FINAL TRANSCRIPT

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PHG - Q2 2008 Royal Philips Electronics Earnings Conference Call

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PRESENTATION

Operator

Welcome to the Royal Philips Electronics second quarter results 2008 finance call on Monday July 14, 2008. During the introduction by Mr. Pierre-Jean Sivignon, Chief Financial Officer, all participants will be in a listen-only mode. After the introduction, there'll be an opportunity to ask questions. (OPERATOR INSTRUCTIONS).

Please note that this call will be recorded and is available by webcast on the website of Royal Philips Electronics.

I will now hand the conference over to Mr. Pierre-Jean Sivignon. Please go ahead sir.

Pierre-Jean Sivignon - *Royal Philips Electronics - EVP & CFO*

Thank you. Ladies and gentlemen, let me first welcome you to this conference call on the second quarter results of 2008 for Royal Philips Electronics. I will make a few introductory remarks and then we will open up the call to your questions.

Overall we delivered a strong performance in the second quarter especially against the background of deteriorating economic conditions in many of the mature markets. We are particularly pleased with the performance of our Lighting and Consumer Lifestyle businesses, both of which grew strongly this quarter.

In Healthcare, revenue increased significantly due to Respironics and higher sales at Clinical Care, Monitoring and Customer Service. Healthcare order intake was good, especially compared to an exceptionally strong Q2 last year.

Comparable sales growth for the Company as a whole was 6%, driven by 16% growth in emerging markets. We saw good growth at Consumer Lifestyle, Health and Wellness, Television and Domestic Appliances, and at Lighting where sales of green products increased by 16%. Healthcare sales grew 3% comparably.

Strong growth in most businesses was tempered by flat imaging sales in the quarter. Ahead of what we expect, looking at our backlog, will be a stronger second half of the year.

Let me now look in more details at our Healthcare results. As I have mentioned, sales growth was concentrated in Home Healthcare, Clinical Care, Patient Monitoring and Customer Service. As we expected, overall Imaging systems sales were flat, although we did see some growth in a couple of modalities, notably MR.

Healthcare order intake was solid at 4%, especially in the light of the double-digit order growth in Q2 last year, 12%, and the 9% recorded in the first quarter of 2008. This takes the year-to-date order intake growth to 6%. In the quarter, we saw growth in the order book for Clinical Care, Monitoring and, to a lesser extent, Imaging. International order intake was stronger than in North America.

The EBITA margin for Healthcare was below last year, impacted by acquisition-related charges and lower margin at Imaging Systems due to a less favorable product mix ahead of the shipments of new products planned for the second half of the year. Home Healthcare, Clinical Care and Healthcare Informatics also improved margins in the quarter.

Consumer Lifestyle delivered strong comparable growth sales of 7%, supported by double-digit increase in emerging markets and along the business axis by higher sales at Health and Wellness, Television and Domestic Appliances. The profitability of Consumer Lifestyle was 3% in the quarter. This result included a gain on the sale of our set-top box business as well as the impact of restructuring charges largely in the Television business.

Excluding these charges, the Television margin improved both year-on-year as well as compared to Q1 this year. The other Consumer Lifestyle businesses again delivered double-digit profitability with Shaving and Beauty as well as Health and Wellness in particular showing resilience in their margins.

Importantly, we also announced this quarter a further decisive step to improve the profitability of our TV through -- our TV business that is, through a brand license agreement with TPV on PC monitors.

At our Lighting business, nominal sales increased by 19%, due largely to the addition of Genlyte, which also performed well this quarter. On a like-for-like basis, sales increased by 6%, thanks to 16% growth in energy-efficient lighting solutions, including strong sales at Lumileds and 18% sales growth in emerging markets.

EBITA at Lighting was EUR202 million in the quarter, up EUR41 million or 60 basis points of sales compared to last year, supported by the recent acquisitions and the ongoing profitable growth of green lighting solutions.

EBITA at Innovation and Emerging Business was in line with our expectations, including some additional investments in Healthcare Incubation.

We expect I&EB to report an average investment of around EUR40 million per quarter for the rest of 2008, showing then an improved EBITA compared with the first half of 2008.

The EBITA at Group Management and Services improved significantly as a result of a gain on the sale of real estate and a shift in the spending pattern of our brand campaign.

As expected, our net cash position ended the second quarter lower, due to the planned repayment of EUR1.6 billion of debt that we refinanced earlier in the year via a bond placement in North America, and a further EUR1.8 billion of cash returned to shareholders by our payments of our annual dividends, almost EUR600 million, and ongoing share buyback program, EUR1.2 billion for the quarter.

We received a cash inflow from the timely sale of a further stake in TSMC and from operating cash flow, which we were pleased to see improve this quarter.

Inventory levels increased mainly due to recent acquisitions, although we did see above average stock levels in some businesses in Lighting and Consumer Lifestyle that we will bring back into line during the coming quarter. Television Inventory has come down versus the end of the first quarter.

Year-on-year net income was impacted by lower gains on sales of shares of TSMC, the impairment of NXP following deterioration in market conditions late in the second quarter and the cessation of equity accounting for our stake in LPD. On a recurring basis, net income was on par with last year.

With that, let me now open the line to your questions.

QUESTIONS AND ANSWERS

Operator

Thank you sir. (OPERATOR INSTRUCTIONS). Thank you. Our first question comes from Nic Gaudois from UBS. Please go ahead.

Nic Gaudois - *UBS - Analyst*

Yes hi there. The first question would be regarding Healthcare. Could you describe a little bit how you saw the environment evolving in the US and whether your prior comments at the end of this day of the market overall for US equipment for you to be largely flat this year, still remains in force? And then I've got a follow-up. Thank you.

Pierre-Jean Sivignon - *Royal Philips Electronics - EVP & CFO*

Yes. I think, Nicolas, you have to make the distinction for -- I think you -- I am assuming that your question is specifically Imaging Systems, right?

Nic Gaudois - *UBS - Analyst*

Yes.

Pierre-Jean Sivignon - *Royal Philips Electronics - EVP & CFO*

I think as far as equipment is concerned, let me first go big picture, then I will zoom on equipment -- excuse me, on imaging systems. On equipment, 4% for the quarter. You saw that we had high comps last year, so that 4% has to be put in that particular perspective, when you compare Q2 to Q2. I said that in introduction, and you probably recall as well that we started the year with a pretty strong number.

So year-to-date 6%, so that's a number we like to be at. This is obviously not including Respironics. As you know, that's not included in the comp. So 6% is where we want to be because that's the kind of underlying growth we want to see in that particular portfolio.

Now to zoom on imaging systems which is your question, Steve Rusckowski talked about flat for the year. I think, if I look at basically the order intake for equipment in North America for this quarter, after the very strong first quarter we were actually in negative territory for this quarter. So year-to-date we are in positive territory. So the so-called neutral and waiting to see what comes up next, I think that is still going to be opposition for imaging systems North America.

I will add to that, Nicolas, and that's why I think in a quarter from now I might be saying different things, you must have seen the important news which came out last week as far as the regulatories themselves, as far as the fee they get on the exams which, of course, there was a level of anxiety there if their fees would be cut. There was a position taken in the US that those fees were now frozen for the next 18 months. So certainly they will see that as a positive.

And you probably remember that the second big question mark was as far as reimbursements of procedures by Medicare/Medicaid what would happen. And the position there was no cuts were actually -- no further cuts, I should say, were actually decided last week. It's too early to say what kind of impact this could have in the quarters to come but I would like to mention that in the spectrum of news we were expecting on the back of that Q2 from the US legislators, I would say that those two particular news that are probably more at the optimistic end of the spectrum than certainly the other way round.

Nic Gaudois - *UBS - Analyst*

Okay great. And on the -- your comment on mix, Pierre-Jean, on Healthcare, where you said you were slightly negatively impacted by mix and you expect this to change, for margins obviously you expect this to change in H2, is that on the back of new product launches at [Medicare]? I would suspect that the main one CT 256 slice is probably not going to single-handedly improve a mix by itself, so are there any other factors we need to think about into the second half?

Pierre-Jean Sivignon - *Royal Philips Electronics - EVP & CFO*

Yes. I think you -- the mix was impacted indeed by CT. I think there was a CT mix, there was as well the fact that in North America in particular, you still see people buying lower in the mix, you still see people not buying 64 slices but buying actually scanners lower in the offering. So we've seen that absolutely what is called in our particular range the ultra, so that we have seen again in Q2.

So you could see some nervousness very much through on CT, you could see some nervousness in the market, waiting for the news that we've just alluded to earlier in this questions. The 256 slices is a big part of -- it is actually meeting in terms of orders nice success as we speak. It is part of the incoming orders of Q2 in particular on the international market, so it's a machine which seems to have -- since we still had uncertainty until, as I've said, last week on the US market, it did make some mileage in terms of orders on the international market and the delivery of that scanner in volume in Q4 definitely will play an impact.

So the mix on CT will be important but there are other products which will help us on -- if you take now in the particular case of ultrasound, as you know, I want to mention that because we were often described as being the player who didn't have a compact ultrasound solution. We presented it to you at the analyst conference a month and a half ago, and I'm happy to tell you that that machine got certification from the regulator in the US last week. So as far as ultrasound is concerned, we will get some help there as well because we are now officially present on the compact market as at today.

Nic Gaudois - *UBS - Analyst*

Excellent. Thank you very much.

Operator

Thank you. Our next question comes from Andreas Willi from JP Morgan. Please go ahead.

Andreas Willi - *JP Morgan - Analyst*

Good morning. My first question is on your Lighting business. If you could give us a bit more information on how the growth rates break down for your US and European luminaires business for just your lamps business and then your automotive business as well, where the strength was coming from in the quarter?

Pierre-Jean Sivignon - *Royal Philips Electronics - EVP & CFO*

Yes. I think the -- basically as far as Lighting is concerned, let's -- okay the luminaires business, the professional luminaires business did well, actually I think it grew slightly shy of 10%. So the professional luminaires business, which is something that we had kept under our radar screen on the back of Q1, where we had had a weakish Europe performance, there we didn't have a very strong Europe for professional luminaires but we got pretty good help from, I would say, the emerging markets which did -- the rest of the world did well.

As far as North America is concerned, our professional luminaires presence is essentially with, as you know, Genlyte. Genlyte is not included in the comps and Genlyte saw very small growth. Genlyte did very well in bottom line but saw very small growth in Q2 in North America and it's essentially a North American play.

As far as lamps now is concerned, the Lamp business basically grew slightly, I will tell you more precisely, it's about 9%, slightly shy of 9%, and it was a nice performance with just one exception which is North America where there, as I'm sure you will imagine, the consumer, because there we are essentially in the consumer business, the consumer Lighting business did suffer. And, in reality, our Lighting business was the only Philips business which was in negative growth in North America in the first quarter -- excuse me, in the second quarter.

Andreas Willi - *JP Morgan - Analyst*

My follow-up question is on the margins in consumer, excluding TVs, excluding charges, excluding gains. If we just look at the rest of the business this seems to have been down about 200 basis points on Q2 last year. Is this the correct calculation, and what is the reason behind the margin decline there?

Pierre-Jean Sivignon - *Royal Philips Electronics - EVP & CFO*

No. I think it -- we apologize because we are making your life a little bit complex because of the one-offs because, of course, we have the one-offs coming from the restructuring, which has been disclosed, and we have as well the one-off coming from the sale of the home network business. But if you exclude all that, and if you compare the rest of the portfolio, you will see a margin which is actually expressing percentages pretty flat. So there is no deterioration, and it's around, I think I disclosed the number earlier on in the call, it's about 10%. So if you make the math for the rest of the lifestyle portfolio, excluding Television and excluding the one-offs, you will be flat quarter-to-quarter at around 10%.

Andreas Willi - *JP Morgan - Analyst*

Thank you.

Operator

Thank you. The next question comes from Olibunmi Asaolu from Lehman Brothers. Please state one question, with a maximum of one follow-up.

Olibunmi Asaolu - *Lehman Brothers - Analyst*

Good morning, Pierre-Jean. I had a couple of questions. First of all, I just wanted to confirm that your Lighting and Healthcare comparable growth do exclude Genlyte and Respironics.

Pierre-Jean Sivignon - *Royal Philips Electronics - EVP & CFO*

Sorry. I couldn't -- can you repeat the line? I'm not getting a very good line here. Could you repeat it?

Olibunmi Asaolu - *Lehman Brothers - Analyst*

Can you hear me clearer now?

Pierre-Jean Sivignon - *Royal Philips Electronics - EVP & CFO*

It's better. Slightly better. Go ahead.

Olibunmi Asaolu - *Lehman Brothers - Analyst*

I just wanted to confirm, first of all, that your Lighting and Healthcare comparable growth that you have in the press release do not contain comparable growth from Genlyte and Respironics, first of all.

Pierre-Jean Sivignon - *Royal Philips Electronics - EVP & CFO*

No. No. The answer is crystal clear. The 3% of Healthcare doesn't. If you include Genlyte your 3% becomes 11%, and the 6% of Lighting is excluding Genlyte. And if you include -- if you do it now in nominal, if you include Genlyte I think we go up 18%.

Olibunmi Asaolu - *Lehman Brothers - Analyst*

Okay. That --

Pierre-Jean Sivignon - *Royal Philips Electronics - EVP & CFO*

Excuse me, 19%.

Olibunmi Asaolu - *Lehman Brothers - Analyst*

Okay. And that one leads to your 3% comparable growth for the first half, right, for the Group?

Pierre-Jean Sivignon - *Royal Philips Electronics - EVP & CFO*

No. The Group -- the Group, all in, like-for-like, is up 6%.

Olibunmi Asaolu - *Lehman Brothers - Analyst*

Okay.

Pierre-Jean Sivignon - *Royal Philips Electronics - EVP & CFO*

And the 6% becomes, if you include the impact of acquisitions, right, the nominal growth for the Group for the quarter is 14%.

Olibunmi Asaolu - *Lehman Brothers - Analyst*

Okay. You are saying the first half comparable growth is 6% or 3%?

Pierre-Jean Sivignon - *Royal Philips Electronics - EVP & CFO*

3%.

Olibunmi Asaolu - *Lehman Brothers - Analyst*

Okay, 3%. Now, with that as a backdrop, how -- where do you think you might exit 2008 with 3% already [down] in the first half, and where the extra growth may have to come from to come towards your 6%?

Pierre-Jean Sivignon - *Royal Philips Electronics - EVP & CFO*

Okay. Well, for the full year we have not guided you, right? I think the 6% we have guided for Vision 2010 is an average of the year '08, '09 and '10. I think that's the first part of the answer. Now, where did we see acceleration between like-for-like, I'm excluding the impact of acquisition? Between Q2 and Q1 you saw that acceleration of Lighting. You saw as well an acceleration of Lifestyle. Now, if you ask me about the second half of the year, I would expect an acceleration coming from Healthcare.

Olibunmi Asaolu - *Lehman Brothers - Analyst*

Okay. Just to follow up on your Consumer Lifestyle, the restructuring process that's ongoing right now, do you have a view as to what the potential costings might be, when that process is done, and when you're likely to return to breakeven in your TV business in Europe?

Pierre-Jean Sivignon - *Royal Philips Electronics - EVP & CFO*

Right. I think, on Television, this is a year -- okay. First of all to answer your question, we have disclosed to you things, as far as Television restructuring is concerned, we have disclosed to you the 125. You saw, basically, that we took 66 in Q2. We have guided you on 40 million for Q3, and you can deduct, pretty much, what the balance should be for Q4. So that's for the Television restructuring. Basically, we are doing two things already announced on Television. Funai will be done in the course of Q3, and we've announced a second initiative which is the deconsolidation of the display -- of the monitor business, I should say, which is essentially impacting our Asian business, and that will be effective probably some time in Q4. And we have a few other things going, because some of the restructuring that we are currently taking is not related to Funai. I said last quarter that probably 50% of that restructuring was on the European side of the business. So I think somewhere in the course of next year, once we've swallowed all that, I think you will be able to see a Television business which is clean and which would be heading back towards profitability.

Operator

Thank you. Our next question comes from Alex Surla from Merrill Lynch. Please limit yourself to one question, followed by a maximum of one follow-up.

Alex Surla - *Merrill Lynch - Analyst*

Hi. Good morning. I think I have two questions that are somewhat broader in nature. The first one is the impact of revaluation of Chinese currency on your margins. If you have, directionally, what would that impact be? And it would help us if you can tell us what's your percentage of sales that are derived in China out of that 27 billion or so. And then, what is the percentage of COGS out of the 17 billion to 18 billion of COGS, what percentage of that is manufactured in China, whether OEM or by yourself?

Pierre-Jean Sivignon - *Royal Philips Electronics - EVP & CFO*

The -- I'll start with the end of your last -- the last part of your question. The sales in China of the total portfolio of Philips is 7%, 7%, 8%. So that's the answer to that question.

Now, what is the impact of the renminbi appreciation. I think that we, basically, have today a hedge which is being put in place. So we have financial hedges which are in place. If there were to be a severe, I would say, de-correlation between the renminbi and the euro, I think this is something we would have to take a look at, but we have some elements of flexibility there because we have the possibility, and we do that constantly, by the way, to relocate some of our sourcing. So today we are hedged, so we are covered. If there were to be a very strong, I would say, mismatch in particular between the renminbi and the euro, that is something that could have some consequences on our sourcing, but this is something that we look at constantly in order to keep a balancing act prominently between, obviously, money in which we buy, the money in which we source.

The other thing I want to add is when that doesn't match, as much as it is the case for raw materials, because the other key question, of course, is the impact of the increase of raw materials, when we look at our cost base, and when we look at the, obviously, reflecting increases in our selling prices, we very much reflect not only what's happening on raw materials but if we are not capable of matching our currency hedges, we reflect that as well in our selling prices.

Alex Surla - *Merrill Lynch - Analyst*

And the hedging is for 12 months, 24 months?

Pierre-Jean Sivignon - *Royal Philips Electronics - EVP & CFO*

Well, it's -- no. It's more complex that that, because we -- it's a simple question with a complex answer. The horizon of our hedges is a function of the backlog which we have in, and our backlog is something which is quite different between the various businesses.

Alex Surla - *Merrill Lynch - Analyst*

And the follow-up question, also more general in nature, you said you were going to focus on execution for the rest of the year, but just given that there's two assets that, perhaps, came up for sale recently, GE Lighting and Agfa, could you just qualitatively comment on your potential acquisitions strategy for the rest of the year, and, in particular, if you have any comments for those two companies or assets in particular?

Pierre-Jean Sivignon - *Royal Philips Electronics - EVP & CFO*

Well, I think, in the case of Lighting, before we talk about the GE business I'd like to talk about the Philips business. We've actually -- we grew 6%. I think I mentioned that that growth would be even 19% nominal if I were to move in Genlyte. Our margin is actually up. And if you scrutinize, and we don't give you those details, but I could tell you that excluding Genlyte, the margin of our Lighting business is actually up on the pre-existing portfolio. You saw in the press release as well that we have now started engaging in the license strategy on the back of the strong IP portfolio that we have acquired in the last three years, actually 2.5 years. And I will add that in this particular quarter, Lumileds was back into positive territory, which had not been the case for some time because we had a few quality issues at the end of last year.

So our Lighting business is, frankly, we are quite comfortable with it. It's growing very nicely in emerging markets, 16% growth on green products, so I don't think we want to look at anything else. So I don't know. I hope that answers your question on the portfolio of GE there.

As far as Healthcare is concerned, in the introduction I mentioned that we had increase of revenue, as well as increase of profitability in our IT Healthcare portfolio, and this is a portfolio which was built around the acquisition of Stentor 2.5 years ago. That business is doing well. It has international coverage, including for Europe, and at this particular point of time I think we are working along the line of actually pushing that particular portfolio in Europe as well. So the particular company you -- last week made reference that Philips was not part of the companies that are looking at Agfa. And the last comment I will make on that is, as you probably know, we never really comment on our acquisition initiatives anyway for reasons which I'm sure you fully understand.

Operator

Thank you. Our next question comes from Simon Schafer of Goldman Sachs. Please limit yourself to one question, with a maximum of one follow-up.

Simon Schafer - *Goldman Sachs - Analyst*

Yes. Thank you. Good morning. I want to ask a high level question as well, and that is, just looking at the geographic sales mix, you clearly commented that sales per market is relatively lower growth now in what you describe as mature markets, and I think in your prepared remarks you also commented that, obviously, those are very challenging now. But then, of course, a good amount of the growth is still coming from emerging markets, 16% comparable growth. I'm just wondering what are the signals that you are seeing in those economies, and what is the confidence that you are having in that sales mix right now on a one year perspective?

Pierre-Jean Sivignon - *Royal Philips Electronics - EVP & CFO*

Absolutely. And this is, obviously, a very fundamental question, so thank you for bringing it up. Before I go into emerging market, and before we completely write off mature markets, I want to say that, and I'm not saying this is, obviously, the way it will be in the future, but I want to pinpoint that North America was up. As you could see it in the details we provided to you, North America was like-for-like, excluding the impact of acquisition, up 5%. And I would say as well that our Healthcare business was up in North America and our Lifestyle business was actually up 18% in North America in Q2. So this is to show that before we completely write off those mature markets it's going to be, for the quarters to come, a bumpy road in those mature markets. What protects us, of course, is green products for Lighting, and what protects us as well is the fact that in many of those product categories in those mature markets we are leaders, and to some extent that protects us as well.

But you are right; we do need -- I think, as Philips, in those turbulent times, we do need the support of emerging markets. We've always said that. We said that the wind supporting Philips comes from the new acquisitions, and it comes as well from a strong position in our existing market, but it comes very much from emerging market.

Now, what have we seen in Q2? India, LatAm, still doing very well. There you are in -- definitely in double-digit territory in, I would say, in a rather a consistent manner, maybe with one sector still a bit behind, which is Healthcare. Because there we will count on the support coming from the acquisitions we've made recently; the two in LatAm, the one in India, the one in China. We saw a bit of a blip in China in May. I think, as you probably recall, China was hurt by a major earthquake, and I'm not a specialist of China but it definitely had a little bit of a blip. And they somewhat recovered in June, but China was hurt in the month of May as far as we were concerned.

The rest of the portfolio, if I want to be even more precise, in the Asian market, which we normally don't disclose to you because we have seen a bit of an acceleration of the growth there, Asian market means countries like Thailand, Indonesia, Vietnam. Those are countries which are -- which in our categories [fought] like other emerging. And I think the other emerging market which has done pretty well, and I want to flag it, is Russia. Because when we talk about Europe, please keep in mind that we do not put Russia in mature. For us, it counts as an emerging market. And Russia was quite stellar in the second quarter.

Simon Schafer - *Goldman Sachs - Analyst*

That's very clear. Thank you very much for tackling that. The other question I would have, now that you're -- you obviously still haven't closed but in terms of the Funai agreement, and then the recent announcement with TPV, is there anything to say about the intentions, perhaps, for the European TV business? That's still the one that, perhaps, most of a drag, so is there any type of strategic change pending that you're still working on? Is that something that [Shelda] should expect?

Pierre-Jean Sivignon - *Royal Philips Electronics - EVP & CFO*

Well, I think, on Television, I think if you look at the sequence of events, in early Q1 we told you that we would make the margin of Television a strategic objective. End of Q1 -- that was the end of Q4. That was with the Q4 numbers. End of Q1 we mentioned the Funai deal. End of Q2 we are mentioning the deal with TPV, which is an important deal because this is for [EUR600] plus, between [EUR600 and EUR700] worth of business, which will be deconsolidated in Q4. We said, as well, that as part of the EUR125 million of restructuring that we take on Television in 2008, a good chunk of it, I mentioned 50% earlier on in this conversation, would be related to Europe. So we are working hard as well on improving the Europe business. And our objective, and you will see other initiatives in the quarters to come, but the plan is to continue to improve the business, to bring it to what we've given ourselves as a 5% type of margin for that business. And I will add, as I've said many, many times, and as Gerard Kleisterlee has said around this phone actually two quarters ago, that at the same time we keep all our options open.

Operator

Thank you. Our next question comes from Marcel Achterberg of ING. Please limit yourself to one question, with a maximum of one follow-up to give others the opportunity to ask questions. Please go ahead.

Marcel Achterberg - *ING - Analyst*

Yes. Good morning, gentlemen. I have a bit of a follow-up question on Simon's question on emerging markets growth. Are there, say, reversely areas of weakness in, say, in Europe and the US in the Lighting & Consumer business where you have seen, say, consumer demand or a construction-related demand deterioration in Q2 compared to Q1?

Pierre-Jean Sivignon - *Royal Philips Electronics - EVP & CFO*

Yes. I think we, as far as Lighting is concerned -- first of all let me, and this information actually might surprise you, as I said on an earlier question, I mentioned that in the comp we do not include the Genlyte, but, of course, in the Genlyte numbers we do have an exposure now to the constructions in the North America. And if you split between residential and commercial we actually saw a decline in the commercial business of Genlyte, but we saw an increase -- no, excuse me, we saw a decline in the residential business of Genlyte, as expected, but we still saw an increase in the commercial business of Genlyte in North America in the second quarter, so I think that this is obviously an important piece of information for you.

Now in the rest of the world, Luminaires, which -- and I'm talking now Professional Luminaires, which is always important to watch. Professional Luminaires had actually worldwide, excluding Genlyte, because Genlyte -- again is not in our comps, Professional Luminaires grew almost 8% in the second quarter and that was on the back of Europe, not stellar -- I mean we still have some weak spots in Europe as we saw them in Q1 and you'll remember where they were, Spain, UK, there clearly the professional business has slowed down. But the good thing is some countries of Europe are still doing well, and of course the rest of the world, emerging or not, is doing well. So we ended up with Professional Luminaires, as I said, up 7.7%.

As far as Lamps is concerned, Lamps, I mentioned it, grew almost 9% and there it was strong all across the portfolio. The only bad news for Lamps, I mentioned it, was in North America. There we were down, as you would expect. But Europe was strong; Europe was at 9%, LatAm was very strong and Asia and the rest of the world were really strong. So the Lamp business, all in, was quite strong for the second quarter.

Marcel Achterberg - *ING - Analyst*

Okay, thank you.

Operator

Thank you, our next question comes from Alexander Peterc from Exane BNP Paribas. Please limit yourself to one question with a maximum of one follow-up to give more participants the opportunity to ask a question.

Alexander Peterc - *Exane BNP Paribas - Analyst*

Yes, hi. I'd like you to come back a little bit on the relative resilience of the TV business. You have a little bit of a negative news flow pertaining to prices in this business in Europe, but also we have some negative reports of your competitors in China. Can you maybe clarify a little bit why you had such strong sales in this segment? Thanks.

Pierre-Jean Sivignon - *Royal Philips Electronics - EVP & CFO*

Yes, I think strong, I think let's be -- we have improved numbers versus Q2 last year, right? And we have improved numbers versus Q1 of this year. If you exclude, of course, the impact of the restructuring, we had good growth. I think the growth was actually disclosed to you as being up 14%.

Now if you want to go by region, we saw actually good improvement of our margin in North America and we saw as well good improvement of our margin in Latin America, just to give you a bit of a flavor of what has happened to our Television business.

But the growth, as far as the growth was concerned, I think we saw good growth just across everywhere. I'm scanning through my, yes, I think in terms of growth, Western Europe, North America, emerging market, LatAm was quite strong.

So the 14% is translating a growth, which was across geographies.

Alexander Peterc - *Exane BNP Paribas - Analyst*

Okay, thank you very much for that clarification. And then just a quick follow-up. We had already the question on the depreciation of the Chinese currency but I guess that you also see production costs there, increased labor costs in particular. Do you see any of your sub-suppliers trying to put through any price increases and how do you manage this cost situation? Thanks.

Pierre-Jean Sivignon - *Royal Philips Electronics - EVP & CFO*

Yes, the answer is yes. I think I answered the question on the currency, now you're asking me do we see people asking to increase prices. The answer is yes. We are at this point of time, capable to contain that. Of course, we have the fact that we can increase our prices as well. I answered on an earlier question the mix of revenue we derived from China, but there is pricing pressure on the upside in China and this is why it's very important we keep on cracking that. And, of course, make sure that when we can't renegotiate it, we indeed reflect it in (technical difficulty).

Operator

Thank you, our next question comes from Scott Babka from Morgan Stanley. Please limit yourself to one question with a maximum of one follow-up.

Scott Babka - *Morgan Stanley - Analyst*

Great, thanks, good morning. Just one question, (inaudible), on the lighting business. You talked about how Genlyte margins had held very well and the commercial business remains strong. I just wanted to get a little bit about the leading indicators you're looking at for performance on the commercial exposed part of the business in the second half and in 2009. And are you confident the margins are sustainable at current levels if we do see a bit of a softening in the commercial side of the business? And I have one follow-up, thanks.

Pierre-Jean Sivignon - *Royal Philips Electronics - EVP & CFO*

Yes, I understand we specifically talking generalized and we're specifically talking about the commercial part of the portfolio of Genlyte. As I said earlier on, in Q2 we saw some increase, actually we saw some nice increase of the commercial business of Genlyte in Q2. We know for a fact that, at least that's remembering the extensive amount of work we did on Genlyte pre-acquisition, there is at least, if you look at the history, a lag of about a year -- three quarters to a year between residential slowdown and commercial slowdown. So we are expecting, and I think we should not be surprised, we are expecting a slowdown in Genlyte, probably I would say on the commercial side in the quarters to come. So we know that, that has happened and historically commercial cycles at Genlyte and in the Professional Luminaires business in the US have lasted about, I think, two years. I think that's what we saw and that's what we factored in our business model when we acquired the company.

Now as far as margin is concerned, you are correct. In Q2 the margin of Genlyte held up pretty well. Actually, it was north of what we were expecting. We had a pretty good second quarter at Genlyte in terms of margin.

To your question, can it hold, so far we've been capable of pushing our price increases at Genlyte in the second quarter. Of course, that's very new in the year. We still have two quarters to come. There will be definitely pricing pressure and I think that we should expect that. But those are things that we knew would come and again, we have factored in our modeling when we acquired Genlyte.

So there will be pricing pressure I'm sure and there will be as well some pressure later in the year or early next year on the commercial part of the business which we haven't seen yet.

Scott Babka - *Morgan Stanley - Analyst*

Great thank you, just one quick follow up. In looking at the sales per market cluster, we see Western Europe was down 1% on a comparable basis. I was wondering if you could just shed some light on that in terms of where the positives were and what were the drags in the quarter?

Pierre-Jean Sivignon - *Royal Philips Electronics - EVP & CFO*

Yes, I think if you look at Europe, basically the -- and I will go by sectors -- in Europe, in comp, the Healthcare business, and again that excludes Respironics, Healthcare was down very marginally, you could call it almost flat. Lighting was well up. Lighting was actually up 6% and Lifestyle was marginally up. So all in, Europe was basically up 2%.

Now this is including the other countries of Europe. If you now zoom on Western Europe, you could see the document we sent to you and that excludes, of course, Russia. If you really take the old part of Europe, we were down 1% but you could say that the rationale is the same. Good performance at Lighting, offsetting meager performance at Healthcare and lifestyle.

Scott Babka - *Morgan Stanley - Analyst*

Okay, thank you very much.

Operator

Thank you, our next question comes from Robert Sanders of Dresdner Kleinwort. Please limit yourself to one question with a maximum of one follow-up.

Robert Sanders - *Dresdner Kleinwort - Analyst*

Yes, good morning Pierre-Jean. I just have a quick question on the LCD panel pricing environment. Historically when that has declined quite sharply, we've seen the retail price of TVs maybe fall faster than the LCD panel price and therefore margins have got compressed. I was just wondering if you thought that you were better positioned in the second half to deal with that potential pressure? That would be my first question.

Pierre-Jean Sivignon - *Royal Philips Electronics - EVP & CFO*

Yes, I think, well as you know, I don't think anything has changed. What you described is correct. When you have pricing pressure on the panels, you do have pricing pressure of course on the selling prices. What has protected us in that particular territory in the past is that given that we have a tremendous amount of the value chain which is outsourced, our reaction chain between the price we pay and the reflection -- we pay for panel that is -- and the reflection on to the selling prices in our particular case it's a very, very closed loop.

So we've been historically helped by the fact that in terms of weeks, there is a very short period of time between the purchasing price negotiation and the selling price in the channels. So, it's almost a bit of an edge we've been able to put in place thanks to this very short business cycle that we have, having literally no factories left in that particular business.

Will there by pricing pressure in the second half? I think there will be.

Is it planned to be more difficult than in the first half? It's early to tell. In the first half of this year and certainly, in particular, in the first quarter, there was already quite a bit of pricing pressure on the price of those panels.

Is it worsening? Hard to say, I don't see that industry really significantly different from what it has been. I think Q1 and Q2 were tough quarters.

Robert Sanders - *Dresdner Kleinwort - Analyst*

Just as the follow-up question, just interpolating what you said about Western Europe that TV business is up strongly, Lighting was up, Lifestyle was marginally up, would that mean that the DAP business, the former DAP business and the CE ex-TV was down quite considerably? It seems to suggest that.

Pierre-Jean Sivignon - *Royal Philips Electronics - EVP & CFO*

No, I answered that question earlier on. I think it was question one or question two. Again, we apologize we for making the life for you guys a bit complex because we have someone else this quarter and I think -- but if you and I'm sure that with Stewart or Raymond offline, because I don't want to waste your time right now.

We can do the math with you, but if you exclude the one-offs, which are related to the EUR66 million or EUR67 million of restructuring, to exclude the EUR56 million of home networks gain, if you recalculate and you can do all that, because we even have given to you the television mix right, you can recalculate the rest of the portfolio and if you do those math, which is the combination of the DAP -- ex DAP portfolio and the non-television CE portfolio, you will find that the margin is pretty much in line with last year, around ten-ish percent --

Robert Sanders - *Dresdner Kleinwort - Analyst*

Yes, I'm sorry, the question was on a sales line actually, just whether --

Pierre-Jean Sivignon - *Royal Philips Electronics - EVP & CFO*

Sorry, Robert --

Robert Sanders - *Dresdner Kleinwort - Analyst*

...CAP in Europe and it seems to me that potentially the audio entertainment part was a bit down.

Pierre-Jean Sivignon - *Royal Philips Electronics - EVP & CFO*

Sorry, sorry, sorry --

Robert Sanders - *Dresdner Kleinwort - Analyst*

That's fine.

Pierre-Jean Sivignon - *Royal Philips Electronics - EVP & CFO*

I was answering margin and you were asking revenue, I apologize.

Robert Sanders - *Dresdner Kleinwort - Analyst*

That's alright.

Pierre-Jean Sivignon - *Royal Philips Electronics - EVP & CFO*

The revenue growth was, excluding television, was about 2% but now if you look at -- now you are asking me between DAP and CE. I hate to go back to those categories but you had basically a pretty good performance. It was very strong at Appliances. It was very strong at Healthcare, at Health and Wellness and I would say a bit closer to the average for the rest. Just to give you -- and interestingly enough, one of the countries where Health and Wellness did very well was North America.

Robert Sanders - *Dresdner Kleinwort - Analyst*

Great, thanks a lot.

Operator

Thank you, our next question comes from Martin Wilkie of Deutsche Bank. Please limit yourself to one question with a maximum of one follow-up.

Martin Wilkie - *Deutsche Bank - Analyst*

Yes, good morning, a question on the Consumer business. You mentioned there some growth rates for the Consumer business in DAP regionally, could you just give us the details for sales excluding television, just what the growth was in each region?

And the secondly, what you're seeing with distributors and retailers for the non-television business. Are you seeing any signs of destocking in the face of perhaps some weaker consumer trends or are you seeing a change in mix? Are consumers trading down towards perhaps some of the cheaper products within your portfolio? Just to give us a sense if the apparently weakening in the consumer environment is potentially going to have an effect on your revenue line in the coming quarters?

Pierre-Jean Sivignon - *Royal Philips Electronics - EVP & CFO*

Yes I see, excluding Television, and on the back of obviously very strong comps, because you have to realize that last year, second quarter was a very, very strong quarter in terms of growth, excluding Television. As I just mentioned, we were up 2%.

Now to your next question, can I give you that mix by region? No, it's not that I don't want to, it's that I don't have it, but I think offline, you can call the team and I'm sure we can give you color on that.

Now, of course, you would want me to help you as much as possible on regions but it's a bit complex because beside the fact that emerging markets for lifestyle were in double-digit growth territory, the reality of it, you almost have to go by product categories to analyze what has happened in Q2. What we find is that across product categories and across regions, the situation can be vastly different and it depends, obviously, on the strength of the particular product category in that particular region.

I mention, just for reference purposes, that Health and Wellness had an extremely strong quarter in North America in Q2, so it's a bit hard to answer across geographies and across product categories what went right and what went wrong in the second quarter.

Now, to guide you looking forward, I think, as I mentioned, Europe was flattish, US was up, the rest of the world was well up. How can I guide you moving forward? Difficult because I think that the trends that we've seen in Q2 beside the particular situation of the month of May in China, where clearly there we saw something and I don't have a better explanation beyond the particular subject of the country which was really hurt by that earthquake, actually that succession of earthquakes I should say. We don't see any other signs which I could really describe as trends beside the fact that mature Europe and North America are certainly more difficult but with exceptions, as I mentioned, and the exception of this quarter was certainly North America.

It's very hard for me to tell you much more. But offline we will give you the growth of Lifestyle excluding Television, so by regions, so then hopefully that helps you to answer that question even more.

Martin Wilkie - *Deutsche Bank - Analyst*

And just to follow up there, when you're speaking to your global key accounts, which obviously represent a large percentage of your revenues in the Consumer business, are they changing the way they talk to you in terms of what they're expecting to sell, either in terms of price point or mix, should we expect a change in the portfolio perhaps if it's a consumer trade down?

Pierre-Jean Sivignon - *Royal Philips Electronics - EVP & CFO*

I think what we see, it's a trend which started in the US in Q2 last year -- I'm sorry in the second half of last year, in Q4 last year I should say, we see in some parts of the world, customers looking for lower price points. And there, obviously, the situation is to be capable of continuing to deliver a product to the particular customer, who still wants to buy Philips at lower price points. In a lot of our product categories, luckily, we are capable of doing this, i.e. to keep a customer who will buy at a lower price point and the good thing is that all margin percentages, in the Lifestyle portfolio, are pretty much identical across price points.

So as far as the Consumer portfolio is concerned, we do see certainly customers in general looking for lower price points, but since we are basically present there as well, that has not stopped us from continuing to grow and maintaining our margin. I think that's probably the kind of trend we've seen beyond what I've just said, which is a slowdown in the US, as well as a slowdown in old Europe in general, with again the exception that I referred to.

Martin Wilkie - *Deutsche Bank - Analyst*

Okay, that's very helpful, thank you.

Pierre-Jean Sivignon - *Royal Philips Electronics - EVP & CFO*

I am telling you -- you have to realize this is a business in which we don't have a backlog and I'm obviously guiding you on what I'm seeing today. I have to tell you that I will be brutally honest, I have to tell you that growing 18% in Lifestyle in Q2 was a surprise for me.

Martin Wilkie - *Deutsche Bank - Analyst*

Okay, thank you.

Operator

Thank you, our next question comes from Didier Scemama from ABN Amro. Please limit yourself to one question with a maximum of one follow-up.

Didier Scemama - *ABN Amro - Analyst*

Yes gentlemen, good morning, just a bit of a housekeeping question on the GMS part of the portfolio. I'd just like to clarify when you said for the full year we'll have about EUR40 million cost of pension post-retirement benefits, is that for the whole -- does that include also services units and everything, GMS, i.e. should we assume about EUR24 million per quarter in 3Q and 4Q?

Pierre-Jean Sivignon - *Royal Philips Electronics - EVP & CFO*

No. I think the math there is always the 0.5% for the non-brand, non-pension part. I think that is a guidance we gave a couple of years ago and that guidance still stands. For the EUR40 million you are referring to is indeed what we see as a pension cost for the year, and the guidance on the brand had been given earlier on and I think it's probably going to be in the 70 to 75 territory for the year. I think that's -- those are the answers to your three questions.

Didier Scemama - *ABN Amro - Analyst*

Okay. And just going back to DAP because there's been a lot of questions but I'm not exactly sure what the answer was. You talked about the margins about 10%-ish for Consumer Lifestyle ex-CD, so for DAP specifically can you just give us a bit of color on the underlying performance, i.e., comparable sales growth and maybe also if my math are correct you are in the low teens EBITA margin; is that about right?

Pierre-Jean Sivignon - *Royal Philips Electronics - EVP & CFO*

Yes I think I can give you a bit of color. I think in the particular case of -- we're talking margin or are we talking sales?

Didier Scemama - *ABN Amro - Analyst*

Both.

Pierre-Jean Sivignon - *Royal Philips Electronics - EVP & CFO*

Both, okay. As far as -- I'll start with sales. Health & Wellness very high teens. Appliances around the average of Philips. And Shaving & Beauty was I would say low single-digit.

Didier Scemama - *ABN Amro - Analyst*

Okay.

Pierre-Jean Sivignon - *Royal Philips Electronics - EVP & CFO*

Alright. And in terms of margin, as you know we never disclose those margins but I can tell you that they were pretty much in line with the one of last year so you --

Didier Scemama - *ABN Amro - Analyst*

In the low teens, okay.

Pierre-Jean Sivignon - *Royal Philips Electronics - EVP & CFO*

I'm looking at, and I won't disclose them to you, but I can tell you that for each of the three categories I described, the margins were in percentage -- expressed in percentage, were resilient.

Didier Scemama - *ABN Amro - Analyst*

Okay. And last question is on the buy-back. If I look at the first half, you are a bit behind the mid-point of this buy-back. Should we see an acceleration of the buy-back in Q3/Q4 to match EUR5 billion? Or is it more back-end loaded in Q4?

Pierre-Jean Sivignon - *Royal Philips Electronics - EVP & CFO*

Well actually I'm not -- well we never said it would be EUR2.5 billion and EUR2.5 billion I think, Didier. I think we said that the majority of this EUR5 billion would be done in '08. So where are we, as we speak, if anything Q2 was an acceleration versus Q1 which is good because of course we are quite obviously as you all are frustrated by the share price, but certainly you gave us the opportunity to accelerate. So we are at EUR2.2 billion of buy-back at the end of Q2 with EUR1.2 billion done in the second quarter, so in reality EUR1 billion done in Q1; EUR1.2 billion done in Q2; EUR2.2 billion at the end of the first half and in the third half, yes I think we will continue -- sorry in the third quarter we will continue, especially at the -- with the share price where it is right now. We'll definitely continue at the speed of Q2 because the current share price we see that as an opportunity.

Didier Scemama - *ABN Amro - Analyst*

Many thanks.

Operator

Thank you. Our next question comes from Gael de Bray from Societe Generale. Please limit yourself to one question with a maximum of one follow-up.

Gael de Bray - *Societe Generale - Analyst*

Yes thank you. Good morning. My first question is related to potential acquisitions with much lower valuation multiples right now in the market. Do you think the timing could be a bit more appropriate to resume a more active acquisition strategy in the coming months or quarters?

And in particular, could you be interested in some of the consumer and industrial businesses that GE plans to spin off in the coming months, namely their Lighting business for example? There were also some talks about Agfa-Gevaert. Would you be interested also in the Healthcare business?

Pierre-Jean Sivignon - *Royal Philips Electronics - EVP & CFO*

Okay Gael. Good morning. Actually the -- on acquisitions we've said that this year would be a year of integration. So I don't see us doing major M&A this year because we've said in the first place that this is a year where we have to integrate.

Now we have done and announced some small M&A. It doesn't make much headline but very important tactically for our Healthcare business. We've announced two acquisitions in Brazil, one in China and we have one which is currently -- we have a current couple of projects which are currently boiling in India. They are not big, certainly not versus what we've done but they take a lot of our attention, a lot of focus because they bring exposure to our Healthcare business which as you know is by far the least present in those emerging markets, and on top of that they give us immediate access to what we call value products, i.e., products at lower price points which is absolutely essential for our product range in Healthcare.

Of course looking forward and beyond at some point, we will go back into M&A and if there are good multiples, all the better. To the -- but we will do that using the same principles we've used moving to where we are today.

Now you ask specific questions on GE. The question came earlier on, on this call about Lighting, I think I have answered that. You now talk about their Consumer business. The answer is we believe our Consumer business is a good business so I could also make the same business as made on lighting, so I don't think we are interested there. And as far as Agfa, on the Healthcare side, I answer that as well. I made reference to the fact that the business we have acquired 2.5 years ago which is at the heart of our IT portfolio, in Q2 grew and became actually more profitable in the case of the second quarter. And I think we are quite comfortable with that particular business.

Gael de Bray - *Societe Generale - Analyst*

Okay, thank you very much. Can I have a follow-up question on the Healthcare business, because the sales growth in emerging markets was negative 2% in Q2, exactly the same as a year ago? So could you be a bit more specific on what's happening within Healthcare in emerging markets? Do you feel greater competition from GE maybe or is there something else related to the creation of your JVs and the recent acquisitions?

Pierre-Jean Sivignon - *Royal Philips Electronics - EVP & CFO*

Yes I think in the case of Healthcare, we basically have some growth but if I were to give you the mix between emerging -- in the key emerging markets which is basically described as China, India, Latin America, we had actually nice growth. We had lower growth, you could say negative growth in the other emerging territories which would be Thailand, Indonesia. But of course the reality of it is that those are small numbers and in order to address that we are doing exactly what you've said in order to jump start our presence because the presence of Philips Healthcare in those emerging markets is really now slightly north of 10%, especially now that we have Respironics which has increased the US presence in our Healthcare portfolio. And in order to accelerate, we have made -- we have actually announced three acquisitions as I mentioned; two in Brazil, one in China, and we have a couple of moves coming up in India. So you should look at our growth rate starting next year when those particular acquisitions will have really increased our presence in that domain.

And lastly, we have our own joint venture which is Neusoft which is making progress, but still representing obviously a small part of the perimeter, it's helping China and I mentioned China did well. But it's not helping us enough in the other emerging markets and to address that particular subject, as I said, we have [done] the chain of tactical M&A which definitely will make a difference next year.

Gael de Bray - *Societe Generale - Analyst*

Okay thank you.

Operator

Thank you. Our next question comes from Gunther Hollfelder from UniCredit. Please go ahead.

Gunther Hollfelder - *UniCredit - Analyst*

Hi, actually you mentioned Lumileds as a driver for the strong growth in lighting, for an energy-efficient lighting solution. Could you provide some more details concerning Lumileds like current growth rates, whether the margin is holding up there? Also maybe the pricing going forward in the LED market? Thanks.

Pierre-Jean Sivignon - *Royal Philips Electronics - EVP & CFO*

Yes I think I mentioned -- I flagged Lumileds. Lumileds actually grew nicely. It's actually basically important to notice that because Lumileds, during the vast majority of last year, and even in the first quarter, had been in a negative growth territory. The Rebel -- the so-called Rebel product line is now up and running. The quality problems are behind us. The backlog is starting to fill in and we saw an acceleration of the growth in the course of the second quarter and we've finished with a growth for Lumileds for the quarter which was almost at 10%. And in terms of margin, the trend that we've seen on the revenue we started seeing as well on the margin with a recovery of the margin because of course that business is very much driven by volume.

It's hard to tell you much more. I think in the case of Lumileds the critical thing is A, to obviously sign large applications which makes a real difference, and we are working on a couple of those. It's hard to communicate on that right now. And the other important things for Lumileds is of course to basically make sure that -- they grow as part as well of our green effort. Because Lumileds is a key pillar in the new sources of lighting, solid state lighting, and there we clearly saw an acceleration and if I look at the quarters basically, I'm looking at the trend, we certainly see a pace coming up between May and June. We had a month of April which was a trajectory of what we had seen in the first quarter, but we saw a clear acceleration of shipments in both the month of May as well as the month of June. So I see Lumileds playing an essential part of our green lighting sales moving forward, as well of course as a nice contributor to the margin of lighting for the quarters to come.

Gunther Hollfelder - *UniCredit - Analyst*

Okay great, thank you very much.

Operator

Thank you. (OPERATOR INSTRUCTIONS). Our next question is a follow-up question from Nic Gaudois from UBS. Please go ahead.

Nic Gaudois - *UBS - Analyst*

Yes hi, I just wanted to ask where we are vis-a-vis TSMC? I know you are participating in the share buyback program ongoing, and also just to reiterate a little bit your thoughts on your [LPL] stake here. Thank you.

Pierre-Jean Sivignon - *Royal Philips Electronics - EVP & CFO*

Yes I think Nicolas, yes you saw that we've exited more TSMC, we are now down to 1.7%. The reason why we did that is because it was in line with the press release we had done I think two weeks and a half ago where we talked about an acceleration of the program in cooperation with TSMC. And what made that obviously quite important was that the Taiwanese stock market, including TSMC, that market held up extremely well, it was one of the market which was the least corrected in the last couple of weeks. So we used that opportunity to bring our stake into TSMC back to 1.7%.

As far as the other lines are concerned, nothing new. I think for LG Display, we will continue to bring that down and we will take the opportunities when -- we said the objective is to go either to zero or to something close to zero over time. And the objective we had given was Vision 2010 so there is very, very much -- it's difficult to guide you much more on that and I don't want to do it because I think I would probably corner myself.

And as far as NXP is concerned, there it's a matter -- it's an industry you know well. It's a matter of opportunity. We think that at some point there will be a strategic restructuring in that industry, it's hard to say when. And I think that restructuring probably will be good for industry as well as good for us. And then if there is an opportunity we will probably decide to move. But very early to give a date at this particular point.

Nic Gaudois - *UBS - Analyst*

Thank you very much.

Operator

Thank you. Our final question comes from Didier Burg from Les Echos. Please go ahead.

Didier Burg - *Les Echos - Analyst*

Good morning. I was wondering, do you do the (inaudible) on the American economy as well world economy? What would be the consequences for the second half of this year for Philips? And which outlook would you have for this year?

Pierre-Jean Sivignon - *Royal Philips Electronics - EVP & CFO*

Well I think the -- we don't guide. The only guidance we've given you for the year was that we said that the year '08 should be a year of progress versus '07 for the -- on our journey to Vision 2010. That's exactly what we said and we stand by that.

To give you -- I cannot forecast the economy for the second half. I think clearly we are still doing very well in emerging markets so I think emerging markets as we had said all along are very important for us. They -- I could argue they don't play the role for us they could, because we still have an Healthcare business which is weak, so there is more mileage for us to get in emerging markets starting next year, because we were very -- as you know our Healthcare business is still a very young business compared to our largest competitors, and we're not there yet. But we've made effort to get there.

On the Lifestyle portfolio the US is already technically in a recession, as many people say. We grew there, I don't know what will be Q3, it's hard to read, but we have certainly shown that we have strong product categories which are helping us. Television helped us as well as Health & Wellness in the particular case of US in Q2 in a country which was already definitely in a recession mode.

And in Europe, you have to make the distinction between the various business. I would say that in the second half of the year, the Healthcare business should improve and on the back of the strong backlog we have in Imaging Systems. On the Lifestyle portfolio it will probably remain difficult; it's already difficult, as it was illustrated in the previous questions. And on Lighting, there we are helped by our green sales. As mentioned the Lighting actually in Europe did well in Q3 carried by the fact that a substantial portion of our portfolio is helping our customer to save money on their electricity bill at a time cost of energy is going up everywhere.

If you ask me one more comment on the second half, I think we expect as usual a very strong fourth quarter for Healthcare, it's always a strong fourth quarter and that's where we see it for this year. And we expect a second half which enables us with a very strong fourth quarter to deliver the guidance we gave you for the year, which is a year of progress, between '07 on our journey to 2010. I think that's as much as I can tell you.

Didier Burg - *Les Echos - Analyst*

Thank you.

Operator

Thank you. We have no further questions at this time. Please continue with any further points you wish to raise.

Pierre-Jean Sivignon - *Royal Philips Electronics - EVP & CFO*

Yes thank you for all your questions. I think basically we obviously will continue to keep you well informed of all the progress we continue to make on our Television business. And besides that I want to thank you for your questions and for your time and talk to some of you on the road, and talk to all of you at the next conference call in three months from now.

Thank you very much. Goodbye.

Operator

This concludes the Royal Philips Electronics second quarter results 2008 conference call on Monday July 14, 2008. Thank you for participating, you may now disconnect.
