Q1 **Quarterly report**

April 18, 2006

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, restructuring cost and 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, 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.

Use of fair value measurements

In presenting the Philips Group's financial position, fair values are used for the measurement of various items in accordance with the applicable accounting standards. These fair values are based on market prices, where available, and are obtained from sources that are deemed to be reliable. Users are cautioned that these values are subject to changes over time and are only valid at the balance sheet date. When a readily determinable market value does not exist, fair values are estimated using valuation models. The models that are used are appropriate for their purpose. They require management to make significant assumptions with respect to future developments which are inherently uncertain and may therefore deviate from actual developments. In certain cases, independent valuations are obtained to support management's determination of fair values.

Report on the performance of the Philips Group

- all amounts in millions of euros unless otherwise stated; data included are unaudited
- financial reporting according to US GAAP unless otherwise stated
- includes reclassification of MDS to discontinued operations

Philips reports improved net income of EUR 160 million

Sales increased 14% to EUR 7,374 million

In the first quarter, Philips recorded net income of EUR 160 million (EUR 0.13 per share), compared with net income of EUR 117 million (EUR 0.09 per share) in the corresponding period of 2005. The increase was primarily attributable to improved performance of the main divisions, particularly Semiconductors and Lighting.

Sales increased strongly to EUR 7,374 million, 14% above Q1 2005. Adjusted for the effects of currency movements and consolidation changes, comparable sales increased by 10%, driven by strong growth in all main divisions.

EBIT amounted to EUR 335 million, compared to EUR 207 million in the same period of last year. The increase was largely driven by higher sales and improved business performance, particularly in the Semiconductors and Lighting divisions, and a EUR 30 million gain on the sale of the CryptoTec encryption business reported under Other Activities.

Financial income and expenses resulted in an expense of EUR 23 million, an improvement of EUR 25 million compared to Q1 2005. This improvement mainly resulted from a EUR 20 million revaluation of the option on the convertible bond issued by TPV.

Unconsolidated companies recorded a loss of EUR 36 million, compared to a profit of EUR 22 million in Q1 2005. In Q1 2005, income from TSMC of EUR 71 million was reported under results relating to unconsolidated companies. From 2006, a change in accounting treatment means that Philips no longer recognizes income from TSMC but rather will recognize a dividend, which will be reported in Q2 2006 under financial income and expense.

Cash outflow from operating activities increased to EUR 867 million, compared to EUR 332 million in Q1 2005. The increase was entirely due to EUR 582 million additional funding for the UK pension fund. Inventories as a percentage of sales amounted to 12.3%, marginally higher than in Q1 2005.

Gerard Kleisterlee,
Philips' President and CEO:

"We're pleased that we are keeping our momentum, with strong growth and solid performance across all our main divisions. A strong customer focus, together with innovative products, helped expand our already strong position within healthcare, lifestyle and technology.

We also see that our recent acquisitions are starting to make a contribution to our top and bottom line. Demand for our medical IT solutions was strong in the first quarter, and Lumileds contributed to a continued good performance in Lighting. With the first acquisition in our Consumer Health & Wellness business announced in the first quarter, followed by an additional acquisition in our Medical Systems business, we are consistently building our portfolio to become increasingly geared to profitable growth."

Philips Group

Highlights in the quarter

Net income

in millions of euros unless otherwise stated	Q1 2005	Q1 2006
Sales	6,492	7,374
EBIT	207	335
as a % of sales	3.2	4.5
Financial income and expenses	(48)	(23)
Income taxes	(44)	(91)
Results unconsolidated companies	22	(36)
Minority interests	(6)	(25)
Income from continuing operations	131	160
Discontinued operations	(14)	-
Net income	117	160
Per common share – basic	0.09	0.13

- Net income amounted to EUR 160 million (EUR 0.13 per share), compared to EUR 117 million (EUR 0.09 per share) in Q1 2005. EBIT increased by EUR 128 million, driven by the Lighting and Semiconductors divisions and a EUR 30 million gain on the sale of the CryptoTec business. A fair-value gain of EUR 20 million was recognized for the revaluation of the option on the TPV convertible bond. The improvement in income before taxes was partly offset by the EUR 58 million decrease in results relating to unconsolidated companies. This decrease included charges of EUR 45 million mainly for the voluntary support of social plans for employees impacted by the bankruptcy of some LG.Philips Displays activities and a delay of income recognition to Q2 2006 following a change in the accounting treatment of TSMC.

Sales by sector

in millions of euros unless otherwise stated

	Q1 2005	Q1 2006	% change nominal	% change comparable
Medical Systems	1,285	1,469	14	8
DAP	427	496	16	10
CE	2,153	2,423	13	16
Lighting	1,128	1,345	19	8
Semiconductors	1,012	1,219	20	13
Other Activities	487	422	(13)	(16)
Philips Group	6,492	7,374	14	10

- Nominal sales for the Group increased 14% compared to Q1 2005. Adjusted for a 6% upward effect of currency movements and a 2% downward effect of consolidation changes, comparable sales increased 10%.
- Medical Systems' growth was driven by Computed Tomography, Ultrasound, X-ray and Healthcare IT. At DAP, growth was mainly driven by Shaving & Beauty. At Consumer Electronics, Connected Displays and Peripherals & Accessories drove the sales growth. Lighting's comparable growth was attributable to all businesses, most notably Lamps and Luminaires. Lumileds' sales grew by 25% in the quarter in US dollar terms. Within Semiconductors, all businesses contributed to the sales growth, led by Automotive & Identification and MMS.

Sales per region

in millions of euros unless otherwise stated

	Q1 2005	Q1 2006	% change nominal	% change comparable
Europe/Africa	2,849	3,086	8	10
North America	1,645	1,845	12	6
Latin America	316	485	53	29
Asia Pacific	1,682	1,958	16	8
Philips Group	6,492	7,374	14	10

Sales by region

- In Europe/Africa, comparable sales increased in all main operating divisions. In North America, Semiconductors and Consumer Electronics were the main drivers of the growth. In Latin America, all main divisions saw double-digit increases in sales. In Asia Pacific, all divisions reported growth, led by Medical Systems and DAP.

EBIT

in millions of euros unless otherwise stated	Q1 2005	Q1 2006
Medical Systems	100	**99**
DAP	56	**62**
CE	46	**58**
Lighting	149	**195**
Semiconductors	14	**89**
Other Activities	(59)	**(67)**
Unallocated	(99)	**(101)**
Philips Group	207	**335**
as a % of sales	3.2	**4.5**

Earnings before interest and tax (EBIT)

- EBIT improved by EUR 128 million, or 1.3% of sales, compared to Q1 2005, mainly driven by the Semiconductors and Lighting divisions.
- Medical Systems' EBIT, excluding MedQuist, increased slightly despite a less favorable geographical sales mix, additional investments in R&D and ongoing charges relating to the acquisition of Stentor.
- DAP's EBIT improved thanks to higher sales, particularly in Shaving & Beauty. Excluding restructuring charges, EBIT improved by EUR 18 million compared to Q1 2005.
- CE's EBIT improved by 0.3% of sales to EUR 58 million. Licenses' EBIT improved, driven by higher revenues from DVD patents.
- The improvement in Lighting's EBIT was due to higher sales and lower restructuring charges.
- Semiconductors' EBIT improved by EUR 75 million, which was attributable to higher sales, mainly in the MMS and Automotive & Identification businesses.
- Other Activities' EBIT declined due to Corporate Investments, which reported lower sales in a number of businesses. Corporate Technologies' EBIT improved, thanks to the gain on the sale of the CryptoTec business.

Financial income and expenses

in millions of euros	Q1 2005	Q1 2006
Interest expenses (net)	(48)	(42)
Other	-	19
Total	(48)	(23)

Financial income and expenses

- Net interest expenses amounted to EUR 42 million, compared to EUR 48 million in Q1 2005.
- A fair-value gain of EUR 20 million was recognized for the revaluation of the option on the TPV convertible bond.

Results unconsolidated companies

in millions of euros		Q1 2005	Q1 2006
LG.Philips LCD:	Operational	(34)	15
LG.Philips Displays:	Operational	2	-
	Restructuring	(18)	-
Others		72	(51)
Total		22	(36)

Results relating to unconsolidated companies

- Results relating to unconsolidated companies were EUR 58 million lower than in Q1 2005 due to the change in accounting treatment of TSMC and charges of EUR 45 million mainly relating to the voluntary support of social plans for employees impacted by the bankruptcy of some LG.Philips Displays activities.
- LG.Philips LCD's results were EUR 49 million better than in Q1 2005; sales improved by 20% year-over-year.
- Q1 2005 results included EUR 71 million income from TSMC.

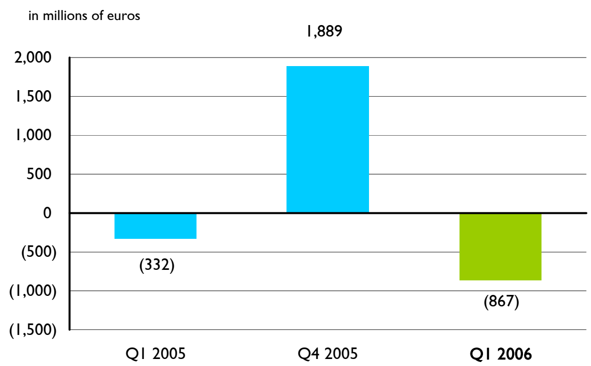
Cash balance

in millions of euros	Q1 2005	Q1 2006
Beginning balance	4,349	**5,293**
Net cash from operating activities	(332)	**(867)**
Gross capital expenditures	(220)	**(274)**
Acquisitions/divestments	(74)	**(585)**
Other cash from investing activities	10	**1**
Changes in debt/other	(498)	**(180)**
Cash provided by discontinued operations	(25)	**1**
Ending balance	3,210	**3,389**

Cash balance

- The cash position decreased by EUR 1,904 million in the quarter, compared to a decrease of EUR 1,139 million in Q1 2005.
- Cash was primarily used for additional funding for the UK pension fund (EUR 582 million), the acquisition of Lifeline Systems (EUR 579 million) and the completion of the EUR 1.5 billion share repurchase program (EUR 414 million).

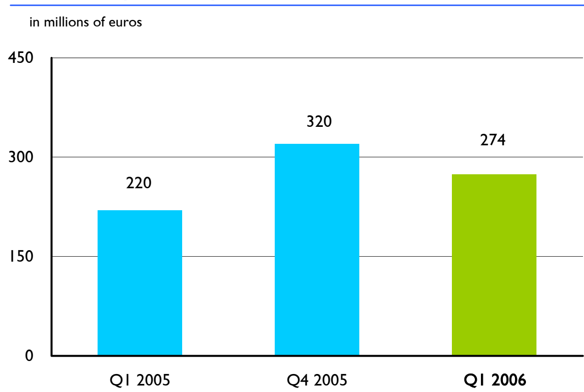
Cash flows from operating activities



Cash flows from operating activities

- The higher cash outflow (EUR 535 million) compared to Q1 2005 was entirely due to the additional funding for the UK pension fund, which has been recognized as a prepayment in the balance sheet.
- Excluding the additional pension funding, cash required for working capital declined compared to Q1 2005. Higher working capital requirements in Consumer Electronics and Lighting were more than compensated by improvements in the other divisions.

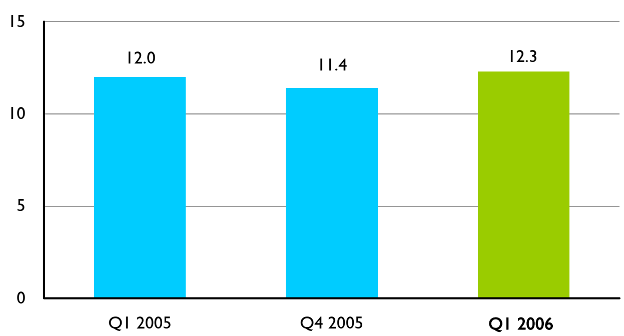
Gross capital expenditures



Gross capital expenditures

- Gross capital expenditures amounted to EUR 274 million, an increase of EUR 54 million compared to Q1 2005. Lighting, through investments in Lumileds, was the main driver behind the increase. Semiconductors' expenditure was stable while Other Activities' spend decreased.

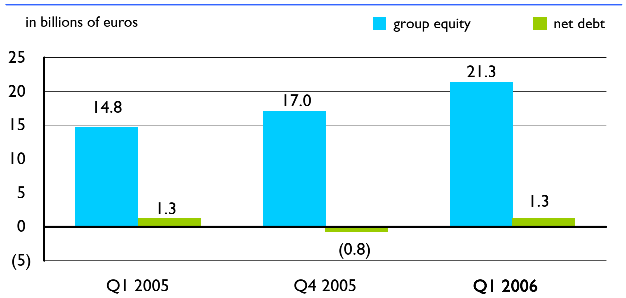
Inventories as a % of sales



Inventories

- Net inventories as a percentage of sales amounted to 12.3%, an increase of 0.3 percentage points compared to Q1 2005. The sequential increase in inventories was largely in line with the seasonal trend.

Net debt and group equity

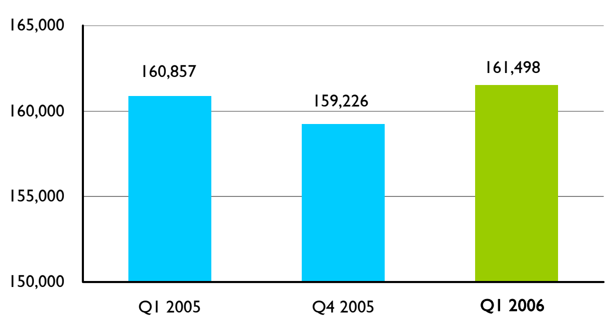


net debt : group equity ratio		
8:92	(5):105	6:94

Net debt and group equity

- Net debt increased by EUR 2.1 billion during the quarter, primarily as a result of the EUR 1.6 billion cash required to fund the Lifeline acquisition, to provide additional funding for the UK pension fund and to complete the share repurchase program.
- Group equity increased EUR 4.3 billion, mainly due to the change in accounting treatment of TSMC (from equity to fair-value accounting) and the net income of EUR 160 million. This was partly offset by a dividend charge of EUR 523 million and the repurchase of shares for an amount of EUR 414 million.

Number of employees (FTEs)



of which discontinued operations 2,460 end Q1 2005, 1,780 end Q4 2005 and 1,684 end Q1 2006.

Employment

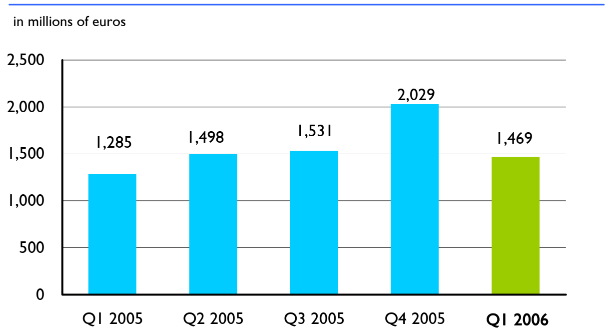
- The number of employees at the end of Q1 2006 was 161,498, of which 1,684 related to discontinued operations. Excluding the effects of consolidation and deconsolidation, the increase during the quarter was 2,055. This increase was mainly driven by higher levels of business activity at the Lighting division.

Medical Systems

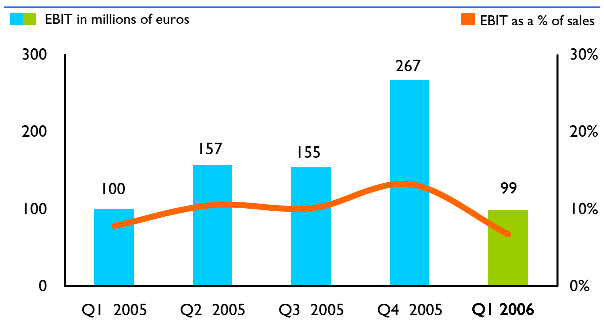
Key data

n millions of euros unless otherwise stated	Q1 2005	Q1 2006
Sales	1,285	1,469
Sales growth		
% nominal	2	14
% comparable	5	8
EBIT	100	99
as a % of sales	7.8	6.7
Net operating capital (NOC)	3,058	3,362
Number of employees (FTEs)	30,756	30,696

Sales



EBIT



Business highlights

- Subject to receipt of regulatory approval, Philips will acquire Witt Biomedical Corporation – the largest global independent supplier of hemodynamic monitoring and clinical reporting systems and ranked #1 in 2005 by vendor reviewer KLAS – for approximately USD 165 million.
- Philips introduced the GEMINI PET/CT scanner, which is more than two times more sensitive and conducts exams 50% faster than conventional PET scanners.
- Together with De Lage Landen International (a Rabobank subsidiary), Philips announced the set-up in Asia Pacific of Philips Medical Capital, offering financing to customers in the region.
- The world's first Ambient Experience Catheterization Lab opened at Catharina Hospital in Eindhoven, the Netherlands. The CathLab integrates lighting and consumer electronics to enhance workflow and reduce anxiety among heart patients.

Financial performance

- Order intake for equipment grew by 18% compared to Q1 2005 on a currency comparable basis, evident across almost all businesses and all major regions. Demand for iSite PACS continued to exceed expectations.
- Sales showed year-on-year comparable growth of 8%, led by Computed Tomography, Ultrasound, X-ray and Healthcare Informatics.
- All regions contributed to the 8% sales growth, especially Latin America (48%) and Asia Pacific (16%).
- Excluding MedQuist, EBIT increased slightly compared to Q1 2005. Incremental sales-driven margin was largely offset by additional investments in R&D, increased selling expenses (partly driven by the establishment of a sales and service infrastructure in emerging markets) and additional charges relating to the acquisition of Stentor.

Looking ahead

- Following the anticipated completion in Q2 of the acquisition of Witt Biomedical Corporation in the core area of Cardiovascular Imaging, integration costs and the application of purchase accounting will result in a charge of approximately EUR 15 million in Q2.

- As a first step towards optimizing the industrial blueprint and accelerating operational efficiencies, Medical Systems announced in March 2006 the transfer of Nuclear Medicine manufacturing activities from Milpitas, CA to Cleveland, OH, the diagnostic imaging manufacturing center.

- To continue the strong growth of the past two years, Medical Systems has reorganized its global sales and service structure, enabling the division to operate more efficiently through shared back-offices and processes.

Domestic Appliances and Personal Care

Key data

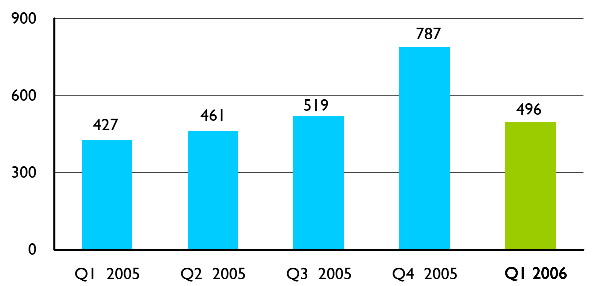
in millions of euros unless otherwise stated	Q1 2005	Q1 2006
Sales	427	496
Sales growth		
% nominal	9	16
% comparable	9	10
EBIT	56	62
as a % of sales	13.1	12.5
Net operating capital (NOC)	460	1,126
Number of employees (FTEs)	8,542	9,384

Business highlights

- Philips acquired North America's leading personal emergency response company, Lifeline Systems, Inc., building up the Consumer Health & Wellness business.
- Philips launched a branded rice cooker range in six Asian countries, including China, tapping into a category making up 60% of Asia's food and beverage market.
- In Western Europe, Philips launched a new model of the Satinelle Ice epilator – the first on the market to combine a built-in soothing ice pack and massage function.
- Targeting the younger male shaving market, Philips kicked off its Male Shaving sponsorship of the Williams Formula 1 team in Bahrain with the first online game, letting spectators race against team drivers Mark Webber and Nico Rosberg.

Sales

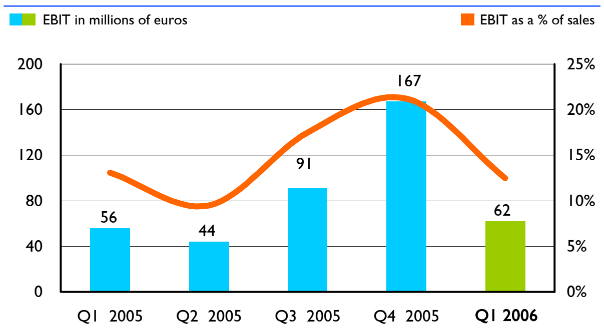
in millions of euros



Financial performance

- Comparable sales grew 10% compared to Q1 2005, driven by Shaving & Beauty and Domestic Appliances.
- Adjusted for restructuring charges of EUR 12 million, EBIT increased EUR 18 million compared with Q1 2005; the improvement was visible across all businesses except Consumer Health & Wellness, which continued to invest in business development.
- Net operating capital increased, mainly due to the consolidation of Lifeline Systems (EUR 662 million).

EBIT



Looking ahead

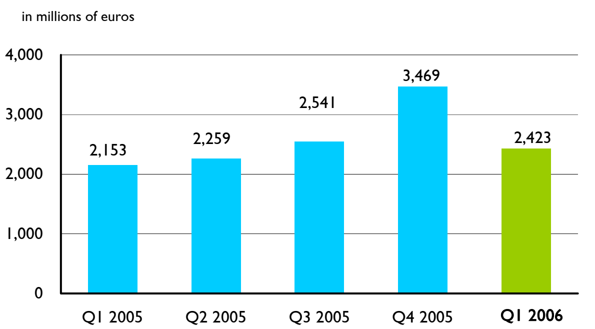
- The focus will remain on maintaining the 15-16% EBIT margin and achieving the 7% comparable sales growth target for 2006, based on innovation, new product launches and emerging markets.
- The acquisition of Lifeline Systems, completed in March 2006, will result in purchase accounting charges of approximately EUR 12 million in 2006.

Consumer Electronics

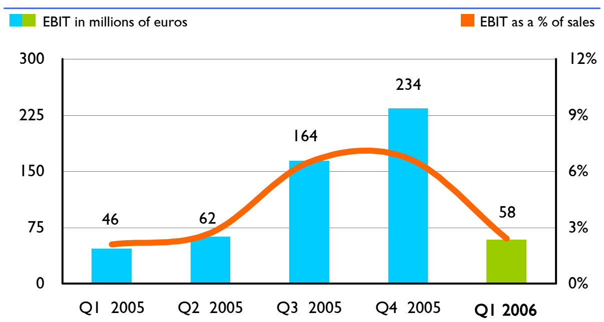
Key data

in millions of euros unless otherwise stated	Q1 2005	Q1 2006
Sales	2,153	2,423
Sales growth		
% nominal	7	13
% comparable	7	16
EBIT	46	58
as a % of sales	2.1	2.4
Net operating capital (NOC)	108	78
Number of employees (FTEs)	16,725	14,932

Sales



EBIT



Business highlights

- In North America, Wal-Mart and Sam's Club named Philips "2005 Supplier of the Year" of home electronics.
- With significant demand expected this year for high-definition home entertainment systems, Philips announced it is introducing Blu-ray consumer products in the 2nd half of 2006.
- Philips was named "Official Big Screen Supplier" for the 2006 FIFA World Cup™. Matches from 11 host cities will be broadcast on Vidiwall screens at iconic sites like Berlin's Brandenburg Gate and São Paulo's Jockey Club.
- Supporting the drive for "sense and simplicity", Philips launched the 8-in-1 universal remote control. It makes using up to 8 devices easy, by only lighting up those buttons on the remote control that are needed to operate each specific device.

Financial performance

- Sales of EUR 2,423 million in Consumer Electronics represent 13% nominal and 16% comparable growth compared to Q1 2005. Strong sales growth in Connected Displays (driven by the accelerating transition from CRT to flat displays) and Peripherals & Accessories fueled most of the increase. From a geographical perspective, double-digit growth, both nominal and comparable, was visible in Europe, North and Latin America.
- EBIT increased EUR 12 million, or 0.3% of sales, due to higher optical license income. Excluding the additional license income, EBIT was in line with Q1 2005.
- Net operating capital was lower than in Q1 2005, underscoring the continued effectiveness of the division's asset-light business model.

Looking ahead

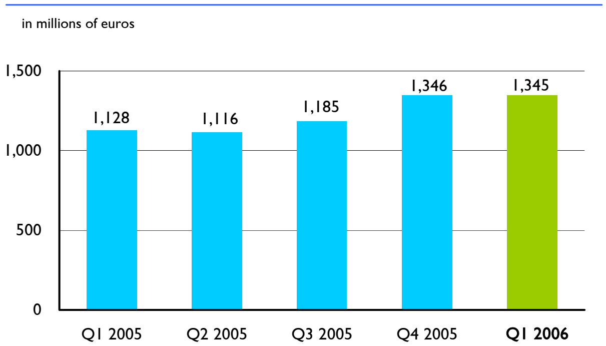
- Q2 will see the introduction of an extensive new range of Monitors and FlatTVs, including models with the innovative 4-side Ambilight feature.
- CE is expected to sustain its full-year profitability bandwidth of 4 – 4.5%.

Lighting

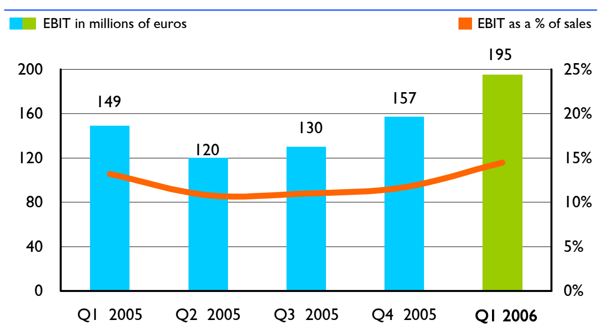
Key data

in millions of euros unless otherwise stated	Q1 2005	Q1 2006
Sales	1,128	**1,345**
Sales growth		
% nominal	5	**19**
% comparable	6	**8**
EBIT	149	**195**
as a % of sales	13.2	**14.5**
Net operating capital (NOC)	1,617	**2,665**
Number of employees (FTEs)	44,429	**46,701**

Sales



EBIT



Business highlights

- Philips announced a EUR 30 million investment to expand Xenon car lighting production capacity in Aachen, Germany. Xenon headlights are three times brighter and more energy-efficient than traditional halogen headlights.
- Philips' Lumileds lighting business introduced the LUXEON® K2 range, which was warmly received by the market. The range is 15 to 30% brighter than leading white-light high-power LEDs.
- At its Outdoor Lighting Application Center in Miribel, France, Philips unveiled the first city beautification lighting demonstration to include a range of solid-state lighting, showing customers how lighting can improve urban life.
- The State of California chose Philips' ALTO low-mercury T8 office lamps as the preferred lamp in its state purchasing contract, based on the product's lower mercury content.

Financial performance

- Sales amounted to EUR 1,345 million, corresponding to 8% comparable growth compared to Q1 2005.
- The comparable growth was seen across all businesses and, geographically, was strong in Europe, Asia Pacific and Latin America. Lumileds' sales increased 25% in US dollar terms compared with Q1 2005. This business remains on track to deliver EBITA of 25% on a full-year basis.
- EBIT was impacted by restructuring charges of EUR 16 million, a Lumileds purchase-accounting-related charge of EUR 14 million and a one-time real estate gain of EUR 11 million. In Q1 2005, restructuring charges amounted to EUR 27 million.
- The increase in net operating capital and employees was mainly attributable to the consolidation of Lumileds in Q4 2005.

Looking ahead

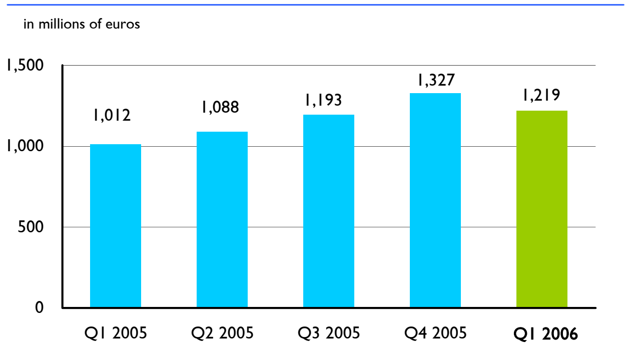
- In Q2, a charge of EUR 8 million is expected for purchase-accounting-related amortization.
- Strict cost control and optimization of the supply chain remain a priority.
- Full-year 2006 sales are expected to show comparable growth of 6%.

Semiconductors

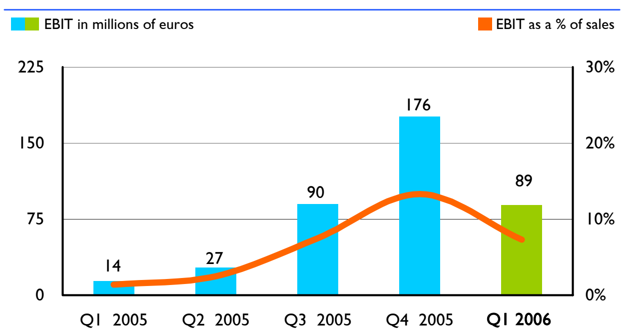
Key data

in millions of euros unless otherwise stated	Q1 2005	Q1 2006
Sales	1,012	1,219
Sales growth		
% nominal	(3)	20
% comparable	(2)	13
EBIT	14	89
as a % of sales	1.4	7.3
Net operating capital (NOC)	2,649	2,326
Number of employees (FTEs)	34,856	35,472

Sales



EBIT



Business highlights

- Philips' venture T3G launched a 3G-videophone reference design for Samsung for the world's first cell phone adapted to China's newly developed TD-SCDMA network.
- Philips won an order to provide identification chipsets for passive keyless entry in Renault's Mégane line of cars. With passive keyless entry, drivers carrying security cards can touch the car to unlock it and start the motor by pushing a button.
- Dell will start shipments of digital LCD TVs based on our integrated HD-ATSC System on Chip for the US market.
- Since launching the Nexperia™ TV505 reference, Philips has shipped over one million LCD TV single-chips for this reference design.
- Philips, IBM, Intel, SAP and Deutsche Post World Net launched RFID pilot projects to boost the efficiency of logistic solutions and global supply chains.

Financial performance

- Sales increased by 20% on a nominal basis and 13% on a comparable basis. All segments posted sales growth, led by the MMS and Automotive & Identification businesses. Sequentially, sales in US dollar terms declined by 7%, reflecting seasonality.
- At the end of Q1 2006, the book-to-bill ratio improved to 1.12, compared to 0.96 at the end of Q4 2005. The total order book increased by 16%, mainly for delivery beyond the short term.
- The utilization rate improved to 82%, compared to 75% in Q1 2005, but was down sequentially from 83% in Q4 2005.
- EBIT amounted to EUR 89 million, compared to EUR 14 million in Q1 2005. The improvement was attributable to higher sales and better utilization, partially offset by costs of EUR 10 million related to the legal disentanglement of the division.
- EBIT included charges of EUR 11 million related to restructuring in the Sales & Marketing organization.

Looking ahead

- Low-to-mid-single-digit sequential sales growth in US dollar terms is expected in Q2 2006.
- In Q2, costs related to the set-up of a separate legal structure are expected to be slightly higher than in Q1.

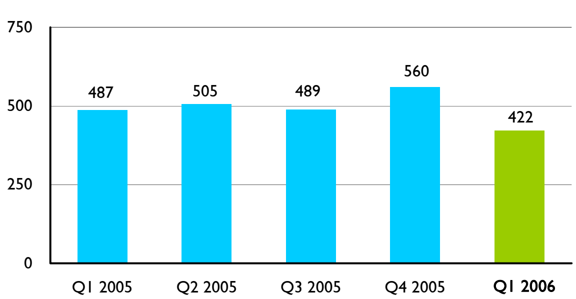
Other Activities

Key data

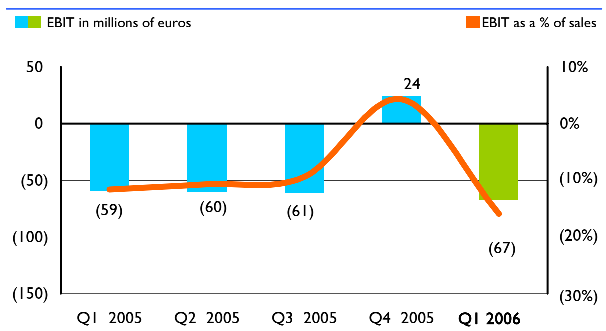
in millions of euros unless otherwise stated	Q1 2005	Q1 2006
Sales	487	422
Sales growth		
% nominal	(17)	(13)
% comparable	2	(16)
EBIT Corporate Technologies	(70)	(27)
EBIT Corp. Investments and others	11	(40)
Total EBIT	(59)	(67)
as a % of sales	(12.1)	(15.9)
Net operating capital (NOC)	282	361
Number of employees (FTEs)	20,584	20,158

Sales

in millions of euros



EBIT



Business highlights

- Philips Research developed the world's first fully functional Radio Frequency Identification (RFID) tag based entirely on plastic electronics, offering the potential for lower-cost RFID tags to replace bar coding in packaging.
- In India, Philips Research completed successful trials of a low-emissions woodstove. The stove uses heat from burning wood to power a fan that can reduce fuel consumption by 80%, smoke pollution by 90% and organic volatile emissions by 99%.
- The Industrie Forum Design Hannover, one of Europe's most renowned design centers, selected Philips' Pedestrian LED Luminaire – designed by Philips Design – for the 2006 Gold iF product design award.

Financial performance Corporate Technologies

- The improvement in EBIT compared to Q1 2005 was primarily attributable to a EUR 30 million gain on the sale of CryptoTec and to increased license income.

Financial performance Corp. Investments/others

- Corporate Investments' nominal sales declined by 16%. Due to the lower sales level, the ongoing businesses in Corporate Investments posted a loss of EUR 16 million, compared to a profit of EUR 5 million in Q1 2005.
- Real Estate was negatively impacted by a valuation adjustment of EUR 9 million.

Looking ahead

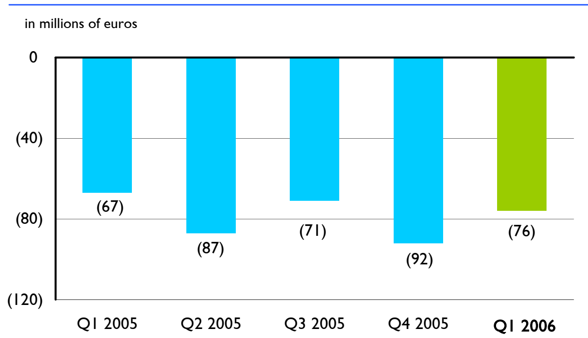
- The divestment of Philips Business Communications was closed on April 3.
- Philips intends to transfer its Optical Storage Data Drive business to Philips BenQ Digital Storage (PBDS). As a result of the transaction, the conditions for Philips to consolidate PBDS are no longer fulfilled. Philips will therefore de-consolidate PBDS upon completion, expected in Q2, which will reduce sales by approximately EUR 650 million annually.
- The average quarterly EBIT of Other Activities in 2006 is expected to be similar to that reported for Q1.

Unallocated

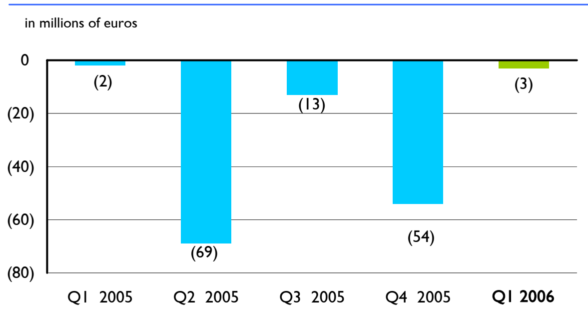
Key data

in millions of euros unless otherwise stated	Q1 2005	Q1 2006
Corporate and regional overheads	(67)	(76)
Global brand campaign	(2)	(3)
Pensions/postretirement benefit costs	(30)	(22)
Total EBIT	(99)	(101)
Number of employees (FTEs)	2,505	2,471

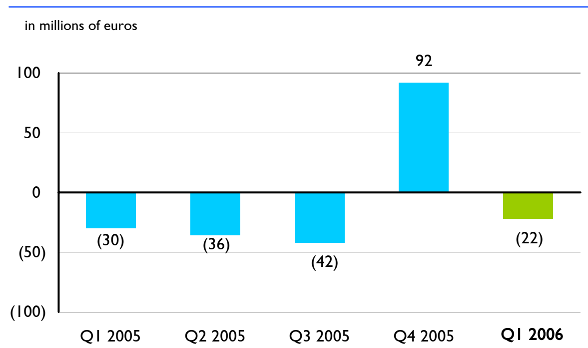
EBIT Corporate and regional overheads



EBIT Global brand campaign



EBIT Pensions/postretirement benefit costs



Business highlights

- In its Sustainability Report 2005, Philips announced it introduced 50 new Green Flagship products in 2005, bringing the total number of Green Flagships to over 160 by the end of the year. Revenue from Green Flagship products also jumped 100%, to EUR 2 billion in 2005 from EUR 1 billion in 2004.
- Philips presented its first Global Supplier Awards. Amtek Group – a metal, plastic and rubber supplier – won the “Best Overall” category; Sanmina-SCI Corporation – an electronics manufacturer – won the “Breakthrough” award for successful support in transferring manufacturing activities; and LG.Philips LCD won the “Growth Contribution” award for significantly increasing 2005 output to meet rising demand for flat-panel televisions.
- In line with Philips’ goal to be more market-driven, Philips and Brussels-based Management Centre Europe will offer the Kotler Certified Marketing Manager program to Philips’ non-marketing employees. The course is exam-certified by the Kotler Marketing Group – a global marketing training firm.

Financial performance

- Corporate and regional overheads were higher than in Q1 2005, due in part to implementation costs related to compliance with section 404 of the Sarbanes-Oxley Act.
- Pension costs/post-retirement benefit costs were lower than in Q1 2005, largely as a consequence of the abolition in 2006 of the post-retirement benefit plan in the Netherlands and lower pension costs, also in the Netherlands.

Looking ahead

- Brand campaign spend is expected to be at similar levels, and to follow a similar seasonal pattern, as in 2005.
- The implementation costs related to Sarbanes Oxley compliance for full-year 2006 are expected to be approximately EUR 20 million.

Other information

From 2006 onwards, Philips' interest in TSMC has been categorized as a financial asset rather than an equity investment. Consequently, Philips no longer accounts for its share in TSMC's income under results relating to unconsolidated companies. Instead, Philips will recognize its annual dividend in the income statement. On February 14, 2006, the TSMC Board recommended the distribution of a TWD 2.5 cash dividend per common share and a 3% stock dividend (30 shares for every 1,000 owned), subject to the approval of the shareholders meeting on May 16, 2006. At the current exchange rate, this would amount to approximately EUR 430 million, net of tax, and will be recognized under financial income and expense in Q2 2006.

Outlook

The first quarter of 2006 reaffirmed that we are on track to achieve our medium-term sales growth and EBIT margin targets.

We are pleased with the performance of Semiconductors. We are on schedule with the creation of a separate legal structure for the division, which we expect will be completed by the end of the third quarter. We remain confident that, in this way, we will create options to further strengthen the activity and maximize shareholder value.

During the remainder of the year, we will continue to explore opportunities to add to organic growth through targeted acquisitions consistent with our portfolio realignment.

We will continue to manage our balance sheet in line with our policy to maximize value creation and will further improve our cost structure by simplifying our organization and our way of working.

Amsterdam, April 18, 2006

Board of Management

Consolidated statements of income

all amounts in millions of euros unless otherwise stated
restated for the intended sale of the MDS business

	January to March	
	2005	**2006**
Sales	6,492	**7,374**
Cost of sales	(4,381)	**(5,020)**
Gross margin	2,111	**2,354**
Selling expenses	(1,009)	**(1,165)**
General and administrative expenses	(302)	**(302)**
Research and development expenses	(624)	**(631)**
Other business income (expense)	31	**79**
Income from operations	207	**335**
Financial income and expenses	(48)	**(23)**
Income before taxes	159	**312**
Income tax expense	(44)	**(91)**
Income after taxes	115	**221**
Results relating to unconsolidated companies, including a year-to-date net dilution gain of EUR 7 million (2005: nil)	22	**(36)**
Minority interests	(6)	**(25)**
Income from continuing operations	131	**160**
Discontinued operations	(14)	**-**
Net income	117	**160**
Weighted average number of common shares outstanding (after deduction of treasury stock) during the period (in thousands):		
• basic	1,276,078	**1,195,716**
• diluted	1,279,471	**1,203,980**
Net income per common share in euros:		
• basic	0.09	**0.13**
• diluted	0.09	**0.13**
Ratios		
Gross margin as a % of sales	32.5	**31.9**
Selling expenses as a % of sales	(15.5)	**(15.8)**
G&A expenses as a % of sales	(4.7)	**(4.1)**
R&D expenses as a % of sales	(9.6)	**(8.6)**
EBIT or Income from operations	207	**335**
as a % of sales	3.2	**4.5**
EBITA	237	**377**
as a % of sales	3.7	**5.1**

Consolidated balance sheets

all amounts in millions of euros unless otherwise stated
restated for the intended sale of the MDS business

	March 31, 2005	December 31, 2005	**March 31, 2006**
Current assets:			
Cash and cash equivalents	3,210	5,293	**3,389**
Receivables	4,445	5,155	**4,948**
Assets of discontinued operations	326	241	**210**
Inventories	3,523	3,480	**3,858**
Other current assets	1,013	937	**1,246**
Total current assets	12,517	15,106	**13,651**
Non-current assets:			
Investments in unconsolidated companies	6,011	5,698	**3,738**
Other non-current financial assets	867	673	**7,436**
Non-current receivables	159	213	**268**
Other non-current assets	3,036	3,231	**3,798**
Property, plant and equipment	4,861	4,893	**4,879**
Intangible assets excluding goodwill	980	1,299	**1,463**
Goodwill	1,911	2,748	**3,061**
Total assets	30,342	33,861	**38,294**
Current liabilities:			
Accounts and notes payable	2,970	3,856	**3,418**
Liabilities of discontinued operations	160	143	**115**
Accrued liabilities	3,160	3,632	**3,565**
Short-term provisions	830	869	**1,005**
Other current liabilities	609	708	**766**
Dividend payable	504	-	**523**
Short-term debt	889	1,167	**1,453**
Total current liabilities	9,122	10,375	**10,845**
Non-current liabilities:			
Long-term debt	3,608	3,320	**3,240**
Long-term provisions	2,095	2,056	**2,014**
Other non-current liabilities	706	1,112	**917**
Total liabilities	15,531	16,863	**17,016**
Minority interests	305	332	**347**
Stockholders' equity	14,506	16,666	**20,931**
Total liabilities and equity	30,342	33,861	**38,294**
Number of common shares outstanding (after deduction of treasury stock) at the end of period (in thousands)	1,261,725	1,201,358	**1,188,852**
Ratios			
Stockholders' equity per common share in euros	11.50	13.87	**17.61**
Inventories as a % of sales	12.0	11.4	**12.3**
Net debt : group equity	8:92	(5):105	**6:94**
Net operating capital	7,908	8,043	**10,301**
Employees at end of period of which discontinued operations 2,460 end March 2005, 1,780 end December 2005 and 1,684 end March 2006	160,857	159,226	**161,498**

Consolidated statements of cash flows *

all amounts in millions of euros
restated for the intended sale of the MDS business

	January to March	
	2005	**2006**
Cash flows from operating activities:		
Net income	117	**160**
Adjustments to reconcile income to net cash provided by operating activities:		
(Income) loss from discontinued operations	14	**-**
Depreciation and amortization	356	**342**
Impairment of equity investments	-	**3**
Net gain on sale of assets	(17)	**(71)**
Unconsolidated companies (net of dividends received)	67	**(11)**
Minority interests (net of dividends paid)	6	**25**
(Increase) decrease in working capital/other current assets	(788)	**(673)**
(Increase) decrease in non-current receivables/other assets	(89)	**(633)**
Increase (decrease) in provisions	(17)	**(1)**
Other items	19	**(8)**
Net cash provided by (used for) operating activities	(332)	**(867)**
Cash flows from investing activities:		
Purchase of intangible assets	(14)	**(26)**
Capital expenditures on property, plant and equipment	(220)	**(274)**
Proceeds from disposals of property, plant and equipment	37	**27**
Cash from (to) derivatives	(9)	**2**
Proceeds from sale (purchase) of other non-current financial assets	(4)	**(2)**
Proceeds from sale (purchase) of businesses	(74)	**(585)**
Net cash provided by (used for) investing activities	(284)	**(858)**
Cash flows from financing activities:		
Increase (decrease) in debt	(129)	**255**
Treasury stock transactions	(414)	**(373)**
Dividends paid	-	**-**
Net cash provided by (used for) financing activities	(543)	**(118)**
Net cash provided by (used for) continuing operations	(1,159)	**(1,843)**
Effect of change in consolidations and exchange rates on cash positions	45	**(62)**
Net cash provided by (used for) discontinued operations [1)]	(25)	**1**
Cash and cash equivalents at beginning of period	4,349	**5,293**
Cash and cash equivalents at end of period	3,210	**3,389**

* 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.

1) cash provided by (used for) operating activities	(18)	**2**
cash provided by (used for) investing activities	(7)	**(1)**

Ratio

Cash flows before financing activities	(616)	**(1,725)**

Consolidated statement of changes in stockholders’ equity

all amounts in millions of euros

	January to March 2006										
				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 compen-sation plans	To cover capital reduction program	Total stock-holders’ equity
Balance as of December 31, 2005	263	82	21,710	(1,886)	(10)	(545)	(29)	(2,470)	(1,333)	(1,586)	16,666
Net income			160								160
Net current period change				172	4,566	202	19	4,959			4,959
Reclassifications into income				2			8	10			10
Total comprehensive income, net of tax			160	174	4,566	202	27	4,969			5,129
Dividend payable			(523)								(523)
Purchase of treasury stock										(414)	(414)
Re-issuance of treasury stock		(63)							116		53
Share-based compensation plans		20									20
Balance as of March 31, 2006	**263**	**39**	**21,347**	**(1,712)**	**4,556**	**(343)**	**(2)**	**2,499**	**(1,217)**	**(2,000)**	**20,931**

Sectors

all amounts in millions of euros unless otherwise stated
restated for the intended sale of the MDS business

Sales and income from operations

	January to March					
	2005			**2006**		
	Sales	Income from operations amount	Income from operations as a % of sales	Sales	Income from operations amount	Income from operations as a % of sales
Medical Systems	1,285	100	7.8	**1,469**	**99**	**6.7**
DAP	427	56	13.1	**496**	**62**	**12.5**
Consumer Electronics	2,153	46	2.1	**2,423**	**58**	**2.4**
Lighting	1,128	149	13.2	**1,345**	**195**	**14.5**
Semiconductors	1,012	14	1.4	**1,219**	**89**	**7.3**
Other Activities	487	(59)	(12.1)	**422**	**(67)**	**(15.9)**
Unallocated		(99)			**(101)**	
Total	6,492	207	3.2	**7,374**	**335**	**4.5**

Sectors and main countries

all amounts in millions of euros

restated for the intended sale of the MDS business

Sales and total assets

	Sales		Total assets	
	January to March		March 31,	
	2005	**2006**	2005	**2006**
Medical Systems	1,285	**1,469**	4,932	**5,461**
DAP	427	**496**	835	**1,616**
Consumer Electronics	2,153	**2,423**	2,393	**2,660**
Lighting	1,128	**1,345**	2,576	**3,783**
Semiconductors	1,012	**1,219**	3,922	**3,646**
Other Activities	487	**422**	7,270	**5,040**
Unallocated			8,088	**15,878**
Total	6,492	**7,374**	30,016	**38,084**
Discontinued operations			326	**210**
Total			30,342	**38,294**

Sales and long-lived assets

	Sales		Long-lived assets *	
	January to March		March 31,	
	2005	**2006**	2005	**2006**
Netherlands	270	**258**	1,493	**1,479**
United States	1,558	**1,725**	3,002	**4,873**
Germany	519	**592**	556	**535**
France	398	**395**	190	**165**
United Kingdom	265	**282**	194	**88**
China	610	**746**	349	**330**
Other countries	2,872	**3,376**	1,968	**1,933**
Total	6,492	**7,374**	7,752	**9,403**

* Includes property, plant and equipment and intangible assets

Pension costs

all amounts in millions of euros unless otherwise stated
restated for the intended sale of the MDS business

Net periodic pension costs of defined-benefit plans

	January-March	
	Netherlands	Other
Service cost	53	37
Interest cost on the projected benefit obligation	134	102
Expected return on plan assets	(203)	(98)
Amortization of unrecognized transition obligation	-	-
Net actuarial (gain) loss recognized	(10)	21
Amortization of prior service cost	(15)	7
Settlement loss	-	-
Other	-	-
Net periodic cost (income)	**(41)**	**69**

The net periodic pension costs in the first quarter of 2006 amounted to EUR 52 million, of which EUR 28 million related to defined-benefit plans (the Netherlands income of EUR 41 million, other countries cost of EUR 69 million) and EUR 24 million related to defined-contribution plans outside the Netherlands (the Netherlands cost of EUR 2 million, other countries cost of EUR 22 million).

Net periodic costs of postretirement benefits other than pensions

	January-March	
	Netherlands	Other
Service cost	-	1
Interest cost on the accumulated postretirement benefit obligation	-	7
Amortization of unrecognized transition obligation	-	2
Net actuarial loss recognized	-	1
Curtailment gain	-	-
Net periodic cost (income)	**-**	**11**

Consolidated statements of income in accordance with IFRS

all amounts in millions of euros unless otherwise stated
restated for the intended sale of the MDS business

	January to March	
	2005	**2006**
Sales	6,492	**7,374**
Cost of sales	(4,393)	**(5,046)**
Gross margin	2,099	**2,328**
Selling expenses	(1,011)	**(1,171)**
General and administrative expenses	(336)	**(339)**
Research and development expenses	(567)	**(554)**
Other business income (expense)	22	**66**
Income from operations	207	**330**
Financial income and expenses	(49)	**(22)**
Income before taxes	158	**308**
Income tax expense	(47)	**(90)**
Income after taxes	111	**218**
Results relating to unconsolidated companies, including a year-to-date net dilution gain of EUR 8 million (2005: nil)	22	**(42)**
Minority interests	(7)	**(25)**
Income from continuing operations	126	**151**
Discontinued operations	(2)	**-**
Net income	124	**151**
Weighted average number of common shares outstanding (after deduction of treasury stock) during the period (in thousands)		
• basic	1,276,078	**1,195,716**
• diluted	1,279,471	**1,203,980**
Net income per common share in euros:		
• basic	0.10	**0.13**
• diluted	0.10	**0.13**
Ratios		
Gross margin as a % of sales	32.3	**31.6**
Selling expenses as a % of sales	(15.6)	**(15.9)**
G&A expenses as a % of sales	(5.2)	**(4.6)**
R&D expenses as a % of sales	(8.7)	**(7.5)**
EBIT or Income from operations	207	**330**
as a % of sales	3.2	**4.5**
EBITA	289	**437**
as a % of sales	4.5	**5.9**

)

Consolidated balance sheets in accordance with IFRS

all amounts in millions of euros unless otherwise stated
restated for the intended sale of the MDS business

	March 31, 2005	December 31, 2005	March 31, 2006
Current assets:			
Cash and cash equivalents	3,210	5,293	**3,389**
Receivables	4,445	5,155	**4,948**
Assets of discontinued operations	367	190	**160**
Inventories	3,523	3,480	**3,858**
Other current assets	727	455	**617**
Total current assets	12,272	14,573	**12,972**
Non-current assets:			
Investments in unconsolidated companies	5,764	5,520	**3,637**
Other non-current financial assets	867	673	**7,436**
Non-current receivables	159	213	**268**
Other non-current assets	116	126	**419**
Deferred tax assets	2,094	2,047	**2,101**
Property, plant and equipment	4,892	4,912	**4,891**
Intangible assets excluding goodwill	2,356	3,175	**3,454**
Goodwill	1,537	2,304	**2,625**
Total assets	30,057	33,543	**37,803**
Current liabilities:			
Accounts and notes payable	2,970	3,856	**3,418**
Liabilities of discontinued operations	160	143	**115**
Accrued liabilities	3,091	3,621	**3,530**
Short-term provisions	860	842	**822**
Other current liabilities	609	708	**766**
Dividend payable	504	-	**523**
Short-term debt	890	1,168	**1,467**
Total current liabilities	9,084	10,338	**10,641**
Non-current liabilities:			
Long-term debt	3,638	3,339	**3,242**
Long-term provisions	2,066	1,817	**1,785**
Deferred tax liabilities	314	309	**427**
Other non-current liabilities	796	1,068	**876**
Total liabilities	15,898	16,871	**16,971**
Minority interests	308	353	**367**
Stockholders' equity	13,851	16,319	**20,465**
Total liabilities and equity	30,057	33,543	**37,803**
Number of common shares outstanding (after deduction of treasury stock) at the end of period (in thousands)	1,261,725	1,201,358	**1,188,852**
Ratios			
Stockholders' equity per common share in euros	10.98	13.58	**17.21**
Inventories as a % of sales	12.0	11.4	**12.3**
Net debt : group equity	9:91	(5):105	**6:94**
Employees at end of period of which discontinued operations 2,460 end March 2005, 1,780 end December 2005 and 1,684 end March 2006	160,857	159,226	**161,498**

Reconciliation from US GAAP to IFRS

all amounts in millions of euros unless otherwise stated
restated for the intended sale of the MDS business

Reconciliation of net income from US GAAP to IFRS

	January to March	
	2005	**2006**
Net income as per the consolidated statements of income on a US GAAP basis	117	**160**
Adjustments to IFRS:		
Capitalized product development expenses	149	**197**
Amortization of product development assets	(85)	**(109)**
Pensions and other postretirement benefits	(56)	**(64)**
Amortization of intangible assets	-	**(16)**
Unconsolidated companies	-	**(6)**
Deferred income tax effects	(3)	**1**
Discontinued operations	12	**-**
Other differences in income	(10)	**(12)**
Net income in accordance with IFRS	124	**151**

Reconciliation of stockholders' equity from US GAAP to IFRS

	March 31, 2005	**March 31, 2006**
Stockholders' equity as per the consolidated balance sheets on a US GAAP basis	14,506	**20,931**
Adjustments to IFRS:		
Product development expenses	1,483	**1,747**
Pensions and other postretirement benefits	(1,782)	**(2,089)**
Goodwill amortization (until January 1, 2004)	(373)	**(398)**
Goodwill capitalization (acquisition-related)	-	**(39)**
Acquisition-related intangibles	-	**273**
Assets from discontinued operations	41	**(50)**
Unconsolidated companies	(247)	**(101)**
Recognized results on sale-and-leaseback transactions	94	**75**
Deferred income tax effects	129	**140**
Other differences in equity	-	**(24)**
Stockholders' equity in accordance with IFRS	13,851	**20,465**

Reconciliation of non-US GAAP performance measures

all amounts in millions of euros unless otherwise stated
restated for the intended sale of the MDS business

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 March			
	Comparable growth	Currency effects	Consolidation changes	Nominal growth
2006 versus 2005				
Medical Systems	**8.2**	**6.4**	**(0.3)**	**14.3**
DAP	**9.5**	**5.4**	**1.4**	**16.3**
Consumer Electronics	**15.6**	**6.5**	**(9.6)**	**12.5**
Lighting	**7.6**	**5.1**	**6.5**	**19.2**
Semiconductors	**13.4**	**6.8**	**0.2**	**20.4**
Other Activities	**(15.7)**	**3.1**	**(0.9)**	**(13.5)**
Philips Group	**9.6**	**5.9**	**(1.9)**	**13.6**

EBITA and EBIT to income before taxes

	Philips Group	Medical Systems	DAP	Consumer Electronics	Lighting	Semi-conductors	Other Activities	Unallocated
January to March 2006								
EBITA	**377**	**122**	**64**	**58**	**204**	**98**	**(67)**	**(102)**
Eliminate amortization of intangibles	**(42)**	**(23)**	**(2)**	**-**	**(9)**	**(9)**	**-**	**1**
EBIT or Income from operations	**335**	**99**	**62**	**58**	**195**	**89**	**(67)**	**(101)**
Eliminate financial income and expenses	**(23)**							
Income before taxes	**312**							
January to March 2005								
EBITA	237	121	57	46	149	22	(58)	(100)
Eliminate amortization of intangibles	(30)	(21)	(1)	-	-	(8)	(1)	1
EBIT or Income from operations	207	100	56	46	149	14	(59)	(99)
Eliminate financial income and expenses	(49)							
Income before taxes	158							

Composition of net debt and group equity

	March 31, 2005	March 31, 2006
Long-term debt	3,608	**3,240**
Short-term debt	889	**1,453**
Total debt	4,497	**4,693**
Cash and cash equivalents	(3,210)	**(3,389)**
Net debt (total debt less cash and cash equivalents)	1,287	**1,304**
Minority interests	305	**347**
Stockholders' equity	14,506	**20,931**
Group equity	14,811	**21,278**
Net debt and group equity	16,098	**22,582**
Net debt divided by net debt and group equity (in %)	8	**6**
Group equity divided by net debt and group equity (in %)	92	**94**

Reconciliation of non-US GAAP performance measures (continued)

all amounts in millions of euros unless otherwise stated
restated for the intended sale of the MDS business

Net operating capital to total assets

	Philips Group	Medical Systems	DAP	Consumer Electronics	Lighting	Semi-conductors	Other Activities	Unallocated
March 31, 2006								
Net operating capital (NOC)	**10,301**	**3,362**	**1,126**	**78**	**2,665**	**2,326**	**361**	**383**
Eliminate liabilities comprised in NOC:								
– payables/liabilities	**8,666**	**1,741**	**418**	**2,200**	**926**	**819**	**1,044**	**1,518**
– intercompany accounts	**-**	**35**	**16**	**69**	**38**	**21**	**(158)**	**(21)**
– provisions[1]	**2,553**	**253**	**56**	**294**	**134**	**191**	**573**	**1,052**
Include assets not comprised in NOC:								
– investments in unconsolidated companies	**3,738**	**70**	**-**	**19**	**20**	**289**	**3,220**	**120**
– other non-current financial assets	**7,436**							**7,436**
– deferred tax assets	**2,001**							**2,001**
– liquid assets	**3,389**							**3,389**
Total assets	**38,084**	**5,461**	**1,616**	**2,660**	**3,783**	**3,646**	**5,040**	**15,878**
Discontinued operations	**210**							
Total	**38,294**							

1) provisions on balance sheet EUR 3,019 million excluding deferred tax liabilities of EUR 466 million

	Philips Group	Medical Systems	DAP	Consumer Electronics	Lighting	Semi-conductors	Other Activities	Unallocated
March 31, 2005								
Net operating capital (NOC)	7,908	3,058	460	108	1,617	2,649	282	(266)
Eliminate liabilities comprised in NOC:								
– payables/liabilities	7,445	1,541	305	1,886	724	738	971	1,280
– intercompany accounts	-	33	13	74	40	-	(134)	(26)
– provisions[2]	2,705	245	57	305	139	228	630	1,101
Include assets not comprised in NOC:								
– investments in unconsolidated companies	6,011	55	-	20	56	307	5,521	52
– other non-current financial assets	867							867
– deferred tax assets	1,870							1,870
– liquid assets	3,210							3,210
Total assets	30,016	4,932	835	2,393	2,576	3,922	7,270	8,088
Discontinued operations	326							
Total	30,342							

2) provisions on balance sheet EUR 2,925 million excluding deferred tax liabilities of EUR 220 million

Composition of cash flows before financing activities

	January to March	
	2005	**2006**
Cash flows from operating activities	(332)	**(867)**
Cash flows from investing activities	(284)	**(858)**
Cash flows before financing activities	(616)	**(1,725)**

Philips quarterly statistics

all amounts in millions of euros unless otherwise stated; percentage increases always in relation to the corresponding period of previous year
restated for the intended sale of the MDS business

	2005				2006			
	1st quarter	2nd quarter	3rd quarter	4th quarter	1st quarter	2nd quarter	3rd quarter	4th quarter
Sales	6,492	6,927	7,458	9,518	**7,374**			
% increase	2	(1)	6	6	**14**			
EBIT	207	158	443	971	**335**			
as a % of sales	3.2	2.3	5.9	10.2	**4.5**			
Net income	117	983	1,436	332	**160**			
per common share in euros	0.09	0.78	1.14	0.28	**0.13**			

	January-March	January-June	January-September	January-December	January-March	January-June	January-September	January-December
Sales	6,492	13,419	20,877	30,395	**7,374**			
% increase	2	0	2	4	**14**			
EBIT	207	365	808	1,779	**335**			
as a % of sales	3.2	2.7	3.9	5.9	**4.5**			
Net income	117	1,100	2,536	2,868	**160**			
as a % of stockholders' equity (ROE)	3.7	16.3	23.7	18.3	**4.0**			
per common share in euros	0.09	0.87	2.01	2.29	**0.13**			

	period ending 2005				period ending 2006			
Inventories as a % of sales	12.0	13.4	13.3	11.4	**12.3**			
Net debt : group equity ratio	8:92	8:92	0:100	(5):105	**6:94**			
Total employees (in thousands)	161	160	161	159	**161**			
of which discontinued operations	2	2	2	2	**2**			

Information also available on Internet, address: www.investor.philips.com
Printed in the Netherlands