

# 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 27, 2008, beginning at 14.00 hours

## 1. Speech President

## 2. Annual Report 2007, distribution to shareholders and discharge

- a. Proposal to adopt the 2007 financial statements
- b. Explanation of policy on additions to reserves and dividends
- c. Proposal to adopt a dividend of EUR 0.70 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. Proposal to re-appoint KPMG Accountants N.V. as external auditor of the Company

## 4. Composition of the Supervisory Board

- a. Proposal to re-appoint Mr K.A.L.M. van Miert as a member of the Supervisory Board of the Company with effect from March 27, 2008
- b. Proposal to re-appoint Mr E. Kist as a member of the Supervisory Board of the Company with effect from March 27, 2008

## 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. Remuneration Supervisory Board

Proposal to amend the remuneration of the members of the Supervisory Board

## 8. Proposal to amend the Articles of Association

## 9. 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 27, 2008, 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 27, 2008, 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.

## 10. Cancellation of shares

Proposal to cancel common shares in the share capital of the Company repurchased or to be repurchased under the EUR 5 billion share repurchase program announced on December 19, 2007. Cancellation shall be effected in several tranches but shall in total not exceed 25% of the issued share capital as of March 27, 2008. For each tranche, the number of shares to be cancelled shall be determined by the Board of Management. The number of shares per tranche shall not exceed: 10% of the issued share capital as of March 27, 2008, reduced, if applicable, with the amount equal to the par value of shares previously cancelled.

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

- a. Proposal to authorize the Board of Management for a period of 18 months, as of March 27, 2008, 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; 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.
- b. Proposal to renew the authorization referred under agenda item 11 sub a, each time the cancellation of a tranche of shares referred to under agenda item 10 has become effective allowing the Board of Management to purchase additional shares in the Company up to 10% of the number of shares issued by the Company at the time the relevant tranche of shares has been cancelled. All repurchases of shares under any renewed authorization are subject to the same terms of the authorization referred to under agenda item 11 sub a and any renewed authorization shall expire on September 27, 2009.

## 12. 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 2007, including the Company's financial performance, and will look ahead, explaining the strategy of the Philips Group and the 2008 Management Agenda.

## 2: Annual Report 2007, distribution to shareholders and discharge

These agenda items include the regular proposals to adopt the 2007 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 2007. 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: Proposal to re-appoint KPMG Accountants N.V. as external auditor of 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. Under this Auditor Policy, once every three years the Supervisory Board conducts a thorough assessment of the functioning of the external auditor. After assessing the performance of the external auditor, 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 as of the financial year 2009. Consequently, it is proposed to re-appoint KPMG Accountants N.V. for another three year term as of the financial year 2009.

### 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 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 Van Miert

Mr Van Miert was born in 1942 and has Belgian nationality. He has been a member of the Supervisory Board since 2000. He is the former Vice-President of the European Commission and former President of Nyenrode University, member of the Supervisory Boards of RWE, Agfa Gevaert, De Persgroep, Munich Re, Anglo American, Vivendi Universal, Sibelco and Solvay and member of the Advisory Board of Goldman Sachs, Uni-Credito and FITCH.

In view of the knowledge and international experience of Mr Van Miert, and the way he fulfils his role as a member of the Supervisory Board and the Audit Committee, the Supervisory Board proposes to re-appoint Mr Van Miert.

#### Mr Kist

Mr Kist was born in 1944 and has Dutch nationality. He has been a member of the Supervisory Board since 2004. He is the former Chairman of the Executive Board of ING Group and currently member of the Supervisory Boards of the Dutch Central Bank, DSM, Moody's Investor Services and Stage Entertainment.

In view of the knowledge and experience of the financial and economic aspects of international business of Mr Kist and the way he fulfils his role as a member of the Supervisory Board and the Audit Committee, the Supervisory Board proposes to re-appoint Mr Kist.

## 5: Long-Term Incentive Plan

Proposal to amend the Long-Term Incentive Plan (LTIP) as follows.

It is proposed to determine the restricted share right grant levels in accordance with a multiplier of 0 to 2. The current plan has limited downside and equally upside. With the proposed range of the multiplier, the restricted share right grants will be better aligned with Philips' relative TSR (Total Shareholder Return) performance.

<b>TSR Ranking</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>11</b>	<b>12</b>
<b>Multiplier (current)</b>	1.2	1.2	1.2	1.2	1.0	1.0	1.0	1.0	0.8	0.8	0.8	0.8
<b>Multiplier (proposed)</b>	2.0	1.8	1.6	1.4	1.2	1.0	1.0	0.8	0.6	0.4	0.2	0

As stock options are intrinsically performance related, grant levels for stock options will no longer be determined in accordance with the TSR-multiplier of 0.8 – 1.2. The intrinsic performance condition lies in the fact that the share price upon exercise must exceed the share price upon grant ('exercise price') in order to provide a value to the grantee.

The proposed changes to the LTIP can be accommodated within the current pool size with a maximum of 17.5 million shares. The actual number of stock options and restricted share rights that will be granted in any particular year will be determined by the Supervisory Board in accordance with the terms and conditions of the LTIP.

## 6: Remuneration Board of Management

The Supervisory Board proposes to amend the remuneration policy for members of Board of Management as of 2008 as follows.

Annual Incentive (bonus) on-target levels are determined as a percentage of base salary. The maximum pay-out structure under the current policy shall be replaced by a simplified maximum equal to twice the on-target Annual Incentive percentage. For the Board of Management the consequences of this change are reflected below.

	<b>On-target (as % of base salary)</b>	<b>Current maximum</b>	<b>Proposed maximum</b>
<b>President/CEO</b>	80%	144%	160%
<b>BoM member</b>	60%	108%	120%

The Annual Incentive criteria are i) the financial indicators of the Company: net income, cash flow and comparable sales growth, and ii) team targets. The financial targets pursue value creation as the main business objective. The reference to US GAAP in the current policy is deleted in anticipation of the Company's move to IFRS as its sole reporting standard no later than by January 1, 2009, and differences in applicable accounting standards.

## 7: Remuneration Supervisory Board

As the base fee for the members of the Supervisory Board has not changed since 1998, it is proposed to determine the remuneration for members of the Supervisory Board with effect from January 1, 2008, as follows:

- a. annual remuneration for each member of the Supervisory Board: EUR 65,000
- b. annual remuneration for the Chairman of the Supervisory Board: EUR 110,000
- c. annual remuneration for the Supervisory Board's Audit Committee: EUR 10,000 for a regular member and EUR 15,000 for the chairman
- d. annual remuneration for the Supervisory Board's Remuneration Committee: EUR 8,000 for a regular member and EUR 12,500 for the chairman
- e. annual remuneration for the Supervisory Board's Corporate Governance and Nomination & Selection Committee: EUR 6,000 for a regular member and EUR 12,500 for the chairman, and
- f. Attendance fee of EUR 3,000 per intercontinental trip (effective upon the amendment of the Articles of Association as set out in agenda item 8).

## 8: Proposal to amend the Articles of Association

An explanation to the proposal to amend the Articles of Association of the Company is provided below.

### Increased flexibility and legislative changes such as the Act on Electronic Means of Communication

In connection with the Act on Electronic Means of Communication and the Transparency Directive taking effect, it is proposed to amend the Articles of Association. The proposed amendments, in accordance with this Act, create the possibility that shareholders may in the future participate in the shareholders' meeting and exercise their rights as shareholders by electronic means of communication. For example, votes might thus be able to be cast prior to the shareholders' meeting. Moreover, the procedure to convene shareholders' meetings is made more flexible. The proposal also takes into account the European directive "Shareholders' rights" with respect to the minimum statutory term that must be observed when convening a shareholders' meeting. Furthermore, the proposed amendments to the Articles of Association incorporate the current practice pursuant thereto press releases and other so-called regulated information is only published in English. A resolution to amend the Articles of Association also includes the consent by the General Meeting of Shareholders as required pursuant to the Transparency Directive. The same applies in respect of the distribution of information by electronic means of communication by the Company to shareholders; for notices convening a shareholders' meeting the individual consent of the relevant holder of registered shares remains required. For practical reasons it is proposed to extend the number of locations where shareholders' meetings may be held.

### Amendments with respect to the implementation of share repurchase programs

On December 19, 2007, the Company announced its intention to execute a EUR 5 billion share repurchase program for capital reduction purposes. In view of this, the proposal to cancel shares as mentioned in agenda item 10 and the statutory provision that the issued share capital equals at least 20% of the authorized share capital, it is proposed to decrease the authorized share capital. Furthermore, new legislation in the area of share repurchases is anticipated, allowing a company with limited liability to hold more than 10% of the shares in its issued share capital.

#### Remuneration of members of the Supervisory Board

With respect to agenda item 7, it is proposed that the remuneration of the members of the Supervisory Board may consist of a flexible amount in addition to a fixed amount in order to better reflect the individual circumstances of the members of the Supervisory Board, such as traveling time as a result of intercontinental trips. The General Meeting of Shareholders remains authorized to determine the remuneration of the members of the Supervisory Board.

### **9: 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, are 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.

### **10: Cancellation of shares**

The Company announced on December 19, 2007, that it plans to repurchase up to approximately EUR 5 billion worth of its own shares for capital reduction purposes. In view of the statutory restriction that a company with limited liability is not allowed to acquire and hold more than 10% of its issued share capital, the Company is required to cancel shares repurchased each time this 10% limit is reached before it can repurchase further shares in its capital. In order to enable the Company to complete this program in an efficient and expedited manner the General Meeting of Shareholders is requested to adopt the proposal to cancel shares repurchased or to be repurchased under such program in several tranches, resulting in a reduction of the Company's issued share capital. For each tranche, the number of shares to be cancelled shall be determined by the Board of Management. The opposition procedure as referred to in section 100, Book 2, Dutch Civil Code, shall be observed for each tranche of shares to be cancelled.

### **11: Authorization of the Board of Management to acquire shares in the Company**

The proposals to authorize the Board of Management to repurchase shares in the share capital of the Company intend 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 the authorization allows the Board of Management to execute share repurchase programs for capital reduction purposes in an efficient and expedited manner.