

# 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 Friday, March 27, 2009, beginning at 14.00 hours

## 1. Speech President

## 2. Annual Report 2008, distribution to shareholders and discharge

- a. Proposal to adopt the 2008 financial statements
- b. Explanation of policy on additions to reserves and dividends
- c. Proposal to adopt a distribution of EUR 0.70 per common share against the retained earnings
- 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

Proposal to reappoint Mr P.-J. Sivignon as a member of the Board of Management of the Company with effect from April 1, 2009

## 4. Composition of the Supervisory Board

- a. Proposal to reappoint Mr J.J. Schiro as a member of the Supervisory Board of the Company with effect from March 27, 2009
- b. Proposal to appoint Mr J. van derVeer as a member of the Supervisory Board of the Company with effect from July 1, 2009
- c. Proposal to appoint Ms C.A. Poon as a member of the Supervisory Board of the Company with effect from March 27, 2009

## 5. Long-Term Incentive Plan

Proposal to amend the Long-Term Incentive Plan

## 6. 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, 2009, 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, 2009, 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 as of March 27, 2009, plus 10% of the issued capital as of that same date in connection with or on the occasion of mergers and acquisitions.

## 7. 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 27, 2009, within the limits of the law and the Articles of Association, to acquire, with the approval of the Supervisory Board, 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.

The maximum number of shares the Company may hold, will not exceed 10% of the issued share capital as of March 27, 2009, which number may be increased by 10% of the issued capital as of that same date in connection with the execution of share repurchase programs for capital reduction purposes.

## 8. 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 2008, including the Company's financial performance, and will look ahead, explaining the strategy of the Philips Group and the 2009 Management Agenda.

### 2: Annual Report 2008, distribution to shareholders and discharge

These agenda items include the proposals to adopt the 2008 financial statements and a distribution from the retained earnings, 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 2008.

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

In accordance with the Articles of Association of the Company, the Supervisory Board has made a binding recommendation regarding nominees for reappointment as member of the Board of Management. A list of two nominees for the vacancy and the curriculum vitae of the nominees is available for inspection at the offices of the Company and of ABN AMRO Bank N.V., acting under the name RBS (Gustav Mahlerlaan 10 (HQ 3130), 1082 PP Amsterdam) as well as on the Company's website ([www.philips.com/investor](http://www.philips.com/investor)).

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 Mr Sivignon's first four year term as a member of the Board of Management expires, the Supervisory Board proposes to reappoint Mr Sivignon. Mr Sivignon was born in 1956 and has French nationality. The Supervisory Board is pleased that he is available for another term as member of the Board of Management of the Company.

The main elements of the contract of employment of Mr Sivignon 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 RBS as well as on the Company's website.

The following persons are proposed for (re)appointment:

#### Mr J.J. Schiro

Mr Schiro was born in 1946 and has American nationality. He has been a member of Supervisory Board since 2005. Mr Schiro is CEO of Zurich Financial Services and Chairman of the Group Management Board and serves on various boards of private and listed companies.

In view of the knowledge and experience in financial and economic aspects of international businesses of Mr Schiro, and the way he fulfils his role as a member of the Audit Committee and Corporate Governance and Nomination & Selection Committee, the Supervisory Board proposes to re-appoint Mr Schiro.

### Mr J. van derVeer

Mr Van derVeer was born in 1947 and has Dutch nationality. At present he is the Chief Executive of the Executive Committee of Royal Dutch Shell. Mr Van derVeer will retire as Chief Executive of Royal Dutch Shell on June 30, 2009. He is also a Non-executive Director of Unilever, serving as a member of the Nomination and Remuneration Committees.

In view of his broad management experience and his knowledge and experience of the financial and economic aspects of international businesses the Supervisory Board proposes to appoint Mr Van derVeer:

### Ms C.A. Poon

Ms Poon was born in 1952 and has American nationality. She is currently the Vice Chairman of the Board of Directors of Johnson & Johnson; Worldwide Chairman of the Pharmaceuticals Group and Member of the Executive Committee. Ms Poon will retire as Director of Johnson & Johnson on March 1, 2009. She is also a Director of Fox Chase Cancer Center and Prudential Financial, Inc.

In view of her experience, in particular in the healthcare and pharmaceuticals business, the Supervisory Board proposes to appoint Ms Poon as a member of the Supervisory Board.

## 5: Long-Term Incentive Plan

### Introduction

At the 2008 Annual General Meeting of Shareholders, Philips proposed an amendment to the Long-Term Incentive Plan (LTIP). The proposal included a change in the TSR (Total Shareholder Return) multiplier range for determination of the grant levels of restricted share rights and stock options. The TSR multiplier is currently 0.8 – 1.2 for both restricted share rights and stock options. The proposal was to introduce a more stretching range of 0-2 for restricted shares rights, while abolishing the TSR multiplier for the determination of stock options grant levels altogether. Although the proposal for restricted share rights was generally preferred by shareholders, the abolition of the TSR multiplier for stock option grant levels met with resistance and the amendment as a whole was not adopted by the 2008 Annual General Meeting of Shareholders.

Note: The TSR measures Philips' Total Return to Shareholders over a three-year period compared to a peer group of 12 leading multinational electronics/electrical equipment companies.

### Proposal

With reference to the above, we propose to replace the TSR multiplier range for determining the grant levels of restricted share rights based on a more stretching TSR range of 0-2, while maintaining the current TSR performance multiplier for the determination of stock option grant levels (0.8-1.2). The team targets performance element for the Board of Management remains applicable to both restricted share right- and stock option grant levels. The proposed change to the LTIP can be accommodated within the pool size with a maximum of 17.5 million shares.

### Current plan

The current plan is a combination of a restricted share rights plan and a stock option plan. Grants are issued in accordance with the ratio 3 stock options : 1 restricted share right. Grant sizes are determined in accordance with corporate grade, and are subsequently subject to two performance conditions:

- Team targets for the Board of Management; and
- Relative TSR.

The TSR multiplier ranges from 0.8-1.2.

### 1. Restricted share rights

A restricted share right is a right to receive a share in Philips, subject to the condition of employment with Philips upon the 1st, 2nd respectively 3rd anniversary of the date of grant ('release'). If released shares are held during 3 years since the date of release, one additional share ('premium share') will be granted for every 5 shares.

### 2. Stock options

Stock options are granted 'at the money', i.e. the grant price equals the share price at the moment of grant. Options may be exercised as of the 3rd anniversary of the date of grant, under the condition that the grantee is still employed with Philips. Options remain exercisable until the 10th anniversary of the date of grant, provided the grantee remains employed with Philips.

### New plan

The proposal is to change the range of the TSR multiplier for the grant levels of the restricted share rights to 0 - 2. The current range (0.8 - 1.2) has limited downside and equal upside. With the proposed range the

<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	0.0

restricted share right grant levels will be better aligned with Philips' relative TSR performance. The team targets for restricted share rights will continue to apply.

The sliding TSR range applicable to restricted share right grants will create a continuous incentive for better performance, as the TSR multiplier range strongly aligns the returns to shareholders with the level of reward. For stock options no changes are proposed. The current TSR range of 0.8-1.2 and the team targets will continue to apply.

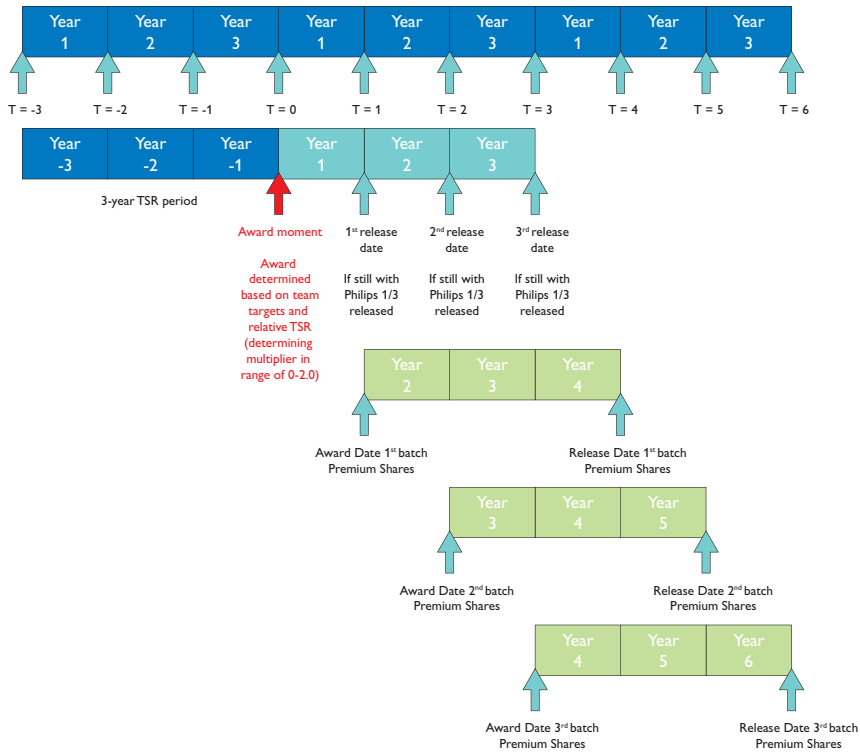
This proposal should be viewed in light of the main goals behind the LTIP, as part of the total remuneration strategy for the Board of Management:

- Board members are rewarded with long-term incentives based on the achievement of a number of targets, i.e. internal team targets and TSR in comparison with the TSR peer group.
- The combination of the restricted share rights and stock options serves as an appropriate incentive *and* retention tool for top management and key employees.
- Vesting period and mandatory share ownership for Board members (shares must be retained during 5 years after release of restricted share rights) provide additional long-term alignment with shareholders.

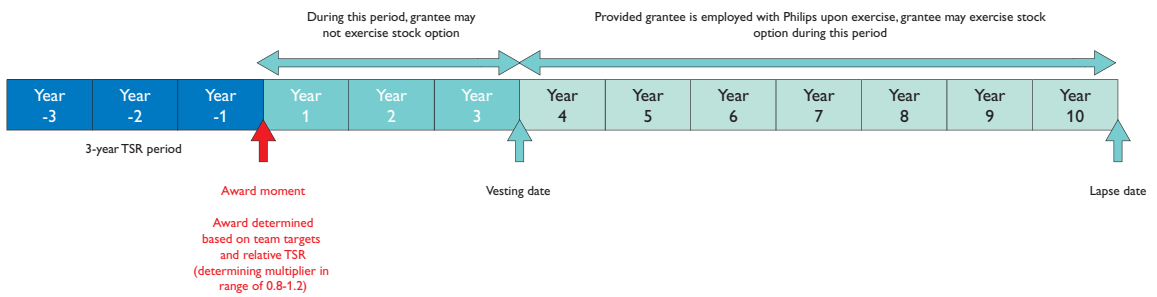
The maximum pool size of 17.5 million shares equals the current total pool size as approved in the 2003 General Meeting of Shareholders (both excluding 20% premium shares). Future substantial changes to the LTIP applicable to members of the Board of Management will be submitted to the General Meeting of Shareholders for approval.

## Illustration of the new plan

### Restricted share rights



### Stock options



## **6: 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.

Adoption of these proposals by the General Meeting of Shareholders replaces the current authorization of 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, which has been granted by the General Meeting of Shareholders on March 27, 2008.

## **7: 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 General Meeting of Shareholders, any other employee stock purchase plans under which employees may acquire Philips securities and other obligations. Shares repurchased for hedging purposes are intended to be re-issued to participants in the LTIP and any other employee stock purchase plans.

Furthermore, the proposal allows the Board of Management to repurchase shares for capital reduction purposes. In that case the number of shares that may be held will be increased with an additional 10% of the issued share capital. This allows the Board of Management to execute such share repurchase programs in an efficient and expedited manner.

The Company strives to repurchase its own shares via the stock exchange. Moreover, the Company takes appropriate measures that should prevent repurchase transactions from influencing the daily stock price by setting limits on the maximum number of shares that can be repurchased each trading day (max. 25% of the daily trade volume). In addition, shares repurchased for capital reduction purposes are, in principle, executed under discretionary management agreements with a financial institution and within the limits of applicable laws and regulations (in particular EC Regulation 2273/2003). All transactions under these share repurchase programs will be published on the Company's website on a weekly basis. In the event the Company repurchases its own shares from one or more shareholders in a private transaction, it shall publish such transaction and provide the reasons for the transaction.

Adoption of this proposal by the General Meeting of Shareholders replaces the current authorization of the Board of Management to repurchase shares which has been granted by the General Meeting of Shareholders on March 27, 2008.