the last time that I am here with you to present Philips Q4 and full-year annual results. It has been a great honor for me to be the CEO of this magnificent company. Magnificent, most of all because of its enthusiastic and energetic people. I would like to thank all Philips employees for their support and drive. Together, we have transformed our company. We have refocused our portfolio; we have increased our emphasis on clients, marketing and brand and we have embedded sustainability into everything we do; we have stabilized and improved the company's profitability. In many aspects, the Philips I leave in 2011 is very different from the company a decade ago.

But what has firmly remained is the mission of our company, to improve the quality of people's lives. That is our purpose and that continues to guide our future. New leadership will shortly take over and I would like to take this opportunity to thank Pierre-Jean for his great contribution to our company.

Now that the old guys are leaving, it is time for the young guys to take over. I am confident that our new CEO and CFO will do an excellent job. Both Frans van Houten and Ron Wirahadiraksa know Philips well and have extensive experience in building and growing new businesses. They are the right people for Philips at the right moment and I am sure that, under their leadership, our company will continue to blossom.

Thank you very much for you attention, we are now ready to take your questions.

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