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ELECTRONICS

Philips plans 4,500 job cuts as TV deal at risk

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AMSTERDAM: Royal Philips Electronics NV has all but abandoned hope of selling its loss-making TV business by the end of the year and is considering its options should the deal collapse altogether.

"The global TV market has deteriorated, and obviously the sooner we complete this the better, but we first need to finalise the negotiations, and whether we can do that this year or into the first quarter of 2012, there are some uncertainties with that planning," chief executive Frans van Houten told reporters yesterday.

Philips — the world's biggest lighting maker, a top three hospital equipment maker, and Europe's biggest consumer electronics producer — said negotiations to sell off most of its TV business to Hong-Kong based monitor-maker TPV were intense, constructive and taking longer than expected.

"For the eventuality that a final agreement cannot be reached, Philips will consider its alternative options," van Houten said in a statement.

Speaking to reporters yesterday, van Houten said the companies were still negotiating, but that if negotiations were finalised, it could then take months to close a deal due to regulatory hurdles.

Both Philips and TPV said yesterday there was no agreed timeline to close the deal.

Van Houten also said it was too early to outline a back-up plan for the TV business, which makes up less than 10% of group sales and has gone from being a global leader to a thorn in the firm's side, having notched up almost a billion euros in losses since the beginning of 2007, when competition with lower cost Asian rivals began to intensify.

The Dutch firm also reported falling third-quarter profit yesterday due to higher restructuring and raw material costs and sluggish European growth and said it would focus on operational and overhead cuts as part of its €800 million cost cutting plan.

Philips said it would aim to cut 4,500 jobs as part of the restructuring scheme to boost profit and meet its financial targets. That is about 3.7% of its non-TV workforce of just over 120,000, which had already been reduced by a 2009 programme to cut 6,000 jobs.

Despite reiterating the firm's 2013 financial targets of 4-6% sales growth, and a margin on earnings before interest, tax and amortisation (EBITA) of 10-12%, van Houten said Philips had a long way to go.

"We are not yet satisfied with our current financial performance, given the ongoing economic challenges, especially in Europe, and operational issues and risks. We do not expect to realise a material performance improvement in the near term," he said in a statement.

Philips reported third-quarter net profit of €76 million, down from €524 million a year ago on sales of €5.394 billion, down from €5.46 billion.

Analysts in a Reuters-commissioned poll had expected third-quarter net profit of €53.8 million on sales of €5.341 billion.

The Dutch firm halved its third-quarter earnings before interest, tax and amortisation to €368 million, down from €648 million a year ago.

Philips had made a shock €1.3 billion-second-quarter net loss on writedowns at its lighting and health-care units, due to weak consumer demand in Europe and North America, so analysts weren't surprised by the third quarter results.

REUTERS