

Addendum to agenda item 8 of the  
Agenda for the Annual General Meeting of  
Shareholders of Royal Philips Electronics  
(Koninklijke Philips Electronics N.V.), on  
Thursday, March 27, 2008



# Explanation to the proposal to amend the Articles of Association

## 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 where to 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.



# Amendment Articles of Association

## Current text

### SHARE CAPITAL AND SHARES

#### Article 3, paragraph 1

1. The share capital of the Company is one billion euro (EUR 1,000,000,000), divided into two billion five hundred million (2,500,000,000) common shares of twenty eurocents (EUR 0.20) each, in these articles of association hereinafter referred to as "common shares", and two billion five hundred million (2,500,000,000) preference shares of twenty eurocents (EUR 0.20) each, in these articles of association hereinafter referred to as "preference shares".

### ACQUISITION, DISPOSAL OF SHARES IN THE COMPANY'S OWN CAPITAL AND REDUCTION OF SHARE CAPITAL

#### Article 5, paragraph 2

2. The Company may acquire, for valuable consideration, common shares in its own share capital if and insofar as:

- a. its shareholders' equity less the purchase price of the common shares is not less than that laid down in the relevant statutory provisions;
- b. the nominal amount of the shares in its capital which the Company acquires, holds or holds as pledgee, or which are held by a subsidiary, is not more than one-tenth of the issued share capital; and
- c. the General Meeting of Shareholders has authorized the Board of Management to acquire such shares, which authorization may be given for no more than eighteen months on each occasion.

## Proposed text

### SHARE CAPITAL AND SHARES

#### Article 3, paragraph 1

1. The share capital of the Company is ~~one billion euro (EUR 1,000,000,000) eight hundred million euro (EUR 800,000,000)~~, divided into ~~two billion five hundred million (2,500,000,000) two billion (2,000,000,000)~~ common shares of twenty eurocents (EUR 0.20) each, in these articles of association hereinafter referred to as "common shares", and ~~two billion five hundred million (2,500,000,000) two billion (2,000,000,000)~~ preference shares of twenty eurocents (EUR 0.20) each, in these articles of association hereinafter referred to as "preference shares".

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- a. its shareholders' equity less the purchase price of the common shares is not less than that laid down in the relevant statutory provisions;
- b. the **nominal amount number of the** shares in its capital which the Company acquires, holds or holds as pledgee, or which **are** held by a subsidiary, is not more than ~~one-tenth of the issued share capital~~ **that as permitted by law**; and
- c. the General Meeting of Shareholders has authorized the Board of Management to acquire such shares, ~~which authorization may be given for no more than eighteen months on each occasion.~~

## Explanatory notes

Amendment of the authorized share capital with respect to the implementation of the share repurchase program and proposal to cancel shares.

Amendment in connection with developments in the field of capital protection regulation.

Amendment in connection with proposed legislation.

Shares thus acquired may again be disposed of. The Board of Management shall not acquire shares in the Company's own share capital as referred to above - if an authorization as referred to above is in force - or dispose of such shares without the approval of the Supervisory Board.

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## SUPERVISORY BOARD; MEETINGS AND ADOPTION OF RESOLUTIONS

### Article 21, paragraph 1

1. The Supervisory Board may adopt resolutions by absolute majority of the votes cast at a meeting attended by at least one-third of its members. The Supervisory Board may adopt resolutions in writing outside a meeting provided that the proposals for such resolutions have been sent in writing to all members and no member is opposed to this method of adopting a resolution, and provided that in such a case more than one-half of the members declare themselves in favour of the proposal.

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Clarification.

## SUPERVISORY BOARD; REMUNERATION AND INDEMNIFICATION

### Article 23, paragraph 1

1. Upon a proposal made by the Supervisory Board, the General Meeting of Shareholders shall determine the remuneration of the members of the Supervisory Board, which shall consist of a fixed yearly amount. The same applies to members of committees established by the Supervisory Board and to the Chairman. Members of the Supervisory Board shall not be granted shares and/or rights to shares by way of remuneration.

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Amendment provides flexibility to adapt the remuneration of Supervisory Board members in view of individual circumstances (such as place of residence, traveling time). The General Meeting of Shareholders remains authorized to determine the remuneration.

## GENERAL MEETINGS OF SHAREHOLDERS; GENERAL

### Article 24, paragraphs 1 and 2

1. The ordinary general meeting of shareholders shall be held each year not later than the thirtieth day of June and, at the Board of Management's option, in Eindhoven, Amsterdam, The Hague or in Rotterdam; the notice convening the meeting shall inform the shareholders accordingly.

Extraordinary general meetings of shareholders shall be held as often as deemed necessary by the Supervisory Board or the Board of Management, and must be held if one or more shareholders jointly representing at least one-tenth of the issued share capital make a written request to that effect to the Supervisory Board and the Board of Management, specifying in detail the business to be dealt with.

If the Supervisory Board and the Board of Management fail to comply with a request as referred to directly above, the General Meeting of Shareholders can be held within six weeks after the request, the persons making the request may be authorized by the temporary relief judge (*voorzieningenrechter*) of the District Court of 's-Hertogenbosch to convene the meeting themselves.

2. The general meeting of shareholders will in any event deal with and deliberate on the following:

- a. the Company's annual report, which includes at least:
  - the Board of Management's report;
  - the annual accounts with explanation and appendices;

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### Article 24, paragraphs 1 and 2

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Extraordinary general meetings of shareholders shall be held as often as deemed necessary by the Supervisory Board or the Board of Management, and must be held if one or more shareholders jointly representing at least one-tenth of the issued share capital make a written request to that effect to the Supervisory Board and the Board of Management, specifying in detail the business to be dealt with.

**Written requests may be submitted electronically. The aforementioned requests shall comply with conditions stipulated by the Board of Management, which conditions are posted on the Company's website.**

If the Supervisory Board and the Board of Management fail to comply with a request as referred to directly above, **such that** the General Meeting of Shareholders can be held within six weeks after the request, the persons making the request may be authorized by the temporary relief judge (*voorzieningenrechter*) of the District Court of 's-Hertogenbosch to convene the meeting themselves.

2. The general meeting of shareholders will in any event deal with and deliberate on the following:

- a. the Company's annual report, which includes at least:
  - the Board of Management's report;
  - the annual accounts with explanation and appendices;

Number of locations where general meetings of shareholders can be held is extended.

Amendment in connection with the Act on Electronic Means of Communication. The conditions serve to enhance a careful process with respect to the agenda and the general meeting of shareholders.

- the Supervisory Board's report; this being without prejudice to the possibility of a deferral granted to the Board of Management, as provided in Section 101 of Book 2 of the Civil Code;

b. proposals placed on the agenda by the Supervisory Board, the Board of Management or shareholders in accordance with the provisions of these articles of association;

c. the filling of vacancies on the Board of Management and/or the Supervisory Board in accordance with the provisions of these articles.

- the Supervisory Board's report; this being without prejudice to the possibility of a deferral granted to the Board of Management, ~~as provided in Section 101 of Book 2 of the Civil Code as provided under or pursuant to the law;~~

b. proposals placed on the agenda by the Supervisory Board, the Board of Management or shareholders in accordance with the provisions of these articles of association;

c. the filling of vacancies on the Board of Management and/or the Supervisory Board in accordance with the provisions of these articles.

Amendment in connection with the Transparency Directive.

## GENERAL MEETING OF SHAREHOLDERS; CONVENING A MEETING AND AGENDA

### Article 25, paragraph 1

1. The notice convening a general meeting of shareholders shall be published in the form of an advertisement which in the Netherlands shall be inserted in at least one national daily newspaper and, at the Board of Management's option, in one or more foreign newspapers.

In addition, holders of registered shares shall be notified by letter or, insofar as permitted by law, by the use of electronic means of communication that the meeting is being convened.

## GENERAL MEETING OF SHAREHOLDERS; CONVENING A MEETING AND AGENDA

### Article 25, paragraph 1

1. The notice convening a general meeting of shareholders shall be ~~published in the form of an advertisement which in the Netherlands shall be inserted in at least one national daily newspaper and, at the Board of Management's option, in one or more foreign newspapers made in accordance with applicable laws and regulations.~~

**Without prejudice to applicable laws and regulations, the Board of Management may resolve to give notice to holders of bearer shares via the Company's website and/or by other electronic means representing a public announcement, which announcement remains directly and permanently accessible until the general meeting. In addition, holders of registered shares shall be notified by letter or, insofar as permitted by law, by the use of electronic means of communication that the meeting is being convened.**

**Holders of registered shares shall be notified by letter, unless the Board of Management resolves to give notice to**

Amendment in connection with the Act on Electronic Means of Communication and the Transparency Directive. The amendment enables future simplification of and cost efficiency in convening a general meeting of shareholders.

**holders of registered shares by electronic means of communication by sending a legible and reproducible message to the address indicated by the shareholder to the Company for such purpose provided the relevant shareholder has agreed hereto. Unless the opposite is evident, the provision of an electronic mail address by a shareholder to the Company shall constitute evidence of that shareholder's consent to the sending of notices electronically.**

Article 25, paragraph 3

3. The notice convening the meeting shall be issued no later than on the fifteenth day prior to the meeting.

Article 25, paragraph 4

4. Without prejudice to that which is provided in this respect elsewhere in these articles, the agenda shall contain such business as may be placed thereon by the Board of Management or the Supervisory Board. Furthermore the agenda shall contain such business as one or more shareholders representing solely or jointly at least one-hundredth of the issued share capital or holding shares in the share capital of the Company which according to the Official List of Euronext Amsterdam N.V. represent a value of at least fifty million euro, have requested the Supervisory Board and the Board of Management in writing to place on the agenda, at least sixty days before the date of the meeting.

The Supervisory Board and the Board of Management may resolve not to place such business proposed by shareholders on the agenda if they are of the opinion that such request would be detrimental to the substantial interests of the Company. The meeting shall not adopt resolutions on matters other than those which have been placed on the agenda.

Article 25, paragraph 3

[article 25, paragraph 3 deleted]

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**Written requests may be submitted electronically. The aforementioned requests shall comply with conditions stipulated by the Board of Management, which conditions are posted on the Company's website.**

The Supervisory Board and the Board of Management may resolve not to place such business proposed by shareholders on the agenda if they are of the opinion that such request would be detrimental to the substantial interests of the Company. The meeting shall not adopt resolutions on matters other than those which have been placed on the agenda.

With respect to the amendment of article 25, paragraph 1, this paragraph 3 can be deleted.

Renumbering paragraph 4 to paragraph 3.

Clarification.

Amendment in connection with the Act on Electronic Means of Communication.

Article 25, paragraph 5

5. Without prejudice to the provisions of Sections 99 and 123 of Book 2 of the Civil Code, the notice convening the meeting shall either mention the business on the agenda or state that the agenda is open to inspection by shareholders at the office of the Company and that copies thereof are available free of charge in such places as are mentioned in the notice. The agenda and the explanatory notes thereto prepared by the Board of Management and the Supervisory Board shall also be published on the Company's website.

Article 25, paragraph 4

[unchanged]

Renumbering paragraph 5 to paragraph 4.

Article 25, paragraph 5

**5. Without prejudice to that which is provided in the law and these articles, the Company is authorized to distribute information concerning a general meeting of shareholders or any other information to shareholders by way of electronic means of communication.**

Amendment in connection with the Transparency Directive.

## GENERAL MEETING OF SHAREHOLDERS; REGISTRATION DATE

Article 26, paragraph 7

7. Shareholders, usufructuaries and pledgees who are entitled to attend a general meeting may be represented by proxies with written authority. Without prejudice to the provisions of the preceding paragraphs of this article, the written authorization must be deposited not later than at the time and at the place indicated in this article.

## GENERAL MEETING OF SHAREHOLDERS; REGISTRATION DATE

Article 26, paragraph 7

7. Shareholders, usufructuaries and pledgees who are entitled to attend a general meeting may be represented by proxies with written authority. Without prejudice to the provisions of the preceding paragraphs of this article, the written authorization must be deposited not later than at the time, **in such manner**, and at the place indicated in this article.

Clarification.

## GENERAL MEETING OF SHAREHOLDERS; CONDUCT AND RECORD OF THE MEETING

### Article 28

1. General meetings of shareholders shall be presided over by the Chairman of the Supervisory Board or by any other person nominated by the Supervisory Board. The Chairman may restrict the time for which shareholders may speak, if he considers this to be desirable with a view to the orderly conduct of the meeting.

## GENERAL MEETING OF SHAREHOLDERS; CONDUCT AND RECORD OF THE MEETING

### Article 28

[unchanged]

**2. The Board of Management may resolve that the rights in respect of a general meeting of shareholders as referred to in the first paragraph of article 26 may be exercised by using an electronic means of communication. This shall in any event be subject to the requirement that the shareholder, or his proxy holder, can be identified via the electronic means of communication, is able to participate directly in the proceedings of the meeting and is able to exercise the right to vote. The Board of Management may also resolve that the electronic means of communication used must allow the shareholder, or his proxy holder, to participate in the deliberations.**

Amendment in connection with the Act on Electronic Means of Communication.

**3. The Board of Management may lay down further conditions concerning the use of electronic means of communication as referred to in the previous paragraph. These conditions shall be announced in the notice of the meeting. The above shall be without prejudice to the ability of the chairman to take such measures as he sees fit in the interests of the proper conduct of the meeting. Any total or partial failure of the electronic means of communication used shall be the responsibility of the person making use of such communication.**

Amendment in connection with the Act on Electronic Means of Communication.

2. The resolutions adopted at a general meeting of shareholders shall be recorded by a civil law notary. Such record shall be co-signed by the chairman of the meeting. The latter shall ensure that a succinct summary is made of the business transacted at the meeting.

Renumbering paragraph 2 to paragraph 4.

#### Article 29

1. Unless otherwise stated in these articles, resolutions shall be adopted by a simple majority of votes. Abstentions and invalid votes shall not be counted. The chairman shall decide on the method of voting, including the possibility of voting by acclamation. In the event of voting by acclamation, the votes against will be recorded if a request to this effect is made.

#### Article 29

1. Unless otherwise stated in these articles, resolutions shall be adopted by a simple majority of votes. Abstentions and invalid votes shall not be counted. The chairman shall decide on the method of voting, including **orally, in writing, electronically and** the possibility of voting by acclamation. In the event of voting by acclamation, the votes against **and abstentions** will be recorded if a request to this effect is made.

Clarification of the current article in connection with the Act on Electronic Means of Communication.

**2. In the event the Board of Management exercises the authority under paragraph 6 of article 26, the Board of Management may determine that votes may be cast electronically in advance of the General Meeting of Shareholders. These votes will in such circumstances be treated on the same basis as the votes cast at the meeting itself. Such votes however may not be cast any earlier than the date of registration as referred to in article 26 paragraph 6 as set when the meeting was called or any later than determined in the notice of the meeting. Without prejudice to the other provisions in article 25 the notice shall state how and on what conditions shareholders may exercise their rights prior to the meeting. The provisions of the last sentence of article 28, paragraph 3 shall equally apply.**

Amendment in connection with the Act on Electronic Means of Communication, enabling the Board of Management to determine that votes may be cast prior to the general meeting by means of electronic communication.

2. In the event of a tie vote the relevant proposal shall be deemed to have been rejected.

Renumbering paragraph 2 to paragraph 3.

## REPORT OF THE BOARD OF MANAGEMENT AND ANNUAL ACCOUNTS

### Article 33, paragraph 2

2. Without prejudice to the provisions of article 24, clause 2, the Board of Management shall, within four months after the close of each financial year, draw up annual accounts and an annual report in accordance with the rules which apply to the Company in this regard. The annual accounts shall consist of a balance sheet in respect of the financial year then ended and a profit and loss account for that financial year, with the explanatory notes thereto and additional information required by law. These documents, accompanied by an auditor's report thereon, as referred to in Section 393 of Book 2 of the Civil Code, shall be submitted for approval to the Supervisory Board, which shall then append its own report to these documents. Following approval by the Supervisory Board, these documents shall be signed by the members of the Board of Management and the members of the Supervisory Board and published together with the abovementioned documents.

## REPORT OF THE BOARD OF MANAGEMENT, ANNUAL ACCOUNTS AND OTHER REGULATED INFORMATION

### Article 33, paragraph 2

2. Without prejudice to the provisions of article 24, **clause paragraph 2**, the Board of Management shall, within four months after the close of each financial year, draw up annual accounts and an annual report in accordance with the rules which apply to the Company in this regard. The annual accounts shall consist of a balance sheet in respect of the financial year then ended and a profit and loss account for that financial year, with the explanatory notes thereto and additional information required by law. These documents, accompanied by an auditor's **report certificate thereon in relation thereto**, as referred to in Section 393 of Book 2 of the Civil Code, shall be submitted for approval to the Supervisory Board, which shall then append its own report to these documents. Following approval by the Supervisory Board, **these documents the annual accounts** shall be signed by the members of the Board of Management and the members of the Supervisory Board **and published together with the abovementioned documents**. **The annual accounts, the annual report, the auditor's certificate and any additional information that has to be made available together with the annual accounts according under or pursuant to the law, shall be made publicly available.**

### Article 33, paragraph 7

**7. The annual report, the annual accounts and other regulated information such as to be defined in the Act on Financial Supervision, will solely be published in English.**

Amendment in connection with the Transparency Directive.

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