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CORPORATE PARTICIPANTS

Stewart McCrone

Royal Philips Electronics - Head of Investor Relations

Pierre-Jean Sivignon

Royal Philips Electronics - CFO

CONFERENCE CALL PARTICIPANTS

Andreas Willi

JP Morgan - Analyst

Simon Smith

Credit Suisse - Analyst

Didier Scemama

RBS - Analyst

Gael de Bray

Societe Generale - Analyst

Scott Babka

Morgan Stanley - Analyst

Christel Monot

UBS - Analyst

Olivier Esnou

Exane BNP Paribas - Analyst

Martin Wilkie

Deutsche Bank - Analyst

Jan Hein de Vroe

ING Bank - Analyst

Martin Prozesky

Sanford C Bernstein - Analyst

Ludovic Debailleux

Natixis Securities - Analyst

Andrew Carter

Macquarie - Analyst

Philip Scholte

Rabo Securities - Analyst

PRESENTATION

Operator

Welcome to the Royal Philips Electronics fourth quarter results 2009 conference call on Monday, January 25, 2010. 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.



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I will now hand the conference over to Mr. Stewart McCrone, Head of Investor Relations. Please go ahead, sir.

Stewart McCrone - *Royal Philips Electronics - Head of Investor Relations*

Ladies and gentlemen, good morning. Let me welcome you to this conference call on the fourth quarter; indeed, full year results of 2009 for Royal Philips Electronics.

I'm here with Philips' President and CEO Gerard Kleisterlee, and our CFO Pierre-Jean Sivignon, who in a minute will take you through his introductory remarks on the numbers.

After this, both Pierre-Jean and Gerard will be happy to take your questions.

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

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

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

Thank you Stewart. Good morning to you all. Before turning to our, I have to say, encouraging numbers, let me start by looking at recent developments in some of our end markets.

In Healthcare, these numbers show some considerable progress in US healthcare, although developments as recently as last week show that the timing and, indeed, the content of final legislation remains uncertain.

We expect, at least in the short term, to see some ongoing headwind in the US order intake, both from the uncertainty around the reform, and from weakness in the wider economy. Encouragingly, we saw stronger demand for healthcare in markets outside the US, particularly in the emerging economies.

In our lighting markets, the fourth quarter saw a continuation of many of the trends that first started in Q3. Demand for both Lamps and Automotive Lighting continued to strengthen across all geographic regions.

Our Lumileds business delivered spectacular growth in the quarter, driven by a demand in both the OEM consumer and general lighting markets.

The market for professional luminaires, with the exception of Asia, remains tough, despite some tailwind from government stimulus programs in several countries.

Signals from leading indicators, such as new housing starts and the architect billing in the US, continue to be mixed, and have certainly not moved in growth territory.

The early cycle consumer markets are difficult to read at the moment. While Christmas demand was perhaps slightly ahead of our expectations, and we start to see a modest uptake in consumer confidence indices, personal consumptions remained depressed in many key markets.

We expect the emerging markets, which account for well over a third of our consumer sales, to remain strong. Future demand in mature markets, particularly the US, remains less clear.



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Let me now move to the Philips Group results for the fourth quarter.

Comparable sales in Q4 improved for a third consecutive quarter, returning to a level on par with Q4 2008. The rebound in emerging markets, where sales were up by 8%, and the solid improvement in Western Europe, was tempered by weaker, albeit sequentially improving sales performance in North America.

Looking along the business axis, all three sectors reported comparable sales, which were at levels broadly back in line with Q4 2008.

It's worth pointing out that the 1% comparable sales growth delivered by Consumer Lifestyle is closer to 5% when taking into account our ongoing proactive portfolio pruning.

Reported EBITA was EUR662 million, or 9.1% of sales, a significant improvement on the 0.3% profitability reported for Q4 last year. More impressively, our adjusted EBITA profitability, that is to say EBITA excluding incidental gains and charges, reached a record 12.3% in the quarter, with a strong year-on-year improvement in all the three business sectors. While much of this improvement came, as expected, from reductions in our cost base, it also reflects our ongoing pricing discipline, and the success of our supply team in managing the bill of material.

Our continued focus on cash delivered a free cash flow of EUR726 million in the quarter. This increases to just over EUR1.2 billion when excluding the EUR485 million cash payments related to our asbestos settlements.

With that summary, let me now take a closer look at the performance of each of our businesses during Q4, and I will start with Healthcare.

Currency comparable equipment order intake improved for the third quarter in a row, rebounding to 7% growth in the fourth quarter. Equipment orders outside the US, which in value terms represent now over 60% of the total intake, saw double-digit growth, led by another very strong performance in emerging markets.

Order intake in the US, while showing an improving trend, remained 6% below the level of Q4 2008. On a worldwide basis, all modelities reported higher orders in the market in the quarter, despite the still soft US market.

Sales at Healthcare were on a comparable basis, just a touch below Q4 last year, which was in itself a good quarter. You'll remember that Q4 last year, '08, was up 9%.

Strong growth in emerging markets largely offset lower sales in the US, while sales in Western Europe were broadly in line with 2008.

Emerging market sales as a percentage of total Healthcare increased from 19% in the fourth quarter of last year, 2008, to 22% in the current quarter of 2009.

Looking per business, sales growth at Home Healthcare Solutions and Customer Services was offset by lower sales at Imaging Systems and Patient Monitoring.

Reported fourth quarter EBITA at Healthcare was EUR452 million or 18.8% of sales, compared to EUR343 million, or 13.4% of sales in same period of 2008.

Excluding restructuring and acquisition related charges, EBITA increased to a record 20% of sales, an increase of around 3.5 percentage points on last year.



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We saw higher EBITA across all businesses, notably Imaging Systems, driven by both lower cost levels and a higher earnings contribution from Customer Services and Home Healthcare, both of which continue to grow in the mix.

Consumer Lifestyle sales grew by 1% in the period, ending five consecutive quarters of sales decline. The higher sales were driven by Television, Health & Wellness, Shaving & Beauty, and Domestic Appliances.

We saw a significant improvement in sales to mature markets, notably Western Europe, and to emerging markets, where growth was driven by double-digit sales increases in the BRIC countries.

The EBITA margin at Consumer Lifestyle improved to 9.2% of sales compared to a loss of 1.2% in the fourth quarter of 2008.

Excluding restructuring charges, the adjusted profitability of the sector reached 11.4% in the quarter. Television delivered a profitable quarter on the back of both lower cost and higher sales.

Encouragingly, the much larger non-Television Lifestyle portfolio, which includes Audio & Video and Peripherals, also reported significantly better results, with an adjusted EBITA of 16.3% in the quarter, up from 8.4% last quarter -- last year for the same quarter. Almost all businesses reported higher EBITA.

At Lighting, comparable sales were back in line with the level of Q4 '08. Sequentially, the 13% improvement in sales was driven by Europe and the emerging markets, which returned to growth in the quarter.

Sales in China were particularly strong. North America, on the other hand, remained depressed.

Looking per business, the sequential improvement in comparable sales was led by Lamps, Automotive, and not least, Lumileds, which saw sales rise by over 60% on the back of increased demand for both consumer OEM and general lighting products.

Sales of professional luminaires, despite a small sequential improvement, remained depressed, ahead of an eventual recovery in commercial construction.

The reported EBITA at Lighting was a profit of EUR82 million, or 4.4% of sales. Excluding the restructuring and acquisition related charges, the adjusted profitability increased to EUR185 million, or 10% of sales, ahead of the 7.4% of Q3 this year, and the 5.7% of Q4 last year.

Year-on-year, the largely cost driven improvement in adjusted profitability was visible across almost all lighting businesses, notably Lamps and Automotive Lighting.

EBITA at GM&S, excluding the largely offsetting incidentals and charges detailed in today's press release, improved by around EUR30 million compared to Q4 2008. We remain committed to bringing the underlying results of the GM&S sector to a level of EUR300 million in 2010, an improvement of around EUR100 million compared to the full year 2009.

Year-on-year, our reported net income improved substantially from a loss of almost EUR1.2 billion in Q4 '08 to a profit of EUR260 million in the current quarter. Adjusted for gains and charges, that income increased by just over EUR0.5 billion compared to the equivalent figure for the fourth quarter of 2008.

Let me now move to cash and the balance sheet. I'm glad to say that we again managed to deliver a very solid cash inflow of EUR935 million from our operating activities in the quarter.

Adjusted for the planned payment of a net EUR485 million asbestos related settlement, cash from operations increased to EUR4.42 billion in the quarter -- excuse me; EUR1.42 billion for the quarter.



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Compared to the equivalent figure for Q4 '08 of EUR1.76 billion, higher income and lower CapEx were offset by a lower inflow from working capital.

The incremental cash generated from working capital was lower than Q4 last year as a result of our successful reduction in the absolute value of working capital during the first three quarters of the year. I'm glad to report that the working capital parameters expressed in days of sales, inventories and payables, continued to improve.

I am pleased also with the further strengthening of our liquidity position during the quarter. Our cash balance increased from EUR3.7 billion to EUR4.4 billion at year end, driven by the free cash inflow of over EUR700 million.

Ladies and gentlemen, now let me sum up.

Overall, I can only say that we were very pleased by our Q4 performance, which in many respects came in somewhat better than we expected, and which allowed us to deliver a full year adjusted EBITA profitability of 6.4%, half a percentage point above the one of 2008.

We clearly see the benefit of our simpler portfolio, which undoubtedly becomes much more balanced from both a product and a geographic perspective.

I am also pleased with the further progress we made in managing our costs, particularly the structural savings in fixed costs, which, compared to the 2000 baseline -- 2008 baseline, were over EUR400 million this year lower, and which we expect to be well over EUR700 million lower in 2010. This alone will deliver a year-on-year EBITA improvement of around 1.5 percentage points, giving us confidence that 2010 certainly looks to be another year of progress towards our profitability target of 10% or better.

Despite this good progress inside the Company, reaching our growth and profitability objectives ultimately depends on developments in our end markets. Here, we remain more cautious, despite somewhat better visibility for demand in the short term.

There are certainly growth opportunities ahead, including emerging markets; more clarity around US healthcare reform; and when it comes, an improvement in the commercial construction sector. There are, however, also potential headwinds, not least around the eventual withdrawal of support measures put in place by many countries at the height of the downturn to support economic activity.

Nevertheless, as a sign of our confidence in our future, we propose to maintain our dividend, despite the high payout at EUR0.70 per share, on par with last year. With an eye on maintaining our financial prudence, we will offer our shareholders a choice between cash or stock.

With that, let me now open the line to your questions, which Gerard Kleisterlee and myself will be happy to answer.

QUESTIONS AND ANSWERS

Operator

Thank you, sir. (Operator Instructions). Our first question comes from Andreas Willi of JP Morgan. Please go ahead with your question, sir.

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Andreas Willi - JP Morgan - Analyst

Good morning. My two questions are, first, on Healthcare, on your order intake. If you could comment a bit on the US. GE had a very strong quarter there with about 9% growth in orders year-on-year. Your orders were still down. Is that due to different comparables, or are you aware that you are losing share in the US, or just different definitions between the two companies?

And the second question I have on the restructuring, where you mainly guide to restructuring in Lighting in 2010; is that continued reduction of some -- all the lighting technologies? Or maybe you could give us some more information on where you take the additional costs out in Lighting and why.

Pierre-Jean Sivignon - Royal Philips Electronics - CFO

Yes, I think -- good morning, Andreas. I think the answer on incoming orders, it's a bit difficult always to compare with GE for two reasons; (a) because I think their numbers include services; (b) I'm not sure they are currency corrected.

All numbers basically are, as I have mentioned, 7% up, corrected for currency and on equipment only, right? And as far as the US is concerned, it's 6% down, calculated with the same method.

We don't have the feeling certainly that we're losing market share. If anything, we think that all in all across geographies for the year, we believe that we are gaining a touch of market share. I think it's probably the difference perception that we have. And I cannot comment much more, given the visibility that I currently have on the GE numbers.

As far as the Lighting numbers are concerned, and as far as restructuring is concerned, yes, you heard correctly. We have gone down in restructuring amount from EUR500m plus in '08 to EUR400m plus in '09. And the guidance for 2010 is a bandwidth of EUR150m to EUR250m. It's essentially going to be in Lighting the way we see it, and it's essentially going to be on the back of, indeed, a technology transition. And you've seen as well that in the press release, we don't plan to have any amount hitting the first quarter. So those plans are currently being finalized.

Andreas Willi - JP Morgan - Analyst

Thank you.

Operator

Thank you. Our next question comes from Simon Smith of Credit Suisse. Please go ahead with your question.

Simon Smith - Credit Suisse - Analyst

Good morning. Thank you. I had two questions. The first was in terms of your guidance. I guess there's been an expectation of you reinstating the Vision 2010 targets, maybe with a definite timeframe. Looking at your outlook statements with comments of wanting to do a 10% margin or better, and talking about making major progress in 2010, I guess you've gone pretty close to that. But I just wondered if you could maybe give us some of the pros and cons you saw with regard to reinstating that guidance, and maybe what led you to word the statement as you have.

Second question would be really with regard to Healthcare. I guess we've been looking at you progressively taking the Healthcare business and reducing the seasonality of it. I guess this year was such a strange year that seasonality has been blown away by general extreme events in various quarters. But in terms of how we should think about your very strong margins in this quarter, what should we think about those two on an ongoing basis; how that should translate into, say, an annual margin for 2010? Should it be less than the seasonality we've seen traditionally, or maybe slightly more?



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

Okay, let me try to answer those three. Well, pros and cons of guidance, I think the approach was to let the numbers speak for themselves. I think that's probably the best answer.

We've given you a lot of transparency on the way we perform in ['09]. You can measure the progress being made quarter-by-quarter on a reported and adjusted basis for each of the sectors. You have full details on the reduction of the fixed cost base. I think you -- and you can see the strong performance of Q4. So I think that clearly speaks about the momentum which is in motion in the Company right now.

If you look at the year 2010, we've actually split the incremental fixed cost reduction, which will start kicking in in the first quarter of 2010, still versus that fixed cost base of 2008, so you can factor that in.

So all in all, I think we've let the numbers speak for themselves. Now -- so those are the clear, I would say, points that you can read. The commitment on the [10%] plus is there. I think it's been reinstated.

Now why is it that there is not a firm date being put in the documents? I think it was in the introduction of the call. I think the early visibility of 2010 is positive, right? I think there should be a bit of a halo effect of the latter part of the year, 2009.

But the year remains, obviously, with quite a number of uncertainties, and I have described them. I think they relate, indeed, to the government incentive in the various stimulus packages which have been put in place there and there.

The consumer sentiment remains something which is difficult to read. Certainly, emerging markets, we think that, at least from what we understand, will continue to be there. Europe seems to have stabilized, but Europe -- but US, as you could see, was still not very encouraging. So all in all, uncertainty there beyond the very short term.

And finally, obviously, on Lighting, there we have a few -- certainly one, growth engine which is hard to read on when it will come back up, which is the Professional Luminaire driver. It's not there.

If anything, you could see that we were still significantly down in Prof Lum, with the exception of one region which has started bouncing back, which is Asia. But Prof Lum, on the back of new constructions, still hasn't stabilized. And that is something that is hard to call. Indices in the US right now are not saying very, very, I would say, explicit news on the restarting of that particular sector.

So this is a full answer. So all in all, I think we've decided to let the numbers speak. I think that's probably the best summary.

On Healthcare, reducing seasonality, of course, is something we will continue to try to do. I would say that in 2009, the seasonality was magnified by the very low Q1 margin we had had in the first quarter. But you have to remember that the first quarter had been impacted by a certain number of one-offs, in particular on foreign exchange, which have magnified the spread that there is between the first quarter and the fourth quarter.

The fact of the matter is that, at Philips, our revenue of the fourth quarter has been higher than the other three quarters, and that would be the best way to try, I would say, to almost homogenize a little bit better the margin between the quarters. We would like to do that as much as we can, but it's not easy to realize.

So the answer is you will probably see next year not such a wide spread between the four quarters, but you should expect that the fourth quarter, assuming is a strong volume quarter, you should still expect the fourth quarter margin to be ahead of the other three.



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Simon Smith - *Credit Suisse - Analyst*

Thank you.

Operator

Thank you. Our next question comes from Didier Scemama from RBS. Please go ahead with your question.

Didier Scemama - *RBS - Analyst*

Yes, good morning, gentlemen. A couple of questions. I would just like to talk about Lighting on two elements. First of all, can you talk about the products that are driving the consumer-oriented option in LEDs; if it's things like smartphones, LCD TVs, and if there are any other drivers?

And also, related to that, if you could talk about this 10% threshold that you reached for LED-based light products within your mix; how you see that progressing throughout '10, and how margins could be impacted by that?

Thanks.

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

Okay, so it's very much a LED related question in Lighting. I think, yes, the first point, and I think we mentioned it, our LED related sales were in excess of 10%. And that was, indeed, a premier. It includes, by the way, components and luminaires. And I would say, I think it's about half-half between the two.

So, obviously, the LED Luminaire part is very much related to the general illumination business. It's nothing to do with components. Where you do have components, it's in the part which is the Lumileds related revenue, and in there, I would say it's increasingly general illumination. This is a territory in which we had said that we would now focus Lumileds. We are starting to make some pretty good progress there. And this is what is explaining a good chunk of the increase of the Lumileds revenue.

So, yes, there is in Lumileds good success on the OEM applications which you have referred to. But I would say that the growth in the mix of our LED related business in that fourth quarter is very much related to the increased presence of our LED portfolio into general illumination.

Didier Scemama - *RBS - Analyst*

Great. And how do you see those LED based products impacting on margins?

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

Well, actually, we don't disclose, as you know, margin by products. But I will do a bit of an exception by talking about the margin of Lumileds, because that is a part of the portfolio which in our own reporting is separately identified.

I think we've disclosed on the call the spectacular growth of Lumileds. I think the number was mentioned. It was 66%. What I can tell you that in terms of margin, Lumileds improved quite significantly, and ended up in an adjusted margin in the high teens for the quarter.

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Didier Scemama - *RBS - Analyst*

Okay, brilliant. Thank you.

Operator

Thank you. Our next question comes from Gael de Bray of Societe Generale. Please go ahead with your question.

Gael de Bray - *Societe Generale - Analyst*

Thank you. Good morning, everyone. I've got a few questions, please, related to Lighting, but also to the Consumer Lifestyle divisions.

Firstly, in Lighting, could you maybe just elaborate a bit more on the competitive landscape for LEDs? Have you seen new players entering the market lately? Or do you expect new players to do so in the coming quarters or in the coming years? And how do you see pricing developing in this segment; well, in the near future?

Maybe also, could you give us an idea of the profitability level, of the current profitability level for your Professional Luminaires business, maybe in the US?

Some questions also on the Consumer Lifestyle division, particularly, about TVs. Out of the EUR54 million restructuring booked in Q4, how much was related to the TV business, please? And do you expect to take additional charges related to the discontinuation of the CRT TV business?

And maybe, do you think that the cost restructure today is adequate to achieve break-even in 2010, even if the LCD TV market is flattish this year?

And maybe a final one; could you maybe just explain the particularly high tax rate in Q4?

Thank you.

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

Okay, I will do my best. This is a long list. LEDs; I'll start with LEDs. Are there new entrants? Of course there are, and there will continue to be so. And as you know, like in every technology coming up, when we count the beans when the markets mature, there will be then, obviously, a few players, worldwide players emerging, and there will be the winners.

But are we in the phase where we see new people coming in on the Component side? Yes. I think on the high-end territory, which is very much where Lumileds compete, there that is less the case, because that particular technology is, obviously, difficult; requires IP and a lot of investments. But I would say, all in all in LEDs, we will see increasingly, obviously, some new players. And, again, I'm talking Components specifically.

In terms of pricing, well, it's too early to say right now. The prices, obviously, are a little bit hard to read. The categories are, obviously, not well established. What I can say is that on the particular territory where we're present, which is high-end LEDs in the domain of Lumileds, there the pricing is strong; is, if anything, I would say getting stronger. So that's for LEDs.

Your second question was related to the profitability of Luminaires, and you mentioned Professional Luminaries. Well, of course, there, as you see, we were at the mid teens negative territory for the quarters. This is a business which has not stabilized, so the

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profitability there was, obviously, negative, slightly negative. And we expect, obviously, that to -- no, sorry, the profitability was positive, but we expect that profitability to be restored on the back of the uptick which is expected in that particular activity.

So there, profitability would be mid single-digit, to give you a bit of an idea; mid single to high single-digit for Prof Lum.

The next question was on Lifestyle for Television. The restructuring for Television in the quarter was minimal. It was a few million. So the vast majority of the restructuring which took place in Q4 at Lifestyle was non-Television related.

And your following question was, do we feel that we will need, or we might need, further restructuring in Television? That is a decision we have not made. We cannot exclude it. Television did make money, as reported and as disclosed in the back in the fourth quarter, as expected, and we'll have to see if we need restructuring. But if we were to need restructuring in 2010, it definitely would not be of the magnitude that has been in that -- that has been, I would say, allocated to that particular product category in the past.

Tax rate; thank you for asking this question. It's a very important one, and totally relevant to this fourth quarter. The -- if you recalculate -- let me -- before I talk about the fourth quarter, let me first talk about the tax rate for Philips for the year.

If you exclude the incidentals, the effective tax rate of Philips for the year was 23%. And it was a little bit higher than certainly expected in that fourth quarter because some of the taxable income of the year ended up materializing, in terms of being identified, late in the year, which explains why the fourth quarter was higher than expected in the consensus. But for the year, if you recalculate our ETR, we had actually a very strong performance of 23%.

And I wouldn't want you to use that for future guidance when you do your model. I think even though we constantly work on that effective tax rate, I think the bracket to be used, if I look at the portfolio for next year, is more in the 27% to 29% territory for the year 2010.

Gael de Bray - Societe Generale - Analyst

Okay, thank you very much.

Operator

Thank you. Our next question comes from Scott Babka of Morgan Stanley. Please go ahead with your question.

Scott Babka - Morgan Stanley - Analyst

Hi, morning. Scott Babka from Morgan Stanley. Just two questions, please. First, can you talk a bit about priorities for cash deployment? The Company has suspended its buyback. Do you see any preference for bringing that back on, or is there a pipeline of acquisitions to pursue? And is there a target leverage that you think you'd want to see Philips at by the end of 2010 or 2011?

And then finally, just a little bit more on Lighting. Clearly, the sequential improvement was dramatic. Do you have any sense in terms of what proportion could have come from a restocking at the distributor or customer base relative to your true outlook or return in demand?

Thanks a lot.



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

Yes, just to -- on your last one, you talk about restocking. Your question was specifically on Lifestyle?

Scott Babka - *Morgan Stanley - Analyst*

Sorry, Lighting.

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

Oh, Lighting; sorry. I just wanted to make sure I answer properly your questions. Right. Okay, cash, and our priority for cash; I think the priority for the balance sheet has been, as you've seen all along, because this crisis has been full of surprises, has been to keep a conservative, obviously, approach to balance sheet and liquidity.

And in terms of leverage, rather than answering leverage, governed by essentially our ability to keep our rating. We were put under negative outlook, as you probably remember, somewhere, and we still are technically under negative watch for one of the two rating institutions, and our objective has been, and will continue to be certainly in this economic cycle, to remain there. So that's the first and foremost guiding principle.

Now if we look at the second now guiding principle is the dividend. I think we have announced this morning, which I think will be a bit of news for you, that we will recommend to shareholders, or we will propose to shareholders to maintain the dividend at EUR0.70. This is, of course, if you do the math, yet another year of exceptional payout ratio. You remember that what we paid last year was in excess of 80% which, of course, is well above our 40% to 50% policy.

If you do the math for this year on the back of the activity of '09, you will calculate a payout which is in excess of 120%. So this is, obviously, quite a big commitment vis-a-vis shareholders. But we decided to go for it as a sign, of course, of confidence in our future, and as an illustration of the fact that we put dividend very much on top of the list.

The only caveat there is at the same time to illustrate, obviously, that we keep an eye on financial prudence, we will offer it -- we will let shareholders decide if they want it in cash or in stock.

Now beyond that, we don't think we will do buyback in 2010 given the uncertainty of the economy there.

And in terms of M&A, well, you've seen us. In 2009, we've been opportunistic. There hasn't been anything big, but we've done actually quite a few small and one medium acquisition, namely Saeco, because we believe that this particular [cycle] will keep on reserving some surprises and could actually make a few opportunities available here and there.

Moving to your question on the progress made at Lighting and how much could there be coming from a restocking in the trade, well, I think, as we've discussed on previous calls, we track carefully -- we've put sensors in the channels, and we basically track the difference between selling in and selling out. And what we find is that those sensors are telling us that the selling in and the selling out are really pretty much pegged. So that is to say that what we sold in terms of selling in to the channels in Q4 is very much a representation of what those channels have sold.

So we do not get a feeling that the strong end of the year in Lighting, as you've mentioned, was linked to restocking. We feel that this is a representation of what the particular channels have been selling. And in the particular case of Lighting, again, you should keep in mind that the GLS ban is now covering the high wattage, but it's covering as well all the particular lamps with the painted -- particular type of glass, which is called -- I can't remember the exact name of it. But just keep in mind that as at today, when you combine wattage and type of lamps, up to 50% of GLS is currently being banned.



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Scott Babka - Morgan Stanley - Analyst

Okay, great. Thank you very much.

Operator

Thank you. Our next question comes from Christel Monot of UBS. Please go ahead with your question.

Christel Monot - UBS - Analyst

Yes, hi. Good morning, gentlemen. It's Christel here from UBS. I have two questions, please. The first one is on the Healthcare again.

I was quite surprised by the top line in Q4 given the tough pace of comparison you had, so can you comment on that? And how should we think about the trends in Healthcare going into 2010? Whether anything particularly exceptional in Q4 that would imply a lower Q1 in 2010 that -- what we could expect in theory.

And the second question is on -- sorry, still on Healthcare. The margin was exceptionally strong, as some have [lagged] before, anything particular in terms of mix in Q4 with Services and Home Healthcare being up and the rest down, or any particular positive impact from currency as [Siemens] has commented when it comes to their own quarter?

And the second question of equity on CapEx. How should we think about the CapEx you're going to spend next year?

Thank you.

Pierre-Jean Sivignon - Royal Philips Electronics - CFO

Your CapEx question is still on Healthcare, or is that on the Group?

Christel Monot - UBS - Analyst

Sorry, on the Group in general.

Pierre-Jean Sivignon - Royal Philips Electronics - CFO

Okay. All right, clear. Okay, Healthcare top line, well, I think was there any extraordinary in the top line of Healthcare? No. I think it's a representation of the backlog, which had been coming in in the previous quarters, and you have to recall that we always had in that quarter some good orders coming from the emerging markets, some orders which more or less resisted as far as the Rest of the World, excluding the US is concerned; and, of course, we had a difficult situation in North America.

But you need now to realize, and that's what we've said in the call, in the opening speech, that 60% of the orders as far as equipment is concerned, 60% of the orders in Q4 came from out of the US. So I think it's going to be increasingly important to disconnect our performance in Healthcare from the incoming orders in that particular part of the world.

I think our revenue mix is changing, and it's probably more than what you see in the overall mix of Healthcare, which has moved, by the way, in the quarter to 23%, actually, of the total Healthcare revenue. So keep in mind that nothing special, but a business which is gradually reducing its dependence on North America.

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Your second question was on the margin. Did we have anything special? Is it a mix? Is it Home Healthcare? Yes, you could say that, of course, Home Healthcare and Services, which are higher margin, obviously, product categories, are continuing to make some progress in the mix, so that is true. But that is a trend that we have illustrated and commented on in the previous call. So it was there, but it's nothing new. It's a trend which has been there and will continue to be there.

If I had to add one thing which helped us probably in Q4 which you have not listed is cost control. I think, as you've seen in the rest of the Philips portfolio, we worked very, very hard in 2009 in controlling our costs, and that certainly impacted Healthcare as it did the other sectors. But certainly, at Healthcare, cost control was an important element of the success of that record margin that we reached in the fourth quarter of 2009.

Moving on to your question on CapEx, well, we had promised at the beginning of the year '09 that we would cut CapEx by 30%, and if you look at the numbers, you'll see that we've just about delivered that.

If now you want to look at some guidance for 2010, the CapEx in 2010 should go a notch above the one of 2009, and there is one key reason for that, which is that we might have to invest a little bit of money, in particular in the CapEx of Lumileds.

So I would expect the CapEx of the Company not to rebound to the level of '08 for sure, but to take the level of '09, and to add a few 10s of millions of euros on the back of the capacity which we will need on what's happening right now at Lumileds.

And I think that is -- I think that was your three questions, if I'm not mistaken.

Christel Monot - UBS - Analyst

Yes, that's my questions. May I ask just a follow-up very quickly on the dividend? There's a lot of questions out there on the tax treatment depending on if all shareholders go for cash or for shares. Can you just clarify a little bit how the tax impact's going to be?

Thank you.

Pierre-Jean Sivignon - Royal Philips Electronics - CFO

No, I cannot clarify. There is nothing special there. I think that the answer to your question is that it will largely depend on the particular tax profile of the investors. So I could offline, depending on particular nationalities or particular profile of investors, we will be able to give you specific tax answers, but I cannot give you, obviously, a [broadband] answer because each investor has a bit of a different profile from that particular angle.

Christel Monot - UBS - Analyst

Okay. Thanks very much, Pierre-Jean.

Operator

Thank you. Our next question comes from Olivier Esnou of Exane. Please go ahead with your question.

Olivier Esnou - Exane BNP Paribas - Analyst

Hello, good morning. My two questions are the following. First, can you talk a little bit about the pricing trends across the portfolio, if there is any inflexion in Q4?

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And secondly, regarding the US healthcare reform, which is in a bit of disarray right now, what do you think would happen to your business if there is no reform? Certainly, the excise tax would not apply, but in terms of reimbursement level, would you think that --? What is the [milder] situation for you today? Is it what was in the reform, or what would happen if there is no reform?

Thank you.

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

Okay. Pricing, well, I think pricing was under pressure, I would say it was under increased pressure certainly all year long a little bit. We've talked about that I think just about every quarter.

Was there any more pressure in Q4, any less pressure in Q4 than in the past? I would say nothing particular there to report. The only thing to report is opposition vis-a-vis pricing has been to, obviously, stand our ground. We are leaders in most of the categories we are in, and the attitude of a leader there is obviously pretty much to dictate the pace. And the best, as we've said in previous calls, what never lies when you talk about pricing, is your gross margin.

So you can see that if you look at it for the year, and if you look at it for the quarter, the gross margin of Philips, which is reported to you, has actually made progress. If anything, it has made more progress in Q4 than it has for the year, which is an illustration of the fact that, yes, there was a bit of extra pricing pressure, but we've been able to hold our ground, in combination, of course, with the control of fixed costs and control of the bill of material.

Now as far as the healthcare reform in the US is concerned, this is something which we -- the way we see it, we try to keep, obviously, a bit of a cool mind vis-a-vis it, and our view is that the worst is not so much that some of the elements of the reform could be unfavorable, what is really not good is the uncertainty which is created by the fact that we don't know what's going to be the final outcome.

So we believe that when the final outcome is actually on the table, regardless of what it is, then what is for sure is that the uncertainty will come to an end. And all reading of the situation, essentially on the back of in particular, the age profile of the fleet which is installed in North America, and on the back of the fact that at least as at today, the number of procedures continue to be more or less in line, we believe that the end of that uncertainty all in all should be an upside for the business in North America when you will compare 2010 to 2009.

Olivier Esnou - *Exane BNP Paribas - Analyst*

Maybe just one follow-up on that. I haven't seen the number in the release, but maybe can you tell us how the Service business developed in the quarter; maybe some indication of the US versus the international market?

Thank you.

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

Yes, I think this is -- the answer is good, good and good, and let me say it in two ways. Good because, obviously, it has increased in the mix in Q4. It has actually increased in the mix all through the year 2009, and you could almost see it when you look at our appendices. You will see that the Service number in the mix is actually going up, so that's the best proof point.



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But what is even more interesting for the future is that you ask, and we've discussed that as well in previous calls, we are signing, obviously, a lot of orders in emerging markets. That is something that we said in this call that we were in a mid teens type of growth in emerging markets for Healthcare, and you have to realize that those are new [sockets] in many cases.

So this is a service business, which is incremental. This is in many, many cases a new installation, which means that the Service business associated to these socket, is yet to come, because we will start with warranty period. And until then, when the warranty is over, then we'll go into Service.

So I would say Service is positive from three angles. Good margin, first of all; second of all, having increased in the mix all through 2009; and thirdly, I would say this will be the icing on the cake, on the back of the progress we've made in emerging markets in the mix of incoming orders.

Olivier Esnou - *Exane BNP Paribas - Analyst*

Okay. Thank you.

Operator

Thank you. Our next question comes from Martin Wilkie of Deutsche Bank. Please go ahead with your question.

Martin Wilkie - *Deutsche Bank - Analyst*

Yes, good morning. It's Martin Wilkie from Deutsche Bank. Firstly, a question on fixed cost reduction. The benefit in the fourth quarter was broadly in line with what you'd given in your outlook at Q3. But you have increased your basis for 2010 saying that you should achieve more than EUR700 million relative to '08. I think you said that was more than EUR600 million at the time of the Q3 stage.

So what's improved over the last quarter? If you could just give us some guidance, or just some summary as to why that number has increased over the quarter.

And the second question is, obviously, I can understand why you don't want to attach a date to your 10% margin, but perhaps you could just give us some sensitivity to the macro forecast? For example, if we do see very low single-digit organic sales growth over the next couple of years, how long you think it would take to get to that 10% margin in that environment.

Thanks.

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

Okay. I think the first question on fixed cost, when you launch programs of that magnitude, because you have to realize the restructuring in 2008 was all in all EUR537 million, if I can refresh your mind, and we will have finished a year of 2009 with EUR450 million. So all in all, it's close to EUR1 billion.

To give you a good idea of how much we're talking for the reduction of the cost, we have to give you something accurate, but I would say at times as well a touch conservative so that you guys don't get disappointed.

So you will see that we've done two things in that guidance on the lower fixed cost base. There are two new things in these quarter numbers. One, is that, yes, we've stepped up the like-for-like reduction, cost reduction base versus '08 by indeed EUR100 million; it has gone from now EUR600 to EUR700 million plus. And we've given you as well one thing which is important, which

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is a number of EUR173 million, so there will be incrementally an amount of EUR173 million of cost reduction versus the level of '08 in the first quarter of 2010. So if you multiply that EUR173 mathematically by 4, you can already see that the EUR700 million for the year is largely there.

So I would say more clarity on what we've been capable to deliver, obviously. And as you've seen, transparency as well on what it means specifically for the first quarter of 2010. I think those are the two elements which you have on top there.

Moving to modeling, yes, I think your question is what kind of scenario would we need to get to 10%. Well, I'm not going to go into this. I think we've given to you a lot of ways to do the modeling yourselves. We have, obviously, given to you the way the fixed cost base is being reduced quarter-by-quarter for each of the particular sectors, so you can, obviously, do quite a bit of modeling there, and I would like to leave it at that.

I think we will continue, obviously, to guide you as much as we can there. We are, obviously, keeping an eye on this. And we'll see if and when the clarity gets a bit more established on markets, we might give you more than that. But at this particular point of time, I think via the various elements of the guidance in all our appendices and in our text, I think you have quite a few elements to reach your own conclusions.

Martin Wilkie - Deutsche Bank - Analyst

That's fair. Thanks very much.

Operator

Thank you. Our next question comes from Jan Hein de Vroe of ING. Please go ahead with your question.

Jan Hein de Vroe - ING Bank - Analyst

A very good morning, gentlemen. Thanks for taking my question, first of all. Most of them have been answered, but perhaps two more add-ons. Could you contrast the organic growth figures between what's the old DAP and the Audio & Video Multimedia and Peripherals business, first of all?

And second, also in terms of restocking, you indicated that the Lamps business profited from the phase-out from incandescent in certain geographical areas. Is this an ongoing effect, or would you call this also a special case of restocking?

Those were the two. Thanks.

Pierre-Jean Sivignon - Royal Philips Electronics - CFO

Yes. I think, yes, if we go back to the old DAP, I can tell you that old DAP was all in -- every single category of old DAP, quote/unquote, was in positive growth territory. I think is probably -- Stewart, I'm talking under your -- and Jan, I think it's a first quarter where the three product categories of DAP were all in the green; meaning Shaving & Beauty was in the green, meaning Appliances was in the green, and meaning as well Health & Wellness was in the green.

Now if you look at the other two categories which are in the so-called non-TV portfolio, we had -- basically for Peripherals, we were still in negative growth, even though the profitability continued to improve. And as far as Audio & Video, we were still in negative growth for the particular quarter.

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But the important news I think for you to know is that when you group the whole category then, and now let me not go to the old DAP, let me talk too about the new CL without TV, and I think that's really the important news of this quarter. We were in excess of 16% of margin, so I think the thing we were trying to illustrate there, and maybe I'm not going to be too subtle and very open about it, we have now come up with a quarter, Q4, where the adjusted margin, excluding TV and including some of the ex Consumer Electronics category, namely Peripherals and Audio & Video, that whole group of products was in excess of 16% adjusted EBITA margin for the quarter. And that is a real news in itself when you compare to last year where I think it was about equivalent to 8%, if my memory is correct.

So you can see the progress being made there on the entirety of the non-TV. And, at the same time, of course, as disclosed separately, TV was in profitable territory as well.

Restocking, difficult to say. We don't have, obviously, because the number of retailers is quite broad, we do not get a feeling there has been a large restocking at the end of 2009. So our feeling going into the first quarter is that there is a bit of a tailwind coming from the end of Q4, so we don't get the feeling that the slight first positive growth of Lifestyle which you will remember is 1% up for the quarter, we don't get -- we get a feeling that we should have a little bit of a continuation of this in the first quarter of 2010, and you should keep in your mind that we will get close to important events such as, for instance, World -- Soccer Cup, which will take place in the second quarter.

Jan Hein de Vroe - *ING Bank - Analyst*

Thank you. That's very clear.

Operator

And your next question comes from Martin Prozesky of Bernstein. Please go ahead with your question.

Martin Prozesky - *Sanford C Bernstein - Analyst*

Good morning, gentlemen. Two further questions please. The first is on the US weakness that we've seen. Sales growth was, I think, organic minus 10%, versus minus 3% overall for mature markets. Can you comment on -- you've spoken about Lighting and the weakness in Professional Luminaires, weakness in Medical and order intake, but just -- it seems very broad-based. Can you give us an indication how you see that developing in 2010? And what will be the triggers that you need to see an improvement there, and maybe how the euro strength plays into that?

And the second question is on Home Healthcare. Can you comment on the Respironics performance within the portfolio, both within the US and ex-US, please?

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

Okay, thank you. Yes, I think the US -- yes, I think you've described the situation pretty well. If I -- I will just qualify a little bit your statement on Medical. Actually, on Medical, the incoming orders were a negative 6%, which in relative terms is a pretty different number from the one we had had in the previous quarters.

So it's still negative, of course, in that fourth quarter, incoming orders for US equipment, but it is, of course, a bit of a different pace versus the 20% plus negative growth that we had had in the previous quarters.



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Now in Lighting, I think you've comment on it; yes, Prof Lum, for the reasons we've described. As far as Lifestyle is concerned, consumer sentiment in North America, obviously, being a little bit different from the one we've seen in Europe; okay sales in -- over the Christmas period, and in terms of visibility, difficult to say much more.

The one sector that basically breached with one of the questions raised before in this call, we believe that when there is going to be some, I would say, end put to the uncertainty on the healthcare market, our belief is that at that particular point of time, the -- almost regardless of the results of the reform, we believe that the end of uncertainty could bring some tailwind to our Healthcare business.

I think at least that's the way we see it as of today. We believe that the uncertainty today is probably what is becoming the worst element to deal with in that particular activity in North America.

Other sectors, no real visibility; no real uptick on commercial construction indices; and not much to say beyond what we've already put in the release.

Now to your question on Home Healthcare, basically, Respireonics did well in the fourth quarter, and let me give you a few figures.

Respireonics actually was up 11% in terms of revenue in that fourth quarter and that is, obviously, very encouraging news, because this is basically on the back of the new -- or the beginning of the impact of the new product portfolio which was introduced just a few weeks ago. So, clearly, we're getting some traction there, and it is starting to show in the numbers.

Martin Prozesky - *Sanford C Bernstein - Analyst*

Thank you.

Operator

Thank you. Our next question comes from Ludovic Debailleux from Natixis. Please go ahead with your question.

Ludovic Debailleux - *Natixis Securities - Analyst*

Good morning, gentlemen; to follow up on the saving side, first of all. You posted EUR153 million of structural saving in Q4. Could you give us an idea of the full saving, including the temporary one, please?

And the second question, how much extra structural saving do we have to expect in 2011 looking at the restructuring you will do in -- you will do next year, especially in the Lighting division considering the longest payback, please?

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

Yes, thank you. I think you are correct to mention that in addition to our fixed cost saving, we have always been very clear that we've done what we call discretionary savings which impact a certain number of cost categories that we've discussed over previous calls. But some of these costs, of course, will very much be kept under tight control, because we try to link those costs to revenue. And we think that if and when revenue rebounds, some of those costs might come back, but we are -- we will make sure that they don't come back at the same level they were at before the crisis started.

We won't give you any more guidance on this because it would be almost impossible to be more specific.



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Ludovic Debailleux - *Natixis Securities - Analyst*

Right.

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

So I think the conclusion there, if you compare from a discretionary point of view, Philips in 2010 versus the Philips of 2008, you should have there as well Philips with a lower discretionary cost base for the long run versus the one we had in '08. I think that's as much as I can say on this particular subject.

Your second question was will we get additional restructuring; and accordingly, will we get additional fixed cost reduction versus the '08 baseline in the course of 2010? Well, the answer is, well, let's see when we get the extra restructuring in 2010, and let's see what projects at the time; and, indeed, are we capable of having them impacting the P&L as early as 2010? And I think we'll take it from there, but I will not guide you on that at this particular point of time.

Ludovic Debailleux - *Natixis Securities - Analyst*

Thank you.

Operator

And we have a question from Andrew Carter from Macquarie. Please go ahead with your question.

Andrew Carter - *Macquarie - Analyst*

Good morning. It's Andrew from Macquarie. Just a couple of quick questions, please; firstly on Healthcare. Could you talk a little bit more about the emerging market growth that you've seen? It was, I think, one of the strongest quarters going back for quite some time, and yet the prior year comparison was very, very strong. So I was wondering if there's any particular regions or products that have caused that. And should we just sort of mathematically be expecting the year-on-year growth to be very strong in the coming quarters?

And I guess just continuing in terms of some of the trends that we're seeing in the quarter in Healthcare again, is part of the reason for the high margin to do with mix? Are we actually going to mathematically start seeing the margin coming down a little bit as we see the equipment sales start to increase as we see that stabilization in North America?

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

Yes. I think your first question is related to emerging markets. Yes, I think the emerging market growth, and I will comment in incoming orders, because I think that's really what you want to hear, because that's clearly what drives the value of the Company, and what clearly driver the revenue of 2010.

The emerging market incoming orders growth was actually high teens in the course of this fourth quarter, which, you are correct, it's probably a bit north of what we had seen in the previous three quarters. So it is a quarter which is particularly strong in terms of incoming orders for emerging markets.

It's coming from the countries of reference, which is, as usual -- I think it has been China, it has been India, it has been as well the Middle East. I think it's -- we've been -- it's not one country in particular. We've been making progress on a wide range of emerging market countries which, obviously, gives us a little bit of comfort that we're not depending on just one country.

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In terms of impact on the revenue, well, you see it already. You see that in this quarter, Healthcare had 23% of its revenue in emerging markets, compared to 17%/18% in the previous quarter. So you can see that Healthcare is making a significant swing in terms of its geographic mix quarter-to-quarter, and this kind of trend is there to continue.

The particular product categories which are supporting this, just to give you a little bit more flavor, cardiovascular, MR, Nuc Med. Those would be the kind of product categories which have supported these emerging market trends in that fourth quarter.

Your -- the next part of your question was on the margins. I think I'll come back to what was said as an answer to a previous question, what supported, what gave the bit of extra boost to the margin in Q4 was, basically, I would say two things. First, increase in the mix; but that's not new, that's constant. Increasing the mix of the higher margin categories, and we've been discussing this, which are Service and Home Healthcare. I think those are trends.

This is, secondly, the fact that we work constantly on a certain number of productivity programs, and they have been debated; in particular, the Capital Market Day. I send you back to those slides. Those engines are there. And as I mentioned in a previous -- to a previous question, the fact that we've been very diligent on cost control. I think those are the three elements for having a margin which was, I would say, about 300 points like-for-like higher Q-to-Q. Those would be the three key drivers for that improvement in margin.

Andrew Carter - *Macquarie - Analyst*

Thank you. Could I ask just an additional question which was, I think at the last set of quarterly numbers that you said that you would come back to us to talk a little bit about the Saeco coffee machine business? I guess we haven't really heard a great deal about that since the acquisition. Is this an opportune time for an update?

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

Yes. I think looking back at my notes, I think I would like to flag one more thing which was not referred to in the call, and which you should realize. And one of the key drivers of the improvement of margin of Q4 2009 was as well the improvement of our margin in Imaging Systems. And I think, you've not asked the question, but I will flag it, because this is, obviously, a product category which had been under a little bit of pressure in terms of margin in the previous quarters, but we seem to have turned a bit of a corner there via a certain number of actions we've taken in place. We've worked on the portfolio. We've worked on the cost base. You've seen in the release that we are establishing a 100% controlled footprint in China, which is part of extra measures to continue to improve our performance there.

So maybe let me flag, on top of the three engines I mentioned, a bit of a turnaround in the profitability of Imaging Systems, just to be full on your -- fully complete on your questions.

Sorry, Saeco. Yes, I think a quick word on Saeco. Saeco is part of our Appliances business, which is part of Lifestyle. Saeco, just to give you some numbers, had good growth in Q4; sales which were close to EUR100 million. And -- but that doesn't tell you much. What will tell you a little bit more is that those sales were actually about 5% to 6% north of the business case that we had given to ourselves when we acquired the Company in August.

So more than the absolute euro revenue, I think what's more relevant for you is that we are north of the business case that we had used to validate the acquisition three -- four months ago.

Operator

Thank you. Our next question comes from Philip Scholte of Rabo Securities. Please go ahead with your question.

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Philip Scholte - Rabo Securities - Analyst

Yes. Good morning, gentlemen. Philip Scholte, Rabo Securities. Could you update us briefly on the situation with regards to pension costs? I haven't been able to find it yet in the pack. And could you update us on the expected cost level in the P&L for 2010; how much that will be up or down?

Pierre-Jean Sivignon - Royal Philips Electronics - CFO

I think you have it in the pack but, of course, we have given to you quite a bit, so you will see that there is a pretty detailed analysis on the pension situation on slide 36 in the road show pack, which I think by now is on the website.

So you have full detail on the funded status of the various pensions; the impact, of course, on the balance sheet, which was quite significant, in particular in the equity on December 31.

As far as the pension cost is concerned, I think that the information I can give to you is that those costs should be more or less in line with what we've seen in -- our best guess is that those costs will be more or less in line with what we've seen in 2009.

So when you do your comps and your modeling, you should use just about similar numbers.

Philip Scholte - Rabo Securities - Analyst

All right. Thank you.

Pierre-Jean Sivignon - Royal Philips Electronics - CFO

And in terms of cash outflow, we're often asked the cash outflow on pension. Just about the regular EUR400 million that you see every year, which is a number which has been commented as well on previous calls.

Operator

Thank you. Our last question is a follow-up question from Andreas Willi of JP Morgan. Please go ahead with your question.

Andreas Willi - JP Morgan - Analyst

Yes, it's Andreas here again. Thank you for the time. On Europe versus the US, both in Lighting and Consumer, you talk about a better Europe than the US, which is a bit counterintuitive given the GDP numbers we are seeing. Maybe you could give us some more details then and why you think that is. Is it Philips specific in terms of you're better positioned or gaining share in Europe versus the US? Or what is the reason for the better Europe?

Pierre-Jean Sivignon - Royal Philips Electronics - CFO

Yes, I think we're not economists. We do our best at managing the Company, but we certainly won't try to predict the future.

I think it's probably a reflection of the market we're in. We -- you've seen that we talk about being a Company which is basically having a more balanced portfolio in terms of product portfolio as well as in terms of geography. And you've seen as well that we said in the release that we plan -- we see ourselves as more resilient but as well more agile in terms of our capability to react.



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But all these comments are very much specific to a portfolio where the cycle, for instance, of Lifestyle is different from the one of Lighting, which is different from the one of Healthcare, if there is any cycle. So the comments we've made on the performance in Q4 are very much, I would say, specific to the Philips portfolio.

As far as moving into 2010, the visibility remains limited, and the only comment I will make is that we enter this Q1 with a bit of tailwind, which we think we should be able to keep to some extent in this Q1. But beyond that, very difficult, because the visibility remains quite limited.

Andreas Willi - JP Morgan - Analyst

I was more asking about the relative performance Europe versus US, but you're not aware that you're gaining share in Europe and losing share in the US?

Pierre-Jean Sivignon - Royal Philips Electronics - CFO

Oh, if it is basically -- in terms of share, no, but I will give you maybe one more thing because, of course, you could be surprised by why are you at flat in Europe and minus 10% in the US. But there is one element which visually can change a little bit your conclusion. Don't forget that Television grew 7% this quarter, and a big chunk of that TV market is in Europe. It's actually encapsulated in the Europe numbers.

We're not in TV in the US any more, as you know; at least, not directly. We're there with a brand licensing agreement, not impacting the revenue. So you add the fact that when you compare the US versus Europe, Europe includes a good chunk of TV activity, which grew 7% in the quarter. That can explain maybe some of the visual difference of spread you have between Europe and US on the back of the comp growth of Q4.

Andreas Willi - JP Morgan - Analyst

Thank you very much.

Pierre-Jean Sivignon - Royal Philips Electronics - CFO

Okay?

Operator

Thank you, Mr. Sivignon. There are no further questions. Please continue.

Pierre-Jean Sivignon - Royal Philips Electronics - CFO

I think we want to thank you very much for your questions, and I think we'll leave it at that. Thank you for your presence, and we will meet, I know, a lot of you with Gerard on the road.

Operator

This concludes the Royal Philips Electronics fourth quarter results 2009 conference call on Monday, January 25, 2010. Thank you for participating. You may now disconnect.

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