

Agenda for the Annual General Meeting of Shareholders 2016

To be held at the **Hilton Amsterdam hotel**, Apollolaan 138, Amsterdam on Thursday, **May 12, 2016, beginning at 14.00 hours.**

1. Speech of the President

2. Annual Report 2015

- a. Explanation of the implementation of the remuneration policy
- b. Explanation of policy on additions to reserves and dividends
- c. Proposal to adopt the financial statements
- d. Proposal to adopt a dividend of EUR 0.80 per common share, in cash or in shares at the option of the shareholder, against the net income for 2015 and retained earnings
- e. Proposal to discharge the members of the Board of Management for their responsibilities
- f. Proposal to discharge the members of the Supervisory Board for their responsibilities

3. Composition of the Supervisory Board

Proposal to re-appoint Mrs N. Dhawan as member of the Supervisory Board with effect from May 12, 2016

4. Remuneration of the Supervisory Board

Proposal to determine the remuneration of the members of the Quality & Regulatory Committee of the Supervisory Board

5. Authorization of the Board of Management to (i) issue shares 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, effective May 12, 2016, 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
- b. Proposal to authorize the Board of Management for a period of 18 months, effective May 12, 2016, as the body which is authorized, with the approval of the Supervisory Board, to restrict or exclude the pre-emption rights accruing to shareholders

The authorization referred to above under a. will be limited to a maximum of 10% of the number of issued shares as of May 12, 2016, plus 10% of the issued capital as of that same date in connection with or on the occasion of mergers, acquisitions and/or strategic alliances.

6. 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, effective May 12, 2016, 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 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 acquire and hold, will not exceed 10% of the issued share capital as of May 12, 2016, 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.

7. Cancellation of shares

Proposal to cancel common shares in the share capital of the company held or to be acquired by the company. The number of shares that will be cancelled shall be determined by the Board of Management.

8. Any other business

This agenda with the explanatory notes, the annual report, the financial statements, the binding recommendation and other documents relevant for the Annual General Meeting 2016 have been published on the company's website (www.philips.com/agm). The meeting documents are also available at the offices of the company (Amstelplein 2, 1096 BC Amsterdam) and at ABNAMRO Bank N.V., Corporate Broking (Gustav Mahlerlaan 10 (HQ 7050), 1082 PP Amsterdam, tel +31 20 344 2000 and email: corporate.broking@nl.abnamro.com) and will be available at the meeting.

Agenda items indicated as "proposal" are voting items.

Explanatory notes to the agenda for the AGM 2016

1. Speech of the President

In his speech the President will look back on the financial year 2015, including the company's financial performance.

2. Annual Report 2015

This agenda item first includes two non-voting items: the implementation of the company's remuneration policy in 2015, and the company's policy on additions to reserves and dividends. In respect of the first item, please refer to the Report of the Supervisory Board as well as other information on remuneration included in the Annual Report 2015. Furthermore a number of proposals are included: to adopt the 2015 financial statements; to adopt an optional dividend in cash or shares; as well as 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 2015. The proposed discharge will take place on the basis of information provided to the General Meeting of Shareholders and other information publically available when the resolution to discharge is adopted.

It is proposed to distribute a dividend of EUR 0.80 per common share (resulting in a total dividend distribution value of up to EUR 740 million), in cash or shares at the option of the shareholder, against the net income for 2015 and retained earnings, in accordance with the company's present dividend policy.

If the above dividend proposal is adopted, the shares will be traded ex-dividend as of May 13, 2016 and May 16, 2016 at the New York Stock Exchange and Euronext Amsterdam, respectively. In compliance with the listing requirements of the New York Stock Exchange and the stock market of Euronext Amsterdam, the dividend record date will be May 17, 2016. Shareholders will be given the opportunity to make their choice between cash and shares between May 18, 2016 and June 10, 2016. If no choice is made during this election period the dividend will be paid in shares. On June 10, 2016 after close of trading, the number of share dividend rights entitled to one new common share will be determined based on the volume-weighted average price of all traded common shares Koninklijke Philips N.V. at Euronext Amsterdam on June 8, 9 and 10, 2016. The company will calculate the number of share dividend rights entitled to one new common share (the 'ratio'), such that the gross dividend in shares will be approximately equal to the gross dividend in cash. The ratio and the number of shares to be issued will be announced on June 14, 2016. Payment of the dividend and delivery of new common shares, with settlement of fractions in cash, if required, will take place from June 15, 2016.

The newly issued common shares will rank for the dividend for the 2016 financial year and following financial years.

Dividend in cash is in principle subject to 15% Dutch dividend withholding tax, which will be deducted from the dividend in cash paid to the shareholders. Dividend in shares paid out of net income and retained earnings is in principle subject to 15% dividend withholding tax, but only in respect of the par value of the shares (which value amounts to EUR 0.20 per share). Some shareholders may be eligible to claim a tax credit for or a refund of the tax withheld, if certain conditions are met. Shareholders are advised to consult their tax advisor on the applicable situation both with respect to withholding tax and the possibility to claim a tax credit for or a refund of the tax withheld, as well as the tax due (such as corporate income tax, personal income tax) on the dividend received.

3. Composition of the Supervisory Board

In accordance with the Articles of Association of the company, the Supervisory Board has made a binding recommendation regarding the (re-)appointment of a member of the Supervisory Board. The binding recommendation is available at the offices of the company and at ABN AMRO Bank N.V. (Gustav Mahlerlaan 10 (HQ 7050), 1082 PP Amsterdam) as well as on the company's website (www.philips.com/agm) and at the meeting.

The following person is proposed for re-appointment:

Neelam Dhawan (1959, Indian)

Mrs Dhawan has been a member of the Supervisory Board since 2012. She is currently also Managing Director of Hewlett-Packard Enterprise India.

Mrs Dhawan is recommended to be re-appointed in view of her knowledge and experience in general management and her expertise of the information technology space, in particular given the strategic direction of the company, and the way she fulfils her role as a member of the Supervisory Board and of the Audit Committee.

The Supervisory Board is very pleased that Mrs Dhawan remains available as a member of the Supervisory Board and proposes to re-appoint her, in line with the Dutch Corporate Governance Code, for the term of four years (effectively until the end of the annual general meeting of shareholders to be held in 2020).

Upon the proposed re-appointment, the Supervisory Board will consist of eight members, including three women, with seven nationalities.

4. Remuneration of the Supervisory Board

During its annual general meeting held on May 7, 2015, the General Meeting of Shareholders revised the remuneration of the Supervisory Board. After that meeting, the Supervisory Board established the Quality & Regulatory Committee in view of the continued relevance of the quality of the company's products, systems, services and software and the development, testing, manufacturing, marketing and servicing thereof, and regulatory matters relating thereto. Please also refer to the Report of the Supervisory Board included in the Annual Report 2015 for a description of the activities of the Quality & Regulatory Committee.

In view of the above it is proposed to complement the current remuneration structure for the Supervisory Board, with effect from January 1, 2016, as follows:

EUR 10,000 for a regular member, and EUR 15,000 for the chairman of the Quality & Regulatory Committee.

The proposed remuneration is equal to the remuneration of the (former) Separation Committee as included in the current remuneration structure for the Supervisory Board. The Separation Committee was established following the decision to separate the Lighting business from the company, and abolished following the establishment of a stand-alone structure for Philips Lighting within the Philips group effective January 1, 2016. Please also refer to the Report of the Supervisory Board mentioned above for an description of the activities of the Separation Committee.

5. Authorization of the Board of Management to (i) issue shares 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, such authorization gives the Board of Management flexibility in the context of mergers, acquisitions and/or strategic alliances.

Adoption of these proposals by the General Meeting of Shareholders will replace 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 was granted by the General Meeting of Shareholders on May 7, 2015.

6. 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 cover the company's obligations related to share-based remuneration, such as those under the LTI Plans and any other employee stock purchase plan under which employees may acquire Philips securities (to the extent such authorization is required under the Articles of Association), and other obligations the company may have. Furthermore, the proposal intends to allow the Board of Management to repurchase shares for capital reduction purposes.

The maximum number of shares the company may acquire and hold, equals 10% of the issued share capital per May 12, 2016. In case of repurchase for capital reduction purposes, the number of shares that the company may acquire and hold will be increased with an additional 10% of such issued share capital. This higher maximum of shares that may be held is intended to allow the Board of Management to execute such share repurchase programs in an efficient and expedited manner.

Adoption of this proposal by the General Meeting of Shareholders will replace the current authorization of the Board of Management to repurchase shares which was granted by the General Meeting of Shareholders on May 7, 2015.

7. Cancellation of shares

It is proposed to the General Meeting of Shareholders to cancel any or all common shares in the share capital of the company held or repurchased by the company under the authorization referred to under agenda item 6 resulting in a reduction of the company's issued common shares. The cancellation may be executed in one or more tranches.

The number of shares that will be cancelled (whether or not in several tranches) shall be determined by the Board of Management, with a maximum of the number of shares that may be acquired in accordance with the authorization referred to under agenda item 6. Pursuant to the relevant statutory provisions, cancellation may not be effected earlier than two months after a resolution to cancel shares is adopted and publicly announced; this will apply for each tranche. The purpose of this proposal is cancellation of common shares held by the company or that will be acquired in accordance with the authorization referred to under agenda item 6, to the extent that such shares shall not be used to cover obligations under share-based remuneration or other obligations, and it includes common shares already repurchased under the EUR 1.5 billion share buyback program announced on September 17, 2013.

