

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 30, 2006,
beginning at 14.00 hours

1. Speech President

2. Annual Report 2005, distribution to shareholders and discharge

- a. Proposal to adopt the 2005 financial statements
- b. Explanation of policy on additions to reserves and dividends
- c. Proposal to adopt a dividend of EUR 0.44 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 appoint Mr T.W.H. van Deursen as a member of the Board of Management of the Company with effect from April 1, 2006
- b. Proposal to appoint Mr F.A. van Houten as a member of the Board of Management of the Company with effect from April 1, 2006
- c. Proposal to appoint Mr J.A. Karvinen as a member of the Board of Management of the Company with effect from April 1, 2006
- d. Proposal to appoint Mr R.S. Provoost as a member of the Board of Management of the Company with effect from April 1, 2006
- e. Proposal to appoint Mr A. Ragnetti as a member of the Board of Management of the Company with effect from April 1, 2006

4. Composition of the Supervisory Board

- a. Proposal to re-appoint Mr W. de Kleuver as a member of the Supervisory Board of the Company with effect from March 30, 2006
- b. Proposal to re-appoint Sir Richard Greenbury as a member of the Supervisory Board of the Company with effect from March 30, 2006

5. Remuneration Board of Management

- a. Proposal to amend the remuneration policy for the Board of Management
- b. Proposal to amend the maximum percentage of the annual LTIP pool-size to be allocated to members of the Board of Management

6. Cancellation of shares and amendment of the Articles of Association

- a. Proposal to cancel shares held by the Company
- b. Proposal to amend the Articles of Association of the Company

7. 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 30, 2006, 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, 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 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 30, 2006, 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

Explanatory notes to the agenda

1: Speech President

In his speech the President will look back on the financial year 2005, including the Company's financial performance, and will look ahead, explaining the strategy for the Philips Group and the 2006 Management Agenda.

2: Annual Report 2005, distribution to shareholders and discharge

These agenda items include the regular proposals to adopt the 2005 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 2005. Such discharge only covers matters that are known to the Company and the General Meeting of Shareholders when the resolution to discharge is adopted. Furthermore, in accordance with the Dutch Corporate Governance Code, this agenda item includes an explanation of the Company's policy on additions to reserves and dividends.

3: Composition of the Board of Management

As announced on December 15, 2005, the Supervisory Board proposes to appoint the current chief executive officers of the Company's five operating divisions as members of the Company's Board of Management, effective April 1, 2006.

In accordance with the Articles of Association of the Company, the Supervisory Board has made binding recommendations regarding nominees for 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 as well as on the Company's website (www.philips.com/investor).

The following persons are proposed for appointment:

- a. [Mr Van Deursen, 1946, Dutch](#)
Member of the Group Management Committee and CEO of the Lighting division
- b. [Mr Van Houten, 1960, Dutch](#)
Member of the Group Management Committee and CEO of the Semiconductor division
- c. [Mr Karvinen, 1957, Finnish](#)
Member of the Group Management Committee and CEO of the Medical Systems division
- d. [Mr Provoost, 1959, Belgian](#)
Member of the Group Management Committee and CEO of the Consumer Electronics division
- e. [Mr Ragnetti, 1960, Italian](#)
Member of the Group Management Committee, Chief Marketing Officer and CEO of the Domestic Appliances and Personal Care 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 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 as well as on the Company's website.

The following persons are proposed for re-appointment:

Mr De Kleuver

Mr De Kleuver was born in 1936 and has Dutch nationality. He has been a member of the Supervisory Board since 1998 and has been the Chairman of the Supervisory Board since 2005. He was a member of the Board of Management of the Company until August 1998. In view of his extensive knowledge of the Philips Group and the markets in which it operates, Mr De Kleuver's active role as a member of the Supervisory Board and the way he fulfils his role as Chairman, the Supervisory Board proposes to re-appoint Mr De Kleuver.

Sir Richard Greenbury

Sir Richard Greenbury was born in 1936 and has British nationality. He has been a member of the Supervisory Board of the Company since 1998. He is a former chairman and CEO of Marks & Spencer and former director of Lloyds TSB, British Gas, ICI, Zeneca and Electronics Boutique Plc. In view of the experience, international network and knowledge Sir Richard Greenbury brings to the Supervisory Board, in particular in the field of corporate governance including remuneration issues, the Supervisory Board proposes to re-appoint Sir Richard Greenbury.

5: Remuneration Board of Management

Remuneration policy

The pension plan applicable to members of the Board of Management is in line with the pension plan for Philips executives in the Netherlands. As a result of changes in social and fiscal law a revised pension plan for Philips executives in the Netherlands has been adopted. In view hereof the Supervisory Board has decided to align the current final-pay pensions of members of the Board of Management born after January 1, 1950 with the revised pension plan for Philips executives in the Netherlands. The revised pension plan is based on a combination of defined-benefits (career average) and defined-contribution and replaces the final-pay pension plan.

The target retirement age under the revised plan is 62.5. The Philips executive pension plan does not require employee contributions. It is proposed to amend the remuneration policy for the Board of Management accordingly. The remuneration policy currently applicable is published on the Company's website.

In respect of the Annual Incentive (bonus) for the members of the Board of Management at present the financial targets are net income and cash flow. The Supervisory Board proposes to replace the financial targets net income and cash flow by net income with a cash flow threshold and revenue growth, which better reflect the mid-term profit and growth objectives of the Company. For members of the Board of Management who are also the CEOs of the operating divisions, part of the financial targets will be related to specific business objectives. It is proposed to amend the remuneration policy for the Board of Management accordingly.

Long-Term Incentive Plan (LTIP)

In view of the extension of the Board of Management from four to eight members, the Supervisory Board proposes to amend the maximum percentage of the annual LTIP pool-size to be allocated to members of the Board of Management and, if applicable, to future members of the Board of Management on an annual basis, from 2.5% to 3%. The actual number of stock options and restricted shares that will be granted to the members of the Board of Management will be determined by the Supervisory Board in accordance with the terms of the LTIP.

6: Cancellation of shares and amendment of the Articles of Association

The Company initiated two share repurchase programs in 2005, totaling EUR 2 billion, for capital reduction purposes. In view thereof, it is proposed to cancel the common shares repurchased by the Company under these share repurchase programs, resulting in a reduction of the Company's issued share capital. The proposal comprises the cancellation of all shares repurchased up to March 30, 2006 as well as the cancellation of 25,000 common shares held by the Company as a result of the withdrawal of the priority shares in 2005.

The Chairman of the meeting will announce the exact number of shares to be cancelled – which number is expected to be between 80 and 90 million shares – at the meeting. Pursuant to the relevant statutory provisions, cancellation may not be effected earlier than two months after the decision to cancel the shares was taken and publicly announced.

In view of mandatory statutory provisions providing for the issued share capital being at least 20% of the authorised share capital and the proposal to cancel common shares, it is proposed to amend the Articles of Association of the Company in such a way that the authorised share capital of the Company is decreased.

Amendment Articles of Association:

Current text

Article 3, paragraph 1

1. The share capital of the Company is one billion and three hundred million euros (EUR 1,300,000,000), divided into three billion two hundred and fifty million common shares of twenty euro cents (EUR 0.20) each, in these articles of association henceforth referred to as "common shares", and three billion two hundred and fifty million preference shares of twenty euro cents (EUR 0.20) each, in these articles of association henceforth referred to as "preference shares".

Proposed text

Article 3, paragraph 1

1. The share capital of the Company is one billion euros (EUR 1,000,000,000), divided into two billion five hundred million common shares of twenty euro cents (EUR 0.20) each, in these articles of association henceforth referred to as "common shares", and two billion five hundred million preference shares of twenty euro cents (EUR 0.20) each, in these articles of association henceforth referred to as "preference shares".

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 proposal to authorize the Board of Management to issue shares or grant rights to acquire shares in the share capital of the Company 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 by reducing the Company's share capital.

