One-time gain lifts net at Philips
Marcel van de Hoef

Philips Electronics, the largest European maker of consumer electronics, said Monday that first-quarter profit jumped because of a one-time gain and increased sales of electric shavers and energy-efficient lamps.

Net income rose to €875 million, or $1.19 billion, from €160 million a year earlier, Philips said in a statement. Profit beat analysts' estimates, prompting the biggest share gain in eight months. Sales fell 2.8 percent to €5.99 billion.

Gerard Kleisterlee, the chief executive, cut Philips' stake in Taiwan Semiconductor Manufacturing, generating a gain of €697 million in the quarter, as part of a shift away from chip assets to focus on units that make medical equipment, appliances and lamps.

Philips cut its stake in Taiwan Semiconductor to 12.8 percent from 16.2 percent and said last month that it planned to sell its entire stake by 2010.

Sales of appliances rose 23 percent in the quarter, outpacing the growth reported in the previous period, when the Christmas season traditionally spurs demand at the unit.
"Profitability in domestic appliances and lighting was very strong, which clearly is a positive," said Pieter Wind, head of securities at ING Private Banking. "The company should continue what it's doing, though I would also like to see more top-line growth."

Philips stock rose €1.61, or 5.5 percent, to close at €30.96. Before Monday, the stock had risen 2.7 percent this year, trailing the 5.7 percent gain of the Amsterdam AEX index.

Philips, the world's biggest maker of electric shavers and light bulbs, had been expected by analysts to report a first-quarter profit of €832.3 million on sales of €6.15 billion.

The company stuck to full-year forecasts for sales growth and profitability.

"We believe that the big picture of stable, profitable growth at Philips is supported" by the earnings, Eric de Graaf, an analyst at Petercam, wrote in a note to investors.

Earnings before interest, tax and amortization, or Ebita, rose to €353 million from €279 million a year earlier. Analysts had expected Philips to report Ebita of €302.7 million.

Philips "feels good" about the full-year sales forecast, the chief financial officer Pierre-Jean Sivignon said. Revenue in the lighting division rose 9.6 percent in the quarter.

The focus on medical, appliances and lighting "has to lead to long-term higher profitability," said Corne van Zeijl at SNS Asset Management in Den Bosch, the Netherlands. "In that sense, they're doing the right thing strategically." The earnings report on Monday was "O.K., but not overwhelmingly good."

First-quarter sales at consumer electronics, the largest unit by revenue, fell 8.9 percent to €2.21 billion; the soccer Word Cup had spurred revenue a year earlier. Ebita rose to 1.5 percent of sales from 1.4 percent a year earlier.

Philips owns a third of LG.Philips LCD, a leading maker of liquid-crystal displays. The Dutch company has said that it plans to reduce its stake in the panel maker.

Last week, LG.Philips LCD posted its fourth straight quarterly loss as a glut cut panel prices. The loss was smaller than analysts had expected, and the company forecast that demand for LCD televisions would lead to panel shortages in the second half.

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