Philips suspends production of defibrillators for US market

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Dutch electronics giant Philips announced Wednesday it is temporarily suspending production of defibrillators for the US market to allow closer inspections in a deal reached with the American government.

Philips insisted that the decision was not related to any question about the quality of the machines and they posed no health risk to patients.

But the deal, reached after lengthy talks with the Department of Justice, would help ensure Philips was in compliance with regulations set out by the Food and Drugs Administration (FDA), said chief executive Frans van Houten.

The production halt would likely last until about the third quarter of 2018 and could cut earnings before interest and taxes by some 20 million euros ($24 million) in the final quarter of 2017, and a further 60 million euros in 2018.

"Philips will suspend the manufacture and distribution of external defibrillators manufactured at these facilities ... until the FDA certifies through inspection the facilities' compliance," the company said in a statement.

The facilities concerned are at Andover, Massachusetts and Bothell, Washington state.

Under the deal, Philips will be allowed to continue production of

defibrillators for export at its US plants, but will have to halt manufacture for the US domestic market.

The sites are Philips main production sites of defibrillators for its global markets—although there is a facility in China—and in 2016 combined sales of such machines amounted made in the US amounted to 35 million euros per quarter.

By comparison, Philips' overall group sales amounted to 4.3 billion euros in the second quarter of 2017.

Van Houten stressed in an early conference call with reporters that "there is no concern on product quality."

"Defibrillators currently in use by customers are recommended by Philips to remain in use, and should not be taken out of service as Philips has no reason to believe they pose a risk to patients," the company said.