

KONINKLIJKE PHILIPS ELECTRONICS NV  
Form 6-K  
April 19, 2001

2001 - 5

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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**FORM 6-K**

**REPORT OF FOREIGN ISSUER**

Pursuant to Rule 13a-16 or 15d-16 of the  
Securities Exchange Act of 1934

For the period commencing March 20, 2001 through April 17

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**KONINKLIJKE PHILIPS ELECTRONICS N.V.**

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(Name of registrant)

Rembrandt Tower, Amstelplein 1, 1096 HA Amsterdam, The Netherlands

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(Address of principal executive offices)

Name and address of person authorized to receive  
notices and communications from the Securities and Exchange Commission:

Andrew D. Soussloff, Esq.  
Sullivan & Cromwell  
125 Broad Street  
New York, New York 10004

This report comprises a copy of the Quarterly Report of the Philips Group for the three months ended March 31, 2001, dated April 17, 2001.

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrants have duly caused this report to be signed on their behalf, by the undersigned, thereunto duly authorized at Amsterdam, on the 17<sup>th</sup> day of April, 2001.

**KONINKLIJKE PHILIPS ELECTRONICS N.V.**

/s/ G.J. Kleisterlee

**G.J. Kleisterlee**

(Executive Vice-President,  
Member of the Board of Management  
and Chief Operating Officer)

/s/ J.H.M. Hommen

**J.H.M. Hommen**

(Executive Vice-President,  
Member of the Board of Management  
and Chief Financial Officer)

**1st Quarterly report  
April 17, 2001**

**Report on the performance of the Philips Group**

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**Key performance data for the period ending March 31**

all amounts in millions of euros unless otherwise stated

the data included in this report are unaudited

|       | January to March |             |
|-------|------------------|-------------|
|       | <u>2001</u>      | <u>2000</u> |
| Sales | 8,208            | 8,329       |

Income from operations, excl. amortization  
goodwill and other intangibles arising

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|   |                |         |
|---|----------------|---------|
| from acquisitions (Ebita)   | <b>412</b>     | 716     |
| As a % of sales   | <b>5.0</b>     | 8.6     |
| Income from operations  | <b>332</b>     | 663     |
| As a % of sales   | <b>4.0</b>     | 8.0     |
| Net income  | <b>106</b>     | 1,140   |
| Per common share in euros   | <b>0.08</b>    | 0.86    |
| Cash flows before financing activities                            | <b>(1,184)</b> | 535     |
| Income from operations,<br>as a % of net operating capital (RONA) | <b>11.5</b>    | 25.1    |
| Net income,<br>as a % of stockholders equity (ROE)                | <b>2.5</b>     | 31.2    |
| Net debt : group equity ratio                                     | <b>17:83</b>   | 4:96    |
| Number of employees   | <b>219,399</b> | 229,341 |

**PHILIPS REPORTS NET INCOME OF EUR 106 MILLION IN THE FIRST QUARTER OF 2001**

**Weakness in telecommunications and PC industries continues**

- **Net Income: EUR 106 million (EUR 0.08 per share)**
- **Sales declined 1%**
- **Income from operations: EUR 332 million (4.0% of sales)**
- **Unconsolidated companies: a loss of EUR 73 million, as a result of lower operational income and higher goodwill and merger integration costs**
- **One-time charge in the second quarter of approximately EUR 350 million; headcount reduction of more than 6,000**

The rapid downturn in the telecommunications and PC industries that has affected the businesses of Royal Philips Electronics since December 2000, continued throughout the first quarter of 2001. Results at Components, Consumer Electronics and to a lesser extent Semiconductors, were especially impacted by this decline, the speed of which has been remarkable. Performance at Lighting, Domestic Appliances and Personal Care (DAP), and Medical Systems was solid, as expected.

**Net Income** in the first quarter amounted to EUR 106 million (EUR 0.08 per share) compared to EUR 1,140 million (EUR 0.86 per share) in the corresponding period of 2000. Included in income is an after tax gain of EUR 53 million from the sale of the Philips Broadcast Group to Thomson Multimedia. The first quarter of 2000 included a gain of EUR 526 million (EUR 0.40 per share) from the sale of a portion of the JDS Uniphase shares.

**Sales** in the first quarter came to EUR 8,208 million, a 1% decrease on the year before. Changes arising from (de)consolidations had a neutral effect on balance. Currency fluctuations had a positive effect of 3%. Price erosion in the first quarter, at 6%, compares with 5% in the corresponding quarter in the year earlier. Volume growth in the first quarter of 2001 was 2%.

**Income from operations excluding amortization goodwill and other intangibles** in the first quarter was EUR 412 million (5% of sales). Income included an incidental gain of EUR 70 million related to the sale of Philips Broadcast activities to Thomson Multimedia, and EUR 25 million collected insurance payments at Semiconductors. Also included were charges for the write-off of components and inventory obsolescence at Consumer Communications of EUR 74 million, one-time acquisition related charges for ADAC at Medical Systems of EUR 20 million, and charges

of EUR 37 million for various activities in Miscellaneous. Last year's first quarter included charges of EUR 82 million for various restructuring projects, and other incidental charges.

**Income from Operations** amounted to EUR 332 million compared to EUR 663 million in the first quarter of 2000. The goodwill related charges came to EUR 80 million compared to EUR 53 million in 2000. The increase related to charges for newly acquired companies in 2000 (MedQuist, ADAC and Optiva).

**Financial income and expenses** in the first quarter were EUR -84 million, compared to income of EUR 480 million last year. The first quarter of 2000 included an incidental gain on the sale of a portion of JDS Uniphase shares of EUR 526 million. Excluding this item, the financial income and expense amounted to EUR -46 million. The difference mainly relates to higher interest expenses.

**Income tax charges** in the first quarter have been determined at a tentative rate of 25%. This compares to 20% (excluding non taxable gain on the sale of JDS Uniphase shares) in last year's corresponding quarter.

Philips' **income from operational results relating to unconsolidated companies** amounted to a loss of EUR 10 million in the first quarter, versus a profit of EUR 153 million last year. Market weakness resulted in lower contributions from TSMC, and negative contributions from SSMC and LG.Philips LCD Co. Philips' share in the results of Atos Origin was included under income from operational results on a three month delay basis (i.e. relating to Atos Origin's 4th quarter 2000 performance), and included Philips' share of non-recurring merger integration costs of EUR 20 million.

**Goodwill charges relating to unconsolidated companies** amounted to EUR 63 million compared to EUR 18 million in the first quarter of 2000. The increase related to Philips' shareholdings in TSMC and Atos Origin.

The share of third-party **minority interests** in the income of Group companies amounted to EUR 7 million, compared to EUR 14 million in the first quarter of 2000.

**Net income** for the first quarter amounted to EUR 106 million (EUR 0.08 per share) versus EUR 1,140 million (EUR 0.86 per share) in 2000.

## Accounting policies

Accounting policies applied are unchanged compared to the year 2000.

## Segment reporting

On February 8, 2001 it was announced that the activities listed under Consumer Electronics Specialty Products would be reallocated within the Group. In the first quarter of 2001, the respective businesses have been moved as follows:

- Institutional TV and Accessories to Mainstream CE
- Broadband Networks to Digital Networks
- Speaker Systems, Remote Control Systems, Creative Display Solutions, and Imaging to Components
- All remaining businesses to Miscellaneous

Prior year financials for the year 2000 in the sectors have been restated accordingly.

### Sales and income from operations per sector

Sales in the *Lighting* sector totaled EUR 1,295 million, 6% ahead of the year before. Currency movements had a positive impact of 3% on sales. Volume growth was 7%, while prices were 4% lower, on average. The strongest sales growth was achieved by the business units Automotive & Special Lighting and Luminaires.

Income from operations came to EUR 202 million, approximately the same level as last year. Margins remained strong at 15.5%, below the record 16.6% in the year earlier quarter.

Sales in *Consumer Electronics* totaled EUR 2,685 million, a decrease of 5% over the same quarter in 2000. Currency movements had a positive effect of 2% on nominal sales. Sales volume increased by 4%, while prices decreased on average by 10%; price erosion rose particularly in mobile phones. Sales of Mainstream CE products increased marginally, hampered by the slowdown in the U.S. market. Sales edged up in Branded Monitors, DVD Video and Audio Systems. Digital Networks recorded sharply lower sales of set-top boxes, in particular to U.S. cable operators. Sales in mobile handsets were impacted by the weakness in the telecommunications industry, particularly in Europe, caused by slowing consumer demand and adjustment of the excess inventories throughout the supply chain. Income from operations in Consumer Electronics turned from a profit of EUR 83 million in 2000 to a loss of EUR 99 million. The decrease was mainly attributable to Consumer Communications, which reported a loss of EUR 118 million, compared to a profit of EUR 24 million last year. Adjusted sales plans in Consumer Communications resulted in a write down of components and an obsolescence charge of EUR 74 million. Sales of handsets in Western Europe were significantly lower. By contrast, performance in Asia was positive, mainly driven by the Xenium product which has been well received in the region. Due to the sales shortfall, income from operations at Digital Networks ended the quarter at a loss of EUR 40 million, EUR 24 million lower than the loss of EUR 16 million of last year. Income in 2001 included a charge of EUR 3 million for write-off of inventories.

In the first quarter, Mainstream CE reported a loss of EUR 39 million, compared to a loss of EUR 8 million in 2000. The performance was negatively impacted by the slowdown of the U.S. economy, which left both manufacturers and retailers with high inventory levels in the first few months of this year.

License income in the first quarter increased with EUR 15 million to EUR 98 million.

Sales in the *DAP* sector totaled EUR 440 million, representing 15% growth. The consolidated sales of Optiva Corporation was the main driver for the uplift (12%). Price erosion was stable at 2%, while volume growth was 3%. Strong growth was posted in Eastern Europe, Brazil and China. This was partly countered by lower sales in North America, reflecting the weaker economy and slowing demand. Sales in Europe were stimulated by the launch, together with Douwe Egberts, of the Senseo Crema, a revolutionary new coffee-making system. Income from operations increased by approximately 18% to EUR 53 million, mainly driven by improvements in Body Beauty and Health, and the Oral Care business.

Sales in the *Components* sector totaled EUR 934 million, a decrease of 22% over the first quarter of 2000. Changes in consolidations had a negative effect of 7%, while currency movements positively impacted nominal sales by 3%. Average prices decreased by 7%, while sales volume decreased by 11%. Sales in the sector were strongly affected by the slowdown in the worldwide PC industry and telecommunications markets, affecting sales in monitor displays, optical storage modules and mobile display systems.

In the first quarter income of Components came to a loss of EUR 77 million, compared to a profit of EUR 100 million last year. All businesses showed a deterioration on last year. Within Display Components, this was caused by lower sales and high cost levels in relation to reduced activity levels. Generally weak conditions for the mobile market, resulting in price erosion and lower capacity utilization, caused lower results within Mobile Display Systems. Optical Storage was strongly influenced by the continued slowdown of the PC market. Income also deteriorated compared to last year, due to higher investments in New Business Creation and investment for e-business projects.

Sales in the *Semiconductors* sector came to EUR 1,420 million, an increase of 16% over the same quarter in the year earlier. The consolidation of MiCRUS and SMP (Malaysia) had a positive effect of 8% on nominal sales, in addition

to a 4% positive currency effect. Price erosion was 6%, up from 3% last year, while volume growth came to 10%. Income from operations amounted to EUR 231 million, which is 4% lower than the EUR 241 million of last year. Income in the first quarter 2001 included collected insurance payments of EUR 25 million. Operating margin on revenues declined from 16.8% in the first quarter of last year, to 14.5% this year.

Sales in the *Medical Systems* sector totaled EUR 824 million, 44% up from the year earlier. The larger part of the increase relates to the consolidation of MedQuist and ADAC (33%). Additionally, sales were positively influenced by currency movements (5%). On a comparable basis, sales increased 6%, mainly caused by Europe and North America. Order intake, excluding the effect of the new consolidations, increased 21%, and was most significant in Magnetic Resonance.

Income from operations in Medical Systems came to a small profit of EUR 1 million, compared to EUR 20 million last year. Higher goodwill charges of EUR 36 million, and one-time charges related to the acquisition of ADAC of EUR 20 million, mainly caused the deviation.

Sales in the *Miscellaneous* sector totaled EUR 610 million, a decrease of 8% over the year before. In the first quarter Philips' stake in NavTech has been increased from 50% to 80%, and the company has been consolidated as per January 1, 2001.

The income of Miscellaneous came to EUR 21 million and included special charges of EUR 37 million for a number of items and the gain of EUR 70 million on the sale of parts of Philips Professional Broadcast group to Thomson Multimedia. Last year's income was a loss of EUR 23 million.

Income from operations in *Unallocated* was breakeven, compared to a loss of EUR 9 million last year.

### **Geographic developments**

Geographically, *sales* growth was strong in North America (11% up), driven by sales of new consolidations (MedQuist, MiCRUS, ADAC and Optiva) and the appreciation of the U.S. dollar. On a comparable basis, sales were lower by 11%, affected by the slowdown of the U.S. economy. Sales in Asia Pacific ended 3% lower, particularly caused by lower supplies of

Components to the depressed PC industry. European sales decreased 8%, mainly caused by the deconsolidation of Origin; on a comparable basis, sales were virtually flat. Latin America saw 5% growth.

*Income from operations* in the first quarter weakened in all regions except Asia Pacific. The weaker economic conditions in the U.S. affected the performance in North America, in particular at Components, Mainstream CE and Digital Networks. This resulted in a loss of EUR 115 million for this region, compared to a loss of EUR 10 million last year. Income in Europe amounted to EUR 253 million and was approximately half the amount of last year. The lower performance in Europe was almost entirely due to the losses recorded in Consumer Communications and Components, and the impact of the financial crisis in Turkey. Income in Latin America was at the same level as last year. With an increase in income of EUR 51 million, Asia Pacific came to a profit of EUR 185 million. All sectors, except Components contributed to the improvement; increases were particularly noticeable at Mainstream CE and at Semiconductors.

### **Cash flows and financing**

The *cash flow from operating activities* in the first quarter amounted to a negative of EUR 349 million which was EUR 754 million lower than in the first quarter of last year. The variance was mostly related to the lower income, higher investment in working capital and the decrease in provisions.

Expressed as a percentage of sales, inventories at the end of the first quarter came to 15.6%, compared to 14.5% a year earlier. The biggest increases occurred at Digital Networks, Components, Semiconductors and Lighting.

*Cash flow from investing activities* in the first quarter totaled EUR 835 million, compared to a positive inflow of EUR 130 million in 2000. The deviation is mainly caused by the absence of proceeds from the sales of securities, while securities worth EUR 550 million were sold last year. An additional impact came from net capital expenditures (mainly in Components and Semiconductors), which were EUR 757 million, EUR 301 million higher than last year, though considerably lower than the EUR 1,248 million of the last quarter of 2000.

In the first quarter of 2001, the *cash flow from financing activities* amounted to an inflow of EUR 946 million, due to the impact of a EUR 1,108 million increase in short term debt levels, mostly resulting from the USD 2.5 billion Global Commercial Paper program, launched earlier in the year.

The net debt to group equity ratio amounted to 17:83 at the end March 2001, compared to a ratio of 4:96 at the end of the first quarter of last year.

## **Employees**

The number of employees at the end of March 2001 totaled 219,399, unchanged from January 1, 2001, but approximately 10,000 less than March 31, 2000.

## **Outlook**

We see no signs that the slowdown in economic activity in certain parts of the world, particularly the USA, is near its end. This will continue to cause low growth and high price erosion for some of the markets in which Philips is active. As a result, net income in the second quarter before special charges is likely to be negative. Capital expenditures have been cut back to EUR 2.5 billion and will be reduced further if needed.

Measures are being taken to bring costs in line with revenue levels, including a headcount reduction of between 6,000 and 7,000 people. During the course of the second quarter, detailed plans will be communicated, in particular with respect to structurally underperforming activities in Components, and Consumer Electronics. For the moment, we expect to take one-time pre-tax charges of approximately EUR 350 million in the second quarter. This will include a charge of approximately EUR 60 million for the disentanglement of the Display Components business in preparation for the joint venture with LG.

April 17, 2001  
Royal Philips Electronics

## **Board of Management**

## **Statements of income**

all amounts in millions of euros unless otherwise stated

**Consolidated statements of income**

|  | January to March |              |
|--|------------------|--------------|
|  | <u>2001</u>      | <u>2000</u>  |
| Sales  | 8,208            | 8,329        |
| Income from operations, excl. amortization<br>goodwill and other intangibles arising from<br>acquisitions (Ebita)        | 412              | 716          |
| Amortization goodwill and other intangibles  | <u>(80)</u>      | <u>(53)</u>  |
| Income from operations   | 332              | 663          |
| Financial income and expenses  | <u>(84)</u>      | <u>480</u>   |
| Income before taxes  | 248              | 1,143        |
| Income taxes   | <u>(62)</u>      | <u>(124)</u> |
| Income after taxes   | 186              | 1,019        |
| Results relating to unconsolidated companies:  |                  |              |
| o income from operational results  | (10)             | 153          |
| o amortization goodwill and other intangibles  | <u>(63)</u>      | <u>(18)</u>  |
|  | (73)             | 135          |
| Minority interests   | (7)              | (14)         |
| <b>Net income</b>  | <b>106</b>       | <b>1,140</b> |
| <b>Weighted average number of common<br/>shares outstanding during the period</b><br>(after deduction of treasury stock) |                  |              |
| o shares in thousands  | 1,282,674        | 1,331,020    |
| <b>Basic earnings per common share in<br/>euros:</b>   |                  |              |
| o net income   | 0.08             | 0.86         |
| <b>Diluted earnings per common share in<br/>euros:</b>   |                  |              |
| o net income   | 0.08             | 0.85         |

**Safe Harbor: Statement under the Private Securities Litigation Reform Act of 1995**

This document contains certain forward-looking statements with respect to the financial condition, results of operations and business of Philips and certain of the plans and objectives of Philips with respect to these items, in particular the Outlook paragraph. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to, levels of consumer and business spending in major economies, changes in consumer tastes and preferences, the levels of marketing and promotional expenditures by Philips and its competitors, raw materials and employee costs, changes in future exchange and interest rates (in particular, changes in the euro and the US dollar can materially affect results), changes in tax rates and future business



combinations, acquisitions or dispositions and the rate of technical changes. Market share estimates contained in this report are based on outside sources such as specialized research institutes, industry and dealer panels, etc. in combination with management estimates.

### Balance sheets and additional ratios

all amounts in millions of euros unless otherwise stated

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### Consolidated balance sheets

|   | 2001<br><u>March 31,</u> | 2000<br><u>Dec. 31,</u> | 2000<br><u>March 31,</u> |
|---|--------------------------|-------------------------|--------------------------|
| Cash and cash equivalents                                       | 907                      | 1,089                   | 2,579                    |
| Securities  | 124                      | 111                     | 1,499                    |
| Receivables   | 6,517                    | 6,806                   | 6,619                    |
| Inventories   | 5,905                    | 5,279                   | 4,785                    |
| Unconsolidated companies  | 5,466                    | 5,328                   | 2,429                    |
| Other non-current financial assets                              | 3,762                    | 3,747                   | 365                      |
| Non-current receivables   | 2,657                    | 2,713                   | 2,113                    |
| Property, plant and equipment                                   | 9,612                    | 9,041                   | 7,640                    |
| <u>Intangible assets - net</u>                                  | <u>4,519</u>             | <u>4,427</u>            | <u>2,832</u>             |
| <b>Total assets</b>   | <b>39,469</b>            | <b>38,541</b>           | <b>30,861</b>            |
| Accounts payable and other liabilities                          | 8,205                    | 8,818                   | 8,203                    |
| Dividend payable  | 462                      | -                       | 399                      |
| Debt  | 5,394                    | 4,027                   | 3,288                    |
| Provisions  | 3,351                    | 3,491                   | 3,248                    |
| Minority interests  | 483                      | 469                     | 365                      |
| <u>Stockholders' equity</u>                                     | <u>21,574</u>            | <u>21,736</u>           | <u>15,358</u>            |
| <b>Total liabilities and stockholders' equity</b>               | <b>39,469</b>            | <b>38,541</b>           | <b>30,861</b>            |
| <b>Ratios</b>   |                          |                         |                          |
| Stockholders' equity, per common share in euros                 | 16.85                    | 16.93                   | 11.55                    |
| Inventories as a % of sales                                     | 15.6                     | 13.9                    | 14.5                     |
| Outstanding trade receivables, in months' sales                 | 1.6                      | 1.5                     | 1.6                      |
| <b>Number of common shares outstanding at the end of period</b> |                          |                         |                          |
| o shares in thousands   | 1,280,198                | 1,283,895               | 1,329,965                |

### Statements of cash flows

all amounts in millions of euros unless otherwise stated

**Consolidated statements of cash flows\***

|   | January to March |             |
|---|------------------|-------------|
|   | <u>2001</u>      | <u>2000</u> |
| <b><i>Cash flows from operating activities:</i></b>                               |                  |             |
| Net income  | 106              | 1,140       |
| Adjustments to reconcile net income to net cash provided by operating activities: |                  |             |
| Depreciation and amortization   | 588              | 502         |
| Net gain on sale of investments   | (84)             | (545)       |
| Income from unconsolidated companies  | 131              | (153)       |
| Minority interests  | 7                | 14          |
| Increase in working capital   | (810)            | (555)       |
| Decrease in non-current receivables   | 87               | 80          |
| (Decrease) increase in provisions   | (186)            | 70          |
| Other items   | (188)            | (148)       |
|   | <hr/>            | <hr/>       |
| Net cash (used for) provided by operating activities                              | (349)            | 405         |
| <b><i>Cash flows from investing activities:</i></b>                               |                  |             |
| Net capital expenditures  | (757)            | (456)       |
| (Purchase) proceeds from the sale of securities                                   | (1)              | 550         |
| (Purchase) proceeds of other non-current financial assets                         | (3)              | (45)        |
| Proceeds from sale of businesses/ (purchase of businesses)                        | (74)             | 81          |
|   | <hr/>            | <hr/>       |
| Net cash (used for) provided by investing activities                              | (835)            | 130         |
| <b>Cash flows before financing activities</b>                                     | <b>(1,184)</b>   | <b>535</b>  |

\*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)\***

|  | January to March |             |
|--|------------------|-------------|
|  | <u>2001</u>      | <u>2000</u> |
| <b>Cash flows before financing activities</b>                            | <b>(1,184)</b>   | 535         |
| <b>Cash flows from financing activities:</b>                             |                  |             |
| Increase (decrease) in debt  | 1,108            | (174)       |
| Treasury stock transactions  | (162)            | (173)       |
| Capital repayment to shareholders  | -                | -           |
| Dividends paid   | -                | -           |
|  | <hr/>            | <hr/>       |
| Net cash provided by (used for) financing activities                     | <b>946</b>       | (347)       |
|  | <hr/>            | <hr/>       |
| <b>(Decrease) increase in cash and cash equivalents</b>                  | <b>(238)</b>     | 188         |
| Effect of changes in exchange rates and consolidations on cash positions | 56               | 60          |
| Cash and cash equivalents at beginning of the period                     | <b>1,089</b>     | 2,331       |
|  | <hr/>            | <hr/>       |
| <b>Cash and cash equivalents at end of period</b>                        | <b>907</b>       | 2,579       |

\*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 changes in stockholders' equity

all amounts in millions of euros unless otherwise stated

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#### Consolidated statements of changes in stockholders' equity

|   | January to March |             |
|---|------------------|-------------|
|   | <u>2001</u>      | <u>2000</u> |
| Balance as of beginning of period   | <b>21,736</b>    | 14,757      |
| Change in accounting policy:  |                  |             |
| o product/process development costs inventories                               | -                | (241)       |
| o derivatives   | -                | 58          |
| Exercise of convertible debentures  | <b>1</b>         | 6           |
| Treasury stock transactions   | <b>(162)</b>     | (173)       |
| 3% share reduction  | -                | -           |
| Dividend accrual/payment  | <b>(462)</b>     | (399)       |
| Net income for the period   | <b>106</b>       | 1,140       |
| Translation differences and other (including deferred results on derivatives) | <b>355</b>       | 210         |

Balance as of end of period

21,574

15,358

**Product sectors**

all amounts in millions of euros unless otherwise stated

**Segment revenues and income from operations**

|   | January to March |       |                               |                          |                  |       |                               |                          |
|---|------------------|-------|-------------------------------|--------------------------|------------------|-------|-------------------------------|--------------------------|
|   | 2001             |       |                               |                          | 2002             |       |                               |                          |
|   | segment revenues | Ebita | income (loss) from operations | as % of segment revenues | segment revenues | Ebita | income (loss) from operations | as % of segment revenues |
| Lighting                                      | 1,307            | 204   | 202                           | 15.5                     | 1,237            | 207   | 205                           | 16.6                     |
| Consumer Electronics*                         | 2,740            | (99)  | (99)                          | (3.6)                    | 2,875            | 83    | 83                            | 2.9                      |
| DAP   | 446              | 58    | 53                            | 11.9                     | 387              | 45    | 45                            | 11.6                     |
| Components                                    | 1,332            | (77)  | (77)                          | (5.8)                    | 1,640            | 100   | 100                           | 6.1                      |
| Semiconductors                                | 1,592            | 257   | 231                           | 14.5                     | 1,435            | 266   | 241                           | 16.8                     |
| Medical Systems                               | 824              | 46    | 1                             | 0.1                      | 574              | 30    | 20                            | 3.5                      |
| Origin  | -                | -     | -                             | -                        | 400              | 9     | 1                             | 0.2                      |
| Miscellaneous                                 | 664              | 23    | 21                            | 3.2                      | 766              | (17)  | (23)                          | (3.0)                    |
| Unallocated                                   | -                | 0     | 0                             | -                        | -                | (7)   | (9)                           | (1.1)                    |
| Total   | 8,905            | 412   | 332                           |                          | 9,314            | 716   | 663                           |                          |
| Intersegment revenues                         | (697)            |       |                               |                          | (985)            |       |                               |                          |
| <b>Sales</b>                                  | <b>8,208</b>     |       |                               |                          | <b>8,329</b>     |       |                               |                          |
| <b>Income from operations as a % of sales</b> |                  |       | <b>4.0</b>                    |                          |                  |       | <b>8.0</b>                    |                          |
| * of which:                                   |                  |       |                               |                          |                  |       |                               |                          |
| Mainstream CE                                 | 2,073            | (39)  | (39)                          | (1.9)                    | 1,982            | (8)   | (8)                           | (0.4)                    |
| Consumer                                      |                  |       |                               |                          |                  |       |                               |                          |
| Communications                                | 372              | (118) | (118)                         | (31.7)                   | 521              | 24    | 24                            | 4.6                      |
| Digital Networks                              | 203              | (40)  | (40)                          | (19.7)                   | 278              | (16)  | (16)                          | (5.8)                    |
| Licenses                                      | 92               | 98    | 98                            | 106.5                    | 94               | 83    | 83                            | 88.3                     |
| Consumer Electronics                          | 2,740            | (99)  | (99)                          | (3.6)                    | 2,875            | 83    | 83                            | 2.9                      |

**Geographic areas**

all amounts in millions of euros unless otherwise stated

**Segment revenues and income from operations**

|   | January to March |            |            |          |              |            |            |
|---|------------------|------------|------------|----------|--------------|------------|------------|
|   | 2001             |            |            |          |              |            |            |
| segment                                       | Ebita            | income     | as % of    | segment  | Ebita        | income     | a          |
| revenues                                      |                  | (loss)     | segment    | revenues |              | (loss)     | s          |
|   |                  | from       | revenues   |          |              | from       | re         |
|   |                  | operations |            |          |              | operations |            |
| Netherlands                                   | 2,921            | 221        | 220        | 7.5      | 3,553        | 291        | 282        |
| Europe excl. Netherlands                      | 4,879            | 34         | 33         | 0.7      | 4,508        | 251        | 248        |
| USA and Canada                                | 2,947            | (37)       | (115)      | (3.9)    | 2,385        | 31         | (10)       |
| Latin America                                 | 394              | 9          | 9          | 2.3      | 383          | 9          | 9          |
| Africa  | 32               | 0          | 0          | 0.0      | 28           | 0          | 0          |
| Asia  | 3,205            | 183        | 183        | 5.7      | 3,131        | 138        | 138        |
| Australia and New Zealand                     | 70               | 2          | 2          | 2.9      | 91           | (4)        | (4)        |
| Total   | 14,448           | 412        | 332        |          | 14,079       | 716        | 663        |
| Interregional revenues                        | (6,240)          |            |            |          | (5,750)      |            |            |
| <b>Sales</b>                                  | <b>8,208</b>     |            |            |          | <b>8,329</b> |            |            |
| <b>Income from operations as a % of sales</b> |                  |            | <b>4.0</b> |          |              |            | <b>8.0</b> |

### Product sectors and main countries

all amounts in millions of euros unless otherwise stated

### Sales and total assets

|                      | Sales (to third parties) |              | Total assets*  |                |
|----------------------|--------------------------|--------------|----------------|----------------|
|                      | January to March 2001    | 2000         | 2001 March 31, | 2000 March 31, |
| Lighting             | 1,295                    | 1,226        | 3,076          | 2,972          |
| Consumer Electronics | 2,685                    | 2,812        | 4,346          | 4,133          |
| DAP                  | 440                      | 381          | 1,116          | 749            |
| Components           | 934                      | 1,204        | 5,795          | 5,650          |
| Semiconductors       | 1,420                    | 1,224        | 9,454          | 5,628          |
| Medical Systems      | 824                      | 573          | 4,052          | 1,869          |
| Origin               | -                        | 248          | -              | 686            |
| Miscellaneous        | 610                      | 661          | 3,389          | 1,769          |
| Unallocated          | -                        | -            | 8,241          | 7,405          |
| <b>Total</b>         | <b>8,208</b>             | <b>8,329</b> | <b>39,469</b>  | <b>30,861</b>  |

### Sales and total assets

|             | Sales (to third parties) |      | Long-lived assets |                |
|-------------|--------------------------|------|-------------------|----------------|
|             | January to March 2001    | 2000 | 2001 March 31,    | 2000 March 31, |
| Netherlands | 385                      | 438  | 1,941             | 1,822          |

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|                         |              |              |               |               |
|-------------------------|--------------|--------------|---------------|---------------|
| United States           | 2,071        | 1,849        | 5,190         | 2,576         |
| Germany                 | 709          | 795          | 733           | 625           |
| France                  | 480          | 509          | 495           | 405           |
| United Kingdom          | 438          | 497          | 346           | 331           |
| China (incl. Hong Kong) | 639          | 579          | 909           | 681           |
| Other countries         | 3,486        | 3,662        | 4,517         | 4,032         |
| <b>Total</b>            | <b>8,208</b> | <b>8,329</b> | <b>14,131</b> | <b>10,472</b> |

\* Includes book value of unconsolidated companies and intangible assets

**Philips quarterly statistics**

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

|   | 2000              |                  |                       |                      |                   |                  |                       |
|---|-------------------|------------------|-----------------------|----------------------|-------------------|------------------|-----------------------|
|   | 1st<br>quarter    | 2nd<br>quarter   | 3rd<br>quarter        | 4th<br>quarter       | 1st<br>quarter    | 2nd<br>quarter   | 3rd<br>quarter        |
| Sales                                     | 8,239             | 9,155            | 9,371                 | 11,007               | 8,208             |                  |                       |
| % increase                                | 22                | 25               | 21                    | 15                   | (1)               |                  |                       |
| Ebita                                     | 716               | 779              | 1,016                 | 2,112                | 412               |                  |                       |
| as % of sales                             | 8.6               | 8.5              | 10.8                  | 19.2                 | 5.0               |                  |                       |
| % increase                                | 26                | 98               | 148                   | 256                  | (42)              |                  |                       |
| Income from operations                    | 663               | 724              | 945                   | 1,949                | 332               |                  |                       |
| as % of sales                             | 8.0               | 7.9              | 10.1                  | 17.7                 | 4.0               |                  |                       |
| % increase                                | 21                | 127              | 168                   | 267                  | (50)              |                  |                       |
| Net income                                | 1,140             | 3,604            | 2,066                 | 2,792                | 106               |                  |                       |
| % increase                                | 143               | 1,230            | 455                   | 306                  | (91)              |                  |                       |
| per common share in euros                 | 0.86              | 2.71             | 1.58                  | 2.16                 | 0.08              |                  |                       |
|   | January-<br>March | January-<br>June | January-<br>September | January-<br>December | January-<br>March | January-<br>June | January-<br>September |
| Sales                                     | 8,329             | 17,484           | 26,855                | 37,862               | 8,208             |                  |                       |
| % increase                                | 22                | 24               | 23                    | 20                   | (1)               |                  |                       |
| Ebita                                     | 716               | 1,495            | 2,511                 | 4,623                | 412               |                  |                       |
| as % of sales                             | 8.6               | 8.6              | 9.4                   | 12.2                 | 5.0               |                  |                       |
| % increase                                | 26                | 55               | 83                    | 135                  | (42)              |                  |                       |
| Income from operations                    | 663               | 1,387            | 2,332                 | 4,281                | 332               |                  |                       |
| as % of sales                             | 8.0               | 7.9              | 8.7                   | 11.3                 | 4.0               |                  |                       |
| % increase                                | 21                | 60               | 91                    | 144                  | (50)              |                  |                       |
| as a % of net operating<br>capital (RONA) | 25.1              | 25.3             | 27.4                  | 35.7                 | 11.5              |                  |                       |
| Net income                                | 1,140             | 4,744            | 6,810                 | 9,602                | 106               |                  |                       |
| % increase                                | 143               | 541              | 512                   | 434                  | (91)              |                  |                       |
| as a % of stockholders'<br>equity (ROE)   | 31.2              | 62.1             | 56.5                  | 53.5                 | 2.5               |                  |                       |
| per common share in euros                 | 0.86              | 3.57             | 5.15                  | 7.31                 | 0.08              |                  |                       |

Period ending 2000

Period end

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|   |      |      |      |       |       |
|---|------|------|------|-------|-------|
| Inventories as % of sales                                       | 14.5 | 14.7 | 15.8 | 13.9  | 15.6  |
| Average collection period of trade receivables in months' sales | 1.6  | 1.6  | 1.6  | 1.5   | 1.6   |
| Net debt: group equity ratio                                    | 4:96 | *    | 8:92 | 12:88 | 17:83 |
| Total employees (in thousands)                                  | 229  | 232  | 239  | 219   | 219   |

\* **Not meaningful: net cash exceeded the debt level.**

Information also available on Internet, address: [www.investor.philips.com](http://www.investor.philips.com)  
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