

# Agenda

Agenda for the Extraordinary General Meeting of Shareholders of Royal Philips Electronics (Koninklijke Philips Electronics N.V.) to be held at Philips' headquarters, Amstelplein 2, Amsterdam on Wednesday, October 25, 2006, beginning at 10.00 hours

## 1. Cancellation of shares

Proposal to cancel common shares in the share capital of the Company repurchased or to be repurchased by the Company. The number of shares that will be cancelled shall be determined by the Board of Management but shall not exceed ten percent of the issued share capital of the Company as of October 25, 2006

## 2. Authorization of the Board of Management to acquire shares in the Company

Proposal to authorize the Board of Management as of the date the cancellation of shares referred to in item 1 has become effective until April 26, 2008, within the limits of the law and the Articles of Association, to acquire for valuable consideration, on the stock exchange or otherwise, additional common 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 Euronext Amsterdam N.V.'s stock market (Eurolist by Euronext); 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 Euronext Amsterdam

## 3. Cancellation of additional shares

Proposal to cancel common shares in the share capital of the Company to be repurchased by the Company following the cancellation of the common shares as referred to under item 1. The number of shares that will be cancelled shall be determined by the Board of Management but shall not exceed ten percent of: the issued share capital of the Company as of October 25, 2006 reduced with the number of shares cancelled pursuant to item 1

## 4. Authorization of the Board of Management to acquire additional shares in the Company

Proposal to authorize the Board of Management as of the date the cancellation of shares as referred to under item 3 has become effective until April 26, 2008, within the limits of the law and the Articles of Association, to acquire for valuable consideration, on the stock exchange or otherwise, additional common 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 Euronext Amsterdam N.V.'s stock market (Eurolist by Euronext); 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 Euronext Amsterdam

# Explanatory notes to the agenda

## General information

The Company announced on August 3, 2006 that, as a result of the sale of an 80.1% stake in the Company's Semiconductors business for EUR 6.4 billion, it will return a further EUR 2.5 billion to shareholders by the end of 2007 through a combination of dividends and share repurchase programs. The Company aims to have optimal flexibility in the execution of such return of capital to its shareholders. In order to enable such optimal flexibility, the Extraordinary General Meeting of Shareholders is requested to authorize cancellation of shares and to authorize share repurchases, followed by a subsequent authorization for cancellation of shares and authorization for share repurchases should the Company decide to implement further share repurchase programs. Shareholders are advised that there is neither certainty as to the timing or the execution of a return of the EUR 2.5 billion to shareholders nor certainty as to the method of achieving such return.

### 1. Cancellation of shares

In view of the above, it is proposed to cancel common shares repurchased or to be repurchased by the Company under share repurchase programs, resulting in a reduction of the Company's issued share capital. 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 but shall not exceed ten percent of the issued share capital as of October 25, 2006. 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.

### 2. 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 is done to achieve the goal set out before. Furthermore, it will allow the Board of Management to hedge the Company's obligations under the Long-Term Incentive Plan approved by the General Meeting of Shareholders and any other employee stock purchase plans under which employees may acquire Philips securities. This proposal is conditional upon the adoption of a resolution and the execution thereof to cancel shares pursuant to item 1.

The statutory restriction not to acquire shares if and insofar as the nominal amount of the shares in the Company's capital which the Company acquires, holds or holds as pledge, or which are held by a subsidiary, is more than ten percent of the issued share capital, is to be calculated on the basis of the issued share capital as of October 25, 2006 reduced with the number of shares cancelled pursuant to item 1.

### 3. Cancellation of additional shares

In view of the above, it is proposed to cancel common shares to be repurchased by the Company following the cancellation of common shares as referred to in item 1, resulting in a further reduction of the Company's issued share capital. 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 but shall not exceed ten percent of: the issued share capital as of October 25, 2006 reduced with the number of shares cancelled pursuant to item 1. 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.

### 4. Authorization of the Board of Management to acquire additional shares in the Company

The proposal to authorize the Board of Management to repurchase shares in the share capital of the Company after the cancellation of shares referred to in item 3 is done to achieve the goal set out before. Furthermore, it will allow the Board of Management to hedge the Company's obligations under the Long-Term Incentive Plan approved by the General Meeting of Shareholders and any other employee stock purchase plans under which employees may acquire Philips securities. This proposal is conditional upon the adoption of a resolution and the execution thereof to cancel shares pursuant to item 3.

The statutory restriction not to acquire shares if and insofar as the nominal amount of the shares in the Company's capital which the Company acquires, holds or holds as pledge, or which are held by a subsidiary, is more than ten percent of the issued share capital, is to be calculated on the basis of the issued share capital as per October 25, 2006 reduced with the number of shares cancelled pursuant to item 1 and 3.