

Agenda

Agenda for the Annual General Meeting of Shareholders of Royal Philips Electronics (Koninklijke Philips Electronics N.V.) to be held at the Hotel Okura Amsterdam, Ferdinand Bolstraat 333, Amsterdam on Thursday, March 31, 2005, beginning at 14.00 hours

1. Opening
2. Annual Report 2004, distribution to shareholders and discharge
 - a. Proposal to adopt the 2004 financial statements
 - b. Explanation of policy on additions to reserves and dividends
 - c. Proposal to adopt a dividend of EUR 0.40 per common share
 - d. Proposal to discharge the members of the Board of Management for their responsibilities
 - e. Proposal to discharge the members of the Supervisory Board for their responsibilities
3. Corporate governance structure and amendment of the Articles of Association
 - a. Discussion of corporate governance structure
 - b. Proposal to amend the Articles of Association of the Company
4. Proposal to re-appoint KPMG Accountants N.V. for a period of three years as external auditor of the Company
5. Composition of the Board of Management
 - a. Proposal to reappoint Mr G.J. Kleisterlee as President/CEO and member of the Board of Management of the Company
 - b. Proposal to appoint Mr P.J. Sivignon as member of the Board of Management of the Company
6. Composition of the Supervisory Board
 - a. Proposal to re-appoint Mr L. Schweitzer as a member of the Supervisory Board of the Company with effect from March 31, 2005
 - b. Proposal to appoint Mr N.L. Wong as a member of the Supervisory Board of the Company with effect from April 1, 2005
 - c. Proposal to appoint Mr J.J. Schiro as a member of the Supervisory Board of the Company with effect from October 1, 2005
7. Remuneration members of the Supervisory Board
Proposal to amend the remuneration for members of the Supervisory Board, its Chairman and the members and chairmen of its committee's, with effect from January 1, 2005
8. Authorization of the Board of Management to (i) issue or grant rights to acquire shares and (ii) restrict or exclude pre-emption rights
Proposal to authorize the Board of Management for a period of 18 months, as of March 31, 2005, 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, as well as to restrict or exclude the pre-emption right accruing to shareholders. This authorization will be limited to a maximum of 10% of the number issued shares plus 10% of the issued capital in connection with or on the occasion of mergers and acquisitions
9. 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, as of March 31, 2005, within the limits of the law and the Articles of Association, to acquire 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 Euronext Amsterdam N.V.'s stock market (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 Euronext Amsterdam
10. Any other business
11. Closing

Explanatory notes to the agenda

The explanatory notes to the agenda contain also a further description of the agenda.

2: Annual Report 2004, distribution to shareholders and discharge

These agenda items include the regular proposals to adopt the 2004 financial statements and a dividend, and to discharge the members of the Board of Management and the Supervisory Board for their responsibilities. Furthermore, in accordance with the Dutch Corporate Governance Code, this item includes an explanation of the Company's policy on additions to reserves and dividends.

3: Corporate governance structure and amendment of the Articles of Association

To further improve the Company's corporate governance structure, to simplify the legal structure, and in connection with the implementation of the Dutch Corporate Governance Code and changes in legislation it is proposed to amend the Articles of Association of the Company. The proposed amendment particularly comprises aspects of the Dutch Corporate Governance Code that need a basis in the Articles of Association or are otherwise appropriate in that context. The proposed amendment also intends to increase the readability and transparency of the Articles of Association.

Furthermore, in view of the reporting on the Company's corporate governance structure as described in the 2004 Annual Report, this item includes a discussion of the Company's corporate governance structure.

A summary of the most important proposed amendments to the Articles of Association are mentioned below.

Withdrawal priority shares

Following best practices in corporate governance it is proposed to withdraw all priority shares. The shares are currently held by the Dr A.F. Philips-Stichting. At present the approval of the Meeting of Priority Shareholders is inter alia required for resolutions of the General Meeting of Shareholders regarding the issue of ordinary shares of the Company or rights to acquire shares, the cancellation of the shares, amendments to the Articles of Association and the liquidation of the Company. Acting in agreement with the Supervisory Board the Meeting of Priority Shareholders also make binding recommendations to the General Meeting of Shareholders regarding the appointment of members of the Board of Management and Supervisory Board. Once the General Meeting of Shareholders has adopted the proposal to amend the Articles of Association, the Dr A.F. Philips-Stichting shall transfer all its ten priority shares, nominal value EUR 500 each, to the Company. Subsequently such ten priority shares shall be converted into 25,000 common shares, nominal value EUR 0.20 each, as a result of the execution of the notarial deed of amendment of the Articles of Association. These common shares shall be cancelled in due course.

Binding recommendation

In line with the recommendations of the Dutch Corporate Governance Code it is proposed to change the requirements for overruling a binding recommendation made to the General Meeting of Shareholders regarding the appointment of members of the Board of Management and the Supervisory Board. Under the proposed provisions a binding recommendation can be overruled by a resolution of the General Meeting of Shareholders taken by a simple majority of the votes cast and representing at least 1/3 of the issued share capital (currently 2/3 majority vote representing more than 1/2 of the issued capital).

Furthermore if a simple majority of the votes cast is in favour of the resolution to overrule the binding recommendation, but such majority does not represent at least 1/3 of the issued share capital, a new meeting may be convened at which the resolution may be passed by a simple majority of the votes cast, regardless of the portion of the issued share capital represented by such majority.

Conflicts of interests Board of Management

In view of the recommendations of the Dutch Corporate Governance Code it is proposed to formalize the rules to avoid conflicts of interests between the Company and members of the Board of Management.

The proposed amendment to the Articles of Association states that in the event of a legal act or a lawsuit between the Company and a member of the Board of Management, certain of its relatives, or certain (legal) entities in which a member of the Board of Management has an interest, and insofar as the legal act is of material significance to the Company and/or to the respective member

of the Board of Management, the respective member of the Board of Management shall not take part in the decision-making in respect of the lawsuit or the legal act. Resolutions concerning such legal acts or lawsuits require the approval of the Supervisory Board. Legal acts as referred to above shall be mentioned in the Annual Report for the relevant financial year. The Rules of Procedure of the Board of Management give further rules on the reporting of (potential) conflicts of interests.

Term of appointment of members of the Board of Management

In line with recommendations of the Dutch Corporate Governance Code it is proposed to appoint members of the Board of Management for a maximum term of four years, it being understood that this maximum term expires at the end of the following General Meeting of Shareholders to be held in the fourth year after the year of the appointment, or if applicable, on a later pension or other contractual termination date in that year, unless the General Meeting of Shareholders resolves otherwise. Reappointment is possible.

Matters to be approved by Supervisory Board and General Meeting of Shareholders

In compliance with Dutch law it is proposed to update the Articles of Association in such a way that decisions of the Board of Management that are so far-reaching that they would greatly change the identity or nature of the Company or the business require the approval of the General Meeting of Shareholders.

This concerns resolutions, among others, to (i) transfer the business of the Company, or almost the entire business of the Company, to a third party (ii) enter into or discontinue long-term cooperation by the Company or a subsidiary with another legal entity or company, if this cooperation or its discontinuation is of material significance to the Company or (iii) acquire or dispose of a participating interest in the capital of a company to the value of at least 1/3 of the amount of the assets according to the balance sheet and notes thereto.

Indemnification of members of the Board of Management and Supervisory Board

Following international practice it is proposed to incorporate the Company's indemnification policy in the Articles of Association in such a way that the Company shall reimburse the members of the Board of Management and of the Supervisory Board for various costs and expenses, such as reasonable costs of defending claims. No entitlement exists, among others, in the event of an act or failure to act by a member of the Board of Management and member of the Supervisory Board that can be characterized as intentional ("opzettelijk"), intentionally reckless ("bewust roekeloos") or seriously culpable ("ernstig verwijtbaar").

Record Date

At present each year a proposal is made to the General Meeting of Shareholders to authorize the Board of Management for a period of 18 months to determine within the limits of the law, upon convening a General Meeting of Shareholders of the Company, that those persons who are registered in a register and on a date specified by the Board of Management have to be considered as entitled to participate in and to vote at such meeting. It is proposed to incorporate the above authorization to determine a record date for convening a General Meeting of Shareholders of the Company in the Articles of Association.

Appointment of External Auditor

In compliance with Dutch law and international practice, and in accordance with the Philips Policy on Auditor Independence, it is proposed that the external auditor of the Company is appointed by the General Meeting of Shareholders upon the proposal of the Board of Management and the Supervisory Board for a maximum period of three years.

4: Proposal to re-appoint KPMG Accountants N.V. for a period of three years as external auditor to the Company

In accordance with the procedures laid down in the Philips Policy on Auditor Independence and as mandatory required by Dutch law, the external auditor of the Company is appointed by the General Meeting of Shareholders on the proposal of the Supervisory Board.

Under this Auditor Policy, once every three years the Supervisory Board and the Audit Committee conduct a thorough assessment of the functioning of the external auditor. After assessing the performance of the external auditor in accordance with the Auditor Policy, the Audit Committee has advised the Supervisory Board to propose to the General Meeting of Shareholders to re-appoint KPMG Accountants N.V. for another three year term.

5: Composition of the Board of Management

In accordance with the Articles of Association of the Company, the Supervisory Board, in agreement with the Meeting of Priority Shareholders, has made a binding recommendation regarding nominees for (re)appointment as (i) President/CEO and member of the Board of Management and (ii) member of the Board of Management. A list of two nominees for each vacancy and the curriculum vitae of the nominees is available for inspection at the offices of the Company and of ABNAMRO Bank N.V. in Amsterdam (Foppingadreef 22, 1102 BS Amsterdam) as well as on the Company's website (www.philips.com/investor).

The following persons are proposed for (re)appointment:

Mr Kleisterlee

In line with recommendations of the Dutch Corporate Governance Code, members of the Board of Management are appointed for a maximum term of four years. As per May 1, 2005, Mr Kleisterlee's first four year term as President/CEO and member of the Board of Management expires. Mr Kleisterlee was born in 1946 and has Dutch nationality. The Supervisory Board is pleased that he is available for another term as President/CEO.

This proposal also includes the adjustment of the variable on-target incentive (Annual Incentive) to be earned by the President/CEO. The Supervisory Board considers it desirable to further align the on-target Annual Incentive with common practice of other multinational companies operating in global markets. In accordance with the remuneration policy adopted by the General Meeting of Shareholders the on-target Annual Incentive percentage is set at 60% of the base salary for members of the Board of Management; upon the adoption of this proposal such Annual Incentive percentage for the President/CEO is increased to 80% of the base salary. As a result of this adjustment the maximum Annual Incentive achievable by the President/CEO is 120% (currently 90%) of the base salary, which, in accordance with the current remuneration policy, may be increased by 20% (resulting in an Annual Incentive percentage of 144%) by the Remuneration Committee in exceptional circumstances.

Mr Sivignon

Mr Sivignon was born in 1956 and has French nationality. Currently, he is Chief Financial Officer at Faurecia SA, a leading supplier of automotive equipment listed on the Paris Stock Exchange. From 1982 until early 2001 he worked for the Schlumberger group where he held various positions in general management, treasury, business development and control in Paris and New York.

The proposal to appoint Mr Sivignon as member of the Board of Management is made in connection with the succession of Mr Hommen as Chief Financial Officer. The main elements of the contract of employment of Mr Sivignon, including the amount of the (fixed) base salary, the structure and amount of the variable remuneration component, any severance plan, pension arrangements and performance criteria, will be made public on the Company's website.

6: Composition of the Supervisory Board

In accordance with the Articles of Association of the Company, the Supervisory Board, in agreement with the Meeting of Priority Shareholders, has made a binding recommendation regarding nominees for (re)appointment as members of the Supervisory Board. A list of two nominees for each vacancy and the curriculum vitae of the nominees will be available for inspection at the offices of the Company and of ABNAMRO Bank N.V. in Amsterdam as well as on the Company's website.

The following persons are proposed for (re)appointment:

Mr Schweitzer

Mr Schweitzer was born in 1942 and has French nationality. He has been a member of the Supervisory Board of the Company since 1997. At present he is Chairman and Chief Executive Officer of Renault, Chairman of AstraZeneca, President of Renault-Nissan and member of the Boards of BNP Paribas, Electricité de France, Volvo and Veolia Environnement.

In view of the experience and knowledge, in particular in manufacturing and economic aspects of international business, Mr Schweitzer brings to the Supervisory Board, the Supervisory Board, in agreement with the Meeting of Priority Shareholders, proposes to re-appoint Mr Schweitzer.

Mr Wong

Mr Wong was born in 1941 and has Singapore nationality. He is the Chairman and Chief Executive Officer of the Venture Corporation Ltd and its group of companies. Prior to setting up the Venture Corporation Group, Mr Wong spent more than 12 years with Hewlett-Packard Company holding various management positions in the US, Singapore and Malaysia. Mr Wong also serves on the Boards of various listed and private companies, including DBS Bank Ltd and DBS Group Holdings Ltd, SIA Engineering Company Ltd, and International Enterprise Singapore. He is also Chairman of the National University of Singapore Board of Trustees.

Besides his managerial experience, the Supervisory Board, in agreement with the Meeting of Priority Shareholders, bases its recommendation to the General Meeting of Shareholders to appoint Mr Wong as a member of the Supervisory Board on his knowledge and experience in technology and the Asian markets.

Mr Schiro

Mr Schiro was born in 1946 and has American nationality. He is Chief Executive Officer of Zurich Financial Services (Zurich). He joined Zurich as Chief Operating Officer – Group Finance in March 2002. He was appointed as Chief Executive Officer of Zurich in May 2002. Mr Schiro joined Zurich after a long career with PricewaterhouseCoopers. In 1995 he was elected Chief Executive Officer of PriceWaterhouse, and in 1998 he led the merger of PriceWaterhouse and Coopers & Lybrand.

Mr Schiro is active in a number of professional, international and civic organizations in Switzerland and the United States. These activities include: Member of the Board of Directors of PepsiCo, Vice-Chairman of the Swiss-American Chamber of Commerce, Member of the International Business Council of the World Economic Forum and Member of the European Financial Services Roundtable and The Financial Services Roundtable (US).

The Supervisory Board, in agreement with the Meeting of Priority Shareholders, bases its recommendation to appoint Mr Schiro as a member of the Supervisory Board especially on his knowledge and experience in financial and economic aspects of international businesses.

7: Remuneration members of the Supervisory Board

The proposal to determine the remuneration for members of the Supervisory Board with effect from January 1, 2005 as follows:

- a. Annual remuneration for each member of the Supervisory Board: EUR 41,000
- b. Annual remuneration for the Chairman of the Supervisory Board: EUR 75,000
- c. Annual remuneration for each Supervisory Board committee membership:
EUR 4,500 for a regular member and EUR 6,000 for the chairman of a committee
- d. Annual remuneration for the Chairman of the Supervisory Board's Audit Committee: EUR 7,000.

8: Authorization of the Board of Management to (I) issue or grant rights to acquire shares and (II) restrict or exclude pre-emption rights

The proposal to authorize the Board of Management to issue shares or grant rights to acquire shares in the share capital of the Company intends to give the Board of Management flexibility in financing the Company in the most efficient manner. Furthermore it gives the Board of Management flexibility in the context of acquisitions and mergers.

9: 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 hedge the Company's obligations under the Long-Term Incentive Plan approved by the 2003 General Meeting of Shareholders and any other employee stock purchase plans under which employees may acquire Philips securities. Furthermore it gives the Board of Management flexibility to, if and when appropriate, effectuate a stock purchase program by reducing the Company's share capital. Reference is made in this respect to the Share Repurchase Program announced on January 27, 2005.