

Philips settles US sleep machine cases for \$1.1 billion

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Philips has been battling a series of crises over its DreamStation machines for sleep apnoea, a disorder in which breathing stops and starts during sleep.

Dutch medical device maker Philips said Monday it had reached a \$1.1 billion deal to settle US lawsuits over faulty sleep machines that have

dogged the company.

The company's shares initially soared more than 45 percent in Amsterdam on news of the settlement, which was less onerous than feared by some shareholders, before ending the trading day up just over 28 percent.

Philips has been battling a series of crises since 2021 over its DreamStation machines for sleep apnea, a disorder in which breathing intermittently stops during sleep.

Millions of devices were recalled over concerns that users were at risk of inhaling pieces of noise-cancelling foam and fears it could potentially cause cancer.

Earlier this year, the company decided to halt new sales in the United States of the machines made by subsidiary Philips Respironics.

Philips said in a statement Monday that it had reached an agreement with the plaintiffs "to resolve the personal injury litigation and the medical monitoring class action to end the uncertainty associated with litigation in the US."

It added that it did not "admit any fault or liability, or that any injuries were caused by Respironics' devices."

The agreement addresses claims filed in US courts and other potential cases, it said.

"Patient safety and quality is our highest priority, and we have taken important steps in further resolving the consequences of the Respironics recall," Philips chief executive Roy Jakobs said in the statement.

"The remediation of the sleep therapy devices for patients is almost complete, and the test results to date show the use of these devices is not expected to result in appreciable harm to health," he said.

"We do regret the concern that patients may have experienced," he said, adding that the settlements were "significant milestones and provide further clarity on the way forward for Philips."

Analysts at Jefferies investment firm said in a note that the settlement was "much milder than feared and shall mark the end of litigation uncertainty".

'We can move on'

Philips, which has had to cut thousands of jobs, posted losses of 463 million euros (\$501 million) over the full year in 2023.

It reported on Monday a loss of 824 million euros in the first quarter of this year on sales totalling 4.1 billion euros.

Philips said the settlement payments are expected to take place in 2025 and will be funded through cash flow generation.

The company said it had booked a provision of 982 million euros (\$1.05 billion) in the first quarter to cover the settlement.

Philips said it also concluded an agreement with insurers to pay Philips 540 million euros to cover Respironics recall-related claims.

"The three biggest litigation cases that we had are now put behind us," Jakobs said in a conference call.

"We can move on and that's very important," he said, while cautioning

that it "doesn't mean that everything is resolved."

Franco-German bank Oddo BHF said that "with the long tail of remaining legal risks being very manageable, we believe the settlement today materially derisks the investment case."

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