



Philips Executives Pension Plan

Everything you need to know about your pension plan

Contents

Shortly after becoming a member of the Philips Executives Pension Plan, you will need to make some choices concerning your pension. For example, in case you have any pension entitlements accrued with a previous employer, you may wish to request Philips Pensioenfonds for transfer of these pension entitlements. Or you may want to take out an ANW shortfall insurance for your surviving dependants in the event of your death. In this brochure we will, in addition to the supporting letter, briefly explain the most important plan rules, the choices you have to make (your options) and the way to obtain more information. This brochure and the supporting letter need to be seen as one entity.

I The Philips Executives Pension Plan

2 Your options

3 More information



I

The Philips Executives Pension Plan

As a Philips-executive you accrue pension in the Philips Executives Pension Plan. This pension plan is a combination of the Average Pay plan and the Structured Defined Contribution (DC) plan. In this chapter we will briefly explain both plans. We will also show how your income is constructed after your retirement and in the event of occupational disability. Additionally, we will explain the provisions that have been made for your partner and children in the event of your death.

The Philips Executives Pension Plan: a combination of Average Pay and Structured DC

Average Pay plan

This pension plan is a defined benefit agreement, known as an average pay plan. Under the Average Pay plan you annually accrue a pension, you will have accrued a retirement pension in the Average Pay plan based on the average base salary during your career. The Average Pay plan has a normal retirement age of 62.5. The level of your pension is for the risk and account of Philips Pensioenfond.

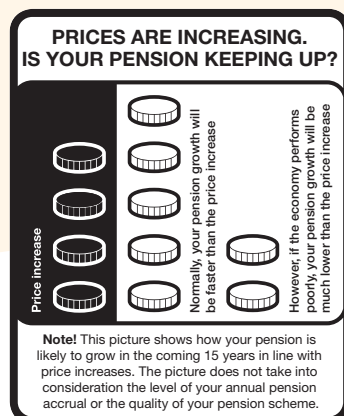
The increase of your pension

Because of inflation, the pension that you accrue today will have lost some of its value by the time it is paid to you. That is why the pension benefits that you have already accrued in the Average Pay plan are adjusted each year provided the Board of Trustees (the Board of Philips Pensioenfond) decides accordingly.

Philips Pensioenfond seeks to increase your accrued pension benefits by the collective scale adjustment within Philips each year. As soon as you leave the employment or retire, Philips Pensioenfond seeks to increase your pension by the increase of the CBS derived consumer price index each year. This we call our target.

No rights with respect to any future increases may be derived from this year's increase and the expectations for the coming years.

The expected increase



Please note: the picture above shows the increase that you will most likely receive which is an average over a period of 15 years. The actual increase can differ from year to year. If and to what extent this increase takes place, will each year depend on the decision of the Board of Trustees.

Your pension will be adjusted to a price-rise in a different way when you do no longer participate in this pension plan or when you receive pension. In this case the Philips Pensioenfond each year tries to increase your accrued benefits by the increase of the derived consumer price index of the CBS which is not shown in the overview. Upon request we can provide you with the accompanying picture.

You can check at www.philipspensioenfond/indexatie for more information about the increase of your pension.

Structured DC plan

The Structured DC plan is also named 'defined contribution agreement' where contributions are paid on your behalf by the employer. Under the Structured DC plan you accrue a pension capital instead of a retirement pension as in the Average Pay plan. In principle, this pension capital is formed by the monthly employer contributions and any individual contributions. But since it will be invested, the pension capital may be higher or lower on the basis of returns gained. When you retire, the value of your pension capital must be used for purchasing an inflation protected annuity with an insurance company.

How does Structured DC work?

You choose the preferred retirement age and indicate the minimum and desirable level of income that you think you should have upon retirement. The Philips Executives Pension Planner indicates to what degree your wishes are feasible and composes the optimum investment mix on the basis of your preferences.

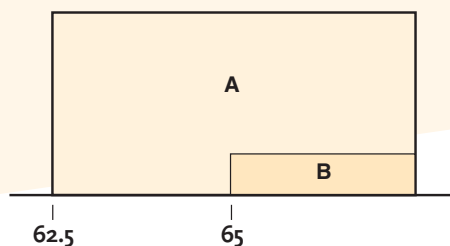
The objective is to realize an inflation-protected pension in accordance with your wishes. Any investment and as a consequence the level of your pension is for your risk and account. This means that both positive and negative returns are for your account, irrespective of your investment mix. You can enter your preferences via the Pension Planner (see chapter 3 for a description of its functionality).

Past performance is no guarantee of future results.

Provisions in case of retirement, disability and death

Your income after retirement

After retirement your income will most likely consist of different components. Apart from the lifelong pension benefit that you receive on the basis of the Philips Executives Pension Plan as from age 62.5, you may also receive an AOW (General Old Age Pension Act) state pension as from age 65. The total pension level will depend among other things on your individual pension choices. For example, your choice for a retirement age. Your pension plan has a normal retirement age of 62.5. This means that, in principle, your pension is paid from the age of 62.5 for as long as you will live. However, you are free to opt for a different retirement age.



A - Your pension benefit from the Philips Executives Pension Plan (both Average Pay plan and Structured DC plan)

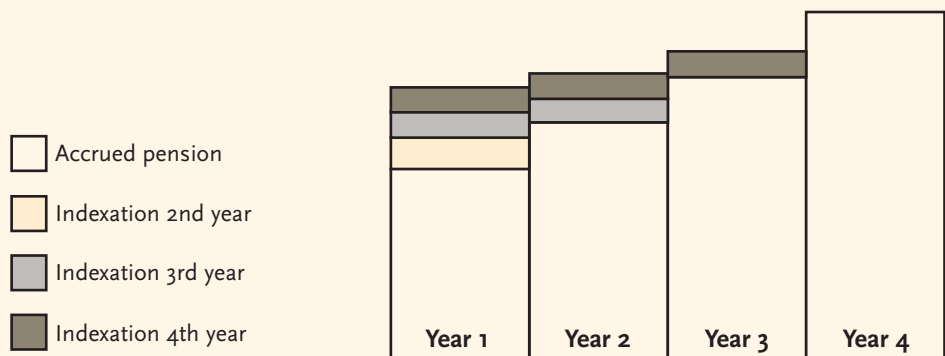
B - AOW state pension (dependant on the number of years you worked / lived in the Netherlands)

Your pension benefit from the Philips Executives Pension Plan

During your participation in the Philips Executives Pension Plan you accrue a pension under the Average Pay plan and build up a pension capital under the Structured DC plan. Below, the accrual of your pension is explained in more detail.

- Average Pay plan

Each month that you participate in the Average Pay plan, you accrue a part of your pension on the basis of the base salary that you earn in that particular month. However, the pension accrual does not take place over your entire income, but only over a certain part of your income. This part is referred to as the 'pension base' and it is determined by deducting a certain amount from your annual salary. This amount is known as the 'offset'. This is deducted because you may be entitled to an AOW benefit from the age of 65, so you already receive a basic state pension. In 2011 the offset at Philips Pensioenfond is € 15,456. Your variable income elements are not taken into account for determining your pension base. Annually you accrue a retirement pension of 1.25% over your pension base. The total pension accrued on the basis of the Average Pay plan is determined by adding up all amounts accrued during your participation, including any indexations granted.



- Structured DC plan

Under the Structured DC plan you form a pension capital from the contributions (from the employer and possibly from yourself) and the returns gained.

Employer contribution

The contribution from Philips is expressed as a percentage of your pension base. The level of this employer contribution is linked to your Executive Level. In the table below the applicable percentages (since January 1st 2006) are shown.

Executive Level	Level of contribution from Philips <i>in % of the pension base</i>
1	10%
2	15%
3	20%

Employee contribution

In the Philips Executives Pension Plan you do not pay any employee contribution at this moment. Your contribution will be paid by your employer¹. However, you have the possibility to make voluntary contributions in the Structured DC plan. The amount that you can contribute voluntarily depends on certain tax rules. The maximum amount that you can contribute under these rules is referred to as the fiscal limit. The Pension Planner takes into account the fiscal limit applicable to your individual situation.

When you retire, you can use the total capital accrued this way to purchase an inflation protected annuity with an insurance company. In addition to a monthly retirement pension for yourself, you can also purchase a survivor's pension for your partner. Your partner will receive this pension in the event of your death (see also 'After retirement age' on page 7).

Contribution investment

In the Philips Executives Pension Plan your whole contribution (100%) is invested in the various DC investment funds, accruing your personal capital. Philips Pensioenfondsen may put the following costs at the expense of these DC investment funds:

1. Transaction costs and costs of payment systems;
2. All other costs that in the opinion of the Board of Trustees should come for the expense of the Fund;
3. Taxes and taxations that are imposed on the Fund as such.

At the issue date of this brochure the mentioned costs are for account of the employer, as well as the premium for insured risks. Philips Pensioenfondsen will inform you when this situation changes.

What happens to your pension if your current employment should terminate

In the event of termination of the employment at Philips before the retirement age other than due to death or disability, the pension accrual in the Average Pay plan and the monthly contributions in the Structured DC plan stop. After a couple of months you will receive a paid-up policy with an entitlement to retirement pension, survivor's pension (70%), and orphan's pension that was accrued during the period of employment. The ANW shortfall insurance does not have a paid-up value as it is insured on a risk basis. The current pension capital will continue to be invested, unless you choose to transfer your pension benefits to a new pension insurer. You have the right to transfer the pension benefits that you have accrued with our Fund to your new employer's pension insurer.

After termination of the employment, it is not possible to continue the Philips Executives Pension Plan voluntarily.

Your income upon disability

In case your employment terminates due to disability, you are entitled to two supplementary provisions from Philips Pensioenfondsen:

1. Philips employees receive a supplement allowance from Philips Pensioenfondsen upon dismissal due to disability: the disability pension. Upon full disability, the disability pension includes 75% of the part of your base salary exceeding the so-called disability salary ceiling. As from 1 January 2011 the disability salary ceiling is € 48,931. Additionally, you will be entitled to the state disability pension. In the case of partial disability the Board of Trustees determines the percentage of the disability pension you are entitled to from that time onwards on an individual basis. You will receive the disability pension until you reach the retirement age. The pension also ends when your disability as described in the WIA (Work and Income according to Labour Capacity Act - Wet Werk en Inkomen naar Arbeidsvermogen) falls below 35%.
2. You are also entitled to a non-contributory continuation of your pension accrual. Upon full disability your pension accrual in the Average Pay will be continued on the basis of the base salary you received prior to your disability. Furthermore, your income will be increased by the future collective scaling up in conformity with the Philips Collective Labour Agreement (CLA). The contribution from Philips to the Structured DC Plan will also be continued, but you will no longer be able to voluntarily contribute to the Structured DC plan yourself.

¹ In special situations Philips may pay fewer premiums or none at all, for example if Philips should run into financial problems. If so, you will be notified immediately by Philips Pensioenfondsen. The pension already accrued by you will continue to exist. However, the pension to be accrued by you in the future will change.

Income for your surviving dependants

The pension plan provides for income for your surviving partner and/or children in the event of your death: the survivor's pension and the orphan's pension. It is also possible to take out an ANW shortfall insurance (see also 'Your options' on page 8).

Survivor's pension

Through the survivor's pension your partner is ensured of income in the event of your death. The amount of the benefit differs, depending on the moment of your death: before or after your retirement.

- **Before retirement age**

During your participation in the Philips Executives Pension Plan you accrue a survivor's pension in the Average Pay plan of 70% of the attainable retirement pension. In case of death in service your partner will be entitled to 1.5 x 70% of the attainable retirement pension. Apart from the lifelong survivor's pension from the Average Pay plan, your partner will receive a lifelong survivor's pension from the pension capital accrued in the Structured DC plan.

Please note that since the survivor's pension is a lifelong benefit, your partner will receive this benefit from your death until the moment he/she dies.

- **After retirement age**

Upon retirement you have the option to exchange the accrued survivor's pension in the Average Pay plan for a higher retirement pension, on the condition that your partner agrees with this exchange. Bear in mind that if you decide to do so, your partner will no longer be entitled to the survivor's pension from the Average Pay plan after your death.

In the event of your death after the retirement date, your partner is entitled to the survivor's pension accrued in the Average Pay plan (70% of the accrued retirement pension, provided that you did not exchange it for retirement pension). In that case your partner may also be entitled to a survivor's pension from the annuity purchased by you with an insurance company by using your pension capital.

- **Employment terminated**

If you are no longer employed with Philips the accrual of your survivor's pension stops. The accrued survivor's pension in the Average Pay Plan will be paid to your partner in the event of your death. In addition, the accrued capital in the Structured DC Plan will be used for the purchase of a survivor's pension for your partner.

Orphan's pension

In the event of your death, any children under age 21 will receive an orphan's pension of 20% of the survivor's pension from the Average Pay plan. If both parents die, this orphan's pension is doubled. Your children will receive the orphan's pension until they reach the age of 21.

2

Your options

Since some of the choices below can only be made shortly after you enroll in the Philips Executives Pension Plan, you will be asked to consider certain options almost immediately upon your entry to the pension plan. In other cases making your choices shortly after your enrollment in the plan is not obligatory, but nonetheless advisable with a view to optimally adjusting your pension situation to your personal wishes. We have listed your options below.

Transfer of accrued pension benefits

Pension entitlements that you accrued with your previous employer(s) can in most cases be transferred to the Philips Executives Pension Plan. In case value transfer is possible, Philips Pensioenfond's will, at your request, retrieve the value of the vested pension rights that you accrued with your previous pension insurer. Two-third of this transfer value will be used for purchasing a pension in the Average Pay plan and one-third will be deposited as pension capital into the Structured DC plan. To find out how this would affect your individual pension situation, you can ask the pension fund to make you a transfer proposal. On the basis of this proposal you can decide whether you wish to proceed to the transfer value or not.

If you participated in another Dutch Philips pension plan before participating in the Philips Executives Pension Plan, you can also request for transfer of your vested benefits. In that case you will receive a proposal for this 'internal' value transfer. You can then make your choice on the basis of this proposal.

If you have accrued pension during a previous employment outside the Netherlands with an employer based pension scheme, it is sometimes possible to transfer the value of this pension to Philips Pensioenfond's. A number of regulations apply to an international transfer that are not applicable to transfers within the Netherlands. Beyond that, pension regulations in the country where you have accrued your pension must also facilitate an international transfer. This means that Philips Pensioenfond's is not always able to say beforehand whether a transfer can proceed or not. If you would like to look into the possibility of transferring a foreign pension to Philips Pensioenfond's, we will contact your old pension provider to get the necessary information.

What should you do?

Enclosed with the entry letter form Philips Pensioenfond's you will find a copy of the application form for a proposal concerning value transfer. You can also obtain a form from your HRM department or download a copy via the website of Philips Pensioenfond's. You should apply for a proposal for value transfer within six months after your enrollment in the Philips Executives Pension Plan (this is a statutory deadline).

Do you need more information about transferring pension benefits? Please visit www.philipspensioenfond's.nl

Registering your partner

The pension plan provides for a survivor's pension for your partner in the event of your death. If you are married or have entered into a registered partnership in the Netherlands, you are automatically insured for this pension. The Municipal Personal Records Database (Gemeentelijke Basisadministratie - GBA) will automatically pass on this information to Philips Pensioenfond's. If you were married abroad, you should apply for your partner's insurance with Philips Pensioenfond's in writing and enclose proof of your marriage.

If you are cohabiting on an unmarried basis, you should register your partner with Philips Pensioenfond. If you do not, your partner will not receive a benefit from Philips Pensioenfond in the event of your death. The person you are living with is considered to be your partner, in case he or she would also be considered to be your partner for purposes of the ANW (National Survivor's Benefits Act - Algemene nabestaandenwet). The most important requirements are: you should reside at the same address and be under a duty of care towards your partner.

Please note: if your partnership terminates, your ex-partner will be entitled to the survivor's pension accrued until the termination date of your relationship. Please notify us as soon as possible of a termination of your partnership.

What should you do?

Enclosed you will find a copy of the partner data registration / modification form. You can also obtain a copy from your HRM department or download one via the website. If you have not done so yet, make sure that you register your partner as soon as possible, so that he or she is insured for the survivor's pension.

Do you need more information about survivor's pension? Please visit www.philipspensioenfond.nl

ANW shortfall insurance

If your partner is not or only partially entitled to a benefit by virtue of the ANW, the ANW shortfall insurance can compensate for the absence or shortfall of this benefit. Your partner has to be born on or after 1 January 1950 to apply for the ANW shortfall insurance. Please note that you can only take out this insurance at specific moments, one of which is upon entering the employment.

What should you do?

Enclosed is a copy of the registration / modification form ANW shortfall insurance, but you can also obtain a copy from your HRM department or download one via the website. You should apply for this insurance within two months after commencement of your employment. At a later stage, taking out this insurance will only be possible upon entering into a partnership (marriage, registered partnership or unmarried cohabiting) or in the case of the birth of a child.

More information about the ANW shortfall insurance? Please visit www.philipspensioenfond.nl

What choices can you make for the future?

You can choose your retirement age yourself

Your retirement pension will start in principle at the age of 62.5. However, you are free to opt for a different retirement age. If you opt for an earlier retirement than at the age of 62.5, your annual pension benefit will be less. The reason for this is that your pension will have to be paid out over a longer period of time and you will miss out on a period of pension accrual. If you opt for a later retirement than at the age of 62.5, your annual pension benefit will be higher. The reason for this is that your pension will have to be paid out over a shorter period of time and your capital in the Structured DC plan remains invested longer.

Part-time retirement

In the Philips Executives Pension Plan you also have the possibility of part-time retirement in the last working period before your complete retirement. You continue accruing pension for the part that you continue working.

High-low arrangement (Average Pay plan)

Through the high-low arrangement it is possible to tune the level of your retirement pension to your personal wishes, taking into account the fiscal limits. In this arrangement your retirement pension is increased up to a certain age, at the expense of the benefit level in later years. If you want to make use of this option, you have to indicate this at your retirement date.

Exchange survivor's pension for retirement pension

On your retirement date it is possible to exchange all or part of the accrued survivor's pension for an additional retirement pension for yourself. If you have a partner on your retirement date, he or she will have to agree with this exchange.

With the Philips Executives Pension Planner you can calculate the financial consequences for your personal situation if you opt for a different retirement age or if you opt to exchange your survivor's pension: www.philipspensioenfondsnl/epp-planner

Options in the Philips Executives Pension Planner

In regular DC plans, investing capital for the creation of a pension provision is a complicated matter. You have to make difficult choices regarding investment strategies to increase the chance that you will eventually have a retirement income that will meet your expectations. The Structured DC plan is different. The Philips Executives Pension Planner will help you with your investment decisions. The only thing you have to do is provide input with respect to your minimum and desired retirement income, retirement date etc.

On basis of your choices, the Pension Planner determines the most appropriate investment mix and indicates your chance (in a percentage) of attaining the desired pension level that you indicated. If you are not satisfied with the chance that you realise the desired pension level, you may change your settings:

- you may decide to start with a personal contribution and/or,
- you may decide to raise your retirement age and/or,
- you may decide to decrease your minimum retirement income.

The investment mix composed by the Pension Planner includes fixed-income securities that are used for achieving the minimum retirement income (with a certainty of 96%). In order to achieve the desired retirement income, part of your pension capital can be invested in equity. You can find information about the various DC investment funds in the Pension Planner.

3

More information

You can find more information about the Philips Executives Pension Plan through various channels. This page contains all relevant addresses you can turn to for more information.

Personal information

Philips Executives Pension Planner

The Philips Executives Pension Planner is the central source of information for your pension plan. Here you can view your personal information and make projections and change your preferences.

Where can it be found?

You can open the Philips Executives Pension Planner via a link on the special page for the Executives Pension Plan on the website on www.philipspensioenfonds.nl

What can I do with it?

With the help of the Pension Planner you can make various calculations in connection with your pension situation. You can also change choices you have made with regard to your pension in the past.

In more detail you can:

- view your personal data,
- view the effect of advancing/deferring your retirement age,
- make calculations of your pension situation if course of life leave (levensloopregeling) is taken up prior to retirement,
- calculate the chances of achieving your desired pension level,
- change your own monthly contribution (other rules apply for expatriates),
- enter an additional contribution once a year,
- view the effects of inflation and indexation,
- view the effect of exchanging the accrued survivor's pension for a higher retirement pension.

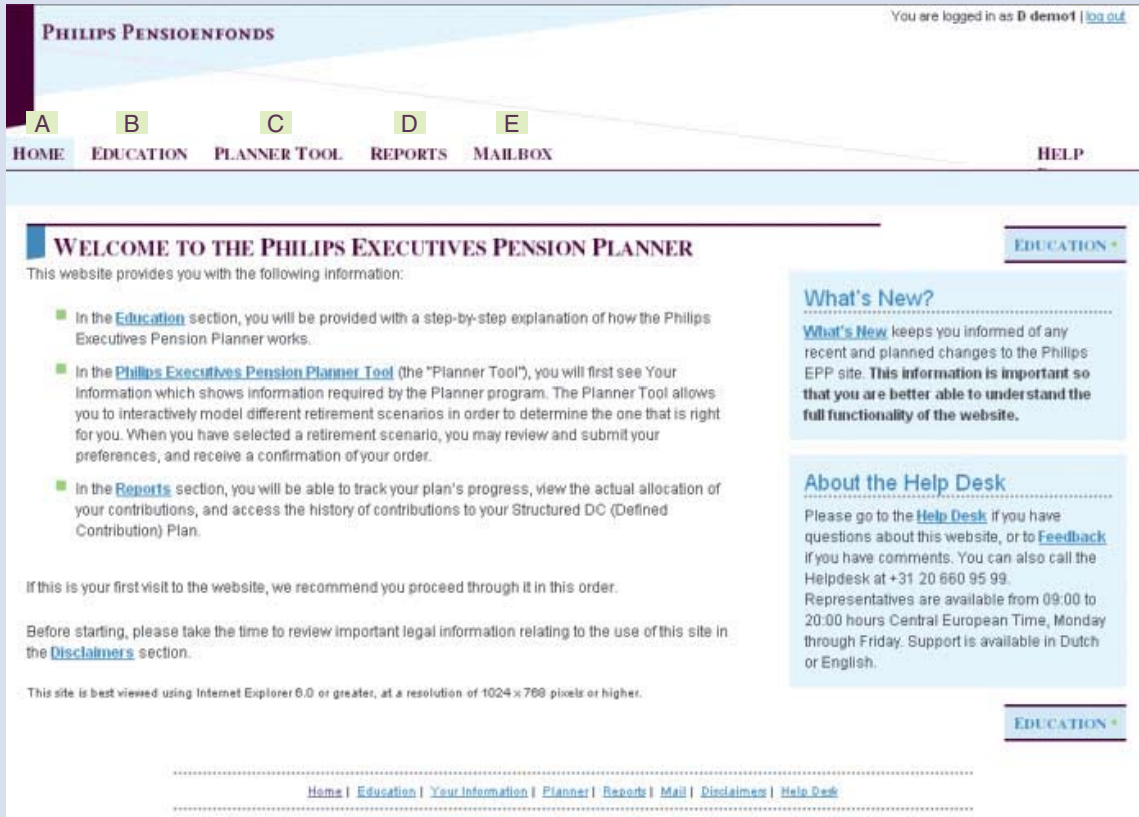
How to log in?

You can log into the Pension Planner via a combination of your salary number and your password. Your personal password is included in the entry letter which you will receive from Philips Pensioenfonds.



Knowing your way in the Pension Planner

The screenshot shows the first screen displayed after logging on to the Pension Planner. The Pension Planner includes five sections which are explained below.



- A** Homepage
On the homepage you will find information about the structure of the Pension Planner.
- B** Education
This page contains a step-by-step explanation on how to use the Pension Planner, frequently asked questions and their answers, as well as a list of concepts.
- C** Your information
Here you will find an overview of your personal data used by the Pension Planner for making the calculations.
- D** Planner Tool
Here you can make various pension calculations and enter your choices online.
- E** Mailbox
Here you will find your Uniform Pension Overviews as received via post.

Uniform Pension Overview

Since you are participating in a pension plan from your employer, you receive a pension overview each year. This overview will help you gain an insight into your retirement and disability benefits, as well as the benefits that your partner or child(ren) receive in the event of your death. All pension funds and insurance companies in the Netherlands use the same overview.

Registration of personal records

All municipalities in the Netherlands are linked to the Municipal Personal Records Database (Gemeentelijke Basisadministratie - GBA). The GBA automatically informs Philips Pensioenfond's about any changes in the personal details of participants and pensioners (such as changes of address and partner details subsequent to marriage). It is important that you pass on any changes in your personal details to your municipal authorities. If you reside abroad, it is your own responsibility that Philips Pensioenfond's has your correct personal details available. You can pass them on through Hewitt Associates.

General information

Website

On www.philipspensioenfond's.nl you can find more information about your pension plan. On this website a special section has been set up for the Philips Executives Pension Plan. The page is accessible via the option 'Pensioen opbouwen' and 'Philips Executives Pension Plan'. Moreover, brochures, forms, the annual report and information about investments and the funding ratio of Philips Pensioenfond's can be downloaded and/or ordered here.

Pension plan rules

You can download the Pension plan rules of the Philips Executives Pension Plan via the website of Philips Pensioenfond's.

Webcast

In March 2006 several information sessions about the Philips Executives Pension Plan were organized to provide participations with a general explanation of the functioning of the Pension Planner. Via a web programme you can view a recording of the information sessions. You can apply for the link to this recording via the following email address: executives.ppf@hewitt.com



Information on request

You can find a lot of documents on our website and download them. You can also ask for the following information to be sent to you:

- the pension scheme rules and articles of association;
- the annual report and financial statements;
- the implementation agreement between Philips and Philips Pensioenfond;
- information about the size of the funding ratio;
- information about investments and the 'Statement regarding investment principles'.
This is a statement concerning the risks associated with our investments;
- information about a recovery plan for the short term or long term. Philips Pensioenfond is required to draw up a recovery plan if the funding ratio is too low. The recovery plan contains the measures we will be taking to bring the funding ratio back up to the right level;
- any mandatory instructions issued by the regulatory authority. This means the regulatory authority thinks that Philips Pensioenfond is not doing something right and has given instructions as to what should be done;
- whether an administrator has been appointed for Philips Pensioenfond.

Contact information

Apart from Philips Pensioenfond, other parties are involved in the administration of the Philips Executives Pension Plan. The pension fund has outsourced parts of the pension and investment management to these parties.



Hewitt Associates Outsourcing B.V. (Hewitt) is the organization responsible for the administration of the Philips Executives Pension Plan. Hewitt answers your questions, sees to recording and accounting as well as the payment of your pension (Average Pay Plan).



BlackRock, Inc. (BlackRock) is the asset manager of the Philips Executives Pension Plan. They manage the investment funds your pension capital is invested in.

The Philips Executives Pension Planner for the Structured DC plan is developed by an other external organization. This organization is also responsible for providing the input that enables the Planner to allocate money correctly to the various investment funds.

Phone

If you have any questions about your pension plan, you can contact the special helpdesk for the Philips Executives Pension Plan. It can be reached on working days from 9:00 to 17:00 via phone number **020 - 660 95 99** (from abroad + 31 20 - 660 95 99).

E-mail

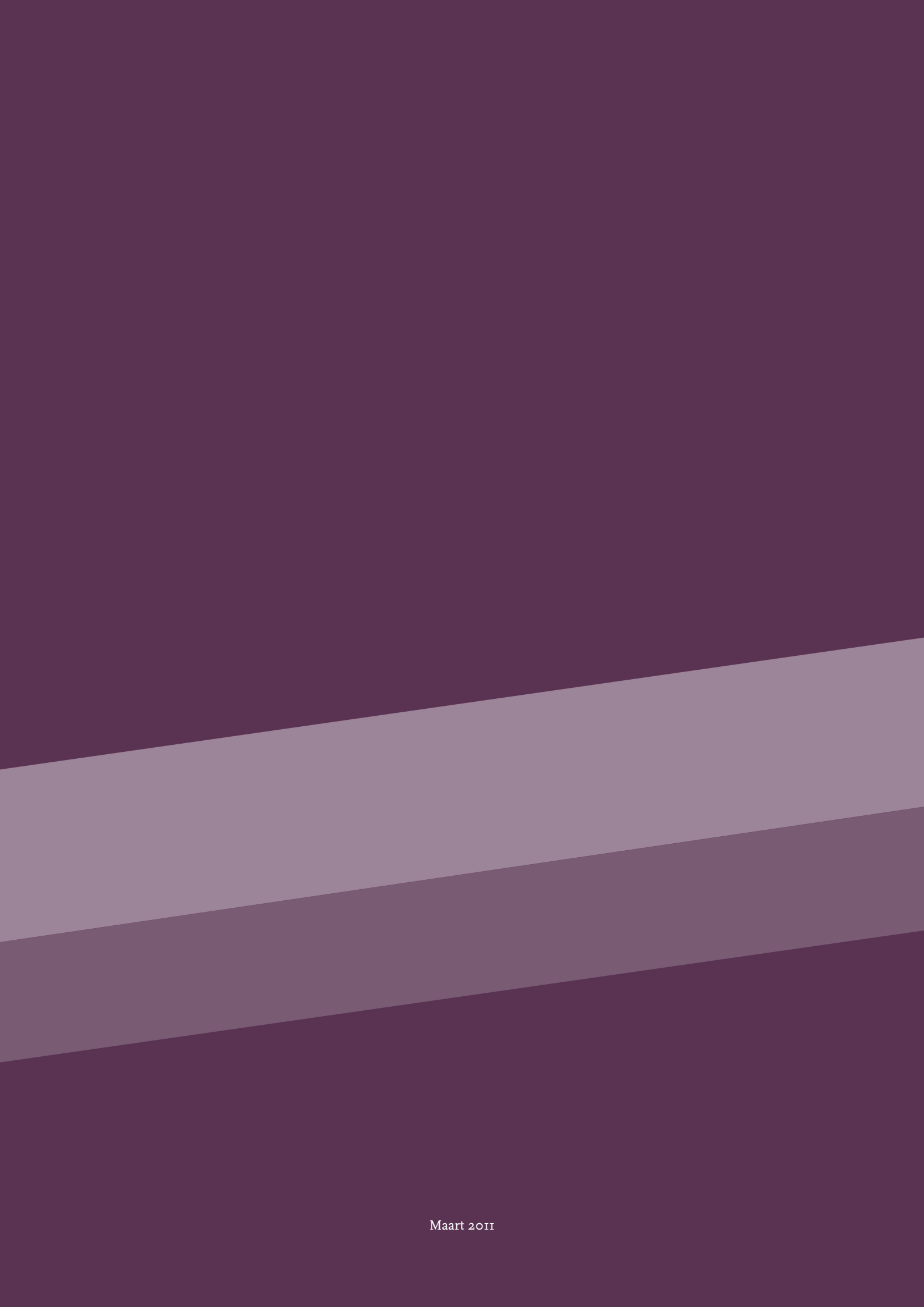
There is a special e-mail address for all your questions and remarks regarding the Philips Executives Pension Plan: **executives.ppf@hewitt.com** From this central e-mail address any e-mail messages about your pension plan will also be sent to you. You can recognize these in your mailbox by the description 'Philips Executives Pension Plan'. If you have specific questions about the Pension Planner, you can also use the special feedback function in the planner.

Complaints

Should you have any complaints about the administration of the pension plan rules by Philips Pensioenfond, please write a letter to the Complaints Committee of the Board of Trustees (Complaints Committee, c/o Philips Pensioenfond, P.O. Box 80031, 5600 JZ Eindhoven, the Netherlands).

Disclaimer

This brochure was prepared with the utmost precision and was based on the information known to us as well as the pension plan rules applicable to you. Ultimately, the pension plan rules are decisive. The pension plan rules can be found at www.philipspensioenfond.nl/downloads



Maart 2011