



PHILIPS

Philips Electronics N.V.

\$175,000,000 7¹/₈ % Debentures Due 2025, Series A

\$175,000,000 7³/₄ % Debentures Due 2025, Series B

Interest payable May 15 and November 15

Due May 15, 2025

The Series A Debentures will be redeemable at the option of each of the holders on May 15, 2007 at a redemption price equal to the principal amount of the Series A Debentures plus accrued interest to the date of redemption. To exercise this option, a holder must deliver a notice of exercise of the redemption option to the Company no earlier than March 15, 2007 and no later than April 15, 2007, and once given, such notice will be irrevocable. The Series A Debentures and Series B Debentures (collectively, the "Securities") are redeemable in whole, but not in part, at any time at the principal amount thereof plus accrued interest in the event of certain tax law changes requiring the payment of additional amounts as described herein. The Securities are not otherwise redeemable prior to maturity.

The Securities will be represented by one or more Global Securities (as defined herein) registered in the name of the nominee of The Depository Trust Company. Interests in the Global Securities will be shown on, and transfers thereof will be effected only through, records maintained by The Depository Trust Company. Except as provided herein, Securities in definitive form will not be issued. Settlement for the Securities will be made in immediately available funds. The Securities will trade in the Same-Day Funds Settlement System of The Depository Trust Company until maturity, and secondary market trading activity for the Securities will therefore settle in immediately available funds. See "Description of Securities".

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS SUPPLEMENT OR THE PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Price to Public (1)	Underwriting Discounts and Commissions	Proceeds to Company (1)(2)
Per Series A Debenture	99.386%	.675%	98.711%
Per Series B Debenture	99.661%	.875%	98.786%
Total	\$348,332,250	\$2,712,500	\$345,619,750

(1) Plus accrued interest from May 15, 1995.

(2) Before deduction of expenses payable by the Company estimated at \$200,000.

The Securities are offered by the several Underwriters when, as and if issued by the Company, delivered to and accepted by the Underwriters and subject to their right to reject orders in whole or in part. It is expected that delivery of the Securities will be made on or about May 23, 1995 through the book-entry facilities of The Depository Trust Company against payment therefor in immediately available funds.

CS First Boston

Merrill Lynch & Co.

Morgan Stanley & Co.
Incorporated

The date of this Prospectus Supplement is May 16, 1995.

USE OF PROCEEDS

In accordance with the policy of Philips Electronics N.V. ("Philips" or the "Company") to lengthen the average maturity of its debt portfolio, the net proceeds from the issuance and sale of the Securities will be used to repay maturing debt and to finance the expected increase of net working capital and capital expenditures related to the growth of the activities of Philips and its consolidated group companies (the "Group"). As at March 31, 1995, interest on approximately 35% of the interest-bearing debt of the Group was on a floating rate basis. As at March 31, 1995, the long term portion of such debt had a weighted average maturity in excess of 7 years. The average interest rate for interest-bearing debt of the Group over the first 3 months of 1995 was approximately 8%.

EXCHANGE RATES

The following table sets forth, for the periods and dates indicated, certain information concerning the exchange rate for US dollars into Dutch guilders based on the Noon Buying Rate:

	Period End	Average (1) (NLG per US \$ 1.00)	High	Low
1990	1.6890	1.8174	1.9434	1.6594
1991	1.7126	1.8731	2.0669	1.6289
1992	1.8190	1.7572	1.8893	1.5684
1993	1.9472	1.8652	1.9612	1.7617
1994	1.7344	1.8184	1.9750	1.6675
1995 (through May 15)	1.6179	1.6093	1.7494	1.5192

(1) The average of the Noon Buying Rates on the last day of each full month during the period.

RATIO OF EARNINGS TO FIXED CHARGES (1)

(unaudited)

	Year ended December 31,					Three months ended March 31, 1995
	1990	1991	1992	1993	1994	
In accordance with Dutch GAAP	(0.76)	1.68	0.71	1.98	3.58	3.84
In accordance with US GAAP	(0.61)	1.56	0.21	2.51	3.39	4.28

(1) The ratio of earnings to fixed charges is computed by aggregating (a) in the case of Dutch GAAP, income before taxes and, in the case of US GAAP, income from continuing operations before taxes, (b) dividend income receivable from unconsolidated companies and (c) fixed charges, and dividing the total by fixed charges. Fixed charges comprise (a) interest and similar payments including financing costs on all indebtedness and (b) one third of rental expense (being that portion of rental expense representative of the interest factor).

Under Dutch GAAP, fixed charges exceeded earnings by NLG 579 million and NLG 4,108 million for the years ended December 31, 1992 and 1990, respectively. Under US GAAP, fixed charges exceeded earnings by NLG 1,572 million and NLG 3,768 million for the years ended December 31, 1992 and 1990, respectively.

DESCRIPTION OF SECURITIES

The following description of the particular terms of the Securities offered hereby supplements, and to the extent inconsistent therewith replaces, the description of the general terms and provisions of the Debt Securities set forth in the Prospectus, to which description reference is hereby made. Capitalized terms not otherwise defined herein have the meanings as set forth in the Prospectus. Section references are to sections in the Indenture.

General

The 7 $\frac{1}{8}$ % Debentures due 2025, Series A (the "Series A Debentures") will be limited to \$175,000,000 aggregate principal amount and will mature on May 15, 2025. The 7 $\frac{3}{4}$ % Debentures due 2025, Series B (the "Series B Debentures") will be limited to \$175,000,000 aggregate principal amount and will mature on May 15, 2025. The Series A Debentures and the Series B Debentures (collectively, the "Securities") will be issued in the form of fully registered Debt Securities in global form ("Global Securities"). Global Securities will be deposited with, or on behalf of, The Depository Trust Company (the "Depository"), New York, New York and registered in the name of the Depository's nominee. The Securities will bear interest at the rates per annum shown on the front cover of this Prospectus Supplement from May 15, 1995 or from the most recent Interest Payment Date to which interest has been paid or provided for, payable semi-annually on May 15 and November 15 of each year, commencing on November 15, 1995, to the person in whose name the Global Security (or any predecessor Global Security) is registered at the close of business on May 1 or November 1, as the case may be, next preceding such Interest Payment Date. (Sections 301 and 307)

The Securities will be unsecured obligations of the Company and will rank on a parity with all other unsecured and unsubordinated indebtedness of the Company. However, because the Company is a holding company, its rights and the rights of its creditors, including the holders of the Securities offered hereby, to participate in the assets of any subsidiary upon the latter's liquidation or recapitalization will be subject to the prior claims of such subsidiary's creditors except to the extent that the Company may itself be a creditor with recognized claims against such subsidiary. At March 31, 1995, such subsidiaries had issued and outstanding NLG 4,811 million (\$3,134 million) of short- and long-term debt.

Same-Day Settlement and Payment

Settlement for the Securities will be made by the Underwriters in immediately available funds. All payments of principal and interest will be made by the Company in immediately available funds. The Securities will trade in the Same-Day Funds Settlement System of The Depository Trust Company until maturity or redemption, and secondary market trading activity in the Securities will therefore settle in immediately available funds.

Redemption of the Securities at the Option of the Issuer

The Securities are redeemable at the option of the Company in whole, but not in part, upon not less than 30 nor more than 60 days' notice mailed to each Holder of Securities to be redeemed at his address appearing in the Security Register at any time at the principal amount thereof plus accrued interest to the Redemption Date in the event of certain changes in the tax laws of The Netherlands after the date hereof as specified in the Prospectus. (Article Eleven and Sections 301, 1104 and 1108) See "Description of Debt Securities—Optional Tax Redemption" in the Prospectus.

Redemption of the Series A Debentures at the Option of the Holders

The Series A Debentures will be redeemable at the option of each of the Holders on May 15, 2007, at a Redemption Price equal to the principal amount of the Series A Debentures, plus accrued interest to the date of redemption. To exercise this option, a Holder must deliver a notice of exercise of the redemption option to

the Company at the Corporate Trust Office of the Trustee, or such other location of which the Company shall notify the Holder, no earlier than March 15, 2007 and no later than April 15, 2007. Any such notice of exercise of the redemption option shall be irrevocable. The redemption option may be exercised by the Holder for less than the entire principal amount of the Series A Debentures held by such Holder, so long as the principal amount that is to be redeemed is equal to \$1,000 or an integral multiple of \$1,000. All questions as to the validity, form, eligibility (including time of receipt) and acceptance of any Series A Debentures or notices of exercise of redemption will be determined by the Company, whose determination will be final and binding. Owners of beneficial interests in Series A Debentures in global form must exercise their rights to the redemption option through the procedures of DTC. See "Book-Entry System".

Book-Entry System

Upon issuance, the Securities will be represented by one or more Global Securities. Each global security representing the Global Securities will be deposited with, or on behalf of, the Depository, and registered in the name of the Depository or its nominee. Except under the circumstances described below, Global Securities will not be exchangeable at the option of the Holder for certificated Securities and Global Securities will not otherwise be issuable in definitive form.

Upon issuance of the Global Securities, the Depository or its nominee will credit, on its book-entry registration and transfer system, the respective principal amounts of the Securities represented by such Global Securities to the accounts of institutions that have accounts with the Depository or its nominee ("participants"). The accounts to be credited shall be designated by the Underwriters. Ownership of beneficial interests in the Global Securities will be limited to participants or persons that may hold interests through participants. Ownership of beneficial interests in such Global Securities will be shown on, and the transfer of that ownership will be effected only through, records maintained by the Depository or its nominee (with respect to participants' interests) for such Global Securities or by participants or persons that hold through participants (with respect to interests of persons other than participants). The laws of some jurisdictions require that certain purchasers of securities take physical delivery of such securities in definitive form. Such laws may impair the ability to transfer beneficial interests in the Global Securities.

So long as the Depository or its nominee is the registered owner of the Global Securities, such Depository or such nominee, as the case may be, will be considered the sole owner or holder of the Global Securities for all purposes under the Indenture. Except as set forth below, owners of beneficial interests in such Global Securities will not be entitled to have the Securities represented by such Global Securities registered in their names, will not receive or be entitled to receive physical delivery of Securities in definitive form and will not be considered the owner or holders thereof under the Indenture. Accordingly, each person owning a beneficial interest in a Global Security must rely on the procedures of the Depository and, if such person is not a participant, on the procedures of the participant through which such person owns its interest, to exercise any rights of a holder under the Indenture. The Indenture provides that the Depository may grant proxies and otherwise authorize participants to take any action which a holder is entitled to take under the Indenture. The Company understands that under existing industry practice, in the event that the Company requests any action of holders or a beneficial owner desires to take any action a holder is entitled to take, the Depository would authorize the participants to take such action and that the participants would authorize beneficial owners owning through such participants to take such action or would otherwise act upon the instructions of beneficial owners owning through them.

Any payment of principal or interest due on the Securities on any Interest Payment Date or at maturity will be made available by the Company to the Trustee by such date. As soon as possible thereafter, the Trustee will make such payments to the Depository or its nominee, as the case may be, as the registered owner of the Global Securities representing such Securities in accordance with existing arrangements between the Trustee and the Depository. The Company expects that the Depository or its nominee, upon receipt of any payments of principal or interest in respect of the Global Securities, will credit immediately the accounts of the related participants with payments in amounts proportionate to their respective beneficial interests in the principal

amount of such Global Securities as shown on the records of the Depository. The Company also expects that payments by participants to owners of beneficial interests in such Global Securities held through such participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such participants. Neither the Company, the Trustee, nor any paying agent for such Global Securities will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in Global Securities or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Unless and until exchanged in whole or in part for Securities in definitive form in accordance with the terms of the Securities, the Global Securities may not be transferred except as a whole by the Depository to a nominee of the Depository or by a nominee of the Depository to the Depository or another nominee of the Depository or by the Depository or any such nominee to a successor of the Depository or a nominee of such successor. (Section 305)

The Depository has advised the Company and the Underwriters as follows: the Depository is a limited-purpose trust company organized under the Banking Law of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of section 17A of the Securities Exchange Act of 1934 (the "Exchange Act"). The Depository was created to hold securities of its participants and to facilitate the clearance and settlement of securities transactions among its participants in such securities through electronic book-entry changes in accounts of the participants, thereby eliminating the need for physical movement of securities certificates. The Depository's participants include securities brokers and dealers (including the Underwriters), banks, trust companies, clearing corporations and certain other organizations, some of whom (and/or their representatives) own the Depository. Indirect access to the Depository's book-entry system is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly. The Depository agrees with and represents to its participants that it will administer its book-entry system in accordance with its rules and by-laws and requirements of law.

Definitive Securities

Global Securities shall be exchangeable for definitive Securities registered in the names of persons other than the Depository for such Global Securities or its nominee only if (A) such Depository (i) notified the Company that it is unwilling or unable to continue as Depository for such Global Securities or (ii) at any time ceases to be a clearing agency registered under the Exchange Act, (B) there shall have occurred and be continuing an Event of Default (as defined in the Indenture) with respect to the Securities or (C) the Company executes and delivers to the Trustee a Company Order that such Global Securities shall be so exchangeable. Any Global Security that is exchangeable for Securities pursuant to the preceding sentence shall be exchangeable for Securities issuable in denominations of \$1,000 and integral multiples thereof and registered in such names as the Depository shall direct. Subject to the foregoing, a Global Security shall not be exchangeable, except for a Global Security of like denomination to be registered in the name of such Depository or its nominee. (Section 305)

Defeasance and Covenant Defeasance

The provisions of Article 13 of the Indenture relating to defeasance described under the caption "Description of Debt Securities—Defeasance and Covenant Defeasance" will apply to the Securities.

UNDERWRITING

Under the terms and subject to the conditions contained in an Underwriting Agreement dated the date hereof (the "Underwriting Agreement"), the Company has agreed to sell to each of the Underwriters named below for whom CS First Boston Corporation is acting as representative (the "Representative"), and each of the Underwriters has severally but not jointly agreed to purchase, the principal amount of the Securities set forth opposite its name below:

<u>Underwriter</u>	<u>Principal Amount of Securities</u>	
	<u>7½% Debentures due 2025, Series A</u>	<u>7¾% Debentures due 2025, Series B</u>
CS First Boston Corporation	\$ 58,333,334	\$ 58,333,334
Merrill Lynch, Pierce, Fenner & Smith Incorporated	58,333,333	58,333,333
Morgan Stanley & Co. Incorporated	58,333,333	58,333,333
Total	<u>\$175,000,000</u>	<u>\$175,000,000</u>

The Underwriting Agreement provides that the obligations of the Underwriters are subject to certain conditions precedent and that the Underwriters will be obligated to purchase all of the Securities if any are purchased.

The Company has been advised by the Underwriters that the Underwriters propose to offer the Securities to the public initially at the public offering prices set forth on the cover page of this Prospectus Supplement and to certain dealers at such prices less a concession not in excess of .40% of the principal amount of the Series A Debentures and .50% of the principal amount of the Series B Debentures. The Underwriters may allow, and such dealers may allow, a discount not in excess of .25% of the principal amount of the Series A Debentures and .25% of the principal amount of the Series B Debentures on sales to certain other dealers. After the initial public offering, the public offering prices and such concessions and discounts to dealers may be changed by the Underwriters.

The Securities are a new issue of securities with no established trading markets. The Company does not intend to apply for listing of the Securities on a national securities exchange, but has been advised by the Underwriters that one or more of them intends to make a market in the Securities. The Underwriters are not obligated, however, to make a market in the Securities and may discontinue market making at any time without notice. No assurance can be given as to the liquidity of the trading market for the Securities.

The Company has agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended.

In the ordinary course of their respective businesses, CS First Boston Corporation, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Morgan Stanley & Co. Incorporated and certain of their affiliates have engaged and may in the future engage in commercial banking and/or investment banking transactions with the Company and its affiliates.

NOTICE TO CANADIAN RESIDENTS

Resale Restrictions

The distribution of the Securities in Canada is being made only on a private placement basis exempt from the requirement that the Company prepare and file a prospectus with the securities regulatory authorities in each province where trades of Securities are effected. Accordingly, any resale of the Securities in Canada must be made in accordance with applicable securities laws which will vary depending on the relevant jurisdiction, and which may require resales to be made in accordance with available statutory exemptions or pursuant to a discretionary exemption granted by the applicable Canadian securities regulatory authority. Purchasers are advised to seek legal advice prior to any resale of the Securities.

Representations of Purchasers

Each purchaser of Securities in Canada who receives a purchase confirmation will be deemed to represent to the Company and the dealer from whom such purchase confirmation is received that (i) such purchaser is entitled under applicable provincial securities laws to purchase such Securities without the benefit of a prospectus qualified under such securities laws, (ii) where required by law, such purchaser is purchasing as principal and not as agent, and (iii) such purchaser has reviewed the text above under "Resale Restrictions".

Rights of Action and Enforcement

The Securities being offered are those of a foreign issuer and Ontario purchasers will not receive the contractual right of action prescribed by section 32 of the Regulation under the *Securities Act* (Ontario). As a result, Ontario purchasers must rely on other remedies that may be available, including common law rights of action for damages or rescission or rights of action under the civil liability provisions of the U.S. federal securities laws.

All of the issuer's directors and officers as well as the experts named herein may be located outside of Canada and, as a result, it may not be possible for Ontario purchasers to effect service of process within Canada upon the issuer or such persons. All or a substantial portion of the assets of the issuer and such persons may be located outside of Canada and, as a result, it may not be possible to satisfy a judgment against the issuer or such persons in Canada or to enforce a judgment obtained in Canadian courts against the issuer or such persons outside of Canada.

Notice to British Columbia Residents

A purchaser of Securities to whom the *Securities Act* (British Columbia) applies is advised that such purchaser is required to file with the British Columbia Securities Commission a report within ten days of the sale of any Securities acquired by such purchaser pursuant to this offering. Such report must be in the form attached to British Columbia Securities Commission Blanket Order BOR #88/5, a copy of which may be obtained from the Company. Only one such report must be filed in respect of Securities acquired on the same date and under the same prospectus exemption.

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PHILIPS

\$1,500,000,000

PHILIPS ELECTRONICS N.V.

Debt Securities

Philips Electronics N.V. may from time to time offer Debt Securities consisting of debentures, notes and/or other unsecured evidences of indebtedness, in one or more series in an aggregate principal amount of up to \$1,500,000,000 or its equivalent in any other currency or composite currency. The Debt Securities may be offered as separate series in amounts, at prices and on terms to be determined at the time of sale. The accompanying Prospectus Supplement sets forth with regard to the series of Debt Securities in respect of which this Prospectus is being delivered the title, aggregate principal amount, denominations (which may be in United States dollars, in any other currency or in a composite currency), maturity, rate, if any (which may be fixed or variable), and time of payment of any interest, any terms for redemption at the option of the Company or the holder, any terms for sinking fund payments, any listing on a securities exchange and the initial public offering price and any other terms in connection with the offering and sale of such Debt Securities.

The Company may sell Debt Securities to or through underwriters, and also may sell Debt Securities directly to other purchasers or through agents. The accompanying Prospectus Supplement sets forth the names of any underwriters or agents involved in the sale of the Debt Securities in respect of which this Prospectus is being delivered, the principal amounts, if any, to be purchased by underwriters and the compensation, if any, of such underwriters or agents.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this Prospectus is July 7, 1994.

AVAILABLE INFORMATION

Philips Electronics N.V. (the "Company") is subject to the informational requirements of the US Securities Exchange Act of 1934 (the "Exchange Act"), and in accordance therewith files reports and other information with the US Securities and Exchange Commission (the "Commission"). Reports and other information so filed by the Company may be inspected and copied at the public reference facilities maintained by the Commission at Room 1024, 450 Fifth Street, N.W., Washington, DC 20549, and at the Regional Offices of the Commission located at Suite 1400, Citicorp Center, 500 West Madison Street, Chicago, Illinois 60661-2511 and 13th Floor, 7 World Trade Center, New York, New York 10048. Copies of such material may also be obtained by mail from the Public Reference Branch of the Commission at 450 Fifth Street, N.W., Washington, DC 20549, at prescribed rates. In addition, such material may be inspected and copied at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005, on which the Company's Common Shares are listed.

The Company will furnish to any holder of Debt Securities (the "Debt Securities"), upon request of such holder, its annual report containing Consolidated Financial Statements and an opinion thereon by its independent public accountants that such financial statements are prepared on the basis of accounting principles generally accepted in The Netherlands ("Dutch GAAP"). The annual reports contain information relating to net income based on accounting principles generally accepted in the United States ("US GAAP").

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The Company's Annual Report on Form 20-F for the fiscal year ended December 31, 1993 (the "1993 Form 20-F") has been filed with the Commission pursuant to the Exchange Act and is incorporated herein by reference. This Prospectus is qualified in its entirety by the more detailed information contained in such report. Capitalized terms used and not otherwise defined herein are used herein as defined in the 1993 Form 20-F, except as the context may otherwise require.

In addition, all documents or reports filed by the Company pursuant to Section 13(a), 13(c) or 13(d) of the Exchange Act and, to the extent designated therein, certain Reports on Form 6-K furnished or filed by the Company after the date of this Prospectus and prior to the termination of the offering of the Debt Securities contemplated hereby shall be deemed to be incorporated by reference in this Prospectus or in any Prospectus Supplement and to be a part hereof or thereof from the date of filing or furnishing of such documents or reports, to the extent not superseded by documents or reports subsequently filed or furnished.

Any statement contained in a document incorporated by reference herein or in any Prospectus Supplement shall be deemed to be modified or superseded for purposes of this Prospectus and such Prospectus Supplement to the extent that a statement contained herein or therein or in any other subsequently filed document which also is incorporated by reference herein or in such Prospectus Supplement modifies or replaces such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus or any Prospectus Supplement.

The Company will provide without charge to each person to whom a copy of this Prospectus or any Prospectus Supplement is delivered, upon the request of any such person, a copy of any or all of the documents referred to above which have been or may be incorporated herein by reference (not including the exhibits to such documents, unless such exhibits are specifically incorporated by reference in such documents). Requests should be directed to Philips Electronics N.V., Groenewoudseweg 1, Building VO-P, 5621 BA Eindhoven, The Netherlands, Attention: Securities Department (telephone: 011-3140-786022) or to Citibank, N.A., the Transfer Agent and Registrar of the Shares of New York Registry of the Company, at Equity Administration Department, 111 Wall Street, New York, New York 10043 (telephone: 1-800-422-2066).

IN CONNECTION WITH THIS OFFERING THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF SECURITIES OFFERED HEREBY AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

On May 6, 1994, the parent of the Company was merged into the Company. The parent (formerly "Philips Electronics N.V.") thereafter ceased to exist and the Company (formerly "N.V. Philips' Gloeilampenfabrieken") was renamed "Philips Electronics N.V." Accordingly, the Company is the successor to its former parent. As used herein and in any Prospectus Supplement, except as the context otherwise requires, the term "Company" refers to Philips Electronics N.V. as the former parent of the Company for periods before May 6, 1994 and to Philips Electronics N.V. as presently constituted for periods after May 6, 1994. The terms "Philips" or "Philips Group" or "Group" refer to the Company and its consolidated group companies. The Company is a Netherlands corporation established in Eindhoven, The Netherlands, and currently all members of the Board of Management and all but one member of the Supervisory Board and certain of the experts named herein are residents of The Netherlands or other foreign countries. All or a substantial portion of their respective assets are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such corporation or persons with respect to matters arising under the United States federal securities laws.

The Company has been advised by legal counsel in The Netherlands, De Brauw Blackstone Westbroek, that the United States and The Netherlands do not currently have a treaty providing for reciprocal recognition and enforcement of judgments (other than arbitration awards) in civil and commercial matters. Therefore, a final judgment for the payment of money rendered by any Federal or state court in the United States based on civil liability, whether or not predicated solely upon the Federal Securities laws, would not be enforceable in The Netherlands. However, if the party in whose favor such final judgment is rendered brings a new suit in a competent court in The Netherlands, such party may submit to the Netherlands court the final judgment which has been rendered in the United States. If the Netherlands court finds that the jurisdiction of the Federal or state court in the United States has been based on grounds which are internationally acceptable and that proper legal procedures have been observed, the Netherlands court would, in principle, give binding effect to the final judgment which has been rendered in the United States unless such judgment contravenes Netherlands' principles of public policy. The Company has been further advised by legal counsel in The Netherlands that a Netherlands court, in principle, might impose civil liability on the Company or the members of the Board of Management and Supervisory Board referred to in the preceding paragraph in a suit predicated solely upon the Federal securities laws brought in a competent court in The Netherlands against the Company or such persons, respectively, regarding violation of Federal securities laws, if under the circumstances of the case the facts giving rise to such violation would be considered a tort under Netherlands law.

The Company publishes its Consolidated Financial Statements expressed in Dutch guilders. In this Prospectus and any Prospectus Supplement, references to "US dollars", "US\$" or "\$" are to United States currency and references to "Dutch guilders", "guilders" or "Dfl." are references to Dutch currency. For information regarding rates of exchange between Dutch guilders and US dollars from fiscal year 1989 to the present, see "Exchange Rates".

The Company's fiscal year ends on December 31 of each year, and reference herein and in any Prospectus Supplement to a particular year is to the fiscal year ended December 31 of the year specified, unless otherwise indicated.

The principal executive offices of the Company are located at Groenewoudseweg 1, 5621 BA Eindhoven, The Netherlands, telephone number (011-3140)-791111.

USE OF PROCEEDS

Unless otherwise disclosed in the applicable Prospectus Supplement, the net proceeds from the issuance and sale of the Debt Securities will be used to repay existing indebtedness of the Group and for general corporate purposes.

EXCHANGE RATES

The following table sets forth, for the periods and dates indicated, certain information concerning the exchange rate for US dollars into Dutch guilders based on the Noon Buying Rate:

<u>Calendar period</u>	<u>Period End</u>	<u>Average (1)</u> (Dfl. per US \$ 1.00)	<u>High</u>	<u>Low</u>
1989	1.9085	2.1076	2.2847	1.9062
1990	1.6890	1.8174	1.9434	1.6594
1991	1.7126	1.8731	2.0669	1.6289
1992	1.8190	1.7572	1.8893	1.5684
1993	1.9472	1.8652	1.9612	1.7617
1994 (through June 24)	1.7778	1.8707	1.9750	1.7778

(1) The average of the Noon Buying Rates on the last day of each month during the period.

RATIO OF EARNINGS TO FIXED CHARGES (1) (unaudited)

	<u>Year ended December 31,</u>				
	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>
In accordance with Dutch GAAP	1.66	(0.76)	1.68	0.71	1.98
In accordance with US GAAP	2.08	(0.61)	1.56	0.21	2.51

(1) The ratio of earnings to fixed charges is computed by aggregating (a) in the case of Dutch GAAP, income before taxes and, in the case of US GAAP, income from continuing operations before taxes (b) dividend income receivable from consolidated companies and (c) fixed charges, and dividing the total by fixed charges. Fixed charges comprise (a) interest and similar payments including financing costs on all indebtedness and (b) one third of rental expense (being that portion of rental expense representative of the interest factor).

Under Dutch GAAP, fixed charges exceeded earnings by Dfl. 579 million and Dfl. 4,108 million for the years ended December 31, 1992 and 1990, respectively. Under US GAAP, fixed charges exceeded earnings by Dfl. 1,572 million and Dfl. 3,768 million for the years ended December 31, 1992 and 1990, respectively.

DESCRIPTION OF DEBT SECURITIES

The Debt Securities are to be issued under an Indenture, dated as of August 1, 1993, as supplemented by a Supplemental Indenture, dated as of May 6, 1994 (as so supplemented, the "Indenture"), under which Citibank, N.A. is acting as trustee (the "Trustee"), a copy of which is filed as an exhibit to the Registration Statement of which this Prospectus is a part. The Debt Securities may be issued from time to time in one or more series. The particular terms of each series, or of Debt Securities forming a part of a series, which are offered by a Prospectus Supplement will be described in such Prospectus Supplement.

The following summaries of certain provisions of the Indenture do not purport to be complete and are subject, and are qualified in their entirety by reference, to all the provisions of the Indenture, including the definitions therein of certain terms, and, with respect to any particular Debt Securities, to the description of the terms thereof included in the Prospectus Supplement relating thereto. Wherever particular Sections or defined terms of the Indenture are referred to herein or in a Prospectus Supplement, such Sections or defined terms are incorporated by reference herein or therein, as the case may be.

General

The Indenture will provide that Debt Securities in separate series may be issued thereunder from time to time without limitation as to aggregate principal amount. The Company may specify a maximum aggregate principal amount for the Debt Securities of any series. (Section 301) The Debt Securities are to have such terms and provisions which are not inconsistent with the Indenture, including as to maturity, principal and interest, if any, as the Company may determine. The Debt Securities will be unsecured obligations of the Company. The Debt Securities will rank on a parity with all other unsecured and unsubordinated indebtedness of the Company.

The applicable Prospectus Supplement will set forth the price or prices at which the Debt Securities to be offered will be issued and will describe the following terms of such Debt Securities: (1) the title of such Debt Securities; (2) any limit on the aggregate principal amount of such Debt Securities or the series of which they are a part; (3) the date or dates on which the principal of any of such Debt Securities will be payable; (4) the rate or rates at which any of such Debt Securities will bear interest, if any, the date or dates from which any such interest will accrue, the Interest Payment Dates on which any such interest will be payable and the Regular Record Date for any such interest payable on any Interest Payment Date; (5) the place or places where the principal of and any premium and interest on any of such Debt Securities will be payable; (6) the period or periods within which, the price or prices at which and the terms and conditions on which any of such Debt Securities may be redeemed, in whole or in part, at the option of the Company; (7) the obligation, if any, of the Company to redeem or purchase any of such Debt Securities pursuant to any sinking fund or analogous provision or at the option of the Holder thereof, and the period or periods within which, the price or prices at which and the terms and conditions on which any of such Debt Securities will be redeemed or purchased, in whole or in part, pursuant to any such obligation; (8) the obligation of the Company for the payment of additional amounts, as provided for in the Indenture; (9) the denominations in which any of such Debt Securities will be issuable, if other than denominations of \$1,000 and any integral multiple thereof; (10) if the amount of principal of or any premium or interest on any of such Debt Securities may be determined with reference to an index or pursuant to a formula, the manner in which such amounts will be determined; (11) if other than US dollars, the currency, currencies or currency units in which the principal of or any premium or interest on any of such Debt Securities will be payable (and the manner in which the equivalent of the principal amount thereof in US dollars is to be determined for any purpose, including for the purpose of determining the principal amount deemed to be Outstanding at any time); (12) if the principal of or any premium or interest on any of such Debt Securities is to be payable, at the election of the Company or the Holder thereof, in one or more currencies or currency units other than those in which such Debt Securities are stated to be payable, the currency, currencies or currency units in which payment of any such amount as to which such election is made will be payable, the periods within which and the terms and conditions

upon which such election is to be made and the amount so payable (or the manner in which such amount is to be determined); (13) if other than the entire principal amount thereof, the portion of the principal amount of any of such Debt Securities which will be payable upon declaration of acceleration of the Maturity thereof; (14) if the principal amount payable at the Stated Maturity of any of such Debt Securities will not be determinable as of any one or more dates prior to the Stated Maturity, the amount which will be deemed to be such principal amount as of any such date for any purpose, including the principal amount thereof which will be due and payable upon any Maturity other than the Stated Maturity or which will be deemed to be Outstanding as of any such date (or, in any such case, the manner in which such deemed principal amount is to be determined); (15) if applicable, that such Debt Securities, in whole or any specified part, are defeasible pursuant to the provisions of the Indenture described under "Defeasance and Covenant Defeasance — Defeasance and Discharge" or "Defeasance and Covenant Defeasance — Covenant Defeasance", or under both such captions; (16) whether any of such Debt Securities will be issuable in whole or in part in the form of one or more Global Securities and, if so, the respective Depositaries for such Global Securities, the form of any legend or legends to be borne by any such Global Security in addition to or in lieu of the legend referred to under "Form, Exchange and Transfer — Global Securities" and, if different from those described under such caption, any circumstances under which any such Global Security may be exchanged in whole or in part for Debt Securities registered, and any transfer of such Global Security in whole or in part may be registered, in the names of Persons other than the Depositary for such Global Security or its nominee; (17) any addition to or change in the Events of Default applicable to any of such Debt Securities and any change in the right of the Trustee or the Holders to declare the principal amount of any of such Debt Securities due and payable; (18) any addition to or change in the covenants in the Indenture described under "Certain Restrictive Covenants" applicable to any of such Debt Securities; and (19) any other terms of such Debt Securities not inconsistent with the provisions of the Indenture. (Section 301)

Debt Securities, including Original Issue Discount Debt Securities, may be sold at a substantial discount below their principal amount. Certain special United States federal income tax considerations applicable to Debt Securities sold at an original issue discount are described below under "Taxation — United States — Original Issue Discount". In addition, certain special United States federal income tax or other considerations (if any) applicable to any Debt Securities which are denominated in a currency or currency unit other than United States dollars may be described in the applicable Prospectus Supplement.

The Indenture does not provide for any debt covenants that would afford the Holders of Debt Securities any protection in the event of a highly leveraged transaction.

Ranking

Because the Company is a holding company, its rights and the rights of its creditors, including the holders of the Debt Securities offered hereby, to participate in the assets of any subsidiary upon the latter's liquidation or recapitalization will be subject to the prior claims of such subsidiary's creditors except to the extent that the Company may itself be a creditor with recognized claims against such subsidiary. At March 31, 1994, such subsidiaries had issued and outstanding Dfl. 9,668 million (\$5,115 million) of short and long-term debt. As a holding company, the Company is dependent on dividends from, and repayment of debt obligations of, its subsidiaries for cash to meet its operating expenses and pay dividends to its shareholders. The Debt Securities will be unsecured obligations of the Company and will rank on a parity with all other unsecured and unsubordinated indebtedness of the Company.

Form, Exchange and Transfer

The Debt Securities of each series will be issuable only in fully registered form, without coupons, and, unless otherwise specified in the applicable Prospectus Supplement, only in denominations of \$1,000 and integral multiples thereof. (Section 302)

At the option of the Holder, subject to the terms of the Indenture and the limitations applicable to Global Securities, Debt Securities of each series will be exchangeable for other Debt Securities of the same series of any authorized denomination and of a like tenor and aggregate principal amount. (Section 305)

Subject to the terms of the Indenture and the limitations applicable to Global Securities, Debt Securities may be presented for exchange as provided above or for registration of transfer (duly endorsed or with the form of transfer endorsed thereon duly executed) at the office of the Security Registrar or at the office of any transfer agent designated by the Company for such purpose. No service charge will be made for any registration of transfer or exchange of Debt Securities, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith. Such transfer or exchange will be effected upon the Security Registrar or such transfer agent, as the case may be, being satisfied with the documents of title and identity of the person making the request. The Company has appointed the Trustee as Security Registrar. Any transfer agent (in addition to the Security Registrar) initially designated by the Company for any Debt Securities will be named in the applicable Prospectus Supplement. (Section 305) The Company may at any time designate additional transfer agents or rescind the designation of any transfer agent or approve a change in the office through which any transfer agent acts, except that the Company will be required to maintain a transfer agent in each Place of Payment for the Debt Securities of each series. (Section 1002)

If the Debt Securities of any series (or of any series and specified terms) are to be redeemed in part, the Company will not be required to (i) issue, register the transfer of or exchange any Security of that series (or of that series and specified terms, as the case may be) during a period beginning at the opening of business 15 days before the day of mailing of a notice of redemption of any such Security that may be selected for redemption and ending at the close of business on the day of such mailing or (ii) register the transfer of or exchange any Security so selected for redemption, in whole or in part, except the unredeemed portion of any such Security being redeemed in part. (Section 305)

Global Securities

Some or all of the Debt Securities of any series may be represented, in whole or in part, by one or more Global Securities which will have an aggregate principal amount equal to that of the Debt Securities represented thereby. Each Global Security will be registered in the name of a Depositary or a nominee thereof identified in the applicable Prospectus Supplement, will be deposited with such Depositary or nominee or a custodian therefor and will bear a legend regarding the restrictions on exchanges and registration of transfer thereof referred to below and any such other matters as may be provided for pursuant to the Indenture.

Notwithstanding any provision of the Indenture or any Security described herein, no Global Security may be exchanged in whole or in part for Debt Securities registered, and no transfer of a Global Security in whole or in part may be registered, in the name of any Person other than the Depositary for such Global Security or any nominee of such Depositary unless (i) the Depositary has notified the Company that it is unwilling or unable to continue as Depositary for such Global Security or has ceased to be qualified to act as such as required by the Indenture, (ii) there shall have occurred and be continuing an Event of Default with respect to the Debt Securities represented by such Global Security or (iii) there shall exist such circumstances, if any, in addition to or in lieu of those described above as may be described in the applicable Prospectus Supplement. All securities issued in exchange for a Global Security or any portion thereof will be registered in such names as the Depositary may direct. (Sections 204 and 305)

As long as the Depositary, or its nominee, is the registered Holder of a Global Security, the Depositary or such nominee, as the case may be, will be considered the sole owner and Holder of such Global Security and the Debt Securities represented thereby for all purposes under the Debt Securities and the Indenture. Except in the limited circumstances referred to above, owners of beneficial interests in a Global Security will not be entitled to have such Global Security or any Debt Securities represented thereby registered in their names, will not receive or be entitled to receive physical delivery of certificated Debt Securities in exchange therefor and will not be considered to be the owners or Holders of such

Global Security or any Debt Securities represented thereby for any purpose under the Debt Securities or the Indenture. All payments of principal of and any premium and interest on a Global Security will be made to the Depositary or its nominee, as the case may be, as the Holder thereof. The laws of some jurisdictions require that certain purchasers of securities take physical delivery of such securities in definitive form. These laws may impair the ability to transfer beneficial interests in a Global Security.

Ownership of beneficial interests in a Global Security will be limited to institutions that have accounts with the Depositary or its nominee ("participants") and to persons that may hold beneficial interests through participants. In connection with the issuance of any Global Security, the Depositary will credit, on its book-entry registration and transfer system, the respective principal amounts of Debt Securities represented by the Global Security to the accounts of its participants. Ownership of beneficial interests in a Global Security will be shown only on, and the transfer of those ownership interests will be *effected only through, records maintained by the Depositary (with respect to participants' interests)* or any such participant (with respect to interests of persons held by such participants on their behalf). Payments, transfers, exchanges and others matters relating to beneficial interests in a Global Security may be subject to various policies and procedures adopted by the Depositary from time to time. Neither of the Company nor the Trustee or any agent of the Company or the Trustee will have any responsibility or liability for any aspect of the Depositary's or any participant's records relating to, or for payments made on account of, beneficial interests in a Global Security, or for maintaining, supervising or reviewing any records relating to such beneficial interests.

Secondary trading in notes and debentures of corporate issuers is generally settled in clearing-house or next-day funds. In contrast, beneficial interests in a Global Security, in some cases, may trade in the Depositary's same-day funds settlement system, in which secondary market trading activity in those beneficial interests would be required by the Depositary to settle in immediately available funds. There is no assurance as to the effect, if any, that settlement in immediately available funds would have on trading activity in such beneficial interests. Also, settlement for purchases of beneficial interests in a Global Security upon the original issuance thereof may be required to be made in immediately available funds.

Payment and Paying Agents

Unless otherwise indicated in the applicable Prospectus Supplement, payment of interest on a Security on any Interest Payment Date will be made to the Person in whose name such Security (or one or more Predecessor Debt Securities) is registered at the close of business on the Regular Record Date for such interest. (Section 307)

Unless otherwise indicated in the applicable Prospectus Supplement, principal of and any premium and interest on the Debt Securities of a particular series will be payable at the office of such Paying Agent or Paying Agents as the Company may designate for such purpose from time to time, except that at the option of the Company payment of any interest may be made by check mailed to the address of the Person entitled thereto as such address appears in the Security Register. Unless otherwise indicated in the applicable Prospectus Supplement, the corporate trust office of the Trustee in The City of New York will be designated as the Company's sole Paying Agent for payments with respect to Debt Securities of each series. Any other Paying Agents initially designated by the Company for the Debt Securities of a particular series will be named in the applicable Prospectus Supplement. The Company may at any time designate additional Paying Agents or rescind the designation of any Paying Agent or approve a change in the office through which any Paying Agent acts, except that the Company will be required to maintain a Paying Agent in each Place of Payment for the Debt Securities of a particular series. (Section 1002)

All moneys paid by the Company to a Paying Agent for the payment of the principal of or any premium or interest on any Security which remain unclaimed at the end of two years after such principal, premium or interest has become due and payable will be repaid to the Company, together with such interest as shall have been earned on deposits in respect of such sums, and the Holder of such Security thereafter may look only to the Company for payment thereof. (Section 1003)

Optional Tax Redemption

The Debt Securities of each series may be redeemed at the option of the Company, in whole but not in part, upon not less than 30 nor more than 60 days' notice given as provided in the Indenture, at any time (except in the case of Debt Securities that have a variable rate of interest, which may be redeemed on any Interest Payment Date) at a Redemption Price equal to the principal amount thereof plus accrued interest to the date fixed for redemption (except in the case of Original Issue Discount Debt Securities, which may be redeemed at the Redemption Price specified by the terms of such Debt Securities) if, as a result of any change in or amendment to the laws or any regulations or rulings promulgated thereunder of The Netherlands (or of any political subdivision or taxing authority thereof or therein) or any change in the official application or interpretation of such laws, regulations or rulings, or any change in the official application or interpretation of, or any execution of or amendment to, any treaty or treaties affecting taxation to which The Netherlands (or such political subdivision or taxing authority) is a party, which change, execution or amendment becomes effective on or after the date specified for such series in the Prospectus Supplement, the Company is or would be required on the next succeeding Interest Payment Date to pay additional amounts with respect to the Debt Securities, as described under "Payment of Additional Amounts", and such payment cannot be avoided by the use of any reasonable measures available to the Company. The Company shall deliver to the Trustee an Officers' Certificate to the effect that such circumstances exist. (Section 1108)

The Company will also pay, or make available for payment, to Holders on the Redemption Date any additional amounts (as described under "Payment of Additional Amounts" below) resulting from the payment of such Redemption Price. (Section 1004, 1104 and 1108)

Reference is made to the Prospectus Supplement relating to each series of Debt Securities which are Original Issue Discount Securities for the particular provisions relating to redemption of such Original Issue Discount Securities.

Payment of Additional Amounts

If any deduction or withholding for any present or future taxes, assessments or other governmental charges of The Netherlands (or any political subdivision or taxing authority thereof or therein) shall at any time be required by The Netherlands (or any such political subdivision or taxing authority) in respect of any amounts to be paid by the Company under the Debt Securities of a series, the Company will pay to the Holder of a Debt Security such additional amounts as may be necessary in order that the net amounts paid to such Holder of such Debt Security who, with respect to any such tax, assessment or other governmental charge, is not resident in The Netherlands, after such deduction or withholding, shall be not less than the amounts specified in such Debt Security to which such Holder is entitled; *provided, however, that the Company shall not be required to make any payment of additional amounts to a Holder for or on account of:*

- (a) any tax, assessment or other governmental charge which would not have been imposed but for (i) the existence of any present or former connection between such Holder (or between a fiduciary, settlor, beneficiary, member or shareholder of, or possessor of a power over, such Holder, if such Holder is an estate, trust, partnership or corporation) and The Netherlands or any political subdivision or territory or possession thereof or area subject to its jurisdiction, including, without limitation, such Holder (or such fiduciary, settlor, beneficiary, member, shareholder or possessor) being or having been a domiciliary, national or resident thereof or being or having been present or engaged in trade or business therein or having or having had a permanent establishment therein or having a "substantial interest" in the share capital of the Company (as defined in the second succeeding paragraph) or otherwise having or having had some connection with The Netherlands or such political subdivision, territory or possession other than the holding or ownership of a Debt Security or the collection of principal of and interest, if any, on, or the enforcement of, a Debt Security or (ii) the presentation of a Debt Security (where presentation is required) for payment on a date more than 30 days after the date on which such payment became due and payable or the date on which payment thereof is duly provided for, whichever occurs later;

(b) any estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or other governmental charge;

(c) any tax, assessment or other governmental charge which is payable otherwise than by withholding from payments of (or in respect of) principal of, or any interest on, the Debt Securities;

(d) any tax, assessment or other governmental charge that is imposed or withheld by reason of the failure to comply by the Holder or the beneficial owner of the Debt Security with a request of the Company addressed to the Holder (i) to provide information concerning the nationality, residence, identity or connection with The Netherlands or any political subdivision thereof of the Holder or such beneficial owner or (ii) to make any declaration or other similar claim to satisfy any information or reporting requirement, which in the case of (i) or (ii), is required or imposed by a statute, treaty, regulation or administrative practice of the taxing jurisdiction as a precondition to exemption from all or part of such tax, assessment or other governmental charge; or

(e) any combination of items (a), (b), (c) and (d) above;

nor shall additional amounts of interest be paid with respect to any payment of the principal of, premium, if any, or any interest on, any Debt Security to any Holder who is a fiduciary or partnership or other than the sole beneficial owner of such payment to the extent such payment would be required by the laws of The Netherlands (or any political subdivision or taxing authority thereof or therein) to be included in the income for tax purposes of a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner who would not have been entitled to such additional amounts had it been the Holder of such Debt Security. (Section 205)

Additional amounts may also be payable in the event of certain consolidations, mergers, sales of assets or assumptions of obligations. (Sections 801 and 803)

For purposes of the foregoing, an individual has a "substantial interest" in the share capital of the Company if at any time during the previous five years (i) the individual has held either directly or indirectly at least one-third of the nominal paid-up capital of any class of shares of the Company (other than certain shares that carry a right to a dividend of not more than 10% of its nominal paid-up capital) or (ii) the individual and his or her close relatives together hold either directly or indirectly at least one-third, and the individual and his or her spouse together own at least 7% of the nominal paid-up capital of any such shares.

In the opinion of M.J.G.C. Raaijmakers, Legal Adviser to the Company, under Dutch law and practice as applied and interpreted on the date of this Prospectus the Company will not be required to deduct or withhold any taxes, levies or other similar charges from any payment due or to become due in respect of the Debt Securities, except that payments on Debt Securities carrying the right to participate in profits of the Company may be subject to dividend withholding tax.

Certain Restrictive Covenants

Limitations on Liens

The Indenture provides that so long as any of the Debt Securities are Outstanding, the Company will not, and the Company will procure that no Restricted Subsidiary will, create or permit to subsist any Encumbrance on the whole or any part of any Principal Property or upon any shares or stock of any Restricted Subsidiary to secure any present or future indebtedness for borrowed money without making, or causing such Restricted Subsidiary to make, effective provisions whereby the Debt Securities (together with, if the Company shall so determine, any other indebtedness of the Company or such Restricted Subsidiary then existing or thereafter created which is not subordinate to the Debt Securities) will be secured equally and ratably with (or, at the option of the Company or such Restricted Subsidiary, prior to) such indebtedness for borrowed money, so long as such indebtedness for borrowed money will be so secured. However, such limitations will not apply to: (a) any Encumbrance subsisting on or prior to the date of the Indenture; (b) any Encumbrance arising by operation of law and not securing amounts more than 90 days overdue or otherwise being contested in good faith; (c) judgment Encumbrances not

giving rise to an Event of Default; (d) any Encumbrance subsisting over a Principal Property, shares or stock of any Restricted Subsidiary (that becomes a Restricted Subsidiary after the date of the Indenture) subsisting prior to the date of such Restricted Subsidiary becoming a Restricted Subsidiary, *provided* that such Encumbrance was not created in contemplation of such Restricted Subsidiary becoming a Restricted Subsidiary; (e) any Encumbrance over any Principal Property (or documents of title thereto), shares or stock of any Restricted Subsidiary acquired or developed by the Company or any Restricted Subsidiary as security for, or for indebtedness incurred, to finance or refinance all or part of the price of its acquisition, development, redevelopment, modification or improvement; (f) any Encumbrance over any Principal Property (or documents of title thereto), shares or stock of any Restricted Subsidiary which is acquired by the Company or any Restricted Subsidiary subject to such Encumbrance; (g) any Encumbrance to secure indebtedness for borrowed money incurred in connection with a specifically identifiable project where the Encumbrance relates to a Principal Property for which such project has been undertaken and the recourse of the creditors in respect of such indebtedness is limited to such project and Principal Property; (h) any Encumbrance incurred or deposits made in the ordinary course of business, including, but not limited to, (1) any mechanics', materialmen's, carriers', workmen's, vendors' or other like Encumbrances, (2) any Encumbrances securing amounts in connection with workers' compensation, unemployment insurance and other types of social security, and (3) any easements, rights-of-way, restrictions and other similar charges; (i) any Encumbrance incurred or deposits made securing the performance of tenders, bids, leases, statutory obligations, surety and appeal bonds, government contracts, performance and return-of-money bonds and other obligations of like nature incurred in the ordinary course of business; (j) any Encumbrance on any Principal Property of the Company or any Restricted Subsidiary in favor of the Federal Government of the United States or the government of any State thereof, or the government of The Netherlands, or the European Community, or any instrumentality of any of them, securing the obligations of the Company or any Restricted Subsidiary pursuant to any contract or payments owed to such entity pursuant to applicable laws, rules, regulations or statutes; (k) any Encumbrance securing taxes or assessments or other applicable governmental charges or levies; (l) any Encumbrance securing industrial revenue, development or similar bonds issued by or for the benefit of the Company or any of its Restricted Subsidiaries, provided that such industrial revenue, development or similar bonds are nonrecourse to the Company or such Restricted Subsidiary; (m) Encumbrances in favor of the Company or any subsidiary of the Company; and (n) any extension, renewal or replacement (or successive extensions, renewals or replacements), as a whole or in part, of any Encumbrances referred to in (a) to (m) inclusive, for amounts not exceeding the principal amount of the borrowed money secured by the Encumbrance so extended, renewed or replaced, provided that such extension, renewal or replacement Encumbrance is limited to all or a part of the same Principal Property, shares or stock of the Restricted Subsidiary that secured the Encumbrance extended, renewed or replaced (plus improvements on such Principal Property).

Notwithstanding the foregoing, the Company or any Restricted Subsidiary may create or permit to subsist Encumbrances over any Principal Property, shares or stock of any of the Restricted Subsidiaries so long as the aggregate amount of indebtedness for borrowed money secured by all such Encumbrances (excluding therefrom the amount of the indebtedness secured by Encumbrances set forth in clauses (a) through (n), inclusive, above) does not exceed 15% of Group Equity of the Company. (Section 1009)

Definitions of Certain Terms

For the purposes of the above provisions and the provisions under "Limitations on Sales and Leasebacks" below, the term "Restricted Subsidiary" means any Subsidiary (i) substantially all of the physical properties of which are located, or substantially all the operations of which are conducted, within the United States or The Netherlands and (ii) which owns a Principal Property: *provided, however*, that the term "Restricted Subsidiary" shall not include any Subsidiary which is principally engaged in leasing or in financing installment receivables or which is principally engaged in financing the operations of the Company and its consolidated Subsidiaries. Additionally, the term "Principal Property" means any building, structure or other facility, together with the land upon which it is erected and fixtures comprising

a part thereof, used primarily for manufacturing or processing and located in the United States or The Netherlands, owned or leased by the Company or any Restricted Subsidiary, the net book value of which on the date as of which the determination is being made exceeds 2% of Group Equity of the Company, other than (i) any such building, structure or other facility or portion thereof which, in the opinion of the Board of Management of the Company, is not of material importance to the total business conducted by the Company and its Subsidiaries as an entirety or (ii) any portion of any such property which, in the opinion of the Board of Management of the Company, is not of material importance to the use or operation of such property. "Group Equity" means, with respect to the Company and its Subsidiaries considered as an entirety, the sum of the amounts described in the Company's most recent audited Consolidated Balance Sheet as "Other group equity" and "stockholders' equity" (or such other terms as may be used by the Company to describe the equity of the Group or stockholders' equity of the Group determined in accordance with its accounting policies). Group Equity will also be deemed to include any capital securities of the Company or similar instruments issued from time to time, *provided* that the terms of such capital securities or similar instruments do not require the Company, or permit the holder thereof to require the Company, to repay, redeem or repurchase such securities or instruments for any consideration other than securities constituting Group Equity. (Section 101)

Limitations on Sales and Leasebacks

The Indenture also provides that so long as any of the Debt Securities are Outstanding, the Company will not, and the Company will procure that no Restricted Subsidiary will, enter into any arrangement with any bank, insurance company or other lender or investor (not including the Company or any Subsidiary), or to which any such lender or investor is a party, providing for the leasing by the Company or a Restricted Subsidiary for a period, including renewals, in excess of three years of any Principal Property which has been owned by the Company or a Restricted Subsidiary for more than six months and which has been or is to be sold or transferred by the Company or any Restricted Subsidiary to such lender or investor or to any person to whom funds have been or are to be advanced by such lender or investor on the security of such Principal Property (herein referred to as a "sale and leaseback transaction") unless either: (a) the Company or such Restricted Subsidiary could create indebtedness secured by an Encumbrance (pursuant to the provisions governing limitations on liens as discussed above) on the Principal Property to be leased back in an amount equal to the indebtedness attributable to such sale and leaseback transaction without equally and ratably securing the Debt Securities; or (b) the Company, within one year after the sale or transfer will have been made by the Company or a Restricted Subsidiary, applies an amount equal to the greater of (i) the net proceeds of the sale of the Principal Property sold and leased back pursuant to such arrangement or (ii) the fair market value of the Principal Property so sold and leased back at the time of entering into such arrangement (as determined by any two members of the Board of Management of the Company) to (A) the retirement of indebtedness for money borrowed ranking prior to or on parity with the Debt Securities, incurred or assumed by the Company or any Restricted Subsidiary which by its terms matures at, or is extendible or renewable at the option of the obligor to, a date more than 12 months after the date of incurring, assuming or guaranteeing such indebtedness or (B) investment in any Principal Property. (Section 1010)

Consolidation, Merger and Sale of Assets

The Company, without the consent of the Holders of the Debt Securities, may consolidate with, or merge into, or transfer or lease its respective assets substantially as an entirety to any Person, *provided* that (i) any successor Person assumes the Company's obligations on the Debt Securities, (ii) immediately after giving effect to the transaction, no event which, after notice or lapse of time, would become an Event of Default shall have occurred and be continuing and (iii) certain other conditions (including payment of Additional Amounts, if any, resulting therefrom by any Person succeeding the Company). (Article Eight)

Events of Default

Each of the following will constitute an Event of Default under the Indenture with respect to Debt Securities of any series: (a) failure to pay principal of or any premium on any Security of that series when due; provided, however, it shall not be a default if the non-payment is due solely to administrative error

(whether by the Company or a bank involved in transferring funds to the Trustee), continues for up to three Business Days and the Company pays any interest accrued on such principal or premium to but not including the date of payment; (b) failure to pay any interest or additional amounts of interest on any Debt Securities of that series when due, continued for 30 days; (c) failure to deposit any sinking fund payment, when due, in respect of any Security of that series or beyond any period of grace provided with respect thereto; (d) failure to perform any other covenant of the Company in the Indenture (other than a covenant included in the Indenture solely for the benefit of a series other than that series), continued for 60 days after written notice has been given by the Trustee, or the Holders of at least 25% in principal amount of the Outstanding Debt Securities of that series, as provided in the Indenture; and (e) certain events in bankruptcy or insolvency involving the Company. (Section 501)

If an Event of Default (other than an Event of Default described in clause (e) above) with respect to the Debt Securities of any series at the time Outstanding shall occur and be continuing, either the Trustee or the Holders of at least 25% in aggregate principal amount of the Outstanding Securities of that series by notice as provided in the Indenture may declare the principal amount of the Debt Securities of that series (or, in the case of any Security that is an Original Issue Discount Security or the principal amount of which is not then determinable, such portion of the principal amount of such Security, or such other amount in lieu of such principal amount, as may be specified in the terms of such Security) to be due and payable immediately. If an Event of Default described in clause (e) above with respect to the Debt Securities of any series at the time Outstanding shall occur, the principal amount of all the Debt Securities of that series (or, in the case of any such Original Issue Discount Security or other Security, such specified amount) will automatically, and without any action by the Trustee or any Holder, become immediately due and payable. After any such acceleration, but before a judgment or decree based on acceleration, the Holders of a majority in aggregate principal amount of the Outstanding Securities of that series may, under certain circumstances, rescind and annul such acceleration if all Events of Default, other than the non-payment of the principal of the Debt Securities which have become due solely by such declaration of acceleration, have been cured or waived as provided in the Indenture. (Section 502) For information as to waiver of defaults, see "Modification and Waiver".

Subject to the provisions of the Indenture relating to the duties of the Trustee in case an Event of Default shall occur and be continuing, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request or direction of any of the Holders, unless such Holders shall have offered to the Trustee reasonable indemnity. (Section 603) Subject to such provisions for the indemnification of the Trustee, the Holders of a majority in aggregate principal amount of the Outstanding Securities of any series will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee with respect to the Debt Securities of that series. (Section 512)

No Holder of a Security of any series will have any right to institute any proceeding with respect to the Indenture, or for the appointment of a receiver or a trustee, or for any other remedy thereunder, unless (i) such Holder has previously given to the Trustee written notice of a continuing Event of Default with respect to the Debt Securities of that series, (ii) the Holders of at least 25% in aggregate principal amount of the Outstanding Securities of that series have made written request, and such Holder or Holders have offered reasonable indemnity to the Trustee to institute such proceeding as trustee and (iii) the Trustee has failed to institute such proceeding, and has not received from the Holders of a majority in aggregate principal amount of the Outstanding Securities of that series a direction inconsistent with such request, within 60 days after such notice, request and offer. (Section 507) However, such limitations do not apply to a suit instituted by a Holder of a Security for the enforcement of payment of the principal of or any premium or interest on such Security on or after the applicable due date specified in such Security. (Section 508)

The Company will be required to furnish to the Trustee annually a statement by certain of its officers as to whether or not the Company, to their knowledge, is in default in the performance or observance of any of the terms, provisions and conditions of the Indenture and, if so, specifying all such known defaults. (Section 1005)

Modification and Waiver

Modifications and amendments of the Indenture may be made by the Company and the Trustee with the consent of the Holders of not less than a majority in aggregate principal amount of the Outstanding Securities of each series affected by such modification or amendment; *provided, however*, that no such modification or amendment may, without the consent of the Holder of each Outstanding Security affected thereby, (a) change the Stated Maturity of the principal of, or any installment of principal of or interest on, any Security, (b) reduce the principal amount of, any interest on, or any premium payable upon the redemption of any Security, (c) change any obligations of the Company to pay additional amounts, (d) reduce the amount of principal of an Original Issue Discount Security or any other Security payable upon acceleration of the Maturity thereof, (e) change the place or currency of payment of principal of, or any premium or interest on, any Security, (f) impair the right to institute suit for the enforcement of any payment on or with respect to any Security of such series, (g) reduce the percentage in principal amount of Outstanding Securities of any series necessary for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults or (h) modify such provisions with respect to modification and waiver. (Section 902)

The Indenture may also be modified or amended without the consent of Holders (1) to evidence the succession of another Person to the Company in accordance with Article Eight of the Indenture, (2) to add to the covenants of the Company for the benefit of Holders of all or any series of Debt Securities or to surrender any power conferred upon the Company, (3) to add any Events of Default, (4) to permit or facilitate the issuance of Debt Securities in bearer or uncertificated form, (5) to add to, change or eliminate any provisions of the Indenture in respect of one or more series of Debt Securities applying to or affecting Holders of Debt Securities of any series entitled to the benefit of such provision, (6) to secure the Debt Securities, (7) to establish the form or terms of Debt Securities as permitted by Sections 201 and 301, (8) to provide for successor or additional trustees, or (9) to cure any ambiguity, to correct or implement any provision which may be inconsistent with any other provision or to make any other provisions with respect to matters or questions arising under the Indenture, *provided* such action shall not adversely affect the interests of Holders of Debt Securities of any series in any material respect.

The Holders of not less than a majority in principal amount of the Outstanding Securities of any series may waive compliance by the Company with certain restrictive provisions of the Indenture. (Section 1011) The Holders of a majority in principal amount of the Outstanding Securities of any series may waive any past default under the Indenture, except a default in the payment of principal, premium or interest and certain covenants and provisions of the Indenture which cannot be amended without the consent of the Holder of each Outstanding Security of such series affected. (Section 513)

The Indenture will provide that in determining whether the Holders of the requisite principal amount of the Outstanding Securities have given or taken any direction, notice, consent, waiver or other action under the Indenture as of any date, (i) the principal amount of an Original Issue Discount Security that will be deemed to be Outstanding will be the amount of the principal thereof that would be due and payable as of such date upon acceleration of the Maturity thereof to such date, (ii) if, as of such date, the principal amount payable at the Stated Maturity of a Security is not determinable (for example, because it is based on an index), the principal amount of such Security deemed to be Outstanding as of such date will be an amount determined in the manner prescribed for such Security and (iii) the principal amount of a Security denominated in one or more foreign currencies or currency units that will be deemed to be Outstanding will be the US dollar equivalent, determined as of such date in the manner prescribed for such Security, of the principal amount of such Security (or, in the case of a Security described in clause (i) or (ii) above, of the amount described in such clause). Certain Debt Securities, including those for whose payment or redemption money has been deposited or set aside in trust for the Holders and those that have been fully defeased pursuant to Section 1302, will not be deemed to be Outstanding. (Section 101)

Except in certain limited circumstances, the Company will be entitled to set any day as a record date for the purpose of determining the Holders of Outstanding Securities of any series entitled to give or take

any direction, notice, consent, waiver or other action under the Indenture, in the manner and subject to the limitations provided in the Indenture. In certain limited circumstances, the Trustee also will be entitled to set a record date for action by Holders. If a record date is set for any action to be taken by Holders of a particular series, such action may be taken only by persons who are Holders of Outstanding Securities of that series on the record date. To be effective, such action must be taken by Holders of the requisite principal amount of such Debt Securities within a specified period following the record date. For any particular record date, this period will be 180 days or such other period as may be specified by the Company (or the Trustee, if it set the record date), and may be shortened or lengthened from time to time. (Section 104)

Defeasance and Covenant Defeasance

If and to the extent indicated in the applicable Prospectus Supplement, the Company may elect, at its option at any time, to have the provisions of Section 1302, relating to defeasance and discharge of indebtedness, or Section 1303, relating to defeasance of certain restrictive covenants in the Indenture, applied to the Debt Securities of any series, or to any specified part of a series. (Section 1301)

Defeasance and Discharge

The Indenture will provide that, upon the Company's exercise of its option (if any) to have Section 1302 applied to any Debt Securities, the Company will be discharged from its obligations, with respect to such Debt Securities (except for certain obligations to exchange or register the transfer of Debt Securities, to replace stolen, lost or mutilated Debt Securities, to maintain paying agencies and to hold moneys for payment in trust) upon the deposit in trust for the benefit of the Holders of such Debt Securities of money or US Government Obligations, or both, which, through the payment of principal and interest in respect thereof in accordance with their terms, will provide money in an amount sufficient to pay the principal of and any premium and interest on such Debt Securities on the respective Stated Maturities in accordance with the terms of the Indenture and such Debt Securities. Such defeasance or discharge may occur only if, among other things, the Company has delivered to the Trustee an Opinion of Counsel to the effect that the Company has received from, or there has been published by, the United States Internal Revenue Service a ruling, or there has been a change in tax law, in either case to the effect that Holders of such Debt Securities will not recognize gain or loss for US federal income tax purposes as a result of such deposit, defeasance and discharge and will be subject to US federal income tax on the same amount, in the same manner and at the same times as would have been the case if such deposit, defeasance and discharge were not to occur. (Sections 1302 and 1304)

Defeasance of Certain Covenants

The Indenture will provide that, upon the Company's exercise of its option (if any) to have Section 1303 applied to any Debt Securities, the Company may omit to comply with certain restrictive covenants, including those described under "Restrictive Covenants" and any that may be described in the applicable Prospectus Supplement, and the occurrence of certain Events of Default, which are described above in clause (d) (with respect to such restrictive covenants) and any that may be described in the applicable Prospectus Supplement, will be deemed not to be or result in an Event of Default, in each case with respect to such Debt Securities. The Company, in order to exercise such option, will be required to deposit, in trust for the benefit of the Holders of such Debt Securities, money or U.S. Government Obligations, or both, which, through the payment of principal and interest in respect thereof in accordance with their terms, will provide money in an amount sufficient to pay the principal of and any premium and interest on such Debt Securities on the respective Stated Maturities in accordance with the terms of the Indenture and such Debt Securities. The Company will also be required, among other things, to deliver to the Trustee an Opinion of Counsel to the effect that Holders of such Debt Securities will not recognize gain or loss for US federal income tax purposes as a result of such deposit and defeasance of certain obligations and will be subject to US federal income tax on the same amount, in the same manner and at the same times as would have been the case if such deposit and defeasance were not to occur. In the event the Company exercised this option with respect to any Debt Securities and such Debt Securities were declared due and payable because of the occurrence of any Event of Default, the amount of money and U.S. Government Obligations so deposited in trust would be sufficient

to pay amounts due on such Debt Securities at the time of their respective Stated Maturities but may not be sufficient to pay amounts due on such Debt Securities upon any acceleration resulting from such Event of Default. In such case, the Company would remain liable for such payments. (Sections 1303 and 1304)

Notices

Notices to Holders of Debt Securities will be given by mail to the addresses of such Holders as they may appear in the Security Register. (Sections 101 and 106)

Title

The Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name a Security is registered as the absolute owner thereof (whether or not such Security may be overdue) for the purpose of making payment and for all other purposes. (Section 308)

Governing Law

The Indenture and the Debt Securities will be governed by, and construed in accordance with, the law of the State of New York except that the authorization and execution by the Company of the Indenture and the Securities shall be governed by the laws of The Netherlands. (Section 113)

Regarding the Trustee

The Company maintains banking relationships in the ordinary course of business with the Trustee.

TAXATION

The Netherlands

Under Dutch law as in effect on the date of this Prospectus:

(i) a beneficial owner of a Debt Security or of any coupon appertaining thereto will not be subject to Netherlands taxes on income from or gains on the disposition of such Debt Security unless (a) such beneficial owner is, or is deemed to be, a resident of The Netherlands or (b) such beneficial owner owns an unincorporated enterprise or an interest in such an enterprise that engages in business in The Netherlands through a permanent establishment or a permanent representative to which the Debt Security or coupon is attributable or (c) such beneficial owner has directly or indirectly a substantial interest in the share capital of the Company or (d) the Debt Securities carry the right to participate in profits of the Company and the income thereon is treated as a dividend for Dutch tax purposes;

(ii) a beneficial owner of a Debt Security will not be subject to Netherlands net wealth tax, unless (i)(a) or (b) above is applicable;

(iii) no gift, estate or inheritance tax will arise in The Netherlands on a gift of a Debt Security by, or on the death of, a beneficial owner neither resident nor deemed resident in The Netherlands, unless the Debt Securities are attributable to a permanent establishment or a permanent representative in The Netherlands or, subject to any applicable treaty provision, unless (a) such beneficial owner or transferor has Dutch nationality and his permanent residence has been outside The Netherlands for a period of less than ten years at the time of his death or the gift or (b) in the case of a gift, such beneficial owner or transferor has been resident in The Netherlands and is domiciled outside The Netherlands for a period shorter than one year;

(iv) the Company will not be required to deduct or withhold any taxes, levies or similar charges from any payment by the Company due or to become due in respect of Debt Securities, unless the condition under (i)(d) is met;

(v) no Netherlands stamp or other issuance taxes or duties are payable by or on behalf of a beneficial owner in connection with the issuance of the Debt Securities or the sale and delivery of the Debt Securities; and

(vi) no Netherlands registration tax, custom duty, stamp duty or other similar tax or duty (other than court fees) is payable in The Netherlands in connection with the enforcement by legal proceedings (including the enforcement of any foreign judgment in the Courts of The Netherlands) of the performance of the Company's obligations under the Debt Securities.

On December 18, 1992, a new tax treaty on the avoidance of double taxation was signed between the United States and The Netherlands. This new tax treaty replaces the previous tax treaty of April 29, 1948 as modified on December 30, 1965, and is effective from January 1, 1994 onwards. However, a taxpayer may elect to continue to apply the 1948 tax treaty during 1994. According to Article 12 of the 1992 tax treaty, interest on Debt Securities (not carrying a right to participate in the debtor's profits) beneficially owned by a resident of one of the contracting states generally shall be taxable only in that contracting state, unless such interest either is attributable to a permanent establishment in the other contracting state through which the beneficial owner of interest carries on a business or is attributable to a fixed base in the other contracting state from which such beneficial owner performs independent personal services. Debt securities meeting the conditions under (i)(d) above are subject to the dividend withholding tax provisions of the 1992 treaty.

The applicable Prospectus Supplement will describe any special rules with respect to Debt Securities which carry the right to participate in profits of the Company (the income on which may be subject to Dutch taxation).

United States

The following summary of the principal United States federal income tax consequences of the ownership of Debt Securities represents the advice of Sullivan & Cromwell, U.S. counsel to the Company. It deals only with Debt Securities held as capital assets by initial purchasers, and does not deal with special classes of holders, such as dealers in securities or currencies, banks, tax-exempt organizations, life insurance companies, persons that hold Debt Securities that are a hedge or that are hedged against currency risks or that are part of a straddle or conversion transaction, persons that are not "United States Holders", as defined below, or persons whose functional currency is not the U.S. dollar. Moreover, the summary deals only with Debt Securities that are due to mature 30 years or less from the date on which they are issued. The United States federal income tax consequences of ownership of Debt Securities that are due to mature more than 30 years from their date of issue will be discussed in an applicable Prospectus Supplement. The summary is based on the Internal Revenue Code of 1986, as amended (the "Code"), its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, all as currently in effect and all subject to change at any time, perhaps with retroactive effect.

Prospective purchasers of Debt Securities should consult their own tax advisors concerning the consequences, in their particular circumstances, under the Code and the laws of any other taxing jurisdiction, of ownership of Debt Securities.

Payments of Interest

Interest on a Debt Security, whether payable in U.S. dollars or a currency, composite currency or basket of currencies other than U.S. dollars (a "foreign currency"), other than interest on a "Discount Debt Security" that is not "qualified stated interest" (each as defined below under "Original Issue Discount — General"), will be taxable to a United States Holder as ordinary income at the time it is received or accrued, depending on the holder's method of accounting for tax purposes. A United States Holder is a beneficial owner who or that is (i) a citizen or resident of the United States, (ii) a domestic corporation or (iii) otherwise subject to United States federal income taxation on a net income basis in respect of the Debt Security. Interest paid by the Company on the Debt Securities and original issue discount, if any, accrued with respect to the Debt Securities (as described below under "Original Issue Discount") constitutes income from sources outside the United States, but, with certain exceptions, will be "passive" or "financial services" income, which is treated separately from other types of income for purposes of computing the foreign tax credit allowable to a United States Holder.

Generally, if an interest payment is denominated in, or determined by reference to, a foreign currency, the amount of income recognized by a cash basis United States Holder will be the U.S. dollar value of the interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars.

An accrual basis United States Holder may determine the amount of income recognized with respect to an interest payment denominated in, or determined by reference to, a foreign currency in accordance with either of two methods. Under the first method, the amount of income accrued will be based on the average exchange rate in effect during the interest accrual period (or, with respect to an accrual period that spans two taxable years, the part of the period within the taxable year). Upon receipt of the interest payment (including a payment attributable to accrued but unpaid interest upon the sale or retirement of a Debt Security) denominated in, or determined by reference to, a foreign currency, the United States Holder will recognize ordinary income or loss measured by the difference between the average exchange rate used to accrue interest income and the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars.

Under the second method, the United States Holder may elect to determine the amount of income accrued on the basis of the exchange rate in effect on the last day of the accrual period or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within the taxable year. Additionally, if a payment of interest is actually received within five business days of the last day of the accrual period or taxable year, an electing accrual basis United

States Holder may instead translate such accrued interest into U.S. dollars at the exchange rate in effect on the day of actual receipt. Any such election will apply to all debt instruments held by the United States Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the United States Holder, and will be irrevocable without the consent of the Internal Revenue Service (the "Service").

Original Issue Discount

General. A Debt Security, other than a Debt Security with a term of one year or less (a "short-term Debt Security"), will be treated as issued at an original issue discount (a "Discount Debt Security") if the excess of the Debt Security's "stated redemption price at maturity" over its issue price is more than a "de minimis amount" (as defined below). Generally, the issue price of a Debt Security will be the first price at which a substantial amount of Debt Securities included in the issue of which the Debt Security is a part is sold to other than bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers. The stated redemption price at maturity of a Debt Security is the total of all payments provided by the Debt Security that are not payments of "qualified stated interest". A qualified stated interest payment is generally any one of a series of stated interest payments on a Debt Security that are unconditionally payable at least annually at a single fixed rate (with certain exceptions for lower rates paid during some periods) applied to the outstanding principal amount of the Debt Security. Special rules for "Variable Rate Debt Securities" (as defined below under "Original Issue Discount — Variable Rate Debt Securities") are described below under "Original Issue Discount — Variable Rate Debt Securities".

In general, if the excess of a Debt Security's stated redemption price at maturity over its issue price is less than 1/4 of 1 percent of the Debt Security's stated redemption price at maturity multiplied by the number of complete years to its maturity (the "de minimis amount"), then such excess, if any, constitutes "de minimis original issue discount" and the Debt Security is not a Discount Debt Security. Unless the election described below under "Election to Treat All Interest as Original Issue Discount" is made, a United States Holder of a Debt Security with de minimis original issue discount must include such de minimis original issue discount in income (as gain recognized on retirement of such Debt Instruments) as stated principal payments on the Debt Security are made. The includible amount with respect to each such payment will equal the product of the total amount of the Debt Security's de minimis original issue discount and a fraction, the numerator of which is the amount of the principal payment made and the denominator of which is the stated principal amount of the Debt Security.

United States Holders of Discount Debt Securities having a maturity of more than one year from their date of issue must include original issue discount ("OID") in income calculated on a constant-yield method before the receipt of cash attributable to such income, and generally will have to include in income increasingly greater amounts of OID over the life of the Debt Security. The amount of OID includible in income by a United States Holder of a Discount Debt Security is the sum of the daily portions of OID with respect to the Discount Debt Security for each day during the taxable year or portion of the taxable year on which the United States Holder holds such Discount Debt Security ("accrued OID"). The daily portion is determined by allocating to each day in any "accrual period" a pro rata portion of the OID allocable to that accrual period. Accrual periods with respect to a Debt Security may be of any length selected by the United States Holder and may vary in length over the term of the Debt Security as long as (i) no accrual period is longer than one year and (ii) each scheduled payment of interest or principal on the Debt Security occurs on either the final or first day of an accrual period. The amount of OID allocable to an accrual period equals the excess of (a) the product of the Discount Debt Security's adjusted issue price at the beginning of the accrual period and such Debt Security's yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over (b) the sum of the payments of qualified stated interest on the Debt Security allocable to the accrual period. The "adjusted issue price" of a Discount Debt Security at the beginning of any accrual period is the issue price of the Debt Security increased by (x) the amount of accrued OID for each prior accrual period and decreased by (y) the amount of any payments previously made (or made on the first day of the accrual period) on the Debt Security that were not

qualified stated interest payments. For purposes of determining the amount of OID allocable to an accrual period, if an interval between payments of qualified stated interest on the Debt Security contains more than one accrual period, the amount of qualified stated interest payable at the end of the interval (including any qualified stated interest that is payable on the first day of the accrual period immediately following the interval) is allocated pro rata on the basis of relative lengths to each accrual period in the interval, and the adjusted issue price at the beginning of each accrual period in the interval must be increased by the amount of any qualified stated interest that has accrued prior to the first day of the accrual period but that is not payable until the end of the interval. The amount of OID allocable to an initial short accrual period may be computed using any reasonable method if all other accrual periods other than a final short accrual period are of equal length. The amount of OID allocable to the final accrual period is the difference between (x) the amount payable at the maturity of the Debt Security (other than any payment of qualified stated interest) and (y) the Debt Security's adjusted issue price as of the beginning of the final accrual period.

Acquisition Premium. A United States Holder that purchases a Debt Security for an amount less than or equal to the sum of all amounts payable on the Debt Security after the purchase date other than payments of qualified stated interest but in excess of its adjusted issue price (any such excess being "acquisition premium") and that does not make the election described below under "Election to Treat All Interest as Original Issue Discount" is permitted to reduce the daily portions of OID by a fraction, the numerator of which is the excess of the United States Holder's adjusted basis in the Debt Security immediately after its purchase over the adjusted issue price of the Debt Security, and the denominator of which is the excess of the sum of all amounts payable on the Debt Security after the purchase date, other than payments of qualified stated interest, over the Debt Security's adjusted issue price.

Market Discount. A Debt Security, other than a short-term Debt Security, will be treated as purchased at a market discount (a "Market Discount Debt Security") if (i) the amount for which a United States Holder purchased the Debt Security is less than the Debt Security's issue price (as determined above under "Original Issue Discount — General") and (ii) the Debt Security's stated redemption price at maturity or, in the case of a Discount Debt Security, the Debt Security's "revised issue price", exceeds the amount for which the United States Holder purchased the Debt Security by at least 1/4 of 1 percent of such Debt Security's stated redemption price at maturity or revised issue price, respectively, multiplied by the number of complete years to the Debt Security's maturity. If such excess is not sufficient to cause the Debt Security to be a Market Discount Debt Security, then such excess constitutes "de minimis market discount". The Code provides that, for these purposes, the "revised issue price" of a Debt Security generally equals its issue price, increased by the amount of any OID that has accrued on the Debt Security.

Any gain recognized on the maturity or disposition of a Market Discount Debt Security will be treated as ordinary income to the extent that such gain does not exceed the accrued market discount on such Debt Security. Alternatively, a United States Holder of a Market Discount Debt Security may elect to include market discount in income currently over the life of the Debt Security. Such an election shall apply to all debt instruments with market discount acquired by the electing United States Holder on or after the first day of the first taxable year to which the election applies. This election may not be revoked without the consent of the Service.

Market discount on a Market Discount Debt Security will accrue on a straight-line basis unless the United States Holder elects to accrue such market discount on a constant-yield method. Such an election shall apply only to the Debt Security with respect to which it is made and may not be revoked without the consent of the Service. A United States Holder of a Market Discount Debt Security that does not elect to include market discount in income currently generally will be required to defer deductions for interest on borrowings allocable to such Debt Security in an amount not exceeding the accrued market discount on such Debt Security until the maturity or disposition of such Debt Security.

Pre-issuance Accrued Interest. If (i) a portion of the initial purchase price of a Debt Security is attributable to pre-issuance accrued interest, (ii) the first stated interest payment on the Debt Security is

to be made within one year of the Debt Security's issue date and (iii) the payment will equal or exceed the amount of pre-issuance accrued interest, then the United States Holder may elect to decrease the issue price of the Debt Security by the amount of pre-issuance accrued interest. In that event, a portion of the first stated interest payment will be treated as a return of the excluded pre-issuance accrued interest and not as an amount payable on the Debt Security.

Debt Securities Subject to Contingencies Including Optional Redemption. In general, if a Debt Security provides for an alternative payment schedule or schedules applicable upon the occurrence of a contingency or contingencies and the timing and amounts of the payments that comprise each payment schedule are known as of the issue date, the yield and maturity of the Debt Security are determined by assuming that the payments will be made according to the Debt Security's stated payment schedule. If, however, based on all the facts and circumstances as of the issue date, it is more likely than not that the Debt Security's stated payment schedule will not occur, then, in general, the yield and maturity of the Debt Security are computed based on the payment schedule most likely to occur.

Notwithstanding the general rules for determining yield and maturity in the case of Debt Securities subject to contingencies, if the Company has an unconditional option or options to redeem a Debt Security, or the Holder has an unconditional option or options to cause a Debt Security to be repurchased, prior to the Debt Security's stated maturity, then (i) in the case of an option or options of the Company, the Company will be deemed to exercise or not exercise an option or combination of options in the manner that minimizes the yield on the Debt Security and (ii) in the case of an option or options of the Holder, the Holder will be deemed to exercise or not exercise an option or combination of options in the manner that maximizes the yield on the Debt Security. For purposes of those calculations, the yield on the Debt Security is determined by using any date on which the Debt Security may be redeemed or repurchased as the maturity date and the amount payable on such date in accordance with the terms of the Debt Security as the principal amount payable at maturity.

If a contingency (including the exercise of an option) actually occurs or does not occur contrary to an assumption made according to the above rules (a "change in circumstances") then, except to the extent that a portion of the Debt Security is repaid as a result of a change in circumstances and solely for purposes of the accrual of OID, the yield and maturity of the Debt Security are redetermined by treating the Debt Security as reissued on the date of the change in circumstances for an amount equal to the Debt Security's adjusted issue price on that date.

Election to Treat All Interest as Original Issue Discount. A United States Holder may elect to include in gross income all interest that accrues on a Debt Security using the constant-yield method described above under the heading "Original Issue Discount — General", with the modifications described below. For purposes of this election, interest includes stated interest, OID, de minimis original issue discount, market discount, de minimis market discount and unstated interest, as adjusted by any amortizable bond premium (described below under "Debt Securities Purchased at a Premium") or acquisition premium.

In applying the constant-yield method to a Debt Security with respect to which this election has been made, the issue price of the Debt Security will equal the electing United States Holder's adjusted basis in the Debt Security immediately after its acquisition, the issue date of the Debt Security will be the date of its acquisition by the electing United States Holder, and no payments on the Debt Security will be treated as payments of qualified stated interest. This election will generally apply only to the Debt Security with respect to which it is made and may not be revoked without the consent of the Service. If this election is made with respect to a Debt Security with amortizable bond premium, then the electing United States Holder will be deemed to have elected to apply amortizable bond premium against interest with respect to all debt instruments with amortizable bond premium (other than debt instruments the interest on which is excludible from gross income) held by the electing United States Holder as of the beginning of the taxable year in which the Debt Security with respect to which the election is made is acquired or thereafter acquired. The deemed election with respect to amortizable bond premium may not be revoked without the consent of the Service.

If the election to apply the constant-yield method to all interest on a Debt Security is made with respect to a Market Discount Debt Security, the electing United States Holder will be treated as having made the election discussed above under "Original Issue Discount — Market Discount" to include market discount in income currently over the life of all debt instruments held or thereafter acquired by such United States Holder.

Variable Rate Debt Securities. A "Variable Rate Debt Security" is a Debt Security that: (i) has an issue price that does not exceed the total noncontingent principal payments by more than the lesser of (1) the product of (x) the total noncontingent principal payments, (y) the number of complete years to maturity from the issue date and (z) .015, or (2) 15 percent of the total noncontingent principal payments, and (ii) provides for stated interest compounded or paid at least annually at (1) one or more "qualified floating rates", (2) a single fixed rate and one or more qualified floating rates, (3) a single "objective rate" or (4) a single fixed rate and a single objective rate that is a "qualified inverse floating rate".

A qualified floating rate or objective rate in effect at any time during the term of the instrument must be set at a "current value" of that rate. A "current value" of a rate is the value of the rate on any day that is no earlier than 3 months prior to the first day on which that value is in effect and no later than 1 year following that first day.

A variable rate is a "qualified floating rate" if (i) variations in the value of the rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which the Debt Security is denominated or (ii) it is equal to the product of such a rate and either (a) a fixed multiple that is greater than zero but not more than 1.35, or (b) a fixed multiple greater than zero but not more than 1.35, increased or decreased by a fixed rate. A rate is not a qualified floating rate, however, if the rate is subject to certain restrictions (including caps, floors, governors, or other similar restrictions) unless such restrictions are fixed throughout the term of the Debt Security or are not reasonably expected to significantly affect the yield on the Debt Security.

An "objective rate" is a rate, other than a qualified floating rate, that is determined using a single, fixed formula and that is based on (i) one or more qualified floating rates, (ii) one or more rates each of which would be a qualified floating rate for a debt instrument denominated in a currency other than the currency in which the debt instrument is denominated, (iii) the yield or changes in the price of one or more actively traded items of personal property other than stock or debt of the issuer or a related party, or (iv) a combination of objective rates. A variable rate is not an objective rate, however, if it is reasonably expected that the average value of the rate during the first half of the Debt Security's term will be either significantly less than or significantly greater than the average value of the rate during the final half of the Debt Security's term. An objective rate is a "qualified inverse floating rate" if (i) the rate is equal to a fixed rate minus a qualified floating rate, and (ii) the variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the cost of newly borrowed funds.

In general, if a Variable Rate Debt Security provides for stated interest at a single qualified floating rate or objective rate, all stated interest on the Debt Security is qualified stated interest and the amount of OID, if any, is determined by using, in the case of a qualified floating rate or qualified inverse floating rate, the value as of the issue date of the qualified floating rate or qualified inverse floating rate, or, in the case of any other objective rate, a fixed rate that reflects the yield reasonably expected for the Debt Security.

If a Variable Rate Debt Security does not provide for stated interest at a single qualified floating rate or objective rate, or at a single fixed rate (other than at a single fixed rate for an initial period), the amount of interest and OID accruals on the Debt Security are generally determined by (i) determining a fixed rate substitute for each variable rate provided under the Variable Rate Debt Security (generally, the value of each variable rate as of the issue date or, in the case of an objective rate that is not a qualified inverse floating rate, a rate that reflects the reasonably expected yield on the Debt Security), (ii) constructing the equivalent fixed rate debt instrument (using the fixed rate substitute described above), (iii) determining the amount of qualified stated interest and OID with respect to the equivalent fixed rate debt instrument, and (iv) making the appropriate adjustments for actual variable rates during the applicable accrual period.

If a Variable Rate Debt Security provides for stated interest either at one or more qualified floating rates or at a qualified inverse floating rate, and in addition provides for stated interest at a single fixed rate (other than at a single fixed rate for an initial period), the amount of interest and OID accruals are determined as in the immediately preceding paragraph with the modification that the Variable Rate Debt Security is treated, for purposes of the first three steps of the determination, as if it provided for a qualified floating rate (or a qualified inverse floating rate, as the case may be) rather than the fixed rate. The qualified floating rate (or qualified inverse floating rate) replacing the fixed rate must be such that the fair market value of the Variable Rate Debt Security as of the issue date would be approximately the same as the fair market value of an otherwise identical debt instrument that provides for the qualified floating rate (or qualified inverse floating rate) rather than the fixed rate.

Short-Term Debt Securities. In general, an individual or other cash basis United States Holder of a short-term Debt Security is not required to accrue OID (as specially defined below for the purposes of this paragraph) for United States federal income tax purposes unless it elects to do so (but may be required to include any stated interest in income as the interest is received). Accrual basis United States Holders and certain other United States Holders, including banks, regulated investment companies, dealers in securities, common trust funds, United States Holders who hold Debt Securities as part of certain identified hedging transactions, certain pass-thru entities and cash basis United States Holders who so elect, are required to accrue OID on short-term Debt Securities on either a straight-line basis or under the constant-yield method (based on daily compounding), at the election of the United States Holder. In the case of a United States Holder not required and not electing to include OID in income currently, any gain realized on the sale or retirement of the short-term Debt Security will be ordinary income to the extent of the OID accrued on a straight-line basis (unless an election is made to accrue the OID under the constant-yield method) through the date of sale or retirement. United States Holders who are not required and do not elect to accrue OID on short-term Debt Securities will be required to defer deductions for interest on borrowings allocable to short-term Debt Securities in an amount not exceeding the deferred income until the deferred income is realized.

For purposes of determining the amount of OID subject to these rules, all interest payments on a short-term Debt Security, including stated interest, are included in the short-term Debt Security's stated redemption price at maturity.

Foreign Currency Discount Debt Securities. OID for any accrual period on a Discount Debt Security that is denominated in, or determined by reference to, a foreign currency will be determined in the foreign currency and then translated into U.S. dollars in the same manner as stated interest accrued by an accrual basis United States Holder, as described under "Payments of Interest". Upon receipt of an amount attributable to OID (whether in connection with a payment of interest or the sale or retirement of a Debt Security), a United States Holder may recognize ordinary income or loss.

Debt Securities Purchased at a Premium

A United States Holder that purchases a Debt Security for an amount in excess of its principal amount may elect to treat such excess as "amortizable bond premium", in which case the amount required to be included in the United States Holder's income each year with respect to interest on the Debt Security will be reduced by the amount of amortizable bond premium allocable (based on the Debt Security's yield to maturity) to such year. In the case of a Debt Security that is denominated in, or determined by reference to, a foreign currency, bond premium will be computed in units of foreign currency, and amortizable bond premium will reduce interest income in units of the foreign currency. At the time amortized bond premium offsets interest income, exchange gain or loss (taxable as ordinary income or loss) is realized measured by the difference between exchange rates at that time and at the time of the acquisition of the Debt Securities. Any election to amortize bond premium shall apply to all bonds (other than bonds the interest on which is excludible from gross income) held by the United States Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the United States Holder, and is irrevocable without the consent of the Service. See also "Original Issue Discount — Election to Treat All Interest as Original Issue Discount".

Purchase, Sale and Retirement of the Debt Securities

A United States Holder's tax basis in a Debt Security will generally be its U.S. dollar cost (as defined below), increased by the amount of any OID or market discount included in the United States Holder's income with respect to the Debt Security and the amount, if any, of income attributable to de minimis original issue discount and de minimis market discount included in the United States Holder's income with respect to the Debt Security, and reduced by (i) the amount of any payments that are not qualified stated interest payments, and (ii) the amount of any amortizable bond premium applied to reduce interest on the Debt Security. The U.S. dollar cost of a Debt Security purchased with a foreign currency will generally be the U.S. dollar value of the purchase price on the date of purchase or, in the case of Debt Securities traded on an established securities market, as defined in the applicable Treasury Regulations, that are purchased by a cash basis United States Holder (or an accrual basis United States Holder that so elects), on the settlement date for the purchase.

A United States Holder will generally recognize gain or loss on the sale or retirement of a Debt Security equal to the difference between the amount realized on the sale or retirement and the tax basis of the Debt Security. The amount realized on a sale or retirement for an amount in foreign currency will be the U.S. dollar value of such amount on the date of sale or retirement or, in the case of Debt Securities traded on an established securities market, as defined in the applicable Treasury Regulations, sold by a cash basis United States Holder (or an accrual basis United States Holder that so elects), on the settlement date for the sale. Except to the extent described above under "Original Issue Discount — Short-Term Debt Securities" or "Original Issue Discount — Market Discount" or described in the next succeeding paragraph or attributable to accrued but unpaid interest, gain or loss recognized on the sale or retirement of a Debt Security will be capital gain or loss and will be long-term capital gain or loss if the Debt Security was held for more than one year.

Gain or loss recognized by a United States Holder on the sale or retirement of a Debt Security that is attributable to changes in exchange rates will be treated as ordinary income or loss. However, exchange gain or loss is taken into account only to the extent of total gain or loss realized on the transaction.

Exchange of Amounts in Other Than U.S. Dollars

Foreign currency received as interest on a Debt Security or on the sale or retirement of a Debt Security will have a tax basis equal to its U.S. dollar value at the time such interest is received or at the time of such sale or retirement. Foreign currency that is purchased will generally have a tax basis equal to the U.S. dollar value of the foreign currency on the date of purchase. Any gain or loss recognized on a sale or other disposition of a foreign currency (including its use to purchase Debt Securities or upon exchange for U.S. dollars) will be ordinary income or loss.

Indexed Debt Securities

The applicable Prospectus Supplement will contain a discussion of any special United States federal income tax rules with respect to Debt Securities that are not subject to the rules governing Variable Rate Debt Securities payments on which are determined by reference to any index.

Backup Withholding and Information Reporting

In general, information reporting requirements will apply to payments of principal, any premium and interest on a Debt Security and the proceeds of the sale of a Debt Security before maturity within the United States to, and to the accrual of OID on a Discount Debt Security with respect to, non-corporate United States Holders, and "backup withholding" at a rate of 31% will apply to such payments and to payments of OID if the United States Holder fails to provide an accurate taxpayer identification number or to report all interest and dividends required to be shown on its federal income tax returns.

PLAN OF DISTRIBUTION

The Company may sell the Debt Securities through or to underwriters, and also may sell Debt Securities directly to purchasers or through agents. Such underwriters may also act as agents.

The distribution of the Debt Securities may be effected from time to time in one or more transactions at a fixed price or prices, which may be changed, or at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at negotiated prices.

In connection with the sale of Debt Securities, underwriters may receive compensation from the Company or from purchasers of Debt Securities for whom they may act as agents in the form of discounts, concessions or commissions. Underwriters may sell Debt Securities to or through dealers, and such dealers may receive compensation in the form of discounts, concessions or commissions from the underwriters and/or commissions from the purchasers for whom they may act as agents. Underwriters, dealers and agents that participate in the distribution of Debt Securities may be deemed to be underwriters, and any discounts or commissions received by them from the Company and any profit on the resale of Debt Securities by them may be deemed to be underwriting discounts and commissions, under the Securities Act of 1933 (the "Act"). Any such underwriter or agent will be identified, and any such compensation received from the Company will be described, in the Prospectus Supplement.

The Debt Securities may not be offered, transferred or sold, as part of their initial distribution or at any time thereafter, to any persons (including legal entities) established, domiciled or resident in The Netherlands.

Under agreements which may be entered into by the Company, underwriters and agents who participate in the distribution of Debt Securities may be entitled to indemnification by the Company against certain liabilities, including liabilities under the Act.

If so indicated in the Prospectus Supplement, the Company will authorize underwriters or other persons acting as the Company's agents to solicit offers by certain institutions to purchase Debt Securities from the Company pursuant to contracts providing for payment and delivery on a future date. Institutions with which such contracts may be made include commercial and savings banks, insurance companies, pension funds, investment companies, educational and charitable institutions and others, but in all cases such institutions must be approved by the issuer. The obligations of any purchaser under any such contract will be subject to the condition that the purchase of the offered Debt Securities shall not at the time of delivery be prohibited under the laws of the jurisdiction to which such purchaser is subject. The underwriters and such other agents will not have any responsibility in respect of the validity or performance of such contracts.

VALIDITY OF DEBT SECURITIES

The validity of the Debt Securities will be passed upon by Sullivan & Cromwell, United States counsel for the Company, and by Davis Polk & Wardwell, United States counsel for any underwriters. The validity of the Debt Securities with respect to Netherlands law will be passed upon by M.J.G.C. Raaijmakers, Legal Adviser to the Company, and De Brauw Blackstone Westbroek, Netherlands legal counsel to the Company. Sullivan & Cromwell and Davis Polk & Wardwell are entitled to rely upon the opinions of M.J.G.C. Raaijmakers and De Brauw Blackstone Westbroek with respect to all matters of Netherlands law and M.J.G.C. Raaijmakers and De Brauw Blackstone Westbroek are entitled to rely upon the opinion of Sullivan & Cromwell with respect to all matters of New York law.

EXPERTS

The Consolidated Financial Statements of the Company as of December 31, 1992 and 1993, and for each of the years in the three-year period ended December 31, 1993, incorporated by reference to the Company's 1993 Form 20-F, have been incorporated by reference in reliance upon the report of KPMG Klynveld, public accountants, incorporated by reference herein, and upon the authority of said firm as experts in accounting and auditing.

ADDITIONAL INFORMATION

The Company, in compliance with applicable US federal securities laws, has filed with the Commission a registration statement (herein, together with all amendments and exhibits thereto, referred to as the "Registration Statement") under the Act with respect to the Debt Securities offered hereby. In addition, the Company, in compliance with applicable state securities laws, has made certain required filings. This Prospectus does not contain all of the information set forth in the Registration Statement, certain parts of which are omitted in accordance with the rules and regulations of the Commission. For further information, reference is hereby made to the Registration Statement, which may be inspected and copied at the public reference facilities maintained by the Commission at Room 1024, 450 Fifth Street, N.W., Washington, DC 20549, copies of which may be obtained by mail from the Public Reference Branch of the Commission at 450 Fifth Street, N.W., Washington, DC 20549, at prescribed rates.

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No dealer, salesperson or other person has been authorized to give any information or make any representation not contained in this Prospectus Supplement or the Prospectus and, if given or made, such information or representation must not be relied upon as having been authorized by the Company or any Underwriter. This Prospectus Supplement and the Prospectus do not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction. Neither the delivery of this Prospectus Supplement or the Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that the information herein is correct as of any time subsequent to the date hereof or that there has been no change in the affairs of the Company since such date.

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PHILIPS

\$175,000,000
7¹/₈ % Debentures Due 2025,
Series A

\$175,000,000
7³/₄ % Debentures Due 2025,
Series B

PROSPECTUS SUPPLEMENT

CS First Boston

Merrill Lynch & Co.

Morgan Stanley & Co.
Incorporated