

Philips takes profit hit from product safety fault

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Dutch electronics giant Philips said Monday sales were up for the second quarter, but that profits took a hit from a recall of faulty sleep and respiratory care equipment.

The company, which has diversified into healthcare and in March sold off its domestic appliance business, said sales came in at 4.23 billion euros (\$5.0 billion) in April through June, a increase of 6 percent from the same period last year.

Net profit fell from 210 million to 153 million euros, however, under the impact of setting aside 250 million to cover the costs of the recall.

Philips in June issued a voluntary recall of some of its sleep and respiratory care products after the devices were found to put users at risk of inhaling or swallowing dangerous pieces of debris, caused by degrading sound dampening foam under certain conditions.

"We have mobilised the necessary resources across the company to address the component quality issue in certain of our sleep and respiratory care products," Philips chief executive Frans van Houten said.

"It is our goal to go as fast as we can to repair and replace the affected devices," Van Houten told AFP.

"This basically means that for the coming 12 months we will not see any

sales" of these devices, Van Houten added, as all Philips' manufacturing resources in the sector went into fixing the problem.

"It's a sizeable headwind in the comparable sales growth," he said.

Van Houten added good results elsewhere within the company, as well as the money set aside to cover the costs compensated for the losses.

Looking ahead, Van Houten said Philips anticipates a "low-to-mid-single-digit comparable sales growth" for 2021 as a whole, but that uncertainty remains because of the impact of the COVID-19 pandemic and electronic component shortages.

New orders fell by 15 percent on a comparable basis, but that was from an exceptionally strong period last year as hospitals and clinics scrambled for equipment at the beginning of the pandemic.

Like many other companies, Philips is currently also battling a shortage of digital microchips.

The company already in April announced it was scaling back manufacturing including of its automated external defibrillators, used to treat patients suffering from heart attacks or stoppages.

Philips started off as a lighting company more than 100 years ago but has undergone major changes in recent years, focusing in particular on remote healthcare.

It announced in March that it was selling its home appliance business to Asian investment firm Hillhouse Capital for 3.7 billion euros.

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