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 unless otherwise stated
– includes restatement of global brand campaign costs to Unallocated

Q2 **Quarterly report**
July 18, 2005

Philips reports net income of EUR 983 million in the second quarter

Philips recorded net income of EUR 983 million (EUR 0.78 per share), compared with net income of EUR 616 million (EUR 0.48 per share) in the corresponding period of 2004. The EUR 367 million increase in net income was entirely attributable to the sale of NAVTEQ shares, which yielded a non-taxable gain of EUR 753 million.

Sales amounted to EUR 7,087 million, 3% lower than in Q2 2004. The weaker US dollar and dollar-related currencies, as well as various divestments, had a downward effect of 2%. On a comparable basis, sales decreased by 1%. Solid growth at Medical Systems and Lighting was offset by declines at Semiconductors and Mobile Display Systems (MDS).

Income from operations amounted to EUR 147 million, compared to EUR 356 million in the same period of 2004.

Financial income and expenses resulted in an expense of EUR 57 million, compared with an expense of EUR 65 million in Q2 2004. Income taxes included a EUR 109 million tax gain relating to a final agreement on prior-years tax settlements.

Unconsolidated companies contributed EUR 822 million to net income; this included the gain on the sale of NAVTEQ shares. Results from unconsolidated companies in Q2 2004 amounted to EUR 430 million, including a net license gain of EUR 99 million related to InterTrust Technologies Corp. LG.Philips LCD's contribution to net income was EUR 10 million, compared to EUR 251 million in Q2 2004.

Cash flow from operating activities was an inflow of EUR 37 million, compared to an inflow of EUR 62 million in Q2 2004. Inventories as a percentage of sales amounted to 13.3%, compared to 12.5% in Q2 2004.

Forward-looking statements

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 (including, but not limited to, cost savings), in particular the outlook paragraph in this report.

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, changes in law, the performance of the financial markets, pension costs, the levels of marketing and promotional expenditures by Philips and its competitors, raw materials and employee costs, changes in 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, political and military developments in countries where Philips operates, the risk of a downturn in the semiconductor market, Philips' ability to secure short-term profitability and invest in long-term growth in Lighting and product R&D in Medical Systems, and industry consolidation.

Statements regarding market share, including as to Philips' competitive position, contained in this document are based on outside sources such as specialized research institutes, industry and dealer panels in combination with management estimates. Where information is not yet available to Philips, those statements may also be based on estimates and projections prepared by outside sources or management. Rankings are based on sales unless otherwise stated.

Use of non-US GAAP information

In presenting and discussing the Philips Group's financial position, operating results and cash flows, management uses certain non-US GAAP financial measures. These non-US GAAP financial measures should not be viewed in isolation as alternatives to the equivalent US GAAP measure(s) and should be used in conjunction with the most directly comparable US GAAP measure(s). A discussion of the non-US GAAP measures included in this document and a reconciliation of such measures to the most directly comparable US GAAP measure(s) are contained in this document.

Gerard Kleisterlee,
Philips' President and CEO:

"We continue to make steady progress in implementing our strategy by delivering on our management agenda. The quarter showed growth in both the revenue and profitability of our Medical Systems business; we also announced the first acquisition in this important field. In a weak consumer retail environment, we are seeing the benefits of our Business Renewal Program in Consumer Electronics. Weakness in the technology sector, however, continued to hamper our results."

Philips Group

Highlights in the quarter

Net income

in millions of euros unless otherwise stated

	Q2 2004	Q2 2005
Sales	7,280	7,087
Income from operations	356	147
as a % of sales	4.9	2.1
Financial income and expenses	(65)	(57)
Income taxes	(87)	83
Results unconsolidated companies	430	822
Minority interests	(18)	(12)
Net income	616	983
Per common share – basic	0.48	0.78

- Net income amounted to EUR 983 million (EUR 0.78 per share) compared to EUR 616 million (EUR 0.48 per share) in the same period last year. A EUR 392 million increase in results from unconsolidated companies was partly offset by a EUR 209 million decrease in income from operations. The former was the net effect of the sale of NAVTEQ shares and EUR 241 million lower results at LG.Philips LCD. A EUR 109 million tax gain relating to a final agreement on prior-years tax settlements also contributed to the improved net income.

Sales by sector

in millions of euros unless otherwise stated

	Q2 2004	Q2 2005	% change nominal	% change comparable
Medical Systems	1,428	1,498	5	6
DAP	456	461	1	1
CE	2,288	2,259	(1)	(2)
Lighting	1,079	1,116	3	4
Semiconductors	1,161	1,088	(6)	(6)
Other Activities	868	665	(23)	(10)
Philips Group	7,280	7,087	(3)	(1)

- Nominal sales for the Group declined by 3% compared to Q2 2004. Adjusted for the 2% downward effect of (de)consolidations and of the US dollar and dollar-related currencies, comparable sales declined by 1%.
- Comparable sales at Medical Systems increased by 6%. In particular, Ultrasound and Computed Tomography grew. Sales growth of 1% at Domestic Appliances and Personal Care (DAP) was driven by Oral Healthcare and Food & Beverage. A weakened consumer retail environment in Europe led to a 2% decline in comparable sales at Consumer Electronics (CE). Despite weak market demand for consumer applications, comparable sales at Lighting increased 4%. The sales decline at Semiconductors was spread across all businesses, as the cycle peaked during Q2 last year. The sales decline in Other Activities was largely due to MDS.

Sales per region

in millions of euros unless otherwise stated

	Q2 2004	Q2 2005	% change nominal	% change comparable
Europe/Africa	3,068	2,834	(8)	(6)
North America	1,826	1,848	1	4
Latin America	369	484	31	26
Asia Pacific	2,017	1,921	(5)	(2)
Philips Group	7,280	7,087	(3)	(1)

- In Europe/Africa, comparable sales decreased by 6%, hampered by a weakened consumer retail environment in Western Europe. Sales decreased at CE and at DAP.
- In North America, comparable sales increased by 4%, driven by Consumer Electronics and Medical Systems (excluding MedQuist), partly offset by a decline at DAP.
- In Latin America, Brazil and Mexico were the main contributors to the higher sales.
- In Asia Pacific, comparable sales declined by 2%. Lower sales at Semiconductors and MDS were only partially offset by the strong growth at Medical Systems and the solid growth at DAP and CE (excluding Licenses).

Income (loss) from operations by sector

in millions of euros unless otherwise stated

	Q2 2004	Q2 2005
Medical Systems	132	157
DAP	46	44
CE	53	62
Lighting	135	120
Semiconductors	134	27
Other Activities	(46)	(71)
Unallocated	(98)	(192)
Philips Group	356	147
as a % of sales	4.9	2.1

Financial income and expenses

in millions of euros

	Q2 2004	Q2 2005
Interest expenses (net)	(64)	(57)
Income from non-current financial assets	-	2
Other	(1)	(2)
Total	(65)	(57)

Results unconsolidated companies

in millions of euros

	Q2 2004	Q2 2005
LG.Philips LCD	251	10
LG.Philips Displays	5	(11)
Gain on sale of NAVTEQ shares	-	753
Net license gain relating to InterTrust Technologies Corp	99	-
Others	75	70
Total	430	822

Income from operations by sector

- Income from operations for Q2 2005 was a profit of EUR 147 million, compared to a profit of EUR 356 million in the corresponding period last year. Restructuring and total impairment charges amounted to EUR 33 million, compared with EUR 50 million in Q2 2004. Pension costs amounted to EUR 66 million, compared to EUR 45 million in Q2 2004.
- Income from operations at Medical Systems improved by EUR 25 million. The increase was driven by higher sales, a better product mix and productivity improvements. Q2 2004 income from operations included a EUR 14 million impairment charge for MedQuist.
- Income from operations at DAP amounted to EUR 44 million, or 9.5% of sales. Despite weakened retail markets, margins were maintained at the level of Q2 2004.
- Income from operations of the operational businesses of CE was a profit of EUR 6 million, EUR 40 million better than in Q2 2004, driven by Home Entertainment Networks and lower restructuring charges. At EUR 56 million, income from operations at Licenses was EUR 31 million lower than in Q2 2004, mainly due to lower past-use income.
- Income from operations at Lighting was EUR 15 million lower than in Q2 2004. The reduction was predominantly attributable to additional R&D for innovative products.
- Results at Semiconductors were mainly impacted by the 6% decline in sales coupled with higher costs.
- The investments in the global brand and higher overhead and pension costs were the main reasons for the increased losses at Unallocated.

Financial income and expenses

- Financial income and expenses were EUR 8 million lower than in Q2 2004 due to the lower net debt position.

Results relating to unconsolidated companies

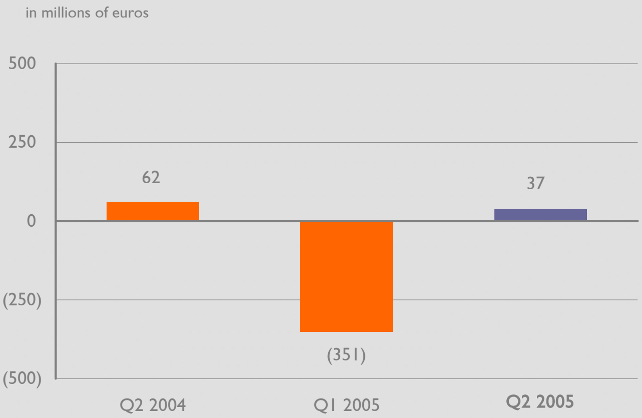
- Results relating to unconsolidated companies in Q2 2005 were EUR 392 million higher than in Q2 2004, positively impacted by a gain of EUR 753 million on the sale of NAVTEQ shares. The gain related to the sale of the remaining 30 million shares of common stock in NAVTEQ Corporation and the execution in full of the over-allotment option.
- LG.Philips LCD contributed EUR 241 million less to the results than in Q2 2004.

Cash balance

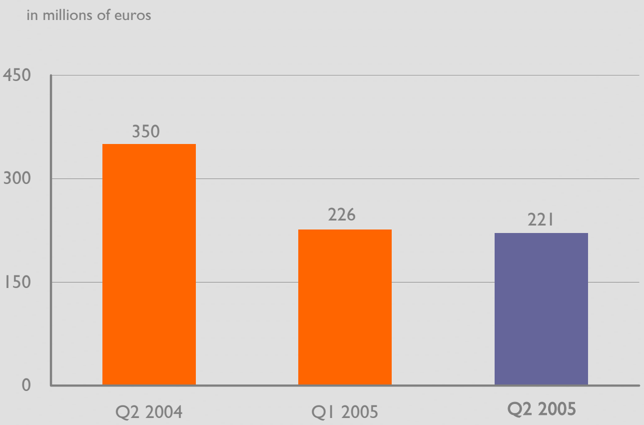
in millions of euros

	Q2 2004	Q2 2005
Beginning balance	3,105	3,210
Net cash from operating activities	62	37
Gross capital expenditures	(350)	(221)
Acquisitions/divestments	(40)	920
Other cash from investing activities	83	(11)
Dividend paid	(460)	(504)
Changes in debt/other	34	(426)
Ending balance	2,434	3,005

Cash flows from operating activities



Gross capital expenditures



Cash balance

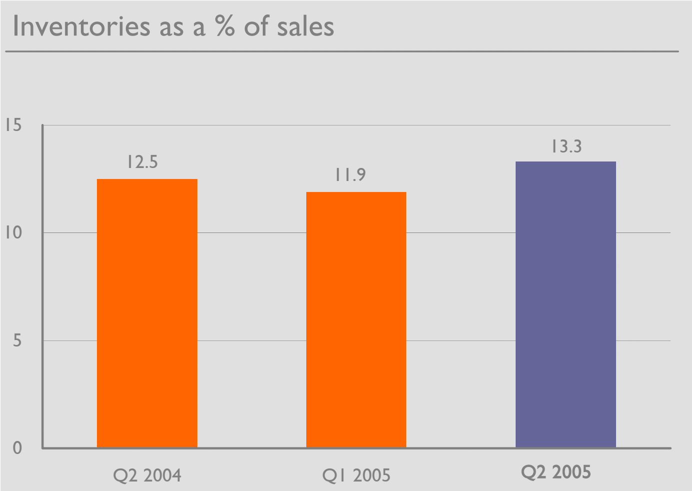
- The cash position declined by EUR 205 million in Q2 2005.
- Proceeds from the sale of NAVTEQ shares amounted to EUR 932 million.
- A dividend of EUR 0.40 per share was paid in respect of the financial year 2004 following the approval of the General Meeting of Shareholders on March 31, 2005, resulting in a total cash outflow of EUR 504 million.
- In connection with the share repurchase program, a cash amount of EUR 248 million was used for capital reduction, while EUR 73 million was used to hedge long-term incentive and employee stock purchase programs. The EUR 750 million share repurchase program was completed at the end of Q2 2005.
- Debt decreased by EUR 197 million, mainly due to the repayment of a short-term bond.

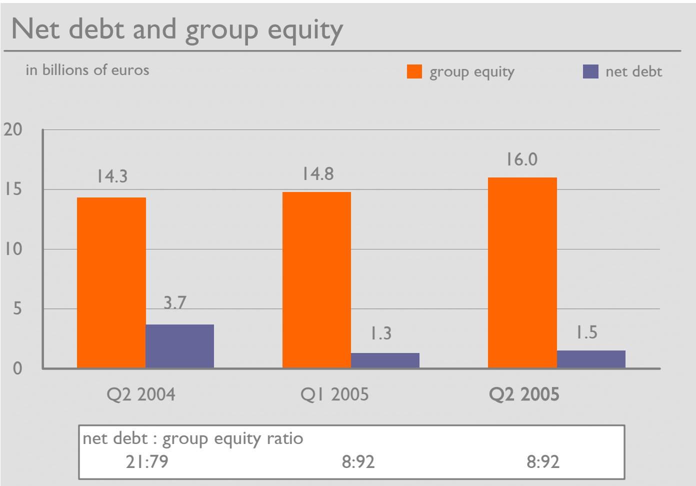
Cash flows from operating activities

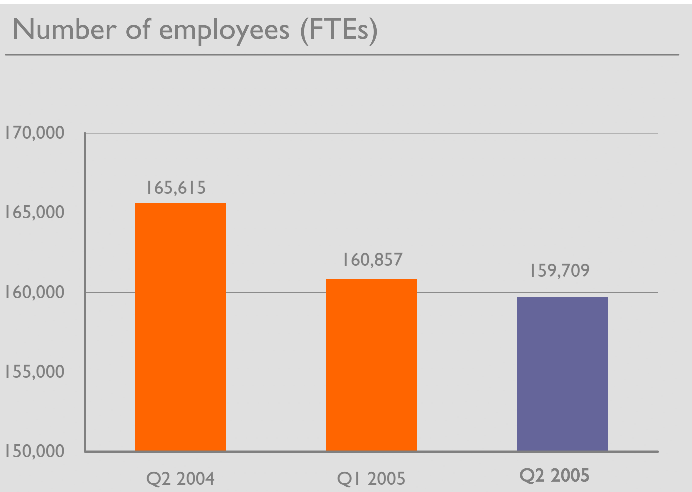
- Cash inflow from operating activities amounted to EUR 37 million, compared to an inflow of EUR 62 million in Q2 2004.

Gross capital expenditures

- Compared to Q2 2004, gross capital expenditures were reduced by EUR 129 million, mainly at Semiconductors. Capital expenditures increased at Lighting and DAP.
- Gross capital expenditures totaled EUR 85 million at Semiconductors and EUR 43 million at Lighting.







Inventories

- Inventories as a percentage of sales amounted to 13.3%, 0.8 percentage points above the level of Q2 2004.
- Triggered by the weak consumer retail environment that became evident during the quarter, corrective actions have already been taken to reduce inventory levels.

Net debt and group equity

- During the quarter, net debt increased by EUR 174 million. Cash needed for working capital, together with the cash outflows of EUR 321 million and EUR 504 million for the share repurchase program and the dividend payment respectively, more than offset the EUR 932 million cash inflow from the sale of NAVTEQ shares.
- Compared to Q1 2005, group equity increased by EUR 1,201 million. This increase was largely due to the net income of EUR 983 million and positive translation differences of EUR 541 million, partly offset by the EUR 321 million used for the share repurchase program.

Employment

- The number of employees at the end of Q2 was 159,709. Adjusted for the decrease of 99 in connection with the deconsolidation of Philips Aerospace under Corporate Investments (Other Activities), the actual decrease during Q2 was 1,049.
- Semiconductors and Medical Systems posted an increase in the number of employees in Q2 2005. Declines at Lighting and Other Activities more than offset this increase.

Medical Systems

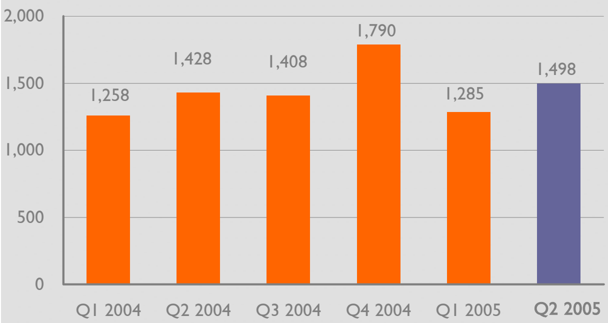
Medical Systems: key data

in millions of euros unless otherwise stated

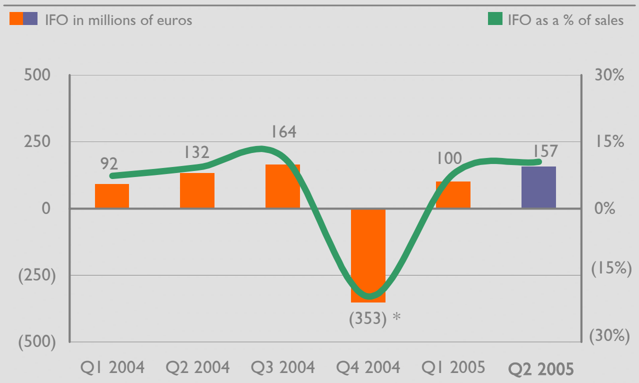
	Q2 2004	Q2 2005
Sales	1,428	1,498
Sales growth		
% nominal	(1)	5
% comparable	3	6
Income from operations	132	157
as a % of sales	9.2	10.5
Net operating capital (NOC)	3,763	3,287
Number of employees (FTEs)	30,155	30,965

Medical Systems sales

in millions of euros



Medical Systems income (loss) from operations (IFO)



* impact of restatement of global brand campaign to Unallocated: EUR 1 million

Business highlights

- Philips announced the acquisition of California-based Stentor Inc. – a leading provider of picture archiving and communication systems (PACS).
- Philips and the Dutch healthcare insurance provider Zilveren Kruis Achmea launched Europe's first pilot study of a broadband-based home telemonitoring system called Motiva.
- Philips installed the medical equipment market's first hybrid SPECT/CT imaging systems at Johns Hopkins Hospital in Baltimore, Maryland and Lenox Hospital in New York City.
- Frost & Sullivan gave Philips the 2005 Business Development Strategy Leadership Award and the 2005 Product Leadership Award for its HeartStart defibrillator.

Financial performance

- The positive trend in order intake continued in Q2 with 8% comparable growth in equipment orders.
- Nominal sales grew by 5% and comparable sales by 6% compared with Q2 2004, driven by all regions and businesses except MedQuist. Double-digit growth was visible in Ultrasound and Computed Tomography, mainly due to the successful introduction of innovative products.
- Income from operations, excluding MedQuist, improved by EUR 22 million, driven mainly by higher sales, a better product mix and productivity improvements. Compared to Q2 2004, operational income at MedQuist decreased by EUR 11 million due to higher costs, including legal fees relating to the billing investigation. MedQuist's income from operations in Q2 2004 included a goodwill impairment charge of EUR 14 million.

Looking ahead

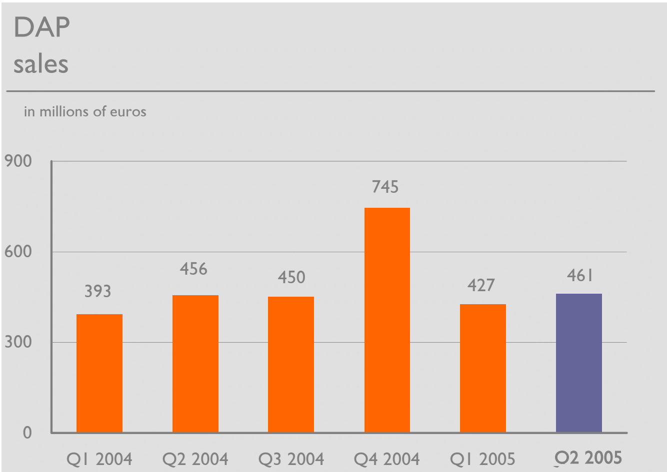
- With its steadily growing order book, Medical Systems aims to further increase its market share across all businesses while maintaining its focus on innovation and operational improvements.

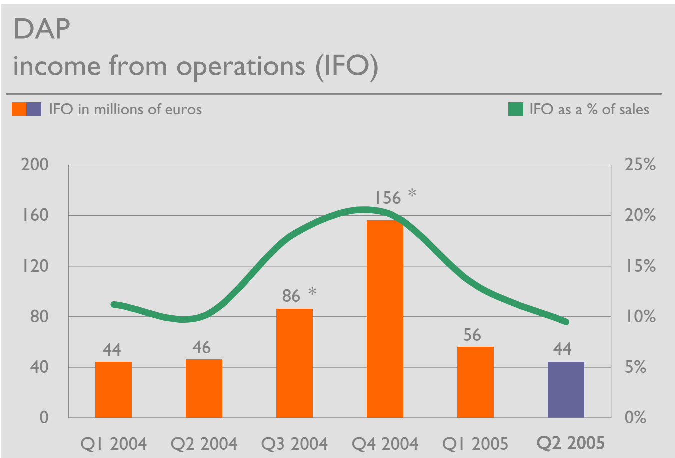
Domestic Appliances and Personal Care

DAP: key data

in millions of euros unless otherwise stated

	Q2 2004	Q2 2005
Sales	456	461
Sales growth		
% nominal	0	1
% comparable	2	1
Income from operations	46	44
as a % of sales	10.1	9.5
Net operating capital (NOC)	528	511
Number of employees (FTEs)	8,301	8,510





* impact of restatement of global brand campaign to Unallocated: EUR 4 million in Q3 2004 and EUR 5 million in Q4 2004

Business highlights

- In the United Kingdom, Philips introduced "Philips Bodygroom" – the first all-in-one all-over body shaver & trimmer for men.
- Philips started the rollout of the Senseo coffee maker in Asian markets.

Financial performance

- Sales increased by 1% compared to Q2 2004, on both a nominal and comparable basis. Comparable sales growth was driven by Oral Healthcare (IntelliClean) and Food & Beverage (Senseo coffee machine and food appliances). On a regional basis, sales in Western Europe and North America declined due to a weakened consumer retail environment, while Latin America and China contributed strongly to sales growth.
- Income from operations amounted to EUR 44 million, or 9.5% of sales. Despite weakened retail markets, margins were maintained at the level of Q2 2004.
- The impact of the increase in advertising and promotion costs compared to Q1 2005 was not sufficient to compensate weak demand in certain markets.
- Net operating capital decreased by EUR 17 million, mainly driven by a reduction in fixed assets and improvements in supply chain management.

Looking ahead

- The focus will remain on launching innovative products, extending alliances and expanding retail channels into emerging markets.
- Demand in Western Europe and North America is expected to remain weak. Retail channels appear somewhat overstocked in certain product categories.

Consumer Electronics

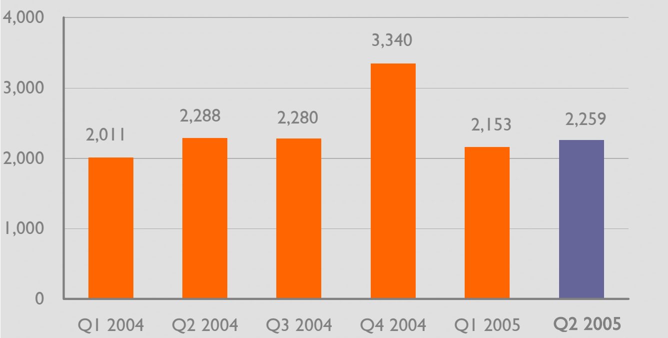
Consumer Electronics: key data

in millions of euros unless otherwise stated

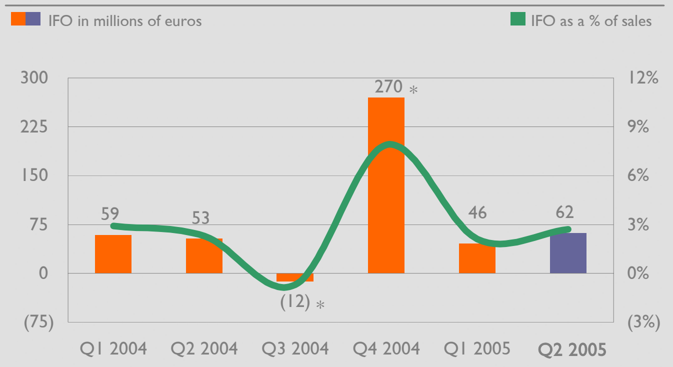
	Q2 2004	Q2 2005
Sales	2,288	2,259
Sales growth		
% nominal	16	(1)
% comparable	19	(2)
Income from operations	53	62
as a % of sales	2.3	2.7
Net operating capital (NOC)	133	232
Number of employees (FTEs)	17,716	16,746

Consumer Electronics sales

in millions of euros



Consumer Electronics income (loss) from operations (IFO)



* impact of restatement of global brand campaign to Unallocated: EUR 3 million in Q3 2004 and EUR 6 million in Q4 2004

Business highlights

- WalMart named Philips "International Supplier of the Year" due to a significant improvement in the consumer electronics business at its Sam's stores in the United States in 2004.
- Philips won an IDEA Award for the Ambilight Flat TV in Business Week's 2005 Industrial Design Excellence Awards.
- Hong Kong's Business Environment Council gave Eco-Product Awards to three portable Philips products.

Financial performance

- Sales amounted to EUR 2,259 million, a decline of 2% on a comparable basis. Both Connected Displays and Home Entertainment Networks posted comparable growth while Licenses recorded a decline in sales. North America (aided by favorable performance in Flat TV) and Latin America posted strong sales. In Europe, sales were hampered by a weakened consumer retail environment.
- Licenses' income from operations amounted to EUR 56 million (including EUR 16 million for past use), which is EUR 31 million lower than in Q2 2004, mainly due to lower past-use income.
- Income from operations (excluding Licenses) was EUR 6 million, an improvement of EUR 40 million on Q2 2004. The increase was mainly driven by a better performance of Home Entertainment Networks and lower restructuring charges. Restructuring charges amounted to EUR 8 million in Q2 2005 compared to EUR 18 million in Q2 2004.

Looking ahead

- The agreement with TPV Technology Limited is expected to be closed in Q3 2005.
- Demand in Europe is expected to remain weak. Retail channels appear somewhat overstocked, predominantly with B and C brands.
- In connection with the Business Renewal Program, restructuring charges of approximately EUR 40 million and EUR 20 million are expected in Q3 and Q4 respectively.
- In spite of weak markets, CE (including Licenses) is on track to achieve its profitability target of 4 – 4.5% by the end of 2005.

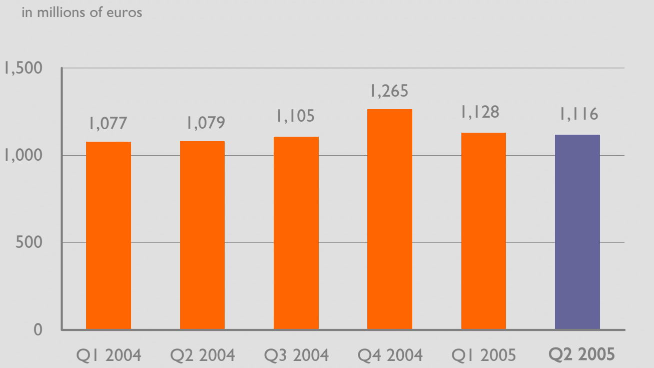
Lighting

Lighting: key data

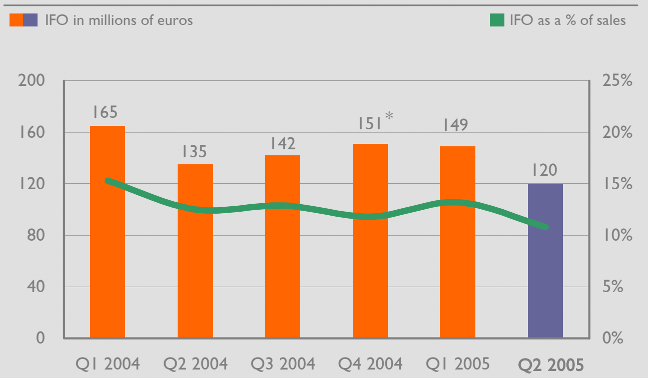
in millions of euros unless otherwise stated

	Q2 2004	Q2 2005
Sales	1,079	1,116
Sales growth		
% nominal	4	3
% comparable	7	4
Income from operations	135	120
as a % of sales	12.5	10.8
Net operating capital (NOC)	1,641	1,702
Number of employees (FTEs)	44,516	42,977

Lighting sales



Lighting income from operations (IFO)



* impact of restatement of global brand campaign to Unallocated: EUR 2 million

Business highlights

- Philips announced a EUR 40 million investment at its global competence center for fluorescent lighting in Roosendaal, the Netherlands. This sum is to be invested in LCD backlighting technology, which is used to improve the picture quality of LCD widescreen televisions.
- Philips and German company Novaleds achieved a new efficiency record for high-brightness white OLEDs (Organic Light-Emitting Diodes) – a new solid-state lighting technology incorporating organic materials to create a diffuse, adaptable lighting environment.
- In four major European countries, Philips launched a marketing campaign focused on Dynamic Lighting – a new concept in office lighting designed to enhance well-being, motivation and performance in an office setting.

Financial performance

- On a comparable basis, sales increased 4%, led by Lamps and Luminaires. Automotive, Special Lighting & UHP, suffering from a weakened market for consumer applications in North America, posted a 2% decline on a comparable basis. All regions showed comparable sales growth except North America.
- Income from operations totaled EUR 120 million, a decrease of EUR 15 million compared with Q2 2004. The decrease was mainly attributable to additional R&D expenditure for LCD backlighting and solid-state lighting technologies.

Looking ahead

- Markets for consumer applications in North America are expected to remain weak.
- Strict cost control and optimization of supply chain management will remain a priority.
- The division will continue to invest in innovative sectors via increased R&D and capital expenditures for solid-state lighting and LCD backlighting.

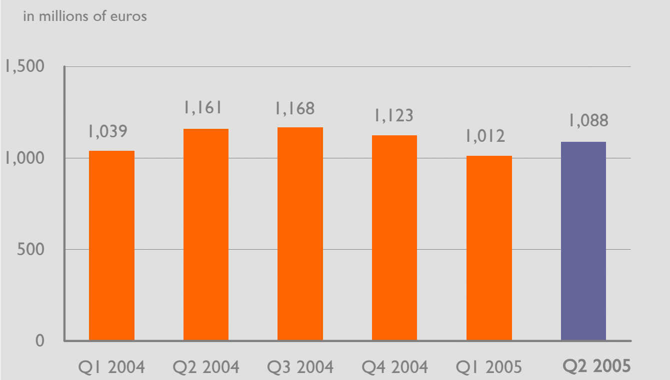
Semiconductors

Semiconductors: key data

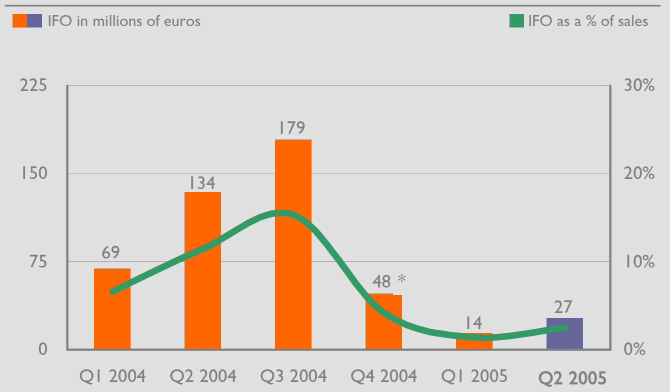
in millions of euros unless otherwise stated

	Q2 2004	Q2 2005
Sales	1,161	1,088
Sales growth		
% nominal	32	(6)
% comparable	32	(6)
Income from operations	134	27
as a % of sales	11.5	2.5
Net operating capital (NOC)	3,034	2,629
Number of employees (FTEs)	33,448	35,682

Semiconductors sales



Semiconductors income from operations (IFO)



* impact of restatement of global brand campaign to Unallocated: EUR 1 million

Business highlights

- The German government selected Philips to provide contactless smart-card chips for use in the country's smart passports.
- Philips reaches milestone – 15 million digital tuner chips sold worldwide for set-top boxes and digital television. This represents over 30% of the total number of tuner chips sold worldwide since 2003.
- Semiconductors businesses regrouped into four units – Automotive & Identification, Mobile & Personal, Home and MultiMarket Semiconductors – to strengthen the division's customer orientation and respond to customer needs more effectively.
- Philips and Microsoft announced a set of long-term non-exclusive agreements to facilitate the seamless flow of digital entertainment content between Windows®-based PCs and products equipped with Philips' Nexperia® semiconductors.

Financial performance

- Sales declined by 6% on both a nominal and comparable basis, as the last cycle peaked in Q2 2004. Sequentially, sales grew by 3% in US dollar terms.
- At 1.00, the book-to-bill ratio at the end of Q2 was virtually unchanged from 1.01 at the end of Q1.
- The utilization rate improved slightly from 75% in Q1 2005 to 77% in Q2, compared with 99% in Q2 2004.
- The lower income from operations compared to Q2 2004 is attributable to lower sales activity, lower margins and a lower build-up of inventories, coupled with higher costs.
- Compared to Q1 2005, income from operations was positively impacted by the higher sales activity and the stronger dollar.

Looking ahead

- Mid-single-digit sequential growth in sales (in US dollar terms) is expected in Q3 2005.

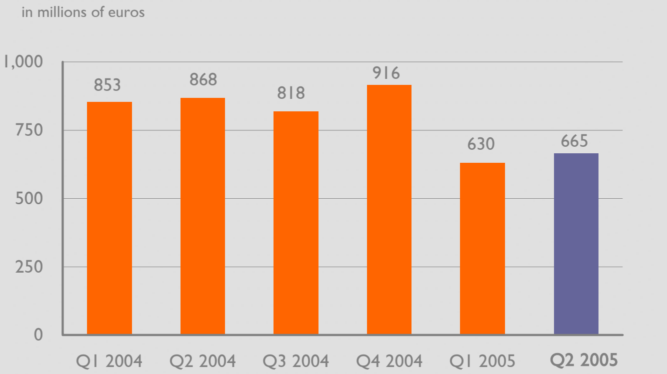
Other Activities

Other Activities: key data

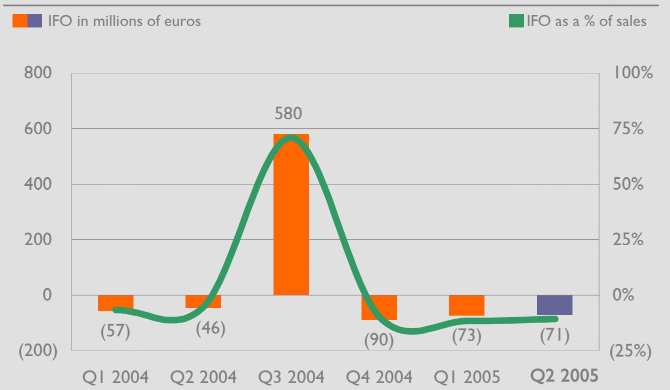
in millions of euros unless otherwise stated

	Q2 2004	Q2 2005
Sales	868	665
Sales growth		
% nominal	18	(23)
% comparable	18	(10)
IFO Corporate Technology	(75)	(44)
IFO Corp. Investments and others	29	(27)
Income (loss) from operations	(46)	(71)
as a % of sales	(5.3)	(10.7)
Net operating capital (NOC)	359	711
Number of employees (FTEs)	28,823	22,329

Other Activities sales



Other Activities income (loss) from operations (IFO)



Business highlights

- Philips received four IDEA design awards from Business Week – one Gold award, two Silver and one Bronze – in particular for its Ambient Experience medical suite.
- In China, Philips concluded its 120th DVD video player patent license agreement and its 20th DVD video recorder patent license agreement, signs of China's growing success in the global DVD market.
- The New York Intellectual Property Law Association (NYIPLA) named Philips researchers Dr Karen Trovato and Dr Leo Dorst "2005 Inventor of the Year" for their algorithm that optimizes computerized route-planning.

Financial performance Corporate Technology

- Corporate Technology's income from operations improved by EUR 31 million compared with Q2 2004. Lower R&D spending, coupled with some incidentals, positively impacted the result, partly offset by restructuring charges of EUR 9 million.

Financial performance Corp. Investments/others

- Corporate Investments' income from operations deteriorated compared to Q2 2004 due to lower results for the operational businesses and restructuring charges of EUR 9 million.
- Comparable sales at MDS declined 36% compared to Q2 2004, resulting in a loss from operations.
- The income from operations of Optical Storage was impacted by high price pressure and additional license costs.
- The deconsolidation of NAVTEQ also reduced income compared to Q2 2004.

Looking ahead

- In Corporate Investments and MDS, sales are expected to remain under pressure in Q3 2005.
- Restructuring charges of approximately EUR 15 million are expected in Q3 2005.

Unallocated

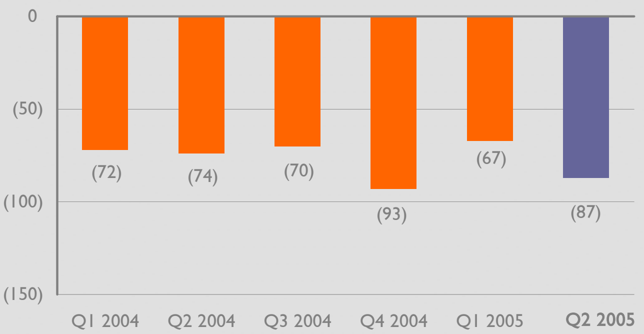
Unallocated: key data

in millions of euros unless otherwise stated

	Q2 2004	Q2 2005
Corporate and regional overheads	(74)	(87)
Pensions/postretirement benefit costs	(24)	(36)
Global brand campaign	-	(69)
Income (loss) from operations	(98)	(192)
Number of employees (FTEs)	2,656	2,500

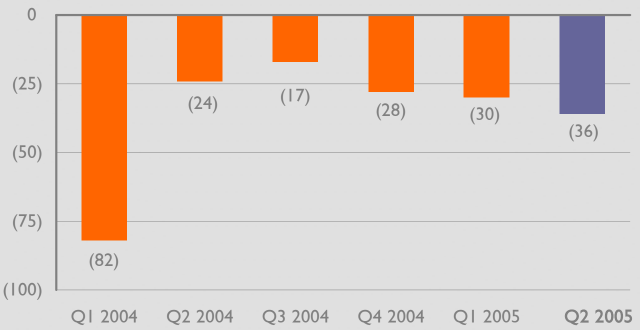
Unallocated: Corporate and Regional overheads income (loss) from operations (IFO)

in millions of euros



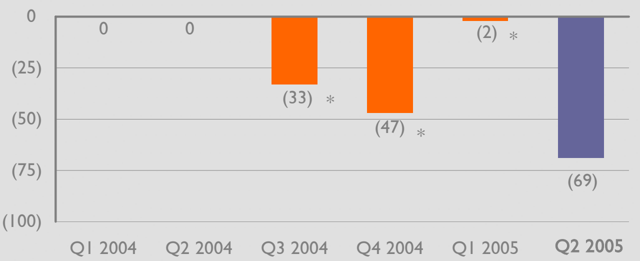
Unallocated: Pensions/postretirement benefit costs income (loss) from operations (IFO)

in millions of euros



Unallocated: Global brand campaign income (loss) from operations (IFO)

in millions of euros



* impact of restatement from Product Sectors: EUR 7 million in Q3 2004 and EUR 15 million in Q4 2004
impact of reclassification within Unallocated: EUR 26 million in Q3 2004, EUR 32 million in Q4 2004 and EUR 2 million in Q1 2005

Business highlights

- In India, Philips launched the DISHA project to make technology innovations in healthcare and lifestyle accessible and affordable to the less privileged.
- Philips launched the second wave of its global brand campaign, which was extended to include Brazil, Spain, India and Russia.

Financial performance

- For the sake of transparency, the total spend of the Philips Group related to the global brand campaign is now being reported under "Global brand campaign". The financials for the product divisions in Q3 and Q4 2004 have been restated accordingly.
- In Q2 2005 corporate and regional overheads income from operations included higher investments in projects enabling future cost reduction compared to Q2 2004 and Q1 2005.
- Pension costs were EUR 12 million higher than in Q2 2004, mainly due to the release of an early-retirement provision in Q2 2004.

Looking ahead

- Investments in the global brand are expected to be approximately EUR 20 million in Q3 2005.

LG.Philips Displays joint venture (100%)

LG.Philips Displays joint venture (100%)

in millions of euros unless otherwise stated

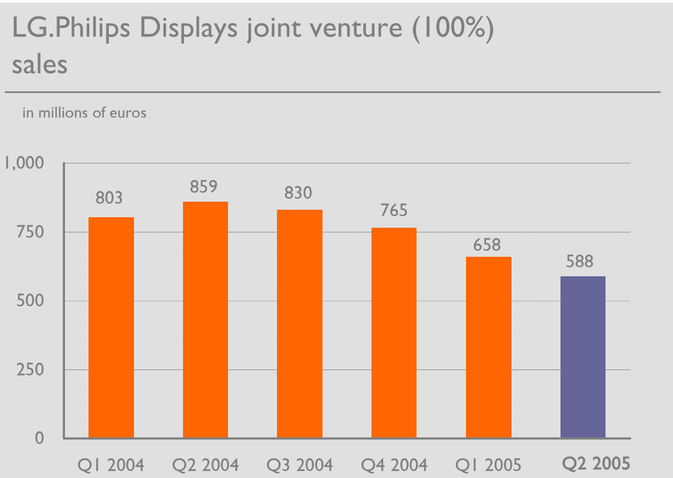
	Q2 2004	Q2 2005
Sales	859	588
Sales growth		
% nominal	10	(32)
Income (loss) from operations	46	(7)
as a % of sales	5.4	(1.2)
Net income (loss) (100%)	9	(22)
Net income (loss)		
(Philips share = 50%)	4	(11)
Net operating capital (NOC)	1,476	1,178
Number of employees (FTEs)	24,548	20,593

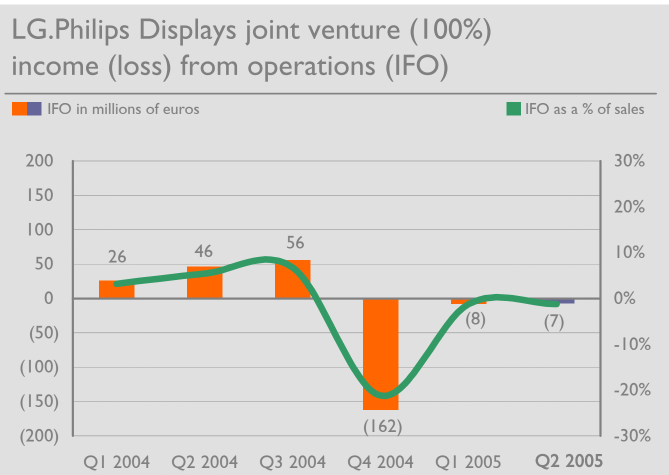
Financial performance

- Sales declined by 32% compared to Q2 2004, mainly due to strong price erosion coupled with further market decline.
- Restructuring charges totaled EUR 4 million, half the level of Q2 2004.
- Philips' share in the net loss was EUR 11 million, a decline of EUR 15 million compared to Q2 2004.

Looking ahead

- Implications of the most recent market developments are being studied and could require additional restructuring programs.





Highlights in the 1st six months

The 1st six months of 2005

- Net profit EUR 1,100 million
- Comparable sales up 1%, driven by Medical Systems, Lighting and DAP
- Income from operations EUR 340 million
- Unconsolidated companies contributed EUR 844 million to net income
- Net debt : group equity ratio 8:92

Net income

in millions of euros

	January-June 2003	January-June 2004	January-June 2005
Sales	13,031	13,911	13,722
Income from operations	6	574	340
as a % of sales	0.0	4.1	2.5
Financial income and expenses	(162)	(131)	(105)
Income taxes	59	(133)	39
Results unconsolidated companies	84	887	844
Minority interests	(14)	(31)	(18)
Net income (loss)	(27)	1,166	1,100
Per common share – basic	(0.02)	0.91	0.87

Management summary

- Net income was a profit of EUR 1,100 million, compared to EUR 1,166 million in the first half of 2004.

- Sales amounted to EUR 13,722 million, 1% lower than in the same period last year. The weaker US dollar and dollar-related currencies, together with (de)consolidation changes (mainly NAVTEQ), had a downward effect of 2%. Consequently, comparable sales were 1% higher than in the corresponding period of 2004.

- Comparable sales grew at Medical Systems (6%), Lighting (5%), DAP (5%) and CE (2%). This growth was partially offset by weaker sales at Semiconductors and MDS.

- Income from operations was a profit of EUR 340 million, compared to a profit of EUR 574 million in the same period last year. Restructuring and total impairment charges totaled EUR 78 million, compared to EUR 66 million in the first half of 2004. Pension costs amounted to EUR 125 million, compared to EUR 177 million in the same period last year.

- Unconsolidated companies contributed EUR 844 million to net income, compared to EUR 887 million in the first six months of 2004. The sale of NAVTEQ shares contributed EUR 753 million to net income, while the results of LG.Philips LCD were EUR 490 million lower than in the corresponding period of last year. Q2 2004 also included a net license gain of EUR 99 million related to InterTrust Technologies Corp. and a dilution gain of EUR 156 million on Philips' participation in Atos Origin.

Other information

Subsequent event

Philips announced on July 14, 2005 that it has sold its remaining stake of approximately 10.3 million shares in Atos Origin. The transaction will provide Philips with proceeds of approximately EUR 550 million, and will result in a non-taxable gain of approximately EUR 190 million in the third quarter.

Prior to this transaction, Philips' holding represented 15.4 % of Atos Origin's outstanding shares. Following this transaction, Philips no longer has a stake in Atos Origin.

Outlook

We remain cautious as regards the business outlook for the immediate future. In many parts of the world, growth is slowing down. In Europe in particular, the consumer retail environment is weak, impacting our growth ambitions in the short term.

We expect that Medical Systems will continue to record solid performance improvements based on operational efficiency, innovation and a strong order intake. Defying adverse market conditions, Consumer Electronics remains on track to achieve its 4 – 4.5% profitability target by the end of the year. Despite softness in certain key markets, Lighting and DAP will continue to deliver solid performances and will grow through innovation. For Semiconductors, we do not expect to see any significant upturn in market conditions in the short term.

We will continue to focus on innovation across the group, and on products with higher margins in markets offering greater scope for growth. At the same time, we will step up our efforts to improve both our cost structure and supply chain management. We will sustain our investments in strengthening our brand, with a tightened focus to ensure maximum impact.

Amsterdam, July 18, 2005

Board of Management

Consolidated statements of income

all amounts in millions of euros unless otherwise stated

	2nd quarter		January to June	
	2004	**2005**	2004	**2005**
Sales	7,280	**7,087**	13,911	**13,722**
Cost of sales	(4,842)	**(4,784)**	(9,280)	**(9,278)**
Gross margin	2,438	**2,303**	4,631	**4,444**
Selling expenses	(1,087)	**(1,174)**	(2,092)	**(2,182)**
General and administrative expenses	(331)	**(331)**	(692)	**(638)**
Research and development expenses	(654)	**(642)**	(1,268)	**(1,262)**
Impairment of goodwill	(14)	**-**	(14)	**-**
Restructuring and impairment charges	(36)	**(33)**	(52)	**(78)**
Other business income (expense)	40	**24**	61	**56**
Income from operations	356	**147**	574	**340**
Financial income and expenses	(65)	**(57)**	(131)	**(105)**
Income before taxes	291	**90**	443	**235**
Income tax (expense) benefit	(87)	**83**	(133)	**39**
Income after taxes	204	**173**	310	**274**
Results relating to unconsolidated companies, including a net dilution loss of EUR 24 million in the 2nd quarter of 2005 (gain of EUR 156 million in the 1st quarter of 2004)	430	**822**	887	**844**
Minority interests	(18)	**(12)**	(31)	**(18)**
Net income	616	**983**	1,166	**1,100**
Income from operations as a % of sales	4.9	**2.1**	4.1	**2.5**
Weighted average number of common shares outstanding (after deduction of treasury stock) during the period (in thousands):				
• basic			1,280,034	**1,265,804**
• diluted			1,283,941	**1,267,986**
Net income per common share in euros:				
• basic	0.48	**0.78**	0.91	**0.87**
• diluted	0.48	**0.78**	0.91	**0.87**

Consolidated balance sheets and additional ratios

all amounts in millions of euros unless otherwise stated

	June 30, 2004	December 31, 2004	June 30, 2005
Current assets:			
Cash and cash equivalents	2,434	4,349	**3,005**
Receivables	4,863	4,528	**4,911**
Inventories	3,738	3,230	**4,000**
Other current assets	1,050	1,216	**963**
Total current assets	12,085	13,323	**12,879**
Non-current assets:			
Investments in unconsolidated companies	5,910	5,670	**6,031**
Other non-current financial assets	1,316	876	**924**
Non-current receivables	252	227	**165**
Other non-current assets	2,492	2,823	**3,231**
Property, plant and equipment	5,394	4,997	**5,034**
Intangible assets excluding goodwill	1,192	989	**1,010**
Goodwill	2,581	1,818	**2,044**
Total assets	31,222	30,723	**31,318**
Current liabilities:			
Accounts and notes payable	3,362	3,499	**3,348**
Accrued liabilities	3,163	3,307	**3,254**
Short-term provisions	884	781	**783**
Other current liabilities	646	627	**569**
Short-term debt	2,127	961	**815**
Total current liabilities	10,182	9,175	**8,769**
Non-current liabilities:			
Long-term debt	4,019	3,552	**3,651**
Long-term provisions	2,014	2,117	**2,130**
Other non-current liabilities	736	736	**756**
Total liabilities	16,951	15,580	**15,306**
Minority interests	327	283	**335**
Stockholders' equity	13,944	14,860	**15,677**
Total liabilities and equity	31,222	30,723	**31,318**
Number of common shares outstanding (after deduction of treasury stock) at the end of period (in thousands)	1,279,958	1,281,527	**1,247,475**
Ratios			
Stockholders' equity per common share in euros	10.89	11.60	**12.57**
Inventories as a % of sales	12.5	10.7	**13.3**
Net debt : group equity ratio	21:79	1:99	**8:92**
Net operating capital	9,062	7,192	**8,631**
Employees at end of period	165,615	161,586	**159,709**

Consolidated statements of cash flows *

all amounts in millions of euros

	2nd quarter 2004	2nd quarter 2005	January to June 2004	January to June 2005
Cash flows from operating activities:				
Net income	616	**983**	1,166	**1,100**
Adjustments to reconcile net income to net cash provided by (used for) operating activities:				
Depreciation and amortization	418	**379**	796	**741**
Impairment of equity investments	1	**-**	4	**-**
Net gain on sale of assets	(28)	**(760)**	(45)	**(777)**
Unconsolidated companies (net of dividends received)	(423)	**(69)**	(877)	**(2)**
Minority interests (net of dividends paid)	11	**12**	24	**18**
Increase in working capital/other current assets	(404)	**(274)**	(640)	**(1,081)**
(Increase) decrease in non-current receivables/other assets	(63)	**(134)**	104	**(223)**
Decrease in provisions	(67)	**(92)**	(74)	**(101)**
Other items	1	**(8)**	8	**11**
Net cash provided by (used for) operating activities	62	**37**	466	**(314)**
Cash flows from investing activities:				
Purchase of intangible assets	(16)	**(29)**	(30)	**(43)**
Capital expenditures on property, plant and equipment	(350)	**(221)**	(622)	**(447)**
Proceeds from disposals of property, plant and equipment	70	**40**	97	**77**
Cash from/to derivatives	29	**(24)**	37	**(33)**
Proceeds from sale (purchase) of other non-current financial assets	-	**2**	6	**(2)**
Proceeds from sale (purchase) of businesses	(40)	**920**	(58)	**846**
Net cash (used for) provided by investing activities	(307)	**688**	(570)	**398**
Cash flows before financing activities	(245)	**725**	(104)	**84**
Cash flows from financing activities:				
Increase (decrease) in debt	21	**(197)**	(191)	**(326)**
Treasury stock transactions	13	**(285)**	(34)	**(699)**
Dividends paid	(460)	**(504)**	(460)	**(504)**
Net cash used for financing activities	(426)	**(986)**	(685)	**(1,529)**
Decrease in cash and cash equivalents	(671)	**(261)**	(789)	**(1,445)**
Effect of change in consolidations on cash positions	1	**-**	117	**-**
Effect of changes in exchange rates on cash positions	(1)	**56**	34	**101**
Cash and cash equivalents at beginning of period	3,105	**3,210**	3,072	**4,349**
Cash and cash equivalents at end of period	2,434	**3,005**	2.434	**3,005**

* 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 statement of changes in stockholders' equity

all amounts in millions of euros

											January to June 2005
				Accumulated other comprehensive income (loss)					Treasury shares at cost		
	Common stock	Capital in excess of par value	Retained earnings	Currency translation differences	Unrealized gain (loss) on available-for-sale securities	Additional minimum pension liability	Changes in fair value of cash flow hedges	Total	To hedge share-based compensation plans	To cover capital reduction program	Total stockholders' equity
Balance as of December 31, 2004	263	97	19,346	(3,407)	174	(429)	55	(3,607)	(1,239)		14,860
Net income			1,100								1,100
Net current period change				1,011	(6)	(31)	(75)	899			899
Reclassifications into income				17			(13)	4			4
Total comprehensive income (loss), net of tax			1,100	1,028	(6)	(31)	(88)	903			2,003
Dividend payable			(504)								(504)
Purchase of treasury stock									(250)	(500)	(750)
Re-issuance of treasury stock		(54)							105		51
Share-based compensation plans		17									17
Balance as of June 30, 2005	**263**	**60**	**19,942**	**(2,379)**	**168**	**(460)**	**(33)**	**(2,704)**	**(1,384)**	**(500)**	**15,677**

Product sectors

all amounts in millions of euros unless otherwise stated

Sales and income from operations

	2nd quarter					
	2004			2005		
	Sales	Income (loss) from operations		Sales	Income (loss) from operations	
		amount	as a % of sales		amount	as a % of sales
Medical Systems	1,428	132	9.2	**1,498**	**157**	**10.5**
DAP	456	46	10.1	**461**	**44**	**9.5**
Consumer Electronics	2,288	53	2.3	**2,259**	**62**	**2.7**
Lighting	1,079	135	12.5	**1,116**	**120**	**10.8**
Semiconductors	1,161	134	11.5	**1,088**	**27**	**2.5**
Other Activities	868	(46)	(5.3)	**665**	**(71)**	**(10.7)**
Unallocated		(98)			**(192)**	
Total	7,280	356	4.9	**7,087**	**147**	**2.1**

	January to June					
	2004			2005		
	Sales	Income (loss) from operations		Sales	Income (loss) from operations	
		amount	as a % of sales		amount	as a % of sales
Medical Systems	2,686	224	8.3	**2,783**	**257**	**9.2**
DAP	849	90	10.6	**888**	**100**	**11.3**
Consumer Electronics	4,299	112	2.6	**4,412**	**108**	**2.4**
Lighting	2,156	300	13.9	**2,244**	**269**	**12.0**
Semiconductors	2,200	203	9.2	**2,100**	**41**	**2.0**
Other Activities	1,721	(103)	(6.0)	**1,295**	**(144)**	**(11.1)**
Unallocated		(252)			**(291)**	
Total	13,911	574	4.1	**13,722**	**340**	**2.5**

Product sectors and main countries

all amounts in millions of euros

Sales and total assets

	Sales		Total assets	
	January to June		June 30,	
	2004	**2005**	2004	**2005**
Medical Systems	2,686	**2,783**	5,627	**5,217**
DAP	849	**888**	888	**911**
Consumer Electronics	4,299	**4,412**	2,500	**2,627**
Lighting	2,156	**2,244**	2,539	**2,678**
Semiconductors	2,200	**2,100**	4,384	**3,922**
Other Activities	1,721	**1,295**	7,843	**7,819**
Unallocated			7,441	**8,144**
Total	13,911	**13,722**	31,222	**31,318**

Sales and long-lived assets

	Sales		Long-lived assets *	
	January to June		June 30,	
	2004	**2005**	2004	**2005**
Netherlands	560	**497**	1,541	**1,472**
United States	3,253	**3,335**	3,984	**3,157**
Germany	1,106	**1,047**	595	**550**
France	892	**814**	195	**193**
United Kingdom	552	**506**	244	**191**
China	1,436	**1,325**	386	**454**
Other countries	6,112	**6,198**	2,222	**2,071**
Total	13,911	**13,722**	9,167	**8,088**

* Includes property, plant and equipment and intangible assets

Pension costs

all amounts in millions of euros unless otherwise stated

Net periodic pension costs of defined-benefit plans

	2nd quarter 2005		January-June 2005	
	Netherlands	Other	Netherlands	Other
Service cost	52	35	105	64
Interest cost on the projected benefit obligation	140	98	279	190
Expected return on plan assets	(184)	(91)	(368)	(177)
Amortization of unrecognized transition obligation	-	-	-	-
Net actuarial (gain) loss recognized	(7)	9	(14)	20
Amortization of prior service cost	(14)	7	(28)	13
Settlement loss	-	5	-	6
Other	-	-	-	1
Net periodic cost (income)	**(13)**	**63**	**(26)**	**117**

The net periodic pension costs in the second quarter of 2005 amounted to EUR 66 million, of which EUR 50 million for defined-benefit plans (the Netherlands income of EUR 13 million, other countries cost of EUR 63 million) and EUR 16 million related to defined-contribution plans outside the Netherlands.

Net periodic costs of postretirement benefits other than pensions

	2nd quarter 2005		January-June 2005	
	Netherlands	Other	Netherlands	Other
Service cost	4	1	8	2
Interest cost on the accumulated postretirement benefit obligation	5	6	9	12
Amortization of unrecognized transition obligation	1	1	2	2
Net actuarial loss recognized	2	1	3	2
Curtailment loss	-	-	-	-
Net periodic cost	**12**	**9**	**22**	**18**

Consolidated statements of income in accordance with IFRS

all amounts in millions of euros unless otherwise stated

	2nd quarter 2004	2nd quarter 2005	January to June 2004	January to June 2005
Sales	7,280	**7,087**	13,911	**13,722**
Cost of sales	(4,851)	**(4,798)**	(9,298)	**(9,304)**
Gross margin	2,429	**2,289**	4,613	**4,418**
Selling expenses	(1,089)	**(1,160)**	(2,096)	**(2,170)**
General and administrative expenses	(357)	**(359)**	(744)	**(700)**
Research and development expenses	(615)	**(576)**	(1,184)	**(1,127)**
Impairment of goodwill	(14)	**-**	(14)	**-**
Restructuring and impairment charges	(36)	**(33)**	(52)	**(78)**
Other business income (expense)	51	**19**	69	**42**
Income from operations	369	**180**	592	**385**
Financial income and expenses	(65)	**(58)**	(131)	**(107)**
Income before taxes	304	**122**	461	**278**
Income tax (expense) benefit	(91)	**72**	(139)	**25**
Income after taxes	213	**194**	322	**303**
Results relating to unconsolidated companies, including a net dilution loss of EUR 24 million in the 2nd quarter of 2005 (gain of EUR 156 million in the 1st quarter of 2004)	424	**798**	875	**820**
Minority interests	(18)	**(12)**	(31)	**(19)**
Net income	619	**980**	1,166	**1,104**
Income from operations as a % of sales	5.1	**2.5**	4.3	**2.8**
Weighted average number of common shares outstanding (after deduction of treasury stock) during the period (in thousands)				
• basic			1,280,034	**1,265,804**
• diluted			1,283,941	**1,267,986**
Net income per common share in euros:				
• basic	0.48	**0.78**	0.91	**0.87**
• diluted	0.48	**0.78**	0.91	**0.87**

Consolidated balance sheets and additional ratios in accordance with IFRS

all amounts in millions of euros unless otherwise stated

	June 30, 2004	December 31, 2004	June 30, 2005
Current assets:			
Cash and cash equivalents	2,434	4,349	**3,005**
Receivables	4,863	4,528	**4,911**
Inventories	3,738	3,230	**4,000**
Other current assets	518	883	**586**
Total current assets	11,553	12,990	**12,502**
Non-current assets:			
Investments in unconsolidated companies	5,651	5,441	**5,763**
Other non-current financial assets	1,316	876	**924**
Non-current receivables	252	227	**165**
Other non-current assets	2,115	2,122	**2,340**
Property, plant and equipment	5,429	5,028	**5,063**
Intangible assets excluding goodwill	2,380	2,324	**2,497**
Goodwill	2,178	1,463	**1,645**
Total assets	30,874	30,471	**30,899**
Current liabilities:			
Accounts and notes payable	3,362	3,499	**3,348**
Accrued liabilities	3,077	3,231	**3,191**
Short-term provisions	1,050	976	**1,010**
Other current liabilities	646	627	**569**
Short-term debt	2,128	962	**816**
Total current liabilities	10,263	9,295	**8,934**
Non-current liabilities:			
Long-term debt	4,054	3,583	**3,679**
Long-term provisions	2,231	2,237	**2,128**
Other non-current liabilities	913	832	**840**
Total liabilities	17,461	15,947	**15,581**
Minority interests	327	285	**338**
Stockholders' equity	13,086	14,239	**14,980**
Total liabilities and equity	30,874	30,471	**30,899**
Number of common shares outstanding (after deduction of treasury stock) at the end of period (in thousands)	1,279,958	1,281,527	**1,247,475**
Ratios			
Stockholders' equity per common share in euros	10.22	11.11	**12.01**
Inventories as a % of sales	12.5	10.7	**13.3**
Net debt : group equity ratio	22:78	1:99	**9:91**
Employees at end of period	165,615	161,586	**159,709**

Reconciliation from US GAAP to IFRS

all amounts in millions of euros unless otherwise stated

Reconciliation of net income from US GAAP to IFRS

	2nd quarter		January to June	
	2004	2005	2004	2005
Net income as per the consolidated statements of income on a US GAAP basis	616	**983**	1,166	**1,100**
Adjustments to IFRS:				
Capitalized product development expenses	157	**168**	296	**331**
Amortization of product development assets	(115)	**(102)**	(204)	**(188)**
Pensions and other postretirement benefits	(38)	**(28)**	(75)	**(84)**
Unconsolidated companies	(6)	**(24)**	(12)	**(24)**
Other differences in income	9	**(6)**	1	**(17)**
Deferred income tax effects	(4)	**(11)**	(6)	**(14)**
Net income in accordance with IFRS	619	**980**	1,166	**1,104**

Reconciliation of stockholders' equity from US GAAP to IFRS

	June 30,	
	2004	2005
Stockholders' equity as per the consolidated balance sheets on a US GAAP basis	13,944	**15,677**
Adjustments to IFRS:		
Product development expenses	1,329	**1,600**
Pensions and other postretirement benefits	(1,839)	**(1,851)**
Goodwill amortization	(402)	**(399)**
Unconsolidated companies	(259)	**(268)**
Recognized results on sale and leaseback transactions	116	**90**
Other differences in equity		**(2)**
Deferred income tax effects	197	**133**
Stockholders' equity in accordance with IFRS	13,086	**14,980**

Reconciliation of non-US GAAP performance measures

all amounts in millions of euros unless otherwise stated

Certain non-US GAAP financial measures are presented when discussing the Philips Group's performance. In the following tables, a reconciliation to the most directly comparable US GAAP performance measure is made.

Sales growth composition (in %)

	January to June			
	Comparable growth	Currency effects	Consolidation changes	Nominal growth
2005 versus 2004				
Medical Systems	**5.7**	**(2.6)**	**0.5**	**3.6**
DAP	**5.0**	**(0.4)**		**4.6**
Consumer Electronics	**1.8**	**(0.8)**	**1.6**	**2.6**
Lighting	**5.1**	**(1.0)**		**4.1**
Semiconductors	**(4.3)**	**(2.5)**	**2.3**	**(4.5)**
Other Activities	**(12.4)**	**(1.4)**	**(11.0)**	**(24.8)**
Philips Group	**0.7**	**(1.5)**	**(0.6)**	**(1.4)**

Composition of net debt and group equity

	June 30, 2004	June 30, 2005
Long-term debt	4,019	**3,651**
Short-term debt	2,172	**815**
Total debt	6,191	**4,466**
Cash and cash equivalents	(2,434)	**(3,005)**
Net debt (total debt less cash and cash equivalents)	3,757	**1,461**
Minority interests	327	**335**
Stockholders' equity	13,944	**15,677**
Group equity	14,271	**16,012**
Net debt and group equity	18,028	**17,473**
Net debt divided by net debt and group equity (in %)	21	**8**
Group equity divided by net debt and group equity (in %)	79	**92**

Reconciliation of non-US GAAP performance measures (continued)

Net operating capital to total assets

	Philips Group	Medical Systems	DAP	Consumer Electronics	Lighting	Semi-conductors	Other Activities	Unallocated
June 30, 2005								
Net operating capital (NOC)	**8,631**	**3,287**	**511**	**232**	**1,702**	**2,629**	**711**	**(441)**
Eliminate liabilities comprised in NOC:								
– payables/liabilities	**7,927**	**1,594**	**339**	**2,021**	**748**	**773**	**1,109**	**1,343**
– intercompany accounts	**-**	**22**	**4**	**63**	**37**	**(19)**	**(136)**	**29**
– provisions[1)]	**2,702**	**254**	**57**	**291**	**127**	**227**	**612**	**1,134**
Include assets not comprised in NOC:								
– investments in unconsolidated comp.	**6,031**	**60**		**20**	**64**	**312**	**5,523**	**52**
– other non-current financial assets	**924**							**924**
– deferred tax assets	**2,098**							**2,098**
– liquid assets	**3,005**							**3,005**
Total assets	**31,318**	**5,217**	**911**	**2,627**	**2,678**	**3,922**	**7,819**	**8,144**

1) provisions on balance sheet EUR 2,913 million excluding deferred tax liabilities of EUR 211 million

	Philips Group	Medical Systems	DAP	Consumer Electronics	Lighting	Semi-conductors	Other Activities	Unallocated
June 30, 2004								
Net operating capital (NOC)	9,062	3,763	528	133	1,641	3,034	359	(396)
Eliminate liabilities comprised in NOC:								
– payables/liabilities	7,907	1,566	298	1,990	717	795	1,413	1,128
– intercompany accounts	-	20	6	50	16	29	(92)	(29)
– provisions[2)]	2,725	245	56	307	131	215	715	1,056
Include assets not comprised in NOC:								
– investments in unconsolidated comp.	5,910	33		20	34	311	5,448	64
– other non-current financial assets	1,316							1,316
– deferred tax assets	1,868							1,868
– liquid assets	2,434							2,434
Total assets	31,222	5,627	888	2,500	2,539	4,384	7,843	7,441

2) provisions on balance sheet EUR 2,898 million excluding deferred tax liabilities of EUR 173 million

Composition of cash flow before financing activities

	2nd quarter		January to June	
	2004	**2005**	2004	**2005**
Cash flow from operating activities	62	**37**	466	**(314)**
Cash flow from investing activities	(307)	**688**	(570)	**398**
Cash flow before financing activities	(245)	**725**	(104)	**84**

Philips quarterly statistics

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

	2004				2005			
	1st quarter	2nd quarter	3rd quarter	4th quarter	1st quarter	2nd quarter	3rd quarter	4th quarter
Sales	6,631	7,280	7,229	9,179	6,635	7,087		
% increase	2	11	3	2	0	(3)		
Income from operations	218	356	1,019	14	193	147		
as a % of sales	3.3	4.9	14.1	0.2	2.9	2.1		
Net income	550	616	1,172	498	117	983		
per common share in euros	0.43	0.48	0.92	0.39	0.09	0.78		

	January-March	January-June	January-September	January-December	January-March	January-June	January-September	January-December
Sales	6,631	13,911	21,140	30,319	6,635	13,722		
% increase	2	7	6	4	0	(1)		
Income from operations	218	574	1,593	1,607	193	340		
as a % of sales	3.3	4.1	7.5	5.3	2.9	2.5		
Net income	550	1,166	2,338	2,836	117	1,100		
as a % of stockholders' equity (ROE)	18.5	19.0	24.5	20.3	3.7	16.3		
per common share in euros	0.43	0.91	1.83	2.22	0.09	0.87		

	period ending 2004				period ending 2005			
Inventories as a % of sales	12.1	12.5	13.4	10.7	11.9	13.3		
Net debt : group equity ratio	18:82	21:79	17:83	1:99	8:92	8:92		
Total employees (in thousands)	165	166	167	162	161	160		

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