

# Agenda

Agenda for the 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 29, 2007,  
beginning at 14.00 hours

## 1. Speech President

## 2. Annual Report 2006, distribution to shareholders and discharge

- a. Proposal to adopt the 2006 financial statements
- b. Explanation of policy on additions to reserves and dividends
- c. Proposal to adopt a dividend of EUR 0.60 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. Composition of the Board of Management

- a. Proposal to re-appoint Mr G.J. Kleisterlee as President/CEO and member of the Board of Management of the Company with effect from April 1, 2007
- b. Proposal to re-appoint Mr G.H.A. Dutiné as a member of the Board of Management of the Company with effect from April 1, 2007
- c. Proposal to appoint Mr S.H. Rusckowski as a member of the Board of Management of the Company with effect from April 1, 2007

## 4. Composition of the Supervisory Board

- a. Proposal to re-appoint Mr J-M. Hessels as a member of the Supervisory Board of the Company with effect from March 29, 2007
- b. Proposal to re-appoint Mr C.J.A. van Lede as a member of the Supervisory Board of the Company with effect from March 29, 2007
- c. Proposal to re-appoint Mr J.M. Thompson as a member of the Supervisory Board of the Company with effect from March 29, 2007
- d. Proposal to appoint Mr H. von Prondzynski as a member of the Supervisory Board of the Company with effect from March 29, 2007

## 5. Long-Term Incentive Plan

Proposal to amend the Long-Term Incentive Plan

## 6. Remuneration Board of Management

Proposal to amend the remuneration policy for the Board of Management

## 7. Authorization of the Board of Management to (i) issue 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, as of March 29, 2007, 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, as of March 29, 2007, as the body which is authorized, with the approval of the Supervisory Board, to restrict or exclude the pre-emption right accruing to shareholders

The authorization referred to above under sub a will be limited to a maximum of 10% of the number of issued shares plus 10% of the issued capital in connection with or on the occasion of mergers and acquisitions

## 8. 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 29, 2007, 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

## 9. Any other business

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

# Explanatory notes to the agenda

## 1: Speech President

In his speech the President will look back on the financial year 2006, including the Company's financial performance, and will look ahead, explaining the strategy of the Philips Group and the 2007 Management Agenda.

## 2: Annual Report 2006, distribution to shareholders and discharge

These agenda items include the regular proposals to adopt the 2006 financial statements and a dividend, and 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 2006. Such discharge only covers matters that are known to the Company and the General Meeting of Shareholders when the resolution to discharge is adopted.

In accordance with the Dutch Corporate Governance Code, the revised dividend policy will be explained at the General Meeting of Shareholders. The Company's present dividend policy is based on an average annual pay-out ratio of 25-35% of continuing net income. The Company has revised its dividend policy, which raises this average annual pay-out ratio to 40-50% of continuing net income.

Consistent with this revised policy it is proposed to adopt a dividend of EUR 0.60 per common share.

## 3: Composition of the Board of Management

In accordance with the Articles of Association of the Company, the Supervisory Board has made binding recommendations regarding nominees for (re)appointment as members 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 ABN AMRO Servicedesk (Kemelstede 2, 4817 ST Breda) as well as on the Company's website ([www.philips.com/investor](http://www.philips.com/investor)).

The following persons are proposed for (re)appointment:

### Mr Kleisterlee

The present term of Mr Kleisterlee as President/CEO and member of the Board of Management is due to expire in 2008. In light of the performance by Mr Kleisterlee and the importance of continuity in the successful implementation of the strategy of the Philips Group it is proposed to re-appoint already this year Mr Kleisterlee as President/CEO and member of the Board of Management for a four-year term ending April 1, 2011.

#### Mr Dutiné

On April 1, 2007, Mr Dutiné's first term as a member of the Board of Management expires. Mr Dutiné was born in 1952 and has German nationality.

#### Mr Rusckowski

Mr Rusckowski was born in 1957 and has American nationality. Currently he is a member of the Group Management Committee and CEO of the Medical Systems division.

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. The main elements of the contract of employment of each of the above-mentioned persons will be published on the Company's website.

### 4: Composition of the Supervisory Board

In accordance with the Articles of Association of the Company, the Supervisory Board has made binding recommendations 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 ABN AMRO Servicedesk as well as on the Company's website.

The following persons are proposed for (re)appointment:

#### Mr Hessels

Mr Hessels was born in 1942 and has Dutch nationality. He has been a member of the Supervisory Board since 1999. He is the former CEO of Royal Vindex KBB and currently Chairman of the Supervisory Board of Euronext and member of the Supervisory Boards of Heineken and Fortis and member of the International Advisory Board of Blackstone Group.

In view of the financial background and international experience of Mr Hessels, and the way he fulfils his role as chairman of the Audit Committee, the Supervisory Board proposes to re-appoint Mr Hessels.

#### Mr Van Lede

Mr Van Lede was born in 1942 and has Dutch nationality. He has been a member of the Supervisory Board since 2003. He is the former Chairman of the Board of Management of Akzo Nobel and currently Chairman of the Supervisory Board of Heineken, member of the Supervisory Boards of Akzo Nobel, AirFrance/KLM, Reed Elsevier, Sara Lee Corporation, Air Liquide, and Chairman of the Board of Directors of INSEAD and Senior Advisor JP Morgan Plc.

In view of the business and management experience of Mr Van Lede and the way he fulfils his role as chairman of the Remuneration Committee, the Supervisory Board proposes to re-appoint Mr Van Lede.

#### Mr Thompson

Mr Thompson was born in 1942 and has Canadian nationality. He has been a member of the Supervisory Board since 2003. He is the Former Vice-Chairman of the Board of Directors of IBM, and director of Hertz and Robert Mondavi. Currently he is Chairman of the Board of Toronto Dominion Bank and a Director of Thomson Corporation.

In view of the experience in Anglo-American industry and financial institutions of Mr Thompson, and the way he fulfils his role as a member of the Remuneration Committee, the Supervisory Board proposes to re-appoint Mr Thompson.

#### Mr Von Prondzynski

Mr Von Prondzynski was born in 1949 and has German nationality. He is a former member of the Corporate Executive Committee of the F. Hoffmann - La Roche Group and former CEO of the Division Roche Diagnostics.

In view of the experience in the medical business of Mr Von Prondzynski, the Supervisory Board proposes to appoint Mr Von Prondzynski as a member of the Supervisory Board.

## 5: Long-Term Incentive Plan

Proposal to amend the list of peer group companies and the Total Shareholder Return (TSR) multiplier in the Long-Term Incentive Plan (LTIP).

As a result of the sale of the majority stake in the Semiconductors division, the existing list of peer group companies does not longer reflect the group of companies with which Philips should compare itself. Based upon the following criteria a new list of peer companies is proposed:

- i) companies with which Philips competes for shareholder preference, and who are subject to similar market movements as Philips
- ii) a variety of electrics and electronics industrials
- iii) geographical spread of peer group equally representing the European, US and Asian markets

Therefore it is proposed to compose the following new list of peer group companies:

- |                    |                     |
|--------------------|---------------------|
| - Philips          | - Johnson & Johnson |
| - Electrolux       | - Matsushita        |
| - Emerson Electric | - Schneider         |
| - General Electric | - Siemens           |
| - Hitachi          | - Toshiba           |
| - Honeywell        | - 3M                |

Besides the new list of peer group companies it is proposed to introduce the following simplified TSR-multiplier:

Position	Multiplier
Top 4	1.2
Middle 4	1.0
Bottom 4	0.8

This TSR-multiplier is the multiplier of the LTIP pursuant to which grants are adjusted upwards or downwards depending on the relative performance of Philips.

It is proposed to amend the list of peer group companies and the TSR-multiplier in the LTIP in accordance with the above.

## 6: Remuneration Board of Management

The sale of the majority stake in the Semiconductors division has shown that in certain extraordinary circumstances (such as major joint ventures, acquisitions and divestments) a further refinement of the remuneration policy, allowing ad-hoc payments, is desirable. The current policy already provides for the possibility to deviate from elements of the remuneration policy in extraordinary circumstances but focuses on deviations prior to the appointment of a member of the Board of Management. To guarantee the necessary flexibility in this respect, it is proposed to extend this principle explicitly to extraordinary circumstances outside situations of appointment.

It is stressed that this possibility will be used prudently and will be fully disclosed and accounted for:

The present remuneration policy contains the following clause:

“Deviations on elements of this remuneration policy, when deemed necessary in the interests of the Company in extraordinary circumstances, will be disclosed in good time prior to the appointment of the individual.”

It is proposed to amend the remuneration policy by replacing this clause by the following clause:

“Deviations on elements of this remuneration policy in extraordinary circumstances, when deemed necessary in the interests of the Company, will be disclosed in the annual report or, in case of an appointment, in good time prior to the appointment of the individual.”

### **7: Authorization of the Board of Management to (i) issue 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, is intended 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.

### **8: 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 intended to 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. Furthermore it gives the Board of Management flexibility to effectuate a share repurchase program for capital reduction purposes.