

## Agenda for the Annual General Meeting of Shareholders 2018

To be held at the **Hotel Okura Amsterdam**, Ferdinand Bolstraat 333, Amsterdam on Thursday, **May 3, 2018, beginning at 14.00 hours**.

### 1. Speech of the President

### 2. Annual Report 2017

- a. Explanation of the implementation of the Remuneration Policy
- b. Compliance with the Dutch Corporate Governance Code 2016
- c. Explanation of policy on additions to reserves and dividends
- d. Proposal to adopt the financial statements
- e. 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 2017
- f. Proposal to discharge the members of the Board of Management
- g. Proposal to discharge the members of the Supervisory Board

### 3. Composition of the Supervisory Board

- a. Proposal to re-appoint Ms O. Gadiesh as member of the Supervisory Board with effect from May 3, 2018
- b. Proposal to appoint Mr P.A. Stoffels as member of the Supervisory Board with effect from August 1, 2018

### 4. 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 3, 2018, 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 3, 2018, 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 3, 2018.

## **5. 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 3, 2018, 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 3, 2018, 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.

## **6. 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.

## **7. 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 2018 have been published on the company’s website ([www.philips.com/agm](http://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 7050), 1082 PP Amsterdam, tel +31 20 344 2000 and email: [corporate.broking@nl.abnamro.com](mailto:corporate.broking@nl.abnamro.com)), and will be available at the meeting.*

## Explanatory notes to the agenda for the AGM 2018

### 1. Speech of the President

In his speech the President will look back on the financial year 2017, including the company's financial performance.

### 2. Annual Report 2017

This agenda item first includes three non-voting items: the implementation of the Remuneration Policy in 2017, the company's compliance with the Dutch Corporate Governance Code 2016 and an explanation of its 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 2017.

In respect of the second item it is noted that, in the Annual Report 2017, the company addressed its overall corporate governance structure and stated to what extent and how it applies the principles and best practice provisions of the Dutch Corporate Governance Code dated December 8, 2016 (replacing the former 2008 Dutch Corporate Governance Code). Where the principles or best practices of the current Code required changes to rules, policies, procedures or other written records, such changes have been implemented by the end of 2017. This has not led to substantial changes to the corporate governance structure of the company.

Furthermore a number of proposals are included: to adopt the 2017 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 2017. 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 (up to EUR 750 million if all shareholders would elect cash), in cash or shares at the option of the shareholder, against the net income for 2017, 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 7, 2018 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 8, 2018. Shareholders will be given the opportunity to make their choice between cash and shares between May 9, 2018 and June 1, 2018. If no choice is made during this election period the dividend will be paid in cash. On June 1, 2018 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 May 30 and 31, and June 1, 2018. 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 5, 2018. Payment of the dividend and delivery of new common shares, with settlement of fractions in cash, if required, will take place from June 6, 2018. 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 4, 2018.

The newly issued common shares will rank for the dividend for the 2018 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 Supervisory Board

In accordance with the Articles of Association of the company, the Supervisory Board has made binding nominations regarding the re-appointment and appointment of members of the Supervisory Board. The binding nominations are 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](http://www.philips.com/agm)) and at the meeting.

- a. Proposal to re-appoint Ms O. Gadiesh as member of the Supervisory Board with effect from May 3, 2018

#### **Orit Gadiesh (1951, Israeli/American)**

Ms Gadiesh has been a member of the Supervisory Board since 2014. She is currently also Chairman of Bain & Company and Member of the Foundation Board of the World Economic Forum (WEF). Furthermore, she serves on the Supervisory Board of Renova AG and is a member of the United States Council of Foreign Relations.

Ms Gadiesh is recommended to be re-appointed in view of her experience and the external perspective she brings to the Supervisory Board. In particular her in-depth knowledge of marketing, technological developments and international business, have proven to be valuable in the way she fulfils her role as member of the Supervisory Board and Audit Committee.

The Supervisory Board is very pleased that Ms Gadiesh 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 2022). She will, subject to her re-appointment, retain her current position within the Audit Committee.

- b. Proposal to appoint Mr P.A. Stoffels as member of the Supervisory Board with effect from August 1, 2018

#### **Paul Stoffels, M.D. (1962, Belgian)**

Mr Stoffels is currently Executive Vice President, Chief Scientific Officer, at Johnson & Johnson. He is a member of the Johnson & Johnson Executive Committee and chairs the Johnson & Johnson R&D Management Committee.

Mr Stoffels has in-depth knowledge across the pharmaceutical, medical device and consumer segments and has lead teams to develop transformational new medicines and healthcare solutions. He is recognized as a visionary leader that has fueled innovative science and technology across the healthcare industry. His expertise will be invaluable in view of Philips' transformation to a company focused on healthcare technology and the development of innovative value-added integrated solutions.

Previously, in his role as Worldwide Chairman, Pharmaceuticals, Mr Stoffels was responsible for advancing the therapeutic pipeline of Janssen Pharmaceutical Companies of Johnson & Johnson. Before that, Mr Stoffels has held various R&D leadership roles within the pharmaceutical sector of Johnson & Johnson. He joined Johnson & Johnson in 2002 with the acquisition of Virco and Tibotec, where he was Chief Executive Officer of Virco and Chairman of Tibotec. He led the development of a number of breakthrough medicines and diagnostics for the treatment of HIV.

Mr Stoffels holds no shares in Royal Philips.

The Supervisory Board proposes to appoint Mr Stoffels as a member of the Supervisory Board per August 1, 2018. In line with the Dutch Corporate Governance Code, members of the Supervisory Board are (re)appointed for the term of four years as laid down in the Articles of Association. This effectively means that Mr Stoffels' term of appointment will expire at the end of the Annual General Meeting of Shareholders to be held in 2022.

Upon the proposed re-appointment and appointment, the Supervisory Board will consist of eight members, three women and five men, with eight nationalities.

#### **4. 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 LTI Plans and any other 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 11, 2017.

#### **5. 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 LTI Plans and any other 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 3, 2018. 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 11, 2017.

## **6. 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 5 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 5. 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 5, to the extent that such shares shall not be used to cover obligations under share-based remuneration or other obligations.

