Report on the performance of the Philips Group

- all amounts in millions of euros unless otherwise stated
- the data included in this report are unaudited
- financial reporting according to US GAAP

Q1 Quarterly report
April 15, 2003

Philips reports first quarter income from operations of EUR 32 million - a net loss of EUR 69 million

- **14% lower nominal sales, comparable sales growth 1%**
- **Strong performance from Lighting and record income at DAP**
- **10% sequential comparable sales decline at Semiconductors, excluding Mobile Display Systems**
- **Improved performance of Medical Systems**
- **Weakening Consumer Electronics markets**
- **Cost reduction programs on-track**
- **Record low inventories for the quarter: 12.1% of sales**
- **Net debt : group equity ratio 30:70**

The first quarter 2003

Philips recorded a net loss of EUR 69 million (a loss of EUR 0.05 per share) versus a profit of EUR 9 million (a profit of EUR 0.01 per share) in the same period last year. This year's quarter included special items of negative EUR 34 million, whilst last year's special items amounted to a positive EUR 16 million. Sales decreased by 14% over the same period of last year, negatively impacted by the weakening of the US dollar and related currencies (11%), and lower consumer confidence levels. Volumes were 8% higher, continuing the positive trend quarter over quarter. Income from operations was a profit of EUR 32 million, including EUR 31 million in net special charges, versus a EUR 73 million profit last year, which included EUR 58 million in net special gains. Pension costs were EUR 78 million higher in the quarter. Income from operations was positively impacted by a net EUR 54 million for past use licenses.

The cost reduction programs remain on-track, with reduction in overhead costs amounting to EUR 277 million to-date, total integration savings at Medical Systems of EUR 214 million, and other projects which together will ensure the Company achieves the targeted EUR 1 billion in savings by 2004.

Cash flow from operating activities saw the usual seasonality with an outflow of EUR 205 million. Inventories as percentage of sales came to another record low for the quarter of 12.1%, compared to 14.0% last year. During the quarter the net debt position increased by EUR 323 million (EUR 202 million of which was used for Philips' participation in InterTrust Technologies Corporation) to EUR 5.6 billion.

Gerard Kleisterlee,
Philips' President and CEO:

"Although net income was a loss, the first quarter of 2003 has demonstrated again that Philips is able to show positive operational performance in spite of adverse economic conditions. Seasonality and the weaker US dollar, coupled with declining consumer confidence, especially affecting CE, resulted in significantly lower sales levels, while higher pension costs also impacted the results. Nevertheless, we achieved another record quarter at our DAP division, healthy results from Lighting, improved earnings from Medical Systems, and progress from CE on its improvement plan for the U.S. For Semiconductors, we announced a clear recovery plan and we are confident that the division will be back to profitability in the fourth quarter of this year.

Improving operational performance remains the focus of our attention. We will continue to reduce costs and exercise best-in-class supply chain management. In addition we will better capitalize on product and marketing innovation to drive sales – supported by exploiting best practices and synergies across the Philips Group."

Net income

in millions of euros unless otherwise stated

	Q1 2003	Q1 2002
Sales	**6,499**	7,598
Income (loss) from operations	**32**	73
in % of sales	**0.5**	1.0
Financial income and expenses	**(82)**	(20)
Income taxes	**12**	3
Results related to unconsolidated companies	**(24)**	(43)
Minority interests	**(7)**	(4)
Net income (loss)	**(69)**	9
Per common share – basic	**(0.05)**	0.01
– diluted	**(0.05)**	0.01

Special items

in millions of euros

	Q1 2003	Q1 2002
Affecting income from operations:	**(31)**	58
Affecting financial income and expenses:	**-**	67
Income taxes related to special items	**8**	(15)
Affecting results relating to unconsolidated companies:	**(11)**	(94)
Total special items	**(34)**	16

Group sales and composition of changes (%)

in millions of euros unless otherwise stated

	Q1 2003	Q1 2002
Philips group sales	**6,499**	7,598
% change from the previous year:		
Nominal change	**(14)**	(7)
Consolidation changes	**(4)**	4
Currency effects	**(11)**	1
Comparable change	**1**	(12)
Prices	**(7)**	(7)
Volume	**8**	(5)

Sales by sector

in millions of euros unless otherwise stated

	Q1 2003	Q1 2002	% change nominal	% change comparable
Lighting	**1,154**	1,228	(6)	4
Cons. Electronics	**1,943**	2,262	(14)	(5)
DAP	**458**	454	1	12
Semiconductors	**1,126**	1,190	(5)	7
Medical Systems	**1,329**	1,664	(20)	0
Miscellaneous	**489**	800	(39)	(8)
Philips group	**6,499**	7,598	(14)	1

Highlights in the quarter

Group sales and income

Sales in Q1 were EUR 6,499 million, 14% lower than Q1 2002. Nominal sales were negatively impacted by weaker currencies (11%), and the effect of various divestments (4%). The average euro dollar rate showed a sequential decline of 7% in Q1 and a decline of 18% from the same period last year.

Comparable sales growth in Q1 came to 1%. Consumer Electronics sales were impacted by declining consumer confidence. On the positive side, sales in Lighting, DAP and Semiconductors expanded on a comparable basis. Price erosion remained at 7%, whilst unit sales grew with 8%. Geographically, sales decreased in all regions, but particularly in North and Latin America, caused by the weaker currencies. On a comparable basis, sales rose 8% in Asia Pacific, 1% in North America and decreased 10% in Latin America and 2% in Europe.

Income from operations

in millions of euros

	Q1 2003	Q1 2002
Income from operations	**32**	73
Special items included in IFO:	**(31)**	58
Write-down of inventories in connection with restructuring (cost of sales)	**-**	-
Restructuring and impairment charges	**(75)**	(23)
Acquisition-related costs incl. in-process R&D	**-**	(22)
Gain on sale of participations/ fixed assets	**44**	103

Income from operations amounted to a profit of EUR 32 million and included net special charges of EUR 31 million. Last year's income of EUR 73 million included net special gains of EUR 58 million. The positive impact of the overhead cost reduction program in the quarter was EUR 20 million and the integration savings at Medical Systems were EUR 41 million. Past use licenses contributed net EUR 54 million to income compared to EUR 23 million last year. Pension costs were EUR 78 million higher than the same period in 2002.

Income from operations by sector

in millions of euros

	Q1 2003	Q1 2002
Lighting	**173**	152
Consumer Electronics	**73**	51
DAP	**81**	65
Semiconductors	**(178)**	(108)
Medical Systems	**70**	27
Miscellaneous	**(56)**	(31)
Unallocated	**(131)**	(83)
Income from operations	**32**	73
in % of sales	**0.5**	1.0

Lighting, CE (due to higher license income), DAP and Medical Systems improved versus last year, the latter largely as a result of the post-merger integration savings (EUR 41 million).
The lower income from operations at Semiconductors was caused by restructuring charges at San Antonio (EUR 30 million) and accelerated depreciation of assets at Albuquerque (EUR 22 million), and the write-off of intangible fixed assets (EUR 13 million).

Financial income and expenses

in millions of euros

	Q1 2003	Q1 2002
Financial income and expenses	**(82)**	(20)
Impairment charges included in Financial income and expenses	**-**	-
Gain on sale of ASML shares	**-**	67

Financial income and expenses were EUR 82 million, compared with EUR 20 million last year, which was beneficially impacted by a EUR 67 million gain from the sale of ASML shares. Interest expenses were lower than last year, mainly driven by the lower net debt position in Q1 2003.

Income tax has been calculated using an estimated effective rate of 25% on pre-tax income. Last year, the tax calculation excluded the gain from the sale of ASML shares.

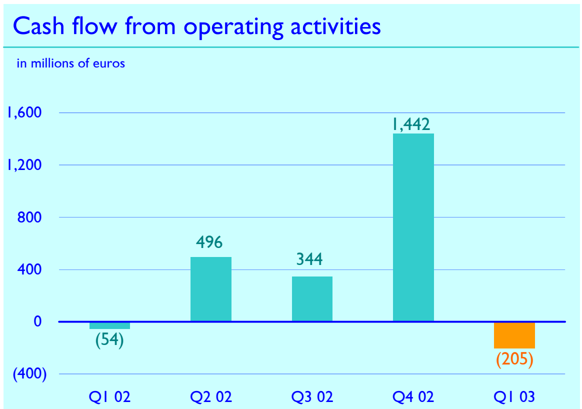
Results relating to unconsolidated companies

in millions of euros

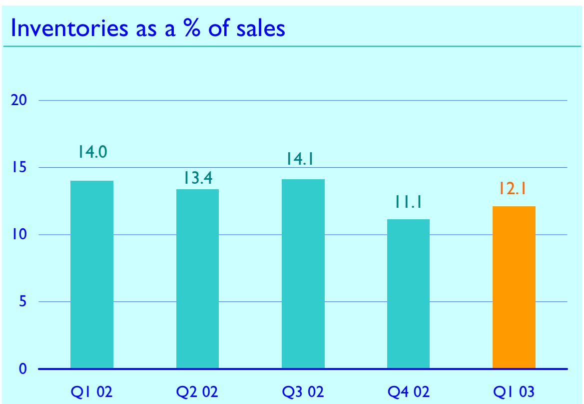
	Q1 2003	Q1 2002
SSMC	**(12)**	(16)
LG.Philips LCD	**(17)**	37
LG.Philips Displays	**(17)**	(90)
Others	**22**	26
Total	**(24)**	(43)
Special items included in results relating to unconsolidated companies:	**(11)**	(94)
Impairment charges	**-**	(3)
Restructuring charges	**(11)**	(91)
Asset impairment	**-**	-
Gain on sales of businesses	**-**	-

Results relating to unconsolidated companies was a loss of EUR 24 million, in line with last year's quarter which included EUR 24 million for amortization of goodwill. LG.Philips LCD's results were lower than last year by EUR 54 million, while LG.Philips Displays' net income improved by EUR 73 million, mainly resulting from lower restructuring charges in Q1 2003.

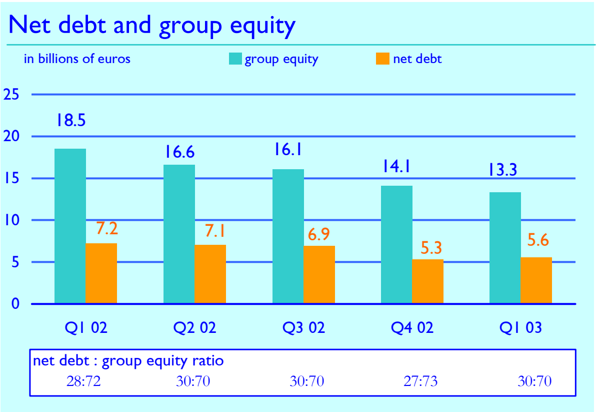
Cash flows and financing



Cash outflow from operations of EUR 205 million was EUR 151 million more than last year.
Capital expenditures of EUR 177 million were EUR 48 million lower than the same period last year. A reset of currency hedges generated a cash inflow of EUR 141 million. Main proceeds from divestments were related to the sale of parts of PCMS (EUR 40 million). Outflows included a payment of EUR 202 million for the 49.5% participation in InterTrust Technologies Corporation.

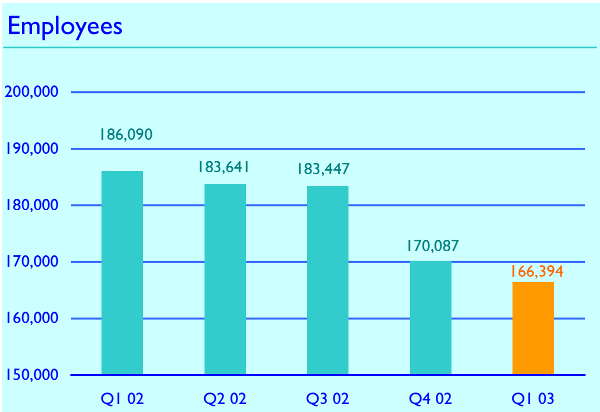


Inventories as a percentage of sales came to 12.1%, 1.9% less than Q1 2002 and another record low for the quarter.
The cash conversion cycle came to 23 days, a 5 day sequential increase, reflecting seasonality.



Net debt increased by EUR 323 million in the first quarter to EUR 5,574 million. Group equity showed a decrease of EUR 787 million, including the impact of dividends payable (EUR 460 million), EUR 178 million negative translation differences and a decrease in value of the securities for sale of EUR 105 million.

The net debt : group equity ratio ended the quarter at 30:70.



Employment

At the end of March 2003, the total number of employees was 166,394, a decrease of 3,693 compared with the position per the end of 2002. Excluding portfolio changes, staffing levels were reduced by 2,487, mainly attributable to Consumer Electronics and Lighting.

Lighting: key data

in millions of euros unless otherwise stated	Q1 2003	Q1 2002
Sales	**1,154**	1,228
Sales growth		
% increase, nominal	**(6)**	(5)
% increase, comparable	**4**	(7)
Income from operations	**173**	152
in % of sales	**15.0**	12.4
Special items included in IFO	**(3)**	1
in % of sales	**(0.3)**	0.1
Net operating capital (NOC)	**1,815**	2,002
Number of employees (FTEs)	**45,968**	47,741

Sales and income from operations per sector

Sales at *Lighting* were impacted by 10% due to negative currency movements. On a comparable basis a 4% increase was achieved from last year. All businesses contributed to this increase, with the exception of Luminaires, which showed a 1% comparable decline. Income from operations came to EUR 173 million, a EUR 21 million increase compared to Q1 2002. This was a result of improved margins, reduced costs and a more profitable product mix.

Consumer Electronics: key data

in millions of euros unless otherwise stated	Q1 2003	Q1 2002
Sales	**1,943**	2,262
Sales growth		
% increase, nominal	**(14)**	(12)
% increase, comparable	**(5)**	(13)
Income from operations	**73**	51
in % of sales	**3.8**	2.3
Special items included in IFO	**8**	(3)
in % of sales	**0.4**	(0.1)
Net operating capital (NOC)	**150**	714
Number of employees (FTEs)	**18,932**	27,286

Sales of *Consumer Electronics* amounted to EUR 1.9 billion, a comparable decrease of 5% versus last year. The decline, which became more evident in the course of the quarter, is attributable to a fall in consumer confidence and over-stocked retail channels. Sales decreases were particularly noted in Television (-9%), in GSM (-33%), where price erosion has increased considerably and in Set-top Boxes (-38%). Monitor sales increased by 5% on a comparable basis (mainly growth in LCD in Asia).

Income from operations of Consumer Electronics excluding licenses came to a loss of EUR 28 million, EUR 6 million lower than last year. Income from operations of GSM was a loss of EUR 14 million in this quarter. The other parts of CE were generally able to maintain last year's profitability level, in spite of the lower sales levels, by exercising tight cost controls.
This year included a EUR 16 million gain on the sale of part of PCMS and restructuring charges for Monitors of EUR 7 million, while a EUR 16 million insurance payment for GSM was included in last year's result.
Results in North America continued the improving trend, from a loss of EUR 51 million last year, to a EUR 30 million loss.

License sales amounted to EUR 115 million, compared to EUR 84 million for Q1 2002. Income from operations came to EUR 101 million, including EUR 63 million for past use licenses. Last year, income from operations amounted to EUR 73 million, which included EUR 23 million for past use licenses.

DAP: key data

in millions of euros unless otherwise stated	Q1 2003	Q1 2002
Sales	**458**	454
Sales growth		
% increase, nominal	**1**	3
% increase, comparable	**12**	3
Income from operations	**81**	65
in % of sales	**17.7**	14.3
Special items included in IFO	**-**	(2)
in % of sales	**-**	(0.4)
Net operating capital (NOC)	**583**	705
Number of employees (FTEs)	**8,783**	9,420

DAP's nominal sales increased by 1%. Currencies and deconsolidations had an 11% negative impact, but the selling-in of new products contributed to a strong 12% comparable sales increase. The increase was driven by dry shavers, the Sonicare toothbrush and the Senseo coffee machine, together responsible for a 15% increase. Regionally, North America and Western Europe contributed the most.
Income from operations was a record for the 15th consecutive quarter, increasing 25% compared with last year as a result of continued higher gross margins, lower costs and an improved product mix.

Semiconductors: key data

in millions of euros unless otherwise stated	Q1 2003	Q1 2002
Sales	**1,126**	1,190
Segment revenues	**1,173**	1,302
Sales growth		
% increase, nominal	**(5)**	(26)
% increase, comparable	**7**	(27)
Income (loss) from operations	**(178)**	(108)
in % of segment revenues	**(15.2)**	(8.3)
in % of sales	**(15.8)**	(9.1)
Special items included in IFO	**(65)**	-
in % of segment revenues	**(5.5)**	-
in % of sales	**(5.8)**	-
Net operating capital (NOC)	**3,637**	4,950
Number of employees (FTEs)	**34,306**	35,867

Semiconductors experienced a nominal sales decline of 5% versus Q1 2002, whilst comparable sales increased 7%. Sequential sales fell 16%, but 12% on a comparable basis. Excluding Mobile Display Systems/PSS telecom (MDS) the comparable decline was 10%. The push outs of orders in Mobile telecommunications into Q2 and weak consumer markets were the main reasons for the set back. MDS witnessed a 59% comparable sales increase over last year due to a switch to color screens, but seasonality had its negative effect compared to Q4 2002.
The 3 months average book-to-bill ratio of Semiconductors increased to 1.05 at the end of Q1 compared to 0.87 at the end of Q4 2002.

Q1 income from operations was a loss of EUR 178 million, though MDS made a small profit. Income was impacted by various special items, including the accelerated depreciation of assets at Albuquerque (EUR 22 million) and restructuring charges at San Antonio (EUR 30 million), and the write-off of intangible fixed assets (EUR 13 million). An insurance payment had a EUR 17 million positive effect in income.

Medical Systems: key data

in millions of euros unless otherwise stated	Q1 2003	Q1 2002
Sales	**1,329**	1,664
Sales growth		
% increase, nominal	**(20)**	102
% increase, comparable	**0**	10
Income from operations	**70**	27
in % of sales	**5.3**	1.6
Special items included in IFO	**(1)**	(22)
in % of sales	**(0.1)**	(1.3)
Net operating capital (NOC)	**4,828**	5,593
Number of employees (FTEs)	**31,261**	31,105

Medical Systems' nominal sales were impacted by the lower dollar and the divestment of HCP in the last quarter of 2002. Comparable sales were at the same level as Q1 2002, when voluntarily held-back shipments from the former ADAC company were released. Income from operations came to EUR 70 million, representing an operating margin of 5.3% and included EUR 27 million for the amortization of intangible fixed assets. The improvement of EUR 43 million compared to Q1 of last year was primarily driven by fewer special items and approximately EUR 41 million from the realization of integration savings, in line with the EUR 350 million targeted savings by year-end 2003. Higher IT and other costs of about EUR 20 million reflect the ongoing investment in improved systems and supply chain management. These costs will gradually decline during 2003.

Miscellaneous: key data

in millions of euros unless otherwise stated	Q1 2003	Q1 2002
Sales	**489**	800
Sales growth		
% increase, nominal	**(39)**	(46)
% increase, comparable	**(8)**	(14)
IFO Corporate Technology	**(70)**	(61)
IFO Corp. Investments and others	**14**	30
Income (loss) from operations	**(56)**	(31)
in % of sales	**(11.5)**	(3.9)
Special items included in IFO	**30**	84
in % of sales	**6.1**	10.5
Net operating capital (NOC)	**(160)**	672
Number of employees (FTEs)	**24,561**	29,936

Income from operations of *Miscellaneous* came to a loss of EUR 56 million and included a special gain on the sale of certain speech recognition activities of EUR 19 million. Income of Optical Storage, excluding a past use license payment of EUR 9 million, was just above break-even, which is a strong improvement compared to the loss giving situation of last year.
Income was affected by a small increase in the provision for asbestos claims in the U.S.

Unallocated: key data

in millions of euros unless otherwise stated	Q1 2003	Q1 2002
Corporate and regional overheads	**(66)**	(76)
Pensions	**(65)**	(7)
Income from operations	**(131)**	(83)
Number of employees (FTEs)	**2,583**	4,735

Corporate and regional overhead costs in *Unallocated* were 13% lower than the same period last year, mainly driven by savings from the overhead cost reduction program. Pension costs in Unallocated were EUR 58 million higher.

Results related to unconsolidated companies

LG.Philips LCD joint venture (100%)

in millions of euros unless otherwise stated	Q1 2003	Q1 2002
Sales	**769**	720
Sales growth % increase, nominal	**7**	61
Income from operations	**6**	104
in % of sales	**0.8**	14.4
Net income (loss) (100%)	**(34)**	74
Net income (loss) (Philips share = 50%)	**(17)**	37
Net operating capital (NOC)	**2,776**	2,738
Number of employees (FTEs)	**6,230**	4,854

LG.Philips LCD joint venture (100%)

Sales for the quarter were EUR 769 million and maintained the sequential growth trend from previous quarters, with 5.7% growth. Compared to Q1 last year sales grew by 6.9%, and by 18% in local currency. Average sales price per panel was USD 200 in the current quarter, USD 58 below the average prices of Q1 2002. The substantial increase in volume, especially driven by the new 5th generation facility, resulted in the growth in sales.
Gross margin for the quarter was 9.2% of sales and income from operations came to 0.8%. The significant weakening of the Korean Won during the quarter resulted in currency transaction and translation losses. Net income for the quarter was a loss of EUR 34 million, Philips' share of which was EUR 17 million.

LG.Philips Displays joint venture (100%)

in millions of euros unless otherwise stated	Q1 2003	Q1 2002
Sales	**934**	1,199
Sales growth % increase, nominal	**(22)**	.
Income from operations	**1**	(164)
in % of sales	**0.1**	(13.7)
Net income (loss) (100%)	**(34)**	(181)
Net income (loss) (Philips share = 50%)	**(17)**	(90)
Net operating capital (NOC)	**2,733**	3,056
Number of employees (FTEs)	**29,924**	35,246

LG.Philips Displays joint venture (100%)

Sales declined by 5% in USD terms, compared to the first quarter of 2002. The decline was 22% in EUR terms, resulting from the deterioration of the USD. Gross margin improved by 1% from last year to 9%.
Income from operations included a EUR 22 million restructuring charge (Q1 2002: EUR 182 million charge) and was at break-even level.
Net income for the quarter was a loss of EUR 34 million, Philips' share of which was EUR 17 million.

Other information

As stated in the Annual Report, on January 22, 2003, a jury in Raleigh, North Carolina, USA, delivered a verdict of approximately USD 152 million to Volumetrics, Inc. against the Philips Ultrasound business of Philips Medical Systems. The claim relates to the decision of Philips not to collaborate with or acquire Volumetrics at a point in time when Philips was in discussions with Agilent Technologies, Inc. to purchase its Health Care Solutions Group. The verdict is not a judgement, and is subject to review by the trial judge. A decision was originally expected in March 2003, but as yet has not been delivered. A decision is now expected in the course of the second quarter, 2003.
Philips believes that the facts of the case do not support the verdict.

Outlook

Ongoing economic and political uncertainties mean that Philips will continue to make business planning on the assumption of no short-term improvement in economic conditions. Productivity improvements and restructuring programs initiated during the last two years, together with the continuing transformation of Philips into a market-driven company, will remain the main drivers behind the further improvement of our underlying performance.

We expect that the Lighting and DAP divisions will continue their solid performance and outperform their industries throughout the year. CE is continuing to improve its overall performance, but is more vulnerable to market weaknesses as a consequence of low consumer confidence levels. The integration of our Medical Systems division remains on-track to achieve the targeted EUR 350 million savings by year-end and performance targets for 2004. The recently announced recovery plan for Philips Semiconductors is expected to turn this division back into profitability in Q4.

The Company will continue cost reduction initiatives, including the reduction in overhead costs, and ongoing asset management programs.

Dollar related currency movements can continue to negatively impact sales and to a lesser extent net income, whilst the value of the Company’s financial and pension assets remain sensitive to volatile stock markets.

Amsterdam, April 15, 2003

Board of Management

Consolidated statements of income

all amounts in millions of euros unless otherwise stated

	January to March 2003	2002
Sales	**6,499**	7,598
Cost of sales	**(4,403)**	(5,229)
Gross margin	**2,096**	2,369
Selling expenses	**(1,072)**	(1,254)
General and administrative expenses	**(373)**	(341)
Research and development expenses	**(633)**	(759)
Write-off of acquired in-process R&D	**-**	-
Impairment of goodwill	**(10)**	-
Restructuring and impairment charges	**(65)**	(23)
	(2,153)	(2,377)
Other business income (expenses) - net	**89**	81
Income (loss) from operations	**32**	73
Financial income and expenses:		
– interest	**(81)**	(102)
– impairment charges	**-**	-
– other	**(1)**	82
	(82)	(20)
Income before taxes	**(50)**	53
Income taxes	**12**	3
Income after taxes	**(38)**	56
Results relating to unconsolidated companies:		
– impairment charges	**-**	-
– other	**(24)**	(43)
Minority interests	**(7)**	(4)
Net income	**(69)**	9
Income from operations		
as a % of sales	**0.5**	1.0
as a % of net operating capital (RONA)	**1.2**	2.0
Weighted average number of common shares outstanding during the period (in thousands): (after deduction of treasury stock)		
• basic	**1,276,292**	1,274,920
• diluted	**1,277,670**	1,283,694
Net earnings per common share in euros:		
• basic	**(0.05)**	0.01
• diluted	**(0.05)**	0.01

The Group financial statements have been prepared on a basis consistent with US GAAP, which differs in certain respects from accounting principles as required by Dutch law (Dutch GAAP). Net income determined in accordance with Dutch GAAP amounted to a loss of EUR 246 million in the first quarter of 2003, compared to a loss of EUR 149 million in the corresponding period last year. These aggregate amounts result in basic earnings per common share of a loss of EUR 0.19 in January-March 2003 compared to a loss of EUR 0.12 last year. The difference between Dutch GAAP and US GAAP is caused by the fact that goodwill is no longer amortized under US GAAP but instead tested for impairment.

Consolidated balance sheets and additional ratios

all amounts in millions of euros unless otherwise stated

Consolidated balance sheet

	March 31, 2003	December 31, 2002	March 31, 2002
Current assets:			
Cash and cash equivalents	**1,568**	1,858	773
Receivables	**4,885**	5,068	5,850
Inventories	**3,721**	3,522	4,452
Other current assets	**822**	603	925
Total current assets	**10,996**	11,051	12,000
Unconsolidated companies	**6,143**	6,089	7,752
Other non-current financial assets	**1,192**	1,306	2,990
Non-current receivables	**248**	219	151
Other non-current assets	**2,440**	2,553	2,789
Property, plant and equipment	**5,810**	6,137	7,489
Intangible assets excl. goodwill	**1,657**	1,742	1,902
Goodwill	**3,135**	3,192	3,661
Total assets	**31,621**	32,289	38,734
Current liabilities:			
Accounts and notes payable	**2,914**	3,228	3,082
Accrued liabilities	**3,394**	3,314	4,054
Short-term provisions	**1,121**	1,276	1,087
Other current liabilities	**603**	691	831
Dividend payable	**460**	-	459
Short-term debt	**788**	617	1,447
Total current liabilities	**9,280**	9,126	10,960
Long-term debt	**6,354**	6,492	6,550
Long-term provisions	**2,061**	1,970	2,550
Other non-current liabilities	**615**	603	201
Total liabilities	**18,310**	18,191	20,261
Minority interests	**187**	179	199
Stockholders' equity	**13,124**	13,919	18,274
Total liabilities and stockholders' equity	**31,621**	32,289	38,734
Number of common shares outstanding at the end of period			
• shares in thousands	**1,276,462**	1,275,978	1,275,847
Ratios			
Stockholders' equity,	**13,124**	13,919	18,274
per common share in euros	**10.28**	10.91	14.32
Inventories as a % of sales	**12.1**	11.1	14.0
Net debt : group equity ratio	**30:70**	27:73	28:72

Stockholders' equity determined in accordance with Dutch GAAP amounted to EUR 12,451 million as of March 31, 2003 compared to EUR 13,124 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.

Consolidated statement of changes in stockholders' equity

all amounts in millions of euros unless otherwise stated

	January to March 2003								
				Accumulated other comprehensive income (loss)					
	Common stock	Capital in excess of par value	Retained earnings	Translation differences	Available for sale securities	Minimum pension liability	Cash flow hedges	Treasury shares at cost	Total stock-holders' equity
Balance as of January 1, 2003	263	14	16,738	(1,712)	265	(353)	11	(1,307)	13,919
Net income (loss)			(69)						(69)
Net current period change				(178)	(105)	9	9		(265)
Reclassifications into income							(10)		(10)
Total comprehensive income (loss), net of tax			(69)	(178)	(105)	9	(1)		(344)
Dividend payable			(460)						(460)
Purchase of treasury stock									-
Re-issuance of treasury stock		2						6	8
Stock options accrual		1							1
Balance as of March 31, 2003	263	17	16,209	(1,890)	160	(344)	10	(1,301)	13,124

Consolidated statements of cash flows *

all amounts in millions of euros unless otherwise stated

	January to March	
	2003	2002
Cash flows from operating activities:		
Net income (loss)	**(69)**	9
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**473**	496
Impairment of equity investments	**-**	-
Net gain on sale of assets	**(44)**	(180)
Loss from unconsolidated companies (net of dividends received)	**25**	43
Minority interests (net of dividends paid)	**13**	4
Increase in working capital	**(627)**	(498)
Decrease in non-current receivables/other assets	**60**	198
Decrease in provisions	**(38)**	(121)
Other items	**2**	(5)
Net cash used for operating activities	**(205)**	(54)
Cash flows from investing activities:		
Purchase of intangible assets (software)	**(28)**	(38)
Capital expenditures on property, plant and equipment	**(177)**	(225)
Proceeds from disposals of property, plant and equipment	**34**	219
Proceeds from sale (purchase) of other non-current financial assets and derivatives	**177**	76
Proceeds from sale of businesses (purchase of businesses)	**(157)**	(219)
Net cash used for investing activities	**(151)**	(187)
Cash flows before financing activities	**(356)**	(241)

* 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.

Consolidated statements of cash flows (continued) *

all amounts in millions of euros unless otherwise stated

	January to March	
	2003	2002
Cash flows before financing activities	**(356)**	(241)
Cash flows from financing activities:		
Increase in debt	**66**	80
Treasury stock transactions	**8**	23
Dividends paid	**-**	-
Net cash provided by financing activities	**74**	103
Decrease in cash and cash equivalents	**(282)**	(138)
Effect of changes in exchange rates on cash positions	**(8)**	21
Cash and cash equivalents at beginning of the period	**1,858**	890
Cash and cash equivalents at end of period	**1,568**	773

* 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.

Product sectors

all amounts in millions of euros unless otherwise stated

Segment revenues and income from operations

	January to March					
	2003			2002		
	segment revenues	Income (loss) from operations amount	Income (loss) from operations as % of segment revenues	segment revenues	Income (loss) from operations amount	Income (loss) from operations as % of segment revenues
Lighting	**1,160**	**173**	**14.9**	1,235	152	12.3
Consumer Electronics	**1,962**	**73**	**3.7**	2,282	51	2.2
DAP	**463**	**81**	**17.5**	459	65	14.2
Semiconductors	**1,173**	**(178)**	**(15.2)**	1,302	(108)	(8.3)
Medical Systems	**1,332**	**70**	**5.3**	1,665	27	1.6
Miscellaneous	**689**	**(56)**	**(8.1)**	945	(31)	(3.3)
Unallocated		**(131)**			(83)	
Total	**6,779**	**32**		7,888	73	
Intersegment revenues	**(280)**			(290)		
Sales	**6,499**			7,598		
Income from operations as a % of sales		**0.5**			1.0	

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 March		March 31,	March 31,
	2003	2002	**2003**	2002
Lighting	**1,154**	1,228	**2,676**	2,954
Consumer Electronics	**1,943**	2,262	**2,510**	3,211
DAP	**458**	454	**963**	1,082
Semiconductors	**1,126**	1,190	**7,050**	8,830
Medical Systems	**1,329**	1,664	**6,760**	7,955
Miscellaneous	**489**	800	**5,259**	6,944
Unallocated			**6,403**	7,758
Total	**6,499**	7,598	**31,621**	38,734

Sales and long-lived assets

	Sales (to third parties)		Long-lived assets *	
	January to March		March 31,	March 31,
	2003	2002	**2003**	2002
Netherlands	**295**	380	**1,581**	1,736
United States	**1,676**	2,257	**5,325**	6,993
Germany	**524**	585	**655**	656
France	**449**	443	**425**	298
United Kingdom	**282**	366	**275**	202
China	**561**	533	**358**	499
Other countries	**2,712**	3,034	**1,983**	2,668
Total	**6,499**	7,598	**10,602**	13,052

* 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

	2002				2003			
	1st quarter	2nd quarter	3rd quarter	4th quarter	1st quarter	2nd quarter	3rd quarter	4th quarter
Sales	7,598	7,986	7,313	8,923	6,499			
% increase	(7)	4	2	(4)	(14)			
Income (loss) from operations	73	165	135	47	32			
as % of sales	1.0	2.1	1.8	0.5	0.5			
% increase	(77)	.	.	.	(56)			
Net income (loss)	9	(1,355)	(330)	(1,530)	(69)			
% increase	(90)	.	.	.	.			
per common share in euros	0.01	(1.07)	(0.25)	(1.20)	(0.05)			

	January-March	January-June	January-September	January-December	January-March	January-June	January-September	January-December
Sales	7,598	15,584	22,897	31,820	6,499			
% increase	(7)	(2)	(1)	(2)	(14)			
Income (loss) from operations	73	238	373	420	32			
as % of sales	1.0	1.5	1.6	1.3	0.5			
% increase	(77)	.	.	.	(56)			
as a % of net operating capital (RONA)	2.0	3.4	3.8	3.2	1.2			
Net income (loss)	9	(1,346)	(1,676)	(3,206)	(69)			
% increase	(90)	.	.	.	.			
as a % of stockholders' equity (ROE)	0.2	(14.7)	(13.3)	(19.2)	(2.1)			
per common share in euros	0.01	(1.06)	(1.31)	(2.51)	(0.05)			

	period ending 2002				period ending 2003			
Inventories as % of sales	14.0	13.4	14.1	11.1	12.1			
Net debt : group equity ratio	28:72	30:70	30:70	27:73	30:70			
Total employees (in thousands)	186	184	183	170	166			

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