

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



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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 technological 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 third quarter net loss of EUR 330 million – impairment charges of EUR 387 million, mainly for Vivendi Universal

- Sales growth of 2% vs. Q3 2001
- Income from operations of EUR 135 million
- Cash flow from operations of EUR 344 million
- Record low inventories for the fifth consecutive quarter
- Cost reduction initiatives ongoing

The third quarter 2002

Philips recorded a net loss of EUR 330 million (a loss of EUR 0.25 per share), including an impairment charge for Vivendi Universal (EUR 339 million), versus a loss of EUR 736 million (a loss of EUR 0.57 per share) in the third quarter of 2001. Sales increased by 2% over the same period of 2001, driven by 9% higher volumes. Income from operations, including positive special items of EUR 60 million, was a profit of EUR 135 million. Excluding special items, income from operations showed an improvement of EUR 301 million over the third quarter last year. Higher gross margins and lower costs compensated for the increase in pension costs, which were approximately EUR 125 million more than the third quarter last year. Year-to-date overhead cost reduction programs delivered cost savings of EUR 176 million.

Unconsolidated companies contributed a loss of EUR 4 million, compared with a loss of EUR 295 million in the third quarter of 2001. Cash flow from operations amounted to EUR 344 million, more than doubling the cash flow of Q3 2001.

Gerard Kleisterlee,
Philips' President and CEO:

“Whilst the economic environment remains difficult, we are focusing on what we can control – reducing costs, managing the supply chain, and tackling our problem areas with decisive actions. We have delivered positive comparable sales growth, as we did in Q2, and through product and marketing innovation we are gaining market share in DAP, Lighting, and parts of our Consumer Electronics and Medical Systems businesses.

Our divestment program is on track to deliver the predicted EUR 1 billion cash for 2002-2003. We have announced action plans to solve our problems at Components and reduce capacity at Semiconductors.

Underlying performance in our businesses has improved, as a result of cost controls and better operating efficiencies, which is fundamental as we do not see much of an economic improvement in the near future.

We aim to maintain a strong balance sheet through our cost reduction programs, consistently record-low inventories, a faster cash conversion cycle, and further reducing debt. Excluding special items, and despite the very difficult market circumstances, we expect to report positive operating profits and net income this year.”

Net income (loss) excluding special items

in millions of euros unless otherwise stated

	Q3 2002	Q3 2001
As published	(330)	(736)
per common share in euros – basic	(0.25)	(0.57)
Special items:		
Affecting income from operations	60	(236)
Affecting financial income and expenses	(339)	-
Affecting results from unconsolidated companies	(7)	(130)
Taxes related to special items	(10)	49
Excluding special items	(34)	(419)
per common share in euros – basic	(0.03)	(0.33)

Group sales and composition of changes (%)

in millions of euros unless otherwise stated

	Q3 2002	Q3 2001
Philips group sales	7,313	7,187
% change from the previous year:		
Nominal change	2	(23)
Consolidation changes	5	(3)
Currency effects	(5)	(2)
Comparable change	2	(18)
Prices	(7)	(10)
Volume	9	(8)

Sales by sector

in millions of euros unless otherwise stated

	Q3 2002	Q3 2001	% change	
			nominal	comparable
Lighting	1,130	1,170	(3)	1
Cons. Electronics	2,177	2,591	(16)	(6)
DAP	519	488	6	12
Components	510	456	12	27
Semiconductors	965	898	7	15
Medical Systems	1,540	1,146	34	2
Miscellaneous	472	438	8	(2)
Philips group	7,313	7,187	2	2

Highlights in the 3rd quarter

Group sales and income

Sales in Q3 were EUR 7,313 million, 2% higher than last year. Year-over-year positive growth was seen at Semiconductors, Components, Medical Systems and Domestic Appliances and Personal Care (DAP), whilst sales fell sharply in Wireless Phones and Digital Networks. The comparable year-on-year sales growth of 2% in Q3 is slightly ahead of the 1% increase in Q2, and was driven by 9% higher sales volumes. Price erosion increased from 6% in Q2 to 7% in Q3.

Geographically, sales rose strongly in Asia Pacific and North America, partly offset by lower sales in Latin America, while sales in Europe were virtually unchanged from last year.

Income from operations was EUR 135 million including special items totaling a positive EUR 60 million.

Special items included in the quarter were:

- Gains on the sale of Philips Broadband Networks (EUR 49 million) and Analytical (EUR 85 million), partly offset by various divestment charges of EUR 14 million.
- Gain on the sale of fixed assets of EUR 16 million.
- EUR 20 million in net releases of restructuring provisions.
- Acquisition related charges at Medical Systems of EUR 48 million (mainly IT) and an impairment of EUR 48 million for the Healthcare product group.

Income from operations, excluding special items, was a profit of EUR 75 million or 1.0% of sales, an improvement of EUR 301 million over the same quarter of last year. The improvement in income from operations came despite a swing in pension costs of approximately EUR 125 million.

Income (loss) from operations

in millions of euros	Q3	Q3
	2002	2001
Income from operations excluding special items and amortization of goodwill	75	(226)
Special items	60	(236)
Amortization of goodwill	-	(43)
Income (loss) from operations	135	(505)

Income (loss) from operations by sector

in millions of euros	Q3	Q3
	2002	2001
Lighting	141	103
Consumer Electronics	24	(45)
DAP	79	67
Components	(67)	(119)
Semiconductors	(58)	(291)
Medical Systems	(11)	(77)
Miscellaneous	94	(110)
Unallocated	(67)	(33)
Philips group	135	(505)

Results relating to unconsolidated companies

in millions of euros	Q3	Q3
	2002	2001
Results excluding special items and amortization of goodwill	3	(104)
Special items	(7)	(130)
Amortization of goodwill	-	(61)
Total	(4)	(295)

Excluding special items, all sectors posted improved results in the quarter benefiting from higher margins, cost savings and earlier restructurings. Results at Lighting and DAP were particularly strong compared to Q3 of last year, mainly driven by innovation and strict cost control.

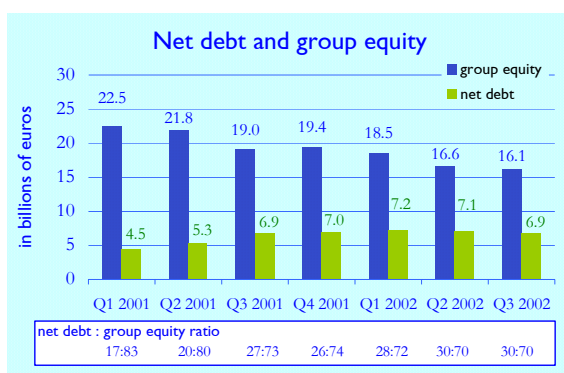
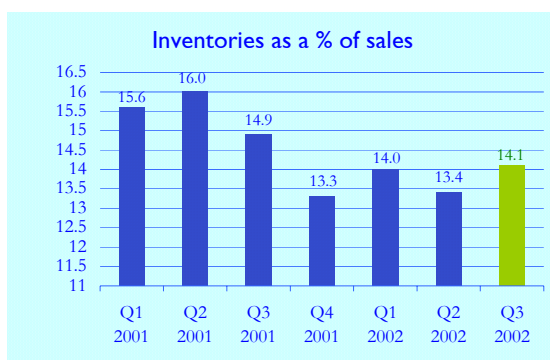
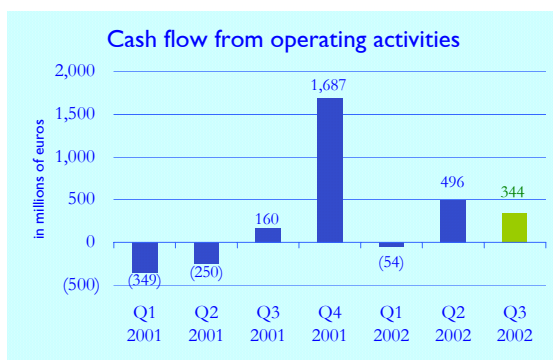
Financial income and expenses amounted to a net expense of EUR 449 million compared to a net expense of EUR 90 million in the third quarter of 2001. Net interest expense was EUR 90 million, EUR 10 million lower than Q3 2001. Financial expense in this year's third quarter included a EUR 339 million impairment charge for Vivendi Universal.

Income tax has been calculated at a tentative tax rate of 21%, excluding impairment for Vivendi Universal, in line with the previous quarter.

Philips' *results relating to unconsolidated companies* amounted to a loss of EUR 4 million compared to a loss of EUR 295 million in the same quarter of last year.

Excluding a EUR 7 million restructuring charge for LG.Philips Displays, results relating to unconsolidated companies were a profit of EUR 3 million.

Sequentially, results relating to unconsolidated companies excluding special items fell by EUR 182 million, mainly due to lower contributions from LG.Philips LCD and TSMC.



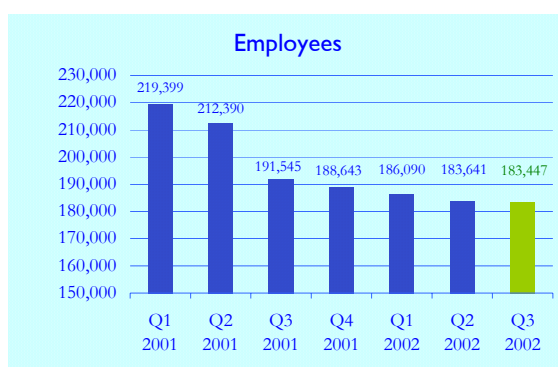
Cash flows and financing

Cash flow from operating activities amounted to EUR 344 million. The improvement over Q3 2001 came mainly from better income from operations.

Net capital expenditures of EUR 318 million, were 11% lower than last year, reflected in most sectors. Cash used for investing activities included a capital contribution of EUR 21 million for the newly formed financing joint venture, Philips Medical Capital. The sale of Analytical and Philips Broadband Networks contributed EUR 220 million to cash flow from investing activities. In 2001, cash flow from investing activities included an outflow of EUR 1.8 billion associated with the acquisition of Agilent Healthcare Solutions Group (HSG).

The cash conversion cycle improved from 61 days to 40 days compared to last year. The improvement is due to better working capital management, mainly at Consumer Electronics and Components (especially Optical Storage). Inventories as a percentage of sales were reduced from 14.9% last year to 14.1% and came to a record-low for the third quarter, the fifth consecutive record.

The net debt : group equity ratio ended the quarter at 30:70. Compared to the last quarter, the net debt position decreased by EUR 216 million to EUR 6.9 billion. Group equity came to EUR 16.1 billion and was negatively impacted in Q3 by (non-cash) fair-value adjustments of EUR 302 million. In addition, net income included an (non-cash) impairment charge of EUR 339 million for the impairment of Vivendi Universal.



Employment

At the end of September 2002, the number of employees was 183,447, slightly lower than the end of Q2.

Divestments led to the reduction of 1,306 employees.

Permanent employees were reduced by 1,012, offset by an increase of 2,124 temporary employees.

Lighting: key data

in millions of euros unless otherwise stated	Q3	Q3
	2002	2001
Sales	1,130	1,170
Sales growth		
% increase, nominal	(3)	(4)
% increase, comparable	1	(2)
Income from operations	141	103
IFO excluding special items and amortization of goodwill:		
as a % of sales	12.7	9.0
Net operating capital (NOC)	1,869	2,084
Number of employees (FTEs)	47,776	49,088

Consumer Electronics: key data

in millions of euros unless otherwise stated	Q3	Q3
	2002	2001
Sales	2,177	2,591
Sales growth		
% increase, nominal	(16)	(18)
% increase, comparable	(6)	(17)
Income from operations	24	(45)
IFO excluding special items and amortization of goodwill:		
as a % of sales	1.0	0.2
Net operating capital (NOC)	573	1,333
Number of employees (FTEs)	26,492	35,098

Sales and income from operations per sector

Comparable sales at *Lighting* increased 1% compared to a decrease of 6% in Q2. Sales of Lamps continued to develop favorably, notably in Asia, whilst sales of Luminaires were down due to general market softness. Income from operations increased EUR 38 million over the same period last year. The better operational performance resulted from good marketing management, tight cost controls and an improved product mix. The business showed strong positive cash flow.

Sales at *Consumer Electronics* decreased by 16%, mainly attributable to Digital Networks, Licenses and Wireless Phones, however, the comparable decrease was 6%. Income from operations came to a profit of EUR 24 million in Q3 and was EUR 69 million better than last year. The improvement was driven by Television, Audio and VCR, in particular in Europe. In North America income improved over Q2, and the loss of EUR 19 million was more than halved from a year ago. Performance at Digital Networks was affected by continuing weakness in its main markets. Provisions were made for certain business risks. Excluding the provisions, the set-top box business showed a small operating profit. License income of EUR 42 million was virtually unchanged from Q2.

DAP: key data

in millions of euros unless otherwise stated	Q3 2002	Q3 2001
Sales	519	488
Sales growth		
% increase, nominal	6	0
% increase, comparable	12	(6)
Income from operations	79	67
IFO excluding special items and amortization of goodwill:	79	70
as a % of sales	15.2	14.3
Net operating capital (NOC)	682	788
Number of employees (FTEs)	9,652	10,039

Components: key data

in millions of euros unless otherwise stated	Q3 2002	Q3 2001
Sales	510	456
Segment revenues	575	546
Sales growth		
% increase, nominal	12	(63)
% increase, comparable	27	(36)
Income from operations	(67)	(119)
IFO excluding special items and amortization of goodwill:	(67)	(116)
as a % of segment revenues	(11.7)	(21.2)
as a % of sales	(13.1)	(25.4)
Net operating capital (NOC)	350	492
Number of employees (FTEs)	13,545	16,023

Semiconductors: key data

in millions of euros unless otherwise stated	Q3 2002	Q3 2001
Sales	965	898
Segment revenues	1,105	1,018
Sales growth		
% increase, nominal	7	(43)
% increase, comparable	15	(43)
Income from operations	(58)	(291)
IFO excl. special items and amortization of goodwill:	(65)	(247)
as a % of segment revenues	(5.9)	(24.2)
as a % of sales	(6.7)	(27.5)
Net operating capital (NOC)	4,017	4,980
Number of employees (FTEs)	32,122	34,064

DAP's third quarter sales grew a comparable 12% on the same period of last year, led by the Sonicare toothbrush and Senseo coffee machine, both driven by regional market penetrations. In addition, the launch of the new Sensotec Shaver in the US and Europe was positively received by the market. Relative to last year, comparable profitability increased with 0.9% to 15.2%, as a result of higher gross margins combined with an ongoing cost reduction and efficiency program.

Components' third quarter sales rose 27% in comparable terms from last year, mainly driven by Mobile Display Systems and Optical Storage. Mobile Display sales have improved by more than 50% from last year, and volumes have doubled. The color program has been executed as planned, and revenues from color displays were approximately 20% of the total. Income from operations, excluding special items, improved by EUR 49 million, compared to the third quarter of last year. Optical Storage accounted for more than 50% of the losses in Components in the quarter.

Semiconductors' segment revenues were nominally 8% higher compared with last year's third quarter, but 12% lower sequentially. The drop in sales was mainly the result of declines in almost all businesses. Utilization rates of 58% in Q3 were slightly lower than the 60% in Q2. Despite the sequential sales decline, losses stayed at a level of EUR 58 million. The book-to-bill ratio at the end of Q3 was 0.74 versus 1.0 at the end of Q2, a continuing indication of the short-term order cycle being experienced in the semiconductor industry.

Medical Systems: key data

in millions of euros unless otherwise stated	Q3 2002	Q3 2001
Sales	1,540	1,146
Sales growth		
% increase, nominal	34	55
% increase, comparable	2	12
Income from operations	(11)	(77)
IFO excluding special items and amortization of goodwill: as a % of sales	80 5.2	73 6.4
Net operating capital (NOC)	5,105	4,375
Number of employees (FTEs)	32,036	25,120

Miscellaneous: key data

in millions of euros unless otherwise stated	Q3 2002	Q3 2001
Sales	472	438
Sales growth		
% increase, nominal	8	(39)
% increase, comparable	(2)	(17)
Income from operations	94	(110)
IFO excluding special items and amortization of goodwill: as a % of sales	(50) (10.6)	(89) (20.3)
Net operating capital (NOC)	41	385
Number of employees (FTEs)	17,327	16,165

Unallocated: key data

in millions of euros unless otherwise stated	Q3 2002	Q3 2001
Corporate and regional overheads	(69)	(107)
Pensions	2	74
Income from operations	(67)	(33)
Number of employees (FTEs)	4,497	5,948

Nominal sales growth of 34% at *Medical Systems'* was almost entirely driven by the new acquisitions. On a comparable basis order intake grew 6% compared to Q3 last year. Third quarter sales of EUR 38 million were delayed to the fourth quarter, due to new systems configuration.

Income from operations was a loss of EUR 11 million and was negatively impacted by EUR 91 million special charges:

- An impairment charge for the Health Care Products (HCP) business amounting to EUR 48 million.
- Other (mainly acquisition related) charges amounting to EUR 43 million.

Income from operations excluding special items came to EUR 80 million, an improvement of EUR 7 million over Q3 of last year. There were also a number of incidental items totaling EUR 28 million, mainly following the acquisition of Marconi Medical Systems, which affected income from operations of Q3 unfavorably.

Sales in *Miscellaneous* increased 8% in nominal terms, but showed a decrease of 2% on a comparable basis.

In total three businesses have been divested in the third quarter (HS&T, Analytical, and PBN) delivering EUR 226 million of cash. Income from operations came to a profit of EUR 94 million, including gains on sale of businesses of EUR 134 million. Releases of restructuring provisions contributed EUR 18 million to income, while certain divestment charges had a negative impact of EUR 8 million.

Corporate and regional overhead costs in *Unallocated* were 36% lower than the same period last year.

Pension costs in this sector were EUR 72 million higher due to the USA and UK and lower pension credits in the Netherlands. At the end of Q3 Philips' pension fund in the Netherlands remained overfunded, while the funds in the U.S. and U.K. had a small underfunding.

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

in millions of euros

	Q3 2002	Q3 2001
SSMC	(13)	(20)
LG.Philips LCD	28	(43)
LG.Philips Displays	4	(62)
Others	(16)	21
Total	3	(104)

LG.Philips LCD joint venture (100%)

in millions of euros unless otherwise stated

	Q3 2002	Q3 2001
Sales	693	538
Sales growth % increase, nominal	29	(14)
Income from operations as a % of sales	86 12.4	(69) (12.8)
Net income (100%)	56	(86)
Net income (Philips share = 50%)	28	(43)
Net income (Philips share = 50%, incl. amortization of goodwill)	28	(64)
Net operating capital (NOC)	2,791	2,644
Number of employees (FTEs)	5,727	4,674

Results related to unconsolidated companies

Results relating to unconsolidated companies, excluding special items, improved with EUR 107 million over last year. Sequentially, results fell by EUR 182 million, mainly due to lower contributions from LG.Philips LCD and TSMC.

LG.Philips Displays achieved a profit of EUR 4 million, excluding special items, compared to a loss of EUR 21 million in the second quarter. An improving sales trend was visible during the quarter.

LG.Philips LCD joint venture

Q3 witnessed the LCD market moving away from the peak price levels evident in the second quarter. Demand slowed sequentially, but the largest impact came from average prices declines of approximately 20%. Despite the panel surplus in the market, LG.Philips LCD had high utilization levels, and consolidated its number one position in monitors.

Philips' share in net income of EUR 28 million showed a reduction of EUR 99 million sequentially, although Q2 was favorably impacted by currency gains.

Net income (loss) excluding special items

in millions of euros unless otherwise stated

	January- Sept. 2002	January- Sept. 2001
As published	(1,676)	(1,413)
per common share in euros – basic	(1.31)	(1.10)
Special items:		
Affecting income from operations	218	(738)
Affecting financial income and expenses	(1,808)	-
Affecting results from unconsolidated companies	(191)	(203)
Taxes related to special items	(22)	204
Excluding special items	127	(676)
per common share in euros – basic	0.10	(0.53)

Highlights in the 1st nine months

Sales in the first nine months amounted to EUR 22,897 million, a decrease of 1% over the same period of 2001. Income from operations, excluding special items, came to a profit of EUR 155 million, an improvement of EUR 225 million compared to last year. Net pension costs were approximately EUR 400 million higher than in the same period of last year. Gross margins improved whilst costs were reduced, benefiting from last year's restructurings. Year-to-date overhead cost reduction programs delivered cost savings of EUR 176 million. Special items affecting financial income and expenses related mainly to the impairment charges for Vivendi Universal (EUR 1,855 million). In the first nine months results from unconsolidated companies, excluding special items and amortization of goodwill, came to a profit of EUR 260 million, an improvement of almost EUR 400 million over the same period of last year. This substantial improvement came mainly from LG.Philips LCD.

Subsequent Events and other information

On October 9, Philips announced the results of a comprehensive review of its Components division, involving a restructuring charge in the fourth quarter of approximately EUR 175 million.

This brings the total expected restructuring charges for the fourth quarter to:

- EUR 200-225 million for capacity reduction at Semiconductors.
- Approximately EUR 175 million for the aforementioned refocusing at Components.
- Additional restructuring charges could be announced during Q4, mostly related to the sale of certain business activities, but will be mainly compensated by gains made on the disposal of those activities.

The market value of certain securities held by Philips is currently below cost. If this situation continues, it could lead to impairment in the fourth quarter. The most significant consideration in this respect is Philips' stake in Atos Origin, the market value of which was approximately EUR 800 million below book value at the end of Q3.

Philips will review the goodwill it is carrying on the balance sheet for its participation in LG. Philips Displays in the fourth quarter.

Cash from the sale of business activities will generate approximately EUR 400 million cash flow during Q4.

Outlook

On the basis of current information, we expect the fourth quarter to show the usual seasonal improvement. We expect to see this reflected in virtually all sectors and in the bottom line of our financial statements, excluding special items.

We will continue to focus on implementing our cost reduction initiatives, building on the progress we have made in managing our supply chain, maintaining positive cash flow, and keeping our balance sheet healthy. Customer intimacy, and product and marketing innovation remain central to our business planning.

Amsterdam, October 15, 2002

Board of Management

Statements of income

all amounts in millions of euros unless otherwise stated

Consolidated statements of income

	3 rd quarter		January to September	
	2002	2001	2002	2001
Sales	7,313	7,187	22,897	23,077
Cost of sales	(5,163)	(5,320)	(15,812)	(16,417)
Gross margin	2,150	1,867	7,085	6,660
Research and development expenses	(756)	(711)	(2,301)	(2,404)
Selling expenses	(970)	(1,173)	(3,559)	(3,554)
General and administrative expenses	(347)	(252)	(1,068)	(901)
Write-off of acquired in-process R&D	-	(51)	-	(51)
Restructuring and impairment charges	(30)	(112)	(80)	(804)
	(2,103)	(2,299)	(7,008)	(7,714)
Other income (expenses) - net	88	(73)	296	117
Income (loss) from operations	135	(505)	373	(937)
Financial income and expenses:				
– interest	(90)	(100)	(299)	(256)
– impairment charges	(339)	-	(1,875)	-
– other	(20)	10	100	8
	(449)	(90)	(2,074)	(248)
Income (loss) before taxes	(314)	(595)	(1,701)	(1,185)
Income taxes	(5)	149	1	298
Income (loss) after taxes	(319)	(446)	(1,700)	(887)
Results relating to unconsolidated companies	(4)	(295)	45	(523)
Minority interests	(7)	5	(21)	(3)
Net income (loss)	(330)	(736)	(1,676)	(1,413)
Income (loss) from operations				
as a % of sales	1.8	(7.0)	1.6	(4.1)
as a % of net operating capital (RONA)			3.8	(9.3)
Weighted average number of common shares outstanding during the period (in thousands):				
(after deduction of treasury stock)				
• basic			1,274,861	1,279,548
• diluted			1,280,106	1,288,828
Net earnings per common share in euros:				
• basic	(0.25)	(0.57)	(1.31)	(1.10)
• diluted	(0.25)	(0.57)	(1.31)	(1.10)

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 2,208 million in the first nine months of 2002, compared to a loss of EUR 1,463 million in the same period last year. These aggregate amounts result in basic earnings per common share of a loss of EUR 1.73 in January-September 2002 compared to a loss of EUR 1.14 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

	Sept. 30, 2002	Dec. 31, 2001	Sept. 30, 2001
Cash and cash equivalents	822	890	698
Securities	284	692	456
Receivables	5,934	6,154	5,999
Inventories	4,535	4,290	5,066
Unconsolidated companies	7,683	7,552	7,411
Other non-current financial assets	878	2,789	2,349
Non-current receivables	3,501	3,596	3,044
Property, plant and equipment	6,645	7,718	7,584
Intangible assets - net	5,021	5,521	4,523
Total assets	35,303	39,202	37,130
Accounts payable and other liabilities	7,932	8,234	7,230
Debt	7,730	7,866	7,590
Provisions	3,532	3,740	3,326
Minority interests	192	202	208
Stockholders' equity	15,917	19,160	18,776
Total liabilities and stockholders' equity	35,303	39,202	37,130
Number of common shares outstanding at the end of period			
• shares in thousands	1,274,976	1,274,172	1,273,379
Ratios			
Stockholders' equity, per common share in euros	12.48	15.04	14.75
Inventories as a % of sales	14.1	13.3	14.9
Outstanding trade receivables, in months' sales	1.6	1.5	1.7
Net debt : group equity ratio	30:70	26:74	27:73

Stockholders' equity determined in accordance with Dutch GAAP amounted to EUR 15,252 million as of September 30, 2002 compared to EUR 15,917 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 *

	3 rd quarter		January to September	
	2002	2001	2002	2001
Cash flows from operating activities:				
Net income (loss)	(330)	(736)	(1,676)	(1,413)
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	497	600	1,520	1,950
Impairment financial assets	339	-	1,875	-
Net gain on sale of investments	(142)	25	(471)	(281)
(Income) loss from unconsolidated companies (net of dividends received)	10	280	(37)	566
Minority interests (net of dividends paid)	7	(31)	21	(23)
Decrease (increase) in working capital	63	261	(350)	(957)
(Increase) decrease in non-current receivables	(86)	(210)	26	(338)
Decrease in provisions	(21)	(47)	(117)	(24)
Other items	7	18	(5)	81
Net cash provided by (used for) operating activities	344	160	786	(439)
Cash flows from investing activities:				
Purchase of intangible assets (software)	(28)	(49)	(108)	(151)
Capital expenditures on property, plant and equipment	(337)	(327)	(782)	(1,794)
Proceeds from disposals of property, plant and equipment	47	17	310	83
Proceeds from sale (purchase) of securities, other non-current financial assets and derivatives	63	(17)	395	467
(Purchase of businesses) proceeds from sale of businesses	176	(1,653)	(206)	(1,587)
Net cash used for investing activities	(79)	(2,029)	(391)	(2,982)
Cash flows before financing activities	265	(1,869)	395	(3,421)

* 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)*

	3 rd quarter		January to September	
	2002	2001	2002	2001
Cash flows before financing activities	265	(1,869)	395	(3,421)
<i>Cash flows from financing activities:</i>				
(Decrease) increase in debt	(125)	1,814	96	3,874
Treasury stock transactions	11	(46)	(30)	(340)
Dividends paid	-	-	(459)	(458)
Net cash (used for) provided by financing activities	(114)	1,768	(393)	3,076
Increase (decrease) in cash and cash equivalents	151	(101)	2	(345)
Effect of changes in exchange rates and consolidations on cash positions	(12)	(117)	(70)	(46)
Cash and cash equivalents at beginning of the period	683	916	890	1,089
Cash and cash equivalents at end of period	822	698	822	698

* 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 September 2002								
	Common stock	Capital in excess of par value	Retained earnings	Accumulated other comprehensive income (loss)			Treasury shares at cost	Total stock- holders' 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 (loss)			(1,676)						(1,676)
Net current period change				(538)	(2,328)		4		(2,862)
Reclassifications into income				(40)	1,808	7			1,775
Total comprehensive income (loss)			(1,676)	(578)	(520)	7	4		(2,763)
Dividend payable			(459)						(459)
Purchase of treasury stock								(102)	(102)
Re-issuance of treasury stock			7					75	82
Stock options accrual		(1)							(1)
Balance as of September 30, 2002	263	12	18,275	(1,344)	46	(11)	(3)	(1,321)	15,917

Product sectors

all amounts in millions of euros unless otherwise stated

Segment revenues and income from operations

	3 rd quarter						
	2002			2001			
	segment revenues	Income (loss) from operations		segment revenues	Income (loss) from operations*		
	amount	as a % of segment revenues		US GAAP basis	before amortization goodwill	as a % of segment revenues	
Lighting	1,136	141	12.4	1,176	103	105	8.9
Consumer Electronics:							
Mainstream CE	2,053	9	0.4	2,309	(105)	(105)	(4.5)
Digital Networks	79	(27)	(34.2)	194	(59)	(59)	(30.4)
Licenses	61	42	68.9	142	119	119	83.8
	2,193	24	1.1	2,645	(45)	(45)	(1.7)
DAP	524	79	15.1	492	67	70	14.2
Components	575	(67)	(11.7)	546	(119)	(119)	(21.8)
Semiconductors	1,105	(58)	(5.2)	1,018	(291)	(279)	(27.4)
Medical Systems	1,542	(11)	(0.7)	1,146	(77)	(51)	(4.5)
Miscellaneous	587	94	16.0	471	(110)	(110)	(23.4)
Unallocated		(67)			(33)	(33)	
Total	7,662	135		7,494	(505)	(462)	
Intersegment revenues	(349)			(307)			
Sales	7,313			7,187			
Income (loss) from operations							
as a % of sales		1.8			(7.0)	(6.4)	

* 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 September						
	2002			2001			
	segment revenues	Income (loss) from operations		segment revenues	Income (loss) from operations*		
	amount	as a % of segment revenues		US GAAP basis	before amortization goodwill	as a % of segment revenues	
Lighting	3,571	419	11.7	3,764	440	446	11.8
Consumer Electronics:							
Mainstream CE	6,339	15	0.2	7,085	(644)	(644)	(9.1)
Digital Networks	240	(68)	(28.3)	567	(283)	(283)	(49.9)
Licenses	205	153	74.6	313	285	285	91.1
	6,784	100	1.5	7,965	(642)	(642)	(8.1)
DAP	1,512	218	14.4	1,464	191	200	13.7
Components	1,707	(103)	(6.0)	3,055	(528)	(528)	(17.3)
Semiconductors	3,501	(225)	(6.4)	3,867	(315)	(279)	(7.2)
Medical Systems	4,965	70	1.4	2,920	(34)	41	1.4
Miscellaneous	1,887	129	6.8	1,667	34	36	2.2
Unallocated		(235)			(83)	(82)	
Total	23,927	373		24,702	(937)	(808)	
Intersegment revenues	(1,030)			(1,625)			
Sales	22,897			23,077			
Income (loss) from operations							
as a % of sales		1.6			(4.1)	(3.5)	

* 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 September		Sept. 30,	Sept. 30,
	2002	2001	2002	2001
Lighting	3,550	3,733	2,804	3,003
Consumer Electronics	6,724	7,804	3,219	4,089
DAP	1,497	1,449	1,124	1,167
Components	1,526	2,197	4,379	4,154
Semiconductors	3,083	3,449	7,524	8,396
Medical Systems	4,961	2,918	7,301	6,137
Miscellaneous	1,556	1,527	2,992	2,854
Unallocated			5,960	7,330
Total	22,897	23,077	35,303	37,130

Sales and long-lived assets

	Sales (to third parties)		Long-lived assets *	
	January to September		Sept. 30,	Sept. 30,
	2002	2001	2002	2001
Netherlands	1,095	1,102	1,682	1,791
United States	6,957	6,146	5,969	5,991
Germany	1,652	1,862	687	642
France	1,297	1,351	387	344
United Kingdom	1,037	1,149	197	200
China	1,789	1,675	435	498
Other countries	9,070	9,792	2,309	2,641
Total	22,897	23,077	11,666	12,107

* 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	7,313	
% increase	(1)	(16)	(23)	(16)	(7)	4	2	
Income (loss) from operations before amortization goodwill	358	(704)	(462)	(407)	73	165	135	
as a % of sales	4.4	(9.2)	(6.4)	(4.4)	1.0	2.1	1.8	
% increase	.	.	.	.	(80)	.	.	
Income (loss) from operations as a % of sales	313	(745)	(505)	(458)	73	165	135	
% increase	3.8	(9.7)	(7.0)	(4.9)	1.0	2.1	1.8	
% increase	.	.	.	.	(77)	.	.	
Net income (loss)	93	(770)	(736)	(1,062)	9	(1,355)	(330)	
% increase	.	.	.	.	(90)	.	.	
per common share in euros	0.07	(0.60)	(0.57)	(0.84)	0.01	(1.07)	(0.25)	
	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	22,897	
% increase	(1)	(9)	(14)	(15)	(7)	(2)	(1)	
Income (loss) from operations before amortization goodwill	358	(346)	(808)	(1,215)	73	238	373	
as a % of sales	4.4	(2.2)	(3.5)	(3.8)	1.0	1.5	1.6	
% increase	.	.	.	.	(80)	.	.	
Income (loss) from operations as a % of sales	313	(432)	(937)	(1,395)	73	238	373	
% increase	3.8	(2.7)	(4.1)	(4.3)	1.0	1.5	1.6	
% increase	.	.	.	.	(77)	.	.	
as a % of net operating capital (RONA)	10.9	(6.9)	(9.3)	(9.3)	2.0	3.4	3.8	
Net income (loss)	93	(677)	(1,413)	(2,475)	9	(1,346)	(1,676)	
% increase	.	.	.	.	(90)	.	.	
as a % of stockholders' equity (ROE)	2.1	(7.1)	(9.8)	(11.9)	0.2	(14.7)	(13.3)	
per common share in euros	0.07	(0.53)	(1.10)	(1.94)	0.01	(1.06)	(1.31)	
	period ending 2001				period ending 2002			
Inventories as a % of sales	15.6	16.0	14.9	13.3	14.0	13.4	14.1	
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	183	

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

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