

Philips breaks off deal with Funai (Update)

October 25 2013, by Toby Sterling

Royal Philips NV said Friday it has ended a \$200-million sale and licensing deal it struck this year with Japan's Funai Electric Co. and will seek damages for breach of contract.

Under the January agreement, Funai was to assume production of Philips' audio, video and media accessories unit and license the right to distribute the products with Philips branding for five years.

Philips said in a statement that the reason the deal is canceled is Funai "refused to take the necessary steps to enable completion of the transaction." Calls to Funai's offices in Osaka and Tokyo went unanswered.

Chief Executive Frans van Houten said the business had been fully separated and prepared for transfer, but it is profitable and will return to Philips "with a lower cost structure" than it had before.

The Hong Kong-based subsidiary has around 1.2 billion euros (\$1.66 billion) in annual sales and 2,000 employees, Philips said.

Philips spokesman Joost Akkermans said the company will seek damages from Funai through the Paris-based International Court of Arbitration, as was specified in their January agreement.

He said he could not elaborate on the reasons for the break, due to the pending legal fight. But he underlined that Philips had been operating on the assumption that the deal would close this year as planned as recently

as Monday, when Philips reported third quarter earnings.

The break was "triggered by events in the past day, past 12 hours even," Akkermans said.

"Taking this step is regrettable," he said. "But at the same time we felt we had to do it" to protect the interests of the company.

In the statement, CEO Van Houten said the business, previously known as Philips Lifestyle Entertainment, will now be called WOOX Innovations.

It makes home audio systems, headphones, speakers, portable audio and video players, media players, telephones, and an array of cables, chargers and batteries.

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