

Electronics giant Philips posts 2015 profit up 55% (Update)

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Health-conscious consumers snapping up everything from electric toothbrushes to kitchen appliances drove up 2015 profits at electronics giant Philips as it seeks to spin off its historic lighting business.

Posting last year's earnings results, the Dutch giant said Tuesday that net profit attributable to shareholders was 645 million euros (\$700 million) compared to 415 million euros in 2014—a hike of 55 percent.

Total sales were up to 24.2 billion euros, or 2.0 percent on comparable rates, fuelled by rising demand and eyeing a healthy order book in North America and Europe, the company said.

The results were a welcome bounce back for the Amsterdam-based company after it saw profits tumble by almost two-thirds in 2014, blamed on slowing markets in Russia and China.

In a sign that it is not all plain sailing ahead though, Philips said it recorded a net loss in the final quarter of 2015 of 45 million euros, compared to a profit of 139 million for the same period the previous year.

"Overall 2015 was a solid year for Philips, as illustrated by consistent performance improvements in the face of ongoing" economic challenges, said chief executive officer Frans van Houten.

The Amsterdam stock market welcomed the news with shares on the

AEX index up 5.6 percent to 24 euros in morning trading.

Among the successes of 2015 were sales of medical equipment such as magnetic resonance imaging scanners which leapt by 4 percent once rates were adjusted.

Amid global economic uncertainty, Van Houten remained prudent, predicting "moderate comparable sales growth" in 2016 as Philips seeks to streamline operations by splitting its healthcare-lifestyle business from its lighting section.

"Taking into account ongoing macro-economic headwinds and the phasing of costs and sales, we expect improvements in the year to be back-end loaded," he cautioned.

The lifestyle business has been steadily growing for Philips, and it hailed strong sales in 2015 of juicers, soup-makers and mixer-grinders—perhaps fuelled by the current trend for healthy shakes and drinks.

Men's personal care products also boomed, particularly in China, with shavers and male groomers being popular favourites.

Spotlight on LEDs

The company's restructuring is expected to be completed this year, with analysts predicting Philips—which employs some 106,000 people around the world—could eventually sell off what was once one of its core businesses.

Philips also abandoned its television production business a few years ago, bowing to Asian competition.

Philips sold its first light bulb a few years after it was founded in 1891, but for the past dozen years has focused on medical equipment, which now accounts for more than 40 percent of sales.

"Philips is on schedule to be able to complete the separation of the lighting business in the first half of this year," the company said in its statement on Tuesday.

Without divulging details, it said it was considering "all strategic operations... including an initial public offering and a private sale."

Philips, a household name around the world for home appliances, has re-oriented its range of activities in recent years to focus more on advanced lighting technology and on medical technology where margins are strong and less vulnerable to competition from emerging markets.

The cost of splitting the business in two is estimated at 200-300 million euros in 2016, and carried a 183-million-euro price-tag last year.

In an unexpected blow, Philips last week cancelled a planned \$2.8-billion majority share sale of its Lumileds lighting unit to Beijing-based GO Scale, amid US regulatory concerns about passing along technology to China.

As it unveiled its 2015 earnings, the company proposed maintaining its 0.80 cent dividend per share.

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