

# Philips blames Russia, China for its €103m loss

THE HAGUE, THE NETHERLANDS: Dutch electronics company Philips blamed a patent lawsuit and slow growth in primary markets of China and Russia for its €103m loss in the third quarter of its financial year.



Chief Executive of Philips, Frans van Houten has blamed Russia and China for the poor performance of the company and added that the patent infringement award made against it worth \$466.8m has damaged profits, too. Image: Wikipedia

Philips, which has diversified into high-margin healthcare technology, said it thought that a state anti-corruption drive in China was slowing down sales of its equipment there.

In Russia, consumers were holding off buying household appliances, it said, against a background of low growth in the local economy which is also suffering from western sanctions over the Ukraine crisis.

The Amsterdam-based Philips, one of the world's leading makers of lighting, healthcare and consumer electronic goods, turned in a comparable net profit of €281m for the third quarter last year.

"We are not satisfied with our overall performance for the third quarter," said Chief Executive Frans van Houten. "We are facing sustained softness in a number of markets such as China and Russia. We were also confronted with an adverse jury verdict with a surprisingly high award to Massimo," Van Houten said during a conference call with journalists.

## Philips ordered to pay \$466.8m for patent violations

Earlier this month, a US jury ordered Philips to pay \$466.8m to Masimo for violating two medical device patents but the verdict is being appealed.

"The slowdown in sales is related to the market situation in Russia and China and not related to our own performance," Van Houten claimed.

In China, the world's second-biggest economy, sales dipped by €34m over the past 20 months. Healthcare sales were mainly affected because Philips believed orders are being held back by anti-corruption processes from the Chinese government.

China's economic growth in the third quarter fell to the lowest in five years according to an AFP survey. Ratings agency Moody's has downgraded Russia's credit rating to Baa2 from Baa1, citing poor growth prospects, the Ukraine crisis and sanctions along with capital flight.

"Consumer product sales were significantly down in Russia," Van Houten said.

Philips' pre-tax earnings for the second quarter are expected to be just below 2013 year-on-year although the company remains committed to its 2016 financial targets.

The income dip comes as Philips last month announced it would split in two in a historic but dramatic move to streamline the 120-year-old company.

The company employs about 112,000 people worldwide.

Source: AFP via I-Net Bridge

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