



Agenda for the Annual General Meeting of Shareholders 2019

To be held at the **Hotel Okura Amsterdam**, Ferdinand Bolstraat 333, Amsterdam on **Thursday, May 9, 2019, beginning at 14.00 hours**.

1. Speech of the President

2. Annual Report 2018

- a. Explanation of the implementation of the Remuneration Policy
- b. Explanation of the policy on additions to reserves and dividends
- c. Proposal to adopt the financial statements
- d. Proposal to adopt a dividend of EUR 0.85 per common share, in cash or in shares at the option of the shareholder, against the net income for 2018
- e. Proposal to discharge the members of the Board of Management
- f. Proposal to discharge the members of the Supervisory Board

3. Composition of the Board of Management

- a. Proposal to re-appoint Mr F.A. van Houten as President/Chief Executive Officer and member of the Board of Management with effect from May 9, 2019
- b. Proposal to re-appoint Mr A. Bhattacharya as member of the Board of Management with effect from May 9, 2019

4. Composition of the Supervisory Board

- a. Proposal to re-appoint Mr D.E.I. Pyott as member of the Supervisory Board with effect from May 9, 2019
- b. Proposal to appoint Ms E. Doherty as member of the Supervisory Board with effect from August 1, 2019

5. Proposal to re-appoint Ernst & Young Accountants LLP as the external auditor of the company

6. 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 9, 2019, 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 9, 2019, 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 9, 2019.

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, effective May 9, 2019, 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 on which the agreement to acquire the shares is entered into, 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 9, 2019, 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. 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.

9. Any other business

Agenda items indicated as “proposal” are voting items. This agenda with the explanatory notes, the annual report, the financial statements, the binding nominations and other documents relevant for the Annual General Meeting 2019 have been published on the company’s website (www.philips.com/agm). The meeting documents are also available, free of charge, at the offices of the company (Amstelplein 2, 1096 BC Amsterdam), at ABN AMRO Bank N.V., Corporate Broking (Gustav Mahlerlaan 10 (HQ 7212), 1082 PP Amsterdam, tel +31 20 344 2000 and email: corporate.broking@nl.abnamro.com), and will be available at the meeting.

Explanatory notes to the agenda for the AGM 2019

1. Speech of the President

In his speech the President will look back on the financial year 2018, including the company's financial performance.

2. Annual Report 2018

This agenda item first includes two non-voting items: the implementation of the Remuneration Policy in 2018 and an explanation of 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 2018.

Furthermore a number of proposals are included: to adopt the 2018 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 2018. 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 0.85 per common share (up to EUR 777 million if all shareholders would elect cash), in cash or shares at the option of the shareholder, against the net income for 2018, 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, 2019 at the New York Stock Exchange and Euronext Amsterdam. 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 14, 2019. Shareholders will be given the opportunity to make their choice between cash and new shares between May 15, 2019 and June 7, 2019. If no choice is made during this election period the dividend will be paid in cash. On June 7, 2019 after close of trading on Euronext Amsterdam, 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 5, 6 and 7, 2019. 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 12, 2019. Payment of the dividend and delivery of new common shares, with settlement of fractions in cash, if required, will take place from June 13, 2019. The distribution of dividend in cash to holders of New York Registry shares will be made in USD at the USD/ EUR rate as per WM/ Reuters FX Benchmark 2 PM CET fixing of June 11, 2019.

The newly issued common shares will rank for the dividend for the 2019 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 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 Board of Management

As announced on October 29, 2018, the following persons are proposed for re-appointment as members of the Board of Management:

a. Mr F.A. van Houten (1960, Dutch)

Frans van Houten has held the positions of President/Chief Executive Officer and Chairman of the Board of Management since April 1, 2011, and was re-appointed on May 7, 2015.

The Supervisory Board recommends to the shareholders to re-appoint Mr Van Houten as President/Chief Executive Officer and member of the Board of Management with effect from May 9, 2019.

b. Mr A. Bhattacharya (1961, Indian)

Abhijit Bhattacharya has held the positions of Chief Financial Officer and member of the Board of Management since December 18, 2015.

The Supervisory Board recommends to the shareholders to re-appoint Mr Bhattacharya as member of the Board of Management with effect from May 9, 2019. He will continue to fulfill the role of Chief Financial Officer of Royal Philips.

The Supervisory Board is very pleased that Messrs Van Houten and Bhattacharya remain available as members of the Board of Management. Their re-appointment is recommended in view of the fundamental progress of Philips' transformation into a solutions-driven health technology company with an improved growth and profitability profile. The Supervisory Board is impressed by their continuing drive to further unlock Philips' potential to grow its market positions and expand margins, as the company aims to make the world healthier and more sustainable through innovation.

In accordance with the Articles of Association of the company, the Supervisory Board has made binding nominations regarding the re-appointment of each of Messrs van Houten and Bhattacharya. Members of the Board of Management may be (re-)appointed for the term of four years as laid down in the Articles of Association. In line with the Dutch Corporate Governance Code, the terms of appointment of each of Messrs Van Houten and Bhattacharya will expire at the end of the Annual General Meeting to be held in 2023.

The new services agreements (*overeenkomsten van opdracht*) between the company and each of Messrs Van Houten and Bhattacharya (which are subject to their respective re-appointments), have been published on the company's website. The agreements provide an increase in the base salaries of Messrs Van Houten and Bhattacharya in line with the company's Remuneration Policy, while their Pension Transition Allowances will be maintained at the current level for the term of their services agreements.

The Remuneration Policy aims at providing market competitive reward levels compared to the peer group (business competitors, companies that Philips competes with for talents, consisting of Dutch, European and (<25%) US companies, as disclosed in the remuneration report included in the Annual Report 2018, on page 68) while at the same time considering internal pay ratios within the company.

When setting the terms of remuneration and considering reward levels, the Supervisory Board gave due consideration to the performance of the company under the leadership of Messrs Van Houten and Bhattacharya and to the importance of the continuation of their leadership for the transformation of Philips. As a result, the total remuneration of each of Messrs Van Houten and Bhattacharya will be set closer to market levels. The new base salary of Mr Van Houten implies a compound annual growth rate of 2.4% over the period 2011 - 2019. Mr Bhattacharya's base salary was below market levels which led to a correction to a now market aligned remuneration.

Also in line with the Remuneration Policy, the ratio between base salary, short term and long term variable pay will not change, as the current distribution is in line with peer group and market practice. Moreover, it reflects the balance of fixed and variable remuneration that Philips deems appropriate throughout the company. Furthermore, no changes were made to short-term and long-term incentive plans as these are aligned with the current strategic direction of the company.

The Supervisory Board took into account the internal pay-ratio (between CEO and average pay within the company). The eventual ratio will depend predominantly on actual performance.

The Supervisory Board engaged with a number of its shareholders and with institutional advisory organizations to solicit their feedback on the terms of remuneration and its considerations.

4. Composition of the Supervisory Board

The current term of appointment of Mr H. von Prondzynski will expire at the end of the Annual General Meeting of Shareholders 2019, after serving three consecutive terms on the Supervisory Board. Also Mr J.P. Tai, whose second term will expire, will not be available for re-appointment as a member of the Supervisory Board. Due to other obligations and in alignment with Philips, Mr Tai will effectively step down from the Supervisory Board on March 31, 2019.

The following persons are proposed for (re-)appointment as members of the Supervisory Board:

a. Mr D.E.I. Pyott (1953, British/American)

David Pyott has been a member of the Supervisory Board since 2015. He is Lead Director of Avery Dennison Corporation and member of the Board of Directors of Alnylam Pharmaceuticals Inc., BioMarin Pharmaceutical Inc. and privately held Rani Therapeutics, and Chairman of Bioniz Therapeutics.

Mr Pyott is recommended to be re-appointed in view of his knowledge and experience in international business, healthcare, marketing and finance, and the way he fulfils his role as a member of the Supervisory Board, the Audit Committee and the Quality & Regulatory Committee.

Mr Pyott holds no shares in Royal Philips and is considered an independent member of the Supervisory Board pursuant to the Dutch Corporate Governance Code and under the applicable US Securities and Exchange Commission standards.

b. Ms E. Doherty (1957, British)

Elizabeth Doherty is currently a member of the Supervisory Board and Chairwoman of the audit committee of Dunelm Group PLC and Novartis AG. She is also a member of the Supervisory Board of Corbion N.V.

Ms Doherty is a senior finance executive with 30 years' broad-based, international finance experience in a number of large multi-national organizations across a range of industries. She has extensive operational experience in international consumer and retail businesses, specifically with brands, marketing and online sales. Her expertise will be

invaluable in view of Philips' transformation into a customer-centric solutions company focused on health technology, connecting consumers/patients, providers and payers more effectively and leveraging informatics for better outcomes at lower cost.

Ms Doherty is a fellow of the Chartered Institute of Management Accountants, a non-executive board member of the UK Ministry of Justice, a non-executive board member of Her Majesty's Courts and Tribunals Service in the UK, and an advisor to GBfoods and Affinity Petcare SA, subsidiaries of Agrolimen SA. Her previous positions include CFO and board member of Reckitt Benckiser Group PLC from 2011 to 2013, CFO of Brambles Ltd. from 2007 to 2009. She also held several senior financial roles in both Unilever PLC and Tesco PLC. Ms Doherty served as a non-executive director and audit committee member at Delhaize Group, Nokia Corp. and SABMiller PLC.

Ms Doherty holds no shares in Royal Philips and will be considered (upon her appointment) an independent member of the Supervisory Board pursuant to the Dutch Corporate Governance Code and under the applicable US Securities and Exchange Commission standards.

The Supervisory Board is very pleased that Mr Pyott and Ms Doherty are available as members of the Supervisory Board. The Supervisory Board proposes to re-appoint Mr Pyott per May 9, 2019, and to appoint Ms Doherty per August 1, 2019. Members of the Supervisory Board may be (re-)appointed for the term of four years as laid down in the Articles of Association. In line with the Dutch Corporate Governance Code, the term of appointment of each of Mr Pyott and Ms Doherty will expire at the end of the Annual General Meeting to be held in 2023.

In accordance with the Articles of Association of the company, the Supervisory Board has made binding nominations regarding the (re-)appointment of each of Mr Pyott and Ms Doherty. Upon the proposed re-appointment and appointment, the Supervisory Board will consist of eight members, four women and four men, with six nationalities.

5. Proposal to re-appoint Ernst & Young Accountants LLP as the external auditor of the company for a term of three years starting January 1, 2020

The company's current external auditor, Ernst & Young Accountants LLP, was appointed at the Annual General Meeting of Shareholders 2015 for a term of four years starting January 1, 2016. The Supervisory Board now proposes to re-appoint Ernst & Young Accountants LLP for a term of three years starting January 1, 2020.

This proposal follows the recommendation of the Audit Committee of the Supervisory Board, after it conducted an assessment of the functioning of, and the development in the relationship with Ernst & Young Accountants LLP, whereby it gave due consideration to the observations of the Board of Management that supports this proposal.

6. 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: (a) in financing the company in the most efficient manner, (b) in covering the company's obligations related to share-based remuneration, such as those under the long-term incentive plans and any employee stock purchase plan under which employees may acquire Philips securities and (c) 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 3, 2018.

7. Authorization of the Board of Management to acquire shares in the company

The proposal to authorize the Board of Management (to the extent such authorization is required under Dutch law and the Articles of Association and without prejudice to article 2:98 paragraph 5 of the Dutch Civil Code) 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 long-term incentive plans and any employee stock purchase plan under which employees may acquire Philips securities, 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 9, 2019. 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 3, 2018.

8. 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 on May 9, 2019 or to be acquired by the company under the authorization referred to under agenda item 7 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 held by the company on May 9, 2019 plus the number of shares that may be acquired in accordance with the authorization referred to under agenda item 7. 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 7, to the extent that such shares shall not be used to cover obligations under share-based remuneration or other obligations.

