

Philips warns of fresh hit from respirator recall

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Dutch health technology firm Philips warned on Wednesday that it would take a further 1.3-billion-euro (\$1.26-billion) hit from a huge recall of faulty sleep respirators.

Philips said it was currently negotiating with the US Department of Justice over a final settlement on the faulty sleep equipment that puts users at risk of inhaling toxic foam.

Shares in Philips dropped 10 percent in early trading on the Amsterdam stock exchange after it issued the warning for the third quarter of the year, ahead of its full results later in October.

"Philips expects to record a 1.3 billion euro non-cash charge in the third quarter for the impairment of goodwill of its sleep and respiratory care business," Philips said in a statement.

Chief Executive Frans van Houten said in a call with investors that the figure was based on a "reasonable estimate", but that a deal with US authorities had "not been fully negotiated at this time".

Van Houten is stepping down next week—six months earlier than expected—after 12 years in the post during which Philips has transitioned from an electronics giant to a healthcare firm.

Philips Chief Financial Officer Abhijit Bhattacharya added that "we are in discussions with the DOJ and cannot speculate on the outcome,

content or the timing of any agreement."

The Amsterdam-based firm has already set aside nearly 900 million euros for replacing and repairing the devices.

It recalled the respirators in June last year after announcing that users were at risk of inhaling or swallowing pieces of degraded sound-dampening foam.

Philips said it also expected a five-percent decline in sales to around 4.3 billion euros in the third quarter due to supply chain issues that were "more significant than anticipated".

Incoming CEO Roy Jakobs said he would focus on the respirator recall and improving quality processes, as well as improving the firm's performance in a "turbulent world".

"We must, can and will improve," Jakobs, who has in recent months been overseeing the respirator recall, said in the call.

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