

PENSION PLAN RULES PHILIPS FLEX PENSION

Stichting Philips Pensioenfonds

Stichting Philips Pensioenfonds
Gebouw VS-4A, Vredeoord 105
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January 2006

Core amounts Philips flex pension

AO-limit amount (article 1, paragraph 4)	Date	AO-limit amount
	01-01-2006 01-07-2006	€ 44,118 € 44,669
Offset (article 1, paragraph 10)	Date	Amount
	01-01-2006	€ 14,100
Collective salary scale adjustment	Date	Percentage
	01-07-2006	1.25%
Bridging benefit (article 7, paragraph 2 and 3)	Date	Amount
	01-01-2006	€ 16,215
ANW shortfall insurance (article 10, paragraph 2)	Date	Amount
	01-01-2006 01-04-2006	€ 14,328 € 14,532
Surrender value (article 19, paragraph 1)	Date	Amount
	01-01-2006	€ 361,02
Indexation (article 23, paragraph 1)	Date	Percentage
	01-04-2006	1.65%
Premiums (article 4, paragraph 1)		
1. Pension premium	(in % terms of the pensionable salary): 0%	
2. ANW shortfall premium (article 10, paragraph 4)		
Age	Monthly premium from 01-01-2006	Monthly premium from 01-04-2006
-35	€ 19.10	€ 19.38
35-40	€ 27.46	€ 27.85
40-45	€ 35.82	€ 36.33
45-50	€ 45.37	€ 46.02
50-55	€ 57.31	€ 58.13
55-60	€ 60.89	€ 64.18
60-65	€ 40.60	€ 49.65

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Definitions

Article 1

All concepts defined start with a capital letter. The meaning of all concepts defined in the Trust Deed (*comparable to Articles of Association*) of Stichting Philips Pensioenfondsen shall be identical for the purposes of these Plan rules, unless otherwise has been provided. Additionally, the following terms shall be taken to mean the following in these Pension plan rules:

1.1 **Member 1***

The person employed by Philips to whom the version of the Pension plan rules Philips flex pension January 2005 is applicable on 31 December 2005 and who was born before 1 January 1950.

1.2 **Member 2***

1. The person who entered the employment of Philips on or following 1 January 2006;
2. The person employed by Philips to whom the version of the Pension plan rules Philips flex pension January 2005 is applicable on 31 December 2005 and who was born on or after 1 January 1950.

* If any provisions in the Plan rules apply to 'Member 1' as well as 'Member 2', reference is made to 'Member' in these Plan rules. If any provision specifically applies to Member 1 or Member 2, such shall be indicated explicitly in the Plan rules.

1.3 **ANW**

Surviving dependants benefits act.

1.4 **AO (disability) limit amount**

An amount equal to a one twelfth part of € 44,118 increased from 1 January 2006 simultaneously and in line with the percentage of the full collective salary scale adjustment at Philips, multiplied by the Part-time factor valid in the month previous to the first day of illness. Alternatively, if the average Part-time factor in the 36 months preceding the first day of illness exceeds the Part-time factor in the month preceding the first day of illness, the higher average Part-time factor will be applied.

1.5 **Part-time factor**

A factor, the numerator of which is the number of hours of the actual working time as specified in the Member's contract of employment with Philips, and the denominator of which is the full working time as laid down in the collective labour agreement (CAO). If no fixed number of hours is recorded in the employment contract, the numerator of the above calculation will be the number of hours actually worked during the period over which the Part-time factor is determined.

1.6 **Final pay plan rules**

The pension plan rules of the Final pay pension plan (the 'Final pay plan') of Philips.

1.7 **Deferred member**

The Member whose employment with Philips has ended before the Retirement age other than by decease or disability, with the exception of those Members on whose behalf a pension is still being accrued by virtue of the Philips flex pension plan rules despite the termination of their employment with Philips.

1.8 Monthly AOP (Disability pension) base figure

The base figure for the calculation of a Disability pension as referred to in article 14 which is equal to the Monthly gross base figure in the month preceding the first day of illness or, if after the first day of illness an individual salary increase has occurred, to the Monthly gross base figure in the month during which the individual salary increase took place, increased by the percentage of the full collective salary scale adjustments which took place in the period between the first day of illness, the month during which the individual salary increase occurred, respectively, and the start date of the Disability pension, on the understanding that:

- 1) For the determination of the variable income components which are part of the Monthly gross base figure instead of the amount mentioned in paragraph 9, under c. of this article, the average is used of the variable income components to which the Member was entitled in the 36 months preceding the first day of illness in accordance with the employment contract with Philips, increased by the percentage of the collective salary increases which took place between the moment the entitlement to payment of the components referred to arose and the first day of illness;
- 2) If the average Part-time factor in the 36 months preceding the first day of illness exceeds the Part-time factor in the month preceding the first day of illness, the amounts mentioned in paragraph 9 under a. and b. of this article are multiplied by a fraction, the numerator of which is the average Part-time factor in the 36 months preceding the first day of illness and the denominator of which is the Part-time factor in the month preceding the first day of illness.

If the employment with Philips on the first day of illness lasted less than 36 months, for the purposes of the above mentioned calculation, instead of the average taken over 36 months, the average is taken over the number of full months the employment lasted up to the first day of illness.

In this context, the first day of illness is understood to mean the day on which the waiting time for the WAO/WIA (Invalidity Insurance Act/Work and Income according to Labour Capacity Act) commenced.

1.9 Monthly gross base figure

An amount equal to the sum of the following amounts:

- a) The fixed gross salary components which in any month are due to the Member on account of his/her employment contract with Philips and which qualify for the Monthly gross base figure in accordance with the employment contract/CLA, decreased in the months of May and December by the actually paid holiday allowance, the end-of-year bonus, respectively;
- b) The entitlement to holiday allowance and end-of-year bonus over those salary components mentioned under a., over which entitlements to holiday allowance and end-of-year bonus are accrued by virtue of the employment contract/CLA;

- c) The variable gross salary components which for any month are owed by Philips to the Member on account of his/her employment contract and which qualify for the Monthly gross base figure in accordance with the employment contract/CLA.

For those Members to whom the shift work allowance guarantee plan as included in the CLA is applicable, the amount referred to under a. is increased by the shift work guarantee amount.

1.10 **Monthly offset**

For the period from 1 January 1997 until 1 April 1999:

A monthly amount equal to a one twelfth part of € 15,045 multiplied by the Part-time factor valid for the month in question, increased simultaneously with and in line with the increase of the benefits by virtue of the old age pensions act (AOW).

For the period from 1 April 1999 until 1 April 2001:

A monthly amount equal to a one twelfth part of € 12,350 multiplied by the Part-time factor valid for the month in question, in the period from 1 April 1999 until 1 April 2000 increased simultaneously with and in line with the increase of the benefits by virtue of the AOW and in the period from 1 April 2000 until 1 April 2001 increased simultaneously with and in accordance with the CLA applicable at Philips at any time.

For the period from 1 April 2001 until 1 January 2005:

A monthly amount equal to a one twelfth part of € 13,848 multiplied by the Part-time factor valid for the month in question, increased simultaneously with and in line with the percentage of the full collective salary scale adjustment as resulting from the CLA applicable at Philips.

For the period from 1 January 2005:

A monthly amount equal to a one twelfth part of € 14,100 multiplied by the Part-time factor valid for the month in question, increased simultaneously with and in line with the percentage of the full collective salary scale adjustment as resulting from the CLA applicable at Philips.

1.11 **Monthly pensionable salary**

The Monthly gross base figure, reduced by the Monthly offset.

1.12 **NP (Survivor's pension) base figure**

The base figure for the calculation of a Survivor's pension as referred to in article 9, equal to the Monthly pensionable salary that would have been valid in the month of decease had the Member survived, on the understanding that:

- 1) For determining the variable income components which form part of the Monthly gross base figure, instead of the amount stated in paragraph 9 under c. of this article, the average is taken of the variable income components to which the Member in the 36 months preceding the decease, including the month of decease, was entitled by virtue of the employment contract with Philips, increased by the percentage of the full collective scale adjustments

that took place between the time the entitlement to payment of the components referred to was created and the decease;

- 2) If the average Part-time factor in the 36 months preceding the decease, including the month of decease, exceeds the Part-time factor that would have applied in the month of decease had the Member survived;
 - a) The amounts mentioned in paragraph 9 of this article under a. and b. are multiplied by a fraction the numerator of which is the average Part-time factor in the 36 months preceding the decease and the denominator the Part-time factor in the month of decease,
 - b) For the determination of the Monthly offset, the average Part-time factor in the 36 months preceding the decease is assumed.

If the employment contract with Philips has lasted less than 36 months at the time of decease, for the purposes of the above instead of the average over 36 months, the average is taken over the number of full months the employment lasted until the decease.

- 3) Insofar as required according to The Board of Trustees' reasonable judgment for fulfilling the pension promises of Philips, it is authorised to determine the Survivor's pension base figure in specific case, under the conditions to be set by the Board at an amount different from that resulting from the subparagraphs 1 and 2 of this paragraph 12 of article 1.

1.13 **Partner**

The spouse of the (Deferred) Member, the person who has entered into a registered partnership with the (Deferred) Member as referred to in Book 1 of the Civil Code, which partnership has not ended, as well as the single person without a registered partner who is not a relative by blood or affinity to the first degree of the Member, who runs a joint household with the (Deferred) Member who is single and also without a registered partner. A joint household shall be understood to mean a joint household as defined in the ANW.

1.14 **Retirement age**

The age on which the Retirement pension takes effect partly or in full.

For a Member 1, this is the Standard retirement age of 62.5 unless a different Retirement age applies in accordance with that provided in article 5 or 6.

For a Member 2, this is the Standard retirement age of 65, unless a different Retirement age applies in accordance with that provided in article 5 or 6.

For a Deferred member 1, the age of 62.5 is the Retirement age.

For a Deferred member 2, the age of 65 is the Retirement age.

1.15 **Pension year**

A one year period of continuous Fund membership, multiplied by the average Part-time factor over that year.

- 1.16 Pension capital**
The amount as defined in article 1 of Chapter A of the Pre-retirement scheme rules Stichting Philips Pensioenfonds.
- 1.17 Pension contribution**
The contribution due by the Member for insuring the pension entitlements arising from these Plan rules, with the exception of the entitlements referred to in article 10.
- 1.18 Standard retirement age**
For a (Deferred) Member 1 this is the age of 62.5.

For a (Deferred) Member 2 this is the age of 65.
- 1.19 Premium ANW shortfall insurance**
The premium due by the Member for the ANW shortfall insurance as referred to in article 10.
- 1.20 Pre-retirement scheme**
The scheme as referred to in article 16.
- 1.21 PSW**
Pension and savings funds act.
- 1.22 WAO**
Occupational disability act.
- 1.23 WIA**
Work and Income according to Labour Capacity Act.
- 1.24 WZP (Orphan's pension) base figure**
The base for the calculation of an Orphan's pension as referred to in article 13, which is equal to the Monthly gross base figure that would have applied in the month of decease had the Member survived, on the understanding that:
- 1) For determining the variable salary components which form part of the Monthly gross base figure, instead of the amount stated in paragraph 9 under c. of this article, the average will be taken of the variable salary components to which the Member was entitled in the 36 months preceding the decease, including the month of decease, by virtue of his employment contract with Philips, increased by the percentage of the full salary scale adjustments which took place between the moment the entitlement to payment of the components referred to was created and the decease;
 - 2) If the average Part-time factor in the 36 months preceding the decease, including the month of decease, exceeds the Part-time factor which would have applied in the month of decease had the Member survived, the amounts mentioned in paragraph 9 of this article under section a. and b. will be multiplied by a fraction the numerator of which is the average Part-time factor in the 36 months preceding the decease and the denominator of which is the Part-time factor in the month of decease.

If the employment with Philips at the time of decease has lasted less than 36 months, for the purposes of the above instead of the average taken over 36 months, the average will be taken over the number of full months the employment lasted until the time of decease.

Pensions

Article 2

Subject to that provided in these Plan rules, the (Former) Members and their surviving relatives are entitled, have a right, respectively, to:

- Retirement pension (article 5)
- Survivor's pension on a risk basis before 65 years (article 9)
- Benefits by virtue of the ANW shortfall insurance (article 10)
- Survivor's pension after the Retirement age (article 11)
- Special Survivor's pension (article 12)
- Orphan's pension (article 13)
- Disability pension (article 14)
- Non-contributory accrual of pension/ Insurance of Survivor's pension upon disability (article 15)

Subject to that provided in these Plan rules, the Members 1 and their surviving relatives are additionally entitled, have a right, respectively, to:

- Bridging benefit (article 7)
- Benefits by virtue of the Pre-retirement scheme (article 16).

Subject to that provided in these Plan rules, the Members 2, as referred to in article 1.2 under 2 of these Plan rules and their surviving relatives are additionally entitled, have a right, respectively, to:

- Pension benefits accrued before 65 years (article 29, paragraph 14)
- Benefits by virtue of the Pre-retirement scheme (article 16).

Determination of base figures

Article 3

After every month the Monthly gross base figure, the Monthly offset, the Part-time factor and the Monthly pensionable salary applicable to that month are determined for each Member, as well as the Monthly AOP base figure, the NP base figure and the WZP base figure insofar as necessary.

Financing

Article 4

- 4.1 On the basis of the actuarial base figures and financing methods decided upon by the Board of Trustees, the Board of Trustees annually, on 1 January, determines the total amount which Philips owes to the Fund in that year subject to the Financing agreement within the scope of the financing of rights and entitlements laid down in these Plan rules. The percentages of the Pension premium and the premium for the ANW shortfall insurance are also annually determined.
- 4.2 Philips undertakes towards the Fund by agreement to pay the total annual amount as referred to in paragraph 1 of this article, decreased by the sum of the Pension premiums and ANW shortfall insurance due over the year in question by the Members, such under the reservation that Philips may diminish its contribution should a radical change of circumstances occur. The agreement referred to in the preceding full sentence has been attached to these Plan rules as an appendix.
- 4.3 The Pension premium is due from the date of employment at Philips, or, if the employment did not start on the first day of the month, from the first day of the month following the date of employment at Philips, up to and including the month during which the Retirement age is attained, however, until the Standard retirement age at the latest.
- 4.4 The ANW shortfall insurance premium is due from the effective date of the insurance until the first of the month following the termination date of the insurance.
- 4.5 The Pension premium and the ANW shortfall insurance premium due from a Member who is a Philips employee, is withheld monthly from the salary by Philips and transferred to the Fund. The ANW shortfall insurance premium due from a Member entitled to a Retirement pension is withheld monthly by the Fund from the pension to be paid to the Member.
- 4.6 The entitlement to a proportional Retirement pension as referred to in article 8, paragraph 2 of the PSW, must be financed in full for the Member at the end of every calendar year, or, if such is sooner, upon termination of the participation.

Retirement age / Retirement pension / Final pay guarantee / High-Low plan

Article 5

- 5.1 Unless a different Retirement age has been selected under application of paragraph 2 of this article, the Retirement age is equal to the Standard retirement age applicable to the Member.
- 5.2 Without prejudice to that provided in paragraph 8 of this article, the Member is entitled to select a Retirement age once that varies from the Standard retirement age, on the understanding that the Retirement age may not fall before the age of

60 and not after the age of 65 of the Member. If the Member exercises this right, he/she must inform the Fund in writing by 12 months before the intended Retirement age at the latest, however upon attaining the age of 58 at the earliest, about the selected Retirement age. Without prejudice to that provided by the previous full sentence, it applies that if a Retirement age between 62.5 and 65 years has been selected, the Fund must have been informed of this choice upon the age of 62.5 being attained at the latest.

- 5.3 For the member who is a Philips employee, as well as for those who in spite of the termination of their employment at Philips are still accruing a pension by virtue of these Plan rules, an entitlement to Retirement pension is accrued every month that is equal to 2% of the Monthly pensionable salary of that month. For the Member the pension accrual terminates upon attaining the Retirement age, or upon attaining the Standard retirement age applicable to the Member at the latest.
- 5.4 The entitlement to Retirement pension accrued by a Member is periodically and conditionally indexed in the period until 1 April 2001, simultaneously and in line with the percentage of the collective salary development at Philips, in the period from 1 April 2001 until 1 January 2005 simultaneously and in line with the percentage of the full collective salary scale adjustment as resulting from the CLA in force at Philips, and from 1 January 2005 in the manner and under the conditions and limitations as included in article 23, paragraph 3, in conjunction with article 29, paragraph 8. The indexation of the entitlement by virtue of this article's paragraph ends on the date the Retirement pension takes effect.
- 5.5 The Member, as well as the holder of a paid-up policy with an entitlement to Retirement pension as referred to in article 18, is entitled to a Retirement pension upon attaining the Retirement age. The Retirement pension takes effect from the first day of the month following the month during which the Retirement age is attained and is paid up to and including the month of decease of the person entitled. In derogation of that provided in the preceding full sentence, the Retirement pension takes effect from an earlier date should such be required by virtue of statutory provisions relevant to this matter.
- 5.6 Subject to that provided in article 8, the monthly Retirement pension amounts to the sum of the amounts referred to in paragraph 3 of this article, indexed in accordance with paragraph 4 of this article, divided by 12, unless article 29, paragraphs 1 up to and including 4 is applicable, resulting in a higher amount. In that case, the monthly Retirement pension is equal to this higher amount.
- 5.7 Insofar as in agreement with the statutory provisions relevant to this matter, the Member and the holder of a paid-up policy as referred to in article 18 are entitled at the Retirement age to convert the Retirement pension then taking effect into a Retirement pension which during the period until the first day of the month following their 65th or 70th birthday is higher than the original Retirement pension and in the next period is lower than the original Retirement pension. Calculation takes place on the basis of the actuarial factors included in appendix 3 to these Plan rules.
- 5.8 If the employment at Philips is terminated other than by decease and the Member is also entitled to a continuation of the regulatory pension accrual after

termination of the employment, the Standard retirement age applicable to the Member always applies as the Retirement age.

- 5.9 Every year, an additional entitlement to Retirement pension is accrued for the Member 2 who is an employee of Philips, which is equal to 0.6% of the Offset applicable in that year, multiplied by the Part-time factor. The pension accrual terminates upon the Retirement age being attained, however upon attaining the Standard retirement age at the latest.

Partial retirement

Article 6

- 6.1 The Member who is a Philips employee may opt for Partial retirement prior to full retirement under the conditions set forth in the CLA. If the Member wishes to take this option, he/she must inform the Fund in writing 12 months before the effective date of the Partial retirement at the latest, however upon attaining the age of 58 at the earliest, about the date(s) on which he/she wishes to (partially) retire and what the remaining working hours will be after Partial retirement. Without prejudice to that provided in the previous full sentence it applies that if an intended effective date of the part-time pension at an age between 62.5 and 65 is selected, the Fund must have been informed of this choice at least 12 months before the desired effective date of the part-time pension, however upon attaining the age of 62.5 at the latest.
- 6.2 Upon reaching the date of Partial retirement referred to in the preceding paragraph, the Member is entitled to a Retirement pension calculated in accordance with article 5 paragraph 6 in conjunction with article 8, multiplied by a factor the numerator of which is the number of hours the volume of the employment diminishes upon Partial retirement, and the denominator of which is the volume of the Member's employment expressed in hours immediately preceding the Partial retirement.
- 6.3 Upon reaching the date of Partial retirement as referred to in the previous paragraph, the Members 1 and 2 as referred to in article 1.2 under 2 of these Plan rules are entitled to a Bridging benefit, calculated in accordance with article 7 in conjunction with article 8, or article 29, paragraph 14 in conjunction with article 8, multiplied by the factor mentioned in the previous paragraph.
- 6.4 Upon Partial retirement, with respect to the remaining employment with Philips, that provided in these Plan rules with respect to the Member who is a Philips employee remains applicable unimpaired, with the exception of that provided in the next full sentence. That provided in the last full sentence of article 9, paragraph 1 applies by analogy to Partial retirement, on the understanding that instead of 'retirement' 'Partial retirement' shall be read.

Bridging benefit

Article 7

- 7.1 The member 1 who did not yet attain the age of 65 is entitled to a Bridging benefit at the Retirement age. The Bridging benefit takes effect from the first day of the month following the month in which the Retirement age is attained and is paid up to and including the month during which the age of 65 is attained, or up to and including the month of the Member 1's previous decease.
- 7.2 During the period from the age of 50 until the age of 60, an entitlement to the Bridging benefit is accrued every month for the Member 1, which is equal to 9.5% of a base figure which is equal to 115% of the Monthly offset valid for the month in question.
During the period from the age of 60 until the Retirement age, however until the Standard retirement age at the latest, an entitlement to the Bridging benefit is accrued for the Member 1 every month, which is equal to 2% of the base figure referred to in the preceding full sentence.
- 7.3 The entitlement to the Bridging benefit accrued by a Member 1 is annually increased simultaneously and in line with the percentage of the full collective salary scale adjustment as resulting from the CLA applicable at Philips. The indexation of the entitlement ends at the Retirement age, however at the Standard retirement age at the latest.
- 7.4 The (monthly) Bridging benefit is determined on the Retirement age, unless it falls after the Standard retirement age, in which case it is determined on the Standard retirement age. If the Retirement age falls after the Standard retirement age, the Bridging benefit in the period between the date of determination and the date it becomes payable – by virtue of paragraph 1 of this article - is indexed conditionally insofar as is necessary in derogation of that provided in paragraph 3 of this article, in the manner and under the conditions and limitations as included in article 23, paragraph 1 in conjunction with article 29, paragraph 7.
- 7.5 Subject to that provided by article 8, paragraphs 1 and 3, the monthly Bridging benefit amounts to a one twelfth part of the sum of the amounts referred to in paragraph 2 of this article, indexed in accordance with paragraph 3 and, if the Retirement age falls after the Standard retirement age, paragraph 4 of this article.

Advancement, deferral, when selecting the Retirement age

Article 8

- 8.1 If the Retirement age falls before the Standard retirement age, the pension calculated in accordance with article 5 is reduced on the basis of the actuarial factors included in appendix 3 to these Plan rules, insofar as it relates to the payment period until 65 years.

- 8.2 If the Retirement age of the Member 1 falls later than the Standard retirement age, the pension calculated in accordance with article 5 is increased on the basis of the actuarial factors included in appendix 3 to these Plan rules.
- 8.3 That provided in paragraph 1 of this article applies by analogy to the Bridging benefit as referred to in article 7 for the Member 1, or article 29, paragraph 14 for the Member 2, as referred to in article 1.2 under 2 of these Plan rules.
- 8.4 If the Retirement age of the Member 1 falls after the Standard retirement age, the Bridging benefit is not increased. Instead, the accrued unpaid Bridging benefit is appropriated for increasing the Retirement pension accrued by virtue of article 5. Such is effected on the basis of actuarial factors included in appendix 3 to these Plan rules.
- 8.5 In special cases upon request of the Member, the Board of Trustees may have the Retirement pension take effect from a later point in time than the latest possible Retirement age of 65 years, insofar as in agreement with the statutory provisions relevant to this matter. The Retirement pension as determined at the Retirement age is increased in this case on the basis of actuarial factors included in appendix 3 to these Plan rules.

Survivor's pension on a risk basis before 65 years

Article 9

- 9.1 After the decease of a Member, who on the date of decease had not yet attained the age of 65, the person who at that time was his/her Partner is entitled to a Survivor's pension amounting to 50% of the NP base figure. If the Member has already retired on the date of decease, the Survivor's pension is calculated in derogation of the above over the NP base figure which would have been valid in the month preceding the retirement had the Member died in that month, and indexed conditionally in the manner and under the conditions and limitations included in article 23, paragraph 1 in conjunction with article 29, paragraph 7.
- 9.2 The Survivor's pension takes effect from the first day of the month during which the Member dies and is paid up to and including the month of decease of the person entitled.
- 9.3 The Survivor's pension referred to in this article is decreased by 2.5% for each full year the Partner was more than 20 years younger than the Member.
- 9.4 the Board of Trustees is authorised insofar as necessary for fulfilling the pension promise of Philips according to its reasonable judgment, to declare paragraph 1 of this article also applicable to the decease of a Deferred member who at the time of decease had not yet attained the age of 65.

ANW shortfall insurance

Article 10

- 10.1 a) The Member who is a Philips employee, whose Partner 1) was born in 1950 or later and 2) has not yet attained the age of 65, is entitled in the following cases - such under the conditions as laid down in these Plan rules - to take out an ANW shortfall insurance with the Fund:
- I. Upon commencement of the employment with Philips;
 - II. If he/she either by birth, adoption or on other grounds enters into a legally binding family relationship with a child, as defined in the Civil Code.
- b) The Member who is a Philips employee and who has no Partner is entitled, such under the conditions as laid down in these Plan rules, to take out an ANW shortfall insurance with the Fund, if he/she enters into a partnership with a Partner who meets the conditions referred to under a, number 1) and 2) of this article's paragraph.
- 10.2 The Member who is entitled to take out an ANW shortfall insurance, has the choice between an ANW shortfall insurance with an insured amount per year of 8/7 of the most recent uncut annual ANW benefit as applicable from 1 April of a survivor as referred to in article 14 of the ANW without children younger than 18 years, or an insured amount per year of 2/3 or 1/3 of this amount. The request for taking out an ANW shortfall insurance must have been received by the Fund 2 months after the event which created the entitlement to take out an insurance set forth in paragraph 1 of this article at the latest. Any requests received by the Fund after this period, will not be considered.
- 10.3 An ANW shortfall insurance in force may at any time be decreased or terminated. Increasing an existing ANW shortfall insurance is exclusively possible in those cases where taking out an ANW shortfall insurance would also be possible, except for insurances taken out before 1 July 2001, which may be increased at all times. That provided by the preceding two full sentences of paragraph 2 of this article applies by analogy to any request for increasing the amount insured by an ANW shortfall insurance that took effect on or after 1 July 2001.
- 10.4 For the ANW shortfall insurance the Member must pay a premium, the level of which is determined by the Board of Trustees on the basis of the actuarial factors included in appendix 3 to these Plan rules. The obligation to pay a premium commences on the effective date of the insurance and ends on the first day of the month following the month during which the insurance is due to end. The premium owed by the Member who is an employee of Philips is withheld from the salary by Philips in monthly instalments and transferred to the Fund. The premium owed by the Member who is entitled to a pension from the Fund, is withheld by the Fund monthly from the pension to be paid.
- 10.5 A request for taking out an ANW shortfall insurance must be submitted to the Fund in writing, using the appropriate form. The Member must inform the Fund in the same manner when terminating an insurance or adjusting the amount insured. The insurance referred to in this article and/or the termination of the insurance or an adjustment of the amount insured takes effect from the latest of both the following dates: 1) the desired date indicated by the Member in the appropriate

form, or 2) the date of receipt by the Fund of the above-mentioned form. If no desired effective date is indicated in the form, the insurance, the termination of the insurance, or the adjustment of the amount insured takes effect in all circumstances from the date of receipt of the form referred to in the above by the Fund. Other than at the request of the Member, the insurance ends at the earliest of the following points in time:

- a) The date of termination of the Member's employment contract with Philips, other than in connection with retirement;
- b) The Member's 65th birthday, unless that provided in paragraph 10 or 11 of this article applies;
- c) The Member's Partner's 65th birthday;
- d) The date on which the partnership ended other than by the decease of the Member's Partner;
- e) The date on which the Member's Partner deceased.

- 10.6 After the decease of a Member who has taken out an ANW shortfall insurance, his/her Partner at the time of decease is entitled to a monthly benefit of a one twelfth part of the amount insured, as referred to in paragraph 2 of this article.
- 10.7 The monthly payment by virtue of the ANW shortfall insurance takes effect from the first day of the month during which the Member has died and ends on the first day of the month following the month during which the person entitled attains the age of 65, or on the first day of the month following his/her previous decease.
- 10.8 That provided by article 9, paragraph 3 applies by analogy.
- 10.9 That provided by this article applies by analogy to the Member who is entitled to a Retirement pension from the Fund and who has not yet attained the age of 65, with the exception of the Member who has continued his/her ANW shortfall insurance under application of paragraph 11 of this article after termination of his/her employment contract with Philips.
- 10.10 The Member who is entitled to a Retirement pension from the Fund, who has attained the age of 65 and who at that time has an ANW shortfall insurance, is entitled to continue this insurance after having attained the age of 65 at an adjusted, individual premium until the time the insurance ends by operation of law in accordance with paragraph 5 under c., d. or e. of this article. An insurance thus continued may not be increased, but may at any time be decreased or terminated. That provided in this article's paragraph does not apply to a Member who has continued his/her ANW shortfall insurance under application of this article's paragraph 11 after the termination of his/her employment with Philips.
- 10.11 The Member for whom after termination of his/her employment with Philips a pension is still being accrued by virtue of the Pension plan rules Philips flex pension and who at the time of termination of his/her employment with Philips has an ANW shortfall insurance, is entitled to continue this insurance until the moment the insurance ends by operation of law in accordance with paragraph 5 under c., d. or e. of this article. If an insurance thus continued continues beyond the Member's 65th birthday, the Fund is entitled to charge an adjusted, individual premium from that date. Any insurance continued in accordance with this

article's paragraph may not be increased or decreased, but may be terminated at any time.

10.12 The Board of Trustees is authorised, insofar it holds to be necessary according to its reasonable judgment for fulfilling the pension promises of Philips, to offer the possibility of taking out an ANW shortfall insurance or to continue an existing insurance to others besides those entitled by virtue of this article, under the conditions to be set by the Board. The Board of Trustees is also authorised to deny specific categories of Members the right to take out an ANW shortfall insurance insofar as in accordance with the pension promise of Philips, in derogation of that provided in paragraph 1 of this article.

10.13 For terminating an ANW shortfall insurance or decreasing the amount insured written approval of the Member's Partner is required.

Survivor's pension beyond the Retirement age

Article 11

11.1 Upon attaining the age of 65, the Member is entitled to exchange part of his/her (entitlement accrued up to that time by virtue of article 5 to) Retirement pension for an entitlement to Survivor's pension providing a benefit to the Member's Partner upon the Member's decease after the Retirement age, by submitting a written request to this effect to the Fund. The Member has the choice between a Survivor's pension on a monthly basis of 75%, 50% or 25% of the Retirement pension after the above-mentioned exchange. The person who at the time of the above-mentioned exchange is the Member's Partner, is entitled to the Survivor's pension acquired as a result of the exchange.

11.2 The exchange as referred to in paragraph 1 of this article takes place on the basis of the actuarial factors included in appendix 3 to these Plan rules.

11.3 The Survivor's pension on a monthly basis is equal to the part of the Retirement pension determined in accordance with paragraph 1 of this article at the time of the Member's decease.

11.4 The Survivor's pension as referred to in this article takes effect from the first day of the month during which the Member dies and will be paid up to and including the month during which the person entitled dies.

11.5 That provided in article 9, paragraph 3 applies by analogy.

Special survivor's pension

Article 12

- 12.1 If the marriage of a Member is terminated by divorce or dissolved by a legal separation after his/her Retirement age and the Member, in accordance with that provided in article 11, paragraph 1 has exchanged part of his/her Retirement pension for a Survivor's pension, the person who at the time of the choice referred to in article 11, paragraph 1 was his/her Partner receives a non-contributory entitlement to a Special Survivor's pension in accordance with the aforementioned choice.
The Member is obligated to immediately notify the Fund in writing of the termination of his/her marriage by divorce or dissolution by legal separation.
- 12.2 That provided in the preceding paragraph applies by analogy if the registered partnership or the joint household as referred to in article 1, paragraph 13 of a Member terminates after his/her Retirement age. The Member is obligated to immediately notify the Fund in writing of the termination of the registered partnership or the joint household as referred to in the preceding full sentence.
- 12.3 The former Partner of the Member receives proof of the non-contributory entitlement to a Special Survivor's pension as referred to in paragraphs 1 and 2 of this article.
- 12.4 That provided by the preceding paragraphs does not apply if (1) the Member and the Partner agree/have agreed by marital or registered partnership terms or by a cohabitation contract executed before a civil-law notary or by a written agreement with a view to the divorce, on the termination of the registered partnership or the joint household as referred to in article 1, paragraph 13, and (2) the Fund has declared in writing that it agrees with the above-mentioned articles not being applicable. A written request for receiving a declaration as referred to in the previous full sentence under 2 must be submitted to the Fund by both parties.
- 12.5 That provided by article 11, paragraph 3, 4 and 5 applies by analogy to the Special Survivor's pension.

Orphan's pension

Article 13

- 13.1 After the decease of the Member, the children of the Member as defined in the Civil Code are entitled to Orphan's pension. The Orphan's pension takes effect from the first day of the month during which the Member dies and is paid up to and including the month during which the orphan attains the age of 21 or previously dies.
- 13.2 The Orphan's pension on a monthly basis for each child amounts to 10% of the WZP base figure.

- 13.3 The Orphan's pension will increase to double the amount referred to in paragraph 2 of this article if both parents have deceased or if the orphan was a child as defined by the Civil Code of a Member without a Partner.
- 13.4 If justified according to the judgment of the Board of Trustees, the Orphan's pension may also be granted to other children of (Deferred) Members who do not meet the conditions set forth in paragraph 1 of this article. The Board of Trustees may double the Orphan's pension referred to in this paragraph if it holds the opinion that such is justified.
- 13.5 If and for as long as more than 5 orphans are entitled to an Orphan's pension by virtue of this article, the amount of the Orphan's pension referred to in this article is decreased per child by multiplication by a factor the numerator of which is equal to 5 and the denominator of which is equal to the number of orphans entitled to an Orphan's pension by virtue of this article.
- 13.6 The Orphan's pension for underage children is paid to their legal representative.

Disability pension

Article 14

- 14.1 A Member whose employment with Philips has (partially) terminated due to disability is entitled to a Disability pension if the disability within the meaning of the WAO is at least 15%, or the disability within the meaning of the WIA is at least 35%.
- 14.2 The Disability pension takes effect on the first day of the month following the month during which the employment with Philips was (partially) terminated due to disability.
The Disability pension ends on the earliest of the following dates:
- a) The date of the Standard retirement age applicable to the Member being attained;
 - b) The date on which the disability within the meaning of the WAO falls below 15% or the date on which the disability within the meaning of the WIA falls below 35%;
 - c) The date of decease of the Member.
- 14.3 If a Disability pension has terminated on the basis of that provided in the preceding paragraph under b., the entitlement to a Disability pension is revived if the disability within the meaning of the WAO has increased to over 15%, or the disability within the meaning of the WIA has increased to over 35%, provided such increase results from the same illnesses and/or ailments which lead to the earlier granting of a Disability pension by virtue of this article.
- 14.4 The Disability pension on a monthly basis is calculated as follows:
- If, on the effective date of the Disability pension the Monthly AOP base figure of the Member does not exceed the AO-limit amount on that date, the Disability pension on a monthly basis for a disability within the meaning of the WAO / WIA of at least 80%, amounts to a sum equal to 5% of the Monthly AOP base figure.

If on the effective date of the Disability pension, the Monthly AOP base figure of the Member exceeds the AO-limit amount on that date, the Disability pension on a monthly basis amounts to a sum equal to 5% of the AO-limit amount, increased by an amount equal to 75% of the part of the Monthly AOP base figure exceeding the AO-limit amount.

14.5 a) WAO

Upon a disability within the meaning of the WAO of less than 80%, the monthly Disability pension amounts to a percentage of the Disability pension as calculated in accordance with paragraph 4 of this article.

This percentage is equal to:

72.5%	for disability from 65 - 80%
60%	for disability from 55 - 65%
50%	for disability from 45 - 55%
40%	for disability from 35 - 45%
30%	for disability from 25 - 35%
20%	for disability from 15 - 25%

b) WIA

Upon a disability within the meaning of the WIA of less than 80%, the monthly Disability pension amounts to a percentage of the Disability pension as calculated in accordance with paragraph 4 of this article.

This percentage shall be determined by the Board of Trustees on an individual basis.

14.6 Upon a review of the percentage of disability within the meaning of the WAO/WIA, the Disability pension granted on the basis of this article is adjusted under application of paragraph 4 or 5 of this article with effect from the first day of the month following the effective date of the review.

The Member is obligated to immediately notify the Fund in writing of any change in the disability percentage within the meaning of the WAO or WIA as referred to in this article.

14.7 The Board of Trustees may attach such conditions as it deems reasonable and advisable to the granting, review and continuation of the Disability pension.

Non-contributory accrual of pension / Insurance Survivor's pension upon disability

Article 15

- 15.1 In accordance with that provided in paragraph 3 of this article, a Member whose employment at Philips is (partially) terminated due to disability is entitled to a full or partial non-contributory (continuation of the) accrual of Retirement pension upon a disability within the meaning of the WAO of at least 15% or a disability within the meaning of the WIA of at least 35%. For as long as a loss of income benefit or follow-up benefit by virtue of the WAO or a pay-related benefit, pay supplement, or follow-up benefit by virtue of the WIA is received, and for the part the membership is continued due to disability, the Member is considered to be a disabled Member.
- The (continuation of the) accrual of pension takes place under application of article 5, on the understanding that in that article 'Monthly pensionable salary' shall be read as: 'the most recently determined Monthly AOP base figure, decreased by the Monthly offset, on the understanding that for the calculation of the Monthly offset the Part-time factor applicable in the month preceding the first day of illness shall be assumed, or, if the average Part-time factor in the 36 months preceding the first day of illness exceeds the Part-time factor in the month preceding the first day of illness, that higher average Part-time factor.'
- 15.2 The (partially) non-contributory (continuation of the) accrual of pension set forth in paragraph 1 of this article, takes effect from the first day of the month following the month in which the employment with Philips is (partially) terminated due to disability and ends at the Standard retirement age applicable to the Member at the latest, or at the Retirement age, the date on which the disability within the meaning of the WAO falls below 15%, or the date on which the disability within the meaning of the WIA falls below 35%, or the date of the Member's decease, should this be earlier.
- 15.3 Upon a disability within the meaning of the WAO of at least 80%, the Member is entitled to a full non-contributory (continuation of the) accrual of pension. Upon a disability of less than 80%, the Member is entitled to a partially non-contributory (continuation of the) accrual of pension. The level of the partially non-contributory (continuation of the) accrual of pension is calculated according to the percentages referred to in article 14, paragraph 5.
- 15.4 Upon a review of the percentage of disability within the meaning of the WAO/WIA, the (partially) non-contributory (continuation of the) accrual of pension is adjusted under application of the preceding paragraph with effect from the first day of the month following the effective date of the review.
- 15.5 If after a review of the percentage of disability within the meaning of the WAO the entitlement to (partially) non-contributory (continuation of the) accrual of pension is terminated fully or partially, the Member will be granted a paid-up policy for the part of the accrual of pension which is terminated by virtue of article 18.
- 15.6 That provided in the previous paragraphs applies to a Member 1 by analogy to

the (continuation of the) accrual of a Bridging benefit, as referred to in article 7. For a Member 2, to whom the version of the Pension plan rules Philips flex pension January 2005 applies on 31 December 2005, and who is 25 years or over on 1 January 2006, that provided in the previous paragraphs applies by analogy to the (continuation of the) accrual of the conditional supplementary allowance as referred to in article 29, paragraph 13.

15.7 A Member as referred to in paragraph 1 of this article with a Partner is insured for a Survivor's pension as referred to in article 9 in accordance with that provided in paragraph 9 of this article.

15.8 The Survivors' Insurance as referred to in the preceding paragraph takes effect simultaneously with the non-contributory (continuation of the) accrual of pension.

15.9 Upon disability within the meaning of the WAO /WIA of at least 80%, the Member as referred to in paragraph 7 of this article is insured for the full Survivor's pension as referred to in article 9.

Upon a disability of less than 80%, the Member as referred to in paragraph 7 of this article is insured for a part of the Survivor's pension as referred to in article 9. The level of the insured Survivor's pension will be calculated according to the percentages referred to in article 14, paragraph 5. In derogation of that provided by Article 9, the amount payable upon the Member's decease is calculated over the NP base figure in the month preceding the first day of illness as referred to in article 1, paragraph 8, or, if after the first day of illness an individual salary increase has taken place, over the NP base figure during the month of this individual salary increase, increased by the percentage of the collective salary increases and/or the full collective salary scale adjustments at Philips which took place in the period between the first day of illness, the month of the individual salary increase, respectively and the date of decease.

15.10 Upon a review of the percentage of disability within the meaning of the WAO/WIA, the level of the cover of the survivors' insurance under application of the previous paragraphs is adjusted with effect from the first day of the month following the effective date of the review.

15.11 A Member, for the benefit of whom a non-contributory pension is being accrued by virtue of this article and for whom a Survivor's pension has been insured, is obligated to notify the Fund immediately of any change in the degree of disability within the meaning of the WAO/WIA.

15.12 The Board of Trustees may attach conditions to the granting and the continuation of the (non-contributory continuation of the) accrual of pension, to the insurance of the Survivor's pension, respectively as it deems reasonable and advisable.

Pre-retirement scheme

Article 16

16.1 The Pre-retirement scheme is intended for forming the Pension capital for purchasing a temporary monthly pension at the Retirement age which is paid out between the Retirement age and the Standard retirement age and which amounts to the sum of the monthly pension benefits accrued as a maximum by virtue of these Plan rules by the Member 1 and the Member 2, as referred to in article 1.2 under 2 of these Plan rules (hereinafter jointly to be referred to in this article as: 'Member') upon attaining the age of 62.5. The Member 1, who is an employee of Philips, is entitled to make Employee contributions to the Pre-retirement scheme. In derogation of the above, the Board of Trustees may also allow the purchase (using the Pension capital) of other pensions or pension entitlements, or combinations thereof as set forth in these Plan rules, with or without any conditions being set.

For the Member 2, as referred to in article 1.2 under 2 of these Plan rules on 31 December 2005, who by virtue of the Pension plan rules Philips flex pension applicable at that time accrued a Pension capital, the accrued Pension capital is released on a paid-up basis for his/her Pre-retirement. With due observance of the provisions in the Pension plan rules Philips flex pension applicable on 31 December 2005 the Member referred to in the previous full sentence may administer the Pension capital accrued up to 31 December 2005 for his/her Pre-retirement in the same way as during the period before 1 January 2006, with the exception of making Employee contributions as provided in article 3 of the Pre-retirement scheme rules Stichting Philips Pensioenfonds.

If the Retirement age falls on or after the Standard retirement age, the Pension capital must be appropriated at the Retirement age for purchasing the pensions or entitlements to pensions as set forth in these Plan rules. Insofar as the Pension capital results from the application of article 28, paragraph 3 of the Pension plan rules Philips flex pension as it read on 1 January 1997, the Board of Trustees may make the purchase (using this Pension capital) of specific pensions or pension entitlements, or combinations thereof compulsory. Additionally, the Board of Trustees may set further rules with respect to this purchase.

16.2 Further rules and conditions with respect to the Pre-retirement scheme have been included in the Pre-retirement scheme rules Stichting Philips Pensioenfonds as adopted by the Board of Trustees, which is attached to these Plan rules as appendix 1 and forms an integral part thereof.

16.3 The participation in the Pre-retirement scheme ends in the following cases:

- a) In the event of the Member's decease;
- b) Upon termination of the Member's employment with Philips, other than by decease;
- c) On the first day of the second month preceding the month during which the Member attains the Retirement age;
- d) Upon dissolution of the Fund in accordance with article 19 of the Trust Deed.

16.4 Upon termination of the participation in the Pre-retirement scheme on the grounds as stated in paragraph 3 under b., c., and d. of this article, the Pension

capital of the Member accrued under the application of the Pre-retirement scheme, taking into account the maximum referred to in paragraph 1 of this article and also taking into account the statutory provisions relevant to this matter, is appropriated for purchasing (entitlements to) pension(s) as set forth in these Plan rules. Upon termination of the participation in the Pre-retirement scheme on the ground stated in paragraph 3 under c. of this article, the Member's Pension capital accrued during the period between the moment of termination of the participation in the Pre-retirement scheme and the Retirement age, is increased by interest payments over that Pension capital as determined by the Board of Trustees. At the Retirement age, the Pension capital thus increased is appropriated for purchasing (entitlements to) pension(s) as set forth in these Plan rules, taking into account the maximum referred to in paragraph 1 of this article and the statutory provisions relevant to this matter.

- 16.5 Upon termination of the participation in the Pre-retirement scheme due to decease of the Member prior to the Standard retirement age, the Pension capital accrued at the time of decease is appropriated for purchasing a Survivor's pension and/or Orphan's pension as set forth in these Plan rules. If there are no surviving relatives as referred to in the previous full sentence, the Pension capital of the deceased Member is credited to the other participants in the Pre-retirement scheme as an extra investment return.
- 16.6 The purchase of (entitlements to) a pension by virtue of this article takes place on the basis of the actuarial factors included in appendix 3 to these Plan rules. The Board of Trustees may set further rules with respect to the purchase of (entitlements to) a pension as referred to in the above.
- 16.7 In derogation of that provided in paragraph 1 of this article, the Board of Trustees is authorised to exclude specific Member categories from participating in the Pre-retirement scheme, insofar as in agreement with the pension promise of Philips.

Additional voluntary contributions

Article 17

- 17.1 The Member 1 who is an employee of Philips is entitled to purchase an additional entitlement to Retirement pension on the dates to be defined in more detail by the Board of Trustees, against payment of a one-off single premium, provided such is in agreement with the statutory provisions relevant to this matter. The Board of Trustees is authorised to determine that entitlements to other pension types than the ones stated in the previous full sentence may be purchased, provided these pension types have been included in these Plan rules.
- 17.2 Purchase by virtue of this article takes place on the basis of the actuarial factors included in appendix 3 to these Plan rules.
- 17.3 The Board of Trustees is authorised to set further rules regarding the purchase by virtue of this article.

- 17.4 To the person who exercised the right as described in this article to purchase, a paid-up policy is granted stating the entitlement to pension resulting from the purchase. This entitlement is indexed conditionally on an annual basis in the way and under the conditions and limitations as included in article 23, paragraph 1 in conjunction with article 29, paragraph 7 of these Plan rules.
- 17.5 The pension purchased by virtue of this article takes effect simultaneously with the regular Retirement pension by virtue of these Plan rules. In all other respects as well, the provisions of these Plan rules apply by analogy to the purchased pension.
- 17.6 In derogation of that provided in paragraph 1 of this article, the Board of Trustees is authorised to deny specific Member categories the opportunity of voluntary purchase of a pension, insofar as in agreement with the pension promise of Philips.

Premature termination of employment

Article 18

- 18.1 Upon termination of employment with Philips, other than due to decease or disability before the Retirement age is attained, a paid-up policy is granted to the Deferred member with an entitlement to Retirement pension, Orphan's pension, and insofar as accrued by the Deferred member a Bridging benefit. If the Deferred member participated in the Pre-retirement scheme, the paid-up policy also includes the entitlements purchased with the Pension capital by virtue of article 16. With respect to the holder of a paid-up policy, that provided in article 11 and 12 applies by analogy.
- 18.2 The non-contributory entitlements to Retirement pension and Bridging benefit of Member 1 are calculated according to that provided in articles 5 and 7 on the date of the termination of the employment with Philips. The non-contributory entitlement to Retirement pension of Member 2 is calculated according to that provided in article 5 on the date of the termination of the employment with Philips.
- 18.3 The non-contributory entitlement to Orphan's pension per child amounts to 15% of the Retirement pension as calculated in accordance with article 5, before the exchange as referred to in paragraph 7 of this article. That provided in article 13, paragraph 5 applies by analogy.
- 18.4 Upon a written request by the holder of a paid-up policy as referred to in this article, the effective date of the pension(s) to which an entitlement exists under that policy is advanced or deferred, if and insofar as such is in accordance with the statutory provisions relevant to this matter. In such a case that/these entitlement(s) to pension(s) are decreased, increased, respectively, on the basis of the actuarial factors included in appendix 3 to these Plan rules. The effective date of the pensions referred to in this paragraph may not be situated before the 55th birthday.

- 18.5 The Survivor's pension as referred to in article 9 and the ANW shortfall insurance as referred to in article 10 have no paid-up value.
- 18.6 Upon termination of employment with Philips, the Deferred member whose employment with Philips has terminated other than due to decease, is entitled to exchange part of the entitlement to Retirement pension accrued until that date by virtue of article 5, for an entitlement to Survivor's pension, which provides a benefit to the Partner of the Deferred member upon decease of the Deferred member after termination of employment with Philips. The Deferred member must submit the written request for the above-mentioned exchange to the Fund within 3 months of the termination of the employment. The entitlement to Survivor's pension amounts to 75% of the Retirement pension after the above-mentioned exchange. That provided in article 11, paragraphs 2, 4, and 5 applies by analogy, in addition to mutatis mutandis article 12, paragraphs 1 and 4.
- 18.7 If a Deferred member dies within 3 months of the termination of the employment and before a request for exchange as referred to in the previous paragraph has been submitted to the Fund, a Survivor's pension shall nevertheless be granted to the Partner of the Deferred member in accordance with the previous paragraph.
- 18.8 The Deferred member who under application of paragraph 6 of this article exchanged a part of his/her entitlement to Retirement pension for an entitlement to Survivor's pension, is entitled upon attaining the Retirement age - insofar as such is in agreement with the statutory provisions relevant to this matter - to exchange the entitlement to Survivor's pension thus obtained once again for an entitlement to Retirement pension, provided the beneficiary of this entitlement to Survivor's pension agrees in writing. This exchange takes place on the basis of the actuarial factors determined for that purpose by the Fund which have been included in appendix 3 to these Plan rules.

Surrender value

Article 19

- 19.1 A pension by virtue of these Plan rules may be surrendered by the Fund, if the pension at the time of commencement does not exceed the amount determined by virtue of article 32, paragraph 5, first full sentence of the PSW.
- 19.2 At the request of the person entitled, a pension or an entitlement to a pension is surrendered by the Fund if the person entitled demonstrates to the satisfaction of the Fund that he/she has his/her residence abroad at the time of surrender and the pension or the entitlement to a pension does not exceed the amount referred to article 32, paragraph 5, third full sentence of the PSW.
- 19.3 A request for surrender must be submitted to the Fund in writing by producing the documents required for settlement of the surrender.
- 19.4 The surrender value is equal to the present value of the pensions eligible for surrender and is calculated on the basis of the actuarial factors included in

appendix 3 to these Plan rules. All statutory deductions directly or indirectly connected to the surrender are deducted from the surrender value.

- 19.5 Partial surrender is not possible.
- 19.6 The Board of Trustees may set further rules for surrender as referred to in this article.
- 19.7 Once the surrender value has been paid, all obligations of the Fund towards the Member or Deferred member and/or their surviving relatives terminate.

Transfer of value / Acceptance value

Article 20

- 20.1 The Fund shall:
 - a) Upon written request of a Deferred member surrender any entitlements to a pension, if such surrender enables the person entitled to acquire pension entitlements from another institution under appropriation of that surrender amount;
 - b) Upon written request of a Member appropriate a surrender amount offered within the scope of the statutory right to transfer of value for acquiring entitlements to a pension for that Member by virtue of these Plan rules. All this takes place if the requirements set by or by virtue of the PSW are met.
- 20.2 If the statutory right to transfer of value as referred to in paragraph 1 of this article is not applicable, the Fund is authorised to surrender a pension or an entitlement to pension at the written request of the person entitled if the requirements referred to in article 32a of the PSW are met, such with due observance of any rules set by the Board of Trustees pertaining to this matter.
- 20.3 If the statutory right to transfer of value as referred to in paragraph 1 of this article is not applicable, the Fund is authorised to appropriate at the written request of the Member a surrender amount offered by another pension insurance institution, to acquire entitlements to a pension for that Member, such with due observance of any rules set by the Board of Trustees pertaining to this matter.
- 20.4 All transfers of value by virtue of this article take place on the basis of the actuarial factors included in appendix 3 to these Plan rules and with due observance of the rules set by or by virtue of the law.

Maximising due to concurrence with other benefits

Article 21

- 21.1 Should the pensions granted by virtue of these Plan rules jointly with any statutory benefits due to disability insofar as resulting from the employment with Philips and/or any statutory benefits held to be equal by the Board of Trustees, exceed 100% of the most recently determined Monthly gross base figure restated to an annual salary, these pensions are decreased for the duration of the excess by such an amount that the total of these pensions and the said benefits does not exceed 100% of the most recently determined Monthly gross base figure restated to an annual salary.
- 21.2 If and for as long as the surviving relative who is entitled to a Survivor's pension or Orphan's pension by virtue of these Plan rules is also entitled to a Survivor's pension or Orphan's pension by virtue of the Final pay plan rules as these read on 31 December 2004, which entitlement is derived from the decease of a Member who by virtue of article 27.3 of the Final pay plan rules as they read on 31 December 2004 moved over on 1 January 2005 from the Final pay plan rules to the Pension plan rules Philips flex pension, the Survivor's pension or Orphan's pension by virtue of the Pension plan rules Philips flex pension shall only reach payout insofar as that pension exceeds the Survivor's pension or Orphan's pension by virtue of the Final pay plan rules as these read on 31 December 2004. Any entitlements to Survivor's pension or Orphan's pension by virtue of the Final pay plan rules that are derived from a paid-up policy granted before 31 December 2004 are not considered for the application of this article's paragraph.
- 21.3 A pension debited to the Fund shall not exceed the maximum amounts as referred to in article 18a of the Wages and Salaries Tax Act 1964 or other maximum amounts resulting from tax law and legislation. In the event of a statutory maximum being exceeded the pension to be debited to the Fund is decreased by the amount of the excess. If the Member is both entitled to a Retirement pension and a Bridging benefit to be debited to the Fund, the excess shall first be deducted from the Bridging benefit and afterwards from the Retirement pension. The actuarial value of the amount by which the Bridging benefit is reduced, is appropriated for purchasing an additional entitlement to Retirement pension, subject to the amounts allowed as a maximum by the tax authorities as referred to in this article and any other fiscal maximum amounts, with effect from the first day of the month following the month during which the Member attains the age of 65. The calculation of the actuarial value and the additional entitlement to Retirement pension as referred to in the preceding full sentence takes place on the basis of the actuarial factors included in appendix 3 to these Plan rules.
- 21.4 In derogation of that provided in paragraph 1, any pensions purchased with the Pension capital within the context of the administration of the Pre-retirement scheme shall never be reduced.
- 21.5 Paragraph 3 of this article is only applied to a pension granted by virtue of these Plan rules after it has either been determined that paragraph 1 of this article is not applicable or does not result in a reduction of that pension, or that the

pension reduced under application of paragraph 1 is still eligible for being reduced by virtue of paragraph 3.

Payment of pensions

Article 22

- 22.1 All pensions granted by virtue of these Plan rules are paid monthly at the beginning of every month.
- 22.2 At the request of the Fund the persons entitled are obligated to submit a declaration of being alive according to a form drawn up for that purpose by the Fund.
- 22.3 All pension payments, of whatever nature, which remain unclaimed five years after having become payable, are returned to the Fund, unless the Board of Trustees decides otherwise.
- 22.4 Insofar as is necessary in derogation of that provided in paragraph 1 of this article, the surrender value of a pension as referred to in article 19, paragraph 1 and 2, is paid in the form of a lump sum.

Indexation

Article 23

23.1 Benchmark

The pensions in payment, the non-contributory pension entitlements and the entitlements to a Retirement pension referred to in article 5, paragraph 4 may, if and insofar as the financial resources of the Fund allow, such to be assessed by the Board of Trustees, be periodically increased by a percentage of the Price inflation to be determined by the Board of Trustees (for the pensions in payment and the non-contributory entitlements), a percentage of the Wages inflation (for the entitlements to Retirement pension referred to in article 5, paragraph 4) respectively, both concepts (Price inflation and Wages inflation) as defined hereinafter. This percentage (hereinafter: 'the Realisation percentage') is determined subject to the Indexation margin as defined in paragraph 4 of this article and the other provisions in this article. The indexation policy has been further detailed in the following paragraphs of this article.

23.2 Wages and Price inflation

The term Price inflation means: the percentage by which the 'Consumer Price Index Figure of all households derived' from the CBS over the month of January of the current calendar year has increased compared to the month of January of the previous calendar year.

The term Wages inflation means: the full collective scale adjustment as showing from the CLA in force at Philips in the period from 1 January of the preceding calendar year up to 1 January of the current calendar year.

23.3 Conditionality

The indexation of the pensions in payment, the non-contributory entitlements and the entitlements to Retirement pension referred to in article 5, paragraph 4 is conditional. There is no existing right to indexation and for the longer term it is unsure if and to what extent any indexation shall take place. Any decision to grant an indexation in any year on the basis of this article forms no guarantee for any indexations to be granted in future years and does not constitute any restriction for the policy freedom vested in the Board of Trustees with respect to this matter.

23.4 Indexation margin and Realisation percentage

On 1 January of each year, the Board of Trustees determines the Indexation margin. The Indexation margin as from 1 January of any calendar year is equal to the Indexation margin as from 1 January of the preceding calendar year, increased (if the amount is positive) or decreased (if the amount is negative) by an amount equal to one third of the sum of the Derived insurance technical result, as defined in appendix 4 to these Plan rules, over the three calendar years preceding the year of determination of the Indexation margin.

On the basis of the Indexation margin determined by the Board of Trustees and subject to the Wages and Price inflation, the financial situation of the Fund, the developments in this financial situation expected by the Board of Trustees, the requirements set by or by virtue of the law and all other factors and circumstances deemed relevant by the Board of Trustees, the Realisation percentage is determined also on 1 January of each year, which shall apply to the period from 1 April of the current year up to and including 31 March of the following year. This percentage, which may vary between 0 and 125%, is identical for the pensions in payment, the non-contributory entitlements to a pension, and the entitlements to a Retirement pension referred to in article 5, paragraph 4. It applies to all indexations taking place in the period concerned, regardless whether the indexation of the pensions in payment, the non-contributory entitlements to a pension, or the entitlements to a Retirement pension referred to in article 5, paragraph 4 are concerned. A detailed elaboration of that provided in this article's paragraph has been included in appendix 4 to these Plan rules.

23.5 Indexation component in the Pension premium

An indexation component is included in the Pension premium on the basis of the Actuarial and Business Technical Memorandum. This indexation component in the Pension premium intends to create a financial margin for conditional indexation to a level of half the expected inflation. No (technical) provision or any (special) reserve for the indexation is held by the Fund.

23.6 Equal treatment

Indexations as referred to in the preceding paragraph, with the exception of the indexations of the entitlements to a Retirement pension referred to in article 5, paragraph 4, shall apply equally to all pensions in payment and non-contributory entitlements to a pension of (Deferred) Members, holders of non-contributory entitlements in connection with divorce or termination of a registered partnership or joint household as referred to in article 1, paragraph 13, respectively.

23.7 Indexation and funding ratio

If the funding ratio of the Fund, calculated on the basis of Fair Value, is lower than 105%, no indexation takes place. The indexation may not be determined at such a level that the funding ratio as a result from such indexation would fall below 105%. If the funding ratio were to fall under 105% by any intended indexation, it shall at least be limited in such a way that a fall of the funding ratio below 105% is prevented. In appendix 4 to these Plan rules the calculation of the funding ratio on the basis of Fair Value is explained further.

23.8 Exceptions

That provided in the preceding paragraphs of this article does not apply to any pension entitlements for which a different way of indexation has been provided elsewhere in these Plan rules.

Amendments to the Plan rules

Article 24

The Board of Trustees is authorised to change these Plan rules, with due observance of that provided in the Trust Deed.

Special provisions

Article 25

- 25.1 Philips is authorised to make extra contributions to the Fund to improve the pensions indicated for this purpose by Philips and described in these Plan rules.
- 25.2 The Board of Trustees is authorised in those cases where a strict application of these Plan rules would lead to unfairness, to deviate from that provided by these Plan rules in favour of the person concerned. In those cases not provided for by these Plan rules the Board of Trustees will decide.
- 25.3 Any amendments to these Plan rules resulting in a decrease of pensions, inter alia as referred to in article 16 of the Trust Deed, shall in all reasonableness and fairness apply to all Members. Any amendments as referred to in the previous full sentence shall not result in a decrease of the Pension capital of participants in the Pre-retirement scheme.
- 25.4 If Philips notifies the Fund in writing that Philips shall reduce or terminate its contribution as referred to in article 4, paragraph 2 due to a radical change of circumstances, the Board of Trustees supplies the Members with a copy of this statement.
- 25.5 Upon joining, the Members are informed in writing of the contents of the applicable Trust Deed and Plan rules. Annually, the Members are informed in writing of any amendments.

- 25.6 Without prejudice to that provided elsewhere in these Plan rules, the Fund supplies the holder of a (non-contributory) entitlement to a pension upon his/her request with a statement on the level of the accrued pension benefits by virtue of the present Plan rules within 3 months. The Fund may request a fee for the costs involved in this statement.
- 25.7 Annually, a statement is supplied to all Members on the pensions attainable under the Plan rules, as well as of the increase in value of the accrued pension benefits to be allocated to the year concerned or the preceding calendar year in accordance with article 3.127 of the Income Tax Act 2001 and the provisions provided therein.
- 25.8 Any entitlements to a pension by virtue of these Plan rules may not be alienated or abandoned, nor constitute formal or de facto collateral, other than in those cases provided by or by virtue of the PSW.
- 25.9 The entitlement to Retirement pension or a Bridging benefit of a Member or Deferred member by virtue of these Plan rules may not be decreased without the permission of the spouse by any agreement between the Member or the Deferred member and the Pension Fund or the employer, other than by surrender as provided by or by virtue of the PSW, unless the spouses excluded the right to pension settlement by virtue of the Settlement of pension rights in the event of divorce act (government gazette 1994, 342). That provided in the preceding full sentence also applies to the entitlement of a Member to Pension capital. For the application of the first full sentence of this article's paragraph, the registered partner of the Member is considered equal to the spouse, as referred to in Book I of the Civil Code. The entitlement to a Survivor's pension for the Partner of a Member or a Deferred member may not be decreased without the permission of that Partner by any agreement between the Member or the Deferred member and the Pension Fund or the employer, other than by surrender as provided by or by virtue of the PSW.
- 25.10 By virtue of the PSW, De Nederlandsche Bank is authorised to inter alia issue instructions to the Fund. Such instruction may obligate the Board of Trustees to deviate from that provided in these Plan rules, or to interpret the policy freedom vested in the Board by virtue of these Plan rules in a specific manner.

Pension settlement / Conversion

Article 26

With respect to pension settlement or conversion by virtue of the Settlement of pension rights in the event of divorce act, the Board of Trustees is authorised to set further rules.

Complaints procedure

Article 27

Anyone objecting to a decision made (or the failure to make a decision) in accordance with these Plan rules, by which he/she is directly affected in his/her interests, must notify the Board of Trustees in writing of his/her complaint before turning to the competent judge. The Board of Trustees decides on the complaint as soon as possible.

Liquidation of the Fund

Article 28

- 28.1 If the Fund is dissolved in accordance with article 19 of the Trust Deed, all Members who are Philips employees shall be deemed to have left the employment of Philips at the time of the dissolution and shall be granted non-contributory entitlements to a pension, determined in accordance with article 18 of these Plan rules.
- 28.2 The Fund that is being wound up guaranteed the rights of the persons entitled to a pension, the holders of (non-contributory) entitlements to a pension and their respective surviving relatives. In the event of winding up, the Fund is authorised to transfer its obligations to an insurer, as referred to in article 9, paragraph 1 of the PSW, or to a pension fund to which this act applies.

Transitional procedure

Article 29

- 29.1 If the monthly Retirement pension calculated in accordance with article 5 (before exchange as referred to in article 5, paragraph 7 and in article 11, paragraph 1) of a Member who was an employee of Philips on 1 January 2005, increased by the non-contributory entitlement as referred to in paragraph 4 of this article, is lower than a twelfth part of the guaranteed amount calculated in accordance with that provided in the following paragraph, the monthly Retirement pension is increased to the level of a twelfth part of that guaranteed amount.
- 29.2 The guaranteed amount referred to in the preceding paragraph is equal to the number of Guarantee years as defined hereinafter, multiplied by 1.75% and multiplied by the most recently determined Monthly pensionable salary determined before the date of termination of the employment, restated as an annual amount, on the understanding that for determining the above-mentioned Monthly pensionable salary, the Monthly offset shall be a monthly amount equal to a one twelfth part of € 19,416, multiplied by the Part-time factor valid for that month. For the determination of the Monthly pensionable salary, the amount referred to in article 1, paragraph 9 under a. is decreased by the fixed supplements in accordance with the employment contract/CLA, and the amount referred to in article 1, paragraph 9 under c. is not considered.

For application of this article's paragraph, Guarantee years shall be understood to mean:

For those to whom the Pension plan rules Philips flex pension were already applicable on 31 December 2004:

The number of pension years between 1 April 1997 and the date of retirement, the date of granting of a paid-up policy, increased by the number of Pension years resulting from the internal transfer of value of the pension entitlements from the Final pay plan to the Pension plan rules Philips flex pension as from 1 April 1997, respectively.

For those to whom the Pension plan rules Philips flex pension became applicable on 1 January 2005 and who as from that date have transferred their pension entitlements internally from the Final pay plan to the Pension plan rules Philips flex pension:

The number of Pension years between 1 January 2005 and the date of retirement, the date of granting of a paid-up policy, increased by the number of Pension years resulting from the internal transfer of value of the pension entitlements from the Final pay plan to the Pension plan rules Philips flex pension as from 1 January 2005, respectively.

For those to whom the Pension plan rules Philips flex pension became applicable on 1 January 2005 and who did not transfer their pension entitlements internally from the Final pay plan to the Pension plan rules Philips flex pension:

The number of Pension years between 1 January 2005 and the date of retirement, the date of granting of a paid-up policy, respectively.

- 29.3 The amount of € 19,416 referred to in the preceding paragraph shall not be adjusted in the period from 1 January 2005 up to and including 31 December 2006. With effect from 1 January 2007 this amount is indexed simultaneously with and in accordance with the percentage of the full collective scale adjustment at Philips.
- 29.4 If the monthly pension entitlement, calculated in accordance with that provided in article 5, paragraph 6 of the Pension plan rules Philips flex pension as they read on 31 December 2004, is lower on this date than one twelfth part of the guaranteed amount as referred to in article 5, paragraph 7 and 8 of those Plan rules as they read on 31 December 2004, the Member 1 and Member 2 referred to in article 1.2 under 2 of these Plan rules shall, upon meeting the conditions in this paragraph, be granted a non-contributory entitlement to Retirement pension based on the difference between both amounts as from 1 January 2005. This non-contributory entitlement is periodically and conditionally indexed in the manner and under the conditions and limitations as included in article 23, paragraph 3 in conjunction with paragraph 8 of this article.
- 29.5 The Member who immediately before 1 April 1999 accrued an entitlement to a premium compensation allowance in accordance with article 8 of the Plan rules Philips flex pension applicable at the time is granted a non-contributory entitlement to that accrued premium compensation allowance with effect from 1 April 1999. This entitlement is periodically and conditionally indexed in the manner and under the conditions and limitations as included in article 23, paragraph 3 in conjunction with paragraph 8 of this article.

- 29.6 All entitlements to a Retirement pension and a Bridging benefit as referred to in article 5, paragraph 4, article 7 paragraph 3, respectively accrued on a April 2001 by the Member who is a Philips employee on that date are increased with effect from that date by 1.6%.
- 29.7 In derogation of that provided in article 23, paragraph 1, the indexation provision applicable to the pensions in payment and non-contributory entitlements, during the period from 1 January 2006 up to and including 31 December 2007, reads as follows:
In its policy, the Board of Trustees shall pursue a periodical adjustment of pensions in payment and non-contributory entitlements to a pension in connection with a potential increase in the costs of living.
- 29.8 In derogation of that provided in article 5, paragraph 4 in conjunction with article 23, paragraph 3, the entitlement to a Retirement pension accrued by a Member is indexed during the period from 1 January 2006 up to and including 31 December 2007 periodically and conditionally simultaneously and in accordance with the percentage of the full collective scale adjustment as resulting from the applicable Philips CLA.
- 29.9 In derogation of that provided in article 1, paragraph 10 the Monthly offset shall not be increased during the period from 1 January 2006 up to and including 31 December 2006. During the period referred to in the previous full sentence the accrued entitlement to a Bridging benefit and the conditional supplementary allowance as provided in paragraph 13 of this article shall not be increased either.
- 29.10 If a Member who transferred on 1 January 2005 from the Final pay plan to the Pension plan rules Philips flex pension, opted for internally transferring the entitlements accrued under the Final pay plan to the Pension plan rules Philips flex pension and if a part of the surrender amount involved in accordance with article 27, paragraph 3 of the Final pay plan as it read on 1 January 2005 is deposited in the Pre-retirement scheme as referred to in article 16, the spread over the Investment funds shall be as referred to in article 4, paragraph 3 of the Pre-retirement scheme rules Stichting Philips Pensioenfondsen on the basis of the Passive investment profile and therefore in accordance with the Dymix table as referred to in Chapter A, article 6, paragraph 1 of the above-mentioned Plan rules. Up to and including 31 March 2005 the Member is entitled to change this Investment profile without Switch costs with due observance of article 4, paragraph 5 of these Plan rules. From 1 April 2005 any change may only be made on the dates and in the manner as indicated in the previously mentioned Plan rules.
- 29.11 The Member who is a Philips employee, who on 1 January 2005 was 50 years or older and who on 31 December 2004 in accordance with the Final pay plan had a Retirement age of 65, is deemed on 1 January 2005 to have already accrued an entitlement to a Bridging benefit over the period between attaining the age of 50 and 1 January 2005. Per month, for this whole period an accrual percentage applies of 9.5% of a base figure which for every month in the period concerned is equal to 115% of the Monthly offset over the month of January 2005, regardless of the Part-time factor in that period. The entitlement referred to in this paragraph is adjusted in accordance with that provided in article 7.3. For the

application of this article's paragraph the Retirement age is the Retirement age as determined in the most recent employment contract with Philips of the person concerned.

29.12 The starting date for the calculation of the Indexation margin is 1 January 2003. As from that date the Indexation margin is set to nil. On 1 January 2006 the Indexation margin amounts to € 1,407.2 million.

29.13 Conditional supplementary allowance

The Member 2 who is employed by Philips and

- a. to whom the version of the Pension plan rules Philips flex pension January 2005 applied on 31 December 2005; and
- b. to whom the version of the Pension plan rules Philips flex pension January 2006 applied on 1 January 2006; and
- c. who was 25 years or older on 1 January 2006,
is conditionally entitled to a supplementary allowance.

Where mention is made of Member 2 in the continuation of this article 13, the Member 2 is referred to who meets the above-mentioned conditions a. up to and including c.

Level of the conditional supplementary allowance

The conditional supplementary allowance is calculated as follows:

1. First the number of years and months between the age of the Member 2 on 31 December 2005 and the age of 25 is determined.
2. The result under item 1 is multiplied by 2.667% of the full Bridging benefit (€ 16,215) which applied to the Member 2 in 2005 on the basis of the Pension plan rules Philips flex pension as applicable on 31 December 2005. No Part-time factor applicable at any time is taken into account.
3. The result under item 2 yields the conditional supplementary allowance for those who did not accrue an entitlement to a Bridging benefit on 1 January 2006. For those who did already accrued a partial Bridging benefit on 1 January 2006 it applies that the Bridging benefit (without any Part-time factor applicable at any time being considered) is deducted from the conditional supplementary allowance to be accrued.

Accrual and financing

- a. The accrual and financing of the supplementary allowance takes place during a period of 15 years as a maximum. The accrual percentage amounts to 6.67% per year.
- b. The supplementary allowance is a conditional allowance. The full supplementary allowance is granted under the condition that the Member 2 shall be employed uninterruptedly by Philips for another 15 years as from 1 January 2006. If the period from 1 January 2006 up to the Retirement age of the Member 2 is shorter than 15 years, the accrual and financing of the amount lacking takes place in full on the Standard retirement age. If the Member 2 decides to advance the Retirement age, and if as a result the accrual period becomes shorter than 15 years, that provided in the previous full sentence shall apply by analogy.

During the period the supplementary allowance is accrued, the entitlement is annually increased simultaneously with and in accordance with the percentage of the full collective scale adjustment as showing from the CLA applicable at Philips. The indexation of the entitlement as set forth in the previous full sentence ends on the Retirement age, however on the Standard retirement age at the latest.

- c. If the employment of the Member 2 terminates before the Standard retirement age other than due to retirement as referred to under b. of this paragraph, the part of the supplementary allowance already accrued and financed on the date of termination is granted to the Deferred member in the form of a non-contributory pension. The non-contributory pension referred to in the previous full sentence is indexed conditionally in the manner and under the conditions and limitations as included in article 23, paragraph 1 in conjunction with article 29, paragraph 7.

29.14 Pension entitlements accrued before the age of 65

If the Member 2 as referred to in article 1.2 under 2 of these Plan rules has accrued pension entitlements on 31 December 2005 by virtue of the Pension plan rules Philips flex pension applicable at that time, which relate to the period before the age of 65, these entitlements accrued up to 31 December 2005 are converted to paid-up entitlements and annually indexed conditionally in the same manner as the entitlements to Retirement pension referred to in article 5, paragraph 4 under the conditions and limitations as included in article 23, paragraph 3 in conjunction with article 29, paragraph 8 of these Plan rules.

Application and taking effect

Article 30

30.1 This version of the Pension plan rules Philips flex pension takes effect from 1 January 2006. This version of the said Plan rules is, with the exclusion of all previous versions, applicable to

a) all Members who on 1 January 2006 were employed by Philips and to whom on 31 December 2005 the Pension plan rules Philips flex pension were applicable.

b) all Members who on or after 1 January 2006 enter the employment of Philips.

In derogation of that referred to under a. and b. article 30, paragraph 2 of these Plan rules applies to those who were granted a pension or a paid-up policy with an entitlement to a pension before 1 January 2006 in accordance with the Pension plan rules Philips flex pension, as well as to those for whom despite the termination of their employment at Philips before 1 January 2006 a pension is still being accrued after that date by virtue of those Plan rules.

30.2 To those who were granted a pension or a paid-up policy with an entitlement to a pension before 1 January 2006 in accordance with the Pension plan rules Philips flex pension, as well as to those for whom in spite of the termination of their employment with Philips before 1 January 2006 a pension is still being accrued after that date by virtue of those Plan rules, the said Plan rules apply as

they read at the time the pension or the paid-up policy was granted, the time the employment with Philips terminated, respectively, on the understanding that:

- a) The articles 23, paragraphs 1 and 2, and 29, paragraph 7 of these Plan rules as they read with effect from 1 January 2006 are also applicable with effect from 1 January 2006 to those who were granted a pension or a paid-up policy with an entitlement to a pension in accordance with these Plan rules by the Fund or one of its legal predecessors before 1 January 2006, such instead of the indexation article in the Plan rules as it read on the moment the pension or the paid-up policy was granted;
- b) The articles 23, paragraphs 1 and 2, and 29, paragraph 7 of these Plan rules as they read with effect from 1 January 2006 are also applicable to the pensions granted on or after 1 January 2006 of those for whom in spite of the termination of their employment with Philips before 1 January 2006 a pension is still being accrued after that termination in accordance with these Plan rules, such instead of the indexation article in the Plan rules as it read on the moment the employment with Philips was terminated;
- c) Article 10, paragraphs 1 up to and including 12 of these Plan rules as it reads with effect from 1 January 2006 also applies to those who were granted a pension or a paid-up policy with an entitlement to a pension in accordance with these Plan rules by the Fund or one of its legal predecessors during the period from 1 July 2001 up to 1 January 2006, as well as to those for whom in spite of the termination of their employment with Philips during the period from 1 July 2001 up to 1 January 2006 a pension is still being accrued after that date of 1 January 2006 in accordance with these Plan rules, such instead of article 11 (ANW shortfall insurance) of the Plan rules as it read on the moment the pension or the paid-up policy was granted, or on the moment the employment with Philips was terminated;
- d) Article 10, paragraph 13 of these Plan rules as it reads with effect from 1 January 2006 applies equally to those to whom a pension or a paid-up policy with an entitlement to a pension was granted by the Fund or one of its predecessors in accordance with these Plan rules in the period from 1 January 2004 up to 1 January 2006, as well as to those for whom in spite of the termination of their employment with Philips during the period from 1 January 2004 up to 1 January 2006 a pension is still being accrued after this date in accordance with these Plan rules;
- e) To article 10 of these Plan rules (Survivor's pension on a risk basis before the Retirement age), as it reads on 31 December 2003, the following provision will be added for the period from 1 January 2004 up to 1 January 2006: "For the termination of a Survivors' insurance as referred to in this article after 1 January 2004 or for decreasing the amount insured after that date, the approval of the Partner of the Member is required, regardless of the date on which the insurance was taken out."
- f) Article 16 of these Plan rules, as it reads with effect from 1 January 2006, and the Pre-retirement scheme rules Stichting Philips Pensioenfonds as they read with effect from 1 January 2006, apply equally from 1 April 2002 to those to whom before 1 January 2006 a pension or a paid-up policy with an entitlement to a

pension in accordance with these Plan rules was granted by the Fund or one of its predecessors, as well as to those to whom in spite of the termination of their employment with Philips before 1 January 2006, a pension in accordance with these Plan rules is still being accrued after this date, such instead of article 17 of the Plan rules and of the Pre-retirement scheme rules Stichting Philips Pensioenfonds as they read on the moment the pension or the paid-up policy was granted, or the moment of termination of the employment with Philips.

APPENDIX 1: Pre-retirement scheme rules

Stichting Philips Pensioenfonds

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Chapter A: General

Definitions

Article 1

For the application of these Plan rules the meaning of all concepts defined in the Pension plan rules Philips flex pension is identical, unless otherwise has been provided. Additionally, in these Plan rules the below terms are understood to mean:

Investment fund(s)

The Investment funds as referred to in article 4, paragraph 3

Investment profile

The Active and/or Passive investment profile

Active investment profile

The Investment profile as referred to in article 4, paragraph 1, under a.

Passive investment profile

The Investment profile as referred to in article 4, paragraph 1, under b.

Financial year

The period from 1 October of any given calendar year up to and including 30 September of the following calendar year

Participant

The participant in the Pre-retirement scheme as laid down in article 16 of the Pension plan rules Philips flex pension and the present Plan rules

Dymix table

The table attached to these Plan rules as referred to in article 6, paragraph 1

Employee contribution

The amount appropriated by the Participant within the scope of the participation in the Pre-retirement scheme

Assets of the Fund

The assets of either the Equity fund, or the Bond fund or the Money Market fund

Redistribution of units

The selling of units of participation in (an) Investment fund/Investment funds, and the purchase with the capital released of units in (a) different Investment fund/Investment funds in accordance with the conditions as set forth in article 15, paragraph 2

Net asset value

The Net asset value as defined in article 3 of Chapters B, C and D.

Pension capital

The balance of the Employee contributions, the investment results (positive or negative) gained and the costs for the expense of the Participant by virtue of the Pre-retirement scheme, which are debited to the Pension capital.

Pension plan rules

The Pension plan rules of the Philips flex pension

Switch

Any change of the Investment profile or a sub-profile in accordance with article 4, paragraph 5 article 7, paragraph 1, respectively, as well as any change in the spread of the Pension capital over the Investment funds within the sub-profile 'free choice' in accordance with article 11, paragraph 2.

Switch costs

The costs for performing a Switch as determined by the Board of Trustees.

Participants**Article 2**

All Members 1 who are Philips employees and to whom the Pension plan rules apply, may participate in the Pre-retirement scheme.

The Members 2, as referred to in the articles 1.2 under 2 of these Plan rules, may make Employee contributions no longer. With respect to the Pension capital already accrued, that provided in these Plan rules for the Member referred to in the previous full sentence continues to apply unimpaired.

Employee contributions (applicable to Members 1 only)**Article 3**

1. The level of the Employee contributions which may be appropriated within the scope of the Pre-retirement scheme is determined by the Board of Trustees. The Employee contribution is withheld monthly from the salary by Philips and paid to the Fund.
2. The Participant is entitled to make additional Employee contributions on specific points in time to be determined by the Board of Trustees and subject to the statutory provisions relevant to this matter. The Board of Trustees determines what salary components may be appropriated for making an additional Employee contribution.
3. The Participant is entitled at all times to:
 - a) Start making Employee contributions (anew),
 - b) Stop making Employee contributions,
 - c) Adjust the level of the Employee contribution subject to that provided by and by virtue of paragraph 1 of this article.

4. The (future) Participant is obligated to inform his/her salary administrator in writing, through the appropriate form, about any changes as referred to in the preceding paragraph. The effective date of the change depends on the date of receipt of the form, all this according to the guidelines of the salary administration.
5. The entitlement to make Employee contributions may be suspended or terminated by the Fund with respect to a specific Participant if it holds the opinion that the Pension capital of that Participant might prove to exceed the fiscally allowed maximum, also with a view to the anticipated investment results.

Investment of Employee contributions / The Pension capital

Article 4

1. The Participants' Pension capital is invested by the Fund in a sound manner on behalf of and for the expense and risk of the Participants through the Investment funds referred to in paragraph 3 of this article according to one of the following Investment profiles:
 - a) Active
 - b) Passive
2. Within the Active investment profile, the following sub-profiles may be distinguished:
 - a) Low risk
 - b) Medium risk
 - c) High risk
 - d) Free choice

For the Passive investment profile there are no sub-profiles. Hence, a choice for the Passive investment profile is a choice for investing via the Dymix system as referred to in the articles 5 and 6.

3. The Investment funds referred to in paragraph 1 of this article are:
 - a) Equity fund
 - b) Bond fund
 - c) Money Market fund
4. The Investment funds referred to in the previous paragraph are no investment funds within the meaning of the law. They are part of an administrative/organisational set-up within the Fund itself to realise Investment profiles that are individually tailored to the Participant. The Investment funds are no legal persons and each form a separate part of the Fund in an administrative though not legal sense. As a result, buying and selling of units and the subsequent 'deliveries' does not result in any movements of assets in a legal sense, but only to changes in the profile of the investments held by the Fund on behalf of the Participants. The conditions applicable to the Investment funds have been included in the Chapters B, up to and including D of these Plan rules.

5. The Participant is entitled to change his/her Investment profile from Active to Passive and vice versa as often as shall be determined by the Board of Trustees and under further rules and conditions to be set by the Board. The effectuation of changes happens by Redistribution of units in agreement with the choice of the Participant. A Participant opting for the Active investment profile is deemed to have chosen the sub-profile 'medium' as referred to in paragraph 2, under b. of this article, unless he/she indicated otherwise.
6. All costs in connection with the investment of the Pension capital, except if and insofar as determined otherwise by the Board of Trustees, are for the expense of the Participant and shall be debited to the Pension capital in a manner to be determined by the Board of Trustees. These costs are (without the below list being limitative):
 - a) The costs of buying and selling of units in the Investment funds or the costs of buying and selling of financial assets (including investment funds quoted on the stock exchange or not), in which the Investment funds invest;
 - b) Transaction costs and costs of payment transactions;
 - c) Custodian fees;
 - d) Taxes and levies owed;
 - e) All costs debited by the managers of any investment funds in which the Investment funds invest, to those funds in accordance with the applicable conditions;
 - f) Switch costs.
7. The Employee contributions on behalf of a new Participant are invested according to the Passive investment profile, until the Participant indicates his/her wish that the Investment profile be adjusted in accordance with paragraph 5 of this article, under due observance of the conditions applicable by virtue of that article.
8. It is not possible to simultaneously invest a part of the Pension capital according to the Active investment profile and another part of the Pension capital according to the Passive investment profile.

Passive / Dymix system; principles

Article 5

1. The Dymix system ensures that, as the Retirement age of the Participant is approaching, the Pension capital is invested less and less in shares and more and more in bonds. On the first working day of the Financial year during which the Participant attains the age of 58, the Pension capital is invested in full in the Money Market fund due to the approaching Retirement age;
2. Effecting investments within the scope of the Dymix system takes place by purchasing units of participations in the Investment funds.

Passive / Dymix system; explanation

Article 6

1. Depending on the age of the Participant, the Employee contributions are invested in the Investment funds in accordance with the Dymix table attached to these Plan rules. The manner of investment of the Employee contributions at a specific age indicated in the Dymix table applies during the whole Financial year during which the Participant attains the age concerned.
2. The spread of the Participant's Pension capital over the Investment funds depends on the age of the Participant. The spread takes place in accordance with the Dymix table, in such a manner that the spread indicated in the table for a specific age is implemented on the first working day of the Financial year during which that age shall be attained. Implementation takes place by a Redistribution of units.
3. In the event of variances in the investment yield gained, the spread of the Pension capital over the Investment funds during the Financial year will start deviating from the percentages indicated in the Dymix table. In accordance with that provided in the preceding paragraph, the Fund ensures that the spread exactly matches (once again) the Dymix table on the first working day of the Financial year.
4. On the first working day of the Financial year during which the Participant attains the age of 58, a Redistribution of units takes place, in such a manner that the total Pension capital is invested in the Money Market fund.

Active: General

Article 7

1. The Participant is entitled to adjust his/her sub-profile (as referred to in article 4, paragraph 2) within the Active investment profile as often as shall be determined by the Board of Trustees and subject to further rules and conditions to be set by the Board. Implementation of the adjustment takes place by a Redistribution of units in agreement with the Participant's choice.
2. It is not possible to simultaneously invest the Pension capital according to more than one sub-profile.

Active: Low risk

Article 8

1. 67% of the Pension capital is invested in the Bond fund and 33% in the Equity fund.

2. In the event of variances in the investment yield gained, the spread of the Pension capital over the Bond fund and the Equity fund during the Financial year will start deviating from the percentages referred to in the preceding paragraph. The Fund ensures that the spread exactly matches the percentages referred to in the preceding paragraph (again) once a year, on the first working day of the Financial year. For this purpose a Redistribution of units takes place on that day insofar as necessary.

Active: Medium risk

Article 9

1. 50% of the Pension capital is invested in the Bond fund and 50% in the Equity fund.
2. In the event of variances in the investment yield gained, the spread of the Pension capital over the Bond fund and the Equity fund during the Financial year will start deviating from the percentages referred to in the preceding paragraph. The Fund ensures that the spread exactly matches the percentages referred to in the preceding paragraph (again) once a year, on the first working day of the Financial year. For this purpose a Redistribution of units takes place on that day insofar as necessary.

Active: High risk

Article 10

1. 33% of the Pension capital is invested in the Bond fund and 67% in the Equity fund.
2. In the event of variances in the investment yield gained, the spread of the Pension capital over the Bond fund and the Equity fund during the Financial year will start deviating from the percentages referred to in the preceding paragraph. The Fund ensures that the spread exactly matches the percentages referred to in the preceding paragraph (again) once a year, on the first working day of the Financial year. For this purpose a Redistribution of units takes place on that day insofar as necessary.

Active: Free choice

Article 11

1. The Pension capital is invested in one or more of the Investment funds according to the free choice of the Participant.

2. The Participant is entitled to adjust the spread of the Pension capital over the Investment funds as often as shall be determined by the Board of Trustees and subject to further rules and conditions to be set by the Board. The adjustment is implemented by a Redistribution of units in agreement with the Participant's choice.

Termination of participation

Article 12

Upon termination of the participation in the Pre-retirement scheme, the Pension capital is appropriated in accordance with that provided in article 16 of the Pension plan rules. Any withdrawal of the Pension capital in cash, or release to the Participant of securities or other financial assets in which has been invested eventually through the Investment funds, is not possible.

Provision of information

Article 13

1. Once every quarter the Participant receives a statement on the amount of his/her Pension capital as at the last working day of the previous quarter.
2. Once every calendar year the Participant receives a statement on the amount of his/her Pension capital as at the last working day of the previous calendar year.

Unfairness / unforeseen circumstances

Article 14

The Board of Trustees is authorised in those cases where a strict application of these Plan rules would result in unfairness, to deviate from the provisions in these Plan rules in favour of those concerned. In those cases not provided for by these Plan rules, the Board of Trustees decides with due observance of the interests of all Participants involved.

Miscellaneous

Article 15

1. Unless otherwise has been provided by the Board of Trustees or in these Plan rules, any requests for adjustment of an Investment (sub-) Profile as referred to in article 4, paragraphs 1 and 2, or for adjusting the spread of the Pension capital over the Investment funds, must be submitted in writing to the Fund using the appropriate form. The Board of Trustees is authorised to require that certain media or forms be used, also for communicating with the Fund on other matters. If any prescriptions of the Board of Trustees are lacking, all communication

intended to have legal consequences between the Participants and the Fund must take place in writing.

2. Unless otherwise has been provided explicitly in these Plan rules:
 - a) A Redistribution of units takes place against the regular buying and selling prices, as resulting from the Chapters B up to and including D of these Plan rules;
 - b) The Participant is only due Switch costs for a Redistribution of units if the Redistribution of units is the result of a Switch.
3. Unless explicitly indicated otherwise, all article references in this chapter refer to articles of Chapter A of these Plan rules.

Transitional measures

Article 16

1. All pension accounts as referred to in these Plan rules, as they read immediately previous to 1 April 2002, are cancelled on the first working day of April 2002. The balances on those accounts are appropriated on that date for purchasing units in the Money Market fund.
2. The Pension capital of the person who immediately previous to 1 April 2002 was a Participant in the Pre-retirement scheme already, continues to be invested according to the Dymix system as described in article 5 and 6 unimpaired after 1 April 2002 as well, unless he/she informed the Fund of the intention to change his/her Investment profile in accordance with article 4, paragraph 5 from Passive to Active.
3. For those who immediately previous to 1 April 2002 were Participants in the Pre-retirement scheme already the following applies:
in the period from 1 April 2002 until 1 October 2002:
 - a) As long as investment takes place according to the Dymix system as set forth in article 5 and 6, the payments of the Employee contributions do not take place in accordance with the table as referred to in article 6, but in accordance with table 1 as referred to in article 6, paragraph 1 of these Plan rules as they read immediately previous to 1 April 2002, and in the table instead of 'pension account' 'Money Market fund' must be read:
 - b) As long as investment takes place according to the Dymix system as set forth in article 5 and 6, the spread of the Pension capital over the Investment funds does not take place in accordance with the table referred to in article 6, but in accordance with table 2 as referred to in article 6, paragraph 2 of these Plan rules as it read immediately previous to 1 April 2002, and in the table instead of 'pension account' 'Money Market fund' must be read.

Application and taking effect

Article 17

These Plan rules take effect from 1 January 2006. That provided in article 30 of the Pension plan rules applies by analogy.

Chapter B: Equity fund conditions

1. Assets, Participants, units

1. The Assets of the Fund are formed by the sum of all investments (including liquid assets and receivables), decreased by the debts and costs to be debited to the fund.
2. The assets are divided in units of participation. Each unit gives an entitlement to a proportional share in the Assets of the Fund.

2. Investments, management, administration

1. The Assets of the Fund shall be invested in a sound manner in securities quoted on the stock exchange and in other financial assets, including without being limited to, units in Investment funds quoted on the stock exchange or not, and in derived financial instruments (derivatives) under due observance of the guidelines and conditions set by the Board of Trustees.
2. When investing the Assets of the Fund, the Fund acts solely in the interest of the Participants. The Fund is free in the choice of investments subject to that provided in the previous paragraph. It is at all times entitled to bring about all adjustments to the investments that it deems to be in the interest of the Participants. It may sell current investments and purchase others and it may decide to refrain from investing larger or smaller amounts of the Assets of the Fund (to hold in liquid assets) as it deems advisable at a given time or if it holds the opinion that investing had better be postponed until a later point in time. The Fund is entitled to purchase partly paid-up shares. The amount of the not paid-up capital may never exceed 20% of the Assets of the Fund.
3. The Fund is entitled to hedge the currency risk on foreign stock in full or partially.
4. The Fund ensures that there is at all times a distinct administrative separation between the Assets of the Fund and the other Assets of the Fund and records both in its annual report.
5. The books of the Fund serve as full proof between the parties with respect to the number of units held by each Participant, subject to proof to the contrary to be supplied by the Participant.

3. Determination of the Net asset value

1. The Net asset value of a unit is equal to the Assets of the Fund divided by the number of outstanding units.

2. The investments are valued on the basis of their current value, subject to the following: Any investments quoted on the stock market are valued on the basis of the closing prices for the day preceding the day on which the valuation takes place, or, if on that day no stock market trading has taken place, on the basis of either the most recent preceding closing prices or estimate, such at the discretion of the Fund. Any non-quoted investments are valued on the basis of an estimate. Valuation on the basis of an estimate shall take place under due observance of the usual criteria for such matter.
3. Insofar as is required, in derogation of that provided in the preceding paragraph, all receivables, liquid assets, and debts are valued on the basis of nominal value, under due observance of the usual criteria for such matter.
4. Income and expenditure are taken into account and shown in the period to which they relate. assets and liabilities expressed in foreign currency are converted to Euro at the current exchange rates as at the balance sheet date. Income and expenditure during a period which are expressed in foreign currency are converted to Euro at the exchange rates applicable at the time these items are realised. All exchange rate differences are incorporated in the Assets of the Fund.
5. The Net asset value of the units is determined at the daily rate.

4. Purchase price

Units may exclusively be purchased for a Participant. The purchase of a unit for a Participant takes place by payment of the Purchase price to the fund. Payment of the Purchase price is exclusively possible by using Employee contributions and with capital released as a result of the sale of units in the Bond fund or the Money Market fund. The Purchase price of a unit is the Net asset value of that unit on the working day previous to the day of purchase, increased by a fee, to be determined by the Board of Trustees, which is credited to the fund. The date of purchase is the working day on which the Purchase price was received by the Fund.

5. Termination of participation

The participation in the fund ends by operation of law in those cases where the participation in the Pre-retirement scheme terminates in accordance with that provided in article 16 of the Pension plan rules. In the event of termination of the participation in the fund, the units of the Participant involved are sold and the capital released is appropriated in accordance with that provided in article 16 of the Pension plan rules.

6. Selling price

Any units held on behalf of a Participant may not be transferred and may be sold to the fund exclusively. Any sale takes place against payment of the Selling price by the fund. Payment of the Selling price by the Fund to the Participants shall take place in no circumstances whatsoever. The Selling price is appropriated for purchasing units in the Bond fund and/or the Money Market fund, or in accordance with that provided in article 16 of the Pension plan rules. The Selling price of a unit is the Net asset value of that unit on the working day preceding the sale, decreased by a fee to be determined by the

Board of Trustees, which will be credited to the fund. The date of sale is the working day on which the Selling price is paid.

7. Costs

The following costs may be debited to the fund by the Fund:

- a) Transaction costs and money transfer charges;
- b) All other costs which in the opinion of the Board of Trustees must come to the debit of the fund which may include inter alia costs in connection with the management, administration and holding (including collection expenses) of the Assets of the Fund,
- c) Taxes and levies imposed on the fund as such.

Chapter C: Bond fund conditions

The conditions of the Bond fund are equal to the conditions of the Equity fund, on the understanding that:

1. The last two full sentences of article 2, paragraph 2 of Chapter B are crossed out;
2. The second full sentence of article 4 of Chapter B reads as follows:
Payment of the Purchase price may be made exclusively by using Employee contributions and with capital released as a result of the sale of units in the Equity fund or the Money Market fund;
3. The fourth full sentence of article 6 of Chapter B reads as follows:
The Selling price is appropriated for either the purchase of units in the Equity fund and/or the Money Market fund, or in accordance with that provided in article 16 of the Pension plan rules.

Chapter D: Money Market fund conditions

The conditions of the Money Market fund are equal to the conditions of the Bond fund, on the understanding that:

1. The second full sentence of article 4 of Chapter B reads as follows:
Payment of the Purchase price may be made exclusively by using Employee contributions and capital released as a result of the sale of units in the Equity fund or the Bond fund.

2. The fourth full sentence of article 16 of Chapter B reads as follows:
The Selling price is appropriated for either the purchase of units in the Equity fund and/or the Bond fund, or in accordance with that provided in article 16 of the Pension plan rules.

Dymix table

Age	Equity fund	Bond fund	Money Market fund		Total
18	75.00	25.00	0.00		100.00
35	75.00	25.00	0.00		100.00
36	71.59	28.41	0.00		100.00
37	68.18	31.82	0.00		100.00
38	64.77	35.23	0.00		100.00
39	61.36	38.64	0.00		100.00
40	57.95	42.05	0.00		100.00
41	54.55	45.45	0.00		100.00
42	51.14	48.86	0.00		100.00
43	47.73	52.27	0.00		100.00
44	44.32	55.68	0.00		100.00
45	40.91	59.09	0.00		100.00
46	37.50	62.50	0.00		100.00
47	34.09	65.91	0.00		100.00
48	30.68	69.32	0.00		100.00
49	27.27	72.73	0.00		100.00
50	23.86	76.14	0.00		100.00
51	20.45	79.55	0.00		100.00
52	17.05	82.95	0.00		100.00
53	13.64	86.36	0.00		100.00
54	10.23	89.77	0.00		100.00
55	6.82	93.18	0.00		100.00
56	3.41	96.59	0.00		100.00
57	0.00	100.00	0.00		100.00
58	0.00	0.00	100.00		100.00
59	0.00	0.00	100.00		100.00
60	0.00	0.00	100.00		100.00
61	0.00	0.00	100.00		100.00
62	0.00	0.00	100.00		100.00
62.5	0.00	0.00	100.00		100.00
63	0.00	0.00	100.00		100.00
64	0.00	0.00	100.00		100.00

APPENDIX 2: Financing Agreement

The Parties,

Philips Electronics N.V.,

established in Eindhoven, acting for itself in this matter, as well as on behalf of all other companies which in the Trust Deed of Stichting Philips Pensioenfondsen are defined as "Philips", hereinafter to be referred to as "the Philips Companies"

and

Stichting Philips Pensioenfondsen,

established in Eindhoven, hereinafter to be referred to as "the Fund"

Whereas:

- The Philips companies, by means of that provided regarding this matter in collective and/or individual employment contracts, have made pension promises to their employees, which have been set forth in two Pension plan rules, namely the Final pay plan and, with effect from 1 January 1997, the Philips flex pension plan rules (hereafter referred to as: 'the Plan rules'),
- The parties, performing the obligation as included in the Pension and savings funds act to agree a Plan in writing regarding the payment of the contributions, and wishing to lay down the agreements made for the financing of the previously mentioned pension promises in the present agreement, which replaces the financing agreement concluded earlier between the various Philips Companies and the legal predecessors of the Fund;

Declare to have agreed as follows:

Article 1

Any concepts appearing in this agreement which have been defined in the Trust Deed of the Fund or in the Plan rules shall have the same defined meaning for the application of this agreement.

Article 2

The Philips Companies jointly undertake towards the Fund, each insofar as they are individually concerned, to pay the total Pension premium due to the Fund by the Philips Companies, resulting from the applicable Actuarial and Business Technical Memorandum, decreased by the sum of the amounts owed by the Members to the Fund in connection with the insurance of their entitlements to a pension in accordance with the Plan rules, such under the reservation that in the event of a radical change of circumstances the amount to be paid by the Philips Companies by virtue of this article,

may be decreased by virtue of a joint decision equally applicable to all Philips Companies, all this under due observance of the following:

- a) Any decision on a decrease of the amount to be paid by the Philips companies by virtue of this article may only be made after the Central Works Council has been heard on the intention to decrease;
- b) The Philips Companies notify the Fund in a joint letter of the intention to decrease the amount to be paid by the Philips Companies by virtue of this article. Furthermore, the Members shall be informed about this intention by means of a publication in the official staff magazine and/or on the notice boards designated for this purpose.

In the event of a decrease of the amount to be paid by virtue of this article due to a radical change of circumstances, the Board of Trustees decides, by virtue of article 16 of the Trust Deed on the potential consequences for the (entitlements to) pensions in accordance with the Plan rules.

Article 3

In the event of radical changes in the field of pension legislation, this agreement shall be modified according to the changed circumstances by the parties in mutual consultation.

Article 4

The Philips Companies undertake towards the Fund to pay to the Fund all amounts withheld from the salary of the Members in accordance with the Plan rules as well as one twelfth part of that part of the Pension premium owed by the Philips Companies in the year concerned as referred to in article 2, at the end of every month.

Article 5

This agreement may be modified only after the Board of Trustees approved the intended modifications with due observance of the provision applicable with respect to the adoption and modification of Plan rules in accordance with article 15 of the Trust Deed.

Article 6

The financing agreement concluded between the various Philips Companies and the legal predecessors of the Fund as referred to in the preamble, has been terminated with effect from 1 January 1997.

Article 7

This agreement came into effect on 1 January 1997.

APPENDIX 3: Actuarial factors

In this appendix under 'General' some general principles are stated, used in preparing the actuarial factors of the Fund which are applicable when determining the rights and entitlements of (Deferred) Members. Additionally, for a number of cases the applicable actuarial factors are stated with reference to the relevant articles of the Plan rules.

General

- In all cases where entitlements are transferred or exchanged for other entitlements in whatever way, the collective actuarial equality of the entitlements before and after the exchange concerned is assumed.
- The factors are equal for both men and women.
- The factors apply from 1 January 2006 until 1 January 2010. The base figures used to determine the factors may vary from the base figures applicable at any time to the Fund as resulting from the ABTN.

Article 5, paragraph 7:

Pension increase up to 65 years (High/low-rule) at the age of 62.5

Before change	After change	
Lifelong Retirement pension	Retirement pension from 62.5 until 65 years	Retirement pension from 65 years
1,000	1,257	943
1,000	1,174	961
1,000	1,089	980

Pension increase up to 70 years (High/low rule) at the age of 62.5

Before change	After change	
Retirement pension	Retirement pension from 62.5 until 70 years	Retirement pension from 70 years
1,000	1,149	861
1,000	1,104	903
1,000	1,054	948

Pension increase up to 70 years (High/low rule) at age 65

Before change	After change	
Lifelong Retirement pension	Retirement pension from 65 until 70 years	Retirement pension from 70 years
1,000	1,189	891
1,000	1,131	925
1,000	1,067	961

Article 8, paragraph 1:

Advancement of Retirement pension (Standard retirement age 62.5 years)

New Retirement age	Pension from 62.5 until 65 years	Pension from new Retirement age until 65 years
62	1,000	823
61	1,000	603
60	1,000	471

Advancement of Retirement pension (Standard retirement age 65 years)

New Retirement age	Retirement pension from 65 years	Retirement pension from new Retirement age
64	1,000	922
63	1,000	852
62	1,000	790
61	1,000	734
60	1,000	683

Article 8, paragraph 2:

Deferral of Retirement pension from 62.5 years

New Retirement age	Retirement pension	New Retirement pension from the Retirement age
63	1,000	1,038
64	1,000	1,123
65	1,000	1,218

Article 8, paragraph 4:

Deferral of Bridging benefit from 62.5 years

New Retirement age	Bridging benefit	Extra Retirement pension from Retirement age
63	1,000	38
64	1,000	123
65	1,000	218

Article 8, paragraph 5:

*Deferral of Retirement pension after 65 years from the age of 65 **

New age	Retirement pension	New Retirement pension from Retirement age
66	1,000	1,086
67	1,000	1,185
68	1,000	1,297
69	1,000	1,425
70	1,000	1,571

* *there shall be no exchange of Retirement pension for Survivor's pension at 65 years.*

Article 11, paragraph 2:

Exchange of Retirement pension for Survivor's pension at 65 years

Percentage of Survivor's pension compared to Retirement pension after exchange	Retirement pension before exchange	Retirement pension after exchange	Corresponding Survivor's pension
75%	1,000	777	583
50%	1,000	840	420
25%	1,000	913	228
0%	1,000	1,000	0

Article 16, paragraph 6:

Purchase from the Pre-retirement Capital

Retirement age	Capital	Lifelong benefit taking effect forthwith	Benefit until 65 years taking effect forthwith
60	10,000	0	2,119
60.5	10,000	136	1,867
61	10,000	277	1,558
61.5	10,000	421	1,177
62	10,000	570	679
62.5	10,000	724	0

Article 17, paragraph 2:

Voluntary purchase of Retirement pension (Standard retirement age 62.5 years)

Age upon purchase	Capital	Extra Retirement pension
15	1,000	357
20	1,000	301
25	1,000	254
30	1,000	214
35	1,000	180
40	1,000	151
45	1,000	127
50	1,000	106
55	1,000	88
60	1,000	72
62.5	1,000	64

Article 18, paragraph 4:

Advancement of Retirement pension (Standard retirement age 62.5 years)

New Retirement age	Pension from 62.5 until 65 years	Pension from new Retirement age until 65 years
62	1,000	823
61	1,000	603
60	1,000	471

Advancement of Retirement pension (Standard Retirement age 65 years)

New Retirement age	Retirement pension from 65 years	Retirement pension from new Retirement age
64	1,000	922
63	1,000	852
62	1,000	790
61	1,000	734
60	1,000	683

Deferral of Retirement pension from 62.5 years

New Retirement age	Retirement pension	New Retirement pension from Retirement age
63	1,000	1,038
64	1,000	1,123
65	1,000	1,218

Deferral of Bridging benefit from 62.5 years

New Retirement age	Bridging benefit	Extra Retirement pension from Retirement age
63	1,000	38
64	1,000	123
65	1,000	218

Deferral of Retirement pension after 65 years from the age of 65

New Retirement age	Retirement pension	New Retirement pension from Retirement age
66	1,000	1,086
67	1,000	1,185
68	1,000	1,297
69	1,000	1,425
70	1,000	1,571

Article 18, paragraph 6:

Exchange of Retirement pension for Survivor's pension upon termination of the employment and a Standard Retirement age of 65 years.

Age at termination of employment	RP (before exchange)	RP (after exchange)	SP (after exchange)
65	1,000	777	583
64	1,000	770	578
63	1,000	763	572
62	1,000	757	568
61	1,000	751	563
60	1,000	746	559
59	1,000	740	555
58	1,000	736	552
57	1,000	731	548
56	1,000	726	545
55	1,000	722	542
54	1,000	718	539
53	1,000	714	536
52	1,000	711	533
51	1,000	707	531
50	1,000	704	528
49	1,000	701	526
48	1,000	698	524
47	1,000	696	522
46	1,000	693	520
45	1,000	691	518
44	1,000	688	516
43	1,000	686	515
42	1,000	684	513
41	1,000	682	512
40	1,000	680	510
39	1,000	678	509
38	1,000	677	508
37	1,000	675	506
36	1,000	674	505
35	1,000	672	504
34	1,000	670	503
33	1,000	669	502
32	1,000	667	500
31	1,000	666	499
30	1,000	664	498
29	1,000	663	497
28	1,000	661	495
27	1,000	659	494
26	1,000	657	493
25	1,000	655	491
24	1,000	653	490
23	1,000	651	489
22	1,000	649	487
21	1,000	647	485
20	1,000	645	484
19	1,000	644	483
18	1,000	642	482

Exchange of Retirement pension for Survivor's pension upon termination of the employment and a Standard Retirement age of 62.5 years.

Age at termination of employment	RP (before exchange)	RP (after exchange)	SP (after exchange)
62.5	1,000	795	596
62	1,000	792	594
61	1,000	786	590
60	1,000	781	586
59	1,000	777	583
58	1,000	772	579
57	1,000	768	576
56	1,000	764	573
55	1,000	760	570
54	1,000	757	567
53	1,000	753	565
52	1,000	750	562
51	1,000	747	560
50	1,000	744	558
49	1,000	741	556
48	1,000	738	554
47	1,000	736	552
46	1,000	734	550
45	1,000	731	548
44	1,000	729	547
43	1,000	727	545
42	1,000	725	544
41	1,000	723	543
40	1,000	722	541
39	1,000	720	540
38	1,000	719	539
37	1,000	717	538
36	1,000	716	537
35	1,000	714	536
34	1,000	713	534
33	1,000	711	533
32	1,000	710	532
31	1,000	708	531
30	1,000	707	530
29	1,000	705	529
28	1,000	704	528
27	1,000	702	526
26	1,000	700	525
25	1,000	699	524
24	1,000	697	523
23	1,000	695	521
22	1,000	693	520
21	1,000	691	518
20	1,000	689	517
19	1,000	688	516
18	1,000	686	515

Article 18, paragraph 8:

Exchange of Survivor's pension for lifelong Retirement pension at the Retirement age of 62.5 years

Retirement age	Survivor's pension	Extra Retirement pension from 62.5 years
62.5	1,000	344

Exchange of Survivor's pension for lifelong Retirement pension at the Retirement age of 65 years

Retirement age	Survivor's pension	Extra Retirement pension from 65 years
65	1.000	382

Article 19, paragraph 4:

Surrender of Retirement pension

Age	Retirement pension	Surrender amount Retirement pension
62.5	100	1,314

Surrender of Retirement pension

Age	Retirement pension	Surrender amount Retirement pension
65	100	1,211

Surrender of Bridging benefit

Age	Bridging benefit	Surrender amount Bridging benefit
62.5	100	236

Transfer value (article 20)

In derogation of the above, it applies that collective value transfers in accordance with this article take place on the basis of the actuarial base figures determined for this purpose by the Fund. Individual value transfers in accordance with this article take place if agreements have been made with the pension administrator to whom the transfer value is transferred, or from whom the transfer value is received about the base figures to be operated upon transfers of value, on the basis of those agreements, and in other cases on the basis of the rules set by or by virtue of the law. The base figures determined by the Fund for collective or individual transfers of value, may deviate from the base figures applicable at any time to the Fund, as resulting from the ABTN.

APPENDIX 4: Indexation

Step 1

Determining the Derived insurance technical result

Annually, the insurance technical result is determined. This may be described as follows:

On the basis of the assumptions used for calculating the testing reserve the variances compared to these assumptions are identified following the end of each year. The assumptions mainly concern the investments and the developments of the pension liabilities, the premium, the probability rate systems in use (mortality rates), the entries and terminations and the costs. Every variance from an assumption results in an insurance technical sub-result. The total of these variances is the insurance technical result. The insurance technical result is determined once a year in the annual accounts of the pension fund. An example of an insurance technical sub-result is a result on probability rate systems. If participants entitled to a Retirement pension become older than expected, an insurance technical loss is incurred in the element of probability rate systems: more resources are needed to finance these pensions than had previously been calculated on the basis of the age tables. This then concerns one element of the total insurance technical result.

If the funding ratio of the fund, calculated on the basis of Fair Value, is lower than 105%, there is question of a shortfall of cover. When calculating the funding ratio on the basis of Fair Value, the funding ratio is determined on the basis of the current value of the pension equity and the pension liabilities. The current value of the pension liabilities is determined on the basis of the term structure of interest rates for risk free fixed-income investments, taking into account the duration of the pension obligations. If the buffer of the fund for absorbing any financial setbacks is lower than prescribed by law, there is question of a funding shortfall.

If a shortfall of cover or funding shortfall occurs, the company is obligated to pay additional Pension premium in the form of a load on the premium. This load is intended for clearing a shortfall of cover or funding shortfall and not for indexation. Hence, the Derived insurance technical result is the insurance technical result, decreased by the load to the premium due to a shortfall of cover or funding shortfall. If there is question of a discount to the premium, the opposite applies: in that case the Derived insurance technical result is the insurance technical result increased by the discount.

The Derived insurance technical result is also determined once a year in the annual accounts of the pension fund.

Step 2

Determining the Indexation margin

The Indexation margin is determined annually on 1 January by the Board of Trustees. The Indexation margin on 1 January of a calendar year is equal to the Indexation margin on 1 January of the preceding calendar year, increased and/or decreased with an amount equal to one third of the sum of the Derived insurance technical result over the three calendar years preceding the year of determination of the Indexation margin. (See article 29.12 of the Plan rules).

In formula: $IR_t = IR_{t-1} + (AVR_{t-3} + AVR_{t-2} + AVR_{t-1}) / 3$

IR_t = Indexation margin in year t
 IR_{t-1} = Indexation margin in year t-1
 AVR_{t-3} = Derived insurance technical result in year t-3
 AVR_{t-2} = Derived insurance technical result in year t-2
 AVR_{t-1} = Derived insurance technical result in year t-1

Example: What is the Indexation margin on 1/1/2012?

Assuming (all amounts are in millions)

$AVR_{2009} = 510$

$AVR_{2010} = -360$

$AVR_{2011} = 330$

Then $IR_{2012} = IR_{2011} + (510 - 360 + 330) / 3$

This is $IR_{2012} = IR_{2011} + 160$

If the Indexation margin on 1/1/2011 would be 220, the IR_{2012} is therefore 380 (220 + 160).

Step 3

Determining the Realisation percentage

To calculate the Realisation percentage, the ratio is established first between on the one hand the available Indexation margin and on the other hand the costs of a full compensation of the Price inflation (for the pensions in payment and the non-contributory entitlements to a pension) and the Wage inflation (for the entitlements to Retirement pension referred to in article 5, paragraph 4 of the Plan rules). This ratio is expressed as a percentage.

Depending on the outcome of this calculation, subsequently the Realisation percentage is determined as follows. If the outcome of the calculation referred to in the preceding paragraph is below 100%, no full compensation for the Price and Wages inflation may be granted. In that case it is determined, again expressed as a percentage, how much of the Price and Wage inflation can be compensated for from the Indexation margin. This percentage is equal to the Realisation percentage, unless the Board of Trustees is of the opinion that there is reason for setting the percentage at a lower level in view of the financial situation of the fund, the developments in this financial situation expected by

the Board of Trustees, the requirements set by or by virtue of the law and all other facts and circumstances considered relevant by the Board of Trustees.

If a downward re-adjustment of the percentage takes place, this lower percentage is equal to the Realisation percentage.

As a system, this applies equally to the situation where the outcome exceeds 100%. In that case, more compensation may be granted than for the Price and Wage inflation only, however, it should be noted that under no circumstances whatsoever a compensation exceeding 125% of the Price and Wages inflation may be granted. Additionally, the Realisation percentage may never be less than 0%. (Also see article 23.4 of the Plan rules)

Example (on 1/1/2012):

Assuming: Price inflation (over 2011) = 3.0%; Wage inflation (over 2011) = 3.5%.

Assuming: Costs of full compensation of Price and Wages inflation (Realisation percentage = 100): 420 million.

The Indexation margin on 1/1/2012 = 380 million (see example step 2).

This means that the full Price and Wage inflation may not be compensated for and that the Realisation percentage for all indexations from 1 April 2012 up to and including 31 March 2013 is determined on 90.5% $((380 / 420) \times 100\%)$, unless the Board of Trustees is of the opinion that there is reason for setting the percentage at a lower level in view of the financial situation of the fund, the developments in this financial situation expected by the Board of Trustees, the requirements set by or by virtue of the law and all other facts and circumstances considered relevant by the Board of Trustees.

Consequently, the Board might for example determine that the percentage be set to 80% in lieu of 90.5%.

APPENDIX 5: Disclaimer

Pursuant to the Decree of 16 July 2005, Government Gazette 2005, 391, providing rules on pension issues for the execution of a number of subject matters from the Act governing changes to the tax treatment of early retirement/pre-pension and the introduction of the life-course scheme (Decree implementing pension aspects of the Social Accord 2004) the Fund is under a statutory obligation to operate the following indemnity clause with respect to the conditional supplementary allowance as provided for in article 29, paragraph 13 of these Plan rules.

Disclaimer for extra pension over past-service years upon a 15 years' financing schedule

The pension to be purchased for you due to the fact that in the past you had one or more periods during your employment(s) where less pension was accrued than is possible under tax regulations, shall only be accrued from the moment on which and insofar as the entitlements promised have been financed. If your participation in the pension plan terminates before these entitlements have been (fully) financed, you shall only be entitled to the part of these pension entitlements that has been financed and accrued at that moment. As a result, if no pension promised over past service years has been purchased and accrued for you yet upon termination of the participation in the pension plan, you are not entitled to that part of your pension promise. If you have been promised that any pension entitlements over past service years shall be purchased, these must have been financed within fifteen years after the promise has been made at the latest. Should you retire within those fifteen years, the pension entitlements to be purchased must have been financed earlier, namely on the moment of your retirement at the latest. In principle, a promise to purchase entitlements over the past once made, may not be withdrawn or altered.

DISCLAIMER

In spite of the fact that this brochure has been produced with utmost precision, no rights may be derived from this English translation. The official (Dutch) version of the pension plan rules is legally binding.