

Report on the performance of the Philips Group

- all amounts in millions of euros unless otherwise stated
- the quarterly data included in this report are unaudited



'Safe Harbor' Statement under the Private Securities Litigation Reform Act of 1995
This document contains certain forward-looking statements with respect to the financial condition, results of operations and business of Philips and certain of the plans and objectives of Philips with respect to these items.

By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to, levels of consumer and business spending in major economies, changes in consumer tastes and preferences, the levels of marketing and promotional expenditures by Philips and its competitors, raw materials and employee costs, changes in future exchange and interest rates (in particular, changes in the euro and the US dollar can materially affect results), changes in tax rates and future business combinations, acquisitions or dispositions and the rate of technical changes. Market share estimates contained in this report are based on outside sources such as specialized research institutes, industry and dealer panels, etc. in combination with management estimates.

Philips reports second quarter net profit excluding special items of EUR 171 million – impairment charges of EUR 1,561 million, mainly for Vivendi Universal

- **Impairment charges totaling EUR 1,561 million for Vivendi Universal, the SHL telemedicine joint venture and for Great Nordic**
- **Sales growth of 5% over first quarter 2002 and 4% year over year**
- **Positive results from unconsolidated companies of EUR 185 million (excluding special items)**
- **Positive cash flow from operating activities of EUR 496 million**
- **Overhead costs reduced by EUR 132 million in the first six months**
- **Record low inventory levels**

The second quarter 2002

Philips recorded a net loss of EUR 1,355 million (EUR - 1.07 per share), versus a loss of EUR 770 million (EUR - 0.60 per share) in the second quarter of 2001. Excluding impairment charges and other special items, net income was a profit of EUR 171 million compared with a loss of EUR 382 million in the second quarter of last year. Sales were 4% higher than the same period last year, particularly driven by Medical Systems following its acquisition program. Income from operations, excluding special items and amortization of goodwill, was a profit of EUR 65 million, a comparable improvement of EUR 319 million over the second quarter of last year, reflecting higher gross margins and lower cost levels in general. Selling expenses were higher, mainly resulting from the addition of the new acquisitions at Medical Systems and the acquisition related special charges for Marconi and Agilent HSG. Overhead expenses came down, when adjusted for higher pension costs. The overhead cost reduction programs delivered savings of EUR 132 million in the first six months. Higher pension costs negatively affected group income from operations by approximately EUR 125 million. Impairment charges of EUR 1,536 million were reported in financial income and expense for Vivendi Universal (EUR 1,516 million) and for Great Nordic (EUR 20 million).

In addition Results from unconsolidated companies included an impairment charge of EUR 25 million for the SHL telemedicine joint venture. Results from unconsolidated companies, excluding special items and amortization of goodwill, improved substantially to a profit of EUR 185 million, coming from a EUR 24 million loss last year, with LG.Philips LCD making a strong contribution of EUR 127 million. Positive cash flow from operating activities amounted to EUR 496 million driven mainly by higher operating income.

Gerard Kleisterlee,
Philips' President and CEO:

“Despite challenging circumstances, Philips has been able to extend the improving trend into the second quarter, when excluding the impairment charges. Cash flow from operations was strong, margins improved, and comparable sales showed positive growth for the first time since the fourth quarter of 2000. We are encouraged by the performance of a number of our businesses, especially Consumer Electronics, where the actions to put the U.S. business back on track are showing early signs of success. Our caution regarding economic development in 2002 is looking increasingly sensible. We have been consistently planning conservatively with regard to capacity and new investments, while focusing on cost savings and reducing inventories. This is reflected in the fact that our cost reduction program is delivering results, our balance sheet remains strong, and inventories have reached a historic low for the second quarter. Through our increased flexibility and improved supply chain management, we will be ready to take early advantage of a market recovery.”

Net income excluding special items

in millions of euros unless otherwise stated

	Q2 2002	Q2 2001
As published	(1,355)	(770)
per common share in euros – basic	(1.07)	(0.60)
Special items:		
Affecting income from operations	100	(450)
Affecting financial income and expenses	(1,536)	-
Affecting results from unconsolidated companies	(93)	(68)
Taxes related to special items	3	130
Excluding special items	171	(382)
per common share in euros – basic	0.14	(0.30)

Group sales and composition of changes (%)

in millions of euros unless otherwise stated

	Q2 2002	Q2 2001
Philips group sales	7,986	7,682
% change from the previous year:		
Nominal change	4	(16)
Consolidation changes	5	(1)
Currency effects	(2)	2
Comparable change	1	(17)
Prices	(6)	(8)
Volume	7	(9)

Sales by sector

in millions of euros unless otherwise stated

	Q2 2002	Q2 2001	% change	
			nominal	comparable
Lighting	1,192	1,268	(6)	(6)
Cons. Electronics	2,347	2,527	(7)	1
DAP	524	521	1	2
Components	510	807	(37)	5
Semiconductors	1,108	1,131	(2)	0
Medical Systems	1,757	948	85	8
Miscellaneous	548	480	14	(1)
Philips group	7,986	7,682	4	1

Highlights in the 2nd quarter

Group sales and income

Sales in the second quarter were 4% higher than the same period last year, driven by Medical Systems. Compared with the first quarter of this year, sales increased 5%. Sales volumes picked up momentum, following the 5% year over year decline in the first quarter. Positive growth was experienced in Components (excluding the deconsolidated Display Components activities). In Consumer Electronics strong sales growth in TV and DVD Video was more than offset by lower sales in the Wireless Phone business, Digital Networks, VCR's and Monitors.

Currency exchange rates had a negative effect of 2%, mainly following the weakening of the US dollar and related currencies against the Euro.

Sales were strong in Asia Pacific, especially China, where sales were 30% higher, and in North America, reflecting acquisitions by Medical Systems and improved sales at Consumer Electronics. Sales were weaker in Latin America and Western Europe, partly offset by a positive trend in Eastern Europe.

Income from operations came to EUR 165 million, compared to a loss of EUR 745 million last year. Income from operations excluding special items amounted to EUR 65 million an improvement of EUR 319 million over last year. Nearly all sectors recorded improvements in gross margin and in income from operations, excluding special items and amortization of goodwill (last year). The improvements in income from operations came despite the negative impact of increased pension costs of approximately EUR 125 million, predominantly due to lower pension credits in the Netherlands, U.S. and U.K.

Income from operations

in millions of euros	Q2 2002	Q2 2001
Income from operations excluding special items and amortization of goodwill	65	(254)
Special items	100	(450)
Amortization of goodwill	-	(41)
Income from operations	165	(745)

Income from operations by sector

in millions of euros	Q2 2002	Q2 2001
Lighting	126	135
Consumer Electronics	31	(498)
DAP	74	71
Components	(55)	(332)
Semiconductors	(64)	(255)
Medical Systems	54	42
Miscellaneous	84	123
Unallocated	(85)	(31)
Philips group	165	(745)

Results relating to unconsolidated companies

in millions of euros	Q2 2002	Q2 2001
Results excluding special items and amortization of goodwill	185	(24)
Special items	(93)	(68)
Amortization of goodwill	-	(63)
Total	92	(155)

Special items in the quarter contributed EUR 100 million, as follows:

- Gains on the sale of businesses of EUR 158 million (mainly an earn-out of JDS Uniphase shares, related to the sale of Philips Optoelectronics in 1998).
- Gain on sale of fixed assets of EUR 6 million.
- Acquisition related charges in Medical Systems of EUR 37 million.
- Restructuring charges of EUR 27 million.

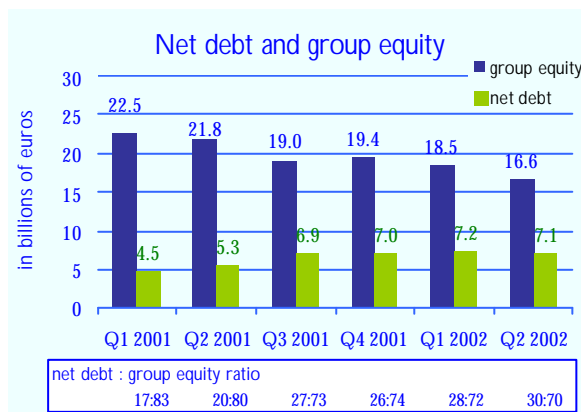
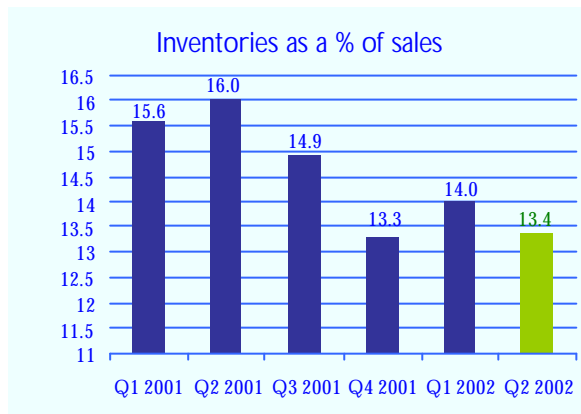
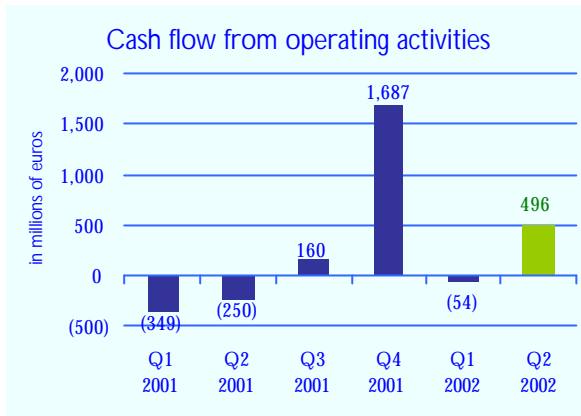
Financial income and expenses amounted to a net expense of EUR 1,605 million, compared with a net expense of EUR 74 million last year, and included impairment charges of EUR 1,516 million for Vivendi Universal, and EUR 20 million for Great Nordic. Impairment is applied when market value of securities is considered below cost for other-than-temporary reasons.

Income taxes, excluding a non-taxable gain on the earn out of JDS Uniphase shares related to the sale of Philips Optoelectronics, and non tax deductible impairment charges, mainly related to Vivendi Universal, were based on a tentative rate of 21%. The tax rate in the second quarter 2001 was 25%.

Philips' *results relating to unconsolidated companies* at EUR 92 million were substantially ahead of last year. Excluding special items and goodwill amortization, results improved particularly at LG.Philips LCD and TSMC. Special items of EUR 93 million were:

- A restructuring charge of EUR 56 million for LG.Philips Displays.
- An impairment charge of EUR 25 million for the holding in the telemedicine joint venture with SHL.
- Dilution loss at TSMC of EUR 12 million.

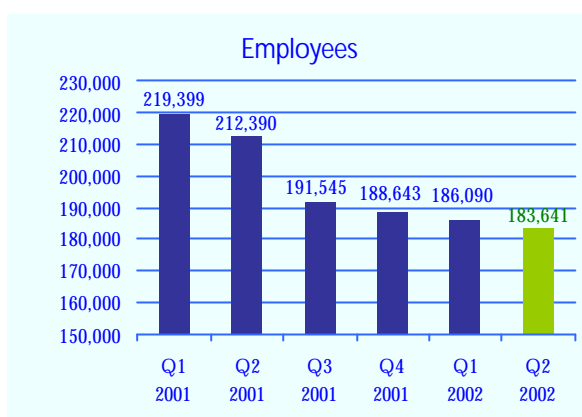
Cash flows and financing



Cash flow from operating activities was a positive EUR 496 million, EUR 746 million better than last year. The improvement came primarily from higher income at Semiconductors, Consumer Electronics and Components, and from strong working capital management at basically all sectors. Cash flow used for investing activities was EUR 7 million higher than last year. In this quarter in-the-money currency swaps were reset, resulting in a release of EUR 252 million of cash; these transactions did not have an effect on income. Net capital expenditures amounted to only EUR 218 million and were EUR 528 million lower than in 2001, mainly related to Components and Semiconductors. An outflow of EUR 130 million was recorded for the previously announced capital injection to LG.Philips Displays. Acquisition-related payments were made to an amount of EUR 84 million, connected to Medical Systems. Proceeds from the divestments of TechnoFusion and Satellite Master Antenna Television (SMATV) amounted to EUR 64 million.

Consumer Electronics in particular realized major reductions in the cash conversion cycle through effective working capital management. Inventories for the Group as a % of sales were reduced from 16% last year to 13.4% and reached a new record low for the second quarter, helped by the decline in value of the U.S. Dollar.

The net debt : group equity ratio came to 30:70. Compared to the end of the first quarter, the net debt position decreased by approximately EUR 100 million to EUR 7.1 billion. Stockholders' equity was negatively impacted by translation effects of EUR 0.7 billion, and by the net loss, including impairment charges to an amount of EUR 1,561 million.



Employment

At the end of June 2002, the number of employees was 183,641, a decrease of 2,449 from the end of the first quarter.

The reduction includes 734 employees related to divestments.

Excluding portfolio changes, the reduction was 1,715 employees, mainly in Components and Lighting.

Lighting: key data

in millions of euros unless otherwise stated	Q2 2002	Q2 2001
Sales	1,192	1,268
Sales growth		
% increase, nominal	(6)	5
% increase, comparable	(6)	4
Income from operations	126	135
IFO excluding special items and amortization of goodwill:		
in % of sales	11.7	12.3
Net operating capital (NOC)	1,867	2,170
Number of employees (FTEs)	47,205	48,307

Sales and income from operations per sector

Lighting's sales decreased 6%, reflecting general softness in the market place, particularly in Luminaires. Sales growth in Asia Pacific continued well, whilst Latin American sales levels remained weak, mainly due to the continuing economic crisis in Argentina, and its impact on Brazil and on the rest of the region. The market slowdown in Europe and North America affected turnover negatively. Income from operations was lower than last year due to the lower sales levels, and included restructuring charges of EUR 14 million for various activities in the Netherlands. The income from operations margin, excluding special items and amortization of goodwill, remained close to last year's level. The result of LumiLeds, reported under unconsolidated companies, improved to nearly break-even.

Consumer Electronics: key data

in millions of euros unless otherwise stated	Q2 2002	Q2 2001
Sales	2,347	2,527
Sales growth		
% increase, nominal	(7)	(18)
% increase, comparable	1	(19)
Income from operations	31	(498)
IFO excluding special items and amortization of goodwill:		
in % of sales	1.3	(6.4)
Net operating capital (NOC)	504	1,426
Number of employees (FTEs)	26,356	35,702

Consumer Electronics' sales decreased 7%, mainly attributable to portfolio changes and the lower sales of Wireless Phones. TV and DVD Video grew strongly, more than offsetting lower sales in the VCR's and Monitors.

Income from operations returned to positive numbers, helped by positive income in Wireless Phones and better performance in North America. Although the set-top box market was still suffering in the second quarter, losses at Digital Networks have been reduced significantly, following the refocusing strategy. License income was lower, related to compact disc activities and impacted by unfavorable currency effects, partly offset by higher revenues from DVD players and recordable CD's.

DAP: key data

in millions of euros unless otherwise stated	Q2	Q2
	2002	2001
Sales	524	521
Sales growth		
% increase, nominal	1	13
% increase, comparable	2	3
Income from operations	74	71
IFO excluding special items and amortization of goodwill:		
in % of sales	81	76
	15.5	14.6
Net operating capital (NOC)	672	794
Number of employees (FTEs)	9,519	10,222

Components: key data

in millions of euros unless otherwise stated	Q2	Q2
	2002	2001
Sales	510	807
Segment revenues	576	1,177
Sales growth		
% increase, nominal	(37)	(40)
% increase, comparable	5	(36)
Income from operations	(55)	(332)
IFO excluding special items and amortization of goodwill:		
in % of segment revenues	(56)	(173)
in % of sales	(9.7)	(14.7)
	(11.0)	(21.4)
Net operating capital (NOC)	346	2,554
Number of employees (FTEs)	12,925	39,213

Semiconductors: key data

in millions of euros unless otherwise stated	Q2	Q2
	2002	2001
Sales	1,108	1,131
Segment revenues	1,253	1,257
Sales growth		
% increase, nominal	(2)	(19)
% increase, comparable	0	(27)
Income from operations	(64)	(255)
IFO excl. special items and amortization of goodwill:		
in % of segment revenues	(71)	(136)
in % of sales	(5.7)	(10.8)
	(6.4)	(12.0)
Net operating capital (NOC)	4,147	5,529
Number of employees (FTEs)	32,713	36,384

Domestic Appliances and Personal Care's (DAP) sales

growth of 1% was limited by weaker markets in Latin America. Strong sales in Oral Health Care and Food and Beverage were partly offset by lower shaver sales in the U.S. Margins remained strong, fuelled by a favorable product mix, ongoing cost cutting and rationalizations. In the quarter, a EUR 7 million restructuring charge was taken related to a facility in the Netherlands. The income from operations in the second quarter of 2001 included a gain of EUR 7 million (sale of building in Brazil).

Components' sales in the second quarter were 5% higher than in the second quarter of 2001, adjusted for deconsolidation of Display Components. Compared with the first quarter of this year, an increase of 1% was realized, mainly due to color mobile phone displays. Income from operations for the quarter was a loss of EUR 55 million, compared to a EUR 332 million loss in the second quarter of 2001. Special items in last year amounted to a negative of EUR 159 million. Compared with the first quarter, income from operations decreased, caused by lower sales in Optical Storage, especially in the data segment due to late product introductions.

Semiconductors' sales were 2% lower compared with the same period last year, but 10% higher than in the first quarter of 2002. Display Solutions and Mobile Communications were the main contributors to the increase. The utilization rate improved from 50% at the end of March to 60% in the second quarter. As a result, income from operations improved by EUR 39 million sequentially.

The book-to-bill ratio in the second quarter of 1.0, following 1.3 in the first quarter, indicates the continued uneasiness and short-term order cycle of the Semiconductor market.

Medical Systems: key data

in millions of euros unless otherwise stated	Q2 2002	Q2 2001
Sales	1,757	948
Sales growth		
% increase, nominal	85	38
% increase, comparable	8	4
Income from operations	54	42
IFO excluding special items and amortization of goodwill:		
in % of sales	88 5.0	83 8.8
Net operating capital (NOC)	5,217	2,908
Number of employees (FTEs)	31,340	20,040

Miscellaneous: key data

in millions of euros unless otherwise stated	Q2 2002	Q2 2001
Sales	548	480
Sales growth		
% increase, nominal	14	(35)
% increase, comparable	(1)	(24)
Income from operations	84	123
IFO excluding special items and amortization of goodwill:		
in % of sales	(62) (11.3)	(69) (14.4)
Net operating capital (NOC)	284	491
Number of employees (FTEs)	18,916	16,486

Unallocated: key data

in millions of euros unless otherwise stated	Q2 2002	Q2 2001
Corporate and regional overheads	(86)	(105)
Pensions	1	74
Income from operations	(85)	(31)
Number of employees (FTEs)	4,667	6,036

Medical Systems' strong sales growth was driven by the new acquisitions, Agilent HSG and Marconi. In addition, the sales increased at X-ray, CT/MR, and Nuclear Medicine.

Income from operations, excluding special items and amortization of goodwill, increased modestly over the second quarter of last year. The income from operations margin in the current quarter, however, increased over the first quarter of this year, from 2.9% to 5.0%. Special items amounting to EUR 34 million were taken for the integration of the new acquisitions.

Sales in *Miscellaneous* increased 14% in nominal terms and were 1% lower on a comparable basis.

As part of the divestment program announced earlier this year, TechnoFusion and SMATV were sold, resulting in a gain of EUR 39 million. A gain of EUR 113 million was booked connected to an earn-out (for which Philips received additional shares in JDS Uniphase) in relation to the sale of Philips Optoelectronics to JDS Uniphase in 1998, and a gain of EUR 6 million for the sale of fixed assets, whilst a restructuring charge of EUR 12 million in Research.

Income from operations, excluding special items and amortization of goodwill, improved slightly from last year and also against the first quarter.

Income from operations at *Unallocated* amounted to a loss of EUR 85 million compared to a loss of EUR 31 million in the second quarter of 2001.

The total costs of corporate and regional overheads has been reduced by 20%, when taking into account that pension costs in this sector were EUR 73 million higher due to lower pension credits in the Netherlands, the USA and the UK.

Results relating to unconsolidated companies (excluding special items and amortization of goodwill)

in millions of euros

	Q2 2002	Q2 2001
SSMC	(10)	(23)
LG.Philips LCD	127	(48)
LG.Philips Displays	(21)	-
Others	89	47
Total	185	(24)

LG.Philips LCD joint venture (100%)

in millions of euros unless otherwise stated

	Q2 2002	Q2 2001
Sales	882	533
Sales growth		
% increase, nominal	65	(18)
Income from operations	224	(87)
in % of sales	25.4	(16.3)
Net income (100%)	254	(97)
Net income (Philips share = 50%)	127	(48)
Net income (Philips share = 50%, incl. amortization of goodwill)	127	(69)
Net operating capital (NOC)	2,722	2,721
Number of employees (FTEs)	5,284	4,467

Results related to unconsolidated companies

In the second quarter, results relating to Unconsolidated Companies, excluding special items and amortization of goodwill, improved substantially from a loss of EUR 24 million in the second quarter of 2001, to a profit of EUR 185 million this year, and was also EUR 113 million up on the first quarter. The increase was mainly attributable to strong results at LG.Philips LCD and TSMC.

LG.Philips Displays showed a loss of EUR 21 million, excluding special items, compared to a break-even result in the first quarter. Results in the second quarter were affected by an adjustment for financing costs from the first quarter.

LG.Philips LCD joint venture (100%)

The TFT LCD market enjoyed significant revenue growth due to strong demand for LCD monitors, higher fab utilization rates and higher prices.

Current quarter sales were 65% above the sales level of the second quarter 2001, and 22% above the first quarter. The second half of the quarter was boosted by the additional capacity from the new 5th generation plant and sales growth was visible in all panel sizes. LG.Philips LCD has obtained the number one position in the market based on volumes, and number two in value terms.

Income from operations for the quarter was EUR 224 million, indicating a significant turnaround compared to the EUR 87 million loss suffered in the second quarter of 2001. The improvement in income from operations resulted in net income of EUR 254 million, which is a EUR 351 million increase from the second quarter of 2001.

Net income excluding special items

in millions of euros unless otherwise stated

	January- June 2002	January- June 2001
As published	(1,346)	(677)
per common share in euros – basic	(1.06)	(0.53)
Special items:		
Affecting income from operations	158	(502)
Affecting financial income and expenses	(1,469)	-
Affecting results from unconsolidated companies	(184)	(73)
Taxes related to special items	(12)	155
Excluding special items	161	(257)
per common share in euros – basic	0.13	(0.20)

Highlights in the 1st half year

Sales in the first six months amounted to EUR 15,584 million, a decrease of 2%. Income from operations excluding special items came to a profit of EUR 80 million. Gross margin improved whilst costs were reduced and pension costs were approximately EUR 275 million higher than the same period last year. Results from Unconsolidated companies improved substantially, mainly at LG.Philips LCD. Net income excluding special items in the first half year came to a profit of EUR 161 million.

Subsequent Events

On July 5, Philips announced that it had closed a US\$ 3.5 billion revolving credit facility, replacing a previous US\$ 2.5 billion facility which had been in place since July 1996 and was never drawn upon by the Company. Since June 30, 2002, there has been a further decline in the fair value of Philips' investment in Vivendi Universal by EUR 181 million (as of July 12, 2002). Consistent with accounting regulations, Philips will continually evaluate whether such a decline in fair value of securities and other financial assets should be considered as being other-than-temporary. Depending on the future performance of Vivendi Universal and these other securities, the Company may be required to record additional non-cash impairment charges to write-down its investments to fair value.

Outlook

Improvements in economic conditions around the world are slow and economic indicators provide inconsistent messages, although the overall trend line is slightly positive. The outlook for the second half of the year is basically more of the same, with the usual seasonality in the third quarter, followed by an improvement in the fourth quarter. Results in the second half of the year are expected to be better than the first half year, driven by improved performance in virtually all sectors. We will continue to focus on further reducing costs, on tight capital management, on maintaining positive cash flow, keeping a healthy balance sheet and bringing innovative products to our customers.

Amsterdam, July 16, 2002

Board of Management

Statements of income

all amounts in millions of euros unless otherwise stated

Consolidated statements of income

	2 nd quarter		January to June	
	2002	2001	2002	2001
Sales	7,986	7,682	15,584	15,890
Cost of sales	(5,420)	(5,550)	(10,649)	(11,166)
Gross margin	2,566	2,132	4,935	4,724
Research and development expenses	(786)	(868)	(1,545)	(1,693)
Selling expenses	(1,335)	(1,238)	(2,589)	(2,381)
General and administrative expenses	(380)	(316)	(721)	(649)
Restructuring and other charges	(27)	(606)	(50)	(692)
	(2,528)	(3,028)	(4,905)	(5,415)
Other income (expenses) - net	127	151	208	259
Income (loss) from operations	165	(745)	238	(432)
Financial income and expenses:				
– interest	(107)	(90)	(209)	(156)
– impairment charges	(1,536)	-	(1,536)	-
– other	38	16	120	(2)
	(1,605)	(74)	(1,625)	(158)
Income before taxes	(1,440)	(819)	(1,387)	(590)
Income taxes	3	205	6	149
Income after taxes	(1,437)	(614)	(1,381)	(441)
Results relating to unconsolidated companies	92	(155)	49	(228)
Minority interests	(10)	(1)	(14)	(8)
Net income	(1,355)	(770)	(1,346)	(677)
Income from operations				
as a % of sales	2.1	(9.7)	1.5	(2.7)
as a % of net operating capital (RONA)			3.4	(6.9)
Weighted average number of common shares outstanding during the period (in thousands): (after deduction of treasury stock)				
• basic			1,274,900	1,281,442
• diluted			1,282,248	1,291,018
Net earnings per common share in euros:				
• basic	(1.07)	(0.60)	(1.06)	(0.53)
• diluted	(1.07)	(0.60)	(1.06)	(0.53)

The Group financial statements have been prepared on a basis consistent with US GAAP, which differs in certain respects from Dutch GAAP. Net income determined in accordance with Dutch GAAP amounted to a loss of EUR 1,693 million in the first six months of 2002, compared to a loss of EUR 664 million in the same period last year. These aggregate amounts result in basic earnings per common share of a loss of EUR 1.33 in January-June 2002 compared to a loss of EUR 0.52 last year. As of January 1, 2002 the US GAAP treatment of available for sale securities and the US GAAP rules for profit recognition on sale and lease-back transactions are also applied for the determination of Dutch GAAP net income and stockholders' equity; the remaining difference between Dutch GAAP and US GAAP is caused by the fact that goodwill is no longer amortized under US GAAP from January 1, 2002 but instead tested for impairment.

Balance sheets and additional ratios

all amounts in millions of euros unless otherwise stated

Consolidated balance sheets

	June 30, 2002	Dec. 31, 2001	June 30, 2001
Cash and cash equivalents	683	890	916
Securities	581	692	946
Receivables	5,795	6,154	6,184
Inventories	4,307	4,290	5,816
Unconsolidated companies	7,645	7,552	6,514
Other non-current financial assets	1,238	2,789	3,155
Non-current receivables	3,338	3,596	2,904
Property, plant and equipment	6,784	7,718	9,772
Intangible assets - net	5,041	5,521	3,344
Total assets	35,412	39,202	39,551
Accounts payable and other liabilities	7,508	8,234	8,004
Debt	7,807	7,866	6,220
Provisions	3,507	3,740	3,499
Minority interests	191	202	342
Stockholders' equity	16,399	19,160	21,486
Total liabilities and stockholders' equity	35,412	39,202	39,551
Number of common shares outstanding at the end of period			
• shares in thousands	1,274,575	1,274,172	1,275,715
Ratios			
Stockholders' equity, per common share in euros	12.87	15.04	16.84
Inventories as a % of sales	13.4	13.3	16.0
Outstanding trade receivables, in months' sales	1.6	1.5	1.7
Net debt : group equity ratio	30:70	26:74	20:80

Stockholders' equity determined in accordance with Dutch GAAP amounted to EUR 15,919 million as of June 30, 2002 compared to EUR 16,399 million under US GAAP.

The deviation is caused by the fact that goodwill under Dutch GAAP has to be amortized and charged to income, whereas under US GAAP it is no longer amortized, but instead tested for impairment.

Statements of cash flows

all amounts in millions of euros unless otherwise stated

Consolidated statements of cash flows *

	2 nd quarter		January to June	
	2002	2001	2002	2001
<i>Cash flows from operating activities:</i>				
Net income	(1,355)	(770)	(1,346)	(677)
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	527	762	1,023	1,350
Impairment financial assets	1,536	0	1,536	0
Net gain on sale of investments	(149)	(222)	(329)	(306)
(Income) loss from unconsolidated companies (net of dividends received)	(90)	155	(47)	286
Minority interests (net of dividends paid)	10	1	14	8
(Increase) decrease in working capital	85	(194)	(413)	(1,218)
(Increase) decrease in non-current receivables	(86)	(215)	112	(128)
Increase in provisions	25	196	(96)	23
Other items	(7)	37	(12)	63
Net cash provided by (used for) operating activities	496	(250)	442	(599)
<i>Cash flows from investing activities:</i>				
Purchase of intangible assets (software)	(42)	(71)	(80)	(102)
Capital expenditures on property, plant and equipment	(220)	(714)	(445)	(1,467)
Proceeds from disposals of property, plant and equipment	44	39	263	66
Proceeds from sale (purchase) of securities, other non-current financial assets and derivatives	256	488	332	484
(Purchase of businesses) proceeds from sale of businesses	(163)	140	(382)	66
Net cash used for investing activities	(125)	(118)	(312)	(953)
Cash flows before financing activities	371	(368)	130	(1,552)

* For a number of reasons, principally the effects of translation differences and consolidation changes, certain items in the statements of cash flows do not correspond to the differences between the balance sheet amounts for the respective items.

Statements of cash flows (continued)

all amounts in millions of euros unless otherwise stated

Consolidated statements of cash flows (continued)*

	2 nd quarter		January to June	
	2002	2001	2002	2001
Cash flows before financing activities	371	(368)	130	(1,552)
<i>Cash flows from financing activities:</i>				
Increase in debt	141	952	221	2,060
Treasury stock transactions	(64)	(132)	(41)	(294)
Dividends paid	(459)	(458)	(459)	(458)
Net cash (used for) provided by financing activities	(382)	362	(279)	1,308
Decrease in cash and cash equivalents	(11)	(6)	(149)	(244)
Effect of changes in exchange rates and consolidations on cash positions	(79)	15	(58)	71
Cash and cash equivalents at beginning of the period	773	907	890	1,089
Cash and cash equivalents at end of period	683	916	683	916

* For a number of reasons, principally the effects of translation differences and consolidation changes, certain items in the statements of cash flows do not correspond to the differences between the balance sheet amounts for the respective items.

Statement of changes in stockholders' equity

all amounts in millions of euros unless otherwise stated

Consolidated statements of changes in stockholders' equity

	January to June 2002								
	Common stock	Capital in excess of par value	Retained earnings	Accumulated other comprehensive income (loss)			Treasury shares at cost	Total stockholders' equity	
			Translation differences	Available for sale securities	Minimum pension liability	Cash flow hedges			
Balance as of January 1, 2002	263	13	20,403	(766)	566	(18)	(7)	(1,294)	19,160
Net income			(1,346)						(1,346)
Net current period change				(679)	(1,705)		6		(2,378)
Reclassifications into income				(40)	1,487	7			1,454
Total comprehensive income (loss)			(1,346)	(719)	(218)	7	6		(2,270)
Dividend payable			(459)						(459)
Purchase of treasury stock								(102)	(102)
Re-issuance of treasury stock		10						61	71
Stock options accrual		(1)							(1)
Balance as of June 30, 2002	263	22	18,598	(1,485)	348	(11)	(1)	(1,335)	16,399

Product sectors

all amounts in millions of euros unless otherwise stated

Segment revenues and income from operations

	2002			2 nd quarter			
	segment revenues	Income (loss) from operations		segment revenues	Income (loss) from operations*		
		amount	as % of segment revenues		US GAAP basis	before amortization goodwill	as % of segment revenues
Lighting	1,200	126	10.5	1,281	135	137	10.7
Consumer Electronics:							
Mainstream CE	2,226	13	0.6	2,331	(382)	(382)	(16.4)
Digital Networks	81	(20)	(24.7)	170	(184)	(184)	(108.2)
Licenses	60	38	63.3	79	68	68	86.1
	2,367	31	1.3	2,580	(498)	(498)	(19.3)
DAP	529	74	14.0	526	71	74	14.1
Components	576	(55)	(9.5)	1,177	(332)	(332)	(28.2)
Semiconductors	1,253	(64)	(5.1)	1,257	(255)	(243)	(19.3)
Medical Systems	1,758	54	3.1	950	42	65	6.8
Miscellaneous	658	84	12.8	532	123	123	23.1
Unallocated		(85)			(31)	(30)	
Total	8,341	165		8,303	(745)	(704)	
Intersegment revenues	(355)			(621)			
Sales	7,986			7,682			
Income from operations as a % of sales		2.1			(9.7)		(9.2)

* For the sake of comparison with 2002, income from operations 2001 is also reported before amortization of goodwill.

Product sectors (continued)

all amounts in millions of euros unless otherwise stated

Segment revenues and income from operations

	January to June						
	2002			2001			
	segment revenues	Income (loss) from operations		segment revenues	Income (loss) from operations*		
	amount	as % of segment revenues		US GAAP basis	before amortization goodwill	as % of segment revenues	
Lighting	2,435	278	11.4	2,588	337	341	13.2
Consumer Electronics:							
Mainstream CE	4,286	6	0.1	4,776	(539)	(539)	(11.3)
Digital Networks	161	(41)	(25.5)	373	(224)	(224)	(60.1)
Licenses	144	111	77.1	171	166	166	97.1
	4,591	76	1.7	5,320	(597)	(597)	(11.2)
DAP	988	139	14.1	972	124	130	13.4
Components	1,132	(36)	(3.2)	2,509	(409)	(409)	(16.3)
Semiconductors	2,396	(167)	(7.0)	2,849	(24)	0	0
Medical Systems	3,423	81	2.4	1,774	43	92	5.2
Miscellaneous	1,300	35	2.7	1,196	144	146	12.2
Unallocated		(168)			(50)	(49)	
Total	16,265	238		17,208	(432)	(346)	
Intersegment revenues	(681)			(1,318)			
Sales	15,584			15,890			
Income from operations as a % of sales		1.5			(2.7)		(2.2)

* For the sake of comparison with 2002, income from operations 2001 is also reported before amortization of goodwill.

Product sectors and main countries

all amounts in millions of euros unless otherwise stated

Sales and total assets

	Sales (to third parties)		Total assets	
	January to June		June 30,	June 30,
	2002	2001	2002	2001
Lighting	2,420	2,563	2,771	3,121
Consumer Electronics	4,547	5,212	2,981	4,232
DAP	978	961	1,051	1,165
Components	1,016	1,741	4,168	5,681
Semiconductors	2,118	2,551	7,613	9,373
Medical Systems	3,421	1,772	7,297	4,164
Miscellaneous	1,084	1,090	3,078	2,976
Unallocated		-	6,453	8,839
Total	15,584	15,890	35,412	39,551

Sales and long-lived assets

	Sales (to third parties)		Long-lived assets *	
	January to June		June 30,	June 30,
	2002	2001	2002	2001
Netherlands	741	750	1,689	1,958
United States	4,757	4,105	6,201	5,149
Germany	1,099	1,265	649	767
France	904	948	293	447
United Kingdom	703	795	189	353
China	1,167	1,180	427	965
Other countries	6,213	6,847	2,377	3,477
Total	15,584	15,890	11,825	13,116

* Includes property, plant and equipment and intangible assets-net.

Philips quarterly statistics

all amounts in millions of euros unless otherwise stated; percentage increases always in relation to the corresponding period of previous year

	2001				2002			
	1 st quarter	2 nd quarter	3 rd quarter	4 th quarter	1 st quarter	2 nd quarter	3 rd quarter	4 th quarter
Sales	8,208	7,682	7,187	9,262	7,598	7,986		9,102
% increase	(1)	(16)	(23)	(16)	(7)	4		17
Income (loss) from operations before amortization goodwill	358	(704)	(462)	(407)	73	165		165
as % of sales	4.4	(9.2)	(6.4)	(4.4)	1.0	2.1		1.8
% increase	.	.	.	.	(80)	.		10
Income (loss) from operations as % of sales	3.13	(7.45)	(5.05)	(4.58)	1.0	2.1		1.8
% increase	.	.	.	.	(77)	.		10
Net income (loss)	93	(770)	(736)	(1,062)	9	(1,355)		(1,355)
% increase	.	.	.	.	(90)	.		.
per common share in euros	0.07	(0.60)	(0.57)	(0.84)	0.01	(1.07)		(1.07)
	January- March	January- June	January- September	January- December	January- March	January- June	January- September	January- December
Sales	8,208	15,890	23,077	32,339	7,598	15,584		22,000
% increase	(1)	(9)	(14)	(15)	(7)	(2)		17
Income (loss) from operations before amortization goodwill	358	(346)	(808)	(1,215)	73	238		238
as % of sales	4.4	(2.2)	(3.5)	(3.8)	1.0	1.5		1.1
% increase	.	.	.	.	(80)	.		10
Income (loss) from operations as % of sales	3.13	(4.32)	(9.37)	(1.395)	1.0	1.5		1.1
% increase	.	.	.	.	(77)	.		10
as a % of net operating capital (RONA)	10.9	(6.9)	(9.3)	(9.3)	2.0	3.4		3.4
Net income (loss)	93	(677)	(1,413)	(2,475)	9	(1,346)		(1,346)
% increase	.	.	.	.	(90)	.		.
as a % of stockholders' equity (ROE)	2.1	(7.1)	(9.8)	(11.9)	0.2	(14.7)		(14.7)
per common share in euros	0.07	(0.53)	(1.10)	(1.94)	0.01	(1.06)		(1.06)
	period ending 2001				period ending 2002			
Inventories as % of sales	15.6	16.0	14.9	13.3	14.0	13.4		13.4
Average collection period of trade receivables in months' sales	1.6	1.7	1.7	1.5	1.7	1.6		1.6
Net debt : group equity ratio	17:83	20:80	27:73	26:74	28:72	30:70		30:70
Total employees (in thousands)	219	212	192	189	186	184		184

Information also available on Internet, address: www.investor.philips.com
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