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KONINKLIJKE PHILIPS ELECTRONICS NV EARNINGS CONFERENCE CALL

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PRESENTATION

Operator

Welcome to the Royal Philips Electronics Fourth Quarter and Annual Results 2011 conference call on Monday, January 30, 2012. During the introduction hosted by Mr. Frans van Houten, CEO, and Mr. Ron Wirahadiraksa, 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 this call will be recorded and is available via webcast on the website of Royal Philips Electronics.

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

Abhijit Bhattacharya - Koninklijke Philips Electronics NV - Head of IR

Good morning, ladies and gentlemen. Welcome to this conference call on the fourth quarter and full-year results for 2011 for Royal Philips Electronics.

I am here with Philips’ CEO, Frans van Houten, and our CFO, Ron Wirahadiraksa. In a moment, Frans will take you through his introductory remarks and provide an update on our performance. Ron will shed more light on the details of the financial performance during the quarter and the year. After this, both Frans and Ron will be happy to take your questions.

As usual, our press release and the accompanying information slide deck were published at 7am CET 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 at the latest.

With that, let me hand you over to Frans to start proceedings for the day.

Frans van Houten - Koninklijke Philips Electronics NV - President & CEO
Thanks, Abhijit. Welcome to you all, and thank you for joining us today. 2011 was an eventful year for Philips. It was clearly a year of change in which we made bold decisions to transform Philips to structurally speed up growth, improve profitability and ROIC.

We launched Accelerate!, our change and performance improvement program. This multiyear program is designed to fundamentally transform our Company into a more efficient, agile and less complex organization, resulting in a healthy growth rate and the creation of value for shareholders.

I've always believed that Philips has great potential. Now, nine months after taking over as the CEO, I have absolutely no doubt that our Company has far greater potential than our current performance demonstrates.

Philips operates in the right markets and has the right portfolio to address key trends, such as the demand for affordable healthcare, the need for greater energy efficiency and a desire for personal well being. A large majority of our businesses have the right fundamentals for profitable growth.

In addition, over the years, we have built up a strong presence in the growth geographies, which now represent 33% of Group's sales. We have seen that when we resource our plans well, we are able to win market share. Led by Lighting and Consumer Lifestyle sectors in particular, our net promoter score, a leading indicator for market share growth, has improved for outright leadership positions.

We have gained market share in Healthcare in the United States, and while the data for the other businesses and geographies is not yet available, we expect to have gained market share in the growth business of Consumer Lifestyle and, more importantly, in LED Lighting.

In addition, a few highlights from 2011 underscore our potential in some very exciting areas. In Healthcare, we received clearance from the FDA to market the first ever digital broadband MRI solution, our innovative PET/MR imaging system, and our Heart Navigator interventional tool for minimally invasive cardiac procedures.

Health & Wellness in our Consumer Lifestyle sector started selling the new Sonicare Air Floss. Since the launch, Philips Oral Healthcare has significantly increased its share of the electrical inter-dental cleaning market in key geographies.

And Lighting won the prestigious L-prize competition commissioned by the US Department of Energy, a clear testament that we manufacture LED products that are top notch when it comes to efficiency, performance, lifetime and cost.

More broadly, in 2011, our Healthcare business grew at a rate higher than 4% to 5% growth rate for the markets we serve. In Lighting, we were in our targeted range of 6% to 8%, with LED product sales, excluding LumiLeads, growing at around 70% for the year.

The growth businesses in Consumer Lifestyle registered an impressive double-digit sales growth for the year while operating in difficult market conditions.

Despite these examples of great innovative work and good sales growth, it is clear to me that Philips is realizing only a fraction of its potential. We have many valuable assets in the Company, as well as great and talented employees.

However, it is in the operational execution and Company culture that we need to improve significantly, and our Accelerate program will help deliver this.

At Philips, we want to excel through innovation, customer intimacy and speed. Innovation is our lifeblood and an important driver to differentiate, to compete and realize profitable growth. It’s vital to invest in innovation in good economic times, but even more so in challenging economic times, like the one we are currently facing.

In a world that is changing at an ever faster pace, we need to adapt faster to changing market needs and a change in competitive landscape. Accelerate! is about bringing meaningful innovation to our customers in local markets by giving more responsibility and accountability to our people in these markets.

We believe that the people on the ground are the ones who see opportunities, and they should be empowered to aggressively pursue them.

We also continue to invest in innovation and reallocate resources to growth markets and geographies. To fund these investments, part of the Accelerate program is aimed at significantly lowering overhead cost. As you know, in October, we announced a plan aimed at saving EUR800 million. That’s about 20% of overhead cost by 2014.

Our actions to deliver on the overhead cost reduction program are on track, and the first cost savings were recorded in the fourth quarter as planned. The majority of the savings will materialize in 2012 and ‘13, and we are on track to reach our cost saving targets.
In the short time since we rolled out Accelerate!, I'm pleased with how the organization has responded to the numerous changes that are needed. Our Executive Committee is firmly in the driver's seat and leading the change initiatives.

Importantly, the incentive system has been changed to reflect line-of-sight accountability, and is now fully aligned with the key performance indicators of the 2013 mid-term financial targets.

To reinforce the right focus for our organization to achieve the 2013 targets, we have introduced in January 2012 a sizeable one-time Accelerator Grant for our key executives consisting of an equal balance of shares and options.

As a further significant change, this grant is not based on the earlier system of time vesting, but rather performance vesting in accordance with the 2013 mid-term targets.

Now let me provide you with a few details on our quarterly performance. As we noted in our release on January 10, our results were mainly impacted by the following factors.

In our Healthcare business, continued weakness in the European market led to the postponement of deliveries and affected margin improvement plans for Imaging Systems.

Earnings were also impacted by lower "order and ship" business within the quarter, and investments we are making to step up innovation as well as sales related expenses aimed at driving growth.

The growth businesses in the Consumer Lifestyle sector benefited from the early adoption of Accelerate! We continue to reposition the mix of Consumer Lifestyle portfolio towards Personal Care, Health & Wellness and Domestic Appliances and reducing our exposure to Consumer Electronics.

At an aggregate level, the three growth businesses achieved a high single-digit comparable sales increase compared to the fourth quarter of 2010.

In Lighting, results were impacted by pricing, inventory reduction measures and operational issues. Our inventory related actions helped to improve cash flow, but impacted the margin.

Our focus on LED lighting solutions is consistently delivering good growth. LED sales in Q4 amounted to 18% of total Lighting revenues. We do expect improvement of the Lighting results to be weighed towards the second half of 2012.

I'm happy to announce that we've made good progress in identifying a new CEO for Lighting. As soon as the details are finalized, we will provide these to you.

In keeping with our dividend policy and a sign of our confidence in the future, we propose to maintain our dividend at EUR0.75 per share. Based on the positive response we received from shareholders, we will offer an elective dividend.

Much more work remains to be done, and the fourth quarter results, which were disappointing, show that the actions we are taking do not immediately translate into strong quarterly performance.

We are addressing our operational issues and are executing on our plans to make Philips a structurally more profitable company. This is a multi-year journey in which I have full confidence.

We have to approach 2012 with caution, given the uncertainty in the global economy and in Europe in particular, leading us to expect a slow start of the year.

In addition, we expect our 2012 results to be affected by the previously communicated restructuring charges and one-time investments aimed at improving our business performance trajectory. Excluding these additional charges, we anticipate that underlying operating margins and capital efficiency in the sectors will improve in the latter part of 2012.

While we are concerned about the economic environment, all of us at Philips are fully committed to improve our operational performance to achieve our 2013 mid-term financial targets.
Ron Wirahadikusuma - Koninklijke Philips Electronics NV - CFO

Thank you, Frans. Good morning, and welcome to all of you on the call. I'll begin by giving you some color on the developments in the markets we serve, and then I'll walk you through the financial performance for the fourth quarter.

Let me start with Healthcare where in the US, we continue to see markets growing, mainly due to pent-up demand which is still flowing through.

Hospital Capex spending is projected to grow around 9% for 2012, up from 4% in 2011, as administrators prepare for the influx of newly-insured patients. Current lower interest rates are fueling these infrastructure advancements, in addition to continued strong IT spending momentum in hospitals.

Nevertheless, there continues to be some concern among hospital CEOs around healthcare reform, possible related reimbursement cuts, as well as the impact of the excise tax to be implemented in 2013.

In Europe, markets in Southern Europe continue to be weak, given the economic situation prevalent in those geographies. In addition, various governments in Europe have undertaken austerity measures. We therefore remain cautious on the near-term outlook, particularly for the countries in the periphery of Southern Europe.

In our growth geographies, we continue to see momentum as more investments continue to be directed to these markets, resulting in robust demand.

For the Consumer Lifestyle markets, in Q4, consumer confidence has recovered in North America from the decline earlier in the year, and is now slightly above the level of Q4 2010. US unemployment fell below 9% in the US in Q4.

In Europe, consumer confidence in Germany and France declined in addition to ongoing weakness in Southern Europe. On a full-year basis, consumer confidence in Europe was stable, with markets in Asia Pacific remaining strong, notably in India and China.

The weak market sentiment has had a larger impact on the Lifestyle Entertainment markets compared to the Health and Wellbeing part of the Consumer Lifestyle portfolio, namely Personal Care, Health & Wellness, and Domestic Appliances.

The Lighting market in Q4 was virtually stable versus Q4 2010, and grew compared to Q3 2011, mainly driven by LED product categories and growth geographies.

North America and Western Europe continue to see declining GDP growth, though in the US market, the rate of decline in the non-residential construction market reduced from the double-digit decline in 2010 to the low single-digit decline in 2011. The Professional Luminaires market in the US for the second half of 2011 saw some more growth.

Residential and non-residential construction estimates in Q4 were down in most Western European markets, excluding France, which was flat, and Germany, Austria and Switzerland, which experienced some growth, reflecting a slight positive uptick in the markets for Professional Lamps and Luminaires in these countries.

In growth geographies, construction remained strong, especially in the Asia Pacific region, driving growth in the Lamps and Luminaires markets across categories.

Vehicle production in Q4 is anticipated to rise slightly compared to a slower Q3, driving incremental growth for the Automotive Lighting market.

We expect construction in Asia Pacific and Central and Eastern Europe to grow in 2012, and declines in the US and Europe, excluding Germany. Although the construction growth rate in China is slowing, it still remains a clear growth engine, especially for the Consumer Lamps and Luminaires market.

Let me now move to the Philips Group result for the fourth quarter of 2011. Let me remind that as of the first quarter of 2011, we report the Profit and Loss and Cash Flow on the TV business under Discontinued Operations, and the Net Operating Capital for the business in the Balance Sheet on the line Assets Held For Sale. Therefore, all commentary that will follow in terms of sales and earnings at Philips Group level and Consumer Lifestyle sector level does not include television-related information.

Also when I refer to adjusted EBITA on this call, this represents EBITA, excluding restructuring, acquisition-related charges, and a one-off pension gain in GM&S.

Comparable sales in the fourth quarter grew by 3% when adjusted for currency and portfolio changes. On a geographical basis, comparable sales in our growth geographies grew by a strong 12% in the fourth quarter.
Our growth geographies are defined as all markets excluding US, Canada, Western Europe, Australia, New Zealand, South Korea, Japan and Israel. Sales from these growth geographies increased to 33% of Group revenues compared to 31% for Q4 of last year.

Sales in North America grew by 3% in the quarter on a comparable basis. Western Europe saw a decline in comparable sales of 5% in the quarter, mainly due to the market-related weakness I spoke about earlier, which affected all of our businesses.

In other mature markets, we also saw a strong comparable sales growth of 9% in the quarter, led by strong growth in Consumer Lifestyle and Lighting.

Reported EBITA was EUR503 million, or 7.5% of Sales, which is lower than the EUR930 million, or 14.1% of Sales, reported for Q4 of last year.

The restructuring and acquisition-related charges for the fourth quarter for this year were higher than the fourth quarter of last year by EUR62 million. This increase is mainly due to an increase in restructuring charges related to the Accelerate! program across all sectors.

The Q4 2010 EBITA was favorably impacted by a pension plan change gain of EUR83 million compared to EUR21 million for Q4 2011.

Adjusted EBITA was EUR582 million, or 8.7% in the quarter, compared to EUR868 million (Company corrected after the conference call), or 13.4% for Q4 2010. The decline in the adjusted EBITA was due to declines across the sectors, on which I will elaborate in just a few moments.

As part of the Consumer Luminaires turnaround plan, most non-Philips branded products will be re-branded with the Philips brand. As a result, the net income from continuing operations in Q4 2011 was impacted by a charge of EUR128 million. This, together with the lower income in the sectors, caused the net income from continuing operations for the quarter to decrease to EUR112 million compared to EUR503 million for Q4 of 2010.

Net income was a negative EUR160 million, which includes the negative impact of EUR272 million from the discontinued Television business, largely due to the booking of the deal result for the Television business. The net income in Q4 last year was a profit of EUR465 million.

Our cash flow from operating activities for the quarter was an inflow of EUR1.2 billion compared to an inflow of EUR1.4 billion in Q4 of 2010. The cash inflow in the quarter was largely due to the reduction of inventories in the quarter. The year-on-year decrease was largely due to a decrease in earnings of EUR391 million, partly offset by lower working capital requirements and provisions.

With that summary, let me now walk you through the performance of each of our businesses during Q4, starting with Healthcare.

Currency comparable equipment order intake grew 3% in Q4 2011 compared to Q4 2010. Order intake was led by a solid performance in the US, where we registered a 4% increase in order intake on a year-on-year currency-comparable basis, led by Imaging Systems, which recorded a double-digit order intake growth compared to Q4 last year.

Our growth geographies saw a strong increase, where equipment order intake grew by 17%. This was led by Russia, which saw a currency comparable growth in order intake above 140%; Middle East and Turkey above 50%; India above 20%; and China above 13%.

These increases were somewhat offset by Europe, which saw a 14% decline in currency comparable order intake due to weak markets.

On a currency and portfolio comparable basis, our Healthcare business registered a year-on-year sales increase of 3%, slightly above the 2% growth registered in Q4 2010.

Patient Care and Clinical Informatics, Home Healthcare and Customer Services grew mid-single digits, while Imaging Systems sales remained flat compared to last year.

North America saw continued growth of 6% in the quarter, while growth geographies delivered a sales increase of 5%. This was led by India, which saw a comparable sales increase of close to 30%, and China of 9%.

For China, excluding Neusoft, the growth in Q4 2011 was 15%. The growth in China in Q4 2010 was 36%.

Due to the lower sales in the government channels in Brazil, sales in Latam grew modestly in the quarter compared to Q4 2010.
Weaker markets resulted in a mid-single-digit decline in Europe. This was mainly caused by lower sales in Southern Europe and UK and Ireland.

Healthcare reported a fourth quarter EBITA of EUR409 million, or 15% of Sales, compared to EUR522 million (Company corrected after the conference call), or 19.8% of Sales, in the same period of 2010. Adjusted EBITA was EUR430 million, or 15.8% of sales, which is below the EUR518 million, or 19.6% in the same period of last year.

The lower earnings were due to continued weakness in the European markets which resulted in the postponement of some existing orders, as well as lower "order and ship" business within the quarter, as Frans noted earlier. Earnings were also impacted by the investments in growth and certain incidental charges.

Consumer Lifestyle sales, when adjusted for currency and portfolio changes, grew by 1% compared to Q4 of last year. The Lifestyle Entertainment business registered a double-digit decline in sales for the quarter, with Latam and India registering double-digit growth. We are pleased with the continuing momentum of sales growth in Q4 2011 for the Personal Care, Health & Wellness, as well as Domestic Appliances businesses, which registered high single-digit comparable sales growth.

Sales in our growth geographies grew by 8%. This was, however, offset by declines in the mature markets, mainly due to weak consumer sentiment.

The reported EBITA at Consumer Lifestyle declined to EUR184 million from EUR210 million in the fourth quarter of 2010 due to a decline in the operating results of the Lifestyle Entertainment business, investments in Advertising and Promotion, and innovation to drive growth, as well as incidental charges and higher restructuring and acquisition-related charges.

The adjusted EBITA of the sector for Q4 2011 was EUR202 million in the quarter or 10.9% of sales, compared to EUR213 million or 11.9% of sales for the fourth quarter of 2010.

In terms of the Television business, which as I explained earlier is reported as part of discontinued operations, the operating loss for the fourth quarter was EUR84 million compared to Q4 of 2010 when the operating loss was EUR67 million. The net loss for the Television business is impacted by the costs incurred to disentangle the Television business from the rest of the Group, the brand support fee, as well as the value adjustment of certain assets. On page 16 of the press release, we have provided a simple reconciliation to the net income of discontinued operations of a loss of EUR272 million.

In Lighting, comparable sales grew by a strong 7% in the quarter compared to Q4 of last year. LumiLeds sales declined for the quarter, excluding which Lighting sales were up 8% compared to the previous year. The increase in sales was led by our growth geographies where Sales grew on a comparable basis by 21%.

On a more granular basis, sales in China, Russia and Central Asia, Middle East and Turkey, India, ASEAN, Latam and Japan showed good momentum with strong double-digit growth. Sales in North America continued to recover with a low single-digit growth in the quarter. Weak markets in Western Europe caused a mid-single-digit decline in comparable sales for the quarter.

When taking a deeper look into each business, we continued to see strong sales of our LED products, with growth of 37% compared to the same quarter of the previous year.

The Lamps business saw strong double-digit growth in the quarter, with a significant increase in the sales of LED lamps. Sales of Automotive Lighting products also increased, registering a double-digit comparable sales growth.

Sales of Professional Luminaires, despite a weak construction market, grew by 7% although pricing remains under pressure. Lighting Systems & Controls and Consumer Luminaires delivered mid-single-digit growth for the quarter. The consumer markets in Western Europe in particular impacted sales in the quarter.

The reported EBITA at Lighting declined to EUR41 million from EUR198 million in Q4 2010. Adjusted EBITA was EUR77 million or 3.7% of Sales, a decrease of EUR155 million compared to the fourth quarter of 2010. The results were impacted by pricing pressure, especially in consumer channels, incidental expenses, including measures to reduce inventory and operational issues. Our inventory-related actions helped to bring down inventory to levels close to the ones at the end of 2010, as well as improve cash flow.

Reported EBITA loss at GM&S was EUR131 million, which is slightly better than our guidance for the quarter. Normalized GM&S costs were approximately EUR280 million which will improve to EUR230 million in 2012 due to cost savings and reduction in pension costs.
We have decided to book Accelerate! related costs in GM&S for the period 2012 to 2014. We expect these costs to stop at the end of 2014. The estimated costs for 2012 are EUR150 million. We also have TV stranded costs of EUR40 million in 2012 as well as an estimated license income of EUR150 million, which has been reclassified from the sectors, mainly Consumer Lifestyle. In aggregate, therefore, we expect GM&S to have a negative adjusted EBITA of approximately EUR270 million for 2012.

Inventory value at the end of Q4 2011 declined sharply on a currency comparable basis by EUR585 million in the quarter. Each of the sectors reduced their inventory strongly in the quarter. As a percentage of sales, inventory for the Group decreased from 18.2% to 16.1% of sales, close to previous year's level of 15.7% of sales.

The slight increase compared to the previous year is mainly due to the postponed deliveries of certain orders in the Healthcare sector, as well as the consolidation of the Preethi and Povos acquisitions.

We have further decided to reduce our level of inventory as a percentage of Sales in the next two years by around 1% to 1.5% per annum, giving us a reduction of between 2% and 3% by 2013 compared to the end of 2011.

Since the commencement of the Share buy-back program in Q3 2011, we have completed 35% of the EUR2 billion program as at the end of Q4 2011. Keeping in mind the instability in the financial markets in Europe and the need to preserve cash, we have extended the existing program through to the end of Q2 2013. Going forward, we therefore expect to buy back our shares at a rate between EUR150 million to EUR300 million a quarter.

We will continue to closely monitor the availability of liquidity in the financial markets in our cash position and manage the pace of this program accordingly.

Ladies and gentlemen, before opening the line to questions, let me briefly sum up where we stand.

Earlier, Frans gave you some color on how we are driving change at Philips. This structural change will require resources which we will compensate for through our cost reduction actions. Due to the deteriorating economic circumstances in Europe, which we are monitoring closely, we will further adjust our expense levels to this reality.

With that, let me now open the line to your questions which Frans and I will be happy to answer.

Thank you.

**QUESTION AND ANSWER**

**Operator**

Thank you, sir. (Operator Instructions). Andreas Willi, JPMorgan.

**Andreas Willi - JPMorgan - Analyst**

Two questions, one on Lighting. Maybe you could give us a little bit more of an understanding now for the full year if we look at the profitability decline despite the positive sales growth, how that breaks down in terms of percentage or margin points in price pressure, in issues that went wrong on your side, in higher investment, so that we have a little better idea what the underlying starting point is in the Lighting business for 2012.

And then the second question, you said you have seen the first benefits of the Accelerate program in the Consumer business. Maybe you could give us a couple of specific examples what there is coming through in terms of support to the profitability.

Thank you.

**Frans van Houten - Koninklijke Philips Electronics NV - President & CEO**
Andreas, thanks for your question. Let me start with the second part of your question, and then Ron will pick up the Lighting breakdown.

CL in the earlier part of last year stepped up investments in launching new products, as well as higher advertising and promotion, focusing very much on the core growth businesses of Oral Care, Health and Well-being and Personal Care, and Domestic Appliances. This focus and step-up results in better traction, so we have seen market share gains in these businesses; and we saw that growth and margins in the fourth quarter came in better.

This is, of course, exactly the purpose of the Accelerate program, drive top line growth through innovation, improve margins, improve working capital, and drive a better return. So this is what we need to continue to do across all sectors. Clearly, we are by no means there yet, but it's a step on the right path.

I'm looking to my right here for Ron to talk a bit about Lighting.

Ron Wirahadiraksa - Koninklijke Philips Electronics NV - CFO

Yes, so the explanation of the recurring EBITA for Lighting. I would say that between 150 and 200 basis points is related to Lumileds; about 200 basis points is related to phosphors. And then about 140 basis points is related to the LED investment that we're making in technology, and also in our go-to-market investments. That would be the bridge between the Q4 Lighting results.

Andreas Willi - JPMorgan - Analyst

That was for Q4, not for the full year?

Ron Wirahadiraksa - Koninklijke Philips Electronics NV - CFO

Yes, that's correct.

Andreas Willi - JPMorgan - Analyst

Thank you.

Operator

Martin Wilkie, Deutsche Bank.

Martin Wilkie - Deutsche Bank - Analyst

Just continuing on Lighting, you've talked about underlying earnings improving into the second half of the year. Presumably some of those restructuring benefits kick in, but if we could just look at some of the negatives that you had in 2011, and you could just let us know should we see some improvement of those as we go into the first half of the year. In particular, on the net pricing for fluorescents related to phosphor, is that now done and complete, therefore, and we shouldn't expect any incremental net negative in the first half?

Secondly, on Lumileds, if you could just let us know have you begun to see some of the benefits of the transition across to 6-inch wafers, or is that cost still dragging in the first half of 2012?

And then finally, if you could give us a bit more detail on the inventory write-downs that you saw in the quarter. Were they related to the Consumer Luminaires business where you had taken also I think some branding write-offs, or was it to do with the LED business again and Lumileds? If you could just clarify that point.

Thank you.
Frans van Houten - Koninklijke Philips Electronics NV - President & CEO

All right. We'd be happy to take a start at that. Several components driving the negative results at Lighting. On the one hand, step-ups to drive growth in Professional Luminaires in cost of organization, that will still continue.

In the Lamps business, we talked a lot about raising prices. By and large that has been done and works, but we do see that private label brands, especially in CFLI, are not following further price increases, and therefore we cannot be optimistic that margin improvement through pricing in Q1 and Q2 will help the Lamps profitability.

In Consumer Luminaires, it's a restructuring and turnaround that will take us considerable time to deliver on. We are, as we announced, also working on the rebranding from Massive to Philips in relation to the write-downs of those assets that we announced.

We see that in Consumer Luminaires, we picked up some good sales growth in the latter part of Q4. That gives me confidence that we are on the right path to repair the performance in Europe, but clearly, it will take time.

Lumileds, the LED business in the world, so not just Philips LED business but globally, is confronted with over-capacity, and we see a number of LED makers from the display and TV area moving on to also Lighting with their mid-power LEDs. Overall the glut in the industry pushes down pricing for the LEDs, and we expect Lumileds to have a difficult first half-year, with operating margins improving in the second half-year as we launch a whole slate of new products.

I am happy to say that I found and appointed a new CEO for Lumileds -- we started early January -- a semiconductor veteran that I think will help us improve the operations at Lumileds and adjusting to the reality of lower prices.

Then with regard to the inventory write-off, Ron, would you like to say something about that?

Ron Wirahadiraksa - Koninklijke Philips Electronics NV - CFO

So with the strong push to reduce inventory, we have also put that on more scrutiny, and there have been some inventories that remained unsellable or had to be written down according to the normal accounting rules. Also in Lumileds, there was some inventory that was obsolete, so this has been somewhat of a clean-up following the strong push to improve our working capital.

So on your point of is there Lumileds write-down on in the EUR128 million, no, that's only for Consumer Luminaires. And as Frans indicated, that is because we are rebranding everything to Philips -- almost everything to Philips. So brands like [Bright, Eseo, Podium], etc., will not be branded as such any more, and that's what the hit is for.

So the picture that we paint is that in the near term, the performance in Lighting is still under pressure. The management team, and myself included at Lighting, are working very hard to drive growth, but also to reduce costs. A very sizeable part of the cost reductions that we announced in the overhead area will also be applicable within Lighting.

Moreover, we are working on the industrial footprint reduction and trying to bring down our bill of material. So there's a lot of actions in place to improve Lighting, and that should lead to a better outlook in the second half of 2012.

Martin Wilkie - Deutsche Bank - Analyst

If I could just ask one clarification. You mentioned earlier in the call that working capital across the Group will be coming down. Is it fair to say that's going to be disproportionately more in Lighting now that you're moving to an environment that is typically negative pricing; you'll have to be much quicker in your inventory turns. So is it fair to think that that working capital reduction you pointed to across the Group is mostly in Lighting, or is it just generally across the portfolio?

Ron Wirahadiraksa - Koninklijke Philips Electronics NV - CFO

The number I said of 1% to 1.5% a year leading to 2% to 3% in two years is across all sectors, but we'll have due focus and drive and attention on the Lighting situation.
Martin Wilkie - Deutsche Bank - Analyst

Very good. Thank you.

Operator

Ben Uglow, Morgan Stanley.

Ben Uglow - Morgan Stanley - Analyst

I was pretty much after the same thing I think as Andreas asked in Lighting about Healthcare. If we look at the revenue growth, about 3% organic, we have around 5 percentage points margin decline. And what I was really interested in was of that margin decline, how much would you broadly attribute to what I would call one-off factors, for example, the postponement of deliveries? And how much would you describe as being underlying, for example, ongoing investments?

So that was issue number one.

Issue number two is just across your Imaging portfolio, could you give us an update on the pricing trends that you're seeing? Siemens had mentioned in the middle of last year that the price environment was a little bit more intense. Is that something that you would agree with, or have you not seen that?

Ron Wirahadiraksa - Koninklijke Philips Electronics NV - CFO

Yes, so on the question that you said, it's about 1.5% of the margin related to that. On pricing, we don't see overly price erosion outside the guidance that we're normally giving of 3% to 4%. What we do see is that sometimes, people like to have some more cables, or what have you, and we have to make sure we price that in.

So there's been somewhat of that. But the price erosion overall, even including that, is not outside the 3% to 4% range.

Ben Uglow - Morgan Stanley - Analyst

Okay, so not significant. Sorry, Ron, I didn't hear the first point that you made, vis-a-vis how much was one off.

Ron Wirahadiraksa - Koninklijke Philips Electronics NV - CFO

Yes, I said about 1.5% to 2% is one off.

Ben Uglow - Morgan Stanley - Analyst

Okay, great. Thank you.

Operator

Ludovic Debaillieux, Natixis Securities.

Ludovic Debaillieux - Natixis Security - Analyst

Two questions please. First of all, the cumulative gross saving will be close to EUR400 million in 2012. Could you break down that amount between H1 and H2 and share with us in which Division you expect to have the first contribution of that?
That was question number one.

Question number two; what is your strategy for the Consumer Entertainment business where the top line is still declining? Are you looking to dispose this business, or you'll continue to manage it for a cash point of view and are happy to keep it?

Thanks a lot.

Frans van Houten - Koninklijke Philips Electronics NV - President & CEO

Okay, thanks for the question. Let me start with the second while Ron looks at the first one.

So Lifestyle Entertainment, we previously announced that we manage that indeed for cash. We repositioned the portfolio to the more profitable segments of Consumer Electronics.

The activity will continue to decline, and that is okay. We are happy to report that Lifestyle Entertainment was profitable in the fourth quarter and for the year. And that is exactly the way we will continue to drive it. It does mean that the overall portfolio mix in Consumer Lifestyle will continue to shift to what we call health and wellbeing, the Oral Care, Personal Care and Domestic Appliances businesses as the center of attention.

And that is all I have to say about it. Then, Ron, with regard to --?

Ron Wirahadiraksa - Koninklijke Philips Electronics NV - CFO

So we saw the first savings in the fourth quarter, as we anticipated. We're encouraged by that, but the EUR400 million had to ramp up throughout the year. So the brunt of the savings will take place in the second half of this year.

Ludovic Debailleux - Natixis Security - Analyst

Thank you.

Operator

Gael De Bray, Societe Generale.

Gael De Bray - Societe Generale - Analyst

The first one relates to the inventory reduction; how much of the inventory reduction seen in Q4 was related to finished goods, work in progress and raw materials, and basically what was the impact on the EBITA of that reduction in production volumes in Q4 for the Group.

And then a follow-up on that; given the targets of reducing inventories by another 2% to 3% of sales by the end of 2013, do you think this could have a further negative impact on the absorption of fixed cost for the Group, and accordingly on the margin development?

My second question relates to the working capital increase we've seen in Healthcare in Q4, so when do you expect that to reverse?

And the final question is about the 2012 guidance. Shall we expect the underlying margins to improve in the second half; also, after the one-time investments you're planning for the year?

Thanks very much.
Okay. Thank you for the questions. On the inventory reduction, it's largely finished goods. Particularly pleased that in Consumer Lifestyle, we have fully attained to our targets, across the board this was.

Lighting has been very successful in bringing inventory down. That indeed has led to some under-absorption. But as you also know, we're streamlining our supply chain. This is a large part of the end-to-end program within Accelerate. So throughout the second half, we should see improvement coming from that, and we see that as something that is ongoing.

Well, then the second question was, or an add-on was whether the further reduction structurally of the inventory, between 2% to 3% by 2013, whether that impacts margins. And you know, yes, we have a one-time, maybe an adjustment, but overall, a faster supply chain with higher turns should be good for margin rather than bad for margin.

So incidental adjustments aside, as Philips gets a more agile supply chain, we should see more current inventory and a faster flow-in of more competitive products. So it's something that will be positive.

Then Healthcare working capital fourth quarter, Ron?

Yes, as we said, we had some delays of sales. Some customers cancelled, or we didn't accept the orders and they postponed those so that the work-in-process was a little bit higher than we anticipated.

We've made good efforts in Healthcare and the other areas, but on this part particularly, this was somewhat of -- something we had not anticipated that would happen at the eleventh hour. And going forward, this should have no coverage -- no impact on covering

Two questions, please, the first on Healthcare. Can you just give us a sense for given the European weakness we saw, I think you said it was minus 14% in the quarter on orders, what are the broad implications for your business through the year? Do you have to further accelerate the cost plans in Europe? Is there further plant closures or efficiency measures you have to take if this kind of order level is sustained through the year?

And how much can emerging market growth really offset that, because there's clearly also some risk to that growth number from emerging markets?

So can you just give us a sense for the risk management you've got around European Healthcare exposure is the first question.

And then the second one is around the medium-term footprint in Lighting. Given that we obviously are seeing the shift away from traditional lamps, given the work you've been doing in Lighting, what kind of medium-term ongoing restructuring should you expect from the Lighting business given that it seems like we'll have continuous factory closures over the next three to five years? What is a reasonable expectation for that type of restructuring?
Okay, on the European economy, we have taken additional measures on austerity. So bear in mind what we have said, and Frans has reiterated on [Fit to Grow]. That's our overhead cost reduction program. We have set the whole organization on alert re Europe, which means that we apply due scrutiny on hiring people. We're cutting down on discretionary spend where it makes sense, and also on travel. The working capital is further scrutinized. We're more modest with CapEx.

Of course, this all is not intended to drive down the strategic growth initiative that we have. This should stay as is because we have invested in those. But around that, there should be more scrutiny on expenses and on the use of working capital.

The shut-downs of plants, as you know in Lighting, we're already quite ahead in doing restructuring on our conventional Lighting business. We expect to do that further and ongoing. That is probably giving us, as we earlier indicated, a benefit over time of EUR125 million in savings; and the restructuring program around that would be around [EUR60 million] for Q1 overall.

Martin Prozesky - Sandford C Bernstein - Analyst

And for the full year?

Ron Wirahadiraksa - Koninklijke Philips Electronics NV - CFO

For the full year, well, it remains to be seen, but it should not go above EUR200 million.

Frans van Houten - Koninklijke Philips Electronics NV - President & CEO

The orders were not cancelled, and let's go a bit deeper, give you a bit more color. So part was orders that were already in the order book and that were basically seeing a postponed final acceptance. Therefore, that revenue will come in Q1, and it is not that these orders are cancelled.

And then there is some, let's say, book-to-bill business that you get orders and you ship them immediately. Those didn't come in as expected and, therefore, we had lower sales. Whether those will come back immediately, that remains to be seen. Certainly, we expect in Q1 a much slower outlook for our businesses across the three sectors.

Martin Prozesky - Sandford C Bernstein - Analyst

Thank you very much.

Operator

Olivier Esnou, Exane BNP Paribas.

Olivier Esnou - Exane BNP Paribas - Analyst

I wanted to come back on these pushed orders in Healthcare, because it happened quite late in the quarter, of course, because they're in beginning of December, you didn't know in the previous conference call. To what extent do you think this is a structural issue to the Healthcare industry that just like in Lighting or Consumer, it's very difficult to figure out how the quarter will finish? And to what extent do you think there are opportunities also for Philips to improve here its planning process within the quarter? Or how do you see basically the information flow coming up to top management about how the business is performing during the quarter?
And that would be question number one.

And secondly, in terms of now you mentioned about the change of management in Lumileds, how satisfied are you with [the overall] management structure of Philips? Do you think you have the pieces in place to perform in 2012?

Thank you.

Ron Wirahadiraksa - Koninklijke Philips Electronics NV - CFO

All right, well, on the visibility of Healthcare, yes you're absolutely right, of course this is largely an order driven business but not all order driven. About 35% to 40% of the business is order driven. And we'll do this indeed order by order, but even having that order, if at the eleventh hour, so to say, the customer is not ready, or there are hiccups in accepting for whatever reason the order installation and finishing off on it, that is something that it's not always very visible early on.

So this typically also sometimes has to do with the year-end situation, in this case more weakening in Europe, and I think people are scratching the back of their heads on is it something that we have to do now, or should we push it out. We don't think that it's lost business. We think it's pushed out to Frans' earlier point.

So the information is there throughout the quarter, and we do this of course on a monthly, and in the case of Healthcare on a daily and weekly basis. But what happens at the end, customer decisions, that is not always something we have great visibility on a long time in advance.

Frans van Houten - Koninklijke Philips Electronics NV - President & CEO

Let me go through the second part of the question. In a way, it's related to information flow, and I'll explain what I mean. In Lighting, I changed the structure last year. There was a somewhat split between what we call the upstream product creation, the manufacturing part, and the downstream commercial realization. And that split resulted to an extent in lack of information flow, in end-to-end supply chain and value chain, and of course, slower than necessary actions; for example, with regard to price management when raw materials go up, and inventory management.

The new organization in Lighting is in place as of January 1. The management team is there. We've identified the CEO, and I will give more details when we can. But we're making good progress in adapting the structure of Lighting.

I'm also pleased that in general, we have been able to attract a lot of good people to Philips in 2011, and I am convinced that we have the right management to perform in 2012.

Olivier Esnou - Exane BNP Paribas - Analyst

All right. Thank you very much.

Operator

Sjoerd Ummels, ING Financial Markets.

Sjoerd Ummels - ING Financial Markets - Analyst

Two questions from my side, please; one Healthcare and the other one on Lighting.

Healthcare, actually, I was wondering whether you could discuss in a bit more detail the orders and sales dynamics by major country within Europe in view of the fact that we've seen such broad based weakness there both in terms of sales and orders.

So that would be question number one.
And the second question on Lighting, could you quantify the pricing trends that you've observed over 2011 in each of the major divisions? So in Professional Luminaires, Consumer Luminaires, LED based products and Lamps.

Thank you.

Ron Wirahadiraksa - Koninklijke Philips Electronics NV - CFO

Okay, on the Healthcare Europe situation, as we have informed earlier, there is certainly weakness in the Southern European countries and that has prolonged. On top of that, a couple of the Northern European countries have been weaker than anticipated. One of them is France. Also in Germany and the UK we have seen some weakness of the orders. That is for the European part.

If you look at what you said on your question on pricing by Professional Luminaires, Consumer Luminaires, LED and Lamps, well, the biggest one is, of course, the rare earth increase in cost, the steep increase in cost that we have witnessed in 2011. We have been somewhat later in applying increases.

We said earlier that at the end of Q4 of this year, we would be at a run rate to offset price increases, to offset most of the cost increases. What we have seen in the market, however, as Frans alluded on earlier in the consumer channels, it remains very difficult to increase prices. On top of that, some of our competitors have not done further price increases, and that has also hampered us a bit.

The Professional Luminaires side, there, it's more a matter of the business model and the cost to serve. We're building more capabilities to combat that. So we are very pleased with the growth that we have seen in Consumer Luminaires, and the lack of construction momentum in that regard has not really helped also to push pricing forward in that area.

In LED Lumileds, if you will, as Frans said there's over-capacity. Prices have come down by about 20%/25%, and that is something that, yes, of course, we have delivered our cost base due to the 6-inch wafer in Lumileds introduction has been improved for that part. But the market situation, the over-capacity and the price decline also related to that hasn't really helped.

Sjoerd Ummels - ING Financial Markets - Analyst

Thank you.

Operator

William Mackie, Berenberg Bank.

William Mackie - Berenberg Bank - Analyst

First a couple of questions on Lighting, and then on Healthcare. On Lighting first of all, your appointment of Pierre Yves at Lumileds, how should we interpret that given his NXP or his semiconductor background? Does that -- the beginning of perhaps a change of strategy for Lumileds, or even potentially the preparation for sale of that business?

And then last, if I could come back in Lamps, specifically to the pricing issue again, you highlighted your efforts to raise pricing. Have you had more success in some geographies than others, and are you happy with the way in which you're able to transmit the initiatives to raise pricing across the business with regard to how the individual countries are responding? Because there seems to be some discrepancies in various geographies.

And then just on Healthcare, could you please give us a sense of how the business units fared in Europe between --? You've highlighted the issues with imaging, but how is the performance of business areas like patient care and clinical informatics or customer service performed within Europe in the end -- towards the end of the year and how you feel those businesses evolve as we go into '12?

Thank you very much.
All right, thanks; great question. So on Lumileds, Pierre-Yves Lesaicherre is a very seasoned semiconductor veteran that understands everything about standard products and how to make money on those. He has a very good track record in improving margins, even in areas where, let's say commoditization takes place, and finds ways to differentiate. This is exactly what Lumileds needs to do, let's say, on the levels of what we call in semiconductor terms, L0 to L1 and L2.

There's no change in strategy for Lumileds and there is no plan to take it out of the Philips Group. We believe that if we focus on operational improvement that we can get in much better return and value out of this unit, and that is what Pierre Yves is tasked to do and deliver.

Your second question was related to how effective we are in improving prices across the world. I already mentioned that earlier last year, we felt that the responsiveness in the organization was insufficient, and we have changed the organization. We have detailed trackers in place to make sure that the deployment of price management is done well. In the US, we see that that price increase did happen. Generally speaking, in professional areas across the globe, it did happen.

Where we see the weakness is primarily in the consumer products and channels, notably in Europe and Asia, where private label brands are basically not following the price increases. And therefore, as Ron said before, we need then to attack the cost to serve and make sure that Lighting can operate at lower cost and still make a good margin.

So then the third question related to the other BUs of Healthcare in Europe, and I'm looking to my right to see whether Ron has the answer on that.
Andrew Carter, Royal Bank of Canada.

Andrew Carter - RBC Capital Markets - Analyst

Most of my questions have actually been covered, but I was just hoping to perhaps go back to Healthcare and ask about the margin targets for 2013.

Recognizing that you've just done I think 13% in 2011 and are targeting 15% to 17%, I was wondering first of all do you think that the ambition has become more difficult?

I guess the second one would be is it just Imaging Systems that we need to be particularly aware about where there is considerable room for margins to be raised, or are there other segments which continue to be a challenge?

And I guess just finally, just in terms of achieving that margin target, do you think it's possible without volume recovery over the next couple of years?

Frans van Houten - Koninklijke Philips Electronics NV - President & CEO

All right, thanks for that question. So when we set the margin targets for 2013, we take several measures on which we are acting; first, speeding up products; secondly, improving the cost of the products; thirdly, reducing the cost of organization and basically making it more productive, the higher effectiveness; and then working on the working capital. So four main elements that all drive towards higher growth, better EBITDA and better ROIC.

There is some redundancy in these plans, meaning that even if there are some headwinds in the environment, we can still achieve our targets. Now the plan was constructed on an underlying assumed GDP growth between 3% to 4%. Currently, of course, we don't see that, so we are a little bit lower.

This does not make us worried too much, unless the world melts down; but at this moment, we don't expect that to happen. It's a very uncertain world, but the self-help or the intrinsic improvements that we can apply to our businesses is considerable, and we have always said that we are primarily a case of self-help.

So we think that with what we are doing we are on a path to realize our midterm targets. Everybody at Philips is totally committed to do that. The year 2012 will not be an easy year, partly related to the economy, but partly also because of all the things that we need to do. And that also, let's say the restructuring and one-time investments, will weigh on the results.

So we know exactly what we need to do and we are focused on it, and we are on the path.

Andreas Willi, JPMorgan.

Andreas Willi - JPMorgan - Analyst

I just wanted to follow up on the Professional Luminaires market. You gave some comments on what you expect from construction and it sounded quite cautious for developed markets; also for the US. Maybe you could just give a little bit more flavor on the growth in that business.

We're seeing some US companies like Acuity putting up very, very strong growth numbers and margins also in that business. Even the Zumtobel brand in Europe is growing nicely despite no construction growth. What do you expect from that business in 2012?

Frans van Houten - Koninklijke Philips Electronics NV - President & CEO
Andreas, we are also growing at a good clip and we expect that to continue. We have increasingly pitched renovation and upgrades. The energy-efficient lighting makes it very attractive, both for building owners, but also for municipalities in outdoor lighting to make a shift to LED.

We had three quarters last year of double-digit growth and one quarter of high single-digit growth; and arguably, last year was also not an easy year. So by focusing on the right opportunities in Professional Luminaires and Solutions, we can continue to drive good growth in that business.

Now what we do need to do is to improve the margins of Professional Luminaires. The margin improvement will come as we gain effectiveness of our sales force. We have stepped up our sales force, but the growth that will come will gradually make that more efficient. In other terms, the percentage of selling expenses over sales will come down. And also, we see further room to reduce the cost of goods sold thereby also improving margins.

So altogether, yes, construction markets are not favorable, but this does not in any terms make us less confident that Professional Luminaires is an attractive business.

Ron just slipped me a few numbers. Still let me underline that thanks to the Accelerate investments, we were able to raise the comparable sales growth from an average of around 1% in 2010 to around 9% in 2011. So we see that as an encouraging sign that the measures that we are deploying are the right ones.

Andreas Willi - JPMorgan - Analyst

And in terms of the margin pressure you talked about, is it also due to the positioning of the business with basically at the very high end people make money with LED solutions and at the low end it's very much a cost focus? And you're kind of somewhere in the middle and therefore a bit squeezed between the cheap providers and the real high-end specifications?

Frans van Houten - Koninklijke Philips Electronics NV - President & CEO

No, I don't think that this is a reason for the margin issues. What we actually see is that we can compete both in the high and in the mid-end of the market; that our customers are looking for reliable and trusted partners. We increasingly see that we take on complete projects and the margins in Professional Luminaires are also in LED very good. So there, we don't see a structural shift in the margin realization.

So in summarizing, the lack of profitability in Professional Lighting Solutions has to do with higher investments and still somewhat too high cost of goods sold, and we know how to address that.

Andreas Willi - JPMorgan - Analyst

Thank you very much.

Operator

Ben Uglow, Morgan Stanley.

Ben Uglow - Morgan Stanley - Analyst

Before the call ended, Frans, I was hoping you could say just a little bit about the change in the long-term incentives, which was on slide 7 of the presentation.

Two things. First of all, how many executives are impacted by this change? So how many people within Philips will have their long-term incentive structure changed?

And secondly, in the way that it's presented in the presentation, it seems that the vesting is related to the Group-wide performance, and what I wanted to know was what terms are in place with divisional managers to obtain divisional targets, or is this all about the Group-wide performance?

So is there differentiation and do you get compensated differently depending on your divisional performance versus the overall performance of Philips?
Thanks, great question. I’d like to actually take it a little bit wider than your question is, if I may. Let me start by the short-term incentives. This is to the annual variable pay. This we have linked to line-of-sight targets related to comparable sales growth, EBITA, and ROIC, and this we have done across the board for all leaders in the Company. It has immediate effect for 2012.

Then with regard to the long-term incentives, I make a distinction between our regular plan and the Accelerator Grant that we did in January. The Accelerator Grant consists of shares and options, has performance vesting, which means that when we hit our 2013 targets, these shares will vest, and if we don’t, then they will disappear. It’s indeed so that the vesting is related to meeting the Group targets, as at this stage it was not yet differentiatable in a good way on lower-level targets.

The third part of my answer to you is that we still have an ambition to also address the normal LTI program, but for that, we need to do a bit more work and then bring it to the AGM shareholder meeting, which is something that we look forward to do in the 2013 timeframe.

So it is an overhaul, and we’ve made a good first step in getting the performance culture improved.

And is the Accelerate Grant just for the Board level and the top level, or how broad --?

Oh, yes. Sorry, I forgot to answer that. You indeed asked how deep is it. So the grant is for approximately 500 people, and with that, we cover a very good representation of the line managers that need to deliver the results. And we think that this will really focus everybody on the midterm targets. And the cliff vesting drives down the message that we’d better hit the targets, and that’s what we’re committed to do.

So the Accelerate Grant is basically a Group-wide target, correct?

Yes, that’s correct.

Okay, great. Thank you.

Thank you very much for the follow-up. Very quickly, firstly, within -- going back to Lighting in the Lamps segment, what evidence have you seen during the year for the process of uplamping that we’ve been expecting as we see a shift from incandescent to other alternative lamps? Has there been any move within the key markets where the bans have become effective that has changed the mix in the business that you are evident of?
And lastly, I think your response to one of the questions earlier implies that the area of challenge for Lamps is in compact fluorescent. Could you just scope out the size of compact fluorescent within that business?

**Frans van Houten - Koninklijke Philips Electronics NV - President & CEO**

So thanks. Well, the regulations, of course, make consumers and also the professional market shift to energy-efficient lighting, first of all to CFLI and fluorescent, but importantly to LED.

In LED, if I exclude Lumileds for a moment, we actually grew over 70% in 2011. With the price points that we are now able to reach in Professional, it's a very attractive proposition, and we think this shift in the mix will continue to progress quickly.

In the consumer space, we see that consumers move primarily to CFLI and not so much yet to LED, as the price point for LED in the consumer space is still a little bit out of reach. But also there I think we are making good progress. We are launching several hundred LED-based products in the next months, and that I think will also for the consumers make it attractive to make the shift.

So of course, part of the traditional margin Philips makes on traditional products, and so we are working very hard to make sure that the new product categories are as profitable as the older product categories, that will still take us a while. And therefore in the near term, the product mix shift continues to weigh on the margins, thereby offsetting some of the other improvement actions that we are taking in Lighting.

Now all in all, 2012 will still be a tough year for Lighting, but we have said that in the second half of the year, the underlying operating margins should start to see signs of improvement.

**William Mackie - Berenberg Bank - Analyst**

Okay, thank you.

**Operator**

Thank you, Mr. van Houten and Mr. Wirahadiraksa. There are no further questions. Please continue.

**Frans van Houten - Koninklijke Philips Electronics NV - President & CEO**

All right. Well, I appreciate everybody for joining. Thank you for your as usual very good questions, and I'm sure that if you have further questions then you will reach out to our Investor Relations group, or on our roadshow this week some of you I will see in various locations.

Thanks very much for your patience, and remember that we're on a path to deliver much improved results. Philips is operating in very good markets, healthcare, energy-efficient lighting and consumer health and wellbeing. We feel positive about our potential. We know we have a lot of work to do. I ask you for some patience in -- as we go through this quite tough transformation and everything that we need to do, but be assured that the employees of Philips are focused on delivering results.

It will take us a while, but we will get there. Thanks very much.

**Operator**

This concludes the Royal Philips Electronics fourth quarter and annual results 2011 conference call, Monday January 30, 2012. Thank you for participating. You may now disconnect.
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