

# Philips posts surprise profit as cost cuts help

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Dutch electronics giant Philips' office in Suresnes, outside Paris. The company has announced a surprise profit for the third quarter as a series of cost cutting measures to cope with the global slump helped the bottomline.

Dutch electronics giant Philips reported on Monday a surprise profit for the third quarter as a series of cost cutting measures to cope with the global slump helped the bottomline.

The company said its net profit of 176 million euros (259 million dollars) was nearly triple the year-earlier result.

The outcome was much better than expected by analysts questioned by Dow Jones Newswires, who predicted a net loss of 45 million euros. The share price climbed 7.6 percent just before closing on the Amsterdam stock exchange as a result.

In the second quarter, Philips, one of the world's largest electronics

companies, eked out a net profit of 45 million euros, a drop of 94 percent compared to the same period in 2008.

Sales in the three months to September fell 11 percent from a year earlier to 5.6 billion euros but that still compared favourably with a decline of 19 percent in the second quarter.

"Our third quarter results are a reflection of our strong fundamentals and the pro-active manner in which we have been managing our costs," Philips [chief executive officer](#) Gerard Kleisterlee said in a statement.

Most of the company's business divisions saw improvements in sales and earnings compared to the previous quarter, he said.

Year-on-year, however, sales fell 15 percent in the consumer lifestyle sector to two billion euros, and 13 percent in the lighting sector to 1.6 billion euros.

In healthcare, double-digit sales growth in emerging markets did "not fully offset" declines in the United States to produce a four percent decline overall to 1.8 billion euros, the statement said.

Philips reported a six-fold increase in earnings before interest, tax and amortisation (EBITA) of 344 million euros in the third quarter, from which was subtracted restructuring and acquisition-related charges of 125 million euros and an 87 million euro provision.

"The decisive action we took at the end of 2008 to focus on cost and cash management is increasingly becoming visible in our performance," Kleisterlee said.

"This has led to a set of encouraging results in the third quarter, especially if you look at the year-on-year improvement in earnings and

cash flow.

"I remain confident that Philips will come out of this recession as a stronger company and a leader in our field."

[Philips](#) announced in January that it would cut 6,000 jobs worldwide to cope with the global slowdown, on top of another 3,000 cuts announced last December in a bid to shave a combined 600 million euros off its spending by 2010.

"While encouraged by the positive development in sales and profitability during the third quarter, we remain cautious about the short-term outlook in the absence of structural recovery in the majority of our end-markets," the company said.

"Consequently, we will continue to focus on managing costs and cash flow while progressing with actions to capitalise on future economic growth."

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