FINAL TRANSCRIPT

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PRESENTATION

Operator

Welcome to the Royal Philips Electronics fourth quarter and annual results 2010 conference call on Monday, January 24, 2011.

During the introduction, hosted by Mr. Gerard Kleisterlee, President and CEO, and Mr. Pierre-Jean Sivignon, CFO, all participants will be in a listen-only mode. After the introduction, there will 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 to Mr. Abhijit Bhattacharya, Head of Investor Relations. Please go ahead, sir.

Abhijit Bhattacharya - *Royal Philips Electronics - Head of IR*

Ladies and gentlemen, good morning. Let me welcome you to this conference call on the full year, as well as the fourth quarter results for 2010, for Royal Philips Electronics.

I'm here with Philips' President and CEO, Mr. Gerard Kleisterlee, and our CFO, Pierre-Jean Sivignon, who will take you through the numbers and his introductory remarks in a few minutes. After this, both Pierre-Jean and Gerard will be happy to take your questions.

As usual, our press release and the accompanying information slide deck was published at 7 am this morning. Both documents are now available for download from our investor relations website. We will also make available a full transcript of this conference call on the investor relations website by tomorrow morning, at the latest.

With that, let me hand you over to Pierre-Jean to run through the results.

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

Thank you, Abhijit, good morning to you all. I will first start by looking at recent developments in some of our end markets. Then I will walk you through the financial performance for the year 2010. And finally, I will end with my comments on the fourth quarter.

As far as developments in the end markets are concerned, I will start with Healthcare where, in the USA, we saw hospitals continuing to focus on lowering their operating cost and managing their ROIC. Those with relatively strong balance sheets saw an easing in the availability of credit.

Some uncertainty on healthcare reform continues, with reimbursement pressure and healthcare equipment tax on the horizon, as well as many States challenging the federal mandate to buy insurance.

This year also saw the emergence of large strategic and multiyear deals. Some pent-up demand was also visible in the quarter.

We see strong momentum in emerging markets and, as more investments continue to be directed at these markets, this results in robust demand there.

The lighting market saw reasonable growth in the quarter, with demands for LED products leading the way.

Given the weak construction markets, we are encouraged by the growth in the professional luminaires market for the second straight quarter. With the forward-looking architecture billing index crossing the growth level of 50 in the last quarter, we expect to see growth in the construction starts towards the latter half of 2011. We expect growth from tenants' renovation to give us some early momentum in 2011.

In the Automotive sector, we believe the inventory correction has now been completed, and supplies are aligned with the production starts.

The Consumer business continues to remain subdued. In Q4, we continued to see good market developments in emerging markets.

Last but not least, we did see tighter inventory management in the channels, as we had already indicated at the end of the third quarter.

In the Consumer markets, consumer sentiment in Western Europe and the US remained subdued. In the arrears, where we mostly invested for growth, we saw markets responding.

Personal care, health and wellness and domestic appliances markets continued to grow. Markets in the ASEAN countries and Central Europe as well showed good growth in the quarter.

The home, audio and DVD markets continued to shrink, while price erosion in the television market was severe.

Let me now move to the Philips Group results. For comparable sales, we grew 4% -- actually 4.5%. And excluding TV, we saw 5% of sales growth for the year, when adjusted for currency as well as portfolio changes.

Sales in Healthcare for the year grew by 4% for the year, in line with our earlier guidance given during the capital market day back in May in 2010. Particularly pleasing for Healthcare was the growth in key emerging markets, which showed double-digit growth, with China and India growing at more than 20% for the year. Key emerging markets consist of China, India and Latin America. We see these trends as clearly supporting our investment thesis of these markets.

Our Lighting business emerged from the crisis with a strong growth of 9% for the year. Our sales growth in LED products, which forms a part of our future plans, was very strong with a year-on-year growth of 78%. Growth in Automotive Lighting, Lighting Electronics, and the Lamp business as well, contributed handsomely to the growth for the whole sector.

The lack of momentum in the Constructions business resulted in a subdued performance by our Luminaires business.

Consumer Lifestyle sales grew by 1% for the year. Our growth engines in Consumer Lifestyle, i.e., Personal Care, Health & Wellness businesses and Domestic Appliances grew in line with our expectations.

The decline in the audio, video, multimedia and DVD market, specifically in the categories where we are present, was largely responsible for offsetting growth in the other categories.

In emerging markets, sales for 2010 grew a healthy 12% on a comparable basis and 13%, excluding TV. On a nominal basis, sales in these markets increased by 20%. In North America, we saw comparable growth of 1%, while sales in Europe declined by 1%.

Reported EBITA for the year was EUR2.6 billion, or 10% of sales, which is a record in the last 10 years. And that is a significant improvement over the 4.5% profitability reported for the year 2009.

More impressively, our adjusted EBITA profitability, that is to say excluding incidental gains and charges, significantly exceeded our target of 10% to finish the year at 10.5%, with a strong year-on-year improvement in all 3 business sectors.

Reduction in our costs base, pricing discipline, and the success of our supply team in managing the bill of material have contributed to this improved performance. Our continued focus on cash delivered a free cash flow of EUR1.3 billion in the year.

And with that summary on the year, I would now like to take you to get a closer look at our performance in the fourth quarter.

Sales in Q4 increased by 2% on a nominal basis; corrected for currency movements and portfolio changes, sales for the quarter declined by 4% compared to the previous year. Excluding Television, this figure was a decline of 2%.

On a geographical basis, comparable sales in the emerging markets fell 1% in the fourth quarter. Excluding TV, emerging markets witnessed a growth of 3%. This was mainly due to execution issues in Brazil. Excluding TV and Brazil, sales in emerging markets grew by 7% on a comparable basis.

Sales from emerging markets now represent a third of Group revenues, actually 33% to be precise, which is an encouraging trend, as we continue to see the significance of emerging markets growing in the coming years.

I would like to highlight that our growing footprint in emerging markets is not only limited to the BRIC countries, but to other emerging geographies such as ASEAN, Ukraine, Central Asia, South Africa, and in the Middle East as well.

Revenue performance in the Rest of the World was mixed, with North America showing a 1% increase in comparable sales, while Western Europe saw a decline of 10%. Excluding TV, the sales decline in Western Europe was 7%.

But it's important to point out at this stage that our comparable sales figures do not correct for change in the number of working days in the Philips' accounting calendar, where, in the fourth quarter of 2010, we were particularly disadvantaged with 3 working days less in the quarter for the particular product categories that I will refer to in a minute. And this is 3 less working days compared to the fourth quarter of 2009.

As you will remember, we had a corresponding and reverse advantage in the first quarter of 2010, where there we had 4 extra working days versus the fourth quarter of 2009, and we had already mentioned that at the end of that first quarter 2010. The impact of this on the sales for the quarter is estimated to be up to 4 percentage points of growth.

Reported EBITA was EUR873 million, or 11.8% of sales, improving on the 9.1% profitability reported for the fourth quarter of 2009. The adjusted EBITA profitability, that is to say excluding incidental gains and charges was 11.4% for the quarter compared to 12.3% for the fourth quarter of '09. The lower adjusted EBITA was due to the loss incurred in the television business for the year, as well as different seasonality on the IP income.

Excluding television, the adjusted EBITA for the fourth quarter 2010 was slightly higher in amount at EUR895 million, or 13.8% of sales, compared to EUR861 million or 13.9% of sales in the previous year.

Our continued efforts on cash delivered a free cash flow of EUR1.3 billion in the quarter. This compares to EUR726 million for the fourth quarter of 2009, which included the EUR485 million net cash payment related to the final asbestos settlement.

With that summary, let me know take a closer look at the performance of each of our business sectors during the fourth quarter, and I will start with Healthcare.

Currency comparable equipment order intake saw a 3% growth in Q4. We saw an encouraging 8% increase in North America, though for geographies outside North America, the order intake remained flat. But there, the momentum in key emerging markets, that is India, China and LatAm, were sustained with an impressive increase in the order intake of 20% for the quarter.

Despite the disadvantage in terms of days, which I referred to earlier on and I'm talking about working days in the Philips' calendar, our Healthcare sector had a sales growth of 10% nominally. On a comparable basis, the growth was 2%.

Looking at it per business, Home Healthcare Solutions and Patient Care and Clinical Informatics performed well, by delivering mid single digit comparable sales growth. With the addition of new [circuits] in emerging markets, Customer Services delivered an impressive growth in emerging markets of 17%. Our acquisition in China, the [earthwell], Shenzhen Goldway, compared spectacularly in the last quarter with a growth of 60%, which completed an annual growth of 40%.

Reported fourth quarter EBITA at Healthcare was EUR522 million, that is to say 19.8% of sales, compared to EUR450 million, or 18.8% of sales, in the same period of 2010. Excluding restructuring and acquisition-related charges, EBITA was 19.6%; very close to the record level of 20% in the same period of last year.

Consumer Lifestyle sales dropped by 11%. Excluding TV, the decline in Consumer Lifestyle was 6%. The sales pattern in Consumer Lifestyle was similar to the previous quarter, with Personal Care and Health & Wellness showing good growth.

In Domestic Appliances, we are pleased that our growth in emerging markets continued, with double-digit growth in the fourth quarter. This was offset by market weakness for that particular product category in Western Europe. Audio & Video, Multimedia, and Accessories sales declined in the quarter, largely due to declining markets, as well as portfolio choices for profitability.

In Consumer Lifestyle, we did see destocking in the channels. In TV, this did not permit to complete the reduction of the channel inventory. The EBITA margin at Consumer Lifestyle declined significantly to 5.6% of sales, compared to 9.2% in the fourth quarter of 2009. Excluding restructuring charges, the adjusted profitability of the sector was 6.2% in the quarter.

Unprecedented pricing pressure, due to the inventory situation in the channels, saw significant price erosion in the Television business, as a result of which the business made an adjusted EBITA loss in the fourth quarter of EUR55 million, which was at the low end of the guidance given on the capital markets day in December.

Adjusted EBITA, excluding restructuring and acquisition-related charges; basically, there we gave you that number for TV, and it was indeed [EUR55 million].

This, together with the different seasonality for licenses this year, this had a lower adjusted impact on EBITA of EUR31 million, compared to last year. And those two elements combined were the most significant contributing elements in the Consumer Lifestyle EBITA. The decline in sales in Audio & Video, Multimedia also contributed to the lower profitability.

At Lighting, comparable sales were in line with the level of the fourth quarter of 2009. Sales in India and ASEAN continued strong momentum with double-digit growth. North America showed signs of recovery with a mid single-digit growth in the quarter. Subdued consumer confidence in Europe affected sales where we saw a high single-digit decline.

Looking per business, we continued to see strong sales for all LED products, with growth of 37%, compared to the same quarter of the previous year. Sales of professional luminaries, despite a weak construction market, showed growth for the second consecutive quarter. Lighting Electronics had a robust quarter with high single-digit growth.

The reported EBITA at Lighting more than doubled to EUR198 million, or 10% of sales, from EUR82 million, or 4.4% of sales, in the same quarter of last year.

Excluding restructuring and acquisition-related charges, the adjusted profitability increased to EUR232 million, or 11.7 of sales, well ahead of the EUR185 million and 10% of sales of Q4 last year. The improvement in adjusted profitability was visible across almost all Lighting businesses, notably, lamps, lumileds, and automotive lighting.

EBITA at GM&S was EUR2 million, mainly due to a EUR83 million pension-related change, which was partially offset by a EUR5 million restructuring charge. Adjusting for this, the adjusted EBITA was EUR76 million, and we expect GM&S sector cost to be at the level of EUR280 million for 2011.

Our reported net income improved substantially from EUR260 million in Q4 '09 to EUR465 million in the current year. This was driven by an improvement in operating margins and lower charges, compared to previous year.

Let me now move to cash and to the balance sheet. And there, I'm glad to say that we again managed to deliver a very solid cash flow inflow of EUR1.3 billion from our operating activities in the quarter, compared to the equivalent figure for the fourth quarter of 2009 of EUR726 million, which was then negatively impacted by EUR485 million cash one-off settlement related to the final asbestos settlement at the time. The cash flow from operating activities increased by EUR125 million when adjusted for that settlement, mainly due to higher operating earnings.

Our inventories were up, compared to last year end, especially for Televisions. However, with an eye towards cash and profitability, we've managed working capital well. And for the Group, if you exclude pension, we have a reduction of that working capital, compared to the fourth quarter of last year, by 80 basis points, as expressed as a percentage of revenue.

On inventories, there was some concern at the end of Q3, but we have reduced our inventory since then. However, the job is still not yet fully completed.

I'm pleased with the further strengthening of our liquidity position during the quarter. Our cash balance increased from EUR4.4 billion to EUR5.8 billion at year end, mainly driven by the free cash flow.

Ladies and gentlemen, let me now sum up. Overall, I can see that we finished a strong year 2010, and we did that on a stable note. We made a strong start to the year, supported by some tailwind in 2010, which had the opposite effect on the second half of the year to make it a little bit more challenging then.

We are pleased by our performance in the Healthcare sector, particularly in Home Healthcare; Patient Care and Clinical Informatics, as well as in Customer Services. In Lighting, we've done well almost across all the board, especially with our LED-based products, lamps, lighting electronics, and automotive lighting. In Consumer Lifestyle, Personal Care, Health & Wellness were the standout performers.

The growth and momentum seen in these businesses was rewarding. This enabled us to end the year with an EBITA, adjusted for restructuring and acquisition-related charges, of 10.5%, which is significantly ahead of the target we had given to ourselves of 10%.

From a geographic perspective, we have improved our [balance] sales in emerging markets, growing from 30% to 33%. Our just-announced acquisition of Preethi in India will add further growth momentum to our businesses in that part of the world. However, Television profitability remained a major issue, and we are fully committed to resolve this.

I am pleased with the further progress we made in managing our cost, particularly with the structural savings in fixed cost, which compared to the 2008 base line where we delivered a EUR741 million, which exceeded the target of EUR700 million by EUR41 million.

Finally, something which gives me great personal satisfaction is that, in 2 years after the biggest acquisition in the history of the Company, our return on invested capital was back in value creation territory, i.e., above the WACC of 8.1% after tax of the Company, which means that, by the end of the year, we were able to come close to our Vision 2010 objective by ending with 11.7% return on invested capital.

2011 will be a year of progress on our way to achieve the Vision 2015 objectives. Our strong order book provides confidence in our Healthcare business for the year ahead. We see first leading indicators of positive momentum in constructions market, which are expected to benefit Lighting sales in the latter part of 2011, supported by the increased adoption of LED products.

We expect emerging markets to continue to support growth in all the 3 sectors, while consumer sentiment in mature markets remains subdued.

We will continue our initiative to ignite growth in Consumer Lifestyle, where a reduction in license income, as indicated in the press release, as well as inventory in the channels for Television, will provide some headwind during the early part of the year.

In keeping with our dividend policy, and as a sign of our confidence in the future, we propose to increase our dividend to EUR0.75 per share, we will propose that to our shareholders at the upcoming meeting, above the EUR0.70 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. And this if fully in line with our capital allocation priority, which we 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 EUR0.75, there above the higher end of our dividend payout bandwidth. And we will be doing this actually for the third year in a row.

Based on our cash in hand, even after considering the fact that we have about EUR1 billion of debt to reimburse in the first half of this year, we will still have enough cash available to make investment 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.

After six very enriching years in Philips, where, together with my colleagues on the Board, as well as members of the Philips family, we have been through one of the toughest economic cycles in history, and I thought this was the appropriate moment for me to hand over responsibility to my successor.

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 sign of continuity.

I want to sincerely thank all of you for your support and cooperation during this period.

With that, let me now open the line to your question, with Gerard Kleisterlee and myself happy to answer your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Mark Troman from Bank of America Merrill Lynch.

Mark Troman - *BofA Merrill Lynch - Analyst*

Good morning. Two questions -- or just one main question. On the Consumer Lifestyle, what specific actions should we expect from management to deal with, firstly, the clear TV problem which has been around for some time? And secondly for I guess the Audio & Visual, and Multimedia areas, and associated areas which are experiencing price and volume pressure?

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

Okay, I think the two subjects are of a totally different nature, simply because of the bottom line. I think, in the particular case of Television, you saw that in the latter part of Q4 we finally closed the deal in China, which is something that we had expected to close earlier in the quarter. This is actually following a deal which had been signed a couple of months before in India.

So I think what you will see in Television is that you've seen us moving in a variety of business models, basically changing this business for the better. And I think that we will continue to take actions along the pallet of business model which are available to us to indeed come up to the commitment that we've taken, vis a vis [you], which is that Television will be at break-even in 2011. I think that's what I can say at this particular point of time.

I will precise as well that between 2010 and '09, even though we didn't deliver on our promise to basically come up with a break-even, we reduced significantly the losses between the 2 years. And of course, we came within the guidance, even though it's the low end of the guidance, of the bottom line that we had indicated on the beginning of December.

I think if you look at Audio & Video, the situation is of a different nature because, yes, indeed there was a discussion or reference to growth, and there, there are product categories which have shrunk. We have actually grown in other product categories. But this is a business which is contributing to the bottom line of Philips, and I think it has been the case almost constantly. So there, I think we are facing a situation which is completely different from the one of Television.

Because I can tell you that in terms of EBITA, we've been consistently profitable during the whole of 2010. And in the course of the fourth quarter of this particular year, these businesses came up with a mid single-digit profitability. So I certainly wouldn't put these two product categories in the same basket.

Mark Troman - *BofA Merrill Lynch - Analyst*

Thank you very much. And just one follow up. In terms of the construction markets, Pierre-Jean, you were highlighting the improvement in the US; what about European construction? Is that showing improvements too, or do you expect improvements there?

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

Well, I think if you look at professional luminaires, historically, cycle has been that, between the restart in the US and the restart in Europe, you've had an average of 6 months. Those cycles got a little bit confused in the last downturn.

You are all, I think, well aware of the architect index, which is a US index, which did cross the famous threshold of 50, and that threshold was clearly crossed. I think we will have those graphs when we meet you on the road, but they are available on the website of this particular index of reference. And you will see that the crossing in December was actually quite visible, so we expect there a little bit of tailwind to come normally 6 months later. And hopefully in Europe, not shortly thereafter, let's say a couple of months later, if the trends of the past are confirmed one more time, we should see some action a few months later in Europe.

What we are seeing now, a little bit off cycle, is the emergence of a renovation market actually in the mature world, which is actually rendered possible by the efficiency created in idle buildings, which encourage some owners, I would say off cycle, to do some work in order to make those idle buildings a little bit more attractive.

Mark Troman - *BofA Merrill Lynch - Analyst*

Thank you very much.

Operator

Simon Smith from Credit Suisse.

Simon Smith - *Credit Suisse - Analyst*

I had two questions; the main question really following up on the discussion that Mark was having there.

In terms of the Consumer business, you've now got a TV business which has been a problem, so that's been 36% of your sales there, and I think the strategy there has been very clear. Now we're talking about the Audio & Video area as well as the Accessories, and this now counts for a further 23% of sales of that business. And though I know that, combined with the DAP businesses, have margins which have been profitable and respectable, clearly, this business I presume is now no longer profitable.

Should we be looking for the Audio & Video part of that market to now become a similar story to TV? And will we be getting a significant restructuring program coming in to deal with that? Or is it something that's more related to timing and we should be less concerned by? So that would be my first question.

My second question was, in terms of emerging market growth, clearly the emerging market trends have been a very important driver of the Philips' business. And looking at this quarter, you've got negative 1% growth in emerging markets, and you highlight there as having been operational issues in Brazil, as well as the TV business issues that we knew about in China. I just wondered if you could give us some clarity as to what problems you have faced there?

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

Yes, on the Consumer business, now I really want to flag that Audio and Accessories are a different ball game. Actually, they are both profitable, and have been almost consistently profitable, not only this year, but the year before. So this is to say that those are businesses which basically not only did well in profitability this year, but they did well in profitability the year before.

And in the particular case of Accessories, which is a business we've said we had given ourselves an objective to have them [profitability] in high single, if not low double, digit, I can tell you that, in the particular fourth quarter, Accessories was in double-digit EBITA percentages. And as I've just mentioned on the previous question, on the case of Audio & Video, we were at the mid-single. So I want to reiterate that those businesses definitely have a different profile from TV.

And if I add one more thing in the case of Accessories, this is as business which had a blend which was essentially in the Western World. And this is a business that we are currently growing in the emerging markets, which is where it is currently underrepresented, if you compare it to the other product categories of Lifestyle. So clearly, please do not amalgamate Audio & Video/Accessories with TV.

I think on TV, as you've said, we've answered the question there.

On emerging markets, there was a specific one-off Brazil situation, mostly due to IT, where we have to change some IT solution there. It's time that we change our IT solution there.

And we had one logistic issue with the unfortunate consolidation of our warehouses at the wrong time of the year. And this actually had an impact on about, I would say, 2 businesses, and maybe actually I should say even our 3 businesses were impacted. And this is something which we are working on and which should be solved by the end of the first quarter of 2011. So you can consider the Brazil situation, from an execution point of view, pretty much as a one-off; nothing broken there.

Since you mentioned emerging markets, I would like to mention something which is of importance. I said it actually in the call, but I want to mention that the split of our emerging market has changed a little bit in nature, in terms of its content versus the year before.

If you look at the growth we've had in emerging markets for Philips for the full year, it is actually basically 14% for the full year. But what is actually -- obviously, it's carried by almost a similar number for the key emerging markets, which includes, of course, China, India, and Latin America. But I want to flag that we have now other territories, which I flagged in the introduction, Russia, Ukraine, Central Asia.

I think ASEAN as well was a territory which now represents a very substantial part of our growth; that is to say that our emerging market portfolio is now depending on much more than simply Brazil, India, and China. And that is something which, of course, gives us lots of comfort for the quarters to come.

Simon Smith - *Credit Suisse - Analyst*

Pierre-Jean, could I ask a quick follow-up?

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

Sure.

Simon Smith - *Credit Suisse - Analyst*

In terms of your comments about the Audio & Video and Accessories divisions, you gave the margins there as being double digit for Accessories and single digit for Audio & Video, and that was for Q4. But are those businesses where you would have expected to have had bumper margins in Q4? So do they have the very strong Q4 seasonality? Or are they more evenly distributed in terms of their margins through the year. They don't have the same profile as TV?

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

No, actually you're right, they don't have the same profile as TV. Historically, TV is always a strong Q4. These businesses that you are referring to, Accessories is a business which is much more, I would say, is something that addresses replacement more, and it's a much more stable market through the year. As far as Audio & Video as well the seasonality is less severely marked than the one of Television.

So the margin that I actually refer to are margin that we have actually experienced through the year. So in the case of those 2 product categories, it's not a one-off flash in the plan profitability in Q4. As I mentioned in my previous answer, basically the margin of those businesses were profitable all across the year.

So it's really a very different profile. I'm just checking my numbers in front of me, but I can confirm that Audio & Video and Accessories were absolutely profitable consistently through the whole of 2010 in the kind of territories, which I mentioned for Q4. So no special one-off seasonality for the profitability of those two.

Simon Smith - *Credit Suisse - Analyst*

Thank you very much. Thank you for your time.

Operator

Andreas Willi from JPMorgan.

Andreas Willi - *JPMorgan - Analyst*

Good morning, gentlemen. I have a question on the growth in Q4. You talked a lot about the different divisional drivers, maybe we could focus, from a geographic perspective, a bit on Europe, which, across the board, maybe you could give us some more information there for the major countries, where was the main issue?

And also Philips relative to the market, have you lost market share in some categories or how many percentage points did maybe destocking impact your growth relative to the underlying market demand? Just to get a better feel on this European number, which looks like one would expect in a recession, but not in the current environment.

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

Yes, let me try to do this business by business. I think first of all, the overall context of Q4, what we saw in Q4 was a quarter which was doing, actually, I would say, reasonably well until November. And when we really looked at that we saw in December, in particular for the Consumer businesses, which was a disappointment.

It was a disappointment from 2 angles. One, because of course, as I mentioned, that is where we missed 3 workdays compared to the year before. So when you basically compare the 2 quarters, Q-to-Q in terms of comps, obviously the 3% to 4% shortage of revenue coming from these 3 workdays essentially was concentrated on that month of December. So that was one thing; 3 work days less, that has a significant impact for us on the numbers.

The second thing was that, as I said, the consumer sentiment in particular in Europe, but to some extent as well in the US, didn't obviously help, and there I think you could see that in our numbers.

The third element is that we saw some destocking, and there I will give you some numbers; I think I did that at the end of Q3 on Lighting and Lifestyle. I will do it the same way at the end of this Q4. I have the destocking numbers in front of me, and what I can clearly see is that, in the course of Q4, there was destocking in the lighting channels; I'm talking there about the professional channels. And the good news was that it was a destocking meaning that the selling in from us to those guys was clearly negative.

The good news was that, when you look at the selling out of this channel to their own end market, it remained positive. So there was a destocking, which impacted us in Lighting and, if you look at that as well in the domain of Lifestyle, there as well there was some destocking. The number of channels is significantly more important, so it's hard to be as specific as we are for Lighting. But on top of that, I have to say indeed, in Lifestyles as well, there was destocking.

I think this is as much clarity I can give to you on the revenue lack of growth, in particular in the consumer territories in the fourth quarter. In terms of geographies I think, if you want to be even more granular, the territory which was probably the most impacted, I would say, was Europe. North America did actually better, because if you look at North America all in, despite the number of days, and there we were still slightly positive. And I think, as we've said, the emerging markets obviously with the exception of Latin America did better.

So I think if you had to strictly and solidly focus on geography ,I would say probably the disappointing part was essentially Europe. And that was, again, subdued consumer sentiment in that part of the world.

Andreas Willi - *JPMorgan - Analyst*

But any major differences between the different countries in Europe or was it really across the board?

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

No, there were countries more disappointing like others, but then there we're getting very granular. The Nordic, Netherlands, Belgium, just to name countries which were probably more depressed than others. But on the other hand, you had some countries which have done positive. And Eastern Europe actually did bounce back after a couple of quarters which had been quite dull from a comp growth point of view. But all in all, Europe in total was probably the part which was the slowest, from our own perspective, in the fourth quarter.

Andreas Willi - *JPMorgan - Analyst*

And as a follow-up on restructuring savings in 2011, is there a ballpark number that you have in terms of what's still to come from past actions taken?

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

Yes, actually I think we have our customary document, which is on page 34 on the website, where we've updated as usual, and you've seen that we've finished the year on EUR741 million of savings. And if you go to the appendices, which is slide number 80, you will see that, in the fourth quarter, we finished the year with a run rate of EUR233 million, actually, in terms of savings. So you can see that, in terms of run rate, we are actually in excess there of EUR800 million.

So what you will see in terms of additional savings, we have still in our balance sheet at the end of 2010 some provision which relates to plan which were announced and booked in the year 2010, and which have not been executed yet. So as we had actually promised to you, the 2 charts I referred to give you the full analysis of the savings for the year quarter by quarter, compared, of course, to the expenses basis of 2008. And we have more to come on the basis of what is still in our books, which I think is slightly short of EUR200 million of remaining provision still to be executed on in the quarters to come.

Andreas Willi - *JPMorgan - Analyst*

Thank you very much.

Operator

Mr. Martin Wilkie from Deutsche Bank.

Martin Wilkie - *Deutsche Bank Securities - Analyst*

Good morning. A question first on the Healthcare business, and you talk about an excellent basis for growth going into 2011. And I think also your comments that the US imaging market could grow at 2% to 4% is probably more upbeat than you were looking at 3 or 6 months ago. So if you could just give us a little bit more detail behind what you're seeing in the growth outlook for the Healthcare business?

And then secondly, you referred to earlier on cash flow, that if there were M&A opportunities you might look at a buyback. If you could just give us some sort of sense as to how long you would look for M&A before considering a buyback, or just some details behind how you might make that decision? Thank you.

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

I think the Healthcare business let me give you a bit of flavor on, because your question was, of course, on the backlog and then you zoomed a little bit on North America.

I think on North America we basically had incoming orders for equipment, there we had growth of 9%. So the 3% incoming order growth for equipment for the quarter at Philips' level is made actually of 9% for North America. So now you said --

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Abhijit Bhattacharya - *Royal Philips Electronics - Head of IR*

8% for North America.

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

Sorry, I'm told that it's 8%, so I correct the 9%. It's actually 8%, but it's still a respectable number. Basically, does that make us more bullish on the growth for Healthcare in North America? No, I think the numbers that is mentioned in the tax is a number that we had referred to before.

The one thing which is factual is that the last 3 quarters of orders in North America have confirmed some pent-up demands. But you don't want to get this out of proportion because, of course, this is on the back of very weak comps, and the portfolio really started benefiting from the restart of orders since the second quarter of 2010. So those numbers are good numbers; we like them. But they should be taken in the context of weak comps, since it's only, as I said, in the second quarter of 2010, post the clarifying of the Obama reform, that we saw the market bouncing back.

I think the comfort on Healthcare is more a global one. As I said in the call, we have 9% growth of incoming orders for the whole of Philips, including a very strong performance in emerging markets. And we have, all in all, a backlog in absolute euros, which is about 10% north of what it was at the end of last year.

And since you asked that question we've added, but I'm sure you've seen it already, a slide in the pack where we've tried to indicate to you the rhythm at which this portfolio would actually be delivered. And I will let you take the time to look at that particular slide; I just flag it because it's a new slide in the traditional pack.

Your other question was the question on the capital reallocation. Well, there we are very, very much sticking to what we've said in London. Rating, of course, remains of paramount importance, especially in these uncertain financial markets.

Dividends, as you've seen, we come up with a proposal to our shareholders of EUR0.75. If you do your math you will see that we have decided, one more time, consciously to exceed the payout policy; we will be north of the 50%. Not very much, but still we'll be north of the 50% policy. As you know, the payout policy there is the most generous of our peers and, despite that, we will be exceeding it. So I think total consistency on making dividends top priority.

Of course, if there is M&A which makes sense, we will be continuing to look at M&A. We've always looked at M&A; there is nothing new there. We are and will continue to look at things, and if there are opportunities we'll try to execute on them. And that's why I flagged the fact we are now at 11.7% ROIC 2 years after a crisis, and a very significant M&A wave, which took place in the early part of 2008.

I think that is a proof point of when we do those moves we try to make them right. And indeed, if that doesn't use up our capacity we might actually indeed look at buybacks. And that's totally in the sequencing and the order of priority of the way we presented it in London 3 months ago. So complete consistency there.

Martin Wilkie - *Deutsche Bank Securities - Analyst*

Okay, thank you.

Operator

Gael De-Bray from Societe Generale.

Gael De-Bray - *Societe Generale - Analyst*

Good morning, everyone. My first question is really due to the Consumer Lifestyle business, ex TVs. Given the rather muted growth in consumer markets right now, and also the likely negative effect coming from additional portfolio [pruning] in the Audio & Video sub-segment, do you still expect Consumer Lifestyle, ex TVs, to grow positively in 2011 in line with GDP, as you refer lately back in September?

The second question is about the TV business. This time you said that actions to reduce TV inventories in the channel would be completed in Q1. But the first question is here, did you still have yourself excess inventories at your end?

And the second question obviously is, maybe could you help us on the short-term profit outlook for TVs, shall we expect similar operating losses as in Q4, or maybe even deeper operating losses there?

And the final question is related to Healthcare. You took some restructuring provisions backup again in Q4; you did so already in Q3. What does that mean exactly? Does it mean it you saw lower restructuring opportunities than at the beginning of 2010? Or does it reflect a great confidence on the growth outlook now?

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

That's a lot of questions. I'll try to take them -- I think the first one is do we see Consumer Lifestyle growing in 2011? Absolutely. Actually, one of the things that we haven't talked about, which I didn't want to flag, but we have invested significantly in selling expenses in the fourth quarter. You've asked questions actually on the margin in Q4.

One of the things I didn't mention is that -- and I won't give you that number -- but just be aware that, in the bottom line of Q4 there was significant investment in selling expenses. And that is, obviously, not only something which is important for the growth of that business for the quarters to come, but it's as well a sign of confidence that that growth will be there. If not, we would not be spending that money.

So the answer is, yes, we expect Lifestyle to grow. And there is absolutely no change in terms of guidance there. Emerging markets will grow; new product categories will be extended. And you probably saw that we announced a very important acquisition this morning, which is going to actually add to our portfolio in India in the domain of Appliances.

And if I may want to add and dwell a bit on this, the other very important announcement this morning is that we confirm that the management of that Appliance product category would be now done out of Asia. So you can see that there are a lot of elements, which are basically heading towards the same direction.

Your next question related to TV and TV inventory. We have reduced TV inventory in the course of the fourth quarter; it was actually a substantial reduction, but not enough to our taste. So do we have too much inventory to our taste at the end of Q4? The answer is, yes, we do. And our plan, as indicated in the outlook paragraph of the Lifestyle section of our press release, is to take care of it in the early part of that first quarter.

Could that mean that the TV business would be in a loss position in the first quarter? The answer is probably, because it's actually important for us to take care of that inventory, and we want to be done with this at the end of the first quarter.

To give you a number I will not, but I think the important thing is to just make sure that we guide you on the fact that we will continue to take action there in terms of taking care of that inventory.

Your last question was on restructuring and, if I understand correctly, you asked --

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Abhijit Bhattacharya - *Royal Philips Electronics - Head of IR*

Yes, positive restructuring.

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

Sorry, before I go into the overall restructuring, you mentioned positive restructuring in Healthcare. No, I think basically, there is no change in our plans in terms of restructuring in Healthcare; the restructuring which was meant to be there was quite minor anyway.

If I answer more broadly the restructuring at the Group level we, all in all, spent less money than we had guided you on. Does that mean that we are more bullish on next year? No, I think our sentiment about next year has not really changed. I think what has happened is that we have some projects that we thought we could execute in the fourth quarter, which probably might be delayed by one quarter, because in these particular situations you cannot always deliver on projects exactly the quarter you had planned.

So I think on restructuring next year a) you will continue to see lower numbers year on year but b) we will stop flagging them as such because, as you know, the way we will report next year will be on a reported basis and not any more on an adjusted basis. And that's the reason why we'll talk less about restructuring. So no real change from our restructuring [review]. And the savings that we had announced and guided you on haven't changed either and are detailed in the 2 pages, which I've referred to already.

Gael De-Bray - *Societe Generale - Analyst*

Okay. Thank you very much.

Operator

Mr. Ben Uglow from Morgan Stanley.

Ben Uglow - *Morgan Stanley - Analyst*

Morning, I have 2 questions. The first was, and sorry to labor the point, I know it's been gone over already, but within Consumer Lifestyle your margin, ex TVs, has gone from 16% to 12% year over year. Of that 4 percentage points decline, is there any part of that relating to DAP, Personal Care, Health & Wellness. So I guess my question is, the impression I have is that this is all attributable to Audio & Visual and Accessories. Are you saying that's the case, or is any part related to those other businesses, in terms of the margin decline not the volume?

And the second question is just on timing of recovery in Healthcare. You answered it to some extent in Martin's question, but we've had 4 quarters now, order growth 20%, 7%, 7% and then 3%. And my question is, when should we begin to expect this pick-up in the revenue. I would like to think that revenues in the first half of this year should be going at a mid single-digit rate, is that the case?

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

I think on CL we normally do not disclose the number of licenses, the income of licenses. I think, if you go back to our communication in previous quarters, we had flagged that both Q1 and Q2 had been rich in license income in terms of the mix between first half and second half. So in order to be even more crystal clear, if you look at the release on page 9 for this quarter, you will see that we flagged that we had a EUR31 million lower license income in the fourth quarter of 2010 versus 2009.

I think now you have all the ingredients to back out TV and licenses, and you could even recalculate -- I gave you some comfort on the margins of Audio & Video and Accessories -- you could almost calculate backward the margins of what you call the DAP portfolio, and you will see that it's absolutely business as usual. And there we are clearly on the right track and there is nothing changed there.

I would say in a quarter, and I insist on this, where we invested significantly in selling expenses, to prepare for future growth. So the short answer to your question is, nothing broken at all in the margin model of the category that you have actually referred to.

And, if I may say, there is one category which actually grew up, which is Appliances. Appliances had less growth, you could say, in that fourth quarter, due to the fact that, in mature markets, was actually a bit of an offset to the very nice growth we had in Appliances in the emerging world. But I can tell you that we had nice progression of the margin of Appliances in the fourth quarter. So I think this is to give you comfort on the margin of Lifestyle, or in the model of Lifestyle, which I think was more your question.

You've asked now a question on Healthcare. Healthcare will see some, indeed, re-bouncing of its growth. I want to flag on the fourth quarter where that -- because, of course, you might think that the number of workdays didn't have an impact on Healthcare, but I will just give you one extra details; our Customer Service business is billed by the day.

So when you have 3 workdays less in a particular quarter, as it has happened in Q4 2010, versus Q4 '09, you can see that that has actually a significant impact on the Service business, which is representing actually more than 25% of the revenue of Healthcare. And the fact that we had less workdays as well did impact as well installation for the rest of the Healthcare business.

We've actually added one slide, which is in the pack; I have already referred to it. If you go to page 53 of your book, the appendices, you will see that we've tried to help you to model. This is a slide which, hopefully, we've created it as a result of the repetitive question, which is totally justified, that you've raised on the fact that how comes we have so strong orders, and why is it that we don't see it yet in the revenue growth.

I think the answer is that that growth will come back, first of all. And second of all, the backlog is a bit of a different nature. It's benefiting from the fact that we have now more multiyear orders than we had before, which, of course, is good news and bad news. It's good news because it gives more much stability and resilience to our backlog. And it's bad news because, of course, it takes a little bit more time, as an average, to deliver than the backlogs that we had before.

I think the third thing I will say, which you don't see on that slide, is that in terms of geographic spread, it's a backlog which is much more evenly spread between US, Europe and emerging markets than it was before. So from a geographic exposure point of view, it's a much more evenly spread portfolio as well to have, and that gives us comfort there as well.

Ben Uglow - *Morgan Stanley - Analyst*

Thank you, Pierre-Jean. But, based on that analysis, with a 9% order intake last year, and based on what you see, do you believe that we should be trending towards the, not necessarily the upper end of that, but we should certainly be in a mid single-digit rate of growth fairly quickly, rather than 2%.

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

I think this is a good number to use for the year, and I think we will get there progressively. I think the chances are that the year 2011 might be a year a bit reversed from the year 2010, i.e., a bit more back-ended versus a very strong front-ended year that we had in 2010. Your run rate for Healthcare, yes, I think you should expect that.

Ben Uglow - *Morgan Stanley - Analyst*

Thank you.

Operator

Ilan Chaitowitz from Redburn Partners.

Ilan Chaitowitz - *Redburn Partners - Analyst*

Good morning. Just two from me. Firstly, with regard to your Healthcare business in the US, can you please give us any indication of first impact of meaningful-use legislation on your top line and business mix? That's the first question.

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

Sorry, can you repeat that? I didn't get it.

Ilan Chaitowitz - *Redburn Partners - Analyst*

Yes. I was just hoping you could give us an insight into any first impact of meaningful-use legislation in the US on your top line, or orders and business mix.

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

Sorry, can you explain what is uses legislation?

Ilan Chaitowitz - *Redburn Partners - Analyst*

meaningful-use legislation, as I understand it, is Obama healthcare reform specifically incentivizing IT upgrades of the entire healthcare infrastructure, at least the indication that RS&A in December is that it's driving very robust demand for software upgrades. I was wondering if you were starting to see that in your US Healthcare business.

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

I think that what we've seen is, indeed, the increasing importance of IT, but that's, as you know, not a business which is really -- we are very strong in clinical IT, and we see that business which will continue to grow. I think, as far as IT, in terms of ERP and medical file, that's not businesses that we are really in, and we don't really plan to be in. So I think that's the best answer I can give to you.

Now, if you refer to IT, and by there you mean efficiency, we see, indeed, increasing aspiration for efficiency for the clinicians. We have a certain number of solution in our Service portfolio, which will basically work at improving the efficiency of clinicians; in particular, at improving the throughputs of products. And in that domain, yes, we do have in our portfolio a certain number of things to offer, and that is benefiting, indeed, our Service business. I can't be much more specific on IT, I'm afraid.

Ilan Chaitowitz - *Redburn Partners - Analyst*

Thank you. And just a follow-up question was on general healthcare capital equipment pricing. There were indications at the end of last year that pricing was firming. Can you please comment on pricing in the US, Europe and emerging markets?

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

No. I think pricing, nothing to report. Basically, the numbers we've used in the past, we've mentioned 3% to 4% of pricing pressure; that's a number we've used, for now, a number of years. We don't see any change to this.

I think the good news about the RS&A and certainly, as far as Philips is concerned, is that we have introduced a number of new products. We got positive feedback on those products. I'm not going to go into full detail; they were detailed by a couple of analyst reports and flagged as a real breakthrough in a couple of domains. And we take comfort from that improved portfolio, looking at the orders in the quarters forward.

Ilan Chaitowitz - *Redburn Partners - Analyst*

Thank you very much.

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

If I may add to this, because you talk about pricing in emerging markets, I want to reemphasize what we've said on emerging markets in the domain of China, where we got some stellar growth in the domain of monitoring from the company that we bought in China 3 years ago. And I gave in my introduction those percentages in terms of comp growth for that business. So you could see that the growth now is not only coming from mature, but it's as well coming from the portfolio that we have acquired in the emerging markets.

Operator

Olivier Esnou from Exane.

Olivier Esnou - *Exane BNP Paribas - Analyst*

Good morning. Maybe I'd like to come back again on Healthcare growth. If I look at my notes, I think you were shooting for mid single-digit growth this year in Healthcare. You are 3.9%, so it's slightly maybe on the lower end. I appreciate you said that there are less working days, but is there anything that maybe surprised you in the Q4 performance of Healthcare negatively? And, as part of this question, could you disclose the Service business growth in Q4 in Healthcare?

Maybe the second question is on the Consumer business. Can you disclose the proforma performance of TV, if we take into account the licensing deal that you've done? What would have been the performance in 2010, if these deals had been done? Thank you.

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

I think on Healthcare we had said around mid single digit. I think we are at 4%; that's not too far off. Now you ask me did we have anything special in Healthcare in Q4. Yes, I think in Brazil we missed probably a couple of tens of millions of revenue we would have liked to have, and that was part of this logistic issue that I referred to.

It's not big, but since you really asked me was there anything on top we would have liked to get, or we should have got, actually, in Healthcare in Q4, I would say some extra money in Brazil in the fourth quarter. That probably would have helped to bridge with the number you were expecting for the comp growth for the sector for the year 2010.

In terms of the growth of the Service business, I'm afraid I will disappoint you, because we normally do not disclose those numbers. What I can tell you is that the Service business grew quite nicely through the year. And if anything, we continue, as you know, on the back of new circuits in emerging markets; we continue to have very strong growth of services in emerging markets. But I usually do not disclose that number, and I don't plan to start doing it today. But no anomalies there; if anything, confirmation that the Service business continues to grow nicely on the back of the new circuits in the emerging world.

I think your last question was on TV and, if I understand correctly your question, you asked what would have been the loss of TV if we had been capable of having our 3 brand licensing agreements fully up and running for the year. Is that a fair question?

Olivier Esnou - *Exane BNP Paribas - Analyst*

Yes, that's the question.

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

Well, I would say that the loss probably would have been cut by almost close to half, I would say. A third to a half of the loss of 2010 would have disappeared, if we had had China and India up and running for the full of 2010. I think that's the best answer I can give to you.

Olivier Esnou - *Exane BNP Paribas - Analyst*

Okay. Thank you very much.

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

Of course, it's maybe a bit better than that because, of course, I would have to include the incoming license revenue. I'm giving you maybe something a bit conservative, because I can't simulate what would have been the license income coming from the revenue; a bit difficult. Take this as a bit of a conservative number from that perspective, because I can't simulate from the top of my mind the license income. So it's probably more a half, or bit better than a half and a third. I think that's probably a better answer.

Olivier Esnou - *Exane BNP Paribas - Analyst*

All right, thanks.

Operator

Martin Prozesky from Bernstein.

Martin Prozesky - *Sanford C Bernstein & Co LLC - Analyst*

Good morning, gentlemen. I want to get back to the Healthcare orders, please. From the numbers that you've provided, the 3% organic, very strong US, very strong emerging markets, it seems like the European orders, or Japanese orders were very weak in Q4. Can you just comment on whether that's a seasonal effect, or if there's something more structural going on there, please?

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

Well, I think the international -- emerging we've covered, right?

Martin Prozesky - *Sanford C Bernstein & Co LLC - Analyst*

Yes.

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

I think, North America, we've covered. The rest is obviously a long list of countries, and there you have a very, very, very mixed bag. And if you go even more granular, if you look back at the year, yes, some of the countries in Europe were slow, and I think that is something that we have seen as well in the previous quarters. Some of the countries were stronger, but all in all, indeed, Europe was actually weak in terms of orders in the fourth quarter. I think that's a fair comment.

Martin Prozesky - *Sanford C Bernstein & Co LLC - Analyst*

Is that something that you see changing? Is it just seasonal, or do you think there's something else going on there [that should affect our] expectations for 2011?

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

I think you should not say that it's a trend for 2 reasons -- actually for 3 reasons. First of all, you have to realize that in Europe, if you look at it it's about half/half, half private, half public. So you have about 50% of the customers who depend on the public healthcare spending; the other half is private. So that's one thing we've seen, and that doesn't help, obviously, to plan.

The second thing is, we've seen increasingly -- it's been very much the case, in particular in Spain, for instance -- we've seen increasingly deals, and it's happening as well now increasingly in the Netherlands, to take another country where, instead of buying modality, you now buy all the modalities together; at that time you buy all the modality together for more than one hospital. That trend is starting to emerge in Europe, and that creates real lumpiness in orders. So that is making it, of course, bit difficult. As I said, the best example of this, this year in 2010, was certainly Spain.

And thirdly, of course, there is obviously the impact of innovation. If you look, for instance, in our particular case, we have introduced some very new products; it's a long list. I promised that I would not mention it, but since you come back to it, I will now mention it. We've introduced new monitors, which have been highlighted as absolutely innovative, and I'll send you to our website; lot of new products including wireless monitors, which are, obviously, very, very new things, and lots of innovation in the domain of the MR.

If you look at there, we've come up with new products, which are, I think clearly recognized by the market as state of the art and bringing something new, in a category where we were considered, until today, as being little bit behind the curve. So those products were expected by some of our customers, and are now in our portfolio, and we expect that they will have an impact, including in Europe, on the orders to come for the coming quarters.

Martin Prozesky - *Sanford C Bernstein & Co LLC - Analyst*

Thank you. Then on my follow-up on Lighting and the growth mix there, you commented that consumer segments were pretty weak. Is that also a European issue, or working days-related, because it doesn't seem as if the LED growth and the controls growth offset that weakness? Was that just the fact that we are seeing consumer switching to other lamp types, or what else is going on in the Lighting growth mix?

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

No, I think there you really are, and we saw it -- we are really, really -- I hate to use that because it sound like an excuse, but we've studied it with great attention. This is a business which was really directly impacted by the number of days, because when we saw October/November, Lighting did very well actually. And all of a sudden, in that one particular week of December, where we ended up with less workdays, we clearly see something there happening. So Lighting, I think, is clearly a workdays matter.

This seems to be confirmed by something else I already referred to in that call when I referred to the difference between the selling in and selling out, and there I will move to the professional side of Lighting, in particular lamps and luminaires, where we are tracking these very, very carefully on a month-to-month basis, and you clearly see that our selling in to those channels really went down in December, whereas those channels themselves continued to have a selling out, which did reasonably well in December.

I would say that Lighting, for the categories which indeed suffered in Q4, this was very much a December affair on the back of two things; destocking, which explain the different between selling in and selling out, as well as 3 working days less which, if you do the math, counts for literally, like for like, 4% of revenue. That's 4 percentage point on the quarter. And if you were to calculate that on the month of December, as you can see, that's a pretty significant impact on December standalone.

Operator

Christel Monot from UBS.

Christel Monot - *UBS - Analyst*

Good morning, gentlemen. I'm coming back to Consumer Lifestyle; basically, you're saying that the margin was in line -- there was not the volatility during the year in Accessories, Audio & Video, and there was some impact from TV and low license fees in Q4. But I was just thinking about DAP, and you're saying it's normal business there, but just doing the math, I end up with a lower margin in DAPs and what happened in Q4 last year.

So I was wondering, you're saying business as usual, but surely the margin should have been better there. So I'm wondering whether, one, this is coming from prices, or second, it may come from higher selling expenses and promotion. And if that's the case, how should we think about next year? Will the higher selling expenses and promotion impact the margin next year? So that's the first question.

And second question quickly on licenses; you're giving the guidance for license fees that we should see in the first quarter of next year. Can you help us have a feeling for what we should expect for the entire of 2011? Thank you.

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

I did the math; I would have to maybe do that offline with you so that we make sure we're absolutely attuned, because we need to be. If you look at the margin for each of the other product categories, clearly, the numbers are pretty much in line. I think what has happened is that, beyond DAP, we have spent across product categories, but in particular, in the DAP product categories, higher selling expenses. But even including that, I don't think the margin are that different. I will sit down next to you to do those math, but I don't think they are.

Once you've taken care of the TV things, and once you've taken care of the lower license income, I don't think the margin are that different. But let's do the math next to each other, because there is no change in the model. There was, indeed, higher selling expenses, but that's something which is customary to Q4. They might have been a touch higher in that fourth quarter, but certainly no change in the model, and no expected change in the model for next year in the profitability of Lifestyle. I think I want to give you comfort there.

Your second question, if I may, was related to licenses and, if I understand correctly, it was related to licenses for the whole of Philips. I think the licenses for the year 2010 were north of the license -- we don't give a number. As you know, we've stopped giving you an overall number. We've said that this would edge down. Actually in 2010 we got a number which was lower than 2008, but which was still north of 2009. We expect the number of 2011, in a lumpy way, to be south of the number of 2010, so we should see a trend where it continue to edge down.

And in terms of seasonality, we'll try to guide you as much as we can, and you've seen that in the outlook of Q4 for Lifestyle; we've given you a specific guidance there. And we'll try to help you, q-to-q, on an as relevant basis as possible for license income.

This being said, that's for Lifestyle. You will see incoming license on two fronts in increase. A, on the brand licensing, of course, of TV, and secondly, gradually and slowly on the IP license income at Lighting on the back of the solid state lighting technology moving in.

Operator

Matt Williams from HSBC.

Matt Williams - *HSBC - Analyst*

Good morning, everybody. Can we please talk about the pricing environment in Lighting, specifically on LED and what you're seeing there?

And, at the same time, can you comment on what you see pricing for TV, going forward, because obviously you mentioned that you expect to reduce TV inventories in the channel by the end of Q1 2011. And what pricing measures you're going to have to take there, so general pricing questions, please.

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

I think on pricing on the Lighting, no particular comments to make. Actually, if you look at the margin at Lighting you'll see that we had progress versus the year before. I think the margin there is a clear indication that the pricing is actually holding. The pricing for TV, I did mention in the comment, and you will see it in the press release that we will have to continue, in the early part of Q1, to take care of the inventory, so there will be pricing pressure in the first quarter.

And then you enter the second quarter where a new portfolio and a new generation of products comes in and, hopefully, that's when the pricing pressure, thanks to the newly introduced products, can be handled a little bit better. So I would say, continued pressure on pricing in Q1 on the back of the inventory, and beyond that, new products coming in, helping to face that pressure.

Operator

Marcel Achterberg from Petercam.

Marcel Achterberg - *Petercam - Analyst*

Thanks for taking my question. Just one thing that hasn't been touched upon, which has been mentioned in several conference calls by the retail channel in recent weeks, that there was, in Q4, quite a strong impact of the adverse weather conditions in both Europe and in North America. Is that something that you have seen, and quantify what the impact on your top line growth has been?

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

I think, Marcel, I didn't want to use that because, obviously, then you look like you're using excuses, but since you mentioned it, I will refer to it. It has had an impact in -- we saw it in Europe, definitely on the Lifestyle side. When we studied our statistics in the latter part of December we saw an impact coming from the fact that people simply couldn't shop. And if you read all the press releases which have been done by retail chains, you will see that a number of them have actually referred to it.

But there is another territory where it has impacted us, and I didn't want to mention it, but I will now, it's on Healthcare. I think somebody asked me in earlier questions, could we have seen more growth in Healthcare in the fourth quarter? I did mention Brazil, but in North America, since you have mentioned specifically Healthcare, North America, but as well in Europe.

You probably all remember our difficult last weeks of December, which is the most active period for us in terms of installations, we did indeed have a couple of sites where we simply could not get to the site for weather conditions. So the good news is that, of course, those sites will be delivered in January, but that has impacted, to some extent, our Healthcare business, as well as on our Lifestyle businesses in the latter part of December.

Operator

Victor Bareno from SNS Securities.

Victor Bareno - *SNS Securities - Analyst*

Thank you. You earlier talked about market growth of 7% to 9% for the Lighting market in the midterm. Would that also be a reasonable estimate for this year, or is it likely to be a bit lower in view of the slowing trends at the end of last year?

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

No, we haven't given any yearly guidance, and I will not give you any. We've given a guidance as part of Vision 2015, and we will stick to those guidance. But I will react to the slowing of what you refer as a slowing of the Lighting business. I think again two things; the Lighting business was severely impacted by the number of workdays. You do realize that a significant portion of Lighting goes via channels, and those channels were simply available less workdays.

I will mention, as far as the margin of Lighting is concerned, that if you go back to our press release of Q1, we talked about a [EUR15 million] over-absorption of fixed cost. I didn't want to mention it, but you do realize that, in reverse, we had in that fourth quarter a EUR15 million accordingly under-absorption of fixed cost. So that is something that you have to take into consideration for the margin of Lighting in that fourth quarter.

And last, but not least, I think the important thing beyond the number of workdays, is, as far as next year is concerned, do keep in mind that when business is still in very, very low level territory, and that business is Professional Luminaires. Professional Luminaires, for two quarters in a row, is in low single digit positive territory, but that is still a business which is significantly lower to its absolute level pre-crisis. And we've talked about the architect index in the US, I won't come back to those answers, but we expect that activity to bounce back in the latter part of 2011 and when that happens, obviously this will be a significant addition to the growth rates of Lighting. Keep in mind that Prof Lum is a very substantial part of Lighting.

Operator

Peter Olofsen from Kepler Capital Markets.

Peter Olofsen - *Kepler Capital Markets - Analyst*

Good morning. A question regarding Lighting. You clearly mentioned the impact of destocking and the number of working days, but when listening to some of your peers in LED, last week some disappointing news regarding the situation in China, impacted by the temporary pause in spending on street lighting. And when looking at luminaires and lighting controls, some companies have mentioned difficulty in sourcing components. To what extent have these factors impacted Lighting sales in Q4?

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

I think I gave you, in the introduction, the growth rates of our LED business. I think those percentages were a bit less impressive than in the early part of the year, but it's simply from the fact that the comps had become, during the year, increasingly more difficult, and I'm talking about the LED business specifically. But we're not really seeing a slowing of the interest for LEDs. If anything, we see an increase of the interest for LEDs, which has been right until today largely an emerging market affair, but we start now seeing interest in mature markets. And we think that this will play a role in the rebound of the Prof Lum business, in particular on the side of renovation.

Now you've talked availability of components; that is true. There has been, here and there, a difficulty to supply components, which might have an impact, but I wouldn't say that it was of real significance to the growth of our LED business in the fourth quarter of 2010.

Peter Olofsen - *Kepler Capital Markets - Analyst*

Okay, thank you.

Operator

William Mackie from Berenberg Bank.

William Mackie - *Berenberg Bank - Analyst*

Good morning, gentlemen. The question relates to Lighting again, and specifically with regard to the LED-associated sales. First of all, could you give us a little more color on the contribution of Lumileds to the 14% of divisional sales in Q4, and the proportion which is LED-related professional lighting?

And more importantly, looking forward for the coming 3 to 5 years, should we anticipate an improving mix in the profitability as that portion of the business grows, i.e., are you seeing a much better mix coming through from your LED-related business as opposed to your traditional lamps activities?

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

I think the growth of the LED-related business I gave you in my introduction, so that number you have.

Your second question was the profitability of Lumiled. The profitability of Lumiled, actually, in the fourth quarter of this year was, basically, very good. It was just impacted by a one-off which was linked to the re-pricing of options, so that was a technicality I won't go into which had nothing to do with the business, but which was in the bottom line. But excluding that one-off, Lumiled had, I would say, the regular profitability we expect from Lumiled in a fourth quarter. So nothing to report from the profitability angle as far as Lumiled is concerned.

Your next question was, shall I give you the split between general illumination and OEM applications from Lumiled? No, it's normally a split that we don't give. I think what we've indicated in the past is that we continuously work at improving that mix, and I think this is happening by actually trying to get more and more general illumination mix in the revenue of Lumiled versus what we call OEM application. But it's a mix that we've referred to in the past at something around 50/50, and we try to be more and more on the right side of the 50/50 for general illumination, but we've never given that mix quarter by quarter. But we continue to make progress there, and I will leave it at that. We don't disclose that mix on a q-to-q basis.

And finally, you asked what was Lumiled as part of the total LED-related sales of Philips, and the answer is 50%.

William Mackie - *Berenberg Bank - Analyst*

Thank you very much.

Operator

Thank you Mr. Sivignon and Mr. Kleisterlee. That was your final question. Please continue with any further points you wish to make.

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

I think we would like to thank you, Gerard and myself, for your time, your attention, and your questions, and we will meet a number of you on the road in the coming 4 days. See you then. Goodbye.

Operator

This concludes the Royal Philips Electronics fourth quarter and annual results 2010 conference call on Monday, January 24, 2011. Thank you for participating. You may now disconnect.