

## **Agenda** for the Annual General Meeting of Shareholders 2014 of Royal Philips (Koninklijke Philips N.V.)

To be held at the **Hotel Okura Amsterdam**, Ferdinand Bolstraat 333, Amsterdam on **Thursday, May 1, 2014, beginning at 14.00 hours.**

### **1. Speech of the President**

### **2. Annual Report 2013**

- a. Explanation of the implementation of the remuneration policy
- b. Explanation of policy on additions to reserves and dividends
- c. Proposal to adopt the financial statements
- d. Proposal to adopt a dividend of EUR 0.80 per common share, in cash or in shares at the option of the shareholder, against the net income for 2013
- e. Proposal to discharge the members of the Board of Management for their responsibilities
- f. Proposal to discharge the members of the Supervisory Board for their responsibilities

### **3. Composition of the Supervisory Board**

Proposal to appoint Ms Orit Gadiesh as member of the Supervisory Board with effect from May 1, 2014

### **4. Proposal to re-appoint KPMG Accountants N.V. as external auditor of the company for an interim period of one year**

### **5. Authorization of the Board of Management to (i) issue shares or grant rights to acquire shares and (ii) restrict or exclude pre-emption rights**

- a. Proposal to authorize the Board of Management for a period of 18 months, effective May 1, 2014, as the body which is authorized, with the approval of the Supervisory Board, to issue shares or grant rights to acquire shares within the limits laid down in the Articles of Association of the company
- b. Proposal to authorize the Board of Management for a period of 18 months, effective May 1, 2014, as the body which is authorized, with the approval of the Supervisory Board, to restrict or exclude the pre-emption rights accruing to shareholders

The authorization referred to above under a. will be limited to a maximum of 10% of the number of issued shares as of May 1, 2014, plus 10% of the issued capital as of that same date in connection with or on the occasion of mergers, acquisitions and/or strategic alliances.

## **6. Authorization of the Board of Management to acquire shares in the company**

Proposal to authorize the Board of Management for a period of 18 months, effective May 1, 2014, within the limits of the law and the Articles of Association, to acquire, with the approval of the Supervisory Board, for valuable consideration, on the stock exchange or otherwise, shares in the company at a price between, on the one hand, an amount equal to the par value of the shares and, on the other hand, an amount equal to 110% of the market price of these shares on the Official Segment of NYSE Euronext Amsterdam; the market price being the average of the highest price on each of the five days of trading prior to the date of acquisition, as shown in the Official Price List of NYSE Euronext Amsterdam.

The maximum number of shares the company may acquire and hold, will not exceed 10% of the issued share capital as of May 1, 2014, which number may be increased by 10% of the issued capital as of that same date in connection with the execution of share repurchase programs for capital reduction purposes.

## **7. Cancellation of shares**

Proposal to cancel common shares in the share capital of the company held or to be acquired by the company. The number of shares that will be cancelled shall be determined by the Board of Management.

## **8. Any other business**

*Agenda items indicated as "proposal" are voting items*

## Explanatory notes to the agenda

### 1. Speech of the President

In his speech the President will look back on the financial year 2013, including the company's financial performance, and will explain the strategic direction of the Philips Group going forward.

### 2. Annual Report 2013

These agenda items first include two non-voting items: the implementation of the company's remuneration policy in 2013, and the company's policy on additions to reserves and dividends. In respect of the first item, please refer to the Report of the Supervisory Board as well as other information on remuneration included in the Annual Report 2013. Furthermore a number of proposals are included: to adopt the 2013 financial statements, to adopt an optional dividend in cash or shares; as well as to discharge the members of the Board of Management and the Supervisory Board, in accordance with Dutch law, for the performance of their respective duties in the financial year 2013. The proposed discharge only covers matters that are known to the company and the General Meeting of Shareholders when the resolution to discharge is adopted.

It is proposed to distribute a dividend of EUR 0.80 per common share in cash or shares, at the option of the shareholder in accordance with the company's present dividend policy to make sustainable dividend distributions based on a pay-out ratio of 40 to 50% of continuing net income.

If the above dividend proposal is adopted, the shares will be traded ex-dividend as of May 5, 2014 and the dividend record date will be May 7, 2014. Shareholders will be given the opportunity to make their choice between cash and shares between May 8, 2014 and May 30, 2014. If no choice is made during this election period the dividend will be paid in shares. On May 30, 2014 after close of trading, the number of share dividend rights entitled to one new common share will be determined based on the volume-weighted average price of all traded common shares Koninklijke Philips N.V. at NYSE Euronext Amsterdam on 28, 29 and 30 May 2014. The company will calculate the number of share dividend rights entitled to one new common share (the 'ratio'), such that the gross dividend in shares will be approximately equal to the gross dividend in cash. On June 3, 2014 the ratio and the number of shares to be issued will be announced. Payment of the dividend and delivery of new common shares, with settlement of fractions in cash, if required, will take place from June 4, 2014.

The new issued common shares rank for the dividend for the 2014 financial year and following financial years.

Dividend in cash is in principle subject to 15% Dutch dividend withholding tax, which will be deducted from the dividend in cash paid to the shareholders. Dividend in shares paid out of net income is in principle subject to 15% dividend withholding tax, but only in respect of the par value of the shares (which value amounts to EUR 0.20 per share). Some shareholders may be eligible to claim a tax credit for or a refund of the tax withheld, if certain conditions are met. Shareholders are advised to consult their own tax advisor on the applicable situation both with respect to withholding tax and the possibility to claim a tax credit for or a refund of the tax withheld, as well as the tax due (such as corporate income tax, personal income tax) on the dividend received.

### 3. Composition of the Supervisory Board

In accordance with the Articles of Association of the company, the Supervisory Board has made a binding recommendation regarding the appointment of a member of the

Supervisory Board. The curriculum vitae of the nominee is available for inspection at the offices of the company and at ABN AMRO Bank N.V. (Gustav Mahlerlaan 10 (HQ 7050), 1082 PP Amsterdam) as well as on the company's website ([www.philips.com/agm](http://www.philips.com/agm)) and at the meeting.

The following person is proposed for appointment:

## **Ms Orit Gadiesh**

Ms Gadiesh was born in 1951 and has Israeli and American nationality. She is currently the Chairman of Bain & Company, which she joined in 1977.

In Ms Gadiesh's career she has gathered in-depth knowledge of marketing and technological developments, particularly in North America. Her expertise will be invaluable, particularly as Philips transitions towards a technological company focused on integrating big data in innovative products and new services and solutions, in view of which the Supervisory Board proposes to appoint Ms Gadiesh as a member of the Supervisory Board.

Ms Gadiesh is a member of the Foundation Board of the World Economic Forum (WEF) and its International Business Council. She is also member of International Advisory Board of the Atlantic Council of the United States, and the Advisory Board for the British-American Business Council. Additional to that she serves as the chairman of the International Business Leaders' Advisory Council for the Mayor of Shanghai (IBLAC).

Upon the appointment of Ms Gadiesh, Philips' Supervisory Board will consist of nine members, including three women, with five nationalities.

## **4. Proposal to re-appoint KPMG Accountants N.V. as external auditor of the company for an interim period of one year**

The 2011 Annual General Meeting of Shareholders appointed KPMG Accountants N.V. ('KPMG') as external auditor of the company for a term of three years as of the financial year 2012.

The company's Auditor Policy has been amended as per 2013 to reflect new Dutch legislation on mandatory auditor rotation. Under the new rotation rules, the company must engage a new audit firm for its statutory audit for the financial year starting January 1, 2016.

The Audit Committee has been involved in the process of selecting a new auditor and will continue to be involved in the final selection in 2014 of the succeeding auditor, subject to appointment by the 2015 Annual General Meeting of Shareholders.

In view of the ongoing Accelerate! transformation process and ongoing extensive selection process, the Audit Committee considers it appropriate for the company to propose a change of external auditor as of the financial year starting January 1, 2016.

After having assessed the performance of the current external auditor and in view of the above, the Audit Committee has advised the Supervisory Board to propose to the General Meeting of Shareholders to re-appoint KPMG for an interim period of one year to conduct the audit for the financial year 2015. Consequently, it is proposed to re-appoint KPMG for one additional year, being the financial year 2015.

## **5. Authorization of the Board of Management to (i) issue shares or grant rights to acquire shares and (ii) restrict or exclude pre-emption rights**

The proposals to authorize the Board of Management to (i) issue shares or grant rights to acquire shares in the share capital of the company and (ii) restrict or exclude pre-emption rights, are intended to give the Board of Management flexibility in financing the company in the most efficient manner. Furthermore, such authorization gives the Board of Management flexibility in the context of mergers, acquisitions and/or strategic alliances.

Adoption of these proposals by the General Meeting of Shareholders replaces the current authorization of the Board of Management to (i) issue shares or grant rights to acquire shares in the share capital of the company and (ii) restrict or exclude pre-emption rights, which was granted by the General Meeting of Shareholders on May 3, 2013.

## **6. Authorization of the Board of Management to acquire shares in the company**

The proposal to authorize the Board of Management to repurchase shares in the share capital of the company intends to allow the Board of Management to cover the company's obligations related to share-based remuneration, such as those under the LTI Plans and any other employee stock purchase plan under which employees may acquire Philips securities, and other obligations the company may have. Furthermore, the proposal intends to allow the Board of Management to repurchase shares for capital reduction purposes.

The maximum number of shares the company may acquire and hold, will not exceed 10% of the issued share capital per May 1, 2014. In case of repurchase for capital reduction purposes, the number of shares that the company may acquire and hold will be increased with an additional 10% of such issued share capital. This higher maximum of shares that may be held is intended to allow the Board of Management to execute such share repurchase programs in an efficient and expedited manner.

Adoption of this proposal by the General Meeting of Shareholders replaces the current authorization of the Board of Management to repurchase shares which was granted by the General Meeting of Shareholders on May 3, 2013.

## **7. Cancellation of shares**

It is proposed to the General Meeting of Shareholders to cancel any or all common shares in the share capital of the company held or repurchased by the company under the authorization referred to under agenda item 6 resulting in a reduction of the company's issued common shares. The cancellation may be executed in one or more tranches.

The number of shares that will be cancelled (whether or not in a tranche) shall be determined by the Board of Management, with a maximum of the number of shares that may be acquired pursuant to agenda item 6. Pursuant to the relevant statutory provisions, cancellation may not be effected earlier than two months after a resolution to cancel shares is adopted and publicly announced; this will apply for each tranche. The purpose of this proposal is cancellation of common shares held by the company or that have been acquired in accordance with the proposal under agenda item 6, to the extent that such shares shall not be used to cover obligations under share-based remuneration or other obligations, and it includes the common shares already repurchased under the EUR 1.5 billion share buyback program announced on September 17, 2013.

*The agenda, the explanatory notes to the agenda and all relevant meeting documents have been published on the company's website ([www.philips.com/agm](http://www.philips.com/agm)).*

